第一金融集團

第一銀行
First Commercial Bank

2007 ANNUAL REPORT

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Executive Vice President

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PricewaterhouseCoopers
Tel: 886-2-2729-6666

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

Highlights

(in millions)	12.31.2007 NTD	12.31.2006 NTD	12.31.2007 USD
Major financial data at year end			
Total assets	1,626,348	1,574,022	50,066
Bills discounted and loans	1,071,171	972,045	32,975
Deposits and remittances	1,260,175	1,219,889	38,794
Common stock	46,909	46,216	1,444
Stockholders' equity	89,742	87,125	2,763
Operating results			
Total revenues	64,155	56,009	1,975
Total expenses	48,483	42,315	1,493
Pre-tax income	15,672	13,694	482
Income tax	(3,646)	(3,339)	(112)
Cumulative effect of a change in accounting principle	-	563	-
Net income	12,026	10,918	370
Capital adequacy ratio	10.80%	11.00%	
World rank			
The Banker - by tier 1 capital (12/06)	234	224	
The Banker - by total assets (12/06)	199	201	
Distribution network			
Domestic full/mini/sub-branches	187/3/5	182/6/9	
Overseas branches/rep. offices/OBU	13/3/1	12/3/1	
First Commercial Bank (USA)	1 main office and 6 branches	1 main office and 5 branches	
Number of employees	7,087	7,074	

*NT$32.484:US$1.00

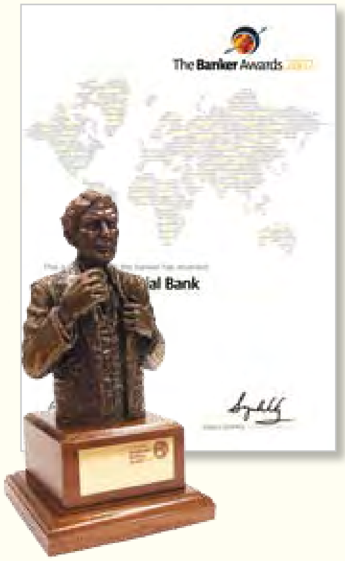
History

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 transform 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)

Message to Our Shareholders



Michael C. S. Chang
Chairman of the Board

Business Report for 2007

Overview of Financial Industry of Taiwan

Global economic growth in 2007, restrained by the subprime loan crisis in the United States and the high level of international raw materials prices, dropped to about 3.8%; at the same time, the risk of inflation constantly increased, but fortunately was kept under control. In Taiwan, the steady dissipation of the clouds of the cash- and credit-card crisis and the steadily improving employment situation brought on a resurgence in domestic demand; and the foreign trade, stimulated by strong demand in China and Europe, performed well. With the economy warming up both at home and overseas, Taiwan's overall economic growth for the year reached 5.7%. In this environment, the amount of loans outstanding from major financial institutions at the end of 2007 recorded a small increase of 2.25% compared with a year earlier; and, thanks to vigorous efforts to write off bad debts and allocate reserves, the NPL ratio of Taiwanese banks fell to a new low of 1.84% at the end of the year, while NPL coverage ratio rose to a new high of 64.82%.

Interest rates showed a moderate rising trend in the domestic market in 2007 caused by the Central Bank's continuous rate increases. The interbank overnight rate rose to 2.08% at the end of December and the average for the year was 1.96%, 0.4% higher than 2006. Funds in the monetary market remained loose, however, and with fierce competition among banks, the spread between deposit and loan rates slipped from 1.77% at the end of 2006 to 1.74% at the end of 2007. The continuous contraction in the interest-rate spread had an adverse impact on the banks' traditional deposit and loan business. With the alleviation of pressure from the write-off of card debt and the allocation of increased reserves, and with the banks' vigorous efforts to promote the wealth management business and develop business opportunities in the Greater China area, banking operations returned to profitability. The pre-tax profits of Taiwan's banks reached a total of NT$38,753 million in 2007, their return on equity (ROE) improved from -0.43% in 2006 to 2.21% in 2007, and their return on assets (ROA) rose from -0.03% to 0.14% at the same time.

Chin-Yun Wu
President

No.1
"Loan Promotion Program
to SMEs by Taiwanese Banks"
by FSC

"Best Domestic Provider in Taiwan
for Local Currency Products -
Structured Interest-rate Products"
by Asiamoney

Organizational Restructuring

The Bank moved to strengthen the promotion of key businesses in 2007 by setting up the new International Business BU to handle the international banking business and business in the Greater China area. We also added the Corporate Banking Business Marketing Division under the Corporate Banking BU for the purpose of expanding loans to business groups and large enterprises, as well as domestic syndicated loans. In addition, the Consumer Banking BU was merged into the Personal Banking BU in order to integrate the operation and promotion of the personal banking business, realize the synergies available with the merged unit, and provide customers with a more complete range of services.

Performance of Operating Strategies

The Bank pinpointed four new profit engines in 2007: Greater China Business, Domestic and International Syndicated Loans, Financial Product Marketing, and Wealth Management. The Greater China Business and Domestic and International Syndicated Loans both focus on the emerging economy in the Mainland China, where the Bank intends to take advantage of the business opportunities by developing loans to Taiwanese companies in the Greater China area, and to escape from the cutthroat competition for loans in Taiwan and diversify loan risk by promoting domestic and international syndicated loans. Financial Product Marketing and Wealth Management are designed to satisfy the demand of corporate and personal clients for diversified financial products and to provide a full range of financial planning services. This will increase fee income and cement customer loyalty by building up long-term cooperative relationships. Results of implementation of the Bank's operating strategy are described below:

Reinforcement of the business base and enhancement of service quality

The Bank's operations recorded an outstanding performance in 2007, with before-tax income increasing 14.45% from the previous year to NT$15,672 million and EPS reaching NT$3.34. Net interest income grew by a stable 7.66% to NT$21,941 million, and income from wealth management soared 87.23% for the year to NT$4,486 million. The Bank also won the first place in the "Loan Promotion Program to SMEs by Taiwanese Banks" organized by the Financial Supervisory Commission. Furthermore, the Bank was named "Bank of the Year 2007" for Taiwan by *The Banker* magazine of England for the second year in a row.

Continuous domestic and overseas branch deployment, and development of cross-straits business

The Bank works constantly to bring more convenient services to customers by reinforcing our domestic and international branch network. In Taiwan, the Wan-Hua Mini Branch was upgraded to a full branch in 2007; overseas, the Toronto Branch opened for business, and applications were submitted to establish branches in Brisbane and Macau and to upgrade the Hanoi Representative Office into a branch. This comprehensive network of domestic and overseas branches enables our customers to receive complete and immediate services. To cope with the development of intensive economic and trade dealings across the Taiwan Straits, the Bank has vigorously promoted the loan and wealth management business in the Greater China area through the comprehensive financial services network formed by our Hong Kong Branch, Shanghai Representative Office, Offshore Banking Unit, and domestic branches, integrating and expanding our cross-straits marketing team and sparing no effort to expand business in the Greater China area.

Development of new financial products and inauguration of new businesses

The Bank won the award of "Best Domestic Provider in Taiwan for Local Currency Products - Structured Interest-rate Products" from *Asiamoney* magazine in 2007, evidencing its strong capability for product development. The Bank constantly introduces new products to meet the needs of customers, such as inaugurating "e-banking for domestic L/Cs", receiving permission to raise the ceiling on "single transaction of online corporate fund transfer", undertaking "small start-up loans to women", and introducing "easy home loans". And it was mandated as the Arranger to underwrite "BNP Paribas three-year ordinary corporate bonds denominated in Australian dollars" in the name of First Bank for the first time, issued 13 "structured-product placements", and co-marketed REITS securitized product like "Top 1 Horse-REITS".

Strengthening of Risk Control

To cope with the risk management requirements of Basel II, in 2007 the Bank worked on the installation of risk models designed to enhance risk management and control the different types of risk. This effort included "home loan model" optimization, the "small credit loan (personal and batch) model", "card grading model for credit card behavior", "credit evaluation for special corporate financing", and "geographic information system for collateral management". At the end of the year the Bank's NPL ratio stood at 1.50% and its NPL coverage ratio at 53.84%, indicating good asset quality and a greatly improved risk control performance.

Establishment of cooperative relations with foreign banks

The Bank signed a memorandum of understanding for cooperation with the Sumitomo Mitsui Banking Corp., Japan's second-largest bank, in 2007. Alliances with foreign banks, the introduction of advanced international financial technology, and the implementation of widespread cooperation and exchange are used to strengthen the Bank's competitiveness.

Market research

In response to the rapid changes taking place in domestic and international economic and financial conditions, and to meet the needs of business development, in 2007 the Bank directed its research mainly in the direction of forecasting and analysis of economic, financial, and industrial conditions, the potential impact of changes in domestic and overseas financial regulations, and strategies. The results of this research have been disseminated to related organizations and to all the Bank's employees via video and the Internet.

Budget Implementation, Growth and Profitability

- The average deposits were NT$1,230,101 million, a target of 102.45% and an increase of NT$85,977 million over 2006 or a growth of 7.51%.
- The average loans were NT$991,136 million, a target of 102.91% and an increase of NT$97,636 million from 2006 or a growth of 10.93%.
- The sale of non-discretionary money trust, including domestic and offshore funds, collective management account plus foreign securities reached NT$350,150 million, an achievement of 155% and an increase of NT$110,371 million over 2006, a growth of 46.03%.
- Custody of funds amounted to NT$326,200 million, reached a target of 130%, an increase of NT$49,626 million or a growth of 17.94%. Discretionary investment custodian assets were NT$125,768 million, a target of 132% and an increase of NT$45,729 million over 2006, a growth of 57.13%.
- Revenues and expenses totaled respectively NT$64,155 million and NT$48,483 million, yielding a pre-tax income of NT$15,672 million.

Economic Outlook and Business Targets

Business Plans for 2008

The increased possibility of a slowdown in global and Taiwanese economic growth in 2008 will unlikely make any substantial strengthening of the domestic demand for loans, and the takeover of domestic banks by foreign financial institutions will boost competition in the banking industry to the white-hot level. To cope with the challenge of intense competition that exists today, the Bank will continue promoting business in the Greater China area, the domestic and international syndicated loan business, the wealth management business, and the financial product marketing business. At the same time, the Bank will strive to heighten its e-banking ratio and, through its widespread branch network, to establish an overall marketing web that will break through the confines of time and space and allow customers to enjoy the Bank's rapid and considerate services any time, any place. Responding to the rapid changes that are taking place in the operating environment and conforming to the requirements of Basel II, the Bank will boost investment in its risk management system and the training of its personnel so as to improve performance in risk management and internal controls; this will assure good asset quality and form a basis for product-pricing strategy. In sum, the Bank will use forward-looking operating principles to advance toward the vision of "moving beyond competition and creating added value" and achieve the targets of NT$1,326,506 million in average deposits and NT$1,100,211 million in average outstanding loans.

Future Development Strategies

- The Bank will continue promoting business in the Greater China area, the domestic and international syndicated loan business, the wealth management business, and the financial product marketing business as its main profit engines.
- Since e-banking is accessible in all places and offers the advantage of reducing redundant manpower costs, the Bank will boost its transactions by e-banking.
- The Bank will make full use of the advantage provided by its branch network to carry out the integrated marketing and cross-marketing of products so as to boost the penetration of its commodities; at the same time, it will utilize the resources of the entities of First Financial Holding Co. to reinforce its product line and boost its profits.

- Further cooperation with other banks will be pursued and strategic alliances will be used to shorten the time of product development and enhance the Bank's competitive position in the industry.
- Use of Hong Kong as an outpost and a springboard for the development of cross-straits business opportunities, and devotion of full efforts to the development of wealth management, and providing consolidated financing for offshore companies in the Greater China area, so as to satisfy needs of Taiwanese businesses and personal wealth management.
- Continued readjustment and deployment of domestic and overseas branch units so as to serve as a model for Taiwan's banking industry and as the ideal financial partner for Taiwanese companies all over the world.
- The Bank will boost the business volume and market share of all of its key products, especially syndicated loans, foreign trade finance, wealth management, and TMU; it will also increase fees income, diversify profit sources, and assure operating stability.
- Continued establishment of the Basel II risk management mechanism so as to maintain the quality of the Bank's assets.
- Optimization of working processes so as to release back-office personnel, and strengthening of professional training to enable them to switch to front-office sales jobs.
- Thorough monitoring of expense-budget implementation and avoidance of unnecessary waste and costs so as to lower operating costs bank-wide.
- Heightening of the ratio of demand deposits and strengthened sale of investment products so as to lower capital costs throughout the Bank.
- Reinforcement of the risk management mechanism and maintenance of a low NPL ratio and high coverage ratio.

Influence of the External Environments

The Sector Environment

Interest income is still the main source of profit for Taiwanese banks; but because of the small scale and large number of these banks, and the extremely high rate of similarity among the products and services they offer, price competition has brought on a continuous contraction of the spread between deposit and loan interest rates. All of the banks are coping with this situation by readjusting their income structure in an effort to boost profit levels. In response to the acquisition of Taiwanese banks over the past year by foreign financial institutions seeking entry into the Greater China market and Taiwan's wealth management business, the Bank will work constantly to develop its own wealth management business and increase its non-interest income, and will strengthen its financial product innovation and marketing abilities so as to break away from the high product similarity in the domestic financial market and enhance the Bank's competitive niche.

The Regulatory Environment

The implementation of new and revised laws and regulations over the past year, including the "Regulations Governing Financial Derivatives Activities", "Trust Enterprise Act", and "Self-disciplinary Rules for Banks Engaging in the Marketing of Wealth Management and Financial Derivative Products", increased constraints on moral hazard for bank employees and prohibited banks from acquiring other banks by improper means, thus having a positive effect on operations in the banking industry. The Financial Supervisory Commission also raised the threshold for dealing in derivative products and opened dealing in the money trust and securities trust businesses to securities companies, which will constitute a blow to the banking industry. In addition, the implementation of the "Consumer Insolvency Act" on April 11, 2008 may have a direct impact on the consumer banking business. Faced with all these changes in the external regulatory environment, the Bank will adopt proactive measures to alleviate their impact on its operations.

The Macroeconomic Environment

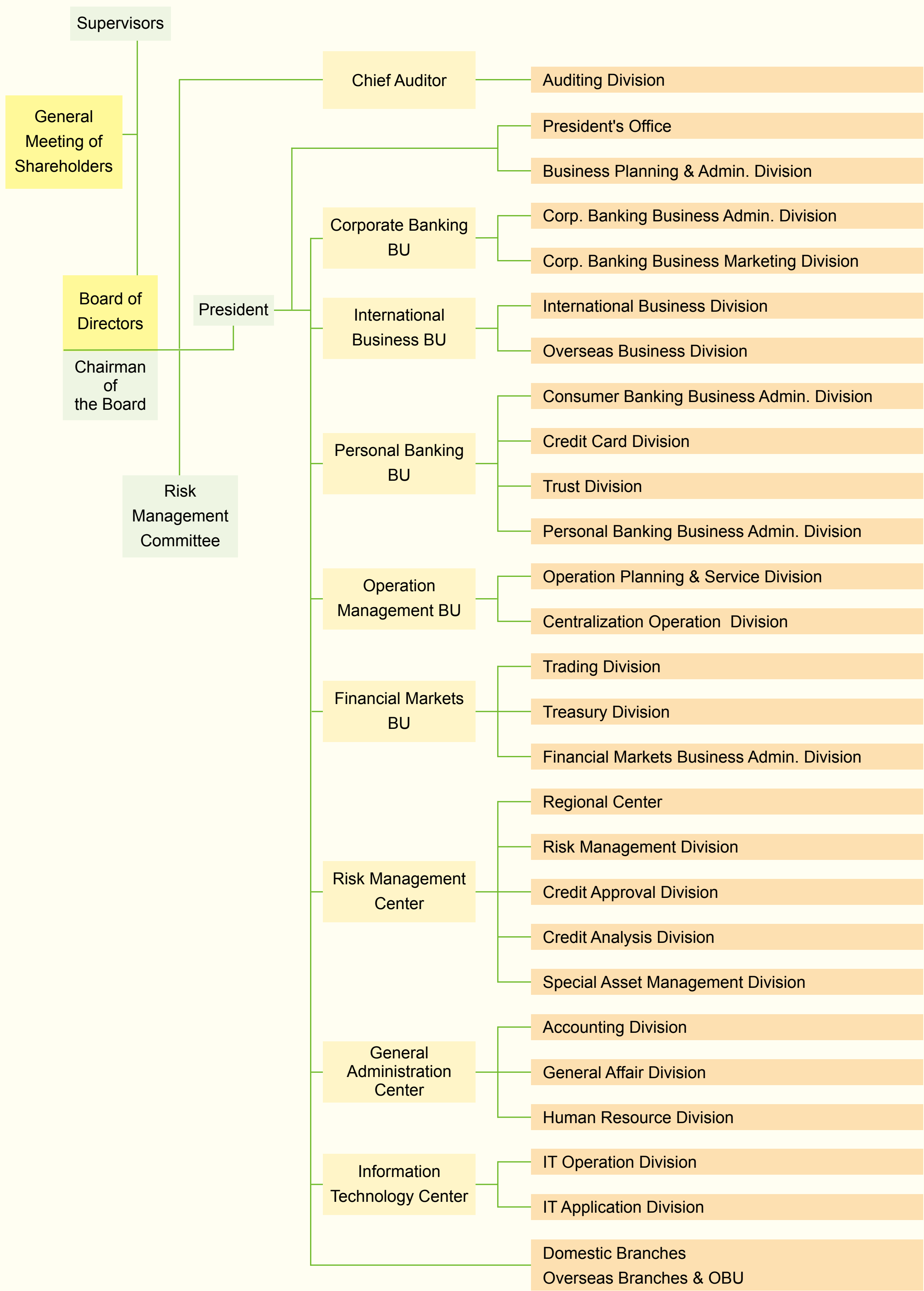
While the slowdown in economic growth at home and overseas does not favor the revitalization of corporate investment willingness in Taiwan, some of the manufacturers that moved away from Taiwan in earlier times have been returning to invest in the island and this factor, plus the "Loan Promotion Program to SMEs by Taiwanese Banks" implemented by the Financial Supervisory Commission for three years, should bring about the maintenance of steady growth in corporate loans. There is not likely to be any significant room for growth in construction financing and home loans, however, because of the weakness in Taiwan's real estate market and the more conservative attitude of banks toward the extension of loans. In sum, the scale of loans in Taiwan's banking industry as a whole will continue to expand at a moderate pace this year. And, with the cooling of stock market activity in Taiwan and overseas, the securities and insurance industries are moving into the wealth management market and this will possibly weaken the growth in the banks' fees income from the wealth management business.

Credit-rating Results

Rating Institution	Published Date	LT	ST	Outlook
Taiwan Ratings Co.	June 7, 2007	twAA-	twA-1+	Stable
Fitch	June 7, 2007	BBB+	F2	Positive
Moody's	October 24, 2007	A3	P-1	Stable
Standard & Poor's	May 8, 2007	BBB+	A-2	Stable

In this new year the Bank will focus on the five core businesses of domestic and international syndicated loans, business in the Greater China area, wealth management, financial product marketing, and e-banking, and will strengthen integration and cross-marketing to achieve the targets of a 20% of fee income to net revenues and a 30% of overseas branch income to the Bank's total income. In addition, the Bank will also further improve its asset quality and strengthen risk management capabilities with the aim of continuing to increase the Bank's profitability and expand asset scale and market share in 2008. Our objective is to become a model for Taiwan's banking industry and the most competitive international bank serving Chinese communities, and to continue creating sustainable value that is shared by our shareholders, customers, and employees alike.

Organization Chart



December 2007

Board of Directors and Supervisors

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
Chairman of the Board	Michael C. S. Chang	Jan. 16'06	▪ M.S. Public Finance, National Chengchi University Practicing CPA; Standing Supervisor, FCB; Chairman, Franklin Templeton First Taiwan SITE; Chairman, Bank of Overseas Chinese; Chairman, Taiwan Business Bank	Chairman, First Financial Holding Co., Ltd. ("FFHC"); Chairman, First Commercial Bank (USA); Director, Taiwan Asset Management Corp.; Supervisor, Taiwan Stock Exchange Corp.; Director, National Credit Card Center of R.O.C.
Managing Director	Hsien-Chuan Huang	July 13'06	▪ LL.M., Meiji University, Japan Chief Auditor, FCB; Chairman, National Investment Trust Co., Ltd.	Director and President, FFHC; Chairman, First-Aviva Life Insurance Co., Ltd.; Director, Taiwan Asset Management Corp.
Managing Director	Teng-Lung Hsieh	July 13'06	▪ 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., Bieldfeld University, Germany Advisory Committee Consultant of Council for Economic Planning and Development; 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.; Chairman, Golden Gate Motor Co., Ltd.; Chairman, Taitek Paper Industries Co., Ltd.
Director	Chin-Yun Wu	July 13'06	▪ Tatung Institute of Commerce and Technology SVP & General Manager of Corporate Banking Dept. and Regional Center, FCB; EVP, FCB	President, FCB; Director, First-Aviva Life Insurance Co., Ltd.; Director, CDIB & Partners Investment Holding Corp.; Director, Financial Information Service 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	Professor of Dept. of Finance, National Sun Yat-Sen University; Dean of College of Finance and Banking, National Kaohsiung First University of Science and Technology
Director	Yih-Cherng Yang	July 19'00	▪ MBA, National Taiwan University Managing Director and Standing Supervisor, China Bills Finance Corp.	President, 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	Professor of Dept. of Public Policy and Management, Shih Hsin University; Chief of Finance Bureau, Taipei County Government
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	Chin-Yuan Kung	Dec. 23'05	▪ National Taipei Institute of Technology Director, Taiwan Business Bank	Director, FFHC; Supervisor, Draco Group
Director	Albert K. C. Ting	July 13'06	▪ MBA, Massachusetts Institute of Technology Vice Chairman, CX Technology Corp.	Director, FFHC; Chairman, CX Technology Corp.; Chairman, Alexander Leed Risks Service Inc.; Chairman, Freshfields International Corp.
Director	Chieh-Shin Sung	Apr. 6'05	▪ Tsoyin Senior High School Associate, FCB; Chairman, Industrial Union of FCB	Senior Associate of Business Division, FCB
Standing Supervisor	Yung-Sun Wu	Sep. 16'04	▪ B.A., 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., The Graduate Institute of Management Sciences, Tamkang University Director of Bureau of Monetary Affairs, MOF	EVP, Central Deposits Insurance Corp.
Supervisor	Li-Shu Lee	July 13'06	▪ B.A., National Chung Hsing University Chief of Statistics Office, Examination Yuan; Deputy Director General of Dept. of Statistics, MOF	Supervisor, FFHC; Director General of Dept. of Statistics, MOF
Supervisor	Lynette L. T. Chou	July 13'06	▪ Ph. D., University of Houston, C.T. Bauer College of Business, U.S.A. Chair and Associate Professor of Dept. of Accounting, National Chengchi University	Supervisor, FFHC; Professor of Dept. of Accounting and Dean of Student Affairs, National Chengchi University
Supervisor	Kao-Chen Chuang	Feb. 14'07	▪ B.A. National Chengchi University Manager of Sung Chiang Branch and Hsin Chuang Branch, Bank of Taiwan	Supervisor, FFHC; SVP & General Manager of Credit Analysis Office, Bank of Taiwan

February 29, 2008

Executive Officers

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
President	Chin-Yun Wu	May 1'06	■ Tatung Institute of Commerce and Technology SVP & General Manager of Corporate Banking Dept. and Regional Center, FCB; EVP, FCB	Director, CDIB & Partners Investment Holding Corp.; Director, Financial Information Service Co., Ltd.; Director, First-Aviva Life Insurance Co., Ltd.
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, National Investment Trust Co., Ltd.; Supervisor, FCB Leasing Co., Ltd.; Director, Taiwan Financial Asset Service Corp.
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); Chief of International Business Division, FCB
EVP of Personal Banking BU	Shwu-Mei Shiue	Mar. 17'06	■ B.A., National Taiwan University SVP & General Manager of Treasury Dept. and Personal Banking Dept., FCB	Director, National Investment Trust Co., Ltd.
EVP of Operation Management BU	Ying-Hsiung Lin	Jan. 8'04	■ B.A., National Taiwan University SVP & General Manager of Credit Card Dept., Personal Banking Dept. and Business Development Dept., FCB	Director, East Asia Real Estate Management 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.
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	Supervisor, FCB Leasing Co., Ltd.; Advisor & Head of Risk Management Dept., FFHC
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 Affair Dept., FCB; SVP & General Manager of General Affair Division, FCB	Supervisor, Tang Eng Iron Works Co., Ltd.; Supervisor, National Investment Trust 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
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 Taisec Securities Inc.; Advisor & Head of Auditing Dept., FFHC

February 29, 2008

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 import and export of foreign trade, outward and inward remittances, foreign currency deposits, foreign currency loans and guarantee business.
21. Purchase and sale of foreign currency cash and traveler's checks.
22. Engage in derivative financial products business approved by the competent authorities.
23. Engage in trust business as regulated.
24. Handle the investment in foreign securities under non-discretionary trust of money service.
25. Handle the investment in domestic securities investment trust funds under non-discretionary trust of money service.
26. Purchase and sale of government bonds.
27. Act as broker, dealer, registrar, and underwriter for short-term debt instruments.
28. Provide financial consultation service for financing.
29. Act as agent to sell charity lottery tickets approved by the competent authorities.
30. Engage in foreign exchange margin trading.
31. Purchase and sale of corporate bonds and financial bonds.
32. 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

		2007 NT$,000	%	2006 NT$,000	%
Deposits at year end					
Current Deposits	Checking deposits	35,708,975	2.6	40,892,120	3.1
	Demand deposits	236,880,941	16.9	220,035,108	16.5
	Savings deposits	356,310,041	25.5	355,455,943	26.6
	Subtotal	628,899,957	45.0	616,383,171	46.2
Time Deposits	Time deposits	318,081,857	22.7	286,375,718	21.4
	Time savings deposits	311,926,427	22.3	316,054,502	23.7
	Subtotal	630,008,284	45.0	602,430,220	45.1
Others	Due to other banks	28,975,063	2.1	34,444,007	2.6
	Overdrafts from other banks	3,644,768	0.2	2,134,070	0.2
	Call loans from other banks	107,234,610	7.7	80,173,203	6.0
	Subtotal	139,854,441	10.0	116,751,280	8.7
Total		**1,398,762,682**	**100.0**	**1,335,564,671**	**100.0**
Loans at year end					
Corporate		565,392,574	53.2	521,929,360	54.1
Consumer		309,091,544	29.1	284,810,402	29.5
Domestic branches in foreign currencies		45,323,387	4.3	43,210,158	4.5
Foreign branches		139,646,157	13.1	110,626,698	11.5
Import-export negotiations		3,721,129	0.3	3,758,831	0.4
Total		**1,063,174,791**	**100.0**	**964,335,449**	**100.0**
Foreign Trade and Payment (US$,000)					
FX buy	Export negotiations and collections	11,170,532	4.4	6,672,751	3.7
	Inward remittances	115,153,329	45.6	82,495,216	46.2
	Subtotal	126,323,861	50.0	89,167,967	49.9
FX sell	Import L/Cs and collections	10,112,780	4.0	5,932,269	3.3
	Outward remittances	116,412,202	46.0	83,443,252	46.7
	Subtotal	126,524,982	50.0	89,375,521	50.1
Total		**252,848,843**	**100.0**	**178,543,488**	**100.0**
Total Revenues					
Interest income		48,572,750	75.7	42,937,557	76.7
Fees and commissions		7,959,923	12.4	5,568,819	9.9
Gains on financial assets and liabilities		2,712,525	4.2	1,902,266	3.4
Income from equity investments accounted for under the equity method		239,953	0.4	405,122	0.7
Foreign exchange gains		297,499	0.5	882,604	1.6
Other non-interest income		4,371,855	6.8	4,312,581	7.7
Total		**64,154,505**	**100.0**	**56,008,949**	**100.0**
Total Expenses					
Interest expenses		26,631,341	54.9	22,556,811	53.3
Fees and commissions		1,075,996	2.2	1,073,596	2.5
Provision for credit losses		6,061,505	12.5	4,735,859	11.2
Business and administrative expenses		14,200,118	29.3	13,585,526	32.1
Other non-interest expenses and losses		513,638	1.1	363,270	0.9
Total		**48,482,598**	**100.0**	**42,315,062**	**100.0**

NT$,000		2007	2006
Trust Business			
Balance at year end	Custody of funds and discretionary investment assets	451,968,233	356,612,280
	Domestic trust assets	82,019,913	74,385,826
	Foreign trust assets	179,412,350	128,197,552
	Trustee accounts	54,744,587	45,288,251
	Family wealth trust assets	1,682,131	1,662,703
	Corporate employees' savings plan trust assets	904,821	995,399
	Real estate trust assets	4,794,259	2,676,294
	Securities trust assets	14,679,150	34,968,533
	Securitization trustee assets	37,608,487	-
	Project trust assets	901,985	789,755
	Collective management accounts	3,479,570	3,809,581
Transaction volume	Registrar for issuance of securities	812,747,888	914,092,789
Investment Business			
Bills outright buy/sell (OB/OS)		1,090,726	27,401
Bills repurchase/resale (RP/RS)		774,402	-
Bills underwriting		2,867,500	3,337,500
Credit Card Business			
Number of active cards		231,135	229,097
Transaction volume		20,602,765	18,697,659
Revolving balance of credit cards		1,990,089	2,609,162
Wealth Management Business			
Deposits		396,786,343	288,625,431
Mutual funds		131,075,936	95,732,914
Bonds/bills		6,602,692	10,143,148
Derivative financial instruments		34,428,912	19,586,936
Insurance products		16,760,404	10,284,694

Business Plans for 2008

Corporate Banking BU

Development into the best financial advisor for Taiwanese businesses and one of the top five lead banks in the local syndicated loan business

- Provision of professional financial planning and arrangement of syndicated loans for clients.
- Enhancement of information application and development capability.
- Continued optimization of operational and service procedures, and upgrading of operational quality.
- Understanding of customer needs and reinforcement of corporate e-banking platform.
- Equal emphasis on risk and profit, and maintenance of continuous profit growth bank-wide.

International Business BU

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

- Establishment of marketing team of foreign trade business to leverage joint marketing abilities, enhance business skills, and bolster marketing strength.
- Vigorous promotion of the corporate e-banking services; integration of the domestic and overseas e-banking network function and computerized information system to facilitate the global fund transfer and management.
- Strengthening of product development to break out of the current operating mold, and facilitate distance services by promotion of the e-banking network services.
- Expansion of services to satisfy the large-scale financing needs of Taiwanese businesses in the Greater China and other overseas areas, and striving for more overseas business opportunities.
- Adoption of locally appropriate operating strategies for overseas branches.
- Integration and reinforcement of business promotion performance in the Greater China area.
- Continued development of overseas operating bases to meet market demand.
- Activation of international financial professionals.

Personal Banking BU

Establishment of a leading market position for the "First Wealth Management" brand

- Strongly holding of the Bank's domestic market position, and expansion of its wealth management base.
- Introduction of new products to replace the old ones in response to market trends.
- Use of the team advantage to strengthen marketing power.
- Reinforcement of e-banking and integration of the e-banking platform.
- Expansion of business opportunities in the Greater China and overseas markets.

Operation Management BU

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

- Establishment of "SMART" procedures by simplifying working processes.
- Centralization and digitization of operations so as to reduce the workloads of branches.
- Maintenance of high service quality through quality evaluation of different services.
- Holding of inspirational activities to expand the scale of deposits and adjust the deposit structure.
- Establishment of a co-marketing mechanism to encourage all employees to realize their full co-marketing potential.

Financial Markets BU

Introduction of adaptable financial products to make the Bank a champion in the financial market

- Increase of profits from securities investment by sharing the investment and research resources of the financial holding group.
- Development of a derivative product system module to enhance product-development capabilities and improve profit margins.
- Combining of business units into a branch network and realization of the synergies of channel integration through group-wide joint marketing.
- Selection of qualified dealers and reinforcement of branch staff's knowledge regarding financial products through simulated trading workshops.
- Establishment of a bank-wide financial trading system platform and boosting of efficiency in the bank-wide financial product management mechanism.

Market Analysis

Multinational Network The internationalization of the Bank's business is developing rapidly following the outward expansion of the island's economic strength. In addition to operating 190 branches in Taiwan, the Bank now operates 22 overseas business units in major international financial centers such as London, New York, Tokyo, Hong Kong, and Singapore, as well as Southeast Asian countries with development potential in recent years. The profit from these overseas branches exceeded 20% of the Bank's overall profit in 2007.

Future Market Supply, Demand and Growth

The Supply Side

The excessively competitive situation among local banks will be difficult to change in the short term; and, given the high similarity of products offered by the different banks, the extent of price-cutting competition among them is becoming fiercer. At the same time, foreign banks have been aggressively acquiring small and medium-sized Taiwanese banks; this has greatly increased the number of their branches, thus strengthening their direct-marketing capabilities. They have also set about developing their worldwide fund transferring services for Taiwanese enterprises as well as their wealth management services for top-of-the-pyramid individuals. With their powerful marketing capabilities for financial products, this will surely erode the current customer and business bases of Taiwanese banks.

The Demand Side

Although the cash- and credit-card crisis has weakened the demand for consumer banking business, its impact on financial demand by top-of the-pyramid individuals has been limited. In addition, the low level of domestic interest rates has resulted in strong demand for the flow-out of funds to offshore in search of higher returns. This indicates that there is still potential for the development of the wealth management business in Taiwan; furthermore, in the financial industry, Taiwanese banks have a natural advantage in their service platforms for financial-management products. Wealth management, therefore, will remain a key direction of business development for banks in Taiwan.

In corporate banking, the global deployment strategies adopted by most domestic manufacturers as a means of strengthening their competitiveness are prompting banks to follow them by providing the financial products and services arising from this trend. In addition, in view of the development of the telecommunications services, shipping and warehousing, biotechnology, software design, digital content, and other creative industries proceeding at a rapid pace in recent years, banks must break out of their traditional loan model and develop new types of business opportunities by designing a new loan structure that can accommodate to the needs of the flow of funds and goods.

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

The Bank enjoys the 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 changes of the external operating environment, however, the Bank is likely to confront the following circumstances:

Favorable Factors

- A widespread branch network and large customer base, favoring expansion of market share for the Bank's products.
- A corporate culture of sustainable operation and a century-old brand that customers trust.
- A solid level of capital, and abundant liquidity.
- Good asset quality and a low NPL ratio.
- A risk management system that is constantly being improved and a product pricing policy that conforms to the nature of graded risk.
- Implementing internal organizational restructuring timely to respond as necessary to changes of the external environment.
- An extent of internationalization that leads the industry.
- A leading position in wealth management, a growing ratio of income from fees and commissions, and a continuously improving structure of operating income.

Unfavorable Factors

- Weakening domestic and international economies.
- A contraction of profitability caused by intense competition in the domestic banking industry.
- Limited access to the market of Mainland China for Taiwanese banks, caused by the lack of a cross-straits financial supervisory platform.

Responsive Measures

- Use of the marketing synergies of the First Financial Holding Company to expand the scope of product co-marketing.
- Strengthening of the competitiveness of wealth management and deepening of the banking insurance business.
- Vigorous development of the domestic and international syndicated loan business so as to diversify credit risk.
- Development of business in the Greater China area and expansion of business to satisfy demand from Taiwanese companies.
- Strongly holding the market shares of loans to SMEs, foreign trade finance, and trust businesses so as to maintain core profitability.
- Enhancement of financial product development capability and heightening of fees income from financial marketing.
- Increase of profit sources through strategic alliances with domestic and foreign financial institutions.
- Introduction of new risk management systems and reinforcement of risk control techniques.

Corporate Governance

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
A. Ownership Structure and Shareholders' Equity		
1. The handling of shareholders' suggestions and disputes 2. Updating the details of major share-holders 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, and 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. Organization and Responsibilities of the Board of Directors		
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 submit 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
C. Organization and Responsibilities of Supervisors		
1. Establishing independent supervisors 2. Communications with supervisors by bank employees, and by shareholders	1. It is not required following the revised regulation. 2. The Bank has one standing super-visor, representing all supervisors to work in the office, and designates staff member to handle the related contact matters. The communications with the standing supervisor or other supervisors by bank employees and the interested parties are open.	fully compliant
D. Communications with Interested Parties		
	1. To protect the interests of customers, the Bank has established the "Con-sumer 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

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
E. Disclosure of Information		
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. Po-Chiao Chou, EVP is appointed spokesperson.	fully compliant
F. Operation Status of the Nomination or Remuneration Committee	None	subject to the implementation of relevant laws and regulations

G. Description of the Bank's Corporate Governance (including its deficiency with the Corporate Governance Best-Practice Principles for Banks, and the reasons):

All are disclosed as above.

H. Please describe the systems and measures adopted by the Bank in regard to social responsibility (including human rights, employee rights, environmental protection, community participation, supplier relations, monitoring, and material relationship rights), **and its implementation of social responsibility:**

The Bank has requited the society in recent years with sponsoring numerous cultural and sports activities. It has also provided large scholarships to encourage learning, and has held numerous quality lectures as well as art performances. Together with First Financial Holding Co., the Bank sponsored a charity fair for the public interest to demonstrate its corporate social responsibility. These activities will continue to be organized in the future.

I. Other Information

- 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.
- Attendance of directors and supervisors at the Board meetings:
  They prepared well to attend the meetings, and provided sufficient and valuable opinions at appropriate times.
- Abstaining from the meetings involving director's or supervisor's own interest:
  They 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".
- Risk control policy and implementation:
  The Bank has established a risk management policy and has 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.
- Consumer-protection policy:
  The Bank has set up the "Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" to assure that consumer interests are protected.

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.

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.

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 Strategy

- 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, 2007

Type of risk	Credit exposures after risk mitigation	Minimum capital requirements (in NT$,000)
Sovereigns	354,338,312	77,718
Non-central government public sector entities	22,186,413	358,885
Banks (including multilateral development banks)	143,453,679	6,753,576
Corporates (including securities firms and insurance co.)	570,494,063	41,092,507
Regulatory retail portfolios	157,158,363	9,358,833
Residential property	314,788,205	11,470,365
Equity investments	5,136,593	1,613,397
Other assets	53,088,220	2,843,360
Total	1,620,643,848	73,568,641

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 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 fixed-rate loan assets conducted by overseas branches will be utilized interest rate swaps to mitigate the fair value risk.

The Methodology for Calculating Capital Requirements: Standardized Approach

The minimum capital requirements for market risk as of December 31, 2007

Type of risk	Minimum capital requirements (in NT$,000)
Interest rate risk	2,503,806
Equity position risk	352,127
Foreign exchange risk	2,178,340
Commodities risk	-
Total	5,034,273

Operational Risk

Strategy and Process

- 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.
- 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).

System Organization and Structure

The Bank employs a centralized management framework 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.

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, 2007

Year	Operating profit	Minimum capital requirements (in NT$,000)
2007	32,285,588	
2006	28,099,516	
2005	26,392,689	
Total	86,777,793	4,338,890

Corporate Responsibility and Ethical Behavior

The Bank has always been giving strong support to public-benefit activities, fulfilling its corporate responsibility, and paying back to society:

- The First Education Foundation
  Targeted at fostering social harmony, the Foundation has spared no efforts to enrich arts and culture and carry out public-benefit activities.
  - In March 2007, it held the **New Year Celebration Concert** at the Taipei International Convention Center.
  - In June, it held the **Duanwu Festival Concert** at the Tainan Municipal Cultural Center.
  - In October, it organized the **Golden Autumn Concert** again at the Taipei International Convention Center.
  - In April and September, it held two historic site tours named as **A Century of Cijin Beauties and The Small-town Glories of Lugang**, respectively to enhance the quality of life and education of Taiwan's people.
- 2007 Customer Scholarship Program
  The Bank paid back to society and burnished its corporate image by offering scholarship of NT$2.5 million to 250 outstanding students in domestic colleges and universities.
- Community Involvement
  In November 2007, all employees were urged to get outside and take part in mountain climbing and cleanup activities so as to give the nature a clean space in which to live.
- A Drive to Rescue Banana Farmers
  The Bank provided relief to banana farmers by purchasing more than 37 metric tons of bananas on July 25 to share with employees and customers of the Bank's 188 branches throughout Taiwan.

Significant Financial Information

Condensed balance sheets

NT$,000	12.31.2007	12.31.2006	12.31.2005	12.31.2004	12.31.2003
Cash and cash equivalents, due from Central Bank and other banks	165,117,649	178,988,134	157,635,062	164,558,112	164,451,494
Marketable and trading securities	-	-	-	312,279,207	271,553,432
Financial assets at fair value through profit or loss	37,201,578	42,794,967	37,418,248	-	-
Investments in bills and bonds under resale agreements	-	501,616	-	-	-
Receivables	21,875,760	21,295,485	22,449,783	31,078,586	38,172,807
Bills discounted and loans (bills purchased)	1,071,171,454	972,044,580	890,591,804	841,739,112	860,015,753
Available-for-sale financial assets	61,258,309	82,635,713	87,316,092	-	-
Held-to-maturity financial assets	217,897,599	213,747,427	235,942,624	-	-
Equity investments accounted for under the equity method	2,362,249	2,368,858	2,231,130	-	-
Long-term equity investments	-	-	-	63,322,645	56,974,837
Other financial assets	11,680,795	18,037,044	22,274,750	-	-
Properties, plants and equipments	23,601,360	23,386,589	23,848,515	24,136,348	25,427,654
Intangible assets	417,230	369,867	203,767	164,952	183,375
Others assets	13,764,211	17,852,161	21,135,612	24,932,464	25,727,965
Total assets	**1,626,348,194**	**1,574,022,441**	**1,501,047,387**	**1,462,211,426**	**1,442,507,317**
Due to Central Bank and other banks	140,315,847	116,955,966	144,771,206	102,129,745	124,149,358
Financial liabilities at fair value through profit or loss	51,376,164	51,811,768	36,064,034	-	-
Bills and bonds payable under repurchase agreements	12,207,113	15,241,566	15,395,150	18,397,061	-
Payables	39,087,947	50,027,772	46,675,896	47,410,489	53,086,792
Deposits and remittances	1,260,175,302	1,219,888,559	1,144,641,851	1,152,808,272	1,137,152,238
Funds borrowed from Central Bank and other banks, financial bonds payable	22,926,661	22,181,525	24,233,168	59,494,541	55,476,965
Accrued pension liabilities	1,553,653	1,439,881	1,374,209	1,198,812	934,664
Other financial liabilities	541,814	534,011	2,215,649	-	-
Other liabilities	8,422,106	8,815,973	8,833,224	13,154,600	13,806,105
Total liabilities	**1,536,606,607**	**1,486,897,021**	**1,424,204,387**	**1,394,593,520**	**1,384,606,122**
Common stock	46,909,240	46,216,000	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	21,966,945
Retained earnings	24,616,798	20,216,598	16,231,462	9,967,095	(13,306,619)
Unrealized revaluation increments	5,298,124	5,527,177	5,533,543	2,595,838	2,717,000
Unrealized gains / losses on financial instruments	3,941,376	6,252,298	-	-	-
Cumulative translation adjustments	315,723	253,021	201,669	178,647	307,869
Total stockholders' equity	**89,741,587**	**87,125,420**	**76,843,000**	**67,617,906**	**57,901,195**
Total liabilities and stockholders' equity	**1,626,348,194**	**1,574,022,441**	**1,501,047,387**	**1,462,211,426**	**1,442,507,317**

Condensed statements of income

NT$,000	2007	2006	2005
Net interest income	21,941,409	20,380,746	19,611,679
Net non-interest income	13,992,121	11,634,526	12,094,469
Provision for credit losses	(6,061,505)	(4,735,859)	(4,320,502)
Operating expenses	(14,200,118)	(13,585,526)	(13,784,511)
Income from continuing operations before income tax	15,671,907	13,693,887	13,601,135
Income from continuing operations after income tax	12,025,840	10,354,367	10,218,955
Cumulative effect of a change in accounting principle	-	563,169	-
Net income	12,025,840	10,917,536	10,218,955
Earnings per share ($)	2.56	2.33	2.18

NT$,000	2004	2003
Operating income	47,638,006	47,259,028
Operating expenses	(36,138,034)	(66,806,779)
Operating profit (loss)	11,499,972	(19,547,751)
Non-operating income (loss)	502,569	662,868
Income (loss) before income tax	12,002,541	(18,884,883)
Net income (loss)	9,967,095	(13,306,619)
Earnings (losses) per share ($)	2.12	(2.84)

Financial ratios (%)

	2007	2006	2005	2004	2003
Financial structure					
Debt ratio (total liabilities to total assets)	94.48	94.46	94.88	95.38	95.99
Fixed assets to net worth	26.30	26.84	31.04	35.70	43.92
Solvency					
Liquidity reserve ratio	23.36	27.20	31.22	30.50	28.13
Operating performance					
Loans to deposits	85.00	79.68	77.81	73.02	75.63
NPL ratio	1.50	1.57	1.72	1.27	1.46
Total assets turnover (times)	0.02	0.02	0.02	0.03	0.03
Profitability					
ROA (net income to average total assets)	0.75	0.71	0.69	0.69	(0.97)
ROE (net income to average shareholders' equity)	13.60	13.32	14.15	15.88	(23.10)
Profit margin ratio	33.47	34.10	32.23	20.92	(28.16)
Cash flows					
Cash flow adequacy ratio	539.91	683.67	648.25	589.01	516.64
Capital adequacy ratio	10.80	11.00	10.24	10.35	9.00
Market share					
Assets	5.46	5.49	5.30	6.04	6.30
Net worth	4.76	4.82	4.47	4.43	3.63
Deposits	5.49	5.45	5.41	6.00	6.34
Loans	5.72	5.41	5.18	5.55	6.16

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, 2007 and 2006, 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, 2007 and 2006, 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", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China.

As described in Note 2 to the financial statements, First Commercial Bank Co., Ltd. has adopted the Statements of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement" and No. 36 "Financial Instruments: Disclosure and Presentation" and newly amended articles of other relevant standards, effective from January 1, 2006.

PricewaterhouseCoopers

March 12, 2008

Balance Sheets

as of December 31, 2007 and 2006

NT$,000	Note	2007	2006
Assets			
Cash and cash equivalents	3(1)	$ 19,899,202	$ 38,021,901
Due from Central Bank and other banks	3(2),4	145,218,447	140,966,233
Financial assets at fair value through profit or loss - net	3(3)	37,201,578	42,794,967
Investments in bills and bonds under resale agreements	3(4)	-	501,616
Receivables - net	3(5)	21,875,760	21,295,485
Bills discounted and loans - net	3(6),4	1,071,171,454	972,044,580
Available-for-sale financial assets - net	3(7),5	61,258,309	82,635,713
Held-to-maturity financial assets - net	3(8)	217,897,599	213,747,427
Equity investments accounted for under the equity method - net	3(9)	2,362,249	2,368,858
Other financial assets - net	3(10)	11,680,795	18,037,044
Properties, plants and equipments	3(11),(26)		
Cost			
Land		16,523,317	16,407,512
Buildings		8,892,899	8,294,574
Machinery and equipments		3,071,131	3,126,688
Transportation equipments		915,699	892,894
Other equipments		1,794,085	1,792,063
Leasehold improvements		642,608	611,605
Subtotal		31,839,739	31,125,336
Less: Accumulated depreciation		(8,409,322)	(7,824,910)
Construction in progress and prepayments for equipments		170,943	86,163
Properties, plants and equipments - net		23,601,360	23,386,589
Intangible assets - net		417,230	369,867
Other assets - net	3(12),(29),5	13,764,211	17,852,161
Total assets		$1,626,348,194	$1,574,022,441
Liabilities and Stockholders' Equity			
Liabilities			
Due to Central Bank and other banks	3(13)	$ 140,315,847	$ 116,955,966
Funds borrowed from Central Bank and other banks		126,661	183,046
Financial liabilities at fair value through profit or loss	3(14),(18)	51,376,164	51,811,768
Bills and bonds payable under repurchase agreements	3(15)	12,207,113	15,241,566
Payables	3(16)	39,087,947	50,027,772
Deposits and remittances	3(17),4	1,260,175,302	1,219,888,559
Financial bonds payable	3(18)	22,800,000	21,998,479
Accrued pension liabilities	3(19)	1,553,653	1,439,881
Other financial liabilities	3(20)	541,814	534,011
Other liabilities	3(21)	8,422,106	8,815,973
Total liabilities		1,536,606,607	1,486,897,021
Stockholders' Equity			
Common stock	3(22)	46,909,240	46,216,000
Additional paid-in capital	3(23)	8,660,326	8,660,326
Retained earnings			
Legal reserve	3(24)	9,331,076	6,055,815
Unappropriated earnings	3(25),(29)	15,285,722	14,160,783
Other stockholders' equity			
Unrealized revaluation increments	3(26)	5,298,124	5,527,177
Cumulative translation adjustments	3(9)	315,723	253,021
Unrealized gains / losses on financial instruments	3(7)	3,941,376	6,252,298
Total stockholders' equity		89,741,587	87,125,420
Total liabilities and stockholders' equity		$1,626,348,194	$1,574,022,441

*NT$32.484:US$1.00

Statements of Income

for the years ended December 31, 2007 and 2006

NT$,000	Note	2007	2006
Interest income		$48,572,750	$42,937,557
Less: Interest expenses		(26,631,341)	(22,556,811)
Net interest income		21,941,409	20,380,746
Net non-interest income			
Net service fee and commission income		6,883,927	4,495,223
Gains or losses on financial assets and financial liabilities at fair value through profit or loss	3(3),(14)	1,941,995	1,522,730
Realized gains or losses on available-for-sale financial assets		759,975	371,637
Realized gains or losses on held-to-maturity financial assets		10,555	7,899
Income from equity investments accounted for under the equity method	3(9)	239,953	405,122
Foreign exchange gains or losses		297,499	882,604
Impairment losses	3(8),(12)	(176,392)	(21,739)
Other non-interest income or losses	3(27)	4,034,609	3,971,050
Net revenues		35,933,530	32,015,272
Provision for credit losses	3(6)	(6,061,505)	(4,735,859)
Operating expenses	3(28)		
Personnel expenses		(9,071,802)	(8,692,165)
Depreciation and amortization expenses		(1,125,496)	(1,138,383)
Other business and administrative expenses		(4,002,820)	(3,754,978)
Income from continuing operations before income tax		15,671,907	13,693,887
Income tax expense	3(29)	(3,646,067)	(3,339,520)
Income from continuing operations after income tax		12,025,840	10,354,367
Cumulative effect of a change in accounting principle	2	-	563,169
Net income		$12,025,840	$10,917,536

	Note	Before tax	After tax	Before tax	After tax
Earnings per common share (in dollars)	3(30)				
Income from continuing operations		$3.34	$2.56	$2.92	$2.21
Cumulative effect of a change in accounting principle		-	-	0.12	0.12
Net income		$3.34	$2.56	$3.04	$2.33

Statements of Changes in Stockholders' Equity

for the years ended December 31, 2007 and 2006

NT$,000	Common stock	Additional paid-in capital	Retained Earnings: Legal reserve	Retained Earnings: Unappropriated earnings	Other Stockholders' Equity: Unrealized revaluation increments	Other Stockholders' Equity: Cumulative translation adjustments	Other Stockholders' Equity: Unrealized gains / losses on financial instruments	Total
For the year ended Dec. 31, 2006								
Balance, January 1, 2006	$46,216,000	$ 8,660,326	$ 2,990,128	$13,241,334	$ 5,533,543	$ 201,669	$ -	$76,843,000
Earnings distribution for 2005								
Legal reserve	-	-	3,065,687	(3,065,687)	-	-	-	-
Employee bonus	-	-	-	(500,729)	-	-	-	(500,729)
Cash dividends	-	-	-	(6,431,671)	-	-	-	(6,431,671)
Net income for 2006	-	-	-	10,917,536	-	-	-	10,917,536
Changes of unrealized gains or losses on available-for-sale financial assets	-	-	-	-	-	-	6,252,298	6,252,298
Reversal of revaluation increments due to land disposal	-	-	-	-	(6,366)	-	-	(6,366)
Changes of cumulative translation adjustments	-	-	-	-	-	51,352	-	51,352
Balance, December 31, 2006	$46,216,000	$ 8,660,326	$ 6,055,815	$14,160,783	$ 5,527,177	$ 253,021	$6,252,298	$87,125,420
For the year ended Dec. 31, 2007								
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)	-	-	-	-
Employee bonus	-	-	-	(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

Statements of Cash Flows

for the years ended December 31, 2007 and 2006

NT$,000	**2007**	2006
Cash flows from operating activities		
Net income	$12,025,840	$10,917,536
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation - properties, plants and equipments	920,543	994,260
Depreciation - non-operating assets	32,222	33,408
Amortization	204,953	144,123
Provision for credit losses	6,061,505	4,735,859
Gain from equity investments accounted for under the equity method	(239,953)	(405,122)
(Gain) Loss on disposal of properties, plants and equipments	(363,934)	8,224
Gain on sale of non-operating assets	(41,032)	-
(Gain) Loss on sale of foreclosed assets	(24,712)	19,045
Impairment losses	176,392	21,739
Reversal of allowance for credit losses to other income	(7,337)	(3,286)
Changes in assets		
Decrease (Increase) in financial assets at fair value through profit or loss - net	5,593,389	(5,376,719)
(Increase) Decrease in receivables	(1,040,275)	394,113
Cash dividends under the equity method	241,012	267,781
(Increase) Decrease in bills purchased	(10,399)	4,707
(Decrease) Increase in other assets	151,810	(617,932)
Deferred income tax assets	3,199,677	3,067,142
Changes in liabilities		
(Decrease) Increase in financial liabilities at fair value through profit or loss	(435,604)	15,747,734
(Decrease) Increase in payables	(10,939,825)	3,351,876
Increase in accrued pension liabilities	113,772	65,672
(Decrease) Increase in other liabilities	(260,299)	245,393
Net cash provided by operating activities	15,357,745	33,615,553
Cash flows from investing activities		
Increase in due from Central Bank and other banks	(4,252,214)	(21,367,604)
Decrease (Increase) in investments in bills and bonds under resale agreements	501,616	(501,616)
Increase in bills discounted and loans	(104,736,471)	(84,983,146)
Decrease in available-for-sale financial assets	19,066,482	11,179,018
(Increase) Decrease in held-to-maturity financial assets	(4,262,677)	22,195,197
Decrease in other financial assets - net	6,366,648	3,986,658
Proceeds from sale of properties, plants and equipments	270	81,353
Purchase of properties, plants and equipments	(563,272)	(539,243)
Increase in intangible assets	(251,430)	(304,635)
Increase in non-operating assets	(2,015)	(2,350)
Decrease in foreclosed assets	42,206	50,557
Decrease in refundable deposits	81,694	161,873
Net cash used in investing activities	(88,009,163)	(70,043,938)

NT$,000	2007	2006
Cash flows from financing activities		
Increase (Decrease) in due to Central Bank and other banks	$23,359,881	($ 27,815,240)
Decrease in funds borrowed from Central Bank and other banks	(56,385)	(50,122)
Decrease in bills and bonds payable under repurchase agreements	(3,034,453)	(153,584)
Increase in deposits and remittances	40,286,743	75,246,708
Increase (Decrease) in financial bonds payable	801,521	(1,991,429)
Increase (Decrease) in other financial liabilities	38,932	(1,640,377)
Increase (Decrease) in guarantee deposits received	13,601	(259,056)
Decrease in appropriated loan fund	(31,129)	(41,261)
Employee bonus paid	(567,821)	(500,729)
Cash dividends paid to stockholders	(6,364,579)	(6,431,671)
Net cash provided by financing activities	54,446,311	36,363,239
Net effect of foreign exchange rate changes on cash and cash equivalents	82,408	50,614
Decrease in cash and cash equivalents	(18,122,699)	(14,532)
Cash and cash equivalents at beginning of year	38,021,901	38,036,433
Cash and cash equivalents at end of year	$19,899,202	$38,021,901
Supplemental disclosures of cash flow information:		
Cash paid for interest during the year	$26,974,474	$22,796,541
Cash paid for income tax during the year	$ 1,222,545	$ 1,207,930

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", "Regulation on Business Entity Accounting Handling" and generally accepted accounting principles in the Republic of China. 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 Standard 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. 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-performing loans) are recorded at the amounts of principal outstanding. Interest income is recognized on an accrual basis except for interest on non-performing loans.

All non-performing 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 transferred to non-accrual loans account item. Interest shall cease to be accrued for non-performing 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 credit losses

The Bank shall classify credit assets of on and off balance sheet and determine the allowance for credit losses 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 "Standard 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, credit assets are classified into five categories: (1) normal (2) special attention (3) substandard (4) doubtful and (5) unrecoverable. 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 credit losses 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 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 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 latest transaction price of Automatic Order Matching and Execution System 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 and 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 that would have been determined had no impairment loss been 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 amount 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.

Effective from January 1, 2006, 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 or issuance 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 that would have been determined had no impairment loss been 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) Properties, plants and equipments / Non-operating assets

Properties, plants and equipments / 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 properties, plants and equipments 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 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 that would have been determined had no impairment loss been 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 income or expense.

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 translation 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) 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.

Pursuant to the Explanatory Letter Tai-Tsai-Shui No.0910458039 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 2004 to include the Bank and the associated entities including First Taisec Securities Inc., National Investment Trust Co., Ltd. (NITC), 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.

(20) Financial assets securitization transaction

According to the "Financial Asset Securitization Act" and the "Trust Law", the Bank entrusted the rights of personal residential mortgage loans and related rights and obligations to Deutsche Bank AG., Taipei Branch (the Trustee) under special purpose trust. The Trustee raised funds for the Bank by issuing beneficiary certificates. Because the Bank lost control of transferred assets under the framework of securitization transaction, the Bank derecognized the assets from loans and recognized servicing assets, recourse liabilities, and the gain on securitization. The portion of subordinated beneficiary certificates held by the Bank for credit enhancement was recorded as held-to-maturity financial assets.

There is no market price for the retained interests of the subordinated beneficiary certificates, so the Bank estimated the fair value based on the expected prepayment rate, expected weighted average useful lives, expected credit loss rate, and discount rate of residual cash flows.

Interest income is recognized with respect to the subordinated beneficiary certificates when the Trustee pays the interest.

Servicing assets are recorded as other assets and amortized under straight-line method over the period of service lives.

(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

(1) Effective from January 1, 2006, the Bank adopted the Statements of Financial Accounting Standards No. 34 and No. 36 to account for the financial instruments.

(2) The change in accounting principle for such financial instruments resulted in a credit to other stockholders' equity of $6,252,298, and the effects on net income for 2006 were as follows:

	Amount	Earnings per share (in dollars)
Income before income tax	$ 387,930	$ 0.08
Cumulative effect of a change in accounting principle (net of income tax expense)	563,169	0.12
Net income	$ 951,099	$ 0.20

3. Summary of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2007	December 31, 2006
Cash on hand	$ 8,897,274	$ 8,953,504
Checks for clearing	8,650,020	26,328,945
Due from other banks	2,351,908	2,739,452
Total	$ 19,899,202	$ 38,021,901

(2) Due from Central Bank and other banks

	December 31, 2007	December 31, 2006
Reserve for deposits - account A	$ 11,284,808	$ 11,086,379
Reserve for deposits - account B	31,551,683	29,744,179
Reserve for deposits - foreign currency	7,240,651	143,301
Deposits with Central Bank	1,100,000	2,100,000
Inter-bank clearing fund	1,845,878	1,824,879
Deposits of overseas branches with foreign Central Banks	774,787	866,079
Deposits of national treasury account	937,190	862,475
Call loans and overdrafts to other banks	90,483,450	94,338,941
Total	$ 145,218,447	$ 140,966,233

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, 2007	December 31, 2006
Financial assets for trading purpose		
Stocks	$ 2,139,960	$ 2,340,269
Bonds	1,129,703	6,920,217
Beneficiary certificates	445,000	185,000
Other marketable securities	450,400	450,400
Derivative financial instruments	5,836,522	3,226,430
Valuation adjustment for financial assets for trading purpose - non-derivative instruments	166,282	495,665
Subtotal	10,167,867	13,617,981
Financial assets designated as at fair value through profit or loss		
Bonds	26,636,068	28,275,660
Valuation adjustment for financial assets designated as at fair value through profit or loss	397,643	901,326
Subtotal	27,033,711	29,176,986
Total	$ 37,201,578	$ 42,794,967

For the years ended December 31, 2007 and 2006, the net gains on financial assets for trading purpose and the net realized and unrealized gains on financial assets designated as at fair value through profit or loss amounted to $15,817,908 and $10,308,255, 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:

	December 31, 2007		December 31, 2006	
Financial instruments	Contract amount (Notional principal)	Credit risk	Contract amount (Notional principal)	Credit risk
Trading purpose				
Foreign exchange contracts				
(FX swaps and forwards)	$ 126,404,028	$ 723,820	$ 75,706,549	$ 623,245
FX margin trading	7,590,535	640,117	4,831,217	228,403
Non-delivery FX forwards	13,598,221	79,833	8,547,101	74,462
FX options written	26,550,366	-	6,240,980	-
Interest rate swaptions written	46,000,000	-	12,000,000	-
Bond options written	1,536,493	-	1,817,952	-
FX options held	27,684,212	579,143	7,673,198	50,925
Interest rate swaptions held	28,600,000	152,193	1,000,000	7,066
Bond options held	-	-	163,250	14
Cross currency swap contracts	21,199,930	575,999	16,654,376	211,324
Interest rate swap contracts	464,127,321	3,044,695	253,063,431	1,910,887
Futures trading (note)	32,484	40,722	-	120,104

note: As the Bank did not have unsettled positions as of December 31, 2006, the credit risk amount was the excess margin deposit.

(4) Investments in bills and bonds under resale agreements

	December 31, 2007	December 31, 2006
Government bonds under resale agreement	$ -	$ 501,616

After December 31, 2006, the Bank was obliged to sell the above bonds at purchase price plus a mark-up based on the resale agreements, and such resale amount was $501,684.

(5) Receivables - net

	December 31, 2007	December 31, 2006
Acceptances receivable	$ 7,925,810	$ 7,668,753
Interest receivable	5,580,781	5,979,672
Credit card account receivable	3,797,175	4,139,249
Factoring receivable	2,097,060	696,649
Other receivables	2,713,031	3,035,601
	22,113,857	21,519,924
Less: allowance for doubtful accounts	(238,097)	(224,439)
Net amount	$ 21,875,760	$ 21,295,485

As of December 31, 2007 and 2006, the Bank's reserves for guarantees, including acceptances receivable and guarantees receivable, are $400,518 and $450,518, respectively, and such reserves are recorded under "other liabilities".

(6) Bills discounted and loans - net

	December 31, 2007	December 31, 2006
Bills discounted	$ 7,577,875	$ 5,407,731
Overdrafts	1,146,939	998,330
Short-term loans	317,105,379	296,408,656
Medium-term loans	319,481,025	282,330,615
Long-term loans	414,142,444	375,619,193
Import-export negotiations	3,721,129	3,758,831
Non-accrual loans (transferred from loans)	16,736,697	15,555,942
Subtotal	1,079,911,488	980,079,298
Less: allowance for credit losses	(8,740,034)	(8,034,718)
Net amount	$ 1,071,171,454	$ 972,044,580

As of December 31, 2007 and 2006, gain from hedge evaluation on loans is $230,637 and $187,907, 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.

As of December 31, 2007 and 2006, non-accrual loans and other credit extensions where interest accruals had been ceased are $16,612,902 and $15,416,656, respectively. For the years ended December 31, 2007 and 2006, interest receivable that was not accrued is $580,761 and $505,367, 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, 2007 and 2006.

The Bank's business segment has revalued the allowance for doubtful receivables, bills 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 credit losses of doubtful receivables, bills purchased, bills discounted, loans and non-accrual loans (including amounts transferred from loans and non-loans) for the years ended December 31, 2007 and 2006 are as follows:

	For the year ended December 31, 2007		
	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	$ 4,460,024	$ 4,580,626	$ 9,040,650

	For the year ended December 31, 2006		
	Unrecoverable risks for the specific loans	Inherent risks for the overall loan portfolio	Total
Beginning balance	$ 3,890,303	$ 4,510,834	$ 8,401,137
Provision	4,735,859	-	4,735,859
Write-off	(4,821,184)	-	(4,821,184)
Foreign exchange translation difference and others	940,372	(934,508)	5,864
Ending balance	$ 4,745,350	$ 3,576,326	$ 8,321,676

(7) Available-for-sale financial assets - net

	December 31, 2007	December 31, 2006
Stocks	$ 2,787,632	$ 2,962,490
Bonds	53,302,704	72,766,379
Short-term bills	974,024	443,616
Beneficiary securities	252,573	210,930
Valuation adjustment for available-for-sale financial assets	3,941,376	6,252,298
	$ 61,258,309	$ 82,635,713

Please refer to Note 5 for details of available-for-sale financial assets pledged as collateral as of December 31, 2007 and 2006.

(8) Held-to-maturity financial assets - net

	December 31, 2007	December 31, 2006
Certificates of deposit purchased	$ 184,625,000	$ 207,070,000
Bonds	29,090,671	3,955,901
Preferred stocks of Taiwan High Speed Rail Corporation	2,000,000	2,000,000
Short-term bills	184,076	190,531
Beneficiary securities	1,273,672	-
Others	836,685	530,995
Subtotal	218,010,104	213,747,427
Less: accumulated impairment losses - others	(112,505)	-
	$ 217,897,599	$ 213,747,427

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

1) Equity investments

Investee company	December 31, 2007 Amount	December 31, 2007 Percentage of ownership (%)	December 31, 2006 Amount	December 31, 2006 Percentage of ownership (%)
First Commercial Bank (USA)	$ 1,531,101	100	$ 1,386,783	100
FCB Leasing Co., Ltd.	661,442	100	687,779	100
First Insurance Agency Co., Ltd.	159,349	100	283,559	100
East Asia Real Estate Management Co., Ltd.	10,357	30	10,737	30
	$ 2,362,249		$ 2,368,858	

2) Investment income and cumulative translation adjustments from equity investments accounted for under the equity method for the years ended December 31, 2007 and 2006 are as follows:

	For the years ended December 31, 2007	For the years ended December 31, 2006
Investment income	$ 239,953	$ 405,122
Cumulative translation adjustments	(5,550)	386

3) The investment income from the above equity investments accounted for under the equity method is based on the investees' audited financial statements for the years ended December 31, 2007 and 2006.

(10) Other financial assets - net

	December 31, 2007	December 31, 2006
Bond investments with no active market	$ 8,539,022	$ 14,866,599
Financial assets carried at cost	2,943,587	3,041,788
Overdue receivables transferred from accounts other than loans	201,438	138,509
Bills purchased	58,378	47,979
Derivative financial assets held for hedging	889	4,688
Subtotal	11,743,314	18,099,563
Less: allowance for bad debts - overdue receivables transferred from accounts other than loans	(62,519)	(62,519)
	$ 11,680,795	$ 18,037,044

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) 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 December 31, 2007	Designated hedging instruments: Fair value December 31, 2006
Fixed-rate loans	Interest rate swap contracts	$ 889	$ 4,688

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

Financial instruments	December 31, 2007 Contract amount (Notional principal)	December 31, 2007 Credit risk	December 31, 2006 Contract amount (Notional principal)	December 31, 2006 Credit risk
Non-trading purpose:				
Interest rate swap contracts	$ 3,095,239	$ 889	$ 3,453,143	$ 4,688

(11) Properties, plants and equipments

	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 equipments	3,071,131	-	(2,402,467)	668,664
Transportation equipments	915,699	-	(616,525)	299,174
Other equipments	1,794,085	-	(1,524,104)	269,981
Leasehold improvements	642,608	-	(519,725)	122,883
Construction in progress and prepayments for equipments	170,943	-	-	170,943
	$ 22,620,876	$ 9,389,806	($ 8,409,322)	$ 23,601,360

	December 31, 2006			
	Cost	Revaluation increments	Accumulated depreciation	Book value
Land and improvements	$ 7,045,283	$ 9,362,229	($ 2,029)	$ 16,405,483
Buildings	8,237,690	56,884	(3,039,378)	5,255,196
Machinery and equipments	3,126,688	-	(2,322,811)	803,877
Transportation equipments	892,894	-	(544,512)	348,382
Other equipments	1,792,063	-	(1,442,012)	350,051
Leasehold improvements	611,605	-	(474,168)	137,437
Construction in progress and prepayments for equipments	86,163	-	-	86,163
	$ 21,792,386	$ 9,419,113	($ 7,824,910)	$ 23,386,589

The Bank revalued its assets in accordance with the relevant regulations. As of December 31, 2007 and 2006, the balances of the revaluation increments (including those for non-operating assets) amounted to $15,707,498 and $15,751,926, respectively, and relevant reserve for land revaluation increment tax recorded as other liabilities were $5,521,000 and $5,615,563, respectively. The difference was recorded under capital and other stockholders' equity. Please refer to Note 3(26).

There is no interest capitalized on properties, plants and equipments purchased for the fiscal years ended December 31, 2007 and 2006.

As of December 31, 2007 and 2006, there is no property, plant and equipment pledged as collateral.

(12) Other assets

	December 31, 2007	December 31, 2006
Non-operating assets		
Cost		
Land	$ 329,256	$ 468,316
Buildings	1,003,282	1,362,124
Others	298,047	295,938
Subtotal	1,630,585	2,126,378
Revaluation increments	6,317,692	6,332,813
Total cost and revaluation increments	7,948,277	8,459,191
Less: accumulated depreciation	(415,521)	(429,485)
Net non-operating assets	7,532,756	8,029,706
Other assets		
Foreclosed assets		
Cost	185,610	207,656
Less: accumulated impairment losses	(178,001)	(118,786)
Net foreclosed assets	7,609	88,870
Deferred income tax assets - net	4,612,383	7,812,060
Prepaid income tax	602,409	550,994
Other prepayments	638,323	917,952
Refundable deposits	340,686	422,380
Other assets to be adjusted	28,302	28,302
Others	1,743	1,897
	$ 13,764,211	$ 17,852,161

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.

The impairment losses of foreclosed assets amounted to $63,887 and $21,739, respectively, for the years ended December 31, 2007 and 2006.

Please refer to Note 5 for details of other assets pledged as collateral as of December 31, 2007 and 2006.

(13) Due to Central Bank and other banks

	December 31, 2007	December 31, 2006
Call loans from other banks	$ 107,234,610	$ 80,173,201
Transferred deposits from Taiwan Post Co., Ltd.	28,421,610	33,699,810
Overdrafts from other banks	3,644,768	2,134,070
Due to other banks	553,453	744,197
Due to Central Bank	461,406	204,688
Total	$ 140,315,847	$ 116,955,966

(14) Financial liabilities at fair value through profit or loss

	December 31, 2007	December 31, 2006
Financial liabilities for trading purpose - derivative financial instruments	$ 5,936,828	$ 3,337,601
Financial liabilities designated as at fair value through profit or loss	46,300,000	49,300,000
Valuation adjustment for financial liabilities designated as at fair value through profit or loss	(860,664)	(825,833)
Total	$ 51,376,164	$ 51,811,768

Net realized and unrealized losses for the above financial liabilities were $13,875,913 and $8,785,525 for the years ended December 31, 2007 and 2006, 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.

(15) Bills and bonds payable under repurchase agreements

	December 31, 2007	December 31, 2006
Bonds under repurchase agreements	$ 12,207,113	$ 15,241,566

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 $12,256,120 and $15,278,566, respectively, as of December 31, 2007 and 2006.

(16) Payables

	December 31, 2007	December 31, 2006
Accounts payable	$ 16,279,371	$ 27,437,194
Bank acceptances	8,182,777	7,973,591
Interest payable	4,783,550	4,393,274
Accrued expenses	2,524,932	2,124,018
Overseas trust funds payable	2,406,989	1,338,434
Import payable	1,944,513	3,101,858
Other payables	2,965,815	3,659,403
Total	$ 39,087,947	$ 50,027,772

(17) Deposits and remittances

	December 31, 2007	December 31, 2006
Checking deposits	$ 35,708,975	$ 40,892,120
Demand deposits	236,880,941	220,035,108
Time deposits	309,598,657	277,276,518
Negotiable certificates of deposit	8,483,200	9,099,200
Savings deposits	668,236,468	671,510,446
Outward remittances	51,828	85,178
Inward remittances	1,215,233	989,989
Total	$ 1,260,175,302	$ 1,219,888,559

(18) Financial bonds payable

On June 22, 2001, October 3, 2002, November 14, 2003, June 24, 2005, and August 18, 2006, the Board of Directors of the Bank resolved to issue senior and subordinated financial bonds with the quotas of $50, $30, $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. 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:

	First Issue, 2001
Issue date	September 12, 2001
Issue amount	NT$10 billion dollars
Issue price	At par
Coupon rate	4%
Interest and repayment terms	Interest is paid annually and principal of 20%, 30% and 50% is repaid at the 5th, 6th, and 7th year, respectively.
Maturity period	7 years

	First to Fourth Issues, 2002
Issue date	March 4, July 9, December 10, and December 19, 2002
Issue amount	NT$20.5 billion dollars
Issue price	At par
Coupon rate	Part of interest rates is fixed rates (3.2% ~ 3.9%), and the rest is either floating rates or inverse floating rates with the minimum yield rate of 0%.
Interest and repayment terms	For the fixed rates, interest is paid annually. For the floating rates, interest is paid either quarterly or semi-annually. The principal is to be paid pursuant to face value at maturity.
Maturity period	5 years to 5 years and 7 months

	First to Ninth Issues, 2003
Issue date	January 20, February 25, May 2, September 10, October 27, and November 13, 2003
Issue amount	NT$24.8 billion dollars
Issue price	At par
Coupon rate	Part of interest rates is fixed rate (2.9% ~ 4.0%), 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

	First Issue, 2004
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 0.5%. 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

	First Issue, 2006
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

	Second Issue (A~C), 2006
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

	Third Issue, 2006
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

	First issue (A & B), 2007
Issue date	March 9, 2007
Issue amount	NT$5.5 billion dollars
Issue price	At par
Coupon rate	Interest rate indexes +0.25%, 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

	Second issue (A & B), 2007
Issue date	June 25, 2007
Issue amount	NT$5 billion dollars
Issue price	At par
Coupon rate	Interest rate indexes +0.29%, fixed rate 2.70%. 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

	Third issue (A & B), 2007
Issue date	December 24, 2007
Issue amount	NT$3.5 billion dollars
Issue price	At par
Coupon rate	Interest rate indexes +0.38%, 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

As of December 31, 2007 and 2006, interest rates of the above financial bonds ranged from 0% to 4% and 0% to 6.518%, respectively.

As of December 31, 2007 and 2006, the outstanding balances of the above mentioned financial bonds amounted to $69,100,000 and $71,300,000, respectively. In addition, among the above financial bonds, interest rate risk associated with 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 as well as the senior financial bonds with face value of $22.3 billion New Taiwan dollars and the subordinated financial bonds with face value of $27.0 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.

(19) 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 $663,374 and $615,872 for the years ended December 31, 2007 and 2006, respectively. As of December 31, 2007 and 2006, the balances of the pension fund deposited in the Bank of Taiwan were $3,846,184 and $3,278,437, respectively.

2) Actuarial assumptions are listed below:

	2007	2006
Discount rate	**2.75%**	2.50%
Rate of increase in salaries	**1.50%**	1.75%
Expected rate of return on plan assets	**2.75%**	2.50%

3) Funded status of the pension plan:

	December 31, 2007	December 31, 2006
Benefit obligation		
Vested benefit obligation	**$ 3,838,488**	$ 3,371,666
Non-vested benefit obligation	**1,484,095**	1,363,285
Accumulated benefit obligation	**5,322,583**	4,734,951
Effect of future salary increments	**778,107**	873,422
Projected benefit obligation	**6,100,690**	5,608,373
Fair value of plan assets	**(3,846,184)**	(3,372,036)
Funded status	**2,254,506**	2,236,337
Unrecognized gain on plan assets	**(700,853)**	(796,456)
Accrued pension liabilities	**$ 1,553,653**	$ 1,439,881
Vested benefit	**$ 4,443,713**	$ 3,893,581

4) Net pension costs:

	December 31, 2007	December 31, 2006
Service cost	**$ 592,871**	$ 595,746
Interest cost	**139,047**	123,572
Expected return on plan assets	**(89,413)**	(75,400)
Amortization of unrecognized gain on plan assets	**14,837**	14,923
Net pension costs	**$ 657,342**	$ 658,841

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, 2007 and 2006 were $72,173 and $66,756, respectively.

(20) Other financial liabilities

	December 31, 2007	December 31, 2006
Appropriated loan fund	$ 310,288	$ 341,416
Derivative financial liabilities for hedging	231,526	192,595
Total	$ 541,814	$ 534,011

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.

	Designated hedging instruments		
Hedged item	Designated hedging instruments	Fair value December 31, 2007	Fair value December 31, 2006
Fixed-rate loans	Interest rate swap contracts	($231,526)	($192,595)

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

	December 31, 2007		December 31, 2006	
Derivative financial instruments	Contract amount (Notional principal)	Credit Risk	Contract amount (Notional principal)	Credit Risk
Non-trading purpose:				
Interest rate swap contracts	$ 3,095,239	$ -	$ 3,453,143	$ -

(21) Other liabilities

	December 31, 2007	December 31, 2006
Reserve for land revaluation increment tax	$ 5,521,000	$ 5,615,563
Guarantee deposits received	1,137,723	1,124,122
Other collections in advance	972,616	1,067,067
Reserve for losses on guarantees	400,518	450,518
Reserve for securities trading losses	200,000	200,000
Other liabilities to be adjusted	1,493	1,493
Others	188,756	357,210
Total	$ 8,422,106	$ 8,815,973

(22) Common stock

As of December 31, 2006, the authorized and issued capital stocks were both $46,216,000. Total issued and outstanding shares were both 4,621,600 thousand shares with a par value of $10 New Taiwan dollars per share.

On April 20, 2007 the Bank's Board of Directors approved to increase capital and on June 22, 2007 the resolution was adopted at the shareholders' meeting to distribute unappropriated earnings for the year 2006 in stock dividends for NT$693,240 by issuing an additional 69,324 thousand new shares. The Board of Directors set August 28, 2007 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. 0960037521 of the FSC and the related registration has been completed. 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.

(23) 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.

(24) 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.

(25) 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. The Bank can also set aside a special reserve for specific business purposes. 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 2006 and 2005 had been approved by the shareholders' meeting on June 22, 2007 and December 15, 2006, respectively. Details of the appropriation of earnings for 2006 and 2005 are summarized as below:

	Appropriation of earnings		Earnings per share (in dollars)	
	2006	2005	2006	2005
Legal reserve	$ 3,275,261	$ 3,065,687	$ -	$ -
Cash dividends on common stock (note 1)	6,364,579	6,431,671	1.38	1.39
Stock dividends	693,240	-	0.15	-
Employees bonuses	567,821	500,729	-	-
	$ 10,900,901	$ 9,998,087	$ 1.53	$ 1.39

note 1: With respect to appropriation of earnings for 2005, the Board of Directors on May 19, 2006 resolved to distribute $1 of cash dividends per share totaling to $4,621,600. However, the shareholders' meeting (The Board of Directors function is in an acting capacity of shareholders' meeting.) on December 15, 2006 resolved to adjust to $1.39 of cash dividends per share totaling to $6,431,671.

note 2: Employee bonuses are paid in cash. If the employee bonuses are recognized as expenses in the year of appropriation, the earnings per common share after tax in 2006 will be decreased from $2.33 to $2.21.

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.

(26) 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 the reserve for land revaluation increment tax and other stockholders' equity - unrealizd revaluation increments accounts and recognize the disposal gain or loss.

(27) Other non-interest income or losses

	For the years ended December 31, 2007	2006
Recovered bad debts and overdue accounts	$ 3,019,443	$ 3,612,391
Profit from financial assets carried at cost	477,377	36,717
Net rental income	216,858	197,468
Profit from selling properties and equipments	415,750	8,505
Net other income or losses	(94,819)	115,969
Total	$ 4,034,609	$ 3,971,050

(28) Personnel, depreciation, and amortization expenses

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

	For the years ended December 31, 2007	2006
Personnel expenses	$ 9,071,802	$ 8,692,165
Salaries	7,844,592	7,554,684
Labor and health insurance expenses	307,938	302,734
Pension expenses	735,547	682,628
Others	183,725	152,119
Depreciation expenses	920,543	994,260
Amortization expenses	204,953	144,123

(29) Income tax

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

	For the years ended December 31, 2007	2006
Income tax payable - foreign branches and adjustment for under provision of prior years' income tax expense	$ 149,037	$ 104,836
Net changes in deferred income tax assets	3,199,677	3,067,142
Income taxes levied separately	8,021	9,563
10% surtax levied on undistributed earnings	1,664	22,087
Tax due to Alternative Minimum Tax Act	287,668	135,892
Income tax expense	$ 3,646,067	$ 3,339,520

2) Deferred income tax assets - net

As of December 31, 2007 and 2006, the income tax effects of temporary differences that gave rise to the deferred tax assets or liabilities are as follows:

	December 31, 2007		December 31, 2006	
	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	178,001	44,500	118,786	29,697
Loss carry forwards	20,318,153	5,079,538	32,356,920	8,089,230
Others	449,160	112,290	(101,727)	(25,432)
	$ 23,729,301	5,932,325	$ 35,157,966	8,789,492
Investment tax credits		28,316		47,306
Overseas branches		111,936		107,570
Deferred income tax assets		6,072,577		8,944,368
Allowance for deferred income tax assets		(1,460,194)		(1,132,308)
Deferred income tax assets - net		$ 4,612,383		$ 7,812,060

3) As of December 31, 2007, the details of tax credits are as follows:

Item for tax credits	Amount	Available period (year)
Personnel training costs	$ 28,316	2007~2011

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

Year of losses	Declared amount of losses	Year of expiration	Assessed by tax authorities
2003	$ 20,318,153	2008	Assessed

5) Imputation credit account for shareholders and its related information

	December 31, 2007	December 31, 2006
Balances of imputation credit account for shareholders	$ 161,840	$ 214,360
Estimated imputation credit ratio for earnings distribution	1.06%	1.51%
Actual imputation credit ratio for cash dividends distributed	-	1.52%
Actual imputation credit ratio for stock dividends distributed	-	4.36%

6) The balances of unappropriated earnings are as follows:

	December 31, 2007	December 31, 2006
Derived from earnings after 1998	$ 15,285,722	$ 14,160,783

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,			
	2007		2006	
	Before tax	After tax	Before tax	After tax
Net income from continuing operations	$ 15,671,907	$ 12,025,840	$ 13,693,887	$ 10,354,367
Cumulative effect of a change in accounting principle	-	-	563,169	563,169
Net income	$ 15,671,907	$ 12,025,840	$ 14,257,056	$ 10,917,536
Earnings per share (in dollars)				
Outstanding common shares (in thousand shares)	4,621,600	4,621,600	4,621,600	4,621,600
Add: Earnings in 2006 transferred to capital	69,324	69,324	-	-
Weighted-average outstanding common shares (in thousand shares)	4,690,924	4,690,924	4,621,600	4,621,600
Net income from continuing operations	$ 3.34	$ 2.56	$ 2.96	$ 2.24
Cumulative effect of a change in accounting principle	-	-	0.12	0.12
Earnings per share (in dollars)	$ 3.34	$ 2.56	$ 3.08	$ 2.36
Weighted-average outstanding common shares - after retroactive adjustments (in thousand shares)			4,690,924	4,690,924
Earnings per share - after retroactive adjustments (in dollars)			$ 3.04	$ 2.33

(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 10.80% and 11.00% as of December 31, 2007 and 2006, respectively.

(32) Financial asset securitization transactions

1) Residential mortgage loans securitization

(a) Product nature and profit (loss)

On March 2, 2004, 2,026 items of residential mortgage loans with the carrying amount of $4,572,697 were sold through securitization transaction and were entrusted to the trustee under a special purpose trust (SPT) to issue beneficiary certificates. One was senior beneficiary certificates of $4,280,000, which were issued at par value and were classified into three classes of certificates with floating rates as follows:

- Certificate A: The issue amount was $3,910,000 and the coupon rate was the adjustable rate mortgage (ARM) index plus 0.25%.
- Certificate B: The issue amount was $220,000 and the coupon rate was the adjustable rate mortgage (ARM) index plus 0.55%.
- Certificate C: The issue amount was $150,000 and the coupon rate was the adjustable rate mortgage (ARM) index plus 0.65%.

The other was a subordinated beneficiary certificate of $292,697 issued for a credit enhancement purpose with non-interest bearing and was purchased by the Bank. If debtors are unable to pay off the principal and related interest when due, the investors and the trustee have no recourse to the Bank's assets. The repayment of the principal with respect to retained interests is subordinated to investors, and the value of the retained interests is affected by the transferred debt's credit risk, prepayment rate, and interest rate risk.

(b) Termination of securitization contract

On December 16, 2005, the Board of Directors of the Bank passed the resolution to redeem all residential mortgage loans. On April 3, 2006, the Bank redeemed all of the aforementioned beneficiary certificates (Certificate A, B, C, and D) and terminated the related contracts. Thus, the Bank did not disclose information about the major assumptions for measuring retained interests, sensitivity analysis for cash flows at fair value, and expected static pool loss rate.

(c) Cash flows

The cash flows received from and paid to securitization trusts are summarized as follows:

	For the year ended December 31, 2006
Proceeds from securitization	
Servicing fee income received	$ 1,008
Proceeds from other cash flows of retained interests	12,321
Setting aside as cash reserves (recorded under "refundable deposits")	-
Setting aside as cash reserves of servicing institution	5,968
Essential reserves received	67,767

For the year ended December 31, 2006, the Bank has recognized the interest income of subordinated beneficiary certificates amounting to $12,914.

2) Securitization of collateralized bond obligations

On July 13, 2006, the Bank entered into purchase contracts with International Commercial Bank of China (ICBC, since renamed Mega International Commercial Bank) and International Security Investment Trust Corporation (ISIT) for the purchase of USD bonds and NTD bonds respectively. Subsequently, the Bank immediately took 19 RMBS USD bonds purchased from ICBC and 13 NTD bonds purchased from ISIT as underlying assets for conferment upon a trustee institution to issue asset backed commercial paper (ABCP) pursuant to the "Financial Asset Securitization Act". The Bank serves as the originator of the issuance. For credit enhancement, ICBC serves as the settlement institution, the impaired assets recipient institution and the institution for purchase of subordinated beneficial securities. The liquidity reserve for the ABCP is appropriated by ISIT. The Bank is not responsible for the credit risk of the assets pool or the risk of providing the liquidity reserve and other associated risks.

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	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 Taisec Securities Inc. (FTSI)	Subsidiary of FFHC
National Investment Trust Co., Ltd. (NITC)	Subsidiary of FFHC
First Financial Asset Management Co., Ltd.	Subsidiary of FFHC
First Venture Capital Co., Ltd.	Subsidiary of FFHC
First Financial Management Consulting Co., Ltd.	Subsidiary of FFHC
First P&C Insurance Agency Co., Ltd.	Subsidiary of FFHC
First-Aviva Life Insurance Co., Ltd. (FALI)	Subsidiary of FFHC
13 people including Chao-Shun Chang, etc.	The Bank's Directors
5 people including Yung-Sun Wu, etc.	The Bank's Supervisors
243 people including Chin-Yun Wu, etc.	The Bank's managers
29 people including Bi-Lien Lu, 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

(2) Related party transactions with an amount exceeding NT$100 million, except loans, are set forth below:

1) Due from other banks

	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

	As of and for the year ended December 31, 2006			
	Highest balance	Ending balance	Interest income	Annual interest rate (%)
Bank of Taiwan	$ 5,611,000	$ 3,611,000	$ 21,611	1.45~1.71

2) Due to other banks

	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

	As of and for the year ended December 31, 2006			
	Highest balance	Ending balance	Interest expense	Annual interest rate (%)
Bank of Taiwan	$ 10,000,000	$ -	$ 3,089	1.45~1.66

3) Deposits

	December 31, 2007		December 31, 2006	
	Ending balance	Percentage of total deposits (%)	Ending balance	Percentage of total deposits (%)
FFHC	$ 2,425,420	0.19	$ 5,130,961	0.42
First-Aviva Life Insurance Co., Ltd. (FALI)	1,912,031	0.15	-	-
First Venture Capital Co., Ltd.	448,624	0.04	214,205	0.02
First Insurance Agency Co, Ltd.	136,501	0.01	255,039	0.02
Others (note)	960,574	0.08	953,009	0.08
	$ 5,883,150	0.47	$ 6,553,214	0.54

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, 2007

	Number of borrowers 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	FTSI	260,000	260,000	260,000	-	Guaranteed by a domestic bank	None
Other loans (note)	3	648	506	506	-	Certificates of deposit	None

December 31, 2006

	Number of borrowers 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	9	$ 2,047	$ 2,047	$ 2,047	-	None	None
Residential mortgage loans	91	262,347	262,347	262,347	-	Real estate	None
Other loans	FCBL	2,967,500	2,967,500	2,967,500	-	Aircrafts and notes receivable from customers	None
Other loans (note)	5	4,403	4,403	4,403	-	Certificates of deposit	None

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, 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

December 31, 2006

	Maximum balance for current period	Ending balance	Reserve for guarantees	Fee rate	Collateral
FCBL	$ 1,675,000	$ 1,675,000	$ 670	0.22%	Aircrafts

6) Derivative transactions

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

December 31, 2006

	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	$102,000	$108	Valuation adjustment for trading liabilities - interest rate	$108
Bank of Taiwan	Foreign exchange contracts	2006/12/27~ 2007/1/4	115,173	791	Valuation adjustment for trading liabilities - foreign exchange rate	791

5. Pledged Assets

As of December 31, 2007 and 2006, the collateralized assets are listed below:

	December 31, 2007	December 31, 2006	Pledged Purpose
Available-for-sale financial assets - bonds	**$ 1,525,000**	$ 1,224,400	Guarantees deposited with the court for provisional seizure and trust fund reserves
Refundable deposits	**340,686**	422,380	Guarantees deposited with the court for provisional seizure and deposits for the building leasing
Total	**$ 1,865,686**	$ 1,646,780	

6. Commitments and Contingent Liabilities

(1) Major commitments and contingent liabilities

	December 31, 2007	December 31, 2006
Unused loan commitments	**$ 50,725,049**	$ 43,570,016
Unused credit commitments for credit cards	**31,233,884**	30,548,342
Unused letters of credit issued	**32,427,403**	33,226,367
Guarantees	**29,148,926**	28,615,591
Collections receivable for customers	**143,406,162**	149,784,510
Collections payable for customers	**5,161,936**	4,383,871
Traveler's checks consignment-in	**616,076**	617,152
Guaranteed notes payable	**2,579,876**	6,224,469
Trust assets	**380,282,187**	292,882,370
Customers' securities under custody	**693,439,152**	557,364,182
Book-entry for government bonds under management	**124,223,750**	108,881,150
Depository for short-term marketable securities under management	**57,901,102**	43,508,824

(2) Due to the collapse of the Tung Xin building caused by an earthquake disaster happened on September 21, 1999, the residents filed a legal claim of loss of personal properties 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 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 staff 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. Therefore, 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, 2007, the estimated future lease commitments for the Bank are as follows:

Period	Amount
2008	$ 420,741
2009	372,840
2010	224,917
2011	151,468
2012 and thereafter	342,302
	$ 1,512,268

(4) Others

As of December 31, 2007, the Bank entered into the construction contracts in the amount of $140,000, $66,090 (including sundry expenses) of which had been paid and recorded in "construction in progress and prepayments for equipments" account.

7. Significant Losses from Disasters: None.

8. Significant Subsequent Events:

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

9. Others

(1) Disclosure of financial instruments

1) Fair value of financial instruments

	December 31, 2007		
Non-derivative financial instruments	Book value	Quoted market price	Amount by a valuation technique
Assets			
Financial assets with book value equaling fair value	$ 187,392,473	$ -	$ 187,392,473
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
Liabilities			
Financial liabilities with book value equaling fair value	192,875,291	-	192,875,291
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
Derivative financial instruments			
Assets			
Non-hedge			
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 swaps 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	-
Hedge			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	889	-	889

(to be continued)

Liabilities			
Non-hedge			
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
Structure notes options written	-	-	-
Cross currency swaps 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
Hedge			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	231,526	-	231,526

	December 31, 2006		
Non-derivative financial instruments	Book value	Quoted market price	Amount by a valuation technique
Assets			
Financial assets with book value equaling fair value	$ 201,255,594	$ -	$ 201,255,594
Financial assets at fair value through profit or loss	39,568,537	3,630,206	35,938,331
Bills discounted and loans	972,044,580	-	972,044,580
Available-for-sale financial assets	82,635,713	23,456,576	59,179,137
Held-to-maturity financial assets	213,747,427	3,296,381	210,464,828
Other financial assets - bond investments with no active market	14,866,599	-	14,768,069
Liabilities			
Financial liabilities with book value equaling fair value	183,532,472	-	183,532,472
Financial liabilities at fair value through profit or loss	48,474,167	-	48,474,167
Deposits and remittances	1,219,888,559	-	1,219,888,559
Financial bonds payable	21,998,479	-	21,998,479
Derivative financial instruments			
Assets			
Non-hedge			
FX contracts (swaps and forwards)	$ 623,245	$ -	$ 623,245
FX margin trading	228,403	-	228,403
Non-delivery forwards	74,462	-	74,462
FX options held	50,925	-	50,925
Interest rate swaptions held	7,066	-	7,066
Bond options held	14	-	14
Cross currency swaps contracts (excluding the notional principal)	211,324	-	211,324
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	1,910,887	-	1,910,887
Futures margin deposits	120,104	120,104	-
Hedge			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	4,688	-	4,688

(to be continued)

Liabilities			
Non-hedge			
FX contracts (swaps and forwards)	319,792	-	319,792
FX margin trading	22,298	-	22,298
Non-delivery forwards	6,537	-	6,537
FX options written	61,119	-	61,119
Interest rate swaptions written	65,307	-	65,307
Bond options written	3,544	-	3,544
Cross currency swaps contracts (excluding the notional principal)	360,146	-	360,146
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	2,498,858	-	2,498,858
Hedge			
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	192,595	-	192,595

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 Central Bank and other banks, investment in bonds under resale agreements, receivables (net of allowance for doubtful accounts), refundable deposits, bill purchased, due to Central Bank and other banks, bills and bonds payable under repurchase agreements, funds borrowed from Central Bank and other banks, 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 $600,490 and $810,492 of current net gains on changes in fair value arising from valuation techniques for the years ended December 31, 2007 and 2006, respectively.

4) As of December 31, 2007 and 2006, the Bank has financial assets with fair value risk arising from interest rate changes amounted to $66,572,825 and $95,454,661, respectively.

5) As of December 31, 2007 and 2006, the Bank has financial assets with cash flow risk arising from interest rate changes amounted to $15,555,576 and $13,509,795, respectively.

6) For the years ended December 31, 2007 and 2006, the Bank has recognized interest income from the financial assets or financial liabilities not at fair value through profit or loss amounted to $48,572,750 and $42,937,557, respectively. The Bank has recognized interest expenses from the financial assets or financial liabilities not at fair value through profit or loss amounted to $26,631,341 and $22,556,811, 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 $3,941,376 and $6,252,298, respectively, and the amount of the gain on fair value change reclassified from the stockholders' equity into the statement of income was $759,975 and $371,637 for the years ended December 31, 2007 and 2006, 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 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 management risk 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) Financal 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 and loss arising from fluctuations in the market interest rate or foreign exchange rate will be substantially offset by the profit and 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, 2007	December 31, 2006
Interest rate risk	$ 822,738	$ 900,996
Equity position risk	352,127	404,043
Foreign exchange risk	799,730	465,141

(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:

	December 31, 2007	
Financial instruments	Book value	Maximum credit exposure
Non-derivative financial instruments		
Financial assets 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

(to be continued)

Derivative financial instruments		
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 swaps 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.

Financial instruments	December 31, 2006 Book value	Maximum credit exposure
Non-derivative financial instruments		
Financial assets for trading purpose		
Bonds	$ 7,086,877	$ 7,086,877
Beneficiary certificates	207,404	207,404
Other marketable securities	451,056	451,056
Financial assets designated for trading purpose		
Bonds	29,176,986	29,176,986
Bills discounted and loans	972,044,580	972,044,580
Available-for-sale financial assets		
Bonds	72,996,969	72,996,969
Short-term bills	443,788	443,788
Beneficiary securities	244,955	244,955
Held-to-maturity financial assets	213,747,427	213,747,427
Bond investments with no active market		
Bonds	8,731,017	8,731,017
Beneficiary securities	6,135,582	6,135,582
Derivative financial instruments		
Non-hedging purpose		
FX contracts (swaps and forwards)	623,245	623,245
FX margin trading	228,403	228,403
Non-delivery forwards	74,462	74,462
FX options held	50,925	50,925
Interest rate swaptions held	7,066	7,066
Bond options held	14	14
Cross currency swaps contracts (excluding the notional principal)	211,324	211,324
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	1,910,887	1,910,887
Futures margin deposits (note 1)	120,104	120,104
Hedging purpose		
Interest rate related contracts (interest rate swaps and asset swaps excluding the principal of bonds)	4,688	4,688
Unused letters of credit issued and guarantees	-	61,841,958

note 1: It is the excess margin deposits as the Bank did not have unsettled positions as of December 31, 2006.
note 2: 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, 2007	
Loans by industries	Book value	Maximum credit exposure
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	$ 1,079,911,488	$ 1,079,911,488
Loans by regions		
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	$ 1,079,911,488	$ 1,079,911,488

	December 31, 2006	
Loans by industries	Book value	Maximum credit exposure
Private enterprises	$ 443,240,633	$ 443,240,633
State-owned enterprises	37,153,336	37,153,336
Government institutions	64,640,838	64,640,838
Non-profit organizations	3,315,720	3,315,720
Private individual	319,582,122	319,582,122
Others	61,286	61,286
Offshore entities	112,085,363	112,085,363
Total	$ 980,079,298	$ 980,079,298
Loans by regions		
Asia	$ 949,769,250	$ 949,769,250
Europe	388,263	388,263
North America	24,801,090	24,801,090
Central America	4,779,903	4,779,903
Oceania	340,792	340,792
Total	$ 980,079,298	$ 980,079,298

(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 primary 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 23.36%. 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, 2007 and 2006, the effective interest rates of main currencies for financial instruments (except financial assets at fair value through profit or loss) held or issued by the Bank are as follows:

	December 31, 2007							
Financial instruments	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%	-	-	-	-	-	-

	December 31, 2006				
Financial instruments	NTD	USD	HKD	SGD	CAD
Available-for-sale financial assets					
Government bonds	2.22%	4.85%	4.23%	-	-
Corporate bonds	1.93%	5.88%	-	3.23%	-
Short-term bills	-	5.16%	-	-	4.34%
Held-to-maturity financial assets					
Government bonds	-	4.92%	-	-	-
Corporate bonds	2.08%	5.31%	-	-	-
Loans and advances					
Short-term loans	3.10%	6.15%	-	-	-
Mid-term loans	2.89%	5.72%	-	-	-
Long-term loans	3.11%	6.01%	-	-	-
Financial bonds payable	3.53%	-	-	-	-
Deposits	1.14%	3.25%	-	-	-

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

1) Non-performing loans and overdue accounts

	December 31, 2007				
	Amount of NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
Corporate banking					
Secured loans	6,847,902	266,208,074	2.57	1,961,422	28.64
Unsecured loans	5,377,980	500,748,094	1.07	5,377,980	100.00
Consumer banking					
Residential mortgage loans	3,662,340	304,139,574	1.20	1,063,093	29.03
Cash cards	32	170,070	0.02	1,078	3368.75
Small amount of credit loans	272,074	6,027,217	4.51	272,074	100.00
Others					
Secured loans	11,613	1,623,451	0.72	2,752	23.70
Unsecured loans	61,635	995,008	6.19	61,635	100.00
Gross loan business	16,233,576	1,079,911,488	1.50	8,740,034	53.84
	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
Credit card business	24,029	3,797,175	0.63	40,543	168.73
Factoring without recourse	-	2,097,060	0.00	839	100.00

	December 31, 2006				
	Amount of NPLs	Gross loans	NPL ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
Corporate banking					
Secured loans	7,025,133	237,772,487	2.95	2,230,859	31.76
Unsecured loans	4,792,645	454,104,823	1.06	4,792,645	100.00
Consumer banking					
Residential mortgage loans	3,199,390	273,578,003	1.17	627,823	19.62
Cash cards	2,530	342,599	0.74	1,949	77.04
Small amount of credit loans	322,351	8,528,277	3.78	322,351	100.00
Others					
Secured loans	6,100	1,694,111	0.36	1,685	27.62
Unsecured loans	57,406	4,058,998	1.41	57,406	100.00
Gross loan business	15,405,555	980,079,298	1.57	8,034,718	52.15
	Amount of overdue accounts	Balance of accounts receivable	Overdue account ratio (%)	Allowance for doubtful accounts	Coverage ratio (%)
Credit card business	65,955	4,139,249	1.59	68,733	104.21
Factoring without recourse	-	696,649	0.00	23	100.00

2) Profile of concentration of credit risk and credit extensions

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

		December 31, 2006	
Ranking	Name of enterprise group	Total outstanding loan amount	Total outstanding loan amount/ net worth of the current year (%)
1	Formosa Plastics Group	24,912,170	31.07
2	AU Optronics Corp.	11,621,018	14.49
3	CHIMEI Group	10,223,353	12.75
4	Far Eastern Group	7,823,015	9.76
5	China Airlines	7,210,911	8.99
6	China Steel	6,748,914	8.42
7	Walsin Lihwa	5,609,769	7.00
8	KGT Group	5,230,931	6.52
9	Hotai Motor	3,990,000	4.98
10	Ta Tung Group	3,161,199	3.94

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, 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.

(b) 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.

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

	December 31, 2006				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	970,755,000	94,189,000	52,337,000	52,301,000	1,169,582,000
Interest-rate-sensitive liabilities	343,131,000	554,131,000	86,111,000	58,111,000	1,041,484,000
Interest-rate-sensitive gap	627,624,000	(459,942,000)	(33,774,000)	(5,810,000)	128,098,000
Total stockholders' equity					87,125,420
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					112.30
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					147.03

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, 2006				
	1~90 days	91~180 days	181 days ~1 year	Over 1 year	Total
Interest-rate-sensitive assets	6,093,994	1,300,128	598,803	207,151	8,200,076
Interest-rate-sensitive liabilities	5,772,327	2,173,840	531,671	-	8,477,838
Interest-rate-sensitive gap	321,667	(873,712)	67,132	207,151	(277,762)
Total stockholders' equity					2,668,466
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)					96.72
Ratio of interest-rate-sensitive gap to stockholders' equity (%)					-10.41

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, 2007	December 31, 2006
Return on total assets (%)	Before tax	**0.98**	0.89
	After tax	**0.75**	0.71
Return on stockholders' equity (%)	Before tax	**17.72**	16.70
	After tax	**13.60**	13.32
Net profit margin ratio (%)		**33.47**	34.10

5) Structure analysis of time to maturity

(a) Structure analysis of NTD time to maturity

	December 31, 2007					
	Total	0~30 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

	December 31, 2006					
	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	1,335,359,000	326,611,000	113,071,000	109,856,000	158,654,000	627,167,000
Primary funds outflow upon maturity	1,497,422,000	174,429,000	202,108,000	192,949,000	296,655,000	631,281,000
Gap	(162,063,000)	152,182,000	(89,037,000)	(83,093,000)	(138,001,000)	(4,114,000)

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, 2007					
	Total	0~30 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

	December 31, 2006					
	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Primary funds inflow upon maturity	6,673,522	2,678,924	1,723,388	969,609	244,937	1,056,664
Primary funds outflow upon maturity	6,679,314	3,513,985	1,032,897	701,600	662,016	768,816
Gap	(5,792)	(835,061)	690,491	268,009	(417,079)	287,848

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

	2007	
Interest-earning assets	Average value	Average rate of return (%)
Due from 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
Interest-bearing liabilities		
Due to 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

	2006	
Interest-earning assets	Average value	Average rate of return (%)
Due from Central Bank	$ 47,741,284	0.97
Due from other banks (note)	76,495,841	4.64
Financial assets at fair value through profit or loss	36,233,817	2.43
Investments in bills and bonds under resale agreements	76,332	1.53
Credit card account receivable	3,156,200	17.30
Bills discounted and loans	896,768,318	3.52
Available-for-sale financial assets	80,626,368	2.69
Held-to-maturity financial assets	205,228,082	1.73
Other financial assets	17,491,695	4.55
Interest-bearing liabilities		
Due to Central Bank	$ 336,495	-
Due to other banks	119,803,557	3.88
Funds borrowed from other banks	206,631	0.75
Financial bonds payable	63,896,667	2.32
Bills and bonds payable under repurchase agreements	14,002,753	1.12
Deposits	1,134,906,497	1.48
Negotiable certificates of deposit	9,702,918	1.45

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

(3) Net position for major foreign currency transactions

	December 31, 2007			December 31, 2006		
	Currency (in thousands)		NTD (in thousands)	Currency (in thousands)		NTD (in thousands)
Net position for major foreign currency transactions (market risk)	USD	$ 210,599	$ 6,841,098	USD	$ 97,253	$ 3,175,310
	CAD	30,124	999,029	JPY	3,680,361	1,099,155
	EUR	12,742	609,898	GBP	7,304	467,889
	GBP	7,167	464,811	CAD	16,201	455,805
	HKD	97,067	404,216	HKD	87,605	367,958

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, 2007 and 2006, the investment details of trust assets are listed as follows:

Balance Sheet of Trust Accounts
December 31, 2007

Trust assets		Trust liabilities	
Cash and bank deposits	$ 2,025,925	Borrowings	$ -
Bonds	55,820,821	Payables	-
Stocks	52,388,865	Other liabilities	-
Mutual funds	262,211,358		
Beneficiary certificates	264,477		
Real estate	4,091,171		
Net assets under collective management accounts	3,479,570	Trust capital	380,166,625
		Accumulated profit and loss	115,562
Total	$ 380,282,187	Total	$ 380,282,187

Property List of Trust Accounts
December 31, 2007

Investment items	Book value
Bonds	$ 55,820,821
Stocks	52,388,865
Mutual funds	262,211,358
Beneficiary certificates	264,477
Real estate	4,091,171
Net assets under collective management accounts	3,479,570
Total	$ 378,256,262

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

Trust revenues	
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 structure notes	37
Total trust revenues	15,154,683
Trust expenses	
Management fee	3,053
Custodian fee	-
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 structure notes	591
Other expenses	3,546
Total trust expenses	1,732,971
Net income before tax (net investment income)	13,421,712
Income tax expense	(95)
Net income after tax	$ 13,421,617

Balance Sheet of Trust Accounts
December 31, 2006

Trust assets		Trust liabilities	
Cash and bank deposits	$ 1,455,221	Borrowings	$ -
Bonds	46,816,652	Payables	-
Stocks	35,130,313	Other liabilities	-
Mutual funds	203,267,323		
Beneficiary certificates	224,958		
Real estate	2,178,322		
Net assets under collective		Trust capital	292,877,703
management accounts	3,809,581	Accumulated profit and loss	4,667
Total	$ 292,882,370	Total	$ 292,882,370

Property List of Trust Accounts
December 31, 2006

Investment items	Book value
Bonds	$ 46,816,652
Stocks	35,130,313
Mutual funds	203,267,323
Beneficiary certificates	224,958
Real estate	2,178,322
Net assets under collective management accounts	3,809,581
Total	$ 291,427,149

Income Statement of Trust Accounts
From January 1 to December 31, 2006

Trust revenues	
Interest income	$ 98,651
Realized gain on bonds	38,209
Realized gain on stocks	984
Realized gain on mutual funds	7,356,500
Realized gain on beneficiary certificates	38
Total trust revenues	7,494,382
Trust expenses	
Management fee	5,213
Custodian fee	54
Interest expense	8,393
Handling charge (service charge)	415
Realized loss on bonds	102,545
Realized loss on mutual funds	949,826
Other expenses	13,459
Total trust expenses	1,079,905
Net income before tax (net investment income)	6,414,477
Income tax expense	(101)
Net income after tax	$ 6,414,376

(5) Capital adequacy ratio

	December 31, 2007	December 31, 2006
Capital		
Tier 1 capital	$ 76,138,910	$ 75,215,153
Tier 2 capital	36,485,002	31,902,128
Tier 3 capital	-	-
Deductions	-	(8,373,136)
Total eligible capital	$ 112,623,912	$ 98,744,145
Risk-weighted assets		
Credit risk		
Standardized approach	$ 926,114,147	$ 866,927,968
Internal ratings-based approach	-	-
Securitization	-	-
Operational risk		
Basic indicator approach	54,236,120	-
Standardized approach / alternative standardized approach	-	-
Advanced measurement approach	-	-
Market risk		
Standardized approach	62,928,412	30,424,068
Internal model approach	-	-
Total risk-weighted assets	$ 1,043,278,679	$ 897,352,036
Capital adequacy ratio	10.80%	11.00%
Tier 1 ratio	7.30%	8.38%
Tier 2 ratio	3.50%	3.56%
Tier 3 ratio	-	-
Ratio of common stock to total assets	2.88%	2.94%

(6) Financial statements presentation

According to the "Guidelines Governing the Preparation of Financial Reports by Public Banks", certain accounts of 2006 financial statements have been reclassified to conform to the presentation of the 2007 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: FCBKTWTP

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: 886-5-227-2110

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
2 Fl. 26, Ko Ya 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: FCBKTWTP301

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: FCBKTWTP701

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, 363, 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
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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
Hsi-Men	Taipei
▪ Hsin-Wei	Taipei
Hsin-Ya	Taipei
▪ Hsin-Yi	Taipei
Hua-Shan	Taipei
Jen-Ai	Taipei
▪ Jen-Ho	Taipei
Kang-Chian	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	Yungho, Taipei
Yung-Ho	Yungho, 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
Shyue-Chia	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
Chien-Hsi	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.
  Hagatna, Guam 96910 U.S.A.
  P.O.Box 2461, Hagatna 96932, Guam
  Tel: 1-671-472-6864
  Fax: 1-671-477-8921

- **Ho Chi Minh City Branch**
  2 Fl., 88, Dong Khoi Street, District 1
  Ho Chi Minh City, Vietnam
  Tel: 84-8823-8111
  Fax: 84-8822-1747

- **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
  MADALAII
  Koror, Palau 96940
  Tel: 680-488-6297
  Fax: 680-488-6295

- **Phnom Penh Branch**
  66, Norodom Blvd.,
  Sangkat Cheychomnoas, Khan Daun Penh
  Phnom Penh, Cambodia
  Tel: 855-23-210-026
  Fax: 855-23-210-029

- **Singapore Branch**
  #01-02 ONG Building
  76, Shenton Way
  Singapore 079119
  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**
  Transamerica Tower, 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**
  13 Fl., Suite 1303B, 198 Tran Quang Khai
  Hanoi, Vietnam
  Tel: 84-4936-2111
  Fax: 84-4936-2112

- **Shanghai Representative Office**
  11 Fl., China Insurance Building, Unit 05-07
  166, Pudong 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

- **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

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