

We Create **Fortune**



**Yuanta Bank**  
*2008 Annual Report*



Yuanta Commercial Bank Co., Ltd.

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# 1



## Letter to Shareholders

We Create **Fortune**

Section One  
Yuanta Bank  
2008 Annual Report

## 1. Business Report for 2008

### Changes in the Financial Environment

Over Year 2008, the financial crises stroke the global economy. Private consumption shrank and investment turned weak, hence major corporations and financial institutions suffered from drastically dropping profits and even losses. This economic crisis is estimated to persist and influence the global economy in 2009. According to the IMF's report in November 2008, the growth rate of the global economy in 2008 was estimated to be 3.7%, and would fall down further to 2.2% in 2009 with the economic downturn continued to persist. Meanwhile, the World Bank's report in December 2008 predicted the global trade volume to shrink down to 2.1%, which is the first negative growth ever in 27 years.

Domestically, impacted by the U.S. subprime mortgage crisis and the derivative credit crunch, the economic growth demonstrated weak dynamics. The total exports of 2008 dropped drastically. The economic growth slid quarter by quarter. According to the Domestic Economic Prospect of February 2009 from the Directorate General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate fell down to 0.12% while Consumer Price Indices elevated to 3.53%.

### Organizational Change

In order to maximize operational efficiency and the value of branch channels, Yuanta Commercial Bank ("the Bank") merged 27 divisions in Head Office into 19 divisions in July 2008.

Functions of departments in Head Office are illustrated hereby:

- (1) Develop business strategies, new products, risk-pricing policies, and manage performance targets.
- (2) Implement strategies into practical action plans, and assist branches to develop all businesses and achieve budget objectives.

### Actual Accomplishments for 2008

The net income in 2008 was NT\$ 4.31 billion, among which net interest income amounted to NT\$ 4.33 billion and net non-interest income totaled negative NT\$ 22 million. Compared with the net income in 2007 of NT\$ 6.59 billion, 2008 net income dropped by NT\$ 2.28 billion mainly because of the decrease of net interest income by NT\$ 1.15 billion, increase of asset impairment by NT\$ 1 billion, and the increase in loss on financial asset and liabilities at fair value through profit or loss by NT\$ 460 million.

The bad debt expense amounted to NT\$ 3.2 billion throughout 2008, a decrease of NT\$ 897 million from NT\$ 4.1 billion in 2007. The operating expense of 2008 was NT\$ 5.05 billion, a decrease of NT\$ 41 million from NT\$ 5.09 billion in 2007.

In conclusion, the Bank had a pretax loss of NT\$ 3.94 billion in 2008. After adding in income tax benefit of NT\$698 million, the loss after tax narrowed to NT\$ 3.24 billion, an increase of NT\$1.24 billion from loss after tax of NT\$ 2 billion in 2007.



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The Bank received stronger resources right after joining Yuanta Financial Holdings, which have helped the company's endeavor to advance the quality and quantity of its services. As of the end of December, 2008, the Bank has 70 branches in total. The total deposits of the year reached NT\$ 306.88 billion (excluding deposits from Central Bank, the same hereunder). Total loan amounted to NT\$ 231.27 billion (excluding overdue receivable). The operation expense was NT\$ 5.05 billion and loss before tax was NT\$ 3.94 billion.

The service status in 2008 is detailed as below:

**(1) Deposits:**

In 2008, total deposits of the Bank was NT\$ 306.88 billion, an increase of NT\$ 19.41 billion, or 6.33%, from NT\$ 287.46 billion from 2007. In order to expand its customer base, solidify deposit structure, minimize capital cost, the Bank proactively promoted the settlement business of the securities firms. The demand deposits of 2008 totaled NT\$ 109.1 billion, which accounted for 35.55% of total deposits. Time deposits amounted to NT\$ 197.78 billion, 64.45% of total deposits.

**(2) Loans:**

The Bank has placed strong emphasis on the ascension of asset quality. In corporate banking, the Bank aggressively strives toward businesses with great potentials and elevated clients. In consumer banking, housing mortgages aimed at premium clients and provided differentiated rate-pricing conditions in order to segment the Bank's target market. Meanwhile, the Bank strengthened product diversification, deepened and broadened its relationship with clients.

In 2008, the total loans amounted to NT\$ 231.27 billion, an increase of NT\$ 114 million from NT\$ 231.16 billion in 2007. Secured loans totaled NT\$ 148.12 billion, or 64.05% of total loans. Unsecured loans amounted to NT\$ 83.15 billion, or 35.95% of total loans. Total loans of corporate banking and consumer banking in 2008 reached NT\$ 133.6 billion and NT\$ 97.67 billion respectively.

**(3) Foreign Exchange:**

The Bank's current service locations of foreign exchange include one Offshore Banking Unit (OBU), 11 Designated Foreign Exchange Branches, 59 Foreign Exchange and Traveler's Check Dealership Branches, and the Hong Kong Representative Office. In order to develop cross-strait financial business further and meet the demand of Taiwanese companies on capital transfer, the Bank has successfully constructed direct cross-strait remittance links with mainland branches of 32 foreign banks and the head office of 18 mainland banks. In 2008, the Bank's foreign exchange business volume amounted to US\$ 14.54 billion, almost equivalent to US\$ 14.54 billion in 2007, among which 7.92% was accounted for by import, 2.18% by export, 44.98% by outward remittance and 44.92% by inward remittance.

#### **(4) Guarantees and Acceptances:**

The total balances of guarantee and acceptance at the end of 2008 amounted to NT\$ 7.6 billion. The total balance consisted of the acceptance of NT\$ 762 million, guaranteed commercial paper of NT\$ 1.58 billion, the issuance of guaranteed corporate bonds of NT\$ 78 million, construction performance bonds of NT\$ 1.51 billion, guarantee from financial institution borrowings of NT\$ 895 million and other guarantees and acceptances of NT\$ 2.78 billion.

#### **(5) Trust Business:**

The total balance of the trust asset amounted to NT\$ 58.62 billion, a decrease of NT\$ 6.47 billion or 9.94% from NT\$ 65.09 billion at the end of 2007. The trust fee income of 2008 was NT\$ 442 million. Compared with NT\$ 658 million at the end of 2007, trust fee income in 2008 decreased NT\$ 216 million. Fees from custody services in 2008 amounted to NT\$24 million, a decrease of NT\$ 15 million from 2007 (NT\$39 million).

At the end of 2008, two investment-oriented insurance products, totaled NT\$ 5.16 billion, were under the Bank's custody. There were six accounts of fully fiduciary discretionary investment, with asset valued NT\$ 90 million. Meanwhile, the Bank acted as the custodian of 17 foreign investment accounts, with asset valued at NT\$ 662 million and 9 business guarantee accounts, with asset of NT\$ 3.09 billion. The Bank had certified a total of 118 securities in 2008, which amounted to NT\$ 72.79 billion.

#### **(6) Wealth Management:**

The Bank has carried out its wealth management service in accord with the demands of high net worth clients. Our Financial Advisors provide professional advices on financial planning and asset allocation to satisfy their specific financial needs. At the end of 2008, net fee income from wealth management amounted to NT\$ 422 million, a decrease of NT\$ 211 million from NT\$ 633 million in 2007.

#### **(7) Credit Card:**

In order to better serve the platinum card customers, the Bank issued the JCB platinum cards with various promotional offers. At the end of 2008, the Bank had issued a total of 800,300 credit cards, an increase of 108,600 cards or 15.70% from 691,700 at the end of 2007. The credit card transaction value totaled NT\$ 10.36 billion in 2008, an

## Research and Development

The results of research and development expenses during the past two years and future research and development plans are illustrated as follows:

### (1) Migrated to the New Core Banking System:

In order to strengthen its information efficiency for the flexibility of diverse product development and cross-industry integration system, the Bank replaced its previous New Taiwan Dollar core system with a New Core Bank System (launched in the end of February 2009). In the future, the Bank is going to persist in furthering information system upgrade, establish the Remote Back Up Mechanism, strengthen the MIS report platform and develop the Data Warehousing analysis system to maximize the Bank's comprehensive competence.

### (2) Established Diverse E-Channel:

To enhance the service quality of e-channels, the Bank has been successively upgrading its various functions and services such as voice service, Web ATM, online banking, and Smart Pay. In the future, the Bank will continue bettering its e-channels and centering its main development on personalized online banking service, which will include FHC account overview, wire transfer, funds transaction, personal finance, and online subscription and loans. Similarly, the corporate online banking service will be constructed on four core areas- account management, cash flow management, collection and payment services, and will strengthen its customization function in accordance with the demands of each corporate client.

### (3) Furthered Operation Standardization and Process Improvement:

In conformity with the New Core Bank System, the Bank re-developed and simplified its operating process and established "The Standardization Operation and Process Improvement Team" to further process re-organization, aiming to increase operation efficiency and minimize operation cost.

## 2. *The Impact of the External Competitive, Regulative and Overall Climate*

In the past year, the global financial tsunami triggered by the U.S. subprime mortgage crisis put many international financial groups in bitter ordeals. The global finance was thus re-territorized. The investment market in every country steadily weakened and financing was tightened as well. Companies, one after another, pleaded for bailout and funding, which trapped financial institutions in grimmer operation. Aside from the weak market, the unemployment and lay-offs also struck the world.

During the first two quarters of 2008, Taiwan's economic growth stayed as robust as the second half of 2007. The economic growth remained at a certain level with, however, international trade as the major driver. Struck by sluggish global economy, persistent high agricultural and industrial material prices, downward IT industrial cycle and the global financial crisis, the overall market prospect turned conservative continuously. Private investment and consumption weakened gradually and the entire economic growth faced tremendous challenge.



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In preview of 2009, based on Chung-Hua Institution for Economic Research's constructed forecast for Taiwan's future economy and prospect estimate, the government's expansionary fiscal policies (such as enlarging the investment from the public department, earned income subsidy program, Taiwan's Twelve Major Programs etc.) and measures to boost private consumption (such as consumption coupons) as well as the loosening up of cross-strait economic and trading policies will generate positive effect on Taiwan's economic growth. In addition, the financial industry should persist in raising its capital level and strengthening risk management in line with global economic trends for returning back to the growth track.

### 3. Latest Credit Ratings

Rating Agency	Date	Rating Results		
		Long-Term	Short-Term	Outlook
Taiwan Ratings Corp.	2009.02.16	twAA-	twA-1+	Stable
Fitch	2008.10.02	A+ (twn)	F1 (twn)	Stable

According to Taiwan Ratings Corp., the commercial bank business of the Bank is consistent with the strategic objectives of providing One-Stop-Shopping of Yuanta Financial Holdings. The rating also mirrors the support the Bank obtains from the financial holding company and the proper capital adequacy, source of the capital and the liquidity structure. Fitch also agrees on the Bank's effort to develop its professional marketing position in wealth management through the financial holding's leading position and eminent foundation in Taiwan's securities market. The Bank's persistently improved profitability and asset quality will influence the Bank's individual rating positively.

### 4. Business Plan in 2009 and Outlook

Although with the government's aggressive fiscal and monetary policies under the recession, it is estimated that, during the first half of 2009, consumer confidence is still be pessimistic and industrial productions remains at low levels, resulting in the financial industry still having to face rising bad debt costs, a weak investment market and decreasing sources of income.

Notwithstanding the present fiercely competitive and challenging operating environment, the Bank still plans not only to manifest our eminent execution, but also progressively advance our efficiency, strengthen risk management and endeavor to achieve our objectives for the maximum interests of all shareholders.

The Bank's 2009 Business Plan is summarized below:

- (1) To minimize Cost-Income Ratio and improve operation efficiency;
- (2) To utilize the channels of full-function branches and make them client-oriented;
- (3) To monitor asset quality and advance risk-managing ability;
- (4) To persist in promoting re-organization and incubating the core team;
- (5) To deepen the relations with clients and expand its market share.

In the future, the Bank is going to persist in advancing its business relations with Yuanta Financial Holdings' subsidiary companies and act as the integrated financial service platform. The Bank will endeavor to create premium differentiated services, develop new financial products and raises the business-exploring competence of branches. At the same time, it will integrate with the security channels, promote e-commerce and construct the financial service platform that covers Taiwan, Hong Kong and China so as to fully utilize maximal synergy under the financial holding operational framework.

# 2



## Bank Profile and Corporate Governance

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Suzhen Tzeng  
Yuanta Bank  
2008 Annual Report

## 1. Introduction

Yuanta Commercial Bank (“ the Bank” ), formerly Asia Pacific Commercial Bank, acquired approval for establishment from the Ministry of Finance on January 14<sup>th</sup> 1992 and launched its operation on February 12<sup>th</sup> 1992. Afterwards, in conformity with the development of the financial market and Government’s financial reform, the Bank joined Fuhwa FHC on August 1<sup>st</sup> 2002 through stock transfer and became a wholly-owned subsidiary. In September 2002, Asia Pacific Commercial Bank was approved to be renamed Fuhwa Commercial Bank. On April 2<sup>nd</sup> 2007, Yuanta Core Pacific Securities merged with Fuhwa FHC formally. On September 23<sup>rd</sup> 2007, the Bank was renamed Yuanta Commercial Bank.

Afterwards, in hope for expanding its operating foundation and maximize business competency, the Bank successively acquired four credit cooperatives, including Touliao Credit Cooperative, Taitung Credit Cooperative, Tainan 7<sup>th</sup> Credit Cooperative and Tainan 6<sup>th</sup> Credit Cooperative. The Bank then had established 70 branches. At the end of February 2009, the Banks possessed capital of NT\$ 22 billion and 2,300 employees.

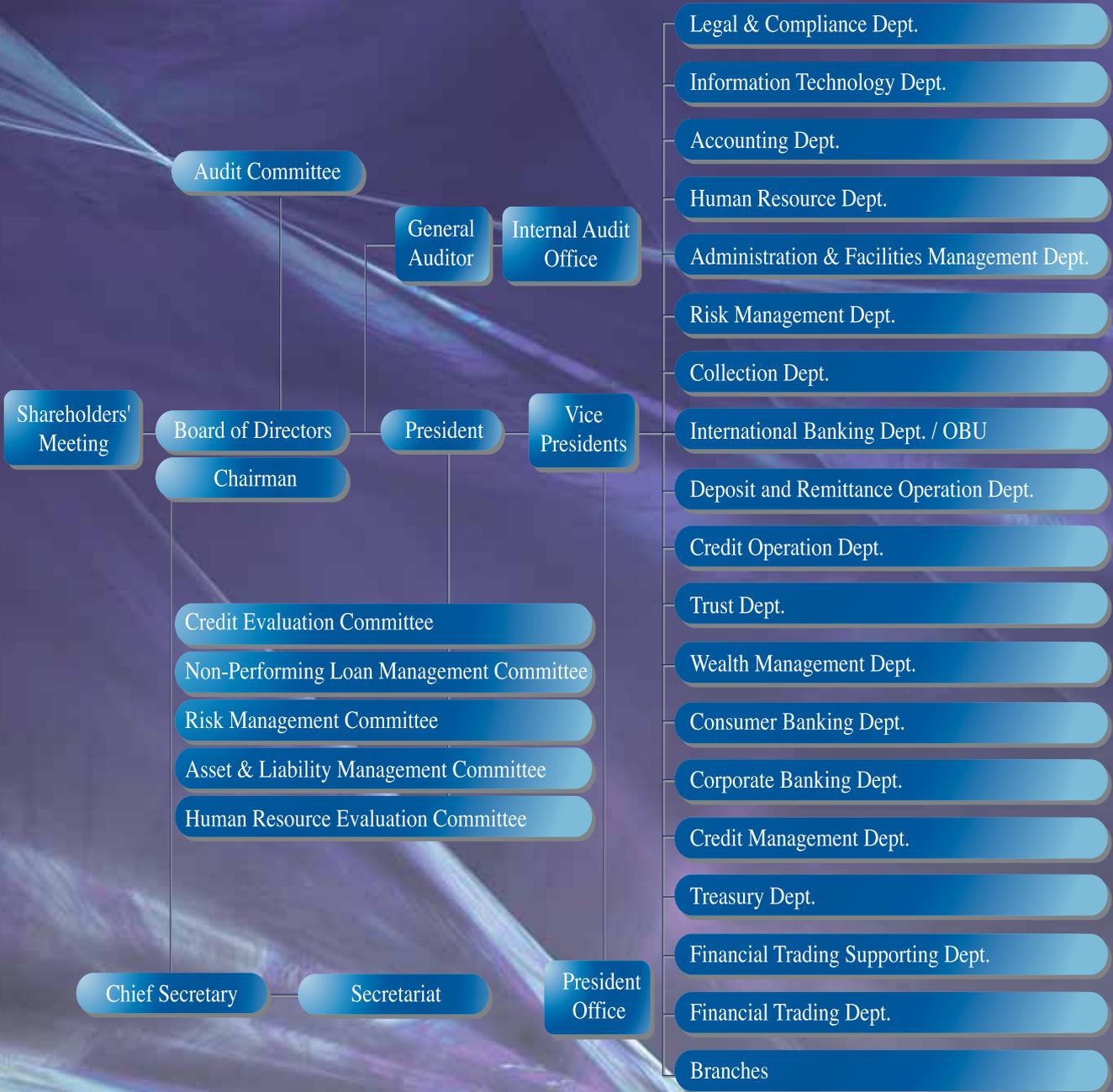
Date	Institutions Acquired	Branches Increased	Total Branches
August 2002	Asia Pacific Commercial Bank joined Fuhwa FHC		37
July 2003	Acquired and merged Touliao Credit Cooperative	5	42
June 2004	Acquired and merged Taitung Credit Cooperative	8	50
June 2005	Acquired and merged Tainan 7 <sup>th</sup> Credit Cooperative	8	58
December 2005	Acquired and merged Tainan 6 <sup>th</sup> Credit Cooperative	12	70

The Bank has been zealously introducing exceptional mindset in corporate governance system and business management performance and acquired recognition from foreign institutional investors. In December 2008, the service quality of Yuanta Commercial Bank was honorably ranked as the top third in the Financial Institutions area of “ 2008 Top Ten Service Sector” by Global Views Monthly Magazine. This honor fully explicates that the Bank’s enthusiastic service for customers and the core value of its quality professionalism is deeply recognized by the Bank.

In the future, Yuanta Commercial Bank is going to accord with our management philosophy “ Integrity, Stability, Service, Innovation and Attentiveness”, provide clients with more diverse, more complete and more comprehensive professional financial services, take becoming the client’s best asset management bank as its strategic goal so an integrated financial platform can be constructed for all services of the Group. Meanwhile, the Bank will strive toward its ultimate goal-provide ideal services to clients, create the most interest for shareholders and supply the feedback to the society wholeheartedly.

## 2. Organization

### (1) Organization chart



## (2) Major Departments

Departments	Function
President Office	In charge of the organization structure, the service sites and public relations activities. Supervise performance, budget goals, and business strategy of the Bank. Manage long-term investment, e-commerce services and merge & acquisitions cases.
Legal & Compliance Dept.	Manage the law related matters and implement the compliance self-assessments.
Information Technology Dept.	Develop the Bank's information policies. Construct and execute the IMS and plan, establish and manage the information facility, system and network
Accounting Dept.	Develop the accounting system and procedures, process and manage accounting operations, summarize the Bank's budget, settle accounts and conduct tax related matters.
Human Resource Dept.	Take care of human resource affairs, including recruitment, employment, promotion, transfer, appraisal, compensation, bonus, training, insurance and benefit.
Administration & Facilities Management Dept.	Responsible for documentation, procurement-related matters and property management.
Risk Management Dept.	Managing and monitoring the credit risk, market risk, operational risk and risk-related matters.
Collection Dept.	Responsible for non-performing loan and debts matters.
International Banking Dept./Offshore Banking Branch (OBU)	Process foreign exchange business. Develop, plan and manage related regulations.
Deposit and Remittance Operation Dept.	Develop deposits and remittance regulations. Responsible for staff training and deposits and remittance matters.
Credit Operation Dept.	Manage the Bank's crediting operation and regulations.
Trust Dept.	Manage the Trust business planning, promotion and management, as well as research and development of new financial products
Wealth Management Dept.	Take care of the wealth management business operating principles, and budget targets, business promotion, marketing activities and other related matters
Consumer Banking Dept.	Responsible for personal financial policy, budget targets, business promotion, product development, marketing, customer service, credit card verify etc...
Corporate Banking Dept.	Responsible for the corporate financial policy, budget targets, business promotion. In charge of the ad hoc, policy-oriented, large-scale or complex business planning and integration and other related issues.
Credit Management Dept.	In charge of credit verify of customers and hostage evaluation. Develop credit management and hostage evaluation policies.
Treasury Dept.	Manage the Bank's assets and liabilities. Based on the Bank's outlook, initiate proactive deposit strategy, manage capital and liquidity gap.
Financial Trading Supporting Dept.	Responsible for the delivery and settlement of financial products and other related matters.
Financial Trading Dept.	Responsible for research and development of new financial products, trading, marketing and promotion, other related matters
Internal Audit Office	Managing the Bank internal audit.



### 3. Directors, Supervisors and Managers

#### (1) Information of Directors

Title	Name	Date of appointment	End of term	Date of first election	Shareholdings when elected		Current shareholdings		Shares Held by Spouse & Minors or in Others' Name		Education / Experiences	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
					Shares & Ratio	Shares & Ratio	Shares & Ratio	Shares & Ratio					
Chairman : Representative of Yuanta Financial Holdings	Ching-Chang Yen	06.29.2007	06.28.2010	06.30.2005	100% owned by Yuanta FHC	2,200,000,000	100% owned by Yuanta FHC	N/A	N/A	<ul style="list-style-type: none"> <li>L.L.M, University of Michigan</li> <li>R.O.C. Representative permanent to the World Trade Organization</li> <li>Minister and Deputy Minister, Ministry of Finance &amp; Political</li> <li>University of Southern California</li> <li>CEO of SysPower Technology</li> <li>Director of Yuanta Core Pacific Securities Co., Ltd.</li> <li>Chairman of Tzi-Fu International Co., Ltd.</li> <li>Chairman of Yuanta Construction Development Co., Ltd.</li> <li>EMBA, National Chengchi University.</li> <li>CFO, Yuanta Financial Holding Co., Ltd</li> <li>President of China Region and Shanghai Branch of Royal Bank of Canada</li> <li>President of Xiamen Branch of Credit Lyonnais</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of Yuanta Commercial Bank</li> <li>Chairman of Yuanta Financial Holdings</li> <li>Chairman of Yuanta Foundation</li> <li>Director of Inotera Technology Co. Ltd.</li> <li>Director and COO of Yuanta Financial Holdings</li> <li>Director of Yuanta Asset Management</li> <li>Director of Yuanta Venture Capital.</li> <li>Director of Yuanta I Venture Capital.</li> </ul>	N/A	
Director : Representative of Yuanta Financial Holdings	Wei-Chen Ma	06.29.2007	06.28.2010	06.30.2005	100% owned by Yuanta FHC	2,200,000,000	100% owned by Yuanta FHC	N/A	N/A	<ul style="list-style-type: none"> <li>EMBA, National Chengchi University.</li> <li>CFO, Yuanta Financial Holding Co., Ltd</li> <li>President of China Region and Shanghai Branch of Royal Bank of Canada</li> <li>President of Xiamen Branch of Credit Lyonnais</li> </ul>	<ul style="list-style-type: none"> <li>President of Yuanta Commercial Bank</li> <li>Director of Yuanta Life Insurance Agent.</li> <li>Director of Yuanta Securities (Hong Kong)</li> <li>Director of Yuanta Asset Management.</li> </ul>	N/A	
Director : Representative of Yuanta Financial Holdings	Arthur Chen	03.05.2008	06.28.2010	03.05.2008	100% owned by Yuanta FHC	2,200,000,000	100% owned by Yuanta FHC	N/A	N/A	<ul style="list-style-type: none"> <li>EMBA, National Chengchi University.</li> <li>CFO, Yuanta Financial Holding Co., Ltd</li> <li>President of China Region and Shanghai Branch of Royal Bank of Canada</li> <li>President of Xiamen Branch of Credit Lyonnais</li> </ul>	<ul style="list-style-type: none"> <li>President of Yuanta Commercial Bank</li> <li>Director of Yuanta Life Insurance Agent.</li> <li>Director of Yuanta Securities (Hong Kong)</li> <li>Director of Yuanta Asset Management.</li> </ul>	N/A	

Feb.28.2009



Title	Name	Date of appointment	End of term	Date of first election	Shareholdings when elected		Current shareholdings	Shares Held by Spouse & Minors or in Others' Name		Education / Experiences	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
					Shares & Ratio	Shares & Ratio		Shares & Ratio	Shares & Ratio			
Director : Representative of Yuanta Financial Holdings	Hsien-Tao Chiu	06.29.2007	06.28.2010	06.30.2005	1,800,000,000	100% owned by Yuanta FHC	2,200,000,000	100% owned by Yuanta FHC	N/A	<ul style="list-style-type: none"> <li>● Bachelor of Business administration, U.S. South West University</li> <li>● Chairman of Taichung Securities</li> <li>● Standing Director of Asia Pacific Bank</li> <li>● Director of Asia Pacific Investment &amp; Trust Co.</li> <li>● Director of International Securities</li> <li>● Chairman of Asia Pacific Leasing Co., Ltd.</li> <li>● Chairman of Fuan Insurance Agent Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Director of Yuanta Financial Holdings</li> <li>● Director of Yuanta Leasing</li> <li>● Supervisor of Deh-Mei Automobile Co.</li> <li>● Chairman of Taiwan Yi-Her International Co.</li> <li>● Director of Fong-Long Automobile Co.</li> <li>● Director of Kong-Ya Investment Co., Ltd.</li> <li>● Owner of Jin-Li Industry Co.</li> <li>● Owner of Yi-Her Automobile Co., Ltd.</li> <li>● Director of Rater Automobile Co., Ltd.</li> <li>● Director of Cheng-Long Automobile Co., Ltd.</li> <li>● Director of FIAT</li> <li>● Director of Kuo-Chung Automobile Co., Ltd.</li> </ul>	Vice President, Erick Chiu, Kin within the second degree
					1,800,000,000	100% owned by Yuanta FHC	N/A	N/A				
Director : Representative of Yuanta Financial Holdings	Jin-Long Fang	06.29.2007	06.28.2010	06.29.2007					<ul style="list-style-type: none"> <li>● Provincial Chiayi Senior Vocational High School</li> <li>● Supervisor of Yuanta Core Pacific Securities Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman of Yuan Kun Construction Co., Ltd.</li> <li>● Chairman of Yuanta United Steel Corporation</li> <li>● Chairman of Li Ching Industrial Co., Ltd.</li> </ul>	N/A	
								<ul style="list-style-type: none"> <li>● Master of Public Finance of National Chengchi University</li> <li>● CSO, Chinatrust Financial Holding Co., Ltd</li> <li>● SEVP, Chinatrust Commercial Bank</li> <li>● President, Jih Sun Financial Holding Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Chairman of Yuanta Securities Asia Financial Services, Ltd.</li> <li>● CSO, Yuanta Financial Holding Co., Ltd</li> </ul>			



Title	Name	Date of appointment	End of term	Date of first election	Shareholdings when elected		Current shareholdings		Shares Held by Spouse & Minors or in Others' Name		Education / Experiences	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
					Shares & Ratio	Shares & Ratio	Shares & Ratio	Shares & Ratio					
Independent director : Representative of Yuanta Financial Holdings	Jung-Hsien Huang	03.19.2008	06.28.2010	03.19.2008	100% owned by Yuanta FHC	1,800,000,000	100% owned by Yuanta FHC	2,200,000,000	N/A	N/A	<ul style="list-style-type: none"> <li>● Bachelor of Public Finance of National Chengchi University.</li> <li>● Independent director of Yuanta Securities Co., Ltd</li> <li>● Chairman of Central Trust of China.</li> <li>● Counselor of Ministry of Finance &amp; Political</li> <li>● President of Taipei Bank</li> <li>● Vice President of Chiao Tung Bank.</li> </ul>	N/A	N/A
					100% owned by Yuanta FHC	1,800,000,000	100% owned by Yuanta FHC	2,200,000,000	N/A	<ul style="list-style-type: none"> <li>● PhD. in Business administration, Northwestern University</li> <li>● MBA, University of Illinois</li> <li>● Independent director of Yuanta Core Pacific Securities Co., Ltd.</li> <li>● Chairman of Strategy Management Committee of Chinese Management Association</li> <li>● Vice President of National Chengchi University</li> <li>● Chairman of Graduate Institute of Business Administration, National Chengchi University</li> <li>● Director of Department of Business Administration, National Chengchi University</li> </ul>			
Independent director : Representative of Yuanta Financial Holdings	Dah-Hsian Seetoo	06.29.2007	06.28.2010	06.29.2007	100% owned by Yuanta FHC	1,800,000,000	100% owned by Yuanta FHC	2,200,000,000	N/A	N/A	<ul style="list-style-type: none"> <li>● PhD. in Business administration, Northwestern University</li> <li>● MBA, University of Illinois</li> <li>● Independent director of Yuanta Core Pacific Securities Co., Ltd.</li> <li>● Chairman of Strategy Management Committee of Chinese Management Association</li> <li>● Vice President of National Chengchi University</li> <li>● Chairman of Graduate Institute of Business Administration, National Chengchi University</li> <li>● Director of Department of Business Administration, National Chengchi University</li> </ul>	<ul style="list-style-type: none"> <li>● Independent director of Yuanta Financial Holdings</li> </ul>	N/A



Title	Name	Date of appointment	End of term	Date of first election	Shareholdings when elected		Current shareholdings		Shares Held by Spouse & Minors or in Others' Name		Education / Experiences	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
					Shares & Ratio	Shares & Ratio	Shares & Ratio	Shares & Ratio					
Independent director : Representative of Yuanta Financial Holdings	Pao-Kuei Chu	06.29.2007	06.28.2010	06.29.2007	1,800,000,000	100% owned by Yuanta FHC	2200,000,000	100% owned by Yuanta FHC	N/A	N/A	<ul style="list-style-type: none"> <li>● Bachelor of Commerce, National Taiwan University</li> <li>● Honorary Chairman of CPA Association, the R.O.C.</li> <li>● Partner Chairman and Representative of Administrative Affairs of KPMG</li> <li>● Director of KPMG international board of directors</li> <li>● CEO of accounting certification Promotion Committee of CPA Association, the R.O.C.</li> <li>● Standing director of Taipei City CPA Association</li> <li>● Commissioner of finance and tax group of Economic Reform Committee, Executive Yuan</li> <li>● Chairman of CPA Association, the R.O.C.</li> </ul>	<ul style="list-style-type: none"> <li>● Supervisor of Zurich Insurance (Taiwan) Ltd.</li> <li>● Supervisor of Sesoda Corporation</li> <li>● Independent supervisor of ReaLy Development &amp; Construction Corp</li> <li>● Independent supervisor of Stella International (Cayman Islands) Holdings Limited.</li> <li>● Independent supervisor of Stella International (Hong Kong) Holdings Limited.</li> </ul>	N/A
					N/A	N/A	N/A						



## (2) Major Institutional Shareholders

July.16.2008

Institutional shareholder	Top 10 Shareholders of Major Institutional Shareholders	
Yuanta Financial Holdings Co., Ltd	Tsun-Chueh Investment Co., Ltd.	4.14%
	Kuang-Hwa Investment Holdings Co., Ltd.	3.48%
	Yuan-Hung Investment Co., Ltd.	3.28%
	Yuan-Hsiang Investment Co., Ltd.	3.10%
	Yu-Yang Investment Co., Ltd.	2.61%
	Bank of Taiwan Co., Ltd.	2.53%
	Land Bank of Taiwan Co., Ltd.	2.36%
	Lien-Ta Investment Co., Ltd.	1.80%
	Teng-Ta Investment Co., Ltd.	1.50%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency – Morgan Stanley Investment Management Ltd. as external fund manager.	1.22%

## (3) Key Shareholders of Major Institutional Shareholders

Feb.28.2009

Major institutional shareholder who are judicial persons	Key shareholders	
Tsun-Chueh Investment Co., Ltd.	Chiu-Ta Investment Co., Ltd.	18.53%
	Teng-Ta Investment Co., Ltd.	18.37%
	Lien-Heng Investment Co., Ltd.	16.31%
	Hsing-Tsai Investment Co., Ltd.	13.16%
	Victor Ma	10.81%
	Lien-Ta Investment Co., Ltd.	7.14%
	Judy Tu Ma	6.12%
	Yung-Tsang Lin	4.43%
	Er-Tai Ma	2.40%
	Hao Yang	1.41%
Kuang-Hwa Investment Holdings Co., Ltd.	Central Investment Holdings Co., Ltd.	100%
Yuan Hung Investment Co., Ltd.	Mei Chia Li Investment Co., Ltd.	45.88%
	Lien-Heng Investment Co., Ltd.	33.74%
	Teng-Ta Investment Co., Ltd.	15.38%
	Judy Tu Ma	5.00%
Yuan Hsiang Investment Co., Ltd.	Lien-Ta Investment Co., Ltd.	44.38%
	Lien-Heng Investment Co., Ltd.	19.00%
	Teng-Ta Investment Co., Ltd.	18.69%
	Chiu-Ta Investment Co., Ltd.	9.96%
	Judy Tu Ma	5.01%
	Hsing-Tsai Investment Co., Ltd.	2.96%
Yu-Yang Investment Co., Ltd.	Tsun-Chueh Investment Co., Ltd.	100%
Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings	100%
Land Bank of Taiwan Co., Ltd.	Ministry of Finance & Political	100%
Lien Ta Investment Co., Ltd.	Chiao-Hwa International Investment Co., Ltd.	45.79%
	Lien-Heng Investment Co., Ltd.	37.14%
	Chiu-Ta Investment Co., Ltd.	14.02%
	Hsing-Tsai Investment Co., Ltd.	2.57%
	Judy Tu Ma	0.47%
	Huei-Ling Chen	0.01%
Teng Ta Investment Co., Ltd.	Lien-Heng Investment Co., Ltd.	53.58%
	Mei-Kao Investment Co., Ltd.	45.86%
	Judy Tu Ma	0.55%
	Yung-Ling Ma	0.01%
JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency – Morgan Stanley Investment Management Ltd. as external fund manager.	N/A	



(4) Information of Managers :

A. President, Vice Presidents, and Department Heads :

Dec.31.2008

Title	Name	Date of Appointment	Shareholdings · Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
President	Arthur Chen	07.15.2008	N/A	<ul style="list-style-type: none"> <li>● President</li> <li>● EMBA, National Chengchi University</li> </ul>	<ul style="list-style-type: none"> <li>● Director of Yuanta Bank</li> <li>● Director of Yuanta Security (Hong Kong)</li> <li>● Director of Yuanta Life Insurance Agent</li> <li>● Director of Yuanta Asset Management</li> </ul>	N/A
General Auditor	Ji-Sheng Wang	08.10.2005		<ul style="list-style-type: none"> <li>● General Auditor</li> <li>● LL.M, National Taiwan University</li> </ul>	<ul style="list-style-type: none"> <li>● Supervisor of Yuanta Life Insurance Agent</li> <li>● Supervisor of Yuanta Leasing</li> </ul>	
Executive Vice President	Chia-Lin Chin	01.09.2008		<ul style="list-style-type: none"> <li>● Executive V.P.</li> <li>● Bachelor of Business Administration, National Chengchi University</li> </ul>	<ul style="list-style-type: none"> <li>● Supervisor of Yuanta Asset Management.</li> <li>● Supervisor of Yuanta Financial Consulting</li> </ul>	
Executive Vice President	Tze-Fen Lin	12.01.2007		<ul style="list-style-type: none"> <li>● Executive V.P.</li> <li>● Ph.D. of Finance, National Taiwan University</li> </ul>	N/A	
Senior Vice President	Jhong-Ping Lyu	10.31.2008		<ul style="list-style-type: none"> <li>● Senior V.P. and Business Supervisor</li> <li>● Master of Accounting, National Chengchi University</li> </ul>	<ul style="list-style-type: none"> <li>● Director of Yuanta Leasing</li> </ul>	
Senior Vice President	Kang Wonglee	08.08.2008		<ul style="list-style-type: none"> <li>● Senior V.P. and Business Supervisor</li> <li>● Master of Information Management, National Taiwan University</li> </ul>	N/A	
Senior Vice President	Lawrence Lou	07.31.2008		<ul style="list-style-type: none"> <li>● Senior V.P.</li> <li>● Bachelor of Accounting, Soochow University</li> </ul>		
Senior Vice President	Hung-Lin Wu	08.08.2008		<ul style="list-style-type: none"> <li>● Senior V.P. and Head of Wealth Management Dept.</li> <li>● IEMBA, National Taipei University</li> </ul>	<ul style="list-style-type: none"> <li>● President of Yuanta Life Insurance Agent</li> <li>● Director of Yuanta Life Insurance Agent</li> <li>● President of Yuanta Property Insurance Agent</li> </ul>	
Vice President	Yung-Chung Huang	04.18.2008		<ul style="list-style-type: none"> <li>● V.P. and Business Supervisor</li> <li>● Bachelor of Business Administration, Tamkang University</li> </ul>	<ul style="list-style-type: none"> <li>● Director of Yuanta Leasing</li> </ul>	
Vice President	Tien-Fu Kao	10.31.2008		<ul style="list-style-type: none"> <li>● V.P. and Business Supervisor</li> <li>● Bachelor of Statistics, Fengchia University</li> </ul>	<ul style="list-style-type: none"> <li>● Director of Yuanta Leasing</li> </ul>	
Vice President	Erick Chiu	05.27.2008		<ul style="list-style-type: none"> <li>● V.P. and Head of President office and Consumer Banking</li> <li>● MBA, The University of Queensland, Australia</li> </ul>		
Senior Assistant President	Chen-Rong Chen	10.31.2008		<ul style="list-style-type: none"> <li>● Business Supervisor and Senior A.P. of Yongkang Branch</li> <li>● Master of Financial Operations, NKFUST</li> </ul>	N/A	
Senior Assistant President	Wen-Jeng Chang	10.14.2005		<ul style="list-style-type: none"> <li>● Chief of Hong Kong Representative Office and Business Supervisor</li> <li>● MBA, George Washington University</li> </ul>		
Senior Assistant President	Wen-Hsiang Chang	10.31.2008		<ul style="list-style-type: none"> <li>● Business Supervisor</li> <li>● Bachelor of Cooperative Economics, National Chung Hsing University</li> </ul>		



Title	Name	Date of Appointment	Shareholdings · Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Assistant President	Sin-Yu Lin	10.31.2008	N/A	<ul style="list-style-type: none"> <li>● Business Supervisor and Senior A.P. of Nankan Branch</li> <li>● MBA, Arizona State University</li> </ul>	N/A	N/A
Senior Assistant President	Francis Wang	06.02.2008		<ul style="list-style-type: none"> <li>● Senior A.P. of Treasury Dept</li> <li>● Bachelor of International Trade, Fu Jen Catholic University</li> </ul>		
Senior Assistant President	Yi-Chao Lin	10.17.2008		<ul style="list-style-type: none"> <li>● Senior A.P. of Financial Trading Dept.</li> <li>● EMBA, National Chengchi University</li> </ul>		
Senior Assistant President	Nan-Haur Wang	03.12.2007		<ul style="list-style-type: none"> <li>● Senior A.P. of Legal &amp; Compliance Dept.</li> <li>● Bachelor of Law, Soochow University</li> </ul>		
Senior Assistant President	Shu-Jyuan Jhuang	11.01.2007		<ul style="list-style-type: none"> <li>● Senior A.P. of Trust Dept</li> <li>● Master of Insurance, National Chengchi University</li> </ul>		
Assistant President	Ting-Yu Chang	10.31.2008		<ul style="list-style-type: none"> <li>● A.P. of Corporate Banking and Business Dept.</li> <li>● Bachelor of Public Finance, Fengchia University.</li> </ul>		
Assistant President	Hsiao-Keng Chang	10.01.2005		<ul style="list-style-type: none"> <li>● A.P. of Human Resource Dept.</li> <li>● Bachelor of History, National Taiwan University</li> </ul>		
Assistant President	Siao-Jyuan Zeng	07.01.2008		<ul style="list-style-type: none"> <li>● A.P. of Credit Management Dept.</li> <li>● Dept. of Accounting and Statistics, Shih Chien College</li> </ul>		
Assistant President	Chih-Hsun Chiang	07.01.2008		<ul style="list-style-type: none"> <li>● A.P. of Financial Trading Supporting Dept</li> <li>● Bachelor of Business Administration, Tamkang University</li> </ul>		
Assistant President	Jung-Shu Chi	05.03.2004		<ul style="list-style-type: none"> <li>● A.P. of NPL Collection Dept.</li> <li>● National Hwa-nan Commercial High School</li> </ul>		
Assistant President	Siou-Mei Chen	04.13.2007		<ul style="list-style-type: none"> <li>● A.P. of Information Technology Dept.</li> <li>● Bachelor of Economics, National Chung Hsing University</li> </ul>		
Assistant President	Yi-Liang Su	06.23.2006		<ul style="list-style-type: none"> <li>● A.P. of Risk Management Dept.</li> <li>● Master of Accounting, Soochow University</li> </ul>		
Assistant President	Ai-Ping Soung	06.30.2007		<ul style="list-style-type: none"> <li>● A.P. of International Banking Dept and Head of Offshore Banking Branch</li> <li>● Bachelor of Economics, National Chung Hsing University</li> </ul>		
Assistant President	Yu-Ching Su	12.29.2006		<ul style="list-style-type: none"> <li>● A.P. of Accounting Dept.</li> <li>● Bachelor of Accounting, Tamkang University</li> </ul>		
Senior Manager	Ciou-Yan Chen	07.01.2008		<ul style="list-style-type: none"> <li>● Senior Manager of Credit Operation Dept</li> <li>● Bachelor of Political Science, National Chengchi University</li> </ul>		
Senior Manager	Mei-Jhu Jhang	07.01.2008		<ul style="list-style-type: none"> <li>● Senior Manager of Deposit and Remittance Operation Dept</li> <li>● Dept. of Management, National Taipei College of Business</li> </ul>		
Manager	Joseph Huang	10.31.2008	<ul style="list-style-type: none"> <li>● Manager of Administration &amp; Facilities Management Dept.</li> <li>● Master of Accounting, Soochow University</li> </ul>			



**B. Branch Managers :**

Dec.31.2008

Title	Name	Date of Appointment	Shareholdings · Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree	
Assistant President	Hsiu-Pao Lu	10.03.2007	N/A	<ul style="list-style-type: none"> <li>● A.P. of Taipei Branch</li> <li>● Bachelor of Public Finance, National Chung Hsing University</li> </ul>	N/A		
Manager	Janiffer Chiu	10.31.2008		<ul style="list-style-type: none"> <li>● Manager of Chingmei Branch</li> <li>● Bachelor of International Trade, Tamkng University</li> </ul>			
Senior Manager	Jeng-Hwa Cherng	03.24.2006		<ul style="list-style-type: none"> <li>● Senior Manager of Nanking E. Road Branch</li> <li>● Bachelor of Business Administration, Fu Jen Catholic University</li> </ul>			
Assistant President	Guor-Liang Wang	09.14.2007		<ul style="list-style-type: none"> <li>● A.P. of Shihlin Branch</li> <li>● Bachelor of Banking, National Chengchi University</li> </ul>			
Assistant President	Zih-Ping Liou	12.01.2007		<ul style="list-style-type: none"> <li>● A.P. of Chengtung Branch</li> <li>● Bachelor of Accounting, Tamkang University</li> </ul>			
Senior Manager	Jui-Yi Chien	06.23.2008		<ul style="list-style-type: none"> <li>● Senior Manager of Neihu Branch</li> <li>● Dept. of News Administration, Shin-Hsin College</li> </ul>			
Assistant President	Jun-Chung Hou	06.30.2007		<ul style="list-style-type: none"> <li>● A.P. of Hsinyi Branch</li> <li>● MBA, Andrews University, Michigan</li> </ul>			<ul style="list-style-type: none"> <li>● Independent Director of Neng Tyi Precision Ind. Co., Ltd.</li> </ul>
Assistant President	Ming-Kun Wang	10.15.2008		<ul style="list-style-type: none"> <li>● A.P. of Songiang Branch</li> <li>● Master of Finance, Ming Chuan University</li> </ul>			N/A
Manager	Wen-Hsiung Shih	08.08.2008		<ul style="list-style-type: none"> <li>● Manager of Tianmu Branch</li> <li>● Bachelor of Business Administration, National Chung Hsing University</li> </ul>			
Manager	Ju-Jen Lee	06.30.2007		<ul style="list-style-type: none"> <li>● Manager of Ming Sheng Branch</li> <li>● Dept. of International Trade, Chihlee College of Business</li> </ul>			
Senior Assistant President	Chin-Sheng Chang	11.12.2008		<ul style="list-style-type: none"> <li>● Senior Manager of Zhongshanbeilu Branch</li> <li>● Dept. of Bank Management, Tamsui Institute of Business Administration</li> </ul>			
Senior Manager	Li-Chang Lu	10.23.2008		<ul style="list-style-type: none"> <li>● Senior Manager of Zhongxiao Branch</li> <li>● Dept. of Bank Insurance, National Taipei College of Business</li> </ul>			
Senior Manager	Chien-Pin Wu	03.28.2008		<ul style="list-style-type: none"> <li>● Senior Manager of Chengde Branch</li> <li>● Bachelor of Business Administration, National Chung Hsing University</li> </ul>			
Senior Assistant President	Hung-To Liu	06.23.2008		<ul style="list-style-type: none"> <li>● Senior A.P. of Chenghong Branch.</li> <li>● Bachelor of Business Administration, Soochow University</li> </ul>			
Senior Manager	Shih-Hsien Cheng	06.15.2006		<ul style="list-style-type: none"> <li>● Senior Manager of Hsintien Branch</li> <li>● Dept. of General Administration, Yu Da High School of Commerce and Home Economics</li> </ul>			
Manager	Cheng-Yi Chang	08.17.2007		<ul style="list-style-type: none"> <li>● Manager of Yungho Branch</li> <li>● EMBA, National Chengchi University</li> </ul>			
Assistant President	Shun-Ho Chu	07.16.2007		<ul style="list-style-type: none"> <li>● A.P. of Chungho Branch</li> <li>● MBA, New Mexico Highlands University.</li> </ul>			
Senior Manager	Li-Ching Yu	10.03.2007		<ul style="list-style-type: none"> <li>● Senior Manager of Sanchung Branch</li> <li>● Bachelor of International Trade, Tung-Hai University</li> </ul>			
Assistant President	Chih-Cheng Yu	06.30.2007		<ul style="list-style-type: none"> <li>● A.P. of Hsinchuang Branch</li> <li>● Dept. of Business Management, Hsing Wu College</li> </ul>			



Title	Name	Date of Appointment	Shareholdings · Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Manager	Hsiao-Shen Lou	04.13.2007	N/A	<ul style="list-style-type: none"> <li>●Senior Manager of Panchiao Branch</li> <li>●Bachelor of Business Administration, Soochow University</li> </ul>	N/A	N/A
Senior Assistant President	Shy-Yaw Lin	10.23.2008		<ul style="list-style-type: none"> <li>●Senior A.P. of Tucheng Branch</li> <li>●MBA, Miami University, Ohio</li> </ul>		
Manager	Hui-Chen Chang	04.04.2007		<ul style="list-style-type: none"> <li>●Manager of Lujhou Branch</li> <li>●MBA, Royal Roads University, Canada</li> </ul>		
Manager	Yu-Yen Tu	08.25.2006		<ul style="list-style-type: none"> <li>●Manager of Chungli Branch</li> <li>●MBA, National Dong Hwa University</li> </ul>		
Assistant President	Chung-Hsi Chuang	05.02.2007		<ul style="list-style-type: none"> <li>●A.P. of Taoyuan Branch</li> <li>●Dept. of Administrative Management, Administrative College of National Chengchi University</li> </ul>		
Manager	Nae-Gong Perng	10.26.2007		<ul style="list-style-type: none"> <li>●Manager of Taohsing Branch</li> <li>●Bachelor of Commerce, National Open University</li> </ul>		
Senior Manager	Wen-Ting Huang	10.03.2007		<ul style="list-style-type: none"> <li>●Senior Manager of Pingchen Branch</li> <li>●Bachelor of International Trade, National Chengchi University</li> </ul>		
Manager	Chien-Chen Lin	10.31.2008		<ul style="list-style-type: none"> <li>●Manager of Linkou Branch</li> <li>●Dept. of International Trade, Open College Affiliated with National Taipei College</li> </ul>		
Senior Manager	Jin-Ren Syu	12.01.2007		<ul style="list-style-type: none"> <li>●Senior Manager of Hsinchu Branch</li> <li>●Bachelor of Business Administration, Soochow University</li> </ul>		
Senior Manager	Yao-Tang Ruan	11.23.2007		<ul style="list-style-type: none"> <li>●Senior Manager of Chubei Branch</li> <li>●Bachelor of Economics, Soochow University</li> </ul>		
Manager	Sheng-Feng Chen	03.12.2007		<ul style="list-style-type: none"> <li>●Manager of Hsinchu Science Industrial Park Branch</li> <li>●Master of Economics, Feng Chia University</li> </ul>		
Senior Manager	Samuel Wu	01.02.2008		<ul style="list-style-type: none"> <li>●Senior Manager of Luodong Branch</li> <li>●Bachelor of Commerce, National Taiwan University</li> </ul>		
Manager	Chih-Ming Chung	07.01.2008		<ul style="list-style-type: none"> <li>●Manager of Kinmen Branch</li> <li>●Master of Risk Management, NKFUS</li> </ul>		
Manager	Tzung-Ping Chien	07.10.2007		<ul style="list-style-type: none"> <li>●Manager of Hualien Branch</li> <li>●Dept. of Administration, Open Administrative College of National Chengchi University</li> </ul>		
Manager	Yu-Ling Hsu	11.23.2007		<ul style="list-style-type: none"> <li>●Manager of Miaoli Branch</li> <li>●MBA, National Central University</li> </ul>		
Assistant President	Chih-Sheng Pan	10.31.2008		<ul style="list-style-type: none"> <li>●A.P. of Taichung Branch</li> <li>●MBA, Tunghai University</li> </ul>		
Senior Manager	Pei-Pei Fang	10.31.2008		<ul style="list-style-type: none"> <li>●Senior Manager of Wunsin Branch</li> <li>●Bachelor of Banking, National Chengchi University</li> </ul>		
Assistant President	Ying-Wen Hung	10.31.2008		<ul style="list-style-type: none"> <li>●A.P. of Fusing Branch</li> <li>●Bachelor of Law, Chinese Culture University</li> </ul>		
Senior Manager	Chung-Lin Yeh	03.01.2006		<ul style="list-style-type: none"> <li>●Senior Manager of Chungte Branch</li> <li>●Master of Accounting, Chung Yuan Christian University</li> </ul>		
Senior Manager	Tsung-Chieh Lee	12.11.2006		<ul style="list-style-type: none"> <li>●Senior Manager of Chungkang Branch</li> <li>●Master of Accounting, National Yunlin University of Science and Technology</li> </ul>		



Title	Name	Date of Appointment	Shareholdings · Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Senior Assistant President	Kuang-Chung Liao	06.30.2007	N/A	<ul style="list-style-type: none"> <li>● Senior A.P. of Shalu Branch</li> <li>● MBA, National Sun Yat-Sen University</li> </ul>	N/A	N/A
Assistant President	Chi-Wen Tso	06.30.2007		<ul style="list-style-type: none"> <li>● A.P. of Fengyuan Branch.</li> <li>● Master of Finance, Chaoyang University of Technology</li> </ul>		
Manager	Yeh-Lu Li	10.31.2008		<ul style="list-style-type: none"> <li>● Manager of Caotun Branch</li> <li>● Bachelor of Economics, Tunghai University</li> </ul>		
Manager	Sheng-Wen Chien	10.31.2008		<ul style="list-style-type: none"> <li>● Manager of Tali Branch</li> <li>● MBA, Chaoyang University of Technology</li> </ul>		
Manager	Shu-Chen Liao	10.31.2008		<ul style="list-style-type: none"> <li>● Manager of Dajia Branch</li> <li>● Dept. of Accounting, Ling Tung Junior College</li> </ul>		
Senior Manager	Sheng-Liang Liang	10.27.2008		<ul style="list-style-type: none"> <li>● Senior Manager of Taiping Branch</li> <li>● Master of Accounting, National Changhua University of Education</li> </ul>		
Assistant President	Chang-Sen Wang	05.01.2007		<ul style="list-style-type: none"> <li>● A.P. of Changhua Branch</li> <li>● Dept. of Accounting and Statistics, Transworld Junior College of Commerce</li> </ul>		
Manager	Ping-Hwang Hu	06.30.2007		<ul style="list-style-type: none"> <li>● Manager of Yuanlin Branch</li> <li>● Bachelor of Economics, Fu Jen Catholic University</li> </ul>		
Senior Manager	An-Kuo Hung	11.23.2007		<ul style="list-style-type: none"> <li>● Senior Manager of Lukang Branch</li> <li>● Dept. of Business Administration, Transworld Institute of Technology</li> </ul>		
Manager	Shih-Ming Chen	10.03.2007		<ul style="list-style-type: none"> <li>● Manager of Beitou Branch</li> <li>● Master of Information Management, Chaoyang University of Technology</li> </ul>		
Manager	Li-Fen Chang	11.28.2008		<ul style="list-style-type: none"> <li>● Manager of Sihu Branch</li> <li>● Dept. of Business Management, Ling Tung University.</li> </ul>		
Assistant President	Jui-Chien Hsieh	10.31.2008		<ul style="list-style-type: none"> <li>● A.P. of Doushin Branch</li> <li>● Dept. of Statistic, National Taipei College of Business</li> </ul>		
Senior Manager	Tsung-Hwa Shieh	11.23.2007		<ul style="list-style-type: none"> <li>● Senior Manager of Huwei Branch</li> <li>● Dept. of Banking Management, Tamsui Institute of Business Administration</li> </ul>		
Manager	Hao Tsai	05.01.2007		<ul style="list-style-type: none"> <li>● Manager of Tounan Branch</li> <li>● Dept. of International Trade, Taichung College of Commerce</li> </ul>		
Manager	Steven Wu	11.28.2008		<ul style="list-style-type: none"> <li>● Manager of Chiayi Branch</li> <li>● Master of Interdisciplinary Studies for Social Sciences Economics Division, National Sun Yat-Sen University</li> </ul>		
Senior Manager	Jih-Shun Pan	06.30.2007		<ul style="list-style-type: none"> <li>● Senior Manager of Chiali Branch</li> <li>● Master of Financial Operations, NKFUS</li> </ul>		
Manager	Ching-Chi Huang	10.31.2008		<ul style="list-style-type: none"> <li>● Manager of Tinan Branch</li> <li>● Master of Financial Operations, NKFUST</li> </ul>		
Manager	Chien-Sheng Wang	06.30.2007		<ul style="list-style-type: none"> <li>● Manager of Fucheng Branch</li> <li>● Dept. of Business Administration, Transworld Institute of Technology</li> </ul>		
Manager	Ching-Shui Yang	06.23.2008	<ul style="list-style-type: none"> <li>● Manager of Fudong Branch</li> <li>● National Tainan First Senior High School, night school program</li> </ul>			
Manager	Ming-Sheng Chen	11.03.2008	<ul style="list-style-type: none"> <li>● Manager of Kaiyuan Branch</li> <li>● Dept. Bank Insurance, TaTung Junior College of Commerce</li> </ul>			



Title	Name	Date of Appointment	Shareholdings · Shares Held by Spouse & Minors or in Others' Name	Experiences / Education	Concurrent Positions in Other Companies	Managerial Staff as Spouse or Kin within the second degree
Manager	Chien- Nan Tseng	07.12.2007	N/A	<ul style="list-style-type: none"> <li>● Manager of Anho Branch</li> <li>● Dept. of Foods, Chung Hwa University of Medical Technology</li> </ul>	N/A	N/A
Assistant President	Ching-Sung Chen	12.01.2007		<ul style="list-style-type: none"> <li>● A.P. of Kaohsiung Branch</li> <li>● IMBA, University of South Australia</li> </ul>		
Manager	Bih-Ru Liao	07.12.2007		<ul style="list-style-type: none"> <li>● Manager of Poai Branch</li> <li>● Master of Financial Management, NKFUST</li> </ul>		
Manager	Wen-Pin Lu	11.28.2008		<ul style="list-style-type: none"> <li>● Manager of Fongshan Branch</li> <li>● Bachelor of Business Administration, Cheng Shiu University.</li> </ul>		
Senior Manager	Tsai-Ming Chia	11.28.2008		<ul style="list-style-type: none"> <li>● Senior Manager of Sanmin Branch</li> <li>● Master of Economics, National Sun Yat-Sen University</li> </ul>		
Manager	Yeu-Au Jeng	10.31.2008		<ul style="list-style-type: none"> <li>● Manager of Gangshan Branch</li> <li>● Bachelor of Law, Chinese Culture University</li> </ul>		
Manager	Fu-Min Yang	09.12.2006		<ul style="list-style-type: none"> <li>● Manager of Pingtung Branch</li> <li>● Bachelor of Accounting, Feng Chia University</li> </ul>		
Manager	Shu-Hui Lai	06.05.2004		<ul style="list-style-type: none"> <li>● Manager of Tung Hsin Branch</li> <li>● Dept. of Real Estate Operation, Taiwan Hospitality and Tourism College</li> </ul>		



## 4. Corporate Governance

### (1) Accomplishments of Independent Directors

Since assuming office, the independent directors of the Bank have been not only attended routine Audit Committee Meetings and Board of Meetings, but also discussed corporate governance and business development with the Bank's managers, supervisors and responsible staff of each service in hopes of complementation with the management level. In order to completely understand the organizational efficiency and business plans of the Bank for fully performance of its duties and exercise of its due care as a good manager, independent directors of the Bank visit the Bank many times a week and devote a huge amount of time to study meeting materials and understand the Bank's practice in finance, accounting, auditing and risk management so they could master the instant information of the Bank's operation, finance and business. They further provide review and urge the Bank to realize the Bank's governance spirit to effectively advance the completeness and soundness of the services and to utilize operating efficiency:

The Duty Performance of Independent Directors During Year 2008	
January 2008	<ol style="list-style-type: none"> <li>1. Attended "The 15<sup>th</sup> Board meeting of the 6<sup>th</sup> Term", "Voting of Corporate Banking Crediting by New and Old Board of Directors", "The 2008 Capital Decrease Meeting", "The Resale of Bad Debt Meeting", "The 10<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", "The 16<sup>th</sup> Board meeting of the 6<sup>th</sup> Term" and "The 17<sup>th</sup> Board meeting of the 6<sup>th</sup> Term"</li> <li>2. Attended or observed "The Group Accountants Meeting", "The 2007 Meeting of Internal Audit Performance Appraisal by the Audit Committee of the Financial Holdings", "The 6<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term", "The 9<sup>th</sup> Financial Holding's Audit Committee Meeting of the 4<sup>th</sup> Term", "The 2007 Annual Performance Review of the Financial Holdings".</li> <li>3. Independent directors conducted an interview with General Auditors of the Financial Holdings and the Bank.</li> <li>4. Independent directors provided advices on the revision of the credit policy, which the directors instructed the Examination Dept. and Risk Management Dept. for persistent service.</li> </ol>
February 2008	<ol style="list-style-type: none"> <li>1. Attended "The Budgeting Meeting", "The 2007 Post Annual Report Auditing Meeting of Accountants", "The 2007 Risk Management Review and 2008 Risk Management Action Plan Meeting", "The Resale of Bad Debt Meeting", "The 11<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", "The 18<sup>th</sup> Board meeting of the 6<sup>th</sup> Term", "The 12<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", and "The 19<sup>th</sup> Board meeting of the 6<sup>th</sup> Term"</li> <li>2. Attended and observed "The 7<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term", "The 10<sup>th</sup> Financial Holding's Audit Committee Meeting of the 4<sup>th</sup> Term".</li> <li>3. Independent directors apprised accountants of the Bank.</li> <li>4. Independent directors conducted discussion with Chief Human Resource Officer of the Financial Holdings and the human resources supervisor of the Bank.</li> <li>5. Independent directors provided advices on "The 2007 Risk Management Review and 2008 Risk Management Action Plan Meeting", presented by Risk Management Dept. and instructed the Department to strengthen post-loan management mechanism. Chief Risk Management Officer also invited supervisor of related departments to convene "The Warning System for Post Loan Management of Institutional and Consumer Banking Meeting" for further discussion.</li> </ol>
March 2008	<ol style="list-style-type: none"> <li>1. Attended "The 20<sup>th</sup> Board meeting of the 6<sup>th</sup> Term", "The 13<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", "The 14<sup>th</sup> Temporary Audit Committee Meeting of the 6<sup>th</sup> Term", and "The 21<sup>st</sup> Board meeting of the 6<sup>th</sup> Term"</li> <li>2. Attended and observed "The 2007 Financial Post Annual Report Auditing Meeting of Accountants", "The Group Director/Supervisor Liability Insurance Project- Presented by President Hung-Lin Wu, Yuanta Properties Insurance Agent", "The 8<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term", and "The 12<sup>th</sup> Financial Holding's Audit Committee Meeting of the 4<sup>th</sup> Term".</li> <li>3. Independent Director Seetoo and Independent Director Chu attended "The Bank's Bad Debt</li> </ol>



<b>The Duty Performance of Independent Directors During Year 2008</b>	
	<p>Resale Meeting”.</p> <p>4. Independent Director Wang conducted interviews with Vice President Kang Wonglee (for supervising consumer banking service, credit cards and customer service), Executive Vice President Yih-Liang Liu (for supervising corporate banking services), Senior Vice President Ming-Hong Chiang (for supervising business), Senior Vice President Jhong-Ping Lyu (for supervising debt management, operational risk management, and credit risk management), Executive Vice President Chia-Lin Chin (for supervising credit granting and operation), Vice President Yung-Chung Huang (for supervising corporate banking service, consumer banking service, branch operation, International Banking Dept. and OBU), Executive Vice President Tze-Fen Lin (for supervising risk management), Assistant President Shio-Mei Chen (for supervising Information Technology Department), Executive Vice President Huang (for supervising consumer banking, financial management, trust, credit cards and customer services), Vice President Tien-Fu Kao (for supervising Management Dept.) and Senior Vice President Hung-Lin Wu (for supervising Trust and Wealth Management Dept.).</p>
April 2008	<p>1. Attended “The 22<sup>nd</sup> Board meeting of the 6<sup>th</sup> Term”, “The Bad Debt Resale Meeting”, “The 15<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term”, “The 23<sup>rd</sup> Audit Committee Meeting of the 6<sup>th</sup> Term”, “The Bank Bad Debt Review and Post Loan Management Follow Up Meeting”.</p> <p>2. Attended and observed in “The 9<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term”, “The 13<sup>th</sup> Financial Holding’s Audit Committee Meeting of the 4<sup>th</sup> Term”, “The Report on the Expansion Project of Hong Kong Subsidiary in Greater China”, “The First Quarter Financial Holdings and the Bank Audit Report”.</p> <p>3. Independent directors conducted discussion with General Auditors of the Financial Holding and the Bank.</p> <p>4. Independent Director Huang attended the field study of CGA corporate governance.</p> <p>5. Independent Director conducted discussion on the Bank’s business development and the future directions.</p> <p>6. Independent directors conducted instructions on “The Data to be Claim with the Bank’s Conformity with Capital Adequacy Supervision and Examination Principles”, presented by Risk Management Dept.</p>
May 2008	<p>1. Attended “The 24<sup>th</sup> Board meeting of the 6<sup>th</sup> Term”, “The Bad Debt Resale Meeting”, “The 16<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term”, “The 25<sup>th</sup> Board meeting of the 6<sup>th</sup> Term”, “The Crediting Policy Meeting”, “The Performance Appraisal Procedures Meeting” and “The 26<sup>th</sup> Board meeting of the 6<sup>th</sup> Term”.</p> <p>2. Attended and observed in “The 10<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term”, and “The 14<sup>th</sup> Financial Holding’s Audit Committee Meeting of the 4<sup>th</sup> Term”.</p> <p>3. Independent directors provided advices on “The Basel II Framework and the Bank’s According Implementation Report” and “Credit Granting to Group Enterprises and Investment Risk Management”, presented by Risk Management Dept.</p>
June 2008	<p>1. Attended “The 27<sup>th</sup> Board meeting of the 6<sup>th</sup> Term”, “The 17<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term”, and “The 28<sup>th</sup> Board meeting of the 6<sup>th</sup> Term”.</p> <p>2. Attended and observed in “The 11<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term”, and “The 15<sup>th</sup> Financial Holding’s Audit Committee Meeting of the 4<sup>th</sup> Term”.</p> <p>3. Conducted discussion with Executive President Chia-Lin Chin and Executive Vice President Tsai-Yu Chang on the reorganization of the Bank and offered advices.</p> <p>4. Conducted discussion with Executive President Chia-Lin Chin for the Bank’s credit granting policies and provided advices.</p> <p>5. Examine the Bank’s “Credit Granting Policy” and provided advices.</p>
July 2008	<p>1. Attended “The 29<sup>th</sup> Board meeting of the 6<sup>th</sup> Term”, “The Revision of The Crediting Examination Procedures”, “The 18<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term”, “The Bad Debt Resale Meeting”, and “The 30<sup>th</sup> Board meeting of the 6<sup>th</sup> Term”.</p> <p>2. Attended and observed in “The 12<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term”, “The 17<sup>th</sup> Financial Holding’s Audit Committee Meeting of the 4<sup>th</sup> Term”.</p> <p>3. Independent directors conduct discussion on the Bank’s NPL regulations, business development and strategic directions,</p> <p>4. Independent directors provided suggestions on “The Development of Draft for Capital Adequacy Supervision and Examination Principles”, presented by Risk Management Dept.; Examine the Bank’s “Capital Adequacy Supervision and Examination Principles”.</p>



The Duty Performance of Independent Directors During Year 2008	
August 2008	<ol style="list-style-type: none"> <li>1. Attended "The 31<sup>st</sup> Board meeting of the 6<sup>th</sup> Term", "The Bad Debt Resale Meeting", "The 32<sup>nd</sup> Board meeting of the 6<sup>th</sup> Term", "The 19<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", "The Bad Debt Audit Result by Internal Audit Dept.", and "The 2008 Semiannual Accountant Post Audit Meeting".</li> <li>2. Attended and observed in "The 13<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term", and "The 18<sup>th</sup> Financial Holding's Audit Committee Meeting of the 4<sup>th</sup> Term".</li> <li>3. Conducted discussion with President Arthur Chen, Executive Vice President Chia-Lin Chin and General Auditor Ji-Sheng Wang.</li> <li>4. Independent directors provided advices on "Credit Risk Management Evaluation and Controlling Report", presented by Risk Management Dept.</li> </ol>
September 2008	<ol style="list-style-type: none"> <li>1. Attended "The 33<sup>rd</sup> Board meeting of the 6<sup>th</sup> Term", "The Bad Debt Resale Meeting", "The 20<sup>th</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", and "The 34<sup>th</sup> Board meeting of the 6<sup>th</sup> Term".</li> <li>2. Attended and observed in "The 14<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term", and "The 19<sup>th</sup> Financial Holding's Audit Committee Meeting of the 4<sup>th</sup> Term".</li> <li>3. Independent directors conducted discussion on "The Market Risk Theme Report: The Financial Tsunami", presented by Risk Management Dept., and provided advices.</li> </ol>
October 2008	<ol style="list-style-type: none"> <li>1. Attended "The 35<sup>th</sup> Board meeting of the 6<sup>th</sup> Term", "The Bad Debt Resale Meeting", "The 21<sup>st</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", "The Third Quarter Accountant Post-Audit Report", "The 36<sup>th</sup> Board meeting of the 6<sup>th</sup> Term", "The Bank's Existing Circumstance Report", "The 37<sup>th</sup> Board meeting of the 6<sup>th</sup> Term", and "The Discussion on Post-Loan Management Mechanism of Institutional Banking Credit Granting".</li> <li>2. Attended and observed in "The 15<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term", "The 21<sup>st</sup> Financial Holding's Audit Committee Meeting of the 4<sup>th</sup> Term".</li> <li>3. Independent directors conducted discussion with General Auditors of the Financial Holdings and the Bank.</li> <li>4. The independent directors provided advices on "The Bank's Report on Market and Operational Risks", presented by Risk Management Dept.</li> </ol>
November 2008	<ol style="list-style-type: none"> <li>1. Attended "The 38<sup>th</sup> Board meeting of the 6<sup>th</sup> Term", "The 22<sup>nd</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", and "The 39<sup>th</sup> Board meeting of the 6<sup>th</sup> Term".</li> <li>2. Attended and observed in "The 16<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term", "The 22<sup>nd</sup> Financial Holding's Audit Committee Meeting of the 4<sup>th</sup> Term", "The Long-Term Rewarding and Compensation Procedures to Employees of the Financial Holdings", "The Communication Meeting of the Group's Accountants" and conducted Accountant review and evaluation survey.</li> <li>3. Independent directors conducted discussion with the Bank's auditing system, conducted further discussion on such issue with Executive Vice President Chia-Lin Chin and provided advices.</li> <li>4. Independent directors conducted the annual communication meeting with General Auditor Wang.</li> <li>5. According to the Banks "Communication Procedures Between Audit Committee and Risk Management Dept." and "Communication Procedures Between Audit Committee and Internal Audit Dept.", conducted communication with Risk Management Dept. and Internal Audit Dept. and appraise the performance of the unit.</li> </ol>
December 2008	<ol style="list-style-type: none"> <li>1. Attended "The 40<sup>th</sup> Board meeting of the 6<sup>th</sup> Term", "The Bad Debt Resale Meeting", "The 23<sup>rd</sup> Audit Committee Meeting of the 6<sup>th</sup> Term", and "The 41<sup>st</sup> Board meeting of the 6<sup>th</sup> Term".</li> <li>2. Attended and observed in "The 17<sup>th</sup> Securities Audit Committee Meeting of the 6<sup>th</sup> Term", "The 23<sup>rd</sup> Financial Holding's Audit Committee Meeting of the 4<sup>th</sup> Term".</li> <li>3. Independent directors and General Auditor Wang conducted annual communication meeting.</li> <li>4. Independent Director Chu attended "The Meeting of Business Planning of the Banking Industry"</li> </ol>



**(2) State of Corporate Governance:**

Item	Operation	The Differences between the Corporate Governance Practice of the Bank and “Guidelines for Bank Corporate Governance” and Causes
<p>1. The Bank's ownership structure and Stockholders' Equity</p> <p>(1) The method used by the Bank to deal with stockholders' recommendations or disputes and other problems.</p> <p>(2) The control of the Bank over the list of major shareholders actually controlling the Bank and the ultimate controllers of these shareholders</p> <p>(3) The approach of establishing risk-managing mechanism and the firewall between the Bank and its affiliates.</p>	<p>(1) The Bank is wholly-owned by Yuanta Financial Holding. It accords its management of the Bank with Financial Holding Company Act, and maintains an unobstructed communication channels with the Bank.</p> <p>(2) Yuanta Financial Holding is the sole shareholder of the Bank. Therefore, the Bank is full aware of shareholders and the ultimate controller of major shareholders.</p> <p>(3) The Bank and its related party have been processing their finance independently, and the performance and division of responsibilities between both parties have been defined clearly, and also audited by CPA periodically. Additionally, the Bank has also established the independent risk management administration, responsible for controlling various risks. The Bank handled the credit and transactions with the related companies in accordance with Article 44 and Article 45 of Financial Holding Company Act. The Bank also handled the cross-selling operation in accordance with Article 43 of Financial Holding Company Act and the relevant regulations. The Bank also established the query system for stakeholders and related parties, and will submit the summarization of transactions to the Board of Directors for reference periodically.</p>	<p>Conformity</p>
<p>2. The composition and responsibilities of the board of directors</p> <p>(1) The establishment of independent directors by the Bank.</p>	<p>(1) In order to enhance the Bank's competency and maximizing the performance, the Bank, since June 2007, has implemented the corporate governance system. In Board meeting of the 6<sup>th</sup> Term on June 29, the Bank resolved to appoint as three independent directors Mr. Rong-Jou Wang, Former Chairman of Taiwan Business Bank, Prof. Dah-Hsian Seetoo, Chengchi University, Pao-Kuei Chu, Founding Chairman of Corporate Governance Association. All of the independent directors constitute the Audit committee. In response to the transfer of Independent Director Convener Rong-Jou Wang to the Vice Chairman position, The 14<sup>th</sup> Temporary Audit Committee of the 6<sup>th</sup> Term on March 20 2008 elected Rong-Xian Huang, Former Chairman of Central Trust of China, to succeed the Independent Director Convener position to date. Members of the Audit Committee not only possess rich experiences and erudition and demonstrate reputation, but also have expertise in their individual areas.</p>	<p>Conformity</p>



Item	Operation	The Differences between the Corporate Governance Practice of the Bank and “Guidelines for Bank Corporate Governance” and Causes
(2) The regular evaluation of certifying CPAs' independence.	<p>In order to expedite the independent director's full participation in the corporate operation and completely perform its supervision and consultancy functions, the Bank particularly installed Independent Director's Offices and exclusive secretaries for assistance with administrative affairs. The Bank also required all colleagues to cooperate with the supervision of independent directors in order to intensify the functions of directors and supervisors and aggressively further corporate governance. The Bank now set up 9 Directors, including 3 independent directors, who constitutes the Audit Committee and perform the duty of</p> <p>(2) The Bank report Audit Committee and Board of Directors the independence evaluation and employment of certified accountants.</p>	
3. The establishment of the communication medium with stakeholders.	The Bank has defined the “Regulations Governing Interested Parties' Suggestions and Disputes for Audit Committee” to establish the unobstructed communication and constructed “The Area for Employees and Interested Party's Suggestions and Disputes for Audit Committee” as a communication channel on the website.	Conformity
<p>4. Information Openness</p> <p>(1) The establishment of the website, disclosure of the corporate finance and governance by the Bank.</p> <p>(2) Other information-disclosing approaches adopted by the Bank (such as setting up an English website, and appointing a specialized person to collect and disclose the Bank's information, implementing the spokesperson system.)</p>	<p>(1) The Bank's website provides annual report, important financial information and corporate governance practice for reference.</p> <p>(2) The Bank has set up an English website to provide investor-related information, such as the annual report and established a spokesperson position, currently served by Vice President Eric Chiu.</p>	Conformity
5. The establishment of functional committees such as the nomination or compensation committees by the Bank	The Bank currently has not established any functional committees such as the nomination or compensation committees.	Under Discussion
6. Please explain the operation of the Bank's corporate governance system and its differences from “Guidelines for Bank Corporate Governance” and the reasons for these differences: As stated above, the Bank conformed corporate governance to regulations.		
(1) Staff Right and Employee Care: The Bank established Employees' Welfare Committee and, on the corporate website, set up Employee's Recommendation as a communicative medium between employees and employers.		



Item	Operation	The Differences between the Corporate Governance Practice of the Bank and "Guidelines for Bank Corporate Governance" and Causes
<p>(2) Recommendation as a communicative medium between employees and employers.</p> <p>(2) Investors Relations and Stakeholder's Rights, : The Bank, on the corporate website, established Stakeholder's and the Public's Recommendation as the communicative medium between the Bank and stakeholders and investors.</p> <p>(3) Director's and Supervisor's Further Education the Bank developed "Director Further Education Procedures" (Please refer to Director's Further Education).</p> <p>(4) The Implementation of Risk Management Policies and Risk Evaluation Criteria: The Bank has developed superior risk management policy and developed risk evaluation criteria, approved by Board of Director, and constituted a well-structured risk management system in order to ensure various risk evaluation criteria. Meanwhile, the Bank also set up Risk Management Committee to integrate the deliberation, supervision and coordination of the Bank's risk management.</p> <p>(5) The Implementation of Customers' Policies : The Bank has developed "Guidelines on Consumer Protection" to protect customers' rights and conformed to customer confidentiality measures of the Financial Holdings to protect customer's privacy.</p> <p>(6) Bank's Purchase of Liabilities Insurance for Directors and Supervisors: The Bank has purchased liability insurance from AIG General Insurance Company for directors and supervisors.</p>		
<p>8. Corporate governance self-assessment report or result or the assessment report made by other appointed professional institutions, major defects (or suggestions) and improvement: [None]</p> <p>(1) Self Assessment:</p> <p>(a) According to "The Self Assessment Procedures of the Audit Committee", the Audit Committee had better conduct self assessment before the end of year. The self assessment result and the improvement plan should be discussed with the Chairman first before reported to the Board of Director. The members of the Audit Committee have finished and filed The 2009 Audit Committee Self Assessment in written. The assessment was conducted by three independent directors filling the assessment questionnaires, which includes 11 items, including authority regulations ( 9 questions in total), qualifications and appointment ( 3 questions in total), meeting convention ( 8 questions in total), training and related resources ( 7 questions in total), the review of financial statements ( 4 questions in total), internal control and risk management of finance ( 4 questions in total), the internal audit process ( 11 questions in total), the review of the certified accountant audit process ( 18 questions in total), the dispute system ( 1 question in total), The relation with the Board of Directors ( 3 questions in total) and the communication with shareholders ( 4 questions in total). Most of the self assessment showed excellent results.</p> <p>(b) Members' Recommendations to the Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Intensify the depth and the breadth of internal audit and carry out the self inspection of divisions.</li> <li>2. Place higher emphasis on the on-the-job training of the cadre, inherit expertise and promote talent nurturance.</li> <li>3. Solidify the quality elevation of the audit unit.</li> </ol> <p>(c) Members' Recommendation toward Themselves:</p> <ol style="list-style-type: none"> <li>1. Master the abrupt changes in internal and external operating environment and assist the Board of Directors with timely effective response.</li> <li>2. Understand the risk management system more deeply.</li> </ol> <p>(2) Appointed Assessment: Since the Bank launched the corporate governance system in 2007, the Bank, with the professional and responsible assistance from three independent directors, has effectively enhanced the transparency of the corporate strategy making and business management. The Audit Committee, comprised by all of independent directors, not only demonstrates a well-rounded organization and a sound structure, but also realizes regulations of corporate governance. In particular, the Committee fully conforms to all of stipulations of stakeholder transactions in the Bank Law. It also intensifies the mechanism of internal control, internal audit and risk management. In review of corporate governance, the Bank, its parent Yuanta Financial Holdings and the subsidiaries, Yuanta Securities and Yuanta Securities Finance, collectively joined the grading of National Association of Corporate Directors in April 2008 and received Corporate Governance CG6003 Certificate. With the joint dedication of the Audit Committee, all of directors and supervisors, the management and managers and all of the staff and the fully implementation and conformity of the corporate governance system, the Bank is going to enjoy a sounder and better rounded structure and more massive and stable potential in development.</p>		

Note 1 : For on-job education of directors and supervisors, the Bank conforms to "The On-Job Education Guidelines of Directors and Supervisors of TSE and OTC Listed Companies" published by the Taiwan Stock Exchange (TSE).

Note 2 : The implementation of risk management policies, risk-measuring standards and customer or client protection should be stated.

Note 3 : The said "Self-Study Report for Corporate Governance" means that the corporation, according to the self-study items for corporate governance, conducts self evaluation and explanation of the operation and implementation of each self-study items.



**(3) Effective equity in each investee company:**

Unit : share ; % ; Feb.28.2009

Companies (Note 1)	The Bank's investment		The investment by directors, supervisors, president, vice presidents, Assistant Presidents, supervisors of departments and branches, and the enterprises controlled by the Bank directly or indirectly		Comprehensive investment	
	Shares	%	Shares	%	Shares	%
Yuanta Leasing	19,700,000	98.56	—	—	19,700,000	98.56
Yuanta Property Insurance Agent	(Note 2)	80.00	—	—	(Note 2)	80.00
Yuanta Life Insurance Agent	299,991	99.99	—	—	299,991	99.99
Taipei Foreign Exchange Co., Ltd.	80,000	0.40	—	—	80,000	0.40
Fubon Securities Finance Co., Ltd.	7,886,671	1.97	—	—	7,886,671	1.97
Grand Bills Finance Corp.	7,333,248	1.36	—	—	7,333,248	1.36
Financial Information Service Co., Ltd.	4,615,000	1.15	—	—	4,615,000	1.15
Ornatube Enterprise Co., Ltd. (Note 3)	200,577	0.05	—	—	200,577	0.05
Taiwan Asset Management Corporation	10,000,000	0.57	—	—	10,000,000	0.57
China Daily News	83	0.0002	—	—	83	0.0002
Sunshine Asset Management Co., Ltd.	104,332	1.74	—	—	104,332	1.74

Note 1: The investment means in accordance with Article 74 of the Banking Act.

Note 2: Limited company with no share.

Note 3: Translated from short-term investment



# 3



## Fund Raising and Operational Highlights

**We Create Fortune**

Section Three  
Yuanhe Sun  
2009 Annual Report

### III Fund Raising and Operational Highlights

#### 1. Capital and Shares

##### (1) Sources of Capital :

Feb.28.2009 ; Unit: NT\$1,000; thousand shares.

Date of Issue	Issue price (Dollar)	Authorized Capital		Issued Shares		Remarks	
		Shares	Amount	Shares	Amount	Source of Capital	Others
Dec. 2002	\$10	1,211,514	12,115,136	1,211,514	12,115,136	Founding capital	
Dec. 2003	\$10	1,050,000	10,500,000	1,050,000	10,500,000	Capital decrease to make up for loss of 161,514 thousand shares	Note 1
Feb. 2004	\$10	1,350,000	13,500,000	1,350,000	13,500,000	Private placement of 300,000 thousand shares	Note 1
Jul. 2004	\$10	1,400,000	14,000,000	1,400,000	14,000,000	Recapitalization of earnings, 50,000 thousand shares	Note 2
Jul. 2005	\$10	1,800,000	18,000,000	1,800,000	18,000,000	Recapitalization of earnings, 100,000 thousand shares, and private placement of 300,000 thousand shares.	Note 3
Oct. 2007	\$10	2,400,000	24,000,000	2,400,000	24,000,000	Capital decrease to make loss of 400,000 thousand shares and private placement of 1,000,000 thousand shares	Note 4
Mar. 2008	\$10	2,200,000	22,000,000	2,200,000	22,000,000	Capital decrease to make loss of 200,000 thousand shares	Note5

Note 1: Tai-Tsai-Rong-(2) - 0920047493 dated November 17, 2003

Note 2: Tai-Tsai-Cheng-(1)-0930126570 dated June 15, 2004

Note 3: Jin-Kuan-Cheng-(1)-0940115706 dated May 16, 2005 and Jin-Kuan-Yin-(6)-0940013937 dated June 17, 2005

Note 4: Jin-Kuan-Cheng-(1)-0960054153 dated October 9, 2007 and Jin-Kuan-Yin-(6)-09600427560 dated October 5, 2007

Note 5: Jin-Kuan-Cheng-(1) - 0970009643 dated March 19, 2008.

Feb.28.2009

Type of stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common Shares	2,200,000,000	0	2,200,000,000	Public offering

(2) Major Shareholders: 2,200,000,000 Shares and 100% owned by Yuanta FHC.

##### (3) Market Price, Book Value, Earnings and Dividends Per Share, and the Relevant Information Over the Most Recent two years:

Year Item		2008	2007	Feb.28.2009	
Market Price/Share	Highest	Note 1	Note 1	Note 1	
	Lowest	Note 1	Note 1	Note 1	
	Average	Note 1	Note 1	Note 1	
Book Value/Share	Before distribution	NT\$ 8.47	NT\$ 9.10	NT\$ 8.59	
	After distribution	NT\$ 8.47	NT\$ 9.10	NT\$ 8.59	
EPS	Weighted average shares (thousand shares)		2,200,000	1,456,621	2,200,000
	EPS	Before adjustment	NT\$ (1.47)	NT\$ (1.26)	NT\$ 0.06
		After adjustment	NT\$ (1.47)	NT\$ (1.37)	NT\$ 0.06
Dividend/Share (NT\$/Share)	Cash dividends		—	—	—
	Stock dividends	By earnings	—	—	—
		By capital surplus	—	—	—
	Accumulated unpaid dividends		—	—	—
Return on investment	P/E ratio		Note 1	Note 1	Note 1
	Dividend yield		Note 1	Note 1	Note 1
	Cash dividend yield		Note 1	Note 1	Note 1

Note 1 : The Bank is not a listed or OTC company; therefore, there is no public quotation available for reference.



## 2. Financial Debentures and Capital Utilization Plan

### (1) Issuance of Financial Debentures

Type of financial debentures	1 <sup>st</sup> term financial debentures 2002	1 <sup>st</sup> term financial debentures 2002
Date of approval & approval document No.	Tai-Tsai-Rong-(2)-0910042863 dated Sep. 24, 2002	Tai-Tsai-Rong-(2)-0910042863 dated Sep. 24, 2002
Date of issuance	Nov. 4.2002	Nov.4.2002
Par value	NT\$10,000,000 and NT\$1,000,000	NT\$10,000,000 and NT\$1,000,000
Issue and trading venue	Taipei City	Taipei City
Currency	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value
Total amount	NT\$3.1 billion	NT\$1.4 billion
Interest rate	6.15% less floating interest rate (Note 1)	3.5%
Duration	Duration: 5 years and 3 months Maturity: Feb. 4, 2008	Duration: 5 years and 3 months Maturity: Feb. 4, 2008
Priority	Second junior subordinated financial debentures	Second junior subordinated financial debentures
Guarantor	None	None
Trustee	None	None
Underwriter	None	None
Certification attorney	Chien Yeh Law Offices: Y. Y. Jin	Chien Yeh Law Offices: Y. Y. Jin
Certification CPA	KPMG CPA: Ann-Tien Yu	KPMG CPA: Ann-Tien Yu
Certification financial Institution	Grand Bills Finance Co., Ltd.	Grand Bills Finance Co., Ltd.
Repayment	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity
Outstanding balance	NT\$3.1 billion	NT\$1.4 billion
Paid-in capital for previous year	NT\$18,000,000 thousand	NT\$18,000,000 thousand
Net value upon final account in the previous year	NT\$18,729,255 thousand	NT\$18,729,255 thousand
Performance	None	None
Terms of redemption or early repayment	None	None
Terms and conditions of conversion and exchange	None	None
Restrictions	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working Capital	To increase capital adequacy ratio and enrich working Capital
<u>(Issue price+outstanding balance)</u> (Paid-in capital) (%)	16.55%	24.03%
Eligible entity capital and type	Yes, Tier II	Yes, Tier II
Credit rating organization, date of rating and rating score	Aug.14, 2007, Taiwan Ratings: twA+	Aug.14, 2007, Taiwan Ratings: twA+

Note1: It is based on the 6-month LIBOR and be calculated every six months.



Type of financial debentures	1 <sup>st</sup> term financial debentures 2006	1 <sup>st</sup> financial debentures at 2 <sup>nd</sup> term 2006	2 <sup>nd</sup> financial debentures at 2 <sup>nd</sup> term 2006
Date of approval & approval document No.	Jin-Kuan-Yin-(6)-09500034 970 dated Feb. 16 2006	Jin-Kuan-Yin-(6)-09500480 850 dated Nov. 2 2006	Jin-Kuan-Yin-(6)-09500480 850 dated Nov. 2 2006
Date of issuance	Feb. 24,2006	Dec. 22, 2006	Dec. 27, 2006
Par value	NT\$10,000,000	NT\$10,000,000	NT\$10,000,000
Issue and trading venue	Taipei City	Taipei City	Taipei City
Currency	NT\$	NT\$	NT\$
Issuing price	Issued at par value	Issued at par value	Issued at par value
Total amount	NT\$5 billion	NT\$1.8 billion	NT\$3 billion
Interest rate	2.55%	2.5%	3.25% within 5 years upon the issue date, and 4.25% upon expiration of the 5-year period, if the bonds are not redeemed
Duration	Duration: 5 years and 6 months Maturity: Aug. 24, 2011	Duration: 6 years Maturity: Dec. 22, 2012	Unless redeemed, no maturity applicable to the bonds
Priority	Second junior subordinated financial debentures	Second junior subordinated financial debentures	Second junior subordinated financial debentures
Guarantor	None	None	None
Trustee	None	None	None
Underwriter	None	None	None
Certification attorney	Chien Yeh Law Offices: C. Y. Tsai; Y. F. Tseng	Chien Yeh Law Offices: C. Y. Tsai; Y. F. Tseng	Chien Yeh Law Offices: C. Y. Tsai; Y. F. Tseng
Certification CPA	KPMG CPA: Ann-Tien Yu	KPMG CPA: L. L. Lue	KPMG CPA: L. L. Lue
Certification financial Institution	Grand Bills Finance Co., Ltd.	None	None
Repayment	Repayment in a lump sum upon maturity	Repayment in a lump sum upon maturity	No maturity applicable; to be redeemed after five years
Outstanding balance	NT\$5 billion	NT\$1.8 billion	NT\$3 billion
Paid-in capital for previous year	NT\$18,000,000 thousand	NT\$18,000,000 thousand	NT\$18,000,000 thousand
Net value upon final account in the previous year	NT\$18,729,255 thousand	NT\$18,729,255 thousand	NT\$18,729,255 thousand
Performance	None	None	None
Terms of redemption or early repayment	None	Yuanta Commercial Bank is entitled to early redeem the bonds at par value in whole upon expiration of each year after two years upon the issue date. The underwriter or bondholder shall not reject the redemption.	Yuanta Commercial Bank is entitled to early redeem the bonds at par value in whole upon expiration of each year after five years upon the issue date. The underwriter or bondholder shall not reject the redemption.
Terms and conditions of conversion and exchange	None	None	None
Restrictions	None	None	None
Capital utilization plan	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital	To increase capital adequacy ratio and enrich working capital
(Issue price+outstanding balance) (Paid-in capital) (%)	50.72%	60.33%	76.35%
Eligible entity capital and type	Yes, Tier II	Yes, Tier II	Yes, Tier II
Credit rating organization, date of rating and rating score	Feb.16.2009 Taiwan Ratings: twAA-(Bank rating)	Feb.16.2009, Taiwan Ratings: twAA-(Bank rating)	Feb.16.2009, Taiwan Ratings: twAA-(Bank rating)



## (2) Implementation Capital Utilization Plan

With approval from the authority, the Bank issued debentures totaling NT\$ 4.5 billion on September 24, 2002. Afterward, the Bank acquired approval from the authority and issued debentures totaling and NT\$ 5 billion on February 15, 2006. Both were completed before the requested due dates. The Bank also received approval to issue quota of NT\$ 5 billion each of general subordinated debentures and subordinated debentures on November 2, 2006. The issuance of NT\$ 4.8 billion of subordinated debenture was completed. The remaining NT\$ 200 million of subordinated debentures were not issued for the Bank's BIS achieved the requirement of the authority. The full amount of NT\$ 5 billion of general subordinated debentures was applied for re-issuance of US\$ 150 million of general subordinated debentures. After re-evaluation, the issuance is suspended. As of December 31, 2008, the Bank had already issued a total of NT\$ 9.8 billion debentures. The Bank issued the debentures in order to enhance capital adequacy ratio and respond to capital demand for loans and financial operation of financial products in Taiwan and foreign currencies.

As a result of issuing the first series of subordinated debentures in 2006, the capital adequacy ratio rose from 8.14% at the end of December 2005 to 9.90% at the end of March 2006. After issuing the second series of subordinated debentures, the capital adequacy ratio ascended from 8.59 % at the end of September 2006 to 9.21% at the end of December 2006. As of the end of December 2008, the Bank's capital adequacy ratio was 11.21%.

## 3. Business Overview

### (1) Business Performance

#### A、Deposits

Unit: NT\$ in million

Item	Dec.31.2008		Dec.31.2007		Comparison with 2007	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) proportion (%)
Demand deposits	110,000	37.34	105,646	40.20	4,354	4.12
Checking deposits	1,929	0.65	2,194	0.83	(265)	(12.08)
Demand deposits	25,046	8.50	23,463	8.93	1,583	6.75
Passbook saving deposits	83,025	28.19	79,989	30.44	3,036	3.80
Time deposits	184,576	62.66	157,154	59.80	27,422	17.45
Time deposits	75,104	25.50	65,529	24.94	9,575	14.61
Time savings deposits	109,472	37.16	91,625	34.86	17,847	19.48
Total	294,576	100.00	262,800	100.00	31,776	12.09

Note: The deposits include foreign currency deposits but exclude the deposits at the Central Bank and other banks



B、Loans

Unit: NT\$ in million

Item	Dec.31.2008		Dec.31.2007		Comparison with 2007	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Corporate Loans	144,786	100.00	136,922	100.00	7,864	5.74
General corporate loans	66,238	45.75	63,234	46.18	3,004	4.75
Small-and-medium business loans	43,260	29.88	39,718	29.01	3,542	8.92
Strategic loans	1,787	1.23	3,273	2.39	(1,486)	(45.40)
Foreign currency loans	19,649	13.57	16,882	12.33	2,767	16.39
Delinquent	1,618	1.12	976	0.71	642	65.78
Others (Note 1)	12,234	8.45	12,839	9.38	(605)	(4.71)
Consumer Loans	93,935	100.00	104,041	100.00	(10,106)	9.71
Mortgage	79,934	85.10	82,039	78.85	(2,105)	(2.57)
Car loans	2,945	3.13	6,370	6.12	(3,425)	(53.77)
Consumer loans	9,119	9.71	14,410	13.86	(5,291)	(36.72)
Delinquent	1,692	1.80	972	0.93	720	74.07
Others (Note 2)	245	0.26	250	0.24	(5)	(2.00)
Total	238,721	-	240,963	-	(2,242)	0.93

Note 1 : Including import and export negotiation rebate and account receivable finance.

Note 2 : Including certificate of deposit loan, composite overdraft.

C、Foreign Exchange

Unit: US\$1,000

Item \ Year	2008		2007		Comparison with 2007	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Import	1,151,299	7.92	1,200,982	8.26	(49,683)	(4.14)
Export	316,120	2.18	337,075	2.32	(20,955)	(6.22)
Outward	6,539,676	44.98	6,650,275	45.75	(110,599)	(1.66)
Inward	6,530,925	44.92	6,346,944	43.67	183,981	2.90
Total	14,538,020	100.00	14,535,276	100.00	2,744	0.02

D、Trust Business

Unit: NT\$1,000

Item \ Year	2008	2007	Comparison with 2007		
			Amount increase (decrease)	Increase (decrease) proportion (%)	
Total balance of trust assets	54,949,426(Note1)	65,086,599(Note2)	(10,137,173)	(15.57)	
Total revenue of trust business service fee	442,782	657,807	(215,025)	(32.69)	
Scale of assets under custody of local securities investment trust fund and investment insurance policy	8,827,519	31,971,525	(23,144,006)	(72.39)	
The custody asset in discretionary investment account	90,387	404,429	(314,042)	(77.65)	
Scale of assets under custody of foreign investment	661,876	283,062	378,814	133.83	
Scale of assets under custody of business guarantee bond	3,090,000	3,255,000	(165,000)	(5.07)	
Custodian service fee income	23,886	39,488	(15,602)	(39.51)	
Certification of securities	Amount of certification	72,788,880	23,674,697	49,114,183	207.45
	Revenue of certification service charges	2,762	3,293	(531)	(16.11)

Note 1: including OBU trust property in the amount of NT\$158,010 thousand.

Note 2: including OBU trust property in the amount of NT\$162,275 thousand



## E、Credit card

Item	2008	2007	Comparison with 2007	
			Amount increase (decrease)	Increase (decrease) proportion (%)
Number of cards issued (card)	800,267	691,707	108,560	15.69
Number of cards in circulation (card)	301,380	303,575	(2,195)	(0.72)
Total amount charged (NT\$ in million)	10,356	7,248	3,108	42.88
Revolving credit (NT\$ in million)	1,428	1,851	(423)	(22.85)

## F、Investment

Unit: NT\$ in million

Type	2008	2007
Bond trading volume	1,725,276	1,704,934
Bill trading volume	1,391,447	139,419

Unit: US\$ in million

Type	2008	2007
Spot transaction	27,850	14,781
Forward exchange transaction	5,453	1,437
Foreign exchange SWAP	8,073	2,250
Currency Option transaction	2,724	1,310

## G、E-Banking

Item	Year	2008	2007	Comparison with 2007	
				Amount increase (decrease)	Increase (decrease) proportion (%)
Analysis of E-banking transactions	Total Internet banking transactions (in thousands)	14,798	12,463	2,335	18.74
	Total phone banking transactions (in thousands)	529	-[Note]	-[Note]	-[Note]
	Total Suppurate transactions (in thousands)	265	240	25	10.42

Note : The new phone banking system was operated on September.2007.

## (2) Market Analysis

## A. Competitive niches and advantageous and disadvantageous factors in development vision:

Supported by the brand awareness and the huge customer base of the Financial Holdings, the Bank possesses channel advantage in cross-business integration. In preview of the fiercely competitive operating environment in the future, the Bank's development vision is as follows:



- i. Advantageous factors:
  - a. Through the management team, introduce exceptional execution to drive the Bank's operating dynamics;
  - b. Through the cross-business integration among subsidiary enterprises of the Financial Holdings, not only aggressively transfer customers of securities transfer deposit account to minimize the Bank's capital cost, but also supply well rounded financial services to the group customers.
  - c. Complete the launch of the New Core Banking System and maximize the efficiency of new product introduction;
  - d. The internal organization, in response to the external environment, can persist in re-organization to maximize operating efficiency;
  - e. Place emphasis on risk management and asset quality and excel competitors in the coverage rate;
  - f. The financial policies for the Greater China are gradually loosened up, which benefits the business expansion.
- ii. Disadvantageous factors:
  - a. The economic recession triggered by the global financial crisis has not eased up. The bailout and the economy-boosting solutions proposed by every government fail to be effective. The financial industry stayed trapped in predicament.
  - b. Influenced by the financial tsunami, banks take higher risks in investing or distributing offshore financial products. The profit of the Bank is also damaged by the lessened financial asset value and the bad debt risk of the crediting cases.
  - c. The excessive competition, the horrible price war among competitors and the drastic abatement of deposit-loan interest difference squeeze the overall profitability.
  - d. The financial supervision platform and cooperative mechanism for the China market have not ascertained. The progress of expanding the banking services to the China market requires acceleration.
  - e. The Bank currently possesses lower market share due to insufficient coverage of service locations.
- iii. Responsive strategies:
  - a. Integrate resources of Financial Holdings, utilize channel marketing synergy, master the deployment of the Group in China, Hong Kong and Taiwan, and aggressively expand business in Greater China.
  - b. Focus on the core customer segment and cultivate quality customers to elevate customer contribution.
  - c. Carry out the branch zone supervision system and utilize the channel value.
  - d. Carry out the profit center system, strictly control cost benefit and establish the Operation Standardization and Process Improvement Team to maximize operation efficiency and the Bank's competence.
  - e. Maximize research and development capabilities for new financial products and elevate the fee income.



## B. Business Development Plans

- i. Simplify the current operation process and establish standard mechanism to maximize service quality and the comprehensive efficiency.
- ii. Elevate the utilization of the Bank's automated facility to minimize the counter staff and persistently solidify functions of E-Banking for boundless banking services.
- iii. Aggressively expand the financing and collection services in China, Hong Kong and Taiwan and fortifies the marketing of structured financial products to master customers' money flow and cultivate customers.
- iv. Strengthen principal transactions in stock, bonds, foreign exchange and derivatives, and aggressively develop new financial products combining interest rates, exchange rates, equity and credit in order to differentiate among target markets, satisfy customers in different segments, thus build up the foundation for business with high added value and explore diverse sources of income.
- v. Strengthen training and elevate the Bank's financial expertise and risk management awareness to fortify the whole-bank business expansion and post-loan management capability.
- vi. Cautiously select quality customers, fortify credit analysis, and well implement risk grading and price discrimination to balance risk and profit and fortify asset quality.
- vii. Fully utilize resources of Financial Holdings and provide complete and professional financial planning to customers and deepen the interaction with customers.
- viii. Expand sources of fee income through joint venture with the insurance and investment trust industries.

## (2) Employee Composition

Year		2007	2008	Feb.28.2009
Number of staff		2,865	2,612	2,445
Average age		35.46	36.04	36.99
Average seniority		4.57	5.24	5.36
Education level ratio	PhD	0.03 %	0.03 %	0.04 %
	Master	8.20 %	9.69 %	9.82 %
	University & College	82.73 %	83.51 %	83.68 %
	High School	9.01 %	6.74 %	6.42 %
	Below High School	0.03 %	0.03 %	0.04 %
Certificates and licenses held by Yuanta Commercial Bank employees	Certificates/Licenses	Number of staff	Certificates/Licenses	Number of staff
	Internal Control	1,711	Investment Insurance Salesperson	659
	Life Insurance Salesperson	1,661	Financial Knowledge and Ethics	1,046
	Trust Salesperson	1,559	Financial Planning Specialist	459
	Property Insurance Salesperson	978	Other Financial Certificates/Licenses	3,975



### **(3) Corporate Responsibility and Ethics**

For devotion to the society, the Bank has been sponsoring various academic and charity events and providing assistantship through Yuanta Foundation over these years, which can be exemplified with holding “On Campus Financial Seminars” during Yuanta Week in National Chengchi University, inviting disadvantaged students to go to “Giant of Ice Ages: Special Exhibit of Woolly Mammoth Specimen”, sponsoring Chang Yung-Fa Foundation for the charity concert, Praise to New Year, sponsoring the 2nd EMBA Inter-college Case Analysis Competition, participating in 2008 Venice Architecture Biennale Interbreeding Field of Tainan National University of the Arts, participating in “Fruit and Vegetable 5-7-9; Help Kids with Cancer Fight” of Formosa Cancer Foundation, and joining the liver disease screening of Liver Disease Prevention & Treatment Research Foundation. In the future, Yuanta Foundation will continue its devotion with the same spirit. The Bank also established a donation area for the public to make donation, through the corporate website, to dozens of public interest groups, such as Eden Social Welfare Foundation, The Child Welfare League Foundation, Children Are Us Foundation, and Chou, Ta-Kuan Foundation for the best public interest.

### **(4) Future IT Development Projects**

To meet our Bank’s operation strategies and fulfill the business goals, our bank budgets some projects on enhancing our information infrastructure each year. In response to our business requirements, the Bank's IT group will focus on our electronic services and management. All our future projects are described briefly as below:

- A. Relocate our Data Center and establish a new Remote Back Up Center.
- B. Develop a financial trading system (summit) and Domestic Bonds and Notes trading system.
- C. Integrate the Cooperate/Personal Collateral system.
- D. Implement the consumer banking, image management, consumer credit review system and Data Warehouse.
- E. Establish a new network banking platform and interest receiving report system for tax return filing purpose.
- F. In response to the coming of ROC Year 100, the Bank will conduct any necessary adjustment in our current systems.

Nowadays, Internet is broadly employed in commercial banking. A great deal of profits is produced through using hi-tech. So far, the Bank has fully introduced e-Banking finance solutions.

To target our customers and elites, who tend to invest wisely. Our new e-Banking Financial services can meet the specific needs of our clients and provide feedback to maximize additional value.

### **(5) Employee Welfare**

- A In addition to enrolling employees in labor insurance and national health insurance in accordance with the government’s laws and regulations, the Bank also enrolled employees in group insurance, including term life insurance, injury insurance, cancer insurance, hospitalization insurance and occupational disaster insurance, etc...
- B Established Employees Welfare Committee and stipulated the relevant



reimbursement procedures, such as providing subsidies to events of employee clubs and to the employee events or trips.

- C Provided employees meal reimbursement and children scholarship.
- D Provided preferential interest rates for savings accounts of employees, house loans, property remodeling loans and consumer loans.
- E Provided employees with shareholdings trust service.



# Financial Information and Risk Management



# 4

**We Create Fortune**

Section Four  
Yuanta Bank  
2008 Annual Report

## IV. Financial Information and Risk Management

### 1. Financial Review 2004~2008

#### (1) Condensed Balance Sheet for Past Five Years

Unit: NT\$1,000

Item	Year	Financial information over the past five years (Note)					Feb.28.2009
		2008	2007	2006	2005	2004	
Cash and cash equivalent, deposited in Central Bank and due from interbank		42,407,254	64,336,771	63,275,717	35,492,474	37,651,406	35,065,337
Marketable securities purchased		-	-	-	-	24,538,408	-
Financial assets at fair value through income statement - net		44,581,784	5,940,952	12,071,805	7,781,535	-	46,487,954
RS and bonds investment		1,644,337	397,522	611,200	59,556	-	-
Receivables - net		9,829,041	15,034,704	16,832,116	9,265,445	7,960,841	9,737,783
Assets held for sale		-	778,668	-	-	-	-
Rebate and loans - net		232,873,593	236,802,168	226,180,652	228,842,212	195,102,670	228,877,022
Financial assets in available-for-sale - net		15,639,774	14,345,346	16,667,948	17,575,892	-	18,280,442
Financial assets in held-to-maturity - net		597,276	849,150	325,960	-	-	625,976
Equity investment under equity method		133,187	143,162	160,555	185,194	217,678	136,416
Other financial assets		482,593	1,312,653	2,101,809	2,372,896	1,890,627	491,904
Fixed assets - net		2,549,695	2,265,556	3,088,194	3,067,008	2,903,625	2,525,403
Intangible assets		232,017	1,466,021	1,446,600	1,455,523	529,421	219,336
Other assets - net		3,205,290	2,830,566	2,925,277	2,770,515	1,899,187	3,373,137
<b>Total assets</b>		<b>354,175,841</b>	<b>346,503,239</b>	<b>345,687,833</b>	<b>308,868,250</b>	<b>272,693,863</b>	<b>345,820,710</b>
Deposits at Central Bank and interbank		11,865,082	28,264,164	26,328,167	26,099,261	24,670,040	18,648,830
Financial liabilities at fair value through income statement		4,080,414	3,570,504	2,497,646	104,849	-	4,503,584
RP and bonds liabilities		7,325,426	7,909,694	12,140,286	10,796,321	10,903,860	7,636,439
Deposits and remittances		294,594,534	262,844,440	267,431,677	242,414,362	211,320,395	278,226,966
Funds due to Central Bank and interbank, payable financial bonds		9,800,000	12,166,000	12,166,000	4,500,000	4,500,000	9,800,000
Preferred stock liabilities		-	-	-	-	-	-
Accrued pension liabilities		-	-	21,783	57,482	25,745	-
Other financial liabilities		258,667	464,752	501,190	74,560	-	294,414
Other liabilities		7,620,383	9,454,905	10,656,957	6,092,160	5,485,365	7,818,089
<b>Total liabilities</b>	<b>Before distribution</b>	<b>335,544,506</b>	<b>324,674,459</b>	<b>331,725,706</b>	<b>290,138,995</b>	<b>256,905,405</b>	<b>326,928,322</b>
	<b>After distribution</b>	<b>335,544,506</b>	<b>324,674,459</b>	<b>331,725,706</b>	<b>290,175,163</b>	<b>256,956,985</b>	<b>326,928,322</b>
Capital stock		22,000,000	24,000,000	18,000,000	18,000,000	14,000,000	22,000,000
Capital surplus		-	-	14,673	14,673	14,673	-
Retained earnings	<b>Before distribution</b>	<b>(3,254,911)</b>	<b>(2,014,728)</b>	<b>(4,028,159)</b>	<b>773,874</b>	<b>1,773,785</b>	<b>(3,131,076)</b>
	<b>After distribution</b>	<b>(3,254,911)</b>	<b>(2,014,728)</b>	<b>(4,028,159)</b>	<b>737,706</b>	<b>722,205</b>	<b>(3,131,076)</b>
Unrealized income on financial products		(113,754)	(156,492)	15,273	-	-	23,464
Cumulative translation adjustment		-	-	-	-	-	-
Other shareholders' equity		-	-	(39,660)	(59,292)	-	-
<b>Total shareholders' equity</b>	<b>Before distribution</b>	<b>18,631,335</b>	<b>21,828,780</b>	<b>13,962,127</b>	<b>15,729,255</b>	<b>15,788,458</b>	<b>18,892,388</b>
	<b>After distribution</b>	<b>18,631,335</b>	<b>21,828,780</b>	<b>13,962,127</b>	<b>18,693,087</b>	<b>15,736,878</b>	<b>18,892,388</b>

Note: The financial information from 2004 to 2008 has been audited and certified by CPA. The financial information for the period ended February 28, 2009 was related to the accounts closed by the Bank independently.



## (2) Condensed Income Statement for Past Five Years

Unit: NT\$1,000

Item	Year	Financial information over the past five years (Note)					Feb.28.2009
		2008	2007	2006	2005	2004	
Interest income – net		4,333,741	5,483,699	5,551,436	5,897,274	5,293,577	678,512
Non-interest income – net		(22,030)	1,110,464	1,585,949	1,091,540	1,588,791	279,731
Bad debt expenses		3,201,826	4,099,417	8,394,810	2,964,931	1,550,571	112,189
Operating expenses		5,048,074	5,089,484	4,402,563	3,949,796	3,281,138	716,624
Continuing operating income before tax		(3,938,189)	(2,594,738)	(5,659,988)	74,087	2,050,659	129,430
Continue operating income after tax		(3,240,183)	(2,001,242)	(4,777,022)	51,669	1,502,258	123,836
Discontinued operation income (net after tax)		-	-	-	-	-	-
Extraordinary income (net after tax)		-	-	-	-	-	-
Cumulative effect of changes in accounting principles (net after tax)		-	-	11,158	-	-	-
Net Income		(3,240,183)	(2,001,242)	(4,765,864)	51,669	1,502,258	123,836
EPS(NT\$)	Before adjustment	(1.47)	(1.26)	(2.65)	0.03	1.11	0.06
	After adjustment	(1.47)	(1.37)	(3.71)	0.04	1.46	0.06

Note: The financial information from 2004 to 2008 has been audited and certified by CPA. The financial information for the period ended February 28, 2009 was related to the accounts closed by the Bank independently.

## (3) Independent Auditors Over the Past Five Years and their Audit Opinions

Year	Independent auditing firm	CPA	Auditor's opinion
2004	KPMG Certified Public Accountants	Andrew Yu & Lisa Kuang	Standard unqualified opinion
2005	KPMG Certified Public Accountants	Andrew Yu & Lily Lu	Standard unqualified opinion
2006	KPMG Certified Public Accountants	Andrew Yu & Lily Lu	Modified unqualified opinion
2007	PricewaterhouseCoopers	James Huang & Joseph Chou	Modified unqualified opinion
2008	PricewaterhouseCoopers	James Huang & Joseph Chou	Standard unqualified opinion



## (4) Selected Financial Data

Year		Financial Analysis over the past five years					Feb.28.2009
		12.31.2008	12.31.2007	12.31.2006	12.31.2005	12.31.2004	
Item							
Operating performance	Ratio of deposits to loans	78.20	88.04	81.72	89.84	86.42	81.09
	NPL ratio	1.75	1.32	1.22	2.49	2.93	1.52
	Ratio of interest cost to annual average deposits	1.74	1.66	1.58	1.33	1.12	1.27
	Ratio of interest income to annual average loans outstanding	3.75	3.84	3.89	3.79	3.68	2.93
	Total assets turnover (times)	0.01	0.02	0.02	0.02	0.02	0.00
	Average operation revenue per employee (thousand NT\$)	1,651	2,302	2,471	2,200	2,635	392
	Average profit per employee (thousand NT\$)	(1,240)	(699)	(1,650)	18	611	51
Profitability	Return on tier I capital (%)	(19.26)	(15.41)	(37.71)	0.45	15.53	0.65
	Return on assets (%)	(0.92)	(0.58)	(1.46)	0.02	0.59	0.04
	Return on shareholders' Equity (%)	(16.02)	(11.18)	(29.16)	0.30	11.05	0.66
	Net income ratio (%)	(75.15)	(30.35)	(66.77)	0.82	23.19	12.92
	EPS (NT\$)	(1.47)	(1.37)	(3.71)	0.04	1.46	0.06
Financial Structure	Ratio of Liabilities to Assets	94.73	93.70	95.92	93.94	94.21	94.53
	Ratio of Fixed Assets to Equity	13.68	10.38	22.12	16.38	18.39	13.37
Growth rate	Rate of Assets growth	2.21	0.24	11.92	13.27	15.92	(6.04)
	Rate of earnings growth	(51.78)	54.16	(7,739.65)	(96.39)	106.70	(28.06)
Cash flow	Cash flow ratio	Note 2	21.17	Note 2	13.95	9.11	Note 2
	Cash flow adequacy ratio	487.02	480.43	210.59	403.18	311.98	487.02
	Cash flow coverage ratio	Note 2	68.41	Note 2	21.16	5.64	Note 2
Ratio of liquidity reserve (%)		26.80	21.70	20.00	13.40	13.90	25.10
Total balance of secured loans of related parties (thousand NT\$)		3,819,169	3,252,631	3,523,263	2,471,406	1,124,045	3,762,127
Ratio of total balance of secured loans of related parties to total balance of credit extension (%)		1.54	1.26	1.46	1.02	0.54	1.56
Operating scale	Asset market share (%)	1.20	1.24	1.26	1.16	1.10	1.19
	Net-worth market share (%)	1.03	1.22	0.83	1.11	1.02	1.04
	Deposits market share (%)	1.32	1.27	1.32	1.24	1.15	1.23
	Loans market share (%)	1.29	1.36	1.35	1.08	1.27	1.29

Explain the causes of financial various ratio changes within the past two years (not necessary, if the increase/decrease in the changes is no more than 20%).

The decrease of the Bank's profitability ratio in 2008 compared with those in 2007 is mainly caused by the decrease of interest margin, recognition of asset impairment loss in 2007, and the increase in the allowance for bad debts to improve the asset quality of loans and credit cards in 2008.

Note 1: The financial information from 2004 to 2008 has been audited and certified by CPA. The financial information for the period ended February 28, 2009 was related to the accounts closed by the Bank independently.

Note 2: The net cash outflow from operating activities in the cash flow statement is excluded from the calculation of the cash flow ratio.



Note 3: the formulas of various ratios are as following:

1. Operating performance

- (1) Ratio of deposits to loans = Annual average loans outstanding / Annual average deposit (Including postal savings re-deposits)
- (2) NPL ratio = Total NPL / Total loans outstanding
- (3) Ratio of interest cost to annual average deposits = Total interest cost / Annual average deposits
- (4) Ratio of interest income to annual average loans outstanding = Total interest income / Annual average amount of loans outstanding
- (5) Total assets turnover (times) = Operating income / Average total assets
- (6) Average operation revenue per employee (Note 6) = Operating Revenues / Annual average total number of employees
- (7) Average profit per employee = Net income after tax / total employees

2. Profitability

- (1) Return on tier I capital = Before-tax profit or loss / Total amount of tier I capital
- (2) Return on assets = Net income / Average total assets
- (3) Return on shareholders' Equity = Net income / Average net shareholders' equity
- (4) Net income ratio = Net income / Total operating revenues
- (5) EPS = Income after income tax-preferred stock dividend / Weighted average number of shares issued (Note 5)

3. Financial structure

- (1) Ratio of Liabilities to Assets = Liabilities / Total assets ( Note 4 )
- (2) Ratio of Fixed Assets to Equity = Fixed assets / Shareholders'equity

4. Growth rate

- (1) Rate of Assets growth = (Total assets for current year - Total assets for previous year) / Total assets for previous year
- (2) Rate of earnings growth = (Before-tax profit or loss for current year) - (Before-tax profit or loss for previous year) / Before-tax profit for previous year

5. Cash flow ( Note 7 )

- (1) Cash flow ratio = Net cash flow from operating activities / ( interbank lending and overdraft + Financial liabilities at fair value of payable commercial paper through income statement + RP + Payable accounts-current portion )
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the latest five years / (Capital expenditure for the latest five years + cash dividends)
- (3) Cash flow coverage ratio = Net cash flow from operating activities / net cash flow from investing activities

6. Ratio of liquidity reserve = Liquidity assets defined by Central Bank / Accrual liquidity reserve liabilities

7. Scale of operations:

- (1) Asset market share = total assets / total assets of all financial institutions able to engage in deposit and loan business
- (2) Net-worth market share = net value / total net worth of all financial holding institutions able to engage in deposit and loan business
- (3) Deposit market share = total value of deposits / total value of deposits at all financial institutions able to engage in deposit and loan business
- (4) Loan market share = total value of loans / total value of loans at all financial institutions able to engage in deposits and loan business

Note 4: The total liabilities have deduct allowance for gurantee liability, allowance for breach of traded securities and allowance for accidental loss

Note 5: The following shall be noted in the equations of EPS of the preceding paragraph:

1. It is based on weighted average common stock shares instead of the issued stock shares at the end of year.
2. For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
3. For capitalized retained earnings or additional paid-in, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
4. If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
5. If the preferred stock is non-cumulative preferred stock; also, if there is Net income generated, preferred stock dividend is to be deducted from Net income; however, if there is net loss resulted, no adjustment is required.

Note 6: The income means the total interest income and non-interest income.

Note 7: The following shall be considered in measuring of cash flow analysis:

1. Net cash flow from operating activities means the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure means the cash outflow from capital investment per year.
3. Cash dividends include of common and preferred stocks.
4. Gross for fixed assets means the total fixed assets before deduction of accumulated depreciation.



**Capital Adequacy**

Unit: NT\$1,000

Item		Year	Capital adequacy ratio over the past five years					February 28, 2008 (not audited by CPA)
			2004	2005	2006	2007	2008	
Self-owned capital	Tier I capital	Common stock	14,000,000	18,000,000	18,000,000	24,000,000	22,000,000	22,000,000
		Consol non-cumulative preferred stock	0	0	0	0	0	0
		Consol non-cumulative subordinated debentures	0	0	0	0	0	0
		Capital collected in advance	0	0	0	0	0	0
		Capital surplus (exclusive of reserve for revaluation of fixed assets)	14,673	14,673	14,673	0	0	0
		Legal reserve	271,527	722,205	737,705	0	0	0
		Special reserve	0	0	0	0	0	0
		Accumulated profit or loss	1,502,258	51,669	(4,765,864)	0	0	0
		Minority equity	0	0	0	0	0	0
		Other shareholders' equity	0	(59,292)	(58,178)	(156,492)	(118,564)	(71,116)
		Less : Goodwill	500,836	1,319,535	1,319,535	1,319,535	0	0
		Less: Unamortized loss on sale of NPL	0	0	0	0	0	0
		Less: Capital deductions	278,222	239,816	226,859	1,451,384	2,059,483	2,000,509
		Total Tier I capital	15,009,400	17,169,904	12,381,942	21,072,589	19,821,953	19,928,375
	Tier II capital	Consol cumulative preferred stock	0	0	0	0	0	0
		Consol cumulative subordinated debentures	0	0	3,000,000	3,000,000	3,000,000	3,000,000
		Reserve for revaluation of fixed assets	0	0	0	0	0	0
		45% of Unrealized gain on financial assets in available-for-sale	0	0	15,206	0	47,235	100,551
		Convertible bonds	0	0	0	0	0	0
		Operating reserve and allowance for bad debt	1,155,378	90,171	13,144	1,064,971	2,456,202	1,602,451
		Long-term subordinated debentures	2,700,000	1,800,000	6,304,400	4,440,000	3,080,000	3,080,000
		Non-consol preferred stock	0	0	0	0	0	0
		Total of consol non-cumulative preferred stock and consol non-cumulative subordinated debentures exceeding 15% of total Tier I capital	0	0	0	0	0	0
		Less : Capital deductions	278,222	239,816	226,858	1,451,384	2,059,483	2,000,509
		Total Tier II capital	3,577,156	1,650,355	9,105,892	7,053,587	6,523,954	5,782,493
	Tier III capital	Short-term subordinated debentures	0	0	0	0	0	0
		Non-consol preferred stock	0	0	0	0	0	0
		Total Tier III capital	0	0	0	0	0	0
	Self-owned capital		18,586,556	18,820,259	21,487,834	28,126,176	26,345,907	25,710,868



Weighted risk-based assets	Credit risk	Standardized approach	190,901,498	218,313,531	217,610,839	212,632,661	212,605,116	206,482,686
		Internal-rating based approach	—	—	—	—	—	—
		Securitization of assets	—	—	—	427,472	261,206	247,150
	Operating risk	Basic indicator approach	—	—	—	13,090,763	12,041,788	12,041,788
		Standardized approach/Optional standardized approach	—	—	—	—	—	—
		Advanced measurement approach	—	—	—	—	—	—
	Market risk	Standardized approach	14,077,175	12,845,576	15,819,906	10,785,088	10,062,775	10,766,275
		Internal models approach	—	—	—	—	—	—
	Total weighted risk-based assets		204,978,673	231,159,107	233,430,745	236,935,984	234,970,885	229,537,899
	Capital adequacy ratio		9.07	8.14	9.21	11.87	11.21	11.20
Ratio of Tier I capital in risk-based assets		7.32	7.43	5.31	8.89	8.44	8.68	
Ratio of Tier II capital in risk-based assets		1.75	0.71	3.90	2.98	2.77	2.52	
Ratio of Tier III capital in risk-based assets		0	0	0	0	0	0	
Ratio of common capital stock in total assets		5.13	5.83	5.21	6.93	6.21	6.36	
Please explain the causes of the various ratio changes over the past two years (not necessary, if the increase/decrease in the changes is no more than 20%)								

Note 1: Self-owned capital = Tier I capital + Tier II capital + Tier III capital

Note 2: Total weighted risk-based assets = Credit risk weighted risk-based assets + capital charge of (operating risk + market risk) × 12.5

Note 3: Capital adequacy ratio = Self-owned capital / Total weighted risk-based assets

Note 4: Ratio of Tier I capital in risk-based assets = Tier I capital / Total weighted risk-based assets

Note 5: Ratio of Tier II capital in risk-based assets = Tier II capital / Total weighted risk-based assets

Note 6: Ratio of Tier III capital in risk-based assets = Tier III capital / Total weighted risk-based assets

Note 7: Ratio of common capital stock in total assets = Common capital stock / total assets



**Consolidated Capital Adequacy**

Unit: NT\$1,000

Item		Year	Consolidated capital adequacy ratio over the past five years					February 28, 2008 (not audited by CPA)
			2004	2005	2006	2007	2008	
Self-owned capital	Tier I capital	Common stock	—	18,000,000	18,000,000	24,000,000	22,000,000	—
		Consol non-cumulative preferred stock	—	0	0	0	0	—
		Consol non-cumulative subordinated debentures	—	0	0	0	0	—
		Capital collected in advance	—	0	0	0	0	—
		Capital surplus (exclusive of reserve for revaluation of fixed assets)	—	14,673	14,673	0	0	—
		Legal reserve	—	722,205	737,705	0	0	—
		Special reserve	—	0	0	0	0	—
		Accumulated profit or loss	—	51,669	(4,765,864)	0	0	—
		Minority equity	—	0	0	2,838	2,728	—
		Other shareholders' equity	—	(59,292)	(58,178)	(156,492)	(118,564)	—
		Less : Goodwill	—	1,319,535	1,319,535	1,319,535	0	—
		Less : Unamortized loss on sale of NPL	—	0	0	0	0	—
		Less : Capital deductions	—	157,219	146,581	1,379,803	1,992,890	—
	Total Tier I capital	—	17,252,501	12,462,220	21,147,008	19,891,274	—	
	Tier II capital	Consol cumulative preferred stock	—	0	0	0	0	—
		Consol cumulative subordinated debentures	—	0	3,000,000	3,000,000	3,000,000	—
		Reserve for revaluation of fixed assets	—	0	0	0	0	—
		45% of Unrealized gain on financial assets in available-for-sale	—	0	15,206	0	47,235	—
		Convertible bonds	—	0	0	0	0	—
		Operating reserve and allowance for bad debt	—	90,171	13,144	1,064,971	2,456,202	—
		Long-term subordinated debentures	—	1,800,000	6,304,400	4,440,400	3,080,000	—
		Non-consol preferred stock	—	0	0	0	0	—
		Total of consol non-cumulative preferred stock and consol non-cumulative subordinated debentures exceeding 15% of total Tier I capital	—	0	0	0	0	—
		Less : Capital deductions	—	157,219	146,580	1,379,803	1,992,890	—
	Total Tier II capital	—	1,732,952	9,186,170	7,125,168	6,590,547	—	
	Tier III capital	Short-term subordinated debentures	—	0	0	0	0	—
		Non-consol preferred stock	—	0	0	0	0	—
Total Tier III capital		—	0	0	0	0	—	
Self-owned capita		—	18,985,453	21,648,390	28,272,176	26,481,821	—	



Weighted risk-based assets	Credit risk	Standardized approach	—	218,913,273	218,702,184	212,725,652	212,636,576	—
		Internal-rating based approach	—	—	—	—	—	—
		Securitization of assets	—	—	—	427,472	261,206	—
	Operating risk	Basic indicator approach	—	—	—	13,862,963	12,254,313	—
		Standardized approach/optional standardized approach	—	—	—	—	—	—
		Advanced measurement	—	—	—	—	—	—
	Market risk	Standardized approach	—	12,878,476	15,819,906	10,785,088	10,106,000	—
		Internal models approach	—	—	—	—	—	—
	Total weighted risk-based assets		—	231,791,749	234,522,090	237,801,175	235,258,095	—
	Capital adequacy ratio (%)		—	8.19	9.23	11.89	11.26	—
Ratio of Tier I capital in risk-based assets (%)		—	7.44	5.31	8.89	8.46	—	
Ratio of Tier II capital in risk-based assets (%)		—	0.75	3.92	3.00	2.80	—	
Ratio of Tier III capital in risk-based assets (%)		—	0	0	0	0	—	
Ratio of common capital stock in total assets (%)		—	5.82	5.19	6.93	6.21	—	
Please explain the causes of the various ratio changes over the past two years (not necessary, if the increase/decrease in the changes is no more than 20%)								

Note1 : Self-owned capital = Tier I capital + Tier II capital + Tier III capital

Note2 : Total weighted risk-based assets = Credit risk weighted risk-based assets + capital charge of (operating risk + market risk) × 12.5

Note3 : Capital adequacy ratio = Self-owned capital / Total weighted risk-based assets

Note4 : Ratio of Tier I capital in risk-based assets = Tier I capital / Total weighted risk-based assets

Note5 : Ratio of Tier II capital in risk-based assets = Tier II capital / Total weighted risk-based assets

Note6 : Ratio of Tier III capital in risk-based assets = Tier III capital / Total weighted risk-based assets

Note7 : Ratio of common capital stock in total assets = Common capital stock / Total assets

## 2. Financial Statements for 2008

(98)PWCR08000323

### 資誠會計師事務所

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### REPORT OF INDEPENDENT ACCOUNTANTS

To: Yuanta Commercial Bank Co., Ltd.

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

We conducted our audits in accordance with the "Rules Governing Audit of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 above present fairly, in all material respects, the financial position of Yuanta Commercial Bank Co., Ltd. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with the "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Business Entity Accounting Law", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

We have also audited the consolidated financial statements of Yuanta Commercial Bank Co., Ltd. and its subsidiaries as of and for the year ended December 31, 2008, on which we have issued an unqualified opinion with explanatory paragraph thereon.

*PricewaterhouseCoopers*

February 16, 2009

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their application in practice.

Yuanta Commercial Bank Co., Ltd

Balance Sheets

December 31, 2008 and 2007

(Expressed in Thousands of New Taiwan Dollars)

	2008	2007	Change Percentage	2008	2007	Change Percentage
	Amount	Amount	%	Amount	Amount	%
<b>ASSETS</b>						
Cash and cash equivalents (Note 4(1))	\$ 6,407,428	\$ 4,316,348	48	\$ 11,865,082	\$ 28,264,164	( 58)
Due from Central Bank and call loans to banks (Note 4(2))	35,999,826	60,020,423	( 40)	4,080,414	3,570,504	14
Financial assets at fair value through profit or loss - Net (Notes 4(3), 5 and 6)	44,581,784	5,940,952	650	7,325,426	7,909,694	( 7)
Investments in bills and bonds under resale agreements (Notes 4(4), 5 and 6)	1,644,337	397,522	314	7,457,607	9,055,573	( 18)
Receivables - net (Notes 4(5) and 5)	9,829,041	15,034,704	( 35)	294,594,534	262,844,440	12
Assets held for sale (Note 4(6))	-	778,668	( 100)	9,800,000	12,166,000	( 19)
Bills discounted and loans - net (Notes 4(7) and 5)	232,873,593	236,802,168	( 2)	258,667	464,752	( 44)
Available-for-sale financial assets - net (Notes 4(8) and 6)	15,639,774	14,345,346	9	162,776	399,332	( 59)
Held-to-maturity financial assets (Note 4(9))	597,276	849,150	( 30)	335,544,506	324,674,459	3
Equity investments accounted for under the equity method - net (Note 4(10))	133,187	143,162	( 7)			
Other financial assets - net (Note 4(11))	482,593	1,312,653	( 63)	22,000,000	24,000,000	( 8)
Properties, plants and equipment (Notes 4(12) and (25))				( 3,254,911)	( 2,014,728)	62
Cost:						
Land	799,346	799,346	-	( 113,754)	( 156,492)	( 27)
Buildings	362,099	241,899	50	18,631,335	21,828,780	( 15)
Office equipment	1,070,126	1,020,712	5			
Transportation equipment	41,633	29,909	39			
Miscellaneous equipment	990,387	795,408	25			
Assets leased to others	85,000	89	95406			
Subtotal	3,348,591	2,887,363	16			
Less: Accumulated depreciation	( 1,337,961)	( 1,031,854)	30			
Construction in progress	539,065	410,047	31			
Properties, plants and equipment - net	2,549,695	2,265,556	13			
Intangible assets (Note 4(13))	232,017	1,466,021	( 84)			
Other assets						
Other assets - others (Note 4(14))	1,093,070	1,084,421	1			
Deferred income tax assets (Note 4(26))	2,112,220	1,746,145	21			
Other assets - total	3,205,290	2,830,566	13			
<b>TOTAL ASSETS</b>	\$ 354,175,841	\$ 346,503,239	2	\$ 354,175,841	\$ 346,503,239	2
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
Due to Central Bank and other banks (Note 4(15))						
Financial liabilities at fair value through profit or loss - net (Note 4(16))						
Bills and bonds payable under repurchase agreements (Notes 4(4), 5 and 6)						
Payables (Note 4(17))						
Deposits and remittances (Notes 4(18) and 5)						
Financial debentures (Notes 4(19) and 5)						
Other financial liabilities (Note 10)						
Other liabilities						
<b>TOTAL LIABILITIES</b>						
<b>STOCKHOLDERS' EQUITY</b>						
Common stock (Note 4(21))						
Deficit to be recovered (Notes 4(24) and (26))						
Other stockholders' equity						
Unrealized loss on available-for-sale financial assets						
<b>TOTAL STOCKHOLDERS' EQUITY</b>						
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)</b>						
<b>TRUST ASSETS (Note 10(4))</b>						
<b>SUBSEQUENT EVENTS (Note 9)</b>						
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>						

The accompanying notes are an integral part of these financial statements.



Yuanta Commercial Bank Co., Ltd.  
Statements of Operations  
For the Years Ended December 31, 2008 and 2007  
(Expressed in Thousands of New Taiwan Dollars, Except for Loss per Share)

	<u>2008</u>	<u>2007</u>	<u>Change</u>
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
			<u>%</u>
Interest income	\$ 10,110,975	\$ 10,987,426	( 8)
Less: Interest expenses	( 5,777,234)	( 5,503,727)	5
Net interest income	<u>4,333,741</u>	<u>5,483,699</u>	( 21)
Net non-interest Income			
Net service fee and commission income (Note 5)	783,108	1,053,913	( 26)
Loss on financial assets and financial liabilities at fair value through profit or loss (Notes 4(3) and 16)	( 581,865)	( 115,407)	404
Realized gain (loss) on available-for-sale financial assets	7,185	( 85,510)	( 108)
Realized loss on held-to-maturity financial assets	( 131,440)	-	-
Income from equity investments accounted for under the equity method (Note 4(10))	13,938	14,993	( 7)
Foreign exchange gains – net	1,015,145	43,572	2230
Asset impairment loss (Note 4(13))	( 1,244,166)	( 194,508)	540
Other non-interest income – net (Note 4(6))	<u>116,065</u>	<u>393,411</u>	( 70)
	<u>( 22,030)</u>	<u>1,110,464</u>	( 102)
Net revenues	4,311,711	6,594,163	( 35)
Provision for credit losses (Note 4(7))	( 3,201,826)	( 4,099,417)	( 22)
Operating expenses			
Personnel expenses (Note 4(25))	( 2,615,978)	( 2,782,472)	( 6)
Depreciation and amortization (Note 4(25))	( 473,466)	( 479,428)	( 1)
Other general and administrative expenses (Note 5)	<u>( 1,958,630)</u>	<u>( 1,827,584)</u>	7
Loss before income tax	( 3,938,189)	( 2,594,738)	52
Income tax benefit (Note 4(26))	<u>698,006</u>	<u>593,496</u>	18
Net loss	<u>( \$ 3,240,183)</u>	<u>( \$ 2,001,242)</u>	62

Basic loss per share (Note 4(27))

	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
<u>Net loss</u>	<u>( \$ 1.79)</u>	<u>( \$ 1.47)</u>	<u>( \$ 1.78)</u>	<u>( \$ 1.37)</u>

The accompanying notes are an integral part of these financial statements.



Yuanta Commercial Bank Co., Ltd.  
Statements of Changes in Stockholders' Equity  
For the Years Ended December 31, 2008 and 2007  
(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Additional paid-in capital	Legal reserve	Deficit to be recovered	Unrealized (loss) gain on available-for-sale financial assets	Unrealized net loss on accrued pension cost	Total
<u>For the year ended December 31, 2007</u>							
Balance, January 1, 2007	\$ 18,000,000	\$ 14,673	\$ 737,705	(\$ 4,765,864)	\$ 15,273	(\$ 39,660)	\$ 13,962,127
Legal reserve to recover accumulated deficit	-	-	( 737,705)	737,705	-	-	-
Additional paid-in capital to recover accumulated deficit	-	( 14,673)	-	14,673	-	-	-
Capital reduction to recover accumulated deficit	( 4,000,000)	-	-	4,000,000	-	-	-
Issuance of common stock	10,000,000	-	-	-	-	-	10,000,000
Net loss for the year ended December 31, 2007	-	-	-	( 2,001,242)	-	-	( 2,001,242)
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	( 171,765)	-	( 171,765)
Net loss from reversal of accrued pension cost	-	-	-	-	-	39,660	39,660
Balance, December 31, 2007	\$ 24,000,000	\$ -	\$ -	(\$ 2,014,728)	(\$ 156,492)	\$ -	\$ 21,828,780
<u>For the year ended December 31, 2008</u>							
Balance, January 1, 2008	\$ 24,000,000	\$ -	\$ -	(\$ 2,014,728)	(\$ 156,492)	\$ -	\$ 21,828,780
Capital reduction to recover accumulated deficit	( 2,000,000)	-	-	2,000,000	-	-	-
Net loss for the year ended December 31, 2008	-	-	-	( 3,240,183)	-	-	( 3,240,183)
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	42,738	-	42,738
Balance, December 31, 2008	\$ 22,000,000	\$ -	\$ -	(\$ 3,254,911)	(\$ 113,754)	\$ -	\$ 18,631,335

The accompanying notes are an integral part of these financial statements.



Yuanta Commercial Bank Co., Ltd.  
Statements of Cash Flows  
For the Years Ended December 31, 2008 and 2007  
(Expressed in Thousands of New Taiwan Dollars)

	<u>2008</u>	<u>2007</u>
<u>Cash Flows From Operating Activities</u>		
Net loss	(\$ 3,240,183)	(\$ 2,001,242)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Provision for credit losses	3,201,826	4,099,417
Depreciation	370,863	391,970
Amortization	102,603	87,458
Income from sales of non-performing loans	( 21,390)	( 294,669)
Loss on sales of foreclosed assets	10,392	39,015
(Gain) loss on sales of available-for-sale financial assets	( 7,185)	85,510
Loss on sales of held-to-maturity financial assets	131,440	-
Gains on impairment recovery of foreclosed assets	( 8,468)	( 23,629)
Allowance for declines in market value of foreclosed assets	8,020	7,883
Gains on disposal of assets held for sale	( 231,107)	-
Asset impairment loss	1,244,614	210,254
Loss on disposal and abandonment of fixed assets	59,177	19,113
Cash dividends accounted for under the equity method	21,097	32,386
Investment income accounted for under the equity method	( 13,938)	( 14,993)
Gains on sales of idle assets, net	-	( 15,958)
Changes in assets and liabilities		
Decrease in receivables	4,894,163	1,194,034
Increase in deferred income tax assets	( 366,075)	( 99,025)
(Increase) decrease in financial assets at fair value through profit or loss - net	( 38,960,729)	6,130,853
Increase in financial liabilities at fair value through profit or loss, net	509,910	1,090,858
Decrease in payables	( 1,597,966)	( 1,377,504)
Decrease in accrued pension liabilities	-	( 18,690)
Decrease in other financial assets	775,297	789,110
Net cash (used in) provided by operating activities	<u>( 33,117,639)</u>	<u>10,332,151</u>

(CONTINUED ON NEXT PAGE)



Yuanta Commercial Bank Co., Ltd.  
Statements of Cash Flows (Continued)  
For the Years Ended December 31, 2008 and 2007  
(Expressed in Thousands of New Taiwan Dollars)

	2008	2007
<u>Cash Flows From Investing Activities</u>		
Decrease (increase) in due from Central Bank and call loans to banks	\$ 24,020,597	(\$ 2,575,079)
(Increase) decrease in investments in bills and bonds under resale agreements	( 1,246,815)	213,678
Proceeds from sales of non-performing loans	21,390	1,269,311
(Increase) decrease in available-for-sale financial assets	( 921,791)	2,065,327
Proceeds from sales of fixed assets	763	76,242
Proceeds from sales of assets held for sale	1,010,570	-
Purchase of fixed assets	( 884,234)	( 574,134)
Increase (decrease) in bills discounted and loans	1,093,013	( 15,092,197)
Proceeds from sales of idle assets	47,000	29,120
Proceeds from sales of foreclosed assets	11,290	96,248
(Increase) decrease in other assets	( 89,157)	11,448
Increase in intangible assets	( 7,365)	( 26,162)
Decrease (increase) in held-to-maturity financial assets	<u>195,355</u>	<u>( 597,160)</u>
Net cash provided by (used in) investing activities	<u>23,250,616</u>	<u>( 15,103,358)</u>
<u>Cash Flows From Financing Activities</u>		
(Decrease) increase in due to Central Bank and other banks	( 16,399,082)	1,935,997
Decrease in bills and bonds payable under repurchase agreements	( 584,268)	( 4,230,592)
Increase (decrease) in deposits and remittances	31,750,094	( 4,587,237)
Decrease in other financial liabilities	( 206,085)	( 36,438)
(Decrease) increase in other liabilities	( 236,556)	175,452
Proceeds from issuance of common stock	-	10,000,000
Decrease in financial bonds payable	<u>( 2,366,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>11,958,103</u>	<u>3,257,182</u>
Net increase (decrease) in cash and cash equivalents	2,091,080	( 1,514,025)
Cash and cash equivalents at beginning of year	<u>4,316,348</u>	<u>5,830,373</u>
Cash and cash equivalents at end of year	<u>\$ 6,407,428</u>	<u>\$ 4,316,348</u>
<u>Supplemental Disclosures of Cash Flow Information</u>		
Interest paid	<u>\$ 5,727,534</u>	<u>\$ 5,710,538</u>
Income tax paid	<u>\$ 241,612</u>	<u>\$ 141,114</u>
<u>Investing activities with no effect on cash flows</u>		
Fixed assets reclassified to assets held for sale	<u>\$ -</u>	<u>\$ 778,668</u>
Financial assets at fair value through profit or loss reclassified to available-for-sale financial assets	<u>\$ 319,897</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.



Yuanta Commercial Bank Co., Ltd.  
Notes to Financial Statements  
December 31, 2008 and 2007

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

I. Organization and business

1. Yuanta Commercial Bank Co., Ltd. (the "Bank") was founded on January 14, 1992, and commenced operations on February 12, 1992. The Bank is principally engaged in commercial banking activities allowed by the Banking Law and in business activities authorized by the supervising authority of the central government. The Bank was authorized to be renamed Fuhwa Commercial Bank from Asia Pacific Bank in September 2002 and then authorized to be renamed Yuanta Commercial Bank from Fuhwa Commercial Bank in September 2007.
2. On August 1, 2002, in accordance with the Financial Holdings Company Law, the Bank became a subsidiary of Yuanta Financial Holdings Company ("Yuanta Financial Holdings") by share exchange and was de-listed from the stock market at the same time.
3. As of December 31, 2008, the Bank has a business department, trust department, foreign department, offshore banking unit, 69 branches and 1 overseas representative.
4. The Bank's parent company is Yuanta Financial Holdings Co., Ltd. As of December 31, 2008, the number of the Bank's employees was 2,612.

II. Summary of significant accounting policies

The financial statements of the Bank are prepared in conformity with the "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling" and accounting principles generally accepted in the Republic of China. Due to nature of the banking industry, assets and liabilities in the accompanying financial statements are not classified into current and non-current items. Nevertheless, accounts are properly categorized according to the nature of each account, sequenced by their liquidity of assets and liabilities in the notes to the financial statements. A summary of significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

1. Principles for preparation of the financial statements
  - A. The financial statements include the accounts of the head office, its branches and offshore banking unit. All intra office balances and transactions have been eliminated for preparation of the financial statements.
  - B. The Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for the entrusted funds managed by the Bank. All the entrusted assets are booked in the memo account
2. Foreign currency transactions  
 Except for accounts of its Offshore Banking Unit (OBU) that are maintained in US dollars, other accounts of the Bank are maintained in New Taiwan dollars. Those transactions denominated in foreign currencies are recorded in their original foreign currencies. All income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars at daily closing exchange rates. At the balance sheet date, accounts in all foreign currencies of the financial statements are translated into New Taiwan dollars at closing exchange rates on that date. Differences from translation are recorded as gains or losses for the period.
3. Cash and cash equivalents  
 Cash, checks for clearing and due from banks are considered as cash and cash equivalents.
4. Deposit reserve  
 Deposit reserve is calculated by multiplying the monthly average balances of the various deposit accounts by legal reserve ratios promulgated by the Central Bank of China (CBC). The deposit reserve account with the CBC is maintained subject to monthly reserve requirement.
5. Financial assets and liabilities at fair value through profit or loss
  - A. Starting from January 1, 2006, the Bank accounts for financial instruments in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 34



- "Financial Instruments: Recognition and Measurement" and No. 36 "Financial Instruments: Disclosure and Presentation". The Bank recognizes the purchases or sales of such financial assets, including stocks, beneficiary certificates and convertible corporate bonds denominated in New Taiwan dollars and derivative financial instruments, using trade-date accounting and of other financial assets in this category using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.
- B. Financial assets and liabilities at fair value through profit or loss include debt securities, equity shares and derivative instruments held or issued by the Bank. These financial assets and liabilities can be classified into two subcategories: financial asset and liabilities held for trading purposes and designated financial assets and liabilities at fair value through profit or loss.
  - C. The main purpose for acquisition or issuance of financial instruments held for trading purposes is to be sold or repurchased within a short period. Criteria to designated financial assets and liabilities at fair value through profit or loss are as follows:
    - A) Hybrid (combined) instruments;
    - B) The designation can eliminate or significantly reduce the inconsistency of accounting measurement or recognition; or
    - C) The designation is in compliance with the risk management or investment strategy specified by the Bank to evaluate the performance of assets or liabilities based on the fair values.
  - D. Financial instruments at fair value through profit or loss should be measured at their fair values. Fair values are the prices of financial instruments purchased or sold in an arm's-length transaction between transaction parties. A quoted market price, if available, in an active market is the best evidence of fair value. The fair value of listed or OTC stocks is the market closing price on the transaction day. The market price of open-end funds is the net value on the balance sheet date. The fair value of local bonds is the OTC's quoted market price on the transaction day. However, if a quoted market price is not available, the fair value of financial instrument should be estimated using information available or pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation methods available.
  - E. The realized and unrealized gains or losses, including the amortization of discount and premium, of financial instruments at fair value through profit or loss are recognized in the income statement. Interest income (expense) and cash dividends received during the holding period are recorded under the account "gain (loss) on financial instruments at fair value through profit or loss". Cash dividends are recognized as income on the ex-dividend date or when the shareholders approve the distribution of cash dividends. Stock dividends are not recognized as income but noted as the increase of shares held.
  - F. A financial instrument cannot be reclassified into or out of the category of financial instruments at fair value through profit or loss after initial recognition. In accordance with explanatory letter Ji-Mi-Zih No. 296 issued in 2006 by the Accounting Research and Development Foundation, after the implementation of SFAS No. 34 "Financial Instruments: Recognition and Measurement", financial assets held for trading purposes which are provided as collateral for loans or refundable deposits should still be recognized as financial assets held for trading purposes.
  - G. Effective from July 1, 2008, the Bank adopted the Paragraph 104 of the revised ROC SFAS No. 34, stocks listed on TSE or OTC previously classified as at fair value through profit or loss are reclassified to available-for-sale assets.
6. Available-for-sale financial assets
- A. Starting from January 1, 2006, the Bank adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement" and No. 36 "Financial Instruments: Disclosure and Presentation". The Bank recognizes the purchases or sales of such financial assets using settlement-date accounting. These financial instruments are initially recognized at fair value plus acquisition or issuance cost.
  - B. Available-for-sale financial assets are subsequently evaluated at fair value, and the difference between fair value and amortized cost therein is recognized as unrealized gain (loss) in the shareholders' equity adjustment account. Fair value is based on the



quoted market price or amount estimated by pricing model if the quoted market price is not available. When there is an indication of impairment in the value of the available-for-sale financial assets, the impairment loss should be recognized in the income statement. The impairment losses recognized in the income statement on debt instruments classified as available-for-sale financial assets can be reversed if the fair values of such debt instruments subsequently increase. However, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. When available-for-sale financial assets are sold, unrealized gains or losses previously recognized in the equity are recognized in the income statement. Interest income and cash dividends are recorded under "interest income" and "realized gain on available-for-sale financial assets", respectively. Cash dividends are recognized as income on the ex-dividend date or when the shareholders approve the distribution of cash dividends. Cash dividends received in the year of investment are deducted from the investment cost. Stock dividends are not recognized as income but noted as increase of shares held.

7. Held-to-maturity financial assets

- A. Starting from January 1, 2006, the Bank adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement" and No. 36 "Financial Instruments: Disclosure and Presentation". The Bank recognizes the purchases or sales of held-to-maturity financial assets using settlement-date accounting. These financial instruments are initially recognized at fair values plus acquisition or issuance costs.
- B. The amortized cost, interest income or interest expense of held-to-maturity financial assets are calculated by the effective interest rate. If there is any objective evidence of impairment in the value of the held-to-maturity financial assets, an impairment loss should be recognized in the income statement accordingly. If the value of a debt instrument classified as held-to-maturity financial assets subsequently increases, and the increase can be objectively related to an event occurring after the impairment was recognized in profit or loss, the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

8. Derivative financial instruments

- A. Derivative financial instruments include foreign exchange forward contracts, currency swaps, interest rate swaps, and cross currency swaps and options, which are entered into by the Bank in the foreign exchange, interest rate and capital markets. Derivative financial instruments are for trading purposes except for those accounted for under hedge accounting. Derivative financial instruments held for trading purposes include market creation, customer services, trading and other relevant activities.
- B. Derivative financial instruments held for trading purposes are evaluated at fair values. Changes in fair value are accounted as income or loss. Fair values are the prices of the derivative financial instruments purchased or sold in an arm's-length transaction between transaction parties. A quoted market price, if available, in an active market is the best evidence of fair value; however if a quoted market price is not available, fair value should be estimated using information available or pricing models. Estimation of fair value is usually based on recent trading prices of similar financial instruments and supplemented by related valuation methods available.
- C. Derivative financial assets and liabilities arising from different transactions can only be offset if those transactions with a legal right to offset are with the same counterparty who intends to settle the net amount of the related cash flows.
- D. An embedded derivative financial instrument should be separated from the host contract and accounted for as a separate derivative if the embedded derivative financial instrument meets the definition specified in the Statements of Financial Accounting Standards. The host contract whether it is a financial instrument or not, is recognized according to the related Statements of Financial Accounting Standards.

9. Financial assets carried at cost

- A. Investment in or sale of unquoted equity instruments is recognized using trade date accounting and is accounted initially at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.
- B. If there is any objective evidence of impairment, the impairment loss is recognized. Such impairment loss shall not be reversed when the fair value of the asset subsequently increases.



10. Debt instruments with non-active market
  - A. Debt instruments with non-active market are accounted for using settlement date accounting. Such financial instruments are initially recognized at fair values plus acquisition or issuance costs.
  - B. Debt instruments with non-active market shall be subsequently measured at amortized cost.
  - C. An impairment loss is recognized when there is objective evidence of impairment. In the subsequent period, if the impairment loss decreases related to an event occurring after the impairment was recognized in profit or loss; the impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.
11. Bills and bonds under resale and repurchase agreements

Bills and bonds under resale or repurchase agreements are accounted for under the financing method. Bills and bonds sold under repurchase agreements are recorded as "Bills and bonds payable under repurchase agreements" at the sale date. Bills and bonds invested under resale agreements are recorded as "Investments in bills and bonds under resale agreements" at the purchase date. The difference between the cost and the repurchase price is recorded as interest expense between the sale date and the repurchase date. The difference between the cost and the resale price is recorded as interest income between the purchase date and the resale date.
12. Assets held for sale

Assets held for sale are assets (disposal group) expected to be sold rather than for continuous usage. Assets held for sale are measured at the lower of carrying amount and net fair value. Assets or disposal groups classified as assets held for sale shall not be depreciated.
13. Loans and allowance for credit losses
  - A. The credit period of short term loans is within one year, the credit period of medium term loans is one to seven years, and the credit period of long term loans is more than seven years. Loans with pledged assets are recorded as secured loans.
  - B. All loans are recorded initially at the actual amount lent out and reported at their outstanding principal balances net of any allowance for credit losses. An allowance for credit losses is determined by the evaluation of the collectability of loans and age of receivables (including non-performing loans and interest receivables). At the period end, according to the amended "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans" and "Regulations Governing Institutions Engaging In Credit Card Business" of the MOF, doubtful accounts are written off when the recovery possibility is remote.
  - C. Principal or interest overdue over three months is categorized as overdue accounts. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to non-performing loans. When this occurs, interest is calculated and booked only in the memo account.
  - D. In accordance with the Article 11 of "Value-added and Non-value-added Business Tax Law", the Bank should provide 3% of operating revenue as allowance for credit losses to write off default accounts. The aforementioned provision is valid until the ratio of overdue accounts is lower than 1%. The aforementioned allowance is recognized under "provision for credit losses" and "Allowance for credit losses".
14. Long-term equity investments accounted for under equity method
  - A. Long-term equity investments in which the Bank owns at least 20% of the investees' voting stock interests or exercises significant influence over the investees are accounted for under the equity method. Such equity investments are evaluated pursuant to the investment costs plus or minus the net income or loss and changes in stockholders' equity of the investee recognized proportionally according to the percentage of the investee's ownership held by the Bank. For stock dividends received from the distribution by the investees, the Bank does not need to increase the investment amount and recognize the investment income, but makes a memorandum entry to record additional shares that have been received.
  - B. When the Bank disposes a long-term investment accounted for under the equity method, the difference between the cost and the selling price at the disposal date is recorded as gain (loss) on disposal of long-term equity investment. If there is any capital surplus arising from long-term investment under the equity method, such



- capital surplus is transferred to current income or loss by the percentage of disposal.
- C. In accordance with the amended Statement of Financial Accounting Standards (SFAS) No. 7 "Consolidated Financial Statements" in the Republic of China, the investees whose voting stock interests are more than 50% directly or indirectly held by the Company are included in the consolidated financial statements.
15. Properties, plants and equipment, and related depreciation
- A. Properties, plants and equipment are stated at acquisition cost. Interest expense on the acquisition of fixed assets is capitalized and classified under appropriate categories of properties, plants and equipment. Major renewals and betterments of fixed assets are capitalized, while maintenance and repairs are expensed.
- B. Apart from land, depreciation is calculated on a straight line basis over the estimated useful lives of the respective assets. In addition, the residual value may be depreciated over the estimated remaining useful life of the fixed assets. Gains or losses on the disposal of property and equipment are recorded as non-interest income or losses. The estimated useful lives of properties, plants and equipment are listed as follows:
- |                          |            |
|--------------------------|------------|
| Buildings                | 3~55 years |
| Office equipment         | 3~5 years  |
| Transportation equipment | 3~5 years  |
| Leasehold improvements   | 3~10 years |
| Other equipment          | 3~20 years |
- C. Rents paid on capital leases are capitalized and depreciated accordingly. Any gain (loss) on the sale and leased back is capitalized and amortized over the lease terms. For sale and leased back assets, if the fair value is less than the book value, the difference is recognized in the profit or loss.
16. Other asset—foreclosed assets  
Foreclosed assets are recorded at acquisition costs and are assessed at the balance sheet date. If there is any evidence that shows that the net fair value is lower than carrying amount, the difference is recognized as impairment loss; if net fair value is higher than carrying amount, the previously recognized impairment loss can be reversed to the extent of the carrying amounts. Net gain (loss) on sale of foreclosed assets is recorded under other non-interest income (loss).
17. Other asset—idle assets  
Starting from January 1, 2006, the Bank adopted ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", when the fixed assets are not used for business purposes, the Bank transfers the original cost, accumulated depreciation, and accumulated impairment of the fixed assets to other assets—idle assets. The idle assets are depreciated continually. In accordance with ROC SFAS No. 35 "Impairment of Assets", the Bank evaluates impairment of the idle assets and performs the impairment test accordingly.
18. Intangible assets—goodwill  
Goodwill arose in the acquisition of The Credit Cooperative of Douliou, The Credit Cooperative of Taidong, The Tainan Seventh Credit Cooperative, and The Tainan Sixth Credit Cooperative and was recognized at the purchase price less the fair value of tangible assets obtained. In accordance with ROC SFAS No. 35 "Impairment of Assets", the Bank shall evaluate impairment and perform the impairment test accordingly. The impairment loss recognized shall not be reversed. Starting from 2006, in accordance with the newly revised ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill shall not be amortized.
19. Other intangible assets  
Computer software is recorded at the acquisition cost and is amortized over 3 to 5 years.
20. Deferred expenses  
Deferred expenses primarily consist of cost of telecommunication system, renovation cost, computer network and CPU installation costs. Deferred expenses are amortized by the straight-line method over 3 to 5 years.
21. Assets impairment  
The Bank adopted ROC SFAS No. 35 "Impairment of Assets". In accordance with ROC SFAS No. 35, the Bank assesses on the balance sheet date whether there are any indications that assets (other than assets that are inapplicable and goodwill) may have been impaired. If such indications exist, the Bank estimates the recoverable amount of



the assets (the higher of its fair value less costs to sell and its value in use. The Bank recognizes impairment losses for assets whose carrying values are higher than the recoverable amounts. The Bank assesses the goodwill of cash generating units on the annual basis and recognizes impairment losses for the excess of carrying value over the recoverable amount.

The Bank reverses impairment losses recognized in prior periods for assets other than goodwill if there are any indications that the impairment losses recognized no longer exist or have decreased. The carrying values after the reversal should not exceed the recoverable amounts or the amortized balances of the assets assuming no impairment losses were recognized in prior periods. However, the impairment losses recognized for goodwill cannot be reversed.

22. Financial debentures

Financial debentures are issued and stated at face values. The related interest expenses are computed and recorded at face value multiplied by the stated interest rate every month. The annual fee paid to the Gintai Securities Market is recognized as operating expense.

23. Retirement plan

A. The original employee retirement plan of the Bank was established in 1992 for the benefit of all eligible employees. Effective from May 1, 1997, such plan was modified in order to comply with the Labor Standards Law. Pension payments are computed based on employees' years of service and average monthly salaries for the last six months prior to retirement. On July 1, 2005, the Labor Pension Act (the New System) became effective. Under the New System, the Bank has an obligation to contribute no less than 6% of employees' monthly paid salaries to the pension accounts in the Labor Insurance Bureau individually owned by employees who choose to join the new system and were hired after the effective date. The amounts contributed are recognized as expenses.

B. The year-end date is the measurement date of the actuarial report for the defined benefit plan. The minimum pension liability is recognized when the accumulated benefit obligation exceeds the fair value of retirement plan assets. According to the regulations, net periodic pension costs, including current service cost, net transaction obligation, the prior service cost and pension gain or loss based on employees' average residual service years over the straight line method are recognized. The minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation. If the minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, the difference would be accounted as deferred pension cost; otherwise, the difference shall be accounted as "unrealized net loss on accrued pension cost". Deferred pension cost is classified in other assets; unrealized net loss on accrued pension cost is classified as the reduction of stockholders' equity.

24. Other liability—reserve for securities trading losses

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

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

25. Other liability—reserve for losses on guarantees

The reserve for losses on guarantees is determined by evaluating the potential losses on guarantees and commitments. The aforementioned reserve is recorded as other liability—reserve for losses on guarantees and non-interest expense or income.

26. Income tax

A. Income tax is estimated based on the accounting income. Deferred income tax is determined based on the differences of assets and liabilities between financial and tax basis using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to



- deductible temporary differences, loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.
- B. The 10% surtax on undistributed earnings, computed according to the ROC Income Tax Law, is accounted as income tax expense in the year of earnings distribution based on the resolution of the shareholders.
  - C. In accordance with the Article 49 of the Financial Holding Company Act, Yuanta Financial Holdings, the parent company of the Bank and the taxpayer, adopted the consolidated income tax return system for income tax filings and 10% surtax on undistributed earnings from 2003 with its qualified subsidiaries, including the Bank. When the Bank prepared its financial statements, the Bank accounted for its income tax in conformity with ROC SFAS No. 22 "Income Taxes". However, the Bank also adjusted the income tax in a reasonable and systematic way to reflect the differences under filing a consolidated corporate income tax return with Yuanta Financial Holding, the taxpayer. The adjustments resulting from filing a consolidated corporate income tax return are recorded under receivable from (payable to) related parties.
  - D. Effective on January 1, 2006, in accordance with the Alternative Minimum Tax Act, the Bank calculates the alternative minimum tax in addition to the regular income tax. If the regular income tax is lower than the alternative minimum tax, the difference is accrued as the income tax adjustment.
  - E. Investment tax credits arising from expenditures on employees training are recognized in the period when the related expenditures are incurred.
27. Employees' bonuses and directors' and supervisors' remuneration  
Effective January 1, 2008, the Bank adopted R.O.C. SFAS No. 39, "Accounting for Share-based Payment" and EITF 2007-052 of the Accounting Research and Development Foundation, R.O.C. "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration", the costs of employees' bonuses and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and the amounts can be estimated reasonably. However, if the accrued amounts for employees' bonuses and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by the stockholders at their annual stockholders' meeting subsequently, the differences shall be recognized as gain or loss in the following year.
  28. Recognition of interest income  
Revenues are recognized on the accrual basis when the earning process is substantially completed. Revenues should be realized or realizable and earned upon recognition. Costs and expenses are recognized as incurred.
  29. Use of estimates  
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make reasonable estimates and assumptions that may affect the measurements, evaluations and disclosures of the amounts in the financial statements and contingent events. Actual results may differ from those assumptions and estimates.
  30. Contingency loss  
If the development of events is probably confirmed that assets have been impaired or liabilities have been incurred as of the balance sheet date and the loss amount could be reasonably estimated, the amount shall be recognized as current loss. If the development of events is probably confirmed that assets have been impaired or liabilities have been incurred as of the balance sheet date but the loss amount could not be reasonably estimated, it shall be disclosed in the financial statements.
  31. Loss per share  
Loss per share is computed as net loss divided by the weighted average shares of common stock outstanding. Treasury stock reduces the shares of outstanding common stock. The increase of shares by stock dividends from retained earnings or capital surplus and the decrease of shares due to capital reduction are adjusted retroactively. Furthermore, if the designated dates of record for stock dividends or capital reduction are proposed before the issuance of the financial statements, the earning/loss per share are adjusted retroactively. The increase of shares should be computed based on its outstanding period.



III. Changes in accounting principles

1. Effective January 1, 2008, the Bank adopted R.O.C. SFAS No. 39, "Accounting for Share-based Payment" and EITF 2007-052 of the Accounting Research and Development Foundation, R.O.C. "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration". Such change in accounting principle had no significant effect on the Bank's financial statements as of and for the year ended December 31, 2008.
2. Effective from July 1, 2008, the Bank remeasured and reclassified partial stocks listed on TSE or OTC originally classified as at fair value through profit or loss to available-for-sale financial assets in accordance with the Paragraph No. 104 of the revised Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement". As a result of the adoption of the change in accounting principle, net loss decreased by \$93,113 and loss per share decreased by \$0.04 for the year ended December 31, 2008.

IV. Details of significant accounts

1. Cash and cash equivalents

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Cash on hand	\$ 2,147,179	\$ 2,017,374
Foreign currency on hand	292,154	211,792
Checks for clearing	994,260	586,226
Due from banks	<u>2,973,835</u>	<u>1,500,956</u>
	<u>\$ 6,407,428</u>	<u>\$ 4,316,348</u>

2. Due from Central Bank and call loans to banks

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Reserve for deposits – account A	\$ 5,969,308	\$ 3,819,794
Reserve for deposits – account B	7,754,605	6,710,500
Reserve for deposits – foreign currency account	32,860	1,038,176
Reserve for deposits - Inter-bank clearing fund	215,150	210,559
Time deposits	18,200,000	40,155,000
Call loans to banks	<u>3,827,903</u>	<u>8,086,394</u>
	<u>\$ 35,999,826</u>	<u>\$ 60,020,423</u>



3. Financial assets at fair value through profit or loss

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Financial assets held for trading purpose		
Commercial paper	\$ 11,997,605	\$ 119,827
Beneficiary certificates	218,777	613,159
Listed (TSE and OTC) stocks	-	1,192,968
Government bonds	1,899,786	289,685
Corporate bonds	304,206	-
Convertible corporate bonds	29,081	-
Beneficiary securities	30,000	35,000
Negotiable certificates of deposit	24,890,000	-
Derivatives	4,094,521	1,197,383
Valuation adjustment for financial assets for trading purposes – hybrid instruments	1,650	-
Valuation adjustment for financial assets for trading purposes – non-derivatives	<u>128,307</u>	<u>( 8,319)</u>
Subtotal	<u>43,593,933</u>	<u>3,439,703</u>
Designated financial assets at fair value through profit or loss		
Corporate bonds	552,663	906,548
Convertible corporate bonds	1,101,858	1,975,100
Valuation adjustment for designated financial assets at fair value through profit or loss	<u>( 666,670)</u>	<u>( 380,399)</u>
Subtotal	<u>987,851</u>	<u>2,501,249</u>
Total	<u>\$ 44,581,784</u>	<u>\$ 5,940,952</u>

- A. For the years ended December 31, 2008 and 2007, the net gain (loss) on financial assets at fair value through profit or loss (including interest income and dividend income) amounted to \$9,205,830 and \$(48,289), respectively.
- B. Financial instruments designated at fair value through profit or loss is for hybrid (combined) instruments.
- C. Please refer to Note 6 for details of financial assets at fair value through profit or loss pledged as collateral as of December 31, 2008.
- D. For stocks listed on TSE or OTC reclassified from financial assets at fair value through profit or loss to available-for-sale financial assets, please refer to Note 4(8) for details.



E. The trading items and contract information of derivatives are as follows:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Contract amount		Contract amount	
<u>Financial instruments</u>	<u>(Notional principal)</u>	<u>Credit risk</u>	<u>(Notional principal)</u>	<u>Credit risk</u>
For trading purpose:				
Exchange rate options purchased	\$ 1,715,457	\$ 95,947	\$ 1,319,914	\$ 104,898
Convertible bond options	512,200	-	-	-
Options purchased – asset swaps	253,500	12,634	-	-
FX contracts (swaps, forwards and cross currency swap)	6,598,744	220,312	17,265,433	99,220
Asset swap, interest rate swap and other interest rate swap	100,698,274	3,719,422	72,605,212	974,079
Interest rate futures (Note)	164,300	44,342	-	18,294
Fixed rate commercial paper commitments	550,000	1,864	200,000	892

Note: Gains on outstanding balance of futures contracts amounted to \$4 and \$0 as of December 31, 2008 and 2007. The credit risk of engaging in futures trading is the margin deposits of \$44,338 and \$18,294 that the Bank paid as of December 31, 2008 and 2007, respectively.

4. Investments in bills and bonds under resale agreement and bills and bonds payable under repurchase agreement

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Investments in bills and bonds under resale agreement	<u>\$ 1,644,337</u>	<u>\$ 397,522</u>
Interest rate (%)	0.80%	1.70% ~ 1.97%
Contract resale amount	<u>\$ 1,644,627</u>	<u>\$ 397,878</u>
Bills and bonds payable under repurchase agreement	<u>\$ 7,325,426</u>	<u>\$ 7,909,694</u>
Interest rate (%)	0.38%~1.25%	1.70% ~ 2.23%
Contract repurchase amount	<u>\$ 7,326,645</u>	<u>\$ 7,918,570</u>

1. As of December 31, 2008, the assets related to bills and bonds payable under repurchase agreements treated as financing transactions were recognized as financial assets at fair value through profit or loss of \$2,941,393 and available-for-sale financial assets of \$4,294,267.
2. As of December 31, 2007, the assets related to bills and bonds payable under repurchase agreements treated as financing transactions were recognized as financial assets at fair value through profit or loss of \$293,257, investments in bills and bonds under resale agreement of \$397,522, and available-for-sale financial assets of \$7,005,185.



5. Receivables – net

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Demand remittance receivable	\$ 3,193,623	\$ 1,341,567
Credit card receivable	2,286,904	2,550,358
Interest receivable	785,928	1,234,015
Acceptances receivable	762,487	1,547,847
Affiliated company receivable	1,686,397	1,112,854
Underwriting receivable and other receivables	<u>1,186,101</u>	<u>7,670,802</u>
Subtotal	9,901,440	15,457,443
Less: allowance for credit losses	( <u>72,399</u> )	( <u>422,739</u> )
	<u>\$ 9,829,041</u>	<u>\$ 15,034,704</u>

6. Assets held for sale

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Land	\$ -	\$ 578,469
Buildings	<u>-</u>	<u>200,199</u>
	<u>\$ -</u>	<u>\$ 778,668</u>

The Bank entered into the contract with Nan Shan Life Insurance Co., Ltd. (Nan Shan Life Insurance) on September 14, 2007 for the sale of real estate amounting to \$1,010,570. The transfer of ownership was completed on June 27, 2008 and the Bank recognized gain on sale amounting to \$231,107.

7. Bills discounted and loans, net

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Import and export negotiations	\$ 449,463	\$ 647,674
Short-term loans and overdrafts	33,590,753	37,288,216
Short-term loans and overdraft secured	15,736,406	18,008,317
Medium-term loans	44,516,234	42,614,274
Medium-term loans secured	43,168,409	41,672,369
Long-term loans	8,655,847	8,277,090
Long-term loans secured	88,739,170	89,802,326
Accounts receivable factoring	554,707	704,418
Non-performing loans	<u>3,309,623</u>	<u>1,948,591</u>
Subtotal	238,720,612	240,963,275
Less: allowance for credit losses	( <u>5,847,019</u> )	( <u>4,161,107</u> )
	<u>\$ 232,873,593</u>	<u>\$ 236,802,168</u>

The Bank provided allowance for credit losses by considering unrecoverable risks for the specific loans which is evaluated by the expected possibility of default.



For the years ended December 31, 2008 and 2007, movements of allowance for credit losses were as follows:

	For the year ended December 31, 2008		
	Specific provision	General provision	Total
Beginning balance	\$ 4,598,615	\$ -	\$ 4,598,615
Add: Provision for credit losses	3,201,826	-	3,201,826
Recoveries of doubtful accounts	589,044	-	589,044
Less: Write-off	( 2,340,929)	-	( 2,340,929)
Foreign exchange translation adjustment and others	( 67,034)	-	( 67,034)
Ending balance	\$ 5,981,522	\$ -	\$ 5,981,522

	For the year ended December 31, 2007		
	Specific provision	General provision	Total
Beginning balance	\$ 4,021,394	\$ -	\$ 4,021,394
Add: Provision for credit losses	4,099,417	-	4,099,417
Recoveries of doubtful accounts	558,967	-	558,967
Less: Write-off	( 4,081,110)	-	( 4,081,110)
Foreign exchange translation adjustment and others	( 53)	-	( 53)
Ending balance	\$ 4,598,615	\$ -	\$ 4,598,615

In 2008 and 2007, the provisions for credit losses for loans were \$2,835,562 and \$3,496,039, respectively; provisions for credit losses for credit cards receivable were \$311,500 and \$416,000, respectively; provisions for credit loss for guarantees were \$34,146 and \$0, respectively, and other provision for credit losses were \$20,618 and \$187,378, respectively. As of December 31, 2008 and 2007, loans and advances not accruing interest were \$3,309,623 and \$1,948,591, respectively. As of December 31, 2008 and 2007, the amounts of interest receivables that were not accrued from loans and advances were \$45,552 and \$35,116, respectively.



8. Available-for-sale financial assets – net

	December 31, 2008		
	<u>Cost after amortization</u>	<u>Valuation adjustment</u>	<u>Fair value</u>
Government bonds	\$ 6,563,787	\$ 60,109	\$ 6,623,896
Corporate bonds	6,979,222	9,518	6,988,740
Convertible bonds	492,014	2,003	494,017
Listed (TSE and OTC) stocks	1,090,055 (	193,732)	896,323
Financial debentures	252,093	3,469	255,562
Beneficiary securities	<u>373,540</u>	<u>7,696</u>	<u>381,236</u>
	<u>\$ 15,750,711</u>	<u>(\$ 110,937)</u>	<u>\$ 15,639,774</u>

	December 31, 2007		
	<u>Cost after amortization</u>	<u>Valuation adjustment</u>	<u>Fair value</u>
Government bonds	\$ 6,085,193	(\$ 74,981)	\$ 6,010,212
Corporate bonds	7,592,816 (	71,534)	7,521,282
Financial debentures	249,421 (	3,649)	245,772
Beneficiary securities	<u>574,408</u> (	<u>6,328)</u>	<u>568,080</u>
	<u>\$ 14,501,838</u>	<u>(\$ 156,492)</u>	<u>\$ 14,345,346</u>

Please refer to Note 6 for details of held-to-maturity financial assets pledged as collateral as of December 31, 2008.

Due to global financial crisis, stocks listed on TSE or OTC originally classified as at fair value through profit or loss were reclassified to available-for-sale financial assets in accordance with the revised Paragraph No. 104 of Financial Accounting Standard No. 34. As of September 30, 2008, the financial assets which were reclassified as available-for-sale amounted to \$319,897. Relevant information is as follows:

- (1) Fair value information regarding the reclassified assets which have not been derecognized from the balance sheet as of December 31, 2008 is as follows:

	<u>December 31, 2008</u>
Stocks listed on TSE or OTC	<u>\$ 226,784</u>

- (2) Movements on fair value of the reclassified assets for the period from July 1, 2008 to December 31, 2008 were as follows:

	2008		2007
	<u>Recognized in profit or loss</u>	<u>Recognized in stockholders' equity</u>	<u>Recognized in profit or loss</u>
Stocks listed on TSE or OTC	(\$ 99,449)	(\$ 93,113 )	(\$ 74,855)



9. Held-to-maturity financial assets

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Financial debentures	\$ 328,600	\$ 486,645
Corporate bonds	164,300	291,987
Asset backed securities	<u>104,376</u>	<u>144,488</u>
Subtotal	597,276	923,120
Less: accumulated impairment	<u>-</u>	<u>( 73,970)</u>
	<u>\$ 597,276</u>	<u>\$ 849,150</u>

10. Equity investments accounted for under the equity method - net

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Book Value</u>	<u>Percentage of ownership</u>	<u>Book Value</u>	<u>Percentage of ownership</u>
Equity method:				
Yuanta Leasing Co., Ltd.	\$ 105,690	98.56	\$ 105,174	98.56
Yuanta Property Insurance Agent Company	4,729	80.00	5,197	80.00
Yuanta Life Insurance Agent Company	<u>22,768</u>	99.99	<u>32,791</u>	99.99
	<u>\$ 133,187</u>		<u>\$ 143,162</u>	

For the years ended December 31, 2008 and 2007, the investment income of the Bank accounted for under the equity method was based on subsidiaries' audited financial statements for the corresponding periods, except for Yuanta Property Insurance Agent whose financial reports were not audited by independent auditor (total assets of the subsidiary as of December 31, 2008 and 2007 both accounted for 0.001% of the Bank's total assets; total net income of the subsidiary accounted for 0.15% and 0.04% of the Bank's total net income, respectively, that were considered to be immaterial.).



11. Other financial assets – net

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Book value</u>	<u>Percentage of ownership</u>	<u>Book value</u>	<u>Percentage of ownership</u>
Financial assets carried at cost:				
Taiwan Asset Management Co., Ltd.	\$ 100,000	0.57	\$ 100,000	0.57
Fubon Securities Financial Co., Ltd.	74,542	1.97	74,542	1.97
Grand Bills Finance Co., Ltd.	64,800	1.36	64,800	1.36
Financial Information Service Co., Ltd.	46,150	1.15	46,150	1.15
Yang Guang Asset Management Company	1,043	1.74	1,043	1.74
Taipei Forex Inc.	800	0.40	800	0.40
Ornatube Enterprise Co., Ltd.	155	0.05	155	0.05
MasterCard International	2,665	-	-	-
VISA Inc.	15,853	-	-	-
China Daily News Co., Ltd. (Note)	<u>-</u>	-	<u>-</u>	-
	306,008		287,490	
Less: accumulated impairment	( <u>155</u> )		( <u>155</u> )	
	<u>305,853</u>		<u>287,335</u>	
Bond investment with non-active market:				
Financial debentures	<u>147,520</u>		<u>977,667</u>	
Others				
Advance and bills purchased	29,220		47,651	
Non-loans reclassified to non-performing loans	<u>62,104</u>		<u>14,769</u>	
Subtotal	91,324		62,420	
Less: provision for credit losses	( <u>62,104</u> )		( <u>14,769</u> )	
	<u>29,220</u>		<u>47,651</u>	
	<u>\$ 482,593</u>		<u>\$ 1,312,653</u>	

Note: Book value does not exceed 1,000 dollars.

The financial assets carried at cost are accounted for by the cost method since there are no quoted market prices and fair values available.

In 2007, China Daily News Co., Ltd. reduced its capital by \$331,000 and then infused additional capital of \$452,200. The Bank has 83 shares of China Daily News Co., Ltd., with a shareholding percentage of 0.0002%.

The Bank exchanged existing debts of Taichung Machinery Works Co., Ltd. for 94,705 shares of its stock in June 2006. Since full provision for such debts was made, the Bank recorded the number of shares received with zero cost.

VISA International Service Association was reorganized and renamed as VISA Inc. in 2007 and calculated member's right based on the financial statements as of and for the year ended December 31, 2008. The Bank received cash dividends of \$19,326 and common stocks (C Class) of 11,537 shares, totaling to \$35,179. Common stocks (C Class) are held under the name of National Credit Card Center of R.O.C., a major member of VISA Inc. Due to lock-up restriction, common stocks (C Class) cannot be converted to common stocks (A Class) which have market value, and the relevant effects cannot be measured reliably.



Accordingly, such investment is listed under financial assets carried at cost.

In 2008, the Bank received cash dividends of \$26,062 and MasterCard International's common stocks (B Class) of 2,696 shares, totaling to \$28,727. Common stocks (B Class) are held under the name of National Credit Card Center of R.O.C., a major member of MasterCard International. Due to lock-up restriction, common stocks (B Class) cannot be converted to common stocks (A Class) which have market value, and the relevant effects cannot be measured reliably. Accordingly, such investment is listed under financial assets carried at cost.

## 12. Properties, plants and equipment

As of December 31, 2008 and 2007, details of properties, plants and equipment were as follows:

	<u>December 31, 2008</u>		
	<u>Cost</u>	Accumulated	
		<u>depreciation</u>	<u>Book value</u>
Land	\$ 799,346	\$ -	\$ 799,346
Buildings	362,099	( 85,686)	276,413
Office equipment	1,070,126	( 756,598)	313,528
Transportation equipment	41,633	( 21,640)	19,993
Miscellaneous equipment	990,387	( 472,857)	517,530
Leased assets	85,000	( 1,180)	83,820
Construction in progress	<u>539,065</u>	<u>-</u>	<u>539,065</u>
	<u>\$ 3,887,656</u>	<u>(\$ 1,337,961)</u>	<u>\$ 2,549,695</u>

	<u>December 31, 2007</u>		
	<u>Cost</u>	Accumulated	
		<u>depreciation</u>	<u>Book value</u>
Land	\$ 799,346	\$ -	\$ 799,346
Buildings	241,899	( 80,362)	161,537
Office equipment	1,020,712	( 568,845)	451,867
Transportation equipment	29,909	( 15,355)	14,554
Miscellaneous equipment	795,408	( 367,205)	428,203
Leased assets	89	( 87)	2
Construction in progress	<u>410,047</u>	<u>-</u>	<u>410,047</u>
	<u>\$ 3,297,410</u>	<u>(\$ 1,031,854)</u>	<u>\$ 2,265,556</u>

## 13. Intangible assets

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Goodwill	\$ -	\$ 1,319,535
Computer software	<u>232,017</u>	<u>146,486</u>
	<u>\$ 232,017</u>	<u>\$ 1,466,021</u>

The Bank assessed that goodwill has been impaired and accordingly, recognized impairment loss amounting to \$1,319,535 in accordance with the Statement of Financial Accounting Standards No. 35 "Accounting for Impairment of Assets".



14. Other assets

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Foreclosed assets	\$ 1,666	\$ 23,348
Less: accumulated impairment loss	( 1,666)	( 2,114)
	<u>-</u>	<u>21,234</u>
Idle assets	224,473	274,655
Less: accumulated depreciation	( 207)	( 2,156)
accumulated impairment loss	( 141,831)	( 141,831)
	<u>82,435</u>	<u>130,668</u>
Refundable deposits	802,537	664,804
Other deferred expenses	103,012	112,944
Others	<u>105,086</u>	<u>154,771</u>
	<u>\$ 1,093,070</u>	<u>\$ 1,084,421</u>

In 2008, the recognized impairment losses and gains on impairment recovery for foreclosed assets were \$8,020 and \$7,883, respectively. In 2007, the recognized impairment losses and gains on impairment recovery for foreclosed assets were \$8,468 and \$23,629, respectively.

For the years ended December 31, 2008 and 2007, the recognized impairment losses for idle assets were \$0 and \$136,238, respectively.

15. Due to Central Bank and other banks

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Due to Central Bank	\$ 4,234	\$ 1,413,607
Due to other banks	500,273	2,000,189
Overdrafts from banks	6,651	227,759
Call loans from banks	662,669	13,778,875
Redeposit from the directorate general of postal remittance	<u>10,691,255</u>	<u>10,843,734</u>
	<u>\$ 11,865,082</u>	<u>\$ 28,264,164</u>



16. Financial liabilities at fair value through profit or loss - net

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Derivatives	\$ 4,080,414	\$ 1,285,765
Non-derivatives	-	148,194
Valuation adjustments for non-derivatives	-	26
Designated financial liabilities at fair value through profit or loss	-	2,134,000
Valuation adjustment for designated financial liabilities at fair value through profit or loss	<u>-</u>	<u>2,519</u>
	<u>\$ 4,080,414</u>	<u>\$ 3,570,504</u>

1. For 2008 and 2007, net losses (including interest expenses) for the above financial liabilities at fair value through profit or loss were \$9,787,695 and \$67,118, respectively.
2. To eliminate the inconsistency of accounting measurement or recognition, financial instruments are designated at fair value through profit or loss.
3. Types of derivative financial instruments and related contract information were as follows:

<u>Financial instruments</u>	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Contract amount <u>(Notional principal)</u>	<u>Credit risk</u>	Contract amount <u>(Notional principal)</u>	<u>Credit risk</u>
Trading purpose:				
Exchange rate options written	\$ 1,715,457	\$ -	\$ 1,319,914	\$ -
Equity options written	862,500	-	827,100	-
Bond options written	200,000	-	-	-
Asset swap options written	353,720	-	595,886	-
Asset swaps, interest rate swap and other interest rate swap	100,238,732	-	79,269,780	-
Foreign exchange contracts (FX swaps and forwards)	3,077,139	-	2,485,948	-
Fixed rate commercial paper commitments	-	-	650,000	-
Credit default swap written	164,300	-	-	-
Interest rate futures	279,310	-	-	-



17. Payables

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Demand remittance payable	\$ 3,193,972	\$ 1,341,631
Accounts payable	120,083	1,170,395
Underwriting payables	156,955	2,632,370
Interest payable	1,104,602	1,063,739
Bankers' acceptances	762,757	1,549,446
Collections payable for customers	84,332	92,979
Accrued expenses	371,249	434,804
Taxes payable	43,759	48,970
Rent payable	85,000	-
Compensation payable	306,480	-
Other payables	<u>1,228,418</u>	<u>721,239</u>
	<u>\$ 7,457,607</u>	<u>\$ 9,055,573</u>

The Financial Supervisory Commission, Executive Yuan and the Bankers Association of the Republic of China resolved on principles for dealing with disputes of structured notes of Lehman Brothers. The Bank provided for the compensation of structured notes amounting to \$306,480 pursuant to the resolution.

18. Deposits and remittances

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Checking deposits	\$ 1,928,984	\$ 2,194,180
Demand deposits	25,045,709	23,462,696
Time deposits	75,104,169	65,529,380
Demand savings deposits	83,024,787	79,988,945
Time savings deposits	109,471,856	91,625,216
Remittances	<u>19,029</u>	<u>44,023</u>
	<u>\$ 294,594,534</u>	<u>\$ 262,844,440</u>

19. Financial debentures

In order to increase the regulatory capital adequacy ratio and raise medium-term and long-term operating funds, the board of directors of the Bank decided to issue subordinate financial debentures on August 22, 2002, December 22, 2005, and September 21, 2006. The issuances of subordinate financial debentures were approved by the Bureau of Monetary Affairs in Ministry of Finance Ruling Tai-Tsai-Rong (2) No. 0910042863 on September 24, 2002, the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500034970 on February 15, 2006, and the Financial Supervisory Commission in Executive Yuan Ruling Jin-Guan-Yin (6) No. 09500480850 on November 2, 2006.

In accordance with the original issuance plan, the Bank issued the first series of subordinate financial debentures on November 4, 2002, and February 24, 2006. The total amounts issued were \$4,500,000 and \$5,000,000, respectively, which were also the par value. The second series of general financial debentures and subordinate financial debentures both within the quota of \$5,000,000 were approved on November 2, 2006. The second issuance of the first series of subordinate financial debentures and the second issuance of the second series of accumulated subordinate financial debentures with no maturity date were made on December 22 and 27, 2006, respectively. The total



amounts issued were \$1,800,000 and \$3,000,000, respectively, which were also the par value. However, general financial debentures with the quota of \$5,000,000 and subordinate financial debentures with the quota of \$200,000 were expired as the issuance was not completed within one year after approval date.

The details of financial debentures were as follows:

First series of subordinate financial debentures in 2002 (Note)

	<u>Floating interest rate</u>	<u>Fixed interest rate</u>
Par value	\$ 3,100,000	\$ 1,400,000
Stated interest rate	6.15% less Libor (Note 1)	3.5%
Period	Five years and three months	Five years and three months
Interest payment date	Payable every half-year	Payable every half-year
Term of principal payment	Payable on maturity	Payable on maturity
Issue price	Price at face value on issuing date	Price at face value on issuing date

Note: First series of subordinate financial debentures in 2002 matured on February 4, 2008.

First series of subordinate financial debentures in 2006

	<u>Fixed interest rate</u>
Par value	\$ 5,000,000
Stated interest rate	Fixed interest rate at 2.55%
Period	Five years and six months
Interest payment date	Payable every year
Term of principal payment	Payable on maturity
Issue price	Price at face value on issuing date

First series of subordinate financial debentures in 2006, second issuance

	<u>Fixed interest rate</u>
Par value	\$ 1,800,000
Stated interest rate	Fixed interest rate at 2.50%
Period	Six years
Interest payment date	Payable every year
Term of principal payment	Payable on maturity (Note 2)
Issue price	Price at face value on issuing date



## Second series of subordinate financial debentures in 2006, second issuance

	<u>Fixed interest rate</u>
Par value	\$ 3,000,000
Stated interest rate	Fixed interest rate at 3.25%, the interest rate will rise to 4.25% if the Bank does not call back after five years
Period	No maturity date
Interest payment date	Payable every year
Term of principal payment	(Note 3)
Issue price	Price at face value on issuing date

Note 1: The stated interest rates are recalculated every half-year according to the average six-month US dollar Libor rate.

Note 2: The redemption right of the issuer: If its post-redemption capital adequacy ratio meets the minimum required capital adequacy ratio, the Bank may redeem the debentures in whole at par value on the date two years after the issue date or on the same date in every subsequent year until maturity, if approved by the supervising authority. Purchasers or holders of the debentures cannot raise any objection to this resolution. The Bank will announce the resolution 15 days prior to redemption date, and the debentures will stop accruing interest on and after the declaration date.

Note 3: The redemption right of the issuer: If its post-redemption capital adequacy ratio meets the minimum required capital adequacy ratio, the Bank may redeem the debentures in whole or in part at par value plus accrued and unpaid interest on the date five years after the issue date or on the same date in every subsequent year, if approved by the supervising authority. Purchasers or holders of the debentures cannot raise any objection to this resolution. The Bank will announce the resolution 15 days prior to redemption date, and the debentures will stop accruing interest on and after the declaration date.

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

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Beginning balance	\$ 12,166,000	\$ 12,166,000
Financial debentures which matured during the year	( 2,366,000)	-
Ending balance	<u>\$ 9,800,000</u>	<u>\$ 12,166,000</u>

As of December 31, 2007, the fair value of subordinate financial debentures accounted as designated financial liabilities at fair value through profit or loss was \$2,136,519.

As of December 31, 2008: None.

## 20. Accrued pension liabilities

- The Bank has set up a defined benefit pension plan in accordance with the Labor Standards Law of the R.O.C., covering all formal employees who serve in the company prior to the implementation of the Labor Pension Act on July 1, 2005 and who choose continuously to be applicable to the Labor Standards Law after the implementation of the Labor Pension Act. The payment of pension benefits is based on the length of the service period and average monthly compensation for the last six months prior to retirement. Under the defined benefit plan, employees are granted two points for each year of service for the first 15 years and one point for each additional year of service after the 15th year, but it is subject to a maximum of 45 points. The Bank makes contributions monthly based on 6.9 percent of salaries, and such contributions are deposited in the designated pension account at the Bank of Taiwan under the names of the company's independent retirement fund committees. Pension expenses recognized for the years ended December 31, 2008



and 2007 were \$89,915 and \$60,699, respectively.

2. The following sets forth the pension information based on the actuarial report:

	<u>2008</u>	<u>2007</u>
Discounted rate	2.75%	3.50%
Expected rate of return on plan assets	3.00%	3.00%
Rate of compensation increase	1.50%	2.75%

3. Funded status of the pension plan

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Vested benefit obligation	\$ 236,555	\$ 209,907
Non-vested benefit obligation	<u>242,167</u>	<u>289,435</u>
Accumulated benefit obligation	478,722	499,342
Effect of future salary increments	<u>312,566</u>	<u>267,353</u>
Projected benefit obligation	791,288	766,695
Fair value of plan assets	( <u>522,243</u> )	( <u>501,402</u> )
Funded status	269,045	265,293
Unrealized net transition obligation	( 14,636)	( 16,727)
Unrecognized service cost in prior period	2,416	2,675
Unrecognized loss on plan assets	( 288,968)	( 303,692)
Minimum pension liabilities should be recognized	<u>-</u>	<u>-</u>
Prepaid pension	( <u>\$ 32,143</u> )	( <u>\$ 52,451</u> )
Vested benefit	<u>\$ 348,996</u>	<u>\$ 312,604</u>

4. Net pension cost comprises the following:

	<u>2008</u>	<u>2007</u>
Service cost	\$ 58,822	\$ 47,910
Interest cost	26,834	17,208
Actual return on plan assets	( 13,788)	( 13,004)
Amortization	<u>18,047</u>	<u>8,585</u>
Net pension cost	<u>\$ 89,915</u>	<u>\$ 60,699</u>

5. Effective from July 1, 2005, the Bank has established a defined contribution plan for employees who are R.O.C. nationals pursuant to the Labor Pension Act. In accordance with the Labor Pension Act, the Bank contributes monthly for voluntary employees based on not less than 6% of the employees' salaries which are deposited in the employees' individual pension fund accounts at the Bureau of Labor Insurance. The employees can choose to receive such pension benefits monthly or in one single payment. Under the above defined contribution plan, pension expenses recognized for the years ended December 31, 2008 and 2007 were \$86,892 and \$84,295, respectively.



## 21. Common stock

1. As of December 31, 2008 and 2007, the Bank's authorized capital was \$22,000,000 and \$24,000,000, respectively, consisting of 2.2 billion shares and 2.4 billion shares of common stock with \$10 (in dollars) par value per share.
2. The board of directors resolved to reduce capital by \$4,000,000 to offset against accumulated deficit and issue new common stock amounting to \$10,000,000 on August 16, 2007. The capital reduction and capital infusion were approved by Financial Supervisory Commission of the Executive Yuan, effective on October 23, 2007 and October 24, 2007, respectively. The Bank has completed the corporate registration for the above changes.
3. The board of directors resolved to reduce capital by \$2,000,000 to offset against accumulated deficit on February 21, 2008. The capital reduction was approved by Financial Supervisory Commission of the Executive Yuan, effective on March 22, 2008. The Bank has completed the corporate registration for the above change.

## 22. Capital surplus

According to the ROC Company Act, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficit. Capital surplus should not be used for distribution of cash dividends. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and amounts donated to the Bank. The amount of capital surplus capitalized each year shall not exceed a certain percentage of the Bank's issued share capital. Issuance of new stock from capital surplus from cash subscription in excess of par value of common stock can be made only once per year, and cannot be made in the same year of cash subscription.

## 23. Legal reserve and appropriated special reserve

The Bank's Articles of Incorporation provides that the Bank may declare dividends after all tax payments and appropriation of 30% of remaining earnings as legal reserve. The Bank cannot distribute cash dividends exceeding 15% of total share capital until legal reserve reaches the amount equal to total share capital. In addition, apart from the appropriation of legal reserve, the Bank can also appropriate special reserve according to the resolution of the shareholders.

## 24. Accumulated deficit to be recovered

1. In order to continuously expand its operation, increase earning capacity, and to maintain the capital adequacy ratio, the Bank has adopted the following dividend policy: the Bank's annual net income, after paying all taxes as required by law, must be applied to offset prior years' losses first, then set aside 30% of remaining earnings as legal reserve and also appropriated as special reserve. The remaining earnings will be distributed as follows:
  - (a) 0.5% ~ 1% as directors' bonus.
  - (b) 0.5% ~ 1.5% as employee bonus.
 The remainder shall be distributed after the distribution proposal is resolved by the shareholders.
2. The ratio between cash dividends and stock dividends distributed is determined by the resolution of the board of directors in consideration of the related industry condition, market perceptions, and the Bank's business strategies. During the growing period of the Bank, in principle, stock dividends distributed shall not be lower than 80% unless changed by the board of directors as deemed necessary. Cash dividends shall be distributed after the distribution of earnings proposal is resolved by the shareholders, while stock dividends are distributed after obtaining approval documents from the supervising authority.
3. After the Bank became a subsidiary of Yuanta Financial Holding Company, the rights of the shareholders were exercised by the board of directors.
4. As of December 31, 2008 and 2007, no retained earnings could be distributed due to accumulated deficit.
5. The recovery of 2006 deficit had been resolved by the board of directors on March 15, 2007. Legal reserve of \$737,705 and additional paid-in capital of \$14,673 were resolved to offset against deficit.



6. Due to the accumulated deficit from operations as of December 31, 2008, the Bank did not estimate employees' bonus and supervisors' and directors' remuneration for the year ended December 31, 2008.

25. Personnel, depreciation, and amortization expenses

Personnel, depreciation, and amortization expenses incurred for the years ended December 31, 2008 and 2007 were summarized as follows:

	<u>2008</u>	<u>2007</u>
Personnel expenses	\$ 2,615,978	\$ 2,782,472
Salaries	2,190,541	2,391,669
Labor and health insurance	142,107	146,839
Pension	183,703	144,994
Others	99,627	98,970
Depreciation	370,863	391,970
Amortization	102,603	87,458

26. Income tax

1. Income tax benefit

	<u>2008</u>	<u>2007</u>
Income tax at the statutory tax rate	(\$ 984,548)	(\$ 648,685)
Tax effect of permanent differences	195,083	85,850
Unused expired loss carryforwards	-	863,386
Over provision of prior year's income tax	( 56,204)	( 37,957)
Increment of investment tax credit	( 3,392)	( 4,891)
Separate income tax	151,055	12,342
Provision for valuation allowance reversal of deferred income tax assets	-	( 863,386)
Others	-	( 155)
Income tax benefit	( 698,006)	( 593,496)
Less: net changes on deferred income tax assets	366,075	99,025
Separate income tax	( 151,055)	( 12,342)
Effects of adopting the consolidated income tax return system	459,264	496,126
Over provision of prior year's income tax	23,722	10,531
Others	-	156
Prior years' income tax payable	1,498	1,498
Income tax payable	<u>\$ 1,498</u>	<u>\$ 1,498</u>



2. The details of adopting the consolidated income tax return system are as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Consolidated income tax return receivable – parent company	\$ <u>1,686,397</u>	\$ <u>1,112,854</u>

3. Details of temporary differences, loss carryforwards and investment tax credits resulting in deferred income tax assets and liabilities were as follows:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	<u>Amount</u>	<u>Tax effect</u>	<u>Amount</u>	<u>Tax effect</u>
Unrealized exchange gain	(\$ 496,365)	(\$ 124,091)	(\$ 29,417)	(\$ 7,354)
Increase in allowance for credit losses in excess of tax limitation	3,574,823	893,707	2,081,315	520,329
Unrealized valuation gain on derivatives	( 83,137)	( 20,784)	( 77,421)	( 19,355)
Unrealized impairment losses on foreclosed assets	1,666	416	3,372	843
Unrealized impairment losses on idle assets	141,831	35,458	7,153	1,788
Unrealized compensation loss	306,480	76,620	-	-
Other financial assets impairment loss	155	39	-	-
Effect of amortization on goodwill	883,385	220,846	1,028,769	257,192
Loss carryforwards	<u>4,918,848</u>	<u>1,229,711</u>	<u>4,918,848</u>	<u>1,229,711</u>
	<u>\$ 9,247,686</u>	<u>2,311,922</u>	<u>\$ 7,932,619</u>	<u>1,983,154</u>
Investment tax credits		<u>21,144</u>		<u>20,183</u>
Subtotal		2,333,066		2,003,337
Valuation allowance		( <u>220,846</u> )		( <u>257,192</u> )
Deferred income tax assets – net		<u>\$2,112,220</u>		<u>\$1,746,145</u>

4. The Bank is eligible for investment tax credits under the Statute for Upgrading Industry. Details as of December 31, 2008 were as follows:

<u>Qualifying item</u>	<u>Year</u>	<u>Unused tax credit</u>	<u>Final year tax credits are due</u>
Employees training	2005	\$ 4,640	2009
Employees training	2006	6,714	2010
Employees training	2007	6,398	2011
Employees training	2008	<u>3,392</u>	2012
		<u>\$ 21,144</u>	

5. According to the revised Income Tax Law dated January 21, 2009, the losses could be carried forward for 10 years as deduction against the future taxable income. As of December 31, 2008, the details of the Bank's loss carryforward were as follows:

<u>Year loss was incurred</u>	<u>Declared amount of loss</u>	<u>Year of expiration</u>	<u>Assessed by tax authority</u>
2006	<u>\$ 4,918,848</u>	2016	Not yet assessed



6. Imputation credit account for stockholders and its related information

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Balances of the imputation credit account for stockholders	\$ <u>227,627</u>	\$ <u>51,834</u>

The actual imputation tax credit ratio of earnings distribution in 2008 and 2007 was 0% since there were no earnings to be distributed.

7. Inappropriate earnings

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Prior 1997 (including 1997)	\$ -	\$ -
Post 1998	( <u>3,254,911</u> )	( <u>2,014,728</u> )
	( \$ <u>3,254,911</u> )	( \$ <u>2,014,728</u> )

As of December 31, 2008, the Bank's annual income tax return through 2003 has been assessed by the Tax Authority.

The Bank's 10% surtax on inappropriate earnings for the year 1998 has been assessed by the Tax Authority and the ROC Tax Authority determined that the unrealized exchange gains from 1997 accounted for as taxable income in 1998 cannot offset inappropriate earnings in 1998. However, the Bank petitioned for a recheck of the above and won the lawsuit on July 17, 2007. The National Tax Administration of Central Taiwan Province has completed the re-assessment and refunded the tax payment.

The Bank's annual income tax for 2003 was assessed by the Tax Authority on December 12, 2006. The Tax Authority denied the amortization on goodwill and bond investments amounting to \$70,836 and this affected income tax expense amounting to \$17,709. The Bank disagreed with the assessment and has filed petition for a recheck and appeal with the MOF in March 2007. As of December 31, 2008, the Bank did not recognize any income tax payable.

27. Loss per common share

		<u>For the year ended December 31, 2008</u>					
		<u>Amount</u>		<u>Adjusted weighted average outstanding common stock (In thousand shares)</u>	<u>Loss per share (in NT dollars)</u>		
		<u>Before tax</u>	<u>After tax</u>			<u>Before tax</u>	<u>After tax</u>
Net loss		( <u>\$3,938,189</u> )	( <u>\$3,240,183</u> )	2,200,000	( \$ <u>1.79</u> )	( \$ <u>1.47</u> )	
		<u>For the year ended December 31, 2007</u>					
		<u>Amount</u>		<u>Adjusted weighted average outstanding common stock (In thousand shares)</u>	<u>Loss per share (in NT dollars)</u>		
		<u>Before tax</u>	<u>After tax</u>			<u>Before tax</u>	<u>After tax</u>
Net loss		( <u>\$2,594,738</u> )	( <u>\$2,001,242</u> )	1,456,621	( \$ <u>1.78</u> )	( \$ <u>1.37</u> )	

When calculating the loss per share, the effect of the stock dividends had been adjusted retroactively. Due to such retroactive adjustments, the loss per share before and after income tax for the year ended December 31, 2007 increased from NT (\$1.63) and NT (\$1.26) to NT (\$1.78) and NT (\$1.37) dollars, respectively.

28. The ratio between equity capital and risk assets



## 28. The ratio between equity capital and risk assets

- 1) In compliance with the Banking Act and other relevant regulations, the ratio between equity capital and risk assets of banks shall not be less than eight percent (8%). If the actual ratio of banks is lower than the required ratio, the Competent Authority may prohibit such banks from paying dividends and/or take other necessary actions. Applicable regulations with respect to the above matters shall be prescribed by the Competent Authority.
- 2) As of December 31, 2008 and 2007, the ratio between equity capital and risk assets of the Bank was 11.21% and 11.87%, respectively.

## V. Related party transactions

### 1. Names and relationship of related parties

<u>Name of related party</u>	<u>Relationship</u>
Yuanta Financial Holding Co., Ltd. (“Yuanta Financial Holdings”)	Parent company of the Bank
Yuanta Securities Co., Ltd. (“Yuanta Securities”)	Affiliated company controlled by the same company as the Bank
Fuhwa Securities Investment Trust Co., Ltd. (“Fuhwa Securities Investment Trust”)	Affiliated company controlled by the same company as the Bank (Non related party effective from October 24, 2008)
Yuanta Securities Investment Trust Co., Ltd. (“Yuanta Securities Investment Trust”)	Affiliated company controlled by the same company as the Bank
Yuanta Asset Management Co., Ltd. (“Yuanta Asset Management”)	Affiliated company controlled by the same company as the Bank
Fuhwa Capital Management Co., Ltd. (“Fuhwa Capital Management”)	Affiliated company controlled by the same company as the Bank
Yuanta Futures Co., Ltd. (“Yuanta Futures”)	Affiliated company controlled by the same company as the Bank
Yuanta Securities Finance Co., Ltd. (“Yuanta Securities Finance”)	Affiliated company controlled by the same company as the Bank
Yuanta Life Insurance Agent Company (Yuanta Life Insurance Agent)	Investee controlled by the Bank
Yuanta Leasing Co., Ltd. (Yuanta Leasing)	Investee controlled by the Bank
Yuanta Property Insurance Agent Company (Yuanta Property Insurance Agent)	Investee controlled by the Bank
Guang Hwa Investment Co., Ltd. (“Guang Hwa Investment”)	Investor in the parent company of the Bank by equity method until April 2, 2007. Guang Hwa Investment’s president is the parent company’s director (effective from March 20, 2008).
Rui Sheng Real Estate Co., Ltd. (Rui Sheng Real Estate)	The Bank’s director is Rui Sheng Real Estate’s president
Industrial Bank of Taiwan	Industrial Bank of Taiwan’s president’s spouse is the Bank’s supervisor.
Land Bank of Taiwan	Former supervisor of the parent company (Resigned on June 29, 2007). Land Bank of Taiwan’s vice general manager is the Bank’s director (Resigned on December 19, 2008)
Bank of Taiwan	Former director of the parent company (Resigned on June 29, 2007)
Others (each related party's deposits and loans are not over 1% of total deposits and loans)	The Bank's affiliated companies and directors, supervisors and managers, and their relatives



2. Significant transactions with related parties

A. Deposits

December 31, 2008			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ 15,000,022	5.09	0.00~13.00

December 31, 2007			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ 11,163,289	4.25	0.00~13.00

Apart from 13% interest rate on employees' certain demand savings deposits, for the years ended December 31, 2008 and 2007, the range of interest rate on other related parties' demand savings deposits was 0.00%~5.88% and 0.00%~2.56%, respectively. The interest rates and other terms provided to related parties were the same as those offered to the general public.

For the years ended December 31, 2008 and 2007, interest expenses on the above deposits were \$330,784 and \$191,508, respectively.



## B. Loans

December 31, 2008

(Expressed in thousands of New Taiwan dollars)

Types	Number of account or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue accounts		
Consumer loans	1	\$ 581	\$ 513	\$ 513	-	None	None
Home mortgage loans	42	337,641	249,177	249,177	-	Real estate	None
	Shin, Huai-Ling	877	128	128	-	None	None
	Jhuang, Lu-Yi	22	22	22	-	None	None
	Guang Hwa Investment	230,000	-	-	-	Real estate	None
	Rui Sheng Real Estate	1,045,000	930,000	930,000	-	Real estate	None
	Yúanta Asset Management	480,000	-	-	-	Stocks listed on TSE or OTC	None
Other loans	Yúanta Securities	30,000	-	-	-	Real estate and other beneficiary certificates	None
Total			\$ 1,179,840	\$ 1,179,840	\$ 1,179,840		



December 31, 2007

(Expressed in thousands of New Taiwan dollars)

Types	Number of account or name of related party	Highest balance	Ending balance	Loan status		Collateral	Whether terms and conditions of the related party transactions are different from those of transactions with third parties
				Normal loans	Overdue accounts		
Consumer loans for employees	2	\$ 769	\$ 587	\$ 587	-	None	None
Home mortgage loans	39	233,184	204,973	204,973	-	Real estate	None
	Chen, Ting Chang	900	-	-	-	Certificates of deposit	None
	Yuanta Securities	1,000,000	-	-	-	Real estate and marketable securities	None
	Guang Hwa Investment	324,000	230,000	230,000	-	Real estate	None
	Yuanta Securities Finance	639,000	-	-	-	Real estate	None
	Yuanta Asset Management	280,000	280,000	280,000	-	Real estate	None
	Liao, Xian Chong	25,007	24,698	24,698	-	Real estate	None
	Liao, Ying Fei	483,053	483,053	483,053	-	Certificates of deposit	None
Other loans	Zhang, Zhi Qiang	14,447	13,765	13,765	-	Real estate	None
Total			\$ 1,237,076	\$ 1,237,076	\$ -		



In 2008 and 2007, loans to related parties were under the same terms as those to other customers, except for interest rates on loans to affiliated companies, ranging from 2.40% to 3.60% and 2.50% to 3.20%, respectively, and on loans to bank staffs, ranging from 1.65% to 4.74% and 2.00% to 4.56%, respectively.

During 2008 and 2007, interest income resulting from the above loans were \$37,138 and \$30,070, respectively.

#### C. Fee and commission income

As of and for the years ended December 31, 2008 and 2007, details of fee and commission income and related receivables were as follows:

	<u>For the year ended December 31, 2008</u>	
	<u>Fee and commission income</u>	<u>Accounts receivable</u>
Yuanta Life Insurance Agent	\$ 118,141	\$ 3,354
Yuanta Property Insurance Agent	8,301	-
Yuanta Securities Investment Trust	11,334	1,103
Fuhwa Securities Investment Trust	<u>622</u>	<u>-</u>
	<u>\$ 138,398</u>	<u>\$ 4,457</u>

	<u>For the year ended December 31, 2007</u>	
	<u>Fee and commission income</u>	<u>Accounts receivable</u>
Yuanta Life Insurance Agent	\$ 104,258	\$ 16,961
Yuanta Property Insurance Agent	6,819	2,751
Yuanta Securities Investment Trust	14,450	3,978
Fuhwa Securities Investment Trust	<u>2,161</u>	<u>100</u>
	<u>\$ 127,688</u>	<u>\$ 23,790</u>

The above income was mainly from commissions from sales of mutual funds and insurance.

#### D. Rental expenses

For the years ended December 31, 2008 and 2007, details of rental expenses were as follows:

<u>Name</u>	<u>Usage</u>	<u>For the years ended December 31,</u>	
		<u>2008</u>	<u>2007</u>
Yuanta Securities	Office premises	\$ 450,087	\$ 352,924
Yuanta Asset Management	Office premises	27,947	13,346
Yuanta Securities Finance	Office premises	12,907	11,660
Yuanta Futures	Office premises	<u>3,779</u>	<u>2,278</u>
		<u>\$ 494,720</u>	<u>\$ 380,208</u>



E. Other receivables

Name	December 31, 2008	December 31, 2007
Yuanta Financial Holding, Co., Ltd.	\$ 1,686,397	\$ 1,112,854

The above receivable represents the consolidated income tax return receivable from parent company.

F. Property transactions

(a) As of and for the years ended December 31, 2008 and 2007, the details of the Bank's investments in open-end funds were as follows:

	For the year ended December 31, 2008		
	Investment in this period	Ending balance	Gain (loss) on disposal
	Funds managed by Yuanta Securities Investment Trust	\$ 430,000	\$ 120,000
Funds managed by Fuhwa Securities Investment Trust	175,005	275,085	(4,189)
	<u>\$ 605,005</u>	<u>\$ 395,085</u>	<u>(\$ 1,631)</u>

	For the year ended December 31, 2007		
	Investment in this period	Ending balance	Gain on disposal
Funds managed by Yuanta Securities Investment Trust	\$ 180,000	\$ 180,000	\$ 1,271
Funds managed by Fuhwa Securities Investment Trust	500,000	170,085	22,227
	<u>\$ 680,000</u>	<u>\$ 350,085</u>	<u>\$ 23,498</u>

(b) For the years ended December 31, 2008 and 2007, the details of the Bank's engaging in outright purchase and sell transactions with affiliates in the open market were as follows:

	For the year ended December 31, 2008		
	Type	Purchase price	Selling price
Yuanta Securities	Bond	\$ 3,470,961	\$ 3,943,560
Industrial Bank of Taiwan	Bond	20,318,250	17,148,902
Land Bank of Taiwan	Bond	552,210	746,895
Guang Hwa Investment	Bills	49,858	49,934
		<u>\$ 24,391,279</u>	<u>\$ 21,889,291</u>



<u>For the year ended December 31, 2007</u>			
	<u>Type</u>	<u>Purchase price</u>	<u>Selling price</u>
Yuanta Securities	Bond	\$ 2,383,095	\$ 2,380,663
Industrial Bank of Taiwan	Bond	3,980,397	3,193,580
Bank of Taiwan	Bond	967,607	295,561
Land Bank of Taiwan	Bond	<u>590,446</u>	<u>445,809</u>
		<u>\$ 7,921,545</u>	<u>\$ 6,315,613</u>

- (c) For the years ended December 31, 2008 and 2007, the details of the Bank's engaging in beneficiary securities transactions with affiliates in the open market were as follows:

<u>For the year ended December 31, 2008</u>			
	<u>Ending balance</u>	<u>Highest balance</u>	<u>Interest income</u>
Yuanta Securities	\$ 138,922	\$ 138,922	\$ -

<u>For the year ended December 31, 2007</u>			
	<u>Ending balance</u>	<u>Highest balance</u>	<u>Interest income</u>
Yuanta Securities	\$ 138,922	\$ 138,922	\$ -
Industrial Bank of Taiwan	-	391,906	5,435
	<u>\$ 138,922</u>	<u>\$ 530,828</u>	<u>\$ 5,435</u>

- (d) The Bank entered into contracts with Yuanta Asset Management to sell non-performing loans at the price of \$21,390 in 2008. The contracted amounts were fully collected as of December 31, 2008. The sale of non-performing loan is listed as follows:

Non-performing loans			<u>Amount</u>	<u>Carrying amount</u>	<u>Allocation of selling price</u>
Corporate Banking	Secured loans		\$ 387,531	\$ -	\$ 17,884
	Unsecured loans		1,974,856	-	3,506
Consumer Banking	Secured loans	Residential mortgage loans	-	-	-
		Automobile mortgage loans	-	-	-
		Others	-	-	-
	Unsecured loans	Credit cards	-	-	-
		Cash cards	-	-	-
		Small amount of credit loans	-	-	-
		Others	-	-	-
Total			\$ 2,362,387	\$ -	\$ 21,390



(e) The Bank entered into contracts with Yuanta Asset Management to sell non-performing loans at the price of \$752,511 in 2007. The contracted amounts were fully collected as of December 31, 2008. The sale of non-performing loans is listed as follows:

Non-performing loans			Amount	Carrying amount	Allocation of selling price
Corporate Banking	Secured loans		\$ 390,212	\$ 489	\$ 25,913
	Unsecured loans		2,157,268	55,695	149,445
Consumer Banking	Secured loans	Residential mortgage loans	1,055,785	570,579	422,070
		Automobile mortgage loans	-	-	-
		Others	38,219	96	1,911
	Unsecured loans	Credit cards	1,796,204	9,263	71,848
		Cash cards	-	-	-
		Small amount of credit loans	1,329,580	1,022	66,479
		Others	85,348	5,465	14,845
Total			\$ 6,852,616	\$ 642,609	\$ 752,511

Note: Carrying amounts include short-term advance of \$24,259.

G. Bills and bonds investment (payable) under resale (repurchase) agreement

(a) For the years ended December 31, 2008 and 2007, transaction details of bills and bonds under repurchase or resale agreement with affiliated parties were as follows:

Name	For the year ended December 31, 2008			Interest revenue (expense)
	Highest balance	Ending balance	Interest rate	
Resale transactions:				
Yuanta Securities	\$ 220,000	\$ -	-10.00~1.80	(\$ 9)
Industrial Bank of Taiwan	211,724	-	1.35~1.96	64
		-		55
Repurchase transactions:				
Funds managed by Yuanta Securities Investment Trust				
Yuanta Wan Tai Bond Fund	150,452	-	0.55~1.95	( 187)
Funds managed by Fuhwa Securities Investment Trust				
Fuhwa Wan Li Bond Fund	391,321	-	1.70~1.95	( 1,006)
Fuhwa Superior Selection China Fund	100,000	-	1.73~1.75	( 60)
Yuanta Securities	1,950,000	-	2.15~2.25	( 3,607)
Industrial Bank of Taiwan	158,963	-	0.50~0.55	( 2)
		-		( 4,862)
Total		\$ -		(\$ 4,807)

Note: To comply with the GreTai Securities Market (GTSM)'s automatic bills and bonds under repurchase agreement (RP) trading of excess long positions by the computerized negotiation trading system, the Bank engaged in relevant transactions and, therefore, generated negative interest rate.



For the year ended December 31, 2007				
Name	Highest balance	Ending balance	Interest rate	Interest revenue (expense)
Resale transactions:				
Yuanta Securities	\$ 597,717	\$ -	-2.50~2.60	\$ 90
Yuanta Securities Finance	199,657	-	1.45	8
Industrial Bank of Taiwan	142,465	-	-9.50~1.65	(21)
		-		77
Repurchase transactions:				
Funds managed by Yuanta				
Securities Investment Trust				
Yuanta Global Realty & Infrastructure Fund	300,000	-	1.69~2.70	(952)
Yuanta Dou Li Equity Fund	200,000	-	1.62	(27)
Yuanta Wan Tai Bond Fund	449,774	150,277	1.62~2.75	(609)
Yuanta International Trade Equity Fund	49,816	-	1.61~1.64	(162)
Funds managed by Fuhwa				
Securities Investment Trust				
Fuhwa Apex Bond Fund	500,351	-	1.62~2.70	(2,099)
Fuhwa Wan Li Bond Fund	2,050,479	390,928	1.62~2.50	(5,007)
Fuhwa Advantage Bond Fund	500,147	-	1.68~2.70	(1,108)
Fuhwa Superior Selection China Fund	100,020	-	1.81	(35)
Yuanta Securities	3,207,630	1,750,000	1.65~3.10	(22,405)
Industrial Bank of Taiwan	146,214	-	-9.00~0.00	187
		2,291,205		(32,217)
Total		\$ 2,291,205		(\$ 32,140)

Note: To comply with the GreTai Securities Market (GTSM)'s automatic bills and bonds under repurchase agreement (RP) trading of excess long positions by the computerized negotiation trading system, the Bank engaged in relevant transactions and, therefore, generated negative interest rate.

(b) For the years ended December 31, 2008 and 2007, the details of the Bank's selling of subordinate financial debentures to related parties were as follows:

For the year ended December 31, 2008				
Related party	Highest balance	Ending balance	Interest rate	Interest expense
First series in 2002				
Yuanta Securities Finance	\$ 966,000	\$ -	0.79~1.30	\$ 1,173
For the year ended December 31, 2007				
Related party	Highest balance	Ending balance	Interest rate	Interest expense
First series in 2002				
Yuanta Securities Finance	\$ 966,000	\$ 966,000	0.79~1.30	\$ 8,440
First series in 2006—second issuance				
Yuanta Securities	\$ 320,000	\$ -	2.50	\$ 186

As of December 31, 2008 and 2007, the above transactions with Yuanta Securities Finance resulted in interest payable of \$0 and \$2,002, respectively, accounted as payables.



H. Information on remunerations to the Bank's directors, supervisors, general managers and vice general manager:

	<u>2008</u>	<u>2007</u>
Salaries	\$ 54,431	\$ 35,384
Bonus	15,730	31,262
Business expenses	5,094	4,122
Earnings distribution	<u>-</u>	<u>-</u>
	<u>\$ 75,255</u>	<u>\$ 70,768</u>

- (a) Salaries represent salary, extra pay for duty, pension and severance pay.
- (b) Bonus represents bonus and reward.
- (c) Business expenses represent transportation expense, extraneous charges, subsidies and dormitory and car provided.
- (d) Earning distribution represents estimated remunerations to be paid to supervisors and directors and bonus to be paid to employees in 2008.
- (e) Please refer to the Company's Annual Report for relevant information.

VI. Pledged assets

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

<u>Items</u>	<u>December 31, 2008</u>	<u>December 31, 2007</u>	<u>Purpose of pledge</u>
Financial assets at fair value through profit or loss – commercial paper and government bonds	\$ 2,941,393	\$ 293,257	Bills and bonds payable under repurchase agreement
Investments in bills and bonds under resale agreements	-	397,522	Bills and bonds payable under repurchase agreement
Available-for-sale financial assets – government bonds and corporate bonds	4,294,267	7,005,185	Bills and bonds payable under repurchase agreement
Available-for-sale financial assets – government bonds	211,017	151,549	Provisional seizure
Available-for-sale financial assets – government bonds	55,132	57,407	Operating deposits of proprietary trading bills
Available-for-sale financial assets – government bonds	9,718	10,184	Operating deposits of proprietary trading bonds
Available-for-sale financial assets – government bonds	54,443	56,450	Trust fund reserve
Available-for-sale financial assets – government bonds	<u>10,942</u>	<u>11,292</u>	Operating deposits of proprietary trading securities
	<u>\$ 7,576,912</u>	<u>\$ 7,982,846</u>	



VII. Commitments and contingencies

## (1) Operating leases

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

<u>Fiscal year</u>	<u>Rental amount</u>
2009	\$ 498,418
2010	444,463
2011	233,320
2012	82,549
2013 and after	<u>31,414</u>
	<u>\$ 1,290,164</u>

## (2) Significant purchase agreements

As of December 31, 2008 and 2007, the Bank entered into agreements for assets acquisition amounting to \$864,360 and \$983,503, respectively. The unpaid amounts of those agreements were \$325,295 and \$573,456, respectively.

## (3) Others

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Consignment collection for others	\$ 12,811,086	\$ 18,220,886
Traveler's checks held on consignment for sale	161,861	175,973
Consignment securities, underwriting goods and custodial goods	9,235,822	36,078,139
Trust assets	<u>58,617,495</u>	<u>65,086,602</u>
	<u>\$ 80,826,264</u>	<u>\$ 119,561,600</u>
Credit lines provided but not used	<u>\$ 5,058,995</u>	<u>\$ 8,870,398</u>
Credit commitment on credit card	<u>\$ 62,541,212</u>	<u>\$ 57,715,607</u>
Other guarantees	<u>\$ 6,884,989</u>	<u>\$ 8,592,703</u>
Unused L/C balance	<u>\$ 2,314,733</u>	<u>\$ 3,566,222</u>
Securities commitment under repurchase agreement	<u>\$ 7,326,645</u>	<u>\$ 7,918,570</u>
Securities commitment under resale agreement	<u>\$ 1,644,627</u>	<u>\$ 397,878</u>

VIII. Significant catastrophic loss: None.

IX. Significant subsequent events: None.



X. Others

(1) Disclosure of financial instruments

A. Fair value of financial instruments

	December 31, 2008		
	Book value	Fair value	
		Quoted market value	Estimated amount by valuation method
<u>Non-derivative financial instruments</u>			
Assets			
Financial assets with book value equal to fair value	\$ 54,683,168	\$ -	\$ 54,683,168
Financial assets at fair value through profit or loss, net	40,487,263	3,162,819	37,324,444
Bills discounted and loans, net	232,873,593	-	232,873,593
Available-for-sale financial assets, net	15,639,774	9,670,918	5,968,856
Held-to-maturity financial assets	597,276	-	597,276
Debt instruments with non-active market	147,520	-	147,520
Other financial assets	29,220	-	29,220
Liabilities			
Financial liabilities with book value equal to fair value	\$ 26,659,537	\$ -	\$ 26,659,537
Deposits and remittances	294,594,534	-	294,594,534
Financial debentures	9,800,000	-	9,800,000
Other financial liabilities	258,667	-	258,667



	December 31, 2008		
	Book value	Fair value	
		Quoted market value	Estimated amount by valuation method
<u>Derivative financial instruments</u>			
Assets			
Exchange rate options purchased	\$ 95,947	\$ -	\$ 95,947
Options purchased – asset swaps	12,634	-	12,634
FX contracts (swaps and forwards)	220,312	-	220,312
Asset swap interest rate swap and other interest rate swap	3,719,422	-	3,719,422
Interest rate futures	44,342	-	44,342
Fixed rate commercial paper commitment	1,864	-	1,864
Liabilities			
Exchange rate options written	\$ 96,931	\$ -	\$ 96,931
Equity options written	12,741	-	12,741
Bonds options written	81	-	81
Credit default swap written	29,009	-	29,009
FX contracts (swaps and forwards and cross currency)	60,038	-	60,038
Asset swap, interest rate swap and other interest rate swap	3,880,645	-	3,880,645
Asset swap options written	250	-	250
Interest rate futures	719	-	719



	December 31, 2007		
	Book value	Fair value	
		Quoted market value	Estimated amount by valuation method
<u>Non-derivative financial instruments</u>			
<b>Assets</b>			
Financial assets with book value equal to fair value	\$ 80,433,801	\$ -	\$ 80,433,801
Financial assets at fair value through profit or loss, net	4,743,569	3,976,761	766,808
Bills discounted and loans, net	236,802,168	-	236,802,168
Available-for-sale financial assets, net	14,345,346	6,157,142	8,188,204
Held-to-maturity financial assets	849,150	-	849,150
Debt instruments with non-active market	977,667	-	977,667
Other financial assets	47,651	-	47,651
<b>Liabilities</b>			
Financial liabilities with book value equal to fair value	\$ 45,247,738	\$ -	\$ 45,247,738
Financial liabilities at fair value through profit or loss, net	2,284,739	-	2,284,739
Deposits and remittances	262,844,440	-	262,844,440
Financial debentures payable	12,166,000	-	12,166,000
Other financial liabilities	464,752	-	464,752



Derivative financial instruments	December 31, 2007		
	Book value	Fair value	
		Quoted market value	Estimated amount by valuation method
<b>Assets</b>			
Exchange rate options purchased	\$ 104,898	\$ -	\$ 104,898
FX contracts (swaps and forwards)	99,220	-	99,220
Asset swap interest rate swap and other interest rate swap	974,079	-	974,079
Interest rate futures	18,294	-	18,294
Fixed rate commercial paper commitment	892	-	892
<b>Liabilities</b>			
Exchange rate options written	\$ 104,897	\$ -	\$ 104,897
Equity options written	68,439	-	68,439
Asset swap options written	38,770	-	38,770
FX contracts (swaps and forwards)	26,999	-	26,999
Asset swap, interest rate swap and other interest rate swap	1,043,973	-	1,043,973
Fixed rate commercial paper commitment	2,687	-	2,687

B. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- (1) The book values of the financial instruments which have a short maturity period are 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, investments in bills and bonds under resale agreements, receivables, refundable deposit-out, other financial assets (excluding financial assets carried at costs and debt investments with non-active market), due to Central Bank and other banks, bills and bonds payable under repurchase agreements, payables, refundable deposits-in, financial debentures (excluding designated financial liabilities at fair value through profit or loss), other financial liabilities and other payables.
- (2) If financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets have quoted prices in an active market, the quoted prices are regarded as fair values. If there is no quoted market price for reference, a valuation method will be adopted to measure the fair value. The estimations and assumptions of the valuation methods are consistent with those used by market participants for the pricing of financial instruments. The discounted rates used are consistent with the expected rates of returns of financial instruments with the same terms and conditions. The terms and conditions include debtor's credit rating, the remaining period of the fixed interest rate contract, the remaining period for principal repayment, and the currency paid, etc.  
Among the derivative financial instruments, exchange rate options are valued by



- the Black-Scholes model; stock options embedded in convertible bonds and cross currency swaps are evaluated by the quotes of the Bloomberg system; forward contracts, currency swaps, and interest rate swaps are evaluated by discounting future cash flows using exchange rates from the Bloomberg system.
- (3) Since bills discounted and loans are interest-earning assets, the fair values of bills discounted and loans are their book values.
  - (4) There is no quoted market price in an active market for the unlisted stocks under financial assets carried at cost. Since the range of variances in fair value estimates is significant and also the probability of the various estimates within the variance range cannot be reasonably assessed, the fair values of the unlisted stocks cannot be reliably measured. As a result, information of the fair value with respect to these financial assets is not disclosed.
  - (5) Other financial assets: If there are transaction prices or quoted market prices for debt instruments with non-active market, the fair values of such debt instruments will be determined by the latest actual transaction prices or quoted market prices. Moreover, if there is no quoted market price for reference, a valuation method will be adopted to measure the fair value by discounting future cash flows.
  - (6) Deposits and remittances are financial liabilities bearing interests; therefore, the book values approximate the fair values.
  - (7) The fair value measurement is not applicable to equity investments accounted for under the equity method. In addition, there is no quoted market price in an active market for the unlisted stocks under financial assets carried at cost, and the variances in the range of reasonable fair value estimates is significant and their probability of the various estimates within the range cannot be reasonably assessed, so the fair value of the unlisted stocks cannot be reliably measured. As a result, information of the book value and the fair value with respect to these financial assets is not disclosed.
- C. The Bank has recognized net losses on changes in fair value arising from valuation methods amounting to \$203,845 and \$328,833, respectively, for the years ended December 31, 2008 and 2007, respectively.
- D. As of December 31, 2008 and 2007, the Bank had financial assets with fair value risk arising from interest rate changes amounting to \$131,230,164 and \$99,979,187, respectively.
- E. As of December 31, 2008 and 2007, the Bank had financial assets with cash flow risk arising from interest rate changes amounting to \$216,736,275 and \$208,974,870, respectively.
- F. For the years ended December 31, 2008 and 2007, total interest income on financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$10,110,975 and \$10,987,426, respectively; total interest expense on financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$5,777,234 and \$5,503,727, respectively. For available-for-sale financial assets, gains (losses) recognized directly in equity were \$52,739 and (\$257,275), and the amounts removed from equity and recognized in profit or loss were \$7,185 and (\$85,510) during the years ended December 31, 2008 and 2007, respectively. Unrealized loss from available-for-sale financial assets accounted for under the equity method were \$2,816 and \$0 for the years ended December 31, 2008 and 2007, respectively.
- G. Risk management and hedging strategy (including financial hedge)
- (1) The Bank engages in risk management and hedge under the principles of not only serving customers but also conforming to the Bank operational goal, overall risk tolerance limit, and legal compliance to achieve risk diversification, risk transfer, and risk avoidance, and, moreover, to maximize the benefits of customers, shareholders, and employees. The Bank mainly faces the credit risk, market risk



(including the interest rate, foreign exchange rate, equity securities, and instrument risk), operation risk, and liquidity risk regardless whether those risks are on or off balance sheets.

- (2) The Bank's board of directors has the ultimate approval right in risk management. Major risk control items which include the company-wide risk management policy, risk tolerance limit, and authority must be approved by the board of directors. The Bank has set up a risk management committee, which is responsible to review, supervise, report, and coordinate company-wide risk management.
- (3) The goal of market risk (interest rate risk) management of the Bank is to achieve optimal risk position, maintain proper liquidity position, and manage all market risk as a whole by considering the economic environment, competition condition, market value risk, and impact on net interest income. In order to achieve this risk management goal, the hedge activities of the Bank were concentrated on risk transfer and risk management of net interest income and market value risk. The Bank sets the strategy of fair value hedge of interest rate exposures according to the fund transfer pricing principle. The Bank primarily uses interest rate swaps for financial hedge purpose, and also to hedge interest rate exposures of certain fixed-rate loans and fixed-rate liabilities.

#### H. Financial risk information

To build a good risk management system and improve business development, the Bank established a risk management policy to achieve operation goals and to increase shareholders' values. The risk management policy approved by the board of directors is to fulfill the implementation of the risk control system and to create stable and high-quality profits for stockholders.

The Bank follows the risk management policy and strives to quantify, assess, and manage risks for risk pricing and to obtain the optimal capital allocation.

The risks the Bank encountered were as follows:

##### (1) Market risk

Market risk means changes of market prices such as interest rates, exchange rates, and the prices of equity securities and instruments which may result in losses, either on or off the balance sheet. The Bank has developed a market risk management standard. Through the market risk management system, the Bank is able to evaluate and control the market risk of all positions. The Bank also sets the limit approval, position limit, and stop loss limit and management control procedures for its investments in marketable securities according to different degrees of risk for each specific product.

As of December 31, 2008, the Bank possessed government bonds amounting to \$8,530,189 (including financial assets held for trading of \$1,906,293 and available-for-sale financial assets of \$6,623,896), which were all with fixed-rate and their fair values may be affected by changes of market rate. 1% increase in market rate may cause decrease of the fair values of fixed-rate government bond investments by \$292,820. The Bank also possessed corporate bonds amounting to \$7,292,810 (including financial assets held for trading of \$304,070 and available-for-sale financial assets of \$6,988,740). The fixed-rate corporate bonds amounted to \$6,992,653, and the fair values of fixed-rate corporate bond investments may be affected by changes of market rate. 1% increase in market rate may cause decrease of the fair values of fixed-rate corporate bond investments by \$160,023.

As of December 31, 2008, the Bank was engaged in foreign currency transactions which gave rise to foreign currency assets and liabilities. Therefore, changes in exchange rates may affect the fair values of the net position in foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD



may cause a loss of \$3,847 on the net position of USD38,468.

As of December 31, 2007, the Bank possessed government bonds denominated in NT dollars amounting to \$6,303,469 (including financial assets held for trading of \$293,257 and available-for-sale financial assets of \$6,010,212), which were all with fixed-rate and their fair values may be affected by changes of market rate. 1% increase in market rate may cause decrease of the fair values of fixed-rate government bond investments by \$180,011. The Bank also possessed corporate bonds denominated in NT dollars amounting to \$7,521,282 (including available-for-sale financial assets) of which \$7,321,614 are fixed-rate corporate bonds and the fair values of fixed-rate corporate bond investments may be affected by changes of market rate. 1% increase in market rate may cause decrease of the fair values of fixed-rate corporate bond investments by \$141,411.

As of December 31, 2007, the Bank was engaged in foreign currency transactions which gave rise to foreign currency assets and liabilities. Therefore, changes in exchange rates may affect the fair values of the net position in foreign currencies. For assets denominated in USD, appreciation of the NTD by 0.1 against the USD may cause a loss of \$3,726 on the net position of USD37,262.

(2) Credit risk

Credit risk is the risk that borrowers or counterparties may not be able to fulfill contracts. The Bank has developed a credit risk management standard which is able to evaluate and control possible credit risk resulting from business operations by establishing and implementing the management structure.

For all financial instruments held by the Bank, the maximum credit exposures were as follows:

	December 31, 2008	
	Book value	Maximum credit exposure
<u>Non-derivative financial assets</u>		
Financial assets with book value equal to fair value	\$ 54,683,168	\$ 54,683,168
Financial assets at fair value through profit or loss, net	40,487,263	40,487,263
Bills discounted and loans – net	232,873,593	232,873,593
Available-for-sale financial assets, net	15,639,774	15,639,774
Held-to-maturity financial assets	597,276	597,276
Equity investment with no active market	147,520	147,520
Other financial assets	29,220	29,220
Off-balance sheet accounts		
Guarantees receivable	-	6,884,989
L/C receivable	-	2,314,733



<u>Derivative financial assets</u>	<u>December 31, 2008</u>	
	<u>Book value</u>	<u>Maximum credit</u>
Exchange rate options purchased	\$ 95,947	\$ 95,947
Option purchased-asset swaps	12,634	12,634
FX contracts (swaps and forwards)	220,312	220,312
Asset swap interest rate swap and other interest rate swap	3,719,422	3,719,422
Interest rate futures	44,342	44,342
Fixed rate commercial paper commitment	1,864	1,864

<u>Non-derivative financial assets</u>	<u>December 31, 2007</u>	
	<u>Book value</u>	<u>Maximum credit</u>
Financial assets with book value equal to fair value	\$ 80,433,801	\$ 80,433,801
Financial assets at fair value through profit or loss, net	4,743,569	4,743,569
Bills discounted and loans – net	236,802,168	236,802,168
Available-for-sale financial assets, net	14,345,346	14,345,346
Held-to-maturity financial assets	849,150	849,150
Equity investment with no active market	977,667	977,667
Other financial assets	47,651	47,651
Off-balance sheet accounts		
Guarantees receivable	-	8,592,703
L/C receivable	-	3,566,222

<u>Derivative financial assets</u>	<u>December 31, 2007</u>	
	<u>Book value</u>	<u>Maximum credit</u>
Exchange rate options held	\$ 104,898	\$ 104,898
FX contracts (swaps and forwards)	99,220	99,220
Asset swap interest rate swap and other interest rate swap	974,079	974,079
Interest rate futures	18,294	18,294
Fixed rate commercial paper commitment	892	892

The Bank conducts cautious credit assessments before providing loans, loan commitments, and guarantees. Loans with collateral amounted to 62.74% of the total loans in 2008. In order to obtain credit lines from the Bank, borrowers and guarantors are asked to provide collaterals such as cash, real estate, marketable securities, and other assets. Furthermore, in order to reduce credit risk, the Bank follows credit policies and negotiates credit limits with counterparties. In addition,



the Bank may sign master netting agreements with the counterparty to reduce credit risk.

Concentration of credit risk refers to the significant concentration of credit risks from all financial instruments, whether the risks are from an individual counterparty or a group of counterparties. Group concentration of credit risks exists if a number of counterparties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their abilities to fulfill contractual obligations simultaneously affected by changes in economic or other conditions. There was no significant concentration of credit risk from counterparties of the Bank. The related information can be found as follows:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<u>Loans by regions</u>		
Domestic	\$ 228,607,379	\$ 231,631,836
Overseas	<u>10,113,233</u>	<u>9,331,439</u>
	<u>\$ 238,720,612</u>	<u>\$ 240,963,275</u>
	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<u>Loans by industries</u>		
Manufacturing	\$ 60,926,572	\$ 42,938,265
Private enterprises	24,169,687	21,805,559
Construction	5,013,896	5,620,116
Private individual	106,259,150	116,786,404
Others	<u>42,351,307</u>	<u>53,812,931</u>
	<u>\$ 238,720,612</u>	<u>\$ 240,963,275</u>

### (3) Liquidity risk

Liquidity risks include market liquidity risk and capital liquidity risk. Market liquidity risk is the risk that market prices may encounter obvious changes due to market disorder. Capital liquidity risk is the risk that payment obligations cannot be fulfilled due to inability to convert assets into cash or acquire enough cash. The Bank made related regulations for various funding demands to control overall market liquidity risks. The treasury department of the Bank manages daily funding and responds funding demands for various situations or events that may cause systematic risk.

To control risk effectively, support and respect from senior management are essential in addition to the factors mentioned above. With full support and authorization of the management, the risk management system of the Bank has been established. It has gradually improved management efficiency and performance.

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

The liquidity reserve ratio for the Bank was 26.8% and 26.2% for the years ended December 31, 2008 and 2007, respectively. In addition, the Bank's capital and working capital were sufficient to fulfill all obligations. Thus, there was no material liquidity risk that could prevent the Bank from meeting the obligation.

Analyses for time to maturity of the Bank's assets and liabilities were as follows:



## December 31, 2008

Financial instruments	0-30 days		31-90 days		91-180 days		181 days-1 year		1-3 years		Over 3 years		Total
	Amount (recoverable amount or repayment amount)	\$	Amount (recoverable amount or repayment amount)	\$	Amount (recoverable amount or repayment amount)	\$	Amount (recoverable amount or repayment amount)	\$	Amount (recoverable amount or repayment amount)	\$	Amount (recoverable amount or repayment amount)	\$	
<b>Assets</b>													
Non-derivative financial instruments													
Cash and cash equivalents	6,407,428	\$	-	\$	-	\$	-	\$	-	\$	-	\$	6,407,428
Due from Central Bank and call loans to banks	26,919,748		1,280,078		7,800,000		-		-		-		35,999,826
Financial assets held for trading purpose													
Government bonds	1,920,886		-		-		-		-		-		1,920,886
Corporate bonds	305,344		-		-		30,731		-		-		305,344
Convertible corporate bonds	-		-		-		-		-		-		-
Beneficiary certificates	195,615		-		-		-		-		-		195,615
Beneficiary securities	30,132		-		-		-		-		-		30,132
Commercial paper	12,005,363		-		-		-		-		-		12,005,363
Negotiable certificates of deposits	25,011,341		-		-		-		-		-		25,011,341
Designated financial assets at fair value through profit or loss													
Convertible corporate bonds	-		-		4,925		16,268		174,929		509,273		705,395
Asset swaps - convertible corporate bonds	65,431		-		49,250		82,000		85,775		-		282,456
Investment in bills and bonds under resale agreement	1,644,337		-		-		-		-		-		1,644,337
Bills discounted and loans, net	13,417,371		20,534,395		20,619,750		28,357,882		33,463,115		116,481,080		232,873,593
Available-for-sale financial assets													
Government bonds	4,200		-		-		232,521		4,510,008		1,877,167		6,623,896
Corporate bonds	-		-		249,926		552,883		4,281,264		1,904,667		6,988,740
Convertible corporate bonds	-		-		-		338,415		155,602		-		494,017
Financial debentures	-		-		-		254,488		-		1,074		255,562
Beneficiary securities	-		-		-		49,411		234,983		96,842		381,236
Listed (TSE and OTC) stocks	896,323		-		-		-		-		-		896,323
Held-to-maturity financial assets													
Financial debentures	-		-		-		-		-		328,600		328,600
Corporate bonds	-		-		-		-		-		164,300		164,300
Asset backed securities	-		-		-		-		-		104,376		104,376
Other financial assets	-		-		-		-		-		147,520		147,520
Non-active - financial debentures	-		-		-		-		-		-		-
Derivative financial instruments													
Financial assets at fair value through profit or loss - derivatives													
Option contracts purchased	47,591		17,459		30,897		72		12,562		-		108,581
FX contracts (forwards and swaps)	125,291		56,755		36,416		1,850		-		-		220,312
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	136		6,583		115,066		83,454		2,549,853		964,330		3,719,422
Interest rate futures	44,342		-		-		-		-		-		44,342
Fixed rate commercial paper commitment	-		-		-		1,864		-		-		1,864
<b>Total assets</b>	<b>89,040,879</b>		<b>21,895,270</b>		<b>28,906,230</b>		<b>30,001,839</b>		<b>45,468,091</b>		<b>122,579,229</b>		<b>337,891,538</b>



December 31, 2008

	0~30 days		31~90 days		91~180 days		181 days~1 year		1~3 years		Over 3 years		Total	
	Amount (recoverable amount or repayment amount)													
<u>Financial instruments</u>														
<u>Liabilities</u>														
Non-derivative financial instruments														
Due to Central Bank and other banks	\$	1,649,767	\$	3,732,625	\$	4,042,133	\$	2,440,557	\$	-	\$	-	\$	11,865,082
Bills and bonds payable under repurchase agreements		7,205,341		120,085		-		-		-		-		7,325,426
Deposits and remittances		57,760,378		48,875,949		55,604,228		82,331,000		50,021,279		1,700		294,594,534
Financial debentures		-		-		-		-		5,000,000		4,800,000		9,800,000
Other financial liabilities		-		-		-		-		-		258,667		258,667
Derivative financial instruments														
Financial liabilities held for trading purpose - derivatives		48,656		17,459		30,898		86		12,904		-		110,003
Option contracts written		39,634		10,793		9,611		-		-		-		60,038
FX contracts (forwards and swaps)		-		-		-		-		-		-		-
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)		-		14,170		82,735		172,050		2,536,653		1,075,037		3,880,645
Interest rate futures		719		-		-		-		-		-		719
Credit default swap written		-		-		-		29,009		-		-		29,009
<u>Total liabilities</u>		66,704,495		52,771,081		59,769,605		84,972,702		57,570,836		6,135,404		327,924,123
Net liquidity gap	\$	22,336,384	\$	30,875,811	\$	30,863,375	\$	54,970,863	\$	12,102,745	\$	116,443,825	\$	9,967,415



## December 31, 2007

	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or					
	repayment amount)	repayment amount)					
<b>Financial instruments</b>							
<b>Assets</b>							
Non-derivative financial instruments							
Cash and cash equivalents	\$ 4,316,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,316,348
Due from Central Bank and call loans to banks	38,761,849	4,103,574	17,055,000	100,000	-	-	60,020,423
Financial assets held for trading purpose							
Government bonds	293,257	-	-	-	-	-	293,257
Listed and OTC stocks	1,151,779	-	-	-	-	-	1,151,779
Beneficiary certificates	643,267	-	-	-	-	-	643,267
Beneficiary securities	34,185	-	-	-	-	-	34,185
Commercial paper	119,832	-	-	-	-	-	119,832
Designated financial assets at fair value through profit or loss							
Corporate bonds	3,664	223,257	95,499	96,482	34,943	108,944	562,789
Convertible corporate bonds	-	-	-	-	58,201	1,269,942	1,328,143
Asset swaps - convertible corporate bonds	5,025	-	-	171,575	433,717	-	610,317
Investment in bills and bonds under resale agreement	397,522	-	-	-	-	-	397,522
Bills discounted and loans, net	13,501,457	12,577,827	24,538,030	21,529,980	36,261,054	128,393,820	236,802,168
Available-for-sale financial assets							
Government bonds	-	-	-	759,111	5,251,101	-	6,010,212
Corporate bonds	-	-	748,167	697,446	6,075,669	-	7,521,282
Financial debentures	-	-	-	-	244,221	1,551	245,772
Beneficiary securities	-	-	-	-	568,080	-	568,080
Held-to-maturity financial assets							
Financial debentures	-	-	-	162,215	-	324,430	486,645
Corporate bonds	-	-	-	-	-	218,017	218,017
Asset backed securities	-	-	-	-	-	144,488	144,488
Other financial assets	-	-	-	-	-	-	-
Non-active - financial debentures	-	-	161,712	-	-	815,955	977,667
Derivative financial instruments							
Financial assets at fair value through profit or loss - derivatives							
Option contracts purchased	15,217	11,025	2,647	76,009	-	-	104,898
FX contracts (forwards and swaps)	75,312	22,866	1,042	-	-	-	99,220
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	5	-	4,309	24,306	320,210	625,249	974,079
Interest rate futures	18,294	-	-	-	-	-	18,294
Fixed rate commercial paper commitment	-	-	-	351	541	-	892
<b>Total assets</b>	<b>59,337,013</b>	<b>16,938,549</b>	<b>42,606,406</b>	<b>23,617,475</b>	<b>49,247,737</b>	<b>131,902,396</b>	<b>323,649,576</b>



December 31, 2007

	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or	amount or	amount or	amount or	amount or	amount or
	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)
Financial instruments							
Liabilities							
Non-derivative financial instruments							
Due to Central Bank and other banks	\$ 16,916,921	\$ 4,749,835	\$ 4,168,149	\$ 2,429,259	\$ -	\$ -	\$ 28,264,164
Financial liabilities held for trading							
purpose - margin loans - government bonds	148,220	-	-	-	-	-	148,220
Designated financial liabilities at fair value through profit or loss - subordinated financial bonds	-	2,136,519	-	-	-	-	2,136,519
Bills and bonds payable under repurchase agreements	7,759,694	150,000	-	-	-	-	7,909,694
Deposits and remittances	158,590,774	16,610,987	28,383,024	56,434,259	2,824,396	1,000	262,844,440
Financial debentures	-	2,366,000	-	-	-	9,800,000	12,166,000
Other financial liabilities	-	-	-	-	-	464,752	464,752
Derivative financial instruments							
Financial liabilities held for trading							
purpose - derivatives	15,234	11,044	2,647	79,472	103,708	-	212,105
Option contracts written	22,388	4,340	99	172	-	-	26,999
FX contracts (forwards and swaps)							
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	-	13,380	1,988	24,342	300,383	703,880	1,043,973
Fixed rate commercial paper commitment	-	-	-	385	2,302	-	2,687
<u>Total liabilities</u>	<u>183,453,231</u>	<u>26,042,105</u>	<u>32,555,907</u>	<u>58,967,889</u>	<u>3,230,789</u>	<u>10,969,632</u>	<u>315,219,553</u>
Net liquidity gap	(\$ 124,116,218)	(\$ 9,103,556)	\$ 10,050,499	(\$ 35,350,414)	\$ 46,016,948	\$ 120,932,764	\$ 8,430,023

(4) Cash flow risk and fair value risk arising from changes in interest rates

Cash flow risk arising from changes in interest rates for future cash flows of floating rate assets and liabilities held by the Bank may fluctuate due to changes in interest rates. Thus, the Bank has entered into the interest rate swap contract after consideration of risk level and operation requirements to mitigate such risk.



a. Expected repricing date or expected maturity date

As of December 31, 2008 and 2007, the expected repricing date or expected maturity date were not affected by the contract date. The following table presents the book values of financial assets and financial liabilities classified by the earlier of the expected repricing date or expected maturity date and show the interest rate risk of the Bank:

	December 31, 2008							Total Amount (recoverable amount or repayment amount)
	0-30 days Amount (recoverable amount or repayment amount)	31-90 days Amount (recoverable amount or repayment amount)	91-180 days Amount (recoverable amount or repayment amount)	181 days-1 year Amount (recoverable amount or repayment amount)	1-3 years Amount (recoverable amount or repayment amount)	Over 3 years Amount (recoverable amount or repayment amount)		
<b>Financial instruments</b>								
<b>Assets</b>								
Non-derivative financial instruments								
Due from other banks	\$ 2,973,835	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,973,835
Due from Central Bank and call loans to banks	12,980,685	1,280,078	15,554,605	-	-	-	-	29,815,368
Financial assets held for trading purpose								
Government bonds	1,920,886	-	-	-	-	-	-	1,920,886
Corporate bonds	305,344	-	-	-	-	-	-	305,344
Convertible corporate bonds	-	-	30,731	-	-	-	-	30,731
Commercial paper	12,005,363	-	-	-	-	-	-	12,005,363
Negotiable certificates of deposits	25,011,341	-	-	-	-	-	-	25,011,341
Designated financial assets at fair value through profit or loss								
Convertible corporate bonds	-	-	4,925	16,268	174,929	509,273	-	705,395
Assets swaps - convertible corporate bonds	65,431	-	49,250	82,000	85,775	-	-	282,456
Investment in bills and bonds under resale agreement	1,644,337	-	-	-	-	-	-	1,644,337
Bills discounted and loans, net	109,034,854	27,921,397	17,390,374	13,190,904	19,445,234	45,786,090	-	232,768,853
Available-for-sale financial assets								
Government bonds	4,200	-	-	232,521	4,510,008	1,877,167	-	6,623,896
Corporate bonds	300,157	-	249,926	552,883	3,981,107	1,904,667	-	6,988,740
Convertible corporate bonds	-	-	-	338,415	155,602	-	-	494,017
Financial debentures	-	-	-	254,488	-	1,074	-	255,562
Beneficiary securities	-	-	-	49,411	234,983	96,842	-	381,236
Held-to-maturity financial assets								
Financial debentures	-	-	-	-	-	328,600	-	328,600
Corporate bonds	-	-	-	-	-	164,300	-	164,300
Asset backed securities	-	-	-	-	-	104,376	-	104,376
Other financial assets								
Non-active - financial debentures	-	-	-	-	-	147,520	-	147,520
Derivative financial instruments								
Financial assets held for trading purpose -derivatives								
Option contracts purchased	-	-	-	72	12,562	-	-	12,634
FX contracts (forwards and swaps)	125,291	56,755	36,416	1,850	-	-	-	220,312
Interest rate swap contracts (including asset swap interest rate swap and other interest rate swap)	136	6,583	115,066	83,454	2,549,853	964,330	-	3,719,422
Interest rate futures	44,342	-	-	-	-	-	-	44,342
Fixed rate commercial paper commitment	-	-	-	1,864	-	-	-	1,864
<b>Total assets</b>	<b>166,416,202</b>	<b>29,264,813</b>	<b>33,400,562</b>	<b>14,834,861</b>	<b>31,150,053</b>	<b>51,884,239</b>	<b>-</b>	<b>326,950,730</b>



December 31, 2008

	0-30 days	31-90 days	91-180 days	181 days-1 year	1-3 years	Over 3 years	Total
	Amount (recoverable amount or repayment amount)						
<b>Financial instruments</b>							
<b>Liabilities</b>							
<b>Non-derivative financial instruments</b>							
Due to Central Bank and other banks	\$ 1,649,767	\$ 3,732,625	\$ 4,042,133	\$ 2,440,557	\$ -	\$ -	\$ 11,865,082
Bills and bonds payable under repurchase agreements	7,205,341	120,085	-	-	-	-	7,325,426
Deposits and remittances	84,732,579	40,756,716	126,624,384	37,834,212	2,695,830	2,800	292,646,521
Financial debentures	-	-	-	-	5,000,000	4,800,000	9,800,000
Other financial liabilities	-	-	-	-	-	258,667	258,667
<b>Derivative financial instruments</b>							
Financial liabilities held for trading purpose – derivatives							
Option contracts written	82	-	1	85	12,904	-	13,072
Swaps contracts (forwards and swaps)	39,634	10,793	9,611	-	-	-	60,038
Interest rate swaps (including asset swap interest rate swaps and other interest rate swaps)	-	14,170	82,735	172,050	2,536,653	1,075,037	3,880,645
Interest rate futures	719	-	-	-	-	-	719
<b>Total liabilities</b>	<u>93,628,122</u>	<u>44,634,389</u>	<u>130,758,864</u>	<u>40,446,904</u>	<u>10,245,387</u>	<u>6,136,504</u>	<u>325,850,170</u>
Interest-rate-sensitivity gap	\$ <u>72,788,080</u>	\$ <u>15,369,576</u>	\$ <u>97,358,302</u>	\$ <u>25,612,043</u>	\$ <u>20,904,666</u>	\$ <u>45,747,735</u>	\$ <u>1,100,560</u>



December 31, 2007

	0~30 days	31~90 days	91~180 days	181 days~1 year	1~3 years	Over 3 years	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or	amount or	amount or	amount or	amount or	amount or
	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)	repayment amount)
<b>Financial instruments</b>							
<b>Assets</b>							
Non-derivative financial instruments							
Due from other banks	\$ 1,500,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500,956
Due from Central Bank and call loans to banks	34,731,496	4,103,574	17,055,000	100,000	-	-	55,990,070
Financial assets held for trading purpose							
Government bonds	293,257	-	-	-	-	-	293,257
Commercial paper	119,832	-	-	-	-	-	119,832
Designated financial assets at fair value through profit or loss							
Corporate bonds	3,664	223,257	95,499	96,482	34,943	108,944	562,789
Convertible corporate bonds	-	-	-	-	58,201	1,269,942	1,328,143
Assets swaps - convertible corporate bonds	5,025	-	-	171,575	433,717	-	610,317
Investment in bills and bonds under resale agreement	397,522	-	-	-	-	-	397,522
Bills discounted and loans, net	16,302,416	115,822,485	12,683,721	12,456,817	28,641,717	50,895,012	236,802,168
Available-for-sale financial assets							
Government bonds	-	-	-	759,111	5,251,101	-	6,010,212
Corporate bonds	199,668	-	748,167	497,778	6,075,669	-	7,521,282
Financial debentures	-	-	-	-	244,221	1,551	245,772
Beneficiary securities	-	-	-	-	568,080	-	568,080
Held-to-maturity financial assets							
Corporate bonds	-	-	-	162,215	-	324,430	486,645
Financial debentures	-	-	-	-	-	218,017	218,017
Asset backed securities	-	-	-	-	-	144,488	144,488
Other financial assets	-	-	161,712	-	-	815,955	977,667
Non-active - financial debentures							
Derivative financial instruments							
Financial assets held for trading purpose - derivatives							
Swap contracts (forwards and swaps)	43,092	14,515	191	-	-	-	57,798
Interest rate futures	18,294	-	-	-	-	-	18,294
Fixed rate commercial paper commitment	-	-	-	351	541	-	892
Interest rate swaps (including asset swap interest rate swaps and other interest rate swaps)	5	-	4,309	24,306	320,210	625,249	974,079
<b>Total assets</b>	<b>53,615,227</b>	<b>120,163,831</b>	<b>30,748,599</b>	<b>14,268,635</b>	<b>41,628,400</b>	<b>54,403,588</b>	<b>314,828,280</b>



December 31, 2007

	0~30 days	31~90 days	91~180 days	181 days~1 year	1~3 years	Over 3 years	Total
	Amount						
	(recoverable						
	amount or						
	repayment amount)						
Financial instruments							
Liabilities							
Non-derivative financial instruments							
Due to Central Bank and other banks	\$ 16,916,921	\$ 4,749,835	\$ 4,168,149	\$ 2,429,259	\$ -	\$ -	\$ 28,264,164
Financial liabilities held for trading purpose – margin loans – government bonds	148,220	-	-	-	-	-	148,220
Designated financial liabilities at fair value through profit or loss - subordinated financial bonds	-	2,136,519	-	-	-	-	2,136,519
Bills and bonds payable under repurchase agreements	7,759,694	150,000	-	-	-	-	7,909,694
Deposits	106,758,121	17,147,695	110,215,644	24,953,716	1,530,461	600	260,606,237
Financial debentures	-	2,366,000	-	-	-	9,800,000	12,166,000
Other financial liabilities	-	-	-	-	-	464,752	464,752
Derivative financial instruments							
Financial liabilities held for trading purpose - derivatives	19	19	-	3,462	103,709	-	107,209
Option contracts written	22,388	4,340	99	172	-	-	26,999
Swaps contracts (forwards and swaps)	-	13,380	1,988	24,342	300,383	703,880	1,043,973
Interest rate swaps (including asset swap interest rate swaps and other interest rate swaps)	-	-	-	385	2,302	-	2,687
Fixed rate commercial paper commitment	131,605,363	26,567,788	114,385,880	27,411,336	1,936,855	10,969,232	312,876,454
Total liabilities	(\$ 77,990,136)	(\$ 93,596,043)	(\$ 83,637,281)	(\$ 13,142,701)	\$ 39,691,545	\$ 43,434,356	\$ 1,951,826



## b. Effective interest rates

As of December 31, 2008 and 2007, the effective interest rates for financial instruments (except for financial instruments at fair value through profit or loss) held or issued by the Bank were as follows:

Items	December 31, 2008	
	NTD	USD
Available-for-sale financial assets		
Government bonds	1.01%~2.35%	-
Corporate bonds	1.61%~5.30%	-
Beneficiary certificates	2.53%~10.00%	-
Financial debentures	-	2.90%~3.50%
Held-to-maturity financial assets		
Financial debentures	-	4.10%~4.45%
Asset backed securities	-	6.85%
Debt instruments with non-active market		
Financial bonds	-	6.00%
Loans and advances		
Short-term loans	3.29%	4.14%
Short-term secured loans	3.49%	5.15%
Mid-term loans	4.21%	4.25%
Mid-term secured loans	4.26%	4.45%
Long-term loans	3.79%	4.73%
Long-term secured loans	3.42%	4.65%
Financial debentures	2.50%~3.25%	-
Deposits		
Demand deposits	0.12%	0.96%
Time deposits	2.24%	3.16%
Redeposits from the directorate general of postal remittance.	2.72%	-
Demand saving deposits	0.29%~9.57%	-
Time saving deposits	2.40%~2.54%	-



December 31, 2007		
Items	NTD	USD
Available-for-sale financial assets		
Government bonds	0.97%~2.44%	-
Corporate bonds	1.62%~4.19%	-
Beneficiary certificates	2.17%~4.96%	-
Financial debentures	-	2.90%~3.50%
Held-to-maturity financial assets		
Financial debentures	-	7.04%~8.00%
Asset backed securities	-	6.85%
Debt instruments with non-active market		
Financial bonds	-	0.40%~6.90%
Loans and advances		
Short-term loans	3.36%	5.65%
Short-term secured loans	3.44%	6.47%
Mid-term loans	4.22%	6.48%
Mid-term secured loans	4.28%	6.29%
Long-term loans	3.71%	3.65%
Long-term secured loans	3.24%	6.33%
Financial debentures	2.50%~3.50%	-
Deposits		
Demand deposits	0.13%	1.96%
Time deposits	1.94%	4.67%
Redeposits from the directorate general of postal remittance.	2.24%	-
Demand saving deposits	0.35%~9.53%	-
Time saving deposits	2.11%~2.19%	-

## (2) Disclosures in accordance with the Statement of Financial Accounting Standards No.28

## 1. Non-performing loans and non-performing loan asset quality

Unit: thousands of New Taiwan dollars, %

Month / Year	December 31, 2008						December 31, 2007					
	Business / Items	Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for credit losses	Coverage ratio (%) (Note 3)	Amount of non-performing loans (Note 1)	Gross loans	Non-performing loan ratio (%) (Note 2)	Allowance for credit losses	Coverage ratio (%) (Note 3)	
Corporate Banking	Secured loans	940,562	65,462,589	1.44%	1,426,458	151.66%	876,054	65,575,751	1.34%	709,424	80.98%	
	Unsecured loans	823,247	79,324,000	1.04%	1,526,454	185.42%	426,252	71,348,176	0.60%	610,494	143.22%	
Consumer banking	Residential mortgage loans (Note 4)	1,220,954	67,427,452	1.81%	1,130,801	92.62%	676,788	74,152,939	0.91%	1,434,812	212.00%	
	Cash card services	-	-	-	-	-	-	-	-	-	-	
Gross loan business	Small amount of credit loans (Note 5)	647,777	9,167,734	7.07%	1,601,247	247.19%	698,470	14,258,780	4.90%	708,927	101.50%	
	Others (Note 6)	523,939	16,871,526	3.11%	146,806	28.02%	484,042	15,220,779	3.18%	670,488	138.52%	
	Unsecured loans	18,884	467,311	4.04%	15,253	80.77%	21,813	406,850	5.36%	26,962	123.61%	
		4,175,363	238,720,612	1.75%	5,847,019	140.04%	3,183,419	240,963,275	1.32%	4,161,107	130.71%	
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio	Amount of overdue accounts	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	
Credit card services		21,704	2,326,583	0.93%	69,703	321.16%	52,540	2,572,987	2.04%	163,486	311.16%	
Without recourse factoring (Note 7)		-	1,107,595	-	-	-	-	6,701,266	-	-	-	

Note 1: The amount recognized as non-performing loans was in compliance with the "Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans". The amount included in overdue accounts for credit cards was in compliance with the Banking Bureau (4) Letter No. 0944000378 dated July 6, 2005.

Note 2: Non-performing loan ratio=non-performing loans/gross loans. Overdue account ratio for credit cards=overdue accounts/balance of accounts receivable.

Note 3: Coverage ratio for loans=allowance for credit losses for loans/non-performing loans. Coverage ratio for accounts receivable of credit cards=allowance for credit losses for accounts receivable of credit cards/overdue accounts.

Note 4: For residential mortgage loans, the borrower provides his/her (or spouse's or minor child's) house as collateral in full and mortgages it to the financial institution for the purpose of obtaining funds to purchase or add improvements to a house.

Note 5: Small amount of credit loans apply to the norms of the Banking Bureau (4) Letter No. 09440010950 dated December 19, 2005, excluding credit card and cash card services.

Note 6: Other consumer banking is specified as secured or unsecured consumer loans other than residential mortgage loan, cash card services and small amount of credit loans, and excluding credit card services.

Note 7: Pursuant to the Banking Bureau (5) Letter No. 09400494 dated July 19, 2005, the amount of without recourse factoring will be recognized as overdue accounts within three months after the factor or insurance company resolves not to compensate the loss.



## 2. Loan asset quality

Expressed In Thousands of New Taiwan Dollars (%)

December 31, 2008		
Items	Amount	Non-performing loans/gross loans (%)
Non-performing loans A	\$ 3,365,972	1.41%
Non-performing loans B	809,391	0.34%
Gross non-performing loans	4,175,363	1.75%
December 31, 2007		
Non-performing loans A	\$ 2,210,294	0.92%
Non-performing loans B	973,125	0.40%
Gross non-performing loans	3,183,419	1.32%

Note 1: The amount recognized as non-performing loans (NPLs) was in compliance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans”.

Note 2: Definitions of non-performing loans A and non-performing loans B are according to the Banking Bureau (1) Letter No.0941000251 dated April 19, 2005.

Note 3: Non-performing loan ratio = non-performing loans / gross loans

## 3. Contract amounts of remarkable credit risk concentration were as follows:

December 31, 2008			
Ranking (Note 1)	Name of Enterprise Group (Note 2)	Total Amounts of Outstanding Loans (Note 3)	Total Amounts of Outstanding Loans / Net worth of the Current Year (%)
1	CHIMEI Group	\$ 3,893,652	20.90%
2	Formosa Plastics Group	3,686,006	19.78%
3	WALSIN LIHWA Co., Ltd.	3,064,839	16.45%
4	E-United Group	2,219,596	11.91%
5	Evergreen Group	2,209,525	11.86%
6	Mosel Vitelic Inc.	2,150,202	11.54%
7	Basso Industry Corp.	2,063,230	11.07%
8	Powerchip Semiconductor Corp.	1,534,550	8.24%
9	Ben Q	1,372,189	7.36%
10	Pou Chen Group	1,311,321	7.04%

Note 1: Ranking the top ten enterprise groups other than government and government enterprise according to their total amounts of outstanding loans.

Note 2: Definition of enterprise group is based on the Article 6 of “Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Reviews of Securities Listings”.

Note 3: Total amounts of credit extensions were various loans (including import negotiations, export negotiations, bills discounted, overdrafts, short-term loans, short-term loans secured, securities financing receivable, mid-term loans, mid-term loan secured, long-term loans, long-term loans secured, and overdue accounts), remittances purchased, advance accounts for factoring receivable, acceptances receivable, and guarantees receivable.



## 4. Profile of concentration of credit risk and credit extensions to related parties

	December 31, 2008		December 31, 2007	
Amount of credit extensions to related parties	\$	4,032,753	\$	3,581,299
Ratio of credit extensions to related parties (%)		1.63		1.39
Ratio of credit extensions secured by stocks (%)		2.00		2.88
Industry concentration (Ranking the top three ratio of credit extensions)	Industry	Ratio	Industry	Ratio
	Individuals	42.94%	Individuals	45.30%
	Manufacturing	26.68%	Manufacturing	20.81%
	Wholesale, retail and, F&B industry	9.15%	Wholesale, retail and, F&B industry	8.67%

Note : The amounts of credit extensions to related parties in above table are calculated in accordance with Article 33-1 of the Banking Law of the Republic of China.

Note 1: Total amount of credit extensions include loans, bills discounted, acceptances receivable, guarantees receivable, and advance accounts for factoring receivable.

Note 2: The ratio of credit extensions to related parties = the amount of credit extensions to related parties / the total amount of all credit extensions...

Note 3: The ratio of credit extensions secured by stocks = the amount of credit extensions secured by stocks / the total amounts of all credit extensions.

Note 4: With respect to the industry concentration, it is disclosed in accordance with the "Analysis report of borrower and loan purposes" issued by the Central Bank of China. The ratio is equal to loan amounts for public-owned and private firms in respective industries divided by total loan amounts. The respective industries include agriculture, forestry, fishing and grazing, mining and soil excavation, manufacturing, water, electricity, fuel and gas, construction, wholesale, retail and F&B industry, shipping and communications, finance, insurance and real estate, and other / general services.



5. Sensitivity analysis of interest rate for assets and liabilities

Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2008

(Expressed in Thousands of New Taiwan Dollars, %)

Items	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	169,144,207	38,575,257	13,193,848	77,416,449	298,329,761
Interest-rate-sensitive liabilities	117,207,965	129,681,224	34,505,865	12,757,297	294,152,351
Interest-rate-sensitive gap	51,936,242 (	91,105,967)	( 21,312,017)	64,659,152	4,177,410
Total stockholders' equity	18,717,918				
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)	101.42				
Ratio of interest-rate-sensitive gap to stockholders' equity (%)	22.32				

Note: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both head office and domestic branches and overseas branches.

Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2008

(Expressed in thousands of US dollars, %)

Items	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Interest-rate-sensitive assets	396,546	109,013	37,604	115,338	658,501
Interest-rate-sensitive liabilities	556,463	31,285	109,132	-	696,880
Interest-rate-sensitive gap	( 159,917)	77,728 (	71,528)	115,338 (	38,379)
Total stockholders' equity	( 2,635)				
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)	94.49				
Ratio of interest-rate-sensitive gap to stockholders' equity (%)	1,456.51				

Note: The amounts listed above represent the items denominated in U.S. dollars for head office, domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.



Sensitivity analysis of interest rate for assets and liabilities (NTD)

December 31, 2007

(Expressed in Thousands of New Taiwan Dollars, %)

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	149,022,428	32,418,340	13,511,820	89,518,017	284,470,605
Interest-rate-sensitive liabilities	132,037,091	111,194,807	23,539,544	11,795,813	278,567,255
Interest-rate-sensitive gap	16,985,337	( 78,776,467)	( 10,027,724)	77,722,204	5,903,350
Total stockholders' equity					21,857,306
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					102.12
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					27.01

Note: The amounts listed above represent the items denominated in NT dollars (i.e., excluding foreign currency) for both head office and domestic branches and overseas branches.

Sensitivity analysis of interest rate for assets and liabilities (USD)

December 31, 2007

(Expressed in thousands of US dollars, %)

Items	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	480,375	150,171	25,873	147,940	804,359
Interest-rate-sensitive liabilities	756,123	35,831	33,755	-	825,709
Interest-rate-sensitive gap	( 275,748)	114,340	( 7,882)	147,940	( 21,350)
Total stockholders' equity					2,382
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					97.41
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					( 896.31)

Note: The amounts listed above represent the items denominated in U.S. dollars for head office, domestic branches, OBU, and overseas branches, excluding contingent assets and contingent liabilities.



6. Profitability

	December 31,	
	2008	2007
Return on total assets (%)	Before tax (1.12)	(0.75)
	After tax (0.92)	(0.58)
Return on stockholders' equity (%)	Before tax (19.47)	(14.50)
	After tax (16.02)	(11.18)
Net profit margin ratio (%)	(75.15)	(30.35)

Note 1: Return on total assets = Income before (after) income tax/average total assets.

Note 2: Return on stockholders' equity = Income before (after) income tax / average stockholders' equity.

Note 3: Net profit margin ratio = Income after income tax / total operating revenues.

Note 4: The term "Income before (after) income tax" represents net income from January 1 to the reporting period of the balance sheet date.

7. Structure analysis of time to maturity

December 31, 2008

(Expressed in Thousands of New Taiwan Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	77,912,443	16,077,492	27,369,968	36,313,595	169,955,039	327,628,537
Primary funds outflow upon maturity	53,370,911	49,081,772	59,712,853	87,109,938	79,306,737	328,582,211
Gap	24,541,532	( 33,004,280)	( 32,342,885)	( 50,796,343)	90,648,302	( 953,674)

Note: The amounts listed above represent the funds denominated in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

December 31, 2008

(Expressed in Thousands of U.S. Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	265,978	225,229	109,931	36,799	116,265	754,202
Primary funds outflow upon maturity	494,777	135,802	32,033	110,703	( 2,600)	770,715
Gap	( 228,799)	89,427	77,898	( 73,904)	118,865	( 16,513)

Note 1: The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units, except otherwise indicated, included based on the carrying amount, for those not listed, disclosure is required (e.g. negotiable certificates of deposits, bonds and stocks under preparation for issuance).

Note 2: If overseas assets exceed 10% of total assets, supplementary information shall be disclosed.

December 31, 2007

(Expressed in Thousands of New Taiwan Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	49,823,778	11,292,204	38,214,297	22,683,782	207,505,537	329,519,598
Primary funds outflow upon maturity	160,531,919	21,029,675	32,137,161	58,807,187	60,726,757	333,232,699
Gap	(110,708,141)	( 9,737,471)	6,077,136	( 36,123,405)	146,778,780	( 3,713,101)

Note: The amounts listed above represent the funds denominated in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

December 31, 2007

(Expressed in Thousands of US Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary funds inflow upon maturity	677,893	219,085	159,889	27,891	142,221	1,226,979
Primary funds outflow upon maturity	906,921	201,535	40,974	37,777	2,758	1,189,965
Gap	( 229,028)	17,550	118,915	( 9,886)	139,463	37,014

Note 1: The amounts listed above represent the funds denominated in US dollars for Head Office, domestic branches and offshore banking units, except otherwise indicated, included based on the carrying amount, for those not listed, disclosure is required (e.g. negotiable certificates of deposits, bonds and stocks under preparation for issuance).

Note 2: If overseas assets exceed 10% of total assets, supplementary information shall be disclosed



8. Average value and average interest rates of interest-earning assets and interest-bearing liabilities

	2008	
	Average value	Average rate of return (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 1,120,257	0.48
Due from Central Bank and call loans to other banks	32,802,616	2.25
Financial assets at fair value through profit or loss	43,936,383	2.00
Investment in bills and bonds under resale agreements	2,384,736	1.26
Bills discounted and loans	230,922,522	3.75
Available-for-sale financial assets	12,030,598	2.08
Held-to-maturity financial assets	726,467	4.36
Debt instruments with non-active market	291,731	6.05
<u>Interest-bearing liabilities</u>		
Due to Central Bank and other banks	\$ 15,045,478	2.49
Financial liabilities at fair value through profit or loss	2,134,000	1.27
Bills and bonds payable under repurchase agreements	3,352,363	1.61
Demand deposits	106,429,295	0.44
Time deposits	179,113,474	2.50
Negotiable certificates of deposit	5,894,010	2.17
Financial debentures	10,018,792	2.75
Appropriated loan funds	343,164	1.23
	2007	
	Average value	Average rate of return (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 1,176,042	1.35
Due from Central Bank and call loans to other banks	57,087,477	2.02
Financial assets at fair value through profit or loss	6,765,858	2.26
Investment in bills and bonds under resale agreement	978,433	-1.41
Bills discounted and loans	231,265,196	3.84
Available-for-sale financial assets	15,631,471	2.12
Held-to-maturity financial assets	886,124	6.80
Debt instruments with non-active market	1,161,378	5.27
<u>Interest-bearing liabilities</u>		
Due to Central Bank and other banks	\$ 24,680,103	2.30
Financial liabilities at fair value through profit or loss	2,134,000	0.87
Bills and bonds payable under repurchase agreements	8,998,926	1.74
Demand deposits	103,283,925	0.54
Time deposits	158,830,133	2.39
Negotiable certificates of deposit	5,386,397	1.83
Financial debentures	12,166,000	2.60
Appropriated loan funds	525,353	1.04



## 3) Net position for major foreign currency transactions

	December 31, 2008			December 31, 2007		
	Currency (in thousands)	NTD (in thousands)		Currency (in thousands)	NTD (in thousands)	
Net position for major foreign currency transactions (Market Risk)	USD	\$ 38,468	\$ 1,264,043	USD	\$ 37,262	\$ 1,208,891
	EUR	1,995	92,389	CNY	2,428	10,787
	CNY	17,915	86,295	HKD	470	1,954
	HKD	10,788	45,739	CHF	41	1,195
	AUD	147	3,358	AUD	31	896

Note 1: The major foreign currencies are the top 5 currencies by position, which is expressed in New Taiwan dollars after exchange rate conversion.

Note 2: Net position represents an absolute value of each currency.

## 4) Trust assets and liabilities

In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet and trust property list are as follows:

Trust Balance Sheet			
December 31, 2008			
Trust assets		Trust liabilities	
Bank deposits	\$ 485,550	Payable- Customer's securities under custody	\$ 3,668,069
Stocks	2,260,296	Pecuniary trust	49,236,897
Funds (Note)	38,618,137	Securities trust	1,141,289
Bonds	10,349,590	Real estate trust	1,358,149
Real estate	1,350,399	Pecuniary creditor's right and its collateral right trust	1,885,454
Customer's securities under custody	3,668,069	Co-Trust Fund	1,191,647
Other	1,885,454	Total net income (loss)	( 4,143)
		Retained earnings	140,133
Total trust assets	\$ 58,617,495	Total trust liabilities	\$ 58,617,495

Note: Include mutual funds in money market.

Trust Balance Sheet			
December 31, 2007			
Trust assets		Trust liabilities	
Bank deposits	\$ 139,865	Pecuniary trust	\$ 56,102,059
Short-term investments	56,951,823	Securities trust	873,963
Long-term investments	6,331,454	Real estate trust	788,699
Real estate	779,416	Pecuniary creditor's right and its collateral right trust	6,371,681
Net assets of Co-Trust	884,044	Co-Trust Fund	870,527
		Total net income (loss)	53,805
Funds		Retained earnings	25,868
Total trust assets	\$ 65,086,602	Total trust liabilities	\$ 65,086,602



Trust Income Statement

	For the years ended December 31,	
	2008	2007
Trust income:		
Interest income	\$ 783,640	\$ 176,574
Cash dividends income	1,800	9,233
Stock dividends income	900	13,322
Investment income	7,156	34,037
Reserves	( 752)	( 1,644)
	<u>792,744</u>	<u>231,522</u>
Trust expenses:		
Management fees	6,149	7,104
Tax expenses	11,154	3,651
Interest expense	74,164	138,110
Handling fees	1,375	9,031
Audit fees	110	330
Lawyer fees	50	-
Loss on investment	14,776	4,632
Refund trust principal	<u>688,848</u>	<u>14,778</u>
	<u>796,626</u>	<u>177,636</u>
Net income before income tax	( 3,882)	53,886
Income tax expense	261	81
Net income after income tax	<u>(\$ 4,143)</u>	<u>\$ 53,805</u>

Schedule of investment for trust business

December 31, 2008		December 31, 2007	
Invested items	Book value	Invested items	Book value
Bank Deposits	\$ 485,550	Short-term investments:	
Bonds	10,349,590	Bonds	\$ 17,896,835
Stocks	2,260,296	Common stock	1,751,521
Funds	38,618,137	Funds	<u>38,187,511</u>
Real estate		Subtotal	<u>57,835,867</u>
Land	1,350,399	Others:	
Customer's securities under custody	3,668,069	Bank deposits	139,865
		Long-term investments:	
		Creditor's right investment	6,331,454
		Real estate:	
Other	<u>1,885,454</u>	Land	<u>779,416</u>
	<u>\$ 58,617,495</u>		<u>\$ 65,086,602</u>

Foreign currency pecuniary trust operated by the Offshore Banking Unit (OBU) as of December 31, 2008 and December 31, 2007, was included in the trust balance sheet and schedule of investment for trust business.



## 5) Capital adequacy ratio

		December 31, 2008	December 31, 2007	
Self-owned capital,	Tier 1 Capital	19,821,953	21,072,589	
	Tier 2 Capital	6,523,954	7,053,587	
	Tier 3 Capital	-	-	
	Self-owned capital, net	26,345,907	28,126,176	
Total risk - weighted assets	Credit risk	Standardized Approach	212,866,322	213,060,133
		Internal Ratings-Based Approach	-	-
		Asset securitization	-	-
	Operation risk	Basic Indicator Approach	12,041,788	13,090,763
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	10,062,775	10,785,088
		Internal Models Approach	-	-
	Total risk-weighted assets		234,970,885	236,935,984
	Capital adequacy ratio		11.21%	11.87%
Tier 1 Risk-based Capital Ratio		8.44%	8.89%	
Tier 2 Risk-based Capital Ratio		2.77%	2.98%	
Tier 3 Risk-based Capital Ratio		-	-	
Shareholder's equity/Total assets		6.21%	6.93%	

Note 1: The Bank capital adequacy ratio as of December 31, 2008 and 2007 was 11.21% and 11.87%, respectively.

Note 2: The relevant formulas are as follows:

- 1: Self-owned capital = Tier 1 capital + Tier 2 capital + Tier 3 capital
- 2: Total risk-weighted assets = credit risk-weighted assets + (operation risk + market risk) \* 12.5
3. Capital adequacy ratio = Self-owned capital / Total risk-weighted assets
4. Tier 1 Risk-based Capital Ratio = Tier 1 capital / Total risk-weighted assets
5. Tier 2 Risk-based Capital Ratio = Tier 2 capital / Total risk-weighted assets
6. Tier 3 Risk-based Capital Ratio = Tier 3 capital / Total risk-weighted assets
7. Shareholder's equity to total assets ratio = Shareholder's equity/Total assets



6) Extraordinary Items

December 31, 2008	
	Cases and amount
Directors or employees prosecuted due to violation of laws and regulations in relation to the operations in the latest year.	None
Fine due to non-compliance with laws and regulations in the latest year	None
Shortcoming and negligence rectified by the Ministry of Finance in the latest year	None
Incurred losses over NT\$50 million individually or in aggregate due to employee fraud or major incidental violations of rules provided in the “Notices to Financial Institutions about Safeguarding” in the latest year.	None
Others	None

Note 1: The term “in the latest year” means one year period prior to the date of disclosure.

7) Presentation of financial statements

Certain accounts in the financial statements as of and for the year ended December 31, 2007 have been reclassified and presented in accordance with “Guidelines Governing the Preparation of Financial Reports by Public Banks”, to conform to the financial statements as of and for the year ended December 31, 2008. The reclassification does not have material impact on the presentation of the financial statements.

8) Cross-selling marketing strategies implemented between the Bank, the Yuanta Financial Holding Co. and its subsidiaries

1. Please refer to Note 5 – related party transactions for business activities or transactions.
2. In order to achieve the integrated benefit for financial holding company, the Group adopts the cross-selling marketing approach to take advantage of the operation channels, branches and staff to satisfy various needs of the clients, to increase the Group’s sales performance and to enhance cost-saving efficiency. The cross-selling marketing approach was conducted in conformance with Article 42 of the “Financial Holding Company Act”, Article 43 of “Financial Holding Company Internal Control and Audit System” and Article 7 of “Yuanta Financial Holding Company Group Cross-selling Marketing Rules” to regulate the Bank, the Yuanta Financial Holding Co. and its subsidiaries.

3 Information exchange

As the Bank, the Yuanta Financial Holding Co. and its subsidiaries or other third parties adopted cross-selling marketing approach; such entities should comply with Article 7 of “Yuanta Financial Holding Company Group Cross-selling Marketing Rules” to disclose, transfer or exchange client information. Details of the rules are as follows:



- (1) in accordance with regulations and authorities
- (2) the client has signed the covenant with a written agreement
- (3) in accordance with rules regulating Financial Holding Companies and its subsidiaries

Once the client's information have been disclosed, transferred or exchanged in conformance with the above rules, the client's rights and interests should not be damaged. Unless otherwise regulated by the rules and clients' written consent, the information disclosed, transferred or exchanged should not include information in relation to the account, credit, investment or insurance other than clients' personal information.



4. Common use of operation facilities or place

In accordance with Article 25 of “Yuanta Financial Holding Company Cross-selling Marketing Rules”, written agreement between the Bank, the Yuanta Financial Holding Co. and its subsidiaries or personnel from other subsidiaries for common use of operation facilities or place should be made for sharing management fees, service fees or commissions or other relevant expenses and duty of care.

There was no major common business marketing and information exchanged as of December 31, 2008.

XI. Other Disclosure Items

(1) Related information on material transaction items:

1. Information regarding stock of long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
3. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Disposal company	Property	Property right transfer date	Purchase date	Carrying value	Transaction price	Received	Gain (Loss) from sale	Counterparty	Relationship	Disposal Purpose	Decision price	Other arrangement
Bank	Land (1F~3F and parking lot)	2008/6/27	2003/12/5	579,265	707,400	(1)2007.09.21 \$202,110 (2)2008.06.10	128,135	Nan Shan Life Insurance Co, Ltd	None	Disposal of idle assets after relocated new offices	Based on appraisal reports dated June 1, 2007 issued by Sinyi Real Estate Appraisers Firm and Honda Appraisers Joint Firm	
	Building (1F~3F and parking lot)	2008/6/27	2003/12/5	200,198	303,170	\$303,170 (3)2008.06.27 \$454,760 (4)2008.09.18 \$50,530	102,972		None			
			Total	779,463	1,010,570	1,010,570	231,107					

4. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none.

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

The company listed accounts receivable	Counterparty	Relationship	Accounts receivable from related party	Turnover rate	Amount overdue		Amount received subsequently	Amount of allowance
					Amount	Handling method		
Yuanta Commercial Bank	Yuanta Financial Holdings	Parent Company	\$ 1,686,397 (Note 1)	-	-	-	-	-

Note 1: The amount above represents income tax refundable arising from the consolidated income tax return system.



## 6. Information regarding selling non-performing loans:

## A. Summary of selling non-performing loans

31 December 2008

Transaction Date	Transaction Counterparty	Contents of right of claim	Carrying value	Selling price	Gain (Loss) from sale	Provision within	Relationship with the Company
2008/11/03	Yuanta Asset Management	Enterprise – advance and doubtful accounts	-	\$ 21,390	\$ 21,390	None	Affiliated company controlled by the same company as the Bank

Note 1: Carrying value is the balance of initial claim minus allowance for credit losses. Gain (Loss) from sale is the balance of selling price minus carrying value.

Note 2: With respect to sale of non-performing loans to Yuanta Asset Management, please refer Note 5 for details.

B. Sale of non-performing loans for which the amount exceeded NT\$10 billion (excluding sale to related parties): none.

7. Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: none.

8. Other material transaction items which were significant to people who use the information in the financial statement: none.

## (2) Supplementary disclosure regarding investee companies:

## 1. Supplementary disclosure regarding investee companies

Name of the Investor	Name of the Investee	Investee Location	Investee's main operations	Original investment amount		Held by Investor at year-end			Net Income (Loss) of investee	Gain (Loss) recognized during the year	Remarks
				Ending balance	Beginning balance	Shares (thousand)	Ratio	Book value			
Yuanta Commercial Bank	Yuanta Leasing	11F., No. 66, Sec. 1, Dunhua S. Rd., Taipei, Taiwan	Movable property, real estate and property selling and leasing	\$197,000	\$197,000	\$19,700	98.56	\$105,690	\$3,381	\$3,332	
Yuanta Commercial Bank	Yuanta Life Insurance Agent	7F., No. 66, Sec. 1, Dunhua S. Rd., Taipei, Taiwan	Life insurance agency	3,000	3,000	300	99.99	22,768	10,231	10,028	
Yuanta Commercial Bank	Yuanta Property Insurance Agent	7F., No. 66, Sec. 1, Dunhua S. Rd., Taipei, Taiwan	Property insurance agency	2,880	2,880	-	80.00	4,729	735	578	



2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
  3. Information on the disposal of the real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
  4. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: none
  5. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
  6. Information regarding selling non-performing loans: none.
  7. Information on and categories of securitized commodities which are approved by the Financial Asset Securitization Act or the Real Estate Securitization Act: none.
  8. Other material transaction items which were significant to people who use the information in the financial statements: none.
  9. Lending to other parties: not applicable to Yuanta Leasing, for which this is one of its registered operating activities. Other investees: none.
  10. Guarantees and endorsements for other parties: none.
  11. Information regarding securities held as of December 31, 2008: none.
  12. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
  13. Information regarding trading in derivative financial instruments: none.
- (3) Investments in People's Republic of China: none.

XII. Segment Information: not applicable.

### 3. Risk Management and Other Significant Issues

#### (1) Major Capital Expenditures on Financial Operations during 2008

Project	Actual or projected source of capital	Actual or projected date of completion	Total funds required	Actual or projected utilization of capital (Unit: NT\$1,000 )				
				2007	2008	2009	2010	2011
New Core Banking System	Self-owned capital	System launch inspected	NT\$ 410,000 thousand	157,200	142,200	110,600	-	-
Remote Back up Facility	Self-owned capital	November 30 <sup>th</sup> , 2011	NT\$ 85,000, thousand	-	-	28,333	28,333	28,334

**A New Core Banking System:**

The Bank upgraded the previous New Taiwan Dollar core system to the New Core Banking system at the end of February, 2008. The new system can not only advance the stability of the information transaction platform and the future expandability, but also shorten the development period of new products, fortify performance analysis data and further elevate the Bank's efficiency.

**B Remote Back up Facility:**

Establish Remote Back Up facility to guarantee the continuity of the Bank's information system and the safety of back up data storage.



## 4. Risk Management

### (1) Information of Credit Risk Management:

#### A The Bank's credit risk management system in 2008

Item	Contents
1. Strategies, objectives, policies and procedure of credit risk.	<ol style="list-style-type: none"> <li>1. Strategies and objectives:               <ol style="list-style-type: none"> <li>(1) Follow Basel II requirements to upgrade the Bank's ability in risk management and internationalism.</li> <li>(2) Well found and fully implement the various risk management systems and control procedures.</li> <li>(3) Strengthen the information integration, analysis and precautionary effect to exert the risk management actively.</li> </ol> </li> <li>2. Policies:               <ol style="list-style-type: none"> <li>(1) Cultivate the business strategies and organizations valuing credit risk management, and master the qualitative and quantitative management approaches as the reference in strategy making.</li> <li>(2) Establish the overall credit risk management system to be promoted and implemented by the Bank's Board of Directors, management at each level and employees. Control possible business risks during the process of operation in qualitative and quantitative manners through the identification, measurement, control and report of potential risks within the tolerable extent, in hopes of ensuring the Bank's achievement of credit risk strategic objectives.</li> <li>(3) Authorize independent credit risk management entities and personnel to exercise job duties to ensure that the Bank's credit risk management systems is implemented effectively and to help the Board of Directors and management perform their duties fully to fulfill the bank's credit risk management systems.</li> <li>(4) Establish effective methods and controlling procedures to ensure the adequacy of deposits and withdrawal, and express the operating results in a proper manner through the risk adjustment, and create the objective for maximization of shareholders' value.</li> </ol> </li> <li>3. Management procedure:               <p>Credit risk identification, measurement, control and management, credit risk report and credit performance management, including:</p> <ol style="list-style-type: none"> <li>(1) Establish credit rating/scoring card models.</li> <li>(2) Define credit risk regulations.</li> <li>(3) Set the limit of the various large credit risk exposures.</li> <li>(4) Define the credit granting procedures.</li> <li>(5) Establish proper credit management.</li> <li>(6) Review and report periodically.</li> <li>(7) Elevate the quality of assets.</li> </ol> </li> </ol>
2. Structure and organization of credit risk management	<ol style="list-style-type: none"> <li>1. Board of Directors:               <ol style="list-style-type: none"> <li>(1) The Board of Directors is the Bank's supreme policy-making entity for risk management, responsible for authorizing the Bank's risk management policies and guidelines and supervising fulfillment of the various systems to achieve the Bank's entire credit risk management objectives.</li> <li>(2) Establish Audit Committee to review the risk-related motions before proposing them to the Board of Directors and negotiate with the risk implementation entities.</li> </ol> </li> <li>2. Senior managers:               <p>Asset &amp; Liability Management Committee, Risk Management Committee, Non-Performing Loan Management Committee and Credit Evaluation Committee are subordinated to the president.</p> <ol style="list-style-type: none"> <li>(1) Develop the Bank's credit risk management guidelines and rules according to the credit risk management policies approved by Board of Directors, and ensure that the Bank has the express functions and operations for credit risk management, effective credit risk management procedure and proper credit risk management system.</li> <li>(2) Authorize competent employees to execute the credit risk management operation and ensure that they have the ability and expertise affordable to execute the credit risk management business and comply with the relevant policies and procedures.</li> </ol> </li> <li>3. Management entities:               <ol style="list-style-type: none"> <li>(1) Risk Management Dept., NPL Collection Dept., Credit Management Dept., Corporate Banking Dept., and Consumer Banking Dept.</li> <li>(2) Responsible for researching and drafting or suggesting the amendments to the Bank's credit risk management policies and guidelines to be proposed to Board of Directors</li> </ol> </li> </ol>



Item	Contents
	<p>for approval.</p> <p>(3) Work with business management entities to research and draft or amend the various business risk management rules, and propose the amendments to the president for approval.</p> <p>(4) Establish the Bank's entire structure of measuring, controlling and evaluating quantitative risk.</p> <p>(5) Responsible for enforcing and controlling the Bank's credit risk management and credit risk management rules for the various businesses to ensure that all businesses may strictly apply with the Bank's credit risk management policies and guidelines.</p> <p>4. Internal audit: The independent internal audit entities will review the enforcement of the Bank's credit risk management systems periodically and disclose it in the audit report truly, and will follow up the defects or extraordinary circumstances discovered by them in the process of review upon submitting the audit report, to ensure that the relevant entities have taken the corrective actions in a timely manner.</p> <p>5. Business entities: Business entities shall comply with the Bank's credit risk management policies, relevant guidelines and business risk management rules to ensure that all businesses are executed in accordance with the relevant credit risk management regulations and under the Bank's business approving authority.</p>
<p>3. Scope and characteristics of credit risk report and measurement systems.</p>	<p>1. Scope and characteristics of credit risk report: (1) Report of Board of Directors. (2) Report of Audit Committee. (3) Monthly briefed report of Asset &amp; Liability Management Committee. (4) Monthly briefed report of Risk Management Committee. (5) Monthly corporate banking asset quality report. (6) Monthly consumer banking asset quality report. (7) Monthly disclosure of information about the individual limits in the various countries. (8) Real time important credit evaluation report form. (9) Real time alters system report/search mechanism.</p> <p>2. Credit risk measurement systems include: (1) Capital charge calculation platform information system. (2) The review system. (3) The collection system. (4) The credit risk alarming system. (5) The corporate banking credit grading system (6) Step-by-step establishment of consumer banking scorecards step by step, and car loan applications scorecards and credit card applications scorecards completed currently. (7) The stock collateral system</p>
<p>4. Credit risk hedging or risk reduction policies, and strategies and procedures for controlling the ongoing effectiveness of hedging and risk reduction tools.</p>	<p>1. Credit risk hedging or risk reduction policies: (1) Review the credit risk hedging planned and executed by the businesses of centralized risk or higher risk. (2) Plan the amendments to the Bank's risk reduction regulations and control system thereof in accordance with the relevant Basel II risk reduction regulations.</p> <p>2. Strategies and procedures for controlling effectiveness of hedging and risk reduction: Plan and establish the collateral management system in accordance with Basel II risk reduction regulations in 2008, and ensure the ongoing effectiveness of risk reduction of collaterals through periodical reevaluation of collaterals, loan-to-value ratio alert, analysis of centralization and stress testing.</p>
<p>5. Approach for regulatory capital charge.</p>	<p>Basel II standardized approach</p>



## B Exposure and accrued capital charge upon risk reduction under credit risk standardized approach

Unit: NT\$1,000 ; Dec.31.2008

Type of Risk Exposure	Risk Exposure after Risk Mitigation	Capital Requirement
Sovereigns	68,383,254	0
Non Central –Government Public Sector Entities	217,378	0
Banks (Multilateral Development Banks included)	19,727,986	567,934
Cooperates(Securities firms and insurance companies included)	140,204,268	10,355,677
Retailed credit	51,685,312	3,235,867
Residential Property	70,033,207	2,566,174
Equity-securities investment	0	0
Other assets	6,769,215	282,757
Total	357,020,620	17,008,409

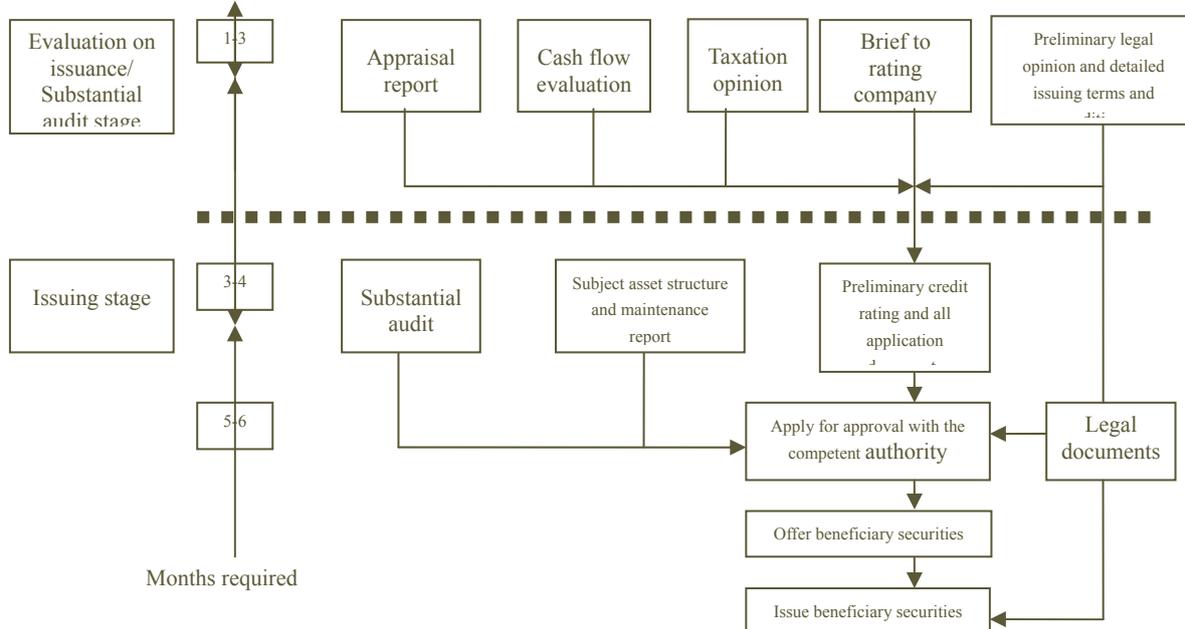
### (2) Information of Asset Securitization:

#### A The Bank's asset securitization risk management system in 2008

Item	Contents
1. The strategies and procedure of asset securitization risk management.	1. Management strategies: (1) Increase capital adequacy ratio. (2) Increase liquidity of assets. (3) Enhance transparency of the financing process. (4) Adjust asset structure and transform asset risk. (5) Increase cash inflow. 2. Procedure: Please refer to the Appendix.
2. The organization and structure of asset securitization management.	The Bank has never been any originator for security securitization so no information is to be disclosed in this section.
3. Scope and characteristics of asset securitization risk report and measurement systems.	Risk: (1) Interest rate and exchange rate risk: When the asset securitization is issued across countries, the exchange rate risk occurs. Further, the issuing period for asset securitization will be longer and, therefore, the interest rate fluctuation risk exists, too. (2) Goodwill risk: The founding institution's goodwill risk in the case of securitized products at default. (3) Credit risk (legal, documentation and liquidity risks): The risk where it is impossible to execute collateral or guarantors refuse to make the payment or defer the payment in the case of trading counterparts' default. (4) Legal risk: the risk of compliance with laws.
4. Asset securitization risk hedging or risk reduction policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk reduction tools.	The hedging policies for asset securitization risk are specified as following: 1. Hedge the interest rate risk by dealing IRS. 2. Hedge the foreign exchange risk by dealing CCS.
5. Approach for regulatory capital charge.	Basel II standardized approach



Note: The procedure for issuing asset securitization



B Engagement in Asset Securitization :

No information is to be disclosed, for the Bank has never been the originator for asset securitization.

C Risk exposure and accrual capital charge for asset securitization.

Unit: NT\$1,000 ; Dec.31.2008

Type	Non- Originating bank		Originating bank						
	Purchase or Possession of Securitization Risk Exposure	Capital Requirement	Exposure				Asset based commercial paper	Capital Requirement before securitization	
			Non-asset based commercial paper						
			Traditional		Portfolio				
Retained position	Unrestrained position	Retained position	Unrestrained position						
Corporate credit right	486,908	20,896	—	—	—	—	—	—	—
Total	486,908	20,896	—	—	—	—	—	—	—



### (3) Information of Operational Risk Management

#### A The Bank's operational risk management system in 2008

Item	Contents
1、 The strategies and procedure of operational risk management	<ol style="list-style-type: none"> <li>1. In order to construct a quality risk management system and well-structured business development, advance an operation model with proper risk management orientation, achieve operating goals and maximize shareholders' value, the Bank has developed "Risk Management Policy", "Operational Risk Management Principles", "Operational Risk Management System Procedures" and "Risk and Control Self-Assessment Rules" in order to carry out a well-rounded risk management system.</li> <li>2. In order to fortify risk management consciousness and control operational risk, each entity started to implement the self assessment on operational risk and control from Year 2008. The process is as follows:               <ol style="list-style-type: none"> <li>(1) Confirm the business and operation process: inspect operational processes implemented and managed by the entity, and confirm its according duties and processes.</li> <li>(2) Recognize potential risk and evaluate its influence: regarding selected operational processes, recognize and describe potential risk, the type of damage and main causes of the risk, and predict the possibility for occurrence and the influence.</li> <li>(3) Evaluate effectiveness and implementation: In response to recognized potential risk, describe the current controlling practices and conduct self assessment for control effectiveness and implementation.</li> <li>(4) Risk Management: in response to screened risk items with low control effectiveness or low control implementation, develop improving proposals and track the improvement.</li> </ol> </li> </ol>
2、 The organization and structure of operational risk management.	<ol style="list-style-type: none"> <li>1. The Board of Directors is the Bank's supreme policy-making entity in the Bank's entire risk management organization structure according to the Bank's "Risk Management Policy". Meanwhile, the Bank set up Audit Committee and three independent directors to practically supervise the Bank's risk management.</li> <li>2. In response to operational risk management, the Bank sets up the following entities under President:               <ol style="list-style-type: none"> <li>(1) Risk Management Committee: supervise the execution the structure and mechanism of operational risk management and conduct discussion on issues of operational risk management.</li> <li>(2) Risk Management Dept.: Establish mechanism of rational risk management and supervise and manage operational risk of the entire bank and propagandize and fortify the Bank's consciousness and capability of operational risk management so that the Bank's Risk Management Policy and Operational Risk Management Principles are followed on all services.</li> <li>(3) All departments in Head Office, supervising divisions and business divisions: according to operational risk management regulations, all departments and supervising divisions developed according business regulations as standards for execution of all service divisions.</li> </ol> </li> </ol>
3、 Scope and characteristics of operational risk report and measurement systems.	<ol style="list-style-type: none"> <li>1. Scope:               <ol style="list-style-type: none"> <li>(1) The report mechanism on operational risk loss events is established. At the occurrence or the possible occurrence of operational risk events, the according departments or business divisions should report to its supervising division and Risk Management Dept. so that the Bank can systematically supervise the operational risk events, track the related information and persistently collect information on all risk events in order to construct Risk Indicator (RI: e.g. the turnover rate, the computer crash frequency, transaction correction ratio and lawsuits), and strengthen the Bank's operational risk management. Also, the entities should periodically inspect and analyze the content of loss events and the current management measures before they report to Risk Management Committee.</li> <li>(2) The Bank's Operational risk Report discloses business types of operational risk loss, operational risk exposure, warning items, tendency analysis and changes in regulations of operational risk management.</li> </ol> </li> <li>2. Features: the Bank analyzes the loss events reported by entities, one by one, according to the main criteria, the loss types, and the loss amount and reports the events to the top management. For special incidents, the Bank shall discuss the procedures of the internal</li> </ol>



	control system with the supervising division while adjusting the criteria timely. Each business division should shoulder the responsibility for supervising the loss event to advance the risk consciousness of all divisions and, thus, strengthen the quality and the capability of operational risk management.
4、Operational risk hedging or risk reduction policies, and strategies procedures for controlling the continuously effectiveness of hedging and risk reduction tools.	The Bank's "Operational Risk Management System Procedures" regulates measures and operations regarding operation risk hedge or risk mitigation. The policies are as follows: <ol style="list-style-type: none"> <li>1. For loss with a small amount and high frequency, the division may lower or control risks, strengthen training, improve operations and fortify system management;</li> <li>2. For loss with a big amount and low frequency, the division may transfer or mitigate risks. After circumspect evaluation, the division may buy proper insurance and outsource the operation;</li> <li>3. For loss with a big amount and high frequency, the division may mitigate risks. It is advisable to not launch or suspend such business or service.</li> <li>4. If the operating risk is transferred or mitigated through outsourcing, the outsourcing entities shall evaluate the risk and effectiveness at least once per year.</li> <li>5. If the operating risk is transferred or mitigated through insurance, the effectiveness should be evaluated periodically. Meanwhile, the credit and claim-paying ability shall be cautiously evaluated. The rating of its claim-paying ability shall meet the requirement of the authority.</li> </ol>
5、Approach for regulatory capital charge.	Basel II Basic indicator approach

#### B Accrued capital charge of operating risk

Unit: NT\$1,000 ; Dec.31.2008

Year	Gross Income	Capital Requirement
2006	7,110,097	-
2007	6,618,287	
2008	5,538,475	
Total	19,266,859	963,343

### (4) Information of Market Risk Management

#### A The Bank's market risk management system in 2007

Item	Content
1. Market risk management strategies and processes	<ol style="list-style-type: none"> <li>1. In order to establish the fair risk management system and well found the development of business to boost the proper risk management-oriented business model and achieve the operational objectives and increase shareholders' value, the Bank's Board of Directors approves the risk management policies to fulfill the well-founded risk management system and create stable and high-quality profitability for shareholders.</li> <li>2. Based on the existing risk management policies and guidelines, fulfill the quantification of market risk step by step and establish the management and appraisal mechanism for risk value and optimal allocation of capital.</li> <li>3. Scope of business and scope of underwritten products: enact the market risk management guidelines, define the scope of market risk management; the scope of businesses may include transactions in foreign exchange market, currency market and capital market, and transactions of derivative financial products.</li> <li>4. Define the risk management procedure and application methods (e.g. sensitivity analysis, risk value calculation, scenario simulation and stress testing, etc.), require the relevant entities to set the limits of the various financial product transactions, e.g. the limit of position, limit of nominal amount and stop-loss limit, and also the approving authority and guidelines to process the excess in the limit. In order to enhance the transparency of the information about market risk, the risk management entities shall inspect and submit the risk management statement on a daily basis, and shall continue supervising and following up on extraordinary circumstances in the</li> </ol>



Item	Content
	transactions, if any.
2. Market risk management organization and structure.	<ol style="list-style-type: none"> <li>1. Board of Directors:               <ol style="list-style-type: none"> <li>(1) The Board of Directors is the Bank's supreme policy-making entity of risk management, responsible for authorizing the Bank's risk management policies and guidelines and supervising fulfillment of the various systems to achieve the Bank's entire market risk management objectives.</li> <li>(2) Establish Audit Committee to review the risk-related motions before proposing them to the Board of Directors and negotiate with the risk implementation entities.</li> </ol> </li> <li>2. Senior management: Asset &amp; Liability Management Committee and Risk Management Committee are subordinated to the president.               <ol style="list-style-type: none"> <li>(1) Develop the Bank's market risk management guidelines and rules according to the market risk management policies approved by Board of Directors, and ensure that the Bank has the express functions and operations for market risk management, effective market risk management procedure and proper market risk management system.</li> <li>(2) Authorize competent employees to execute the market risk management operation and ensure that they have the ability and expertise affordable to execute the market risk management business and comply with the relevant policies and procedures.</li> </ol> </li> <li>3. Market risk management entities:               <ol style="list-style-type: none"> <li>(1) Risk Management Dept., Financial Trading Dept, and Financial Trading Supporting Dept. and operation divisions.</li> <li>(2) Responsible for researching and drafting or amending the Bank's risk management policies and market risk guidelines to be proposed to Board of Directors for approval.</li> <li>(3) Work with proprietary trading entities to research and draft or amend the various financial products business control rules, and propose them to the president for approval.</li> <li>(4) Plan and establish the Bank's structure of identifying, measuring and controlling market risk, execute the limit management report and inspection to alert excess in limit, in order to ensure that the various financial products businesses may strictly comply with the Bank's risk management policies and regulations.</li> </ol> </li> </ol>
3. Scope and characteristics of market risk report and measurement systems.	Issue the market risk management statement on a daily basis to disclose the positions of the various financial products and information about income, and work with the Summit system to establish and measure the interest rate, exchange rate, equity securities and commodity risk values.
4. Market risk hedging or risk reduction policies, and strategies and procedures for controlling the continuous effectiveness of hedging and risk reduction tools.	Inspect the effectiveness of the risk reduction tools and report the inspection result from time to time monthly.
5. Approach for regulatory capital charge.	Basel II Standardized approach



B Accrued capital charge of market risk

Unit: NT\$1,000 ; Dec.31.2008

Type of Risk	Accrued capital charge
Interest rate risk	566,700
Equity securities risk	130,207
Foreign exchange risk	108,115
Commodity risk	0
Total	805,022

C Value at Risk for Trading Position ( 99%, one day, unit: NT\$1,000)

Item	2008			
	Dec.31.2008	Average VaR	Minimum VaR	Maximum VaR
Interest rate	23,214	7,676	656	56,157
Equity securities	5,369	59,092	5,257	123,175
Foreign exchange	2,629	3,654	137	29,400
Commodity	-	-	-	-
Subtotal	31,212	70,422	-	-
Dispersed effect	(6,920)	(7,721)	-	-
Total risk value	24,292	62,701	8,621	122,369

Note: The Market Risk Measurement Model employs the variance-covariance method, calculating the VaR (Value-at-Risk) at 99 % of one-tailed confidence interval. The market risk is measured through inspecting the result of back testing through theoretical prices.

(5) Information of Liquidity Risk Management

A Mature Analysis of the assets and liability-NT\$

Unit: NT\$1,000 ; Dec.31.2008

	Total	Amount in residual period to maturity				
		1-30 days	31-90 days	91-180 days	181-365days	Over 365days
Major Capital inflow	327,628,537	77,912,443	16,077,492	27,369,968	36,313,595	169,955,039
Major Capital outflow	328,582,211	53,370,911	49,081,772	59,712,583	87,109,938	79,306,737
Gap	(953,674)	24,541,532	(33,004,280)	(32,342,885)	(50,796,343)	90,648,302

Note: This table only contains the NT\$ amount of Head Office and foreign/domestic branches. (exclusive of foreign currencies).



## B Mature Analysis of the assets and liability-US\$

Unit: US\$1,000 ; Dec.31.2008

	Total	Amount in residual period to maturity				
		1-30 days	31-90 days	91-180 days	181-365days	Over 365days
Assets	754,202	265,978	225,229	109,931	36,799	116,265
Liabilities	770,715	494,777	135,802	32,033	110,703	(2,600)
Gap	(16,513)	(228,799)	89,427	77,898	(73,904)	118,865
Cumulative gap	(16,513)	(228,799)	(139,372)	(61,474)	(135,378)	(16,513)

Note 1 : Unless otherwise provided, this table shall specify the total USDs of the Head Office, domestic branches and international banking branches. Please complete this table according to the nominal amount, and it is not necessary to specify the amount not stated into account. (if negotiable deposit certificates, bonds or stocks are planned to be issued)

Note 2 : Where the offshore assets account more than 10% of the Bank's total assets, it is necessary to make supplementary disclosure.

## C The Approach to Liquidity Management:

Since the "Asset-Liability Management System" was established in August 2008, the Bank has been supervising the maturity gap on the Bank's asset, liability and stockholder's equity and following the authority's regulation that the ratio of the liquidity gap over total asset should not exceed -5% during a one-month period to respond liquidity asset allocation at different times in advance and fortify the Bank's asset and capital liquidity management.

The liquidity asset in the Bank's banking book is allocated centering on security, liquidity and profitability. The Treasury Dept. timely tunes the allocation of liquidity asset according to the daily loan-deposit gap and market demand and supply. Meanwhile, the Bank conducts scenario analysis and pressure testing, estimates the Bank's possible liquidity gap and evaluates possible capital sources and the funding timing for best evaluation of the Bank's liquidity. In addition, the Bank also set up multiple risk management indices and warning points of liquidity in order to supervise and management liquidity risk.

## D Assets/liabilities management plan:

The Bank's assets and liabilities management plan aims to fully utilize the assets and liabilities gap, and seek the maximum income for the Bank under controllable risks. Currently, income from the interest rate difference still accounts for about 80% of the Bank's total income. The business end will strive for the business performance under risk management. Meanwhile, risk management for the interest rate throughout the Bank is the first priority.

The Bank currently has Funds Utilization Section of the Treasury Dept. manage the entire bank's interest rate risks through Fund Transfer Pricing (FTP). The Bank is able to agilely adjust the amount and the structure of the deposit and adjust FTP suitable to each currency and deposits with different terms, according to the Bank's loan-deposit ratio, funding gap and business goals, in order to direct the development of deposit business and effectively manage interest rate risk.

**(6) Effect of changes in important policies and regulations on the Bank's financial**

## **(6) Effect of changes in important policies and regulations on the Bank's financial business and responsive action thereof.**

### **A. Partial Amendment to Banking Act**

Partial Amendment to Banking Act was promulgated on December 30, 2008. The amendment is centered on fully realizing the management of the controlling shareholders, revising the regulations on bank's capital adequacy ratios, establish corrective procedures and exit mechanism, and properly disclose information on large bad debt. In order to enhance the Bank's competency in the financial market and fortify the corporate governance practices, the Bank is going to make adjustment in operation rules in response to the amendment.

### **B. Partial Amendment to the Part of Succession of Civil Code**

Partial Amendment to the Part of Succession of Civil Code was promulgated on January 2, 2008 and centered on changing previous general succession of an heir without disposing capacity or with limited disposing capacity to limited succession and limiting the surety obligation to the extent of the property acquired from the legacy. In response to the amendment to the Part of Succession of Civil Code and surety debt, the Bank has strengthened the credit evaluation of the borrowers and adjusted the collection process responsively.

### **C. Amendment to Financial Accounting Standard No.34**

The third amendment to "Accounting for Financial Instruments" in "Amendment to Financial Accounting Standard No.34" becomes effective on January 1, 2011, or earlier. The amendment is centered on incorporating loans and receivables originated by the Bank into the scope of the Standards. It is required to value loans and receivables at fair value and evaluate the impairment loss. The recognition of impairment adopted the "occurred loss" concept, which means to recognize impairment loss of the gap between the book value and the net present value of the future cash flow for loans discounted at the original effective interest rates. In addition, the evaluation of impairment should incorporate all of credit risk exposure into consideration. This differs greatly from the current practices of recognizing allowance for bad debt with conformity to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans". The Bank adjusted operation, such as accounting and credit granting, and the information system regulations in response to the applicability to the standard amendment.

## **(7) Information of Crisis Management**

In order to perfect the Bank's crisis prevention and response mechanism, the Bank has defined the Crisis Management Policies and Procedures and Crisis Management Response Manual, so that supervisors of related units may report the emergency via the various channels and research and draft responsive practices in the case of any risk or likelihood of risk, so as to restore the operation of the Bank's businesses expeditiously and effectively to minimize the damage. Meanwhile, the Bank has defined the SOP for the various emergencies (e.g. fire, robbery, or mass protest); periodically conduct security dry run for rapid and effective response to emergency.



# 5



## Special Notes

### We Credit **Fortune**

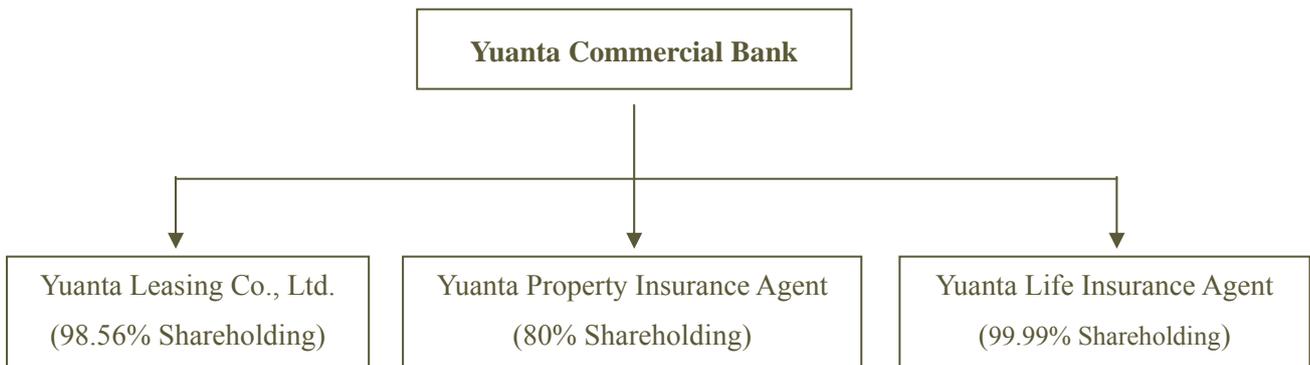
Section Five  
YUBOTA DATA  
2008 Annual Report

## V. Special Notes

### 1. Information of Affiliates

#### (1) Consolidated Business Report of Affiliates

##### A. Organization Chart of Affiliates



##### B. Basic Information of Affiliates (As of Feb 28.2009)

Corporate	Date of Establishment	Address	Paid-in Capital (NT\$1,000)	Scope of Business
Yuanta Leasing Co., Ltd.	07.24.1998	9F, No.68, Sec.1, Dunhua S. Rd., Taipei City	199,880	1. Leasing 2. Wholesale 3. Development 4. Rental 5. Brokerage
Yuanta Property Insurance Agent Ltd.	10.02.1999	7F, No.66, Sec.1, Dunhua S. Rd., Taipei City	3,600	Property Insurance Agent
Yuanta Life Insurance Agent Co., Ltd.	11.20.2001	7F, No.66, Sec.1, Dunhua S. Rd., Taipei City	3,000	Life Insurance Agent

Corporate	Position	Name of Individual or Representative(s)	Shareholdings
Yuanta Leasing Co., Ltd.	Chairman Director Director Director Director Supervisor	<b>Yuanta Commercial Bank Statutory Representatives :</b> Tsai-Yu Chang Hsien-Tao Chiu Jhong-Ping Lyu Tien-Fu Kao Yung-Chung Huang Ji-Sheng Wang	19,700,000 shares 98.56%
		<b>Yuanta Commercial Bank Statutory Representatives :</b> De-Shan Wang	( a limited company) 80.00%
Yuanta Property Insurance Agent Ltd.	Chairman	Hung-Lin Wu	



Corporate	Position	Name of Individual or Representative(s)	Shareholdings
Yuanta Life Insurance Agent Co., Ltd.	Chairman Director Director Supervisor	<b>Yuanta Commercial Bank Statutory Representatives :</b> De -Shan Wang Arthur Chen Hung-Lin Wu Ji-Sheng Wang	299,991 shares  99.99%
	President	Hung-Lin Wu	

### C. Business Overview of Affiliates ( As of Dec 31.2008 )

Unit:NT\$1,000

Corporate	Capital	Total Assets	Total Liabilities	Book Value	Operating Revenue	Operating Income	Income (after tax)	EPS (NT\$) (after tax)
Yuanta Leasing Co., Ltd.	199,880	107,358	123	107,235	2,527	1,486	3,381	0.17
Yuanta Property Insurance Agent Ltd.	3,600	8,245	2,334	5,911	19,403	877	735	2.04
Yuanta Life Insurance Agent Co., Ltd.	3,000	33,936	11,167	22,769	192,856	13,161	10,231	34.10



## Milestones of Yuanta Commercial Bank in 2008

<b>January</b>	Launched Super ATM, a biweekly lottery promotion.
	Launched VIP Financial Seminar “Feng Shui for Fortune” for the first quarter 2008 (Three seminars in total in Taiwan)
<b>March</b>	Issued Yuanta Golf Business Travel Card to provide VIP premium in domestic golf courses to cardholders.
	Reduced capital of NT\$ 2 billion to make up for loss upon the approval from Financial Supervisory Commission, Executive Yuan.
<b>April</b>	Held Overseas Golf Contest in Bintan Island, Singapore for Yuanta’s credit card holders.
	Super ATM added a new function for insuring scooters online.
<b>May</b>	The Head Office was relocated from Chongsheng Building to newly constructed Yuanta Financial Holdings Head Office Building.
	Launched VIP Financial Seminar “Reserve Your Wealth-Be a Tax Saving Winner” for the second quarter 2008 (Six seminars in total in Taiwan)
<b>June</b>	Launched foreign currency and NTD reservation functions for the phone banking.
<b>July</b>	Sponsored “Giant of Ice Ages: Special Exhibit of Woolly Mammoth Specimen” jointly with Yuanta Financial Holdings, Yuanta Securities and Yuanta Securities Finance.
	Finished re-organization and merged 26 entities into 19 entities in Head Office.
	Finished the construction of the electronic transaction statement system and had the system ready for customers to apply for.
	Launched the six-moth “Interest Rate Rise-5.88% Finance Combo” program.
	Launched the six-moth “A Life in Yuanta” Systematic investment plan
	Launched a new trust product “Investment Scheme Negotiable Securities Trust”, which is securities lending.
<b>August</b>	Constructed the Bank’s “Asset and Liability Management System” (ALM) and strengthened the Bank’s asset and fund liquidity management.
	Issued Yuanta JCB No.1 Card, a joint venture with theaters such as Miramar Cinemas, and promoted the instant premium, “Buy one get one free”.
	Launched the “Instant Higher Interest: 5.885% for NTD Time Deposit Account” Program
<b>September</b>	Launched “Don’t toss your Yuanta Slip” for premium of all credit card users. Present Yuanta credit card and a slip with an amount over NT\$ 888, card users can exchange items in 600 stores in Taiwan.
	Launched VIP Financial Seminar “A Date with Your Health” for the third quarter 2008 (Four seminars in total in Taiwan)
<b>November</b>	Launched the revised fund function for the phone banking.
	Implemented the new version of the Financial Customer Risk Rating and Product Suitability Policy and realized KYC.
	Held a charity event “Donate Your Warmth” with Yuanta Securities and KIEHL’S.
<b>December</b>	Launched Super ATM revision.



## Branches and Overseas Offices

02.28.2009

Head Office&Branches			
Name	Address	Tel	Fax
Head Office	No.66 and No. 68, Sec. 1, Dunhua S. Rd., Taipei 105, Taiwan	(02) 2173-6699	
Business Department	No.66 , Sec. 1, Dunhua S. Rd., Taipei City 105, Taiwan	(02) 2173-6680	(02) 2772-1909
Taipei Branch	No.38, Sec. 2, Dunhua S. Rd. , Taipei City 106, Taiwan	(02) 2705-7888	(02) 2755-3751
Chingmei Branch	No.3, Jingwun St. , Taipei City 116, Taiwan	(02) 8663-6766	(02) 8663-3139
Nanjing East Road Branch	No.219, Sec. 3, Nanjing E. Rd., Taipei City 104, Taiwan	(02) 2545-8777	(02) 2545-8118
Shihlin Branch	No.314, Jhongheng Rd. , Taipei City 111, Taiwan	(02) 2837-6638	(02) 2835-5886
Chengtung Branch	No.128, Sec. 3, Nanjing E. Rd., Taipei City 104, Taiwan	(02) 8772-5788	(02) 8772-5988
Neihu Branch	No.618, Rueiguang Rd. , Taipei City 114, Taiwan	(02) 8751-8759	(02) 8751-9858
Sinyi Branch	No.236-1, Sec. 4, Sinyi Rd., Taipei City 106, Taiwan	(02) 2703-2569	(02) 2701-2259
Songjiang Branch	No.109, Songjiang Rd., Taipei City 104, Taiwan	(02) 2516-8608	(02) 2516-1078
Tianmu Branch	No.14, Tianmu W. Rd. Taipei City 111, Taiwan	(02) 2871-2558	(02) 2871-1117
Minsheng Branch	No.52-1, Sec. 4, Minsheng E. R d., Taipei City 105, Taiwan	(02) 8712-9666	(02) 8712-7077
Jhongshanbeilu Branch	No.135 Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan	(02) 2521-7888	(02) 2521-0678
Jhongsiao Branch	No.238, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan	(02) 8786-7778	(02) 8786-7758
Chengde Branch	No.210, Sec. 3, Chengde Rd., Datong District, Taipei City 103, Taiwan	(02) 2592-0000	(02) 2592-1209
Chengjhong Branch	No.42, Hengyang Rd., Jhongheng District, Taipei City 100, Taiwan	(02) 2382-2888	(02) 2381-8399
Sindian Branch	No.252, Sec. 2, Beisin Rd., Sindian City, Taipei County 231, Taiwan	(02) 2912-5799	(02) 2914-1255
Yonghe Branch	No.32, Sec. 2, Yonghe Rd., Yonghe City, Taipei County 234, Taiwan	(02) 2232-5558	(02) 2232-5568
Jhonghe Branch	No.1 & No.3, Taihe St. , Jhonghe City, Taipei County 235, Taiwan	(02) 2245-6789	(02) 8245-7669
Sanchong Branch	No.111, Sec.3, Chongsin Rd. , Sanchong City , Taipei County 241, Taiwan	(02) 2983-2255	(02) 2988-5810
Sinjhuang Branch	No.379, Jhongheng Rd. , Sinjhuang City , Taipei County 242, Taiwan	(02) 2206-7799	(02) 2206-9977
Banciao Branch	No.242, Sec. 2, Wenhua Rd., Banciao City, Taipei County 220, Taiwan	(02) 8259-7979	(02) 8259-7676
Tucheng Branch	No.255, Sec. 1, Jhongyang Rd., Tucheng City, Taipei County 236, Taiwan	(02) 2270-3030	(02) 2260-5151
Lujhou Branch	No.235, Changrong Rd., Lujhou City, Taipei County 247, Taiwan	(02) 2281-8958	(02) 2281-0266
Nankan Branch	No.309, Jhongheng Rd. , Lujhu Township , Taoyuan County 338, Taiwan	(03) 312-9550	(03) 312-9551
Chungli Branch	No.7, Jhongyang E. Rd. , Chungli City, Taoyuan County 320, Taiwan	(03) 426-6007	(03) 426-6017
Taoyuan Branch	No.429, Jhongshan Rd. , Taoyuan City, Taoyuan County 330, Taiwan	(03) 337-2211	(03) 334-2381
Taosin Branch	No.51-2, Fusing Rd., Taoyuan City, Taoyuan County 330, Taiwan	(03) 338-5518	(03) 338-5618



Head Office&Branches			
Name	Address	Tel	Fax
Pingjhen Branch	No.18, Huannan Rd. , Pingjhen City , Taoyuan County 324, Taiwan	(03) 494-2690	(03) 494-3064
Linkou Branch	No.236 & No.238, Fusing 1st Rd., Gueishan Township , Taoyuan County 333, Taiwan	(03) 328-8999	(03) 328-8668
Hsinchu Branch	No.276, Minsheng Rd. , Hsinchu City 300, Taiwan	(03) 545-6688	(03) 545-6008
Jhubei Branch	No.208, Dong Sec. 1, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan	(03) 658-1212	(03) 658-1233
Hsinchu Science Park Branch	No.267, Sec. 1, Guangfu Rd., East District, Hsinchu City 300, Taiwan	(03) 666-7888	(03) 666-7688
Luodong Branch	No.38, Jhongjheng N. Rd., Luodong Township, Yilan County 265, Taiwan	(03) 956-8966	(03) 956-2333
Kinmen Branch	No.188-1 Mincyuan Rd., Jincheng Township, Kinmen County 893, Taiwan	(082) 322-566	(082) 311-426
Hualien Branch	No.74, Jhongshan Rd., Hualien City, Hualien County 970, Taiwan	(03) 831-1708	(03) 832-1169
Miaoli Branch	No.458, Jhongjheng Rd. , Miaoli City , Miaoli County 360, Taiwan	(037) 336-678	(037) 336-718
Taichung Branch	No.66, Mincyuan Rd. , Taichung City 400, Taiwan	(04) 2227-1799	(04) 2220-7499
Wunsin Branch	No.337, Sec. 3, Wunsin Rd. , Situn District, Taichung City 407, Taiwan	(04) 2297-0068	(04) 2296-5966
Fusing Branch	No.269, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan	(04) 2261-6889	(04) 2262-1060
Chongde Branch	No.46, Sec. 2, Chongde Rd. , Beitun District, Taichung City 406, Taiwan	(04) 2232-9961	(04) 2233-1818
Chunggang Branch	No.102-10, Sec. 3, Taichung Port Rd., Situn District, Taichung City 407	(04) 2465-0889	(04) 2465-0989
Shalu Branch	No.535, Jhongshan Rd. , Shalu Township , Taichung County 433, Taiwan	(04) 2665-6656	(04) 2663-3852
Fongyuan Branch	No.23, Yuanhuan W. Rd. , Fongyuan City , Taichung County 420, Taiwan	(04) 2529-3366	(04) 2529-2065
Caotun Branch	No.146, Sec. 2, Taiping Rd. , Caotun Township , Nantou County 542, Taiwan	(049) 232-1661	(049) 232-1800
Dali Branch	No.724, Tucheng Rd. , Dali City , Taichung County 412, Taiwan	(04) 2492-2288	(04) 2493-2355
Dajia Branch	No.833, Sec. 1, Jhongshan Rd. , Dajia Township , Taichung County 437, Taiwan	(04) 2688-6088	(04) 2688-6366
Taiping Branch	No.53, Zhongxing Rd., Taiping City, Taichung County 411, Taiwan	(04) 2270-2688	(04) 2273-6000
Changhua Branch	No.898, Sec. 2, Jhongshan Rd. , Changhua City , Changhua County 500, Taiwan	(04) 726-7001	(04) 726-6992
Yuanlin Branch	No.283, Sec. 2, Datong Rd. , Yuanlin Township , Changhua County 510, Taiwan	(04) 835-6403	(04) 835-2653
Lugang Branch	No.321, Jhongshan Rd. , Lugang Township , Changhua County 505, Taiwan	(04) 778-5799	(04) 777-9779
Beidou Branch	No.166, Guangfu Rd. , Beidou Township , Changhua County 521, Taiwan	(04) 887-3881	(04) 887-3886
Sihu Branch	No.555, Donghuan Rd. , Sihu Township , Changhua County 514, Taiwan	(04) 882-5656	(04) 882-5626
Doushin Branch	No.29, Wunhua Rd. , Douliou City , Yunlin County 640, Taiwan	(05) 535-1799	(05) 535-1313
Huwei Branch	No.1, Heping Rd. , Huwei Township , Yunlin County 632, Taiwan	(05) 633-9169	(05) 633-9423
Dounan Branch	No.67, Jhongshan Rd. , Dounan Township , Yunlin County 630, Taiwan	(05) 597-1138	(05) 597-1139



Head Office&Branches			
Name	Address	Tel	Fax
Chiayi Branch	No.185, Jhongsing Rd. , Chiayi City 600, Taiwan	(05) 232-7469	(05) 232-6415
Yongkang Branch	No.511, Siaodong Rd. , Yongkang City , Tainan County 710, Taiwan	(06) 312-6789	(06) 312-1228
Jiali Branch	No.278, Wunhua Rd. , Jiali Township , Tainan County 722, Taiwan	(06) 721-4888	(06) 721-0249
Tainan Branch	No.348, Yonghua Rd., West Central District, Tainan City 700, Taiwan	(06) 293-8688	(06) 293-8699
Fuchen Branch	No.165, Sec. 1, Minsheng Rd., West Central District, Tainan City 700, Taiwan	(06) 228-1281	(06) 222-2415
Fudong Branch	No.348, Sec. 2, Dongmen Rd., East District, Tainan City 701, Taiwan	(06) 268-7815	(06) 267-3371
Kaiyuan Branch	No.461, Shengli Rd., North District, Tainan City 704, Taiwan	(06) 2383-125	(06) 2363-661
Anhe Branch	No.226, Sec. 1, Anhe Rd. , Annan District, Tainan City 709, Taiwan	(06) 2551-236	(06) 2569-941
Kaohsiung Branch	No.38, Minzu 2nd Rd. , Sinsing District, Kaohsiung City 800, Taiwan	(07) 222-9688	(07) 225-7728
Boai Branch	No.491, Mingcheng 2nd Rd. , Zuoying District, Kaohsiung City 813, Taiwan	(07) 558-6088	(07) 558-3699
Fongshan Branch	No.280, Wujia 2nd Rd. , Fongshan City , Kaohsiung County 830, Taiwan	(07) 715-2700	(07) 715-8500
Sanmin Branch	No.715, Jiangong Rd. , Sanmin District, Kaohsiung City 807, Taiwan	(07) 395-1588	(07) 395-3288
Gangshan Branch	No.380, Gangshan Rd. , Gangshan Township , Kaohsiung County 820, Taiwan	(07) 621-8955	(07) 621-5358
Pingtung Branch	No.690, Guangdong Rd., Pingtung City, Pingtung County 900, Taiwan	(08) 735-0426	(08) 737-0121
Tungshin Branch	No.427, Sec. 1, Jhonghua Rd. , Taitung City , Taitung County 950, Taiwan	(089) 324-351	(089) 324-734

Overseas Office	Address	Tel	Fax
Hong Kong Representative Office	RM 1206, 12F., FarEast Consortium Building, No.121 Des Voeux Road Central, Central, Hong Kong	852-2810-9313	852-2810-9310

Affiliate	Address	Tel	Fax
Yuanta Leasing Co., Ltd	9F, No.68, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City	(02)2173-6699	(02)2772-1817
Yuanta Property Insurance Agent Company	7F, No.66, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City	(02)2173-6879	(02)2772-1995
Yuanta Life Insurance Agent Company	7F, No.66, Sec. 1, Dunhua S. Rd., Songshan District, Taipei City	(02)2173-6879	(02)2772-1466

