



BANK OF TAIWAN

2007

ANNUAL REPORT



This Annual Report may be accessed on the
Market Observation Post System
(<http://newmops.tse.com.tw>) and on the Bank's
Website (<http://www.bot.com.tw>).

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BANK OF TAIWAN

2007 ANNUAL REPORT

Bank of Taiwan, 2007 Annual Report

Published by: Bank of Taiwan

Address: No. 120, Sec. 1, Chongcing South Road, Jhongjheng
District, Taipei City 10007, Taiwan (R.O.C.)

Tel: 886-2-2349-3456

<http://www.bot.com.tw>

Date of publication: June 2008

Date of publication of first BOT Annual Report: June 1953

E-publication: This Annual Report may be accessed on the Market
Observation Post System

(<http://newmops.tse.com.tw>) and on the Bank's Website

(<http://www.bot.com.tw>).

Cost of production: NT\$425

GPN:2004200003

ISSN:0496-7267

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Foreword



最值得信賴的銀行

臺銀財富管理

BANK OF TAIWAN VIP BANKING

爲您運籌帷幄
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Jer-Shyong Tsai, Chairman

Taiwan's economy expanded robustly in 2007 as commodity trade boomed and private consumption and investment continued heating up. The growth rate for the year was an admirable 5.7%, the highest since 2004, while unemployment at 3.91% was the same as 2006 and the lowest since 2001. Consumer prices increased by 1.8% under the impact of the continuing rise in international raw material prices. With the domestic market awash in funds, interest rates remained at a low level. Inflationary pressure increased in the second half of 2007 and the Central Bank responded by hiking interest rates. The stock and foreign exchange markets fluctuated throughout the year, ending up with a slight rise. Financial markets were characterized by ongoing structural change. By the end of February 2008, five foreign banks had purchased or merged domestic banks, thereby acquiring large numbers of domestic branches and creating competitive pressure for domestic banks.

In 2008, the impact of the subprime mortgage crisis in the United States will be more severe than originally expected and will penetrate deeply into financial markets and the real economy. Although the American government will use monetary and fiscal policy to rescue its teetering economy, the pace of global economic growth is likely to slow down this year. Global Insight Inc., one of the world's leading forecasting companies, predicted in March that this year's global economic growth would slip to 3.1%, down from 3.9% in 2007, and that a continuing high level of international oil prices would stimulate a rise in the prices of other raw materials and lead to the re-emergence of concerns about global inflation. The growth rate of Taiwan's external trade and domestic demand will shrink. A forecast by the Directorate General of Budget, Accounting and Statistics sees this year's economic growth rate slowing to 4.32% and consumer inflation rising to 2.0%.

After the merger between the Bank of Taiwan and the Central Trust of China was completed on July 1, 2007, work continued on organizational right-sizing designed to produce a right-sized operating model that would allow the new Bank of Taiwan (BOT) to ensure its competitiveness in the turbulent financial environment. Thanks to comprehensive preparatory work and highly efficient cooperation by the outstanding employees of the two banks in implementing the merger, the work of integration was accomplished quickly, the maximization of corporate value was realized under the twin-core-business (corporate finance, foreign exchange, international finance, and wealth management) principle, and high rates of growth were achieved through the realization of synergies.

The Taiwan Financial Holding Co. was born on Jan. 1, 2008. Along with its pursuit of profit the company will cooperate in helping to implement government policy and will fulfill its corporate social responsibility, and will adopt professional management, realization of operating synergies, and reinforcement of international deployment as its basic strategies. A multi-core business operation encompassing banking, securities, and insurance will be used to maximize corporate value. The short-term vision of Taiwan Financial Holdings is to position itself as a leading national-class financial holding firm. Its medium-term goal is to expand beyond Taiwan and seek out opportunities for mergers and strategic alliances abroad so as to develop business opportunities among Taiwanese businesses and Chinese communities, and become an outstanding financial holding company in the Asia-Pacific region. Its long-term target is to strengthen its competitiveness and become a world-class financial holding operation through a strategy of "expanding throughout the world from a foothold in Taiwan." Taiwan Financial Holdings will use the Bank of Taiwan as the main engine powering it toward these goals. The securities and insurance subsidiaries under the Taiwan Financial Holdings banner will follow the BOT in setting up offshore business locations, providing for the full integration of financial products and service channels that can boost Taiwan's financial industry onto the international financial stage.

In years to come, the BOT will adopt the following 12 major operating strategies to cope with changes and threats in the domestic and overseas financial markets, and to reinforce the Bank's operating structure and performance: (1) enhancement of the ratio and amount of demand deposits, so as to lower the cost of funds; (2) heightening of the ratio of loans to private enterprises, so as to reduce dependence on the public sector; (3) enhancement of profit on currency exchange, and expansion of the foreign-exchange ratio; (4) heightening of the ratio of commission income; (5) heightening of the ratio of overseas profit; (6) widening of the interest rate spread between deposits and loans; (7) improvement of the performance of financial operations; (8) cleansing of loan assets, and strengthened clearing up of bad debt and loans for collection; (9) accelerated disposition of idle assets, and accelerated establishment of risk management systems; (10) reinforcement of the quality of internal controls and the internal auditing system; (11) planned development of personnel, and reinforcement of training abroad; and (12) establishment of a planned client-visiting system and marketing culture.

The performance of the BOT is closely linked to that of Taiwan Financial Holdings. To assure the sustainable operation of the Bank and secure its position of leadership, we call on our entire staff to devote their tireless efforts, under the leadership of the government and our Board of Directors, toward the creation of more peaks of performance so that the BOT will become the main driving force behind Taiwan Financial Holdings and help boost it along the road toward becoming "a financial holding company for the Asia Pacific region" and a "world-class financial holding company."

Chairman





Tse-Cheng Lo, President

Taiwan's fiercely competitive financial market was affected in 2007 by the repeated acquisitions of domestic banks by foreign banks and the resulting large increase in the number of their business units, posing an ever-greater threat to the operations of domestic banks. Thanks to the synergies realized in the merger of the BOT and the Central Trust of China, however, and to the exceptional leadership of our Board of Directors as well as the concerted efforts of our entire staff, we were able to reach our annual operating targets.

In 2008, global economic growth will likely slacken under the impact of the subprime mortgage crisis in the U.S. and international raw materials prices will continue at a high level, leading to more violent changes in international economic and financial conditions and confronting the finance industry with severe operating challenges. The BOT became the core member of the Taiwan Financial Holdings group on Jan. 1, 2008. Amidst the drastic changes that are taking place in the internal and external environments, we call on our entire staff to work in a group spirit and an attitude of constant improvement in carrying out business operations in their own fields and in shouldering the missions given us by our Board of Directors, thereby upgrading the Bank's operating performance and realizing the synergies available through the financial holding company.

Our business report for 2007 and operating plans for 2008 are described briefly below:

I. Business Report for 2007

1. Implementation of Business Plans

- (1) Implementation of organizational right-sizing in response to business needs.
- (2) Carrying out of merger with Central Trust of China in line with government policy.
- (3) Improvement of the structure and operating procedures of the banking business, so as to lower the cost of operating capital.
- (4) Active development of the wealth management business so as to heighten the ratio of non-interest income to operating income.
- (5) Reinforcement of the depth and breadth of operational management and risk management.

2. Budget Implementation

The volume of deposit operations during the year was NT\$2.43 trillion, giving a target achievement ratio of 106.66%. Loans amounted to NT\$1.79 trillion, for a target achievement ratio of 114.58%. Foreign exchange operations undertaken in 2007 totaled US\$153.82 billion, amounting to 210.87% of the target figure, and profits reached NT\$12.27 billion, achieving 112.85% of the target.

3. Revenues, Expenditures, and Profits

Net interest income for 2007 amounted to NT\$17.11 billion; non-interest income (net) totaled NT\$15.38 billion; bad debt expenses amounted to NT\$872 million; and operating costs totaled NT\$18.48 billion. Income before tax reached NT\$13.13 billion; and income tax amounted to NT\$861 million, leaving a net income after tax of NT\$12.27 billion.

This year's NT\$12.27 billion in after-tax income was NT\$1.40 billion more than the budgeted income of NT\$10.87 billion.

Return on assets (ROA) for 2007: 0.38%

Return on equity (ROE) for 2007: 5.08%

II. Business Plan for 2008

1. Major Operating Policies

The BOT's Business Plan for 2008 was formulated in accordance with the business plan approved by the Ministry of Finance, with consideration given to past performance as well as to future trends of development. The Plan's main points are as follows:

- (1) Implementation of corporate re-engineering and transition.
- (2) Formulation of medium- and long-term development plans for information operations.
- (3) Reinforcement of the operational management and risk control mechanisms.
- (4) Integration of different businesses and implementation of cross-marketing.
- (5) Reinforcement of the loan business and clearing up of non-performing loans.
- (6) Enhancement of the efficiency of funds utilization and revitalization of real estate utilization performance.
- (7) Development of the foreign exchange and international financing businesses.
- (8) Continued handling of policy-type commissioned businesses.
- (9) Development of the wealth management, trust securities, and banking insurance businesses, and expansion of the gold passbook business.

2. Business Targets

- | | |
|------------------------------------|---|
| (1) Deposits: NT\$2.34 trillion | (2) Loans: NT\$1.66 trillion |
| (3) Guarantees: NT\$66.05 billion | (4) Foreign exchange: US\$78.99 billion |
| (5) Procurement: NT\$42.00 billion | (6) Trade: NT\$9.56 billion |
| (7) Insurance: NT\$16.35 billion | |

III. Most Recent Credit Ratings, and Rating Dates

Rating Company	Items	Rating Date	Rating Results		Outlook
			Long-term	Short-term	
Standard & Poor's		Nov. 2007	A+	A-1	Stable
Moody's Investors Service		Dec. 2007	Aa3	P-1	Stable

President



Introduction

Rich Combo

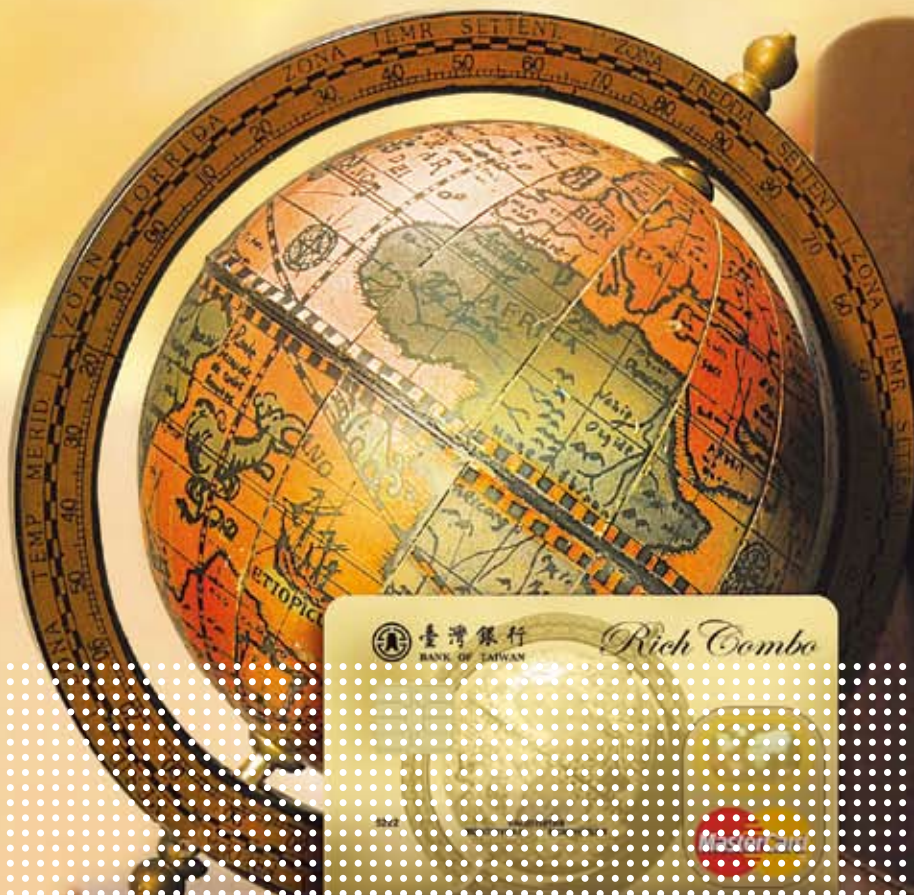
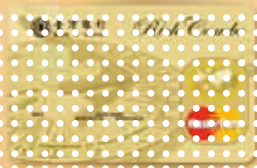
超高現金回饋：最高千分之10

高額旅遊平安險：最高2,000萬

全球購物保障

精選折扣優惠名店 讓您生活倍添精采

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Fu-Chi Tsai
Executive Vice President



Teng-Lung Hsieh
Executive Vice President



Kuo-Ching Chang
Executive Vice President



Jan-Lin Wei
Executive Vice President



Shih-Tien Chiang
Executive Vice President



Min-Chang Chen
Executive Vice President



Li-Yen Yang
Executive Vice President



Hong-Chi Chang
Executive Vice President
and General Auditor

The Bank of Taiwan was established on May 20, 1946 as the first bank to be set up in Taiwan following the island's restoration to mainland China at the end of World War II. The Bank first operated under the administration of the Taiwan Provincial Government when that government was downsized on Dec. 21, 1998. However, it was taken over by the Central Government of the Republic of China and placed under the administration of the Ministry of Finance to be operated in accordance with the regulations governing government-owned financial institutions.

On July 1, 2003 the Bank was registered as a corporation and reorganized into a company limited by shares in accordance with the provisions of the Banking Law and Company Law. On Sept. 16, 2004 the Bank received permission from the Securities and Futures Bureau of the Financial Supervisory Commission to become a public company. The Bank completed merger with the Central Trust of China on July 1, 2007.

In every stage of Taiwan's economic development, the Bank of Taiwan has always firmly pursued the goals of adjusting Taiwan's finance, assisting with economic construction, and developing industrial and commercial enterprises, devoting its full efforts in coordination with government policy in order to fulfill the mission to which it has been entrusted by the government. In years past, the BOT served as agency for the Central Bank of China (CBC) in carrying out most of the CBC's business, including the issuance of the New Taiwan Dollar currency, implementation of monetary reform, offering preferential-rate deposits in line with government policy, promoting import and export trade in coordination with foreign exchange reform, providing an abundant supply of financial support for economic construction plans, serving as agency for the public treasury in adjusting fiscal receipts and expenditures, and assisting with government missions in order to stabilize the island's financial situation. The BOT's position throughout the progress of Taiwan's economic and financial development has been one of primary importance.

Following merger with the Central Trust of China, the BOT set up seven large business groups within its organization structure: Operational Strategy, Corporate Finance, Personal Finance, Financial Insurance, Risk Management, Policy Business, and Administrative Management. It also carried out right-sizing by consolidating related departments and offices, changing their names, and adding new units.

The Taiwan Financial Holding Co. was established on Jan. 1, 2008, in accordance with the Financial Holding Company Act and with the permission of the Financial Supervisory Commission, to meet the needs of financial development and realize the operational efficiencies of cross-industry operations. The assets of the Taiwan Financial Holding Co. was over NT\$5 trillion, for an 18% share of the market; this ranks the company 18th in Asia and 89th in the world, and makes it the first bank in Taiwan to enter the ranks of the world's top 100 banks.



Corporate Governance Report

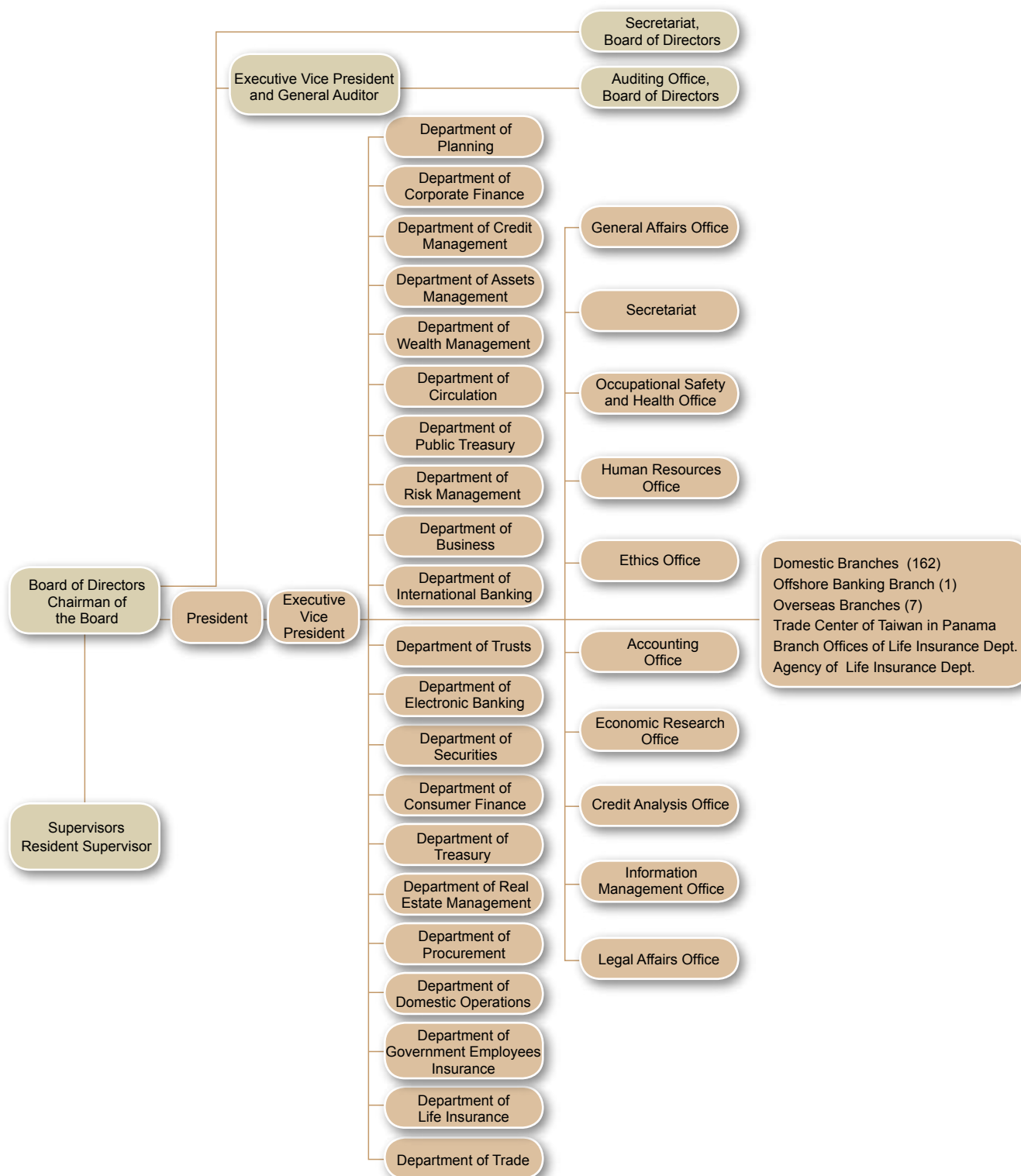


- I. Organization System
- II. Directors, Supervisors, President, Executive Vice Presidents, and Heads of Departments and Branches
- III. Corporate Governance Operations
- IV. CPA Information
- V. Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity by the Provisions of Item 3, Article 25 of the Banking Law
- VI. Information on the Relationships between the 10 Largest Shareholders as Given in SFAS No. 6
- VII. Numbers of Shares in the Same Reinvested Enterprises Held by the BOT and its Directors, Supervisors, President, Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

I. Organization System

At the end of 2007 the BOT's management organization consisted of 21 departments, 12 offices, 170 domestic branches and overseas units (including Offshore Banking Branch, Los Angeles Branch, Hong Kong Branch, New York Agency, London Branch, Tokyo Branch, Singapore Branch, South Africa Branch, and the Trade Center of Taiwan in Panama.) The total number of employees was 8,828 (including contract salespersons, contract workers, and overseas hires.)

Organization Chart



Note: (1) Information in this Organization Chart was as of the end of December 2007.

(2) On January 1, 2008, the Taiwan Financial Holdings was established on the basis of the Share Transfer Agreement, by which the Land Bank of Taiwan, the Export-Import Bank of R.O.C. and the Bank agreed to transfer all of their shares. On January 2, 2008 the Bank split its Department of Securities and Department of Life Insurance to organize the other two subsidiaries of Taiwan Financial Holdings, namely, BankTaiwan Securities Co., Ltd. and BankTaiwan Life Insurance Co., Ltd.

Duties of Major Units

Major Units	Duties
Secretariat, Board of Directors	Handles important matters related to the Board of Directors, and documentary affairs.
Auditing Office, Board of Directors	Takes care of planning, implementation, and examination of internal auditing matters, and participates in the formulation and revision of operating and management regulations.
Department of Planning	Responsible for systems, management regulations, operating directions, annual operating plans, and planning, evaluation, and management of branch units.
Department of Corporate Finance	Handles the matters of designing new products for corporate finance, planning for and promoting corporate finance business, and the supply of consulting assistance services to operating branches.
Department of Credit Management	Handles planning, supervision, examining, consulting assistance services, and management for loan business.
Department of Assets Management	Takes care of planning, examination, supervision, and management related to non-performing loans, loans for collection, and the clearing up of bad loans.
Department of Wealth Management	Handles planning, marketing, evaluation, training and administration of wealth management.
Department of Circulation	Responsible for the issuance, distribution, arrangement, custodianship, and destruction of New Taiwan Dollar currency, and for the inventory and issuance-related businesses for all of the Bank's issuing units.
Department of Public Treasury	Handles agency operations for public treasuries at all levels, custodianship of securities for government agencies, and direction and supervision of the business of branch treasuries.
Department of Risk Management	Responsible for the planning and revision of risk management, handles formulation and integration of risk management regulations.
Department of Business	Takes care of general deposit, loan, remittance, and agency businesses.
Department of International Banking	Takes care of foreign exchange operations, foreign banking and overseas branch businesses, correspondent banking relations, and operational planning and management for the foreign exchange business.
Department of Trusts	Controls trust businesses and auxiliary businesses.
Department of Electronic Banking	Responsible for planning, study, marketing, integration, supervision, and management and examination of the electronic banking business and deposit business.
Department of Securities	Handles securities brokerage and underwriting business management and operations.
Department of Consumer Finance	Takes care of planning, promotion, review, management, and consultation assistance services for the general consumer banking business (general consumer loans, bank cards, and credit cards.)
Department of Treasury	Handles New Taiwan Dollar and foreign currency allocation, planning, and utilization, and securities investment.
Department of Real Estate Management	Takes care of maintenance of buildings and general management of real estate.
Department of Procurement	Handles procurement matters under concentrated system for government institutions, public schools and public enterprises.
Department of Domestic Operations	Handles matters of deposit business, installation and evaluation of ABMs and branch units, and administration of consulting system for operation units.
Department of Government Employees Insurance	Handles, under the Government's authorization, the general life insurance for civil servants and staffs in public or in private schools.
Department of Life Insurance	Handles the design, promotion, underwriting, re-insurance, collection of premiums, and other matters relating to the insurance business.
Department of Trade	Handles the matters of international trade, commercial storage and parking lot business.
General Affairs Office	Handles general affairs, procurement of articles and appliances in office, and cashier affairs.
Secretariat	Takes care of important affairs, documentation, chop management, meetings, editing, and public relations.
Occupational Safety and Health Office	Takes care of labor safety and health affairs.
Human Resources Office	Carries out the planning, study, training, and implementation of personnel affairs.
Ethics Office	Looks after the propagation of ethics laws and regulations, and the formulation and revision of ethics regulations.
Accounting Office	Responsible for the planning and formulation of accounting systems, budgets, statistics, internal auditing, and bank-wide accounts and interest matters.
Economic Research Office	Carries out surveys and analyses of domestic and overseas economic, financial, and industrial conditions, business research and development, and the compilation of economic publications.
Credit Analysis Office	Responsible for the collection, surveying, and editing of data related to the loan business, as well as overseas credit investigation services.
Information Management Office	In charge of planning, design, and management of automation.
Legal Affairs Office	Handles legal matters as well as the collection and study of domestic and overseas laws and regulations.

II. Directors, Supervisors, President, Executive Vice Presidents, and Heads of Departments and Branches

1. Directors and Supervisors

Information on Directors and Supervisors (1)

Position	Name	Date of Employment	Term of Employment	Date of First Appointment	Shareholding at Time of Appointment		Present Shareholding		Shareholding by Spouse and Dependent Children		Shareholding in the Name of Other People		
					No.	Ratio	No.	Ratio	No.	Ratio	No.	Ratio	
Chairman	Jer-Shyong Tsai	Jan. 02, 2007	July 30, 2009	Jan. 02, 2007									
Managing Director	Tse-Cheng Lo	Jan. 02, 2007	July 30, 2009	Jan. 02, 2007									
Managing Director	Jun-Ji Shih	June 29, 2007	July 30, 2009	June 29, 2007									
Managing Director	Ruey-Tsang Lee	July 31, 2006	July 30, 2009	July 01, 2003									
Managing Director	Cheng-Chen Yang	Aug. 31, 2007	July 30, 2009	Aug. 31, 2007									
Director	Chia-Cheng Lin	July 31, 2006	July 30, 2009	July 01, 2003									
Director	Hsiu-Hua Rau	July 31, 2006	July 30, 2009	July 01, 2003									
Director	Jin-Tung Lee	July 31, 2006	July 30, 2009	July 01, 2003									
Director	Chih-Hung Chang	July 31, 2006	July 30, 2009	July 01, 2003									
Director	Shin-Hsin Huang	July 31, 2006	July 30, 2009	July 01, 2003									
Director	Chin-Long Yang	July 31, 2006	July 30, 2009	Dec. 08, 2005									
Director	Yeong-Yuh Chiang	July 31, 2006	July 30, 2009	July 31, 2006									
Director	Chang-Sheng Lin	July 31, 2006	July 30, 2009	July 05, 2005									
Director	Hsi-Chuan Chen	July 31, 2006	July 30, 2009	Aug. 19, 2005									
Director	Her-Jong Lin	July 31, 2006	July 30, 2009	July 31, 2006									
Resident Supervisor	Bing-Huang Shih	July 31, 2006	July 30, 2009	July 01, 2003									
Supervisor	Chan-Jane Lin	July 31, 2006	July 30, 2009	July 01, 2003									
Supervisor	Chin-Chen Cheng	June 28, 2007	July 30, 2009	June 28, 2007									
Supervisor	A-Ting Chou	Aug. 07, 2007	July 30, 2009	Aug. 07, 2007									

Ministry of Finance
5,300,000,000 shares(100%)

Note: All Directors and Supervisors are assigned by the Ministry of Finance.

Dec. 31, 2007

Education and Career	Positions Currently Held in the BOT and Other Companies	Being the Spouse or Relative within 2 Tiers of Other Managers, Directors, or Supervisors
Bachelor of International Trade Department, National Chengchi University Chairman, Land Bank of Taiwan President, First Financial Holding Co., Ltd. President, First Commercial Bank Co., Ltd. Executive Vice President, First Commercial Bank Co., Ltd.	Chairman, Bank of Taiwan Chairman, Taiwan Financial Holding Co., Ltd. Director, Central Bank of the Republic of China (Taiwan) Director, Taiwan Stock Exchange Corporation Director, Financial Information Service Co., Ltd.	-
M. A. in Economics, Chinese Culture University President, Taiwan Business Bank Supervisor, Taiwan Business Bank Director, Taiwan Life Insurance Co., Ltd. Executive Vice President, Bank of Taiwan	President, Bank of Taiwan Supervisor, Bankers Association of the R.O.C. Director, Taiwan Small Business Integrated Assistance Center Managing Director, Cathay United Bank Director, Taiwan Financial Holding Co., Ltd.	-
Ph. D. in Economics, National Taiwan University Chairman, Financial Supervisory Commission, Executive Yuan Commissioner, Fair Trade Commission, Executive Yuan	Research Fellow, Research Center for Humanities and Social Sciences, Academia Sinica	-
Master of Land Economics, National Chengchi University Director General, Deputy Director General, Secretary General, National Property Administration Director, Northern Taiwan Office, National Property Administration	Deputy Minister, Ministry of Finance	-
Ph. D. in Economics, Virginia Tech. University Research Fellow, Institute of Economics, Academia Sinica Associated Research Fellow, Institute of Economics, Academia Sinica Teaching Assistant, Department of Economics, Virginia Tech. University Instructor, Tunghai University	Distinguished Research Fellow, Institute of Economics, Academia Sinica Professor, Department of Public Finance, National Chengchi University	-
Ph. D. in Political Science, National Taiwan University Chairman, Research, Development and Evaluation Commission, Executive Yuan	Minister, Ministry of Examination	-
Ph. D. in Economics, Yale University, U.S.A. Assistant Professor, Rice University, U.S.A.	Associate Professor, Department of International Trade, National Chengchi University	-
Master of Public Finance, National Chengchi University Chairman, Chung Kuo Insurance Co., Ltd. Professor, Dept. of Public Finance, National Chengchi University	Chairman, Chin Min Institute of Technology Independent Supervisor, Honyi Precision Industry Co., Ltd. Independent Director, Her Chee Industrial Company Independent Director, Planet Technology Company Independent Director, Level Biology Co. Director, Well-Glory Development Co., Ltd. Independent Director, Kinik Company Supervisor, Avalue Technology Inc.	-
MBA in Statistics, National Chengchi University Director-General, Dept. of Budget, Accounting and Statistics, Kaohsiung City Government Director-General, Dept. of Budget, Accounting and Statistics, Taiwan Province Government	Accountant-General, Dept. of Accounting, Judicial Yuan	-
Dr. sc. Pol. Institute of Public Finance, Christian-Albrechts University, Kiel, Germany Member of Council of Labor Affairs Member of Research, Development and Evaluation Commission, Executive Yuan	Professor, Department of Public Finance, National Taipei University	-
Ph. D. in Economics, The University of Birmingham, U.K. Director General, Dept. of Banking, Central Bank of the Republic of China (Taiwan)	Deputy Governor, Central Bank of the Republic of China (Taiwan) Director, Taiwan Power Company	-
Ph. D. in Economics, University of Minnesota, Minneapolis Associate Professor, Dept. of Money and Banking, National Chengchi University Assistant Researcher, Institute of Economics, Academia Sinica	Professor and Chairman, Dept. of Money and Banking, National Chengchi University	-
Bachelor of Law, Soochow University Councilor, Changhua County Council Court Clerk, Taiwan Taipei District Court	Director-General, Bank of Taiwan Employees Union Chairman, Labor Union of Bank of Taiwan (Taipei) Commissioner, Consulting and Supervisory Commission for Privatization of Government Own Enterprise, Executive Yuan	-
Banking Insurance Dept., Kaohsiung Kuoichi Junior College of Commerce Assistant Banking Officer, Bank of Taiwan	Deputy Manager, Bank of Taiwan Managing Director, Labor Union of Bank of Taiwan (Kaohsiung)	-
Department of Accounting, National Taipei College of Business Deputy Manager, Bank of Taiwan	Auditor, Auditing Office of Board of Directors of Bank of Taiwan Managing Director, Labor Union of Bank of Taiwan (Taipei)	-
M.A. in EMPA, National Taiwan University Chairperson, Accounting Operation Unit, DGBAS Chief Secretary, DGBAS Vice Comptroller in Department of Accounting, Ministry of Interior	Director-General, Second Department, DGBAS Supervisor-General, Agriculture Bank of Taiwan Director, Chinese B.A.S. Coordinate and Development Society Director, The Institute of Internal Auditors-Chinese Taiwan	-
Ph. D. in Accounting, University of Maryland, U.S.A. Professor and Chairman, Department of Accounting, National Taiwan University Director, Division of Continuing Education and Professional Development, National Taiwan University Acting Dean, College of Management, National Taiwan University	Professor, Department of Accounting, National Taiwan University	-
Master of Laws, National Taiwan University Vice Director-General, National Treasury Agency, Ministry of Finance Legal Affairs Committee, Ministry of Finance	Chief Secretary, Ministry of Finance	-
Dept. of Business Administration, National Taiwan University Director General, Dept. of Foreign Exchange, Central Bank of the Republic of China (Taiwan) Director General, London Representative Office, Central Bank of the Republic of China (Taiwan)	Deputy Governor, Central Bank of the Republic of China (Taiwan) Director, Directions for Planning and Promoting the Utilization of Long-Term Funding, CEPD	-

Major Institutional Shareholders

Dec. 31, 2007

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder
Ministry of Finance	Government Agencies (100% shareholding)

Information on Directors and Supervisors (2)

Dec. 31, 2007

Conditions	Has at Least Five Years' Work Experience and the Following Professional Qualifications			Status of Conformity with Independence (Notes)										Number of Independent Directorships on Other Publicly Listed Companies
	Business, legal affairs, finance, accounting, or lectureship or above in a discipline needed for the company's business at a public or private university or college	Judge, prosecutor, attorney, CPA, or professional or technical certification awarded after national testing in a discipline needed for the company's business	Work experience in business, legal affairs, finance, accounting, or other discipline needed for the company's business	1	2	3	4	5	6	7	8	9	10	
Name														
Jer-Shyong Tsai			✓	✓		✓	✓	✓	✓	✓	✓	✓		
Tse-Cheng Lo			✓			✓	✓	✓	✓	✓	✓	✓		
Jun-Ji Shih	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Ruey-Tsang Lee				✓		✓	✓	✓	✓	✓	✓	✓	✓	
Cheng-Chen Yang	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chia-Cheng Lin	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Hsiu-Hua Rau	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Jin-Tung Lee	✓			✓		✓	✓	✓		✓	✓	✓		4
Chih-Hung Chang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Shin-Hsin Huang	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chin-Long Yang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Yeong-Yuh Chiang	✓			✓		✓	✓	✓	✓	✓	✓	✓		
Chang-Sheng Lin			✓			✓	✓	✓	✓	✓	✓	✓	✓	
Hsi-Chuan Chen			✓			✓	✓	✓	✓	✓	✓	✓	✓	
Her-Jong Lin			✓			✓	✓	✓	✓	✓	✓	✓	✓	
Bing-Huang Shih			✓	✓		✓	✓	✓	✓	✓	✓	✓		
Chan-Jane Lin	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chin-Chen Cheng			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
A-Ting Chou			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	

Notes: Check "v" the space below the code number for which the director or supervisor conforms for the period of two years prior to appointment and during period of appointment:

1. Not employed by the bank or its related enterprise.
2. Not a director or supervisor of the bank or its related enterprise (however, an independent director of the bank or its parent company, or of a subsidiary in which the bank directly or indirectly holds more than 50% of the voting stock, is exempt from this restriction).
3. The person himself or his or her spouse or underage children, in their own names or in the name of another person, owning 1% or more of the bank's issued shares or being one of the 10 biggest natural-person shareholders.
4. Not the spouses, relative to the second degree, or lineal blood relative to the fifth degree of someone listed in the previous three items.
5. Not the director, supervisor, or employee of a corporate person directly owning 5% or more of the bank's shares, or director, supervisor, or employee of a corporate person which is among the five biggest corporate shareholders.
6. Not the director, supervisor, or manager of, or holder of 5% or more of the shares in, a specified company or institution which has financial or business dealings with the bank.
7. Not a professional person or the owner, partner, director, supervisor, or manager of a wholly-owned enterprise, partnership, company, or institution, or spouse of any of the persons aforementioned, which provides commercial, legal, financial, or accounting services to the bank or its related enterprise.
8. Not having a spousal or other relationship up to the second degree of another director.
9. Not conforming to any of the conditions listed in Article 30 of the Company Law.
10. Not having been elected, as stipulated by the provisions of Article 27 of the Company Law, as director for the government, a corporate person, or their representative.

2. Information on the President, Executive Vice Presidents, and Heads of Departments and Branches

Jan. 31, 2008

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager						
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship				
President	Lo, Tse-Cheng	2007. 01. 02	100% of Shareholding: Ministry of Finance														
Executive Vice President	Tsai, Fu-Chi	2005. 07. 25															
Executive Vice President	Chiang, Shih-Tien	2007. 11. 23															
Executive Vice President	Chang, Kuo-Ching	2007. 07. 01															
Executive Vice President	Hsieh, Teng-Lung	2006. 05. 12															
Executive Vice President	Wei, Jan-Lin	2007. 07. 01															
Executive Vice President	Chen, Min-Chang	2007. 11. 23															
Executive Vice President	Yang, Li-Yen	2007. 11. 23															
Auditing Office, Board of Directors Executive Vice President and General Auditor	Chang, Hong-Chi	2006. 05. 12															
Secretariat, Board of Directors SVP and Chief Secretary	Ho, Tung-Fu	2007. 01. 15															
Department of Planning SVP and General Manager	Wu, Mu-Ying	2007. 11. 23															
Department of Credit Management SVP and General Manager	Chiou, Ye-Chin	2007. 11. 19															
Department of Business SVP and General Manager	Lu, Te-Fu	2005. 11. 18															
Department of Circulation SVP and General Manager	Fang, Chung-Nan	2003. 01. 16															
Department of Public Treasury SVP and General Manager	Pan, Cheng-Yi	2006. 08. 01															
Department of Treasury SVP and General Manager	Chen, Su-Tien	2006. 03. 20															
Department of International Banking SVP and General Manager	Yang, Li-Yen	2006. 03. 06															
Department of Trusts SVP and General Manager	Liu, Yu-Chih	2007. 07. 01															
Department of Consumer Finance VP and General Manager	Yu, Yung-Chuan	2006. 11. 07															
Secretariat SVP and General Manager	Hung, Hsien-Ming	2005. 01. 26															

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
General Affair Office SVP and General Manager	Liang, Chien-Yi	2005. 01. 10	100% of Shareholding: Ministry of Finance						Dept. of Banking and Insurance, Provincial Tai-Chung Commercial Junior College	Director, Taiwan Life Insurance Co.			
Department of Real Estate Management SVP and General Manager	Chen, Ching-Jui	2007. 07. 01							Dept. of Laws, Soo Chow University	Managing Director, Taiwan Business Bank			
Human Resources Office SVP and General Manager	Chiang, Chih-Jen	2006. 08. 01							Supplementary Open Junior College for Public Administration, National Chengchi University	Director, Taiwan Business Bank			
Ethics Office SVP and General Manager	Hu, Yeh-Liang	2003. 05. 16							Master of Laws, National Chengchi University	Supervisor, China Daily News			
Accounting Office SVP and General Manager	Liu, Hsi-Kuang	2006. 03. 20							Dept. of Accounting, Tamkang University	Director, Taiyi Real Estate Management Co., Ltd.			
Economic Research Office SVP and General Manager	Ou, Shing-Shiang	2001. 02. 15							Ph. D. in Economics, Georgia State University, U.S.A.	Managing Director, Tang Eng Iron Work Co.			
Credit Analysis Office SVP and General Manager	Chuang, Kao-Chen	2002. 09. 09							Dept. of Business Administration, National Chengchi University	Supervisor, First Financial Holding Co. Supervisor, First Commercial Bank			
Information Management Office SVP and General Manager	Song, Shiao-Shuan	2003. 07. 15							Dept. of Chemistry, National Cheng Kung University	Director, Bankpro E-Service Technology Co. Director, Financial eSolution Co., Ltd.			
Legal Affairs Office SVP and General Manager	Lin, Su-Lan	2004. 01. 15							Master of Laws, New South Wales University	Director, Tang Eng Iron Work Co.			
Department of Assets Management SVP and General Manager	Lin, Tieh-Hai	2007. 07. 01							Dept. of Banking and Insurance, Chinese Culture University	Director, Hua Nan Financial Holdings Co. Director, Hua Nan Commercial Bank			
Offshore Banking Branch VP and General Manager	Chen, Chiu-Yuan	2006. 03. 20							Dept. of Business Administration, National Chung Hsing University	Director, United Taiwan Bank S. A.			
Department of Risk Management SVP and General Manager	Ku, Chao-Chu	2005. 09. 21							Dept. of Economics, Chinese Cultural College	Supervisor, Small Business Integrated Assistance Center			
Department of Electronic Banking VP and General Manager	Wang, Hsin-Ping	2007. 07. 16							Dept. of Mathematics, National Tsing Hua University				
Department of Wealth Management SVP and General Manager	Kang, Fan	2007. 07. 01							Master of Economics, Indiana State University				
Department of Procurement SVP and General Manager	Yu, Ho-Hsiung	2007. 07. 01							Dept. of Laws, National Taiwan University				
Department of Trade SVP and General Manager	Chang, Wu-Ren	2007. 07. 01							Dept. of International Trade, Tamkang University				
Department of Government Employees Insurance SVP and General Manager	Liu, Shu-Rong	2007. 07. 01							Dept. of Sociology, National Chung Hsing University				
Department of Corporate Finance SVP and General Manager	Hsieh, Chuan-Chuan	2007. 08. 31							Dept. of Business Administration, National Taiwan University	Director, Hua Nan Financial Holdings Co. Managing Director, Hua Nan Commercial Bank			
Department of Domestic Operations SVP and General Manager	Huang, Jui-Mu	2007. 11. 20							Dept. of Technology Mechanical Engineering, Mingchi University				
Occupational Safety and Health Office SVP and General Manager	Liang, Chien-Yi	2005. 01. 10							Dept. of Banking and Insurance, Provincial Tai-Chung Commercial Junior College	Director, Taiwan Life Insurance Co.			

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
New York Agency SVP and General Manager	Yeh, Shiou-Jsu	2002. 08. 31	100% of Shareholding: Ministry of Finance						Dept. of Business Administration, National Taiwan University				
Los Angeles Branch SVP and General Manager	Yeh, Ton-Yuan	2006. 03. 20							Dept. of Accounting, National Cheng Kung University				
Hong Kong Branch VP and General Manager	Hsu, Chi-Wen	2007. 11. 16							Dept. of Economics, Soo Chow University				
Tokyo Branch SVP and General Manager	Shih, Ying-Yen	2002. 05. 10							Graduate School of International Trade, National Chengchi University				
Singapore Branch SVP and General Manager	Ho, Kai-Cheng	2006. 03. 13							Master of Business Administration, National Chengchi University				
South Africa Branch VP and General Manager	Chen, Hung	2007. 10. 17							Master of Business Administration, Southern California University				
London Branch VP and General Manager	Chen, Tsung-Jen	2006. 08. 30							M. A. in Business Management, National Sun Yat-Sen University				
Office in Panama Representative VP and General Manager	Francis Y Liu	2007. 07. 01							Dept. of Business Administration, National Chengchi University				
Guancian Branch SVP and General Manager	Chi, Yen-Shan	2008. 01. 01							Dept. of Business Administration, Tamkang College of Arts and Sciences	Supervisor, Taiyi Real Estate Management Co., Ltd. Director, Taiwan Development Co.			
Tainan Branch SVP and General Manager	Wang, Chia-Nan	2005. 07. 16							Dept. of Banking and Insurance, Kuochi Junior College of Commerce				
Taichung Branch SVP and General Manager	Dai, Cheng-Wen	2007. 01. 15							Dept. of Business Administration, National Taichung Institute of Commerce				
Kaohsiung Branch SVP and General Manager	Huang, Wen-Tao	2007. 01. 15							Dept. of International Trade, Feng Chia University				
Keelung Branch VP and General Manager	Chen, Yung-Hsien	2007. 07. 16							Supplementary Open Junior College for Public Administration, National Chengchi University				
Chung Hsin New Village Branch VP and General Manager	Lin, Chung-Yung	2006. 02. 27							Dept. of International Trade, Feng Chia University				
Chiayi Branch SVP and General Manager	Liaw, Shiaw-Ming	2006. 01. 18							Dept. of Agricultural Economics, National Taiwan University				
Hsin Chu Branch SVP and General Manager	Chen, Wei-Chi	2007. 01. 15							Dept. of Public Administration, National Open University				
Chang Hua Branch VP and General Manager	Wang, Tzu-Tung	2007. 07. 16							Dept. of Banking and Insurance, Provincial Tai-Chung Commercial Junior College				
Pingtung Branch SVP and General Manager	Leu, Yaw-Neng	2004. 01. 15							Dept. of Business, National Open University				
Hualien Branch SVP and General Manager	Cheng, Chun-Liang	2004. 07. 16							Dept. of Insurance, National Taipei Junior College of Business Open Business Junior College				
Yen Ping Branch SVP and General Manager	Shen, Jia-Chen	2005. 07. 25							Dept. of Economics, National Chunghsing University				
Chung-Shan Branch SVP and General Manager	Lin, Ing-Lieh	2004. 07. 16							Dept. of Banking and Insurance, Chinese Culture University				
K.E.P.Z. Branch VP and General Manager	Lin, Ping-Ho	2006. 07. 14							Dept. of Finance and Taxation, Fengchia University				
Yi Lan Branch VP and General Manager	Yu, Ching-Lung	2004. 07. 16							Dept. of Industrial Management, Chung Yuan University				

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
Tai Tung Branch VP and General Manager	Lee, Chao-Ming	2006. 07. 14	100% of Shareholding: Ministry of Finance						Supplementary Open Junior College for Public Administration National, Chengchi University				
Penghu Branch VP and General Manager	Chang, Chiu-Huang	2006. 07. 14							Dept. of International Trade, Open Junior College of Commerce of National Cheng Kung University				
Feng Shan Branch VP and General Manager	Ma, Jen-Shiau	2006. 07. 14							Master of Business Administration, North Western State University of L.A.				
Taoyuan Branch SVP and General Manager	Liao, Hong-Yen	2007. 01. 15							Dept. of Accounting and Statistics, National Taichung Institute of Technology				
Panchiao Branch SVP and General Manager	Chu, Chung-Chih	2005. 07. 11							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Hsin Ying Branch SVP and General Manager	Huang, Wen-Ming	2005. 04. 25							Master of Business Administration, National Cheng Kung University				
Miao Li Branch VP and General Manager	Wen, Tzu-Cheng	2003. 07. 15							Dept. of Business Administration, National Chung Hsing University				
Fengyuan Branch VP and General Manager	Lin, Yuan-Tung	2007. 07. 16							Dept. of Business National, Open University				
Touliu Branch VP and General Manager	Wu, Ah-Jou	2005. 07. 16							Dept. of Accounting and Statistics, National Open College of Continuing Education Affiliated To National Taichung Institute of Technology				
Nantou Branch VP and General Manager	Shih, Jing-Fang	2006. 02. 27							Dept. of International Trade, Fengchia University				
Nan Men Branch SVP and General Manager	Chuang, Ching-Jiang	2007. 07. 16							Master of Business Administration, Chang Gung University				
Kung Kuan Branch VP and General Manager	Chiang, Man-Li	2005. 11. 18							Dept. of Accounting and Statistics National, Chengkung University				
Zuoying Branch VP and General Manager	Shen, Cheng-Chung	2008. 01. 16							Dept. of Finance and Taxation, Fengchia University				
Peitou Branch VP and General Manager	Liao, Yun-Kuang	2007. 07. 16							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Wu Feng Branch VP and General Manager	Hung, Chi-Ho	2006. 07. 14							National Open College of Continuing Education				
Kinmen Branch VP and General Manager	Chien, Hsueh-Yang	2005. 08. 30							Taiwan Provincial Taipei Commercial School				
Matsu Branch VP and General Manager	Kuo, Wen-Son	2006. 07. 14							Dept. of Banking and Insurance, Provincial Tai-Chung Commercial Junior College				
Anping Branch VP and General Manager	Hsu, Ming-Hui	2007. 11. 26							Dept. of International Trade, Fengchia University				
Chungli Branch SVP and General Manager	Yeh, Gang-Feng	2007. 07. 16							Supplementary Open Junior College for Public Administration, National Chengchi University				
Sanchung Branch VP and General Manager	Chan, Yen-Tsang	2006. 01. 27							Dept. of Banking and Insurance, Tamkang University				
Toufen Branch VP and General Manager	Wu, Shiou-Rung	2007. 07. 16							Dept. of Industrial Management, Tamsui Oxford College				

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
Chien Chen Branch VP and General Manager	Lee, Huan-Hsun	2005. 03. 21	100% of Shareholding: Ministry of Finance						Dept. of Business, National Open University				
Cheng Chung Branch VP and General Manager	Yang, Chi-Lung	2004. 01. 15							Dept. of Economics, Fujen Catholic University				
Minchuan Branch SVP and General Manager	Kang, Hsieh-Yi	2007. 07. 16							Dept. of Business Administration, SooChow University				
Tantzu Branch SVP and General Manager	Yu, Hsin-Hsing	2005. 01. 14							Dept. of Business Administration, Fengchia College				
Yungho Branch VP and General Manager	Tseng, Jau-Tai	2005. 08. 17							Dept. of Finance and Taxation, Fengchia University				
Yuanlin Branch SVP and General Manager	Wang, Yuan-Yuan	2006. 01. 16							Dept. of Accounting, Fengchia University				
Sung Chiang Branch VP and General Manager	Ho, Chung-Huei	2007. 07. 16							Bliss College, Ohio, U.S.A.				
Kusan Branch VP and General Manager	Chen, Cheng-Lung	2005. 01. 14							Dept. of Accounting and Statistics, Tamkang College				
Lung Shan Branch VP and General Manager	Chen, Jung-Hsien	2007. 07. 16							Dept. of Banking, National Chengchi University				
Chunghsiao Branch SVP and General Manager	Chang, Sen-Yei	2006. 08. 01							Dept. of Business, National Open University				
Hsin Yi Branch SVP and General Manager	Chen, Yung-Chia	2006. 11. 07							Dept. of Accounting and Statistics, Tamkang College				
Fu Hsing Branch VP and General Manager	Hung, Hung-Jung	2005. 01. 14							Dept. of Banking and Insurance, Open Junior College of Commerce National Chengkung University				
Sanmin Branch VP and General Manager	Chen, Chun-Hsiung	2007. 07. 16							M. A. in Business Management, National Sun Yat-Sen University				
Taichung Harbor Branch SVP and General Manager	Chen, Wen-Yu	2004. 04. 26							Graduate Institute of Management, Tamkang University				
Lotung Branch VP and General Manager	Jeng, Guo-Huei	2005. 12. 06							National Taipei College of Business Open Business Junior College				
Puli Branch VP and General Manager	Huang, Yeou-Nen	2006. 03. 27							Dept. of Banking , Overseas Chinese Business College				
Kang Shan Branch VP and General Manager	Chen, Chin-Sheng	2007. 07. 16							Dept. of Business, National Open University				
Hsingsing Branch VP and General Manager	Liu, Sen-Yuan	2007. 07. 16							Dept. of Business, National Open University				
Ling Ya Branch SVP and General Manager	Lin, Ruey-Dian	2006. 07. 14							Dept. of Public Finance, National Chengchi University				
Sung Shan Branch VP and General Manager	Wu, Chin-Huan	2004. 07. 16							Chihlee Institute of Technology				
Chine Hsing Branch VP and General Manager	Tseng, Chin-Tsan	2006. 01. 18							Dept. of Economics, Tunghai University				
Chung Ho Branch VP and General Manager	Fu, Shan-Kuo	2007. 01. 15							Dept. of Banking and Insurance, Tamkang University				

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
Tai Pao Branch VP and General Manager	Hsieh, Tien-Fu	2005. 07. 16	100% of Shareholding: Ministry of Finance						Dept. of Accounting and Statistics, Tatung Junior Technological College of Commerce				
Chupei Branch VP and General Manager	Chu, Hsi-Chin	2007. 01. 15							M. A. in Insurance, Fengchia University				
Shihlin Branch VP and General Manager	Chen, Chin-Lin	2007. 01. 15							Dept. of International Trade, Open Business College with NTCB				
Hsin Chuang Branch VP and General Manager	Chen, Jin-Jinn	2005. 01. 10							Dept. of International Trade, Kuochi Junior College of Commerce		Ying Long Branch VP and General Manager	Lin, Cheng-Chang	brother-in-law
Ta Chia Branch VP and General Manager	Yen, Quei-Tien	2005. 11. 28							Dept. of Economics, Tunghai University				
Science-Based Industrial Park Branch SVP and General Manager	Lin, Chang-Fu	2007. 07. 16							Dept. of Banking and Insurance, Feng Chia College				
Shu Lin Branch VP and General Manager	Fan, Chun-Hsiung	2007. 01. 15							Dept. of Business Administration, National Taipei Junior College of Business Open Business Junior College				
Hsin Tien Branch VP and General Manager	Yau, Ming-Ren	2007. 01. 15							Dept. of Economics, Soo Chow University				
Li Ming Branch VP and General Manager	Hsu, Tsuey-Hwa	2006. 01. 16							Dept. of International Trade, Tamkang University		Department of Public Treasury SVP and General Manager	Pan, Cheng-Yi	brother-in-law
Min Sheng Branch SVP and General Manager	Yang, Yeong-Maw	2004. 07. 16							Dept. of Cooperative Economics, Fengchia University				
Yungkang Branch VP and General Manager	Ho, Wen-Shu	2006. 07. 14							Tatung Institute of Commerce and Technology				
San Dou Branch VP and General Manager	Wang, Yung-Shan	2005. 01. 17							Dept. of Business Management, National Chenkung University		Kaohsiung Airport Branch VP and General Manager	Wang, Mei-Yuh	sister
Taipei World Trade Center Branch VP and General Manager	Cheng, Kuen-Der	2006. 07. 14							Dept. of Economics, Soo Chow University				
Ta An Branch VP and General Manager	Chen, Chun-Yen	2005. 12. 06							Dept. of Laws, Chinese Culture University				
Hua Chiang Branch VP and General Manager	Wu, Tsang-Tay	2007. 01. 15							Dept. of Business Management, National Chenkung University				
Chao Chou Branch SVP and General Manager	Chiang, Fu-San	2006. 09. 01							Dept. of Agricultural Economics, National Taiwan University				
Su Ao Branch VP and General Manager	Fan, Jen-Long	2007. 03. 30							Dept. of Business Administration, Tamkang College of Arts and Sciences				
Daya Branch VP and General Manager	Chen, Chin-Cheng	2007. 07. 16							Dept. of International Trade, Overseas Chinese Business College				
Nantze Branch VP and General Manager	Chen, Chi-An	2007. 01. 15							Dept. of Business Administration, Fujen Catholic University				
Taichung Industrial Park Branch VP and General Manager	Hsieh, Hua-Ching	2006. 07. 14							M. B. A. in Finance, National Yunlin University of Science and Technology				
Tun Hwa Branch VP and General Manager	Lin, Chun-Liang	2007. 09. 26							Dept. of Banking and Insurance, Tamkang University				
Nan Kang Branch VP and General Manager	Chao, Lai	2006. 07. 14							Dept. of Secretarial Science, Ming Chuan College				

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
Hoping Branch VP and General Manager	Liu, Tung-Chen	2005. 08. 30	100% of Shareholding: Ministry of Finance						Dept. of Business Administration, Soo-Chow University				
Shui Nan Branch VP and General Manager	Liu, Chih-Chien	2006. 07. 14							Dept. of Finance and Taxation, Fengchia University				
Chunglun Branch VP and General Manager	Wang, Suh-Er	2007. 07. 16							Dept. of International Trade, Chihlee Commercial School				
Tu Cheng Branch VP and General Manager	Lin, Min-Chien	2006. 11. 30							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Taoyuan Airport Branch VP and General Manager	Lee, Chun-Hsi	2001. 02. 15							Taiwan Police Academy				
Dahchang Branch VP and General Manager	Liu, Sheng-Hsiung	2006. 07. 14							Dept. of Banking and Insurance, Open Junior College of Commerce National Chengkung University				
Wu Chia Branch VP and General Manager	Wu, Jung-Tsung	2006. 07. 14							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Bo Ai Branch VP and General Manager	Lee, Sheng-Hsiung	2007. 07. 16							Dept. of Statistics, Fengchia University				
Chungchuang Branch VP and General Manager	Su, Chiu-Hui	2007. 03. 30							Dept. of Accounting, National Chengchi University				
Ping Chen Branch VP and General Manager	Chen, Chen-Fang	2006. 01. 18							Dept. of Banking and Insurance, Fengchia College				
Jen-Ai Branch VP and General Manager	Lin, Chen-Hung	2006. 11. 07							Dept. of Business Administration, Tamkang College of Arts and Sciences				
Nankan Branch VP and General Manager	Lee, Ming-Chih	2007. 07. 16							Dept. of Banking and Insurance, Fengchia University				
Yuanshan Branch SVP and General Manager	Wang, Chun-Te	2007. 10. 16							M. A. in Insurance, Fengchia University				
Wuku Branch VP and General Manager	Pan, Rong-Yaw	2007. 07. 16							Master of Public Finance, National Chengchi University				
Ta Li Branch VP and General Manager	Kuo, Te-Ming	2004. 07. 16							Dept. of Accounting and Statistics, Fugen Catholic University				
An Nan Branch VP and General Manager	Tsai, Fu-Ming	2007. 03. 30							Dept. of International Trade, Kuochi Junior College of Commerce				
Hsitwun Branch VP and General Manager	Tsai, Jin-Yuan	2006. 07. 14							Dept. of Business, National Open University				
Tienmou Branch VP and General Manager	Chen, Ying-Kuei	2005. 11. 28							Master of Business Administration, National Chengchi University				
Lukang Branch VP and General Manager	Wung, Te-Ching	2007. 07. 16							Tatung Junior Technological College of Commerce				
Nei Li Branch VP and General Manager	Yu, Kuo-Yu	2006. 07. 14							Dept. of Economics, National Chengchi University				
Tainan Science-Based Industrial Park Branch VP and General Manager	Jen, Kun-Fa	2005. 07. 25							Dept. of Economics, National Taiwan University				

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
Hu Wei Branch VP and General Manager	Bair, Rong-Hwa	2008. 01. 21	100% of Shareholding: Ministry of Finance						Dept. of International Trade, National Taichung Institute of Commerce				
Tamsui Branch VP and General Manager	Ho, Chwan-Ming	2007. 01. 15							Master of Business Management, National Taipei University				
Neihu Branch VP and General Manager	Kang, Cheng-Chuan	2007. 07. 16							Dept. of Statistics, Tamkang University				
Chia Bei Branch VP and General Manager	Wen, Jeng-Hui	2006. 01. 18							Tatung Institute of Commerce and Technology				
Tunh Kang Branch VP and General Manager	Huang, Hsui-Hsiang	2005. 04. 25							Dept. of Business, National Open University				
His Chih Branch VP and General Manager	Wu, Kung-Min	2006. 07. 14							Dept. of Chinese Language and Literature, National Taiwan Normal University				
Wu Chi Branch VP and General Manager	Wang, Shih-Chien	2005. 11. 28							Master of Finance, National Chung Hsing University				
Chunhsien Branch VP and General Manager	Tsai, Ming-Te	2006. 07. 14							Dept. of Cooperative Economics, Tamkang University				
Peitalu Branch VP and General Manager	Hsu, Chiu-Mu	2007. 07. 16							Dept. of Economics, Tunghai University				
Tai Ping Branch VP and General Manager	Young, Ying-Ling	2007. 04. 04							Dept. of Economics, Tunghai University				
Defang Branch VP and General Manager	Chang, Kuo-Hsun	2006. 01. 18							M.B.A, National Taipei University				
Chien Kuo Branch VP and General Manager	Liu, Hui-Hsin	2004. 07. 16							Dept. of Accounting and Statistics, Tamkang College				
Yenpu Branch VP and General Manager	Wang, Wen-Li	2006. 07. 14							National Taipei Teachers' College				
Chenhsing Branch VP and General Manager	Yang, Chao-Chia	2007. 01. 03							Dept. of Accounting and Statistics, Kuochi Junior College of Commerce				
Hsinyuan Branch VP and General Manager	Tsai, Ching-Chang	2005. 04. 21							Dept. of Accounting and Statistics, Open Junior College of Commerce of National Cheng Kung University				
Ying Long Branch VP and General Manager	Lin, Cheng-Chang	2008. 01. 14							Dept. of Banking and Insurance, Open Junior College of Commerce National Chengkung University		Hsin Chuang Branch VP and General Manager	Chen, Jin-Jinn	brother-in-law
Shintong Branch VP and General Manager	Fang, Chin-Ho	2005. 12. 22							Dept. of Business National Open University				
East Taoyuan Branch VP and General Manager	Hsieh, Hsiu-Hsien	2007. 07. 16							Dept. of Economics, National Chunghsing University				
Lu Jou Branch VP and General Manager	Chou, Shao-I	2006. 07. 14							Dept. of Business, National Open University				
Kaohsiung Airport Branch VP and General Manager	Wang, Mei-Yuh	2007. 07. 16							M.A. in Business Management, National Sun Yat-Sen University		San Dou Branch VP and General Manager	Wang, Yung-Shan	brother
Taichung Science Park Branch VP and General Manager	Hsu, Pi-Chih	2005. 11. 30							M. B. A. in Finance, National Yunlin University of Science and Technology				

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
Kaohsiung Science Park Branch VP and General Manager	Cheng, En-Tzu	2006. 04. 17	100% of Shareholding: Ministry of Finance						Dept. of Finance and Taxation, Fengchia University				
Wenshan Branch VP and General Manager	Wu, Ruey-Ming	2007. 08. 06							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Donghu Branch VP and General Manager	Nien, Chung-Huan	2007. 09. 20							Dept. of Accounting, National Chung Hsing University				
Hsiao Kang Branch VP and General Manager	Wu, Bing-Song	2007. 09. 14							Master of Finance Management, National Kaohsiung First University of Science and Technology				
Taipei Port Branch VP and General Manager	Wang, Chuen-An	2007. 08. 06							Dept. of Banking, Tamkang University				
Longtan Branch VP and General Manager	Shih, Che-Yu	2007. 09. 14							Dept. of Business Administration, Fengchia University				
Gaorong Branch VP and General Manager	Chiu, Chin-Cheng	2007. 09. 20							Dept. of Economics, Chinese Cultural College				
Rende Branch VP and General Manager	Lee, Fang-Ming	2007. 09. 19							Dept. of Business, National Open University				
Wuchang Branch SVP and General Manager	Hsu, Chao-Hsiung	2007. 07. 01							Dept. of Industrial and Business Administration, Tatung University				
Jisin Branch VP and General Manager	Juang, Chyong-Ling	2007. 07. 01							Dept. of Business Administration, National Chung Hsing University				
Taipei Branch SVP and General Manager	Chen, Chun-Ming	2007. 07. 01							Dept. of Economics, National Chung Hsing University				
Jinshan Branch VP and General Manager	Wang, Chia-Tsai	2007. 07. 01							Dept. of International Trade, Fengchia University				
Sinan Branch VP and General Manager	Shih, Mei-Kuei	2007. 07. 01							Master of Business, National Taiwan University				
Jiantan Branch VP and General Manager	Hsieh, Jui-Ying	2007. 07. 01							Dept. of Finance and Taxation, National Chengchi University				
Wanhua Branch VP and General Manager	Lin, Fu-Yen	2007. 07. 01							Dept. of Industrial and Business Administration, Tamkang University				
Bansin Branch VP and General Manager	Wang, Chuan	2008. 01. 01							Dept. of International Trade, Tamkang University				
Shuang He Branch VP and General Manager	Hsu, Feng-Tien	2007. 07. 01							Dept. of International Trade, Tamkang University				
Chongsin Branch VP and General Manager	Huang, Pei-Ming	2007. 12. 11							Dept. of Business, National Open University				
Taosing Branch VP and General Manager	Tseng, Jeng-Yi	2007. 07. 01							Master of Business Administration, New York Institute of Technology				
Sinming Branch VP and General Manager	Tsao, Chin-Ho	2007. 07. 01							Dept. of Public Policy and Management, Chinese Culture University				
Jhucheng Branch SVP and General Manager	Hou, Fu-Sou	2007. 07. 01							Dept. of Business Administration, Fugen Catholic University				

Position	Name	Date of Employment	Shares Held		Shares Held by Spouse and Dependent Children		Shares Held in Name of Others		Education	Positions Held with Other Companies	The Spouse or Relative within 2 Tiers in the Bank as a Manager		
			No.	Ratio	No.	Ratio	No.	Ratio			Position	Name	Relationship
North Taichung Branch VP and General Manager	Lin, Mao-Hong	2007. 07. 01	100% of Shareholding: Ministry of Finance						Dept. of International Trade, Fengchia University				
Central Taichung Branch SVP and General Manager	Wang, Jung-Chou	2007. 07. 01							Master of Three People's Principles, Sun Yat-sen Chinese Culture University				
Yuanjhong Branch VP and General Manager	Huang, Hsi-Shun	2007. 07. 01							Dept. of International Trade, Open Business College with NTCB				
Jianan Branch VP and General Manager	Chang, Chun-Yuan	2007. 07. 01							Master of Business Administration, National Cheng Kung University				
Nandu Branch VP and General Manager	Lin, Shih-Rong	2007. 07. 01							Dept. of Accounting, National Chengchi University				
Cianjin Branch SVP and General Manager	Chang Chien, Feng- Chou	2007. 07. 01							Dept. of Accounting, National Cheng Kung University				
North Kaohsiung Branch VP and General Manager	Chen, Wu-Cheng	2007. 07. 01							Master of Business Administration, National Cheng Kung University				
Chenggong Branch VP and General Manager	Lin, Ming-Yuh	2007. 07. 01							Master of Business Administration, National Cheng Kung University				
North Hualien Branch VP and General Manager	Hwang, Huoo-Chyan	2007. 07. 01							Dept. of Business, Open Business College with NTCB				
Linkou Branch VP and General Manager	Hung, Jien-Jien	2008. 01. 28							Master of Business Administration, National Dong Hwa University				
Putz Mini Branch VP and General Manager	Hsieh, Tien-Fu	2005. 07. 16							Dept. of Accounting and Statistics, Tatung Junior Technological College of Commerce				
Chungping Branch VP and General Manager	Chang, Ching-Tsun	2007. 07. 16							Dept. of Economics, Soo Chow University				
Pei Fu Mini Branch SVP and General Manager	Chu, Chung-Chih	2005. 07. 11							Dept. of Shipping and Transportation Management, National Taiwan Ocean University				
Jueng Jii Mini Branch SVP and General Manager	Lin, Ing-Lieh	2004. 07. 16							Dept. of Banking and Insurance, Chinese Culture University				
Tung Men Mini Branch SVP and General Manager	Chen, Yung-Chia	2006. 11. 07							Dept. of Accounting and Statistics, Tamkang College				
Aiguo Mini Branch SVP and General Manager	Chen, Yung-Chia	2006. 11. 07							Dept. of Accounting and Statistics, Tamkang College				
Bao-Qing Mini Branch SVP and General Manager	Lu, Te-Fu	2005. 11. 18							College of Business, Tamkang University	Director, The Taiwan Payments Clearing System Development Foundation Director, First Financial Holding Co.			
Tai Dian Mini Branch VP and General Manager	Chiang, Man-Li	2005. 11. 18							Dept. of Accounting, and Statistics, National Chengkung University				
Twtc Exhibition Hall Mini Branch VP and General Manager	Cheng, Kuen-Der	2006. 07. 14							Dept. of Economics, Soo Chow University				

3. Compensation Paid to Directors, Supervisors, President, and Executive Vice Presidents for 2007

Compensation Paid to Directors

Dec. 31, 2007

Unit: NT\$1,000

Position	Name (Note)	Compensation Paid to Directors						Ratio of Total of A, B, and C to Aftertax Net Profit		Compensation Paid to Concurrently Serving Employees								Ratio of Total of A, B, C, D, and E to Aftertax Net Profit		Any Compensation Paid by Invested Enterprises Other than Subsidiaries	
		Compensation (A)		Profits Distributed to Directors (B)		Business Administration Costs (C)				Salary, Bonus, Special Expenses (D)		Profits Distributed to Employees (E)				No. of Shares Purchasable via Employee Stock Warrants					
		BOT	All Companies in Consoli- dated Report	BOT	All Companies in Consoli- dated Report	BOT	All Companies in Consoli- dated Report	BOT	All Companies in Consoli- dated Report	BOT	All Companies in Consoli- dated Report	BOT		All Companies in Consolidated Report		BOT	All Companies in Consoli- dated Report	BOT	All Companies in Consoli- dated Report		
Chairman	Jer-Shyong Tsai																				
Chairman	Jye-Cherng Lyu																				
Chairman	Teh-Nan Hsu																				
Managing Director	Tse-Cheng Lo																				
Managing Director	Ruey-Tsang Lee																				
Managing Director	Yang-Tzong Tsay																				
Managing Director	Jun-Ji Shih																				
Managing Director	Cheng-Chen Yang																				
Managing Director	Chih-Hung Chang	4,009	None	None	None	4,062	None	0.0658	None	7,428	None	None	None	None	None	None	0.1263	None	Yes	96	
Director	Chia-Cheng Lin																				
Director	Hsiu-Hua Rau																				
Director	Jin-Tung Lee																				
Director	Yuh-San Liu																				
Director	Shin-Hsin Huang																				
Director	Chin-Long Yang																				
Director	Yeong-Yuh Chiang																				
Director	Hsi-Chuan Chen																				
Director	Chang-Sheng Lin																				
Director	Her-Jong Lin																				

Note: All Directors are assigned by the Ministry of Finance.

Compensation Bracket Paid to BOT Directors	Names of Directors			
	Total of Previous Three Items (A+B+C)		Total of Previous Five Items (A+B+C+D+E)	
	BOT	All companies included in consolidated report	BOT	All companies included in consolidated report
Under NT\$2,000,000	Ruey-Tsang Lee, Yang-Tzong Tsay Jun-Ji Shih, Cheng-Chen Yang Chih-Hung Chang, Chia-Cheng Lin Hsiu-Hua Rau, Jin-Tung Lee Yuh-San Liu, Shin-Hsin Huang Yeong-Yuh Chiang, Chin-Long Yang		Ruey-Tsang Lee, Yang-Tzong Tsay Jun-Ji Shih, Cheng-Chen Yang Chih-Hung Chang, Chia-Cheng Lin Hsiu-Hua Rau, Jin-Tung Lee Yuh-San Li u, Shin-Hsin Huang Yeong-Yuh Chiang, Chin-Long Yang Hsi-Chuan Chen, Chang-Sheng Lin Her-Jong Lin, Jye-Cherng Lyu Teh-Nan Hsu	
NT\$2,000,000 - NT\$5,000,000	Jer-Shyong Tsai		Jer-Shyong Tsai Tse-Cheng Lo	
NT\$5,000,000 - NT\$10,000,000				
NT\$10,000,000 - NT\$15,000,000				
NT\$15,000,000 - NT\$30,000,000				
NT\$30,000,000 - NT\$50,000,000				
NT\$50,000,000 - NT\$100,000,000				
Over NT\$100,000,000				
Total	13 persons		19 persons	

Compensation Paid to Supervisors

Dec. 31, 2007

Unit: NT\$1,000

Position	Name (Note)	Compensation Paid to Supervisors						Ratio of Total of A, B, and C to Aftertax Net Profit		Any Compensation Paid by Invested Enterprises Other than Subsidiaries
		Compensation (A)		Profits Distributed to Supervisors (B)		Business Administration Costs (C)				
		BOT	All Companies in Consolidated Report	BOT	All Companies in Consolidated Report	BOT	All Companies in Consolidated Report	BOT	All Companies in Consolidated Report	
Resident Supervisor	Bing-Huang Shih	None	None	None	None	1,006	None	0.0082	None	None
Supervisor	Shaw-Wu Yu									
Supervisor	Chan-Jane Lin									
Supervisor	Fu-Deng Hsieh									
Supervisor	Tzer-Ming Chu									
Supervisor	Kuo-Ying Wu									
Supervisor	Chin-Chen Cheng									
Supervisor	A-Ting Chou									

Note: All Supervisors are assigned by the Ministry of Finance.

Compensation Bracket Paid to BOT Supervisors	Names of Supervisors	
	Total of Previous Three Items (A+B+C)	
	BOT	All companies included in consolidated report
Under NT\$2,000,000	Bing-Huang Shih, Shaw-Wu Yu Chan-Jane Lin, Fu-Deng Hsieh Tzer-Ming Chu, Kuo-Ying Wu Chin-Chen Cheng, A-Ting Chou	
NT\$2,000,000 - NT\$5,000,000		
NT\$5,000,000 - NT\$10,000,000		
NT\$10,000,000 - NT\$15,000,000		
NT\$15,000,000 - NT\$30,000,000		
NT\$30,000,000 - NT\$50,000,000		
NT\$50,000,000 - NT\$100,000,000		
Over NT\$100,000,000		
Total	8 persons	

Compensation Paid to President and Executive Vice Presidents

Dec. 31, 2007

Unit: NT\$1,000

Unit: NT\$1,000																				
Position	Name	Salary		Bonus, Special Expenses		Profit Distributed as Employee Bonuses								Total of Previous Three Items		Ratio of Total Amount to After tax Net Profit (%)		Amount of Employee Stock Warrants		Any Compensation Paid by Invested Enterprises Other than Subsidiaries
		BOT	All Companies in Consolidated Report	BOT	All Companies in Consolidated Report	BOT				All Companies in Consolidated Report				BOT	All Companies in Consolidated Report	BOT	All Companies in Consolidated Report			
						Cash Bonuses	Stock Bonuses			Cash Bonuses	Stock Bonuses									
							No. of Shares	Market Value	amount		No. of Shares	Market Value	Amount							
President	Sheng-Yann Lii	17,918	None	8,708	None															
President	Tse-Cheng Lo																			
Executive Vice President	Wu-Shiung Chou																			
Executive Vice President	Fu-Chi Tsai																			
Executive Vice President	Teng-Lung Hsieh																			
Executive Vice President	Jan-Lin Wei																			
Executive Vice President	Kuo-Ching Chang																			
Executive Vice President	Shih-Tien Chiang																			
Executive Vice President	Min-Chang Chen																			
Executive Vice President	Li-Yen Yang																			
Executive Vice President and General Auditor	Hong-Chi Chang																			
Senior Vice President	Chung-Hsiung Chen																			

Compensation Bracket Paid to BOT President and Executive Vice Presidents	Names of President and Executive Vice Presidents	
	BOT	All Companies in Consolidated Report
Under NT\$2,000,000	Jan-Lin Wei, Kuo-Ching Chang Shih-Tien Chiang, Chung-Hsiung Chen	
NT\$2,000,000 - NT\$5,000,000	Tse-Cheng Lo, Wu-Shiung Chou Fu-Chi Tsai, Teng-Lung Hsieh Min-Chang Chen, Li-Yen Yang Hong-Chi Chang	
NT\$5,000,000 - NT\$10,000,000	Sheng-Yann Lii	
NT\$10,000,000 - NT\$15,000,000		
NT\$15,000,000 - NT\$30,000,000		
NT\$30,000,000 - NT\$50,000,000		
NT\$50,000,000 - NT\$100,000,000		
Over NT\$100,000,000		
Total	12 persons	

4. Analysis of remuneration paid to directors, supervisors, presidents, and executive vice presidents during the most recent two years as a percentage of net income; Explanation of remuneration payment policies, standards, and combinations, procedures for determination, and relationship with business performance

Because the Ministry of Finance holds 100% of the Bank's shares, this item is not applicable.

III. Corporate Governance Operations

1. Board of Directors Operations

The Board of Directors met a total of 71 times in 2007 (including 17 regular meetings of the Board of Directors, and 54 meetings of the Board of Managing Directors). Attendance by directors and supervisors was as follows:

Position	Name	Actual Times of Attendance	Times of Commissioned Attendance	Ratio of Attendance (%)	Notes
Chairman	Jer-Shyong Tsai	71/71	0	100.00	
President	Tse-Cheng Lo	69/71	2	97.18	
Managing Director	Yang-Tzong Tsay	36/39	1	92.31	Relief from office on Aug. 1, 2007
Managing Director	Jun-Ji Shih	34/39	3	87.18	Assumed office on June 28, 2007
Managing Director	Ruey-Tsang Lee	56/71	0	78.87	
Managing Director	Cheng-Chen Yang	21/22	1	95.45	Assumed office on Aug. 31, 2007
Director	Chia-Cheng Lin	13/17	3	76.47	
Director	Hsiu-Hua Rau	17/17	0	100.00	
Director	Jin-Tung Lee	17/17	0	100.00	
Director	Yuh-San Liu	2/6	0	33.33	Relief from office on June 28, 2007
Director	Chih-Hung Chang	35/43	6	81.40	Transferred from Managing Director to Director on June 28, 2007
Director	Shin-Hsin Huang	16/17	0	94.12	
Director	Chin-Long Yang	17/17	0	100.00	
Director	Yeong-Yuh Chiang	16/17	0	94.12	
Director	Chang-Sheng Lin	16/17	1	94.12	
Director	Hsi-Chuan Chen	15/17	0	88.24	
Director	Her-Jong Lin	17/17	0	100.00	
Resident Supervisor	Bing-Huang Shih	45/71	0	63.38	
Supervisor	Chan-Jane Lin	5/17	0	29.41	
Supervisor	Chin-Chen Cheng	9/11	0	81.82	
Supervisor	A-Ting Chou	1/10	0	10.00	

Other items of record:

1. The Ministry of Finance has not yet appointed an independent director for the Bank.
2. Because there were no independent directors, no auditing committee was formed to substitute for the supervisors. Changes in the chairman, president, or one-third of directors and supervisors, and resolutions exempt from the non-competition clause restrictions that were passed by the Board of Directors were, in accordance with the regulations, announced on a site open to the public.

2. Revealed Items in the Corporate Governance Best-Practice Principles for the Banking Industry

The Bank of Taiwan publishes information regarding corporate governance on its website, in accordance with the regulations. Please refer to the home page of the Bank's website "<http://www.bot.com.tw>" and click on "Financial Reports".

3. Status of Corporate Governance Operations and Deviations from "Corporate Governance Best-Practice Principles for the Banking Industry"

Since the BOT is 100% owned by the government, its directors and supervisors are appointed by the government and have an "independent" function. Deviations from the Corporate Governance Best-Practice Principles for the Banking Industry are revealed in the Bank's website.

4. Other Important Information on the Bank's Corporate Governance Operations

(1) Attendance of Directors and Supervisors at Board of Directors' Meetings

- a. The Bank's directors and supervisors attend meetings of the Board of Directors (Board of Managing Directors) in accordance with the "BOT Board of Directors Organizational Charter".
- b. The "Performance Evaluation Guidelines for Directors and Supervisors Appointed by the Ministry of Finance to Government and Private Enterprises and Foundations" promulgated by the Ministry of Finance, are used as the standard for evaluating the job performance of government-appointed directors and supervisors. A scheduled evaluation is carried out annually.
- c. The attendance of directors and supervisors at Board of Directors (Board of Managing Directors) meetings is reported to the Ministry of Finance every year.

(2) Consumer Protection

- a. To protect consumer interests, the contracts signed with customers for the extension of consumer loans are drawn up according to the "Items to be Included and Not Included in Personal Auto and Home Loan Model Contracts" as formulated by the competent authority in accordance with the Consumer Protection Law and other relevant laws and regulations.
- b. The loan contracts signed by the borrowers of consumer loans contain a complaint hot line that consumers can use to lodge complaints after taking out loans.
- c. The Bank has established "Standards for Exemption from Risk due to Loss or Theft of International Credit Cards" and "Regulations for Writing Off Losses due to Fraudulent Use of International Credit Cards" and has set up the PRISM fraud detection system, so as to strengthen risk management and protect the users of international credit cards.

- d. To expand services and carry through with the Bank's service-oriented operating principle, the Customer Service Center provides round-the-clock financial services, answers customer enquiries, and resolves customer complaints and questions continuously.
- e. The BOT's credit card contracts detail (a) procedures for the disposition of questions about accounts and (b) methods of calculating credit card charges.

5. Revealed Items in the Implementation of Internal Controls System

(1) Statements of Internal Controls

Banking Industry

Statement of Internal Controls of the Bank of Taiwan

On behalf of the Bank of Taiwan we declare that during the period from Jan. 1, 2007 through Dec. 31, 2007, the Bank of Taiwan conformed to the provisions of the "Implementation Rules for Banks' Internal Control and Auditing Systems" by establishing an internal controls system and carrying out risk management, and by having an audit carried out by an impartial and independent auditing unit, with reports submitted on a regular basis to the Boards of Directors and Supervisors. In the operation of the securities business, the Bank assessed the effectiveness of the design and implementation of its internal controls system in accordance with the items for judgment of the effectiveness of internal controls systems as contained in the "Guidelines for the Establishment of Internal Controls Systems by Securities and Futures Enterprises" as promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. Careful assessment shows that with the exception of the items listed in the accompanying chart, the Bank's units effectively carried out internal controls and legal compliance during the period. This Statement will become an important part of the Bank's annual report and its public announcements, and will be made public. Any fraudulence, undisclosed items, or illegality in the public content described above will incur legal responsibility under Articles 20, 32, 171, and 174 of the Securities Transaction Law.

Submitted to the Financial Supervisory Commission, Executive Yuan

Attestor

Chairman

President

Executive Vice President and General Auditor

Headquarters Legal Compliance Official

April 8, 2008

Items in Need of Strengthening in the BOT's Internal Controls System, and Improvement Measures (Base date: Dec. 31, 2007)

Items for Strengthening	Improvement Measures	Projected Date of Completion
The Nantou Branch and Pingtung Branch should continue strengthening internal control and auditing of the collection of treasury funds and tax fees, and should place more emphasis on legal and disciplinary education as well as on the investigation of ethics.	1. To avoid cases of embezzlement of collected fees, since Oct. 29, 2007 whenever the Bank's business units collect treasury funds or tax fees for other organizations the receipts are verified and stamped by a second-line officer and then returned to the client.	Already improved
	2. The Bank has charged the Department of Public Treasury and Information Management Office with working out electronic operating methods that account for both safety control and operating efficiency.	June 30, 2008
	3. In addition to sending out regular monthly statements of account, from Nov. 15, 2007 public treasury deposit account statements are chosen at random every month for checking.	Already improved
	4. The different units have been charged with improving their operating procedures and producing SOPs.	Already improved
	5. Self-inspection under the rules of Mobile Inspection of Cash Collection and Payment by Tellers and of Tellers' Drawers During Business has been strengthened.	Already improved
	6. The publicizing of risk management concepts has been strengthened.	Already improved

Statement of Internal Controls of the Bank of Taiwan

According to our evaluation of the Internal Control System from January 1, 2007 to December 31, 2007, the Bank of Taiwan issues the following statement:

1. The Bank is fully aware that the establishment, implementation, and maintenance of an internal control system is the responsibility of its Board of Directors and management. The Bank has established such a system. The purpose of the system is reasonably to ensure that the objectives of operation, financial report, and compliance with relevant laws and regulations are achieved. The objective of operation is to accomplish operational effectiveness and efficiency, including profitability, performances, and asset safeguarding. The objective of the financial report is to accomplish reliable financial statements. The objective of compliance with relevant laws and regulations is to abide by relevant laws and regulation. The system of law compliance is part of internal control system for achieving the objective of compliance with relevant laws and regulations. Financial records and statements were compiled in compliance with the Insurance Law and related regulations, and the basis of compilation was consistent all the way through, such consistency is the partial achievement of financial report in internal control system.
2. The Internal Control System has its inherent limitations, regardless of how perfectly it is designed. The efficient Internal Control System can only provide reasonable assurance with respect to achievement of the above three targets. Furthermore, the effectiveness of the Internal Control System may also vary due to changes in the environment and circumstances. However, the Internal Control System of The Bank is managed with self-auditing mechanisms. Once a deficiency is identified, the Bank will take corrective actions immediately.
3. The Bank, in accordance with the criteria for evaluating the effectiveness of internal control system as stipulated in "The Rules Governing the Implementation of Internal Control Systems and Audit Systems of Insurance Companies" promulgated by the Financial Supervisory Commission, determines the effectiveness of the design and implementation of its Internal Control system. The above-mentioned criteria are established according to the criteria for evaluating the effectiveness of Internal Control System as stipulated in "The Regulations Governing the Establishment of Internal Control Systems of Public Companies" (hereafter referred as the "Regulations") promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The "Regulations" identify judgment items for Internal Control System through classification of the control process into five elements, namely, Environment Control, Risk Evaluation, Control Operations, Information and Communication and Supervision. Each element further includes several items as specified in the "Regulations".
4. In order to evaluate the efficiency of the design and execution of our Internal Control System, the Bank has adopted the above-mentioned judgment criteria of Internal Control.
5. Based on the result of the above-mentioned evaluation, the Bank is of the opinion that its Internal Control System (including operation, financial report and compliance of law) during the period referred to above is effective and can reasonably ensure the Board of Directors' and management's awareness of the extent that the objectives of operational effectiveness and efficiency are achieved, and that the objectives of financial reports' reliability and compliance with laws and regulations are likewise achieved. In addition, the Bank is of the opinion that financial records and statements are compiled in compliance with the Insurance Law and related regulation, the basis of compilation are consistent all the way through, and its accuracy is unquestionable.
6. This "Statement" will constitute a primary content of the Bank's Annual Report and its public announcements and will also be published for public information. Should the above-mentioned public information contain misrepresentations, fraudulence, or intentional omissions, legal liabilities shall entail according to Articles 20, 32, 171 and 174 under the Securities and Exchange Act.
7. This statement was approved by the Board of Directors Meeting of the Bank on March 28, 2008.

Submitted to the Financial Supervisory Commission, Executive Yuan

Attestor

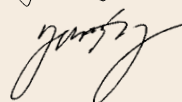
Chairman

President

Executive Vice President and General Auditor

Headquarters Legal Compliance Official



April 8, 2008

Independent Auditors' Report

The Board of Directors
Bank of Taiwan

Article 25, Item 1 of the Implementation Rules for Banks' Internal Control and Auditing Systems requires that when a bank is having its annual financial statements examined and certified by Certified Public Accountants, it should commission the CPAs to carry out an examination of its system of internal controls and to express an opinion about the accuracy of the data included in the statements reported to the competent authority, the implementation of the bank's internal control system and its regulatory conformance, and the appropriateness of the bank's policy on appropriations for bad debts.

We have been engaged by the Bank of Taiwan to carry out the examination described above and, in accordance with the stipulations of Article 28 of the Implementation Rules, hereby affix the scope, content, and results of our examination in the attachment.

This examination report is provided solely to the Bank of Taiwan for reference. With the exception of being submitted to the competent Authority for supervisory reference, it may not be used for other purposes or distributed to other parties.

KPMG Certified Public Accountants
March 24, 2008

6. Legal Violations Incurring Punishment and Major Deficiencies of the Past Two Years, and Status of Improvement

(1) Indictments of Officials and Employees for Crimes Committed in the Performance of Duty During the Past Two Years

- a. In the case of the embezzlement of NT\$400,000 in deposits by Technician Wang of the Keelung Branch, in August 2006 the Keelung District Court imposed a jail sentence of five months, with four years' probation. The Bank dismissed Wang in accordance with regulations.
- b. In the case of the embezzlement of NT\$2.9 million by Clerk Li of the Sanchung Branch, in November 2006 the Banciao District Court indicted Li for fraud and imposed a jail sentence of one year and 10 months, with four years' probation.
- c. In the case of the manipulation of foreign exchange trading to earn money from exchange-rate differences by Manager Chang and Associate Clerk Li of the Lotung Branch, in September 2006 the Taiwan High Court confirmed jail sentences of six months for Chang and five months for Li.
- d. Five employees responsible for the loan business at the Tachia Branch, Huang, Chen, Chen, Tseng, and Li, were indicted by the Prosecutor's Office of the Hsinchu District Court in November 2006 for breach of trust.
- e. In November 2006 Clerk Lu of the Chiayi Branch was convicted by the Changhua District Court of colluding as a government official with a contractor and taking a kickback in the outsourcing of surveying work for the Shetou Station of the Taiwan High Speed Rail, and was sentenced to incarceration for two years and eight months as well as deprivation of civil rights for one year.
- f. In December 2006 the Tainan District Court sentenced former employee Tu of the Penghu Branch to imprisonment of one year and 10 months, with four years' parole, for the theft of customer deposits.
- g. In May 2007 Clerk Hung of the Tzoyin Branch was sentenced by the Summary Court Division of the Kaohsiung District Court to six months' imprisonment for business embezzlement. Hung appealed the verdict, and was sentenced to four years and six months' imprisonment by the Kaohsiung District Court in January 2008.
- h. Deputy Banking Officer Chang of the Sanming Branch was convicted of fraudulent credit-card use by the Kaohsiung District Court in March 2007, and was sentenced to 10 months' imprisonment.

- i. In April 2007 Clerk Tsai of the Taitung Branch was convicted by the Taitung District Court of embezzling customers' deposits and sentenced to two years' imprisonment, with parole for five years.
 - j. Liu of the Board of Directors Auditing Office and Senior Clerk Wang of the Department of Business were indicted for forgery and fraud by the Prosecutor's Office of the Keelung District Court in November 2007.
- (2) Violations of the Law Resulting in the Imposition of Fines by the Financial Supervisory Commission
- In the case of suspected forgery and embezzlement of customers' funds by Junior Clerk Lai of the Wanhua Branch of the former Central Trust of China, the Financial Supervisory Commission imposed a fine of NT\$2 million in June 2007.
- (3) Deficiencies Resulting in Severe Disciplinary Action by the Financial Supervisory Commission
- In the case of the alleged use of his position by Clerk Li of the Sanchung Branch to improperly acquire NT\$2.9 million in deposits belonging to customer Chang in May 2006, the Financial Supervisory Commission investigated and issued the opinion that strict discipline should be meted out.
- (4) Punishments Imposed by the Financial Supervisory Commission in Accordance with Article 61-1 of the Banking Law
- In the case of suspected embezzlement in July 2007 of NT\$1,274,936 in collected funds by Senior Clerk Teng, a public treasury teller at the Nantou Branch, the Financial Supervisory Commission issued the opinion that the situation should be rectified and that Teng should be dismissed in accordance with the provisions of Article 61-1, Paragraph 1, Subparagraph 3 of the Banking Law. The Bank ended Teng's employment on Aug. 10, 2007 and the matter is now under examination by the Committee on the Discipline of Public Functionaries.
- (5) Major Security Incidents Occurring During the Past Two Years as a Result of Staff Malpractice or Major Unexpected Incidents, or of Failure to Observe the Guidelines for the Maintenance of Security in Financial Institutions, the Losses from Which Exceeded NT\$50 Million During One or Both of the Years
- Cases of employee fraud, and major incidents causing actual losses were not more than NT\$50 million, either individually or collectively, in 2006 and 2007.
- (6) Other Matters Requiring Disclosure as Directed by the Financial Supervisory Commission
- (None)

7. Year 2007 and to Date of Annual Report Publication, Major Resolutions of the Board of Directors

- (1) The 3rd extraordinary meeting of the 2nd Board of Directors resolved on Jan. 2, 2007 to nominate director Jer-Shyong Tsai and Tse-Cheng Lo as new members of the 2nd Board of Managing Directors, with Tse-Cheng Lo also taking the post of president.
- (2) The 1st extraordinary meeting of the 2nd Board of Managing Directors resolved on Jan. 2, 2007 to nominate Managing Director Jer-Shyong Tsai as the 2nd chairman of the 2nd Board of Directors.
- (3) The 7th meeting of the 2nd Board of Directors resolved on June 29, 2007: Managing Director Chih-Hung Chang was relieved of his position. Yuh-San Liu was relieved of the position of Director and was replaced as Director representing the Ministry of Finance by Mr. Jun-Ji Shih, who was named Managing Director.
- (4) The 7th meeting of the 2nd Board of Directors resolved on June 29, 2007: The two vice-presidential positions that were added following the merger of the BOT with the Central Trust of China were filled by Vice President Kuo-Ching Chang and Jan-Lin Wei of the Central Trust. VP Shih-Tien Chiang of the Central Trust was appointed advisor, and Executive Vice President and General Auditor Chung-Hsiung Chen was appointed Senior Vice President with a grade of 15 to serve in the Auditing Office of the Board of Directors.
- (5) The 7th meeting of the 2nd Board of Directors resolved on June 29, 2007: "Regulations Governing the Scope of Responsibility of Independent Directors of the Bank of Taiwan" were established.
- (6) The 6th extraordinary meeting of the 2nd Board of Directors resolved on July 5, 2007 to approve the retirement of Vice President Wu-Shiung Chou.
- (7) The 9th extraordinary meeting of the 2nd Board of Directors resolved on Aug. 31, 2007: The BOT, the Land Bank of Taiwan, and the Export-Import Bank of R.O.C. established the Taiwan Financial Holding Co. through a share swap among themselves and with Taiwan Financial Holdings.
- (8) The 9th extraordinary meeting of the 2nd Board of Directors resolved on Aug. 31, 2007: A conversion of BOT shares was used to establish the Taiwan Financial Holding Co., and the Bank's subsidiaries were split off to become the financial holding company's subsidiaries, namely, BankTaiwan Securities and BankTaiwan Life Insurance.
- (9) The 9th extraordinary meeting of the 2nd Board of Directors resolved on Aug. 31, 2007: List of personnel appointed by the Ministry of Finance to the first Board of Directors and Supervisors of the Taiwan Financial

Holding Co.: Twelve persons as directors representing government shares: Mr. Jer-Shyong Tsai, Mr. Fan-Chih Wu, Mr. Tse-Cheng Lo, Mr. Sheng-Yann Lii, Mr. Jun-Ji Shih, Ms. Hui-Ling Lin, Mr. Gao-Min Shu, Mr. Fu-Chi Tsai, Mr. Teng-Lung Hsieh, Mr. Kuo-Ching Chang, Mr. Jan-Lin Wei, and Mr. Shih-Tien Chiang; and four persons as supervisors: Ms. Chih-Chen Cheng, Mr. A-Ting Chou, Ms. Chan-Jane Lin, and Mr. Rui-Min Chen.

- (10) The 10th extraordinary meeting of the 2nd Board of Directors resolved on Aug. 31, 2007: List of personnel appointed by the Ministry of Finance to the first Board of Directors and Supervisors of the BankTaiwan Life Insurance Co.: Mr. Jer-Shyong Tsai, Mr. Kuo-Ching Chang, Ms. Fan Kang, Mr. Tung-Fu Ho, and Mr. Chi-Sheng Tsai as directors, and Mr. Te-Fu Lu and Ms. Su-Tien Chen as supervisors.
- (11) The 10th extraordinary meeting of the 2nd Board of Directors resolved on Aug. 31, 2007: List of personnel appointed by the Ministry of Finance to the first Board of Directors and Supervisors of the BankTaiwan Securities Co.: Mr. Fan-Chih Wu, Mr. Shih-Tien Chiang, Ms. Yi Lin, Ms. Yu-Chih Liu, and Mr. Min-Chang Chen as supervisors, and Ms. Mu-Ying Wu as supervisor.
- (12) The 11th extraordinary meeting of the 2nd Board of Directors resolved on Sept. 7, 2007: Mr. Cheng-Chen Yang was appointed by the Ministry of Finance as the Bank's Director, and was elected to the post of Managing Director.
- (13) The 9th meeting of the 2nd Board of Directors resolved on Nov. 23, 2007: To meet the needs of the Bank's right-sizing, Advisor Shih-Tien Chiang, SVP and General Manager of the Department of Planning Min-Chang Chen, and SVP and General Manager of the Department of International Banking Li-Yen Yang were appointed to the position of Executive Vice President.

8. Year 2007 and to Date of Annual Report Publication, Directors' or Supervisors' Dissenting Opinions About Resolutions Passed by the Board of Directors

(None)

9. Resignation or Dismissal of Persons Related to Financial Reports in 2007 and up to the Date of Publication of the Annual Report

Jan. 31, 2008

Position	Name	Date of Employment	Date of Dismissal	Reason for Resignation or Dismissal
Chairman acting as the President from Oct. 24, 2006 to Jan. 1, 2007	Teh-Nan Hsu	Feb. 15, 2006	Jan. 2, 2007	Assumed the Chairman of Taiwan Cooperative Bank

Note: "Persons related to financial reports" refers to the chairman, president, chief auditor, and chief internal auditor.

IV. CPA Information

(Major changes in CPA audit fees, change of CPA, employment of the chairman, president, or manager responsible for financial or accounting duties at the attesting CPA's office or an affiliated enterprise, or other matters requiring disclosure)

Unit: NT\$1,000

Name of Accounting Firm	Name of CPA		Auditing Fees	Non-auditing Fees					Did the Audit Period Cover the Entire Fiscal Year?			Notes
				System Design	Business Registration	Human Resources	Others	Subtotal	Yes	No	Audit Period	
KPMG Certified Public Accountants	Yen-Ling Fang	David Ding	5,181	-	-	-	778	778	√		Jan. 1, 2007~ Dec. 31, 2007	

Note: Other non-audit fees include primarily the following: provision of capital increase for merger, disclosure of holders of debt amounting to NT\$100 million or more, conversion of financial holding company stock and the issuance of new shares for new spinoff companies, whether reinvested companies come under the financial holding company, and other fees for CPA services.

V. Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others Required to Report Equity by the Provisions of Item 3, Article 25 of the Banking Law

(None)

VI. Information on the Relationships between the 10 Largest Shareholders as Given in SFAS No. 6

(None)

VII. Numbers of Shares in the Same Reinvested Enterprises Held by the BOT and its Directors, Supervisors, President, Executive Vice Presidents, the Heads of Departments and Branches, and Enterprises Controlled Directly or Indirectly by the Bank, and Ratios of Consolidated Shareholding

Consolidated Shareholding Ratios

Dec. 31, 2007

Unit: Share; %

Reinvested Enterprise*	Investment by the BOT		Investment by Directors, Supervisors, the President, Executive Vice Presidents, Heads of Departments and Branches, and Enterprises Directly or Indirectly Controlled by the BOT		Consolidated Investment	
	No. of Shares	Ratio of Shareholding (%)	No. of Shares	Ratio of Shareholding (%)	No. of Shares	Ratio of Shareholding (%)
Taiwan Sugar Corp.	23,137,489	0.30	11,120,138	0.14	34,257,627	0.44
Taiwan Power Company	865,191,972	2.62	148,281,468	0.45	1,013,473,440	3.07
Taiwan Machinery Manufacturing Corp.	10,253,459	1.60	167	0.00	10,253,626	1.60
Taiwan Stock Exchange Corp.	54,259,455	10.01	16,258,839	3.00	70,518,294	13.01
First Financial Holding Co., Ltd.	483,149,455	7.93	1,089,478,510	17.88	1,572,627,965	25.81
Hua Nan Financial Holdings Co., Ltd.	1,753,059,836	29.36	118,920,000	1.99	1,871,979,836	31.35
Taiwan Business Bank	749,982,335	19.36	99,543,136	2.57	849,525,471	21.93
Cathay Financial Holding Co., Ltd.	84,841,198	0.91	937,294	0.01	85,778,492	0.92
Mega Financial Holding Company	277,170,670	2.51	1,118,293,055	10.11	1,395,463,725	12.62
Taiwan Life Insurance Co., Ltd.	146,138,545	28.46	0	0.00	146,138,545	28.46
Taiwan Fire & Marine Insurance Co., Ltd.	55,696,792	17.58	1,242,000	0.39	56,938,792	17.97
Tang Eng Iron Work Co., Ltd.	74,822,414	21.38	16,074,512	4.59	90,896,926	25.97
Taiwan Development Corp.	36,219,000	12.07	7,810,000	2.60	44,029,000	14.67
China Development Financial Holding Corp.	228,348,481	2.08	177,577	0.00	228,526,058	2.08
Kaohsiung Ammonium Sulfate Co., Ltd.	303,131,576	91.86	0	0.00	303,131,576	91.86
Taiwan Chung Hsing Paper Corp.	25,035,822	9.54	0	0.00	25,035,822	9.54
Taiwan Shin-Sheng Press Enterprise Company	355,005	0.23	21,735	0.01	376,740	0.24
China Trade & Development Corp.	1,250,110	1.91	0	0.00	1,250,110	1.91
China Daily News	62,882	0.14	0	0.00	62,882	0.14
CSBC Corporation, Taiwan	2,697,208	0.24	0	0.00	2,697,208	0.24
Central Motion Picture Corp.	8,913,458	15.22	0	0.00	8,913,458	15.22
Yunta Financial Holding Co., Ltd.	211,441,123	2.54	2,027,492	0.02	213,468,615	2.56
Mega International Investment Trust Co., Ltd.	54,442	0.15	0	0.00	54,442	0.15
Taiyi Real Estate Management Co., Ltd.	1,500,000	30.00	0	0.00	1,500,000	30.00
United Taiwan Bank S.A.	146,250	10.00	0	0.00	146,250	10.00
Taipei Forex Inc.	1,400,000	7.06	700,000	3.53	2,100,000	10.59
Taiwan Futures Exchange Corp.	4,510,000	2.05	4,327,400	1.97	8,837,400	4.02
Bankpro E-Service Technology Co., Ltd.	450,000	3.33	0	0.00	450,000	3.33
Taiwan Asset Management Corp.	100,000,000	5.68	200,000,000	11.35	300,000,000	17.03
Taiwan Financial Asset Service Corp.	10,000,000	5.88	5,000,000	2.94	15,000,000	8.82
Financial Information Service Co., Ltd.	10,665,000	2.67	152,615,000	38.15	163,280,000	40.82
Financial eSolution Co., Ltd.	2,481,467	7.19	792,027	2.30	3,273,494	9.49
Taiwan Integrative Shareholder Service Company	490,000	1.63	1,580,000	5.27	2,070,000	6.90
Sunny Asset Management Corp.	15,531	0.26	69,740	1.16	85,271	1.42
International Property & Finance Co., Ltd.	14,658	0.92	0	0.00	14,658	0.92

*Investment according to Article 74 of the Banking Law

Fund-Raising Activities



Smart Way
睿智、輕鬆的理財之道

台銀 **I-Smart** 綜合理財帳戶

整合資產—單一帳戶整合服務，免除多本帳戶困擾。

靈活資金—結合房貸循環回復，隨時靈活調度資金。

聰明省息—智慧資金管理平台，信低還高節省利息。

- I. Shares and Stock Dividends
- II. Status of Bank Debentures, Preferred Shares, Overseas Depository Receipts, Employee Stock Warrants
- III. Merging of Entrusted for Other Financial Institutions
- IV. Fund Utilization Plans

I. Shares and Stock Dividends

1. Source of Equity Capital

Month and Year	Issue Price NT\$	Approved Equity Capital		Paid-in Equity Capital		Notes	
		No. of Shares	Amount NT\$	No. of Shares	Amount NT\$	Source of Equity Capital	Others
July 2007	\$10	5. 3 billion	\$53 billion	5. 3 billion	\$53 billion	Appropriation from the National Treasury and Increment NT\$5.0 billion due to the merger with the Central Trust of China	-

Type of Stock	Approved Equity Capital			Notes
	Shares in Circulation		Unissued Shares	
Common Stock	5. 3 billion (100% shares are held by the Ministry of Finance; Shares have not been listed)		0	5. 3 billion

Type of Securities	Projected Amount of Issuance		Amount Already Issued		Purpose and Expected Effect of Already-issued Shares	Projected Time of Issuance of Unissued Shares	Notes
	Total No. of Shares	Approved Value NT\$	No. of Shares	Price NT\$			
Common Shares	5. 3 billion	53 billion	5. 3 billion	53 billion	To make operating policies transparent and strengthen market competitiveness so as to enhance overall operating performance and advance toward internationalization	None	

2. Shareholder Structure, Dispersal of Shares, and List of Major Shareholders

100% shares are held by the Ministry of Finance; Shares have not been listed.

3. Net Worth, Earnings, Dividends, and Market Value Per Share for Most Recent Two Years

Items		Year (See Notes)		2007	2006	As of March 31, 2008
Market Value Per Share	Highest			-	-	-
	Lowest			-	-	-
	Average			-	-	-
Net Worth Per Share	Before Appropriation			46.91	44.13	55.90
	After Appropriation			45.93	43.00	54.74
Earnings Per Share	Weighted Average Issued Shares			5,300,000,000	5,300,000,000	4,500,000,000
	Earnings Per Share			2.31	2.44	0.56
Dividends Per Share	Cash Dividends			0.98	1.13	-
	Stock Dividends	Earnings		-	-	-
		Capital Reserve		-	-	-
	Cumulative Dividends Undistributed			-	-	-
Return Analysis	P/E Ratio			-	-	-
	Ratio of Share Price to Dividends			-	-	-
	Cash Dividend Yield %			-	-	-

Notes: 1. Figures for FY2006 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for FY2007 are CPA approved ; figures of the first three months of FY2008 have not been approved by CPA.

2. The BOT merged with the Central Trust of China on July 1, 2007, with the BOT as the surviving entity. Statements on the base date of the merger were audited using the book-value method, with the 2005 budgets of the two banks as accredited by accounting agencies taken as the accounting basis and the exchange of shares of the two institutions set in accordance with their net per-share values at 1:2—that is, two Central Trust of China shares were exchanged for one BOT share. For comparison, the previous year's figures also include the previous year's amounts and the weighted average number of shares for that year were calculated accordingly.

4. Stock Dividend Policy and Implementation

(1) Stock Dividend Policy

The BOT Charter stipulates that if the final annual accounts show a profit, the profit will be distributed as follows:

- Payment of the income tax;
- Making up of losses for previous years;
- Allocation of 30% for legal reserve;
- Allocation of 20%~40% for special reserve.

Any remaining profits will be distributed, together with undistributed profits from the previous year, in accordance with the relevant laws and regulations.

According to the stipulations of the Banking Law, until the legal reserve reaches the total amount of capital the maximum distribution of profits in the form of cash may not exceed 15% of the capitalization.

(2) Current Distribution of Stock Dividends

Following the allocation of legal reserve and special reserve from the audited after-tax profit for 2007, a cash dividend or NT\$5,214 million, or NT\$0.98 per share, was decided. Under Article 50 of the Audit Law, however, it is the Ministry of Audit that finally determines of the BOT's profit. Since the Bank's final 2007 budget is still under examination by the Ministry, the actual amount of cash dividends distributed will be determined after the Ministry completes its examination.

5. Influence on the Bank's Operating Performance and Earnings Per Share of the Current Uncompensated Distribution of Shares as Proposed by the Shareholders' Meeting

(None)

6. Employee Bonus and Compensation for Directors and Supervisors

(None)

7. Repurchase of the Bank's Shares by the BOT

(None)

II. Status of Bank Debentures, Preferred Shares, Overseas Depository Receipts, Employee Stock Warrants

(None)

III. Merging of Entrusted for Other Financial Institutions

1. Opinions on Review of Reasonableness of Stock-exchange Ratio by CPA

Bank of Taiwan Opinions on Review of Reasonableness of Stock-exchange Ratio

The Ministry of Finance mapped out the merger between the Bank of Taiwan (BOT) and the Central Trust of China, in response to the trend toward consolidation and internationalization in the financial industry, so as to cope with the competitive environment by providing for an enlargement of operating scale. In view of the current changes in Taiwan's financial environment and the trend toward consolidation in the financial industry, the BOT and the Central Trust went through a substantial period of evaluation resulting in the expectation that the merger will quickly expand operating scale, enlarge the customer base, strengthen competitiveness, and facilitate diversified development. We offer the following opinions on the reasonableness of the stock exchange ratio resulting from the final negotiations between the two companies.

1. Negotiations for and basis of the stock-exchange ratio: Both of the companies involved in the merger are government-owned enterprises of which 100% of the shares are held by the Ministry of Finance. Based on the fact that the merger involves an organizational readjustment between connected companies, the two companies referred to the base date for the merger and exchange of stocks as approved by the Ministry of Audit and, after sufficient discussion and negotiation, set the exchange ratio at one share of BOT common stock for two shares of Central Trust of China common stock, (a 1:2 ratio). The determination of the stock exchange ratio by negotiation between the two companies involved in the merger was based on subjective and objective factors at the time of the negotiations, including the main shareholder of the objects of the merger, laws and regulations, and accounting rules.

2. We have referred to the balance sheets of the BOT and the Central Trust of China as of Dec. 31, 2005 as approved by the Ministry of Audit (the base date for the merger stock exchange) and, in accordance with Interpretation (95) Ji Mi Zih No.141 issued by the Accounting Research and Development Foundation on June 5, 2006, have adopted the book value method in calculating the values of the two companies and the stock exchange ratio situation, as follows:

Company		Unit:NT\$/share	
		Book Value Method	
Item		Per-share Value	
Bank of Taiwan		35.95	
Central Trust of China		18.26	
Ratio Calculation for the Exchange of Shares	No. of Central Trust of China Shares Exchanged for Each BOT Share	2 shares	
		1 share	

Since both of the companies involved in the merger are government-run enterprises that are 100% owned by the Ministry of Finance, their merger amounts to an organizational readjustment of connected companies under the control of the same juridical person and does not involve the rights of minority shareholders. The book value method, therefore, was adopted as the price-assessment model for calculating the share-exchange ratio. Following review of the Ministry of Audit-approved balance sheets of the BOT and the Central Trust for Dec. 31, 2005 (the base date for the stock exchange), and taking overall consideration of the fact that following the merger the two companies will undergo no change in right of control, we find that the stock-exchange ratio determined after sufficient discussion is reasonable.

This is our opinion, following review, on the reasonableness of the stock-exchange ratio negotiated by the Bank of Taiwan and the Central Trust of China. It is provided for the two companies to use in carrying out the legal procedures for merger, and may not be used for other purposes.

SUN RISE CPAS & CO. ,

July 13, 2006

2. Issuance of New Shares During the Most Recent Quarter for the Acquisition or Sale of Shares in Other Financial Institutions, and Influence on Shareholders' Equity

The bank's issuance of common shares for a capital increase to accommodate the merger with the Central Trust of China was approved by the Financial Supervisory Commission of Executive Yuan via Jin Guan Jheng Yi Zih Document No. 0950161387, with effect on Jan. 12, 2007. The BOT and the Central Trust of China merged on July 1, 2007. Since both enterprise units are under the Ministry of Finance, and their shares have not been released to the public, there will be no influence on shareholders' rights following the merger.

3. Status of Merger Implementation, and Basic Information on the Merged Financial Institution

(1) Status of Implementation

On July 1, 2007, the Bank carried out merger with the Central Trust of China. This increased the Bank's life insurance, gold transactions, trade, procurement, government insurance, and military insurance business. Taiwan Financial Holdings was established on the basis of the Share Transfer Agreement, on which Land Bank of Taiwan, the Export-Import Bank of R.O.C. and the Bank agreed to transfer all of their shares. Meanwhile the Bank became a subsidiary of Taiwan Financial Holdings. The Bank received permission to establish the Taiwan Financial Holdings Co. from the Financial Supervisory Commission on Dec. 6, 2007, and the base date for establishing the entity was set at Jan. 1, 2008.

(2) Basic Information on the Merged Financial Institution

Unit: NT\$1, 000

Name of Financial Institution		Central Trust of China
Address of Financial Institution		No. 49 Sec. 1, Wuchang St., Taipei
Responsible Person		Shea Jia-Dong
Paid-in Capital		NT\$10 billion
Main Items of Business		H101991 Other Banking Businesses (businesses listed in the Statute of the Central Trust of China)
Main Products		Financial Products
Financial Information for the First Half of the Year for 2007	Total Assets	485,502,154
	Total Liabilities	465,109,551
	Total Shareholder Equity	20,392,603
	Operating Income	57,939,322
	Gross Operating Profit	2,802,479
	Profit (Loss) on Operations	1,019,673
	Profit (Loss) This Period	1,235,522
	Earnings per Share (NT\$)	1.24

IV. Fund Utilization Plans

Although the Bank has no plan for capital increase, the Bank's capital increased from NT\$ 48 billion to NT\$53 billion, after the merger with the Central Trust of China on July 1, 2007. The Bank split its Department of Securities and Department of Life Insurance to organize the other two subsidiaries of Taiwan Financial Holdings, namely, BankTaiwan Securities Co., Ltd. and BankTaiwan Life Insurance Co., Ltd. on January 2, 2008. The current amount of capital of the Bank is NT\$45 billion.

General Operating Conditions



- I. Contents of Business
- II. Human Resources
- III. Corporate Responsibility and Ethical Behavior
- IV. Information Equipment
- V. Labor-Ownership Relations
- VI. Major Contracts
- VII. Type of and Related Information on Securitized Products Approved in Accordance with the Statute for Securitization of Financial Assets or Statute for Securitization of Real Estate During the Past Year

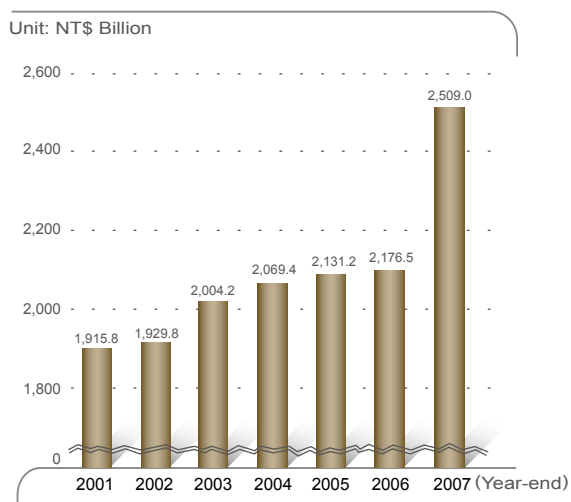
I. Contents of Business

1. Major Items of Business

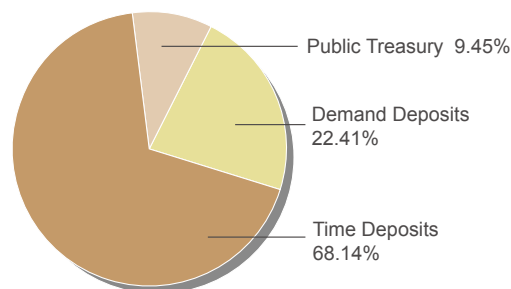
(1) Deposits

Total deposits in the Bank at the end of December 2007 amounted to NT\$2,509.0 billion, equal to 74.96% of the NT\$3,347.1 billion in total assets. This represented a growth of 15.28% over the previous year. Demand deposits in 2007 grew by 23.24%, and deposits from public treasuries dropped by 0.80% over the year before.

Balance of Deposits



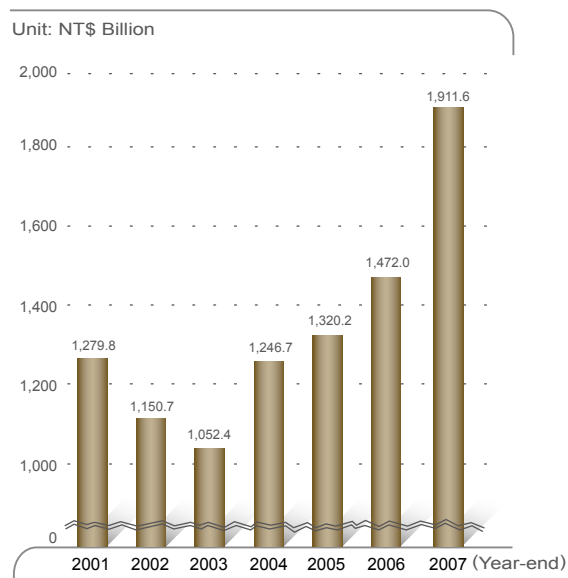
Structure of Deposits



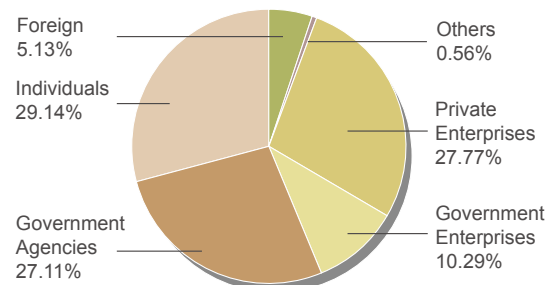
(2) Corporate Banking

The amount of the Bank's total loans outstanding at the end of December 2007 (including general loans as well as import and export negotiations) stood at NT\$1,911.6 billion, equal to 57.11% of the NT\$3,347.1 billion in total assets. This reflected an increase of NT\$439.6 billion, or 29.86%, over a year earlier. Corporate loans outstanding at the end of 2007 (including loans to government agencies and government-owned enterprises) amounted to NT\$1,354.6 billion, accounting for 40.47% of total assets. This showed an increase of NT\$298.1 billion, or 28.22%, over the year before, indicating that results were being achieved in the promotion of the loan business.

Balance of Loans



Structure of Loans



(3) Consumer Banking

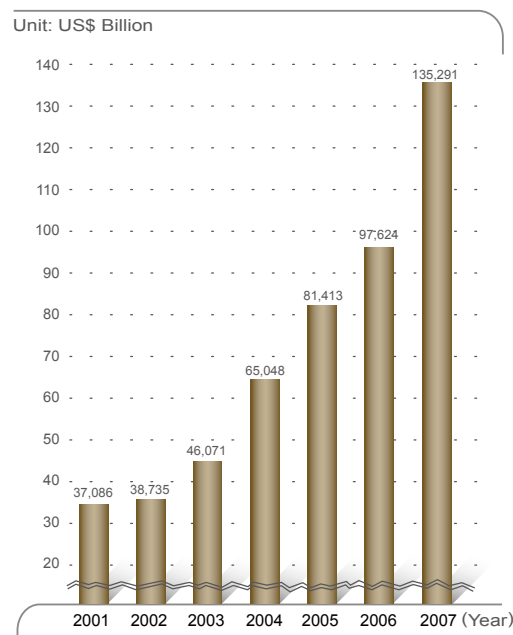
The Bank continued promotion of housing loans (loans for the purchase of housing other than for residence by the buyer), home improvement loans, consumer loans, home growth loans, personal revolving-fund loans, and policy loans of various kinds. The Bank also continued promoting Assistance Home Loans for Workers, Youth Entrepreneur Loans, and Student Loans for Senior High School and Above. Consumer loans outstanding at the end of 2007 amounted to NT\$516.7 billion, NT\$123.7 billion more than a year earlier for a growth of 31.5%.

(4) Foreign Exchange and International Banking

The amount of foreign exchange transactions undertaken during the year reached US\$135.291 billion, up 38.58% over 2006. The volume of deposits carried out by DBUs as agents for the OBU amounted to US\$470 million, for a growth of 23.1% over the year before. The volume of loans amounted to US\$110 million, for a growth of 25.6%.

The Bank has an Offshore Banking Unit and seven overseas branches which, in addition to the traditional deposit, loan, remittance, and import and export trade financing businesses, engage in international bond investment and participate in international syndicated loans. At the end of 2007, the total assets of these offshore branches amounted to US\$8.412 billion, and the total foreign currency of notional amounts outstanding of various derivatives amounted to US\$508 million.

Foreign Exchange Operations



(5) Electronic Banking

At the end of 2007 the single-month transaction volume in the gold passbook business reached NT\$717 million, accounting for 43.5% of the Bank's total transaction volume. The accumulated volume of fund-purchase applications submitted via the Internet bank amounted to NT\$34.5 billion, accounting for 75.41% of the Bank's total fund-purchase applications. The corporate financial management system was extended to 1,000 clients in 2007, and EDI clients numbered 1,545. Funds transfer transactions undertaken during the year numbered 955,122. Schools using the Bank's portal site for the collection of tuition and miscellaneous fees increased by 1,028, and the accumulated number of collections reached 3.94 million for a growth of 57.1% over 2006.

(6) Trust Business

At the end of 2007 the average principal of trust property amounted to NT\$241.9 billion, up 28.32% from the previous year, and the amount of foreign and overseas Chinese assets was NT\$806.8 billion, an increase of 12.45%. With the exception of foreign-invested banks, the volume of this business was the highest among all banks in Taiwan. The amount of domestic assets under custodianship was NT\$435.4 billion, an improvement of 20.17% over the previous year. In addition, 140,439 enterprise units opened worker retirement fund accounts with total deposits of NT\$903.9 billion, retirement payments amounting to NT\$468.9 billion, and trust funds outstanding of NT\$435.0 billion.

(7) Securities

The volume of securities brokerage transactions carried out in 2007 grew 311.47% over 2006 to reach NT\$415.135 billion. Securities underwriting amounted to NT\$1.207 billion, for an increase of 807.52% from 2006. Income from securities brokerage and underwriting was NT\$217 million, an increase of 197.26% over 2006.

(8) Investment

a. Bills Finance

The value of bills outstanding at the end of December 2007 was NT\$49.18 billion, of which Central Bank negotiable certificates of deposit accounted for NT\$39.955 billion, or 81% of the total. Profit from securities dealing during the year was NT\$1.029 billion, giving an average profit margin of 1.94%. The amount of short-term bills underwriting undertaken in 2007 reached NT\$33.548 billion, a reduction of NT\$4.771 billion over the year before.

b. Reinvestment

At the end of 2007 the Bank held equity investment in 35 companies, with the book value of this investment amounting to NT\$56.285 billion, 0.50% more than a year earlier. The main reason for the increase was reinvestment for the merger with the Central Trust of China. Profit on long-term investment amounted to more than NT\$4.5 billion in 2007, derived mainly from stock dividends, profit on the sale of stocks, and the benefit from booking by the equity method.

c. Short-term Investment (in Stocks and Funds)

The volume of stock investment was NT\$4.853 billion in 2007, and profit from this investment amounted to NT\$1.175 billion for a return on investment of approximately 24.22%. The fund investment volume was NT\$853 million and the loss on this investment was NT\$12 million, for a negative return of 1.49%.

(9) Business Derived from the Issuance of NT Dollar Currency for the Central Bank

The Bank handles collection and payment, transport, adjustment of supply and demand, and the recovery of worn bills associated with the issuance of NT currency. The average amount of currency in circulation in 2007 was NT\$1,009.1 billion, an increase of 2.75% over the previous year. The peak amount in circulation was NT\$1,376.8 billion (on the eve of the Chinese New Year on Feb. 16, 2007), also an increase of 4.38% over the 2006 peak. The amount in circulation at the end of the year was NT\$961.7 billion, 0.2% more than year-end 2006.

(10) Government Employees Insurance

At the end of 2007, there were 7,312 insured units and 591,310 insured persons in total. In FY2007, there were 29,199 cases of cash benefit disbursements with a total benefits payment of NT\$21.378 billion. For FY2007, of the amount of realized accrued liability before the revision of the Law of Government Employees' and School Staffs' Insurance added the interest expense, there was NT\$17.94 billion to be verified and subsidized by the Treasury. The surplus of NT\$20.339 billion after the revision of the Law should be transferred to insurance reserves. In addition, the amount of surplus for the Retired Government Employees' Insurance was NT\$3 million, which should also be transferred to insurance reserves.

(11) Life Insurance

First-year insurance premium income from January through December 2007 rose by 698% over 2006, and total insurance premium income grew by 81%. The main reason for the increase in first-year insurance premium income for 2007 was a 34-fold growth in bank channel insurance premiums, of which the BOT's business units accounted for about 70%. The Department of Life Insurance's share of the first-year insurance premium market was 2.62%, a major increase of 0.47% over the year before, leaving the BOT in 13th place among 29 insurance banks.

(12) Procurement Business

The primary mission of the BOT's procurement business is to execute the government's centralized procurement policy in carrying out procurement on behalf of government agencies as well as government and private enterprises. The Bank also coordinates with government policy in carrying out special procurement projects designated by the government, again manifesting the function of centralized procurement. The volume of the procurement business in 2007 amounted to NT\$53.090 billion.

(13) Wealth Management Service

The volume of fund sales and commission income in 2007 amounted to NT\$60.1 billion and NT\$459 million, respectively, representing vast improvements of 211.59% and 339.67%. The gold passport business volume and commissions for the year amounted to NT\$6.1 billion and NT\$20 million, the number of BOT I-Smart consolidated financial planning accounts was 214,196, the number of revolving-loan accounts reached 5,795, and the amount utilized was approximately NT\$6.426 billion. Banking insurance premium income and commission income for 2007 amounted to NT\$13.9 billion and NT\$495 million, respectively, and the amount of sales from participation in international bond underwriting totaled 33.53 million Australian dollars, equivalent to about NT\$900 million.

(14) Trade Business

The Bank earned NT\$42 million in commission income from the handling of customs quotas in 2007, 5.42% less than the year before; income from export agency operations was NT\$314 million, up 17.54% over 2006; and the operating volume of the gold business was NT\$17.271 billion, down 14.18%. The operating volume of health products was NT\$113 million, an improvement of 6.63% over the year before, and parking lot rental brought in NT\$85 million, down 2.53%.

2. Operating Plans for 2008

(1) Deposits

The collection and payment agency business will be reinforced and the wealth management and e-banking businesses will be integrated, the Bank will be developed as a funds-allocation center for corporations, peripheral financing businesses will be expanded so as to heighten the ratio of demand deposits, and foreign-currency deposits will be vigorously absorbed so as to lower capital costs.

(2) Corporate Banking

The Bank will make good use of its advantage as a treasury agency and consolidate existing businesses, readjust its loan structure to increase the ratio of corporate and consumer loans, develop new corporate banking customer sources and expand its territory in the small and medium business loan market, continuously promote the building loan business, integrate marketing in combination with branch loans, strengthen price-negotiation capability, expand the spread between deposit and loan interest rates so as to enhance overall profitability, and simplify credit investigation and loan procedures so as to manage post-loan services effectively.

(3) Consumer Banking

The functions of the student loan portal site will be continuously expanded and reinforced, a marketing program for cultivating student loan customers will be established so as to heighten customer loyalty and lay a foundation for the Bank's future niche markets, and the issuance of international credit cards and the collection of card bills will be continuously promoted.

(4) Foreign Exchange and International Banking

The import, export, and remittance businesses will be continuously promoted and the scale of foreign-currency deposits will be expanded, the scope of and operating bases for the online handling of the foreign-exchange business will be expanded, and a diversified range of products including structured products, foreign-exchange swaps, options will be provided. Various types of OBU foreign exchange, and derivatives businesses will be promoted in order to provide offshore customers and companies that invest overseas with funds allocation and a full spectrum of financial consulting and investment planning services.

(5) Electronic Banking

In the future the Bank will steadily complete electronic money services, online handling of personal remittances, online purchasing of structured products, a special website service zone for overseas customers, and the integration of Internet banking with online ATM services.

(6) Trust Business

Businesses in which the Bank has an advantage will be maintained and the volume of investment in domestic and overseas funds as well as securities investment trust and fund custodianship will be expanded in order to increase commission income. A diversity of trust businesses will be developed to expand the operating scale. Close cooperation will be carried out among wealth management departments in order to provide customers with a full spectrum of investment planning and property management services. The collection and disbursement, custodianship, and utilization of retirement funds will be appropriately espoused in line with the labor retirement reserve fund allocation system.

(7) Investment

In the bills finance business the Bank will continue to participate actively in guarantee and repurchase/resale trading, and financial marketing personnel will be used to promote the expansion of the bills finance and related businesses along with customer bases. In its stock portfolio investment the Bank will continue striving to increase its investment income by concentrating primarily on medium-and long-term holding and swing trading of large blue-chip stocks and shares with high cash dividends, the purchase of funds, and investment redemption.

(8) Wealth Management Service

The Bank will continue strengthening the professional know-how and marketing capabilities of its financial planning and financial product marketing personnel so as to mold a professional image; it will provide high-quality financial products and strengthen service quality so as to meet the different needs of customers; it will continue planning the branch network; and it will move into the Asia-Pacific wealth management market, develop a transnational wealth management platform, and open up opportunities in financial planning for Taiwanese businesses.

3. Market Analysis

(1) Competitive Niches, and Factors Favorable and Unfavorable to the Bank's Development Prospects

In its future operating strategy and transitional development, the Bank will focus on four major areas of business:

corporate banking, international finance, overseas markets, and wealth management. The favorable and unfavorable factors that the Bank will face in the future are listed below:

Favorable factors:

- a. The BOT's bank-wide loan: deposit ratio of only 70% leaves a great deal of room for development, and the combination with the Central Trust of China gives promise of a great reduction in the gap.
- b. The Bank's vast customer base favors the use of co-branded cards and business cards with business spending and the integrated marketing of peripheral services, which will create a unique competitiveness in the mass market.
- c. The Bank's large base of medium and large enterprise clients, with their strong capital backing, favors the development of the syndicated loan market.
- d. The establishment of the Taiwan Financial Holding Co. will help with the effective expansion of the consumer loan customer base as well as the enhancement of operating efficiency and product competitiveness.

Unfavorable factors:

- a. Banks are using mergers to expand their market share, eroding the BOT's advantageous position.
- b. The spread between deposit and loan interest rates for Taiwan banks has suffered a continuous contraction.
- c. The risk management system has gradually become well established, and the movement toward the international stage needs to be boosted.
- d. The number of and ratio of profit from the BOT's overseas branches lag behind other banks.

(2) Countermeasures

In response to the continuous liberalization of domestic and overseas financial markets and the consequent intensification of business competition, the BOT will constantly promote the industrialization of its operations, the enhancement of its operational efficiency, and the expansion of its business reach. It will also move with the trends in international development and readjust its operating strategies whenever necessary to strengthen competitiveness. The Bank will also improve its funds utilization performance, improve its risk management system, and reinforce its operating system. At the same time, it will strengthen services to customers, enhance its corporate image, and protect consumer rights. In the area of operating strategy, it will work vigorously to develop new financial products, reinforce loan channels, heighten the quality of loan assets, strengthen risk management, thoroughly implement corporate governance, and improve its operating structure.

4. Financial Product R&D and Business Development

(1) Major Financial Products and New Business Units Added in the Past Two Years, and Scale and Profit and Loss Situation Up to Date of Publication of the Annual Report

In response to the financial planning needs of its customers, in 2007 the Bank developed Beautiful Life Universal Insurance, Rich Life Annuity Insurance, HomBan Multi-function Voice Financial Services, Internet Bank Gold Trading Service, and Online OBU Foreign Exchange Service, and inaugurated the Easy Buy online purchasing of foreign cash and traveler's checks. In cooperation with other banks, it also instituted the International Posted Australian Dollar-denominated Unsecured Ordinary Corporate Bond foreign-currency asset management business. In addition, the scope of customers of the foreign currency business transactions with a value equal to up to NT\$500,000 was expanded to include recognized and registered companies, stores, and groups.

(2) R&D Expenditures and Results for the Past Two Years, and Future R&D Plans

R&D spending amounted to NT\$7.82 million in 2007 and NT\$8.81 million in 2006.

To respond to changes in the financial environment and the needs of business development, and to encourage employees to pursue self-development, the Bank will continue to carry out research related to reform and development of its own business as well as to the financial business in general, and will continue to implement the employee suggestion program as well as self-initiated research and overseas study by employees.

5. Long- and Short-term Business Development Plans

Following the merger of the BOT and the Central Trust of China, their operating policy is to integrate their key businesses and principles. The merged bank has inaugurated an enterprise re-engineering and transformation plan calling for twin core businesses based on the BOT's corporate banking, foreign exchange, and international financial businesses and the CTC's wealth management, insurance, and trust businesses; for operating performance to be enhanced through cross-marketing; and for the deployment of overseas bases and advancement toward development into a leading national-class bank.

II. Human Resources

In 2007 the Bank held 286 in-house training courses with a total of 15,509 participants; sent 1,682 employees for outside training in Taiwan; and subsidized domestic advanced training for 676 persons.

Employee Statistics

Items		Year	2006	2007	Mar. 31, 2008
No. of Employees	Staff		5,682	6,875	6,648
	Guards		170	170	169
	Janitors		814	956	928
	Total		6,666	8,001	7,745
Average Age (yrs)			43.36	43.77	43.92
Average Seniority (yrs)			17.23	17.36	17.53
Education (As % of total number of employees)	Ph. D.		0.02	0.01	0.01
	Master's		4.18	6.30	6.24
	College and University		78.86	78.28	78.33
	Senior High		14.36	13.07	13.07
	Under Senior High		2.58	2.34	2.35
Professional Licenses Held	Personal Insurance Agent		3,459	4,140	4,194
	C-Grade Software Application		11	14	13
	Proficiency Test on Foreign Exchange Trading		59	77	79
	Test of English for International Communication		11	47	56
	Investment Trust and Consulting Regulations		622	1,272	1,323
	Investment-Type Insurance Product Agent		17	683	702
	Share Specialist		52	53	53
	Basic Proficiency Test for International Banking Personnel		1,605	1,902	1,899
	Basic Proficiency Test for Bank Lending Personnel		1,534	1,835	1,846
	Proficiency Test for Bank Collateral Appraisal Personnel		39	58	58
	Financial Markets & Ethics		462	2,404	2,481
	Proficiency Test for Trust Operations Personnel		3,416	4,197	4,234
	Intermediate English Certificate		49	67	68
	High-intermediate English Certificate		11	17	18
	Elementary English Certificate		63	107	108
	Proficiency Test for Financial Planning Personnel		1,591	2,082	2,091
	Property Insurance Agent		508	612	620
	Bills Agent		97	130	131
	Futures Agent		472	712	731
	Futures Brokerage Agent		33	34	34
	Advanced Loan Agent		45	57	57
	Bond Specialist		109	155	156
	Proficiency Test for Debt-Collection Personnel		24	76	83
	Information Technician		9	10	10
	Basic Asset Securitization Proficiency Test		60	78	79
	Bank Internal Controls		3,400	3,963	3,957
	Bank Internal Controls and Internal Audit		34	298	316
	Securities Investment Consultant		557	892	915
	Advanced Securities Agent		812	1,175	1,197
	Securities Agent		379	571	584

Note: The above numbers do not include contract salespersons, contract workers, and overseas hirees.

III. Corporate Responsibility and Ethical Behavior

The government is the BOT's sole shareholder, and all of the Bank's profits are turned over to the national treasury. In addition to making every effort to attain the budget targets set by the government, the Bank also coordinates with the government's major economic construction plans and participates actively in the financing of infrastructure projects as well as large private investment projects in order to promote overall national economic development. Furthermore, to repay society's goodwill the Bank carries through with the principle of "caring" under the "Rules Governing BOT Subsidies and Grants to Private Groups and Individuals," and coordinates with government policy by offering student loans. These activities make significant contributions to the public welfare.

IV. Information Equipment

1. Installation and Maintenance of Hardware and Software for Major Information Systems

All of the Bank's software is automated software which is divided into two categories: core banking and front-end processing. Since the bank has more than 20 years of experience in installation and maintenance, it is able to carry out most maintenance work itself. To provide more channels for customer service, the Bank makes widespread use of new technology in its front-end processing systems; and, to accelerate the installation of application systems, the Bank outsources the installation and maintenance of some of the systems.

2. Future Development or Procurement Plans, Emergency Back-up and Security Protection Measures

(1) Coordination with the financial holding company's planning and adjustment of the information operating system

The Bank's Information Management Office has completed planning and installation of related information operations hardware and software, and will conform to the financial holding company's decisions in carrying out adjustment of the information operations system.

(2) Establishment of an Integrated Overseas Branch System

To give the Bank's domestic and overseas information operations a global scale and function, an integrated overseas branch system, including the seven existing overseas branches and the proposed Macau and Hanoi branches, and Taiwan information system will be set up.

(3) Continued Development and Establishment of Credit Investigation, Loan Extension, and Collateral Management Systems

All business units will be provided with a comprehensive range of rapid credit investigation, loan information, and process disposition, and system functions will be expanded in line with the establishment of regional centers and organizational changes.

(4) New systems will be developed to meet business needs, and the development of a customer relationship management (CRM) system and wealth management system will be continued.

(5) The 2011 Information Year Contingency Plan

The 2011 Information Year Contingency Plan will be formulated to avoid the creation of an operating crisis for the Bank.

(6) Emergency Backup

A Remote Backup Equipment Room for core account systems has been established at the Changhua Branch, and the Bank plans to lease basic equipment on an outsourcing basis. It will also use the management of a specialized computer room and the provision of emergency response management plan services to enhance the appropriateness of the backup equipment room and reduce the cost to the Bank of setting up its own remote backup room.

(7) Safety Protection

A multiple-segment hacker detection and prevention system has been established to strengthen the information and communications safety of the Bank's internal network. An information safety monitoring system has also been set up to save on the excessive time that information safety personnel spend everyday. In addition, information operations processes have been re-examined via a systematic management method and an information safety management system has been established.

V. Labor-Ownership Relations

1. Employee Welfare Measures, Retirement System and Its Implementation, Labor-Ownership Agreements, and Measures for Protecting Employee Interests

- (1) The BOT is a government enterprise in an industry that is subject to the Labor Standards Law. Working conditions, welfare measures, and the retirement system are all handled in accordance with the provisions of the Labor Standards Law and other laws and regulations governing civil servants. To assure the interests of labor and ownership, negotiations with the Taipei BOT Labor Union were completed in 2007 for a draft group agreement, which has been sent to the Ministry of Finance for approval.
- (2) The Bank addresses concrete requests raised by employees by establishing a labor-ownership meeting for negotiation and communication and, whenever necessary, by using various other occasions to communicate with employees, iron out differences, pursue a consensus, and boost harmony between employees and ownership. In the past year, the Bank suffered no serious consequences as a result of employee-ownership disputes, and a response mechanism has been set up to prevent an interruption in case of strikes, and to cope with potential disputes and bring about their early resolution.

2. Losses Due to Labor-Ownership Disputes, Estimated Possible Current and Future Amounts that Might Occur, and Countermeasures

(None)

VI. Major Contracts

Nature of Contract	Contracting Party	Validity Period	Major Contents and Limiting Conditions
Commissioning by the Small and Medium Enterprise Credit Guarantee Fund	Small and Medium Enterprise Credit Guarantee Fund	From July 1974	Provision of credit guarantees for loans to SMEs that meet the conditions for credit guarantees
Loan guarantees for the Overseas Chinese Credit Guarantee Fund	Overseas Chinese Credit Guarantee Fund	From June 1991	Provision of credit guarantees for loans to overseas Chinese and overseas Chinese enterprises
Commissioning by the Agricultural Credit Guarantee Fund	Agricultural Credit Guarantee Fund	From Nov. 2002	Provision of guarantees for loans to borrowers who meet the conditions for agricultural loan guarantees
"Preferential Loan Plan for Distribution Services - Manager Bank" commissioning contract	Ministry of Economic Affairs	Nov. 22, 2005 - Dec. 31, 2007	Provision of a loan application channel to help distribution service companies obtain financing
Deposit insurance	Central Deposit Insurance Corp.	From Feb. 1999	Deposit insurance contract
Entrusted Operation Contract	Central Deposit Insurance Corp.	From Mar. 30, 2007	The Bank accepted entrustment by the Central Deposit Insurance Corp. to operate the China United Trust & Investment Corp.
Outsourced Printing, Packaging, and Mailing of Labor Retirement Fund Statements	Han Yeh Business Form Corp.	Oct. 20, 2006-Oct. 3, 2008	Information systems data recording processing, and output
Outsourced procurement of operating cash (including foreign currencies) shipping	Taiwan Security Co., Ltd.	Jan. 1, 2007-Dec. 31, 2007	Service method: Fixed and irregular duties Operating method: As specified in the "Outsourced Cash Shipment Service Criteria"
"Outsourced Shipment of Cash for ATMs" procurement	An Feng Enterprise Co., Ltd.	Jan. 1, 2006-Dec. 31, 2007	Shipment of cash to refill off-premises ATMs, changing of cash boxes and other associated items, and handling of malfunctions
"Outsourced Nonregular Shipment of Cash for ATMs" procurement	An Feng Enterprise Co., Ltd.	Jan. 15, 2006-Dec. 31, 2007	Shipment of cash to refill off-premises ATMs, changing of cash boxes and other associated items, and handling of malfunctions
Commissioning of an express delivery company to ship notes (1) Taichung Harbour Branch (2) Kangshan Branch (3) Yuanlin Branch	Chung Hwa Express Co., Ltd.	July 1, 2007 - June 30, 2008 Mar. 1, 2007 - Feb. 28, 2008 July 1, 2007 - June 30, 2008	Commissioning of professional parcel delivery services to handle the exchange of notes
Credit-card service operations	Financial Information Service Co., Ltd.	June 3, 2005-June 2, 2008	Credit-card authorization operations, reporting operations for lost cards, clearing of accounts, and handling of emergency services
Internal Audit Operations	ATA CPAS GROUP	Jan. 1, 2008-Dec. 31, 2008	Continued hiring of an accounting firm to carry out internal self-auditing (New York Agency)
Engineering contract	Maw-Shin Construction Engineering Co., Ltd. Fure-Lin Engineering Co., Ltd.	June 12, 2006-June 30, 2008	Construction of new Nantze Branch premises (structure, electric machinery, and air conditioning joint bid)
Engineering contract	Reiju Construction Co., Ltd. Union Power Engineering Co., Ltd.	Nov. 21, 2006-June 30, 2008	Construction of new An Nan Branch premises (structure, water and electricity, and air conditioning joint bid)

VII. Type of and Related Information on Securitized Products Approved in Accordance with the Statute for Securitization of Financial Assets or Statute for Securitization of Real Estate During the Past Year

(None)

Financial Status

★ 提供完整的壽險保障。

- ◎產品風險等級: RR2(保守型) : 適合一般及高淨值客戶申請。
- ◎本契約之匯率風險、發行公司之信用風險、以及贖回(例如保險契約終止、解除契約、降低保額、減少帳戶價值等)所產生之市場風險, 均由保戶承擔。

- I. Balance Sheets and Income Statements for Past Five Years
- II. Financial Ratios for Past Five Years
- III. Supervisors' Report on Financial Statements for Most Recent Year
- IV. Financial Statement for Past Year
- V. CPA-Audited Consolidated Financial Statements for 2007
- VI. Effect of Financial Difficulties Experienced by the Bank and Related Enterprises on the Bank's Financial Status in Most Recent Year and to the Annual Report Publication Date

I. Balance Sheets and Income Statements for Past Five Years

Brief Balance Sheets for Past Five Years

Unit: NT\$1,000

Items		Financial Information for Past Five Years (Notes 2, Notes 3)					as of Mar 31, 2008 (Notes 1)
		FY2007	FY2006	FY2005	FY2004	FY2003	
Cash, Cash equivalent, Placement with Central Bank and call loans to banks		717,353,116	763,714,652	790,125,101	372,430,810	463,243,463	691,918,221
Financial assets measured at fair value through profit or loss		64,568,441	69,822,895	65,912,485	-	-	74,918,024
Bonds and bills purchased under resell agreements		14,162,067	46,726,408	56,553,240	-	-	199,274
Bills and securities purchased		-	-	-	695,008,548	721,963,100	-
Receivables		107,112,662	109,548,392	118,851,143	111,707,116	97,160,998	115,808,622
Loans and discounts		1,920,095,609	1,697,996,954	1,533,514,670	1,433,648,037	1,222,323,916	1,979,525,849
Available-for-sale financial assets, net		201,069,905	191,007,255	150,439,111	-	-	192,805,979
Held-to-maturity financial assets, net		105,802,005	85,505,687	73,390,139	-	-	29,848,955
Investments under equity method, net		34,357,836	34,485,337	39,900,690	-	-	30,198,607
Long-term investments		-	-	-	89,374,625	69,639,514	-
Other financial assets, net		79,503,089	70,456,573	79,694,528	-	-	78,455,357
Fixed assets (Notes 2)		82,814,601	82,523,548	86,682,580	92,304,786	103,751,246	81,009,150
Intangible assets		1,082,609	1,060,270	595,407	-	-	1,265,915
Other assets	Before distribution	19,136,985	21,819,908	23,908,889	123,732,898	118,062,581	17,874,873
	After distribution	14,649,327	16,419,449	19,440,649	119,318,033	111,504,623	13,387,215
Total assets	Before distribution	3,347,058,925	3,174,667,879	3,019,567,983	2,918,206,820	2,796,144,818	3,293,828,826
	After distribution	3,342,571,267	3,169,267,420	3,015,099,743	2,913,791,955	2,789,586,860	3,289,341,168
Deposits of Central Bank and other banks		245,414,754	281,637,455	255,127,913	158,381,566	116,765,975	215,069,818
Financial liabilities measured at fair value through profit or loss		1,478,046	1,577,676	923,618	-	-	10,428,323
Bonds and bills sold under repurchase agreements		17,570,315	18,909,200	15,952,859	-	-	26,103,103
Deposits and remittances		2,466,179,245	2,312,816,524	2,224,413,180	2,234,302,422	2,168,919,584	2,564,148,299
Borrowed from Central Bank and other banks, and Financial bond payable		-	-	14,741,637	53,157,186	81,832,131	-
Preferred liabilities		-	-	-	-	-	-
Accrued Pension liabilities		2,106,598	2,380,211	2,199,785	-	-	2,047,338
Other financial liabilities		1,715,307	1,999,271	20,905,809	-	-	1,864,390
Other liabilities	Before distribution	363,953,276	321,456,529	289,753,225	289,509,277	253,335,209	222,603,019
	After distribution	364,679,357	322,039,892	290,034,028	289,837,266	254,199,741	223,329,100
Total liabilities	Before distribution	3,098,417,541	2,940,776,866	2,824,018,026	2,735,350,451	2,620,852,899	3,042,264,290
	After distribution	3,099,143,622	2,941,360,229	2,824,298,829	2,735,678,440	2,621,717,431	3,042,990,371
Common stock		53,000,000	53,000,000	53,000,000	53,000,000	53,000,000	45,000,000
Capital surplus		110,423,081	108,505,257	110,700,156	108,660,579	108,660,579	110,063,016
Retained earnings	Before distribution	43,428,755	40,289,565	32,103,854	21,422,714	13,489,644	45,954,824
	After distribution	38,215,016	34,305,743	27,354,811	16,679,860	6,067,154	40,741,085
Unrealized gain or loss on financial assets		25,302,748	30,914,093	- 37,447	-	- 33,276	34,650,993
Cumulative translation adjustments		- 203,687	- 248,488	- 216,606	- 226,924	174,972	- 509,163
Shareholders' equity and other items		16,690,487	1,430,586	-	-	-	16,404,866
Total shareholders' equity	Before distribution	248,641,384	233,891,013	195,549,957	182,856,369	175,291,919	251,564,536
	After distribution	243,427,645	227,907,191	190,800,914	178,113,515	167,869,429	246,350,797

Notes: 1. Figures for FY2003-2006 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for FY2007 are CPA approved; figures for the first three months of FY2008 have not been approved by CPA.

2. Re-evaluation of assets was made on June 30, 2003 resulting in an increase of \$9,718,844,000.

3. The BOT merged with the Central Trust of China on July 1, 2007, with the BOT as the surviving entity. Statements on the base date of the merger were audited using the book-value method, with the 2005 budgets of the two banks as accredited by accounting agencies taken as the accounting basis and the exchange of shares of the two institutions set in accordance with their net per-share values at 1:2. The FY2003-2006 data are for comparison purposes. Annual figures from the Central Bank of China are also included.

Brief Income Statements for Past Five Years

Unit: NT\$1,000

Year (Notes1)	Financial Information for Past Five Years (Notes 2)						
	As of Mar. 31, 2008	FY2007	FY2006	FY2005	Year	FY2004	FY2003
Items					Items		
Net interest income	3,659,779	17,106,750	12,260,770	11,473,116	Operating revenues	146,227,599	145,095,907
Non-interest income, net	4,027,466	15,378,104	22,355,853	21,812,839	Operating disbursements	136,468,690	141,989,525
Bad debt expenses	887,703	872,138	2,931,922	203,606	Operating income (loss)	9,758,909	3,106,382
Operating costs	4,172,822	18,483,430	18,501,206	18,642,255	Non-operating income(loss)	7,513,462	4,692,982
Income(loss) before tax from continued operations	2,626,720	13,129,286	13,183,495	14,440,094	Income(loss) before tax from continued operations	17,272,371	7,799,364
Income(loss) from continued operations	2,526,069	12,267,621	12,540,118	13,159,824	Income(loss) from continued operations	15,355,560	6,059,690
Gain(loss) from discontinued operations	-	-	-	-	Gain (loss) from discontinued operations	-	-
Extraordinary gain or loss	-	-	-	-	Extraordinary gain or loss	-	-
Cumulative effect of changes in accounting principles	-	-	394,635	2,264,170	Cumulative effect of changes in accounting principles	-	-
Net income	2,526,069	12,267,621	12,934,753	15,423,994	Net income	15,355,560	6,059,690
Earnings per share (after tax) (NT\$)	0.56	2.31	2.44	2.91	Earnings per share (after tax) (NT\$)	2.90	1.14

Notes: 1. Figures for FY2003-2006 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for FY2007 are CPA approved; figures for the first three months of FY2008 have not been approved by CPA.

2. The BOT merged with the Central Trust of China on July 1, 2007, with the BOT as the surviving entity. Statements on the base date of the merger were audited using the book-value method, with the 2005 budgets of the two banks as accredited by accounting agencies taken as the accounting basis and the exchange of shares of the two institutions set in accordance with their net per-share values at 1:2. The FY2003-2006 data are for comparison purposes. Annual figures from the Central Bank of China are also included.

II. Financial Ratios for Past Five Years

Unit: NT\$1,000; %

Year (Notes 1) Items (Notes 3)		Five-year Financial Analysis (Notes 2)					as of Mar. 31, 2008 (Notes 5)
		FY2007	FY2006	FY2005	FY2004	FY2003	
Operating Ability	Ratio of Deposits to Loans	76.19	71.31	65.72	64.07	56.27	75.90
	Non-Performing Loan Ratio	0.97	1.34	1.54	1.53	2.33	0.94
	Ratio of Interest Cost to Annual Average Deposits	2.38	2.24	1.91	1.71	1.93	2.47
	Ratio of Interest Income to Annual Average Loans Outstanding	2.98	2.75	2.50	2.58	3.46	3.11
	Total Assets Turnover (times)	1.00	1.12	1.12	5.12	5.28	0.93
	Average Net Interest and Non-interest Income per Employee	3,952	4,203	4,027	-	-	965
	Average Operating Revenue per Employee	-	-	-	17,519	16,970	-
	Average Profit per Employee	1,493	1,570	1,866	1,840	709	317
Profitability	Return on Tier I Capital (%)	8.08	8.81	10.87	11.28	6.01	6.33
	Return on Assets (%)	0.38	0.42	0.52	0.54	0.22	0.30
	Return on Shareholders' Equity (%)	5.08	6.02	8.15	8.57	3.27	4.04
	Net Income Ratio (%)	37.76	37.37	46.34	10.50	4.18	32.86
	Earnings per Share (NT\$)	2.31	2.44	2.91	2.90	1.14	0.56
Financial Structure	Ratio of Liabilities to Assets	92.55	92.62	93.51	93.72	93.69	92.35
	Ratio of Fix Assets to Stockholders' Equity	33.31	35.28	44.33	50.48	59.19	32.20
Growth Rates	Rate of Asset Growth	5.43	5.14	3.47	4.37	3.68	-1.59
	Rate of Earnings Growth	-3.39	-18.65	-3.29	121.46	660.21	-19.97
Cash Flow	Cash Flow Ratio	32.81	14.85	25.67	3.70	35.35	-4.81
	Net Cash Flow Adequacy Ratio	976.54	644.24	581.21	305.97	280.69	749.68
	Cash Flow Complacence Ratio	65.43	22.65	13.19	3.72	62.89	-12.53
Liquidity Reserve Ratio		30.98	39.57	47.78	52.02	56.82	30.75
Loans to Parties with Material Relationship with the Bank		16,967,947	11,609,701	12,547,121	17,103,707	17,250,936	17,981,330
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans		0.85	0.65	0.78	1.12	1.31	0.87
Operating Scale	Market Share of Assets	10.69	10.33	10.21	10.36	10.63	10.52
	Market Share of Net Worth	13.12	12.94	10.92	10.91	11.39	13.27
	Market Share of Deposits	11.16	10.80	10.92	11.20	11.61	11.59
	Market Share of Loans	10.29	9.51	8.90	9.03	8.31	10.65

Analysis of the significant ratio change:

1. Non-performing loan ratio = Change caused mainly by an increase in the total amount of write-offs of bad debt and an increase in the total amount of loans outstanding.
2. Cash flow ratio = Mainly due to an increase of net cash flow from business activities in FY2007.
3. Cash flow adequacy ratio = Due primarily to an increase of net cash flow from business activities for the past five years up to FY2007.
4. Cash flow complacence ratio = Primarily due to an increase of net cash flow from business activities in FY2007.
5. Liquidity reserve ratio = Caused mainly by a reduction in other securities approved by the Central Bank as liquid reserves and an increase in the amount of deposits.
6. Loans to Parties with Material Relationship with the Bank = Mainly due to an increase in loans to parties with material relationship with the Bank in FY2007.
7. Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans = Mainly due to an increase in loans to parties with material relationship with the Bank in FY2007.

Notes: 1. Figures for FY2003-2006 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for FY2007 are CPA approved; figures for the first three months of FY2008 have not been approved by CPA.

2. The BOT merged with the Central Trust of China on July 1, 2007, with the BOT as the surviving entity. Statements on the base date of the merger were audited using the book-value method, with the FY2005 budgets of the two banks as accredited by accounting agencies taken as the accounting basis and the exchange of shares of the two institutions set in accordance with their net per-share values at 1:2. The FY2003-2006 data are for comparison purposes. Annual figures from the Central Bank of China are also included.

3. Formulae used in calculations:

(1) Operating Ability

- a. Ratio of deposits to loans = Annual average loans outstanding / Annual average deposits
- b. Non-performing loan ratio = Non-performing loans / Total loans outstanding
- c. Ratio of interest cost to annual average deposits = Total interest cost (Notes 4) / Annual average deposits
- d. Ratio of interest income to annual average loans outstanding = Total interest income / Annual average amount of loans outstanding
- e. Total assets turnover (times) = Operating income / Average total assets
- f. Average net interest and non-interest income per employee = Net interest and non-interest income / Annual average total number of employees
- g. Average profit per employee = Net income / Total number of employees at year-end

(2) Profitability

- a. Return on Tier 1 capital=Before-tax profit or loss / Total amount of Tier 1 capital
- b. Return on assets = Net Income / Average total assets
- c. Return on shareholders' equity = Net income / Average net shareholders' equity
- d. Net income ratio = Net income/Total operating revenues
- e. Earnings per share = Income after income tax-preferred stock dividend / Weighted average number of shares issued

(3) Financial Structure

- a. Ratio of liabilities to assets = Total liabilities / Total assets
- b. Ratio of fix assets to stockholders' equity = Net fix assets / Net shareholders' equity

(4) Growth Rates

- a. Rate of asset growth = $(\text{Total assets for current year} - \text{Total assets for previous year}) / \text{Total assets for previous year}$
- b. Rate of earnings growth = $(\text{Before-tax profit or loss for current year} - \text{Before-tax profit or loss for previous year}) / \text{Before-tax profit for previous year}$

(5) Cash Flow

- a. Cash flow ratio = $\text{Net cash flow from business activities} / (\text{Call loans and overdrafts from banks} + \text{commercial paper} + \text{financial liabilities measured at fair value through profit or loss} + \text{bonds and bills sold under repurchase agreements} + \text{current portion of payables})$
- b. Net cash flow adequacy ratio = $\text{Net cash flow from business activities for the past five years} / (\text{capital expenditures} + \text{inventory increase} + \text{cash dividends}) \text{ for the past five years}$
- c. Cash for complacence ratio = $\text{Net cash flow from business activities} / \text{Net cash flow from investing activities}$

(6) Liquidity Reserve Ratio = $\text{Liquid assets specified by the Central Bank} / \text{Debt items for which liquidity reserves should be allocated}$

(7) Operating Scale

- a. Market Share of Assets = $\text{Total assets} / \text{Total assets of the major financial institutions}$
 - b. Market Share of Net Worth = $\text{Net Worth} / \text{Total net worth of the major financial institutions}$
 - c. Market Share of Deposits = $\text{Deposits} / \text{Total deposits of the major financial institutions}$
 - d. Market Share of Loans = $\text{Loans} / \text{Total loans of the major financial institutions}$
4. From 2004 through 2007, total interest cost were switched to "cost of other employee benefits" in line with the revision made by the Ministry of Audit. The add back amounted to NT\$956,698,000 in 2007, NT\$1,893,175,000 in 2006, NT\$1,739,806,000 in 2005, and NT\$1,583,631,000 in 2004.
5. The ratio of interest cost to annual average deposits, ratio of interest income to annual average loans outstanding, total assets turnover, return on Tier 1 capital, return on assets, and return on shareholders' equity as given in the financial reports as of Mar. 31, 2008 have been annualized.

Adequacy of Capital

Unit : NT\$1,000 : %

Year (Notes 1) Items (Notes 2)			Capital Adequacy Ratio of Recent Five Years					As of March 31, 2008 (Notes 1)	
			FY 2007	FY 2006	FY 2005	FY 2004	FY 2003		
Self-owned Capital	Tier 1 Capital	Common Stocks	48,000,000	48,000,000	48,000,000	48,000,000	48,000,000	45,000,000	
		Non-cumulative Perpetual Preferred Stocks							
		Non-cumulative Subordinated Debts without Maturity Dates							
		Advanced Receipts for Capital Stocks							
		Capital Surplus (Apart from Fixed Assets Appreciation Surplus)	110,423,081	97,159,325	99,354,224	97,314,647	97,314,648	110,063,016	
		Legal Reserves	16,941,023	13,258,714	9,999,490	5,671,854	1,633,066	16,941,023	
		Special Reserves	21,273,993	17,943,310	15,455,497	9,685,316	2,177,422	21,273,993	
		Retained Earnings					2,122,844	2,526,069	
		Minority Interests							
		Others of Equity	-1,345,827	1,175,575	-225,294	-224,356	154,554	-2,251,920	
		deducted: Goodwill							
		deducted: Non-amortization of NPL Disposal Loss							
		deducted: Others	27,143,683	39,345,292	38,333,743	20,093,272	15,926,343	29,490,724	
		Total Tier 1	168,148,587	138,191,632	134,250,174	140,354,189	135,476,191	164,061,457	
	Tier 2 Capital	Perpetual Cumulative Preferred Stocks							
		Cumulative Subordinated Debts without Maturity Dates							
		Fixed Asset Appreciation Surplus	16,526,778					16,404,866	
		45% of Unrealized Gain of Financial Assets in Available-for-sale	12,132,512	13,683,525	17,592,422	26,630,890	21,302,639	16,377,188	
		Convertible Bonds							
		Operating Reserve and Loan Provision	4,887,482	4,132,161	3,769,262	4,919,047	5,609,874	4,500,488	
		Long-terms Subordinated Debts							
		Non-perpetual Preferred Stocks							
		The Aggregate of Non-cumulative Perpetual Preferred Stocks and Non-cumulative Subordinated Debts without a Maturity Date exceed 15% of Total Tier 1 Capital							
		deducted: Others	27,143,681	17,815,686	21,361,684	31,549,937	26,912,513	29,490,721	
		Total Tier 2	6,403,091	-	-	-	-	7,791,821	
		Tier 3 Capital	Short-term Subordinated Debts						
			Non-perpetual Preferred Stocks						
			Total Tier 3	-	-	-	-	-	-
	Self-owned Capital		174,551,678	138,191,632	134,250,174	140,354,189	135,476,191	171,853,278	
Total Risk Weighted Assets	Credit Risk	Standardized Approach	1,331,488,686	1,045,910,697	1,005,692,741	920,261,960	795,535,197	1,371,821,528	
		Internal Rating Based Approach							
		Securitization	3,634,507					4,136,681	
	Operational Risk	Basic Indicator Approach	42,207,000					42,207,000	
		Standardized Approach/ Alternative Standardized Approach							
		Advanced Measurement Approach							
	Market Risk	Standardized Approach	22,872,575	29,196,138	66,392,269	96,806,290	131,036,906	29,870,713	
		Internal Model Approach							
Total Risk Weighted Assets		1,400,202,768	1,075,106,835	1,072,085,010	1,017,068,250	926,572,103	1,448,035,922		
Capital Adequacy Ratio		12.47	12.85	12.52	13.80	14.62	11.87		
Ratio of Tier 1 Capital to Risk Assets		12.01	12.85	12.52	13.80	14.62	11.33		
Ratio of Tier 2 Capital to Risk Assets		0.46					0.54		
Ratio of Tier 3 Capital to Risk Assets									
Ratio of Common Share Equity to Total Assets		1.59	1.78	1.86	1.91	2.00	1.37		

Notes: 1. Figures for FY2003-2005 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit; figures for FY2006 and FY2007 are CPA approved; figures for the first three months of FY2008 have not been approved by CPA.

2. Formulate used in calculators:

- Self-owned Capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital
- Total Risk Weighted Assets = Credit Risk Weighted Assets + (Operational Risk+Market Risk) Capital Requirement × 12.5
- Capital Adequacy Ratio = Self-owned Capital / Total Risk Weighted Assets
- Ratio of Tier 1 Capital to Risk Assets = Tier 1 Capital / Total Risk Weighted Assets
- Ratio of Tier 2 Capital to Risk Assets = Tier 2 Capital / Total Risk Weighted Assets
- Ratio of Tier 3 Capital to Risk Assets = Tier 3 Capital / Total Risk Weighted Assets
- Ratio of Common Share Equity to Total Assets = Common Share Equity / Total Assets

III. Supervisors' Report on Financial Statements for Most Recent Year

Supervisors' Report

We hereby certify that the Bank of Taiwan's second Panel of Supervisors have examined, at their 11th meeting on Apr. 29, 2008, the Business Reports and List of Important Properties for fiscal year 2007 (Jan. 1, 2007 – Dec. 31, 2007) as submitted by the Bank's Board of Directors; and the Balance Sheet, Statement of Income, Statement of Changes in Shareholders' Equity, and Statement of Cash Flows of the Bank of Taiwan for fiscal year 2007 as submitted by the Bank's Board of Directors and audited and certified by Yen-ling Fang and David Ding, CPAs of KPMG, and have found no discrepancies.

Resident Supervisor: *Shih Bing-Huang*

Supervisors: *CHIH-CHEN CHENG*

Cheng
B. Ding

April 29, 2008

IV. Financial Statement for Past Year



KPMG Certified Public Accountants

Independent Auditors' Report

The Board of Directors

Bank of Taiwan, Ltd. :

We have audited the accompanying balance sheet of Bank of Taiwan, Ltd. as of December 31, 2007, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. As stated in note 13 to the financial statements, certain long-term investments in the financial statements of Bank of Taiwan, Ltd. amounting to NT\$29,672,278 thousand as of December 31, 2007, which were 0.89%, of total assets, and related investment gains of NT\$2,499,208 thousand in 2007, which were 19.04%, of income before income tax, were accounted for by using the equity method and based on the investees' financial statements audited by other auditors and the Ministry of Audit (MOA). As stated in notes 3 and 35, Bank of Taiwan merged with the Central Trust of China in July 2007. The restated financial statements are in accordance with Accounting Research and Development Foundation Interpretation (95) Ji-Mi-Zih 141 and are compared with the financial statements audited by the MOA. The differences in the financial information as audited by us and by the MOA are stated in note 4. On December 31, 2006, the total assets of the Central Trust of China were \$471,916,302 thousand, which were 14.87% of restated total assets, and the income was \$1,999,664 thousand in 2006, which was 15.46% of restated income.

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

In our opinion, based on our audit and the audits by the other auditors and by the Ministry of Audit, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Taiwan, Ltd. as of December 31, 2007, and the results of its operations and its cash flows for the year then ended, in conformity with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, the related financial accounting standards of the Business Entity Accounting Act and of the Regulation on Business Entity Accounting Handling, and accounting principles generally accepted in the Republic of China.

March 24, 2008

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

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

V. CPA-Audited Consolidated Financial Statements for 2007

(None)

VI. Effect of Financial Difficulties Experienced by the Bank and Related Enterprises on the Bank's Financial Status in Most Recent Year and to the Annual Report Publication Date

(None)

Balance Sheets

December 31, 2007 and 2006

	2007	2006 (restated)	Percentage Change
Assets			
Cash and cash equivalents (notes 5 and 31)	\$ 91,388,105	49,219,392	86
Placement with Central Bank and call loans to banks (notes 6, 31 and 32)	625,965,011	714,495,260	(12)
Financial assets measured at fair value through profit or loss, net (notes 7 and 28)	64,568,441	69,822,895	(8)
Bonds and bills purchased under resell agreements (note 8)	14,162,067	46,726,408	(70)
Receivables, net (notes 9 and 10)	107,112,662	109,548,392	(2)
Loans and discounts, net (notes 10 and 31)	1,920,095,609	1,697,996,954	13
Available-for-sale financial assets, net (notes 11, 29 and 32)	201,069,905	191,007,255	5
Held-to-maturity financial assets, net (notes 12, 29 and 32)	105,802,005	85,505,687	24
Investments under equity method, net (note 13)	34,357,836	34,485,337	-
Other financial assets, net (notes 9, 10, 14, 17 and 29)	79,503,089	70,456,573	13
Fixed assets, net (notes 15 and 17)	82,814,601	82,523,548	-
Intangible assets	1,082,609	1,060,270	2
Other assets, net (notes 16, 17, 25 and 32)	<u>19,136,985</u>	<u>21,819,908</u>	(12)
Total assets	<u>\$ 3,347,058,925</u>	<u>3,174,667,879</u>	5

See accompanying notes to financial statements.

(expressed in thousands of New Taiwan dollars)

	2007	2006 (restated)	Percentage Change
Liabilities and Stockholders' Equity			
Deposits of Central Bank and other banks (notes 18 and 31)	\$ 245,414,754	281,637,455	(13)
Financial liabilities measured at fair value through profit or loss (notes 19 and 29)	1,478,046	1,577,676	(6)
Bonds and bills sold under repurchase agreements (note 8)	17,570,315	18,909,200	(7)
Payables (notes 20 and 25)	95,288,169	79,963,475	19
Deposits and remittances (notes 21 and 31)	2,466,179,245	2,312,816,524	7
Accrued pension liability (note 24)	2,106,598	2,380,211	(11)
Other financial liabilities (note 22)	1,715,307	1,999,271	(14)
Other liabilities (notes 15 and 23)	<u>268,665,107</u>	<u>241,493,054</u>	11
Total liabilities	<u>3,098,417,541</u>	<u>2,940,776,866</u>	5
Stockholders' equity (notes 25 and 26)			
Common stock	<u>53,000,000</u>	<u>53,000,000</u>	-
Capital surplus	<u>110,423,081</u>	<u>108,505,257</u>	2
Retained earnings:			
Legal reserve	13,260,737	11,408,961	16
Special reserve	17,900,397	15,945,851	12
Unappropriated retained earnings	<u>12,267,621</u>	<u>12,934,753</u>	(5)
	<u>43,428,755</u>	<u>40,289,565</u>	8
Equity adjustments:			
Reserve for land revaluation increments	16,690,487	1,430,586	1,067
Cumulative translation adjustments (notes 13 and 26)	(203,687)	(248,488)	18
Unrealized gain (loss) on financial instruments (notes 3 and 11)	<u>25,302,748</u>	<u>30,914,093</u>	(18)
	<u>41,789,548</u>	<u>32,096,191</u>	30
Total stockholders' equity	<u>248,641,384</u>	<u>233,891,013</u>	6
Commitments (note 33)			
Subsequent events (note 34)			
Total liabilities and stockholders' equity	<u>\$ 3,347,058,925</u>	<u>3,174,667,879</u>	5

Statements of Income

For the years ended December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars)

	2007		2006 (restated)		Percentage Change
Revenues:					
Interest income (note 31)	\$	82,950,497		70,176,819	18
Less: interest expenses (note 31)		65,843,747		57,916,049	14
Net interest income		17,106,750		12,260,770	40
Non-interest income, net					
Fee and commission income, net		3,655,799		3,162,031	16
Gain on financial assets and liabilities measured at fair value through profit or loss (note 7)		9,662,658		7,645,272	26
Realized gain on available-for-sale financial assets (note 11)		3,708,502		6,727,144	(45)
Realized gain (losses) on held-to-maturity financial assets (note 12)		(18,024)		3,936	(558)
Gain on investments under equity method (note 13)		2,479,225		4,289,777	(42)
Foreign exchange gains, net		879,111		683,156	29
Losses on asset impairment (notes 14, 15, 16 and 17)		(99,430)		(7,971)	(1, 147)
Other non-interest income (notes 14 and 28)					
Premium income		45,759,703		32,764,416	40
Service fee		17,384,204		20,230,512	(14)
Policyholders' reserve premium		10,581,224		8,418,053	26
Government auxiliary income		18,144,279		20,990,220	(14)
Other miscellaneous revenue		4,821,909		3,337,969	44
Benefits and claims		(32,243,559)		(31,872,772)	(1)
Service charges		(17,184,134)		(20,056,047)	14
Provision for policyholders' reserve premium		(51,767,094)		(36,859,758)	(40)
Others		(6,760,002)		(5,045,863)	(34)
Gain on property transaction		6,373,733		7,945,778	(20)
Net revenues		32,484,854		34,616,623	(6)
Bad debt expenses (note 10)		872,138		2,931,922	(70)
Operating costs:					
Personnel expense (note 24)		12,230,198		12,614,612	(3)
Depreciation and amortization expense		1,303,041		1,223,173	7
Other business and administrative expense		4,950,191		4,663,421	6
Total operating costs		18,483,430		18,501,206	-
Net income before cumulative effect of changes in accounting principles and income tax		13,129,286		13,183,495	-
Income tax expense (note 25)		861,665		643,377	34
Net income before cumulative effect of changes in accounting principles		12,267,621		12,540,118	(2)
Cumulative effect of changes in accounting principles (note 3)		-		394,635	-
Net income	\$	12,267,621		12,934,753	(5)
	Before tax	After tax	Before tax	After tax	
Earnings per share - basic (note 27)					
Income from continuing operations	\$	2.48	2.31	2.49	2.37
Cumulative effect of changes in accounting principles		-	-	0.07	0.07
Net income	\$	2.48	2.31	2.56	2.44

See accompanying notes to financial statements.

Statements of Cash Flows

For the years ended December 31, 2007 and 2006

(expressed in thousands of New Taiwan dollars)

	2007	2006 (restated)
Cash flows from operating activities:		
Net income	\$ 12,267,621	12,934,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,333,666	1,234,480
Gain on asset transfer	(537,480)	(4,251)
Provision for (reversal of) allowance for doubtful accounts	744,829	2,861,463
Adjustments for valuation of available-for-sale assets	(134,674)	71,112
Provision for reserves	41,787,622	28,529,546
Gain on disposal of financial assets	(2,640,997)	(5,240,144)
Gain on disposal of fixed assets and non-operating assets	(6,096,809)	(7,907,686)
Loss (gain) on long-term equity investments under the equity method exceeding cash dividends received	(460,458)	(1,593,942)
Loss on write-off of printed matter	1,880	740
Reclassification of accumulated depreciation	8	110
Unpaid pension cost recognized	263,508	291,460
Decrease (increase) in financial assets measured at fair value through profit or loss	(4,721,857)	(15,178,282)
Decrease (increase) in bonds and bills purchased under resell agreements	32,564,341	9,826,831
Decrease (increase) in receivables	2,282,458	28,180,678
Increase in deferred tax assets, net	(48,796)	(89,713)
Decrease (increase) in other financial assets (net)	(189,436)	(4,020,842)
Decrease in other assets	543,815	227,931
Increase in bonds sold under agreements to repurchase	(1,338,885)	2,956,341
Increase (decrease) in financial liabilities measured at fair value through profit or loss	(99,630)	654,057
Increase (decrease) in payables	15,388,196	(12,219,070)
Increase in other financial liabilities (net)	30,606	22,355
Decrease (increase) in other liabilities	(498,030)	476,286
Net cash provided by operating activities	<u>90,441,498</u>	<u>42,014,213</u>
Cash flows from investing activities:		
Decrease (increase) in placement with Central Bank	106,377,541	3,348,992
Proceeds from (acquisition of) available-for-sale financial assets	(12,388,553)	80,802
Acquisition of held-to-maturity financial assets	(10,102,679)	(28,907,450)
Increase in loans and discounts	(223,077,153)	(170,763,944)
Decrease in investments under equity method	-	1,360,584
Decrease (increase) in property investment	1,739	(2,904)
Proceeds from disposal of fixed assets and non-operating assets	10,013,575	11,998,892
Acquisition of fixed assets	(1,148,601)	(1,014,159)
Increase in intangible assets	(461,374)	(736,240)
Decrease (increase) in other financial assets	(8,593,148)	(5,432,019)
Decrease in other assets	1,155,183	4,540,911
Net cash used in investing activities	<u>(138,223,470)</u>	<u>(185,526,535)</u>
Cash flows from financing activities:		
Decrease in deposits of Central Bank	5,443,566	(2,123,382)
Increase in deposits of banks	(28,875,784)	59,192,676
Increase in deposits and remittances	140,572,239	57,843,590
Increase (decrease) in financing from Central Bank and other banks	-	(14,741,637)
Decrease in other financial liabilities	(314,570)	(146,542)
Decrease in other liabilities	(4,007,490)	(3,303,470)
Payment of cash dividends	(5,071,021)	(4,962,590)
Net cash provided by financing activities	<u>107,746,940</u>	<u>91,758,645</u>
Effect of exchange rate changes	42,476	(44,855)
Decrease in cash and cash equivalents	60,007,444	(51,798,532)
Cash and cash equivalents, beginning of year	232,023,689	283,822,221
Cash and cash equivalents, end of year	<u>\$ 292,031,133</u>	<u>232,023,689</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 64,523,550	55,144,821
Income tax paid	<u>\$ 907,441</u>	<u>478,565</u>

See accompanying notes to financial statements.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2007 and 2006

	Common stock	Capital surplus
Balance as of January 1, 2006 (restated)	\$ 53,000,000	110,700,156
Appropriation of retained earnings:		
Legal reserve	-	-
Special reserve	-	-
Cash dividends for government	-	-
Net income of 2006 (restated)	-	-
Capital reduction by transferring land to National Property Administration	(264,844)	-
Unrealized gain or loss from financial instruments held as long-term investments	-	-
Capital surplus transferred to capital	264,844	(264,844)
Additional paid-in capital from long-term investments under equity method (note 26)	-	(1,540,045)
Disposal of investment	-	(390,010)
Cumulative translation adjustments	-	-
Unrealized gain or loss from available-for-sale financial assets	-	-
Balance as of December 31, 2006 (restated)	53,000,000	108,505,257
Appropriation of retained earnings for 2006:		
Legal reserve	-	-
Special reserve	-	-
Cash dividends for government	-	-
Net income of 2007	-	-
Additional paid-in capital from long-term investments under equity method (note 26)	-	526
Land revaluation increments	-	(1,227,311)
Transfer of unrealized gain on land revaluation increments by property transaction	-	-
Appropriation to National Property Administration	-	-
Unrealized gain or loss from land revaluation increments of long-term investments to be disposed of	-	-
Cumulative translation adjustments	-	-
Unrealized gain or loss from subsidiary financial instruments to be disposed of	-	-
Unrealized gain or loss from available-for-sale financial assets	-	-
Consolidated capital adjustment	-	3,144,609
Balance as of December 31, 2007	\$ 53,000,000	110,423,081

See accompanying notes to financial statements.

(expressed in thousands of New Taiwan dollars)

	Retained earnings			Unrealized gain on land revaluation increments	Cumulative translation adjustments	Unrealized gain or losses on financial instruments	Total
	Legal reserve	Special reserve	Unappropriated retained earnings				
	6,659,919	10,019,941	15,423,994	-	(216,606)	(37,447)	195,549,957
	4,749,042	-	(4,749,042)	-	-	-	-
	-	5,925,910	(5,925,910)	-	-	-	-
	-	-	(4,749,042)	-	-	-	(4,749,042)
	-	-	12,934,753	-	-	-	12,934,753
	-	-	-	-	-	-	(264,844)
	-	-	-	-	-	1,011,339	1,011,339
	-	-	-	-	-	-	-
	-	-	-	1,430,586	-	-	(109,459)
	-	-	-	-	-	(7,594)	(397,604)
	-	-	-	-	(31,882)	-	(31,882)
	-	-	-	-	-	29,947,795	29,947,795
	11,408,961	15,945,851	12,934,753	1,430,586	(248,488)	30,914,093	233,891,013
	4,080,392	-	(4,080,392)	-	-	-	-
	-	2,870,539	(2,870,539)	-	-	-	-
	-	-	(5,983,822)	-	-	-	(5,983,822)
	-	-	12,267,621	-	-	-	12,267,621
	-	-	-	-	-	-	526
	-	-	-	15,283,191	-	-	14,055,880
	-	-	-	(299,348)	-	-	(299,348)
	-	-	-	(189,041)	-	-	(189,041)
	-	-	-	465,099	-	-	465,099
	-	-	-	-	44,801	-	44,801
	-	-	-	-	-	(1,100,895)	(1,100,895)
	-	-	-	-	-	(4,510,450)	(4,510,450)
	(2,228,616)	(915,993)	-	-	-	-	-
	13,260,737	17,900,397	12,267,621	16,690,487	(203,687)	25,302,748	248,641,384

Notes to Financial Statements

December 31, 2007 and 2006

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

(1) Organization and Business Scope

Bank of Taiwan (the Bank) was established on May 20, 1946, as the first government-owned bank following the island's restoration to the Republic of China in 1945. The Bank became a legal entity in 1985 in accordance with the Banking Law, and transformed into a corporate entity starting from July 1, 2003, as approved by the Ministry of Finance on April 24, 2003. It has now been operating for 61 years, much of the time under the administration of the Taiwan Provincial Government. Following the phase-out of the Taiwan Provincial Government on December 21, 1998, the Bank was directed by the central government of the Republic of China and placed under the administration of the Ministry of Finance, in accordance with the regulations on government-owned financial institutions.

On November 18, 2005, the Executive Yuan authorized the merger of Bank of Taiwan and the Central Trust of China. The merger plan was approved by the Fair Trade Commission, the Executive Yuan, and the Ministry of Finance. On December 22, 2006, the Financial Supervisory Commission, Executive Yuan, reauthorized the merger and indicated the Central Trust of China was the dissolved party and Bank of Taiwan was the surviving party. The merger was accomplished on July 1, 2007.

The Bank is engaged in (a) all commercial banking operations allowed under the Banking Law; (b) international banking operations; (c) overseas branch operations authorized by the respective foreign governments; and (d) other operations as authorized by the central competent authority-in-charge.

The Bank has its Head Office in Taipei, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2007, in addition to the Department of Business, Department of International Banking, Department of Trusts, and Department of Public Treasury, Treasury, Securities and Electronic Banking at the Bank's headquarters, there were 162 domestic branches, one offshore banking unit, 7 overseas branches and one offshore office.

The Department of Trusts of the Bank plans and manages trust investments as well as foreign securities and funds.

As of December 31, 2007 and 2006, the Bank had 8,219 and 8,237 employees, respectively.

(2) Summary of Significant Accounting Policies

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

The Bank prepares the accompanying financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and ROC generally accepted accounting principles, and except as specifically noted, they are stated at acquisition cost. The significant accounting policies used in preparing such financial statements are summarized below:

1) General accounting policies

The Bank is a government-owned enterprise, and its accounting practices mainly follow the Budget Law, Account Settlement Law, and Uniform Regulations on Accounting Systems for Banks Governed by the Ministry of Finance (the MOF). The annual financial statements are audited by the Ministry of Audit (the MOA) to ensure that the Bank complies with the budget approved by the Legislative Yuan. The financial statements become final only after such an audit by the MOA.

In 2007, the financial statements of 2006 were approved by the MOA, and the beginning balances in 2007 were the same as the approved closing balances in 2006.

2) Basis of financial statements

The financial statements include accounts of the headquarters, domestic branches, overseas branches, and overseas representative offices. All inter-office account balances and transactions have been eliminated in preparing the financial statements.

3) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

4) Standard for classifying assets and liabilities as current or noncurrent

Because the operating turnover in banking is uncertain, asset and liability accounts are not categorized as current or noncurrent. Assets and liabilities are only categorized and arranged according to currency.

5) Cash and cash equivalents

The Bank considers cash, placement with banks, placement with Central Bank of China (CBC) (excluding deposit reserve - demand account), and marketable securities with a maturity of three months or less to be cash equivalents.

6) Revenue recognition

Revenue is recognized when realized or realizable; related costs and expenses are recorded when revenue is recognized.

7) Foreign currency transactions

Foreign currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transaction occurred. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are credited or charged to income. Foreign currency assets and liabilities at the balance sheet date are translated at year-end exchange rates announced by the Central Bank (CBC closing rates). Any exchange differences resulting from long-term equity investments are recorded as foreign currency translation adjustment under adjustments to stockholders' equity, and exchange differences resulting from other foreign currency assets and liabilities are included in the income statements.

The financial statements of overseas branches reported in functional currencies are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date, with the exception of stockholders' equity, which is translated at historical rates. Translation differences resulting from the translation of these financial statements into New Taiwan dollars are recorded as cumulative translation adjustments under stockholders' equity.

8) Asset management business

As required by the Banking Law and the Rules Governing Trust and Investment Companies and for the purpose of internal management, the Bank maintains separate accounts and prepares separate sets of financial statements for its own funds and for the funds it administers on behalf of trustors. All the entrusted assets are booked to the memo account.

9) Financial assets

Starting from January 1, 2006, the Bank accounts for financial assets in accordance with ROC SFAS No. 34, "Financial Instruments: Recognition and Measurement", under which financial assets are classified into one of following categories: measured at fair value through profit or loss, available-for-sale, held-to-maturity, carried at cost, and debt investments without quoted price in active markets.

Financial instruments held by the Bank are recorded on the trading date (except for bonds and funds on the settling date) and initially recognized at fair value plus transaction costs, except for financial instruments held for trading purposes, which are initially recognized at fair value only.

Subsequent to their initial recognition, the financial instruments held by the Company are classified according to the purpose of holding as follows:

1. An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities at fair value through profit or loss. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.
 - (a) Bought and held principally for the purpose of selling them in the near term. Derivatives held by the Company, other than hedging securities, are classified in this category.
 - (b) Financial assets or liabilities may be designated as financial instruments measured at fair value through profit or loss to eliminate measurement mismatches for items that naturally offset each other.
2. Available-for-sale financial assets are recorded at fair value, and the change in market value is adjusted against shareholders' equity. Impairment loss is recognized when there is objective evidence of impairment thereof. If there is objective evidence that the impairment loss recognized has decreased in a subsequent period, the decline in impairment loss is adjusted against shareholders' equity.
3. Held-to-maturity financial assets are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment. If the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss. The carrying value after the reversal should not exceed the realizable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.
4. Financial assets are carried at cost if their fair values are not available. Impairment loss is recognized if there is objective evidence of impairment thereof, and this recognized amount is non-reversible.
5. Debt investments without quoted price in active markets are recorded at amortized cost. Impairment loss is recognized when there is objective evidence of impairment thereof. The carrying value after the reversal should not exceed the realizable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

10) Loans and related allowance for doubtful accounts

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

Principal which is overdue over three months or interest which is overdue over six months is categorized as overdue accounts. When principal or interest has not been paid for over six months, the principal and related interest is transferred to nonperforming loans. When this occurs, interest will only be calculated and booked to the memo account.

All loans are recorded initially as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. In determining the allowance for credit losses, the Bank evaluates the collectability of its loan portfolio and credit guarantees based on the borrowers'/clients' payment history and the related loan classification as non-performing, in accordance with the "Rules for Bank Assets Evaluation, Loss Reserve Provision, and Disposing of Overdue loans, Non-accrual Loans and Bad Debts" issued by the MOF. Probable losses are recorded as a provision for credit losses. Doubtful accounts are written off when the recovery possibility is remote. Under the MOF guidelines, write-offs of specific loans and related provision are permitted with the approval of the board of directors. The collection of written-off nonperforming loans is recorded as a credit to "allowance for doubtful accounts".

In accordance with Bureau of Monetary Affairs, Ministry of Finance, Ruling Tai-Tsai-Rong No. 88733168, the Bank provided 3% of operating revenue as allowance for bad debt with a view to writing off the default accounts for the four years beginning July 1, 1999. In addition, in accordance with Ruling Hua-Zong-(1) Yi No. 09200114870, announced by the Office of the President, the Bank shall apply the above ruling until the overdue loan ratio is less than 1%.

11) Investment under equity method

Investees in which the Bank and its subsidiaries, directly or indirectly, hold more than 20% of the outstanding voting stock, or hold less than 20% of the outstanding voting stock but have significant influence over the investees, are accounted for under the equity method.

The difference resulting from reasons which cannot be analyzed is amortized using the straight-line method over five years. The remaining difference is no longer amortized from January 1, 2007. The difference resulting from the cost of investment in excess of the fair value of identifiable net assets is recognized as goodwill.

When the equity of an investee exceeds the carrying value accounted for by the equity method, the Bank recognizes the investment loss by reducing the balance of the investment to zero. But if the Bank intends to hold the stock of an investee and the investee cannot make a profit in the short term, then the Bank should recognize the loss based on the ownership percentage.

If the Bank loses its influence over an investee company because of a decrease in ownership or other reasons, it shall cease using the equity method to account for the investment. Instead, it should follow the rules specified in the Statements of Financial Accounting Standards No. 34: Financial Instruments: Recognition and Measurement. The new cost of investment will be the carrying amount of the investment at the time of change.

Gain or loss on disposal of long-term equity investment is calculated based on the difference between selling price and book value. The capital surplus arising from long-term equity investment is adjusted to profit and loss based on the percentage sold.

12) Fixed assets

Fixed assets are stated at acquisition cost, including capitalization of interest and certain expenses which were incurred in connection with the construction of a plant and the installation of machinery and equipment. Major renewals, additions and improvements are capitalized, while maintenance and repairs are expensed.

Depreciation is computed on a straight-line basis over useful lives estimated as follows:

Buildings	8 to 55 years
Machinery and equipment	3 to 7 years
Transportation equipment	4 to 8 years
Other equipment	3 to 10 years

Leasehold improvements are amortized over the lesser of lease terms or the useful lives of such improvements. When the Bank uses fixed assets beyond their initial estimated useful lives, the depreciation for such assets is calculated by writing off the residual value of the asset using the straight-line method over the remaining estimated useful life of the asset.

Gains or losses on the disposal of fixed assets are recorded as non-operating income or loss.

A surplus arising on revaluation is credited to the revaluation reserve. Additions to revalued premises made subsequent to the revaluation are included at cost. Revaluation increments are depreciated on the same basis over the remaining useful lives at the revaluation dates.

13) Asset impairment

Effective January 1, 2005, the Bank adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Impairment of Assets". In accordance with SFAS 35, the Bank assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. The Bank recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

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

The Bank assesses the cash-generating unit to which goodwill, intangible assets whose useful lives cannot be estimated, and unused intangible assets are allocated on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

14) Intangible assets

Commencing from January 1, 2007, the Bank adopted SFAS No. 37 "Intangible Assets". In accordance with SFAS No. 37, intangible assets are recorded at cost except for donation from the government, which is measured at fair value. Subsequent to their initial recognition, their book values are their cost and their incremental value that resulted from revaluation minus accumulated amortization and impairment loss.

Amortization is computed using the straight-line method. The Bank should reevaluate the residual value, estimated useful lives, and amortization method at least once every year. Changes in the above factors will be regarded as changes in accounting estimate. Major intangible assets are as follows:

Costs of computer software: capitalized and amortized on a straight-line basis over five years.

15) Other assets - non-operating assets

Non-operating assets are stated at the lower of net realizable value or book value.

16) Other assets - collateral assumed

Collateral and assets received are stated at the net realizable value: the amount the Bank receives when debtors cannot meet obligations and the collateral and residuals are auctioned off. Any discrepancy from the initial claim will be reflected as credit loss. Gains or losses on disposition are included in current earnings. The Bank recognized the impairment loss of collaterals on the balance sheet date due to cost of collaterals exceeding net fair value.

In accordance with Article 76 of the Banking Law of the Republic of China, real estate or securities acquired by a commercial bank through foreclosure of mortgage or pledge should be disposed of within four years from the date of acquisition. If there is no permission to extend the time limit according to the official letter from competent authorities, which instruct to recorded as provision for allowance for decline in fair value.

17) Financial liabilities

According to SAFS No. 34 "Financial Instruments: Recognition and Measurement", which is effective from January 1, 2006, financial liabilities (include held-for-trading financial liabilities and financial liabilities designated to be measured at fair value) are classified into financial liabilities measured at fair value through profit or loss.

Financial liabilities for trading purposes are designated as such at the time of initial recognition. The following shall be classified as financial liabilities for trading purposes:

1. Liabilities acquired primarily for the purpose of repurchase in the near term.
2. Liabilities that are part of a group of distinct financial instrument portfolios under comprehensive management, where there is evidence that in the near term the group is in fact being managed for short-term profit.
3. Derivative financial liabilities.

To eliminate or reduce significant inconsistency related to accounting for financial instruments, such financial instruments are classified as financial assets or liabilities measured at fair value at the time of initial recognition.

Financial liabilities at fair value through profit or loss should be measured at fair value, and any changes in their fair value should be changed to current earnings or loss.

18) Deposits of banks, deposits and remittances

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

19) Other liabilities - reserve for losses on trading securities

According to the "Rules Governing the Administration of Securities Firms", 10% of the monthly gains on trading securities in excess of monthly losses should be set aside as a reserve until the balance of the provision equals NT\$200 million. Such reserve can only be used to offset actual losses.

20) Other liabilities - reserve for default losses

According to the "Rules Governing the Administration of Securities Firms", 0.0028% of monthly brokerage income must be provided as a reserve for defaults until the balance of the provision equals NT\$200 million. Such reserve can only be used to offset default losses or for other purposes as approved by the SFC.

21) Other liabilities - reserve for accidental losses

According to Ministry of Finance Order No. (63) Tai-Tsai-Chien 16677 issued on October 29, 1974, reserve for accidental losses is provided equal to 2% of monthly brokerage revenue to cover the possible losses arising from mistakes in securities processing for financial institutions which engaged in securities brokerage business. The reserve for accidental loss will be used for making up the losses arising from mistakes in securities processing.

22) Reserve for operations

Reserves for operations are organized according to the Insurance Act. These reserves include the unearned premium reserve, claim reserve, special reserve, and reserve for life insurance. Actuaries provide the figures for these reserves.

In addition, according to the MOF regulation which became effective from December 30, 2002, the surplus from the "Special Reserve for the Loss Movement" should be placed as special reserve under proprietary equity after the board of directors approved the surplus appropriation. This amount may not be distributed or used for other purposes unless approved by the MOF.

23) Pension

Employees' retirement, relief and severance are dealt with according to "The Regulations on Employee's Retirement, Relief and Severance for State-run Financial and Insurance Enterprises Owned by the Ministry of Finance". According to Article 41.1 of the regulations, the length of service with the Bank is calculated in accordance with the formula for benefit payments set forth in the Labor Standards Law, and contributions have been made to a fund for future pension benefits after implementation of the Labor Standards Law. The Bank contributes 3% of total monthly salaries of employees to a pension fund each month. Before implementation of the Labor Standards Law, a monthly contribution equaling 4%-8.5% of salaries had been made by the Bank as prior service cost.

The Labor Pension Act of the R.O.C. ("the Act"), effective from July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Bank (who were hired before July 1, 2007) may elect to be subject to either the Act, and maintain their service years before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Bank after July 1, 2006, are required to be covered by the pension plan as defined by the Act. For employees subject to the Act, the Bank is required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages and to deposit the contribution in a personal retirement benefit account.

All contributions made by the Bank are administered by "The Pension Fund Management and Operation Committee". The contributions are accumulated in the pension fund for making payments to the employees when retiring. For cleaning and maintenance workers, service costs equivalent to 8% of total monthly salaries for those

workers are accrued over the workers' careers based on plan benefit formulas according to Article 73 of the Labor Standards Law and the "Guidelines for Contributions to and Management of Labor Pension Fund" approved by the Executive Yuan. The workers' pension fund is deposited in a trust account with the Central Trust of China for the purpose of paying pension benefits to the workers when retiring.

Starting on July 1, 2005, the Bank, in accordance with the new labor pension system, has contributed 6% of salaries to individual pension accounts managed by the Bureau of Labor Insurance.

Since 1997, the defined benefit pension plan has used the balance sheet date as the measurement date to complete an actuarial valuation of accumulated payment obligation in excess of pension fund assets at fair value. At the balance sheet date, the Bank recognizes minimum pension liabilities and, according to the pension plan's actuarial liabilities, records net pension cost, including current service cost and transitional net assets, prior service cost, and pension profit or loss, amortized over the average remaining length of service of employees by the straight-line method.

24) Income tax

"Expected" income tax expense is based on accounting income. Deferred income tax is determined based on differences between the financial statement and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to be reversed. 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, utilization of loss carryforwards, and income tax assets is evaluated, and a valuation allowance is recognized accordingly.

Since the Bank is a government-owned enterprise, income tax should be determined by the Ministry of Audit. In addition, in accordance with Ministry of Finance Ruling Tai-Tsai-Shui No. 910456521, since the Bank is a 100%-government-owned enterprise, no 10% surtax will be imposed on unappropriated retained earnings.

25) Financial derivatives

Derivative financial instruments refer to transactions such as forward contracts, interest swaps, cross currency swaps, asset swaps and options that are engaged in the Bank in foreign exchange, interest rate and capital markets. Other than their application in hedge accounting, derivative financial instruments are for trading purposes. Derivative financial instruments for trading purposes are involved in creating markets, serving customers, and other related arbitrage activities.

Derivative financial instruments for trading purposes are assessed by the fair value method. Any relevant net present value created shall be recognized as current gain or loss. Fair value refers to the formal transaction price fully recognized and agreed by both parties. The fair value generally is the trading price in an active market. If there is no trading price available, the fair value should be estimated by a valuation method or model.

The right of set-off of derivative financial instruments measured by the fair value method is enforceable by law. In net settlement, financial assets are offset with liabilities and disclosed in net amount.

26) Significant commitments and contingencies

If loss from commitments and contingencies is considered highly likely and the amount can be reasonably estimated, then the loss is recognized currently. Otherwise, commitments and contingencies are only disclosed in the notes to the financial statements.

27) Earnings per share

Earnings per share are calculated by dividing net income after tax by the weighted-average number of shares outstanding in each period.

28) Merger and acquisition

In accordance with Accounting Research and Development Foundation Ji-Mi-Zih 141, the Bank adopts terminated party's net asset value as record basis while merging Central Trust of China. The income of terminated party prior

to the merger will be including in the Bank's income. The Bank views the merger starting as beginning of year and adjust the prior year financial statement retroactively.

(3) Reasons for and Effects of Accounting Changes

The Bank, starting from January 1, 2006, adopted Republic of China Statement of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement" and No. 36 "Financial Instruments: Disclosure and Presentation". In accordance with SFAS No. 34, the beginning balances of financial assets and liabilities should be reclassified and re-measured at fair value and after amortization cost. The adoption of SFAS No. 34 also resulted in revaluation differences, which were accounted for as cumulative effect of changes in accounting principles and adjustment to shareholders' equity for the year ended December 31, 2007, of \$394,635 and \$29,710,115, respectively.

Bank of Taiwan merged with the Central Trust of China in July 2007. The restated financial statements are in accordance with Accounting Research and Development Foundation Interpretation (95) Ji-Mi-Zih 141 and are compared with the financial statements audited by the MOA. As stated in note 35, on December 31, 2006, the total assets of the Central Trust of China were \$471,916,302, which were 14.87% of restated total assets, and the income was \$1,999,664 in 2006, which was 15.46% of restated income.

(4) Government Audit Adjustments for Fiscal Year Ended December 31, 2006

In 2007, the Bank merged with the Central Trust of China. The merger should be treated as a change of reporting entity. The Bank restated the 2006 financial statements based on the total audited amounts of the Bank and the Central Trust of China.

The accounting records as of and for the year ended December 31, 2006, have been audited and examined by the MOA, and the resulting adjustments are summarized as follows:

	As Previously Reported December 31, 2006	Adjustments - Increase (Decrease)	As Audited by the MOA December 31, 2006
Balance Sheet			
Assets			
Receivables, net	\$ 109,507,246	41,146	109,548,392
Loans, net	1,698,005,184	(8,230)	1,697,996,954
Other assets, net	21,819,084	824	21,819,908
Liability			
Payable	79,943,702	19,773	79,963,475
Interest expense	59,106,004	(1,189,955)	57,916,049
Other non-interest income, net	(7,018,279)	(1,074,991)	(8,093,270)
Gain on property transaction	7,943,257	2,521	7,945,778
Bad debt expense	3,103,546	(171,624)	2,931,922
Personnel expense	12,308,476	306,136	12,614,612
Other business and administrative expense	4,681,481	(18,060)	4,663,421
Income before income tax	13,182,462	1,033	13,183,495
Income tax expense	656,311	(12,934)	643,377
Net income	12,920,786	13,967	12,934,753

Revised entries by the MOA in 2006 were as follows:

Item	Adjustment accounts	Amount revised by MOA		Explanation of revision by MOA
1	Payables	\$ 6,742		Adjustment of operating performance bonus record
	Business - performance bonus	2,248		
	Business - evaluation bonus	1,729		
	Administrative expense - performance bonus		6,059	
	Administrative expense - evaluation bonus		4,660	
2	Grant insurance expense	\$ 7,958		The interest arising from the difference between the savings interest rate of employees and the regular interest rate is transferred to personnel expense.
	Brokerage and underwriting securities transaction charges	2,824		
	Business - welfare	435,693		
	Administrative expense - welfare	48,121		
	Miscellaneous expense - welfare	695,359		
	Interest expense		1,189,955	
3	Operating asset - general land value tax	\$ 2,399		-
	Business - general land value tax		2,399	
4	Provision for reserves - provision for allowance for doubtful accounts	\$8,230		Increased allowance for doubtful account
	Allowance for doubtful accounts - medium-term secured loan		8,230	
5	Other payables	\$ 2,521		Overestimated land value increment tax on three parcels of land
	Gain on property transaction		2,521	
6	Allowance for deferred tax assets	\$ 1,686		Income tax loss carryforward estimate adjustment
	Deferred tax assets		1,686	
7	Deferred tax assets - noncurrent	\$ 824		Adjustment of income tax
	Other receivables	41,146		
	Income tax		12,934	
	Income tax payable		29,036	

(5) Cash and Cash Equivalents

	December 31, 2007	December 31, 2006 (restated)
Cash on hand	\$ 8,998,994	9,105,143
Foreign currency on hand	4,076,772	3,719,637
Notes and checks for clearing	4,396,312	12,053,643
Placement with banks	<u>73,916,027</u>	<u>24,340,969</u>
	<u>\$ 91,388,105</u>	<u>49,219,392</u>

The balances of cash and cash equivalents presented in the statements of cash flows were as follows:

	December 31, 2007	December 31, 2006 (restated)
Cash	\$ 91,388,105	49,219,392
Call loans to banks and bank overdraft	101,049,746	98,970,672
Placement with Central Bank, including reserve - checking account and foreign-currency-denominated deposit reserves	35,022,444	19,254,226
Negotiable certificates of deposit (NCDs)	41,408,435	46,562,919
Investment in bills and securities maturing within 90 days	23,162,403	18,016,480
Total	<u>\$ 292,031,133</u>	<u>232,023,689</u>

(6) Placement with Central Bank and Call Loans to Banks

	December 31, 2007	December 31, 2006 (restated)
Overdraft from banks	\$ -	1,992
Call loans to banks	101,049,746	98,968,680
New-Taiwan-dollar-denominated deposit reserve - checking account and reserves for deposits - foreign-currency-denominated deposit and so on	35,022,444	19,254,226
New-Taiwan-dollar-denominated required deposit reserve	42,542,907	39,542,844
Deposits in Central Bank	447,349,914	556,727,518
Placement with Central Bank - reserve for trust fund compensation	50,000	100,000
Less: guarantee placement with Central Bank - reserve for trust fund compensation	(50,000)	(100,000)
	<u>\$ 625,965,011</u>	<u>714,495,260</u>

The required deposit reserves are determined monthly at prescribed rates based on the average balances of customers' New-Taiwan-dollar-denominated deposits. The required deposit reserve is subject to withdrawal restrictions, but reserve - checking account and foreign-currency-denominated deposit reserves may be withdrawn anytime and are non-interest earning.

Additionally, as of December 31, 2007 and 2006, 60% of the reserve deposits collected on behalf of a government institution amounted to \$10,134,914 and \$12,541,523, respectively, and its use is restricted according to the regulations.

The Bank, in accordance with the Central Bank's System for Accounting and Allocation of Bank Funds, adopted the RTGS (Real-Time Gross Settlement) clearing system. The purchased CDs (certificates of deposit) serve as the security for day-term overdrafts. As of December 31, 2007 and 2006, \$20,000,000 and \$22,750,000, respectively, in negotiable time certificates were provided as the security for overdrafts. The secured credit limit can be modified at any time; those credits not used at the closing day may still serve as liquid reserves.

(7) Financial Assets Measured at Fair Value through Profit or Loss, Net

1) Financial assets measured at fair value through profit or loss were as follows:

	December 31, 2007	December 31, 2006 (restated)
Financial assets held for trading	\$ 48,344,339	52,856,303
Add: Adjustment valuation	4,124,232	4,877,814
Subtotal	<u>52,468,571</u>	<u>57,734,117</u>
Financial assets designated as at fair value through profit or loss	12,048,252	12,311,363
Add: Adjustment valuation	51,618	(222,585)
Subtotal	<u>12,099,870</u>	<u>12,088,778</u>
	<u>\$ 64,568,441</u>	<u>69,822,895</u>

2) For details of the valuation of financial assets measured at fair value through profit or loss, please see note 29, "Information on Financial Instruments".

3) Details of financial assets held for trading were as follows:

	December 31, 2007	December 31, 2006 (restated)
Commercial paper	\$ 6,728,905	16,039,178
Acceptances	-	11,855
Government bonds	1,241,403	3,755,041
Negotiable certificates of deposit	-	654,181
Corporate bonds	6,808	-
Convertible bonds	-	74,887
Call foreign exchange options	4,375	1,364
Stock and beneficiary certificates	37,451,093	32,157,225
Foreign government bonds	2,911,755	162,572
Add: Adjustment valuation - non-derivative financial instruments	2,501,525	2,398,714
Adjustment valuation - call foreign exchange options	(667)	714
Adjustment valuation - cross currency swaps	1,368,001	1,716,209
Adjustment valuation - interest rate swaps	154,017	395,056
Adjustment valuation - foreign exchange forward transactions	200,757	365,658
Adjustment valuation - commercial paper with fixed interest	(12,809)	-
Adjustment valuation - non - principle settlement	(86,592)	1,463
Total	<u>\$ 52,468,571</u>	<u>57,734,117</u>

4) Details of financial assets designated at fair value through profit or loss were as follows:

	December 31, 2007	December 31, 2006 (restated)
Foreign corporate bonds and financial bonds	\$ 12,048,252	12,311,363
Add: Adjustment valuation	51,618	(222,585)
Total	<u>\$ 12,099,870</u>	<u>12,088,778</u>

5) Details of unexpired derivative financial instruments were as follows:

	December 31, 2007	December 31, 2006 (restated)
Call foreign exchange options	\$ 973,329	455,412
Cross currency swaps	130,027,186	155,344,132
Interest rate swaps	5,059,902	8,840,662
Foreign exchange forward transactions	14,642,205	19,731,199
Commercial paper with fixed interest	1,720,000	-
Non-principle forward settlement	7,932,756	3,265,000
Total	<u>\$ 160,355,378</u>	<u>187,636,405</u>

6) Details of the profit on financial assets and liabilities measured at fair value through profit or loss were as follows:

	December 31, 2007	December 31, 2006 (restated)
Cash dividend of financial assets	\$ 1,375,087	1,047,012
Net gain on disposal of financial assets	40,892,398	26,050,343
Net loss on valuation of financial assets	(428,704)	3,212,273
Net loss on disposal of financial liabilities	(31,364,063)	(23,114,713)
Net loss on valuation of financial liabilities	(812,060)	450,357
Total	<u>\$ 5,662,658</u>	<u>7,645,272</u>

(8) Bills and Bond Purchased / Sold under Repurchase Agreements and Resell Agreements

As of December 31, 2007 and 2006, the details of bonds and bills purchased / sold under agreements to resell (repurchase) were as follows:

	December 31, 2007	December 31, 2006 (restated)
Bills and bonds purchased under resell agreements:		
Commercial paper	\$ 13,495,981	17,129,858
Government bonds	-	24,614,593
Negotiable certificates of deposit	666,086	4,981,957
Total	<u>\$ 14,162,067</u>	<u>46,726,408</u>

	December 31, 2007	December 31, 2006 (restated)
Bills and bonds sold under repurchase agreements:		
Commercial paper	\$ 1,705,124	2,894,695
Government bonds	15,865,191	16,002,650
Acceptances	-	11,855
Total	<u>\$ 17,570,315</u>	<u>18,909,200</u>

(9) Receivables, Net

	December 31, 2007	December 31, 2006 (restated)
Note receivable	\$ 278,822	267,221
Accounts receivable	1,706,792	1,434,774
Long-term receivable	40,141,112	40,348,553
Accrued revenue	357,989	268,494
Interest receivable	19,228,208	17,057,785
Insurance receivable	342,217	324,239
Refundable income tax	1,365,281	1,574,016
Acceptance notes receivable	3,596,216	5,043,379
Factoring receivable - non-recourse	985,629	488,364
Reinsurance recoverable compensation	16,880	2,480
Others	40,192,643	43,684,943
Subtotal	108,211,789	110,494,248
Less: allowance for doubtful accounts	1,099,127	945,856
Total	<u>\$ 107,112,662</u>	<u>109,548,392</u>

In 2007 and 2006 the Bank paid a premium savings account interest rate in excess of the regular rate of 2.1655% and 2.4349%, respectively, and the resulting interest expense was \$9,347,043 and \$10,521,211, respectively, due to following the government premium savings policy.

As of December 31, 2007 and 2006, the Bank, instead of the government, had paid premium savings interest amounting to \$45,269,612 (change in long-term receivable of \$40,141,112 and other financial assets - short-term advance of \$5,128,500) and \$45,442,669 (change in long-term receivable of \$40,348,553 and other financial assets - short-term advance of \$5,094,146), respectively.

(10) Discounts and Loans, Net

	December 31, 2007	December 31, 2006 (restated)
Discounted	\$ 5,299,345	6,405,696
Overdrafts	47,062,469	49,364,013
Secured overdrafts	577,916	1,145,465
Short-term loans	409,770,743	272,898,451
Short-term secured loans	77,545,741	83,745,895
Receivables from securities financing	1,767,715	1,155,159
Medium-term loans	533,314,667	581,369,285
Medium-term secured loans	218,556,563	129,894,600
Long-term loans	192,125,656	192,136,614
Long-term secured loans	433,106,413	377,923,021
Nonperforming loans	14,301,241	18,551,851
Subtotal	1,933,428,469	1,714,590,050
Less: allowance for doubtful accounts	13,332,860	16,593,096
	<u>\$ 1,920,095,609</u>	<u>1,697,996,954</u>

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

	2007			
	Risk of specific uncollectable debts	Country risk	Potential risk of total debts	Total
Beginning balance	\$ 14,291,691	734,505	2,556,619	17,582,815
Add: provision (reversal) for doubtful accounts	1,584,857	651,271	(1,491,299)	744,829
collected from write-off of debts	12,309,002	49,598	-	12,358,600
Less: write-off	(15,718,095)	(545,600)	-	(16,263,695)
foreign exchange translation adjustments	-	11,875	-	11,875
Ending balance	<u>\$ 12,467,455</u>	<u>901,649</u>	<u>1,065,320</u>	<u>14,434,424</u>

	2006 (restated)			
	Risk of specific uncollectable debts	Country risk	Potential risk of total debts	Total
Beginning balance	\$ 11,419,962	660,159	1,674,265	13,754,386
Add: provision (reversal) for doubtful accounts	1,913,254	60,180	888,029	2,861,463
collected from write-off of debts	3,648,708	115,268	-	3,763,976
foreign exchange translation adjustments	-	(16,087)	-	(16,087)
Less: write-off	(2,690,233)	(85,014)	(5,675)	(2,780,922)
Ending balance	<u>\$ 14,291,691</u>	<u>734,506</u>	<u>2,556,619</u>	<u>17,582,816</u>

Details of allowance for doubtful accounts were as follows:

	December 31, 2007	December 31, 2006 (restated)
Receivables	\$ 1,099,127	945,856
Discounts and loans	13,332,860	16,593,096
Other financial assets	2,437	43,864
Total	<u>\$ 14,434,424</u>	<u>17,582,816</u>

Details of bad debt expense were as follows:

	December 31, 2007	December 31, 2006 (restated)
Bad debt record	\$ 744,829	2,861,463
Reserve for suretyship liabilities	127,309	70,459
Total	<u>\$ 872,138</u>	<u>2,931,922</u>

As of December 31, 2007 and 2006, the amount of loans with non-accumulating interest revenues was \$14,173,758 and \$18,717,414, respectively, which was booked as other assets - nonperforming loans. As of December 31, 2007 and 2006, the estimation of non-accumulating interest revenues was \$1,853,654 and \$3,318,879, respectively. For the years ended December 31, 2007 and 2006, the Bank did not write off any loan without legal proceedings having been initiated.

(11) Available-for-sale Financial Assets, Net

	December 31, 2007	December 31, 2006 (restated)
Negotiable certificates of deposit	\$ 39,955,000	40,200,000
Government bonds	52,786,558	54,248,792
Foreign government bonds, treasury bills and corporate bonds	42,110,281	40,928,250
Financial bonds	1,430,517	2,184,224
Subordinate financial bonds	750,000	-
Corporate bonds	7,882,143	4,092,480
Real estate securitization	2,026,359	1,281,674
Preferred stocks	1,313,630	1,299,690
Financial asset securitization	1,883,390	-
TSEC and OTC stocks	25,622,486	17,131,815
Add: Adjustment valuation	<u>25,309,541</u>	<u>29,640,330</u>
Total	<u>\$ 201,069,905</u>	<u>191,007,255</u>

1) Please see note 29, "Information on Financial Instruments", for valuation of available-for-sale financial assets.

2) Details of realized profit or loss on available-for-sale financial assets were as follows:

	December 31, 2007	December 31, 2006 (restated)
Cash dividend	\$ 1,368,643	1,392,313
Profit on available-for-sale financial asset transactions	<u>2,339,859</u>	<u>5,334,831</u>
Total	<u>\$ 3,708,502</u>	<u>6,727,144</u>

3) As of December 31, 2007 and 2006 unrealized profit or loss on available-for-sale financial assets was as follows:

	December 31, 2007	December 31, 2006 (restated)
Beginning balance	\$ 30,914,093	(37,447)
Cumulative effect of changes in accounting principles	-	29,710,115
Net increase	<u>(5,611,344)</u>	<u>1,241,425</u>
Ending balance	<u>\$ 25,302,749</u>	<u>30,914,093</u>

(12) Held-to-maturity Investment Assets, Net

	December 31, 2007	December 31, 2006 (restated)
Domestic:		
Financial bonds	\$ 7,796,094	7,974,573
Corporate bonds	12,363,945	12,248,912
Deposits of Central Bank	-	4,895,000
Convertible deposit	1,453,435	813,738
Commercial paper	16,433,496	1,965,445
Government bonds	19,114,589	15,873,126
Real estate securitization	41,704	45,022
Financial asset securitization	157,952	247,097
Preferred stocks with fixed income	291,090	611,456
Structured savings	5,100,000	3,892,792
	<u>62,752,305</u>	<u>48,567,161</u>
Foreign:		
Financial bonds	9,461,637	4,750,395
Corporate bonds	18,430,578	-
Organization bonds	9,065,625	5,192,540
Government bonds	381,490	54,472
Collateral bonds	2,093,263	2,103,858
Structured bonds	3,617,107	3,808,413
Government guaranteed bonds	-	20,865,598
Others	-	163,250
	<u>43,049,700</u>	<u>36,938,526</u>
Total	<u>\$ 105,802,005</u>	<u>85,505,687</u>

1) Please see note 29, "Information on Financial Instruments", for valuation of held-to-maturity investment.

2) Details of realized profit or loss on held-to-maturity financial assets were as follows:

	December 31, 2007	December 31, 2006 (restated)
Cash dividend	\$ 1,086	55,168
Loss on held-to-maturity financial asset transactions	(19,110)	(51,232)
	<u>\$ (18,024)</u>	<u>3,936</u>

(13) Investments under Equity Method, Net

Name of Investee	2007		2006	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Hua Nan Financial Holdings Co., Ltd.	29.36	\$ 27,004,973	29.36	26,625,899
Taiwan Life Insurance Co., Ltd.	28.46	3,081,723	28.46	3,529,416
Kaohsiung Ammonium Sulfate Co., Ltd.	91.86	2,654,637	91.86	2,831,326
Tang Eng Iron Works Co., Ltd.	21.38	1,603,835	20.09	1,485,324
Tai Yi Real-Estate Management Co., Ltd.	30.00	12,668	30.00	13,372
		<u>\$ 34,357,836</u>		<u>34,485,337</u>

- 1) The Bank increased its cumulative translation adjustments under stockholders' equity by \$2,325 and \$12,973 on December 31, 2007 and 2006, respectively.
- 2) The original cost of long-term equity investment under the equity method was as follows:

Name of Investee	December 31, 2007	December 31, 2006 (restated)
Hua Nan Financial Holdings Co., Ltd.	\$ 8,105,279	8,105,279
Taiwan Life Insurance Co., Ltd.	812,325	812,325
Kaohsiung Ammonium Sulfate Co., Ltd.	1,377,872	1,377,872
Tang Eng Iron Works Co., Ltd.	1,451,462	1,406,475
Tai Yi Real Estate Management Co., Ltd.	3,793	3,793
	<u>\$ 11,750,731</u>	<u>11,705,744</u>

Pursuant to Executive Yuan Ruling Yuan-Shou-Zhu-Jiao-Yi No. 0950000515 dated January 24, 2006, to accelerate the liquidation procedures for Kaohsiung Ammonium Sulfate Co., Ltd., the Bank purchased 264 shares from another stockholder in May 2006 for \$2.

For coordinating the Tang Eng Iron Works Co., Ltd. privatization, the Bank sold 83,684,741 shares in 2006. The total cost of this investment was \$1,384,644, the decrease in capital surplus was \$390,010, the unrealized profit on financial assets was \$7,594, and the disposal gain recognized was \$373,547 (under equity method).

In addition, the Bank subscribed for 154,807,783 shares of Taiwan Business Bank in December 2006. The investment cost amounted to \$1,493,895, and the ownership percentage decreased from 20.72% to 19.37%. Therefore, on December 29, 2006, the Bank transferred this investment from investment under equity method to available-for-sale financial assets.

The Bank merged the Central Trust of China on July 1, 2007. Pursuant to ROC Statement of Financial Accounting Standards (SFAS) No. 5 "Long-term Investments under Equity Method", the Bank transferred 4,498,644 shares of Tang Eng Iron Works Co., Ltd. held by the Central Trust of China from available-for-sale financial assets of \$44,987 to long-term equity investment under the equity method, which led to the ownership increasing from 20.09% to 21.38%.

- 3) The gains and losses from long-term investment under the equity method were as follows:

Name of Investee	2007	2006 (restated)
Hua Nan financial Holdings Co., Ltd.	\$ 2,676,601	2,291,338
Taiwan Business Bank, Ltd.	-	357,227
Taiwan Life Insurance Co., Ltd.	336,686	365,100
Kaohsiung Ammonium Sulfate Co., Ltd.	(176,689)	280,255
Tang Eng Iron Works Co., Ltd.	(356,669)	996,243
Tai Yi Real-Estate Management Co., Ltd.	(704)	(386)
	<u>\$ 2,479,225</u>	<u>4,289,777</u>

Related investment gains on the above investees were \$2,499,209 and \$2,571,207 in 2007 and 2006, respectively.

(14) Other Financial Assets, Net

	December 31, 2007	December 31, 2006 (restated)
Temporary advances	\$ 52,103,901	51,449,779
Hedging derivative financial assets	82,832	225,486
Debt investments without quoted price in active markets	16,444,174	7,345,986
Less: accumulated debt investment without quoted price in active markets	(324,840)	-
Financial assets carried at cost	11,119,843	11,285,668
Less: accumulated asset impairment - financial assets carried at cost	(12,222)	(12,577)
Bills purchased	24,017	40,531
Less: allowance for doubtful accounts - bills purchased	(72)	(61)
Nonperforming loans	67,821	165,564
Less: allowance for doubtful accounts - nonperforming loans	(2,365)	(43,803)
Total	<u>\$ 79,503,089</u>	<u>70,456,573</u>

- 1) Financial assets carried at cost are measured by the cost method.
- 2) Please see note 29, "Information on Financial Instruments", for details of hedging derivative financial assets and debt investments without quoted price in active markets.
- 3) Pursuant to Executive Yuan Ruling Yuan-Shou-Zhu-Jiao-Yi No. 0950002990 dated May 11, 2006, regarding government policy on the credit card debt issue, the Bank invested \$73 and \$83 in Sunlight Assets Management Co., Ltd. in June and December 2006, respectively, and held 7,000 shares and 8,000 shares, respectively, recorded under other financial assets - financial assets carried at cost.
- 4) The investees which decreased capital to make up a deficit were as follows (booked as other non-interest income):

Name of Investee	Decrease in Capital Date	Decrease in Shares	Loss Recognized
Mega International Investment Trust Co., Ltd.	May 22, 2006	<u>9,293,580</u>	<u>\$ 41,677</u>
Mega International Investment Trust Co., Ltd.	September 21, 2006	<u>177,896</u>	<u>\$ 1,778</u>
China Daily News Co., Ltd.	February 28, 2007	<u>3,414,718</u>	<u>\$ 10,320</u>

- 5) In January 2003, the Bank increased its long-term investment in preferred stock of Taiwan High Speed Rail Corp. by \$2,500,000. In the year 2006, the Bank accrued construction dividends amounting to \$100,000, booked as receivables and other operating revenues. The amounts were collected on September 27, 2007.
- 6) The financial reports of China Shipbuilding Co., Ltd. and Taiwan Chung Hsing Paper Co., Ltd., whose net value decreased in 2005 (recorded in the other financial assets - financial assets carried at cost), were audited by the Ministry of Audit; therefore, the Bank estimated financial asset impairment of \$12,222 and \$355, totalling \$12,577, on December 31, 2006.
- 7) On September 29, 2007, the Bank followed the government policy to sell shares of Taiwan Television Enterprise Ltd. amounting to \$478,073. The financial assets carried at cost - noncurrent amounted to \$155,150, and the recognized gain on disposal was \$322,923.
- 8) In November 2007, the Bank estimated financial asset impairment of \$324,840 on Collateralized Debt Obligation, NRKV 2007-1XC2 (recorded under the other financial assets - debt investments without quoted price in active markets).

- 9) The Bank received 118,598 thousand shares of financial assets carried at cost, amounting to \$1,053,437, from the Central Trust of China by merging on July 1, 2007. The details of financial assets carried at cost are as follows:

	Shares (thousands)	Amount
Taiwan Stock Exchange Corp.	26,468	\$ 132,145
Mega International Investment Trust Co., Ltd.	27	272
Taipei Foreign Exchange Co., Ltd.	700	7,000
Taiwan Future Exchange Co., Ltd.	1,500	15,000
Taiwan Asset Management Co., Ltd.	30,000	300,000
Taiwan Financial Asset Service Co., Ltd.	5,000	50,000
Financial Information Service Co., Ltd.	4,550	45,500
Taiwan Integrated Shareholder Service Co., Ltd.	330	3,300
Sunlight Assets Management Co., Ltd.	8	83
International Real Estate Management Co., Ltd.	15	137
Taiwan High Speed Rail Corp.	50,000	500,000
	<u>118,598</u>	<u>\$ 1,053,437</u>

(15) Fixed Assets, Net

	December 31, 2007	December 31, 2006 (restated)
Cost:		
Land (including revaluation increments)	\$ 70,203,190	70,830,134
Land improvements	19,883	19,566
Buildings (including revaluation increments)	14,146,102	12,901,655
Machinery and equipment	5,381,131	5,307,035
Transportation equipment	1,142,220	1,143,723
Miscellaneous equipment	1,110,106	1,109,908
Leasehold improvements	537,054	553,731
Construction in progress and prepayment for equipment	<u>664,725</u>	<u>1,130,544</u>
	<u>93,204,411</u>	<u>92,996,296</u>
Accumulated depreciation:		
Land improvement	\$ 15,899	15,677
Buildings	4,453,663	4,133,667
Machinery and equipment	3,701,240	3,576,397
Transportation equipment	805,818	790,134
Miscellaneous equipment	813,841	842,039
Leasehold improvements	<u>476,624</u>	<u>491,180</u>
	<u>10,267,085</u>	<u>9,849,094</u>
Accumulated impairment		
Land	122,725	567,567
Buildings	<u>-</u>	<u>56,087</u>
	<u>122,725</u>	<u>623,654</u>
	<u>\$ 82,814,601</u>	<u>82,523,548</u>

Movement of accumulated depreciation:

	2007	2006 (restated)
Beginning balance	\$ 9,849,094	9,734,490
Add: depreciation for the period	931,499	959,469
Less: decrease for the period	(624,049)	(844,515)
Reclassified journal entry	110,541	(350)
Ending balance	<u>\$ 10,267,085</u>	<u>9,849,094</u>

There have been many revaluations of land and buildings, with the latest in June 2007. As of December 31, 2007 and 2006, the total increment, including land and buildings, was \$65,333,444 and \$66,454,073, respectively, and the estimated tax on the increment was \$15,939,105 and \$30,943,931, respectively, booked as long-term liabilities.

In 2007 and 2006, gain on disposal of property (land, buildings and equipment) was \$6,373,733 and \$7,945,778, respectively, booked as non-interest income.

As of December 31, 2007 and 2006, property and equipment neither served as a guarantee or collateral, nor were they pledged.

As of December 31, 2007, the cost (including revaluation increments) of the rental land was \$30,300,578. Most of the rental buildings have been depreciated over the useful lives. The estimated future lease revenue was as follows:

Fiscal Year	Amount
2008	\$ 75,099
2009	75,839
2010	27,621
2011	1,383
	<u>\$ 179,942</u>

(16) Other Assets

	December 31, 2007	December 31, 2006 (restated)
Non-operating assets, net	\$ 8,209,303	8,691,473
Collateral assumed, net	1,076,959	1,140,886
Advance payment	6,091,543	6,851,746
Real estate investment, net	1,796,793	2,567,648
Operating guarantee deposits and settlement fund	479,113	571,919
Less: securities serving as operating guarantee deposits and settlement fund	(412,633)	(505,983)
Refundable deposits	849,363	951,744
Customer advance and accounts awaiting clearance	89,855	194,338
Deferred tax assets, net	552,761	503,965
Deferred pension costs	-	537,121
Others	403,928	315,051
	<u>\$ 19,136,985</u>	<u>21,819,908</u>

1) Non-operating assets, net

	December 31, 2007	December 31, 2006 (restated)
Land (non-operating)	\$ 8,345,436	8,863,931
Buildings	2,480	3,088
Miscellaneous equipment	92	92
Accumulated depreciation - buildings	(1,846)	(2,229)
Accumulated impairment	(136,859)	(173,409)
	<u>\$ 8,209,303</u>	<u>8,691,473</u>

2) Collateral assumed, net

	December 31, 2007	December 31, 2006 (restated)
Collateral assumed	\$ 1,097,616	1,339,355
Less: allowance for impairment	(20,657)	(198,469)
	<u>\$ 1,076,959</u>	<u>1,140,886</u>

Pursuant to Executive Yuan Ruling Jing-Kuan-Yin (2) 09585002490 on January 6, 2006, regarding undisposable land collateral, the Bank recorded impairment loss in full amounting to \$1,076,959. On December 2006, Executive Yuan Ruling Jing-Kuan-Yin (2) 09500524370 agreed that the Bank need not record this impairment loss for the moment; therefore, the Bank reversed all collateral impairment loss on the account.

3) Advance payment

	December 31, 2007	December 31, 2006 (restated)
Prepaid expense	\$ 289,783	325,725
Prepaid interest	-	161
Prepaid tax	23,072	12,213
Prepaid dividends (for government)	4,487,658	5,400,459
Other prepaid	1,291,030	1,113,188
	<u>\$ 6,091,543</u>	<u>6,851,746</u>

4) Real estate investment, net

	December 31, 2007	December 31, 2006 (restated)
Real estate investment	\$ 1,982,153	2,838,852
Less: accumulated depreciation	185,360	271,204
	<u>\$ 1,796,793</u>	<u>2,567,648</u>

(17) Impairment

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

	2007	2006 (restated)
Beginning balance	\$ 1,008,109	1,003,319
Recognized impairment loss	649,921	1,164,213
Reversal of impairment loss	(550,491)	(1,156,242)
Write-off amount - disposal of collateral and residuals taken over	(177,811)	(3,181)
Write-off amount - disposal of financial assets	(289,498)	-
Foreign exchange transaction adjustment	2,230	-
Reclassified financial assets	(355)	-
Write-off amount - reclassified intangible assets	(24,802)	-
Ending balance	<u>\$ 617,303</u>	<u>1,008,109</u>

The accumulated impairment ending balance was composed of the following:

	December 31, 2007	December 31, 2006 (restated)
Other financial assets	\$ 337,062	12,577
Fixed assets	122,725	623,654
Other assets	157,516	371,878
Ending balance	<u>\$ 617,303</u>	<u>1,008,109</u>

(18) Deposits of Central Bank and Other Banks

	December 31, 2007	December 31, 2006 (restated)
Deposits of Central Bank	\$ 18,382,213	12,938,647
Deposits of other banks	22,368,203	30,003,934
Postal deposits transferred	43,343,182	56,133,666
Bank overdrafts	3,334,674	552,615
Call loans from bank	157,986,482	181,708,593
	<u>\$ 245,414,754</u>	<u>281,637,455</u>

(19) Financial Liabilities Measured at Fair Value through Profit or Loss

1) Financial liabilities measurement at fair value through profit or loss were as follows:

	December 31, 2007	December 31, 2006 (restated)
Held-for-trading financial liabilities	\$ 5,564	1,718
Adjustment valuation	<u>1,472,482</u>	<u>731,970</u>
	<u>1,478,046</u>	<u>733,688</u>
Financial liabilities designated to be measured at fair value	-	822,780
Adjustment valuation	<u>-</u>	<u>21,208</u>
	<u>-</u>	<u>843,988</u>
	<u>\$ 1,478,046</u>	<u>1,577,676</u>

2) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 29.

3) Held-for trading financial liabilities

	December 31, 2007	December 31, 2006 (restated)
Foreign exchange options	\$ 5,564	1,718
Adjustment valuation - foreign exchange put options	(1,429)	440
Adjustment valuation - cross currency swaps	713,012	407,467
Adjustment valuation - interest rate swaps	662,284	141,198
Adjustment valuation - foreign exchange swaps	<u>98,615</u>	<u>182,865</u>
	<u>\$ 1,478,046</u>	<u>733,688</u>

4) Unmatured derivative financial instruments

	December 31, 2007	December 31, 2006 (restated)
Foreign exchange put options	\$ 973,356	455,563
Cross currency swaps	80,383,665	50,767,359
Interest rate swaps	6,840,097	4,480,328
Foreign exchange swaps	<u>34,786,102</u>	<u>35,750,067</u>
	<u>\$ 122,983,220</u>	<u>91,453,317</u>

5) Financial liabilities designated to be measured at fair value

	December 31, 2007	December 31, 2006 (restated)
Business financing	\$ -	822,780
Adjustment valuation	-	21,208
	<u>\$ -</u>	<u>843,988</u>

(20) Payables

	December 31, 2007	December 31, 2006 (restated)
Accounts payable	\$ 4,826,058	12,508,761
Advance receipts	1,283,003	1,749,117
Accrued expense	3,150,665	2,833,685
Income tax payable	377,272	363,392
Interest payable	18,827,028	17,506,831
Commission payable	63,903	67,189
Banker's acceptances payable	3,624,479	5,066,411
Due from representative organization	34,127,137	20,449,801
Other payables	28,990,301	19,336,558
Construction payable	18,323	81,730
	<u>\$ 95,288,169</u>	<u>79,963,475</u>

(21) Deposits and Remittances

	December 31, 2007	December 31, 2006 (restated)
Checking account	\$ 26,774,708	29,557,040
Government deposits	237,064,144	238,977,636
Demand deposits	170,729,574	151,964,630
Time deposits	397,223,023	317,591,588
Remittances	508,300	540,997
Savings account:		
Demand deposits	340,882,341	325,717,325
Staff accounts	23,927,254	19,923,283
Installment savings	1,221,278	1,407,513
Time savings deposits	509,476,707	487,881,179
Interest-drawing savings	329,050,642	303,720,476
Staff time deposit savings	-	2,313,872
Premium interest-drawing savings	429,321,274	433,220,985
	<u>\$ 2,466,179,245</u>	<u>2,312,816,524</u>

As of December 31, 2007 and 2006, the above deposit accounts, except for demand deposits, would mature in one month to three years.

(22) Other Financial Liabilities

	December 31, 2007	December 31, 2006 (restated)
Hedging derivative financial liabilities	\$ 53,088	41,875
Appropriated loan funds	1,662,219	1,957,396
	<u>\$ 1,715,307</u>	<u>1,999,271</u>

For details of hedging derivative financial liabilities on December 31, 2007 and 2006, please refer to note 29.

(23) Other Liabilities

	December 31, 2007	December 31, 2006 (restated)
Reserve for guarantees	\$ 464,390	337,005
Reserve for losses on trading securities	-	11,678
Reserve for default losses	87,326	71,116
Reserve for accidental losses	17,117	10,711
Reserve for unearned premium	422,817	338,877
Reserve for life insurance liability	112,695,236	91,779,980
Reserve for claim outstanding	95,058	49,594
Special reserve for life insurance	1,347,321	1,108,030
Reserve for labor insurance liability	131,087,068	110,744,637
Reserve for other operating loss	93,303	93,303
Advance collections	1,265,303	1,763,332
Estimated tax payable on land increment	15,939,105	30,943,931
Guarantee deposits received	3,194,302	3,224,894
Temporary received and waiting to be transferred	601,295	844,927
Reserve for interest and principal repayment	-	29,903
Other liabilities to be restructured	8,239	8,239
Others	1,347,227	132,897
	<u>\$ 268,665,107</u>	<u>241,493,054</u>

(24) Pension

The reconciliation of the plan's funded status and accrued pension liabilities was as follows:

	December 31, 2007		December 31, 2006 (restated)	
	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Benefit obligation:				
Vested benefit obligation	\$ (3,472,894)	(253,057)	(3,989,339)	(321,820)
Nonvested benefit obligation	(2,621,436)	(462,518)	(2,505,266)	(505,563)
Accumulated benefit obligation	(6,094,330)	(715,575)	(6,494,605)	(827,383)
Additional benefits based on future salaries	(2,198,708)	(233,200)	(1,877,272)	(226,058)
Projected benefit obligation (PBO)	(8,293,038)	(948,775)	(8,371,877)	(1,053,441)
Fair value of plan assets	4,614,910	792,477	4,383,496	740,476
Funding status	(3,678,128)	(156,298)	(3,988,381)	(312,965)
Unrecognized net transition obligation (assets)	622,985	171,006	727,911	196,537
Unrecognized prior year service cost	235,511	(27,363)	255,990	(31,011)
Unrecognized loss (gain)	823,358	(97,669)	1,240,766	59,752
Deferred pension cost (booked as other assets)	-	-	(477,638)	(51,172)
Accrued pension cost (booked as long-term liabilities)	<u>\$ (1,996,274)</u>	<u>(110,324)</u>	<u>(2,241,352)</u>	<u>(138,859)</u>
Vested benefit	<u>\$ (4,686,947)</u>	<u>(304,845)</u>	<u>(5,071,965)</u>	<u>(371,778)</u>

The components of net pension cost for the years 2007 and 2006 were as follows:

	2007		2006 (restated)	
	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Service cost	\$ 778,131	70,067	778,189	76,015
Interest cost	184,940	24,768	180,164	24,099
Projected return on plan assets	(94,172)	(18,870)	(96,063)	(17,049)
Amortization and deferred cost	160,335	21,883	156,596	22,280
Net pension cost	<u>\$ 1,029,234</u>	<u>97,848</u>	<u>1,018,886</u>	<u>105,345</u>

Actuarial assumptions:

	2007	2006 (restated)
Discount rate	2.75%	2.50%
Rate of increase in future compensation	2.25%	2.00%
Rate of projected return on plan assets	2.75%	2.50%

(25) Income Tax

The Bank is subject to R.O.C. income tax at a maximum rate of 25%. The income tax expense for 2007 and 2006 is summarized below:

	2007	2006 (restated)
Current income tax	\$ 910,461	744,706
Deferred tax benefit	(48,796)	(89,713)
Income tax expense	<u>\$ 861,665</u>	<u>654,993</u>

For the years ended December 31, 2007 and 2006, the differences between the "expected" income tax at the statutory income tax rate and the income tax expense in the accompanying financial statements were as follows:

	2007	2006 (restated)
Expected income tax expense	\$ 3,282,321	3,397,437
Tax effect of interest income from short-term notes separately taxed	(59,078)	(143,515)
Securities trading gain	(1,033,568)	(1,268,828)
Unrealized loss (gain) on evaluation of financial instruments	385,386	(502,104)
Tax-free earnings from OBU	(22,561)	(152,095)
Investment income recognized under equity method	(619,806)	(979,058)
Gain on sale of land	(1,591,253)	(1,981,470)
Gain on reversal of asset impairment - land	(120,348)	14,474
Unrealized exchange loss	22,227	144,829
Dividend free of tax	(493,149)	(519,328)
Allowance for deferred tax assets	81,929	2,377,601
Income tax expense of overseas branches	254,150	298,869
Withholding tax on bond interest (35% unrefunded)	17,653	134
Amortization of bond premium	134,765	185,280
Adjustments of outright purchase and sale of bills	80,790	(202,990)
Income basic Tax	329,517	9,780
Decrease (increase) in loss carryforward	176,268	(24,899)
Others	36,422	876
Income tax expense	<u>\$ 861,665</u>	<u>654,993</u>

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

	2007	2006 (restated)
Pension costs disallowed per tax regulation	\$ (133,310)	(72,605)
Decline of bad debt loss	116,102	(112,734)
Reserve for losses on trading bills and securities	463	1,859
Others	(32,051)	93,767
Deferred income tax expense (income)	<u>\$ (48,796)</u>	<u>(89,713)</u>

The temporary differences, loss carryforward, and tax effects relating to deferred income tax assets were as follows:

	December 31, 2007		December 31, 2006 (restated)	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Pension costs disallowed per tax regulation	\$ 2,106,598	526,650	1,573,360	393,340
Loss on asset impairment	-	-	56,086	14,021
Reserve for losses on trading bills and securities	-	-	1,851	463
Allowance for decline in market value - collateral assumed	20,657	5,164	198,468	49,617
Loss carryforward	24,387,982	6,096,995	24,167,704	6,041,926
Loss on financial asset impairment	337,062	84,266	12,222	3,056
Reserve for default loss	87,326	21,832	71,116	17,779
Over-appropriation of allowance for bad debt	-	-	464,408	116,102
Reserve for suretyship liability	-	-	27,334	6,833
Others	17,117	4,279	(138,709)	(34,676)
		6,739,186		6,608,461
Allowance for deferred income tax assets - noncurrent		(6,186,425)		(6,104,496)
Deferred income tax assets, net - noncurrent (booked as other assets)		<u>\$ 552,761</u>		<u>503,965</u>

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

	December 31, 2007	December 31, 2006 (restated)
Current income tax expense	\$ 910,461	744,706
Income tax on separately taxed short-term bills	(309,142)	(309,355)
Income tax paid by overseas branches	(254,150)	(298,869)
Prior income tax adjustment	(17,653)	(134)
Prepaid and withheld tax	(985,961)	(788,129)
Payment of tax	(15,704)	-
Prior year's income tax receivable	(693,132)	(880,884)
Income tax receivable, net	<u>\$ (1,365,281)</u>	<u>(1,532,665)</u>
Income tax receivable (booked as receivables)	<u>\$ (1,365,281)</u>	<u>(1,574,016)</u>
Income tax payable (booked as payables)	<u>\$ -</u>	<u>(41,351)</u>

The Bank's income tax returns through 2005 have been examined by the tax authorities.
Imputation credit account information

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

	December 31, 2007 (expected)	December 31, 2006 (actual)
Balance of ICA	<u>\$ 1,200,891</u>	<u>329,043</u>

The imputation tax creditable ratio for 2007 was 4.07% (expected) and for 2006 was approximately 12.72% (actual).

As of December 31, 2007 and 2006, unappropriated retained earnings were as follows:

	December 31, 2007	December 31, 2006 (restated)
1998 and after	\$ 12,267,621	12,934,753

(26) Stockholders' Equity

The boards of directors of both Bank of Taiwan and the Central Trust of China decided to merge by share exchange. This decision was approved by the Financial Supervisory Commission on July 1, 2007. The Central Trust of China was the dissolved party and Bank of Taiwan was the surviving party. The exchange ratio was one share (book value per share of \$35.95 (dollars)) of the Central Trust of China for two shares (book value per share of \$18.26 (dollars)) of Bank of Taiwan. Due to the merger, the Bank increased its capital by \$5,000,000 and issued 500,000,000 shares.

1) As of December 31, 2007 and 2006, the amount of capital was \$53,000,000 and common stock had a par value of \$10.

2) The composition of capital surplus was as follows:

	December 31, 2007	December 31, 2006 (restated)
Additional paid-in capital - from cash subscription	\$ 110,313,034	108,395,735
Additional paid-in capital - from long-term equity investment under equity method	110,047	109,522
	<u>\$ 110,423,081</u>	<u>108,505,257</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset an accumulated deficit or to increase share capital, and cannot be distributed as cash dividends.

In compliance with Rulings Tai-Cai-Ku-Zi No. 09401017630 and No. 09500022000 of the Ministry of Finance, the Bank adopted capital reduction for purposes of land expropriation. The board of directors decided to reduce capital by \$264,844 and 26,484 thousand shares. The date of this capital reduction was January 16, 2006.

The board of directors then decided to increase capital by \$264,844 through additional paid-in capital and to issue 26,484 thousand shares. The date of this capital increase was January 17, 2006.

The authorized and paid-in capital of the Bank after such capital reduction and increase were both \$53,000,000 divided into 5,300,000 thousand shares with par value of 10 dollars.

The foregoing capital reduction and increase were approved under Ruling Jin Guan Zheng Yi Zi No. 0940158718 of the FSB. The amendment was approved and registered under Ruling Shang Ni No. 09501017790 of the Ministry of Finance.

3) Legal reserve and appropriation of earnings

The articles of incorporation of the Bank stipulate that net income should be distributed as follows:

1. to pay income tax;
2. to offset prior years' deficit;
3. to appropriate 30% as legal reserve;
4. to appropriate 20~40% as special reserve;
5. to appropriate dividends.

The remaining balance is retained or appropriated upon approval of the board of directors.

According to the Banking Law, before the legal reserve balance reaches the total amount of capital, cash dividend distributions cannot exceed 15% of total capital.

(27) Earnings per Share

	December 31, 2007		December 31, 2006 (restated)	
	Pretax	After tax	Pretax	After tax
Income from continuing operations	\$ 13,129,286	12,267,621	13,183,495	12,540,118
Cumulative effect of changes in accounting principles	-	-	406,251	394,635
Net income	<u>13,129,286</u>	<u>12,267,621</u>	<u>13,589,746</u>	<u>12,934,753</u>
Denominator (shares in thousands)	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>
Basic earnings per share				
Income from continuing operations	\$ 2.48	2.31	2.49	2.37
Cumulative effect of changes in accounting principles	-	-	0.07	0.07
Net income	<u>\$ 2.48</u>	<u>2.31</u>	<u>2.56</u>	<u>2.44</u>

(28) Other Non-interest Income, Net

	December 31, 2007	December 31, 2006
Premium income	\$ 45,759,703	32,764,416
Service fee	17,384,204	20,230,512
Policyholders' reserve release	10,581,224	8,418,053
Government auxiliary revenue	18,144,279	20,990,220
Others	<u>4,821,909</u>	<u>3,337,969</u>
	<u>96,691,319</u>	<u>85,741,170</u>
Benefits and claims	(32,243,559)	(31,872,772)
Service charges	(17,184,134)	(20,056,047)
Provision for policyholders' reserve premium	(51,767,094)	(36,859,758)
Others	<u>(6,760,002)</u>	<u>(5,045,863)</u>
	<u>(107,954,789)</u>	<u>(93,834,440)</u>
	<u>\$ (11,263,470)</u>	<u>(8,093,270)</u>

(29) Information on Financial Instruments

1) Information on fair value of financial instruments

	2007		2006 (restated)	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets				
Financial assets measured at fair value through profit or loss	\$ 64,568,441	64,568,441	69,822,895	69,822,895
Available-for-sale financial assets	201,069,905	201,069,905	191,007,255	191,007,255
Loans and discounts	1,920,095,609	1,920,095,609	1,697,996,954	1,697,996,954
Held-to-maturity financial assets	105,802,005	104,027,187	85,505,687	85,512,477
Other financial assets	79,503,089	79,503,089	70,456,573	70,456,573
Financial Liabilities				
Financial liabilities measured at fair value through profit or loss	1,478,046	1,478,046	1,577,676	1,577,676
Other financial liabilities	1,715,307	1,715,307	1,999,271	1,999,271

2) The methods and assumptions used by the Bank for calculation of the fair value of financial instruments were as follows:

1. The book value of financial instruments approaching the maturity date is a reasonable basis for fair value measurement. This method applies to cash and cash equivalents, placement with Central Bank and call loans to banks, resell bond transactions, loans and discounts, accounts receivable, other financial assets (except those recorded at cost if their fair value is not available and debt investments without quoted price in active markets recorded at amortized cost), deposits of Central Bank, deposits of banks, repurchase bond transactions, and accounts payable, deposits and remittances, and other liabilities.
2. When the financial assets have a public quotation from an active market, the market price is considered the fair value. If, however, there is no market price for reference, the value will be estimated by appraisal. The estimates and assumptions utilized are the same as those utilized by market traders to decide the value of financial instruments. The discount rate the Bank uses is the rate of return on financial instruments with equivalent conditions and quality.
3. Interest for loans is calculated by a floating rate; thus the book value is the present fair value.
4. Deposits and remittances are mostly due within one year. If the due date is more than one year, the interest is calculated by a floating rate; thus the book value is the present fair value.
5. The DCF (discounted cash flow) will be applied to calculate the fair value of each forward contract, whereas the Bank uses the Reuters foreign exchange rate upon maturity. For an IRS (interest rate swap) or a CCS (cross currency swap), quotations provided by both the trader and Bloomberg will be referenced to apply the DCF to calculate the fair value of the individual contract. In addition, the Black-Scholes model is applied to evaluate the fair value of options.

3) The fair values of the Bank's financial assets and liabilities evaluated under direct public quotation from an active market or under an assessment method as of December 31, 2007, were as follows:

	2007		2006 (restated)	
	Fair value per direct public quotation from active market	Fair value per assessment method	Fair value per direct public quotation from active market	Fair value per assessment method
Financial Assets				
Financial assets measured at fair value through profit or loss	\$ 62,941,359	1,627,082	67,342,431	2,480,464
Available-for-sale financial assets	201,069,905	-	191,007,255	-
Discount and loans	-	1,920,095,609	-	1,697,996,954
Held-to-maturity financial assets	-	105,802,005	-	85,505,687
Other financial assets	-	79,503,089	-	70,456,573
Financial Liabilities				
Financial liabilities measured at fair value through profit or loss	-	1,478,046	-	1,577,676
Other financial liabilities	-	1,715,307	-	1,999,271

The Bank recognized current profit (loss) of \$(2,070,989) and \$1,925,997 due to variation in fair value derived from appraisal in the years 2007 and 2006, respectively.

4) Financial risk information

1. Market risk

Market risk is also called "pricing risk." It means changes such as in interest rates, exchange rates, and the prices of equity securities and instruments which may result in a loss for the Bank, either on or off the balance sheet.

In order to establish and effectively operate the Market Risk Control Mechanism, all trading units, in accordance with the Bank's cash capital and operating condition, implement appropriate market risk control in daily operations and management procedures, such as:

- (a) Identifying, evaluating and analyzing (qualification/non-qualification) risks and adopting appropriate methods (including risk hedging, risk sharing, risk reduction, and risk bearing).

- (b) Each unit following the Market Risk Management Guidelines for position management, actively monitoring various limits, and reporting to the responsible unit or the risk management department.
- (c) Verifying the position data and profit or loss status with the accounting department to ensure the consistency and completeness of data, and setting up a separate risk management unit to help control the Bank's overall market risk.

The Bank utilizes the standard method for calculating market risk capital to meet the requirement of the Basel Accord. In the future, the Bank will adopt a market risk management system and use VaR to enhance risk gain or loss analysis and overall reporting ability. Furthermore, the Bank will amend relevant policies and standards in accordance with the request of management agencies and BASEL II.

2. Credit risk

- (a) The possibility of a loss occurring due to the failure of counterparty or third party to meet contractual debt obligations

Commodities owned and issued by the Bank may cause a loss when the contractual debt obligations are not met. Therefore, the Bank always conducts credit evaluations in accordance with the Credit Policy and Regulation in handling credit business such as loans, commitments and guarantees. The details were as follows:

December 31, 2007			
Item	Secured amount	Total amount	Percentage of total amount
Loans (note 1)	\$ 684,800	1,933,428	35.68
Acceptances	72	3,596	1.99
Guarantees on loans	11,348	64,478	17.60

December 31, 2006 (only Bank of Taiwan)			
Item	Secured amount	Total amount	Percentage of total amount
Loans (note 1)	\$ 496,227	1,488,234	33.34
Acceptances	20	4,896	0.40
Guarantees on loans	274	51,272	0.53

Note 1: Amounts of loans exclude the advances and off-balance item.

Collateral but may include cash, inventories, marketable securities, and other property. If the customers default, the Bank will, as required by circumstances, foreclose the collateral or execute other rights arising out of the guarantees given. Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. The maximum potential amount of future payments represents the notional amounts that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

- (b) Credit risk - disclosure of the greatest credit exposure

The book value and greatest credit exposure of various commodities owned by the Bank are disclosed below:

Unit: Million NTD

	December 31, 2007	
	Book Value (note 1)	Greatest Credit Exposure (note 2, note 3)
Financial assets measured at fair value through profit or loss	\$ 64,568	63,424
Available-for-sale financial assets	201,070	106,776
Held-to-maturity financial assets	105,802	86,687
Loans and advances (note 1)	2,053,606	1,762,723
Hedging derivatives	9,732	83
Debt investments without quoted price in active markets	16,119	16,119
Financial assets carried at cost	11,108	11,108

Note 1: The aforementioned "loans and advances" refer to the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; loan receivables; import bill advances/export bill purchases; overdue receivables; acceptance receivables; guarantee payment receivables; and short-term loans.

Note 2: In the amounts of greatest credit exposure, held-for-trading financial assets exclude government bonds amounting to \$1,144 million; available-for-sale financial assets exclude government bonds amounting to \$54,346 million and negotiable certificates of deposit amounting to \$39,948 million; held-to-maturity financial assets exclude government bonds amounting to \$19,115 million; loans and advances exclude Central Government loans amounting to \$285,886 million and Central Government short-term advance amounting to \$4,997 million.

Note 3: The amount of greatest credit exposure is the fair value at the balance sheet date; the book value of hedging derivative is the principal of the hedging instrument (IRS); and the amount of greatest credit exposure is the adjusted amount of hedging derivatives at fair value.

Unit: Million NTD

	December 31, 2006	
	Book Value (note 1)	Greatest Credit Exposure (note 2, note 3)
Financial assets measured at fair value through profit or loss	\$ 69,823	65,970
Available-for-sale financial assets	191,007	93,481
Held-to-maturity financial assets	85,506	69,633
Loans and advances (note 1)	1,836,849	1,512,582
Hedging derivatives	10,606	225
Debt investments without quoted price in active markets	7,346	7,346
Financial assets carried at cost	11,273	11,273

Note 1: The aforementioned "loans and advances" refer to the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; loan receivables; import bill advances/export bill purchases; overdue receivables; acceptance receivables; guarantee payment receivables; and short-term loans.

Note 2: In the amounts of greatest credit exposure, held-for-trading financial assets exclude government bonds amounting to \$3,853 million; available-for-sale financial assets exclude government bonds amounting to \$57,326 million and negotiable certificates of deposit amounting to \$40,200 million; held-to-maturity financial assets exclude government bonds amounting to \$15,873 million; loans and advances exclude Central Government loans amounting to \$319,686 million and Central Government short-term advance amounting to \$4,581 million.

Note 3: The table above indicates the amounts of greatest credit exposure is the fair value at the balance sheet date; the book value of hedging derivatives is the principal of the hedging instruments (IRSs); and the amount of greatest credit exposure is the adjusted amount of hedging derivatives at fair value.

(c) Disclosure of obvious concentration of credit risk

When the trading of a commodity is centered in a single industry or location, the ability to fulfill the contract, affected by economic or other factors, is similar; thus the occurrence of obvious concentration of credit risk.

a) The details of loans to various industry types and the greatest credit exposure in 2007 and 2006 were as follows:

Unit: Million NTD

December 31, 2007			
Industry type	Book value (note 1)	%	Greatest credit exposure (note 2)
Individual	\$ 564,568	29.42	564,568
Government agencies	518,163	27.00	232,277
Manufacturing	282,949	14.74	282,949
Shipping, warehousing and communications	108,953	5.68	108,953
Utilities	107,906	5.62	107,906
Others	336,588	17.54	336,588
Total	\$ 1,919,127	100.00	1,633,241

Note 1: The book value means the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; loan receivables; and import bill advances/export bill purchases.

Note 2: The greatest credit exposure is the remaining amount when loans amounting to \$285,886 million to the Central Government are deducted from book value.

December 31, 2006 (Bank of Taiwan)			
Industry type	Book value (note 1)	%	Greatest credit exposure (note 2)
Individual	\$ 415,522	28.23	415,522
Government agencies	476,279	32.36	156,593
Manufacturing	223,913	15.21	223,913
Shipping, warehousing and communications	80,927	5.50	80,927
Utilities	66,896	4.54	66,896
Others	208,507	14.16	208,507
Total	<u>\$ 1,472,044</u>	<u>100.00</u>	<u>1,152,358</u>

Note 1: The book value means the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; loan receivables; and import bill advances/export bill purchases.

Note 2: The greatest credit exposure is the remaining amount when loans amounting to \$319,686 million to the Central Government are deducted from book value.

December 31, 2006 (Central Trust of China)			
Industry type	Book value (note 1)	%	Greatest credit exposure (note 2)
Individual	\$ 76,209	33.67	76,209
Government agencies	72,585	32.07	72,585
Manufacturing	38,426	16.97	38,426
Construction	3,222	1.42	3,222
Others	35,914	15.87	35,914
Total	<u>\$ 226,356</u>	<u>100.00</u>	<u>226,356</u>

b) The details of loans to various industry types and the greatest credit exposure in 2007 and 2006 were as follows:

Unit: Million NTD

December 31, 2007			
Area type	Book value (note 1)	%	Greatest credit exposure (note 2)
Domestic	\$ 1,821,135	94.89	1,535,249
Foreign	97,992	5.11	97,992
Total	<u>\$ 1,919,127</u>	<u>100.00</u>	<u>1,633,241</u>

Note 1: The book value means the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; loan receivables; and import bill advances/export bill purchases.

Note 2: The greatest credit exposure is the remaining amount when loans amounting to \$285,886 million to the Central Government are deducted from book value.

December 31, 2007 (Bank of Taiwan)			
Area type	Book value (note 1)	%	Greatest credit exposure (note 2)
Domestic	\$ 1,392,701	94.61	1,073,015
Foreign	79,343	5.39	79,343
Total	<u>\$ 1,472,044</u>	<u>100.00</u>	<u>1,152,358</u>

Note 1: The book value means the outstanding amounts of discounts; overdrafts; treasury overdrafts; guarantee overdrafts; short-term, medium-term and long-term secured/unsecured loans; loan receivables; and import bill advances/export bill purchases.

Note 2: The greatest credit exposure is the remaining amount when loans amounting to \$319,686 million to the Central Government are deducted from book value.

December 31, 2006 (Central Trust of China)			
Area type	Book value (note 1)	%	Greatest credit exposure (note 2)
Domestic	\$ 221,912	98.04	221,912
Foreign	4,444	1.96	4,444
Total	<u>\$ 226,356</u>	<u>100.00</u>	<u>226,356</u>

(d) Off-balance sheet credit risk (including loan commitments, net settlement agreements, and offset rights)

The Bank's terms and conditions are not applicable to loan commitments, net settlement agreements, and offset rights, but rather conform to SFAS 34.

3. Liquidity risk

Liquidity risk includes market liquidity risk and capital liquidity risk (financial risk). Market liquidity risk is the risk of facing market price movement in processing or offsetting owned assets caused by a low-volume market. Capital liquidity risk, on the other hand, is the risk of default at the maturity due to inability to cash in assets or obtain sufficient capital. The Bank has different policies in accordance with capital demands for different kinds of business, aiming to effectively monitor market liquidity risk. Moreover, the financial department is in charge of the overview of capital and conducts a daily review to respond to system risk and capital demand in abnormal conditions.

The Bank controls the trading risk of commodities by means of the aforementioned position limits, setting of stop loss points, and operation guidelines at the management level. In addition, the Bank utilizes financial tools of the money market and foreign exchange market, together with appropriate liquid assets, to plan for future cash demand.

The liquidity ratio in December 2007 and December 2006 was 30.98% and 42.84%, respectively. The capital and operating funds are sufficient to fulfill all contractual obligations. The Bank faced no liquidity risk due to insufficient funds.

The analysis of maturity for December 31, 2007 and 2006, was as follows:

Unit: Thousand NTD

	December 31, 2007				
	1st-30th day	31st--90th day	91st-365th day	Over a year	Subtotal
Assets					
Cash	\$ 17,469,802	-	-	-	17,469,802
Placement with Central Bank and call loans to banks	112,920,749	345,695,947	204,259,379	-	662,876,075
Financial assets at fair value through profit or loss, net	8,604,300	4,669,735	2,618,798	10,499,720	26,392,553
Available-for-sale financial assets, net	40,396,460	18,146,310	16,537,126	105,629,890	180,709,786
Held-to-maturity financial assets, net	281,106	-	924,974	1,456,459	2,662,539
Hedging derivatives assets	82,832	-	-	-	82,832
Financial assets carried at cost	-	-	-	11,107,621	11,107,621
Debt investments without quoted price in active markets	-	-	-	8,187,698	8,187,698
Investments under equity method, net	-	-	-	29,840,233	29,840,233
Receivables, net	19,455,781	1,342,125	215,137	26,131,148	47,144,191
Loans and discounts, net	186,703,342	185,561,657	383,130,829	1,150,915,371	1,906,311,199
Non-performing loans	370,405	563,454	3,367,557	10,046,322	14,347,738
Total assets	\$ 386,284,777	555,979,228	611,053,800	1,353,814,462	2,907,132,267
Liabilities					
Deposits of Central Bank and other banks	\$ 90,654,673	50,693,222	19,973,260	40,750,416	202,071,571
Payables	16,741,380	521,418	257,782	41,977,489	59,498,069
Financial liabilities measured at fair value through profit or loss	685,014	-	-	752,784	1,437,798
Bonds and bills sold under repurchase agreements	14,362,485	3,207,830	-	-	17,570,315
Hedging derivatives liabilities	22,102	23,328	7,658	-	53,088
Other financial liabilities	-	-	-	1,662,219	1,662,219
Deposits and remittances	274,178,392	291,592,231	866,847,392	1,076,904,413	2,509,522,428
Total liabilities	\$ 396,644,046	346,038,029	887,086,092	1,162,047,321	2,791,815,488
Gaps	\$ (10,359,269)	209,941,199	(276,032,292)	191,767,141	115,316,779

Note: The table contains the amounts for the departments of the Bank only.

	December 31, 2006 (Bank of Taiwan)				
	1st-30th day	31st--90th day	91st-365th day	Over a year	Subtotal
Assets					
Cash	\$ 27,232,819	-	-	-	27,232,819
Due from Central Bank and call loans to banks	156,968,762	265,305,836	214,247,668	52,893,140	689,415,406
Financial assets at fair value through profit or loss, net	11,168,004	2,534,261	2,345,192	15,762,719	31,810,176
Bonds and bills purchased under resell agreements	23,260,882	2,507,200	-	-	25,768,082
Receivables, net	27,849,992	18,133,086	22,716,060	111,449,532	180,148,670
Loans and discounts, net	-	-	295,580	4,499,266	4,794,846
Available-for-sale financial assets, net	163,250	62,236	-	-	225,486
Held-to-maturity financial assets, net	-	-	-	10,207,315	10,207,315
Investments under equity method, net	-	-	60,207	6,167,450	6,227,657
Debt investment without quoted price in active markets	-	-	-	34,485,337	34,485,337
Financial assets carried at cost	8,339,887	102,079	23,818	65,909,266	74,375,050
Nonperforming loans	87,029,841	127,197,202	248,747,977	1,009,068,320	1,472,043,340
Hedging derivative assets	386,637	673,931	4,264,293	10,997,072	16,321,933
Total assets	\$ 342,400,074	416,515,831	492,700,795	1,321,439,417	2,573,056,117
Liabilities					
Due to Central Bank and other banks	\$ 86,677,229	75,406,548	42,417,799	43,029,800	247,531,376
Payables	4,486,659	310,586	122,198	45,686,657	50,606,100
Financial liabilities measured at fair value through profit or loss	152,066	822,600	-	562,917	1,537,583
Bonds and bills sold under repurchase agreements	17,308,531	1,219,918	-	-	18,528,449
Hedging derivative liabilities	41,875	-	-	-	41,875
Other financial liability	-	-	-	1,678,996	1,678,996
Deposits and remittances	179,780,176	241,443,810	747,097,195	965,879,669	2,134,200,850
Total liabilities	\$ 288,446,536	319,203,462	789,637,192	1,056,838,039	2,454,125,229
Gaps	\$ 53,953,538	97,312,369	(296,936,397)	264,601,378	118,930,888

	December 31, 2006 (Central Trust of China)				
	1st-30th day	31st--90th day	91st-365th day	Over a year	Subtotal
Assets					
Cash	\$ 2,896,233	-	-	-	2,896,233
Due from Central Bank and call loans to banks	24,147,044	648,788	284,022	-	25,079,854
Financial assets at fair value through profit or loss, net	7,608,100	256,866	554,061	915,165	9,334,192
Bonds and bills sold under resell agreements	3,206,782	-	-	-	3,206,782
Available-for-sale financial assets, net	503,724	145,303	149,610	85,343	883,980
Loans and discounts, net (including nonperforming loans)	10,991,014	18,148,619	44,406,319	145,591,664	219,137,616
Available-for-sale financial assets, net	788,063	-	31,266	2,454,623	3,273,952
Held-to-maturity financial assets, net	2,025,000	65,083	3,058,250	1,142,249	6,290,582
Financial assets carried at cost	-	-	-	1,065,776	1,065,776
Total assets	\$ 52,165,960	19,264,659	48,483,528	151,254,820	271,168,967
Liabilities					
Due to Central Bank and other banks	\$ 19,571,793	4,443,539	10,090,748	-	34,106,080
Bonds and bills sold under repurchase agreements	380,751	-	-	-	380,751
Interest payable	415,587	141,106	643,686	181,666	1,382,045
Deposits	31,046,460	21,379,483	64,533,205	61,652,554	178,611,702
Total liabilities	\$ 51,414,591	25,964,128	75,267,639	61,834,220	214,480,578
Gaps	\$ 751,369	(6,699,469)	(26,784,111)	89,420,600	56,688,389

Note: The table contains the amounts for the "bank department of the Central Trust of China" only.

4. Cash flow risk and fair value risk of interest rate change

Floating assets and floating liabilities of the Bank may change due to movement in future cash flow caused by market rate movement, and hence create risk. The evaluation showed the potential risk may be significant; thus the Bank signed an interest swap contract for the purpose of hedging risk.

(a) Information on expected final maturity and expected repricing date

On December 31, 2007 and 2006, the expected re-pricing date and expected final maturity would not be affected by the contract effective date. The following table shows the interest risk of the Bank. Non-derivative assets and liabilities are listed at book value without deducting any allowance or adjustment. Derivative assets and liabilities are listed at book value. The book value is further categorized by the earlier of maturity date or repricing date. The book value of commodities owned or issued by the Bank, categorized by different maturity or repricing date (the earlier date among the two), was as follows:

Unit: Million NTD

	December 31, 2007				
	1st-30th day	31st-90th day	91st-365th day	Over a year	Subtotal
Asset					
Current financial assets:					
Financial assets measured at fair value through profit or loss - current	\$ 8,604	4,670	2,619	10,500	26,393
Available-for-sale financial assets - current	40,396	18,146	16,537	9,882	84,961
Held-to-maturity financial assets - current	281	-	925	-	1,206
Hedging derivatives assets - current	83	-	-	-	83
	49,364	22,816	20,081	20,382	112,643
Due from and call loans to banks and overdraft from banks	112,920	345,696	204,260	-	662,876
Loans and discounts	186,703	185,562	383,131	1,150,915	1,906,311
Long-term investments					
Investment under equity method	-	-	-	29,840	29,840
Available-for-sale financial assets - noncurrent	-	-	-	95,748	95,748
Held to maturity financial assets - noncurrent	-	-	-	1,456	1,456
Financial assets carried at cost	-	-	-	11,108	11,108
Debt investment without quoted price in active market - noncurrent	-	-	-	8,188	8,188
	-	-	-	146,340	146,340
Other assets	21,587	3,081	582	236,361	261,611
Total assets	\$ 370,574	557,155	608,054	1,553,998	3,089,781
Liabilities					
Current financial liabilities					
Financial liabilities measured at fair value through profit loss - current	\$ 685	-	-	753	1,438
Bonds and bills sold under repurchase agreements	14,362	3,208	-	-	17,570
Hedging derivatives liabilities - current	22	23	8	-	53
Others financial liabilities	-	-	-	92	92
	15,069	3,231	8	845	19,153
Deposits	273,670	291,592	866,847	1,076,905	2,509,014
Remittances	90,654	50,693	19,974	-	161,321
Long-term liabilities	-	-	-	19,305	19,305
Noncurrent liabilities	-	-	-	1,570	1,570
Other liabilities	17,980	3,521	10,997	103,495	135,993
Total liabilities	\$ 397,373	349,037	897,826	1,202,120	2,846,356
Stockholders' equity	\$ (26,799)	208,118	(289,772)	351,878	243,425

Note: The table contains the amounts for the departments of the Bank only.

	December 31, 2006 (Bank of Taiwan)				
	1st-30th day	31st--90th day	91st-365th day	Over a year	Subtotal
Assets					
Current financial assets					
Financial assets measured at fair value through profit or loss - current	\$ 11,168	2,534	2,345	15,763	31,810
Bonds and bills purchased under resell agreements	23,261	2,507	-	-	25,768
Available-for-sale financial assets - current	27,850	18,133	22,716	14,470	83,169
Held-to-maturity financial assets - current	-	-	296	-	296
Hedging derivatives assets - current	163	62	-	-	225
Debt investment without quoted price in active markets - current	-	-	60	-	60
	62,442	23,236	25,417	30,233	141,328
Due from and call loans to banks and overdraft from banks	160,783	265,306	214,248	52,893	693,230
Loads and discounts	80,933	127,197	248,748	1,009,068	1,465,946
Long-term investments					
Investment under equity method	-	-	-	34,485	34,485
Available-for-sale financial assets - noncurrent	-	-	-	96,980	96,980
Held-to-maturity financial assets - noncurrent	-	-	-	4,499	4,499
Financial assets carried at cost	-	-	-	10,207	10,207
Debt investment without quoted price in active market - noncurrent	-	-	-	6,168	6,168
	-	-	-	152,339	152,339
Other assets	16,996	4,066	1,486	227,361	249,909
Total assets	\$ 321,154	419,805	489,899	1,471,894	2,702,752
Liabilities					
Current financial liabilities					
Financial liabilities measured at fair value through profit or loss - current	\$ 152	823	-	563	1,538
Bonds and bills sold under repurchase agreements	17,308	1,220	-	-	18,528
Hedging derivatives liabilities - current	42	-	-	-	42
Others financial liabilities	-	-	-	142	142
	17,502	2,043	-	705	20,250
Deposits	184,197	253,535	772,882	965,880	2,176,494
Remittances	81,723	63,316	16,633	163	161,835
Long-term liabilities	-	-	-	32,674	32,674
Noncurrent liabilities	-	-	-	1,537	1,537
Other liabilities	8,666	3,280	12,105	72,823	96,874
Total liabilities	\$ 292,088	322,174	801,620	1,073,782	2,489,664
Stockholders' equity	\$ 29,066	97,631	(311,721)	398,112	213,088

	December 31, 2006 (Central Trust of China)				
	1st-30th day	31st-90th day	91st-365th day	Over a year	Subtotal
Assets					
Current financial assets					
Cash	\$ 2,896	-	-	-	2,896
Financial assets measured at fair value through profit or loss - current	7,608	257	554	915	9,334
Bonds and bills purchased under resell agreements	3,207	-	-	-	3,207
Interest and income receivable	504	145	150	85	884
Discounts and loans (including nonperforming loans)	10,991	18,149	44,406	145,592	219,138
Available-for-sale financial assets - current	788	-	31	2,320	3,139
Held-to-maturity financial assets - current	2,025	65	3,058	-	5,148
	28,019	18,616	48,199	148,912	243,746
Due from and call loans to banks and overdraft from banks	24,147	649	284	-	25,080
Long-term investments					
Available-for-sale financial assets - noncurrent	-	-	-	135	135
Held-to-maturity financial assets - noncurrent	-	-	-	1,142	1,142
Financial assets carried at cost	-	-	-	1,066	1,066
	-	-	-	2,343	2,343
Total assets	\$ 52,166	19,265	48,483	151,255	271,169
Liabilities					
Current financial liabilities					
Bonds and bills sold under repurchase agreements	\$ 381	-	-	-	381
Interest payable	415	141	644	182	1,382
	796	141	644	182	1,763
Due to Central Bank and other banks	19,572	4,444	10,091	-	34,107
Deposits	31,046	21,379	64,533	61,653	178,611
Total liabilities	\$ 51,414	25,964	75,268	61,835	214,481
Stockholders' equity	\$ 752	(6,699)	(26,785)	89,420	56,688

Note: The table contains the amounts for the departments of the Bank only.

(b) Effective interest rate (excluding financial structure for trading purposes)

The effective interest rate, by currency, of the commodities owned or issued by the Bank as of December 31, 2007 and 2006, was as follows:

December 31, 2007		
Item	NTD	USD
Available-for-sale financial assets		
Government bonds	1.707%-6.961%	4.625%-10.375%
Financial bonds	2.110%-2.300%	4.125%-6.500%
Corporate bonds	1.960%-2.880%	1.000%-8.075%
Negotiable certificates of deposit of Central Bank	1.976%-2.150%	-
Taipei City Government bonds	4.619%-4.619%	-
Beneficiary certificates - financial assets securitization	2.340%-2.804%	-
Beneficiary certificates - real estate investment trust	2.680%-2.680%	-
Real estate investment trust	-	5.500%-5.750%
Foreign organization bonds	-	5.631%-5.631%
Held-to-maturity financial assets		
Government bonds	1.519%-6.070%	-
Corporate bonds	1.643%-1.949%	-
Beneficiary certificates - financial assets securitization	1.088%-2.179%	-
Beneficiary certificates - real estate investment trust	2.400%-2.400%	-
Debt investment without quoted price in active markets		
Beneficiary certification - financial assets securitization	1.680%-1.680%	-
Financial bonds	-	6.600%-7.230%
Real estate investment trust	-	5.205%-6.365%
Other bonds	-	5.963%-6.920%
Loans and discounts		
Short-term loans	1.250%-18.000%	2.940%-8.750%
Medium-term loans	1.391%-18.000%	3.917%-8.150%
Long-term loans	1.051%-10.381%	5.372%-7.698%
Liabilities		
Short-term loans	-	4.500%-5.700%
Hedging derivatives liabilities		
IRS	-	3.875%-10.095%

December 31, 2006 (Bank of Taiwan only)		
Item	NTD	USD
Available-for-sale financial assets		
Government bonds	3.753%~6.961%	4.360%~10.375%
Financial bonds	2.110%~2.300%	4.125%~7.874%
Corporate bonds	1.960%~2.700%	0.000%~6.819%
Negotiable certificates of deposit of Central Bank	1.710%~1.806%	-
Taipei City Government bonds	4.619%	-
Second financial bonds	2.800%	-
Financial bonds	-	5.570%~6.420%
Real estate investment trust	-	5.500%~5.750%
Foreign organization bonds	-	5.920%
Held-to-maturity financial assets		
Second financial bonds	1.806%~3.300%	-
Corporate bonds	1.643%~2.270%	-
Debt investment without quoted price in active market		
Asset-backed commercial paper	1.680%	-
Financial bonds	2.108%~2.200%	-
Real estate investment trust	-	5.650%~5.770%
Loans and discounts		
Short-term loans	1.340%~18.000%	5.000%~9.250%
Medium-term loans	1.390%~18.000%	4.799%~8.850%
Long-term loans	1.024%~9.350%	5.750%~6.932%
Liabilities		
Short-term loans	-	5.310%~5.620%
Hedging derivatives liabilities		
IRS	-	5.356%~10.540%

5. Fair-value hedge and cash flow hedge

In accordance with hedge accounting policies of the Bank, risk hedging can be categorized into fair value hedge, cash flow hedge, and hedge of a net investment in a foreign entity. When the above three hedging relations satisfy all conditions of hedge accounting, the gain-loss value created by offsetting changes in fair value of the hedging instrument and hedged item is recognized, and the accounting handling were as follows:

- (a) Fair value hedge: Profit or loss created by fair value re-measurement of a hedge instrument or book value change due to interest rate movement is immediately recognized as current income. Profit or loss created by hedged items is recognized as current income; the book value of the hedged items is adjusted.
- (b) Cash flow hedge: Gain or loss on hedging instruments is a measure of the hedging efficiency and shall be recognized as adjustment of owner's equity. The lower of "cumulative gain or loss on hedging instruments" or "cumulative gain or loss on cash flow hedging instruments" after hedging commences shall be recognized. Ineffective hedging is recognized as current income. If the hedging will create financial assets or liabilities, gain or loss initially reported as adjustment of owner's equity, during the period of time when such assets or liabilities affect gain or loss, should be recognized as current income.
- (c) Fair value hedge, cash flow hedge, and hedge of a net investment in a foreign entity should disclose the following separately:

a) Description of hedging

Currently, the New York, LA, and Singapore branches of the Bank adopt fair value hedge accounting and have IRSs as designated hedging instruments to hedge the interest risk exposure of investing in fixed-rate bonds; the hedging strategies are as follows:

- a. When the interest rate trends up, to avoid effects on income, the Bank adopts fair value hedging by swapping a fixed rate for a floating rate on fixed-rate bonds.
- b. When the interest rate trends down, to avoid effects on income, the Bank adopts cash flow hedging by swapping a floating rate for a fixed rate on floating-rate notes.

b) Description and balance sheet fair value of financial commodities designated as hedging instruments:

Hedged Item	December 31, 2007		
	Designated Hedging Instruments	Original Amount	Fair Value
Foreign bonds	SWAP	7,361,024	82,832
Foreign bonds	SWAP	2,371,188	(53,088)

Hedged Item	December 31, 2006		
	Designated Hedging Instruments	Original Amount	Fair Value
Foreign bonds	SWAP	9,261,085	225,486
Foreign bonds	SWAP	1,345,106	(41,875)

c) Nature of hedged risk:

The hedged items of the hedge accounting adopted by the Bank are fixed-rate bond investments. Thus IRSs are used to hedge interest risk (adopting interest fair value hedging—swapping a fixed rate for a floating rate).

(30) Disclosure of Risk Management Policy

1) The management policy of risk control on financial instruments

A financial commodity refers to a contract in which a financial asset is created for one party and a financial liability is created for the other. The major financial assets of the Bank are loans, receivables, and negotiable security investments. The related risk and management policy are as follows:

1. Credit risk management: including stratifying authorization, management of large exposure and excessive concentration, and a re-assessment system

(a) Carrying out stratified authorization

A system of graded delegation of authority is used in loan cases and the disposition of bad loans. Each authority level has its own authorization review committee and loan collection review committee. The review of loan cases is carried out strictly in accordance with the limits of authorization so as to assure the quality of loan assets.

(b) Management of large exposure and excessive concentration

- a) In accordance with the Banking Law, loans to the Bank's responsible person, Bank employees, and persons having material interest with the Bank are controlled in accordance with stipulated quotas. The Bank has established rules for credit risk management of loans to enterprise groups and ratios for loan risk exposure to different industries, and it controls credit quotas for trading partners, issuers, and guarantors in accordance with their external credit ratings.
- b) The Bank's Treasury Department, OBU, and foreign branches set up policies based on external credit evaluation for loan quota management in money market, foreign exchange, and negotiable security trading.
- c) Each year, to reinforce the control of credit risk in regard to individual countries, the national risk quota, in accordance with the placing in Euromoney Magazine, is allocated to the Financing Department, OBU, and foreign branches. The business recorded by the Bank includes loan assets, transaction assets, and off-balance sheet positions.

(c) Re-assessment

To evaluate the quality of loan assets, the Bank has a re-assessment policy for credit review. After loans are extended, they are reviewed during the loan period in accordance with their review ratings. For important loans, follow-up evaluation is carried out, and reserves against bad loans are allocated for loan assets at the end of every month in order to reinforce the Bank's operating system.

2. Market risk management

(a) Daily evaluation

To control risk, each trading unit carries out a daily assessment of forex trading against trading objectives in accordance with market prices. The major source for evaluation is the public appraisal of negotiable securities in external information systems such as Bloomberg and Reuters.

- (b) In the management of New Taiwan Dollar funds, interest rate risk is controlled by predictions of long-term interest-rate trends, by setting short dealing interest rates prior to the beginning of business each day, and by establishing add-or-subtract authorization for personnel at different levels. In the management of foreign currency funds, trading position quotas are set for different currencies and for bank-wide foreign-exchange positions, and stop-loss limits are set for positions held for trading purposes and for non-hedging unleveled net positions for derivative products.

3. Interest rate and liquidity risk management

- (a) The Bank has set up an Assets and Liabilities Management Committee to strengthen the structure of assets and liabilities. Under the leadership of the president, the Committee is divided into Management, Finance, and Capital subcommittees; and this Committee is responsible for setting guidelines for assets and liabilities management, liquidity position management, management of interest rate risk, and the review of the deposit and loan structure.

- (b) Setting up management policy for liquidity and interest rate risk; setting up guidelines for liquidity risk management

- a) Management of interest-rate sensitive gap: The ratio of New Taiwan Dollar interest-rate sensitive assets to liabilities shall fall between 80% and 140%. The ratio of New Taiwan Dollar capital gap to owner's equity shall be maintained between positive/negative 100%. The difference in re-pricing the foreign interest rate shall not exceed total assets of all currencies by 35%.

- b) Management of liquidity risk

- a. Maintain liquid ratio: According to the Central Bank's "Liquidity Guidelines for Financial Institutions," the Bank shall maintain the liquidity ratio of all deposits between 10% and 23%.
- b. Short-term gap analysis: 1-10 day and 11-30 day gaps are calculated; and the period gap is greater than zero.
- c. Foreign currency gap management: The ratio of accumulated capital liquidity gap to total assets of the four major foreign currencies of the Bank (U.S. Dollar, HK Dollar, JP Yen, and Euro) should not exceed the scope of positive 50% or negative 40%. The aforementioned total assets of the major foreign currencies have reached 3% of total assets of the Bank.
- d. Capital management: Full use is made of the Assets and Liabilities Management Information System on a regular basis to analyze maturity gaps of assets and liabilities and changes in maturity structure. The appropriate allocation and utilization of funds, and the adjustment of the capital structure are carried out in accordance with the capital situation. In the management of New Taiwan Dollar funds, in addition to maintaining an appropriate level of cash on hand and of securities that can be converted quickly into cash, the Bank has set policies for the reporting of New Taiwan Dollar funds to provide for the timely reporting of receipts or disbursements of large amounts of funds. The Bank also carries out gap analysis of the maturity amount of purchased bills, bonds, and call loans so as to lower liquidity risk. In the management of foreign currencies, the Bank uses the maturity method to carry out funds gap analysis of the actual funds to be received or paid out within the next year.

- c) New Assets and Liabilities Management Information System

The Assets and Liabilities Management Information System is able to deal with cash flow analysis of current position and gaps of periods so as to establish simulation factors to conduct dynamic analysis. The simulation factors include the forward loans rescinded or withdraw prior to maturity of time deposit, regarding assumptions new business (including duration), an interest rate indicator, and the price of new business, as well as regarding assumptions maturity. In addition, the system incorporates the relationship between the discount rate and the market interest rate curve to analyze the duration of assets and liabilities, and the movement of net revenue and market value.

2) The policy of reduction of credit risk in terms of pledges and guarantees

In its consideration of credit control and business promotion, the Bank attempted to decrease the burden of credit risk by increasing collateral or strengthening the guarantee, based on the Bank's credit and pledge policy. Collateral and guarantees include mortgages on real estate or property (i.e., land, building, machinery, car, ship, aircraft, etc.), pledges of securities or other rights (i.e., certificates of deposit; various bonds, stocks, or other securities), guarantees provided by government agencies, banks, or credit-guarantee institutions authorized by the government, and any other guarantee or collateral approved by the Bank.

(31) Related-party Transactions

1) Names and relationship of related parties

Name	Relationship
Hua Nan Financial Holdings Co., Ltd.	Investee company of the Bank under the equity method
Taiwan Business Bank, Ltd.	Investee company of the Bank under the equity method (because of the decline in percentage of ownership, it was transferred to available-for-sale financial assets on December 29, 2006)
Taiwan Life Insurance Co., Ltd.	Investee company of the Bank under the equity method
Tang Eng Iron Works Co., Ltd.	Investee company of the Bank under the equity method
Kaohsiung Ammonium Sulfate Co., Ltd.	Investee company of the Bank under the equity method
Tai Yi Real-Estate Management Co., Ltd.	Investee company of the Bank under the equity method
Others	Major stockholders, supervisors, directors, managers and their relatives

2) Significant related-party transactions

1. Placement with banks

Name	December 31, 2007		December 31, 2006 (restated)	
	Amount	Percentage of placement with banks	Amount	Percentage of placement with banks
Hua Nan Financial Holdings Co., Ltd.	\$ 5,987	-	75	-
Taiwan Business Bank	-	-	3,229	0.08
Total	\$ 5,987	-	3,304	0.08

2. Deposits of banks

Name	December 31, 2007		December 31, 2006 (restated)	
	Amount	Percentage of deposits of banks	Amount	Percentage of deposits of banks
Hua Nan Financial Holdings Co., Ltd.	\$ 225,565	10.08	544,395	1.82
Taiwan Business Bank	-	-	408,557	1.36
Total	\$ 225,565	10.08	952,952	3.18

Interest rates of related-party transactions are the same as those with other banks.

3. Call loans to banks (included in due from banks):

Name	January 1 to December 31, 2007			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Hua Nan Financial Holdings Co., Ltd.	\$ 13,897,105	2,441,300	68,004	1.69~6.84

Name	January 1 to December 31, 2006 (restated)			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Hua Nan Financial Holdings Co., Ltd.	\$ 21,370,865	1,867,200	28,983	0.45~6.12
Taiwan Business Bank	846,663	326,500	6,287	0.33~5.48
Total		\$ 2,193,700	35,270	

Interest rates of related-party transactions are the same as those with other banks.

4. Call loans from banks (included in due to banks):

Name	January 1 to December 31, 2007			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Hua Nan Financial Holdings Co., Ltd.	\$ 12,210,090	<u>5,123,560</u>	<u>156,800</u>	0.78~5.83

Name	January 1 to December 31, 2006 (restated)			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Hua Nan Financial Holdings Co., Ltd.	\$ 15,811,211	4,021,611	68,257	1.45~5.37
Taiwan Business Bank	1,666,274	<u>750,950</u>	<u>34,584</u>	3.65~5.64
Total		<u>\$ 4,772,561</u>	<u>102,841</u>	

Interest rates of related-party transactions are the same as those with other banks.

5. Loans

Name	December 31, 2007		December 31, 2006 (restated)	
	Amount	Percentage of loans (%)	Amount	Percentage of loans (%)
Tang Eng Iron Works Co., Ltd.	<u>\$ 998,412</u>	<u>-</u>	<u>1,102,481</u>	<u>0.07</u>

6. Deposits

Name	December 31, 2007		December 31, 2006 (restated)	
	Amount	Percentage of deposits (%)	Amount	Percentage of deposits (%)
Taiwan Life Insurance Co., Ltd.	\$ 3,626	-	1,463	-
Kaohsiung Ammonium Sulfate Co., Ltd.	1,431,368	-	793,416	0.04
Tang Eng Iron Works Co., Ltd.	719	-	469	-
Tai Yi Real-Estate Management Co., Ltd.	<u>41,400</u>	<u>-</u>	<u>42,175</u>	<u>-</u>
Total	<u>\$ 1,477,113</u>	<u>-</u>	<u>837,523</u>	<u>0.04</u>

Apart from an interest rate limit on staff saving deposits, interest rates of related-party transactions are the same as those with other banks.

7. Other

The Bank sold land by tender to Taiwan Life Insurance Co., Ltd. for \$288,729 and recognized gain on disposal amounting to \$1,106,161 booked as gain on property transaction.

8. Information regarding affiliates acting as borrowers, guarantors, and collateral providers of the Bank (which are related parties according to Article 32 of the Banking Law) were as follows:

December 31, 2007							
Type	Number of accounts or name of related party	Highest amount	Amount	Default possibility		Pledge	Any condition of transaction
				Normal loan	Overdue accounts		
Consumer loans	36	24,223	16,292	15,790	502	-	None
Mortgage loans	112	296,303	271,804	271,804	-	25	None
Others loans	Tang Eng Iron Works Co., Ltd.	700,000	400,000	400,000	-	Land and building, stock	None
Others	Tang Eng Iron Works Co., Ltd.	600,000	450,000	450,000	-	Land and building, stock	None
Others	Tang Eng Iron Works Co., Ltd.	164,301	-	-	-	None	None
Others	Tang Eng Iron Works Co., Ltd.	250,000	-	-	-	None	None

December 31, 2006 (Bank of Taiwan)							
Type	Number of accounts or name of related party	Highest amount	Amount	Default possibility		Pledge	Any condition of transaction
				Normal loan	Overdue accounts		
Consumer loans	31	16,681	12,778	12,193	585	-	None
Mortgage loans	71	303,726	235,985	235,985	-	25	None
Others	Tang Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Land and building, stock	None
Others	Tang Eng Iron Works Co., Ltd.	600,000	600,000	600,000	-	Land and building, stock	None

December 31, 2006 (Central Trust of China)					
Type	Number of accounts	Amount	Default possibility		
			Normal loan	Overdue accounts	
Consumer loans to staff	396	244,724	239,922	4,802	
Mortgage loans to staff	514	922,442	915,476	6,966	
Other loans to interested parties	104	217,145	213,588	3,557	
Loans to others with interested parties acting as guarantors	23	41,361	41,361	-	
Secured loans with collateral from interested parties	24	44,848	44,848	-	

Note 1: The consumer loans to staff and mortgage loans to staff can be lumped together for disclosure. The disclosure of other loans is sorted by interested parties.

Note 2: Collateral is classified by real estate, short-term notes, government bonds, secured or non-secured bonds, TSEC and OTC stocks, non-TSEC and non-OTC stocks, and others.

9. Derivative instruments

December 31, 2007						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 Forward	2004. 11. 30~ 2008. 11. 05	147,658	1,929	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - forward	1,007
Taiwan Life Insurance Co., Ltd.	AEBH411027 Forward	2004. 12. 31~ 2008. 11. 05	146,078	1,909	"	996
Taiwan Life Insurance Co., Ltd.	AEBH510877 Forward	2005. 11. 25~ 2008. 11. 26	151,054	(4,703)	"	1,138
Taiwan Life Insurance Co., Ltd.	BHSW510056 Swap	2005. 12. 08~ 2008. 11. 10	316,630	(3,128)	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - swap	1,199
Taiwan Life Insurance Co., Ltd.	BHSW510057 Swap	2005. 12. 09~ 2008. 08. 13	255,504	(3,097)	"	85
Taiwan Life Insurance Co., Ltd.	BHSW510058 Swap	2005. 12. 12~ 2008. 01. 09	129,500	(261)	"	369
Taiwan Life Insurance Co., Ltd.	BHSW510059 Swap	2005. 12. 12~ 2008. 01. 09	323,750	(652)	"	922
Taiwan Life Insurance Co., Ltd.	BHSW610016 Swap	2006. 01. 25~ 2008. 10. 27	634,900	(7,875)	"	1,251
Taiwan Life Insurance Co., Ltd.	BHSW610017 Swap	2006. 01. 26~ 2008. 10. 27	317,250	(3,304)	"	822
Taiwan Life Insurance Co., Ltd.	BHSW610021 Swap	2006. 03. 07~ 2008. 04. 07	383,736	(360)	"	3,089
Taiwan Life Insurance Co., Ltd.	BHSW710031 Swap	2007. 04. 25~ 2008. 01. 31	1,136,258	(1,922)	"	(1,922)
Taiwan Life Insurance Co., Ltd.	BHSW710114 Swap	2007. 10. 04~ 2008. 11. 05	315,740	2,154	"	2,154

December 31, 2006						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 Forward	2004. 11. 30~ 2007. 10. 04	149,618	(400)	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - forward	(922)
Taiwan Life Insurance Co., Ltd.	AEBH411027 Forward	2004. 12. 31~ 2007. 10. 04	148,017	(396)	"	(912)
Taiwan Life Insurance Co., Ltd.	AEBH510877 Forward	2005. 11. 25~ 2007. 05. 25	148,452	8,937	"	5,841
Taiwan Life Insurance Co., Ltd.	BHSW510056 Swap	2005. 12. 08~ 2007. 06. 08	317,220	9,427	Valuation adjustment of financial assets at fair value through profit or loss - current - held for trading - swap	4,327
Taiwan Life Insurance Co., Ltd.	BHSW510057 Swap	2005. 12. 09~ 2007. 06. 11	317,480	9,029	"	3,978
Taiwan Life Insurance Co., Ltd.	BHSW510058 Swap	2005. 12. 12~ 2007. 09. 12	126,808	2,813	"	630
Taiwan Life Insurance Co., Ltd.	BHSW510059 Swap	2005. 12. 12~ 2007. 09. 12	317,020	7,033	"	1,574
Taiwan Life Insurance Co., Ltd.	BHSW610016 Swap	2006. 01. 25~ 2007. 07. 25	631,060	9,126	"	9,126
Taiwan Life Insurance Co., Ltd.	BHSW610017 Swap	2006. 01. 26~ 2007. 07. 26	315,940	4,126	"	4,126
Taiwan Life Insurance Co., Ltd.	BHSW610019 Swap	2006. 02. 06~ 2007. 02. 08	321,870	3,441	"	3,441
Taiwan Life Insurance Co., Ltd.	BHSW610020 Swap	2006. 02. 15~ 2007. 05. 15	303,300	18,881	"	18,881
Taiwan Life Insurance Co., Ltd.	BHSW610021 Swap	2006. 03. 07~ 2007. 09. 07	379,032	3,449	"	3,449

(32) Pledged Assets

Pledged assets	Purpose of pledge	Book value	
		December 31, 2007	December 31, 2006
Available-for-sale financial assets - bonds	Guarantee deposit for provisional seizure against defaulted loans and others	\$ 740,900	1,345,700
Held-to-maturity financial assets - government bonds	Guarantee deposit for provisional seizure against defaulted loans and others	-	71,200
Other assets - refundable deposit	Guarantee deposit for provisional seizure against defaulted loans and others	641,605	7,769
Financial assets at fair value through profit or loss - bonds	Guarantee deposit for securities trading	117,818	275,983
Held-to-maturity financial assets - government bonds	Operating deposit for securities trading	-	190,000
Held-to-maturity financial assets - government bonds	Operating deposit for securities investment trust and consulting	-	50,000
Held-to-maturity financial assets - government bonds	Operating deposit for bills trading	-	50,000
Held-to-maturity financial assets - government bonds	Operating deposit for futures trading	-	25,000

Pledged assets	Purpose of pledge	Book value	
		December 31, 2007	December 31, 2006
Cash and equivalent cash - due to banks	Operating deposit for futures trading	-	5,000
Other assets - refundable deposit	Guarantee deposit for credit card payment	-	3,430
Available-for-sale financial assets - bonds	Operating deposit for trust business	50,000	-
Available-for-sale financial assets - bonds	Operating deposit for securities trading	250,000	-
Placement with Central Bank-deposits in Central Bank	Guarantee deposit for trust business compensation reserve	50,000	50,000
Placement with Central Bank – deposits in Central Bank	Negotiable certificates of deposit (accounted for as cash)	20,000,000	22,750,000
Total		<u>\$ 21,850,323</u>	<u>24,824,082</u>

(33) Commitments

1) Construction in progress and significant purchase agreements

The details of construction in progress and significant purchase agreements are as follows:

Construction contract	December 31, 2007	
	Contract price	Unpaid portion of contract price
Construction of Nan Zih Branch	\$ 224,400	32,740
Construction of An Nan Branch	139,200	62,817
Total	<u>\$ 363,600</u>	<u>95,557</u>

Construction contract	December 31, 2006	
	Contract price	Unpaid portion of contract price
Construction of Nan Zih Branch	\$ 224,400	172,092
Construction of An Nan Branch	139,200	139,200
Others	60,805	10,452
Total	<u>\$ 424,405</u>	<u>321,744</u>

2) Operating leases

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

Fiscal Year	Amount
2008	\$ 344,944
2009	208,098
2010	131,164
2011	62,125
2012	33,034
Total	<u>\$ 779,365</u>

3) Others

	December 31, 2007	December 31, 2006 (restated)
Collections for customers	\$ 89,764,571	93,624,793
Contract guarantee on behalf of counter-parties	16,332,748	119,803,277
Traveler's checks held on consignment	1,229,465	1,181,332
Marketable securities held as custodian	1,981,192,707	1,966,734,693
Total	<u>\$ 2,088,519,491</u>	<u>2,181,344,095</u>

4) Balance sheet and details of asset management

Trust assets	December 31, 2007	December 31, 2006
Short-term investment		
Investment in funds	\$ 96,707,232	41,703,478
Investment in bonds	195,180,332	171,156,024
Common stock investment - marketable securities	24,549,089	13,201,921
Deposits		
Deposits in the Bank	22,034,073	16,551,396
Deposits in other banks	2,001	-
Receivables		
Interest receivables	3,741,542	4,443,344
Cash dividend receivables	1,018	2,199
Receivables from trading securities	290,534	-
Other receivables	-	55,815
Prepaid expense	308	-
Real estate		
Land	1,058,194	579,523
Buildings	21,684	13,073
Construction in progress	588,075	136,157
Other assets	-	1,800
Total	<u>\$ 344,174,082</u>	<u>247,844,730</u>

Trust liabilities	December 31, 2007	December 31, 2006
Short-term loans		
Long-term secured loans	\$ 102,000	102,000
Long-term loans	203,564	-
Payables		
Payables from trading securities	541,337	-
Other payables	25	17
Payables from management fee	1,139	125
Payables from supervision fee	104	-
Others	-	25,158
Tax payables	6,303	-
Other liabilities	-	969
Trust capital		
Money trust	263,543,701	208,598,947
Marketable securities trust	15,457,315	3,778,327
Real estate investment trust	1,210,284	675,982
Other reserve and accumulated income		
Accumulated loss	1,291,639	22,276,446
Foreign currency transition	18,109,251	-
Deferred unrealized income	6,481,561	-
Current income	<u>37,225,859</u>	<u>12,386,759</u>
Total	<u>\$ 344,174,082</u>	<u>247,844,730</u>

Details of trust	December 31, 2007	December 31, 2006 (restated)
Short-term investment		
Investment in funds	\$ 96,707,232	41,703,478
Investment in bonds	195,180,332	171,156,024
Common stock investment - marketable securities	24,549,089	13,201,922
Deposits		
Deposits in the Bank	22,034,073	16,551,396
Deposits in other banks	2,001	-
Real estate		
Land	1,058,194	579,523
Buildings	21,684	13,073
Construction in progress	588,075	136,157
Other assets	-	1,800
Trust capital	<u>\$ 340,140,680</u>	<u>243,343,373</u>

Income statement for assets under trust	December 31, 2007	December 31, 2006 (restated)
Trust revenue:		
Capital interest revenue	\$ 32,347,396	8,679,524
Realized capital gain	4,360,592	1,716,285
Unrealized capital gain	-	1,440,854
Gain on sale of securities	-	11,134
Capital property trading profit	(2,726)	(1,305)
Cash dividend revenue	1,990,810	646,610
Other revenue	16	-
Income from beneficiary certificates	1,384	-
	<u>38,697,472</u>	<u>12,493,102</u>
Trust expense:		
Capital management fee	267,682	55,534
Tax expense	1,587	1,558
Capital property trading loss	(153)	(133)
Other expense of capital	40,014	305
Supervisor fee	166	164
Storage fee	229,500	36
Agency fee	-	44,527
Business fee	-	1,136
Unrealized foreign currency exchange loss	-	74
Interest expense	8,775	-
Commission fee	78	-
Realized capital loss	913,570	-
Income tax expense	7,000	3,142
Real estate tax	3,394	-
	<u>1,471,613</u>	<u>106,343</u>
Trust capital	<u>\$ 37,225,859</u>	<u>12,386,759</u>

(34) Subsequent Events

On January 2, 2008, the Bank, Land Bank, and Export and Import Bank of China co-established Taiwan Financial Holdings by share exchange. The exchange ratio was one share of Taiwan Financial Holdings for 1.1391 shares of the Bank, 1 share of Land Bank, and 0.3858 share of Export and Import Bank of China.

On the January 2, 2008, the Bank decreased capital by \$8 billion to spin off the Insurance division and Securities division of the Bank and set up the subsidiary companies BankTaiwan Life Insurance Co., Ltd. and BankTaiwan Securities. The capital of the subsidiary companies is \$5 billion and \$3 billion, respectively.

(35) Others

1) Personnel, depreciation, depletion, and amortization expenses

A summary of personnel, depreciation, depletion, and amortization expenses categorized by cost of goods sold and operating expenses is as follows:

Function Accounts	2007			2006 (restated)		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs:						
Salaries	-	10,013,529	10,013,529	-	10,016,069	10,016,069
Labor and health insurance	-	489,670	489,670	-	498,374	498,374
Pension	-	1,187,083	1,187,083	-	1,117,379	1,117,379
Other employment	-	1,437,700	1,437,700	-	2,572,479	2,572,479
Depreciation	-	931,707	931,707	-	959,737	959,737
Depletion	-	-	-	-	-	-
Amortization	-	377,157	377,157	-	274,744	274,744

2) Disclosure of risk management policy, systems procedures, and practice for managing various kinds of risks, and the analysis of exposure to main business risks

1. Asset quality, concentration of credit risk, and policies on allowance for bad debts from loans and advances to customers

(a) Asset quality

December 31, 2007							
Item		Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio	
Type							
Enterprise	Secured		4,685,683	356,892,673	1.31%	3,160,003	67.44%
	Non-secured		2,385,496	1,045,891,168	0.23%	5,415,763	227.03%
Consumer finance	House mortgages		6,121,312	333,443,097	1.84%	2,353,567	38.45%
	Cash cards		-	-	-	-	-
	Micro credit		417,356	21,573,372	1.93%	327,379	78.44%
	Others	Secured	1,036,068	57,004,089	1.82%	411,980	39.76%
		Non-secured	4,121,006	118,624,070	3.47%	1,664,168	40.38%
Total			18,766,921	1,933,,428,469	0.97%	13,332,860	71.04%
			Overdue receivables	Account receivables	Ratio	Allowance for bad debt	Coverage ratio
Credit card business			9,510	1,227,594	0.77%	13,665	143.69%
Factoring receivables - non-recourse			-	985,629	-	2,957	-

December 31, 2006 (Bank of Taiwan)							
Item		Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio	
Type							
Enterprise	Secured		6,735,689	231,364,548	2.91%	3,144,142	46.68%
	Non-secured		2,006,492	857,840,289	0.23%	6,405,555	319.24%
Consumer finance	House mortgages		6,148,869	239,434 335	2.57%	1,780,672	28.96%
	Cash cards		-	-	-	-	-
	Micro credit		206,799	10,244,840	2.02%	103,114	49.86%
	Others	Secured	1,631,166	44,745,883	3.65%	653,386	40.06%
		Non-secured	3,553,614	104,604,590	3.40%	1,664,544	46.84%
Total			20,282,629	1,488,234,485	1.36%	13,751,413	67.80%
			Overdue receivables	Account receivables	Ratio	Allowance for bad debt	Coverage ratio
Credit card business			43,521	1,279,575	3.40%	40,483	93.02%
Factoring receivables - non- recourse			-	488,364	-	733	-

December 31, 2006 (Central Trust of China)							
Item		Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio	
Type							
Enterprise	Secured		1,250,372	42,050,033	2.97%	589,483	47.14%
	Non-secured		475,799	106,618,234	0.45%	1,606,585	337.66%
Consumer finance	House mortgages		571,853	49,234,863	1.16%	317,152	55.46%
	Cash cards		246	257,432	0.10%	317	128.86%
	Micro credit		216,440	14,705,731	1.47%	170,638	78.84%
	Others	Secured	134,243	4,639,398	2.89%	82,452	61.42%
		Non-secured	22,622	1,598,780	1.41%	26,144	115.57%
Total			2,671,575	219,104,471	1.22%	2,792,771	104.54%
			Overdue receivables	Account receivables	Ratio	Allowance for bad debt	Coverage ratio
Credit card business			496	69,155	0.72%	1,584	319.35%
Factoring receivables - non-recourse			-	-	-	-	-

Note 1: For loan business: Overdue loans represent the amounts of reported overdue loans pursuant to the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the MOF.

For credit card business: Overdue receivables are regulated by the Banking Bureau letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business: NPL Ratio = NPL/Total Loans.

For credit card business: Delinquency Ratio = Overdue receivable/Account receivable.

Note 3: For loan business: Coverage Ratio = LLR/NPL.

For credit card business: Coverage Ratio = Allowance for credit losses/Overdue receivables.

Note 4: Household mortgage means the purpose of financing is to purchase, build, or fix up a dwelling, and the dwelling owned by the borrower, spouse, or children fully secures the loan.

Note 5: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref. No. 09440010950).

Note 6: Others in consumer finance refer to secured or non-secured loans excluding mortgage, cash card, micro credit, and credit card.

Note 7: Account receivable - factoring with no recourse: As required by the Banking Bureau letter dated July 19, 2005 (Ref. No. 094000494), provision for bad debt is recognized once no compensation is received from the factoring or insurance company.

(b) Concentration of credit extensions

(in thousands of New Taiwan Dollars, %)

December 31, 2007			
Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	Formosa Plastics	38,213	15.37
2	China Steel	22,287	8.96
3	Chimei	20,979	8.44
4	BenQ	18,439	7.42
5	Uni-President	18,196	7.32
6	Evergreen	16,519	6.64
7	Taiwan Cogent	15,630	6.29
8	Far East One	15,373	6.18
9	Pacific Electric Wire & Cable	13,661	5.49
10	Chinatrust Holdings	12,136	4.88

(in thousands of New Taiwan Dollars, %)

December 31, 2006			
Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	Formosa Plastics	37,719	16.13
2	Evergreen	18,672	7.98
3	China Steel	18,517	7.92
4	BenQ	18,077	7.73
5	Chimei	17,870	7.64
6	Uni-President	15,093	6.45
7	China Airlines	12,673	5.42
8	Tatung	9,786	4.18
9	Taiwan High Speed Rail	9,381	4.01
10	Tainan Spinning	6,158	2.63

Note 1: Top ten borrowers (excluding government or state-owned utilities) according to total credit extensions.

Note 2: Groups are regulated in the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings, Article 6.

Note 3: Total credit extensions comprise loans (including import bills negotiated, export bills negotiated, overdrafts, short-term loans, short-term secured loans, receivables from pecuniary finance, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans, and overdue receivables), exchange bills negotiated, factoring receivable without recourse, acceptances receivable, and guarantees issued.

2. Information on concentration for credit risk of assets, liabilities, and off-balance-sheet items

Please see note 29.

3) The average amount of assets and liabilities, as well as the current rate, is disclosed as follows:

	December 31, 2007		December 31, 2006 (Bank of Taiwan)		December 31, 2006 (Central Trust of China)	
	Average	Average interest rate (%)	Average	Average interest rate (%)	Average	Average interest rate (%)
Interest-earning assets:						
Call loans and placement with banks	150,826,564	3.91	80,646,367	3.43	13,344,059	4.50
Placement with Central Bank	524,098,109	1.84	571,541,385	1.60	8,060,579	0.93
Financial assets at fair value through profit or loss - bonds	-	-	-	-	2,405,003	3.93
Available-for-sale financial assets - bonds	-	-	-	-	2,707,653	4.51
Held-to-maturity financial assets - bonds	-	-	-	-	1,170,172	2.77
Financial assets	195,847,662	3.43	193,955,243	3.37	-	-
Negotiation, discounts and total loans	1,903,888,628	2.82	1,435,421,227	2.76	202,856,668	2.75
Interest-bearing liabilities:						
Deposit of Central Bank	12,414,982	-	13,479,799	-	73,374	-

	December 31, 2007		December 31, 2006 (Bank of Taiwan)		December 31, 2006 (Central Trust of China)	
	Average	Average interest rate (%)	Average	Average interest rate (%)	Average	Average interest rate (%)
Deposits and call loans from banks	193,266,857	3.69	178,947,652	3.36	13,291,599	3.62
Pecuniary finance from Central Bank and other banks	-	-	2,265	0.13	-	-
Demand deposits	166,197,860	0.72	102,557,047	0.78	43,168,572	0.29
Demand savings	376,023,769	1.26	317,158,848	1.20	21,340,818	1.75
Time savings	1,261,603,372	2.89	1,148,759,129	2.85	79,386,465	2.21
Time deposits	407,221,259	2.89	311,556,812	2.75	41,721,300	2.58
Government deposits	225,214,982	0.79	234,117,202	0.77	-	-

Note: Average is calculated by daily average of interest-earning assets and interest-bearing liabilities from January to current month.

4) Ratios of interest-rate-sensitive assets to liabilities and of interest-rate-sensitive spreads to net equity

Interest-rate-sensitive balance sheet – for NTD

December 31, 2007

Unit: NT\$1,000; %

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest-rate-sensitive assets	873,525,167	1,212,975,960	117,800,501	326,033,674	2,530,335,302
Interest-rate-sensitive liabilities	216,488,395	1,929,293,734	51,448,613	238,769,694	2,436,000,436
Interest-rate-sensitive gap	657,036,772	(716,317,774)	66,351,888	87,263,980	94,334,866
Net worth					243,715,820
Ratio of interest-rate-sensitive assets to liabilities					103.87
Ratio of interest-rate-sensitive gap to net worth					38.71

December 31, 2006

Bank of Taiwan

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest-rate-sensitive assets	723,321,081	276,797,000	156,439,000	1,068,813,330	2,225,370,411
Interest-rate-sensitive liabilities	391,024,664	236,372,000	506,575,000	1,014,467,000	2,148,438,664
Interest-rate-sensitive gap	332,296,417	40,425,000	(350,136,000)	54,346,330	76,931,747
Net worth					214,454,272
Ratio of interest-rate-sensitive assets to liabilities					103.58
Ratio of interest-rate-sensitive gap to net worth					35.87

Central Trust of China

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest-rate-sensitive assets	193,535,000	14,675,000	16,285,000	8,206,000	232,701,000
Interest-rate-sensitive liabilities	149,385,000	68,618,000	5,933,000	1,359,000	225,295,000
Interest-rate-sensitive gap	44,150,000	(53,943,000)	10,352,000	6,847,000	7,406,000
Net worth					7,929,000
Ratio of interest-rate-sensitive assets to liabilities					103.29
Ratio of interest-rate-sensitive gap to net worth					93.40

Note 1: The above amounts include only New Taiwan dollar amounts held by the Bank's onshore branches (i.e., excluding foreign currency).

Note 2: Interest-rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities, which are affected by interest rate changes.

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets — Interest-rate-sensitive liabilities.

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets/Interest-rate-sensitive liabilities (only interest-rate-sensitive assets and liabilities within one year, in New Taiwan dollars).

Note 5: Ratio of interest-rate-sensitive gap to net worth = Interest-rate-sensitive gap / net worth.

Interest-rate-sensitive balance sheet – for USD

December 31, 2007

Unit: US\$1,000; %

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest-rate-sensitive assets	6,801,932	2,524,730	1,820,970	910,195	12,057,827
Interest-rate-sensitive liabilities	8,552,797	2,512,070	1,033,565	158,863	12,257,295
Interest-rate-sensitive gap	(1,750,865)	12,660	787,405	751,332	(199,468)
Net worth					(50,550)
Ratio of interest-rate-sensitive assets to liabilities					98.37
Ratio of interest-rate-sensitive gap to net worth					394.60

December 31, 2006

Bank of Taiwan

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest-rate-sensitive assets	6,088,522	1,955,125	878,202	462,439	9,384,288
Interest-rate-sensitive liabilities	6,491,011	2,027,908	734,173	59,409	9,312,501
Interest-rate-sensitive gap	(402,489)	(72,783)	144,029	403,030	71,787
Net worth					(2,409)
Ratio of interest-rate-sensitive assets to liabilities					100.77
Ratio of interest-rate-sensitive gap to net worth					(2,979.95)

Central Trust of China

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest-rate-sensitive assets	814,896	61,596	30,474	-	906,966
Interest-rate-sensitive liabilities	744,009	68,220	80,006	-	892,235
Interest-rate-sensitive gap	70,887	(6,624)	(49,532)	-	14,731
Net worth					241,389
Ratio of interest-rate-sensitive assets to liabilities					101.65
Ratio of interest-rate-sensitive gap to net worth					6.10

Note 1: The above amounts include only US dollar amounts held by the onshore branches, OBU, and offshore branches of the Bank and exclude contingent assets and contingent liabilities.

Note 2: Interest-rate-sensitive assets and liabilities refer to the revenues or costs of interest-earning assets and interest-bearing liabilities, which are affected by interest rate changes.

Note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets — Interest-rate-sensitive liabilities.

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets/Interest-rate-sensitive liabilities (only interest-rate-sensitive assets and liabilities within 180 days, in US dollars).

Note 5: Ratio of interest-rate-sensitive gap to net worth = interest-rate-sensitive gap / net worth.

5) Major foreign currency position, net

Unit: thousands of stated currencies

Unit: thousands of stated currency.

	December 31, 2007			December 31, 2006 (Bank of Taiwan)		December 31, 2006 (Central Trust of China)			
	Amount in functional currency	Amount in New Taiwan dollars		Amount in functional currency	Amount in New Taiwan dollars	Amount in functional currency	Amount in New Taiwan dollars		
Major foreign currency position, net (market risk)	USD	113,750	3,695,055	USD	106,469	3,476,213	USD	7,702	251,456
	JPY	2,741,214	794,678	JPY	3,022,057	828,648	NZD	584	13,455
	HKD	88,736	369,523	SGD	15,435	328,116	EUR	273	11,697
	SGD	15,897	357,517	HKD	76,945	323,184	AUD	322	8,315
	ZAR	28,494	135,668	ZAR	13,892	64,751	THB	3,598	3,295

6) Profitability

1. For the years ended December 31, 2007 and 2006, information on return on assets, return on net equity, and net income to operating revenue was as follows:

Item		December 31, 2007	December 31, 2006 (restated)
Return on total assets	Before income tax	0.40	0.43
	After income tax	0.38	0.42
Return on net worth	Before income tax	5.44	6.14
	After income tax	5.08	6.02
Profit margin		37.76	37.37

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

Note 2: Return on net worth = Income before (after) income tax/Average net worth.

Note 3: Profit margin = Income after income tax/Total operating revenues.

Note 4: Income before (after) income tax is the income in the nine months ended September 30, 2007 and 2006.

Note 5: The above profitability ratios are at annual rates.

2. Duration analysis of assets and liabilities

Term Structure Analysis of NTD-denominated Assets & Liabilities

	Total	December 31, 2007				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Major matured capital inflow	2,891,645,198	345,479,462	350,306,974	289,917,985	294,063,649	1,611,877,128
Major matured capital outflow	3,124,937,910	245,197,766	258,394,958	335,404,210	836,680,851	1,449,260,125
Capital gap	(233,292,712)	100,281,696	91,912,016	(45,486,225)	(542,617,202)	162,617,003

	Total	December 31, 2006 (Bank of Taiwan)				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Major matured capital inflow	2,488,128,410	396,306,825	381,325,244	290,944,928	183,060,129	1,236,491,284
Major matured capital outflow	2,713,447,042	207,941,435	237,973,416	240,416,487	513,908,390	1,513,207,314
Capital gap	(225,318,632)	188,365,390	143,351,828	50,528,441	(330,848,261)	(276,716,030)

	Total	December 31, 2006 (Central Trust of China)				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Major matured capital inflow	290,417,216	55,918,180	33,052,899	28,995,535	30,338,112	142,112,490
Major matured capital outflow	291,829,379	55,634,812	50,039,986	30,726,664	49,675,034	105,752,883
Capital gap	(1,412,163)	283,368	(16,987,087)	(1,731,129)	(19,336,922)	36,359,607

Note: The table includes only assets and liabilities denominated in NTD held in head office and domestic and overseas branches; assets and liabilities denominated in foreign currencies are excluded.

Term Structure Analysis of USD-denominated Assets & Liabilities

	Total	December 31, 2007				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Major matured capital inflow	9,324,380	2,579,571	1,883,935	1,961,771	1,846,600	1,052,503
Major matured capital outflow	9,210,301	4,916,903	1,900,645	1,068,776	1,034,704	289,273
Capital gap	114,079	(2,337,332)	(16,710)	892,995	811,896	763,230

	Total	December 31, 2006 (Bank of Taiwan)				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Major matured capital inflow	8,129,524	1,898,302	1,623,011	1,390,221	846,267	2,371,723
Major matured capital outflow	8,071,357	3,851,963	1,088,416	743,608	757,479	1,629,891
Capital gap	58,167	(1,953,661)	534,595	646,613	88,788	741,832

	Total	December 31, 2006 (Central Trust of China)				
		Day 1 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Major matured capital inflow	2,130,445	1,719,246	49,735	89,615	16,622	255,227
Major matured capital outflow	2,153,016	1,838,388	144,709	65,901	83,826	20,192
Capital gap	(22,571)	(119,142)	(94,974)	23,714	(67,204)	235,035

Note 1: The above amounts are book values of the assets and liabilities of the onshore branches and offshore banking unit of the Bank in US dollars, without off-balance-sheet amounts (for example, the issuance of negotiable certificates of deposits, bonds or stocks).

Note 2: If the overseas assets are at least 10% of the total assets, there should be additional disclosures.

3. Capital adequacy

Unit: thousands NTD

Item			Date	December 31, 2007
Eligible capital	Tier 1 capital			\$ 168,148,587
	Tier 2 capital			6,403,091
	Tier 3 capital			-
	Eligible capital			174,551,678
Risk-weighted assets	Credit risk	Standardized approach		1,335,123,193
		Internal rating-based approach		-
		Securitization		-
	Operational risk	Basic indicator approach		42,207,000
		Standardized approach/Alternative standardized approach		-
		Advance measurement approach		-
	Market risk	Standardized approach		22,872,575
		Internal models approach		-
	Total risk-weighted assets			

Item	Date	December 31, 2007
Capital adequacy ratio		12.47%
Tier 1 risk-based capital ratio		12.01%
Tier 2 risk-based capital ratio		0.46%
Tier 3 risk-based capital ratio		-
Ratio of common stockholders' equity to total assets		1.58%

Note 1: These tables were prepared according to the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The formula:

- (1) Eligible capital = Tier 1 capital + Tier 2 capital + Tier 3 capital.
- (2) Risk-weighted assets = Credit risk-weighted assets + (operations risk + market risk) × 12.5.
- (3) Capital adequacy ratio = eligible capital / risk-weighted assets.
- (4) Tier 1 risk – based capital ratio = tier 1 capital / risk-weighted assets.
- (5) Tier 2 risk – based capital ratio = tier 2 capital / risk-weighted assets.
- (6) Tier 3 risk – based capital ratio = tier 3 capital / risk-weighted assets.
- (7) Ratio of common stockholders' equity to total assets = common stockholders' equity / total assets.

Bank of Taiwan

Item	Date	December 31, 2006
Net eligible capital	\$	138,191,632
Total risk-weighted assets		1,075,106,835
Capital adequacy ratios		12.85%
Ratio of tier 1 capital to risk-weighted assets		16.51%
Ratio of tier 2 capital to risk-weighted assets		1.66%
Ratio of tier 3 capital to risk-weighted assets		-
Ratio of common stockholders' equity to total assets		7.88%

Central Trust of China

Item	Date	December 31, 2006
Capital adequacy ratio		9.59%
Tier 1 capital		19,489,788
Tier 2 capital		3,079,787
Tier 3 capital		-
Deduction from capital		700,735
Net eligible capital		21,868,840
Total risk - weighted assets		228,051,776
Ratio of liabilities to net assets		2,258.45%

Note 1: Capital adequacy ratio = net eligible capital / total risk-weighted assets pursuant to the banking law and related regulations.

4. Information of merger

On July 1, 2007, the Bank, in accordance with Accounting Research and Development Foundation Interpretation (95) Ji-Mi-Zih 141, merged with the Central Trust of China by share exchange in the ratio of one share of Bank of Taiwan for two shares of the Central Trust of China. As of June 30, 2007, the financial information on the Central Trust of China, in accordance with Ministry of Audit letter Tai-Sun-Bu No. 090003219, was as follows:

(a) For the period from January 1 to June 30, 2007, the financial information on the Bank and the Central Trust of China was as follows:

	Central Trust of China
Operating revenue	\$ 57,951,528
Net income	\$ 1,117,035
Stockholders' equity on June 30, 2007	\$ 20,274,117

(b) The details of the Central Trust of China's balance sheet on June 30, 2007, were as follows:

	Central Trust of China
Cash and cash equivalents	\$ 27,167,111
Placement with Central Bank and call loans to banks	20,073,970
Financial assets at fair value through profit or loss, net	38,014,164
Bonds and bills purchased under resell agreements	11,845,898
Receivables, net	27,611,715
Loans and discounts, net	212,950,286
Available-for-sale financial assets, net	27,780,410
Held-to-maturity financial assets, net	95,320,651
Other financial assets, net	7,643,401
Fixed assets, net	8,236,214
Intangible assets	81,513
Other assets	7,518,553
Deposits of Central Bank and other banks	(14,383,159)
Financial liabilities at fair value through profit or loss	48,837
Payables	(43,430,359)
Deposits and remittances	(169,526,489)
Pension	(597,439)
Other financial liabilities	(276,950)
Other liabilities	(235,804,210)
Stockholders' equity	\$ 20,274,117
Common stock (original)	\$ 10,000,000
New shares from business combination	(5,000,000)
Transfer to capital surplus	\$ 5,000,000

(36) Notes to Disclosure Items

1) Information on significant transactions

1. Information regarding long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Company name	Marketable securities type and name	Financial statement account	Counter-party	Nature of relationship	Beginning Balances		Acquisition		Disposal		Ending Balance			
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying value	Gain (loss) on disposal	Shares	Amount
Taiwan Television Enterprise		Financial assets carried at cost	Open market	-	40,316,161	155,150	-	-	40,316,161	478,073	155,150	322,923	-	-

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

Disposing Company	Property Title	Transaction Date	Original Date Acquired	Book Value	Transaction Amount	Conditions of Payment	Disposal Gain/Loss	Transaction Party	Relationship	Purpose of Disposal	Reference for Price	Other
The Bank	No. 468-2, 468-3, 468-5, 468-6, 469, 469-1, 469-2, Nanhai Rd, Zhong Zheng District, Taipei City 100, Taiwan Land	2007. 04. 13	1947. 05. 01	505,286	2,789,000	Bidder prepays 10% of the floor price as deposit at the time of bidding; after bid-opening, the bidder makes the payment in full within 40 days after receiving the Notice of Payment.	2,283,714	Rich Development	None	To reach budget goal	Referring to appraiser's appraisal and examined by the Bank's real estate committee; after notifying the audit division of the board of directors, the floor price is verified by the general manager and published for bidding. (The floor price for bidding is 1,660,000 thousand dollars.)	None
The Bank	No 195, 208, 214 Chongyong 1 st Rd, Beitou District, Taipei City, Taiwan, Land and building at No. 118, 120 Wenguan Rd.	2007. 06. 13	1951. 05. 10	305,271	306,011	Bidder prepays 10% of the floor price as deposit at the time of bidding; after bid-opening, the bidder makes the payment in full within 40 days after receiving the Notice of Payment.	740	SYUE JING WUN, ETC.	None	To reach budget goal	Referring to appraiser's appraisal and examined by the Bank's real estate committee; after notifying the audit division of the board of directors, the floor price is verified by the general manager and published for bidding. (The floor price for bidding is 306,000 thousand dollars.)	None
The Bank	No. 23, 23-1, 23-31, 23-32, 23-35, 23-38~23-40, 23-43, 24, 24-6 Zhongzheng 3 rd , Xinyi District, Keelung City, Taiwan, land and building at No. 19, Lane 234, Xin 2 nd Rd.	2007. 08. 30	1949. 11. 12	686,738	1,010,000	Bidder prepays 10% of the floor price as deposit at the time of bidding; after bid-opening, the bidder makes the payment in full within 40 days after receiving the Notice of Payment.	323,262	YAN SHENG CAI, ETC.	None	To reach budget goal	Referring to appraiser's appraisal and examined by the Bank's real estate committee; after notifying the audit division of the board of directors, the floor price is verified by the general manager and published for bidding. (The floor price for bidding is 808,000 thousand dollars.)	None

4. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded \$5 million: none.
5. Information regarding receivables from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid - in capital: none.

6. Information regarding selling non - performing loans:

(a) The details of selling non-performing loans

Transaction date	Transaction party	Details of non-performing loan	Book value	Selling price	Disposal gain / loss	Other	Relationship
2007. 04. 17	A	Working capital loans, guarantee service for corporate bonds	30,141	193,151	163,010	None	None
2007. 08. 29	B	Working capital loans, loans for working materials	8,069	6,400	(1,668)	None	None
2007. 09. 12	C	Working capital loans, micro-installment loans, capital expenditure loans	1,655,841	3,825,895	2,170,054	None	None
2007. 09. 12	D	Working capital loans, micro-installment loans, capital expenditure loans	2,436,183	4,904,836	2,468,653	None	None
2007. 09. 28	E	Working capital loans, loans for working materials, guarantee services	-	38,156	38,156	None	None
2007. 11. 01	F	Construction loans, importing machinery	51,549	472,880	421,331	None	None
2007. 11. 07	G	Construction loans	58,030	76,321	18,291	None	None
2007. 12. 26	H	Domestic machinery, other capital expenditure loans	6,903	62,440	55,537	None	None

(b) Details selling non-performing loans for which the amount exceeded NT\$ 1 billion:

Transaction party: C

Disposal date: September 12, 2007

Details of loan			Amounts	Book value	Price allocation
Enterprise	Secured		7,189,076	786,662	2,402,944
	Non-secured		4,953,719	191,252	108,831
General	Secured	House mortgages	603,180	481,867	303,327
		Car loans	-	-	-
		Others	3,037,299	183,732	1,010,333
	Non-secured	Credit cards	-	-	-
		Cash cards	-	-	-
		Micro credit	4,695	4,244	459
		Other	10,540	8 084	1
Total			15,798,509	1,655,841	3,825,895

Transaction party: D

Disposal date: September 12, 2007

Details of loan			Amounts	Book value	Price allocation
Enterprise	Secured		5,822,130	1,269,347	3,047,173
	Non-secured		6,846,451	331,539	665,411
General	Secured	House mortgages	954,507	636,601	404,779
		Car loans	-	-	-
		Others	2,372,865	190,610	785,196
	Non-secured	Credit cards	-	-	-
		Cash cards	-	-	-
		Micro credit	4,552	3,419	1,043
		Other	9,895	4,667	1,234
Total			16,010,400	2,436,183	4,904,836

7. Approved securitization instrument types and related information according to "asset-backed securitization" or "mortgage-backed securitization" : none.

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

2) Information on long-term equity investments:

1. Information on investees' names, locations, etc.

Name of the investee	Investee location	Investee's main operations	% of shares	Original investment amount	Gain (Loss) recognized during the period	Held by the bank and related party at year-end			Remarks
						shares	Subtotal		
							shares	% of shares	
Hua Nan Financial Holdings Co., Ltd.	No. 38, Sec. 1, Chongching S. Rd. Taipei City, Taiwan	Financial Holdings	29.36	27,004,973	2,676,601	1,871,917,857	1,871,917,857	31.35	-
Taiwan Life Insurance Co., Ltd.	No. 17, Syuchang St., Taipei City, Taiwan	Life Insurance	28.46	3,081,723	336,686	146,138,545	146,138,545	28.46	-
Kaohsiung Ammonium Sulfate Co., Ltd.	5F., No. 53, Tonghua 4 th Rd., Kaohsiung, Taiwan	Iron Industry	91.86	2,654,637	(176,689)	303,131,576	303,131,576	91.86	-
Tang Eng Iron Works Co., Ltd.	No. 18, Jhangbinsiangong 2nd Rd., Siansi Township, Changhua County, Taiwan	Liquidation	21.38	1,603,835	(356,669)	74,822,414	74,822,414	21.38	-
Tai Yi Real-Estate Management Co., Ltd.	3F., No. 56, Dunhua N. Rd., Taipei City, Taiwan	Real Estate Service	30.00	12,668	(704)	1,500,000	1,500,000	30.00	-

2. Lending to other parties: none.

3. Guarantees and endorsements for other parties: none.

4. Information regarding securities held as of December 31 2007:

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Bank	Account name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value	
Hua Nan Financial Holdings Co., Ltd.	Stock: Hua Nan Commercial Bank	Subsidiary	Long-term equity investment	3,780,900,000	78,016,928	100.00	78,016,928	Note 1
"	Hua Nan Securities Co., Ltd.	"	"	811,174,346	11,839,935	100.00	11,839,935	"
"	Hua Nan Bills Finance Corp.	"	"	399 684,598	1,465,463	57.49	1,465,463	"
"	South China Insurance Co., Ltd.	"	"	200,138,625	2,375,836	100.00	2,375,836	"
"	Hua Nan Investment Trust Corp.	"	"	40,200,959	593,194	100.00	593,194	"
"	Hua Nan Venture Capital Co., Ltd.	"	"	100,000,000	1,184,251	100.00	1,184,251	"
"	Hua Nan Management & Consulting Co., Ltd.	"	"	1,000,000	13,113	100.00	13,113	"
"	Hua Nan Asset Management Co., Ltd.	"	"	100,000,000	1,019,901	100.00	1,019,901	"
"	Debt Instruments Depository and Clearing Co., Taiwan	Cost-method invstee	Financial assets carried at cost	1,925,966	18,314	0.25	18,314	Note 2
"	Taipei Financial Center Corp.	"	"	49,000,000	294,000	2.00	294,000	"

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Bank	Account name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value	
HNCB Insurance Agency Co., Ltd.	Bond: Government Bond -89-7	-	Guarantee deposits	7,500	8,384	-	10,272	Note 2
Hua Nan Investment Trust Corp.	Beneficiary certificate: Hua Nan Yung Chong Fund	Hua Nan Investment Trust fund	Financial assets at fair value through profit or loss	1,825,558	20,665	-	20,665	"
	Hua Nan Long-win Balance Fund	"	"	1,184,125	14,326	-	14,326	"
	Hua Nan New Star Fund	"	"	760,456	5,719	-	5,719	"
	Capital Balance Fund	-	"	493,311	8,429	-	8,429	"
	PCA Export Trade Fund	-	"	172,295	6,160	-	6,160	"
	Stock: Taiwan Futures Exchange	Cost-method investee	Financial asset carried at cost	770,000	7,000	0.35	24,109	"
Hua Nan Venture Capital Co., Ltd.	ING Taiwan Income Fund	-	Available-for-sale financial assets	2,489,947	40,056	-	40,056	"
	Taiwan Hi-Tech Corp.	The president is the same as the company which holds securities	Financial assets carried at cost	3,288,600	30,000	9.37	30,000	"
	Agon-Tech Corp.	-	"	649,000	14,337	4.76	14,337	"
	Nano Amp Solutions, Inc.	-	"	200,000	26,992	0.59	26,992	"
	Genesis Photonics Inc.	-	"	1,943,531	186,968	3.93	186,968	"
	Applied Wireless Identification Group	-	"	1,200,000	40,644	5.53	40,644	"

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Bank	Account name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value	
Hua Nan Venture Capital Co., Ltd.	Groundhog Technologies, Inc.	-	Financial assets carried at cost	1,666,667	32,202	5.40	32,202	Note 2
	Therion Biologics Corporation	-	"	227,272	-	0.25	-	"
	Pacific Tech Microelectronics Co., Ltd.	-	"	1,066,666	26,659	6.67	26,659	"
	Legend Display Technology Co., Ltd.	-	"	1,000,000	25,000	7.04	25,000	"
	Applied Photonics Inc.	-	"	909,090	33,202	7.79	33,202	"
	Essence Technology Solution, Inc.	-	"	853,571	11,364	2.35	11,364	"
	MechanicNet Group, Inc.	-	"	250,000	9,599	1.80	9,599	"
	Altea Therapeutics Corporation	-	"	344,827	31,994	1.67	31,994	"
	Nanopolymer Composites Corporation	-	"	1,792,593	17,926	8.14	17,926	"
	Viking Tech Co.	-	"	1,000,000	22,978	1.83	22,978	"
	Feature Integration Technology Inc.	-	"	1,500,000	33,000	5.23	33,000	"
	Kionic, Inc.	-	"	2,308,238	26,504	1.04	26,504	"

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Bank	Account name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value	
Hua Nan Venture Capital Co., Ltd.	Formosa Advanced Technologies co., Ltd.	-	Available-for-sale financial assets	525,000	29,399	0.13	29,399	Note 2
	CHIPSIP Technology Co., Ltd.	-	Financial assets carried at cost	526,000	20,514	2.79	20,514	"
	DARFON Corporation	-	Available-for-sale financial assets	517, 133	47,473	0.19	47,473	"
	Chia Chong Co., Ltd.	-	Financial assets carried at cost	380, 000	29,640	0.60	29,640	"
	Ultra-Pak Industries Co., Ltd.	-	"	1,215,929	26,229	3.70	26,229	"
	Quan Ai Electronic Co., Ltd.	-	"	1,300,000	17,475	2.76	17,475	"
	SuperAlloy Industrial Co., Ltd.	-	"	864,000	36,000	0.50	36,000	"
	E-Heng Technology Co., Ltd.	-	"	1,000,000	17,000	7.04	17,000	"
	Acthern Inc.	-	"	810,000	18,833	4.17	18,833	"
	Microcosm Technology Co., Ltd.	-	Available-for-sale financial assets	466,956	7,378	0.64	7,378	"
	Inno Lux Display Corporation	-	"	318,346	35,018	0.01	35,018	"
Hua Nan Futures Management Corp.	Repurchase bonds: Government Bond 88-1	-	Cash and cash equivalent	-	3,000	-	2,850	(written-off)
	Government bond 87-3	-	"	-	3,000	-	2,850	

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Bank	Account name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value	
Hua Nan Futures Management Corp.	Stock: Taiwan Futures Exchange	-	Financial assets carried at cost	3,162,500	28,750	1.44	28,750	
Hua Nan Holdings Corp.	Hua Nan Securities(HK) Limited	Indirect investment	Long-term equity investment	79,975,000	USD 33,961	100.00	USD 33,961	
	Hua Nan International Limited	"	"	500,000	USD 490	100.00	USD 490	
Hua Nan Assets Management Company	Hua Nan Assets Management Corporation	"	"	150,000	USD 1,313	100.00	USD 1,313	
	PSC CLN	-	Financial assets measured at fair value through profit or loss	2,000,000	USD 2,000	-	USD 2,000	
	GIGA CLN	-	"	1,000,000	USD 1,000	-	USD 1,000	-
	SinoPac ECB	-	"	200,000	USD 200	-	USD 200	-
	SKFH EEB	-	"	500,000	USD 527	-	USD 527	-
	ChiMei ECB	-	"	250,000	USD 266	-	USD 266	
	Quanta ECB	-	"	700,000	USD 728	-	USD 728	-

Note 1: The net value calculation was based on the investee's audited financial statements.

Note 2: The market values of the listed and over-the-counter investees accounted for by the cost method were determined at the average daily closing prices for the last month of the accounting period. The market values of the beneficiary certificates were their net asset values as of December 31, 2007. The market values of bonds were based on the reference prices of the over-the counter securities exchange as of December 31, 2007. The net value calculations of the non-listed companies, except Taiwan Futures Exchange Corporation, were based on the latest unaudited financial statements.

5. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Hua Nan Commercial Bank Co., Ltd.	Taiwan Television Enterprise	Financial assets carried at cost	Ubn weekly Co., Ltd.	-	20,353,680	81,570	-	-	20,353,680	484,294	81,570	402,724	-	-
	Tang Eng Iron Works Co., Ltd.	Available-for-sale financial assets	Open market	-	31,074,512	310,745	-	-	15,000,000	665,785	150,000	515,785	16,074,512	160,745
	Taiwan Navigation Co., Ltd.	Available-for-sale financial assets	Open market	-	7,843,857	42,979	-	-	7,843,857	484,244	42,979	441,265	-	-

6. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

7. Information on the disposal of the real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

8. Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million:

Name of company which accounted for receivable from related party	Name of counter-party	Relationship with the Bank	Transaction details		Reason for difference	Remarks
			Amount	Fee rate		
Hua Nan Yung-Chong Securities Co.	Hua Nan Bank	Subsidiary	37,145	-	-	

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

Name of company with accounted for receivable from related party	Transaction party	Relationship	Receivable-related party	Turnover ratio	Overdue receivable-related party		Receivables collected subsequently	Allowance for bad debt
					Amount	Act		
Hua Nan Financial Holding Co., Ltd.	Hua Nan Yung-Chong Securities Co., Ltd.	Subsidiary	392,190	-	-	-	-	-
Hua Nan Commercial Bank Co., Ltd.	Hua Nan Financial Holding Co., Ltd.		455,747	-	-	-	-	-

10. Information regarding trading in derivative financial instruments: not applicable.

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

(a) The details of selling non-performing loans

Transaction date	Transaction party	Details of non-performing loan	Book value	Selling price	Disposal gain / loss	Other	Relationship
2007. 02. 12	A	House mortgage	8,993	14,265	5,272	-	Non-related party
2007. 03. 02	B	House mortgage	1,624	2,200	576	-	"
2007. 05. 07	C	House mortgage	7,170	8,200	1,030	-	"
2007. 05. 17	D	House mortgage	4,442	8,600	4,158	-	"
2007. 05. 30	E	House mortgage	15,060	15,696	636	-	"
2007. 06. 01	F	House mortgage	-	600	600	-	"
2007. 06. 15	G	House mortgage	-	1,250	1,250	-	"
2007. 06. 15	H	Receivables(unsecured)	-	50	50	-	"
2007. 06. 15	I	House mortgage	2,513	2,700	187	-	"
2007. 06. 26	J	House mortgage	16,729	17,650	921	-	"
2007. 06. 27	K	House mortgage	4,786	5,500	714	-	"
2007. 06. 28	L	House mortgage	32,558	33,173	615	-	"
2007. 06. 28	M	House mortgage	4,493	4,800	307	-	"
2007. 06. 29	N	Receivables(unsecured)	50	1,020	970	-	"
2007. 07. 03	O	House mortgage	2,296	2,785	489	-	"
2007. 07. 20	P	House mortgage	1,890	2,400	510	-	"
2007. 07. 23	Q	House mortgage	606	900	294	-	"
2007. 08. 07	R	House mortgage	2, 156	2, 400	244	-	"
2007. 08. 17	S	House mortgage	33	600	567	-	"
2007. 08. 20	T	House mortgage	1,962	2,290	328	-	"
2007. 08. 20	U	House mortgage	862	1,350	488	-	"
2007. 08. 23	V	House mortgage	6,485	6,600	115	-	"
2007. 08. 24	W	House mortgage	3,145	3,400	255	-	"
2007. 09. 10	X	House mortgage	307	450	143	-	"
2007. 09. 14	Y	House mortgage	6,104	6, 900	796	-	"
2007. 09. 14	Z	House mortgage	2,204	2,700	496	-	"
2007. 09. 17	AA	House mortgage	1,374	1,600	226	-	"
2007. 09. 21	AB	House mortgage	1,192	1, 440	248	-	"
2007. 10. 29	AC	House mortgage	6,217	7,000	783	-	"
2007. 11. 02	AD	House mortgage	1,133	1,300	167	-	"
2007. 11. 02	AE	House mortgage	999	1,200	201	-	"
2007. 11. 13	AF	House mortgage	435	560	125	-	"
2007. 11. 19	AG	House mortgage	1,191	1,250	59	-	"
2007. 11. 21	AH	House mortgage	2,991	3,150	159	-	"
2007. 11. 27	AI	House mortgage	2,116	2,450	334	-	"
2007. 12. 07	AJ	House mortgage	2,141	2,507	366	-	"
2007. 12. 14	AK	House mortgage	1,809	1,850	41	-	"
2007. 12. 19	AL	Non-secured	-	500	500	-	"
2007. 12. 25	AM	House mortgage	789	1,000	211	-	"
2007. 12. 28	AN	House mortgage	4,639	5,600	961	-	"
2007. 12. 31	AO	House mortgage	5,624	11,373	5,749	-	"
2007. 12. 19	Tainan Asset Management Corporation (note)	Corporate secured loans	5,695,902	5,695,902	-	-	"
		Corporate unsecured loans					
		General house mortgage					
		General secured loans					
		General unsecured loans					

Note: The president is the same as the transaction party's.

(b) Details selling non-performing loans for which the amount exceeded NT\$ 1 billion:

Transaction party: Taiwan Asset Management Corporation

Disposal date: December 19, 2007

Details of loan			Amounts	Book value	Price allocation
Enterprise	Secured		6,432,586	2,579,392	2,579,392
	Non-secured		627,353	78,327	78,327
General	Secured	House mortgages	129,243	78,711	78,711
		Car loans	-	-	-
		Others	78,607	19,746	19,746
	Non-secured	Credit cards	-	-	-
		Cash cards	-	-	-
		Micro credit	-	-	-
		Others	168,063	3,026	3,026
Total			7,435,852	2,759,202	2,759,202

Transaction party: Taiwan Asset Management Corporation

Disposal date: December 19, 2007

Details of loan			Amounts (note1)	Book value	Price allocation (note2)
Enterprise	Secured		5,929,354	2,845,313	2,845,313
	Non-secured		845,570	17,937	17,937
General	Secured	House mortgages	104,851	58,402	58,402
		Car loans	-	-	-
		Others	149,009	12,372	12,372
	Non-secured	Credit cards	-	-	-
		Cash cards	-	-	-
		Micro credit (note3)	-	-	-
		Others	135,499	2,676	2,676
Total			7,164,283	2,936,700	2,936,700

Note 1: Amount indicates the rights of the buyer, comprising the sum of the selling price of the non-performing loans and the amount of write-off.

Note 2: Price allocation is according to the evaluation of the collectable value of a non-performing loan when the Bank sells the non-performing loan.

Note 3: Micro credit is regulated by the Banking Bureau letter dated December 19, 2005 (Ref No. 09440010950)

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

(37) Segment Information: not applicable.

	Bank department	Life insurance department	
Assets			
Cash and cash equivalents	\$ 54,380,866	30,185,402	
Placement with Central Bank and call loans to banks	625,965,011	-	
Financial assets at fair value through profit or loss	26,392,553	610,198	
Bonds and bills purchased under resell agreements	-	13,387,011	
Receivables, net	86,186,925	1,705,178	
Loans and discounts, net	1,912,623,008	7,472,601	
Available-for-sale financial assets, net	180,709,786	20,360,119	
Held-to-maturity financial assets, net	2,662,539	63,891,214	
Long-term investment under equity method, net	29,840,233	4,517,603	
Other financial assets, net	71,571,252	7,931,837	
Fixed assets, net	82,012,149	776,946	
Intangible assets, net	1,054,460	4,886	
Other assets, net	16,382,448	3,616,334	
Total assets	\$ 3,089,781,230	154,459,329	
Liabilities			
Deposits of Central Bank and other banks	\$ 245,414,754	-	
Financial liabilities at fair value through profit or loss	1,437,798	40,248	
Bonds and bills sold under repurchase agreements	17,570,315	-	
Payables	59,498,069	34,459,621	
Deposits and remittances	2,466,179,245	-	
Accrued pension liabilities	2,106,598	-	
Other financial liabilities	1,715,307	-	
Other liabilities	52,433,739	115,148,924	
Total liabilities	2,846,355,825	149,648,793	
Stockholders' equity			
Common stock	\$ 48,000,000	5,000,000	
Capital surplus	110,423,016	65	
Retained earnings			
Legal reserve	13,260,737	-	
Special reserve	17,900,397	-	
Unappropriated retained earnings	11,711,218	150,960	
Equity adjustment			
Unrealized increments on reevaluation	16,520,032	170,455	
Cumulative foreign currency, translation adjustment	(200,339)	(3,348)	
Unrealized gain (loss) on financial instruments	25,810,344	(507,596)	
Total stockholders' equity	243,425,405	4,810,536	
Total liabilities and stockholders' equity	\$ 3,089,781,230	154,459,329	

December 31, 2007				
Government employees insurance department	Procurement department	Trade department	Offset amount	Total
6,093,945	661,885	66,007	-	91,388,105
-	-	-	-	625,965,011
37,565,690	-	-	-	64,568,441
775,056	-	-	-	14,162,067
18,764,780	8,363	450,408	(2,992)	107,112,662
-	-	-	-	1,920,095,609
-	-	-	-	201,069,905
39,248,252	-	-	-	105,802,005
-	-	-	-	34,357,836
-	-	-	-	79,503,089
8,557	11,323	5,626	-	82,814,601
3,496	5,248	14,519	-	1,082,609
29,051,764	1,977,425	258,528	(32,149,514)	19,136,985
131,511,540	2,664,244	795,088	(32,152,506)	3,347,058,925
-	-	-	-	245,414,754
-	-	-	-	1,478,046
-	-	-	-	17,570,315
424,469	294,287	614,715	(2,992)	95,288,169
-	-	-	-	2,466,179,245
-	-	-	-	2,106,598
-	-	-	-	1,715,307
131,087,071	2,057,219	87,668	(32,149,514)	268,665,107
131,511,540	2,351,506	702,383	(32,152,506)	3,098,417,541
-	-	-	-	53,000,000
-	-	-	-	110,423,081
-	-	-	-	13,260,737
-	-	-	-	17,900,397
-	312,738	92,705	-	12,267,621
-	-	-	-	16,690,487
-	-	-	-	(203,687)
-	-	-	-	25,302,748
-	312,738	92,705	-	248,641,384
131,511,540	2,664,244	795,088	(32,152,506)	3,347,058,925

	Bank department	Life insurance department	
Assets			
Cash and cash equivalents	\$ 30,129,053	12,907,248	
Placement with Central Bank and call loans to banks	714,495,260	-	
Financial assets at fair value through profit or loss	41,144,367	1,533,066	
Bonds and bills purchased under resell agreements	28,974,865	17,149,295	
Receivables, net	79,103,119	1,182,255	
Loans and discounts, net	1,690,794,772	7,202,182	
Available-for-sale financial assets, net	183,422,621	7,584,634	
Held-to-maturity financial assets, net	11,085,427	56,730,614	
Long-term investment under equity method, net	34,485,337	-	
Other financial assets, net	69,337,960	1,118,613	
Fixed assets, net	82,451,442	47,827	
Intangible assets, net	1,021,974	24,549	
Other assets, net	18,155,578	11,310,170	
Total assets	\$ 2,984,601,775	116,790,453	
Liabilities			
Deposits of Central Bank and banks	\$ 281,637,455	-	
Financial liabilities at fair value through profit or loss	1,537,583	40,093	
Bonds and bills sold under repurchase agreements	18,909,200	-	
Payables	57,995,257	20,267,057	
Deposits and remittances	2,312,816,524	-	
Accrued pension liabilities	2,380,211	-	
Other financial liabilities	1,999,271	-	
Other liabilities	75,826,757	94,091,807	
Total liabilities	2,753,102,258	114,398,957	
Stockholders' equity			
Common stock	51,000,000	2,000,000	
Capital surplus	108,505,257	-	
Retained earnings			
Legal reserve	11,408,961	-	
Special reserve	15,945,851	-	
Unappropriated retained earnings	12,934,753	-	
Equity adjustment			
Unrealized increments on reevaluation	1,430,586	-	
Cumulative foreign currency, translation adjustment	(248,488)	-	
Unrealized gain (loss) on financial instruments	30,522,597	391,496	
Total stockholders' equity	231,499,517	2,391,496	
Total liabilities and stockholders' equity	\$ 2,984,601,775	116,790,453	

December 31, 2006				
Government employees insurance department	Procurement department	Trade department	Offset amount	Total
6,109,010	11,834	62,247	-	49,219,392
-	-	-	-	714,495,260
27,145,462	-	-	-	69,822,895
602,248	-	-	-	46,726,408
29,168,009	25,843	69,166	-	109,548,392
-	-	-	-	1,697,996,954
-	-	-	-	191,007,255
17,689,646	-	-	-	85,505,687
-	-	-	-	34,485,337
-	-	-	-	70,456,573
9,361	10,658	4,260	-	82,523,548
4,676	2,867	6,204	-	1,060,270
30,633,458	2,215,238	578,600	(41,073,136)	21,819,908
111,361,870	2,266,440	720,477	(41,073,136)	3,174,667,879
-	-	-	-	281,637,455
-	-	-	-	1,577,676
-	-	-	-	18,909,200
602,636	463,314	635,211	-	79,963,475
-	-	-	-	2,312,816,524
-	-	-	-	2,380,211
-	-	-	-	1,999,271
110,759,234	1,803,126	85,266	(41,073,136)	241,493,054
111,361,870	2,266,440	720,477	(41,073,136)	2,940,776,866
-	-	-	-	53,000,000
-	-	-	-	108,505,257
-	-	-	-	11,408,961
-	-	-	-	15,945,851
-	-	-	-	12,934,753
-	-	-	-	1,430,586
-	-	-	-	(248,488)
-	-	-	-	30,914,093
-	-	-	-	233,891,013
111,361,870	2,266,440	720,477	(41,073,136)	3,174,667,879

	2007						
	Bank department	Life insurance department	Government employees insurance department	Procurement department	Trade department	Offset amount	Total
Interest revenue	\$ 77,323,801	4,427,837	1,198,498	38	323	-	82,950,497
Less: interest expense	(65,069,591)	(774,156)	-	-	-	-	(65,843,747)
Interest income, net	12,254,210	3,653,681	1,198,498	38	323	-	17,106,750
Non-interest income, net							
Service fee income	3,772,163	156,952	-	501,173	54,205	-	4,484,493
Service fee expense	(496,187)	(250,213)	(27,571)	(28,315)	(26,408)	-	(828,694)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	4,150,873	199,633	5,312,152	-	-	-	9,662,658
Realized gain on available-for-sale financial assets	1,316,231	2,392,271	-	-	-	-	3,708,502
Realized gain on held-to-maturity financial assets	-	(18,024)	-	-	-	-	(18,024)
Gain on long-term investment under equity method	2,479,225	-	-	-	-	-	2,479,225
Foreign exchange gain (loss)	1,448,144	(817,870)	248,599	-	238	-	879,111
Gain on assets reevaluation (impairment loss)	512,678	(612,108)	-	-	-	-	(99,430)
Other non-interest income	(722,339)	(4,153,578)	(6,573,089)	4,159	182,059	(682)	(11,263,470)
Income from property transaction	6,373,733	-	-	-	-	-	6,373,733
Net revenue	31,088,731	550,744	158,589	477,055	210,417	(682)	32,484,854
Bad debt expense	850,337	21,831	-	-	652	(682)	872,138
Operating expense	17,665,511	377,953	158,589	164,317	117,060	-	18,483,430
Net income before tax	12,572,883	150,960	-	312,738	92,705	-	13,129,286
Income tax expense	861,665	-	-	-	-	-	861,665
Net income	\$11,711,218	150,960	-	312,738	92,705	-	12,267,621

	2006						
	Bank department	Life insurance department	Government employees insurance department	Procurement department	Trade department	Offset amount	Total
Interest revenue	\$ 66,363,519	3,373,522	439,553	-	225	-	70,176,819
Less: interest expense	(57,505,015)	(411,034)	-	-	-	-	(57,916,049)
Interest income, net	8,858,504	2,962,488	439,553	-	225	-	12,260,770
Non-interest income, net							
Service fee income	3,016,634	126,549	-	478,536	56,120	-	3,677,839
Service fee expense	(418,346)	(43,356)	(1,335)	(22,907)	(29,864)	-	(515,808)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	4,047,340	162,527	3,435,405	-	-	-	7,645,272
Realized gain on available-for-sale financial assets	5,700,313	1,026,831	-	-	-	-	6,727,144
Realized gain on held-to-maturity financial assets	-	3,936	-	-	-	-	3,936
Gain on long-term investment under equity method	4,289,777	-	-	-	-	-	4,289,777
Foreign exchange gain (loss)	1,049,047	(401,173)	35,915	-	(633)	-	683,156
Gain on assets reevaluation (impairment loss)	(7,971)	-	-	-	-	-	(7,971)
Other non-interest income	(992,072)	(3,317,150)	(3,909,278)	(20,400)	145,630	-	(8,093,270)
Income from property transaction	7,945,778	-	-	-	-	-	7,945,778
Net revenue	33,489,004	520,652	260	435,229	171,478	-	34,616,623
Bad debt expense	2,927,479	3,896	-	-	547	-	2,931,922
Operating expense	17,561,482	416,053	173,681	192,441	157,549	-	18,501,206
Net income before cumulative effect of changes in accounting principles and income tax	13,000,043	100,703	(173,421)	242,788	13,382	-	13,183,495
Income tax expense	643,377	-	-	-	-	-	643,377
Net income before cumulative effect of changes in accounting principles	12,356,666	100,703	(173,421)	242,788	13,382	-	12,540,118
Cumulative effect of changes in accounting principles	299,314	(78,100)	173,421	-	-	-	394,635
Net income	\$ 12,655,980	22,603	-	242,788	13,382	-	12,934,753

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

Yes! Easy Go...

We care about you

我們所關心的是讓您貸的*Easy* 提早完成置屋的夢想

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- I. Financial Status
 - II. Operating Results
 - III. Cash Flow
 - IV. Influence of Major Capital Expenditures on Financial Operations During Past Years
 - V. Reinvestment Policy for the Past Year
 - VI. Risk Management
 - VII. Crisis Management Mechanism
 - VIII. Other Important Matters

I. Financial Status

Unit: NT\$1,000

Items	Date	Dec. 31, 2007	Dec. 31, 2006 (Restated)	Change	
				Amount	%
Total Assets		3,347,058,925	3,174,667,879	172,391,046	5.43
Total Liabilities		3,098,417,541	2,940,776,866	157,640,675	5.36
Total Shareholders' Equities		248,641,384	233,891,013	14,750,371	6.31

II. Operating Results

Unit: NT\$1,000

Items	Year	2007	2006 (Restated)	Amount Change	% Change
Net interest income		17,106,750	12,260,770	4,845,980	39.52
Non-interest income (net)		15,378,104	22,355,853	(6,977,749)	(31.21)
Net revenues		32,484,854	34,616,623	(2,131,769)	(6.16)
Bad debt expenses		872,138	2,931,922	(2,059,784)	(70.25)
Operating expenses		18,483,430	18,501,206	(17,776)	(0.10)
Net income-before tax		13,129,286	13,183,495	(54,209)	(0.41)
Income tax expense		861,665	643,377	218,288	33.93
Cumulative effect of changes in accounting principles		0	394,635	(394,635)	(100.00)
Net income-after tax		12,267,621	12,934,753	(667,132)	(5.16)

Analysis of changes in increase/decrease ratios:

1. The reduction in net income-before tax in 2007 as compared with 2006 was caused mainly by a decline in net income from the sale of assets and income from investment as calculated by the equity method.
2. The increase in net interest income in 2007 as compared with 2006 was due mainly to an increase in revenues from interbank call loans and an increase in securities investment interest.
3. The reduction in Non-interest income (net) in 2007 as compared with 2006 was caused mainly by a decline in net income from the sale of assets and income from investment as calculated by the equity method.
4. The reduction in bad-debt expenses in 2007 as compared with 2006 was due mainly to increased bad-debt allowances necessitated by the Rebar Group financial crisis.
5. The increase in income tax expense in 2007 as compared with 2006 was caused primarily by an increase in the amount of basic tax.
6. Valuation gains for the cumulative effect of changes in accounting principles was caused by the adoption of the "Accounting Criteria for Financial Products" beginning in FY2006.

III. Cash Flow

1. Liquidity Analysis for the Past Year

(1) Cash Flow Analysis

Unit: NT\$1,000

Item	2007	2006 (Restated)	Amount Change	% Change
Net cash inflow (outflow)	60,007,444	(51,798,532)	111,805,976	215.85

Net cash inflow in 2007 was NT\$111.81 billion more than in the previous year. The main reasons for the net change were as follows:

Unit: NT\$1,000

Items	Amount
Increase in net cash inflow from operating activities	48,427,285
Decrease in placement with Central Bank	103,028,549
Increase in loans and discounts	(52,313,209)
Decrease in deposits of banks	(88,068,460)
Increase in deposits and remittances	82,728,649
Others	18,003,162
Net cash inflow	111,805,976

(2) Remedy for Estimated Shortage of Liquidity: Not applicable.

2. Cash Flow Analysis for the Coming Year:

Unit: NT\$1,000

Beginning Cash Balance (a)	Annual Net Cash Flow from Business Activities (b)	Annual Cash Outflow (inflow) (c)	Cash Balance (Shortage) (a)+(b)-(c)	Remedy for Estimated Cash Shortage	
				Investment Plan	Financial Management Plan
292,031,133	18,969,989	(28,234,950)	282,766,172	-	-

(1) Cash Flow Analysis

- Business activities: Due primarily to a new cash inflow of NT\$18.97 billion produced by business activities.
- Investment activities: A Net cash outflow of NT\$22.52 billion from investment activities mainly due to a net increase of loans & discounts, and current financial assets together with a decrease of the sale of land and buildings.
- Financing activities: Primarily a net cash outflow of NT\$5.71 billion produced by financing activities as a result of increases in deposits and remittances, and Central Bank deposits together with a decrease in cash dividends released and interbank deposits.

(2) Remedial action to make up for cash inadequacy, and liquidity analysis: Not applicable.

IV. Influence of Major Capital Expenditures on Financial Operations During Past Years

1. Utilization of Major Capital Expenditures, and Sources of Funds

Unit: NT\$1,000

Plan Items	Actual or Projected Sources of Funds	Actual or Projected Date of Completion	Needed Capital	Actual or Projected Funds Utilization					
				2003	2004	2005	2006	2007	2008
Construction of Nantze Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	June 2008	235,209	1,101	0	104,785	0	111,196	18,127
Construction of Aanan Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	Feb. 2008	155,153	718	0	41,944	0	52,491	60,000
Construction of Ilan Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	Dec. 2010	338,745	0	0	0	0	573	30,000
Construction of Donggang Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	Dec. 2010	164,247	0	0	0	0	306	15,800
Total			893,354	1,819	0	146,729	0	164,566	123,927

2. Projected Potential Benefit

Potential benefits are expected through enhancement of the Bank's corporate image and service quality, stabilization of the Bank's business locations, and expansion of the service network. This is in addition to saving rental costs, via increased rental income through the leasing of excess office space.

V. Reinvestment Policy for the Past Year

The Bank actively plans for the disposal of reinvested enterprises that are performing poorly, for which the original purpose of investment has been achieved, or which are unrelated to the Bank's business in order to heighten the overall performance of reinvestment. The Bank's profit on long-term equity investment in 2007 amounted to more than NT\$4.5 billion.

To assure the quality of investment and to heighten return on investment, the Bank actively implements share-release plans to release the weak and keep the strong, and participates in meetings of the boards of directors and supervisors of invested enterprises so as to remain aware of their business conditions and protect the Bank's investment interests. In the area of investment plans, the Taiwan Financial Holdings Co. was established on Jan. 1, 2008 with the BOT as its subsidiary. Under the Financial Holding Company Act, the Bank will no longer be able to increase the amount of its investment.

VI. Risk Management

1. Qualitative & Quantitative Information on Different Types of Risk

(1) Credit Risk Management and Accrued Capital

a. Credit Risk Management System

Fiscal Year 2007

Items	Contents
1. Credit Risk Strategies, Goals, Policies, and Procedures	<p>The Bank has established a complete credit risk management system, and carries out effective control, for the various types of credit risk (existing and potential) arising from both on- and off-balance-sheet businesses.</p> <p>(1) Under the stipulations of the Basel II Accord, the calculation of risk-based assets and self-owned capital for the Pillar I minimum capital requirement is carried out by the standard method, and the risk-weighting and offsetting methods stipulated by the competent authorities for different types of exposure are used to measure the allocation of capital.</p> <p>(2) Rules, standards, operating manuals, and other risk-management systems have been established in order to effect the overall management of the Bank's credit risk by using bank-wide policy, organization, business, information, and procedures to identify, weigh, supervise, and control risk.</p> <p>a. In the area of policy and strategy, the Bank has established criteria such as loan policy, credit risk management criteria, loan criteria, and credit investigation criteria.</p> <p>b. In the area of organization and framework, the Bank has established rules for multi-level authorization as well as functional screening committees and has set up limits and management systems in accordance with the extent of risk and risk quotas.</p> <p>c. Operating methods have been mapped out for different businesses and products such as consumer loans and general revolving capital, rating rules for corporate credit, and other methods related to credit investigation and loan extension.</p> <p>(3) Rules for the management of concentration risk and the diversification of credit risk:</p> <p>a. Industry Risk</p> <p>To strengthen risk management for loans to and investment in the same industry and avoid excessive concentration of risk, the Bank has established "Rules for the Management of Loan and Investment Risk Limits for Single Industries" and "Same-Industry Loan and Investment Risk Quota Ratios and Warning Ratios" with the aim of maintaining asset quality and strengthening its operational foundation.</p> <p>b. Country Risk</p> <p>To diversify country risk, the Bank allocates country risk quotas to the Department of Corporate Finance, Department of Treasury, Department of International Banking, Overseas Banking Unit, and overseas branches each year in accordance with the country rankings of Euromoney magazine. The business items included are loan assets and trading assets, as well as off-book positions.</p> <p>c. Same Person/Same Corporation/Parties of Material Interest/Same Related Person/Same Related Corporation/Same Enterprise Group</p> <p>The Bank carries out quota management for loans to its own responsible person and employees as well as to parties with a material interest in the Bank, the same person, the same related persons, and the same related corporations, and has established "Criteria for the Management of Loan and Investment Quotas for Same Enterprises and Same Enterprise Groups" so as to control the concentration of risk.</p> <p>d. Other Banks and Trading Counterparties</p> <p>When the BOT's Department of Treasury, OBU, or overseas branches undertake trading in the monetary market and capital market, trading in foreign exchange, trading in new financial products, or trading in securities, they follow rules that have been established for the control of quotas in accordance with external credit ratings or world rankings of trading counterparties or the securities issuing banks or guarantors.</p> <p>(4) To effectively measure the quality of loan assets, the Bank has established pre-loan investigation and screening rules and procedures. It has also strengthened post-loan management, and has adopted the following control and measurement mechanisms:</p> <p>a. Pre-loan investigation and review management is used when extending loans so as to thoroughly understand the counterparty and its credit situation, the use of the loan proceeds, source of repayment funds, assurance of debtor rights, and prospects of the borrower.</p> <p>b. The "Regulations for Loan Review and Follow-up Examination" have been formulated to establish an examination system for loan review and follow-up, and to strengthen post-loan management. An independent mechanism has been set up in accordance with the Regulations to handle loan review work and constantly monitor the condition of the borrower. Loan reviews are carried out during the loan period according to the review rating of the specific loan, and follow-up examination is carried out for important loan cases. Review results are also reported on a regular basis.</p>

Items	Contents
	<p>c. "Operating Guidelines for the Loan Early-warning Mechanism" are used to provide for the early internal disclosure of loan risks and to permit the grasping of opportunities before borrowers suffer changes by taking necessary countermeasures early on, thereby maintaining the quality of loan assets.</p> <p>d. The Bank assesses and monitors the quality of different types of assets on a regular basis, and has strengthened management of abnormal loans. It also allocates reserves against losses, with related operations and procedures all being carried out in accordance with the BOT "Regulations on Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans." Management systems and mechanisms have been established for the collection of problem loans and other non-performing debt in order to control risk.</p>
2. Organizational Framework of Credit Risk Management	The BOT's organizational framework of credit risk management includes the Board of Directors, Risk Management Committee, Auditing Office, Department of Credit Management, units in charge of business, and other business units.
3. Scope and Characteristics of the Credit Risk Reporting and Measuring System	<p>(1) The Bank considers the following factors in its measurement of credit risk:</p> <p>(a) Credit features: Features in accordance with type of loan business, type of traded commodity, borrower, transaction counterparty, target, sources of repayment funds, repayment record, record of trading relations, and contract contents and financial condition of loan clients and transaction counterparties.</p> <p>(b) Potential impact of changes in the market and economic environment on exposure.</p> <p>(c) Collateral or guarantee.</p> <p>(d) Other potential future changes in risk for the borrower, issuer, or transaction counterparty.</p> <p>(e) Besides considering the risk of individual transactions, credit risk is also measured for loan and investment portfolios.</p> <p>(2) The scope of the BOT's credit risk management encompasses the various types of credit risk arising from the Bank's on-and off-balance-sheet businesses (both existing and potential), such as overall credit investigation, loan extension, investments, non-performing debt, credit risk-offsetting tools (including the provision of collateral, the provision of guarantees, and risk-hedging), securities margin transactions, and the trading of derivatives on the over-the-counter market.</p> <p>(3) The Bank's Department of Risk Management submits bank-wide credit risk forms or reports to the Board of Directors and the Risk Management Committee on a regular basis. The content of these reports includes risk-control conditions such as the status of bank-wide exposure to credit risk, the status of utilization of total amounts and quota limits, analysis of the management of credit risk concentration, analysis of overseas branch (including the OBU) loan asset portfolios and anonymous loan participants, and asset quality and off-book items.</p>
4. Credit Risk Hedging and Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	<p>(1) The Bank has instituted "Regulations for Loan Review and Follow-up Auditing" and has established a loan review and follow-up auditing system to strengthen post-loan management. An independent mechanism for handling loan review work and continuous monitoring of the condition of borrowers has been set up in accordance with the Regulations. Loan review is carried out within the term of loans in accordance with the review rating, and follow-up auditing is carried out for important loan cases. The results of the reviews are reported on a regular basis.</p> <p>(2) With consideration given to both business promotion and risk control, the Bank operates in accordance with its loan policy and rules for the handling of collateral to seek the provision of collateral or guarantees to augment the creditworthiness of borrowers and lower credit risk. Collateral and guarantees include mortgages on real estate or movable property (such as land, buildings, equipment, vehicles, ships, and aircraft), pledge rights on securities, or other rights (such as certificates of deposits, bonds, and stocks), guarantees by the competent government treasury authorities, banks, and government-approved credit guarantee institutions, and other guarantees or collateral approved by the Bank.</p> <p>(3) The credit risk monitoring reports are compiled according to the contents of the items listed above and the status of credit risk exposure and rules, and include analyses of risk concentration, analyses of types of risk exposure, analyses of asset quality, and information on mitigating collateral. The reports are submitted regularly to the Risk Management Committee for formulation of statements and countermeasures regarding the continuing effectiveness of strategies and procedures.</p>
5. Method of Legal Capital Allocation	Standardized Approach

b. Exposure and Accrued Capital Following Risk Mitigation Using the Standardized Credit Risk Approach

Unit: NT\$1,000

Type of Exposure	Exposure Following Risk Mitigation		Credit Risk-Based Assets		Accrued Capital	
	Dec. 31, 2007	March 31, 2008	Dec. 31, 2007	March 31, 2008	Dec. 31, 2007	March 31, 2008
Sovereign Nations	924,980,074	947,654,584	1,008,961	949,900	80,717	75,992
Non-Central Government Public Sector	578,787,805	621,879,411	168,712,977	183,076,632	13,497,038	14,646,132
Banks (including multilateral development banks)	143,605,696	133,737,269	89,152,803	81,386,240	7,132,224	6,510,899
Enterprises (including securities and insurance firms)	648,942,785	693,683,997	596,143,000	638,753,317	47,691,440	51,100,265
Retail Debt	258,215,145	252,033,754	146,830,610	142,767,142	11,746,449	11,421,371
Residential Real Estate	370,631,809	367,933,331	169,392,602	165,585,301	13,551,408	13,246,824
Equity Investment	14,227,928	14,303,257	54,777,269	54,946,262	4,382,182	4,395,701
Other Assets	129,544,815	123,668,799	105,470,464	104,356,734	8,437,637	8,348,539
Total	3,068,936,057	3,154,894,402	1,331,488,686	1,371,821,528	106,519,095	109,745,723

Notes: 1. "Other Assets" exposure deduction of "other receivables – unsettled spot foreign exchange" (The amount of unsettled spot foreign exchange at the end of December 2007 was NT\$18,750,430,000.)

2. The amount of exposure following the offset of exposure to "banks (including multilateral development banks)" with the addition of risk-based assets allocated for overseas subordinated financial debentures by the equity method (with risk weighted at 400%) was NT\$6,404,213,000 as of Dec. 31, 2007 and NT\$5,423,214,000 as of March 31, 2008.

(2) Asset Securitization Risk Management System, Exposure, and Accrued Capital

a. Asset Securitization Risk Management System

Fiscal Year 2007

Items	Contents
1. Asset Securitization Management Strategy and Procedures	The Bank observes the regulations of the competent authority and its own internal rules, carries out careful prior assessment as well as measurement and evaluation procedures, and implements regular follow-up and supervision so as to assure the dispersal of risk in the undertaking of asset securitization. The Bank has also set up risk management rules and a risk management reporting mechanism.
2. Asset Securitization Management Organization and Framework	<ol style="list-style-type: none"> (1) The BOT's organizational framework of risk management includes the Board of Directors, Auditing Office, Risk Management Committee, Department of Credit Management, units in charge of business, and other units. (2) Investment in securitized assets is carried out, within the scope of their authority, by the Department of Treasury, Department of International Banking (including overseas branches), and OBU. Loan operations related to securitized assets (credit support, liquidity financing quotas, etc.) are carried out, within the scope of its authority, by the Department of Credit Management. (3) Other businesses related to asset securitization, such as provision of the Bank's assets for the asset pool of securitization targets, is carried out by the Department of Credit Management or other department according to its authorization. (4) Planning and implementation procedures for the above securitization businesses are all carried out in line with the stipulations of the Bank's multi-level authorization rules and related business regulations, and are operated according to the Bank's risk management system and reporting mechanism.
3. Scope and Characteristics of the Asset Securitization Risk Reporting and Measuring System	<ol style="list-style-type: none"> (1) The scope of credit risk management associated with asset securitization encompasses the various kinds of credit risk (both existing and potential) arising from the Bank's on- and off-balance-sheet asset securitization businesses, such as overall credit investigation, loan and investment, and credit risk mitigation instruments (including the solicitation of collateral, the provision of guarantees, risk hedging, etc.). (2) When the Bank engages in businesses and management procedures related to asset securitization credit risk, it evaluates the probability and severity of losses from the investment or loan and adopts appropriate credit risk management countermeasures in consideration of the Bank's risk appetite and cost effectiveness. Risk management countermeasures include risk hedging, risk transfer or mitigation, risk control, and assumption of risk. (3) Each department in charge of business evaluates and measures the different items of risk that it faces within its area of responsibility, and submits comprehensive evaluation reports and preserves written records. The Bank has also established an independent Department of Risk Management which is responsible for the unified handling of bank-wide risk management and control matters and submits regular reports to the Risk Management Committee.
4. Asset Securitization Risk Hedging and Mitigation Policies, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Risk Hedging and Mitigation Instruments	The Bank carefully examines the status of exposure in relation to type of investment and loan customer and type of conglomerate so as to control the concentration of risk to an appropriate degree, continuously monitors the extent of and changes in exposure to designated securitized asset investment or loan businesses, and makes reports on the status of exposure and countermeasures taken to high-level management when necessary so that overall risk control may be effected.
5. Method of Legal Capital Allocation	Standardized Approach

b. Status of Risk Securitization Undertaken

(None)

c. Asset Securitization Risk Exposure and Accrued Capital

Unit: NT\$1,000

Type of Exposure	Non-Originating Bank			
	Purchased or Held Securitization Risk Exposure		Accrued Capital	
	Dec. 31, 2007	March 31, 2008	Dec. 31, 2007	March 31, 2008
AAA ~ AA-	5,314,751	6,913,203	85,036	110,611
A+ ~ A-	1,123,625	710,848	44,945	28,434
BBB+ ~ BBB-	9,744	398,616	780	31,889
A-3 / P-3	2,000,000	2,000,000	160,000	160,000
Total	8,448,120	10,022,667	290,761	330,934

Note: As of March 31, 2008 the Bank had not undertaken any asset securitization; all securitized products purchased or held were issued by institutions other than the Bank.

(3) Operational Risk Management System and Accrued Capital

a. Operational Risk Management System

Fiscal Year 2007

Items	Contents
1. Operational Risk Management Strategies and Procedures	<p>(1) The Bank has established multi-level authorization rules and reporting procedures, in its business rules and operating manuals, in regard to bank customers, products and business activities, business sources, sales channels, and transaction complexity and volume, and in consideration of potential risk. In its SOP the bank also stipulates that in their review work officers should pay attention to risk control, strengthen identification, emphasize potential risk, formulate evaluation procedures, and establish a frequency of risk monitoring on a regular basis.</p> <p>(2) The Auditing Office of the Board of Directors is the Bank's independent auditing unit, and it evaluates the effectiveness the design and implementation of internal controls on a regular basis in accordance with the stipulations on the risk management mechanism contained in the "Implementation Rules for Bank Internal Audit and Internal Control System." This risk management mechanism broadly encompasses business characteristics, personnel, systems, and the operating environment. The Bank has hired CPAs to audit (or review) internal control systems related to its financial statements on a regular basis.</p>
2. Organizational Framework of Operational Risk Management	<p>(1) The BOT's organizational framework of risk management includes the Board of Directors, Risk Management Committee, Department of Credit Management, units in charge of business, other units and all levels of personnel.</p> <p>(2) The Bank's operational risk management rules stipulate the responsibilities of the Board of Directors, high-ranking officers, and auditors in regard to operational risk management so as to establish a complete operational risk management mechanism for the Bank.</p>
3. Scope and Characteristics of the Operational Risk Reporting and Measurement System	<p>The Risk Control Committee meets regularly and submits reports on bank-wide risk management monitoring.</p> <p>The reports encompass the compilation, filing, and analysis of operational risk losses; the status of operational risk training; reviews and status of improvement regarding major unexpected operational risk losses; and revision and implementation of SOPs.</p>
4. Operational risk hedging or risk mitigation policy, and strategies and procedures for monitoring the continuing effectiveness of risk hedging and mitigation instruments.	<p>The Bank hedges against operational risk by taking out insurance for its transfer in accordance to its accumulated experience and operating procedures, as well as in consideration of various types of business cost/effectiveness analysis. The Bank currently adopts the transfer of risk through employee fidelity insurance, business premises property insurance, shipping property insurance, and other insurance; however, the qualification of the insured party still does not conform to the mitigation stipulations of the Basel II Accord.</p> <p>At the same time, operational risk is reduced through the outsourcing of some operations under the "Rules for the Outsourcing of BOT Internal Operating Systems and Procedures."</p>
5. Method of Legal Capital Allocation	Standardized Approach

b. Operational Risk Capital Accrual

Unit: NT\$1,000

Fiscal Year	Operating gross profit	Accrued Capital
2005	21,705,040	
2006	20,083,018	
2007	25,743,144	
Total	67,531,202	3,376,560

Note: Allowances for operational risk as of March 31, 2008 were the same as those on Dec. 31, 2007.

(4) Market Risk Management System and Accrued Capital

a. Market Risk Management System

Fiscal Year 2007

Items	Contents
1. Market Risk Management Strategies and Procedures	To establish and effectively implement a healthy market risk management mechanism, lower market risk, and achieve operating and management targets, market risk management criteria and related management rules are established in accordance with the BOT's risk management policy, and the risks associated with different investment businesses are identified, evaluated, measured, monitored, communicated, and reported.
2. Organizational Framework of Market Risk Management	The BOT's organizational framework of risk management includes the Board of Directors, Risk Management Committee, Department of Credit Management, units in charge of business, trading units and their traders, risk control personnel, and back-office personnel.
3. Scope and Characteristics of Market Risk Reporting and Measurement	Market risk, also known as price risk, refers to the risk of fluctuations in the value of financial products or investment portfolios caused by future changes in market prices (market interest rates, exchange rates, prices of stocks and commodities), resulting in possible on- and off-balance-sheet losses or profit losses for the Bank. Monitoring encompasses all trading units and overall and individual trading procedures for different financial products, and includes changes in position, changes in profit and loss, trading models, and trading targets, all of which should be carried out in accordance with the Bank's quota limits, stop-loss, and over-limit disposition rules, and within authorization limits. To strengthen the Bank's risk control through quantitative systems, work is under way on the establishment of an internal-model-approach measuring system for market risk that conforms to the Basel II Accord.
4. Market Risk Hedging and Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Risk Mitigation Instruments	The Bank has established operating criteria for derivatives products, and internal control operating methods, in accordance with the "Directions for Banks Conducting Financial Derivatives Business" as promulgated by the Banking Bureau, and reviews principal and loss quotas on a regular basis so as to strengthen risk control of trading units. When trading units undertake trading in derivative products based on product or other profits, with the exception of credit derivatives they must, in principle, engage in pairs trading so as to transfer and reduce risk. For the market risk of derivatives packages, position is, in principle, calculated by decomposition. For products that do not admit of decomposition, positions should be covered in round lots, with no retained positions allowed. Reverse-squaring trading for derivatives positions has been provided for, and can be used for the mutual offsetting of positions, which are listed as net amounts.
5. Method of Legal Capital Allocation	Standardized Approach

b. Market Risk Capital Accrual

Unit: NT\$1,000

Risk Category	Accrued Capital	
	Dec. 31, 2007	March 31, 2008
Interest rate risk	1,093,479	1,346,043
Equity security risk	265,895	702,168
Foreign exchange risk	470,432	341,446
Commodity risk	--	--
Total	1,829,806	2,389,657

(5) Liquidity Risk

The Bank uses two methods to manage liquidity risk: total amount management, and flow management. Total amount management is carried out according to the Central Bank's "Liquidity Reserve Checking Guidelines for Financial Institutions," and liquidity reserves are allocated in reference to fluctuations in the Bank's flow of funds. The implementation of flow management depends on the time and place of in- and outflow of funds and is divided into real-time management and medium- and long-term management. When the flow of funds reaches a set limit, business units are required to submit a report immediately so as to maintain a grasp of the status of capital and provide for the adoption of advance countermeasures. Medium- and long-term management calls for the compilation of a New Taiwan Dollar Cash Flow Gap Analysis Table, in which 1-10 day and 11-30 day gaps are calculated, each week. In addition, a monthly analytic report on the Bank's New Taiwan Dollar and Foreign Currencies funds liquidity risk and interest-rate risk is compiled and submitted to the Assets and Liabilities Management Committee and to the Board of Managing Directors quarterly.

a. New Taiwan Dollars-Denominated Maturity Date Structure

Dec. 31, 2007

Unit: NT\$1,000

Items	Total	Amounts by Time Remaining before Maturity				
		1-30 days	31-90 days	91-180 days	181days-one year	Over one year
Major inflows of matured funds	2,891,645,198	345,479,462	350,306,974	289,917,985	294,063,649	1,611,877,128
Major outflows of matured funds	3,124,937,910	245,197,766	258,394,958	335,404,210	836,680,851	1,449,260,125
Period gap	(233,292,712)	100,281,696	91,912,016	(45,486,225)	(542,617,202)	162,617,003

Note: The table includes only New Taiwan Dollar Amounts held in head office and the domestic branches, excluding foreign currencies.

b. U.S. Dollar-Denominated Maturity Date Structure

Dec. 31, 2007

Unit: US\$1,000

Items	Total	Amounts by Time Remaining Before Maturity				
		1-30 days	31-90 days	91-180 days	181days-one year	Over one year
Assets	9,324,380	2,579,571	1,883,935	1,961,771	1,846,600	1,052,503
Liabilities	9,210,301	4,916,903	1,900,645	1,068,776	1,034,704	289,273
Gap	114,079	(2,337,332)	(16,710)	892,995	811,896	763,230
Accumulated Gap	114,079	(2,337,332)	(2,354,042)	(1,461,047)	(649,151)	114,079

Note: The table includes assets and liabilities denominated in USD held in head office, the domestic branches and Offshore Banking Branch.

2. Impact of Changes in Major Domestic and Overseas Policies and Laws on the Bank's Financial Operations, and Countermeasures

The Bank will remain attentive to the influence of major government financial and economic policies, and will provide appropriate responses in a timely fashion so as to lower the impact on its financial operations.

3. Impact of Technological and Industrial Changes on the Bank's Financial Operations, and Countermeasures

(1) Influence of Changes in Technology, and Countermeasures

The rapid advance of information technology has changed the trading habits of customers and, in consequence, the equipment and operating methods of banks have changed as well. The use of automated teller machines, telephone banking, unmanned banks, Internet banks, and electronic banking allows customers to carry out all kinds of cash withdrawals, funds transfer, and collections online and in real time. Besides enabling banks to reduce their operating costs and improve their operating efficiency, this also enables them to use management information to achieve even more effective management.

To strengthen loan risk management, the Bank has established quotas for the assumption of industry risk both by industry and by business group, and for loans to the same corporate group.

(2) Impact of Industrial Changes, and Countermeasures

The Bank holds key industry status and prospects seminars periodically, purchases industrial, economic, and specialized databanks. In addition to these resources, employees can use the Bank's global information network to maintain grasp of the latest industrial changes, enhance the quality of credit investigation and loans, and lower the Bank's business risks.

4. Impact on the Bank of Changes in the Bank's Image, and Countermeasures

Besides working vigorously to upgrade its service image, streamline operating procedures, and expand authorization limits, the Bank moved in 2004 to mold an image of youth and vigor by emphasizing "Make it happen with vitality, happiness, and hope". In 2005 the emphasis was on "Make a difference with creativity, integration, and action", portraying an image of a young heart, soaring emotion, and lively energy to mold an image of the BOT as a bank with a difference that fully manifests the operating team spirit. In 2006 the slogan "A Wonderful Team" was introduced, and was used as a background for the introduction of the team ideals of "quickness, accuracy, and

fierceness" into the Bank's marketing activities and cultivate a corporate vision of "With energy there is force, and with hope there is a future." Right-size engineering was instituted in 2007 with the aim of producing a customer-oriented organization and establishing a proactive marketing culture. A corporate banking marketing team was set up to link headquarters and branch resources and assist the branches with marketing so that they could get closer to their local markets and respond to customers more quickly, and grasp potential business and profit opportunities. In addition, a domestic operational management department was set up to strengthen channels of communication between headquarters and branches, nimbly grasp the pulse of the market, and make sure that the Bank maintains its competitive advantage in the fiercely competitive environment.

5. Expected Benefits and Potential Risks of Mergers and Acquisitions, and Countermeasures

Anticipated results of the formation of the Taiwan Financial Holdings Co. through an exchange of shares by the Bank of Taiwan, Land Bank of Taiwan, and Export Import Bank of ROC include:

- (1) Development into a leading national-class financial holding company
- (2) Enhancement of profit-making capability through cross-marketing
- (3) Provision of full-spectrum financial services to customers
- (4) Establishment of a closely knit service channel network
- (5) Realization of economies of scale and scope
- (6) Unified planning for the efficient operation of financial holding company resources
- (7) Creation of a centralized and flexible financial operations platform

6. Expected Benefits and Potential Risks of Business Location Expansion

The BOT enjoys outstanding credit, a broad and stable market base, a correspondent banking system that covers Taiwan and the world, and a fine management system. The expansion of business locations will not only increase the volume of the deposit, loan, and foreign exchange businesses, but will also offer customers more convenient services and establish a solid operating niche.

7. Risks Arising from the Concentration of Business, and Countermeasures

The Bank's main source of income is interest, and for this reason changes in interest rates have a relatively large influence on the Bank's income. To reduce the risk caused by interest-rate fluctuations, the Bank will observe changes in interest rates both continuously and closely, and will adjust its interest rates when necessary to improve the structure of its assets and liabilities.

8. Influence and Risks Posed by Changes in Operating Rights

The BOT is currently a government-owned bank and the government is its only shareholder, so there have been no changes in operating rights.

9. Court Cases Pending

(None)

10. Other Important Risks

(None)

VII. Crisis Management Mechanism

In regard to latent or present crises, the Bank adopts a series of pre-event, mid-event, and post-event countermeasures. The crisis management mechanism that has been established by the Bank includes the following:

1. A "BOT Emergency Response Manual."
2. The "BOT Crisis Reporting Rules."
3. An emergency reporting system for headquarters and branches.
4. A "BOT Operations Non-Interruption Plan".

VIII. Other Important Matters

The BOT completed its merger with the Central Trust of China on July 1, 2007 and received permission to establish the Taiwan Financial Holdings Co. from the Financial Supervisory Commission on Dec. 6, 2007. The Taiwan Financial Holdings Co. was formally established on Jan. 1, 2008, with the Bank of Taiwan as its subsidiary.

Special Notes



- I. Information on Affiliated Enterprises
- II. Private Placement of Securities and Bank Debentures
- III. Holdings or Disposition of BOT Shares by Subsidiaries
- IV. Other Matters for Supplementary Explanation
- V. Incidents Occurring During the Previous Year and to Date of Annual Report Publication Which, as Stipulated in Article 36, Section 2, Subsection 2 of the Securities Transaction Law, Had a Major Impact on Shareholder Interests or Share Prices

I. Information on Affiliated Enterprises

(None)

II. Private Placement of Securities and Bank Debentures

(None)

III. Holdings or Disposition of BOT Shares by Subsidiaries

(None)

IV. Other Matters for Supplementary Explanation

(None)

V. Incidents Occurring During the Previous Year and to Date of Annual Report Publication Which, as Stipulated in Article 36, Section 2, Subsection 2 of the Securities Transaction Law, Had a Major Impact on Shareholder Interests or Share Prices

(None)



Directory of Head Office and Branches



I. Domestic Business Units

II. Overseas Units

I. Domestic Business Units

No. 120 Sec 1, Chongcing South Road, Jhongjheng District, Taipei City 10007, Taiwan (R.O.C.)

P. O. Box 5 or 305, Taipei, Taiwan SWIFT: BKTWTWTP <http://www.bot.com.tw> TELEX: 11201 TAIWANBK

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
0037	Department of Business	No. 120 Sec. 1, Chongcing South Road, Jhongjheng District, Taipei City	02-23493399	02-23759708
0059	Department of Public Treasury	No. 120 Sec. 1, Gueiyang Street, Jhongjheng District, Taipei City	02-23615421	02-23751125
0082	Department of Trusts	No. 49 Sec. 1, Wuchang St., Jhongjheng District, Taipei City	02-23618030	02-23821846
0691	Offshore Banking Branch	1F., No.162 Bo-ai Road, Jhongjheng District, Taipei City	02-23493456	02-23894500
1698	Department of Securities (note)	2F., No. 58 Sec. 1, Chongcing South Road, Jhongjheng District, Taipei City	02-23882188	02-23716159
0071	Guancian Branch	No. 49 Guancian Road, Jhongjheng District, Taipei City	02-23812949	02-23753800
0093	Tainan Branch	No. 155 Sec. 1, Fucian Road, Central District, Tainan City	06-2160168	06-2160188
0107	Taichung Branch	No. 140 Sec. 1, Zihyou Road, West District, Taichung City	04-22224001	04-22224274
0118	Kaohsiung Branch	No. 264 Jhongjheng 4th Road, Cianjin District, Kaohsiung City	07-2515131	07-2211257
0129	Keelung Branch	No. 16, Yee 1st Road, Jhongjheng District, Keelung City	02-24247113	02-24220436
0130	Chunghsin New Village Branch	No. 11 Guanghua Road, Jhongsing Village, Nantou City, Nantou County	049-2332101	049-2350457
0141	Chiayi Branch	No. 306 Jhongshan Road, Chiayi City	05-2224471	05-2258400
0152	Hsinchu Branch	No. 29 Linsen Road, Hsinchu City	03-5266161	03-5266446
0163	Changhua Branch	No. 130 Chenggong Road, Changhua City, Changhua County	04-7225191	04-7257871
0174	Pingtung Branch	No. 43 Jhongshan Road, Pingtung City, Pingtung County	08-7328141	08-7322309
0185	Hualien Branch	No. 3 Gongyuan Road, Hualien City, Hualien County	03-8322151	03-8322404
0196	Yenping Branch	No. 406 Nanjing West Road, Datong District, Taipei City	02-25522859	02-25524317
0200	Chungshan Branch	No. 150 Sec. 1, Jhongshan North Road, Jhongshan District, Taipei City	02-25423434	02-25710210
0211	Kaohsiung Export Processing Zone Branch	No. 1 Jhongyi Road, Export Processing, Cianjhen District, Kaohsiung City	07-8215141	07-8115648
0222	Ilan Branch	No. 1 Sec. 3 Jhongshan Road, Yilan City, Yilan County	03-9355121	03-9355822
0233	Taitung Branch	No. 313 Jhongshan Road, Taitung City, Taitung County	089-324201	089-311608
0244	Penghu Branch	No. 24 Ren-ai Road, Magong City, Penghu County	06-9279935	06-9272347
0255	Fengshan Branch	No. 20 Caogong Road, Fongshan City, Kaohsiung County	07-7416131	07-7433478
0266	Taoyuan Branch	No. 46 Jhongjheng Road, Taoyuan City, Taoyuan County	03-3352801	03-3322007
0277	Panchiao Branch	No. 21 Fujhong Road, Banciao City, Taipei County	02-29680172	02-29676416
0288	Hsinying Branch	No. 10 Jhongjheng Road, Sinying City, Tainan County	06-6351111	06-6321843
0299	Miaoli Branch	No. 510 Jhongjheng Road, Miaoli City, Miaoli County	037-326791	037-327111
0303	Fengyuan Branch	No. 302 Jhongjheng Road, Fongyuan City, Taichung County	04-25278686	04-25256981
0314	Touliu Branch	No. 27 Wunhua Road, Douliou City, Yunlin County	05-5324155	05-5338309
0325	Nantou Branch	No. 101 Fusing Road, Nantou City, Nantou County	049-2232121	049-2229845
0336	Nanmen Branch	No. 120 Sec. 1, Nanchang Road, Jhongjheng District, Taipei City	02-23512121	02-23964281

Note: The Department of Securities was reorganized into the BankTaiwan Securities Co., Ltd. on Jan. 2, 2008.

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
0347	Kungkuan Branch	No. 120 Sec. 4, Roosevelt Road, Jhongjheng District, Taipei City	02-23672581	02-23698237
0358	Tzoyin Branch	No. 19 Zuoying Avenue, Zuoying District, Kaohsiung City	07-5819141	07-5850051
0369	Peitou Branch	No. 152 Sec. 1, Jhongyang South Road, Beitou District, Taipei City	02-28951200	02-28973345
0370	Wufeng Branch	No. 838 JhongJheng Road, Wufong Township, Taichung County	04-23302216	04-23327104
0381	Kinmen Branch	No. 4 Fusing Road, Jinhu Township, Kinmen County, Fuchien Province	082-333711	082-333719
0392	Matsu Branch	No. 257 Wunhua Road, Chiehshu Village, Nangan Township, Lienchiang County, Fuchien Province	0836-26046	0836-25801
0406	Anping Branch	No. 240 Jhongjheng Road, Central District, Tainan City	06-2292181	06-2241520
0417	Chungli Branch	No. 580 Yanping Road, Jhongli City, Taoyuan County	03-4252160	03-4258751
0428	Sanchung Branch	No. 39 Sec. 4, Chongsin Road, Sanchong City, Taipei County	02-29719621	02-29719736
0439	Toufen Branch	No. 65 Jhongjheng Road, Toufen Township, Miaoli County	037-663451	037-672213
0440	Chienchen Branch	No. 1-3 Kuojian Road, Cianjhen District, Kaohsiung City	07-8115171	07-8413413
0451	Chengchung Branch	No. 47 Cingdao East Road, Jhongjheng District, Taipei City	02-23218934	02-23918761
0462	Minchuan Branch	No. 239 Sec. 2, Chengde Road, Datong District, Taipei City	02-25530121	02-25529463
0473	Tantzu Branch	No. 1 Jianguo Road, Tanzih Township, Taichung County	04-25323133	04-25339071
0484	Yungho Branch	No. 97 Sec. 1, Yonghe Road, Yonghe City, Taipei County	02-29216611	02-29233793
0495	Yuanlin Branch	No. 63 Minsheng Road, Yuanlin Township, Changhua County	04-8323191	04-8330663
0509	Sungchiang Branch	No. 115 Songjiang Road, Jhongshan District, Taipei City	02-25069421	02-25078786
0510	Kusan Branch	No. 23 Linhai 1st Road, Gushan District, Kaohsiung City	07-5218291	07-5315544
0521	Lungshan Branch	No. 380 Kangding Road, Wanhua District, Taipei City	02-23088111	02-23366952
0532	Chunghsiao Branch	No. 202 Sec. 1, Dunhua South Road, Da-an District, Taipei City	02-27516091	02-27411704
0543	Hsinyi Branch	No. 88 Sec. 2, Sinyi Road, Da-an District, Taipei City	02-23515486	02-23973887
0554	Fuhsing Branch	No. 102 Sec. 4, Fusing Road, East District, Taichung City	04-22244181	04-22205856
0565	Sanming Branch	No. 567 Jiouru 2nd Road, Sanmin District, Kaohsiung City	07-3127143	07-3215350
0576	Taichung Harbor Branch	No. 2 Sihwei Road, Wuci Township, Taichung County	04-26562311	04-26571772
0587	Lotung Branch	No. 93 Gongjheng Road, Luodong Township, Yilan County	03-9576866	03-9560622
0598	Puli Branch	No. 112 Dongrong Road, Puli Township, Nantou County	049-2983991	049-2995949
0602	Kangshan Branch	No. 16 Shoutian Road, Gangshan Township, Kaohsiung County	07-6216141	07-6214853
0613	Hsingsing Branch	No. 133 Minzu 2nd Road, Sinsing District, Kaohsiung City	07-2384611	07-2387374
0624	Lingya Branch	No. 261 Cingnian 1st Road, Lingya District, Kaohsiung City	07-3358700	07-3327904
0646	Sungshan Branch	No. 560 Sec. 4, Jhongsiao East Road, Sinyi District, Taipei City	02-27293111	02-27230014
0657	Chienhsing Branch	No. 144 Jhongjheng Road, Central District, Taichung City	04-22242141	04-22273142
0668	Chungho Branch	No. 253 Sec. 2, Jhongshan Road, Jhonghe City, Taipei County	02-22488980	02-22461474
0679	Taipao Branch	No. 2 East Section, Sianghe 1st Road, Sianghe Village, Taibao City, Chiayi County	05-3620016	05-3620021
0680	Chupei Branch	No. 16 Guangming 6th Road, Jhubei City, Hsinchu County	03-5513111	03-5517322
0705	Shihlin Branch	No. 197 Sec. 6, Jhongshan North Road, Shihlin District, Taipei City	02-28367080	02-28362523
0716	Hsinchuang Branch	No. 85 Sintai Road, Sinjhuang City, Taipei County	02-22056699	02-22031524

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
0727	Tachia Branch	No. 61 Minsheng Road, Dajia Township, Taichung County	04-26868111	04-26865224
0738	Science-Based Industrial Park Branch	2F., No. 5 Gongye East 6th Road, Science-Based Industrial Park, Hsinchu City	03-5770050	03-5777936
0749	Shulin Branch	No. 29 Wunhua Street, Shulin City, Taipei County	02-26866511	02-26861307
0750	Hsintien Branch	No. 45 Baojhong Road, Sindian City, Taipei County	02-29180795	02-29105461
0794	Liming Branch	No. 607 Daye Road, Nantun District, Taichung City	04-22551178	04-22524822
0808	Minsheng Branch	No. 167 Fusing North Road, Songshan District, Taipei City	02-27192081	02-27188897
0819	Yungkang Branch	No. 513 Siaodong Road, Yongkang City, Tainan County	06-3125411	06-3138709
0820	Sandou Branch	No. 142 Singuang Road, Lingya District, Kaohsiung City	07-3349341	07-3336835
0853	Taipei World Trade Center Branch	3F, No. 333 Sec. 1, Keelung Road, Sinyi District, Taipei City	02-27200315	02-27576156
0864	Taan Branch	No. 165 Sec. 4, Sinyi Road, Da-an District, Taipei	02-27553121	02-27093243
0875	Huachiang Branch	No. 293-2 Sec. 1, Jhongshan Road, Banciao City, Taipei County	02-29610101	02-29638280
0886	Chaochou Branch	No. 13-2 Sinsheng Road, Chaozhou Township, Pingtung County	08-7883084	08-7883614
0897	Suao Branch	No. 97 Sec. 1 Jhongshan Road, Su-ao Township, Yilan County	03-9962566	03-9963370
0901	Taya Branch	No. 106 Jhongcing South Road, Daya Township, Taichung County	04-25683330	04-25680164
0912	Nantze Branch	No. 166 Jiannan Road, Nanzih District, Kaohsiung City	07-3526680	07-3531484
0923	Taichung Industrial Park Branch	No. 196 Industrial Park 1st Road, Situn District, Taichung City	04-23597850	04-23599868
1067	Tunhwa Branch	1F., No. 205 Dunhua North Road, Songshan District, Taipei City	02-25455111	02-25450913
1078	Nankang Branch	1F., No. 95 Sec. 2, Nangang Road, Nangang District, Taipei City	02-26516706	02-27839049
1089	Hoping Branch	No. 180 Sec. 1, Hoping East Road, Da-an District, Taipei City	02-23687027	02-23626987
1090	Shuinan Branch	No. 416 Sec. 2, Chongde Road, Beitun District, Taichung City	04-22468130	04-22466855
1104	Chunglun Branch	No. 108 Sec. 5, Nanjing East Road, Songshan District, Taipei City	02-27698618	02-27603224
1115	Tucheng Branch	No. 344 Sec. 2, Jhongyang Road, Tucheng City, Taipei County	02-22703791	02-22603314
1159	Taoyuan Airport Branch	No. 15 Hangjhan South Road, Pusin Village Dayuan Township Taoyuan County	03-3982166	03-3834834
1160	Tachang Branch	No. 540 Jiouru 1st Road, Sanmin District, Kaohsiung City	07-3891036	07-3806046
1182	Wuchia Branch	No. 168 Wujia 2nd Road, Fongshan City, Kaohsiung County	07-7170730	07-7233469
1193	Poi Branch	No. 394 Yucheng Road, Zuoying District, Kaohsiung City	07-5567690	07-5562613
1207	Chungchuang Branch	No. 339 Fongping 1st Road, Daliao Township, Kaohsiung County	07-7038838	07-7038964
1218	Pingchen Branch	No. 11 Sec. 2, Huannan Road, Pingjhen City, Taoyuan County	03-4945688	03-4945699
1229	Jenai Branch	No. 99 Sec. 2, Ren-ai Road, Jhongjheng District, Taipei City	02-23975936	02-23975927
1230	Nankan Branch	No. 81 Sec. 1, Nankan Road, Lujhu Township, Taoyuan County	03-3529191	03-3520916
1241	Yuanshan Branch	No. 577 Linsen North Road, Jhongshan District, Taipei City	02-25976699	02-25932760
1355	Wuku Branch	No. 42 Sec. 4, Jhongsing Road, Wugu Township, Taipei County	02-22936699	02-22918201
1366	Tali Branch	No. 481 Sec. 2, Guoguang Road, Dali City, Taichung County	04-24180211	04-24180801
1377	Annan Branch	No. 316 Sec. 4, Anhe Road, Annan District, Tainan City	06-3555111	06-3565881
1414	Hsitwun Branch	No. 41 Sec. 2, Cinghai Road, Situn District, Taichung City	04-23128528	04-23117106

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
1425	Tienmou Branch	No. 18 Sec. 7, Jhongshan North Road, Shihlin District, Taipei City	02-28755222	02-28755219
1436	Lukang Branch	No. 2 Lugong Road, Lugang Township, Changhua County	04-7810168	04-7810268
1447	Neili Branch	No. 125 Singnong Road, Jhongli City, Taoyuan County	03-4618519	03-4519650
1469	Tainan Science-Based Industrial Park Branch	No. 15 Nanke 3rd Road, Sinshih Township, Tainan County	06-5051701	06-5051709
1470	Huwei Branch	No. 369 Sec. 2, Linsen Road, Huwei Township, Yunlin County	05-6337367	05-6321611
1481	Tamsui Branch	No. 93 Jhongshan Road, Danshuei Township, Taipei County	02-26281111	02-26281122
1539	Neihu Branch	No. 396 Sec. 1, Neihu Road, Neihu District, Taipei City	02-87977933	02-87977957
1540	Chiabei Branch	No. 602 Jhongsiao Road, Chiayi City	05-2718911	05-2718922
1551	Tunhkan Branch	No. 114 Jhongjheng Road, Donggang Township, Pingtung County	08-8323131	08-8352545
1562	Hsichih Branch	No. 175 Sec. 2, Datong Road, Sijhih City, Taipei County	02-86926822	02-86926828
1573	Wuchi Branch	No. 2 Jian 5th Road, Export Processing Zone, Wuci Township, Taichung County	04-26565111	04-26570157
1595	Hsiaokang Branch	No. 410 Hongping Road, Siaogang District, Kaohsiung City	07-8010399	07-8066029
1609	Chungping Branch	No. 9 Jhonghua Road, Pingtung City, Pingtung County	08-7677001	08-7320199
1621	Chunhsien Branch	No. 1 Jhongshan South Road, Jhongjheng District, Taipei City	02-23411001	02-23578831
1643	Peitalu Branch	No. 68 Beida Road, Hsinchu City	03-5354381	03-5354380
1654	Wunshan Branch	No. 218 Sec. 6, Roosevelt Road, Wunshan District, Taipei City	02-86633456	02-86635656
1702	Taiping Branch	No. 146 Jhongsing East Road, Taiping City, Taichung County	04-22736666	04-22736120
1713	Defang Branch	No. 63 Sec. 1, Defang Road, Dali City, Taichung County	04-24853280	04-24826661
1724	Chienkuo Branch	No. 169 Jiansing Road, Jhongli City, Taoyuan County	03-4670081	03-4670010
1768	Yenpu Branch	No. 37 Shengli Road, Yanjhong Village, Yanpu Township, Pingtung County	08-7932111	08-7932091
1791	Chenhsing Branch	No. 60-4 Bo-ai Road, Jhensing Village, Yanpu Township, Pingtung County	08-7020141	08-7021421
1805	Hsinyuan Branch	No. 65 Sianji Road, Sianji Village, Sinyuan Township, Pingtung County	08-8687705	08-8687505
1827	Yinglong Branch	No. 187 Yanlong Road, Yanlong Village, Sinyuan Township, Pingtung County	08-8335869	08-8335867
1838	Shintong Branch	No. 230 Pinghe Road, Sindong Village, Sinyuan Township, Pingtung County	08-8686307	08-8686309
1861	East Taoyuan Branch	No. 300 Jingguo Road, Taoyuan City, Taoyuan County	03-3263888	03-3265666
1872	Lujhou Branch	No. 50 Sanmin Road, Lujhou City, Taipei County	02-82868686	02-82868989
1919	Kaohsiung Airport Branch	No. 2 Jhongshan 4th Road, Siaogang District, Kaohsiung City	07-8017564	07-8022004
2189	Taipei Port Branch	2F., No. 123, Shanggang Road, Bali Township, Taipei County	02-26196269	02-26196272
2204	Taichung Science Park Branch	2F., No. 48, Keya Road, Daya Township, Taichung County	04-25658111	04-25658220
2215	Kaohsiung Science Park Branch	1F., No. 82, Luke 5th Road, Lujhu Township, Kaohsiung County	07-6955268	07-6955278
2237	Donghu Branch	No. 458, Sec. 5, Chenggong Road, Neihu District, Taipei City	02-26305768	02-26307233
2248	Gaorong Branch	No. 415, Chongsin Road, Zuoying District, Kaohsiung City	07-3432258	07-3431198
2260	Longtan Branch	No. 142, Donglong Road, Longtan Township, Taoyuan County	03-4790888	03-4700999

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
2271	Rende Branch	No. 899 Sec. 2, Jhongjheng Road, Rende Township, Tainan County	06-2492389	06-2498078
2282	Linkou Branch	No. 368, Fusing 1st Road, Gueishan Township, Taoyuan County, Taiwan R.O.C.	03-3277299	03-3277706
2363	Wuchang Branch	No. 49 Sec. 1, Wuchang St. , Jhongjheng District, Taipei City	02-23111511	02-23897660
2374	Jisin Branch	No. 156, Sin 1st Road, Jhongjheng District, Keelung City	02-24231186	02-24245390
2385	Taipei Branch	No. 80 Songjiang Road, Jhongshan District, Taipei City	02-25435790	02-25236924
2396	Jinshan Branch	No. 189 Sec. 2 Jinshan S. Road, Da-an District, Taipei City	02-23413006	02-23413134
2400	Sinan Branch	No. 132 Sec. 3 Sinyi Road, Da-an District, Taipei City	02-27057905	02-27057906
2411	Jiantan Branch	No. 174 Sec. 4 Chengde Road, Shihlin District , Taipei City	02-28831633	02-28831364
2422	Wanhua Branch	No. 26, Sec. 2 Gueiyang St. , Wanhua District, Taipei City	02-23830066	02-23830067
2433	Bansin Branch	No. 268 Sec. 1 Wunhua Road, Banciao City, Taipei County	02-22540560	02-22540570
2444	Shuanghe Branch	No. 126 Jhonghe Road, Jhonghe City, Taipei County	02-82457558	02-82452722
2455	Chongsin Branch	No. 128 Sec. 3 Chongsin Road, Sanchong City, Taipei County	02-89726611	02-89727592
2466	Taosing Branch	No. 110 Fusing Road, Taoyuan City, Taoyuan County	03-3361868	03-3361894
2477	Sinming Branch	No. 7 Sinming Road, Jhongli City, Taoyuan County	03-4951301	03-4943210
2488	Jhucheng Branch	No. 64 Linsen Road, Hsinchu City	03-5282786	03-5249961
2499	North Taichung Branch	No. 17 Taiping Road, North District, Taichung City	04-22257412	04-22257413
2503	Central Taichung Branch	No. 95 Mincyuan Road, West District, Taichung City	04-22281191	04-22247323
2514	Yuanjhong Branch	No. 180 Jyuguang Road, Yuanlin Township, Changhua County	04-8366911	04-8366922
2525	Jianan Branch	No. 353 Jhongsing Road, Chiayi City	05-2348686	05-2348661
2536	Nandu Branch	No. 180 Sec. 2 Jhongyi Road, West Central District, Tainan City	06-2219999	06-2206977
2547	Cianjin Branch	No. 259 Jhongjheng 4th Road, Cianjin District, Kaohsiung City	07-2413200	07-2414519
2558	North Kaohsiung Branch	No. 106 Bo-ai 2nd Road, Zuoying District, Kaohsiung City	07-5581900	07-5583917
2569	Chenggong Branch	No. 261 Chenggong 1st Road, Cianjin District, Kaohsiung City	07-2512031	07-2517471
2570	North Hualien Branch	No. 61 Guangfu St. , Hualien City, Hualien County	03-8361163	03-8361165
1584	Putz Mini Branch	No. 35-1 Shantong Road, Pozih City, Chiayi County	05-3701100	05-3708877
1931	Yongji Mini Branch	3F., No. 3 Songren Road, Taipei City	02-27209856	02-27209970
1942	Tungmen Mini Branch	No. 42 Sec. 1 Renai Road, Taipei City	02-23943168	02-23916855
1953	Aiguo Mini Branch	No. 31 Aiguo East Road, Taipei City	02-23960017	02-23578646
1975	Baoqing Mini Branch	No. 35 Baoqing Road, Taipei City	02-23311141	02-23319444
1986	Taidian Mini Branch	No. 242 Sec. 3 Roosevelt Road, Taipei City	02-23667506	02-23672354
2053	Peifu Mini Branch	B1, No. 161 Sec. 1 Jhongshan Road, Banciao City, Taipei County	02-89535968	02-89535268
2134	TWTC Exhibition Hall Mini Branch	1F., No. 5 Sec. 5 Sinyi Road, Sinyi District, Taipei City	02-27252419	
1816	Hsinyuan Branch Nanshin Banking Services	No. 301 Nansing Road, Singnong Village, Sinyuan Township, Pingtung County	08-8352600	08-8352605

II. Overseas Units



Branch	Address	Telephone	SWIFT	FAX
New York Agency	100 Wall Street, 11th Floor, New York, NY 10005 U.S.A.	1-212-968-8128	BKTWUS33	1-212-968-8370
Los Angeles Branch	601 S. Figueroa Street, Suite 4525 Los Angeles, CA 90017 U.S.A.	1-213-629-6600	BKTWUS6L	1-213-629-6610
Hong Kong Branch	4th Fl., 9 Queen's Road, Central, Hong Kong	852-2521-0567	BKTWHKHH	852-2869-4957
Singapore Branch	80 Raffles Place #28-20, UOB Plaza 2, Singapore 048624	65-6536-5536	BKTWSGSG	65-6536-8203
Tokyo Branch	7F., Fukoku Seimei Building, 2-2 Uchisaiwaicho 2-Chome Chiyoda-Ku, Tokyo 100-0011, Japan	813-3504-8881	BKTWJPJT	813-3504-8880
South Africa Branch	No. 11, Cradock Ave. Rosebank 2196, Johannesburg, South Africa	27-11-880-8008	BKTWZAJJ	27-11-447-1868
London Branch	Level 5, City Tower, 40 Basinghall Street, London, EC2V 5DE, U.K.	44-20-7382-4530	BKTWGB2L	44-20-7374-8899
Trade Center of Taiwan in Panama	P.O. BOX 0302-00451 Colon Free Zone, Rep. of Panama	507-445-2277 507-445-2885	-	507-441-4106

BANK OF TAIWAN



Chairman

Jen Song X.



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GPN : 2004200003
Cost of production: NT\$425