



第一金融集團

第一銀行

First Commercial Bank

## 2008 ANNUAL REPORT

第一銀行

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First Bank

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First Bank



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## **First Commercial Bank**

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## **Spokesperson**

Mr. Po-Chiao Chou  
Executive Vice President

## **Auditor Report**

PricewaterhouseCoopers  
Tel: 886-2-2729-6666

## **Rating Agency**

Taiwan Ratings Corp.  
Tel: 886-2-8722-5800

# Highlights

(in millions)	12.31.2008 NTD	12.31.2007 NTD	12.31.2008 USD
<b>Major financial data at year end</b>			
Total assets	1,765,541	1,653,984	53,870
Bills discounted and loans	1,160,542	1,071,171	35,410
Deposits and remittances	1,384,754	1,260,175	42,252
Common stock	48,290	46,909	1,473
Stockholders' equity	89,457	89,742	2,730
<b>Operating results</b>			
Total revenues	61,170	64,155	1,866
Total expenses	50,159	48,483	1,530
Pre-tax income	11,011	15,672	336
Income tax	(2,046)	(3,646)	(62)
Cumulative effect of a change in accounting principle	-	-	-
Net income	8,965	12,026	274
<b>Capital adequacy ratio</b>	10.88%	10.80%	
<b>World rank</b>			
The Banker - by tier 1 capital (12/07)	248	234	
The Banker - by total assets (12/07)	203	199	
<b>Distribution network</b>			
Domestic full/mini/sub-branches	187/3/2	189/6/5	
Overseas branches/sub-branches/rep. offices/OBU	13/1/3/1	13/0/3/1	
First Commercial Bank (USA)	1 main office and 7 branches	1 main office and 6 branches	
<b>Number of employees</b>	7,156	7,087	

\*NT\$32.774:US\$1.00

## History

First Commercial Bank has grown strongly and steadily with Taiwan's economic development over the last 100 years, and consistently adhered to the corporate philosophy of "Customer First, Service Foremost."

The Bank is committed to transforming into a global financial institution that is not only highly recognized by employees, but also is friendly, reliable and sound from customers' perspective.

- 1899 Savings Bank of Taiwan established
- 1912 Merged with Commercial and Industrial Bank of Taiwan (est. 1910)
- 1923 Merged with Chia-I Bank (est. 1905) and Hsin-Kao Bank (est. 1916)
- 1945 Reversion of Taiwan from Japanese Governance
- 1949 The Bank was renamed First Commercial Bank of Taiwan
- 1967 The Bank started international business
- 1976 The Bank's name was shortened to First Commercial Bank
- 1998 The Bank was privatized
- 1999 Centennial Anniversary
- 2003 First Financial Holding Co. established; The Bank transformed to be a wholly owned subsidiary of FFHC
- 2004 A new corporate structure created due to the organizational reshaping
- 2006 Awarded "Bank of the Year 2006" for Taiwan by The Banker, ISO 27001 Certificate from BSi
- 2007 Continued winning glory and honor awards from The Banker (UK), Asiamoney (HK) and FSC (Taiwan)
- 2008 Graded A for "Loan Promotion Program to SMEs by Taiwanese Banks" by the FSC; winning "Credit Guarantee Partner Award" from the MOEA and the FSC; awarded "The Best Visa Debit Issuer of the highest Activation Rate in 2008" by Visa organization; rated A+ in the Fifth Information Disclosure System Assessment

# Message to Our Shareholders

## **Overview of Global Financial Industry**

### **Business Report for 2008**

In the first half of 2008, we saw that the prices of oil and raw materials continued soaring to a new record high, commodity prices surging across the world brought on global inflation, the industrially advanced countries were struck by the impact of the subprime mortgage crisis in the United States and the pace of economic growth slackened, while emerging economies, thanks to the stimulation provided by China and India, still managed to grow at a stable rate. Turning into the second half of the year, the U.S. subprime turmoil expanded into a global economic crisis; the international economy dived into a downward spiral since the third quarter and the threat of inflation receded. The International Monetary Fund (IMF) predicted that global economic growth would drop to 3.4% in 2008, 1.8% lower than 5.2% of 2007.

In Taiwan, the domestic economy benefited from robust inter-Asian trade racking up a brilliant trade performance in the first half of 2008; the economy continued the strong expansion of the previous year, with a 5.4% growth that stimulated a rise in domestic stock and real estate prices. In the second half of the year, however, the island's economy suffered under the influence of the U.S. and European financial storms; the external demand sharply declined and the wealth of Taiwan's people shrank under the impact of the setback in the global capital market. This led to contraction in the consumer and job markets, and economic growth for 2008 plummeted to a mere 0.12%. Despite the downturn of domestic economy, however, the outstanding loans from major financial institutions at the end of the year grew 2.48% against 2007. Thanks to the aggressive write-downs of bad loans and an increase in reserve allocations, the NPL ratio in domestic banks fell to a new low of 1.54% at the end of the year while NPL coverage ratio rose to 69.48%.

With the rapid weakening of economic conditions in the last half of 2008, the domestic interest-rate environment underwent a substantial change that impacted heavily on the banks' traditional deposit and loan business. Domestic prices rose sharply in the first half of the year under the impact of soaring international prices for agricultural and industrial raw materials, and the Central Bank moved to alleviate inflationary pressure through a gradual rise in interest rates by boosting the rediscount rate to 3.625%. With the economy cooling down both at home and abroad in the second half, the Central Bank turned toward a loose monetary policy; it initiated to cut interest rates since September and the rediscount rate was lowered to 2% after 5-consecutive rate cuts of 1.625%. Interest rates thus saw first a rise and then a fall in 2008. At the end of December, the overnight call rate was down to 0.49%; the year average was 1.93%, a reduction of 0.3% from 2007.

Because of the loose-money situation plus fierce competition among banks, the spread between deposit and loan interest rates fell from 1.74% at the end of 2007 to 1.61% at the end of 2008, causing an unfavorable impact on profits in the traditional deposit and loan business. In the first half of 2008, the amounts of home loans, wealth management, and OBU loans all rose significantly and Taiwanese banks performed well in profitability. However, in the second half of the year, the home loan and wealth management businesses suffered a rapid contraction and the local banks took large losses on overseas investments, all of which struck a heavy blow to their profitability.

Domestic banks still managed to record an overall profit growth in 2008, with pre-tax profits rising from NT\$38,753 million of the previous year to NT\$44,364 million. Average return on equity (ROE) in the banking industry rose from 2.21% to 2.47%, and average return on assets (ROA) increased from 0.14% to 0.16%.

## Organizational Restructuring

The Bank moved to strengthen its public relations in 2008 by setting up the Public Relations Office under the General Administration Center to assist the Spokesperson to deal with PR matters including providing the public information and statements. At the same time, the handling of bank-wide online marketing, online customer services, and complaints was consolidated at the Call Center Department of Credit Card Division, Personal Banking BU so as to provide customers with a full spectrum of services through an effective and integrated bank-wide online marketing and customer service platform.

## Performance of Operating Strategies

In 2008, the Bank's business plans were directed in two main directions, *"equal emphasis on traditional businesses and core businesses"* and *"equal pursuit of profit and risk control,"* to cope with potential changes in the external operating environment. The traditional deposit and loan business has long been a source of the Bank's competitive strength, and stable profitability can be maintained only by strengthening this business foundation. At the same time, new core businesses were developed to serve as profit drivers for the Bank's future profit growth; they include *"domestic and international syndicated loans," "business in the Greater China area," "wealth management,"* and *"financial product marketing."* Besides working aggressively on business development, however, the Bank also emphasizes on the maintenance of asset quality and the implementation of thorough risk management so as to achieve stable earnings and create stable investment value for shareholders by finding a balance between profit and risk control. The implementation of the Bank's operating strategies in 2008 brought the following results:

### ***Creation of stable profits and top-ranked performance***

Despite the impact of the global financial turmoil and a reduction in pre-tax profit compared with the year before, the Bank still managed to achieve a pre-tax profit of NT\$11,011 million in 2008, making it one of the few domestic banks under financial holding groups that earned more than NT\$10 billion that year. Pre-tax EPS was NT\$2.28, also among the top rankings.

The other major achievements include:

- The Bank was graded A rating for "Loan Promotion Program to SMEs by Taiwanese Banks" in the third consecutive year by the Financial Supervisory Commission (FSC).
- The Bank won the prize of "Credit Guarantee Partner Award" co-awarded by the Ministry of Economic Affairs and the FSC.
- The Bank's Visa Debit Card was awarded "The Best Visa Debit Issuer of the highest Activation Rate in 2008" by the international Visa organization.
- The Bank won an A+ rating in the Fifth Information Disclosure System Assessment.

These honors show that the Bank's efforts to provide the finest in financial services to its customers have been recognized by government agencies and by society.

***Deployment of branches  
and promotion of  
Internet banking***

The Bank constantly reinforces its domestic and overseas branch network so as to provide more convenient services to our customers. In Taiwan, we established the Jui-Fang and Hua-Shan branches, and upgraded the Ching-Mei and Ta-Chih units to full branches; we also adjusted some branch locations to better meet customer needs. Overseas, we set up the Fremont Branch of the First Commercial Bank (USA) and established the Chorm Chaov Sub-Branch of FCB, Phnom Penh Branch, gradually expanding our business territory in the local markets and providing more convenient financial services to Taiwanese businesses and Chinese communities there. Besides the addition of physical branches, the Bank also expanded its Internet banking business by modernizing the company's website and updating its personal Internet Banking (iBank), along with a completely upgraded version of the Internet financial management machine (eATM). All of these helped to upgrade the Bank's professional service image and provide customers with more convenient and secure online transaction services. This comprehensive and closely-knit domestic and overseas real service channel, together with our safe and reliable virtual banking network, enables our customers to enjoy a complete spectrum of financial services anytime, any place.

***Development of new  
financial products  
and launch of new  
businesses***

In 2008, the Bank introduced new products and services that exhibited its strong developmental capabilities. The new products and services included the institution of OBU foreign-currency checking deposits, the inauguration of automatic investment of time-deposit interest in funds/collective-account business, the forging of strategic alliances with financial institutions in nine Asian countries to provide customers with GlobePass credit-card services, and the introduction of Smart Fund easy financial management - set time, indefinite amount investment in domestic and foreign funds. These diversified financial products and services help to satisfy the multi-faceted financial needs of our customers.

***Improvement of risk-  
control techniques and  
upgrading of asset  
quality***

The Bank launched the new "e-Loan" corporate banking management system, which is an in-house developed new platform, a role model among large domestic banks, and received permission from the authorities to calculate capital charge for option risk by Delta-plus method, thus saving on the cost of capital measurement. By such, the Bank has moved a giant step forward with appropriate implementation of the global capital accord - Basel II - under the "three pillars" concepts: minimum capital requirements, supervisory review and market discipline. Despite the increased risk in the operating environment, the Bank's NPL ratio stood at just 1.45% at the end of 2008, coverage ratio was 55.36%, and capital adequacy ratio was 10.88%, reflecting good asset quality and effective control of risks.

***Reach out to help  
customers and fulfill  
social responsibility***

In response to the government's economic revitalization targets, its policy of expanding domestic demand, and its Three Support Pillars Policy, the Bank moved to help its customers weather the economic recession by inaugurating a series of customer-care activities; in addition, we have been always determined to participate in public-benefit and cultural activities so as to fulfill our social responsibility and upgrade the Bank's social status. The details are stated below :

- Implementation of the "First Bank Support for Enterprise" corporate loans;
- Assisting the Executive Yuan with the "Local Care - Proactive Service for SMEs Program;"
- Providing support for local governments in the establishment of "Immediate Care Service Platform;"
- Contributed to the establishment of the "SME Loan Service Platform;"
- Helping ARS Film Production, the producer of the hit film "Cape No.7" to obtain financing;
- Organizing the "Welcome the Dawn to Win First Place" activity on the Northeast Coast.

***Research and  
Development***

In response to the rapid changes taking place in the internal and external economic, financial, and industrial environments, the Bank directed its R&D efforts in 2008 toward economic/financial/industrial dynamics, changes in domestic and overseas financial regulations and analysis of their potential impact, and formulation of countermeasures for their effects on banking operations and business development. The results of R&D projects were speedily transmitted to related units and all FCB colleagues through video and the Internet for reference and application. The depth, breadth, applicability, and timeliness of the analyses all showed improvement over the past, exhibiting richer and more diversified results.

**Budget Implementation, Growth and Profitability**

- The average deposits were NT\$1,286,129 million, reached 96.96% of the budget target, an increase of NT\$56,028 million over 2007 or a growth of 4.55%.
- The average loans were NT\$1,089,744 million, reached 99.05% of the budget target, an increase of NT\$94,860 million from 2007 or a growth of 9.53%.
- The sales of non-discretionary money trust, including domestic and offshore funds, collective management account plus foreign securities were NT\$181,253 million, an achievement of 45% and a decrease of NT\$168,897 million from 2007, a decline of 48.24%.
- Custodian funds amounted to NT\$257,125 million, reached 86% of the budget target, a decrease of NT\$69,075 million or a decline of 21.18%. Discretionary investment custodian assets were NT\$60,960 million, reached 38% of the budget target, a decrease of NT\$64,808 million or a decline of 51.53%.
- Revenue and expenses totaled respectively NT\$61,170 million and NT\$50,159 million, yielding a pre-tax income of NT\$11,011 million.

## Business Plans for 2009

### ***Economic Outlook and Business Targets***

To cope with the overall economic outlook and coordinate with the Financial Holding Company's business goal of *"Integrated Marketing and Innovative Services,"* in 2009, the Bank will take *"Stabilizing of its Base and Deepening of its Services"* as the core of its operating strategy and will adopt, as its working directions for the year, five major developmental strategies: *"Consolidation of the Existing Business Foundation," "Enhancement of Operating Output Efficiency," "Improvement of Risk Management Techniques," "Provision of Comprehensive Financial Services," and "Reinforcement of Customer Service Capabilities."* Our hope is that in the current environment characterized by poor operating conditions, the Bank will be able to maintain its strengths and improve its shortcomings, complete the work of basic construction, upgrade service efficiency, and lay down a foundation for a quick revitalization of business once the economy improves in the future. We hope that the forward-looking development strategies described above will help to reach this year's business targets, and achieve average deposits of NT\$1,336,395 million and average outstanding loans of NT\$1,140,753 million.

## Future Development Strategies

### ***Consolidation of the Existing Business Foundation***

The financial storm sweeping the world has caused traditional commercial banks once again to come under intense purview by the market. Traditional banking is where the strength of the Bank lies, and the reason why the Bank's stable operations have won the confidence of its customers. In 2009, therefore, the Bank plans to reinforce its existing business base in such areas as corporate banking and foreign trade finance, and to seek out high-quality customers in the market. For businesses that have been struck by the financial storm, such as personal banking and overseas branches, the Bank will carry out this work in an even more cautious attitude in order to make up for existing deficiencies and achieve the goal of across-the-board development of the banking business.

### ***Enhancement of Operating Output Efficiency***

At a time when economic prospects are unclear, the enhancement of operating efficiency and improvement of employee productivity have become more important than ever. Besides continuing to carry out the tasks of conserving business costs and improving operating processes, the Bank will work more actively to educate employees in professional skills and to develop information-utilization skills. This will improve operating output efficiency and help increase the Bank's profitability.

### ***Improvement of Risk Management Techniques***

The continuous improvement of risk management techniques is a goal that the Bank has always pursued. Besides implementing the internal control system and putting an end to human malpractice, in 2009, the Bank will list the fulfilling of its credit investigation function and the assisting of business development among its key tasks. To comply with the demands of Basel II, the Bank will continue optimizing its model and establishing a new risk system to provide for the more precise measurement of different kinds of risk and for compliance with business standards, and to use in strengthening the Bank's asset portfolio and its capital management capability so as to realize the value of its capital.



***Provision of  
Comprehensive  
Financial Services***

Because the Bank's parent financial holding company possesses a rich and comprehensive product line to satisfy the diversified needs of its customers, and in response to the holding company's 2009 plan for the creation of synergetic cross-marketing, the Bank will strive constantly to develop new types of business and expand its product line. At the same time, it will cooperate with other subsidiaries of the financial holding company in setting up a message communication platform that will enable the sharing of information and the provision of mutual support among branches, Internet banking, and other channels to manifest the power of teamwork in providing customers with a full spectrum of financial services.

***Reinforcement of  
Customer Service  
Capabilities***

To satisfy the needs of customers and give them faster and more convenient financial services, in 2009 the Bank will use customer segmentation, integrated marketing, innovative products, customized services, enhanced penetration, interbank strategic alliances, and other methods to upgrade customer satisfaction and reinforce their desire to continue doing business with the Bank, and to achieve the Bank's operating vision of "Customer First, Service Foremost."

## **Influence of the External Environments**

***External Competitive  
Environment***

Over the past year the American subprime storm has spread from the real estate market to the credit market and has evolved into an international financial crisis that has caused the collapse of multinational financial groups and brought global finance to face with reorganization. While Taiwan's financial industry was not deeply involved in financial derivative products and has thus avoided being drawn into the cycle of constantly shrinking financial asset values, its overall operations and profitability have taken a blow. In another area, the dawn of economic and trade relations across the Taiwan Straits began brightening in 2008 and the new age of direct mail, communications, and transportation links began. The opening of cross-straits financial services can be expected soon. In view of this prospect, the Bank will continue strengthening its overall risk management, adjusting the structure of its operating income, and reinforcing its financial innovation and marketing capabilities; it will also carry on with its progressive deployment in the Greater China area so as to produce the greatest value for the Bank's customers, shareholders, and employees.

***Regulatory  
Environment***

In response to the increased risk that the domestic banking industry is facing because of the global economic and financial instability, the government authorities have moved to maintain order and stability in domestic finance by establishing and revising the supervisory mechanism aggressively. The Legislative Yuan passed a partial revision of the Banking Law on Dec. 9, 2008 to provide for the establishment of an immediate corrective measures and a market withdrawal mechanism for failing financial institutions, and to strengthen the competent authority's management mechanism for the fitness of big shareholders who hold the rights of control over banks. The revision also cancelled restrictions on the total number of shares held by big shareholders so as to reinforce banks' shareholding structure and bring in healthy funding. In addition, the Regulations Governing the Consolidated Capital Adequacy of Financial Holding Companies were passed at the end of 2008; besides heightening the group capital adequacy of financial holding companies, these

## Overall Operating Environment

Regulations will bring greater efficiency and flexibility to companies' overall capital planning and utilization. This, in turn, will facilitate augmentation of the capital of financial holding companies and boost their operating performance. The Bank had long before mapped out countermeasures against external regulatory changes; it took this opportunity to review them thoroughly and optimize its different businesses, so as to lighten the impact of changes in the external regulatory environment on its operations.

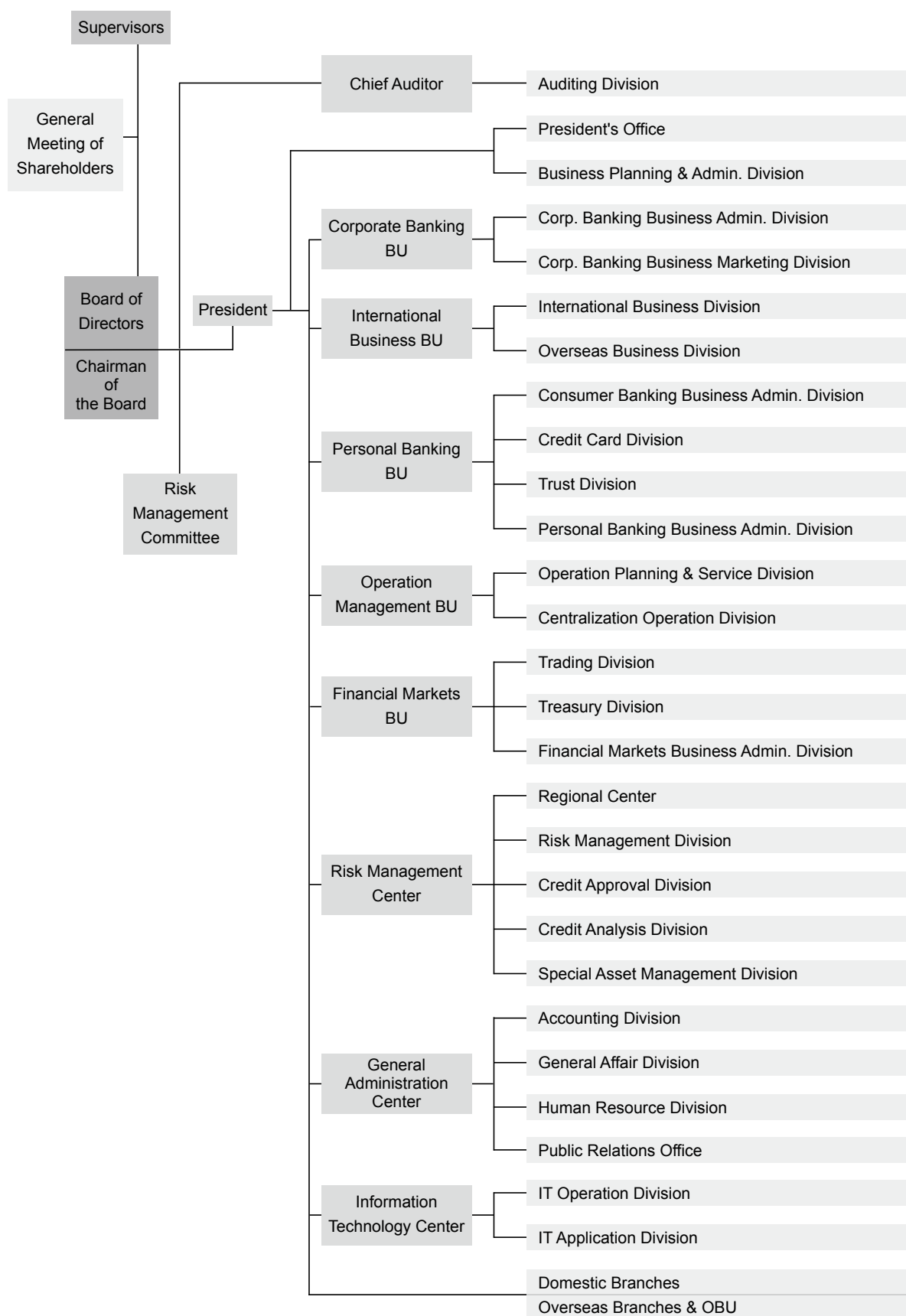
Following years of rapid expansion, the global economy entered a period of contraction in mid-2008; with domestic and overseas demand shrinking, investment willingness turned more conservative and the motivating force for growth in corporate loans became limited. The real-estate market also entered a period of adjustment recently, and the pace of investment by the construction industry and the attitude of home-buyers both turned cautious, making it difficult to achieve any major growth in construction financing and home loans. In the wealth management business, the financial tsunami and economic recession have severely affected private investment confidence; in the future, therefore, growth in income from wealth management fees will likely slow down under the impact of the international economic downturn and ongoing shocks in the financial market.

## Credit-rating Results

Rating Institution	Published Date	LT	ST	Outlook
Taiwan Ratings Co.	August 4, 2008	twAA-	twA-1+	Stable
Fitch	October 9, 2008	BBB+	F2	Stable
Moody's	August 4, 2008	A3	P-1	Stable
Standard & Poor's	August 22, 2008	BBB+	A-2	Stable

Looking to the new year, the Bank will focus continuously on the consolidation of its existing business foundation and deployment of overseas operating bases so as to provide its customers with convenient and diverse financial services and achieve the operating targets of *"Stabilizing of its Base and Deepening of its Services."* The Bank will proactively look into the needs of its customers and reinforce its customer service capabilities in order to realize the ideal of *"Customer First, Service Foremost."* The risk management mechanism will be strengthened and overall asset quality will be reinforced; efforts will be devoted to financial holding company synergies and the overall promotion of integrated marketing with the aim of constantly upgrading the Bank's profitability and operating output efficiency, further expanding its asset scale and market share, and developing it into the Taiwan banking industry's finest model and the most competitive international-class bank among Chinese communities everywhere.

# Organization Chart



January 2009

# Board of Directors and Supervisors

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
Chairman of the Board	Yuh-Chang Chen	July 10'08	■ MBA, National Taiwan University Practicing CPA; Managing Director, International Commercial Bank of China; Secretary General & Deputy Mayor, Taipei City Government; Chairman, EasyCard Corporation	Chairman, First Financial Holding Co., Ltd. (FFHC); Chairman, First Commercial Bank (USA); Director, Taiwan Asset Management Corp.; Supervisor, Taiwan Stock Exchange Corp.
Managing Director	Ming-Ren Chien	Aug. 22'08	■ M.S., Int'l Finance, National Taipei University President, First Leasing Co., Ltd.; EVP, FCB; Chairman & President, First Financial Asset Management Co., Ltd.	Director & President, FFHC; Chairman, First-Aviva Life Insurance Co., Ltd.; Director, Taiwan Asset Management Corp.
Managing Director	Teng-Lung Hsieh	July 13'06	■ B.S., National Taichung Institute of Commerce General Auditor, Bank of Taiwan	Director, FFHC; EVP, Bank of Taiwan
Managing Director	Hsien-Feng Lee	July 13'06	■ Ph.D., Bielefeld University, Germany Advisory Committee Consultant of Council for Economic Planning and Development, Executive Yuan; Director, Farmers Bank of China	Director, FFHC; Associate Professor of Dept. of Economics, National Taiwan University
Managing Director	Tien-Yuan Chen	Oct. 22'97	■ B.A., Tamkang University Chairman, Taiwan Coca-Cola Co., Ltd.	Director, FFHC; Chairman, Golden Garden Investment Co., Ltd. & Golden Gate Motor Co., Ltd.
Director	Ying-Hsiung Lin	Sep. 25'08	■ B.A., National Taiwan University SVP & General Manager of Credit Card Dept., Personal Banking Dept. and Business Development Dept., FCB; EVP, FCB; Director, National Investment Trust Co., Ltd.	President, FCB; Director, First-Aviva Life Insurance Co., Ltd.; Director, CDIB & Partners Investment Holding Corp.
Director	Hsien-Chuan Huang	July 13'06	■ LL.M., Meiji University, Japan Chief Auditor, FCB; Director and President, FFHC; Chairman, National Investment Trust Co., Ltd.; Chairman, First-Aviva Life Insurance Co., Ltd.	Senior Advisor, FCB; Chairman, First Financial Asset Management Co., Ltd.
Director	Chau-Jung Kuo	June 21'02	■ Ph.D. in Economics, National Chengchi University Council Member of Council for Economic Planning and Development, Executive Yuan; Dean of College of Finance and Banking, National Kaohsiung First University of Science and Technology	Professor of Dept. of Finance, National Sun Yat- Sen University
Director	Yih-Cheng Yang	July 19'00	■ MBA, National Taiwan University Managing Director and Standing Supervisor, China Bills Finance Corp.	President, Taiwan Small Business Integrated Assistance Center
Director	Jen-Hui Hsu	July 8'03	■ Ph.D., University of Southern California Commissioner of National Treasury Agency, MOF; Associate Professor and Chair of Dept. of Economics, Shih Hsin University; Chief of Finance Bureau, Taipei County Government	Professor and Dean of College of Management, Shih Hsin University
Director	Ruei-Chun Chang	Feb. 12'04	■ Ph.D., National Chiao Tung University Professor of Dept. of Computer & Information Science, National Chiao Tung University	Chief Technology Auditor, Acer Production Value Lab.
Director	Jan-Yan Lin	Aug. 22'08	■ Ph.D. in Business Administration, National Chengchi University Dean of Academic Affairs, Kainan University; Secretary General, Chinese Professional Management Association	Chief of Research and Development Office, Chung Yuan Christian University
Director	Shang-Wu Yu	Sep. 25'08	■ Ph.D., University of Birmingham, U.K. Dean of Student Affairs Office and Director & Professor of Dept. of Information Management, National Taiwan University of Science and Technology	Vice President and Dean of College of Management, Tungnan University; Independent Supervisor, TXC Corporation
Director	Ping-Pin Lin	Nov. 20'08	■ MBA, John F. Kennedy University Managing Director, Small and Medium Enterprise Credit Guarantee Fund of Taiwan; Director, Taiwan Small Business Integrated Assistance Center	Chairman, Triad International Corporation; Independent Director, Bionet Corp.; Supervisor, Maywufa Co., Ltd.
Director	Hsiu-Hui Lin	May 22'08	■ B.A., Taiwan University AVP & Deputy Manager of Regional Center, FCB	AVP & Deputy Manager of Fu-Hsing Branch, FCB

(to be continued)

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
Standing Supervisor	Yung-Sun Wu	Sep. 16'04	■ B.A., Soochow University Professor, Soochow University ; Professor and Head of The Management Science Graduate Institute, National Chiao Tung University; Supervisor, China United Trust & Investment Corp.; Supervisor, FFHC	Advisor, Taiwan Fuhbic Corp.
Supervisor	Lung-Cheng Pan	July 19'00	■ M.A., Tamkang University Director of Bureau of Monetary Affairs, MOF	EVP, Central Deposits Insurance Corp.
Supervisor	Li-Jen Lin	Aug. 22'08	■ M.S., National Chengchi University Section Chief, Deputy Director-General, Department of Statistics, Ministry of Economic Affairs; Director-General, Department of Statistics, Council of Labor Affairs, Executive Yuan	Supervisor, FFHC; Director General, Dept. of Statistics, MOF
Supervisor	Kao-Chen Chuang	Feb. 14'07	■ B.A., National Chengchi University Manager of Hsin Chuang and Sun Chiang Branch, Bank of Taiwan	Supervisor, FFHC; Chief Secretary, Secretariat of Board of Directors, Bank of Taiwan

March 19, 2009

## Executive Officers

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
President	Ying-Hsiung Lin	Sep. 25'08	■ B.A., National Taiwan University SVP & General Manager of Credit Card Dept., Personal Banking Dept. and Business Development Dept., FCB; EVP, FCB; Director, National Investment Trust Co., Ltd.	Director, First-Asia Life Insurance Co., Ltd.; Director, CDIB & Partners Investment Holding Corp.
EVP of Corporate Banking BU	Jin-Der Chiang	Jan. 8'04	■ M.A., Tamkang University VP & General Manager of Singapore Branch, FCB; SVP & General Manager of Information Technology Dept. and Savings Dept., FCB	Director, First Securities Investment Trust Co., Ltd.; Chairman, First Venture Capital Co., Ltd.; Director, Taiwan Financial Asset Service Corp.; Chairman, First Financial Management Consulting Co., Ltd.
EVP of General Administration Center	Po-Chiao Chou	Sep. 16'04	■ B.A., National Cheng Kung University VP & General Manager of Accounting Dept. and General Affairs Dept., FCB; SVP & General Manager of General Affairs Division, FCB	Supervisor, First Securities Investment Trust Co., Ltd.; Supervisor, Tang Eng Iron Works Co., Ltd.; Advisor & Head of Administration Management Dept., FFHC
EVP of Information Technology Center	Jason Ko	Sep. 16'04	■ M.A., George Washington University SVP & General Manager, Information Technology Division, FCB	Advisor & Head of Information Technology Dept., FFHC
EVP of Operation Management BU	Shwu-Mei Shiue	Mar. 17'06	■ B.A., National Taiwan University SVP & General Manager of Treasury Dept. and Personal Banking Dept., FCB; EVP of Personal Banking Bu, FCB	Director, First Securities Investment Trust Co., Ltd.; Chairman, First Insurance Agency Co., Ltd.; Chairman, First P&C Insurance Agency Co., Ltd.
EVP of Financial Markets BU	Tay-Pyng Yang	June 22'07	■ B.A., Feng Chia University VP & Chief of Overseas Business Division, FCB; SVP & Chief of Trading Division, FCB	Supervisor, Taipei Foreign Exchange Co., Ltd.; Supervisor, First Securities Inc.
EVP of International Business BU	Tzuoo-Yau Lin	Aug. 17'07	■ B.A., Tamkang University EVP of Operation Management Center, FCB; CEO, First Commercial Bank (USA)	Director, First Commercial Bank (USA)
EVP of Risk Management Center	Jeff Chen	Dec. 14'07	■ B.A., Feng Chia University VP & Deputy Chief and SVP & Chief of Research Division, FCB	Advisor & Head of Risk Management Dept., FFHC
EVP of Personal Banking BU	Grace M.L. Jeng	Sep. 25'08	■ B.A., National Taiwan University SVP & General Manager of Yuan-Shan Branch, FCB; SVP & Chief of Personal Banking Business Admin. Division, FCB	None
Chief Auditor	Wen-Chang Tu	Aug. 17'07	■ LL.B., Soochow University SVP & General Manager of Corporate Banking Dept. and Credit Approval Division, FCB	Supervisor, First Securities Inc.; Advisor & Head of Auditing Dept., FFHC

February 27, 2009

# Banking Operations

## Scope of Operations

### ■ Banking Business Line

1. Receive all kinds of deposits.
2. Issue financial bonds.
3. Extend loans.
4. Discount bills and notes.
5. Invest in securities.
6. Engage in domestic remittances.
7. Engage in acceptance of commercial drafts.
8. Issue local letters of credit.
9. Guarantee the issuance of corporate bonds.
10. Engage in domestic guarantee business.
11. Act as collecting and paying agent.
12. Act as agent to sell government bonds, treasury bills, corporate bonds and stocks.
13. Act as securities underwriter.
14. Engage in securities trading on its own account.
15. Engage in rental safe deposit box.
16. Engage in agency services related to the business listed on business license or approved by the competent authorities.
17. Engage in credit card business.
18. Act as agent to sell gold bullions, gold and silver coins.
19. Purchase and sale of gold bullions, gold and silver coins.
20. Engage in guarantee business of import and export of foreign trade, outward and inward remittances, foreign currency deposits and foreign currency loans.
21. Engage in outward and inward remittances and foreign currency deposits business.
22. Purchase and sale of foreign currency cash and traveler's checks.
23. Engage in derivative financial products business approved by the competent authorities.
24. Engage in trust business as regulated.
25. Handle the investment in foreign securities under non-discretionary trust of money service.
26. Sale of domestic mutual funds under non-discretionary trust of money service.
27. Purchase and sale of government bonds.
28. Act as broker, dealer, registrar, and underwriter for short-term debt instruments.

29. Provide financial consultation service for financing.
30. Act as agent to sell charity lottery tickets approved by the competent authorities.
31. Engage in foreign exchange margin trading.
32. Handle the investment in domestic securities investment trust funds under non-discretionary trust of money service.
33. Purchase and sale of corporate bonds and financial bonds.
34. Engage in wealth management business.

### ■ Trust Business Line

1. Trust Business
  - Trust of money
  - Trust of loans and related security interests
  - Trust of securities
  - Trust of real estate
  - Trust of superficies
  - Handling discretionary investment business by means of trust
2. Affiliated business
  - Act as agent for issuance, transfer, registration of securities, and for distribution and payment of dividends and bonuses.
  - Provide consultation services for securities issuance and subscription.
  - Provide registration for securities.
  - Act as trustee for issuance of bonds and engage in agency services related to the business.
  - Provide custody services.
  - Act as custodian of securities investment trust funds.
  - Provide consultation services in connection with investments, financial management and real estate development.
  - Handle full discretionary investment business on a consignment basis.
  - Other related business approved by the competent authorities.

## Main Figures for Business Operations

		2008		2007	
		NT\$,000	%	NT\$,000	%
<b>Deposits at year end</b>					
Current Deposits	Checking deposits	31,783,767	2.1	32,959,578	2.4
	Demand deposits	249,036,271	16.6	240,958,605	17.2
	Savings deposits	355,984,815	23.7	354,981,774	25.4
	Subtotal	636,804,853	42.4	628,899,957	45.0
Time Deposits	Time deposits	385,285,797	25.7	318,081,857	22.7
	Time savings deposits	361,805,151	24.1	311,926,427	22.3
	Subtotal	747,090,948	49.8	630,008,284	45.0
Others	Due to other banks	26,920,798	1.8	28,975,063	2.1
	Overdrafts from other banks	1,786,475	0.1	3,644,768	0.2
	Call loans from other banks	88,389,500	5.9	107,234,610	7.7
	Subtotal	117,096,773	7.8	139,854,441	10.0
<b>Total</b>		<b>1,500,992,574</b>	<b>100.0</b>	<b>1,398,762,682</b>	<b>100.0</b>
<b>Loans at year end</b>					
Corporate		616,802,790	53.5	565,392,574	53.2
Consumer		321,434,679	27.9	309,091,544	29.1
Domestic branches in foreign currencies		46,231,820	4.0	45,323,387	4.3
Foreign branches		166,109,254	14.4	139,646,157	13.1
Import-export negotiations		1,853,165	0.2	3,721,129	0.3
<b>Total</b>		<b>1,152,431,708</b>	<b>100.0</b>	<b>1,063,174,791</b>	<b>100.0</b>
<b>Foreign Trade and Payment (US\$,000)</b>					
FX buy	Export negotiations and collections	7,318,117	4.2	7,605,811	4.4
	Inward remittances	85,374,056	48.9	79,506,292	46.0
	Subtotal	92,692,173	53.1	87,112,103	50.4
FX sell	Import L/Cs and collections	6,796,947	3.9	6,691,742	3.9
	Outward remittances	75,003,888	43.0	79,129,445	45.7
	Subtotal	81,800,835	46.9	85,821,187	49.6
<b>Total</b>		<b>174,493,008</b>	<b>100.0</b>	<b>172,933,290</b>	<b>100.0</b>
<b>Total Revenues</b>					
Interest income		49,326,794	80.7	48,572,750	75.7
Fees and commissions		5,873,729	9.6	7,959,923	12.4
Gains on financial assets and liabilities		325,407	0.5	2,712,525	4.2
Income from equity investments accounted for					
under the equity method		44,111	0.1	239,953	0.4
Foreign exchange gains		938,768	1.5	297,499	0.5
Other non-interest income		4,661,338	7.6	4,371,855	6.8
<b>Total</b>		<b>61,170,147</b>	<b>100.0</b>	<b>64,154,505</b>	<b>100.0</b>
<b>Total Expenses</b>					
Interest expenses		25,091,435	50.0	26,631,341	54.9
Fees and commissions		832,510	1.7	1,075,996	2.2
Provision for credit losses		7,129,966	14.2	6,061,505	12.5
Business and administrative expenses		14,438,662	28.8	14,200,118	29.3
Other non-interest expenses and losses		2,666,784	5.3	513,638	1.1
<b>Total</b>		<b>50,159,357</b>	<b>100.0</b>	<b>48,482,598</b>	<b>100.0</b>

NT\$,000		2008	2007
<b>Trust Business</b>			
Balance at year end	Custody of funds and discretionary investment assets	318,085,077	451,968,233
	Domestic trust assets	63,806,694	82,019,913
	Foreign trust assets	132,214,185	179,412,350
	Trustee accounts	53,346,912	54,744,587
	Family wealth trust assets	1,422,568	1,682,131
	Corporate employees' savings plan trust assets	964,647	904,821
	Real estate trust assets	4,429,186	4,794,259
	Securities trust assets	16,950,742	14,679,150
	Securitization trustee assets	26,934,256	37,608,487
	Project trust assets	1,076,258	901,985
	Collective management accounts	1,173,709	3,479,570
Transaction volume	Registrar for issuance of securities	888,938,164	812,747,888
<b>Investment Business</b>			
	Bills outright buy/sell (OB/OS)	69,890	1,090,726
	Bills repurchase/resale (RP/RS)	256,665	774,402
	Bills underwriting	2,437,500	2,867,500
<b>Credit Card Business</b>			
	Number of active cards	228,064	231,135
	Transaction volume	21,025,767	20,602,765
	Revolving balance of credit cards	1,653,779	1,990,089
<b>Wealth Management Business at year end</b>			
	Deposits	459,014,347	396,786,343
	Mutual funds	100,092,091	131,075,936
	Bonds/bills	7,509,317	6,602,692
	Derivative financial instruments	14,702,950	34,428,912
	Insurance products	25,937,083	16,760,404



# Market Analysis

**Multinational Network** The Bank gets close to its customers and provides them with quality financial services by spreading its business network throughout the entire country. Two new branches were added in 2008, bringing the total number to 190. The Bank has also accelerated the pace of its internationalization, setting up branches in major international financial centers including London, New York, Tokyo, Hong Kong, Singapore, and the Southeast Asian nations that have shown robust development potential in recent years. At the end of 2008 there were 13 branches, three representative offices, and one subsidiary (operating in the United States, with 7 branches) operating overseas. Through the expansion of its domestic and overseas branch network, along with the advantage of a solid customer base, the Bank hopes to boost its profit performance and diversify its sources of income.

## ***The Supply Side***

### **Future Market Supply, Demand and Growth**

For a long time, Taiwan's financial industry has faced the problem of malicious competition in the market environment, with an excessive number of institutions creating price-slashing rivalry among banks. This has caused a continuous contraction of profitability in the traditional deposit and loan business; this situation, together with the influence of the weak global economy, has led to rising loan default rates and confronted banking sector with severe trials and challenges given with the increase of credit risk. At the same time, foreign banks have come in with the relative advantage in the wealth management market provided by the resources, the innovation and marketing capabilities of their overseas parent groups. In addition, some of the foreign banks that have taken over domestic banks enjoy not only a long-established and successful operating model, system technology, and new products and new ways of thinking, but have been able to use their Taiwan acquisitions to strengthen these advantages through the expansion of their branch networks on the island. In this way, they establish close business relationships with domestic customers and use the domestic and overseas branches and platforms of their parent groups to provide Taiwanese businesses with transnational financial services; this inevitably erodes the customer bases of Taiwanese banks and constitutes a huge threat to domestic bankers.

## ***The Demand Side***

The turmoil of domestic and overseas financial markets in 2008 weakened the willingness of the public to invest and engage in financial management, and struck a blow at the wealth management business in the banking industry. Although the global financial crisis has prompted a return of capital that was invested abroad by Taiwan's people, and the ongoing financial demands of customers at the peak of the economic pyramid remain stable, any quick expansion of the wealth management business will be difficult to achieve at a time when investor confidence remains low. As Taiwan enters an aging society, however, the demand by senior citizens for financial planning and health insurance will rise, opening up new business opportunities for banks.

And the banks, with a full spectrum of financial management products and service platforms as well as widespread branch networks that facilitate the provision of tax and trust services, have a strong potential for development in the fields of insurance and financial planning.

In the field of corporate banking, weak economic conditions at home and abroad have caused companies to turn conservative in their spending plans for factory expansion. Given the global deployment strategy that domestic enterprises have adopted to boost their competitiveness in recent years, their demand for transnational financial services and the payment in and out settlement system of foreign currency is constantly growing. Furthermore, the severe turbulence in global financial markets and the crash of stock markets have lowered the cost of corporate consolidation. Competition will weed out the weak while leaving the strong, leading to a reshuffling of the industrial deck; when this happens, the capital needs resulting from mergers will increase, providing banks with yet another source of business opportunity.

### **Competitive Advantages, Favorable and Unfavorable Factors for Development Prospects, and Responsive Measures**

The Bank enjoys the universally recognized competitive advantages of a widespread network of business locations, a large customer base, and a century-long heritage of stable operation. In the face of the rapidly changing external operating environment, however, the Bank is likely to confront the following circumstances:

#### ***Favorable Factors***

- A widespread branch network and good customer base.
- Brand value bolstered by a century of operation.
- Stable management resulting from a high ratio of government-held shares.
- Appropriate levels of capital and stable liquidity.
- Good asset quality and low NPL ratio.
- Stable overall profit performance and diversified sources of income.
- The comprehensive financial scope of the financial holding group, and cross-marketing advantage.
- A constantly improving risk management system and product pricing strategy that conforms to the spirit of graded risk.
- Implementing internal organizational restructuring timely to respond as necessary to changes of the external environment.
- An industry-leading degree of internationalization.
- An improved transparency of financial disclosure that attracts investors to hold shares.
- A government that is determined to maintain stability in the financial system.

***Unfavorable Factor***

- Weak overall capital demand due to the domestic and international economic slowdown.
- Decreased profitability due to the impact of the decline in the value of financial assets as the global financial turbulence goes on.
- The added difficulty of overseas credit investigation and protection of creditors' claims caused by the huge increase in economic uncertainty.
- The limited scope of services for Taiwanese businesses in China caused by the lack of a cross-straits financial supervisory platform.
- Intense competition among banks, contracting profitability.
- Continuing structured note issues unfavorable to development of the wealth management business.

***Responsive Measures***

- Strongly holding the market shares of loans to SMEs, foreign trade finance, and trust businesses to maintain core profitability.
- Use of the marketing synergies of the First Financial Holding Company to expand the scope of product joint marketing.
- Establishment of a diversified, all-dimensional financial service platform to strengthen competitiveness in wealth management.
- Full use of the Bank's huge customer base to expand the insurance business.
- Grasping of the opportunities offered by the gradual opening of cross-straits finance to expand business in the Greater China area.
- Heightening of financial product development capability and enhancement of fee income from the marketing of new financial products.
- Increase of profit sources through strategic alliances with domestic and foreign financial institutions.
- Continued heightening of risk management capability and establishment of a comprehensive risk management system.
- Realization of the "Customer First, Service Foremost" ideal, and maintenance of good relations with customers.

# Business Plans for 2009

## ***Corporate Banking BU***

### **Development into the best financial advisor for Taiwanese businesses**

- Manifest true care for customers, treasure customer relations, and fully satisfy customers' needs.
- Full implementation of integrated marketing and provision of full-spectrum financial services to customers, thus manifesting Group synergies.
- Grasping of customer money flows and development of high-quality customers so as to expand the Bank's operating base.
- Development of financial services for key industries in coordination with infrastructure construction.
- Assurance of business growth to meet budget targets for business volume and profit.
- Act as a locomotive for the whole bank in powering joint growth with other businesses.

## ***International Business BU***

### **Development into the best financial partner for Taiwanese companies worldwide in handling the international business operations**

- Consolidation of the existing business foundation and reinforcement of international financial services.
- Development of the e-banking business and integration of the global operation system platform.
- Establishment of a global Taiwanese business service network and formulation of operating strategies to meet local conditions.
- Reach out to support Taiwanese businesses of the Greater China in funding needs, and help them manage through the financial crisis.
- Enhancement of operating efficiency and implementation of risk management.
- Reinforcement of the local market functions of overseas branches and full use of the bank-wide joint marketing mechanism.
- Establishment of a regulatory compliance mechanism and upgrading of compliance management.
- Accelerated development of international personnel to cope with changes in the market.

## ***Personal Banking BU***

### **Establishment of brand recognition, "First Personal Banking and Trust," and a leading position in the market**

- Consolidation of the Bank's domestic market position, enlargement of the Bank's foundation in the wealth management business, and maintenance of consumer loans growth.
- Introducing innovative products in response to the market trend, and providing full-spectrum products and services to satisfy the funding needs of customers at every stage.
- Realization of team advantages and enhancement of sales strength.
- Strengthened control of credit risk and enhancement of asset quality.
- Integration of card-use promotion efforts, heightening of the benefits of promotional activities, and establishment of cardholder loyalty.

**Operation  
Management BU**

**Building up of an outstanding service platform and development into  
Taiwan's most convenient and reliable bank**

- Enlargement of market share for demand deposits and expansion of demand deposits foundation so as to lower operating costs.
- Establishment of full-function electronic banking business and enhancement of its competitiveness.
- Reinforcement of operating security controls, strengthening of branch management, and implementation of internal controls.
- Establishment of a brand image for safety and reliability so as to maintain stable long-term customer relations.
- Carry-out of service quality check and upgrading of service quality.

**Financial Markets BU**

**Breaking through global financial difficulties and creating a win-win  
situation for the Bank and its customers**

- Integration of marketing channels bank-wide and reinforcement of the financial product marketing network.
- Getting close to customer needs, grasping the pulse of the market, and providing customers with a full spectrum of financial products and services.
- Reinforcement of the risk management mechanism and controlling of exposure in the investment portfolio.
- Expansion of business volume and widening of the interest spread; capturing profits by riding the trends and vigorous seeking arbitrage spread opportunities.
- Maintenance of a stable spread income by sales of Repurchase Agreement (RP), and vigorous pursuit of opportunities at home and abroad to arbitrage spread by interest-rate products trading.

# Corporate Governance

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
<b>A. Ownership Structure and Shareholders' Equity</b>		
1. The handling of shareholders' suggestions and disputes  2. Updating the details of major shareholders of controlling stake in the bank  3. Risk assessment and firewalls established against the operations with the affiliates	1. The Bank's sole shareholder is First Financial Holding Co.; communication channels are open.  2. The Bank is owned by a single shareholder, the structure is quite simple.  3. The subject matters are governed by the "Rule for Personnel, Information and Business Exchanges between First Commercial Bank and its investee Companies."	fully compliant
<b>B. Organization and Responsibilities of the Board of Directors</b>		
1. Establishing independent director(s) 2. Evaluating the independence of the CPAs periodically	1. None 2. When the Bank employs CPAs to audit financial condition and tax filing each year, it will seek independent statement from the auditor and submits the commissioning of the auditor to the Board of Directors for approval.	1. subject to the implementation of relevant laws and regulations. 2. fully compliant
<b>C. Communications with Interested Parties</b>		
	1. To protect the interests of customers, the Bank has established "The Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" and has set up a customer feedback hotline and external website, providing for open communication with the interested parties.  2. The Bank's internal website contains a discussion forum and bank-wide videoconferences are held regularly, providing for open communication with employees.	fully compliant
<b>D. Disclosure of Information</b>		
1. Setting up a website 2. Use of other methods	1. Annual Report, major financial statements and corporate governance are publicized on the Bank's website.  2. The Bank has set up an English website, where Annual Report and monthly financial information, etc. are available. A spokesperson system has also been established; Mr. Pao-Chiao Chou, EVP is appointed spokesperson.	fully compliant

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
<b>E. Operation Status of the Nomination or Remuneration Committee</b>	None	subject to the implementation of relevant laws and regulations.
<b>F. Description of the Bank's Corporate Governance</b> (including its deficiency with the Corporate Governance Best-Practice Principles for Banks, and the reasons): All are disclosed as above.		
<b>G. Please describe the systems and measures adopted by the Bank in regard to social responsibility.</b> <ul style="list-style-type: none"> <li>■ Transactions between the Bank and materially interested parties are handled by strict procedures in accordance with law so as to avoid doing harm to the interests of the public because of special transaction conditions. In addition, directors exercised a high degree of self-discipline to withdraw from the proposal discussion in order to avoid the conflict of interest as regulated by the "Guideline for the Board of Directors Meetings of First Commercial Bank."</li> <li>■ Continuing education of directors and supervisors: In addition to offering opportunities of advanced education in accordance with the individual wishes of directors and supervisors, the Bank also provides the relevant information of continuing education programs for their reference.</li> <li>■ Risk control policy and implementation: The Bank has established a risk management policy and set up a mechanism for risk identification, risk assessment, risk oversight and risk control via a management system with an integrated framework. The Risk Management Committee is in charge of risk review, risk oversight and coordination of all risk related business activities. The primary goal of a consolidated risk management system, adopting a risk-centric approach business operating policy, is to achieve business targets in order to maximize shareholder returns.</li> <li>■ Implementation of customer policy: The Bank has established the "Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" to assure the protection of customer interests.</li> <li>■ The Bank continued to purchase liability insurance in May, 2008 through its parent company (First Financial Holding) for its directors, supervisors, and key officers from the AIG General Insurance Co.(formerly AIU Insurance Co.), Insurance Company of North America, and MSIG Mingtai Insurance Co. Their potential liabilities and risk while performing the duties will be protected by the coverage of those insurance policies; the risk diversification approach would benefit the Bank to operate stably to optimize profits for its shareholders.</li> </ul>		

# Risk Management Overview

## Risk Governance

The Bank's risk management program is established based on its risk management strategy and business operating objectives as approved by the Board of Directors, and in accordance with the "Risk Management Policies and Guiding Principles for the First Financial Holding Company," Basel II, and the relevant regulations of the competent authorities of Taiwan. The Policy is to be timely adjusted in response to economic change and industry cycle, and in view of the Bank's loan portfolio, asset quality and its business promotion strategy, etc. by the governed laws; and its adjustment has to be approved by the Board of Directors or reported to the top executives for approval.

## Organization and Structure

**The Board of Directors** is the highest level of risk management oversight.

**The Risk Management Committee** is in charge of risk review, risk oversight, reporting and coordination of all risk related business activities.

**The Top Executives** oversee the implementation of the risk management program as approved by the Board of Directors.

**The Risk Management Center** consists of four Divisions and six Regional Centers and is responsible for the assessment and monitoring of credit risk, market risk, operational risk and integrated risk.

A centralized management framework in relation to **operational risk** is employed with three lines of defense, each with its defined authority and reporting threshold:

- Units bank-wide: All units should conduct regular control of business activities and carry out operational risk management within the scope of their respective duties and responsibilities.
- Headquarter's risk management unit: This unit is responsible for establishing the Bank's risk management system, planning of management tools and procedures, and implementation of exposure monitoring and reporting bank-wide.
- Auditing unit: This unit is responsible for auditing the effectiveness of the management framework and procedures.

## Market Risk

### Strategy

Under the market risk appetite approved by the Board of Directors, the Bank sets risk limits and management, scheduled reporting process, the internal auditing system, independent monitoring and management units, and high-level committee organizations.

### Process

- Appropriate market risk management indexes and quotas are established and updated on a scheduled basis in response to changes and trends in the market.
- Risk management methods are established for different areas of business, and the recognition, measurement, monitoring, and control of market risk are included within the rules of operating procedure.
- Market risk management department reports the current status and results of market risk management to the Board of Directors or the top executives on a scheduled basis.

### Risk Reporting and Assessment

- Assets and derivative products on or off the balance sheet are at risk of potential losses caused by unfavorable changes in market prices. The "market price" referred to encompasses interest rate, equity, foreign exchange rate, and commodity price, etc.
- The Bank makes its investment portfolios based on risk factors.
- The risk-measuring tools of VaR and Greek are employed to evaluate risk exposure.
- The market risk reports will themselves present the extent of risk exposure, and be used as references by the management executives to timely adjust the risk control policy.

### Risk-hedging

The trading positions of financial products dealt with customers will be properly hedged or squared, and some will be held as risk assets within adequate risk tolerance. The hedging financial derivatives primarily encompass interest rate swaps, cross-currency swaps, options, and interest caps or floors, etc. The Bank has engaged in interest rate swaps to mitigate the fair value risk of fixed-rate loan assets held by overseas branches.



The methodology for calculating capital requirements: standardized approach

The minimum capital requirements for market risk as of December 31, 2008

Type of risk	Minimum capital requirements (in NT\$,000)
Interest rate risk	1,122,196
Equity position risk	105,248
Foreign exchange risk	453,527
Commodities risk	-
Total	1,680,971

## Credit Risk

### Process

- To conform to the implementation of Basel II, various internal and external modeling techniques for the rating of credit risk are gradually developed and further introduced to the processes of credit analysis and loans review, as well as linked with warning mechanism employed for the post-credit control, so as to establish a complete credit risk management process.
- The credit limits for the conglomerate, industry, country and stocks listed on TSE or OTC etc. have been prescribed so as to control loans concentration risk.
- To operate efficiently on the process of risk management, the Bank sets up related internal auditing and control system.

### Risk Reporting and Assessment

- Risk Management Report: To avoid the excessive concentration of credit risk and monitor the changes in credit rating of the loan assets, the Bank conforms to the limits for "one person," "a related person" and "a related enterprise." In addition, the credit risk analysis reports including credit rating, asset quality, NPL ratio and credit concentration etc. are submitted to the Risk Management Committee or the Board of Directors for their reviews periodically.
- Measurement system: We developed the risk modules to evaluate the risk of borrowers on the products of corporate banking, credit loans and mortgages, which are further put into system to perform stress test in order to quantify credit risk within the Bank's risk tolerance.

### Risk-hedging

- Periodic monitoring and reporting of concentration risk by group, business type, country and stocks listed on TSE or OTC. According to the market conditions, the complexity of businesses and risk management strategies, we evaluate and adjust the risk limits.
- According to borrower's credit or the type of credit limit to request proper collateral or guarantee in order to lower credit risk.

The methodology for calculating capital requirements: standardized approach

The credit exposures after risk mitigation and minimum capital requirements  
by the standardized approach as of December 31, 2008 (in NT\$,000)

Type of risk	Credit exposures after risk mitigation	Minimum capital requirements
Sovereigns	363,415,345	77,457
Non-central government public sector entities	39,317,621	633,087
Banks (including multilateral development banks)	165,210,742	5,920,970
Corporates (including securities firms and insurance co.)	626,177,530	44,530,823
Regulatory retail portfolios	151,960,467	8,997,869
Residential property	331,755,055	12,097,971
Equity investments	4,884,972	1,553,084
Other assets	59,963,623	2,843,239
Total	1,742,685,355	76,654,500

## **Operational Risk**

### **Strategy**

- A "risk appetite" instruction manual has been compiled to serve as a basis for the establishment of the Bank's risk control mechanism.
- Employees at different levels are directly charged with the management of risk within their own scope of responsibility, and are required to observe the internal control and auditing systems together with related rules.

### **Process**

Methods of management are differentiated as risk recognition, assessment, monitoring, reporting, and countermeasures, and are exercised in line with the introduction of management tools such as Loss Data Collection (LDC), Risk and Control Self-Assessment (RCSA), Control Self-Assessment (CSA) and Key Risk Indicators (KRI).

### **Risk Reporting and Assessment**

- Standardized operating methods are used for risk recognition and assessment so that managers can easily observe the risk profile and constantly monitor potential risks.
- If a unit discovers a major risk exposure that threatens the Bank's financial or business situation, it must report immediately to the auditing unit and the business management unit, and risk management unit involved must report to the chief auditor and the top executives. If the incident involves a regulatory violation, a report must also be submitted to the compliance unit.
- The headquarter's risk management unit discloses the status of bank-wide exposure monitoring on a regular basis, compiles bank-wide operational risk data, and reports to the top executives, the Risk Management Committee, or the Board of Directors.

### **Risk Hedging**

- To transfer or mitigate the operational risk, insurance policy will be primarily employed.
- To reduce the risk of potential losses from a stoppage of operations caused by fire, explosion, typhoon, earthquake, robbery, bank-run, labor strike, or other major incidents, the Bank has established the contingency and business non-interruption guidelines including the rules for implementation.
- The implementation measure for dealing with the operation crisis has been set up and will be reported to the Risk Management Committee and the top executives from time to time.

The methodology for calculating capital requirements: basic indicator approach

The minimum capital requirements for operational risk as of December 31, 2008

Year	Operating profit	Minimum capital requirements (in NT\$,000)
2008	30,483,907	
2007	32,285,588	
2006	28,099,516	
Total	90,869,011	4,543,451

# Corporate Responsibility and Ethical Behavior

The Bank continued fulfilling its social responsibility in 2008 by devoting efforts to the promotion of and participation in public-benefit activities. In addition to sponsoring the "Come to Chiayi for Fireworks in 2008" organized by the Chiayi City Government in celebration of the National Day, the Bank also organized the "Cape No.7" film appreciation activity to support the development of the domestic movie industry.

## ■ The First Education Foundation

The Foundation spared no effort in promoting public-benefit activities in 2008, including:

- "Jade Flute Lantern Festival" and "Listen to the Music Winter Song" activities at the Taipei International Convention Center.
- "Lotus Breezes and Dragon Boats" concert at the Hui Sun Hall in Taichung to promote cultural development.
- "Cultural Beauty of Tainan," "Cultural Beauty of Yingge Ceramics," "Shuili Snake Kiln Cultural Beauty," and "Beauty of Xingang Cochin Pottery Arts" to enrich the cultural life of Taiwan's people.

## ■ Safety and Health

To provide an ideal environment for customers and employees, the Bank conducts testing for CO<sub>2</sub> at each business unit every six months. The results of the testing all conform to standards of safety and hygiene.

## ■ Employee Ethical Behavior

To prevent employees from violating ethical norms and doing harm to the corporate image, the Bank strengthened employee ethical evaluation, strictly prescribed employee behavior, and prosecuted violations of moral conduct.



# Significant Financial Information

## Condensed balance sheets

NT\$,000	12.31.2008	12.31.2007	12.31.2006	12.31.2005	12.31.2004
Cash and cash equivalents, due from the Central Bank and other banks	181,527,906	165,117,649	178,988,134	157,635,062	164,558,112
Marketable and trading securities	-	-	-	-	312,279,207
Financial assets at fair value through profit or loss	53,854,689	37,201,578	42,794,967	37,418,248	-
Investments in bills and bonds under resale agreements	-	-	501,616	-	-
Receivables	39,964,054	49,511,293	21,295,485	22,449,783	31,078,586
Bills discounted and loans (remittance purchased)	1,160,541,587	1,071,171,454	972,044,580	890,591,804	841,739,112
Available-for-sale financial assets	51,985,007	61,258,309	82,635,713	87,316,092	-
Held-to-maturity financial assets	229,985,592	217,897,599	213,747,427	235,942,624	-
Equity investments accounted for under the equity method	2,338,695	2,362,249	2,368,858	2,231,130	-
Long-term equity investments	-	-	-	-	63,322,645
Other financial assets	9,311,714	11,680,795	18,037,044	22,274,750	-
Property, plant and equipment	23,208,338	23,601,360	23,386,589	23,848,515	24,136,348
Intangible assets	480,176	417,230	369,867	203,767	164,952
Others assets	12,343,169	13,764,211	17,852,161	21,135,612	24,932,464
<b>Total assets</b>	<b>1,765,540,927</b>	<b>1,653,983,727</b>	<b>1,574,022,441</b>	<b>1,501,047,387</b>	<b>1,462,211,426</b>
Due to the Central Bank and other banks	117,270,987	140,315,847	116,955,966	144,771,206	102,129,745
Financial liabilities at fair value through profit or loss	75,274,404	51,376,164	51,811,768	36,064,034	-
Bills and bonds payable under repurchase agreements	12,759,545	12,207,113	15,241,566	15,395,150	18,397,061
Payables	60,548,420	66,723,480	50,027,772	46,675,896	47,410,489
Deposits and remittances	1,384,753,557	1,260,175,302	1,219,888,559	1,144,641,851	1,152,808,272
Funds borrowed from the Central Bank and other banks, financial bonds payable	14,945,067	22,926,661	22,181,525	24,233,168	59,494,541
Accrued pension liabilities	1,687,722	1,553,653	1,439,881	1,374,209	1,198,812
Other financial liabilities	624,352	541,814	534,011	2,215,649	-
Other liabilities	8,219,983	8,422,106	8,815,973	8,833,224	13,154,600
<b>Total liabilities</b>	<b>1,676,084,037</b>	<b>1,564,242,140</b>	<b>1,486,897,021</b>	<b>1,424,204,387</b>	<b>1,394,593,520</b>
Common stock	48,290,000	46,909,240	46,216,000	46,216,000	46,216,000
Additional paid-in capital	8,660,326	8,660,326	8,660,326	8,660,326	8,660,326
Retained earnings	25,164,775	24,616,798	20,216,598	16,231,462	9,967,095
Unrealized revaluation increments	5,183,916	5,298,124	5,527,177	5,533,543	2,595,838
Unrealized gains / losses on financial instruments	2,075,526	3,941,376	6,252,298	-	-
Cumulative translation adjustments	82,347	315,723	253,021	201,669	178,647
<b>Total stockholders' equity</b>	<b>89,456,890</b>	<b>89,741,587</b>	<b>87,125,420</b>	<b>76,843,000</b>	<b>67,617,906</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,765,540,927</b>	<b>1,653,983,727</b>	<b>1,574,022,441</b>	<b>1,501,047,387</b>	<b>1,462,211,426</b>

## Condensed statements of income

NT\$,000	2008	2007	2006	2005
Net interest income	24,235,359	21,941,409	20,380,746	19,611,679
Net non-interest income	8,344,059	13,992,121	11,634,526	12,094,469
Provision for credit losses	(7,129,966)	(6,061,505)	(4,735,859)	(4,320,502)
Operating expenses	(14,438,662)	(14,200,118)	(13,585,526)	(13,784,511)
Income from continuing operations before income tax	11,010,790	15,671,907	13,693,887	13,601,135
Income from continuing operations after income tax	8,965,123	12,025,840	10,354,367	10,218,955
Cumulative effect of a change in accounting principle	-	-	563,169	-
Net income	8,965,123	12,025,840	10,917,536	10,218,955
Earnings per share (\$)	1.86	2.49	2.26	2.12

NT\$,000	2004
Operating income	47,638,006
Operating expenses	(36,138,034)
Operating profit (loss)	11,499,972
Non-operating income (loss)	502,569
Income (loss) before income tax	12,002,541
Net income (loss)	9,967,095
Earnings per share (\$)	2.06

## Financial ratios (%)

	2008	2007	2006	2005	2004
<b>Financial structure</b>					
Debt ratio (total liabilities to total assets)	94.93	94.57	94.46	94.88	95.38
Fixed assets to net worth	25.94	26.30	26.84	31.04	35.70
<b>Solvency</b>					
Liquidity reserve ratio	21.58	23.36	27.20	31.22	30.50
<b>Operating performance</b>					
Loans to deposits	83.81	85.00	79.68	77.81	73.02
NPL ratio	1.45	1.50	1.57	1.72	1.27
Total assets turnover (times)	0.02	0.02	0.02	0.02	0.03
<b>Profitability</b>					
ROA (net income to average total assets)	0.52	0.75	0.71	0.69	0.69
ROE (net income to average shareholders' equity)	10.01	13.60	13.32	14.15	15.88
Profit margin ratio	27.52	33.47	34.10	32.23	20.92
<b>Cash flows</b>					
Cash flow adequacy ratio	485.96	539.91	683.67	648.25	589.01
<b>Capital adequacy</b>					
Capital adequacy ratio	10.88	10.80	11.00	10.24	10.35
Tier-one capital ratio	7.10	7.30	7.92	7.82	7.26
Tier-two capital ratio	3.78	3.50	3.08	2.42	3.09
<b>Market share</b>					
Assets	6.57	5.46	5.49	5.30	6.04
Net worth	4.98	4.76	4.82	4.47	4.43
Deposits	6.09	5.49	5.45	5.41	6.00
Loans	6.31	5.72	5.41	5.18	5.55

# Report of Independent Accountants

PRICEWATERHOUSECOOPERS 

資誠會計師事務所

To: First Commercial Bank Co., Ltd.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Commercial Bank Co., Ltd. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with the "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Business Entity Accounting Act", "Regulations on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

February 20, 2009

*Price Waterhouse Coopers, Taiwan*

# Balance Sheets

as of December 31, 2008 and 2007

NT\$,000	Note	2008	2007
<b>Assets</b>			
Cash and cash equivalents	3(1)	\$ 25,924,642	\$ 19,899,202
Due from the Central Bank and other banks	3(2),4	155,603,264	145,218,447
Financial assets at fair value through profit or loss - net	3(3),4	53,854,689	37,201,578
Receivables - net	3(4),4	39,964,054	49,511,293
Bills discounted and loans - net	3(5),4	1,160,541,587	1,071,171,454
Available-for-sale financial assets - net	3(6),5	51,985,007	61,258,309
Held-to-maturity financial assets - net	3(7)	229,985,592	217,897,599
Equity investments accounted for under the equity method - net	3(8)	2,338,695	2,362,249
Other financial assets - net	3(9)	9,311,714	11,680,795
Property, plant and equipment	3(10),(25)		
Cost			
Land		16,427,207	16,523,317
Buildings		8,930,587	8,892,899
Machinery and equipment		3,028,329	3,071,131
Transportation equipment		901,236	915,699
Other equipment		1,764,526	1,794,085
Leasehold improvements		664,924	642,608
Subtotal		31,716,809	31,839,739
Less: Accumulated depreciation		(8,647,643)	(8,409,322)
Construction in progress and prepayments for equipment		139,172	170,943
Property, plant and equipment - net		23,208,338	23,601,360
Intangible assets - net		480,176	417,230
Other assets - net	3(11),(29),5	12,343,169	13,764,211
<b>Total assets</b>		<b>\$1,765,540,927</b>	<b>\$1,653,983,727</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities</b>			
Due to the Central Bank and other banks	3(12),4	\$ 117,270,987	\$ 140,315,847
Funds borrowed from the Central Bank and other banks		45,067	126,661
Financial liabilities at fair value through profit or loss	3(13),(17)	75,274,404	51,376,164
Bills and bonds payable under repurchase agreements	3(14)	12,759,545	12,207,113
Payables	3(15)	60,548,420	66,723,480
Deposits and remittances	3(16),4	1,384,753,557	1,260,175,302
Financial bonds payable	3(17)	14,900,000	22,800,000
Accrued pension liabilities	3(18)	1,687,722	1,553,653
Other financial liabilities	3(19)	624,352	541,814
Other liabilities	3(20)	8,219,983	8,422,106
<b>Total liabilities</b>		<b>1,676,084,037</b>	<b>1,564,242,140</b>
<b>Stockholders' Equity</b>			
Common stock	3(21)	48,290,000	46,909,240
Additional paid-in capital	3(22)	8,660,326	8,660,326
Retained earnings			
Legal reserve	3(23)	12,938,828	9,331,076
Unappropriated earnings	3(24),(29)	12,225,947	15,285,722
Other stockholders' equity			
Unrealized revaluation increments	3(25)	5,183,916	5,298,124
Cumulative translation adjustments	3(8)	82,347	315,723
Unrealized gains / losses on financial instruments		2,075,526	3,941,376
<b>Total stockholders' equity</b>		<b>89,456,890</b>	<b>89,741,587</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$1,765,540,927</b>	<b>\$1,653,983,727</b>

\*NT\$32.774:US\$1.00

# Statements of Income

for the years ended December 31, 2008 and 2007

NT\$,000	Note	2008	2007		
Interest income	4(2)	\$49,326,794	\$48,572,750		
Less: Interest expenses	4(2)	(25,091,435)	(26,631,341)		
Net interest income		24,235,359	21,941,409		
Net non-interest income					
Net service fee and commission income	4(2)	5,041,219	6,883,927		
Gains or losses on financial assets and financial liabilities at fair value through profit or loss	3(3),(13)	(409,350)	1,941,995		
Realized gains or losses on available-for-sale financial assets		727,412	759,975		
Realized gains or losses on held-to-maturity financial assets		7,345	10,555		
Income from equity investments accounted for under the equity method	3(8)	44,111	239,953		
Foreign exchange gains		938,768	297,499		
Asset impairment losses	3(26)	(1,352,524)	(176,392)		
Recovery of credit losses and overdue accounts		2,517,722	3,015,591		
Other non-interest income or losses	3(27)	829,356	1,019,018		
Net revenues		32,579,418	35,933,530		
Provision for credit losses	3(5)	(7,129,966)	(6,061,505)		
Operating expenses	3(28),4(2)				
Personnel expenses		(9,409,583)	(9,071,802)		
Depreciation and amortization expenses		(1,000,211)	(1,125,496)		
Other business and administrative expenses		(4,028,868)	(4,002,820)		
Income from continuing operations before income tax		11,010,790	15,671,907		
Income tax expense	3(29)	(2,045,667)	(3,646,067)		
Net income		\$8,965,123	\$12,025,840		
Earnings per common share (in dollars)		Before tax	After tax	Before tax	After tax
Net income	3(30)	\$2.28	\$1.86	\$3.25	\$2.49



# Statements of Changes in Stockholders' Equity

for the years ended December 31, 2008 and 2007

NT\$,000	Retained Earnings				Other Stockholders' Equity			Total
	Common stock	Additional paid-in capital	Legal reserve	Unappropriated earnings	Unrealized revaluation increments	Cumulative translation adjustments	Unrealized gains / losses on financial instruments	
<b>For the year ended Dec. 31, 2007</b>								
Balance, January 1, 2007	\$46,216,000	\$ 8,660,326	\$ 6,055,815	\$14,160,783	\$5,527,177	\$253,021	\$6,252,298	\$87,125,420
Earnings distribution for 2006								
Legal reserve	-	-	3,275,261	(3,275,261)	-	-	-	-
Bonus to employees	-	-	-	(567,821)	-	-	-	(567,821)
Cash dividends	-	-	-	(6,364,579)	-	-	-	(6,364,579)
Stock dividends	693,240	-	-	(693,240)	-	-	-	-
Net income for 2007	-	-	-	12,025,840	-	-	-	12,025,840
Changes of unrealized gains or losses on available-for-sale financial assets								
	-	-	-	-	-	-	(2,310,922)	(2,310,922)
Reversal of revaluation increments due to land disposal								
	-	-	-	-	(229,053)	-	-	(229,053)
Changes of cumulative translation adjustments								
	-	-	-	-	-	62,702	-	62,702
Balance, December 31, 2007	\$46,909,240	\$ 8,660,326	\$ 9,331,076	\$15,285,722	\$5,298,124	\$315,723	\$3,941,376	\$89,741,587
<b>For the year ended Dec. 31, 2008</b>								
Balance, January 1, 2008	\$46,909,240	\$ 8,660,326	\$ 9,331,076	\$15,285,722	\$5,298,124	\$315,723	\$3,941,376	\$89,741,587
Earnings distribution for 2007								
Legal reserve	-	-	3,607,752	(3,607,752)	-	-	-	-
Bonus to employees	-	-	-	(673,447)	-	-	-	(673,447)
Cash dividends	-	-	-	(6,362,939)	-	-	-	(6,362,939)
Stock dividends	1,380,760	-	-	(1,380,760)	-	-	-	-
Net income for 2008	-	-	-	8,965,123	-	-	-	8,965,123
Changes of unrealized gains or losses on available-for-sale financial assets								
	-	-	-	-	-	-	(1,865,850)	(1,865,850)
Reversal of revaluation increments due to land disposal								
	-	-	-	-	(114,208)	-	-	(114,208)
Changes of cumulative translation adjustments								
	-	-	-	-	-	(233,376)	-	(233,376)
Balance, December 31, 2008	\$48,290,000	\$ 8,660,326	\$12,938,828	\$12,225,947	\$5,183,916	\$ 82,347	\$2,075,526	\$89,456,890

# Statements of Cash Flows

for the years ended December 31, 2008 and 2007

NT\$,000	2008	2007
<b>Cash flows from operating activities</b>		
Net income	\$8,965,123	\$12,025,840
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation - property, plant and equipment	763,682	920,543
Depreciation - non-operating assets	26,128	32,222
Amortization	236,529	204,953
Provision for credit losses	7,129,966	6,061,505
Income from equity investments accounted for under the equity method	(44,111)	(239,953)
Loss (Gain) on disposal of property, plant and equipment	19,786	(363,934)
Gain on sale of non-operating assets	(316,590)	(41,032)
Loss (Gain) on sale of foreclosed assets	16,283	(24,712)
Asset impairment losses	1,352,524	176,392
Changes in assets		
(Increase) Decrease in financial assets at fair value through profit or loss - net	(16,653,111)	5,593,389
Decrease (Increase) in receivables	9,274,239	(28,675,807)
Cash dividends under the equity method	89,016	241,012
Decrease (Increase ) in remittance purchased	26,494	(10,399)
Increase in other assets	449,212	151,810
Decrease in deferred income tax assets	1,198,202	3,199,677
Changes in liabilities		
Increase (Decrease) in financial liabilities at fair value through profit or loss	23,898,240	(435,604)
(Decrease) Increase in payables	(6,175,060)	16,695,708
Increase in accrued pension liabilities	134,069	113,772
Increase (Decrease) in other liabilities	40,755	(260,299)
Net cash provided by operating activities	30,431,376	15,365,083
<b>Cash flows from investing activities</b>		
Increase in due from the Central Bank and other banks	(10,384,817)	(4,252,214)
Decrease in investments in bills and bonds under resale agreements	-	501,616
Increase in bills discounted and loans	(96,478,008)	(104,743,808)
Decrease in available-for-sale financial assets	6,732,035	19,066,482
Increase in held-to-maturity financial assets	(12,796,683)	(4,262,677)
Decrease in other financial assets - net	2,342,587	6,366,648
Proceeds from sale of property, plant and equipment	-	270
Purchase of property, plant and equipment	(490,318)	(563,272)
Increase in intangible assets	(299,249)	(251,430)
Purchase of non-operating assets	(5,000)	(2,015)
Proceeds from sale of foreclosed assets	15,301	42,206
(Increase) Decrease in refundable deposits	(263,324)	81,694
Net cash used in investing activities	(111,627,476)	(88,016,500)

NT\$,000	2008	2007
<b>Cash flows from financing activities</b>		
(Decrease) Increase in due to the Central Bank and other banks	<b>(\$23,044,860)</b>	\$23,359,881
Decrease in funds borrowed from the Central Bank and other banks	<b>(81,594)</b>	(56,385)
Increase (Decrease) in bills and bonds payable under repurchase agreements	<b>552,432</b>	(3,034,453)
Increase in deposits and remittances	<b>124,578,255</b>	40,286,743
(Decrease) Increase in financial bonds payable	<b>(7,900,000)</b>	801,521
Increase in other financial liabilities	<b>140,454</b>	38,932
Increase in guarantee deposits received	<b>75,885</b>	13,601
Decrease in appropriated loan fund	<b>(57,916)</b>	(31,129)
Bonus to employees	<b>(673,447)</b>	(567,821)
Cash dividends paid to stockholders	<b>(6,362,939)</b>	(6,364,579)
Net cash provided by financing activities	<b>87,226,270</b>	54,446,311
Net effect of foreign exchange rate changes on cash and cash equivalents	<b>(4,730)</b>	82,407
Increase (Decrease) in cash and cash equivalents	<b>6,025,440</b>	(18,122,699)
Cash and cash equivalents at beginning of year	<b>19,899,202</b>	38,021,901
Cash and cash equivalents at end of year	<b>\$25,924,642</b>	\$19,899,202
Supplemental disclosures of cash flow information:		
Cash paid for interest during the year	<b>\$26,303,609</b>	\$26,974,474
Cash paid for income tax during the year	<b>\$ 1,022,354</b>	\$ 1,222,545

# Notes to Financial Statements

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

## 1. Summary of Significant Accounting Policies

The financial statements are prepared in conformity with the "Guidelines Governing the Preparation of Financial Reports by Public Banks," "Business Entity Accounting Act," "Regulations on Business Entity Accounting Handling" and generally accepted accounting principles. Due to the characteristics of the banking industry, its business cycle cannot be clearly defined. Hence, the accounts on the accompanying financial statements are not classified into current and non-current items. Nevertheless, accounts are properly categorized according to the nature of each account, and sequenced by their liquidity. Significant accounting policies of the Bank are summarized below:

### (1) Principles for preparation of financial statements

The accompanying financial statements include head office account, branch account and offshore banking branch account. All inter-office accounts have been eliminated.

The Bank adopts the Statement of Financial Accounting Standards No. 28, "Financial Statement Disclosure Standards for Banks," whereby assets and liabilities are not required to be classified under current or non-current categories.

### (2) Financial assets and financial liabilities at fair value through profit or loss

Equity securities, beneficiary certificates and derivative financial instruments are accounted for using trade date accounting, and debt securities are accounted for using settlement date accounting. Financial instruments are initially recognized at fair value.

Financial assets and financial liabilities at fair value through profit or loss shall be measured at fair value with changes in fair value recognized as gains or losses in the current period. For stocks listed on TSE or OTC and closed-end funds, fair value is determined based on the closing price at the balance sheet date. For open-end funds, fair value is determined based on the net asset value of the given fund at the balance sheet date. For beneficiary securities, fair value is determined based on the discounted value of expected future cash flows at the balance sheet date or the market price provided by Bloomberg, Reuters or counterparties. For bond investments, fair value is determined based on the latest transaction price of Automatic Order Matching and Execution System in OTC or the fair value of bonds bulletined in OTC. For others, fair value is determined based on the discounted value of expected future cash flows at the balance sheet date or the market price provided by Bloomberg, Reuters or counterparties.

For derivative financial instruments held for trading purpose, fair value is determined based on a quoted market price in an active market at the balance sheet date. If a quoted market price in an active market is not available, fair value is determined by applying other valuation techniques, such as discounted cash flow analysis or option pricing models.

Criteria to designate financial assets and financial liabilities as at fair value through profit or loss are as follows:

- \* Hybrid (combined) instruments;
- \* The designation can eliminate or significantly reduce a measurement or recognition inconsistency; or
- \* The designation is in compliance with a documented risk management or investment strategy of the Bank to evaluate the performance of assets or liabilities based on a fair value basis.

### (3) Bills and bonds under repurchase or resale agreements

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

### (4) Bills discounted and loans

Bills discounted and loans (including non-accrual loans) are recorded at the amounts of principal outstanding. Interest income is recognized on an accrual basis except for interest on non-performing loans.

Bills discounted and loans under which there is no principal payment after the lapse of six full months, lawsuit has been filed against borrower and guarantor(s) or the collaterals are executed shall be reclassified to non-accrual loans. Interest shall cease to be accrued for loans that are transferred to non-accrual loans account item. The ceased interest receivable will be recognized after cash is received.

When there is postponement or modification of the credit terms for the debtors, the Bank agrees to receive partial interest and the remaining interest will cease to be accrued and be recognized after cash is received.

#### **(5) Allowance for doubtful accounts**

The Bank shall classify credit assets of on and off balance sheet and determine the allowance for doubtful accounts by evaluating the recoverability of the outstanding balances of various loans at the balance sheet date according to "Guidance for Credit Assets Risk Assessment" and "Standards for Risk Classification of Credit Assets." As to non-credit assets, the Bank evaluates the possible risks by the characteristics of assets in accordance with "Guidance for Non-Credit Assets Risk Assessment" and generally accepted accounting principles.

According to the amended "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans" of the MOF and "Guidance for Credit Assets Risk Assessment" of the Bank, credit assets are classified into five categories: (1) normal (2) special mentioned (3) substandard (4) doubtful and (5) loss. Except that the normal loans are classified under category 1, the abnormal loans shall be evaluated based on the status of the loan collateral and the length of time overdue. The allowance for doubtful accounts for abnormal loans is provided at 2%, 10%, 50%, and 100% on loans classified under categories 2, 3, 4, and 5, respectively. Furthermore, the additional reserve is provided for specific loans as needed if the aforementioned allowance is insufficient according to the historical experience of recoverability.

Upon the approval of the Board of Directors and the notice to the supervisors of the Bank, the overdue loans are written off in accordance with the guideline of the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing / Non-accrual Loans."

#### **(6) Available-for-sale financial assets**

Equity securities are accounted for using trade date accounting. Debt securities are accounted for using settlement date accounting. Such financial instruments are initially recognized at fair value plus the acquisition or issuance cost.

Available-for-sale financial assets are measured at fair value with changes in fair value recognized in an adjustment account in the stockholders' equity. When the financial asset is derecognized, the cumulative unrealized gain or loss that was previously recognized in equity is recognized in profit or loss in the income statement. For stocks listed on TSE or OTC and closed-end funds, fair value is determined based on the closing price at the balance sheet date. For open-end funds, fair value is determined based on the net asset value of the given fund at the balance sheet date. For beneficiary securities, fair value is determined based on the discounted value of

expected future cash flows at the balance sheet date or the market price provided by Bloomberg or Reuters. For bond investments, fair value is determined based on the fair value of bonds bulletined in OTC; for others, fair value is determined based on discounted value of expected future cash flows at the balance sheet date or the market price provided by Bloomberg or Reuters.

An impairment loss is recognized when there is objective evidence of impairment. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, for equity instruments, the decrease shall be recognized as an adjustment account in the stockholders' equity; and for debt instruments, the previously recognized impairment loss is reversed through profit or loss.

#### **(7) Held-to-maturity financial assets**

Held-to-maturity financial assets are accounted for using settlement date accounting and are initially recognized at fair value plus the acquisition or issuance cost. Gains or losses are recognized in the income statement when the investments are derecognized.

Held-to-maturity financial assets are measured at amortized cost using the interest method at the balance sheet date.

An impairment loss is recognized when there is objective evidence of impairment. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amounts shall not exceed the amortized cost assuming no impairment loss was recognized in prior years.

#### **(8) Equity investments accounted for under the equity method**

Long-term equity investments that the Bank owns at least 20% of the investees' voting stock interests or exercises significant influence over the investees are accounted for under the equity method. The carrying amounts of such equity investments are evaluated pursuant to the investment costs plus or minus the net income or loss and changes in stockholders' equity of the investee recognized proportionally according to the percentage of the investee's ownership held by the Bank. The cash dividends received from investees are recorded as deduction of the investment cost. When there is sufficient evidence to indicate that the fair value of the investment is impaired and the probability of the recovery is remote, the loss on investments is recognized in the current period. For the stock dividends received from investees, the investment amount will

not be increased and the investment income will not be recognized. A memorandum entry will be made to record the additional shares received. When equity investments are disposed of, the cost is calculated under the weighted average method.

For an investee company accounted for under the equity method, if the Bank does not have control interests but can exercise significant influence over the investee, investment losses are recognized to the extent that the balance of the investment plus advances to the investee is reduced to zero, unless the Bank guarantees the debts of investee company or has a commitment or intention to provide financial support to the investee company and then recognizes the investment loss proportionally according to the percentage of the investee's ownership held by the Bank continuously. However, if the Bank has control interests over the investee company, the investment losses in excess of the investee's stockholders' equity's balance shall be fully recognized, unless other stockholders of the investee company have the obligation and ability to provide additional capital to take the losses. When the investee company begins to make a profit in the subsequent periods, the earnings are attributed to the Bank until the originally recognized excess losses are fully recovered.

The cumulative translation adjustment resulted from the financial statement translation of foreign equity investments accounted for under the equity method is recognized proportionally in the stockholders' equity account based on the percentage of the investees' ownership held by the Bank.

#### **(9) Other financial assets and financial liabilities**

##### **1) Financial assets measured at cost**

Long-term investments in equity securities, which are not listed on TSE or OTC, are accounted for using trade date accounting. Such financial instruments are initially recognized at fair value plus the acquisition or issuance cost and are subsequently carried at cost at the balance sheet date.

For financial assets measured at cost, an impairment loss shall be recognized if there is objective evidence of impairment. The impairment loss shall not be reversed.

##### **2) Bond investments with no active market**

Bond investments with no active market are accounted for using settlement date accounting. Such financial instruments are initially recognized at fair value plus acquisition cost. Gains or losses are recognized in the income statement when the investments are derecognized.

Bond investments with no active market shall be subsequently measured at amortized cost using the interest method.

An impairment loss is recognized when there is objective evidence of impairment. In the subsequent period, if the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amounts shall not exceed the amortized cost assuming no impairment loss was recognized in prior years.

##### **3) Derivative financial assets and financial liabilities for hedging**

Derivative financial assets and financial liabilities held for hedging are designated as effective hedging instruments under hedge accounting and are measured at fair value.

#### **(10) Derivative financial instruments for hedging - fair value hedge**

When all the criteria of fair value hedge accounting are met, it recognizes the offsetting effects on gains or losses of changes in the fair values of the hedging instrument and the hedged item. The Bank only has fair value hedge currently. The accounting treatment for hedging instruments is that the gain or loss from measuring the hedging instrument at fair value shall be recognized immediately in the statement of income. The accounting treatment for hedged items is that the gain or loss attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized immediately in the statement of income.

#### **(11) Property, plant and equipment / Non-operating assets**

Property, plant and equipment / non-operating assets are stated at cost except for revaluation increment as permitted under the relevant regulations. Depreciation is provided on a straight-line basis over the estimated service lives of the assets plus an additional year as salvage value, except for leasehold improvements, which are depreciated over the leasing periods of the lease agreement or 5 years. The service lives of major property, plant and equipment range from 3 to 55 years.

Major renewals and improvements, which are incurred to increase the future economic benefits of the assets, are capitalized and depreciated. Routine maintenance and repairs are charged to expenses as incurred. When assets are sold or abandoned, the cost and accumulated depreciation are removed from the respective asset accounts and the related gain or loss on the disposal of property, plant and equipment is recorded as "other non-interest income or losses."

Rental or idle assets are classified at carrying amount under other assets - non-operating assets. Depreciation for current period is recognized as "other non-interest income or losses" and valued at the lower of carrying amount or recoverable amount as of the balance sheet date.

#### **(12) Intangible assets**

Intangible assets, mainly comprising computer software costs, are initially recorded at cost and amortized over 3 years under the straight-line method.

#### **(13) Other assets**

Other assets are mainly comprised of non-operating assets, foreclosed assets, refundable deposits, temporary payments and suspense accounts, prepayments, and other assets to be adjusted, and so on.

Foreclosed assets are recorded at acquisition costs and are revalued at net realizable value as of the balance sheet date. If the foreclosed assets are impaired, an impairment loss is recognized in the current period. In the subsequent period, if the net realizable value increases, the previously recognized impairment loss is reversed to the extent that the carrying amounts, after the reversal, shall not exceed the carrying amounts assuming no impairment loss was recognized for the assets in the prior years.

#### **(14) Pension plan**

Under the defined benefit pension plan, net pension costs are recognized in accordance with the actuarial calculations. Net pension costs include service cost, interest cost, expected return on plan assets, and amortization of unrecognized net transition obligation and gains or losses on plan assets. Under the defined contribution pension plan, net pension costs are recognized as incurred on an accrual basis.

#### **(15) Other Liabilities**

Other liabilities are mainly comprised of estimated land revaluation increment tax accrual, guarantee deposits received, advanced receipts, temporary receipts and suspense accounts, other carry forward accounts, reserve for guarantees and reserve for securities trading losses, and so on.

Reserve for guarantees is determined based on the estimated losses arising from default possibility of the ending balances of acceptances receivable, guarantees receivable, and letters of credit receivable, net of the margin deposits received from customers.

As required by the "Rules Governing Securities Firms," the Bank has to set aside 10% of the excess of monthly gains over losses from trading securities as the reserve for securities trading losses. Such reserve can be only used to offset losses over gains arising from the aforesaid securities trading. When the accumulated reserve reaches \$200,000, no further reserve provision is required.

#### **(16) Foreign currency transactions and translations of foreign currency financial statements**

The Bank's foreign currency transactions are recorded in New Taiwan dollars at the spot rates of the transaction dates. The exchange differences between actual payments or receipts and recorded transaction amounts are recognized as foreign exchange gains or losses in the current period. Assets and liabilities denominated in foreign currencies are revalued using the spot foreign exchange rates notified by the Central Bank at the balance sheet date. For the foreign currency denominated long-term equity investments, the related foreign exchange gains or losses are recognized as the cumulative translation adjustment in the stockholders' equity. The exchange differences resulting from the other assets and liabilities of foreign currencies are included in the current statement of income.

When the financial statements of foreign operation units are translated into New Taiwan dollars, all asset and liability accounts are translated using the spot foreign exchange rate at the balance sheet date, and the shareholders' equity accounts are translated at the historical foreign exchange rate except that the beginning retained earnings are stated at the translated carrying amount of the ending retained earnings in the prior year. The exchange differences are recorded as the cumulative translation adjustment in the stockholders' equity.

#### **(17) Impairment losses**

An impairment loss shall be recognized when changes in circumstances or events indicate that an asset's recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value, net of selling expense, and its value in use. The fair value, net of selling expense, is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. The value in use is the present value of the future cash flows expected to be derived from an asset.

If there is an indication that an impairment loss recognized in the prior periods for an asset may no longer exist or may have decreased, the impairment loss recognized could be reversed, and such a reversal shall not exceed the impairment loss recognized in the prior periods.

#### **(18) Recognition of interest and fee income**

Interest income on loans is recognized using the interest method on an accrual basis. However, interest income arising from loans which meet any of the following criteria is recognized on cash basis when cash is received:

- \* Reclassified as non-accrual loans.
- \* Interest from restructured loans that are agreed to

extend their maturities is not recognized as interest income but recorded on the memo accounts.

Handling fee is recognized when cash is received, or the earning process is substantially completed.

#### **(19) Employees' bonus and directors' and supervisors' remuneration**

Effective from January 1, 2008, pursuant to EITF96-052 of the Accounting Research and Development Foundation, dated March 16, 2007, "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration," the costs of employees' bonus and directors' and supervisors' remuneration are accounted for as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be estimated reasonably. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are significantly different from the actual distributed amounts resolved by annual stockholders' meeting subsequently, the differences shall be recognized as profit or loss in the following year.

#### **(20) Income tax**

According to the Statement of Financial Accounting Standards No. 22 "Accounting for Income Taxes," the Bank is required to apply the inter-period and intra-period income tax allocations. Under the inter-period income tax allocation, the income tax effects of deductible temporary differences, loss carry forwards, and income tax credits are recognized as deferred income tax assets or liabilities. Valuation allowance is provided against deferred income tax assets if it is more likely than not that the deferred income tax assets will not be realized. The 10% surtax on undistributed current earnings calculated pursuant to the Income Tax Law is recorded as income tax expense in the year when the earnings distribution is approved by the shareholders' meeting. The adjustment for over- or under-provision of previous years' income tax is included in the current year's income tax expense.

Pursuant to the Explanatory Letter Tai-Tsai-Shui No.910458039 of the MOF dated February 12, 2003 to promulgate the "Criteria for Profit-seeking Enterprises in Filing Consolidated Profit-seeking Enterprise Income Tax Returns According to Article 49 of the Financial Holding Company Act and Article 40 of the Business Mergers and Acquisitions Law," if a financial holding company holds at least 90% of the issued capital stock of its domestic subsidiaries for twelve months in a fiscal taxable year, starting from such a fiscal taxable year, the financial holding company may elect to have itself as the taxpayer to file the consolidated profit-seeking enterprise income tax returns. Accordingly, the Bank's parent company, First Financial Holding Co. has decided to file consolidated

income tax return using a linked tax system in 2004 to include the Bank and the associated entities including First Securities Inc. (FS), First Securities Investment Trust Co., Ltd. (FSIT), First Financial Asset Management Co., Ltd. (FFAM), First Venture Capital Co., Ltd. (FVC), First Financial Management Consulting Co., Ltd. (FFMC) and First P&C Insurance Agency Co., Ltd. (FPCIA).

The accounting treatment for the Bank including its parent company and associated entities to adopt the linked tax system to file the consolidated income tax return is in compliance with the Explanatory Note (92) No. 240 of the Accounting Research Development Foundation dated October 3, 2003.

Effective January 1, 2006, in accordance with the Alternative Minimum Tax Act, the Bank should calculate the alternative minimum tax in addition to the regular income tax. If the regular income tax is lower than the alternative minimum tax, the differences should be accrued as an income tax expense adjustment.

#### **(21) Use of estimates**

In preparing the financial statements in conformity with generally accepted accounting principles, the management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Therefore, actual results could differ from those estimates.

#### **(22) Contingent loss**

Due to the development of events, it is probably confirmed that assets have been impaired or liabilities have been incurred at the balance sheet date. Wherever the amount of losses could be reasonably estimated, the amount should be recognized as loss for the current year. For those loss amount could not be reasonably estimated, it shall be disclosed in the note to financial statements.



## 2. Change in Accounting Policy and its Impact

Effective from January 1, 2008, the Bank has adopted the newly issued SFAS No. 39, "Accounting for Share-based Payment" and EITF96-052 "Accounting for Employees' Bonus and Directors' and Supervisors' Remuneration" prescribed by the Accounting Research and Development Foundation. Consequently, net income has been reduced by \$370,000 and earnings per share decreased by \$0.08 New Taiwan dollars for the year ended December 31, 2008.

## 3. Summary of Significant Accounts

### (1) Cash and cash equivalents

	December 31, 2008	December 31, 2007
Cash on hand	\$ 10,354,977	\$ 8,897,274
Checks for clearing	14,027,955	8,650,020
Due from other banks	1,541,710	2,351,908
Total	<u>\$ 25,924,642</u>	<u>\$ 19,899,202</u>

### (2) Due from the Central Bank and other banks

	December 31, 2008	December 31, 2007
Reserve for deposits - account A	\$ 31,142,014	\$ 11,284,808
Reserve for deposits - account B	33,299,483	31,551,683
Deposits with the Central Bank	1,100,000	1,100,000
Inter-bank clearing fund	2,532,143	1,845,878
Deposits of national treasury account	1,007,833	937,190
Deposits of overseas branches with foreign Central Banks	906,628	774,787
Reserve for deposits - foreign currency	208,082	7,240,651
Call loans and overdrafts to other banks	85,407,081	90,483,450
Total	<u>\$ 155,603,264</u>	<u>\$ 145,218,447</u>

The Bank's reserve for deposits is required by the Banking Law and is determined by applying the reserve ratio set by the Central Bank to the monthly average balance of each kind of deposits. The reserve amount is deposited in the reserve deposit account at the Central Bank. According to the regulations, such reserve for deposits - account B can not be withdrawn except for monthly adjustments of the reserve for deposits.

### (3) Financial assets at fair value through profit or loss - net

	December 31, 2008	December 31, 2007
<b>Financial assets for trading purpose</b>		
Stocks	\$ -	\$ 2,139,960
Bonds	938,464	1,129,703
Beneficiary certificates	-	445,000
Other marketable securities	430,290	450,400
Derivative financial instruments	27,006,078	5,836,522
Valuation adjustment for financial assets for trading purpose - non-derivative instruments	59,948	166,282
Subtotal	<u>28,434,780</u>	<u>10,167,867</u>
<b>Financial assets designated as at fair value through profit or loss</b>		
Bonds	24,627,739	26,636,068
Valuation adjustment for financial assets designated as at fair value through profit or loss	792,170	397,643
Subtotal	<u>25,419,909</u>	<u>27,033,711</u>
Total	<u>\$ 53,854,689</u>	<u>\$ 37,201,578</u>

For the years ended December 31, 2008 and 2007, the net realized and unrealized gains on financial assets for trading purpose and on financial assets designated as at fair value through profit or loss amounted to \$44,023,210 and \$15,817,908, respectively.

Financial instruments designated as at fair value through profit or loss are to eliminate or significantly reduce a measurement or recognition inconsistency and to evaluate the performance of assets on a fair value basis.

Types of derivative financial instruments held for trading purpose and related contract information were as follows:

Financial instruments	December 31, 2008		December 31, 2007	
	Contract amount (Notional principal)	Credit risk	Contract amount (Notional principal)	Credit risk
<b>Trading purpose</b>				
Foreign exchange contracts				
(FX swaps and forwards)	\$151,035,438	\$2,640,562	\$126,404,028	\$723,820
FX margin trading	5,099,388	562,434	7,590,535	640,117
Non-delivery FX forwards	21,311,296	328,991	13,598,221	79,833
FX options written	26,985,157	-	26,550,366	-
Interest rate swaptions written	41,983,220	-	46,000,000	-
Bond options written	-	-	1,536,493	-
Commodity options written	52,897,236	-	-	-
FX options held	23,905,954	1,607,936	27,684,212	579,143
Interest rate swaptions held	22,583,220	268,136	28,600,000	152,193
Commodity options held	52,897,236	10,644,022	-	-
Cross currency swap contracts	18,321,330	449,388	21,199,930	575,999
Interest rate swap contracts	542,633,552	10,448,524	464,127,321	3,044,695
Futures trading	-	56,085	32,484	40,722

#### (4) Receivables - net

	December 31, 2008	December 31, 2007
Spot exchange receivable	\$23,787,238	\$27,635,533
Acceptances receivable	4,648,381	7,925,810
Interest receivable	5,088,043	5,580,781
Credit card account receivable	3,319,843	3,797,175
Factoring receivable	1,723,175	2,097,060
Income tax refund receivable	724,974	703,213
Other receivables	1,018,246	2,009,818
	<b>40,309,900</b>	<b>49,749,390</b>
Less: allowance for doubtful accounts	<b>(345,846)</b>	<b>(238,097)</b>
Net amount	<b>\$39,964,054</b>	<b>\$49,511,293</b>

As of December 31, 2008 and 2007, the Bank's reserves for guarantees, including acceptances receivable and guarantees receivable, were \$300,518 and \$400,518, respectively, and such reserves are recorded under "other liabilities."

**(5) Bills discounted and loans - net**

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Bills discounted	\$ 5,715,848	\$ 7,577,875
Overdrafts	2,443,247	1,146,939
Short-term loans	351,188,234	317,105,379
Medium-term loans	353,056,915	319,481,025
Long-term loans	438,174,299	414,142,444
Import-export negotiations	1,853,165	3,721,129
Non-accrual loans (transferred from loans)	17,474,404	16,736,697
Subtotal	1,169,906,112	1,079,911,488
Less: allowance for doubtful accounts	(9,364,525)	(8,740,034)
Net amount	<b>\$ 1,160,541,587</b>	<b>\$ 1,071,171,454</b>

As of December 31, 2008 and 2007, gains from hedge evaluation on loans were \$371,980 and \$230,637, respectively. The fair values of fixed-rate loans held by overseas branches may fluctuate with changes in interest rates. The Bank assessed that the risk might be significant, so it has hedged such risk by engaging in interest rate swap contracts. (Please refer to Notes 3(9) and 3(19) for information on relevant contracts).

As of December 31, 2008 and 2007, non-accrual loans and other credit extensions where interest accruals had been ceased were \$17,351,254 and \$16,612,902, respectively. For the years ended December 31, 2008 and 2007, interest receivable not accrued amounted to \$570,960 and \$580,761, respectively.

Proper prosecutions of claims against debtors have been made before any credit extensions and loans were written off for the years ended December 31, 2008 and 2007.

The Bank's business segment has revalued the allowance for doubtful receivables, remittance purchased, bills discounted, loans and non-accrual loans (including amounts transferred from loans and non-loans) by considering unrecoverable risks for the specific loans and inherent risks for the overall loan portfolio. Movements in allowance for doubtful accounts of doubtful receivables, remittance purchased, bills discounted, loans and non-accrual loans (including amounts transferred from loans and non-loans) for the years ended December 31, 2008 and 2007 were as follows:

<b>For the year ended December 31, 2008</b>			
	Unrecoverable risks for the specific loans	Inherent risks for the overall loan portfolio	Total
Beginning balance	\$ 4,460,024	\$ 4,580,626	\$ 9,040,650
Provision	7,129,966	-	7,129,966
Write-off	(6,049,984)	-	(6,049,984)
Foreign exchange translation difference and others	2,786,751	(1,832,830)	953,921
Ending balance	<b>\$ 8,326,757</b>	<b>\$ 2,747,796</b>	<b>\$ 11,074,553</b>

<b>For the year ended December 31, 2007</b>			
	Unrecoverable risks for the specific loans	Inherent risks for the overall loan portfolio	Total
Beginning balance	\$ 4,745,350	\$ 3,576,326	\$ 8,321,676
Provision	6,061,505	-	6,061,505
Write-off	(5,406,845)	-	(5,406,845)
Foreign exchange translation difference and others	(939,986)	1,004,300	64,314
Ending balance	<b>\$ 4,460,024</b>	<b>\$ 4,580,626</b>	<b>\$ 9,040,650</b>

**(6) Available-for-sale financial assets - net**

	<b>December 31, 2008</b>	December 31, 2007
Stocks	<b>\$ 3,350,062</b>	\$ 2,787,632
Bonds	<b>45,651,846</b>	53,302,704
Short-term bills	<b>887,955</b>	974,024
Beneficiary securities	<b>-</b>	252,573
Valuation adjustment for available-for-sale financial assets	<b>2,095,144</b>	3,941,376
Total	<b>\$ 51,985,007</b>	\$ 61,258,309

Please refer to Note 5 for details of available-for-sale financial assets pledged as collateral as of December 31, 2008 and 2007.

**(7) Held-to-maturity financial assets - net**

	<b>December 31, 2008</b>	December 31, 2007
Certificates of deposit purchased	<b>\$ 192,480,000</b>	\$ 184,625,000
Bonds	<b>34,204,824</b>	29,090,671
Preferred stocks of Taiwan High Speed Rail Corporation	<b>2,000,000</b>	2,000,000
Short-term bills	<b>243,583</b>	184,076
Beneficiary securities	<b>737,079</b>	1,273,672
Others	<b>716,604</b>	836,685
Subtotal	<b>230,382,090</b>	218,010,104
Less: accumulated impairment losses - others	<b>(396,498)</b>	(112,505)
Total	<b>\$ 229,985,592</b>	\$ 217,897,599

**(8) Equity investments accounted for under the equity method - net**

## 1) Equity investments

Investee company	<b>December 31, 2008</b>		December 31, 2007	
	Amount	Percentage of ownership (%)	Amount	Percentage of ownership (%)
First Commercial Bank (USA)	<b>\$ 1,561,952</b>	<b>100</b>	\$ 1,531,101	100
FCB Leasing Co., Ltd.	<b>624,675</b>	<b>100</b>	661,442	100
First Insurance Agency Co., Ltd.	<b>140,718</b>	<b>100</b>	159,349	100
East Asia Real Estate Management Co., Ltd.	<b>11,350</b>	<b>30</b>	10,357	30
	<b>\$ 2,338,695</b>		<b>\$ 2,362,249</b>	

2) Investment income and cumulative translation adjustments from equity investments accounted for under the equity method for the years ended December 31, 2008 and 2007 were as follows:

	For the years ended December 31,	
	<b>2008</b>	2007
Investment income	<b>\$ 44,111</b>	\$ 239,953
Cumulative translation adjustments	<b>21,352</b>	(5,550)

3) The investment income from the above equity investments accounted for under the equity method was recognized based on the investees' audited financial statements for the years ended December 31, 2008 and 2007.

**(9) Other financial assets - net**

	<b>December 31, 2008</b>	December 31, 2007
Bond investments with no active market	<b>\$ 6,002,827</b>	\$ 8,539,022
Financial assets carried at cost	<b>3,017,093</b>	2,943,587
Overdue receivables transferred from other subjects (excluding loans)	<b>1,624,092</b>	201,438
Remittance purchased	<b>31,884</b>	58,378
Derivative financial assets held for hedging	<b>-</b>	889
Subtotal	<b>10,675,896</b>	11,743,314
Less: allowance for doubtful accounts - overdue receivables transferred from other subjects (excluding loans)	<b>(1,364,182)</b>	(62,519)
Net amount	<b>\$ 9,311,714</b>	\$ 11,680,795

- 1) The Bank's investments in unlisted stocks, of which fair value cannot be measured reliably due to lack of quoted market price, are accounted for at cost.
- 2) For methods and assumptions used to measure fair value of debt instruments with no active market, please refer to Note 9 (1) 2) (g).
- 3) The fair value hedge of derivative financial assets and related disclosure information were as follows:  
Fair values of fixed-rate loans held by overseas branches may fluctuate with changes in interest rates. The Bank assessed that the risk might be significant, so it has hedged such risk by engaging in interest rate swap contracts.

Hedged item	Designated hedging instruments		
	Designated hedging instruments	Fair value	Fair value
		December 31, 2008	December 31, 2007
Fixed-rate loans	Interest rate swap contracts	\$ -	\$ 889

- 4) The nature of derivative financial instruments held for hedging and related contract information were as follows:

	December 31, 2008		December 31, 2007	
	Contract amount (Notional principal)	Credit risk	Contract amount (Notional principal)	Credit risk
Financial instruments				
Non-trading purpose:				
Interest rate swap contracts	\$ 2,753,182	\$ -	\$ 3,095,239	\$ 889

#### (10) Property, plant and equipment

	December 31, 2008			
	Cost	Revaluation increments	Accumulated depreciation	Book value
Land and improvements	\$ 7,259,513	\$ 9,167,694	(\$ 2,803)	\$ 16,424,404
Buildings	8,873,939	56,648	(3,550,736)	5,379,851
Machinery and equipment	3,028,329	-	(2,396,067)	632,262
Transportation equipment	901,236	-	(664,097)	237,139
Other equipment	1,764,526	-	(1,514,588)	249,938
Leasehold improvements	664,924	-	(519,352)	145,572
Construction in progress and prepayments for equipment	139,172	-	-	139,172
	<u>\$ 22,631,639</u>	<u>\$ 9,224,342</u>	<u>(\$ 8,647,643)</u>	<u>\$ 23,208,338</u>
	December 31, 2007			
	Cost	Revaluation increments	Accumulated depreciation	Book value
Land and improvements	\$ 7,190,395	\$ 9,332,922	(\$ 2,438)	\$ 16,520,879
Buildings	8,836,015	56,884	(3,344,063)	5,548,836
Machinery and equipment	3,071,131	-	(2,402,467)	668,664
Transportation equipment	915,699	-	(616,525)	299,174
Other equipment	1,794,085	-	(1,524,104)	269,981
Leasehold improvements	642,608	-	(519,725)	122,883
Construction in progress and prepayments for equipment	170,943	-	-	170,943
	<u>\$ 22,620,876</u>	<u>\$ 9,389,806</u>	<u>(\$ 8,409,322)</u>	<u>\$ 23,601,360</u>

The Bank revalued its assets in accordance with the relevant regulations. As of December 31, 2008 and 2007, the balances of the revaluation increments (including those for non-operating assets) amounted to \$15,519,500 and \$15,707,498, respectively, and relevant reserve for land revaluation increment tax recorded as other liabilities were \$5,447,962 and \$5,521,000, respectively. The difference was recorded under capital and other stockholders' equity. Please refer to Note 3(25).

There is no interest capitalized on property, plant and equipment purchased for the fiscal years ended December 31, 2008 and 2007.

As of December 31, 2008 and 2007, there is no property, plant and equipment pledged as collateral.

**(11) Other assets - net**

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Non-operating assets		
Cost		
Land	\$ 276,099	\$ 329,256
Buildings	1,286,094	1,003,282
Others	19,603	298,047
Subtotal	1,581,796	1,630,585
Revaluation increments	6,295,158	6,317,692
Total cost and revaluation increments	7,876,954	7,948,277
Less: accumulated depreciation	(453,657)	( 415,521)
Net non-operating assets	7,423,297	7,532,756
Other assets		
Foreclosed assets		
Cost	152,358	185,610
Less: accumulated impairment losses	(144,750)	(178,001)
Net foreclosed assets	7,608	7,609
Deferred income tax assets - net	3,414,181	4,612,383
Prepaid income tax	331,891	602,409
Prepayments	559,906	638,323
Refundable deposits	604,010	340,686
Other assets to be adjusted	1,022	28,302
Others	1,254	1,743
Total	\$ 12,343,169	\$ 13,764,211

The Ministry of Finance approved the Bank's takeover of five credit departments of Farmers' and Fishermen's Associations in Taiwan effective from September 14, 2001. The acquired assets together with the indebtedness were transferred to the Bank. The RTC Fund has partially reimbursed the losses suffered by the Bank. The remaining portions of disputed assets and liabilities, under current investigation, have been temporarily recorded in "other assets to be adjusted" and "other liabilities to be adjusted," respectively. Upon settlement, the balance will be transferred to appropriate accounts and any deficiency will be compensated by the RTC Fund. Please refer to Note 5 for details of other assets pledged as collateral as of December 31, 2008 and 2007.

**(12) Due to the Central Bank and other banks**

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Call loans from other banks	\$ 88,389,500	\$ 107,234,610
Transferred deposits from Chunghwa Post Co., Ltd.	26,451,361	28,421,610
Overdrafts from other banks	1,786,475	3,644,768
Due to other banks	469,437	553,453
Due to the Central Bank	174,214	461,406
Total	\$ 117,270,987	\$ 140,315,847

**(13) Financial liabilities at fair value through profit or loss**

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Financial liabilities for trading purpose - derivative financial instruments	\$ 25,397,913	\$ 5,936,828
Financial liabilities designated as at fair value through profit or loss	47,800,000	46,300,000
Valuation adjustment for financial liabilities designated as at fair value through profit or loss	2,076,491	(860,664)
Total	\$ 75,274,404	\$ 51,376,164

The net realized and unrealized losses for the above financial liabilities were \$44,432,560 and \$13,875,913 for the years ended December 31, 2008 and 2007, respectively.

Financial instruments designated as at fair value through profit or loss are to eliminate or significantly reduce a measurement or recognition inconsistency and to evaluate the performance of liabilities on a fair value basis.

Please refer to Note 3(3) for information of derivative financial instruments.

**(14) Bills and bonds payable under repurchase agreements**

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Bonds under repurchase agreements	<b>\$ 12,759,545</b>	<b>\$ 12,207,113</b>

The Bank is obliged to repurchase the above bills and bonds at original sale price plus a mark-up pursuant to the repurchase agreements, and the repurchase agreement amounts for such bonds were \$12,794,913 and \$12,256,120, respectively, as of December 31, 2008 and 2007.

**(15) Payables**

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Spot exchange payable	<b>\$ 23,791,849</b>	<b>\$ 27,638,072</b>
Accounts payable	<b>20,228,390</b>	<b>16,279,371</b>
Bank acceptances	<b>4,849,396</b>	<b>8,182,777</b>
Interest payable	<b>4,418,685</b>	<b>4,783,550</b>
Accrued expenses	<b>3,624,470</b>	<b>2,524,932</b>
Overseas trust funds payable	<b>84,446</b>	<b>2,406,989</b>
Import payable	<b>1,327,987</b>	<b>1,944,513</b>
Other payables	<b>2,223,197</b>	<b>2,963,276</b>
Total	<b>\$ 60,548,420</b>	<b>\$ 66,723,480</b>

**(16) Deposits and remittances**

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Checking deposits	<b>\$ 31,783,767</b>	<b>\$ 32,959,578</b>
Demand deposits	<b>249,036,271</b>	<b>240,958,605</b>
Time deposits	<b>372,474,897</b>	<b>309,598,657</b>
Negotiable certificates of deposit	<b>12,810,900</b>	<b>8,483,200</b>
Savings deposits	<b>717,789,966</b>	<b>666,908,201</b>
Outward remittances	<b>54,896</b>	<b>51,828</b>
Inward remittances	<b>802,860</b>	<b>1,215,233</b>
Total	<b>\$ 1,384,753,557</b>	<b>\$ 1,260,175,302</b>

**(17) Financial bonds payable**

On November 14, 2003, June 24, 2005, August 18, 2006 and February 29, 2008, the Board of Directors of the Bank resolved to issue senior and subordinated financial bonds with the quotas of \$20, \$20, \$20 and \$20 billion New Taiwan dollars, respectively, to strengthen the Bank's capital adequacy ratio and to finance medium- and long-term operating capital. The issuances of the financial bonds were approved by the MOF and FSC. The subordinated financial bonds take precedence over shareholders but rank junior to the other creditors in the event of liquidation. The detailed terms of each issuance are listed as follows:

	<b>First to Ninth Issues, 2003</b>
Issue date	January 20, February 25, May 2, September 10, October 27, and November 13, 2003
Issue amount	NT\$24.8 billion dollars (NT\$2.8 billion dollars have been paid back)
Issue price	At par
Coupon rate	Part of interest rates is fixed rate (2.9%), and the rest is either floating rates or inverse floating rates with the minimum yield rate of 0%. Interest rate indexes are USD 6M LIBOR, 90-day commercial paper rates or IRS rates.
Interest and repayment terms	For the fixed rates, interest is paid annually. For the floating rates, interest is to be paid either quarterly or semi-annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	4 years to 8 years
	<b>First Issue, 2004</b>
Issue date	May 25, 2004
Issue amount	NT\$4 billion dollars
Issue price	At par
Coupon rate	Part of interest rates is fixed rate of 4%, and the rest is floating rate with the minimum yield rate of 0%. Interest rate indexes are USD 6M LIBOR.
Interest and repayment terms	Interest is paid semi-annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years
	<b>First Issue, 2006</b>
Issue date	April 24, 2006
Issue amount	NT\$5 billion dollars
Issue price	At par
Coupon rate	2.24%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years
	<b>Second Issue (A~C), 2006</b>
Issue date	July 27, 2006
Issue amount	NT\$3 billion dollars
Issue price	At par
Coupon rate	2.45%, 2.55%, 2.75%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	5 years and 6 months to 10 years
	<b>Third Issue, 2006</b>
Issue date	December 4, 2006
Issue amount	NT\$6 billion dollars
Issue price	At par
Coupon rate	2.6%
Interest and repayment terms	Interest is paid annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	10 years



	<b>First Issue (A &amp; B), 2007</b>
Issue date	March 9, 2007
Issue amount	NT\$5.5 billion dollars
Issue price	At par
Coupon rate	A: Interest rate indexes +0.25%; B: Fixed rate 2.4%. Interest rate indexes are average interest rate of NTD 90-day commercial paper in secondary market provided by Reuters.
Interest and repayment terms	A: Interest is accrued quarterly and paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity. B: Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7~10 years
	<b>Second Issue (A &amp; B), 2007</b>
Issue date	June 25, 2007
Issue amount	NT\$5 billion dollars
Issue price	At par
Coupon rate	A: Interest rate indexes +0.29%; B: Fixed rate 2.7%. Interest rate indexes are average interest rate of NTD 90-day commercial paper in secondary market provided by Reuters.
Interest and repayment terms	A: Interest is accrued quarterly and paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity. B: Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years
	<b>Third Issue (A &amp; B), 2007</b>
Issue date	December 24, 2007
Issue amount	NT\$3.5 billion dollars
Issue price	At par
Coupon rate	A: Interest rate indexes +0.38%; B: Fixed rate 3.16%. Interest rate indexes are average interest rate of NTD 90-day commercial paper in secondary market provided by Reuters.
Interest and repayment terms	A: Interest is accrued quarterly and paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity. B: Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	A: 7 years, B: 10 years
	<b>First Issue (A &amp; B), 2008</b>
Issue date	June 23, 2008
Issue amount	NT\$5 billion dollars
Issue price	At par
Coupon rate	A: Interest rate indexes +0.43%; B: Fixed rate 3.1%. Interest rate indexes are average interest rate of NTD 90-day commercial paper in secondary market provided by Reuters.
Interest and repayment terms	A: Interest is accrued quarterly and paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity. B: Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years

	<b>Second Issue, 2008</b>
Issue date	October 21, 2008
Issue amount	NT\$1.7 billion dollars
Issue price	At par
Coupon rate	Fixed rate 3.02%
Interest and repayment terms	Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years

	<b>Third Issue, 2008</b>
Issue date	December 24, 2008
Issue amount	NT\$2 billion dollars
Issue price	At par
Coupon rate	Fixed rate 3.00%.
Interest and repayment terms	Interest is paid annually. Simple interest is adopted. The principal is to be paid pursuant to face value at maturity.
Maturity period	7 years

As of December 31, 2008 and 2007, interest rates of the above financial bonds ranged from 0.798% to 4% and 0% to 4%, respectively.

As of December 31, 2008 and 2007, the outstanding balances of the above mentioned financial bonds amounted to \$62.7 billion and \$69.1 billion New Taiwan dollars, respectively. In addition, among the above financial bonds, interest rate risk associated with the senior financial bonds with face value of \$19.5 billion New Taiwan dollars and the subordinated financial bonds with face value of \$28.3 billion New Taiwan dollars as well as the senior financial bonds with face value of \$21.6 billion New Taiwan dollars and the subordinated financial bonds with face value of \$24.7 billion New Taiwan dollars were designated as held for trading financial liabilities and hedged by interest rate swap contracts. As such interest rate swap contracts were valued at fair value with changes in fair value recognized as profit or loss, the financial bonds stated above were designated as financial liabilities at fair value through profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency.

#### (18) Accrued pension liabilities

1) The Bank has a defined benefit pension plan set up in accordance with the Labor Standards Law covering all regular employees whose services are prior to the implementation of the Labor Pension Act on July 1, 2005 and those employees who choose continuously to apply the Labor Standards Law after the implementation of the Labor Pension Act. The payment of pension benefits is based on the length of the service period and average monthly compensation in the last six months prior to retirement. Under the defined benefit plan, employees are granted two points for each year of service for the first 15 years and are granted one point for each additional year of service from the 16th year, but it is subject to a maximum of 45 points. The Bank makes contribution monthly based on 10% of salaries and such contributions are deposited in the designated pension account at the Trust Department of Bank of Taiwan under the names of the respective companies' independent retirement fund committees. The Bank recognized net pension costs of \$653,497 and \$663,374 for the years ended December 31, 2008 and 2007, respectively. As of December 31, 2008 and 2007, the balances of the pension fund deposited in the Bank of Taiwan were \$4,323,766 and \$3,846,184, respectively.

2) Actuarial assumptions are listed below:

	<b>2008</b>	<b>2007</b>
Discount rate	<b>2.50%</b>	2.75%
Rate of increase in salaries	<b>1.50%</b>	1.50%
Expected rate of return on plan assets	<b>2.50%</b>	2.75%

3) Funded status of the pension plan:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Benefit obligation		
Vested benefit obligation	\$ 3,990,432	\$ 3,838,488
Non-vested benefit obligation	1,535,991	1,484,095
Accumulated benefit obligation	5,526,423	5,322,583
Effect of future salary increments	1,144,737	778,107
Projected benefit obligation	6,671,160	6,100,690
Fair value of plan assets	(4,323,766)	(3,846,184)
Funded status	2,347,394	2,254,506
Unrecognized gain on plan assets	(659,672)	(700,853)
Accrued pension liabilities	\$ 1,687,722	\$ 1,553,653
Vested benefit	\$ 4,991,139	\$ 4,443,713

4) Net pension costs:

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Service cost	\$ 587,530	\$ 592,871
Interest cost	166,703	139,047
Expected return on plan assets	(110,651)	(89,413)
Amortization of unrecognized gain on plan assets	5,251	14,837
Net pension costs	\$ 648,833	\$ 657,342

5) Effective July 1, 2005, the Bank has established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). Employees have the option to be covered under the New Plan. And, the Bank contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are portable when the employment is terminated. The pension costs under defined contribution pension plan for the years ended December 31, 2008 and 2007 were \$80,805 and \$72,173, respectively.

**(19) Other financial liabilities**

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Appropriated loan fund	\$ 252,372	\$ 310,288
Derivative financial liabilities for hedging	371,980	231,526
Total	\$ 624,352	\$ 541,814

1) The fair value hedge of derivative financial liabilities and related disclosure information were as follows:

Fair values of fixed-rate loans held by overseas branches may fluctuate with changes in interest rates. The Bank assessed that the risk might be significant, so it has hedged such risk by engaging in interest rate swap contracts.

Hedged item	Designated hedging instruments		
	Designated hedging instruments	Fair value	Fair value
		<u>December 31, 2008</u>	<u>December 31, 2007</u>
Fixed-rate loans	Interest rate swap contracts	(\$371,980)	(\$231,526)

2) Nature of derivative financial instruments held for hedging and related contract information were as follows:

	<u>December 31, 2008</u>		<u>December 31, 2007</u>	
	Contract amount (Notional principal)	Credit Risk	Contract amount (Notional principal)	Credit Risk
Derivative financial instruments				
Non-trading purpose				
Interest rate swap contracts	\$ 2,753,182	\$ -	\$ 3,095,239	\$ -

**(20) Other liabilities**

	<b>December 31, 2008</b>	December 31, 2007
Reserve for land revaluation increment tax	\$ 5,447,962	\$ 5,521,000
Guarantee deposits received	1,213,608	1,137,723
Collections in advance	1,017,181	972,616
Reserve for losses on guarantees	300,518	400,518
Reserve for securities trading losses	200,000	200,000
Other liabilities to be adjusted	-	1,493
Others	40,714	188,756
Total	<b>\$ 8,219,983</b>	<b>\$ 8,422,106</b>

**(21) Common stock**

As of December 31, 2007, the authorized and issued capital stocks were both \$46,909,240. Total issued and outstanding shares were both 4,690,924 thousand shares with a par value of \$10 New Taiwan dollars per share.

On April 18, 2008 the Bank's Board of Directors approved to increase capital and on June 24, 2008 the resolution was adopted at the shareholders' meeting to distribute unappropriated earnings for the year 2007 in stock dividends for \$1,380,760 by issuing an additional 138,076 thousand new shares. The Board of Directors set August 28, 2008 to be the date for stock distribution and capital increase. The above capital increase was approved and evidenced by the Explanatory Letter Jin-Guan-Jen (1) No.0970036939 of the FSC and the related registration has been completed. As of December 31, 2008, the authorized and issued capital stocks were both \$48,290,000. Total issued and outstanding shares were both 4,829,000 thousand shares with a par value of \$10 New Taiwan dollars per share.

**(22) Additional paid-in capital**

Additional paid-in capital mainly includes capital in excess of par value on issuance of common stock and donation income.

The Company Law requires that additional paid-in capital, resulting from price received in excess of par value of the issuance of capital stock and donation income received, should be only used to recover losses or to increase the capital stock of the Bank subject to a maximum limit of 10% of the issued capital stock per year while the Bank has no accumulated deficit.

**(23) Legal reserve**

According to the Company Law, legal reserve can be only used to recover accumulated deficits or to increase capital stock and shall not be used for any other purposes. Legal reserve can be used to increase capital stock if the balance of the legal reserve has reached fifty percent of the issued capital stock, but only half of the legal reserve can be capitalized.

**(24) Unappropriated earnings**

1) As stipulated by the Bank's Articles of Incorporation, the annual net income after income tax should be first used to offset accumulated losses, then 30% of it should be set aside as legal reserve and if the current year-end accounts in the stockholders' equity have debit balances, the Bank is required to appropriate a special reserve.

The remaining earnings are to be distributed as follows:

- \* 1% to 8% as bonus to employees.
- \* Dividend and bonus to shareholders as proposed by the Board of Directors and approved by the shareholders' meeting. (The Board of Directors function is in an acting capacity of shareholders' meeting.)

2) Dividend policy for the next three years

Banking industry is a fully developed industry and the Bank, operating under a solid financial base, has maintained a stable income. The Bank has set up its dividend policy to be primarily in form of cash dividends and supplemented by share dividends, as to increase its capital adequacy ratio and to enhance its competitiveness.

If the legal reserve is less than the capital or the capital adequacy ratio is below the statutory ratio stipulated by the Banking Law, the maximum amount of cash dividend distribution has to be subject to the stipulations set out by the Banking Law and the governing authorities.

3) The appropriation of earnings for 2007 and 2006 had been approved by the shareholders' meeting on June 24, 2008 and June 22, 2007, respectively. Details of the appropriation of earnings for 2007 and 2006 are summarized as below:

	Appropriation of earnings		Earnings per share (in dollars)	
	2007	2006	2007	2006
Legal reserve	\$ 3,607,752	\$ 3,275,261	\$ -	\$ -
Cash dividends on				
common stock (note)	6,362,939	6,364,579	1.36	1.38
Stock dividends	1,380,760	693,240	0.29	0.15
Employees' bonus	673,447	567,821	-	-
	<u>\$ 12,024,898</u>	<u>\$ 10,900,901</u>	<u>\$ 1.65</u>	<u>\$ 1.53</u>

note: Employees' bonus was paid in cash. If the employees' bonus was recognized as expenses in the year of earnings, the earnings per common share after tax in 2007 would be decreased from \$2.56 to \$2.42 New Taiwan dollars. The earnings per common share after retroactive adjustment in 2007 would be decreased from \$2.49 to \$2.35 New Taiwan dollars.

- 4) Information on the appropriation of the Bank's earnings as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.
- 5) Estimated employees' bonus totaled \$370,000 was recognized as operating expense in 2008. Having taken into account legal reserve and other factors, the amount was arrived at by multiplying the net income after tax with the percentage stipulated in the Articles of Incorporation of the Bank.

#### (25) Other stockholders' equity

The revaluation increments of land will adjust the original subject asset accounts, other liability account - reserve for land revaluation increment tax and other stockholders' equity account - unrealized revaluation increments. Upon disposal, the Bank will reverse other liabilities - reserve for land revaluation increment tax and other stockholders' equity - unrealized revaluation increments accounts and recognize the disposal gain or loss.

#### (26) Asset impairment losses

	For the years ended December 31,	
	2008	2007
Available-for-sale financial assets	\$ 675,417	\$ -
Held-to-maturity financial assets	708,690	112,505
Foreclosed assets (recovery gain)	(31,583)	63,887
Total	<u>\$ 1,352,524</u>	<u>\$ 176,392</u>

#### (27) Other non-interest income or losses

	For the years ended December 31,	
	2008	2007
Profit from financial assets carried at cost	\$ 117,183	\$ 477,377
Net rental income	245,218	216,858
Gain from selling property and equipment	316,590	415,750
Net other income or losses	150,365	(90,967)
Total	<u>\$ 829,356</u>	<u>\$ 1,019,018</u>

#### (28) Personnel, depreciation, and amortization expenses

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

	For the years ended December 31,	
	2008	2007
Personnel expenses	\$ 9,409,583	\$ 9,071,802
Salaries	7,805,856	7,844,592
Employees' bonus	370,000	-
Labor and health insurance expense	319,514	307,938
Pension expense	734,302	735,547
Others	179,911	183,725
Depreciation expense	763,682	920,543
Amortization expense	236,529	204,953

## (29) Income tax

1) The details of income tax expense are as follows:

	For the years ended December 31,	
	2008	2007
Income tax expense - foreign branches and adjustment for under provision of prior years' income tax expense	\$ 80,906	\$ 144,671
Net changes in deferred income tax assets - domestic branches	1,735,695	3,204,043
Income taxes levied separately	7,243	8,021
10% surtax levied on undistributed earnings	94	1,664
Tax due to Alternative Minimum Tax Act	221,729	287,668
Income tax expense	<u>\$ 2,045,667</u>	<u>\$ 3,646,067</u>

2) Deferred income tax assets - net

As of December 31, 2008 and 2007, the income tax effects of temporary differences that gave rise to the deferred tax assets or liabilities are as follows:

	December 31, 2008		December 31, 2007	
	Amount	Income tax effects	Amount	Income tax effects
Temporary differences				
Allowance for doubtful accounts in excess of tax limits	\$ 2,783,987	\$ 695,997	\$ 2,783,987	\$ 695,997
Allowance for impairment losses of foreclosed assets	144,750	36,188	178,001	44,500
Loss carry forwards	9,028,230	2,257,058	20,318,153	5,079,538
Others	1,522,449	380,612	449,160	112,290
	<u>\$ 13,479,416</u>	<u>3,369,855</u>	<u>\$ 23,729,301</u>	<u>5,932,325</u>
Investment tax credits		2,951		28,316
Overseas branches		649,429		111,936
Deferred income tax assets		4,022,235		6,072,577
Allowance for deferred income tax assets		(608,054)		(1,460,194)
Deferred income tax assets - net		<u>\$ 3,414,181</u>		<u>\$ 4,612,383</u>

3) As of December 31, 2008, the details of tax credits are as follows:

Item for tax credits	Amount	Available period (year)
Personnel training costs	\$ 2,951	2008~2012

4) According to the Income Tax Law, the losses could be carried forward for 10 years to deduct the future years' taxable income. As of December 31, 2008, the details of the unused amount of loss carryforwards were as follows:

Year of losses	Unused amount	Year of expiration	Assessed by tax authorities
2003	\$ 9,028,230	2013	Assessed

5) Imputation credit account for shareholders and its related information

	December 31, 2008	December 31, 2007
Balances of imputation credit account for shareholders	\$ 80,323	\$ 161,840
Estimated imputation credit ratio for earnings distribution	0.66%	1.06%

6) The balances of unappropriated earnings are as follows:

	December 31, 2008	December 31, 2007
Unappropriated earnings generated on and after January 1, 1998	\$ 12,225,947	\$ 15,285,722

7) The tax authorities had assessed the Bank's income tax returns through 2003.

### (30) Earnings per common share

	For the years ended December 31,			
	2008		2007	
	Before tax	After tax	Before tax	After tax
Net income	\$ 11,010,790	\$ 8,965,123	\$ 15,671,907	\$ 12,025,840
Weighted-average outstanding common shares (in thousand shares)	4,829,000	4,829,000	4,690,924	4,690,924
Earnings per share (in dollars)	\$ 2.28	\$ 1.86	\$ 3.34	\$ 2.56
<b>Earnings per share after retroactive adjustments (in dollars):</b>				
Weighted-average outstanding common shares (in thousand shares)			4,690,924	4,690,924
Stock dividends			138,076	138,076
Weighted-average outstanding common shares - after retroactive adjustments (in thousand shares)			4,829,000	4,829,000
Earnings per share - after retroactive adjustments (in dollars)			\$ 3.25	\$ 2.49

### (31) Capital adequacy ratio

The minimum capital adequacy ratio, a measure of the adequacy of a bank's capital expressed as a percentage of its risk weighted credit exposures, is 8% as required by the Banking Law and other relevant rules and regulations in order to ensure a sound financial standing for banks. If the said ratio is less than the prescribed ratio, the bank's ability to distribute surplus profits may be restricted by the governing authority.

The capital adequacy ratio of the Bank was 10.88% and 10.80% as of December 31, 2008 and 2007, respectively.

## 4. Related Party Transactions

### (1) Details of related parties

Name of related parties	Nature of relationship
First Financial Holding Co., Ltd. (FFHC)	Parent company
Bank of Taiwan Co., Ltd.	The company's representative is a director of FFHC
Golden Garden Investment Co., Ltd.	The company's representative is a director of FFHC
Shang Zhen Co., Ltd.	The company's representative is a director of FFHC
First Commercial Bank (USA)	Subsidiary of the Bank
FCB Leasing Co., Ltd. (FCBL)	Subsidiary of the Bank
First Insurance Agency Co., Ltd. (FIA)	Subsidiary of the Bank
East Asia Real Estate Management Co., Ltd. (EAREM)	Investee accounted for under the equity method
The First Education Foundation	Over one third of total fund is donated by the Bank
First Securities Inc. (FS) (formerly known as First Taisec Securities Inc.)	Subsidiary of FFHC
First Securities Investment Trust Co., Ltd. (FSIT) (formerly known as National Investment Trust Co., Ltd.)	Subsidiary of FFHC
First Financial Asset Management Co., Ltd. (FFAM)	Subsidiary of FFHC
First Venture Capital Co., Ltd. (FVC)	Subsidiary of FFHC
First Financial Management Consulting Co., Ltd. (FFMC)	Subsidiary of FFHC
First P&C Insurance Agency Co., Ltd.	Subsidiary of FFHC
First-Aviva Life Insurance Co., Ltd. (FALI)	Subsidiary of FFHC
Aviva International Holdings Ltd.	Parent company's related party
15 people including Yuh-Chang Chen, etc. (note 1)	The Bank's directors
4 people including Yung-Sun Wu, etc.	The Bank's supervisors
245 people including Ying-Hsiung Lin, etc. (note 2)	The Bank's managers
33 people including Jia-Xin Chen, etc.	Spouses of the Bank's directors, supervisors, chairman and president, and relatives within second degree of kinship of the Bank's chairman and president

note 1: Chao-Shun Chang resigned the Bank's Director on July 10, 2008 and the position was succeeded by Yuh-Chang Chen.

note 2: Chin-Yun Wu passed away due to sickness on August 2, 2008, and Ying-Hsiung Lin assumed the position of President on October 2, 2008.

## (2) Related party transactions

### 1) Due from other banks

	As of and for the year ended December 31, 2008			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Bank of Taiwan	\$ 2,500,000	\$ -	\$ 2,750	0.55~2.18

	As of and for the year ended December 31, 2007			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Bank of Taiwan	\$ 10,100,000	\$ 305,000	\$ 10,228	1.69~2.10

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

### 2) Due to other banks

	As of and for the year ended December 31, 2008			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	\$ 2,000,000	\$ 2,000,000	\$ 693	0.75~2.22

	As of and for the year ended December 31, 2007			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	\$ 3,000,000	\$ -	\$ 623	1.69~3.20

Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties.

### 3) Deposits

	December 31, 2008		December 31, 2007	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
FFHC	\$ 758,548	0.05	\$ 2,425,420	0.19
FVC	310,244	0.02	448,624	0.04
FIA	122,759	0.01	136,501	0.01
FSIT	92,732	0.01	67,225	0.01
FALI	60,006	-	1,912,031	0.15
Others (note)	925,931	0.07	893,349	0.07
	<b>\$ 2,270,220</b>	<b>0.16</b>	<b>\$ 5,883,150</b>	<b>0.47</b>

The interest expenses paid to related parties above were \$39,831 and \$66,895 for the years ended December 31, 2008 and 2007, respectively.

note: Terms and conditions of the related party transactions are not significantly different from those of transactions with third parties, except that savings interest rate applied for the Bank's directors, supervisors and managers is 13.00% and each of their deposit balance is below \$480.



#### 4) Loans

December 31, 2008							
	Number or name of related party	Maximum balance for current period	Ending balance	Status of performance		Collateral	Difference with third parties in transaction terms
				Normal loans	NPL		
Consumer loans	19	\$ 9,275	\$ 8,582	\$ 8,582	-	None	None
Residential mortgage loans	89	315,413	297,275	297,275	-	Real estate	None
Other loans	FCBL	3,143,000	2,326,500	2,326,500	-	Aircrafts and drafts	None
Other loans (note)	5	9,621	6,421	6,421	-	Certificates of deposit	None
December 31, 2007							
	Number or name of related party	Maximum balance for current period	Ending balance	Status of performance		Collateral	Difference with third parties in transaction terms
				Normal loans	NPL		
Consumer loans	10	\$ 3,517	\$ 3,202	\$ 3,202	-	None	None
Residential mortgage loans	85	276,929	264,569	264,569	-	Real estate	None
Other loans	FCBL	3,302,000	3,219,500	3,219,500	-	Aircrafts and notes receivable from customers	None
Other loans	FS	260,000	260,000	260,000	-	Guaranteed by a domestic bank	None
Other loans (note)	3	648	506	506	-	Certificates of deposit	None

Interest incomes received from the above related parties were \$79,337 and \$79,893 for the years ended December 31, 2008 and 2007, respectively.

note: None of the ending balances of individual borrowers exceeded 1% of the total ending balance. Hence, the transactions are not listed individually in details.

#### 5) Guarantees

December 31, 2008					
	Maximum balance for current period	Ending balance	Reserve for guarantees	Fee rate	Collateral
FCBL	\$ 1,225,000	\$ 1,225,000	\$ 490	0.22%	Aircrafts
December 31, 2007					
	Maximum balance for current period	Ending balance	Reserve for guarantees	Fee rate	Collateral
FCBL	\$ 1,380,000	\$ 1,380,000	\$ 552	0.50%	Aircrafts

6) Derivative transactions

December 31, 2008						
	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Period-end balance	
					Item	Balance
Bank of Taiwan	Foreign exchange swap contracts	2008/11/25~2009/11/25	\$327,740	(\$1,609)	Valuation adjustment for trading liabilities - foreign exchange rate	(\$1,609)
December 31, 2007						
	Title of derivative instrument contract	Contract period	Nominal principal	Gain (loss) on valuation for current period	Period-end balance	
					Item	Balance
FCBL	Interest rate related contracts	2005/8/16~2008/7/16	\$ 49,500	(\$201)	Valuation adjustment for trading liabilities - interest rate	(\$93)
Bank of Taiwan	Foreign exchange contracts	2007/11/26~2008/11/26	162,420	2,131	Valuation adjustment for trading liabilities - foreign exchange rate	2,131

7) Commission income and other income

	For the years ended December 31,	
	2008	2007
Aviva International Holdings Ltd.	\$ 561,780	\$ -
First Insurance Agency Co., Ltd.	172,687	249,670
First Securities Inc.	47,897	33,364
First P&C Insurance Agency	27,014	22,913
First Financial Holding Co., Ltd.	19,960	18,957
First Securities Investment Trust Co., Ltd.	16,011	23,328
First Leasing Co., Ltd.	10,639	11,633
First Financial Asset Management Co., Ltd.	4,296	3,367
East Asia Real Estate Management Co., Ltd.	2,433	2,210
First-Aviva Life Insurance Co., Ltd.	1,777	-
First Financial Management Consulting Co., Ltd.	1,645	1,642
First Venture Capital Co., Ltd.	261	260

Terms and conditions of above transactions are executed based on contracts entered.

8) Rent expense and other expenses

	For the years ended December 31,	
	2008	2007
First Financial Asset Management Co., Ltd.	\$ 134,725	\$ 126,902
First Securities Inc.	34,644	41,757
First Leasing Co., Ltd.	20,579	15,952
First Financial Holding Co., Ltd.	8,855	9,099

Terms and conditions of above transactions are executed based on contracts entered.

9) Information on salaries and remunerations to the Bank's directors, supervisors, president and executive vice presidents

	2008	2007
Salaries	\$ 35,480	\$ 32,662
Bonus	3,652	15,753
Business expenses	12,519	13,274
Earnings distribution	3,500	3,291
Total	\$ 55,151	\$ 64,980

- Salaries represent salary, extra pay for duty, pension and severance pay.
- Bonus represents bonus and reward.
- Business expenses represent transportation expense and extraneous charges.
- Earnings distribution represents estimated bonus to be paid to employees in 2008.

## 5. Pledged Assets

As of December 31, 2008 and 2007, the collateralized assets are listed below:

	December 31, 2008	December 31, 2007	Pledged Purpose
Available-for-sale financial assets - bonds	\$ 2,078,700	\$ 1,525,000	Guarantees deposited with the court for provisional seizure and trust fund reserves
Refundable deposits	68,161	340,686	Guarantees deposited with the court for provisional seizure and deposits for the building leasing
Total	\$ 2,146,861	\$ 1,865,686	

## 6. Commitments and Contingent Liabilities

As of December 31, 2008 and 2007, the Bank has the following commitments and contingent liabilities:

### (1) Major commitments and contingent liabilities

	December 31, 2008	December 31, 2007
Unused loan commitments	\$ 48,079,585	\$ 50,725,049
Unused credit commitments for credit cards	31,471,984	31,233,884
Unused letters of credit issued	18,747,205	32,427,403
Guarantees	26,083,268	29,148,926
Collections receivable for customers	132,923,529	143,406,162
Collections payable for customers	7,889,273	5,161,936
Traveler's checks consignment-in	466,632	616,076
Guaranteed notes payable	12,993,361	2,579,876
Trust assets	559,444,207	706,482,226
Customers' securities under custody	204,034,881	367,239,113
Book-entry for government bonds under management	138,624,950	124,223,750
Depository for short-term marketable securities under management	37,125,296	57,901,102

(2) Due to the collapse of the Tung Xin building caused by an earthquake disaster on September 21, 1999, the residents filed a legal claim of loss of personal property against Hong Cheng Building Co., Ltd., Hong Ku Construction Co., Ltd., (including their directors and supervisors) and the Bank. As of the reporting date, in accordance with Criminal Sentence (92) Su-Zhi No. 2039 of the Taipei District Court, the Bank prevailed in the case because there was no evidence found between the cause of collapse and the Bank's maintenance constructions work. In addition, the relevant staffs of the Bank were found to be innocent as well. With respect to civic responsibility, the Bank's surveyor believed that there was no evidence found between the cause of the aforesaid event and the Bank. The Bank is not liable for compensation. Accordingly, no provision is made for the contingent liabilities in the Bank's financial statements.

(3) The Bank rented office spaces under operating leases. As of December 31, 2008, the estimated future lease commitments for the Bank are as follows:

Period	Amount
2009	\$ 426,589
2010	374,374
2011	308,420
2012	219,631
2013 and thereafter	217,038
	\$ 1,546,052

### (4) Others

As of December 31, 2008, the Bank entered into the construction contracts in the amount of \$140,000, \$87,210 of which had been paid and recorded in "construction in progress and prepayments for equipment" account.

According to the joint venture agreement signed between FFHC and Aviva International Holdings Limited, the Bank and First-Aviva Life Insurance Co., Ltd. entered into an exclusive distribution agreement on January 2, 2008.

**7. Significant Losses from Disasters:** None.

**8. Significant Subsequent Events:** None.

## 9. Others

### (1) Disclosure of financial instruments

#### 1) Fair value of financial instruments

	December 31, 2008		
	Book value	Quoted market price	Amount by a valuation technique
<b>Non-derivative financial instruments</b>			
<b>Assets</b>			
Financial assets with book value equaling fair value	\$ 222,127,854	\$ -	\$ 222,127,854
Financial assets at fair value through profit or loss	26,848,611	4,062,697	22,785,914
Bills discounted and loans	1,160,541,587	-	1,160,541,587
Available-for-sale financial assets	51,985,007	19,315,474	32,669,533
Held-to-maturity financial assets	229,985,592	21,076,290	209,714,619
Other financial assets - bond investments with no active market	6,002,827	-	5,361,740
<b>Liabilities</b>			
Financial liabilities with book value equaling fair value	191,837,627	-	191,837,627
Financial liabilities at fair value through profit or loss	49,876,491	-	49,876,491
Deposits and remittances	1,384,753,557	-	1,384,753,557
Financial bonds payable	14,900,000	-	14,900,000
<b>Derivative financial instruments</b>			
<b>Assets</b>			
<b>Non-hedge</b>			
FX contracts (swaps and forwards)	\$ 2,640,562	\$ -	\$ 2,640,562
FX margin trading	562,434	-	562,434
Non-delivery forwards	328,991	-	328,991
FX options held	1,607,936	-	1,607,936
Interest rate swaptions held	268,136	-	268,136
Commodity options held	10,644,022	-	10,644,022
Cross currency swap contracts (excluding the notional principal)	449,388	-	449,388
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	10,448,524	-	10,448,524
Futures trading	56,085	56,085	-
<b>Hedge</b>			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-	-
<b>Liabilities</b>			
<b>Non-hedge</b>			
FX contracts (swaps and forwards)	2,401,950	-	2,401,950
FX margin trading	29,136	-	29,136
Non-delivery forwards	74,615	-	74,615
FX options written	1,958,516	-	1,958,516
Interest rate swaptions written	456,376	-	456,376
Bond options written	-	-	-
Commodity options written	10,644,022	-	10,644,022
Cross currency swap contracts (excluding the notional principal)	366,864	-	366,864
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	9,466,434	-	9,466,434
<b>Hedge</b>			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	371,980	-	371,980

	December 31, 2007		
	Book value	Quoted market price	Amount by a valuation technique
<b>Non-derivative financial instruments</b>			
<b>Assets</b>			
Financial assets with book value equaling fair value	\$ 215,028,006	\$ -	\$ 215,028,006
Financial assets at fair value through profit or loss	31,365,056	3,854,300	27,510,756
Bills discounted and loans	1,071,171,454	-	1,071,171,454
Available-for-sale financial assets	61,258,309	25,067,501	36,190,808
Held-to-maturity financial assets	217,897,599	13,976,366	203,662,426
Other financial assets - bond investments with no active market	8,539,022	-	8,410,091
<b>Liabilities</b>			
Financial liabilities with book value equaling fair value	220,510,824	-	220,510,824
Financial liabilities at fair value through profit or loss	45,439,336	-	45,439,336
Deposits and remittances	1,260,175,302	-	1,260,175,302
Financial bonds payable	22,800,000	-	22,800,000
<b>Derivative financial instruments</b>			
<b>Assets</b>			
<b>Non-hedge</b>			
FX contracts (swaps and forwards)	\$ 723,820	\$ -	\$ 723,820
FX margin trading	640,117	-	640,117
Non-delivery forwards	79,833	-	79,833
FX options held	579,143	-	579,143
Interest rate swaptions held	152,193	-	152,193
Commodity options held	-	-	-
Cross currency swap contracts (excluding the notional principal)	575,999	-	575,999
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	3,044,695	-	3,044,695
Futures trading	40,722	40,722	-
<b>Hedge</b>			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	889	-	889
<b>Liabilities</b>			
<b>Non-hedge</b>			
FX contracts (swaps and forwards)	425,879	-	425,879
FX margin trading	81,387	-	81,387
Non-delivery forwards	126,466	-	126,466
FX options written	584,666	-	584,666
Interest rate swaptions written	213,834	-	213,834
Bond options written	2,726	-	2,726
Commodity options written	-	-	-
Cross currency swap contracts (excluding the notional principal)	632,553	-	632,553
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	3,869,317	-	3,869,317
<b>Hedge</b>			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	231,526	-	231,526

2) Methods and assumptions used by the Bank to measure the fair value of financial instruments are summarized as follows:

- (a) Cash and cash equivalents, due from the Central Bank and other banks, investment in bonds under resale agreements, receivables (net of allowance for doubtful accounts), remittance purchased, refundable deposits, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, bills and bonds payable under repurchase agreements, payables, guarantee deposits received and so on. The fair values of financial instruments listed above are estimated at carrying amounts at balance sheet date, as the maturity date is near the balance sheet date or the future receivable or payable amount is close to the carrying amount.
- (b) Bills discounted and loans (including non-performing loans): Considering the nature of the financial service industry, which is the market rate (market price) maker, the effective interest rates of loans are generally based on the basic interest rate or the interest rate index plus (minus) certain adjustment (point) (equivalent to floating rate) to reflect the market rate. As a result, it is reasonable to assume that book value, after adjustments of reserves based on estimated recoverability, approximates fair values. Fair values for mid-term and long-term loans with fixed rates shall be estimated using their discounted values of expected future cash flows. However, as such loans account for only a small portion of all loans, book value was used to estimate the fair value.
- (c) The fair values of derivative financial instruments are estimated based on the amounts expected to receive or pay under the given situation that the derivative contracts are terminated pursuant to contract terms at the balance sheet date. In general, such an amount includes unrealized gains or losses on outstanding derivative contracts. The Bank adopts the valuation model that is identical to the market to determine the fair values of derivative financial instruments.
- (d) When there is a quoted market price available in an active market for available-for-sale financial assets and held-to-maturity financial assets, the fair value is determined using the quoted market price. If there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. The estimation and assumption of the valuation technique used by the Bank is consistent with those used by the market participants for financial instrument pricing. The discount rate used is consistent with the expected return rate of the financial instruments that have the same conditions and characteristics. Such conditions and characteristics include the debtor's credit rating, the remaining period of the fixed interest rate contracts, the remaining period for principal repayment, the payment currency, etc.
- (e) Deposits and remittances: Considering the nature of the financial service industry, which is the market rate (market price) maker, and that deposit transactions usually mature within one year, a book value is a reasonable basis to estimate the fair value. Fair values for long-term fixed rate deposits shall be estimated using their discounted values of expected future cash flows. However, as these deposits account for only a small portion of all deposits and as their maturities are less than three years, it is reasonable to estimate the fair value by the book value.
- (f) Financial bonds payable: Since the coupon rates of the subordinated financial bonds issued by the Bank approximate the market rates, the fair value based on the discounted value of expected future cash flows approximates the book value.
- (g) Other financial assets - bond investments with no active market: If there is an actual transaction price or a quoted market price for bond investments with no active market, the fair value of such bond investments will be determined by the latest actual transaction price or quoted market price. Moreover, if there is no quoted market price for reference, a valuation technique will be adopted to measure the fair value. The valuation technique of the Bank is the discounted value of expected future cash flows.
- (h) The fair value measurement is not applicable to equity investments accounted for under the equity method. In addition, there is no quoted market price in an active market for the unlisted stocks under the financial asset carried at cost, and their variability in the range of reasonable fair value estimates is not insignificant and their probability of the various estimates within the range can not be reasonably assessed, so the fair value of the unlisted stocks is not reliably measurable. As a result, information of the book value and the fair value with respect to these financial assets is not disclosed.

- 3) The Bank has recognized \$1,380,969 and \$600,490 of current net loss and gain on changes in fair value arising from valuation techniques for the years ended December 31, 2008 and 2007, respectively.
- 4) As of December 31, 2008 and 2007, the Bank has financial assets with fair value risk arising from interest rate changes amounted to \$60,335,896 and \$66,572,825, respectively.
- 5) As of December 31, 2008 and 2007, the Bank has financial assets with cash flow risk arising from interest rate changes amounted to \$12,197,162 and \$15,555,576, respectively.
- 6) For the years ended December 31, 2008 and 2007, the Bank has recognized interest income from the financial assets or financial liabilities not at fair value through profit or loss amounted to \$49,326,794 and \$48,572,750, respectively. The Bank has recognized interest expenses from the financial assets or financial liabilities not at fair value through profit or loss amounted to \$25,091,435 and \$26,631,341, respectively. The Bank has recognized the change in fair value of available-for-sale financial assets and has recorded it as an adjustment account in the stockholders' equity amounted to \$2,075,526 and \$3,941,376, respectively, and the amount of the gain on fair value change reclassified from the stockholders' equity into the statement of income was \$727,412 and \$759,975 for the years ended December 31, 2008 and 2007, respectively.
- 7) Risk management and hedging strategy (including financial hedge)
  - (a) The Bank engages in risk management and hedge under the principles of not only serving customers but also conforming to the Bank's operational goal, overall risk tolerance limit, and legal compliance to achieve risk diversification, risk transfer, and risk avoidance, and to maximize the benefits of customers, shareholders, and employees. The Bank mainly faces the credit risk, market risk (including the interest rate, foreign exchange rate, equity securities, and instrument risk), operational risk, and liquidity risk regardless whether they are on or off balance sheets.
  - (b) The Bank's Board of Directors has the ultimate approval right in risk management. Major risk management items that include the bank-wide risk management policy, risk tolerance limit, and authority must be approved by the Board of Directors. Under the Board of Directors, there is the Risk Management Committee, which is responsible for reviewing, supervising, reporting, and coordinating bank-wide risk management. Besides, Risk Management Center, which is independent from business units, is comprised of Regional Center, Risk Management Division, Credit Approval Division, Special Asset Management Division and Credit Analysis Division, and is responsible for implementing the risk management strategy of the Bank.
  - (c) The goal of market risk management of the Bank is to achieve optimal risk position, maintain proper liquidity position, and manage all market risk centralized by considering the economic environment, competition condition, market value risk, and impact on net interest income. In order to achieve this goal, the Bank's hedge activities concentrate on risk transfer and risk management of net interest income and market value risk. The Bank sets the strategy of fair value hedge of interest rate exposure according to the fund transfer pricing principle. The Bank primarily uses interest rate swaps to hedge fair value changes, and also hedges the interest rate exposure of partial fixed-rate loans and fixed-rate liabilities.
- 8) Financial risk information
  - (a) Market risk
 

The Bank sets the specific trade period, position limit, and stop loss limit for its investments in marketable securities according to different degrees of risk for each specific product. The Bank monitors those limitations by various risk indicators such as value at risk and DV01, etc. In addition, the Bank periodically conducts the risk sensitivity analysis of bank-wide positions.

Each derivative financial instrument transaction undertaken by the Bank has been set Greeks, the open aggregate position limit and maximum loss tolerance amount to control the market risk of derivative financial instruments within the Bank's tolerance. In addition, the profit or loss arising from fluctuations in the market interest rate or foreign exchange rate will be substantially offset by the profit or loss from hedged items, and thus those instruments would not expose the Bank to the significant market risk.

The Bank calculates the capital requirements of financial instruments in compliance with the Standardized Approach, and the estimated values of the risk-weighted assets are stated as follows:

Type of market risk	December 31, 2008	December 31, 2007
Interest rate risk	\$ 1,122,196	\$ 822,738
Equity position risk	105,248	352,127
Foreign exchange risk	453,527	799,730

(b) Credit risk

Financial instruments held by the Bank may incur losses if counterparties are not able to fulfill their obligations at the maturity date. In order to prevent investments from significant credit risk concentration, the Bank sets up the upper credit tolerance limits for investment in stocks by industries and conglomerates. Bond investments are primarily composed of government bonds, financial bonds, and investment-grade corporate bonds. Each corporate bond is reviewed individually to control the credit risk.

Counterparties in the Bank's derivative financial instrument transactions are all financial institutions with good credit ratings. The Bank controls credit exposures of its counterparties by giving different risk limits to different counterparties based on their credit ratings.

The credit risk amounts stated below are for those with positive fair values as of the balance sheet date and those contracts with off-balance sheet commitments and guarantees.

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

Financial instruments	December 31, 2008	
	Book value	Maximum credit exposure
<b>Non-derivative financial instruments</b>		
Financial assets held for trading purpose		
Bonds	\$ 991,999	\$ 991,999
Other marketable securities	436,703	436,703
Financial assets designated for trading purpose		
Bonds	25,419,909	25,419,909
Bills discounted and loans	1,160,541,587	1,160,541,587
Available-for-sale financial assets		
Bonds	45,244,071	45,244,071
Short-term bills	863,881	863,881
Held-to-maturity financial assets	229,985,592	229,985,592
Bond investments with no active market		
Bonds	3,385,380	3,385,380
Beneficiary securities	2,617,447	2,617,447
<b>Derivative financial instruments</b>		
Non-hedging purpose		
FX contracts (swaps and forwards)	2,640,562	2,640,562
FX margin trading	562,434	562,434
Non-delivery forwards	328,991	328,991
FX options held	1,607,936	1,607,936
Interest rate swaptions held	268,136	268,136
Commodity options held	10,644,022	10,644,022
Cross currency swap contracts (excluding the notional principal)	449,388	449,388
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	10,448,524	10,448,524
Futures trading	56,085	56,085
Hedging purpose		
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	-	-
Unused letters of credit issued and guarantees	-	44,830,473

note: The maximum credit exposure of derivative instruments stated is for those with positive fair values.



	December 31, 2007	
	Book value	Maximum credit exposure
Financial instruments		
<b>Non-derivative financial instruments</b>		
Financial assets held for trading purpose		
Bonds	\$ 1,163,875	\$ 1,163,875
Beneficiary certificates	426,098	426,098
Other marketable securities	444,836	444,836
Financial assets designated for trading purpose		
Bonds	27,033,711	27,033,711
Bills discounted and loans	1,071,171,454	1,071,171,454
Available-for-sale financial assets		
Bonds	52,973,911	52,973,911
Short-term bills	956,904	956,904
Beneficiary securities	238,471	238,471
Held-to-maturity financial assets	217,897,599	217,897,599
Bond investments with no active market		
Bonds	4,451,710	4,451,710
Beneficiary securities	4,087,312	4,087,312
<b>Derivative financial instruments</b>		
Non-hedging purpose		
FX contracts (swaps and forwards)	723,820	723,820
FX margin trading	640,117	640,117
Non-delivery forwards	79,833	79,833
FX options held	579,143	579,143
Interest rate swaptions held	152,193	152,193
Cross currency swap contracts (excluding the notional principal)	575,999	575,999
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	3,044,695	3,044,695
Futures trading	40,722	40,722
Hedging purpose		
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	889	889
Unused letters of credit issued and guarantees	-	61,576,329

note: The maximum credit exposure of derivative instruments stated is for those with positive fair values.

The credit exposure amounts stated above are for those with positive fair values as of the balance sheet date and those contracts with off-balance sheet commitments and guarantees. There will be a significant concentration of credit risk when the counterparty of the financial instruments is highly concentrated in a single customer or a group of counterparties who engage mostly in similar business activities with similar economic nature, and such business activities make their abilities to fulfill the contractual obligations influenced similarly by the economic affairs or other situations. The Bank does not engage in transactions that are concentrated significantly in a single customer or counterparty. However, the information on concentrations of credit risks, which represents up to 5% of the Bank's loans, bills discounted, and non-accrual loans, is classified below by counterparties and regions:

December 31, 2008		
	Book value	Maximum credit exposure
<b>Loans by industries</b>		
Private enterprises	\$ 491,137,622	\$ 491,137,622
State-owned enterprises	55,200,403	55,200,403
Government institutions	75,010,825	75,010,825
Non-profit organizations	3,852,877	3,852,877
Private individual	356,763,789	356,763,789
Social insurance and pension	10,000,000	10,000,000
Deposit insurance companies	8,960,000	8,960,000
Offshore entities	168,980,596	168,980,596
Total	<u>\$ 1,169,906,112</u>	<u>\$ 1,169,906,112</u>
<b>Loans by regions</b>		
Asia	\$ 1,079,837,511	\$ 1,079,837,511
Europe	21,483,318	21,483,318
North America	64,685,437	64,685,437
Central America	176,607	176,607
Oceania	3,723,239	3,723,239
Total	<u>\$ 1,169,906,112</u>	<u>\$ 1,169,906,112</u>

December 31, 2007		
	Book value	Maximum credit exposure
<b>Loans by industries</b>		
Private enterprises	\$ 474,653,130	\$ 474,653,130
State-owned enterprises	35,563,328	35,563,328
Government institutions	78,675,143	78,675,143
Non-profit organizations	3,811,118	3,811,118
Private individual	344,925,964	344,925,964
Others	1,390,000	1,390,000
Offshore entities	140,892,805	140,892,805
Total	<u>\$ 1,079,911,488</u>	<u>\$ 1,079,911,488</u>
<b>Loans by regions</b>		
Asia	\$ 1,002,232,971	\$ 1,002,232,971
Europe	19,434,432	19,434,432
North America	54,415,695	54,415,695
Central America	194,202	194,202
Oceania	3,634,188	3,634,188
Total	<u>\$ 1,079,911,488</u>	<u>\$ 1,079,911,488</u>

(c) Liquidity risk

Stocks traded by the Bank are all listed on the Taiwan Stock Exchange or the OTC Securities Market. Thus, these stocks have high liquidity and are expected to be sold at fair value promptly when needed. Bonds that the Bank holds are primarily government bonds and their liquidity is within an acceptable range. As a result, the Bank does not have significant liquidity risk.

For the derivative financial instruments held by the Bank, all positions have an active market and high liquidity (except for those financial bonds issued by the Bank and structured with interest rate swap contracts, which have no need for further swaps). Thus, there is no significant concern for liquidity risk.

The liquid reserve ratio for the Bank is 21.58%. In addition, the Bank's capital and working capital are sufficient to fulfill all obligations. Thus, there is no material liquidity risk that the Bank may fail to meet the obligation.

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

In order to stabilize the long-term profitability and maintain the business growth, the Bank sets a certain interval for each interest-rate-sensitivity indicator.

As of December 31, 2008 and 2007, the effective interest rates of main currencies for financial instruments held or issued by the Bank are as follows:

Financial instruments	December 31, 2008							
	NTD	USD	HKD	SGD	CAD	JPY	EUR	AUD
Available-for-sale financial assets								
Government bonds	2.44%	2.60%	3.11%	-	-	-	-	-
Financial bonds	1.88%	3.03%	2.43%	-	-	0.72%	5.64%	5.63%
Corporate bonds	2.01%	2.39%	-	2.22%	-	-	-	-
Short-term bills	2.92%	-	-	-	2.79%	-	-	-
Held-to-maturity financial assets								
Government bonds	2.18%	4.77%	-	-	-	-	-	-
Financial bonds	2.61%	2.75%	-	-	-	-	5.50%	-
Corporate bonds	2.33%	1.44%	-	-	-	-	-	-
Short-term bills	-	-	-	1.40%	-	-	-	-
Loans and advances								
Short-term loans	3.29%	4.27%	-	-	-	-	-	-
Mid-term loans	3.11%	3.98%	-	-	-	-	-	-
Long-term loans	3.43%	4.24%	-	-	-	-	-	-
Financial bonds payable	2.36%	-	-	-	-	-	-	-
Deposits	1.40%	2.27%	-	-	-	-	-	-

Financial instruments	December 31, 2007							
	NTD	USD	HKD	SGD	CAD	JPY	EUR	AUD
Available-for-sale financial assets								
Government bonds	2.11%	4.94%	4.05%	-	-	-	6.97%	-
Financial bonds	2.15%	5.17%	2.75%	-	-	2.55%	5.55%	6.84%
Corporate bonds	1.97%	4.81%	-	3.42%	-	-	-	-
Short-term bills	2.31%	-	-	-	4.29%	-	-	-
Held-to-maturity financial assets								
Government bonds	2.25%	6.51%	-	-	-	-	-	-
Financial bonds	2.59%	4.47%	-	-	-	-	5.10%	-
Corporate bonds	2.45%	4.73%	-	-	-	-	-	-
Short-term bills	-	-	-	1.50%	-	-	-	-
Loans and advances								
Short-term loans	3.14%	6.09%	-	-	-	-	-	-
Mid-term loans	2.94%	5.71%	-	-	-	-	-	-
Long-term loans	3.24%	5.87%	-	-	-	-	-	-
Financial bonds payable	2.09%	-	-	-	-	-	-	-
Deposits	1.25%	3.44%	-	-	-	-	-	-

(2) Disclosure in accordance with the Statement of Financial Accounting Standards (SFAS) No. 28

1) Non-performing loans and assets quality

December 31, 2008					
	NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Corporate banking</b>					
Secured loans	5,974,038	293,077,604	2.04	1,828,995	30.62
Unsecured loans	6,566,270	551,289,506	1.19	6,566,270	100.00
<b>Consumer banking</b>					
Residential mortgage loans	4,103,700	316,689,273	1.30	704,589	17.17
Cash cards	340	90,208	0.38	700	205.88
Small amount of credit loans	228,464	4,292,039	5.32	228,464	100.00
<b>Others</b>					
Secured loans	10,563	3,951,133	0.27	2,947	27.90
Unsecured loans	32,560	516,349	6.31	32,560	100.00
Gross loan business	16,915,935	1,169,906,112	1.45	9,364,525	55.36
	NPLs	Balance of accounts receivable	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Credit card business</b>	17,350	3,319,844	0.52	23,065	132.94
<b>Factoring without recourse</b>	-	1,723,175	-	1,098	-
December 31, 2007					
	NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Corporate banking</b>					
Secured loans	6,847,902	265,977,437	2.57	1,961,445	28.64
Unsecured loans	5,377,980	500,978,731	1.07	5,377,980	100.00
<b>Consumer banking</b>					
Residential mortgage loans	3,662,340	304,139,574	1.20	1,063,106	29.03
Cash cards	68	170,199	0.04	1,078	1,585.29
Small amount of credit loans	272,074	6,027,217	4.51	272,074	100.00
<b>Others</b>					
Secured loans	11,613	1,623,451	0.72	2,752	23.70
Unsecured loans	61,599	994,879	6.19	61,599	100.00
Gross loan business	16,233,576	1,079,911,488	1.50	8,740,034	53.84
	NPLs	Balance of accounts receivable	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
<b>Credit card business</b>	24,029	3,797,175	0.63	40,543	168.73
<b>Factoring without recourse</b>	-	2,097,060	-	839	-

2) Profile of concentration of credit risk and credit extensions

December 31, 2008			
Ranking	Name of enterprise group	Total outstanding loan amount	Total outstanding loan amount/ net worth of the current year (%)
1	Formosa Plastics Group	22,594,925	27.32%
2	CHIMEI Group	15,300,017	18.50%
3	China Steel	11,517,477	13.93%
4	AU Optronics Corp.	11,132,956	13.46%
5	China Airlines	10,305,485	12.46%
6	Far Eastern Group	9,428,111	11.40%
7	Powerchip Semiconductor Corporation	7,248,234	8.76%
8	Walsin Lihwa	6,223,467	7.52%
9	Evergreen Group	4,637,521	5.61%
10	Yulon Motors Group	4,421,763	5.35%

December 31, 2007

Ranking	Name of enterprise group	Total outstanding loan amount	Total outstanding loan amount/ net worth of the current year (%)
1	Formosa Plastics Group	25,262,192	31.50
2	CHIMEI Group	12,330,807	15.38
3	AU Optronics Corp.	11,814,381	14.73
4	China Airlines	9,375,105	11.69
5	Far Eastern Group	8,722,532	10.88
6	Walsin Lihwa	6,327,738	7.89
7	China Steel	4,587,764	5.72
8	Fubon Group	4,412,090	5.50
9	Hotai Motor	3,913,999	4.88
10	Powerchip Semiconductor Corporation	3,733,337	4.66

note: Ranking the top ten enterprise groups other than government and government enterprise according to their total outstanding loan amount.

### 3) Sensitivity analysis of interest rate for assets and liabilities

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

December 31, 2008					
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	1,051,738,000	78,831,000	51,207,000	71,789,000	1,253,565,000
Interest-rate-sensitive liabilities	410,688,000	579,111,000	139,261,000	10,700,000	1,139,760,000
Interest-rate-sensitive gap	641,050,000	(500,280,000)	(88,054,000)	61,089,000	113,805,000
Total stockholders' equity					89,456,890
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					109.98
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					127.22

note: The amounts listed above represent the items denominated in NT dollars (excluding foreign currency) for both head office and domestic branches, excluding contingent assets and contingent liabilities.

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

December 31, 2008					
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	10,353,607	1,780,223	659,118	379,528	13,172,476
Interest-rate-sensitive liabilities	8,515,891	2,982,459	1,180,449	42,000	12,720,799
Interest-rate-sensitive gap	1,837,716	(1,202,236)	(521,331)	337,528	451,677
Total stockholders' equity					2,729,508
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					103.55
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					16.55

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

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

December 31, 2007					
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	903,661,000	103,294,000	62,621,000	112,766,000	1,182,342,000
Interest-rate-sensitive liabilities	340,205,000	564,990,000	100,157,000	47,573,000	1,052,925,000
Interest-rate-sensitive gap	563,456,000	(461,696,000)	(37,536,000)	65,193,000	129,417,000
Total stockholders' equity					89,741,587
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					112.29
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					144.21

note: The amounts listed above represent the items denominated in NT dollars (excluding foreign currency) for both head office and domestic branches, excluding contingent assets and contingent liabilities.

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

	December 31, 2007				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	7,911,625	2,017,411	1,284,395	612,864	11,826,295
Interest-rate-sensitive liabilities	7,635,908	2,747,759	1,120,661	196,530	11,700,858
Interest-rate-sensitive gap	275,717	(730,348)	163,734	416,334	125,437
Total stockholders' equity					2,762,640
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					101.07
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					4.54

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

4) Profitability

		December 31, 2008	December 31, 2007
Return on total assets (%)	Before tax	0.64	0.98
	After tax	0.52	0.75
Return on stockholders' equity (%)	Before tax	12.29	17.72
	After tax	10.01	13.60
Net profit margin ratio (%)		27.52	33.47

5) Structure analysis of time to maturity

(a) Structure analysis of NTD time to maturity

	December 31, 2008					
	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	1,441,013,000	339,602,000	170,471,000	116,344,000	131,002,000	683,594,000
Primary funds outflow upon maturity	1,588,078,000	211,866,000	182,362,000	148,814,000	257,106,000	787,930,000
Gap	(147,065,000)	127,736,000	(11,891,000)	(32,470,000)	(126,104,000)	(104,336,000)

	December 31, 2007					
	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	1,347,840,000	233,593,000	102,617,000	135,337,000	142,495,000	733,798,000
Primary funds outflow upon maturity	1,462,195,000	185,306,000	215,037,000	196,009,000	334,060,000	531,783,000
Gap	(114,355,000)	48,287,000	(112,420,000)	(60,672,000)	(191,565,000)	202,015,000

note: The amounts listed above represent the funds denominated in NT dollars only (excluding foreign currency) for both head office and domestic branches, excluding contingent assets and contingent liabilities.

(b) Structure analysis of USD time to maturity

	December 31, 2008					
	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	10,152,520	3,725,443	3,282,196	1,254,487	630,671	1,259,723
Primary funds outflow upon maturity	9,949,695	3,739,618	2,640,801	1,183,284	1,449,766	936,226
Gap	202,825	(14,175)	641,395	71,203	(819,095)	323,497

	December 31, 2007					
	Total	1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	8,902,229	2,630,943	2,575,868	1,450,635	951,531	1,293,252
Primary funds outflow upon maturity	8,902,617	3,943,710	1,674,656	926,333	1,231,553	1,126,365
Gap	(388)	(1,312,767)	901,212	524,302	(280,022)	166,887

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

6) Average value and average interest rates of interest-earning assets and interest-bearing liabilities

	2008	
	Average value	Average rate of return (%)
<b>Interest-earning assets</b>		
Due from the Central Bank	\$ 57,623,890	0.76
Due from other banks (note)	183,414,487	4.16
Financial assets at fair value through profit or loss	27,168,864	2.66
Investments in bills and bonds under resale agreements	-	-
Credit card account receivable	1,821,074	14.71
Bills discounted and loans	1,089,677,778	3.47
Available-for-sale financial assets	50,030,052	2.74
Held-to-maturity financial assets	221,134,403	2.45
Other financial assets	9,075,605	3.89
<b>Interest-bearing liabilities</b>		
Due to the Central Bank	\$ 256,615	-
Due to other banks	237,977,552	3.50
Funds borrowed from other banks	61,724	1.58
Financial bonds payable	62,345,082	2.36
Bills and bonds payable under repurchase agreements	11,740,727	1.58
Deposits	1,275,699,872	1.56
Negotiable certificates of deposit	10,429,525	2.07
	2007	
	Average value	Average rate of return (%)
<b>Interest-earning assets</b>		
Due from the Central Bank	\$ 56,619,772	0.96
Due from other banks (note)	87,855,287	5.10
Financial assets at fair value through profit or loss	32,135,026	2.57
Investments in bills and bonds under resale agreements	41,908	2.07
Credit card account receivable	2,305,091	14.25
Bills discounted and loans	994,808,443	3.61
Available-for-sale financial assets	62,932,030	2.89
Held-to-maturity financial assets	217,623,781	2.19
Other financial assets	13,114,231	4.11
<b>Interest-bearing liabilities</b>		
Due to the Central Bank	\$ 327,198	-
Due to other banks	125,395,683	4.41
Funds borrowed from other banks	150,687	0.94
Financial bonds payable	69,144,202	2.09
Bills and bonds payable under repurchase agreements	11,180,211	1.42
Deposits	1,221,297,034	1.63
Negotiable certificates of deposit	8,804,615	1.68

note: This represents due from other banks under "cash and cash equivalents," and call loans to banks and bank overdrafts under "due from the Central Bank and other banks."

### (3) Net position for major foreign currency transactions

	December 31, 2008		December 31, 2007	
	Currency (in thousands)	NTD (in thousands)	Currency (in thousands)	NTD (in thousands)
Net position for major foreign currency transactions (market risk)	USD \$	74,717	USD \$	210,599
		\$ 2,448,763		\$ 6,841,098
	CAD	29,337	CAD	30,124
		788,364		999,029
	JPY	981,605	EUR	12,742
		355,832		609,898
	GBP	6,181	GBP	7,167
		292,479		464,811
	SGD	10,115	HKD	97,067
		230,327		404,216

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

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

### (4) Trust assets and liabilities

The Trust Division of the Bank engages in planning, management and operating of trust business under the Banking Law, Trust Law and the Trust Enterprise Act. In addition, it provides customers with money trust, trust of securities, trust of real estate and custodian business.

As of December 31, 2008 and 2007, balance sheet and property list of trust accounts were disclosed as required by the Article 17 of "Enforcement Rules of the Trust Enterprise Act" as follows:

#### Balance Sheet of Trust Accounts

December 31, 2008

Trust assets		Trust liabilities	
Bank deposits	\$ 7,499,319	Borrowings	\$ -
Bonds	48,697,060	Payables	-
Stocks	44,042,698	Payables - customers' securities	
Mutual funds	196,763,859	under custody	257,125,049
Beneficiary certificates	390,180	Other liabilities	-
Real estate	3,752,333		
Net assets under collective management accounts	1,173,709		
Net assets under individual management accounts	-		
Customers' securities under custody	257,125,049	Trust capital	302,189,350
Total	\$ 559,444,207	Accumulated profit or loss	129,808
		Total	\$ 559,444,207

#### Property List of Trust Accounts

December 31, 2008

Investment items	Book value
Bank deposits	\$ 7,499,319
Bonds	48,697,060
Stocks	44,042,698
Mutual funds	196,763,859
Beneficiary certificates	390,180
Real estate	3,752,333
Net assets under collective management accounts	1,173,709
Net assets under individual management accounts	-
Customers' securities under custody	257,125,049
Total	\$ 559,444,207



**Income Statement of Trust Accounts**  
**From January 1 to December 31, 2008**

<b>Trust revenues</b>	
Interest income	\$ 42,776
Realized gain on bonds	578,699
Realized gain on mutual funds	4,716,271
Realized gain on beneficiary certificates	883
Total trust revenues	<u>5,338,629</u>
<b>Trust expenses</b>	
Management fee	-
Tax expense	742
Interest expense	-
Handling charge (service charge)	-
Realized loss on bonds	285,657
Realized loss on mutual funds	20,965,197
Other expenses	224
Total trust expenses	<u>21,251,820</u>
Net loss before tax (net investment loss)	(15,913,191)
Income tax expense	(250)
Net loss after tax	<u>(\$15,913,441)</u>

**Balance Sheet of Trust Accounts**  
**December 31, 2007**

<b>Trust assets</b>		<b>Trust liabilities</b>	
Bank deposits	\$ 2,025,925	Borrowings	\$ -
Bonds	55,820,821	Payables	-
Stocks	52,388,865	Payables - customers' securities	
Mutual funds	262,211,358	under custody	326,200,039
Beneficiary certificates	264,477	Other liabilities	-
Structured notes	-		
Real estate	4,091,171		
Net assets under collective			
management accounts	3,479,570	Trust capital	380,166,625
Customers' securities		Accumulated profit or loss	115,562
under custody	326,200,039		
Total	<u>\$ 706,482,226</u>	Total	<u>\$ 706,482,226</u>

**Property List of Trust Accounts**  
**December 31, 2007**

<b>Investment items</b>	<b>Book value</b>
Bank deposits	\$ 2,025,925
Bonds	55,820,821
Stocks	52,388,865
Mutual funds	262,211,358
Beneficiary certificates	264,477
Structured notes	-
Real estate	4,091,171
Net assets under collective management accounts	3,479,570
Customers' securities under custody	326,200,039
Total	<u>\$ 706,482,226</u>

Income Statement of Trust Accounts  
From January 1 to December 31, 2007

<b>Trust revenues</b>	
Interest income	\$ 40,448
Realized gain on bonds	343,170
Realized gain on mutual funds	14,767,518
Realized gain on beneficiary certificates	3,510
Realized gain on structured notes	37
Total trust revenues	<u>15,154,683</u>
<b>Trust expenses</b>	
Management fee	3,053
Tax expense	-
Interest expense	3,110
Handling charge (service charge)	27
Realized loss on bonds	96,825
Realized loss on mutual funds	1,625,819
Realized loss on structured notes	591
Other expenses	3,546
Total trust expenses	<u>1,732,971</u>
Net income before tax (net investment income)	13,421,712
Income tax expense	(95)
Net income after tax	<u>\$ 13,421,617</u>

**(5) Capital adequacy ratio**

	December 31, 2008	December 31, 2007
<b>Capital</b>		
Tier 1 capital	\$ 73,940,040	\$ 76,138,910
Tier 2 capital	39,396,940	36,485,002
Tier 3 capital	-	-
Deductions	-	-
Total eligible capital	<u>\$ 113,336,980</u>	<u>\$ 112,623,912</u>
<b>Risk-weighted assets</b>		
Credit risk		
Standardized approach	\$ 958,181,253	\$ 919,608,000
Internal ratings-based approach	-	-
Securitization	5,905,344	6,506,147
Operational risk		
Basic indicator approach	56,793,132	54,236,120
Standardized approach / alternative standardized approach	-	-
Advanced measurement approach	-	-
Market risk		
Standardized approach	21,012,140	62,928,412
Internal model approach	-	-
Total risk-weighted assets	<u>\$ 1,041,891,869</u>	<u>\$ 1,043,278,679</u>
<b>Capital adequacy ratio</b>	<b>10.88%</b>	10.80%
Tier 1 ratio	7.10%	7.30%
Tier 2 ratio	3.78%	3.50%
Tier 3 ratio	-	-
<b>Ratio of common stock to total assets</b>	<b>2.74%</b>	2.84%

**(6) Implementation of cross-selling marketing strategies implemented between the Bank and its subsidiaries, FFHC and its subsidiaries**

The Bank has entered into cross-selling marketing contracts with First-Aviva Life Insurance Co., Ltd., First Securities Inc., First Venture Capital Co., Ltd., First Financial Management Consulting Co., Ltd., First Financial Asset Management Co., Ltd., First P&C Insurance Agency Co., Ltd., FCB Leasing Co., Ltd. and First Insurance Agency Co., Ltd. The contracts are effective from the respective contract dates but are not allowed to be terminated except with the written consent of FFHC. The contracts cover joint usage of operation sites and facilities as well as cross-selling marketing personnel. Expenses arising from joint usage of operation sites and facilities are allocated in accordance with separate agreements of the contracting parties. Remuneration apportionment and expenses allocation for cross-selling marketing personnel follow the provisions under the "First Financial Group Scope of Cross-selling Marketing and Rules for Reward."

The Bank has entered into separate cooperative promotional or cross-selling marketing contracts with First P&C Insurance Agency Co., Ltd. and First Insurance Agency Co., Ltd. to provide solicitation, introduction and services on specific insurance products. Commission agreements are signed in accordance with the terms of the contracts for the paying or receiving of commissions and the calculation of related remunerations.

The Bank has entered into cooperative contracts with First Financial Holding Co., Ltd., First-Aviva Life Insurance Co., Ltd., First Financial Asset Management Co., Ltd., First P&C Insurance Agency Co., Ltd. and First Insurance Agency Co., Ltd. for the joint usage of information equipment and the planning, development, implementation, operation, maintenance and management of information systems. Calculation methodologies for remuneration apportionment and expenses allocation have also been established.

**(7) Financial statements presentation**

According to the "Guidelines Governing the Preparation of Financial Reports by Public Banks," certain accounts of 2007 financial statements have been reclassified to conform to the presentation of the 2008 financial statements.

# Domestic Offices Appointed to Conduct International Business

## International Business Division

3 & 4 Fl. 30, Chung King S. Rd., Sec. 1,  
Taipei 100-05, Taiwan  
Tel: 886-2-2348-1111  
SWIFT: FCBKWTWP

## Business Division

1 & 2 Fl. 30, Chung King S. Rd., Sec. 1,  
Taipei 100-05, Taiwan  
Tel: 886-2-2348-1111

## An-Ho Branch

184, Hsin Yi Rd., Sec. 4,  
Taipei 106, Taiwan  
Tel: 886-2-2325-6000

## Chang-Chun Branch

169, Fu Hsin N. Rd.,  
Taipei 105, Taiwan  
Tel: 886-2-2719-2132

## Chang-Hua Branch

48, Ho Ping Rd., Chang Hua City,  
Chang Hua County 500, Taiwan  
Tel: 886-4-723-2161

## Chang-Tai Branch

99, Chung Hsin Rd., Sec. 2,  
San Chung City,  
Taipei County 241, Taiwan  
Tel: 886-2-2988-4433

## Cheng-Tung Branch

103, Nanking E. Rd., Sec. 3,  
Taipei 104, Taiwan  
Tel: 886-2-2506-2881

## Chi-Cheng Branch

508, Chung Cheng Rd.,  
Hsin Tien City,  
Taipei County 231, Taiwan  
Tel: 886-2-2218-4651

## Chia-Yi Branch

307, Chung Shan Rd.,  
Chia Yi City 600, Taiwan  
Tel: 886-5-227-2111

## Chien-Cheng Branch

40, Cheng Teh Rd., Sec. 1,  
Taipei 102, Taiwan  
Tel: 886-2-2555-6231

## Chien-Kuo Branch

161, Min Sheng E. Rd., Sec. 2,  
Taipei 104, Taiwan  
Tel: 886-2-2506-0110

## Chu-Ko Branch

611, Kwang Fu Rd., Sec. 1,  
Hsin-Chu 300, Taiwan  
Tel: 886-3-563-7111

## Chung-Ho Branch

152, Chung Shan Rd., Sec. 2,  
Chung Ho City, Taipei County 235,  
Taiwan  
Tel: 886-2-2249-5011

## Chung-Ko Branch

6-3, Chung Ko Rd., Ta Ya Shiang,  
Taichung County 428, Taiwan  
Tel: 886-4- 2565-9111

## Chung-Hsiao-Road Branch

94, Chung Hsiao E. Rd., Sec. 2,  
Taipei 100, Taiwan  
Tel: 886-2-2341-6111

## Chung-Kang Branch

60-7, Taichung Kang Rd., Sec. 2,  
Taichung 407, Taiwan  
Tel: 886-4-2313-6111

## Chung-Li Branch

146, Chung Cheng Rd., Chung Li City,  
Tao Yuan County 320, Taiwan  
Tel: 886-3-422-5111

## Chung-Lun Branch

188, Nanking E. Rd., Sec. 5,  
Taipei 105, Taiwan  
Tel: 886-2-2760-6969

## Chung-Shan Branch

61, Chung Shan N. Rd., Sec. 2,  
Taipei 104, Taiwan  
Tel: 886-2-2521-1111

## Feng-Yuan Branch

423, Chung Shan Rd., Feng Yuan City,  
Taichung County 420, Taiwan  
Tel: 886-4-2522-5111

## Fu-Hsing Branch

36-10, Fu Hsing S. Rd., Sec. 1,  
Taipei 104, Taiwan  
Tel: 886-2-2772-2345

## Hsi-Chih Branch

280, Ta Tung Rd., Sec. 1, Hsi Chih City,  
Taipei County 221, Taiwan  
Tel: 886-2-2647-1688

## Hsin-Chu Branch

3, Ing Ming St., Hsin Chu 300  
P.O. Box 30, Hsin Chu, Taiwan  
Tel: 886-3-522-6111  
SWIFT: FCBKWTWP301

## Hsin-Chuang Branch

316, Chung Cheng Rd.,  
Hsin Chuang City,  
Taipei County 243, Taiwan  
Tel: 886-2-2992-9001

## Hsin-Hsing Branch

17, Chung Cheng 4th Rd.,  
Kaohsiung 800, Taiwan  
Tel: 886-7-271-9111

## Hsin-Tien Branch

134, Chung Hsing Rd., Sec. 3,  
Hsin-Tien City, Taipei County 231,  
Taiwan  
Tel: 886-2-2918-1835

## Hsin-Wei Branch

368, Fu Hsin S. Rd., Sec. 1,  
Taipei 106, Taiwan  
Tel: 886-2-2755-7241

## Hsin-Yi Branch

168, Hsin Yi Rd., Sec. 2,  
Taipei 106, Taiwan  
Tel: 886-2-2321-6811

## Jen-Ho Branch

376, Jen Ai Rd., Sec. 4,  
Taipei 106, Taiwan  
Tel: 886-2-2755-6556

## Kang-Shan Branch

275, Kang Shan Rd., Kang Shan Town,  
Kaohsiung County 820, Taiwan  
Tel: 886-7-621-2111

## Kaohsiung Branch

28, Min Chuan 1st Rd., Kaohsiung 802  
P.O. Box 16, Kaohsiung, Taiwan  
Tel: 886-7-335-0811  
SWIFT: FCBKWTWP701

## Keelung Branch

103, Hsiao 3rd Rd.,  
Keelung 200, Taiwan  
Tel: 886-2-2427-9121

**Ku-Ting Branch**

95, Roosevelt Rd., Sec. 2,  
Taipei 106, Taiwan  
Tel: 886-2-2369-5222

**Kwang-Fu Branch**

16, Kwang Fu N. Rd.,  
Taipei 105, Taiwan  
Tel: 886-2-2577-3323

**Li-Shan Branch**

388, Nei-Hu Rd., Sec. 1,  
Taipei 114, Taiwan  
Tel: 886-2-8797-8711

**Ling-Ya Branch**

61, Wu Fu 3rd Rd.,  
Kaohsiung 801, Taiwan  
Tel: 886-7-282-2111

**Lu-Kang Branch**

301, Chung Shan Rd., Lu-Kang Town.  
Chang Hua County 505, Taiwan  
Tel: 886-4-777-2111

**Min-Chuan Branch**

365, Fu Hsin N. Rd.,  
Taipei 105, Taiwan  
Tel: 886-2-2719-2009

**Min-Sheng Branch**

134, Min Sheng E. Rd., Sec. 3,  
Taipei 105, Taiwan  
Tel: 886-2-2713-8512

**Nan-Taichung Branch**

33, 35, Fu Hsin Rd., Sec. 4,  
Taichung 401, Taiwan  
Tel: 886-4-2223-1111

**Nanking-East-Road Branch**

125, Nanking E. Rd., Sec. 2,  
Taipei 104, Taiwan  
Tel: 886-2-2506-2111

**Nei-Hu Branch**

143, Cheng Kung Rd., Sec. 3,  
Taipei 114, Taiwan  
Tel: 886-2-2793-2311

**Pa-Teh Branch**

3, Tun Hua S. Rd., Sec. 1,  
Taipei 105, Taiwan  
Tel: 886-2-2579-3616

**Pan-Chiao Branch**

107, Szu Chuan Rd., Sec. 1,  
Pan Chiao City, Taipei County 220,  
Taiwan  
Tel: 886-2-2961-5171

**Pei-Tun Branch**

696, Wen Hsin Rd., Sec. 4,  
Taichung 406, Taiwan  
Tel: 886-4-2236-6111

**Ping-Tung Branch**

308, Ming Sheng Rd., Ping Tung City,  
Ping Tung County 900, Taiwan  
Tel: 886-8-732-5111

**Sha-Lu Branch**

355, Chung Shan Rd., Sha Lu Town,  
Taichung County 433, Taiwan  
Tel: 886-4-2662-1331

**Shih-Lin Branch**

456, Chung Cheng Rd.,  
Taipei 111, Taiwan  
Tel: 886-2-2837-0011

**Shih-Mao Branch**

65, Tun Hua S. Rd., Sec. 2,  
Taipei 106, Taiwan  
Tel: 886-2-2784-9811

**Sung-Chiang Branch**

309, Sung Chiang Rd.,  
Taipei 104, Taiwan  
Tel: 886-2-2501-7171

**Sung-Shan Branch**

760, Pa-Teh Road, Sec. 4,  
Taipei 105, Taiwan  
Tel: 886-2-2767-4111

**Ta-An Branch**

48, Kee Lung Rd., Sec. 2,  
Taipei 110, Taiwan  
Tel: 886-2-2729-8111

**Ta-Chia Branch**

361, Shun Tien Rd., Ta Chia Town,  
Taichung County 437, Taiwan  
Tel: 886-4-2688-2981

**Ta-Tao-Cheng Branch**

63, Ti Hua St., Sec. 1,  
Taipei 103, Taiwan  
Tel: 886-2-2555-3711

**Ta-Tung Branch**

56, Chung King N. Rd., Sec. 3,  
Taipei 103, Taiwan  
Tel: 886-2-2591-3251

**Taichung Branch**

144, Tzu Yu Rd., Sec. 1, Taichung 403  
P.O.Box 7, Taichung, Taiwan  
Tel: 886-4-2223-3611  
SWIFT: FCBKTWTP401

**Tainan Branch**

82, Chung Yi Rd., Sec. 2, Tainan 700  
P.O.Box 10, Tainan, Taiwan  
Tel: 886-6-222-4131  
SWIFT: FCBKTWTP601

**Tao-Yuan Branch**

55, Min Tsu Rd., Tao Yuan City,  
Tao Yuan County 330, Taiwan  
Tel: 886-3-332-6111

**Tun-Hua Branch**

267, Tun Hua S. Rd., Sec. 2,  
Taipei 106, Taiwan  
Tel: 886-2-2736-2711

**Tung-Men Branch**

216, Tung Men St.,  
Hsin Chu 300, Taiwan  
Tel: 886-3-524-9211

**Yen-Chi Branch**

289, Chung Hsiao E. Rd., Sec. 4,  
Taipei 106, Taiwan  
Tel: 886-2-2731-5741

**Yuan-Lin Branch**

26, Yu-Ying Rd., Yuan Lin Town,  
Chang Hua County 510, Taiwan  
Tel: 886-4-832-8811

**Yuan-Shan Branch**

53, Min Chuan W. Rd.,  
Taipei 104, Taiwan  
Tel: 886-2-2597-9234

**Yun-Ho Branch**

161, Chung Cheng Rd.,  
Tainan 700, Taiwan  
Tel: 886-6-223-1141

**Yung-Chun Branch**

400, Chung Hsiao E. Rd., Sec. 5,  
Taipei 110, Taiwan  
Tel: 886-2-2720-8696

# Business Network

Name of Office	Location
▪ Business Division	Taipei
▪ An-Ho	Taipei
▪ Chang-Chun	Taipei
▪ Cheng-Tung	Taipei
▪ Chien-Cheng	Taipei
▪ Chien-Kuo	Taipei
▪ Chi-Lin	Taipei
▪ Chien-Tan	Taipei
▪ Ching-Mei	Taipei
▪ Chung-Hsiao-Road	Taipei
▪ Chung-Lun	Taipei
▪ Chung-Shan	Taipei
▪ Fu-Hsing	Taipei
▪ Ho-Ping	Taipei
▪ Hsi-Men	Taipei
▪ Hsin-Wei	Taipei
▪ Hsin-Ya	Taipei
▪ Hsin-Yi	Taipei
▪ Hua-Shan	Taipei
▪ Jen-Ai	Taipei
▪ Jen-Ho	Taipei
▪ Kang-Chien	Taipei
▪ Kung-Kuan	Taipei
▪ Ku-Ting	Taipei
▪ Kwang-Fu	Taipei
▪ Li-Shan	Taipei
▪ Min-Chuan	Taipei
▪ Min-Sheng	Taipei
▪ Mu-Cha	Taipei
▪ Nan-Kang	Taipei
▪ Nanking-East-Road	Taipei
▪ Nan-Men	Taipei
▪ Nei-Hu	Taipei
▪ Pa-Teh	Taipei
▪ Pei-Tou	Taipei
▪ Shih-Lin	Taipei
▪ Shih-Mao	Taipei
▪ Shih-Pai	Taipei
▪ Shuang-Yuan	Taipei
▪ Sung-Chiang	Taipei
▪ Sung-Shan	Taipei
▪ Sung-Mao	Taipei
▪ Ta-An	Taipei
▪ Ta-Chih	Taipei
▪ Ta-Tao-Cheng	Taipei
▪ Ta-Tung	Taipei
▪ Tien-Mu	Taipei
▪ Tun-Hua	Taipei
▪ Tung-Hu	Taipei
▪ Wan-Hua	Taipei
▪ Wan-Lung	Taipei
▪ Yen-Chi	Taipei
▪ Yuan-Shan	Taipei
▪ Yung-Chun	Taipei
▪ Chung-Ho	Chungho, Taipei
▪ Lien-Cheng	Chungho, Taipei
▪ Dan-Shui	Danshui, Taipei
▪ Hsi-Chih	Hsichih, Taipei
▪ Dan-Feng	Hsinchuang, Taipei
▪ Hsin-Chuang	Hsinchuang, Taipei
▪ Tou-Chien	Hsinchuang, Taipei
▪ Chi-Cheng	Hsintien, Taipei
▪ Hsin-Tien	Hsintien, Taipei

Jui-Fang	Juifang, Taipei
Lu-Chou	Luchou, Taipei
Hua-Chiang	Panchiao, Taipei
▪ Pan-Chiao	Panchiao, Taipei
Pu-Chien	Panchiao, Taipei
▪ Chang-Tai	Sanchung, Taipei
Chung-Yang	Sanchung, Taipei
San-Chung-Pu	Sanchung, Taipei
Shu-Lin	Shulin, Taipei
Tai-San	Taisan, Taipei
Tu-Cheng	Tucheng, Taipei
Wu-Ku	Wuku, Taipei
Wu-Ku Ind. Zone	Wuku, Taipei
Ying-Ko	Yingko, Taipei
Shuang-Ho	Yunggho, Taipei
Yung-Ho	Yunggho, Taipei
▪ Keelung	Keelung
Sao-Chuan-Tou	Keelung
I-Lan	I Lan
Lo-Tung	Lotung, I Lan
Su-Ao	Suao, I Lan
Pei-Tao	Taoyuan
▪ Tao-Yuan	Taoyuan
▪ Chung-Li	Chungli, Taoyuan
Hsi-Li	Chungli, Taoyuan
Nei-Li	Chungli, Taoyuan
Ping-Cheng	Chungli, Taoyuan
Hui-Lung	Kueishan, Taoyuan
Lin-Kou	Kueishan, Taoyuan
Nan-Kan	Luchu, Taoyuan
Lung-Tan	Lungtan, Taoyuan
Ta-Nan	Pateh, Taoyuan
Ta-Hsi	Tahsi, Taoyuan
Ta-Yuan	Tayuan, Taoyuan
▪ Chu-Ko	Hsinchu
Chu-Pei	Hsinchu
Chu-Tung	Hsinchu
▪ Hsin-Chu	Hsinchu
Kuan-Hsi	Hsinchu
▪ Tung-Men	Hsinchu
Chu-Nan	Miaoli
Miao-Li	Miaoli
Tou-Fen	Miaoli
Chin-Hua	Taichung
Ching-Shui	Taichung
▪ Chung-Kang	Taichung
Chung-Ko	Taichung
▪ Feng-Yuan	Taichung
▪ Nan-Taichung	Taichung
Nan-Tun	Taichung
Pei-Taichung	Taichung
▪ Pei-Tun	Taichung
▪ Sha-Lu	Taichung
▪ Ta-Chia	Taichung
Ta-Li	Taichung
Ta-Ya	Taichung
▪ Taichung	Taichung
Tai-Ping	Taichung
Tung-Shih	Taichung
Nan-Tou	Nantou
Pu-Li	Nantou
Tsao-Tun	Nantou
▪ Chang-Hua	Changhua
Ho-Mei	Changhua
Hsi-Hu	Changhua

▪ Lu-Kang	Changhua
Pei-Dou	Changhua
▪ Yuan-Lin	Changhua
▪ Chia-Yi	Chiayi
Hsin-Hsi	Chiayi
Hsing-Chia	Chiayi
Pu-Tzu	Chiayi
Hsi-Lo	Yunlin
Hu-Wei	Yunlin
Dou-Liu	Yunlin
Dou-Nan	Yunlin
Pei-Kang	Yunlin
An-Nan	Tainan
Chia-Li	Tainan
Chih-Kan	Tainan
Chin-Cheng	Tainan
Chu-Hsi	Tainan
Fu-Chiang	Tainan
Hsin-Hua	Tainan
Hsin-Ying	Tainan
Kuei-Jen	Tainan
Ma-Tou	Tainan
Nan-Hsi	Tainan
Nan-Science-Park	Tainan
Shan-Hua	Tainan
▪ Tainan	Tainan
Ta-Wan	Tainan
Yen-Shui	Tainan
▪ Yun-Ho	Tainan
Yung-Kang	Tainan
Chi-Hsien	Kaohsiung
Chi-Shan	Kaohsiung
Chien-Cheng	Kaohsiung
Ding-Tai	Kaohsiung
Feng-Shan	Kaohsiung
Hsiao-Kang	Kaohsiung
▪ Hsin-Hsing	Kaohsiung
▪ Kang-Shan	Kaohsiung
Kao-Ko	Kaohsiung
▪ Kaohsiung	Kaohsiung
Lin-Yuan	Kaohsiung
▪ Ling-Ya	Kaohsiung
Lu-Chu	Kaohsiung
Nan-Tzu	Kaohsiung
Shih-Chuan	Kaohsiung
Po-Ai	Kaohsiung
San-Min	Kaohsiung
Tso-Ying	Kaohsiung
Tzu-Beng	Kaohsiung
Wan-Nei	Kaohsiung
Wu-Chia	Kaohsiung
Wu-Fu	Kaohsiung
Yen-Cheng	Kaohsiung
Chao-Chou	Pingtung
Chang-Chih	Pingtung
Heng-Chun	Pingtung
▪ Ping-Tung	Pingtung
Tung-Kang	Pingtung
Wan-Luan	Pingtung
Hua-Lien	Hualien
Tai-Tung	Taitung
Peng-Hu	Penghu

▪ Office appointed to conduct international business

# Overseas Network



## Overseas Branches

- **El Salvador Branch**  
63a Av. Sur Y Alameda Roosevelt  
Lobby 2-3 CTRO Financiero Gigante  
San Salvador, El Salvador, C.A.  
Tel: 503-2211-2121  
Fax: 503-2211-2130
- **Guam Branch**  
330, Hernan Cortes Ave.  
Agana, Guam 96910 U.S.A.  
P.O.Box 2461, Agana, Guam  
Tel: 1-671-472-6864  
Fax: 1-671-477-8921
- **Ho Chi Minh City Branch**  
76 Le Lai Street, District 1  
Ho Chi Minh City, Vietnam  
Tel: 848-3823-8111  
Fax: 848-3822-1747
- **Hong Kong Branch**  
6/F, The Hong Kong Club Building  
3A, Chater Road, Central, Hong Kong  
Tel: 852-2868-9008  
Fax: 852-2526-2900
- **London Branch**  
Bowman House, 29, Wilson Street  
London EC2M 2SJ, U.K.  
Tel: 44-20-7417-0000  
Fax: 44-20-7417-0011
- **Los Angeles Branch**  
600, Wilshire Blvd., Suite 800  
Los Angeles, CA 90017, U.S.A.  
Tel: 1-213-362-0200  
Fax: 1-213-362-0244
- **New York Agency**  
34 Fl., 750, Third Avenue  
New York, N.Y. 10017, U.S.A.  
Tel: 1-212-599-6868  
Fax: 1-212-599-6133
- **Palau Branch**  
P.O.Box 1605, P.D.C. Building  
MADALAI  
Koror, Palau 96940  
Tel: 680-488-6297  
Fax: 680-488-6295

- **Phnom Penh Branch**  
66, Norodom Blvd.,  
Sangkat Cheychnomnoas, Khan Daun Penh  
Phnom Penh, Cambodia  
Tel: 855-23-210026  
Fax: 855-23-210029
- **Chorm Chaov Sub-Branch**  
3-5, Prey Chisak Village, Sangkat  
Chorm Chaov, Khan Dangkor,  
Phnom Penh, Cambodia  
Tel: 855-23-865171  
Fax: 855-23-865175
- **Singapore Branch**  
77, Robinson Road, #01-01  
Singapore 068896  
Tel: 65-6221-5755  
Fax: 65-6225-1905
- **Tokyo Branch**  
13 Fl., AIG Building  
1-3 Marunouchi, 1-Chome, Chiyoda-Ku  
Tokyo 100-0005, Japan  
Tel: 81-3-3213-2588  
Fax: 81-3-3213-5377
- **Toronto Branch**  
Suite 1803, 5000, Yonge Street  
Toronto ON M2N 7E9, Canada  
Tel: 1-416-250-8788  
Fax: 1-416-250-8081
- **Vancouver Branch**  
Suite 100-5611, Cooney Road  
Richmond, BC V6X 3J6, Canada  
Tel: 1-604-207-9600  
Fax: 1-604-207-9638

## Overseas Representative Offices

- **Bangkok Representative Office**  
9 Fl., Sathorn City Tower  
175, South Sathorn Road  
Tungmahamek, Sathorn  
Bangkok 10120, Thailand  
Tel: 66-2-679-5291  
Fax: 66-2-679-5295
- **Hanoi Representative Office**  
Suite 1303B, 13 Fl., 198 Tran Quang Khai  
Hanoi, Vietnam  
Tel: 84-43-9362-111  
Fax: 84-43-9362-112

- **Shanghai Representative Office**  
Unit 05-07, 11 Fl., China Insurance Building  
166, Lu Jia Zui East Road  
Shanghai 200120, China  
Tel: 86-21-6888-6868  
Fax: 86-21-6888-6363

## Subsidiary

### First Commercial Bank (USA)

- **Main Office & Alhambra Branch**  
200 E. Main Street  
Alhambra, CA 91801, U.S.A.  
Tel: 1-626-300-6000  
Fax: 1-626-300-5972
- **Arcadia Branch**  
1309 S. Baldwin Ave.  
Arcadia, CA 91007, U.S.A.  
Tel: 1-626-254-1828  
Fax: 1-626-254-1883
- **Artesia Branch**  
17808, Pioneer Blvd. #108  
Artesia, CA 90701, U.S.A.  
Tel: 1-562-207-9858  
Fax: 1-562-207-9862
- **City of Industry Branch**  
18725 E. Gale Ave. #150  
City of Industry, CA 91748, U.S.A.  
Tel: 1-626-964-1888  
Fax: 1-626-964-0066
- **Fremont Branch**  
46691 Mission Blvd. Fremont  
CA 94539, U.S.A.  
Tel: 1-510-8948838  
Fax: 1-510-8948836
- **Irvine Branch**  
4250, Barranca Parkway, Suite E  
Irvine, CA 92604, U.S.A.  
Tel: 1-949-654-2888  
Fax: 1-949-654-2899
- **Silicon Valley Branch**  
1141 S. De Anza Blvd.  
San Jose, CA 95129, U.S.A.  
Tel: 1-408-253-4666  
Fax: 1-408-253-4672

First Bank

第一銀行

First Bank

第一銀行

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