



# **2008** ANNUAL REPORT **BANK OF TAIWAN**

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**BANK OF TAIWAN**

**2008 ANNUAL REPORT**

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# Foreword





During the past year, the financial situation experienced a multitude of changes and the global economy fell into the shadows of recession. The subprime mortgage turmoil that erupted in the United States in the last half of 2007 led to the Fannie Mae/Freddie Mac crisis in 2008, and investment banks encountered financial difficulties one after another. This gave rise to the global financial tsunami, creating an impact that spread to the real economy and caused sharp drops in investment and increases in personnel layoffs. The countries of Europe and America suffered economic setbacks in the second half of 2008 and governments rushed to mount rescue efforts, using monetary and fiscal policy in an attempt to restore their economies to the normal track of growth. In the Asian countries, exports plummeted because of the excessive dependence of their export-oriented economies on the advanced European and American countries; economic growth weakened rapidly, and the global economy slipped into a wintery abyss.

Taiwan's economy also turned downward in 2008, with the growth rate for the year a mere 0.12%--the lowest level since the negative 2.17% growth of 2001. The sharp rises and sudden falls in international oil and raw materials prices during the year brought the increase in consumer prices to 3.53%, a level rarely reached in the years since 1995. The Central Bank hiked interest rates twice in the first half of 2008 in an attempt to keep inflationary expectations down; but then the international oil price turned downward, inflationary concerns lessened, and the risk of economic decline rose, prompting the Central Bank to institute, in September, a series of five interest-rate cuts that brought the rediscount rate down to 2.0% at the end of the year. At the same time the American dollar



appreciated in response to demand for hedging purposes; at the end of the year the exchange rate stood at NT\$32.86 to the dollar, a decline of 1.27% compared with a year earlier. The international economic situation has deteriorated even further since the beginning of this year (2009) and Taiwan's economic performance figures have also been weak, with an especially large contraction in exports. The currencies of Asia's exporting countries have depreciated; the Central Bank again lowered the interest rate in January and February, bringing the rediscount rate down to 1.25%. The NT dollar has weakened rapidly, dropping to NT\$33.917 to the dollar on Mar. 31.

As a wholly owned government bank, the Bank of Taiwan maintained a steady pace of advancement amid last year's turbulent operating environment. In addition to readily meeting our profit target, we also achieved satisfactory performance in other areas of business. In the area of loans to small and medium enterprises, the Bank was granted first place in the Outstanding category by the Financial Supervisory Commission; in financial innovation, the Bank was given the Best Business Innovation Award in the "Outstanding Taiwan Financial Business Awards" for its gold passbook online trading business by the Taiwan Academy of Banking and Finance; and on Dec. 18, 2008 the Bank introduced the new "Gold Piggy Bank" business, creating a sensation in the financial market. In the field of information security the Bank won ISO 27001:2005 information security management system certification, bringing it in line with international security standards.

The economy moves in cycles, with ups and downs. The present recession, said to be the worst since World War II, may be relatively severe and longer-lasting, but it too will pass. In this year's environment, with the global financial system not yet having recovered its health, we can foresee a weakening of the high-leverage, high-risk mode of financial operation and a return to the traditional low-leverage conservative model. In the future, we will move more nimbly on our stable operating base to utilize all kinds of effective means to cope with the chill of this economic winter, and exhort all of our colleagues to change their thinking and adapt to the changing situation, make psychological preparations for a long "war of resistance," and find new advantageous niches in the low-profit environment as they hold firmly to the operating principles of "Integrity, Care, Efficiency, and Prudence" and manifest the nature and style of outstanding bank personnel as we continue creating even more exceptional performance records.

We can foresee the continuation of severe trials this year. In the second half of 2008 the government began introducing measures to revitalize Taiwan's economic energy, including cuts in interest rates, reductions of and exemptions from taxes, the issuance of consumer vouchers, the expansion of public construction, and the stimulation of employment. At the same time, the ongoing relaxation of cross-strait laws and regulations has positive implications for banking and for the operation of industries in general. As a state-run enterprise responsible for coordinating with government policy and supporting business development, the BOT will continue to provide strong backing for financing the corporate sector and the general public so as to strengthen the confidence of all our clients in economic recovery. Working on the foundation provided by Taiwan Financial Holdings, we will work to express the synergies and competitive advantages of the subsidiary companies in achieving our vision of "deeply cultivating Taiwan finance and advancing into the international market."

Chairperson





The impact of the financial storms continued spreading through 2008, bringing difficulties to the whole world, and governments everywhere instituted economic revitalization programs. Being a government bank, the BOT took concrete action to back business and support our government in its economic revitalization policy, exhibiting a model of corporate social responsibility. The economic recession has also struck a heavy blow at the financial industry, bringing problems to banking operations; the BOT has been fortunate in benefiting from the outstanding leadership of our Board of Directors and the untiring efforts of our entire staff, and we were able to exceed our operating performance and profit targets. Our Gold Passbook, Gold Piggy Bank, and other innovative products consolidated the BOT's position in the investment and financial management business.

In this new year, the BOT will move to overcome the severe challenges posed by the overall operating environment by nimbly adjusting its operating strategy and vigorously executing risk management. The Bank will also encourage its staff to exhibit a fighting spirit, turn crisis into opportunity, and, in a working attitude of seeking newness, change, and improvement, and with a corporate culture of sincerity and pragmatism, provide exceptional services in pursuit of the BOT's goal of outstanding development and create an excellent performance so that its century-old golden nameplate can continue shining into the future.

Our business report for 2008 and operating plans for 2009 are described briefly below:

## I. Business Report for 2008

### 1. Implementation of Business Plans

- (1) Bank-wide products and services will be integrated to realize operating synergies and upgrade competitiveness.
- (2) Improvement of the structure and operating procedures of the banking business, so as to lower the cost of operating capital.
- (3) Active development of the wealth management business, so as to heighten the ratio of non-interest income to operating income.
- (4) Financial operations will be strengthened, and financial management performance and marketing capabilities will be upgraded.
- (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\$2.69 trillion, giving a target achievement ratio of 114.97%. Loans amounted to NT\$1.97 trillion, for a target achievement ratio of 118.88%. Foreign exchange operations undertaken in 2008 totaled US\$261.31 billion, amounting to 330.84% of the target figure, and profits reached NT\$8.15 billion, achieving 102.57% of the target.

## 3. Revenues, Expenditures, and Profits

Net interest income for 2008 amounted to NT\$23.67 billion; non-interest income (net) totaled NT\$4.32 billion; bad debt expenses amounted to NT\$1.55 billion, and operating costs totaled NT\$17.94 billion. Income before tax reached NT\$8.50 billion; income tax amounted to NT\$350 million, leaving a net income after tax of NT\$8.15 billion.

This year's NT\$8.15 billion in after-tax income was NT\$204 million more than the budgeted income of NT\$7.95 billion.

Return on assets (ROA) for 2008: 0.23%

Return on equity (ROE) for 2008: 3.45%

## II. Business Plan for 2009

The BOT's Business Plan and Business Targets for 2009 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. Major Operating Policies

- (1) Reinforcement of the loan business and clearing up of non-performing loans.
- (2) Low-interest demand deposits will be expanded and electronic banking businesses will be reinforced.
- (3) Development of the foreign exchange and international financing businesses.
- (4) The Government Employees Insurance business will be continued.
- (5) The wealth management and trust, gold dealing, and government procurement businesses will be promoted.
- (6) Enhancement of the efficiency of funds utilization and revitalization of real estate utilization performance.
- (7) The resources of the financial holding company will be used effectively to enhance operating performance.
- (8) Reinforcement of the operational management, information operations and risk control mechanisms.

### 2. Business Targets

- (1) Deposits: NT\$2.42 trillion
- (2) Loans: NT\$1.80 trillion
- (3) Guarantees: NT\$66.05 billion
- (4) Foreign exchange: US\$87.00 billion
- (5) Procurement : NT\$44.00 billion
- (6) Trade : NT\$11.02 billion
- (7) Government Employees Insurance : NT\$16.77 billion

## III. Most Recent Credit Ratings, and Rating Dates

Rating Company	Items	Rating Date	Rating Results		Outlook
			Long-term	Short-term	
Standard & Poor's		Oct. 2008	A+	A-1	stable
Moody's Investors Service		Jan. 2009	Aa3	P-1	stable

President



# Introduction







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 Central Trust Bank

\*EVP Kuo-Ching Chang assumed the Position of Chairperson of BankTaiwan Life Insurance on February 20, 2009.

of China on July 1, 2007. Following the merger, 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.

In every stage of Taiwan's economic development the Bank of Taiwan has always firmly pursued the goals of stabilizing 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 Taiwan's financial situation. The BOT's position throughout the progress of Taiwan's economic and financial development has been one of primary importance.

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. 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., making it the first government-owned financial holding company in Taiwan. The company's cross-industry operation encompasses banking, securities, and insurance. The BOT is the largest bank in Taiwan. At the end of 2008 the capital of the BOT was NT\$45 billion and its assets amounted to over NT\$3.5 trillion. Its deposits and loans accounted for 13.18% and 10.85%, respectively, of the entire Taiwan market. According to The Banker magazine's ranking of the world's top 1,000 banks, as published in its July 2008 issue, the BOT ranked 25th in Asia and 143rd in the world.



# Corporate Governance Report

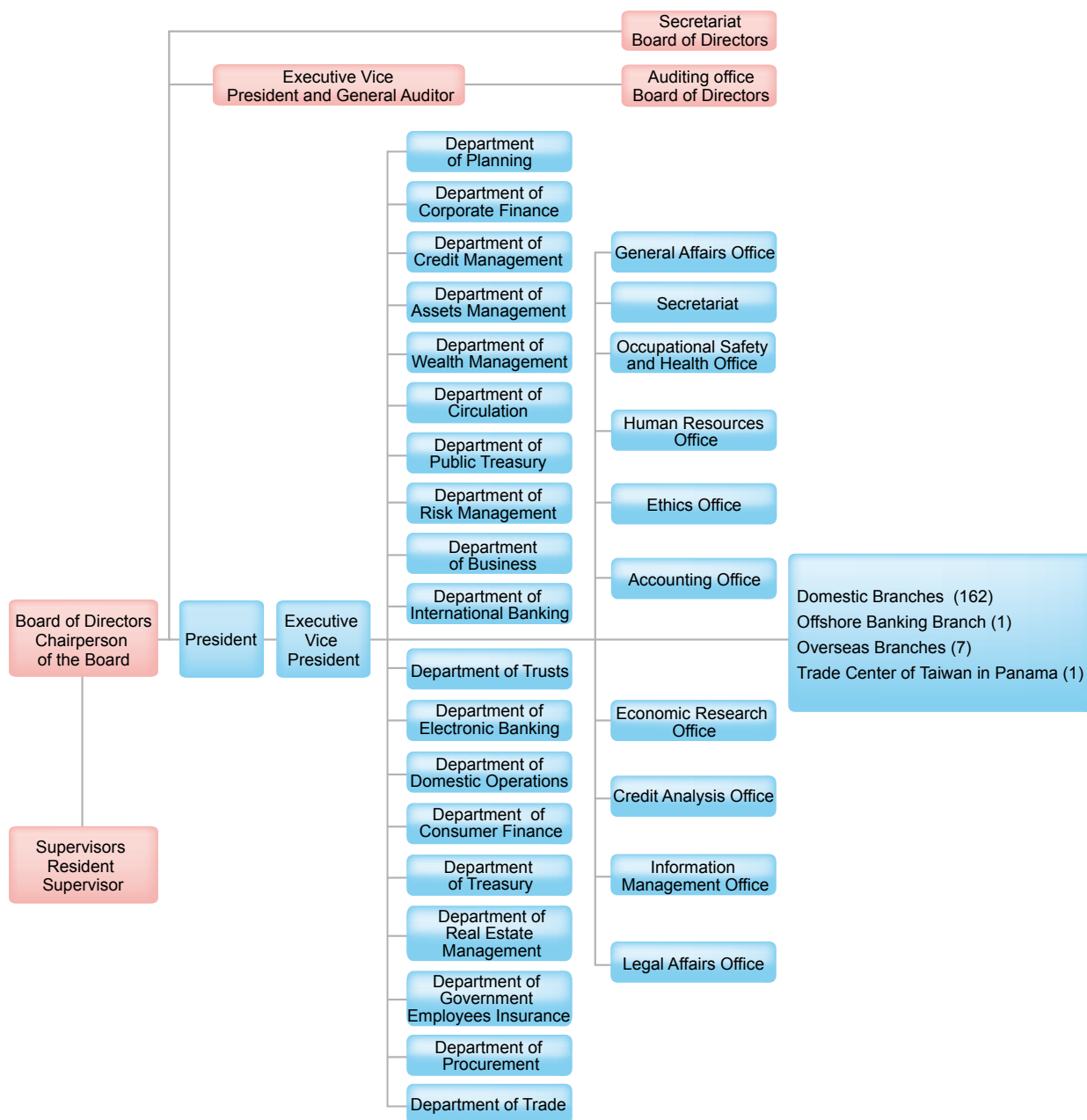


- I. Organization System
- II. Directors, Supervisors, President, Executive Vice Presidents, and Heads of Departments and Branches
- III. Corporate Governance Operations
- IV. CPA Information
- V. Transfer of Equity and Changes in Equity Used as Collateral by Directors, Supervisors, Managers, and Others 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 2008 the BOT's management organization consisted of 19 departments, 12 offices, 171 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 is 8,454 (including contract salespersons, contract workers, and overseas hirees.)

Organization Chart



Note: (1) Information in this Organization Chart was as of the end of December 2008.

(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.

(3) The Land Bank of Taiwan and the Export-Import Bank of the ROC withdrew from the Taiwan Financial Holdings Co. on Dec. 20, 2008.



## 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 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 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	
Chairperson	Susan S. Chang	July 14, 2008	July 30, 2009	July 14, 2008	1. The Taiwan Financial Holding Co., Ltd. holds 100% shares of the Bank of Taiwan. (4.5 billion shares) 2. The Ministry of Finance holds 100% shares of the Taiwan Financial Holding Co., Ltd. (9.0 billion shares)								
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	Sheng-Ford Chang	June 06, 2008	July 30, 2009	June 06, 2008									
Managing Director	Cheng- Chen Yang	Aug. 31, 2007	July 30, 2009	Aug. 31, 2007									
Director	Hsiu-Hua Rau	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	Jiin-Tarng Yue	Apr. 23, 2008	July 30, 2009	Apr. 23, 2008									
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	Sheng-Tien Yang	Aug. 20, 2008	June 30, 2009	Aug. 20, 2008									
Resident Supervisor	Ming-Shyang Yang	OCT. 23, 2008	July 30, 2009	OCT. 23, 2008									
Supervisor	Chin-Chen Cheng	June 28, 2007	July 30, 2009	June 28, 2007									
Supervisor	A-Ting Chou	Aug. 7, 2007	July 30, 2009	Aug. 7, 2007									

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

	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
	M.A.in Economics,National Taiwan University Vice Chairperson, Financial Supervisory Commission, Executive Yuan Administrative Deputy-Minister, Ministry of Finance Director General, National Treasury Agency, Ministry of Finance Deputy Director General, Bureau of Monetary Affairs, Ministry of Finance Deputy Director, Department of Monetary Affairs, Ministry of Finance Deputy Director, Economic Research Department Council for Economic Planning and Development	Chairperson, Taiwan Financial Holding Co., Ltd. Chairperson, Bank of Taiwan Director-General, the Bankers Association of the Republic of China Director, Joint Credit Information Center Director, Securities & Futures Institute Director, Taiwan External Trade Development Council (TAITRA)	-
	M.A. in Economics, Chinese Culture University Acting Chairman, Taiwan Business Bank President, Taiwan Business Bank Supervisor, Taiwan Business Bank Director, Taiwan Life Insurance Co., Ltd. Executive Vice President, Bank of Taiwan	President and Director, Taiwan Financial Holding Co.,Ltd. President, Bank of Taiwan Supervisor, Bankers Association of the R.O.C. Director, Taiwan Small Business Integrated Assistance Center Director, Taiwan Stock Exchange Managing Director, Cathay United Bank	-
	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 Director, Taiwan Financial Holding Co., Ltd.	-
	M.A. of Economics, University of Iowa, USA Administrative Deputy Minister, Ministry of Finance Director General, Department of Taxation, Ministry of Finance Director-General, Taipei National Tax Administration, Ministry of Finance Director-General, National Tax Administration of the Northern, Taiwan Province, Ministry of Finance	Political Deputy Minister, Ministry of Finance Adjunct Associate Professor, Dept. of Accounting, College of Management, National Taiwan University	-
	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	-
	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 National Income Statistics Committee, Directorate-General of Budget, Accounting and Statistics, Executive Yuan	-
	MBA in Statistics, National Chengchi University Statistician-General, of Statistics, Judicial Yuan 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 Director, Chinese Television System Supervisor, Taiwan Public Television Service Foundation	-
	Executive Master of Business Administration college of Management, National Taiwan University Director General, Dept.of the Treasury, Deputy Director General, Dept. of Banking, Central Bank of the Republic of China (Taiwan)	Director General, Dept. of Banking, Central Bank of the Republic of China (Taiwan) Member, Directions for Planning and Promoting, Utilization of Long-Term Funding, Council for Economic Planning and Development, Executive Yuan Member, Mobilization of Financial Resources Preparatory Business Meeting, MOF Member, Central Government Debt Service Fund Committee, MOF Independent Director, Agricultural Bank of Taiwan	-
	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 Kuochi Junior College of Commerce Assistant Banking Officer, Kaohsiung Branch of Bank of Taiwan	Deputy Manager, Kaohsiung Branch of Bank of Taiwan Managing Director, Labor Union of Bank of Taiwan (Kaohsiung)	-
	International Trading Dept., Feng Chia University Assistant Vice President and Assistant General Manager, Taichung Branch of Bank of Taiwan	Assistant Vice President and Deputy General Manager, Fengyuan Branch of Bank of Taiwan Director, Labor Union of Bank of Taiwan (Taipei)	-
	BC in Accounting, National Chengchi University Controller and Chief Executive Officer, Accounting Management Center, DGBAS, Executive Yuan Comptroller, Ministry of Economic Affairs	Controller and Director, Second Department, DGBAS, Executive Yuan Supervisor, Chunghwa Telecom Co., Ltd	-
	Master of Laws, National Taiwan University Director General, Training Institute, Ministry of Finance Chief Secretary, Ministry of Finance Vice Director-General, National Treasury Agency, Ministry of Finance Legal Affairs Committee, Ministry of Finance	Chief Secretary, Ministry of Finance Director, Trade-Van Information Services Co. Supervisor, Taiwan Financial Holding Co., Ltd	-
	Bachelor of Business Administration, National Taiwan University General Director of Department of Foreign Exchange, Central Bank of the Republic of China (Taiwan) Chief Representative of London Representative office, Central Bank of the Republic of China (Taiwan)	Deputy Governor Central Bank of the Republic of China (Taiwan) Supervisor, Taiwan Financial Holding Co., Ltd	-

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder
Taiwan Financial Holding Co., Ltd.	Ministry of Finance

## Information on Directors and Supervisors (2)

Dec.31, 2008

Conditions  Name	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	
Susan S. Chang			✓	✓		✓	✓	✓	✓	✓	✓	✓		
Tse-Cheng Lo			✓			✓	✓	✓	✓	✓	✓	✓		
Jun-Ji Shih	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Sheng-Ford Chang	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Cheng-Chen Yang	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Hsiu-Hua Rau	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chih-Hung Chang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Shin-Hsin Huang	✓			✓		✓	✓	✓	✓	✓	✓	✓	✓	
Jiin-Tarng Yue			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chang-Sheng Lin			✓			✓	✓	✓	✓	✓	✓	✓	✓	
Hsi-Chuan Chen			✓			✓	✓	✓	✓	✓	✓	✓	✓	
Sheng-Tien Yang			✓			✓	✓	✓	✓	✓	✓	✓	✓	
Ming-Shyang Yang			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Chin-Chen Cheng			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
A-Ting Chou			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	

Notes: Check "✓" 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.

- Not employed by the bank or its related enterprise.
- 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).
- 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.
- Not the spouses, relative to the second degree, or lineal blood relative to the fifth degree of someone listed in the previous three items.
- 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.
- 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.
- 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.
- Not having a spousal or other relationship up to the second degree of another director.
- Not conforming to any of the conditions listed in Article 30 of the Company Law.
- 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, 2009

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: Taiwan Financial Holding Co., Ltd.						M.A. in Economics, Chinese Culture University	President and Director, Taiwan Financial Holding Co., Ltd. President, Bank of Taiwan Supervisor, Bankers Association of the R.O.C. Director, Taiwan Small Business Integrated Assistance Center Director, Taiwan Stock Exchange Managing Director, Cathay United Bank			
Executive Vice President	Tsai, Fu-Chi	2005.07.25							Dept. of Business Administration, Fengchia College	Executive Vice President, Taiwan Financial Holding Co. Supervisor, Taiwan Asset Management Co. Director, Taipei Forexinc			
Executive Vice President	Chiang, Shih-Tien	2007.11.23							Dept. of International Trade, Tamkang University	Director, Taiwan Fire & Marine Insurance Co.			
Executive Vice President	Chang, Kuo-Ching*	2007.07.01							Dept. of Shipping and Transportation Management, National Taiwan Ocean University	Managing Director, Taiwan Business Bank			
Executive Vice President	Hsieh, Teng-Lung	2006.05.12							Dept. of Banking & Insurance, National Taichung Institute of Commerce	Director, First Financial Holding Co. Managing Director, First Commercial Bank			
Executive Vice President	Wei, Jan-Lin	2007.07.01							Master of Economics, Soochow University	Director, Mega Financial Holding Co.			
Executive Vice President	Chen, Min-Chang	2007.11.23							Dept. of Banking and Insurance, Feng Chia College	Director, Taiwan Life Insurance Co.			
Executive Vice President	Yang, Li-Yen	2007.11.23							Dept. of Business Administration, National Taiwan University	Supervisor, Hua Nan Financial Holdings Co. Supervisor, Hua Nan Commercial Bank			
Auditing Office, Board of Directors Executive Vice President and General Auditor	Chang, Hong-Chi	2006.05.12							Master of Agricultural Economics, National Chung-Hsing University	Supervisor, Taiwan Power Company Director, Mega Bills Finance Corp.			
Secretariat, Board of Directors SVP and Chief Secretary	Chuang, Kao-Chen	2008.07.21							Dept. of Business Administration, National Chengchi University	Supervisor, First Financial Holding Co. Supervisor, First Commercial Bank			
Department of Planning SVP and General Manager	Wu, Mu-Ying	2007.11.23							Dept. of Business Administration, National Chengchi University	Supervisor, Taiwan Handicraft Promotion Center Supervisor, BankTaiwan Securities Co.			
Department of Credit Management SVP and General Manager	Chiou, Ye-Chin	2007.11.19							Dept. of Economics, National Taiwan University	Director, Small and Medium Business Credit Guarantee Fund Director, BankTaiwan Securities Co.			
Department of Business 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.			
Department of Circulation SVP and General Manager	Hsu, Chao-Hsiung	2009.01.21							Dept. of Industrial and Business Administration, Tatung University				
Department of Public Treasury SVP and General Manager	Hung, Hsien-Ming	2008.09.15							Dept. of Business, National Open University	Resident Supervisor, Taiwan Business Bank			

\*EVP Kuo-Ching Chang assumed the Position of Chairperson of BankTaiwan Life Insurance on February 20, 2009.

Foreword

Introduction

Corporate Governance Report

Fund-Raising Activities

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

Special Notes

Directory of Head Office and Branches

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
Department of Treasury SVP and General Manager	Yeh, Shiou-Jsu	2008.03.20	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						Dept. of Bussiness Administration, National Taiwan University	Director, Taiwan Life Insurance Co.			
Department of International Banking SVP and General Manager	Chen, Su-Tien	2008.03.20							Master of Public Finance, National Chengchi University	Director, United Taiwan Bank S.A.			
Department of Trusts SVP and General Manager	Liu, Yu-Chih	2007.07.01							Dept. of International Trade, National Taiwan University				
Department of Consumer Finance SVP and General Manager	Yu, Yung-Chuan	2006.11.07							Dept. of Accounting, Tamkang University	Director, Taiwan Fire & Marine Insurance Co.			
Secretariat SVP and General Manager	Pan, Jen-Chieh	2009.01.21							Dept. of Accounting, National Chung Hsing University				
General Affair Office SVP and General Manager	Liang, Chien-Yi	2005.01.10							Dept. of Banking and Insurance, Provincial Tai-Chung Commercial Junior College				
Department of Real Estate Management SVP and General Manager	Chen, Ching-Jui	2007.07.01							Dept. of Laws, Soo Chow University	Director, Taiwan Development Co.			
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	Yang, Li-Yen	2008.09.15							Dept. of Bussiness Administration, National Taiwan University	Supervisor, Hua Nan Financial Holdings Co. Supervisor, Hua Nan Commercial Bank			
Credit Analysis Office SVP and General Manager	Ou, Shing-Shiang	2008.09.15							Ph.D in Economics, Georgia State University, U.S.A.	Managing Director, Tang Eng Iron Work Co. Director, China Development Financial Holding Corp.			
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. Director, China Development Financial Holding Corp.			
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 SVP and General Manager	Hsieh, Hsiu-Hsien	2008.03.19							Dept. of Economics, National Chunghsing University	Director, United Taiwan Bank S.A.			

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
Department of Risk Management SVP and General Manager	Ku, Chao-Chu	2005.09.21	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						Dept. of Economics, Chinese Cultural College	Supervisor, Small Business Integrated Assistance Center			
Department of Electronic Banking SVP 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	Director, BankTaiwan Life Insurance Co.			
Department of Procurement SVP and General Manager	Yu, Ho-Hsiung	2007.07.01							Dept. of Laws, National Taiwan University	Director, Taiyi Real Estate Management Co., Ltd.			
Department of Trade SVP and General Manager	Chang, Wu-Ren	2007.07.01							Dept. of International Trade, Tamkang University	Supervisor, Taiwan Sugar Co.			
Department of Government Employees Insurance SVP and General Manager	Liu, Shu-Rong	2007.07.01							Dept. of Sociology, National Chung Hsing University	Supervisor, BankTaiwan Life Insurance Co.			
Department of Corporate Finance SVP and General Manager	Hsieh, Chuan-Chuan	2007.08.31							Master of Finance, 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	Director, BankTaiwan Life Insurance Co.			
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				
New York Agency VP and General Manager	Wu, Kang-Chin	2008.04.01							Master of Business management, Department Asian Institute of Technology				
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 SVP and General Manager	Chen, Tsung-Jen	2006.08.30							M.A in Business Management, National Sun Yat-Sen 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
Office in Panama Representative VP and General Manager	Francis Y Liu	2007.07.01	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						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.			
Tainan Branch SVP and General Manager	Leu, Yaw-Neng	2009.01.21							Dept. of Business, National Open University				
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 SVP and General Manager	Yang, Chi-Lung	2008.09.15							Dept. of Economics, Fugen Catholic University				
Chung Hsin New Village Branch SVP and General Manager	Wang, Yuan-Yuan	2009.01.21							Dept. of Accounting, Fengchia University				
Chiayi Branch SVP and General Manager	Huang, Wen-Ming	2008.09.15							Master of Business Administration, National Cheng Kung University				
Hsin Chu Branch SVP and General Manager	Chen, Wei-Chi	2007.01.15							Dept. of Public Administration, National Open University				
Chang Hua Branch SVP and General Manager	Wang, Tzu-Tung	2007.07.16							Dept. of Banking and Insurance, Provincial Tai-Chung Commercial Junior College				
Pingtung Branch VP and General Manager	Lee, Chao-Ming	2009.01.21							Supplementary Open Junior College for Public Administration, National Chengchi 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 VP and General Manager	Teng, Heng-Te	2008.10.17							Dept. of Insurance, National Taipei Junior College of Business Open Business Junior College				
Chung-Shan Branch SVP and General Manager	Chiang, Man-Li	2009.01.21							Dept. of Accounting and Statistics, National Chengkung University				
K.E.P.Z. Branch VP and General Manager	Chen, Cheng-Lung	2008.02.14							Dept. of Accounting and Statistics, Tamkang College				
Yi Lan Branch VP and General Manager	Yu, Ching-Lung	2004.07.16							Dept. of Industrial Management, Chung Yuan University				
Tai Tung Branch VP and General Manager	Shen, Cheng-Chung	2009.01.21							Dept. of Finance and Taxation, Fengchia 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 SVP and General Manager	Ma, Jen-Shiau	2006.07.14							Master of Business Administration, North Western State University of L.A.				

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
Taoyuan Branch SVP and General Manager	Liao, Hong-Yen	2007.01.15	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						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 VP and General Manager	Jen, Kun-Fa	2008.09.15							Dept. of Economics, National Taiwan University				
Miao Li Branch SVP and General Manager	Chen, Wen-Yu	2008.09.15							Graduate Institute of Management, Tamkang University				
Fengyuan Branch SVP 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	Huang, Yeou-Nan	2009.01.21							Dept. of Banking, Overseas Chinese Business College				
Nan Men Branch SVP and General Manager	Chuang, Ching-Jiang	2007.07.16							Master of Business Administration, Chang Gung University				
Kung Kuan Branch SVP and General Manager	Yang, Yeong-Maw	2009.01.21							Dept. of Cooperative Economics, Fengchia University				
Zuoying Branch VP and General Manager	Huang, Shui-Chen	2008.02.14							National Changhua Senior School of Commerce				
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	Hsieh, Hua-Ching	2009.01.21							M.B.A in Finance, National Yunlin University of Science and Technology				
Kinmen Branch VP and General Manager	Tsai, Wen-Liang	2008.02.14							Dept. of Accounting and Statistics, Tatung Junior Technological College of Commerce				
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, Feng Chia 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	Wang, Yung-Shan	2008.09.15	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						Dept. of Business Management, National Chenkung University		Kaohsiung Airport Branch VP and General Manager	Wang, Mei-Yuh	Sister
Cheng Chung Branch VP and General Manager	Chen, Yung-Hsien	2008.09.15							Supplementary Open Junior College for Public Administration, National Chengchi University				
Minchuan Branch SVP and General Manager	Kang, Hsieh-Yi	2007.07.16							Dept. of Business Administration, Soo-Chow 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 VP and General Manager	Hung, Chi-Ho	2009.01.21							National Open College of Continuing Education				
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	Lin, Ping-Ho	2008.02.14							Dept. of Finance and Taxation, Fengchia University				
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	Wen, Jer-Shuan	2008.03.05							Dept. of Business Administration, Tunghai 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 VP and General Manager	Yen, Quei-Tien	2009.01.21							Dept. of Economics, Tunghai 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	Wang, Wen-Kung	2009.01.21							Dept. of Sociology, National Open University				
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	Lee, Huan-Hsun	2008.09.15							Dept. of Business, National Open University				
Ling Ya Branch SVP and General Manager	Lin, Ruey-Dian	2006.07.14							Dept. of Public Finance, National Cheng-Chi 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
Sung Shan Branch VP and General Manager	Wu, Chin-Huan	2004.07.16	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						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				
Tai Pao Branch VP and General Manager	Hsieh, Tien-Fu	2005.07.16							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	Lee, Chun-Hsi	2009.01.21							Taiwan Police Academy				
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				
Min Sheng Branch VP and General Manager	Chen, Chun-Yen	2009.01.21							Dept. of Laws, Chinese Culture 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	Huang, Hsui-Hsiang	2008.09.15							Dept. of Business, National Open University				
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	Shih, Mei-Kuei	2009.01.21							Master of Business, 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
Hua Chiang Branch VP and General Manager	Wu, Tsang-Tay	2007.01.15	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						Dept. of Business Management, National Chenkung University				
Chao Chou Branch VP and General Manager	Tsao, Che-Jen	2009.01.21							Dept. of Economics, Fugen Catholic 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, Fugen Catholic University				
Taichung Industrial Park Branch VP and General Manager	Chen, Tsung-Hsin	2009.01.21							Dept. of Banking and Insurance, Feng Chia College				
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	Wu, Kung-Min	2008.02.19							Dept. of Chinese Language and Literature, National Taiwan Normal University				
Hoping Branch VP and General Manager	Liu, Tung-Chen	2005.08.30							Dept. of Business Administration, Soo-Chow University				
Shui Nan Branch VP and General Manager	Kuo, Te-Ming	2008.09.15							Dept. of Accounting and Statistics, Fugen Catholic University				
Chunglun Branch VP and General Manager	Wang, Suh-Er	2007.07.16							Graduate Institute of Management, Tamkang University				
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	Liu, Hui-Hsin	2009.01.21							Dept. of Accounting and Statistics, Tamkang College				
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	Chang, Kuo-Chiang	2008.03.05							M.A in Business Management, National Sun Yat-Sen 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, Feng Chia College				
Jen-Ai Branch VP and General Manager	Chen, Ying-Kuei	2008.03.05							Master of Business Administration, National Chengchi 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
Nankan Branch VP and General Manager	Lee, Ming-Chih	2007.07.16	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						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				
T a Li Branch VP and General Manager	Wang, Shih-Chien	2008.09.15							Master of Finance, National Chung Hsing 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	Tsai, Hui-Lien	2008.04.03							Dept. of Bussiness Administration, National Taiwan 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	Hung, Teng-Kui	2008.10.17							Dept. of Economics, Fujen Catholic University				
Hu Wei Branch VP and General Manager	Bair, Rong-Hwa	2008.01.21							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	Chen, Kuo-Tung	2008.10.17							Dept. of Business management, Department Kuochi junior college of Commerce				
His Chih Branch VP and General Manager	Juang, Chyong-Ling	2008.02.19							Dept. of Business Administration, National Chung Hsing University				
Wu Chi Branch VP and General Manager	Lu, Heng-Du	2008.10.20							Dept. of Economics, Tunghai 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				

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
Defang Branch VP and General Manager	Chang, Kuo-Hsun	2006.01.18	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						M.B.A . National Taipei University				
Chien Kuo Branch VP and General Manager	Hsieh, Kuo-Yi	2009.01.21							Dept. of International Trade, National Taichung Institute of Commerce				
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
East Taoyuan Branch VP and General Manager	Yang, Charng-Chyi	2008.03.18							Dept. of Laws, National Cheng Chi 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		Chien Chen 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				
Kaohsiung Science Park Branch VP and General Manager	Cheng, En-Tzu	2006.04.17							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				

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
Gaorong Branch VP and General Manager	Chiu, Chin-Cheng	2007.09.20	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						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	Lin, Ing-Lieh	2009.01.21							Dept. of Banking and Insurance, Chinese Culture University				
Jisin Branch VP and General Manager	Wu, Jin-Chuan	2008.02.19							Dept. of Industrial Management, Department Lunghwa Junior College of Technology				
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	Chen, Wen-Chang	2009.01.21							Master of Enterprise Management, Tamkang University				
Jiantan Branch VP and General Manager	Hwang, Yu-Fen	2008.02.14							Dept. of Economics, National Taiwan 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, Fujen Catholic University				
North Taichung Branch VP and General Manager	Lin, Mao-Hong	2007.07.01							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				

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
Cianjin Branch SVP and General Manager	Chang Chien, Feng-Chou	2007.07.01	100% of Shareholding: Taiwan Financial Holding Co., Ltd.						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				
Nankang Software Park Branch VP and General Manager	Lee, Wen-Ying	2008.10.27							Dept. of Business Administration, National Chung Hsing University				
Linkou Branch VP and General Manager	Hung, Jien-Jien	2008.01.28							Master of Business Administration, National Dong Hwa University				
Muzha Branch VP and General Manager	Lee, Tang-An	2008.12.16							Dept. of Cooperative Economics, National Chung Hsing University				
Tainan Innovation and Research Park Branch VP and General Manager	Chen, Ching-Shan	2008.06.13							Master of Transportation and Communication Management, Science Department National Cheng Kung University				
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	Chiang, Man-Li	2009.01.21							Dept. of Accounting and Statistics, National Chengkung 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 SVP and General Manager	Yang, Yeong-Maw	2009.01.21							Dept. of Cooperative Economics, Fengchia University				

### 3. Compensation Paid to Directors, Supervisors, President, and Executive Vice Presidents for 2008

#### Compensation Paid to Directors

Dec. 31, 2008

Unit: NT\$1,000

Position	Name (Note)	Compensation Paid to Directors								Ratio of Total of A, B, C, and D to After tax Net Profit	Compensation Paid to Concurrently Serving Employees								Ratio of Total of A, B, C, D, E, F, and G to After tax Net Profit (%)		Reinvested Enterprises
		Compensation (A)		Retirement pension (B)		Profits Distributed to Directors (C)		Business Administration Costs (D)			Salary, Bonus, Special Expenses (E)		Retirement pension (F)		Profits Distributed to Employees (G)		No. of Shares Purchasable via Employee Stock Warrants (H)				
		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	BOT	All Companies in Consolidated Report	BOT		All Companies in Consolidated Report				
										Cash Bonuses					Stock Bonuses	Cash Bonuses	Stock Bonuses				
Chairman	Jer-Shyong Tsai																				
Chairperson	Susan S. Chang																				
Managing Director	Tse-Cheng Lo																				
Managing Director	Ruey-Tsang Lee																				
Managing Director	Sheng-Ford Chang																				
Managing Director	Jun-Ji Shih																				
Managing Director	Cheng-Chen Yang																				
Director	Chih-Hung Chang																				
Director	Chia-Cheng Lin																				
Director	Hsiu-Hua Rau	4,107	None	None	None	None	None	1,188	None	0.0650	None	9,158	None	None	None	None	None	None	0.1773	None	120
Director	Jin-Tung Lee																				
Director	Jiin-Tarng Yue																				
Director	Shin-Hsin Huang																				
Director	Yeong-Yuh Chiang																				
Director	Chin-Long Yang																				
Director	Hsi-Chuan Chen																				
Director	Chang-Sheng Lin																				
Director	Her-Jong Lin																				
Director	Sheng-Tien Yang																				

Note: 1. All Directors are assigned by the Ministry of Finance.

2. The monthly rental for the chairperson's residence is NT\$111,000; the chairperson's sedan was purchased in October of 2001 at a cost of NT\$986,900, and the monthly expense for the chauffeur is NT\$39,507.

3. The monthly rental for the president's residence is NT\$170,800; the president's sedan was purchased in October of 2002 at a cost of NT\$798,800, and the monthly expense for the chauffeur is NT\$46,019.

Compensation Bracket Paid to BOT Directors	Names of Directors			
	Total of Previous Four Items (A+B+C+D)		Total of Previous Seven Items (A+B+C+D+E+F+G)	
	BOT	All companies included in consolidated report	BOT	All companies included in consolidated report
Under NT\$2,000,000	Jer-Shyong Tsai, Susan S. Chang Ruey-Tsang Lee, Sheng-Ford Chang Jun-Ji Shih, Cheng-Chen Yang Chih-Hung Chang, Chia-Cheng Lin Hsiu-Hua Rau, Jin-Tung Lee, Jiin-Tarng Yue Shin-Hsin Huang, Yeong-Yuh Chiang Chin-Long Yang		Jer-Shyong Tsai, Susan S. Chang Ruey-Tsang Lee, Sheng-Ford Chang Jun-Ji Shih, Cheng-Chen Yang, Chih-Hung Chang Chia-Cheng Lin, Hsiu-Hua Rau, Jin-Tung Lee Jiin-Tarng Yue, Shin-Hsin Huang, Yeong-Yuh Chiang Chin-Long Yang, His-Chuan Chen Chang-Sheng Lin, Her-Jong Lin, Sheng-Tien Yang	
NT\$2,000,000 – NT\$5,000,000				
NT\$5,000,000 – NT\$10,000,000			Tse-Cheng Lo	
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	14 persons		19 persons	

## Compensation Paid to Supervisors

Dec. 31, 2008

Unit: NT\$1,000

Position	Name (Note)	Compensation Paid to Supervisors								Ratio of Total of A, B, C, and D to After tax Net Profit (%)		Any Compensation Paid by Invested Enterprises Other than Subsidiaries
		Compensation (A)		Retirement pension (B)		Profits Distributed to Supervisors (C)		Business Administration Costs (D)				
		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	
Resident Supervisor	Bing-Huang Shih	1,020	None	None	None	None	None	None	None	0.0125	None	None
Supervisor	Chan-Jane Lin											
Supervisor	Yang Ming-Shyang											
Supervisor	Chin-Chen Cheng											
Supervisor	A-Ting Chou											

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

Compensation Bracketed Paid to BOT Supervisors	Names of Supervisors	
	Total of Previous Four Items (A+B+C+ D)	
	BOT	All companies included in consolidated report
Under NT\$2,000,000	Bing-Huang Shih, Chan-Jane Lin Yang Ming-Shyang, 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	5 persons	

## Compensation Paid to President and Executive Vice Presidents

Dec. 31, 2008

Unit: NT\$1,000

Position	Name	Salary (A)		Retirement pension (B)		Bonus, Special Expenses (C)		Profit Distributed as Employee Bonuses (D)				Ratio of Total of A, B, C, and D to After tax Net Profit (%)		Amount of Employee Stock Warrants		Rein-vested Enterprises
		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					
President	Tse-Cheng Lo	15,352	None	None	None	7,603	None	None		0.2816	None	None	None	1,080		
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															

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		
NT\$2,000,000 – NT\$5,000,000	Fu-Chi Tsai, Teng-Lung Hsieh, Jan-Lin Wei Kuo-Ching Chang, Shih-Tien Chiang Min-Chang Chen, Li-Yen Yang, Hong-Chi Chang	
NT\$5,000,000 – NT\$10,000,000	Tse-Cheng Lo	
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	9 persons	

#### 4. Analysis of remuneration paid to directors, supervisors, president, 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 12 times in 2008. Attendance by directors was as follows:

Position	Name	Actual Times of Attendance	Times of Commissioned Attendance	Ratio of Attendance (%)	Notes
Chairman	Jer-Shyong Tsai	7	0	100.00	Relief on July 14, 2008
Chairperson	Susan S. Chang	5	0	100.00	Assumed on July 14, 2008
President	Tse-Cheng Lo	12	0	100.00	
Managing Director	Ruey-Tsang Lee	5	0	100.00	Relief on June 6, 2008
Managing Director	Jun-Ji Shih	11	1	91.67	
Managing Director	Sheng-Ford Chang	7	0	100.00	Assumed on June 6, 2008
Managing Director	Cheng-Chen, Yang	8	3	66.67	
Director	Chia-Cheng Lin	5	1	71.43	Relief on July 14, 2008
Director	Hsiu-Hua Rau	12	0	100.00	
Director	Chih-Hung Chang	11	1	91.67	
Director	Jin-Tung Lee	9	0	90.00	Relief on Sep. 30, 2008
Director	Shin-Hsin Huang	11	0	91.67	
Director	Chin-Long Yang	3	0	100.00	Relief on Apr. 23, 2008
Director	Jiin-Tarng Yue	4	3	44.44	Assumed on Apr. 23, 2008
Director	Yeong-Yuh Chiang	8	1	88.89	Relief on Sep. 30, 2008
Director	Chang- Sheng Lin	12	0	100.00	
Director	Hsi-Chuan Chen	12	0	100.00	
Director	Her-Jong Lin	7	0	100.00	Relief on July 4, 2008
Director	Sheng-Tien, Yang	4	0	100.00	Assumed on Aug. 20, 2008

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 of chairperson, 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.

The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Board of Directors meetings attended to the number held during the term in office.

## Attendance of Supervisors at Board of Directors' Meetings

The Board of Directors met a total of 12 times in 2008. Attendance by supervisors was as follows:

Position	Name	Actual Times of Attendance	Ratio of Attendance (%)	Notes
Resident Supervisor	Bing-Huang Shih	6	54.55	Relief on Oct. 23, 2008
Resident Supervisor	Yang Ming-Shyang	1	100.00	Assumed on Oct. 23, 2008
Supervisor	Chan-Jane Lin	6	60.00	Relief on Sep. 30, 2008
Supervisor	Chin-Chen Cheng	11	91.67	
Supervisor	A-Ting Chou	1	8.33	
Other items of record:				
Composition and duties of Supervisors:				
1. All of the BOT's shares are held by a single government or institutional shareholder. The supervisors are appointed by the Ministry of Finance and approved by the Board of Directors of the Taiwan Financial Holdings Co.				
2. The supervisors operate in accordance with the provisions of the BOT's Rules of Procedure for Supervisors.				
a. The supervisors' meeting is held once every three months, but a meeting may be called at any time in cases of emergency, important happenings, or request by supervisors. The president, vice presidents, and heads of related departments will attend.				
b. All audit reports presented by the Auditing Office of the Board of Directors will be relayed to the supervisors for documentary review. Opinions raised will be answered by the relevant departments, and will be collated for discussion and improvement at supervisors' meetings.				
c. The Accounting Office presents, at supervisors' meetings, accounting reports for the end of the previous month. After the Bank's final budget is examined and certified by a CPA office, it is raised for a resolution at a Board of Directors meeting and a supervisors' meeting is called where the signing CPA attends to make a financial report and discuss it with the supervisors.				

The actual ratio of attendance (%) is calculated as the ratio (%) of the number of Board of Directors meetings attended to the number held during the term in office.

## 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, Deviations from "Corporate Governance Best-Practice Principles for the Banking Industry" and Its Reason

Since the BOT is 100% owned by Taiwan Financial Holding Co., Ltd (100% of Shareholding: Ministry of Finance), 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 Articles of Incorporation", "BOT Board of Directors Organizational Charter" and "BOT Board of Directors Conference Regulations".
- b. The Bank has a healthy operating system and financial structure, and established operating directions stipulate that the Bank should augment its self-owned capital in line with business growth so as to maintain an appropriate capital adequacy ratio and further strengthen its financial structure. A special independent unit has been set up to handle risk management, and it reports regularly to the Risk Management Committee.
- c. Article 27 of the BOT Charter, Article 9 of the Board of Directors Organizational Charter, and Article 14 of the Board of Directors Rules of Procedure all stipulate that directors should withdraw from cases in which they have a material interest. Directors have to fill out the "Parties of Material Interest" form as stipulated in Article 33-1 of the Banking Law, and the form is placed on a computer file by the Department of Credit Management.
- d. The parent company, the Taiwan Financial Holdings Co., has not yet designated an independent director for the BOT, so there has been no purchase of liability insurance for an independent director. The Bank has also not purchased liability insurance for its supervisors.
- e. 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.
- f. 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", so as to 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 Control System

### (1) Statement of Internal Controls

#### Statement of Internal Controls of the Bank of Taiwan

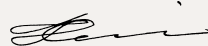
On behalf of the Bank of Taiwan we declare that during the period from Jan. 1, 2008 through Dec. 31, 2008 the Bank of Taiwan did conform to the provisions of the "Implementation Rules for Banks' Internal Control and Auditing Systems" by establishing an internal controls system and carrying out risk management, and by having auditing 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  
Chairperson



President



Executive Vice President and General Auditor



Headquarters Legal Compliance Official



March 3, 2009

**Items in Need of Strengthening in the BOT's Internal Controls System, and Improvement Measures**  
(Base date: Dec. 31, 2008)

Items for Strengthening	Improvement Measures	Projected Date of Completion
Continued strengthening of internal control and auditing of the collection of treasury funds and tax fees, and placing more emphasis on legal and disciplinary education as well as on the investigation of ethics.	1. The Bank's business units have been charged with thoroughly carrying out Standard Operating Procedure (SOP) for the collection of treasury funds and tax payments.	June 30, 2009
	2. Executives are strengthening "management by walking about" to show care for employees' lives and financial situations, and video recordings of the locations of thermal printers are randomly inspected.	June 30, 2009
	3. The Human Resources Office has strengthened legal and disciplinary training.	June 30, 2009
	4. The Auditing Office, Department of Domestic Operations, and Department of Treasury send personnel according to plan to inspect and supervise the status of improvement measures, and SOP execution, for tax collection operations.	June 30, 2009
Continued strengthening of review of trade amendments and trades released by department heads.	1. Executives at different levels are using Executive Cards and amending trading rules, and approving personnel must carefully examine trading documentation.	June 30, 2009
	2. When deposit or withdrawal transactions are amended, the time of the original trade registration is entered on the trade amendment screen (UF3) and in the withdrawal and deposit document verification column for use of the approving executive in swiping his card for release authorization.	March 31, 2009
	3. New abnormalities in the use of Executive Cards and trade amendment data are followed up by approving executives.	March 31, 2009
Continued strengthening of examination by the Department of Trusts of securities investment trust fund monthly reporting check lists.	1. The establishment of a "Monthly Fund Report Retrieval System" has been outsourced to the Dimerco Data System Corp.	Sep. 30, 2009
	2. Manual checking operations will continue to be strengthened for securities investment trust companies that have not completed information systems and do not provide information sources, and the securities investment trust companies will be asked to provide data on monthly report checking items for use in examination.	Dec. 31, 2009

(2) Independent Auditors' Report

**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 20, 2009

## 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. Clerk Hung of the Tzoyin Branch was sentenced by the Kaohsiung District Court for business embezzlement.
  - b. 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.
  - c. Senior Clerk Deng of the Nantou Branch was indicted by the Prosecutor's Office of the Nantou District Court for business embezzlement.
  - d. Associate Clerk Ning of the Jiantan Branch was indicted by the Prosecutor's Office of the Shihlin District Court for business embezzlement.
- (2) Violations of the Law Resulting in the Imposition of Fines by the Financial Supervisory Commission  
In the case of suspected embezzlement in collected funds by Clerk Cheng of the Pingtung Branch, the Financial Supervisory Commission imposed a fine of NT\$ 2 million in March 2008.
- (3) Deficiencies Resulting in Severe Disciplinary Action by the Financial Supervisory Commission  
(None)
- (4) Punishments Imposed by the Financial Supervisory Commission in Accordance with Article 61-1 of the Banking Law
  - a. In the case of suspected embezzlement in collected funds by Senior Clerk Teng, the Financial Supervisory Commission issued the opinion that Teng should be dismissed.
  - b. In the case of suspected embezzlement in collected funds by Clerk Cheng of the Pingtung Branch, the Financial Supervisory Commission issued the opinion that Cheng should be dismissed.
- (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  
(None)
- (6) Other Matters Requiring Disclosure as Directed by the Financial Supervisory Commission  
(None)

## 7. Major Resolutions of the Board of Directors During Year 2008 and to Date of Annual Report Publication

1. Resolution passed by the 76th meeting of the 2nd Board of Standing Directors on Jan. 18, 2008: The Department of Trade's health products business, as previously approved by the Financial Supervisory Commission, is to be terminated, following final clearing of accounts, prior to the end of the period of merger adjustment (June 30, 2009).
2. Resolution passed by the 76th meeting of the 2nd Board of Standing Directors on Jan. 18, 2008: In reference to the opinion of the Ministry of Finance, the BOT asked the Executive Yuan, through the Public Construction Commission, for permission to continue handling the government procurement business prior to completion of government reorganization.
3. Resolution passed by the 78th meeting of the 2nd Board of Standing Directors on Feb. 1, 2008: The BOT, the Export-Import Bank of R.O.C., and Land Bank of Taiwan jointly established the Taiwan Financial Holdings Co. on Jan. 1, 2008. The employee salary, preferential-rate retiree pension deposits, preferential employee and retiree deposits, and voluntary savings deposits that the Export-Import Bank had commissioned to Mega Bank were transferred to the BOT.
4. Report submitted by the 10th session of the 2nd Board of Directors on Feb. 1, 2008: The Ministry of Finance has agreed for the BOT's current directors and supervisors to continue in office until the end of their original terms.
5. Report submitted by the 10th session of the 2nd Board of Directors on Feb. 1, 2008: The BOT has successfully completed the mission of operating the China United Trust and Investment Corp. entrusted to it by the Central Deposit Insurance Corp., and has concluded the operation of that business.
6. Report submitted by the 11th session of the 2nd Board of Directors on Apr. 25, 2008: Chin-Long Yang of the Central Bank, who was appointed shareholder's representative director at the BOT, was relieved from office because of a job change and was replaced by James J.T. Yue of the Central Bank's Department of Banking.
7. Report submitted by the 17th extraordinary session of the 2nd Board of Directors on June 6, 2008: Deputy Minister of Finance Ruey-Tsang Lee resigned his post on May 20, 2008 and was relieved of his position as BOT standing director. He was replaced by newly appointed Deputy Minister of Finance Sheng-Ford Chang.
8. Report by the 18th extraordinary session of the 2nd Board of Directors on July 14, 2008: BOT Director Chia-Cheng Lin resigned from the position of director.
9. Report by the 18th extraordinary session of the 2nd Board of Directors on July 14, 2008: Tse-Chang Lo continued in another term of office as BOT president.

10. Report by the 4th extraordinary session of the 2nd Board of Standing Directors on July 14, 2008: Susan S. Chang assumed the position of chairperson of the BOT on July 14, 2008.
11. Report by the 13th session of the 2nd Board of Directors on Aug. 22, 2008: Her-Jong Lin of the BOT industry union, originally appointed as labor-representative director in the 2nd Board of Directors, resigned the position and the union's Sheng-Tian Yang was chosen to fill the resulting vacancy (until the end of the original term on June 30, 2009).
12. Report by the 111th session of the 2nd Board of Standing Directors on Oct. 3, 2008: The BOT's Yeong-Yuh Chiang resigned from the position of BOT director.
13. Report by the 112th session of the 2nd Board of Standing Directors on Oct. 9, 2008: BOT Director Jin-Tung Lee resigned from the Board of Directors, and Chan-Jane Lin resigned from the position of supervisor.
14. Report by the 114th session of the 2nd Board of Standing Directors on Oct. 24, 2008: Due to a job change, the position of BOT supervisor held by former Director General Bing-Huang Shih of the Directorate General of Budget, Accounting and Statistics was switched to the Directorate General's new director general, Ming-Shyang Yang, who was unanimously chosen by the BOT's supervisors as resident supervisor.
15. Report by the 21st extraordinary session of the 2nd Board of Directors on Jan. 16, 2009: The signing CPAs for the "Commissioned CPAs for 2008 Financial, Taxation, and Internal Control Auditing Services," which was commissioned by the BOT to KPMG Certified Public Accountants, were Yen-Ling Fang and David Ding; since David Ding retired on Dec. 31, 2008, it was agreed that following KPMG's internal adjustment CPA Derek Hsu would take over the follow-up auditing work for this case.
16. Report submitted by the 21st extraordinary session of the 2nd Board of Directors on Jan. 16, 2009: The Bank has completed a recompilation of its legal budget for 2008 in compliance with a resolution of the Legislative Yuan.
17. Resolution of approval adopted by the 130th meeting of the 2nd Board of Standing Directors on Feb. 20, 2009: BOT Vice President Kuo-Ching Chang submitted a request to retire on Feb. 20 this year (2009).
18. Resolution of the 15th meeting of the 2nd Board of Directors on February 27, 2009: In view of the fact that the geographical advantage enjoyed by Macau as a hub for Taiwanese business people no longer exists because of the opening of direct flights across the Taiwan Straits, and because Macau has been deeply affected by the global economic recession, there is no longer felt to be a need to set up a branch there. Preparations for the Macau branch were to be halted and the Financial Supervisory Commission informed by letter.
19. Report by the 135th meeting of the 2nd Board of Standing Directors on Mar. 27, 2009: The Board of Directors of the Taiwan Financial Holdings Co. approved the removal of Ms. Chin-Chen Cheng as supervisor representing BOT shareholding, and her replacement as supervisor by Mr. Ho Rui-Fang.

#### 8. Year 2008 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 2008 and up to the Date of Publication of the Annual Report

Jan. 31, 2009

Position	Name	Date of Employment	Date of Dismissal	Reason for Resignation or Dismissal
Chairperson	Jer-Shyong Tsai	Jan. 2, 2007	July 14, 2008	Personnel Changes
Department of Treasury SVP and General Manager	Chen, Su-Tien	Mar. 20, 2006	Mar. 20, 2008	Personnel Changes

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

## IV. CPA Information

(major changes in CPA audit fees, change of CPA, employment of the chairperson, 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 Derek Hsu	5,555				990	990	√		Jan. 1, 2008~ Dec. 31, 2008	

Note: The commissioning of a CPA to provide professional services to the Taiwan Financial Holdings Co. and its subsidiaries.

## 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, 2008

Unit: Share;%

Reinvested Enterprise (Note)	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	148,281,465	0.45	1,013,473,437	3.07
Taiwan Machinery Manufacturing Corp.	10,253,459	1.60	167	0.00	10,253,626	1.60
Taiwan Stock Exchange Corp.	55,615,941	10.01	16,665,309	3.00	72,281,250	13.01
First Financial Holding Co.,Ltd.	488,947,248	7.93	190,118,158	3.08	679,065,406	11.01
Hua Nan Financial Holdings Co.,Ltd.	1,514,088,852	24.86	282,106,291	4.63	1,796,195,143	29.49
Taiwan Business Bank	748,722,335	19.33	4,060,123	0.10	752,782,458	19.43
Cathay Financial Holding Co.,Ltd.	89,083,257	0.91	2,212,357	0.02	91,295,614	0.93
Mega Financial Holding Company	277,170,670	2.51	193,328	0.00	277,363,998	2.51
Taiwan Life Insurance Co.,Ltd.	134,571,722	24.96	18,873,750	3.50	153,445,472	28.46
Taiwan Fire & Marine Insurance Co.,Ltd.	55,696,792	17.58	0	0.00	55,696,792	17.58
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	0	0.00	36,219,000	12.07
China Development Financial Holding Corp.	234,057,193	2.08	289,698	0.00	234,346,891	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	1,612,980	0.24	3,380,000	0.51	4,992,980	0.75
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	2.61	13,973,757	0.17	225,414,880	2.78
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.	4,812,170	2.05	4,617,335	1.97	9,429,505	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	4,615,000	1.15	15,280,000	3.82
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	0	0.00	490,000	1.63
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



- 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	Approved Equity Capital		Paid-in Equity Capital		Notes	
		No. of Shares	Amount NT\$	No. of Shares	Amount NT\$	Source of Equity Capital	Others
Dec., 2008	\$10	4.5 billion	\$45 billion	4.5 billion	\$45 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	4.5 billion (Shares have not been listed)		0	4.5 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	4.5 billion	\$45 billion	4.5 billion	\$45 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 Taiwan Financial Holding Co., Ltd; Shares have not been listed.

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

Unit: NT \$; Share

Year		2008	2007	As of March 31, 2009
Items				
Market Value Per Share	Highest	-	-	-
	Lowest	-	-	-
	Average	-	-	-
Net Worth Per Share	Before Appropriation	49.70	47.01	49.66
	After Appropriation	48.79	46.00	48.76
Earnings Per Share	Weighted Average Issued Shares	4,500,000,000	5,300,000,000	4,500,000,000
	Earnings Per Share	1.81	2.37	0.28
Dividends Per Share	Cash Dividends	0.91	1.01	-
	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 FY2007 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit ; figures for FY2008 are CPA approved ; figures of the first three months of FY2009 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.

#### 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:

- a. Payment of the income tax;
- b. Making up of losses for previous years;
- c. Allocation of 30% for legal reserve;
- d. Allocation of 20~40% of the profit, and that an amount similar to that of "Unrealized Loss from Financial Instruments" listed under the "Stockholders' equity" item for the special reserve.
- e. Next, distribution of stock dividends.

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

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 2008, a cash dividend or NT\$4,076 million, or NT\$0.91 per share, was decided. Under Article 50 of the Audit Law, however, the final determiner of the BOT's profit is the Ministry of Audit; since the Bank's final 2008 final 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

(None)

### IV. Fund Utilization Plans

On Jan. 2, 2008 the BOT spun off some of its business and assets, and reduced its capital by NT\$8 billion. The spin-offs were established as the BankTaiwan Life Insurance Co. and BankTaiwan Securities Co., with capital of NT\$5 billion and NT\$3 billion, respectively, and became subsidiaries of Taiwan Financial Holdings. As of Dec. 31, 2008 the BOT's capital stood at NT\$45 billion.



# General Operating Conditions



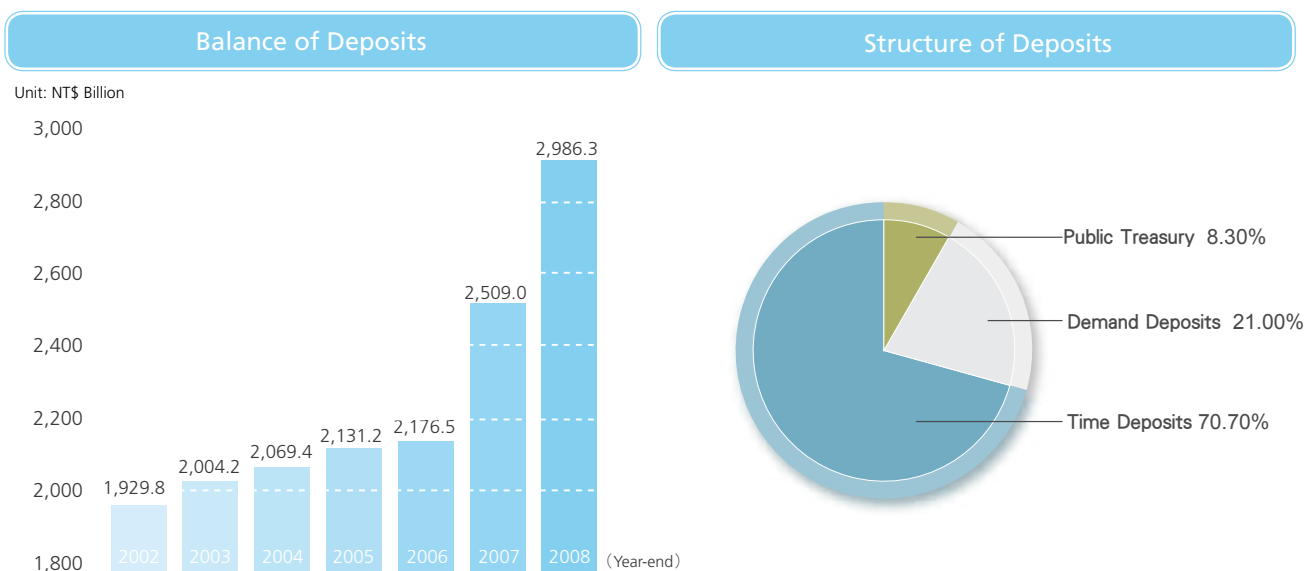
- I. Contents of Business
- II. Human Resources
- III. Corporate Responsibility and Ethical Behavior
- IV. Information Equipment
- V. Labor-Ownership Relations
- VI. Major Contracts
- VII. Type of and Related Information on Securitized Products Approved in Accordance with the Statute for Securitization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

## I. Contents of Business

### 1. Major Items of Business

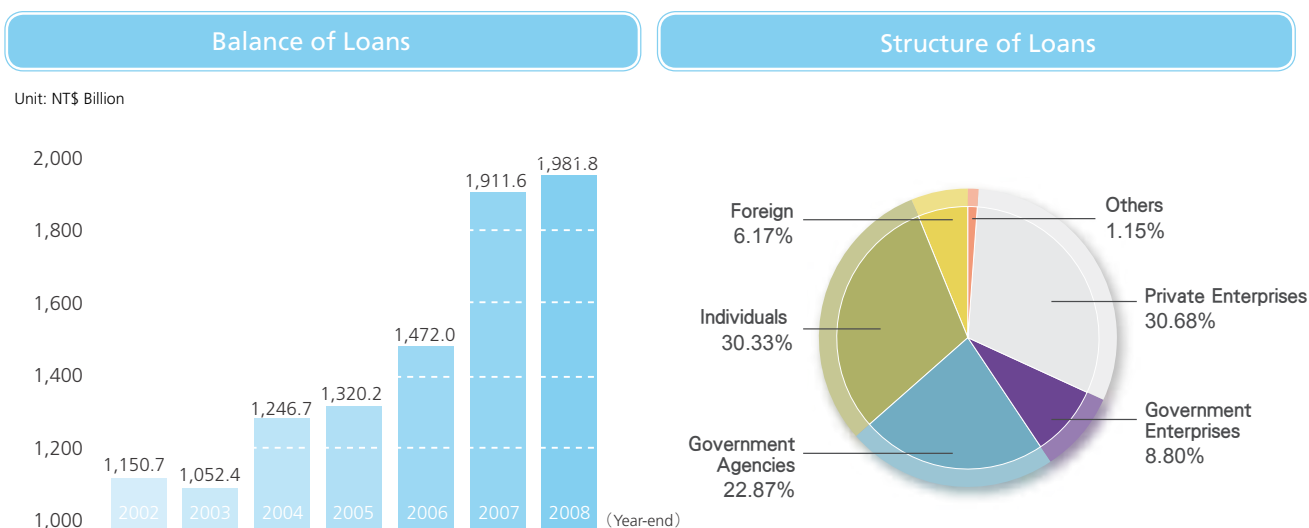
#### (1) Deposits

Total deposits in the Bank at the end of December 2008 amounted to NT\$2,986.3 billion, equal to 83.09% of the NT\$3,594.2 billion in total assets; this was a growth of 19.02% over the previous year. Demand deposits in 2008 grew by 11.50% , and deposits from public treasures grew by 4.49% over the year before.



#### (2) Corporate Banking

The amount of the Bank's total loans outstanding at the end of December 2008 ( including general loans as well as import and export negotiations) stood at NT\$1,981.8 billion, equal to 55.14% of the total assets; this was an increase of NT\$70.2 billion, or 3.68%, over a year earlier. Corporate loans outstanding at the end of 2008 ( including loans to government agencies and government-owned enterprises) amounted to NT\$1,380.7 billion, accounting for 38.41% of total assets; this was an increase of NT\$26.2 billion, or 1.93%, over the year before. In the readjustment of the loan structure, at the end of December 2008 the amount of loans outstanding to government agencies and state-owned enterprises totaled NT\$562.2 billion; this was down by NT\$122.6 billion from a year earlier, for a decline of 17.90%. Following the active development of loans to private enterprises, at the end of December 2008 loans to enterprises, excluding public-sector enterprises, stood at NT\$818.5 billion, an increase of NT\$148.8 billion or 22.22% over the end of the previous year, indicating that results are being achieved in the promotion of the corporate loan business. The BOT's performance in extending SME loans in 2008 was outstanding, leading to its selection for a first-place Outstanding award by the Financial Supervisory Commission.



### (3) Consumer Banking

The Bank engages vigorously in all facets of the consumer banking business in order to strengthen services to the general public and promote economic growth, including the provision of general consumer loans, bank cards, and credit cards. 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 2008 amounted to NT\$559.2 billion, NT\$42.4 billion more than a year earlier for a growth of 8.21%.

### (4) Foreign Exchange and International Banking

The amount of foreign exchange transactions undertaken during the year reached US\$261.314 billion, up 59.35% over 2007. The volume of deposits carried out by DBUs as agents for the OBU amounted to US\$888 million, for a growth of 88.94% over the year before; the volume of loans amounted to US\$197 million, for a growth of 82.41%.

A total of 145 branches are currently designated to handle foreign exchange services, another 7 deal in simple foreign-currency cash and traveler's check transactions, and 263 foreign-currency exchange bureaus and 134 renminbi (RMB) exchange bureaus deal in currency exchange services at the end of 2008. The Bank had correspondent relations with 2,741 financial institutions in 143 countries, providing a correspondent banking network covering major cities around the world.

The Bank also 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 2008, the total assets of these offshore branches amounted to US\$7.938 billion; the total foreign currency of notional amounts outstanding of various derivatives amounted to US\$184 million.

### (5) Electronic Banking

At the end of 2008 the accumulated number of Internet banking transfer accounts stood at 926,333, and transfers carried out during the year stood at 6.72 million. Gold Passbook Internet transactions numbered 508,900, accounting for 88.13% of all the Bank's Gold Passbook transactions. Telephone banking transfers amounted to 60,900 and online purchase requests for funds amounted to 2.44 million, making up 89.93% of all the Bank's fund transactions. The corporate financial management system was extended to 1,066 clients in 2008, and EDI clients numbered 2,615; funds transfer transactions undertaken during the year numbered 1,033,000. Using the Bank's portal site for the collection fees increase by 2,257, and the number of collections reached NT\$6.43 million for a growth of 11.83% over 2007.

### (6) Trust Business

At the end of 2008 the average principal of trust property amounted to NT\$289.3 billion, up 19.59% from the previous year, and the amount of foreign and overseas Chinese assets was NT\$409.5 billion, a decline of 49.24%; with the exception of foreign-invested banks, the volume of this business was tops among all banks in Taiwan. The amount of domestic assets under custodianship was NT\$452.2 billion, an improvement of 3.86% over the previous year. In addition, 144,787 enterprise units opened worker retirement fund accounts with total deposits of NT\$977.7 billion, retirement payments amounting to NT\$512.7 billion, and trust funds outstanding of NT\$465.0 billion.

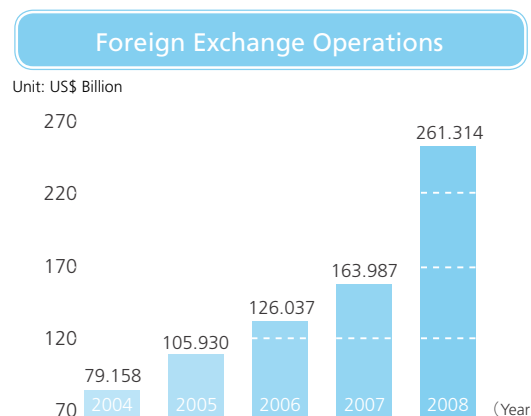
### (7) Investment

#### a. Bills Finance

The value of bills outstanding at the end of December 2008 was NT\$42.159 billion, of which Central Bank negotiable certificates of deposit accounted for NT\$29.400 billion, or 70% of the total. Profit from securities dealing during the year was NT\$0.992 billion, giving an average profit margin of 2.11%. The amount of short-term bills underwriting undertaken in 2008 reached NT\$41.506 billion, a growth of NT\$7.958 billion over the year before.

#### b. Proprietary Bond Dealing

The Bank's dealing in government bonds amounted to a total of NT\$746.188 billion in 2008, a growth of 14.32% from the year before. At the end of December total government bonds purchased amounted to NT\$48.163 billion and government bonds sold totaled NT\$41.403 billion. Repurchase agreements amounted to NT\$603.621 billion, and resale agreements to NT\$53.001 billion.



#### c. Reinvestment

At the end of 2008 the Bank had investments in 34 enterprises; the book value of the investments was NT\$48.662 billion, a reduction of 13.51% from a year earlier. The main reasons for the decline were a transfer of 4.5% of the equity in Hua Nan Financial Holdings and 3.5% of the equity in Taiwan Life Insurance to the BankTaiwan Life Insurance Co., and a reduction in equity as calculated by the equity method. Profit on long-term equity investment amounted to approximately NT\$3 billion in 2008, primarily from stock dividends and profit recognized under the equity method.

#### d. Short-term Investment (in Stocks and Funds)

Stock markets plummeted all over the world under the impact of the Financial tsunami. At the end of 2008 the costs of the Bank's investment in stocks and funds were NT\$4.610 billion and NT\$850 million, respectively, and the operating volumes were NT\$4.539 billion and NT\$789 million. Losses on this investment were NT\$1.868 billion and NT\$339 million, giving returns of a negative 41.15% and 42.94%, respectively. During the same period the return on the weighted stock index was a negative 46.03%, so the performance of the Bank's stock and fund investment was 4.88% and 3.09% better, respectively, than the stock market index.

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

Under the provisions of the Regulations Governing the Entrustment of the Bank of Taiwan of Matters Associated with the Issuance of the New Taiwan Dollar by the Central Bank of the Republic of China (Taiwan), 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 2008 was NT\$1,034.8 billion, an increase of 2.55% over the previous year; the peak amount in circulation was NT\$1,356.8 billion (on the eve of the Chinese New Year on Feb. 5, 2008), also a decline of 1.45% over the 2007 peak. The amount in circulation at the end of the year was NT\$1,054.2 billion, 9.62% more than year-end 2007.

#### (9) Government Employees Insurance

At the end of 2008 there were 7,359 insured units and 595,256 insured persons, and 28,767 claims totaling NT\$20.308 billion were paid that year. The realized amount of unrealized liabilities plus derived interest for 2008 prior to revision of the Civil Servant and Teacher Insurance Act, for allocation from the National Treasury, was NT\$15.93 billion. Under the rules, this is to be reviewed and allocated by the National Treasury. As for the financial situation following revision of the Act, investment in financial assets was affected in 2008 by worries about the U.S. subprime mortgage turmoil, the Fanny Mae and Freddie Mac crisis, the global financial storms, and the economic recession; this resulted in a book valuation loss of NT\$4.982 billion, all of which was covered by the reserve. Since the reserve is a long-term fund, this book loss can be offset once the economy recovers and performance stabilizes. The employee insurance balance in 2008 was NT\$3 million, all of which was transferred to the insurance reserve.

#### (10) 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 2008 amounted to NT\$60.736 billion.

#### (11) Wealth Management Service

The wealth-management business was inaugurated on July 1, 2007, and 49 wealth-management branches were added during the fiscal year. At the end of 2008 a total of 113 business units were handling wealth management, eight of them flagship units, and 127 wealth-management agents were in place to serve high-net-value customers.

The main products of the wealth-management business are funds, bank insurance, and the Gold Passport. The volume of fund sales and commission income in 2008 amounted to NT\$42.731 billion and NT\$282 million. Banking insurance premium income and commission income for 2008 amounted to NT\$29.311 billion and NT\$910 million, giving a target achievement ratio of 112.73% and 140.00%. The gold passbook business operations undertaken in 2008 totaled NT\$50.047 billion, achieving 222.43% of the target.

#### (12) Trade Business

The Bank earned NT\$40 million in commission income from the handling of customs quotas in 2008, 8.24% less than the year before; income from export agency operations was NT\$5 million, less 37% over 2007; and the operating volume of the gold business was NT\$61.6 billion, up 448%; parking lot rental brought in NT\$70 million, down 8.42%.

## 2. Operating Plans for 2009

#### (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

Credit risk is considered in the development of loans to private enterprises so as to improve the loan structure and maintain asset quality. Outside sales activities in the marketing of corporate loans are strengthened so as to widen and deepen relations with loan clients. The Bank seeks the right to arrange or participate in syndicated loans, develops loans to Taiwanese businesses in the Asia-Pacific region, and promotes the online financing and factoring businesses so as to enhance performance in the loan business and increase processing fee income. The Bank also works in line with the governments' economic revitalization policy by helping SMEs and non-SMEs obtain the funds they need for operation and investment, thereby stimulating industrial development.

## (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. A telephone call-up collection system was set up for student loans and home mortgage loans, along with an authorized deduction failure notification system. The provision of 24-hour, 365-day customer services was continued, and marketing was diversified with additional exposure for the Bank's personal banking products.

## (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, and 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

A business marketing management system will be completed in the future, a full-spectrum single sign-on control function will be provided to corporate customers via the e-business network, and the performance of the hardware and software for the customer marketing management system will be enhanced.

## (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. In accordance with the law and with instructions from the competent authority, the Bank will make aggressive use of the old-system labor retirement fund and the civil servants and teachers insurance reserve to create an outstanding performance.

## (7) Investment

The bills finance business will coordinate actively with certification and underwriting by business units for the commercial paper guaranteed issuance business. Consideration will be given to capital earnings, cost, and government bond sources in carrying out government-bond repo transactions, and the undertaking of repo trading will be continued. In its stock portfolio investment the Bank will continue striving to increase its investment income by concentrating primarily 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) Government Employees Insurance

The underwriting and cash payment businesses will be strengthened and programs for improvement will be implemented; information services will be fully utilized in the continuous implementation of the digitization of government-employee insurance operations; the organizing of government-employee insurance seminars will be continued to strengthen the publicizing of laws and business operations; services to the public will be strengthened, and business and service quality will be enhanced; and the management and utilization of the government-employee insurance reserve will be strengthened in response to financial conditions at home and abroad.

## (9) 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. The Bank will make use of its advantage in Internet banking to vigorously promote Internet fund and Gold Passport trading, and to provide a diversified marketing platform; business units will be encouraged to continue organizing investment and financial management lectures to provide customers with new financial knowledge, maintain customer relationships, and gain an understanding of customers' financial-management needs; employees will be encouraged to obtain relevant

licenses and to undertake ongoing professional training; and the retiree market will be cultivated and developed vigorously, and appropriate new financial products will be provided.

### 3. Market Analysis

Global economic growth slowed in 2008 under the impact of the American subprime mortgage turmoil; on top of this, international prices of materials stayed at a high level, changes in international economics and finance intensified, and the finance industry was faced with severe operating challenges. In addition, foreign institutions took a greater ownership of domestic banks and expanded their branch networks, striking a further blow at the space that Taiwan's banks have to earn profits. However, the efforts of the new government to attract foreign capital to Taiwan for direct investment and to encourage companies to strengthen their investment on the island will help promote growth of the real economy; at the same time, the implementation of the i-Taiwan 12 projects will stimulate domestic demand for capital and this will help to boost bank profits. In addition, the government plans to adopt a negative list for management of the financial market, encourage the finance industry to strengthen product development, and promote rationalization of the financial tax system to bring it in line with the rest of the world and create an environment that is favorable to financial operations. Cross-straits economic and trade policy will continue liberalizing and channels for financial institutions to establish bases in mainland China will increase, and this will facilitate the overall upgrading of the finance industry's international competitiveness. Although the American subprime mortgage crisis has had an impact on profits in the finance industry, it has also prompted financial institutions to speed up their implementation of risk management and reinforcement of corporate governance, and this will facilitate upgrading in the finance industry.

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

The favorable and unfavorable factors that the Bank will face in the future are listed below:

Favorable factors:

- a. The establishment of the Taiwan Financial Holdings Co. will help with the effective expansion of the consumer loan customer base as well as the enhancement of operating efficiency and product competitiveness.
- b. The stable image of a government-run enterprise increases the incentive for customers to do business with the Bank.
- c. Financial deregulation expands the scope of business for the Bank, enhancing its services for Taiwanese enterprises and boosting its opportunities to do business with them.
- d. Very strong financial backing, a closely knit network of medium and large corporate clients, and an extremely loyal customer base favor development of the syndicated-loan market.
- e. A complete network of marketing channels provides customers with one-stop-shopping convenience and achieves the ideal of a financial department store.

Unfavorable factors:

- a. The Bank's state-owned system leaves it with a heavy burden of policy missions.
- b. The slowdown in global economic growth and contraction of the credit market heightens operating risk.
- c. The switch to a downward trend in interest-rate adjustments, together with intense price competition, leads to constantly shrinking interest-rate spreads.

#### (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; in addition, it will participate actively in the international financial market, introduce international financial products, and strengthen management and inspection of overseas branch units so as to promote the liberalization and internationalization of the financial business. It will actively train financial professionals, reinforce organizational functions, and carry out planning for the work of privatizing and consolidating government enterprises so as to boost the competitiveness of government-run financial institutions.

### 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 addition to offering such products as "Beautiful Life Time Deposits," "Rich Life Annuity Insurance," "HomBan Multi-function Voice Financial Services," "Internet Bank Gold Trading Service," "Online OBU Foreign Exchange Service," and "Decreasing Term Insurance" in 2008, the Bank also inaugurated the "Gold Passbook Secured Loan Service," "Corporate Online Guarantee Fund Loans Up to NT\$3 Million," "Financial XML Fund Management Business," Internet foreign exchange purchases of up to NT\$500,000 in traveler's checks and foreign cash by natural persons, and "Corporate IC Cards." In its credit card business the Bank segmented customer groups and focused on promotion of the "Traveler's Platinum Card," "Combo Card," and "Wiseman Bank Card" with the aim of satisfying the needs of

different customer segments, reinforcing business relations with customers, and enhancing service standards and competitive advantages.

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

R&D spending amounted to NT\$23,838,000 in 2008 and NT\$7,824,000 in 2007.

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 our 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

The Bank's short-term business development plans include the consolidation of existing businesses, the active expansion of the corporate banking business and development of the personal banking business, the provision of a diverse range of international financial businesses, the continued strengthening of wealth-management and financial-planning marketing, use of its position of market leadership for the all-out development of the gold trading business, and review of the results of right-sizing and continued implementation of structural readjustment. Long-term plans include seeking out suitable M&A targets to expand the Bank's operating territory and scope, the establishment of overseas branches, and advancement toward becoming an outstanding world-class bank.

## II. Human Resources

In 2008 the Bank held 233 in-house training courses with a total of 19,464 trainees participating; sent 2,245 employees for outside training in Taiwan; and subsidized domestic advanced training for 869 persons.

Employee Statistics

Items		Year	2007	2008	Mar. 31, 2009
No. of Employees	Staff		6,875	6,852	6,851
	Guards		170	174	173
	Janitors		956	888	887
	Total		8,001	7,914	7,911
Average Age (yrs)			43.77	43.70	43.82
Average Seniority (yrs)			17.36	17.25	17.37
Education (As % of total number of employees)	Ph.D.		0.01	0.03	0.03
	Master's		6.30	7.18	7.66
	College and University		78.28	77.20	78.19
	Senior High		13.07	12.24	12.19
	Under Senior High		2.34	3.35	1.93
Professional Licenses Held	Personal Insurance Agent		4,140	4,406	4,448
	C-Grade Software Application		14	18	18
	Proficiency Test on Foreign Exchange Trading		77	87	87
	Test of English for International Communication		47	88	94
	Investment Trust and Consulting Regulations		1,272	1,554	1,581
	Investment-Type Insurance Product Agent		683	807	822
	Share Specialist		53	61	62
	Basic Proficiency Test for International Banking Personnel		1,902	1,978	1,998
	Basic Proficiency Test for Bank Lending Personnel		1,835	1,949	1,966
	Proficiency Test for Bank Collateral Appraisal Personnel		58	63	63
	Financial Markets & Ethics		2,404	2,914	3,003
	Proficiency Test for Trust Operations Personnel		4,197	4,488	4,545
	Intermediate English Certificate		67	81	86
	High-intermediate English Certificate		17	22	23
	Elementary English Certificate		107	144	146
	Proficiency Test for Financial Planning Personnel		2,082	2,211	2,226
	Property Insurance Agent		612	644	2,439
	Bills Agent		130	148	150
	Futures Agent		712	804	816
	Futures Brokerage Agent		34	33	33
	Advanced Loan Agent		57	62	62
	Bond Specialist		155	165	166
	Proficiency Test for Debt-Collection Personnel		76	134	152
	Information Technician		10	10	10
	Basic Asset Securitization Proficiency Test		78	91	95
	Bank Internal Controls		3,963	3,953	3,960
	Bank Internal Controls and Internal Audit		298	474	498
	Securities Investment Consultant		892	1,013	1,035
	Advanced Securities Agent		1,175	1,331	1,351
	Securities Agent		571	638	647

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



### 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.

The Bank participates in all kinds of public-benefit activities each year in order to fulfill its corporate social responsibility, and pays back to the public through practical actions such as holding mountain-cleanup hikes, carrying out energy conservation and emissions reduction, and showing care for disadvantaged groups. In coordination with its 62nd anniversary celebrations the Bank made donations to the Kaohsiung County Christian Mountain Children's Home and the Datong Childcare Center of the Taiwan Fund for Children and Families. The Bank also continuously sets strict rules for the management of employee behavior in the workplace, strengthens employee moral evaluation, and carries out sincere operation and a superior corporate image.

### IV. Information Equipment

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

The Bank's core accounts system provides, on an exclusive server platform, for deposit, foreign exchange, loan, remittance, and accounting transactions, and the securities, trust, credit card, bonds and notes, and life insurance systems are connected on an open-system server through the "Integrated Corporate Application System Platform" to make up a comprehensive back-office system for financial operations.

In response to the trend in the evolution of the Internet and to improve customer services, the Bank uses different customer-service channels to build up a comprehensive financial service network that, in addition to traditional teller operations, has a front-end system that includes a global information network, ATM system, Internet bank, e-corporate combi network, financial EDI, telephone banking, mobile banking, and online securities trading, providing customers with any time, any place services and account enquiry services.

To assure the continued smooth operation of the Bank's back-office systems and financial front-end systems, in addition to the business servers mentioned above, the Bank also has approximately 490 front-end system servers. Since the bank has more than 20 years of experience in installation and maintenance, it is able to carry out most maintenance 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 Needs of Office Automation, New Branches, and Business Growth

Terminal equipment for branches, ATMs, personal computers, notebook computers, and communications processing equipment will be procured.

##### (2) Continued provision of information services for Taiwan Financial Holdings, BankTaiwan Life Insurance, and BankTaiwan Securities.

To enhance the quality of information operations and save on the cost of information operations by assuring the integrated common use of resources between the companies under Taiwan Financial Holdings, the BOT provides information services for Taiwan Financial Holdings, BankTaiwan Life Insurance, and BankTaiwan Securities. These services include the insurance system of BankTaiwan Life Insurance, the securities system of BankTaiwan Securities, and the three companies' electronic document systems, human resources systems, global information networks, internal corporate information networks, e-mail systems, and equipment management systems. The BOT constantly responds to the new needs of the three companies by expanding the functions of the different systems when necessary.

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

In line with the needs of right-sizing and new businesses, the Bank has expanded system functions and enhanced performance to provide business units with quick and comprehensive credit-investigation information and processing. It also carries out the effective utilization of credit-investigation, loan, and collateral data to serve as a reference for loan-risk assessment and management decision-making.

##### (4) Risk Management Systems

To comply with the risk regulations of Basel II, the Bank will carry through with the three-stage risk-management introduction framework and second-stage introduction plan. It will continuously develop internal market-risk model-method systems and internal credit-risk rating-method systems, and will establish a default probability model, rating system, score-card model system, and capital requirement calculation engine. The Bank will continue introducing the Basel II progressive method.

(5) In line with the needs of business development, the Bank will continue the development of a customer marketing activity management system, business marketing management system, wealth management system, sales performance management system, and customer relationship management system.

(6) The 2011 Information Year Contingency Plan

To cope with the "centennial bug" that will emerge when the ROC reaches its 100th year, and keep it from causing a crisis in the Bank's operations, the Information Management Office has established the ROC Centennial Task Force to carry out all necessary alterations to the Bank's information systems. A letter was sent to all headquarters departments in May of 2008, asking them carry out centennial alterations to their own systems. This work is expected to be completed by the end of 2009.

(7) Emergency Backup

The Bank formally inaugurated its integrated Taoyuan remote backup center in December of 2008 to serve as a backup mechanism for the core accounts servers. The Bank's important and large-capacity open front-end backup systems (such as the integrated information channel platform, ENB corporate Internet banking service application platform, personal Internet banking, and student loan and e-corporate combined network) will be completed successively, making the backup system's functions more comprehensive by the day. The outsourcing of the remote backup center, with the leasing of specialized infrastructure facilities, the operation and management of the specialized computer room, and the provision of emergency response management planning services, enhances the availability of the computer room and saves the Bank the cost of setting up its own remote computer room backup. The Changhua backup center brought its backup mission to an end in December of 2008.

(8) Safety Protection

In its promotion of information operations the Bank carried out the introduction across the board of an information security management system that is capable of continuous improvement and conforms to ISO 27001 standards. Almost 270 workers were assigned to this task; an intensive series of discussion meetings formed a consensus on information security, more than 40 four-stage ISMS information security management documents were produced, and 35 training courses with more than 1,700 participants were held so that BOT employees could gradually gain knowledge and experience in information security management and make a consciousness of information security an integral part of their work. After nine months of hard work, preliminary evaluation by the British Standards Institution, documentary inspection, on-site inspection, and other accreditation procedures, ISO 27001:2005 information security management system verification was passed on Sep. 9, 2008 and the Bank achieved compliance with the information security management objectives of confidentiality, completeness, and usability.

(9) The Bank's northern, central, and southern area-wide remittance and bills operations centers

To enhance service efficiency, the Bank set up northern, central, and southern remittance and bills operations centers, all with area-wide online operations.

## 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. 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 recent years the employees' union has repeatedly asked the Bank to engage in the negotiation and signing of a collective agreement in order to secure the interests of its members. Such an agreement has already been signed with the Taipei City Bank of Taiwan Industrial Union, bringing employee management into a new era. Under the preconditions of mutual trust and respect, the Bank will seek the greatest benefit for both labor and ownership.

(2) In the past year the Bank suffered no damage as a result of employee-ownership disputes, and a response mechanism to prevent an interruption in case of strikes has been set up to cope with potential disputes and bring about their early resolution. In cases of relatively general and damaging labor-ownership disputes, in addition to seeking manpower support from the competent authority the Bank moves as quickly as possible to resolve the issues by negotiation through the competent authority or by submission to labor-dispute arbitration, or resolution by legal means so that the dispute can be settled at an early date and the attendant losses minimized.

### 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.
Deposit insurance	Central Deposit Insurance Corp.	From Feb. 1999	Deposit insurance contract
Agency for county, city, and town treasuries, and recommissioning of other financial institutions to handle treasury affairs	1. BOT branches serving as agency for the general treasury 2. Local governments 3. Other recommissioned financial institutions	Depends on different agency tasks and contracts	Agency for treasury affairs
Entrusted Operation Contract	Central Deposit Insurance Corp.	From Sep. 26, 2008	The Bank accepted entrustment by the Central Deposit Insurance Corp. to operate the Chinfon Bank.
Outsourced Printing, Packaging, and Mailing of Labor Retirement Fund Statements	Sysform Co., Ltd.	Jan. 2, 2009-Dec. 31, 2010	Information systems data recording processing, and output
Outsourced Printing, Packaging, and Mailing of Labor Retirement Fund Statements	Yuen Foong Paper Co., Ltd.	Jan. 5, 2009-Oct. 5, 2010	Information systems data recording processing, and output
Outsourced procurement of operating cash (including foreign currencies and notes) shipping	Taiwan Security Co., Ltd.	Jan. 1, 2008-Dec. 31, 2008	Service method: Fixed and irregular duties Operating method: As specified in the "Outsourced Cash Shipment Service Criteria"
Outsourced Procurement of Cash Shipping in South Africa Branch	Protea Coin Group	Nov. 1, 2008-Oct. 31, 2009	Shipment of Cash
"Outsourced Shipment of Cash for ATMs" procurement	An Feng Enterprise Co., Ltd.	Jan. 1, 2008-Dec. 31, 2009	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) Toufen Branch (3) Yuanlin Branch (4) Yuanjhong Branch	Chung Hwa Express Co., Ltd	Sep. 16, 2008-Sep. 15, 2009 Oct. 1, 2008-Sep. 30, 2009 Sep. 12, 2008-Sep. 11, 2009 Oct. 1, 2008-Sep. 30, 2009	Commissioning of professional parcel delivery services to handle the exchange of notes
Credit-card service operations	Financial Information Service Co., Ltd.	Dec. 1, 2008-Dec. 31, 2009	Credit-card authorization operations, reporting operations for lost cards, clearing of accounts, and handling of emergency services
Engineering contract	Long Da Construction Co., Ltd.; Sui Chang Enterprise Co., Ltd.; Gao Mao Air-Condition & Electric Ltd.	Nov. 28, 2008-July 13, 2010	Construction of new Tunhakang Branch premises (structure, and electricity joint bid)
Engineering contract	Reiju Construction Co., Ltd; Hong Jie Electrical Engineering Co., Ltd.; Wen-Long Air-Condition & Electric Co., Ltd.	Oct. 14, 2008-Aug. 24, 2010	Construction of new Ilan Branch premises (structure, and electricity 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



- 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 Statements for Past Year
- V. CPA-Audited Consolidated Financial Statements for 2008
- 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	Year	Financial Information for Past Five Years					as of Mar. 31, 2009
		FY2008	FY2007	FY2006	FY2005	FY2004	
Cash, Cash equivalent, Placement with Central Bank and call loans to banks		1,050,661,801	717,353,117	763,714,652	790,125,101	372,430,810	1,188,151,122
Financial assets measured at fair value through profit or loss		72,201,513	64,566,565	69,822,895	65,912,485	-	79,077,725
Bonds and bills purchased under resell agreements		298,262	14,162,067	46,726,408	56,553,240	-	-
Bills and securities purchased		-	-	-	-	695,008,548	-
Receivables		103,431,970	107,082,342	109,548,392	118,851,143	111,707,116	103,102,221
Loans and discounts		1,988,070,246	1,920,097,700	1,697,996,954	1,533,514,670	1,433,648,037	1,994,505,330
Available-for-sale financial assets, net		155,491,586	201,069,905	191,007,255	150,439,111	-	138,161,022
Held-to-maturity financial assets, net		31,818,435	105,802,005	85,505,687	73,390,139	-	31,790,672
Investments under equity method, net		26,959,682	34,357,836	34,485,337	39,900,690	-	27,490,559
Long-term investments		-	-	-	-	89,374,625	-
Other financial assets, net		67,326,090	79,502,931	70,456,573	79,694,528	-	74,972,571
Fixed assets		79,953,507	83,460,268	82,523,548	86,682,580	92,304,786	79,295,556
Intangible assets		1,226,158	1,082,609	1,060,270	595,407	-	1,127,497
Other assets	Before distribution	16,735,326	19,237,023	21,819,908	23,908,889	123,732,898	18,729,140
	After distribution	12,761,494	14,749,365	16,419,449	19,440,649	119,318,033	14,755,308
Total assets	Before distribution	3,594,174,576	3,347,774,368	3,174,667,879	3,019,567,983	2,918,206,820	3,736,403,415
	After distribution	3,590,200,744	3,343,286,710	3,169,267,420	3,015,099,743	2,913,791,955	3,732,429,583
Deposits of Central Bank and other banks		181,489,738	245,414,754	281,637,455	255,127,913	158,381,566	186,153,884
Financial liabilities measured at fair value through profit or loss		6,002,275	1,478,166	1,577,676	923,618	-	4,098,047
Bonds and bills sold under repurchase agreements		19,217,840	17,570,315	18,909,200	15,952,859	-	13,554,192
Deposits and remittances		2,947,909,688	2,466,179,246	2,312,816,524	2,224,413,180	2,234,302,422	3,090,901,680
Borrowed from Central Bank and other banks, and Financial bond payable		-	-	-	14,741,637	53,157,186	-
Preferred liability		-	-	-	-	-	-
Accrued Pension liability		2,396,018	2,106,598	2,380,211	2,199,785	-	2,343,309
Other financial liabilities		1,618,124	1,715,307	1,999,271	20,905,809	-	1,708,742
Other liabilities	Before distribution	211,911,904	364,170,479	321,456,529	289,753,225	289,509,277	214,162,290
	After distribution	212,014,173	365,027,918	322,039,892	290,034,028	289,837,266	214,264,559
Total liabilities	Before distribution	3,370,545,587	3,098,634,865	2,940,776,866	2,824,018,026	2,735,350,451	3,512,922,144
	After distribution	3,370,647,856	3,099,492,304	2,941,360,229	2,824,298,829	2,735,678,440	3,513,024,413
Common stock		45,000,000	53,000,000	53,000,000	53,000,000	53,000,000	45,000,000
Capital surplus		110,063,016	110,423,081	108,505,257	110,700,156	108,660,579	110,146,216
Retained earnings	Before distribution	46,224,385	43,737,833	40,289,565	32,103,854	21,422,714	47,491,336
	After distribution	42,148,284	38,392,736	34,305,743	27,354,811	16,679,860	43,415,235
Unrealized gain or loss on financial assets		6,074,887	25,302,748	30,914,093	- 37,447	-	16,291,162
Cumulative translation adjustments		- 151,884	- 203,687	- 248,488	- 216,606	- 226,924	- 176,264
Shareholder's equity and other items		16,418,585	16,879,528	1,430,586	-	-	4,728,821
Total share-holders' equity	Before distribution	223,628,989	249,139,503	233,891,013	195,549,957	182,856,369	223,481,271
	After distribution	219,552,888	243,794,406	227,907,191	190,800,914	178,113,515	219,405,170

Notes: 1. Figures for FY2004-2007 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit : figures for FY2008 are CPA approved; figures for the first three months of FY2009 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 FY2004-2006 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

Items \ Year	Financial Information for Past Five Years						Items \ Year	FY2004
	FY2008	FY2007	FY2006	FY2005	As of Mar. 31, 2009			
Net interest income	23,666,146	27,673,836	12,260,770	11,473,116	4,780,126	Operating revenues		146,227,599
Non-interest income, net	4,316,754	5,574,281	22,355,853	21,812,839	1,731,231	Operating disbursements		136,468,690
Bad debt expenses	1,545,337	868,389	2,931,922	203,606	1,882,600	Operating income (loss)		9,758,909
Operating costs	17,935,054	18,949,456	18,501,206	18,642,255	3,753,084	Non-operating income (loss)		7,513,462
Income (loss) before tax from continued operations	8,502,509	13,430,272	13,183,495	14,440,094	875,673	Income (loss) before tax from continued operations		17,272,371
Income (loss) from continued operations	8,152,201	12,576,699	12,540,118	13,159,824	1,266,952	Income (loss) from continued operations		15,355,560
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	8,152,201	12,576,699	12,934,753	15,423,994	1,266,952	Net income		15,355,560
Earnings per share (after tax) (NT\$)	1.81	2.37	2.44	2.91	0.28	Earnings per share (after tax) (NT\$)		2.90

Notes: 1. Figures for FY2004-2007 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit : figures for FY2008 are CPA approved; figures for the first three months of FY2009 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 FY2004-2006 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; %

Items \ Year		Five-year Financial Analysis					as of Mar. 31, 2009
		FY2008	FY2007	FY2006	FY2005	FY2004	
Operating Ability	Ratio of Deposits to Loans	66.36	76.19	71.31	65.72	64.07	63.55
	Non-performing Loan Ratio	1.06	0.97	1.34	1.54	1.53	1.17
	Ratio of Interest Cost To Annual Average Deposits	2.45	2.38	2.24	1.91	1.71	1.55
	Ratio of Interest Income To Annual Average Loans Outstanding	3.12	2.98	2.75	2.50	2.58	1.96
	Total Assets Turnover (times)	0.81	1.02	1.12	1.12	5.12	0.71
	Average Net Interest And Non-interest Income Per Employee	3,443	4,045	4,203	4,027	-	801
	Average Operating Revenue Per Employee	-	-	-	-	17,519	-
	Average Profit per Employee	1,003	1,530	1,570	1,866	1,840	156
Profitability	Return on Tier I Capital (%)	5.05	8.26	8.81	10.87	11.28	2.07
	Return on Assets (%)	0.23	0.39	0.42	0.52	0.54	0.14
	Return on Shareholders' Equity (%)	3.45	5.21	6.02	8.15	8.57	2.14
	Net Income Ratio (%)	29.13	37.83	37.37	46.34	10.50	19.46
	Earnings per Share (NT\$)	1.81	2.37	2.44	2.91	2.90	0.28
Financial Structure	Ratio of Liabilities to Assets	93.77	92.54	92.62	93.51	93.72	94.01
	Ratio of Fix Assets to Stockholders' Equity	35.75	33.50	35.28	44.33	50.48	35.48
Growth Rates	Rate of Asset Growth	7.36	5.45	5.14	3.47	4.37	11.61
	Rate of Earnings Growth	-36.69	-1.17	-18.65	-3.29	121.46	-73.92
Cash Flow	Cash Flow Ratio	6.03	32.52	14.85	25.67	3.70	-10.60
	Cash Flows Adequacy Ratio	683.77	973.56	644.24	581.21	305.97	614.05
	Cash Flow Complacence Ratio	2.58	64.51	22.65	13.19	3.72	-11.54
Liquidity Reserve Ratio		40.28	30.98	39.57	47.78	52.02	43.25
Loans to Parties with Material Relationship with the Bank		18,038,620	16,967,947	11,609,701	12,547,121	17,103,707	17,322,243
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans		0.87	0.85	0.65	0.78	1.12	0.84
Operating Scale	Market Share of Assets	10.87	10.70	10.33	10.21	10.36	11.30
	Market Share of Net Worth	11.70	13.14	12.94	10.92	10.91	11.69
	Market Share of Deposits	12.17	10.97	10.80	10.92	11.20	12.91
	Market Share of Loans	10.22	10.29	9.51	8.90	9.03	10.25

Analysis of the significant ratio change:

1. Average Profit per Employee : Change caused mainly by a reduction in net income.
2. Return on Tier I Capital : Change caused mainly by a reduction in before-tax profit.
3. Return on Assets : Change caused mainly by a reduction in net income.
4. Return on Shareholders' Equity : Change caused mainly by a reduction in net income.
5. Net Income Ratio : Change caused mainly by a reduction in net income.
6. Earnings per Share : Change caused mainly by a reduction in net income.
7. Cash flow ratio : Mainly due to a decrease of net cash flow from business activities in FY 2008.
8. Cash flow adequacy ratio : Due primarily to a decrease of net cash flow from business activities for the past five years up to FY2008.
9. Cash flow complacence ratio : Primarily due to a decrease of net cash flow from business activities in FY2008.
10. Liquidity reserve ratio: The increase in the liquidity reserve ratio was due mainly to a large inflow of deposits into the Bank because of the impact of the financial tsunami, and, with the growth in loans being much less than that of deposits, because in its utilization of funds the Bank turned to the purchase of certificates of deposit from the Central Bank.

Notes: 1. Figures for FY2004-2007 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit : figures for FY2008 are CPA approved; figures for the first three months of FY2009 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 FY2004-2006 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) = net interest and non-interest income / Average Total Assets
- f. Average net interest and non-interest income per employee (Notes 7) = 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 (Notes 9) / 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 / Net interest and non-interest income
- 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 (Notes 5) / Total assets
- b. Ratio of fix assets to stockholders' equity = Net fix assets / Net shareholders' equity

(4) Growth rates

- a. Rate of asset growth = (Total assets for current year – total assets for previous year) / Total assets for previous year
- b. Rate of earnings growth = (Before-tax profit or loss for current year – before-tax profit or loss for previous year) / Before-tax profit for previous year

(5) Cash Flow (Notes 8)

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

(6) Liquidity reserve ratio = Liquid assets specified by the Central Bank / Debt items for which liquidity reserves should be allocated

(7) Operating Scale

- a. Market Share of Assets = Total assets / Total assets of the major financial institutions (Notes 6)
- b. Market Share of Net Worth = Net worth / Total net worth of the major financial institutions
- c. Market Share of Deposits = Deposits / Total deposits of the major financial institutions
- d. Market Share of Loans = Loans / Total loans of the major financial institutions

4. From 2004 through 2008, total interest costs 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\$8,608,814,000 in 2008, NT\$2,475,150,000 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 shareholder's equity, and return on assets ratio as given in the financial reports as of Mar. 31, 2009 have been annualized.



## Adequacy of Capital

Unit : NT\$1,000 : %

Items			Year	Capital Adequacy Ratio of Recent Five Years					As of March 31, 2009
			FY 2008	FY 2007	FY 2006	FY 2005	FY 2004		
Self-Owned Capital	Tier 1 Capital	Common Stocks	45,000,000	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)	110,063,016	110,423,081	97,159,325	99,354,224	97,314,647	110,146,216	
		Legal Reserves	17,033,747	16,941,023	13,258,714	9,999,490	5,671,854	17,033,746	
		Special Reserves	21,038,437	21,273,993	17,943,310	15,455,497	9,685,316	21,038,437	
		Retained Earnings						9,419,153	
		Minority Interests							
		Others of Equity	-10,378,229	-1,345,827	1,175,575	-225,294	-224,356	-10,551,196	
		deducted : Goodwill							
		deducted : Non-amortization of NPL Disposal Loss							
		deducted : Others	22,092,214	27,143,683	39,345,292	38,333,743	20,093,272	21,732,308	
		Total Tier 1	168,816,958	168,148,587	138,191,632	134,250,174	140,354,189	170,354,048	
	Tier 2 Capital	Perpetual Cumulative Preferred Stocks							
		Cumulative Subordinated Debts without Maturity Dates							
		Fixed Asset Appreciation Surplus	16,418,585	16,526,778				16,291,162	
		45% of Unrealized Gain of Financial Assets in Available-for-sale	7,335,555	12,132,512	13,683,525	17,592,422	26,630,890	6,796,688	
		Convertible Bonds							
		Operating Reserve and Loan Provision	2,423,631	4,887,482	4,132,161	3,769,262	4,919,047	3,683,700	
		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	22,092,211	27,143,681	17,815,686	21,361,684	31,549,937	21,732,305	
		Total Tier 2	4,085,560	6,403,091				5,039,245	
		Tier 3 Capital	Short-term Subordinated Debts						
			Non-perpetual Preferred Stocks						
			Total Tier 3						
	Self - owned Capital		172,902,518	174,551,678	138,191,632	134,250,174	140,354,189	175,393,293	
Total Risk Weighted Assets	Credit Risk	Standardized Approach	1,415,152,755	1,331,488,686	1,045,910,697	1,005,692,741	920,261,960	1,397,084,692	
		Internal Rating Based Approach							
		Securitization	3,360,326	3,634,507				3,348,995	
	Operational Risk	Basic Indicator Approach	44,805,525	42,207,000				44,805,525	
		Standardized Approach/Alternative Standardized Approach							
		Advanced Measurement Approach							
	Market Risk	Standardized Approach	23,653,475	22,872,575	29,196,138	66,392,269	96,806,290	30,325,275	
		Internal Model Approach							
	Total Risk Weighted Assets		1,486,972,081	1,400,202,768	1,075,106,835	1,072,085,010	1,017,068,250	1,475,564,487	
Capital Adequacy Ratio		11.63	12.47	12.85	12.52	13.80	11.89		
Ratio of Tier 1 Capital to Risk Assets		11.35	12.01	12.85	12.52	13.80	11.55		
Ratio of Tier 2 Capital to Risk Assets		0.28	0.46				0.34		
Ratio of Tier 3 Capital to Risk Assets									
Ratio of Common Share Equity to Total Assets		1.25	1.59	1.78	1.86	1.91	1.20		

Notes : 1. Figures for FY2004-2005 are readjusted by the CPA in accordance with figures approved by the Ministry of Audit : figures for FY2006 – FY2008 are CPA approved ; figures for the first three months of FY2009 have not been approved by CPA.

2. Formulate used in calculators :

a. Self-owned Capital = Tier 1 Capital + Tier 2 Capital + Tier 3 Capital

b. Total Risk Weighted Assets = Credit Risk Weighted Assets + (Operational Risk + Market Risk) Capital Requirement × 12.5

c. Capital Adequacy Ratio = Self-owned Capital / Total Risk Weighted Assets

d. Ratio of Tier 1 Capital to Risk Assets = Tier 1 Capital / Total Risk Weighted Assets

e. Ratio of Tier 2 Capital to Risk Assets = Tier 2 Capital / Total Risk Weighted Assets

f. Ratio of Tier 3 Capital to Risk Assets = Tier 3 Capital / Total Risk Weighted Assets

g. 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 16th meeting on Apr. 28, 2009, the Business Reports and List of Important Properties for fiscal year 2008 (Jan. 1, 2008 – Dec. 31, 2008) 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 2008 as submitted by the Bank's Board of Directors and audited and certified by Yen-ling Fang and Derek Hsu, CPAs of KPMG, and have found no discrepancies.

Resident Supervisor: *Yang Ming-shyan*

Supervisors: *H. Tzeng*  
*Ho, Jui-fang*

April 28, 2009

## IV. Financial Statements for Past Year



KPMG Certified Public Accountants

### Independent Auditors' Report

The Board of Directors  
Bank of Taiwan:

We have audited the accompanying balance sheet of Bank of Taiwan as of December 31, 2008, 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 Company'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 investments under the equity method in the financial statements of Bank of Taiwan amounting to NT\$22,320,599 thousand as of December 31, 2008, which were 0.62% of total assets, and related investment gains of NT\$2,244,852 thousand in 2008, which were 26.40% of income before income tax, were accounted for by using the equity method and based on the investees' financial statements audited by other auditors. The financial statements of Bank of Taiwan for 2007 audited by the Ministry of Audit are compared with the financial statements for 2008.

We conducted our audit in accordance with the "Rules Governing the Audit of Financial Statements of Financial Institutions 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 provide a reasonable basis for our opinion.

In our opinion, based on our audit and the audits by the other auditors, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Taiwan as of December 31, 2008, and the result 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.

As described in note 1, Taiwan Financial Holding Co., Ltd. was established by the Ministry of Finance in accordance with the Act for Taiwan Financial Holding Co., Ltd. on January 1, 2008, and Bank of Taiwan became its subsidiary by share transfer.

March 25, 2009

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

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

## V. CPA-Audited Consolidated Financial Statements for 2008

(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)

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**Balance Sheets**  
**December 31, 2008 and 2007**

	2008	2007 (audited by the MoA)	Percentage change
<b>Assets</b>			
Cash and cash equivalents (notes 5 and 30)	\$ 54,420,521	91,388,105	(40)
Placement with Central Bank and call loans to banks (notes 6, 30 and 31)	996,241,280	625,965,012	59
Financial assets measured at fair value through profit or loss, net (notes 7, 28, 30 and 31)	72,201,513	64,566,565	12
Bonds and bills purchased under resell agreements (note 8)	298,262	14,162,067	(98)
Receivables, net (notes 9, 10, 25 and 30)	103,431,970	107,082,342	(3)
Loans and discounts, net (notes 10 and 30)	1,988,070,246	1,920,097,700	4
Available-for-sale financial assets, net (notes 11, 28 and 31)	155,491,586	201,069,905	(23)
Held-to-maturity financial assets, net (notes 12, 28 and 31)	31,818,435	105,802,005	(70)
Investments under equity method, net (note 13)	26,959,682	34,357,836	(22)
Other financial assets, net (notes 9, 10, 14, 17 and 28)	67,326,090	79,502,931	(15)
Fixed assets, net (notes 15 and 17)	79,953,507	83,460,268	(4)
Intangible assets	1,226,158	1,082,609	13
Other assets, net (notes 16, 17, 25 and 30)	16,735,326	19,237,023	(13)
<b>Total assets</b>	<b>\$ 3,594,174,576</b>	<b>3,347,774,368</b>	<b>7</b>

See accompanying notes to financial statements.

(expressed in thousands of New Taiwan Dollars)

	2008	2007 (audited by the MoA)	Percentage change
Liabilities and Stockholders' Equity			
Deposits of Central Bank and other banks (notes 18 and 30)	\$ 181,489,738	245,414,754	(26)
Financial liabilities measured at fair value through profit or loss (notes 19, 25 and 30)	6,002,275	1,478,166	306
Bonds and bills sold under repurchase agreements (notes 8 and 30)	19,217,840	17,570,315	9
Payables (notes 20 and 25)	63,901,807	95,269,833	(33)
Deposits and remittances (notes 21 and 30)	2,947,909,688	2,466,179,246	20
Accrued pension liability (note 24)	2,396,018	2,106,598	14
Other financial liabilities (notes 22 and 28)	1,618,124	1,715,307	(6)
Other liabilities (notes 15 and 23 )	148,010,097	268,900,646	(45)
Total liabilities	3,370,545,587	3,098,634,865	9
Stockholders' equity (notes 25 and 26)			
Common stock	45,000,000	53,000,000	(15)
Capital surplus	110,063,016	110,423,081	-
Retained earnings:			
Legal reserve	17,033,747	13,260,737	28
Special reserve	21,038,437	17,900,397	18
Unappropriated retained earnings	8,152,201	12,576,699	(35)
	46,224,385	43,737,833	6
Equity adjustments:			
Unrealized gain on revaluation increments	16,418,585	16,879,528	(3)
Cumulative translation adjustments	(151,884)	(203,687)	25
Unrealized gain (loss) on financial instruments	6,074,887	25,302,748	(76)
	22,341,588	41,978,589	(47)
Total stockholders' equity	223,628,989	249,139,503	-
Commitments (note 32)			
Total liabilities and stockholders' equity	\$ 3,594,174,576	3,347,774,368	7

**Statements of Income**  
**For the years ended December 31, 2008 and 2007**

(expressed in thousands of New Taiwan Dollars)

	2008	2007 (audited by the MoA)	Percentage change	
Revenues:				
Interest income	\$ 86,858,966	82,920,559	5	
Less: interest expenses (notes 31 and 33)	63,192,820	55,246,723	14	
Net interest income	23,666,146	27,673,836	(14)	
Non-interest income, net				
Fee and commission income, net (note 30)	4,685,598	3,655,799	28	
Gain on financial assets and liabilities measured at fair value through profit or loss (note 7)	(16,641,793)	9,660,663	(272)	
Realized gain (losses) on available-for-sale financial assets (note 11)	1,621,691	3,702,417	(56)	
Realized gain (losses) on held-to-maturity financial assets (note 12)	-	(23,185)	-	
Gain on investments under equity method (note 13)	645,772	2,479,225	(74)	
Foreign exchange gains, net	3,823,490	879,111	335	
Losses on asset impairment (note 17)	(2,896,101)	(99,430)	(2,813)	
Other non-interest income (notes 9, 14 and 33)				
Premium income	16,927,642	45,759,704	(63)	
Service fees	49,341,607	17,384,204	184	
Policyholders' reserve premium	4,982,303	10,581,224	(53)	
Government compensable income	16,132,445	18,144,279	(11)	
Other miscellaneous revenue	1,914,084	4,821,917	(60)	
Benefits and claims	(20,325,482)	(32,243,560)	37	
Service charges	(48,954,392)	(17,184,134)	(185)	
Provision for policyholders' reserve premium	(3,375)	(51,767,094)	100	
Others	(1,944,375)	(7,202,571)	73	
Excess interest expenses	(7,730,890)	(9,347,043)	17	
Gain on property transaction	2,738,530	6,372,755	(57)	
Net revenues	27,982,900	33,248,117	(16)	
Bad debt expenses (note 10)	1,545,337	868,389	78	
Operating costs:				
Personnel expense (notes 24 and 30)	11,596,048	12,698,183	(9)	
Depreciation and amortization expense	1,331,662	1,303,041	2	
Other business and administrative expense (note 30)	5,007,344	4,948,232	1	
Total operating costs	17,935,054	18,949,456	(5)	
Income before income tax	8,502,509	13,430,272	(37)	
Income tax expense (note 25)	350,308	853,573	(59)	
Net income	\$ 8,152,201	12,576,699	(35)	
	Before Tax	After Tax	Before Tax	After Tax
Earnings per share – basic (note 27)				
Net income	\$ 1.89	1.81	2.53	2.37

See accompanying notes to financial statements.

**Statements of Cash Flows**  
**For the years ended December 31, 2008 and 2007**

(expressed in thousands of New Taiwan Dollars)

	2008	2007 (audited by the MoA)
Cash flows from operating activities:		
Net income	\$ 8,152,201	12,576,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,334,361	1,333,666
Provision for (reversal of) asset impairment	1,018	(537,480)
Provision for (reversal of) allowance for doubtful accounts	1,545,337	741,080
Adjustments for (reversal of) valuation of available-for-sale assets	2,827,461	(198,772)
Provision for (reversal of) reserves	(5,143,025)	41,786,417
Loss (gain) on disposal of financial assets	169,714	(2,636,921)
Gain on disposal of fixed assets and non-operating assets	(2,721,024)	(6,416,384)
Gain on long-term equity investments under the equity method exceeding cash dividends received	1,030,875	(460,458)
Loss on write-off of printed matter	1,119	1,880
Reclassification of accumulated depreciation	(2,443)	8
Unpaid pension cost recognized	289,420	263,508
Increase in financial assets measured at fair value through profit or loss	(12,401,336)	(4,719,981)
Decrease in bonds and bills purchased under resell agreements	476,795	32,564,341
Decrease (increase) in receivables	(479,105)	2,314,433
Increase in deferred tax assets, net	(224,771)	(127,068)
Decrease (increase) in other financial assets (net)	6,944,721	(189,275)
Decrease (increase) in other assets	(328,758)	(109,567)
Decrease (increase) in bonds sold under agreements to repurchase	1,647,525	(1,338,885)
Increase (decrease) in financial liabilities measured at fair value through profit or loss	4,564,357	(99,510)
Increase in payables	4,327,276	15,369,860
Increase in other financial liabilities (net)	136,891	30,606
Increase in other liabilities	(343,309)	(498,030)
Net cash provided by operating activities	11,805,300	89,650,167
Cash flows from investing activities:		
Decrease (increase) in placement with Central Bank	(373,442,070)	106,377,541
Acquisition of available-for-sale financial assets	(6,242,836)	(12,388,553)
(Proceeds from) acquisition of held-to-maturity financial assets	1,053,349	(10,106,755)
Increase in loans and discounts	(71,906,957)	(223,077,153)
Decrease in property investment	-	1,739
Proceeds from disposal of fixed assets and non-operating assets	4,366,335	9,713,249
Acquisition of fixed assets	(1,004,710)	(1,148,601)
Increase in intangible assets	(509,823)	(461,374)
Increase in other financial assets	(2,849,787)	(8,593,148)
Decrease (increase) in other assets	(7,832,901)	702,537
Net cash used in investing activities	(458,369,400)	(138,980,518)
Cash flows from financing activities:		
Increase (decrease) in deposits of Central Bank	(5,928,796)	5,443,566
Decrease in deposits of banks	(57,996,221)	(41,666,267)
Increase in deposits and remittances	481,730,442	153,362,722
Decrease in other financial liabilities	(234,074)	(314,570)
Increase (decrease) in other liabilities	176,238	(2,459,111)
Payment of cash dividends	(4,831,271)	(5,071,021)
Cash payment for split-off	(30,381,198)	-
Net cash provided by financing activities	382,535,120	109,295,319
Effect of exchange rate changes	2,096	42,476
Increase (decrease) in cash and cash equivalents	(64,026,884)	60,007,444
Cash and cash equivalents, beginning of year	292,031,133	232,023,689
Cash and cash equivalents, end of year	\$ 228,004,249	292,031,133
Supplemental disclosures of cash flow information:		
Interest paid	\$ 70,049,546	63,273,568
Income tax paid	\$ 805,520	978,974
Financing and investing activities without cash flows:		
Cumulative foreign currency translation adjustments	\$ 46,359	2,325
Variation in unrealized revaluation increments	\$ (193,775)	15,448,942
Unrealized gain (loss) on financial instruments	\$ (19,746,790)	(5,611,345)
Variation in special reserve	\$ (320,552)	-

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Statements of Cash Flows (continued)  
For the years ended December 31, 2008 and 2007

Supplementary disclosure of cash flows:

On January 2, 2008, the Bank underwent a capital reduction to split off its Department of Securities and Department of Life Insurance to incorporate two other subsidiaries of Taiwan Financial Holding Co., Ltd., BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), held 100% by their parent company. The details of assets and liabilities transferred to BankTaiwan Securities and BankTaiwan Life Insurance through capital reduction for the split-off were as follows:

	BankTaiwan Life Insurance Co., Ltd.	BankTaiwan Securities Co., Ltd.	Total
Financial assets measured at fair value through profit or loss, net	\$ 610,198	-	610,198
Bonds and bills purchased under resell agreements	13,387,011	-	13,387,011
Receivables, net	2,880,657	2,055,232	4,935,889
Loans and discounts, net	7,472,601	1,762,328	9,234,929
Available-for-sale financial assets, net	20,360,119	235,904	20,596,023
Held-to-maturity financial assets, net	63,747,915	-	63,747,915
Long-term investment under equity method, net	4,517,603	-	4,517,603
Other financial assets, net	7,931,837	-	7,931,837
Fixed assets, net	776,946	406,846	1,183,792
Intangible assets	4,886	5,993	10,879
Other assets	2,573,215	64,090	2,637,305
Financial liabilities measured at fair value through profit or loss	(40,248)	-	(40,248)
Payables	(34,435,401)	(1,264,998)	(35,700,399)
Other liabilities	(115,148,924)	(180,052)	(115,328,976)
Capital reduction by split	(5,000,000)	(3,000,000)	(8,000,000)
Amounts under stockholders' equity relevant to fixed assets, financial assets measured at fair value through profit or loss, net, and long-term investment under equity method, net:			
Capital surplus	(360,065)	-	(360,065)
Unrealized gain on revaluation increments	(170,455)	(96,713)	(267,168)
Cumulative translation adjustments	3,348	-	3,348
Unrealized gain (loss) on financial instruments	507,596	11,333	518,929
Cash payment for split-off	<u>\$ (30,381,161)</u>	<u>(37)</u>	<u>(30,381,198)</u>

See accompanying notes to financial statements.

## Statements of Changes in Stockholders' Equity

(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings			Unrealized gain on revaluation increments	Cumulative translation adjustments	Unrealized gain or losses on financial instruments	Total
			Legal reserve	Special reserve	Unappropriated retained earnings				
Balance as of January 1, 2007 (audited by the MoA)	\$ 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
Appropriation of retained earnings:									
Legal reserve	-	-	4,080,392	-	(4,080,392)	-	-	-	-
Special reserve	-	-	-	2,870,539	(2,870,539)	-	-	-	-
Cash dividends for government	-	-	-	-	(5,983,822)	-	-	-	(5,983,822)
Net income of 2007 (audited by the MoA)	-	-	-	-	12,576,699	-	-	-	12,576,699
Recognition for additional paid-in capital of investee company	-	526	-	-	-	-	-	-	526
Capital increase by revaluating land	-	(1,227,311)	-	-	-	15,283,191	-	-	14,055,880
Variation of unrealized revaluation increments for investee company	-	-	-	-	-	465,099	-	-	465,099
Unrealized gain offset due to land disposal	-	-	-	-	-	(299,348)	-	-	(299,348)
Cumulative translation adjustments	-	-	-	-	-	-	44,801	-	44,801
Unrealized gain or loss from available-for-sale financial assets	-	-	-	-	-	-	-	(4,510,450)	(4,510,450)
Unrealized gain or loss from financial instruments held by investee company	-	-	-	-	-	-	-	(1,100,895)	(1,100,895)
Adjustment for consolidation of capital	-	3,144,609	(2,228,616)	(915,993)	-	-	-	-	-
Balance as of December 31, 2007 (audited by the MoA)	53,000,000	110,423,081	13,260,737	17,900,397	12,576,699	16,879,528	(203,687)	25,302,748	249,139,503
Appropriation of retained earnings:									
Legal reserve	-	-	3,773,010	-	(3,773,010)	-	-	-	-
Special reserve	-	-	-	3,458,592	(3,458,592)	-	-	-	-
Cash dividends for government	-	-	-	-	(5,345,097)	-	-	-	(5,345,097)
Net income of 2008	-	-	-	-	8,152,201	-	-	-	8,152,201
Split for organizing Bank Taiwan Life Insurance Co., Ltd.	(5,000,000)	(360,065)	-	-	-	(170,455)	3,348	507,596	(5,019,576)
Split for organizing Bank Taiwan Securities Co., Ltd.	(3,000,000)	-	-	-	-	(96,713)	-	11,333	(3,085,380)
Decrease in special reserve as land expropriation	-	-	-	(320,552)	-	-	-	-	(320,552)
Unrealized gain offset due to land disposal	-	-	-	-	-	(426,028)	-	-	(426,028)
Variation of unrealized revaluation increments for investee company	-	-	-	-	-	232,253	-	-	232,253
Cumulative translation adjustments	-	-	-	-	-	-	48,455	-	48,455
Unrealized gain or loss from available-for-sale financial assets	-	-	-	-	-	-	-	(17,663,110)	(17,663,110)
Unrealized gain or loss from financial instruments held by investee company	-	-	-	-	-	-	-	(2,083,680)	(2,083,680)
Balance as of December 31, 2008	\$45,000,000	110,063,016	17,033,747	21,038,437	8,152,201	16,418,585	(151,884)	6,074,887	223,628,989

See accompanying notes to financial statements.

## Notes to Financial Statements

December 31, 2008 and 2007 (audited by the MoA)

(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. It has now been operating for 62 years. 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, and became a public company from September 16, 2004.

On November 18, 2005, the Executive Yuan authorized the merger of the Bank 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 the Bank was the surviving party. The merger was accomplished on July 1, 2007.

On January 1, 2008, the Ministry of Finance organized Taiwan Financial Holding Co., Ltd. in accordance with the Act for Taiwan Financial Holding Co., Ltd., and the Bank is its subsidiary.

On January 2, 2008, the Bank decreased capital by \$8 billion and split off its part of business and assets to organize two other subsidiaries of Taiwan Financial Holding Co., Ltd. (Taiwan Financial Holding): BankTaiwan Securities Co., Ltd. (BankTaiwan Securities) and BankTaiwan Life Insurance Co., Ltd. (BankTaiwan Life Insurance), whose capital was \$3 billion and \$5 billion, respectively.

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, 2008, 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 2 offshore offices.

The parent company of the Bank is Taiwan Financial Holding Co., Ltd.

As of December 31, 2008 and 2007 (audited by the MoA), the Bank had 8,127 and 8,219 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 accounting principles generally accepted in the Republic of China. 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 accordance with the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan ruling Tai Tsai Jeng No. 02514, the significant accounting items which should be revised in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks and accounting principles generally accepted in the Republic of China have been adjusted in these financial statements.

In 2008, the financial statements of 2007 were approved by the MoA, and the beginning balances in 2008 were the same as the approved closing balances in 2007.

## 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) Foreign currency transactions

Foreign currency transactions are recorded in New Taiwan Dollars at the exchange rates prevailing at the transaction date. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are reflected in the statements of income. Foreign currency assets and liabilities at the balance sheet date are translated at the exchange rates at that date 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.

## 5) 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.

## 6) Asset impairment

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 and recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Bank assesses the cash generating unit of goodwill on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

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

The Bank assesses the goodwill and intangible assets which have indefinite useful lives or which are not yet available for use on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

## 7) Trust 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 manages on behalf of trustors. All the entrusted assets are booked to the memo account.

## 8) 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.

## 9) Merger and acquisition

In accordance with Accounting Research and Development Foundation Interpretation Ji-Mi-Zih 141, the Bank adopted the terminated party's net asset value as the record basis when merging with the Central Trust of China. The income of the terminated party prior to the merger was included in the Bank's income.

## 10) Split-off and transfer of operating assets

Effective January 2, 2008, in accordance with the Financial Holding Company Act, the Bank split off its Department of Securities and Department of Life Insurance to organize two other subsidiaries of Taiwan Financial Holding: BankTaiwan

Securities and BankTaiwan Life Insurance, held 100% by their parent company. Because BankTaiwan Life Insurance and BankTaiwan Securities are Taiwan Financial Holding Co., Ltd.'s subsidiaries, in accordance with Accounting Research and Development Foundation Interpretation (91) Ji-Mi Zih 128, the Bank split off and organized BankTaiwan Life Insurance and BankTaiwan Securities based on its net assets and did not recognize any trade gain.

#### 11) 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.

#### 12) Financial instruments

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.
  - (c) Financial assets or liabilities measured at fair value through profit or loss should be evaluated by fair value, and the gains or losses from evaluation should be designated as current gains or losses.
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.

#### 13) Hedge accounting

Financial instruments held by the Bank which meet all the criteria for applying hedge accounting are treated as fair value hedges. Changes in the fair value of a hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedge item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

#### 14) 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 by 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.

#### 15) 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%.

#### 16) Investment under equity method

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

If the differences between investment cost and underlying equity in net assets come from assets that can be depreciated, depleted or amortized, then an investor company shall amortize such differences over the estimated remaining economic lives. If the differences come from discrepancies between the carrying amounts of assets and their fair market values, then an investor company shall offset all unamortized differences when conditions making such over- or under-valuation are no longer present. When the investment cost exceeds the fair value of identifiable net assets acquired, the excess should be recorded as goodwill. Goodwill shall not be amortized and shall be evaluated on each balance sheet date where there is any indication that goodwill may be impaired. If any such indication exists, the Company estimates the impairment loss on goodwill. When the fair value of identifiable net assets acquired exceeds the cost, the difference should be assigned to non-current assets acquired (except for financial assets not under equity method, assets to be disposed of, deferred tax assets, or prepaid pension or other retirement benefits cost) proportionate to their respective fair values. If these assets are all reduced to zero value, the remaining excess should be recognized as extraordinary gain.

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.

When a long-term investment under the equity method is sold, the cost in excess of (under) the selling price on the disposal date is recognized as gain (loss) on disposal of long-term equity investment. If there is any capital reserve arising from a long-term equity investment, capital reserve is recognized as current income (loss) by the percentage sold.

#### 17) Fixed assets

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.

Excluding land, other 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.

Effective November 20, 2008, the Bank adopted Accounting Research and Development Foundation Interpretation (97) Ji-Mi-Zih 340. In accordance with the Interpretation, asset useful life, depreciation method, and residual value



should be evaluated at the end of each fiscal year, and any change should be accounted for as a change in accounting estimate.

Depreciation is computed on a straight-line basis over the 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

Gains or losses on the disposal of fixed assets are recorded as gain on property transaction.

## 18) 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 three to five years.

## 19) Other assets – non-operating assets

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

## 20) 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 on collateral on the balance sheet date due to the cost of collateral exceeding the 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, the amount by which the net realizable value of collateral is less than its cost is recognized as reserve for allowance for decline according to the official letter from the competent authorities.

## 21) 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 interest are paid on the maturity date.

## 22) 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.

## 23) 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 default 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 SFB.

## 24) Reserves 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 approves the surplus appropriation. This amount may not be distributed or used for other purposes unless approved by the MoF.

## 25) 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 May 1, 1997) 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 May 1, 1997, 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.

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 is deposited in an account 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.

## 26) Revenue recognition

Except for insurance business income, revenue is recognized when realized or realizable; related costs and expenses are recorded when revenue is recognized.

## 27) Insurance business income and expense

According to the insurance industry's usual practice, the premiums from direct underwriting should be recognized as income at the same period. The related expenses such as commission expense and agent expense are recorded upon payment, and then are recognized as expenses on an accrual basis when preparing the final accounts. Direct underwriting must record a reserve for unearned premium, life insurance liability, claims outstanding, and special reserve to conform to the revenue and cost matching principle.

## 28) 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.

In accordance with the Financial Holding Company Act, Article 49, the Bank adopts Taiwan Financial Holding Co., Ltd. as the taxpayer to file a consolidated corporate income tax return starting 2008. When declaring the profit-seeking enterprise income, the Bank accounts for its income tax in conformity with SFAS No. 22, "Income Taxes". However, the Bank also adjusts the related income tax balance in a reasonable and systematic way to reflect the differences computed for purposes of filing a consolidated corporate income tax return with Taiwan Financial Holding as the taxpayer. The adjustments resulting from using Taiwan Financial Holding as the taxpayer to file a consolidated corporate income tax return are recorded under receivable from (payable to) related parties.

## 29) 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.

### (3) Reasons for and Effects of Accounting Changes

Effective from January 1, 2008, the Bank adopted Statement of Financial Accounting Standards No. 39 (SFAS 39) "Share-based Payment" and Interpretation (96)052 issued by the Accounting Research and Development Foundation. The articles of incorporation of the Bank did not include the above-mentioned distribution items of earnings such as equity-settled share based payment transactions, employee bonuses, and directors' and supervisors' remuneration. Therefore, SFAS 39 did not have any effect on the Bank's statements of income.

### (4) Government Audit Adjustments for Fiscal Year Ended December 31, 2007

The accounting records as of and for the year ended December 31, 2007, have been audited and examined by the MoA, and the resulting adjustments are summarized as follows:

	As Previously Reported December 31, 2007	Adjustments – Increase (Decrease)	As Audited by the MoA December 31, 2007
Balance Sheet			
Assets			
Placement with Central Bank and call loans to banks	\$ 625,965,011	1	625,965,012
Financial assets measured at fair value through profit or loss, net	64,568,441	(1,876)	64,566,565
Receivables, net	107,112,662	(30,320)	107,082,342
Loans and discounts, net	1,920,095,609	2,091	1,920,097,700
Other financial assets, net	79,503,089	(158)	79,502,931
Fixed asset, net	82,814,601	645,667	83,460,268
Other assets, net	19,136,985	100,038	19,237,023
Liabilities			
Financial liabilities measured at fair value through profit or loss	1,478,046	120	1,478,166
Payable	95,288,169	(18,336)	95,269,833
Deposits and remittances	2,466,179,245	1	2,466,179,246
Other liabilities	268,665,107	235,539	268,900,646
Stockholders' equity			
Reserve for revaluation increments	16,690,487	189,041	16,879,528
Unappropriated retained earnings	12,267,621	309,078	12,576,699
Interest income	82,950,497	(29,938)	82,920,559
Interest expense	65,843,747	(10,597,024)	55,246,723
Gain on financial assets and liabilities measured at fair value through profit or loss	9,662,658	(1,995)	9,660,663
Realized gain (losses) on available-for-sale financial assets	3,708,502	(6,085)	3,702,417
Realized gain (losses) on held-to-maturity financial assets	(18,024)	(5,161)	(23,185)
Other non-interest loss (note)	(11,263,470)	(9,789,604)	(21,053,074)
Gain on property transaction	6,373,733	(978)	6,372,755
Bad debt expenses	872,138	(3,749)	868,389
Personnel expense	12,230,198	467,985	12,698,183
Other business and administrative expense	4,950,191	(1,959)	4,948,232
Net income before income tax	13,129,286	300,986	13,430,272
Income tax	861,665	(8,092)	853,573
Net income	12,267,621	309,078	12,576,699

Note: In accordance with letter No. 0970003268 issued by the Directorate General of Budget, Accounting and Statistics, Executive Yuan, the Bank transferred the premium savings account interest expenses in excess of the regular rate resulting from implementing the government premium savings policy from the interest expenses account to the other non-interest income account. As a result, the premium savings account interest expenses in 2007 were transferred to the other non-interest income account in the amount of \$9,347,043.

Revised entries by the MoA in 2007 were as follows:

Item	Adjustment accounts	Amount revised by the MoA		Explanation of revision by the MoA
1.	Business expense – other welfare Administrative expense – other welfare Miscellaneous expense – other welfare Interest expense	\$ 450,539 36,322 763,120	1,249,981	The interest arising from the difference between the savings interest rate of employees and the regular interest rate is transferred to personnel expense.
2.	Revenue receivable Interest receivables	\$ 73,759	73,759	The estimated adjustment of dividend collection from corporate bonds and 40,000,000 preferred shares held by Department of Life Insurance.
3.	Investment loss – held-to-maturity Interest income	\$ 798	798	Interest on structured deposits from Department of Life Insurance.
4.	Interest income Investment revenue – held-to-maturity	\$ 30,736	30,736	The investment revenue on structured deposit purchased by Department of Life Insurance was misrecognized as interest income.
5.	Other receivables Tax refund receivables	\$ 558	558	The Department of Life Insurance has estimated income tax expense in 2007, even though it had not received the withholding certificate.
6.	Temporary payments and suspense Business expense – advertisement	\$ 2,500	2,500	The Bank recognized too much expense shared with the Executive Yuan.
7.	Land Land revaluation increment Buildings Other non-operating assets – land Other non-operating assets – land revaluation increments Other non-operating assets – building Estimated land value increment tax payment Unrealized revaluation increment Accumulated depreciation – buildings Accumulated depreciation – other non-operating assets Miscellaneous expense – donation	\$ 1,057 644,596 403 453 98,995 608	235,539 189,041 389 590 320,553	These fixed assets were transferred to the MoF in 2007. As the accounting method was different from 2006, the MoA revised it.
8.	Gain on property transaction Revenue receivables Short-term advance payment	\$ 978	816 162	The Bank recognized too much gain on property transaction from Department of Real Estate Management's land auction.
9.	Gain on investment – available-for-sale financial assets Revenue receivables	\$ 6,085	6,085	Dividend receivables from the preferred stock were overestimated.
10.	Revenue receivables Gain on investment – available-for-sale financial assets	\$ 1	1	The cash dividend of Department of Life Insurance was under-recognized.
11.	Tax refund receivables Miscellaneous income	\$ 6	6	The income tax should be recognized as gross income rather than net income.
12.	Gain on investment – held-to-maturity Revenue receivables	\$ 35,100	35,100	Dividend receivables from the preferred stock were overestimated.
13.	Allowance for doubtful accounts – account receivables Allowance for doubtful accounts – interest receivables Allowance for doubtful accounts – purchase of bills of exchange Allowance for doubtful accounts – other receivables Allowance for doubtful accounts – short-term secured loans Provision for allowance for doubtful accounts	\$ 1 172 4 1,482 2,090	3,749	The South Africa branch overestimated the allowance for doubtful accounts.
14.	Loss on financial asset valuation Loss on financial liability valuation Financial assets at fair value through profit or loss – revaluation Financial liabilities at fair value through profit or loss – revaluation	\$ 1,875 120	1,875 120	The South Africa branch under-recognized the loss from valuation of foreign exchange swaps and forward contracts.
15.	Business expense – other allowance Business expense – pension and resignation payment Business expense – employee insurance apportionment Business expense – postage expense Business expense – telephone expense Business expense – telegram expense Business expense – promotion expense Business expense – facilities repairmen expense Business expense – equipment repairmen expense Business expense – fuel expense Business expense – cleaning expense Business expense – other expendables Business expense – business tax Business expense – administration expense Business expense – union member fees Expense payable	\$ 840 31 5 15 107 22 4 9 199 18 3 6 66 39 53	1,417	The South Africa branch under-recognized expense in 2007.
16.	Administrative expense – performance commission Payable Business expense – performance commission Business expense – evaluation commission Administrative expense – evaluation commission	\$ 79 19,753	9,983 8,987 862	Commission adjustment
17.	Tax refund receivable Allowance for valuation – deferred income tax assets Income tax expense Deferred income tax asset	\$ 10,019 151,402	8,092 153,329	Income tax adjustment.

## (5) Cash and Cash Equivalents

	December 31, 2008	December 31, 2007 (audited by the MoA)
Cash on hand	\$ 9,984,037	8,998,994
Foreign currency on hand	4,966,174	4,076,772
Notes and checks for clearing	8,921,826	4,396,311
Placement with banks	30,548,484	73,916,028
Total	<u>\$ 54,420,521</u>	<u>91,388,105</u>

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

	December 31, 2008	December 31, 2007 (audited by the MoA)
Cash	\$ 54,420,521	91,388,105
Call loans to banks and bank overdraft	101,498,807	101,049,746
Placement with Central Bank, including reserve – checking account and foreign-currency-denominated deposit reserves	31,407,581	35,022,444
Negotiable certificates of deposit (NCDs)	29,400,000	41,408,435
Investment in bills and securities maturing within 90 days	11,277,340	23,162,403
Total	<u>\$ 228,004,249</u>	<u>292,031,133</u>

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

	December 31, 2008	December 31, 2007 (audited by the MoA)
Call loans to banks	\$ 101,498,807	101,049,746
New-Taiwan-dollar-denominated deposit reserve – checking account and reserves for deposits – foreign-currency-denominated deposit and so on	31,407,581	35,022,444
New-Taiwan-dollar-denominated required deposit reserve	51,025,150	42,542,908
Deposits in Central Bank	812,309,742	447,349,914
	<u>\$ 996,241,280</u>	<u>625,965,012</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, 2008 and 2007 (audited by the MoA), 60% of the reserve deposits collected on behalf of a government institution amounted to \$9,984,742 and \$10,134,914, respectively, and their 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, 2008 and 2007 (audited by the MoA), \$20,000,000 in negotiable time certificates was 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, 2008	December 31, 2007 (audited by the MoA)
Financial assets held for trading	\$ 73,077,297	48,344,339
Add: Adjustment valuation	(11,413,132)	4,122,356
Subtotal	<u>61,664,165</u>	<u>52,466,695</u>
Financial assets designated as at fair value through profit or loss	13,320,022	12,048,252
Add: Adjustment valuation	(2,782,674)	51,618
Subtotal	<u>10,537,348</u>	<u>12,099,870</u>
	<u>\$ 72,201,513</u>	<u>64,566,565</u>

2) For details of the valuation of financial assets measured at fair value through profit or loss, please see note 28, "Information on Financial Instruments".

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

	December 31, 2008	December 31, 2007 (audited by the MoA)
Commercial paper	\$ 2,572,715	6,728,905
Government bonds	2,016,893	1,241,403
Corporate bonds	5,386	6,808
Treasury bond	8,872,911	-
Call foreign exchange options	3,157	4,375
Short-term beneficiary securities	1,312,942	-
Foreign stock and beneficiary certificates	52,460,587	37,451,093
Foreign government bonds	5,832,707	2,911,755
Add: Adjustment valuation – non-derivative financial instruments	(18,575,977)	2,501,525
Adjustment valuation – call foreign exchange options	552	(667)
Adjustment valuation – cross currency swaps	6,355,168	1,368,001
Adjustment valuation – interest rate swaps	701,829	154,017
Adjustment valuation – foreign exchange forward transactions	98,251	198,881
Adjustment valuation – commercial paper with fixed rate	7,044	(12,809)
Adjustment valuation – non-principal settlement	-	(86,592)
Total	<u>\$ 61,664,165</u>	<u>52,466,695</u>

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

	December 31, 2008	December 31, 2007 (audited by the MoA)
Foreign corporate bonds and financial bonds	\$ 13,320,022	12,048,252
Add: Adjustment valuation	(2,782,674)	51,618
Total	<u>\$ 10,537,348</u>	<u>12,099,870</u>

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

	December 31, 2008	December 31, 2007 (audited by the MoA)
Call foreign exchange options	\$ 683,035	973,329
Cross currency swaps	163,750,226	130,027,186
Interest rate swaps	7,521,894	5,059,902
Foreign exchange forward transactions	4,722,827	14,642,205
Commercial paper with fixed rate	1,700,000	1,720,000
Non-principal forward settlement	-	7,932,756
Total	<u>\$ 178,377,982</u>	<u>160,355,378</u>

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

	2008	2007 (audited by the MoA)
Cash dividend on financial assets	\$ 1,814,959	1,375,087
Net gain on disposal of financial assets	118,719,731	40,892,398
Net loss on valuation of financial assets	(24,303,929)	(430,579)
Net loss on disposal of financial liabilities	(113,555,034)	(31,364,063)
Net gain (loss) on valuation of financial liabilities	682,480	(812,180)
Total	<u>\$ (16,641,793)</u>	<u>9,660,663</u>



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

As of December 31, 2008 and 2007 (audited by the MoA), the details of bonds and bills purchased / sold under agreements to resell (repurchase) were as follows:

	December 31, 2008	December 31, 2007 (audited by the MoA)
Bills and bonds purchased under resell agreements:		
Commercial paper	\$ 298,262	13,495,981
Negotiable certificates of deposit	-	666,086
Total	<u>\$ 298,262</u>	<u>14,162,067</u>
Bills and bonds sold under repurchase agreements:		
Commercial paper	\$ 368,646	1,705,124
Government bonds	18,094,975	15,865,191
Acceptances	754,219	-
Total	<u>\$ 19,217,840</u>	<u>17,570,315</u>

## (9) Receivables, Net

	December 31, 2008	December 31, 2007 (audited by the MoA)
Notes receivable	\$ 4,887	278,822
Accounts receivable	1,318,864	1,706,792
Long-term receivable	43,647,047	40,141,112
Accrued revenue	330,526	389,748
Interest receivable	17,548,771	19,154,449
Insurance receivable	273,624	342,217
Refundable income tax	1,217,271	1,374,748
Acceptance notes receivable	2,623,119	3,596,216
Factoring receivable – non-recourse	1,298,819	985,629
Others	<u>35,460,029</u>	<u>40,210,081</u>
Subtotal	103,722,957	108,179,814
Less: allowance for doubtful accounts	<u>290,987</u>	<u>1,097,472</u>
Total	<u>\$ 103,431,970</u>	<u>107,082,342</u>

In 2008 and 2007 (audited by the MoA), the Bank paid a premium savings account interest rate in excess of the regular rate of 1.7815% and 2.1655%, respectively, and the resulting interest expenses was \$7,730,890 and \$9,347,043, respectively, due to executing the government premium savings policy.

As of December 31, 2008 and 2007 (audited by the MoA), the Bank, instead of the government, had paid premium savings interest expenses amounting to \$43,647,047 (booked in long-term receivable \$43,647,047) and \$45,269,612 (booked in long-term receivable of \$40,141,112 and other financial asset – short-term advance of \$5,128,500), respectively.

## (10) Discounts and Loans, Net

	December 31, 2008	December 31, 2007 (audited by the MoA)
Discounts	\$ 3,145,217	5,299,345
Overdrafts	55,714,319	47,062,469
Secured overdrafts	665,698	577,916
Short-term loans	372,407,540	409,770,743
Short-term secured loans	83,529,848	77,545,741
Receivables from securities financing	-	1,767,715
Medium-term loans	560,281,674	533,314,667
Medium-term secured loans	232,160,103	218,556,563
Long-term loans	194,621,930	192,125,656
Long-term secured loans	479,259,290	433,106,413
Nonperforming loans	17,957,221	14,301,241
Subtotal	1,999,742,840	1,933,428,469
Less: allowance for doubtful accounts	11,672,594	13,330,769
	<u>\$ 1,988,070,246</u>	<u>1,920,097,700</u>

Movements of allowance for doubtful accounts in years 2008 and 2007 (audited by the MoA) were as follows:

	2008			
	Risk of specific uncollectible debts	Country risk	Potential risk of total debts	Total
Beginning balance	\$ 12,467,455	897,899	1,065,320	14,430,674
Add: provision (reversal) for doubtful accounts	851,309	1,482,943	(788,915)	1,545,337
collected from write-off of debts	1,887,042	23,210	-	1,910,252
foreign exchange translation adjustments	-	42,289	-	42,289
Less: write-off	(4,667,826)	(1,088,268)	-	(5,756,094)
Split off to BankTaiwan Life Insurance and BankTaiwan Securities	(71,863)	-	(5,458)	(77,321)
Ending balance	<u>\$ 10,466,117</u>	<u>1,358,073</u>	<u>270,947</u>	<u>12,095,137</u>

	2007 (audited by the MoA)			
	Risk of specific uncollectible 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	647,522	(1,491,299)	741,080
collected from write-off of debts	12,309,002	49,598	-	12,358,600
foreign exchange translation adjustments	-	11,874	-	11,874
Less: write-off	(15,718,095)	(545,600)	-	(16,263,695)
Ending balance	<u>\$ 12,467,455</u>	<u>897,899</u>	<u>1,065,320</u>	<u>14,430,674</u>

Details of allowance for doubtful accounts were as follows:

	December 31, 2008	December 31, 2007 (audited by the MoA)
Receivables	\$ 290,987	1,097,472
Discounts and loans	11,672,594	13,330,769
Other financial assets	131,556	2,433
Total	<u>\$ 12,095,137</u>	<u>14,430,674</u>

Details of bad debt expense were as follows:

	2008	2007 (audited by the MoA)
Bad debt record	\$ 1,545,337	741,080
Reserve for guarantee liabilities	-	127,309
Total	<u>\$ 1,545,337</u>	<u>868,389</u>

As of December 31, 2008 and 2007 (audited by the MoA), the amount of loans with non-accumulating interest revenues was \$18,088,712 and \$14,369,062, respectively, which was booked as other assets – nonperforming loans. As of December 31, 2008 and 2007 (audited by the MoA), the estimation of non-accumulating interest revenues was \$1,898,177 and \$1,853,654, respectively.

For the years ended December 31, 2008 and 2007 (audited by the MoA), the Bank did not write off any loan without legal proceedings having been initiated.

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

	December 31, 2008	December 31, 2007 (audited by the MoA)
Negotiable certificates of deposit	\$ 29,400,000	39,955,000
Government bonds	44,022,311	52,786,558
Foreign government bonds, treasury bills and corporate bonds	46,539,174	42,110,281
Financial bonds	1,426,716	1,430,517
Subordinate financial bonds	-	750,000
Corporate bonds	8,395,128	7,882,143
Real estate securitization	10,000	2,026,359
Preferred stocks	-	1,313,630
Financial asset securitization	996,744	1,883,390
TSEC and OTC stocks and certificates	19,495,993	25,622,486
Add: Adjustment valuation	8,056,091	25,309,541
Less: accumulated impairment	(2,850,571)	-
Total	<u>\$ 155,491,586</u>	<u>201,069,905</u>

- 1) Please see note 28, "Information on Financial Instruments", for valuation of available-for-sale financial assets.
- 2) CSBC Corporation, Taiwan (CSBC) completed its privatization by means of an IPO (Initial Public Offering) on December 18, 2008, and the initial price was \$13.4 per share. The Bank held 1,612,980 shares of CSBC's stock, and the book value was \$14,750. After revaluating at fair value, the Bank transferred the assets from "financial assets stated at cost – non-current" to "available-for-sale financial assets – non-current" with book value of \$21,614.
- 3) The Bank held the following financial instruments: the foreign financial bonds of Kaupthing Bank, Glitnir Banki and Washington Mutual Bank, the foreign corporate bonds of Lehman Brothers Holdings Inc., and the financial asset securitization of E. Sun Bank 2007-1 Collateralized Bond Obligations Special Purpose Trust Class B1 Beneficiary Certificates, whose book value amounted to \$2,949,052 in total. As these financial instruments had been impaired, the Bank then recognized impairment losses amounting to \$2,895,083.

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

	2008	2007 (audited by the MoA)
Cash dividend	\$ 1,721,540	1,362,558
Profit or loss on available-for-sale financial asset transactions	(99,849)	2,339,859
Total	<u>\$ 1,621,691</u>	<u>3,702,417</u>

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

	December 31, 2008	December 31, 2007 (audited by the MoA)
Domestic:		
Financial bonds	\$ 199,118	7,796,094
Corporate bonds	4,776,438	12,363,945
Convertible deposit	-	1,453,435
Commercial paper	8,704,625	16,433,496
Government bonds	9,140,936	19,114,589
Real estate securitization	38,385	41,704
Financial asset securitization	25,167	157,952
Preferred stocks with fixed income	-	291,090
Structured savings	-	5,100,000
	<u>22,884,669</u>	<u>62,752,305</u>
Foreign:		
Financial bonds	-	9,461,637
Corporate bonds	8,770,606	18,430,578
Organization bonds	-	9,065,625
Government bonds	163,160	381,490
Collateral bonds	-	2,093,263
Structured bonds	-	3,617,107
	<u>8,933,766</u>	<u>43,049,700</u>
Total	<u>\$ 31,818,435</u>	<u>105,802,005</u>

1) Please see note 28, "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:

	2008	2007 (audited by the MoA)
Loss on held-to-maturity financial asset transactions	<u>\$ -</u>	<u>(23,185)</u>

### (13) Investments under Equity Method, Net

Name of Investee	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Hua Nan Financial Holdings Co., Ltd.	24.86	\$ 22,311,022	29.36	27,004,973
Taiwan Life Insurance Co., Ltd.	24.96	908,142	28.46	3,081,723
Kaohsiung Ammonium Sulfate Co., Ltd.	91.86	2,640,474	91.86	2,654,637
Tang Eng Iron Works Co., Ltd.	21.38	1,090,467	21.38	1,603,835
Tai Yi Real-Estate Management Co., Ltd.	30.00	9,577	30.00	12,668
		<u>\$ 26,959,682</u>		<u>34,357,836</u>

- 1) Details of the Bank's recognition of its unrealized gain on revaluation increments and cumulative transaction adjustments under stockholders' equity in 2008 and 2007 (audited by the MoA) were as follows:

Name of Investee	Unrealized gain on revaluation increments		Cumulative translation adjustments	
	2008	2007 (audited by the MoA)	2008	2007 (audited by the MoA)
Hua Nan Financial Holdings Co., Ltd.	\$ 186,873	-	(7,055)	2,325
Taiwan Life Insurance Co., Ltd.	44,142	56,213	8,806	-
Tang Eng Iron Works Co., Ltd.	1,238	408,886	-	-
	<u>\$ 232,253</u>	<u>465,099</u>	<u>1,751</u>	<u>2,325</u>

- 2) Details of the Bank's recognition of its capital surplus and unrealized losses or gains on financial instruments under stockholders' equity in 2008 and 2007 (audited by the MoA) were as follows:

Name of Investee	Capital surplus		Unrealized losses or gains on financial instruments	
	2008	2007 (audited by the MoA)	2008	2007 (audited by the MoA)
Hua Nan Financial Holdings Co., Ltd.	\$ -	-	(1,498,760)	(546,793)
Taiwan Life Insurance Co., Ltd.	-	526	(577,281)	(575,411)
Tang Eng Iron Works Co., Ltd.	-	-	(7,639)	21,309
	<u>\$ -</u>	<u>526</u>	<u>(2,083,680)</u>	<u>(1,100,895)</u>

- 3) Details of the Bank's cash dividends received from its long-term equity investments under the equity method in 2008 and 2007 (audited by the MoA) were as follows:

Name of investee	2008	2007 (audited by the MoA)
Hua Nan Financial Holding Co., Ltd.	\$ 1,484,401	1,753,060
Taiwan Life Insurance Co., Ltd.	192,245	265,706
	<u>\$ 1,676,646</u>	<u>2,018,766</u>

- 4) The initial costs of the Bank's long-term equity investments under the equity method were as follows:

Name of Investee	December 31, 2008	December 31, 2007 (audited by the MoA)
Hua Nan Financial Holdings Co., Ltd.	\$ 6,863,133	8,105,279
Taiwan Life Insurance Co., Ltd.	712,409	812,325
Kaohsiung Ammonium Sulfate Co., Ltd.	1,377,872	1,377,872
Tang Eng Iron Works Co., Ltd.	1,451,462	1,451,462
Tai Yi Real Estate Management Co., Ltd.	3,793	3,793
	<u>\$ 10,408,669</u>	<u>11,750,731</u>

In order to enlarge the scale, expand the range of customers, and upgrade business competitiveness, the Bank split off its Department of Life Insurance into BankTaiwan Life Insurance on January 2, 2008. In order to facilitate the split-off, the Bank transferred the following items to BankTaiwan Life Insurance: shares of Hua Nan Financial Holdings Co., Ltd. and Taiwan Life Insurance Co., Ltd. with book value of \$4,138,552 and \$379,051, initial cost of \$1,242,146 and \$99,916, capital surplus of \$0 and \$65, cumulative translation adjustments of \$(3,348) and \$0, unrealized losses on financial instruments of \$(8,781) and \$(9,470), and unrealized gain on revaluation increments of \$153,119 and \$17,336, respectively.

5) The investment gain or loss on long-term investment under the equity method was as follows:

Name of Investee	2008	2007 (audited by the MoA)
Hua Nan Financial Holdings Co., Ltd.	\$ 2,247,943	2,676,601
Taiwan Life Insurance Co., Ltd.	(1,077,951)	336,686
Kaohsiung Ammonium Sulfate Co., Ltd.	(14,163)	(176,689)
Tang-Eng Iron Works Co., Ltd.	(506,966)	(356,669)
Tai Yi Real-Estate Management Co., Ltd.	(3,091)	(704)
	<u>\$ 645,772</u>	<u>2,479,225</u>

1. The investment gain from the investees audited by other auditors was \$2,244,852 and \$2,675,897 in 2008 and 2007 (audited by the MoA), respectively.
2. The investment loss from Kaohsiung Ammonium Sulfate Co., Ltd. amounting to \$(14,163) and \$(176,689) in 2008 and 2007 (audited by the MoA), respectively, was based on its unaudited financial statements.

6) Since Kaohsiung Ammonium Sulfate Co., Ltd. was in the process of liquidation and the liquidators and supervisors were appointed by the Ministry of Economic Affairs, the Bank had no power to control such investee.

#### (14) Other Financial Assets, Net

	December 31, 2008	December 31, 2007 (audited by the MoA)
Temporary advances	\$ 45,182,865	52,103,739
Hedging derivative financial assets	57,273	82,832
Debt investments without quoted price in active markets	10,971,588	16,444,174
Less: accumulated asset impairment – debt investment without quoted price in active markets	-	(324,840)
Financial assets carried at cost	11,092,326	11,119,843
Less: accumulated asset impairment – financial assets carried at cost	-	(12,222)
Remittance purchased	22,104	24,017
Less: allowance for doubtful accounts – remittance purchased	(66)	(68)
Overdue receivables	131,490	67,821
Less: allowance for doubtful accounts – overdue receivables	(131,490)	(2,365)
Total	<u>\$ 67,326,090</u>	<u>79,502,931</u>

- 1) Please see note 28, "Information on Financial Instruments", for details of the valuation of hedging derivative financial assets and debt investments without quoted price in active markets.
- 2) Details of the investee (recorded in financial assets carried at cost) which underwent a capital reduction to make up a deficit and improved its financial structure are as follows:

Name of Investee	Capital Reduction Date	Decrease in Shares	Loss Recognized (recorded as other non-interest income)
China Daily News Co., Ltd.	February 8, 2007	<u>3,414,718</u>	<u>\$ 10,320</u>

- 3) On September 29, 2007, the Bank complied with 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.
- 4) On December 23, 2008, Mega International Investment Trust Co., Ltd. underwent a capital reduction. The Bank then decreased the book value of "financial assets carried at cost" by \$544.



## (15) Fixed Assets, Net

	December 31, 2008	December 31, 2007 (audited by the MoA)
Cost:		
Land (including revaluation increments)	\$ 67,800,113	70,848,844
Land improvements	19,345	19,883
Buildings (including revaluation increments)	13,563,387	14,146,505
Machinery and equipment	5,367,483	5,381,131
Transportation equipment	1,114,725	1,142,220
Miscellaneous equipment	1,081,683	1,110,106
Leasehold improvements	535,546	537,054
Construction in progress and prepayment for equipment	813,127	664,725
	<u>90,295,409</u>	<u>93,850,468</u>
Accumulated depreciation:		
Land improvement	15,981	15,899
Buildings	4,500,027	4,454,053
Machinery and equipment	3,574,808	3,701,240
Transportation equipment	806,166	805,818
Miscellaneous equipment	812,959	813,841
Leasehold improvements	464,531	476,624
	<u>10,174,472</u>	<u>10,267,475</u>
Accumulated impairment		
Land	167,430	122,725
Fixed assets, net	<u>\$ 79,953,507</u>	<u>83,460,268</u>

The Bank recognized losses on impairment of \$37,018 on June 30, 2008, after assessing in accordance with the government published land value.

Movement of accumulated depreciation:

	2008	2007 (audited by the MoA)
Beginning balance	\$ 10,267,475	9,849,094
Add: depreciation for the period	928,149	931,499
Less: decrease for the period	(710,418)	(623,659)
Reclassified journal entry	(310,734)	110,541
Ending balance	<u>\$ 10,174,472</u>	<u>10,267,475</u>

The Bank has conducted many revaluations of land and buildings over the years, with the latest in June 2007. As of December 31, 2008 and 2007 (audited by the MoA), the total revaluation increments for land were \$63,380,342 and \$65,978,040, respectively, and the estimated tax payables on land were \$15,516,044 and \$16,174,644, respectively (recorded in other liabilities).

Complying with government policy, the Bank sold a number of land, buildings and machinery and recognized gain on property transaction of \$2,738,530 and \$6,372,755 in 2008 and 2007, respectively.

As of December 31, 2008 and 2007 (audited by the MoA), the Bank's fixed assets neither served as a guarantee or collateral, nor were they pledged.

Certain investment properties of the Bank were used for operating lease. As of December 31, 2008, the cost (including revaluation increments) of the rental land was \$32,445,328, while most of the rental buildings had been fully depreciated over their useful lives. According to the tenancy agreements, the estimated future rental revenue was as follows:

Fiscal Year	Amount
2009	\$ 132,397
2010	74,371
2011	24,805
	<u>\$ 231,573</u>

## (16) Other Assets

	December 31, 2008	December 31, 2007 (audited by the MoA)
Non-operating assets, net	\$ 8,039,840	8,308,769
Collateral assumed, net	1,076,959	1,076,959
Advance payment	5,915,275	6,091,543
Real estate investment, net	-	1,796,793
Operating guarantee deposits and settlement fund	10,000	66,480
Refundable deposits	130,862	849,363
Customer advance and accounts awaiting clearance	320,095	92,355
Deferred tax assets, net	1,189,542	841,638
Others	52,753	113,123
	<u>\$ 16,735,326</u>	<u>19,237,023</u>

### 1) Non-operating assets

	December 31, 2008	December 31, 2007 (audited by the MoA)
Land (non-operating)	\$ 8,140,905	8,444,884
Buildings	2,353	3,088
Miscellaneous equipment	92	92
Accumulated depreciation – buildings	(1,873)	(2,436)
Accumulated impairment	(101,637)	(136,859)
	<u>\$ 8,039,840</u>	<u>8,308,769</u>

The Bank recognized gains of \$36,000 on reversal of impairment loss on June 30, 2008, after assessing in accordance with the government published land value.

### 2) Collateral assumed and residuals taken over, net

	December 31, 2008	December 31, 2007 (audited by the MoA)
Collateral assumed and residuals taken over	\$ 1,097,616	1,097,616
Less: allowance for impairment	(20,657)	(20,657)
	<u>\$ 1,076,959</u>	<u>1,076,959</u>

### 3) Advance payment

	December 31, 2008	December 31, 2007 (audited by the MoA)
Prepaid expense	\$ 706,527	289,783
Prepaid tax	215,696	23,073
Prepaid stock dividends and bonus	3,973,832	4,487,658
Other prepayment	1,019,220	1,291,029
	<u>\$ 5,915,275</u>	<u>6,091,543</u>

#### 4) Real estate investment, net

	December 31, 2008	December 31, 2007 (audited by the MoA)
Real estate investment	\$ -	1,982,153
Less: accumulated depreciation	-	185,360
	<u>\$ -</u>	<u>1,796,793</u>

#### 5) Net operating guarantee deposits and settlement fund

	December 31, 2008	December 31, 2007 (audited by the MoA)
Operating guarantee deposits and settlement fund	\$ 127,818	479,113
Less: securities serving as operating guarantee deposits and settlement fund	<u>117,818</u>	<u>412,633</u>
	<u>\$ 10,000</u>	<u>66,480</u>

### (17) Impairment

For the years ended December 31, 2008 and 2007 (audited by the MoA), the movements of the accumulated impairment were as follows:

	2008	2007 (audited by the MoA)
Beginning balance	\$ 617,303	1,008,109
Recognized impairment loss for the current period	3,069,600	649,921
Reversal of impairment loss for the current period	(173,499)	(550,491)
Unrealized gains on revaluation increments for the current period	8,465	-
Write-off amount for the current period – disposal of collateral assumed and residuals taken over	-	(177,811)
Write-off amount – disposal of financial assets	-	(289,498)
Transfer to BankTaiwan Life Insurance due to split-off	(324,840)	-
Foreign exchange differences	(44,513)	2,230
Intangible assets reclassification	-	(24,802)
Financial assets reclassification	<u>(12,222)</u>	<u>(355)</u>
Ending balance	<u>\$ 3,140,294</u>	<u>617,303</u>

The ending balance of accumulated impairment was composed of the following:

	December 31, 2008	December 31, 2007 (audited by the MoA)
Available-for-sale financial assets	\$ 2,850,571	-
Other financial assets	-	337,062
Fixed assets	167,430	122,725
Other assets	<u>122,293</u>	<u>157,516</u>
Ending balance	<u>\$ 3,140,294</u>	<u>617,303</u>

### (18) Deposits from Banks – Central Bank and Others

	December 31, 2008	December 31, 2007 (audited by the MoA)
Deposits from Central Bank	\$ 12,453,417	18,382,213
Deposits from banks – others	23,533,652	22,368,203
Postal deposits transferred	38,973,586	43,343,182
Bank overdrafts	110,723	3,334,674
Call loans from bank	<u>106,418,360</u>	<u>157,986,482</u>
	<u>\$ 181,489,738</u>	<u>245,414,754</u>

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

1) Details of financial liabilities measured at fair value through profit or loss were as follows:

	December 31, 2008	December 31, 2007 (audited by the MoA)
Held-for-trading financial liabilities	\$ 3,912	5,564
Add: valuation adjustment	5,998,363	1,472,602
	<u>\$ 6,002,275</u>	<u>1,478,166</u>

2) For valuation of financial liabilities measured at fair value through profit or loss, please refer to note 28.

3) Held-for trading financial liabilities

	December 31, 2008	December 31, 2007 (audited by the MoA)
Foreign exchange options premium	\$ 3,912	5,564
Valuation adjustment – foreign exchange options	498	(1,429)
Valuation adjustment – cross currency swaps	4,406,949	713,012
Valuation adjustment – interest rate swaps	1,003,272	662,284
Valuation adjustment – forward foreign exchange	587,644	98,735
	<u>\$ 6,002,275</u>	<u>1,478,166</u>

4) Unmatured derivative financial instruments (stated at notional principal amount)

	December 31, 2008	December 31, 2007 (audited by the MoA)
Foreign exchange options premiums	\$ 683,035	973,356
Cross currency swaps	136,322,479	80,383,665
Interest rate swaps	12,375,055	6,840,097
Forward foreign exchange	16,105,966	34,786,102
	<u>\$ 165,486,535</u>	<u>122,983,220</u>

## (20) Payables

	December 31, 2008	December 31, 2007 (audited by the MoA)
Accounts payable	\$ 9,358,231	4,826,058
Receipts under custody payable	1,389,605	1,283,003
Accrued expense	2,907,907	3,132,329
Income tax payable	319,528	377,272
Interest payable	19,065,878	18,827,029
Commission payable	-	63,903
Banker's acceptance payable	2,633,560	3,624,479
Due from representative organization	1,413,383	34,127,137
Construction payable	23,421	-
Other payables – spot foreign exchange awaiting delivery	17,513,180	18,745,302
Other payables – collection bills	2,341,653	3,201,158
Other payables – payments awaiting transfer	4,629,795	3,769,452
Other payables – others	2,305,666	3,292,711
	<u>\$ 63,901,807</u>	<u>95,269,833</u>

## (21) Deposits from Customers and Remittances

	December 31, 2008	December 31, 2007 (audited by the MoA)
Checking account deposits	\$ 27,387,446	26,774,708
Government deposits	247,717,840	237,064,144
Demand deposits	191,302,521	170,729,574
Time deposits	603,421,360	397,223,023
Remittances	580,641	508,301
Savings account deposits:		
Demand savings deposits	386,292,580	340,882,341
Staff accounts	22,004,423	23,927,254
Club savings deposits	1,183,811	1,221,278
Non-interest-drawing time savings deposits	611,020,813	509,476,707
Interest-drawing savings deposits	426,607,751	329,050,642
Premium interest-drawing savings deposits	430,390,502	429,321,274
	<u>\$ 2,947,909,688</u>	<u>2,466,179,246</u>

As of December 31, 2008 and 2007 (audited by the MoA), the above time deposits and savings account deposits, except for demand savings deposits, would mature in one month to three years.

## (22) Other Financial Liabilities

	December 31, 2008	December 31, 2007 (audited by the MoA)
Hedging derivative financial liabilities	\$ 189,981	53,088
Appropriated loan funds	1,428,143	1,662,219
	<u>\$ 1,618,124</u>	<u>1,715,307</u>

Please refer to note 28 for details of hedging derivative financial liabilities on December 31, 2008 and 2007 (audited by the MoA).

## (23) Other Liabilities

	December 31, 2008	December 31, 2007 (audited by the MoA)
Reserve for guarantee liability	\$ 299,465	464,390
Reserve for trading losses	887	-
Reserve for default losses	-	87,326
Reserve for unexpected losses	-	17,117
Reserve for unearned premium	-	422,817
Reserve for life insurance liability	-	112,695,236
Reserve for unsettled insurance indemnity	-	95,058
Special reserve for life insurance	-	1,347,321
Reserve for labor insurance liability	126,108,139	131,087,068
Reserve for other operating loss	-	93,303
Advance collections	896,484	1,265,303
Estimated tax payable on land value increments	15,516,044	16,174,644
Guarantee deposits received	3,671,873	3,194,302
Temporary receipt awaiting transfer	178,051	601,295
Other liabilities to be settled	8,239	8,239
Others	1,330,915	1,347,227
	<u>\$ 148,010,097</u>	<u>268,900,646</u>

## (24) Pension

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

	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Regular Employees	Regular Labor / Contract Employees	Regular Employees	Regular Labor / Contract Employees
Benefit obligation:				
Vested benefit obligation	\$ (4,347,206)	(315,436)	(3,472,894)	(253,057)
Non-vested benefit obligation	(2,891,560)	(290,259)	(2,621,436)	(462,518)
Accumulated benefit obligation	(7,238,766)	(605,695)	(6,094,330)	(715,575)
Additional benefits based on future salaries	(2,041,116)	(189,496)	(2,198,708)	(233,200)
Projected benefit obligation (PBO)	(9,279,882)	(795,191)	(8,293,038)	(948,775)
Fair value of plan assets	4,946,836	839,059	4,614,910	792,477
Funding status	(4,333,046)	43,868	(3,678,128)	(156,298)
Unrecognized net transition obligation	518,059	145,475	622,985	171,006
Unrecognized prior year service cost	215,032	(23,715)	235,511	(27,363)
Unrecognized loss (gain)	1,291,139	(252,830)	823,358	(97,669)
Accrued pension liability	\$ (2,308,816)	(87,202)	(1,996,274)	(110,324)
Vested benefit	\$ (5,503,685)	(392,256)	(4,686,947)	(304,845)

The components of net pension cost for the years 2008 and 2007 (audited by the MoA) were as follows:

	2008		2007 (audited by the MoA)	
	Regular Employees	Regular Labor / Contract Employees	Regular Employees	Regular Labor / Contract Employees
Service cost	\$ 777,632	40,413	778,131	70,067
Interest cost	219,316	24,091	184,940	24,768
Projected return on plan assets	(126,745)	(21,665)	(94,172)	(18,870)
Amortization and deferred cost	125,405	21,650	160,335	21,883
Net pension cost	\$ 995,608	64,489	1,029,234	97,848

Actuarial assumptions:

	2008	2007 (audited by the MoA)
Discount rate	2.50%	2.75%
Rate of increase in future compensation	2.00%	2.25%
Rate of projected return on plan assets	2.50%	2.75%

## (25) Income Tax

The income tax expense for 2008 and 2007 (audited by the MoA) is summarized below:

	2008	2007 (audited by the MoA)
Current income tax expense (benefit)	\$ 557,832	981,993
Deferred tax expense (benefit)	(207,524)	(128,420)
Income tax expense (benefit)	\$ 350,308	853,573



The Bank is subject to ROC income tax at a maximum rate of 25%. The Bank adopted the "Income Basic Tax Act" to compute basic tax beginning January 1, 2006. For the years ended December 31, 2008 and 2007 (audited by the MoA), the differences between the "expected" income tax expense at the statutory income tax rate and the effective income tax expense in the accompanying financial statements were as follows:

	2008	2007 (audited by the MoA)
Expected income tax expense	\$ 2,125,627	3,357,568
Tax effect of interest income from short-term notes separately taxed	(47,753)	(61,470)
Gain on securities trading	(250,801)	(954,962)
Loss on financial assets evaluation	55,966	385,386
Tax-free earnings from OBU	266,234	(22,561)
Investment income under equity method	(161,443)	(619,806)
Gain on disposal of land	(680,566)	(1,591,009)
Loss (gain) on provision for (reversal of) asset impairment – land	254	(120,348)
Unrealized exchange loss (gain)	(130,063)	22,227
Financial assets impairment loss	249,916	-
Tax-free reinvestment income (dividends and bonus)	(519,046)	(498,563)
Provision for (reversal of) valuation allowance for deferred tax assets	(447,935)	(69,472)
Income tax expense of overseas branches	(502,894)	256,077
Tax-free spread of bond transaction under agreement	2,647	-
Withholding tax on bond interest (35% unrefunded)	-	18,930
Amortization of bond premium	-	135,489
Adjustments of outright purchase and sale of bills	277,702	80,790
Income basic tax	-	318,220
Others	112,463	217,077
Income tax expense	<u>\$ 350,308</u>	<u>853,573</u>

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

	2008	2007 (audited by the MoA)
Decrease (increase) in reserve for losses on trading notes and bills	\$ (222)	463
Decrease (increase) in reserve for default losses	21,832	(2,906)
Decrease (increase) in reserve for unexpected losses	4,279	(1,267)
Pension costs disallowed per tax regulation	(72,355)	(133,310)
Decrease in bad debt loss	-	116,102
Unrealized loss (gain) on foreign exchange	393,947	(46,146)
Income tax expense from overseas branches	(555,005)	(79,624)
Others	-	18,268
Deferred income tax expense (income)	<u>\$ (207,524)</u>	<u>(128,420)</u>

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

	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets:				
Pension costs disallowed per tax regulation	\$ 2,396,018	599,005	2,106,598	526,650
Reserve for losses on trading notes and bills	887	222	-	-
Loss carryforward	4,709,565	1,177,391	23,782,374	5,945,593
Accumulated impairment – collateral assumed	20,657	5,164	20,657	5,164
Loss on devaluation of financial assets – foreign	1,360,471	340,118	-	-
Allowance for decline in market value – financial assets – foreign	1,581,344	395,336	-	-
Allowance for decline in market value – financial assets – domestic	-	-	337,062	84,266
Reserve for default loss	-	-	87,326	21,832
Unrealized reserve for accidental losses	-	-	17,117	4,279
Foreign deferred income tax assets – carryforward	-	719,653	-	181,937
Foreign deferred income tax assets – changes in exchange	-	17,247	-	-
Unrealized gain or loss on financial instruments – foreign	-	188,671	-	105,679
Unrealized gain or loss on financial instruments – foreign – exchange rate differences	-	14,084	-	2,613
Cumulative translation adjustments	-	44,607	-	-
		3,501,498		6,878,013
Allowance for deferred income tax assets		(1,918,009)		(6,035,023)
		<u>\$ 1,583,489</u>		<u>842,990</u>
Deferred income tax liabilities:				
Unrealized gain on exchange	\$ 1,575,789	393,947	-	-
Cumulative translation adjustment – foreign	-	-	-	1,352
Deferred income tax assets, net		<u>\$ 1,189,542</u>		<u>841,638</u>

As of December 31, 2008 and 2007 (audited by the MoA), the components of income tax refund receivable were as follows:

	December 31, 2008	December 31, 2007 (audited by the MoA)
Current income tax expense	\$ 557,832	981,993
Tax adjustments regarding separate taxation	(200,713)	(309,142)
Income tax expense paid by overseas branches	(52,111)	(335,702)
Withholding tax on bond interest (35% unrefunded)	-	(18,930)
Withholding tax	(840,662)	(984,132)
Tax paid	-	(15,704)
Prior year's income tax refund receivable	(681,617)	(693,132)
Income tax refund receivable, net	<u>(1,217,271)</u>	<u>(1,374,749)</u>
Income tax refund receivable (booked as receivables)	<u>\$ (1,217,271)</u>	<u>(1,374,749)</u>

Starting from 2008, the Company and Taiwan Financial Holding adopted a combined income tax declaration to report their tax. As of December 31, 2008, the details of tax payable and receivable were as follows:

Fiscal year	December 31, 2008		
	Tax receivable from affiliated parties (recorded in miscellaneous account receivables)	Tax payable to affiliated parties (recorded in miscellaneous account payables)	Income tax payable to National Tax Administration (recorded in miscellaneous account payables)
2008	\$ 535,654	-	-

The reconciliation of the balances of current income tax benefit, deferred income tax benefit (expense), deferred tax assets (liabilities), and income tax payable under the provision of SFAS No. 22, "Income Taxes", and the related balances computed for filing combined corporate income tax returns with Taiwan Financial Holding as the taxpayer was as follows:

	2008			
	Current income tax benefit	Deferred income tax benefit	Deferred income tax asset, net	Income tax payable
Amount computed under SFAS No. 22	\$ 557,833	207,524	1,189,542	-
Difference adjustments	-	-	-	-
Amount computed for filing consolidated returns	\$ 557,833	207,524	1,189,542	-

The Bank's income tax returns for all years through 2007 have been examined by the tax authorities.

As of December 31, 2008 and 2007 (audited by the MoA), the balance of the ICA (imputation credit account) was as follows:

	December 31, 2008 (expected)	December 31, 2007 (actual)
Balance of ICA	\$ 423,241	1,200,869

After the Bank's filing of the income tax return for 2008, the imputed tax creditable ratio for appropriating the net income for 2008 is 10.38% (expected) and for 2007 was 4.07% (actual).

As of December 31, 2008 and 2007 (audited by the MoA), the composition of unappropriated retained earnings was as follows:

Fiscal year	December 31, 2008	December 31, 2007 (audited by the MoA)
1998 and after	\$ 8,152,201	12,576,699

## (26) Stockholders' Equity

- On January 2, 2008, the Bank underwent a capital reduction in which the Bank split off part of its businesses and assets amounting to \$8 billion to incorporate the following two subsidiaries of Taiwan Financial Holding: BankTaiwan Securities and BankTaiwan Life Insurance, whose capital was \$3 billion and \$5 billion, respectively.

As of December 2008, and 2007 (audited by the MoA), the Bank's authorized capital was \$45,000,000 and \$53,000,000, respectively. The above common stock had a par value of \$10.

- The composition of capital surplus was as follows:

	December 31, 2008	December 31, 2007 (audited by the MoA)
Capital surplus – from cash subscription	\$ 109,953,034	110,313,034
Capital surplus – from long-term equity investment	109,982	110,047
under equity method	\$ 110,063,016	110,423,081

3) The Bank transferred its land to the national treasury as a grant and recorded such transaction as expense for 2007. However, since the MoA revised such expense and mandated other appropriate treatments under related laws and regulations in auditing the Bank's final accounts for 2007, the board of directors passed a resolution to record such transaction by reducing the special reserve on November 21, 2008.

#### 4) Legal reserve and appropriation of earnings

The articles of incorporation of the Bank stipulate that net income should be distributed in the following order:

1. to pay income tax;
2. to offset prior years' deficit;
3. to appropriate 30% and the equivalent of the unrealized losses on financial instruments recorded under stockholders' equity as legal reserve;
4. to appropriate 20~40% as special reserve;
5. to appropriate dividends.

The remaining balance, along with prior year's accumulated undistributed earnings, is appropriated in accordance with related laws and regulation.

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.

In 2008 and 2007 (audited by the MoA), upon the board of directors' resolutions to distribute the unappropriated earnings for 2007 and 2006, the Bank distributed cash dividends of \$5,345,097 and \$5,983,822, respectively.

### (27) Earnings per Share

Computation of the Bank's basic earnings per share for the years ended December 31, 2008 and 2007, was as follows:

	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Pretax	After tax	Pretax	After tax
Net income	\$ 8,502,509	8,152,201	13,430,272	12,576,699
Denominator (shares outstanding in thousands)	\$ 4,500,000	4,500,000	5,300,000	5,300,000
Basic earnings per share				
Net income	\$ 1.89	1.81	2.53	2.37

### (28) Information on Financial Instruments

#### 1) Information on fair value of financial instruments

	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Financial assets measured at fair value through profit or loss	\$ 72,201,513	72,201,513	64,566,565	64,566,565
Available-for-sale financial assets	155,491,586	155,491,586	201,069,905	201,069,905
Loans and discounts	1,988,070,246	1,988,070,246	1,920,097,700	1,920,097,700
Held-to-maturity financial assets	31,818,435	32,228,602	105,802,005	104,027,187
Other financial assets	67,326,090	67,326,090	79,502,931	79,502,931
Financial Liabilities:				
Financial liabilities measured at fair value through profit or loss	6,002,275	6,002,275	1,478,166	1,478,166
Other financial liabilities	1,618,124	1,618,124	1,715,307	1,715,307

2) The methods and assumptions used by the Bank for calculation of the fair value of financial instruments are 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 from Central Bank, deposits from other banks, repurchase bond transactions, 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 on 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, 2008, were as follows:

	2008		2007 (audited by the MoA)	
	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	\$ 65,035,512	7,166,001	62,941,359	1,625,206
Available-for-sale financial assets	155,483,127	8,459	201,069,905	-
Discount and loans	-	1,988,070,246	-	1,920,097,700
Held-to-maturity financial assets	-	31,818,435	-	105,802,005
Other financial assets	-	67,326,090	-	79,502,931
Financial Liabilities				
Financial liabilities measured at fair value through profit or loss	-	6,022,275	-	1,478,166
Other financial liabilities	-	1,618,124	-	1,715,307

The Bank recognized current loss of \$132,971 and \$2,072,985 due to variation in fair value under an assessment method in the years 2008 and 2007 (audited by the MoA), 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 a 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:

Unit: Million NTD

December 31, 2008			
Item	Secured amount	Total amount	Percentage of total amount
Loans (note 1)	\$ 876,621	1,999,743	43.84
Acceptances	133	2,623	5.07
Guarantees on loans	7,976	60,186	13.25

December 31, 2007 (audited by the MoA)			
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

Note 1: Amounts of loans exclude advances and off-balance sheet items.

Collateral 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

Item	December 31, 2008	
	Book Value	Greatest Credit Exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	\$ 72,202	70,235
Available-for-sale financial assets	155,492	79,773
Held-to-maturity financial assets	31,818	22,677
Loans and advances (note 1)	2,026,969	1,847,245
Hedging derivatives	7,558	28
Debt investments without quoted price in active markets	10,972	10,972
Financial assets carried at cost	11,092	11,092

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 \$1,967 million; available-for-sale financial assets exclude government bonds amounting to \$46,293 million and negotiable certificates of deposit amounting to \$29,426 million; held-to-maturity financial assets exclude government bonds amounting to \$9,141 million; loans and advances exclude Central Government loans amounting to \$176,559 million and Central Government short-term advance amounting to \$3,165 million.

Note 3: The amount 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 (IRS); and the amount of greatest credit exposure is the adjusted amount of hedging derivatives at fair value.



	December 31, 2007 (audited by the MoA)	
	Book Value	Greatest Credit Exposure (notes 2 and 3)
Financial assets measured at fair value through profit or loss	\$ 64,567	63,423
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 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 concentration of credit risk

When the trading of financial instruments is centered in a single industry or region, the ability to fulfill the contract would be affected by similar factors, thereby causing concentration of credit risk. Disclosure of the Bank's concentration of credit risk is as follows:

a) The details of loans to various industry types and the greatest credit exposure in 2008 and 2007 (audited by the MoA) were as follows:

Unit: Million NTD

Industry type	December 31, 2008		
	Book value (note 1)	%	Maximum credit exposure (note 2)
Individual	\$ 601,047	30.33	601,047
Government agencies	412,429	20.81	235,870
Manufacturing	351,921	17.76	351,921
Shipping, warehousing and communications	97,649	4.93	97,649
Utilities	100,246	5.06	100,246
Others	418,494	21.11	418,494
Total	<u>\$ 1,981,786</u>	<u>100.00</u>	<u>1,805,227</u>

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports.

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$176,559 million from book value.

Industry type	December 31, 2007 (audited by the MoA)		
	Book value (note 1)	%	Maximum 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	<u>\$ 1,919,127</u>	<u>100.00</u>	<u>1,633,241</u>

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports.

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$285,886 million from book value.

b) The details of loans to different industry regions in 2008 and 2007 (audited by the MoA) were as follows:

Unit: Million NTD

Region	December 31, 2008		
	Book value (note 1)	%	Maximum credit exposure (note 2)
Domestic	\$ 1,859,606	93.83	1,683,047
Foreign	122,180	6.17	122,180
Total	<u>\$ 1,981,786</u>	<u>100.00</u>	<u>1,805,227</u>

Note 1: The book value means the balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports.

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$176,559 million from book value.

Unit: Million NTD

Region	December 31, 2007 (Audited by the MoA)		
	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 balances of discounts; overdrafts; treasury overdrafts; secured overdrafts; short-term, medium-term and long-term secured/unsecured loans; receivables from pecuniary finance; and acceptance under letter of credit for imports and exports.

Note 2: The maximum credit exposure is the remaining amount after deducting loans to the Central Government amounting to \$285,886 million from book value.

(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 2008 and December 2007 (audited by the MoA) was 40.28% and 30.98%, 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, 2008 and 2007 (audited by the MoA), is as follows:

Unit: Thousand NTD

	December 31, 2008				
	1st-30th day	31st--90th day	91st-365th day	Over a year	Subtotal
<b>Asset</b>					
Cash and cash equivalents	\$ 23,869,742	-	-	-	23,869,742
Placement with Central Bank and call loans to banks	384,662,149	344,064,815	236,423,404	49,398,761	1,014,549,129
Financial assets at fair value through profit or loss, net	4,233,728	2,880,038	10,187,697	15,876,796	33,178,259
Bonds and bills purchased under resell agreements	298,262	-	-	-	298,262
Available-for-sale financial assets, net	20,949,001	27,568,168	28,876,837	78,412,592	155,806,598
Held-to-maturity financial assets, net	18,999	-	28,467	1,388,695	1,436,161
Hedging derivative assets	57,273	-	-	-	57,273
Financial assets carried at cost	-	-	-	11,092,326	11,092,326
Debt investments without quoted price in active markets	-	-	-	10,971,588	10,971,588
Investments under equity method, net	-	-	-	26,959,682	26,959,682
Receivables, net	18,560,139	1,007,553	604,434	23,011,865	43,183,991
Loans and discounts, net	163,240,333	222,569,908	385,494,873	1,207,335,288	1,978,640,402
Non-performing loans	-	-	-	18,088,711	18,088,711
<b>Total assets</b>	<b>\$ 615,889,626</b>	<b>598,090,482</b>	<b>661,615,712</b>	<b>1,442,536,304</b>	<b>3,318,132,124</b>
<b>Liabilities</b>					
Deposits of Central Bank and other banks	\$ 70,434,033	56,734,488	15,347,631	-	142,516,152
Payables	16,887,991	606,795	245,849	44,532,761	62,273,396
Financial liabilities measured at fair value through profit or loss	695,196	-	-	5,291,489	5,986,685
Bonds and bills sold under repurchase agreements	14,617,440	4,595,808	4,592	-	19,217,840
Hedging derivative liabilities	8,292	5,677	40,389	135,622	189,980
Other financial liabilities	-	-	-	1,428,143	1,428,143
Deposits and remittances	374,398,348	337,140,065	1,099,384,598	1,175,960,263	2,986,883,274
<b>Total liabilities</b>	<b>\$ 477,041,300</b>	<b>399,082,833</b>	<b>1,115,023,059</b>	<b>1,227,348,278</b>	<b>3,218,495,470</b>
<b>Gaps</b>	<b>\$ 138,848,326</b>	<b>199,007,649</b>	<b>(453,407,347)</b>	<b>215,188,026</b>	<b>99,636,654</b>

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

	December 31, 2007 (Audited by the MoA)				
	1st-30th day	31st--90th day	91st-365th day	Over a year	Subtotal
<b>Asset</b>					
Cash	\$ 17,469,802	-	-	-	17,469,802
Due from Central Bank and call loans to banks	112,920,750	345,695,947	204,259,379	-	662,876,076
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
Receivables, net	19,791,205	1,342,125	215,137	26,131,148	47,479,615
Held-to-maturity financial assets, net	281,106	-	924,974	1,456,459	2,662,539
Hedging derivative assets	82,832	-	-	-	82,832
Investments under equity method, net	-	-	-	29,840,233	29,840,233
Debt investment without quoted price in active markets	-	-	-	8,187,698	8,187,698
Financial assets carried at cost	-	-	-	11,107,621	11,107,621
Nonperforming loans	370,405	563,454	3,367,557	10,046,322	14,347,738
Loans and discount, net	186,703,342	185,561,659	383,130,829	1,150,915,371	1,906,311,199
Available-for-sale financial asset, net	40,396,460	18,146,310	16,537,126	105,629,890	180,709,786
<b>Total assets</b>	<b>\$ 386,620,202</b>	<b>555,979,228</b>	<b>611,053,800</b>	<b>1,353,814,462</b>	<b>2,907,467,692</b>
<b>Liabilities</b>					
Due to Central Bank and other banks	\$ 90,654,674	50,693,222	19,973,260	40,750,416	202,071,572
Payables	16,745,356	521,418	257,782	41,977,489	59,502,045
Financial liabilities measured at fair value through profit or loss	685,014	-	-	752,784	1,437,798
Bonds and bills sold under repurchase agreements	14,362,484	3,207,830	-	-	17,570,314
Hedging derivative liabilities	22,102	23,328	7,658	-	53,088
Other financial liability	-	-	-	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
<b>Total liabilities</b>	<b>\$ 396,648,022</b>	<b>346,038,029</b>	<b>887,086,092</b>	<b>1,162,047,321</b>	<b>2,791,819,464</b>
<b>Gaps</b>	<b>\$ (10,027,820)</b>	<b>209,941,199</b>	<b>(276,032,292)</b>	<b>191,767,141</b>	<b>115,648,228</b>

Note: The table contains the amounts for the departments of the Bank 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, 2008 and 2007 (audited by the MoA), 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 the 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, 2008				
	1-30 days	31-90 days	91-365 days	Over a year	Subtotal
<b>Asset</b>					
Current financial assets:					
Financial assets measured at fair value through profit or loss – current	\$ 4,234	2,880	10,187	15,877	33,178
Bonds and bills purchased under resell agreements	298	-	-	-	298
Available-for-sale financial assets – current	20,949	27,568	28,877	13,644	91,038
Held-to-maturity financial assets – current	19	-	29	-	48
Hedging derivative assets – current	57	-	-	-	57
	25,557	30,448	39,093	29,521	124,619
Due from and call loans to banks and overdraft from banks	384,662	344,065	236,423	49,399	1,014,549
Loads and discounts	163,240	222,570	385,495	1,207,335	1,978,640
Long-term investments					
Investment under equity method	-	-	-	26,960	26,960
Available-for-sale financial assets – noncurrent	-	-	-	64,769	64,769
Held-to-maturity financial assets – noncurrent	-	-	-	1,389	1,389
Financial assets carried at cost	-	-	-	11,092	11,092
Debt investment without quoted price in active market – noncurrent	-	-	-	10,971	10,971
	-	-	-	115,181	115,181
Other assets	81,901	28,600	12,513	136,719	259,733
Total assets	\$ 655,360	625,683	673,524	1,538,155	3,492,722
<b>Liabilities</b>					
Current financial liabilities					
Financial liabilities measured at fair value through profit loss – current	\$ 695	-	-	5,291	5,986
Bonds and bills sold under repurchase agreements	14,617	4,596	5	-	19,218
Hedging derivative liabilities – current	8	6	40	136	190
Others financial liabilities	-	-	-	37	37
	15,320	4,602	45	5,464	25,431
Deposits	373,818	337,140	1,099,385	1,175,960	2,986,303
Remittances	38,037	66,005	2,487	-	106,529
Long-term liabilities	-	-	-	19,172	19,172
Noncurrent liabilities	-	-	-	1,391	1,391
Other liabilities	68,286	30,209	35,361	-	133,856
Total liabilities	\$ 495,461	437,956	1,137,278	1,201,987	3,272,682
Stockholders' equity	\$ 159,899	187,727	(463,754)	336,168	220,040

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

	December 31, 2007 (audited by the MoA)				
	1-30 days	31-90 days	91-365 days	Over a year	Subtotal
<b>Asset</b>					
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 derivative 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
Loads 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	18,322	3,081	582	236,361	258,346
Total assets	\$ 367,309	557,155	608,054	1,553,998	3,086,516
<b>Liabilities</b>					
Current financial liabilities					
Financial liabilities measured at fair value through profit or loss – current	\$ 685	-	-	753	1,438
Bonds and bills sold under repurchase agreements	14,362	3,208	-	-	17,570
Hedging derivative 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	91,325	50,693	19,974	-	161,992
Long-term liabilities	-	-	-	19,305	19,305
Noncurrent liabilities	-	-	-	1,570	1,570
Other liabilities	18,234	3,521	10,997	103,495	136,247
Total liabilities	\$ 398,298	349,037	897,826	1,202,120	2,847,281
Stockholders' equity	\$ (30,989)	208,118	(289,772)	351,878	239,235

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

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(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, 2008 and 2007 (audited by the MoA), was as follows:

December 31, 2008		
Item	NTD	USD
Available-for-sale financial assets		
Government bonds	1.7067%~6.9611%	9.1250%~10.3750%
Financial bonds	2.1100%~2.3000%	1.2750%~6.5000%
Corporate bonds	1.9600%~3.0500%	1.0000%~8.8750%
Negotiable certificates of deposit of Central Bank	1.0200%~2.3100%	-
Taipei City Government bonds	4.6190%	-
Beneficiary certificates – financial assets securitization	2.4600%	-
Beneficiary certificates – real estate investment trust	2.6800%	5.5000%~5.7500%
Foreign organization bonds	-	2.7313%
Held-to-maturity financial assets		
Government bonds	1.5716%~6.0701%	-
Corporate bonds	1.8911%~1.9493%	-
Beneficiary certificates – financial assets securitization	2.0699%	-
Beneficiary certificates – real estate investment trust	2.4000%	-
Debt investment without quoted price in active markets		
Financial bonds	-	5.4700%~6.2600%
Beneficiary certificates – financial assets securitization	-	0.8113%~2.2450%
Loans and discounts		
Short-term loans	1.2150%~18.0000%	0.6850%~8.0000%
Medium-term loans	1.0050%~18.0000%	0.6000%~7.5000%
Long-term loans	1.0220%~10.4960%	1.0000%~7.7500%
Liabilities		
Short-term loans	-	0.1000%~5.2600%
Hedging derivative liabilities		
IRS	-	2.0150%~14.3938%

December 31, 2007 (audited by the MoA)		
Item	NTD	USD
Available-for-sale financial assets		
Government bonds	1.7070%~6.9610%	4.6250%~10.3750%
Financial bonds	2.1100%~2.3000%	4.1250%~6.5000%
Corporate bonds	1.9600%~2.8800%	1.0000%~8.0750%
Negotiable certificates of deposit of Central Bank	1.9760%~2.1500%	-
Taipei City Government bonds	4.6190%	-
Beneficiary certificates – real estate investment trust	2.6800%	5.5000%~5.7500%
Foreign organization bonds	-	5.6310%
Beneficiary certificates – financial assets securitization	2.3400%~2.8040%	-
Held-to-maturity financial assets		
Government bonds	1.5190%~6.0700%	-
Corporate bonds	1.6430%~1.9490%	-
Financial assets securitization	1.0880%~2.1790%	-
Real estate investment trust	2.4000%	-
Debt investment without quoted price in active market		
Beneficiary certificates – financial assets securitization	1.6800%	-
Financial bonds	-	6.6000%~7.2300%
Beneficiary certificates – real estate investment trust	-	5.2050%~6.3650%
Other bonds	-	5.9630%~6.9200%
Loans and discounts		
Short-term loans	1.2500%~18.0000%	2.9400%~8.7500%
Medium-term loans	1.3910%~18.0000%	3.9170%~8.1500%
Long-term loans	1.0510%~10.3810%	5.3720%~7.6980%
Liabilities		
Short-term loans	-	4.5000%~5.7000%
Hedging derivative liabilities		
IRS	-	3.8750%~10.0950%

## 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 is 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	Designated Hedging Instruments	December 31, 2008	
		Original Amount	Fair Value
Foreign bonds	SWAP	\$ 4,381,049	57,273
Foreign bonds	SWAP	3,176,486	(189,981)

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

### 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).

## (29) 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 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 greater than 10%.
- 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%.
- 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.

## 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.

## (30) Related-party Transactions

### 1) Names and relationship of related parties

Name	Relationship
Taiwan Financial Holding Co., Ltd.	Parent company of the Bank
Land Bank of Taiwan Co., Ltd.	Affiliate (which was no longer a related party as of December 20, 2008)
The Export – Import Bank of ROC	Affiliate (which was no longer a related party as of December 20, 2008)
BankTaiwan Life Insurance Co., Ltd.	Subsidiary held completely by the same parent company
BankTaiwan Securities Co., Ltd.	Subsidiary held completely by the same parent company
Hua Nan Financial Holdings Co., Ltd. and its subsidiaries	Investee company of the Bank under the equity method
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
Directors, supervisors, general manager and vice general manger	The major management of the Bank
Others	The relatives of major management

### 2) Significant related-party transactions

#### 1. Placement with banks

Name	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 6,666	-	5,987	-

#### 2. Account receivables

Name	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance	\$ 102,804	0.10	-	-
BankTaiwan Securities	53,173	0.05	-	-
	\$ 155,977	0.15	-	-

#### 3. Other assets

Name	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance	\$ 10,630	0.06	-	-

#### 4. Deposits of banks

Name	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Hua Nan Financial Holdings Co., Ltd.	\$ 127,896	0.54	225,565	1.01

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

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

Name	2008			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Hua Nan Financial Holdings Co., Ltd.	\$ 9,378,606	3,769,010	87,323	0.10~5.50

Name	2007 (audited by the MoA)			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Hua Nan Financial Holdings Co., Ltd.	\$ 12,210,090	5,123,560	156,800	0.78~5.83

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

#### 6. Repurchase notes and liabilities on bonds

Name	Object	December 31, 2008	December 31, 2007 (audited by the MoA)
BankTaiwan Securities	Bond	\$ 900,023	-

#### 7. Deposits

Name	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities	\$ 319,376	0.01	-	-
Taiwan Financial Holdings	348,555	0.01	-	-
Hua Nan Financial Holdings Co., Ltd.	51,992	-	-	-
BankTaiwan Life Insurance	14,678,852	0.50	-	-
Kaohsiung Ammonium Sulfate Co., Ltd.	1,405,318	0.05	1,431,368	-
Tai Yi Real-Estate Management Co., Ltd.	-	-	41,400	-
	\$ 16,804,093	0.57	1,472,768	-

Apart from an interest rate limit on staff saving deposits, interest rates of related-party transactions are the same as general accounts.

#### 8. Account payables

Name	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	\$ 131,292	0.21	-	-

#### 9. Interest revenues

Name	2008		2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Land Bank of Taiwan Co., Ltd.	\$ 146,085	0.17	-	-

## 10. Interest expenses

Name	2008		2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance	\$ 408,968	0.65	-	-
BankTaiwan Securities	11,535	0.02	-	-
	<u>\$ 420,503</u>	<u>0.67</u>	<u>-</u>	<u>-</u>

## 11. Fee expense

Name	2008		2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Securities	<u>\$ 16,628</u>	<u>3.02</u>	<u>-</u>	<u>-</u>

## 12. Fee income

Name	2008		2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance	<u>\$ 929,393</u>	<u>17.75</u>	<u>-</u>	<u>-</u>

## 13. Other non-interest losses, net

Name	2008		2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
Taiwan Financial Holdings	<u>\$ 16,356</u>	<u>0.12</u>	<u>-</u>	<u>-</u>

## 14. Other business and management expenses

Name	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Amount	Percentage of account balance	Amount	Percentage of account balance
BankTaiwan Life Insurance	\$ 36,957	0.74	-	-
BankTaiwan Securities	11,736	0.23	-	-
	<u>\$ 48,693</u>	<u>0.97</u>	<u>-</u>	<u>-</u>

## 15. Loans

December 31, 2008							
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	53	38,322	27,473	27,473	-	None	None
Mortgage loans	89	368,421	308,317	308,276	41	Lands and buildings	None
Other loans	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Lands and buildings	None
	Tang-Eng Iron Works Co., Ltd.	500,000	500,000	500,000	-	Lands and buildings	None
	Tang-Eng Iron Works Co., Ltd.	1,000,000	1,000,000	1,000,000	-	Lands and buildings	None
	Tang-Eng Iron Works Co., Ltd.	122,105	122,105	122,105	-	Lands and buildings	None
	BankTaiwan Securities Co., Ltd.	3,000,000	-	-	-	Lands and buildings	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	14,215,452	10,000	10,000	-	None	None

December 31, 2007 (audited by the MoA)							
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	None
Mortgage loans	112	296,303	271,804	271,804	-	Lands and buildings	None
Others loans	Tang-Eng Iron Works Co., Ltd.	700,000	400,000	400,000	-	Lands, buildings and stocks	None
	Tang-Eng Iron Works Co., Ltd.	600,000	450,000	450,000	-	Lands, buildings and stocks	None
	Tang-Eng Iron Works Co., Ltd.	164,301	-	-	-	None	None
	Tang-Eng Iron Works Co., Ltd.	250,000	-	-	-	None	None
	Tang Eng Iron Works co., ltd.	143,562	143,562	143,562	-	Lands, buildings and stocks	None
Call loans to banks	Hua Nan Financial Holdings Co., Ltd.	13,897,105	2,441,300	2,441,300	-	None	None

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.

#### 16. Derivative instruments

December 31, 2008						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	AEBH410927 forward	2004.11.30~2009.02.05	153,719	(516)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(516)
Taiwan Life Insurance Co., Ltd.	AEBH411027 forward	2004.12.31~2009.02.05	152,074	(511)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(511)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2009.02.06	159,485	(2,471)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(2,471)
Taiwan Life Insurance Co., Ltd.	BHSW510056 swap	2005.12.08~2006.02.10	328,190	(649)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(649)
Taiwan Life Insurance Co., Ltd.	BHSW610016 swap	2006.01.25~2009.02.10	656,380	(1,299)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,299)
Taiwan Life Insurance Co., Ltd.	BHSW610017 swap	2006.01.26~2009.02.10	328,190	(649)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(649)
Taiwan Life Insurance Co., Ltd.	BHSW610021 swap	2006.03.07~2009.01.08	361,980	31,296	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	31,296
Taiwan Life Insurance Co., Ltd.	BHSW710031 swap	2007.04.25~2009.01.23	1,119,125	27,681	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	27,681
Taiwan Life Insurance Co., Ltd.	BHSW710114 swap	2007.10.04~2009.02.05	328,700	(1,104)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,104)
Taiwan Life Insurance Co., Ltd.	BHSW810010 swap	2008.01.21~2009.01.23	955,890	27,085	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	27,085
Taiwan Life Insurance Co., Ltd.	BHSW810164 swap	2008.08.18~2009.02.06	985,110	(2,338)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(2,338)
Taiwan Life Insurance Co., Ltd.	BHSW810190 swap	2008.09.18~2009.02.23	631,360	23,362	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	23,362

December 31, 2008						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
Taiwan Life Insurance Co., Ltd.	BHSW810193 swap	2008.09.19~2009.02.06	656,740	(1,559)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,559)
Taiwan Life Insurance Co., Ltd.	BHSW810194 swap	2008.09.19~2009.09.23	1,553,250	65,533	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	65,533
Taiwan Life Insurance Co., Ltd.	BHSW810239 swap	2008.11.06~2009.02.09	164,095	(318)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(318)
Taiwan Life Insurance Co., Ltd.	BHSW810259 swap	2008.12.04~2009.01.08	67,050	(1,503)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,503)
Taiwan Life Insurance Co., Ltd.	BHSW820003 swap	2008.09.19~2009.09.23	1,560,750	(58,095)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(58,095)
Chen Yi Hong	0812220020 foreign exchange option	2008.12.23~2009.01.06	59	-	Financial assets at fair value through profit or loss – current – held for trading – foreign exchange option	-
Huang Rong Song	0812310020 foreign exchange option	2008.12.31~2009.01.15	3,277	9	Financial assets at fair value through profit or loss – current – held for trading – foreign exchange option	6
					Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – foreign exchange option	9
BankTaiwan Life Insurance Co., Ltd.	AECL810370 forward	2008.05.06~2009.11.10	408,067	42,371	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – forward	42,371
BankTaiwan Life Insurance Co., Ltd.	AECL810569 forward	2008.08.01~2009.02.05	468,417	(43,208)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – forward	(43,208)
BankTaiwan Life Insurance Co., Ltd.	CLSW710062 swap	2007.08.02~2009.02.04	508,800	15,348	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	15,348
BankTaiwan Life Insurance Co., Ltd.	CLSW710066 swap	2007.08.08~2009.02.12	95,058	3,193	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	3,193
BankTaiwan Life Insurance Co., Ltd.	CLSW710070 swap	2007.08.14~2009.01.15	381,912	11,330	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	11,330
BankTaiwan Life Insurance Co., Ltd.	CLSW710075 swap	2007.08.29~2009.01.23	383,040	10,150	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	10,150
BankTaiwan Life Insurance Co., Ltd.	CLSW810005 swap	2008.01.17~2009.01.22	317,900	9,764	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	9,764
BankTaiwan Life Insurance Co., Ltd.	CLSW810009 swap	2008.01.18~2009.01.22	318,340	9,324	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	9,324
BankTaiwan Life Insurance Co., Ltd.	CLSW810011 swap	2008.01.22~2009.01.23	319,290	8,369	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	8,369
BankTaiwan Life Insurance Co., Ltd.	CLSW810012 swap	2008.01.22~2009.01.23	640,410	14,908	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	14,908
BankTaiwan Life Insurance Co., Ltd.	CLSW810013 swap	2008.01.23~2009.01.23	320,905	6,755	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	6,755
BankTaiwan Life Insurance Co., Ltd.	CLSW810015 swap	2008.01.24~2009.01.23	319,980	7,679	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	7,679
BankTaiwan Life Insurance Co., Ltd.	CLSW810016 swap	2008.01.28~2009.01.23	319,755	7,904	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	7,904
BankTaiwan Life Insurance Co., Ltd.	CLSW810104 swap	2008.04.30~2009.02.17	665,360	(10,442)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(10,442)



December 31, 2008						
Related party	Name of derivative	Contract period	Original amount	Current valuation adjustment	Balance sheet item	
					Item	Amount
BankTaiwan Life Insurance Co., Ltd.	CLSW810108 swap	2008.05.07~2009.01.12	167,075	(3,215)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(3,215)
BankTaiwan Life Insurance Co., Ltd.	CLSW810109 swap	2008.05.07~2009.01.12	1,236,355	(23,791)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(23,791)
BankTaiwan Life Insurance Co., Ltd.	CLSW810130 swap	2008.06.30~2009.02.17	1,663,400	(26,106)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(26,106)
BankTaiwan Life Insurance Co., Ltd.	CLSW810207 swap	2008.09.26~2009.02.12	2,001,000	(35,871)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(35,871)
BankTaiwan Life Insurance Co., Ltd.	CLSW810208 swap	2008.09.26~2009.02.12	667,000	(11,957)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(11,957)
BankTaiwan Life Insurance Co., Ltd.	CLSW810211 swap	2008.09.30~2009.02.12	566,950	(10,164)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(10,164)
BankTaiwan Life Insurance Co., Ltd.	CLSW810212 swap	2008.09.30~2009.02.12	1,000,500	(17,936)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(17,936)
BankTaiwan Life Insurance Co., Ltd.	CLSW810225 swap	2008.10.16~2009.02.17	2,994,120	(46,990)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(46,990)
BankTaiwan Life Insurance Co., Ltd.	CLSW810230 swap	2008.10.24~2009.01.08	1,205,604	(25,763)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(25,763)
BankTaiwan Life Insurance Co., Ltd.	CLSW810241 swap	2008.11.13~2009.02.17	665,360	(10,442)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(10,442)
BankTaiwan Life Insurance Co., Ltd.	CLSW810242 swap	2008.11.13~2009.02.17	1,663,400	(26,106)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(26,106)
BankTaiwan Life Insurance Co., Ltd.	CLSW810247 swap	2008.11.20~2009.01.22	1,297,200	13,466	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	13,466
BankTaiwan Life Insurance Co., Ltd.	CLSW810248 swap	2008.11.21~2009.01.22	1,621,500	16,833	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	16,833
BankTaiwan Life Insurance Co., Ltd.	CLSW810249 swap	2008.11.24~2009.02.24	325,000	2,362	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	2,362
BankTaiwan Life Insurance Co., Ltd.	CLSW810253 swap	2008.11.28~2009.02.27	329,230	(1,900)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,900)
BankTaiwan Life Insurance Co., Ltd.	CLSW810265 swap	2008.12.15~2009.02.17	332,680	(5,221)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(5,221)
Bank Taiwan Life Insurance Co., Ltd.	CLSW810266 swap	2008.12.17~2009.01.20	99,474	(1,170)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,170)
BankTaiwan Life Insurance Co., Ltd.	CLSW810267 swap	2008.12.18~2009.01.20	330,710	(3,030)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(3,030)
BankTaiwan Life Insurance Co., Ltd.	CLSW810273 swap	2008.12.22~2009.01.22	324,300	3,367	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	3,367
BankTaiwan Life Insurance Co., Ltd.	CLSW810276 swap	2008.12.29~2009.02.27	328,710	(1,380)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(1,380)
BankTaiwan Life Insurance Co., Ltd.	CLSW810279 swap	2008.12.31~2009.02.27	691,383	(3,989)	Valuation adjustment of financial liabilities at fair value through profit or loss – current – held for trading – swap	(3,989)

December 31, 2007 (audited by the MoA)						
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	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – forward	996
Taiwan Life Insurance Co., Ltd.	AEBH510877 Forward	2005.11.25~2008.11.26	151,054	(4,703)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – forward	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)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	85
Taiwan Life Insurance Co., Ltd.	BHSW510058 Swap	2005.12.12~2008.01.09	129,500	(261)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	369
Taiwan Life Insurance Co., Ltd.	BHSW510059 Swap	2005.12.12~2008.01.09	323,750	(652)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	922
Taiwan Life Insurance Co., Ltd.	BHSW610016 Swap	2006.01.25~2008.10.27	634,900	(7,875)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	1,251
Taiwan Life Insurance Co., Ltd.	BHSW610017 Swap	2006.01.26~2008.10.27	317,250	(3,304)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	822
Taiwan Life Insurance Co., Ltd.	BHSW610021 Swap	2006.03.07~2008.04.07	383,736	(360)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	3,089
Taiwan Life Insurance Co., Ltd.	BHSW710031 Swap	2007.04.25~2008.01.31	1,136,258	(1,922)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	(1,922)
Taiwan Life Insurance Co., Ltd.	BHSW710114 Swap	2007.10.04~2008.11.05	315,740	2,154	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	2,154
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	2004.11.30~2007.10.04	148,017	(396)	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – forward	(912)
Taiwan Life Insurance Co., Ltd.	AEBH510877 forward	2005.11.25~2007.05.25	148,452	8,937	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – forward	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	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	3,978
Taiwan Life Insurance Co., Ltd.	BHSW510058 swap	2005.12.12~2007.09.12	126,808	2,813	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	630
Taiwan Life Insurance Co., Ltd.	BHSW510059 swap	2005.12.12~2007.09.12	317,020	7,033	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	1,574
Taiwan Life Insurance Co., Ltd.	BHSW610016 swap	2006.01.25~2007.07.25	631,060	9,126	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	9,126
Taiwan Life Insurance Co., Ltd.	BHSW610017 swap	2006.01.26~2007.07.26	315,940	4,126	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	4,126
Taiwan Life Insurance Co., Ltd.	BHSW610019 swap	2006.02.06~2007.02.08	321,870	3,441	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	3,441
Taiwan Life Insurance Co., Ltd.	BHSW610020 swap	2006.02.15~2007.05.15	303,300	18,881	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	18,881
Taiwan Life Insurance Co., Ltd.	BHSW610021 swap	2006.03.07~2007.09.07	379,032	3,449	Valuation adjustment of financial assets at fair value through profit or loss – current – held for trading – swap	3,449

Note 1: The disclosure of the derivative instruments is by related party.

Note 2: Derivative financial instruments are assessed by the fair value method. Any relevant net present value created shall be recognized as current valuation adjustment.

Note 3: The ending balances of financial assets / liabilities at fair value through profit or loss and hedging derivative assets / liabilities are shown in the balance sheet item amount column.

17. The Bank shares parts of information systems and official facilities with BankTaiwan Securities and BankTaiwan Life Insurance for free.

### 3) Total amount of the major management's salaries and bonus

The related information about the salaries and bonus for the Bank's major management in 2008 and 2007 (audited by the MoA) is as follows:

	2008	2007 (audited by the MoA)
Salaries	\$ 23,162	27,393
Bonus and special disbursement	9,070	8,085
Business expenses	1,187	1,563

## (31) Pledged Assets

Pledged assets	Purpose of pledge	Book value	
		December 31, 2008	December 31, 2007 (audited by the MoA)
Available-for-sale financial assets – bonds	Guarantee deposit for provisional seizure against defaulted loans and others	\$ 704,900	740,900
Held-to-maturity financial assets – government bonds	Guarantee deposit for provisional seizure against defaulted loans and others	11,800	-
Financial assets at fair value through profit or loss – bonds	Guarantee deposit for securities trading	-	117,818
Available-for-sale financial assets – bonds	Operating deposit for securities investment trust and consulting	110,000	250,000
Available-for-sale financial assets – bonds	Guarantee deposits for trust business compensation reserve	50,000	50,000
Held-to-maturity financial assets – bonds	Operating deposit for trust business	25,000	50,000
Placement with Central Bank – deposits in Central Bank	Negotiable certificates of deposit (accounted for as cash)	20,000,000	20,000,000
		<u>\$ 20,901,700</u>	<u>21,208,718</u>

## (32) Commitments

### 1) Construction in progress and significant purchase agreements

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

	December 31, 2008		December 31, 2007 (audited by the MoA)	
	Contract price	Unpaid portion of contract price	Contract price	Unpaid portion of contract price
Construction contract:				
Construction of Nan Zih Branch	\$ 256,684	5,185	224,400	32,740
Construction of An Nan Branch	150,405	4,469	139,200	32,817
Construction of Yi Lan Branch	288,600	285,724	-	-
Construction of Don Gang Branch	110,300	110,300	-	-
Total	<u>\$ 805,989</u>	<u>405,678</u>	<u>363,600</u>	<u>65,557</u>

### 2) Operating leases

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

Fiscal Year	Amount
2009	\$ 323,771
2010	210,368
2011	146,603
2012	106,142
2013	40,597
	<u>\$ 827,481</u>

## 3) Others

	December 31, 2008	December 31, 2007 (audited by the MoA)
Collections for customers	\$ 76,508,546	89,764,571
Contract guarantee on behalf of counter-parties	9,793,378	16,332,748
Traveler's checks held on consignment	1,002,150	1,229,465
Marketable securities held as custodian	1,712,240,362	1,981,192,707
Letters of credit	40,915,854	40,039,283
Goods held in custody	3,311,690	3,334,671
Issuance of New Taiwan Dollars	1,056,400,700	963,838,210
Agency loans	435,814,005	89,764,571
Guarantee notes payable	612,200	617,200
Registered government bonds for sale	328,458,300	303,849,300
Registered short-term bills for sale	161,692,509	125,921,043
Consigned sales of goods	2,134,836	1,998,377
Trust liabilities	326,853,165	344,174,082
Guarantees	60,185,649	64,477,527
	<u>\$ 4,215,923,344</u>	<u>4,026,533,755</u>

## 4) Balance sheet, income statement and details of assets under trust

Trust assets	December 31, 2008	December 31, 2007 (audited by the MoA)
Short-term investment		
Investment in funds	\$ 104,949,846	96,707,232
Investment in bonds	166,124,289	195,180,332
Common stock investment – marketable securities	13,516,434	24,549,089
Deposits		
Deposits in the Bank	21,522,395	22,034,073
Deposits in other banks	6,205	2,001
Receivables		
Interest receivable	3,148,851	3,741,542
Cash dividend receivables	969	1,018
Receivables from trading securities	256,145	290,534
Prepaid expense	503	308
Real estate		
Land	933,396	1,058,194
Buildings	16,888	21,684
Construction in progress	1,271,795	588,075
Other assets	15,105,449	-
Total	<u>\$ 326,853,165</u>	<u>344,174,082</u>

Trust liabilities	December 31, 2008	December 31, 2007 (audited by the MoA)
Long-term loans		
Long-term secured loans	\$ 35,679	102,000
Long-term loans	1,089,734	203,564
Payables		
Payables from trading securities	225,661	541,337
Other payables	15	25
Payables from management fee	1,605	1,139
Payables from supervision fee	229	104
Tax payables	597	6,303
Securities held in custody payable	15,105,449	-
Trust capital		
Money trust	260,695,393	263,543,701
Marketable securities trust	2,553,204	15,457,315
Real estate investment trust	1,204,226	1,210,284
Other reserve and accumulated income		
Accumulated loss	28,099,557	1,291,639
Foreign currency transition	13,307,961	18,109,251
Deferred unrealized income	(5,156,413)	6,481,561
Current income	9,690,268	37,225,859
Total	<u>\$ 326,853,165</u>	<u>344,174,082</u>

Details of trust	December 31, 2008	December 31, 2007 (audited by the MoA)
Short-term investment		
Investment in funds	\$ 104,949,846	96,707,232
Investment in bonds	166,124,289	195,180,332
Common stock investment – marketable securities	13,516,434	24,549,089
Deposits		
Deposits in the Bank	21,522,395	22,034,073
Deposits in other banks	6,205	2,001
Real estate		
Land	933,396	1,058,194
Buildings	16,888	21,684
Construction in progress	1,271,795	588,075
Other assets	15,105,449	-
Trust capital	<u>\$ 323,446,697</u>	<u>340,140,680</u>

Income statement for assets under trust	December 31, 2008	December 31, 2007 (audited by the MoA)
Trust revenue:		
Capital interest revenue	\$ 9,427,798	32,347,396
Realized capital gain	-	4,360,592
Gains from property trading	-	153
Cash dividend revenue	1,666,480	1,990,810
Other revenue	-	16
Income from beneficiary certificates	1,356	1,384
	<u>11,095,634</u>	<u>38,700,351</u>
Trust expense:		
Capital management fee	\$ 39,175	267,682
Tax expense	6,659	1,587
Capital property trading loss	-	2,726
Other expense of capital	115,809	40,014
Supervisor fee	216	166
Storage fee	34,023	229,500
Interest expense	9,575	8,775
Commission fee	36	78
Realized capital loss	1,194,491	913,570
Unrealized capital loss	3,751	-
Income tax expense	337	7,000
Real estate tax	1,294	3,394
	<u>1,405,366</u>	<u>1,474,492</u>
Trust capital	<u>\$ 9,690,268</u>	<u>37,225,859</u>

### (33) Others

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

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

Function Accounts	2008			2007 (audited by the MoA)		
	Cost of goods sold	Operating expenses	Total	Cost of goods sold	Operating expenses	Total
Personnel costs:						
Salaries	-	9,748,239	9,748,239	-	9,994,617	9,994,617
Labor and health insurance	-	477,684	477,684	-	489,675	489,675
Pension	-	1,085,289	1,085,289	-	1,187,114	1,187,114
Other employment	-	1,075,954	1,075,954	-	2,687,681	2,687,681
Depreciation	-	928,303	928,303	-	931,707	931,707
Depletion	-	-	-	-	-	-
Amortization	-	406,057	406,057	-	377,157	377,157



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

Type / Item			December 31, 2008				
			Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio %
Enterprise	Secured		5,993,948	391,147,404	1.53%	2,620,426	43.72%
	Non-secured		4,912,250	1,042,827,253	0.47%	4,488,539	91.37%
Consumer finance	House mortgage		6,386,009	361,339,108	1.77%	2,378,736	37.25%
	Cash card		-	-	-	-	-
	Micro credit		436,734	17,820,177	2.45%	396,861	90.87%
	Others	Secured	1,052,522	58,142,221	1.81%	424,656	40.35%
		Non-secured	2,476,296	128,466,677	1.93%	1,363,376	55.06%
	Total		21,257,759	1,999,742,840	1.06%	11,672,594	54.91%
			Overdue receivables	Account receivable	Ratio	Allowance bad debt	Cover ratio
Credit card business			8,693	1,158,361	0.75%	14,606	168.02%
Factoring receivables – non-recourse			-	1,298,819	-	3,896	-

Type / Item		December 31, 2007 (audited by the MoA)					
		Amount of overdue loans	Total amount of loans	Ratio	Allowance for bad debt	Coverage ratio%	
Enterprise	Secured		4,685,683	356,892,673	1.31%	3,157,912	67.39%
	Non-secured		2,385,496	1,045,891,168	0.23%	5,415,763	227.03%
Consumer finance	House mortgage		6,121,312	333,443,097	1.84%	2,353,567	38.45%
	Cash card		-	-	-	-	-
	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%	13,330,769	71.03%
			Overdue receivables	Account receivable	Ratio	Allowance bad debt	Cover ratio
Credit card business			9,688	1,232,733	0.79%	13,665	141.05%
Factoring receivables – non-recourse			-	985,629	-	2,957	-

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 receivables / Account receivables.

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 millions of New Taiwan Dollars, %)

December 31, 2008			
Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	Formosa Plastics	45,311	20.26
2	Chimei	36,995	16.54
3	China Steel	31,672	14.16
4	Evergreen	21,687	9.70
5	BenQ	19,683	8.80
6	Uni-President	15,518	6.94
7	ProMOS Technologies	12,189	5.45
8	Tainan Spinning	11,058	4.94
9	Yuanta Financial Holdings	10,699	4.78
10	China Airlines	9,922	4.44

December 31, 2007 (audited by the MoA)			
Rank (Note 1)	Group Name (Note 2)	Credit Extensions Balance (Note 3)	% of Net Asset Value
1	Formosa Plastics	38,123	15.30
2	China Steel	22,287	8.95
3	Chimei	20,979	8.42
4	BenQ	18,439	7.40
5	Uni-President	18,196	7.30
6	Evergreen	16,519	6.63
7	Taiwan Cogent	15,630	6.27
8	Far Eastone	15,373	6.17
9	Pacific Electric Wire & Cable	13,661	5.48
10	Chinatrust Holdings	12,136	4.87

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 28.

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

	December 31, 2008		December 31, 2007 (Bank of Taiwan)	
	Average	Average interest rate (%)	Average	Average interest rate (%)
Interest-earning assets:				
Call loans and placement with banks	\$ 158,137,960	2.28	150,826,564	3.91
Placement with Central Bank	640,658,855	2.02	524,098,109	1.84
Financial assets	187,821,011	3.25	195,847,662	3.43
Negotiation, discounts and total loans	1,974,798,106	3.12	1,903,888,628	2.82
Interest-bearing liabilities:				
Deposit of Central Bank	12,984,027	-	12,414,982	-
Deposits and call loans from banks	217,817,458	2.07	193,266,857	3.69
Demand deposit	179,240,450	0.54	166,197,860	0.72
Demand savings	378,091,857	1.36	376,023,769	1.26
Time savings	1,338,061,939	3.13	1,261,603,372	2.89
Time deposits	536,787,854	2.98	407,221,259	2.89
Government deposits	230,896,009	0.81	225,214,982	0.79

Note 1: Average is calculated by daily average of interest-earning assets and interest-bearing liabilities from January to current month.

Note 2: The table contains the amounts for the departments of the Bank only.

#### 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, 2008

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 1,355,929,976	1,210,165,619	96,956,678	-	2,663,052,273
Interest rate-sensitive liabilities	343,727,421	2,023,111,444	350,447,148	-	2,717,286,013
Interest rate-sensitive gap	1,012,202,555	(812,945,825)	(253,490,470)	-	(54,233,740)
Net worth					230,669,037
Ratio of interest rate-sensitive assets to liabilities					98.00
Ratio of interest rate-sensitive gap to net worth					(23.51)

December 31, 2007 (audited by the MoA)

	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

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-sensitivity 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 value = Interest-rate-sensitive gap / Net value.

Interest-rate-sensitive balance sheet – for USD  
December 31, 2008

	1-90 Days	91-180 Days	181 Days to One Year	Over One Year	Total
Interest rate-sensitive assets	\$ 11,447,791	1,914,005	1,277,147	895,286	15,534,229
Interest rate-sensitive liabilities	11,136,518	2,873,090	1,547,171	130,058	15,686,837
Interest rate-sensitive gap	311,273	(959,085)	(270,024)	765,228	(152,608)
Net worth					(154,569)
Ratio of interest rate-sensitive assets to liabilities					99.03
Ratio of interest rate-sensitive gap to net worth					98.73

December 31, 2007 (audited by the MoA)

	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

Note 1: The above amounts include only U.S. 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-sensitivity 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 U.S. Dollars).

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

## 5) Major foreign currency position, net

Units: thousands of stated currencies

December 31, 2008			December 31, 2007		
Amount in functional currency		Amount in New Taiwan dollars	Amount in functional currency		Amount in New Taiwan dollars
JPY	3,041,756	1,102,637	USD	113,750	3,695,055
USD	27,363	896,795	JPY	2,741,214	794,678
HKD	18,676	883,732	HKD	88,736	369,523
SGD	112,184	538,023	SGD	15,897	357,517
ZAR	14,718	335,141	ZAR	28,494	135,668

Note 1: The major foreign currencies were the top 5 currencies by position expressed in New Taiwan Dollars after exchange rate conversion.

Note 2: Net position represented the absolute value of each currency.

## 6) Profitability

1. For the years ended December 31, 2008 and 2007 (audited by the MoA), information on return on assets, return on net equity, and net income to operating revenue was as follows:

Item		December 31, 2008	December 31, 2007 (audited by the MoA)
Return on total assets	Before income tax	0.24	0.41
	After income tax	0.23	0.39
Return on net worth	Before income tax	3.60	5.56
	After income tax	3.45	5.21
Profit margin		29.13	37.83

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, 2008 and 2007 (audited by the MoA).

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

## 2. Duration analysis of assets and liabilities

### Term Structure Analysis of NTD December 31, 2008

	Total	December 31, 2008				
		Less than 30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 3,283,298,908	559,060,939	519,085,732	413,278,448	348,120,707	1,443,753,082
Major matured capital outflow	3,611,239,759	410,912,286	411,965,424	424,200,921	937,159,046	1,427,002,082
Capital gap	(327,940,851)	148,148,653	107,120,308	(10,922,473)	(589,038,339)	16,751,000

### December 31, 2007 (audited by the MoA)

	Total	December 31, 2008				
		Less than 30 days	31~90 days	91~180 days	181~365 days	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

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 December 31, 2008

	Total	December 31, 2008				
		Less than 30 days	31~90 days	91~180 days	181~365 days	Over 1 year
Major matured capital inflow	\$ 12,374,295	4,817,199	3,640,140	1,491,537	1,327,151	1,098,268
Major matured capital outflow	12,342,139	5,845,428	3,288,559	1,369,376	1,540,068	298,708
Capital gap	32,156	(1,028,229)	351,581	122,161	(212,917)	799,560

December 31, 2007 (audited by the MoA)

	Total	December 31, 2008				
		Less than 30 days	31~90 days	91-180 days	181~365 days	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

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 U.S. Dollar, 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

			December 31, 2008	December 31, 2007 (audited by the MoA)
Eligible capital	Tier 1 capital		\$ 168,816,958	168,148,587
	Tier 2 capital		4,085,560	6,403,091
	Tier 3 capital		-	-
	Eligible capital		172,902,518	174,551,678
Risk-weighted assets	Credit risk	Standardized approach	1,415,152,755	1,335,123,193
		Internal rating-based approach	-	-
		Securitization	3,360,326	-
	Operational risk	Basic indicator approach	44,805,525	42,207,000
		Standardized approach/Alternative standardized approach	-	-
		Advance measurement approach	-	-
	Market risk	Standardized approach	23,653,475	22,872,575
		Internal models approach	-	-
Total risk-weighted assets			1,486,972,081	1,400,202,768
Capital adequacy ratio			11.63%	12.47%
Tier 1 risk-based capital ratio			11.35%	12.01%
Tier 2 risk-based capital ratio			0.28%	0.46%
Tier 3 risk-based capital ratio			-%	-%
Ratio of common stockholders' equity to total assets			1.25%	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.

4. On September 26, 2008, the Bank was assigned by the Central Deposit Insurance Corp. to manage Chinfon Bank Co., Ltd.
5. In accordance with letter No. 0970003268 issued by the Directorate General of Budget, Accounting and Statistics, Executive Yuan, the Bank reclassified the excess interest expenses arising from the preferential interest deposits for pensions of Military, Public and Teaching personnel from interest expenses to other non-interest income on June 23, 2008. In the meantime, the excess interest in 2007 was given the same reclassification treatment in order to match the financial statement presentation in 2008.

## (34) 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: none.
2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
3. Information on the disposal of real estate for which the sale amount exceeded \$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	Relation-ship	Purpose of Disposal	Reference for Price	Other
The Bank	No. 3, 4 Chengchung Rd, Zhong Zheng District, Taipei City 100, Taiwan Land and No. 58, Sec. 1, Chongqing S. Rd., Taiwan building	2008.01.02	1951.06.04	440,544	-	BankTaiwan Securities Co., Ltd. funded under Financial Supervisory Commission, Executive Yuan's permission	-	BankTaiwan Securities Co., Ltd.	Subsidiary of Taiwan Financial Holding Co., Ltd.	To fund BankTaiwan Securities Co., Ltd.	Transferred at book value	None
The Bank	No. 429, Sec. 5, Tonghua St., Da-an District, Taipei City 106, Taiwan Land, 2-8 F., No.96, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan Building, B2 F, No 12, Lane 63, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan Building, and B3 F, No. 65, 69, 71, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan Building	2008.01.02	2007.07.01	463,947	-	BankTaiwan Life Insurance Co., Ltd. funded under Financial Supervisory Commission, Executive Yuan's permission.	-	BankTaiwan Life Insurance Co., Ltd	Subsidiary of Taiwan Financial Holding Co., Ltd.	To fund Bank Taiwan Life Insurance Co., Ltd.	Transferred at book value	None
The Bank	No. 181, Sec. 5, Wunde Rd., Neihu District, Taipei City 114, Taiwan Land, B1, 1-3 and 5 F., No. 100, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan Building, and 1-3 and 5 F., No. 102, Rueiguang Rd., Neihu District, Taipei City 114	2008.01.02	2007.07.01	739,328	-	BankTaiwan Life Insurance Co., Ltd. funded under Financial Supervisory Commission, Executive Yuan's permission.	-	BankTaiwan Life Insurance Co., Ltd	Subsidiary of Taiwan Financial Holding Co., Ltd.	To fund Bank Taiwan Life Insurance Co., Ltd.	Transferred at book value	None
The Bank	No. 47-2, 47-3, 51-1, 51-3, 53-4, 54, 54-1, 55, 59, 60-3, Nanhai Rd, Zhong Zheng Districts, Taipei City 100, Taiwan Land	2008.10.14	1951.06.04	642,651	1,988,889	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.	1,346,238	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 1,793,000 thousand dollars.)	None
The Bank	No. 88, 90 Zhong Zheng Rd., Zhong Zheng District, Taipei City 100, Taiwan Land (previously owned by Central Trust of China)	2008.10.29	2007.07.01	118,800	409,880	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.	291,080	Jian-sen Wu	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 356,000 thousand dollars.)	None
The Bank	No. 78, 78-1 Chengchung Rd., Zhong Zheng District, Taipei City 100, Taiwan Land and No. 180, Sec. 1, Chongqing S. Rd., Taiwan building	2008.12.30	1959.07.17	287,950 (shared by 6 Banks)	806,600 (shared by 6 Banks)	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.	518,050 (shares by 6 Banks)	Hong Jing Construction	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 769,000 thousand dollars.)	None
The Bank	No. 638, 639 Guo-tian-tz Rd., Ling Ya District, Kaohsiung City, Taiwan Land	2008.12.30	1961.10.12	185,944	416,600	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.	230,656	Guo-cheng Wong	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 411,000 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) Details of selling non-performing loans

Transaction date	Transaction party	Details of non-performing loan	Book value	Selling price	Disposal gain / loss	Other	Relationship
2007.07.19 (Note)	A	Working capital loans, capital expenditure loans	14,335	282,263	267,928	None	None

Note: the transaction was completed on January 8, 2008.

(b) Details of selling non-performing loans for which the amount exceeded \$1 billion: none.

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 Holding Co., Ltd.	No. 38, Sec.1, Chongching S. Rd. Taipei City, Taiwan	Financial Holdings	24.86	22,311,022	2,247,943	1,788,132,000	1,788,132,000	29.36	-
Taiwan Life Insurance Co., Ltd.	No.17, Syuchang St., Taipei City, Taiwan	Life Insurance	24.96	908,142	(1,077,951)	153,445,472	153,445,472	28.46	-
Kaohsiung Ammonium Sulfate Co., Ltd.	4F., No.53, Tonghua 4th Rd., Kaohsiung, Taiwan	Liquidation	91.86	2,640,474	(14,163)	303,131,576	303,131,576	91.86	-
Tang-Eng Iron Works Co., Ltd.	No. 4, Yanhai 2nd Rd., Siaogang Distr., Kaohsiung City, Taiwan	Iron Industry	21.38	1,090,467	(506,966)	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	9,577	(3,091)	1,500,000	1,500,000	30.00	-

Note 1: The investees' shares or pro-forma shares held by the Company's board of directors, supervisor, CEO, vice CEO, and affiliates conforming to the Company Act should be included.

Note 2: (1) Pro-forma shares are the "securities having equity property" or "derivative instrument contracts (have not been converted into stock)" that can be converted into shares of the investee company under Article 74 of the "Company Act" for investment purposes.

(2) The above "securities having equity property" means the securities that conform to the regulation in Article 11, Paragraph 1 of the Securities and Exchange Act Enforcement Rules, for example, convertible bonds and stock warrants.

(3) The abovementioned "derivative instrument contracts" conformed to the definition of derivative instrument in SFAS No. 34 "Financial Instruments: Recognition and Measurement", for example, stock options.

Note 3: The statement can be omitted in the 1st and 3rd quarters.

2. Lending to other parties: none.
3. Guarantees and endorsements for other parties: none.
4. Securities held as of December 31 2008: none.
5. Information regarding securities for which the purchase or sale amount for the period exceeded \$300 million or 10% of the Bank's paid-in capital: none.
6. Information on the acquisition of real estate for which the purchase amount exceeded \$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 \$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 \$5 million: none.
9. Information regarding receivables from related parties for which the amount exceeded \$300 million or 10% of the Bank's paid-in capital: none.
10. Information regarding trading in derivative financial instruments: none.
11. Information regarding selling non-performing loans for which the amount exceeded \$5 billion: none.
12. Other material transaction items which were significant to people who use the information in the financial statements: none.
13. Other significant transaction items having influence on the decisions of these financial statements' users: none.

### (35) Segment Information

	December 31, 2008					
	Bank department	Government employees insurance department	Procurement department	Trade department	Offset amount	Total
<b>Assets</b>						
Cash and cash equivalents	\$ 42,177,591	11,927,740	286,165	29,025	-	54,420,521
Placement with Central Bank and call loans to banks	996,241,280	-	-	-	-	996,241,280
Financial assets at fair value through profit or loss	33,178,259	39,023,254	-	-	-	72,201,513
Bonds and bills purchased under resell agreements	298,262	-	-	-	-	298,262
Receivables, net	86,540,471	16,749,386	3,843	138,270	-	103,431,970
Loans and discounts, net	1,988,070,246	-	-	-	-	1,988,070,246
Available-for-sale financial assets, net	155,491,586	-	-	-	-	155,491,586
Held-to-maturity financial assets, net	1,436,161	30,382,274	-	-	-	31,818,435
Long-term investment under equity method, net	26,959,682	-	-	-	-	26,959,682
Other financial assets, net	67,326,090	-	-	-	-	67,326,090
Fixed assets, net	79,930,703	7,583	10,607	4,614	-	79,953,507
Intangible assets, net	1,209,589	2,891	4,134	9,544	-	1,226,158
Other assets, net	16,565,770	28,064,837	3,638,222	656,859	(32,190,362)	16,735,326
<b>Total assets</b>	<b>\$ 3,495,425,690</b>	<b>126,157,965</b>	<b>3,942,971</b>	<b>838,312</b>	<b>(32,190,362)</b>	<b>3,594,174,576</b>
<b>Liabilities</b>						
Deposit of Central Bank and other banks	\$ 181,489,738	-	-	-	-	181,489,738
Financial liabilities at fair value through profit or loss	5,986,684	15,591	-	-	-	6,002,275
Bonds and bills sold under repurchase agreements	19,217,840	-	-	-	-	19,217,840
Payables	62,142,228	34,118	1,229,508	495,953	-	63,901,807
Deposits and remittances	2,947,909,688	-	-	-	-	2,947,909,688
Accrued pension liability	2,396,018	-	-	-	-	2,396,018
Other financial liabilities	1,618,124	-	-	-	-	1,618,124
Other liabilities	51,776,143	126,108,256	2,239,402	76,658	(32,190,362)	148,010,097
<b>Total liabilities</b>	<b>3,272,536,463</b>	<b>126,157,965</b>	<b>3,468,910</b>	<b>572,611</b>	<b>(32,190,362)</b>	<b>3,370,545,587</b>

	December 31, 2008					
	Bank department	Government employees insurance department	Procurement department	Trade department	Offset amount	Total
Stockholders' equity						
Common stock	45,000,000	-	-	-	-	45,000,000
Capital surplus	110,063,016	-	-	-	-	110,063,016
Retained earnings						
Legal reserve	17,033,747	-	-	-	-	17,033,747
Special reserve	21,038,437	-	-	-	-	21,038,437
Unappropriated retained earnings	7,412,439	-	474,061	265,701	-	8,152,201
Equity adjustment						
Unrealized increments on reevaluation	16,418,585	-	-	-	-	16,418,585
Cumulative foreign currency translation adjustment	(151,884)	-	-	-	-	(151,884)
Unrealized gain (loss) on financial instruments	6,074,887	-	-	-	-	6,074,887
Total stockholders' equity	222,889,227	-	474,061	265,701	-	223,628,989
Total liabilities and stockholders' equity	<u>\$ 3,495,425,690</u>	<u>126,157,965</u>	<u>3,942,971</u>	<u>838,312</u>	<u>(32,190,362)</u>	<u>3,594,174,576</u>

	2008					
	Bank department	Government employees insurance department	Procurement department	Trade department	Offset amount	Total
Interest revenue	\$ 85,334,473	1,523,787	662	44	-	86,858,966
Less: interest expense	(63,192,820)	-	-	-	-	(63,192,820)
Interest income, net	22,141,653	1,523,787	662	44	-	23,666,146
Non-interest income, net						
Service fee income	4,585,972	-	603,504	46,079	-	5,235,555
Service fee expense	(476,085)	(17,809)	(33,114)	(22,949)	-	(549,957)
Gain (loss) on financial assets and liabilities at fair value through profit or loss	2,429,482	(19,071,275)	-	-	-	(16,641,793)
Realized gain on available-for-sale financial assets	1,621,691	-	-	-	-	1,621,691
Gain on long-term investment under equity method	645,772	-	-	-	-	645,772
Foreign exchange gain (loss)	4,172,270	(348,478)	-	(302)	-	3,823,490
Gain on asset reevaluation (impairment loss)	(2,896,101)	-	-	-	-	(2,896,101)
Other non-interest income	(8,060,951)	18,044,566	32,543	323,667	(258)	10,339,567
Income from property transaction	2,738,530	-	-	-	-	2,738,530
Net revenue	26,902,233	130,791	603,595	346,539	(258)	27,982,900
Bad debt expense	1,545,595	-	-	-	(258)	1,545,337
Operating expense	17,593,891	130,791	129,534	80,838	-	17,935,054
Net income before tax	7,762,747	-	474,061	265,701	-	8,502,509
Income tax expense	350,308	-	-	-	-	350,308
Net income	<u>\$ 7,412,439</u>	<u>-</u>	<u>474,061</u>	<u>265,701</u>	<u>-</u>	<u>8,152,201</u>

	December 31, 2007 (audited by the MoA)						
	Bank department	Procurement department	Trade department	Life insurance department	Government employees insurance department	Offset amount	Total
Asset							
Cash and cash equivalents	\$ 54,380,866	661,885	66,007	30,185,402	6,093,945	-	91,388,105
Placement with Central Bank and call loans to banks	625,965,012	-	-	-	-	-	625,965,012
Financial assets at fair value through profit or loss	26,390,678	-	-	610,198	37,565,689	-	64,566,565
Bonds and bills purchased under resell agreements	-	-	-	13,387,011	775,056	-	14,162,067
Receivables, net	86,194,806	8,363	450,408	1,663,985	18,764,780	-	107,082,342
Loans and discounts, net	1,912,625,099	-	-	7,472,601	-	-	1,920,097,700
Available-for-sale financial assets, net	180,709,786	-	-	20,360,119	-	-	201,069,905
Held-to-maturity financial assets, net	2,662,539	-	-	63,891,213	39,248,253	-	105,802,005
Long-term investment under equity method, net	29,856,549	-	-	4,501,287	-	-	34,357,836
Other financial assets, net	71,571,094	-	-	7,931,837	-	-	79,502,931
Fixed assets, net	82,657,816	11,323	5,626	776,946	8,557	-	83,460,268
Intangible assets, net	1,054,460	5,248	14,519	4,886	3,496	-	1,082,609
Other assets, net	16,482,485	1,977,425	258,528	3,620,534	29,051,765	(32,153,714)	19,237,023
Total assets	<u>\$ 3,090,551,190</u>	<u>2,664,244</u>	<u>795,088</u>	<u>154,406,019</u>	<u>131,511,541</u>	<u>(32,153,714)</u>	<u>3,347,774,368</u>

	December 31, 2007 (audited by the MoA)						
	Bank department of Bank of Taiwan	Procurement department	Trade department	Life insurance department	Government employees insurance department	Offset amount	Total
Liabilities							
Deposit of Central Bank and other banks	245,414,754	-	-	-	-	-	245,414,754
Financial liabilities at fair value through profit or loss	1,437,918	-	-	40,248	-	-	1,478,166
Bonds and bills sold under repurchase agreements	17,570,315	-	-	-	-	-	17,570,315
Payables	59,483,045	294,287	614,715	34,456,643	421,143	-	95,269,833
Deposits and remittances	2,466,179,246	-	-	-	-	-	2,466,179,246
Accrued pension liability	2,106,598	-	-	-	-	-	2,106,598
Other financial liabilities	1,715,307	-	-	-	-	-	1,715,307
Other liabilities	52,673,478	2,057,219	87,668	115,148,923	131,087,072	(32,153,714)	268,900,646
Total liabilities	2,846,580,661	2,351,506	702,383	149,645,814	131,508,215	(32,153,714)	3,098,634,865
Stockholders' equity							
Common stock	48,000,000	-	-	5,000,000	-	-	53,000,000
Capital surplus	110,423,081	-	-	-	-	-	110,423,081
Retained earnings							
Legal reserve	13,260,737	-	-	-	-	-	13,260,737
Special reserve	17,900,397	-	-	-	-	-	17,900,397
Unappropriated retained earnings	12,055,184	312,738	92,705	112,746	3,326	-	12,576,699
Equity adjustment							
Unrealized increments on reevaluation	16,715,818	-	-	163,710	-	-	16,879,528
Cumulative foreign currency translation adjustment	(199,215)	-	-	(4,472)	-	-	(203,687)
Unrealized gain (loss) on financial instruments	25,814,527	-	-	(511,779)	-	-	25,302,748
Total stockholders' equity	243,970,529	312,738	92,705	4,760,205	3,326	-	249,139,503
Total liabilities and stockholders' equity	\$ 3,090,551,190	2,664,244	795,088	154,406,019	131,511,541	(32,153,714)	3,347,774,368

	2007 (audited by the MoA)						
	Bank department	Life insurance department	Government employees insurance department	Procurement department	Trade department	Offset amount	Total
Interest revenue	\$ 77,323,802	4,397,898	1,198,498	38	323	-	82,920,559
Less: interest expense	(54,472,567)	(774,156)	-	-	-	-	(55,246,723)
Interest income, net	22,851,235	3,623,742	1,198,498	38	323	-	27,673,836
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	4,148,878	199,633	5,312,152	-	-	-	9,660,663
Realized gain on available-for-sale financial assets	1,316,230	2,386,187	-	-	-	-	3,702,417
Realized gain on held-to-maturity financial assets	-	(23,185)	-	-	-	-	(23,185)
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 asset reevaluation (impairment loss)	512,678	(612,108)	-	-	-	-	(99,430)
Other non-interest income	(10,478,933)	(4,163,058)	(6,582,217)	(4,644)	176,460	(682)	(21,053,074)
Income from property transaction	6,372,755	-	-	-	-	-	6,372,755
Net revenue	31,926,188	500,080	149,461	468,252	204,818	(682)	33,248,117
Bad debt expense	846,587	21,832	-	-	652	(682)	868,389
Operating expense	18,164,548	368,472	149,461	155,514	111,461	-	18,949,456
Net income before tax	12,915,053	109,776	-	312,738	92,705	-	13,430,272
Income tax expense	853,573	-	-	-	-	-	853,573
Net income	\$ 12,061,480	109,776	-	312,738	92,705	-	12,576,699

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



- 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, 2008	Dec. 31, 2007 (restated)	Change	
				Amount	%
Total Assets		3,594,174,576	3,347,774,368	246,400,208	7.36
Total Liabilities		3,370,545,587	3,098,634,865	271,910,722	8.78
Total Shareholders' Equities		223,628,989	249,139,503	(25,510,514)	(10.24)

Analysis of changes in increase / decrease ratios:

The drop in shareholder equity in 2008 compared with 2007 was caused mainly by a reduction in unrealized losses on financial products in 2008 compared with 2007, and by the spinoff of some businesses and assets on Jan. 2, 2008 and a reduction of capital by NT\$8 billion. The spun-off businesses were used to establish BankTaiwan Securities and BankTaiwan Life Insurance.

## II. Operating Results

Unit: NT\$1,000

Items	Year	2008	2007 (restated)	Amount Change	% Change
Net interest income		23,666,146	27,673,836	(4,007,690)	(14.48)
Non-interest income (net)		4,316,754	5,574,281	(1,257,527)	(22.56)
Net revenues		27,982,900	33,248,117	(5,265,217)	(15.84)
Bad debt expenses		1,545,337	868,389	676,948	77.95
Operating expenses		17,935,054	18,949,456	(1,014,402)	(5.35)
Net income-before tax		8,502,509	13,430,272	(4,927,763)	(36.69)
Income tax expense		350,308	853,573	(503,265)	(58.96)
Net income-after tax		8,152,201	12,576,699	(4,424,498)	(35.18)

Analysis of changes in increase / decrease ratios:

1. The reduction in net income-before tax in 2008 as compared with 2007 was caused mainly by a decline in net interest income and income from the sale of assets.
2. The reduction in net interest income in 2008 compared with 2007 was due primarily to the fact that the increase in interest costs was larger than the increase in interest income.
3. The reduction in non-interest income ( net ) in 2008 as compared with 2007 was caused mainly by a decline in net income from the sale of assets.
4. The increase in provision for loan losses in 2008 was caused mainly by additional provisions due to increases in non-performing loans because of the impact of the financial turmoil and economic recession that year.
5. The reduction in income tax expense in 2008 as compared with 2007 was caused by a decrease in the income tax expense in the overseas branches.

## III. Cash Flow

### 1. Liquidity Analysis for the Past Year

#### (1) Cash Flow Analysis

Unit: NT\$1,000

Item	2008	2007 (restated)	Amount Change	% Change
Net cash inflow (outflow)	(64,026,884)	60,007,444	(124,034,328)	(206.70)

Net cash outflow in 2008 was NT\$124.03 billion more than in the previous year. The main reasons for the net change were as follows:

Unit: NT\$1,000

Items	Amount
Decrease in net cash inflow from operating activities	(77,844,867)
Decrease in placement with Central Bank	(479,819,611)
Increase in loans and discounts	151,170,196
Decrease in deposits of banks	(16,329,954)
Increase in deposits and remittances	328,367,720
Others	(29,577,812)
Net cash outflow	(124,034,328)

(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
228,004,249	25,977,147	(28,331,496)	225,649,900	-	-

### (1) Cash Flow Analysis

- Business activities: Due primarily to a new cash inflow of NT\$25,977,147,000 produced by business activities.
- Investment activities: A net cash outflow of NT\$39,591,886,000 from investment activities mainly due to a net increase of loans & discounts, and current financial assets together with a decrease of the long-term investments and intangible assets.
- Financing activities: Primarily a net cash inflow of NT\$11,278,566,000 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				
				2005	2006	2007	2008	2009
Construction of Nantze Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	Sep. 2008	288,154	2,741	54,208	150,686	65,597	13,821
Construction of Anan Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	Apr. 2008	176,617	5,041	1,968	70,209	92,027	6,654
Construction of Ilan Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	Aug. 2010	302,000	0	0	573	10,079	133,451
Construction of Donggang Branch Premises	Fixed assets – Non-plan capital expenditures – Buildings and structures	July 2010	116,083	0	0	307	2,655	40,954
Total			611,054	7,782	56,176	221,775	170,358	194,880

### 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. Because of the impact of the global financial turmoil in 2008, there was a general decline in profit earned by reinvested enterprises as calculated by the equity method. This affected the investment income recognized by the Bank; but the income from reinvestment during the year amounted to about NT\$3 billion, which was satisfactory.

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. Since the Bank's cash investment ratio is higher than the Banking Law requires, in its reinvestment the Bank will follow the instructions in the Ministry of Finance's letter of June 20, 2001 to the effect that the vigorous adjustment of the amount of reinvestment and shareholding ratios should be continued so as to conform to the provisions of Article 74 of the Banking Law.



## 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 2008

Items	Contents
I. Credit Risk Strategies, Goals, Policies, and Procedures	<p>1. Credit Risk Strategies, Goals, Policies</p> <p>(1) In accordance with the loan, investment, and business risk management strategies and operating directions approved by the Board of Directors, and in compliance with the Basel II Capital Accord and the regulatory provisions of the competent authority, the Bank has established a credit risk management system and policy and, in response to changes in the macroeconomic market, loan portfolio risk, and asset quality, and to coordinate with government policy, the Bank readjusts its risk management policy according to internal procedures whenever necessary.</p> <p>(2) 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 to measure the allocation of capital.</p> <p>2. Credit Risk Procedures</p> <p>(1) Credit risk assessment and monitoring are carried out in accordance with the relevant regulations of the competent authority and the BOT, and reports are submitted to the BOT's Board of Directors and Risk Management Committee.</p> <p>(2) Risk quotas and early-warning indexes are established by industry, country, conglomerate, financial institution, and trading partner in order to control the concentration of risk, and monitoring and reporting are carried out.</p> <p>(3) 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: a loan review and follow-up evaluation system, and loan early-warning mechanism; monitoring of asset quality; strengthened early warning and management for abnormal loans; full allocation of loss provisions, and adequate capital provision.</p> <p>(4) The Bank has developed and established various risk rating models, rating systems, and management systems related to credit risk, and is gradually introducing them into the Bank's credit investigation processes to help the Bank identify and weigh credit risk so that it can comply with the provisions of the Basel II Capital Accord and strengthen its credit risk management capability.</p>
II. Organizational Framework of Credit Risk Management	<p>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. The Auditing Office of the Board of Directors carries out inspections of the different credit risk management systems and procedures.</p>
III. Scope and Characteristics of the Credit Risk Reporting and Measuring System	<p>1. Credit Risk Reporting :</p> <p>Scope: Includes the standard system-produced credit risk reports that are submitted to the competent authority, and monthly credit risk monitoring reports.</p> <p>Characteristics: The Bank's Department of Risk Management produces credit risk monitoring reports and submits them to the chief executive on a monthly basis, and also makes regular reports to the Board of Directors and Risk Management Committee. 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. Dynamic monitoring of credit risk is also carried out as necessary, and if major changes are found they are reported, according to established procedure, to the relevant superior unit and then to the chief executive in order to control credit risk effectively.</p> <p>2. Credit Risk Measuring System</p> <p>Scope : The Bank currently uses the risk standardized approach to calculate capital allocation. The Risk Management Information System automatically produces various reports each month, including reports to the competent authority, management-related reports, and information-disclosure reports. These reports are used to compile monitoring reports for ranking executives, the Risk Management Committee, and the Board of Directors. The Bank is currently installing a risk-management mechanism with an internal ratings-based approach that is compliant with the Basel II Capital Accord. Corporate banking information is being collected bank-wide for the establishment of a credit risk databank, data mart, and credit-rating system, and models are being set up for default probability in corporate banking and consumer banking, loss given default, and exposure at default. After these systems are in place they will be introduced into the Bank's credit-investigation process, and the advance measurement approach will be used to measure and manage credit risk.</p> <p>Characteristics: The risk measurement and rating systems and mechanisms are used together with consideration of credit characteristics, changes in the market and economic environment, collateral or guarantees, individual transaction risk, and investment portfolio in carrying out general business and risk cost performance consolidation so as to enhance the Bank's credit risk management capability and strengthen its credit risk management mechanism.</p>

## Fiscal Year 2008

Items	Contents
IV. Credit Risk Hedging and Mitigation Policy, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments	<p>1. Credit Risk Hedging and Mitigation Policy</p> <p>(1) The Bank has established quotas for the concentration of various items of risk—by industry, conglomerate, and country, among others—to avoid excessive concentration of risk.</p> <p>(2) The Bank has established a loan review and follow-up auditing system to strengthen post-loan management, and continuous monitoring of the condition of borrowers. 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.</p> <p>(3) 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.</p> <p>(4) Credit risk mitigation methods (such as offset against net, and eligible collateral and guarantees) are included in related information systems in accordance with the rules of the Basel II Capital Accord and the competent authority in order to calculate the results of the Bank's risk mitigation accurately.</p> <p>2. Procedures for Monitoring the Continuing Effectiveness of Hedging and Mitigation Instruments</p> <p>(1) The Bank monitors the status of and changes in credit risk-concentration quotas, distribution of risk exposure, asset quality, and types of collateral exposure on a scheduled basis, reviews trigger ratios and limit ratios whenever necessary, and assures the integrity and effectiveness of collateral and guarantees. Scheduled reports are submitted to the Risk Management Committee for use in compiling statements on effective strategies and procedures, and in studying countermeasures.</p> <p>(2) The Bank has set up a collateral management system that can effectively handle its collateral. Analysis and policy readjustments are carried out when necessary in response to market and economic changes; and, in the future, a collateral reappraisal system and mechanism will be established for the accurate calculation of the results of collateral mitigation and the effective use of the early-warning system.</p>
V. Method of Legal Capital Allocation	Standardized Approach

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

Dec. 31, 2008

Unit: NT\$1,000

Exposure Following Risk Mitigation	Credit Risk-Based Assets	Accrued Capital
Sovereign Nations	1,187,050,070	55,786
Non-Central Government Public Sector	612,516,104	14,594,185
Banks (including multilateral development banks)	159,390,442	6,356,386
Enterprises (including securities and insurance firms)	716,448,662	52,690,591
Retail Debt	269,592,549	12,183,590
Residential Real Estate	406,726,709	14,880,132
Equity Investment	13,437,492	4,185,454
Other Assets	132,899,473	8,266,098
Total	3,498,061,501	113,212,222

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

## a. Asset Securitization Risk Management System

Fiscal Year 2008

Items	Contents
I. Asset Securitization Management Strategy and Procedures	None
II. Asset Securitization Management Organization and Framework	None
III. Scope and Characteristics of the Asset Securitization Risk Reporting and Measuring System	None
IV. Asset Securitization Risk Hedging and Mitigation Policies, and Strategies and Procedures for Monitoring the Continuing Effectiveness of Risk Hedging and Mitigation Instruments	None
V. 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

Unit: Millions

Type of Exposure	Non-Originating Bank		Originating Bank					
	Purchased or Held Securitization Risk Exposure	Accrued Capital	Exposure					Accrued Capital Before Securitization
			Non-Asset-Backed Commercial Paper				Asset-Backed Commercial Paper	
			Traditional		Synthetic			
			Hold Positions	Not Hold Positions	Hold Positions	Not Hold Positions		
Beneficiary Securities – Home mortgage loans	6,416,092	102,657	-	-	-	-	-	-
Beneficiary Securities – Real Estate Asset Trust	59,874	2,787	-	-	-	-	-	-
Collateralized Debt Obligation	211,358	3,382	-	-	-	-	-	-
Liquidity Facilities (Note 1)	2,000,000	160,000	-	-	-	-	-	-
Total (Note 2)	8,687,324	268,826	-	-	-	-	-	-

Note 1 : In the process of its participation in a securitized receivables syndicated loan the Bank served as a liquidity provider, promising to offer loan funds in the amount of NT\$2 billion to the issuer to facilitate the securitization; under the definition contained in the “Methods for Calculating Banks’ Regulatory Capital and Risk-Based Assets” as promulgated by the competent authority, banks that incur risk by participating in asset securitization transactions should list the risk as asset securitization exposure and allocate capital for it.

Note 2 : The amount of the Bank’s investment in securitized asset products that is required to be deducted in its entirety from capital was NT\$8,459,000. This investment was in securitized bond products; since it was already deducted from capital, it is not listed in this chart.

d. Securitized product information—securitized product investment summary sheet

Dec. 31, 2008

Unit: NT\$1,000

Items	Account Name	Historical Cost	Accumulated profit and loss assessment	Accumulated impairment loss	Book Value
REAT	Available-for-sale financial assets-noncurrent	10,000	(202)		9,798
REAT	Held-to-maturity financial assets-noncurrent	38,385			38,385
ABS	Available-for-sale financial assets-noncurrent	999,445	(2,700)	(988,286)	8,459
ABS	Held-to-maturity financial assets-current	25,173	(6)		25,167
ABCP	Financial assets measured at fair value through profit or loss-current	1,312,942	279		1,313,221
CDO	Financial assets measured at fair value through profit or loss-current	1,778,576	(1,140,982)		637,594
CDO	Debt investment without quoted price in active markets-noncurrent	655,480			655,480
MBS	Available-for-sale financial assets-current	354,694	6,338		361,032
MBS	Debt investment without quoted price in active markets-noncurrent	6,031,060	39,585		6,070,645

Securitized product information –  
Original cost of single investment in securitized products in excess of NT\$300 million

Dec. 31, 2008

Unit: NT\$1,000

Name of Security	Account Name	Currency	Issuer of security and its location	Purchase Date	Expiry Date	Coupon	Credit Rating	Settlement Method	Historical Cost	Accumulated valuation gain or loss/ amortization (including mitigation of damage)	Book Value	Attachment point	Asset Pool
KKRF 2005-1X 1A FRN (USG6267NAA57)	Financial assets measured at fair value through profit or loss-current	USD	Morgan Stanley Managed ACES SPC (Cayman Island)	2006/2/7	2013/3/20	3ML+50BP	B2/AAA	Quarterly interest payments and repayment of principal at maturity	491,610	-467,030	24,580	11.96%	Table 1
RUTLAND RATED INVESTMENTS (USG77264BL54)	"	USD	Rutland Rated Investments (Cayman Island)	2006/5/24	2013/6/20	3ML+70BP	Caa1/BB-/BB-	Quarterly interest payments and repayment of principal at maturity	491,610	-363,644	127,966	6.66%	Table 2
GREYLOCK SYNTHETIC (USG4119QAC99)	"	USD	Greylock Synthetic CDO 2006 (Cayman Island)	2006/11/17	2014/3/20	3ML+0.7%	Ba3/AA-	Quarterly interest payments and repayment of principal at maturity	327,740	-232,663	95,077	6.21%	Table 3
CHEYNE CREDIT SPI (XS0256381319)	Debt investment without quoted price in active markets-noncurrent	USD	Cheyne Credit SPI(Ireland) Plc. (Ireland)	2006/6/6	2014/6/30		AAA	Yearly interest payments and repayment of principal at maturity	327,740	0	327,740	0	None
EQUINOX (XS0282273704A)	"	USD	Equinox Credit Funding Plc. (Ireland)	2006/12/15	2013/12/20	3ML+1%	Aaa/AAA	No current interest and repayment of principal at maturity	327,740	0	327,740	0	None
FANNIE MAE (US31395DF463)	"	USD	FANNIE MAE US	2006/6/12	2036/6/25	1ML+40BP	Aaa	Monthly payments of interest and principal	533,303	76	533,379	0	Secured home loans
FANNIE MAE (US31395N3L94)	"	USD	FANNIE MAE US	2006/6/26	2036/7/25	1ML+0.4%	Aaa	Monthly payments of interest and principal	304,444	378	304,822	0	Secured home loans
FREDDIE MAC (US31396RKP19)	"	USD	FREDDIE MAC US	2006/6/30	2036/5/15	1ML+0.38%	Aaa	Monthly payments of interest and principal	413,513	775	414,288	0	Secured home loans
FREDDIE MAC (US31397BBC46)	"	USD	FREDDIE MAC US	2006/9/12	2036/9/15	1ML+0.42%	Aaa	Monthly payments of interest and principal	345,672	0	345,672	0	Secured home loans
FANNIE MAE (US31396PP472)	"	USD	FANNIE MAE US	2007/2/2	2037/1/25	1ML+1.5%	Aaa	Monthly payments of interest and principal	337,892	0	337,892	0	Secured home loans
FANNIE MAE (US31396PT680)	"	USD	FANNIE MAE US	2007/1/31	2037/3/25	1ML+0.45%	Aaa	Monthly payments of interest and principal	399,738	0	399,738	0	Secured home loans
FREDDIE MAC (US31397FUY68)	"	USD	FREDDIE MAC US	2007/3/14	2037/3/15	1ML+1.05%	Aaa	Monthly payments of interest and principal	538,140	0	538,140	0	Secured home loans
FREDDIE MAC (US31397JYL24)	"	USD	FREDDIE MAC US	2007/7/6	2037/5/15	1ML+1%	Aaa	Monthly payments of interest and principal	391,406	22	391,428	0	Secured home loans
FREDDIE MAC (US31397BVF56)	"	USD	FREDDIE MAC US	2008/3/6	2036/10/15	1ML+0.4%	Aaa	Monthly payments of interest and principal	476,324	7,437	483,761	0	Secured home loans
FREDDIE MAC (US31397BBG59)	"	USD	FREDDIE MAC US	2008/3/6	2036/9/15	1ML+0.42%	Aaa	Monthly payments of interest and principal	448,252	8,465	456,717	0	Secured home loans
FANNIE MAE (US31396LV982)	"	USD	FANNIE MAE US	2008/3/6	2036/12/25	1ML+0.36%	Aaa	Monthly payments of interest and principal	475,048	10,126	485,174	0	Secured home loans
FANNIE MAE (US31396LNF30)	"	USD	FANNIE MAE US	2008/3/6	2036/11/25	1ML+0.41%	Aaa	Monthly payments of interest and principal	471,951	9,394	481,345	0	Secured home loans
E. Sun Bank 2007-1 ABS B1	Available-for-sale financial assets-noncurrent	NTD	HSBC, Taipei	2007/5/25	2014/6/15	2.4500%	C.tw	Quarterly interest payments; repayment of principal in 10 payments beginning Mar. 15, 2012	999,445	-990,976	8,459	6.67%	Table 4
Beneficiary securities for securitized receivables of Chi Mei Optoelectronics	Financial assets measured at fair value through profit or loss-current	NTD	China Trust, Taipei	2006/10/5	2011/10/5	0.4710%	twA-2	Monthly issuance of commercial paper; repayment of principal and payment of interest at maturity	1,312,942	279	1,313,221	0	Account Receivables

Table 1. KKRF 2005-1X 1A FRN (USG6267NAA57) Asset Pool :

Unit: US Dollars

Reference Entity	Notional Amount	Seniority	Country
ALTRIA GROUP INC.	100,000,000.00	Senior Unsecured	U.S.
AMBAC FINANCIAL GROUP INC.	100,000,000.00	Senior Unsecured	U.S.
AMERICAN AXLE & MANUFACTURING INC.	100,000,000.00	Senior Unsecured	U.S.
AMERICAN EXPRESS COMPANY	100,000,000.00	Senior Unsecured	U.S.
ARCELORMITTAL	100,000,000.00	Senior Unsecured	Luxembourg
AUTOZONE INC.	100,000,000.00	Senior Unsecured	U.S.
BANK OF AMERICA CORPORATION (SUB)	125,000,000.00	Subordinate	U.S.
BEAZER HOMES USA INC.	100,000,000.00	Senior Unsecured	U.S.
BELO CORP.	100,000,000.00	Senior Unsecured	U.S.
BERKSHIRE HATHAWAY INC.	50,000,000.00	Senior Unsecured	U.S.
BOYD GAMING CORPORATION	100,000,000.00	Subordinate	U.S.
CAPITAL ONE FINANCIAL CORPORATION	100,000,000.00	Senior Unsecured	U.S.
CBS CORP.	100,000,000.00	Senior Unsecured	U.S.
CENTEX CORP.	100,000,000.00	Senior Unsecured	U.S.
CENTURYTEL INC.	100,000,000.00	Senior Unsecured	U.S.
CHESAPEAKE ENERGY CORP.	100,000,000.00	Senior Unsecured	U.S.
CIBA SPECIALTY CHEMICAL HOLDING INC.	100,000,000.00	Senior Unsecured	Switzerland
CITIGROUP INC. (SUB)	125,000,000.00	Subordinate	U.S.
CITIZENS COMMUNICATIONS CO.	100,000,000.00	Senior Unsecured	U.S.
CLEAR CHANNEL COMMUNICATIONS INC.	100,000,000.00	Senior Unsecured	U.S.
COMCAST CABLE COMMUNICATIONS	100,000,000.00	Senior Unsecured	U.S.
CONSTELLATION BRANDS INC.	100,000,000.00	Senior Unsecured	U.S.
COUNTRYWIDE HOME LOANS INC.	100,000,000.00	Subordinate	U.S.
COX COMMUNICATIONS INC.	100,000,000.00	Senior Unsecured	U.S.
DARDEN RESTAURANTS INC.	100,000,000.00	Senior Unsecured	U.S.
DEUTSCHE TELEKOM INTERNATIONAL FINANCE BV.	100,000,000.00	Senior Unsecured	Germany
DIRECTV HOLDINGS LLC/DIRECTV FINANCING CO.	100,000,000.00	Senior Unsecured	U.S.
DSG INTERNATIONAL PLC.	100,000,000.00	Senior Unsecured	United Kingdom
EL PASO CORP.	100,000,000.00	Senior Unsecured	U.S.
FEDERATED DEPARTMENT STORES INC.	100,000,000.00	Senior Unsecured	U.S.
FORD MOTOR CREDIT CO.	100,000,000.00	Senior Unsecured	U.S.
FRANCE TELECOM SA.	100,000,000.00	Senior Unsecured	France
GANNETT CO INC.	100,000,000.00	Senior Unsecured	U.S.
GEORGIA-PACIFIC CORP.	100,000,000.00	Senior Unsecured	U.S.
GLENCORE FINANCE EUROPE SA.	100,000,000.00	Senior Unsecured	Switzerland
GMAC LLC	100,000,000.00	Senior Unsecured	U.S.
GOLDMAN SACHS GROUP INC.	100,000,000.00	Senior Unsecured	U.S.
HARRAH'S OPERATING CO INC.	100,000,000.00	Senior Unsecured	U.S.
HILTON HOTELS CORP.	100,000,000.00	Senior Unsecured	U.S.
HSBC FINANCE CORPORATION	100,000,000.00	Senior Unsecured	U.S.
IAC/INTERACTIVE CORP.	100,000,000.00	Senior Unsecured	U.S.
IKON OFFICE SOLUTIONS INC.	100,000,000.00	Senior Unsecured	U.S.
ISTAR FINANCIAL INC.	100,000,000.00	Senior Unsecured	U.S.
J. C. PENNEY COMPANY, INC.	100,000,000.00	Senior Unsecured	U.S.
J.P. MORGAN CHASE & CO. (SUB)	100,000,000.00	Subordinate	U.S.
LIBERTY MEDIA CORP.	100,000,000.00	Senior Unsecured	U.S.
LIMITED BRANDS, INC.	100,000,000.00	Senior Unsecured	U.S.
LOUISIANA-PACIFIC CORP.	100,000,000.00	Senior Unsecured	U.S.
MARKS & SPENCER PLC.	100,000,000.00	Senior Unsecured	United Kingdom
MARRIOTT INTERNATIONAL INC.	100,000,000.00	Senior Unsecured	U.S.
MARSH & MCLENNAN COS INC.	100,000,000.00	Senior Unsecured	U.S.

Reference Entity	Notional Amount	Seniority	Country
MBIA INSURANCE CORPORATION	100,000,000.00	Senior Unsecured	U.S.
MBIA INSURANCE CORPORATION	100,000,000.00	Senior Unsecured	U.S.
MCDONALD'S CORP.	100,000,000.00	Senior Unsecured	U.S.
MDC HOLDINGS INC.	100,000,000.00	Senior Unsecured	U.S.
MEADWESTV ACO CORP.	100,000,000.00	Senior Unsecured	U.S.
MERRILL LYNCH & CO INC.	150,000,000.00	Subordinate	U.S.
MGM MIRAGE	100,000,000.00	Senior Unsecured	U.S.
MOTOROLA, INC.	100,000,000.00	Senior Unsecured	U.S.
NORBORD INC.	100,000,000.00	Senior Unsecured	Canada
NOVA CHEMICALS CORP.	100,000,000.00	Senior Unsecured	Canada
OFFICE DEPOT INC.	100,000,000.00	Senior Unsecured	U.S.
OLIN CORP.	100,000,000.00	Senior Unsecured	U.S.
OMNICARE INC.	100,000,000.00	Subordinate	U.S.
RESIDENTIAL CAPITAL CORP.	100,000,000.00	Senior Unsecured	U.S.
ROUSE CO LP/THE	100,000,000.00	Senior Unsecured	U.S.
SBC COMMUNICATIONS INC.	100,000,000.00	Senior Unsecured	U.S.
SEALED AIR CORP.	100,000,000.00	Senior Unsecured	U.S.
SIMON PROPERTY GROUP LP	100,000,000.00	Senior Unsecured	U.S.
SLM CORPORATION	100,000,000.00	Senior Unsecured	U.S.
SOUTHWEST AIRLINES CO.	100,000,000.00	Senior Unsecured	U.S.
STANDARD-PACIFIC CORP.	100,000,000.00	Senior Unsecured	U.S.
STARWOOD HOTELS & RESORTS WORLDWIDE	100,000,000.00	Senior Unsecured	U.S.
SWISS REINSURANCE COMPANY	100,000,000.00	Subordinate	Switzerland
TARGET CORPORATION	100,000,000.00	Senior Unsecured	U.S.
TEMPLE-INLAND INC.	100,000,000.00	Senior Unsecured	U.S.
THE BEAR STEARNS COMPANIES INC.	100,000,000.00	Senior Unsecured	U.S.
THE HOME DEPOT, INC.	100,000,000.00	Senior Unsecured	U.S.
TIME WARNER INC.	100,000,000.00	Senior Unsecured	U.S.
TOLL BROTHERS INC.	100,000,000.00	Senior Unsecured	U.S.
TRW AUTOMOTIVE INC.	100,000,000.00	Senior Unsecured	U.S.
TXU ENERGY CO LLC	100,000,000.00	Senior Unsecured	U.S.
TYSON FOODS INC.	100,000,000.00	Senior Unsecured	U.S.
UNITEDHEALTH GROUP INCORPORATED	100,000,000.00	Senior Unsecured	U.S.
UST INC	100,000,000.00	Senior Unsecured	U.S.
VODAFONE GROUP PUBLIC LIMITED COMPANY	100,000,000.00	Senior Unsecured	United Kingdom
VORNADO REALTY LP	100,000,000.00	Senior Unsecured	U.S.
WACHOVIA CORPORATION (SUB)	125,000,000.00	Subordinate	U.S.
WELLS FARGO & COMPANY (SUB)	125,000,000.00	Subordinate	U.S.
WEYERHAEUSER CO.	100,000,000.00	Senior Unsecured	U.S.
XL CAPITAL LTD.	100,000,000.00	Senior Unsecured	Bermuda
YUM! BRANDS INC. 8 7/8 04/15/11	100,000,000.00	Senior Unsecured	U.S.
ZURICH INSURANCE COMPANY (SUB)	100,000,000.00	Subordinate	Switzerland
Total 93	9,400,000,000.00		

Table 2. RUTLAND RATED INVESTMENTS (USG77264BL54) Asset Pool :

Unit: US Dollars

Identifier	Investment Description	Investment Type	Notional Amount	Country
D12ABY	ABITIBI-CONSOLIDATED INC. CDS	CDS	185,591,200.00	Canada
D12AEGONN	AEGON N.V. CDS	CDS	185,591,200.00	Netherlands
D12AKZOF	AKZO NOBEL N.V. CDS	CDS	92,795,600.00	Netherlands
D12AA	ALCOA INC. CDS	CDS	185,591,200.00	United States
D12AMBACA	AMBAC ASSURANCE CORPORATION CDS	CDS	92,795,600.00	United States
D12AMERIC	AMERICAN EXPRESS COMPANY CDS	CDS	92,795,600.00	United States
D12AIG	AMERICAN INTERNATIONAL GROUP INC. CDS	CDS	278,386,800.00	United States
D12ARCMIT	ARCELORMITTAL CDS	CDS	185,591,200.00	Luxembourg
D12ARM	ARVINMERITOR INC. CDS	CDS	92,795,600.00	United States
D12SBC	AT&T INC. CDS	CDS	185,591,200.00	United States
D12AVALON	AVALONBAY COMMUNITIES INC. CDS	CDS	185,591,200.00	United States
D12AVIVAP	AVIVA PLC CDS	CDS	92,795,600.00	United Kingdom
D12AXS	AXIS CAPITALHOLDINGS CDS	CDS	92,795,600.00	Bermuda
D12BANKOF	BANK OF AMERICA CDS	CDS	92,795,600.00	United States
D12BY	BAYER AG. INC.	CDS	185,591,200.00	Germany
D12BMWAKT	BAYERISCHE MOTOREN WERKE AKTIENGSELLSCHAFT CDS	CDS	92,795,600.00	Germany
D12BZH	BEAZER HOMES USA INC. CDS	CDS	46,397,800.00	United States
D12BRKA	BERKSHIRE HATHAWAY INC. CDS	CDS	278,386,800.00	United States
D12BHF	BHP BILLITON LIMITED CDS	CDS	185,591,200.00	Australia
D12BOYGAM	BOYD GAMING CORPORATION CDS	CDS	46,397,800.00	United States
D12BSY	BRITISH SKY BROADCASTING GROUP PLC CDS	CDS	46,397,800.00	United Kingdom
D12BRITEL	BRITISH TELECOMMUNICATIONS PUBLIC LTD CO CDS	CDS	92,795,600.00	United Kingdom
D12BG	BUNGE LIMITED FINANCE CORP. CDS	CDS	92,795,600.00	United States
D12CAPONE	CAPITAL ONE BANK CDS	CDS	92,795,600.00	United States
D12CARGIL	CARGILL INCORPORATED CDS	CDS	185,591,200.00	United States
D12CCL	CARNIVAL CORPORATION CDS	CDS	92,795,600.00	United States
D12CHEVRO	CHEVRON CORPORATION CDS	CDS	92,795,600.00	United States
D12CSPCF	CIBA SPECIALTY CHEMICALS HOLDING INC. CDS	CDS	92,795,600.00	Switzerland
D12CIT	CIT GROUP INC. CDS	CDS	185,591,200.00	United States
D12CMCSA	COMCAST CABLE COMMUNICATIONS LLC CDS	CDS	185,591,200.00	United States
D12COP	CONOCOPHILLIPS CDS	CDS	185,591,200.00	United States
D12CONSOL	CONSOLIDATED EDISON COMPANY OF NEW YORK, INC. CDS	CDS	92,795,600.00	United States
D12CEG	CONSTELLATION ENERGY GROUP INC. CDS	CDS	92,795,600.00	United States
D12COUNTR	COUNTRYWIDE HOME LOANS INC. CDS	CDS	185,591,200.00	United States
D12DCX	DAIMLERCHRYSLER AG CDS	CDS	185,591,200.00	Germany
D12DEUTSC	DEUTSCHE BANK AKTIENSSELLSCHAFT CDS	CDS	185,591,200.00	Germany
D12DT	DEUTSCHE TELEKOM AG CDS	CDS	185,591,200.00	Germany
D12EMB	EMBARQ CORP. CDS	CDS	185,591,200.00	United States
D12ENBIDG	ENBRIDGE INC. CDS	CDS	92,795,600.00	Canada
D12ENELSP	ENEL S.P.A. CDS	CDS	139,193,400.00	Italy
D126236Z	ERAC USA FINANCE COMPANY CDS	CDS	185,591,200.00	United States
D12FD	FEDERATED DEPARTMENT STORES INC. CDS	CDS	185,591,200.00	United States



Identifier	Investment Description	Investment Type	Notional Amount	Country
D12FCH	FELCOR LODGING LIMITED PARTNERSHIP CDS	CDS	46,397,800.00	United States
D12F	FORD MOTOR CREDIT COMPANY CORP	CDS	185,591,200.00	United States
D12FPLGRO	FPL GROUP, INC. CDS	CDS	92,795,600.00	United States
D12FTE	FRANCE TELECOM CDS	CDS	185,591,200.00	France
D12CZNFRO	FRONTIER COMMUNICATIONS CDS	CDS	46,397,800.00	United States
D12GE	GENERAL ELECTRIC CAPITAL CORPORATION CDS	CDS	278,386,800.00	United States
D12HET	HARRAH'S OPERATING COMPANY INC. CDS	CDS	185,591,200.00	United States
D12HEIDEL	HEIDELBERGCEMENT AG CDS	CDS	92,795,600.00	Germany
D12HON	HONEYWELL INTERNATIONAL INC. CDS	CDS	92,795,600.00	United States
D12HOSHOT	HOST HOTELS AND RESORTS LP CDS	CDS	185,591,200.00	United States
D12HI	HSBC FINANCE CORPORATION CDS	CDS	278,386,800.00	United States
D12IBM	INTERNATIONAL BUSINESS MACHINES CORPORATION CDS	CDS	185,591,200.00	United States
D12IGT	INTERNATIONAL GAME TECHNOLOGY CDS	CDS	139,193,400.00	United States
D12ILFCOR	INTERNATIONAL LEASE FINANCE CORPORATION CDS	CDS	185,591,200.00	United States
D12IST	ISTAR FINANCIAL INC CDS	CDS	92,795,600.00	United States
D12JCP	J. C. PENNEY COMPANY INC. CDS	CDS	185,591,200.00	United States
D12JONSON	JOHNSON AND JOHNSON CDS	CDS	92,795,600.00	United States
D12JOH	JOHNSON CONTROLS INC. CDS	CDS	92,795,600.00	United States
D12JPMOR	JPMORGAN CHASE & CO. CDS	CDS	185,591,200.00	United States
D12GAZPRO	JSC "GAZPROM" CDS	CDS	185,591,200.00	Russian Federation
D12HOV	K. HOVNANIAN ENTERPRISES INC. CDS	CDS	185,591,200.00	United States
D12KKBKKB	KAZKOMMERTZ BANK	CDS	92,795,600.00	Kazakhstan
D12KMB	KIMBERLY-CLARK CORPORATION CDS	CDS	92,795,600.00	United States
D12KSS	KOHL'S CORPORATION CDS	CDS	92,795,600.00	United States
D12KFT	KRAFT FOODS INC. CDS	CDS	92,795,600.00	United States
D12LAFARG	LAFARGE CDS	CDS	92,795,600.00	France
D12L	LIBERTY MEDIA CORPORATION CDS	CDS	92,795,600.00	United States
D12LINCOL	LINCOLN NATIONAL CORPORATION CDS	CDS	139,193,400.00	United States
D12CLI	MACK-CALI REALTY L CDS	CDS	92,795,600.00	United States
D12MAS	MASCO CORPORATION CDS	CDS	185,591,200.00	United States
D12MBI	MBIA INSURANCE CORPORATION CDS	CDS	185,591,200.00	United States
D12MERRIL	MERRILL LYNCH & CO. INC. CDS	CDS	185,591,200.00	United States
D12MET	METLIFE INC. CDS	CDS	185,591,200.00	United States
D12MGM	MGM MIRAGE CDS	CDS	185,591,200.00	United States
D12MWD	MORGAN STANLEY CDS	CDS	278,386,800.00	United States
D12NRUC	NATIONAL RURAL UTILITIES CO-OP FINANCE CORP CDS	CDS	92,795,600.00	United States
D12NCP	NEWS AMERICA INCORPORATED CDS	CDS	92,795,600.00	United States
D12NUE	NUCOR CORPORATION CDS	CDS	185,591,200.00	United States
D12NXB	NXP BV CRP	CDS	92,795,600.00	Netherlands
D12ORCORC	ORACLE CORPORATION CDS	CDS	92,795,600.00	United States
D12PTV	PACTIV CORPORATION CDS	CDS	92,795,600.00	United States

Identifier	Investment Description	Investment Type	Notional Amount	Country
D12BTU	PEABODY ENERGY CORP.	CDS	46,397,800.00	United States
D12PETR4	PETROLEO BRASILEIRO S/A PETROBRAS CDS	CDS	92,795,600.00	Brazil
D12PEMEX	PETROLEOS MEXICANOS CDS	CDS	185,591,200.00	Mexico
D12PPGIND	PPG INDUSTRIES INC. CDS	CDS	92,795,600.00	United States
D12PROGAM	PROCTOR AND GAMBLE COMPANY CDS	CDS	185,591,200.00	United States
D12RESCAP	RESIDENTIAL CAPITAL CORPORATION CDS	CDS	231,989,000.00	United States
D12RCL	ROYAL CARIBBEAN CRUISES	CDS	185,591,200.00	United States
D12SANOFI	SANOFI-AVENTIS CDS	CDS	185,591,200.00	France
D12SMAWF	SIEMENS AKTIENGESELLSCHAFT CDS	CDS	185,591,200.00	Germany
D12SPG	SIMON PROPERTY GROUP L.P. CDS	CDS	92,795,600.00	United States
D12SLMMAE	SLM CORPORATION CDS	CDS	139,193,400.00	United States
D12LUV	SOUTHWEST AIRLINES CO. CDS	CDS	139,193,400.00	United States
D12HOT	STARWOOD HOTELS & RESORTS WORLDWIDE INC. CDS	CDS	92,795,600.00	United States
D12SUNCOR	SUNCOR ENERGY INC. CDS	CDS	185,591,200.00	Canada
D12SWISRE	SWISS REINSURANCE COMPANY	CDS	139,193,400.00	Switzerland
D12TI	TELECOM ITALIA SPA CDS	CDS	185,591,200.00	Italy
D12TEF	TELEFONICA S.A. CDS	CDS	185,591,200.00	Spain
D12TELMEX	TELEFONOS DE MEXICO CDS	CDS	185,591,200.00	Mexico
D12DOW	THE DOW CHEMICAL COMPANY CDS	CDS	92,795,600.00	United States
D12GS	THE GOLDMAN SACHS GROUP INC. CDS	CDS	185,591,200.00	United States
D12HARFOR	THE HARFORD FINANCIAL SERVICES GROUP CDS	CDS	46,397,800.00	United States
D12HD	THE HOME DEPOT CDS	CDS	92,795,600.00	United States
D12RBSCDS	THE ROYAL BANK OF SCOTLAND CDS	CDS	92,795,600.00	United Kingdom
D12TWX	TIME WARNER INC CDS	CDS	185,591,200.00	United States
D12UMS	UNITED MEXICAN STATES CDS	CDS	185,591,200.00	Mexico
D12UNITED	UNITED PARCEL SERVICE, INC CDS	CDS	92,795,600.00	United States
D12RENTAL	UNITED RENTALS INC CDS	CDS	92,795,600.00	United States
D12VEOLIA	VEOLIA ENVIRONNEMENT. CDS	CDS	185,591,200.00	France
D12VZ	VERIZON COMMUNICATIONS INC CDS	CDS	139,193,400.00	United States
D12VIA	VIACOM INC CDS	CDS	185,591,200.00	United States
D12VOD	VODAFONE GROUP PUBLIC LIMITED COMPANY CDS	CDS	185,591,200.00	United Kingdom
D12VOLKSW	VOLKSWAGEN AKTIENGESELLSCHAFT CDS	CDS	92,795,600.00	Germany
D12VULCAN	VULCAN MATERIALS COMPANY CDS	CDS	139,193,400.00	United States
D12WEL	WELLPOINT INC CDS	CDS	185,591,200.00	United States
D12WELLSF	WELLS FARGO AND COMPANY	CDS	185,591,200.00	United States
D12WU	WESTERN UNION COMPANY	CDS	92,795,600.00	United States
D12WY	WEYERHAEUSER COMPANY CDS	CDS	92,795,600.00	United States
D12WHR	WHIRLPOOL CORP CDS	CDS	92,795,600.00	United States
D12XRX	XEROX CORPORATION CDS	CDS	185,591,200.00	United States
Total 122			17,352,777,200.00	

Table 3. GREYLOCK SYNTHETIC (USG4119QAC99) Asset Pool :

Unit: US Dollars

Reference Entity	Reference Obligation	Floating Rate Payer Calculation Amount 3/20/2014	Region	Reference Entity Type
Aegon NV	NL0000120889	59,688,700.00	European Corporate	Subordinated Obligation
AES Corp.	US00130HBC88	119,377,400.00	North American Corporate - No Restructuring	SU
Allstate Corp/The	US020002AH49	119,377,400.00	North America Corporate	SU
Ambac Assurance Corp.	XS0124212738	59,688,700.00	North America Corporate - Monoline	SU
American Electric Power Co Inc.	US025537AE11	59,688,700.00	North America Corporate	SU
American Express Co.	US025816AQ27	89,533,050.00	North America Corporate	SU
Amgen Inc.	US031162AJ99	29,844,350.00	North America Corporate	SU
Anheuser-Busch Companies, Inc.	US03522QAC96	119,377,400.00	North America Corporate	SU
Assured Guaranty Corp.	US04621WAA80	59,688,700.00	North America Corporate - Monoline	SU
AT&T Inc.	US78387GAP81	119,377,400.00	North America Corporate	SU
Autozone	US053332AC61	59,688,700.00	North America Corporate	SU
AXA	XS0122029548	119,377,400.00	European Corporate	Subordinated Obligation
BAE Systems Plc	GB0001272664	59,688,700.00	European Corporate	SU
Banco Santander Central Hispano, SA	ES0413900061	59,688,700.00	European Corporate	SU
Bank of America Corp.	US060505AQ79	149,221,750.00	North America Corporate	SU
Barclays Bank PLC	XS0187033864	89,533,050.00	European Corporate	Subordinated Obligation
Bayerische Motoren Werke AG	XS0162732951	59,688,700.00	European Corporate	SU
Beazer Homes USA Inc.	US07556QAJ40	59,688,700.00	North American Corporate - No Restructuring	SU
Berkshire Hathaway Inc.	US084664AD30	119,377,400.00	North America Corporate	SU
Black & Decker Corp.	US091797AJ96	119,377,400.00	North America Corporate	SU
Boeing Capital Corp.	US097014AH76	119,377,400.00	North America Corporate	SU
Bombardier Inc.	USC10602AG20	59,688,700.00	North American Corporate - No Restructuring	SU
Capital One Financial Corp.	US14040HAJ41	119,377,400.00	North America Corporate	SU
Caterpillar Inc.	US149123BM26	119,377,400.00	North America Corporate	SU
CBS Corporation	US925524AU41	59,688,700.00	North America Corporate	SU
Chevron Texaco Corporation	US881685AX97	89,533,050.00	North America Corporate	SU
Ciba Specialty Chemicals AG	XS0085895935	119,377,400.00	European Corporate	SU
CIT Group Inc.	US125581AB41	149,221,750.00	North America Corporate	SU
Citigroup Inc.	US172967BC45	119,377,400.00	North America Corporate	SU
Clear Channel Communications Inc.	US184502AP71	119,377,400.00	North America Corporate	SU
Colgate-Palmolive Company	US19416QBX79	119,377,400.00	North America Corporate	SU
Comcast Cable Communication	US20029PAN96	119,377,400.00	North America Corporate	SU
ConocoPhillips	US20825CAE49	119,377,400.00	North America Corporate	SU

Reference Entity	Reference Obligation	Floating Rate Payer Calculation Amount 3/20/2014	Region	Reference Entity Type
Continental AG	DE000A0BB1Z6	119,377,400.00	European Corporate	SU
Con-Way Inc.	US12612WAA27	29,844,350.00	North America Corporate	SU
Daimler AG	US233835AW75	59,688,700.00	European Corporate	SU
Danaher Corp	US235851AB82	119,377,400.00	North America Corporate	SU
Deere & Co	US244199BB01	59,688,700.00	North America Corporate	SU
Deutsche Bank AG	DE0003933263	59,688,700.00	European Corporate	Subordinated Obligation
Deutsche Telekom AG	XS0148956559	119,377,400.00	European Corporate	SU
Diamond Offshore Drilling	US25271CAC64	89,533,050.00	North America Corporate	SU
Dover Corp.	US260003AC29	119,377,400.00	North America Corporate	SU
DR Horton Inc.	US23331AAX72	119,377,400.00	North America Corporate	SU
E.W. Scripps Company	US811054AC92	119,377,400.00	North America Corporate	SU
Eaton Corp.	US278058AW21	119,377,400.00	North America Corporate	SU
Electricite de France	XS0162990229	119,377,400.00	European Corporate	SU
Electrolux	SE0001930538	119,377,400.00	European Corporate	SU
Embarq Corp.	US29078EAB11	119,377,400.00	North America Corporate	SU
Enbridge Inc.	US29250NAA37	119,377,400.00	North America Corporate	SU
Exelon Corp.	US30161NAA90	59,688,700.00	North America Corporate	SU
Experian Finance PLC	XS0162820228	59,688,700.00	European Corporate	SU
Exxon Mobil Corp.	US607059AT90	119,377,400.00	North America Corporate	SU
FedEx Corp.	US31428XAF33	119,377,400.00	North America Corporate	SU
Financial Security Assurance Inc.	XS0112914907	59,688,700.00	North America Corporate - Monoline	SU
First Data Corp.	US319963AH75	59,688,700.00	North America Corporate	SU
Fortune Brands, Inc.	US349631AF84	119,377,400.00	North America Corporate	SU
France Telecom	FR0000471948	119,377,400.00	European Corporate	SU
Freescale Semiconductor	US35687MAM91	119,377,400.00	North American Corporate - No Restructuring	SU
GATX Corp.	US36804PAA49	119,377,400.00	North America Corporate	SU
General Electric	US369604AY90	119,377,400.00	North America Corporate	SU
General Electric Capital Corp.	US36962GY42	119,377,400.00	North America Corporate	SU
Gillette Company	XS0093097219	119,377,400.00	North America Corporate	SU
Glencore International AG	XS0202202957	119,377,400.00	European Corporate	SU
GMAC LLC	US370425SE16	119,377,400.00	North America Corporate	SU
Goldman Sachs Group Inc.	US38141GBU76	119,377,400.00	North America Corporate	SU
Harrah's Operating Co Inc.	US413627AU44	59,688,700.00	North America Corporate	SU
Hartford Financial Services Corp	US416515AM67	119,377,400.00	North America Corporate	SU
Hewlett-Packard Co.	US428236AG84	119,377,400.00	North America Corporate	SU
Home Depot Inc.	US437076AL65	59,688,700.00	North America Corporate	SU
Honeywell International Inc.	US438516AR73	119,377,400.00	North America Corporate	SU

Reference Entity	Reference Obligation	Floating Rate Payer Calculation Amount 3/20/2014	Region	Reference Entity Type
Host Hotels and Resorts	US44108EAS72	59,688,700.00	North American Corporate - No Restructuring	SU
HSBC Holdings Plc	US404280AA78	119,377,400.00	European Corporate	SU
Hutchison Whampoa Ltd	USG4672QAA25	29,844,350.00	Asian Corporate	SU
International Business Machines Corporation	US459200BA86	119,377,400.00	North America Corporate	SU
International Lease Finance Corp.	US45974VZU50	119,377,400.00	North America Corporate	SU
iStar Financial Inc.	US45031UAB70	119,377,400.00	North America Corporate	SU
Johnson Controls Inc.	US478366AG24	59,688,700.00	North America Corporate	SU
JP Morgan Chase & Co.	US46625HAJ95	119,377,400.00	North America Corporate	Subordinated Obligation
JSC Gazprom	XS0191754729	119,377,400.00	Gazprom	SU
K. Hovnanian Enterprises, Inc.	US442488AQ54	59,688,700.00	North America Corporate	SU
KB Home	US48666KAH23	119,377,400.00	North America Corporate	SU
Kinder Morgan Energy Partners Lp	US494550AH91	119,377,400.00	North America Corporate	SU
KONINKLIJKE DSM NV	XS0235117891	119,377,400.00	European Corporate	SU
Koninklijke Philips Electronics NV	XS0129477633	119,377,400.00	European Corporate	SU
Lennar Corp.	US526057AW40	59,688,700.00	North America Corporate	SU
Lowe's Companies, Inc.	US548661CA38	119,377,400.00	North America Corporate	SU
Masco Corp.	US574599AX44	119,377,400.00	North America Corporate	SU
MBIA Inc.	US55262CAF77	119,377,400.00	North America Corporate	SU
MetLife, Inc.	US59156RAN89	119,377,400.00	North America Corporate	SU
MGM MIRAGE	US552953AG66	119,377,400.00	North American Corporate - No Restructuring	SU
Mohawk Industries	US608190AF11	59,688,700.00	North America Corporate	SU
Morgan Stanley	US617446HC69	119,377,400.00	North America Corporate	SU
Nabors Industries Inc.	US629568AH92	119,377,400.00	North America Corporate	SU
National Rural Util Coop Fin	US637432CT02	89,533,050.00	North America Corporate	SU
New York Life Insurance Company	US64952GAE89	119,377,400.00	North America Corporate	SU
Norske Skogindustrier ASA	USR80036AN77	89,533,050.00	European Corporate	SU
Occidental Petroleum Corp.	US674599BV68	119,377,400.00	North America Corporate	SU
Pearson Plc	XS0102793642	119,377,400.00	European Corporate	SU
Petroleos Mexicanos	US706451BD26	119,377,400.00	Latin American Corporate	SU
Pitney Bowes	US724479AF75	119,377,400.00	North America Corporate	SU
PPG Industries, Inc.	US693506AY35	119,377,400.00	North America Corporate	SU
Progressive Corp.	US743315AK92	119,377,400.00	North America Corporate	SU
Prologis	US743410AE29	119,377,400.00	North America Corporate	SU
Prudential Financial Inc.	US74432QAB14	89,533,050.00	North America Corporate	SU
Pulte Homes Inc.	US745867AQ44	59,688,700.00	North America Corporate	SU
R.R. Donnelley & Sons Company	US257867AM36	119,377,400.00	North America Corporate	SU

Reference Entity	Reference Obligation	Floating Rate Payer Calculation Amount 3/20/2014	Region	Reference Entity Type
Republic of South Africa	US836205AJ33	119,377,400.00	Sovereign	SU
Rock-Tenn Co.	US772739AC24	119,377,400.00	North America Corporate	SU
Ryder System Inc.	US783549AZ16	119,377,400.00	North America Corporate	SU
SABMiller	US78572MAA36	119,377,400.00	European Corporate	SU
Samsung Electronics Co.	US796050AE22	119,377,400.00	Asian Corporate	SU
Siemens AG	XS0131224155	119,377,400.00	European Corporate	SU
Simon Property Group LP	US828807BW67	119,377,400.00	North America Corporate	SU
Singapore elecommunications LTD	USY79985AC46	119,377,400.00	Asian Corporate	SU
SLM Corp.	US78442FAB40	119,377,400.00	North America Corporate	SU
Southwest Airlines	US844741AW80	59,688,700.00	North America Corporate	SU
Sprint Nextel Corporation	US852061AD21	119,377,400.00	North America Corporate	SU
Stanley Works	US854616AJ88	119,377,400.00	North America Corporate	SU
Station Casinos Inc.	US857689AV53	59,688,700.00	North American Corporate - No Restructuring	SU
Swiss Reinsurance Company	CH0032254705	59,688,700.00	European Corporate	Subordinated Obligation
Telefonica SA	XS0241946630	119,377,400.00	European Corporate	SU
Telefonos De Mexico, SA	US879403AS24	119,377,400.00	Latin American Corporate	SU
Telenor ASA	XS0158765064	119,377,400.00	European Corporate	SU
Telstra Corp Ltd	XS0131858838	119,377,400.00	Australia Corporate	SU
Tesoro Corporation	US881609AS06	119,377,400.00	North American Corporate - No Restructuring	SU
Textron Financial Corp.	US88319QG564	119,377,400.00	North America Corporate	SU
Time Warner Inc.	US887317AC95	119,377,400.00	North America Corporate	SU
Toll Brothers Inc.	US88947EAA82	119,377,400.00	North America Corporate	SU
TransAlta Corp	US89346DAB38	89,533,050.00	North America Corporate	SU
TransCanada Pipelines Limited	US89352HAA77	119,377,400.00	North America Corporate	SU
Unilever NV	US904764AG27	119,377,400.00	European Corporate	SU
UPM-Kymmene Oy	XS0142044824	59,688,700.00	European Corporate	SU
VF Corp	US918204AN83	119,377,400.00	North America Corporate	SU
Vodafone Group Plc	XS0169888558	119,377,400.00	European Corporate	SU
Volvo AB	XS0157960815	119,377,400.00	European Corporate	SU
Vulcan Materials Co.	US929160AF66	89,533,050.00	North America Corporate	SU
Wal-Mart Stores, Inc.	XS0121617517	119,377,400.00	North America Corporate	SU
Wells Fargo & Company	US949746CR04	119,377,400.00	North America Corporate	Subordinated Obligation
Weyerhaeuser Co.	US962166AS33	119,377,400.00	North America Corporate	SU
Wisconsin Energy Corp.	US976657AC03	119,377,400.00	North America Corporate	SU
XL Capital Ltd	US98372PAF53	119,377,400.00	North America Corporate	SU
Total 141		14,564,042,800.00		



Table 4. The asset pool of the E.Sun Bank's 2007-1 special-purpose securitized bond-asset trust has remaining NT Dollar bond principal in the amount of NT\$1.5 billion and US Dollar bond capital of NT\$149.375 million. Details are covered in the following chart:

Case	Details of Asset Group Assets	Class	Currency/Unit	Bond Principal Outstanding
1	First domestic secured ordinary corporate bonds issued by the Taiwan Mask Corp. in 2004; C tranche	Senior	NT\$/dollar	200,000,000
2	First issuance of unsecured subordinated corporate bonds by the Chinatrust Financial Holding in 2003; E tranche	Subordinated	NT\$/dollar	500,000,000
3	First issuance of unsecured ordinary corporate bonds by Wanhai Lines in 2004; A tranche	Senior	NT\$/dollar	300,000,000
4	First issuance of financial bonds by Hua Nan Commercian Bank in 2004, first period; 1B tranche	Senior	NT\$/dollar	300,000,000
5	First issuance of financial bonds by Hua Nan Commercial Bank in 2004, first period; 1F tranche	Senior	NT\$/dollar	200,000,000
6	Triaxx Funding High Grade I, Ltd. Class C		US\$/dollar	149,375,000

#### Bank Secured Securitized Product Guarantee Institution or Amount of Liquidity Funding Provided

Dec. 31, 2008

Unit: NT\$1,000

Name of Instrument	Currency	Founding Agency	Maturity Date	Coupon Rate	Credit Rating	Role Played	Amount	Attachment Point	Content of Asset Pool
Beneficiary securities for securitized receivables of Chi Mei Optoelectronics	NT Dollar	Chi Mei Optoelectronics	2011/10/5	1.6827%	twA-2	Liquidity financing provider	2,000,000	46.68%	Chi Mei Optoelectronics receivables

### (3) Operational Risk Management System and Accrued Capital

#### a. Operational Risk Management System

Fiscal Year 2008

Items	Contents
I. Operational Risk Management Strategies and Procedures	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
II. Organizational Framework of Operational Risk Management	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
III. 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 establishment of a standard operating procedure (SOP) zone within the Bank's global information website for enquiry by bank staff; and risk-culture education, all designed to reduce operating risk.</p>
IV. 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 currently uses the basic indicator approach for operational risk capital requirement, and does not use the risk mitigation technique. 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.</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>
V. Method of Legal Capital Allocation	Basic Indicator Approach



## b. Operational Risk Management Accrued Capital

Dec. 31, 2008

Unit: NT\$1,000

Fiscal Year	Operating gross profit	Accrued Capital
2006	20,083,018	
2007	25,743,144	
2008	25,862,674	
Total	71,688,836	3,584,442

Note: Allowances for operational risk as of March 31, 2009 were the same as those on Dec. 31, 2008.

## (4) Market Risk Management System and Accrued Capital

### a. Market Risk Management System

Fiscal Year 2008

Items	Contents
I. 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.
II. 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.
III. 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 New Basel agreement.
IV. 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 so as to strengthen risk control of trading units. For the market risk of derivatives packages, position is, in principle, calculated by decomposition. The Bank uses the following risk-hedging principles to hedge risk in trading in derivative financial products by trading units: (1) Reviews principal and loss quotas on a regular basis (2) 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. (3) 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. (4) For products that do not admit of decomposition, positions should be covered in round lots, with no retained positions allowed.
V. Method of Legal Capital Allocation	Standardized Approach

### b. Market Risk Accrued Capital

Dec. 31, 2008

Unit: NT\$1,000

Risk Category	Accrued Capital
Interest rate risk	1,006,357
Equity security risk	435,942
Foreign exchange risk	449,979
Commodity risk	
Total	1,892,278

#### (5) Liquidity Risk

The Bank has established an Assets and Liabilities Management Committee to maintain stable operations, reinforce assets and liabilities management, and improve its assets and liabilities structure. The BOT president serves as chairman of the committee, which is responsible for bank-wide liquidity position and risk-management analysis, interest-rate risk analysis, and deposit structure review.

The Bank uses an Assets and Liabilities Management Information System under which the different items of assets and liabilities are listed as interest rate sensitive assets or liabilities according to their nature. Changes in the maturity gap and term structure of assets and liabilities are analyzed on a scheduled basis to provide a basis for interest rate management and pricing, and capital utilization and structure are adjusted according to the capital situation with the aim of lowering liquidity risk and enhancing income.

##### a. New Taiwan Dollars-Denominated Maturity Date Structure

Dec. 31, 2008

Unit: NT\$1,000

Items	Total	Amounts by Time Remaining before Maturity				
		1-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Major inflows of matured funds	3,283,298,908	559,060,939	519,085,732	413,278,448	348,120,707	1,443,753,082
Major outflows of matured funds	3,611,239,759	410,912,286	411,965,424	424,200,921	937,159,046	1,427,002,082
Period gap	(327,940,851)	148,148,653	107,120,308	(10,922,473)	(589,038,339)	16,751,000

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

##### b. U.S. Dollars-Denominated Maturity Date Structure

Dec. 31, 2008

Unit: US \$1,000

Items	Total	Amounts by Time Remaining before Maturity				
		1-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Assets	12,374,295	4,817,199	3,640,140	1,491,537	1,327,151	1,098,268
Liabilities	12,342,139	5,845,428	3,288,559	1,369,376	1,540,068	298,708
Gap	32,156	(1,028,229)	351,581	122,161	(212,917)	799,560
Accumulated Gap	24,748,590	9,634,398	7,280,280	2,983,074	2,654,302	2,196,536

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

The subprime mortgage crisis in the United States gave rise to huge losses in the finance industry beginning in the second half of 2007, and numerous financial institutions in the U.S. and Europe encountered a succession of financial difficulties. Stock markets crashed all over the world and market confidence wavered; and, in with the free flow of capital and large volume of mutual investment creating a highly linked international financial environment, Taiwan's financial market was also struck a heavy blow. Bank customers suffered severe losses and banks' images were sullied by suspicious.

As a state-owned bank, the Bank of Taiwan has always given full support to the government's fiscal and economic policies. It has also established a comprehensive risk-management mechanism and stable operation, and has won the long-term trust of the public. To build customers' confidence and trust in Taiwan's banking industry at a time of shrinking credit in the market, the BOT continued to play an important role in stabilizing the financial market and coordinating with the government's financial policy so as to provide strong backing for corporate and personal financing; in addition, the Bank expressed its moral courage and determination through integrity in operation, revising its operating principles as "Integrity, Care, Efficiency, Prudence" (prior to Jan. 22, 2009 the principles were "Concern, Efficiency, Innovation, Soundness") with the aim of pursuing the strongest assurance for customers' wealth and entrustment with a sincere service attitude and top priority on the Bank's commitment to protect the interests of its customers as it seeks to optimize its corporate value on the way to fulfillment of the vision of "deeply cultivating Taiwan finance while advancing into the international market."

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

(None)

## 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. The BOT became the core member of the Taiwan Financial Holdings group on Jan. 1, 2008. Since the government holds 100% shares of Taiwan Financial Holdings, there have been no changes in the BOT's operating rights.

## 9. Court Cases Pending

(None)

## 10. Other Important Risks

(None)

## VII. Crisis Management Mechanism

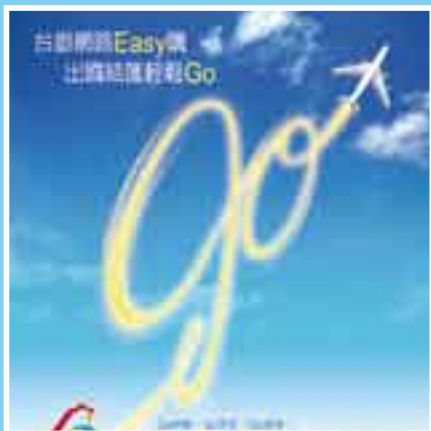
In regard to latent or present crises, the Bank adopts a series of pre-event, mid-event, and post-event countermeasures. The crisis management mechanism that has been established by the Bank includes the following:

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

## VIII. Other Important Matters

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

### Affiliation Reports

#### 1. Auditors' Review Opinion

##### Independent Auditors' Review Opinion

The Board of Directors  
Bank of Taiwan:

We have reviewed the relationship report of Bank of Taiwan for the year ended, 2008 in accordance with the Securities and Futures Bureau of the Financial Supervisory Commission, Executive Yuan ruling Tai Tsai Jeng (6) No. 04448 announced on November 30, 1999. Our work is to express an opinion on the relationship report of Bank of Taiwan for the year ended, 2008, whether which was prepared in accordance with the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and not significantly inconsistent with the notes for the financial report for the same period audited on March 25, 2009.

In our opinion, we did not find any violation of the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and significantly inconsistent with the notes for the financial report for the same period in the above relationship report.

KPMG Certified Public Accountants  
March 25, 2009

The report is 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 report, the Chinese version shall prevail.

#### 2. Relations Between Subordinate Companies and Controlling Company

Name of Controlling Company	Reason for Control	Controlling Company Shareholding and Pledged Shares			Directors, Supervisors, and Managers Appointed by the Controlling Company	
		Shares Owned	Ratio of Shares Owned	No. of Pledged Shares	Position	Name
Taiwan Financial Holding Co., Ltd.	Subordinate Relationship with 100% Shareholding	4,500,000,000 Shares	100%	None	Chairperson	Susan S. Chang
					Managing Director	Tse-Cheng Lo
					Managing Director	Cheng-Chen Yang
					Managing Director	Jun-Ji Shih
					Managing Director	Sheng-Ford Chang
					Director	Jiin-Tarng Yue
					Director	Hsiu-Hua Rau
					Director	Chih-Hung Chang
					Director	Shin-Hsin Huang
					Director	Chang-Sheng Lin
					Director	Hsi-Chuan Chen
					Director	Sheng-Tien Yang
					Supervisor	Ming-Shyang Yang
					Supervisor	Chin-Chen Cheng
					Supervisor	A-Ting Chou

### 3. Transactions Between Subordinate and Controlling Company

- (1) Purchase and sale of goods: None  
 (2) Property transactions: None  
 (3) Working capital financing: None  
 (4) Asset leasing:

Unit: NT \$ 1,000

Type of Transaction (lease out or lease in)	Leased Item		Term of Lease	Nature of Lease	Basis for Lease Cost Decision	Method of Payment	Comparison with General Lease Standards	Total Lease Payment for Current Period	Status of Collection or Payment for Current Period	Other Commitments
	Name	Location								
Lease out	House	3F., 120 Sec 1, Chongqing South Road, Taipei 1F., 1,3 Paocing Road, Taipei	2008.1.1-2012.12.31	Business lease	House lease contract	Collection within first 5 days of each month	Normal	15,564	Collected	

- (5) Other Important Transactions:  
 a. Deposits

	Dec. 31, 2008	
	Amount	Percentage of Deposits (%)
Taiwan Financial Holding Co., Ltd.	\$ 348,555	0.01

- b. Payables

	Dec. 31, 2008	
	Amount	Percentage of Payables (%)
Taiwan Financial Holding Co., Ltd.	\$ 131,292	0.21

### 4. Endorsements and Guarantees Between Subordinate and Controlling Companies: None

The Bank of Taiwan's Declaration Letter is on the right page (p.145).

## 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)

## Declaration Letter

The relationship report for the year ended, 2008 (from January 1 to December 31, 2008) of the Company was prepared in accordance with the regulation of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". There was no significant inconsistency on the related information between this report and notes for the financial report for the above period.

Declare here specially.

Bank of Taiwan

Chairperson



March 25, 2009



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## Directory of Head Office and Branches



I. Domestic Business Units

II. Overseas Units

## I. Domestic Business Units

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	120 Sec. 1, Chongcing South Road, Jhongjheng District, Taipei City	02-23493456	02-23759708
0059	Department of Public Treasury	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	02-23493456	02-23146041
2329	Department of Procurement	No. 45 Sec. 1, Wuchang St., Jhongjheng District, Taipei City	02-23836447	02-23832010
2330	Department of Trade	No. 49 Sec. 1, Wuchang St., Jhongjheng District, Taipei City	02-23111511	02-23821047
2352	Department of Government Employees Insurance	140 Sec. 3, Sinyi Road, Da-an District, Taipei City	02-27013411	02-27015622
0691	Offshore Banking Branch	1F, 162 Bo-ai Road, Jhongjheng District, Taipei City	02-23493456	02-23894500
0071	Guancian Branch	49 Guancian Road, Jhongjheng District, Taipei City	02-23812949	02-23753800
0093	Tainan Branch	155 Sec. 1, Fucian Road, Central District, Tainan City	06-2160168	06-2160188
0107	Taichung Branch	140 Sec. 1, Zihyou Road, West District, Taichung City	04-22224001	04-22224274
0118	Kaohsiung Branch	264 Jhongjheng 4th Road, Cianjin District, Kaohsiung City	07-2515131	07-2211257
0129	Keelung Branch	16, YiYi Road, Jhongjheng District, Keelung City	02-24247113	02-24220436
0130	Chunghsin New Village Branch	11 Guanghua Road, Jhongsing Village, Nantou City, Nantou County	049-2332101	049-2350457
0141	Chiayi Branch	306 Jhongshan Road, Chiayi City	05-2224471	05-2258400
0152	Hsinchu Branch	29 Linsen Road, Hsinchu City	03-5266161	03-5266446
0163	Changhua Branch	130 Chenggong Road, Changhua City, Changhua County	04-7225191	04-7257871
0174	Pingtung Branch	43 Jhongshan Road, Pingtung City, Pingtung County	08-7328141	08-7322309
0185	Hualien Branch	3 Gongyuan Road, Hualien City, Hualien County	03-8322151	03-8322404
0196	Yenping Branch	406 Nanjing West Road, Datong District, Taipei City	02-25522859	02-25524317
0200	Chungshan Branch	150 Sec. 1, Jhongshan North Road, Jhongshan District, Taipei City	02-25423434	02-25710210
0211	Kaohsiung Export Processing Zone Branch	1 Jhongyi Road, Export Processing, Cianjhen District, Kaohsiung City	07-8215141	07-8115648
0222	Ilan Branch	1 Sec. 3 Jhongshan Road, Yilan City, Yilan County	03-9355121	03-9355822
0233	Taitung Branch	313 Jhongshan Road, Taitung City, Taitung County	089-324201	089-311608
0244	Penghu Branch	24 Ren-ai Road, Magong City, Penghu County	06-9279935	06-9272347
0255	Fengshan Branch	20 Caogong Road, Fongshan City, Kaohsiung County	07-7416131	07-7433478
0266	Taoyuan Branch	46 Jhongjheng Road, Taoyuan City, Taoyuan County	03-3352801	03-3322007
0277	Panchiao Branch	21 Fujhong Road, Banciao City, Taipei County	02-29680172	02-29676416
0288	Hsinying Branch	10 Jhongjheng Road, Sinying City, Tainan County	06-6351111	06-6321843
0299	Miaoli Branch	510 Jhongjheng Road, Miaoli City, Miaoli County	037-326791	037-320709
0303	Fengyuan Branch	302 Jhongjheng Road, Fongyuan City, Taichung County	04-25278686	04-25256981
0314	Touliu Branch	27 Wunhua Road, Douliou City, Yunlin County	05-5324155	05-5338309
0325	Nantou Branch	101 Fusing Road, Nantou City, Nantou County	049-2232121	049-2229845
0336	Nanmen Branch	120 Sec. 1, Nanchang Road, Jhongjheng District, Taipei City	02-23512121	02-23964281

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
0347	Kungkuan Branch	120 Sec. 4, Roosevelt Road, Jhongjheng District, Taipei City	02-23672581	02-23698237
0358	Tzoyin Branch	19 Zuoying Avenue, Zuoying District, Kaohsiung City	07-5819141	07-5850051
0369	Peitou Branch	152 Sec. 1, Jhongyang South Road, Beitou District, Taipei City	02-28951200	02-28973345
0370	Wufeng Branch	838 Jhongjheng Road, Wufong Township, Taichung County	04-23302216	04-23327104
0381	Kinmen Branch	4 Fusing Road, Jinhua Township, Kinmen County, Fuchien Province	082-333711	082-333719
0392	Matsu Branch	257 Jieshou Village, Nangan Township, Lienchiang County, Fuchien Province	0836-26046	0836-25801
0406	Anping Branch	240 Jhongjheng Road, West Central District, Tainan City	06-2292181	06-2241520
0417	Chungli Branch	580 Yanping Road, Jhongli City, Taoyuan County	03-4252160	03-4258751
0428	Sanchung Branch	39 Sec. 4, Chongsin Road, Sanchong City, Taipei County	02-29719621	02-29719736
0439	Toufen Branch	65 Jhongjheng Road, Toufen Township, Miaoli County	037-663451	037-672213
0440	Chienchen Branch	1-3 Kuojian Road, Cianjhen District, Kaohsiung City	07-8115171	07-8413413
0451	Chengchung Branch	47 Cingdao East Road, Jhongjheng District, Taipei City	02-23218934	02-23918761
0462	Minchuan Branch	239 Sec. 2, Chengde Road, Datong District, Taipei City	02-25530121	02-25529463
0473	Tantzu Branch	1 Jianguo Road, Tanzih Township, Taichung County	04-25323133	04-25339071
0484	Yungho Branch	97 Sec. 1, Yonghe Road, Yonghe City, Taipei County	02-29216611	02-29233793
0495	Yuanlin Branch	63 Minsheng Road, Yuanlin Township, Changhua County	04-8323191	04-8330663
0509	Sungchiang Branch	115 Songjiang Road, Jhongshan District, Taipei City	02-25069421	02-25078786
0510	Kusan Branch	23 Linhai 1st Road, Gushan District, Kaohsiung City	07-5218291	07-5315544
0521	Lungshan Branch	380 Kangding Road, Wanhua District, Taipei City	02-23088111	02-23366978
0532	Chunghsiao Branch	202 Sec. 1, Dunhua South Road, Da-an District, Taipei City	02-27516091	02-27411704
0543	Hsinyi Branch	88 Sec. 2, Sinyi Road, Da-an District, Taipei City	02-23515486	02-23973887
0554	Fuhsing Branch	102 Sec. 4, Fusing Road, East District, Taichung City	04-22244181	04-22205856
0565	Sanming Branch	567 Jiouru 2nd Road, Sanmin District, Kaohsiung City	07-3127143	07-3215350
0576	Taichung Harbor Branch	2 Sihwei Road, Wuci Township, Taichung County	04-26562311	04-26580625
0587	Lotung Branch	93 Gongjheng Road, Ludong Township, Yilan County	03-9576866	03-9560622
0598	Puli Branch	112 Dongrong Road, Puli Township, Nantou County	049-2983991	049-2995949
0602	Kangshan Branch	16 Shoutian Road, Gangshan Township, Kaohsiung County	07-6216141	07-6214853
0613	Hsingsing Branch	133 Minzu 2nd Road, Sinsing District, Kaohsiung City	07-2384611	07-2387374
0624	Lingya Branch	261 Cingnian 1st Road, Lingya District, Kaohsiung City	07-3358700	07-3327904
0646	Sungshan Branch	560 Sec. 4, Jhongsiao East Road, Sinyi District, Taipei City	02-27293111	02-27230014
0657	Chienhsing Branch	144 Jhongjheng Road, Central District, Taichung City	04-22242141	04-22293851
0668	Chungho Branch	253 Sec. 2, Jhongshan Road, Jhonghe City, Taipei County	02-22488980	02-22461474
0679	Taipao Branch	2 East Section, Sianghe 1st Road, Sianghe Village, Taibao City, Chiayi County	05-3620016	05-3620021
0680	Chupei Branch	16 Guangming 6th Road, Jhubei City, Hsinchu County	03-5513111	03-5517322
0705	Shihlin Branch	197 Sec. 6, Jhongshan North Road, Shihlin District, Taipei City	02-28367080	02-28362523
0716	Hsinchuang Branch	85 Sintai Road, Sinjhuang City, Taipei County	02-22056699	02-22031524

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
0727	Tachia Branch	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	29 Wunhua Street, Shulin City, Taipei County	02-26866511	02-26861307
0750	Hsintien Branch	45 Baojhong Road, Sindian City, Taipei County	02-29180795	02-29105461
0794	Liming Branch	607 Daye Road, Nantun District, Taichung City	04-22551178	04-22524822
0808	Minsheng Branch	167 Fusing North Road, Songshan District, Taipei City	02-27192081	02-27188897
0819	Yungkang Branch	513 Siaodong Road, Yongkang City, Tainan County	06-3125411	06-3138709
0820	Sandou Branch	142 Singuang Road, Lingya District, Kaohsiung City	07-3349341	07-3336835
0853	Taipei World Trade Center Branch	3F, 333 Sec. 1, Keelung Road, Sinyi District, Taipei City	02-27200315	02-27576156
0864	Taan Branch	1F, 69, Sec. 2, Dunhua S. Rd., Da-an District, Taipei	02-27553121	02-27093243
0875	Huachiang Branch	293-2 Sec. 1, Jhongshan Road, Banciao City, Taipei County	02-29610101	02-29637802
0886	Chaochou Branch	13-2 Sinsheng Road, Chaozhou Township, Pingtung County	08-7883084	08-7883614
0897	Suao Branch	97 Sec. 1 Jhongshan Road, Su-ao Township, Yilan County	03-9962566	03-9963370
0901	Taya Branch	106 Jhongcing South Road, Daya Township, Taichung County	04-25683330	04-25680164
0912	Nantze Branch	166 Jiannan Road, Nanzih District, Kaohsiung City	07-3532115	07-3531484
0923	Taichung Industrial Park Branch	196 Industrial Park 1st Road, Situn District, Taichung City	04-23597850	04-23599868
1067	Tunhwa Branch	1F, 205 Dunhua North Road, Songshan District, Taipei City	02-25455111	02-25450913
1078	Nankang Branch	1F, 95 Sec. 2, Nangang Road, Nangang District, Taipei City	02-26516706	02-27839049
1089	Hoping Branch	180 Sec. 1, Hoping East Road, Da-an District, Taipei City	02-23687027	02-23626987
1090	Shuinan Branch	416 Sec. 2, Chongde Road, Beitun District, Taichung City	04-22468130	04-22466855
1104	Chunglun Branch	108 Sec. 5, Nanjing East Road, Songshan District, Taipei City	02-27698618	02-27603224
1115	Tucheng Branch	344 Sec. 2, Jhongyang Road, Tucheng City, Taipei County	02-22703791	02-22603314
1159	Taoyuan Airport Branch	15 Hangshan South Road, Pusin Village Dayuan Township Taoyuan County	03-3982166	03-3834834
1160	Tachang Branch	540 Jiouru 1st Road, Sanmin District, Kaohsiung City	07-3891036	07-3806046
1182	Wuchia Branch	168 Wujia 2nd Road, Fongshan City, Kaohsiung County	07-7170730	07-7233469
1193	Poai Branch	394 Yucheng Road, Zuoying District, Kaohsiung City	07-5567690	07-5562613
1207	Chungchuang Branch	339 Fongping 1st Road, Daliao Township, Kaohsiung County	07-7038838	07-7038964
1218	Pingchen Branch	11 Sec. 2, Huannan Road, Pingjhen City, Taoyuan County	03-4945688	03-4945699
1229	Jenai Branch	99 Sec. 2, Ren-ai Road, Jhongjheng District, Taipei City	02-23975936	02-23975927
1230	Nankan Branch	81 Sec. 1, Nankan Road, Lujhu Township, Taoyuan County	03-3529191	03-3520916
1241	Yuanshan Branch	577 Linsen North Road, Jhongshan District, Taipei City	02-25976699	02-25932760
1355	Wuku Branch	42 Sec. 4, Jhongsing Road, Wugu Township, Taipei County	02-22936699	02-22918201
1366	Tali Branch	481 Sec. 2, Guoguang Road, Dali City, Taichung County	04-24180211	04-24180801



CODE	OFFICE	ADDRESS	TELEPHONE	FAX
1377	Annan Branch	298 Sec. 2, Anhe Road, Annan District, Tainan City	06-3555111	06-3565881
1414	Hsitwun Branch	41 Sec. 2, Cinghai Road, Situn District, Taichung City	04-23128528	04-23117106
1425	Tienmou Branch	18 Sec. 7, Jhongshan North Road, Shihlin District, Taipei City	02-28755222	02-28755219
1436	Lukang Branch	2 Lugong Road, Lugang Township, Changhua County	04-7810168	04-7810268
1447	Neili Branch	125 Singnong Road, Jhongli City, Taoyuan County	03-4618519	03-4519650
1469	Tainan Science-Based Industrial Park Branch	15 Nanke 3rd Road, Sinshih Township, Tainan County	06-5051701	06-5051709
1470	Huwei Branch	369 Sec. 2, Linsen Road, Huwei Township, Yunlin County	05-6337367	05-6321611
1481	Tamsui Branch	93 Jhongshan Road, Danshuei Township, Taipei County	02-26281111	02-26281122
1539	Neihu Branch	396 Sec. 1, Neihu Road, Neihu District, Taipei City	02-87977933	02-87977957
1540	Chiabei Branch	602 Jongsiao Road, Chiayi City	05-2718911	05-2718922
1551	Tunhkang Branch	114 Jhongjheng Road, Donggang Township, Pingtung County	08-8323131	08-8352545
1562	Hsichih Branch	175 Sec. 2, Datong Road, Sijhih City, Taipei County	02-86926822	02-86926828
1573	Wuchi Branch	2 Jian 5th Road, Export Processing Zone, Wuci Township, Taichung County	04-26565111	04-26570157
1595	Hsiaokang Branch	410 Hongping Road, Siaogang District, Kaohsiung City	07-8010399	07-8066029
1609	Chungping Branch	9 Jhonghua Road, Pingtung City, Pingtung County	08-7677001	08-7320199
1621	Chunhsien Branch	1 Jhongshan South Road, Jhongjheng District, Taipei City	02-23411001	02-23578831
1643	Peitalu Branch	68 Beida Road, Hsinchu City	03-5354381	03-5354380
1654	Wunshan Branch	218 Sec. 6, Roosevelt Road, Wunshan District, Taipei City	02-86633456	02-86635656
1702	Taiping Branch	146 Jhongsing East Road, Taiping City, Taichung County	04-22736666	04-22736120
1713	Defang Branch	63 Sec. 1, Defang Road, Dali City, Taichung County	04-24853280	04-24826661
1724	Chienkuo Branch	169 Jiansing Road, Jhongli City, Taoyuan County	03-4670081	03-4670010
1768	Yenpu Branch	37 Shengli Road, Yanjhong Village, Yanpu Township, Pingtung County	08-7932111	08-7932091
1791	Chenhsing Branch	60-4 Bo-ai Road, Jhensing Village, Yanpu Township, Pingtung County	08-7020141	08-7021421
1805	Hsinyuan Branch	65 Sianji Road, Sianji Village, Sinyuan Township, Pingtung County	08-8687705	08-8687505
1827	Yinglong Branch	187 Yanlong Road, Yanlong Village, Sinyuan Township, Pingtung County	08-8335869	08-8335867
1861	East Taoyuan Branch	300 Jingguo Road, Taoyuan City, Taoyuan County	03-3263888	03-3265666
1872	Lujhou Branch	50 Sanmin Road, Lujhou City, Taipei County	02-82868686	02-82868989
1919	Kaohsiung Airport Branch	2 Jhongshan 4th Road, Siaogang District, Kaohsiung City	07-8017564	07-8022004
2189	Taipei Port Branch	2F., 123, Shanggang Road, Bali Township, Taipei County	02-26196269	02-26196272
2204	Taichung Science Park Branch	2F., 48, Keya Road, Daya Township, Taichung County	04-25658111	04-25658220
2215	Kaohsiung Science Park Branch	1F., 82, Luke 5th Road, Lujhu Township, Kaohsiung County	07-6955268	07-6955278
2237	Donghu Branch	No. 458, Sec. 5, Chenggong Road, Neihu District, Taipei	02-26305768	02-26307233
2248	Gaorong Branch	415, Chongsin Road, Zuoying District, Kaohsiung	07-3432258	07-3431198
2259	Nankang Software Park Branch	2F-2, No.66 Sanchong Road, Nangang District, Taipei City	02-27833009	02-27833900

CODE	OFFICE	ADDRESS	TELEPHONE	FAX
2260	Longtan Branch	142, Donglong Road, Longtan Township, Taoyuan County	03-4790888	03-4700999
2271	Rende Branch	899 Sec. 2, Jhongjheng Road, Rende Township, Tainan County	06-2492389	06-2498078
2282	Linkou Branch	368, Fusing 1st Road, Gueishan Township, Taoyuan County, Taiwan R.O.C.	03-3277299	03-3277706
2293	Muzha Branch	No. 145 Sec. 1, Singuang Road, Wunshan District, Taipei City	02-86615115	02-86617690
2307	Tainan Innovation & Research Park Branch	1F, No 31 Gongye 2nd Road, Annan District, Tainan City	06-3842585	06-3842568
2363	Wuchang Branch	49 Sec. 1, Wuchang St., Jhongjheng District, Taipei City	02-23493456	02-23141340
2385	Taipei Branch	80 Songjiang Road, Jhongshan District, Taipei City	02-25435790	02-25236924
2396	Jinshan Branch	189 Sec. 2 Jinshan S. Road, Da-an District, Taipei City	02-23413006	02-23413134
2400	Sinan Branch	132 Sec. 3 Sinyi Road, Da-an District, Taipei City	02-27057905	02-27057906
2411	Jiantan Branch	174 Sec. 4 Chengde Road, Shihlin District, Taipei City	02-28831633	02-28831364
2422	Wanhua Branch	26, Sec. 2 Gueiyang St., Wanhua District, Taipei City	02-23830066	02-23830067
2433	Bansin Branch	268 Sec. 1 Wunhua Road, Banciao City, Taipei County	02-22540560	02-22540570
2444	Shuanghe Branch	126 Jhonghe Road, Jhonghe City, Taipei County	02-82457558	02-82452722
2455	Nan HsinChuang Branch	No. 653 Jhongjheng Road, Hsin Chuang City Taipei County	02-29012999	02-29012119
2466	Taosing Branch	No. 110 Fusing Road, Taoyuan City Taoyuan County	03-3361868	03-3361894
2477	Sinming Branch	7 Sinming Road, Jhongli City, Taoyuan County	03-4951301	03-4943210
2488	Lioujia Branch	312, Sec. 1 Guangming 6th Rd., Jhubei City, Hsinchu County	03-6585858	03-6587785
2499	North Taichung Branch	17 Taiping Road, North District, Taichung City	04-22257412	04-22257413
2503	Central Taichung Branch	95 Mincyuan Road, West District, Taichung City	04-22281191	04-22247323
2514	Yuanjhong Branch	180 Jyuguang Road, Yuanlin Township, Changhua County	04-8366911	04-8366922
2525	Jianan Branch	353 Jhongsing Road, Chiayi City	05-2348686	05-2348661
2536	Nandu Branch	180 Sec. 2 Jhongyi Road, West Central District, Tainan City	06-2219999	06-2206977
2547	Cianjin Branch	259 Jhongjheng 4th Road, Cianjin District, Kaohsiung City	07-2413200	07-2414519
2558	North Kaohsiung Branch	106 Bo-ai 2nd Road, Zuoying District, Kaohsiung City	07-5581900	07-5583917
2569	Chenggong Branch	261 Chenggong 1st Road, Cianjin District, Kaohsiung City	07-2512031	07-2517471
2570	North Hualien Branch	61 Guangfu St., Hualien City Hualien County	03-8361163	03-8361165
2721	Lioujiading Branch	41, Ehongzheng S. Rd., Yongkang City, Taiwan	06-2810991	06-2810360
1931	Yongji Mini Branch	3F., 3 Songren Road, Taipei City	02-27209856	02-27209970
1942	Tungmen Mini Branch	42 Sec. 1 Renai Road, Taipei City	02-23943168	02-23916855
1953	Aiguo Mini Branch	31 Aiguo East Road, Taipei City	02-23960017	02-23578646
1975	Baoqing Mini Branch	35 Baoqing Road, Taipei City	02-23311141	02-23319444
1986	Taidian Mini Branch	242 Sec. 3 Roosevelt Road, Taipei City	02-23667506	02-23672354
2053	Peifu Mini Branch	B1, 161 Sec. 1 Jhongshan Road, Banciao City, Taipei County	02-89535968	02-89535268

## 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	81-3-3504-8881	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**



Chairperson *Susan Chang*

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