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Annual Report 2006
Hsinchu International Bank

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Annual Report 2006
Hsinchu International Bank

COVER INTERPRETATION /

With the passing of years
Hsinchu International Bank (HIB) has passing its 59th anniversary
Looking back to the past & looking forward to the future
Following is their story

Back to 2006,
Individual & dedicated service, steady & dependable approach, local & subsoil touch made HIB breakthrough bars & lay out new paths.
Therefore HIB enhanced its access management business and got great performance in 2006.

For future challenges,
Innovation, liability and globalization are the major objectives of HIB.

HIB insists on keeping the sportsmanship in helping its clients of pursuing more advantageous financial gains.

I. Spokesperson:

Name : Hu, Kuei-Ling
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Name : Liang, Chun-Wu
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II. Address & Telephone No. of Head Office and Branches:

Refer to Page P.173 ~ P.176
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III. Stock Transfer Department:

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IV. Credit Ratings Agency:

Title : Fitch Ratings Corporation
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V. Certified Public Accountant in recent Year:

Title : Diwan, Ernst & Young
CPA : Lu-Yen Luan and Chih-Ju Ho
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Letter to Shareholders

People has different partners in every stage of life

The team spirit lays the base for mutual trust and friendship

In the finance management field,

HIB always is the most reliable partner

of its clients and provides all pro & con strategy

analysis for all of them

Letter to Shareholders

In 2006, the world economy was primarily affected by hiking petrol prices, world interest rate increases, weakening US dollar, worsening of the U.S. current account deficit and intensifying regional political situations. In terms of the domestic economy, foreign demand continued to drive the growth of imports and exports in spite of the climb in energy and raw material prices. The boom in the property market contributed to the growth of the construction industry and increasing demand for plant and equipment. The Ministry of Economics Affairs projected the 2006 economic growth rate to reach 4.39%.

The Bank's business strategy for 2006 continued to focus on developing consumer banking and financial management businesses. As of December 31, 2006, the total amount of consumer loan (73% of mortgage loan and 27% of unsecured consumer loan) occupied approximately 63% of the Bank's total loans. On the other hand, in an effort to enhance the value of our distribution channels, we have successfully launched RMBSII in September 2006, of which the amount totaled NT$ 13.2 billion. Not only have we effortlessly transferred the bad debt risks of real estate loans but the Bank's financial structure was also improved. As of December 31, 2006, the Bank's outstanding deposits totaled NT$ 351.1 billion; loans totaled NT$ 295.5 billion and a profit before tax & provision figure of NT $5.69 billion. Unfortunately, our tremendous effort failed to help us overcome the hurdles apparent in the domestic financial environment. For the sake of the Bank's future and our promise to our customers, the Board of Directors gave their final agreement to the terms offered by the Standard Chartered Bank to acquire the Bank's shares through a public tender. We adopted the most transparent approach to create a win-win situation for both our customers and ourselves. Within the next year, we will speed up the merging process with our parent company, Standard Chartered Bank, in the expectation of ensuring that the merger will bring us the best possible benefits in the shortest time.

On the basis of the continual improvement in our asset quality and our parent company's robust financial and business support, the Fitch Ratings Company upgraded the Bank's long-term credit rating from A (twn) to AA+(twn), short-term credit rating from F1 (twn) to F1+(twn) on December 20, 2006 and the overall prospect stable.

The world economic outlook for 2007 is not entirely good news. The US economy expects to slow down as a result of reducing heat in the property market but a strong outlook is expected for the European economy. The Asian economy will remain strong, which will also be a major drive for the global economy. Strong growth is expected for domestic exports but as a result of a higher base period of comparison, the actual growth rate for product and services export for 2007 will be relatively lower. Private consumption expects to experience a moderate increase given the easing of the card crisis and the boom in both the stock and real estate markets. Our business focuses for 2007 are as follows:

1. Product Planning:
   (1)Exploit trade finance and international factoring for Taiwanese entrepreneurs in Mainland China and supranational businesses.
   (2)Develop investment strategies and models to meet diverse financial demands.

2. Channel Integration: Implement value-integrated marketing by integrating the marketing channels with the optimal goal of realizing one-stop-shopping.

3. Marketing Strategy:
   (1)Aggressively promote foreign exchange, TMU and OBU businesses and enhance the marketing of structured financial instruments.
   (2)Introduce centralized investment management and set up a discretionary investment management system.

4. Information Technology:
   (1)Construct a complete risk and price appraisal database.
   (2)Introduce the JCIC credit rating system for processing loan and credit card applications.

In 2006, Hsinchu International Bank turned a new leaf in history in that we emerged from being a small local bank to become an international bank in possession of a rich source of global network and robust financial backing. Kenichi Ohmae, a renowned Japanese economist said that the only way to gradually move forward in a dividing society is to see the truth, accept the situation and adjust product functions in line with changes in consumption patterns.With your continued support, we will maintain our enthusiasm and drive to perform exceptional results for our shareholders.

Wu Chih-Wei

Chairman of the Board

Bank Profile

The most exciting thing of taking floating

boating is the breathtaking adventuring

during the boating with all necessary

safety equipments and preparing

HIB provides the reliable paddle for

every boat to adjust its direction when facing

rushing stream and to reach the terminal

station in safe and pleasant conditions

Bank Profile

I History

The Bank was established in 1948 by the gentries of Taoyuan, Hsinchu, and Miaoli area. The original name of the Bank was "Hsinchu District's Mutual Loan Inc.", which specialized in the mutual loan business. Its business regions included Taoyuan, Hsinchu, and Miaoli Counties. The initial capital was twenty million Old Taiwan Dollars, equivalent to only NT$500. The Bank had only 38 employees, while neither the business environment nor its own operating conditions were ideal.

In the early years, the Taiwanese economy was recession ridden and inflation ran high. Developing new business was rather difficult and it was hard for the pioneers to begin. Because of the efforts of all the employees, business grew gradually. Especially after 1954, our business increased rapidly with branches being set up one after the other and our own office buildings being acquired gradually. All these laid the foundation for our subsequent thriving development.

In early 1965, the President, Mr. Shao-Hwa Chan, proposed an important concept for the development of the company. "Hsinchu Bank is one family, sharing profits and benefits together." All employees were united under this motto with great morale. Thus, steady growth under all circumstances was insured.

Since 1970, its business has progressed immensely. The profit in 1969 was around NT$6 million. By 1977, it increased to NT$96 million, showing a growth of 1600% in a mere eight years. This was the result of our remarkable teamwork. In 1975, mutual loan companies went under the coverage of the new banking regulations and were renamed "Small and Medium Business Banks". In compliance with the regulations and to meet the demand of fast growing development, the Bank was changed formally to "The Small and Medium Business Bank of Hsinchu District" in 1978 after three years of work.

Since the Bank is regional, it places a strong emphasis on different needs of individual clients, hoping to closely bond with the region. In 1980, we introduced a regional development policy with the staff given the responsibility of allocating their own clients, who were visited one by one in order to establish a mutual client-bank relationship. This unique marketing strategy enabled the Bank to grow under a difficult economic climate and fare well amid fierce competition with other banks. To aid business expansion, it was the first private bank to have its stock listed at NT$35.3 per share on Taiwan's stock exchange in 1983.

In light of increased business, the Bank started to computerize its business in 1978. In January 1984, it officially introduced a computerized processing system and completed its inter-branch computer network in 1989. Following the development of the various software programs, the operations have been fully computerized. Moreover, due to the increase in the number of employees, the original office space became inadequate. As such, the Bank invested a large amount of capital to build a new office building, located at the corner of Chungcheng Rd. and Chungyang Rd. in the heart of downtown Hsinchu. The Bank moved headquarters to the new building in 1987 upon its completion. In addition to self-occupancy, part of the building was leased to the Far East Department Store and Chinatrust Hotel. The new building with new businesses in it not only gave downtown Hsinchu a new look but were a major boost to local economy.

In an effort to raise the quality of its human resources, the Bank placed strong emphasis on personnel training expecting that every employee can be familiarized with banking operations in a timely manner and can be competent as a team leader. Because of the outstanding training program, it has received the 1991 Golden Business Award from the Ministry of Economic Affairs. It indicates that our effort in personnel training is recognized by the society. In order to cope with the drastic competition following liberalization of the financial markets, the Bank made official announcement of the Corporate Identification System (CIS) in early January of 1993. We also participated and won a silver medal in the first session of the Fine Logo Design Contest held by the Ministry of Economic Affairs, which greatly enhanced our corporate image. In line with our transformation into a commercial bank in 1999, our CIS has also been redesigned, modifying the Chinese character ‘Chu’ from an 80 degree inclination in the original logo to stand at an upright 90 degree, creating a simple, solid, and elegant visual effect, which serves to captivate the centripetal identification of all our staff, and to strengthen client recognition.

Current business services of the Bank include deposit, loan, payment collection, exchange, trust, credit cards, foreign exchange, securities, etc. The International Business Department was established on August 16, 1993, enabling the international banking business to operate independently thereafter. The Treasury Deparment was established in November 1996, and the financing arrangements and management efficiency have been improved tremendously since then. In addition to operating in the Taoyuan, Hsinchu, and Miaoli area, the announcement of the Ministry of Finance on August 19, 1994 to ease restrictions on the scope of business for small and medium business banks signaled our first step beyond being just a regional operation. Moreover, our official transformation into “Hsinchu International Bank” on April 20, 1999, shaking off restrictions of client segments and regions enabled us to continue providing comprehensive financial services to the general public. In October 2006, the British-based Standard Chartered Bank acquired 95.4% of the Bank's shares through a public tendering process, leading us into the global arena. The Bank currently has 83-business locations nation-wide. We are confident in maintaining stable growth and becoming a comprehensive and internationalized bank through our complete and prospective planning and strong teamwork.

II Information on mergers, acquisitions, reinvestment in affiliated enterprises and company restructure for the most recent fiscal year and the current fiscal year up to the printing date of the annual report:

Current shareholding in affiliated enterprises include the following: 88.57% in Hsinchu Futures Co., Ltd., 100% in Hsinchu Insurance Agent Co., Ltd. and 100% in Chichian Insurance Agent Co., Ltd. Please refer to page 167 for details.

III Information on a major transfer or change in ownership of shares belonging to Directors, Supervisors or a concerned party requiring to declare any change in shareholding pursuant to Paragraph 3, Article 25 of the Banking Act:

Please refer to page 50 for details of shareholding transfer and changes in share pledges.

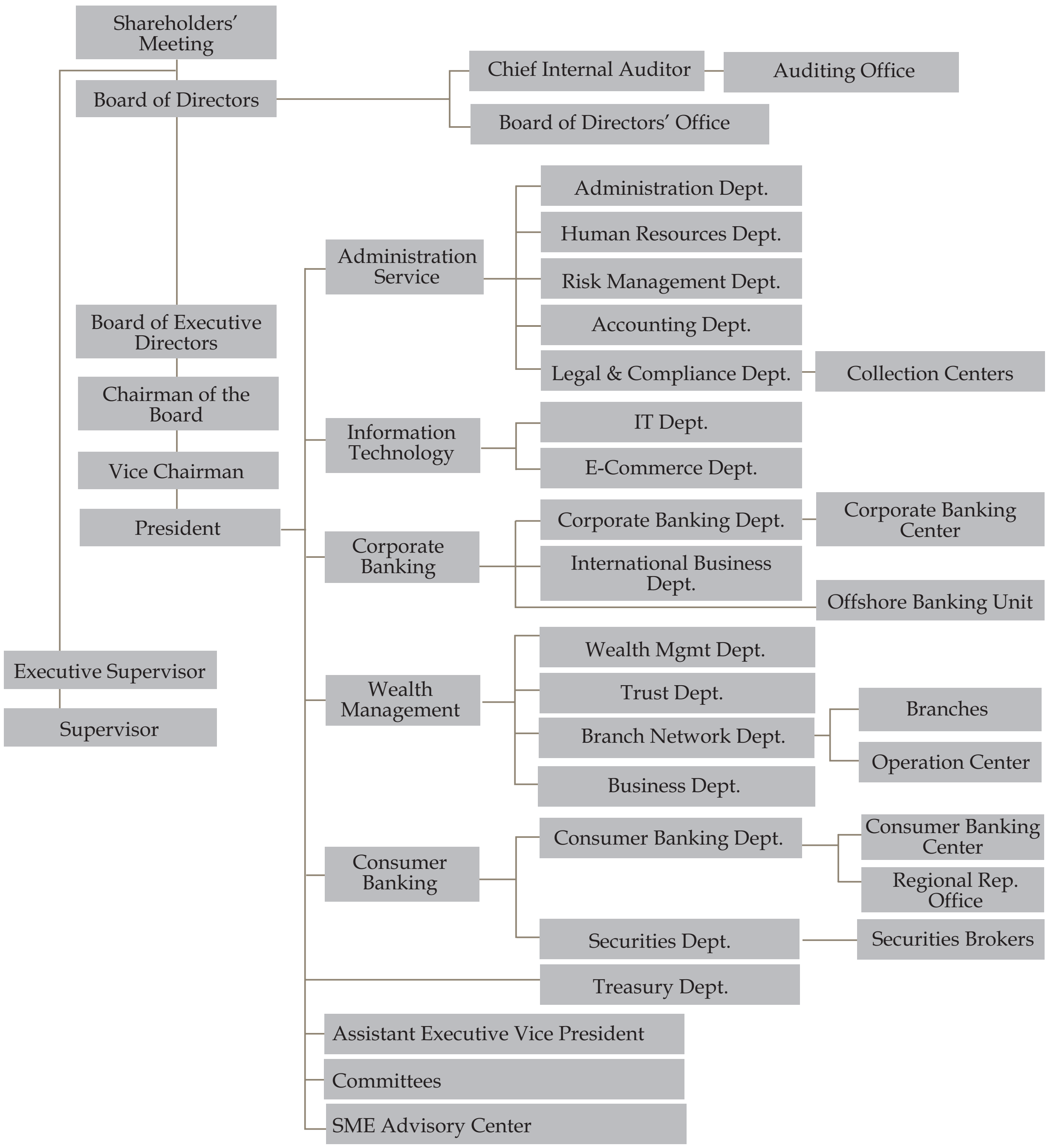
Corporate Governance

Mountain climbing upward for thousand
feet provides extreme self-confidence of conquering
difficulties for the mountain climbers
HIB provides sophisticated tools
for the mountain climbers as their most reliable
dependences in the climbing

Corporate Governance

I Organization Structure

(I)Organizational Chart



(II)Responsibilities of Major Departments

(1)Auditing Office

The Office is responsible for conducting audits on the business, accounts, finance, and various items kept in custody.

(2)Board of Directors' Office

The Office is responsible for handling meeting affairs, seal specimen, letters and documents, confidential and important matters, and public relations related to the Board of Directors.

(3)Administration Department

The Department is responsible for letters and documents, seal specimen, stock affairs, confidential and important matters, public relations, corporate image, purchasing, cashier, buy & sell of real estate properties, civil engineering activities, and matters that are not under other departments.

(4)Human Resources Department

The Department is responsible for personnel management, employees remuneration, welfare and benefits planning, promotion and implementation of personnel training, selection and purchasing of library books, and editing and printing of training materials and periodicals.

(5)Risk Management Department

The Department is responsible for monitoring and managing credit, market and operational risks.

(6)Accounting Department

The Department is responsible for preparing and executing budget and final settlement of account, tax declaration and providing assistance with management, review and analysis of accounting and operational affairs.

(7)Legal & Compliance Department

The Department is responsible for legal cases, credit management, handling various business regulations, and studying related laws and orders enacted by the government.

(8)Collection Centers

The Center is responsible for managing non-performing loans, the collection, settlement and legal pursuit of delinquent credit card debts and bad debt administration.

(9)Information Technology Department

The Department is responsible for system planning, writing and protecting designed programs, data processing, and data control.

(10)E-Commerce Department

The Department is responsible for carrying out e-commerce and customer service projects.

(11)Corporate Banking Department

The Department is responsible for formulating the credit policy and system, assessment and re-assessment of credit applications, macroeconomic and industrial study, medium and long-term strategic planning and promotion of corporate finance business, AO personnel training, follow-up management of each corporate banking unit's budget, local and foreign currency loan appropriation and follow-up management of foreign exchange budgets.

(12)Corporate Banking Centers

The Center is responsible for the maintenance, promotion, credit assessment, risk control, product development, business promotion, AO performance evaluation, and budget achievement relating to the corporate financing business.

(13)International Business Department

The Department is responsible for foreign exchange management & supervision, and financial allocation and management in New Taiwan Dollars and foreign currencies.

(14)Offshore Banking Unit

The Department is responsible for the planning, management, promotion, supervision, and operation of international financial business, and corporate financing allocation and management.

(15)Wealth Management Department

This Department is responsible for the planning, promotion and strategy formulation of the financial management business, development of niche products and execution, management and review of marketing campaigns.

(16)Trust Department

This Department is responsible for credit business planning, management, and execution, and conducting businesses designated by the competent authority.

(17)Branch Network Department

The Department is responsible for operational procedures, risk management, planning and development of real and virtual network, business automation, upgrading of service quality, analysis of various business operations, product performance evaluation and project implementation.

(18)Branches

These branches are responsible for conducting business activities as prescribed by the Banking Act and the competent authority.

(19)Business Department

The Department is responsible for conducting business activities as prescribed by the Banking Act and the competent authority.

(20)Consumer Banking Department

The Department is responsible for developing the consumer banking and credit card business including products development, promotion, management, assessment, evaluation, and risk control of related businesses.

(21)Consumer Banking Centers

The Center is responsible for the promotion and maintenance of the consumer banking business and achievement of the budget.

(22)Securities Department

The Department is responsible for the planning, management and execution of securities businesses, and businesses designated by the competent authority.

(23)Treasury Department

The Department is responsible for NTD and foreign currency operating capital financing and allocation, foreign exchange, fixed-income and derivatives transactions, planning, and marketing.

(24)SME Advisory Center

The Center is responsible for offering consultation and assistance services to small and medium enterprises with respect to management, financial affairs, production, marketing, and financing.

II Information on Directors, Supervisors, and Executive Officers

(I) Directors and Supervisors' Information

1.Directors and Supervisors

Title	Name	Date of Appointment	Term	Initial Date of Appointment	Shareholding at Time of Appointment		Current Shareholding		Current Shareholding of Representative, Spouse & Dependents	
					Shares	%	Shares	%	Shares	%
The 11th Appointment										
Executive Director	Standard Chartered Bank Representative: Chih-Wei Wu	Dec 13, 2006	3 Yrs	May 5, 1990	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Executive Director	Standard Chartered Bank Representative: Jim McCabe	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Executive Director	Standard Chartered Bank Representative: Wen-Kuang Wu	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Director	Standard Chartered Bank Representative: Kai Nargolwala	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Director	Standard Chartered Bank Representative: Peter Robertson	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Director	Standard Chartered Bank Representative: Roland Teo	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Director	Standard Chartered Bank Representative: Lai- Sum Wong	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Director	Standard Chartered Bank Representative: Cindy Tang	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Director	Standard Chartered Bank Representative: Kuei-Ling Hu	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A

Shareholding in Other's Name		Education & Selected Past Positions	Also serve concurrently as	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
N/A	N/A	President, Hsinchu International Bank; M.A. University of California	Chairman of Hsinchu International Bank; Chairman of Hsinchu Futures Co., Ltd.; Chairman of Hsinchu Insurance Agent Co., Ltd.; Chairman of Chuchian Insurance Agent Co., Ltd.; Director of Universal Venture Capital; Executive Supervisor of Taiwan Small and Medium Enterprises Development Co., Ltd.	N/A	N/A	N/A
N/A	N/A	CEO, Standard Chartered Bank (New York Branch); CEO, Standard Chartered Bank (Taiwan); MBA, American Graduate School of International Management, Phoenix, Arizona	N/A	N/A	N/A	N/A
N/A	N/A	Vice President, Hsinchu International Bank; B.Business Administration,Chung Hsing University	Vice President, Hsinchu International Bank; Director, Windance Co., Ltd.	N/A	N/A	N/A
N/A	N/A	Executive Director, Standard Chartered Bank; B. Economics, University of Delhi, India	N/A	N/A	N/A	N/A
N/A	N/A	Regional Director & Head of Strategic Project, Standard Chartered Bank Asia; B. Science, Monash University	N/A	N/A	N/A	N/A
N/A	N/A	Head of Consumer Banking (North East Asia) Standard Chartered Bank; Charted Association of Certified Accountant	N/A	N/A	N/A	N/A
N/A	N/A	CEO, Group Business Development of North Asia, Standard Chartered Bank; Director, Prime Credit Limited; B. Science, Cornell University; PH.D. (Law) Harvard University	N/A	N/A	N/A	N/A
N/A	N/A	Head of Public Affairs (Asia), Standard Chartered Bank; B. Science, Smith College, Massachusetts	N/A	N/A	N/A	N/A
N/A	N/A	Vice President, Hsinchu International Bank; LLB, National Taiwan University	Vice President, Hsinchu International Bank; Director, Hsinchu Futures Co., Ltd.	N/A	N/A	N/A

Title	Name	Date of Appointment	Term	Initial Date of Appointment	Shareholding at Time of Appointment		Current Shareholding		Current Shareholding of Representative, Spouse & Dependents	
					Shares	%	Shares	%	Shares	%
Supervisor	Standard Chartered Bank Representative: Norman Lyle	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
Supervisor	Standard Chartered Bank Representative: Norman Chan Tak Lam	Dec 13, 2006	3 Yrs	Dec 13, 2006	1,578,166,054	95.4%	1,578,166,054	95.4%	N/A	N/A
The 10th Appointment										
Chairman	Hwa Wan Investments Corp. Representative: Shuan-Yung Chan (Discharged from the office ipso facto on Oct. 19, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Feb 28, 1978	70,067,927	4.92%	N/A	N/A	N/A	N/A
Vice Chairman	Hwa Hung Investments Co., Ltd. Representative: Kenneth Chen (Discharged from the office ipso facto on Oct. 20, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 7, 1999	11,050,613	0.70%	N/A	N/A	N/A	N/A
Executive Director	Po-Hsiung Wu (Resigned on Dec. 13, 2006)	Jun 10, 2005	3 Yrs	Mar 1, 1981 (Jul 11, 1982 ~ Jun. 9, 2005 suspended)	1,190,286	0.08%	765,353	0.05%	N/A	N/A
Executive Director	Chih-Wei Wu (Resigned on Dec 13, 2006)	Jun 10, 2005	3 Yrs	May 5, 1990	2,887,193	0.20%	2,608,900	0.16%	N/A	N/A
Executive Director	Hwa Wan Investments Corp. Representative: Shang-Te Chan (Discharged from the office ipso facto on Oct. 19 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Mar 1, 1981	70,067,927	4.92%	N/A	N/A	N/A	N/A

Shareholding in Other's Name: Shares	Shareholding in Other's Name: %	Education & Selected Past Positions	Also serve concurrently as	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other: Title	Name	Relation
N/A	N/A	Independent Non-Executive Director, Standard Chartered Bank (Hong Kong); Fellow of The Chartered Institute of Management Accountants; Fellow of The Association of Corporate Treasurers	N/A	N/A	N/A	N/A
N/A	N/A	Deputy Chief Executive, Hong Kong Monetary Authority; Vice CEO, Standard Chartered Bank Asia; B.Sc. Hong Kong Chinese University	N/A	N/A	N/A	N/A
N/A	N/A	President, Hsinchu International Bank; B. Comm., Tam Kang University	N/A	N/A	N/A	N/A
N/A	N/A	Chairman, Tai Shang Co., Ltd.; Tam Kang University	N/A	N/A	N/A	N/A
N/A	N/A	Chairman, Hsinchu International Bank; B. Business Administration, National Cheng Kung University	N/A	N/A	N/A	N/A
N/A	N/A	President, Hsinchu International Bank; M.A., University of California	N/A	N/A	N/A	N/A
N/A	N/A	Chairman, De Bang Venture Capital Co., Ltd.; MBA, California State University	N/A	N/A	N/A	N/A

Title	Name	Date of Appointment	Term	Initial Date of Appointment	Shareholding at Time of Appointment		Current Shareholding		Current Shareholding of Representative, Spouse & Dependents	
					Shares	%	Shares	%	Shares	%
Executive Director	Fubon Life Insurance Co., Ltd. Representative: Kuo-Liang Chiang (Discharged from the office ipso facto on Oct. 3, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 10, 2005	37,375,000	2.63%	N/A	N/A	N/A	N/A
Executive Director	Po-Hsiung Cheng (Discharged from the office ipso facto on Oct. 4, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Feb 9, 1964 （Feb 6, 1967 ~ Feb 28, 1981 suspended）	8,817,207	0.62%	N/A	N/A	N/A	N/A
Director	Chih-Yang Wu (Resigned on Dec 13, 2006)	Jun 10, 2005	3 Yrs	Jun 5, 1996	1,001,148	0.07%	643,737	0.04%	N/A	N/A
Director	Chih-Liang Wu (Resigned on Dec 13, 2006)	Jun 10, 2005	3 Yrs	Jun 10, 2005	1,556,355	0.11%	1,001,653	0.06%	N/A	N/A
Director	Hwa Wan Investments Corp. Representative: Ching-Cheng Hsu (Discharged from the office ipso facto on Oct 19, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 7, 1999 (Re-assigned representative on Jun 10, 2005)	70,067,927	4.92%	N/A	N/A	N/A	N/A
Director	Hwa Wan Investments Corp. Representative: Kung-Yung Tien (Discharged from the office ipso facto on Oct 19, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 5, 1996	70,067,927	4.92%	N/A	N/A	N/A	N/A

	Shareholding in Other's Name		Education & Selected Past Positions	Also serve concurrently as	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other		
	Shares	%			Title	Name	Relation
	N/A	N/A	Chief Investment Officer, Fubon Financial Holding Co., Ltd.; Executive Vice President, Fubon Life Insurance Co., Ltd.; MBA, Houston University	N/A	N/A	N/A	N/A
	N/A	N/A	Executive Director, Hsinchu International Bank	N/A	N/A	N/A	N/A
	N/A	N/A	Lawyer; LLM, National Taiwan University; LLM, Harvard University	N/A	N/A	N/A	N/A
	N/A	N/A	Chief Technical Supervisor, Beijing Chinese Broadcasting Network Co.; B. Computing Engineering, Chung Hua University	N/A	N/A	N/A	N/A
	N/A	N/A	Director, Hsinchu International Bank; Ph.D in Computer Science, Washington University	N/A	N/A	N/A	N/A
	N/A	N/A	Chairman, Te-Hui Industry Co., Ltd.; Chung Yuan University	N/A	N/A	N/A	N/A

Title	Name	Date of Appointment	Term	Initial Date of Appointment	Shareholding at Time of Appointment		Current Shareholding		Current Shareholding of Representative, Spouse & Dependents	
					Shares	%	Shares	%	Shares	%
Director	Hwa Wan Investments Corp. Representative: Yi-Pei Chan (Discharged from the office ipso facto on Oct 19, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	May 5, 1987 (Re-assigned representative on Jun 7, 1999)	70,067,927	4.92%	N/A	N/A	N/A	N/A
Director	Wills Electric Co., Ltd Representative: Wen-Tang Chen (Discharged from the office ipso facto on Oct 14, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 6, 2002	1,122,000	0.08%	N/A	N/A	N/A	N/A
Director	Fubon Life Insurance Co., Ltd. Representative: Hung-Cheng Ni (Lih-Ming Lee was elected on Mar 28, 2006) (Discharged from the office ipso facto on Oct 3, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 10, 2005	37,375,000	2.63%	8,460,998	0.51%	N/A	N/A
Director	Fubon P&C Insurance Co., Ltd. Assigned Representative: Pen-Chuan Yang (Discharged from the office ipso facto on Oct 3, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 10, 2005	11,525,000	0.81%	538,956	0.03%	N/A	N/A
Director	Chien-Chung Chen (Resigned on Oct 17, 2006)	Jun 10, 2005	3 Yrs	Jun 7, 1999	3,034,846	0.21%	N/A	N/A	N/A	N/A

Shareholding in Other's Name		Education & Selected Past Positions	Also serve concurrently as	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
N/A	N/A	Project Manager, Global Strategic Investment Fund; Asia University, Japan	N/A	N/A	N/A	N/A
N/A	N/A	Chairman, Weber Electric Co., Ltd.	N/A	N/A	N/A	N/A
N/A	N/A	Assistant Vice President, Finance Dept., Fubon Life Insurance Co., Ltd.; B. Accounting, Chung Hsing University	N/A	N/A	N/A	N/A
N/A	N/A	Deputy Chief, Promotion Dept., Cathy Life Insurance Co., Ltd.; Diploma in Accounting, Tak Ming Junior College of Commerce	N/A	N/A	N/A	N/A
N/A	N/A	Manager, Hsinchu International Bank; MBA, Dallas University	N/A	N/A	N/A	N/A

Title	Name	Date of Appointment	Term	Initial Date of Appointment	Shareholding at Time of Appointment		Current Shareholding		Current Shareholding of Representative, Spouse & Dependents	
					Shares	%	Shares	%	Shares	%
Director	Hsin Den Investments Corp. Representative: Kuo-Eng Chen (Discharged from the office ipso facto on Oct 19, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 7, 1999	2,230,807	0.16%	N/A	N/A	N/A	N/A
Director	Ching-Tang Chen (Discharged from the office ipso facto on Oct 14, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	May 4, 1984	3,591,368	0.25%	N/A	N/A	N/A	N/A
Director	Chao-Shiun Chiu (Discharged from the office ipso facto on Oct 19, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	May 5, 1990	3,383,751	0.24%	646	0%	N/A	N/A
Director	Yi-Tze Chou (Discharged from the office ipso facto on Oct 17, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 3, 1993	8,346,283	0.59%	N/A	N/A	N/A	N/A
Director	Yi Chou Investments Corp.Assigned Representative: Shi-Yu Wang (Resigned on Oct 17, 2006)	Jun 10, 2005	3 Yrs	Jun 5, 1996	1,494,143	0.10%	N/A	N/A	N/A	N/A
Executive upervisor	Trans-Asia Investments Corp. Representative: Chuan-Feng Chen (Discharged from the office ipso facto on Oct 5, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	May 5, 1987	25,892,790	1.82%	N/A	N/A	N/A	N/A

Shareholding in Other's Name		Education & Selected Past Positions	Also serve concurrently as	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
N/A	N/A	Director, Hsinchu International Bank; Chinese Culture University	N/A	N/A	N/A	N/A
N/A	N/A	Chairman, Hsinchu Futures Co., Ltd.	N/A	N/A	N/A	N/A
N/A	N/A	Lawyer; LLM, National Taiwan University	N/A	N/A	N/A	N/A
N/A	N/A	Director, Hsinchu Bus Corp.; National Taiwan University	N/A	N/A	N/A	N/A
N/A	N/A	Director, Hsinchu International Bank	N/A	N/A	N/A	N/A
N/A	N/A	Medical Practitioner; M.B.B.S, National Taiwan University	N/A	N/A	N/A	N/A

Title	Name	Date of Appointment	Term	Initial Date of Appointment	Shareholding at Time of Appointment		Current Shareholding		Current Shareholding of Representative, Spouse & Dependents	
					Shares	%	Shares	%	Shares	%
Supervisor	Chen-Chuan Huang (Discharged from the office ipso facto on Oct 13, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 5, 1996	4,293,346	0.30%	N/A	N/A	N/A	N/A
Supervisor	Kuen Tai Investments Corp Representative: Yu-Ling Chen (Discharged from the office ipso facto on Oct 14, 2006 when more than one half of the shares held at the time when elected have been transferred)	Jun 10, 2005	3 Yrs	Jun 3, 1993 (Re-assigned representative on Jun 6, 2002)	830,639	0.06%	N/A	N/A	N/A	N/A

2.Major Shareholders of Institutional Shareholders

December 31, 2006

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder
Standard Chartered Bank	Standard Chartered Holdings Limited (100% Shareholding)

Shareholding in Other's Name		Education & Selected Past Positions	Also serve concurrently as	Other Executives, Directors or Supervisors are Spouse or within second-degree Relatives of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
N/A	N/A	Lecturer, Chung Yuan University; Ph. D., Chinese Culture University	N/A	N/A	N/A	N/A
N/A	N/A	Vice CEO, Kuen Tai Cultural and Educational Foundation; MBA, Wisconsin University	N/A	N/A	N/A	N/A

3.Major Shareholders of Institutional Shareholders

December 31, 2006

Name of Institutional Shareholder	Major Shareholder of Institutional Shareholder
Standard Chartered Holdings Limited	Standard Chartered PLC (100% Shareholding)

4.Professional Knowledge and Independence of Directors & Supervisors

Qualification / Name	Over five years of experience in related fields and the following professional qualification			Independence Status										The Number of Public Companies in which the Director or Supervisor Also Serve Concurrently as an Independent Director
	Five or more years of experience in Business, Law,Finance, or Corporate Business Related Fields	Judge, Prosecutor, Solicitor, Certified Public Account or professionally qualified and technical person as required by the company	Experience in Business, Law, Finance, Accounting or as required by corporate business	1	2	3	4	5	6	7	8	9	10	
Standard Chartered Bank Representative: Chih-Wei Wu			V			V	V	V		V	V	V		
Standard Chartered Bank Representative: Kai Nargolwala		V	V	V		V	V			V	V	V		
Standard Chartered Bank Representative: Jim McCabe			V	V		V	V			V	V	V		
Standard Chartered Bank Representative: Peter Robertson			V	V		V	V			V	V	V		
Standard Chartered Bank Representative: Roland Teo		V	V	V		V	V			V	V	V		
Standard Chartered Bank Representative: Lai-Sum Wong			V	V		V	V	V		V	V	V		
Standard Chartered Bank Representative: Cindy Tang			V	V		V	V	V		V	V	V		
Standard Chartered Bank Representative: Wen-Kuang Wu			V			V	V	V		V	V	V		
Standard Chartered Bank Representative: Kuei-Ling Hu			V			V	V	V		V	V	V		
Standard Chartered Bank Representative: Norman Lyle		V	V	V		V	V	V		V	V	V		
Standard Chartered Bank Representative: Norman Chan Tak Lam			V	V		V	V	V		V	V	V		

Note: Mark "V" in the appropriate space where the Director or Supervisor qualifies the following criteria two years prior to being elected and while serving office:

(1) Not an employee of the Company; nor a director, supervisor, or employee of its affiliated enterprises.

(2) Not a director or supervisor of the Bank or its affiliated enterprises (Does not include the independent directors of the Bank or its parent company or subsidiaries in which the Bank holds more than 50% of the shares).

(3) Does not directly or indirectly own more than 1% of the Bank's outstanding shares; nor is one of the top ten non-institutional shareholders of the Bank.

(4) Is not a spouse or within second-degree relation or fifth-degree immediate relation to any person specified in the preceding three criteria.

(5) Is not a director, supervisor, or employee of a legal entity which directly owns more than 5% of the Bank's issued shares; nor a director, supervisor or employee of the top five legal entities which are owners of the Bank's issued shares.

(6) Is not a director, supervisor, or manager of a company which has a business relationship with the Bank; nor a shareholder who owns more than 5% of such a company.

(7) Is not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with financial, business consulting, or legal services.

(8) Is not a spouse or within second-degree relation to other directors.

(9) Is not a person under the circumstances specified in Article 30 of the R.O.C. Company Act.

(10) Is not a government agency, juridical person or its representative pursuant to Article 27 of the R.O.C. Company Act.

(II) Information on the Management Team and Branch Managers

Title	Name	Date Elected	Shareholding		Shareholding of Spouse & Dependents		Shareholding in Others' Name		Education	Also serve concurrently as	Managers are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	Chih-Wei Wu	1996.06.05	2,608,900	0.16%	0	0	0	0	MBA, University of California	Note 1	N/A	N/A	N/A
Executive Vice President	Wen-Kuang Wu	1996.06.05	0	0	0	0	0	0	BA, Chung Hsing University	Note 2	N/A	N/A	N/A
Executive Vice President	Kuei-Ling Hu	2005.06.10	0	0	0	0	0	0	LLB, National Taiwan University	Note 7	N/A	N/A	N/A
Executive Vice President	Shi-Hwa Lo	2004.09.15	0	0	0	0	0	0	Pending PhD, Yunlin University of Technology	Note 3	N/A	N/A	N/A
Executive Vice President	Fang-Jen Lu	2005.01.01	0	0	0	0	0	0	B. Physics, Tam Kang University	N/A	N/A	N/A	N/A
Assistant Executive Vice President	Wen-Chin Hung	2002.07.01	0	0	0	0	0	0	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
Assistant Executive Vice President	Da-Shian Chiu	2002.07.01	1,000	0.00%	0	0	0	0	Bank Insurance, Taichung College of Commerce	N/A	N/A	N/A	N/A
Assistant Executive Vice President	Chia-Jung Chen	2002.07.01	0	0	0	0	0	0	B. Accounting, Feng Chia University	N/A	N/A	N/A	N/A
Assistant Executive Vice President	I-Rung Lin	2004.10.26	0	0	0	0	0	0	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
Assistant Executive Vice President	Wen-Hao Chen	2005.06.10	0	0	0	0	0	0	MBA, National Chiao Tung University	N/A	N/A	N/A	N/A
Senior Vice President, Auditing Office	Chin-Te Chan	2004.10.26	0	0	0	0	0	0	B. Accounting, Soochow University	Note 5	N/A	N/A	N/A
Senior Vice President, Administration	Chun-Wu Liang	2003.12.01	0	0	0	0	0	0	B. Mathematics, Soochow University	N/A	N/A	N/A	N/A
Senior Vice President, Human Resources	Bing-Yi Lee	2004.06.10	0	0	0	0	0	0	MBA, Soochow University	N/A	N/A	N/A	N/A
Senior Vice President, Risk Management	Shih-Ping Chen	2004.03.19	0	0	0	0	0	0	M. Ec., National Tsing Hua University	N/A	N/A	N/A	N/A
Senior Vice President, Accounting	Yu-Ching Hsu	2004.10.26	0	0	0	0	0	0	MBA, University of Florida	Note 8	N/A	N/A	N/A
Senior Vice President, Legal & Compliance	Kao-Wen Sung	2005.08.01	0	0	0	0	0	0	LLB, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Assistant Vice President, Hsinchu Collection Center	Tai-Ku Hsieh	2004.10.26	0	0	0	0	0	0	B. Ec., Feng Chia University	N/A	N/A	N/A	N/A
Assistant Vice President, Taoyuan Collection Center	Yen-wen Peng	2004.10.26	0	0	0	0	0	0	Bank Insurance, Open College of Commerce	N/A	N/A	N/A	N/A
Assistant Vice President, Chungli Collection Center	Tzu-Hsien Lee	2005.08.01	0	0	0	0	0	0	LLB, Chinese Culture University	N/A	N/A	N/A	N/A
Assistant Vice President, Miaoli Collection Center	Chi-Chou Lin	2006.02.16	0	0	0	0	0	0	International Trade, Taichung College of Commerce	N/A	N/A	N/A	N/A
Senior Vice President, Information Technology	Po-Kai Wang	2005.03.07	0	0	0	0	0	0	BA, Feng Chia University	N/A	N/A	N/A	N/A
Senior Vice President, E-Commerce	Fang-Ching Lin	2003.11.17	0	0	0	0	0	0	MBA, Washington University	N/A	N/A	N/A	N/A
Senior Vice President, Corporate Banking	Ching-Piao Huang	2005.08.01	0	0	0	0	0	0	LLB, Soochow University	N/A	N/A	N/A	N/A
AVP, Overseas Corporate Banking Center	Chien-Lang Yang	2005.12.30	0	0	0	0	0	0	B. Tourism Management, Chinese Culture University	N/A	N/A	N/A	N/A
AVP, Major Corporate Banking Center	Liu-Lin Hung	2005.08.01	0	0	0	0	0	0	International Trade, Tung Hai University	N/A	N/A	N/A	N/A
AVP, SME Corporate Banking Center	Mei-Huei Chen	2005.12.30	0	0	0	0	0	0	Accounting & Statistics, Lintung Junior College of Commerce	N/A	N/A	N/A	N/A
Senior Vice President, Wealth Management	Chuan-Chien Chiu	2004.03.19	0	0	0	0	0	0	Dip. in Industrial Mgmt., Tamsui Oxford University College	N/A	N/A	N/A	N/A
Senior Vice President, Trust	Juan-Da Fan	2006.06.01	0	0	0	0	0	0	B. International Trade, National Chengchi University	N/A	N/A	N/A	N/A

Title	Name	Date Elected	Shareholding		Shareholding of Spouse & Dependents		Shareholding in Others' Name		Education	Also serve concurrently as	Managers are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
Senior Vice President, Branch Network	Chi-zhen Lin	2005.03.07	0	0	0	0	0	0	B. Ec., Fu Jen Catholic University	N/A	N/A	N/A	N/A
Senior Vice President, Consumer Banking	Chin-Wen Zeng	2005.12.30	0	0	0	0	0	0	LLB, Tung Hai University	N/A	N/A	N/A	N/A
AVP, Taipei Consumer Banking Center 1	Tung-Kuang Han	2002.12.30	0	0	0	0	0	0	B. Statistics, Chung Hsing University	N/A	N/A	N/A	N/A
AVP, Taoyuan Consumer Banking Center	Chien-Tsung Hsu	2002.12.30	0	0	0	0	0	0	B. Ec., Fu Jen Catholic University	N/A	N/A	N/A	N/A
AVP, Hsinchu Consumer Banking Center	Mu-sheng Lin	2002.12.30	0	0	0	0	0	0	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
AVP, Taichung Consumer Banking Center	Chin-Chun Ho	2003.03.14	0	0	0	0	0	0	B. Statistics, National Cheng Kung University	N/A	N/A	N/A	N/A
AVP, Tainan Consumer Banking Center	Chung-Chieh Tung	2002.12.30	0	0	0	0	0	0	M. Ec., National Sun Yat-Sen University	N/A	N/A	N/A	N/A
AVP, Taipei Consumer Banking Center 2	Shih-Chin Kao	2005.07.01	0	0	0	0	0	0	MBA, Chinese Culture University	N/A	N/A	N/A	N/A
Senior Vice President, Securities	Chia-Yung Wu	2005.02.24	0	0	0	0	0	0	M. Finance, Western Michigan University	Note 6	N/A	N/A	N/A
Senior Vice President, Treasury	Wen-Po Yang	2005.08.15	0	0	0	0	0	0	MBA, Chinese Culture University	Note 4	N/A	N/A	N/A
AVP.BR Manager, Business Dept.	Cheng-Hua Lee	2004.07.01	0	0	0	0	0	0	B. Bank Insurance, Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinchu Branch	Shu-Chien Su	2005.12.30	0	0	0	0	0	0	International Trade, Tak Ming Junior College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Kuangfu Branch	Hui-Chi Zheng	2005.12.30	0	0	0	0	0	0	M. Administration, Chung Hua University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chulien Branch	Yu-Lien Zeng	2005.12.30	0	0	0	0	0	0	Dip. Finance, Taipei College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Chungcheng Branch	Pei-Jin Chung	2006.04.01	0	0	0	0	0	0	Dip. Industrial Mgmt., Southern Taiwan University	N/A	N/A	N/A	N/A
AVP.BR Manager, Yenping Branch	Jong-Lin Zheng	2006.04.01	0	0	0	0	0	0	B. International Trade, Fu Jeng Catholic University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chutung Branch	Chin-Jen Ho	2005.12.30	0	0	0	0	0	0	Dip. Accounting & Statistics, Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinpu Branch	Chia-Fu Dai	2006.04.01	0	0	0	0	0	0	B. BA, Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Hukou Branch	Hsin-Yi Ho	2006.04.01	0	0	0	0	0	0	B. Bank Insurance, Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chupei Branch	Chien-Hung Lin	2005.12.30	0	0	75	0%	0	0	B. Finance, Chung Hsing University	N/A	N/A	N/A	N/A
AVP.BR Manager, Kuanshi Branch	Wen-Chi Chen	2006.04.01	0	0	0	0	0	0	Dip. Industrial Mgmt., Southern Taiwan University	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinfeng Branch	Chiun-Tsung Wang	2004.10.26	0	0	0	0	0	0	B. International Trade, Fu Jeng Catholic University	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinshing Branch	Yi-Cheng Chen	2005.12.30	0	0	0	0	0	0	MBA, University of California	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinshing Securities	Yu-ying Liu	2003.10.15	0	0	0	0	0	0	Taipei Yu-Dah Commercial Professional School	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinshe Branch	Chuo-Chu Su	2005.12.30	0	0	0	0	0	0	B. Ec., Fu Jen Catholic University	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinshe Securities	Tien-Sung Feng	2003.09.15	0	0	0	0	0	0	Dip. Bank Mgmt, Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Science Park Branch	Shou-Hui Chao	2001.11.27	286	0%	0	0	0	0	Secretarial Course, Shih Chien Home Economics College	N/A	N/A	N/A	N/A

Title	Name	Date Elected	Shareholding		Shareholding of Spouse & Dependents		Shareholding in Others' Name		Education	Also serve concurrently as	Managers are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
AVP.BR Manager, North Hsinchu Branch	Shou-Chuan Huang	2006.04.01	0	0	0	0	0	0	B. International Trade, Tung Hai University	N/A	N/A	N/A	N/A
AVP.BR Manager, Taoyuan Branch	Wen-Chin Tsai	2004.10.26	0	0	0	0	0	0	Dip., International Trade, Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Taoyuan Securities	Liang-Shing Lai	2005.02.24	0	0	0	0	0	0	B. Banking, Chinese Culture University	N/A	N/A	N/A	N/A
AVP.BR Manager, Tashi Branch	Ching-Liang Wu	2005.12.30	0	0	0	0	0	0	LLB, Soochow University	N/A	N/A	N/A	N/A
AVP.BR Manager, Dayuan Branch	Kuang-Jung Fan	2005.12.30	0	0	0	0	0	0	B. Business Admin., Chung Yuan Christian University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chungli Branch	Chieng-Sheng Hsu	2005.12.30	0	0	0	0	0	0	Dip., Bank Mgmt., Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Yangmei Branch	Keng-Chung Yueh	2004.01.07	0	0	0	0	0	0	B. Ec., Soochow University	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinwu Branch	Sen-Hsien Zeng	2006.04.01	0	0	0	0	0	0	Dip., Industrial Mgmt., Lienho Junior College of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Lungtan Branch	Wen-Wei Ku	2005.12.30	0	0	0	0	0	0	Dip., Industrial Mgmt., Chin-Yi Institute of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Lungtan Securities	Tsian-Lung Su	2006.06.27	0	0	0	0	0	0	B. International Trade, Chinese Culture University	N/A	N/A	N/A	N/A
AVP.BR Manager, Sanmin Branch	Kuo-Hsiung Lin	2005.04.12	0	0	0	0	0	0	B. International Trade, Tung Hai University	N/A	N/A	N/A	N/A
AVP.BR Manager, Neilin Branch	Hsiu-Ju Chiu	2006.04.01	0	0	0	0	0	0	B. Accounting & Statistics, Tatung Inst. Of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Pateh Branch	Chin-Fu Teng	2005.12.30	0	0	0	0	0	0	Dip., International Trade, Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Pateh Securities	Lung-Chuan Hsu	2005.02.24	0	0	0	0	0	0	LLB., Chinese Culture University	N/A	N/A	N/A	N/A
AVP.BR Manager, YungAn Branch	Lien-Fa Hsu	2003.04.28	0	0	0	0	0	0	Dip., Industrial Mgmt., Chin-Yi Institute of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinming Branch	Jih-Hsin Lee	2006.04.01	0	0	0	0	0	0	Dip., Applied Business, Open College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinming Securities	Min-Yen Chuang	2005.02.24	0	0	0	0	0	0	B. Bus. Admin.,Tamkang University	N/A	N/A	N/A	N/A
AVP.BR Manager, Kueishan Branch	Juan-Yin Cheng	2006.06.01	0	0	0	0	0	0	Dip., Bank Mgmt., Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Nankan Branch	Chin Chang	2002.12.30	0	0	0	0	0	0	Dip., Accounting, Open College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Nankan Securities	Ping-Shi Wu	2005.06.01	0	0	0	0	0	0	Graduate School of Management, Yuan Ze University	N/A	N/A	N/A	N/A
AVP.BR Manager, Tashulin Branch	Mei-Mei Lin	2004.10.26	0	0	0	0	0	0	Cheng Kung Senior High School	N/A	N/A	N/A	N/A
AVP.BR Manager, Lungkang Branch	Shwu-Lin Chiu	2006.06.01	0	0	0	0	0	0	Dip., International Trade, Open College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Shantzuting Branch	Wen-Chih Chang	2005.12.30	0	0	0	0	0	0	Dip., Industrial Mgmt., Lienho Junior College of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Pushin Branch	Huan-Po Lo	2005.12.30	0	0	0	0	0	0	LLB., Chinese Culture University	N/A	N/A	N/A	N/A
AVP.BR Manager, Sinjhuang Mini Branch	Po-Nien Su	2005.12.30	0	0	0	0	0	0	Dip., International Trade, Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Kuaichi Branch	Chi-Yun Yang	2005.04.01	0	0	0	0	0	0	Dip., International Trade, Open College of Commerce	N/A	N/A	N/A	N/A

Title	Name	Date Elected	Shareholding		Shareholding of Spouse & Dependents		Shareholding in Others' Name		Education	Also serve concurrently as	Managers are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
AVP.BR Manager, Huanpei Branch	Chin-Cheng Chang	2005.12.30	0	0	0	0	0	0	Dip., Business Admin., Taipei College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Reifeng Branch	Kuo-Chi Hsu	2005.12.30	0	0	0	0	0	0	Institute of Admin., United University	N/A	N/A	N/A	N/A
AVP.BR Manager, Hsinpo Branch	Jong-Hsiang Chung	2005.12.30	0	0	0	0	0	0	B. Ec., Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Pingchen Branch	Shu-Hua Wang	2005.12.30	0	0	0	0	0	0	Dip., International Trade.Taichung College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Tachu Branch	Chiu-Yin Hsieh	2006.12.11	61	0%	0	0	0	0	Dip., Industrial Mgmt., Vanung University	N/A	N/A	N/A	N/A
AVP.BR Manager, Miaoli Branch	Wei-Fong Chan	2006.04.01	0	0	0	0	0	0	Dip., Tourism, Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Chunan Branch	Kuang-Huai Ho	2005.12.30	0	0	0	0	0	0	Dip., Industrial Mgmt., Lienho Junior College of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Chunan Securities	Hsiu-Chin Peng	2004.10.26	0	0	0	0	0	0	Dip., International Trade, Open College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Toufen Branch	Wen-Chung Su	2003.04.28	0	0	0	0	0	0	B. Business Admin., Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Yuanli Branch	Tsang-Yuan Lin	2006.04.01	0	0	0	0	0	0	Dip., International Trade, Takming College	N/A	N/A	N/A	N/A
AVP.BR Manager, Chuolan Branch	Min-Hua Chan	2006.04.01	0	0	0	0	0	0	Dip., Accounting & Statistics, Feng-Yuan Commercial High School	N/A	N/A	N/A	N/A
AVP.BR Manager, Kungkuan Branch	Dai-Yi Liu	2006.04.01	0	0	0	0	0	0	Dip., Industrial Mgmt., Lienho Junior College of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Tunghsiao Branch	Hui-Erh Su	2006.04.01	0	0	0	0	0	0	Dip., Accounting, Open College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Tunghsiao Securities	Chi-Hsiang Lu	2004.10.26	0	0	0	0	0	0	B. Business Admin., Chinese Culture University	N/A	N/A	N/A	N/A
AVP.BR Manager, Houlung Branch	Chin-Hsin Kuo	2005.12.30	0	0	0	0	0	0	Dip., Accounting & Stat., Hsinchu Commercial High School	N/A	N/A	N/A	N/A
AVP.BR Manager, Sanyi Branch	Chun-Fu Huang	2004.01.07	0	0	0	0	0	0	Dip., Accounting, Taichung College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Peimiao Branch	Kuo-Hsin Hu	2006.04.01	0	0	0	0	0	0	MBA, Chung Hsing University	N/A	N/A	N/A	N/A
AVP.BR Manager, Peimiao Securities	Li-Hsien Chiang	2006.12.01	32	0%	0	0	0	0	Dip., Electronics, Chungchou Institute of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Tahu Mini Branch	Li-Juan Chou	2006.06.01	0	0	0	0	0	0	Dip., Business Admin., Open College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Tunglo Branch	Shih-Ling Lai	2005.12.30	1,000	0%	0	0	0	0	Dip., Accounting, Ling Tung University	N/A	N/A	N/A	N/A
AVP.BR Manager, East Neili Branch	Chieh Wang	2005.12.30	0	0	0	0	0	0	MBA, Texas University	N/A	N/A	N/A	N/A
AVP.BR Manager, East Neili Securities	Shao-Kuang Wu	2001.06.22	0	0	0	0	0	0	B. Accounting, Fu Jen Catholic University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chungyuan Branch	Yao-Huang Sun	2005.04.12	0	0	0	0	0	0	LLB., National Cheng Chi University	N/A	N/A	N/A	N/A
AVP.BR Manager, Kungsi Branch	Qiong-Tian Chiu	2006.04.01	0	0	0	0	0	0	Dip., Business Admin.,Vanung University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chuangching Mini Branch	Ai-Mei Ting	2005.04.01	0	0	0	0	0	0	Dip., Electronics, Vanung University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chinling Branch	Yung-Zhen Wu	2005.12.30	0	0	0	0	0	0	B. Bank Insurance, Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chienkuo Mini Branch	Shih-fen Wong	2004.10.26	0	0	0	0	0	0	B. Business Admin., Vanung University	N/A	N/A	N/A	N/A

Title	Name	Date Elected	Shareholding		Shareholding of Spouse & Dependents		Shareholding in Others' Name		Education	Also serve concurrently as	Managers are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
			Shares	%	Shares	%	Shares	%			Title	Name	Relation
AVP.BR Manager, Panchiao Mini Branch	Mong-Lin Wang	2003.07.17	0	0	0	0	0	0	B. Bus. Admin., Chung Hsing University	N/A	N/A	N/A	N/A
AVP.BR Manager, Luchou Mini Branch	Chan-Chou Chen	2004.10.26	0	0	0	0	0	0	Dip., Int. Trade, Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Neihu Branch	Wen-Fa Yeh	2002.12.30	771	0%	0	0	0	0	B. Bus. Admin., Chung Hsing University	N/A	N/A	N/A	N/A
AVP.BR Manager, Taichung Branch	Cheng-Yuan Wang	2005.12.30	0	0	0	0	0	0	Dip., Ind. Mgmt., Lienho Junior College of Tech.	N/A	N/A	N/A	N/A
AVP.BR Manager, Fengyuan Branch	Yin-Juan Chao	2006.04.01	0	0	0	0	0	0	B. Int. Trade., Chung Yuan Christian University	N/A	N/A	N/A	N/A
AVP.BR Manager, Chiayi Branch	Lung-Ching Chang	2005.12.30	0	0	0	0	0	0	B. Business Admin., Tung Hai University	N/A	N/A	N/A	N/A
AVP.BR Manager, Tainan Branch	Yu-Jen Lin	2005.12.30	0	0	0	0	0	0	B. Bank Insurance., Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Kaohsiung Branch	Yi-Yu Tang	2005.08.01	0	0	0	0	0	0	Dip., Bus. Admin., Whampoa Military Academy	N/A	N/A	N/A	N/A
AVP.BR Manager, Tungning Mini Branch	Shih-Lung Tsai	2004.10.26	0	0	0	0	0	0	B. Finance, Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Tunghai Branch	Chih-Min Lin	2004.10.26	0	0	0	0	0	0	B. Bus. Admin., Chung Yuan Christian University	N/A	N/A	N/A	N/A
AVP.BR Manager, Shenkang Mini Branch	Lien-Huang Pan	2004.10.26	0	0	0	0	0	0	Dip., Applied Business, Taichung Inst. Of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Chungteh Mini Branch	Wen-Pin Chan	2004.03.19	0	0	0	0	0	0	B. Ec., Feng Chia University	N/A	N/A	N/A	N/A
AVP.BR Manager, Liming Branch	Wan-te Lin	2004.10.26	0	0	0	0	0	0	Dip., Business Admin., Open College of Commerce	N/A	N/A	N/A	N/A
AVP.BR Manager, Chungho Branch	Jin-Hsiang Chang	2006.04.01	0	0	0	0	0	0	B. Business Admin., Chung Yuan Christian University	N/A	N/A	N/A	N/A
AVP.BR Manager, Shilin Mini Branch	Mong-Hua Chen	2006.04.01	0	0	0	0	0	0	Dip., Business Admin., Chihlee Inst. Of Technology	N/A	N/A	N/A	N/A
AVP.BR Manager, Yungho Mini Branch	Ying-Lo Lu	2003.05.09	0	0	0	0	0	0	B. Statistics, Tam Kang University	N/A	N/A	N/A	N/A
AVP.BR Manager, Peitun Branch	Yen-Tze Huang	2006.04.01	0	0	0	0	0	0	Dip., Ind. Mgmt.,Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Shitun Branch	Yen-Hai Fu	2006.08.01	0	0	0	0	0	0	B. Business Mgmt., Tatung University	N/A	N/A	N/A	N/A
AVP.BR Manager, Tali Branch	Cheng-Chun Kuan	2005.12.30	0	0	0	0	0	0	Dip., Ind. Mgmt., Lienho Junior College of Tech.	N/A	N/A	N/A	N/A
AVP.BR Manager, Changhua Branch	Ming-Tsung Zheng	2005.04.12	0	0	0	0	0	0	Dip., Accounting & Statistics, Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Yuanlin Branch	Jung-Ta Chang	2005.06.15	0	0	0	0	0	0	Dip., Bank Mgmt., Tamsui Oxford University College	N/A	N/A	N/A	N/A
AVP.BR Manager, Fengshan Branch	Ting-Fong Lu	2005.04.12	0	0	0	0	0	0	Dip., International Trade, Ling Tung University	N/A	N/A	N/A	N/A
AVP.BR Manager, Taipei Branch	Jia-Chi Jin	2006.11.27	133	0%	0	0	0	0	LLB, Fu Jeng Catholic University	N/A	N/A	N/A	N/A
AVP.BR Manager, N. Kaohsiung Branch	Ta-Sung Wong	2006.03.16	0	0	0	0	0	0	MBA, New York Long Island University	N/A	N/A	N/A	N/A

Note 1: Chairman of Hsinchu Futures Co. Ltd., Chairman of Hsinchu Insurance Agent Co. Ltd., Chairman of Chuchian Insurance Agent Co. Ltd., Director of Universal Venture Capital, and Executive Supervisor of Taiwan Small and Medium Enterprises Development Co., Ltd.

Note 2: Director of Windance Co., Ltd..

Note 3: Director of Hsinchu Insurance Agent Co., Ltd., Director of Chuchian Insurance Agent Co., Ltd., and Director of Paradigm Asset Management Co., Ltd.

Note 4: Supervisor of Paradigm Asset Management Co., Ltd.

Note 5: Supervisor of Hsinchu Futures Co., Ltd., Supervisor of Hsinchu Insurance Agent Co. Ltd., Supervisor of Chuchian Insurance Agent Co. Ltd.

Note 6: Director of Hsinchu Futures Co., Ltd., Director of TSC Bio Venture Capital Co., Ltd.

Note 7: Director of Hsinchu Futures Co., Ltd.

Note 8: Director of Hsinchu Insurance Agent Co. Ltd., Director of Chuchian Insurance Agent Co., Ltd.

(III) Remuneration of Directors, Supervisors and Executive Officers for 2006

1.Director's Remuneration and Remuneration Bracket

(1) Directors' Remuneration

Title	Name	Directors' Remuneration						Total of (A,B,C) as a % of Net profit after tax	
		Remuneration (A) (NT$)		Earning Distribution for Director's Remuneration (B) (NT$)		Costs Incurred to Perform Duties(C) (NT$)			
		The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement
Executive Director	Standard Chartered Bank Representative: Chih-Wei Wu (Note 1)								
Executive Director	Standard Chartered Bank Representative: Jim McCabe (Note 1)								
Executive Director	Standard Chartered Bank Representative: Wen-Kuang Wu (Note 1)								
Director	Standard Chartered Bank Representative: Kai Nargolwala (Note 1)								
Director	Standard Chartered Bank Representative: Peter Robertson (Note 1)								
Director	Standard Chartered Bank Representative: Roland Teo (Note 1)								
Director	Standard Chartered Bank Representative: Lai-Sum Wong (Note 1)								
Director	Standard Chartered Bank Representative: Cindy Tang (Note 1)								
Director	Standard Chartered Bank Representative: Kuei-Ling Hu (Note 1)								
Chairman	Hwa Wan Investments Corp. Representative: Shuan-Yung Chan (Note 2, Note 3)								
Vice Chairman	Hwa Hung Investments Co., Ltd. Representative: Kenneth Chen (Note 2, Note 3)								
Executive Director	Po-Hsiung Wu (Note 2)								
Executive Director	Chih-Wei Wu (Note 2)	57,424,284	58,386,284	101,697,399	101,697,399	16,840,538	21,184,538	-3.42%	-3.52%
Executive Director	Hwa Wan Investments Corp. Representative: Shang-Te Chan (Note 2)								
Executive Director	Fubon Life Insurance Co., Ltd. Representative: Kuo-Liang Chiang (Note 2)								
Director	Po-Hsiung Zheng (Note 2)								
Director	Chih-Yang Wu (Note 2)								
Director	Chih-Liang Wu (Note 2)								
Director	Hwa Wan Investments Corp. Representative: Ching-Cheng Hsu (Note 2)								
Director	Hwa Wan Investments Corp. Representative: Kung-Yung Tien (Note 2)								
Director	Hwa Wan Investments Corp. Representative: Yi-Pei Chan (Note 2)								
Director	Wills Electric Co., Ltd Representative: Wen-Tang Chen (Note 2)								
Director	Fubon Life Insurance Co., Ltd. Representative: Hung-Cheng Ni (Reassigned to Li-Ming Lin on Mar 28, 2006) (Note 2)								
Director	Fubon Life Insurance Co., Ltd., Representative: Pen-Chuan Yang (Note 2)								
Director	Chien-Chung Chen (Note 2)								
Director	Hsin Den Investments Corp. Assigned Representative: Kuo-Eng Chen (Note 2)								
Director	Chin-Tang Chen (Note 2)								
Director	Chao-Shiun Chiu (Note 2)								
Director	Yi-Tze Chou (Note 2)								
Director	Yi Chou Investments Corp. Assigned Representative: Shi-Yu Wang (Note 2)								

Note 1: Current Director. Note 2: Previous Director. Note 3: Chairman and Vice Chairman have one driver respectively, and the total expense for the drivers was NT$ 1 million in 2006.

Remuneration of Being Employees								Total of (A, B,C,D, E) as a % of Net profit after tax		Remuneration from Investment Companies Excluding Subsidiaries
Salaries, Bonus and Special Allowance (D) (NT$)		Earnings Distribution for Employees' Bonus (E) (NT$)				Total No. of Shares Issued for Employee Stock Option (F)				
The Bank	All the Companies in the Consolidated Statement	The Bank		All the Companies in the Consolidated Statement		The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	
		Cash Dividend	Stock Dividend	Cash Dividend	Stock Dividend					
11,880,560	11,880,560	9,473,535	3,842,805	9,484,743	3,842,805	0	0	-3.91%	-4.01%	N/A

(2)) Directors' Remuneration Bracket

Range of Remuneration Paid to Directors of the Bank	No. of Directors			
	Total of (A, B, C)		Total of (A, B, C, D, E)	
	The Bank	All the Companies in the Consolidated Statement (G)	The Bank	All the Companies in the Consolidated Statement (H)
Less than NT$ 2,000,000	Jim McCabe, Kai Nargolwala, Peter Robertson, Roland Teo, Lai-Sum Wong, Cindy Tang	Jim McCabe, Kai Nargolwala, Peter Robertson, Roland Teo, Lai-Sum Wong, Cindy Tang	Jim McCabe, Kai Nargolwala, Peter Robertson, Roland Teo, Lai-Sum Wong, Cindy Tang	Jim McCabe, Kai Nargolwala, Peter Robertson, Roland Teo, Lai-Sum Wong, Cindy Tang
NT$2,000,000 (inclusive) ～ NT$5,000,000	Wen-Kuang Wu, Kuei-Ling Hu, Pen-Chuan Yang, Chien-Chung Chen, Chin-Tang Chen, Chao-Shiun Chiu, Yi-Tze Chou, Shi-Yu Wang	Wen-Kuang Wu, Kuei-Ling Hu, Pen-Chuan Yang, Chien-Chung Chen, Chin-Tang Chen, Chao-Shiun Chiu, Yi-Tze Chou, Shi-Yu Wang	Pen-Chuan Yang, Chien-Chung Chen, Chin-Tang Chen, Chao-Shiun Chiu, Yi-Tze Chou, Shi-Yu Wang	Pen-Chuan Yang, Chien-Chung Chen, Chin-Tang Chen, Chao-Shiun Chiu, Yi-Tze Chou, Shi-Yu Wang
NT$5,000,000 (inclusive) ～ NT$10,000,000	Po-Hsiung Wu, Shang-Te Chan, Kuo-Liang Chiang, Po-Hsiung Cheng, Chih-Yang Wu, Chih-Liang Wu, Ching-Cheng Hsu, Kung-Yung Tien, Yi-Pei Chan, Wen-Tang Chen, Li-Ming Lin, Kuo-Yin Chen	Po-Hsiung Wu, Shang-Te Chan, Kuo-Liang Chiang, Po-Hsiung Cheng, Chih-Yang Wu, Chih-Liang Wu, Ching-Cheng Hsu, Kung-Yung Tien, Yi-Pei Chan, Wen-Tang Chen, Li-Ming Lin, Kuo-Yin Chen	Wen-Kuang Wu, Kuei-Ling Hu, Po-Hsiung Wu, Shang-Te Chan, Kuo-Liang Chiang, Po-Hsiung Cheng, Chih-Yang Wu, Chih-Liang Wu, Ching-Cheng Hsu, Kung-Yung Tien, Yi-Pei Chan, Wen-Tang Chen, Li-Ming Lin, Kuo-Yin Chen	Wen-Kuang Wu, Kuei-Ling Hu, Po-Hsiung Wu, Shang-Te Chan, Kuo-Liang Chiang, Po-Hsiung Cheng, Chih-Yang Wu, Chih-Liang Wu, Ching-Cheng Hsu, Kung-Yung Tien, Yi-Pei Chan, Wen-Tang Chen, Li-Ming Lin, Kuo-Yin Chen
NT$10,000,000 (inclusive) ～NT$15,000,000	Chih-Wei Wu,	Chih-Wei Wu		
NT$15,000,000 (inclusive) ～NT$30,000,000	Shuan-Yung Chan, Kenneth Chen	Shuan-Yung Chan, Kenneth Chen	Chih-Wei Wu, Shuan-Yung Chan, Kenneth Chen	Chih-Wei Wu, Shuan-Yung Chan, Kenneth Chen
NT$30,000,000 (inclusive) ～NT$50,000,000				
NT$50,000,000 (inclusive) ～NT$100,000,000				
Over NT$ 100,000,000				
Total	29	29	29	29

2.Supervisors' Remuneration and Remuneration Bracket

(1) Supervisors' Remuneration

Title	Name	Supervisors' Remuneration						Total of (A, B, C) as a % of Net profit after tax		Remuneration from Investment Companies Excluding Subsidiaries
		Remuneration (A)(NT$)		Earning Distribution for Supervisor's Remuneration (B) (NT$)		Costs Incurred to Perform Duties(C) (NT$)				
		The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	
Executive Supervisor	Trans-Asia Investments Corp. Representative: Chuan-Feng Chen (Note 2)									
Supervisor	Chen-Chuan Huang (Note 2)									
Supervisor	Kuen Tai Investments Corp. Representative: Yu-Ling Chen (Note 2)	4,087,500	4,123,500	12,019,076	12,019,076	1,405,657	1,617,657	-0.34%	-0.34%	N/A
Supervisor	Standard Chartered Bank Representative: Norman Lyle (Note 1)									
Supervisor	Standard Chartered Bank Representative: Norman Chan Tak Lam (Note 1)									

Note 1: Current Supervisor.

Note 2: Previous Supervisor.

(2) Supervisors' Remuneration Bracket

Range of Remuneration Paid to Supervisors of the Bank	No. of Supervisors	
	Total of (A, B &C)	
	The Bank	All the Companies in the Consolidated Statement (D)
Less than NT$ 2,000,000	Norman Lyle, Norman Chan Tak Lam	Norman Lyle, Norman Chan Tak Lam
NT$2,000,000 (inclusive) ～ NT$5,000,000	Chen-Chuan Huang, Yu-Ling Chen	Chen-Chuan Huang, Yu-Ling Chen
NT$5,000,000 (inclusive)～ NT$10,000,000		
NT$10,000,000 (inclusive)～NT$15,000,000	Chuan-Feng Chen	Chuan-Feng Chen
NT$15,000,000 (inclusive)～NT$30,000,000		
NT$30,000,000 (inclusive)～NT$50,000,000		
NT$50,000,000 (inclusive)～NT$100,000,000		
Over NT$ 100,000,000		
Total	5	5

3.Executive Officers' Remuneration and Remuneration Bracket

(1) Executive Officers' Remuneration

Title	Name	Salaries (A) (NT$)		Bonus & Special Allowance (B)(NT$)		Employees' Bonus from Earnings(C) (NT$)			
						The Bank			
							Stock Dividend		
		The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	Cash Dividend	Shares	Market Price	Amount
President (Elected the Chairman on Oct. 23, 2006 and still serve as President currently)	Chih-Wei Wu	18,602,000	18,611,000	8,784,272	8,944,272	16,674,785	306,643	24.05	7,374,764
Chief Auditor	Cheng-Chih Chang								
Executive Vice President	Fang-Jen Lu								
Executive Vice President	Wen-Kuang Wu								
Executive Vice President	Kuei-Ling Hu								
Executive Vice President	Shi-Hwa Lo								

Note：Executive Officers own a driver respectively, and the total expense for those drivers was NT$3.6 million in 2006.

(2) Executive Officers' Remuneration Bracket

Range of Remuneration Paid to Executive Officers of the Bank	Total No. of Executive Officers Total of (A,B&C) The Bank	Total No. of Executive Officers Total of (A,B&C) All the Companies in the Consolidated Statement
Less than NT$ 2,000,000		
NT$2,000,000 (inclusive) ～ NT$5,000,000		
NT$5,000,000 (inclusive)～ NT$10,000,000	Cheng-Chih Chang, Fang-Jen Lu, Wen-Kuang Wu, Kuei-Ling Hu, Shi-Hwa Lo	Cheng-Chih Chang, Fang-Jen Lu, Wen-Kuang Wu, Kuei-Ling Hu, Shi-Hwa Lo
NT$10,000,000 (inclusive)～NT$15,000,000	Chih-Wei Wu	Chih-Wei Wu
NT$15,000,000 (inclusive)～NT$30,000,000		
NT$30,000,000 (inclusive)～NT$50,000,000		
NT$50,000,000 (inclusive)～NT$100,000,000		
Over NT$ 100,000,000		
Total	6	6

4.Bonus Paid to Executive Officers

December 31, 2006

	Title	Name	Stock Dividend			Cash Dividend	Total (NT$)	Total Amount As a Percentage of Net profit after tax（%）
			Shares	Market Price	Amount (NT$)	Amount (NT$)		
Executive Officers	President （Elected the Chairman on Oct. 23, 2006 and still serve as President currently.）	Chih-Wei Wu	483,881	$24.05	$11,637,338	$22,582,765	$34,220,103	-0.66%
	Executive Vice President	Wen-Kuang Wu						
	Executive Vice President	Kuei-Ling Hu						
	Executive Vice President	Fang-Jen Lu						
	Executive Vice President	Shi-Hwa Lo						
	Chief Auditor	Cheng-Chih Chang (Note)						
	Assistant Executive Vice President	Da-Shian Chiu						
	Assistant Executive Vice President	I-Rung Lin						
	Assistant Executive Vice President	Wen-Chin Hung						
	Assistant Executive Vice President	Chia-Jung Chen						
	Assistant Executive Vice President	Wen-Hao Chen						
	Senior Vice President	Yu-Ching Hsu						

Note：Retired on Dec. 12,2006.

					Total of the First Three Items (NT$)		Total as a % of Net profit after tax		Total No. of Shares Issued for Employee Stock Option		Remuneration from Investment Companies Excluding Subsidiaries
	All the Companies in the Consolidated Statement				The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	
	Cash Dividend	Stock Dividend									
		Shares	Market Price	Amount							
	16,676,653	306,643	24.05	7,374,764	51,435,821	51,606,689	-1.00%	-1.00%	0	0	N/A

(IV) Analysis of Remuneration paid to Directors, Supervisors, and Executive Officers of the Bank and All Companies in the Consolidated Statement as a Percentage of Net Profit After Tax During the Past Two Years:

	2006	2005	Increase (%)
Director	-4.01%	4.63%	N/A (Note)
Supervisor	-0.34%	0.44%	N/A (Note)
President, Executive Vice President & Chief Auditor	-1.00%	1.37%	N/A (Note)

Note：Since the bank had a net loss of NT$ 5.15 billion in 2006, there is no need to calculate this ratio.

(V) Remuneration Policy, Standards and Combination, Procedures in Determining the Remuneration Amount and Relationship With the Operating Results

The remuneration policy of the Bank was evaluated according to the job analysis, position description, and the position itself. An internal remuneration structure has been put in place to reflect the relative value of the position. The remuneration policy line was determined on the basis of industry standards as well as the Bank's paying capabilities. The policy line is then used to determine the position of each reward rank.

Remuneration package of the Bank's President and Executive Vice Presidents are divided into two parts, fixed and variable:

Fixed reward: Salary exactly determined based on the Bank's Remuneration Policy as described above.

Variable reward: Include annual bonus, performance bonus and profit sharing. Paid according to the Bank's operating performance, profitability level and the annual performance review by responsible managers.

III Corporate Governance

(I) Board of Directors

The Board of Directors hosted 13 meetings in 2006 (2 meetings for the 11th & 11 meetings for the 10th).

Attendance by Directors and Supervisors is as follows:

Title	Name	No. Of Attendance	No. Of Proxy	Attendance Rate (%)	Remark
The 11th Board of Directors					
Chairman	Standard Chartered Bank Representative: Chih-Wei Wu	2	0	100%	New Appointment (Re-elected on Dec 13, 2006)
Executive Director	Standard Chartered Bank Representative: Jim McCabe	2	0	100%	New Appointment (Re-elected on Dec 13, 2006)
Executive Director	Standard Chartered Bank Representative: Wen-Kuang Wu	2	0	100%	New Appointment (Re-elected on Dec 13, 2006)
Director	Standard Chartered Bank Representative: Kai Nargolwala	0	0	0%	New Appointment (Re-elected on Dec 13, 2006)
Director	Standard Chartered Bank Representative: Peter Robertson	2	0	100%	New Appointment (Re-elected on Dec 13, 2006)
Director	Standard Chartered Bank Representative: Roland Teo	2	0	100%	New Appointment (Re-elected on Dec 13, 2006)
Director	Standard Chartered Bank Representative: Lai-Sum Wong	2	0	100%	New Appointment (Re-elected on Dec 13, 2006)
Director	Standard Chartered Bank Representative: Cindy Tang	2	0	100%	New Appointment (Re-elected on Dec 13, 2006)
Director	Standard Chartered Bank Representative: Kuei-Ling Hu	2	0	100%	New Appointment (Re-elected on Dec 13, 2006)
Supervisor	Standard Chartered Bank Representative: Norman Lyle	0	-	0%	New Appointment (Re-elected on Dec 13, 2006)
Supervisor	Standard Chartered Bank Representative: Norman Chan Tak Lam	0	-	0%	New Appointment (Re-elected on Dec 13, 2006)
The 10th Board of Directors					
Chairman	Hwa Wan Investments Corp. Representative: Shuan-Yung Chan	6	0	100%	Existing Appointment (Discharged from the office on Oct. 19, 2006 as more than one half of the shares held at the time when elected have been transferred)
Vice Chairman	Hwa Hung Investments Co., Ltd. Representative: Kenneth Chen	6	0	100%	Existing Appointment (Discharged from the office on Oct. 20, 2006 as more than one half of the shares held at the time when elected have been transferred)
Executive Director	Po-Hsiung Wu	10	1	91%	Existing Appointment (Resigned on Dec 13, 2006)
Executive Director	Chih-Wei Wu	9	2	82%	Existing Appointment (Resigned on Dec 13, 2006)
Executive Director	Hwa Wan Investments Corp. Representative: Shang-Te Chan	5	1	83%	Existing Appointment (Discharged from the office on Oct. 19, 2006 as more than one half of the shares held at the time when elected have been transferred)
Executive Director	Fubon Life Insurance Co., Ltd. Representative: Kuo-Liang Chiang	0	5	0%	Existing Appointment (Discharged from the office on Oct. 3, 2006 as more than one half of the shares held at the time when elected have been transferred)
Executive Director	Po-Hsiung Zheng	6	0	100%	Existing Appointment (Discharged from the office on Oct. 4, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Chih-Yang Wu	8	3	73%	Existing Appointment (Resigned on Dec 13, 2006)
Director	Chih-Liang Wu	2	5	18%	Existing Appointment (Resigned on Dec 13, 2006)

Title	Name	No. Of Attendance	No. Of Proxy	Attendance Rate (%)	Remark
Director	Hwa Wan Investments Corp. Representative: Ching-Cheng Hsu	3	3	50%	Existing Appointment (Discharged from the office on Oct. 19, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Hwa Wan Investments Corp. Representative: Kung-Yung Tien	6	0	100%	Existing Appointment (Discharged from the office on Oct. 19, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Hwa Wan Investments Corp. Representative: Yi-Pei Chan	6	0	100%	Existing Appointment (Discharged from the office on Oct. 19, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Wills Electric Co., Ltd Representative: Wen-Tung Chen	4	2	67%	Existing Appointment (Discharged from the office on Oct. 14, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Fubon Life Insurance Co., Ltd. Representative: Hung-Cheng Ni (Reassigned to Li-Ming Lin on Mar. 28,2006)	1	4	17%	Existing Appointment (Discharged from the office on Oct. 3, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Fubon P&C Insurance Co., Ltd. Assigned Representative: Pen-Chuan Yang	6	0	100%	Existing Appointment (Discharged from the office on Oct. 3, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Chien-Chung Chen	6	0	100%	Existing Appointment (Resigned on Oct. 17, 2006)
Director	Hsin Den Investments Corp. Assigned Representative: Kuo-Eng Chen	6	0	100%	Existing Appointment (Discharged from the office on Oct. 19, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Ching-Tang Chen	6	0	100%	Existing Appointment (Discharged from the office on Oct. 14, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Chao-Shiun Chiu	4	1	67%	Existing Appointment (Discharged from the office on Oct. 19, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Yi-Tze Chou	5	1	83%	Existing Appointment (Discharged from the office on Oct. 17, 2006 as more than one half of the shares held at the time when elected have been transferred)
Director	Yi Chou Investments Corp. Assigned Representative: Shi-Yu Wang	5	1	83%	Existing Appointment (Resigned on Oct. 17, 2006)
Executive Supervisor	Trans-Asia Investments Corp. Representative: Chuan-Feng Chen	5	-	83%	Existing Appointment (Discharged from the office on Oct. 5, 2006 as more than one half of the shares held at the time when elected have been transferred)
Supervisor	Chen-Chuan Huang	5	-	83%	Existing Appointment (Discharged from the office on Oct. 13, 2006 as more than one half of the shares held at the time when elected have been transferred)
Supervisor	Kuen Tai Investments Corp Representative: Yu-Ling Chen	5	-	83%	Existing Appointment (Discharged from the office on Oct. 14, 2006 as more than one half of the shares held at the time when elected have been transferred)

Other necessary supplementary notes:

1.Items listed in Paragraph 3, Article 14 of the Securities and Exchange Act and proposals opposed or qualified by Independent Directors with written records or made in writing: None.

2.Status of Directors' refusing themselves in case of conflict of interest situations: Information including the name of the Director, details of the proposal, reason to refuse themselves from conflict of interest situations and status of participation in the resolution is provided in detail.

3.Goals to enhance the function of the Board of Directors (e.g. setting up an Audit Committee and increasing information transparency) and evaluation of the execution status in the current & most recent years: Plan to appoint "Independent Directors" in the next Board of Directors' election in 2009 and determine the possibility of setting up an "Audit Committee".

Note: During 2006, the 10th Board of Directors hosted 6 Board Meetings as of October 20 and 11 Board Meetings as of December 13.

(II) Operation status of the Audit Committee: The Bank has not set up an Audit Committee.

(III) Compulsory disclosure in accordance with Principles Governing Corporate Governance Practices of Banks : Please refer to the "About Us" section on the Bank's official website.

(IV) The Bank's Corporate Governance Practices and Discrepancies With Standard Corporate Governance Practices of Banks

Item	Execution Status	Reasons of Discrepancies Between the Bank's Corporate Governance Practices and Standard Corporate Governance Practices of Banks
1.The Bank's shareholder structure and shareholder rights (1)Ways in which the Bank handles shareholders' recommendations or disputes. (2)Ways in which the Bank regularly monitors the list of key shareholders who have management control of the Bank, or those who have ultimate control of key shareholders. (3)Ways in which the Bank establishes proper risk control mechanisms and firewalls between the Bank and its affiliated enterprises.	(1)Problems related to suggestions and disputes are handled by the Bank's spokesperson and the Stock Affairs Section of the Administration Dept. (2)Print out the Shareholder Register on the date of Shareholders' Meeting or the ex-dividend date to keep on top of the shareholding status of major shareholders. (3)It was approved in the Shareholders' Meeting on June 6, 2003 to amend the Bank's Asset Acquisition/Disposal Procedures with the aim of setting up an appropriate risk control mechanism and firewall.	Agreeable.
2.Composition and responsibilities of Directors: (1)Institution of Independent Directors. (2)Regular evaluation of external auditors' independence.	(1)The Bank has not instituted Independent Directors. (2)the Bank has conducted evaluation on external auditors' independence in December 2003 and 2004 respectively.	(1)Plan to institute Independent Directors in the next election of Directors and Supervisors in 2009. (2)Agreeable.
3.Composition and responsibilities of Supervisors: (1)Institution of Independent Supervisors. (2)Communication between Supervisors and the Banks' employees and shareholders.	(1)The Bank has not instituted Independent Supervisors. (2)The Bank's Supervisors have taken routine annual visits to the respective departments and employees and have set up a communication channel with shareholders and related parties.	(1)Amendment to the Securities and Exchange Act announced by the President on January 11, 2006 no longer requires compulsory institution of Independent Supervisors. (2)Agreeable.
4.Establishment of communication channels with related parties.	(1)The respective departments are fully responsible for dealing with related parties complaints or protection of related parties' rights in accordance with the relevant regulations and the Bona Fide Principle. (2)Set up an investors relation organization directing at institutional investors, fund managers, shareholders and the media including: a spokesperson system, negative news handling procedures, investors feedback and handling mechanism, disclosure of financial and non-financial information and establishment of sound communication channels and interactions.	Agreeable.
5.Information Disclosure (1)Establishment of corporate website to disclose information regarding the Bank's financials, business and corporate governance status. (2)Other information disclosure channels (e.g. English website, appointing responsible people to handle information collection and disclosure, appointing spokesperson, web casting Investors' conference)	(1)The Bank's IT Dept., e-Commerce Dept. and other related departments are responsible for setting up the corporate website as well as collection & disclosure of corporate information. Mr. Kuei-Ling Hu, the Bank's Executive Vice President assumes the role as the Bank's spokesperson. (2)As above.	Agreeable.

Item	Execution Status	Reasons of Discrepancies Between the Bank's Corporate Governance Practices and Standard Corporate Governance Practices of Banks
6.Operations of the nomination or remuneration committees set up by the Bank	(1)The Bank has set up the remuneration committee to evaluate the rationality of the structure of salaries. (2)The bank has not set up the nomination committee.	(1)Agreeable. (2)The Bank's Independent Directors are nominated in accordance with Article 192-1 of the Company Act.
7.Please describe discrepancies between the status of the Bank's corporate governance practices and the "Standard Corporate Governance Practices of Banks":The Bank is in compliance with the "Standard Corporate Governance Practices of Banks" with the expectation of the establishment of "Independent Directors" and "Audit Committee" (will be proposed in the next election of Directors and Supervisors in 2009).		
8.The Bank's social responsibilities (such as human rights, employee welfare, environmental conservation, community participation, supplier relations, monitoring and stakeholder rights), the adopted policies and measures and status of performing social responsibilities: (1)Establish a charitable foundation to assist minority groups including children, elderly people and people with disabilities. Offer special subsidies to specific cases of students in need. Donations to charitable organizations including: Red Cross, Taiwan Fund for Families & Children, Life Line and blood donation centers. (2)The "Originality of Native Land & Perpetual Flowing of Mountain Spring" campaign initiated by Hsinchu International Bank aims at offering music education resources to pupils in mountain areas of Taoyuan, Hsinchu and Miaoli. The optimal goal is to give those artistically gifted children living in the mountain areas a chance to flourish. (3)Realize the Bank's corporate mission of "What we take from the society is what we give to the society" by proactively participating in local educational, culture and sports events.		
9.Other important information to facilitate better understanding of the Bank's corporate governance practices (e.g. Directors' and Supervisors' training records, Directors' and Supervisors' attendance of the Board of Director's meetings, the implementation of risk management policies and risk evaluation measures, the implementation of consumers/customers protection policies, the implementation of directors refusing themselves in case of conflicts of interests situations, purchasing insurance for directors and supervisors.): (1)The Bank organizes for Directors and Supervisors to attend corporate governance training courses run by the government or other institutions. (2)Directors have refused themselves in case of conflict of interest situations. (3)The Bank has renewed the insurance contract on Apr 16, 2006 for all Directors and Supervisors for an insured amount of US$ 5 million. (4)The Bank has formulated our internal "Criteria Governing Acquisition/Disposal of Assets", investment policy and other relevant procedures in accordance with the "Criteria Governing Acquisition/Disposal of Assets by Public Companies" with the relevant departments responsible for implementing such rules and procedures. (5)The Bank has set forth the risk management and evaluation standards in the Credit Assessment Policy with each respective departments responsible for implementation the procedures. (6)The E-Commerce Department is the first line of contact for dealing with customer complaints or disputes and following up the processing status in accordance with the Customer Service Procedures. (7)The Bank has set forth enforcement rules regarding Managers' performance of duties and clearly defines their responsibilities and authority. (8)The Bank has disclosed details of Directors' and Supervisors' attendance of the Board of Directors' meetings and their training records on the Market Observation Post from November 2004 in accordance with the amendments to the "Taiwan Stock Exchange Corporation Regulations Governing Information Reporting by Listed Companies". (9)To improve the transparency and fairness of the Bank's merger and acquisition information and in line with the Order announced by the Taiwan Stock Exchange Corporation, the Bank has formulated the "Self-Governing Criteria for Disclosure of Merger/Acquisition Information" on Feb. 24, 2005 to be used as the basis for compliance.		
10.Details of self-assessment (or external assessment), major weaknesses (or recommendations) and status of improvement in relation to corporate governance practices where a self assessment or assessment by an external professional body has been performed: None.		

(V) Corporate Governance Principles and Searching of the Relevant Regulations

Please refer to corporate governance information published on Market Observation Post on http://newmops.tse.com.tw

(VI) Other material information:

Please refer to material information published on the Market Observation Post on http://newmops.tse.com.tw

(VII) Internal Controls Execution Status

Hsinchu International Bank

Statement of Internal Controls System

February 9, 2007

To: The Financial Supervisory Commission, R. O. C.

On behalf of the Hsinchu International Bank, we hereby declare that, during the period from January 1, 2006 to December 31, 2006, the Bank was in compliance with "Enforcement Regulations Governing Banks' Internal Controls and Auditing System" in that the Bank has established an internal controls system, implemented risk management, audited by independent auditing departments and reported to the Board of Directors and Supervisors on a regular basis. On the securities business, the Bank has evaluated the effectiveness of the design and execution of the internal controls system in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets". Upon careful evaluation, we are of the opinion that the respective departments of the Bank have duly exercised internal controls procedures and were in compliance with the relevant regulatory requirements with exception of the items listed in the attachment. This Statement will form a major part of the Bank's Annual Report and Proxy Statement, which will be made public. The Bank shall be liable for any misrepresentation or nondisclosure of the above-mentioned information pursuant to Articles 20, 32, 171 and 174 of the Securities and Exchange Act.

Chairman & President: Wu Chih-Wei

Chief Auditor: Jason Chan

Chief Compliance Officer: Hu Kuei-Ling

(VIII) Legal violations and the Company's response for the past two years

1.Violation of Law by the Responsible Person or Staff Leading to Prosecution:

	Name of Parties Concerned	Case Description	Lawyer	Case Summary	Status
1	Jin-Lung Huang, Chi-Ming Chang, Kao-Yuan Chu, Ming-Hsiu Chang, Chin-Leong Wu, Wen-Po Lin, Zheng-Hua Hsu	In relation to the application of Chun I Gravure Co., Ltd. for a loan to fund the purchase of a land, Jin-Lung Huang, Chi-Ming Chang, Kao-Yuan Chu, Ming-Hsiu Chang have concealed the fact that the responsible person of the company has been blacklisted due to poor credit history. Chin-Leong Wu, Wen-Po Lin, and Zheng-Hua Hsu failed to question the legal mortgage rights of Lung-Tai Co. and Yi-De Co. which resulting in a loss of the Bank. Upon investigation by the Taichung District Prosecutors Office, the said people were prosecuted under the ground of Breach of Trust in accordance with Paragraph 1, Article 342 of the Criminal Act. Zheng-Hua Hsu was alleged to breach his duty of trust in providing Chun I Gravure Co. loan to finance the subsequent construction work and was prosecuted in accordance with Paragraph 1, Article 342 of the Criminal Act for breach of trust (Jen Tze No. 21766, Year 2004). All were found not guilty by the Court of First Instance (Taichung Local Court, Criminal Division). (Yi Tze No.1051, Year 2006)	Cheng-Chin Pon Tel：03-5542969 Address： No.378, Xianzheng 2nd Rd., Zhubei City, Hsinchu County, Taiwan	(1)The defendants, Jin-Lung Huang, Chi-Ming Chang, Kao-Yuan Chu and Ming-Hsiu Chang were aware that Cheng-Yin Liao has been blacklisted due to poor credit history. They have concealed this fact from the Head Office, which was uninformed to take the relevant security measures. The Bank has approved granted the loan to Chun I Co. of which the ultimate responsible person is Zheng-Yi Liao to finance the acquisition of a land. Chun I Co. failed to make its interest payments starting from May, 1996, resulting in losses suffered by the Bank. As such, the abovementioned people were prosecuted under the grounds of Breach of Trust pursuant to Paragraph 1, Article 342 of the Criminal Act. (2)Defendants Chin-Leong Wu, Wen-Po Lin, and Zheng-Hua Hsu underwent negotiations with Liao but have failed to question the legal mortgage rights of Lung-Tai Co. and Yi-De Co. Upon winning the bid for Ci-Cheng Building at NT$ 0.2 billion, the interest paid by Liao (already in breach of the contract) amounting to NT$36 million were offset against the amount instead of seizing the money in accordance with the agreement, resulting in losses suffered by the Bank. These three people were prosecuted for breach of trust under Paragraph 1, Article 342 of the Criminal Act. (3)Zheng-Hua Hsu was alleged to breach his duty of trust in providing Chun I Co. loan to finance the subsequent construction work and was prosecuted in accordance with Paragraph 1, Article 342 of the Criminal Act.	All were found not guilty by the Court of First Instance
2	Jin-Won Huang	Jin-Won Huang, an ex-employee of Huilung Branch has knowingly breached the Credit Guarantee Fund Procedures in processing the applications by Chia-Kang Co. and Wei-Lien Co. for short-term operating capital loan, which resulted in losses suffered by the Bank. Huang was prosecuted by the Taoyuan Local Court by Jen Tze No. 19609 (2004).	Wu & Associates, Attorneys-at-Law Tel: 02-23707979 Address： 3F, No.78, Huai Ning St., Taipei, Taiwan	Jin-Won Huang, an ex-employee of Huilung Branch has knowingly breached the Credit Guarantee Fund Procedures in processing the applications by Chia-Kang Co. and Wei-Lien Co. for short-term operating capital loan, which resulted in losses suffered by the Bank. Huang was prosecuted in accordance with Paragraph 1, Article 342 of the Criminal Act for breach of trust.	Jin-Won Huang has been prosecuted. The Criminal Court has not set a court date.
3	Wen-Po Lin	Lin, an ex-manager of Chunan Branch was in breach of the Duty of Trust in handling loan applications. The Miaoli District Prosecutors' Office has initiated a public prosecution (Jen Tze No. 1504, Year 2005). The case is currently been considered by the Criminal Court Miao (2005) Yi Tze No. 556.	Chao-Shiun Chiu Tel:02-23311165 Address: Suite 20, 9F, NO.25, PoAi Rd., Taipei, Taiwan	Lin, an ex-manager of Chunan Branch has breached his duty of care in handling Lung-Chuan Construction Co.'s loan application, which resulted in losses suffered by the Bank. Lin was prosecuted for breach of trust.	Wen-Po Lin has been prosecuted and the case is being considered. A court decision has not been made.

	Name of Parties Concerned	Case Description	Lawyer	Case Summary	Status
4	Wei Huang, Sheng-Hsien Cheng	Cheng, an ex-manager of Jinling Branch has been subject to public prosecution by the Taoyuan District Prosecutors Office for fraud related to the loan-underwriting. The case is currently been considered in the Criminal Division (Jen Tze No. 10177, Year 2004) of the Taoyuan Local Court (Yi Tze No. 1039, Year 2005).	Legal & Compliance Dept., Hsinchu International Bank Tel: 03-5245131 Address: 4F, No.106, Zhongyang Rd., Hsinchu City, Taiwan	Wei Huang and Sheng-Hsien Cheng were alleged to use dummy accounts apply for a loan at Jinling Branch. Taking advantage of his position as the branch manager, Cheng has granted the loan illegally, resulting in the Bank's loss.	Both have been prosecuted and the case is been considered. A court decision has not been made.
5	Li-Shen Lu	Li-Shen Lu has, during his employment as a manager at Tasi and Bade branches, has approved several loan applications without proper authorization or by making fraudulent credit assessment reports. Lu has been subject to public prosecution (Jen Tze No. 17280, Year 2004) by the Taoyuan District Prosecutors Office under the grounds of Breach of Trust. The case is currently being considered by the Taoyuan Local Court (Yi Tze No. 1766, Year 2006).	Chao-Shiun Chiu Tel:02-23311165 Address: Suite 20, 9F, 25, PoAi Rd., Taipei, Taiwan	Li-Shen Lu has, during his employment as a manager at Tasi and Bade branches, has approved several loan applications without proper authorization or by making fraudulent credit assessment reports, which resulted in the Bank's loss.	Li-Shen Lu has been prosecuted. The court date was set on Feb. 9, 2007.

Note：This table contains both civil and criminal cases.

2. Fines imposed by the Financial Supervisory Commission for statutory violations:

   (1)The Bank's Offshore Banking Unit has not been authorized to conduct cross-strait lending businesses. During November to December in 2004, the Bank has accepted applications of stand-by letter of credit by Taiwanese entrepreneurs in Mainland China. This practice is in breach of the provisions of Paragraph 1, Article 36 of the "Statute Governing the Relations between the People of the Taiwan Area and the Mainland Area". The Financial Supervisory Commission imposed a fine of NT$ 2 million. (May 12, 2005)

   (2)Cash-card debt collection agencies of the Bank were alleged to harass customers by phone. This conduct is in violation with the provisions of Articles 4 and 5 of the "Criteria Governing the Implementation of Internal Controls and Auditing Systems of Banks" set forth under Article 45-1 of the Banking Act. A fine of NT$ 2 million was imposed pursuant to Paragraph 7, Article 129 of the same Act. (Jan 27, 2006)

   (3)The "Follow Me Legally Auctioned Property Loan" advertisement was misleading in terms of the service charges applicable to the loan. The launch of the ad breached Paragraph 1 Article 21 of the Fair Trading Act (provided under Paragraph 3 of Article 21). The Fair Trade Commission of the Executive Yuan imposed a fine of NT$ 300,000. (Dec 1, 2006)

   (4)The Bank's Loan Agreement inappropriately added the acceleration clause, which was in violation of Article 24 of the Fair Trade Act. The Fair Trade Commission imposed a fine of NT$ 1.1 million. (Dec 18, 2006)

3. Deficiencies that were severely corrected by the Financial Supervisory Commission: None.

4. Punishment imposed by the Financial Supervisory Commission, Executive Yuan in accordance with Article 61-1 of the R.O.C. Banking Act: None.

5. Accidents occurring as a result of a fraud, major non-recurring incidence or failure to comply with the Guidelines for Maintaining the Security of Financial Institutions, as a result of which individual or accumulated losses during the year amounted to NT$ 50 million or more: None.

6. Other necessary disclosures prescribed by the Financial Supervisory Commission, Executive Yuan: None.

(IX) Major Resolutions of Shareholders' Meeting and Board Meetings

Date	Name of Meeting	Major Resolutions	Execution of Resolutions
June 9, 2006	Shareholders' Meeting	1.Approved the Annual Accounts for 2005. 2.Approved the distribution of earnings for 2005. 3.Approved the proposal to increase capital by earnings capitalization and employee bonus issue for 2005. 4.Approved the proposal to amend the Articles of Incorporation.	1.Execute as resolved. 2.Execute as resolved. 3.Execute as resolved. 4.Execute as resolved.
Dec 13,2006	Interim Shareholders' Meeting	1.Approved the proposal to amend the Articles of Incorporation. 2.Approved the proposal to re-elect all the Bank's Directors and Supervisors. 3.Re-election of Directors and Supervisors.	1.Execute as resolved. 2.Execute as resolved. 3.Execute as resolved.
March 3, 2006	Board Meeting	1.Approved the 2005 Financial Statements. 2.Approved the date, time and place on which the 2006 Shareholders' Meeting will be held (on June 9, 2006).	1.Execute as resolved. 2.Execute as resolved.
April 25, 2006	Board Meeting	1.Approved the distribution of earnings for 2005. 2.Approved the proposal to increase capital by earnings capitalization and employee bonus issue for 2005. 3.Investment in Sunshine Asset Management Co., Ltd. by a debt equity swap in different stages as required by the competent authority.	1.Execute as resolved. 2.Execute as resolved. 3.Execute as resolved.
June 9, 2006	Board Meeting	1.Approved the proposal to issue ECB II.	1.The resolution was voided due to the acquisition of the Bank's shares by Standard Chartered Bank through a public tender.
June 27, 2006	Board Meeting	1.Approved the selection of the outstanding mortgage loans to undertake the second financial asset backed securitization.	1.Execute as resolved.
August 29, 2006	Board Meeting	1.Approved the financial statements and consolidated financial statements for the first half of 2006. 2.Approved the proposal to change the Bank's independent auditors to Ms. Lu-Yen Luan and Ms. Chih-Ju Ho commencing from the first half of 2006. 3.Approved the proposal to sell non-performing loans less than NT$ 10 billion to asset management companies.	1.Execute as resolved. 2.Execute as resolved. 3.Execute as resolved.
September 29, 2006	Board Meeting	1.In relation to the acquisition of the Bank's common shares by the Standard Chartered Bank, approved and signed the "Business As Usual Agreement" 2.Approved to dispose of the Bank's 59.84% shareholding in Hsinchu Real Estate Co., Ltd.	1.Execute as resolved. 2.Execute as resolved.
October 27, 2006	Board Meeting	1.Approved to convene an Interim Shareholders' Meeting on Dec 13, 2006. 2.Approved the proposal to re-elect all the Bank's Directors and Supervisors. 3.Approved to elect Directors and Supervisors.	1.Execute as resolved. 2.Execute as resolved. 3.Execute as resolved.
November 21, 2006	Board Meeting	1.Approved the proposal to offer and issue "Domestic Subordinate Financial Debentures"	1.As of December 31, 2006, the Bank has issued a total of NT$ 4.8 billion worth of subordinate financial debentures.
December 11, 2006	Board Meeting	1.Approve the proposal to amend the Bank's "Rules and Procedures of the Board of Directors".	1.Execute as resolved.
Dec 13, 2006	Board Meeting	1.Elected Chih-Wei Wu, Jim McCabe and Wen-Kuang Wu to be the Bank's executive directors.	1.Execute as resolved.
Dec 13, 2006	Board Meeting	1.Approve the Bank's application to de-list the Bank's shares from the stock exchange. 2.Approved the appointment of Mr. Jin-De Chan as the Bank's Chief Auditor. The existing Chief Auditor, Mr. Cheng-Chih Chang was discharged from office upon retirement.	1.Execute as resolved and the Bank's shares were de-listed from the stock exchange from January 18, 2007. 2.Execute as resolved.

(X) Major issues of record or written statements made by any director or supervisor that specified his / her dissent to important resolutions passed by the Board of Directors: None.

(XI) Information on persons related to the financial reports being discharged from his/her office

December 31, 2006

Title	Name	Date of Appointment	Date of Discharge	Reason of Resignation or Discharge
Chief Auditor	Cheng-Chih Chang	2001.7.2	2006.12.12	Retirement
Chairman	Shuan-Yung Chan	1996.6.4	2006.10.19	Discharged from office

IV Professional Charges Information

(Ⅰ) Non-auditing fees paid to independent auditors, the firm to which the independent auditors belong and its affiliated enterprises exceed 25% of the annual auditing fee

Name of CPA Firm	Name of CPA	Auditing Fee	Non-Auditing Fee					Whether the audit period covers the complete accounting year			Remark
			Policy Design	Business Registration	Human Resources	Other	Subtotal	Yes	No	Audit Period	
Diwan, Ernst &Young	Lu-Yen Luan, Chih-Ju Ho	NT$ 5.28 mln	NT$ 0	NT$ 0.15 mln	NT$ 0	NT$ 0.97 mln (see remark)	NT$ 1.12 mln	v			Non-Auditing Fee includes review 2006 surbirdinated debenture, review RMBS, review the issurance of Convertible Bond, and the preparation of the consolidated IFRS Report.

(Ⅱ) Change of audit engagement and that the audit fee for the year of change is less than that charged for the year prior to the change: Not applicable.

(Ⅲ) Auditing fee is 15% or more below the fee charged for the previous year: Not applicable.

V Change of Audit Engagement

CPAs Lu-Yen Luan and You-Ren Chen who were the accountants of Diwan, Ernst & Young CPA firm were in charge of auditing and certifying the financial reports of Hsinchu International Bank. In coordination with the internal organization adjustment of the CPA firm, CPAs Lu-Yen Luan and Chih-Ju Ho took charge of the auditing and certification of the 2006 financial reports.

VI Name, title and the period of the service of the Chairman, President and Executive Officers in charge of the Bank's financial or accounting affairs who have served a position in the CPA firm to which the independent auditor(s) belong or its affiliated enterprises during the past year: None.

VII Changes in shareholding and share pledges of Directors, Supervisors, Executive Officers and any person requiring to declare his/her registration of shares pursuant to Paragraph 3, Article 25 of the Securities and Exchange Act

(I) Changes in shareholding

<table>
<tr><th rowspan="2">Title</th><th rowspan="2" colspan="2">Name</th><th colspan="2">2006</th><th colspan="2">Jan 1 to Jan 18, 2007</th></tr>
<tr><th>Shareholding Increase (Decrease)</th><th>Share Pledges Increase (Decrease)</th><th>Shareholding Increase (Decrease)</th><th>Share Pledges Increase (Decrease)</th></tr>
<tr><td>Executive Director</td><td>Chih-Wei Wu</td><td rowspan="11">Standard Chartered Bank Representative (Note)</td><td rowspan="11">1,578,166,054</td><td rowspan="11">0</td><td rowspan="11">17,160,000</td><td rowspan="11">0</td></tr>
<tr><td>Executive Director</td><td>Jim McCabe</td></tr>
<tr><td>Executive Director</td><td>Wen-Kuang Wu</td></tr>
<tr><td>Director</td><td>Kai Nargolwala</td></tr>
<tr><td>Director</td><td>Peter Robertson</td></tr>
<tr><td>Director</td><td>Roland Teo</td></tr>
<tr><td>Director</td><td>Lai-Sum Wong</td></tr>
<tr><td>Director</td><td>Cindy Tang</td></tr>
<tr><td>Director</td><td>Kuei-Ling Hu</td></tr>
<tr><td>Supervisor</td><td>Norman Lyle</td></tr>
<tr><td>Supervisor</td><td>Norman Chan Tak Lam</td></tr>
<tr><td>Chairman</td><td>Shuan-Yung Chan</td><td rowspan="5">Hwa Wan Investments Corp. Representative (Major Shareholder)</td><td rowspan="5">(96,073,495)</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td></tr>
<tr><td>Executive Director</td><td>Shang-Te Chan</td></tr>
<tr><td>Director</td><td>Ching-Cheng Hsu</td></tr>
<tr><td>Director</td><td>Yi-Pei Chan</td></tr>
<tr><td>Director</td><td>Kung-Yung Tien</td></tr>
<tr><td>Vice Chairman</td><td colspan="2">Hwa Hung Investments Co., Ltd. Representative: Kenneth Chen</td><td>(12,520,344)</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Executive Director</td><td colspan="2">Po-Hsiung Wu</td><td>(543,961)</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Executive Director</td><td colspan="2">Chih-Wei Wu</td><td>(1,189,341)</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Executive Director</td><td>Kuo-Liang Chiang</td><td rowspan="2">Fubon Life Insurance Co., Ltd. Representative (Major Shareholder)</td><td rowspan="2">(85,366,600)</td><td rowspan="2">0</td><td rowspan="2">0</td><td rowspan="2">0</td></tr>
<tr><td>Director</td><td>Hung-Cheng Ni</td></tr>
<tr><td>Executive Director</td><td colspan="2">Po-Hsiung Cheng</td><td>(9,915,734)</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Director</td><td colspan="2">Chih-Yang Wu</td><td>(457,525)</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td>Director</td><td colspan="2">Chih-Liang Wu</td><td>(711,227)</td><td>0</td><td>0</td><td>0</td></tr>
</table>

Title	Name	2006		Jan 1 to Jan 18, 2007	
		Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)	Shareholding Increase (Decrease)	Share Pledges Increase (Decrease)
Director	Wills Electric Co., Ltd. Representative: Wen-Tung Chen	(1,271,226)	0	0	0
Director	Fubon P&C Insurance Co., Ltd. Representative: Pen-Chuan Yang (Major Shareholder)	(17,965,200)	0	0	0
Director	Chien-Chung Chen	(3,792,979)	0	0	0
Director	Hsin Den Investments Corp.	(2,527,503)	0	0	0
Director	Chin-Tang Chen	(4,069,019)	0	0	0
Director	Chao-Shiun Chiu	(3,833,143)	0	0	0
Director	Yi-Tze Chou	(8,881,598)	0	0	0
Director	Yi Chou Investments Corp.	(1,986,413)	0	0	0
Executive Supervisor	Trans-Asia Investments Corp. Representative: Chuan-Feng Chen (Major Shareholder)	(29,336,531)	0	0	0
Supervisor	Kuen Tai Investments Corp. Representative: Yu-Ling Chen	(941,113)	0	0	0
Supervisor	Chen-Chuan Huang	(4,606,860)	0	0	0
Executive Vice President	Wen-Kuang Wu	(671,972)	0	0	0
Executive Vice President	Fang-Jen Lu	(95,625)	0	0	0
Executive Vice President	Shih-Hua Lo	(56,650)	0	0	0
Chief Auditor	Cheng-Chih Chang	(570,102)	0	0	0
Executive Vice President	Kuei-Ling Hu	(683,307)	0	0	0
Assistant Executive Vice President	Wen-Chin Hung	(760,392)	0	0	0
Assistant Executive Vice President	Chia-Jung Chen	(515,134)	0	0	0
Assistant Executive Vice President	Da-Shian Chiu	(429,742)	0	0	0
Assistant Executive Vice President	I-Rung Lin	(311,085)	0	0	0
Assistant Executive Vice President	Wen-Hao Chen	(150,299)	0	0	0
Senior Vice President	Yu-Ching Hsu	(100,453)	0	0	0

Note : Appointed on December 13, 2006. Opening shareholding is the number of shares held at the time of appointment.

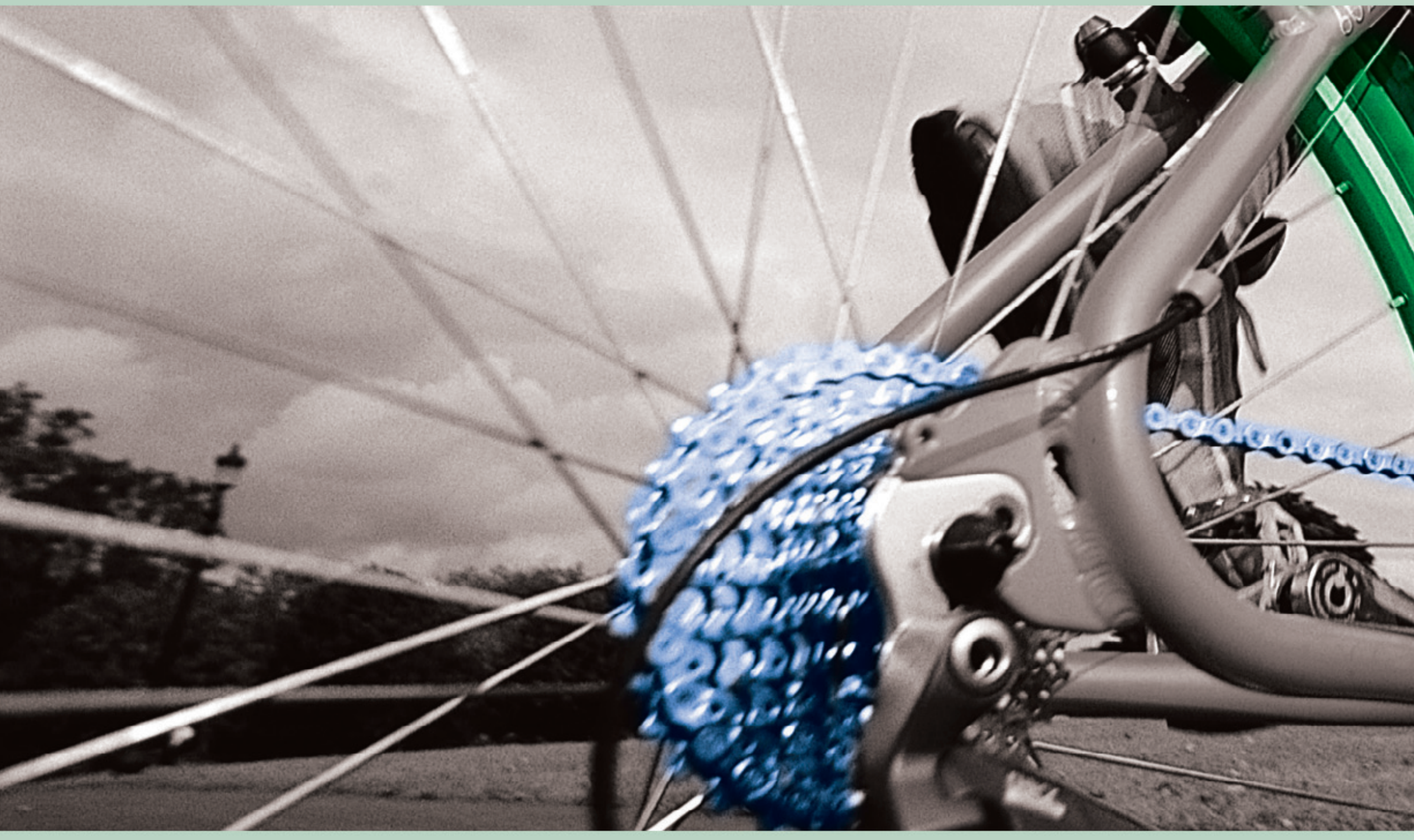
(II) Shareholding Transfer and Pledges: None.

VIII Information on Top Ten Shareholders Who are Related Parties Pursuant to No.6 Financial Accounting Standards

Name	Shareholding		Shareholding of Spouse & Dependants		Shareholding in Others' Name		Name of and Relationship Between the Top Ten Shareholders Who are Defined as Related Parties Pursuant to No.6 Financial Accounting Standards		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Standard Chartered Bank	1,578,166,054	95.4%	0	0	0	0	Chih-Wei Wu	Standard Chartered Bank Assigned Director	N/A
Fubon Life Insurance Co., Ltd.	846,099	0.51%	0	0	0	0	N/A	N/A	N/A
HSBC, Custodian of the Special Account of Morgan Stanley International Co., Ltd.	2,620,150	0.16%	0	0	0	0	N/A	N/A	N/A
Chih-Wei Wu	2,608,900	0.16%	0	0	0	0	1.Chih-Liang Wu 2.Standard Chartered Bank	1.Brother 2.Assigned Representative	N/A
Hsiu-Chin Hsu	2,450,000	0.15%	0	0	0	0	N/A	N/A	N/A
HSBC, Custodian of the Special Account of Victoria Fund Management Co. Ltd.	2,034,250	0.12%	0	0	0	0	N/A	N/A	N/A
Polaris Mid-Cap 100 Tracker Fund	1,192,678	0.07%	0	0	0	0	N/A	N/A	N/A
De-Shen Chen	1,187,227	0.07%	0	0	0	0	N/A	N/A	N/A
Chih-Liang Wu	1,001,653	0.06%	0	0	0	0	Chih-Wei Wu	Brother	N/A
Citicrop International Ltd., Custodian of Credit Lonnais Securities	994,000	0.06%	0	0	0	0	N/A	N/A	N/A

IX Ownership of Investment Companies by Directors, Supervisors, Executive Officers and Directly or Indirectly Controlled Entities of the Bank

Investment Companies	HIB Investments		Investments from Directors, Supervisors, Executive Officers and Directly or Indirectly Controlled Entities of the Bank		Total Investments	
	Shares	%	Shares	%	Shares	%
Hsinchu Futures Co., Ltd.	30,112,440	88.57	226,898	0.67	30,339,338	89.24
Hsinchu Insurance Agent Co., Ltd.	300,000	100.00	0	0	300,000	100.00
Chuchian Insurance Agent Co., Ltd.	300,000	100.00	0	0	300,000	100.00
Masterlink Securities Co., Ltd.	6,319,988	0.46	0	0	6,319,988	0.46
Preferred Bank U. S. A.	51,425	0.75	102,500	1.50	153,925	2.25
Taipei Forex Co., Ltd.	600,000	3.03	0	0	600,000	3.03
Taiwan Small and Medium Enterprises Development Co., Ltd.	3,417,440	4.84	0	0	3,417,440	4.84
Fubon Securities & Finance Co., Ltd.	3,943,335	0.99	0	0	3,943,335	0.99
Trad-Van Information Services Co., Ltd.	2,557,170	1.29	0	0	2,557,170	1.29
Universal Venture Fund Co., Ltd.	2,190,520	4.76	0	0	2,190,520	4.76
Taiwan futures Exchange Co., Ltd.	1,025,000	0.51	3,050,000	1.53	4,075,000	2.04
Financial Information & Services Co.	4,550,000	1.14	0	0	4,550,000	1.14
Windance Co., Ltd.	18,850,000	2.73	0	0	18,850,000	2.73
Taiwan Financial Asset Service Co., Ltd.	5,000,000	2.94	0	0	5,000,000	2.94
Paradigm Asset Management Co., Ltd.	9,000,000	20.00	0	0	9,000,000	20.00
Modex Taiwan Co., Ltd.	197,412	3.35	0	0	197,412	3.35
Taiwan Depository & Clearing Corp.	471,008	0.17	0	0	471,008	0.17
TSC Bio Venture Capital Corp.	2,025,000	5.00	0	0	2,025,000	5.00



Capital and Shares

Harmonious cohesion is the necessity of

winning a bicycle riding competition.

HIB equips flexible & constructive solution

formula for all kinds of clients in their finance management.

Therefore, clients can enjoy the finance

management self-operation with

safety knowledge in advance.

Capital and Shares

I Capital and Shares

(I) Source of Capital

Date	Issued Price	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount ($)	Shares	Amount ($)	Source of Capital	Other
Nov. 16, 2006	10	2,500,000,000	25,000,000,000	1,654,516,726	16,545,167,260	ECB converted to ordinary shares amounting to 30,573,033 shares	N/A

Type of Shares	Authorized Capital			Remark
	Issued Shares	Un-Issued Shares	Total Shares	
Common Stock	1,654,516,726	845,483,274	2,500,000,000	N/A

Shelf Registration Information: None.

(II) Shareholder Structure:

Record Date for Distribution of Shares: November 14, 2006 (Ex-Dividend Date)

Shareholder / Quantity	Government Agencies	Financial Institutions	Other Legal Entities	Domestic Individuals	Foreign Institutions & Individuals	Total
Number of shareholders	8	19	24	27,579	30	27,660
Shareholding (shares)	5,755	9,141,141	1,650,965	58,697,250	1,585,021,615	1,654,516,726
Shareholding (%)	0.00%	0.55%	0.10%	3.55%	95.80%	100.00%

(III) Distribution of Common Stocks

Par value NT$10

Record Date for Distribution of Shares: November 14, 2006 (Ex-Dividend Date)

Class of Shareholding(Unit: share)	Number of Shareholders	Shareholding (Shares)	Shareholding (%)
1 ~ 999	19,726	5,104,181	0.3085
1,000 ~ 5,000	5,976	13,515,911	0.8169
5,001 ~ 10,000	1,053	7,498,048	0.4532
10,001 ~ 15,000	365	4,472,539	0.2703
15,001 ~ 20,000	221	3,782,878	0.2286
20,001 ~ 30,000	150	3,628,881	0.2193
30,001 ~ 50,000	88	3,261,351	0.1972
50,001 ~ 100,000	37	2,538,367	0.1534
100,001 ~ 200,000	18	2,544,561	0.1538
200,001 ~ 400,000	8	2,543,925	0.1538
400,001 ~ 600,000	4	2,113,357	0.1277
600,001 ~ 800,000	4	2,796,817	0.1690
800,001 ~ 1,000,000	1	994,000	0.0601
Over 1,000,001	9	1,599,721,910	96.6882
Total	27,660	1,654,516,726	100

(IV) List of Major Shareholders

Record Date for Distribution of Shares: November 14, 2006 (Ex-Dividend Date)

Name of Major Shareholder \ Shareholding	Shares	%
Standard Chartered Bank	1,578,166,054	95.4%
Fubon Life Insurance Co., Ltd.	846,099	0.51%
HSBC, Custodian of the Special Account of Morgan Stanley International Co., Ltd.	2,620,150	0.16%
Chih-Wei Wu	2,608,900	0.16%
Hsiu-Chin Hsu	2,450,000	0.15%
HSBC, Custodian of the Special Account of Victoria Fund Management Co. Ltd.	2,034,250	0.12%
Polaris Mid-Cap 100 Tracker Fund	1,192,678	0.07%
De-Shen Chen	1,187,227	0.07%
Chih-Liang Wu	1,001,653	0.06%
CitiCrop International Ltd., Custodian of Credit Lonnais Securities	994,000	0.06%

(V)Market Price, Net Worth, Earnings and Dividend Per Share for the Past Two Years

<table>
<tr><th colspan="3">Item \ Year</th><th>2005</th><th>2006</th><th>Jan 1 ~ Jan 17, 2007</th></tr>
<tr><td rowspan="3">Market Price Per Share ($)</td><td colspan="2">Highest</td><td>22.30</td><td>24.6</td><td>24.50</td></tr>
<tr><td colspan="2">Lowest</td><td>16.45</td><td>12.4</td><td>24.10</td></tr>
<tr><td colspan="2">Average</td><td>19.51</td><td>17.81</td><td>24.31</td></tr>
<tr><td rowspan="2">Net Worth Per Share ($)</td><td colspan="2">Before Distribution</td><td>13.78</td><td>9.00</td><td>N/A</td></tr>
<tr><td colspan="2">After Distribution</td><td>12.26</td><td>Note</td><td>N/A</td></tr>
<tr><td rowspan="3">Earnings Per Share</td><td colspan="2">Weighted average shares</td><td>1,574,536</td><td>1,629,039</td><td>1,654,517</td></tr>
<tr><td rowspan="2">Earnings per share</td><td>Before Adjustment</td><td>2.03</td><td>-3.16</td><td>N/A</td></tr>
<tr><td>After Adjustment</td><td>1.96</td><td>Note</td><td>N/A</td></tr>
<tr><td rowspan="5">Dividends Per Share</td><td colspan="2">Cash dividends</td><td>1</td><td>0</td><td>N/A</td></tr>
<tr><td rowspan="3">Stock Dividends</td><td>Dividends from retained earnings</td><td>0.3</td><td>0</td><td>N/A</td></tr>
<tr><td rowspan="2">Dividends from capital reserve</td><td rowspan="2">0</td><td rowspan="2">0</td><td>N/A</td></tr>
<tr><td>N/A</td></tr>
<tr><td colspan="2">Accumulated unpaid dividends</td><td>0</td><td>0</td><td>N/A</td></tr>
<tr><td rowspan="3">Return on Investments</td><td colspan="2">Price/Earning Ratio</td><td>9.61</td><td>-5.64</td><td>N/A</td></tr>
<tr><td colspan="2">Price/Dividend Ratio</td><td>19.51</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">Cash dividends yield rate</td><td>0.05</td><td>0</td><td>N/A</td></tr>
</table>

Note : Shareholder's meeting hasn't been convened yet.

(VI) Dividend Policy and Execution Status

1. With the objective of continually expanding the scale of business operations and profitability, current year's earnings, if any, shall be distributed in accordance with the Bank's capital budget in the following order: (1) Distribute a portion of earnings in the form of stock dividends to meet operating capital requirement; (2) The remaining portion is to be distributed in the form of cash dividends, which shall be no less than 10% of the total amount of dividends. Where the cash dividend is less than NT$0.1 per share, stock dividends will be distributed instead.
2. The Bank's proposal for dividend distribution for 2005 was passed in the General Shareholders' Meeting held on June 9, 2006 and were distributed in October 2006 as follows: (1) Cash dividend of NT$ 1 per share; (2) Stock dividend of NT$0.3 per share.

(VII) Impact of Stock Dividends on Operations Results and the EPS: Not applicable.

(VIII) Employee Bonus and Directors' and Supervisors' Remuneration:

1. Employee bonuses and the percentage or scope of Directors' and Supervisors' remuneration as set forth in the Bank's Articles of Incorporation: Refer to the "Dividend Policy" section in the financial statements.
2. Proposal for the distribution of employee bonus passed in the Board of Directors' Meeting: The Bank had a net loss in 2006; therefore, there is no distribution of bonus in this year.
3. Distribution of employee bonus and Directors' and Supervisors' remuneration from previous year's earnings: Refer to the "Dividend Policy" section in the financial statements.

(IX) Share Buy-back History: Not applicable.

II Financial Debentures in the Last Two Years

Type	Subordinate Debenture No. 2005-1	Subordinate Debenture No. 2005-2	Subordinate Debenture No. 2006-1
Date & Approval No.	Jin-Kuan-Yin (4) No. 0930036631	Jin-Kuan-Yin (4) No.0930036631	Jin-Kuan-Yin No.09500523210
Issue Date	January 5, 2005	January 24, 2005	December 27, 2006
Face Value	NT$100,000, NT$500,000, NT$1,000,000, NT$5,000,000, NT$10,000,000	NT$100,000, NT$500,000, NT$1,000,000, NT$5,000,000, NT$10,000,000	NT$10,000,000
Place of Issue	Taiwan R.O.C.	Taiwan R.O.C.	Taiwan R.O.C.
Currency	New Taiwan Dollars	New Taiwan Dollars	New Taiwan Dollars
Issue Price	$100	$100	$100
Total Amount	7,636,700,000	2,363,300,000	4,800,000,000
Interest Rate	Floating rate: Average floating rate for 1-year time deposit +1.493%. First annual rate is 3.0%.	Floating rate: Average floating rate for 1-year time deposit +1.493%. First annual rate is 3.0%.	Floating rate: 90 day CP+0.22%. First annual rate is 1.93%.
Maturity	No Maturity Date	No Maturity Date	7 year, matures on Dec 27, 2013
Order of Redemption	Secondary	Secondary	Secondary
Guarantor	N/A	N/A	N/A
Trustee	N/A	N/A	N/A
Underwriter	N/A	N/A	N/A

Type	Subordinate Debenture No. 2005-1	Subordinate Debenture No. 2005-2	Subordinate Debenture No. 2006-1
Lawyer	N/A	N/A	N/A
Auditor	Diwan, Ernst & Young Lu-Yen Luan / You-Ren Chen	Diwan, Ernst & Young Lu-Yen Luan / You-Ren Chen	Diwan, Ernst & Young Lu-Yen Luan / Chih-Ju Ho
Certifying Financial Institution	Fubon Securities Finance Co., Ltd.	Chung Hsing Securities Finance Co., Ltd.	N/A
Method of Redemption	Interest paid half yearly, the term for principal repayment is handled in accordance with the Guidelines for Capital Adequacy Management	Interest paid half yearly, the term for principal repayment is handled in accordance with the Guidelines for Capital Adequacy Management	Interest paid quarterly, principal is repaid in one-lump sum upon maturity
Unredeemed Balance	7,636,700,000	2,363,300,000	4,800,000,000
Paid-in Capital For the Previous Fiscal Year	14,236,161 (thousand dollars)	14,236,161 (thousand dollars)	15,745,358 (thousand dollars)
Audited Net Worth for the Previous Fiscal Year	19,010,243 (thousand dollars)	19,010,243 (thousand dollars)	21,689,964 (thousand dollars)
Performance	N/A	N/A	N/A
Redemption or Early Redemption Clause	Upon expiration of 5 years after the issue date of the debentures, where the computed capital adequacy ratio after redemption of the debentures meets the minimum statutory requirement, and that the competent authority has given its consent, the Bank may redeem the debentures prior to maturity.	Upon expiration of 5 years after the issue date of the debentures, where the computed capital adequacy ratio after redemption of the debentures meets the minimum statutory requirement, and that the competent authority has given its consent, the Bank may redeem the debentures prior to maturity.	N/A
Conversion & Exchange Conditions	Where the Bank's adequacy ratio is lower than the minimum statutory requirement and that accumulated loss is greater than the sum of retained earnings and capital surplus for over 6 consecutive months, the debentures will be automatically converted to perpetual cumulative preferred stocks.	Where the Bank's adequacy ratio is lower than the minimum statutory requirement and that accumulated loss is greater than the sum of retained earnings and capital surplus for over 6 consecutive months, the debentures will be automatically converted to perpetual cumulative preferred stocks.	N/A
Restriction Clause	In cases where the Bank's capital adequacy ratio is less than the minimum regulatory requirement as a result of making interest payments, the interest payment may be deferred and no interest will be accrued on the deferred portion.	In cases where the Bank's capital adequacy ratio is less than the minimum regulatory requirement as a result of making interest payments, the interest payment may be deferred and no interest will be accrued on the deferred portion.	In cases where the Bank's capital adequacy ratio is less than the minimum regulatory requirement as a result of making interest payments, the interest payment may be deferred and no interest will be accrued on the deferred portion.
Fund Utilization Plan	To meet medium and long-term capital requirement	To meet medium and long-term capital requirement	To meet medium and long-term capital requirement
Balance of issued debentures before adding the declared issue amount as a percentage of audited net worth for the previous fiscal year (%)	94.68%	94.68%	105.11%
Whether it is accounted for as the qualified own capital and its type	Yes, Tier 2	Yes, Tier 2	Yes, Tier 2
Name of rating agency, date and the result of ratings	Fitch Ratings, 2006.12.20,AA+(twn)	Fitch Ratings, 2006.12.20,AA+(twn)	Fitch Ratings, 2006.12.20,AA+(twn)

III Preferred Stock, Overseas Depository Receipts, Employee Stock Warrant, and Acquisitions or Disposition of Other Financial Institutions: None.

IV Fund Utilization

(I) Fund Utilization Plan

1. Details and schedule for the issuance of overseas convertible bonds:

(1)Fund utilization plan: to finance future medium and long-term capital requirements.

(2)Total amount of fund required for this plan: Up to NT$ 10 billion.

(3)Source of fund: Entirely funded by the issuance of domestic subordinate debentures. In the event where under subscription occurs, the difference will be made up by loan or other sources of funding.

(4)Plan and schedule of fund utilization:

Unit: NT Thousand Dollars

Plan	Scheduled Date of Completion	Total Amount of Fund	2007			
			Quarter 1	Quarter 2	Quarter 3	Quarter 4
For Medium and long-term capital requirement	Dec 31, 2007	10,000,000	2,500,000	2,500,000	2,500,000	2,500,000

2. Estimated benefits:

(1)Cost and benefits:

Assuming a maximum subscription amount of NT$10 billion, total annual interest expense will be NT 275,000 thousand dollars calculated at a fixed interest rate of 2.75%. Where the floating interest rates apply, every 0.25% increase in interest rate will incur an additional NT 25,000 thousand dollars of interest expense.

In terms of expected revenue of the fund, taking the Bank's average interest rate of 3.88% for loans prevailing in October 2006 plus 0.25%, we get an interest rate of 4.13% applicable to medium and long-term loans. The Bank's annual interest income (computed at 4.13%) will be an additional NT 413,000 thousand dollars while net interest income expects to increase by NT 138,000 thousand dollars.

(2)Estimated benefits:

The balance of medium and long-term loans will increase from NT$ 247.43 billion as at Oct. 31, 2006 to NT$ 257.43 billion as at Dec 31, 2007, an increase of NT$ 10 billion.

	2006/10/31 (NT thousand dollars)	2007/12/31 (NT thousand dollars)	Estimated Increase (NT thousand dollars)
For Medium and Long-term Loan	247,434,763	257,434,763	10,000,000

(II) Execution of the Fund Utilization Plan

1. Previous issues of financial debentures and the execution status:

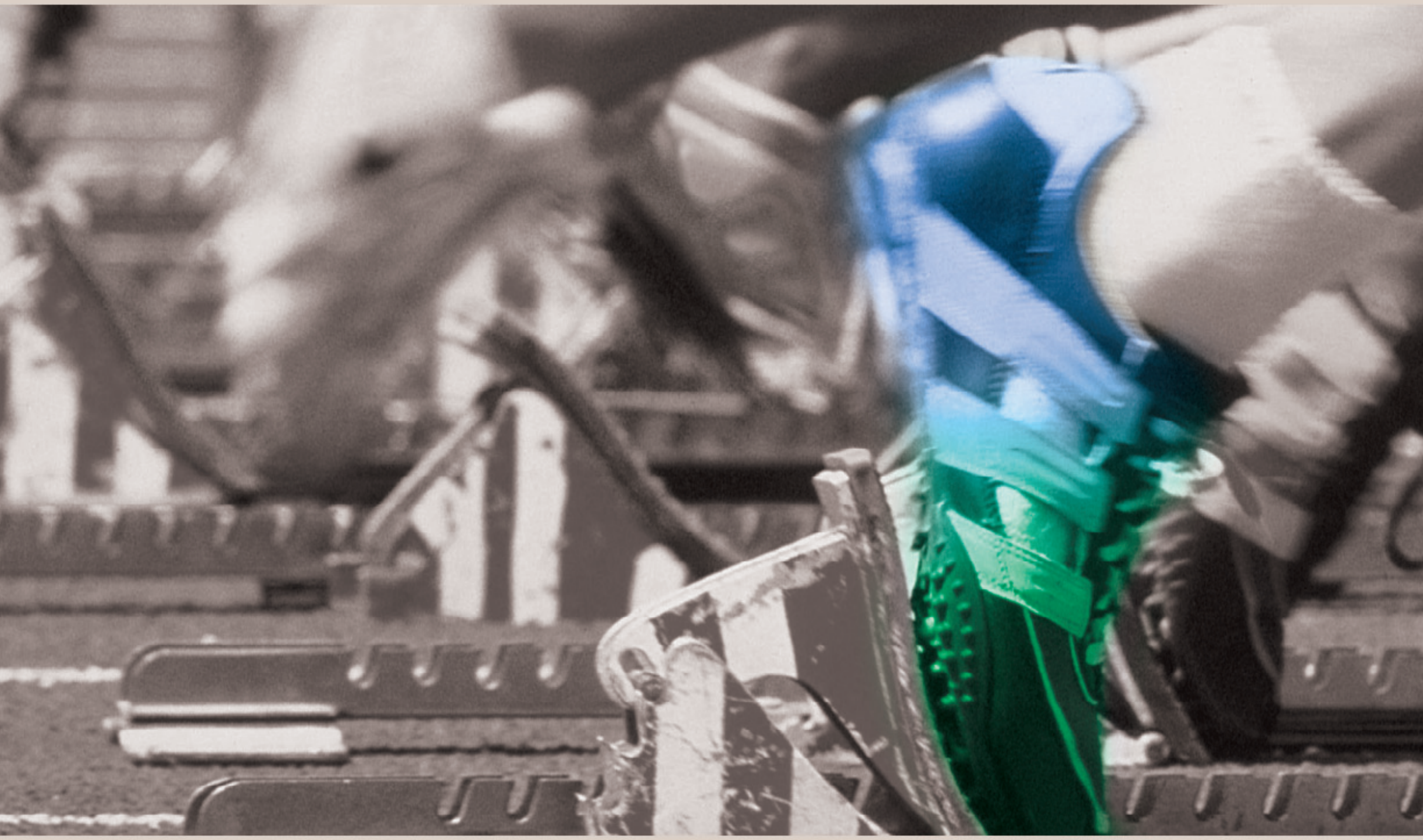
(1)The 2002 subordinate debentures were subscribed in full in July 2002. The duration is 5 years from July 19, 2002 to July 19, 2007. Interest is paid half yearly with the principal be paid in full upon maturity. There have been eight interest payments up to July 19, 2006. All interest payments were disbursed successfully. The next interest payment date is January 19, 2007.

(2)The 2005 cumulated subordinate debentures with no maturity date were subscribed in full on January 5, and January 24, 2005 respectively. Interest is paid half yearly. There have been four interest payments up to July 2006. All interest payments were disbursed successfully. The next interest payment dates are January 5 and January 24, 2007.

Type	2002 Subordinate Financial Debenture	2005-1 Financial Debenture	2005-2 Financial Debenture
Approval No.	Tai-Tsai-Zong No. 0910028314	Jin-Kuan-Yin No. 093003631	Jin-Kuan-Yin No. 093003631
Date of Issue	July 19, 2002	January 5, 2005	January 24, 2005
Face Value	NT$ 8,000,000,000	NT$ 7,636,700,000	NT$ 2,363,300,000
Interest Rate	Fixed rate: 4.25% for the first 3 years and 4.5% for the remaining 2 years. Floating rate: The Bank's published rate for 1-year time deposit +1.75%.	Floating rate: Average rate for 1-year time deposit offered by the selected bank +1.493%. Interests accrue at 3.0% for the first year.	Floating rate: Average rate for 1-year time deposit offered by the selected bank +1.493%. Interests accrue at 3.0% for the first year.
Maturity	5 Years	No Maturity Date	No Maturity Date
Repayment	Interest paid half yearly, principal repaid in full upon maturity	Interest paid half yearly	Interest paid half yearly
Subscription Completes On	July 2002	January 2005	January 2005
Listing on the OTC Exchange	Yes	Yes	Yes
Interest Disbursement	Normal	Normal	Normal

2. The Bank's Medium and Long-term Loan and Capital Adequacy:

	2002/6/30	2004/12/31	2005/12/31
Medium and Long-term Loan	NT 184,904,382 thousand dollars	NT 212,652,119 thousand dollars	NT 226,942,528 thousand dollars
Increase	N/A	NT 27,747,737 thousand dollars	NT 14,290,409 thousand dollars
Capital Adequacy %	8.38	8.97	11.98
Increase	N/A	0.59	3.01



Operation Highlights

Getting out for a 100-meter race,

you will be the first one to reach the terminus

with your fastest speed if you compose efficient skill

HIB's sound frame and precise service

enable every client to apply his ultimate

knowledge in the investing decision

and reach his target fast and safely

Operation Highlights

I Business Description

(I) Primary Business Activities of the Respective Business Units

1. Corporate Banking

(1)Loans:

Corporate loans, bills and notes discounting, domestic guarantee, issuance of domestic letter of credit, syndicated loan, accounts receivable factoring, supply chain financing, and offshore banking.

(2)Foreign Exchange:

Exports, imports, remittance, foreign currency loans, international accounts receivable factoring, and cross-strait and international banking.

2. Consumer Banking

Credit card, mortgage loans, personal loans and other consumer banking business.

3. Wealth Management

Managed funds, structured notes and insurance.

4. Deposits

Acceptance of checking deposits, time (savings) deposits, and demand (savings) deposits.

5. Others

Handle short-term bills brokerage and proprietary business, acting as the agent for processing payment and collections, and corporate Internet banking services.

(II) Ratio of Major Business Assets to Total Assets and Changes

1.Ratio of Major Businesses to Total Assets

(1)Deposits and Remittance

Unit: NT Thousand Dollars

	Dec 31, 2006		Dec 31, 2005		Growth Rate %
	Amount	Ratio	Amount	Ratio	
Savings Deposit	245,521,020	69.90%	235,860,655	73.86%	4.10%
Time Deposit	62,954,981	17.93%	44,355,354	13.89%	41.93%
Demand Deposit	38,520,606	10.97%	34,706,721	10.87%	10.99%
Checking Account	4,112,992	1.17%	4,301,731	1.35%	-4.39%
Remittance	121,711	0.03%	98,825	0.03%	23.16%
Sub-total	351,231,310	100%	319,323,286	100%	9.99%

(2)Loans

Unit: NT Thousand Dollars

	Dec 31, 2006		Dec 31, 2005		Growth Rate (%)
	Amount	Ratio	Amount	Ratio	
Export bill negotiated	186,011	0.06%	431,063	0.16%	-56.85%
Short-term loan & overdraft	23,716,626	8.03%	31,150,727	11.32%	-23.86%
Short-term secured loan & overdraft	20,278,005	6.86%	11,375,997	4.13%	78.25%
Medium-term loan	72,007,712	24.37%	70,831,659	25.75%	1.66%
Medium-term secured loan	31,608,375	10.69%	27,730,632	10.08%	13.98%
Long-term loan	10,136,212	3.43%	8,732,383	3.17%	16.08%
Long-term secured loan	132,749,862	44.92%	119,647,854	43.49%	10.95%
Overdue Receivables	4,839,651	1.64%	5,230,002	1.90%	-7.46%
Sub-total	295,522,454	100%	275,130,317	100%	7.41%

2.Major Business Growth

Unit: NT Thousand Dollars

Item		2006	2005	Increase (Decrease)	Growth Rate (%)
Deposits & Remittance (Note)		332,686,983	300,823,593	31,863,390	10.59%
Discounts & Loan (Note)		279,699,572	256,329,436	23,370,136	9.12%
Guarantees		9,016,885	6,637,102	2,379,783	35.86%
Consumer Banking	No. of Participating Stores	11,919	11,606	313	2.70%
	No. of Credit Cards	919,745	908,360	11,385	1.25%

Item		2006	2005	Increase (Decrease)	Growth Rate (%)
Securities & brokerage settlement volume		231,532,520	160,890,165	70,642,355	43.91%
Trust Fund Sale		65,424,789	29,984,146	35,440,643	118.20%
Foreign Exchange (US Thousand Dollars)	International Exchange	11,095,149	10,773,267	321,882	2.99%
	Import Negotiation	821,277	801,504	19,773	2.47%
	Export Negotiation	798,851	1,042,461	(243,610)	-23.37%
	Total	12,715,277	12,617,232	98,045	0.78%

Note：The numbers stand for the average balance in December 2006.

(III) Business Plan for 2007

1. Deposits

   (1) Centralized business processing.

   (2) Branch distribution planning.

   (3) Service quality improvement plan.

2. Loans

   (1) Corporate Banking Center

   a.Through integration of marketing channels, carry out value integrated marketing and realize the one-stop-shopping strategy.

   b.Aggressively promote foreign exchange, TMU and international banking businesses and strengthen the marketing of derivative (structured) financial instruments.

   c.Utilize the resources offered by the Standard Chartered Bank to expand supranational businesses, financing services for offshore Taiwanese entrepreneurs and international factoring business.

   (2) Consumer Banking Center

   a.Introduce the "Behavior/Bureau Scoring system" and the "Tracking & Monitoring System of Disqualified Items" system.

   b.Construct a comprehensive risk database and reporting system (Reporting & MIS).

   c.Develop price appraisal database and the matching function.

   d.Execution of TOP-UP projects (including unsecured loan and mortgage loan).

3. Securities

   (1) Construct an integrated Securities/Futures/Options system and connection to the host of emerging stocks.

   (2) Expand customer relationship management and classified marketing.

   (3) Promote virtual trading and develop branch marketing channels.

   (4) Increase financing by securities dealers.

4. Trust and Wealth Management

   (1) Introduce centralized management and construct a discretionary management system.

   (2) Develop investment strategies and models to meet diverse financial demands.

5. Risk Management

   (1)Develop a risk management mechanism. Make a provision for capital using the standard or basic indicator approach.

   (2)Put in place supervisory and assessment standards and code of market conduct, which are in compliance with the Basel II requirements.

6. Treasury Dept.

   (1) Business expansion in capital market.

   (2) Launch structured investment products linked with raw materials and supplies.

   (3) Expand OBU customers' business dealing in TMU.

7. Other Projects

(1) IT system integration.

(IV) Market Analysis

1.Domestic Economic & Financial Status

Following a slow down in world economy in 2007, our macroeconomic conditions will see some moderate adjustments. Unemployment rate expects to further reduce while the overall economic growth is stable.

In terms of commodity prices, world petrol price expects to fluctuate at high levels given the absence of a major event. The Academia Sinica projects that in 2007; the NTD expects to appreciate moderately against the USD from 32.53 in 2006 to 32.16. WPI is estimated to experience significant decline from 5.54% this year to -0.13% in 2007. On the other hand, CPI will see a moderate revision upward from 0.58% to 1.72%.

In terms of money supply, active participation in the capital market and recovery of domestic demand will support the steady growth of the overall money supply level. The annual growth rate of M1b will be revised upward slightly from 5.25% in 2006 to 5.62% in 2007 while growth rate of M2 is slighted reduced from 6.2% to 5.93%.

2.Future Market Demand/Supply and Growth Potential

As of October 2006, there were a total of 43 domestic banks operating a total of 3,276 branches and offices, an increase of 35 against 2005 (a reduction of 2 Head Offices due to merger and an increase of 37 branches and offices). Over saturation of the financial market further intensify competition. In addition, domestic banks' core business has been the taking of deposits and underwriting of loans. Due to serious business overlapping, some banks have sacrificed the importance of risk control to gain additional business by resorting to unrealistic price cuts. As such, the card crisis erupted without warning in 2005, causing uproar in the society. Till this date, many banks are still recovering from the event. To resolve over competition in the financial market, the Financial Supervisory Commission introduced the “Second Financial Reform” in the expectation of improving financial institutions operational efficiency through financial mergers. Meanwhile, some small local banks are inviting foreign banks to acquire their shares for the sake of facilitating multifaced business development as they may take advantage of the robust back-office support and analytical techniques of these foreign banks to pioneer a blue sea path. In the long term, continual consolidation in the financial sector and multifaced business developments will aid the overall growth of the financial market.

3.Strength and Weakness of Future Developments and the Responsive Measures:

Strength:

(1)Robust support by Standard Chartered Bank: Integration of existing internal operations with our parent company, the Standard Chartered Bank, expect to complete in 2007. We look forward to utilize the support of its global network and capabilities in offering cross-border products to aid our exploitation of corporate banking businesses.

Weaknesses:

(1)Expansion of direct financing erases the niche of indirect financing.

(2)There remain a large number of financial institutions and there is potential for hostile competition.

Responsive Measures:

(1)Skip the domestic red sea market and grasp opportunities created by Taiwanese entrepreneurs in Mainland China.

(2)Pursue financial innovation and move towards the global market.

(V) Financial Instruments Study and Summary of Business Developments:

1.The scale of operation and profitability status for major financial instruments and additional business units :

(1)The Bank has issued two RMBS on December 20, 2005 and September 20, 2006, respectively.

(2)We expanded our territory into the Taipei area. The Second Regional Consumer Banking Center came into being in Taipei on June 21, 2005 and commenced official operation starting from July 1 the same year.

(3)In line with corporate customers' call for electronized business transactions, we launched the supply chain "Dynamic Financing Services" project using our electronized banking services.

(4)Set up responsible business units and start from fresh the development of micro business lending. Set up the score card system by industry and scale of operation. Coupled with the credit guarantee mechanism, develop standardized products to match market demands in a timely manner.

2. R & D Expenditure and Results for the Past Two Years and Future R & D Plans:

(1) R & D Expenditure & Results:

R & D Projects	R & D Expenditure (In Thousands Dollars)
(1) Accurate evaluation and validation of the systematic market risk (VaR)model.	NT 8,550
(2) Automation of the credit scoring model for corporate banking	NT 4,540
(3) Customized personal mortgage loan score card, secured and unsecured portfolio (limited to non-revolving products) probability of default model and loss given default probability model	USD 150
(4) Introduced the "CIS" for consumer banking to streamline lending operations. Set up the "Consumer Banking Loan Operation Center" to significantly cut down manpower costs and enhance operational quality through consistent quality control.	NT 5,000
(5) Real estate price appraisal system went live on Jan 27, 2006. In the process of applying for copies and migrate existing paper operations online to cut down processing time and ensure accuracy.	NT 3,300
(6) In March 2006, British-based company, Experian launched the customized credit score card technique and undertook technical transfer for application of the system to the Bank's small unsecured loans and credit card products.	NT 10,000
(7) In 2005, completed setting up the methods of estimating systematic market risks（VaR）. Compute the values at risk of interest rate, beneficiary certificates and foreign exchange products using the Variance-Covariance Method, Historical Method and Monte Carlo Method, respectively.	NT 30,000
(8) Completed the Application Assessment Procedures Scoring mechanism, which is a part of the Corporate Credit Score Card. As of December 2006, tests have been successfully completed on the Logistic Regression Model for public companies.	NT 5,960

(2) Future R & D Plans

a.Continue to consolidate image, automatic approval and price appraisal systems and construct the most efficient and high quality operational network.

b.Modelize and automate loan appropriation operations in stages.

c.Load the paper pricing data into the price appraisal system prior to the system going live to facilitate pricing data analysis. Meanwhile, it is important to retain the image of the paper data for reference.

Load persuasive property settlement information into the system and develop the price matching function to facilitate more speedy appraisal operations.

(VI) Short and long-term Business Development Plan

1.Short-term Plan

(1) Continue to improvement the quality and productivity of our financial management specialists.

(2) Build the RM system to offer SVIP customized and diverse services.

(3) Offer multifaceted and differentiated financial management products.

(4) In control of credit risks, adjust the lending structure, improve asset quality, segregation of duties for specialized credit assessment, enhancement of the risk control mechanism and set up the risk factor database.

(5) Set up responsible business units to aggressively promote the various business services for small and medium-sized enterprises and micro businesses. Develop the scoring system by industry type and scale of operation.

(6) Build the cross-strait financial business network. Increase business dealing with Taiwanese entrepreneurs in Mainland China relating to “Loans” and “Accounts Receivable Factoring”. Continue to promote the various international banking businesses.

(7) Enhance the financial planning business for corporate clients. Offer customers consultation services for debt planning, business merger and acquisition, fund-raising and tax planning. Satisfy the demand of corporate customers for financial operations and asset & liabilities management.

(8) Aggressively promote the international factoring business through Standard Chartered Group's Inter-Factor and Factors Chain International.

(9) Apply the Standard Chartered Bank's risk management mechanisms including the scorecard, pricing model, internationalized/localized customer management system, and advance warning system to meet Group's credit policies.

(10)Undertake IT system integration projects including the Internet, system programs, and voicemail systems.

(11)Launch the Visa Debit card to enable deposit account holders to shop with it.

(12)Undertake customer maintenance operations to increase customer satisfaction and execute cross selling.

2. Long-term Plan

(1) Review and improve the various operational procedures, standardize and automate the business processes to reduce costs of operation.

(2) Provide total financial management solutions. Build the corporate image of being a specialized bank in order to become a comprehensive financial consultant for our customers.

(3) Expand deposits and financial management businesses beyond the Taoyuan, Hsinchu and Miaoli areas.

(4) Construct a globalized financial network.

(5) Build a strong bond with customers. Offer financial management services to corporate customers and develop the integrated marketing mechanism (Value Consolidation Marketing/Cross-selling) to improve the contribution of fee income to revenue.

(6) Become a leading domestic bank with a balanced pursuit of profit attainment and business growth.

(7) Achieve the highest customer satisfaction.

(8) Aim at becoming one of the “Top 3 Consumer Banking Bank” in Taiwan.

II Employee Analysis

(I) Employee Data

Year		2005	2006	Jan 1 ~ Feb 28 2007
No. of Employees	Over 50 years old	58	48	49
	Over 40 years old	419	497	503
	Over 30 years old	1,498	1,540	1,552
	Over 20 years old	1,439	1,275	1,263
	20 years old & Under	0	0	0
	Total	3,414	3,360	3,367
Average Age		32.30	32.80	32.90
Average Year of Service		6.20	6.80	6.80
Education	Doctorate	0.00%	0.00%	0.00%
	Master	4.51%	5.24%	5.32%
	University (College)	75.04%	80.12%	80.10%
	Senior High School	20.30%	14.49%	14.43%
	Junior High School & Under	0.15%	0.15%	0.15%
Type of Processional Certification Held by Employees	Securities Specialist	340	412	397
	Investment-linked Insurance Products Specialist	768	1,106	1,106
	Investment Trust & Consulting Specialist	129	160	159
	Basic Proficiency Test for Bank Lending Personnel	576	644	645
	Advanced Proficiency Test for Bank Lending Personnel	22	25	25
	Futures Specialist	202	298	287
	Life Insurance Account Executive Registration Certificate	1,379	1,967	1,967
	Proficiency Test for Debenture Specialists	7	17	17
	Basic Proficiency Test for Foreign Exchange Personnel	205	228	232
	Proficiency Test for Financial Planner	549	617	624
	Proficiency Test for Investment Trust Specialist	1,263	1,800	1,800
	Basic Proficiency Test for Bank's Internal Control Procedures	1,762	2,048	2,058
	Senior Securities Specialist	256	287	274
	Property Insurance Account Executive Registration Certificate	980	1,845	1,845
	Proficiency Test for Notes & Bills Personnel	14	12	12
	Securities Dealer	39	33	33
	Certified Internal Auditor	2	5	5
	Proficiency Test for Stock Affairs Personnel	17	22	21

(II) Certification of Employees Relevant to Financial Transparency As Prescribed by the Competent Authority

Type of Certification	Department	Subtotal	Grand Total	Type of Certification	Department	Subtotal	Grand Total
Life Insurance Account Executive Registration	Treasury Dept.	10	1,967	Property Insurance Account Executive	Treasury Dept.	3	1,845
	Accounting Dept.	8			Accounting Dept.	4	
	Auditing Office	23			Auditing Office	20	
	Other	1,926			Other	1,818	
Proficiency Test for Foreign Exchange Trading Specialist	Treasury Dept.	6	15	Proficiency Test for Financial Planners	Treasury Dept.	8	624
	Accounting Dept.	0			Accounting Dept.	5	
	Auditing Office	0			Auditing Office	11	
	Other	9			Other	600	
Investment Trust & Consulting Specialist	Treasury Dept.	5	159	Proficiency Test for Bills & Notes Personnel	Treasury Dept.	9	12
	Accounting Dept.	1			Accounting Dept.	0	
	Auditing Office	1			Auditing Office	0	
	Other	152			Other	3	
Investment-linked Insurance Product Specialist	Treasury Dept.	3	1,106	Futures Specialist	Treasury Dept.	7	287
	Accounting Dept.	2			Accounting Dept.	0	
	Auditing Office	7			Auditing Office	2	
	Other	1,094			Other	278	
Proficiency Test for Stock Affairs Personnel	Treasury Dept.	0	21	Advanced Proficiency Test for Bank Lending Personnel	Treasury Dept.	0	25
	Accounting Dept.	0			Accounting Dept.	0	
	Auditing Office	0			Auditing Office	0	
	Other	21			Other	25	
Basic Proficiency Test for Foreign Exchange Personnel	Treasury Dept.	7	232	Basic Proficiency Test for Bank's Internal Control Procedures	Treasury Dept.	11	2,058
	Accounting Dept.	1			Accounting Dept.	9	
	Auditing Office	6			Auditing Office	29	
	Other	218			Other	2,009	
Basic Proficiency Test for Bank Lending Personnel	Treasury Dept.	2	645	Senior Securities Specialist	Treasury Dept.	11	274
	Accounting Dept.	0			Accounting Dept.	1	
	Auditing Office	17			Auditing Office	4	
	Other	626			Other	258	
Finance Personnel's Risk Management Proficiency Test	Treasury Dept.	0	6	Securities Specialist	Treasury Dept.	10	397
	Accounting Dept.	0			Accounting Dept.	2	
	Auditing Office	1			Auditing Office	1	
	Other	5			Other	384	
Proficiency Test for Finance Personnel's Appraisal Skill on Collateral	Treasury Dept.	0	27	Certified Internal Auditor	Treasury Dept.	0	5
	Accounting Dept.	0			Accounting Dept.	1	
	Auditing Office	0			Auditing Office	1	
	Other	27			Other	3	
Financial Market Knowledge and Ethics Test	Treasury Dept.	3	982	Securities Dealer	Treasury Dept.	0	33
	Accounting Dept.	9			Accounting Dept.	0	
	Auditing Office	7			Auditing Office	0	
	Other	963			Other	33	
Proficiency Test for Investment Trust Specialists	Treasury Dept.	13	1,800	Proficiency Test for Debenture Specialists	Treasury Dept.	2	17
	Accounting Dept.	6			Accounting Dept.	0	
	Auditing Office	21			Auditing Office	0	
	Other	1,760			Other	15	

(III) Employees' Further Education & Training

	2006	2007 (Forecast)	Variance	Increase (%)
Total Training Personnel	10,529	13,500	2,971	28.22%
Total Training Hours	1,788	4,500	2,712	151.68%
Total Training Classes	271	450	179	66.05%
Total Training Days	223	563	340	152.47%

(IV) Employee Conduct & Ethics

The Bank has put in place the Code of Employee Conduct and Ethics to govern employees' rights and compliance with the code of conduct.

III Corporate Responsibilities & Ethical Behavior

(I)The Bank has launched the "Originality of Native Land & Perpetual Flowing of Mountain Spring" charitable event, expecting to make the following donations:

1.Fund raising from the public amounting to NT$ 3.05 million to offer assistance to people in rural areas and minority groups.

2.Donation of music resources to Smangus and Sles Tribes.

3.Music Education Project covers syndicated donation to Jie Shou, Luo-Fu, Hsia Yun and Yisheng Elementary Schools in Fushing Township, Taoyuan and Wen-Shui and Mei-Yuan Elementary Schools in Taian Township, Miaoli.

(II) Please refer to page 43 for other donations made by the Bank.

IV Information Technology

(I) Maintenance and deployment of hardware and software for major IT systems

The host is a HP Non-stop Server S88016 while the operating system is a Non-stop kernel G06.24.

(II) Future development or procurement plan

Acquire remote backup facility and replacement of existing network.

(III) Emergency support and security protection measures

1.In the event of an accident leading to injury or death of an employee, the System Document Recovery Unit is responsible for allocating resources to deal with the preservation of evidence, liaise with the insurance company, cooperate with insurance investigations and handle insurance claims.

2. Where the injury or death of an employee results in a litigated event, the System Document Recovery Unit shall allocate resources to coordinate with Legal Affairs to deal with settlement or legal proceedings.
3. For remote operation in backup offices, Emergency Telecommunication Repair Unit is responsible to deal with suppliers, obtainment of backup items, and the procurement of hardware, software and tangible facilities.

V Labor Relations

(I) Employee Welfare

1. Employee bonus and profit sharing.
2. Labor insurance, national health insurance and group insurance.
3. Periodic health checkup.
4. Subsidy for wedding, funeral, maternity leave, travel, education and social club events. Special cash allowances distributed on three major festivals.
5. Organize regular company tour, annual party and anniversary celebration.
6. Offer employees the option of transferring their pension fund to “Time Savings Deposit Account for Bank Employees” for entitlement of a privileged rate.
7. Offer quality retirement souvenir.
8. Offer special deposit rates for employee savings account.
9. Offer special lending rates for employee loan.
10. Special financial management offers: no transaction fees, special exchange rate and no inter-bank transfer fees.
11. Special credit card offers (issued by the Bank): no annual fee and double reward points.
12. Elegant uniforms at no charge.
13. Free lunch service.
14. Offer better condolence payments in addition to employment termination payout for any employee died in performing work-related duties.

(II) Retirement Policy

1. There are two types of retirement: voluntary and involuntary.
2. Upon reaching the retirement age of 60 years old, employees serving as a manager or above may extend the employment contract for a further one year limited to five times on the grounds of outstanding performance and given the special consent of the Chairman upon assessment by the Performance Review Committee.

3. Standards of Retirement Payout: For those with under 15 years of service, 2 base points will be counted for each year of service and for those with more than 15 years of service will be granted 1 base point for each year of service upon reaching the 15th year of service.

4. The Labor Pension Fund regulations came into effect on July 1, 2005. The new system adopts the defined benefit concept. Upon implementation, employees have the option of switching over to the new system applicable under the "Labor Standards Act" and retain their year of service accounted for under the existing system prior to the switch. For employees under the new superannuating system, the Bank shall contribute no less than 6% of the employee's monthly salaries to the pension fund.

(III) Labor agreements: None.

(IV) Measures to protect employee welfare

1. The Personnel Review Committee is in charge of employee reward and disciplinary actions and matters for reconsideration.
2. The Remuneration and Position Evaluation Committee is in charge of "other matters for consideration" defined in Article 2 of the Labor Standards Law, formulation and planning of the Bank's remuneration policy and salary structure, approval of the amount of and method by which the annual bonus and employee bonus will be disbursed, approval of the Bank's bonus and profit sharing policy, approval of employees' salary adjustment and conducting work reviews.
3. The Performance Review Committee is in charge of the approval of employees' performance reviews and handling appeals of review results.
4. The scope of Labor Relations Meeting contains employee status, production plan & business status, coordination of labor relations, facilitate labor cooperation, labor terms & conditions, employee welfare planning and improvement of work efficiencies.

(V) Loss incurred as a result of labor disputes in the past year, the amount of estimated potential loss and the Bank's responses: None.

VI Major Contracts

Nature of Contract	Concerned Parties	Agreement Date	Major Details	Restriction Clause
Cooperation	Wealth Management Dept.	Feb. 2006 ~ Feb. 2007	Execution of the Marketing & Advertisement Campaign for The Rock Private Wealth Management	None
Development & maintenance of application software	HiTrust.Com Inc.	Feb. 1, 2007 ~ Jan. 31, 2008	Development of B2B e-Stock Affairs System	None
Manpower service	HiTrust.Com Inc.	Sep. 15, 2006 ~ Sep. 14, 2007	Assignment of professional service staff	None
Video conference system setup	WorldTel Inc.	Sep. 30, 2006 ~ Sep. 29, 2007	Construction of the Marratech Internet Multimedia Telecommunication System Software and Peripheral Equipment	None
Cooperation	Consumer Banking Dept.	Apr. 18, 2006 ~ Apr. 17, 2007	Signed the general agency advertisement agreement with Foote, Cone,& Belding (Taiwan)	None
Cooperation	Consumer Banking Dept.	Apr. 1, 2006 ~ Mar. 31, 2007	Advertisement Media Procurement Agreement with Media Co., Ltd.	None

VII Information on Financial Assets Securitization

In accordance with regulations governing financial asset securitization, the Bank effectively transfers its mortgage loans and related rights and obligations to the trustee through a special purpose trust. The Trustee then issues mortgage-backed beneficiary certificates and hand over the subscription money to the Bank.

In December 2005, the Bank first sold its mortgage loans amounting to NT$ 12,005,275 thousand dollars through asset securitization. The Deutsche Bank (Taipei) was the Trustee, which issued beneficiary certificates backed by the mortgage loans. The beneficiary certificates issued at par were made up by NT 10,204,484 thousand dollars of investor beneficiary certificates and NT 1,800,791 thousand dollars of seller beneficiary certificates. The duration of the beneficiary certificates starts from Dec 20, 2005 and ends on Jul 20, 2027. In September 2006, the Bank issued the second lot of mortgage-backed beneficiary certificates amounting to NT 13,234,322 thousand dollars, again through the Deutsche Bank (Taipei). The beneficiary certificates issued at par comprised NT 10,322,771 thousand dollars of investor beneficiary certificates and NT 2,911,551 thousand dollars of seller beneficiary certificates. The duration of the beneficiary certificates starts from Sep 20, 2006 and ends in January 2028.

The Bank retained NT 1,800,791 thousand dollars and NT 2,911,551 thousand dollars of seller beneficiary certificates from the first and second issue, respectively. These securities are accounted for as Held-to-Maturity Financial Assets. The Bank reserves the claim to the interest remaining upon disbursing agreed interest payments to primary beneficiaries. In the event where the any of the creditors is unable to meet his/her payment obligations upon maturity of the loans, investors and the Deutsche Bank have no right of recourse against other assets of the Bank. Priority of claims against the principal ranks after the investors' claim and the value is also affected by the credit risk, early redemption and interest rate risks of the transferred credit.

Financial Highlights

The tips of progress are reducing obstruction

and increasing advancement

HIB holds stable and balancing finance

operation to assure innovative and

ever-lasting progress toward the successful terminus

Financial Highlights

I Condensed Balance Sheets and Income Statements For the Past Five Years

(I)Condensed Balance Sheets

Unit：In NT thousand dollars

Item \ Year		Financial Data for the Past Five Years					Financial Data for Jan. 1 ~ Feb. 28, 2007 Pre-audited
		2006	2005	2004	2003	2002	
Cash & cash equivalent, Due from Banks and Central Bank of China		34,426,520	22,844,125	25,410,244	23,803,242	28,904,151	30,692,582
Financial assets at fair value through profit or loss		26,648,345	9,191,723	21,551,419	21,361,911	14,619,063	15,737,925
Bonds and short-term bills sold under resale agreements		0	11,654,485	20,345,638	0	0	0
Available for sale financial assets		52,191,033	59,124,302	46,491,097	31,755,927	25,127,478	70,384,909
Receivables, net		9,521,656	12,452,634	10,484,281	8,749,811	5,283,926	8,058,049
Loans and bills discounted, net		292,427,161	272,226,019	253,307,503	231,118,975	220,232,643	287,842,623
Other financial assets		235,615	475,287	539,019	581,121	537,292	275,598
Equity investment under equity method		682,864	1,316,036	967,264	704,342	462,886	696,929
Fixed assets, net		7,915,222	7,426,859	6,994,117	6,650,268	6,315,340	7,598,798
Other assets, net		5,103,843	5,357,826	6,972,786	8,573,000	10,324,188	5,030,561
Total Assets		429,152,259	402,069,296	393,063,368	333,298,597	311,806,967	426,317,974
Due to Banks and Central Bank of China		14,791,312	16,391,571	14,321,689	16,398,073	12,025,538	13,955,087
Customer deposits and remittances payable		351,231,310	319,323,286	320,653,981	283,505,241	268,935,348	349,032,092
Financial liabilities at fair value through profit or loss		44,331	45,284	538,748	1,928,676	3,431,075	39,735
Bonds and short-term bills sold under repurchase agreements		17,778,465	16,106,077	16,039,997	0	0	19,184,104
Financing from Central Bank of China and banks & Bonds payable		24,266,820	22,106,250	16,033,834	8,681,030	8,347,530	23,615,840
Other liabilities		6,143,190	6,406,864	6,464,876	6,713,407	5,711,321	5,874,571
Total Liabilities	Before Distribution	414,255,428	380,379,332	374,053,125	317,226,427	298,450,812	411,701,429
	After Distribution	Note 2	382,159,582	374,758,442	317,314,075	298,450,812	N/A
Common stock		16,545,167	15,745,358	14,236,161	12,901,110	12,901,110	16,545,167
Capital surplus		225,000	8,917	8,894	6,513	29,109	263,568
Retained earnings	Before distribution	(1,871,122)	5,554,398	4,578,056	3,193,137	650,434	(2,017,700)
	After distribution	Note 2	3,280,069	2,363,542	1,770,438	673,254	N/A
Unrealized loss on available-for-sale financial assets		(383,517)	0	0	0	0	(555,792)
Unrealized loss on long-term investment		0	0	0	0	(47,813)	0
Treasury stock		0	0	0	(228,875)	(376,970)	0
Revaluation increment on property and equipment		381,303	381,303	187,132	200,285	200,285	381,303
Cumulative translation adjustments		0	(12)	0	0	0	0
Total Shareholders' Equity	Before distribution	14,896,831	21,689,964	19,010,243	16,072,170	13,356,155	14,616,545
	After distribution	Note 2	19,909,714	18,304,926	15,984,522	13,356,155	N/A

Note 1：In compliance with the disclosure methods of the financial report in 2006, the information in 2002 to 2005 has been reclassified to meet consistency.

Note 2：Shareholders' Meeting hasn't been convened yet.

(II) Condensed Income Statements

Unit：In NT thousand dollars

Item \ Year	Financial Data for the Past Five Years					Financial Data for Jan. 1 ~ Feb. 28, 2007 Pre-audited
	2006	2005	2004	2003	2002	
Net Interest Incomes	7,614,852	7,246,888	6,640,867	5,978,281	7,145,898	1,199,003
Net Non-interest Incomes	4,864,918	4,390,240	3,233,406	3,491,472	1,417,056	1,212,343
Operating incomes before provision for loan losses and general and administrative expenses	12,479,770	11,637,128	9,874,273	9,469,753	8,562,954	2,411,346
Provision for loan losses	11,607,776	2,882,651	2,373,734	3,063,228	8,876,459	1,024,477
General and administrative expenses	6,789,811	5,410,917	4,486,745	3,874,987	3,348,843	1,084,539
Income (losses) from continuing operations before income taxes	(5,917,817)	3,343,560	3,013,794	2,531,538	(3,662,348)	302,330
Income (losses) from continuing operations	(5,218,484)	3,190,856	2,807,618	2,519,883	(3,517,432)	279,760
Income (Loss) of Discontinued Operations (Net of Tax)	0	0	0	0	0	0
Extraordinary items (Net of Tax)	0	0	0	0	0	0
Cumulative effect of changes in accounting principle (Net of tax)	66,607	0	0	0	0	0
Net Income (Loss)	(5,151,877)	3,190,856	2,807,618	2,519,883	(3,517,432)	279,760
EPS (before adjustment)	(3.16)	2.03	1.99	2.04	(2.91)	0.17

(III) Name of Independent Auditors and the Audit Opinion

Item \ Year	2006	2005	2004	2003	2002
Name of Auditor	Lu-Yen Luan Chih-Ju Ho	Lu-Yen Luan You-Ren Chen	Lu-Yen Luan You-Ren Chen	Lu-Yen Luan Chih-Ju Ho	Min-Quan Huang Chih-Ju Ho
Audit Opinion	Modified unqualified audit report	Unqualified audit report	Modified unqualified audit report	Modified unqualified audit report	Modified unqualified audit report

II Financial Analysis for the Past Five Years

(I) Ratio Analysis

Item \ Year		Financial Data for the Past Five Years 2006	2005	2004	2003	2002	Financial Data for Jan. 1 ~ Feb. 28, 2007 Pre-audited
Operating Capability	Loans to Deposits Ratio	84.14	86.16	80.04	82.76	82.93	82.47
	Non-performing Loan Ratio (KPI)	2.18	2.46	2.63	4.39	4.46	2.82
	Interest Expense to Average Total Deposits	1.74	1.42	1.29	1.56	2.45	0.30
	Interest Income to Average Total Loans	4.71	4.44	4.25	4.42	6.13	0.77
	Total Asset Turnover (times) (Note1)	0.03	0.03	0.03	0.03	0.03	0.006
	Average Operating Income Per Employee (Note1)(In thousand)	3,714	4,821	4,625	4,832	2,548	716
	Average Net Income Per Employee(In thousand)	(1,533)	997	1,069	1,180	(1,795)	83
Profitability	Return on Tier 1 Capital（%）	(34.74)	17.42	18.15	18.21	(27.34)	2.23
	Return on Assets（%）	(1.24)	0.80	0.77	0.78	(1.16)	0.07
	Return on Equity（%）	(28.16)	15.68	16.01	17.13	(23.27)	1.90
	Profit Margin（%）(Note1)	(41.28)	27.42	28.43	26.61	(41.08)	11.60
	EPS before adjustment（$）	(3.16)	2.03	1.99	2.04	(2.91)	0.17
Growth Rate	Asset Growth	6.74	2.29	17.93	6.89	6.04	(0.66)
	Profitability Growth	(276.99)	10.94	19.05	(169.12)	(965.44)	(105.11)
Liquid Reserve Ratio		14.95	17.46	19.98	16.06	15.83	16.75
Balance of Secured Loans to Interested Parties		2,001,043	2,284,402	3,282,044	1,897,818	2,059,134	1,935,867
Total Secured Loans to Interested Parties As a Percentage of Total Loans		0.66%	0.80%	1.24%	0.77%	0.88%	0.64%
Scale of Operation	Market Share of Asset	1.40%	1.09%	1.11%	1.01%	1.01%	1.40%
	Market Share of Net Worth	0.83%	1.05%	0.97%	0.89%	0.76%	0.81%
	Market Share of Deposits	1.60%	1.39%	1.48%	1.40%	1.40%	1.59%
	Market Share of Loans	1.64%	1.58%	1.59%	1.60%	1.59%	1.59%

Please explain the reasons for changes (if any) in the various financial ratios for the past two years except for changes under 20%:

1. We had a net loss of NT 5,151,877 thousand dollars in 2006, mainly due to the provision of NT$ 11.6 billion for loan losses. Therefore, the Profitability and its growth and Average Net Income Per Employee in 2006 are relatively lower compared to 2005.
2. Asset Growth in 2006 is much higher than in 2005, chiefly resulting from an increase of NT$ 20.2 billion on total loans in this year.

Note 1：Operating Income has been calculated pursuant to Regulations Governing the Preparation of Financial Reports by Public Banks.

Note 2：In compliance with the disclosure methods of financial report in 2006, the information in 2002 to 2005 has been reclassified to meet consistency.

Note 3：Financial ratios are computed as follows:

1.Operating Capability

(1) Loans to Deposits Ratio＝ Total Loans / Total Deposits

(2) Non-performing Loan Ratio＝ NPL / Total Loans

(3) Interest Expense to Average Total Deposits＝Total Interest Expense / Annual Average Total Deposits

(4) Interest Income to Average Total Loans＝Total Interest Income / Annual Average Total Loans

(5) Total Asset Turnover＝Operating Income / Total Assets

(6) Average Operating Income Per Employee＝Net Income / Total No. of Employees

(7) Average Net Income Per Employee＝Net Income After Tax / Total No. of Employees

2. Profitability
(1) Return on Tier 1 Capital=Net Income Before Tax / Average Total Tier 1 Capital
(2) Return on Assets＝Net Income After Tax / Average Total Assets
(3) Return on Equity＝Net Income After Tax / Average Net Shareholders' Equity
(4) Profit Margin＝Net Income After Tax / Operating Income
(5) Earnings Per Common Share ＝(Net Income After Tax－Preferred Stock Dividend) / Weighted Average Issued Shares

3. Growth Rate
(1) Asset Growth=(Total Assets as at the end of this year－Total Assets as at the end of last year) / Total Assets as at the end of last year
(2) Profitability Growth=（Net income before tax for the current year－Net income before tax for the past year） / Net income before tax for the past year

4. Liquid Reserves Ratio＝Liquid Assets Statutorily Required / Reserve for Liabilities

5. Scale of Operations
(1) Market Share of Assets＝Total Assets / Total Assets of All Authorized Deposit-Taking and Loan-Underwriting Financial Institutions
(2) Market Share of Net Worth＝Net Worth / Total Net Worth of All Authorized Deposit-Taking and Loan-Underwriting Financial Institutions
(3) Market Share of Deposits＝Total Deposits / Total Deposits of All Authorized Deposit-Taking and Loan-Underwriting Financial Institutions
(4) Market Share of Loans＝Total Loans / Total Loans of All Authorized Deposit-Taking and Loan-Underwriting Financial Institutions

(II) Capital Adequacy (KPI)

Item \ Year			Capital Adequacy Ratio for the Past Five Years					Jan. 1 ~ Jan. 31, 2007 (Note 1)
			2006	2005	2004	2003	2002	
Own Capital	Tier 1 Capital	Common Stock	16,545,167	15,745,358	14,236,161	12,901,110	12,901,110	16,545,167
		Perpetual non-cumulative preferred stock	0	0	0	0	0	0
		Non-cumulative subordinate debentures with no maturity date	0	0	0	0	0	0
		Capital collected in advance	0	0	0	0	0	0
		Capital Surplus（excl. fixed asset revaluation increment surplus）	225,000	8,918	8,894	6,513	29,109	263,568
		Legal Surplus	3,228,441	2,271,184	1,428,899	672,934	4,138,788	3,228,441
		Special Earnings Surplus	332	320	320	320	320	332
		Cumulative Profit/Loss	(5,099,895)	3,282,895	3,148,837	2,519,883	(3,488,674)	(5,333,921)
		Minority Shareholding	0	0	0	0	0	0
		Other Shareholders' Equity	0	(12)	0	0	(47,813)	0
		Less: Goodwill	0	0	0	0	0	0
		Less: unamortized loss on sale of delinquent loans	0	0	0	0	0	0
		Less: deduction items	1,201,444	939,287	803,963	906,894	917,935	523,016
		Total Tier 1 Capital	13,697,601	20,369,376	18,019,148	15,193,866	12,614,905	14,180,571

Item \ Year			Capital Adequacy Ratio for the Past Five Years					Jan. 1 ~Jan. 31, 2007 (Note 1)
			2006	2005	2004	2003	2002	
Own Capital	Tier 2 Capital	Perpetual Cumulative Preferred Stock	0	0	0	0	0	0
		Cumulative subordinate debentures with no maturity date	10,000,000	10,000,000	0	0	0	10,000,000
		Fixed asset revaluation increment surplus	381,303	381,303	187,132	200,285	200,285	381,303
		45% of unrealized gain on available-for-sale financial assets (Note 2)	138,481	115,655	24,859	25,306	27,365	79,167
		Convertible bonds	0	0	0	0	0	0
		Operating reserve and provision for bad debts	1,428,736	268,925	592,362	1,048,586	1,065,315	1,173,131
		Long-term subordinate debentures	2,259,272	1,600,000	3,200,000	4,800,000	6,400,000	3,048,257
		Redeemable preferred stocks	0	0	0	0	0	0
		The sum of perpetual non-cumulative preferred stocks and non-cumulative subordinate debentures with no maturity date in excess of 15% of total Tier 1 Capital	0	0	0	0	0	0
		Less: deduction items	510,192	939,286	803,963	678,019	540,966	501,286
		Total Tier 2 Capital	13,697,600	11,426,597	3,200,390	5,396,158	7,151,999	14,180,572
	Tier 3 Capital	Short-term subordinate debentures	0	0	0	0	0	0
		Redeemable preferred stock	0	0	0	0	0	0
		Total Tier 3 Capital	0	0	0	0	0	0
	Total Own Capital		27,395,201	31,795,973	21,219,538	20,590,024	19,766,904	28,361,143
Risk-Weighted Assets			302,107,124	265,474,427	236,605,497	215,737,312	200,558,060	287,888,935
Capital Adequacy Ratio			9.07%	11.98%	8.97%	9.54%	9.86%	9.85%
Tier 1 Capital/Risk-Weighted Assets			4.53%	7.67%	7.62%	7.04%	6.29%	4.93%
Tier 2 Capital/Risk-Weighted Assets			4.53%	4.30%	1.35%	2.50%	4.11%	4.93%
Tier 3 Capital/Risk-Weighted Assets			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Common Stocks/Total Assets			3.86%	3.92%	3.62%	3.87%	4.14%	3.89%

Please explain the reasons for changes (if any) in the capital adequacy ratios for the past two years except for changes under 20%:

1. Compared with 2005, Own Capital went down by NT$4.4 billion in 2006, mainly due to a decrease of NT$ 6.67 billion in Tier 1 capital and an increase of NT$ 2.27 billion in Tier 2 capital.
2. Compared with 2005, Risk Weighted Assets went up by NT$ 36.63 billion in 2006, resulting from an increase of NT$ 23.57 billion in credit risk assets and an increase of NT$ 13.06 billion in market risk assets.

Note 1：The numbers are pre-audited.

Note 2：This item in 2002 to 2005 stands for 45% of Unrealized Gain or Loss on Long-Term Investment.

Note 3：Capital deduction items in 2002 to 2006 were distributed 50% to Tier 1 Capital and the other 50% to Tier 2 Capital.

Note 4：The ratios are computed as follows:

1. Total Own Capital＝Tier 1 Capital＋Tier 2 Capital＋Tier 3 Capital
2. Total risk-weighted assets＝Credit Risk Weighted Assets＋ (Market Risk Capital + Operational Risk Capital)×12.5
3. Capital Adequacy Ratio＝ Total Own Capital / Total Risk-Weighted Assets
4. Tier 1 Capital to Risk-Weighted Assets Ratio ＝ Tier 1 Capital / Total Risk-Weighted Assets
5. Tier 2 Capital to Risk-Weighted Assets Ratio ＝ Tier 2 Capital / Total Risk-Weighted Assets
6. Tier 3 Capital to Risk-Weighted Assets Ratio ＝ Tier 3 Capital / Total Risk-Weighted Assets
7. Common Stock to Total Assets Ratio＝ Common Stock / Total Assets

III Supervisors' Report for the 2006 Financial Statements

SUPERVISORS'REPORT

To：2007 Shareholders' Meeting

The board of directors have complied and submitted the Bank's 2006 financial statements and consolidated financial reports (including balance sheets, income statements, statements of changes in shareholders' equity, statements of cash flows), audited by Diwan, Ernst & Young；and business report and statements of appropriation of loss. We are satisfied that they have been correctly complied from the books and accounts of the Bank at the date therefore according to Company Act in R.O.C. Article 219.

Hsinchu International Bank

Supervisor : Norman Lyle

Supervisor : Norman Chan Tak Lam

March 19, 2007

IV Financial Statements and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

Hsinchu International Bank Co., Ltd.:

We have audited the accompanying balance sheets of Hsinchu International Bank Co., Ltd. (the "Bank") as of December 31, 2006 and 2005, and the related statements of income, changes in shareholders' equity and 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 "Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules require that we plan and perform the audit procedures 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, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial positions of the Bank as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with the "Business Accounting Law," "Regulations Governing the Preparation of Financial Reports by Public Banks" and generally accepted accounting principles in the Republic of China.

As stated in Note 3 to the financial statements, the Bank adopted the R.O.C. Statement of Financial Accounting Standards No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation of Financial Instruments", effective from January 1, 2006.

We have also audited the consolidated financial statements of Hsinchu International Bank Co., Ltd. as of and for the year ended December 31, 2006 and have expressed a modified unqualified audit report on such consolidated financial statements.

Ernst & Young

Ernst & Young
February 3, 2007
Taipei, Taiwan
Republic of China

HSINCHU INTERNATIONAL BANK CO., LTD.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Jan. 1~Dec. 31, 2006	Jan. 1~Dec. 31, 2005
Interest incomes (Note 23)	NT$ 13,452,040	NT$ 11,991,821
Less: interest expenses (Note 23)	(5,837,188)	(4,744,933)
Net interest incomes	7,614,852	7,246,888
Non-interest incomes:		
Fees and commission incomes, net (Notes 17 and 23)	3,161,855	2,468,850
Gains on financial assets and liabilities at fair value through profit or loss, net (Notes 5 and 18)	271,328	435,821
Gains on available-for-sale financial assets, net	231,896	464,969
Investment incomes recognized under the equity method, net (Note 8)	241,686	352,757
Exchange (loss) gains, net	(8,840)	139,496
Impairment loss (Notes 9 and 11)	(458,339)	(105,607)
Other non-interest incomes, net (Note 19)	1,425,332	633,954
Total non-interest incomes	4,864,918	4,390,240
Operating incomes before provision for loan losses and general and administrative expenses	12,479,770	11,637,128
Provision for loan losses (Note 6)	11,607,776	2,882,651
General and administrative expenses (Notes 15,20 and 23)		
Personnel expenses	3,136,115	2,742,702
Depreciation and amortization expenses	552,920	487,039
Other expenses	3,100,776	2,181,176
	6,789,811	5,410,917
Income (losses) from continuing operations before income taxes	(5,917,817)	3,343,560
Provision (credit) for income taxes-continuing operations (Note 21)	699,333	(152,704)
Income (losses) from continuing operations	(5,218,484)	3,190,856
Cumulative effect of changes in accounting principle (Note 3)	66,607	-
Net income (loss)	NT$ (5,151,877)	NT$ 3,190,856

Earnings (losses) per common share (Note 22)

Calculated based on the weighted-average number of common shares outstanding	Before taxes	After taxes	Before taxes	After taxes
Income (loss) from continuing operations	NT$ (3.64)	NT$ (3.20)	NT$ 2.12	NT$ 2.03
Cumulative effect of changes in accounting principle	0.04	0.04	-	-
Net income (loss)	NT$ (3.60)	NT$ (3.16)	NT$ 2.12	NT$ 2.03

Calculated based on the weighted-average number of common shares outstanding due to the distribution of stock dividends

Income from continuing operations		NT$ 2.06	NT$ 1.96
Cumulative effect of changes in accounting principle		-	-
Net income		NT$ 2.06	NT$ 1.96

See accompanying notes to the financial statements.

HSINCHU INTERNATIONAL BANK CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Dec. 31, 2006		Dec. 31, 2005	
Cash and cash equivalents (Note 4)	NT$	8,283,345	NT$	8,587,765
Due from banks and Central Bank of China (Note 4)		26,143,175		14,256,360
Financial assets at fair value through profit or loss (Notes 5 and 3)		26,648,345		9,191,723
Bonds and short-term bills sold under resale agreements (Note 23)		-		11,654,485
Receivables, net (Note 6)		9,521,656		12,452,634
Loans and bills discounted, net (Notes 6 and 23)		292,427,161		272,226,019
Available-for-sale financial assets (Note 7)		52,191,033		59,124,302
Equity investment under equity method (Note 8)		682,864		1,316,036
Other financial assets (Note 9)		235,615		475,287
Fixed assets, net (Notes 10 and 23)				
Land		2,999,894		2,857,287
Revaluation increment-land		505,866		505,866
Buildings		3,272,395		2,937,052
Revaluation increment-buildings		10,407		10,407
Accumulated depreciation-buildings		(707,965)		(646,828)
Transportation and communication equipment		474		474
Accumulated depreciation-transportation and communication equipment		(474)		(474)
Miscellaneous equipment		4,118,775		3,893,812
Accumulated depreciation-miscellaneous equipment		(2,504,707)		(2,317,852)
Construction in progress		45,794		42,500
Prepayments for premises and equipment		174,763		144,615
		7,915,222		7,426,859
Other assets, net (Notes 10,11,15 and 23)		5,103,843		5,357,826
TOTAL ASSETS	NT$	429,152,259	NT$	402,069,296

See accompanying notes to the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Dec. 31, 2006		Dec. 31, 2005	
Liabilities:				
Due to banks and Central Bank of China (Note 12)	NT$	14,791,312	NT$	16,391,571
Financing from Central Bank of China and banks		1,466,820		492,750
Financial liabilities at fair value through profit or loss (Note 5)		44,331		45,284
Bonds and short-term bills sold under repurchase agreements (Note 23)		17,778,465		16,106,077
Payables		4,673,910		4,586,369
Customer deposits and remittances payable (Notes 13 and 23)		351,231,310		319,323,286
Bonds payable (Note 14)		22,800,000		21,613,500
Other liabilities (Note 10)		1,469,280		1,820,495
Total liabilities		414,255,428		380,379,332
Shareholders' equity (Note 16)				
Common stock		16,545,167		15,745,358
Capital surplus:				
Paid-in capital in excess of par		216,106		-
Gains on disposal of treasury stocks		8,024		8,024
Other capital surplus		870		893
		225,000		8,917
Reserves:				
Statutory reserve		3,228,441		2,271,184
Special reserve		332		320
Retained earnings (accumulated losses)		(5,099,895)		3,282,894
		(1,871,122)		5,554,398
Other adjustment:				
Revaluation increment on property and equipment		381,303		381,303
Cumulative translation adjustments		-		(12)
Unrealized loss on available-for-sale financial assets		(383,517)		-
		(2,214)		381,291
Total shareholders' equity		14,896,831		21,689,964
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	NT$	429,152,259	NT$	402,069,296

HSINCHU INTERNATIONAL BANK CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital Surplus		
		Paid-in capital excess of par	Gains on disposal of treasury stock	Other capital surplus
Balance as of January 1, 2005	NT$ 14,236,161	NT$ -	NT$ 8,024	NT$ 870
Appropriation of retained earnings:				
Statutory reserve	-	-	-	-
Stock dividends	1,509,197	-	-	-
Cash dividends	-	-	-	-
Directors and supervisors' remuneration	-	-	-	-
Employee cash dividends	-	-	-	-
Revaluation increment on property and equipment transferred to gain on disposal of fixed assets	-	-	-	-
Reserve for land revaluation increment taxes transferred to capital surplus	-	-	-	-
Capital surplus and cumulative translation adjustment of subsidiary by equity method	-	-	-	23
Net income for year 2005	-	-	-	-
Balance as of December 31, 2005	15,745,358	-	8,024	893
Appropriation of retained earnings:				
Statutory reserve	-	-	-	-
Special statutory reserve	-	-	-	-
Stock dividends	494,079	-	-	-
Cash dividends	-	-	-	-
Directors and supervisors' remuneration	-	-	-	-
Employee cash dividends	-	-	-	-
Conversion of the convertible bonds into common stocks	305,730	216,106	-	-
Net loss for year 2006	-	-	-	-
Changes in shareholder' equity of subsidiary by equity method	-	-	-	(23)
Changes in unrealized loss on available-for-sale financial assets	-	-	-	-
Balance as of December 31, 2006	NT$ 16,545,167	NT$ 216,106	NT$ 8,024	NT$ 870

See accompanying notes to the financial statements.

Reserve			Other adjustment			Total shareholders' equity
Statutory reserve	Special reserve	Retained earnings (accumulated losses)	Revaluation increment on property and equipment	Cumulative translation adjustments	Unrealized loss on available-for-sale financial assets	
NT$ 1,428,899	NT$ 320	NT$ 3,148,837	NT$ 187,132	NT$ -	NT$ -	NT$ 19,010,243
842,285	-	(842,285)	-	-	-	-
-	-	(1,509,197)	-	-	-	-
-	-	(569,447)	-	-	-	(569,447)
-	-	(110,725)	-	-	-	(110,725)
-	-	(25,145)	-	-	-	(25,145)
-	-	-	(13,983)	-	-	(13,983)
-	-	-	208,154	-	-	208,154
-	-	-	-	(12)	-	11
-	-	3,190,856	-	-	-	3,190,856
2,271,184	320	3,282,894	381,303	(12)	-	21,689,964
957,257	-	(957,257)	-	-	-	-
-	12	(12)	-	-	-	-
-	-	(494,079)	-	-	-	-
-	-	(1,574,536)	-	-	-	(1,574,536)
-	-	(113,716)	-	-	-	(113,716)
-	-	(91,998)	-	-	-	(91,998)
-	-	-	-	-	-	521,836
-	-	(5,151,877)	-	-	-	(5,151,877)
-	-	686	-	12	-	675
-	-	-	-	-	(383,517)	(383,517)
NT$ 3,228,441	NT$ 332	NT$ (5,099,895)	NT$ 381,303	NT$ -	NT$ (383,517)	NT$ 14,896,831

HSINCHU INTERNATIONAL BANK CO., LTD.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars)

	2006	2005
Cash flows from operating activities:		
Net income (loss)	NT$ (5,151,877)	NT$ 3,190,856
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	552,920	487,039
Amortization for bonds issuing cost	-	10,101
Investment income recognized under equity method	(241,686)	(352,757)
Gain on sale of equity investment under equity method	(26,805)	-
Cash dividends from investment under equity method	313,907	3,997
Loss on assets carried at cost	5,532	32,936
Provision for loan and other losses	11,607,776	2,882,651
Loss (gain) on disposal and sale of fixed assets	4,433	(4,735)
Impairment loss on pledged properties taken over and idle assets	269,839	94,777
Loss on sale of pledged properties taken over	51,686	357,267
Reserve (recovery gain) for loss on trading securities	(48,030)	49,245
Reserve for loss on default in securities brokerage	6,469	4,500
Impairment loss	188,500	10,830
Gain on redeem of convertible bonds	(18,177)	-
Changes in operating assets (increase) decrease:		
Receivables	2,935,634	(2,086,674)
Deferred income taxes assets, net	(833,582)	9,061
Financial assets at fair value through profit or loss	(17,456,622)	12,359,696
Other financial assets	-	(4,637)
Changes in operating liabilities increase (decrease):		
Payables	87,542	(206,791)
Financial liabilities at fair value through profit or loss	(953)	(493,464)
Net cash flows provided by (used in) operating activities	(7,753,494)	16,343,898

	2006		2005	
Cash flows from investing activities:				
Decrease (increase) in due from Central Bank of China and banks	NT$	(11,886,815)	NT$	4,120,018
Decrease in bonds and short-term bills sold under resale agreements		11,654,485		8,691,153
Increase in loans and bills discounted		(34,752,077)		(23,458,089)
Decrease (increase) from available-for-sale financial assets		9,461,304		(10,832,414)
Decrease in equity investment under equity method		588,452		-
Purchase of fixed assets and pledged properties taken over		(516,460)		(840,550)
Proceeds from sales of fixed assets and pledged properties taken over		111,237		1,072,020
Decrease in other financial assets		72,374		4,828
Decrease in other assets		125,450		(23,446)
Net cash flows used in investing activities		(25,142,050)		(21,266,480)
Cash flows from financing activities:				
Increase (decrease) in due to banks and Central Bank of China		(1,600,259)		2,069,883
Increase (decrease) in financing from Central Bank of China and banks		974,070		(4,030,434)
Increase (decrease) in customer deposits and remittances payable		31,908,025		(1,330,696)
Increase in bonds and short-term bills sold under repurchase agreements		1,672,387		66,081
Increase in bonds payable		1,862,891		10,000,000
Decrease in other financial liabilities		-		(27,272)
Increase (decrease) in other liabilities		(309,556)		330,967
Payment of cash dividends		(1,574,536)		(569,447)
Payment of employee cash dividends and directors and supervisors' remuneration		(205,714)		(135,870)
Net cash flows provided by financing activities		32,727,308		6,373,212
Effect of exchange rate changes on cash and cash equivalents		(136,184)		103,269
Net increase (decrease) in cash and cash equivalents		(304,420)		1,553,899
Cash and cash equivalents, beginning of period		8,587,765		7,033,866
Cash and cash equivalents, end of period	NT$	8,283,345	NT$	8,587,765
Supplemental information:				
Income taxes paid	NT$	134,249	NT$	152,556
Investing and financing activities not affecting cash flows:				
Reserve for land revaluation transferred to gain on sale of fixed assets	NT$	-	NT$	14,294
Loans and bills discounted transferred to available-for-sale financial assets	NT$	2,911,551	NT$	1,800,791

See accompanying notes to the financial statements.

HSINCHU INTERNATIONAL BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1.ORGANIZATION AND BUSINESS SCOPE

Hsinchu International Bank Co., Ltd. (the Bank) was founded in 1948. The Bank's business activities were those of a medium size business bank as regulated by the Banking Law and Securities Brokerage Regulations.

Pursuant to an approval granted by the Securities and Futures Commission (SFC), the Bank's shares have been publicly listed since 1983. The SFC had changed its name to the Securities and Futures Bureau (SFB) from July 1, 2004.

Pursuant to approvals granted by the Ministry of Finance (MOF), the Bank established a Trust Department in 1989 and an International Business Department in 1993. From year 1989, the Bank started security trading business and from year 1992, the Bank started security broker business, both approved by SEC. In 1995, the Bank established its Offshore Banking Unit (OBU).

The Bank was approved by the MOF to operate as a commercial bank in September 1998 and changed its name to Hsinchu International Bank Co., Ltd. on April 20, 1999. Additionally, the Bank's operations have been expanded to business activities of commercial bank defined by the MOF.

On September 29, 2006, the Standard Chartered Bank, U.K. launched a tender offer to acquire the outstanding shares of the Bank. The Standard Chartered Bank has procured for over 95% of the outstanding common shares from September 29, 2006 through December 31, 2006. According to the "Taiwan Stock Exchange Corporation Procedures for Stock Exchange Delisting Application by Listed Companies", the Bank submitted the Delisting application and has approved by the related authority on January 18, 2007.

As of December 31, 2006 and 2005, the Bank had employees amounted to 3,360 and 3,414 persons, respectively.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank prepares its financial statements in accordance with the "Business Accounting Law," "Guideline Governing the Preparation of Financial Reports by Public Banks" and generally accepted accounting principles in the Republic of China. The significant accounting policies are summarized as follows:

(1) Basis of preparation of financial statements

The accompanying financial statements include the accounts of the head office, branches and the OBU. All inter-branch and inter-office transactions and balances have been eliminated when financial statements were prepared.

Certain accounts of financial statements of the year ended December 31, 2005 had been reclassified for the comparison purpose of the presentation of the year ended December 31, 2006.

(2) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the Republic of China requires management to make estimates and assumptions that may affect the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenues and expenses during the reporting period and disclosure of contingencies. Actual results could differ from those estimates.

(3) Cash and Cash equivalents

Cash on hand, notes and checks for clearance, petty cash, and due from other banks.

(4) Financial assets and financial liabilities

Before applying Accounting Standards No. 34

Long-term investments

Long-term investments in equity securities that represent less than 20% of the investee's common stocks with voting rights, and where the Bank and its subsidiaries together do not have significant influence over the investee, they are stated at the lower of cost or market value if traded in the open market, and unrealized loss due to price decline then is recorded as a deduction in shareholder's equity. In contrast, if not traded in the open market, those investments are stated at cost, and a loss is recognized if objective evidence of impairments exists for the investments and it is remote to recover.

When there is a material and permanent decline in the market value of an investee's company stocks and the probability of recovery is considered remote, the carrying value of the investment is reduced to reflect the market value and the resulting loss shall be recognized in the period of such reduction.

Long-term debt investments which the Bank has positive intention and capability to hold for a long term are stated at acquisition cost, and the valuation of un-amortized premium or discount is adjusted based on the par value.

Marketable securities

Other than the investments described in preceding paragraph, marketable securities are stated at the lower of cost or fair market value. The fair market value is determined by the average closing price of the last month of the accounting period or the latest settlement price at the end of the period. However, the market value of open-ended mutual funds is measured by the net asset value of the mutual fund on the balance sheet date. On disposition, selling cost is calculated based on the moving-weight-average method.

After applying Accounting Standards No. 34, effective from January 1, 2006

Financial assets in the scope of R.O.C. Statement of Financial Accounting Standards No. 34, ("SFAS No. 34,") "Accounting for Financial Instruments" are classified as either financial assets at fair value through profit or loss, bond portfolio with no active market bonds, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Financial liabilities are classified as either financial liabilities at fair value through profit or loss, derivative financial liabilities for hedge, or financial liabilities at amortized cost.

All regular way purchases and sales of financial assets are recognized on the settlement date (except derivative financial transactions are recognized on the trade date) i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are subsequently measured at fair value and changes in fair value are recognized in profit and loss. Financial assets that are held for trading and designated by the Bank as at fair value through profit or loss are classified as financial assets at fair value through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is de-recognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Assets carried at cost

Assets carried at cost are referred to equity instruments whose fair value cannot be reliably measured and are stated at original cost.

(5) Bonds and short-term bills sold under resale agreements / Bonds and short-term bills sold under repurchase agreements

When trading the bonds and short-term bills with resale agreements, the actual amounts paid are recorded as bonds and short-term bills sold under resale agreements. When trading bonds and short-term bills with repurchase agreements, the actual amounts collected are recorded as bonds and short-term bills sold under repurchase agreements. Additionally, the related interest revenue and interest expense generating from preceding transactions are recognized on an accrual basis.

(6) Loans, non-accrual loans, and interest income

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 or the collateral are executed shall be transferred to non-accrual loans account item after the six months payment period or after the disposal day of the collateral. However, accrued interest shall continue to be posted to the interest column of the non-accrual loans account for each borrower, or a notation of such shall be made. Interest shall not be accrued to non-performing loans that are transferred to non-accrual loans account item. Any unpaid interest due on a non-performing loan prior to its transfer to a non-accrual loan shall be transferred to the non-accrual loans item together with principal. When there is postponement or modification of the credit terms for the debtors, the Bank agrees to receive partial interests and the rest of interests are stopped accruing.

(7) Allowance for and write-off of doubtful accounts

The Bank shall classify credit assets on and off balance sheet. Normal credit assets shall be classified as "Category One". The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four" and assets for which there is loss shall be classified as "Category Five".

The Bank shall evaluate credit assets on and off balance sheet and shall allocate sufficient loan loss provision and reserves against liability on guarantees. The minimum standard for loan loss provision shall be the sum of 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

According to “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans” issued by the Ministry of Finance, any non-performing loans or non-accrual loans, after subtracting the estimated recoverable portion, that have one of the following characteristics shall be written off:

a.The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.

b.The collateral and property of the primary/ subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect [from the debtor(s)] where there is no financial benefit in execution.

c.The primary/ subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank taking possession of such collateral.

d.More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.

The write-off of non-performing loans and non-accrual loans shall be authorized by a resolution passed by the Board of Directors, and the supervisors shall be notified. However, when requested by the Competent Authority or a financial examination agency (organization), loans must be immediately written off, a report must be made to the subsequent board meeting, and the supervisors must be notified for acknowledgement.

With regard to the write-off of non-performing loans and non-accrual loans, the amount provided under the loan loss provision or the reserve against liability on guarantees shall be used to offset, and, if such amount is insufficient, the deficiency shall be recognized as a loss in the current year.

As a result of changes in the operating and financial performance of customers and general economic conditions of the market which may have an impact on the debtors' ability to repay their loans, and uncertainties related to the future realization of collateral values, the ultimate losses may be different from the amounts presently estimated and provisioned.

(8) Equity investment under equity method

When the Bank holds 20% or more of an investee company's stock with voting rights, or when the Bank directly or indirectly (e.g. through subsidiaries) has significant influence over the investee's operation and financial policies, the investments are accounted for under the equity method.

When the Bank has control over its investee companies, the investee companies are treated as the subsidiaries. The financial statements of these subsidiaries should be consolidated when preparing the Bank's consolidated financial statements at the end of the accounting period. However, it is not required to prepare the consolidated statements for the first and the third quarters of financial statements.

The difference between the acquisition cost in an investee company and the Bank's share of net assets of the investee is amortized in 5 years. However, such a difference is no longer amortized since January 1, 2006. Newly acquired difference is analyzed and accounted for in the manner similar to acquisition cost allocation as provided in SFAS No. 25 “Business Combination-Accounting Treatment under Purchase Method,” under which goodwill is not amortized.

The cost of equity investment under the equity method sold is calculated based on the weighted-average method. The gain or loss on disposal of equity investments under the equity method is recognized as investment income or loss. Stock dividends are not recognized as investment income but recorded as an increase in the number of shares held.

The unrealized gains or losses from inter-company transactions between the Bank and investee companies shall be eliminated. The realized gains or losses resulting from depreciable or amortizable assets are recognized over the useful life of the assets. The unrealized gains or losses from other types of assets are recognized in the year when they are realized.

(9) Fixed assets and depreciation

Fixed assets are stated at acquisition cost or reappraised value. Major renewals, improvements and additions are treated as capital expenditures. After adopting the SFAS No. 35, “Accounting For Asset Impairment”, the net book value of fixed assets are stated the cost not only less accumulated depreciation but also accumulated impairment.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets: Buildings are from five to sixty years; computer, office equipment and other equipment are from three to five years. Fixed assets which are still in use after the estimated useful life are depreciated based on the residual value. Gains or losses on the disposal of property and equipment are recorded as non-interest income or expense.

Property held for lease and property and equipment not in use are stated at the lower of the net book value or net realizable value. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets.

(10) Collaterals and residuals taken over

Real estate taken over from mortgage forfeitures is accounted for as pledged property taken over under “other assets” account and is stated at the lower of the net book value or net realizable value. If the pledged property taken over cannot be sold within two years, depreciation is calculated on the straight-line basis over the estimated useful lives of the assets starting at the beginning of the second year.

(11) Convertible bonds

Due to the inseparability of the conversion option and debt elements of the convertible bonds, the issuer should record total proceeds received for the issuance of the convertible bond solely as a liability.

The direct and necessary costs of issuing convertible bonds should be recorded as deferred expenses. The costs should be amortized by using the straight-line method over the period from issuance to maturity or the period from the issuance date to the expiry date, which ever is shorter, and recognized as issuing expenses.

When the holder exercises the conversion option, the convertible bonds should be valued as the fair market price of the common stocks at the exercising date. The difference of the fair market price of the convertible bonds over the par value of the common stocks should be recognized as capital surplus. The un-amortized issuing costs should be recorded as a reduction in capital surplus.

The difference between payment and carrying amount of convertible bonds at the early-extinguished date should be recognized as extraordinary losses or gains in the current period, if it is material.

For convertible bonds issued after January 1, 2006, the components of compound financial instrument are separated by the Bank on initial recognition. The liability component is measured first, and the difference between the proceeds of the bond issued and the fair value of the liability components is accounted for as the equity component. The present value of the liability component is calculated using the market interest rate for similar debt without conversion options. The liability component is subsequently measured at amortized cost, and changes in fair value of the equity component are not recognized.

(12) Reserves

Employee retirement and severance benefits

The Bank established an employee retirement plan in 1968, which has been revised several times and covered substantially all regular employees. The plan provides a lump-sum payment to the retiring employee based on years of service and the employees' average monthly salary at the retirement. According to the plan, if the qualified employee retired before year 2000, there was additional monthly payment based on the 30% of average monthly salary at the time of retirement except for the one off retirement payment.

The Bank has adopted the R.O.C. Labor Standards Laws on May 1, 1997 and set up "Supervisory Committee of Retirement Fund" and informed the social authority. The Bank has made the monthly deposits to the fund in Central Trust of China since July 1998.

The measurement date of the Bank's pension plan was established on the balance sheet date. The Bank accrues pension cost and minimum pension liability when the accumulated benefit obligation exceeds the fair value of the fund assets. Prior service cost and gains or losses on pension plan assets are amortized over the remaining service period. Under the defined contribution scheme, the Bank monthly deposit the pension to each employee's individual pension accounts on the accrual basis and recognized as current expenses.

The Labor Pension Act of R.O.C. (“the Act”), which adopts a defined contribution scheme, takes effect from July 1, 2005. In accordance with the Act, employees of the Bank may elect to be subject to either the Act, and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. For employees subject to the Act, the Bank shall make monthly contributions to the employees' individual pension accounts on a basis no less than 6% of the employees' monthly wages.

Reserve for losses on trading securities

According to “Rules Governing Securities Firms”, the provision equal to 10% of the monthly net trading gains is made as a reserve for losses on trading securities until such reserve reaches NT$200 million. Such reserve can only be used to offset losses on trading securities.

Reserve for losses on default in securities brokerage

Based on the “Rules Governing Securities Firms”, a provision equal to 0.0028% of monthly brokerage commissions earned is made as a reserve for losses on default until such reserve reaches NT$200 million. Such reserve can only be used to offset default losses or other purposes as approved and as deemed appropriate by the SFB.

Reserve for losses on guarantee

The provision for loss on guarantee is determined by evaluating the potential losses of acceptances, guarantees, and letters of credit.

(13) De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognized in which the transferor surrenders control over those financial assets, and shall be accounted for as a sale.

If a transfer of financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) does not meet the criteria for a sale, the Bank accounted for the transfer as a borrowing with collateral.

Financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Retain interests of financial asset securitization

Under the Regulations for Financial Asset Securitization, the Bank entrusted all the related rights and obligations of its land and buildings mortgage loans to trustees for issues of the related beneficiary certificates. The trustees deliver all proceeds from the issues of beneficiary certificates to the Bank. Thus, the Bank losses its right and control of these loans entrusted; moreover, except for those which are subordinated seller certificates and are retained in order to enhance credit as well as are reclassified as available for sale financial assets, the entrusted loans are removed from the Bank's account, and gain or loss are recognized accordingly.

The fair values of the entrustment assets and retained interests are evaluated at the present value of future cash flows on the basis of the assumptions of credit risk rate, repayment rate, and discount rate on the loans due to no quoted market prices.

The subordinated seller certificates, accounted for as available for sale financial assets, are evaluated at the present value of future cash flows at the balance sheet date due to no quoted market prices. The valuation loss is recorded to reduce interest income, and the valuation gain is not recorded. Interest income from the trustees is recorded when received.

(14) Foreign currency transactions

The Bank maintains its accounts in New Taiwan dollars. Transactions denominated in foreign currencies are translated into New Taiwan dollars at the exchange rates prevailing on the transaction dates. At the end of each month, those foreign-currency denominated assets and liabilities, other than those using forward foreign exchange contracts to hedge the exposure, are restated at the prevailing exchange rates and the resulting differences are recorded as gain or loss in the current period.

(15) Income taxes

The accounting for income taxes requires the recognition of deferred tax liabilities and tax assets for the expected future tax consequences of temporary differences between the financial reporting basis and tax basis of assets and liabilities. Deferred tax assets are reduced by a valuation allowance if it is likely that some portion or all of the deferred tax assets will not be realized.

Adjustment of prior year's income tax expense is recorded as current period income tax expense in the year of adjustment.

Any tax-adjusted retained earnings, which have not been distributed in the next year, should be subject to an additional tax of 10% under the Integrated Income Tax System. The tax levied should be listed as income tax expense in the year in which the non-distribution decision is made.

The R.O.C. government enacted the Alternative Minimum Tax Act (“ AMT Act”), which became effective on January 1, 2006. The alternative minimum tax imposed under AMT Act is a supplement tax levied at a rate of 10% when the income tax payable determined pursuant to the Income Tax Law is below the minimum amount computed under the AMT Act.

(16) Assets of impairment

Pursuant to SFAS No. 35, the Bank assesses indicators for impairment for all its assets within the scope of SFAS No. 35 at each balance sheet date. If impairment indicators exist, the Bank shall then compare the carrying amount with the recoverable amount of the assets or the cash-generating unit ("CGU") and write down the carrying amount to the recoverable amount where applicable. Recoverable amount is defined as the higher of fair values less costs to sell and the values in use.

For previously recognized losses, the Bank shall assess, at each balance sheet date, whether there is any indication that the impairment loss may no longer exist or may have decreased. If there is any such indication, the Bank has to recalculate the recoverable amount of the asset. If the recoverable amount increases as a result of the increase in the estimated service potential of the assets, the Bank shall reverse the impairment loss to the extent that the carrying amount after the reversal would not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the assets in prior years.

Impairment loss (reversal) is classified as non-interest losses (income).

(17) Impairment of financial assets

The Bank assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The previously recognized impairment loss can't be reversed in any subsequent period.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

(18) Contingencies

A loss is recognized if it is probable that an asset will be impaired or a liability will be incurred and the amount of loss can be reasonably estimated. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability in the footnotes to the financial statements.

(19) Earnings per share of common stock

Earnings per share (EPS) are computed as net income divided by the weighted average number of outstanding shares of common stock. In the calculation of the weighted-average number of shares outstanding, the number of shares outstanding should be retroactively adjusted if the number of shares outstanding increases as a result of stock dividends (capitalization of retained earnings or capital surplus). Contingent shares should be considered as outstanding shares from the date when all necessary conditions have been met and shall be included in the calculation of weighted-average number of common shares outstanding when computing the basic EPS.

3.THE REASON AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Bank adopted the SFAS No. 35, "Accounting for Asset Impairment" to account for the impairment of its assets for its financial statements beginning on and after January 1, 2005 (the "effective date"). Due to this change in accounting principles, the Bank's assets decreased by NT$10,830 thousand as of December 31, 2005, and the Bank's net income and earnings per share decreased by NT$10,830 thousand and NT$0.0069, respectively, for the year ended December 31, 2005.

The Bank adopted the SFAS No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments" to account for the financial instruments for its financial statements beginning on and after January 1, 2006 (the "effective date"). Transitional arrangement for instruments outstanding at the effective date is summarized as follows:

At the effective date, the Bank shall remeasure and reclassify financial assets and liabilities that should be measured at fair value or amortized cost as appropriate according to SFAS No. 34. Any resulting adjustment shall be recognize as either cumulative effects of changes in accounting principles or a component of equity, depending on the classification of the instruments:

(1) Cumulative effects of changes in accounting principles: for financial assets or liabilities at fair value through profit or loss and derivatives designated as fair value hedges.

(2) A component of equity: for financial assets carried at amortized cost and available-for-sale financial assets.

The above changes in accounting principles increased the Bank's financial assets at fair value through profit or loss by NT$110,348 thousand and decreased the Bank's available-for-sale financial assets by NT$383,517 thousand as of December 31, 2006, respectively, and decreased the Bank's net loss and loss per share by NT$110,348 thousand and NT$0.07, respectively, for the year ended December 31, 2006.

4.CASH AND CASH EQUIVALENTS, DUE FROM BANKS AND CENTRAL BANK OF CHINA

(1) Cash and cash equivalents

	Dec. 31, 2006		Dec. 31, 2005	
Cash on hand	NT$	4,522,510	NT$	4,432,978
Notes and checks for clearance		171,288		133,897
Due from banks		3,589,547		4,020,890
	NT$	8,283,345	NT$	8,587,765

(2) Due from Central Bank of China and call loans to banks

	Dec. 31, 2006		Dec. 31, 2005	
Reserve for deposits-category A	NT$	4,317,739	NT$	1,238,966
Reserve for deposits-category B		9,653,955		8,519,656
Settlement accounts		394,080		401,390
Reserve for deposits-foreign currency		26,077		19,710
Call loans to banks		11,751,324		4,076,638
	NT$	26,143,175	NT$	14,256,360

Pursuant to the Banking Law, the “Reserves for Deposits” are calculated at prescribed rates on the average balances of various deposit accounts. The “Reserve for Deposits-category A and foreign currency” deposits accounts are non-interest bearing and call on demand. The “Reserve for Deposits-category B” earns interest but its use is restricted under relevant regulations.

5.FINANCIAL ASSETS / LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Dec. 31, 2006	Dec. 31, 2005
Financial assets at fair value through profit or loss		
Corporate bonds	NT$ 84,970	NT$ 185,400
Beneficiary securities	-	2,360,050
Treasury bills	495,548	-
Commercial bonds	-	32,850
Stocks	-	33,221
Mutual funds	-	65,700
Certificates of deposits	509,736	557,997
Acceptances	72,740	-
Commercial paper	25,181,982	5,794,594
Buy option contracts	21,134	18,271
Forward contracts	133,481	53,286
Cross currency swap contracts	109,311	55,300
Swap contracts	9,732	35,054
Interest rate swap contracts	29,647	-
Structure product	64	-
	NT$ 26,648,345	NT$ 9,191,723
Financial liabilities at fair value through profit or loss		
Sell option contracts	NT$ 21,134	NT$ 18,271
Forward contracts	828	27,013
Interest rate swap contracts	22,305	-
Structure product	64	-
	NT$ 44,331	NT$ 45,284

The purposes of trading derivative instruments of the Bank are primarily to hedge risks resulting from exchange rate and interest rate floating and to provide hedging instruments to customers. The Bank's strategy of financial hedging is trying to hedge most risks from changes in fair value and variability in cash flow.

The Bank's derivatives contracts in outstanding were as follows:

Financial instruments	Dec. 31, 2006	Dec. 31, 2005
Buy option contracts	NT$ 1,454,910	NT$ 1,151,089
Sell option contracts	1,454,910	1,151,089
Forward contracts	6,754,084	5,794,594
Cross currency swap contracts	1,369,300	1,369,300
Swap contracts	609,629	337,120
Interest rate swap contracts	6,161,497	3,721,504
Structure product	45,634	-

For the years ended December 31, 2006 and 2005, net gains on financial assets at fair value through profit or loss amounted to NT$264,594 thousand and NT$435,821 thousand, respectively, and net gains on financial liabilities at fair value through profit or loss amounted to NT$6,734 thousand and NT$0, respectively.

6.LOANS AND BILLS DISCOUNTED

	Dec. 31, 2006	Dec. 31, 2005
Bills negotiated and discounted	NT$ 186,011	NT$ 431,063
Short-term loans and overdraft	23,716,626	31,150,727
Short-term secured loans and secured overdraft	20,278,005	11,375,997
Medium-term loans	72,007,712	70,831,659
Medium-term secured loans	31,608,375	27,730,632
Long-term loans	10,136,212	8,732,383
Long-term secured loans	132,749,862	119,647,854
Non-accrual loans	4,839,651	5,230,002
	295,522,454	275,130,317
Less: allowance for doubtful accounts	(3,095,293)	(2,904,298)
	NT$ 292,427,161	NT$ 272,226,019

(1) Allowance for doubtful accounts of receivables and loans and bills discounted

	December 31, 2006			
	Unrecovery risk for particular loans	Country risk	Unrecovery risk for the overall loan portfolio (excluding the particular loans)	Total
Beginning balance	NT$ 2,384,399	NT$ -	NT$ 928,677	NT$ 3,313,076
Provision for loan losses and doubtful receivable	10,359,700	-	1,248,076	11,607,776
Write-off	10,140,895	-	1,307,276	11,448,171
Ending balance	NT$ 2,603,204	NT$ -	NT$ 869,477	NT$ 3,472,681

	December 31, 2005			
	Unrecovery risk for particular loans	Country risk	Unrecovery risk for the overall loan portfolio (excluding the particular loans)	Total
Beginning balance	NT$ 2,722,632	NT$ -	NT$ 831,910	NT$ 3,554,542
Provision for loan losses and doubtful receivable	2,416,429	-	466,222	2,882,651
Write-off	2,754,662	-	369,455	3,124,117
Ending balance	NT$ 2,384,399	NT$ -	NT$ 928,677	NT$ 3,313,076

The Bank received NT$1,042,746 thousand and NT$889,850 thousand from write-off loans during the years ended December 31, 2006 and 2005, respectively, and recorded them as non-interest incomes.

As of December 31, 2006 and 2005, the balances of loans, which interest charges suspended, were NT$5,503,033 thousand and NT$5,423,643 thousand, respectively. In case of continuing charging interests, the balances of interest receivable computed from these loans were NT$410,594 thousand and NT$1,241,266 thousand as of December 31, 2006 and 2005, respectively.

(2) The Bank had not written off any loans without launching any legal actions.

7.AVAILABLE FOR SALE FINANCIAL ASSETS

	Dec. 31, 2006		Dec. 31, 2005	
Government bonds	NT$	16,412,740	NT$	12,955,932
Corporate bonds		11,625,417		4,336,500
Certificate of deposits		11,200,482		34,000,000
Commercial bonds		7,250,528		5,439,022
Beneficiary securities		5,444,988		2,303,971
Stocks		241,835		88,877
Mutual funds		15,043		-
	NT$	52,191,033	NT$	59,124,302

For the operations in the settlement of commercial paper trading activities through the R.O.C. OTC Securities Exchange, the Bank provided the available for sale financial assets in amounts of NT$129,238 thousand and NT$131,719 thousand, respectively, for its settlement activities as of December 31, 2006 and 2005.

As of December 31, 2006 and 2005, the Bank had the available for sale financial assets in amounts of NT$620,419 thousand and NT$809,737 thousand, respectively, for filing attachment against debtors to courts.

In accordance with the R.O.C. Trust Law, the Bank is required to the available for sale financial assets to secure its trust operations. As of December 31, 2006 and 2005, the Bank had NT$47,418 thousand and NT$46,790 thousand of deposit in the Central Bank of China for this purpose, respectively.

In accordance with the R.O.C. “Regulation Governing Administration of Bills Finance”, the Bank is required to make a deposit for its bill finance operations. Accordingly, as of December 31, 2006 and 2005, the Bank had provided the available for sale financial assets of NT$47,418 thousand and NT$46,790 thousand, respectively, for this purpose.

In accordance with “Rules Governing Securities Firm”, the Bank, as a security agent, is required to make a deposit for its operation. As of December 31, 2006 and 2005, the Bank had deposited NT$208,639 thousand and NT$196,519 thousand, respectively, in the Bank of Taiwan.

In accordance with “Rules Governing the Operation of Auxiliary Futures Trading Services by Securities Firms”, the Bank is required to make a deposit for its future trading operation. As of December 31, 2006 and 2005, the Bank had deposited NT$56,901 thousand and NT$46,790 thousand, respectively, in the Bank of Taiwan.

In accordance with the rule set by the Central Bank of China, the Bank is required to deposit sufficient guaranty for daytime overdraft to the Central Bank of China. As of December 31, 2006 and 2005, the Bank had pledged certificates of deposits amounted to NT$2,300,000 thousand and NT$2,500,000 thousand, respectively, in the Central Bank of China, and the interest rate of these certificates of deposits were to 1.74%~1.81% and 1.44%, respectively, and the maturity dates are on April 17, 2006 and January 5, 2006, respectively.

For issuance of the related beneficiary certificates of the securitization of the land and buildings mortgage loans, the Bank provided the available for sale financial assets of NT$841,889 thousand and NT$848,900 thousand pledged as security to the Calyon Bank, Taipei Branch as of December 31, 2006 and 2005.

In December 2005, the carrying value of NT$12,005,275 thousand of the land and buildings mortgage loans was entrusted by the Bank to the Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates. The Deutsche Bank AG, Taipei Branch issued both “Investor Certificate” and “Seller Certificate” amounted to NT$10,204,484 thousand and NT$1,800,791 thousand, respectively. The issuing period of beneficiary certificates is from December 20, 2005 to July 20, 2027.

In September 2006, the carrying value of NT$13,234,322 thousand of the land and buildings mortgage loans was entrusted by the Bank to the Deutsche Bank AG, Taipei Branch for issuance of beneficiary certificates. The Deutsche Bank AG, Taipei Branch issued both “Investor Certificate” and “Seller Certificate” amounted to NT$10,322,771 thousand and NT$2,911,551 thousand, respectively. The issuing period of beneficiary certificates is from September 20, 2006 to the trust distributions-date in January 2028.

As of the first and the second issuance, the Bank held the subordinated seller certificates of NT$1,800,791 thousand and NT$2,911,551 thousand, respectively, recorded as available for sale financial assets, with the right on interests in excess of the fixed amount paid to investors. If debtors fail to repay the entrusted loans, investors and the Deutsche Bank AG, Taipei Branch has no right of recourse to the Bank. The Bank's right to the repayment of the loans entrusted as subordinated seller certificates is subsequent to the investors, and the value of these subordinated seller certificates is affected by credit risk, prepayment rate, and changes in interest rate on those transferred loans.

(a) Key assumptions used in measuring retained interests

	Jan. 1~Dec. 31, 2006		Jan. 1~Dec. 31, 2005
	First	Second	
Prepayment rate (annual rate)	30%	20%	15%
Weighted-average life	2.92 years	4.40 years	6.50 years
Expected credit losses rate (annual rate)	1.50%	1.50%	1.50%
Discounted rate for residual cash flows	2.60%	2.60%	3.40%

(b) Sensitivity analysis

As of December 31, 2006 and 2005, if the key economic assumptions were below and the related assumptions were adversely changed to 10% and 20%, respectively, the sensitivity of the current fair value of residual cash flows was as follows:

	Jan. 1~Dec. 31, 2006		Jan. 1~Dec. 31, 2005
	First	Second	
Carrying amount of retained interest	NT$ 1,835,535	NT$ 2,931,129	NT$ 1,847,591
Weighted-average life	2.92 years	4.40 years	6.50 years
Prepayment rate	30%	20%	15%
Impact on fair value of 10% adverse change	NT$ (8,671)	NT$ (15,425)	NT$ (23,400)
Impact on fair value of 20% adverse change	NT$ (15,994)	NT$ (30,976)	NT$ (47,000)
Expected credit losses rate (annual rate)	1.50%	1.50%	1.50%
Impact on fair value of 10% adverse change	NT$ (6,568)	NT$ (9,543)	NT$ (15,210)
Impact on fair value of 20% adverse change	NT$ (13,136)	NT$ (19,087)	NT$ (29,250)

(c) There was no actual credit loss for the securitized mortgage loan; thus, the expected static pool credit loss rate was equal to expected credit loss rate.

(d) Cash flows

The cash flows received from or paid to securitization trusts of the years ended December 31, 2006 and 2005 were summarized as follows:

	Jan. 1~Dec. 31, 2006				Jan. 1~Dec. 31, 2005	
	First		Second			
Other cash flows received on retained interests	NT$	55,258	NT$	-	NT$	-
Cash reserve (part of refundable deposits)	NT$	3,914	NT$	1,342	NT$	-
Cash received on new securitization	NT$	-	NT$	13,234,322	NT$	-
Cash received on pad of payment service	NT$	287	NT$	-	NT$	-
Pad amount of payment service	NT$	300	NT$	-	NT$	-

8.EQUITY INVESTMENT UNDER EQUITY METHOD

Name	December 31, 2006		December 31, 2005	
	Percentage of share holding(%)	Amount	Percentage of share holding(%)	Amount
Hsinchu Real Estate Co., Ltd.	-	NT$ -	60	NT$ 187,772
Hsinchu Futures Co., Ltd.	89	262,419	89	267,307
Hsinchu Insurance Agent Co., Ltd.	100	296,464	100	761,147
Chuchian Insurance Agent Co., Ltd.	100	28,234	100	36,295
Paradigm Assets Management Co., Ltd. (The former name was Chung-Shing Assets Management Co., Ltd.)	20	95,747	20	63,515
		NT$ 682,864		NT$ 1,316,036

For the years of 2006 and 2005, the Bank recognized investment income by equity method amounted to NT$241,686 thousand and NT$352,757 thousand, respectively. The investment incomes under the equity method were calculated based on the audited financial statements.

In April 2006, the Bank invested in the cash issuance of preferred stocks of Paradigm Assets Management Co., Ltd, which is approved by the Securities and Futures Bureau (SFB) of the Financial and Supervisory Commission (FSC), amounted to NT$38,400 thousand.

Financial Supervisory Commission, Executive Yuan has approved the Bank's acquisition of Hsinchu Insurance Agency Co., Ltd. and Chuchian Insurance Agency Co., Ltd. in November 2006. The Bank acquired 100% of Hsinchu Insurance Agency Co., Ltd. and Chuchian Insurance Agency Co., Ltd. and the total cost were NT$837 thousand and NT$53 thousand for 50 thousand shares and 2 thousand shares, respectively based on the net asset values calculated by the companies themselves.

The shareholders' meeting of Hsinchu Insurance Agency Co., Ltd. has resolves to reduce the capital of NT$397,770 thousand (39,777 thousand shares) in December 2006 and the capital has been reduced 99.25% amounted to NT$3,000 thousand.

The shareholders' meeting of Chuchian Insurance Agency Co., Ltd. has resolves to reduce the capital of NT$13,730 thousand (1,373 thousand shares) in December 2006 and the capital has been reduced 82.07% amounted to NT$3,000 thousand.

The Bank has sold 14,091 thousand shares of Hsinchu Real Estate Co., Ltd. during November 2006 and the sales amount (security exchange taxes deducted) was 216,220 thousand. The Bank recognized NT$26,805 thousand gain on sales of the shares and recorded under "Other non-interest incomes".

The Bank has adopted the R.O.C SAFS No. 7, "Consolidated Financial Statements" since 2005. Pursuant to SFAS No. 7, the financial statements of majority-owned subsidiaries (directly or indirectly own more than 50% of voting rights) or where the Bank has the ability to control over the investee's shall be consolidated into the Bank's financial statements. As of December 31, 2006, the consolidated subsidiaries were Hsinchu Futures Co., Ltd., Hsinchu Insurance Agent Co., Ltd., and Chuchian Insurance Agent Co., Ltd. As of December 31, 2005, the consolidated subsidiaries were Hsinchu Real Estate Co., Ltd. and its affiliates companies, Hsinchu Futures Co., Ltd., Hsinchu Insurance Agent Co., Ltd., and Chuchian Insurance Agent Co., Ltd.

9.OTHER FINANCIAL ASSETS, NET

	Dec. 31, 2006		Dec. 31, 2005	
Assets carried at cost, net	NT$	232,714	NT$	473,661
Exchange bills negotiated		2,901		1,626
Other non-accrual loans		12,589		39,324
Less: allowance for doubtful accounts		(12,589)		(39,324)
	NT$	235,615	NT$	475,287

The assets carried at cost were as follows:

	December 31, 2006		December 31, 2005	
	Percentage of share holding(%)	Amount	Percentage of share holding(%)	Amount
Taiwan Small and Medium Enterprises Development Co., Ltd.	5	NT$ 29,000	5	NT$ 29,000
Universal Venture Fund Co., Ltd.	5	21,905	5	38,096
Windance Co., Ltd.	3	188,500	3	188,500
Mondex Taiwan Co., Ltd.	3	2,468	7	8,000
TSC Bio Ventures Capital Co., Ltd.	5	20,250	5	20,250
Others (percentage of shares held under 5 % or amount under NT$100,000 thousand)	-	159,091	-	189,815
Less: accumulated of impairment loss		(188,500)		-
		NT$ 232,714		NT$ 473,661

Due to the merger of the Debt Instruments Depository and Clearing Co., Ltd. Taiwan ("DIDC"), the investee company of the Bank, and Taiwan Securities Central Depository Co., Ltd. ("TSCD"), TSCD, the acquiring company, acquired the equity ownership of DIDC by issuing stocks and paying cash. Consequently, the Bank obtained TSCD's stocks for 460 thousand shares, representing ownership approximate 0.17%, and cash for NT$30,722 thousand in exchange of the DIDC's stocks; furthermore, the carrying amount of investment in DIDC has been written off since then.

In June 2006 and April 2005, the general shareholders' meeting of Mondex Taiwan Co., Ltd. resolved to decrease its capital. The Bank recognized the investment loss NT$5,532 thousand and NT$17,000 thousand in proportion to the Bank's holding interest, respectively, and recorded them as non-interest losses.

In June 2006, the general shareholders' meeting of Universal Venture Fund Co., Ltd. resolved to decrease its capital and return the capital to the shareholders and the capital has been reduced 42.50%. In June 2005, the general shareholders' meeting of Universal Venture Fund Co., Ltd. resolved to decrease its capital and the Bank recognized the investment loss of NT$15,936 thousand in proportion to the Bank's holding interest and recorded them as non-interest losses.

In December 2006, the Bank evaluated the investment of Windance Co., Ltd. accounted for under the cost method and recognized an impairment loss of NT$188,500 thousand.

10.FIXED ASSETS AND OTHER ASSETS

The Bank had revalued its land and buildings several times since 1974. The latest revaluation was made in 1992. The details of the revaluation increment were as follows:

	December 31, 2006		December 31, 2005	
	Land	Buildings	Land	Buildings
Fixed assets	NT$ 505,866	NT$ 10,407	NT$ 505,866	NT$ 10,407
Other assets-idle assets	3,119	-	3,119	-
Other assets-rental assets	177,842	-	177,842	-
	NT$ 686,827	NT$ 10,407	NT$ 686,827	NT$ 10,407

As of December 31, 2006 and 2005, reserve for land revaluation increment taxes both amounted to NT$285,112 thousand, recorded as other liabilities.

In January 2005, the Bank sold the land and building located in No.193 and 193-9, San Zuo Wu Section, She Siao Subsection, Chongli City to a non-related party. The contract price was NT$26,500 thousand and the gain on disposal, net of book value and the related expenses, was NT$21,761 thousand (including the reversal of reserve for asset revaluation increment taxes and capital surplus of NT$14,294 thousand).

In June 2005, the Bank sold the land and building located in No.110, Tao-Uan Section, Wo-Lin Subsection, Tao-Uan City to a non-related party. The contract price was NT$7,434 thousand and the loss on disposal, net of book value and the related expenses, was NT$1,891 thousand.

Please refer to Note 23 (2). 10 and 11 for the assets transactions between the Bank and its related parties, Chu-Cherng Construction Co., Ltd. and Hsinchu Insurance Agent Co., Ltd.

11.OTHER ASSETS

	Dec. 31, 2006		Dec. 31, 2005	
Prepayments	NT$	27,966	NT$	24,214
Idle assets-land and buildings		138,596		138,596
Less: accumulated depreciation		(24,201)		(22,580)
Less: accumulated impairment loss		(17,166)		(8,317)
Rental real estate-land and buildings		2,178,587		2,178,587
Less: accumulated depreciation		(330,861)		(305,296)
Less: accumulated impairment loss		(2,513)		(2,513)
Pledged properties taken over-land and buildings		1,743,134		1,927,465
Less: accumulated depreciation		(194,528)		(190,820)
Less: accumulated impairment loss		(1,007,635)		(746,645)
Guarantee deposit		939,213		1,502,886
Temporary payments and suspense accounts		49,470		42,576
Deferred tax assets, net		1,426,950		593,368
Deferred retirement pension cost		165,543		184,772
Others		11,288		41,533
	NT$	5,103,843	NT$	5,357,826

Per lease agreements, entered by the Bank and tenants for the Bank's commercial buildings, existing as of December 31, 2006, the leasing terms were ranging from one to ten years. And the minimum discounted rental incomes per all lease agreements were as follows:

Period	Amount
2007	NT$ 44,943
2008	36,593
2009	29,949
2010	26,841
2011	20,805
2012 and thereafter	12,155 (Net present value is NT$10,784 thousand)

Part of the Bank's building which is located in Jung-Yang Rd., Hsinchu City has been rented to Hsinchu Chinatrust Hotel. The rental contract contains an additional variable rent with corresponding to the revenue of the hotel.

12.DUE TO BANKS AND CENTRAL BANK OF CHINA

	Dec. 31, 2006		Dec. 31, 2005	
Due to banks	NT$	16,290	NT$	20,719
Time deposits from Chunghwa Post		11,755,867		12,670,852
Overdrafts on banks		2,219,155		-
Call loans from banks		800,000		3,700,000
	NT$	14,791,312	NT$	16,391,571

13.CUSTOMER DEPOSITS AND REMITTANCES PAYABLE

	Dec. 31, 2006		Dec. 31, 2005	
Savings deposits	NT$	245,521,020	NT$	235,860,655
Time deposits		62,954,981		44,355,354
Demand deposits		38,520,606		34,706,721
Checking accounts		4,112,992		4,301,731
Remittances payable		121,711		98,825
	NT$	351,231,310	NT$	319,323,286

As of December 31, 2006 and 2005, the Bank has issued negotiable certificates of deposit amounted to NT$5,676,000 thousand and NT$3,158,000 thousand, respectively.

14.BONDS PAYABLE

	Dec. 31, 2006		Dec. 31, 2005	
Subordinated debentures	NT$	22,800,000	NT$	18,000,000
Convertible bonds		-		3,613,500
	NT$	22,800,000	NT$	21,613,500

(1) Subordinated debentures

Bond	Issue conditions	Dec. 31, 2006	Dec. 31, 2005
91-1 A	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years, maturity date: July 19, 2007	NT$ 6,067,400	NT$ 6,067,400
91-1 B	5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate plus 1.75%, maturity date: July 19, 2007	972,600	972,600
91-1 C	5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate plus 1.75%, maturity date: July 19, 2007	400,000	400,000
91-1 D	5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate plus 1.75%, maturity date: July 19, 2007	320,000	320,000
91-1 E	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years, maturity date: July 19, 2007	240,000	240,000
94-1	No maturity date, interest payable semi-annually, base on the average variable one year regular rate of the big nine banks' plus 1.493%	7,636,700	7,636,700
94-2	No maturity date, interest payable semi-annually, base on the average variable one year regular rate of the big nine banks' plus 1.493%	2,363,300	2,363,300
95-1	7-year term, interest payable quarterly, base on the Banks' 90-days commercial paper trading rate plus 0.22%, maturity date: December 27, 2013	4,800,000	-
		NT$ 22,800,000	NT$ 18,000,000

The Bank's Board of Directors resolved the issuance of the first term of subordinated debentures of the year 2002 at a total amount of NT$8,000,000 thousand on April 2, 2002, which was approved on June 27, 2002 by the MOF, and the subscription was completed in July 2002. Besides, trading of these debentures has begun since September 2, 2002.

The Bank's Board of Directors resolved the issuance of the non-maturity date accumulated subordinated debentures at the total amount of NT$10,000,000 thousand on October 26, 2004. The SFB approved the issuance on January 3, 2005, and the subscription was completed on January 28, 2005. Besides, trading of these debentures has begun since April 6, 2005.

The Bank's Board of Directors resolved the issuance of the first term of subordinated debentures of the year 2006 at a total amount of NT$4,800,000 thousand on November 21, 2006. The SFB approved the issuance on December 4, 2006. Besides, trading of these debentures has begun since December 27, 2006.

(2) Convertible bonds

The details of the convertible bonds payable were as follows:

	Dec. 31, 2006	Dec. 31, 2005
Original issue size (US$110,000 thousand)	NT$ -	NT$ 3,613,500

In order to improve the Bank's financial structure, the Board of Directors authorized the issuance of the Global Convertible Bonds ("the Bonds") on March 19, 2004. The related issuing conditions were as follows:

(A) Issue size : Up to US$110 million in principal amount.

(B) Form, denomination and issue price : The Bonds will be issued at 100% of the principal amount in global registered form in denominations of US$1,000 or integral multiples thereof and will constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank.

(C) Issue date: May 13, 2004.

(D) Redemption on the maturity date : Unless previously redeemed, purchased and cancelled or converted, the Bonds will be redeemed on the maturity date at a price equal to 98.50897% of the unpaid principal amount of the Bonds. The maturity date will be 5 years after the issue date.

(E) Coupon rate: The indicative coupon for the Bonds is 0% per annum.

(F) Conversion:

(a)Unless previously redeemed, purchased and cancelled or converted and except during a period in which conversion is prohibited by law, the Bondholders may, at any time from the 31st day after the issuance of the Bonds to the date 10 days prior to the maturity date.

(b)The Bank and the Lead Manager, in view of market conditions on the pricing date, may jointly determine to adopt a Contingent Conversion Feature. If a Contingent Conversion Feature is adopted, for the bondholders to exercise the conversion rights before certain anniversary of the Bonds (to be determined on the Pricing Date), the closing price of common shares shall exceed the contingent conversion trigger for at least 20 trading days out of the last 30 consecutive trading days in the preceding quarter.

(G) Redemption at the option of the issuer :

(a)The Bank may redeem the Bonds in whole or in part, beginning 2 years after the issue date at par provided that each of the closing price of the common shares of the Bank on the Taiwan Stock Exchange Corporation (TSEC) translated into US dollars at the prevailing rate for a period of 20 consecutive trading days is or exceeds 120% of the conversion price then in effect translated into US dollars at a fixed exchange rate set on the pricing date

(b)The Bank may redeem the Bonds in whole at par at any time if at least 95% in principal amount of the Bonds have already been redeemed, converted, or purchased and cancelled

(c)If as a result of changes relating to tax laws in the R.O.C., the Bank becomes obligated to pay additional amounts, the Bonds may be redeemed at any time at the option of the issuer, in whole but not in part, at a price of par.

(H) Conversion securities: The Bonds will be converted into newly issued common shares of the Bank. However, if the Bank sets up a global depositary receipts ("DR") program in the future, the Bondholders may elect to convert the Bonds into DRs of the Bank after the Bank obtains SFC approvals.

(I) Conversion price : The conversion price is NT$22.4 per common share, at the premium of 33% above the closing price of common shares on the pricing date. In addition, due to the appropriation of year 2004 earrings, the conversion price adjusted to NT$20.25 per common share since August 24, 2005.

In May 2006, the Bank redeemed the Bonds at a price equal to 99.4009% of the unpaid principal amount of the Bonds. The difference between payment and carrying amount of the Bonds was NT$18,177 thousand, recognized as non-interest income.

During October 2006, the bond holders had converted all the bonds into 30,573 thousand new common shares resulting NT$216,106 thousand of paid-in capital in excess of par.

15.EMPLOYEE RETIREMENT BENEFITS

The reconciliation of the plan funding status to the balance sheet was as follows:

	Dec. 31, 2006		Dec. 31, 2005	
Benefit obligation:				
Vested benefit obligation	NT$	(132,042)	NT$	(198,065)
Non-vested benefit obligation		(1,152,905)		(1,066,839)
Accumulated benefit obligation		(1,284,947)		(1,264,904)
Additional benefit based on future salaries		(774,224)		(791,195)
Projected benefit obligation		(2,059,171)		(2,056,099)
Fair value of plan assets		1,447,836		1,285,694
Funded status		(611,335)		(770,405)
Unrecognized pension losses		489,614		629,901
Net transition obligation		287,264		325,276
Deferred pension cost	NT$	165,543	NT$	184,772

The components of net periodic pension cost were as follows:

	Dec. 31, 2006		Dec. 31, 2005	
Service cost	NT$	81,552	NT$	89,971
Interest cost		71,404		49,738
Expected return on plan assets		(34,118)		(37,416)
Amortized and deferred portion		59,226		38,011
Net periodic pension cost	NT$	178,064	NT$	140,304

The major actuarial assumptions were as follows:

	Dec. 31, 2006	Dec. 31, 2005
Discount rate	3.50%	3.50%
Expected long-term rate of return on plan assets	2.50%	2.50%
Rate of future increase in compensation	3.25%	3.25%

Payments of retirement benefits amounted to NT$126,883 thousand and NT$28,733 thousand in 2006 and 2005, respectively.

As of December 31, 2006 and 2005, the movement of the fund deposited in Central Trust of China was as follows:

	2006		2005	
Beginning balance	NT$	1,285,694	NT$	1,069,042
Deposits during the year		158,835		195,848
Interest during the year		33,281		28,494
Withdrawals during the year		(29,905)		(7,690)
Ending balance	NT$	1,447,905	NT$	1,285,694

16.SHAREHOLDERS' EQUITY

(1)Capital surplus and reserve

The R.O.C. Company Law provides that capital surplus may only be used to offset accumulated deficit or to increase capital.

According to the Securities Exchange Law and other related regulations, the total capital surplus transferred to capital cannot exceed 10 percentage of issued capital every year. The capital surplus can be used to increase the capital in the next year after the transfer is approved by the authorities concerned.

According to SFB, the companies listed in the open market should set aside a statutory reserve when distributing the earnings. They should also conform with Securities Exchange Law No.41 and a FSC's announcement (Reference number: 0950000507), which requires the companies to appropriate a special reserve from the current year's net income and prior years' un-appropriate earnings with the amount equal to the total of any contra amounts (contra amounts may include unrealized gain or loss on available for sale financial assets and cumulative translation adjustments, etc.) in the shareholder's equity occurred in the year. For the contra amounts in the shareholder's equity occurred in prior years, the special reserve should be appropriated from the prior years' un-appropriated earnings and cannot be distributed. If the contra amounts of shareholder's equity are reversed, the special reserve could be distributed.

According to the Bank's Articles of Incorporation, the Bank's net earnings are to be used to pay income taxes and offset against accumulated deficits, if any; 30% of the balance shall be set aside as statutory reserve before appropriation of earnings. Appropriation should be made after special reserve was made:

Stockholders' dividends and bonus	90%
Directors and supervisors' remuneration	5%
Employee profit sharing	5%

(2)Dividend policy

In order to increase the profitability, expand the sales, and maintain the risk-based capital ratio, the dividend policy of the Bank in the future should follow the capital budgeting plan of the Bank. Stock dividend will be distributed first in order to retain sufficient capital, and the surplus will be distributed in the form of cash dividend, which must not be less than 10 percent of the total dividends. However, the Bank could issue stock dividends instead, if cash dividends are lower than NT$0.1 per share.

On June 10, 2005, the general shareholders' meeting resolved to make a distribution of earnings for the year 2004. The distribution includes NT$842,285 thousand of statutory reserve, NT$569,447 thousand of cash dividends, NT$1,423,616 thousand of stock dividends, NT$110,725 thousand of directors and supervisors' remuneration, NT$25,145 thousand of employee cash dividends and NT$85,581 thousand of employee stock dividends. The above capital increase was authorized by the SFB on July 7, 2005, and the Board of Directors set August 24, 2005 to be the date for stock distribution and capital increase. The legal registration has been completed on September 8, 2005.

The 2004 earnings distributed as employees bonus and the director and supervisors' remuneration was as follows:

(Number of shares and amounts are in thousands, except earning per share)

	The resolution of the general shareholders' meeting	The resolution of the Bank's Board of Directors	Difference
Distribution:			
(a) Employee cash bonus	NT$ 25,145	NT$ 25,145	-
(b) Employee stock bonus			
Amount	85,581	85,581	-
Number of shares	8,558	8,558	-
Percentage of share outstanding	0.60%	0.60%	-
(c) Directors and supervisors' remuneration	110,725	110,725	-
Earning per share:			
Original earning per share	1.99	1.99	-
The projected earning per share after distributing employee cash bonus and director and supervisors' remuneration	1.84	1.84	-

On June 9, 2006, the general shareholders' meeting resolved to make a distribution of earnings for the year 2005. The distribution includes NT$957,257 thousand of statutory reserve, NT$12 thousand of special reserve, NT$472,361 thousand of stock dividends, NT$1,574,536 thousand of cash dividends, NT$113,716 thousand of directors and supervisors' remuneration, NT$91,998 thousand of employee cash dividends and NT$21,718 thousand of employee stock dividends. The above capital increased has been authorized by the SFB on July 3, 2006 and the Board of Directors set August 14, 2006 to be the date for stock distribution and capital increase. The legal registration has been completed on January 8, 2007.

The 2005 earnings distributed as employees bonus and the director and supervisors' remuneration was as follows :

(Number of shares and amounts are in thousands, except earning per share)

	The resolution of the general shareholders' meeting	The resolution of the Bank's Board of Directors	Difference
Distribution:			
(a) Employee cash bonus	NT$ 91,998	NT$ 91,998	-
(b) Employee stock bonus			
Amount	21,718	21,718	-
Number of shares	2,172	2,172	-
Percentage of share outstanding	0.13%	0.13%	-
(c) Directors and supervisors' remuneration	113,716	113,716	-
Earning per share:			
Original earning per share	2.03	2.03	-
The projected earning per share after distributing employee cash bonus and director and supervisors' remuneration	1.88	1.88	-

Information of distributions resolved within general meetings of shareholders can be found in "Market Observation Post System" (http://mops.tse.com.tw of the TSEC).

17.FEE AND COMMISSION INCOME, NET

	Jan. 1~Dec. 31, 2006	Jan. 1~Dec. 31, 2005
Fee and commission income	NT$ 3,393,846	NT$ 2,723,388
Fee and commission expense	231,991	254,538
	NT$ 3,161,855	NT$ 2,468,850

18.GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

	Jan. 1~Dec. 31, 2006		Jan. 1~Dec. 31, 2005	
Dividends from financial assets at fair value through profit or loss	NT$	5,151	NT$	4,116
Gain on disposal of financial assets and liabilities at fair value through profit or loss , net		222,436		365,922
Gain on valuation of financial assets and liabilities at fair value through profit or loss , net		43,741		65,783
	NT$	271,328	NT$	435,821

19.OTHER NON-INTEREST INCOME, NET

	Jan. 1~Dec. 31, 2006		Jan. 1~Dec. 31, 2005	
Securities brokerage income, net	NT$	209,585	NT$	149,228
Gains on disposal of equity investment under equity method		26,805		-
Rental income		90,525		94,109
Gains on sale of properties, net		99		10,649
Loss on disposal of properties		(4,532)		(5,914)
Recovered bad and overdue accounts		1,057,559		895,625
Gain (loss) on assets carried at cost, net		12,681		(20,375)
Provision for other reserves		(6,469)		(53,745)
Loss on sale of pledged properties taken over, net		(51,686)		(357,267)
Miscellaneous income (expenses)		90,765		(78,356)
	NT$	1,425,332	NT$	633,954

20.PERSONNEL EXPENSE, DEPRECIATION EXPENSE AND AMORTIZATION

The Bank's personnel expense, depreciation expense and amortization were summarized as follows:

	Jan. 1~Dec. 31, 2006		Jan. 1~Dec. 31, 2005	
Personnel expense				
Salary expense	NT$	2,596,328	NT$	2,398,890
Insurance expense		167,712		143,618
Pension expense		372,075		200,194
Depreciation expense		550,868		481,726
Amortization		2,052		5,313

21. INCOME TAXES AND THE INTEGRATED INCOME TAX SYSTEM INFORMATION

(1)Income taxes

The Bank is subject to the maximum income tax rate of 25 percent. The tax provisions (credit) for income taxes were summarized below:

	Jan. 1~Dec. 31, 2006	Jan. 1~Dec. 31, 2005
Current income tax expense	NT$ 134,249	NT$ 143,643
Deferred income tax provisions (credit)	(833,582)	9,061
	NT$ (699,333)	NT$ 152,704

The reconciliation from income taxes at the statutory income tax rate to the income tax reported in the accompanying financial statements was summarized as follows:

	Jan. 1~Dec. 31, 2006	Jan. 1~Dec. 31, 2005
Income tax at statutory rate	NT$ (1,479,454)	NT$ 835,880
Un-deductible tax expense of the overseas income	562	2,976
Offshore banking unit tax-exempt income	(12,209)	(19,826)
Exempt gain from securities trading	(18,650)	(179,774)
Unrealized gain on financial assets and liabilities at fair value through profit or loss	(10,935)	-
Loss on disposal of lands	7,216	42,928
20% preferential tax effect on certain interest income	(40,798)	(34,648)
Investment income recognized under the equity method	(61,643)	(87,092)
Prior years' income tax adjustments	23,133	3,063
Prior years' loss carry forwards adjustments	327,969	(379,264)
Tax credit on employee training expenditure	(7,136)	(6,503)
Other tax reconciling items	126,343	(13,648)
Change in allowance for deferred tax assets	446,269	(11,388)
	NT$ (699,333)	NT$ 152,704

The deferred income tax provisions (credit) were as follows:

	Jan. 1~Dec. 31, 2006	Jan. 1~Dec. 31, 2005
Investment (loss) income recognized under the equity method	NT$ (1,222)	NT$ 1,097
Recovery (provision) of allowance for bad-debt in excess of tax limit	227,525	(112,125)
Recovery (provision) for other reserves	10,913	(13,437)
Provision for pledged properties taken over	(64,498)	(24,443)
Provision for asset impairment	(2,212)	(2,708)
Realized (unrealized) gain on inter-affiliate accounts	40	(1,582)
Prior years' loss carry forwards adjustments	103,240	(379,264)
Loss carry forwards	(1,546,501)	544,899
Tax credit on employee training expenditure	(7,136)	8,012
Change in allowance for deferred tax assets	446,269	(11,388)
	NT$ (833,582)	NT$ 9,061

The deferred tax assets were as follows:

	Dec. 31, 2006	Dec. 31, 2005
Deferred tax assets	NT$ 2,468,189	NT$ 1,188,338
Allowance for deferred tax assets	(1,041,239)	(594,970)
Deferred tax assets, net	NT$ 1,426,950	NT$ 593,368

The temporary differences and their effects on deferred tax assets were as follows:

	Dec. 31, 2006		Dec. 31, 2005	
	Amount	Income tax effect	Amount	Income tax effect
Investment loss recognized under the equity method	NT$ 58,255	NT$ 14,564	NT$ 53,368	NT$ 13,342
Bad debts expense over limitation	422,437	105,609	1,332,537	333,134
Provision of reserve for loss on default in securities brokerage	58,378	14,594	52,263	13,066
Provision of reserve for loss on trading securities	-	-	49,763	12,441
Provision of pledged properties taken over	1,007,635	251,909	749,645	187,411
Impairment loss	19,680	4,920	10,830	2,708
Unrealized gains on inter-affiliate transactions	6,167	1,542	6,329	1,582
Loss carry forwards	8,271,662	2,067,915	2,498,619	624,654
Tax credit on employee training expenditure	-	7,136	-	-
		NT$ 2,468,189		NT$ 1,188,338

As of December 31, 2006 and 2005, refundable income taxes were as follows:

	Dec. 31, 2006	Dec. 31, 2005
Estimated income tax expenses	NT$ 134,249	NT$ 143,643
Prepaid and withheld income taxes	(68,985)	(58,134)
20% preferential taxes on certain interest income	(110,554)	(137,605)
Prior years' income tax adjustments	(23,133)	(3,063)
Undeductible tax expense of the overseas income	(562)	(2,976)
Income tax refundable	NT$ (68,985)	NT$ (58,135)

According to the Income Taxes Law, the losses could be carried forward 5 years to deduct the following years' taxable income. As of December 31, 2006, the details of the Bank's losses for past years were as follows:

Years of loss	Declared (approved) amount of losses	Available deductible amount	Deducted amount	Un-deducted amount	The extended years for the losses
2002	NT$ 3,824,364	NT$ 3,781,251	NT$ 1,695,592	NT$ 2,085,659	2007
2006	6,528,366	6,186,003	-	6,186,003	2011
	NT$ 10,352,730	NT$ 9,967,254	NT$ 1,695,592	NT$ 8,271,662	

The tax authorities have examined and assessed the Bank's income tax returns for the years through fiscal year 2004, besides year 2003.

(2)Information regarding the Integrated Income Tax System

	Dec. 31, 2006	Dec. 31, 2005
Imputed tax credits for shareholders	NT$ 112,751	NT$ 32,029
Imputed tax credit rate of estimated earnings appropriation	-	7.48%

Unappropriated retained earnings (accumulated losses)	Dec. 31, 2006	Dec. 31, 2005
1997 and before	NT$ -	NT$ -
1998 and after	(5,099,895)	3,282,894
	NT$ (5,099,895)	NT$ 3,282,894

22.EARNINGS PER SHARE

(number of shares and amounts are in thousands, except per share data)

	For the year ended December 31, 2006				
	Amount		Number of shares	Earnings per share	
	Before taxes	After taxes		Before taxes	After taxes
Losses from continuing operations	NT$ (5,917,817)	NT$ (5,218,484)	1,629,039	NT$ (3.64)	NT$ (3.20)
Cumulative effect of changes in accounting principle	66,607	66,607	1,629,039	0.04	0.04
Net losses	(5,851,210)	(5,151,877)	1,629,039	(3.60)	(3.16)
Net losses for basic earnings per common stock	(5,851,210)	(5,151,877)	1,629,039	(3.60)	(3.16)

	For the year ended December 31, 2005				
	Amount		Number of shares	Earnings per share	
	Before taxes	After taxes		Before taxes	After taxes
Net incomes	NT$ 3,343,560	NT$ 3,190,856		NT$	NT$
Net incomes for basic earnings per common stock	3,343,560	3,190,856	1,574,536 (Note 1)	2.12	2.03
Net incomes for basic earnings per common stock	3,343,560	3,190,856	1,623,944 (Note 2)	2.06	1.96

Note 1: Calculated based on the weighted-average number of common shares outstanding.

Note 2: Calculated based on the weighted-average number of common shares outstanding due to the distribution of stock dividends.

23.RELATED PARTY TRANSACTIONS

(1) Relationship with the Bank

Name	Relationship with the Bank
Standard Chartered Bank Ltd. (SCB)	The Bank's parent (starting from October 19, 2006)
Hsinchu Real Estate Co., Ltd. (HCRE) (Note 1)	The Bank's subsidiary
Hsinchu Futures Co., Ltd. (HCF)	The Bank's subsidiary
Hsinchu Insurance Agent Co., Ltd. (HCIA)	The Bank's subsidiary
Chuchian Insurance Agent Co., Ltd. (CCIA)	The Bank's subsidiary
Chu-Chi Interior Decoration Engineering Co., Ltd. (CIDEC) (Note 1)	HCRE's subsidiary
Hsinchu Gen-Gin Security Co., Ltd. (HGSC) (Note 1)	HCRE's subsidiary
Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. (HGABM) (Note 1)	HCRE's subsidiary
Chu-Cherng Construction Co., Ltd. (CCC) (Note 1)	HCRE's subsidiary
Chu-Sheng Technology Co., Ltd. (CST) (Notes 1and 2)	HCRE's subsidiary
Ju-Ying International Co., Ltd. (JYIC) (Note 1)	HCRE's subsidiary
Ingrid International Development Co., Ltd. (Note 1)	HCRE's subsidiary
Chu-Chi Travel Service Co., Ltd. (Note 1)	HCRE's subsidiary
Hsin-Chu Gen-Gin Car Leasing Co., Ltd. (HCGGCL) (Note 1)	HGABM's subsidiary
Chu-Ruei Co., Ltd. (Note 1)	CCC and JYIC's subsidiary
Hiplan (Nanking) Technology Corp. Ltd. (Note 1)	CST's subsidiary
International Bills Financing Co., Ltd. (IBF)	The Bank's chairman is the second immediate family of the company's Director of the Board. (The chairman of the Bank has resigned on October 19, 2006.)
Others	Deemed related parties in accordance with SFAS No.6,"Disclosure for Related Party Transactions".

Note1: The Bank has sold out its shares of Hsinchu Real Estate Co., Ltd. on November 10, 2006 and there was no relationship between the Bank and Hsinchu Real Estate Co., Ltd. The significant transactions among these companies has disclosed in the public information from January 1, 2006 to November 10, 2006.

Note2: The Company was liquidated in May 2006.

(2) Major transactions with the related parties

a. Loans to related parties

As of December 31, 2006 and 2005, loans to the related parties were approximately NT$145,583 thousand and NT$1,651,911 thousand, respectively, representing 0.05% and 0.60% of total loans and bills discounted as of December 31, 2006 and 2005, respectively. Interest incomes resulting from such loans were NT$46,531 thousand and NT$55,403 thousand, respectively, representing 0.35%

and 0.47% of total interest income for the years ended December 31, 2006 and 2005, respectively. The ranges of interest rates were approximately 1.88%~18.25% and 0.01％～18.25％, respectively. For the years ended December 31, 2006 and 2005, the highest balances of loans to the related parties were approximately NT$1,840,275 thousand and NT$2,037,978 thousand, respectively.

The terms and conditions of loans to the related parties have no substantially difference. The provision for loan losses of the related parties was evaluated under the unrecovery risk for the overall loan portfolio.

b. Deposits from the related parties

As of December 31, 2006 and 2005, deposits from the related parties were approximately NT$1,305,937 thousand and NT$1,975,396 thousand, respectively, representing 0.37% and 0.60% of total deposits and remittances as of December 31, 2006 and 2005, respectively. Interest expenses resulting from such deposits were NT$22,182 thousand and NT$18,327 thousand, respectively, representing 0.38% and 0.39% of total interest expenses for the years ended December 31, 2006 and 2005, respectively. For the years ended December 31, 2006 and 2005 the highest balances of deposits from the related parties were approximately NT$3,217,979 thousand and NT$2,872,484 thousand, respectively.

The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public, except that employees' saving interest rate is 8.00% when the deposit balance was below NT$480 thousand per employee.

c. The Bank contracted HCRE to administer the construction of certain premises. The service fees for the period of January 1 to November 10, 2006 and year 2005 were NT$16,513 thousand and NT$41,989 thousand, respectively.

d. The Bank contracted HGSC to administer the security services of certain premises. The service fees for the period of January 1 to November 10, 2006 and year 2005 amounted to NT$54,057 thousand and NT$62,538 thousand, respectively.

e. The Bank has paid to CIDEC for the decoration of the Bank's branches for the period of January 1 to November 10, 2006 and year 2005 amounted to NT$110,917 thousand and NT$67,947 thousand, respectively.

f. The Bank contracted HGABM to take over the building management of the Bank's branches for the period of January 1 to November 10, 2006 and year 2005 amounted to NT$36,508 thousand and NT$40,756 thousand, respectively.

g. The Bank leased the office premises from HCRE, and the rental expenses for the period of January 1 to November 10, 2006 and year 2005 were NT$2,851 thousand and NT$1,319 thousand, respectively.

h. The Bank leased cars from HCGGCL, and the rental expenses for the period of January 1 to November 10, 2006 and year 2005 were NT$9,017 thousand and NT$11,016 thousand, respectively.

i. The Bank charged the insurance handing fee to CCIA for year 2006 amounted to NT$2,541 thousand.

j. During 2005, the Bank leased an office from CCC without a consideration except for a security deposit of NT$475,000 thousand, recorded under guarantee deposit. In December 2005, the Board of Directors resolved to purchase the leased office, located in No.745, Kuang-fu Sec., Hsinchu City, from CCC with a price of NT$475,000 thousand, which was paid by against the security deposit. As of March 2006, the ownership of the property has been transferred to the Bank.

k. In December 2004, the Bank sold the land and building located in No. 1-23 and No. 1-49, Dongmen Sec. 2, Hsinchu City to HCIA. The contracted selling price was NT$42,500 thousand and the gain on disposal, net of book value and the related expenses, was NT$23,130 thousand. The Bank has transferred the ownership in January 2005. As of December 31, 2006, gains from inter-affiliated company transactions were NT$22,979 thousand and were recorded as “other liabilities”.

l. As of December 31, 2006, the guarantee deposit in SCB for derivatives was NT $121,760 thousand.

m. The transactions involving government bonds and other short-term bills with the related parties were as follows:

(a) Repurchase or resale agreements

Transaction	Related parties	Jan.1~Dec. 31, 2006			
		Maximum amount	Ending balance	Interest rate%	Interest income (expense)
Repurchase	IBF (Note)	NT$ 1,936,971	NT$ -	1.38～1.46	NT$ (10,840)
	Others	41,094	5,034	1.21～1.50	(202)
			NT$ 5,034		NT$ (11,042)
Resell	IBF (Note)	NT$ 642,540	NT$ -	1.45～1.66	NT$ 2,961

Note: IBF has not been the related party of the Bank since October 19, 2006 and the above information was the transactions for the period of January 1 to October 19, 2006.

Transaction	Related parties	Jan.1~Dec. 31, 2005			
		Maximum amount	Ending balance	Interest rate%	Interest income (expense)
Repurchase	IBF	NT$ 3,085,781	NT$ 2,599,096	0.975～1.40	NT$ (14,909)
	Others	35,972	25,972	0.975～1.25	(158)
			NT$ 2,625,068		NT$ (15,067)
Resell	IBF	NT$ 1,554,861	NT$ 798,360	1.20～1.51	NT$ 9,589

(b) Purchase or sale agreements

Transaction	Related parties	Jan.1~Dec. 31, 2006			
		Maximum amount	Ending balance	Interest rate%	Gain on financial assets or liabilities at fair value through profit or loss
Purchase	IBF (Note 1)	NT$ 1,991,111	NT$ -	1.46～2.22	NT$ -
	SCB (Note 2)	599,499	NT$ 599,499	1.89～2.03	NT$ -
			NT$ 599,499		NT$ -
Sell	SCB (Note 2)	NT$ 50,050	NT$ -	1.97～2.12	NT$ -

Note 1 : IBF has not been the related party of the Bank since October 19, 2006 and the above information was the transactions for the period of January 1 to October 19, 2006.

Note 2: SCB has been the related party of the Bank since October 19, 2006 and the above information was the transactions for the period of October 19 to December 31, 2006.

Transaction	Related parties	Jan.1~Dec. 31, 2005			
		Maximum amount	Ending balance	Interest rate%	Gain on financial assets or liabilities at fair value through profit or loss
Sell	IBF	NT$ 51,443	NT$ -	2.382	NT$ 19
Purchase	IBF	NT$ 1,106,425	NT$ -	1.200～1.460	NT$ -

n. As of December 31, 2006, the Bank's derivatives contracts with SCB in outstanding were as follows:

Financial instruments	Dec. 31, 2006
Buy option contracts	NT$ 12,910
Sell option contracts	25,766
Forward contracts	51,597
Cross currency swap contracts	1,369,300
Swap contracts	446,781
Interest rate swap contracts	1,028,438

For the period of October 19 to December 31, 2006, net gains on financial assets at fair value through profit or loss with SCB on the above transactions amounted to NT$3,877 thousand.

24.COMMITMENTS AND CONTINGENCIES

(1) As of December 31, 2006 and 2005, the Bank's significant commitments and contingencies were as follows:

	Dec. 31, 2006	Dec. 31, 2005
Letters of credit issued	NT$ 1,982,844	NT$ 2,271,168
Guarantees extended	8,478,106	8,486,367
Government bonds and other short-term bills sold under repurchase agreements	17,783,000	16,115,309
Government bonds and other short-term bills acquired under resale agreements	-	11,665,457
Unsettled foreign currency forward contracts	7,508,619	5,899,623
Unsettled foreign currency swap and options contracts	4,240,258	2,416,423

(2) As of December 31, 2006 and 2005, the existing contracts for construction and decoration of the Bank's premises were approximately NT$51,460 thousand and NT$54,284 thousand, respectively. The Bank had paid approximately NT$41,260 thousand and NT$42,500 thousand, respectively.

(3) According to the existing contracts for the lease of its premises, as of December 31, 2006, accrued rental payments were as follows:

Period	Amount
2007	NT$ 144,262
2008	123,678
2009	107,899
2010	78,249
2011	51,009
2012 and thereafter	89,378(Net present value is NT$74,845 thousand)

(4) The Bank had the following major commitments relating to the trust and agential activities:

	Dec. 31, 2006	Dec. 31, 2005
Bills for collection	NT$ 26,687,917	NT$ 26,749,339
Marketable securities for custody	1,431,286	1,534,435
Travelers checks held for sale	89,361	99,461
Assets resulting from various trust agencies	76,590,055	34,358,245

(5) As a result of business operation and employee termination of the Bank, a lawsuit was brought up with a claim for salary and damage compensation of NT$17,701 thousand plus interest at 5%. However, this law suit has not yet been settled.

(6) Trust balance sheets and trust assets which are required to disclose by the R.O.C. Trust Law were as follows:

Balance Sheet of Trust
December 31, 2006

('000)

Trust assets			Trust liabilities		
Short-term investments:			**Trust capital:**		
Investments in stocks	NT$	1,990,801	Securities trust	NT$	1,990,801
Investment in funds		74,583,288	Money trust		74,583,288
Property-land		15,966	Property trust		15,966
Total trust assets	NT$	76,590,055	Total trust liabilities	NT$	76,590,055

Trust Assets
December 31, 2006

('000)

Investments	Book value	
Short-term investments:		
Investments in securities	NT$	1,990,801
Investment in funds		74,583,288
Land		15,966
Total	NT$	76,590,055

25.OTHER

(1) Fair market value of financial instruments

a.Information of financial instruments

Non-derivative financial instruments - assets	December 31, 2006		December 31, 2005	
	Book value	Fair value	Book value	Fair value
Book values equivalent to fair values	NT$ 44,887,389	NT$ 44,887,389	NT$ 48,454,130	NT$ 48,454,130
Financial assets at fair value through profit or loss (excluded derivative financial instruments)	26,344,976	26,344,976	9,029,812	9,029,812
Loans and bills discounted	292,427,161	292,427,161	272,226,019	272,226,019
Available for sale financial assets	52,191,033	52,191,033	59,124,302	59,124,302
Equity investment under equity method	682,864	682,864	1,316,035	1,316,035
Other financial assets	235,615	235,615	475,287	475,287

Derivative financial instruments-assets	December 31, 2006		December 31, 2005	
	Book value	Fair value	Book value	Fair value
Option contracts	NT$ 21,134	NT$ 21,134	NT$ 18,271	NT$ 18,271
Forward contracts	133,481	133,481	53,286	53,286
Cross currency swap contracts	109,311	109,311	55,300	55,300
Swap contracts	9,732	9,732	35,054	35,054
Interest rate swap contracts	29,647	29,647	-	-
Structure product	64	64	-	-

Non-derivative financial instruments-liabilities	December 31, 2006		December 31, 2005	
	Book value	Fair value	Book value	Fair value
Book values equivalent to fair values	NT$ 38,798,219	NT$ 38,798,219	NT$ 37,657,515	NT$ 37,657,515
Customer deposits and remittances payable	351,231,310	351,231,310	319,323,286	319,323,286
Subordinated debentures	22,800,000	22,800,000	18,000,000	18,000,000
Convertible bonds	-	-	3,613,500	3,613,500

Derivative financial instruments-liabilities	December 31, 2006		December 31, 2005	
	Book value	Fair value	Book value	Fair value
Option contracts	NT$ 21,134	NT$ 21,134	NT$ 18,271	NT$ 18,271
Forward contracts	828	828	27,013	27,013
Interest rate swap contracts	22,305	22,305	-	-
Structure product	64	64	-	-

b.The following methods and significant assumptions were used to estimate the fair value of each class of financial instruments:

(a) Financial assets with book values equivalent to fair values:

The fair values for financial assets including cash and cash equivalents, due from banks and Central Bank of China, bonds and short-term bills sold under resale agreements, receivables and guarantee deposits were approximately equal to book values. For those short-term instruments, the book value is a reasonable estimate of fair value because of the short maturity of those instruments.

(b) Financial assets at fair value through profit or loss and available for sale financial assets:

The fair value is determined by transaction price quoted in an active market, when available; if otherwise, valuation techniques are applied. The estimates and assumptions applied in valuation techniques are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

(c) Loans and bills discounted:

The fair values of loans and bills discounted are estimated based on certain characteristics of banking industry. On that account, the book value was a reasonable estimate of fair value, taking into account the current credit-worthiness of the borrowers. The fair values of fixed-rate loans with medium to long-term maturity were estimated by discounting the future cash flows using the current rates. Since the Bank entered into fixed-rate loans of which interest rate were higher than market rate and the remaining maturities are less than three years and it was not practical to calculate the present value of each transaction, the fair value of loans was estimated using book value, taking into account of the current credit-worthiness of the borrowers.

(d) Other financial assets:

Other financial assets are referring to investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

(e) Financial liabilities with book values equivalent to fair values:

The fair values for financial liabilities including due to banks and Central Bank of China, financing from banks and Central Bank of China, bonds and short-term bills sold under repurchase agreements, payables, and guarantee deposits received were approximately equal to book values at the balance sheet date. For those short-term instruments, the book value is a reasonable estimate of fair value because of the short maturity of those instruments.

(f) Customer deposits and remittances payable:

The fair values of customer deposits and remittances payable were estimated based on the certain characteristics of banking industry. A large portion of the Bank's deposit liabilities was made with floating interest rate and the maturities for most of those deposit liabilities were less than one year. On that account, the book value was a reasonable estimate of fair value. The fair values of long-term deposits were estimated by discounting the future cash flows using the current rates.

(g) Subordinated debenture:

The subordinated debenture was financial liability with floating interest rate, their fair value equal to their carrying value.

(h) Convertible bonds:

The fair values of the Convertible bonds (the Bonds) are estimated based on their carrying values on the balance sheet. As the coupon rate on the Bonds is 0% and the date of redemption is uncertain, it is difficult to calculate the present value of the Bonds. In addition, the carrying amount of the Bonds is adjusted based on the prevailing spot exchange rate on the balance sheet date. Therefore, the fair values of the Bonds are estimated based on their carrying amount on the balance sheet.

(i) For derivatives that do not have quoted market prices in active market, a cash-flow discount method is applied for forward foreign currency and interest rate swap contracts, and Black

Scholdes Model is applied for option contracts.

The Bank computed the fair value of each individual forward foreign currency contracts by using the expected exchange rate at the future maturity date, and whose rate was generated from Kondor, a quoted pricing system. With respect to fair values of contracts for interest rate swap and foreign currency exchange, expect part of contracts were computed based on the quoted prices provided by counterparties, the others were individually computed based on the pricing information provided by Reuters, a global information company.

The Bank's fair values of financial assets and financial liabilities computed by quoted market prices or other valuation techniques are as follows:

Financial instruments	Determined by quoted market prices		Estimated by other valuation techniques	
	Dec. 31, 2006	Dec. 31, 2005	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents	NT$ -	NT$ -	NT$ 8,283,345	NT$ 8,587,765
Due from Central Bank of China and call loans to banks	-	-	26,143,175	14,256,360
Financial assets at fair value through profit or loss	84,970	317,171	26,563,375	8,874,552
Bonds and short-term bills sold under resale agreements	-	-	-	11,654,485
Receivables	-	-	9,521,656	12,452,634
Available for sale financial assets	36,223,886	23,323,511	15,967,147	35,800,791
Equity investment under equity method	-	-	682,864	1,316,035
Other financial assets	-	-	235,615	475,287
Loans and bills discounted	-	-	292,427,161	272,226,019
Guarantee deposits	-	-	939,213	1,502,886
Due to banks and Central Bank of China	-	-	14,791,312	16,391,571
Financing from Central Bank of China and banks	-	-	1,466,820	492,750
Financial liabilities at fair value through profit or loss	-	-	44,331	45,284
Bonds and short-term bills sold under repurchase agreements	-	-	17,778,465	16,106,077
Payables	-	-	4,673,910	4,586,369
Customer deposits and remittances payable	-	-	351,231,310	319,323,286
Subordinated debentures	-	-	22,800,000	18,000,000
Convertible bonds	-	-	-	3,613,500
Guarantee deposits received	-	-	87,712	80,748

For the year ended December 31, 2006, the Bank recognized gain amounted to NT$113,146 thousand from the changes in fair value, which were evaluated by using other valuation techniques.

The financial assets and financial liabilities with fair value risks in changes of interest rates of the Bank were NT$73,512,466 thousand and NT$40,578,465 thousand as of December 31, 2006, respectively, as well as NT$77,316,829 thousand and NT$34,106,077 thousand as of December 31, 2005, respectively. Additionally, as of December 31, 2006 and 2005, the cash flow risks due to changes of interest rates were NT$29,647 thousand and NT$0, respectively.

c.Information of financial risks

(a) Market risk

The Bank has been applying value at risk to assess the market risk of financial instruments since 2006. When negative changes in market factors arising, the value at risk states the potential losses from changes in holding periods and reliance levels. The Bank estimated its value at risk for each held or issued financial instruments based on the fluctuation of related historical price incurred in the past year. The table below showing the values at risk of the financial instruments of the Bank, the values at risk was estimated for one day's potential losses on a presumption that the unfavourable changes in exchange rates and interest rates can cover 99% fluctuation incurred in one day among the market. Also, per the presumption, the value at risk of financial assets and liabilities may exceed the amounts disclosed in the table below for one day out of 100 days owing to the changes in interest rates and exchange rates.

Types of market risks	For the year ended December 31, 2006		
	Annual average amount	Maximum amount	Minimum amount
Value at risk of exchange rate	NT$ 44,429	NT$ 112,089	NT$ 7,373
Value at risk of interest rate	68,579	169,465	25,715
Value at risk of equity	90,772	186,731	31,788
Value at risk of market price	124,985	156,952	91,162

(b) Credit risk

That the Bank may recognize losses from held or issued financial instruments may be caused by the events of counter parties failing to perform their obligations under financial instruments agreements. When practicing loan, loan commitment or loan guarantee businesses, the Bank properly conducts its credit assessments. As of December 31, 2006 and 2005, the percentages of loans with collaterals over total loans were 64% and 58%, respectively, and the percentages for guarantees issued plus letters of credit issued with collaterals were 24% and 28%, respectively. The collaterals obtained from loan, loan commitment, and guarantee businesses mostly consisted of cash and cash equivalents, inventories, marketable securities, and other assets. When counter parties breach agreements/contracts, the Bank has rights to execute the collaterals, which can mitigate the credit risk. However, when disclosing the amount under maximum credit risk exposure, the fair values of collaterals are ignored.

For all financial instruments held by the Bank, the amounts under maximum credit risk exposure excluding from the fair values of collaterals were as follows:

Financial instruments	Dec. 31, 2006		Dec. 31, 2005	
	Book value	The amount under maximum credit risk exposure	Book value	The amount under maximum credit risk exposure
Loans and bills discounted	NT$ 295,522,455	NT$ 4,177,148	NT$ 275,130,317	NT$ 2,818,985

The factors of computing the amounts related to credit risk above were those using fair value at balance sheet date as a basis and assessing the contracts with off-balance sheet commitments and guarantees. Concentration of credit risk is most likely resulting from an exposure of concentrating on an individual counterparty. Group concentrations of credit risk exist if a number of counter parties are engaged in similar activities or activities in the same region have similar economic characteristics that would affect their ability to meet contractual obligations. The Bank maintains trading positions in a number of markets and with a variety of counter parties or obligors.

The Bank's significant group concentrations of credit risk were summarized in categories of similar industries as follows:

Industry	December 31, 2006		December 31, 2005	
	Book value	The amount under maximum credit risk exposure	Book value	The amount under maximum credit risk exposure
Individuals	NT$ 196,834,679	NT$ 1,592,860	NT$ 181,576,800	NT$ 1,199,061
Commercial	13,706,882	908,443	10,385,547	329,021
Manufacturing	51,660,535	562,539	48,406,532	932,361
Construction and real estate	10,520,628	848,507	10,479,010	102,953
Other institutions	22,799,731	264,799	24,282,428	255,589
	NT$ 295,522,455	NT$ 4,177,148	NT$ 275,130,317	NT$ 2,818,985

The Bank will incur a transaction loss equal to the book value, if the counter party is unable to fulfill its obligations and collateral promised by the counterparty is completely worthless.

(c) Liquidity risk

As of December 31, 2006 and 2005, the provision rates of liquidity were 14.95% and 16.51%, respectively, and funds raising from capital and operation are sufficient to meet commitments associated with contracts. Consequently, there is no such liquidity risk, which the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Additionally, except for interest rate swaps with leverage effects held, the other derivatives held by the Bank consisted of low liquidity risk that the derivatives can not be sold with reasonable price in the market.

The Bank's basic policy of operation management is managing to mitigate caps between contractual interest rates at maturity dates and interest rates at balance sheet date as well as contractual maturity dates and balance sheet dates. Due to variety and uncertainty of contractual terms, the interest rates and maturity dates of financial assets and financial liabilities may not be matched, which may cause gains or losses. The liquidity ability of the Bank was assessed based on the status of maturity dates that was properly grouped in financial assets and financial liabilities, which was disclosed as below:

	December 31, 2006								
	Within 1 month	1~3 months	3 months~ 1 year	1 year~ 2 years	2 years~ 3 years	3 years~ 4 years	4 years~ 5 years	Over 5 years	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Assets									
Financial assets at fair value through profit or loss-bonds and bills	20,932,500	4,771,849	555,657	51,250	18,380	15,340	-	-	26,344,976
Available for sale financial assets-bonds	4,401,325	1,178,380	6,906,440	3,315,398	4,924,409	7,280,662	5,726,006	18,201,535	51,934,155
Call loans to banks	6,620,011	3,386,213	1,745,100	-	-	-	-	-	11,751,324
Loans and bills discounted (Note 2)	11,108,948	15,174,061	24,325,827	12,997,433	18,950,170	14,469,105	17,445,771	176,211,488	290,682,803
	$ 43,062,784	24,510,503	33,533,024	16,364,081	23,892,959	21,765,107	23,171,777	194,413,023	380,713,258
Liabilities									
Bonds payable	-	-	-	8,000,000	-	-	-	14,800,000	22,800,000
Time deposits-New Taiwan dollars (Note 3)	28,228,669	38,739,731	121,606,717	6,078,751	3,525,612	-	-	-	198,179,480
Time deposits-foreign currency	2,718,811	2,270,157	5,831,434	-	-	-	-	-	10,820,402
Call loans from banks	800,000	-	-	-	-	-	-	-	800,000
Financing from Central Bank of China and banks	1,140,860	325,960	-	-	-	-	-	-	1,466,820
	$ 32,888,340	41,335,848	127,438,151	14,078,751	3,525,612	-	-	14,800,000	234,066,702

	December 31, 2005					
	Within 1 month	1～6 months	6 months～ 1 year	1～7 years	Over 7 years	Total
	NT$	NT$	NT$	NT$	NT$	NT$
Assets:						
Bonds (Note 1)	17,400	70,692	352,532	16,650,608	7,659,293	24,750,495
Call loans to banks	707,345	3,244,529	124,764	-	-	4,076,638
Loans and bills discounted (Note 2)	9,724,634	26,396,260	13,465,898	93,929,816	126,383,707	269,900,315
	10,449,379	29,711,451	13,943,194	110,580,424	134,043,000	298,727,448
Liabilities:						
Time deposits- New Taiwan dollars (Note 3)	22,862,951	72,486,542	77,285,495	6,451,465	-	179,086,453
Time deposits- foreign currency	-	5,144,052	633,488	2,492,380	-	8,269,920
Due to banks (Note 4)	3,700,000	-	492,750	-	-	4,192,750
	26,562,951	77,630,594	78,411,733	8,943,845	-	191,549,123

Note 1: Including the government bonds, corporate bonds, and commercial bonds of the financial assets at fair value through profit or loss and available for sale financial assets.

Note 2: Non-accrual loans are not included.

Note 3: Only time deposits, time saving deposits, negotiable certificate of deposits and time deposits from Chunghwa Post are included.

Note 4: Including call loans from banks and financing from Central Bank of China and banks.

The maturity period for the above maturity analysis of assets and liabilities was the remaining period from the balance sheet date to the due date.

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

Future cash flow from the assets and liabilities with floating interest rates held by the Bank may fluctuate due to the changes in market interest rates, of which a risk as a result. In order to hedge the risk, the Bank has entered interest rate swap contracts after related assessments.

The Bank presumed that the expected re-pricing dates and expected maturity dates were not effected by contractual dates. The interest rate risks used in preparing the table below were stated based on the book value of financial assets and liabilities held by the Bank and reclassified based on which earlier dates are between maturity dates and re-pricing dates. The book values of financial instruments issued or held distinguished by either re-pricing dates or maturity dates were as below:

Assets	December 31, 2006							
	Within 1 month	1~3 months	3 months~ 1 year	1 year~ 2 years	2 years~ 3 years	3 years~ 4 years	Over 4 years	Total
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$
Available for sale financial assets:								
Commercial bonds	-	-	-	400,000	400,000	-	370,601	1,170,601
Loans and bills discounted:								
Medium-term loans	-	-	30,000	1,834,000	2,290,827	-	-	4,154,827
Total	-	-	30,000	2,234,000	2,690,827	-	370,601	5,325,428
Gap of interest rate sensitivity	-	-	30,000	2,234,000	2,690,827	-	370,601	5,325,428

(2) Related party credit transaction

Category	Number	Balance as of Dec. 31, 2006	Status of fulfilling obligations	
			Loans	Non-performing loan
		NT$	NT$	NT$
Consumers loans	1,086	281,505	281,010	495
Employee loans for house purchase	865	1,678,063	1,676,324	1,739
Loans for other related parties	19	46,220	46,220	-
Loans guaranteed by related parties	146	273,450	273,450	-
Loans with collateral security provided by related parties	-	-	-	-

(3) Loan quality

	Dec. 31, 2006		
	Amount		%
Non-performing loans (NPLs)-category A	NT$	4,684,119	1.59
Non-performing loans (NPLs)-category B		1,745,235	0.59
Total non-performing loans (NPLs)		6,429,354	2.18

	Dec. 31, 2005
Non-performing loans (NPLs)	6,757,499
Non-accrual loans	5,269,326
NPLs / gross loans	2.46
Surveillance loans	-
Surveillance loans / gross loans	-
Allowance for loan losses	2,943,622
Loans write-offs	2,765,013

(4) Credit risk centralization

	Dec. 31, 2006		Dec. 31, 2005	
Loans to related parties	NT$	2,282,548	NT$	2,597,461
Loans to related parties / total loans		0.75%		0.91%
Loans collateralized with stocks		0.92%		0.58%
Loans centralization of industry link	Industry	Percentage	Industry	Percentage
	1.Manufacturing	18.35%	1.Manufacturing	18.52%
	2.Construction and real estate	4.08%	2.Construction and real estate	4.21%
	3.Commercial	3.89%	3.Commercial	3.95%

Note: Total loans include loans and bills discounted, acceptances receivables, guarantees, and the prepayments for purchased account receivables.

(5) Risk sensitivity (New Taiwan dollars)

	Within 90 days	91~180 days	180 days~1 year	Over 1 year	Total
Risk sensitive assets	311,725,000	7,780,000	1,855,000	54,633,000	375,993,000
Risk sensitive liabilities	141,146,000	181,835,000	56,534,000	2,492,000	382,007,000
Risk sensitive gap	170,579,000	(174,055,000)	(54,679,000)	52,141,000	(6,014,000)
Shareholders' equity					14,896,831
Risk sensitive assets / risk sensitive liabilities (%)					98.43
Risk sensitive gap / shareholders' equity (%)					(40.37)

(6) Risk sensitivity (United State dollars)

	Within 90 days	91~180 days	180 days~1 year	Over 1 year	Total
Risk sensitive assets	372,145	510,119	524,044	-	1,406,308
Risk sensitive liabilities	438,647	526,783	575,632	-	1,541,062
Risk sensitive gap	(66,502)	(16,664)	(51,588)	-	(134,754)
Shareholders' equity					457,014
Risk sensitive assets / risk sensitive liabilities (%)					91.26
Risk sensitive gap / shareholders' equity (%)					(29.49)

(7) Profitability

Item		Jan. 1~Dec. 31, 2006	Jan. 1~Dec. 31, 2005
The ratio of return on assets	Before taxes	(1.42)%	0.84%
	After taxes	(1.24)%	0.80%
The ratio of return on shareholders' equity	Before taxes	(32.35)%	16.43%
	After taxes	(28.16)%	15.68%
Net income ratio (Note)		(41.28)%	27.42%

Note: Net (loss) income/ operating income before provision for loan losses and general and administrative expenses.

(8) The maturity analysis of assets and liabilities (New Taiwan dollars)

	Total	Amounts cumulated based on the terms from the balance sheet date to due date				
		Within 30 days	31~90 days	91~180 days	181 days ~1 year	Over 1 year
	NT$	NT$	NT$	NT$	NT$	NT$
Expected primary assets inflow when due	419,112,245	65,919,907	20,573,076	16,919,639	20,412,800	295,286,823
Expected primary liabilities outflow when due	495,080,189	66,097,809	53,400,942	65,655,893	122,584,292	187,341,253
Gap between assets and liabilities	(75,967,944)	(177,902)	(32,827,866)	(48,736,254)	(102,171,492)	107,945,570

(9) The maturity analysis of assets and liabilities (United State dollars)

	Total	Amounts cumulated based on the terms from the balance sheet date to due date				
		Within 30 days	31~90 days	91~180 days	181 days ~1 year	Over 1 year
	US$	US$	US$	US$	US$	US$
Expected primary assets inflow when due	610,392	272,091	102,627	137,973	13,925	83,776
Expected primary liabilities outflow when due	620,195	372,450	78,613	89,129	48,849	31,154
Gap between assets and liabilities	(9,803)	(100,359)	24,014	48,844	(34,924)	52,622

(10) Capital adequacy

	December 31, 2006	December 31, 2005
Capital adequacy	NT$ 27,395,201	NT$ 31,795,973
Total risk-weighted assets	NT$ 302,107,124	NT$ 265,474,427
Capital adequacy ratio	9.07%	11.98%
Tier Ⅰ capital / Total risk-weighted assets	4.70%	8.03%
Tier Ⅱ capital / Total risk-weighted assets	4.70%	4.66%
Tier Ⅲ capital / Total risk-weighted assets	-	-
Shareholder's equity / Total assets	3.47%	3.47%

(11) The interest earning assets, interest bearing liabilities and the average interest rates were disclosed as follows:

	For the year ended December 31, 2006	
	Average amount	Average interest rate % (Annual rate)
Assets:		
Due from Central Bank of China	NT$ 12,605,641	1.07
Financial assets at fair value through profit or loss-bonds	1,100,898	2.31
Available for sale financial assets-bonds	52,725,839	4.38
Call loans to banks	10,733,686	2.85
Loans and bills discounted	284,860,592	4.02
Liabilities:		
Call loans from banks/due to banks and Central Bank of China	4,080,449	1.46
Demand deposits-new Taiwan dollars	134,188,007	0.47
Demand deposits-foreign currency	6,709,525	1.63
Time deposits-new Taiwan dollars	184,970,494	1.92
Time deposits-foreign currency	8,895,145	4.04
Negotiable Certificates of Deposit	6,163,488	1.69
Financing from Central Bank of China and banks	1,135,222	5.32
Subordinated debentures	18,064,516	3.76

	For the year ended December 31, 2005	
	Average amount	Average interest rate%(Annual rate)
Assets:		
Due from Central Bank of China	NT$ 11,946,307	1.09
Bonds(including financial assets at fair value through profit or loss and available for sale financial assets)	16,830,097	6.15
Call loans to banks	7,279,502	1.86
Loans and bills discounted	253,552,887	3.88
Liabilities:		
Demand deposits-new Taiwan dollars	124,287,425	0.47
Demand deposits-foreign currency	5,968,844	1.01
Time deposits-new Taiwan dollars	187,459,146	1.51
Time deposits-foreign currency	9,249,175	2.59
Negotiable Certificates of Deposit	3,738,790	1.45
Call loans from banks/ financing from Central Bank of China and banks	2,756,395	2.14
Subordinated debentures	17,232,877	3.50

(12) Primary foreign currencies

	Dec. 31, 2006				Dec. 31, 2005			
	Original currency			Equivalent NTD amount	Original currency			Equivalent NTD amount
Primary foreign currencies held (Market risk)	1	USD	964	31,421	1	USD	12,560	412,579
	2	CAD	723	20,327	2	JPY	1,063,746	297,636
	3	GBP	225	14,417	3	EUR	686	26,723
	4	HKD	6,546	27,440	4	HKD	7,977	33,798
	5	NZD	1,531	35,261	5	NZD	1,352	30,350

(13) Demand deposits, time deposits and foreign currency deposits

	Dec. 31, 2006	Dec. 31, 2005
Demand deposits	NT$ 153,865,516	NT$ 144,538,940
Demand deposits ratio	43.82%	45.28%
Time deposits	197,244,084	174,685,520
Time deposits ratio	56.18%	54.72%
Foreign currency deposits	18,216,486	13,821,784
Foreign currency deposits ratio	5.19%	4.33%

(14) Small and medium enterprise loans and consumer loans

	Dec. 31, 2006	Dec. 31, 2005
Small and medium enterprise loans	NT$ 40,095,975	NT$ 47,784,535
Small and medium enterprise loans ratio	13.57%	17.37%
Consumer loans	169,071,400	148,017,508
Consumer loans ratio	57.21%	53.79%

(15) Special memorandum items

	Cases and amount
Management or any employee being prosecuted in lawsuit for disobeying of any rules in business in one year	None
The Bank being fined for disobeying the related law in one year	Note 1-Note 3
The Bank being punished by MOF for any fault in one year	None
The Bank incurred losses over NT$50,000 thousand for management or employee fraud or for any security incident in one year	None
Others	None

Note1: The Bank was fined NT$2,000 thousand by FSC, due to the inappropriate method used by the collecting agency for the receivables of cash card. It has been against to the “Regulations governing internal control system and audit system of Banks” Article 4 and 5.

Note2: The Bank was fined NT$300 thousand by Fair Trade Commission, Executive Yuan, due to violate the “Fair Trade Commission Guidelines on Banking Industry/ Advertising.”

Note3: The Bank was fined NT$1,100 thousand by Fair Trade Commission, Executive Yuan, due to violate the article 24 of the Fair Trade Act.

26. NOTES TO DISCLOSURE ITEMS

(1) Information of significant transactions

a. Accumulated purchases or sales of the stocks for the same invested company amounted to NT$300 million or over 10% of the capital were as follows: None.

b. Real estate acquisition amounted to NT$300 million or over 10% of the capital was as follows: Please refer to Appendix 1.

c. Real estate disposal amounted to NT$300 million or over 10% of the capital was as follows: None.

d. Allowances for service fees from transaction with the related parties amounted to NT$5 million were as follows: None.

e. Receivables from the related parties amounted to NT$300 million or over 10% of the capital were as follows: None.

f. Sales of NPLs amounted to NT$5,000 million or more were as follows: None.

g. Information for issuance of beneficiary certificates approved by the R.O.C. Financial Asset Securitization Law and Real Estate Securitization Law: Please refer to note 7 to the financial statements.

h. Other significant transactions that might have influence over the decision making of the financial statements users: None.

Appendix 1

For the year ended December 31, 2006

Purchasing company	Recording entry	Date	Cost	Payment paid	Trading party	Relationship
The Bank	Land and buildings	December 30, 2005	NT$475,000	Rental deposit planning to be paid	Chu-Cherng Construction Co., Ltd.	Subsidiary of the Bank

(2)Information of invested company

a.The information that the Bank has direct or indirect significant influences or controls:

December 31, 2006

Investor	Investee	Investee's address	Operating item	Original invested amount
				Dec. 31, 2006
The Bank	Hsinchu Futures Co., Ltd.	3F,130, Si Wei Road, Hsin-Chu, Taiwan	Futures underwriter	442,830
The Bank	Hsinchu Insurance Agent Co., Ltd.	85, Chung-Zeng Road, Hsin-Chu, Taiwan	Life insurance agent	21
The Bank	Chuchian Insurance Agent Co., Ltd.	85, Chung-Zeng Road, Hsin-Chu, Taiwan	Property insurance agent	368
The Bank	Paradigm Assets Management Co., Ltd	19F, 123, Sec. 2,Chung-Hsiao East Road, Taipei, Taiwan	Securities investment trust	98,400

b.The information on the Bank's invested companies, which the Bank has significant influence or controls.

(a) Real estate acquisition amounted to NT$300 million or over 10% of the capital was as follows: None.

(b) Real estate disposal amounted to NT$300 million or over 10% of the capital was as follows: None.

(c) Allowances for service fees from transaction with the related parties amounted to NT$5 million were as follows: None.

(d) Receivables form the related parties amounted to NT$300 million or over 10% of the capital were as follows: None.

(e) Sales of NPLs amounted to NT$5,000 million or more were as follows: None.

(f) Information for issuance of beneficiary certificates approved by the R.O.C. Financial Asset Securitization Law and Real Estate Securitization Law: None.

(g) Other significant transactions that might have influence over the decision making of financial statements users: None.

(h) Loans to others on December 31, 2006 were as follows: None.

(i) Financial guarantees for others: None.

(j) Securities held at December 31, 2006 were as follows: Please refer to Appendix 2.

(k) Accumulated purchases or sales of the stocks for the same invested company amounted to NT$300 million or over 10% of the capital were as follows: None.

(l) Financial derivatives transaction: None.

(‘000)

	The prior trading information if the trading party is related				Basis of the price	Purpose and usage	Others
	Owner	Relationship with the company	Date	Cost			
	Miao-Jiang, Chang	-	January 4, 2001	NT$ 106,000	Home Ban Real Estate Evaluate Co., Ltd.	To be office	Rental deposit planning to be paid

(number of shares and amounts are in thousands)

		Dec. 31, 2006			Investee's income (loss) for the year ended Dec. 31, 2006	Investee's period gain/loss recognition	Note
	Dec. 31, 2005	Shares	Percentage (%)	Book value			
	442,830	30,112	89	262,419	(5,518)	(4,888)	Subsidiary of the Bank
	2,000	300	100	296,464	232,979	231,408	Subsidiary of the Bank
	2,000	300	100	28,234	20,456	20,364	Subsidiary of the Bank
	60,000	9,000	20	95,747	(34,265)	(6,853)	Equity investment under equity method

Appendix 2

For the year ended December 31, 2006

(‘000)

Holding company	Security		Relationship with the issuer	Recording entry	Dec. 31, 2006			
	Category	Name			Shares	Cost NT$	Percent-age (%)	Fair market value
Hsinchu Futures Co., Ltd.	Stock	Taiwan Futures Exchange Co., Ltd.	-	Available for sale financial assets	3,050	30,500	1.52	89,487

(3) Investment information of China: None.

27. SEGMENT INFORMATION

(1) Industry segments

The Bank's principal activities include accepting deposits and extending loans. Disclosure of financial information of the Trust Department and International Department is not required since the division's revenues represent less than 10% of total operating revenues.

(2) Geographic segments

Except for the Offshore Banking Unit commencing operations in January 1995, foreign operations are limited; therefore, no disclosure of geographic segment information is required.

(3) Foreign exchange revenues

No export sales to non-banking customers represent 10% or more of the Bank's operating revenue.

(4) Major customers

No single customer represents 10% or more of the Bank's operating revenues.

V Audited Consolidated Financial Statements for 2006

Declaration

Affiliated enterprises included in the Affiliation Reports of Hsinchu International Bank Co., Ltd. for the period from January 1, 2006 to December 31, 2006 in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were in compliance with those prescribed by the R.O.C. Financial Accounting Standards No. 7 governing the preparation of consolidated financial statements. The Bank will not prepare separate consolidated financial statements of affiliated enterprises.

Hsinchu International Bank Co., Ltd.

Chairman

Chih-Wei Wu Wu Chih-Wei

February 3, 2007

Independent Auditors' Report

Hsinchu International Bank Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Hsinchu International Bank Co., Ltd. and its subsidiaries (the "Bank") as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with "Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules require that we plan and perform the audit procedures 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of the Bank as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended, in conformity with the "Business Accounting Law," and "Regulations Governing the Preparation of Financial Reports by Public Banks" and generally accepted accounting principles in the Republic of China.

As stated in Note 3 to the consolidated financial statements, the Bank adopted the R.O.C. Statement of Financial Accounting Standards No. 34 "Accounting for Financial Instruments" and No. 36 "Disclosure and Presentation of Financial Instruments", effective from January 1, 2006.

Ernst & Young

February 3, 2007

Taipei, Taiwan

Republic of China

HSINCHU INTERNATIONAL BANK CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Dec. 31, 2006	Dec. 31, 2005
Cash and cash equivalents	NT$ 8,293,513	NT$ 8,602,863
Due from banks and Central Bank of China	26,143,175	14,256,360
Financial assets at fair value through profit or loss-current	26,756,956	9,242,110
Bonds and short-term bills sold under resale agreements	-	11,654,485
Other financial assets-current	2,901	1,626
Receivables, net	9,115,300	12,481,884
Customer margin deposit	194,359	140,909
Inventories and construction in progress	-	1,049,867
Other current assets	78,093	114,731
Loans and bills discounted, net	292,427,161	271,151,266
Available for sale financial assets-non-current	52,221,533	59,257,686
Assets carried at cost-non-current	232,714	513,075
Equity investment under equity method	95,747	86,297
Investment in real estate	-	162,676
Fixed assets, net		
Land	3,017,441	2,914,166
Buildings	3,274,218	2,993,654
Other office equipment	4,164,799	5,428,388
Revaluation increment	516,273	516,273
Accumulated depreciation	(3,237,968)	(3,217,743)
Construction in progress and prepayments for premises and equipment	220,557	187,115
	7,955,320	8,821,853
Intangible assets	-	10,657
Other assets, net	5,104,164	4,941,557
TOTAL ASSETS	NT$ 428,620,936	NT$ 402,489,902

LIABILITIES AND SHAREHOLDERS' EQUITY	Dec. 31, 2006	Dec. 31, 2005
Liabilities:		
Short-term borrowings	NT$ -	NT$ 330,000
Short-term notes and bills payable	-	353,773
Bonds and short-term bills sold under repurchase agreements	17,778,465	16,106,078
Financial liabilities at fair value through profit or loss-current	44,335	45,284
Due to banks and Central Bank of China	14,791,312	16,391,571
Payables	4,718,298	4,794,513
Due to customers	190,221	135,692
Long-term borrowings-current portion	-	72,250
Other current liabilities	954,626	1,361,544
Customer deposits and remittances payable	350,432,673	318,152,042
Financing from Central Bank of China and banks	1,466,820	492,750
Bonds payable	22,800,000	21,613,500
Long-term liabilities	-	60,029
Other liabilities	513,490	619,496
Total liabilities	413,690,240	380,528,522
Shareholders' equity:		
Shareholders' equity of the Bank:		
Common stock	16,545,167	15,745,358
Capital surplus:		
Paid-in capital in excess of par-common stock	216,106	-
Gains on disposal of treasury stocks	8,024	8,024
Other capital surplus	870	893
	225,000	8,917
Reserves:		
Statutory reserve	3,228,441	2,271,184
Special reserve	332	320
Retained earnings (accumulated losses)	(5,099,895)	3,282,894
	(1,871,122)	5,554,398
Other adjustment:		
Unrealized loss on available for sale financial assets	(383,517)	-
Cumulative translation adjustments	-	(12)
Revaluation increment on property and equipment	381,303	381,303
	(2,214)	381,291
Total shareholders' equity of the Bank	14,896,831	21,689,964
Minority interest	33,865	271,416
Total shareholders' equity	14,930,696	21,961,380
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	NT$ 428,620,936	NT$ 402,489,902

HSINCHU INTERNATIONAL BANK CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Jan. 1~Dec. 31, 2006		Jan. 1~Dec. 31, 2005	
Revenues:				
Interest incomes	NT$	13,458,790	NT$	11,958,422
Fees and commission incomes		3,664,598		2,925,275
Gains on financial assets and liabilities at fair value through profit or loss, net		276,440		439,209
Gains on available for sale financial assets, net		242,553		475,714
Gains on financial assets carried at cost, net		15,621		-
Gains on disposal of investments		26,093		8,488
Gains on disposal of fixed assets		91		21,795
Exchange gains, net		-		139,461
Other incomes		2,084,518		2,630,125
		19,768,704		18,598,489
Disbursement:				
Interest expenses		5,848,383		4,733,991
Fees and commission expenses		253,039		268,630
Investment loss recognized under the equity method, net		8,526		12,517
Provision for loan losses		11,607,776		2,882,651
Losses on financial assets carried at cost, net		-		20,373
Operating expenses		6,845,935		5,519,706
Losses on disposal of fixed assets, net		5,135		18,253
Impairment losses		487,240		105,607
Exchange losses, net		8,824		-
Other expenses		528,214		1,576,597
		25,593,072		15,138,325
Income (loss) from continuing operations before income taxes		(5,824,368)		3,460,164
Provision (credit) for income taxes- continuing operations		(620,668)		276,425
Income (loss) from continuing operations		(5,203,700)		3,183,739
Loss from operations of discontinued department		(281)		-
Cumulative effect of changes in accounting principle		67,616		-
Consolidated net income (loss)	NT$	(5,136,365)	NT$	3,183,739

	Jan. 1~Dec. 31, 2006		Jan. 1~Dec. 31, 2005	
Represented by:				
Primary equity	NT$	(5,151,877)	NT$	3,190,856
Minority interest		15,512		(7,117)
	NT$	(5,136,365)	NT$	3,183,739
Earnings (loss) per common share: **Calculated based on the weighted-average number of common shares outstanding:**				
Consolidated net income (loss)	NT$	(3.15)	NT$	2.02
Income (loss) from minority interest		0.01		(0.01)
Primary equity	NT$	(3.16)	NT$	2.03
Calculated based on the weighted- average number of common shares outstanding due to the distribution of stock dividends:				
Consolidated net income			NT$	1.96
Income from minority interest				-
Primary equity			NT$	1.96

HSINCHU INTERNATIONAL BANK CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus		
		Paid-in capital excess of par	Gains on disposal of treasury stock	Other capital surplus
	NT$	NT$	NT$	NT$
Balance as of January 1, 2005	14,236,161	-	8,024	870
Appropriation of retained earnings:				
Statutory reserve	-	-	-	-
Stock dividends	1,509,197	-	-	-
Cash dividends	-	-	-	-
Directors and supervisors' remuneration	-	-	-	-
Employee cash dividends	-	-	-	-
Revaluation increment on property and equipment transferred to gain on disposal of fixed assets	-	-	-	-
Reserve for land revaluation increment taxes transferred to capital surplus	-	-	-	-
Capital surplus and cumulative translation adjustment of subsidiary by equity method	-	-	-	23
Consolidated net income for year 2005				
Represented by:				
Primary equity	-	-	-	-
Minority interest	-	-	-	-
Balance as of December 31, 2005	15,745,358	-	8,024	893
Appropriation of retained earnings:				
Statutory reserve	-	-	-	-
Special reserve	-	-	-	-
Stock dividends	494,079	-	-	-
Cash dividends	-	-	-	-
Directors and supervisors' remuneration	-	-	-	-
Employee cash dividends	-	-	-	-
Changes in shareholders' equity of subsidiary by equity method	-	-	-	(23)
Changes in unrealized loss on available for sale financial assets	-	-	-	-
Decrease in minority interest	-	-	-	-
Conversion of the convertible bonds into common stocks	305,730	216,106	-	-
Consolidated net loss for year 2006				
Represented by:				
Primary equity	-	-	-	-
Minority interest	-	-	-	-
Balance as of December 31, 2006	16,545,167	216,106	8,024	870

	Reserve			Other adjustment					
	Statutory reserve	Special reserve	Retained earnings (accumulated losses)	Revaluation increment on property and equipment	Cumulative translation adjustments	Unrealized loss on available for sale financial assets	Shareholders' equity of the Bank	Minority interest	Total shareholders' equity
	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$	NT$
	1,428,899	320	3,148,837	187,132	-	-	19,010,243	273,699	19,283,942
	842,285	-	(842,285)	-	-	-	-	-	-
	-	-	(1,509,197)	-	-	-	-	-	-
	-	-	(569,447)	-	-	-	(569,447)	-	(569,447)
	-	-	(110,725)	-	-	-	(110,725)	-	(110,725)
	-	-	(25,145)	-	-	-	(25,145)	-	(25,145)
	-	-	-	(13,983)	-	-	(13,983)	-	(13,983)
	-	-	-	208,154	-	-	208,154	-	208,154
	-	-	-	-	(12)	-	11	4,834	4,845
	-	-	3,190,856	-	-	-	3,190,856	-	3,190,856
	-	-	-	-	-	-	-	(7,117)	(7,117)
	2,271,184	320	3,282,894	381,303	(12)	-	21,689,964	271,416	21,961,380
	957,257	-	(957,257)	-	-	-	-	-	-
	-	12	(12)	-	-	-	-	-	-
	-	-	(494,079)	-	-	-	-	-	-
	-	-	(1,574,536)	-	-	-	(1,574,536)	-	(1,574,536)
	-	-	(113,716)	-	-	-	(113,716)	-	(113,716)
	-	-	(91,998)	-	-	-	(91,998)	-	(91,998)
	-	-	686	-	12	-	675	-	675
	-	-	-	-	-	(383,517)	(383,517)	-	(383,517)
	-	-	-	-	-	-	-	(253,063)	(253,063)
	-	-	-	-	-	-	521,836	-	521,836
	-	-	(5,151,877)	-	-	-	(5,151,877)	-	(5,151,877)
	-	-	-	-	-	-	-	15,512	15,512
	3,228,441	332	(5,099,895)	381,303	-	(383,517)	14,896,831	33,865	14,930,696

HSINCHU INTERNATIONAL BANK CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in Thousands of New Taiwan Dollars)

	2006	2005
Cash flows from operating activities:		
Consolidated net (loss) income	NT$ (5,136,365)	NT$ 3,183,739
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	567,322	585,750
Amortization for bonds issuing cost	-	24,001
Investment loss recognized under the equity method	8,526	12,517
Cash dividends from investment under the equity method	-	3,997
Loss on assets carried at cost	5,532	32,936
Provision for loan and other losses	11,607,776	2,882,651
Loss (gain) on disposal and sale of fixed assets	5,044	(3,542)
Gain on redeem of convertible bonds	(18,177)	-
Loss on sale of pledged properties taken over	51,686	357,267
Impairment loss on pledged properties taken over and idle assets	269,839	105,607
Impairment loss	217,401	-
Provision (recovery gain)for other reserves	(40,584)	54,953
Changes in accrued pension liabilities and deferred pension cost	19,216	-
Changes in operating assets (increase) decrease:		
Receivables	2,932,973	(2,086,673)
Customer margin deposit	(53,450)	-
Other current assets	(10,578)	(4,637)
Deferred income taxes assets, net	(834,002)	9,927
Financial assets at fair value through profit or loss	(17,552,233)	9,002,699
Other financial assets	25,460	4,828
Changes in operating liabilities increase (decrease):		
Payables	44,103	(206,791)
Financial liabilities at fair value through profit or loss	(949)	(493,464)
Due to customers	54,529	-
Other current liabilities	(317,282)	(451,056)
Net cash flows provided by (used in) operating activities	(8,154,213)	13,014,709

	2006	2005
Cash flows from investing activities:		
Decrease (increase) in due from Central Bank of China and banks	NT$ (11,886,815)	NT$ 4,120,018
Increase in loans and bills discounted	(34,752,077)	(22,383,337)
Decrease in bonds and short-term bills sold under resale agreements	11,654,485	8,691,153
Decrease (increase) from available for sale financial assets	9,461,304	(6,829,858)
Increase in equity investment under the equity method	(47,677)	-
Purchase of fixed assets and pledged properties taken over	(531,589)	(840,549)
Proceeds from sales of fixed assets and pledged properties taken over	111,237	1,072,020
Decrease in other assets	117,106	536,672
Net cash flows used in investing activities	(25,874,026)	(15,633,881)
Cash flows from financing activities:		
Increase (decrease) in due to banks and Central Bank of China	(1,600,259)	2,069,883
Increase (decrease) in financing from Central Bank of China and banks	974,070	(4,030,434)
Increase (decrease) in customer deposits and remittances payable	32,280,631	(2,501,940)
Increase in bonds and short-term bills sold under repurchase agreements	1,672,387	66,081
Increase in bonds payable	1,862,891	10,000,000
Decrease in other financial liabilities	-	(27,272)
Increase in other liabilities	6,964	120,089
Payment of cash dividends	(1,574,536)	(569,447)
Payment of employee cash dividends and directors and supervisors' remuneration	(205,714)	(135,870)
Decrease in minority interest	(655)	-
Net cash flows provided by financing activities	33,415,779	4,991,090
Effect of exchange rate changes on cash and cash equivalents	(136,184)	103,269
Effect of first time consolidation of subsidiaries	-	(906,190)
Effect of consolidated entities change	439,294	-
Net (decrease) increase in cash and cash equivalents	(309,350)	1,568,997
Cash and cash equivalents, beginning of period	8,602,863	7,033,866
Cash and cash equivalents, end of period	NT$ 8,293,513	NT$ 8,602,863
Supplemental information :		
Income taxes paid	NT$ 267,798	NT$ 265,897
Investing and financing activities not affecting cash:		
Loans and bills discounted transferred to available for sale financial assets	NT$ 2,911,551	NT$ 1,800,791

VI Financial Difficulties Experienced by the Bank and Its Affiliated Enterprises: None.

Analysis of the Financial Status and Operating Results & Risk Management

Before you swing your golf club,

you need to make accurate decision

of the direction and balance of the club

HIB provides real time information and

risk control mechanism to reduce the risk

to the minimum and enlarge the assurance

of the golf ball to get into the cup with just one single strike

Analysis of the Financial Status and Operating Results & Risk Management

I Comparison of Financial Status

Unit: NT Thousand Dollars

Item \ Year		2006	2005	Variance	
				Amount	%
Cash & cash equivalent, Due from Central Bank of China and banks		34,426,520	22,844,125	11,582,395	51
Financial assets at fair value through profit or loss		26,648,345	9,191,723	17,456,622	190
Bonds and short-term bills sold under resale agreements		0	11,654,485	(11,654,485)	(100)
Available for sale financial assets		52,191,033	59,124,302	(6,933,269)	(12)
Loans and bills discounted, net		292,427,161	272,226,019	20,201,142	7
Receivables, net		9,521,656	12,452,634	(2,930,978)	(24)
Equity investment under equity method		682,864	1,316,036	(633,172)	(48)
Fixed assets, net		7,915,222	7,426,859	488,363	7
Other financial assets		235,615	475,287	(239,672)	(50)
Other assets, net		5,103,843	5,357,826	(253,983)	(5)
Total Assets		429,152,259	402,069,296	27,082,963	7
Due to Central Bank of China and banks		14,791,312	16,391,571	(1,600,259)	(10)
Deposits and remittances payable		351,231,310	319,323,286	31,908,024	10
Financial liabilities at fair value through profit or loss		44,331	45,284	(953)	(2)
Bonds and short-term bills sold under repurchase agreements		17,778,465	16,106,077	1,672,388	10
Financing from Central Bank of China and banks & Bonds payable		24,266,820	22,106,250	2,160,570	10
Other liabilities		6,143,190	6,406,864	(263,674)	(4)
Total Liabilities	Before distribution	414,255,428	380,379,332	33,876,096	9
	After distribution	Note	382,159,582	N/A	N/A
Common stock		16,545,167	15,745,358	799,809	5
Capital surplus		225,000	8,917	216,083	2423
Retained earnings	Before distribution	(1,871,122)	5,554,398	(7,425,520)	(134)
	After distribution	Note	3,774,148	N/A	N/A
Unrealized loss on available-for-sale financial assets		(383,517)	0	(383,517)	0
Revaluation increment on property and equipment		381,303	381,303	0	0
Cumulative translation adjustments		0	(12)	12	(100)
Total Shareholders' Equity	Before distribution	14,896,831	21,689,964	(6,793,133)	(31)
	After distribution	Note	19,909,714	N/A	N/A

Note：Shareholders' Meeting hasn't convened yet.

II Analysis of Operating Results

Unit: NT Thousand Dollars

Item \ Year	2006	2005	Variance	
			Amount	Ratio%
Net Interest Income	7,614,852	7,246,888	367,964	5
Net Non-interest Income	4,864,918	4,390,240	474,678	11
Provision for loan losses	11,607,776	2,882,651	8,725,125	303
General and administrative expenses	6,789,811	5,410,917	1,378,894	25
Income (losses) from continuing operations before income taxes	(5,917,817)	3,343,560	(9,261,377)	(277)
Income (losses) from continuing operations	(5,218,484)	3,190,856	(8,409,340)	(264)
Income (Loss) of Discontinued Operations (Net of Tax)	0	0	0	0
Extraordinary items (Net of Tax)	0	0	0	0
Cumulative effect of changes in accounting principle (Net of tax)	66,607	0	66,607	0
Net Income (Loss)	(5,151,877)	3,190,856	(8,342,733)	(261)
EPS (before adjustment)	(3.16)	2.03	(5.19)	(256)

III Cash Flows

(I) Liquidity Analysis for the Past Two Years

Item \ Year	2006	2005	Increase (Decrease) %
Cash Flow Ratio (%) (Note)	N/A	N/A	N/A
Cash Flow Adequacy Ratio (%)	305.89	340.97	(35.08)
Cash Reinvestment Ratio (%) (Note)	N/A	N/A	N/A

Note: Pursuant to the provisions of the R.O.C. Financial Accounting Standards No. 28, it is not statutorily required to classify assets and liabilities into current or non-current accounts. It is not required to analyze cash flow adequacy for this period.

(II) Liquidity Analysis for the Next Year

Unit: NT Thousand Dollars

Opening Cash (1)	Net cash from operating activities (2)	Total Cash Outflow (3)	Cash Surplus (Deficit) (1)+(2)−(3)	Measures to finance cash deficiency	
				Investment Plan	Financing Plan
8,283,345	8,353,953	9,787,601	6,849,697	None	None

IV The Impact of Major Capital Expenditure During 2006 on the Bank's Financial and Business Operations

(I)Major capital expenditure in recent years

Unit: NT Thousand Dollars

Project	Sources of Funding Actual or Estimated	Date of Completion Actual or Estimated	Total Funding Required	Utilization of Actual or Estimated Source of Funding						
				2004	2005	2006	2007	2008	2009	2010
Relocation and refurbishment of Luchou Branch	Own Capital	2005	13,120	-	-	13,120	-	-	-	-
Refurbishment of Flagship Branches	Own Capital	2005	100,000	-	16,000	84,000	-	-	-	-
Acquisition by IT Dept.	Own Capital	2005	33,225	-	14,975	18,250	-	-	-	-

(II)Expected Benefits from Capital Expenditures:

A newly refurbished flagship branch will be set up in every county or city, serving as the starting point for regional business expansion. The flagship branch will further strengthen the Bank's CIS image and achieve the actual benefits for corporate advertisement.

Introduce the "CIS" to streamline existing operational procedures. Documents are processed centrally to cut down the processing time, increase efficiency, reduce manpower costs, speed up document retrieval and avoid the risks of being damaged or lost.

V Reinvestment Plans for 2006, Main Reasons for Making an Investment Gain or Loss, the Improvement Plan and the Investment Plan for the Next Year

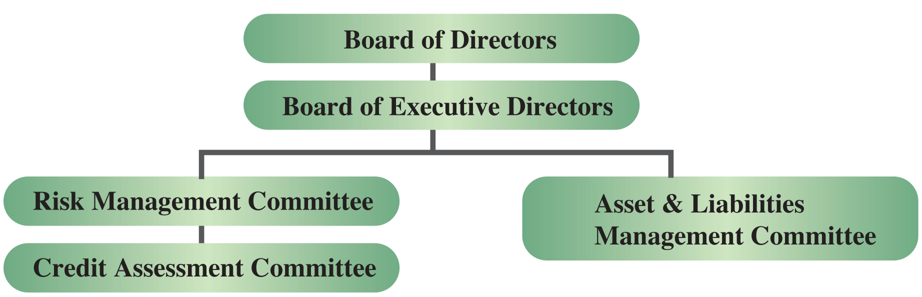
The primary objective of the Bank's investment plans is to facilitate the macro operational benefits of a financial institution and strengthen cross-sector management. Net realized gain from investment companies for 2006 totaled NT 258,769 thousand dollars, which was primarily contributed by the Hsinchu Insurance Agent Co., Ltd. and Preferred Bank U.S.A.

VI Risk Management

(I)The Bank's Risk Management Structure and Policy

1.Risk Management Structure

The Bank's Risk Management Committee officially came into being on December 13, 2006 with major responsibilities of monitoring and managing the Bank's credit, market, country, operational, statutory compliance and goodwill risks and ensuring the existing risk monitoring and control procedures are in compliance with internal corporate standards (including standards, policies and procedures of the Standard Chartered Group which were relevant to the Bank's operations that were adopted by the Bank) and statutory requirements.



2.Risk Management Policy

The Bank's risk management function serves to instantly identify, accurately measure, effectively monitor and strictly control risks. The optimal goal is to ensure efficient asset allocations within an acceptable risk level to accomplish the best possible profit targets and return on equity.

(II)Methods of Risk Evaluation and Control & Risk Exposure Quantification Data

1. General Disclosure

(1) Credit Risk

According to the Bank's lending policy, credit risk management focuses on ensuring the best possible operating results within an acceptable risk level. It is essential to avoid credit concentration risks to achieve risk diversification. The Bank adopts a centralized management approach in credit risk management but still, we emphasize the differentiation of authority levels by business, scale of transaction and risk levels.

In line with the schedule and regulations of the government's implementation of the New Basel Capital Accord, the Bank is also proactively pursuing the introduction of appropriate credit risk regulations. We adopt a top-down management approach for the consumer banking business. The scoring system has been introduced for major unsecured loan products such as "De Me More" and "Premium Client Index Unsecured Loan". The scoring system has been set up for mortgage loans, of which the benefits are being evaluated and confirmed by the Standard Chartered Bank. In relation to corporate banking, we adopt a bottom-up management approach and implement the Logistic Regression Model and Micro Business Specialist Scoring System for public companies.

The Bank's promotion of the New Basel Capital Accord aims at cultivating and realizing the risk culture in the ultimate goal of becoming the model bank.

(2) Market Risk

The essence of our market risk management policy is to control the Bank's exposure to product price risks by undertaking risk identification, evaluation, monitoring and disclosure. The management team, in accordance with the annual business plan and budget, determines the price limit for every financial product and assigns the responsibilities of market risk management to the Risk Management Dept.

The Bank undertakes the various financial transactions in accordance with clearly defined trading regulations, which generally include the limit on position, stop-loss and transaction amount authorized to each trader. In line with the establishment of the risk management system, we plan to add the VaR limit to the existing mechanism. We have also completed our risk budget to cooperate with the launch of the New Basel Capital Accord, achieving a top-down control mechanism.

In terms of risk monitoring and disclosure, the Risk Management Dept. is responsible for setting the advance risk warning points in accordance with the limits governing the respective financial instruments. This mechanism facilitates instant notification to front-desk traders, their supervisors and back-office supervisors to perform exception control in the event of severe market fluctuations or breach of the transaction limits. To ensure a complete risk management framework, the Risk Management Dept. also assumes the responsibility of regularly reporting to the Executives and the Risk Management Committee under the Board of Directors the Bank's market risk exposure, interest rate analysis, market positions, and the status of exceptional events.

In line with the "Capital Adequacy Standards for Financial Institutions" and " Description and Formats of Computation of Financial Institutions' Capital Reserves and Risk Assets" announced by the Banking Bureau, Financial Supervisory Commission of the Executive Yuan's on January 4, 2007, we have computed our capital reserves for market risks using the Standardized Approach.

(3) Operational Risk

Operational risks see a gradual increase as a result of increasing diversity in banking businesses. In order to prevent deficiencies in our internal practices, manpower and system operations and non-compliance with regulatory requirements, which may result in unnecessary risks, loss of customer welfare, and impairment of normal operations, the Bank has established comprehensive internal control and management systems, which are being gradually integrated into Standard Chartered Bank's operational risk control system and the Basel Capital Accord compliance mechanism. The relevant details are as follows:

(a)In line with business development, amend the relevant business policies and operational procedures from time to time for publication in the Bank's internal system for employees to refer to at any time.

(b) Amend internal control policies in line with regulatory updates and set up the respective operational control points and trapping mechanism.

(c) Regularly perform self-assessment and conduct general or special audit on the respective business and financial units. Follow up and review the status of improvement.

(d) Integration into and compliance with Standard Chartered Bank's operational risk management system. Progressively construct and develop the following operational risk management framework:

- Formulate operational risk strategies and policies.
- Develop corporate governance: set up operational risk committee and allocate risk management personnel of the various business and support units.
- Develop operational risk procedures and utilize risk identification tools.
- Develop operational risk systems.
- Evaluate identified operational risks.
- Ensure the effectiveness of operational risk measures
- Through communication, training and value education, cultivate employee awareness for

operational risks and develop the risk culture.

(e) Provide the capital reserve for the Bank's operational risks using the Basic Index Approach and to facilitate further integration into the Standard Chartered Bank with the Standardized Approach.

(f) Refer to the New Basel Capital Accord and related local regulations to develop a complying operational risk mechanism in order to enhance the Bank's operational risk control capabilities and ensure compliance with both external and internal requirements.

2. Disclosure of Credit Risks

(1) Balance Sheet Items- Total Value of Credit Risk Assets

2006/12/31

Item	Applicable Risk Weighting	Total Amount of Risk Assets
Due from Central Bank	0%	0
Overdrafts and Loans–Local Government	10%	304,715
Placement-Banks	20%	5,162,554
Overdrafts and Loans–Mortgage	50%	69,295,192
Overdrafts and Loans–Other Secured or Unsecured Lending	100%	184,573,694
Total Amount		259,336,155

(2) Off Balance Sheet Items-Total Value of Credit Risk Assets

2006/12/31

Item	Total Amount of Risk Assets
General off balance sheet transactions	10,438,679
Derivative transactions	225,961
Bonds and short-term bills sold under repurchase agreements	338,927
Bonds and short-term bills sold under resale agreements	0
Total Amount	11,003,567

(3) Asset Securitization

2006/12/31 Unit: NT Thousand Dollars

Type	Total Issued Amount	Outstanding Balance	Redeemed Amount
RMBS1-Special Purpose Trust Investors' Beneficiary Certificate	10,204,484	6,990,771	0
RMBS1-Special Purpose Trust Sellers' Beneficiary Certificate	1,800,791	0	1,800,791
RMBS2-Special Purpose Trust Investors' Beneficiary Certificate	10,322,771	9,426,480	0
RMBS2-Special Purpose Trust Sellers' Beneficiary Certificate	2,911,551	0	2,911,551

3. Capital Reserves for Market Risks and Total Amount of Risk Assets

2006/12/31

Type of Risk	Capital Reserve	Total Amount of Risk Assets
Interest Rate Risk	2,528,913	31,611,413
Equity Exposure	2,407	30,088
Foreign Exchange Risk	10,238	127,975
Commodity Risk	0	0
Options accounted for under the Simple Approach	0	0
Total Amount	2,541,558	31,769,475

4. Liquidity Risk

Please refer to Financial Highlight, page 135-136.

(III) Impact of Changes in Major Domestic and International Policies and Regulatory Amendments on the Financial and Business Status and the Bank's Responses: None.

(IV) Impact of Technological and Industrial Changes on the Financial and Business Status and the Bank's Responses:

1.Impact of Technological and Industrial Changes on the Financial and Business Status

(1) Rapid advancement in and wide application of global information technology make customers become used to utilizing different transaction channels to complete their business transactions. The Bank's brand new Internet Banking service consolidates banking services (including NTD & foreign currency deposit inquiry and transfer, inquiry and repayment functions for loans), fund investment (including subscription, redemption, switching and investment preference setup) and credit card services (including account inquiry and auto-payment setup) into one system offering customers more diverse services.

(2) Numerous domestic enterprises have become a part of the global supply chain network or that the industry to which they belong has become globalized as a result of Taiwan's geographically location and operating environment. As such, Taiwan's business environment is experiencing apparent influence by the global economy. Different industries are experiencing extremely different business cycles. The Bank is aggressively exploiting the lending business for small and medium-sized enterprises by focusing on customer attributes and related electronic and peripheral businesses in the Hsinchu Science Park.

(3) From 2004, domestic demand driven industries such as the building construction industry saw significant recovery given the boom in private consumption and investments. In order to keep on top of the business upturn in the building construction industry, the Bank's has set up a project team to enhance the effectiveness of construction loan assessment.

(4) Given current low interest rates, the price spread for deposits and loans is reducing, resulting in increasing business pressure. We aim at maintaining a robust bond with our corporate customers by establishing cross-strait financial services network to offer businesses more diverse services. We hope to become the best asset and liabilities management bank to satisfy the financing demands of corporate customers.

2. Responsive Measures:

(1) Organize monthly symposiums on the current status and outlook of key industries and sponsor employees to attend external training programs. We have also purchased several industrial and economic databases so that our employees may search for the latest development in the related industries through the Bank's intranet.

(2) It is essential to maintain on top of industrial developments given non-stop technological and industrial changes in the current operating environment to offer our credit assessment and Risk Management department robust reference in order to enhance their monitoring, instant warning and accurate judgment functions.

(3) Construct sound corporate culture of One Bank. Offer comprehensive training and learning curves. Develop channel marketing and consultancy-based marketing techniques. Offer professional customer services to avoid using the price cut strategy to elevate the Bank's core value.

(V) Impact of Change in Corporate Image on the Bank and Our Responses:

Upon merging with the Standard Chartered Bank, we may take advantage of its rich global resources to aid the Bank's business development and enhancement of corporate image. Meanwhile, we will also consolidate our internal and external resources and in line with market demands and business developments to create our competitive advantages and nurture a premium corporate culture. The ultimate goal is to maintain a positive corporate image.

(VI) Estimated Benefits and Possible Risks of A Potential Merger and the Bank's Responses : Not applicable.

(VII) Estimated Benefits and Possible Risks of Expanding Business Presence and the Bank's Responses:

1. We did not open a new branch during 2006 but three existing branches were relocated to different cities and one branch relocated within the same city:

(1) Tungmen Branch was relocated to Kaohsiung City and renamed the North Kaohsiung Branch.

(2) Huilung Branch was relocated to Sinjhaung City, Taipei and renamed the Sinjhaung Branch.

(3) Sansinchao Branch was relocated to Taipei and renamed the Taipei Branch.

(4) Shenkang Branch was relocated to a new address and re-opened for business.

2.Reason of relocation: Over concentration of branches in Taoyuan, Hsinchu and Miaoli resulting in overlapping of business offering. Intensive competition among the branches led to the decision of relocating some of the branches to Taipei County, City and Kaohsiung County where the Bank has rich business resources in order to expand our marketing service network and our competitive advantage. Relocation to a larger premise within the same area is to facilitate future business developments.

3. To ensure that relocation of branches will cause the least level of convenience to customers, we offer replacement services to existing clients to ensure their rights. They only need to go to the nearby branch to continue receiving the same level of services and their rights and welfare will not change as a result of their branch being relocated.

(VIII) Business Concentration Risks and the Bank's Responses

1. Credit Risk: The Bank defines the meaning, methods of implementation and risk classification of exercising tolerance management for asset portfolios. At present, the Risk Committee assumes the role of disclosing on a regular basis the report of limits applicable to the same institutional client, natural person, related party and group or affiliated enterprise. The objective is to enhance risk monitoring and management. For different types of financial instruments and customers, the Bank has sanctioned respective control indicators including position, maturity gap, stop-loss percentage and risk tolerance levels to prevent irrecoverable loss as a result of over concentration of business.

2. Manpower Deficiency Risk: (1) Formulate standardized operational procedures and prepare a complete set of training materials; (2) Realized structured on-job training.

3. Operational Risk: (1) Operational setup and system planning are strictly in compliance with internal control procedures; (2) Regular/ irregular review on operations. Systematically perform problem analysis and review using the 6Σ（DMAIC）method.

(IX) Impact and Risks of Changes in Management and the Bank's Responses:

1. Date on which the management power changed and the process:

The British-based Standard Chartered Group announced acquisition of the Bank's issued shares at NT$ 24.5 per share commencing from September 29, 2006 to October 23, 2006 on which 95.4% of the Bank's shares have been fully acquired. The press conference for Stage 1 Share Acquisition held on November 3, 2006 was attended by Mr. Gary Tseng, Director-General of the Banking Bureau, Financial Supervisory Commission of the Executive Yuan, Kai Nargolwala, Executive Director of Standard Chartered Group, Mr. Shuan-Yung Chan, Chairman of the Bank, and Mr. Chih-Wei Wu, President of the Bank.

The first interim shareholders' meeting for 2006 was held on December 13, 2006 to re-elect the Directors (9) and Supervisors (2) pursuant to Articles 199-1 and 227 of the Company Act. All newly elected directors and supervisors are representatives of Standard Chartered Bank.

On January 18, 2007, Hsinchu International Bank's share officially became de-listed from the Taiwan Stock Exchange.

2. Expected effects of change in management

We expect to benefit immensely from the Standard Chartered Bank's world-class financial products and services and its robust banking network with presence over 90 countries and the operation of over 1,400 branches. We will not only consolidate our existing distribution channels, products and manpower to offer our customers world-class financial services, but will be a major drive for Taiwan's financial services to scale new heights.

Standard Chartered Bank is a rapidly growing bank, which places much emphasis on operating performance and employee training. Besides offering customers efficient and premium financial services, employees will for sure receive better career development opportunities. We expect to deliver simultaneous benefits for our customers, shareholders and employees.

(X) Litigation or non-litigated events: None.

(XI) Other Critical Risks and the Bank's Responses: None.

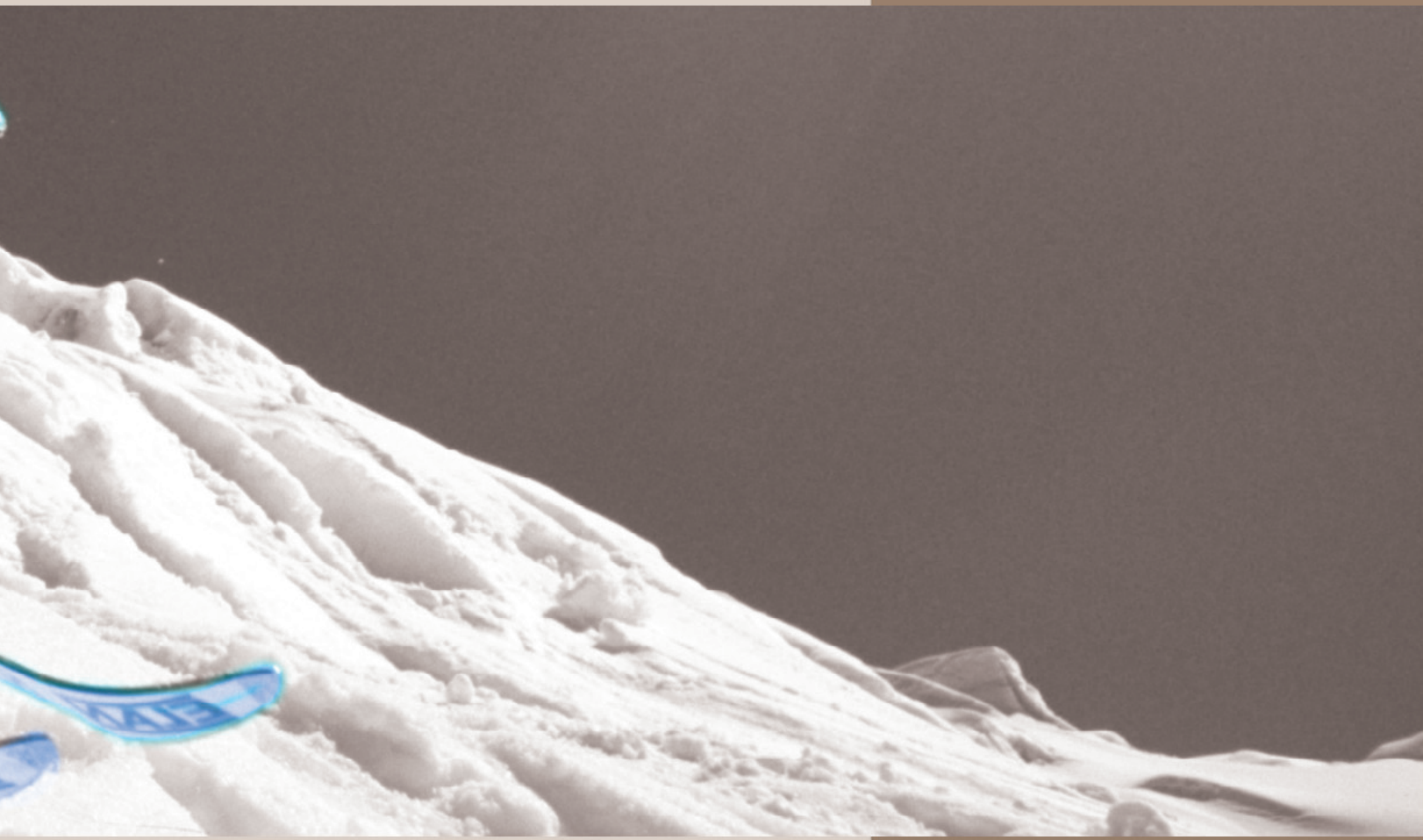
VII Contingency Plan

(I) In accordance with the Bank's Security Maintenance Procedures and Accident Processing Guidelines,we have set up the Security Maintenance & Supervisory Taskforce at the Head Office. Members of the Taskforce are summoned by Vice Presidents directly under the Administration Dept. and made up by the managers of the various departments including Administration, Human Resource, Auditing Office, Legal & Compliance Dept. and Branch Network Dept.

(II) Branch managers and assistant managers are in charge of summoning senior employees of the branch to form the Security Defense Taskforces, which are further classified by the security responsibilities and segregation of duties.

VIII Other Important Matters: None.

Special Notes



Managing finances just like take skiing,

need to be cautious for any possible hazard ahead.

Then can enjoy the pleasure of skiing

among twisting, balancing & sliding.

HIB helps its clients with dedication and

professionalism to assure its clients reacting

to various conditions & challenging

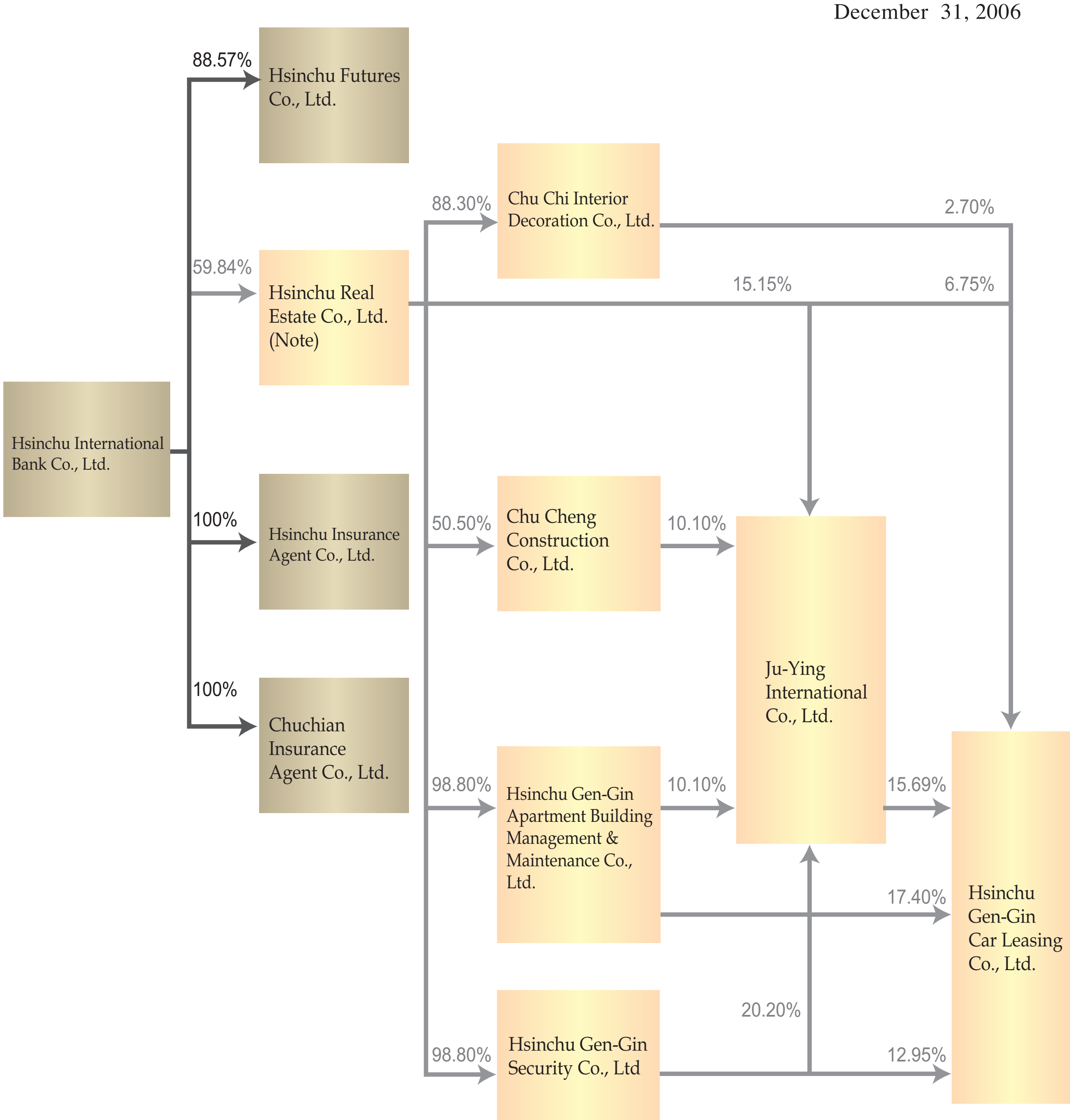
with easiness and necessary preparation

Special Notes

I Information on Affiliated Enterprises

(I) Organization Chart of Affiliated Enterprises

December 31, 2006



Note: Shares in the Hsinchu Real Estate Co., Ltd. were fully disposed of on November 10, 2006.

(II)General Information of Affiliated Enterprises

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Main Business or Production Activities	Industry
Hsinchu Futures Co., Ltd.	Dec. 30, 1994	3F-1, 130 Si Wei Road, Hsinchu, Taiwan	340,000	Futures dealer and futures consulting	Futures
Hsinchu Insurance Agent Co., Ltd.	Sept. 7, 1999	1F, 85 Chungcheng Road, Chungcheng Li, Hsinchu, Taiwan	3,000	Agent for personal insurance	Insurance
Chuchian Insurance Agent Co., Ltd.	Sept. 30, 1999	1F, 85 Chungcheng Road, Chungcheng Li, Hsinchu, Taiwan	3,000	Agent for property insurance	Insurance

(III)Information on Directors, Supervisors and Executive Officers of Affiliated Enterprises

Name of Enterprise	Title	Name of Representative	Shareholding	
			Shares	%
Hsinchu Futures Co., Ltd.	Chairman	Hsinchu International Bank Representative: Chih-Wei Wu	30,112,440	88.57%
	Director	Hsinchu International Bank Representative: Kuei-Ling Hu	30,112,440	88.57%
	Director	Hsinchu International Bank Representative: Chia-Yung Wu	30,112,440	88.57%
	Supervisor	Hsinchu International Bank Representative: Jin-De Chan	30,112,440	88.57%
	President	Li-De Chang	0	0%
Hsinchu Insurance Agent Co., Ltd.	Chairman	Hsinchu International Bank Representative: Chih-Wei Wu	300,000	100.00%
	Director	Hsinchu International Bank Representative: Shi-Hwa Lo	300,000	100.00%
	Director	Hsinchu International Bank Representative: Yu-Ching Hsu	300,000	100.00%
	Supervisor	Hsinchu International Bank Representative: Jin-De Chan	300,000	100.00%
	President	Wen-Chieh Chan	0	0%
Chuchian Insurance Agent Co., Ltd.	Chairman	Hsinchu International Bank Representative: Chih-Wei Wu	300,000	100.00%
	Director	Hsinchu International Bank Representative: Shi-Hwa Lo	300,000	100.00%
	Director	Hsinchu International Bank Representative: Yu-Ching Hsu	300,000	100.00%
	Supervisor	Hsinchu International Bank Representative: Jin-De Chan	300,000	100.00%
	President	Wen-Chieh Chan	0	0%

(IV)Operational Summary of Affiliated Enterprises

Name of Enterprise	Capital	Total Asset	Total Liabilities	Net Worth	Operating Revenue	Operating Profit (Loss)	Net Income (After Tax)	EPS($)	Remark
Hsinchu Futures Co., Ltd.	340,000	522,344	226,059	296,285	48,882	(15,571)	(5,518)	(0.18)	-
Hsinchu Insurance Agent Co., Ltd.	3,000	721,484	425,944	295,540	326,198	295,217	232,979	776.60	-
Chuchian Insurance Agent Co., Ltd.	3,000	47,572	19,385	28,187	36,099	26,668	20,456	68.19	-

(V)Affiliation Reports

Independent Auditors' Review Report

Hsinchu International Bank Co, Ltd:

We have audited the accompanying balance sheets of Hsinchu International Bank Co, Ltd(the Bank) as of December 31, 2006 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. We conducted our audits in accordance with the "Rules Governing the Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and auditing standards generally accepted in the Republic of China. We issued a modified audit opinion accompanying with the financial statements on February 3, 2007. The purpose of our audit is to express an opinion on the reasonableness of the overall financial statement presentation. Please refer to the attachment for a copy of the 2006 Affiliation Reports, which were made separately by the Bank in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". We have reviewed the report and undertaken necessary review procedures including obtaining the Affiliation Reports Declaration and the relevant financial information.

In our opinion, based on our review the financial statements referred to above were made in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and we are not aware of any material modifications or adjustments that shall be made to accompany with the financial statements.

Diwan. Ernst & Young

Diwan, Ernst & Young

February 27, 2007

Affiliation Reports Declaration

The 2006 Affiliation Reports of Hsinchu International Bank were made in accordance with the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and without material discrepancy as compared to the relevant information disclosed in the Notes to the Financial Statements for the same period.

Hsinchu International Bank

Wu Chih-Wei

President : Chih-Wei Wu

February 27, 2007

1. Relationship Between Subsidiaries and the Holding Company

As at December 31, 2006						
Name of the Controlling Entity	Reason of Control	Controlling Entity's Shareholding and Pledge			Directors, Supervisors or Executive Officers Representing the Controlling Entity	
		No. of Shares (Thousand Shares)	Shareholding (%)	No. of Shares Pledged (Thousand Shares)	Title	Name
Standard Chartered Bank	Shareholding in excess of 51%	1,595,326	96.42%	0	Executive Director	Chih-Wei Wu
					Executive Director	Jim McCabe
					Executive Director	Wen-Kuang Wu
					Director	Kai Nargolwala
					Director	Peter Robertson
					Director	Roland Teo
					Director	Lai Sum Wong
					Director	Cindy Tang
					Director	Kuei-Ling Hu
					Supervisor	Norman Lyle
					Supervisor	Norman Chan Tak Lam

2. Significant Transactions Between the Subsidiary and the Holding Company :

(1) Purchases & sales: Not applicable.

(2) Property transaction: None.

(3) Working capital financing: None.

(4) Asset lease: None.

(5) Other significant transactions: Please refer to Financial Highlight, page 122-125.

3. The Bank Makes Endorsements & Guarantees for the Holding Company : None.

II Private placement of securities: None.

III Shares acquired or disposed of by subsidiaries: None.

IV Other Necessary Supplements

(I)Significant events in 2006

01/10 Fitch Ratings Company upgraded the Bank's long-term and short-term international credit ratings to " BBB-" and "F3" respectively. Domestic long-term and short-term credit rating was upgraded to "A(twn)" and "F1(twn)" respectively.

02/14 Introduced the receptionist policy and welcome gifts in all branches.

03/01 Implemented the Chip Card project and terminated inter-bank transactions for magnetic strip cards.

03/03 Convened the 6th meeting of the 10th Board of Directors.

03/24 Sponsored for the "Spring in Hsinchu" music festival organized by the IC Music Station with donation totaling NT$1.35 million.

04/01 Participated in the government's "Youth Work Experience Project" and receive a NT$ 2 million personnel training subsidy.

04/04 Organized the 2nd Courtesy Champion Contest.

04/19 The Financial Supervisory Commission approved the Bank's application to set up the "Hsinchu International Bank Finance Co., Ltd." based in Hong Kong under an investment company.

04/25 Convened the 7th meeting of the 10th Board of Directors.

05/20 The "HIB Brand Name Story" image advertisement won the first place in the survey conducted by the Commonwealth Magazine on the core clients.

06/09 Convened the 2006 General Shareholders' Meeting.
Convened the 8th meeting of the 10th Board of Directors.

06/27 Convened the 9th meeting of the 10th Board of Directors.
Merge the Credit Card Dept. with Consumer Banking Dept.

06/30 Terminated all magnetic strip card transactions and launched the use of chip cards.

07/06 The Bank's new-generation branch, Nankang Branch was inaugurated officially.

07/10 Tungmen Branch was relocated to downtown Kaohsiung and renamed North Kaohsiung Branch with expanded business operation.
Tahu Branch was downscaled to a mini branch.

07/17 The Shengkang Branch was relocated from Mingshen Rd. to Chungshan Rd. for expanding the scale of operation.

08/20 The Treasury Dept. introduced structured-type products.

08/24 Implemented differential pricing for credit card customers (differentiation of revolving interest rates).

08/29 Convened the 10th meeting of the 10th Board of Directors.

09/20 RMBSII was successfully issued in Ireland.

09/20 Nominated for the 2006 Best Advertisement Award in Innovation (the only financial institution being nominated) organized by "Brain Magazine".

09/29 Convened the 11th meeting of the 10th Board of Directors.

10/01 Standard Chartered Bank acquired the Bank's shares through a public tendering process.

10/09 Hueilung Branch was relocated to Sinjhuang and renamed Sinjhuang Branch.
Pingzhen Branch was downscaled to a mini branch.
Chungho Mini Branch was upgraded to Chungho Branch.

10/25 The Offshore Banking Unit officially commenced to accept inter-strait businesses including credit applications by Taiwanese entrepreneur in Mainland China and accounts receivable factoring.

11/02 Hosted the "Originality of Native Land & Perpetual Flowing of Mountain Spring" charitable concert at the Huashan Culture Park in Taipei.

11/13 Convened the 13th meeting of the 10th Board of Directors.

11/16 The Bank's IT Dept. was certified to the ISO27001 standards in terms of international IT security.

11/21 Convened the 14th meeting of the 10th Board of Directors.

11/24 Launch foreign currency time deposit linked cross currency interest rate swaps, cross currency interest rate options and cross currency interest rate swap options.

11/27 Closed the Sanshinchao Mini Branch.

The Taipei Branch was relocated to Duanhua South Rd. Chienkuo Mini Branch was set up at the existing address.

Neihu Mini Branch was upgraded to Neihu Branch.

Kuangfu Branch was downscaled to Kuangfu Mini Branch.

11/30 Convened the 15th meeting of the 10th Board of Directors.

The e-learning training program was awarded an "AA" rating for digital learning programs by the Financial Research & Training Institute.

12/11 Convened the 16th meeting of the 10th Board of Directors.

12/13 Convened the 2006 Interim Shareholders' Meeting to elect the Bank's 11th Board of Directors and Supervisors.

12/14 The Taipei Flagship Branch was inaugurated.

12/20 Fitch Ratings Company upgraded the Bank's long-term and short-term international credit ratings to " A" and "F1" respectively. Domestic long-term and short-term credit rating was upgraded to "AA+(twn)" and "F1+(twn)" respectively.

12/27 Issued subordinate financial debentures (Lot No. 95-1).

(II)Directory of Branches & Offices

Code	Bank Code	Branch Name	Establishment Date	Address	Telephone No.	Fax No.	Remark
003	052-0018	Business Department	Sep. 15, 1948	106 Chungyang Rd., Hsinchu, Taiwan	03-5243151~9	03-5230963	
004	052-0292	Hsinchu Branch	Jan. 6, 1987	35 Fushing Rd., Hsinchu, Taiwan	03-5266171~8	03-5236079	
005	052-0328	Kaungfu Mini Branch	Mar. 26, 1987	270 Kuangfu Rd., Sec. 1, Hsinchu, Taiwan	03-5775663~4	03-5781742	
007	052-0432	Chulien Mini Branch	Dec. 20, 1989	256 Nanta Rd., Hsinchu, Taiwan	03-5215130~2	03-5261855	
008	052-0454	Chungcheng Mini Branch	Dec. 11, 1990	326 Chungcheng Rd., Hsinchu, Taiwan	03-5348939~43	03-5349865	
009	052-0498	Yenping Mini Branch	Nov. 9, 1990	50, Lane 214, Yenping Rd., Sec. 1, Hsinchu, Taiwan	03-5219216~9	03-5219215	
010	052-0052	Chutung Branch	Mar. 1, 1950	300 Changchun Rd., Sec. 1, Chutung Township	03-5965711~5	03-5954025	
011	052-0085	Hsinpu Branch	Oct. 24, 1955	386 Chungcheng Rd., Hsinpu Township	03-5883611~5	03-5883344	
012	052-0133	Hukou Branch	Jul. 3, 1974	82 Chungcheng Rd., Sec. 1, Hukou Township	03-5992614~8	03-5901627	
013	052-0177	Chupei Branch	Jul. 7, 1983	59 Sanmin Rd., Chupei City	03-5513115~8	03-5512190	
014	052-0306	Kuanshi Branch	Sep. 9, 1987	21 Mingteh Rd., Kuanshi Township	03-5875151~3	03-5877927	
015	052-0384	Hsinfong Branch	Sep. 22, 1988	155-7 Chienshing Rd., Sec. 1, Hsinfeng Township	03-5591113~5	03-5594636	
016	052-0513	Hsinshing Branch	Dec. 16, 1991	130 Shiwei Rd., Hsinchu, Taiwan	03-5233171~5	03-5233177	
017	052-0524	Hsinshe Branch	Nov. 21, 1991	141 Chungcheng W. Rd., Chupei City	03-5519456~61	03-5551783	
018	052-0546	Science Park Branch	Nov. 15, 1991	11 Science Park 2nd Rd., Hsinchu Science Park, Hsinchu, Taiwan	03-5785355~8	03-5787055	
019	052-0579	North Hsinchu Branch	Dec. 9, 1992	243 Chungyang Rd., Hsinchu, Taiwan	03-5348155~9	03-5421589	
020	052-0030	Taoyuan Branch	Sep. 1, 1949	66 Chungcheng Rd., Taoyuan City	03-3340176~83	03-3371647	
021	052-0100	Daxi Branch	Jul. 4, 1972	85 Kangchuang Rd., Dashi Township	03-3873915~9	03-3889901	
022	052-0155	Dayuan Branch	Jul. 4, 1978	44 Chungshan N. Rd., Dayuan Township	03-3861130~33	03-3861924	
023	052-0041	Chungli Branch	Sep. 1, 1949	194 Chungshan Rd., Chungli City	03-4252186~90	03-4256977	
024	052-0111	Yangmei Branch	Jul. 3, 1977	105 Tacheng Rd., Yangmei Township	03-4783491~4	03-4752718	
025	052-0122	Hsinwu Branch	Jul. 9, 1973	251 Chungshan Rd., Hsinwu Township	03-4773226~9	03-4772052	
026	052-0166	Lungtan Branch	Apr. 1, 1973	202 Peilung Rd., Lungtan Township	03-4793185~8	03-4708175	
027	052-0199	Sanmin Branch	Sep. 3, 1984	301 Sanmin Rd., Sec. 3, Taoyuan City	03-3351593~7	03-3328102	
028	052-0203	Neili Branch	Sep. 20, 1984	83 Hsinyi Rd., Neili, Chungli City	03-4553122~6	03-4524244	
029	052-0214	Pateh Branch	Oct. 16, 1985	43 Chiehshou Rd., Sec. 2, Pateh City	03-3634341~6	03-3660967	
030	052-0236	YungAn Branch	Nov. 11, 1985	465 Chungcheng Rd., Taoyuan City	03-3324002~6	03-3361491	
031	052-0225	Hsinming Branch	Nov. 5, 1985	56 Minchu Rd., Chungli City	03-4918701~10	03-4918710	
032	052-0270	Kueishan Branch	Jan. 14, 1987	1077 Wanshou Rd., Sec. 2, Kueishan Township	03-3290728~32	03-3290273	
033	052-0281	Nankan Branch	Jan. 15, 1987	90 Chungcheng Rd., Luchu Township	03-3524148~52	03-3226443	
034	052-0317	Dashulin Branch	Apr. 14, 1987	233 Taoying Rd., Taoyuan City	03-3664291~6	03-3664296	

Code	Bank Code	Branch Name	Establishment Date	Address	Telephone No.	Fax No.	Remark
036	052-0351	Lungkang Branch	Sep. 14, 1988	302 Lungtung Rd., Chungli City	03-4657789	03-4567704	
037	052-0362	Shantzuting Branch	Sep. 23, 1988	150 Chungfeng Rd., Shanting Sec., Pinchen City	03-4696257	03-4692907	
038	052-0373	Pushin Branch	Aug. 1, 1988	351 Yungmei Rd., Lin 3, Pushin Li, Yangmei Township	03-4824984~6	03-4826073	
041	052-0421	Sinjhuang Mini Branch	Oct. 9, 2006	879-17 Chungcheng Rd.,Sinjhuang, Taipei	02-29082996	02-29082952	Originally the Hueilung Branch relocated and changed name on Oct. 9, 2006
042	052-0465	Kuaichi Branch	Dec. 14, 1990	862 Chunjih Rd., Taoyuan City	03-3553278~82	03-3553723	
043	052-0476	Huanpei Branch	Dec. 26, 1989	405 Huanpei Rd., Chungli City	03-4511333	03-4513135	
044	052-0487	Reifong Mini Branch	Dec. 24, 1989	909 Chiehshou Rd., Sec. 2, Pateh City	03-3685706~8	03-3685727	
046	052-0557	Hsinpo Branch	Dec. 5, 1991	661 Chungshan Rd., Sec. 2, Hsipo village, Kuanyin Township	03-4986401~3	03-4986404	
048	052-0591	Pinzhen Mini Branch	Dec. 16, 1992	225 Huannan Rd., Pingchen City. Taoyuan County	03-4910311~7	03-4910319	
049	052-0616	Dachu Branch	Jan. 25, 1994	506-23 Dachu Rd., Luchu Township, Taoyuan County	03-3137633	03-3137626	
050	052-0074	Miaoli Branch	Sep. 1, 1949	562 Chungcheng Rd., Miaoli City	037-324671~6	037-358940	
051	052-0063	Chunan Branch	Mar. 1, 1950	217 Chungcheng Rd., Chunan Township	037-476161~5	037-474882	
052	052-0096	Toufen Branch	Jul. 3, 1970	106 Hoping Rd., Toufen Township	037-668281~5	037-676791	
053	052-0144	Yuanli Branch	Jul. 3, 1975	19 Weikung Rd., Yuanli Township	037-862851~5	037-852609	
054	052-0188	Chuolan Branch	Jul. 4, 1983	48 Chungcheng Rd., Chuolan Township	04-25891916~9	04-25894942	
055	052-0247	Kungkuan Branch	Jan. 28, 1986	211 Chunghsiao Rd., Kungkuan Township	037-228525~6	037-221245	
056	052-0258	Tungshiao Branch	Jan. 28, 1986	16 JenAi Rd., Tungshiao Township	037-757511~2	037-757514	
057	052-0269	Houlung Branch	Apr. 8, 1986	20 Chengkung Rd., Lin 7, Peilung Li, Houlung Township	037-724591~2	037-724980	
058	052-0410	Sanyi Branch	Oct. 27, 1989	83 Chungcheng Rd., Sanyi Township	037-875281~3	037-875242	
059	052-0443	Peimiao Branch	Dec. 19, 1989	296 Weikung Rd., Chinghua Li, Miaoli City	037-267501~3	037-260184	
060	052-0502	Tahu Mini Branch	Nov. 6, 1990	79 Minsheng Rd., Tahu Township	037-995561~3	037-995564	
061	052-0568	Tunglo Mini Branch	Oct. 18, 1991	201 Chungcheng Rd., Tunglo Village, Tunglo Township	037-985211~3	037-985214	
063	052-0649	East Neili Branch	Jan. 26, 1994	47 Jungmin Rd., Chungli City	03-4351988~95	03-4351093	
064	052-0627	Chungyuan Mini Branch	Jan. 24, 1994	90 Hungyang Rd., Chungli City	03-4668166	03-4662442	
065	052-0683	Kungshi Branch	Apr. 28, 1995	220 Fushing 1st Rd., Kueishan Township, Taoyuan County	03-3972288	03-3972266	
066	052-0708	Chuangching Mini Branch	Apr. 27, 1995	35 Dashing W. Rd., Sec. 2, Taoyuan City	03-3026699	03-3028833	
067	052-0694	Chinling Branch	Apr. 26, 1995	87 Chinling Rd., Pinchen City	03-4579155	03-4579920	
068	052-0672	ChienKuo Mini Branch	Mar. 21, 1995	38 Chienkuo N. Rd., Sec. 1, Taipei City	02-87723232	02-87723838	Originally the Taipei Branch, changed to a mini branch
069	052-0719	Panchiao Mini Branch	Mar. 28, 1997	192 Minchu Rd., Panchiao City	02-29528799	02-29528797	

Code	Bank Code	Branch Name	Establishment Date	Address	Telephone No.	Fax No.	Remark
070	052-0720	Luchou Mini Branch	May. 18, 1998	308 Jixian Rd., Luchou, Taipei City	02-82828266	02-82815941	
071	052-0753	Neihu Branch	Apr. 23, 1998	1F, 69 Tunghu Rd., Neihu District, Taipei City	02-26318888	02-26326910	
072	052-0742	Taichung Branch	May 29, 1998	1F, 380 Wenshin Rd., Sec. 1, Taichung City	04-23192480-5	04-23192473	
073	052-0731	Fongyuan Branch	May 20, 1998	797 Yuanhuan E. Rd., Fongyuan City, Taichung County	04-25234116	04-25240078	
074	052-0786	Chiayi Branch	Jul. 26, 1999	345 Minchu Rd., Chiayi City	05-2288855	05-2240800	
075	052-0775	Tainan Branch	Jun. 23, 1999	429 Chinhua Rd., Sec. 2, Tainan City	06-2648101	06-2648140	
076	052-0764	Kaohsiung Branch	Jun. 24, 1999	383 Chiuju 1st Rd., Kaohsiung City	07-3872296	07-3860532	
077	052-0812	Tungning Branch	Aug. 17, 2001	96 TungAn Rd., East District, Tainan City	06-2761561	06-2761565	
078	052-0823	Tunghai Branch	Sep. 18, 2001	306 Fuke Rd., Shituen District, Taichung City	04-24653500	04-24653501	
079	052-0801	Shenkang Branch	Sep. 26, 2001	788 ChungShan Rd., ShenKang Townshipship, Taichung City	04-25622731	04-25622801	Relocated on July 17, 2006
082	052-0834	Chungteh Branch	Sep. 27, 2001	364 Chungteh Rd., Tainan City	06-2697461	06-2697458	
083	052-0797	Liming Branch	Sep. 28, 2001	562 Taye Rd., Taichung City	04-22536208	04-22536205	
084	052-0867	Chungho Branch	Jul. 2, 2002	182 Chien 1st Rd., Chungho City, Taipei County	02-82271656	02-82271659	
085	052-0845	Shilin Mini Branch	Jul. 3, 2002	177 Chungcheng Rd., Sec. 1, Shilin District, Taipei City	02-28386096	02-28386160	
086	052-0856	Yungho Mini Branch	Jul. 9, 2002	302 Chungcheng Rd., Yungho City, Taipei County	02-29452510	02-29451275	
087	052-0878	Peituen Branch	May 24, 2004	236 Wenshin Rd., Sec. 4, North District, Taichung City	04-22990755	04-22990803	
088	052-0889	Shituen Branch	May 17, 2004	327 Honan Rd., Sec. 2, Shituen District, Taichung City	04-27081040	04-27081118	
089	052-0890	Tali Branch	Jul. 19, 2004	161 Chengkung Rd., Tali City, Taichung City	04-24967768	04-24965125	
092	052-0926	Changhua Branch	Dec. 6, 2005	53 Chungcheng Rd., Sec. 2, Changhua City, Changhua County	04-7282999	04-7229958	
093	052-0937	Yuanlin Branch	Jul. 15, 2005	439 Fuzun Rd., Sec. 2, Yuanlin Township, Changhua County	04-8390750	04-8390755	
094	052-0948	Fengshan Branch	Dec. 26, 2005	150 Paotai Rd., Fengshan City, Kaohsiung County	07-7522727	07-7522759	
101	052-0959	Taipei Branch	Nov. 27, 2006	2-1 Duanhua S. Rd., Sec 1, Taipei City	02-27717600	02-27713358	Relocated and changed name on Nov. 27, 2006 (originally the Sanhsinchao Branch. The Deposit/Exchange business was merged into the Hsinshing Branch)
102	052-0960	North Kaohsiung Branch	Jul. 10, 2006	189 Wenshin Rd., Kaohsiung City	07-5501705	07-5502010	Relocated and changed name on July 10, 2006. (Originally the Tungmen Branch. The Deposit/ Exchange Business was merged into the Taoyuan Branch)

Code	Bank Code	Branch Name	Establishment Date	Address	Telephone No.	Fax No.	Remark
080	052-0650	Trust Dept.		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5269443	
090	052-0605	International Business Dept.	Aug. 16, 1993	5F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5285166	
091	052-0661	OBU	Jan. 16, 1995	5F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5285166	
		Consumer Banking Dept.		6F, 9 Tungmei Rd., Lane 91,Hsinchu, Taiwan	03-5750066	03-5710599 03-5710399	
		Branch Network Dept.		4F, 9 Tungmei Rd., Lane 91, Hsinchu, Taiwan	03-5722525	03-5722770	
		Legal & Compliance Dept		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5250397	
		Auditing Office		3F, 9 Tungmei Rd., Lane 91, Hsinchu, Taiwan	03-5725199	03-5724199	
		IT Dept.		21 Science Park 2nd Rd., Hsinchu Science Park, Hsinchu, Taiwan	03-5789366	03-5789348	
		Corporate Banking Dept.		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-6000502	
		Risk Management Dept.		5F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5251531	
		Administration Dept.		6F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5250977	
		E-Commerce Dept.		8F, 9 Tungmei Rd., Lane 91, Hsinchu, Taiwan	03-6003456	03-6000666	
		Human Resources Dept.		5F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5220641	
		Treasury Dept.		6F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5264067	
		Accounting Dept.		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5280595	
		Securities Dept.		6F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5284138	
		Wealth Management Dept.		5F, 9 Tungmei Rd., Lane 91, Hsinchu, Taiwan	03-5725988	03-5725955	

V Details of any event with material impact on shareholders' equity or the share price as defined in Item 2, Paragraph 2, Article 36 of the Securities and Exchange Act: None.

Hsinchu International Bank

Chairman of the Board Wu Chih-Wei

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