



2008 Annual Report

Bank of Panhsin Head Office

Address: 2F, No.18, Chengdu St., Banciao City, Taipei County, Taiwan, R.O.C.

Tel: (02)2962-9170

Website: <http://www.bop.com.tw>

Spokesman

Name: Jia-Nan Fang

Title: S.E.V.P.

Address: 2F, No.18, Chengdu St., Banciao City, Taipei County, Taiwan, R.O.C.

Tel: (02)2962-9170

E-mail: 00104bop@bop.com.tw

Deputy Spokesman

Name: Chi-Hsun Chang

Title: G.M. of Human Resource Department

Address: 2F, No.18, Chengdu St., Banciao City, Taipei County, Taiwan, R.O.C.

Tel: (02)2962-9170

E-mail: 43009@bop.com.tw

Credit Rating Services Organization

Taiwan Ratings Corporation

Address: 49F, Taipei 101 Tower, No.7, Xingyi Rd., Sec. 5, Taipei County, Taiwan, R.O.C.

Tel: (02)8722-5800

Website: <http://www.taiwanratings.com>

Certified Public Accountants for Financial Statements

KPMG Certified Public Accountants

Name of Accountants: Andrew Yu, Li Li Lu

Address: 68F, Taipei 101 Tower, No.7, Xingyi Rd., Sec. 5, Taipei County, Taiwan, R.O.C.

Tel: (02)8101-6666

Website: <http://www.kpmg.com.tw>

Table of Contents

Bank Overview

I 、 Date of Incorporation

II 、 Credit Rating

Corporate Governance

I 、 Organization Chart

II 、 Information on the Directors, Supervisors, President, Executive Vice Presidents, Vice Presidents, and Major Managers

III 、 Status on Changes in Any Transfer of Equity Interests and Pledge of or Change in Equity Interests by Directors, Supervisors, Managerial Officers Whom Were Required to Declare Under Article 25, Note 3 of Banking Law

IV 、 Information on the Inter-Relations of the Bank's Top 10 Shareholders

V 、 Status of Consolidated Shares Holding

Funding Status

I 、 Shares & Dividends

II 、 Status on the Issuance of Financial Debenture

III 、 Status on the Preferred Stock

Certified Financial Statement By CPA

Related Information on the Bank's Subsidiaries

I 、 Relationship Chart

II 、 Profile of Subsidiaries

III 、 Information on Directors, Supervisors and President of Subsidiaries

IV 、 Operation Status of Subsidiaries

Directory of Head Office & Branches

Bank Overview

Bank of Panhsin (BOP) was founded back in April 25, 1957, formerly known as the Banciao Credit Cooperative (PCC), and has ever since kept its operating principle of “Customer First” in mind to pursuit in expanding its business scale at a steady pace. In order to cope with such a rapidly liberalized financial environment and in compliance with the article of “Standards and Methods for Reorganization of Credit Cooperative into Commercial Bank” announced in December 6, 1995, PCC had acquired the Kaohsiung Fifth Credit Cooperative on September 29, 1997, officially transformed into a commercial bank, and renamed BOP the following day. The business premise has thus broken out of Greater Taipei Area and its footprint extended to the southern part of the country. BOP had also acquired the Chiayi First Credit Cooperative on March 7, 2005, the total branches have increased up to 48 (including one OBU), which were distributed across Taipei City & County, Taoyuan County, Hsinchu County, Taichung city, Chiayi City, Tainan city, Kaohsiung City, and Yilan County.

Hence, BOP will persist in retaining its management concepts of “Integrity, Practicality, and Innovation” to expand its operating scale, improve its asset quality, and ultimately maximize its profits. BOP is determined in pursuit of becoming a highly competitive comprehensive mid-sized commercial bank.

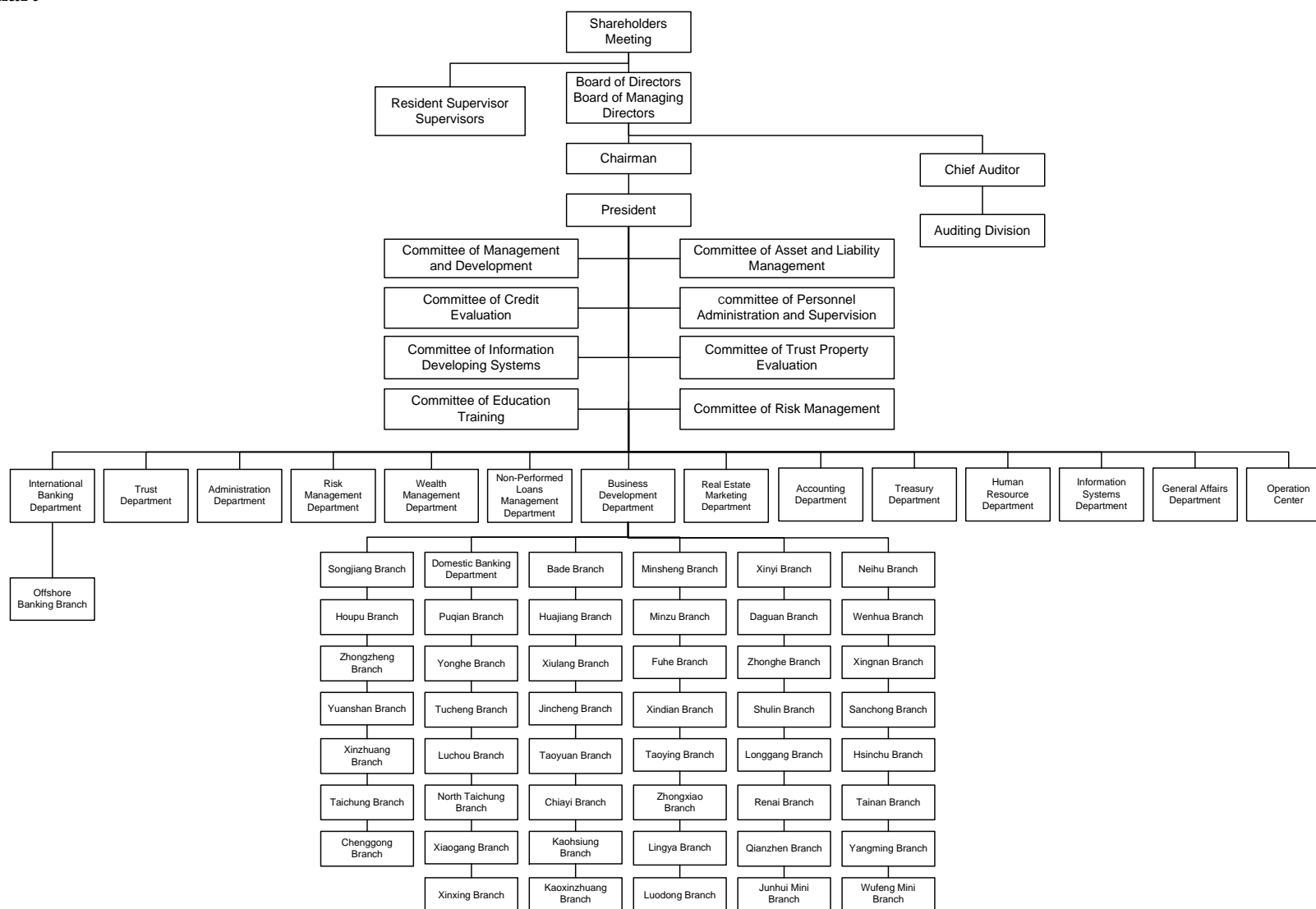
I 、Date of Incorporation: September 30, 1997

II 、Credit Rating

Rating Agency	Date	Long-Term	Short-Term	Outlook
Taiwan Ratings Corp.	Oct. 07, 2008	twBBB	twA-3	Stable

Corporate Governance

I · Organization Chart



II 、Information on the Directors, Supervisors, President, Executive Vice Presidents, Vice Presidents, and Major Managers

(I)Directors and Supervisors

As of Dec.31, 2008

Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding when Elected		Current Shareholding		Shares held by Spouses & Children		Major Experience & Education	Current Positions In the BOP and Other Companies
					Shares	%	Shares	%	Shares	%		
Chairman	Ping-Hui Liu	Jun. 20, 2006	3	Sept. 30, 1997	32,221,530	3.93	27,772,606	2.91	29,682,397	3.11	Chihlee College of Business/ Chairman of Banciao Credit Cooperative	Chairman of Panhsin Insurance Broker Co., Ltd./ Chairman of Da-Shun Construction Co., Ltd./ Director of FU-JING Investment Co., Ltd.
Managing Director	Ming-Hsin Chiu	Jun. 20, 2006	3	Sept. 30, 1997	4,289,635	0.52	4,504,116	0.47	2,123,854	0.22	Ta-Tung Vocational High School/ Director of Banciao Credit Cooperative	Director of Panhsin Asset Management Co., Ltd./ Director of Chin-Huan-Cho Development Co., Ltd
Managing Director	Dao-Ming Kuo	Jun. 20, 2006	3	Sept. 30, 1997	6,870,069	0.84	7,213,572	0.75	2,085,677	0.22	MBA, Meijo University, Japan/ Director of Banciao Credit Cooperative	Chairman of Panhsin Asset Management Co., Ltd./ Chairman of Aizia Enterprise Co., Ltd./ Chairman of Ching-I enterprise Co., Ltd.
Managing Director	Han-Chia Construction Co., Ltd. (Representative: Ping-Huang Liu)	Jun. 20, 2006	3	Jun. 20, 2006	53,255	0.01	61,797	0.01	-	-	Chung-Yuan University/ Director of Banciao Credit Cooperative	-
Managing Director	Chao-Shen Liu	Jun. 20, 2006	3	Sept. 30, 1997	2,840,750	0.35	2,982,787	0.31	-	-	University of Southern California Director of Banciao Credit Cooperative	Director of Fung-Ho Construction Co.
Managing Director	Chung-Liang Chen	Jun. 20, 2006	3	Jun. 26, 2003	651,442	0.08	5,684,014	0.59	106,804	0.01	KaiNan High School of Commerce and Industry/ Manager of BOP	-
Director	Sheng-Hung Shao	Jun. 20, 2006	3	Sept. 30, 1997	11,843,817	1.44	12,436,007	1.30	1,075,463	0.11	National Tam-Shui Vocational High School/ Director of Banciao Credit Cooperative	Director & President of Bi-Fu Construction Co., Ltd./ Director of Space Satellite Television City Co., Ltd./ Director of Shin Ho Ho Net CATV Co., Ltd.
Director	San Light Construction Co., Ltd (Representative: Mei-Yun Liao)	Jun. 20, 2006	3	Jun. 20, 2006	11,830	-	3,012,421	0.32	-	-	Blessed Imelda's School/ Chairman of San-Light Construction Co., Ltd.	-
Director	Fang-Chin Huang	Jun. 20, 2006	3	Jun. 26, 2000	1,520,885	0.19	4,011,529	0.42	-	-	Yu Da High School of Commerce and Home Economics/ Membership Representative of Banciao Credit Cooperative	Supervisor of Long-Jin Construction Co., Ltd.
Director	Lin-Long Chien	Jun. 20, 2006	3	Sept. 30, 1997	6,305,638	0.77	6,620,919	0.69	1,305,057	0.14	Kuang Hua Senior Commercial Vocational Continuation High School Supervisor of Banciao Credit Cooperative	Director of Panhsin Asset Management Co., Ltd./ Chairman of He-Ching Entertainment Co., Ltd./ Chairman of Yi-Chin Entertainment Co., Ltd.

Position	Name	Date Appointed	Term Year	Date First Appointed	Shareholding when Elected		Current Shareholding		Shares held by Spouses & Children		Major Experience & Education	Current Positions In the BOP and Other Companies
					Shares	%	Shares	%	Shares	%		
Director	San-Jyun Construction Co., Ltd. (Representative: Yi-Hsung Chang)	Jun. 20, 2006	3	Jun. 20, 2006	11,830	-	12,421	-	-	-	Tamkang University/ President of Land Bank	Counselor of BOP
Director	Li-Wang Lu	Jun. 20, 2006	3	Sept. 30, 1997	10,520,175	1.28	7,451,075	0.78	3,578	-	Private Chih-Kwang Senior Vocational Business & Technology High School/ Supervisor of Banciao Credit Cooperative	Chairman of Mao-Qi Construction Co., Ltd.
Director	Fu-Jing Investment Co., Ltd. (Representative: Hsien-Tse Chiu)	Jun. 20, 2006	3	Jun. 20, 2006	33,613,212	4.10	33,493,872	3.50	-	-	National Taipei High School of Commerce/ Supervisor of Banciao Credit Cooperative	-
Director	Jing-Bao-Di Co., Ltd. (Representative: Tong-Ren Lin)	Jun. 20, 2006	3	Jun. 20, 2006	-	-	(PS)1,000,000	0.10	-	-	Tamkang University/ V.P. of BOP	-
Director	Jen-Hsien Chiu	Jun. 20, 2006	3	Jun. 26, 2003	6,770,229 (PS)765,000	0.92	7,108,740 (PS) 765,000	0.82	2,365,197 (PS) 459,781	0.30	KaiNan High School of Commerce and Industry/ Chairman of Juridical Person Chiu Chun-Mu Foundation	Director of Pu-Sheng Bio-Tech Co., Ltd./ Director of Chin-Huan-Cho Development Co., Ltd
Director	Jia-Nan Fang	Jun. 20, 2006	3	Jun. 26, 2003	12,015,784	1.47	17,338,424	1.81	9,110,400	0.95	Soochow University/ S.V.P. of Chinatrust Commercial Bank	S.E.V.P. of BOP
Director	Jhin-Chen Chen	Jun. 20, 2006	3	Sept. 30, 1997	2,757,779	0.34	2,895,668	0.30	18,744 (PS) 2,025	-	Kinki University Japan/ President of BOP	-
Resident Supervisor	Chin-E Yeh	Jun. 20, 2006	3	Sept. 30, 1997	4,502,578	0.55	4,027,706	0.42	501,977	0.05	National Taipei High School of Commerce/ Resident Supervisor of Banciao Credit Cooperative	
Supervisor	Lai-Wei Liu	Jun. 20, 2006	3	Sept. 30, 1997	5,229,611	0.64	5,491,091	0.57	8,648,733	0.90	Ger-Jyh Senior High School/ Director of Banciao Credit Cooperative	Chairman of Jin-Annian Construction Co., Ltd./ Chairman of Jin-Fu Construction Co., Ltd./ Chairman of Kao-Do Construction Co., Ltd.
Supervisor	Shang-Che Chen	Jun. 20, 2006	3	Sept. 30, 1997	6,519,394	0.80	6,845,363	0.72	438,479	0.05	Chungyu Institute of Technology / Supervisor of Banciao Credit Cooperative	-
Supervisor	Teng-Chum Chen	Jun. 20, 2006	3	Jun. 26, 2000	1,141,087 (PS)875,000	0.25	1,198,141 (PS) 875,000	0.22	3,578	-	KaiNan High School of Commerce and Industry/ V.P. of BOP	Supervisor of Panhsin Insurance Broker Co., Ltd. Director of Digital-Cell-Tech Entertainments Co., Ltd.
Supervisor	Mao-Yang Chu	Jun. 20, 2006	3	Sept. 30, 1997	6,229,609	0.76	6,541,089	0.68	318,578	0.03	Yu Da High School of Commerce and Home Economics/ E.V.P. of Banciao Credit Cooperative	Chairman of Hong-Tai Development Construction Co., Ltd./ Director of Pu-Sheng Bio-Tech Co., Ltd./ Supervisor of Shi-Qi Construction Co., Ltd.

Note 1: (PS)represents preferred shares. The percentage of shareholding includes represents preferred shares.

Note 3: Ming-Sing Shieh quitted on May 19, 2008.

Note 2: San-Jyun Construction Co., Ltd. Changed representative to Yi- Hsung Chang on Sept. 12, 2007.

(II) President, Executive Vice Presidents, Vice Presidents and Major Managers

As of Dec.31, 2008

Position	Name	Date Appointed	Shares Held		Shares Held by Spouses and Children		Major Experience & Education
			Shares	%	Shares	%	
President	An-Shiung Chen	Sep. 01, 2008	-	-	-	-	International Trade Dept., National Chengchi University/ President of Taiwan Cooperative Bank
S.E.V.P.	Jia-Nan Fang	Sep. 21, 2006	17,338,424	1.81	9,110,400	0.95	Economic Dept., Soochow University/ S.V.P. of Chinatrust Commercial Bank
S.E.V.P.	Hsin-Min Lee	Sep. 21, 2006	43,061 (PS) 27,524	0.01	-	-	Accounting Dept., National Chung-Hsing University/ Manager of Ta Chong Bank
E.V.P. & Chief Auditor	Fu-Chai Teng	Sep. 21, 2006	93,784 (PS) 12,913	0.01	-	-	Business Administration Dept., National Chung Hsing University/ V.P. of Taishin International Bank
E.V.P. & G.M. of Tainan Branch	Yuan-Tung Hsieh	Nov. 26, 2008	-	-	-	-	International Trade Dept., Chinese Culture University / Manager of Taishin International Bank
E.V.P. & G.M. of Lingya Branch	Rong-Kun Jhangjian	Nov. 26, 2008	19,422	-	-	-	Banking Dept., National Chengchi University/ S.V.P. of Chinatrust Commercial Bank
E.V.P	Shih-Chi Wu	Jan. 18, 2008	42,224	-	57,486	0.01	EMBA, National Chengchi University/ Manager of BOP
G.M. of Auditing Dept.	Ke-Han Liu	Apr. 01, 2008	11,286 (PS) 10,130	-	744 (PS) 90	-	Banking & Insurance Dept., National Open College/ Manager of BOP
G.M. of Accounting Dept.	Gwo-Tai Wang	Jun. 01, 2007	12,051	-	60,731	0.01	Accounting & Statistics Dept., National Taipei College of Business/ Manager of BOP
G.M. of Business Development Dept.	Shian-Tang Chiu	Nov. 26, 2008	82,646 (PS) 17,001	0.01	379,627	0.04	International Trade Dept., Chihlee College of Business/ Manager of BOP
G.M. of Administration Dept.	Jhih-Wun Lin	Apr. 01, 2008	40,587 (PS) 12,457	0.01	-	-	Business Administration Dept., Hsing-Wu College/ Manager of BOP
G.M. of Real Estate Marketing Dept.	Yu-Tzu Yu	Apr. 01, 2008	-	-	-	-	International Trade Dept., Soochow University/ Manager of Chinatrust Commercial Bank
G.M. of Non-Performed Loans Management Dept.	Hsin-Mao Huang	Jan. 29, 2007	13,729	-	324	-	Accounting Dept., Fu-Jen Catholic University/ Manager of BOP
G.M. of International Banking Dept. & Offshore Banking Branch	Shing-Fen Lin	Mar. 26, 2008	-	-	-	-	Master Of International Finance Dept., The University of Birmingham/ Assistant Manager of EnTie Commercial Bank
G.M. of Wealth Management Dept.	Hsue-Hsin Lin	May 02, 2007	1,207 (PS) 11,478	-	-	-	International Trade Dept., Chinese Culture University / V.P. of Chinatrust Commercial Bank
G.M. of Trust Dept.	Jung-Tien Hsiao	May 02, 2007	-	-	-	-	Master of Economics Dept., National Taiwan University/ Manager of BOP

Position	Name	Date Appointed	Shares Held		Shares Held by Spouses and Children		Major Experience & Education
			Shares	%	Shares	%	
G.M. of Treasury Dept.	Feng-Jung Lee	Apr. 02, 2007	-	-	-	-	Statistics Dept., National Cheng Kung University/ E.V.P of IBT Securities
G.M. of Risk Management Dept.	Shu-Nu Yang	Nov. 26, 2008	2,100	-	-	-	Master Of International Monetary Finance Dept.,The University of Birmingham/ Assistant Manager of Pan Asia Commercial Bank
G.M. of Human Resource Dept.	Chi-Hsun Chang	Oct. 01, 2006	31,520 (PS) 11,478	-	-	-	Master of Economics Dept., National Taiwan University/ Manager of BOP
G.M. of Information Systems Dept.	Tzi-Sheng Tsai	Feb. 15, 2005	12,051 (PS) 11,478	-	-	-	Hydraulic Engineering Dept., National Cheng Kung University/ V.P. of Chinatrust Commercial Bank
G.M. of General Affairs Dept.	Chen-Fu Sun	Nov. 26, 2008	158,701 (PS) 28,342	0.02	4,134 (PS) 499	-	Agriculture Dept., National Hsin Chung Senior High School/ Manager of BOP
G.M. of Domestic Banking Dept.	His-Huang Chang	Apr. 01, 2008	460,547	0.05	57,486	0.01	Khang Hua Senior commercial Vocational Continuation Hight School/ Manager of BOP
G.M. of Houpu Branch	Shiu-Ching Wan	Jan. 21, 2008	150,545	0.02	-	-	Economics Dept., Chinese Culture University / Manager of BOP
G.M. of Yonghe Branch	De-Gua Lin	Apr. 02, 2007	399,520 (PS) 11,478	0.04	10,236	-	Banking & Insurance Dept., Hsing-Wu College/ Manager of BOP
G.M. of Puqian Branch	Chin-Lung Kuo	Apr. 02, 2007	71,597 (PS) 10,000	0.01	16,724	-	International Trade Dept., Chihlee College of Business/ Manager of BOP
G.M. of Huajiang Branch	Yuan-Cyun Lai	Nov. 26, 2008	80,818	0.01	541	-	Kai-Nan Commercial Vocational High School/ Manager of BOP
G.M. of Minzu Branch	Wen-Chin Wang	Apr. 01, 2008	7,755	-	-	-	Taipei Senior High School of Commerce/ Manager of Bop
G.M. of Zhonghe Branch	Fu-Shan Lyu	Apr. 02, 2007	377,262	0.04	28,667	0.02	Business Administration Dept., Tamkang University/ Manager of BOP
G.M. of Tucheng Branch	Lai-Wong Lin	Apr. 02, 2007	211,643 (PS) 33,528	0.03	75,616 (PS) 100,900	0.02	Accounting & Statistics Dept., National Taipei College of Business/ Manager of BOP
G.M. of Wenhua Branch	Chun-Lien Lin	Apr. 02, 2007	6,000 (PS) 10,000	-	-	-	Sung-Shan High School of Commerce and Home Economics/ Manager of BOP.
G.M. of Daguan Branch	Chun-Ming Huang	Apr. 02, 2007	256,791 (PS) 11,343	0.03	-	-	Yu-Da High School of Commerce/ Manager of BOP
G.M. of Xingnan Branch	Sheng-Tsung Hsu	Apr. 02, 2007	21,693 (PS) 10,000	-	5,531 (PS) 700	-	International Trade Dept., Chihlee College of Business/ Assistant Manager of BOP
G.M. of Xinzhuang Branch	Yi-Zhong Juo	Apr. 02, 2007	168,120	0.02	33,038	-	Business Administration Dept., Chihlee College of Business/ Deputy Manager of BOP
G.M. of Xiulang Branch	Jheng-Long Lin	Nov. 26, 2008	,542 (PS) 3,540	-	-	-	Statistics Dept., Tamkang University/ Manager of Chinatrust Commercial Bank

Position	Name	Date Appointed	Shares Held		Shares Held by Spouses and Children		Major Experience & Education
			Shares	%	Shares	%	
G.M. of Sanchong Branch	Ke-Long Wu	Apr. 02, 2007	152,327 (PS) 1,534	0.02	52,028	0.01	Business Administration Dept., Chihlee College of Business/ Assistant Manager of BOP
G.M. of Yuanshan Branch	De-Hsien Lin	Nov. 26, 2008	-	-	-	-	Business Administration Dept., takming College/ Manager of Chinatrust commercial Bank
G.M. of Shulin Branch	Yao-Tsung Liu	Apr. 01, 2008	-	-	-	-	National Hsinchu Commercial & Vocational School/ Manager of BOP
G.M. of Jincheng Branch	Lee-Ying Lan	Aug. 01, 2008	69,840	0.01	182,327 (PS) 10,040	0.02	Bank and Insurance Dept., Chihlee College of Business/ Manager of BOP
G.M. of Xindian Branch	Wen-Cheng Lai	Aug. 07, 2001	31,520 (PS) 11,478	-	-	-	Banking & Insurance Dept., Tatung College of Business/ Manager of Chinfon Bank
G.M. of Zhongzheng Branch	A-Jen Lai	Nov. 26, 2008	22,068 (PS) 11,432	-	-	-	Business Dept., National Taipei College of Business/ Manager of BOP
G.M. of Luchou Branch	Wan-Yi Zhou	Apr. 01, 2008	123,997 (PS) 25,173	0.02	433	-	International Trade Dept., National Taipei Open University/ Deputy Manager of Bop
G.M. of Fuhe Branch	Kai-Ming Wu	Nov. 26, 2008	81,815	0.01	3,578	-	Accounting & Statistics Dept., National Taipei College of Business/ Manager of BOP
G.M. of Songjiang Branch	Yi-Hui Yu	Jan. 21, 2008	110,000	0.01	-	-	Cooperative Economics Dept., National Chung Hsing University/ E.V.P. of Keelung Second Credit Cooperative
G.M. of Xinyi Branch	Wan-Ji Chen	Apr. 02, 2007	111,414 (PS) 26,886	0.01	29,491 (PS) 4,078	-	Business Administration Dept., Chihlee College of Business/ Manager of BOP
G.M. of Minsheng Branch	Mou Cheng	Apr. 01, 2008	-	-	-	-	Department of Economics, Fu-Jen Catholic University/ Deputy Manager. of Fubon Bank
G.M. of Bade Branch	li-Cing Wei	Apr. 01, 2008	10,752 (PS) 10,065	-	3,254	-	Business Administration Dept., Chihlee College of Business/ Manager of B.O.P
G.M. Neihu Branch	Hui-Yang Chang	Nov. 26, 2008	5,250	-	-	-	Business Administration Dept., Soochow University/ Deputy Manager of Taishin International Bank
G.M. of Taoyuan Branch	Chun-Wei Wang	Apr. 01, 2008	17,051	-	-	-	Business Administration Dept., Dan-Shuei College of Technology/ Manager of Grand Commercial Bank
G.M. of Taoying Branch	Ed-Hu Yu	Nov. 26, 2008	5,000	-	-	-	Business Administration Dept., Tamkang University / V.P. of Cosmos Bank
G.M. of Longgang Branch	Huei-Jin Jinag	Aug. 01, 2006	75,925 (PS) 5,000	0.01	3,578	-	Accounting & Statistics Dept., Chihlee College of Business/ Assistant Manager of BOP
G.M. of Hsinchu Branch	Zhen-Hua Xia	Dec. 01, 2004	10,542	-	-	-	Business Administration Dept., National Chung-Hsing University/ Assistant Manager of Ta Chong Bank
G.M. of Taichung Branch	Yong-Lun Lee	Apr. 01, 2008	24,557	-	-	-	Business Administration Dept., Taichung College of Business/ Manager of Chinatrust Commercial Bank

Position	Name	Date Appointed	Shares Held		Shares Held by Spouses and Children		Major Experience & Education
			Shares	%	Shares	%	
G.M. of North Taichung Branch	Yung-Kuan chen	Apr. 01, 2008	-	-	-	-	Banking & Insurance Dept., Tunghai University/ Manager of Taichung Bank Branch
G.M. of Chiayi Branch	Yong-Chang Chen	Nov. 26, 2008	10,542 (PS) 10,040	-	-	-	K&J High School/ Manager of Chiayi First Credit Cooperative
G.M. of Wufeng Mini Branch	Hong-Jhang Jiang	Apr. 10, 2006	(PS) 8,000	0.01	-	-	Business Administration Dept., Tatung College of Business/ Assistant Manager of Chiayi First Credit Cooperative
G.M. of Renai Branch	Yu-Tien Shieh	Jan. 21, 2008	9,040 (PS) 8,610	-	-	-	Tatung Commercial Vocational High School/ Manager of BOP
G.M. of Zhongxiao Branch	Ji-Zhou Shu	Nov.26, 2008	(PS) 11,478	-	-	-	National Hwa-Nan Senior Commercial High School/ E.V.P. of Chiayi First Credit Cooperative
G.M. of Junhui Mini Branch	Hui-Ling Lu	Apr. 02, 2007	10,616 (PS) 8,610	-	-	-	Tatung College of Business/ Assistant Manager of Chiayi First Credit Cooperative
G.M. of Chenggong Branch	Chia-Ching Chang	Nov. 26, 2008	-	-	-	-	Business Administration Dept., Soochow University/ Manager of Bowa Bank
G.M. of Kaohsiung Branch	Shu-Zhen Lin	Dec. 01, 2005	9,040 (PS) 8,610	-	-	-	Accounting & Statistics Dept., International Business College/ Assistant Manager of BOP
G.M. of Xiaogang Branch	Chin-Chuan Chiang	Jan. 21, 2008	10,500 (PS) 10,000	-	-	-	Banking & Insurance Dept., National Open College/ Manager of BOP
G.M. of Xinxing Branch	Xian-Chin Kuo	Apr. 02, 2007	3,000 (PS) 8,610	-	-	-	Business Dept., San-Hsin High School/ Assistant Manager of BOP
G.M. of Qianzhen Branch	Jiunn-Fu Chen	Nov. 26, 2008	27,273 (PS) 10,040	-	-	-	Business Dept., International Business College/ Manager of BOP
G.M. of Yangming Branch	Bi-Shia Huang	Aug. 01, 2006	2,000 (PS) 3,000	-	-	-	Accounting & Statistics Dept., San-Hsin High School/ Assistant Manager of BOP
G.M. of Kaoxinzhuan Branch	Shou-Yao Chen	Aug. 01, 2008	12,139	-	-	-	Banking & Insurance Dept., China Institute of Technology/ Assistant Manager of BOP
G.M. of Luodong Branch	Tun-Jen Wu	Aug. 01, 2008	-	-	324	-	Industrial Management Dept., Tamsui Institute of Business Administration School/ Assistant Manager of Grand Commercial Bank

Note: (PS) represents preferred shares. The percentage of share holding includes represents preferred shares.

III、Any Transfer of Equity Interests and Pledge of or Change in Equity Interests by Directors, Supervisors, Managerial Officers Whom Were Required to Declare Under Article 25, Note 3 of Banking Law

(I) Status on Changes in Equity Interest of Directors & Supervisors

Unit: Shares

Title	Name	2008	
		Increments of Common Stock Held (Less)	Increments of Common Stock Pledged (Less)
Chairman	Ping-Hui Liu	-	2,000,000 (19,191,530)
Director	Fu-Jing Investment Co., Ltd.	-	(3,128,152)

Note: Only person with changes was listed.

(II) Status on Changes in Equity Interest of Managerial Officers

Unit: Shares

Title	Name	2008	
		Increments of Common Stock Held (Less)	Increments of Common Stock Pledged (Less)
G.M. of Jincheng Branch	Lee-Ying Lan	(9,042)	-
G.M. of Sanchong Branch	Ke-Long Wu	5,000	-
G.M. of Xiulang Branch	Jheng-Long Lin	(10,000)	-

Note: Only person with changes was listed.

(III) Status on Changes in Equity Interest of Major Shareholders

Unit: Shares

Major Shareholder	2008	
	Increments of Common Stock Held (Less)	Increments of Common Stock Pledged (Less)
Ping-Hui Liu	-	2,000,000 (19,191,530)
Mei-Yun Liao	88,178	5,000,000 (5,119,973)
Dong-Yi Lin	57,486	-
Fu-Jing Investment Co., Ltd.	-	(3,128,152)
Yuan-Mao Construction Co., Ltd.	-	10,000,000 (4,000,000)

Note: Only person with changes was Listed.

(IV) Information on Transferring of Equity Interest (Common Stock)

Name	Reason for Transferring	Transaction Date	Transaction Party	Declaration of relationship associated with banks, directors, supervisors according to Banking Law, article 25 of note 3	Shares	Trading Price (NT\$)
Lee-Ying Lan	Prosecuted	Mar. 11, 2008	Chin-Xiang Chung	Spouse	9,042	10.34
Mei-Yun Liao	Acquired	Apr. 18, 2008	Shu-Ying Liao	-	324	8.50
			Chen-Chieh Liao	-	21,693	8.50
			Fong-Yu Tan	-	22,234	8.50
			Rei-Chang Liao	-	43,927	8.50
Ke-Long Wu	Acquired	Jun. 20, 2008	Chem-Ciang Huang	-	5,000	7.40
Jheng-Long Lin	Prosecuted	Oct. 24, 2008	Yi-Ju Lu	-	10,000	5.00

(V) Information on Pledging of Equity Interest (Common Stock)

Name	Reason for Pledging Change	Date Changed	Transaction Counterparty	Shares
Ping-Hui Liu	Pledged	Nov. 19, 2008	Chinatrust Commercial Bank	2,000,000
	Redeemed	Apr. 03, 2008	Chinatrust Commercial Bank	15,000,000
		Jun. 27, 2008	Cathay United Bank	4,191,530
Mei-Yun Liao	Pledged	Nov. 19, 2008	Chinatrust Commercial Bank	5,000,000
	Redeemed	Apr. 07, 2008	Chinatrust Commercial Bank	2,000,000
		Jun. 27, 2008	Chinatrust Commercial Bank	3,119,973
Fu-Jing Investment Co., Ltd.	Redeemed	Dec. 02, 2008	Cathay United Bank	3,128,152
Yuan-Mao Construction Co., Ltd.	Pledged	Nov. 19, 2008	Chinatrust Commercial Bank	10,000,000
	Redeemed	Oct. 15, 2008	Agri Bank	4,000,000

IV 、Information on the Inter-relations of the Bank's Top 10 Shareholders

Name	Shares Held		Shares Held by Spouse & Minor Children		In accordance with Number 6 of the Statements of Financial Accounting Standards, titles, name and relationship of related parties, spouses or are related within the second degree of kinship of top ten shareholders are set forth.	
	Shares	%	Shares	%	Name	Relation
Bai-Yuan Investment Co., Ltd.	38,600,000	4.51	-	-	-	-
Yuan-Ci Investment Co., Ltd.	34,425,750	4.02	34,425,750	4.02	Mei-Yun Liao Ping-Hui Liu	Chairman Director
Fu-Jing Investment Co., Ltd.	33,493,872	3.91	-	-	-	-
Mei-Yun Liao	29,682,397	3.47	27,772,606	3.25	Yuan-Ci Investment Co., Ltd. Ping-Hui Liu	Chairman Spouse
Ping-Hui Liu	27,772,606	3.25	29,682,397	3.47	Yuan-Ci Investment Co., Ltd Mei-Yun Liao	Director Spouse
Jia-Nan Fang	17,338,424	2.03	9,110,400	1.06	Bi-Wan Chen	Spouse
Sheng-Hung Shao	12,436,007	1.45	1,075,463	0.13	-	-
Yuan-Mao Construction Co., Ltd.	10,010,500	1.17	-	-	-	-
Tong-Yi Lin	9,203,378	1.08	57,486	0.01	-	-
Bi-Wan Chen	9,110,400	1.06	17,338,424	2.03	Jia-Nan Fang	Spouse

V 、Status on Consolidated Shares Holding

Reinvested Business	BOP Investment		General Investment	
	Shares	%	Shares	%
Taipei Credit Cooperative	100	27.03	100	27.03
Syun-Rueidu Development Co., Ltd.	4,940,000	1.86	4,940,000	1.86
Financial Information Service Co., Ltd.	4,550,000	1.14	4,550,000	1.14
Taiwan Depository & Clearing Co.	247,425	0.08	247,425	0.08
Sunny Asset Management Co., Ltd.	69,180	1.15	69,180	1.15
Taiwan Cooperative Bank	38,429,230	36.70	38,429,230	36.70
Panhsin Insurance Broker Co., Ltd.	3,095,400	100.00	3,095,400	100.00
Panhsin Asset Management Co., Ltd.	5,000,000	38.46	13,000,000	100.00

Note: In accordance with article 74, “Relationship to Reinvested Business”, of Banking Law.

Funding Status

I、Shares & Dividends

(I) Source of Capital

Unit: Thousand Shares/NT\$ Thousand

Date	Issuing Price (NT\$)	Authorized Capital		Paid-in Capital		Note	
		Shares	Amount	Shares	Amount	Capital Source	Others
Sept. 1997	10	600,000	6,000,000	600,000	6,000,000	Note 1	None
Jun. 2005	10	819,800	8,198,000	819,800	8,198,000	Note 2	None
Jun. 2006	10	1,500,000	15,000,000	819,800	8,198,000	Note 3	None
Sept. 2006	10	1,500,000	15,000,000	855,790	8,557,900	Note 3	None
Dec. 2006	10	1,500,000	15,000,000	955,790	9,557,900	Note 4	None

Note 1: The Banciao Credit Cooperative has transformed officially into a Commercial Bank.

Note 2: Retained earning transferred to capital of NT\$198,000 thousand on June 20, 2005 as reference date. Approval note of Jin-Guan-Yin (3) No.0940015799 had been granted from Financial Supervisory Commission (FSC) on June 24, 2005.

Issuance of preferred stock for cash totaled NT\$1,000,000 thousand in June 22, 2005 as reference date.

Issuance of common stock for cash totaled NT\$1,000,000 thousand in June 24, 2005 as reference date.

Approval note of Jin-Guan-Yin (3) No.0938011560 had been granted from FSC on September 10, 2004.

Note 3: A resolution has passed to amend bank's articles of incorporation and increased the authorized capital of up to NT\$15 billion in shareholders' meeting held in June 20, 2006.

Capital surplus transferred to capital of NT\$359,900 thousand in September 01, 2006 as reference date. Approval note of Jin-Guan-Yin (3) No.09500320330 had been granted from FSC on July 18, 2006.

Note 4: Issuance of common stock for cash totaled NT\$1,000,000 thousand in December 28, 2006 as reference date. Approval note of Jin-Guan-Yin (3) No.09500439170 had been granted from FSC on October 03, 2006, as well as Jin-Guan-Yin (3) No.0950150935 in November 14, 2006.

Item Type	Authorized Capital (Thousand Shares)			Note
	Shares Outstanding	Unissued Shares	Total	
Common Stock	855,790	544,210	1,400,000	Became a Public Offered Company on Nov.14, 2006
Preferred Stock	100,000	-	100,000	

(II) Shareholder Structure (Including Preferred Stock)

As of Dec.31, 2008

Structure Quantity	Government Institutions	Financial Institutions	Domestic Institutions	Individuals	Foreign Institution & Foreigners	Total
Number of Shareholders	2	4	89	99,765	5	99,865
Number of Shares Held	647,253	71,000,000	139,926,355	744,146,881	69,511	955,790,000
Ratio of Share Holding (%)	0.07	7.43	14.64	77.85	0.01	100.00

(III) Distribution Breakdown of Shares Holding (Par Value of NT\$ 10)**As of Dec.31, 2008**

Shareholding Classifications	Number of Shareholders		Shares		Ratio (%)	
	Common Stock	Preferred Stock	Common Stock	Preferred Stock	Common Stock	Preferred Stock
1~999	74,792	9,598	24,936,001	1,025,523	2.91	1.03
1,000~5,000	13,450	758	40,102,686	2,055,180	4.69	2.06
5,001~10,000	2,321	336	15,369,179	2,514,243	1.80	2.51
10,001~20,000	2,397	113	30,479,070	1,432,084	3.56	1.43
20,001~ 30,000	4,199	21	98,180,264	524,778	11.47	0.52
30,001~ 50,000	600	19	22,683,868	878,565	2.65	0.87
50,001~100,000	1,348	31	82,673,236	2,632,927	9.66	2.63
100,001~200,000	242	9	32,097,817	1,435,750	3.75	1.44
200,001~400,000	112	12	32,280,302	3,392,635	3.77	3.39
400,001~600,000	44	7	22,139,215	3,605,781	2.59	3.61
600,001~800,000	49	1	33,392,219	765,000	3.90	0.77
800,001~1,000,000	19	3	16,906,657	2,875,000	1.98	2.88
1,000,001~	58	6	404,549,486	76,862,534	47.27	76.86
Total	99,631	10,914	855,790,000	100,000,000	100.00	100.00

(IV) Major Shareholders**As of Dec.31, 2008**

Major Shareholders	Item	Shares	Ratio (%)
Bai-Yuan Investment Co., Ltd.		38,600,000	4.51
Yuan-Ci Investment Co., Ltd.		34,425,750	4.02
Fu-Jing Investment Co., Ltd.		33,493,872	3.91
Mei-Yun Liao		29,682,397	3.47
Ping-Hui Liu		27,772,606	3.25
Jia-Nan Fang		17,338,424	2.03
Sheng-Hung Shao		12,436,007	1.45
Yun-Mao Construction Co., Ltd		10,010,500	1.17
Dong-Yi Lin		9,203,378	1.08
Bi-Wan Chen		9,110,400	1.06

II 、Status on the Issuance of Financial Debenture

Types	1 st (Term) Financial Debenture	2 nd (Term) Financial Debenture	3 rd (Term) Financial Debenture	4 th (Term) Financial Debenture
Date & No.	Sept.03, 2003	Sept.03, 2003	Sept.03, 2003	May.02, 2006
Approved By	Tai-Tsai-Jung (3)	Tai-Tsai-Jung (3)	Tai-Tsai-Jung (3)	Jin-Guan-Yin (3)
Authority	No. 920041600	No. 920041600	No. 920041600	No. 09500173780
Date of Issuance	Dec.16, 2003	Jan.07, 2004	Sept.01, 2004	Jun.16, 2006
Par Value	NT\$100 thousand NT\$1,000 thousand NT\$10,000 thousand			
Currency	NT\$			
Offering Price	Par Value			
Total Amount	NT\$1,158,600 thousand	NT\$391,800 thousand	NT\$449,600 thousand	NT\$1,680,000 thousand
Interest Rate	Fixed: 3% Floating: 1 Yr Term Deposit Rate from the Post Office plus 1.25%	Fixed: 3% Floating: 1 Yr Term Deposit Rate from the Post Office plus 1.25%	Fixed: 3.25% Floating: 1 Yr Term Deposit Rate from the Post Office plus 1.25%	Fixed: 3.30% Floating: 1 Yr Term Deposit Rate from the Post Office plus 1.10%
Maturity	Term: 5.5 Years Date of Maturity: Jun.16, 2009	Term: 5.5 Years Date of Maturity: Jul.07, 2009	Term: 5.5 Years Date of Maturity: Mar.01, 2010	Term: 5 Years 8 Months Date of Maturity: Feb.16, 2012
Repayment Priority	Subordinate			
Certifying Financial Institute	International Bills Finance Company	Fubon Bills Finance Company	Fubon Bills Finance Company	Hua Nan Bills Finance Company
Repayment Method	Pay Off upon Maturity	Pay Off upon Maturity	Pay Off upon Maturity	Pay Off upon Maturity
Unpaid Balance	-	-	-	-
Paid-In Capital of Previous Year	NT\$6 billion	NT\$6 billion	NT\$6 billion	NT\$8.198 billion (Including Preferred Stock)
Net Worth of Previous Year	NT\$8,358,878 thousand	NT\$6,590,855 thousand	NT\$6,590,855 thousand	NT\$9,037,304 thousand
Ratio of applied shares and prior shares outstanding to prior year's final net worth (%)	13.86	23.52	30.35	40.72
Consider as Qualified Capital and its Tiers	Yes, Tier II	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit Rating Agency, Date of Rating, and Rating	-	-	-	-

Types	5 th (Term) Financial Debenture	6 th (Term) Financial Debenture	7 th (Term) Financial Debenture
Date & No. Approved By Authority	May 22, 2007 Jin-Guan-Yin (3) No. 09600204740	May 22, 2007 Jin-Guan-Yin (3) No. 09600204740	Nov.14, 2008 Jin-Guan-Yin (3) No. 09700438300
Date of Issuance	Jun.28, 2007	May 21, 2008	Dec.25, 2008
Par Value	NT\$10,000 thousand	NT\$100 thousand	NT\$10,000 thousand
Currency	NT\$		
Offering Price	Par Value		
Total Amount	NT\$520,000thousand	NT\$239,000 thousand	NT\$280,000 thousand
Interest Rate	Fixed: 3.50% Floating: 1 Yr Term Deposit Rate from the Post Office plus 1.20%	Fixed: 3.60% Floating: 1 Yr Term Deposit Rate from the Post Office plus 1.25%	Fixed: 3.40%
Maturity	Term: 5.5 Years Date of Maturity: Dec. 28, 2012	Term: 6 Years Date of Maturity: May 21, 2014	Term: 6 Years Date of Maturity: Dec.25, 2014
Repayment Priority	Subordinate		
Certifying Financial Institute	-	-	-
Repayment Method	Pay Off upon Maturity	Pay Off upon Maturity	Pay Off upon Maturity
Unpaid Balance	-	-	-
Paid-In Capital of Previous Year	NT\$9.558 billion (Including Preferred Stock)	NT\$9.558 billion (Including Preferred Stock)	NT\$9.558 billion (Including Preferred Stock)
Net Worth of Previous Year	NT\$9,207,032thousand	NT\$9,596,140 thousand	NT\$9,596,140 thousand
Ratio of applied shares and prior shares outstanding to prior year's final net worth (%)	45.62	46.26	49.18
Consider as Qualified Capital and its Tiers	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit Rating Agency, Date of Rating, and Rating	-	Taiwan Ratings Corp. Apr.30 2008 tw BBB-	Taiwan Ratings Corp. Oct.22 2008 tw BBB-

III 、Status on the Preferred Stock

Item			Date of Issuance	Jun. 22, 2005
Par Value				NT\$10
Offering Price				Par Value
Number of Shares				100 million
Total Amount				NT\$1 billion
Rights & Obligations	Distribution of Dividends and Bonus		Cash dividend shall be paid annually according to the actual issuing price in the annual rate of 4.50%. For the shares issued less than a year, the dividend shall be paid according to the actual days counting from its issued date. In case of no earnings or earnings were insufficient to pay off the dividends after annual account, the unpaid amount shall be accumulated and paid in priority the following profitable year. Not allowed to participate in the distribution of retained earning and capital surplus transferring to capital which relating to common stock.	
	Distribution of Remaining Property		Priority over common stock, but not to exceed the initial issuing price	
	Voting Rights		None	
	Others		While issuing the new common stock for cash, preferred stock shareholders shall possess the priority with warrants. Current preferred stock is non-convertible.	
Outstanding Market Share Price	Recalled or Converted Shares		-	
	Unrecalled or Converted Shares		NT\$1 billion	
	Recalling or Converting Provisions		Term matured in 6 years and to be recalled with initial issuing price by retained earnings or earnings from newly issued stocks.	
	2008	Highest	-	
		Lowest	-	
		Average	-	
	Mar. 31, 2009	Highest	-	
		Lowest	-	
		Average	-	
Other Rights	The Amount of Conversion or Subscription till Mar. 31, 2009		None	
	Methods for Issuance of Conversion or Subscription		None	
Influence on the provisions for preferred shareholders' equity and possible dilution for current common shareholders' equity			Since the preferred stock is non-convertible, thus no influence.	
Influence on the redemption of preferred stock to the ratio of equity capital to risk-weighted asset			None	

BANK OF PANHSIN

Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

Address: 2F, No. 18, Chengdu St., Panchiao City, Taipei County, Taiwan, R.O.C.
Tel: (02)2962-9170

Independent Auditors' Report

The Board of Directors

Bank of Panhsin:

We have audited the accompanying balance sheets of Bank of Panhsin as of December 31, 2008 and 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and Republic of China generally accepted auditing standards. Those standards and regulations 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 Bank of Panhsin as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, and Republic of China generally accepted accounting principles.

Bank of Panhsin has prepared consolidated financial statements for itself and its subsidiaries as of and for the years ended December 31, 2008 and 2007, on which we have expressed an unqualified opinion and a modified unqualified opinion with explanatory paragraphs for reference, respectively.

KPMG

April 8, 2009

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

Bank of Panhsin
Balance Sheets
December 31, 2008 and 2007
(Expressed in thousands of New Taiwan dollars, except for par value)

	2008	2007	Change %		2008	2007	Change %
Assets				Liabilities and Stockholders' Equity			
Cash and cash equivalents (note 4)	\$ 3,176,419	2,933,626	8	Deposits by Central Bank and other banks (note 16)	\$ 5,074,878	9,214,476	(45)
Due from Central Bank and placement to other banks (note 5)	21,144,318	19,076,803	11	Financial liabilities at fair value through profit or loss (notes 6 and 23)	218,288	19,845	1,000
Financial assets at fair value through profit or loss, net (notes 6, 8, 23 and 25)	1,361,684	1,608,335	(15)	Bills and bonds sold under repurchase agreements (notes 8 and 25)	325,725	358,254	(9)
Accounts receivable, net (notes 9, 10 and 24)	3,261,247	4,057,368	(20)	Notes and accounts payable	1,987,250	2,047,984	(3)
Loans and advances to customers (notes 10 and 24)	122,014,564	128,429,990	(5)	Deposits and remittances (notes 17 and 24)	144,287,739	144,198,797	-
Available-for-sale financial assets, net (notes 7, 8 and 25)	1,600,309	2,181,161	(27)	Subordinated financial debentures (notes 18 and 24)	4,719,000	4,200,000	12
Long-term investments under equity method, net (note 11)	135,798	86,272	57	Accrued pension liabilities (note 19)	92,342	58,513	58
Other financial assets, net (note 11)	1,443,293	1,010,465	43	Other liabilities	<u>134,764</u>	<u>292,462</u>	(54)
Property and equipment, net (note 12)	6,912,524	5,806,834	19	Total liabilities	<u>156,839,986</u>	<u>160,390,331</u>	(2)
Goodwill and intangible assets (notes 3 and 13)	<u>1,358,550</u>	<u>1,377,786</u>	(1)	Stockholders' Equity (notes 3, 20 and 21):			
	<u>162,408,706</u>	<u>166,568,640</u>	(2)	Share capital:			
Other assets — net:				Common stock of \$10 par value per share; authorized and issued 1,500,000 and 855,790 thousand shares, respectively, in 2008 and 2007	8,557,900	8,557,900	-
Deferred income tax assets (note 20)	726,344	622,385	17	Preferred stock of \$10 par value per share; cumulative but non-participating; authorized and issued 100,000 thousand shares in 2008 and 2007	<u>1,000,000</u>	<u>1,000,000</u>	-
Other assets (notes 25 and 26)	<u>2,476,865</u>	<u>2,886,835</u>	(14)		<u>9,557,900</u>	<u>9,557,900</u>	-
	3,203,209	3,509,220	(9)	Retained earnings:			
				Legal reserve	57,103	-	-
				Special reserve (note 21)	29,345	-	-
				Unappropriated earnings (accumulated deficits)	<u>(853,516)</u>	<u>190,343</u>	(548)
					<u>(767,068)</u>	<u>190,343</u>	(503)
				Other adjustments to stockholders' equity:			
				Unrealized gain (loss) on available-for-sale financial assets	45,125	(29,345)	254
				Net loss from unrecognized pension cost	<u>(64,028)</u>	<u>(31,369)</u>	(104)
					<u>(18,903)</u>	<u>(60,714)</u>	69
				Total stockholders' equity	8,771,929	9,687,529	(9)
				Commitments and contingencies (notes 14, 21, 23 and 26)			
Total Assets	<u><u>\$ 165,611,915</u></u>	<u><u>170,077,860</u></u>	(3)	Total Liabilities and Stockholders' Equity	<u><u>\$ 165,611,915</u></u>	<u><u>170,077,860</u></u>	(3)

See accompanying notes to financial statements.

Bank of Panhsin
Statements of Income

For the years ended December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars, except for earnings per share)

	2008	2007	Change %
Interest income (notes 6 and 24)	\$ 5,227,805	5,697,371	(8)
Less: Interest expense (note 24)	<u>3,292,454</u>	<u>3,295,805</u>	-
Net interest income	1,935,351	2,401,566	(19)
Non-interest income:			
Fees and commission income, net (note 24)	491,827	609,440	(19)
Gain (loss) on financial instruments at fair value through profit or loss (notes 6 and 23)	(803,774)	(121,757)	(560)
Realized gain (loss) on available-for-sale financial assets (note 7)	4,286	(9,193)	147
Investment income under the equity method, net	49,526	8,619	475
Foreign exchange gain (loss), net	416,249	1,115	37,232
Asset impairment loss	(184,304)	-	-
Other non-interest income, net (notes 14, 15 and 24)	<u>24,942</u>	<u>179,389</u>	(86)
Net revenue	<u>1,934,103</u>	<u>3,069,179</u>	(37)
Bad debt expenses (notes 10 and 11)	<u>801,523</u>	<u>423,639</u>	89
Operating expenses:			
Personnel costs (notes 19 and 29)	1,282,863	1,119,942	15
Depreciation and amortization (notes 12 and 29)	156,553	169,483	(8)
Other general and administrative expenses (note 24)	<u>650,320</u>	<u>681,340</u>	(5)
	<u>2,089,736</u>	<u>1,970,765</u>	6
Income (loss) from continuing operations before income tax	(957,156)	674,775	(242)
Income tax expense (benefit) (note 20)	<u>(91,134)</u>	<u>140,093</u>	(165)
Net income (loss)	<u><u>\$ (866,022)</u></u>	<u><u>534,682</u></u>	(262)

	Before tax	After tax	Before tax	After tax
Basic earnings (deficits) per share (notes 3 and 22)	<u><u>\$ (1.17)</u></u>	<u><u>(1.06)</u></u>	<u><u>0.74</u></u>	<u><u>0.57</u></u>

See accompanying notes to financial statements.

Bank of Panhsin
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	Share capital			Retained earnings			Other adjustments		
	Common stock	Preferred stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated deficits)	Unrealized gain (loss) on available-for-sale financial assets	Net loss from unrecognized pension cost	Total
Balance at January 1, 2007	\$ 8,557,900	1,000,000	245,786	196,891	-	(787,016)	32,865	(39,394)	9,207,032
Reversal of legal reserve to offset deficits (note 21)	-	-	-	(196,891)	-	196,891	-	-	-
Reversal of capital surplus to offset deficits (note 21)	-	-	(245,786)	-	-	245,786	-	-	-
Net income for 2007	-	-	-	-	-	534,682	-	-	534,682
Reversal of unrealized gain on available-for-sale financial assets (note 7)	-	-	-	-	-	-	(62,210)	-	(62,210)
Reversal of net loss from unrecognized pension cost	-	-	-	-	-	-	-	8,025	8,025
Balance at December 31, 2007	8,557,900	1,000,000	-	-	-	190,343	(29,345)	(31,369)	9,687,529
Reversal of legal reserve to offset deficits (note 21)	-	-	-	57,103	-	(57,103)	-	-	-
Reversal of special reserve to offset deficitis	-	-	-	-	29,345	(29,345)	-	-	-
Dividends on preferred stock (note 21)	-	-	-	-	-	(90,000)	-	-	(90,000)
Employees' bonuses and remuneration to directors and supervisors	-	-	-	-	-	(1,389)	-	-	(1,389)
Net loss for 2008	-	-	-	-	-	(866,022)	-	-	(866,022)
Recognition of unrealized gain on available-for-sale financial assets (note 7)	-	-	-	-	-	-	74,470	-	74,470
Net loss from unrecognized pension cost	-	-	-	-	-	-	-	(32,659)	(32,659)
Balance at December 31, 2008	\$ 8,557,900	1,000,000	-	57,103	29,345	(853,516)	45,125	(64,028)	8,771,929

See accompanying notes to financial statements.

Bank of Panhsin
Statements of Cash Flows

For the years ended December 31, 2008 and 2007
(expressed in thousands of New Taiwan dollars)

	2008	2007
Cash flow from operating activities:		
Net income (loss)	\$ (866,022)	534,682
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	98,524	110,570
Amortization	59,655	60,710
Reversal of reserve for securities trading losses	-	(2,849)
Bad debt expenses	801,523	423,639
Investment income under the equity method	(49,526)	(8,619)
Cash dividends from investees under the equity method	-	12,261
Loss (gain) on sale of available-for-sale financial assets, net	4,286	10,123
Gain on disposal of investees under cost method	-	(5,364)
Loss (gain) on disposal of property and equipment, net	2,490	2,807
Gain on disposal of non-operating assets	-	(3,190)
Gain on disposal of foreclosed assets	(3,918)	(80,935)
Impairment loss on foreclosed assets	184,304	-
Increase in financial assets at fair value through profit or loss	246,651	(110,100)
Increase in accounts receivable	497,841	(1,205,584)
Increase in other financial assets	(432,828)	(471,874)
Decrease (increase) in deferred income tax assets	(103,959)	139,006
Increase in financial liabilities at fair value through profit or loss	198,443	17,610
Increase (decrease) in accounts payable and other liabilities	(60,734)	(1,437,511)
Increase (decrease) in accrued pension liabilities	1,170	10,992
Net cash provided by (used in) operating activities	<u>577,900</u>	<u>(2,003,626)</u>
Cash flow from investing activities:		
Decrease (increase) in due from Central Bank and placement to other banks	(2,067,515)	6,303,552
Acquisition of available-for-sale financial assets	(817)	(7,640,496)
Proceeds from disposal of available-for-sale financial assets	651,853	6,932,492
Increase in loans and advances to customers	5,912,183	14,304,961
Proceeds from disposal of investees under cost method	-	6,364
Acquisition of property and equipment	(1,227,558)	(874,072)
Proceeds from disposal of property and equipment	4,236	59
Acquisition of intangible assets	(2,164)	(4,422)
Proceeds from sale of non-operating assets	-	4,069
Increase in foreclosed assets	(891)	(704,915)
Proceeds from disposal of foreclosed assets	229,831	321,496
Decrease (increase) in other assets	(20,992)	1,241,167
Net cash provided by investing activities	<u>3,478,166</u>	<u>19,890,255</u>
Cash flow from financing activities:		
Decrease in deposits by Central Bank and other banks	(4,139,598)	(6,987,042)
Increase (decrease) in deposits and remittances	88,942	(12,478,630)
Decrease in bills and bonds sold under repurchase agreements	(32,529)	(243,173)
Issuance of subordinated financial debentures	519,000	520,000
Increase in other liabilities	(157,699)	117,028
Cash dividends, employees' bonuses, and directors' and supervisors' remuneration	(91,389)	-
Net cash used in financing activities	<u>(3,813,273)</u>	<u>(19,071,817)</u>
Net increase (decrease) in cash and cash equivalents	242,793	(1,185,188)
Cash and cash equivalents at beginning of year	2,933,626	4,118,814
Cash and cash equivalents at end of year	<u>\$ 3,176,419</u>	<u>2,933,626</u>
Supplementary disclosure of cash flow:		
Cash payments of interest	<u>\$ 3,480,526</u>	<u>3,285,200</u>
Cash payments of income tax	<u>\$ 37,154</u>	<u>40,638</u>
Investing and financing activities not affecting cash flows:		
Unrealized gain (loss) on available-for-sale financial assets	<u>\$ 74,470</u>	<u>(62,210)</u>
Reconciliation of cash received from disposal of foreclosed assets:		
Proceeds from disposal of foreclosed assets	\$ 229,831	578,495
Increase in receivables from disposal of foreclosed assets	-	(256,999)
Cash received for the current period	<u>\$ 229,831</u>	<u>321,496</u>

See accompanying notes to financial statements.

BANK OF PANHSIN

Notes to Financial Statements

December 31, 2008 and 2007

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Organization and Business Scope

Bank of Panhsin (the Bank), formerly named "Pan Chiao Credit Cooperative", was founded on April 25, 1957. Pursuant to an approval granted by the Ministry of Finance, the Bank was re-incorporated as a commercial bank on July 8, 1997, and completed the acquisition of "The 5th Credit Cooperative of Kaohsiung" on September 29, 1997. The Bank obtained a banking license authorized by the Ministry of Finance to operate as a commercial bank on September 30, 1997. In October 1999, the Bank received its trust license from the Ministry of Finance and started operations on November 26 of the same year with capital of \$100 million. On November 27, 2002, the Bank was authorized by the Ministry of Finance to establish an International Banking Department, which started operations on July 7, 2003. Furthermore, the Bank completed the acquisition of "The 1st Credit Cooperative of Chiayi" on March 6, 2005.

The Bank was established pursuant to the Banking Law to engage in:

- 1) all commercial banking operations allowed by the Banking Law;
- 2) savings operations;
- 3) trust operations;
- 4) credit card operations;
- 5) trading in government bonds and other debt securities; and
- 6) other operations as authorized by the relevant central authority.

On November 14, 2006, the Bank was approved by the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan to offer its shares publicly.

As of December 31, 2008 and 2007, the number of the Bank's employees was 1,347 and 1,459, respectively.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****(2) Summary of Significant Accounting Policies**

The financial statements of the Bank are presented in the local currency and in Chinese. These financial statements have been translated into English. The translated information is consistent with the Chinese version of the Bank's financial statements from which it is derived.

The financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

The financial statements of the Bank are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and ROC generally accepted accounting principles. The financial statements are prepared primarily on a historical cost basis except as otherwise specified in the following accounting policies. The preparation of financial statements in conformity with related regulations requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Actual results could differ from these estimates. A summary of significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

1) Basis of preparation

The financial statements include the accounts of the head office, branches and offshore banking unit. All intra-office balances and transactions have been eliminated in the preparation of the financial statements.

The Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the entrusted funds managed by the Bank. All the entrusted assets are booked to a memo account.

2) Foreign currency transactions

Except for accounts in its Offshore Banking Unit that are maintained in US dollars, accounts in all other departments are maintained in New Taiwan dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, and all income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars at daily closing exchange rates. At the balance sheet date, the financial statement amounts in all foreign currencies are translated into New Taiwan dollars at exchange rates assigned on that date. Differences from translation are recorded as gains or losses for the current period.

3) Cash and cash equivalents

The Bank considers cash and due from banks as cash and cash equivalents.

4) Financial instruments at fair value through profit or loss

The Bank accounts for financial assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement".

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

Financial assets whose changes in fair value are recognized in profit or loss include debt securities, beneficiary certificates, equity shares and derivative instruments held or issued by the Bank. These financial assets can be classified into two subcategories: financial assets held for trading purposes and financial assets designated at fair value. Financial assets held for trading purposes are acquired or held principally for the purpose of selling or repurchasing them in the near term.

The Bank recognizes the purchases or sales of stocks, funds and beneficiary certificates using trade-date accounting and of other financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.

Financial instruments with fair value changes recognized in profit or loss should be measured at fair value. The fair value of an asset is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value. The fair value of listed or OTC stocks is the market closing price of the last transaction day. The market price of open-end funds is the net asset value on balance sheet date. The fair value of local bonds is represented by the OTC's quoted market price of the last transaction day of the bonds. However if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or estimated using pricing models. Estimation of fair value is usually based on recent trading prices of such financial instruments and supplemented by related valuation techniques available.

The realized and unrealized gain or loss on financial instruments at fair value through profit or loss whose changes in fair value are recognized in the income statement. Interest income (expense) and cash dividends received during the holding period are recorded under the accounts of "interest income (expense)" and "gain (loss) on financial instruments at fair value through profit or loss", respectively. Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Stock dividends are not recognized as income but treated as increases in the number of shares held.

5) Available-for-sale financial assets

The Bank adopted SFAS No. 34 "Financial Instruments: Recognition and Measurement". Except for stocks, funds, and beneficiary certificates which use transaction-date accounting, the Bank recognizes the purchase or sale of the financial assets by using settlement-date accounting. These financial instruments are initially recognized at fair value, and the amount recognized includes acquisition or issuance cost.

Available-for-sale financial assets are subsequently remeasured at fair value, and the changes therein are recognized in the shareholders' equity adjustment account. Fair value is based on the quoted market price or estimated amount if the quoted market price is not available. Interest income and cash dividends are recorded under "interest income" and "realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as income on the ex-dividend date or when the board approves the cash dividends. Cash dividends received are deducted from the amount invested in the same year. Stock dividends are not recognized as income but treated as increases in the number of shares held.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

When there is any indication of impairment in the value of available-for-sale financial assets, the impairment loss should be recognized in the income statement. The impairment losses recognized in the income statement on debt instruments classified as available-for-sale are reversed through the income statement if the fair value of such debt instruments increases in a subsequent period. When available-for-sale financial assets are sold, cumulative gains or losses previously recognized in equity are recognized in the income statement.

6) Derivative financial instruments

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

Derivative financial instruments held for trading purposes are evaluated at fair value. Changes in fair value are recorded as current period income or loss. Fair value is the amount at which the asset could be purchased or sold in a current arm's-length transaction between willing parties. A quoted market price, if available, in an active market is the best evidence of fair value; however, if a quoted market price is not available, fair value should be estimated using the information available in the circumstances or using pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation techniques available.

An embedded derivative financial instrument is split from the host contract and accounted for as a separate derivative if the embedded derivative financial instrument meets the definition specified in the Statements of Financial Accounting Standards. The host contract, depending on whether or not it is a financial instrument, is recognized according to the related Statements of Financial Accounting Standards.

Derivative assets and liabilities arising from different transactions are only offset if the transactions are with the same counterparty, a legal right of offset exists, and the parties intend to settle the cash flows on a net basis.

7) Repurchase and reverse repurchase agreements

Financial instruments sold (purchased) under repurchase (reverse repurchase) agreements are accounted for using the acquisition cost. The difference between the sale and repurchase price is treated as interest income or interest expenses and recognized over the life of the agreement.

8) Loans and advances to customers, and related allowance for doubtful accounts

Credit terms are decided by the term to maturity of loans. The loan period of short term loans is within one year, the loan period of medium term loans is one to seven years, and the loan period of long term loans is more than seven years. Loans with pledged assets are recorded as secured loans.

All loans are recorded initially as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. An allowance for doubtful accounts is determined by an evaluation of the collectibility of loans, receivables, and advance accounts. Doubtful accounts are written off when the recovery possibility is remote.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

Principal or interest overdue over three months is categorized as overdue accounts. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to non-performing loans. When this occurs, interest will only be calculated and booked to the memo accounts accordingly.

Starting from July 1, 1999, the Bank has to provide 3% of operating revenue as allowance for bad debt to speed up the write-off of default accounts. This allowance should be provided until the Bank's overdue accounts ratio has dropped to lower than 1%. The aforementioned allowance is recognized under bad-debt expense and allowance for bad debt expense accounts.

9) Long-term investments under equity method

Long-term investments are accounted for under the equity method when the percentage of ownership exceeds 20%, or is less than 20% with significant influence over the investee.

When the Bank disposes of long-term investment accounted for under the equity method, the difference between the cost and the selling price at the disposal date is recorded in gain (loss) on disposal of long-term equity investment. If there is any capital surplus arising from long-term investment under the equity method, such capital surplus is transferred to current income or loss by the percentage of disposal.

Investments in which the Bank has controlling interests are consolidated into the Bank's consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 7 (SFAS 7) "Consolidated Financial Statements".

10) Other financial assets

Holdings of unlisted or non-OTC stocks over which the Bank does not have significant influence are classified as financial assets stated at cost. Since the fair value cannot be obtained, these financial assets are measured at cost. If there is any objective evidence of impairment in the value of the financial assets stated at cost, an impairment loss is recognized in the income statement accordingly. This impairment loss cannot be reversed.

Cash dividends from the aforementioned financial assets stated at cost are recorded under "other non-interest income, net". Stock dividends are not recognized as income but treated as increases in the number of shares held. In addition, if fair value is available and reliably measurable, the aforementioned financial assets should be evaluated by using fair value and reclassified as "available-for-sale financial assets".

Other investments are originally held for strategic investments in cooperatives and credit unions. On disposition, paid-in capital is to be refunded, and gain or loss is recognized when it occurs. The profits on investments are based on the cost and recorded under non-interest income, net. Distributed earnings are recorded as gains on investment.

11) Property and equipment, and related depreciation

Property and equipment are stated at acquisition cost. Interest expense on the acquisition of assets is capitalized and classified under appropriate categories of property and equipment. Major renewals and betterments of property and equipment are capitalized, while maintenance and repairs are expensed.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Apart from land, depreciation is calculated on a straight line basis over the estimated useful lives of the respective assets. In addition, the salvage value is amortized over the estimated remaining useful life of an asset. Gains or losses on the disposal of property and equipment are recorded as non operating income or loss.

Effective November 20, 2008, the Bank adopted Accounting Research and Development Foundation Interpretation (97) Ji-Mi-Zih 340. In accordance with the interpretation, asset useful life, depreciation method, and residual value should be evaluated at the end of the year, and any changes shall be accounted for as changes in accounting estimates.

The estimated useful lives of property and equipment are as follows:

Building	3~60 years
Equipment	3~7 years
Transportation equipment	3~10 years
Other equipment	3~15 years
Leasehold improvement	2~11 years

12) Intangible assets — goodwill

Goodwill arose on the acquisition of "The 5th Credit Cooperative of Kaohsiung" and "The 1st Credit Cooperative of Chiayi" in 2005. It was recognized as the purchase price less the market value of tangible assets obtained, and classified as an intangible asset. Goodwill previously was amortized over 20 years and 5 years, respectively, on a straight-line basis. Starting in 2006, in accordance with the newly revised SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill shall not be amortized.

13) Other intangible assets

Computer software is recorded at acquisition cost and amortized over three years.

14) Other assets — non operating assets

Property and equipment leased out under operating leases are reclassified as non-operating assets. Depreciation is provided on a straight-line basis over the estimated useful lives of the leased-out assets, and is recorded as a non-interest expense or income, net.

Idle assets are transferred to other assets based on the lower of net realizable value or carrying value, and the current depreciation is recorded under "other non-interest income or loss". The balance is based on the lower of their carrying value or recoverable amount.

15) Other assets — foreclosed assets

Foreclosed assets are stated at their net realizable value. Any difference from the original value of the loans is recognized as bad debts. Losses or gains on the disposal of foreclosed assets are recorded as other non-interest expense or income, net.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****16) Asset impairment**

The Bank adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Impairment of Assets". In accordance with SFAS 35, the Bank assesses at each balance sheet date whether there is any indication that an asset other than goodwill may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset and recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Bank assesses the cash generating unit of goodwill on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

The Bank reverses the impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

An impairment loss recognized for goodwill cannot be reversed.

17) Deposits by banks and deposits and remittances

Deposits are recorded at the contracted principal amount or the expected value on maturity. Negotiable certificates of deposit are issued at par value, and principal and accrued interest are paid on the maturity date.

18) Subordinated financial debentures

The Bank issued subordinated financial debentures at par with lump-sum payment at maturity, and the interest expenses are computed and recorded at par value multiplied by the stated interest rate every month. The annual fee paid to the OTC is recognized as operating expense.

19) Other liability—reserve for securities trading losses

According to the Rules Governing Securities Firms, 10% of the excess of securities trading gains over losses must be provided as a reserve on a monthly basis, until the accumulated balance of such reserve reaches \$200,000. Such reserve can only be used to offset the loss from securities trading.

The aforementioned reserve for trading losses is recognized as charged to other non-interest expense or income, net and other liability—reserve for securities trading losses.

20) Pension plan

The Bank has defined benefit pension plans for engaged managers and all regular employees, respectively. In accordance with the pension plans, benefit payments are provided based on the number of service years and the average salary of the qualified managers or employees six months prior to their retirement. For the engaged managers, the Bank deposits a certain percentage of the monthly gross salary payment with the Hou Pu Branch of the Bank in a retirement fund account. As for the employees, in accordance with the ROC Labor Standards Law, a retirement fund was set up with Bank of Taiwan with a monthly contribution of a certain percentage of the gross salary payment.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

For the defined benefit pension plans, the measurement date for the completion of the actuarial assessment was the end of each fiscal year. The amount of the accumulated benefit obligation over pension plan assets is recognized as minimum pension liability on the reporting date. Furthermore, the Bank recognized net pension cost, which included service costs, interest costs, expected returns on plan assets, and the amortization of the net transition obligation, in accordance with the retirement plan's actuarial assessment. The initial net pension cost and unrecognized net transition obligation are amortized by using the straight line method over 15 and 27 years for engaged managers and regular employees, respectively.

Minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation. If the amount of minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the difference would be charged to the deferred pension cost account; otherwise, the difference shall be charged to the account net loss not yet recognized as net pension cost. Deferred pension cost is classified as an intangible asset; net loss from unrecognized net pension cost is classified as a reduction of stockholders' equity.

The Labor Pension Act (the New System) is now in effect. Under the New System, the Bank has an obligation to contribute no less than 6% of monthly paid salary to the pension accounts in the Labor Insurance Bureau individually owned by the Bank's existing employees who chose to join the New System and the employees hired after the effective date. The amounts deposited are charged to current operations.

21) Recognition of revenue

Interest revenue, fees and commissions are recognized as income on an accrual basis.

22) Employees' bonuses and directors' and supervisors' remuneration

Employees' bonuses and directors' and supervisors' remuneration appropriated on or after January 1, 2008, are accounted for by Interpretation No. (96)52 issued by the Accounting Research and Development Foundation. The Bank should estimate the amount of employees' bonuses and directors' and supervisors' remuneration according to the Interpretation and recognize it as operating expenses. Differences between the amounts approved in the shareholders' meeting and recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss.

23) Income tax

Income tax is estimated based on the accounting income. Deferred income tax is determined based on temporary differences between the financial statements and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The 10% surtax on unappropriated earnings is recorded as expense in the year the stockholders approve the distribution of earnings.

Effective January 1, 2006, the Income Basic Tax Act has been applied to the calculation of the Bank's basic income tax. In accordance with the new act, basic income tax is calculated as one-tenth of the basic income minus 2 million dollars. Basic income is calculated by using regular taxable income plus add-back items, such as tax-exempt income from securities and futures transactions. When the calculated regular tax amount is less than the basic tax amount, the Bank is required to pay the basic tax amount.

24) Earnings (deficits) per share of common stock

Earnings (deficits) per share are computed by dividing net income (loss) divided by the weighted-average number of issued shares of common stock outstanding during the year. The increase in issuance of stock dividends from retained earnings or capital surplus or the decrease in stock by offsetting accumulated deficits is adjusted retroactively. Furthermore, if the designated date of record for a stock dividend is proposed before publishing the financial statements, the earnings per common share are adjusted retroactively. If there is cumulative preferred stock outstanding, preferred stock dividends shall be deducted from net income whether or not dividends are declared.

Stock-based employee bonuses not yet approved by the shareholders' meeting are regarded as potential common stock. The Bank has to disclose basic earnings per share and diluted earnings per share if the increase in potential common stock would dilute earnings per share; otherwise, the Bank only needs to disclose basic earnings per share. The calculation of diluted earnings per share should consider the effect on net income and outstanding potential common stock.

(3) Reasons for and Effects of Accounting Changes

The Bank, starting from January 1, 2008, adopted Statement of Financial Accounting Standards (SFAS) No. 39 "Share-based Payment" and Interpretation No. (96)52 issued by the Accounting Research and Development Foundation. In accordance with the abovementioned accounting standard and interpretation, transactions related to share-based payment, and employees' bonuses and directors' and supervisors' remuneration appropriated should be classified, evaluated and disclosed. The accounting change had no material impact on the Bank's financial statements.

(4) Cash and Cash Equivalents

As of December 31, 2008 and 2007, cash and cash equivalents were as follows:

	2008	2007
Cash	\$ 1,370,835	1,384,185
Negotiable instruments for clearing	737,253	644,865
Deposits with other banks	1,068,331	904,576
	<u><u>\$ 3,176,419</u></u>	<u><u>2,933,626</u></u>

As of December 31, 2008 and 2007, composite banking insurance amounted to \$147,400.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(5) Due from Central Bank and Placement to Other Banks

As of December 31, 2008 and 2007, due from Central Bank and placement to other banks were as follows:

	2008	2007
Deposit reserve:		
Deposit reserve—checking account	\$ 4,846,576	2,442,396
Deposit reserve—demand account	3,697,689	3,736,969
ATM settlement account	<u>300,053</u>	<u>150,487</u>
	8,844,318	6,329,852
Certificates of deposit	12,300,000	11,700,000
Placement to other banks	<u>-</u>	<u>1,046,951</u>
	<u>\$ 21,144,318</u>	<u>19,076,803</u>

Deposit reserve is calculated based on the monthly average balance of the various types of deposits, using specific reserve ratios as promulgated by the Central Bank of the Republic of China (CBC) and the reserve for deposits—settlement account of Bank of Taiwan. There is no interest bearing on the reserve for deposits—checking account. The reserve for deposits—demand account is placed with the CBC and its usage is restricted only when the monthly reserve requirement is adjusted.

(6) Financial Assets and Liabilities at Fair Value through Profit or Loss

As of December 31, 2008 and 2007, financial assets and liabilities at fair value through profit or loss were as follows:

	2008	2007
Trading assets:		
Interest rate-related instruments	\$ 790,119	580,747
Equity securities	3,849	118,534
Beneficiary certificates	45,306	133,980
Derivatives	<u>27,598</u>	<u>5,232</u>
	<u>866,872</u>	<u>838,493</u>
Financial assets designated at fair value:		
Credit-linked notes	<u>494,812</u>	<u>769,842</u>
	<u>\$ 1,361,684</u>	<u>1,608,335</u>
	2008	2007
Trading liabilities:		
Derivatives	<u>\$ 218,288</u>	<u>19,845</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

For the years ended December 31, 2008 and 2007, net gain (loss) on financial assets and financial liabilities at fair value through profit or loss were as follows:

	2008	2007
Net gain (loss) on valuation and disposal of trading assets:		
Interest rate-related instruments	\$ 18,676	(6,638)
Equity securities	(11,177)	(9,383)
Beneficiary certificates	(7,747)	(10,040)
Derivatives	(325,467)	16,427
	<u>(325,715)</u>	<u>(9,634)</u>
Dividend income	553	8,316
Other interest income	3,799	6,741
	<u>4,352</u>	<u>15,057</u>
	<u><u>\$ (321,363)</u></u>	<u><u>5,423</u></u>
	2008	2007

Financial assets designated at fair value:

Convertible bonds — asset swaps	\$ -	(876)
Credit-linked notes	(276,514)	(107,072)
	<u><u>\$ (276,514)</u></u>	<u><u>(107,948)</u></u>
	2008	2007

Net gain (loss) on valuation and disposal of trading liabilities:

Derivatives	<u><u>\$ (202,098)</u></u>	<u><u>(12,491)</u></u>
-------------	----------------------------	------------------------

Please refer to note 25 for the financial assets at fair value through profit or loss under pledge.

(7) Available-for-sale Financial Assets

As of December 31, 2008 and 2007, available-for-sale financial assets were as follows:

	Cost after amortization	2008 Assessment adjustment	Fair value
Interest rate-related instruments			
Government bonds	\$ 1,505,184	45,460	1,550,644
Beneficiary securities	<u>50,000</u>	<u>(335)</u>	<u>49,665</u>
	<u><u>\$ 1,555,184</u></u>	<u><u>45,125</u></u>	<u><u>1,600,309</u></u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

	Cost after amortization	2007 Assessment adjustment	Book value
Interest rate-related instruments			
Government bonds	\$ 2,112,041	(29,845)	2,082,196
Corporate bonds	48,465	820	49,285
Beneficiary securities	50,000	(320)	49,680
	<u>\$ 2,210,506</u>	<u>(29,345)</u>	<u>2,181,161</u>

For the years ended December 31, 2008 and 2007, movements of unrealized gain (loss) on available-for-sale financial assets were as follows:

	2008	2007
Beginning balance	\$ (29,345)	32,865
Add: unrealized gain (loss) recognized in the period	78,756	(72,333)
Less: realized gain (loss) on disposal in the period	4,286	(10,123)
Ending balance	<u>\$ 45,125</u>	<u>(29,345)</u>

Please refer to note 25 for the available-for-sale financial assets under pledge.

(8) Bills and Bonds Purchased under Reverse Repurchase Agreements; Bills and Bonds Sold under Repurchase Agreements

As of December 31, 2008 and 2007, bills and bonds purchased under agreements to resell, and bills and bonds sold under repurchase agreements were as follows:

	2008 Period to repurchase	Interest rate (%)
Bills and bonds sold under repurchase agreements	2009.1.5~2009.2.2	0.45~5.339
	2007 Period to repurchase	Interest rate (%)
Bills and bonds sold under repurchase agreements	2008.1.7~2008.3.11	1.85~4.775

On December 31, 2008 and 2007, the Bank recorded financial instruments sold under repurchase agreements as financial assets held at fair value through profit or loss amounting to \$44,425 and \$180,371, respectively, and as available-for-sale financial assets amounting to \$154,555 and \$123,849, respectively.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(9) Accounts Receivable, Net

As of December 31, 2008 and 2007, accounts receivable, net, were as follows:

	2008	2007
Interest receivable	\$ 297,974	374,899
Accounts receivable	25,035	25,610
Notes receivable	3,000	-
Notes receivable — PANHSIN AMC	2,721,252	1,694,709
Spot exchange receivable	1,121	-
Income tax receivable	92,387	92,126
Acceptance receivable	364,770	453,987
Other receivable — PANHSIN AMC	-	1,368,470
Other receivable — other	54,023	54,899
	3,559,562	4,064,700
Less: allowance for bad and doubtful accounts — notes receivable — PANHSIN AMC	298,280	-
allowance for bad and doubtful accounts — other receivable	35	7,332
	<u>\$ 3,261,247</u>	<u>4,057,368</u>

(10) Loans and Advances to Customers

As of December 31, 2008 and 2007, details of loans and advances to customers were as follows:

	2008	2007
Remittance and discounts for exports	\$ 144,479	210,343
Short-term loans, overdrafts, and bills purchased	11,032,762	14,420,681
Short-term secured loans and overdrafts	12,168,934	13,548,417
Medium-term loans	12,872,599	14,638,400
Medium-term secured loans	21,103,632	18,346,871
Long-term loans	1,293,553	435,577
Long-term secured loans	61,015,988	64,673,723
Non-performing loans	4,806,995	4,046,665
Subtotal	124,438,942	130,320,677
Less: allowance for bad and doubtful accounts	2,424,378	1,890,687
	<u>\$ 122,014,564</u>	<u>128,429,990</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Movements of allowance for bad and doubtful accounts for the years ended December 31, 2008 and 2007, were as follows:

	Specific provision	2008 General provision	Total
Beginning balance	\$ 1,574,800	323,219	1,898,019
Add: provision for doubtful accounts	558,009	271,819	829,828
Less: write-off	<u>5,154</u>	<u>-</u>	<u>5,154</u>
Ending balance	<u>\$ 2,127,655</u>	<u>595,038</u>	<u>2,722,693</u>

	Specific provision	2007 General provision	Total
Beginning balance	\$ 2,525,269	433,275	2,958,544
Add: provision for doubtful accounts	572,962	(110,056)	462,906
Less: write-off	<u>1,523,431</u>	<u>-</u>	<u>1,523,431</u>
Ending balance	<u>\$ 1,574,800</u>	<u>323,219</u>	<u>1,898,019</u>

For the years ended December 31, 2008 and 2007, the provision for bad debt expenses was \$829,828 and \$462,906, respectively. For the years ended December 31, 2008 and 2007, the amounts collected after write-off were \$28,305 and \$39,267, respectively. For the years ended December 31, 2008 and 2007, the bad debt expenses net of the aforementioned collection after write-off were \$801,523 and \$423,639, respectively.

As of December 31, 2008 and 2007, details of allowance for bad and doubtful accounts were as follows:

	2008	2007
Loans and advances (excluding non-performing loans)	\$ 72,663	55,257
Non-performing loans	2,351,715	1,835,430
Accounts receivable and others	<u>298,315</u>	<u>7,332</u>
	<u>\$ 2,722,693</u>	<u>1,898,019</u>

For the years ended December 31, 2008 and 2007, the amounts of allowance for bad and doubtful accounts generated from 3% of operating revenues were \$164,809 and \$179,802, respectively.

As of December 31, 2008 and 2007, loans and advances not accruing interest were \$4,817,051 and \$4,058,234, respectively. For the years ended December 31, 2008 and 2007, interest receivable not accrued was \$824,547 and \$596,822, respectively.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

As of December 31, 2008 and 2007, loans classified by geographical region were as follows:

	2008	2007
Domestic	\$ 120,781,721	127,085,083
Overseas	3,657,221	3,235,594
	<u>\$ 124,438,942</u>	<u>130,320,677</u>

As of December 31, 2008 and 2007, loans classified by industry were as follows:

	2008	2007
Manufacturing	\$ 8,059,941	8,923,378
General commercial	23,030,010	23,505,787
Construction	6,084,852	4,614,800
Private	83,426,024	89,708,105
Others	3,838,115	3,568,607
	<u>\$ 124,438,942</u>	<u>130,320,677</u>

As of December 31, 2008 and 2007, asset quality was as follows:

Period			2008				
			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate
Product							
Corporate Banking	Secured		238,395	28,685,232	0.83%	20,689	8.68%
	Unsecured		921,040	21,430,749	4.30%	520,516	56.51%
Consumer Banking	Mortgage		1,981,124	67,787,859	2.92%	539,623	27.24%
	Cash card		623,853	755,651	82.56%	610,581	97.87%
	Credit loan		1,946,179	5,779,451	33.67%	732,969	37.66%
	Others	Secured	-	-	-	-	-
		Unsecured	-	-	-	-	-
	Total			5,710,591	124,438,942	4.59%	2,424,378
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit card			-	-	-	-	-
Without-recourse factoring			-	-	-	-	-

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Product			Period	2007			
			Overdue loan amount	Loan balance	Overdue ratio	Allowance for bad debts	Cover rate
Corporate Banking	Secured		54,561	26,930,481	0.20%	15,018	27.53%
	Unsecured		269,885	22,989,364	1.17%	260,232	96.42%
Consumer Banking	Mortgage		1,587,109	71,835,813	2.21%	341,551	21.52%
	Cash card		594,363	802,482	74.07%	380,789	64.07%
	Credit loan		1,820,526	7,762,537	23.45%	893,097	49.06%
	Others	Secured	-	-	-	-	-
		Unsecured	-	-	-	-	-
	Total			4,326,444	130,320,677	3.32%	1,890,687
			Overdue	Account receivables	Overdue ratio	Allowance for bad debts	Cover rate
Credit card			-	-	-	-	-
Without-recourse factoring			-	-	-	-	-

(11) Long-term Investments under Equity Method and Other Investments

As of December 31, 2008 and 2007, details of long-term investments under equity method and other investments were as follows:

	Percentage of ownership	2008		Percentage of ownership	2007	
		Investment cost	Amount		Investment cost	Amount
Equity method:						
Panhsin Insurance Broker Co., Ltd.	100.00	\$ 20,100	88,879	100.00	20,100	35,519
Panhsin Asset Management Co., Ltd.	38.46	50,000	46,919	100.00	50,000	50,753
		<u>\$ 70,100</u>	<u>135,798</u>		<u>70,100</u>	<u>86,272</u>
Financial assets stated at cost:						
Xin-Rui-Du Development Co., Ltd.	1.86	4,940	4,940	1.86	4,940	4,940
Tsai-Jin Information Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,500
Taipei County Credit Cooperative Union	-	10	10	-	10	10
Taiwan Cooperative Bills Finance Co., Ltd.	36.69	384,292	384,292	36.69	384,292	384,292
Taiwan Depository & Clearing Corporation	0.08	6,345	6,345	0.08	6,345	6,345

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

	2008			2007		
	Percentage of ownership	Investment cost	Amount	Percentage of ownership	Investment cost	Amount
Taiwan High Speed Rail Corporation—preferred shares	0.01	\$ 10,000	10,000	0.01	10,000	10,000
Yang Guang Asset Management Company	1.15	692	692	1.15	692	692
		<u>451,779</u>	<u>451,779</u>		<u>451,779</u>	<u>451,779</u>
Less: accumulated impairment loss		-	4,940		-	4,940
		<u>\$ 451,779</u>	<u>446,839</u>		<u>451,779</u>	<u>446,839</u>

The investee PANHSIN AMC is accounted for under the equity method and increased its capital by cash injection in 2008.

After injection, the percentage had decreased because of not increased the original.

For the years ended December 31, 2008 and 2007, movements of accumulated impairment loss on financial assets stated at cost were as follows:

	2008	2007
Beginning balance	\$ 4,940	4,940
Add: provision	<u>-</u>	<u>-</u>
Ending balance	<u>\$ 4,940</u>	<u>4,940</u>

The financial assets stated at cost (under other financial assets) were accounted for by the cost method since there was no quoted market price and estimates of fair values were not available.

The Bank loaned a total amount of \$395,000 to Taiwan Cooperative Bills Finance Co., Ltd. (the former Great Chinese Bill Finance Co., Ltd.) in January 2007, and the board of directors of the Bank resolved to transfer the amount of \$384,292 of debts to invest in the shares of Taiwan Cooperative Bills Finance Co., Ltd. on September 26, 2007. At the same time, the residual debt obligation of \$10,708 was abandoned and recognized as bad debts expense.

The investment was approved by the Financial Supervisory Commission, Executive Yuan, in Jin Guan Yin (4) No. 9600475932 on November 6, 2007.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(12) Property and Equipment

As of December 31, 2008 and 2007, property and equipment were as follows:

	2008	2007
Cost:		
Land	\$ 3,745,433	3,735,115
Buildings	905,368	868,119
Equipment	642,397	619,916
Transportation equipment	102,384	100,888
Other equipment	96,458	92,916
Leasehold improvement	<u>97,980</u>	<u>184,466</u>
Subtotal	5,590,020	5,601,420
Less: accumulated depreciation	<u>879,632</u>	<u>886,470</u>
	4,710,388	4,714,950
Construction in progress and prepayments for equipment	<u>2,202,136</u>	<u>1,091,884</u>
	<u>\$ 6,912,524</u>	<u>5,806,834</u>

For the years 2008 and 2007, the movement of accumulated depreciation was as follows:

	2008	2007
Beginning balance	\$ 886,470	794,410
Add: depreciation	96,898	108,773
reclassification from leased-out asset	646	-
Less: disposal	104,382	14,771
reclassification to leased-out asset	<u>-</u>	<u>1,942</u>
Ending balance	<u>\$ 879,632</u>	<u>886,470</u>

In accordance with the Bank's management policy, fixed assets amounting to \$2,464,680 were entrusted. Please refer to note 29.

(13) Intangible Assets—Goodwill

As of December 31, 2008 and 2007, intangible assets—goodwill were as follows:

	2008	2007
Original cost	\$ 1,385,817	1,385,817
Less: accumulated impairment loss	<u>69,658</u>	<u>69,658</u>
	<u>\$ 1,316,159</u>	<u>1,316,159</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

For the years ended December 31, 2008 and 2007, the movement of goodwill was as follows:

	2008	2007
Beginning balance	\$ 1,385,817	1,385,817
Increase	-	-
Ending balance	<u><u>\$ 1,385,817</u></u>	<u><u>1,385,817</u></u>

For the years ended December 31, 2008 and 2007, the movement of accumulated impairment loss was as follows:

	2008	2007
Beginning balance	\$ 69,658	69,658
Add: provision	-	-
Ending balance	<u><u>\$ 69,658</u></u>	<u><u>69,658</u></u>

(14) Other Assets—Non-operating Assets

As of December 31, 2008 and 2007, other assets—non-operating assets were as follows:

	2008	2007
Leased-out assets, net	\$ 369,980	371,606
Idle assets, net	-	44,399
	<u><u>\$ 369,980</u></u>	<u><u>416,005</u></u>

The depreciation expense for leased out assets was \$1,626 and \$1,141 in 2008 and 2007, respectively. The depreciation expense for idle assets was \$0 and \$656 in 2008 and 2007, respectively. These depreciation expenses were recorded under other non-interest income, net.

The major terms of the lease contracts are as follows:

- 1) Contract period is for 1 to 3 years.
- 2) The lessee has usage rights during the leasehold period. The leased assets cannot be mortgaged, securitized, sub-leased or disposed of in any manner without prior written consent from the Bank.

The Bank recognized net gain in the amount of \$3,191 in 2007 from the sale of leased-out assets and idle assets.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(15) Other Assets—Foreclosed Assets

As of December 31, 2008 and 2007, other assets—foreclosed assets were as follows:

	2008	2007
Foreclosed assets	\$ 2,249,483	2,474,505
Less: accumulated impairment loss	<u>287,033</u>	<u>102,729</u>
	<u>\$ 1,962,450</u>	<u>2,371,776</u>

For the years ended December 31, 2008 and 2007, the movement of accumulated impairment loss was as follows:

	2008	2007
Beginning balance	\$ 102,729	149,726
Add: provision	184,304	-
Less: write-off	<u>-</u>	<u>46,997</u>
Ending balance	<u>\$ 287,033</u>	<u>102,729</u>

The net gain on disposal of foreclosed assets was \$3,918 and \$80,935 in 2008 and 2007, respectively, recorded under other non-interest income.

As of December 31, 2008, of the foreclosed assets held by the Bank, the amounts related to Xin Rui-du and Annan Star (Cao Hu Section, Annan District, Tainan City) were \$632,994 and \$741,555, respectively. Measures taken by the Banks were as follows:

1) Xin Rui-du Court Case

1. The loan to Xin Rui-du was renewed by the Bank after the original loan provided by the 5th Credit Cooperative of Kaohsiung matured. The foreclosed assets from Xin Rui-du were assumed by the Bank since the Bank was unable to find a buyer for the property through Court auction and other means without anticipating great losses. The difficulties encountered by the Bank from selling the assets were because Su Huei Jen, a major owner of Xin Rui-du, was involved in a political scandal that was highly publicized and scrutinized by the media, and Xin Rui-du owed huge construction payables. In addition, the property was seized and exploited by a third party. The Bank regained control of the property and employed 24-hour surveillance and security fences to ensure public safety.
2. The foreclosed land was classified as industrial and commercial land. The Bank was entitled to ownership of the property, but the development rights of the property were separated from the ownership rights and granted to Xin Rui-du. Through undertaking legal action, the Bank was appointed as the liquidator of Xin Rui-du after Xin Rui-du annulled its business registration. The Bank publicly auctioned the development rights. The Bank applied to the Industrial Development Bureau of the Ministry of Economic Affairs to gain entitlement to the development rights in aid of selling the property, but until now, the alteration of the development rights entitlement has not been approved.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

3. Since the construction was suspended, the Kaohsiung County Government had the right to return the property to its original classification (agricultural areas and agricultural areas level A construction site). If the area of the property resumes its original classification, the Kaohsiung County Government will require the Bank to restore the land to its original condition. All donations made by the Bank to the government in respect of the Xin Rui-du case was nonrefundable.
- 2) Annan Star (No. 116, 210-3, Cao Hu Section, Annan District, Tainan City)
1. The property was classified as aqua-cultural land and was a part of the 5th Credit Cooperative of Kaohsiung project. The Bank anticipated huge losses in disposing the property since the market selling price was low and the property was currently occupied by a third party, thus increasing the complexity of disposing of the property.
 2. After assuming the property, the Bank undertook legal proceedings to eliminate third-party usage and communicated with construction companies and restoration companies to explore the possibility of changing the aqua-cultural land to construction land and launching a construction project to increase the economic value of the land.
 3. After various valuations, for Phase I of the project, the Bank donated part of the land for public facility use and the remaining property, No. 116 and 210-3, will be used for construction.
 4. The Bank entered into a co-construction project named "Annan Star" with Panhsin Asset Management Co., Ltd. (PANHSIN AMC) to promote 103 commercial store and home properties with a total minimal revenue of \$7,160,290 thousand. The estimated book value of the property will be recovered if all properties are sold.
 5. Progress in construction: the Bank obtained the usage rights of the property and decided to subdivide the land. The Bank launched Phase II of construction and estimated the completion of construction to be around the end of April 2009.
 6. Progress in sale: The full promotion phase was entered in April 2009, with the Bank's and PANHSIN AMC's employees rotating every Saturday to assist in selling at the Annan Star selling center. Currently, thirteen units have been sold with total revenue of \$73,909 thousand.
- 3) Annan Star (No. 116-5, 136, 210, Cao Hu Section, Annan District, Tainan City)
1. The land situation was similar to that of Annan Star Phase I, and the original plan was to donate a portion of land for public facilities with the remaining portion for construction, since over 50% of the ownership of the entire area agreed to the development plan, the Bank will join in the development of the entire property held.
 2. After various meetings with the Tainan City No. 87 Annan Star Construction (Phase II) Privately Held Reconstruction Committee, the Bank's donation proportion decreased from 45.17% to 41%. On top of the portion of land the Bank is entitled to, the Bank received 283.08 ping of land with a current market value sufficient to provide the Bank with a gain of approximately \$28,308 thousand after recovering the property's book value.
 3. The construction company expedited construction of public facilities to enhance the Annan District community's living quality and aid the promotion of Annan Star Phase I selling.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

4) Annan Star (No. 145, Cao Hu Section, Annan District, Tainan City)

The property was another development area, and the Bank agreed to allow the Tainan City Government to plan and execute the project. But the project has not been authorized by the government.

(16) Deposits by Central Bank and Other Banks

As of December 31, 2008 and 2007, deposits by the Central Bank and other banks were as follows:

	2008	2007
Deposits by other banks	\$ 3,946,803	6,795,541
Deposits transferred from Post Office	753,169	1,995,878
Overnight deposit from other banks	374,906	423,057
	<u>\$ 5,074,878</u>	<u>9,214,476</u>

(17) Deposits and Remittances

As of December 31, 2008 and 2007, deposits and remittances were as follows:

	2008	2007
Checking account	\$ 1,281,914	1,249,218
Demand deposits	10,637,525	11,016,855
Time deposits	24,761,159	22,159,811
Negotiable certificates of deposit	3,397,300	4,139,300
Foreign currency time deposits	4,116,893	5,598,077
Savings accounts:		
Demand deposits	24,556,128	25,014,277
Staff deposits	830,968	874,222
Installment savings deposits	246,643	646,297
Non-interest-drawing time savings deposits	19,812,834	21,443,878
Interest-drawing savings deposits	54,599,593	52,013,464
Remittances	46,782	43,398
	<u>\$ 144,287,739</u>	<u>144,198,797</u>

As of December 31, 2008 and 2007, the maturity dates for the above time deposits and savings, except for demand savings deposits, were between one month and one year.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(18) Subordinated Financial Debentures

As of December 31, 2008 and 2007, subordinated financial debentures were as follows:

	2008	2007
Subordinated financial debentures	\$ <u>4,719,000</u>	<u>4,200,000</u>

In order to improve the capital structure and promote the regulatory capital adequacy ratio, the board of directors of the Bank resolved the issuance of subordinated financial debentures on July 24, 2003. The issuing of subordinated financial debentures was approved by the Bureau of Monetary Affairs in Ministry of Finance Ruling Tai Tsai Rong No. 0920041600 on September 3, 2003. The Bank issued the first series of the subordinated financial debentures on December 16, 2003, January 7, 2004, and September 1, 2004, and the period of the debentures was five years and six months. The total amount was \$2,000,000, which was also the par value. The details were as follows:

	The first series of the subordinated financial debentures in 2003	The first series of the subordinated financial debentures in 2004 (1st issuance)	The first series of the subordinated financial debentures in 2004 (2nd issuance)
Par value	\$ 1,158,600	391,800	449,600
Stated interest rate			
Fixed	3.00%	3.00%	3.25%
Floating	Floating interest rate plus 1.25% of Taiwan Post Co., Ltd. stated one-year time savings deposit rate (note 1)	Floating interest rate plus 1.25% of Taiwan Post Co., Ltd. stated one-year time savings deposit rate (note 1)	Floating interest rate plus 1.25% of Taiwan Post Co., Ltd. stated one-year time savings deposit rate (note 1)
Period	Five years and six months	Five years and six months	Five years and six months
Interest payment date	Payable every half-year	Payable every half-year	Payable every half-year
Term of principal repayment	Repaid on maturity	Repaid on maturity	Repaid on maturity
Issued price	Priced at face value on issuing date	Priced at face value on issuing date	Priced at face value on issuing date

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinated financial debentures on December 21, 2005. The issuance of subordinated financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09500173780 on May 2, 2006. The Bank issued the first series of the subordinated financial debentures on June 16, 2006, and the period of the debentures was five years and eight months. The total amount was \$1,680,000, which was also the par value. The details were as follows:

**The first series of the
subordinated financial
debentures in 2006**

Par value	\$ 1,680,000
Stated interest rate	
Fixed	3.30%
Floating	Floating interest rate plus 1.10% of Taiwan Post Co. Ltd. stated one-year time savings deposit rate (note 2)
Period	Five years and eight months
Interest payment date	Payable every year
Term of principal repayment	Repaid on maturity
Issued price	Priced at face value on issuing date

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The board of directors of the Bank resolved the issuance of subordinated financial debentures on April 18, 2007. The issuance of subordinated financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09600204740 on May 22, 2007. The Bank issued the first series of the subordinated financial debentures on June 28, 2007, and the period of the debentures was five years and six months. The total amount was \$520,000, which was also the par value. The details were as follows:

**The first series of the
subordinated financial
debentures in 2007**

Par value	\$ 520,000
Stated interest rate	
Fixed	3.50%
Floating	Floating interest rate plus 1.20% of Taiwan Post Co. Ltd. stated one-year time savings deposit rate (note 1)
Period	Five years and six months
Interest payment date	Payable every half-year
Term of principal repayment	Repaid on maturity
Issued price	Priced at face value on issuing date

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The board of directors of the Bank resolved the issuance of subordinated financial debentures on April 16, 2008. The issuance of subordinated financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09600204740 on May 22, 2007. The Bank issued the first series of the subordinated financial debentures on May 21, 2008, and the period of the debentures was six years. The total amount was \$239,000, which was also the par value. The details were as follows:

**The first series of the
subordinated financial
debentures in 2008**

Par value	\$ 239,000
Stated interest rate	
Fixed	3.60%
Floating	Floating interest rate plus 1.25% of Taiwan Post Co. Ltd. stated one-year time savings deposit rate (note 1)
Period	Six years
Interest payment date	Payable every half-year
Term of principal repayment	Repaid on maturity
Issued price	Priced at face value on issuing date

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

The board of directors of the Bank resolved the issuance of subordinated financial debentures on October 15, 2008. The issuance of subordinated financial debentures was approved by the Financial Supervisory Commission, Executive Yuan, in Ruling Jin Guan Yin No. 09700438300 on November 14, 2008. The Bank issued the second series of the subordinated financial debentures on December 25, 2008, and the period of the debentures was six years. The total amount was \$280,000, which was also the par value. The details were as follows:

**The first series of the
subordinated financial
debentures in 2008**

Par value	\$	280,000
Stated interest rate		
Fixed		3.40%
Period	Six years	
Interest payment date	Payable every half-year	
Term of principal repayment	Repaid on maturity	
Issued price	Priced at face value on issuing date	

(Note 1) The stated interest rates are recalculated every half-year, two business days prior to the effective date.

(Note 2) The stated interest rates are recalculated every year, two business days prior to the effective date.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(19) Pension

In accordance with the pension plan, the Bank deposited an amount equal to 8% and 9.64% of the monthly gross salary payment in a retirement fund account for managers and employees, respectively, in 2008 and 2007. Furthermore, in accordance with the New System, from July 1, 2005, the Bank deposited in the Bureau of Labor Insurance an additional amount equal to 6% of the monthly gross salary payment for employees who chose the New System. The measurement dates of the actuarial valuation were December 31, 2008 and 2007. As of December 31, 2008 and 2007, the reconciliation of the funded status and accrued pension liabilities was as follows:

	2008		2007	
	Managers	Regular employees	Managers	Regular employees
Benefit obligation:				
Vested benefit obligation	\$ (60,198)	(63,779)	(36,684)	(84,164)
Non-vested benefit obligation	(20,659)	(233,731)	(11,744)	(273,011)
Accumulated benefit obligation	(80,857)	(297,510)	(48,428)	(357,175)
Additional benefits based on future salaries	(22,448)	(155,368)	(12,266)	(151,277)
Projected benefit obligation (PBO)	(103,305)	(452,878)	(60,694)	(508,452)
Fair value of plan assets	18,985	386,584	17,643	360,093
Funded status	(84,320)	(66,294)	(43,051)	(148,359)
Unrecognized net transitional benefit obligation (assets)	(1,195)	112,213	(1,493)	119,226
Unrecognized pension loss (gain)	87,671	(76,389)	45,128	1,405
Additional minimum pension liability	(64,028)	-	(31,369)	-
Accrued pension liabilities	<u>\$ (61,872)</u>	<u>(30,470)</u>	<u>(30,785)</u>	<u>(27,728)</u>
Vested benefit	<u>\$ 93,941</u>	<u>100,141</u>	<u>58,051</u>	<u>118,240</u>

For the years ended December 31, 2008 and 2007, the components of net pension cost were as follows:

	2008		2007	
	Managers	Regular employees	Managers	Regular employees
Service cost	\$ 2,399	15,274	2,489	14,694
Interest cost	1,669	13,982	1,644	12,860
Actual return on plan assets	4	(13,039)	(76)	(9,462)
Amortization	2,137	9,936	3,126	7,047
Net pension cost	<u>\$ 6,209</u>	<u>26,153</u>	<u>7,183</u>	<u>25,139</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Actuarial assumptions for the years 2008 and 2007 were as follows:

	2008		2007	
	Managers	Regular employees	Managers	Regular employees
Discount rate	2.50%	2.50%	2.75%	2.75%
Rate of increase in futures compensation	2.00%	2.00%	2.00%	2.00%
Rate of projected return on plan assets	2.50%	2.50%	2.75%	2.75%

As of December 31, 2008 and 2007, the balance of the pension funds deposits with the Bank's Hou Pu Branch for managers was \$24,999 and \$16,963, respectively.

For the years ended December 31, 2008 and 2007, net pension cost was as follows:

	2008	2007
Defined benefit pension plan	\$ 32,362	32,322
Defined contribution pension plan	<u>35,743</u>	<u>37,661</u>
	<u>\$ 68,105</u>	<u>69,983</u>

(20) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. The Bank adopted the ROC "Income Basic Tax Act" to calculate its basic income tax. The income tax expense (benefit) for 2008 and 2007 is summarized below:

	2008	2007
Current income tax expense	\$ 12,825	1,087
Deferred income tax expense (benefit)	<u>(103,959)</u>	<u>139,006</u>
Income tax expense (benefit)	<u>\$ (91,134)</u>	<u>140,093</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The differences between the expected income tax at the statutory income tax rate and the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2008 and 2007, were as follows:

	2008	2007
Income tax at statutory rate	\$ (239,289)	168,694
Income of OBU exempt from tax	107,842	15,670
Investment income from long-term investment under equity method	(12,382)	(2,155)
Tax effect of interest income from separately taxed short-term bills	(769)	(566)
Dealing loss (gain) from securities trading, net	2,162	(6,704)
Dividend income	(2,152)	-
Loss on sale of land, net	(9,932)	(17,219)
Provision for (reversal of) valuation loss (gain) on financial assets at fair value through profit or loss	(1,396)	12,036
Adjustment of prior year's impairment loss on foreclosed assets	11,749	-
Adjustment of prior year's allowance for bad and doubtful accounts	645	-
Reversal of reserve for other losses	231	-
Reversal of reserve (provision) for securities trading losses	64	(712)
Adjustment and expiration of prior year's loss carryforwards	(7,486)	102,692
Adjustment and expiration of prior year's investment tax credit	2,044	-
Increase in investment tax credit—staff training costs	(3,760)	(1,972)
10% surtax on unappropriated earnings	1,250	-
Underaccrual of prior year's income tax	12,576	-
Provision for (reversal of) allowance for deferred income tax assets	47,385	(134,605)
Other adjustment of loss carryforwards resulting from tax-exempt investment income	-	4,877
Other	84	57
Income tax expense (benefit)	<u>\$ (91,134)</u>	<u>140,093</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

For the years ended December 31, 2008 and 2007, the major components of deferred income tax expense (benefit) were as follows:

	2008	2007
Decrease (increase) in allowance for bad and doubtful debts in excess of tax limitation	\$ (216,374)	229,296
Impairment loss on foreclosed assets	(46,076)	-
Amortization of goodwill	39,464	39,463
Amortization of impairment loss on goodwill	3,870	3,870
Adjustment of prior year's impairment loss on foreclosed assets	11,749	-
Unfunded pension expense	(293)	(2,748)
Provision for (reversal of) valuation loss (gain) on financial assets at fair value through profit or loss	2,677	(552)
Adjustment of prior year's allowance for bad and doubtful accounts	645	-
Utilization of (addition to) loss carryforwards	60,945	(96,438)
Adjustment and expiration of prior year's loss carryforwards	(7,486)	102,692
Increase in investment tax credit—staff training costs	(465)	(1,972)
Provision for (reversal of) allowance for deferred income tax assets	47,385	(134,605)
	<u>\$ (103,959)</u>	<u>139,006</u>

As of December 31, 2008 and 2007, the deferred income tax assets (liabilities) were as follows:

	2008	2007
Deferred income tax assets	\$ 908,605	752,117
Valuation allowance—deferred income tax assets	<u>(177,117)</u>	<u>(129,732)</u>
Net deferred income tax assets	731,488	622,385
Deferred income tax liabilities	<u>(5,144)</u>	<u>-</u>
Deferred income tax assets, net	<u>\$ 726,344</u>	<u>622,385</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

As of December 31, 2008 and 2007, the components of deferred income tax assets (liabilities), including temporary differences, loss carryforwards, and tax credits, and the respective income tax effect for each component were as follows:

	2008		2007	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets (liabilities):				
Valuation loss (gain) on financial assets at fair value through profit or loss	\$ (9,644)	(2,411)	1,067	266
Pension costs in excess of tax limitation	95,495	23,874	94,325	23,581
Allowance for bad and doubtful debts in excess of tax limitation	1,402,014	350,504	539,099	134,775
Allowance for loss on decline in net realizable value of foreclosed assets	287,033	71,758	149,726	37,431
Amortization of goodwill in excess of tax limitation	(10,930)	(2,733)	146,922	36,731
Impairment loss on goodwill	23,219	5,805	38,699	9,675
Loss carryforwards	1,787,205	446,801	2,001,042	500,260
Investment tax credit—staff training costs	9,863	9,863	9,398	9,398
		<u>\$ 903,461</u>		<u>752,117</u>

As of December 31, 2008 and 2007, the components of income tax receivable (recorded under accounts receivable, net) were as follows:

	2008	2007
Current income tax expense (benefit)	\$ 12,825	1,087
Income tax on separately taxed short-term bills	(248)	(1,079)
Income tax receivable of prior years	(55,482)	(52,575)
Withheld income tax	(36,906)	(39,559)
Underaccrual of prior year's income tax	(12,576)	-
Income tax receivable	<u>\$ (92,387)</u>	<u>(92,126)</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The ROC Income Tax Act previously stated that net losses could be carried forward for five consecutive years to reduce taxable income. Following the amendment of the Income Tax Act announced in January 2009, assessed net losses can be carried forward for ten consecutive years to reduce taxable income; therefore, the unused assessed net loss in 2003 can be carried forward to 2013. As December 31, 2008, the amount of losses and the year of expiry were as follows:

Year of loss	2008	Year of expiry
2003	\$ 788,793	2013
2004	193,119	2014
2005	389,438	2015
2007	415,855	2017
	<u>\$ 1,787,205</u>	

Pursuant to the R.O.C. Statute for Upgrading Industries, the Bank's unused investment tax credit — staff training costs as of December 31, 2008, was as follows:

Year incurred	2008	Year of expiry
2005	\$ 2,312	2009
2006	1,916	2010
2007	1,875	2011
2008	3,760	2012
	<u>\$ 9,863</u>	

The ROC income tax authorities have examined the Bank's income tax returns filed before re-incorporation for all years through 1997. Income tax returns filed after re-incorporation have been examined for all years through 2006.

As of December 31, 2008 and 2007, the information related to the imputation credit account (ICA) was as follows:

	2008	2007
Balance of ICA	<u>\$ 38,721</u>	<u>19,421</u>

Because the Bank had accumulated deficits, the imputation tax credit ratio of earnings distributed in 2008 is estimated at 0%.

The imputation tax credit ratio of earnings distributed to ROC resident shareholders in 2007 was 11.62%.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The unappropriated earnings (accumulated deficits) as of December 31, 2008 and 2007, were as follows:

	2008	2007
Year 1998 and after	<u>\$ (853,516)</u>	<u>190,343</u>

As of December 31, 2008, legal reserves were all provided for by earnings after 1998.

(21) Stockholders' Equity

1) Common stock

On September 20, 2006, the board of directors decided to issue 100,000 thousand shares, at \$10 (dollars) per share, resulting in issued share capital of \$1,000,000. After the capital increase, authorized and issued capital were \$15,000,000 and \$8,557,900, respectively. The date of the capital increase was designated as December 28, 2006, by the board of directors, and the related registration was completed on January 18, 2007.

2) Capital surplus

According to the ROC Company Act, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficits. Capital surplus should not be used for distribution of cash dividends. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank.

On June 28, 2007, the shareholders decided to offset accumulated deficits by legal reserve and capital surplus in the amount of \$196,891 and \$245,786, respectively.

3) Restrictions on legal reserve and appropriation of retained earnings

According to the Company's articles of incorporation, any annual earnings of the Company shall first be used to pay income tax and offset any deficits, after which 30% of the remaining earnings shall be provided as legal reserve, and then special reserve shall also be provided. Afterwards, dividends for preferred stock shall be distributed. Distribution of the remaining earnings shall then be as follows:

1. Stockholders' dividends proposed by the board of directors shall be decided in the stockholders' meeting;
2. 5% as directors' and supervisors' remuneration; and
3. 5% as employees' bonuses.

On February 20, 2008, the board of directors decided to declare cash dividends of \$90,000 for preferred shares. This resolution was agreed to in the stockholders' meeting on June 19, 2008.

As of December 31, 2007, the Bank's accumulated unpaid preferred dividend for year 2006 was \$45,000.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

According to the ROC Company Act, prior to the Bank's setting aside an accumulated legal reserve equalling the amount of total share capital, this reserve can only be used to offset an accumulated deficit and cannot be distributed as cash dividends. However, one-half of the legal reserve can be converted to share capital when it reaches an amount equal to one-half of issued share capital upon approval by the Bank's stockholders. In addition, pursuant to the ROC Banking Law, the Bank cannot distribute cash dividends exceeding 15% of total share capital until the legal reserve reaches an amount equal to total share capital.

On February 20 and June 19, 2008, the board of directors' and stockholders' meetings, respectively, passed a resolution on the Bank's appropriation of earnings for 2007. The distribution of the Bank's employees' bonuses and directors' and supervisors' remuneration was as follows:

	2007
Bonus to employees — cash	\$ 695
Directors' and supervisors' remuneration — cash	<u>694</u>
	<u>\$ 1,389</u>

As the Bank had a net loss for the year ended December 31, 2008, the Bank did not estimate employees' bonuses.

If the aforementioned employees' bonuses and directors' and supervisors' remuneration were all paid in cash and were deemed to be expenses from the same fiscal year as the distributed earnings, the earnings per share after tax (after retroactive adjustment) would still be \$0.57 (dollars) in 2007. The distribution of earnings was not different from the resolution passed by the board of directors.

As of the auditors' report date, the board of directors had not passed a resolution on the Bank's 2008 appropriation of earnings. Please see the Market Observation Post System website for information on the board of directors' resolution on the appropriation of earnings.

(22) Earnings per Share

For the years ended December 31, 2008 and 2007, the basic earnings (deficits) per share of the Bank were as follows (expressed in thousands of shares):

	2008		2007	
	Pre-tax	After tax	Pre-tax	After tax
Income (loss) before cumulative effect of changes in accounting principle	\$ (957,156)	(866,022)	674,775	534,682
Less: dividends on preferred stock	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>(45,000)</u>
Net income (loss) attributable to common stockholders	<u>\$ (1,002,156)</u>	<u>(911,022)</u>	<u>629,775</u>	<u>489,682</u>
Weighted-average outstanding shares	<u>855,790</u>	<u>855,790</u>	<u>855,790</u>	<u>855,790</u>
Basic earnings (deficits) per share (expressed in New Taiwan dollars)	<u>\$ (1.17)</u>	<u>(1.06)</u>	<u>0.74</u>	<u>0.57</u>

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****(23) Disclosure of Financial Instruments**

1) Fair value information on financial assets

The Bank's methods and assumptions for estimating the fair value of financial instruments were as follows:

1. The book value of the financial instruments which have a short maturity period will be considered as their fair value. This assumption is used in evaluating the following accounts: cash and cash equivalents, due from Central Bank and placement to other banks, receivables, other financial assets (not including financial assets stated at cost), deposits by Central Bank and other banks, financial liabilities at fair value through profit or loss, bills and bonds sold under repurchase agreements, payables, bonds payable, other financial liabilities, and some components of other liabilities.
2. Fair values of financial instruments are the quoted market price if the instruments are actively traded on the market. If quoted market price is unavailable, the fair value is determined based on certain valuation techniques. The estimates and assumptions of the valuation techniques adopted by the Bank are identical to those adopted by other market participants. The discount rates the Bank uses are identical to those return rates of financial instruments with the same conditions, including the credit status of the debtor, the remaining periods of contracted interest based on fixed interest rates, the remaining periods of paying off principal, and currency used.

Among the derivative instruments, stock options embedded in convertible corporate bonds and credit-linked notes are evaluated by the prices offered by counterparties; forward contracts, currency swaps, currency and interest rate swaps, and interest rate swaps are evaluated by the rates of the Reuters system by discounting future cash flows to their present values.

3. The interest on net loans and advances to customers is based on floating rates. Thus, the book value is the fair value.
4. Other assets—foreclosed assets and leased-out assets are stated at their net realizable value and are evaluated for accumulated impairment loss on the balance sheet date. Thus, the book value is the fair value.
5. Most deposits and remittances mature in less than one year; even those which mature in more than one year are mostly based on floating rates. Thus, the book value is the fair value.
6. Most of the off-balance-sheet financial assets, such as commitments and guarantees, mature in less than one year, so the contract amount is the fair value.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

- 2) As of December 31, 2008, except for fair value based on the quoted market price, the evaluated fair values of the Bank's financial assets and liabilities were as follows:

	2008	2007
Trading assets:		
Derivatives	\$ 27,598	5,232
Financial assets designated at fair value:		
Credit-linked notes	494,812	769,842
	<u>\$ 522,410</u>	<u>775,074</u>
Trading liabilities:		
Derivatives	<u>\$ 218,288</u>	<u>19,845</u>

- 3) For the years ended December 31, 2008 and 2007, the Bank recognized a loss of \$181,083 and \$120,997, respectively, on financial instruments evaluated by using valuation techniques.
- 4) A summary of derivative instrument contracts not yet mature as of December 31, 2008 and 2007, is as follows:

	2008	Fair value	
	Notional amount	Gain	Loss
Credit-linked notes	\$ 422,744	-	191,206
Cross-currency swaps	3,604,743	27,598	18,549
	<u>\$ 4,027,487</u>	<u>27,598</u>	<u>209,755</u>
		2007	
	Notional amount	Fair value	
		Gain	Loss
Credit-linked notes	\$ 421,759	-	13,645
Asset swap contracts — put option	4,230	60	60
Forward foreign exchange contracts	478,584	2,330	1,390
Asset swap contracts — IRS	694	715	-
Cross-currency swaps	489,678	2,127	4,750
	<u>\$ 1,394,945</u>	<u>5,232</u>	<u>19,845</u>

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

5) Policy for managing financial risk and risk information

The Bank set up a risk management policy approved by the board of directors to control risk effectively. The chief executive officer of the centre is in charge of all activities to maximize and maintain profit for stockholders.

The Bank follows a risk management policy and strives to quantify, assess, and then manage risks in order to price risks and to obtain the optimal capital allocation.

The risks the Bank encountered were as follows:

1. Market risk

Market risk means changes such as in interest rates, exchange rates, and the prices of equity securities and instruments which may result in a loss for the Bank, either on or off the balance sheet. The Bank has set up a market risk management standard. Through the market management system, the Bank is able to evaluate and control each part of the market risk.

The Bank owns government bonds and negotiable certificates of deposit (recorded under available-for-sale financial assets). The fair value of fixed-rate government bond investment will be affected by a change in market rate. A 1% increase in market rate will decrease the fair value of bond investment by \$165,532.

The Bank engages in foreign currency transactions which give rise to foreign currency assets and liabilities. Therefore, changes in exchange rates will affect the fair value of the net position on foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD will cause a loss of NT\$584 thousand.

2. Credit risk

Credit risk is the risk that borrowers and counter-parties will not be able to fulfil contracts. The Bank has set up a credit risk management standard which is able to evaluate and control possible credit risk resulting from business operations by establishing and implementing a management structure.

Financial instruments issued by or held by the Bank may cause loss if counter-parties are not able to fulfil contracts. The amount of the Bank's credit risk is equal to the financial instruments which remain positive on the balance sheet date. The Bank conducts a cautious credit assessment before qualifying loans and guarantees. Loans with collateral amounted to 78% of the total amount of loans in 2008. In order to obtain credit lines from the Bank, borrowers and guarantors are asked to provide collateral such as cash, fixed assets, securities with liquidity, and other assets. Furthermore, in order to reduce credit risk, the Bank follows certain credit policies and negotiates credit limits with counter-parties. In addition, the Bank signs master netting agreements with the counter-parties to reduce credit risk.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Concentration of credit risk refers to the significant concentration of credit risks from all financial instruments, whether the risks are from an individual counter-party or group of counter-parties. Group concentration of credit risk exists if a number of counter-parties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. There is no significant concentration of credit risk from counter-parties of the Bank's financial instruments. The related information can be found in note 10 to the financial statements and as follows:

(a) Information on concentration of credit risk is listed below.

December 31, 2008			
Rank	Group Company	Outstanding loan	% of net worth
1	Chinatrust Group	1,226,896	13.99%
2	Jin Hong Jhuang Enterprise	965,000	11.00%
3	Radium Group	863,010	9.84%
4	Central Investment	774,000	8.82%
5	United Group	760,850	8.67%
6	SUN RAY COMPANY	709,930	8.09%
7	Hong-guo Group	702,360	8.01%
8	Duen Yang Construction	690,000	7.87%
9	Fu-xi Construction	514,150	5.86%
10	Credit Suisse Group	444,683	5.07%
	Total	7,650,879	

December 31, 2007			
Rank	Group Company	Outstanding loan	% of net worth
1	Jin Hong Jhuang Enterprise	1,433,400	14.80%
2	Hrem Group	1,022,121	10.55%
3	Chinatrust Group	1,008,225	10.41%
4	Duen Yang Construction	1,004,400	10.37%
5	Great Construction	879,328	9.08%
6	Jiu-Yang Construction	700,000	7.23%
7	Evergreen Group	679,370	7.01%
8	Central Investment	674,000	6.96%
9	E United Group	603,089	6.23%
10	Ho Tong Group	503,500	5.20%
	Total	8,507,433	

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

- (b) As of December 31, 2008 and 2007, the unused contractual amount of financial instruments with off-balance-sheet credit risk was as follows:

	2008	2007
Unused lines of credit	<u>\$ 10,685,033</u>	<u>8,189,854</u>
Other guarantees	<u>\$ 4,087,380</u>	<u>4,711,105</u>
Unused L/C balance	<u>\$ 680,939</u>	<u>1,749,684</u>

3. Liquidity risk

Liquidity risks include market and capital risks. Market risk is the risk that market prices will encounter obvious changes. Capital risk is the risk that a responsibility cannot be fulfilled because of being unable to convert assets into cash or acquire enough cash. The Bank's risk management approach starts with managing the daily payment queue and forecasting cash flows. It then covers tactical liquidity risk management dealing with access to unsecured funding sources. The Bank's cash flows are monitored by the treasury department on a daily basis to ensure the Bank's access to liquidity.

To control risk effectively, support and respect from management are essential in addition to the factors mentioned above. Under the full support of management, the risk management system of the Bank has been established. It has resulted in improving management efficiency, and the results are gradually becoming more evident.

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

As of December 31, 2008, the liquidity reserve ratio was 12.10%; the bank has enough operating capital to fulfil all contractual obligations. Thus, there is no significant liquidity risk.

As of December 31, 2008 and 2007, the duration analysis of assets and liabilities was as follows:

Duration analysis in New Taiwan dollars

2008						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 161,487,134	29,754,826	9,052,124	7,950,082	9,658,289	105,071,813
Capital used	170,602,312	12,126,214	23,932,159	25,638,524	62,642,769	46,262,646
Spreads	(9,115,178)	17,628,612	(14,880,035)	(17,688,442)	(52,984,480)	58,809,167

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2007						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Capital provided	\$ 164,301,000	28,475,000	9,549,000	13,582,000	10,581,000	102,114,000
Capital used	173,004,000	15,426,000	20,976,000	23,257,000	52,369,000	60,976,000
Spreads	(8,703,000)	13,049,000	(11,427,000)	(9,675,000)	(41,788,000)	41,138,000

Duration analysis in US dollars

2008						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years
Capital provided	\$ 84,183	170,090	45,166	19,069	2,379	47,479
Capital used	180,265	73,827	36,535	22,428	28,333	19,142
Spreads	103,918	96,263	8,631	(3,359)	(25,954)	28,337

2007						
	Total	Aging for remaining period until expiration				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years
Capital provided	\$ 360,989	214,725	73,399	35,941	-	36,924
Capital used	257,341	109,180	67,567	23,300	45,487	11,807
Spreads	103,648	105,545	5,832	12,641	(45,487)	25,117

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

4. Cash flow risk arising from interest rate change

The analysis of ratios of interest-rate-sensitive currency held by the Bank as of December 31, 2008 and 2007, is as follows:

Risk sensitivity analysis in New Taiwan dollars

2008					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	Total
Interest-rate-sensitive assets	\$ 26,647,235	98,691,469	209,287	7,651,215	133,199,206
Interest-rate-sensitive liabilities	29,274,604	72,057,173	39,622,217	6,393,389	147,347,383
Interest-rate-sensitive spreads	(2,627,369)	26,634,296	(39,412,930)	1,257,826	(14,148,177)
Interest-rate-sensitive equity, net					8,771,929
Ratio of interest-rate-sensitive assets to liabilities (%)					90.40
Ratio of interest-rate-sensitive spreads to net equity (%)					(161.29)

2007					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	Total
Interest-rate-sensitive assets	\$ 26,805,179	103,556,545	1,096,990	8,036,443	139,495,157
Interest-rate-sensitive liabilities	32,123,945	76,910,769	32,456,313	7,450,298	148,941,325
Interest-rate-sensitive spreads	(5,318,766)	26,645,776	(31,359,323)	586,145	(9,446,168)
Interest-rate-sensitive equity, net					9,687,529
Ratio of interest-rate-sensitive assets to liabilities (%)					93.66
Ratio of interest-rate-sensitive spreads to net equity (%)					(97.51)

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Risk sensitivity analysis in US dollars

2008					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	Total
Interest-rate-sensitive assets	\$ 135,569	20,249	-	18,801	174,619
Interest-rate-sensitive liabilities	82,744	18,345	27,359	15,327	143,775
Interest-rate-sensitive spreads	52,825	1,904	(27,359)	3,474	30,844
Interest-rate-sensitive equity, net					(13,127)
Ratio of interest-rate-sensitive assets to liabilities (%)					121.45
Ratio of interest-rate-sensitive spreads to net equity (%)					(234.97)

2007					
Item	Day 1 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 years	Total
Interest-rate-sensitive assets	\$ 178,518	35,714	-	26,614	240,846
Interest-rate-sensitive liabilities	185,151	18,147	30,553	235	234,086
Interest-rate-sensitive spreads	(6,633)	17,567	(30,553)	26,379	6,760
Interest-rate-sensitive equity, net					(2,097)
Ratio of interest-rate-sensitive assets to liabilities (%)					102.89
Ratio of interest-rate-sensitive spreads to net equity (%)					(322.37)

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Information regarding effective interest rates for financial instruments (not including financial assets at fair value through profit or loss) issued by or held by the Bank as of December 31, 2008 and 2007, was as follows:

Item	2008	
	New Taiwan dollars	US dollars
Available-for-sale financial assets:		
Government bonds	1.625% ~ 7.75%	-
Local government bonds	6.33%	-
Loans and advances to customers		
Discounts for exports	4.33% ~ 4.66%	-
Overdrafts and secured overdrafts	3.81% ~ 4.95%	-
Short-term loans	3.45% ~ 4.28%	1.28% ~ 7.00%
Short-term secured loans	3.23% ~ 4.15%	3.00% ~ 5.00%
Medium-term loans	3.87% ~ 5.17%	1.28% ~ 7.50%
Medium-term secured loans	2.96% ~ 3.93%	2.00% ~ 3.00%
Long-term loans	4.05% ~ 5.18%	-
Long-term secured loans	2.50% ~ 3.58%	-
Subordinated financial debentures	3.00% ~ 3.90%	-
Deposits		
Demand deposits	0.09% ~ 0.15%	0.00% ~ 0.40%
Time deposits	2.08% ~ 2.58%	0.02% ~ 6.00%
Demand savings deposits	0.10% ~ 0.50%	-
Time savings deposits	1.76% ~ 2.83%	-

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Item	2007	
	New Taiwan dollars	US dollars
Available-for-sale financial assets:		
Government bonds	1.625% ~ 7.75%	-
Local government bonds	6.33%	-
Loans and advances to customers		
Discounts for exports	7.00%	
Overdrafts and secured overdrafts	4.16% ~ 5.06%	-
Short-term loans	4.10% ~ 4.74%	5.00% ~ 8.25%
Short-term secured loans	3.66% ~ 4.00%	5.00% ~ 6.00%
Medium-term loans	4.77% ~ 5.27%	5.00% ~ 8.00%
Medium-term secured loans	3.58% ~ 3.92%	6.00% ~ 7.00%
Long-term loans	4.11% ~ 4.80%	-
Long-term secured loans	3.10% ~ 3.39%	-
Subordinated financial debentures	3.00% ~ 3.50%	-
Deposits		
Demand deposits	0.14% ~ 0.15%	2.00% ~ 3.00%
Time deposits	1.67% ~ 2.36%	3.00% ~ 6.00%
Demand savings deposits	0.50%	-
Time savings deposits	2.13% ~ 2.68%	-

5. Operational risk

Operational risk can be defined as the risk of monetary losses resulting from inadequate or failed internal processes, people, and systems or from external events. The Bank implements monitoring systems for operational risk exposures and losses for major business lines. Risk management policies and procedures for controlling or mitigating operational risk are in place and enforced through regular internal auditing.

(Continued)

BANK OF PANHSIN**Notes to Financial Statements****6. Legal risk**

Legal risk arises from the possibility that an entity may not be able to follow regulations issued by the government and may not be able to enforce a contract against another party. Legal risk arises from possible risk of loss due to an unenforceable contract or an "ultra vires" act of a counterparty. Legal risk involves the potential illegality of the contract, as well as the possibility that the other party entered into the contract without proper authority. The legal affairs department of the Bank is responsible for providing professional legal consulting and review services for internal regulations and all trading contracts, and making sure that the Bank follows the financial regulations and operational regulations.

(24) Related-party Transactions**1) Name and relationship of related party**

Name	Relationship
Directors and supervisor (individual)	The individual directors and supervisor of the Bank, and their spouses, close relatives, etc.
President, general manager, managers, etc.	The president, general manager, and managers, and their spouses, close relatives, etc.
The major individual stockholders of the Bank	The top ten major stockholders; stockholdings more than 1%
Panhsin Insurance Broker Co., Ltd.	Investee controlled by the Bank
Panhsin Asset Management Co., Ltd.	Investee controlled by the Bank
Ta-Shun Construction Co., Ltd., etc.	The Bank's chairman is the chairman of Ta-Shun Construction Co., Ltd.
Ta-Wang Construction Co., Ltd.	The Bank's chairman is the chairman of Ta-Wang Construction Co., Ltd.
Tien-Mao Construction Co., Ltd.	The Bank's chairman is the chairman of Tien-Mao Construction Co., Ltd.
Yong-Jiang Construction Co., Ltd.	The Bank's chairman is the chairman of Yong Jiang Construction Co., Ltd.
San-Jun Construction Co., Ltd.	The Bank's chairman is the supervisor of San Jun Construction Co., Ltd.
Shan-Hwei Building Co., Ltd.	The Bank's chairman is the chairman of Shan-Hwei Construction Co., Ltd.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2) Significant transactions with related parties

1. Deposits

Name	2008		Interest rate (%)
	Ending balance	Percentage of deposits (%)	
Deposits by each related party not over 1% of total deposits	<u>\$ 730,865</u>	<u>0.51</u>	0~9.675

Name	2007		Interest rate (%)
	Ending balance	Percentage of deposits (%)	
Deposits by each related party not over 1% of total deposits	<u>\$ 572,485</u>	<u>0.40</u>	0~9.565

For the years ended December 31, 2008 and 2007, apart from an interest rate limit on staff demand savings deposits of 7.240% to 9.675% and 9.565%, respectively, the interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

For the years ended December 31, 2008 and 2007, interest expense paid on the above deposits was \$9,507 and \$7,715, respectively.

2. Loans

Unit: thousand dollars

2008							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Employee credit loan	44	49,041	30,996	30,996	-	Consumer loan	None
Mortgage	1	357	-	-	-	Consumer loan	None
Others	Shan-Wei Building	550,000	161,570	161,570	-	Real estate	None
	Yong-Jiang Construction	130,000	65,000	65,000	-	Real estate	None
	San-Jun Construction	800,000	762,500	762,500	-	Consumer loan	None
	Yang Yu Hsia	2,000	-	-	-	Real estate	None
	Jiang Jin Quan	317	123	123	-	Certificates of deposit	None
	Chen Tsung Liang	14,808	2,500	2,500	-	Consumer loan	None
	Kuo Dai Ming	114,000	57,000	57,000	-	Real estate	None
	Lin Chih-Wen	8,086	4,665	4,665	-	Real estate	None
	Lin Lai-Wang	8,500	4,500	4,500	-	Real estate	None
	Liao Rong-Chuan	19,136	17,994	17,994	-	Real estate	None
	Liu Ke-Han	3,844	-	-	-	Real estate	None
	Wu Kai-Ming	1,795	1,690	1,690	-	Real estate	None
	IV Fu-Shan	529	495	495	-	Real estate	None
	Huang Hsin Mao	1,993	1,362	1,362	-	Real estate	None
	Kuo Hua-Yi	1,350	990	990	-	Real estate	None
	Chiu Chao Hui Fang	4,000	2,000	2,000	-	Real estate	None

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2008							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Others	Kuo Lin Mei Hui	24,000	12,000	12,000	-	Real estate	None
	Yeh Kuo Li Yu	33,403	19,559	19,559	-	Real estate	None
	Yang Mei Ju	51,003	23,475	23,475	-	Real estate	None
	Wan Xiu-Qing	6,583	5,152	5,152	-	Real estate	None
	Liao Mei Yun	19,500	13,500	13,500	-	Real estate	None
	Liao-Lin Su-Siang	440	323	323	-	Real estate	None
	Chung Hui-Yang	8,436	5,804	5,804	-	Real estate	None
	Xiao Rong-Dian	2,220	1,377	1,377	-	Real estate	None
	Lai Wen-Cheng	483	368	368	-	Real estate	None
	Wang Guo-Tai	12,290	8,490	8,490	-	Real estate	None

2007							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Employee credit loan	3	1,292	814	814	-	Consumer loan	None
Mortgage	2	1,333	473	473	-	Real estate	None
Others	San-Hwei Building	750,000	-	-	-	Real estate	None
	Yong-Jiang Construction	130,000	65,000	65,000	-	Real estate	None
	Chen Tsung Liang	41,597	14,767	14,767	-	Real estate	None
	Kuo Dai Ming	114,000	57,000	57,000	-	Real estate	None
	Shao Sheng Hung	240,000	-	-	-	Real estate	None
	Chung Jia-Qing	313	-	-	-	Certificates of deposit	None
	Wu Shih-Chi	175	-	-	-	Consumer loan	None
	Chen Chang-Chiang	7,980	1,903	1,903	-	Real estate	None
	Lin Chih-Wen	2,999	1,500	1,500	-	Real estate	None
	Lin Lai-Wang	6,000	3,000	3,000	-	Real estate	None
	Liu Ke-Han	4,113	3,844	3,844	-	Real estate	None
	Wu Kai-Ming	1,902	1,795	1,795	-	Real estate	None
	IV Fu-Shan	562	529	529	-	Real estate	None
	Wei Li-Qin	1,697	-	-	-	Real estate	None
	Huang Hsin Mao	3,634	1,993	1,993	-	Real estate	None
	Chung Hui-Yang	6,000	5,936	5,936	-	Real estate	None
	Lin Der-Kuo	6,456	-	-	-	Real estate	None
	Xiao Rong-Dian	2,215	2,103	2,103	-	Real estate	None
	Lai Wen-Cheng	595	483	483	-	Real estate	None
	Kuo Qui-Lin	1,000	-	-	-	Certificates of deposit	None
	Wang Guo-Tai	3,800	3,800	3,800	-	Real estate	None
	Liao Mei Yun	12,000	6,000	6,000	-	Real estate	None
	Yeh Kuo Li Yu	20,238	19,903	19,903	-	Real estate	None
	Chiu Chao Hui Fang	2,000	2,000	2,000	-	Real estate	None
	Yang Yu Hsia	2,000	2,000	2,000	-	Real estate	None
	Kuo Lin Mei Hui	24,000	12,000	12,000	-	Real estate	None
	Yang Mei Ju	32,284	21,513	21,513	-	Real estate	None
	Lin Chin Fen	6,680	2,087	2,087	-	Real estate	None

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2007							
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-time	Overdue		
Others	Liou Shun-Ci	53,082	27,840	27,840	-	Real estate	None
	Liao Jia-Peng	2,604	-	-	-	Real estate	None
	Liao Rong-Chuan	20,000	19,136	19,136	-	Real estate	None
	Liao-Lin Su-Siang	553	440	440	-	Real estate	None
	Fu Lan Hsiang	1,154	-	-	-	Real estate	None
	Lai A-Ren	665	-	-	-	Certificates of deposit	None
	Lan Lee-Ying	470	-	-	-	Consumer loan	None
	Kuo Hua-Yi	1,550	850	850	-	Real estate	None
	Wan Xiu-Qing	6,650	6,583	6,583	-	Real estate	None
	Li Yong-Lun	264	-	-	-	Certificates of deposit	None

For the years ended December 31, 2008 and 2007, loans to related parties were under the same terms as those to other customers.

For the years ended December 31, 2008 and 2007, interest income recognized for the above loans was \$11,518 and \$14,844, respectively.

3. Fee and commission revenue

For the years ended December 31, 2008 and 2007, the Bank recognized fee and commission revenue amounting to \$0 and \$12,443, respectively, for providing agency services for life and property insurance policies on behalf of Panhsin Insurance Broker Co., Ltd., recorded under operating revenue—fee and commission revenue.

4. Rental revenue

The details of office rentals by the Bank to a related party for operating purposes are as follows:

Name	Building	Period	Rental Revenue	
			2008	2007
Panhsin Insurance Broker	Zhongzheng Rd., Pan-chiao City, No. 330	January 1, 2008 ~December 31, 2011 and January 1, 2005~December 31, 2007	<u>762</u>	<u>726</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

5. Leases

For operating purposes, the bank leased the office premises for some branches from related parties for the years ended December 31, 2008 and 2007, as follows:

Name	Usage	Deposit	Rental expenses	
			2008	2007
Ta-Wang Construction Co., Ltd.	Yuan-Shan Branch	\$ 750	3,019	3,013
Ta-Shun Construction Co., Ltd.	Corporate Banking Marketing Department, Corporate Banking Credit Department and Operation Department Office	185	1,115	1,114
Tien-Mao Construction Co., Ltd.	//	106	638	638
		<u>\$ 1,041</u>	<u>4,772</u>	<u>4,765</u>

The above deposit paid to related parties was recorded in the other financial assets account.

6. Property transactions

On April 24, 2007, the Bank entered into contracts with Panhsin Asset Management Co., Ltd. to sell foreclosed assets for \$125,600. As of December 31, 2007, the titles to the abovesaid assets had all been transferred. Proceeds not yet received were \$100,479, recorded under accounts receivable—notes receivable. The Bank obtained an appraisal report from real estate appraisers, and the appraised amount was \$142,781.

In addition, on December 27, 2006, the Bank entered into contracts with Panhsin Asset Management Co., Ltd. to sell foreclosed assets for \$550,000. As of December 31, 2008, the titles to the abovesaid assets had all been transferred. Proceeds not yet received were \$440,000, recorded under accounts receivable—notes receivable. The Bank obtained an appraisal report from real estate appraisers, and the appraised amount was \$486,117.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

7. Sale of non-performing loans

Counter-party: Panhsin Asset Management Co., Ltd.

Disposal date: December 26, 2007

Loan components			Loan amount	Book value	Share price
Corporate	Secured		206,247	180,578	171,517
	Unsecured		541,784	500,134	336,245
Consumer	Secured	Mortgage	2,055,339	1,223,629	867,119
		Car loan	-	-	-
		Others	-	-	-
	Unsecured	Credit card	-	-	-
		Cash card	279	234	17
		Credit loan	1,706	1,570	102
		Other	-	-	-
Total			2,805,355	1,906,145	1,375,000

Counter-party: Panhsin Asset Management Co., Ltd.

Disposal date: July 26, 2006

Loan components			Loan amount	Book value	Share price
Corporate	Secured		-	-	-
	Unsecured		-	-	-
Consumer	Secured	Mortgage	2,050,625	1,835,421	1,501,310
		Car loan	-	-	-
		Others	-	-	-
	Unsecured	Credit card	-	-	-
		Cash card	2,908	2,738	139
		Credit loan	1,196	1,127	57
		Other	-	-	-
Total			2,054,729	1,839,286	1,501,506

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

On December 26, 2007, the Bank entered into contracts with Panhsin Asset Management Co., Ltd. (Panhsin AMC) to sell non-performing loans at the price of \$1,375,000. The price was determined according to the assessment report made by certified public accountants. The assessed value ranged from \$948,087 to \$1,377,414. The term of payment was that Panhsin AMC has to make the first payment (5% of the contract price) upon signing the contract. Within three months after the transfer of loans, the second payment (15% of the contract price) should be paid. The remaining proceeds should be paid in full by Panhsin AMC three years after the signing of the contract. However, if there have been any buy-backs due to defaults within one months after settlement, the defaults would be deducted from the second payment. On December 26, 2007, and February 22, April 29, May 16, July 11 and August 19 of 2008, since the debtors made agreements with the Bank before the Bank could settle with Panhsin AMC, \$24,487 and \$6,530 had been bought back by the Bank, reducing the contract price to \$1,350,513 and \$1,368,470 as of December 31, 2008 and 2007, respectively. In 2008 and 2007, \$68,750 of the price had been received, and related litigation cost was \$8 and \$0, respectively. As of December 31, 2008 and 2007, proceeds not yet received were \$1,281,755 and \$1,299,720, respectively, recorded under accounts receivable—other.

In addition, on July 26, 2006, the Bank entered into contracts with Panhsin AMC to sell non-performing loans at the price of \$1,501,506. The price was determined according to the assessment report made by certified public accountants. The assessed value ranged from \$1,086,224 to \$1,481,799. The method of payment was that Panhsin AMC has to pay 10% of the contract price upon the signing of the contract. Three months after the transfer of loans, 70% of the contract price should be paid (the second proceeds). The remaining proceeds should be paid in full by Panhsin AMC on July 20, 2007, one year after the signing of the contract. However, if there have been any buy-backs due to defaults, they would be deducted from the remaining proceeds. On July 26, August 29, and September 21 of 2006, March 14 of 2007, and June 2 of 2008, the debtors made agreements with the Bank before the Bank could settle with Panhsin AMC. As of December 31, 2008 and 2007, \$212,257 and \$197,126, respectively, had been bought back by the Bank, reducing the contract price to \$1,289,249 and \$1,304,380, respectively. The transfer of loans was completed on November 10, 2006; the second proceeds of \$853,929 were paid by Panhsin AMC's post-dated check dated nine months after the settlement date; moreover, the remaining proceeds amounting to \$300,301 were paid by Panhsin AMC's post-dated check dated July 20, 2007. In addition, Panhsin AMC signed an agreement with the Bank on November 15, 2006, to postpone the payment of the remaining contract price to November 10, 2007. As of the due date, Panhsin AMC did not have sufficient funds in its checking account to cover the checks for the second and remaining proceeds, and the Bank agreed that Panhsin AMC could postpone the payment for one year. As of December 31, 2008 and 2007, \$389,899 and \$150,150, respectively, of the prices had been received, and litigation cost of \$332 and \$0, respectively, had been paid. As of December 31, 2008 and 2007, proceeds not yet received were \$899,018 and \$1,154,230, respectively, recorded under accounts receivable—notes.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

8. Other

For the years ended December 31, 2008 and 2007, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

Related party		Highest balance	2008		Interest expense
			Ending balance	Interest rate (%)	
Directors, supervisors, and main stockholders	\$	1,200	<u>1,200</u>	3.65~3.90	<u>41</u>

Related party		Highest balance	2007		Interest expense
			Ending balance	Interest rate (%)	
Directors, supervisors, and main stockholders	\$	58,700	<u>58,700</u>	3.00~3.45	<u>1,678</u>

- 3) For the years ended December 31, 2008 and 2007, the details of the Bank's payments to the main managers were as follows:

	2008	2007
Salaries	\$ 27,994	31,234
Cash awards and special allowances	3,391	4,550
Business expense	6,050	5,202
Employees' bonuses	-	6

(25) Pledged Assets

As of December 31, 2008 and 2007, pledged assets were as follows:

Pledged Assets	Pledged for		Book Value	
			2008	2007
Credit-linked notes (recorded as financial assets at fair value through profit or loss)	Securities sold under repurchase agreements	\$	44,425	180,371
Government bonds (recorded as available-for-sale- financial assets)	Securities sold under repurchase agreements		154,555	123,849
Government bonds (recorded as available-for-sale financial assets)	Reserve for trust business		53,429	52,255

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Pledged Assets	Pledged for		Book Value	
			2008	2007
Government bonds (recorded as available-for-sale financial assets)	Provisional seizure	\$	149,923	238,393
	Operating deposits for trading bills		53,429	52,255
	Operating deposits for trading bonds		10,727	10,700
	Overdraft guarantee deposited in the Central Bank of China		500,000	300,000
Certificates of deposit (recorded as other financial assets)	Settlement deposits for bonds		7,400	7,400
	Deposits for foreign exchange		166,292	57,398
	Deposits for lawsuits		16,132	20,820
	Reserve for derivative instruments		271,259	144,062
			<u>\$ 1,427,571</u>	<u>1,187,503</u>

- 1) The Bank provided the Central Bank of China with government bonds as reserve for its trust custodian business.
- 2) For executing provisional seizure of debtors' properties, the Bank provided pledged assets to the court.
- 3) Operating deposits for trading bills were deposited with the Central Bank of China for the Bank's securities dealing business.
- 4) Operating deposits for trading bonds were deposited with the GreTai Securities Market for the Bank's treasury sales business. Furthermore, a reserve for trading losses has been set up to conform to securities regulations.
- 5) An overdraft guarantee was deposited with the Central Bank of China as an overnight overdraft guarantee for the transfer of funds among banks.
- 6) Deposits for foreign exchange and reserve for derivative were deposited with counter-parties for the Bank's derivative transactions.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

(26) Commitments and Contingent Liabilities

- 1) As of December 31, 2008 and 2007, the Bank had the following construction in progress and significant purchase agreements:

2008		
	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	\$ 87,006	24,049
Head Office building construction	3,631,007	1,890,389
	<u>\$ 3,718,013</u>	<u>1,914,438</u>
2007		
	Contract price	Unpaid portion of contract price
Significant purchase agreements:		
Software system	\$ 363,135	99,955
Head Office building construction	2,552,202	1,798,385
	<u>\$ 2,915,337</u>	<u>1,898,340</u>

- 2) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2008, estimated future lease contract commitments were as follows:

Fiscal Year	Amount
2009	\$ 83,784
2010	59,308
2011	36,030
2012	24,050
2013	12,673
	<u>\$ 215,845</u>

Furthermore, the Bank's guarantee deposit for operating leases was \$18,313 and \$17,562 on December 31, 2008 and 2007, respectively. It has been recorded as other financial assets.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

3) Other

As of December 31, 2008 and 2007, the other commitments and contingent liabilities was as follows:

	2008	2007
Consignment collection for others	\$ 8,144,585	10,828,222
Consignment released and loans for others	1,837,456	2,004,554
Collateral held as performance bond	659,115	412,795
Traveller's checks held for consignment sale	28,528	45,150
Marketable securities in custody	10,411,498	16,100,479
Custodial goods	2,320,000	2,320,000
Trust assets	29,795,043	33,438,821
	<u>\$ 53,196,225</u>	<u>65,150,021</u>
Lines of credit provided but not used	<u>\$ 10,685,033</u>	<u>8,189,854</u>
Guarantees	<u>\$ 4,087,380</u>	<u>4,711,105</u>
Letters of credit issued but not yet presented	<u>\$ 680,938</u>	<u>1,749,684</u>
Short-term bills and government bonds sold under repurchase agreements	<u>\$ 328,053</u>	<u>361,039</u>
Syndication loans receivable	<u>\$ 10,685,033</u>	<u>8,189,854</u>
Credit default swap sold	<u>\$ 422,744</u>	<u>421,759</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

- 4) In accordance with local regulations, disclosure of accounts in the balance sheet and a summary of trust asset items for trust business are as follows:

Trust balance sheet

December 31, 2008

Trust assets		Trust liabilities	
Bank deposits	\$ 389,954	Trust capital — monetary trust	15,724,422
Investment in funds	15,349,366	Trust capital — real estate	12,306,900
Investment in bonds	560,000	Trust capital — monetary loans and guaranteed assets	1,285,734
Investment in common stocks	7,996	Trust capital — securities trust	553,314
Investment in loans	1,270,765	Net loss	(449,786)
Land	8,797,255	Unappropriated earnings	374,459
Building	120,910		
Construction in progress	3,298,797		
Total trust assets	<u>\$ 29,795,043</u>	Total trust liabilities	<u>\$ 29,795,043</u>

Trust balance sheet

December 31, 2007

Trust assets		Trust liabilities	
Bank deposits	\$ 566,574	Trust capital — monetary trust	17,078,978
Investment in funds	16,693,359	Trust capital — real estate	14,899,279
Investment in bonds	230,000	Trust capital — monetary loans and guaranteed assets	1,304,305
Investment in common stocks	8,530	Trust capital — securities trust	235,054
Investment in loans	1,303,378	Net income	1,027,513
Land	9,440,655	Accumulated deficit	(1,106,308)
Building	85,772		
Construction in progress	5,110,553		
Total trust assets	<u>\$ 33,438,821</u>	Total trust liabilities	<u>\$ 33,438,821</u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Trust income statement

For the years ended December 31, 2008 and 2006

	2008	2007
Trust revenue:		
Interest revenue	\$ 17,280	9,786
Preferred stock cash dividends revenue	529,685	500,109
Cash dividends revenue	321	44
Gain on disposal of properties	<u>152,471</u>	<u>644,711</u>
	<u>699,757</u>	<u>1,154,650</u>
Trust expenses:		
Management expenses	6,489	43,289
Loss on disposal of properties	1,138,862	81,912
Other expenses	<u>2,460</u>	<u>599</u>
	<u>1,147,811</u>	<u>125,800</u>
Net income (loss) before income tax	(448,054)	1,028,850
Income tax expense	<u>1,732</u>	<u>1,337</u>
Net income (loss) after income tax	<u><u>\$ (449,786)</u></u>	<u><u>1,027,513</u></u>

Summary of trust asset items

December 31, 2008

Item	Amount
Bank deposits	\$ 389,954
Investment in funds	15,349,366
Bonds	560,000
Investment in common stocks	7,996
Investment in loans	1,270,765
Land	8,797,255
Building	120,910
Construction in progress	<u>3,298,797</u>
	<u><u>\$ 29,795,043</u></u>

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

Schedule of investment for trust business

December 31, 2007

Item	Amount
Bank deposits	\$ 566,574
Investment in funds	16,693,359
Investment in bonds	230,000
Investment in common stocks	8,530
Investment in loans	1,303,378
Land	9,440,655
Building	85,772
Construction in progress	5,110,553
	<u>\$ 33,438,821</u>

(27) Significant Disaster Loss: none.

(28) Subsequent Events: none.

(29) Others

- 1) Personnel, depreciation, depletion, and amortization expenses

Function Accounts	For the year 2008			For the year 2007		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs:						
Salaries	-	1,124,658	1,124,658	-	944,422	944,422
Labor and health insurance	-	65,205	65,205	-	69,120	69,120
Pension	-	68,105	68,105	-	69,983	69,983
Other employment	-	24,895	24,895	-	36,417	36,417
Depreciation	-	96,898	96,898	-	108,773	108,773
Depletion	-	-	-	-	-	-
Amortization	-	59,655	59,655	-	60,710	60,710

Furthermore, the depreciation expense for leased-out assets was \$1,626 and \$1,797 in 2008 and 2007, respectively, and was recorded under other non-interest income, net.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2) In accordance with SFAS No. 28, the disclosures are as follows:

1. Information on interest-bearing assets and liabilities

	December 31, 2008		December 31, 2007	
	Average amount	Average rate (%)	Average amount	Average rate (%)
Assets:				
Cash due from banks	\$ 609,589	2.11	478,209	2.68
Due from Central Bank and placement to other banks	19,313,192	2.02	18,052,980	1.95
Financial assets at fair value through profit or loss	1,012,180	4.43	1,267,989	6.12
Loans and advances to customers	121,826,609	3.84	136,065,060	3.78
Available-for-sale financial assets	1,658,162	2.23	2,172,650	2.49
Bills and bonds purchased under agreements to resell	9,016	1.10	-	-
Liabilities:				
Due to banks	6,753,916	2.54	13,815,025	2.56
Bills and bonds sold under agreements to repurchase	371,679	3.28	1,097,098	1.69
Demand deposits	9,991,568	0.29	10,650,703	0.38
Time deposits	29,160,665	2.60	30,414,211	2.50
Negotiable time deposits	3,904,801	2.48	8,145,272	1.97
Demand savings deposits	26,056,029	0.72	26,943,107	0.72
Time savings deposits	73,128,369	2.57	71,403,619	2.29
Financial debentures	4,352,281	3.57	3,904,027	3.31

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

2. Major foreign currency position, net

Major foreign currency	December 31, 2008		December 31, 2007	
	Amount in foreign currency	Amount in New Taiwan dollars	Amount in foreign currency	Amount in New Taiwan dollars
USD	6,248	205,286	1,735	56,886
EUR	77	1,508	28	1,350
JPY	41,665	15,132	23,127	6,827
CHF	-	-	56	1,622
NZD	52	1,274	36	1,016
CNY	2,462	11,855	-	-

3. Profitability

Unit: %

Items		2008	2007
Return on assets	Before income tax	(0.57)	0.37
	After income tax	(0.52)	0.30
Return on net equity	Before income tax	(10.37)	7.14
	After income tax	(9.38)	5.66
Net income to operating revenue ratio		(44.78)	17.42

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

3) Capital adequacy ratio

The capital adequacy ratios of the Bank are disclosed below:

Item			Period-end	December 31, 2008	December 31, 2007
Self-owned capital	Tier 1 Capital			6,549,658	7,053,065
	Tier 2 Capital			1,635,208	2,869,492
	Tier 3 Capital			-	-
	Capital			8,184,866	9,922,557
Risk-weighted assets	Credit risk	Standardized approach		101,016,756	105,634,318
		Internal-rating-based approach		-	-
		Secularizations		291,982	481,144
	Operational risk	Basic indicator approach		6,354,825	6,447,375
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		1,111,138	1,796,063
		Internal model approach		-	-
	Risk-weighted assets			108,774,701	114,358,900
Capital adequacy ratio				7.52%	8.68%
Tier 1 capital / risk-weighted assets				6.02%	6.17%
Tier 2 capital / risk-weighted assets				1.50%	2.51%
Tier 3 capital / risk-weighted assets				-	-
Common stock / total assets (note)				5.17%	5.03%

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

The capital adequacy ratios of the Bank and its subsidiaries are disclosed below:

Item			Period-end	December 31, 2008	December 31, 2007
Self-owned capital	Tier 1 Capital			6,617,556	7,096,200
	Tier 2 Capital			1,703,108	2,912,629
	Tier 3 Capital			-	-
	Capital			8,320,664	10,008,829
Risk-weighted assets	Credit risk	Standardized approach		100,935,783	105,573,282
		Internal-rating-based approach		-	-
		Secularizations		291,982	481,144
	Operational risk	Basic indicator approach		6,354,825	6,493,000
		Standardized approach / alternative approach		-	-
		Advanced measurement approach		-	-
	Market risk	Standardized approach		1,111,138	1,796,063
		Internal model approach		-	-
	Risk-weighted assets				108,693,728
Capital adequacy ratio				7.66%	8.75%
Tier 1 capital / risk-weighted assets				6.09%	6.21%
Tier 2 capital / risk-weighted assets				1.57%	2.68%
Tier 3 capital / risk-weighted assets				-	-
Common stock / total assets (note)				5.17%	5.03%

(Note) In accordance with the modified Regulations Governing the Capital Adequacy Ratio of Banks announced by the SFC on November 9, 2004, the Bank shall report its consolidated capital adequacy ratio along with its own capital adequacy ratio to the competent authority within two months after each year-end. The aforementioned regulations have been modified as announced on January 4, 2007, by the SFC, and the frequency of the report has been modified as within two months after each half-year end.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

- 4) The Bank completed the acquisition of "The 5th Credit Cooperative of Kaohsiung" on September 29, 1997, but one member of this cooperative claimed later that the procedure at the Second Temporary Corporation Members Convention on September 6, 1997, was illegal due to a difference between the number of people attending this convention and what the Bank's articles of incorporation required. On January 24, 2002, the Supreme Court rejected the appeal by "The 5th Credit Cooperative of Kaohsiung" and ruled that the procedures and decisions made at the Corporation Members Convention regarding the acquisition mentioned above were ineffective. In addition, any further lawsuits against related parties will not be upheld by the Kaohsiung District Court and the Taiwan Supreme Court based on the above decision.

On August 30, 2002, the Bank requested the regulatory authorities to manage all related issues and also filed an appeal with the Taipei Supreme Administrative Court on December 4, 2002. Due to the illegality of the aforementioned appeal, on July 4, 2003, the Taipei Supreme Administrative Court decided not to proceed with the appeal. The Bank filed an appeal with the Superior Executive Court on September 2, 2003. On September 30, 2004, the Superior Executive Court rejected the appeal after a one-year process, and the Bank filed an appeal with the Supreme Administrative Court. The Supreme Administrative Court rejected the appeal after a one-year process. The reason was as follows: "To take over a troubled bank by law is within the power of the regulatory authorities, but it is not the right of the people to apply to do so."

Therefore, this judgment merely held that the Bank could not directly apply to take over a troubled bank. On the contrary, it meant that the regulatory authorities could use the power of law to dispose of a troubled bank. Currently, the Bank is searching for alternative solutions to settle the aforementioned issue, which has no significant impact on the Bank's operations, and the financial statements did not require any adjustment.

- 5) For the purpose of the headquarters construction, the Bank entrusted the land located at No. 8 and 9, Sec. 3, Sec. Xin Ban, Banciao City, Taipei County, to the trustee. The Bank and the constructor signed a trust contract with Taiwan Cooperative Bank ("the Trustee") on May 4, 2007. Based on the contract, the Bank commissioned the trustee to perform the tasks of transfer, registration, management and disposal of real estate, and transferred the land to the Trustee.

(30) Other Disclosure Items

- 1) Related information on material transaction items:
1. Information regarding long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
 2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
 3. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
 4. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.

(Continued)

BANK OF PANHSIN

Notes to Financial Statements

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

Name of company which has the receivables	Counter-party	Relationship with the Bank	Year-end amount	Turnover rate	Overdue receivables from related party		Receivables from related party subsequent to the opinion date	Allowance for bad debt allowance provided
					Amount	Handling method		
The Bank	Panhsin AMC	Subsidiary	\$ 2,721,252 (Note)	-	-	-	-	298,280

(Note) Recorded under accounts receivable—notes receivable, net.

6. Information regarding selling non-performing loans for which the amount exceeded NT\$5 billion: none.
7. Information for issuance of beneficiary certificates approved by the ROC Financial Asset Securitization Law and Real Estate Securitization Law: none.
8. Other significant transactions that might have influence over the decision making of financial statements users: none.
- 2) Information on long-term equity investments:
1. Information on investees' name, location, etc.:

Name of investee	Investee location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares	%	
Panhsin Insurance Broker Co., Ltd.	15F, No 330, Zhongzheng Rd., Panchiao City, Taipei County	Insurance agency	100.00 %	88,879	53,360	3,095	-	3,095	100%	subsidiary
Panhsin Asset Management Co., Ltd.	3F., No. 18, Cheng-tu St., Panchiao City, Taipei County	Purchasing non-performing loans	38.46%	46,919	(3,834)	13,000	-	13,000	100%	subsidiary

2. Lending to other parties: none.
3. Guarantees and endorsements for other parties: none.
4. Information regarding securities held as of December 31, 2008:

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Company	Amount name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value	
Panhsin Insurance Broker co., Ltd.	Stock: Panhsin Asset Management Co., Ltd.	Investee are accounted for under the equity method	Long-term investment under equity method	8,000	34,845	61.54	34,845	

(Continued)

BANK OF PANHSIN**Notes to Financial Statements**

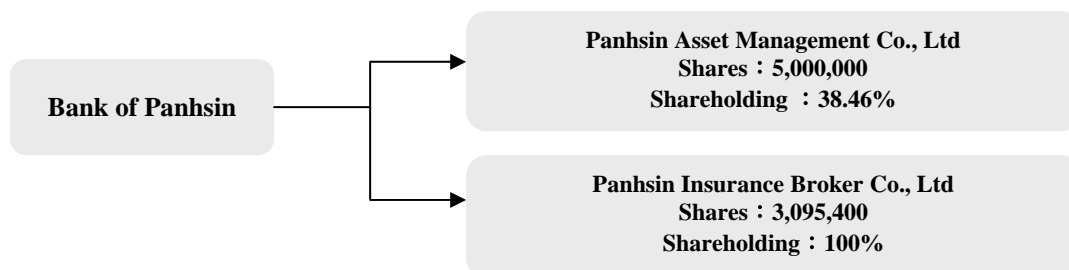
5. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
6. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
7. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
8. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.
9. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
10. Information regarding trading in derivative instruments: none.
11. Information regarding selling non-performing loans: none.
12. Information for issuance of beneficiary certificates approved by the ROC Financial Asset Securitization Law and Real Estate Securitization Law: none.
13. Other significant transactions that might have influence over the decision making of financial statements users: none.

(31) Segment Information: not applicable.

Related Information on the Bank's Subsidiaries

I 、Relationship Chart

As of Dec.31, 2008



II 、Profile of Subsidiaries

As of Mar.31, 2009

Unit: NT\$ Thousand

Name of Subsidiary	Date of Establishment	Address	Paid-in Capital	Major Business Scope
Panhsin Asset Management Co., Ltd	Jun.02, 2005	3F, No.18 Chengdu St., Banciao City, Taipei County	130,000	Acquisition of Non Performing Loans
Panhsin Insurance Broker Co., Ltd	Oct.19, 2004	9F, No.330 Zhongzheng Rd., Banciao City, Taipei County	30,954	Insurance Broker

III 、Information on Directors, Supervisors and President of Subsidiaries

As of Mar. 31, 2009

Name of Subsidiary	Title	Name or Representative	Shares Held	
			Shares	Ratio (%)
Panhsin Asset Management Co., Ltd	Chairman	Dao-Ming Kuo (Representative of BOP)	5,000,000	38.46
	Director	Ming-Hsin Chiu (Representative of BOP)		
	Director	Lin-Long Chien (Representative of BOP)		
	Director	Jia-Nan Fang (Representative of BOP)		
	Director	Sin-Mao Huang (Representative of BOP)		
	Supervisor	Teng-Chum Chen (Representative of BOP)		
	President	Chien-Chung Chao	-	-
Panhsin Insurance Broker Co., Ltd	Chairman	Ping-Hui Liu (Representative of BOP)	3,095,400	100.00
	Director	Tong-Ren Lin (Representative of BOP)		
	Director	Hsin-Min Lee (Representative of BOP)		
	Supervisor	Mao-Yang Chu (Representative of BOP)		
	President	Chan-Wu Chao	-	-

IV 、Operation Status of Subsidiaries

Unit: NT\$ Thousand; Dollar (EPS)

Name of Subsidiary	Capital	Total Asset	Total Liability	Equity	Operating Income	Operating Revenue	Current Profit	EPS
Panhsin Asset Management Co., Ltd	130,000	2,969,628	2,847,635	121,993	60,002	(12,263)	(8,761)	(1.10)
Panhsin Insurance Broker Co., Ltd	30,954	115,339	26,460	88,879	103,019	77,679	53,372	17.24

Directory of Head Office & Branches

Units	Address	Telephone	Fax
Head Office	No.18, Chengdu St., Banciao City, Taipei County	(02)29629170	(02)29572011
Domestic Banking Department	No.11, Sec.1, Wenhua Rd., Banciao City, Taipei County	(02)29689101	(02)29665807
Trust Department	No.330, Zhongzheng Rd., Banciao City, Taipei County	(02)29658689	(02)29658755
International Banking Department	No.358, Sec.2, Bade Rd., Songshan District, Taipei City	(02)27717000	(02)27112978
Offshore Banking Branch	No.358, Sec.2, Bade Rd., Songshan District, Taipei City	(02)27717000	(02)27112978
Daguan Branch	No.155, Sec.2, Daguan Rd., Banciao City, Taipei County	(02)22756566	(02)22752574
Zhongzheng Branch	No.330, Zhongzheng Rd., Banciao City, Taipei County	(02)89658998	(02)89682156
Wenhua Branch	No.261, Sec.1, Wenhua Rd., Banciao City, Taipei County	(02)22587777	(02)22593584
Minzu Branch	No.339, Hansheng E. Rd., Banciao City, Taipei County	(02)29629111	(02)29581242
Houpu Branch	No.18, Chengdu St., Banciao City, Taipei County	(02)29629121	(02)29560201
Puqian Branch	No.38, Sec.2, Sanmin Rd., Banciao City, Taipei County	(02)29629106	(02)29541499
Huajiang Branch	No.382, Sec.2, Wenhua Rd., Banciao City, Taipei County	(02)22529101	(02)22520108
Sanchong Branch	No.126, Sec.3, Chongyang Rd., Sanchong City, Taipei County	(02)89839966	(02)29871976
Tucheng Branch	No.289, Sec.1, Zhongyang Rd., Tucheng City, Taipei County	(02)22629119	(02)22654536
Jincheng Branch	No.91, Sec.3, Jincheng Rd., Tucheng City, Taipei County	(02)82615666	(02)22709241
Yuanshan Branch	No.753, Zhongzheng Rd., Zhonghe City, Taipei County	(02)22259199	(02)22260657
Zhonghe Branch	No.232, Zhonghe Rd., Zhonghe City, Taipei County	(02)22498756	(02)22497418
Xingnan Branch	No.45, Sec.1, Xingnan Rd., Zhonghe City, Taipei County	(02)29459366	(02)29458495
Yonghe Branch	No.12, Renai Rd., Yonghe City, Taipei County	(02)29299481	(02)29210495
Fuhe Branch	No.45, Yongzhen Rd., Yonghe City, Taipei County	(02)89211919	(02)89213377
Xiulang Branch	No.118, Dehe Rd., Yonghe City, Taipei County	(02)29417966	(02)29498035
Xindian Branch	No.60, Minquan Rd., Xindian City, Taipei County	(02)89113377	(02)89113661
Xinzhuang Branch	No.719, Xingfu Rd., Xinzhuang City, Taipei County	(02)29906699	(02)29900433
Shulin Branch	No.58, Zhenqian St., Shulin City, Taipei County	(02)86755666	(02)86755656
Luchou Branch	No.256, Minzu Rd., Luchou City, Taipei County	(02)82850666	(02)82835789
Songjiang Branch	No.238, Songjiang Rd., Zhongshan District, Taipei City	(02)25429999	(02)25311707
Neihu Branch	No.163, Sec.4, Chenggong Rd., Neihu District, Taipei City	(02)87919999	(02)87919899
Bade Branch	No.360, Sec.2, Bade Rd., Songshan District, Taipei City	(02)27528833	(02)27405959

Units	Address	Telephone	Fax
Minsheng Branch	No.133-1, Sec.3, Minsheng E. Rd., Songshan District, Taipei City	(02)87129966	(02)27120222
Xinyi Branch	No.127, Sec.2, Keelung Rd., Xinyi District, Taipei City	(02)27329999	(02)27334900
Taoyuan Branch	No.360, Yongan Rd., Taoyuan City, Taoyuan County	(03)3398777	(03)3396362
Taoying Branch	No.102, Taoying Rd., Taoyuan City, Taoyuan County	(03)3758999	(03)3660551
Longgang Branch	No.78, Longdong Rd., Zhongli City, Taoyuan County	(03)4657799	(03)4655511
Hsinchu Branch	No.56, Zhubei S Rd., Zhubei City, Hsinchu County	(03)6581588	(03)6580189
North Taichung Branch	No.186, Sec. 4, Wenxin Rd., North District, Taichung City	(04)22961798	(04)22961885
Taichung Branch	No.556, Sec. 1, Wenxin Rd., Nantun District, Taichung City	(04)23267799	(04)23266029
Renai Branch	No.502, Renai Rd., Chiayi City	(05)2222157	(05)2272952
Wufong Mini Branch	No.114, Wufong N. Rd., Chiayi City	(05)2278826	(05)2258736
Zhongxiao Branch	No.317, Zhongxiao Rd., Chiayi City	(05)2774616	(05)2774614
Junhui Mini Branch	No.360, Wufong S. Rd., Chiayi City	(05)2300778	(05)2300780
Chiayi Branch	No.298, Zhongshan Rd., Chiayi City	(05)2279045	(05)2291649
Tainan Branch	No.189, Chongming Rd., East District, Tainan City	(06)3368799	(06)3361287
Chenggong Branch	No.457, Chenggong Rd., West Central District, Tainan City	(06)2113999	(06)2112388
Yangming Branch	No.178, Juemin Rd., Sanmin District, Kaohsiung City	(07)3865111	(07)3828199
Xiaogang Branch	No.213, Erling Rd., Xiaogang District, Kaohsiung City	(07)8011161	(07)8018565
Kaoxinzhuang Branch	No.485, Xinzhuangzai Rd., Zuoying District, Kaohsiung City	(07)3412621	(07)3416142
Qianzhen Branch	No.421, Ruilong Rd., Qianzhen District, Kaohsiung City	(07)7513176	(07)7513380
Lingya Branch	No.10, Linsen 2nd Rd., Lingya District, Kaohsiung City	(07)3337177	(07)3311363
Xinxing Branch	No.69, Bade 2nd Rd., Xinxing District, Kaohsiung City	(07)2860191	(07)2868349
Kaohsiung Branch	No.148, Wufu 4th Rd., Yancheng District, Kaohsiung City	(07)5518270	(07)5618881
Luodong Branch	No.119, Gongzheng Rd., Luodong Town, Yilan County	(03)9568866	(03)9557199