



Yuanta
Bank

2007 Annual Report
Yuanta Bank



**Yuanta
Bank**

Yuanta Commercial Bank Co., Ltd.

Address: 1.2.3.7/F, No.4, Sec.1, Jhongslao W. Rd., Taipei City 100, Taiwan

Tel: +886-2-2380-1888

Toll Free: 0800-688-168

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

E-mail: service@yuanta.com

Spokesperson

Jhong-Ping Lyu

Senior Vice President

Tel : +886-2-2380-1967

E-mail : cplue@yuanta.com

Deputy Spokesperson

Yung-Chung Huang

Vice President

Tel : +886-2-2380-1950

E-mail : andrewhuang@yuanta.com

Stock Transfer Agent

Yuanta Securities Registration and Transfer Department

Address: B1, No.210, Sec. 3, Chengde Rd., Taipei City 103, Taiwan

Tel: 886-2-2586-5859

Website: <http://agent.yuanta.com.tw>

Credit Rating Agency

Taiwan Ratings Corporation

Address: 49F, Taipei 101 Tower, No.7, Sec.5, Xinyi Rd., Taipei City 110, Taiwan

Tel : +886-2-8722-5800

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

Independent Accountants

Address: 27F, No.333, Sec.1, Keelung Rd., Taipei City 110, Taiwan

Tel : +886-2-2729-6666

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

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Letter to Shareholders
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1. Business report for 2007

The financial holding parent company merged with Yuanta Group in April 2007, and the Bank has formally been renamed Yuanta Commercial Bank since September 2007. After that, the Bank exerted efforts to adjust the organization to control the quality of assets, enhance risk awareness, lower operating costs and strengthen the control mechanism of the organization, while also orienting its branches toward diversification to improve the branches' performances and fully employ the financial holding resources. Up to December 2007, the Bank has 70 branches, with total deposits of NT\$262.8 billion, total loans (including overdue receivables) of NT\$240.963 billion, operating expenses of NT\$5.089 billion and pretax loss of NT\$2.594 billion. The main businesses of the Bank are outlined as follows:

(1) Deposits

To meet the rigorous financial environment and customers' diversified needs, the Bank has endeavored to enhance the quality and quantity of each business sectors. Utilizing the group's resources and through cross-selling, customers developed were from different sectors to achieve maximum synergy for the financial holdings.

As of the end of 2007, balance of the Bank's total deposits amounted to NT\$262.8 billion (exclusive of Central Bank and inter-banks deposits), which was NT\$4.617 billion less, compared with the balance of NT\$267.417 billion at the end of 2006. In order to expand customer base, the Bank endeavored to develop channels and seek the business transaction of stock payment of securities underwriters to enrich the source of current deposits with low interest rate. The balance of current deposits was NT\$105.646 billion, which is 40.20% of total deposits, and the balance of time deposits was NT\$157.154 billion, which is 59.80% of total deposits.

(2) Loans

The Bank's top priority continued to be in the upgrading of its quality of assets, and strengthening of its post-loan management, relating risk management and analysis ability. With respect to corporate banking, the Bank had devoted to integrate financial holding resources in developing cross-strait, tri-regional business and solicit the quality listed and OTC corporate customers. With regard to consumer banking, the Bank strategically distinguished target markets and differentiated customer attribution to satisfy the diversified customers' needs by providing value-added products, financial services with width and depth and integrated packages. The Bank also adjusted its mortgage loan position and acceptable collaterals which mainly aimed at the Greater Taipei area, while enhanced the utilization of the financial holding and bank channels to boost total amount of business.

As of the end of 2007, the balance of total loans (including overdue receivables) was NT\$240.963 billion, which was NT\$11.193 billion more or an increase of 4.87%, compared with the balance of NT\$229.77 billion at the end of 2006. The balance of secured loans (including overdue



receivables) was NT\$151.431 billion, i.e. 62.84% of the total loans. The balance of unsecured loans was NT\$89.532 billion, i.e. 37.16% of the total loans. The Bank's product structure could be categorized into corporate banking and consumer banking, which is summarized as follows:

A. Corporate banking business

As of the end of 2007, balance of total corporate banking loans (including overdue receivables) was NT\$136.922 billion, an increase by NT\$24.027 billion from NT\$112.895 billion as of the end of 2006, which was a growth of 21.28%; balance of short-term loans and overdraft (including secured loans) was NT\$53.423 billion, which was 39.02% of the balance of total corporate banking loans; balance of mid-term loans (including secured loans) was NT\$66.1 billion, which was 48.28% of the balance of total corporate banking loans, and the balance of long-term loans (including secured loans) was NT\$15.07 billion, which was 11.01% of the balance of total corporate banking loans.

B. Consumer banking business

As of the end of 2007, the balance of total consumer banking loans (including overdue receivables) was NT\$104.041 billion, a decrease of NT\$12.834 billion, or 11%, compared with NT\$116.875 billion as of the end of 2006 due primarily to tighter small credit loan and car loan credit policies.

(3) Foreign exchange

The Bank's existing foreign exchange service bases include the Offshore Banking branch, 11 designated branches, 56 branches in charge of the exchange of "foreign currency, cash and travelers' check" and a representative office in Hong Kong. A total of 647 banks have established a universal telecom exchange directly with the Bank. The direct correspondent network extends to 5 continents, 112 countries and 15,045 direct correspondent bases. As such, the Bank has a complete foreign exchange service network. Furthermore, in order to meet the government's cross-strait, tri-regional banking policies and Taiwan businessmen's need for funds, the Bank has established direct correspondent business relationships with the branches of 20 foreign banks and 14 local banks in Mainland China.

In 2007, the Bank's foreign exchange business volume amounted to US\$14.535 billion, which was a growth of 6.21%, compared with US\$13.685 billion in 2006, in which import businesses accounted for 8.26%, export businesses 2.32%, outward remittances 45.75% and inward remittances 43.67%.

(4) Trust business

The Bank actively engaged in trust product planning, including trust of money, trust of real estate, trust of securities, trust of loans and related security interests in order to expand the scale of its trust business. In addition, the Bank had also been in the process of developing the uniform trust in money and enhancing custodian business of security investment trust fund, discretionary investment, discretionary futures trading and investment-linked insurance policies. Based on the development of the trust market, the Bank will develop trust products of marketability and profitability (e.g. collective accounts, bond-lending securities trust, and employees'

dividends/bonus trust) to meet the diversified clients' needs and enhance the Bank's professional image and competitiveness.

As of the end of 2007, the total value of trust assets was NT\$65.087 billion, an increase of NT\$8.399 billion from NT\$56.688 billion as of the end of 2006, with a growth rate of 14.82%. The revenue of trust business service in 2007 was NT\$658 million, an increase of NT\$190 million and a growth rate of 40.50% compared with NT\$468 million in 2006.

As of the end of 2007, the Bank had been the custodian bank of 9 domestic securities investment trust funds and an investment-linked insurance policy. The scale of assets under custody was NT\$31.972 billion. The Bank was also the custodian of 26 investment accounts with full power, and the scale of assets under custody was NT\$404 million. Furthermore, the Bank was the custodian of 9 foreign investment accounts, with NT\$283 million worth of assets under custody, and 10 business guarantee accounts, with NT\$3.255 billion worth of assets under custody. The revenue of custodial service in 2007 was NT\$39 million, an increase of NT\$7 million from NT\$32 million in 2006. The Bank had certified a total of 91 securities in 2007. The certification amount was NT\$23.675 billion and revenue from certification service was NT\$3.29 million, an increase of NT\$2.04 million from NT\$1.25 million in 2006.

(5) Wealth management business

The Bank's wealth management financial planners work on the basis of providing advices to their customers by first inquiring their needs, and then plan and recommend proper products or services to satisfy the customers' needs. The services rendered include various financial products and services that the Bank is permitted to conduct. The revenue is primarily generated from the service charges collected from the customers.

As of the end of 2007, the Bank's revenue of wealth management service was NT\$633 million with a growth of 48%, compared with the same period in 2006, the budget fulfillment rate stood at 90%.

(6) Credit card

The Bank issued a total of 691,700 credit cards by the end of 2007, an increase of 84,300 cards, or 13.88% growth compared with 607,400 cards in 2006. The credit card loan totaled NT\$7.248 billion in 2007, an increase of NT\$570 million from NT\$6.678 billion in 2006 at a growth rate of 8.54%. The balance of the revolving credit was NT\$1.851 billion at the end of 2007, a drop of 30.67% from NT\$2.670 billion as of the end of 2006.

(7) Operating income, expenditure, and earnings

The net income in 2007 was NT\$6.594 billion, primarily generated from net interest income of NT\$5.484 billion and net income of service charges of NT\$1.054 billion, which was NT\$543 million less, compared with NT\$7.137 billion of 2006.

The bad debt expenses were NT\$4.099 billion in 2007, a decrease of NT\$4.296 billion from NT\$8.395 billion of 2006. The bad debt expenses for loans, credit cards, and other bad debt expenses were NT\$3.496 billion, NT\$416 million, and NT\$187 million respectively.

The operating expenses totaled NT\$5.089 billion in 2007, an increase of NT\$687 million from NT\$4.402 billion of 2006. The pretax loss was NT\$2.594 billion in 2007, and the loss after tax was NT\$2.001 billion after including income tax gain of NT\$593 million, which was a decrease of NT\$2.765 billion from NT\$4.766 billion in 2006.

2. Business plans for 2008

Looking into 2008, the Bank will actively strengthen its business performance, strive to achieve performance objectives, fulfill corporate governance, enhance risk control, and upgrade information operating equipment and systems to enable its businesses to be more professional and effective. The Bank's business plans for 2008 are outlined as follows:

- (1) Make every effort to upgrade every business sector and operational performance to seek maximum profit.
- (2) Enhance branches' consolidated performance and fulfill branches' supervision system.
- (3) Complete the Bank's IT system upgrading project.
- (4) Increase the efficiency of branches and electronic channels.

3. Effects of external competitive and regulatory environment upon overall operation

Due to the ongoing increase in international raw material price and continuing effects of the sub prime mortgage crisis in the U.S.A., the global economic growth in 2007 appeared to be sluggish, which will carry on to affect the performance and growth strength of 2008. In the short-term, the current conditions of the global economy would not be improved. According to a report in November 2007 by Global Insight Inc., the global economic growth rate in 2007 was estimated to be around 3.7%; due to the continuous decline of economic conditions in 2008, GDP growth rate in 2008 would be reduced by an estimated 3.3%; in terms of trading, the global trading growth rate would be reduced from 12.4% in 2007 to an estimated 12.2%.

In terms of domestic economy, as the credit card and cash card crisis faded away in 2007, the banks had begun easing the restrictions on credit loans to consumers upon restoration of the consumer banking and employment opportunities. Hence, the consumer market is increasingly reviving. According to the forecast of the Taiwan Institute of Economic Research, the GDP growth rate of Taiwan in 2007 was 4.4% and CPI 1.6%, and the domestic commodity price appears to go upward due to the rising of the international raw material price.

Looking forward into 2008, due to the sluggish global economic growth and increasing commodity prices, most of the domestically and internationally renowned research institutions and investment banks forecast that Taiwan's economic growth rate will range from 4% to 5% this year, similar to 2007, which appears to be normal and stable. Furthermore, if there has been an easing of the cross-strait relationship due to the government's relaxation of its cross-strait policies, it would contribute to the economic growth of Taiwan.

4. Dates and results of credit rating

To cope with the increasingly competitive operating environment of the market and to enhance the soundness of its financial constitution, the financial holding company injected a new capital into the Bank, which increased the Bank's capital from NT\$18 billion at the end of 2006 to NT\$24 billion as 2007. Considering that the Bank has adequate capital and Yuanta Group acting as the Bank's supporter, the Bank was rated by the Taiwan Rating Corporation and was given "twAA-" for long-term credit and "twA-1+" for short-term credit as well as "stable" for outlook in August 2007. In September 2007, the Bank was given the ratings of "BBB" for long-term credit and "A-2" for short-term credit as well as "stable" for outlook by Standard & Poor's Rating Service.

5. Future development strategies and prospect

Upon integration of Yuanta Financial Holdings' rich resources of securities clients and the Group's excellent corporate governance, the Bank has become one among its peers in Taiwan with the most potential for development. The Bank has oriented itself as an "investment bank" aimed at strengthening corporate finance business and developing potential "investment bank" customers. Additionally, the Bank is dedicated to improve its performance and increase the entire profitability of the financial holding group and itself by taking advantage of cross-selling functions within the financial holding group and thereby makes the Bank a "double-peak" business.

In the future, the Bank will keep on developing corporate banking, consumer banking and wealth management businesses, strengthening its financial services locally with the aim of developing financial services to overseas Taiwanese businessmen at the same time and widening the scope of transactions with customers in order to achieve the maximum effect of synergy as a result of the consolidation of the Yuanta Group.

Bank Profile

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Yuanta Commercial Bank Co., Ltd. (hereinafter referred to as “the Bank”), formerly known as Asia Pacific Commercial Bank Co., Ltd., was granted permission by the Ministry of Finance to incorporate on January 14, 1992, and has commenced operations since February 12, 1992. Upon the enactment of Taiwan’s Financial Holding Company Act, the Bank joined Fuhwa FHC on August 1, 2002 through stock transfer and became a wholly-owned subsidiary. In September 2002, Asia Pacific Commercial Bank Co., Ltd. was approved to be renamed Fuhwa Commercial Bank Co., Ltd. On April 2, 2007, Yuanta Core Pacific Securities Co., Ltd. merged with Fuhwa FHC formally. On September 23, the Bank was renamed Yuanta Commercial Bank Co., Ltd. and it continued operating as such.

At the beginning of its operation, the Bank had only 7 branches in Taiwan. Upon joining the financial holding company at the end of 2002, the Bank has already become a professional financial institution with 37 business locations in Taiwan and one Hong Kong representative office. In order to expand its operating foundation and improve customer service, the Bank has since acquired four cooperative banks successively, including Touliao Credit Cooperative of Yunlin County, Taitung Credit Cooperative, Tainan 7th Credit Cooperative and Tainan 6th Credit Cooperative, Which increased the Bank’s branches to 70. At present, the Bank’s capital is NT\$24 billion with employees totaling 2,800 persons. Its services have extended to the metropolitan areas, including Taipei, Taichung and Kaohsiung as well as township and communities, including Hualien, Taitung and Kinmen.

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 of Yunlin County	5	42
June 2004	Acquired and merged Taitung Credit Cooperative	8	50
June 2005	Acquired and merged Tainan 7th Credit Cooperative	8	58
December 2005	Acquired and merged Tainan 6th Credit Cooperative	12	70

The Bank continues to grow stably and expand further. After merging with the Yuanta Financial Group, the Bank has shown the maximization of synergy in its performance. With a management philosophy based on “good faith, stability, service, innovation and care” the Bank intends to achieve the ultimate goals of providing customers with satisfying service, creating maximum profit for shareholders and feeding back to the society.

In recent years, in response to the financial holding company’s business strategy and facing intense competition of the financial environment, the Bank has strived to adjust its branch-locating strategy by moving numerous branches to Northern Taiwan to help transfer the securities settlement deposits of Yuanta Securities to the Bank. By the end of December 2007, the ratio of the Bank’s branches in Northern Taiwan has already come to 45%. After the completion of transfer of all securities settlement deposits, it is expected to reduce the Bank’s funding cost and thereby enhance its overall competitiveness.

In consideration of the increasingly development in telecommunication and the Internet, the Bank has been dedicated to reinforcing its telephone banking and e-banking services. Meanwhile, the Bank is also developing its e-commerce channels to provide various financial services to enterprises so as to enable them to manage their funds in a cost-effective manner.

As of the end of December 2007, the Bank’s total assets was NT\$346.5 billion, net income NT\$6,594 million and loss after tax NT\$2,001 million. It is expected that its net profit after tax will demonstrate a turn from loss to profit in 2008 under the financial holding group’s guidance and efforts in developing business and reinforcing risk control.

Based on an operation that integrates resources of the financial holding group, the Bank is dedicated to achieving the objective as the optimal financial management bank for customers and playing the role within the Group as a financial service and assets and liabilities management provider, in order to realize the financial holding company’s vision to develop the Bank as a regional financial institution with an orientation towards investment banking.

Corporate Governance
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1. Organizational system

A. Organization chart



B. Operations and functions:

According to the Articles of Incorporation of the Bank, the Head Office has several departments and offices set up in accordance with the principle of organization division. Their operations and functions are as defined below:

- 1) **President Office:**
Responsible for financial research, planning and promotion of the Bank's organization, planning of the Bank's strategies and integration of business, planning of M&A and layout of business locations, analysis of performance of departments and branches of the Head Office and planning and execution of performance appraisal on the various businesses, establishment of corporate identity and marketing advertisements, management of long-term equity investment, planning and promotion of e-financial business, annual report and credit valuation, window of the competent authority, supervision of branches' execution of the business policies, preparation of annual budget objectives, drafting of service quality (including customers' complaint) strategies, supervision of the various plans assigned by the other senior officers.
- 2) **Financial Trading Supporting Dept.:**
Responsible for financial transactions, management and internal control, settlements and after-sale service, and the setting-up of relevant information software and hardware.
- 3) **Treasury Marketing Dept.:**
Responsible for R&D, transactions, marketing and promotion of interest rates, exchange rates, derivative products, product portfolio and corporate wealth management products of the institutions and financial industry.
- 4) **Proprietary Trading Dept.:**
Responsible for operation of the Bank's trading books, including transactions of fixed income instrument, foreign exchange, securities exchange in capital market and transactions of the various derivative products.
- 5) **Treasury Dept.:**
Responsible for the Bank's asset and liability management, interest rate and funds transfer pricing, banking book investment, fund allocation, cash flow gap management, gapping, issuance and pricing of debentures, short-term notes and bills.
- 6) **Corporate Banking Business Dept.:**
Responsible for corporate banking operational policies, execution of budget objectives, credit investigation, planning and execution of corporate banking business, performance appraisal and management of corporate banking personnel; subject to the needs for promotion of business, several corporate banking marketing groups and their supervisors may be established at the Department and businesses units.
- 7) **Corporate Banking Products Development Dept.:**
Responsible for development, planning and promotion, execution of budget and follow-up of performance in corporate banking products (including but not limited to deposits, loans, foreign exchange financing, syndication loans, factoring, project financing, structured financing, financial consulting, M&A, securitization of assets and new financial products, etc.) and the training of related matters.
- 8) **Trust Dept.:**
Responsible for planning, development and management of trust business, execution of annual budget objectives, R&D and integration of wealth management products and processing of trust business.



- 9) **Wealth Management Dept.:**
Responsible for administrative management, drafting and execution of promotional strategies, execution of budget objectives, planning and execution of marketing activities, arrangement of wealth management personnel and execution of education training plans, performance appraisal and management of wealth management personnel.
- 10) **Consumer Banking Business Dept.:**
Responsible for planning execution, and promotion of mortgage loans, credit loans, car loans and installment payments and other consumer banking credit products, execution of budget objectives, R&D and integration of products, planning and execution of product promotional activities, customer service, planning and management of sale representatives' arrangement, planning and management of the business regions, etc..
- 11) **Credit Card Dept.:**
Responsible for drafting and execution of credit card business strategies, execution of budget objectives, R&D and integration of products, planning and execution of product promotional activities, and issuance, accounting, licensing and anti-counterfeit operation management of credit cards, etc..
- 12) **Customer Service Dept.:**
Responsible for telephone banking service and marketing.
- 13) **Corporate Banking Credit Dept.:**
Responsible for verification and post-review of credit extension accounts, and enactment and management of business regulations.
- 14) **Consumer Banking Credit Dept.:**
Responsible for personal mortgages, credit loans, car loans, installment payments and credit cards, and enactment of consumer banking credit extension regulations, and credit investigation, verification and post-review of cases.
- 15) **Real Estate Appraisal Dept.:**
Responsible for drafting and execution of real estate appraisal regulations and rules.
- 16) **Corporate Banking Operation Dept.:**
Responsible for accounting, regulation and management of corporate banking credit extension.
- 17) **Consumer Banking Operation Dept.:**
Responsible for accounting, regulation and management of personal mortgages, credit loans, car loans and installment payments.
- 18) **Branch Operation Dept.:**
Responsible for the management of common administrative matters, arrangement of savings and remittances clerks and execution of education training plans, planning and management of savings and remittances operations and centralized operations, performance appraisal and management of savings and remittances clerks and enactment of savings and remittances regulations; regional operational center may be set up subject to the circumstances.
- 19) **International Banking Dept./OBU:**
Responsible for processing of foreign exchange business, enactment of operational regulations, planning and management of operation, and planning and management of offshore banking branches.
- 20) **NPL Collection Dept.:**
Responsible for write-off and management of bankwide non-performing loans and other



credits, and summarization and analysis of assets of these non-performing loans; regional collection centers may be set up subject to the need for collection. The collection of special products or business related to non-performing loans may be handled by another unit upon approval of the president.

- 21) Operation Risk Management Dept.:
Responsible for the establishment of operational risk control mechanisms, and supervision and management of bankwide operational risk.
- 22) Credit Risk Management Dept.:
Responsible for the establishment of credit risk and market risk control mechanisms, and supervision and management of bankwide credit risk and market risk.
- 23) Administration & Facilities Management Dept.:
Responsible for property management, general affairs, cashier and other secretarial affairs, such as custody of the Bank's seals, documentation and proofreading, issuance of important publications, registration and management, bankwide safety maintenance, construction, procurement and lease and acquisition of real estate.
- 24) Human Resource Dept.:
Responsible for bankwide personnel business and human resources management, such as human resources planning, and employees' appointment, discharge, promotion, transfer, performance appraisal, payroll and bonus, recruitment, education training, insurance and benefits.
- 25) Accounting Dept.:
Responsible for the accounting system, drafting of accounting procedures, processing and management of accounting, preparation of budget, final accounts and taxation, etc..
- 26) Legal & Compliance Dept.:
Responsible for the reviewing of bankwide external contracts, standard terms and conditions, regulations and other legal instruments, non-litigious and litigious aid, legal advice, compliance plan, enactment and promotion of projects and regulations, self-assessment for performance appraisal, and education training.
- 27) Information Technology Dept.:
Responsible for the enactment and promotion of bankwide information policy, promotion of information business, drafting of information business regulations and establishment and implementation of the information management system, summarization and control of bankwide budget for equipment and the request thereof, and the planning, installation and management of the information system.
- 28) Internal Audit Dept.:
Responsible for the bankwide audits of businesses, finance, accounts, computer system, cash, and goods under the Bank's custody, and supervision of the various units' internal self-assessment.



2. Information on directors, supervisors and managers

A. Directors and supervisors

1) Directors and supervisors (I)

December 31, 2007

Title	Name	Date of appointment	End of term	Date of first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Educations and work experiences	Concurrent position(s) at the Bank and other organization(s)	Other managers, directors and supervisors as spouse or kin within 2 nd degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Chairman : Representative of Yuanta Financial Holdings	Ching-Chang Yen	06.29.2007 (Note 1)	06.28.2010	06.30.2005	1,800,000,000	100%	2,400,000,000	100%	—	—	—	—	<ul style="list-style-type: none"> Master of Law, University of Michigan R.O.C. Representative permanent to the World Trade Organization Minister and Deputy Minister, Ministry of Finance & Political 	<ul style="list-style-type: none"> Chairman of Yuanta Commercial Bank Chairman of Yuanta Financial Holdings Chairman of Yuanta Foundation Director of Inotera Technology Co. Ltd. 			
Vice Chairman : Representative of Yuanta Financial Holdings	Wei-Chen Ma	06.29.2007	06.28.2010	06.30.2005			—	—	—	—	—	—	<ul style="list-style-type: none"> University of Southern California CEO of SysPower Technology Director of Yuanta Core Pacific Securities Co., Ltd. Chairman of Tzi-Fu International Co., Ltd. Executive Assistant to CEO of Yuanta Construction Development Co., Ltd. 	<ul style="list-style-type: none"> Vice Chairman of Yuanta Commercial Bank Director and COO of Yuanta Financial Holdings Director of Yuanta Asset Management Director of Yuanta Foundation 			
Director : Representative of Yuanta Financial Holdings	Chang-Ming Her	06.29.2007	06.28.2010	06.30.2005			—	—	—	—	—	—	<ul style="list-style-type: none"> Bachelor of Law, National Taiwan University Director and President of FuBon Asset Management Co., Ltd. Director and Consultant of FuBon Bank Chairman of NPL Review Committee of FuBon Financial Holdings Executive V.P. of Bank of Taipei V.P. of Corporate Banking Group of FuBon Financial Holdings V.P. of Bank of Taipei 	<ul style="list-style-type: none"> President of Yuanta Commercial Bank Vice Chairman of Yuanta Financial Holdings Director of Yuanta Foundation Chairman of Yuanta Life Insurance Agent Director of Yuanta Asset Management Director of Sun Chain Technology Corp. 			



Title	Name	Date of appointment	End of term	Date of first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Educations and work experiences	Concurrent position(s) at the Bank and other organization(s)	Other managers, directors and supervisors as spouse or kin within 2 nd degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director : Representative of Yuanta Financial Holdings	Hsien-Tao Chiu	06.29.2007	06.28.2010	06.30.2005									<ul style="list-style-type: none"> Dept. of Business administration, U.S. South west University Chairman of Taichung Securities Standing Director of Asia Pacific Bank Director of Asia Pacific Investment & Trust Co. Director of International Securities Chairman of Asia Pacific Leasing Co., Ltd. Chairman of Fuan Insurance Agent Co., Ltd. 	<ul style="list-style-type: none"> Director of Yuanta Financial Holdings Director of Yuanta Leasing Supervisor of Deh-Mei Automobile Co. Chairman of Taiwan Yi-Her International Co. Director of Fong-Long Automobile Co. Director of Kong-Ya Investment Co., Ltd. Owner of Jin-Li Industry Co. Owner of Yi-Her Automobile Co., Ltd. Director of Rater Automobile Co., Ltd. Director of Cheng-Long Automobile Co., Ltd. Director of FIAT Director of Kuo-Chung Automobile Co., Ltd. 			
Director : Representative of Yuanta Financial Holdings	Jin-Long Fung	06.29.2007	06.28.2010	06.29.2007									<ul style="list-style-type: none"> Provincial Chiayi Senior Vocational High School Supervisor of Yuanta Core Pacific Securities Co., Ltd. 	<ul style="list-style-type: none"> Chairman of Yuan Kun Construction Co., Ltd. Chairman of Yuanta United Steel Corporation Chairman of Li Ching Industrial Co., Ltd. 			
													<ul style="list-style-type: none"> MBA, the University of Chicago V.P. of Financial Market Business Group of First Bank Senior V.P. of Financial Market, ING Bank, Taipei Branch Supervisor of Financial Dept. and International Financial Business, Bank of Taipei V.P. of Financial Marketing and Derivative Financial Products, ABN AMRO Bank, Taipei Branch Executive Vice President of Yuanta Commercial Bank 	<ul style="list-style-type: none"> Executive Vice President of Yuanta Commercial Bank 			
Director : Representative of Yuanta Financial Holdings	Yih-Liang Liu	06.29.2007	06.28.2010	08.23.2006													



Title	Name	Date of appointment	End of term	Date of first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors			Shareholding under other's name		Educations and work experiences	Concurrent position(s) at the Bank and other organization(s)	Other managers, directors and supervisors as spouse or km within 2 nd degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Ratio (%)			Title	Name	Relationship
Director : Representative of Yuanta Financial Holdings	Gary Chia	06.29.2007	06.28.2010	06.29.2007										<ul style="list-style-type: none"> Department of Environment Sciences, UC Berkeley V.P. of Yuanta Core Pacific Securities Co., Ltd. Assistant President of Morgan Stanley USA 	<ul style="list-style-type: none"> President of Yuanta Securities investment Consulting 			
Director : Representative of Yuanta Financial Holdings	Charles C. Yang	08.01.2007 (Note 2)	06.28.2010	10.24.2006										<ul style="list-style-type: none"> Graduate Institute of Economics, Chinese Culture University Department of Business Administration, National Taiwan University Manager of Trust Dept., Land Bank Manager of Business Dept., Land Bank 	<ul style="list-style-type: none"> V.P. of Land Bank Director of Taiwan Fire and Marine Insurance Co., Ltd. 			
Independent director : Representative of Yuanta Financial Holdings	Rong-Jou Wang	06.29.2007	06.28.2010	06.29.2007										<ul style="list-style-type: none"> Graduate Institute of Law, National Chung Hsing University Chairman of TAMCO Chairman of Taiwan Business Bank Chairman of the Central Trust of China Vice Minister, Ministry of Finance Director General, the Bureau of Investigation, Ministry of Justice 	<ul style="list-style-type: none"> No 			
Independent director : Representative of Yuanta Financial Holdings	Dah-Hsian Setoo	06.29.2007	06.28.2010	06.29.2007										<ul style="list-style-type: none"> Doctor of Business administration, Northwestern University MBA, University of Illinois Independent director of Yuanta Core Pacific Securities Co., Ltd. Chairman of Strategy Management Committee of Chinese Management Association Vice President of National Chengchi University Chairman of Graduate Institute of Business Administration, National Chengchi University Director of Department of Business Administration, National Chengchi University 	<ul style="list-style-type: none"> Independent director of Yuanta Financial Holdings 			



Title	Name	Date of appointment	End of term	Date of first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Educations and work experiences	Concurrent position(s) at the Bank and other organization(s)	Other managers, directors and supervisors as spouse or kin within 2 nd degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Independent director : Representative of Yunta Financial Holdings	Pao-Kuei Chu	06.29.2007	06.28.2010	06.29.2007									<ul style="list-style-type: none"> Department of Business Administration, National Taiwan University Honorary Chairman of CPA Association, the R.O.C. Partner Chairman and Representative of Administrative Affairs of KPMG Director of KPMG international board of directors CEO of Visa Business Promotion Committee of CPA Association, the R.O.C. Standing director of Taipei City CPA Association Commissioner of finance and tax group of Economic Reform Committee, Executive Yuan Chairman of CPA Association, the R.O.C. 	<ul style="list-style-type: none"> Supervisor of Zurich Insurance (Taiwan) Ltd. Supervisor of Sesoda Corporation Independent supervisor of RealLy Development & Construction Corp. 			

Note 1: Yunta FHC appointed directors and independent directors for the Bank's 6th term on June 29, 2007, whose terms of office commence from June 29, 2007 to June 28, 2010. Mr. Ching-Chang Yen was elected as the Chairman and Mr. Wei-Chen Ma elected as the Vice Chairman in 1st temporary directors' meeting at 6th term on June 29, 2007.

Note 2: Mr. Charles C. Yang assumed the supervisor of the Bank from October 24, 2006 to June 28, 2007, and the director of the Bank as of August 1, 2007.



2) Directors and supervisors (II)

Name (Note 1)	Terms	Work experience of at least five years in the following fields required			Independence (Note 2)										Number of other companies in which he / she is an independent director concurrently
		At least lecturers of business, law, finance or accounting departments or other relevant departments / divisions of public and private colleges / universities required by the Company's business	Judges, prosecutors, attorneys, CPAs, or other professional and technical personnel possessing licenses after passing national examinations	Experience in business, law, finance and accounting, and other work required by the Company's business	1	2	3	4	5	6	7	8	9	10	
Ching-Chang Yen				✓	✓		✓	✓	✓	✓	✓	✓	✓		1
Wei-Chen Ma				✓	✓		✓	✓	✓	✓	✓	✓	✓		
Chang-Mirng Her				✓	✓		✓	✓	✓	✓	✓	✓	✓		
Hsien-Tao Chiu				✓	✓		✓	✓	✓	✓	✓	✓	✓		
Jin-Long Fang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Yih-Liang Liu				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Gary Chia				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Charles C. Yang				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Rong-Jou Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Dah-Hsian Seetoo	✓			✓	✓		✓	✓	✓	✓	✓	✓	✓		1
Pao-Kuei Chu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Note 1 : Please check "✓" in the boxes under the codes for the various conditions if any director/supervisor meets any of the following conditions within two years prior to the election and in the duration of office.

- (1) Is not an employee of the Bank; nor an employee of its affiliated enterprises.
- (2) Is not a director, supervisor of the Bank; nor a director, supervisor of its affiliated enterprises (provided that this shall not apply where the director/supervisor is an independent director of the Bank or its parent company, and any company of which a majority of shares with voting right are held by the Bank directly or indirectly).
- (3) Shareholders who are any natural person other than the director/supervisor, and the director's/supervisor's spouse or minor children possessing more than 1% of the Bank's total issued shares, or the shareholders of natural person who possess more than 1% of the Bank's total issued shares in the name of another person, or top ten shareholders of natural persons.
- (4) Is not a spouse, relative within 2nd degree relationship or lineal relative within 5th degree relationship of the personnel referred to in the preceding three subparagraphs.
- (5) Is not a director, supervisor, or employee of a juridical person shareholder which directly owns more than 5% of the Bank's issued shares; nor a director, supervisor or employee of the top five juridical person shareholders which are owners of the Bank's issued shares.
- (6) Is not a director, supervisor, or managerial staff of a company which has a business relationship with the Bank; nor a shareholder who owns more than 5% of such a company.
- (7) Is not an owner, partner, director, supervisor, managerial staff or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with business, legal, financial, accounting services or consulting.
- (8) Is not a spouse or relative within 2nd degree relationship of the other directors.
- (9) Free from any of the circumstances referred to in Article 30 of the Company Law.
- (10) Free from the government or corporation or its representative to be elected as a director/supervisor referred to in Article 27 of the Company Law.



3) Key shareholders of the corporate shareholders

September 21, 2007

Name of Corporate shareholders	Key shareholders of corporate shareholders	
Yuanta Financial Holdings	Kuang-Hwa Investment Holdings	5.38%
	Jen-Jay Investment Co., Ltd.	4.14%
	Yuanta Core Pacific Securities Co., Ltd. (Note 2)	3.54%
	Yuan Hung Investment Co., Ltd.	3.28%
	Yuan Hsiang Investment Co., Ltd.	3.10%
	Yu-Yang Investment Co., Ltd.	2.61%
	Land Bank of Taiwan Co., Ltd.	2.55%
	Bank of Taiwan Co., Ltd.	2.53%
	Lien Ta Investment Co., Ltd.	1.87%
	Teng Ta Investment Co., Ltd.	1.57%

Note : 1.The information about the top ten shareholders is the latest information upon Yuanta Financial Holdings's cease of transfer (September 21, 2007).

2.Yuanta Core Pacific Securities was merged into Yuanta Securities on September 23, 2007.

4) Key shareholders of the corporate shareholders as representatives of corporate shareholders.

February 29, 2008

Name of corporate shareholders	Key shareholders of the corporate shareholders	
Kuang-Hwa Investment Holdings	Central Investment Holdings	100.00%
Jen-Jay Investment Co., Ltd.	Teng Ta Investment Co., Ltd.	18.37%
	Chiu Ta Investment Co., Ltd.	18.37%
	Lien Heng Investment Co., Ltd.	16.31%
	Hsing Tsai Investment Co., Ltd.	13.16%
	Wei-Chien Ma	10.80%
	Judy Tu Ma	6.12%
	Lien Ta Investment Co., Ltd.	6.12%
	Yung-Tsang Lin	5.20%
	Er-Tai Ma	2.81%
	Hao Yang	1.41%
Yuanta Securities	Yuanta Financial Holdings	100.00%
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%



Name of corporate shareholders	Key shareholders of the corporate shareholders	
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%
Land Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings	100.00%
Yu-Yang Investment Co., Ltd.	Jen-Jay Investment Co., Ltd.	100.00%
Bank of Taiwan Co., Ltd.	Taiwan Financial Holdings	100.00%
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%



B. President, vice presidents, directors, and department heads

December 31, 2007

Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
President	Chang-Ming Her	07.01.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> President Department of Law, National Taiwan University 	<ul style="list-style-type: none"> Chairman and director of Yuanta Financial Holdings Director of Yuanta Securities Finance Director of Yuanta Commercial Bank Director of Yuanta Asset Management Co., Ltd. Chairman of Yuanta Life Insurance Agent 			
Executive Vice President	Yih-Liang Liu	01.02.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Executive Vice President MBA, the University of Chicago 	<ul style="list-style-type: none"> Director of Yuanta Commercial Bank 			
Senior V.P.	Jhong-Ping Lyu	08.01.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior V.P. Graduate of Accounting, National Chengchi University 	<ul style="list-style-type: none"> Director of Yuanta Leasing 			
Senior V.P.	Hung-Lin Wu	07.16.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior V.P. Master, IEMBA of National Taipei University 	<ul style="list-style-type: none"> President of Yuanta Life Insurance Agent 			
V.P.	Lee-Kang Wong	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> V.P. Master, Information Management Section of College of Management, National Taiwan University 				
V.P.	Yung-Chung Huang	11.09.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> V.P. Department of Business Administration, Tamkang University 	<ul style="list-style-type: none"> Director of Yuanta Leasing 			
General Auditor	Ji-Sheng Wang	08.10.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> General Auditor Graduate Institute of Laws, National Taiwan University 	<ul style="list-style-type: none"> Supervisor of Yuanta Leasing 			
Senior V.P.	Ming-Hong Jiang	08.01.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior V.P. of President Office Department of Public Finance, Feng Chia University 	<ul style="list-style-type: none"> Director of Yuanta Property Insurance Agent 			
Senior Assistant President	Deng-Ke Chen	01.01.2008 Retirement age	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of President Office Department of Cooperative Economics, Tamkang University 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Senior Assistant President	Chen-Rong Chen	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of President Office Master, Department of Financial Operations, NKFUST 				
V.P.	Tien-Fu Kao	07.22.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> V.P. of Administration & Facilities Management Dept. Department of Statistics, Feng Chia University 	<ul style="list-style-type: none"> Director of Yuanta Leasing Yuanta Life Insurance Agent Director 			
Senior Assistant President	Deng-An Huang	01.02.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Corporate Banking Business Dept. MBA, Hawaii Pacific University 				
Senior Assistant President	Hung-To Liu	11.01.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Credit Card Dept. Department of Business Administration, Soochow University 				
Senior Assistant President	Shu-Jyuan Jhuang	11.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Trust Dept. Master, Graduate Institute of Insurance, National Chengchi University 				
Assistant President	Hsiao-Keng Chang	10.01.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Human Resource Dept. Department of History, National Taiwan University 				
Assistant President	Hui-Lin Wang	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Corporate Banking Products Development Dept. Department of Business Administration, National Chengchi University 				
Assistant President	Siao-Jyuan Zeng	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Corporate Banking Credit Dept. Department of Accounting and Statistics, Shih Chien College 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Assistant President	Su-Tzu Hsieh	10.12.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Operation Risk Management Dept. Master, Finance Section of Department of Public Administration, University of Southern California 				
Assistant President	Chih-Hsun Chiang	05.05.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Financial Trading Supporting Dept. Department of Business Administration, Tamkang University 				
Assistant President	Shin-Sheng Lin	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Consumer Banking Credit Dept. Substitute Head of Real Estate Appraisal Dept. Department of Economics, Soochow University 				
Assistant President	Huei-Ling Chen	04.03.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Treasury Dept. Department of Insurance, Tamkang University 				
Assistant President	Chia-Li Chung	09.15.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Wealth Management Dept. Master of International Business, Department of International Trade, Tamkang University 				
Assistant President	Jung-Shu Chi	05.03.2004	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of NPL Collection Dept. National Hwa-nan Senior Commercial High School 				
Assistant President	Siou-Mei Chen	04.13.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Information Technology Dept. Department of Economics, National Chung Hsing University 				
Assistant President	Wen-Jeng Chang	10.14.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> Hong Kong Representative Office Master, the George Washington University 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Assistant President	Ling-Ling Chen	12.07.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President and Special Assistant of Branch Operation Dept. Department of Public Finance, National Chung Hsing University 				
Senior Assistant President	Nan-Haur Wang	03.12.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Legal & Compliance Dept. Department of Law, Soochow University 				
Senior Assistant President	Mei-Lin Hsiung	04.17.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Consumer Banking Business Dept. Department of Accounting, Shih Chien University 				
Assistant President	Yi-Liang Su	06.23.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Credit Risk Management Dept. Master, Graduate School of Accounting, Soochow University 				
Assistant President	Ai-Ping Soung	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of International Banking Dept. Also Substitute Head of Offshore Banking Branch Department of Economics, National Chung Hsing University 				
Assistant President	Yu-Ching Su	12.29.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Accounting Dept. Department of Accounting, Tamkang University 				
Senior Manager	Ciou-Yan Chen	09.14.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Corporate Banking Operation Dept. Department of Political Science, National Chengchi University 				
Senior Manager	Mei-Shu Syu	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Treasury Marketing Dept. (Substitute Head of the Dept.) MBA, Long Island University 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Senior Manager	Mei-Jhu Jhang	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Consumer Banking Operation Dept. Department of Business Administration, Taipei College of Commerce 				
Senior Assistant President	Yung-Long Chen	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Chung Shan N. Road Branch Department of Laws, National Taiwan University 				
Assistant President	Chuan-Huan Lai	03.27.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Luchou Branch Department of Cooperative Economics, Feng Chia University 				
Assistant President	Chi-Wen Tso	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Feng Yuan Branch Master, Department of Finance, Chaoyang University of Technology 				
Assistant President	Sin-Yu Lin	10.03.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Business Dept. Graduate Institute of Business Administration, Arizona State University 				
Assistant President	Chih-Cheng Yu	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Hsinchuang Branch Department of Business Management, Hsing Wu College 				
Assistant President	Ching-Lung Wang	12.24.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Kai Yuan Branch Department of Law, Chinese Culture University 				
Assistant President	Chun-Fu Chen	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Fu Hsing Branch Department of Laws, National Taiwan University 				
Assistant President	Ching-Sung Chen	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Kaohsiung Branch International MBA, University of South Australia 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Assistant President	Chung-Hsi Chuang	05.02.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Taoyuan Branch Department of Administrative Management, Administrative College of National Chengchi University 				
Assistant President	Zih-Ping Liou	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Cheng Tung Branch Department of Accounting, Tamkang University 				
Assistant President	Jyun-Jhong Hou	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Hsin Yi Branch MBA, Andrews University, State of Michigan 				
Assistant President	Hsiu-Pao Lu	10.03.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Taipei Branch Department of Public Finance, National Chung Hsing University 				
Assistant President	Ting-Yu Chang	04.13.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Neihsu Branch Department of Public Finance, Feng Chia University 				
Assistant President	Shun-Ho Chu	07.16.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Chung Ho Branch Master, New Mexico Highlands University 				
Assistant President	Wen-Hsiang Chang	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Ta Chia Branch Department of Cooperative Economics, National Chung Hsing University 				
Assistant President	Guor-Liang Wang	09.14.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Shihlin Branch Department of Banking, National Chengchi University 				
Senior Assistant President	Jhih-Ciang Jheng	04.21.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Sungchiang Branch Department of Public Finance, National Chengchi University 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Senior Assistant President	Shy-Yaw Lin	12.18.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Chung Hsiao Branch MBA, Miami University of Ohio 				
Senior Assistant President	Kuang-Chung Liao	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Shalu Branch MBA, National Sun Yat-sen University 				
Senior Assistant President	Tzu-Liang Chen	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Assistant President of Taichung Branch Department of Public Finance, Feng Chia University 				
Assistant President	Chang-Sen Wang	05.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Changhua Branch Also Director of Tai Ping Branch Preparatory Office Department of Accounting and Statistics, Transworld Junior College of Commerce 				
Assistant President	A-Cing TU	07.24.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Chiayi Branch Department of Finance, Diwan University 				
Assistant President	Ching-Po Tsai	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Tainan Branch Accounting and Statistics Department, Kaohsiung Municipal Kaohsiung High School of Commerce 				
Assistant President	Chih-Sheng Pan	10.03.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Touhsin Branch Graduate Institute of Business Administration, Tunghai University 				
Assistant President	Ruei-Jian Sie	10.03.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Assistant President of Ta Li Branch Department of Accounting and Statistics, Taipei College of Commerce 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Manager	Hui-Chu Wu	05.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Hsi Hu Branch • Graduate Institute of International Trade, National Chengchi University 				
Manager	Sheng-Wen Chien	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Tsao Tun Branch • MBA, Chaoyang University of Technology 				
Manager	Ping-Hwang Hu	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Yuanlin Branch • Department of Economics, Fu Jen Catholic University 				
Manager	Tzung-Ping Chien	07.10.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Hualien Branch • Department of Administration, Open Administrative College of National Chengchi University 				
Manager	Chien-Sheng Wang	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Fucheng Branch • Department of Business Administration, Transworld Institute of Technology 				
Manager	Ching-Chi Huang	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Yung Kang Branch • Master, Department of Financial Operations, NKFUST 				
Manager	Ju-Jen Lee	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Ming Sheng Branch • Department of International Trade, Chihlee College of Business 				
Manager	Shu-Chen Liao	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Wen Hsin Branch • Department of Accounting, Ling Tung Junior College 				
Senior Manager	Chien-Pin Wu	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Senior Manager of Tatung Branch Preparatory Office (Director of the Preparatory Office) • Department of Business Administration, National Chung Hsing University 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Senior Manager	Shih-Hsien Cheng	06.15.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Hsin Tien Branch Department of General Administration, Yu Da High School of Commerce and Home Economics 				
Senior Manager	Jin-Ren Syu	12.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Hsinchu Branch Department of Business Administration, Soochow University 				
Senior Manager	Pei-Pei Fang	06.08.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Chingmei Branch Department of Banking, National Chengchi University 				
Senior Manager	Tsung-Hwa Shieh	11.23.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Huwei Branch Department of Banking Management, Tamsui Institute of Business Administration 				
Senior Manager	Yao-Tang Ruan	11.23.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Chubei Branch Department of Economics, Soochow University 				
Senior Manager	Jui-Yi Chien	10.03.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Nankang Branch Department of News Administration, Shin-Hsin College 				
Senior Manager	Jeng-Hwa Cherng	03.24.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Nanking E. Road Branch Department of Business Administration, Fu Jen Catholic University 				
Senior Manager	Tsung-Ping Wong	08.16.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Kinmen Branch Department of Business Administration, Soochow University 				
Senior Manager	An-Kuo Hung	11.23.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Lukang Branch Department of Business Administration, Overseas Chinese Institute of Commerce 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Senior Manager	Hsiao-Shen Lou	04.13.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Panchiao Branch Department of Business Administration, Soochow University 				
Senior Manager	Ching-Chang Liu	07.12.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Kangshan Branch Department of Cooperative Economics, Feng Chia University 				
Senior Manager	Chun-Huang Chen	09.01.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Ilan Branch Department of Bank Insurance, Taipei College of Commerce 				
Senior Manager	Jih-Shun Pan	06.30.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Chiali Branch Master, Department of Financial Operations, NKFUST 				
Senior Manager	Ming-Chih Huang	05.08.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Tienmu Branch Master, Graduate Institute of Economics, National Taiwan University 				
Senior Manager	Tsung-Chieh Lee	12.11.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Chungkang Brancy Department of Economics, Soochow University 				
Senior Manager	Li-Ching Yu	10.03.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Senior Manager of Sanchung Branch Department of International Trade, Tung-Hai University 				
Manager	Bih-Ru Liao	07.12.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Manager of Po Ai Branch Master, Graduate Institute of Financial Management, NKFUST 				
Manager	Nai-Gong Peng	10.26.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Manager of Taohsing Branch Department of Commerce, National Open University 				
Manager	Wei-Dong Lu	12.21.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> Manager of Linko Branch Department of Business Management, Hsing Wu College 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Manager	Ching-Shui Yang	04.04.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of E. Tainan Branch • National Tainan First Senior High School, night school program 				
Manager	Hung-Ta Kuo	12.24.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Hsimen Branch • Master, Department of Financial Operations, NKFUST 				
Manager	Sheng-Feng Chen	03.12.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Hsinchu Science Industrial Park Branch • Master, Graduate Institute of Economics, Feng Chia University 				
Manager	Yu-Ling Hsu	11.23.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Miaoli Branch • MBA, National Central University 				
Manager	Chien- Nan Tseng	07.12.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Anho Branch • Department of Foods, Chung Hwa University of Medical Technology 				
Manager	Cheng-Yi Chang	08.17.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Yungho Branch • Department of Accounting and Statistics, Shih Chien College 				
Manager	Shih-Ming Chen	10.03.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Beitou Branch • Master, Department of Information Management, Chaoyang University of Technology 				
Manager	Hao Tsai	05.01.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Tounan Branch • Department of International Trade, Taichung College of Commerce 				
Manager	Yu-Yen Tu	08.25.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Chungli Branch • Department of Civil Engineering, Chien-Hsing Industrial College 				



Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and work experience	Positions concurrently served in other firms	Managerial staff who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Manager	Li-Fen Chang	03.19.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of San Min Branch • Department of Business Management, Ling Tung Junior College of Technology 				
Senior Manager	Chung-Lin Yeh	03.01.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> • Senior Manager of Chungte Branch • Master, Department of Accounting, Chung Yuan Christian University 				
Senior Manager	Wen-Ting Huang	10.03.2007	0	0	0	0	0	0	<ul style="list-style-type: none"> • Senior Manager of Pingchen Branch • Department of International Trade, National Chengchi University 				
Manager	Ming-Gong Tsai	10.01.2005	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Fengshan Branch • Master of Commerce, Chaoyang University of Technology 				
Manager	Fu-Min Yang	09.12.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Pingtung Branch • Department of Accounting, Feng Chia University 				
Manager	Shu-Hui Lai	06.05.2004	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Tung Hsin Branch • Department of Real Estate Operation, Taiwan Hospitality and Tourism College 				
Manager	Jen-Tsung Liu	06.26.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of An Chung Branch • Department of Economics, Chinese Culture University 				
Manager	Chin-Hao Wang	06.15.2006	0	0	0	0	0	0	<ul style="list-style-type: none"> • Manager of Jente Branch • Department of Business Administration, Far East University 				

Note: The appointment of the Bank's Executive Vice President Tsai-Yu Chang, Executive Vice President Wei-Cherng Huang, Executive Vice President Chia-Lin Chin and Executive Vice President Tse-Fen Lin became effective as of January 9, 2008 upon the competent authority's approval.



C. Remuneration paid to directors, supervisors, president and vice presidents in 2007

1) Remuneration paid to directors (including independent directors)

Unit: NTD

Title	Name	Remuneration				Percentage of the total of A, B and C accounting for income after tax		Relevant remuneration received by directors who are also employees				Percentage of total of A, B, C, D and E accounting for income after tax				Whether remuneration from any reinvested companies other than subsidiaries is received.
		(A)Remuneration		(B)Remuneration appropriated to directors from earnings		(C)Business execution expenses		(D)Salary, bonus and special allowance		(E)Employees' bonus distributed from earnings		(F)Acquisition of employee stock option certificates		Percentage of total of A, B, C, D and E accounting for income after tax		
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	Cash dividend	Stock dividend	The Bank	All companies included in consolidated financial statements	
		18,610,584				3,115,000		18,784,059								
Director	Ching-Chang Yen															
Director	Wei-Chen Ma															
Director	Chang-Ming Her															
Director	Wei-Chien Ma															
Director	Wu-Tien Lin															
Director	Yih-Liang Liu															
Director	Hwe-Ching Wong															
Director	Hsien-Tao Chiu															
Director	Bank of Taiwan (Wu-Hsiang Chao)															
Director	Jin-Long Fang															
Director	Gary Chia															
Independent director	Rong-Jou Wang															
Independent director	Dah-Hsian Seetoo															
Independent director	Pao-Kuei Chu															



Breakdown of remuneration paid to directors

Unit: NTD

Breakdown of remuneration paid to directors	Number of directors			
	Total (A+B+C)		Total (A+B+C+D+E)	
	The Bank	(G)All companies included in consolidated financial statements	The Bank	(H)All companies included in consolidated financial statements
Below NT\$2,000,000	Chang-Ming Her, Yih-Liang Liu, Wei-Chien Ma, Wu-Tien Lin, Hwe-Ching Wong, Hsien-Tao Chiu, Bank of Taiwan(Wu-Hsiung Chou), Jin-Long Fang, Gary Chia, Rong-Jou Wang, Dah-Hsian Seetoo, Pao-Kuei Chu	Chang-Ming Her, Yih-Liang Liu, Wei-Chien Ma, Wu-Tien Lin, Hwe-Ching Wong, Hsien-Tao Chiu, Bank of Taiwan(Wu-Hsiung Chou), Jin-Long Fang, Gary Chia, Rong-Jou Wang, Dah-Hsian Seetoo, Pao-Kuei Chu	Wei-Chien Ma, Wu-Tien Lin, Hwe-Ching Wong, Hsien-Tao Chiu, Bank of Taiwan(Wu-Hsiung Chou), Jin-Long Fang, Gary Chia, Rong-Jou Wang, Dah-Hsian Seetoo, Pao-Kuei Chu	Wei-Chien Ma, Wu-Tien Lin, Hwe-Ching Wong, Hsien-Tao Chiu, Bank of Taiwan(Wu-Hsiung Chou), Jin-Long Fang, Gary Chia, Rong-Jou Wang, Dah-Hsian Seetoo, Pao-Kuei Chu
NT\$2,000,000 ~ 5,000,000				
NT\$5,000,000 ~ 10,000,000	Wei-Chen Ma	Wei-Chen Ma	Wei-Chen Ma, Chang-Ming Her, Yih-Liang Liu	Wei-Chen Ma, Chang-Ming Her, Yih-Liang Liu
NT\$10,000,000 ~ 15,000,000	Ching-Chang Yen	Ching-Chang Yen	Ching-Chang Yen	Ching-Chang Yen
NT\$15,000,000 ~ 30,000,000				
NT\$30,000,000 ~ 50,000,000				
NT\$50,000,000 ~ 100,000,000				
Over NT\$100,000,000				
Total				

* The calculation is based on the actual term of office of each director.

* The remuneration disclosed in the breakdown is different from the income defined under the Income Tax Law in concept. Therefore, the breakdown is only intended to disclose information but not provided for the purpose of taxation.

2) Remuneration paid to supervisors

		Unit: NTD								
Title	Name	Remuneration						Whether remuneration from any reinvested companies other than subsidiaries is received.		
		Remuneration (A)		Remuneration appropriated to supervisors from earnings (B)		Business execution expenses (C)			Percentage of the total of A, B and C accounting for income after tax	
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements		The Bank	All companies included in consolidated financial statements
Supervisor	Pin Geng									
Supervisor	Tsai-Yu Chang									
Supervisor	Land Bank (Charles C. Yang)									
								515,000		

Breakdown of remuneration paid to supervisors

Breakdown of remuneration paid to supervisors	Number of supervisors			Unit: NTD
	Total (A+B+C)			
	The Bank	All companies included in consolidated financial statements (D)		
	Pin Geng、Tsai-Yu Chang、Land Bank (Charles C. Yang)	Pin Geng、Tsai-Yu Chang、Land Bank (Charles C. Yang)		
Below NT\$2,000,000				
NT\$2,000,000 ~ 5,000,000				
NT\$5,000,000 ~ 10,000,000				
NT\$10,000,000 ~ 15,000,000				
NT\$15,000,000 ~ 30,000,000				
NT\$30,000,000 ~ 50,000,000				
NT\$50,000,000 ~ 100,000,000				
Over NT\$100,000,000				
Total				

* The calculation is based on the actual term of office of each supervisor.

* The remuneration disclosed in the breakdown is different from the income defined under the Income Tax Law in concept. Therefore, the breakdown is only intended to disclose information but not provided for the purpose of taxation.

3) Remuneration paid to president and vice presidents

Unit: NTD

Title	Name	Salary		Bonus and special allowance		Employees' bonus distributed from earnings						Total of the first three items on left		Percentage of the total accounting for income after tax (%)		Acquisition of employee stock option certificates		Whether remuneration from any reinvested companies other than subsidiaries is received.
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	Cash dividend	Shares	Market price	Stock dividend	Cash dividend	Shares	Market price	Amount	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	
President	Chang-Ming Her																	
Executive V.P.	Yih-Liang Liu																	
V.P.	Tse-Fen Lin																	
V.P.	Ming-Hong Jiang																	
V.P.	Jhong-Ping Lyu																	
V.P.	Hung-Lin Wu																	
V.P.	Yung-Chung Huang																	
V.P.	Lee-Kang Wong																	
V.P.	Tien-Fu Kao																	
		16,712,748		16,744,699	17,129,860													
													33,842,608					



Breakdown of remuneration paid to president and vice presidents

Unit: NTD

Breakdown of remuneration paid to president and vice presidents	Number of president and vice presidents	
	The Bank	All companies included in consolidated financial statements
Below NT\$2,000,000	Hung-Lin Wu , Yung-Chung Huang, Lee-Kang Wong , Tien-Fu Kao	Hung-Lin Wu , Yung-Chung Huang, Lee-Kang Wong , Tien-Fu Kao
NT\$2,000,000~5,000,000	Tse-Fen Lin, Jhong-Ping Lyu	Tse-Fen Lin, Jhong-Ping Lyu
NT\$5,000,000~10,000,000	Chang-Ming Her, Yih-Liang Liu, Ming-Hong Jiang	Chang-Ming Her, Yih-Liang Liu, Ming-Hong Jiang
NT\$10,000,000~15,000,000		
NT\$15,000,000~30,000,000		
NT\$30,000,000~50,000,000		
NT\$50,000,000~100,000,000		
Over NT\$100,000,000		
Total		

* The calculation is based on the actual term of office of each supervisor.

* The remuneration disclosed in the breakdown is different from the income defined under the Income Tax Law in concept. Therefore, the breakdown is only intended to disclose information but not provided for the purpose of taxation.

D. The policy, procedure and criteria for payment of remuneration to the Bank's directors, supervisors, president and vice presidents in recent two years:

1) Remuneration paid to directors and supervisors:

- a. According to Article 20-2 of the Bank's Articles of Association, the transportation allowance and meeting attendance fees to the Bank's directors and supervisors shall be paid according to the standards applicable in the same trade. For the time being, the transportation allowance per director (independent director) is NT\$10,000 per month. The attendance fees per director (independent director) is NT\$10,000 per trip.
- b. According to Paragraph 2 of Article 22 of the Articles of Association, ".....an independent director may receive additional salary of NT\$180,000 on a monthly basis". Paragraph 3 of the same Article provides that any director (including independent director) who assumes the director or supervisor of the financial holding company and its subsidiaries concurrently shall receive the remuneration and salary of one single director or supervisor.

c. Paragraphs 1 and 2 of Article 34 of the Bank's Articles of Association:

In order to continue expanding the operational scale and increasing the profitability and to take care of the capital adequacy ratio, the Bank applies the residual dividend policy.

The balance upon the Bank's annual final account, if any, shall be allocated in the following order:

- i. Pay tax.
- ii. Make up the previous loss.
- iii. Allocate 30% as legal reserve pursuant to laws.
- iv. Provide special reserve pursuant to laws.
- v. Allocate 0.5% to 1% from the remainder, if any, as remuneration to directors and supervisors, and 0.5% to 1.5% as employees' bonus. The remainder, if any, plus the unappropriated earnings for the previous years shall be allocated under the allocation proposal made by the board of directors as approved at the shareholders meeting.

Nevertheless, the Bank's final account for the latest two years showed loss and, therefore, there are no earnings to be allocated.

2) Remuneration paid to president and vice presidents:

The remuneration paid to the Bank's president and vice presidents consists of salary, bonus, dividend and special allowance, which shall be granted upon the board of directors' approval on employment of the president and vice presidents in terms of their education degree, professional qualification and operational performance.



E. Information about managerial staff to whom employees' bonus is allocated

December 31, 2007

Unit: NTD

Title	Name	Stock dividend			Cash dividend	Total	Percentage of the total accounting for the income after tax (%)
		Shares	Market price	Amount	Amount		
Management	President	Chang-Mirng Her					
	Executive Vice President	Yih-Liang Liu					
	Senior V.P.	Jhong-Ping Lyu					
	Senior V.P.	Hung-Lin Wu					
	V.P.	Lee-Kang Wong					
	V.P.	Yung-Chung Huang					
	General Auditor	Ji-Sheng Wang					
	Senior V.P.	Ming-Hong Jiang					
	Senior Assistant President	Deng-Ke Chen					
	Senior Assistant President	Chen-Rong Chen					
	V.P.	Tien-Fu Kao					
	Senior Assistant President	Deng-An Huang					
	Senior Assistant President	Hung-To Liu					
	Senior Assistant President	Shu-Jyuan Jhuang					
	Assistant President	Hsiao-Keng Chang					
	Assistant President	Hui-Lin Wang					
	Assistant President	Siao-Jyuan Zeng					
	Assistant President	Su-Tzu Hsieh					
	Assistant President	Chih-Hsun Chiang					
	Assistant President	Shin-Sheng Lin					
	Assistant President	Huei-Ling Chen					
	Assistant President	Chia-Li Chung					
	Assistant President	Jung-Shu Chi					
	Assistant President	Siou-Mei Chen					
	Assistant President	Wen-Jeng Chang	-	-	-	-	-
	Assistant President	Ling-Ling Chen					
	Senior Assistant President	Nan-Haur Wang					
	Senior Assistant President	Mei-Lin Hsiung					
	Assistant President	Yi-Liang Su					
	Assistant President	Ai-Ping Soung					
	Assistant President	Yu-Ching Su					
	Senior Manager	Ciou-Yan Chen					
	Senior Manager	Mei-Shu Syu					
	Senior Manager	Mei-Jhu Jhang					
	Senior Assistant President	Yung-Long Chen					
	Assistant President	Chuan-Huan Lai					
	Assistant President	Chi-Wen Tso					
	Assistant President	Sin-Yu Lin					
	Assistant President	Chih-Cheng Yu					
	Assistant President	Ching-Lung Wang					
	Assistant President	Chun-Fu Chen					
	Assistant President	Ching-Sung Chen					
	Assistant President	Chung-Hsi Chuang					
	Assistant President	Zih-Ping Liou					
	Assistant President	Jyun-Jhong Hou					
	Assistant President	Hsiu-Pao Lu					
	Assistant President	Ting-Yu Chang					
	Assistant President	Shun-Ho Chu					
	Assistant President	Wen-Hsiang Chang					



December 31, 2007

Unit: NTD

Title	Name	Stock dividend			Cash dividend	Total	Percentage of the total accounting for the income after tax (%)
		Shares	Market price	Amount	Amount		
Management	Assistant President	Guor-Liang Wang					
	Senior Assistant President	Jhih-Ciang Jheng					
	Senior Assistant President	Shy-Yaw Lin					
	Senior Assistant President	Kuang-Chung Liao					
	Senior Assistant President	Tzu-Liang Chen					
	Assistant President	Chang-Sen Wang					
	Assistant President	A-Cing Tu					
	Assistant President	Ching-Po Tsai					
	Assistant President	Chih-Sheng Pan					
	Assistant President	Ruei-Jian Sie					
	Manager	Hui-Chu Wu					
	Manager	Sheng-Wen Chien					
	Manager	Ping-Hwang Hu					
	Manager	Tzung-Ping Chien					
	Manager	Chien-Sheng Wang					
	Manager	Ching-Chi Huang					
	Manager	Ju-Jen Lee					
	Manager	Shu-Chen Liao					
	Senior Manager	Chien-Pin Wu					
	Senior Manager	Shih-Hsien Cheng					
	Senior Manager	Jin-Ren Syu					
	Senior Manager	Pei-Pei Fang					
	Senior Manager	Tsung-Hwa Shieh					
	Senior Manager	Yao-Tang Ruan					
	Senior Manager	Jui-Yi Chien					
	Senior Manager	Jeng-Hwa Cherng					
	Senior Manager	Tsung-Ping Wong					
	Senior Manager	An-Kuo Hung	-	-	-	-	-
	Senior Manager	Hsio-Shen Lou					
	Senior Manager	Ching-Chang Liu					
	Senior Manager	Chun-Huang Chen					
	Senior Manager	Jih-Shun Pan					
	Senior Manager	Ming-Chih Huang					
	Senior Manager	Tsung-Chieh Lee					
	Senior Manager	Li-Ching Yu					
	Manager	Bih-Ru Liao					
	Manager	Nai-Gong Peng					
	Manager	Wei-Dong Lu					
	Manager	Ching-Shui Yang					
	Manager	Hung-Ta Kuo					
	Manager	Sheng-Feng Chen					
	Manager	Yu-Ling Hsu					
	Manager	Chien- Nan Tseng					
	Manager	Cheng-Yi Chang					
	Manager	Shih-Ming Chen					
	Manager	Hao Tsai					
	Manager	Yu-Yen Tu					
	Manager	Li-Fen Chang					
	Senior Manager	Chung-Lin Yeh					
	Senior Manager	Wen-Ting Huang					
	Manager	Ming-Gong Tsai					
	Manager	Fu-Min Yang					
	Manager	Shu-Hui Lai					
	Manager	Jen-Tsung Liu					
	Manager	Chin-Hao Wang					



3. State of corporate governance

A. Practices of Board of Directors

28 meetings (A) were held by the Board of Directors in recent year

Attendance of directors and supervisors in the meetings are specified as follows:

Title	Name	(B)Frequency of actual attendance	Frequency of proxy attendance	Actual attendance ratio (%) 【B/A】	Remark
Chairman	Yuanta Financial Holdings Legal representative : Ching-Chang Yen	27	1	96%	Renewed Re-elected on June 29, 2007
Vice Chairman	Yuanta Financial Holdings Legal representative : Wei-Chen Ma	17	11	61%	Renewed Re-elected on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Chang-Ming Her	24	4	86%	Renewed Re-elected on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Wei-Chien Ma	8	5	57% (total attendance: 14)	Old Retired on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Wu-Tien Lin	14	0	100% (total attendance: 14)	Old Retired on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Yih-Liang Liu	24	4	86%	Renewed Re-elected on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Hwe-Ching Wong	10	0	71% (total attendance:14)	Old Retired on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Hsien-Tao Chiu	21	7	75%	Renewed Re-elected on June 29, 2007
Director	Yuanta Financial Holdings Legal representative:Wu- Hsiung Chou	10	4	71% (total attendance:14)	Old Retired on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Jin-Long Fang	13	1	93% (total attendance:14)	New Newly-elected on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Gary Chia	11	2	79% (total attendance:14)	New Newly-elected on June 29, 2007
Director	Yuanta Financial Holdings Legal representative : Charles C. Yang	9	0	82% (total attendance:11)	New Newly-elected on June 29, 2007
Supervisor	Yuanta Financial Holdings Legal representative : Pin Geng	14	0	100% (total attendance:14)	Old Retired on June 29, 2007
Supervisor	Yuanta Financial Holdings Legal representative : Tsai- Yu Chang	14	0	100% (total attendance:14)	Old Retired on June 29, 2007
Supervisor	Yuanta Financial Holdings Legal representative : Charles C. Yang	4	0	29% (total attendance:14)	Old Retired on June 29, 2007
Independent director	Yuanta Financial Holdings Legal representative : Rong-Jou Wang	14	0	100% (total attendance:14)	New Newly-elected on June 29, 2007
Independent director	Yuanta Financial Holdings Legal representative : Dah-Hsian Seetoo	13	1	93% (total attendance:14)	New Newly-elected on June 29, 2007
Independent director	Yuanta Financial Holdings Legal representative : Pao-Kuei Chu	13	1	93% (total attendance:14)	New Newly-elected on June 29, 2007



Others to be noted:

1. With respect to the circumstances stipulated to in Article 14-3 of the *Securities and Exchange Act* and the resolutions made in the directors' meeting in which any independent director has dissent or qualified opinion kept in the form of record or written statement, please specify the date, term content motion, and all independent directors' opinions as the Bank's response **【None】**
2. With respect to directors' avoidance of conflict of interest, please specify the directors' names, content of the motion, causes of avoidance and participation in the voting.
 - (1) 70th directors' meeting of the 5th term on November 30, 2006: The Bank sold NPL totaling 2,822 transactions with the book value of NT\$1,397,418,572 to Fuhwa Asset Management Co., Ltd. Director Wei-Chen Ma and Director Chang-Mirng Her avoided the voting, because they were also directors of Fuhwa Asset Management then.
 - (2) 77th directors' meeting of the 5th term on March 1, 2007: Director Chang-Mirng Her and Director Wei-Chien Ma avoided to voting loan to Fuhwa Securities Finance Co., Ltd.(Client of Yuanta Commercial Bank), because they were also directors of Fuhwa Securities Finance then.
 - (3) 81th directors' meeting of the 5th term on April 16, 2007: Director Wu-Tien Lin avoided to voting loan to Fuhwa Securities Finance Co., Ltd. (Client of Yuanta Commercial Bank), because he was also a director of Fuhwa Securities Finance then.
 - (4) 82th directors' meeting of the 5th term on April 26, 2007: Director Wei-Chen Ma and Director Wei-Chien Ma avoided to voting loan to Yuanta Core Pacific Securities(Client of Yuanta Commercial Bank), because they were also directors of Yuanta Core Pacific Securities then.
 - (5) 83th directors' meeting of the 5th term on May 10, 2007: Director Wei-Chen Ma and Director Chang-Mirng Her avoided to voting lease to Fubetween Fuhwa Asset Management Co., Ltd.(Client of Yuanta Commercial Bank)
 - (6) 84th directors' meeting of the 5th term on May 24, 2007: Director Ching-Chang Yen, Director Wei-Chen Ma, Director Wei-Chien Ma, Director Chang-Mirng Her and Director Wu-Tien Lin avoided to voting in the case of the Bank's donation to "Fuhwa Foundation", because they were also directors of Fuhwa then.
 - (7) 5th directors' meeting of the 6th term on August 16, 2007: Director Wei-Chen Ma and Director Chang-Mirng Her avoided to voting lease to Yuanta Asset Management, because they were also directors of Yuanta Asset Management then.
 - (8) 11th directors' meeting of the 6th term on November 8, 2007: Director Jin-Long Fang avoided to voting loan to Yuan Kun Construction Co., Ltd (Client of Yuanta Commercial Bank), because he was also a director of Yuan Kun then.
 - (9) 12th directors' meeting of the 6th term on November 22, 2007: Director Wei-Chen Ma and Director Chang-Mirng Her avoided to voting lease to Yuanta Asset Management, because they were also directors of Yuanta Asset Management then.
 - (10) 12th directors' meeting of the 6th term on November 22, 2007: Director Wei-Chen Ma and Director Chang-Mirng Her avoided to voting loan to Yuanta Asset Management Co., Ltd(Client of Yuanta Commercial Bank) ,because they were also directors of Yuanta Asset Management then.
3. Objective of strengthening directors' functions and evaluation of the execution for 2007 and in recent years; (e.g. establishment of audit committee and enhance transparency of information, etc.)
 As of the directors' meeting of the 6th term on June 29, 2007, the Bank has installed 3 independent directors, to establish the audit committee, and to formulate the Corporate Governance Guidelines to strengthen the functions of the board of directors to comply with the "Guidelines for Bank Corporate Governance".



B. Practices of Audit Committee:

9 meetings were held by the Audit Committee in recent year. Attendance of independent directors in the meetings is specified as the following:

Title	Name	Frequency of actual attendance (B)	Frequency of proxy attendance (A)	Actual attendance ratio (%) 【B/A】 (Note)	Remark
Independent director	Yuanta Financial Holdings Legal representative: Rong-Jou Wang	9	0	100%	
Independent director	Yuanta Financial Holdings Legal representative: Dah-Hsian Seetoo	9	0	100%	
Independent director	Yuanta Financial Holdings Legal representative: Pao-Kuei Chu	9	0	100%	
Others to be noted: 1. With respect to the circumstances stipulated in Article 14-5 of the <i>Securities and Exchange Act</i> and the resolutions subject to over two-thirds of the whole directors without being passed by the audit committee, please specify the date, term and content of resolutions of the directors' meeting, and the resolution of the audit committee and the Bank's response. 【None】 2. With respect to independent directors' avoidance of conflict in benefit, please specify the independent directors' names, content of the motion, causes of avoidance and participation in the voting. 【None】					



C. Corporate Governance Practices

Item	State of	The Differences between the Corporate Governance Practice of the Bank and the “Guidelines for Bank Corporate Governance” and Causes
<p>1. Shareholdings structure and shareholders’ equity</p> <p>(1) Method of Handling Shareholders’ Suggestions and Disputes</p> <p>(2) List of the major Shareholders of the bank, and ultimate controllers of the major shareholders</p> <p>(3) Mechanism for Controlling Risk with related party, and Firewalls</p>	<p>(1) The Bank is wholly-owned by Yuanta Financial Holding , and complies with the management of Yuanta Financial Holding according to Article 26 of <i>Financial Holding Company Law</i>, and the communication channels are unobstructed.</p> <p>(2) Yuanta Financial Holding. is the sole shareholder of the Bank. Therefore, the major shareholder and the ultimate controller of major shareholder refer to Yuanta Financial Holding solely.</p> <p>(3) The Bank and its related party are used to processing their finance independently, and the performance and division of responsibility between both parties have been defined clearly, and also to be audited by CPA periodically. Therefore, it has established the firewall in a proper manner. Additionally, the Bank has also established the independent risk management administration responsible for controlling the market risks, credit risks, operational risks, legal risks and other risks, and handled the credit and transactions with the related party is processed in accordance with Article 44 and Article 45 of <i>Financial Holding Company Law</i> and the head office’s regulations. The Bank also handled the cross-selling functions in accordance with Article 43 and Article 48 of <i>Financial Holding Company Law</i> and the relevant regulations. The Bank also established the query system for related parties, and will submit the summarization of transactions to the board of directors for inspection periodically.</p>	Comply with the “Guidelines for Bank Corporate Governance”.
<p>2. Composition and Functions of the Board of Directors</p> <p>(1) The independent directors of the bank</p> <p>(2) Regular evaluation of Independence of the CPA</p>	<p>(1) The Bank has 11 directors, including 3 independent directors. The whole independent directors establish the audit committee.</p> <p>(2) The Bank will establish the professionalism and independence of the CPA to determine its competence periodically each year.</p>	Comply with the “Guidelines for Bank Corporate Governance”.



Item	State of	The Differences between the Corporate Governance Practice of the Bank and the “Guidelines for Bank Corporate Governance” and Causes
3. Composition and Functions of the Board of Supervisors (1) The independent supervisors of the bank (2) Communication between Supervisors, Bank employees and Shareholders	(1) The Bank installed 3 independent directors to replace supervisors and exercise the duties on behalf of supervisors. For the time being, there are no independent supervisors. (2) The Bank has defined the “Regulations Governing Interested Parties’ Suggestions and Complaints against Audit Committee” to establish the unobstructed communication channels.	Comply with the “Guidelines for Bank Corporate Governance”.
4. Establishment of Communication Channels with Interested Parties	The Bank has established fair communication channels with interest parties.	Comply with the “Guidelines for Bank Corporate Governance”.
5. Disclosure of information (1) Establishment of Website where Information on Financial Operations and the Bank’s Corporate Governance is Disclosed (2) Other disclosures of the bank (e.g. English website; appoint specialized personnel to collect and disclose the Bank’s information, fulfill the spokespersonship, publish investors’ conference on the website)	(1) The Bank’s website provides annual report, important financial information and corporate governance practice for reference. (2) The Bank has set up an English website to provide annual report, and assigned Zhong-Ping Lyu, Senior V.P. as the bank’s spokesman.	Comply with the “Guidelines for Bank Corporate Governance”.
6. Operations of such functional committees as Quasi-Audit or compensation committee established by the Bank	The Bank is under expansion stage now, such committees is not required .	Follow upon enforcement of the relevant laws and regulations.
7. The differences between the Corporate Governance Practice of the Bank and the “Guidelines for Bank Corporate Governance”. Reasons for the Difference: In order to strengthen the Bank’s corporate governance, the Bank established independent directors and the audit committee on 29 June 2007. Generally, the Bank has been complied with the “Guidelines for Bank Corporate Governance”.		
8. The systems / measures adopted by the Bank towards its social responsibility (e.g. human right employee’s right, environmental protection, participation in communities supply relations, supervision and conflict of interest) and performance of its social responsibility: To reward the society, the Bank has sponsored diversified cultural and education activities and offer scholarship through Yuanta Foundation irregularly to perform its social responsibility. The Bank will adhere to the same belief and continue working on such activities.		
9. Other important Information Related to the Bank’s Corporate Governance Practice (e.g. advanced studies of directors and supervisors, directors’ and supervisors’ attendance in directors’ meetings, risk management policies and execution of risk measurement standards, consumers’ protection or execution of customers policies, directors’ avoidance of the motions with conflict of interest, liability insurance purchased by the Bank for directors and supervisors, etc.): (1) Directors’ and supervisors’ attendance in directors’ meetings: Directors and supervisors have attended the directors’ meetings as required. (2) Directors’ avoidance of the motions with conflict in benefit: The Bank’s directors will avoid voluntarily any motions with conflict in benefit of the Bank. (3) The risk management policy, consumer protection or customer policy shall be implemented subject to the Bank’s Corporate Governance Practice.		
10. Corporate governance self-assessment report or result of assessment report made by other professional institution on a consignment basis, major defects (or suggestions) and improvement: 【None】		



D. Implementation Status of the Internal Control System

1) Issues to be Improved and Corrected

Issues to be improved and corrective action against Yuanta Commercial Bank's Internal Control System

Date of Record: December 31, 2007

Issues to be improved	Corrective action	Schedule to complete the corrective action
<p>According to the "Self-Disciplinary Regulations Governing Banks' Handling of Wealth Management and Financial Products" announced by Banking Bureau, Jin-Kuan-Yin-(5)-09650003940 dated October 9, 2007:</p> <p>1. Banks shall establish the management mechanism dedicated to detecting unusual transactions to prevent illegal benefits.</p> <p>2. Banks shall establish the customer transaction management mechanism for the excess of transactions, in order to strengthen wealth management personnel's risk management.</p>	<p>1. In order to enhance the transaction confirmation mechanism, the Bank has undertaken the "phone wealth management transaction confirmation mechanism" as of October 2007. Now the mechanism is under testing and scheduled to be put into practice in March 2008.</p> <p>2. The Bank will invite the relevant departments and offices to research and to enact the large-amount transaction confirmation mechanism.</p>	May 2008
<p>When banks have acquired the guarantee in full for "mortgage" and "consumer loans", they shall not ask the borrowers to provide jointly guarantors with any excuse.</p>	<p>Amending the Bank's enforcement rules in processing mortgage and car loans including the standard contract.</p>	April 2008



E. Penalty Received for Unlawful Practices Over the Past Two Years, and Corrective Action Taken Against Major Defects

Duration: 2006 and 2007

Disclosure	Case & Amount
Indictment by Prosecutors Against the person in charge or staffs because of A Crime Committed on Duty	<ol style="list-style-type: none"> 1. The clerk of Sanmin Branch (Chen) (discharged) took advantage of his/her position to misappropriate NT\$21,200 thousand and was indicted by Kaohsiung District Prosecutors Office. The case is now litigating in the 1st instance of Kaohsiung District Court. 2. The clerk of Panchiao Branch (Tung) (discharged) took advantage of his/her position to apply for the loan of NT\$200,000 thousand under a false name with others, and was indicted by Panchiao District Prosecutors Office. The case is now litigating in 1st instance of Panchiao District Court.
Penalty Fine Imposed by Financial Supervisory Commission because of Violation of Laws and Regulations	<ol style="list-style-type: none"> 1. The Bank was fined NT\$4,000 thousand under the violation of Paragraph 1 of Article 45-1 of the Banking Act. (Jin-Kuan-Yin-(6)-09600166850 dated on May 24, 2007) 2. The Bank was fined NT\$2,000 thousand under the violation of Paragraph 1 of Article 45-1 of the Banking Act. (Jin-Kuan-Yin-(6)-09600188040 dated on August 20, 2007)
Stiff Rectification Imposed by Financial Supervisory Commission because of Defects in Business Operation	None
Penalty Imposed by Financial Supervisory Commission because of Violation of Article 61-1 of the Banking Act	None
The major occasional frauds, contingencies (fraud, theft, misappropriation and robbery of assets, false transaction, forged documents and marketable securities, kickbacks, natural disaster loss, loss from external factors, hacker attack, data theft, and disclosure of confidential information and customer data and such major incidents) or security accidents resulting from the failure to abide by Regulations Governing the Security Maintenance and Administration of Financial Institutions, or the incidents which resulted in loss over NT\$50 million, individually or totally, in the respective year	<ol style="list-style-type: none"> 1. The bad debt in the amount of NT\$123,464 thousand was provided as a result of the accusation against the Bank's client of material fraud on November 29, 2006. 2. The Bank's clerk was accused of misappropriating funds on March 6, 2007. The payment to be recalled was NT\$5,879 thousand. 3. The Bank's client was accused of applying for loans fraudulently on April 10, 2007. The loans granted by the Bank were NT\$200,000 thousand.
Case to be disclosed as Required by the Financial Supervisory Commission	None



F. Major resolutions made in both shareholders' meetings and directors' meetings in recent years and up to the date of publication of the annual report

- 1) 78th directors' meeting of the 5th term on March 15, 2007
Resolve the Bank's relocation to the new headquarters building of Yuanta Core Pacific Securities on Tun Hua S. Road, and the budget for decoration, lease terms and assessment of the rent of the lease of 6th, 8th and 11th floors of the building in whole and 9th and 10th floors of the building in part. (the total area occupied total 5,280.97 pings)
- 2) 78th directors' meeting of the 5th term on March 15, 2007
Resolve the Bank's financial statement and consolidated financial statements for 2006 audited and certified by the independent auditing firm.
- 3) 78th directors' meeting of the 5th term on March 15, 2007
Resolve the proposal to make up for the Bank's loss in 2006.
- 4) 80th directors' meeting of the 5th term on April 12, 2007
Resolve 1st NPL open tender in 2006, a total of two transactions and book value of NT\$484,842,940.
- 5) 84th directors' meeting of the 5th term on May 24, 2007
Resolve the amendments to provisions of the Articles of Association of Fuhwa Commercial Bank Co., Ltd. (Article 20-1, et al.)
- 6) 84th directors' meeting of the 5th term on May 24, 2007
Resolve the "Articles of Organization of Audit Committee of Fuhwa Commercial Bank Co., Ltd.
- 7) 1st temporary directors' meeting at 6th term on June 29, 2007
Elect Mr. Ching-Chang Yen as the Chairman of the Board and Mr. Wei-Chen Ma as the Vice Chairman.
- 8) 3rd directors' meeting of the 6th term on July 19, 2007
Resolve that the Bank was renamed as Yuanta Commercial Bank Co., Ltd.
- 9) 3rd directors' meeting of the 6th term on July 19, 2007
Resolve the amendments to provisions of the Bank's Articles of Association. (Title of the Articles, Article 2 and Article 37)
- 10) 5th directors' meeting of the 6th term on August 16, 2007
Resolve the capitl decreasl of NT\$4 billion in 2007 at par value of NT\$10 per share, totaling 400,000,000 shares, and the capital remaining NT\$14 billion.
- 11) 5th directors' meeting of the 6th term on August 16, 2007
Resolve capital increase in cash of NT\$10 billion in the form of private offering in 2007 at par value of NT\$10 per share, totaling 1 billion common stock issued.
- 12) 5th directors' meeting of the 6th term on August 16, 2007
Resolve the amendments to provisions of "Articles of Association of Yuanta Commercial Bank". (Article 5 and Article 37)
- 13) 8th directors' meeting of the 6th term on October 2, 2007
Resolve that the assets owned by the Bank, i.e. F1, 2 and 3 and 17 parking lots at the basement of "Tsung Sheng Building" at No. 4, Chung Hsiao W. Road, Sec. 1, Taipei City, were sold to Nan Shan Life Insurance at the price of NT\$1,010,570 thousand.
- 14) 9th directors' meeting of the 6th term on October 11, 2007
Tender for the resolve 2nd NPL in public market in 2007, a total of 32,866 transactions and book value of NT\$7,154,779,942, and appoint Taiwan Financial Asset Service Corporation to carry out the appraisal and sale by tender.
- 15) 10th directors' meeting of the 6th term on October 25, 2007
Resolve the amendments to the Articles of Association. (Article 22 and Article 37)
- 16) 13th directors' meeting of the 6th term on December 6, 2007



Resolve the Bank's six guidelines, "Corporate Governance Guidelines", "Scope of Duties for Board Members", "Scope of Duties for Independent Directors", "Rules for Promoting Advanced Studies of Directors", "Policy and Procedural Rules for Risk Management" and "Regulations Governing Interested Parties' Suggestions and Complaints against Audit Committee".

G. The documented disagreement or written statement of the directors or supervisors against the important resolutions made by the directors' meetings in recent year and up to the date of publication of the annual report: **【None】**

H. Summarization of any people related to the financial statement who resigned or were discharged in recent year and up to the date of publication of the annual report: **【None】**

4. Information on CPA Firms

A. CPA payments

CPA Firm	CPA	Auditing Fees	Fees paid for non-auditing services					Period of audit	Remark
			Design of system	Industrial and commercial registration	HR	Others	Subtotal		
KPMG	A. T. Yu, L. L. Lue, and C. K. Chen etc.	NT\$ 950,000				NT\$ 1,875,000	NT\$ 1,875,000	January 2007 to May 2007	Transfer pricing report, unallocated earnings, administrative proceedings and consultation about business tax.

CPA Firm	CPA	Auditing Fees	Fees paid for non-auditing services					Whether the period of auditing covers the entire fiscal year?			Remark
			Design of system	Industrial and commercial registration	HR	Others	Sub-total	Yes	No	Period of audit	
PriceWaterHouseCoopers	C. T. Huang, C. H. Chou and S. M. Ho, etc.	NT\$ 3,680,000				NT\$ 3,180,000	NT\$ 3,180,000		✓	June 2007 to December 2007	Audit on internal control, registration of alterations of the Group, registration of capital, increase/decrease and change in capital, and offshore financial bonds.



B. Information about change of CPA

1) Former independent auditing firm

Date of replacement	06.21.2007		
Cause and explanation	Internal control and the Group's entire planning		
Explain whether the appointer or independent auditing firm terminates or rejects the appointment ?	Concerned party	CPA	Appointer
	Circumstance		
	Terminate voluntarily		✓
	Reject (refuse to continue) the appointment		
Any audit report other than those without qualified opinion issued by the independent auditing firm within the last two years, and cause thereof.	None		
Disagreement with the Bank	Yes		Accounting principles or practices
			Disclosure of financial statement
			Scope or steps of audit
			Others
	No	✓	
	Note:		
Others to be disclosed	None		

2) Succeeding independent auditing firm

Firm name	PricewaterhouseCoopers
CPA's name	C. T. Huang, C. H. Chou
Date of appointment	06.21.2007
Before the Bank appoints the succeeding independent auditing firm, if it inquires such firm about the accounting methods or principles of specific transaction and his/her possible opinion on the financial statement, it shall disclose the matters it inquires about and the result thereof.	None
The written opinion of the succeeding independent auditing firm in connection with the discrepancy of opinion between it and the former independent auditing firm and disclose the same.	None



C. Whether the Bank's Chairman, President, or managerial staff in charge of finance or accounting within the previous year held a position at any office of the independent auditing firm or any of its related party? **【None】**

5. Change in the equity of directors, supervisors and managerial staff who are required to declare their equity in accordance with Paragraph 3 of Article 25 of the Act: 【None】

6. Information on Top 10 shareholders who are related parties as defined in the Statement of Financial Accounting Standards No. 6

Name	Shares held		Shares held by spouse/minors (under 18)		Shares held in the names of others		Names and relationship of any of the top 10 shareholders who are related parties defined in the Statement of Financial Accounting Standards No. 6		Remark
	Number of shares	Shareholdings	Number of shares	Shareholdings	Number of shares	Shareholdings	Name	Re-relationship	
Yuanta Financial Holdings	2,400,000,000	100%							



7. Effective equity in investee companies held by the bank

Unit: share; %

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.



Fund Raising
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IV. Fund Raising

1. Shares and Dividends

A. Capital Sources

December 31, 2007

Unit: thousand NTD; thousand shares

Month/ Year	Issued price (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Source of Capital	Others
Dec.2002	\$10	1,211,514	12,115,136	1,211,514	12,115,136		
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	Cash capital Increment(private Placement) of 300,000 thousand shares	Note 1
July.2004	\$10	1,400,000	14,000,000	1,400,000	14,000,000	Cash capital Increment retained earnings, 50,000 thousand shares	Note 2
July.2005	\$10	1,800,000	18,000,000	1,800,000	18,000,000	Cash capital Increment retained earnings, 100,000 thousand shares, and Seasoned Equity offerings(private offering) 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 Seasoned Equity offerings (private offering) of 1,000,000 thousand shares	Note 4

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

December 31, 2007

Unit: thousand NTD; thousand shares

Type of stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common stock	2,400,000	—	2,400,000	Public offering



B. Composition of shareholders

December 31, 2007

Shareholders Number	Government agencies	Financial institution	Other institutions	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	0	1	0	0	0	1
Shares	0	2,400,000,000	0	0	0	2,400,000,000
Shareholdings	0	100%	0	0	0	100%

C. Status of share scattering

December 31, 2007

NTD10 par value

Classification of Shareholdings	Number of shareholders	Shares	Shareholdings
1 - 999	0	0	0%
1,000 - 5,000	0	0	0%
5,001 - 10,000	0	0	0%
10,001 - 15,000	0	0	0%
15,001 - 20,000	0	0	0%
20,001 - 30,000	0	0	0%
30,001 - 50,000	0	0	0%
50,001 - 100,000	0	0	0%
100,001 - 200,000	0	0	0%
200,001 - 400,000	0	0	0%
400,001 - 600,000	0	0	0%
600,001 - 800,000	0	0	0%
800,001 - 1,000,000	0	0	0%
Over 1,000,001	1	2,400,000,000	100%
Total	1	2,400,000,000	100%



D. List of major shareholders

Name of major shareholders	Shares	Shareholdings
	Shares	Shareholdings
Yuanta Financial Holdings	2,400,000,000	100%

Note: To specify shareholders holding more than 1% equity or the shareholdings rank within the top 10

E. Market price, book value, earnings and dividends per share, and the relevant information over the past two years.

Unit: NTD

Items			Year	2007	2006	February 29, 2008
Market price per share	Highest			Note 1	Note 1	Note 1
	Lowest			Note 1	Note 1	Note 1
	Average			Note 1	Note 1	Note 1
Book value per share	Before distribution			9.10	7.76	9.19
	After distribution			9.10	7.76	9.19
Earnings per share	Weighted average shares (thousand shares)			1,589,041	1,800,000	2,400,000
	EPS	Before adjustment		(1.26)	(2.65)	0.07
		After adjustment		(1.26)	(2.89)	0.07
Dividends per 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.



F. Dividend policy and enforcement

1) Dividend policy

In order to continue expanding the operational scale and increasing the profitability and to take care of the capital adequacy ratio, the Bank applies the residual dividend policy. According to the Articles of Association:

The balance upon the Bank's annual final account, if any, shall be allocated in the following order:

- a. Pay tax.
- b. Make up for the previous loss.
- c. Allocate 30% as legal reserve.
- d. Allocate as appropriate R/E.
- e. Allocate 0.5% to 1% from the remainder, if any, as remuneration to directors and supervisors, and 0.5% to 1.5% as employees' bonus. The remainder, if any, plus the unappropriated earnings for the previous years shall be allocated under the allocation proposal made by the board of directors as approved at the shareholders meeting.

The board of directors will set the proportion of cash or stock to be allocated subject to the current financial environment, market trend and the Bank's development plan, provided that the proportion will be no less than 80% because the Bank is still growing, and if necessary, the proportion may be changed upon approval of the board of directors and review of the shareholders' meeting. The cash dividends shall be allocated upon approval of the motion for allocation of earnings in the shareholders' meeting, and the stock dividends shall be allocated upon the competent authority's approval.

After the Bank became Yuanta Financial Holding's subsidiary, the functions of the Bank's board of shareholders shall be exercised by the board of directors pursuant to laws.

2) Enforcement:

19th directors' meeting of the 6th term resolved to pass the motion for making up for loss in 2007. Therefore, there were no earnings allocable for the year.

G. Impact of the stock dividend drafted by the shareholders' meeting to the Bank's business performance and EPS

Not applicable, because there was no motion for allocation of stock dividends.

H. Employees' bonus and remuneration to directors and supervisors

1) Employees' bonus and remuneration to directors and supervisors referred to in the Bank's Articles of Association

a. Employees' bonus:

Paragraph 2 of Article 34 of the Bank's Articles of Association provides:

The balance upon the Bank's annual final account, if any, shall be allocated in the following order:



- i. Pay tax.
- ii. Make up for the previous loss.
- iii. Allocate 30% as legal reserve.
- iv. Allocate as appropriate R/E.
- v. Allocate 0.5% to 1% from the remainder, if any, as remuneration to directors and supervisors, and 0.5% to 1.5% as employees' bonus. The remainder, if any, plus the unappropriated earnings for the previous years shall be allocated under the allocation proposal made by the board of directors as approved at the shareholders meeting.

b. Remuneration to directors and supervisors:

Except the remuneration referred to in Article 34, the Chairman's salary shall range from one half to double the President's salary, subject to the resolution made by the Board of Directors. The other remuneration and benefits to the Chairman shall be paid according to the Bank's relevant requirements or the rates applicable in the same trade. The Vice Chairman's salary and other remuneration and benefits shall be authorized by the Chairman according to the Bank's relevant requirements or the rates applicable in the same trade. The independent directors shall receive the salary of NT\$180,000 on a monthly basis.

Any director (including independent director) who is assumed by any director of the Bank's parent company, or assumes the director or supervisor of the subsidiaries of the Bank's parent company concurrently shall receive the remuneration and salary of one single director or supervisor. Any director (including independent director) who assumes the director or supervisor of the financial holding company and its subsidiaries concurrently shall receive the remuneration and salary of one single director or supervisor.

2) Proposal for allocation of employees' bonus resolved by the board of directors

- a. Allocation of cash dividends and stock dividends to employees, and remuneration to directors and supervisors:

19th directors' meeting at 6th term resolved to pass the motion for making up loss in 2007. Therefore, there was no earnings allocable in the year.

- b. Number of stock dividends to be allocated to employees and the proportion thereof in capital increase by earnings recapitalization: **【None】**

- c. Imputed EPS upon allocation of employees' bonus and remuneration to directors and supervisors:

The Bank suffered loss in 2007 and, therefore, no earnings were allocable.

3) Earnings in 2007 allocated to employees' bonus and remuneration to directors and supervisors:

The Bank suffered loss in 2007 and, therefore, no earnings were allocable.

I. Repurchased by the bank of its own share: **【None】**



2. Issuance of financial debentures

Type of financial debentures	1 st term financial debentures 2002	1 st term financial debentures 2002
Date of approval & approval document No.	Tai-Tsai-Rong-(2)-0910042863 dated September 24, 2002	Tai-Tsai-Rong-(2)-0910042863 dated September 24, 2002
Date of issuance	November 4th.2002	November.4th.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: February 4, 2008	Duration: 5 years and 3 months Maturity: February 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
(Issue price+outstanding balance) (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+

Note 1: It is based on the 6-month U.S. Dollar Libor quote and to be recalculated per six months.



Type of financial debentures	1 st term financial debentures 2006	1 st financial debentures at 2 nd term 2006	2 nd financial debentures at 2 nd term 2006
Date of approval & approval document No.	Jin-Kuan-Yin-(6)-09500034970 dated February 16th, 2006	Jin-Kuan-Yin-(6)-09500480850 dated November 2nd, 2006	Jin-Kuan-Yin-(6)-09500480850 dated November 2nd, 2006
Date of issuance	2.24.2006	12.22.2006	12.27.2006
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: August 24, 2011	Duration: 6 years Maturity: December 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 two 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	Aug. 14.2007, Taiwan Ratings: twAA- (Bank rating)	Aug. 14.2007, Taiwan Ratings: twAA- (Bank rating)	Aug. 14.2007, Taiwan Ratings: twAA- (Bank rating)



**3. Issuance of preferred shares, GDR/ADR and employees stock option:
【None】**

4. Mergers or acquisitions involving other financial organizations

- A. For mergers or acquisitions of other banks with in recent year, the advising CPA must disolose their opinion on the proposed exchange ratio: **【None】**
- B. For any listings OTC banks, it is necessary to disclose any M&A activities with other banks within the past five years. When banks are merged or acquired by issuing new shares, it is necessary to disclose the underwriter's opinion: **【Not applicable】**
- C. For banks other than listed or OTC ones, it is necessary to disclose the new shares issued upon merger or acquisition of other financial institution in recent quarter, and the impact to shareholders' equity: **【None】**
- D. When the board of directors has resolved any merger or acquisition of other financial institution by issuing of new shares in recent year and until the date of publication of the financial statement, it is necessary to disclose the enforcement thereof and basic information of the merged or acquired financial institution.

(Please refer to page 62)



Information on merged or acquired financial institution

Unit: thousand NTD
Up to February 29, 2008

Name of Financial Institution		Guarantee Liability Tainan 7 th Credit Cooperative	Limited Liability Tainan 6 th Credit Cooperative
Address of Financial Institution		100, Sec. 2, Ming Chiuan Road, Tainan City	165, Sec. 1, Ming Shen Road, Tainan City
Business Owner		Chairman J. P. Lin	Chairman Y. H. Tsai
Paid-in Capital		267,132	4,300
Major Business Line		1. To accept checking deposits. 2. To accept demand deposits. 3. To accept time deposits. 4. To accept savings deposits. 5. To extend short-term, mid-term and long-term loans. 6. To discount negotiable instruments. 7. To invest in government bonds, short-term bills, corporate bonds and financial debentures. 8. To handle domestic remittance. 9. To handle services in collection and payment of payable sums. 10. To engage in custodian business. 11. To process agency services relevant to the business under license.	1. To accept checking deposits. 2. To accept demand deposits. 3. To accept time deposits. 4. To accept savings deposits . 5. To extend short-term, mid-term and long-term loans. 6. To discount negotiable instruments 7. To invest in government bonds, short-term bills, corporate bonds and financial debentures. 8. To handle domestic remittance. 9. To process Credit Card and relevant business. 10. To process acceptances of commercial drafts. 11. To issue domestic Letters of Credit. 12. To handle domestic guarantee business. 13. To handle services in collection and payment of payable sums. 14. To underwrite government bonds, treasury bonds, corporate bonds and corporate stocks. 15. To carry out the business of warehousing, property custody services and agency related to the aforementioned business. 16. To process the applications for foreign exchange business of banks. 17. Other business authorized by the central government agency.
Main Products		Deposits, loans and agency business	Deposits, loans, agency business, foreign exchange and credit card
Financial information of the recent years	Total Assets	7,215,666	16,732,266
	Total Liabilities	6,889,849	16,114,306
	Total Shareholders' Equity	325,817	617,960
	Operating Revenue	182,888	410,352
	Gross Operating Profit	(1,071)	(34,524)
	Operating Income	(88,776)	(213,895)
	Net Income	3,013	(141,085)
EPS		0.70	(34.23)

Notes: 1. The Bank merged with Tainan 7th Credit Cooperative and Tainan 6th Credit Cooperative generally on June 17, 2005 and December 26, 2005.

2. The financial information of the recent years are prepared by referring to the 2004 annual report of Tainan 7th Credit Cooperative and Tainan 6th Credit Cooperative.



5. Capital utilization plan

Issuance of Bank Debentures

The Bank issued the debentures in order to enhance capital adequacy ratio and increase operating funds.

With approval from the governing authority, the Bank had already issued debentures totaling NT\$4.5 billion and NT\$5.0 billion on November 4, 2002 and February 24, 2006, respectively. Both were completed before the requested due dates. The Bank had also received approval to issue quota of NT\$5.0 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\$0.2 billion of subordinated debentures and full amount of NT\$5.0 billion of general subordinated debentures were not issued due to the expiry of one year (November 2, 2007) after the approval to issue. As of December 31, 2007, the Bank had already issued a total of NT\$14.3 billion debentures.

As a result of issuing the first series of subordinated debentures in 2006, the capital adequacy ratio was improved from 8.14 percent at the end of December 2005 to 9.90 percent at the end of March 2006. After issuing the second series of subordinated debentures, the capital adequacy ratio was improved from 8.59 % at the end of September 2006 to 9.21% at the end of December 2006.

On October 5, 2007, the Bank received a capital injection of NT\$10 billion, which had improved the capital adequacy ration from 8.46% in the end of September 2007 to 11.87% in the end of December 2007.



Operations Profile

www.yuantabank.com.tw

2007 Annual Report

Yuanta Bank

V. Operations Profile

1. Contents of business

A. Business

Yuanta Bank offers financial products and services to effectively meet the needs of its diverse customer base. Services and products include commercial and retail lending, credit cards, and day-to-day transactions on opening new accounts, making deposits, transferring funds, and accessing cash.

B. An overview of business performance in recent two years

1) Depository business

Unit: million NTD

Classification of deposit	12/31/2007		12/31/2006		Comparison with 2006	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) proportion (%)
Demand deposits	105,646	40.20	92,939	34.75	12,707	13.67
Checking deposits	2,194	0.83	2,514	0.94	(320)	(12.73)
Demand deposits	23,463	8.93	23,229	8.68	234	1.01
Passbook saving deposits	79,989	30.44	67,196	25.13	12,793	19.04
Time deposits	157,154	59.80	174,478	65.25	(17,324)	(9.93)
Time deposits	65,529	24.94	73,915	27.64	(8,386)	(11.34)
Time savings deposits	91,625	34.86	100,563	37.61	(8,938)	(8.89)
Total	262,800	100.00	267,417	100.00	(4,617)	(1.73)

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



2) Loans business

Unit: million NTD

Item	12/31/2007		12/31/2006		Comparison with 2006	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount increase (decrease)	Increase (decrease) proportion (%)
Corporate Loans	136,922	100.00	112,895	100.00	24,027	21.28
General corporate loans	63,234	46.18	49,021	43.42	14,213	28.99
Small-and-medium business loans	39,718	29.01	32,862	29.11	6,856	20.86
Strategic loans	3,273	2.39	2,623	2.32	650	24.78
Foreign currency loans	16,882	12.33	17,709	15.69	(827)	(4.67)
Delinquent	976	0.71	674	0.60	302	44.81
Others (Note 1)	12,839	9.38	10,006	8.86	2,833	28.31
Consumer Loans	104,041	100.00	116,875	100.00	(12,834)	(10.98)
Mortgage	82,039	78.85	84,939	72.68	(2,900)	(0.34)
Car loans	6,370	6.12	9,413	8.05	(3,043)	(32.30)
Consumer loans	14,410	13.86	21,160	18.10	(6,750)	(31.90)
Delinquent	972	0.93	1,157	0.99	(185)	(15.99)
Others (Note 2)	250	0.24	206	0.18	44	21.36
Total	240,963	-	229,770	-	11,193	4.87

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

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

3) Foreign exchange business

Unit: thousand USD

Year Item	2007		2006		Comparison with 2006	
	Amount	%	Amount	%	Increase (decrease)	Growth ratio %
Import	1,200,982	8.26	974,586	7.12	226,396	23.23
Export	337,075	2.32	343,115	2.50	(6,040)	(1.76)
Outward	6,650,275	45.75	5,918,383	43.25	731,892	12.37
Inward	6,346,944	43.67	6,449,200	47.13	(102,256)	(1.59)
Total	14,535,276	100.00	13,685,284	100.00	849,992	6.21



4) Trust business

Unit: thousand NTD

Items	Year	2007	2006	Comparison with 2006	
				Increase (decrease)	Increase (decrease) ratio %
Total balance of trust assets		65,086,599 (Note 1)	56,688,122 (Note 2)	8,398,477	14.82
Total revenue of trust business service fee		657,807	468,145	189,662	40.50
Scale of assets under custody of local securities investment trust fund and investment insurance policy		31,971,525	46,674,576	(14,703,051)	(31.51)
The custody asset in discretionary investment account		404,429	232,500	171,929	73.95
Scale of assets under custody of foreign investment		283,062	192,376	90,686	47.14
Scale of assets under custody of business guarantee bond		3,255,000	870,000	2,385,000	274.14
Custodian service fee income		39,488	31,867	7,621	23.92
Certification of securities	Amount of certification	23,674,697	34,950,000	(11,275,303)	(32.26)
	Revenue of certification service charges	3,293	1,251	2,042	1.63

Note 1: including OBU trust property in the amount of NTD\$162,275 thousand.

Note 2: including OBU trust property in the amount of NTD\$39,441 thousand.

5) Credit card business

Item	2007	2006	Comparison with 2006	
			Amount increase (decrease)	Increase (decrease) ratio %
Number of cards issued (card)	691,707	607,370	84,337	13.90
Number of cards in circulation (card)	303,575	245,879	57,696	23.50
Total amount charged (million NTD)	7,248	6,678	569	8.50
Revolving credit (million NTD)	1,851	2,670	(819)	(30.70)



6) Investing business

Unit: million NTD

Type	2007	2006
Bond trading volume	1,704,934	688,138
Bill trading volume	139,419	417,141

Unit: million USD

Type	2007	2006
Spot transaction	14,781	11,212
Forward exchange transaction	1,437	614
Foreign exchange SWAP	2,250	2,209
Currency Option transaction	1,310	1,130

7) e-Banking business

Item \ Year		2007	2006	Comparison with 2006	
				Amount increase (decrease)	Increase (decrease) ratio %
Analysis of E-commerce transactions	Total Internet banking transactions (thousand transactions)	12,463	4,494	7,969	177.33
	Total phone banking transactions (thousand transactions)	927	838	89	10.62
	Total SuperATM transactions (thousand transactions)	240	134	106	79.10



8) Operating income and expenses

	Unit: thousand NTD (Except loss per share in NTD)			
	<u>2007</u>	<u>2006</u>	<u>Change</u>	
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>	
			<u>%</u>	
Interest revenue	\$ 10,987,426	\$ 10,562,774	4	
Less : Interest expenses	(5,503,727)	(5,011,338)	10	
Net interest income	<u>5,483,699</u>	<u>5,551,436</u>	(	1)
Net non-interest income				
Net service charge income	1,053,913	992,092	6	
Gain (loss) on financial assets and liabilities at fair value through income statement	(112,840)	387,753	(	129)
Realized loss on financial assets in available-for-sale	(85,510)	(10,178)	740	
Investment income recognized under the equity method	14,993	45,004	(	67)
Exchange income - net	43,572	(23,681)	(	284)
Gain on price recovery of assets (impairment loss)	(194,508)	3,949	(	5026)
Other non-interest income - net	<u>390,844</u>	<u>191,010</u>	105	
Total non-interest income - net	<u>1,110,464</u>	<u>1,585,949</u>	(	30)
Net income	<u>6,594,163</u>	<u>7,137,385</u>	(	8)
Bad debt expenses	(4,099,417)	(8,394,810)	(	51)
Operating expenses				
Personnel expenses	(2,782,472)	(2,522,342)	10	
Depreciation and amortization expenses	(479,428)	(395,520)	21	
Other business and management expenses	(1,827,584)	(1,484,701)	23	
Continuing operating income before tax	(2,594,738)	(5,659,988)	(	54)
Gain on income tax	<u>593,496</u>	<u>882,966</u>	(	33)
Continuing operating income after tax	(2,001,242)	(4,777,022)	(	58)
Cumulative effect of changes in accounting principles (plus gain on income tax \$10,166)	<u>-</u>	<u>11,158</u>	(	100)
Net income in current period	<u>(\$ 2,001,242)</u>	<u>(\$ 4,765,864)</u>	(	58)
	<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
Loss per share of common stock				
Continuing operating income - net	(\$ 1.63)	(\$ 1.26)	(\$ 3.14)	(\$ 2.66)
Cumulative effect of changes in accounting principles	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.01</u>
Net income in current period	<u>(\$ 1.63)</u>	<u>(\$ 1.26)</u>	<u>(\$ 3.14)</u>	<u>(\$ 2.65)</u>



C. Business plan for 2008

- 1) Depository business
 - a. Expand the depository business in the area of direct deposits of salary and securities settlements.
 - b. Increase the branch teller's responsibility to cross-sell Bank products when appropriate by making the necessary referrals to those who specialize in the product line.
 - c. Adhere to the Bank's defined Standard Operating Procedures and other business/process disciplines to maximize branch productivity and efficiency while meeting and exceeding all customer quality related requirements.
 - d. Enhance the branch personnel's professional knowledge and skills to ensure that there is adequate coverage, adherence to standards, and delivery of quality customer service.
 - e. Manage and control the costs through monitoring and examining the expense structures within the branches.
- 2) Trust and Wealth Management Business
 - a. Expand the trust business by streamlining and integrating the resources between the Bank and other subsidiaries under the Yuanta Financial Holdings.
 - b. Develop and offer innovative products and services in wealth management.
 - c. Enhance the training programs for the Bank and other channel networks of subsidiaries.
- 3) Corporate banking business
 - a. Improve and monitor loan repayment activities.
 - b. Manage the long-term and profitable customer relationships in order to maximize portfolio revenue growth and asset quality.
 - c. Improve the credit standards on loan reports to ensure that the related applicant information is updated in an accurate and timely manner.
 - d. Improve the management of credit risk controls through pre-screening, evaluating, rating, as well as monitoring post loan management.
 - e. Expand the market share through the continued cultivation of the central Taiwan market as well as explore new market opportunities in the cross-strait area.
- 4) Foreign exchange business
 - a. Improve the efficiency and accuracy of processing foreign exchange related documents by installing a digital imaging system.
 - b. Provide support by responding related inquiries from both internal groups and external clients.
 - c. Act as a liaison to the branches in assisting to expand the foreign currency trading business in order to raise revenue with high profitability.
- 5) Consumer banking business
 - a. Acquire and expand customer relationships through offering various products sales in the areas of mortgages, personal loans and credit cards.
 - b. Strengthen relationships and reduce attrition with credit card customers by developing strategic points-of-view on marketing programs, new product development and co-brand



extensions.

6) Investing business

- a. Strengthen the business in option exchange and money market/foreign exchange dealing operation.
- b. Provide the maximum return on the funds through various investments.
- c. Utilize and streamline the resources within the Holding Company to achieve maximum efficiencies.

D. Market analysis

1) Macro environment

In 2007, the financial environment in Taiwan remained unstable despite improvement in credit and cash cards delinquency rates. Taiwan's beleaguered banks faced another tough year with the impact of credit stresses in the U.S. sub prime mortgage sector, decline of the US dollar and economy, and the continuous record high for crude oil prices.

Taiwan's financial outlook in 2008 is believed to be brighter after the presidential election. The increasing numbers of foreign investors and lesser restrictions of business expansions in mainland China are cause for optimism. Taiwan's banks have been dedicated to developing and expanding overseas branches or subsidiaries, especially with the growing business opportunities and customer bases in mainland China.

While the prospect might be improving for many of Taiwan's banks, the similarity of products and service offerings could eclipse the attractiveness of the loan business. As a result, the profit margin could be jeopardized.

To emerge from the highly competitive financial environment, the focuses in 2009 for Taiwan's banks are to emphasize diversities in products and service offerings, strengthen the risk management and internal control, and improve financial structures.

2) Micro environment

As an integral subsidiary of Yuanta Financial Holdings, the Bank will fully leverage resources from the security business through integration of operations, consolidation of existing branch network, and serving as a securities deposit and settlement organization. The Bank will also dedicate efforts in developing and offering the innovative products and services, improving the risk management and internal control, and providing employees with a means to enhance their professional knowledge and skills.

E. Research of financial products and overview of business development

1) Business units added in recent two years:

The Bank was officially re-organized in December 2007, and added new business departments including Financial Trading Dept., Corporate Banking Products Development Dept. and Consumer Banking Business Dept. The overview of business development is outlined as following:

a. Financial Trading Dept.

Financial Trading Dept. was established in order to effectively centralize the various



control transactions and strengthen non-interest income. It functions to control the operation of the Bank's trading book, including the transactions of foreign exchange products, fixed-income products, derivative financial products and securities products, and governs Foreign Exchange Division, Fixed Income Division, Derivative Financial Product Trading Division and Capital Market Division.

In 2007, the turnover of bonds was NTD\$1,000,070.49 million, the turnover of bills and notes was NTD\$13,940,000, and the turnover of foreign exchange and derivative financial products there of USD\$19.8 billion, growing by 147%, -66% and 23% if compared with 2006.

b. Corporate Banking Products Development Dept.

Corporate Banking Products Development Dept. was renamed from the "Project Financing Dept." in the old organization, which governs Syndicated Credit Extension Business Division, Accounts Receivable Division, Trading Financing Business Division and Product Management Division and highlights professional division of labor and upgrade the operational performance. In recent years, in order to cope with the large-scaled trend of fund raising in the financial market, the Bank has actively participated syndicated credit extension projects. In 2007, the Bank has successfully sponsored 2 large-scaled syndicated loan projects and co-sponsored 11 large-scaled syndicated loan projects, generating the revenue totaling NTD\$31,110,000 and reflecting the Bank's professional ability to proceed with syndicated loans. Additionally, in order to help enterprises adjust accounts receivable and payable flexibly and allocate working funds elastically, the Bank also actively engages in providing the factoring services to assume the credit risk on behalf of customers to enable the working fund to be utilized more flexibly and upgrade the operational performance. In 2007, the accumulative invoices issued for accounts receivable have amounted to NTD\$25 billion, generating service fee income NTD\$38 million and interest income NTD\$173 million.

c. Consumer Banking Business Dept.

Consumer Banking Business Dept. was renamed upon consolidation of "Consumer Banking Planning Dept." and "Consumer Banking Sales Dept.", govern Business Development Division and Business Management Division and responsible for development, planning and execution of such consumer banking credit extension products as mortgage, credit loan, car loan and installment payments. With respect to credit extension, it still takes the upgrading of asset quality as the first priority and aims to strengthen the management on loans and risk management analysis ability, and also enhance utilization of financial holding and banking channels to increase the consumer banking business.

2) Expenditure and results of R&D in recent two years and future R&D plans

- a. "Life insurance Mortgage ": Provide customers with the life insurance, and once the customers are deceased due to accidents, they will be granted the insurance benefit to repay the loan to prevent their houses from being auctioned for failure to repay the principal and interest as scheduled.
- b. "Ching Fu Loan" corporate banking loans: Provide the Bank's existing corporate banking customers with the small and temporary revolving fund and utilize overdraft or demand deposit as the tool for disbursement and repayment to help customers allocate fund and decrease the Bank's operating human resource.
- c. Relocation and upgrading of Core Banking system: In order to cope with the trend of



regional centralized operation and strengthen the flexibility of speedy marketing of diversified products, the Bank plans to replace the old NTD core system to upgrade the Bank's comprehensive competitiveness.

- d. Establishment of diversified e-channels: In order to upgrade the service quality of e-channels, the Bank has increased the functions and services including voice mail, ATM, e-bank and Smart Pay in recent years, e.g. on-line enrollment of insurance, personal e-bank, reserved bank wire transfer, search for foreign investment custodian business, purchasing chargeback, electronic statement of account and on-line foreign exchange.

F. Long-term and short-term business development plans

- 1) Please refer to pages 70-71 of for the business development plan for 2008.
- 2) Long-term business plan
 - a. Cultivate target customer groups and establish the platform of complete and diversity products to integrate marketing and cultivation services, and continue improving the operational procedure to lower operational cost and upgrade customers' satisfaction degree and profitability.
 - b. Orient the key strategies towards distinction of target markets and fulfillment of differentiation to satisfy the various customers' needs, and make use of diversification and integrated packaging of products to increase added value of products and of financial services to satisfy customers' need for one-stop purchase.
 - c. Strengthen the self-employment transactions of stocks, bonds, foreign exchange and derivative products to facing the increasing of business opportunity or threat in competition.
 - d. Actively develop such new financial products as interest rate, foreign exchange, equity, credit and commodities, and strengthen the diversification and specialty products to create high value-added business base and develop diversified sources of income.
 - e. Continue strengthening risk management ability and well founding financial structure to seek the maximum profit.
 - f. Upgrade the research on foreign and domestic economic and financial market development trends and new financial products to increase the business development.
 - g. Continue cultivating Merchant Banking business to provide our customers excellent business plans, such as financial advisor, financing project advisor, corporate wealth management and M&A, etc.; actively develop securitization business to provide customers with the various innovative products and omnibus product portfolio services to increase service charge income and stabilize the source of profit.



2. Employee statistics

February 29, 2008

Year		2006	2007	Up to February 29, 2008
Number of staff		2888	2865	2835
Average age		34.8	35.46	36.46
Average seniority		4	4.57	4.68
Education level ratio	PhD	0.07%	0.03%	0.07%
	Master	7.2%	8.2%	8.36%
	University & College	80.75%	82.69%	82.86%
	High School	11.95%	9.01%	8.54%
	Below High School	0.03%	0.07%	0.07%
Certificates and licenses held by Yuanfa Commercial Bank employees	Internal control	Financial planning specialists	Preliminary credit personnel	Advanced credit personnel
	Preliminary foreign exchange personnel	Trust salesperson	Security salesperson	Senior security salesperson
	Security analyst	Industry analyst	Futures salesperson	Investment trust & consulting salesperson
	Property insurance salesperson	Property insurance agent	Property insurance broker	Investment insurance
	Real estate salesperson	Real estate broker	Life insurance agent	Life insurance broker
	Junior exam of nation	Senior exam of nation	Class B special exam	Class C special exam
	Land registration agent	Labor safety & health specialist	Bond specialist	Security salesperson
	CFP			



3. Corporate responsibilities and ethics

The Bank is committed to the belief of giving back. Through Yuanta Foundation, the Bank commits resources to assist and support the following charity groups: Eden Social Welfare Foundation, The child Welfare League Foundation, Taiwan Motor Neuron Disease Association, and other organizations. The Bank also provides an easy way to donate to various charity groups via the internet.

4. Information technology facilities

A. The major hardware and software information systems

NEC/IPX 7800, Sun E3500, IBM P I Series, etc. are the critical servers and systems for the Bank's daily business in depository, remittance, wire transfer, foreign exchange, accounting and data warehouse storage etc.

B. Future IT development

- 1) Develop systems for: core banking system, treasury system, fund transfer pricing, and asset and liability management system.
- 2) Develop reporting platform for branches to review the financial reports and performance analysis.
- 3) Develop system in compliance with BASEL II.
- 4) Launch project Phase 2 and 3 for Interactive Voice Response (IVR).
- 5) Develop the integrated management system for surety from both corporate and consumer banking.
- 6) Develop and integrate a data warehouse.
- 7) Develop a risk control system to integrate the risk evaluations from the same party, group, industry and state.
- 8) Develop analysis system for wealth management group to manage and monitor client investment portfolios.
- 9) Develop system that allows Trust clients to access more service options and engage short-term fund transactions.
- 10) Develop platform for image scanning system.
- 11) Strengthen IT functions related to B2B and B2C business to provide easy access to financial services via the internet.
- 12) Establish central monitoring system for Passbook Entry Machine (PEM) and automated teller machine (ATM).
- 13) Develop the integrated management system for NPL collection from corporate banking, consumer banking and credit card.
- 14) Develop analysis system for NPL and allowance for bad debt management.
- 15) Develop various integration systems to streamline the current infrastructure.

C. Emergency backup and protection

In order to ensure the non-interruption of operations within the Bank, the backup system will



be tested semi-annually. The semi-annual drill would also allow the IT staff to react accordingly in the event of an emergency.

D. Security of network

- 1) Firewall – The important network gateways are installed with firewall protection.
- 2) NAT IP address conversion – The multiple NAT IP address conversion conceals the actual internal IP address.
- 3) Software Update – Routine system scan is performed to identify vulnerabilities. Periodically install patch update to limit exposures of system vulnerability and enhance overall system security.
- 4) Anti-virus and anti-spam mechanism – Installed anti-virus and anti-spam application on the PC and exchange servers.

5. Labor relations

A. Current important labor agreement and enforcement

- 1) Employee welfare
 - a. Enrolled in labor insurance and national health insurance for employees in accordance with the government's laws and regulations.
 - b. Enrolled group insurance for employees, including term life insurance, injury insurance, cancer insurance, hospitalization insurance and occupational disaster insurance, etc..
 - c. Establish Employees Welfare Committee and stipulate the relevant reimbursement rules
 - d. Provide subsidies to clubs established by Yuanta Commercial Bank employees.
 - e. Provide scholarship for employees' children.
 - f. Provide subsidies to departments that hold leisure or tourist activities.
 - g. Provide meal allowance.
 - h. Provide "winter and summer uniforms".
 - i. Provide preferential interest rate for savings accounts of employees, pension deposits, house loans, property remodeling loans and consumer loans.
 - j. Provide employees with Shareholdings trust service.
 - k. Enact vacation and retirement rules in response to employees' entertainment and career plans.

2) Retirement plan

The new labor retirement system was enforced as of July 1, 2005. The employees' retirement may apply the "Labor Pension Act" or, unless otherwise provided in laws, the following "Labor Retirement Rules":

- a. Qualification:
 - i. Voluntary retirement:
 - (1) Employees who have worked for the Bank for at least 15 years and are 55 years old or more.
 - (2) Employees who have worked for the Bank for over 25 years.
 - ii. Voluntary early retirement:
 - (1) Employees who are 55 years old or more.
 - (2) Employees' age and seniority combined are over 55.
 - iii. Compulsory retirement:



- (1) Employees who are 60 years old or more.
 - (2) Employees who are physically or mentally disabled and can no longer perform their job responsibilities.
- b. Pension plan:
- i. Employee seniority earned before the enforcement of the Labor Standards Law is awarded with one point per year with a maximum of 30 points awarded.
 - ii. Employee seniority earned after the enforcement of the Labor Standards Law is awarded with 2 points per year and 1 point per year for seniority beyond 15th year and with a maximum of 45 points awarded.
 - iii. Any fraction of a year of service shall be counted as a half year if less than half a year, and as a full year if more than half a year. Points calculated in fractions shall not exceed 45 points in total.
 - iv. Employees who apply for voluntary early retirement may be awarded an additional 0.5 point for each service year (not applicable if it is less than one year), provided that the additional points shall not exceed 5 points.
- c. The Bank has organized the “Employees Pension Reserve Supervision Committee” and allocated the pension reserve fund on a monthly basis.
- 3) Other important agreements: **【None】**

B. Loss resulting from labor dispute in recent years : **【None】**

6. Important contracts

Nature	Counterpart	Date	Content	Restrictive clauses
Purchase and sale contract	Nan Shan Life Insurance	Sept. 14, 2007	Total contract amount of NTD\$1,010.57 million, paid in four installments	<ol style="list-style-type: none"> 1. Seller shall move out on Feb. 15, 2008, provided that Seller may apply for an extension within 15 days prior to the due date if it is impossible for Seller to move out timely, and the extension may be requested for no more than twice, i.e. until August 15, 2008. 2. The hand-over date shall be no later than 12 months after the date when the Contract was signed.

7. Securitization products : **【None】**



Disclosure of Important Financial Information

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VI. Disclosure of Important Financial Information

1. Five-year consolidated balance sheets and income statement in summary

A. Condensed balance sheet

Unit: thousand NTD

Title	Year	Financial information over the past five years (Note)					Financial information up to February 29, 2008
		2007	2006	2005	2004	2003	
Cash and cash equivalent, deposited in Central Bank and due from interbanks		64,336,771	63,275,717	35,492,474	37,651,406	29,950,906	75,138,797
Marketable securities purchased		-	-	-	24,538,408	23,350,138	-
Financial assets at fair value through income statement - net		5,940,952	12,071,805	7,781,535	-	-	24,330,320
RS and bonds investment		397,522	611,200	59,556	-	-	2,122,026
Receivables - net		15,034,704	16,832,116	9,265,445	7,960,841	6,607,607	15,135,130
Assets held for sale		778,668	-	-	-	-	778,668
Rebate and loans - net		236,802,168	226,180,652	228,842,212	195,102,670	168,475,062	227,959,583
Financial assets in available-for-sale - net		14,345,346	16,667,948	17,575,892	-	-	14,129,618
Financial assets in held-to-maturity - net		849,150	325,960	-	-	-	801,816
Equity investment under equity method		143,162	160,555	185,194	217,678	187,828	147,507
Other financial assets		1,312,653	2,101,809	2,372,896	1,890,627	1,080,043	945,059
Fixed assets - net		2,265,556	3,088,194	3,067,008	2,903,625	2,557,215	2,299,608
Intangible assets		1,466,021	1,446,600	1,455,523	529,421	298,010	1,459,256
Other assets - net		2,830,566	2,925,277	2,770,515	1,899,187	2,738,826	2,805,454
Total assets		346,503,239	345,687,833	308,868,250	272,693,863	235,245,635	368,052,842
Deposits at Central Bank and interbanks		28,264,164	26,328,167	26,099,261	24,670,040	31,385,695	14,365,607
Financial liabilities at fair value through income statement		3,570,504	2,497,646	104,849	-	-	562,786
RP and bonds liabilities		7,909,694	12,140,286	10,796,321	10,903,860	9,737,969	3,440,968
Deposits and remittances		262,844,440	267,431,677	242,414,362	211,320,395	172,883,629	306,293,710
Funds due to Central Bank and interbanks, payable financial bonds		12,166,000	12,166,000	4,500,000	4,500,000	4,500,000	9,800,000
Preferred stock liabilities		-	-	-	-	-	-
Accrued pension liabilities		-	21,783	57,482	25,745	68,166	3,684
Other financial liabilities		464,752	501,190	74,560	-	-	418,807
Other liabilities		9,454,905	10,656,957	6,092,160	5,485,365	5,275,494	11,108,670
Total liabilities	Before distribution	324,674,459	331,725,706	290,138,995	256,905,405	223,850,953	345,994,232
	After distribution	324,674,459	331,725,706	290,175,163	256,956,985	223,984,517	345,994,232
Capital stock		24,000,000	18,000,000	18,000,000	14,000,000	10,500,000	24,000,000
Capital surplus		-	14,673	14,673	14,673	14,673	-
Retained earnings	Before distribution	(2,014,728)	(4,028,159)	773,874	1,773,785	905,091	(1,854,252)
	After distribution	(2,014,728)	(4,028,159)	737,706	722,205	271,527	(1,854,252)
Unrealized income on financial products		(156,492)	15,273	-	-	-	(87,138)
Cumulative translation adjustment		-	-	-	-	-	-
Other shareholders' equity		-	(39,660)	(59,292)	-	(25,082)	-
Total shareholders' equity	Before distribution	21,828,780	13,962,127	15,729,255	15,788,458	11,394,682	22,058,610
	After distribution	21,828,780	13,962,127	18,693,087	15,736,878	11,261,118	22,058,610

Note: The financial information from 2003 to 2007 has been audited and certified by CPA. The financial information from the current year up to February 29, 2008 was related to the accounts closed by Yuanta Commercial Bank independently.



B. Condensed Income Statement

Unit: thousand NTD

Title	Year	Financial information over the past five years (Note)					Financial information up to February 29, 2008
		2007	2006	2005	2004	2003	
Interest income – net		5,483,699	5,551,436	5,897,274	5,293,577	3,959,102	940,474
Non-interest income – net		1,110,464	1,585,949	1,091,540	1,588,791	1,129,305	196,577
Bad debt expenses		4,099,417	8,394,810	2,964,931	1,550,571	1,378,220	173,727
Operating expenses		5,089,484	4,402,563	3,949,796	3,281,138	2,718,110	783,405
Continuing operating income before tax		(2,594,738)	(5,659,988)	74,087	2,050,659	992,077	179,919
Continue operating income after tax		(2,001,242)	(4,777,022)	51,669	1,502,258	913,579	160,476
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		(2,001,242)	(4,765,864)	51,669	1,502,258	913,579	160,476
EPS (NT\$)	Before adjustment	(1.26)	(2.65)	0.03	1.11	0.87	0.07
	After adjustment	(1.26)	(2.89)	0.03	1.12	0.85	0.07

Note: The financial information from 2003 to 2007 has been audited and certified by CPA. The financial information from the current year up to February 29, 2008 was related to the accounts closed by the Bank independently.

C. Names of independent auditing firms and CPAs' providing certification over the past five years, and CPA's opinion

Year	Independent auditing firm	CPA	Auditor's opinion
2003	KPMG Certified Public Accountants	Andrew Yu & Lisa Kuang	Modified unqualified 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



2. Five-year financial analysis

Analysis title		Financial analysis over the past five years					Financial information up to February 29, 2008
		2007.12.31	2006.12.31	2005.12.31	2004.12.31	2003.12.31	
Operating performance	Ratio of deposits to loans	88.04	81.72	89.84	86.42	88.30	73.13
	NPL ratio	1.32	1.22	2.49	2.93	3.75	1.34
	Ratio of interest cost to annual average deposits	1.66	1.58	1.33	1.12	1.54	1.74
	Ratio of interest income to annual average loans outstanding	3.84	3.89	3.79	3.68	4.01	3.90
	Total assets turnover (times)	0.02	0.02	0.02	0.02	0.02	0
	Average operation revenue per employee (thousand NT\$)	2,302	2,471	2,200	2,635	3,112	401
	Average profit per employee (thousand NT\$)	(699)	(1,650)	18	611	573	57
Profitability	Return on tier I capital (%)	(15.41)	(37.71)	0.45	15.53	9.28	0.85
	Return on assets (%)	(0.58)	(1.46)	0.02	0.59	1.86	0.04
	Return on shareholders' Equity (%)	(11.18)	(29.16)	0.30	11.05	8.43	0.73
	Net income ratio (%)	(30.35)	(66.77)	0.82	23.19	18.41	14.11
	EPS (NT\$)	(1.26)	(2.89)	0.03	1.12	0.85	0.07
Financial Structure	Ratio of Liabilities to Assets	93.70	95.92	93.94	94.21	95.16	94.01
	Ratio of Fixed Assets to Equity	10.38	22.12	16.38	18.39	22.44	10.42
Growth rate	Rate of Assets growth	0.24	11.92	13.27	15.92	31.43	7.56
	Rate of earnings growth	(54.16)	(7,739.65)	(96.39)	106.70	129.75	(17.57)
Cash flow	Cash flow ratio	21.17	(Note 2)	13.95	9.11	1.80	(Note 2)
	Cash flow adequacy ratio	480.43	210.59	403.18	311.98	207.12	480.43
	Cash flow coverage ratio	68.41	(Note 2)	21.16	5.64	1.06	(Note 2)
Ratio of liquidity reserve (%)		21.70	20.00	12.40	12.70	14.30	19.30
Total balance of secured loans of related parties (thousand NT\$)		1,205,989	849,765	2,120,518	-	-	1,227,778
Ratio of total balance of secured loans of related parties to total balance of credit extension (%)		48.50	99.14	88.46	-	-	49.05
Operating scale	Asset market share (%)	1.24	1.26	1.16	1.10	0.96	-
	Net-worth market share (%)	1.22	0.83	1.11	1.02	0.80	-
	Deposits market share (%)	1.27	1.32	1.24	1.15	1.01	-
	Loans market share (%)	1.36	1.35	1.08	1.27	1.19	-
<p>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%).</p> <p>The increase in the ratios related to the Bank's profitability in 2007 more than 2006 is a result of the increase in the allowance for bad debts to upgrade the asset quality of loans and credit cards in 2006.</p>							

Note 1: The financial information has been audited and certified by CPA over the past five years. The financial information up to February 29, 2008 was settled by Yuanta Commercial Bank.

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 formula 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 guarantee 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: thousand NTD

Analysis Item			Capital adequacy ratio over the past five years					Capital adequacy ratio up to February 29, 2008 (not audited by CPA)
			2003	2004	2005	2006	2007	
Self-owned capital	Tier I capital	Common stock	10,500,000	14,000,000	18,000,000	18,000,000	24,000,000	24,000,000
		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	14,673	0	0
		Legal reserve	0	271,527	722,205	737,705	0	0
		Special reserve	0	0	0	0	0	0
		Accumulated profit or loss	905,091	1,502,258	51,669	(4,765,864)	0	0
		Minority equity	0	0	0	0	0	0
		Other shareholders' equity	(25,082)	0	(59,292)	(58,178)	(156,492)	(89,415)
		Less : Goodwill	279,680	500,836	1,319,535	1,319,535	1,319,535	1,319,535
		Less: Unamortized loss on sale of NPL	0	0	0	0	0	0
		Less: Capital deductions	260,996	278,222	239,816	226,859	1,451,384	1,466,006
		Total Tier I capital	10,854,006	15,009,400	17,169,904	12,381,942	21,072,589	21,125,044
	Tier II capital	Consol cumulative preferred stock	0	0	0	0	0	0
		Consol cumulative subordinated debentures	0	0	0	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	0	15,206	0	1,024
		Convertible bonds	0	0	0	0	0	0
		Operating reserve and allowance for bad debt	1,041,814	1,155,378	90,171	13,144	1,064,971	811,713
		Long-term subordinated debentures	3,600,000	2,700,000	1,800,000	6,304,400	4,440,000	4,440,000
		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	260,995	278,222	239,816	226,858	1,451,384	1,466,006
		Total Tier II capital	4,380,819	3,577,156	1,650,355	9,105,892	7,053,587	6,786,731
	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		15,234,825	18,586,556	18,820,259	21,487,834	28,126,176	27,911,775



Weighted risk-based assets	Credit risk	Standardized approach	163,500,448	190,901,498	218,313,531	217,610,839	212,632,661	214,661,964
		Internal-rating based approach	—	—	—	—	—	—
		Securitization of assets	—	—	—	—	427,472	432,893
	Operating risk	Basic indicator approach	—	—	—	—	13,090,763	13,090,763
		Standardized approach/Optional standardized approach	—	—	—	—	—	—
		Advanced measurement	—	—	—	—	—	—
	Market risk	Standardized approach	11,291,363	14,077,175	12,845,576	15,819,906	10,785,088	10,989,363
		Internal models approach	—	—	—	—	—	—
		Total weighted risk-based assets		174,791,811	204,978,673	231,159,107	233,430,745	236,935,984	239,174,983
	Capital adequacy ratio		8.72	9.07	8.14	9.21	11.87	11.67
Ratio of Tier I capital in risk-based assets		6.21	7.32	7.43	5.31	8.89	8.83	
Ratio of Tier II capital in risk-based assets		2.51	1.75	0.71	3.90	2.98	2.84	
Ratio of Tier III capital in risk-based assets		0	0	0	0	0	0	
Ratio of common capital stock in total assets		4.46	5.13	5.83	5.21	6.93	6.52	
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%) In order to strengthen the Bank’s financial structure and increase the Bank’s capital adequacy ratio, the Bank reduced capital of \$4 billion to cover the loss and increased capital in cash of \$10 billion in 2007 and thereby caused the capital adequacy ratio to increase from 9.21% at the end of 2006 to 11.87% at the end of 2007.								

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: thousand NTD

Analysis title			Consolidated capital adequacy ratio over the past five years					Capital adequacy ratio up to February 29, 2008
			2003	2004	2005	2006	2007	
Self-owned capital	Tier I capital	Common stock	—	—	18,000,000	18,000,000	24,000,000	—
		Consol non-cumulative preferred stock	—	—	0	0	0	—
		Consol non-cumulative subordinated debentures	—	—	0	0	0	—
		Capital collected in advance	—	—	0	0	0	—
		Capital surplus (exclusive of reserve for revaluation of fixed assets)	—	—	14,673	14,673	0	—
		Legal reserve	—	—	722,205	737,705	0	—
		Special reserve	—	—	0	0	0	—
		Accumulated profit or loss	—	—	51,669	(4,765,864)	0	—
		Minority equity	—	—	0	0	2,838	—
		Other shareholders' equity	—	—	(59,292)	(58,178)	(156,492)	—
		Less : Goodwill	—	—	1,319,535	1,319,535	1,319,535	—
		Less : Unamortized loss on sale of NPL	—	—	0	0	0	—
		Less : Capital deductions	—	—	157,219	146,581	1,379,803	—
		Total Tier I capital	—	—	17,252,501	12,462,220	21,147,008	—
	Tier II capital	Consol cumulative preferred stock	—	—	0	0	0	—
		Consol cumulative subordinated debentures	—	—	0	3,000,000	3,000,000	—
		Reserve for revaluation of fixed assets	—	—	0	0	0	—
		45% of Unrealized gain on financial assets in available-for-sale	—	—	0	15,206	0	—
		Convertible bonds	—	—	0	0	0	—
		Operating reserve and allowance for bad debt	—	—	90,171	13,144	1,064,971	—
		Long-term subordinated debentures	—	—	1,800,000	6,304,400	4,440,400	—
		Non-consol preferred stock	—	—	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	—
		Less : Capital deductions	—	—	157,219	146,580	1,379,803	—
		Total Tier II capital	—	—	1,732,952	9,186,170	7,125,168	—
	Tier III capital	Short-term subordinated debentures	—	—	0	0	0	—
		Non-consol preferred stock	—	—	0	0	0	—
		Total Tier III capital	—	—	0	0	0	—
	Self-owned capital		—	—	18,985,453	21,648,390	28,272,176	—



Weighted risk-based assets	Credit risk	Standardized approach	—	—	218,913,273	218,702,184	212,725,652	—
		Internal-rating based approach	—	—	—	—	—	—
		Securitization of assets	—	—	—	—	427,472	—
	Operating risk	Basic indicator approach	—	—	—	—	13,862,963	—
		Standardized approach/optional standardized approach	—	—	—	—	—	—
		Advanced measurement	—	—	—	—	—	—
	Market risk	Standardized approach	—	—	12,878,476	15,819,906	10,785,088	—
		Internal models approach	—	—	—	—	—	—
	Total weighted risk-based assets		—	—	231,791,749	234,522,090	237,801,175	—
Capital adequacy ratio(%)			—	—	8.19	9.23	11.89	—
Ratio of Tier I capital in risk-based assets (%)			—	—	7.44	5.31	8.89	—
Ratio of Tier II capital in risk-based assets (%)			—	—	0.75	3.92	3.00	—
Ratio of Tier III capital in risk-based assets (%)			—	—	0	0	0	—
Ratio of common capital stock in total assets (%)			—	—	5.82	5.19	6.93	—
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%))								
In order to strengthen the Bank's financial structure and increase the Bank's capital adequacy ratio, the Bank reduced capital of \$4 billion to cover the loss and increased capital in cash of \$10 billion in 2007 and thereby caused the capital adequacy ratio to be increased from 9.23% at the end of 2006 to 11.89% at the end of 2007.								

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

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

3. Capital adequacy ratio = Self-owned capital / Total weighted risk-based assets °

4. Ratio of Tier I capital in risk-based assets = Tier I capital / Total weighted risk-based assets °

5. Ratio of Tier II capital in risk-based assets = Tier II capital / Total weighted risk-based assets °

6. Ratio of Tier III capital in risk-based assets = Tier III capital / Total weighted risk-based assets °

7. Ratio of common capital stock in total assets = Common capital stock / Total assets



3. The latest consolidated financial statements of the bank and its subsidiaries audited and certified by the CPAs

Yuanta Commercial Bank Co., Ltd. And Its Subsidiaries
Consolidated Financial Statements of Affiliated Enterprises Declaration

According to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Report and Consolidated Financial Statements of Affiliated Enterprises”, the entities to be included in the consolidated financial statements of affiliated enterprises conform to those stipulated in R.O.C. SFAS No. 7 “Consolidated Financial Statements”. In addition, relevant information of consolidated financial statements of affiliated enterprises has been disclosed in the Consolidated Financial Statements; hence, the Bank did not prepare Consolidated Financial Statements of Affiliated Enterprises in 2007 (from January 1, 2007 to December 31, 2007).





資誠會計師事務所

台北市基隆路一段333號27樓
27/F 333 Keelung Rd., Sec. 1,
Taipei, Taiwan, R.O.C.
Tel : (02) 2729-6666
Fax: (02) 2757-6371

(97)PWCR07002496

REPORT OF INDEPENDENT ACCOUNTANTS

To: Yuanta Commercial Bank Co., Ltd. and its Subsidiaries

We have audited the accompanying consolidated balance sheet of Yuanta Commercial Bank Co., Ltd. and its subsidiaries (formerly known as Fuhwa Commercial Bank Co., Ltd. and its subsidiaries) as of December 31, 2007, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of the Bank and its subsidiaries for the year ended December 31, 2006 were audited by other independent accountants whose report dated February 9, 2007 expressed a modified unqualified opinion on those consolidated statements as the Bank and its subsidiaries initially adopted R.O.C. Statements of Financial Accounting Standard No. 34 "Financial Instruments: Recognition and Measurement", No. 36 "Financial Instruments: Disclosure and Presentation" and newly amended Statement of Financial Accounting Standard No.1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements".

We conducted our audits in accordance with the "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 consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yuanta Commercial Bank Co., Ltd. and its subsidiaries as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with the "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.





Price Waterhouse Coopers

February 19, 2008

The accompanying consolidated financial statements are not intended to present the consolidated 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 consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated 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.



Yuantia Commercial Bank Co., Ltd And Its Subsidiaries
(Formerly known as Fuhwa Commercial Bank Co., Ltd. And Its Subsidiaries)

(Expressed In Thousands of New Taiwan Dollars)

	2007	2006	Change Percentage %		2007	2006	Change Percentage %
	Amount	Amount			Amount	Amount	
ASSETS				LIABILITIES AND STOCKHOLDERS' EQUITY			
Cash and cash equivalents (Note 4(1))	\$ 4,316,973	\$ 5,835,418	(26)	Due to Central Bank and other banks (Note 4(14))	\$ 28,264,164	\$ 27,166,309	4
Due from Central Bank and call loans to banks (Note 4(2))	60,020,423	57,445,344	4	Financial liabilities at fair value through profit or loss – net (Notes 4(15) and (18))	3,570,504	2,479,646	44
Financial assets at fair value through profit or loss – Net (Notes 4(3) and 6)	5,940,952	12,071,805	(51)	Bills and bonds payable under repurchase agreements (Notes 4(4) and 5)	7,909,694	12,140,286	(35)
Investments in bills and bonds under resale agreements (Notes 4(4) and 5)	397,522	611,200	(35)	Payables (Note 4(16))	9,069,588	10,463,545	(13)
Receivables – net (Notes 4(5) and 5)	15,120,898	17,907,674	(16)	Deposits and remittances (Notes 4(17) and 5)	262,765,613	267,376,345	(2)
Assets held for sale (Notes 4(6) and 7)	778,668	-	-	Financial debentures (Notes 4(18) and 5)	12,166,000	12,166,000	-
Bills discounted and loans – net (Notes 4(7) and 5)	236,802,168	226,180,652	5	Accrued pension liabilities (Note 4(19))	2,323	24,909	(91)
Available-for-sale financial assets – net (Notes 4(8) and 6)	14,345,346	16,667,948	(14)	Other financial liabilities	464,752	531,143	(12)
Held-to-maturity financial assets (Note 4(9))	849,150	325,960	161	Other liabilities	409,677	307,611	33
Other financial assets – net (Note 4(10))	1,312,724	2,101,809	(38)	TOTAL LIABILITIES	324,622,315	332,655,794	(2)
Properties, plants and equipment (Notes 4(11) and (24))				STOCKHOLDERS' EQUITY			
Cost:				Common stock (Note 4(20))	24,000,000	18,000,000	33
Land	799,346	1,495,283	(47)	Additional paid-in Capital (Note 4(21))	-	14,673	(100)
Buildings	241,899	521,802	(54)	Retained earnings			
Office equipment	1,027,867	1,030,670	-	Legal reserve (Note 4(22))	-	737,705	(100)
Transportation equipment	29,909	38,339	(22)	Deficits to be recovered (Note 4(23))	(2,014,728)	(4,765,864)	(58)
Miscellaneous equipment	796,336	795,319	-	Other stockholders' equity			
Subtotal	2,895,357	3,881,413	(25)	Unrealized loss on available-for-sale financial assets	(156,492)	15,273	(1,125)
Less: Accumulated depreciation	(1,035,384)	(957,323)	8	Unrealized net loss on accrued pension cost	-	(39,660)	(100)
Construction in progress	410,047	170,200	141	Minority interest	2,838	3,099	(8)
Properties, plants and equipment - net	2,270,020	3,094,290	(27)	TOTAL STOCKHOLDERS' EQUITY	21,831,618	13,965,226	56
Intangible assets (Note 4(12))	1,466,021	1,446,600	1	TOTAL STOCKHOLDERS' EQUITY			
Other assets				COMMITMENTS AND CONTINGENT			
Other assets – others (Note 4(13))	1,086,673	1,284,950	(15)	LIABILITIES (Note 7)			
Deferred income tax assets (Note 4 (25))	1,746,395	1,647,370	6	TRUST ASSETS (Note 10(4))			
Other assets - total	2,833,068	2,932,320	(3)	SUBSEQUENT EVENTS (Note 9)			
TOTAL ASSETS	\$ 346,453,933	\$ 346,621,020		TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 346,453,933	\$ 346,621,020	-

The accompanying notes are an integral part of these consolidated financial statements.
See PricewaterhouseCoopers audit report dated February 19, 2008.

Yuanta Commercial Bank Co., Ltd. And Its Subsidiaries
(Formerly known as Fuhwa Commercial Bank Co., Ltd. And Its Subsidiaries)
Consolidated Statements Of Income
For The Years Ended December 31, 2007 And 2006
(Expressed In Thousands of New Taiwan Dollars, Except For deficits Per Share)

	<u>2007</u>	<u>2006</u>	<u>Change</u>
	<u>Amount</u>	<u>Amount</u>	<u>Percentage</u>
			<u>%</u>
Interest incomes	\$ 11,262,013	\$ 10,922,348	3
Less: Interest expenses	(5,552,930)	(5,023,999)	11
Net interest income	<u>5,709,083</u>	<u>5,898,349</u>	(3)
Net non-interest Income			
Net service fee and commission income	944,273	930,821	1
Gains (Loss) on financial assets and financial liabilities at fair value through profit or loss (Note 4(3))	(112,840)	67,841	(266)
Realized loss on available-for-sale financial assets (Note 4(8))	(85,510)	(9,610)	790
Foreign exchange gains (losses) – net	43,572	(23,681)	(284)
Other non-interest income (loss) – net	395,688	396,053	(1)
Asset impairment loss	(194,508)	-	-
	<u>990,675</u>	<u>1,361,424</u>	(27)
Net revenues	<u>6,699,758</u>	<u>7,259,773</u>	(8)
Provision for credit losses (Note 4(7))	(4,112,844)	(8,404,068)	(51)
Operating expenses			
Personnel expenses (Note 4(24))	(2,822,193)	(2,571,974)	10
Depreciation and amortization expenses (Note 4(24))	(480,898)	(396,863)	21
Other general and administrative expenses	(1,869,342)	(1,532,543)	22
Loss from continuing operations before income taxes	(2,585,519)	(5,645,675)	(54)
Income tax benefit (Note 4(25))	<u>584,449</u>	<u>869,272</u>	(33)
Loss from continuing operations after income taxes	(2,001,070)	(4,776,403)	(58)
Cumulative effect of changes in accounting principle (Net of income taxes of \$10,166)	<u>-</u>	<u>11,158</u>	(100)
Consolidated net loss	<u>(\$ 2,001,070)</u>	<u>(\$ 4,765,245)</u>	
Consolidated net loss belongs to:			
Parent company	(\$ 2,001,242)	(\$ 4,765,864)	
Minority interest	<u>172</u>	<u>619</u>	(72)
Net loss	<u>(\$ 2,001,070)</u>	<u>(\$ 4,765,245)</u>	(58)

Basic earnings (deficits) per share (Note 4(26))

	<u>Before Taxes</u>	<u>After Taxes</u>	<u>Before Taxes</u>	<u>After Taxes</u>
Loss from continuing operations	(\$ 1.63)	(\$ 1.26)	(\$ 3.14)	(\$ 2.66)
Cumulative effect of changes in accounting principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.01</u>
Net loss	<u>(\$ 1.63)</u>	<u>(\$ 1.26)</u>	<u>(\$ 3.14)</u>	<u>(\$ 2.65)</u>

The accompanying notes are an integral part of these consolidated financial statements.
See PricewaterhouseCoopers audit report dated February 19, 2008.



Yuanta Commercial Bank Co., Ltd. And Its Subsidiaries
(Formerly known as Fuhwa Commercial Bank Co., Ltd And Its Subsidiaries)
Consolidated Statements of Changes in Stockholders' Equity
For The Years Ended December 31, 2007 And 2006
(Expressed in Thousands of New Taiwan Dollars)

	Common Stock	Additional Paid-in Capital	Legal Reserve	Deficits to be recovered	Unrealized (loss) gain on available-for-sale Financial assets	Unrealized net loss on accrued pension cost	Minority interest	Total
For the year ended December 31, 2006								
Balance, January 1, 2006	\$ 18,000,000	\$ 14,673	\$ 722,205	\$ 51,669	\$ -	\$ (59,292)	\$ 2,894	\$ 18,732,149
Earnings appropriated and distributed in 2006	-	-	15,500	(15,500)	-	-	-	-
Legal reserve appropriated	-	-	-	(723)	-	-	-	(723)
Employee bonus paid	-	-	-	(35,446)	-	-	-	(35,446)
Cash dividends paid	-	-	-	-	-	-	-	-
Changes in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	15,273	-	-	15,273
Net loss from reversal of accrued pension cost	-	-	-	-	-	19,632	-	19,632
Changes in minority interest	-	-	-	-	-	-	205	205
Net loss for the year ended December 31, 2006	-	-	-	(4,765,864)	-	-	-	(4,765,864)
Balance, December 31, 2006	\$ 18,000,000	\$ 14,673	\$ 737,705	\$ (4,765,864)	\$ 15,273	\$ (39,660)	\$ 3,099	\$ 13,965,226
For the year ended December 31, 2007								
Balance, January 1, 2007	\$ 18,000,000	\$ 14,673	\$ 737,705	\$ (4,765,864)	\$ 15,273	\$ (39,660)	\$ 3,099	\$ 13,965,226
Legal reserve to recover accumulated deficits	-	-	(737,705)	737,705	-	-	-	-
Additional paid-in capital to recover accumulated deficit	-	(14,673)	-	14,673	-	-	-	-
Capital reduction to recover accumulated deficits	(4,000,000)	-	-	4,000,000	-	-	-	-
Issuance of common stock	10,000,000	-	-	-	-	-	-	10,000,000
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
Changes in minority interest	-	-	-	-	-	-	(261)	(261)
Net loss for the year ended December 31, 2007	-	-	-	(2,001,242)	-	-	-	(2,001,242)
Balance, December 31, 2007	\$ 24,000,000	\$ -	\$ -	\$ (2,014,728)	\$ (156,492)	\$ -	\$ 2,838	\$ 21,831,618

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

See PricewaterhouseCoopers audit report dated February 19, 2008.



Yuanta Commercial Bank Co., Ltd. And Its Subsidiaries
(Formerly known as Fuhwa Commercial Bank Co., Ltd. And Its Subsidiaries)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars)

	2007	2006
<u>Cash Flows From Operating Activities</u>		
Net loss	(\$ 2,001,242)	(\$ 4,765,245)
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Provision for credit losses	4,112,844	8,404,068
Reversal of loss reserves	-	(76,777)
Income from sales of non-performing loans	(294,669)	-
Loss on sales of available-for-sale financial assets	85,510	9,610
Income from sales of debt instruments with non-active markets	-	(9,612)
Depreciation - fixed assets	393,418	322,029
Loss on disposal of fixed assets	18,990	15,889
Loss on disposal and abandonment of other assets	-	371
Amortization	87,480	74,834
Asset impairment loss	218,137	-
Gains on impairment recovery of foreclosed assets	(23,629)	-
Loss on sales of foreclosed assets	39,015	32,793
Loss on abandonment of other assets	126	-
Gains on sales of idle assets, net	(15,958)	(6,565)
Depreciation - idle assets	-	8,044
Changes in assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss - net	6,130,853	(4,216,604)
Decrease (increase) in receivables	2,169,971	(7,535,889)
Decrease (increase) in other financial assets	789,039	(16,541)
Increase in deferred income tax assets	(99,025)	(926,760)
Increase in financial liabilities at fair value through profit or loss, net	1,090,858	239,410
(Decrease) increase in payables	(1,393,957)	1,616,330
Decrease in accrued pension liabilities	(19,493)	(16,179)
Net cash provided by (used in) operating activities	<u>11,288,268</u>	<u>(6,846,794)</u>

(CONTINUE ON NEXT PAGE)



Yuanta Commercial Bank Co., Ltd. And Its Subsidiaries
(Formerly known as Fuhwa Commercial Bank Co., Ltd. And Its Subsidiaries)
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006
 (Expressed in Thousands of New Taiwan Dollars)

	2007	2006
<u>Cash Flows From Investing Activities</u>		
Increase in due from Central Bank and call loans to banks	(\$ 2,575,079)	(\$ 28,131,862)
Decrease (increase) in investments in bills and bonds under resale agreements	213,678	(551,644)
Purchase of available-for-sale financial assets	-	(42,224,880)
Proceeds from sales of available-for-sale financial assets	-	43,154,437
Proceeds from capital reduction of equity investments carried at cost	-	2,320
Purchase of debt instruments with non-active markets	-	(1,751,599)
Proceeds from sales of debt instruments with non-active markets	-	2,065,476
Increase in bills discounted and loans	(15,092,197)	(3,415,587)
Proceeds from sales of non-performing loans	1,269,311	-
Decrease in available-for-sale financial assets	2,065,327	-
Increase in held-to-maturity financial assets	(597,160)	(325,960)
Proceeds from sales of fixed assets	76,449	145,075
Purchase of fixed assets	(574,160)	(603,453)
Increase in intangible assets	(26,162)	-
Increase in other assets	15,967	293,378
Proceeds from sales of idle assets	29,120	315,650
Increase in idle assets	-	(42,519)
Proceeds from sales of foreclosed assets	96,248	203,218
Net cash used in investing activities	(15,098,658)	(30,867,950)
<u>Cash Flows From Financing Activities</u>		
Increase in due to Central Bank and other banks	1,097,855	727,048
(Decrease) Increase in bills and bonds payable under repurchase agreements	(4,230,592)	1,343,965
(Decrease) Increase in deposits and remittances	(4,610,732)	25,050,993
Increase in financial debentures	-	9,800,000
(Decrease) Increase in other financial liabilities	(66,391)	426,692
Increase (Decrease) in other liabilities	102,066	58,015
Distribution of cash dividends and employee bonus	-	(36,169)
Proceeds from issuance of common stock	10,000,000	-
Minority interest	(261)	(414)
Net cash provided by financing activities	2,291,945	37,370,130
Decrease in cash and cash equivalents	(1,518,445)	(344,614)
Cash and cash equivalents at beginning of period	5,835,418	6,180,032
Cash and cash equivalents at end of period	\$ 4,316,973	\$ 5,835,418
<u>Supplemental Disclosures of Cash Flow Information</u>		
Interest paid	\$ 5,761,081	\$ 4,661,420
Income tax paid	\$ 148,524	\$ 117,257

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

See PricewaterhouseCoopers audit report dated February 19, 2008.



Yuanta Commercial Bank Co., LTD. And Its Subsidiaries
(Formerly known as Fuhwa Commercial Bank Co., Ltd. And Its Subsidiaries)
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2007 and 2006
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Indicated)

I. Organization and business

1. Yuanta Commercial Bank Co., Ltd. (formerly known as Fuhwa 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 Holding Company Law, the Bank became a subsidiary of Yuanta Financial Holding Company (formerly known as Fuhwa Financial Holding Company) by share exchange and was de-listed from the stock market at the same time.
3. The Bank's parent company is Yuanta Financial Holding Co., Ltd. As of December 31, 2007, the number of the Bank's employees was 2,865.
4. Yuanta Leasing Co., Ltd. (formerly known as Fuhwa Leasing Co., Ltd., “Yuanta Leasing”) was founded on August 10, 1998, in accordance with the Company Law of the Republic of China. Yuanta Leasing was authorized to be renamed Fuhwa Leasing Co., Ltd. from Asia Pacific Leasing Co., Ltd. in January 2003, and then was authorized to be renamed Yuanta Leasing Co., Ltd. from Fuhwa Leasing Co., Ltd. in September 2007. Yuanta Leasing is mainly engaged in installment sales and lease of machinery, transportation vehicles, office equipment, other equipment and raw materials as well as factoring of account receivables. As of December 31, 2007, Yuanta Leasing had 6 employees who served in the Bank concurrently.
5. Yuanta Life Insurance Agent Co., Ltd. (formerly known as Fuhwa Life Insurance Agent Co., Ltd., “Yuanta Life Insurance Agent”) was founded on December 25, 2001, in accordance with the Company Law of the Republic of China. The primary business of Yuanta Life Insurance Agent is to provide life insurance brokerage services. Yuanta Life Insurance Agent was authorized to be renamed Fuhwa Life Insurance Agent Co., Ltd. from Asia Pacific Bank Life Insurance Agent Co., Ltd. in October 2002, and then was authorized to be renamed Yuanta Life Insurance Agent Co., Ltd. from Fuhwa Life Insurance Agent Co., Ltd. in September 2007. As of December 31, 2007, Yuanta Life Insurance Agent had 26 employees.



6. Yuanta Property Insurance Agent Co., Ltd. (formerly known as Fuhwa Property Insurance Agent Co., Ltd., “Yuanta Property Insurance Agent”) was founded on November 8, 1999, in accordance with the Company Law of the Republic of China. Yuanta Property Insurance Agent’s business is to provide property insurance brokerage services. Yuanta Property Insurance Agent was authorized to be renamed Fuhwa Property Insurance Agent Co., Ltd. from Fu An Life Insurance Agent Co., Ltd. in November 2002, and then was authorized to be renamed Yuanta Property Insurance Agent Co., Ltd. from Fuhwa Property Insurance Agent Co., Ltd. in September 2007. As of December 31, 2007, Yuanta Property Insurance Agent had 5 employees.

7. Subsidiaries included in the consolidated financial statements are as follows:

Name of Investor	Name of subsidiary	Percentage of holding shares (%)	
		2007/12/31	2006/12/31
The Bank	Yuanta Leasing	98.56	98.56
"	Yuanta Life Insurance Agent	99.99	99.99
"	Yuanta Property Insurance Agent	80	80

For the years ended December 31, 2007 and 2006, the investment incomes of the Bank accounted for under the equity method were 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 (the Bank believed that the impact, if any, would have been insignificant had the investee’s financial statements been audited.).

8. Change of consolidated entities: None.
9. The investees are accounted as subsidiaries by the Bank even the investees whose voting stock interests are not held over 50% either directly or indirectly by the Bank: None.
10. The Bank does not have control interests over the investee company even the investees whose voting stock interests or potential voting stock interests are held over 50% either directly or indirectly by the Bank: None.
11. Name, percentage of ownership, and reasons for subsidiaries not in the consolidated financial statements: None.
12. Adjustment on different accounting periods of the subsidiaries, handling method and reasons of difference in compliance with the effective date of consolidated financial statements: None.
13. Adjustments for subsidiaries with different balance sheet date: None.
14. Specific operation risk of the foreign subsidiaries: None.
15. Information with respect to the subsidiary’s significant restriction to transfer funds to the parent company: None.



16. Information with respect to the subsidiaries' holding of the securities issued by the parent company: None.

17. Information with respect to the subsidiaries' issuance of the convertible bonds and new capital stock:

The board of directors of Yuanta Life Insurance Agent resolved to increase capital in the amount of \$1,000 by issuing an additional 100,000 new shares at \$10 dollars per share, resulting in total issued capital of \$3,000. Effective from November 13, 2006, Yuanta Life Insurance Agent has completed the corporate registration regarding issuance of new shares on November 13, 2006.

II. Summary of Significant Accounting Policies

The consolidated 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. A summary of significant accounting policies and the measurement basis used in preparing the consolidated financial statements is as follows:

1. Consolidation Basis

In accordance with the Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements", the entities included in the consolidated financial statements are the Bank, Yuanta Leasing, Yuanta Life Insurance Agent and Yuanta Property Insurance Agent (collectively "the Consolidated Company"). All inter-company transactions have been eliminated in the consolidated financial statements.

The Bank prepares the consolidated financial statements by aggregating the Bank's and subsidiaries' assets, liabilities, revenues, and expenses. Inter-company transactions and balances, as well as investment in subsidiaries versus subsidiaries' stockholders' equity, have been eliminated for the consolidation. The contents of the consolidated financial statements were conformed to the "Guidelines Governing the Preparation of Financial Reports by Public Banks" and the guidelines governing the preparation of financial reports for each business line.

2. Principles for preparation of the consolidated financial statements

A. The financial statements include the accounts of the head office and its branches. 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.



3.Foreign currency transactions

Except for accounts of its Offshore Banking Unit (OBU) that are maintained in US dollars, other accounts of the Consolidated Company 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 consolidated 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.

4.Cash and cash equivalents

Cash and due from banks are considered as cash and cash equivalents.

5.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.

6.Financial assets and liabilities at fair value through profit or loss

- A.Starting from January 1, 2006, the Consolidated Company accounts for financial instruments in accordance with ROC Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement". The Consolidated Company recognizes the purchases or sales of such financial assets, including stocks, funds, convertible corporate bonds denominated in New Taiwan dollars and beneficiary securities of real estate securitization, 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 Consolidated Company. 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 in 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 risk management or investment strategy specified by the Consolidated Company 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' meeting approves 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.

7. Available-for-sale financial assets

- A. Starting from January 1, 2006, the Consolidated Company adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement". The Consolidated Company 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' meeting approves 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.

8. Held-to-maturity financial assets

- A. Starting from January 1, 2006, the Consolidated Company adopted ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement". The Consolidated Company 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.

9. 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 Consolidated Company 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.



10. Installment sales

The Consolidated Company is engaged in installment sales whose profit (selling price minus cost) is recognized upon sale. The excess of the installment selling price over the general selling price is deferred and amortized as interest income under the interest method. The Consolidated Company presumes general selling price equals cost and the difference between selling price and cost is recorded as unrealized interest income. The realized amount is recognized into interest income over the installment period.

When clients of installment sales fail to make principal or interest payment for over six months, the residual payment receivables after deducting unrealized interest income will be transferred to non performing loans. The uncollectible overdue loans are written-off upon court claim certificates are obtained.

11. Factoring of accounts receivable

The Consolidated Company is engaged in factoring of accounts receivable. Factoring of accounts receivable are stated at cost. Interests and handling fees received on the factoring are recognized as income. Allowance for credit losses is provided by assessing the collectability of the factoring of accounts receivable at the end of the period.

12. 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.

13. 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 costs.
- 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.



14. 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.

15. 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.

16. 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 Consolidated Company 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”.



17. 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

18. Accounting treatments for lease business

Operating lease: When the rent is received, the Consolidated Company recognizes the rental income. The Consolidated Company also records and accrues advance rent payment or rent receivable for the period. Leased assets are stated at costs and are depreciated on a straight-line basis over the estimated useful lives.

Finance lease: For finance lease, unrealized interest income is reclassified into interest income and commission income at the end of the period.

19. Other asset—foreclosed assets

Foreclosed assets are recorded at acquisition costs and are assessed at the balance sheet date. If 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.



20. Other asset—idle assets

Starting from January 1, 2006, the Consolidated Company 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 Consolidated Company 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 Consolidated Company evaluates impairment of the idle assets and performs the impairment test accordingly.

21. 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. 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.

22. 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.

23. Other intangible assets

Computer software is recorded at the acquisition cost and is amortized over 3 to 5 years.

24. Impairment of non-financial assets

Effective January 1, 2005, the Consolidated Company adopted ROC SFAS No. 35 "Impairment of Assets". In accordance with ROC SFAS No. 35, the Consolidated Company assesses on the balance sheet date whether there are any indications that assets other than goodwill may have been impaired. If such indications exist, the Consolidated Company estimates the recoverable amount of the assets. The Consolidated Company recognizes impairment losses for assets whose carrying values are higher than the recoverable amounts. The Consolidated Company 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 Consolidated Company 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.



25. 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 Gretai Securities Market is recognized as operating expense.

26. Retirement plan

- A. The original employee retirement plan of the Consolidated Company 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 Consolidated Company 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.

27. 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.



28. 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.

29. 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' meeting.

C. In accordance with the Article 49 of the Financial Holding Company Act, Yuanta Financial Holding, 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 Consolidated Company 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.

30. 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 earnable upon recognition. Costs and expenses are recognized as incurred.



31. 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.

32. Earnings per share

Earnings per share are computed as net income 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 earnings per share are adjusted retroactively.

III. Changes in accounting principles

1. Goodwill

Effective January 1, 2006, pursuant to the newly revised ROC SFAS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements", goodwill is no longer being amortized. The effect of this change in accounting principle amounted to \$145,128. The net loss before cumulative effect of changes in accounting principle and basic deficits per share decreased by \$108,846 and \$0.06 (dollars), respectively.

2. Financial instruments

Starting from January 1, 2006, the Consolidated Company accounted for its financial assets and liabilities in accordance with ROC SFAS No. 34 "Financial Instruments: Recognition and Measurement" and ROC SFAS No. 36 "Financial Instruments: Disclosure and Presentation". These changes caused net loss before the cumulative effect of changes in accounting principle and basic deficits per share to decrease by \$18,700 and \$0.01 (dollars), respectively. In accordance with ROC SFAS No. 34, the beginning balances of financial assets and financial liabilities should be reclassified and re-measured at fair value. For the years ended December 31, 2006, the resulting cumulative effect of changes in accounting principle amounted to \$11,158 and basic deficit per share decreased by \$0.01 (dollars), respectively.

As a result, for the years ended December 31, 2006, the net loss before the cumulative effect of changes in accounting principle and basic deficits per share decreased by \$127,546 and \$0.07 (dollars), respectively.



IV. Details of significant accounts1. Cash and cash equivalents

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Cash on hand	\$ 2,017,514	\$ 1,719,325
Foreign currency on hand	211,792	172,061
Checks for clearing	586,226	2,670,305
Due from banks	<u>1,501,441</u>	<u>1,273,727</u>
	<u>\$ 4,316,973</u>	<u>\$ 5,835,418</u>

2. Due from Central Bank and call loans to banks

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Reserve for deposits – account A	\$ 3,819,794	\$ 3,622,385
Reserve for deposits – account B	6,710,500	7,255,888
Reserve for deposits – foreign currency account	1,038,176	17,928
Reserve for deposits - Inter-bank clearing fund	210,559	207,182
Time deposits	40,155,000	42,800,000
Call loans to banks	<u>8,086,394</u>	<u>3,541,961</u>
	<u>\$ 60,020,423</u>	<u>\$ 57,445,344</u>



3. Financial assets at fair value through profit or loss

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Financial assets held for trading purpose		
Commercial paper	\$ 119,827	\$ 3,807,991
Beneficiary certificates	613,159	1,981,265
Listed (TSE and OTC) stocks	1,192,968	467,349
Government bonds	289,685	700,512
Beneficiary securities	35,000	628,134
Negotiable certificates of deposit	-	676,087
Derivatives	1,197,383	286,687
Valuation adjustment for financial assets for trading purposes – non-derivatives	(8,319)	(100,513)
Subtotal	<u>3,439,703</u>	<u>8,447,512</u>
Designated financial assets at fair value through profit or loss		
Corporate bonds	906,548	2,593,990
Convertible corporate bonds	1,975,100	921,847
Valuation adjustment for designated financial assets at fair value through profit or loss	(380,399)	108,456
Subtotal	<u>2,501,249</u>	<u>3,624,293</u>
Total	<u>\$ 5,940,952</u>	<u>\$ 12,071,805</u>

A. For the years ended December 31, 2007 and 2006, the net (loss) gain on financial assets at fair value through profit and loss (including interest income and dividend income) amounted to \$(45,722) and \$515,537, respectively.

B. Financial instruments designated at fair value through profit or losses are for hybrid (combined) instruments.



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

Financial instruments	December 31, 2007		December 31, 2006	
	Contract amount (Notional principal)	Credit risk	Contract amount (Notional principal)	Credit risk
For trading purpose:				
Exchange rate options held	\$ 1,319,914	\$ 104,898	\$ 3,100,259	\$ 173,842
Commodity options held	-	-	48,601	363
FX contracts (swaps, forwards and cross currency swap)	17,265,433	99,220	7,898,590	70,062
Asset swap, interest rate swap and other interest rate swap	72,605,212	974,079	760,980	40,933
Futures margin deposit (Note)	-	18,294	-	-
Fixed rate commercial paper commitments	200,000	892	300,000	1,487

Note: The credit risk of engaging in futures trading is the margin deposits of \$18,294 that the Bank paid as of December 31, 2007.

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

	December 31, 2007	December 31, 2006
Investments in bills and bonds under resale agreement	\$ 397,522	\$ 611,200
Interest rate (%)	1.70% ~ 1.97%	1.63%
Contract resale amount	\$ 397,878	\$ 611,398
Bills and bonds payable under repurchase agreement	\$ 7,909,694	\$ 12,140,286
Interest rate (%)	1.70% ~ 2.23%	1.42% ~ 1.70%
Contract repurchase amount	\$ 7,918,570	\$ 12,148,995

1. 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.
2. As of December 31, 2006, 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 \$4,514,417, investments in bills and bonds under resale agreement of \$530,867, and available-for-sale financial assets of \$6,638,478.



5. Receivables – net

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Demand remittance receivable	\$ 1,341,567	\$ 2,923,192
Credit card receivable	2,550,358	3,282,384
Interest receivable	1,234,015	1,196,852
Acceptances receivable	1,547,847	1,141,815
Tax-refund receivable	8,665	8,665
Affiliated company receivable	1,112,854	485,326
Underwriting receivable and other receivable	<u>7,811,939</u>	<u>9,359,163</u>
Subtotal	15,607,245	18,397,397
Less: allowance for credit losses	(<u>486,347</u>)	(<u>489,723</u>)
	<u>\$ 15,120,898</u>	<u>\$ 17,907,674</u>

6. Assets held for sale

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Land	\$ 578,469	\$ -
Buildings	<u>200,199</u>	<u>-</u>
	<u>\$ 778,668</u>	<u>\$ -</u>

The Consolidated Company entered 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, and expects to complete the transfer of ownership within twelve months after the contract date. As of December 31, 2007, the Consolidated Company has received contract deposits amounting to \$202,110 which is accounted under other liabilities.

7. Bills discounted and loans, net

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Import and export negotiations	\$ 647,674	\$ 714,332
Short-term loans and overdrafts	37,288,216	22,796,053
Short-term loans and overdraft secured	18,008,317	14,012,179
Medium-term loans	42,614,274	52,554,792
Medium-term loans secured	41,672,369	39,550,716
Long-term loans	8,277,090	8,922,750
Long-term loans secured	89,802,326	89,002,744
Accounts receivable factoring	704,418	385,101
Non-performing loans	<u>1,948,591</u>	<u>1,831,089</u>
Subtotal	240,963,275	229,769,756
Less: allowance for credit losses	(<u>4,161,107</u>)	(<u>3,589,104</u>)
	<u>\$ 236,802,168</u>	<u>\$ 226,180,652</u>

The Consolidated Company 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, 2007 and 2006, movements of allowance for credit losses were as follows:

	For years ended December 31, 2007		
	<u>Specific provision</u>	<u>General provision</u>	<u>Total</u>
Beginning balance	\$ 4,078,827	\$ -	\$ 4,078,827
Add: Provision for credit losses	4,112,844	-	4,112,844
Recoveries of doubtful accounts	558,967	-	558,967
Loss: Write-off	4,081,110	-	4,081,110
Foreign exchange translation adjustment and others	53	-	53
Ending balance	<u>\$ 4,669,475</u>	<u>\$ -</u>	<u>\$ 4,669,475</u>

	For years ended December 31, 2006		
	<u>Specific provision</u>	<u>General provision</u>	<u>Total</u>
Beginning balance	\$ 2,742,895	\$ -	\$ 2,742,895
Add: Provision for credit losses	8,404,068	-	8,404,068
Recoveries of doubtful accounts	524,544	-	524,544
Foreign exchange translation adjustment and others	230	-	230
Loss: Write-off	<u>7,592,910</u>	<u>-</u>	<u>7,592,910</u>
Ending balance	<u>\$ 4,078,827</u>	<u>\$ -</u>	<u>\$ 4,078,827</u>

In 2007 and 2006, the provisions for credit losses for loan were \$3,496,039 and \$6,078,190, respectively. In 2007 and 2006, the provisions for credit losses for credit cards receivable were \$416,000 and \$2,189,881, respectively, and other provision for credit losses were \$200,805 and \$135,997, respectively.

As of December 31, 2007 and 2006, loans and advances not accruing interest were \$1,948,591 and \$1,831,089, respectively. As of December 31, 2007 and 2006, the amounts of interest receivables that were not accrued from loans and advances were \$35,116 and \$34,039, respectively.



8. Available-for-sale financial assets – net

December 31, 2007		
	<u>Cost after amortization</u>	<u>Valuation adjustment</u>
Government bonds	\$ 6,085,193	(\$ 74,981)
Corporate bonds	7,592,816	(71,534)
Financial debentures	249,421	(3,649)
Beneficiary securities	574,408	(6,328)
	<u>\$ 14,501,838</u>	<u>(\$ 156,492)</u>

December 31, 2006		
	<u>Cost after amortization</u>	<u>Valuation adjustment</u>
Government bonds	\$ 7,003,104	(\$ 15,530)
Corporate bonds	8,590,045	33,791
Financial debentures	251,345	(57)
Asset backed securities	808,181	(2,931)
	<u>\$ 16,652,675</u>	<u>\$ 15,273</u>

9. Held-to-maturity financial assets

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Financial debentures	\$ 486,645	\$ 325,960
Corporate bonds	291,987	-
Asset backed securities	144,488	-
Subtotal	923,120	325,960
Less: accumulated impairment	(73,970)	-
	<u>\$ 849,150</u>	<u>\$ 325,960</u>



10. Other financial assets – net

	<u>December 31, 2007</u>		<u>December 31, 2006</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
China Daily News Co. Ltd.	-	-	46	0.01
National Federation of Credit Cooperatives R.O.C	<u>-</u>	-	<u>5,780</u>	4.30
	287,490		293,316	
Less: accumulated impairment	(<u>155</u>)		(<u>155</u>)	
	<u>287,335</u>		<u>293,161</u>	
Bond investment with non-active market:				
Financial debentures	977,667	-	1,594,044	-
Negotiable certificates of deposit	<u>-</u>	-	<u>162,853</u>	-
Subtotal	<u>977,667</u>		<u>1,756,897</u>	
Others				
Advance and bills purchased	47,651	-	51,751	-
Non-loans reclassified to non-performing loans	<u>22,092</u>	-	<u>-</u>	-
Subtotal	69,743		51,751	
Less: provision for credit losses	(<u>22,021</u>)		<u>-</u>	
	<u>47,722</u>		<u>51,751</u>	
	<u>\$ 1,312,724</u>		<u>\$ 2,101,809</u>	

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, the National Federation of Credit Cooperatives R.O.C. made refunds of capital amounting to \$5,780 to the Consolidated Company. In addition, China Daily News Co., Ltd. reduced its capital by \$331,000 and then injected additional capital of \$452,200. The Consolidated Company has 83 shares of China Daily News Co., Ltd., the share holding percentage is 0.0002%.



The Consolidated Company 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 Consolidated Company recorded the number of shares received with zero cost. In 2006, the National Federation of Credit Cooperatives of Tainan City, the National Federation of Credit Cooperatives of Taiwan, and the National Federation of Credit Cooperatives R.O.C. made refunds of capital amounting to \$40, \$200 and \$2,080, respectively, to the Consolidated Company.

11. Properties, plants and Equipment

As of December 31, 2007 and 2006, details of properties plants and equipment were as follows:

December 31, 2007			
	Cost	Accumulated depreciation	Book value
Land	\$ 799,346	\$ -	\$ 799,346
Buildings	241,899	(80,362)	161,537
Office equipment	1,027,867	(571,910)	455,957
Transportation equipment	29,909	(15,355)	14,554
Miscellaneous equipment	796,336	(367,757)	428,579
Construction in process	410,047	-	410,047
	<u>\$ 3,305,404</u>	<u>(\$ 1,035,384)</u>	<u>\$ 2,270,020</u>

December 31, 2006			
	Cost	Accumulated depreciation	Book value
Land	\$ 1,495,283	\$ -	\$ 1,495,283
Buildings	521,802	(104,059)	417,743
Office equipment	1,030,670	(494,673)	535,997
Transportation equipment	38,339	(30,759)	7,580
Miscellaneous equipment	795,319	(327,832)	467,487
Construction in process	170,200	-	170,200
	<u>\$ 4,051,613</u>	<u>(\$ 957,323)</u>	<u>\$ 3,094,290</u>



12. Intangible Assets

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Goodwill	\$ 1,319,535	\$ 1,319,535
Computer software	146,486	127,065
	<u>\$ 1,466,021</u>	<u>\$ 1,446,600</u>

13. Other assets

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Foreclosed assets	\$ 23,348	\$ 158,611
Less: accumulated impairment loss	(2,114)	(17,860)
	<u>21,234</u>	<u>140,751</u>
Idle assets	274,655	193,770
Less: accumulated depreciation	(2,156)	(118)
accumulated impairment loss	(141,831)	(5,593)
	<u>130,668</u>	<u>188,059</u>
Others	934,771	956,140
	<u>\$ 1,086,673</u>	<u>\$ 1,284,950</u>

The Consolidated Company had adopted the Statement of Financial Accounting Standards No. 35 "Accounting for Impairment of Assets", effective from January 1, 2005. In 2007, the recognized impairment losses and gains on impairment recovery for foreclosed assets were \$7,883 and \$23,629, respectively. In 2006, the recognized impairment losses and gains on impairment recovery for foreclosed assets were \$0 and \$3,949, respectively.

For the years ended December 31, 2007 and 2006, the recognized impairment losses for idle assets were \$136,238 and \$0, respectively.

14. Due to Central Bank and other banks

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Due to Central Bank	\$ 1,413,607	\$ 13,528
Due to other banks	2,000,189	3,838,424
Overdrafts from banks	227,759	904,574
Call loans from banks	13,778,875	8,682,277
Redeposits from the directorate general of postal remittance	10,843,734	13,727,506
	<u>\$ 28,264,164</u>	<u>\$ 27,166,309</u>



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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Derivatives	\$ 1,285,765	\$ 396,971
Non-derivatives	148,194	-
Valuation adjustments for non-derivatives	26	-
Designated financial liabilities at fair value through profit or loss	2,134,000	2,134,000
Valuation adjustment for designated financial liabilities at fair value through profit or loss	<u>2,519</u>	<u>(51,325)</u>
	<u>\$ 3,570,504</u>	<u>\$ 2,479,646</u>

1. For 2007 and 2006, net losses (including interest expenses) for the above financial liabilities at fair value through profit or loss were \$67,118 and \$127,784, 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>December 31, 2007</u>		<u>December 31, 2006</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>
Trading purpose:				
Exchange rate options written	\$ 1,319,914	\$ -	\$ 3,100,259	\$ -
Commodity options written	-	-	48,601	-
Equity options written	827,100	-	-	-
Asset swaps, interest rate swap and other interest rate swap	79,269,780	-	4,811,920	-
Asset swap options written	595,886	-	198,000	-
Foreign exchange contracts (FX swaps and forwards)	2,485,948	-	8,164,218	-
Non-delivery forwards	-	-	97,788	-
Fixed rate commercial paper commitments	650,000	-	-	-



16. Payables

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Demand remittance payable	\$ 1,341,631	\$ 2,923,482
Accounts payable	1,170,395	263,843
Interest payable	1,063,904	1,272,055
Bankers' acceptances	1,549,446	1,147,552
Underwriting payables	2,632,370	1,437,327
Collections payable for customers	93,109	112,472
Accrued expenses	442,847	387,962
Taxes payable	52,938	71,733
Other payables	722,948	2,847,119
	<u>\$ 9,069,588</u>	<u>\$ 10,463,545</u>

17. Deposits and Remittances

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Checking deposits	\$ 2,194,160	\$ 2,514,158
Demand deposits	23,401,389	23,182,104
Time deposits	65,511,880	73,906,602
Demand savings deposits	79,988,945	67,195,554
Time savings deposits	91,625,216	100,563,372
Remittances	44,023	14,555
	<u>\$ 262,765,613</u>	<u>\$ 267,376,345</u>

As of December 31, 2007 and 2006, the maturity dates for the above time deposits and savings deposit, except for demand savings deposits, were within three years.



18. 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 Consolidated Company 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 Consolidated Company 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 first issuance of the second 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.

The details of financial debentures were as follows:

First series of subordinate financial debentures in 2002

	Floating interest rate	Fixed interest rate
Par value	\$ 3,100,000	\$ 1,400,000
Stated interest rate	6.15% less Libor (Note1)	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	Repaid on maturity	Repaid on maturity
Issued price	Priced at face value on issuing date	Priced at face value on issuing date

First series of subordinate financial debentures in 2006

	Fixed interest rate
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	Repaid on maturity
Issued price	Priced 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	Repaid on maturity (Note 2)
Issued price	Priced 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)
Issued price	Priced 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 Consolidated Company 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 Consolidated Company 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 Consolidated Company 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, 2007 and 2006, the details of financial debentures were as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Beginning balance	\$ 12,166,000	\$ 4,500,000
Increase	-	9,800,000
Designated as financial liabilities at fair value through profit or loss	-	(2,134,000)
Ending balance	<u>\$ 12,166,000</u>	<u>\$ 12,166,000</u>

As of December 31, 2007 and 2006, the fair values of subordinate financial debentures accounted as designated financial liabilities at fair value through profit or loss were \$2,136,519 and \$2,082,675, respectively.

19. Accrued pension liabilities

- The Consolidated Company 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 and Yuanta Leasing make contributions monthly based on 6.9 percent and 6.0 percent of salaries, respectively, and such contributions are deposited in the designated pension account at the Bank of Taiwan under the names of the respective companies' independent retirement fund committees. Pension expenses recognized for 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Yuanta Commercial Bank	\$ 60,699	\$ 67,338
Yuanta Leasing	39	64
Yuanta Life Insurance Agent	-	194
Yuanta Property Insurance Agent	-	131
	<u>\$ 60,738</u>	<u>\$ 67,727</u>

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

	<u>2007</u>	<u>2006</u>
Discounted rate	3.50%	2.50%
Expected rate of return on plan assets	3.00%	2.00%
Rate of compensation increase	2.75%	2.50%



3. Funded status of the pension plan

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Vested benefit obligation	\$ 209,907	\$ 61,463
Non-vested benefit obligation	<u>289,435</u>	<u>442,380</u>
Accumulated benefit obligation	499,342	503,843
Effect of future salary increments	<u>267,353</u>	<u>184,489</u>
Projected benefit obligation	766,695	688,332
Fair value of plan assets	(<u>501,402</u>)	(<u>482,059</u>)
Funded status	265,293	206,273
Unrealized net transition obligation	(16,727)	(18,818)
Unrecognized service cost in prior period	2,675	2,934
Unrecognized loss on plan assets	(303,692)	(224,150)
Minimum pension liabilities should be recognized	<u>-</u>	<u>55,544</u>
Accrued pension liabilities (prepaid pension)	(\$ <u>52,451</u>)	\$ <u>21,783</u>
Vested benefit	<u>\$ 312,604</u>	<u>\$ 76,795</u>

4. Net pension cost comprises the following:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Service cost	\$ 47,910	\$ 53,577
Interest cost	17,208	15,533
Actual return on plan assets	(13,004)	(11,014)
Amortization	<u>8,585</u>	<u>9,242</u>
Net pension cost	<u>\$ 60,699</u>	<u>\$ 67,338</u>

5. Effective from July 1, 2005, the Consolidated Company has established a defined contribution plan for employees whose nationalities are the R.O.C. pursuant to the Labor Pension Act. In accordance with the Labor Pension Act, the Consolidated Company made monthly contribution for voluntary employees based on not less than 6% of the employees' salaries and 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. According to the above defined contribution plan, pension expenses recognized for 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Yuanta Commercial Bank	\$ 84,295	\$ 74,870
Yuanta Leasing	386	493
Yuanta Life Insurance Agent	1,015	1,425
Yuanta Property Insurance Agent	<u>160</u>	<u>109</u>
	<u>\$ 85,856</u>	<u>\$ 76,897</u>



20. Common stock

1. As of December 31, 2007 and 2006, the Bank's authorized capital was \$24,000,000 and \$18,000,000, respectively, consisted of 2,400,000 thousand shares and 1,800,000 thousand 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 accumulated deficits and issued 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.

21. 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 Consolidated Company. The amount of capital surplus capitalized each year shall not exceed a certain percentage of the Consolidated Company'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.

As of December 31, 2007 and 2006, the component of capital surplus was as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Treasury stock transactions	<u>\$ -</u>	<u>\$ 14,673</u>

22. 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 Consolidated Company 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 Consolidated Company can also appropriate special reserve according to the resolution of shareholders' meeting.

23. Accumulated deficits to be recovered

1. In order to continuously expand its operation, increase earning capacity, and to maintain the capital adequacy ratio, the Consolidated Company 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.

Other remainder shall be distributed after the distribution proposal is resolved by the shareholders' meeting.



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' meeting, while stock dividends are distributed after obtaining authorizing documents from the supervising authority.
3. After the Bank became a subsidiary of Yuanta Financial Holding Company, the rights of the shareholders' meeting were exercised by the board of directors.
4. On February 17, 2006, the board of directors passed a resolution on the Bank's 2005 appropriation of earnings. The proposed distribution of the Bank's earnings was as follows:

	<u>Earnings distribution</u>	<u>EPS (dollars)</u>
Appropriation of legal reserve	\$ 15,500	\$ -
Cash dividends – common stocks	35,446	0.02
employee bonus	723	-
	<u>\$ 51,669</u>	<u>\$ 0.02</u>

5. As of December 31, 2007 and 2006, no retained earnings could be distributed due to accumulated deficits.
6. The recovery of 2006 deficits 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 deficits.

24. Personnel, depreciation, and amortization expenses

Personnel, depreciation, and amortization expenses incurred for the years ended December 31, 2007 and 2006 were summarized as follows:

	<u>2007</u>	<u>2006</u>
Personnel expenses	\$ 2,822,193	\$ 2,571,974
Salaries	2,425,476	2,213,622
Labor and health insurance expenses	148,920	150,635
Pension expenses	146,594	144,624
Others	101,203	63,093
Depreciation expenses	393,418	322,029
Amortization expenses	87,480	74,834



25. Income tax

1. Income tax (benefit) expense

	2007	2006
Income tax at the statutory tax rate	(\$ 642,545)	(\$ 1,399,985)
Tax effect of permanent differences	85,850	(49,017)
Unused expired loss carryforwards	863,386	-
Under (over) provision of prior year's income tax	(38,940)	14,471
Increment of investment tax credit	(4,891)	(5,149)
Separate income tax	12,342	18,583
Provision for valuation allowance (reversal) of deferred income tax assets	(859,496)	546,485
Others	(155)	5,340
Income tax benefit	(584,449)	(\$ 869,272)
Less: net changes on deferred income tax assets	99,025	
separate income tax	(12,342)	
Effects of adopting the consolidated income tax return system	496,126	
Over provision of prior year's income tax	10,531	
Others	156	
Prior years' income tax payable	1,498	
Income tax payable	<u>\$ 10,545</u>	

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

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Consolidated income tax return receivable – parent company	<u>\$ 1,112,854</u>	<u>\$ 485,326</u>



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

	December 31, 2007		December 31, 2006	
	Amount	Tax effect	Amount	Tax effect
Deferred income tax assets (liabilities)				
Unrealized exchanges loss (gain)	(\$ 29,417)	(\$ 7,354)	\$ 92,167	\$ 23,042
Increase in allowance for credit losses in excess of tax limitation	2,096,759	524,190	1,657,356	414,339
Unrealized valuation gain on derivatives (	77,421)	(19,355)	(27,911)	(6,978)
Unrealized impairment losses on foreclosed assets	3,372	843	19,118	4,465
Unrealized impairment losses on idle assets	7,153	1,788	7,153	1,788
Effect of amortization on goodwill	1,028,769	257,192	-	-
Loss carryforwards	4,918,848	1,229,711	8,290,490	2,072,622
Cumulative effect of changes in accounting principle	-	-	40,663	10,166
Others	1,119	280	1,000	250
	<u>\$ 7,949,182</u>	<u>1,987,295</u>	<u>\$ 10,080,036</u>	<u>2,519,694</u>
Investment tax credits		<u>20,183</u>		<u>14,423</u>
Subtotal		2,007,478		2,534,117
Valuation allowance for deferred		(261,083)		(886,747)
Deferred income tax assets – net		<u>\$ 1,746,395</u>		<u>\$ 1,647,370</u>

4. The Consolidated Company is eligible for investment tax credits under the Statute for Upgrading Industry. Details as of December 31, 2007 were as follows:

Qualifying item	Years	Unused tax credit	Final year tax credits are due
Employees training	2003	\$ 1,300	2007
Employees training	2004	2,637	2008
Employees training	2005	4,640	2009
Employees training	2006	6,714	2010
Employees training	2007	4,892	2011
		<u>\$ 20,183</u>	



5. According to the Income Tax Law, the losses could be carried forward for 5 years to deduct the future taxable income. As of December 31, 2007, the details of the Consolidated Company's deficits deductible available were as follows:

<u>Year of losses</u>	<u>Declared amount of deficits</u>	<u>Year of expiration</u>	<u>Assessed by tax authorities</u>
2006	\$ <u>4,918,848</u>	2011	Not yet assessed

6. Imputation credit account for stockholders and its related information

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Balances of the imputation credit account for stockholders	\$ <u>51,834</u>	\$ <u>22,534</u>

The imputation tax credit ratio of earnings to be distributed in 2006 for ROC resident shareholders was estimated at 18.55%. The actual imputation tax credit ratio of earnings distribution in 2007 was 0% since there was no earning to be distributed.

In addition, when filing tax return in 2006 and 2005, a mistake occurred on withholding tax of interest income arising from short-term bills which was included in the balance of the imputation credit account for stockholders. The Bank had re-filed in September 2007.

7. Unappropriated earnings

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Prior 1997 (including 1997)	\$ -	\$ -
Post 1998	(<u>2,014,728</u>)	(<u>4,765,864</u>)
	(\$ <u>2,014,728</u>)	(\$ <u>4,765,864</u>)

The Bank's annual income tax return has been assessed by the tax authority through 2003. Yuanta Leasing, Yuanta Life Insurance Agent and Yuanta Property Insurance Agent's annual income tax returns have been assessed by the tax authority through 2005.

The Bank's 10% surtax on unappropriated 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 unappropriated earnings in 1998. However, the Bank petitioned for a recheck of the above and won the lawsuit on July 17, 2007. Currently, the bank is waiting for re-assessment by the National Tax Administration of Central Taiwan Province.

The Bank's annual income tax for 2003 is 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 has provided an allowance for the above-mentioned petition for a recheck and appeal with the MOF in March, 2007. As of December 31, 2007, the Bank estimated income tax payable for the recheck amounts to \$16,641.



26. Loss per common share

For the years ended December 31, 2007					
	<u>Amount</u>		<u>Adjusted weighted average outstanding common stock</u>	<u>Earnings per share (in NT dollars)</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
Consolidated net loss	(\$2,585,519)	(\$2,001,070)	1,589,041	(\$ 1.63)	(\$ 1.26)
Minority interest	(293)	(172)	1,589,041	-	-
Net loss	(\$2,585,812)	(\$2,001,242)	1,589,041	(\$ 1.63)	(\$ 1.26)

For the years ended December 31, 2006					
	<u>Amount</u>		<u>Adjusted weighted average outstanding common stock</u>	<u>Earnings per share (in NT dollars)</u>	
	<u>Before tax</u>	<u>After tax</u>		<u>Before tax</u>	<u>After tax</u>
Consolidated net loss	(\$5,645,675)	(\$4,776,403)	1,800,000	(\$ 3.14)	(\$ 2.66)
Cumulative effect of a change in accounting principle	992	11,158	1,800,000	-	0.01
Minority interest	(794)	(619)	1,800,000	-	-
Net loss	(\$5,645,477)	(\$4,765,864)	1,800,000	(\$ 3.14)	(\$ 2.65)

27. 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, 2007 and 2006, the ratio between equity capital and risk assets of the Consolidate Company was 11.89% and 9.23%, respectively.



V. Related party transactions

1. Name and relationship of related party

Name of related party	Relationship
Yuanta Financial Holding Co., Ltd. (formerly known as Fuhwa Financial Holding, Co., Ltd., "Yuanta Financial Holding")	Parent company of the Bank
Yuanta Securities Co., Ltd. (the surviving company of the merger between Fuhwa Securities Co., Ltd. and Yuanta Core Pacific Securities Co., Ltd. on September 23, 2007, "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
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. (formerly known as Fuhwa 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. (the surviving company of merger between Fuhwa Futures Co., Ltd. and Yuanta Core Pacific Futures Co., Ltd. on September 23, 2007, "Yuanta Futures")	Affiliated company controlled by the same company as the Bank
Yuanta Securities Finance Co., Ltd. (formerly known as Fuhwa Securities Finance Co., Ltd., "Yuanta Securities Finance")	Affiliated company controlled by the same company as 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
Industrial Bank of Taiwan	The Bank's president's spouse is the Company's supervisor.
Land Bank of Taiwan	Former supervisor of the parent company (Resigned on June 29, 2007)
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, 2007			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ 11,084,462	4.22	0.00~13.00

December 31, 2006			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by each related party not over 1% of total deposits	\$ 5,649,406	2.11	0.00~13.00

Apart from 13% interest rate on employees' certain demand savings deposits, for the years ended December 31, 2007 and 2006, the range of interest rate on other related parties' demand savings deposits was 0.00%~2.56% and 0.00%~5.18%, 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, 2007 and 2006, interest expenses on the above deposits were \$190,945 and \$150,473, respectively.



B. Loans

December 31, 2007

(Expressed in thousand 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
Other loans	Chen, Ting Chang	900,000	-	-	-	Certificate of deposits	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 deposits	None
Total	Zhang, Zhi Qiang	14,447	13,765	13,765	-	Real estate	None
			1,237,076	1,237,076	-		



December 31, 2006

(Expressed in thousand 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	3	380	185	185	-	None	None
Home mortgage loans	23	155,778	135,952	135,952	-	Real estate	None
Other loans	Tsai, Show Yun	21,150	20,790	20,790	-	Real estate	None
	Yuanta Asset Management	255,000	-	-	-	Real estate	None
	Yuanta Securities	6,688	-	-	-	Real estate	None
	Guang Hwa Investment	474,000	324,000	324,000	-	Real estate	None
	Yuanta Securities Finance	650,000	-	-	-	Real estate	None
Total	Zhang, Zhi Qiang	14,900	14,447	14,447	-	Real estate	None
			495,374	495,374			



In 2007 and 2006, 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 2.50% to 3.20% and 1.50% to 5.00%, respectively, and on loans to bank staffs, ranging from 2.00% to 4.56% and 1.99% to 3.95%, respectively.

During 2007 and 2006, interest income resulting from the above loans were \$30,070 and \$13,107, respectively.

C. Fee and commission income

As of and for the years ended December 31, 2007 and 2006, details of fee and commission income and related receivables were as follows:

	For the year ended December 31, 2007	
	Fee and commission	Accounts
	income	receivable
Yuanta Securities Investment Trust	\$ 14,450	\$ 3,978
Fuhwa Securities Investment Trust	2,161	100
	<u>\$ 16,611</u>	<u>\$ 4,078</u>

	For the year ended December 31, 2006	
	Fee and commission	Accounts
	income	receivable
Fuhwa Securities Investment Trust	\$ 5,572	\$ 473

The above-mentioned incomes were mainly from commissions from sales of mutual funds.

D. Rental expenses

For the years ended December 31, 2007 and 2006, details of rental expenses were as follows:

Name	Usage	For the years ended December 31,	
		2007	2006
Yuanta Securities	Office premises	\$ 352,924	\$ 133,437
Yuanta Asset Management	Office premises	13,437	12,949
Yuanta Securities Finance	Office premises	12,452	11,007
Yuanta Futures	Office premises	2,278	-
		<u>\$ 381,091</u>	<u>\$ 157,393</u>



E. Other receivable

<u>Name</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Yuanta Financial Holding, Co., Ltd.	\$ 1,112,854	\$ 485,326

The above-mentioned receivable was mainly from consolidated income tax return receivable – parent company.

F. Capital lease

The Consolidated Company has entered the lease contract with Yuanta Securities Finance. For the years ended December 31, 2007 and 2006, rent receivables arising from the lease contract accounted under receivables were \$25,951 and \$24,984, respectively.

G. Property transactions

- (a) As of the years ended December 31, 2007 and 2006, the details of the Consolidated Company's investments in open-end funds were as follows:

<u>For the year ended December 31, 2007</u>			
	<u>Investment in this period</u>	<u>Ending balance</u>	<u>Gain on disposal</u>
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>
<u>For the year ended December 31, 2006</u>			
	<u>Investment in this period</u>	<u>Ending balance</u>	<u>Loss on disposal</u>
Funds managed by Fuhwa Securities Investment Trust	\$ -	\$ 581,085	(\$ 8,187)
Funds managed by Yuanta Securities Investment Trust	800,000	800,000	-
	<u>\$ 800,000</u>	<u>\$ 1,381,085</u>	<u>(\$ 8,187)</u>

- (b) For the years ended December 31, 2007 and 2006, the details of the Consolidated Company's engaging in outright purchases and sells transactions with affiliates in the open market were as follows:

<u>For the years 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	590,446	445,809
		<u>\$ 7,921,545</u>	<u>\$ 6,315,613</u>



For the year ended December 31, 2006			
	Type	Purchase price	Selling price
Yuanta Securities	Bond	\$ 8,834,500	\$ 7,917,360

- (c) For the years ended December 31, 2007 and 2006, the details of the Consolidated Company's engaging in beneficiary securities transactions with affiliates in the open market were as follows:

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

- (d) The Consolidated Company entered into contracts with Yuanta Asset Management to sell non-performing loans at the price of \$752,511 in 2007. As of December 31, 2007, the receivable of these contracts were \$526,758. The sale of non-performing loan 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.

Furthermore, the Consolidated Company entered into three contracts with Yuanta Asset Management to sell non-performing loans to the amount of \$1,019,837. As of December 31, 2006, all proceeds from the above-mentioned transactions were received.



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

- (a) For the years ended December 31, 2007 and 2006, transaction details of bills and bonds under repurchase or resale agreement with affiliated parties were as follows:

Name	For the year ended December 31, 2007			
	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 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 Consolidated Company engaged in relevant transactions and, therefore, generated negative interest rate.



Name	For the year ended December 31, 2006			
	Highest balance	Ending balance	Interest rate	Interest expense
Repurchase transactions:				
Yuanta Securities	\$ 4,906,705	\$ 541,972	1.40~1.65	\$ 28,060
Funds managed by Fuhwa Securities Investment Trust				
Fuhwa Apex Bond Fund	470,246	-	1.45~1.57	994
Fuhwa Bond Fund	550,000	-	1.39~1.61	659
Fuhwa New Balance Fund	30,013	-	1.39	5
Funds managed by Yuanta Securities Investment Trust				
Yuanta Duo Li Bond Fund	680,976	200,000	1.38~1.62	1,805
Yuanta Duo Li-2 Bond Fund	431,742	-	1.38~1.49	1,771
Yuanta Wan Tai Bond Fund	400,000	400,000	1.46~1.62	182
Yuanta International Trade Equity Fund	50,024	49,657	1.58~1.61	130
		1,191,629		33,606
Resale transactions:				
Yuanta Securities	5,000,000	-	1.55	(1,074)
Total		\$ 1,191,629		\$ 32,532

- (b) For the years ended December 31, 2007 and 2006, the details of the Consolidated Company's selling of subordinate financial debentures to related parties were as follows:

Related party	For the year ended December 31, 2007			
	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

Related party	For the year ended December 31, 2006			
	Highest balance	Ending balance	Interest rate	Interest expense
First series in 2002				
Yuanta Securities Finance	\$ 966,000	\$ 966,000	0.08~1.66	\$ 10,999
First series in 2006 — second issuance				
Yuanta Securities	\$ 1,100,000	\$ 320,000	2.50	\$ 753

As of December 31, 2007 and 2006, the above transactions with Yuanta Securities Finance resulted in interest payable of \$2,002 and \$1,222, respectively, accounted as payables. As of December 31, 2006, the above transactions with Yuanta Securities resulted in interest payable of \$753, accounted as payables.



(c) Convertible bond asset swaps—fixed income (accounted as financial assets at fair value through profit or loss)

For the year ended December 31, 2007 and 2006, the convertible asset swap transactions with related parties were as follows:

			For the year ended December 31, 2006		
Name	Objective	Period	Notional amount	Interest rate (%)	Interest revenue
Yuanta Securities	Taiflex 1	2004.5.30~2006.5.17	\$ 60,000	2.10	\$ 469
Yuanta Securities	Test-Serv. 1	2004.4.7~2006.4.6	140,000	1.75	461
			<u>\$ 200,000</u>		<u>\$ 930</u>

VI. Pledged Assets

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

Items	December 31, 2007	December 31, 2006	Pledged purpose
Short-term bills, government bonds and corporate bonds (recorded as financial assets at fair value through profit or loss - net, available-for-sale financial assets -net and investments in bills and bonds under resale agreements)	\$ 151,549	\$ 176,463	Provisional seizure
	57,407	60,350	Operating deposits of proprietary trading bills
	11,292	-	Operating deposits of proprietary trading securities
	10,184	10,774	Operating deposits of proprietary trading bonds
	7,695,963	11,683,762	Bills and bonds payable under repurchase agreement
	56,450	59,544	Trust fund reserve
Notes receivable (recorded as Receivables)	-	231,500	Collateral for long-term and short-term borrowings
Impound account (recorded as other financial assets)	-	80	Collateral for long-term and short-term borrowings
Negotiable certificates of deposit (the related-party transactions has been eliminated in the consolidated financial statements)	500	500	Provisional seizure
	<u>\$ 7,983,345</u>	<u>\$ 12,222,973</u>	



VII. Commitments and Contingencies

(1) Operating leases

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

<u>Fiscal year</u>	<u>Rental amount</u>
2008	\$ 314,524
2009	246,868
2010	188,218
2011	107,040
2012 and after	45,321
	<u>\$ 901,971</u>

(2) Significant purchase agreements

As of December 31, 2007 and 2006, the Consolidated Company entered agreements for assets acquisition amounting to \$842,359 and \$354,979, respectively. The unpaid amounts of those agreements were \$512,622 and \$184,779, respectively.

(3) Others

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Consignment collection for others	\$ 18,220,886	\$ 20,643,791
Traveler's checks held on consignment for sale	175,973	163,499
Consignment securities, underwriting goods and custodial goods	36,078,139	48,008,952
Trust assets	65,086,602	56,688,126
	<u>\$ 119,561,600</u>	<u>\$ 125,504,368</u>
Credit lines provided but not used	\$ 8,870,398	\$ 82,946,164
Credit commitment on credit card	\$ 57,715,607	\$ 49,622,768
Other guarantees	\$ 8,592,703	\$ 9,534,682
Unused L/C balance	\$ 3,566,222	\$ 4,895,414
Securities commitment under repurchase agreement	\$ 7,918,570	\$ 12,148,995
Securities commitment under resale agreement	\$ 397,878	\$ 611,398

- (4) The Consolidated Company entered the contract with Nan Shan Life Insurance on September 14, 2007 for the sale of real estate; please refer to Note IV 6 for details.



VIII. Significant Catastrophic Loss: None.IX. Significant Subsequent Events: None.X. Others

(1) Disclosure of financial instruments

A. Fair value of financial instruments

<u>Non-derivative financial instruments</u>	<u>December 31, 2007</u>		
	<u>Book value</u>	<u>Quoted Market value</u>	<u>Estimated amount by valuation method</u>
Assets			
Financial assets with book value equaling fair value	\$ 79,855,816	\$ -	\$ 79,855,816
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	47,722	-	47,722
Liabilities			
Financial liabilities with book value equaling fair value	\$ 45,271,556	\$ -	\$ 45,271,556
Financial liabilities at fair value through profit or loss, net	2,284,739	-	2,284,739
Deposits and remittances	262,765,613	-	262,765,613
Financial debentures	12,166,000	-	12,166,000
Other financial liabilities	464,752	-	464,752



December 31, 2007			
<u>Derivative financial instruments</u>	<u>Book value</u>	<u>Quoted Market value</u>	<u>Estimated amount by valuation method</u>
Assets			
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
Futures margin deposits	18,294	-	18,294
Fixed rate commercial paper commitment	892	-	892
Liabilities			
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
Fixed rate commercial paper commitment	2,687	-	2,687
Asset swap, interest rate swap and other interest rate swap	1,043,973	-	1,043,973



<u>Non-derivative financial instruments</u>	<u>December 31, 2006</u>		
	<u>Book value</u>	<u>Quoted Market value</u>	<u>Estimated amount by valuation method</u>
Assets			
Financial assets with book value equaling fair value	\$ 81,799,636	\$ -	\$ 81,799,636
Financial assets at fair value through profit or loss, net	11,785,118	4,496,411	7,288,707
Bills discounted and loans, net	226,180,652	-	226,180,652
Available-for-sale financial assets, net	16,667,948	15,699,718	968,230
Debt instruments with non-active market	1,756,897	-	1,756,897
Other financial assets	2,101,809	-	2,101,809
Liabilities			
Financial liabilities with book value equaling fair value	\$ 49,874,303	\$ -	\$ 49,874,303
Financial liabilities at fair value through profit or loss, net	2,082,675	-	2,082,675
Deposits and remittances	267,376,345	-	267,376,345
Financial debentures	12,166,000	-	12,166,000
Other financial liabilities	531,143	-	531,143



<u>Derivative financial instruments</u>	<u>December 31, 2006</u>		
	<u>Book value</u>	<u>Quoted Market value</u>	<u>Estimated amount by valuation method</u>
Assets			
Exchange rate options held	\$ 173,842	\$ -	\$ 173,842
Commodity options held	363	-	363
FX contracts (swaps, forwards and cross currency swap)	70,062	-	70,062
Asset swap interest rate swap and other interest rate swap	40,933	-	40,933
Fixed rate commercial paper commitment	1,487	-	1,487
Liabilities			
Exchange rate options written	\$ 173,842	\$ -	\$ 173,842
Commodity options written	363	-	363
Asset swap options written	88,666	-	88,666
FX contracts (swaps, forwards and cross currency swap)	37,000	-	37,000
Non-delivery forwards	1,314	-	1,314
Interest rate swap contracts	95,786	-	95,786

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, other financial assets (not including financial assets carried at cost and debt instruments with non-active markets), deposits by Central Bank and other banks, bills and bonds payable under repurchase agreements, payables, financial debentures (excluding designated financial liabilities at fair value through profit or loss), other financial liabilities and other payables.
- (2) If 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) When there are quoted market prices available in an active market for available-for-sale financial assets, the fair values are determined using the quoted market prices. 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 discount rate used is consistent with the expected rates of return of the financial instruments that have the same terms and conditions. Such terms and conditions include the debtor's credit rating, the remaining period of the fixed interest rate contract, the remaining period for principal repayment, and the currency paid, etc.
- (5) When there are quoted market prices available in an active market for held-to-maturity financial assets, the fair values are determined using the quoted market prices. 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 discount rate used is consistent with the expected rates of return of the financial instruments that have the same terms and conditions. Such terms and conditions include the debtor's credit rating, the remaining period of the fixed interest rate contracts, the remaining period for principal repayment, and the currency paid, etc.
- (6) There is no quoted market price in an active market for the unlisted stocks under the financial asset carried at cost. Since the range of variances in fair value estimates is not insignificant and also the probability of the various estimates within the variance range can not be reasonably assessed, the fair values of the unlisted stocks cannot be reliably measurable. As a result, information of the fair value with respect to these financial assets is not disclosed.
- (7) 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.
- (8) Most of the deposits and remittances mature within one year and the related interests are accrued by the floating rate for most of the deposits with maturity over one year. Therefore, the book values approximate the fair values.



- C. The Consolidated Company has recognized net losses on financial assets and financial liabilities in fair value arising from valuation methods amounting to \$392,366 and \$81,121, respectively, for the year ended December 31, 2007.
- D. As of December 31, 2007, the Consolidated Company had financial assets with fair value risk arising from interest rate changes amounting to \$99,979,187.
- E. As of December 31, 2007, the Consolidated Company had financial assets with cash flow risk arising from interest rate changes amounting to \$208,974,870.
- F. For the years ended December 31, 2007, total interest income and total interest expense for financial assets or financial liabilities that are not at fair value through profit or loss amounted to \$11,262,013 and \$5,552,930, respectively. For available-for-sale financial assets, gains or (losses) recognized directly in equity were (\$257,275) and the amounts removed from equity and recognized in profit or loss were \$85,510 during the year ended December 31, 2007.
- G. Risk management and hedging strategy (including financial hedge)
- (1) The Consolidated Company engages in risk management and hedge under the principles of not only serving customers but also conforming to the Consolidated Company 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 Consolidated Company 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 Consolidated Company'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 Consolidated Company 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 management of the Consolidated Company 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 Consolidated Company were concentrated on risk transfer and risk management of net interest income and market value risk. The Consolidated Company sets the strategy of fair value hedge of interest rate exposures according to the fund transfer pricing principle. The Consolidated Company 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 up a good risk management system and to improve business development, the Consolidated Company established a risk management policy to achieve operative 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 Consolidated Company 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 Consolidated Company 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 Consolidated Company has developed a market risk management standard. Through the market risk management system, the Consolidated Company is able to evaluate and control the market risk of all positions.

As of December 31, 2007, the Consolidated Company possessed government bonds amounting to \$6,303,469 (including financial assets held for trading of \$293,257 and available-for-sale financial assets of \$6,010,212). The fixed-rate government bonds held by the Consolidated Company amounted to \$6,303,469, and the fair values of fixed-rate government 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 government bond investments by \$180,011. The Bank also possessed corporate bonds amounting to \$7,521,282 (including available-for-sale financial assets). The fixed-rate corporate bonds amounted to \$7,321,614, 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 Consolidated Company 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 USD\$37,262.

As of December 31, 2006, the Consolidated Company possessed government bonds denominated in NT dollars amounting to \$7,694,111 (including financial assets held for trading of \$706,537 and available-for-sale financial assets of \$6,987,574). The fixed-rate government bonds held by the Consolidated Company 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 \$285,423. The Consolidated Company also possessed corporate bonds denominated in NT dollars amounting to \$8,460,856 (including available-for-sale financial assets) of which \$7,727,356 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 \$231,971.

As of December 31, 2006, the Consolidated Company 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 \$3,301 on the net position of USD\$33,011.

(2) Credit risk

Credit risk is the risk that borrowers or counter-parties may not be able to fulfill contracts. The Consolidated Company 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 Consolidated Company, the maximum credit exposures were as follows:

	December 31, 2007	
	Book value	Maximum credit exposure
<u>Non-derivative financial assets</u>		
Financial assets with book value equaling fair value	\$ 79,855,816	\$ 79,855,816
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	47,722	47,722
Off balance sheet accounts		
Guarantees receivable	-	8,592,703
L/C receivable	-	3,566,222



	December 31, 2007	
	Book value	Maximum credit exposure
<u>Derivative financial assets</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
Futures margin deposits	18,294	18,294
Fixed rate commercial paper commitment	892	892

	December 31, 2006	
	Book value	Maximum credit exposure
<u>Non-derivative financial assets</u>		
Financial assets with book value equaling fair value	\$ 81,799,636	\$ 81,799,636
Financial assets at fair value through profit or loss, net	11,785,118	11,785,118
Bills discounted and loans – net	226,180,652	226,180,652
Available-for-sale financial assets – net	16,667,948	16,667,948
Equity investment with non-active market	1,756,897	1,756,897
Other financial assets	2,101,809	2,101,809
Off balance sheet accounts		
Guarantees receivable	-	9,534,682
L/C receivable	-	4,895,414



	December 31, 2006	
	Book value	Maximum credit exposure
<u>Derivative financial assets</u>		
Exchange rate options held	\$ 173,842	\$ 173,842
Commodity options held	363	363
FX contracts (swaps, forwards and cross currency swap)	70,062	70,062
Asset swap interest rate swap and other interest rate swap	40,933	40,933
Fixed rate commercial paper commitment	1,487	1,487

The Consolidated Company conducts cautious credit assessments before providing loans, loan commitments, and guarantees. Loans with collateral amounted to 62.51% of the total loans in 2007. 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 Consolidated Company follows credit policies and negotiates credit limits with counter-parties. In addition, the Consolidated Company may sign master netting agreements with the counter-party 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 counter party or a group of counter parties. Group concentration of credit risks exists if a number of counter parties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their abilities to fulfill contractual obligations simultaneously affected by changes in economic or other conditions. There was no significant concentration of credit risk from counter parties of the Consolidated Company. The related information can be found as follows:

	December 31, 2007	December 31, 2006
<u>Loans by regions</u>		
Domestic	\$ 231,631,836	\$ 218,741,850
Overseas	9,331,439	11,027,906
	<u>\$ 240,963,275</u>	<u>\$ 229,769,756</u>

	December 31, 2007	December 31, 2006
<u>Loans by industries</u>		
Manufacturing	\$ 42,938,265	\$ 44,287,205
Private enterprises	21,805,559	21,002,331
Construction	5,620,116	6,323,033
Private individual	116,786,404	126,866,309
Others	53,812,931	31,290,878
	<u>\$ 240,963,275</u>	<u>\$ 229,769,756</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 Consolidated Company made related regulations for various funding demands to control overall market liquidity risks. The treasury department of the Consolidated Company 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 Consolidated Company has been established. It has gradually improved management efficiency and performance.

The Consolidated Company 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 Consolidated Company 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 Consolidated Company was 26.2% and 20.0% for the years ended December 31, 2007 and 2006, respectively. In addition, the Consolidated Company's capital and working capital were sufficient to fulfill all obligations. Thus, there was no material liquidity risk that could prevent the Consolidated Company from meeting the obligation.

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



December 31, 2007

	0-30 days	31-90 days	91 days-180 days	181-1 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							
Assets							
Non-derivative financial instruments							
Cash and cash equivalent	\$ 4,316,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,316,973
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	-	-	161,712	-	-	815,955	977,667
Non-active - financial debentures	-	-	-	-	-	-	-
Derivative financial instruments							
Financial assets at fair value through profit or loss - derivatives							
Option contracts held	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 margin deposits	18,294	-	-	-	-	-	18,294
Fixed rate commercial paper commitment	-	-	-	351	541	-	892
Total assets	59,337,638	16,938,549	42,606,406	23,617,475	49,247,737	131,902,396	323,650,201



December 31, 2007						
	0~30 days	31~90 days	91 days~180 days	181~1 year	1~3 years	Over 3 years
	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or	amount or	amount or	amount or	amount or
	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	\$ -	\$ -
Financial liabilities held for trading	148,220	-	-	-	-	-
purpose – stock loans – government bonds						
Designated financial liabilities at fair value						
through profit or loss - subordinated	-	2,136,519	-	-	-	-
financial bonds						
Bills and bonds payable under repurchase	7,759,694	150,000	-	-	-	-
agreements						
Deposits and remittances	158,511,947	16,610,987	28,383,024	56,434,259	2,824,396	1,000
Financial debentures	-	2,366,000	-	-	-	9,800,000
Other financial liabilities	-	-	-	-	-	464,752
Derivative financial instruments						
Financial liabilities held for trading						
purpose - derivatives						
Option contracts written	15,234	11,044	2,647	79,472	103,708	-
FX contracts (forwards and swaps)	22,388	4,340	99	172	-	-
Interest rate swap contracts (including asset						
swap interest rate swap and other interest	-	13,380	1,988	24,342	300,383	703,880
rate swap)						
Fixed rate commercial paper commitment	-	-	-	385	2,302	-
Total liabilities	183,374,404	26,042,105	32,555,907	58,967,889	3,230,789	10,969,632
Net liquidity gap	(\$ 124,036,766)	(\$ 9,103,556)	\$ 10,050,499	(\$ 35,350,414)	\$ 46,016,948	\$ 120,932,764
						\$ 8,509,475



December 31, 2006

	0~30 days	31~90 days	91days~180 days	181~1 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)	Amount (recoverable amount or repayment amount)
Financial instruments							
Assets							
Non-derivative financial instruments							
Cash and cash equivalent	\$ 5,725,418	\$ 100,000	\$ 10,000	\$ -	\$ -	\$ -	\$ 5,835,418
Due from Central Bank and call loans to banks	26,645,344	8,200,000	21,600,000	1,000,000	-	-	57,445,344
Financial assets held for trading purpose							
Government bonds	706,537	-	-	-	-	-	706,537
Listed and OTC stocks	492,377	-	-	-	-	-	492,377
Beneficiary certificates	1,997,274	-	-	-	-	-	1,997,274
Beneficiary securities	650,429	-	-	-	-	-	650,429
Commercial paper	3,632,184	-	-	-	-	-	3,632,184
Negotiable certificates of deposit	682,024	-	-	-	-	-	682,024
Designated financial assets at fair value through profit or loss							
Corporate bonds	51,625	-	-	98,727	791,549	1,712,812	2,654,713
Convertible corporate bonds	400,616	-	-	-	-	17,846	418,462
Assets swaps - convertible corporate bonds	249,178	-	-	104,115	197,825	-	551,118
Investment in bills and bonds under resale agreement	611,200	-	-	-	-	-	611,200
Bills discounted and loans, net	10,689,600	8,843,325	17,357,024	13,474,991	37,065,932	138,749,780	226,180,652
Available-for-sale financial assets							
Government bonds	-	-	-	100,002	948,067	5,939,505	6,987,574
Corporate bonds	-	-	981,496	200,733	2,093,852	5,347,755	8,623,836
Financial debentures	-	-	-	-	249,033	2,255	251,288
Asset backed securities	-	-	-	-	-	805,250	805,250
Held-to-maturity financial assets	-	-	-	-	-	-	-
Financial debentures	-	-	-	-	162,980	162,980	325,960
Other financial assets	-	-	-	-	161,375	1,432,669	1,594,044
Non-active - financial debentures	-	-	-	-	-	162,853	162,853
Non-active - negotiable certificates of deposits	-	-	-	-	-	-	-
Derivative financial instruments							
Financial assets held for trading purpose - derivatives							
Option contracts held	116,735	45,061	12,409	-	-	-	174,205
FX contracts (forwards, swaps and cross currency)	55,474	6,711	7,374	503	-	-	70,062
Interest rate swap contracts (including asset swap interest rate swaps and other interest rate swaps)	-	-	-	5,750	24,741	10,442	40,933
Fixed rate commercial paper commitment	-	-	-	-	1,487	-	1,487
Total assets	52,706,015	17,195,097	39,968,303	14,984,821	41,696,841	154,344,147	320,895,224



December 31, 2006						
	0~30 days	31~90 days	91 days~180 days	181~1 year	1~3 years	Over 3 years
	Amount	Amount	Amount	Amount	Amount	Amount
	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable	(recoverable
	amount or	amount or	amount or	amount or	amount or	amount or
	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	\$ 11,850,093	\$ 3,336,290	\$ 3,788,099	\$ 7,491,827	\$ 700,000	\$ -
Designated financial liabilities at fair value through profit or loss - subordinated financial bonds	-	-	-	-	-	-
Bills and bonds payable under repurchase agreements	11,928,693	211,593	-	-	2,082,675	-
Deposits and remittances	38,112,797	19,352,734	46,644,749	96,957,064	66,308,501	-
Financial debentures	-	-	-	-	2,366,000	500
Other financial liabilities	-	-	-	-	-	9,800,000
Derivative financial instruments						
Financial liabilities held for trading purposes - derivatives	116,735	45,061	12,409	13,766	74,900	-
Option contracts written	32,918	3,168	914	-	-	-
FX contracts (forwards and swaps)	1,314	-	-	-	-	-
Non-delivery forwards	-	-	-	-	-	-
Interest rate swaps contracts	-	-	-	-	78,480	17,306
Total liabilities	62,042,550	22,948,846	50,446,171	104,462,657	71,610,556	10,318,924
Net liquidity gap	\$ 9,336,535)	\$ 5,753,749)	\$ 10,477,868)	\$ 89,477,836)	\$ 29,913,715)	\$ 144,025,223 (\$ 934,480)



(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 Consolidated Company may fluctuate due to changes in interest rates. Thus, the Consolidated Company 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, 2007 and 2006, 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 shows the interest rate risk of the Consolidated Company:



December 31, 2007

	0~30 days	31~90 days	91 days~180 days	181~1 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							
Assets							
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	3,662	223,257	95,499	96,482	34,943	108,944	562,787
Convertible corporate bonds	-	-	-	-	58,201	1,269,944	1,328,145
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 instruments							
Derivative financial instruments							
Financial assets held for trading purpose - derivatives							
Swap contracts	43,092	14,515	191	-	-	-	57,798
Futures margin deposits	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)	-	-	-	-	-	-	-
Total assets	53,615,225	120,163,831	30,748,599	14,268,635	41,628,400	54,403,590	314,828,280

December 31, 2007

	0-30 days Amount (recoverable amount or repayment amount)	31-90 days Amount (recoverable amount or repayment amount)	91 days-180 days Amount (recoverable amount or repayment amount)	181-1 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)	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 - stock 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	106,678,831	17,147,695	110,215,644	24,953,716	1,530,461	600	260,526,947
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							
Option contracts written	19	19	-	3,462	103,709	-	107,209
Swaps contracts	14,752	1,818	-	172	-	-	16,742
Interest rate swaps (including asset swap interest rate swaps and other interest rate swaps)	-	13,380	1,988	24,342	300,383	703,880	1,043,973
Fixed rate commercial paper commitment	-	-	-	385	2,302	-	2,687
Total liabilities	<u>131,518,437</u>	<u>26,565,266</u>	<u>114,385,781</u>	<u>27,411,336</u>	<u>1,936,855</u>	<u>10,969,232</u>	<u>312,786,907</u>
Interest-rate-sensitivity gap	<u>(\$ 77,903,212)</u>	<u>\$ 93,598,565</u>	<u>(\$ 83,637,182)</u>	<u>(\$ 13,142,701)</u>	<u>\$ 39,691,545</u>	<u>\$ 43,434,358</u>	<u>\$ 2,041,373</u>



	December 31, 2006					
	0~30 days Amount (recoverable amount or repayment amount)	31~90 days Amount (recoverable amount or repayment amount)	91 days~180 days Amount (recoverable amount or repayment amount)	181~1 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)
Financial instruments						
Liabilities						Total Amount (recoverable amount or repayment amount)
Non-derivative financial instruments						
Due to Central Bank and other banks	\$ 24,166,309	\$ -	\$ -	\$ 3,000,000	\$ -	\$ 27,166,309
Designated financial liabilities at fair value through profit or loss -						
subordinated financial bonds	-	-	-	-	2,082,675	2,082,675
Bills and bonds payable under repurchase agreements	11,928,693	211,593	-	-	-	12,140,286
Deposits	72,732,483	48,525,210	106,563,629	34,299,445	2,726,414	264,847,621
Financial debentures	-	-	-	-	2,366,000	12,166,000
Other financial liabilities	-	-	-	-	-	501,118
Derivative financial instruments						
Financial liabilities held for trading purpose - derivatives	-	-	-	-	78,480	95,786
Interest rate swaps	29,685	730	79	-	-	30,494
Swap contracts	108,857,170	48,737,533	106,563,708	37,299,445	7,253,569	319,030,289
Total liabilities	(\$ 7,864,959)	(\$ 10,936,933)	(\$ 76,885,495)	(\$ 32,917,131)	(\$ 28,169,446)	(\$ 17,112,695)
Interest-rate-sensitivity gap						



b. Effective interest rates

As of December 31, 2007 and 2006, the effective interest rates for financial instruments (except for financial instruments at fair value through profit or loss) held or issued by the Consolidated Company were as follows:

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%	-



December 31, 2006

Items	NTD	USD
Available-for-sale financial assets		
Government bonds	0.93%~2.42%	-
Corporate bonds	0.00%~4.32%	5.35%
Financial debentures	-	2.90%~3.50%
Asset backed securities	-	5.50%
Held-to-maturity financial assets		
Financial debentures	-	7.78%~8.00%
Debt instruments with non-active market		
Financial debentures	-	0.40%~8.00%
Negotiable certificates of deposit	-	5.50%
Loans and advances		
Short-term loans	3.35%	5.63%
Short-term secured loans	3.39%	5.81%
Mid-term loans	4.60%	6.26%
Mid-term secured loans	4.58%	5.90%
Long-term loans	2.43%	2.51%
Long-term secured loans	3.08%	5.70%
Financial debentures	0.80%~3.50%	-
Deposits		
Demand deposits	0.54%	1.88%
Time deposits	1.63%~1.74%	4.56%
Redeposits from the directorate general of postal remittance	2.15%	-
Demand saving deposits	0.41%~9.49%	-
Time saving deposits	1.83%~1.99%	-



(2) The disclosure 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, 2007						December 31, 2006			
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	Gross loans	Non-performing loan ratio (%)	Allowance for credit losses	Coverage ratio (%)
Corporate Banking	Secured loans	876,054	65,575,751	1.34%	709,424	80.98%	598,015	77,009,591	0.78%	860,481	143.89%
	Unsecured loans	426,252	71,348,176	0.60%	610,494	143.22%	206,676	35,885,216	0.58%	911,659	441.11%
Consumer banking	Residential mortgage loans (Note 4)	676,788	74,152,939	0.91%	1,434,812	212.00%	1,260,686	85,456,994	1.48%	787,138	62.44%
	Cash card services	-	-	-	-	-	33	5,413	0.61%	60	181.82%
Gross loan business	Small amount of credit loans (Note 5)	698,470	14,258,780	4.90%	708,927	101.50%	630,069	17,782,717	3.54%	966,169	153.34%
	Others Secured loans (Note 6)	484,042	15,220,779	3.18%	670,488	138.52%	71,489	13,386,432	0.53%	51,017	71.36%
	Unsecured loans	21,813	406,850	5.36%	26,963	123.61%	25,578	243,393	10.51%	12,580	49.18%
Gross loan business		3,183,419	240,963,275	1.32%	4,161,108	130.71%	2,792,546	229,769,756	1.22%	3,589,104	128.52%
		Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio
Credit card services		52,540	2,572,987	2.04%	163,486	311.16%	60,461	3,257,797	1.86%	398,817	659.63%
Without recourse factoring (Note 7)		-	6,701,266	-	-	-	-	7,737,393	-	-	-

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 assets quality

Expressed In Thousands of New Taiwan Dollars (%)		
December 31, 2007		
Items	Amount	Non-performing loans/gross loans (%)
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%
December 31, 2006		
Non-performing loans A	\$ 1,872,651	0.82%
Non-performing loans B	919,895	0.40%
Gross non-performing loans	2,792,546	1.22%

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, 2007			
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	HALSHI LIHWA Co., Ltd.	\$ 2,712,417	12.43%
2	Foxconn Electronic Inc.	1,940,000	8.89%
3	CHIMEI Group	1,874,270	8.59%
4	Formosa Plastic Group	1,739,423	7.97%
5	Ben Q	1,210,740	5.55%
6	Kinpo Group	1,044,289	4.78%
7	E-United Group	986,607	4.52%
8	Ho Tung Chemical Corp. Ltd.	966,894	4.43%
9	Tainan Spinning Co., Ltd	944,226	4.33%
10	Evergreen Group	904,151	4.14%

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, 2007		December 31, 2006	
Amount of credit extensions to related parties	\$ 3,581,299		\$ 3,523,263	
Ratio of credit extensions to related parties (%)	1.39		1.42	
Ratio of credit extensions secured by stocks (%)	2.88		1.91	
Industry concentration (Ranking the top three ratio of credit extensions)	Industry	Ratio	Industry	Ratio
	Individuals	45.30%	Individuals	52.97%
	Manufacturing	20.81%	Manufacturing	19.51%
	Wholesale, retail and, F&B industry	8.67%	Wholesale, retail and, F&B industry	8.45%

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, 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.



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

December 31, 2006

(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	149,716,000	32,551,000	3,422,000	98,402,000	284,091,000
Interest-rate-sensitive liabilities	135,450,000	104,738,000	34,518,000	17,528,000	292,234,000
Interest-rate-sensitive gap	14,266,000 (	72,187,000) (	31,096,000)	80,874,000 (	8,143,000)
Total stockholders' equity					13,851,000
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					97.21
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					(58.79)

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, 2006

(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	334,193	114,081	30,702	237,163	716,139
Interest-rate-sensitive liabilities	552,927	51,366	61,315	-	665,608
Interest-rate-sensitive gap	(218,734)	62,715 (	30,613)	237,163	50,531
Total stockholders' equity					9,220
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					107.59
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					548.06

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,	
		2007	2006
Return on total assets (%)	Before tax	(0.75)	(1.74)
	After tax	(0.58)	(1.46)
Return on stockholders' equity (%)	Before tax	(14.50)	(34.63)
	After tax	(11.18)	(29.16)
Net profit margin ratio (%)		(30.35)	(66.77)

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, 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 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	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 issuing).

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



December 31, 2006

(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 fund inflow upon maturity	47,407,000	13,503,000	35,334,000	13,887,000	211,887,000	322,018,000
Primary fund outflow upon maturity	49,446,000	25,486,000	69,553,000	126,782,000	132,737,000	404,004,000
Gap	(2,039,000)	(11,983,000)	(34,219,000)	(112,895,000)	79,150,000	(81,986,000)

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, 2006

(Expressed in Thousands of US Dollars)

	0~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year	Total
Primary fund inflow upon maturity	461,038	252,901	160,975	30,687	419,916	1,325,517
Primary fund outflow upon maturity	832,748	122,750	87,124	61,822	188,153	1,292,597
Gap	(371,710)	130,151	73,851	(31,135)	231,763	32,920

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 issuing).

Note 2: If oversea 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

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 agreements	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%
2006		
	Average value	Average rate of return (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 1,284,858	1.02%
Due from Central Bank and call loans to other banks	36,371,376	1.66%
Financial assets at fair value through profit or loss	8,599,655	3.73%
Investment in bills and bonds under resale agreement	521,178	1.46%
Bills discounted and loans	224,711,997	3.89%
Available-for-sale financial assets	15,859,293	1.85%
Held-to-maturity financial assets	163,951	2.67%
Debt instruments with non-active market	2,563,133	6.15%
<u>Interest-bearing liabilities</u>		
Due to other banks	\$ 11,420,077	3.60%
Financial liabilities at fair value through profit or loss	2,134,000	1.13%
Bills and bonds payable under repurchase agreement	13,086,108	1.44%
Demand deposits	81,799,546	0.62%
Time deposits	145,090,315	2.11%
Negotiable certificates of deposit	17,909,695	1.63%
Financial debentures	6,686,000	3.44%
Appropriated loan funds	194,013	0.96%



3) Net position for major foreign currency transactions

	December 31, 2007			December 31, 2006		
	Currency (in thousands)		NTD	Currency (in thousands)		NTD
Net position for major foreign currency transactions (Market Risk)	USD	\$ 37,262	\$ 1,208,891	USD	\$ 33,011	\$ 1,076,017
	CNY	2,428	10,787	EUR	957	41,097
	HKD	470	1,954	CHF	583	15,554
	CHF	41	1,195	NZD	281	6,468
	AUD	31	896	AUD	83	2,143

Note1: The major foreign currencies are the top 5 currencies by position, which is expressed in New Taiwan dollars after exchange rate conversion.

Note2: 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, 2007			
<u>Trust assets</u>		<u>Trust liabilities</u>	
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	
Net assets of Co-Trust	884,044	and its collateral right trust	6,371,681
Funds		Co-Trust Fund	870,527
		Total net income (loss)	53,805
		Retained earnings	25,868
Total trust assets	<u>\$ 65,086,602</u>	Total trust liabilities	<u>\$ 65,086,602</u>

Trust Balance Sheet			
December 31, 2006			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Bank deposits	\$ 132,534	Pecuniary trust	\$ 43,482,982
Short-term investments	44,526,886	Securities trust	916,989
Long-term investments	8,216,480	Real estate trust	1,170,346
Real estate	2,457,507	Pecuniary creditor's right	
Net assets of Co-Trust		and its collateral right trust	9,667,098
Fund	<u>1,354,719</u>	Co-Trust Fund	1,322,096
		Retained earnings	128,615
Total trust assets	<u>\$ 56,688,126</u>	Total trust liabilities	<u>\$ 56,688,126</u>



Trust Income Statement			
For the years ended December 31,			
	2007		2006
Trust income:			
Interest income	\$ 176,574	\$	207,800
Rental income	-		47,414
Cash dividends income	9,233		25,686
Stock dividends income	13,322		10,791
Investment income	34,037		3,633
Gain on property trading	-		105
Reserves	(1,644)		-
	<u>231,522</u>		<u>295,429</u>
Trust expenses:			
Management fees	7,104		8,714
Supervisors remuneration	-		25
Tax expenses	3,651		55,139
Interest expense	138,110		24,387
Handling fees	9,031		11,437
Audit fees	330		440
Lawyer fees	-		3,270
Reserve fees	-		3,304
Unrealized loss on market value decline	-		79,594
Refund trust principal	14,778		-
Loss on investment	4,632		2,377
	<u>177,636</u>		<u>188,687</u>
Net income before income tax	53,886		106,742
Income tax expense	81		109
Net income after income tax	<u>\$ 53,805</u>	<u>\$</u>	<u>106,633</u>

Schedule of investment for trust business			
December 31, 2007		December 31, 2006	
Invested items	Book value	Invested items	Book value
Short-term investments:		Short-term investments:	
Bonds	\$ 17,896,835	Bonds	\$ 18,872,264
Common stock	1,751,521	Common stock	1,452,347
Funds	38,187,511	Funds	25,556,994
Subtotal	<u>57,835,867</u>	Subtotal	<u>45,881,605</u>
Others:		Others:	
Bank deposits	139,865	Bank deposits	132,534
Long-term investments:		Long-term investments:	
Creditor's right investment	6,331,454	Creditor's right investment	8,216,480
Real estate:		Real estate:	
Land	779,416	Land	2,457,507
	<u>\$ 65,086,602</u>		<u>\$ 56,688,126</u>

Foreign currency pecuniary trust operated by the Offshore Banking Unit (OBU) as of December 31, 2007 and December 31, 2006, was included in the trust balance sheet and schedule of investment for trust business.



5) Capital adequacy ratio

		December 31, 2007	December 31, 2006	
Self-owned capital,		Tier 1 Capital	21,147,008	12,608,801
		Tier 2 Capital	7,125,168	9,332,750
		Tier 3 Capital	-	-
		Self-owned capital, net	28,272,176	21,648,390
Total risk - weighted assets	Credit risk	Standardized Approach	213,153,124	218,702,184
		Internal Ratings-Based Approach	-	-
		Asset securitization	-	-
	Operation risk	Basic Indicator Approach	13,862,963	-
		Standardized Approach / Alternative Standardized Approach	-	-
		Advanced Measurement Approaches	-	-
	Market risk	Standardized Approach	10,785,088	15,819,906
		Internal Models Approach	-	-
	Total risk-weighted assets		237,801,175	234,522,090
Capital adequacy ratio		11.89%	9.23%	
Tier 1 Risk-based Capital Ratio		8.89%	5.38%	
Tier 2 Risk-based Capital Ratio		3.00%	3.98%	
Tier 3 Risk-based Capital Ratio		-	-	
Shareholder's equity/Total assets		6.93%	5.19%	

Note 1: The consolidated capital adequacy ratio as of December 31, 2007 and 2006 was 11.89% and 9.23% 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, 2007	
	Cases and amount
Directors or employees prosecuted due to violation of laws and regulations in relation to the operations in the latest year.	<ol style="list-style-type: none"> 1. Mr. Chen, an ex-employee in San Min Branch, was prosecuted for embezzlement amounting to \$21,200. Kaohsiung District Prosecutors Office has brought in an indictment. 2. Mr. Dong, an ex-employee in Banciao Branch, was prosecuted for fraudulent loans by using other person's name amounting to \$200,000. Banciao District Prosecutors Office has brought in an indictment.
Fine due to non-compliance with laws and regulations in the latest year	<ol style="list-style-type: none"> 1. On May 24, 2007, under Article 45 1 (1) of the Banking Act, the Bank was fined for \$4,000 by Banking Bureau, Financial Supervisory Commission. 2. On August 20, 2007, under Article 45 1 (1) of the Banking Act, the Bank was fined for \$2,000 by Banking Bureau, Financial Supervisory Commission.
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.	<ol style="list-style-type: none"> 1. Reported on March 6, 2007, a major incidental of embezzling performed by an employee in the Company and \$5,879 should be recovered. 2. Reported on April 10, 2007, a major incidental of fraud loans performed by a client and \$200,000 was appropriated.
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 of the financial statements for the year ended December 31, 2006 have been reclassified and presented in accordance with "Guidelines Governing the Preparation of Financial Reports by Public Banks", to conform to the financial statements for the year ended December 31, 2007. The reclassification does not have material impact on the presentation of the financial statements.



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

3 Information exchange

As the Consolidated Company, the Yuanta Financial Holding Co. and its subsidiaries or other third parties adopted cross-selling marketing approach, they had to follow 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 rule regulating Financial Holding Company 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 Group Cross-selling Marketing Rules", written agreement between the Consolidated Company, 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 exchange in so far as of December 31, 2007.



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 Consolidated Company'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 Consolidated Company'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 Consolidated Company'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 Consolidated Company'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 Holding	Parent Company	\$ 1,112,854 (Note 1)	-	-	-	-	-
Yuanta Commercial Bank	Yuanta Asset Management	Affiliated company controlled by the same company as the Bank	526,758 (Note 2)	-	-	-	-	-

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

Note 2: The amount above represents proceeds from sales of non-performing loans.

6. Information regarding selling non-performing loans:

A. Summary of selling non-performing loans

31 December 2007

Transaction Date	Transaction Counterparty	Contents of right of claim	Carrying value	Selling price	Gain (Loss) from sale	Provision within	Relationship with the Company
2007/6/11	China Mental Products	Enterprise - Agreement and doubtful debt	325,393	516,800	184,767	None	None
2007/12/18	Yuanta Asset Management	Enterprise – advance and doubtful debts Individual – non-performing loans, doubtful debts and credit card overdue fees	642,609	752,511	109,902	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 initial claim.

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 period	Remarks
				Ending balance	Beginning balance	Shares (thousand)	Ratio	Book value			
Yuanta Commercial Bank	Yuanta Leasing	5F., No. 4, Sec. 1, Zhongxiao W. Rd., Taipei, Taiwan	Movable property, real estate and property selling and leasing	\$ 197,000	\$ 197,000	\$ 19,700	98.56	\$ 105,174	(\$ 8,462)	(\$ 8,340)	
Yuanta Commercial Bank	Yuanta Life Insurance Agent	3F., No. 4, Sec. 1, Zhongxiao W. Rd., Taipei, Taiwan	Life insurance agency	3,000	3,000	300	99.99	32,791	22,505	22,194	
Yuanta Commercial Bank	Yuanta Property Insurance Agent	3F., No. 4, Sec. 1, Zhongxiao W. Rd., Taipei, Taiwan	Property insurance agency	2,880	2,880	-	80.00	5,197	1,467	1,139	

Note 1: Banking industry.

Note 2: Insurance industry.

Note 3: Leasing, investment consulting and business consulting industries.

Note 4: Construction proposal consulting and contract certificate.



2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Consolidated Company'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 Consolidated Company'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 Consolidated Company'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, 2007: none.
12. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Consolidated Company's paid-in capital: none.
13. Information regarding trading in derivative financial instruments: none.

(3) Investments in People's Republic of China: none.



(4) Significant transactions between parent company and subsidiaries

Information for the year ended December 31, 2007:

No. (Note 1)	Company	Counterparty	Relation ship (Note 2)	Details of transactions		
				Account	Amount	Conditions Percentage of the total consolidated net revenues or total assets (%)
0	Yuanta Commercial Bank	Yuanta Leasing	1	Deposits and remittances	31,482	No significant difference from general customers 0.01
0	Yuanta Commercial Bank	Yuanta Leasing	1	Interest expense	15	" 0.00
0	Yuanta Commercial Bank	Yuanta Property Insurance Agent	1	Deposits and remittance	9,484	" 0.00
0	Yuanta Commercial Bank	Yuanta Property Insurance Agent	1	Interest expense	84	" 0.00
0	Yuanta Commercial Bank	Yuanta Property Insurance Agent	1	Handling fee income	6,819	" 0.10
0	Yuanta Commercial Bank	Yuanta Property Insurance Agent	1	Rental income	43	" 0.00
0	Yuanta Commercial Bank	Yuanta Property Insurance Agent	1	Receivable	2,751	" 0.00
0	Yuanta Commercial Bank	Yuanta Property Insurance Agent	1	Other liabilities	77	" 0.00
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Deposits and remittances	37,861	" 0.01
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Interest expense	464	" 0.01
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Handling fee income	104,258	" 1.56



No. (Note 1)	Company	Counterparty	Relation ship (Note 2)	Details of transactions		
				Account	Amount	Conditions Percentage of the total consolidated net revenues or total assets (%)
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Rental income	232	" 0.00
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Receivable	16,961	" 0.00
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Other liabilities	419	" 0.00
1	Yuanta Leasing	Yuanta Commercial Bank	2	Bank deposits	30,982	" 0.01
1	Yuanta Leasing	Yuanta Commercial Bank	2	Other assets	500	" 0.00
1	Yuanta Leasing	Yuanta Commercial Bank	2	Interest income	15	" 0.00
2	Yuanta Property Insurance Agent	Yuanta Commercial Bank	2	Bank deposits	9,484	" 0.00
2	Yuanta Property Insurance Agent	Yuanta Commercial Bank	2	Interest income	84	" 0.00
2	Yuanta Property Insurance Agent	Yuanta Commercial Bank	2	Commission expense	6,819	" 0.10
2	Yuanta Property Insurance Agent	Yuanta Commercial Bank	2	Rental expense	43	" 0.00
2	Yuanta Property Insurance Agent	Yuanta Commercial Bank	2	Accrued payables	2,751	" 0.00
2	Yuanta Property Insurance Agent	Yuanta Commercial Bank	2	Refundable deposits	77	" 0.00
3	Yuanta Life Insurance Agent	Yuanta Commercial Bank	2	Bank deposits	37,861	" 0.01
3	Yuanta Life	Yuanta	2	Interest income	464	" 0.01



No. (Note 1)	Company	Counterparty	Relation ship (Note 2)	Details of transactions			Percentage of the total consolidated net revenues or total assets (%)
				Account	Amount	Conditions	
	Insurance Agent	Commercial Bank					
3	Yuanta Life Insurance Agent	Yuanta Commercial Bank	2	Commission expense	104,258	"	1.56
3	Yuanta Life Insurance Agent	Yuanta Commercial Bank	2	Rental expense	232	"	0.00
3	Yuanta Life Insurance Agent	Yuanta Commercial Bank	2	Accrued payables	16,961	"	0.00
3	Yuanta Life Insurance Agent	Yuanta Commercial Bank	2	Refundable deposits	419	"	0.00
2	Yuanta Property Insurance Agent	Yuanta Life Insurance Agent	3	Commission expense	291	"	0.00
3	Yuanta Life Insurance Agent	Yuanta Property Insurance Agent	3	Commission income	291	"	0.00



Information for the year ended December 31, 2006:

No. (Note 1)	Company	Counterparty	Relation ship (Note 2)	Details of transactions			Percentage (%) of accounting for the total consolidated net revenues or assets
				Account	Amount	Conditions	
0	Yuanta Commercial Bank	Yuanta Leasing	1	Deposits and remittance	1,618	No significant difference from general customers	0.00
0	Yuanta Commercial Bank	Yuanta Property Insurance Agent	1	Deposits and remittance	8,990	"	0.00
0	Yuanta Commercial Bank	Yuanta Property Insurance Agent	1	Interest expense	3,343	Sales commission earned from acting an agent of Yuanta Life Insurance Agent	0.05
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Deposits and remittance	44,724	No significant difference from general customers	0.01
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Interest expense	311	"	0.00
0	Yuanta Commercial Bank	Yuanta Life Insurance Agent	1	Handing fee income	72,623	Sales commission earned from acting an agent of Yuanta Life Insurance Agent	1.08
1	Yuanta Leasing	Yuanta Commercial Bank	2	Bank deposits	1,618	No significant difference from general customers	0.00
2	Yuanta Property Insurance Agent	Yuanta Commercial Bank	2	Bank deposits	8,990	"	0.00
2	Yuanta Property	Yuanta	2	Commission	3,343	Sales commission	0.05



No. (Note 1)	Company	Counterparty	Relation ship (Note 2)	Details of transactions			
				Account	Amount	Conditions	Percentage (%) of accounting for the total consolidated net revenues or assets
	Insurance Agent	Commercial Bank		expense		earned from acting an agent of Yuanta Life Insurance Agent	
3	Yuanta Life Insurance Agent	Yuanta Commercial Bank	2	Bank deposits	44,724	No significant difference from general customers	0.01
3	Yuanta Life Insurance Agent	Yuanta Commercial Bank	2	Interest income	311	"	0.00
3	Yuanta Life Insurance Agent	Yuanta Commercial Bank	2	Commission expense	72,623	Sales commission earned from acting an agent of Yuanta Life Insurance Agent	1.08

Note 1: The numbers in the No. column represent as follows:

1. 0 for the parent company
2. According to the sequential order, subsidiaries are numbered from 1.

Note 2: There are three types of relationships with the counterparties and they are labeled as follows:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

XII. Segment Information: not applicable.

- 4. Any financing problems encountered by the bank and its affiliates which might affect the financial conditions of the bank. 【None】**



Review and Analysis of Financial Conditions,
Operating Results and Risk Management

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2007 Annual Report
Yuantai Bank

VII. Review and Analysis of Financial Conditions, Operating Results and Risk Management

1. Analysis of financial status and operating results

A. Financial Status

Unit: thousand NTD

Title \ Year	2007	2006	Difference	
	Total	Total	Amount	(%)
Total assets	346,503,239	345,687,833	815,406	0.24
Total liabilities	324,674,459	331,725,706	(7,051,247)	(2.13)
Total shareholders' equity	21,828,780	13,962,127	7,866,653	56.34

Explanation about major changes:

Total shareholders' equity: The increase in total shareholders' equity in 2007 more than in 2006 is a result of the capital increase in cash of NTD\$10 billion and capital reduction of NTD\$4 billion to cover loss and the decrease in retained earnings due to provision of bad debt to enhance the quality of assets in 2007.

B. Operating results

Unit: thousand NTD

Title \ Year	2007	2006	Increase/decrease amount	Ratio of change %
	Total	Total		
Net Interest income	5,483,699	5,551,436	(67,737)	(1.22)
Net Non-interest income	1,110,464	1,585,949	(475,485)	(29.98)
Net Service charge income	1,053,913	992,092	61,821	6.23
Other Net income	56,551	593,857	(537,306)	(90.48)
Net Income	6,594,163	7,137,385	(543,222)	(7.61)
Bad debt expenses	4,099,417	8,394,810	(4,295,393)	(51.17)
Operating expenses	5,089,484	4,402,563	686,921	15.60
Continuing operating income before tax	(2,594,738)	(5,659,988)	3,065,250	54.16
Gain on income tax	593,496	882,966	(289,470)	(32.78)
Continuing operating income after tax	(2,001,242)	(4,777,022)	2,775,780	58.11
Cumulative effect of changes in accounting principles (net after tax)	—	11,158	(11,158)	(100.00)
Net P/L in current period	(2,001,242)	(4,765,864)	2,764,622	58.01

Explanation of changes in increase/decrease ratio:

Continuing operating income before tax: The greater decrease in 2007 than 2006 is a result of the provision of loans and credit card bad debt expenses to sustain the quality of assets in 2006.



C. Cash Flow

1) Liquidity analysis over the past two years

Unit: %

Title \ Year	2007	2006	Increase (decrease) ratio %
Cash flow ratio	21.17%	-	-
Cash flow adequacy ratio	480.43%	210.59%	128.14
Cash flow fulfillment ratio	68.41%	-	-

- a. Cash flow adequacy ratio: The greater increase in cash flow adequacy ratio in 2007 than 2006 is a result of the increase in net cash outflow from operating activities due to the increase in factoring and financial products at fair value through income statement in 2006. However, no such circumstances took place in 2007.
- b. Cash flow and cash flow fulfillment ratios: Not applicable, because the cash flow ratios and cash flow fulfillment ratio are calculated based on the “net cash inflow from operating activities”, while the operating activities in 2006 generated net cash outflow.

2) Analysis of cash flow for the next year

Unit: thousand NTD

Cash balance - beginning	Net cash flow from operating activities	Cash outflow (inflow) of the current year	Cash balance (deficiency)	Corrective action in the case of cash deficiency	
				Investment plan	Financing plan
4,316,348	(1,927,430)	89,011,775	(86,622,857)	397,522	92,280,597

- a. Analysis of cash flow of the current year: (Unit: thousand NTD)
- Operating activities: (1,927,430)
 - Investing activities: (59,680,395)
 - Financing activities: 63,346,739
- b. Corrective action in the case of projected cash deficiency: The cash deficiency is scheduled to be addressed by induction of deposits.

D. The effect of major capital expenditure to finance in recent year

1) Utilization of major capital expenditure and source of capital:

Unit: thousand NTD

Project	Actual or projected source of capital	Actual or projected date of completion	Total funds required	Actual or projected utilization of capital							
				2004	2005	2006	2007	2008	2009	2010	2011
The Bank's core banking system	Self-owned capital	98	410,000	-	-	-	157,200	142,200	110,600	-	-
New building construction project of Yung Kang Branch (interior decoration work)	Self-owned capital	97	26,950	-	-	-	18,865	8,085	-	-	-



2) Projected potential effect:

- a. Core Banking system:
 - i. Provide customers with a stable and speedy trading platform and 24-hour service to upgrade the service quality.
 - ii. Shorten the development time of new products and launched into market to enable customers to experience the speedy and efficient services.
 - iii. Provide more precise performance information to help the Bank's operating analysis.
- b. New construction and interior decoration works of branch offices may upgrade Yuanta Commercial Bank's service quality, operation efficiency, business expanding, and market share.

E. The transfer investment policy in recent year, main causes of profit or loss, correction action, and investment plan for the following year:

According to Article 36 of the Financial Holding Company Act, after a bank is transformed into a financial holding company, the bank's investment business shall be conducted by the financial holding company. Therefore, since the Bank joined Fuhwa Financial Holding (now known as Yuanta Financial Holding) in the form of a share swap on August 1, 2002, the Bank has not added any kind of reinvestment business.



2. Analysis and evaluation of risk management

A. Qualitative and quantitative information about the various risks

1) Credit risk management system

a. The Bank's credit risk management system in 2007

Item	Contents
1. Strategies, objectives, policies and procedure of credit risk.	<p>1. Strategies and objectives:</p> <ol style="list-style-type: none"> (1) Follow Basel II requirements to upgrade the Bank's risk management and ability to integrate with the world. (2) Well found the various risk management systems and control procedure, and fulfill them precisely. (3) Strengthen the information integration, analysis and precautionary effect to exert the risk management actively. <p>2. Policies:</p> <ol style="list-style-type: none"> (1) Cultivate the business strategies and organizations valuing credit risk management, and control the qualitative and quantitative management approaches as the reference to draw up a business strategies. (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, and control the risks that might be encountered by the various businesses in 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. (3) Authorize independent credit risk management entities and personnel to exercise job duties to ensure that the Bank's credit risk management systems may be implemented effectively and to help the board of directors and management perform their duties precisely to fulfill the bank's credit risk management systems. (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. <p>3. Management procedure:</p> <p>Credit risk identification, credit risk measurement, credit risk control and management, credit risk report and credit risk performance management, including:</p> <ol style="list-style-type: none"> (1) Establish credit rating/scoring card models. (2) Define credit risk-related regulations. (3) Set the limit of the various large credit risk exposures. (4) Define the credit approving procedure. (5) Establish proper credit management. (6) Review and report periodically. (7) Upgrade the quality of assets.
2. Structure and organization of credit risk management.	<p>1. Board of Directors:</p> <ol style="list-style-type: none"> (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 credit risk management objectives. (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. <p>2. High-rank management:</p> <p>Asset & Liability Management Committee, Risk Management Committee, Overdue Loan Management Committee and Credit Evaluation Committee are subordinated to the president.</p>



Item	Contents
	<p>(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.</p> <p>(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.</p> <p>3. Management entities:</p> <p>(1) Credit Risk Management Dept., NPL Collection Dept., Corporate Banking Credit Dept., Corporate Banking Business Dept., Corporate Banking Products Development Dept., Consumer Banking Credit Dept., Consumer Banking Business Dept., Credit Card Dept.</p> <p>(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 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>
3. Scope and characteristics of credit risk report and measurement systems.	<p>1. Scope and characteristics of credit risk report:</p> <p>(1) Report of Board of Directors (periodic) (Consolidated risk report)</p> <p>(2) Report of Audit Committee (periodical) (Consolidated risk report)</p> <p>(3) Monthly briefed report of Asset&Liability Management Committee (Consolidated risk report)</p> <p>(4) Monthly briefed report of Risk Management Committee (Consolidated risk report)</p> <p>(5) Monthly corporate banking asset quality report.</p> <p>(6) Monthly consumer banking asset quality report.</p> <p>(7) Monthly disclosure of information about the individual limits in the various countries.</p> <p>(8) KMV Model Rating and Credit Evaluation TCRI Rating Downward Adjustment Weekly.</p> <p>(9) Real time (irregular) important credit evaluation report form.</p> <p>(10) Real time (irregular) alters system report/search</p>



Item	Contents
	mechanism. 2. Credit risk measurement systems include: (1) Capital charge calculation platform information system. (2) Completion of 1 st stage of review system. (3) Completion of 1 st stage of collection system. (4) Completion of 1 st stage of the Bank's alert system. (5) Completion of 1st stage of corporate banking simplified credit rating system. (6) Step-by-step establishment of consumer banking rating cards step by step, and car loan applications rating card and credit card applications rating card completed currently. (7) Completion of 1 st stage of MTM.
4. Credit risk hedging or risk reduction policies, and strategies and procedures for controlling the ongoing effectiveness of hedging and risk reduction tools.	1. Credit risk heading 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. 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 effective ness of risk reduction of collaterals through periodical reevaluation of collaterals, loan-to-value ratio alert, analysis of centralization and pressure test.
5. Approach for regulatory capital charge.	Basel II standardized approach

b. Exposure and accrued capital charge upon risk reduction under credit risk standardized approach

December 31, 2007
(Unit: thousand NTD)

Type	Exposure upon risk reduction	Accrued capital charge
Sovereign states	67,950,153	0
Public departments other than the central government	9,318,335	144,967
Banks (including multilateral development banks)	18,135,432	650,006
Enterprises (including securities and insurance companies)	123,080,635	9,385,915
Retailed credit	60,393,659	3,650,196
Residential real estate	77,829,138	2,831,064
Equity-securities investment	0	0
Other assets	7,053,949	348,465
Total	363,761,301	17,010,613



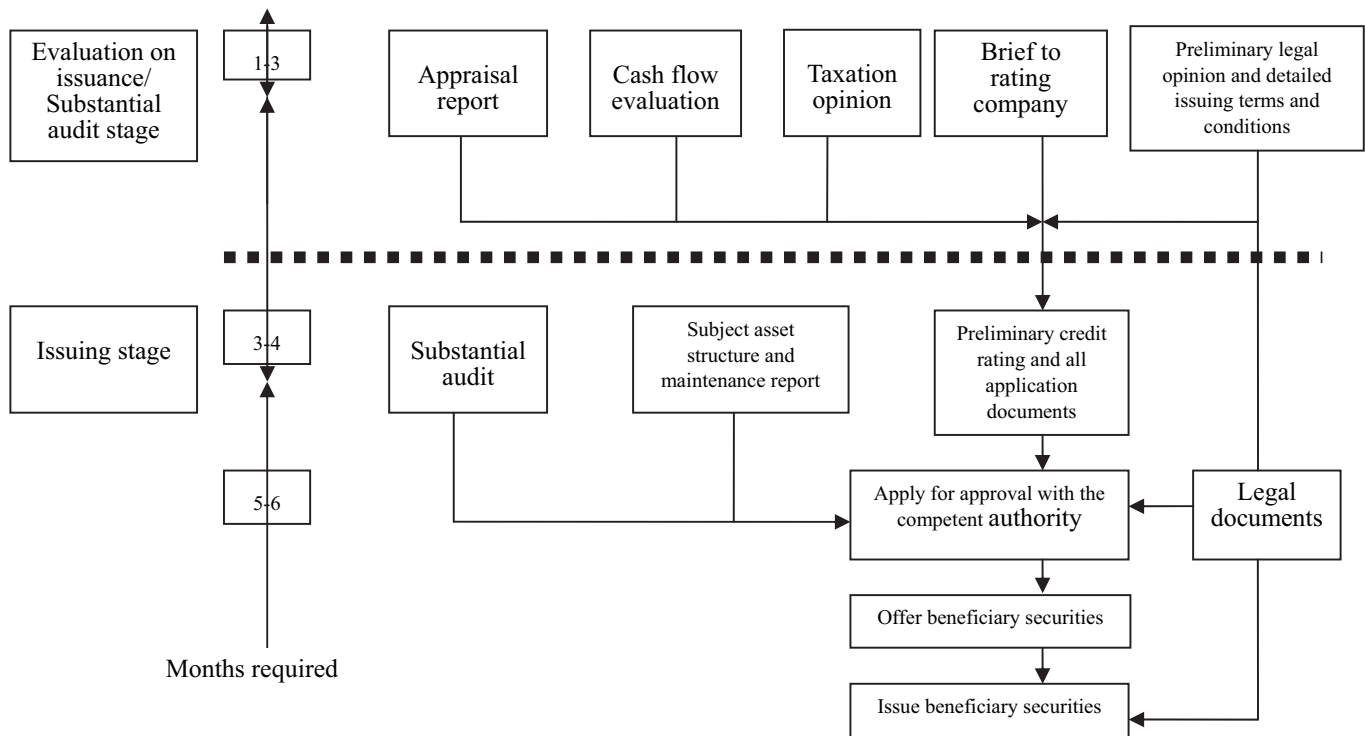
2) Asset securitization management system, exposure of asset securitization and accrued capital charge

a. The Bank's asset securitization risk management system in 2007

Item	Contents
1. The strategies and procedure of asset securitization risk management.	<p>1. Management strategies:</p> <p>(1) Increase capital adequacy ratio.</p> <p>(2) Increase liquidity of assets.</p> <p>(3) Enhance transparency of financing process.</p> <p>(4) Adjust asset structure and transform asset risk.</p> <p>(5) Increase cash inflow.</p> <p>2. Procedure: Please see Note Page 195.</p> <p>(Procedure for issuing asset securitization)</p>
2. The organization and structure of asset securitization management.	Corporate Banking Products Development Dept. – Products Management Division is currently designated as the department responsible for handling securitization of assets.
3. Scope and characteristics of asset securitization risk report and measurement systems.	<p>Risk:</p> <p>1. Interest rate and exchange rate risk: When the asset securitization is issued in multinationals, the exchange rate risk will occur. Further, the issuing period for asset securitization will be longer and, therefore, the interest rate fluctuation risk will exist too.</p> <p>2. Goodwill risk: The founding institution's goodwill risk in the case of securitized products at default.</p> <p>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.</p> <p>4. Legal risk: the risk of compliance with laws.</p>
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.	<p>The hedging policies for asset securitization risk are specified as following:</p> <p>1. By underwriting IRS to hedge the interest rate risk.</p> <p>2. And CCS to hedge the foreign exchange risk.</p>
5. Approach for regulatory capital charge.	Basel II standardized approach



Note: Procedure for issuing asset securitization



a. Engagement in securitization of assets

No information may be disclosed, because the Bank is not the founding bank engaged in securitization of assets.

b. Exposure and accrual capital charge upon securitization of assets

December 31, 2007

(Unit: thousand NTD)

Type	Non-founding bank		Founding bank					
	Exposure of securitization purchased or held	Accrual capital charge	Exposure					Accrued capital charge prior to securitization
			Non-asset backed commercial paper				Asset backed commercial paper	
			Traditional		Portfolio			
			With position	Without position	With position	Without position		
Corporate credit right	962,546	34,198	-	-	-	-	-	-
Total	962,546	34,198	-	-	-	-	-	-



3) Operating risk management system and accrued capital charge

a. The Bank's operational risk management system in 2007

Item	Contents
1. The strategies and procedure of operating risk management.	<p>Strategies and procedure:</p> <ol style="list-style-type: none"> 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. 2. In order to manage the operating risk, the Bank will set forth the operating risk appetite to quantify the capacity of operating risk, and design and introduce the proper actions responsive to the operating risk according to the loss specified in the internal loss data analysis to control the operating risk within the tolerable extent. 3. Identify the existing operating risk and evaluate the risk in the qualitative and quantitative management manner to evaluate the seriousness of risk and decide the priority of the management. 4. The operating risk management procedure has been expressly provided in the Bank's operating risk management guidelines. Where the various departments/offices and business entities find any operating risk or likelihood of operating risk in the process of handling the routines for operating risk, they shall report to the supervising entities, audit office and operating risk management department, and take the effective corrective action to follow up the case. Operating risk management department shall summarize the operating risk exposures measured by the various departments/offices and business entities, take the proper controlling actions and report them to the high-rank management or Board of Directors periodically, and the material operating risk event shall be reported as a project.
2. The organization and structure of operating risk management.	<ol style="list-style-type: none"> I. The Board of Directors is the Bank's supreme policy-making entity of the Bank's entire risk management organization and structure according to the Bank's "risk management policy". II. To cope with the operating risk management, the Bank installs the following below the president. (see the Bank's organizational chart) <ol style="list-style-type: none"> 1. Risk Management Committee: <p>Ensure the Bank's effective operation of risk management to help the various entities execute and promote the risk management work. The functions are specified as following:</p> <ol style="list-style-type: none"> (1) Amendments and additions to risk management policy, risk appetite or tolerance. (2) Management and police making of operating risk. (3) Review of new products. (4) Review of important motions proposed by the risk management entity. 2. Operating risk management department: <ol style="list-style-type: none"> (1) Research or amend the operating risk management guidelines and rules, and establish the Bank's entire structure to measure, control or evaluate the quantitative risk. (2) Responsible for the Bank's operating risk management and execution and control of the rules about the various businesses to ensure that the various businesses may strictly comply with



Item	Contents
	<p>the Bank's risk management policy and operating risk management guidelines.</p> <p>3. Business management entities and business entities of the head office: The entities shall comply with the Bank's operating risk management guidelines and risk management rules to ensure that all businesses are executed in accordance with the relevant operating risk management regulations and under the Bank's business approving authority.</p>
3. Scope and characteristics of operating risk report and measurement systems.	<p>1. The operating risk loss reporting mechanism has been established. Where the various departments/offices and business entities find any operating risk or likelihood of operating risk, they shall report to the supervising entities, audit office and operating risk management department to help the Bank control and follow up the operating risk-related information and establish the operating loss database systematically and strengthen the Bank's operating risk management. The report mechanism has been conducted on line.</p> <p>2. Operating risk management department shall summarize the operating risk exposures measured by the various departments/offices and business entities, take the proper controlling actions and report them to the senior management or Board of Directors periodically, and the material operating risk event shall be reported as a project.</p> <p>3. For the time being, the Bank measures the capital charge required by operating risk under Basic indicator approach. In order to calculate the capital charge of operating risk under standardized approach, the Bank has introduced the establishment of operating risk standardized approach capital charge system in the hopes of completing the evaluation about Tier II capital adequacy of BASEL II.</p>
4. Operating risk hedging or risk reduction policies, and strategies and procedures for controlling the on-going effectiveness of hedging and risk reduction tools.	<p>The Bank's enforcement rules for operating risk management system has set forth the relevant measures and processing of operating risk hedging or risk reduction:</p> <p>1. Policy: (1) For loss in the small amount but at high frequency, risk reduction or control may apply. (2) For loss in the great amount but at low frequency, risk transfer or write-off may apply. (3) For loss in the great amount and at high frequency, risk hedging may apply.</p> <p>2. Follow-up management: (1) If the operating risk is intended to be transferred or written off by outsourcing, the outsourcing entities shall evaluate the risk and effectiveness at least once per year. (2) If the operating risk is intended to be transferred or written off by insurance, the insurance company's credit rating shall meet the standard recognized by the competent authority, and it is necessary to evaluate the insurance company's credit and solvency to evaluate whether the insurance as purchased may achieve the expected effect of transfer or write-off to ensure the interest and right of the Bank's business and customers.</p>
5. Approach for regulatory capital charge.	Basel II Basic indicator approach



b. Accrued capital charge of operating risk

December 31, 2007

(Unit: thousand NTD)

Year	Operating gross profit	Accrued capital charge
2005	7,100,373	
2006	7,126,275	
2007	6,718,578	
Total	20,945,226	1,047,261

4) Market risk management system and accrued capital charge

a. The Bank's market risk management system in 2007

Item	Contents
1. Market risk management strategies and procedure.	<p>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.</p> <p>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.</p> <p>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.</p> <p>4. Define the risk management procedure and application methods (e.g. sensitivity analysis, risk value calculation, scenario simulation and pressure test, 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 transactions, if any.</p>
2. Market risk management organization and structure.	<p>1. Board of Directors:</p> <p>(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</p>



Item	Contents
	<p>systems to achieve the Bank's entire market risk management objectives.</p> <p>(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.</p> <p>2. Senior management:</p> <p>Asset & Liability Management Committee and Risk Management Committee are subordinated to the president.</p> <p>(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.</p> <p>(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.</p> <p>3. Market risk management entities:</p> <p>(1) Credit Risk Management Dept., Proprietary Trading Dept., Treasury Dept., Financial Trading Supporting Dept.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>
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 product risk values.
4. Market risk hedging or risk reduction policies, and strategies and procedures for controlling the on-going 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

December 31, 2007
(Unit: thousand NTD)

Item	Accrued capital charge
Interest rate risk	526,868
Equity securities risk	237,921
Foreign exchange risk	98,018
Product risk	0
Total	862,807

c. VaR of trading position (99%, one day, unit: thousand NTD)

Type	2007			
	End 2007/12/29	Average VaR	Minimum VaR	Maximum VaR
Interest rate	10,770	8,282	739	28,538
Equity securities	111,698	59,526	19,040	112,863
Foreign exchange	666	3,973	268	18,053
Commodity	0	0	0	0
Subtotal	123,134	71,781	20,047	159,454
Dispersed effect	8.77%	12.85%	—	—
Total risk value	112,332	62,555	20,363	117,833

Note: The VaR value measurement model is based on variance-covariance method, which calculates the VaR (Value-at-Risk) at 99% of one-tailed confidence interval. The market risk is measured subject to the result of the theoretical price audit back testing as performed.



5) Liquidity risk

a. Analysis on the mature assets and liability-NTD

December 31, 2007

Unit: thousand NTD

	Total	Amount in residual period to maturity				
		1-30 days	31-90 days	91-180 days	181 days – one year	Over one year
Inflow of major matured capital	329,519,598	49,823,778	11,292,204	38,214,297	22,683,782	207,505,537
Outflow of major matured capital	333,232,699	160,531,919	21,029,675	32,137,161	58,807,187	60,726,757
Gap	(3,713,101)	(110,708,141)	(9,737,471)	6,077,136	(36,123,405)	146,778,780

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

b. Analysis on the mature assets and liability-USD

December 31, 2007

Unit: thousand USD

	Total	Amount in residual period to maturity				
		1-30 days	31-90 days	91-180 days	181 days – one year	Over one year
Assets	1,226,979	677,893	219,085	159,889	27,891	142,221
Liabilities	1,189,965	906,921	201,535	40,974	37,777	2,758
Gap	37,014	(229,028)	17,550	118,915	(9,886)	139,463
Cumulative gap	37,014	(229,028)	(211,478)	(92,563)	(102,449)	37,014

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. Approaches to manage asset liquidity and funding gap.

i. Funding liquidity gap management

According to the Bank's funding liquidity gap management principles, the funding gap shall be no more than -5% of the total asset ratio within one month.

The Bank has officially established the "FTP and ALM" system as of March 2007, which has also been established in many local and foreign fine-quality banks. The "FTP" has been online formally as of January 2008. The "ALM" is scheduled to be completed in June 2008. We will proceed with the transfer of experience with the supplier, and will also follow the "Bank Risk Management Practices – Principles for Evaluation of Internal Capital Adequacy" and "Bank Risk Management Practices – Compilation of Theories and Guiding Cases of Assets/Liabilities Management" as the key point of the system design, in the hopes of complying with the Tier II of the new BASEL.



The “ALM” system under construction may strengthen the Bank’s liquidity gap management. The structure is:

- (a) Management items: include all items of assets, liabilities and shareholders’ equity.
- (b) Currency and foreign currencies underwritten by the Bank.
- (c) Term: Include the balance of assets, liabilities and shareholders’ equity at the end of month into the different terms, ranging from one day to 50 years; the term is designed to be as one day as one term in the case of no more than one month, one month as one term in the case of no more than one year, one year as one term in the case of no more than five years, two years as one term in the case of no more than seven years, three years as one term in the case of no more than ten years, five years as one term in the case of no more than thirty years, and twenty years as one term in the case of no more than fifty years.

ii. Assets/liabilities management plan

The Bank’s assets and liabilities management plan is intended to exploit the assets and liabilities gap fully, and seek the maximum income for the Bank insofar as the risk is controllable. For the time being, the source of the Bank’s income from the interest rate difference still accounts for about 80% of the total income. The business end will strive for the business performance insofar as the risk is controllable. Meanwhile, the interest rate risk control throughout the Bank will be the first priority.

The “FTP” system, which has been established in the Bank, can be utilized to enable the Funding Division of Treasury Dept. to control the interest rate risk of the Bank’s depositing and lending business centrally. The ALM system under construction is able to calculate the change of interest rate and effect of the Bank’s interest revenue, and simulates to respond to the change and effect immediately to manage the interest rate risk effectively.

B. Effect of changes in foreign/domestic important policies and laws to the Bank’s financial business, and responsive actions thereof

1) Enactment of “the Consumer Debt Resolution Act”

The Act was promulgated on July 11, 2007 and scheduled to enter into from April 11, 2008. Once the new system is enforced, the un-secured personal loans and credit cards will generate the risk of decrease in collect ability of un-secured credit rights, and the price, liquidity and income of the collaterals will be affected, with reference to the mortgage. In addition to strengthening the collection in the lead-time to prevent the risk to ethics, the Bank has also provided the allowance for bad debt as the responsive action and also enhanced the risk management ability to grant loans by valuing quality instead of quantity. The other relevant operations will be adjusted subject to the enforcement rules of the Law as promulgated and the uniform practices of the banks’ association.

2) Amendments to provisions about “ Enforcement Act of the Rights In Rem Part of the Civil Code ”

The amendments were promulgated on March 28, 2007 and scheduled to enter into from September 28, 2007, with respect to the right of collateral (i.e. mortgage, pledge and lien), and expressly defined in language the maximum limit of the mortgage which has been applied customarily in the financing practice for many years. In order to cope with the



amendments to the Chapter of Rights of Items in the Civil Code and the need for credit management, the Bank has adjusted the contents of the contract for mortgage of real estate, and modified the requirements about the relevant operations.

C. Effect of changes in technologies and industries to the Bank's financial business, and responsive action thereof

According to the Internet usage report promulgated by TWNIC in February 2008, the internet users have been over 1,500 million persons in the territory of Taiwan until the end of January, including the ADSL users at over 1,200 million persons, accounting for 60% thereof. In terms of household users, the network prevailing rate of families in Taiwan amounted to 72%, including 67% using ADSL. Apparently, the network suffers and prevailing rate are growing stably in the territory of Taiwan.

Following the maturity of the network environment and prevalence of Chip debit cards (50,000,000 cards issued presently), the Bank strived to develop the internet bank and diversified functions of e-ATM, and also worked with the banks' association and financial companies to develop the various e-financial trading mechanism, e.g. promotion of the payment service in e-billing, issuance of smart pay cards and purchase by chip debit, etc.

In our opinion, in the financial holding market where the competition is all-sided, only if we provide the fine-quality and differentiated financial service may we pass the customers' strict test. Above all, the safe and stable e-trading platform provided the bank provide the optimal service to the customers.

D. Effect of changes in the Bank's corporate identity to the Bank, and responsive action thereof

Since Yuanta Group joined Fuhwa Financial Holding (now know as Yuanta Financial Holding) in April 2007; it has actively introduced the excellent corporate governance and operating results, which were well recognized by foreign corporate investors. The financial holding company won the three major prizes awarded by Asia money, including Best Corporate Governance in Taiwan in 2007, Best Investor Relations in Taiwan in 2007, Best for Responsibilities of Management and The Board of Directors in Taiwan in 2007). The honorable prizes boosted the Bank's publicity and corporate identity indirectly. The Bank also took the chance to promote its business and develop new markets in media promotional activities.

E. Anticipated benefits, potential risks and responsive actions for M&A: **【None】**

F. Anticipated benefits, potential risks and responsive actions for expansion of business bases: **【None】**

G. Concentrated business risk and responsive action thereof

- 1) Risk of group concentration: Expressly provide and set the limit by trading group members, and make adjustment in a timely manner to avoid the excessive concentration of credit risk and disperse the credit risk in the businesses underwritten by the Bank.



- 2) Risk of industry concentration: Expressly provide and set the limit by industries, and make adjustment in a timely manner to avoid excessive concentration of credit risk and disperse the credit risk in the businesses underwritten by the Bank.
- 3) Risk of state concentration: Expressly provide and set the limit by trading states, and make adjustment in a timely manner to avoid excessive concentration of credit risk and disperse the credit risk in the businesses underwritten by the Bank.
- 4) Credit extension risk by collaterals: The Bank handles the granting of corporate construction and residential construction loans according to Article 72 of the Banking Law, and also enacts the relevant regulations to control the credit extension risk of collaterals with respect to the credit extension secured by stocks.

H. Effects, risks and responsive actions for change of the controlling stake: **【None】**

I. Litigious and non-litigious matters

The former clerk of Panchiao Branch (Tung) (discharged) took advantage of his position to apply for the loan of NT\$200,000 thousand under a false name with others, and was indicted by Panchiao District Prosecutors Office. The case is now on trial by Panchiao District Court of the first instance. Further, the Bank has also filed a supplementary civil action with monetary claim against Tung and other accomplices. The former clerk of Sanmin Branch (Chen) (discharged) took advantage of her position to misappropriate NT\$21,200 thousand and the criminal case against him is now on trial by court, but the payment order has been acquired.

J. Other important risks and responsive actions thereof : **【None】**

3. Crisis management and emergency handling

In order to well found the Bank's risk prevention and response mechanism, the Bank has defined the risk management policies and procedural rules and risk management response manual, and also established the risk management response taskforce committee and risk management response contacting and reporting system, so that the relevant entity supervisors may report it via the various channels and research and draft responsive actions in the case of any risk or likelihood of risk, so as to restore the operation of the Bank's businesses expeditiously and effective to reduce the damage. Meanwhile, the Bank has defined the SOP for the various emergent cases (e.g. fire, robbery, or mass protest) to process and respond to the emergent cases, if any, expeditiously.

4. Other significant events: **【None】**



Special Notes

www.yuantaibank.com.tw

2007 Annual Report

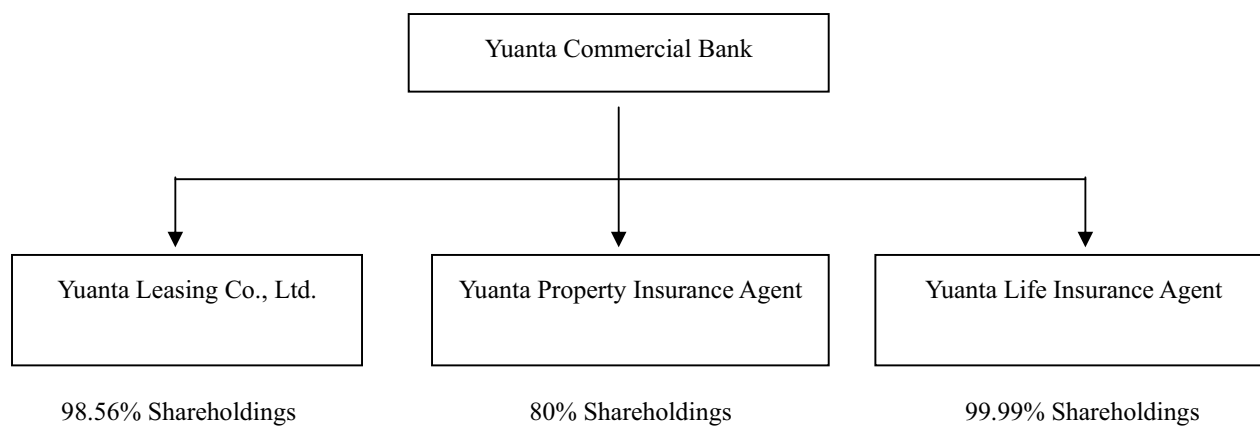
Yuanta Bank

VIII. Special Notes

1. Information on affiliates

A. Consolidated business report of affiliates

1) Organization chart of affiliates



2) Basic information about affiliates

Corporate	Date of establishment	Address	Paid-in capital (thousand NTD)	Scope of business or production
Yuanta Leasing Co., Ltd	07.24.1998	5F, No. 4, Sec. 1, Jhongsiao W. Rd., Jhongjheng District , Taipei City	199,880	Leasing
Yuanta Property Insurance Agent Company	10.02.1999	3F, No. 4, Sec. 1, Jhongsiao W. Rd., Jhongjheng District, Taipei City	3,600	Property insurance agent
Yuanta Life Insurance Agent Company	11.20.2001	3F, No. 4, Sec. 1, Jhongsiao W. Rd., Jhongjheng District, Taipei City	3,000	Life insurance agent



3) Information about directors, supervisors and presidents of affiliates

February 29, 2008

Corporate	Title	Name or representative	Shareholdings		Remark (personal hare holdings)	
			Shares	Shareholdings ratio %	Shares	Shareholdings ratio %
Yuanta Leasing	Chairman Director Director Director Supervisor	Representative of Yuanta Commercial Bank : Ming-Houg Jiang Representative of Yuanta Commercial Bank : Tien-Fu Kao Representative of Yuanta Commercial Bank : Jhong-Ping Lyu Representative of Yuanta Commercial Bank : Hsien-Tao Chiu Representative of Yuanta Commercial Bank : Yung-Chung Huang Representative of Yuanta Commercial Bank : Ji-Sheng Wang	19,700,000	98.56		
Yuanta Property Insurance Agent	Director	Representative of Yuanta Commercial Bank : Yih-Liang Liu	(Note)	80.00		
Yuanta Life Insurance Agent	Chairman Director Director Supervisor	Representative of Yuanta Commercial Bank : Wei-Cherng Hwang Representative of Yuanta Commercial Bank : Chang-Mirng Her Representative of Yuanta Commercial Bank : Hung-Lin Wu Representative of Yuanta Commercial Bank : Ji-Sheng. Wang	299,991	99.99		

Note: a limited company.

4) Overview of affiliates' operation

December 31, 2007

Unit: thousand NTD

Corporate	Capital	Total assets	Total liabilities	Book value	Operating revenue	Operating income	Income (after tax)	EPS (NT\$) (after tax)
Yuanta Leasing	199,880	119,184	12,473	106,711	64,745	(10,831)	(8,462)	(0.42)
Yuanta Property Insurance Agent	3,600	11,509	5,013	6,496	17,078	1,900	1,467	4.08
Yuanta Life Insurance Agent	3,000	62,197	29,405	32,792	194,517	27,831	22,505	75.02

B. Consolidated financial statements of affiliates 【Please see the financial status :consolidated financial statements of the year for details.】



C. Affiliation report

1) Overview of relationship of affiliates and holding companies

Unit: share; %

Name of holding company	Cause	Shareholdings and pledge of the holding company			Directors, supervisors or managers appointed by the holding company	
		Number of shares held	Shareholding ratio	Number of shares pledged	Title	Name
Yuanta Financial Holdings	Wholly own the Company	2,400,000,000	100%	No	Director (Chairman) Director (Vice Chairman) Director (President) Director Director Director Director Independent director Independent director Independent director	Ching-Chang Yen Wei-Chen Ma Chang-Mirng Her Jin-Long Fang Yih-Liang Liu Gary Chia Hsien-Tao Chiu Charles C. Yang Rong-Jou Wang Dah-Hsian Seetoo Pao-Kuei Chu
Jen-Jat Co., Ltd.	Have control over the personnel, finance and business of Yuanta Financial Holdings Under Paragraph 2, Article 369-2 of the Company Law	—	—	—	—	—

Note 1 : The corporate directors before June 29, 2007 were Ching-Chang Yen, Wei-Chen Ma, Chang-Mirng Her, Wei-Chien Ma, Wu-Tien Lin, Yih-Liang Liu, Hwe-Ching Wong, Hsien-Tao Chiu and Wu-Hsiung Chou; The supervisors were Charles C. Yang, Pin Geng, Tsai-Yu Chang. The corporate directors appointed on June 29, 2007 were Ching-Chang Yen, Wei-Chen Ma, Chang-Mirng Her, Jin-Long Fang, Yih-Liang Liu, Gary Chia and Hsien-Tao Chiu, and the independent directors were Rong-Jou Wang, Dah-Hsian Seetoo and Pao-Kuei Chu, and no supervisors were appointed. On August 1, 2007, Charles C. Yang was appointed as the additional corporate director.

Note 2 : Said information is based on the information available on Dec 31, 2007.

2) Transactions:

- Purchase/sale: None
- Transactions of property: None
- Fund financing: Not applicable to the Bank
- Lease of assets: None
- Other important transactions: After the Bank consolidated Yuanta Financial Holding, it adopted an affiliated taxation system for declaration in consolidation. As of December 31, 2007, the balance of the amount receivable from Yuanta Financial Holding was NTD\$1,112,854 thousand.

3) Endorsement/guarantee: Not applicable to the Bank

4) Other material effects to finance and business: 【None】



2. Status of securities in private placement

Item	1 st private offering in 2007 Issuing date: December 24, 2007				
Type of privately offered marketable securities	Common stock				
Date/amount passing shareholders' meeting or directors' meeting	August 16, 2007 (Resolved at directors' meeting) ; NTD\$10,000,000,000				
Basis and reasonability of pricing	Issued per par value pursuant to Article 140 of Company Law.				
Methods selected by specific person	Suscribed for from the Bank's sole shareholder, Yuanta Financial Holdings. Offeree's qualification shall comply with Paragraph 1.1 of Article 43-6 of Securities and Exchange Act.				
Necessary reasons for private offering	Strengthen financial structure and increase capital adequacy ratio				
Date of completion of payment	October 24, 2007				
Offeree	Counterpart	Qualification	Quantity of subscription	Relationship with bank	Participation in the Bank's operation
	Yuanta Financial Holdings	Paragraph 1.1 of Article 43-6 of Securities and Exchange Act	1,000,000,000 shares	Sole shareholder	The Bank's parent company
Actual price of subscription	10				
Difference in actual price of subscription and reference price	None				
Effect of private offering to shareholders' equity	Enrich the operating fund and strengthen the financial structure.				
Utilization of privately offered funds and progress of execution of the utilization plan	Upon approval under Jin-Kuan-Yin-(6)-09600427560, the Bank has collected the stock payment and utilized the full payment on October 24, 2007.				
Effect of private offering	The Bank's capital adequacy ratio was risen from 8.46% at the end of September 2007 to 11.87% at the end of December 2007.				

3. The Company's shares held or disposed of by the subsidiaries: 【None】

4. Other supplementary notes : 【None】



Milestones of Yuanta Commercial Bank in 2007

January	Chinmen Branch removed to the new premises on January 29
	In order to celebrate the relocation and opening of Chinmen Branch, the Bank held the opening ceremony, “Chin Hsi Lin Men”, for three months, and also launched the “Chin Fu Loan Project” at the same time to provide the accounts in the area of Chinmen with more flexible financing tools.
	The Bank started the migration and upgrade of the Bank’s core system.
February	In order to extend the Bank’s deposit business, the Bank launched the “deposit back to the family of married women” project to increase the scale of the Bank’s deposit assets.
March	Annan Branch was relocated and renamed as Jhuke Branch on March 12.
April	Yuanta Core Securities was consolidated into Fuhwa Financial Holding (now known as Yuanta Financial Holding) on April 2.
	Yong Ho Branch was relocated on April 2.
	The Bank launched the fixed-term and interest fund preferential project, “Saving-Money Expert 4.9%”, for 4 months.
May	The Bank launched the “interest rate increase by 5.88% wealth management portfolio” project for 6 months.
July	Malan Branch was relocated and renamed as Hualien Branch on July 10.
August	The Bank provides customers with Chip Debit card purchase service.
September	The Bank was renamed as Yuanta Commercial Bank formally on September 23.
	In order to cope with the name change, the Bank updated the design of ATM cards and credit cards comprehensively.
	The Bank worked with AEGON to launch the exclusive bank insurance for investors’ retirement plans.
October	Co-work with Taipei County Government to issue the “four season go” tourist passport, “Smart Pay Tourist Card”
November	Nanjing E. Road Branch was relocated on November 12.
	The Bank’s “Art Platinum Card” entered into the market.
December	The Bank completed the reorganization, and abandoned the general administration mechanism, adjusted the management structure and added the business supervisors, and operating entities at front-end, mid-end and back-end.
	Issue “Smart Pay Mouse Year E-red Envelope Package”



Head Office & Domestic Branches, Overseas Offices and Affiliates

March 31, 2008

Head Office and Domestic Branches			
Branch	Address	Tel. No.	Fax No.
Head Office	1,2,3,7/F, No.4, Sec. 1, Jhongsiao W. Rd., Jhongheng District, Taipei City 100, Taiwan	(02) 2380-1888	
Business Department	No.4, Sec. 1, Jhongsiao W. Rd., Jhongheng District, Taipei City 100, Taiwan	(02) 2380-1799	(02) 2380-1700
Taipei Branch	No.38, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan	(02) 2705-7888	(02) 2755-3751
Chingmei Branch	1~2F., No.3, Jingwun St., Wunshan District, Taipei City 116, Taiwan	(02) 8663-6766	(02) 8663-3139
Nanjing East Road Branch	No.219, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan	(02) 2545-8777	(02) 2545-8118
Shihlin Branch	1~4F., No.314, Jhongheng Rd., Shihlin District, Taipei City 111, Taiwan	(02) 2837-6638	(02) 2835-5886
Chengtung Branch	No.128, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan	(02) 8772-5788	(02) 8772-5988
Neihu Branch	1F., No.618, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan	(02) 8751-8759	(02) 8751-9858
Yonghe Branch	No.32, Sec. 2, Yonghe Rd., Yonghe City, Taipei County 234, Taiwan	(02) 2232-5558	(02) 2232-5568
Sinyi Branch	No.236-1, Sec. 4, Sinyi Rd., Da-an District, Taipei City 106, Taiwan	(02) 2703-2569	(02) 2701-2259
Songjiang Branch	1F, No.109& 8F-1, No.111, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan	(02) 2516-8608	(02) 2516-1078
Tianmu Branch	No.14, Tianmu W. Rd., Shihlin District, Taipei City 111, Taiwan	(02) 2871-2558	(02) 2871-1117
Minsheng Branch	No.52-1, Sec. 4, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan	(02) 8712-9666	(02) 8712-7077
Jhongshanbeilu Branch	1F., No.131, 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
Sindian Branch	No.252, Sec. 2, Beisin Rd., Sindian City, Taipei County 231, Taiwan	(02) 2912-5799	(02) 2914-1255
Jhonghe Branch	1F., No.1, 3, Taihe St., Jhonghe City, Taipei County 235, Taiwan	(02) 2245-6789	(02) 8245-7669
Sanchong Branch	1, 2, 5F., 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	1~4F., No.242, Sec. 2, Wunhua Rd., Banciao City, Taipei County 220, Taiwan	(02) 8259-7979	(02) 8259-7676
Lujhou Branch	No.235, Changrong Rd., Lujhou City, Taipei County 247, Taiwan	(02) 2281-8958	(02) 2281-0266
Nankan Branch	1~2F., No.309, Jhongheng Rd., Lujhu Township, Taoyuan County 338, Taiwan	(03) 312-9550	(03) 312-9551
Chungli Branch	No.7, Jhongyang E. Rd., Jhongli City, Taoyuan County 320, Taiwan	(03) 426-6007	(03) 426-6017
Taoyuan Branch	No.427, 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
Pingjhen Branch	No.18, Huannan Rd., Pingjhen City, Taoyuan County 324, Taiwan	(03) 494-2690	(03) 494-3064



Head Office and Domestic Branches			
Branch	Address	Tel. No.	Fax No.
Linkou Branch	1~2F , No.236 、 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	1~ 2F No.208, Dong Sec. 1, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan	(03) 658-1212	(03) 658-1233
Hsinchu Science Park Branch	1~2F., No.267, Sec. 1, Guangfu Rd., East District, Hsinchu City 300, Taiwan	(03) 666-7888	(03) 666-7688
Yilan Branch	1~ 3F , No.128, Sec. 3, Jhongshan Rd. , Yilan City, Yilan County 260, Taiwan	(03) 932-5566	(03) 932-2233
Miaoli Branch	No.458, Jhongjheng Rd. , Miaoli City , Miaoli County 360, Taiwan	(037) 336-678	(037) 336-718
Taichung Branch	1~ 4F , 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) 2569-2065
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
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
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
Rende Branch	1~ 3F , No.449 、 451, Jhongshan Rd., Rende Township , Tainan County 717, Taiwan	(06) 249-6088	(06) 249-6379
Tainan Branch	1~ 2F , 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



Head Office and Domestic Branches			
Branch	Address	Tel. No.	Fax No.
Dontainan Branch	No.348, Sec. 2, Dongmen Rd., East District, Tainan City 701, Taiwan	(06) 268-7815	(06) 267-3371
Anchung Branch	No.67, Sec. 4, Anjhong Rd., Annan District, Tainan City 709, Taiwan	(06) 247-4395	(06) 247-4348
KaiYuan Branch	No.461, Shengli Rd., North District, Tainan City 704, Taiwan	(06) 238-3125	(06) 236-3661
Anhe Branch	No.226, Sec. 1, Anhe Rd., Annan District, Tainan City 709, Taiwan	(06) 255-1236	(06)256-9941
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
Kin men Branch	No.188-1 Mincyuan Rd., Jincheng Township, Kinmen County 893, Taiwan	(082) 322-566	(082) 311-426
Tungshin Branch	No.427, Sec. 1, Jhonghua Rd., Taitung City , Taitung County 950, Taiwan	(089) 324-351	(089) 324-734
Hualien Branch	No.74, Jhongshan Rd., Hualien City, Hualien County 970, Taiwan	(03) 831-1708	(03) 832-1169

Overseas office	Address	Tel. No.	Fax No.
Hong Kong Representative Office	Unit 2402, 24F, Dominion Centre, 43-59, Queen's Road East, Wanchai, Hong Kong	852-2810-9313	852-2810-9310

Affiliate	Address	Tel. No.	Fax No.
Yuanta Leasing Co., Ltd	5F, No. 4, Sec. 1, Jhongsiao W. Rd., Jhongheng District , Taipei City 100,Taiwan	(02)2380-2316	(02)2380-2313
Yuanta Property Insurance Agent Company	3F, No. 4, Sec. 1, Jhongsiao W. Rd., Jhongheng District, Taipei City 100,Taiwan	(02)2380-1018	(02) 2380-1023
Yuanta Life Insurance Agent Company	3F, No. 4, Sec. 1, Jhongsiao W. Rd., Jhongheng District, Taipei City 100,Taiwan	(02)2380-1018	(02) 2380-1028







Yuanta Commercial Bank Co., Ltd.

Graphic Design
Hslao Peng Chang
Yu Pei Kuan



Yuanta Bank

Yuanta Commercial Bank Co., Ltd.

Address: 1.2.3.7/F, No. 4, Sec.1, Jhongsiao W. Rd., Taipei City 100, Taiwan

Tel: +886-2-2380-1888

Toll Free: 0800-688-168

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

E-mail: service@yuanta.com