



2007 ANNUAL REPORT

Bank of Panhsin Head Office

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Spokesman

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Title: S.V.P.

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Name: Bank of Panhsin, General Affair Dept.

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Name: Taiwan Rating Corporation

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

Tel: (02)8722-5800

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

Certified Public Accountants for Financial Statements

Name of Accountant: Andrew Yu, Li Li Lu

Name of Firm: KPMG Certified Public Accountants

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

Tel: (02)8101-6666

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

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The Bridge Toward New Generation

Letter to Shareholders



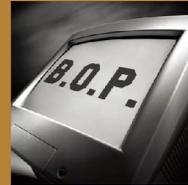
Chairman Ping-Hui Liu

The U.S. subprime lending crisis in 2007 convulsed the global economy and increased uncertainty in the economy. Meanwhile, global oil price ballooned from US\$ 56 per barrel in early 2007 to a peak of US\$ 100 per barrel, with further rises expected in the future. Extraordinary weather conditions and distorted supply and demand are driving international prices of agricultural raw materials and products exceptionally high. Although rapid economic growth in emerging countries and steady expansion in U.S. manufacturing industries eased the negative impacts, the international financial market experienced obstacles in the second half of 2007. Consequently, international institutes such as Global Insight Inc. (GII), the International Monetary Fund (IMF) and Economist Intelligence Unit (EIU), revised global economic growth rate at the range of 2.7% and 3.6% in succession, down from 3.9% in 2006.

In the domestic economy, foreign trade continued to prosper along with expanding industrial production and a lively employment market. Both leading indicators and coincident indicators demonstrated an uptrend. The

Directorate-General of Budget, Accounting and Statistics advanced the annual economic growth rate from 4% at the beginning of the year to 5.46%. Nevertheless, affected by the mounting prices in international raw materials and crude oil, consumer prices inflated to general commodities and broke an 11-year record. Real GDP showed negative growth, and suppressed consumer expenditures; on top of that, corporate outward migration couldn't help generating domestic employment while retaining profits overseas. Outstanding economic data was apparently counter to the consumer perception.

In international financial markets, the Fed lowered interest rates several times to stabilize market sentiment, but concern about inflation continues and the US dollar remains weak while global stock markets have fluctuated tremendously. In the past, Taiwan's Central Bank has adhered to the foreign exchange (FX) rate of the US dollar and adopted synchronized policies. Accordingly, the Central Bank raised interest rates four times in 2007 to ease pressure from ascending consumer prices; the NT dollar rose slowly against the US dollar and generally conformed to the economic strategy of the Central Bank in exchanging exports for growth. Meanwhile, concern over the subprime crisis held the domestic stock market index below the 10,000 mark; in the second half of the year profits were slack and market sentiment turned conservative. Intense market competition and a narrowing interest spread increased hardships for the Bank to operate.



Confronted by rigorous operating competition and challenge, the Bank adopted a moderately conservative strategy in 2007 to pursue stable returns. In corporate finance, the Bank actively strove for real estate clients, consolidated core niches, and intensified real estate trust and ranked No.4 in the market. A cross-strait business platform was established to expand business niches in FX and wealth management. In wealth management, the Bank successfully introduced a “Comprehensive Wealth Management Navigation System”, providing clients with integrated financial consulting services, product planning and review of asset allocation. Ties to market trends and propagated diversified financial products helped to advance the service quality of wealth management. In housing mortgages, the Bank regulated regional loan ratios, established a centralized appraisal scheme and reinforced the frequency of onsite review execution to control the quantity and quality of assets. To cope with market moves, the Bank also developed diversified product combinations and adjusted credit policy and client segment to mitigate risk based on existing niche business. In deposits, through cross-sale marketing, the Bank actively provided diversified financial services to cultivate client relationships: expanded outbound collection services and service areas, enhanced ACH services through convenience stores, acquired long-term stable deposits, aimed at disbursement designators for reiterate marketing, and etc.

The Bank restructured the operational organization of consumer banking branches in 2007 by integrating consumer banking, corporate banking, district consumer lending centers, and counter and credit operation business to enhance multiple-channel resource marketing value and client service quality. To accelerate the absorption of non-performing loans, the credit department was subsumed into the consumer banking division. To cope with the enforcement of Basel II, a Committee of Risk Management was founded to establish the risk management mechanism in accordance with Basel II. In network channels, the Fuhe Mini Branch opened in June 2007. In the future, the Bank will use analysis of commercial district and client attributes to enhance management performance in metro Taipei and maximize operating modules. The New Banc System went online in August 2007 to provide more secure and sound operating modules plus procedure analysis and operating efficiency; It also helps to integrate the resilience of external systems, shorten the time for new financial product development and enhance the competitiveness of mutual funds, FX and wealth management services.



BOP Headquarter
Expecting the Completion in 2010.

The effort and cooperation of the management team and entire workforce led total outstanding deposits and loans to NT\$ 152.9 billion and NT\$ 116.5 billion while the overdue ratio was reduced from 4.52% in 2006 to 3.32%. With improved asset quality, strengthened financial structure and enhanced operating efficiency, total profitability turned from a loss in 2006 to after-tax profit of NT\$535 million (before-tax profit of NT\$675 million) with EPS of NT\$ 0.57.

In 2008 prices of oil and raw materials will continue upward; the U.S. subprime crisis will bring recession in the real estate market, and losses by financial institutions will hamper the global economy. Global economic growth in 2008 is expected to slide 0.8%. After a 13-year record high of 11.4% in economic growth last year, the Olympics will generate enormous business opportunities but the overheated economy will bring inflation in China. A windstorm at lunar Chinese New Year caused severe damage and commodity shortages and exacerbated inflation. After a series of tightened policies last year, the effects gradually emerged as the subprime crisis confronted the market mechanism; this hastened the crisis in the stock and real estate market bubbles. This year China will no longer enjoy 2-digit growth, but rather 8% growth. Domestically, electoral favorableness, mitigating political risk and refocusing on economic issues will accommodate cross-strait development, stimulate long sluggish domestic demand and relieve two major economic unfavorable factors. Overall domestic economic growth rate for 2008 is expected to be 4.32%.

M&A is heating up competition in financial markets with compressed network channels by conglomerate financial holdings and foreign financial institutions. Faced with conglomerate financial holdings and international investment institutions, small and medium size banks' operating growths are limited. To breakthrough present circumstances, banks are cultivating niche businesses like real estate. Our new headquarters building will be going up shortly. Combining finance, technology and humanity, the headquarters will stimulate the XinBan area in Banciao City, Taipei County, and demonstrate that the Bank is marching toward a new era of expansion. The Bank will continue its operating philosophy of creating shareholder wealth and maximizing client assets, adhering to the needs of customers, professionalism, innovation and service, and achieving the goals of expanding corporate banking, sustaining consumer banking, exploiting wealth management, stretching business area into greater China, enhancing e-financial services and establishing comprehensive service schemes through greater organizational efficiency, aligned operating principles, expanded niche business and improved financial structure. The Bank looks for shareholder comments to help attain these triumphs.

Chairman

Handwritten signature of Liu Ping-Hui in black ink.

Bank Overview



Bank of Panhsin (BOP) was founded on April 25, 1957, formerly known as the Panchiao 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 47 (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. Major Events for the Previous Year

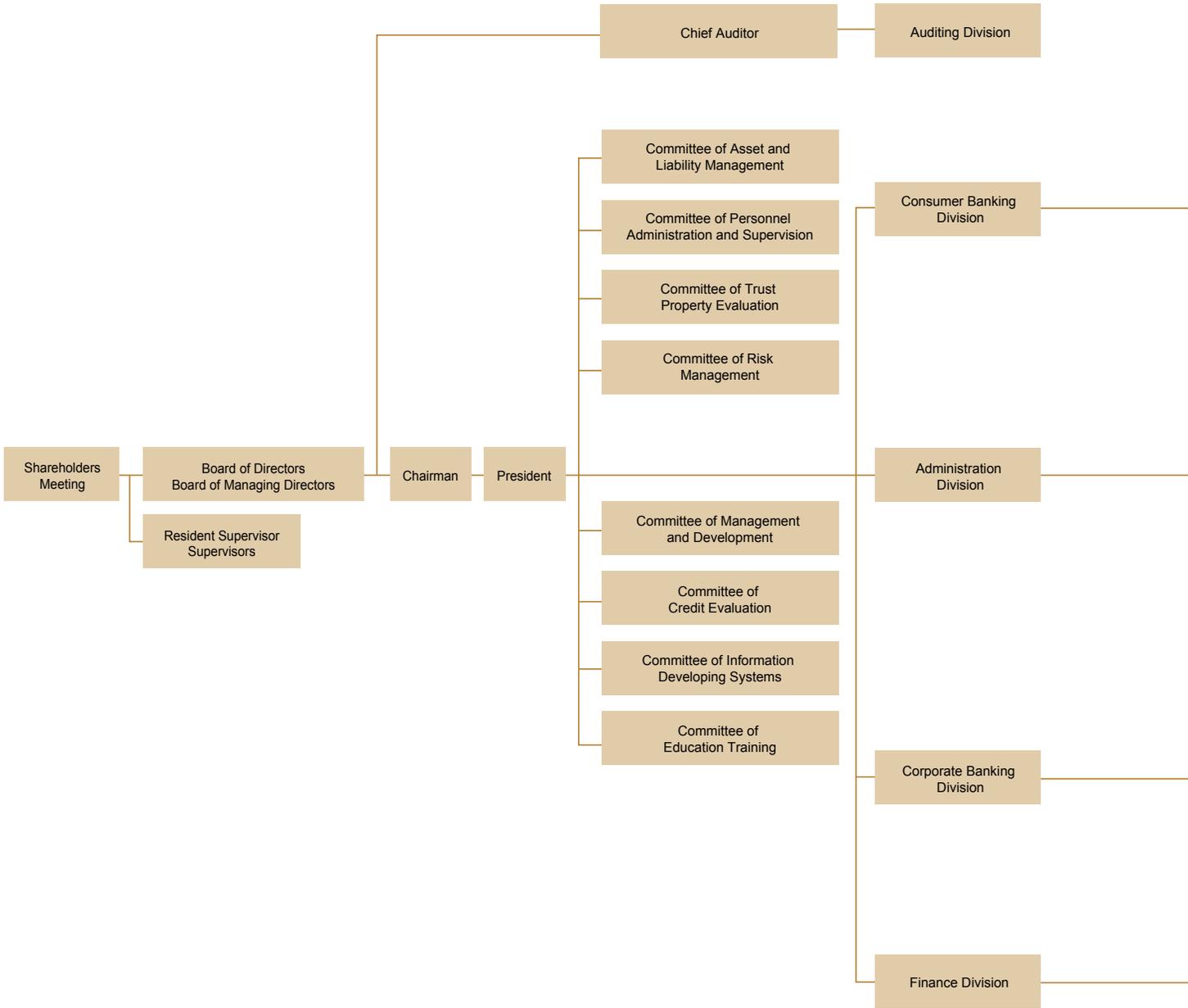
- May. 21, 2007 Neihu branch has been relocated to Chenggong Rd., Neihu District, Taipei City.
- Jun. 04, 2007 Xintai mini branch has been renamed to Fuhe mini branch, located in Yonghe City, Taipei County.
- Aug. 13, 2007 New Banc System (NBS) has been formally online.

III. Credit Rating

| Rating Agency | Date | Long-Term | Short-Term | Outlook |
|--------------------|----------------|-----------|------------|---------|
| Taiwan Ratings Co. | Sept. 19, 2007 | twBBB | twA-3 | Stable |

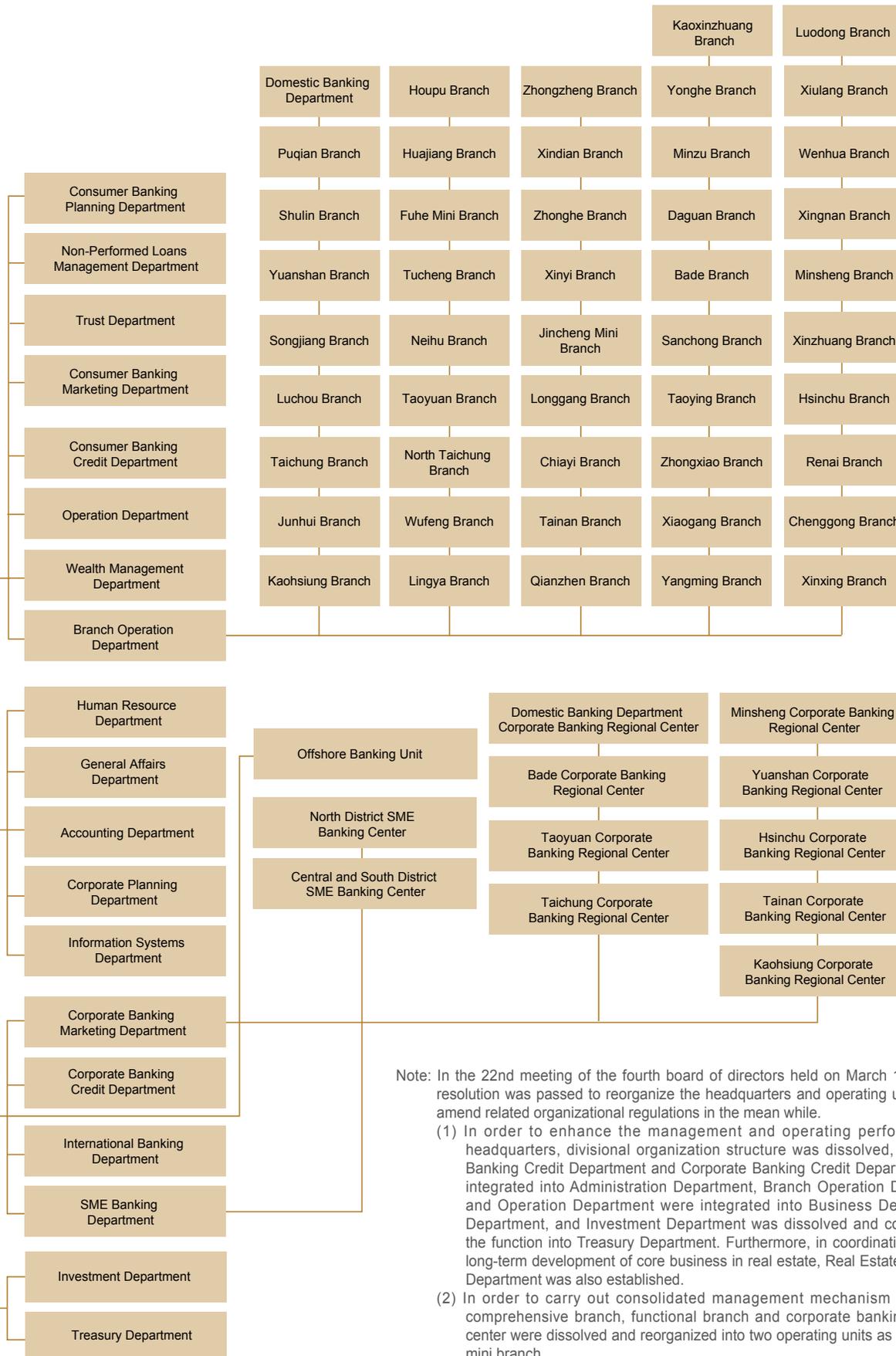
Corporate Governance

I. Organization Chart





As of Dec.31, 2007



Note: In the 22nd meeting of the fourth board of directors held on March 19, 2008, a resolution was passed to reorganize the headquarters and operating units and to amend related organizational regulations in the mean while.

- (1) In order to enhance the management and operating performance of headquarters, divisional organization structure was dissolved, Consumer Banking Credit Department and Corporate Banking Credit Department were integrated into Administration Department, Branch Operation Department and Operation Department were integrated into Business Development Department, and Investment Department was dissolved and consolidated the function into Treasury Department. Furthermore, in coordination with the long-term development of core business in real estate, Real Estate Marketing Department was also established.
- (2) In order to carry out consolidated management mechanism of branch, comprehensive branch, functional branch and corporate banking regional center were dissolved and reorganized into two operating units as branch and mini branch.

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

(I) Directors and Supervisors

| Position | Name | Date Appointed | Term (year) | Date First Appointed | Shareholding when Elected | | Current Shareholding | |
|---------------------|--|----------------|-------------|----------------------|---------------------------|------|---------------------------|--------------|
| | | | | | Shares | % | Shares | % |
| Chairman | Ping-Hui Liu | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 32,221,530 | 4.48 | 27,772,606 | 3.25 |
| Managing Director | Ming-Hsin Chiu | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 4,289,635 | 0.60 | 4,504,116 | 0.53 |
| Managing Director | Dao-Ming Kuo | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 6,870,069 | 0.95 | 7,213,572 | 0.84 |
| 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 |
| Managing Director | Chao-Shen Liu | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 2,840,750 | 0.39 | 2,982,787 | 0.35 |
| Managing Director | Chung-Liang Chen | Jun. 20, 2006 | 3 | Jun. 26, 2003 | 651,442 | 0.09 | 5,684,014 | 0.66 |
| Director | Sheng-Hung Shao | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 11,843,817 | 1.65 | 12,436,007 | 1.45 |
| Director | San Light Construction Co., Ltd (Representative: Mei-Yun Liao) | Jun. 20, 2006 | 3 | Jun. 20, 2006 | 11,830 | - | 3,012,421 | 0.35 |
| Director | Fang-Chin Huang | Jun. 20, 2006 | 3 | Jun. 26, 2000 | 1,520,885 | 0.21 | 4,011,529 | 0.47 |
| Director | Lin-Long Chien | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 6,305,638 | 0.88 | 6,620,919 | 0.77 |
| Director | San-Jyun Construction Co., Ltd. (Representative: Yi-Hsiung Chang) | Jun. 20, 2006 | 3 | Jun. 20, 2006 | 11,830 | - | 12,421 | - |
| Director | Li-Wang Lu | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 10,520,175 | 1.46 | 7,451,075 | 0.87 |
| Director | Fu-Jing Investment Co., Ltd. (Representative: Hsien-Tse Chiu) | Jun. 20, 2006 | 3 | Jun. 20, 2006 | 33,613,212 | 4.67 | 33,493,872 | 3.91 |
| Director | Jing-Bao-Di Co., Ltd. (Representative: Tong-Ren Lin) | Jun. 20, 2006 | 3 | Jun. 20, 2006 | - | - | (PS) 1,000,000 | 1.00 |
| Director | Jen-Hsien Chiu | Jun. 20, 2006 | 3 | Jun. 26, 2003 | 6,770,229 | 0.94 | 7,108,740 (PS) 765,000 | 0.83 0.77 |
| Director | Ming-Sing Shieh | Jun. 20, 2006 | 3 | Jun. 20, 2006 | 17,219 | - | 46,071 (PS) 17,219 | 0.01 0.02 |
| Director | Jia-Nan Fang | Jun. 20, 2006 | 3 | Jun. 26, 2003 | 12,015,784 | 1.67 | 17,338,424 | 2.03 |
| Director | Jhin-Chen Chen | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 2,757,779 | 0.38 | 2,895,668 | 0.34 |
| Resident Supervisor | Chin-E Yeh | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 4,502,578 | 0.63 | 4,027,706 | 0.47 |
| Supervisor | Lai-Wei Liu | Jun. 20, 2006 | 3 | Jun. 20, 2006 | 5,229,611 | 0.73 | 5,491,091 | 0.64 |
| Supervisor | Shang-Che Chen | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 6,519,394 | 0.91 | 6,845,363 | 0.80 |
| Supervisor | Teng-Chun Chen | Jun. 20, 2006 | 3 | Jun. 26, 2000 | 1,141,087 | 0.16 | 1,198,141 (PS) 875,000 | 0.14 0.88 |
| Supervisor | Mao-Yang Chu | Jun. 20, 2006 | 3 | Sept. 30, 1997 | 6,229,609 | 0.87 | 6,541,089 | 0.76 |

Note: (PS) represents preferred shares.

Note: San-Jyun Construction Co., Ltd. changed representative to Yi-Hsiung Chang on Sept. 12, 2007.



As of Dec.31, 2007

| Shares held by Spouses & Minor Children | | Major Experience & Education | Current Positions In the BOP and Other Companies |
|---|--------------|---|---|
| Shares | % | | |
| 29,594,219 | 3.46 | Chihlee College of Business/ Chairman of Panchiao Credit Cooperative | Chairman of Panhsin Insurance Broker Co., Ltd./ Chairman of Da-Shun Construction Co., Ltd./ Director of FU-JING Investment Co., Ltd. |
| 2,173,854 | 0.25 | Ta-Tung Vocational High School/ Director of Panchiao Credit Cooperative | Director of Panhsin Asset Management Co., Ltd./ Director of Chin-Huan-Cho Development Co., Ltd |
| 2,185,677 | 0.26 | MBA, Meijo University, Japan/ Director of Panchiao Credit Cooperative | Chairman of Panhsin Asset Management Co., Ltd./ Chairman of Aizia Enterprise Co., Ltd./ Chairman of Ching-I Enterprise Co., Ltd. |
| - | - | Chung-Yuan University/ Director of Panchiao Credit Cooperative | - |
| - | - | University of Southern California/ Director of Panchiao Credit Cooperative | Director of Fung-Ho Construction Co. |
| 106,804 | 0.01 | KaiNan High School of Commerce and Industry/ Manager of BOP | - |
| 1,075,463 | 0.13 | National Tam-Shui Vocational Senior High School/ Director of Panchiao 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. |
| - | - | Blessed Imelda's School/ Chairman of San-Light Construction Co., Ltd. | - |
| - | - | Yu Da College of Business/ Membership Representative of Panchiao Credit Cooperative | Supervisor of Long-Jin Construction Co., Ltd. |
| 1,305,057 | 0.15 | Kuang Hua Senior Commercial Vocational Continuation High School/ Supervisor of Panchiao Credit Cooperative | Director of Panhsin Asset Management Co., Ltd./ Chairman of He-Ching Entertainment Co., Ltd./ Chairman of Yi-Chin Entertainment Co., Ltd. |
| - | - | Tamkang University/ President of Land Bank | Counselor of BOP |
| 3,578 | - | Private Chih-Kuang Senior Vocational Business & Technology High School/ Director of Panchiao Credit Cooperative | Chairman of Mao-Qi Construction Co., Ltd. |
| - | - | National Taipei High School of Commerce/ Supervisor of Panchiao Credit Cooperative | - |
| - | - | Tamkang University/ V.P. of BOP | Director of Panhsin Insurance Broker Co., Ltd. |
| 2,365,197 (PS) 459,781 | 0.28 0.46 | 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 |
| - | - | Chinese Culture University/ E.V.P. of Chinatrust Commercial Bank | Director of Panhsin Asset Management Co., Ltd./ President of BOP |
| 9,110,400 | 1.06 | Soochow University/ S.V.P. of Chinatrust Commercial Bank | S.E.V.P. of BOP |
| 18,744 (PS) 2,025 | - | Kinki University Japan/ President of BOP | - |
| 701,977 | 0.08 | National Taipei High School of Commerce/ Resident Supervisor of Panchiao Credit Cooperative | - |
| 8,648,733 | 1.01 | Ger-Jyh Senior High School/ Director of Panchiao Credit Cooperative | Chairman of Jin-Annian Construction Co., Ltd./ Chairman of Jin-Fu Construction Co., Ltd./ Chairman of Kao-Do Construction Co., Ltd. |
| 438,479 | 0.05 | Chungyu Institute of Technology / Supervisor of Panchiao Credit Cooperative | Supervisor of Panhsin Insurance Broker Co., Ltd. |
| 3,578 | - | KaiNan High School of Commerce and Industry/ V.P. of BOP | Supervisor of Panhsin Asset Management Co., Ltd./ Director of Digital-Cell-Tech Entertainments Co., Ltd. |
| 318,578 | 0.04 | Yu Da College of Business/ E.V.P. of Panchiao Credit Cooperative | Director of Panhsin Insurance Broker Co., Ltd/ Chairman of Hong-Tai Development Construction Co., Ltd./ Director of Pu-Sheng Bio-Tech Co., Ltd./ Supervisor of Shi-Qi Construction Co., Ltd. |

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

| Position | Name | Date Appointed | Shares Held | | Career/Education Experience | Concurrent Job in Other Company |
|--|--------------------|----------------|------------------------|--------------|--|--|
| | | | Shares | % | | |
| President | Ming-Sing Shieh | Aug. 09, 2004 | 46,071 (PS) 17,219 | - 0.02 | Economics Dept., Chinese Culture University/ E.V.P. of Chinatrust Commercial Bank | Director of Panhsin Asset Management Co., Ltd. |
| S.E.V.P. | Hsin-Min Lee | Sept. 21, 2006 | 43,061 (PS) 27,524 | - 0.02 | Accounting Dept., National Chung-Hsing University/ Manager of Ta Chong Bank | |
| S.E.V.P. | Jia-Nan Fang | Sept. 21, 2006 | 17,338,424 | 2.03 | Economic Dept., Soochow University/ S.V.P. of Chinatrust Commercial Bank | |
| E.V.P. | Rong-Kun Jhangjian | Aug. 18, 2006 | 19,422 | - | Banking Dept., National Chengchi University/ S.V.P. of Chinatrust Commercial Bank | |
| E.V.P. & G.M. of Corporate Banking Marketing Dept. | Yuan-Tung Hsieh | Dec. 22, 2006 | - | - | International Trade Dept., Chinese Culture University/ Manager of Taishin International Bank | |
| E.V.P. & Chief Auditor | Fu-Chai Teng | Sept. 21, 2006 | 93,784 (PS) 12,913 | 0.01 - | Business Administration Dept., National Chung Hsing University/ V.P. of Taishin International Bank | |
| V.P. & G.M. of Auditing Division | Gi-Chan Yo | Oct. 01, 2006 | 27,273 (PS) 10,040 | - 0.01 | Law Dept., National Taiwan University/ Deputy Manager of Macoto Bank | |
| S.V.P. & G.M. of International Banking Dept. & Offshore Banking Unit | Wei-Min Lin | Feb. 16, 2004 | - | - | MBA, George Washington University, USA/ Manager of Taishin International Bank | |
| S.V.P. & G.M. of General Affairs Dept. | Chen-Fu Sun | Mar. 23, 2001 | 158,701 (PS) 28,342 | 0.02 0.03 | Agriculture Dept., National Hsin Chung Senior High School/ Manager of BOP | |
| S.V.P. & G.M. of Human Resource Dept. | Chi-Hsun Chang | Oct. 01, 2006 | 31,520 (PS) 11,478 | - 0.01 | Master of Economics Dept., National Taiwan University/ Manager of BOP | |
| S.V.P. & G.M. of Information Systems Dept. | Tzi-Sheng Tsai | Feb. 15, 2005 | 12,051 (PS) 11,478 | - 0.01 | Hydraulic Engineering Dept., National Cheng Kung University/ V.P. of Chinatrust Commercial Bank | |
| S.V.P. & G.M. of Corporate Planning Dept. | Charles C.J. Wang | Mar. 01, 2006 | - | - | MBA, Armstrong University/ V.P. of Chinatrust Commercial Bank Chairman's Special Assistance | |
| V.P. & G.M. of Consumer Banking Planning Dept. | Tien-Jen Fang | Dec. 22, 2006 | 14,567 | - | Master of Agricultural Economics Dept., National Chung-Hsing University/ Senior Deputy Manager of Fuhwa Commercial Bank | |
| S.V.P. & G.M. of Consumer Banking Credit Dept. | Jhih-Wun Lin | Apr. 02, 2007 | 40,587 (PS) 12,457 | - 0.01 | Business Administration Dept., Hsing-Wu College/ Manager of BOP | |
| V.P. & G.M. of Operation Dept. | Cing-Shang Chang | Aug. 21, 2006 | 27,273 (PS) 10,040 | - 0.01 | Math Dept., Tamkang University/ V.P. of Chinatrust Commercial Bank | |
| V.P. & G.M. of Trust Dept. | Jung-Tien Hsiao | May 02, 2007 | - | - | Master of Economics Dept., National Taiwan University/ Manager of BOP | |
| S.V.P. & G.M. of Wealth Management Dept. | Hsue-Hsin Lin | May 02, 2007 | 1,207 (PS) 11,478 | - 0.01 | International Trade Dept., Chinese Culture University / V.P. of Chinatrust Commercial Bank | |



| Position | Name | Date Appointed | Shares Held | | Career/Education Experience | Concurrent Job in Other Company |
|---|------------------|----------------|------------------------|--------------|--|--|
| | | | Shares | % | | |
| V.P. & G.M. of Branch Operation Dept. | Shui-Yi Chang | Aug. 20, 2007 | - | - | Master of Agricultural Economics Dept., National Taiwan University/ Senior Manager of Fuhwa Commercial Bank | |
| V.P. & G.M. of SME Dept. | Jheng-Long Lin | Oct. 26, 2006 | 10,542 (PS) 3,540 | - | Statistics Dept., Tamkang University/ Manager of Chinatrust Commercial Bank | |
| V.P. & G.M. of Consumer Banking Marketing Dept. | Hsien-Huang Chen | Apr. 02, 2007 | 15,000 (PS) 10,040 | 0.01 | Economic Dept., Soochow University/ Deputy Manager of Chinatrust Commercial Bank | |
| V.P. & G.M. of Corporate Banking Credit Dept. | Hui-Yang Chang | Apr. 09, 2007 | 5,250 | - | Business Administration Dept., Soochow University/ Deputy Manager of Taishin International Bank | |
| S.V.P. & G.M. of Non-Performing Loans Dept. | Hsin-Mao Huang | Jan. 29, 2007 | 13,729 | - | Accounting Dept., Fu-Jen Catholic University/ Manager of BOP | Director of Panhsin Asset Management Co.,Ltd. |
| S.V.P. & G.M. of Accounting Dept. | Gwo-Tai Wang | Jun. 01, 2007 | 12,051 | - | Accounting & Statistics Dept., National Taipei College of Business/ Manager of BOP | |
| S.V.P. & G.M. of Treasury Dept. | Feng-Jung Lee | Apr. 02, 2007 | - | - | Statistics Dept., National Cheng Kung University/ E.V.P of IBTS | |
| V.P. & G.M. of Investment Dept. | Kuo-Jung Shih | Jun. 21, 2007 | 27,273 (PS) 10,040 | 0.01 | MBA,Rutgers State University,USA/ S.E.V.P of The Capital Group | |
| S.V.P & G.M. of Domestic Banking Department | Shih-Chi Wu | Apr. 02, 2007 | 42,224 | - | EMBA, National Chengchi University/ Manager of BOP | Director of Panhsin Insurance Broker Co., Ltd. |
| G.M. of Dagan Branch | Chun-Ming Huang | Apr. 02, 2007 | 256,791 (PS) 11,343 | 0.03 0.01 | Yu-Da College of Business/ Manager of BOP | |
| G.M. of Zhongzheng Branch | Hsing-Jung Hsieh | Apr. 02, 2007 | 28,948 (PS) 12,613 | - 0.01 | Business Dept., Shih-Hsin High School/ Assistant Manager of BOP | |
| G.M. of Wenhua Branch | Chun-Llian Lin | Apr. 02, 2007 | 6,000 (PS) 10,000 | - 0.01 | Sung-Shan High School of Commerce and Home Economics/ Manager of BOP. | |
| G.M. of Minzu Branch | Yuan-Cyun Lai | Jan. 04, 2007 | 80,818 | 0.01 | Kai-Nan High School of Commerce and Industry/ Manager of BOP | |
| G.M. of Houpu Branch | Jhang-Yuan Chen | Apr. 02, 2007 | 732,106 (PS) 97,175 | 0.08 0.10 | Accounting & Statistics Dept., National Taipei College of Business/ Manager of BOP | |
| G.M. of Puqian Branch | Chin-Lung Kuo | Apr. 02, 2007 | 71,597 (PS) 10,000 | 0.01 0.01 | International Trade Dept., Chihlee College of Business/ Manager of BOP | |
| G.M. of Huajiang Branch | Shian-Tang Chiu | Mar. 01, 2004 | 82,646 (PS) 17,001 | 0.01 0.02 | International Trade Dept., Chihlee College of Business/ Manager of BOP | |
| G.M. of Yonghe Branch | De-Gua Lin | Apr. 02, 2007 | 399,520 (PS) 11,478 | 0.05 0.01 | Banking & Insurance Dept., Hsing-Wu College/ Manager of BOP | |
| G.M. of Xiulang Branch | Chiung- Ya Liu | Apr. 02, 2007 | 39,350 (PS) 14,052 | - 0.01 | Finance Dept., Hospitality and Tourism College/ Assistant Manager of BOP | |
| G.M. of Fuhe Mini Branch | Mei-Ling He | Jun. 04, 2007 | 23,254 (PS) 11,134 | - 0.01 | Business Administration Dept., Chihlee College of Business/ Assistant Manager of BOP | |

| Position | Name | Date Appointed | Shares Held | | Career/Education Experience | Concurrent Job in Other Company |
|-------------------------------|-----------------|----------------|------------------------|--------------|--|---------------------------------|
| | | | Shares | % | | |
| G.M. of Zhonghe Branch | Fu-Shan Lu | Apr. 02, 2007 | 377,262 | 0.04 | Business Administration Dept., Tamkang University/ Manager of BOP | |
| G.M. of Yuanshan Branch | Cheng-Kuan Su | Apr. 02, 2007 | 791 | - | Finance Dept., National Taipei College of Business/ Assistant Manager of BOP | |
| G.M. of Xingnan Branch | Sheng-Tsung Hsu | Apr. 02, 2007 | 21,693 (PS) 10,000 | - 0.01 | International Trade Dept., Chihlee College of Business/ Assistant Manager of BOP | |
| G.M. of Tucheng Branch | Lai-Wong Lin | Apr. 02, 2007 | 211,643 (PS) 33,528 | 0.02 0.03 | Accounting & Statistics Dept., National Taipei College of Business/ Manager of BOP | |
| G.M. of Jincheng Mini Branch | Guang-Di Lin | Aug. 25, 2005 | 20,915 (PS) 10,005 | - 0.01 | Finance Dept., National Taipei College of Business/ Assistant Manager of BOP | |
| G.M. of Xinzhuang Branch | YI-Zhong Luo | Apr. 02, 2007 | 168,120 | 0.02 | Business Administration Dept., Chihlee College of Business/ Deputy Manager of BOP | |
| G.M. of Shulin Branch | Ke-Han Liu | Apr. 02, 2007 | 11,286 (PS) 10,130 | - 0.01 | Banking & Insurance Dept., National Open College/ Manager of BOP | |
| G.M. of Sanchong Branch | Ke-Long Wu | Apr. 02, 2007 | 147,327 (PS) 1,534 | 0.02 - | Business Administration Dept., Chihlee College of Business/ Assistant Manager of BOP | |
| G.M. of Xindian Branch | Wen-Cheng Lai | Aug. 07, 2001 | 31,520 (PS) 11,478 | - 0.01 | Banking & Insurance Dept., Tatung College of Business/ Manager of Chinfon Bank | |
| G.M. of Luchou Branch | Ming-Yu Huang | Apr. 02, 2007 | 12,040 (PS) 8,610 | - 0.01 | Statistics Dept., National Chung-Hsing University/ Manager of Chinatrust Commercial Bank | |
| G.M. of Songjiang Branch | Ya- Hui Lin | Apr. 02, 2007 | 11,846 (PS) 10,110 | - 0.01 | Accounting & Statistics Dept., Chihlee College of Business/ Assistant Manager of BOP | |
| G.M. of Bade Branch | Gui-Lin Guo | Mar. 22, 2004 | 100,000 | 0.1 | Business Administration Dept., Chinese Culture University/ V.P. of Chinatrust Commercial Bank | |
| G.M. of Minsheng Branch | Jyun- Wei Wang | Dec. 22, 2006 | 17,051 | - | Business Administration Dept., Dan-Shuei College of Technology/ Manager of Grand Commercial Bank | |
| G.M. of Xinyi Branch | Wan-Ji Chen | Apr. 02, 2007 | 111,414 (PS) 26,886 | 0.01 0.03 | Business Administration Dept., Chihlee College of Business/ Manager of BOP | |
| G.M. of Neihu Branch | Ed-Ward Yu | May 02, 2007 | 5,000 | - | Business Administration Dept., Tamkang University/ V.P. of Cosmos Bank | |
| G.M. of Taoyuan Branch | Shih-Hsiang hsu | Sept. 06, 2007 | - | - | Master of Agricultural Economics Dept., National Chung-Hsing University/ Manager of Chinese Bank | |
| G.M. of Taoying Branch | Chin- Shu Yeh | May 07, 2007 | 20,000 (PS) 8,000 | - 0.01 | Accounting Dept., Hsing-Wu College/ Assistant Manager of BOP | |
| G.M. of Longgang Branch | Huei-Jin Jinag | Aug. 01, 2006 | 75,925 (PS) 5,000 | 0.01 - | 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 North Taichung Branch | Ru- Pin Huang | Oct. 25, 2007 | (PS) 8,000 | 0.01 | Communications Management Dept., Shin Hsin University/ Assistant Manager of BOP | |



| Position | Name | Date Appointed | Shares Held | | Career/Education Experience | Concurrent Job in Other Company |
|----------------------------|-------------------|----------------|-----------------------|--------------|--|---------------------------------|
| | | | Shares | % | | |
| G.M. of Taichung Branch | Yong-Lun Lee | Jul. 01, 2006 | 24,557 | - | Business Administration Dept., Taichung College of Business/ Manager of Chinatrust Commercial Bank | |
| G.M. of Renai Branch | Mao-Feng Huang | Sept. 25, 2006 | 20,607 (PS) 8,610 | - 0.01 | National Chiayi Senior Commercial Vocational School/ Manager of Chiayi First Credit Cooperative | |
| G.M. of Wufeng 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 Zhongxiao Branch | Yong-Chang Chen | May 28, 2005 | 10,542 (PS) 10,040 | - 0.01 | K&J High School/ Manager of Chiayi First Credit Cooperative | |
| Manager of Junhui Branch | Hui- Ling Lu | Apr. 02, 2007 | 10,616 (PS) 8,610 | - 0.01 | Business Dept. Tatung College of Business/ Assistant Manager of Chiayi First Credit Cooperative | |
| G.M. of Chiayi Branch | Ji-Zhou Hsu | Apr. 02, 2007 | (PS) 11,478 | 0.01 | Business Dept. National Hwa-Nan Senior Commercial High School/ E.V.P. of Chiayi First Credit Cooperative | |
| G.M. of Tainan Branch | Shou-Yao Chen | Apr. 02, 2007 | 12,139 | - | Banking & Insurance Dept., China Institute of Technology/ Assistant Manager of BOP | |
| G.M. of Chenggong Branch | Chin-Chuan Chiang | Jan. 01, 2005 | 10,500 (PS) 10,000 | - 0.01 | Banking & Insurance Dept., National Open College/ Manager of BOP | |
| G.M. of Xiaogang Branch | Shu-Mei Zheng | Jan. 01, 2005 | 12,040 (PS) 8,610 | - 0.01 | International Trade Dept., China Institute of Technology/ Assistant Manager of BOP | |
| G.M. of Qianzhen Branch | Shu-Hui Huang | Apr. 02, 2007 | 54,232 (PS) 16,110 | 0.01 0.01 | Accounting & Statistics Dept., Chihlee College of Business/ Assistant Manager of BOP | |
| G.M. of Lingya Branch | Jiunn-Fu Chen | Apr. 02, 2007 | 27,273 (PS) 10,040 | - 0.01 | Business Dept., International Business College/ Manager of BOP | |
| G.M. of Kaohsiung Branch | Shu-Zhen Lin | Dec. 01, 2005 | 9,040 (PS) 8,610 | - 0.01 | Accounting & Statistics Dept., International Business College/ Assistant Manager of BOP | |
| G.M. of Kaoxinzuang Branch | Shu-Ying Tu | Apr. 02, 2007 | 12,040 (PS) 8,610 | - 0.01 | Business Administration Dept., China Institute of Technology/ Assistant 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 Yangming Branch | Pin-Cheng Huang | Aug. 01, 2006 | 2,000 (PS) 3,000 | - | Business Dept., San-Hsin High School/ Assistant Manager of BOP | |
| G.M. of Luodong Branch | Lee-Ying Lan | Feb. 22, 2006 | 69,882 | 0.01 | Banking and Insurance Dept., Chihlee College of Business/ Manager of BOP | |

III. Corporate Governance & Status of Implementation

| Item | Status of Implementation | Variation Status to the Corporate Governance Best-Practice Principle in Banking Industry |
|--|--|--|
| <p>1. Shareholders' Structure & Equity</p> <p>(1) Dealing with shareholders suggestions & Disputes</p> <p>(2) In control of the list and status of the banks' major shareholders</p> <p>(3) Establishment of the risk management mechanism & firewall between subsidiaries</p> | <p>(1) The Stock Affair Unit is responsible to handle the suggestions & disputes from shareholders.</p> <p>(2) The Stock Affair Unit is responsible with the information & status of major shareholders, and to disclose such matters in the annual report.</p> <p>(3) Formulated the "Regulations on financial & business operations among BOP's subsidiaries", and has established adequate risk management mechanism and firewall between subsidiaries of Panhsin Insurance Broker Co., Ltd & Panhsin Asset Management Co., Ltd.</p> | <p>(1) Conformed</p> <p>(2) Conformed</p> <p>(3) Conformed</p> |
| <p>2. Board of Directors & Duties</p> <p>(1) Establishment of the independent directors</p> <p>(2) Periodic independency assessment of auditing CPA</p> | <p>(1) Not established yet.</p> <p>(2) Periodic independency assessment was carried out before signing of the appointment letter with CPA each year.</p> | <p>(1) Evaluating</p> <p>(2) Conformed</p> |
| <p>3. Board of Supervisors & Duties</p> <p>(1) Establishment of the independent supervisors</p> <p>(2) Communication between supervisors, employees and shareholders</p> | <p>(1) Not established yet.</p> <p>(2) Through telephone, written document or face-to-face communication, and setting up the external website to disclose the supervisors' communication mailbox.</p> | <p>(1) Evaluating</p> <p>(2) Conformed</p> |
| <p>4. Establishment of Communication Channel with Shareholders</p> | <p>Established Shareholders' management system to get hold of its status, and acts as communication channel.</p> | <p>Conformed</p> |
| <p>5. Public Disclosure</p> <p>(1) Establishment of web page to disclose information regarding financial statement and corporate governance</p> <p>(2) Disclosures by other means (ex. English website, collecting & disclosure by designated person, implementation of spokesman system, etc)</p> | <p>(1) In accordance with the MOF's announcement of "Quarterly Disclosure of Major Financial Statements in Banks", Accounting Dept. was in charge of information collecting and & Information System Dept. assisted in such disclosure matters.</p> <p>(2) The Bank has conducted public offering in 2006. In compliance with "Guidelines of Disclosing and Reporting Information on Websites", the Bank has conducted various matters for disclosing and reporting information in 2007.</p> <p>(3) Spokesman was appointed by the president and to announce related information on the website.</p> | <p>(1) Conformed</p> <p>(2) Conformed</p> <p>(3) Conformed</p> |
| <p>6. Establishment of Credit Evaluation Committee & Implementation Status</p> | <p>Not established yet.</p> | <p>Evaluating</p> |
| <p>7. Implementation Status of BOP's Corporate Governance & Variation to the "Rules for Corporate Governance in Banking Industry": BOP has not formulated the "Corporate Governance Best-Practice Principles", and most rules were complied with to the "Rules of Corporate Governance in Banking Industry", but only business certain operations were under research.</p> | | |
| <p>8. Social Responsibility Measures & Implementation Status (ex. Human rights, employee's rights, environmental protection, community participation, relation with suppliers):</p> <p>(1) To cope with the government's approaches in doubling sport population and cultivating excellent table tennis athletes, the Bank has sponsored the table tennis team of Yung-Ping High School as well as Asian Baseball Championship.</p> <p>(2) Responding to purification of social genius loci and enhancement of humanity cultivation promoted by Banciao City Government, the Bank has also sponsored "Superior Music Season" event.</p> <p>(3) Keeping the commitment to clients & shareholders, fulfilling the diversified financial needs of various clients, and generating the ultimate investment return to shareholders.</p> | | |
| <p>9. Other Major Significant Information (ex. Vocational studies by directors & supervisors, attendance status by directors & supervisors, risk management policy & risk measurement standards, consumer protection policy, etc): None.</p> | | |
| <p>10. Revealing the assessment report of corporate governance by self or others if any, disclose the major deficiency and improvement plan: None.</p> | | |



IV. Information on CPA Professional Fees

Unit: NT\$ Thousand

| Firm | Name of CPA | | Auditing Fee | Non-audit Fee | | | | | Does CPA Auditing Period Cover a Complete Fiscal Year | | Note |
|-----------------------------------|---------------|----------|--------------|---------------|-----------------------|----------------|--------|-------|---|----|--|
| | | | | System Design | Business Registration | Human Resource | Others | Total | Yes | No | |
| KPMG Certified Public Accountants | Andrew Yu | Li-Li Lu | 2,700 | - | - | - | 530 | 3,230 | √ | | Auditing of Financial Debentures, Examining of Internal Control System |
| Crown Accounting Firm | Chin-Te Chang | | - | - | - | - | 600 | 600 | | | Project Review |
| Solomon & Co., CPAs | - | | - | - | - | - | 500 | 500 | | | Sales Assessment on Non-Performing Loans |

V. Status on Changes in Any Transfer or Pledge of Equity Interests of Directors, Supervisors, and Managerial Officers

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

Unit: Shares

| Title | Name | 2007 | |
|---------------------|---|-------------------------------|----------------------------------|
| | | Changes in Shares Held (Less) | Changes in Shares Pledged (Less) |
| Chairman | Ping-Hui Liu | (1,245,000) | 2,850,000 |
| Managing Director | Chung-Liang Chen | - | 5,000,000 |
| Director | San Light Construction Co., Ltd. (Representative: Mei-Yun Liao) | - | 3,000,000 |
| Director | Fang-Chin Huang | 2,414,600 | - |
| Director | Fu-Jing Investment Co., Ltd. (Representative: Hsien-Tse Chiu) | (1,800,000) | 160,000 |
| Director | Jia-Nan Fang | 4,700,000 | 5,300,000 |
| Resident Supervisor | Chin-E Yeh | (700,000) | - |

Note: Only person with changes was listed.

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

Unit: Shares

| Title | Name | 2007 | |
|------------------------------|--------------|-------------------------------|----------------------------------|
| | | Changes in Shares Held (Less) | Changes in Shares Pledged (Less) |
| S.E.V.P | Jia-Nan Fang | 4,700,000 | 5,300,000 |
| G.M. of Jincheng Mini Branch | Guang-Di Lin | 324 | - |

Note: Only person with changes was listed.

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

Unit: Shares

| Major Shareholder | 2007 | |
|---------------------------------|-------------------------------|----------------------------------|
| | Changes in Shares Held (Less) | Changes in Shares Pledged (Less) |
| Bai-Yuan Investment Co., Ltd. | (400,000) | 38,600,000 |
| Yuan-Ci Investment Co., Ltd. | (500,000) | - |
| Fu-Jing Investment Co., Ltd. | (1,800,000) | 160,000 |
| Mei-Yun Liao | (1,300,000) | 160,000 |
| Ping-Hui Liu | (1,245,000) | 2,850,000 |
| Jia-Nan Fang | 4,700,000 | 5,300,000 |
| Yuan-Mao Construction Co., Ltd. | - | (6,000,000) |
| Bi-Wan Chen | (455,000) | - |

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, and Supervisors According to Banking Law, Article 25 of Note 3 | Share | Trading Price (Dollar) |
|------------------------------|-------------------------|------------------|-------------------------------|--|-----------|------------------------|
| Chin-E Yeh | Prosecuted | Jan. 08, 2007 | Li-Yu Yehkuo | Spouse | 700,000 | 10 |
| Jia-Nan Fang | Prosecuted | Jun. 29, 2007 | Bai-Yuan Investment Co., Ltd. | Shares Held Over 1% | 600,000 | 10 |
| Ping-Hui Liu | Prosecuted | Aug. 01, 2007 | Jia-Nan Fang | Shares Held Over 1% | 1,245,000 | 10 |
| Mei-Yun Liao | Prosecuted | Aug. 01, 2007 | Jia-Nan Fang | Shares Held Over 1% | 1,300,000 | 10 |
| Fu-Jing Investment Co., Ltd. | Prosecuted | Aug. 01, 2007 | Jia-Nan Fang | Shares Held Over 1% | 1,800,000 | 10 |
| Yuan-Ci Investment Co., Ltd. | Prosecuted | Aug. 01, 2007 | Jia-Nan Fang | Shares Held Over 1% | 500,000 | 10 |
| Bi-Wan Chen | Prosecuted | Aug. 01, 2007 | Jia-Nan Fang | Shares Held Over 1% | 455,000 | 10 |
| Shu-Ying Yang | Acquire | Apr. 26, 2007 | Wen-Chin Yang | Parent | 324 | 0 |
| Fang-Chin Huang | Acquire | Jul. 23, 2007 | Shun-Yen Huang | Parent | 2,414,600 | 0 |
| Yuan-Chueh Huang | Acquire | Jul. 23, 2007 | Shun-Yen Huang | Parent | 4,829,326 | 0 |
| Ching-Fen Lin | Acquire | Nov. 26, 2007 | Yu-Lien Lincho | Parent | 7,017 | 0 |



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

| Name | Reason for Pledging Change | Date Changed | Transaction Counterparty | Share |
|----------------------------------|----------------------------|---------------|-----------------------------|------------|
| Chung-Liang Chen | Pledged | Mar. 02, 2007 | En-Tie Commercial Bank | 5,000,000 |
| Ping-Hui Liu | Pledged | Mar. 02, 2007 | En-Tie Commercial Bank | 2,850,000 |
| San Light Construction Co., Ltd. | Pledged | Mar. 02, 2007 | En-Tie Commercial Bank | 3,000,000 |
| Bai-Yuan Investment Co., Ltd. | Pledged | Mar. 05, 2007 | Shin-Kong Commercial Bank | 24,000,000 |
| | | Mar. 05, 2007 | Taishin International Bank | 14,000,000 |
| | | Jun. 29, 2007 | Taishin International Bank | 600,000 |
| | Redeemed | Mar. 23, 2007 | Shin-Kong Commercial Bank | 1,000,000 |
| Fu-Jing Investment Co., Ltd. | Pledged | Jun. 29, 2007 | Taishin International Bank | 160,000 |
| Jia-Nan Fang | Pledged | Aug. 01, 2007 | En-Tie Commercial Bank | 5,300,000 |
| Yuan-Mao Construction Co., Ltd. | Redeemed | Oct. 05, 2007 | En-Tie Commercial Bank | 10,000,000 |
| | Pledged | Oct. 05, 2007 | Agricultural Bank of Taiwan | 4,000,000 |
| Yuan-Ci Investment Co., Ltd. | Redeemed | Oct. 17, 2007 | En-Tie Commercial Bank | 20,000,000 |
| | Pledged | Oct. 17, 2007 | Shin-Kong Commercial Bank | 20,000,000 |

VI. 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. | |
|---------------------------------|-------------|------|--|------|--|----------------------|
| | Share | % | Share | % | Name | Relation |
| Bai-Yuan Investment Co., Ltd. | 38,600,000 | 4.51 | - | - | - | - |
| Yuan-Ci Investment Co., Ltd. | 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 Ping-Hui Liu | Director Director |
| Mei-Yun Liao | 29,594,219 | 3.46 | 27,772,606 | 3.25 | Yuan-Ci Investment Co., Ltd. Fu-Jing Investment Co., Ltd. | Chairman Director |
| Ping-Hui Liu | 27,772,606 | 3.25 | 29,594,219 | 3.46 | Yuan-Ci Investment Co., Ltd. Fu-Jing Investment Co., Ltd. | Director Director |
| Jia-Nan Fang | 17,338,424 | 2.03 | 9,110,400 | 1.06 | - | - |
| Sheng-Hung Shao | 12,436,007 | 1.45 | 1,075,463 | 0.13 | - | - |
| Yuan-Mao Construction Co., Ltd. | 10,010,500 | 1.17 | - | - | - | - |
| Dong-Yi Lin | 9,145,892 | 1.07 | 57,486 | - | - | - |
| Bi-Wan Chen | 9,110,400 | 1.06 | 17,338,424 | 2.03 | - | - |

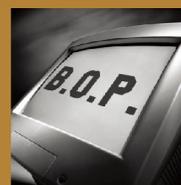
VII. Status on Consolidated Shares Holding

unit: Thousand Shares

| Reinvested Business | BOP Investment | | General Investment | |
|---|----------------|--------|--------------------|--------|
| | Share | % | Share | % |
| Taipei Credit Cooperative | - | - | - | - |
| Syun-Rueidu Development Co., Ltd. | 4,940 | 1.86 | 4,940 | 1.86 |
| Financial Information Service Co., Ltd. | 4,550 | 1.14 | 4,550 | 1.14 |
| Taiwan Depository & Clearing Co. | 242 | 0.08 | 242 | 0.08 |
| Sunny Asset Management Co., Ltd. | 68 | 1.15 | 68 | 1.15 |
| Taiwan Cooperative Bank | 38,429 | 36.69 | 38,429 | 36.69 |
| Panhsin Insurance Broker Co., Ltd. | 2,010 | 100.00 | 2,010 | 100.00 |
| Panhsin Asset Management Co., Ltd. | 5,000 | 100.00 | 5,000 | 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 | |
|------------|----------------------|--------------------|------------|-----------------|-----------|----------------|--------|
| | | Share | Amount | Share | 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 Panchiao 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.

| Type | Share | 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 November 14, 2006 |
| Preferred Stock | | 100,000 | - | 100,000 | |

(II) Shareholder Structure (Including Preferred Stock)

As of Dec.31, 2007

| Quantity | Structure | | | | | | Total |
|----------------------------|-------------------------|------------------------|-----------------------|-------------|----------------------------------|-------------|-------|
| | Government Institutions | Financial Institutions | Domestic Institutions | Individuals | Foreign Institution & Foreigners | | |
| Number of Shareholders | 2 | 4 | 90 | 99,908 | 1 | 100,005 | |
| Number of Shares Held | 647,253 | 71,000,000 | 139,693,062 | 744,449,361 | 324 | 955,790,000 | |
| Ratio of Share Holding (%) | 0.07 | 7.43 | 14.61 | 77.89 | 0.00 | 100.00 | |

(III) Distribution Breakdown of Shares Holding (Par Value of NT\$ 10)

As of Dec.31, 2007

| Shareholding Classifications | Number of Shareholders | | Share | | Ratio (%) | |
|------------------------------|------------------------|-----------------|--------------|-----------------|--------------|-----------------|
| | Common Stock | Preferred Stock | Common Stock | Preferred Stock | Common Stock | Preferred Stock |
| 1~999 | 74,884 | 9,608 | 24,958,816 | 1,024,918 | 2.92 | 1.02 |
| 1,000~5,000 | 13,474 | 758 | 40,197,246 | 2,055,830 | 4.70 | 2.06 |
| 5,001~10,000 | 2,312 | 336 | 15,307,634 | 2,514,198 | 1.79 | 2.51 |
| 10,001~20,000 | 2,404 | 113 | 30,556,663 | 1,432,084 | 3.57 | 1.43 |
| 20,001~30,000 | 4,229 | 21 | 98,874,629 | 524,778 | 11.55 | 0.52 |
| 30,001~40,000 | 385 | 4 | 13,071,338 | 133,644 | 1.53 | 0.13 |
| 40,001~50,000 | 209 | 15 | 9,356,033 | 744,921 | 1.09 | 0.74 |
| 50,001~100,000 | 1,352 | 31 | 82,674,114 | 2,632,927 | 9.66 | 2.63 |
| 100,001~200,000 | 245 | 9 | 32,486,116 | 1,435,750 | 3.80 | 1.44 |
| 200,001~400,000 | 111 | 12 | 32,353,369 | 3,392,635 | 3.78 | 3.39 |
| 400,001~600,000 | 42 | 7 | 21,330,180 | 3,605,781 | 2.49 | 3.61 |
| 600,001~800,000 | 48 | 1 | 32,735,778 | 765,000 | 3.83 | 0.77 |
| 800,001~1,000,000 | 19 | 3 | 16,914,262 | 2,875,000 | 1.98 | 2.88 |
| 1,000,001~10,000,000 | 50 | 3 | 201,302,444 | 8,862,534 | 23.52 | 8.86 |
| 10,000,001~30,000,000 | 5 | 2 | 97,151,756 | 36,000,000 | 11.35 | 36.00 |
| 30,000,001~50,000,000 | 3 | 1 | 106,519,622 | 32,000,000 | 12.45 | 32.00 |
| Total | 99,772 | 10,924 | 855,790,000 | 100,000,000 | 100.00 | 100.00 |

(IV) Major Shareholders(Common Shares)

As of Dec.31, 2007

| Major Shareholders | Share | Share | 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 | | 29,594,219 | 3.46 |
| 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 | | 9,145,892 | 1.07 |
| Bi-Wan Chen | | 9,110,400 | 1.06 |
| Shu-Min Kuo | | 8,648,733 | 1.01 |

(V) Dividend Policy and Implementation

1. According to the banks' article of incorporation, the excess profit must be first used to pay off all the taxes due and redeem the previous losses. Of any remaining, 30% shall contribute to legal reserves, then to the



appropriated retained earnings and preferred shares' dividends accordingly. If any remaining after, it shall be distributed in the following order:

- (1) To pass the resolution in shareholders' meeting for the proposed distribution of the shareholders' dividend by the board of directors;
 - (2) 5% as remuneration for directors and supervisors;
 - (3) 5% as bonus for employees.
2. The distribution of earnings for cash shall not exceed 15% of total paid-in capital.
 3. The distribution of earnings for cash shall be regulated when the equity capital to risk-weighted asset ratio (CAR) is lower than the standard set forth by the Minister of Finance, unless the legal reserve has exceeded the amount of paid-in capital, then the forementioned regulation shall not be in effect.
 4. Dividend Distribution Status

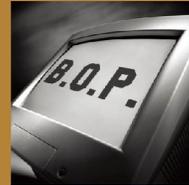
Regarding the distribution of the Bank's actual earnings for 2007, this is still pending for resolution of shareholders' meeting as of publicizing this annual report.

(VI) Employees' Bonus and Remuneration Paid to Directors & Supervisors

In the 21st meeting of the fourth board of directors, a resolution regarding the distribution of actual earnings for 2007 was passed and proposed to dispense the employee bonus of NT\$ 695,000 as well as directors and supervisors remuneration of NT\$ 695,000.

II. Status on the Issuance of Financial Debenture

| Types | 1 st (Term) Financial Debenture | 2 nd (Term) Financial Debenture |
|--|--|--|
| Date & No. Approved By Authority | Sept.03, 2003 Tai-Tsai-Jung (3) No. 0920041600 | Sept.03, 2003 Tai-Tsai-Jung (3) No. 0920041600 |
| Date of Issuance | Dec.16, 2003 | Jan.07, 2004 |
| Par Value | NT\$100 thousand NT\$1,000 thousand NT\$10,000 thousand | NT\$100 thousand NT\$1,000 thousand NT\$10,000 thousand |
| Location of Issuance | - | - |
| Currency | NT\$ | NT\$ |
| Offering Price | Par Value | Par Value |
| Total Amount | NT\$1,158,600 thousand | NT\$391,800 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% |
| Maturity | Term: 5.5 Years Date of Maturity: Jun.16, 2009 | Term: 5.5 Years Date of Maturity: Jul.07, 2009 |
| Repayment Priority | Subordinate | Subordinate |
| Institutional Guarantor | - | - |
| Trustee | - | - |
| Underwriting | - | - |
| Certifying Lawyer | - | - |
| Certifying Accountant | - | - |
| Certifying Financial Institute | International Bills Finance Company | Fubon Bills Finance Company |
| Repayment Method | Pay Off upon Maturity | Pay Off upon Maturity |
| Unpaid Balance | - | - |
| Paid-In Capital of Previous Year | NT\$6 billion | NT\$6 billion |
| Net Worth of Previous Year | NT\$8,358,878 thousand | NT\$6,590,855 thousand |
| Exercise | - | - |
| Conditions on Redemption or Early Pay Off | - | - |
| Conditions on Transfer or Exchange | - | - |
| Constraints | - | - |
| Utilization of Fund | - | - |
| Ratio of applied shares and prior shares outstanding to prior year's final net worth (%) | 13.86 | 23.52 |
| Consider as Qualified Capital and its Tiers | Yes, Tier II | Yes, Tier II |
| Credit Rating Agency, Date of Rating, and Rating | - | - |



| 3 rd (Term) Financial Debenture | 4 th (Term) Financial Debenture | 5 th (Term) Financial Debenture |
|---|---|---|
| Sept.03, 2003 Tai-Tsai-Jung (3) No. 0920041600 | May.02, 2006 Jin-Guan-Yin (3) No. 09500173780 | May.22, 2007 Jin-Guan-Yin (3) No. 09600204740 |
| Sept.01, 2004 | Jun.16, 2006 | Jun.28, 2007 |
| NT\$100 thousand NT\$1,000 thousand NT\$10,000 thousand | NT\$100 thousand NT\$1,000 thousand NT\$10,000 thousand | NT\$10,000 thousand |
| - | - | - |
| NT\$ | NT\$ | NT\$ |
| Par Value | Par Value | Par Value |
| NT\$449,600 thousand | NT\$1,680,000 thousand | NT\$520,000thousand |
| 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% | Fixed: 3.50% Floating: 1 Yr Term Deposit Rate from the Post Office plus 1.20% |
| Term: 5.5 Years Date of Maturity: Mar.01, 2010 | Term: 5 Years 8 Months Date of Maturity: Feb.16, 2012 | Term: 5.5 Years Date of Maturity: Dec. 28, 2012 |
| Subordinate | Subordinate | Subordinate |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| Fubon Bills Finance Company | Hua Nan Bills Finance Company | - |
| Pay Off upon Maturity | Pay Off upon Maturity | Pay Off upon Maturity |
| - | - | - |
| NT\$6 billion | NT\$8.198 billion (Including Preferred Stock) | NT\$9.56 billion (Including Preferred Stock) |
| NT\$6,590,855 thousand | NT\$9,037,304 thousand | NT\$9,207,032thousand |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| - | - | - |
| 30.35 | 40.72 | 45.62 |
| Yes, Tier II | Yes, Tier II | Yes, Tier II |
| - | - | - |

III. Status on the Preferred Share

| 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 shares. | |
| | 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 | 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. | |
| | 2007 | Highest | - |
| | | Lowest | - |
| | | Average | - |
| | Mar. 31, 2008 | Highest | - |
| Lowest | | - | |
| Average | | - | |
| Other Rights | The Amount of Conversion or Subscription till Mar. 31, 2008 | 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 | |

IV. Plan for Utilization of Fund & Status of Implementation

1. Contents and Execution of Financial Debenture Issued

In order to reinforce operating structure, raise equity capital, and enhance working capital, the Bank issued subordinated financial debentured on June 28, 2007 at par value of NT\$ 10 million for a total issuance amount of NT\$ 520 million.

2. Advantages of Financial Debenture Scheme

The Bank has issued subordinated financial debentures correspondingly for a total of NT\$ 1,158.6 million in Dec. 2003, NT\$ 391.8 million in Jan. 2004, NT\$ 449.6 million in Sep. 2004 and NT\$ 1,680 million in Jun. 2006, which are entirely used for the purpose of loans business. Subsequent to the issuance of subordinated financial debentures in June 2007, BIS ratio was elevated to 8.94% in December and the objectives of enriching working capital and improving capital structure were certainly accomplished.

Business Operation



I. Business Scope

(I) Major Business & Its Relative Weight

1. Deposit

The Bank has stabilized the liquidity of deposits, timely adjusted deposit structure, reduced the reliance of deposits on other financial institutions and prevented the influence of distressed financial institutions' incidents in 2007 from happening again. Hence, the Bank has promoted new products and ACH services in succession, such as NT dollar and foreign currency savings deposits, time deposits and composite deposits, to ingest capital from the public, business enterprises and organizational groups. As the end of 2007, the outstanding deposits totaled NT\$ 152,947 million, a decrease of 8.53% from NT\$ 167,216 million in 2006.

Unit: NT\$ Thousand

| Item | Difference | | 2007 | | 2006 | |
|--|--------------|-----------------|-------------|------------|-------------|------------|
| | Amount | Growth Rate (%) | Amount | Weight (%) | Amount | Weight (%) |
| Current Deposit | (797,158) | (2.05) | 38,154,572 | 24.95 | 38,951,730 | 23.29 |
| Checking Account | (347,736) | (21.77) | 1,249,218 | 0.82 | 1,596,954 | 0.96 |
| Demand Deposit | 389,187 | 3.66 | 11,016,855 | 7.20 | 10,627,668 | 6.36 |
| Demand Saving | (838,609) | (3.14) | 25,888,499 | 16.93 | 26,727,108 | 15.98 |
| Time Deposit | (11,577,251) | (9.85) | 106,000,827 | 69.31 | 117,578,078 | 70.32 |
| Time Deposit | (4,473,311) | (13.88) | 27,757,888 | 18.15 | 32,231,199 | 19.28 |
| Negotiable Certificates of Deposit | (11,606,400) | (73.71) | 4,139,300 | 2.71 | 15,745,700 | 9.42 |
| Interest-Drawing Saving Deposit | 3,052,838 | 6.24 | 52,013,464 | 34.01 | 48,960,626 | 29.28 |
| Non-Interest-Drawing Time Saving Deposit | 1,079,650 | 5.30 | 21,443,878 | 14.02 | 20,364,228 | 12.18 |
| Installment Saving Deposit | 369,972 | 133.89 | 646,297 | 0.42 | 276,325 | 0.16 |
| Re-Deposit from Banks & Post Office | (1,894,998) | (17.73) | 8,791,419 | 5.75 | 10,686,417 | 6.39 |
| Total Deposit | (14,269,407) | (8.53) | 152,946,818 | 100.00 | 167,216,225 | 100 |

2. Consumer Banking

To strengthen the risk control and to give consideration of both quality and quantity, the Bank has adopted the strategies of steadily exploiting mortgage business and lessening the credit line of loan business in order to reinforce credit structure. As the end of 2007, the outstanding loans totaled NT\$ 76,572 million, a decrease of 8.30% from NT\$ 83,507 million in 2006.

Unit: NT\$ Thousand

| Item | Difference | | 2007 | | 2006 | |
|--------------------------|-------------|-----------------|------------|------------|------------|------------|
| | Amount | Growth Rate (%) | Amount | Weight (%) | Amount | Weight (%) |
| Secured Overdraft | 358,456 | 3,296.15 | 369,331 | 0.48 | 10,875 | 0.01 |
| Short-Term Loan | (399,828) | (46.17) | 466,197 | 0.61 | 866,025 | 1.04 |
| Short-Term Secured Loan | (1,698,229) | (36.01) | 3,017,356 | 3.94 | 4,715,585 | 5.65 |
| Medium-Term Loan | (3,428,420) | (36.81) | 5,886,202 | 7.69 | 9,314,622 | 11.15 |
| Medium-Term Secured Loan | (551,251) | (18.66) | 2,402,872 | 3.14 | 2,954,123 | 3.54 |
| Long-Term Loan | 291,103 | 421.29 | 360,201 | 0.47 | 69,098 | 0.08 |
| Long-Term Secured Loan | (1,506,794) | (2.30) | 64,069,999 | 83.67 | 65,576,793 | 78.53 |
| Total Loan | (6,934,962) | (8.30) | 76,572,159 | 100.00 | 83,507,121 | 100.00 |

3. Corporate Banking

Corporate banking aimed at providing enterprises with integrated financial services. In addition to core businesses scheme, such as property finance, joint syndication, and account receivables factoring, etc., the Bank has also promoted new products, such as subcontract construction finance. Furthermore, to cope with the advantages of rapid growing Asia Pacific economy, the Bank has aggressively expanded business in greater China area to attain the greatest service composition, enhanced customer satisfaction and dignity to ensure the high profit growth in institutional financial business through practical risk management, innovative marketing team and integrated financial services. As the end of 2007, the outstanding corporate loans totaled NT\$ 43,943 million, a decrease of NT\$ 6,413 million from NT\$ 50,356 million in 2006; of which, long-term loans increased by NT\$ 70.225 million while mid-term loans decreased by NT\$ 2.567 million mainly due to the bulky repayment of property finance.

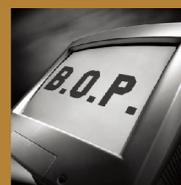
Unit: NT\$ Thousand

| Item | Difference | | 2007 | | 2006 | |
|--------------------------|-------------|-----------------|------------|------------|------------|------------|
| | Amount | Growth Rate (%) | Amount | Weight (%) | Amount | Weight (%) |
| Overdraft | (232) | (17.29) | 1,109 | 0.00 | 1,341 | 0.00 |
| Short-Term Loan | (1,159,266) | (10.12) | 10,291,922 | 23.42 | 11,451,188 | 22.74 |
| Short-Term Secured Loan | (2,757,417) | (21.52) | 10,056,603 | 22.89 | 12,814,020 | 25.45 |
| Medium-Term Loan | (1,827,957) | (19.46) | 7,566,770 | 17.22 | 9,394,727 | 18.66 |
| Medium-Term Secured Loan | (738,844) | (4.59) | 15,347,398 | 34.93 | 16,086,242 | 31.94 |
| Long-Term Loan | (4,944) | (6.16) | 75,376 | 0.17 | 80,320 | 0.16 |
| Long-Term Secured Loan | 75,169 | 14.22 | 603,724 | 1.37 | 528,555 | 1.05 |
| Total Loan | (6,413,491) | (12.74) | 43,942,902 | 100.00 | 50,356,393 | 100.00 |

4. Wealth Management & Trust Business

Trust business income of the Bank mainly focused on designated trust fund invested in domestic and overseas securities, certification and custodial of securities, real estate trust business, etc.; to harmony with the expansion of wealth management business, income derived from designated trust fund invested in domestic and overseas securities amounted to NT\$ 237.57 million in 2007, a substantial growth of 113.56% over 2006. On the premise of risk considering, the Bank adhered to the most suitable asset allocation principle with perpetual innovation, introduced diversified new financial products, assisted clients to generate satisfactory returns in the treacherous market. Hence, fee income generated from wealth management demonstrated a splendid growth in 2007. Moreover, benefiting from the prosper real estate market, the Bank combined loans with trust mechanism through regulations and helped real estate fee income totaling NT\$ 92.116 million, an increase of 38.38% over 2006.

In respect of personal trust business, the Bank has utilized the advantages of trust mechanism in wealth management, tax planning, family care, etc. and conducted trust of loans and related security interests, securities trust, gift certificate trust, preferred trust management, secure real estate transaction trust, etc. to further diversify the development of trust business. As the end of 2007, the outstanding trust assets amounted to NT\$ 33,438 million, a growth of 43% over 2006. In the insurance aspect, in the future, the Bank shall enhance product planning for retirement, tax saving, etc., match with the needs of clients' career planning at different stages and increase insurance allocation. Overall, income derived from trust and wealth management business of the Bank totaled NT\$ 355.202 million, a surge of 87.63%.



Unit: NT\$ Thousand

| Item | Difference | | 2007 | | 2006 | |
|-------------------------------|------------|-----------------|---------|------------|---------|------------|
| | Amount | Growth Rate (%) | Amount | Weight (%) | Amount | Weight (%) |
| Designated Purpose Trust Fund | 135,852 | 133.56 | 237,570 | 66.88 | 101,718 | 53.73 |
| Real Estate Trust | 25,547 | 38.38 | 92,116 | 25.93 | 66,569 | 35.16 |
| Custodial & Assurance | (168) | (6.95) | 2,248 | 0.63 | 2,416 | 1.28 |
| Other Trust | 7,670 | 89.09 | 16,279 | 4.58 | 8,609 | 4.55 |
| Subtotal | 168,901 | 94.19 | 348,213 | 98.03 | 179,312 | 94.72 |
| Insurance | (3,012) | (30.12) | 6,989 | 1.97 | 10,001 | 5.28 |
| Total | 165,889 | 87.63 | 355,202 | 100.00 | 189,313 | 100.00 |

5.NPL Collection & Management

Through self-arrangement, sales and write-off, the amount of overdue loans were reduced from NT\$ 6,598 million in 2006 to NT\$ 4,326 million in 2007 and exceptionally advanced the asset quality of the Bank. In terms of undertaking collaterals, actual foreclosed amount were NT\$ 545 million.

6.Foreign Exchange & International Banking

Under the joint efforts of international banking department and operational units, the Bank's FX transaction volume reached US\$ 3,744 million in 2007, an increase of US\$ 930 million or 33.03% over 2006. Of which, export business elevated the most for 55.52%, secondly inward remittance and outward remittance grew 45.38% and 34.05% respectively.

Unit: US\$ Thousand

| Item | Difference | | 2007 | 2006 |
|---|------------|------------|-----------|-----------|
| | Amount | Growth (%) | Amount | Amount |
| Import | (18,321) | (3.99) | 440,921 | 459,242 |
| Export | 79,931 | 55.52 | 223,895 | 143,964 |
| Outward Remittance | 407,458 | 34.05 | 1,604,089 | 1,196,631 |
| Inward Remittance | 460,503 | 45.38 | 1,475,307 | 1,014,804 |
| Total | 929,571 | 33.03 | 3,744,212 | 2,814,641 |
| Foreign Deposit Outstanding | 66,511 | 43.50 | 219,414 | 152,903 |
| Foreign Loan Outstanding (Including Investment) | (28,109) | (11.75) | 211,184 | 239,293 |

7.Weight of Major Asset by Type to Total Asset

Unit: NT\$ Thousand

| Item | 2007 | | 2006 | |
|--|-------------|--------------------------|-------------|--------------------------|
| | Amount | Ratio to Total Asset (%) | Amount | Ratio to Total Asset (%) |
| Total Asset | 170,077,860 | 100.00 | 190,088,963 | 100.00 |
| Loan & Advance | 128,429,990 | 75.51 | 143,147,882 | 75.31 |
| Due from Central Bank & Placement to Other Banks | 19,076,803 | 11.22 | 25,380,355 | 13.35 |
| Bills & Bonds & Security Investments | 3,789,496 | 2.23 | 3,043,725 | 1.60 |
| Total Liability | 160,390,331 | 94.30 | 180,881,931 | 95.16 |
| Deposit & Remittance | 144,198,797 | 84.78 | 156,677,427 | 82.42 |
| Deposit by Central Bank & Other Banks | 9,214,476 | 5.42 | 16,201,518 | 8.52 |
| Financial Debenture Payable | 4,200,000 | 2.47 | 3,680,000 | 1.94 |

8. Weight of Major Income by Type to Total Income

Unit: NT\$ Thousand

| Item | 2007 | | 2006 | |
|--|-----------|--------------------------|-----------|--------------------------|
| | Amount | Ratio to Total Asset (%) | Amount | Ratio to Total Asset (%) |
| Net Income | 3,069,179 | 100.00 | 3,567,726 | 100.00 |
| Net Interest Income | 2,401,566 | 78.25 | 2,833,992 | 79.43 |
| Net Fee Income | 609,440 | 19.86 | 607,782 | 17.04 |
| Financial Liability at Fair Value through Profit or Loss | (121,757) | (3.97) | 94,587 | 2.65 |
| Realized Gain (Loss) on Available for Sale Financial Asset | (9,193) | (0.30) | 5,500 | 0.15 |
| Investment Gain with Equity Method-Net | 8,619 | 0.28 | 9,293 | 0.26 |
| Translation Gain-Net | 1,115 | 0.04 | 486 | 0.01 |
| Asset Impairment Loss | - | - | (155,122) | (4.34) |
| Other Non-interest Income | 179,389 | 5.84 | 171,208 | 4.80 |

(II) Operation Plan for 2008

1. Deposit & Remittance

- (1) To carry out integrated marketing through consolidating mortgage and wealth management businesses, analyzing correlated client attributes, exploiting diversified products; to enlarge client base in reference to diverse market segmentation via constant related promotions and campaign activities, improve deposit structure, increase core deposit weighting and reduce the percentage of funding cost.
- (2) To cultivate organizational groups and communities through ACH services at the convenient stores, assist clients in establishing financial platform, strengthen client relationship, simplify the Bank's clearing process and enhance operating efficiency of employees.
- (3) To identify excellent automated service areas, intensify functions of ATM and CDM and enhance clients' operating convenience centered on the commercial district of each branch in coordination with branch operation.
- (4) To exploit countrywide logistic collection services and generate deposit performance.
- (5) To reinforce internal training in accordance with NBS and advance the professional skills of employees and customer's satisfaction.
- (6) To shorten interval of check clearing process, rectify collection units and promote e-check business "designated payee and receiving account pool system" in accordance with Taiwan Clearing House (TCH).
- (7) To establish clearing house and review platform for funds transfer and settlement, enhance operating efficiency and reduce operating risk.
- (8) To establish the platform for the needs of branches in centralizing capital and take charge of the Bank's dispatch and risk control procedure.

2. Consumer Banking

- (1) To reinforce strict credit quality control, promote consumer banking business steadily and achieve the goals of even growth and weighting on quality & quantity.
- (2) To implement reiterate marketing mechanism, maintain and reinforce existing clients, and effectively advance clients' contribution.
- (3) To develop diversified products in the light of distinct client attributes and collaterals and to establish marketing niche.



- (4) To increase the frequency of onsite review for consumer loan, strengthen loan management mechanism and stringently control the quality of credit asset.

3. Corporate Banking

- (1) Through product combination, to continuously intensify fee income weighting of credit businesses such as syndicated loan launching fee, real estate trust fee, insurance premium and general account management fee to increase fee income weighting of corporate banking.
- (2) To actively promote receivables & satellite factory financing related businesses and reinforce the breadth & depth of corporate banking and transaction type product lines.
- (3) To establish corporate banking credit platform, implement internal credit evaluation mechanism and improve credit asset quality.
- (4) To strive for the lead bank of syndicated loan of fine clients with primary emphasis on medium size enterprises and participate as co-lead bank for alternative niche.
- (5) To vigorously exploit market in China, strive for Taiwanese businessmen containing great potentialities and proceed with business relation to extend future profits niche.

4. Wealth Management & Trust Business

- (1) The Recruitment and Cultivation of Financial Advisors - Through two-way expansion, to recruit elite externally and to proceed with duty rearrangement based on functional development of employees internally in order to enhance the combat effectiveness of the financial advisory team; to conduct basic, intermediate and advance educational training in order to strengthen professional skills and cultivate comprehensive financial advisors.
- (2) Diversification of Financial Products – To provide diversified financial products to cater the needs of different clients; to comply with the market trend and promote special financial combination in order to satisfy the clients' financial planning in investment, hedging, tax saving, retirement, etc.
- (3) Implement of Workforce Marketing Scheme – Effectively utilize existing resources of corporate and consumer banking to scout for prospective VIP clients; through referral mechanism to generate employee sales atmosphere and achieve cross-selling performance.
- (4) Powerful Back up of Information System Established – To promptly master clients' asset allocation and seek for utmost effectiveness in appreciation by utilizing "Comprehensive Wealth Management Navigation System"; to understand the client's investment attribute, analyze buying power and preference in depth through "Business Intelligence System".
- (5) The Development of Core Real Estate Trust Business – In addition to general land development, the Bank also provides professional consultation to complicated circumstances, such as consolidating trust and urban redevelopment, catastrophic reconstruction, etc.; to aggressively promote trust of loans to assist the consigner in realizing and ensuring such rights.
- (6) Strengthening Cross-Industry Alliance – To seek for alliance with insurance, health care, medical related providers aggressively and explore client base of trust products in generating mutual interests.

5. Debt Collection & Management

- (1) In terms of bad debts, to effectively restrain the new cases to increase, speed up the collection interval of bad debts and cope with branches in urging for repayment & bad debt collection managerial procedure through enhancement in specialization and nurturing dominant workforce.
- (2) In terms of undertaking collaterals, to adopt delicate managerial procedure, banish occupation, dispose scraps, slightly restore, sanitize by assigned personnel, etc. in order to increase market value for sale and generate profits; meanwhile, according to the evaluation of individual case, collaterals can be sold

either by self or by designation.

6.Foreign Exchange & International Banking

- (1) To reinforce traditional FX business, give consideration to principles of cultivating existing clients and prospecting new clients and expand trade finance volume.
 - (2) To project solid long-term sources of foreign currency, modify the deposit structure of corporate and consumer banking and boost returns of FX asset.
 - (3) To aggressively develop OBU business, emphasize on exploiting credit line to Taiwanese businessmen in China, establish global interbank network and improve service efficiency.
 - (4) To cope with corporate internet banking system, exploit corporate FX internet banking system and offer more integrated and progressive service platform.
- the business focuses will be readjusting financial constitution, improving structure.

(III) Market Analysis

1.Favorable and Unfavorable Factors of Future Development

(1) Favorable Factors

- As consumer banking crisis gradually dissolved, banks have turned losses to profits in general through managerial strategy in adjusting constitution.
- Cross-straight policy is expected to relax, which shall stimulate domestic demand and accelerate the growth of corporate and personal credit business.
- The supervisory authority continues with open policies and enables financial commodities move towards diversified development.
- The Bank has been cultivating the society and built solid client relationship, which shall facilitate the regional advantage of network development.
- The Bank constantly proceeds with organizational structure, recruits professional talents and enhances overall competitiveness.

(2) Unfavorable Factors

- As large financial holdings and international financial institutions expanding network channels through M&A, which severely impact the profitability of small and medium size banks.
- As the correlation of credit rating and banking business gradually elevated, small and medium size banks confront with the problems of insufficient capital.
- As the Act of consumer debt rehabilitation to be enforced, this may impact existing consumer loan clients' willingness in honoring contracts in the future and increase the Bank's bad debt risk.
- As the prospect of real estate market is still indefinite, the continuous mounting interest rate may directly impact the repayment ability.

2.Countermeasures

- (1) To generate diversified financial products and comprehensive services to satisfy the needs of clients, sustain the equilibrium of business development, effectively disperse risk and increase profiting opportunity.
- (2) To strengthen corporate credit business, stringently monitor the credit risk of property construction finance and aggressively participate in or lead the syndicated loans on the premise of asset allocation and risk control and expand account receivables business.
- (3) To master business opportunities in greater China area, provide Taiwanese businessmen in China with integrated financial services and expand the operating scale of corporate finance.



- (4) To lead-in database marketing, analyze the variations of client attributes and needs, develop customized products and mitigate competitive pricing pressure.
- (5) To transform from regional center to comprehensive branch through organizational restructure and enhance combat effectiveness and operating efficiency.
- (6) To reinforce professional ability in financial planning and investment advisory, ensure investment return and increase the weighting of non-interest income.

II. Personnel Information

(I) Employee Information in the Past Two Years

| Item | | Mar. 31, 2008 | 2007 | 2006 |
|---------------------------|---------------------|---------------|-------|-------|
| Number of Employee | Employee | 1,370 | 1,415 | 1,546 |
| | Intern | 50 | 44 | 57 |
| | Total | 1,420 | 1,459 | 1,603 |
| Average Age | | 35.26 | 35.34 | 34.37 |
| Average Seniority | | 6.75 | 6.48 | 5.36 |
| Academic Distribution (%) | Master & Above | 6.48 | 6.79 | 6.18 |
| | College | 81.97 | 81.56 | 80.15 |
| | Senior High | 11.06 | 11.24 | 13.23 |
| | Junior High & Below | 0.49 | 0.41 | 0.44 |

(II) Status on Employee Training

| Year | Educational Expenditure (NT\$ Thousand) | Internal Training | | External Training | |
|---------------|---|-------------------|--------|-------------------|--------|
| | | Attendant | Course | Attendant | Course |
| 2007 | 6,572 | 4,516 | 97 | 626 | 90 |
| Mar. 31, 2008 | 1,383 | 310 | 28 | 56 | 24 |

III. Information Technology Platform

(I) Primary System Maintenance

The new generation of NT dollar mainframe system is installed in BANCS of AIX platform; of which, the Bank has signed the hardware maintenance contract with designated manufacture, while software is maintained jointly by the Bank and original developer. At the same time, the Bank has also taken out an insurance policy of general electronic equipment to provide superior service and security. FX and mutual fund system has also been contracted with original developer to maintain the normal operation.

(II) Emergency Backup Plan

The mainframe system of the Bank's core system (NBS) has been contracted with the manufacturer for Business Resiliency and Continuity Services (BRCS); the manufacturer shall provide location and facility as the offsite backup center through backup magnetic tape. When the control room is damaged by disasters and unable to operate, the backup magnetic type can be carried to offsite backup center to recover the data and conditions of the mainframe to sustain the smooth operation until the control room is fully recovered. At present, BRCS drill is scheduled to be conducted twice a year as the contingent processing procedure applied in the event of disasters.

(III) Network Management & Safety Measures

Enhancing employee's awareness of efficient usage of Internet bandwidth and to surf the Internet with caution. Frequently upgrading the anti-virus software to ensure and protect from virus attack.

(IV) Future Development & Procurement Proposal

The NBS was successfully online August 2007. In the future, the unique advantages of system will be applied to shorten the timeframe for new financial products development through the design of argument; NBS can integrate external system as well as enhance overall financial competitiveness through the design of open platform, Furthermore, the Bank is planning to establish internet banking and credit system for corporate finance, construct an e-commerce platform and install managerial system of gift certificate trust in providing physical and virtual gift certificate trust business.

IV. Major Contracts

| Type of Contract | Party Involved | Beginning & Ending Date | Major Content | Constraint |
|--|---|--|--|--|
| Land Purchase Contract and Appointed House Leasing Agreement | Far Eastern Co., Ltd. | Jan. 12, 2005 | 1. Procurement of plot 8, subsection 3, Sinban Section in Panchiao City 2. After the completion of Headquarter, the 1 st to 4 th Floor will be leased to Far Eastern Co., Ltd | |
| Service Contract | IBM Taiwan | Mar. 24, 2006 | New Banc System | |
| Design Contract | Architect: Hsiang-Rong, Huang Designer: P&T Group | Dec. 24, 2004 | Headquarter Design & Construction Supervision | Anticipating the completion within 5 years |
| Joint Construction Contract | Far Eastern Construction Co. | Jul. 12, 2006 | Joint construction contract signed with Far Easter Construction Co. for the construction of BOP's Headquarter | |
| Construction Contract | Far Eastern General Contractor Co. | Aug. 11, 2006 – 150 Calendar Day | Headquarters' Foundation Construction | |
| Construction Contract | China Engineering Consultant Inc. | Aug. 15, 2006 till the Completion of the Construction | Providing construction management services, and in charge of tender offering, bidding, construction, inspection, supervision, warranty, and delivery, etc | |
| Trust Contract | Taiwan Cooperative Bank | The construction of building was completed on May 4, 2007, when usage license was obtained and building & land were transferred to the client according to the proportion of the benefit receivable. | Trust for the construction of headquarters building. | |
| Construction Contract | Far Eastern General Contractor Co. | Jul. 23, 2007 to Apr. 30, 2010 | New construction project and office construction of headquarters building. | |
| Construction Contract | Far Eastern Construction Co.; Far Eastern General Contractor Co. | Jul. 23, 2007 to Apr. 30, 2010 | Joint construction of new construction project of headquarters building. | |
| Real Estate Purchasing Contract | Panhsin Asset Management Co., Ltd. | Apr. 24, 2007 | Sale of the Bank's foreclosed collaterals. | |

Financial Status



I. Abbreviated Balance Sheet & Income Statement in the Past Five Years

(I) Abbreviated Balance Sheet

Unit: NT\$ Thousand

| Item | Year | Financial Status in the Past Five Years | | | | |
|--|---------------------|---|--------------------|--------------------|--------------------|--------------------|
| | | 2007 | 2006 | 2005 | 2004 | 2003 |
| Cash & Cash Equivalents | | 22,010,429 | 29,499,169 | 21,077,838 | 20,339,543 | 17,375,561 |
| Due from Central Bank & Placement to other Banks | | | | | | |
| Financial Assets at Fair Value through Profit or Loss | | 1,608,335 | 1,498,235 | 842,623 | 3,400,537 | 5,869,166 |
| Bills & Bonds Purchased under Agreements to Resell | | - | - | 1,099,206 | 336,904 | - |
| Account Receivables | | 4,057,368 | 2,594,785 | 1,135,880 | 759,813 | 737,128 |
| Loans & Advances | | 128,429,990 | 143,147,882 | 140,144,851 | 113,421,280 | 96,097,706 |
| Available for Sale - Financial Assets | | 2,181,161 | 1,545,490 | 1,317,476 | 240,130 | 243,683 |
| Long-Term Investment under Equity Method | | 86,272 | 89,914 | 80,621 | 3,000 | - |
| Other Financial Assets | | 458,587 | 103,490 | 81,450 | 476,542 | 462,393 |
| Fixed Assets (Property & Equipment) | | 5,806,834 | 5,149,939 | 4,849,231 | 3,996,020 | 2,017,539 |
| Intangible Assets | | 1,377,786 | 1,374,344 | 1,352,192 | 1,408,744 | 1,520,687 |
| Other Assets | | 4,061,098 | 5,085,715 | 5,188,811 | 3,982,995 | 4,450,678 |
| Total Assets | | 170,077,860 | 190,088,963 | 177,170,179 | 148,365,508 | 128,774,541 |
| Deposits by Central Bank and Other Banks | | 9,214,476 | 16,201,518 | 17,165,517 | 8,839,484 | 5,542,132 |
| Financial Liabilities at Fair Value through Profit or Loss | | 19,845 | 2,235 | 595 | - | 1,718 |
| Bills & Bonds Sold under Agreements to Repurchase | | 358,254 | 601,427 | 1,378,798 | 1,367,370 | 2,193,864 |
| Deposits & Remittances | | 144,198,797 | 156,677,427 | 144,413,083 | 127,254,391 | 111,674,266 |
| Central Bank and Other Banks Financing, Financial Debentures Payable | | 4,200,000 | 3,680,000 | 2,000,000 | 2,000,000 | 1,158,600 |
| Accrued Pension Liabilities | | 58,513 | 55,546 | 77,757 | 52,082 | 27,004 |
| Other Liabilities | | 2,340,446 | 3,663,778 | 3,097,125 | 1,779,209 | 1,586,102 |
| Total Liability | Before Distribution | 160,390,331 | 180,881,931 | 168,132,875 | 141,292,536 | 122,183,686 |
| | After Distribution | 160,390,331 | 180,881,931 | 168,236,339 | 141,448,186 | 122,183,686 |
| Capital Stock | | 9,557,900 | 9,557,900 | 8,198,000 | 6,000,000 | 6,000,000 |
| Legal Reserve | | - | 245,786 | 605,686 | 605,686 | 2,465,283 |
| Retained Earning | Before Distribution | 190,343 | (590,125) | 302,654 | 509,288 | (1,859,597) |
| | After Distribution | 190,343 | - | 349,057 | 155,638 | (1,859,597) |
| Unrealized Gain (Loss) on Financial Instruments | | (29,345) | 32,865 | (15,485) | - | - |
| Accumulated Translation Adjustments | | - | - | - | - | - |
| Other Adjustments to Shareholders Equity | | (31,369) | (39,394) | (53,551) | (42,002) | (14,831) |
| Total Shareholders Equity | Before Distribution | 9,687,529 | 9,207,032 | 9,037,304 | 7,072,972 | 6,590,855 |
| | After Distribution | 9,687,529 | 9,207,032 | 8,933,840 | 6,917,322 | 6,590,855 |

Note 1: The above-mentioned figures of after distribution were in accordance with the resolution of shareholders meeting the following year.

Note 2: The financial figures above have all been audited and certified by CPA.

Note 3: Financial statements of 2003 to 2006 have been reclassified to coordinate with 2007 accordingly, no major effects upon such reclassifications.

(II) Abbreviated Income Statement

Unit: NT\$ Thousand

| Item | Year | Financial Status in the Past Five Years | | | | |
|--|------|---|-----------|-----------|-----------|-------------|
| | | 2007 | 2006 | 2005 | 2004 | 2003 |
| Net Interest Income | | 2,401,566 | 2,833,992 | 2,951,890 | 2,478,929 | 2,047,452 |
| Net Non-interest Income | | 667,613 | 733,734 | 727,039 | 523,835 | (566,062) |
| Bad Debt Expense for Margin Loans | | 423,639 | 2,192,663 | 1,128,226 | 338,886 | 2,254,596 |
| Operating Expense | | 1,970,765 | 2,313,820 | 2,367,400 | 1,989,650 | 1,807,687 |
| Income from Continuing Operation before Tax | | 674,775 | (938,757) | 183,303 | 674,228 | (2,580,893) |
| Income from Continuing Operation after Tax | | 534,682 | (808,757) | 147,016 | 509,288 | (2,067,922) |
| Income from discontinued Operation (After Tax) | | - | - | - | - | - |
| Extraordinary Loss (Net After Tax) | | - | - | - | - | - |
| Cumulative Effects due to Changes in the Accounting Principles (Net After Tax) | | - | 19,442 | - | - | - |
| Earning | | 534,682 | (789,315) | 147,016 | 509,288 | (2,067,922) |
| EPS (Loss) | | 0.57 | (1.10) | 0.17 | 0.78 | (3.15) |

Note 1: The financial figures above have all been audited and certified by CPA.

Note 2: EPS (Loss), calculated with weighted average of shares adjusted for the current year.

Note 3: Financial statements of 2003 to 2006 have been reclassified to coordinate with 2007 accordingly, no major effects upon such reclassifications.



II. Financial Analysis in the Past Five Years

Unit: NT\$ Thousand

| Item | Year | Financial Status in the Past Five Years | | | | |
|--|---|---|-----------|-----------|-----------|---------|
| | | 2007 | 2006 | 2005 | 2004 | 2003 |
| Operation Capability | Loan to Deposit Ratio (%) | 90 | 93 | 96 | 90 | 88 |
| | NPL Ratio (%) | 3.32 | 4.52 | 3.89 | 2.71 | 3.96 |
| | Interest Expense to Average Deposit (%) | 1.89 | 1.63 | 1.42 | 1.46 | 1.54 |
| | Interest Income to Average Loan (%) | 3.78 | 3.77 | 4.06 | 4.03 | 4.16 |
| | Total Asset Turnover Ratio (Time) | 0.02 | 0.02 | 0.02 | 0.02 | 0.01 |
| | Average Revenue per Employee | 2,104 | 2,213 | 2,168 | 2,075 | 1,246 |
| | Average Income per Employee | 366 | (492) | 87 | 352 | (1,741) |
| Profitability | Return on Tier 1 Capital (%) | 10 | (14) | 3 | 12 | (45) |
| | ROA (%) | 0.30 | (0.43) | 0.09 | 0.37 | (1.77) |
| | ROE (%) | 6 | (9) | 2 | 7 | (27) |
| | Net Income Ratio (%) | 17 | (22) | 4 | 10 | (50) |
| | EPS (Dollar) | 0.57 | (1.10) | 0.17 | 0.78 | (3.15) |
| Financial Structure | Liability to Total Asset | 94 | 95 | 95 | 95 | 95 |
| | Fixed Asset to Shareholders' Equity | 60 | 56 | 54 | 56 | 31 |
| Growth | Asset Growth (%) | (11) | 7 | 19 | 15 | 22 |
| | Profitability Growth (%) | (Note 8) | (612) | (73) | (Note 8) | (2,890) |
| Cash Flows | Cash Flow (%) | (Note 9) | 6 | 76 | 140 | 28 |
| | Cash Flow to Dividends & Expenditures (%) | 177 | 238 | 272 | 176 | 238 |
| | Cash Flow Reinvestment Ratio (%) | (Note 9) | 2 | 16 | 17 | 4 |
| Liquidity Reserve Ratio (%) | 10 | 11 | 10 | 10 | 11 | |
| Shareholders' Secured Lending Outstanding | 1,406,062 | 1,567,810 | 2,037,418 | 2,155,806 | 2,147,208 | |
| Shareholders' Secured Lending Outstanding to Total Lending Outstanding (%) | 1.04 | 1.03 | 1.39 | 1.81 | 2.10 | |
| Operating Scale | Market Share of Asset (%) | 0.44 | 0.50 | 0.57 | 0.50 | 0.46 |
| | Market Share of Net Worth (%) | 0.45 | 0.44 | 0.48 | 0.40 | 0.41 |
| | Market Share of Deposit (%) | 0.57 | 0.62 | 0.65 | 0.58 | 0.55 |
| | Market Share of Loan (%) | 0.72 | 0.81 | 0.80 | 0.70 | 0.65 |

The reasons for the changes of CAR in the recent two terms (Such analysis is not necessary, if the variation is within 20%):

1. The Decrease of Overdue Ratio: Primarily due to the Bank's write-off in bad debt this year.
2. The Increase of Average Income per Employee, Return on Tier 1 Capital, ROA, ROE, Net Profit Margin and EPS: Essentially due to no provision reserved for bad debt this year in comparison with last year and result in the increase of income in the fiscal year.
3. The Reduction on Asset Growth Rate: Mainly due to the decrease in cash and cash equivalents and outstanding loans this year as compared with last year.
4. Peduction on Cash Flow Ratio and Cash Flow Reinvestment Ratio: Please refers to page 178.

Note 1: The financial figures above have all been audited and certified by CPA.

Note 2: Calculation methods:

1: Operating Capability

(1) Loan to Deposit Ratio = Total deposits / Total loans

(2) NPL = Total non-performing loans / Total loans

(3) Interest Expense to Average Deposit Outstanding = Total interest expense / Average deposits

(4) Interest Income to Average Loan Outstanding = Total interest income / Average loans outstanding

(5) Total Asset Turnover = Net operating income / Total assets

(6) Average Revenue per Employee = Operating revenue / Number of employees

- (7) Average Income per Employee = After-tax profit / Number of employees
- 2: Profitability
- (1) Return on Tier I Capital = Before-tax income / Average total amount of Tier I capital
 - (2) Return on Asset = After-tax income / Average total assets
 - (3) Return on Equity = After-tax income / Average net shareholder equity
 - (4) Net Income Total Revenue = After-tax income / Net income on operations
 - (5) Earning Per Share = (after-tax profit preferred shares dividends) / Weighted average of shares outstanding (Note 4)
- 3: Financial Structure
- (1) Liability to Total Asset = Total liabilities (Note 3) / Total assets
 - (2) Fixed Asset to Shareholders' Equity = Fixed asset / Shareholders' Equity
- 4: Growth Rate
- (1) Asset Growth = (Total assets of current year - Total assets of previous year) / Total assets of previous year
 - (2) Profitability Growth = (Pre-tax profit of current year - pre-tax profit of previous year) / Pre-tax profit of previous year
- 5: Cash Flow
- (1) Cash Flow = Net operating cash flow / (placement \$ advance to other banks + commercial paper payable + financial assets at fair value through profit or loss + bills & bonds purchased under agreements to resell + payables of maturity with one year)
 - (2) Cash Flow to Dividends & Expenditures = Net operating cash flow in the past five years / (capital expenditures + cash dividends) in the past five years
- 6: Liquidity Reserve Ratio = Liquid assets required by Central Bank / Liabilities for which the liquid reserves are allocated
- 7: Operating Scale
- (1) Market Share of Asset = Total assets / Total assets of financial institution allowed to engage in the deposits and loan business (Note 5)
 - (2) Market Share of Net Worth = Net worth / Total net worth of financial institutions allowed to engage in the deposits and loan business (Note 5)
 - (3) Market Share of Deposit = Total deposits / Total assets of financial institutions allowed to engage in the deposit and loan business (Note 5)
 - (4) Market Share of Loan = Total loans / Total loans of financial institution allowed to engage in the deposit and loan business (Note 5)
- Note 3: Total liabilities exclude guaranteed liability reserves, reserve for losses on bonds and bills dealing, reserve for contract violation losses, and reserve for accidental losses.
- Note 4: The following items should be considered when calculating the earnings per share in the aforementioned items.
1. Calculation shall be based on weighted average number of shares but not on the number of shares issued as of year-end.
 2. For any cash increment or treasury share transaction, period of circulation shall be considered in calculating the weighted average number of shares.
 3. Whenever capital increment is carried out via transfer of profit or legal reserve, retroactive adjustment shall be carried out in accordance with the ratio of increment when calculating earnings per share for past years and for six-month periods with no need to consider the time of issuance for the capital increment.
 4. If the preferred share is a non-convertible, cumulative preferred stock, the stock dividend for the current year (whether released or not) should be deducted from after-tax net profit or added to after-tax net loss.
 5. When there is an after-tax net profit, the dividend on preferred shares that are not cumulative stock should be deducted from after-tax net profit; in cases of loss, no adjustment is necessary.
- Note 5: Financial institutions that can engage in the deposit and loan business include domestic banks, Taiwan branches of foreign banks, credit cooperatives, the credit departments of farmers' and fishermen's associations, and trust investment companies.
- Note 6: Net Income total revenue refers to the sum of interest income and non-interest income.
- Note 7: The following items should be considered when analyzing the cash flows
1. Net operating cash flow represents the net cash inflows from operating activities
 2. Capital expenditures represents the yearly cash outflows from capital investment
 3. Cash dividends include dividends from common & preferred stocks
 4. Fixed asset represents total fixed asset before accumulated depreciations
- Note 8: Not expressed due to negative base point.
- Note 9: Not expressed due to negative cash flow from operating activity.



III. Capital Adequacy Analysis in the Past Five Years

(I) Parent Company

Unit: NT\$ Thousand

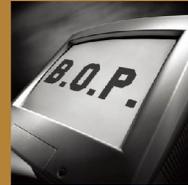
| Item | Year | Financial Status in the Past Five Years | | | | | |
|---|----------------------|--|-------------|-------------|-------------|------------|-------------|
| | | 2007 | 2006 | 2005 | 2004 | 2003 | |
| Equity Capital | Tier 1 Capital | Common Stock | 8,557,900 | 8,557,900 | 7,198,000 | 6,000,000 | 6,000,000 |
| | | Perpetual, Non-cumulative Preferred Stock | - | - | - | - | - |
| | | Non-matured, Non-cumulative Subordinated Debenture | - | - | - | - | - |
| | | Capital in Advance | - | - | - | - | - |
| | | Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation) | - | 245,786 | 605,686 | 605,686 | 2,465,283 |
| | | Legal Earning Reserve | - | 196,891 | 152,786 | - | 206,177 |
| | | Special Earning Reserve | - | - | - | - | - |
| | | Cumulative Earning | 190,343 | (787,017) | 149,867 | 509,288 | (2,065,774) |
| | | Minor Interests | - | - | - | - | - |
| | | Other Shareholders Equity | (70,823) | (6,529) | (69,036) | (42,002) | (14,831) |
| | | Less: Goodwill | 1,316,159 | 1,316,159 | 1,316,159 | 1,377,000 | 1,485,000 |
| | | Less: Loss from Unamortized NPL Sold | - | - | - | - | - |
| | | Less: Capital Deduction Item | 308,196 | 99,900 | - | - | - |
| | | Total Tier 1 Capital | 7,053,065 | 6,790,970 | 6,721,144 | 5,695,972 | 5,105,855 |
| | Tier 2 Capital | Perpetual, Cumulative Preferred Stock | - | - | - | - | - |
| | | Non-matured, Cumulative Subordinated Debentures | - | - | - | - | - |
| | | Legal Reserve for Fixed Asset Appreciation | - | - | - | - | - |
| | | 45% of Unrealized Gain of Available for Sale Financial Asset | 4,549 | - | - | - | - |
| | | Convertible Bond | - | - | - | - | - |
| | | Operation Reserve & Bad Debt Account | 323,219 | 433,275 | 391,925 | 1,069,740 | 1,012,992 |
| | | Long-term Subordinated Debentures | 2,249,920 | 2,569,920 | 1,289,920 | 1,689,920 | 1,158,600 |
| | | Non-perpetual Preferred Stock | 600,000 | 800,000 | 1,000,000 | - | - |
| | | Sum of (Perpetual, Non-cumulative Preferred Stock + Non-mature, Non-cumulative subordinated Financial Debenture) Surpassed 15% of Tier 1 Capital | - | - | - | - | - |
| | | Less: Capital Deduction Item | 308,196 | 99,899 | - | - | - |
| | Total Tier 2 Capital | 2,869,492 | 3,703,296 | 2,681,845 | 2,759,660 | 2,171,592 | |
| | Tier 3 Capital | Short-term Subordinated Debentures | - | - | - | - | - |
| | | Non-perpetual Preferred Stock | - | - | - | - | - |
| Total Tier 3 Capital | | - | - | - | - | - | |
| Equity Capital | | 9,922,557 | 10,494,268 | 9,203,527 | 8,374,440 | 7,199,255 | |
| Risk-Weighted Asset | Credit Risk | Standardized Approach | 105,634,318 | 122,151,601 | 112,992,659 | 91,602,239 | 76,183,227 |
| | | Inter Rating-Based Approach | - | - | - | - | - |
| | | Securitization Framework | 481,144 | 441,754 | - | - | - |
| | Operation Risk | Basic Indicator Approach | 6,447,375 | - | - | - | - |
| | | Standardized / Alternative Approach | - | - | - | - | - |
| | | Advanced Measurement Approach | - | - | - | - | - |
| | Market Risk | Standardized Approach | 1,796,063 | 1,753,150 | 1,780,663 | 3,950,825 | 4,856,188 |
| | | Internal Model-based Approach | - | - | - | - | - |
| | CAR (%) | | 8.68 | 8.44 | 8.02 | 8.76 | 8.88 |
| Tier 1 Capital to Risk-weighted Asset (%) | | 6.17 | 5.46 | 5.86 | 5.96 | 6.30 | |
| Tier 2 Capital to Risk-weighted Asset (%) | | 2.51 | 2.98 | 2.34 | 2.89 | 2.68 | |
| Tier 3 Capital to Risk-weighted Asset (%) | | - | - | - | - | - | |
| Common Stock to Total Asset (%) | | 5.03 | 4.50 | 4.06 | 4.04 | 4.66 | |

(II) Consolidated Company

Unit: NT\$ Thousand

| Item | | Year | Financial Status in the Past Five Years | | | | |
|---|----------------------|---|---|-------------|-------------|------|------|
| | | | 2007 | 2006 | 2005 | 2004 | 2003 |
| Equity Capital | Tier 1 Capital | Common Stock | 8,557,900 | 8,557,900 | 7,198,000 | - | - |
| | | Perpetual, Non-cumulative Preferred Stock | - | - | - | - | - |
| | | Non-matured, Non-cumulative Subordinated Debenture | - | - | - | - | - |
| | | Capital in Advance | - | - | - | - | - |
| | | Legal Reserve (Excluding Legal Reserve for Fixed Asset Appreciation) | - | 245,786 | 605,686 | - | - |
| | | Legal Earning Reserve | - | 196,891 | 152,786 | - | - |
| | | Special Earning Reserve | - | - | - | - | - |
| | | Cumulative Earning | 190,343 | (787,017) | 149,867 | - | - |
| | | Minor Interests | - | - | - | - | - |
| | | Other Shareholders Equity | (70,823) | (6,529) | (69,036) | - | - |
| | | Less: Goodwill | 1,316,159 | 1,316,159 | 1,316,159 | - | - |
| | | Less: Loss from Unamortized NPL Sold | - | - | - | - | - |
| | | Less: Capital Deduction Item | 265,061 | 54,942 | - | - | - |
| | | Total Tier 1 Capital | 7,096,200 | 6,835,930 | 6,721,144 | - | - |
| | Tier 2 Capital | Perpetual, Cumulative Preferred Stock | - | - | - | - | - |
| | | Non-matured, Cumulative Subordinated Debentures | - | - | - | - | - |
| | | Legal Reserve for Fixed Asset Appreciation | - | - | - | - | - |
| | | 45% of Unrealized Gain of Available for Sale Financial Asset | 4,549 | - | - | - | - |
| | | Convertible Bond | - | - | - | - | - |
| | | Operation Reserve & Bad Debt Account | 323,219 | 433,275 | 391,925 | - | - |
| | | Long-term Subordinated Debentures | 2,249,920 | 2,569,920 | 1,289,920 | - | - |
| | | Non-perpetual Preferred Stock | 600,000 | 800,000 | 1,000,000 | - | - |
| | | Sum of (Perpetual, Non-cumulative Preferred Stock, & Non-mature, Non-cumulative subordinated Financial Debenture) Surpassed 15% of Tier 1 Capital | - | - | - | - | - |
| | | Less: Capital Deduction Item | 265,059 | 54,942 | - | - | - |
| | Total Tier 2 Capital | 2,912,629 | 3,748,253 | 2,681,845 | - | - | |
| | Tier 3 Capital | Short-term Subordinated Debentures | - | - | - | - | - |
| | | Non-perpetual Preferred Stock | - | - | - | - | - |
| Total Tier 3 Capital | | - | - | - | - | - | |
| Equity Capital | | 10,008,829 | 10,584,183 | 9,284,147 | - | - | |
| Risk-Weighted Asset | Credit Risk | Standardized Approach | 105,573,282 | 122,357,603 | 112,998,064 | - | - |
| | | Inter Rating-Based Approach | - | - | - | - | - |
| | | Securitization Framework | 481,144 | 441,754 | - | - | - |
| | Operation Risk | Basic Indicator Approach | 6,493,000 | - | - | - | - |
| | | Standardized / Alternative Approach | - | - | - | - | - |
| | | Advanced Measurement Approach | - | - | - | - | - |
| | Market Risk | Standardized Approach | 1,796,063 | 1,753,750 | 1,780,663 | - | - |
| | | Internal Model-based Approach | - | - | - | - | - |
| | CAR (%) | | 8.75 | 8.50 | 8.09 | - | - |
| Tier 1 Capital to Risk-weighted Asset (%) | | 6.21 | 5.49 | 5.86 | - | - | |
| Tier 2 Capital to Risk-weighted Asset (%) | | 2.55 | 3.01 | 2.34 | - | - | |
| Tier 3 Capital to Risk-weighted Asset (%) | | - | - | - | - | - | |
| Common Stock to Total Asset (%) | | 5.03 | 4.50 | 4.06 | - | - | |

Note: The financial figures above have all been audited and certified by CPA.



IV. Certified Financial Statement by CPA

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, 2007 and 2006, 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 generally accepted auditing standards and the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Panhsin as of December 31, 2007 and 2006, 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.

As described in note 3 to the financial statements, Bank of Panhsin, starting from January 1, 2006, adopted Statement of Financial Accounting Standards No. 34 (SFAS 34) "Financial Instruments: Recognition and Measurement", No. 36 (SFAS 36) "Financial Instruments: Disclosure and Presentation", and the recently revised No. 1 (SFAS 1) "Conceptual Framework for Financial Accounting and Preparation of Financial Statements". As a result, net loss before the cumulative effect of changes in accounting principle and basic deficits per share decreased by \$88,860 thousand and \$0.12, respectively. In accordance with SFAS 34, the beginning balance of financial assets and liabilities should be reclassified and re measured at fair value. For the year ended December 31, 2006, the resulting cumulative effect of changes in accounting principle and the decrease in basic deficits per share were \$19,442 thousand and \$0.03, respectively. In addition, adjustments to stockholders' equity were \$40,763 thousand.

Bank of Panhsin has prepared consolidated financial statements for itself and its subsidiaries as of and for the years ended December 31, 2007 and 2006, on which we have expressed an unqualified opinion and a modified unqualified opinion with explanatory paragraphs for reference, respectively.

February 12, 2008

Balance Sheets

December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars, except for per value)

| | 2007 | 2006 | Change % |
|---|-----------------------|--------------------|----------|
| Assets | | | |
| Cash and cash equivalents | \$ 2,933,626 | 4,118,814 | (29) |
| Due from Central Bank and placement to other banks | 19,076,803 | 25,380,355 | (25) |
| Financial assets at fair value through profit or loss, net | 1,608,335 | 1,498,235 | 7 |
| Accounts receivable, net | 3,965,242 | 2,542,209 | 56 |
| Income tax refund receivable | 92,126 | 52,576 | 75 |
| Loans and advances to customers | 128,429,99 | 143,147,882 | (10) |
| Available-for-sale financial assets, net | 2,181,161 | 1,545,490 | 41 |
| Long-term investments under equity method, net | 86,272 | 89,914 | (4) |
| Other financial assets, net | 458,587 | 103,490 | 343 |
| Property and equipment, net | 5,806,834 | 5,149,939 | 13 |
| Goodwill and intangible assets | 1,377,786 | 1,374,344 | - |
| | <u>166,016,762</u> | <u>185,003,248</u> | (10) |
| Other assets—net: | | | |
| Deferred income tax assets | 622,385 | 761,391 | (18) |
| Other assets | 3,438,713 | 4,324,324 | (20) |
| | <u>4,061,098</u> | <u>5,085,715</u> | (20) |
| Total Assets | <u>\$ 170,077,860</u> | <u>190,088,963</u> | (11) |
| Liabilities and Stockholders' Equity | | | |
| Deposits by Central Bank and other banks | \$9,214,476 | 16,201,518 | (43) |
| Financial liabilities at fair value through profit or loss | 19,845 | 2,235 | 788 |
| Bills and bonds sold under repurchase agreements | 358,254 | 601,427 | (40) |
| Notes and accounts payable | 2,047,984 | 3,485,495 | (41) |
| Deposits and remittances | 144,198,797 | 156,677,427 | (8) |
| Subordinate financial debentures | 4,200,000 | 3,680,000 | 14 |
| Accrued pension liabilities | 58,513 | 55,546 | 5 |
| Other liabilities | 292,462 | 178,283 | 64 |
| Total liabilities | <u>160,390,331</u> | <u>180,881,931</u> | (11) |
| Stockholders' Equity : | | | |
| Share capital: | | | |
| Common stock of \$10 par value per share; authorized and issued 1,500,000 and 855,790 thousand shares, respectively, in 2007 and 2006 | 8,557,900 | 8,557,900 | - |
| Preferred stock of \$10 par value per share; cumulative but non-participating; authorized and issued 100,000 thousand shares in 2007 and 2006 | 1,000,000 | 1,000,000 | - |
| | <u>9,557,900</u> | <u>9,557,900</u> | - |
| Capital surplus | - | 245,786 | - |
| Retained earnings: | | | |
| Legal reserve | - | 196,891 | - |
| Unappropriated earnings (accumulated deficits) | 190,343 | (787,016) | 124 |
| | <u>190,343</u> | <u>(590,125)</u> | 132 |
| Other adjustments to stockholders' equity: | | | |
| Unrealized (loss) gain on available-for-sale financial assets | (29,345) | 32,865 | (189) |
| Net loss from unrecognized pension cost | (31,369) | (39,394) | 20 |
| | <u>(60,714)</u> | <u>(6,529)</u> | (830) |
| Total stockholders' equity | <u>9,687,529</u> | <u>9,207,032</u> | 5 |
| Commitments and contingent liabilities | | | |
| Total liabilities and stockholders' equity | <u>\$ 170,077,860</u> | <u>190,088,963</u> | (11) |



Statements of Income

For the years ended December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars, except for earnings per share)

| | 2007 | 2006 | Change% | |
|--|-------------------|------------------|-------------|---------------|
| Interest income | \$ 5,697,371 | 5,788,330 | (2) | |
| Less: Interest expense | 3,295,805 | 2,954,338 | 12 | |
| Net interest income | 2,401,566 | 2,833,992 | (15) | |
| Non-interest income: | | | | |
| Fees and commission income, net | 609,440 | 607,782 | - | |
| Gain (loss) on financial instruments at fair value through profit or loss | (121,757) | 94,587 | (229) | |
| Realized gain (loss) on available-for-sale financial assets | (9,193) | 5,500 | (267) | |
| Investment income under the equity method, net | 8,619 | 9,293 | (7) | |
| Foreign exchange gain (loss), net | 1,115 | 486 | 129 | |
| Asset impairment loss | - | (155,122) | - | |
| Other non-interest income, net | 179,389 | 171,208 | 5 | |
| Net revenue | 3,069,179 | 3,567,726 | (14) | |
| Bad debt expenses | 423,639 | 2,192,663 | (81) | |
| Operating expenses: | | | | |
| Personnel costs | 1,119,942 | 1,412,103 | (21) | |
| Depreciation and amortization | 169,483 | 164,774 | 3 | |
| Other general and administrative expenses | 681,340 | 736,943 | (8) | |
| | 1,970,765 | 2,313,820 | (15) | |
| Income (loss) from continuing operations before income tax | 674,775 | (938,757) | 172 | |
| Income tax expense (benefit) | 140,093 | (130,000) | 208 | |
| Income (loss) before cumulative effect of changes in accounting principle | 534,682 | (808,757) | 166 | |
| Cumulative effect of changes in accounting principle, net of income tax of \$0 | - | 19,442 | - | |
| Net income (loss) | \$ 534,682 | (789,315) | 168 | |
| | Before tax | After tax | Before tax | After tax |
| Basic earnings (deficits) per share | | | | |
| Net income (loss) before cumulative effect of changes in accounting principle | \$ 0.74 | 0.57 | (1.30) | (1.13) |
| Cumulative effect of changes in accounting principle | | - | | 0.03 |
| Net income (loss) | | \$ 0.57 | | (1.10) |

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars)

| | Share capital | | Retained earnings | | | Other adjustment | | Total |
|--|---------------------|------------------|-------------------|---------------|--|---|---|------------------|
| | Common stock | Preferred stock | Capital surplus | Legal reserve | Unappropriated earnings (accumulated deficits) | Unrealized gain (loss) on available-for-sale financial assets | Net loss from unrecognized pension cost | |
| Balance at January 1, 2006 | \$ 7,198,000 | 1,000,000 | 605,686 | 152,786 | 149,868 | (15,485) | (53,551) | 9,037,304 |
| Issuance of common stock for cash | 1,000,000 | - | - | - | - | - | - | 1,000,000 |
| Appropriation of retained earnings | | | | | | | | |
| Legal reserve | - | - | - | 44,105 | (44,105) | - | - | - |
| Directors' and supervisors' remuneration | - | - | - | - | (3,968) | - | - | (3,968) |
| Employees' bonus | - | - | - | - | (3,968) | - | - | (3,968) |
| Cash dividends | - | - | - | - | (71,980) | - | - | (71,980) |
| Dividends on preferred stock | - | - | - | - | (23,548) | - | - | (23,548) |
| Capital surplus used to increase common stock | 359,900 | - | (359,900) | - | - | - | - | - |
| Net loss for 2006 | - | - | - | - | (789,315) | - | - | (789,315) |
| Recognition of unrealized gain (loss) on available-for-sale financial assets | - | - | - | - | - | 7,587 | - | 7,587 |
| Recognition of unrealized gain (loss) on available-for-sale financial assets due to change in accounting principle | - | - | - | - | - | 40,763 | - | 40,763 |
| Reversal of net loss from unrecognized pension cost | - | - | - | - | - | - | 14,157 | 14,157 |
| Balance at December 31, 2006 | 8,557,900 | 1,000,000 | 245,786 | 196,891 | (787,016) | 32,865 | (39,394) | 9,207,032 |
| Reversal of accumulated deficits by offsetting with legal reserve | - | - | - | (196,891) | 196,891 | - | - | - |
| Reversal of accumulated deficits by offsetting with capital surplus | - | - | (245,786) | - | 245,786 | - | - | - |
| Net income for 2007 | - | - | - | - | 534,682 | - | - | 534,682 |
| Recognition of unrealized gain (loss) on available-for-sale financial assets | - | - | - | - | - | (62,210) | - | (62,210) |
| Reversal of net loss from unrecognized pension cost | - | - | - | - | - | - | 8,025 | 8,025 |
| Balance at December 31, 2007 | <u>\$ 8,557,900</u> | <u>1,000,000</u> | <u>-</u> | <u>-</u> | <u>190,343</u> | <u>(29,345)</u> | <u>(31,369)</u> | <u>9,687,529</u> |



Statements of Cash Flows

For the years ended December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars)

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Cash flow from operating activities: | | |
| Net income (loss) | \$ 534,682 | (789,315) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 110,570 | 107,751 |
| Amortization | 60,710 | 58,133 |
| Asset impairment loss | - | 155,122 |
| Reversal of reserve for securities trading losses | (2,849) | (1,076) |
| Bad debt expense | 423,639 | 2,192,663 |
| Investment income under the equity method | (8,619) | (9,293) |
| Cash dividends under the equity method | 12,261 | - |
| Loss (gain) on sale of available-for-sale financial assets, net | 10,123 | (4,971) |
| Gain on disposal of investees under cost method | (5,364) | - |
| Loss (gain) on disposal of property and equipment, net | 2,807 | (8,247) |
| Gain on disposal of non-operating assets | (3,190) | (5,046) |
| Gain on disposal of foreclosed assets | (80,935) | (897) |
| Increase in financial assets at fair value through profit or loss | (110,100) | (655,612) |
| Increase in accounts receivable | (1,205,584) | (1,196,210) |
| Increase in other financial assets | (366,805) | (42,341) |
| Decrease (increase) in deferred income tax assets | 139,006 | (129,819) |
| Increase in financial liabilities at fair value through profit or loss | 17,610 | 1,640 |
| Increase (decrease) in accounts payable and other liabilities | (1,437,511) | 551,319 |
| Increase (decrease) in accrued pension liabilities | 10,992 | (8,054) |
| Net cash provided by operating activities | <u>(1,898,557)</u> | <u>215,747</u> |
| Cash flow from investing activities: | | |
| Decrease (increase) in due from Central Bank and placement to other banks | 6,303,552 | (6,871,583) |
| Acquisition of available-for-sale financial assets | (7,640,496) | (1,193,714) |
| Proceeds from disposal of available-for-sale financial assets | 6,932,492 | 1,019,021 |
| Increase in loans and advances to customers | 14,304,961 | (5,174,908) |
| Decrease in bills and bonds purchased under agreements to resell | - | 1,099,206 |
| Proceeds from disposal of investees under cost method | 6,364 | - |
| Capital refund from investees under cost method | - | 15,361 |
| Proceeds from acquisition of property and equipment | (874,072) | (378,526) |
| Proceeds from disposal of property and equipment | 59 | 64,327 |
| Proceeds from acquisition of intangible assets | (4,422) | (8,695) |
| Proceeds from sale of non-operating assets | 4,069 | 16,868 |
| Increase in foreclosed assets | (704,915) | (636,641) |
| Proceeds from disposal of foreclosed assets | 321,496 | 351,660 |
| Decrease (increase) in other assets | 1,136,098 | (84,295) |
| Net cash used in investing activities | <u>19,785,186</u> | <u>(11,781,919)</u> |
| Cash flow from financing activities: | | |
| Decrease in deposits by Central Bank and other banks | (6,987,042) | (963,999) |
| Increase (decrease) in deposits and remittances | (12,478,630) | 12,264,344 |
| Increase (decrease) in bills and bonds sold under repurchase agreements | (243,173) | (777,371) |
| Issuance of subordinated financial debentures | 520,000 | 1,680,000 |
| Increase in other liabilities | 117,028 | 16,410 |
| Issuance of common stock for cash | - | 1,000,000 |
| Cash dividends, employees' bonus, and directors' and supervisors' remuneration | - | (103,464) |
| Net cash provided by financing activities | <u>(19,071,817)</u> | <u>13,115,920</u> |
| Net increase in cash and cash equivalents | <u>(1,185,188)</u> | <u>1,549,748</u> |
| Cash and cash equivalents at beginning of year | <u>4,118,814</u> | <u>2,569,066</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,933,626</u> | <u>\$ 4,118,814</u> |
| Supplementary disclosure of cash flow: | | |
| Cash payments of interest | \$ 3,285,200 | 2,666,447 |
| Cash payments of income tax | \$ 40,638 | 27,329 |
| Investing and financing activities not affecting cash flows: | | |
| Unrealized gain (loss) on available-for-sale financial assets | \$ (62,210) | 7,587 |
| Unrealized gain (loss) on available-for-sale financial assets due to change in accounting principle | \$ - | 40,763 |
| Reconciliation of cash received from disposal of foreclosed assets: | | |
| Proceeds from disposal of foreclosed assets | \$ 578,495 | 635,141 |
| Increase in receivables from disposal of foreclosed assets | (256,999) | (283,481) |
| Cash charge for the current period | <u>\$ 321,496</u> | <u>\$ 351,660</u> |

Notes to Financial Statements

December 31, 2007 and 2006

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

(1) Reasons for and Effects of Accounting Changes

Effective January 1, 2006, pursuant to the newly revised ROC Statement of Financial Accounting Standards No. 1, "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill is no longer being amortized. The resulting effect of this change in accounting principle amounted to \$118,480. The net loss before accumulative effect of changes in accounting principle and basic deficits per share decreased by \$88,860 and \$0.12 dollars, respectively.

Starting from January 1, 2006, the Bank adopted ROC Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement" and No. 36 "Financial Instruments: Disclosure and Presentation". In accordance with SFAS No. 34, the beginning balance of financial assets and financial liabilities should be reclassified and re-measured at fair value. For the period ended December 31, 2007, the resulting cumulative effect of changes in accounting principle amounted to \$19,442 and basic net deficits per share decreased by \$0.03 dollars. In addition, adjustment to stockholders' equity was \$40,763.

(2) Cash and Cash Equivalents

As of December 31, 2007 and 2006, cash and cash equivalents were as follows:

| | 2007 | 2006 |
|-------------------------------------|---------------------|------------------|
| Cash | \$ 1,384,185 | 1,203,061 |
| Negotiable instruments for clearing | 644,865 | 1,674,106 |
| Deposits with other banks | 904,576 | 1,241,647 |
| | <u>\$ 2,933,626</u> | <u>4,118,814</u> |

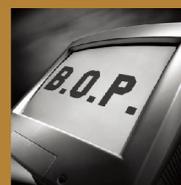
As of December 31, 2007 and 2006, composite banking insurance amounted to \$147,400.

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

As of December 31, 2007 and 2006, due from Central Bank and placement to other banks were as follows:

| | 2007 | 2006 |
|----------------------------------|----------------------|-------------------|
| Deposit reserve: | | |
| Deposit reserve—checking account | \$ 2,442,396 | 2,965,717 |
| Deposit reserve—demand account | 3,736,969 | 4,117,736 |
| ATM settlement account | 150,487 | 150,564 |
| | <u>6,329,852</u> | <u>7,234,017</u> |
| Certificates of deposit | 11,700,000 | 15,000,000 |
| Placement to other banks | 1,046,951 | 3,146,338 |
| | <u>\$ 19,076,803</u> | <u>25,380,355</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. There is interest on the reserve for deposits settlement account.



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

As of December 31, 2007 and 2006, financial assets and liabilities at fair value through profit or loss were as follows:

| | 2007 | 2006 |
|--|---------------------|------------------|
| Trading assets: | | |
| Interest rate—related instruments | \$ 580,747 | - |
| Equity securities | 118,534 | 74,819 |
| Beneficiary certificates | 133,980 | 460,145 |
| Derivatives | 5,232 | 353 |
| | <u>838,493</u> | <u>535,317</u> |
| Financial assets designated at fair value: | | |
| Convertible bonds—asset swap | \$ - | 23,399 |
| Credit-linked notes | 769,842 | 939,519 |
| | <u>769,842</u> | <u>962,918</u> |
| | <u>\$ 1,608,335</u> | <u>1,498,235</u> |
| | 2007 | 2006 |
| Trading liabilities: | | |
| Derivative financial instruments | \$ 19,845 | 2,235 |

For the years ended December 31, 2007 and 2006, net gain (loss) on financial assets and financial liabilities at fair value through profit or loss were as follows:

| | 2007 | 2006 |
|---|---------------------|----------------|
| Net gain (loss) on valuation and disposal of trading assets: | | |
| Interest rate—related instruments | \$ (6,638) | (514) |
| Equity securities | (9,383) | 64,856 |
| Beneficiary certificates | (10,040) | 23,403 |
| Derivatives | 16,427 | 5,317 |
| | <u>(9,634)</u> | <u>93,062</u> |
| Dividend income | 8,316 | - |
| Other interest income | 6,741 | 533 |
| | <u>15,057</u> | <u>533</u> |
| | <u>\$ 5,423</u> | <u>93,595</u> |
| | 2007 | 2006 |
| Financial assets designated at fair value: | | |
| Convertible bonds asset swaps | \$ (876) | (561) |
| Credit-linked notes | (107,072) | (700) |
| | <u>(107,948)</u> | <u>(1,261)</u> |
| Interest income | - | - |
| | <u>\$ (107,948)</u> | <u>(1,261)</u> |
| | 2007 | 2006 |
| Net gain (loss) on valuation and disposal of trading liabilities: | | |
| Derivatives | \$ (12,491) | 2,786 |

(5) Available-for-sale Financial Assets

As of December 31, 2007 and 2006, available-for-sale financial assets were as follows:

| | 2007 | | |
|-----------------------------------|-------------------------|-----------------------|------------------|
| | Cost after amortization | Assessment adjustment | Fair 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> |

| | 2006 | | |
|------------------------------------|-------------------------|-----------------------|------------------|
| | Cost after amortization | Assessment adjustment | Book value |
| Interest rate—related instruments | | | |
| Negotiable certificates of deposit | \$ 231,784 | 98 | 231,882 |
| Government bonds | 1,230,930 | 26,340 | 1,257,270 |
| Equity securities | | | |
| Stocks | 49,911 | 6,427 | 56,338 |
| | <u>\$ 1,512,625</u> | <u>32,865</u> | <u>1,545,490</u> |

Movements of unrealized gain (loss) on available-for-sale financial assets were as follows:

| | 2007 | 2006 |
|--|--------------------|---------------|
| Beginning balance | \$ 32,865 | (15,485) |
| Add: effect of adoption of new SFAS | - | 40,763 |
| unrealized gain (loss) recognized in the period | (72,333) | 12,558 |
| Less: realized gain (loss) on disposal in the period | (10,123) | 4,971 |
| Ending balance | <u>\$ (29,345)</u> | <u>32,865</u> |

The beginning balance at January 1, 2006, was reclassified from the unrealized loss on decline in market value of Taiwan Cooperative Bank Co., Ltd. Under the lower-of-cost-or-market-value method.

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

(6) Accounts Receivable, Net

As of December 31, 2007 and 2006, accounts receivable, net, were as follows:

| | 2007 | 2006 |
|--|---------------------|------------------|
| Dividends receivable | \$ - | 557 |
| Interest receivable | 374,899 | 482,607 |
| Accounts receivable | 25,610 | 13,751 |
| Notes receivable PANHSIN AMC | 1,694,709 | 283,481 |
| Acceptance receivable | 453,987 | 534,470 |
| Other receivable PANHSIN AMC | 1,368,470 | 1,169,748 |
| Other receivable other, net of allowance for bad and doubtful accounts of \$7,332 and \$22,261 for 2007 and 2006, respectively | 47,567 | 57,595 |
| | <u>\$ 3,965,242</u> | <u>2,542,209</u> |



(7) Loans and Advances to Customers

As of December 31, 2007 and 2006, details of loans and advances to customers were as follows:

| | 2007 | 2006 |
|---|-----------------------|--------------------|
| Remittance and discounts for exports | \$ 210,343 | 261,229 |
| Short-term loans, overdrafts, and bills purchased | 14,420,681 | 16,632,423 |
| Short-term secured loans and overdrafts | 13,548,417 | 18,131,058 |
| Medium-term loans | 14,638,400 | 19,914,985 |
| Medium-term secured loans | 18,346,871 | 19,464,113 |
| Long-term loans | 435,577 | 149,418 |
| Long-term secured loans | 64,673,723 | 66,105,348 |
| Non-performing loans | 4,046,665 | 5,425,591 |
| Subtotal | <u>130,320,677</u> | <u>146,084,165</u> |
| Less: allowance for bad and doubtful accounts | <u>1,890,687</u> | <u>2,936,283</u> |
| | <u>\$ 128,429,990</u> | <u>143,147,882</u> |

Movements of allowance for bad and doubtful accounts in years 2007 and 2006 were as follows:

| | 2007 | | |
|--------------------------------------|---------------------|-------------------|------------------|
| | Specific provision | 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 | 1,523,431 | - | 1,523,431 |
| Ending balance | <u>\$ 1,574,800</u> | <u>323,219</u> | <u>1,898,019</u> |

| | 2006 | | |
|--------------------------------------|---------------------|-------------------|------------------|
| | Specific provision | General provision | Total |
| Beginning balance | \$ 811,359 | 391,925 | 1,203,284 |
| Add: provision for doubtful accounts | 2,231,321 | 41,350 | 2,272,671 |
| Less: write-off | 517,411 | - | 517,411 |
| Ending balance | <u>\$ 2,525,269</u> | <u>433,275</u> | <u>2,958,544</u> |

For the years ended December 31, 2007 and 2006, the provision for bad debt expenses was \$462,906 and \$2,272,671, respectively. For the years ended December 31, 2007 and 2006, the amounts collected after write-off were \$39,267 and \$80,008, respectively. For the years ended December 31, 2007 and 2006, the bad debt expenses net of the aforementioned collection after write-off were \$423,639 and \$2,192,663, respectively.

As of December 31, 2007 and 2006, details of allowance for bad and doubtful accounts were as follows:

| | 2007 | 2006 |
|---|---------------------|------------------|
| Loans and advances (excluding non-performing loans) | \$ 55,257 | 39,459 |
| Non-performing loans | 1,835,430 | 2,896,824 |
| Accounts receivable and others | 7,332 | 22,261 |
| | <u>\$ 1,898,019</u> | <u>2,958,544</u> |

For the years ended December 31, 2007 and 2006, the amounts of allowance for bad and doubtful accounts generated from 3% of operating revenues were \$179,802 and \$183,798, respectively.

As of December 31, 2007 and 2006, loans and advances not accruing interest were \$4,058,234 and \$5,465,534, respectively. For the years ended December 31, 2007 and 2006, interest receivable not accrued was \$596,822 and \$872,786, respectively.

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

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.

(9) Property and Equipment

As of December 31, 2007 and 2006, property and equipment were as follows:

| | 2007 | 2006 |
|--|---------------------|------------------|
| Cost: | | |
| Land | \$ 3,735,115 | 3,771,591 |
| Buildings | 868,119 | 898,409 |
| Equipment | 619,916 | 585,038 |
| Transportation equipment | 100,888 | 89,784 |
| Other equipment | 92,916 | 103,619 |
| Leasehold improvement | 184,466 | 169,050 |
| Subtotal | 5,601,420 | 5,617,491 |
| Less: accumulated depreciation | 886,470 | 794,410 |
| | 4,714,950 | 4,823,081 |
| Construction in progress and prepayments for equipment | 1,091,884 | 326,858 |
| | <u>\$ 5,806,834</u> | <u>5,149,939</u> |

For the years 2007 and 2006, the movement of accumulated depreciation was as follows:

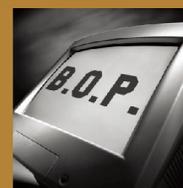
| | 2007 | 2006 |
|--|-------------------|----------------|
| Beginning balance | \$ 794,410 | 702,622 |
| Add: depreciation | 108,773 | 106,641 |
| reclassification from leased-out asset | - | 16,891 |
| Less: disposal | 14,771 | 31,744 |
| reclassification to leased-out asset | 1,942 | - |
| Ending balance | <u>\$ 886,470</u> | <u>794,410</u> |

In accordance with the Bank's management policy, fixed assets amounting to \$2,460,381 was entrusted. Please see note 29.

(10) Intangible Assets—Goodwill

As of December 31, 2007 and 2006, intangible assets goodwill were as follows:

| | 2007 | 2006 |
|-----------------------------------|---------------------|------------------|
| Original cost | \$ 1,385,817 | 1,385,817 |
| Less: accumulated impairment loss | 69,658 | 69,658 |
| | <u>\$ 1,316,159</u> | <u>1,316,159</u> |



For the years ended December 31, 2007 and 2006, the movement of goodwill was as follows:

| | 2007 | 2006 |
|-------------------|---------------------|------------------|
| Beginning balance | \$ 1,385,817 | 1,385,817 |
| Increase | - | - |
| Ending balance | <u>\$ 1,385,817</u> | <u>1,385,817</u> |

For the years ended December 31, 2007 and 2006, the movement of accumulated impairment loss was as follows:

| | 2007 | 2006 |
|-------------------|------------------|---------------|
| Beginning balance | \$ 69,658 | 69,658 |
| Add: provision | - | - |
| Ending balance | <u>\$ 69,658</u> | <u>69,658</u> |

(11) Other Assets Non-operating Assets

As of December 31, 2007 and 2006, other assets non-operating assets were as follows:

| | 2007 | 2006 |
|------------------------|-------------------|----------------|
| Leased-out assets, net | \$ 371,606 | 307,923 |
| Idle assets, net | 44,399 | 45,934 |
| | <u>\$ 416,005</u> | <u>353,857</u> |

The depreciation expense for leased out assets was \$1,141 and \$1,110 in 2007 and 2006, respectively. The depreciation expense for idle assets was \$656 and \$0 in 2007 and 2006, respectively. This depreciation expense was 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 and \$5,046 in 2007 and 2006, respectively, from the sale of leased-out assets and idle assets.

(12) Other Assets Foreclosed Assets

As of December 31, 2007 and 2006, other assets foreclosed assets were as follows:

| | 2007 | 2006 |
|-----------------------------------|---------------------|------------------|
| Foreclosed assets | \$ 2,474,505 | 2,314,147 |
| Less: accumulated impairment loss | 102,729 | 149,726 |
| | <u>\$ 2,371,776</u> | <u>2,164,421</u> |

For the years ended December 31, 2007 and 2006, the movement of accumulated impairment loss was as follows:

| | 2007 | 2006 |
|-------------------|-------------------|----------------|
| Beginning balance | \$ 149,726 | 157,874 |
| Add: provision | - | 150,182 |
| Less: write-off | 46,997 | 158,330 |
| Ending balance | <u>\$ 102,729</u> | <u>149,726</u> |

The net gain on disposal of foreclosed assets was \$80,935 and \$897 in 2007 and 2006, respectively, recorded under other non-interest income.

(13) Deposits by Central Bank and Other Banks

As of December 31, 2007 and 2006, deposits by the Central Bank and other banks were as follows:

| | 2007 | 2006 |
|---------------------------------------|---------------------|-------------------|
| Deposits by other banks | \$ 6,795,541 | 8,292,349 |
| Bank draft from other banks | - | 6,113 |
| Deposits transferred from Post Office | 1,995,878 | 2,394,068 |
| Overnight deposit from other banks | 423,057 | 5,508,988 |
| | <u>\$ 9,214,476</u> | <u>16,201,518</u> |

(14) Deposits and Remittances

As of December 31, 2007 and 2006, deposits and remittances were as follows:

| | 2007 | 2006 |
|--|-----------------------|--------------------|
| Checking account | \$ 1,249,218 | 1,596,954 |
| Demand deposits | 11,016,855 | 10,627,668 |
| Time deposits | 22,159,811 | 28,523,215 |
| Negotiable certificates of deposit | 4,139,300 | 15,745,700 |
| Foreign currency time deposits | 5,598,077 | 3,707,983 |
| Savings accounts: | | |
| Demand deposits | 25,014,277 | 25,766,732 |
| Staff accounts deposits | 874,222 | 960,376 |
| Installment savings deposits | 646,297 | 276,325 |
| Non-interest-drawing time savings deposits | 21,443,878 | 20,364,228 |
| Interest-drawing savings deposits | 52,013,464 | 48,960,626 |
| Remittances | 43,398 | 147,620 |
| | <u>\$ 144,198,797</u> | <u>156,677,427</u> |

As of December 31, 2007 and 2006, the maturity dates for the above time deposits and savings, except for demand savings deposits, were between one month and one year.

(15) Subordinated Financial Debentures

As of December 31, 2007 and 2006, subordinated financial debentures were as follows:

| | 2007 | 2006 |
|-----------------------------------|--------------|-----------|
| Subordinated financial debentures | \$ 4,200,000 | 3,680,000 |

(16) 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 2007 and 2006. 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, 2007 and 2006. As of December 31, 2007 and 2006, the reconciliation of the funded status and accrued pension liabilities was as follows:



| | 2007 | | 2006 | |
|---|-------------|-------------------|----------|-------------------|
| | Managers | Regular employees | Managers | Regular employees |
| Benefit obligation: | | | | |
| Vested benefit obligation | \$ (36,684) | (84,164) | (37,545) | (52,992) |
| Non-vested benefit obligation | (11,744) | (273,011) | (14,207) | (268,155) |
| Accumulated benefit obligation | (48,428) | (357,175) | (51,752) | (321,147) |
| Additional benefits based on future salaries | (12,266) | (151,277) | (13,996) | (146,500) |
| Projected benefit obligation (PBO) | (60,694) | (508,452) | (65,748) | (467,647) |
| Fair value of plan assets | 17,643 | 360,093 | 14,588 | 334,838 |
| Funded status | (43,051) | (148,359) | (51,160) | (132,809) |
| Unrecognized net transitional benefit obligation (assets) | (1,493) | 119,226 | (1,791) | 126,239 |
| Unrecognized pension loss (gain) | 45,128 | 1,405 | 55,181 | (11,812) |
| Additional minimum pension liability | (31,369) | - | (39,394) | - |
| Accrued pension liabilities | \$ (30,785) | (27,728) | (37,164) | (18,382) |
| Vested benefit | \$ 58,051 | 118,240 | 59,985 | 75,110 |

For the years ended December 31, 2007 and 2006, the components of net pension cost were as follows:

| | 2007 | | 2006 | |
|------------------------------|----------|-------------------|----------|-------------------|
| | Managers | Regular employees | Managers | Regular employees |
| Service cost | \$ 2,489 | 14,694 | 4,457 | 20,530 |
| Interest cost | 1,644 | 12,860 | 3,326 | 20,823 |
| Actual return on plan assets | (76) | (9,462) | (19) | (7,864) |
| Amortization | 3,126 | 7,047 | 5,255 | 5,827 |
| Net pension cost | \$ 7,183 | 25,139 | 13,019 | 39,316 |

Actuarial assumptions for the years 2007 and 2006 were as follows:

| | 2007 | | 2006 | |
|--|----------|-------------------|----------|-------------------|
| | Managers | Regular employees | Managers | Regular employees |
| Discount rate | 2.75% | 2.75% | 2.50% | 2.75% |
| Rate of increase in futures compensation | 2.00% | 2.00% | 2.00% | 2.00% |
| Rate of projected return on plan assets | 2.75% | 2.75% | 2.50% | 2.75% |

As of December 31, 2007 and 2006, the balance of the pension funds deposits with the Bank's Hou Pu Branch for managers was \$16,963 and \$3,282, respectively.

For the years ended December 31, 2007 and 2006, net pension cost was as follows:

| | 2007 | 2006 |
|-----------------------------------|-----------|--------|
| Defined benefit pension plan | \$ 32,322 | 52,335 |
| Defined contribution pension plan | 37,661 | 39,316 |
| | \$ 69,983 | 91,651 |

(17) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. Starting from January 1, 2006, the Bank adopted the ROC "Income Basic Tax Act" to calculate its basic income tax. The income tax expense for 2007 and 2006 is summarized below:

| | 2007 | 2006 |
|---------------------------------------|-------------------|------------------|
| Current income tax expense (benefit) | \$ 1,087 | (181) |
| Deferred income tax expense (benefit) | 139,006 | (129,819) |
| Income tax expense (benefit) | <u>\$ 140,093</u> | <u>(130,000)</u> |

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, 2007 and 2006, were as follows:

| | 2007 | 2006 |
|--|-------------------|------------------|
| Income tax at statutory rate | \$ 168,694 | (234,689) |
| Income of OBU exempt from tax | 15,670 | (4,056) |
| Investment income from long-term investment under equity method | (2,155) | (9,228) |
| Tax effect of interest income from separately taxed short-term bills | (566) | (91) |
| Dealing loss (gain) from securities trading, net | (6,704) | (23,288) |
| Loss (gain) on sale of land, net | (17,219) | 27,810 |
| Provision for (reversal of) valuation (gain) loss on financial assets at fair value through profit or loss | 12,036 | (1,441) |
| Impairment loss on financial assets stated at cost | - | 1,235 |
| Adjustment of prior year's impairment loss on foreclosed assets | - | (906) |
| Provision for (reversal of) reserve for securities trading losses | (712) | (269) |
| Adjustment and expiration of prior year's loss carryforwards | 102,692 | 11,502 |
| Adjustment and expiration of prior year's investment tax credit | - | 198 |
| Increase in investment tax credit-staff training costs | (1,972) | (1,916) |
| Provision for (reversal of) allowance for deferred income tax assets | (134,605) | 105,937 |
| Other reconciliation of loss carryforwards due from tax-exempt investment income | 4,877 | - |
| Other | 57 | (798) |
| Income tax expense (benefit) | <u>\$ 140,093</u> | <u>(130,000)</u> |

For the years ended December 31, 2007 and 2006, the major components of deferred income tax expense (benefit) were as follows:

| | 2007 | 2006 |
|--|-------------------|------------------|
| Decrease in allowance for bad and doubtful debts (in excess of tax limitation) | \$ 229,296 | (364,071) |
| Impairment loss on foreclosed assets | - | (37,546) |
| Reversal of allowance for loss on decline in net realizable value of foreclosed assets | - | 39,583 |
| Amortization of goodwill | 39,463 | 39,463 |
| Impairment loss on goodwill | 3,870 | 3,869 |
| Investment income from long-term investments under equity method | - | (6,905) |
| Unrealized foreign exchange gain, net | - | 151 |
| Adjustment of prior year's impairment loss on foreclosed assets | - | (906) |
| Unfunded pension expense | (2,748) | (6,369) |
| Valuation gain (loss) on financial assets | (552) | 286 |
| Loss carryforwards acquired (used) | (96,438) | 86,905 |
| Adjustment and expiration of prior year's loss carryforwards | 102,692 | 11,502 |
| Adjustment and expiration of prior year's investment tax credit | - | 198 |
| Increase in investment tax credit staff training costs | (1,972) | (1,916) |
| Provision for (reversal of) allowance for deferred income tax assets | (134,605) | 105,937 |
| | <u>\$ 139,006</u> | <u>(129,819)</u> |



As of December 31, 2007 and 2006, the deferred income tax assets (liabilities) were as follows:

| | 2007 | 2006 |
|--|-------------------|----------------|
| Deferred income tax assets | \$ 752,117 | 1,026,014 |
| Valuation allowance deferred income tax assets | (129,732) | (264,337) |
| Net deferred income tax assets | 622,385 | 761,677 |
| Deferred income tax liabilities | - | (286) |
| Deferred income tax assets, net | <u>\$ 622,385</u> | <u>761,391</u> |

As of December 31, 2007 and 2006, 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:

| | 2007 | | 2006 | |
|--|-----------|-------------------|-----------|-------------------|
| | 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 | \$ 1,067 | 266 | (1,142) | (286) |
| Pension costs in excess of tax limitation | 94,325 | 23,581 | 83,333 | 20,833 |
| Allowance for bad and doubtful debts in excess of tax limitation | 539,099 | 134,775 | 1,456,283 | 364,071 |
| Allowance for loss on decline in net realizable value of foreclosed assets | 149,726 | 37,431 | 149,726 | 37,431 |
| Amortization of goodwill in excess of tax limitation | 146,922 | 36,731 | 304,774 | 76,194 |
| Impairment loss on goodwill | 38,699 | 9,675 | 54,178 | 13,545 |
| Loss carryforwards | 2,001,042 | 500,260 | 2,026,058 | 506,514 |
| Investment tax credit staff training costs | 9,398 | 9,398 | 7,426 | 7,426 |
| | | <u>\$ 752,117</u> | | <u>1,025,728</u> |

As of December 31, 2007 and 2006, the components of income tax receivable were as follows:

| | 2007 | 2006 |
|---|--------------------|-----------------|
| Current income tax (benefit) expense | \$ 1,087 | (181) |
| Income tax on separately taxed short-term bills | (1,079) | (700) |
| Income tax receivable of prior years | (52,575) | (25,066) |
| Withheld income tax | (39,559) | (26,629) |
| Income tax receivable | <u>\$ (92,126)</u> | <u>(52,576)</u> |

In accordance with the ROC Income Tax Act, net losses can be carried forward for five consecutive years to reduce taxable income. As December 31, 2007, the amount of losses and the year of expiry were as follows:

| Year of loss | 2007 | Year of expiry |
|-----------------|---------------------|----------------|
| 2003 (assessed) | \$ 1,032,573 | 2008 |
| 2004 (assessed) | 193,119 | 2009 |
| 2005 (reported) | 389,598 | 2010 |
| 2007 (reported) | 385,752 | 2012 |
| | <u>\$ 2,001,042</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, 2007, was as follows:

| Year incurred | 2007 | Year of expiry |
|---------------|----------|----------------|
| 2004 | \$ 2,508 | 2008 |
| 2005 | 3,002 | 2009 |
| 2006 | 1,916 | 2010 |
| 2007 | 1,972 | 2011 |
| | \$ 9,398 | |

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 2004.

As of December 31, 2007 and 2006, the information related to the imputation credit account (ICA) was as follows:

| | 2007 | 2006 |
|----------------|-----------|--------|
| Balance of ICA | \$ 15,027 | 10,017 |

The imputation tax credit ratio of earnings to be distributed to ROC resident shareholders in 2007 is estimated at 7.89%. The actual imputation tax credit ratio of earnings distribution for ROC resident shareholders in 2006 was 0.00%.

The unappropriated earnings (accumulated deficits) on December 31, 2007 and 2006, were as follows:

| | 2007 | 2006 |
|---------------------|------------|-----------|
| Year 1998 and after | \$ 190,343 | (787,016) |

As of on December 31, 2007, legal reserves were all provided for by earnings after 1998.

(18) Stockholders' Equity

1) Capital surplus

On June 28, 2007, the shareholders decided to recover accumulated deficits by offsetting with legal reserve and capital surplus amounting to \$196,891 and \$245,786, respectively.

2) Restrictions on legal reserve and appropriation of retained earnings

As of December 31, 2007, the Bank had not paid the accumulated preferred dividend \$45,000 for 2006.

As of the auditor's report date, the board of directors had not passed a resolution on the Bank's 2007 appropriation of earnings. Please see the Market Observation Post System website for information on the board of directors' resolution on the appropriation of earnings.



(19) Earnings per Share

For the years 2007 and 2006, the basic earnings per share of the Bank were as follows (expressed in thousands of shares):

| | 2007 | | 2006 | |
|--|------------|-----------|-----------|-----------|
| | Pre-tax | After tax | Pre-tax | After tax |
| Income (loss) before cumulative effect of changes in accounting principle | \$ 674,775 | 534,682 | (938,757) | (808,757) |
| Less: dividends on preferred stock | (45,000) | (45,000) | (45,000) | (45,000) |
| Income (loss) before cumulative effect of changes in accounting principle belonging to common stockholders | 629,775 | 489,682 | (983,757) | (853,757) |
| Cumulative effect of changes in accounting principle | - | - | - | 19,442 |
| Net income (loss) attributable to common stockholders | \$ 629,775 | 489,682 | (983,757) | (834,315) |
| Weighted-average outstanding shares | 855,790 | 855,790 | 755,790 | 755,790 |
| Basic earnings per share (expressed in New Taiwan dollars) | | | | |
| Income (loss) before cumulative effect of changes in accounting principle | \$ 0.74 | 0.57 | (1.30) | (1.13) |
| Cumulative effect of changes in accounting principle | | | | 0.03 |
| Income (loss) before cumulative effect of changes in accounting principle belonging to common stockholders | | | | \$ (1.10) |

(20) 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:

- 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, bills and bonds purchased under resell agreements, receivables, other financial assets (not including financial assets stated at cost and bond investments in non-active market), 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.
- 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.
- The interest on net loans and advances to customers is based on floating rates. Thus, the book value is the fair value.
- Other assets foreclosed assets and leased-out assets are stated at their net realizable value and are



(21) 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. |
| Shan Hwei Building Co., Ltd. | The Bank's chairman is the chairman of Shan Hwei Construction Co., Ltd. |

2) Significant transactions with related parties

1. Deposits

| Name | 2007 | | |
|--|----------------|----------------------------|-------------------|
| | Ending balance | Percentage of deposits (%) | Interest rate (%) |
| Deposits by each related party not over 1% of total deposits | \$ 572,485 | 0.40 | 0~9.57 |

| Name | 2006 | | |
|--|----------------|----------------------------|-------------------|
| | Ending balance | Percentage of deposits (%) | Interest rate (%) |
| Deposits by each related party not over 1% of total deposits | \$ 786,949 | 0.50 | 0~9.26 |

For the years ended December 31, 2007 and 2006, apart from an interest rate limit on staff demand savings deposits of 9.565% and 9.260%, 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, 2007 and 2006, interest expense paid on the above deposits was \$7,715 and \$7,042, respectively.

2. Fee and commission revenue

For the years ended December 31, 2007 and 2006, the Bank recognized fee and commission revenue amounting to \$12,443 and \$19,308, 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.

3. Rental revenue

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

| Name | Building | Period | Rental Revenue | |
|--------------------------|---|-----------------------------------|----------------|------|
| | | | 2007 | 2006 |
| Panhsin Insurance Broker | Zhongzheng Rd., Ban-chiao City, No. 330 | January 1, 2005~December 31, 2007 | 726 | 726 |

4. Leases

For operating purposes, the bank leased the office premises for some branches from related parties for the years ended December 31, 2007 and 2006, as follows:

| Name | Usage | Deposit | Rental expenses | |
|---------------------------------|---|----------|-----------------|-------|
| | | | 2007 | 2006 |
| Ta-Wang Construction Co., Ltd. | Yuan-Shan Branch | \$ 750 | 3,013 | 3,015 |
| Ta-Shun Construction Co., Ltd. | Corporate Banking Marketing Department, Corporate Banking Credit Department and Operation Department Office | 185 | 1,114 | 1,114 |
| Tien-Mao Construction Co., Ltd. | " | 106 | 638 | 638 |
| | | \$ 1,041 | 4,765 | 4,767 |

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

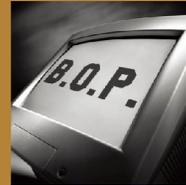
5. Property transactions

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 realtors, 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, 2007, proceeds from the sale were \$550,000. Proceeds not yet received were \$440,000, recorded under accounts receivable—notes receivable. The Bank obtained an appraisal report from realtors, and the appraised amount was \$486,117.

6. Sale of non-performing loans

Counter-party: Panhsin Asset Management Co., Ltd. Disposal date: December 12, 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 | 1,223,629 | 867,119 |
| | | Car loan | - | - |
| | | Others | - | - |
| | Unsecured | Credit card | - | - |
| | | Cash card | 279 | 234 |
| | | Credit loan | 1,706 | 1,570 |
| | | Other | - | - |
| Total | 2,805,355 | 1,906,145 | 1,375,000 | |



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 pay the first proceeds (5% of the contract price) upon signing the contract. Within three months after the transfer of loans, the second proceeds (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 proceeds. On December 26, 2007, since the debtors made agreements with the Bank before the Bank could settle with Panhsin AMC, \$6,530 had been bought back by the Bank, reducing the contract price to \$1,368,470, as of December 31, 2007. As of December 31, 2007, the remaining proceeds were \$1,368,470; a sight check for \$68,750 had been received on January 1, 2007, 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, and March 14 of 2007, the debtors made agreements with the Bank before the Bank could settle with Panhsin AMC. As of December 31, 2007 and 2006, \$197,126 and \$181,608, respectively, was bought back by the Bank, reducing the contract price to \$1,304,380 and \$1,319,898, respectively. The transfer of loans was completed on November 10, 2006; of which 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 on 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, 2007 and 2006, proceeds not yet received were \$1,154,230 and \$1,169,748, respectively, recorded under accounts receivable—notes receivable and accounts receivable—other. Since November 10, 2006, the Bank has received interest amounting to \$12,810 regarding to the second proceeds calculated at an interest rate of 2%.

7. Other

(a) For the years ended December 31, 2007 and 2006, the details of the Bank's engaging in purchase-without-recourse transactions with affiliates in the open market were as follows:

| | Type | 2006 | |
|-------------|-------|----------------|---------------|
| | | Purchase price | Selling price |
| Supervisors | Bills | \$ 140,705 | - |

(b) For the years ended December 31, 2007 and 2006, the details of the Bank's selling a series of subordinated financial debentures to related parties were as follows:

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

| Related party | 2006 | | | |
|---|-----------------|----------------|-------------------|------------------|
| | Highest balance | Ending balance | Interest rate (%) | Interest expense |
| Directors, supervisors, and main stockholders | \$ 58,600 | 58,600 | 2.85~3.28 | 1,802 |

(22) Pledged Assets

As of December 31, 2007 and 2006, pledged assets were as follows:

| Pledged Assets | Pledged for | Book Value | |
|---|--|------------|--------------|
| | | 2007 | 2006 |
| Credit-linked notes | Securities sold under repurchase agreements | \$ 180,371 | - |
| Government bonds (recorded as available-for-sale- financial assets) | Securities sold under repurchase agreements | 123,849 | 425,746 |
| Government bonds (recorded as available-for-sale financial assets) | Reserve for trust business | 52,255 | 53,952 |
| | Provisional seizure | 238,393 | 150,130 |
| | Operating deposits for trading bills | 52,255 | 53,952 |
| | Operating deposits for trading bonds | 10,770 | 11,206 |
| Certificates of deposit (recorded as other assets) | Overdraft guarantee deposited in the Central Bank of China | 300,000 | 1,600,000 |
| Bank deposit (recorded as other assets) | Settlement deposits for bonds | 7,400 | 7,400 |
| | Deposits for foreign exchange | 57,398 | 33,500 |
| | Deposits for lawsuits | 20,820 | 41,269 |
| | Reserve for derivative financial instruments | 144,062 | - |
| | | | \$ 1,187,573 |

- 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 OTC for the Bank's treasury sales business. Furthermore, a reserve for trading losses has been set 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.

(23) Commitments and Contingent Liabilities

- 1) As of December 31, 2007 and 2006, the Bank had the following construction in progress and significant purchase agreements:

| | 2007 | |
|-----------------------------------|----------------|---------------------------------|
| | Contract price | Unpaid portion of contractprice |
| Significant purchase agreements: | | |
| Software system | \$ 363,135 | 99,955 |
| Head Office building construction | 2,552,202 | 1,798,385 |
| | \$ 2,915,337 | 1,898,340 |
| | 2006 | |
| | Contract price | Unpaid portion of contractprice |
| Significant purchase agreements: | | |
| Software system | \$ 450,859 | 228,637 |
| Head Office building construction | 127,885 | 41,256 |
| | \$ 578,744 | 269,893 |

- 2) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2007, estimated future lease contract commitments were as follows:

| Fiscal Year | Amount |
|-------------|------------|
| 2008 | \$ 88,331 |
| 2009 | 68,437 |
| 2010 | 41,759 |
| 2011 | 16,436 |
| 2012 | 5,946 |
| | \$ 220,909 |

Furthermore, the Bank's guarantee deposit for operating leases was \$17,562 and \$18,178 on December 31, 2007 and 2006, respectively. It has been recorded as other financial assets.

3) Other

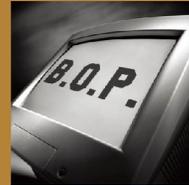
As of December 31, 2007 and 2006, the other commitments and contingent liabilities was as follows:

| | 2007 | 2006 |
|--|----------------------|-------------------|
| Consignment collection for others | \$ 10,828,222 | 11,583,773 |
| Consignment released and loans for others | 2,004,554 | 2,981,290 |
| Collateral held as performance bond | 412,795 | 211,405 |
| Traveller's checks held for consignment sale | 45,150 | 43,664 |
| Marketable securities under custodian | 16,100,479 | 25,567,450 |
| Custodial goods | 2,320,000 | 2,490,000 |
| Trust assets | 33,438,821 | 23,266,554 |
| | <u>\$ 65,150,021</u> | <u>66,144,136</u> |
| Lines of credit provided but not used | \$ 8,189,854 | 3,341,610 |
| Guarantees | \$ 4,711,105 | 5,726,512 |
| Letters of credit issued but not yet presented | \$ 1,749,684 | 1,621,411 |
| Short-term bills and government bonds sold under repurchase agreements | \$ 361,039 | 602,419 |
| Syndication loans receivable | \$ 8,189,854 | 3,341,610 |
| Credit default swap sold | \$ 421,759 | 325,960 |

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

| 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> |

| Trust balance sheet December 31, 2006 | | | |
|--|----------------------|---|----------------------|
| Trust assets | | Trust liabilities | |
| Bank deposits | \$ 578,995 | Trust capital—monetary trust | 11,362,816 |
| Investments in funds | 10,734,890 | Trust capital—real estate | 11,822,249 |
| Investment in bonds | 127,471 | Trust capital monetary bond and guaranteed assets | 127,471 |
| Land | 7,965,482 | Net income | 352,272 |
| Building | 37,837 | Accumulated deficit | (398,254) |
| Construction in progress | 3,821,879 | | |
| Total trust assets | <u>\$ 23,266,554</u> | Total trust liabilities | <u>\$ 23,266,554</u> |



Trust income statement
For the year ended 2007

| | 2007 | 2006 |
|--|---------------------|----------------|
| Trust revenue: | | |
| Interest revenue | \$ 9,786 | 3,352 |
| Preferred stock cash dividends revenue | 500,109 | 203,111 |
| Cash dividends revenue | 44 | - |
| Gain on disposal of properties | 644,711 | 175,212 |
| | <u>1,154,650</u> | <u>381,675</u> |
| Trust expenses: | | |
| Management expenses | 43,289 | 28,561 |
| Loss on disposal of properties | 81,912 | 283 |
| Other expenses | 599 | 6 |
| | <u>125,800</u> | <u>28,850</u> |
| Net income before income tax | 1,028,850 | 352,825 |
| Income tax expense | 1,337 | 553 |
| Net income after income tax | <u>\$ 1,027,513</u> | <u>352,272</u> |

Summary of trust asset items
December 31, 2007

| Item | Amount |
|-----------------------------|----------------------|
| Bank deposits | \$ 566,574 |
| Investment in funds | 16,693,359 |
| 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> |

Summary of trust asset items
December 31, 2006

| Item | Amount |
|--------------------------|----------------------|
| Bank deposits | \$ 578,995 |
| Investment in funds | 10,734,890 |
| Investment in bonds | 127,471 |
| Land | 7,965,482 |
| Building | 37,837 |
| Construction in progress | 3,821,879 |
| | <u>\$ 23,266,554</u> |

(24) Others

1) Personnel, depreciation, depletion, and amortization expenses

| Function \ Accounts | For the year 2007 | | | For the year 2006 | | |
|----------------------------|--------------------|--------------------|---------|--------------------|--------------------|-----------|
| | Cost of goods sold | Operating expenses | Total | Cost of goods sold | Operating expenses | Total |
| Personnel costs: | | | | | | |
| Salaries | - | 944,422 | 944,422 | - | 1,216,748 | 1,216,748 |
| Labor and health insurance | - | 69,120 | 69,120 | - | 74,668 | 74,668 |
| Pension | - | 69,983 | 69,983 | - | 91,651 | 91,651 |
| Other employment | - | 36,417 | 36,417 | - | 29,036 | 29,036 |
| Depreciation | - | 108,773 | 108,773 | - | 106,641 | 106,641 |
| Depletion | - | - | - | - | - | - |
| Amortization | - | 60,710 | 60,710 | - | 58,133 | 58,133 |

Furthermore, the depreciation expense for leased-out assets was \$1,797 and \$1,110 in 2007 and 2006, respectively, and was recorded under other non-interest income, net.

2) Reclassification

Certain amounts in the financial statements of 2006 have been reclassified to conform with the 2007 financial statement presentation. Such reclassifications have no significant effect on the financial statement presentation.

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

1. Information on interest-bearing assets and liabilities

| | December 31, 2007 | | December 31, 2006 | |
|---|-------------------|------------------|-------------------|------------------|
| | Average amount | Average rate (%) | Average amount | Average rate (%) |
| Assets: | | | | |
| Cash due from banks | \$ 478,209 | 2.68 | 218,510 | 1.40 |
| Due from Central Bank and placement to other banks | 18,052,980 | 1.95 | 20,529,924 | 1.76 |
| Financial assets at fair value through profit or loss | 1,267,989 | 6.12 | 424,785 | 8.07 |
| Loans and advances to customers | 136,065,060 | 3.78 | 140,882,714 | 3.77 |
| Available-for-sale financial assets | 2,172,650 | 2.49 | 1,253,578 | 2.89 |
| Bills and bonds purchased under agreements to resell | - | - | 648,732 | 1.52 |
| Liabilities: | | | | |
| Due to banks | 13,815,025 | 2.56 | 14,822,427 | 2.63 |
| Bills and bonds sold under agreements to repurchase | 1,097,098 | 1.69 | 959,468 | 1.38 |
| Demand deposits | 10,650,703 | 0.38 | 11,056,373 | 0.28 |
| Time deposits | 30,414,211 | 2.50 | 32,254,275 | 1.90 |
| Negotiable time deposits | 8,145,272 | 1.97 | 17,212,306 | 1.71 |
| Demand savings deposits | 26,943,107 | 0.72 | 26,707,470 | 0.72 |
| Time savings deposits | 71,403,619 | 2.29 | 66,905,361 | 1.98 |
| Financial debentures | 3,904,027 | 3.31 | 2,915,901 | 3.17 |



2. Major foreign currency position, net

| Major foreign currency position, net (market risk) | December 31, 2007 | | December 31, 2006 | |
|--|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | Amount in functional currency | Amount in New Taiwan dollars | Amount in functional currency | Amount in New Taiwan dollars |
| USD | \$ 1,735 | 56,886 | 731 | 23,884 |
| GBP | - | - | 31 | 2,008 |
| HKD | - | - | 545 | 2,304 |
| EUR | 28 | 1,350 | - | - |
| JPY | 23,127 | 6,827 | - | - |
| SGD | - | - | 140 | 2,984 |
| CHF | 56 | 1,622 | 43 | 1,142 |
| NZD | 36 | 1,016 | - | - |

3. Profitability

Unit: %

| Items | | 2007 | 2006 |
|---------------------------------------|-------------------|-------|---------|
| Return on assets | Before income tax | 0.37 | (0.50) |
| | After income tax | 0.30 | (0.43) |
| Return on net equity | Before income tax | 7.14 | (10.08) |
| | After income tax | 5.66 | (8.65) |
| Net income to operating revenue ratio | | 17.42 | (22.25) |

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 trouble 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 completion of the headquarters building of the Bank and the building located at No. 8 and 9, Sec. 3, Sec. Xin Ban, Banciao City, Taipei County (“the special land”). The Bank signed a trust contract with He-Jian Building Co., Ltd. and 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 special land to the trustee.

(25) Other Disclosure Items—Related information on material transaction items

1) 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 | \$3,063,179(Note) | - | - | - | - | - |

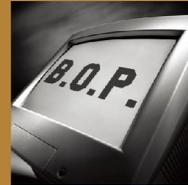
(Note) Recorded under accounts receivable-notes receivable, net, and accounts receivable-other receivable, net.

2) Information regarding selling non-performing loans for which the amount exceeded NT\$5 billion:

(a) Summary for selling non-performing loans

| Transaction date | Counter-party | Loans components | Book value | Transaction amount | Gain (loss) on disposal | Other required items | Relationship with the Bank |
|------------------|---------------|-------------------------------------|------------|--------------------|--|----------------------|----------------------------|
| Dec. 26, 2007 | Panhsin AMC | Mortgage, cash card and credit loan | 1,906,145 | 1,357,000 | 5,366 (net of provision for bad debts of \$524,661) | Note | Subsidiary |

(b) Information regarding the sale of non-performing loans more than NT\$1 billion (excluding related-party transactions): Please refer to note 24 related-party transactions, item 7.



V. Certified Consolidated Financial Statement by CPA for the Parent Company and Its Subsidiaries

Independent Auditors' Report

The Board of Directors
Bank of Panhsin:

We have audited, in accordance with the Regulations Governing Auditing Certification of Financial Statements of Financial Institutions by Certified Public Accountants and Republic of China generally accepted auditing standards, the consolidated balance sheets of Bank of Panhsin and its subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended. In our report dated February 12, 2008, we expressed an unqualified opinion and a modified unqualified opinion on those consolidated financial statements, respectively.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

Bank of Panhsin and its subsidiaries, starting from January 1, 2006, adopted Statement of Financial Accounting Standards No. 34 (SFAS 34) "Financial Instruments: Recognition and Measurement", SFAS 36 "Financial Instruments: Disclosure and Presentation", and the recently revised SFAS 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements". As a result, net loss before the cumulative effect of changes in accounting principle and basic deficits per share decreased by \$88,860 thousand and \$0.12, respectively. In accordance with SFAS 34, the beginning balance of financial assets and liabilities should be reclassified and re measured at fair value. For the year ended December 31, 2007, the resulting cumulative effect of changes in accounting principle and the decrease in basic deficits per share were \$19,442 thousand and \$0.03, respectively. In addition, adjustments to stockholders' equity were \$40,763 thousand.

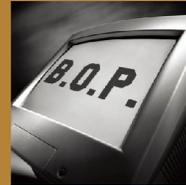
February 12, 2008

Consolidated Balance Sheets

December 31, 2007 and 2006

(Expressed in thousands of New Taiwan dollars, except for par value)

| | 2007 | 2006 | Change % |
|---|-----------------------|--------------------|----------|
| Assets | | | |
| Cash and cash equivalents | \$ 3,062,227 | 4,118,916 | (26) |
| Due from Central Bank and placement to other banks | 19,076,803 | 25,380,355 | (25) |
| Financial assets at fair value through profit or loss, net | 1,608,335 | 1,498,235 | 7 |
| Accounts receivable, net | 2,862,344 | 2,342,764 | 22 |
| Income tax refund receivable | 89,946 | 47,438 | 90 |
| Non-current assets held for sale | 36,229 | - | - |
| Loans and advances to customers | 128,429,990 | 143,147,882 | (10) |
| Available-for-sale financial assets, net | 2,181,161 | 1,545,490 | 41 |
| Other financial assets, net | 458,587 | 103,490 | 343 |
| Property and equipment, net | 5,807,310 | 5,150,939 | 13 |
| Goodwill and intangible assets | 1,378,483 | 1,374,972 | - |
| | <u>164,991,415</u> | <u>184,710,481</u> | (11) |
| Other assets—net: | | | |
| Deferred income tax assets | 622,767 | 761,391 | (18) |
| Other assets | 4,432,232 | 4,728,122 | (6) |
| | <u>5,054,999</u> | <u>5,489,513</u> | (8) |
| Total Assets | <u>\$ 170,046,414</u> | <u>190,199,994</u> | (11) |
| Liabilities and Stockholders' Equity | | | |
| Deposits by Central Bank and other banks | \$ 9,264,476 | 16,241,518 | (43) |
| Commercial paper payable, net | - | 149,849 | - |
| Financial liabilities at fair value through profit or loss | 19,845 | 2,235 | 788 |
| Bills and bonds sold under repurchase agreements | 358,254 | 601,427 | (40) |
| Notes and accounts payable | 2,060,080 | 3,494,778 | (41) |
| Deposits and remittances | 144,096,959 | 156,575,321 | (8) |
| Subordinate financial debentures | 4,200,000 | 3,680,000 | 14 |
| Accrued pension liabilities | 58,513 | 55,546 | 5 |
| Other liabilities | 300,758 | 192,288 | 56 |
| Total liabilities | <u>160,358,885</u> | <u>180,992,962</u> | (11) |
| Stockholders' Equity: | | | |
| Share capital: | | | |
| Common stock of \$10 par value per share; authorized and issued 1,500,000 and 855,790 thousand shares in 2007 and 2006 | 8,557,900 | 8,557,900 | - |
| Preferred stock of \$10 par value per share; cumulative but non-participating; authorized and issued 100,000 thousand shares in 2007 and 2006 | 1,000,000 | 1,000,000 | - |
| | <u>9,557,900</u> | <u>9,557,900</u> | - |
| Capital surplus | - | 245,786 | - |
| Retained earnings: | | | |
| Legal reserve | - | 196,891 | - |
| Unappropriated earnings (accumulated deficits) | 190,343 | (787,016) | 124 |
| | <u>190,343</u> | <u>(590,125)</u> | 132 |
| Other adjustments to stockholders' equity: | | | |
| Unrealized gain (loss) on available-for-sale financial assets | (29,345) | 32,865 | (189) |
| Net loss from unrecognized pension cost | (31,369) | (39,394) | 20 |
| | <u>(60,714)</u> | <u>(6,529)</u> | (830) |
| Total stockholders' equity | <u>9,687,529</u> | <u>9,207,032</u> | 5 |
| Commitments and contingencies | | | |
| Total liabilities and stockholders' equity | <u>\$ 170,046,414</u> | <u>190,199,994</u> | (11) |



Consolidated Statements of Income

For the years ended December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars, except for earnings per share)

| | 2007 | 2006 | Change% | |
|--|--------------|-----------|------------|-----------|
| Interest income | \$ 5,684,574 | 5,788,330 | (2) | |
| Less: Interest expense | 3,299,508 | 2,954,556 | 12 | |
| Net interest income | 2,385,066 | 2,833,774 | (16) | |
| Non-interest income: | | | | |
| Fees and commission income, net | 597,579 | 591,331 | 1 | |
| Gain (loss) on financial instruments at fair value through profit or loss | (121,757) | 94,587 | (229) | |
| Realized gain (loss) on available-for-sale financial assets | (9,193) | 5,500 | (267) | |
| Foreign exchange gain net | 1,115 | 486 | 129 | |
| Asset impairment loss | (2,485) | (155,122) | 98 | |
| Other non-interest income, net | 275,839 | 245,623 | 12 | |
| Net revenue | 3,126,164 | 3,616,179 | (14) | |
| Bad debt expense | 446,900 | 2,202,506 | (80) | |
| Operating expenses: | | | | |
| Personnel costs | 1,138,319 | 1,432,756 | (21) | |
| Depreciation and amortization | 170,218 | 165,388 | 3 | |
| Other general and administrative expenses | 689,893 | 745,571 | (7) | |
| | 1,998,430 | 2,343,715 | (15) | |
| Income (loss) from continuing operations before income tax | 680,834 | (930,042) | 173 | |
| Income tax expense (benefit) | 146,152 | (121,285) | 221 | |
| Income (loss) before cumulative effect of changes in accounting principle | 534,682 | (808,757) | 166 | |
| Cumulative effect of changes in accounting principle, net of income tax of \$0 | - | 19,442 | - | |
| Net income (loss) | \$ 534,682 | (789,315) | (168) | |
| Attribution of net income (loss): | | | | |
| Stockholders of parent company | \$ 534,682 | (789,315) | (168) | |
| Minority stockholders | - | - | - | |
| | \$ 534,682 | (789,315) | (168) | |
| | Before tax | After tax | Before tax | After tax |
| Basic earnings (deficits) per share | | | | |
| Net income (loss) before cumulative effect of changes in accounting principle | \$0.74 | 0.57 | (1.30) | (1.13) |
| Cumulative effect of changes in accounting principle | | - | | 0.03 |
| Net income (loss) | | \$0.57 | | (1.10) |

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars)

| | Share capital | | | Retained earnings | | Other adjustments | | Total |
|---|---------------------|------------------|-----------------|-------------------|--|---|---|------------------|
| | Common stock | Preferred stock | Capital surplus | Legal reserve | Unappropriated earnings (accumulated deficits) | Unrealized gain (loss) on available-for-sale financial assets | Net loss from unrecognized pension cost | |
| Balance at January 1, 2006 | \$ 7,198,000 | 1,000,000 | 605,686 | 152,786 | 149,868 | (15,485) | (53,551) | 9,037,304 |
| Issuance of common stock for cash | 1,000,000 | - | - | - | - | - | - | 1,000,000 |
| Appropriation of retained earnings: | | | | | | | | |
| Legal reserve | - | - | - | 44,105 | (44,105) | - | - | - |
| Directors' and supervisors' remuneration | - | - | - | - | (3,968) | - | - | (3,968) |
| Employees' bonus | - | - | - | - | (3,968) | - | - | (3,968) |
| Cash dividends | - | - | - | - | (71,980) | - | - | (71,980) |
| Dividends on preferred stock | - | - | - | - | (23,548) | - | - | (23,548) |
| Capital surplus used to increase common stock | 359,900 | - | (359,900) | - | - | - | - | - |
| Net loss for 2006 | - | - | - | - | (789,315) | - | - | (789,315) |
| Recognition of unrealized gain on available-for-sale financial assets | - | - | - | - | - | 7,587 | - | 7,587 |
| Recognition of unrealized gain on available-for-sale financial assets due to change in accounting principle | - | - | - | - | - | 40,763 | - | 40,763 |
| Reversal of net loss from unrecognized pension cost | - | - | - | - | - | - | 14,157 | 14,157 |
| Balance at December 31, 2006 | 8,557,900 | 1,000,000 | 245,786 | 196,891 | (787,016) | 32,865 | (39,394) | 9,207,032 |
| Reversal legal reserve to offset deficits | - | - | - | (196,891) | 196,891 | - | - | - |
| Reversal capital surplus to offset deficits | - | - | (245,786) | - | 245,786 | - | - | - |
| Net income for 2007 | - | - | - | - | 534,682 | - | - | 534,682 |
| Reversal of unrealized gain on available-for-sale financial assets | - | - | - | - | - | (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 |



Consolidated Statements of Cash Flows

For the years ended December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars)

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Cash flow from operating activities: | | |
| Net income (loss) | \$ 534,682 | (789,315) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation | 112,711 | 108,088 |
| Amortization | 61,091 | 58,410 |
| Asset impairment loss | 2,485 | 155,122 |
| Reversal of reserve for securities trading losses | (2,849) | (1,076) |
| Bad debt expense | 446,900 | 2,202,506 |
| Loss (gain) on sale of available-for-sale financial assets, net | 10,123 | (4,971) |
| Gain on disposal of financial assets carried at cost, net | (5,364) | - |
| Loss (gain) on disposal of property and equipment, net | 2,809 | (8,247) |
| Gain on disposal of non-operating assets | (3,190) | (5,046) |
| Gain on disposal of foreclosed assets | (91,284) | (897) |
| Increase in financial assets at fair value through profit or loss | (110,100) | (655,612) |
| Increase in accounts receivable | (585,349) | (1,285,896) |
| Increase in other financial assets | (366,805) | (42,341) |
| Decrease (increase) in deferred income tax assets | 138,624 | (129,819) |
| Increase in financial liabilities at fair value through profit or loss | 17,610 | 1,640 |
| Increase (decrease) in accounts payable and other liabilities | (1,434,698) | 558,310 |
| Increase (decrease) in accrued pension liabilities | 10,992 | (8,054) |
| Net cash provided by (used in) operating activities | <u>(1,261,612)</u> | <u>152,802</u> |
| Cash flow from investing activities: | | |
| Decrease (increase) in due from Central Bank and placement to other banks | 6,303,552 | (6,871,583) |
| Acquisition of available-for-sale financial assets | (7,640,496) | (1,193,714) |
| Proceeds from disposal of available-for-sale financial assets | 6,932,492 | 1,019,021 |
| Increase in loans and advances to customers | 14,304,961 | (5,174,908) |
| Decrease in bills and bonds purchased under reverse repurchase agreements | - | 1,099,206 |
| Proceeds from disposal of financial assets carried at cost | 6,364 | - |
| Capital refund from investees under cost method | - | 15,361 |
| Acquisition of property and equipment | (874,072) | (378,923) |
| Proceeds from disposal of property and equipment | 59 | 64,327 |
| Acquisition of goodwill and intangible assets | (4,872) | (8,698) |
| Proceeds from sale of non-operating assets | 4,069 | 16,868 |
| Increase in foreclosed assets | (878,239) | (741,048) |
| Proceeds from disposal of foreclosed assets | 256,427 | 336,660 |
| Decrease (increase) in other assets | 1,011,785 | (80,560) |
| Net cash provided by (used in) investing activities | <u>19,422,030</u> | <u>(11,897,991)</u> |
| Cash flow from financing activities: | | |
| Decrease in deposits by Central Bank and other banks | (6,977,042) | (923,999) |
| Increase (decrease) in commercial paper payable | (149,849) | 149,849 |
| Increase (decrease) in deposits and remittances | (12,478,362) | 12,241,960 |
| Decrease in bills and bonds sold under repurchase agreements | (243,173) | (777,371) |
| Issuance of subordinated financial debentures | 520,000 | 1,680,000 |
| Increase (decrease) in other liabilities | 111,319 | 28,064 |
| Issuance of common stock for cash | - | 1,000,000 |
| Cash dividends, employees' bonus, and directors' and supervisors' remuneration | - | (103,464) |
| Net cash provided by (used in) financing activities | <u>(19,217,107)</u> | <u>13,295,039</u> |
| Net increase (decrease) in cash and cash equivalents | (1,056,689) | 1,549,850 |
| Cash and cash equivalents at beginning of year | 4,118,916 | 2,569,066 |
| Cash and cash equivalents at end of year | <u>\$ 3,062,227</u> | <u>4,118,916</u> |
| Supplementary disclosure of cash flow: | | |
| Cash payments of interest | <u>\$ 3,288,847</u> | <u>2,666,717</u> |
| Cash payments of income tax | <u>\$ 50,036</u> | <u>38,046</u> |
| Investing and financing activities not affecting cash flows: | | |
| Unrealized gain (loss) on available-for-sale financial assets | <u>\$ (62,210)</u> | <u>7,587</u> |
| Unrealized gain (loss) on available-for-sale financial assets due to change in accounting principle | <u>\$ -</u> | <u>40,763</u> |

Review & Analysis of Financial Condition & Business Performance, and Risk Management Assessment

I. Analysis of Financial Condition

Unit: NT\$ Thousand

| Item \ Year | 2007 | 2006 | Variation | |
|---------------------------|-------------|-------------|--------------|-----------|
| | | | Amount | Ratio (%) |
| Total Asset | 170,077,860 | 190,088,963 | (20,011,103) | (10.53) |
| Total Liability | 160,390,331 | 180,881,931 | (20,491,600) | (11.33) |
| Total Shareholders Equity | 9,687,529 | 9,207,032 | 480,497 | 5.22 |

II. Operation Result

Unit: NT\$ Thousand

| Item \ Year | 2007 | 2006 | Variation | |
|--|-----------|-----------|-------------|-----------|
| | | | Amount | Ratio (%) |
| Net Interest Income | 2,401,566 | 2,833,992 | (432,426) | (15.26) |
| Net Non-interest Income | 667,613 | 733,734 | (61,121) | (9.01) |
| Bad Debt Expense for Margin Loan | 423,639 | 2,192,663 | (1,769,024) | (80.68) |
| Operating Expense | 1,970,765 | 2,313,820 | (343,055) | (14.83) |
| Earning before Tax | 674,775 | (938,757) | 1,613,532 | - |
| Income Tax Expense (Gain) | 140,093 | (130,000) | 270,093 | - |
| Cumulative Effect of Changes in Accounting Principle | - | 19,442 | (19,442) | - |
| Earning after Tax | 534,682 | (789,315) | 1,323,997 | - |

Analysis of Variation Changes: With regard to bad debt expense, because there was no provision increased for write-off last year, the variation of these two fiscal years was rather huge.

III. Cash Flow

(I) Liquidity Analysis in the Past Two Years

| Item \ Year | 2007 | 2006 | Increase (Decrease) Ratio |
|---|--------|------|---------------------------|
| Cash Flow (%) | (note) | 6 | (note) |
| Cash Flow to Dividends & Expenditures (%) | 177 | 238 | (25.63) |
| Cash Flow Reinvestment Ratio (%) | (note) | 2 | (note) |

note: Not expressed due to negative cash flow from operating activity.

Deduction on cash flow ratio & cash flow reinvestment ratio: Due to the substantial deduction on net cash flow from operating activities compared to last year.



(II) Liquidity Analysis for the Coming Year

Unit: NT\$ Thousand

| Beginning Cash Outstanding | Projected Net Cash Flow from Operating Activity for the Coming Year | Projected Net Cash Flow from Investing & Financial Activities for the Coming Year | Projected Cash Left Over (Insufficient) | Corrective Measure when the Projected Cash Is Not Enough | |
|----------------------------|---|---|---|--|------------------------|
| | | | | Investment Plan | Wealth Management Plan |
| 2,933,626 | 2,344,414 | (1,994,049) | 3,283,991 | - | - |

1. Cash Flow Distribution of This Year

- (1) Cash flow from operating activity: NT\$(1,898,557) thousand.
- (2) Cash flow from investing activity: NT\$19,785,186 thousand.
- (3) Cash flow from financial activity: NT\$(19,071,817) thousand.

2. Corrective Measures to be Taken in Response to Illiquidity, and Liquidity Analysis: None

IV. Effects upon Financial Operations of Major Capital Expenditures

(I) Implementation of Major Capital Expenditure and Fund Source

Unit: NT\$ Thousand

| Plan | Fund Source | Expected Completion Date | Fund Required | Expected Fund Implementation | | | | | |
|--------------------------|-------------|--------------------------|---------------|------------------------------|---------|-----------|-----------|---------|--------|
| | | | | Before 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Headquarter Construction | Own Fund | Sept. 2010 | 6,638,440 | 2,526,692 | 657,178 | 1,287,178 | 1,552,595 | 601,279 | 13,518 |
| NBS Establishment | Own Fund | Aug. 2007 | 353,827 | 171,078 | 111,285 | 71,464 | - | - | - |

(II) Effects upon Financial Operations

1. Construction of the Bank's headquarters building has begun on July 15, 2006 for a project period of five years and expecting to be completed in 2010, when the management of headquarters departments can be centralized, operating performance can be elaborated and the Bank's reputation can be enhanced as well.
2. In coordination with new business development, cost reduction in IT software and hardware and enhancement in counter operating efficiency, the Bank has successfully replaced mainframe system with New Banc System (NBS) on August 14, 2007.

V. Reinvestment Policy

1. Reinvestment Policy: In accordance with governmental policy, the Bank's creditor's right was converted into shareholder's equity of Great Chinese Bills Finance Co. (renamed as Taiwan Cooperative Bills Finance Co.) as the form of reinvestment for the amount of NT\$ 384 million.
2. Reason for Profit: Received stock dividends from Taiwan Cooperative Bank along with two other reinvested companies. Received cash dividends from Financial Information Service Company along with three other reinvested companies
3. Plan for Improvement:
 - (1) Continuously strengthening the debt collecting business operations to improve profitability from BOP's reinvested subsidiary, Panhsin Asset Management Co., Ltd.
 - (2) Collaborating with wealth management business operations to generate insurance fee income from BOP's reinvested subsidiary, Panhsin Insurance Broker Co., Ltd.
4. Investment Plan for the Coming Year: To cope with governmental policies and needs of business development, reinforce equity management and generate earnings for the Bank.

VI. Risk Management

1. Credit Risk Management Mechanism and Capital Requirements

(1) Description of Credit Risk Management Mechanism in 2007

| Item | Description |
|--|--|
| 1. Strategy, Objective, Policy and Procedure of Credit Risk | <p>In order to establish fine and superior risk management scheme, the Bank has set up standards, such as policy and risk management method of credit and investment. In which, credit risk will be applied to the evaluation of each case in compliance with tier authorization method of the Bank. Stringent evaluation in advance shall enhance the Bank's credit quality; after credit approval, through the implementation of review scheme and client alerting system, the Bank may fully master the operating & financial information and external message of operating environment of borrowers, momentarily assess and follow up the alteration of creditworthiness post credit approval, observe the undisclosed information in time, master the indication of possible breach of borrowers and promptly adopt essential measures.</p> <p>Generally speaking, to enhance the managerial capability of credit risk, the Bank's short-term objectives will focus on formulating and establishing fundamental credit project and credit risk management scheme; the mid-term objectives will mainly focus on constructing functional and integrated risk management information system in the hope of providing adequate information for the Bank to effectively identify, evaluate and monitor the exposure level of the Bank's asset composition.</p> |
| 2. Organizational Structure of Credit Risk Management | <p>The Bank's board of directors is in charge of approving and periodically reviewing credit risk strategy. The Bank has founded the risk management committee, which is responsible for formulating risk management policy, scheme, related regulations and matters for discussion; under the committee's control, the credit risk team is also organized to assist in outlining credit risk management policy and scheme as well as in implementing, executing and integrating Basel II.</p> <p>To effectively enhance credit quality, credit authorization criterion of each tier and operating procedure of credit evaluation are clearly expressed. The supreme decision unit of credit business is the board of directors; credit authorization of the president and above shall be reviewed by the Credit Evaluation Committee; credit authorization of the vice-president and corresponding management below may approve or reject credit application within the authorized credit limit determined by the board of directors.</p> |
| 3. The Scope and Characteristics of Credit Risk Report and Evaluation System | <p>In terms of governance of credit risk concentration, besides conforming to credit limit of statutory regulation, the Bank has also segmented its risk according to the types of industries, groups, collaterals and countries to set the credit limit and periodically reported to the committee and board of directors. Moreover, to fully disclose credit risk information, the report consists of credit approval procedure, profile of credit asset quality, management scheme of credit review and alert, follow up of major credit business and extraordinary credit line, detailed classification and individual evaluation of credit asset quality, etc.</p> |
| 4. Credit Risk Hedging, Risk Reduction Policy and Persistently Effective Strategy and Procedure of Risk Monitoring, Preventing and Reducing Tool | <p>In addition to reinforce the evaluation beforehand and management afterward, the Bank has adopted risk limit management and additional risk pricing, modified lending percentage and approval conditions, gathered collaterals to increase assurance, participated in leading or co-leading syndicated loans, established client and extraordinary credit alerting system as well as followed up on significant cases, etc. to effectively transfer and mitigate credit risk.</p> |
| 5. Method Applied for Statutory Capital Requirements | Credit Risk Standards |



(2) Capital Requirement of Credit Risk

As of Mar. 31, 2008
Unit: NT\$ Thousand

| Type of Insurance | Insurance Principle after Risk Reduction | Capital Requirements |
|--|--|----------------------|
| Sovereign | 0 | 0 |
| Public Department of non-Central Government | 89 | 7 |
| Bank (Including Multilateral Developing Bank) | 526,455 | 42,117 |
| Corporate (Including Securities and Insurance Corp.) | 39,514,681 | 3,161,175 |
| Resale of Creditor's Right | 20,342,360 | 1,627,389 |
| Residential Real Estate | 30,899,091 | 2,471,927 |
| Rights of Securities Investment | 40 | 3 |
| Other Assets | 10,770,304 | 861,624 |
| Total | 102,053,020 | 8,164,242 |

2. Asset Securitization Risk Management Mechanism and Capital Requirements

(1) Asset Securitization Risk Management Mechanism in 2007

| Item | Description |
|--|---|
| 1. Strategy and Procedure of Asset Securitization Management | All related management and operating procedure of asset securitization of the Bank are complying with correlated regulations and adhering to the principles of security, liquidity, profitability etc. defined by the central competent authority. In addition to implement risk management, investment types, authorized limits, position limits, etc. are also defined in related regulations in the hope of effectively supervising risk position and mitigating exposure. |
| 2. Organizational Structure of Asset Securitization Management | The Bank has established the risk management committee, which is responsible for formulating risk management policy, scheme and matters for discussion. Furthermore, asset and liability management committee meeting is also held monthly to review the Bank's strategy in capital management and investment activity. In order to reinforce business risk management of the Bank, participations in non-NT Dollar securities investments shall submit individual request for the approval of credit evaluation committee as well as the Board of Directors. |
| 3. The Scope and Characteristics of Asset Securitization Risk Report and Evaluation System | The risk management personnel of accountable units shall periodically compile relevant risk management reports, stating information, such as total amount of transaction, transaction type, authorized limit, counterparty, usage of limit, etc. and render to corresponding management, president and board of directors. |
| 4. Hedging and Risk Mitigation Policy of Asset Securitization and Persistently Effective Strategy and Procedure of Risk Monitoring, Preventing and Mitigating Techniques | Other than adhere to business regulations defined by the central competent authority and internal code of conduct, the Bank has also applied assorted methods to mitigate risk, such as reinforcing insurance mechanism, imposing collaterals, engaging in financial derivatives margin transactions, utilizing net margining trading on balance sheet, etc. |
| 5. Method Applied for Statutory Capital Requirements | Standardized Approach |

(2) Capital Requirements of Asset Securitization Risk

As of Mar. 31, 2008
Unit: NT\$ Thousand

| Insurance Category | Investing Bank | | Originating Bank | | | | | |
|--------------------|----------------------------------|----------------------|---------------------|-----------------------|-------------------|-----------------------|-----------------|--|
| | Securitization Exposure Retained | Capital Requirements | Exposure | | | | Asset Backed CP | Capital Requirements Prior to Securitization |
| | | | Non Asset-Backed CP | | | | | |
| | | | Traditional | | Synthetic | | | |
| | | | Position Withheld | Non-Position Withheld | Position Withheld | Non-Position Withheld | | |
| Bank | 93,713 | 1,499 | - | - | - | - | - | - |
| Corporate | 721,727 | 109,814 | - | - | - | - | - | - |
| Total | 815,441 | 111,313 | - | - | - | - | - | - |

3. Operation Risk Management Mechanism and Capital Requirements

(1) Operation Risk Management Mechanism in 2007

| Item | Description |
|---|--|
| 1. Strategy and Procedure of Operation Risk | All business activities of the Bank's operation risk are in accordance with related regulations promulgated by the Central Competent Authority and Basel II. The Bank has vigorously lead-in the concept of operation risk, installed database system of operation risk, collected damaging events of operation risk and drew a conclusion as the reference for modifying internal control procedure, established standardized operating procedure and self-auditing scheme to strengthen bank management and operating efficiency, effectively managed supervision, improved each operation risk, reduced insurance level and ensured the transaction security and completeness of records. |
| 2. Organizational Structure of Operation Risk Management | To appropriately manage and hedge risk, the Bank will ascertain daily operating risk management, internal control, audit scheme and adhere to statutory regulations. Other than the operation guidelines and rules regulated by operation department of headquarters to accommodate as operating fundamental to adhere, the operation risk unit is established to periodically report to the risk management committee regarding the events and loss amount of all units' operation risk; audit division of the Board will inspect the execution of all units' risk management and supervise the implementation of all units' self-auditing. Shall there be any negligence of operation and management units, the corresponding unit shall promptly conduct improving measures in addition to a follow up review. |
| 3. The Scope and Characteristics of Operation Risk Report and Evaluation System | To actively manage operation risk, the Bank has regulated all operation procedures and implemented into daily operation management to take precautions against the incident of operation risk. Additionally, the Bank has also audit the performance of all businesses periodically and aperiodically in compliance of related internal control and audit regulations and prepared an audit report for the Central Competent Authority, corresponding managements of the Bank, risk management committee and the board of directors to follow up constantly the managing circumstances of operation risk and reporting status of damaging events of all units. Consequently, countermeasures will be applied according to the frequency and loss amount of the event to prevent further incidents of operation risk. |
| 4. Operation Risk Hedging, Risk Reduction Policy and Persistently Effective Strategy and Procedure of Risk Monitoring, Preventing and Reducing Tool | Through the implementation of internal control, auditing system and adhere to statutory regulations, the Bank has established supervisory alerting team and emergence response team and insured comprehensive banking insurance to effectively supervise and transfer operation risk. To correspond to the perpetual innovation of banking businesses, the Bank has established regulations, such as standard operation procedures and systemic secured operation, for managerial strategy of operation risk. Through internal propagation and educational training, cultivating the risk awareness of employees, generating the corporate culture of abiding by the law, the Bank anticipates minimizing the operation risk. |
| 5. Method Applied for Statutory Capital Requirements | Basic Indicator Approach |



(2) Capital Requirements of Operation Risk

As of Mar. 31, 2008
Unit: NT\$ Thousand

| Year | Operating Gross Profit | Capital Requirements |
|-------|------------------------|----------------------|
| 2005 | 3,690,881 | |
| 2006 | 3,554,693 | |
| 2007 | 3,031,550 | |
| Total | 10,277,124 | 513,856 |

4. Market Risk Management Mechanism and Capital Requirements

(1) Market Risk Management Mechanism in 2007

| Item | Description |
|--|--|
| 1. Strategy and Procedure of Market Risk | The Bank's managerial strategy of market risk is based on "Amended Articles for Regulations Governing The Capital Adequacy Ratio of Banks", "Methods for calculation the self-owned capital and risk-weighted assets of banks" and related regulations set by central competent authority, it also considers the alteration of domestic & international economic financial circumstances to analyze the tendency of all indicators in depth, defines the conducting procedure, effectively masters the risk, enhances the operating performance and hopefully accomplishes the performance target at most adequate risk. The Bank's transactions in interest rate and FX are mainly focused on squaring out position or hedging; all transaction have line limits and stop loss rules. |
| 2. Organizational Structure of Market Risk Management | The organizational structure of market risk is composed of the following two levels and an independent supervisory level: 1. Strategic Level of Market Risk Management: (1) The Board of Directors: The supreme approval unit of risk management. (2) Risk Management Committee: Comprising of the President and corresponding managers, the Committee is in charge of examining policy, system and regulations of market risk management. 2. Implementing Level of Market Risk Management: At present, finance division is in charge of implementing the market risk management. 3. Supervisory Level of Market Risk: Administered by Central Taiwan Management Unit of Ministry of Finance, this is in charge of supervising the execution of market risk management. |
| 3. The Scope and Characteristics of Market Risk Report and Evaluation System | 1. The scope of market risk report includes the anticipated and unanticipated losses on and off balance sheet in financial commodities, such as interest rates, rights, FX, etc., resulting from the fluctuation of market prices. 2. Market risk evaluation is based on approaches, such as sensitivity analysis, to evaluate market risk exposure level. 3. In addition to reflect actual profit and loss of financial commodities, risk insured level is also taken into consideration on the market risk report as the evidence for management level to modify market risk management policy. |
| 4. Market Risk Hedging, Risk Reduction Policy and Persistently Effective Strategy and Procedure of Risk Monitoring, Preventing and Reducing Tool | Other than essential hedged dumping and repurchasing, the Bank also considers factors, such as market alteration, financial objective and risk evaluation, when transacting financial commodities with clients and establishes proper risky assets position within the reasonable control of risk limit to extend effectiveness of asset allocation in the hope of maximizing profits. Shall there be any refraining strategies on risky assets after evaluation, the Bank will adopt derivatives financial commodities as hedging techniques. |
| 5. Method Applied for Statutory Capital Requirements | Standardized Approach |

(2) Capital Requirements of Market Risk

As of Mar. 31, 2008
Unit: NT\$ Thousand

| Risk Category | Capital Requirements |
|-----------------------|----------------------|
| Interest Rate Risk | 91,606 |
| Equity Risk | 28,619 |
| Foreign Exchange Risk | 12,354 |
| Commodity Risk | - |
| Total | 132,579 |

5. Liquidity Risk Including Maturation Analysis of Assets and Liabilities and Illustration of Management Techniques for Liquidity of Asset and Capital Gap

Management techniques of liquidity risk is based on market supply and demand and internal capital status; it adheres to related regulations and required liquidity ratio promulgated by the central competent authority to diversify sources of capital and increase capital stability. Periodic analysis and prompt monitoring on alterations of capital gap on assets and liabilities as well as maturation structure of primary currencies are conducted. In addition to the emphasis of safeness of underlying securities while selecting investment vehicles, the liquidity in secondary market is also considered to mitigate liquidity risk.

(1) Structure Analysis of the Maturation of NTD

Unit: NT\$ Thousand

| Item | Total | Dollar Amount for the Remaining Period Prior to the Maturation Date | | | | |
|---------------------------------------|-------------|---|---------------|----------------|----------------------|---------------|
| | | 1 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year |
| Primary Capital Inflow Upon Maturity | 164,300,851 | 28,475,457 | 9,548,617 | 13,581,610 | 10,580,634 | 102,114,533 |
| Primary Capital Outflow Upon Maturity | 173,003,667 | 15,426,157 | 20,975,905 | 23,256,407 | 52,368,930 | 60,976,268 |
| Capital Gap | (8,702,816) | 13,049,300 | (11,427,288) | (9,674,797) | (41,788,296) | 41,138,265 |

(2) Structure Analysis of the Maturation of USD

Unit: US\$ Thousand

| Item | Total | Dollar Amount for the Remaining Period Prior to the Maturation Date | | | | |
|---------------------------------------|---------|---|---------------|----------------|----------------------|---------------|
| | | 1 to 30 Days | 31 to 90 Days | 91 to 180 Days | 181 Days to One Year | Over One Year |
| Primary Capital Inflow Upon Maturity | 360,989 | 214,725 | 73,399 | 35,941 | - | 36,924 |
| Primary Capital Outflow Upon Maturity | 257,341 | 109,180 | 67,567 | 23,300 | 45,487 | 11,807 |
| Capital Gap | 103,648 | 105,545 | 5,832 | 12,641 | (45,487) | 25,117 |



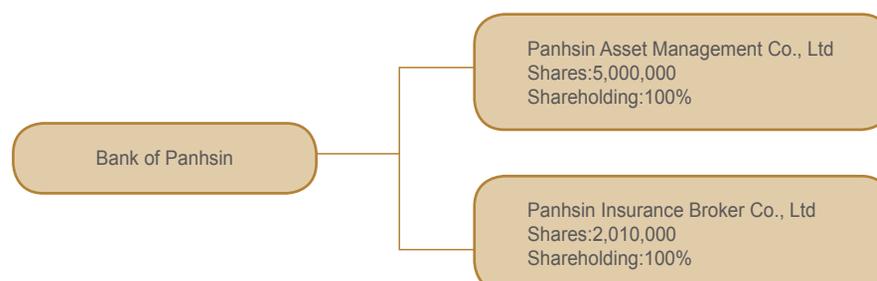
VII. Crisis Management Mechanism

In July 2, 2002, BOP has formulated the guideline for unusual & extraordinary events, modified in April 22, 2004 to include dealing with bank run, major robbery, fraud, fire, natural disaster, violence or any other unusual events. In October 25, 2006, the board of directors meeting has passed the resolution to establish the "Safety Maintenance Operation Procedure" to accommodate unusual & extraordinary events, such as natural disaster, major robbery, fraud, theft, threat, and media report, etc. In addition, list of standardized operation procedure is also formulated.

Special Notes

I. Related Information on the Bank's Subsidiaries

(I) Relationship Chart



(II) Profile of Subsidiaries

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., Panchiao City, Taipei County | 50,000 | Acquisition of Non Performing Loans |
| Panhsin Insurance Broker Co., Ltd | Oct.19, 2004 | 1F, No.330 Zhongzheng Rd., Panchiao City, Taipei County | 20,100 | Insurance Broker |

(III) Information on Directors, Supervisors and President of Subsidiaries

As of Dec. 31, 2007

| Name of Subsidiary | Title | Name or Representative | Share Held | |
|-----------------------------------|------------|---|------------|-----------|
| | | | Share | Ratio (%) |
| Panhsin Asset Management Co., Ltd | Chairman | Dao-Ming Kuo (Representative of BOP) | | |
| | Director | Ming-Hsin Chiu (Representative of BOP) | | |
| | Director | Lin-Long Chien (Representative of BOP) | | |
| | Director | Ming-Sing Shieh (Representative of BOP) | 5,000,000 | 100.00 |
| | Director | Sin-Mao Huang (Representative of BOP) | | |
| | Supervisor | Teng-Chun Chen (Representative of BOP) | | |
| | President | Chien-Chung Chao | - | - |
| Panhsin Insurance Broker Co., Ltd | Chairman | Ping-Hui Liu (Representative of BOP) | | |
| | Director | Tong-Ren Lin(Representative of BOP) | | |
| | Director | Shih-Chi Wu (Representative of BOP) | 2,010,000 | 100.00 |
| | Supervisor | Mao-Yang Chu (Representative of BOP) | | |
| | President | Jin-Jiang Hong | - | - |

(IV) Operation Status of Subsidiaries

Unit: NT\$ Thousand

| Name of Subsidiary | Capital | Total Asset | Total Liability | Equity | Operating Income | Operating Revenue | Current Profit | EPS (Dollar) |
|-----------------------------------|---------|-------------|-----------------|--------|------------------|-------------------|----------------|--------------|
| Panhsin Asset Management Co., Ltd | 50,000 | 3,112,409 | 3,061,656 | 50,753 | 48,535 | 12,500 | (3,400) | - |
| Panhsin Insurance Broker Co., Ltd | 20,100 | 40,863 | 5,345 | 35,518 | 48,290 | 15,969 | 12,029 | 5.98 |

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 Unit | 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., Panchiao City, Taipei County | (02)89658998 | (02)89682156 |
| Wenhua Branch | No.261, Sec.1, Wenhua Rd., Panchiao City, Taipei County | (02)22587777 | (02)22593584 |
| Minzu Branch | No.339, Hansheng E. Rd., Panchiao City, Taipei County | (02)29629111 | (02)29581242 |
| Houpu Branch | No.18, Chengdu St., Panchiao City, Taipei County | (02)29629121 | (02)29560201 |
| Puqian Branch | No.38, Sec.2, Sanmin Rd., Panchiao City, Taipei County | (02)29629106 | (02)29541499 |
| Huaijiang Branch | No.382, Sec.2, Wenhua Rd., Panchiao City, Taipei County | (02)22529101 | (02)22520108 |
| Yonghe Branch | No.12, Renai Rd., Yonghe City, Taipei County | (02)29299481 | (02)29210495 |
| Xiulang Branch | No.118, Dehe Rd., Yonghe City, Taipei County | (02)29417966 | (02)29498035 |
| Fuhe Mini Branch | No.45, Yongzhen Rd., Yonghe City, Taipei County | (02)89211919 | (02)89213377 |
| Zhonghe Branch | No.232, Zhonghe Rd., Zhonghe City, Taipei County | (02)22498756 | (02)22497418 |
| Yuanshan Branch | No.753, Zhongzheng Rd., Zhonghe City, Taipei County | (02)22259199 | (02)22260657 |
| Xingnan Branch | No.45, Sec.1, Xingnan Rd., Zhonghe City, Taipei County | (02)29459366 | (02)29458495 |
| Tucheng Branch | No.289, Sec.1, Zhongyang Rd., Tucheng City, Taipei County | (02)22629119 | (02)22654536 |
| Jincheng Mini Branch | No.91, Sec.3, Jincheng Rd., Tucheng City, Taipei County | (02)82615666 | (02)22709241 |
| Xinzhuan Branch | No.719, Xingfu Rd., Xinzhuan City, Taipei County | (02)29906699 | (02)29900433 |
| Shulin Branch | No.58, Zhenqian St., Shulin City, Taipei County | (02)86755666 | (02)86755656 |
| Sanchong Branch | No.126, Sec.3, Chongyang Rd., Sanchong City, Taipei County | (02)89839966 | (02)29871976 |
| Xindian Branch | No.60, Minguang Rd., Xindian City, Taipei County | (02)89113377 | (02)89113661 |
| 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 |
| Bade Branch | No.360, Sec.2, Bade Rd., Songshan District, Taipei City | (02)27528833 | (02)27405959 |
| 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 |
| Neihu Branch | No.163, Sec.4, Chenggong Rd., Neihu District, Taipei City | (02)87919999 | (02)87919899 |
| 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 |

| Units | Address | Telephone | Fax |
|-----------------------|--|--------------|--------------|
| 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 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 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 |
| Xiaogang Branch | No.213, Erling Rd., Xiaogang District, Kaohsiung City | (07)8011161 | (07)8018565 |
| 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 |
| Kaohsiung Branch | No.148, Wufu 4th Rd., Yancheng District, Kaohsiung City | (07)5518270 | (07)5618881 |
| Kaoxinzhuang Branch | No.485, Xinzhuangzai Rd., Zuoying District, Kaohsiung City | (07)3412621 | (07)3416142 |
| Yangming Branch | No.178, Juemin Rd., Sanmin District, Kaohsiung City | (07)3865111 | (07)3828199 |
| Xinxing Branch | No.69, Bade 2nd Rd., Xinxing District, Kaohsiung City | (07)2860191 | (07)2868349 |
| Luodong Branch | No.119, Gongzheng Rd., Luodong Town, Yilan County | (03)9568866 | (03)9557199 |

板信商業銀行股份有限公司



董事長：劉炳輝

