

**CHINATRUST FINANCIAL HOLDING COMPANY, LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 and 2007
AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Accountants' Review Report

The Board of Directors
Chinatrust Financial Holding Company, Ltd.:

We have reviewed the accompanying consolidated balance sheets of Chinatrust Financial Holding Company, Ltd. and subsidiaries as of September 30, 2008 and 2007, and the related consolidated statements of income and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We reviewed these consolidated statements in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements." A review is limited primarily to inquiries of company personnel and applying analytical procedures to financial data and thus provides less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the Rules Governing Securities Firms, the Rules Governing Futures Commission Merchants and generally accepted accounting principles in the Republic of China.

As stated in Notes 3 and 4(AB), commencing from July 1, 2008, Chinatrust Financial Holding Company, Ltd.'s subsidiary Chinatrust Commercial Bank Co., Ltd. adopted the second amendment of the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 "Financial Instruments: Recognition and Measurement" and proceeded to reclassify its financial assets. This resulted in an increase in after-tax consolidated net income of NT\$ 4,640,479 thousand and an increase in EPS of NT\$ 0.51 for the nine months ended September 30, 2008.

As stated in Note 1, Chinatrust Financial Holding Company, Ltd.'s subsidiary Chinatrust Commercial Bank Co., Ltd. merged with Chinatrust Bills Finance Corp., a wholly owned subsidiary of Chinatrust Financial Holding Company, Ltd., in a stock conversion transaction on April 26, 2008. After the merger, Chinatrust Commercial Bank Co., Ltd. was the surviving entity and incorporated Chinatrust Bills Finance Corp., which was dissolved. Pursuant to Interpretations (91) No. 243 and 244 issued by the Accounting Research and Development Foundation, the merger could qualify as a reorganization, and thus both merging entities' assets and liabilities shall be recorded at the book value on a consolidated basis. In accordance with Interpretation (95) No. 141, the financial statements of Chinatrust Commercial Bank Co., Ltd. have been retroactively restated to reflect the merger assuming both entities had merged on January 1, 2007. Hence, the relevant disclosures of Chinatrust Commercial Bank Co., Ltd. for the nine months ended September 30, 2007, stated in the consolidated financial statements of Chinatrust Financial Holding Company, Ltd. are disclosed based on the restated financial statements of Chinatrust Commercial Bank Co., Ltd.

As stated in Notes 5 and 7(C), Chinatrust Financial Holding Company, Ltd. and its subsidiary Chinatrust Commercial Bank Co., Ltd. Hong Kong Branch were assessed an administrative fine and prohibited from engaging in certain business activities by the Financial Supervisory Commission (FSC) due to their flawed process for disposing of overseas structured notes. The FSC lifted the business restrictions described above in March 2007 after certain operation deficiencies had been corrected and improved by Chinatrust Financial Holding Company, Ltd. This case, whose investigation has been concluded by the Taipei District Court Prosecutors Office and for which the verdict of the court of first instance has been given by the Taipei District Court, has been filed with the FSC to examine if Chinatrust Financial Holding Company, Ltd. had breached the regulations of the Financial Holding Company Law. The cases as stated in Note 7(C) are still under investigation by the authority and the judiciary, and the results remain uncertain.

Taipei, Taiwan, R.O.C.
October 28, 2008

Notice to Readers

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

Reviewed only, not audited in accordance with generally accepted auditing standards
CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2008 AND 2007
(Expressed in Thousands of New Taiwan Dollars)

	September 30,		Change %
	2008 Amount	2007 (Restated) Amount	
ASSETS			
Cash and cash equivalents (Notes 2 and 4(A))	\$ 28,717,930	\$ 33,959,688	(15)
Due from Central Bank and call loans to banks (Note 4(B))	144,903,691	187,092,364	(23)
Financial assets measured at fair value through profit or loss — net (Notes 2, 3, 4(C) and (AB), 5, 6 and 7(A))	103,877,040	107,784,567	(4)
Receivables — net (Notes 2, 4(D) and 6)	124,710,590	129,589,828	(4)
Loans — net (Notes 2, 4(E) and 5)	933,000,269	864,271,396	8
Available-for-sale financial assets — net (Notes 2, 3, 4(F) and (AB), 6 and 7(A))	123,799,809	226,092,864	(45)
Held-to-maturity financial assets (Notes 2, 4(G) and (H), 6 and 7(A))	197,030,380	126,976,127	55
Investments under equity method — net (Notes 2 and 4(I))	2,098,488	1,947,438	8
Other financial assets — net (Notes 2, 4(D), (H) and (J), 5 and 6)	15,301,164	19,266,959	(21)
Premises and equipment — net (Notes 2, 4(K) and (M), 5 and 6)	32,921,204	34,331,550	(4)
Intangible assets (Notes 2, 3, 4(L) and 10)	12,291,517	12,049,297	2
Other assets — net (Notes 2, 4(K), (M) and (U), and 6)	12,788,737	11,535,678	11
TOTAL ASSETS	\$ 1,731,440,819	\$ 1,754,897,756	(1)
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits from Central Bank and other banks	\$ 49,500,138	\$ 39,563,952	25
Due to Central Bank and other banks (Note 4(N))	14,252,545	15,793,856	(10)
Financial liabilities measured at fair value through profit or loss (Notes 2, 4(C) and 5)	45,037,478	34,595,566	30
Securities sold under repurchase agreements (Notes 2 and 7(A))	71,295,586	103,533,677	(31)
Commercial paper payable (Note 4(O))	-	349,926	(100)
Payables (Notes 2, 3, 4(P) and 5)	61,042,616	57,451,061	6
Deposits and remittances (Notes 4(Q) and 5)	1,234,195,290	1,242,932,611	(1)
Corporate bonds and financial debentures (Notes 2 and 4(R))	108,048,791	102,442,689	5
Other financial liabilities (Notes 2 and 4(S))	1,822,299	2,870,590	(37)
Other liabilities (Notes 2 and 4(T))	4,804,470	12,673,150	(62)
Total Liabilities	1,589,999,213	1,612,207,078	(1)
Stockholders' Equity—Parent Company			
Common stock (Note 4(W))	90,986,544	84,096,830	8
Preferred stock (Note 4(W))	7,500,000	7,500,000	-
Capital surplus	38,903,887	42,267,760	(8)
Retained earnings (Notes 3 and 4(W) and (AB)):			
Legal reserve	1,333,917	-	-
Special reserve	4,490,248	366,207	1,126
Undistributed earnings	13,309,487	12,851,041	4
Other adjustments to stockholders' equity:			
Cumulative translation adjustments (Note 2)	(1,591,530)	(1,170,153)	(36)
Unrealized losses on financial instruments (Notes 2, 3 and 4(AB))	(11,690,781)	(3,293,013)	(255)
Treasury stock (Notes 2 and 4(X))	(1,851,884)	-	-
Net loss not recognized as pension cost	(26,147)	(4,328)	(504)
Subtotal: Stockholders' Equity—Parent Company	141,363,741	142,614,344	(1)
Minority Interest	77,865	76,334	2
Total Stockholders' Equity	141,441,606	142,690,678	(1)
Commitments and Contingencies (Notes 2 and 7)			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,731,440,819	\$ 1,754,897,756	(1)

The accompanying notes are an integral part of the financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Expressed in Thousands of New Taiwan Dollars, Except for EPS)

	For the nine months ended September 30,		Change %	
	2008	2007		
	Amount	(Restated) Amount		
Interest income	\$ 44,648,200	\$ 48,190,603	(7)	
Less: Interest expenses	(21,982,706)	(23,576,114)	7	
Net Interest Income	22,665,494	24,614,489	(8)	
Non-interest income:				
Service fee and commission income	17,606,140	19,072,954	(8)	
Gains on financial assets or liabilities measured at fair value through profit or loss (Notes 3 and 4(C) and (AB))	3,129,548	2,952,242	6	
Realized gains on available-for-sale financial assets (Notes 4(J) and (AA))	1,254,408	424,311	196	
Realized losses on held-to-maturity financial assets	(4)	-	-	
Income from investments under equity method (Note 4(I))	33,571	(71,992)	147	
Foreign exchange gains (losses)	953,770	(151,703)	729	
Impairment loss on assets (Notes 2 and 4(F) and (J))	(699,297)	(29,926)	(2,237)	
Public-welfare lottery payment (Note 7(B))	(1,565,100)	(1,565,100)	-	
Other non-interest income	392,998	745,448	(47)	
Other miscellaneous income (Note 4(J))	3,205,420	-	-	
Net Revenue	46,976,948	45,990,723	2	
Bad debt expenses (Notes 4(D) and (E))	(9,297,673)	(5,682,515)	(64)	
Operating expenses (Notes 2, 4(T) and 10(C))				
Personnel expenses	(11,556,363)	(11,071,512)	(4)	
Depreciation and amortization expenses	(1,944,332)	(1,916,871)	(1)	
Other general and administrative expenses	(9,618,897)	(10,210,772)	6	
Net Income before Tax from Continuing Operations	14,559,683	17,109,053	(15)	
Income tax expense (Notes 2 and 4(U))	(1,318,680)	(4,251,495)	69	
Net income from continuing operations before cumulative effect of changes in accounting principles	13,241,003	12,857,558	3	
Cumulative effect of changes in accounting principles (after deducting income tax of \$20,126) (Note 3)	(65,296)	-	-	
Consolidated Gross Income	\$ 13,175,707	\$ 12,857,558	2	
Consolidated Income Attributable to:				
Parent company (consolidated net income)	\$ 13,172,328	\$ 12,851,041	3	
Minority interest	3,379	6,517	(48)	
	\$ 13,175,707	\$ 12,857,558	2	
Earnings per Share (EPS) (Notes 2 and 4(Z))	Before	After	Before	After
Basic EPS	income tax	income tax	income tax	income tax
Net income from continuing operations	\$ 1.52	\$ 1.37	\$ 2.00	\$ 1.48
Cumulative effect of changes in accounting principles	(0.01)	(0.01)	-	-
Net income	\$ 1.51	\$ 1.36	2.00	1.48
Basic EPS—retroactive adjustment			\$ 1.85	\$ 1.36
Diluted EPS	\$ 1.51	\$ 1.36	1.98	1.46
Diluted EPS—retroactive adjustment			\$ 1.87	\$ 1.38

The accompanying notes are an integral part of the financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards
CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2008	2007 (Restated)
Cash Flows from Operating Activities:		
Consolidated Net Income	\$ 13,172,328	\$ 12,851,041
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Cumulative effect of changes in accounting principles	65,296	-
Minority interest income	3,379	6,517
Depreciation and amortization	1,944,332	1,916,871
Depreciation on rental and idle equipment (accounted for under other non-interest income)	14,138	14,150
Difference between investment income accounted for under equity method and cash dividends received	(30,619)	190,335
Unrealized (gains) losses on valuation of financial instruments	(1,641,171)	2,092,519
Gains on disposition of financial assets carried at cost	(1,351,890)	-
Gains on financial asset securitization	-	(6,594)
Net of amortization of premiums and accretion of discount on investments in held-to-maturity securities	226,715	190,909
Amortization of premiums on financial debentures	9,150	-
Gains on disposition of premises and equipment (including idle premises and equipment) and foreclosed properties	(230,696)	(82,319)
Impairment loss on assets	699,297	29,926
Losses on asset retirement	19,072	34,222
Provision for bad debt expenses	9,504,166	5,772,541
Reversal of guarantee reserve	(206,493)	(78,840)
Provision for miscellaneous trading loss reserve	69,245	23,961
Redemption premiums accrued on bonds payable and convertible foreign exchange losses or gains	-	240,046
Others	32,183	(33,430)
Net Changes in Operating Assets and Liabilities:		
Decrease in receivables	36,912,619	10,218,440
Increase in financial assets measured at fair value through profit or loss	(3,564,365)	(2,186,700)
Decrease (increase) in other financial assets	649,596	(1,722,591)
(Decrease) increase in other financial liabilities	(485,769)	351,326
Increase in payables	1,403,771	343,909
Increase in financial liabilities measured at fair value through profit or loss	9,422,137	5,709,863
Net Cash Provided by Operating Activities	<u>66,636,421</u>	<u>35,876,102</u>
Cash Flows from Investing Activities:		
Net cash received from assuming assets of Enterprise Bank of Hualien	-	7,337,138
Increase in loans	(62,482,225)	(34,557,955)
Decrease (increase) in due from Central Bank and call loans to banks (excluding cash equivalents)	17,938,368	(55,210,425)
Decrease (increase) in available-for-sale financial assets	56,154,739	(48,903,078)
Purchase of held-to-maturity financial assets	(83,936,635)	(28,821,038)
Proceeds from maturities and paydowns of investments in held-to-maturity financial assets	27,844,581	70,128,933
Proceeds from financial asset securitization	-	7,451,775
Purchase of financial assets carried at cost	(289,560)	(405,403)
Proceeds from disposition of financial assets carried at cost	818,223	-
Proceeds from capital reduction of investee	-	13,637
Proceeds from disposition of premises and equipment (including idle premises and equipment) and foreclosed properties	1,046,701	3,002,552
Purchase of premises and equipment	(1,002,570)	(957,058)
Purchase of intangible assets	(574,959)	(334,529)
(Increase) decrease in other assets	(224,470)	2,822,798
Increase in receivables	(25,330,271)	(146,206)
Net Cash Used in Investing Activities	<u>(70,038,078)</u>	<u>(78,578,859)</u>
Cash Flows from Financing Activities:		
Increase in deposit from Central Bank and other banks	1,527,123	9,391,873
Increase in deposits and remittances	53,793,275	18,763,305
Increase in payables	190,996	27,951
Decrease in commercial paper payable	(599,781)	(649,614)
Decrease in due to Central Bank and other banks	(1,369,052)	(430,132)
Decrease in securities sold under repurchase agreements	(16,472,977)	(16,386,254)
Increase (decrease) in corporate bonds and financial debentures	1,467,792	(1,756,156)
(Decrease) increase in other liabilities	(3,485,618)	6,562,400
Remuneration to directors and supervisors	(53,989)	-
Dividends – preferred stock	(2,482,290)	-
Cash dividends – common stock	(1,681,937)	-
Purchase of treasury stock	(1,747,102)	-
Net Cash Provided by Financing Activities	<u>29,086,440</u>	<u>15,523,373</u>
Effect of exchange rate changes	(623,417)	247,423
Net Increase (Decrease) in Cash and Cash Equivalents	25,061,366	(26,931,961)
Cash and Cash Equivalents, at the Beginning of the Period	59,421,378	140,939,583
Cash and Cash Equivalents, at the End of the Period	<u>\$ 84,482,744</u>	<u>\$ 114,007,622</u>
Cash and Cash Equivalents:		
Cash and cash equivalents	\$ 28,717,930	\$ 33,959,688
Call loans to banks	48,709,035	51,428,765
Due from Central Bank	7,055,779	28,619,169
	<u>\$ 84,482,744</u>	<u>\$ 114,007,622</u>
Supplemental Disclosures of Cash Flow Information:		
Interest	\$ 20,823,740	\$ 23,103,195
Income tax	<u>\$ 1,860,170</u>	<u>\$ 2,001,301</u>
Cash Paid During the Period for:		
Investing and Financing Activities Not Affecting Cash Flows:		
Convertible bonds payable converted into common stock	\$ -	\$ 10,546,714
Employee bonuses – stock	<u>\$ 161,968</u>	<u>\$ -</u>
Stock dividends – common stock	<u>\$ 3,363,873</u>	<u>\$ -</u>
Reclassification of financial assets	<u>\$ 7,927,485</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards.
CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2008 AND 2007
(As of September 30, 2007 has been retroactively restated — Note 1)
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

1. BASIS OF PRESENTATION

Chinatrust Financial Holding Company, Ltd. (the "Company") was established on May 17, 2002, through a stock conversion (conversion ratio: one to one) with Chinatrust Commercial Bank Co., Ltd. On the same date, following the approval from the Securities & Futures Bureau (the "SFB") under the Financial Supervisory Commission (the "FSC"), Executive Yuan, the shares of the Company started to be traded publicly, while shares of Chinatrust Commercial Bank Co., Ltd. were de-listed.

The Company conducts business in the following areas:

(A) The Company has been approved to invest in the following businesses:

- (a) Banking;
- (b) Bills financing;
- (c) Credit cards;
- (d) Trusts;
- (e) Insurance;
- (f) Securities;
- (g) Futures;
- (h) Venture capital;
- (i) Investments in overseas financial institutions as approved by the FSC;
- (j) Other related financing as approved by the FSC; and
- (k) Other financial-related business investments in accordance with the law.

(B) Management of invested businesses stipulated in item (A).

(C) Investments in businesses other than the ones stipulated in item (A) as approved by the FSC.

(D) Other related businesses as approved by the FSC.

As of September 30, 2008, the Company had 13 employees.

As of September 30, 2008, the Company and its subsidiaries had 10,177 employees.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Details of subsidiaries within the consolidated entity are shown below:

Name of Investor Company	Name of Subsidiary	Primary Business	Shareholding percentage		Description
			September 30, 2008	September 30, 2007	
The Company	Chinatrust Commercial Bank Co., Ltd.	Primarily engages in commercial banking and financing business	100%	100%	As of September 30, 2008, the issued capital of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. amounted to \$65,748,726, representing 6,574,873 thousand common shares with par value of NT\$10 per share. (Note 1)
"	Chinatrust Securities Co., Ltd.	Primarily engages in securities and futures business	99.66%	99.66%	As of September 30, 2008, the issued capital of the Company's subsidiary Chinatrust Securities Co., Ltd. amounted to \$5,000,000, representing 500,000 thousand common shares with par value of NT\$10 per share.
"	Chinatrust Insurance Brokers Corp., Ltd.	Primarily engages in property insurance and life insurance brokerage	100%	100%	As of September 30, 2008, the issued capital of the Company's subsidiary Chinatrust Insurance Brokers Corp., Ltd. amounted to \$1,610,395, representing 161,039 thousand common shares with par value of NT\$10 per share.
"	Chinatrust Venture Capital Corp.	Primarily engages in venture capital business	100%	100%	As of September 30, 2008, the issued capital of the Company's subsidiary Chinatrust Venture Capital Corp. amounted to \$2,000,000, representing 200,000 thousand common shares with par value of NT\$10 per share.
"	Chinatrust Asset Management Co., Ltd.	Primarily engages in asset management business	100%	100%	As of September 30, 2008, the issued capital of the Company's subsidiary Chinatrust Asset Management Co., Ltd. amounted to \$5,000,000, representing 500,000 thousand common shares with par value of NT\$10 per share.
"	Taiwan Lottery Co., Ltd.	Primarily engages in dealerships of public welfare lottery products	100%	100%	As of September 30, 2008, the issued capital of the Company's subsidiary Taiwan Lottery Co., Ltd. amounted to \$500,000, representing 50,000 thousand common shares with par value of NT\$10 per share. (Note 2)
Chinatrust Commercial Bank Co., Ltd.	Chinatrust (Philippines) Commercial Bank Corporation	Primarily engages in commercial banking and financing business	99.41%	99.41%	As of September 30, 2008, the issued capital of Chinatrust (Philippines) Commercial Bank Corporation, a subsidiary of Chinatrust Commercial Bank Co., Ltd., amounted to PHP2,479,687 thousand, representing 247,969 thousand common shares with par value of PHP10 per share.
"	PT Bank Chinatrust Indonesia	Primarily engages in commercial banking and financing business	99%	99%	As of September 30, 2008, the issued capital of PT Bank Chinatrust Indonesia, a subsidiary of Chinatrust Commercial Bank Co., Ltd., amounted to IDR150,000,000 thousand, representing 1,500 common shares with par value of IDR100,000 thousand per share.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Name of Investor Company	Name of Subsidiary	Primary Business	Shareholding Percentage		Description
			September 30, 2008	September 30, 2007	
Chinatrust Commercial Bank Co., Ltd.	CTC Bank of Canada	Primarily engages in commercial banking and financing business	100%	100%	As of September 30, 2008, the issued capital of CTC Bank of Canada, a subsidiary of Chinatrust Commercial Bank Co., Ltd., amounted to CAD15,000 thousand, representing 1,500 thousand common shares with par value of CAD10 per share.
"	Chinatrust Capital Corporation	Primarily engages in securities investment business	100%	100%	As of September 30, 2008, the issued capital of Chinatrust Capital Corporation, a subsidiary of Chinatrust Commercial Bank Co., Ltd., amounted to US\$1,336, representing 1,336 common shares with par value of US\$1 per share.
Chinatrust Capital Corporation	Chinatrust Bank (U.S.A.)	Primarily engages in commercial banking and financing business	100%	100%	As of September 30, 2008, the issued capital of Chinatrust Bank (U.S.A.) amounted to US\$500 thousand for preferred stock and US\$100 thousand for common stock.
Chinatrust Asset Management Co., Ltd.	CT Opportunity Investment Company	Primarily engages in securities investment business	100%	100%	As of September 30, 2008, the issued capital of CT Opportunity Investment Company amounted to US\$36,301, representing 36,301 common shares with par value of US\$1 per share.
"	Chung Shin-1 Asset Management Co., Ltd.	Primarily engages in asset management business	100%	100%	As of September 30, 2008, the issued capital of Chung Shin-1 Asset Management Co., Ltd. amounted to \$300,000, representing 30,000 thousand common shares with par value of NT\$10 per share.
"	Tuo Yu Asset Management Servicing Co., Ltd.	Primarily engages in asset management business	100%	100%	As of September 30, 2008, the issued capital of Tuo Yu Asset Management Servicing Co., Ltd. amounted to \$5,000, representing 500 thousand common shares with par value of NT\$10 per share.
Chinatrust Securities Co., Ltd.	CTCB (Mauritius) Holding Company Ltd.	Primarily engages in securities investment business	100%	100%	As of September 30, 2008, the issued capital of CTCB (Mauritius) Holding Company Ltd. amounted to US\$11,113 thousand, representing 11,113 thousand common shares with par value of US\$1 per share.
CTCB (Mauritius) Holding Company Ltd.	Chinatrust Asia Limited	Primarily engages in securities business	100%	100%	As of September 30, 2008, the issued capital of Chinatrust Asia Limited amounted to HKD86,679 thousand, representing 86,679 thousand common shares with par value of HKD1 per share.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The investees in which the Company owns more than 50% of the investees' stock and can exercise control over those companies' operating and financial policies are included in the Company's consolidated financial statements except for those detailed and explained below:

Names of Investee Company	Primary Business	Percentage of Ownership	Reason investee not included in the consolidated financial statements
Chinatrust Forex Corp.	Foreign exchange brokerage	All shares were held by the Chinatrust Commercial Bank Co., Ltd. and Chinatrust (Philippines) Commercial Bank Corporation	The company went into liquidation.
Chinatrust Securities Investment Consultancy Co., Ltd.	Securities investment and consultancy services	99.40%	"
GCB Finance (HK) Limited	Corporate loans	100%	The total assets and operating revenue of this investee company are insignificant.
Chinatrust Security Co., Ltd.	Protection, fire and life safety services	100%	"
Chinatrust Capital Statutory Trust II	Special purpose entity ("SPE")	Note 3	No substantial control over SPE

Note 1: In order to enhance the effectiveness of Chinatrust Financial Holding Company's operation as a whole, to integratedly utilize the resources and fundamental structure of Chinatrust Commercial Bank Co., Ltd. from the perspective of information, operation, and risk management, and to reduce operational risk and cost, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. merged with Chinatrust Bills Finance Corp., a wholly owned subsidiary of the Company, upon the approval of the Company's board of directors on October 29, 2007.

After the merger, Chinatrust Commercial Bank Co., Ltd. was the surviving entity and incorporated Chinatrust Bills Finance Corp., which was dissolved. This merger was approved by the FSC on January 15, 2008, and the date of record set for the stock conversion transaction was April 26, 2008. Chinatrust Commercial Bank Co., Ltd. acquired all assets and liabilities of Chinatrust Bills Finance Corp. by issuing common shares in a 0.77-for-1 exchange for the shares of Chinatrust Bills Finance Corp. The calculation of the stock exchange ratio was based on the net value of Chinatrust Commercial Bank Co., Ltd. and Chinatrust Bills Finance Corp. as of June 30, 2007, as audited and certified by certified public accountants.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Pursuant to Interpretations (91) No. 243 and 244 issued by the Accounting Research and Development Foundation, the merger of Chinatrust Commercial Bank Co., Ltd. and Chinatrust Bills Finance Corp. could qualify as a reorganization, and thus both merging entities' assets and liabilities shall be recorded at the book value on a consolidated basis. Additionally, in accordance with Interpretation (95) No. 141, when Chinatrust Commercial Bank Co., Ltd. prepared comparative financial statements, prior years' financial statements of Chinatrust Commercial Bank Co., Ltd. were retroactively restated to reflect the merger assuming the merger had occurred on January 1, 2007. Hence, the relevant disclosures of Chinatrust Commercial Bank Co., Ltd. for the nine months ended September 30, 2007, stated in the consolidated financial statements of Chinatrust Financial Holding Company, Ltd. are disclosed based on the restated financial statements of Chinatrust Commercial Bank Co., Ltd.

Note 2: Taiwan Lottery Co., Ltd. was established in July 2006 and entrusted by the Company's subsidiary Chinatrust Commercial Bank Co. Ltd. to operate lottery-related business, while its major operating revenue has been generated since year 2007. In consideration of the nature of Taiwan Lottery Co., Ltd.'s core business with Chinatrust Commercial Bank Co., Ltd. and for the purpose of presenting fairly, in all material respects, the results of operations and the state of affairs of the Company, Taiwan Lottery Co., Ltd. has been included in the Company's consolidated statements as a subsidiary even though its assets and revenues are not deemed to be material to the Company. The Company's consolidated financial statements as of and for the nine months ended September 30, 2007, have been represented as a result of the preceding changes made by the Company.

Note 3: The Company's sub-subsidiary Chinatrust Capital Corporation owned 100% of the common shares of the SPE, typically representing 3% of the overall equity of the SPE.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements were prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms, the Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, the Rules Governing Securities Firms, the Rules Governing Futures Commission Merchants and generally accepted accounting principles in the Republic of China. The significant accounting policies and bases of measurement adopted in preparing these consolidated financial statements are as follows:

(A) Basis of compilation for statements of cash flows

The statements of cash flows are compiled based upon cash and cash equivalents. Cash comprises cash on hand, savings accounts, checking accounts, and unrestricted time deposits and negotiable certificates of deposit, which may be terminated anytime without impairing the principal. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and will mature on short notice so that the interest rate fluctuations have little effect on their values. Cash equivalents include short-term bills with maturities within three months from the investment date.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Securities under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at a predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expense/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under repurchase agreements or securities purchased under resell agreements.

(C) Financial instruments

Financial instruments held by the Company and its subsidiaries are recorded on the trading date, except for debt securities, which are recorded on the settlement date. The financial instruments are initially recognized at fair value plus transaction costs, except for financial instruments held for trading purposes, which are initially recognized at fair value. Upon disposition, the cost of sale of equity securities is determined by the moving-average method, and the cost of sale of debt securities is determined by the first-in, first-out (FIFO) method.

Subsequent to the initial recognition, the financial instruments held or issued by the Company and its subsidiaries are classified according to the purpose of holding or issuing as follows:

- (a) Financial assets and liabilities carried at fair value through profit or loss: Financial assets and liabilities are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Company and its subsidiaries, except for those designated as hedging instruments, are classified under these accounts. At each balance sheet date, the fair value is remeasured and the resulting gain or loss from such remeasurement is recognized in current profit or loss.
- (b) Available-for-sale financial assets: At each balance sheet date, the fair value is remeasured and the resulting gain or loss from such remeasurement is recognized directly in equity. Interest on a debt instrument classified as available-for-sale is accrued; the relevant premium/discount is amortized by using the effective-interest-rate method. If there is objective evidence that an available-for-sale financial asset is impaired, the book value of the asset is reduced, and impairment loss is recognized. Impairment loss recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the amount of the impairment loss of the available-for-sale debt securities decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. A gain or loss on available-for-sale financial assets is recognized directly in equity, except for impairment losses and foreign exchange gains or losses arising from monetary financial assets, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in equity is charged to profit or loss.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (c) Held-to-maturity financial assets: The amortized cost and interest income of held-to-maturity financial assets are determined by using the effective-interest-rate method. If there is objective evidence that a held-to-maturity financial asset is impaired, the book value of the asset is reduced, and impairment loss is recognized. 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 through profit or loss. The book value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.
- (d) Financial assets carried at cost: Equity instruments with no quoted market price and whose fair value cannot be reliably measured are stated at cost. If there is objective evidence that financial assets carried at cost are impaired, the book value of the assets is reduced, and impairment loss is recognized. However, the impairment losses may not be reversed subsequently. Long-term fund investments for subsidiaries in the asset management business are carried at acquisition cost. Considering the uncertainties arising from the collectibility of non-performing loans, based on the prudence principal, investment gains and losses are recognized using the cost recovery method. If the impairment in the value of investment is other than temporary and the recovery of the book value is deemed unlikely, loss on investment is recognized currently.
- (e) Debt investments without an active market: The amortized cost and interest income of debt investments without active market are determined by using the effective-interest-rate method. 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 through profit or loss. The book value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized.

The fair value of financial assets held by the Company and its subsidiaries is determined as follows:

Fair value of listed or OTC securities is determined based on the market closing price on the balance sheet date, fair value for open-end fund investment is the net worth on the balance sheet date, and fair value for debt securities is determined based on a closing price on the balance sheet date on the Gre Tai Securities Market or the pricing model used by the Company or its subsidiaries. Fair value of derivative financial instruments is determined by the market value on the balance sheet date or the pricing model adopted by the Company or its subsidiaries.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In accordance with the second amendment of Republic of China Statement of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement,” financial assets classified as assets measured at fair value through profit or loss (other than derivative financial assets and those designated as assets measured at fair value through profit or loss by the entity upon initial recognition) upon initial recognition may be reclassified into other categories if those financial assets are no longer held for the purpose of selling and meet criteria (a) or (b) listed below; financial assets classified as available-for-sale that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables category. The accounting treatments on the date of reclassification are summarized as follows:

- (a) Financial assets classified as assets measured at fair value through profit or loss upon initial recognition that would have met the definition of loans and receivables shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable, if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- (b) Financial assets classified as assets measured at fair value through profit or loss upon initial recognition which do not meet the preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- (c) Financial assets classified as available-for-sale that would have met the definition of loans and receivables shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable, if the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity.

For any previous gain or loss on a financial asset that has been recognized directly in equity, if the financial asset has a fixed maturity, the gain or loss should be amortized to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains in equity.

(D) Hedge accounting

When a fair value hedge, cash flow hedge, and hedge of net investment in a foreign operation are in conformity with all the conditions for applying hedge accounting, the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items. The related accounting treatments are as follows:

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (a) Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.
- (b) Cash flow hedge: Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a recognized asset or liability or a highly probable forecast transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly in equity. When the hedged transaction actually affects the profit or loss, the gain or loss previously recognized in equity should be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective portion of the hedge transaction is recognized immediately through profit or loss in the current period.
- (c) Hedge of net investment in a foreign operation: The effective portion of any gain or loss on a hedging instrument relating to a hedge against foreign currency fluctuation in a foreign operation is recognized directly in equity until the disposal of the foreign operation, at which time the cumulative gain or loss recognized directly in equity is recognized through profit or loss in the current period.

(E) Financial assets securitization

Under the Regulations for Financial Assets Securitization, the Company's banking subsidiaries, with the assistance of a trustee, securitized their financial assets for the purposes of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust, and the trustee will deliver all of collected funds to the Company's banking subsidiaries. Under the framework of the transaction, the Company's banking subsidiaries have surrendered their rights to and control of these securitized financial assets. Such financial assets are no longer recognized on its accounts, and the gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates necessary for credit enhancement, which are classified as held-to-maturity financial assets and other financial assets because those certificates do not have quoted market prices.

The gain or loss from the securitization of financial assets is determined based on the difference between the proceeds from the securitization and the book value of the securitized financial assets. The cost of each class of asset-backed securities, which is determined based on the previous book value of the securitized financial assets, is allocated in proportion to the fair value of each class of the asset-backed securities and the retained interests on the date of transfer. Because the securitized financial assets do not have a quoted market price, the fair value of each class of the asset-backed securities and the retained interests are evaluated based on the present value of future cash flows considering the expected credit loss rate, prepayment rate, and discount rate on the financial assets.

The cash receipts of subordinated seller certificates from the trustee are accounted for using the cost recovery method. On the balance sheet date, the fair value of these certificates is evaluated based on the present value of expected future cash flows, and the resulting losses (if any) are recognized as current losses.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(F) Accounts receivable

Consumer loans to credit card holders are reflected by the amounts reported by merchants, excluding unearned interest. Interest income thereon is recognized on an accrual basis using the interest method.

A credit card loan or accrued interest that is over 150 days past due is reclassified to a non-accrual account without accruing interest. Interest collected while accruing of interest has stopped is included in earnings only to the extent of cash actually received.

The Company's banking subsidiaries engage in factoring and management of accounts receivable. The interest and transaction fees from factoring and management of such accounts are treated as current income. An allowance for credit losses is provided by reviewing the balance of factoring accounts receivable at period-end. As regards the factoring accounts, those sold by the account-selling companies which have not yet been paid for are accounted for under "payables."

(G) Loans

Loans are recorded by the amount of outstanding principal, with unearned income excluded. Interest income is recognized on an accrual basis using the interest method.

Recording of interest receivable of loans would be suspended if either of the following conditions is met:

- (a) Collection of payment of principal or interest accrued is considered highly unlikely; or,
- (b) Payment of principal or interest accrued is over six months past due.

Interest revenue is recognized upon receipt of interest for the period when recording of accrued interest is suspended.

(H) Allowance for credit losses

Adequate allowance for credit losses is provided by assessing the balance, at the end of the accounting period, of loans, accounts receivable, non-accrual accounts, and guarantee reserve according to the default risk of specific claims and the inherent risk of overall claims.

In accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrual Loans," the "Regulations Governing Institutions Engaging in Credit Card Business" issued by the FSC, and generally accepted accounting principles in the Republic of China, the management evaluates the expected default probabilities of the overall portfolio to determine the default risk of claims.

The inherent risk of overall claims is reviewed based on past experience.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the Company's banking subsidiaries, non-accrual loans and accounts receivable—non-accrual account deemed as uncollectible are written off upon approval of the board of directors. The recovery of written-off loans is accounted for under the reversal of the allowance for credit losses.

For the Company's banking subsidiaries, reserves for guarantees are appropriately provided based on an estimate of probable losses inherent in the ending balances of guarantees, acceptances receivable, and commercial paper.

Provision for the accounts referred to above is accounted for under bad debt expenses.

(I) Investments under equity method

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

Upon disposition, gain or loss on disposal of long-term equity investment is calculated based on the difference between the selling price and the book value of investment at the disposal date. The remaining capital surplus arising from a long-term equity investment is adjusted to profit or loss proportionate to sales proceeds.

The Company prepares consolidated financial statements that include the accounts of its majority-owned affiliates in accordance with amended SFAS No. 7 "Consolidated Financial Statements."

Commencing from January 1, 2006, the Company adopted the amended SFAS No. 5 "Long-term Investments under Equity Method." In accordance with this amended standard, when the investment cost exceeds the fair value of identifiable net assets acquired, the excess should be recorded as goodwill. Prior to December 31, 2005, the differences between original investment and net equity of an investee previously recognized whose underlying causes could not be analyzed were amortized using the straight-line method over twenty years. Since January 1, 2006, these differences are no longer amortizable.

(J) Premises, equipment, and depreciation

Premises and equipment are stated at cost or cost plus incremental value from revaluation. The incremental value of land is adjusted using the Government Announced Price. Major additions, improvements, and replacements are capitalized, while maintenance and repairs are charged to current expenses. Interest incurred in the acquisition of premises and equipment until an asset is ready for its intended use is capitalized as part of the acquisition costs.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Depreciation is computed using the straight-line method over the government-prescribed useful lives. Premises and equipment still in use after their original estimated useful lives may be depreciated over their estimated remaining useful lives based on their residual value. Useful lives of major premises and equipment are as follows:

Buildings and premises	10 to 56 years
Transportation equipment	3 to 6 years
Miscellaneous equipment	3 to 10 years
Rental premises	46 years

Superficies right is recognized and capitalized at acquisition cost and amortized over the term of the contract. During the period of construction on the surface, the amortization expenses are capitalized as the cost of the building construction.

Leasing premises and equipment are transferred to rental premises, and related depreciation expenses are accounted for under other non-interest income.

Idle premises and equipment are accounted for under other assets at the lower of net realizable value or book value. The current year's depreciation expenses are accounted for under other non-interest income. Idle premises and equipment are valued at the lower of book value or recoverable amount at year-end.

(K) Intangible assets

(a) Goodwill

Prior to January 1, 2006, goodwill of the Company's banking subsidiary acquired from business combination was amortized over 5 years using the straight-line method. In accordance with the amended SAFS No. 1 "Conceptual Framework for Financial Accounting and Preparation of Financial Statements," the goodwill previously recognized is no longer amortized commencing from January 1, 2006.

Goodwill relating to cash-generating units is tested for impairment in a fixed period each year. An impairment loss is recognized when the recoverable amount is less than the book value. Impairment losses cannot be reversed once an impairment loss has been recognized.

If the result of the evaluation of future economic benefits of goodwill indicates a significant impairment, the unamortized portion of goodwill is reduced based on the amount of impairment loss, and the reduction is recognized as asset impairment losses.

For the differences between the investment cost and the share of owners' equity of the investee enterprise, if the underlying causes were unable to be recognized, the differences were previously accounted for under intangible assets on a consolidated basis and amortized as expenses on a straight-line basis over twenty years. In conformity with the amended SFAS No. 5 "Long-Term Investments under Equity Method," these intangible assets are no longer amortized commencing from January 1, 2006.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Computer software

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using the straight-line method over a period of 3 to 10 years.

(L) Cash surrender value of life insurance

The Company's banking sub-subsidiary Chinatrust Bank (U.S.A.) purchased single-premium life insurance (the BOLI) under which the executive officers and directors are the insured, while Chinatrust Bank (U.S.A.) is the owner and beneficiary thereof. The cash surrender value indicates the amount that would be received if the life insurance is terminated prior to the maturity date, and is accounted for under other assets.

(M) Asset impairment

The Company and its subsidiaries adopted SFAS No. 35 "Impairment of Assets." In accordance with SFAS No. 35, unless inapplicable, the recoverable amount (individual assets or cash generating units other than goodwill) of an asset is estimated and compared with the book value whenever there is an indication that the asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the book value (higher of fair market value or value in use). For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The book value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(N) Foreclosed properties

Foreclosed properties received are stated at estimated net fair market value, and the difference between it and the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the foreclosed properties received are still unsold, the net fair market value shall be reassessed, and the difference after reassessment is accounted for under impairment loss on assets if there is sufficient evidence indicating that net fair market value is lower than the book value of foreclosed properties. Gain or loss on disposal of foreclosed properties is accounted for under other non-interest income also.

(O) Employee bonuses and directors' and supervisors' remuneration

Employee bonuses and directors' and supervisors' remuneration appropriated after January 1, 2008, are accounted for by Interpretation (96) No. 052 issued by the Accounting Research and Development Foundation. The Company estimates the amount of employee bonuses and directors' and supervisors' remuneration according to the Interpretation and recognizes it as personnel expenses. If later the actual allocation amount pursuant to a resolution of a shareholders' meeting is different from the estimated amount recognized in the financial statements, the difference is accounted for as changes in accounting estimates and recognized as profit or loss of the current period.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(P) Share-based payment

The accounting treatments of options under the share-based payment agreements for options granted after January 1, 2008, are according to SFAS No. 39 “Share-based Payment.”

(a) Equity-settled share-based payments

The payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in equity is recognized. The vesting period is estimated based on the ultimate vesting conditions that must be satisfied. The vesting conditions include service conditions and performance conditions (including market conditions). In valuing equity-settled payments, no account is taken of any vesting conditions other than market conditions.

(b) Cash-settled share-based payments

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognized at its current fair value determined at each balance sheet date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period.

(c) Determining the fair value of share-based payments

Fair value of the share options at the grant date is measured with the use of an option pricing model based on management’s best estimate of the exercise price, expected term, underlying share price, expected volatility, expected dividend yield, risk-free interest rate, and any other inputs to the model.

(d) Other

The Company and its subsidiaries do not need to apply SFAS No. 39 retrospectively to the options under share-based agreements that were granted before January 1, 2008; the pro-forma net income and EPS information shall be disclosed based on the measurement principles for share-based payment transactions ruled by SFAS No. 39.

(Q) Convertible bonds

(a) The convertible bonds issued prior to December 31, 2005, are accounted for as follows:

1. Due to the inseparability of the conversion option and debt elements, convertible bonds are stated at the total issue price on the issuance date.
2. The direct and necessary costs of issuing convertible bonds are recognized as deferred expenses and amortized using the straight-line method over the term of the bonds or over the period from the issuance date to the expiry date of the put option, whichever is shorter. If repayment occurs prior to maturity, the remaining unamortized deferred expenses are recognized as current expenses in proportion to earlier redemption.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. The redemption premium of puttable convertible bonds, which represents the difference between the specified put price and par value, is amortized using the interest method and is recognized as a liability and interest expense over the period from the issuance date of the bonds to the expiry date of the put option.
 4. When bondholders exercise their conversion rights, the unamortized issue costs, redemption premium, and par value of the convertible bonds are converted into common shares entitlement certificates or capital stock at par value, while the excess amount is recorded as capital surplus.
- (b) In the case of convertible bonds payable issued after January 1, 2006, the embedded derivative with conversion, redemption or puttable rights should be detached from the host contract if the economy-related characteristics and risks of the host contract are not clearly and closely related.

(R) Retirement plan

The Company's domestic subsidiaries maintain and fund a retirement plan covering all regular employees. Payments of pension benefits are calculated based on the employee's average monthly salary for the last six months prior to approved retirement and base point (b.p.) entitlement. The b.p. earned by each employee is 2 b.p. each year for the first 15 years of service and 1 b.p. for the 16th year and thereafter. Under the retirement plan, the pension benefits obligation is the responsibility of the Company's domestic subsidiaries. The Labor Pension Act of the R.O.C. ("the Act"), which took effect from July 1, 2005, adopts a defined contribution pension plan. In accordance with the Act, employees of the Company's domestic subsidiaries (who were hired before July 1, 2005) could elect to be subject to either the Act and maintain their service years before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who were hired by the Company's domestic subsidiaries after July 1, 2005, are required to be covered by the pension plan as defined by the Act. For employees subject to this Act, the Company's domestic subsidiaries are required to make monthly cash contributions to the employees' individual pension accounts at the rate of not less than 6% of the employees' monthly wages and to deposit the contribution in a personal retirement benefit account at the Council of Labor Affairs. The employee retirement plan maintained by the Company's domestic subsidiaries has been amended in conformity with the Act, which has been approved by the board of the directors.

Under SFAS No. 18 "Accounting for Pensions," the balance sheet date is the measurement date of the actuarial report, and a minimum pension liability is recorded in the financial statements based on the difference between the accumulated benefit obligation and the fair value of plan assets. Commencing from January 1, 1996, net periodic pension cost recognized in accordance with SFAS No. 18 includes the current service cost, net transition asset or obligation, prior service cost, and unrecognized gain or loss on the pension plan, which is amortized using the straight-line method over the expected average remaining service period of 15 years of the employees in accordance with the rules set by the SFB. The Company's domestic subsidiaries contribute monthly no less than 2% of gross salary to the employee pension fund, which is deposited into a designated depository account with Bank of Taiwan.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Pursuant to the Act, the Company's domestic subsidiaries also contribute cash at the rate of 6% of gross salary of each employee to the Council of Labor Affairs. This contribution is recognized as pension expense for the current period when the contribution is actually made.

The pension cost contributions for the employees of foreign subsidiaries are based on the regulations of the countries where those subsidiaries are domiciled.

(S) Securities and futures trading loss reserve

In compliance with the Regulations Governing Securities Firms, the securities trading loss reserve is provided in the amount of 10% of the net gain per month from proprietary trading of securities when gain exceeds loss. It is reversed in the month when a loss is realized. Provision for or reversal of such reserve is accounted for under other non-interest income. An allowance is provided until the balance of the reserve reaches \$200,000.

In compliance with the Regulations Governing Futures Commission Merchants, a futures commission merchant engaging in proprietary futures trading shall each month set aside 10% of that month's realized net profit as reserve for trading loss. The reserve for trading loss shall not be used for purposes other than covering trading loss in excess of trading profits. When the accumulated reserve for trading loss reaches the legally required level of minimum working capital, no additional reserve for trading loss is required to be set aside.

(T) Foreign currency translation

The non-derivative foreign currency transactions of the Company and its subsidiaries are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in foreign currencies are translated into the functional currency using the rate of exchange ruling at the balance sheet date. Any exchange differences resulting from fair value variation through profit or loss are included in the income statement, and exchange differences resulting from fair value variation through equity are accounted for under equity adjustments.

Foreign investments under the equity method of the Company and its subsidiaries are booked in the functional currency. The translation of the financial statements is determined as follows: Foreign-currency-denominated assets and liabilities of overseas subsidiaries are translated at the spot rate on the balance sheet date; the components of their stockholders' equity are translated at the historical rate except for the beginning balance of retained earnings, for which the spot rate at the beginning of the year is used. Dividends are translated at the exchange rate on the date of declaration. Income statement accounts are translated at the weighted-average rate, with differences reflected as cumulative translation adjustments to stockholders' equity.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(U) Commitments and contingencies

If the losses from commitments and contingencies are deemed probable and the amount can be reasonably estimated, such losses are recorded currently, otherwise only the nature of commitments and contingencies is disclosed in the notes to the financial statements.

(V) Income taxes

The Company and its subsidiaries adopted SFAS No. 22 “Income Taxes” for the purpose of making inter- and intra-period income tax allocation, as well as for calculating the current income tax expense (benefit). Accordingly, the income tax effects from taxable temporary differences are recognized as deferred tax liability, while deductible temporary differences, prior years’ loss carryforward benefits, investment tax credits, and income tax credits are recognized as deferred tax assets but subject to management’s judgment as to whether the realization is more likely than not.

Prior-year income tax adjustments are recognized as current income tax expenses of the adjustment period.

Investment tax credits are recognized in the current year.

Income taxes separately levied on interest revenue from short-term bills are reported as current income tax expense.

The 10% surtax on undistributed earnings is recorded as current expense on the date of the annual stockholders’ meeting for declaring the distribution of earnings.

When the Company files a consolidated corporate income tax return with its domestic subsidiaries pursuant to the regulations on consolidated taxation, it shall determine the income tax liability of each individual member of the group in accordance with SFAS No. 22 “Income Taxes.” During the period of consolidation, the members of the group calculate and adjust deferred tax assets (liabilities) and current income tax payable (tax refund receivable) accordingly based on a reasonable, consistent and systematic method, and such adjustments are reflected in income tax recognition as other receivables (payables), which are eliminated in preparing the consolidated financial statements.

(W) Treasury stock

The Company adopted SFAS No. 30 “Accounting for Treasury Stock” to account for repurchases of its outstanding shares, carried at cost. Upon disposal, the excess of the selling price over book value is recorded as a “capital surplus—treasury stock.” If the selling price is lower than book value, the difference is charged against capital surplus from treasury stock, and any deficit is debited against retained earnings. The book value of purchased treasury stock is separately calculated using the weighted-average method.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Upon retirement, the “capital surplus—premium on issuance of capital stock” is debited on a pro rata basis. If the book value exceeds the premium on issuance of capital stock, the difference is offset against “capital surplus-treasury stock” in the same classification, and any deficit is charged against retained earnings. If the book value of treasury stock is lower than the total of capital stock and premium on stock issuance, the difference is credited to “capital surplus—treasury stock.”

(X) EPS

Basic EPS are calculated by dividing net income, net of preferred stock dividends, by the weighted-average number of common shares outstanding during the period. Diluted EPS is calculated by dividing net income, net of preferred stock dividends and after-tax interest expense of convertible bonds, by the weighted-average number of outstanding common shares and the total number of convertible bonds and stock warrants with dilution effect. In the event of a capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, the number of shares outstanding is retroactively adjusted by the capitalization ratio, regardless of the period when such incremental shares remain outstanding.

3. REASONS FOR AND EFFECT OF ACCOUNTING CHANGES

(A) Effect of changes in accounting principles through profit or loss

Effective January 1, 2008, the Company and its subsidiaries adopted Republic of China Statement of Financial Accounting Standards (SFAS) No. 39 “Share-based Payment” and Interpretation (96) No. 052 issued by the Accounting Research and Development Foundation. In accordance with SFAS No. 39 and the Interpretation, the Company and its subsidiaries are required to classify, measure and disclose the share-based payment arrangements, employee bonuses, and directors’ and supervisors’ remuneration. This accounting principle change caused an increase in consolidated net income after tax of \$6,600 and an increase in consolidated EPS after tax of less than NT\$0.01 (dollars).

The Company’s subsidiary Chinatrust Commercial Bank Co., Ltd. adopted the second amendment of the Republic of China Statements of Financial Accounting Standards (SFAS) No. 34 “Financial Instruments: Recognition and Measurement” and proceeded to reclassify its financial assets. This resulted in an increase in after-tax consolidated net income of NT\$ 4,640,479 thousand and an increase in EPS of NT\$ 0.51 for the nine months ended September 30, 2008.

(B) Cumulative effect of change in accounting principle

Effective January 1, 2008, the Company and its subsidiaries adopted the newly released SFAS No. 39 “Share-based Payment.” Pursuant to SFAS No. 39, for liabilities arising from share-based payment transactions existing at the application date of this standard, the Company and its subsidiaries shall apply the standard retroactively. After the reevaluation, the cumulative effect of change in accounting principle amounted to \$(65,296).

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(C) Effect of changes in accounting estimate through profit and loss

Commencing from January 1, 2008, the Company's subsidiary Chinatrust Securities Co., Ltd. changed the depreciation method from fixed-percentage-on-declining-base to straight-line. This accounting change was approved by Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, Interpretation (2) No. 0960064689. The change in an accounting estimate resulted in an increase in after-tax consolidated net income of approximately \$3,130, and an increase in consolidated EPS of less than NT\$0.01 (dollars) per share in the third quarter of 2008.

(D) Other

Commencing from January 1, 2007, the Company and its subsidiaries adopted SFAS No. 37 "Intangible Assets." Pursuant to SFAS No. 37, the Company and its subsidiaries reassessed the useful life and amortization method of intangible assets which had been recognized prior to the effective date, and made no changes.

4. SUMMARY OF MAJOR ACCOUNTS

(A) CASH AND CASH EQUIVALENTS

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Cash on hand	\$ 8,942,964	\$ 9,617,820
Checks for clearance	5,703,714	5,415,128
Cash in transit	2,879,779	2,385,675
Due from other banks	6,004,279	7,815,068
Cash equivalents	5,187,194	8,725,997
Total	<u>\$ 28,717,930</u>	<u>\$ 33,959,688</u>

(B) DUE FROM CENTRAL BANK AND CALL LOANS TO BANKS

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Required reserve—Account A	\$ 4,323,564	\$ 23,019,584
Required reserve—Account B	30,247,408	26,212,398
Required reserve—Foreign currency	-	2,508,660
Due from Central Bank	2,732,215	3,090,925
Call loans to other banks	107,600,504	132,260,797
Total	<u>\$ 144,903,691</u>	<u>\$ 187,092,364</u>

The reserves for deposits are calculated at prescribed rates, using the average monthly balances of various deposit accounts, and are appropriated and deposited in the reserve account of the Central Bank of the Republic of China (Taiwan). Deposits in "Required reserve—Account A" are interest-free and can be withdrawn at any time; deposits in "Required reserve—Account B" are interest-bearing and cannot be withdrawn except for the monthly adjustment to the required reserve permitted by relevant regulations.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(C) FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As of September 30, 2008 and 2007, the financial assets held for trading of the Company and its subsidiaries were as follows:

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Commercial paper	\$ 22,586,138	\$ 11,933,419
Negotiable certificates of deposit	1,500,000	7,949,108
Government bonds	6,901,568	12,816,619
Corporate bonds	5,495,190	7,424,916
Treasury bills	1,105,942	909,170
Financial debentures	5,175,078	5,987,217
Convertible bonds	11,559,270	6,805,900
Other bonds and securities	2,978,730	4,937,530
Listed and OTC securities	806,712	14,812,770
Beneficiary certificates and funds	19,894	18,941
Asset-backed securities	-	2,335,148
Derivatives	45,599,485	31,827,515
Valuation adjustment of financial assets	149,033	26,314
Total	<u>\$ 103,877,040</u>	<u>\$ 107,784,567</u>

Please refer to Notes 6 and 7(A) for information with regard to the resell conditions for financial assets held for trading shown above. For the information on reclassification of financial assets, please refer to Note 4(AB).

There was no financial asset designated upon initial recognition as one to be measured at fair value, with changes in fair value recognized in profit or loss for the Company and its subsidiaries.

As of September 30, 2008 and 2007, the financial liabilities held for trading of the Company and its subsidiaries were as follows:

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Derivatives	\$ 44,686,003	\$ 31,903,588
Borrowed government bonds	124,201	2,691,978
Borrowed listed and OTC securities	227,274	-
Total	<u>\$ 45,037,478</u>	<u>\$ 34,595,566</u>

For the nine months ended September 30, 2008 and 2007, the net realized gains on financial assets and liabilities held for trading amounted to \$1,488,377 and \$5,044,761, respectively, and net unrealized gains (losses) amounted to \$1,641,171 and \$(2,092,519), respectively.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(D) RECEIVABLES—NET

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Notes receivable	\$ 58,047	\$ 90,126
Accounts receivable	111,352,743	111,910,097
Interest receivable	5,764,234	6,769,583
Acceptances receivable	5,474,485	7,837,322
Accrued income	770,265	1,042,276
Tax refund receivable	1,637,280	974,441
Other receivables	3,642,302	2,563,399
Subtotal	<u>128,699,356</u>	<u>131,187,244</u>
Less: Allowance for credit losses	<u>(3,988,766)</u>	<u>(1,597,416)</u>
Total	<u><u>\$ 124,710,590</u></u>	<u><u>\$ 129,589,828</u></u>

The accounts receivable shown above included the receivables of credit card holders who were involved in debt repayment negotiation with the Company's subsidiary Chinatrust Commercial Bank Co., Ltd.

As of September 30, 2008 and 2007, accounts receivable of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. included factoring of \$43,710,898 and \$37,272,404, respectively.

Please refer to Note 6 for information with regard to the restrictions on other receivables shown above.

Allowance for credit losses was provided by evaluating the overall portfolios of both accounts receivable and accounts receivable—non-accrual account (accounted for under other financial assets—net).

The changes in allowance for credit losses were as follows:

<u>For the nine months ended</u> <u>September 30, 2008</u>	<u>Inherent risk</u> <u>of overall claims</u>	<u>Default risk of</u> <u>specific claims</u>	<u>Total</u>
Beginning balance	\$ 1,542,784	\$ 608,816	\$ 2,151,600
Current (reversal of) provisions	(90,589)	4,274,893	4,184,304
Current transfer	(259,921)	259,921	-
Current charge-off	-	(3,101,358)	(3,101,358)
Recovery of bad debts	-	858,366	858,366
Exchange rate effect	616	(9,661)	(9,045)
Ending balance	<u><u>\$ 1,192,890</u></u>	<u><u>\$ 2,890,977</u></u>	<u><u>\$ 4,083,867</u></u>

<u>For the nine months ended</u> <u>September 30, 2007</u>	<u>Inherent risk</u> <u>of overall claims</u>	<u>Default risk of</u> <u>specific claims</u>	<u>Total</u>
Beginning balance	\$ 2,841,710	\$ 1,869,249	\$ 4,710,959
Current provisions	21,976	1,584,199	1,606,175
Current transfer	(1,838,756)	1,838,756	-
Current charge-off	-	(5,650,009)	(5,650,009)
Recovery of bad debts	-	823,428	823,428
Transfer due to assumption of assets and liabilities of EBH	-	132,598	132,598
Exchange rate effect	906	(13,085)	(12,179)
Ending balance	<u><u>\$ 1,025,836</u></u>	<u><u>\$ 585,136</u></u>	<u><u>\$ 1,610,972</u></u>

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(E) LOANS—NET

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Corporate loans	\$ 320,553,006	\$ 306,560,096
Micro-business loans	4,439,623	5,736,453
Mortgage loans	301,360,038	289,276,078
Automobile loans	1,701,639	4,621,882
Consumer loans	67,188,083	74,140,055
Subtotal NTD loans	<u>695,242,389</u>	<u>680,334,564</u>
Foreign currency loans	235,433,711	186,988,541
Non-accrual loans	<u>13,492,681</u>	<u>9,658,725</u>
Subtotal	944,168,781	876,981,830
Less: Allowance for loan losses	<u>(11,168,512)</u>	<u>(12,710,434)</u>
Total	<u><u>\$ 933,000,269</u></u>	<u><u>\$ 864,271,396</u></u>

The loans shown above included the loans to cash card holders and clients taking fiduciary loans who were involved in debt repayment negotiation with the Company's subsidiary Chinatrust Commercial Bank Co., Ltd.

Please refer to Note 4(AA) for the industry information on the Company's subsidiary Chinatrust Commercial Bank Co., Ltd.

As of September 30, 2008 and 2007, non-performing loans of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries amounted to \$16,204,330 and \$14,616,519, respectively.

For the nine months ended September 30, 2008 and 2007, suspended accrual of interest for non-accrual accounts of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries amounted to \$177,355 and \$193,254, respectively.

As of September 30, 2008 and 2007, no loans of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries were written off without prior recourse.

The changes in allowance for loan losses were as follows:

<u>For the nine months ended September 30, 2008</u>	<u>Inherent risk of overall claims</u>	<u>Default risk of specific claims</u>	<u>Total</u>
Beginning balance	\$ 5,147,212	\$ 7,085,969	\$ 12,233,181
Current provisions	-	5,319,862	5,319,862
Current transfer	(761,062)	761,062	-
Current charge-off	-	(8,840,182)	(8,840,182)
Recovery of bad debts	-	2,689,869	2,689,869
Exchange rate effect	14,743	(248,961)	(234,218)
Ending balance	<u><u>\$ 4,400,893</u></u>	<u><u>\$ 6,767,619</u></u>	<u><u>\$ 11,168,512</u></u>
<u>For the nine months ended September 30, 2007</u>	<u>Inherent risk of overall claims</u>	<u>Default risk of specific claims</u>	<u>Total</u>
Beginning balance	\$ 12,114,500	\$ 6,820,911	\$ 18,935,411
Current provisions	-	4,166,366	4,166,366
Current transfer	(6,747,786)	6,747,786	-
Current charge-off	-	(15,385,787)	(15,385,787)
Recovery of bad debts	-	1,849,557	1,849,557
Transfer due to assumption of assets and liabilities of EBH	-	3,084,962	3,084,962
Exchange rate effect	7,092	52,833	59,925
Ending balance	<u><u>\$ 5,373,806</u></u>	<u><u>\$ 7,336,628</u></u>	<u><u>\$ 12,710,434</u></u>

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(F) AVAILABLE-FOR-SALE FINANCIAL ASSETS—NET

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Commercial paper	\$ 36,683,699	\$ 58,223,058
Negotiable certificates of deposit	3,800,000	60,880,276
Treasury bills	3,446,899	3,225,054
Government bonds	45,239,165	69,843,576
Corporate bonds	7,301,730	3,477,692
Financial debentures	1,855,110	5,367,514
Other bonds and securities	4,068,437	6,187,106
Beneficiary certificates and funds	2,012,492	3,932,999
Listed and OTC securities	31,316,612	18,111,664
Valuation adjustment of financial assets	(11,924,335)	(3,156,075)
Total	<u>\$ 123,799,809</u>	<u>\$ 226,092,864</u>

Please refer to Notes 6 and 7(A) for information with regard to the restrictions or resell conditions on available-for-sale financial assets shown above. In addition, for the information on reclassification of financial assets, please refer to Note 4(AB).

For the nine months ended September 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. recognized an impairment loss of \$139,256 on its structured investment vehicle (SIV) in light of the market situation. As of June 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. had derecognized the SIV assets from the balance sheet at their carrying amount accordingly.

(G) HELD-TO-MATURITY FINANCIAL ASSETS

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Commercial paper	\$ -	\$ 604,442
Negotiable certificates of deposit	164,747,216	85,635,224
Treasury bills	889,573	1,457,083
Government bonds	24,320,214	32,952,904
Corporate bonds	5,098,580	5,264,104
Financial debentures	1,510,357	885,126
Asset-backed securities	464,440	177,244
Total	<u>\$ 197,030,380</u>	<u>\$ 126,976,127</u>

Please refer to Notes 6 and 7(A) for information with regard to the restrictions or resell conditions on held-to-maturity financial assets shown above.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(H) FINANCIAL ASSETS SECURITIZATION

(a) Mortgage loans securitization

During the third quarter of 2004, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. securitized its mortgage loans with a book value of \$5,031,192 with Deutsche Bank AG, Taipei Branch (Deutsche Bank), as Trustee, and offered security in the form of beneficiary certificates. These beneficiary certificates have a redemption period from August 10, 2004, to August 25, 2024. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount/ Face value	Interest rate	Payment frequency
Class A	1 st	\$ 4,325,000	the index rate +0.25%	once a month
Class B	2 nd	250,000	the index rate +0.55%	once a month
Class C	3 rd	150,000	the index rate +0.80%	once a month
Class D	4 th	130,000	the index rate +1.25%	once a month
Class E	5 th	176,192	None	once a month

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. holds the Class E beneficiary certificates and retains the right to interest in excess of the amount paid to the holders of Class A, B, C and D beneficiary certificates. If the loan debtors default, neither the investor nor Deutsche Bank has the right of recourse to the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. The repayment of the principal of Class E beneficiary certificates is subordinate to the investors' certificates, and their value is affected by the credit risk, prepayment rate, and change in interest rate of the securitized loans.

1. Key assumptions used in measuring retained interests

The key assumptions used in measuring the subordinated seller certificates arising from the loan securitization at the loan securitization dates and during the reporting period were as follows:

	Mortgage loan securitization	
	September 30, 2008	August 10, 2004
Prepayment rate (annual rate)		
Adjustable Rate Mortgage	17.50%	17.50%
Government Subsidized Mortgage	7.00%	7.00%
Weighted-average life (in years)	9.85	17.36
Expected credit losses rate (annual rate)	2.59%	3.01%
Discounting rate for residual cash flows (annual rate)		
- principal	5.70%	5.70%
- interest	2.34%	2.34%

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. Sensitivity analysis

As of September 30, 2008, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	Mortgage loan securitization	
Book value of retained interests	\$	157,640
Weighted-average life (in years)		9.85
Prepayment rate (annual rate)		
Adjustable Rate Mortgage		17.50%
Government Subsidized Mortgage		7.00%
Impact on fair value with 10% adverse change		(1,237)
Impact on fair value with 20% adverse change		(2,384)
Expected credit losses rate (annual rate)		2.59%
Impact on fair value with 10% adverse change		(979)
Impact on fair value with 20% adverse change		(1,958)

3. Expected static pool credit losses

As the securitized mortgage loan did not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses.

4. Cash flows

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

	For the nine months ended September 30,	
	2008	2007
Servicing fees received	\$ 2,688	\$ 3,546
Other cash flows received on retained interests	13,351	16,961
Repayments of cash reserve	1,081	2,205
Servicing advances	(6,032)	(9,800)
Repayments of servicing advances	6,232	8,377

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Collateralized loan obligation securitization

During the first quarter of 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. securitized a collateralized loan with a book value of \$8,273,187 with First Commercial Bank Co., Ltd. as Trustee, and offered security in the form of beneficiary certificates. Chinatrust Commercial Bank Co., Ltd. acquired \$7,451,775 in cash from this transaction, with a gain of \$6,594 accounted for under other non-interest income. These beneficiary certificates have a redemption period from January 3, 2007, to January 12, 2014. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount/ Face value	Issue price (price-per-hundred)	Interest rate	Payment frequency
Senior tranche A - certificate	1 st	\$ 5,323,000	99.794	-	once a month
Senior tranche B - certificate	2 nd	379,000	94.933	-	once a month
Senior tranche C - certificate	3 rd	1,092,000	93.131	-	once a month
Senior tranche D - certificate	4 th	608,000	91.022	-	once a month
Mezzanine tranche E - certificate	5 th	316,000	100	3.1509 %	once a month
Subordinated tranche F - certificate	6 th	270,000	100	3.3500 %	once a month
Subordinated tranche G - certificate	7 th	285,187	203.488	None	once a month

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. holds the subordinated beneficiary certificates and retains the right to interest (if any) in excess of the amount paid to the holders of senior and mezzanine beneficiary certificates. If the loan debtors default, neither the investor nor Trustee has the right of recourse to the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. The repayment of the principal of subordinated beneficiary certificates is subordinate to the investors' certificates, and their value is affected by the credit risk, prepayment rate, and change in interest rate of the securitized loans. For the nine months ended September 30, 2008, an impairment loss of \$38,660 was recognized as a result of the increase in these risks; please refer to Note 4(J) for more information.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

1. Key assumptions used in measuring retained interests

The key assumptions used in measuring the subordinated seller certificates arising from the loan securitization on the measurement date of initial recognition and during the reporting period were as follows:

	Corporate loan securitization	
	September 30, 2008	January 3, 2007
Prepayment rate (annual rate)	21.25%	3.60%
Weighted-average life (in years)	0.95	1.96
Expected credit losses rate (annual rate)	2.26%	0.30%
Discounting rate for residual cash flows (annual rate)	2.26%	2.23%

2. Sensitivity analysis

As of September 30, 2008, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10% and 20% adverse changes in these assumptions were as follows:

	Corporate loan securitization	
	September 30, 2008	January 3, 2007
Book value of retained interests	\$	558,263
Weighted-average life (in years)		0.95
Prepayment rate (annual rate)		21.25%
Impact on fair value of 10% adverse change		(339)
Impact on fair value of 20% adverse change		(633)
Expected credit losses rate (annual rate)		2.26%
Impact on fair value of 10% adverse change		(2,234)
Impact on fair value of 20% adverse change		(4,459)

3. Expected static pool credit losses

As the securitized collateralized loan obligation did not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses.

4. Cash flows

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

	For the nine months ended September 30,	
	2008	2007
Other cash flows received on retained interests	\$ 88,973	\$ 112,291
Servicing fees received	150	100

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(I) INVESTMENTS UNDER EQUITY METHOD—NET

	September 30, 2008		September 30, 2007	
	%	Book value	%	Book value
Chinatrust Forex Corp. (Note 1) (original investment at PHP51,045 thousand)	100.00	\$ 34,151	100.00	\$ 33,092
Chinatrust Capital Statutory Trust II (Note 2) (original investment at USD774 thousand)	100.00	24,869	100.00	25,217
Chinatrust Securities Investment Consultancy Co., Ltd. (Note 1) (original investment at \$9,940)	99.40	13,476	99.40	13,575
Grand Bills Finance Corporation (original investment at \$1,010,880)	21.15	1,607,695	21.15	1,450,190
GCB Finance (HK) Limited (original investment at \$223,050)	100.00	356,336	100.00	358,671
Chinatrust Security Co., Ltd. (original investment at \$58,839)	100.00	61,961	100.00	66,693
Total		\$ 2,098,488		\$ 1,947,438

Note 1: Company in liquidation.

Note 2: The Company's sub-subsidiary Chinatrust Capital Corporation owned 100% of the common shares of the SPE, typically representing 3% of the overall equity of the SPE.

For the nine months ended September 30, 2008 and 2007, investment income or losses recognized under the equity method were as follows:

	For the nine months ended September 30,	
	2008	2007
Chinatrust Securities Investment Consultancy Co., Ltd. (Note)	\$ (163)	\$ 187
Grand Bills Finance Corporation	30,275	(75,875)
GCB Finance (HK) Limited	540	1,310
Chinatrust Forex Corp. (Note)	123	-
Chinatrust Security Co., Ltd.	2,796	2,386
Total	\$ 33,571	\$ (71,992)

Note: Company in liquidation.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(J) OTHER FINANCIAL ASSETS—NET

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Short-term advances	\$ 3,148,670	\$ 1,285,839
Refundable deposits—net	5,191,983	10,205,227
Hedging derivative financial assets	582,470	11,022
Deposits pledged	480,150	623,766
Debt investment without active market—net	799,238	1,875,279
Financial assets carried at cost—net	4,697,356	4,586,631
Accounts receivable—non-accrual account	95,101	27,976
Less: Allowance for accounts receivable —non-accrual account	(95,101)	(13,556)
Others	401,297	664,775
Total	<u>\$ 15,301,164</u>	<u>\$ 19,266,959</u>

Please refer to Note 6 for information with regard to the restrictions on the other financial assets shown above.

The debt investments, comprising corporate and other bonds, without active market held by the Company and its subsidiaries are therefore carried at amortized cost due to the lack of quoted market price. For the nine months ended September 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. recognized an impairment loss of \$510,545 and \$38,660 to cover exposure of its structured investments vehicle (SIV) and collateralized loan obligation securitization, respectively, in light of the market situation. As of June 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. had derecognized the SIV assets from the balance sheet at their book value accordingly.

Financial assets carried at cost include stock and equity investments of the Company and its subsidiaries with no quoted market price and whose fair value cannot be reliably measured; such financial assets are carried at cost.

On September 8, 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. purchased the assets and assumed the liabilities of EBH, which include the equity of Sunny Assets Management Co. in the amount of \$11. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. has recognized the full amount of the impairment loss.

As of September 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. had obtained 85 thousand shares of MasterCard International restricted common shares. As of September 30, 2008, through a conversion plan, the shares had become tradable stock on the market and 73 thousand shares had been sold. For the nine months ended September 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. recognized a gain of \$437,482, accounted for under realized gains on available-for-sale financial assets.

During May and July 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. received a payment of \$1,855,842 and 1,032 thousand shares of common stock (recognized as revenue of \$1,349,578), respectively, in connection with the redemption of VISA stock through the National Credit Card Center of the R.O.C. distributed by VISA as a result of VISA's global restructuring. The preceding transactions were all accounted for under other miscellaneous income.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the nine months ended September 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. recognized impairment loss amounting to \$1,875 on its equity investments carried at cost.

The Company's sub-subsidiary CT Opportunity Investment Company (CTO) signed an Agreement of Limited Partnership with Oscillum Company Limited (Oscillum) during 2004 and 2005 to jointly invest in Garrison Colony Asia Investors L.P. (GC) and CT Asia Investors I, L.P. (CTAI) partnership organizations, respectively, which were accounted for under financial assets carried at cost. Pursuant to this Agreement of Limited Partnership, Oscillum acts as a general partner who manages the business and funds investment, and CTO is liable for the capital contributed to the partnership as a limited partner. In view of the significant uncertainty as to the collectibility of non-performing loans, which are the main components of the fund's investment, the investment gains or losses were recognized using the cost recovery method based on the principle of conservatism. The cost of the preceding partnership investment was mostly recovered during year 2006. As of December 31, 2006, and June 30, 2007, the balances of the aforesaid investments amounted to US\$27,178 thousand and US\$8,288 thousand, respectively.

As a result of the liquidation notice that CTO received from Oscillum, board of directors' meetings were held by the Company's subsidiary Chinatrust Asset Management Co., Ltd. and CTO on June 28, 2007, and a motion was carried by the board of directors that all assets held by the two partnership organizations, CTAI and GC, would be transferred to CTO and that the Agreement of Limited Partnership regarding CTAI and GC will be terminated thereafter. The details of the preceding investment transfer plan were as follows:

- a. Net asset value assessment date: Net asset value determined as of June 30, 2007.
- b. Content of the transfer:
 1. The net asset value will be determined based on independent accountants' review reports of CTAI and GC as of June 30, 2007.
 2. Only those relevant administrative expenses generated before December 31, 2006, will be settled.
 3. The net assets of CTAI and GC will be directly taken over by CTO, and the general partner's capital contribution will be returned to the general partner.
 4. The funds, GC and CTAI, founded and managed by Oscillum for the benefit of CTO, will proceed with the procedure for dissolution and liquidation. After each fund pays its taxes and other necessary expenditures, the rest of its properties will be transferred to CTO according to the contract.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- c. Assets transferred: CTO will directly own the following transferred assets according to the preceding investment transfer plan.
 - 1. The investment in non-performing loans of Colony Asia Investors I, L.P., accounts receivable—PASI Fund, and banking deposit originally belonging to CTAI.
 - 2. UOB Hermes fund investments and banking deposit originally belonging to GC.
- d. Schedule of progress: As of April 18, 2008, CTO had signed the contract with Oscillum regarding the investment transfer mentioned in the preceding paragraph, and the following transfer procedures were being carried out.
- e. Overview of investment during the current period:

CTO has received a capital recovery payment of US\$18,641 thousand and US\$17,828 thousand from the investment in CTAI and GC, respectively, since it signed the preceding investment transfer contract. The preceding capital recovery included a payment of US\$6,062 thousand remitted back from GC; and a payment of US\$11,535 thousand and US\$231 thousand remitted back from Advanced Synchronous Solutions Company Limited and Tectonics Laboratories Co., Ltd., respectively, with recognition of a gain from investment of US\$11,766 thousand. Since the completion of the preceding investment transfer, the capital recovery has continued. As of September 30, 2008, the account balance of equity investment carried at cost directly held by CTO included non-performing loans of Colony Asia Investors I, L.P. of US\$699 thousand, UOB Hermes Fund Investment of US\$2,226 thousand, and accounts receivable—PASI Fund of US\$7,838 thousand (of which US\$7,500 thousand was accounted for under debt investment without active market and US\$338 thousand was accounted for under receivables). The preceding investments were valued using the cost recovery method based on the conservatism principle, and no indicator or evidence showed that impairment loss had occurred based on the evaluation of those investments.

Pursuant to the board of director's resolution, Chinatrust Venture Capital Corp. is planning to swap all its shares of preferred stock of Colini Investment Holdings Limited (Colini) and Total Pioneer Limited (Total Pioneer) in exchange for the investment in PASI Fund's assets originally made by Colini and Total Pioneer by simultaneously exercising a put option and giving a put exercise notice. As of April 18, 2008, the Company's subsidiary Chinatrust Venture Capital Corp. had signed the contract and carried out the pre-redemption procedure for the swap mentioned in the preceding paragraph. No indicator or evidence showed that impairment loss on the investment of the PASI Fund's assets had occurred based on the Company's evaluation.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(K) PREMISES AND EQUIPMENT—NET

September 30, 2008	Cost	Revaluation appreciation	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 16,097,816	\$ 61,649	\$ -	\$ 27,244	\$ 16,132,221
Superficies right	3,207,146	-	-	-	3,207,146
Buildings	14,843,180	416	4,999,067	13,510	9,831,019
Transportation equipment	98,782	-	59,741	-	39,041
Miscellaneous equipment	11,490,906	-	8,386,966	-	3,103,940
Construction in progress	357,139	-	-	-	357,139
Prepayment for equipment	20,622	-	-	-	20,622
Leased premises	288,822	-	58,746	-	230,076
Total	\$ 46,404,413	\$ 62,065	\$ 13,504,520	\$ 40,754	\$ 32,921,204

September 30, 2007	Cost	Revaluation appreciation	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 16,964,647	\$ 61,649	\$ -	\$ 58,707	\$ 16,967,589
Superficies right	3,274,429	-	-	-	3,274,429
Buildings	15,386,587	416	4,686,844	29,114	10,671,045
Transportation equipment	118,761	-	69,763	-	48,998
Miscellaneous equipment	11,185,676	-	8,020,529	-	3,165,147
Construction in progress	150,258	-	-	-	150,258
Prepayment for equipment	54,084	-	-	-	54,084
Total	\$ 47,134,442	\$ 62,065	\$ 12,777,136	\$ 87,821	\$ 34,331,550

The depreciable assets of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. were revalued on December 31, 1974, and December 31, 1980, resulting in total appreciation of \$13,510 and \$53,123, respectively. In addition, land was revalued on September 30, 1987, based on the government-announced value, resulting in land appreciation of \$77,519.

In May 2006, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. acquired the superficies right of lots 43, 43-1, 45 and 45-1 of Jingmao Section, Nankang, Taipei, from Taiwan Fertilizer Co., Ltd. for 50 years through a public tender. The acquisition cost amounted to \$3,364,140 (including business tax and other related expenses of the superficies right). The rental is determined annually at the rate of 8% of the government district assessed present value. Please refer to Note 6 for information on performance guarantee deposits.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Following the acquisition of EBH, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. worked on a relocation plan for each branch office's operations. Due to the dissolution or relocation of branch offices, a portion of the premises became idle. As of March 31, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. had reclassified these idle premises and equipment under other assets. Please refer to Note 4(M) for further information.

In 2006, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. delisted the second training center premises at their book value of \$87,821; please refer to Note 5(B) for more detailed transaction information. As of December 31, 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. had reclassified the non-self-use part of the second training center premises under idle premises and equipment with net book value of \$471,371 after deduction of accumulated impairment.

The above premises and equipment included the land and buildings pledged by the Company's subsidiary Chinatrust Securities Co., Ltd. Please refer to Note 6 for details.

(L) INTANGIBLE ASSETS

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Goodwill	\$ 10,406,632	\$ 10,410,178
Computer software	1,687,704	1,446,180
Difference between original investment cost and net equity of the investee	197,181	192,939
Total	<u>\$ 12,291,517</u>	<u>\$ 12,049,297</u>

As of September 30, 2008 and 2007, goodwill of the Company and its subsidiaries was acquired from business combination.

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. purchased the assets and assumed the liabilities of EBH on September 8, 2007, and recognized goodwill in the amount of \$6,068,229; please refer to Note 10 for further information. The difference in the goodwill account between the two periods, excluding the amount transferred from EBH, arose from foreign currency translation.

Effective January 1, 2006, the difference between the investment cost and the net equity of the investee previously recognized as an asset for which it is not possible to analyze the underlying causes amounted to \$250,844, which represents part of the balance of consolidated debits. In accordance with amended SFAS No. 5 "Long-term Investments under Equity Method," the differences are no longer amortizable, but the assets should be assessed periodically for impairment.

Effective January 1, 2006, the difference between investment cost and net equity of the investee previously recognized as a liability for which it is not possible to analyze the underlying causes amounted to \$65,329, which represents part of the balance of consolidated credits. In accordance with amended SFAS No. 5 "Long-term Investments under Equity Method," these differences should be amortized based on the remaining period. As of September 30, 2008 and 2007, the ending balance of this account amounted to \$53,663 and \$57,905, respectively.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(M) OTHER ASSETS—NET

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Prepayments	\$ 2,487,357	\$ 2,098,603
Deferred charges	192,661	228,427
Real estate investments	1,400	1,400
Foreclosed properties received	535,370	1,301,031
Less: Accumulated impairment	(351,975)	(922,707)
Deferred income tax assets—net	5,674,222	5,395,743
Rentable and idle premises	3,582,686	2,837,656
Less: Accumulated impairment	(1,279,914)	(1,118,090)
Temporary payments	49,835	108,940
Surrender value of life insurance	1,411,982	1,378,438
Others	485,113	226,237
Total	<u>\$ 12,788,737</u>	<u>\$ 11,535,678</u>

Please refer to Note 4(U) for deferred income tax assets—net.

(N) DUE TO CENTRAL BANK AND OTHER BANKS

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Financing from Central Bank	\$ 4,560,387	\$ 5,044,645
Financing from other banks	9,692,158	10,749,211
Total	<u>\$ 14,252,545</u>	<u>\$ 15,793,856</u>

Financing from Central Bank

As of September 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. had borrowed US\$141,935 thousand from the Central Bank to facilitate the business expansion of its overseas branches and subsidiaries. This loan bears interest at the annual rate of 6M LIBOR. All financing will mature prior to July 26, 2019, and interest is payable semi-annually and on the maturity date.

Financing from other banks

As of September 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. had borrowed US\$3,000 thousand from other banks, with an annual interest rate of 8.8044%. All financing will mature on August 27, 2009, with interest payable quarterly. The financing of Chinatrust Commercial Bank Co., Ltd.'s subsidiary Chinatrust Bank (U.S.A.) was mainly the inter-bank borrowings from other banks. As of September 30, 2008, the amount of inter-bank borrowings was equivalent to US\$286,253 thousand, with an annual interest rate between 3.43% and 5.62%, and all financing will mature on July 6, 2016.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(O) COMMERCIAL PAPER PAYABLE—NET

	September 30, 2007
Commercial paper payable	\$ 350,000
Less: Discount on commercial paper payable	(74)
Total	\$ 349,926

As of September 30, 2007, unexpired commercial paper payable of the Company and its subsidiaries was as follows:

Guarantee institutions	Amount	Discount rate	September 30, 2007	
			Collateral	
			Items	Book value
China Bills Finance Corp.	\$ 200,000	1.80%	None	\$ -
International Bills Finance Corp.	100,000	2.19%	"	-
Taiwan Bills Finance Corp.	50,000	2.09%	"	-

(P) PAYABLES

	September 30, 2008	September 30, 2007
Notes payable	\$ -	\$ 766
Accounts payable	16,292,749	19,015,739
Accrued expenses	7,608,012	8,679,796
Income tax payable	1,802,295	813,978
Interest payable	6,412,932	6,297,558
Acceptances payable	5,376,993	7,620,703
Collection payable	7,299,957	3,158,066
Other tax payable	202,939	1,020,355
Dividends and bonuses payable	138,289	144,596
Checks for clearance	5,483,213	5,375,245
Interbank clearing payable	375,090	182,109
Non-discretionary monetary trust payable	2,022,404	307,968
Miscellaneous lottery accounts payable	3,952,670	3,297,810
Lease payable	192,107	-
Settlement payable to the National Credit Card Center	533,934	-
Fees payable to trustee for asset securitization	466,156	378,440
Other payable	2,882,876	1,157,932
Total	\$ 61,042,616	\$ 57,451,061

As of September 30, 2008 and 2007, accounts payable of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. included balances arising from factoring of \$13,445,958 and \$16,636,135, respectively.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Q) DEPOSITS AND REMITTANCES

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
NTD deposits		
Checking accounts	\$ 9,488,982	\$ 8,187,931
Demand deposits		
Demand deposits	75,270,193	78,607,509
Demand savings deposits	276,160,913	311,714,771
Others	3,854,162	3,494,333
Subtotal of demand deposits	<u>355,285,268</u>	<u>393,816,613</u>
Time deposits		
Time deposits	193,252,261	181,580,960
Time savings deposits	266,064,117	271,901,334
Negotiable certificates of deposit	4,500,800	2,448,700
Postal savings redeposits	20,974,683	23,641,002
Treasury deposits	11,203,613	10,062,050
Others	23,754,000	9,050,000
Subtotal of time deposits	<u>519,749,474</u>	<u>498,684,046</u>
Subtotal of NTD deposits	<u>884,523,724</u>	<u>900,688,590</u>
Foreign currency deposits	348,973,105	341,692,259
Adjustment of fair value decline on hedge transactions (Note)	-	(67,304)
Subtotal of foreign currency deposits	<u>348,973,105</u>	<u>341,624,955</u>
Remittances under custody	57,886	100,968
Remittances outstanding	640,575	518,098
Total	<u>\$ 1,234,195,290</u>	<u>\$ 1,242,932,611</u>

Note: Please refer to Note 4(AA) for the structured deposits in USD used for hedging purposes.

(R) CORPORATE BONDS AND FINANCIAL DEBENTURES

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Corporate bonds	\$ 18,000,000	\$ 21,000,000
Financial debentures	90,048,791	81,442,689
Total	<u>\$ 108,048,791</u>	<u>\$ 102,442,689</u>

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Corporate bonds

In 2002, the Company issued overseas unsecured convertible bonds with a maturity period of 5 years. The terms and conditions of issue were as follows:

	September 30, 2007
Original issue size (US\$400,000 thousand)	\$ 13,452,400
Accumulated converted amount (US\$392,049 thousand as of September 30, 2007)	(13,185,000)
Redemption premium payable (US\$7,951 thousand) (Note)	(260,705)
Unrealized foreign exchange gain	(6,695)
Ending balance	\$ -

Note: The Company's overseas convertible bonds were due for redemption on July 8, 2007, and the balance of principal and interest redemption amounted to US\$7,951 thousand and US\$1,822 thousand, respectively. The Company redeemed all convertible bonds in US dollars.

(a) Issue Date:

July 8, 2002.

(b) Place of issue and trade:

Luxembourg Stock Exchange - Euro MTF.

(c) Size:

US\$400 million.

(d) Duration:

Five years, from July 8, 2002, to July 8, 2007.

(e) Coupon rate:

0% per annum.

(f) Method of redemption and time:

Unless previously redeemed, resold or converted into common shares of the Company, the bonds will be redeemed on maturity (July 8, 2007) at par value plus yield at maturity (annual interest rate is 4.17%, compounded semi-annually) by the Company.

(g) Conversion period and underlying asset:

From August 7, 2002, to July 1, 2007, bondholders can elect to have bonds converted into common shares or GDSs (Global Depositary Shares).

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(h) Conversion price and adjustment:

The initial conversion price is NT\$37.16 (dollars) per common share. The applicable conversion price will be subject to adjustment for, among other things, subdivision or consolidation of common shares, rights offering, distributions of cash or common share dividends, reorganization and other dilutive events. (Pursuant to the contract, the price will be adjusted downward but not upward.) Effective August 15, 2006, the conversion price is adjusted to NT\$20.869 (dollars).

(i) Reselling rights of the bondholders:

The bondholders will have the right to require the Company to repurchase the bonds at face value on the original issue date with a gross compound yield of 4.17% per annum (calculated on a semi-annual basis) under any of the following situations:

1. Unless the bonds have been previously redeemed, repurchased and cancelled, or converted, the bondholders will have the right to require the Company to repurchase all or part of the bonds on July 8, 2005.
2. If at any time the common shares of the Company are officially delisted from the Taiwan Stock Exchange for a period exceeding five consecutive trading days, the bondholders can require the Company to repurchase all rather than a portion of the bonds.
3. If at any time a change of control occurs with respect to the Company, the bondholders will have the right to require the Company to repurchase all or part of the bonds.

(j) The Company's rights to redeem the bond:

The Company may, at face value with a gross compounded yield of 4.17% per annum (calculated on a semi-annual basis), redeem the bonds under any of the following situations:

1. On or at any time after July 8, 2005, if the closing price of the common shares of the Company on the Taiwan Stock Exchange for 30 consecutive trading days is at least 130% of the conversion price, the Company may redeem all or any portion of the bonds.
2. At any time, if the principal amount of the bonds outstanding is equal to or less than 10% of the original aggregate principal amount of the bonds, the Company may redeem all rather than a portion of the bonds.
3. If, as a result of certain changes in R.O.C. laws or regulations occurring after the closing date, the Company becomes obligated to pay additional taxes, the Company may redeem all rather than a portion of the bonds.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In the second quarter of 2003, the Company issued the 1st issue of seven-year and the 2nd issue of five-year unsecured subordinated bonds. The terms of the issue were as follows:

(In Thousands of New Taiwan Dollars)

Type of bonds issued	1 st issue of unsecured subordinated bonds	2 nd issue of unsecured subordinated bonds
Issue date	April 7, 2003	From June 24 to 27, 2003
Size	\$5,000,000	\$3,000,000
Coupon rate	The bonds are issued in 12 tranches. The coupon rate for the 1 st year: 3%; for the 2 nd to 7 th year: 4.0000% - 6 Month LIBOR to 4.0011% - 6 Month LIBOR. The above coupon rates are subject to a minimum of 0%.	The bonds are issued in 3 tranches, from A to C. Tranche A: Coupon rate is 1.5%, simple interest is accrued annually. Tranche B: Coupon rate is 1.4944%, compound interest is accrued semi-annually. Tranche C: Coupon rate is 1.4916%, compound interest is accrued quarterly.
Maturity date	April 7, 2010	From June 24 to 27, 2008
Repayment method	Principal repayment of all bonds in full at maturity.	

In the fourth quarter of 2003, the Company issued the 3rd issue of seven-year unsecured subordinated bonds. The terms of issue were as follows:

(In thousands of New Taiwan Dollars)

Type of bonds issued	3 rd issue of unsecured subordinated bonds
Issue date	October 13 to 22, 2003
Size	\$11,000,000
Coupon rate	The bonds are issued in 15 tranches from A to O, and the annual interest rates for each tranche as follows: Tranche A to G: If the 6 Month LIBOR is less than 0.60%, then the coupon rate ranges from 6 Month LIBOR + 0.0001% to 6 Month LIBOR + 0.0007%. If the 6 Month LIBOR is between 0.60% and 2.50%, then the coupon rate is 5.50%. If the 6 Month LIBOR is greater than 2.50%, then the coupon rate is 6.55% - 6 Month LIBOR and is subject to a minimum of 0%. Tranche H to O: prime rate + 120 basis points (floating), and simple interest is accrued. Prime rate is the fixed interest rate of 90-day CP/BA at 11:00am on page code 6165 reported by the Associated Press.
Maturity date	October 13 to 22, 2010
Repayment method	Principal repayment of all bonds in full at maturity.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In the first quarter of 2004, the Company issued the 1st issue of five-year unsecured subordinated bonds. The terms of issue were as follows:

(In Thousands of New Taiwan Dollars)

Type of bonds issued	1 st issue of unsecured subordinated bonds
Issue date	March 3, 2004
Size	\$2,000,000
Coupon rate	The bonds are issued in 8 tranches from A to H, and annual interest rates for each tranche were as follows: Tranche A to B: If the 6 Month LIBOR is less than 1.05%, the coupon rate ranges from 6 Month LIBOR to 6 Month LIBOR + 0.01%. If the 6 Month LIBOR is greater than or equal to 1.05%, the coupon rate ranges from 5.00% - 6 Month LIBOR to 5.0001% - 6 Month LIBOR and the coupon rate is subject to a minimum of 0%. Tranche C to H: If the 6 Month LIBOR is less than 1.10%, the coupon rate ranges from 6 Month LIBOR to 6 Month LIBOR + 0.01%. If the 6 Month LIBOR is greater than or equal to 1.10% and is less than or equal to 2.00%, the coupon rate ranges from 3.80% to 3.8005%. If the 6 Month LIBOR is greater than 2.00%, the coupon rate ranges from 4.7995% - 6 Month LIBOR to 4.80% - 6 Month LIBOR and the coupon rate is subject to a minimum of 0%.
Maturity date	March 3, 2009
Repayment method	Principal repayment of all bonds in full at maturity.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial debentures

As of September 30, 2008 and 2007, the terms of financial debentures issued by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its sub-subsidiary Chinatrust Capital Corporation were as follows:

September 30, 2008					
Bonds	Terms of transactions			Bond issued	
	Issue date	Maturity date	Interest rate	Type	Amount
2003-1	09/12/2003	09/12/2010	The single coupon rate is Bank of Taiwan's quoted floating interest rate for 2-year time deposit plus 80 basis points; simple interest is accrued annually.	Unsecured subordinated financial debentures	\$ 5,000,000
2003-2	10/13/2003	10/13/2010	The single coupon rate is Bank of Taiwan's quoted floating interest rate for 2-year time deposit plus 80 basis points; simple interest is accrued annually.	"	2,000,000
2003-3	10/13/2003	10/13/2010	The prime rate plus 100 basis points; simple interest is accrued at a floating rate. (Note 1)	"	2,000,000
2003-4	10/28/2003	10/28/2008	The 1 st year: 5%; the 2 nd ~5 th years: if 6M LIBOR < 0.9%, the coupon rate will be 6M LIBOR. If 6M LIBOR ≥ 0.9%, the coupon rate will be 5%-6M LIBOR.	"	300,000
2003-5 (Note 2)	06/12/2003	06/12/2008	2.5%	"	-
2004-1 (Note 3)	03/15/2004	03/19/2009 ~03/22/2009 (Note 5)	If 6M LIBOR < 1.10%, the coupon rate will be 6M LIBOR. If 1.10% ≤ 6M LIBOR ≤ 2.10%, the coupon rate will be 3.00%. If 6M LIBOR > 2.10%, the coupon rate of A to E will be 5.0000%-6M LIBOR, 5.0001%-6M LIBOR, 5.0002%-6M LIBOR, 5.0003%-6M LIBOR, 5.0004%-6M LIBOR and 5.0005%-6M LIBOR (The coupon rate above is subject to a minimum of 0%.)	Secured financial debentures	1,300,000
2004-2 (Note 3)	05/27/2004	05/27/2011	Tranche A: (6 mL+0.7000%)*n/N Tranche B: (6 mL+0.7001%)*n/N Tranche C: (6 mL+0.7002%)*n/N The coupon rate zones of all bonds were as follows: 1 st year: 0.50% ≤ 6mL ≤ 2.00% 2 nd year: 0.50% ≤ 6mL ≤ 2.50% 3 rd year: 0.50% ≤ 6mL ≤ 3.00% 4 th year: 0.50% ≤ 6mL ≤ 3.50% 5 th year: 0.50% ≤ 6mL ≤ 4.00% 6 th year: 0.50% ≤ 6mL ≤ 4.50% 7 th year: 0.50% ≤ 6mL ≤ 5.00% (Note 6)	"	1,500,000

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

September 30, 2008

Bonds	Terms of transactions			Bond issued	
	Issue date	Maturity date	Interest rate	Type	Amount
2004-3 (Note 3)	06/10/2004	06/10/2009	The coupon rate is 4.00%*n/N. The applicable coupon rate zones of the bonds were as follows: 1 st year: 1.10%≤6mL≤ 2.00% 2 nd year: 1.10%≤6mL≤ 2.50% 3 rd year: 1.10%≤6mL≤ 3.00% 4 th year: 1.10%≤6mL≤ 3.50% 5 th year: 1.10%≤6mL≤ 4.00% (Note 6)	Secured financial debentures	\$ 500,000
2004-4 (Note 3)	01/28/2005	01/28/2010	2.3%	Unsecured financial debentures	700,000
5.625% Step-up Callable Perpetual Subordinate Notes	03/17/2005	N/A	5.625%; if redemption right is not exercised 10 years after the issue date, the interest rate will be 6M LIBOR+1.86%.	Perpetual accumulated subordinated financial debentures	16,066,199
2005-2	06/06/2005	06/08/2015	A, F and M = 2.168% B, E and N = 2.169% H and J = 2.170% C, I and K = 2.171% D, G and L = 2.172%	Unsecured financial debentures	7,000,000
2005-3	06/08/2005	06/09/2015	A = 2.60% * n/N (n represents the total days that USD 30y CMS - USD 2y CMS is greater than or equal to 0 within the interest period. N represents the total days within the interest period) B = 2.170%	"	2,500,000
2005-4	06/09/2005	06/09/2015	A = 2.62% * n/N (n represents the total days that USD 30y CMS - USD 2y CMS is greater than or equal to 0 within the interest period. N represents the total days within the interest period) B = 2.170%, C = 2.003% D = 2.002%, E = 2.001% F = 2.000%, G = 1.999% H = 1.998%, I = 1.997%	"	4,500,000
2005-5	11/29/2005	N/A	A=3.35%; B=3.35%; if redemption right is not exercised 10 years after the issue date, the interest rate will be 90 days CP+1.85% for A and 4.35% for B.	Perpetual non-accumulated subordinated financial debentures	12,000,000
2005-7 (Note 3)	04/12/2005	04/18/2010	2.09%	Unsecured financial debentures	2,500,000
2006-1	05/17/2006	05/17/2016	2.14%	"	3,100,000

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

September 30, 2008

Bonds	Terms of transactions			Bond issued	
	Issue date	Maturity date	Interest rate	Type	Amount
2006-2	10/05/2006	10/05/2016	A=2.75%, B=2.5%. From the 6 th year after the issue date, B=3.5%.	Unsecured subordinated financial debentures	\$ 12,900,000
2007-1	11/28/2007	11/28/2010	A=2.825%, B is floating interest rate; the single coupon rate is Bank of Taiwan's quoted floating interest rate for 3-year time deposit plus 0.25%; simple interest is accrued at a floating rate.	Unsecured subordinated financial debentures	650,000
2007-2	12/11/2007	06/11/2011	Floating rate; the single coupon rate is Bank of Taiwan's quoted floating interest rate for 3-year time deposit plus 0.325%; simple interest is accrued at a floating rate.	"	4,350,000
2007-3	12/14/2007	12/14/2014	The prime rate plus 0.40% (Note 1)	"	1,500,000
2007-4	12/18/2007	12/18/2014	3.05%	"	2,000,000
2008-1	04/10/2008	04/10/2023	3.49%	"	2,000,000
2008-2	04/25/2008	N/A	3.60%; if redemption right is not exercised 7 years after the issue date, the interest rate will be 4.60%.	Perpetual accumulated subordinated financial debentures	700,000
2008-3	04/25/2008	04/25/2015	A=3.10%, B=3.00%.	Unsecured subordinated financial debentures	3,350,000
2008-4	04/25/2008	10/25/2013	The single coupon rate is Bank of Taiwan's quoted floating interest rate for 3-year time deposit plus 0.28%; simple interest is accrued annually.	"	450,000
Chinatrust Capital Statutory Trust II (Note 4)	07/11/2005	07/11/2035	LIBOR+1.57%	Junior subordinated debentures	828,119
			Adjustment for fair value increase in hedged transactions		273,440
			Unamortized premium		81,033
					\$ 90,048,791

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

September 30, 2007

Bonds	Terms of transactions			Bond issued	
	Issue date	Maturity date	Interest rate	Type	Amount
2003-1	09/12/2003	09/12/2010	The single coupon rate is Bank of Taiwan's quoted floating interest rate for 2-year time deposit plus 80 basis points; simple interest is accrued annually.	Unsecured subordinated financial debentures	\$ 5,000,000
2003-2	10/13/2003	10/13/2010	The single coupon rate is Bank of Taiwan's quoted floating interest rate for 2-year time deposit plus 80 basis points; simple interest is accrued annually.	"	2,000,000
2003-3	10/13/2003	10/13/2010	The prime rate plus 100 basis points; simple interest is accrued at a floating rate. (Note 1)	"	2,000,000
2003-4	10/28/2003	10/28/2008	The 1 st year: 5%; The 2 nd ~5 th years: if 6M LIBOR < 0.9%, the coupon rate will be 6M LIBOR. If 6M LIBOR ≥ 0.9%, the coupon rate will be 5%-6M LIBOR.	"	300,000
2003-5 (Note 2)	06/12/2003	06/12/2008	2.5%	"	2,000,000
2004-1 (Note 3)	03/15/2004	03/19/2009 ~03/22/2009 (Note 5)	If 6M LIBOR < 1.10%, the coupon rate will be 6M LIBOR. If 1.10% ≤ 6M LIBOR ≤ 2.10%, the coupon rate will be 3.00%. If 6M LIBOR > 2.10%, the coupon rate of A to F will be 5.0000%-6M LIBOR, 5.0001%-6M LIBOR, 5.0002%-6M LIBOR, 5.0003%-6M LIBOR, 5.0004%-6M LIBOR and 5.0005%-6M LIBOR (The coupon rates above are subject to a minimum of 0%.)	Secured financial debentures	1,500,000
2004-2 (Note 3)	05/27/2004	05/27/2011	Tranche A: (6 mL+0.7000%)*n/N Tranche B: (6 mL+0.7001%)*n/N Tranche C: (6 mL+0.7002%)*n/N The coupon rate zones of all bonds were as follows: 1 st year: 0.50% ≤ 6mL ≤ 2.00% 2 nd year: 0.50% ≤ 6mL ≤ 2.50% 3 rd year: 0.50% ≤ 6mL ≤ 3.00% 4 th year: 0.50% ≤ 6mL ≤ 3.50% 5 th year: 0.50% ≤ 6mL ≤ 4.00% 6 th year: 0.50% ≤ 6mL ≤ 4.50% 7 th year: 0.50% ≤ 6mL ≤ 5.00% (Note 6)	"	1,500,000
2004-3 (Note 3)	06/10/2004	06/10/2009	The coupon rate is 4.00%*n/N. The applicable coupon rate zones of the bonds were as follows: 1 st year: 1.10% ≤ 6mL ≤ 2.00% 2 nd year: 1.10% ≤ 6mL ≤ 2.50% 3 rd year: 1.10% ≤ 6mL ≤ 3.00% 4 th year: 1.10% ≤ 6mL ≤ 3.50% 5 th year: 1.10% ≤ 6mL ≤ 4.00% (Note 6)	"	500,000

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

September 30, 2007

Bonds	Terms of transactions			Bond issued	
	Issue date	Maturity date	Interest rate	Type	Amount
2004-4 (Note 3)	01/28/2005	01/28/2010	2.3%	Unsecured financial debentures	\$ 700,000
5.625% Step-up Callable Perpetual Subordinate Notes	03/17/2005	N/A	5.625% if redemption right is not exercised 10 years after the issue date, the interest rate will be 6M LIBOR+1.86%	Perpetual accumulated subordinated financial debentures	16,264,852
2005-2	06/06/2005	06/08/2015	A, F and M = 2.168% B, E and N = 2.169% H and J = 2.170% C, I and K = 2.171% D, G and L = 2.172%	Unsecured financial debentures	7,000,000
2005-3	06/08/2005	06/09/2015	A = 2.60% * n/N (n represents the total days that USD 30y CMS - USD 2y CMS is greater than or equal to 0 within interest period. N represents the the total days within the interest period.) B = 2.170%	"	2,500,000
2005-4	06/09/2005	06/09/2015	A = 2.62% * n/N (n represents the total days that USD 30y CMS - USD 2y CMS is greater than or equal to 0 within the interest period. N represents the total days within the interest period) B = 2.170%, C = 2.003% D = 2.002%, E = 2.001% F = 2.000%, G = 1.999% H = 1.998%, I = 1.997%	"	4,500,000
2005-5	11/29/2005	N/A	A=3.35%, B=3.35%; if redemption right is not exercised 10 years after the issue date, the interest rate will be 90 days CP+1.85% for A and 4.35% for B.	Perpetual non-accumulated subordinated financial debentures	12,000,000
2005-6	12/22/2005	12/22/2007	2.15%	Unsecured subordinated financial debentures	5,100,000
2005-7 (Note 3)	04/12/2005	04/18/2010	2.09%	Unsecured financial debentures	2,500,000
2006-1	05/17/2006	05/17/2016	2.14%	"	3,100,000
2006-2	10/05/2006	10/05/2016	A=2.75%, B=2.5%. From the 6 th year after the issue date, B=3.5%.	Unsecured subordinated financial debentures	12,900,000

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

September 30, 2007					
Bonds	Terms of transactions			Bond issued	
	Issue date	Maturity date	Interest rate	Type	Amount
Chinatrust Capital Statutory Trust II (Note 4)	07/11/2005	07/11/2035	LIBOR+1.57%	Junior subordinated debentures	\$ 839,717
			Adjustment for fair value decline on hedged transactions		(830,652)
			Unamortized premium		68,772
					\$ 81,442,689

Note 1: The prime rate is based on page code 6165 of Reuters, the fixed interest rate of 90-day CP/BA at 11:00am on the interest reset date.

Note 2: Due to the acquisition of Grand Commercial Bank by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd., the subsidiary assumed the 2003-1 financial debentures previously issued by Grand Commercial Bank in 2003.

Note 3: Due to the acquisition of Chinatrust Bills Finance Corp., the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. assumed the 1st domestic secured bonds, 2nd domestic secured bonds, and 3rd domestic secured bonds in 2004, the 1st domestic unsecured bonds in 2004, and the 1st domestic unsecured bonds in 2005 previously issued by Chinatrust Bills Finance Corp.

Note 4: The financial debentures were issued by the Company's sub-sub-subsidiary Chinatrust Capital Corporation.

Note 5: Tranche F, which was originally issued by Chinatrust Bills Finance Corps and was to mature on March 22, 2009, was voided as a result of the merger with the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. as of June 30, 2008.

Note 6: n represents the total days that 6mL is greater than or equal to the floor rate of the interest rate collar within the interest period, and less than or equal to the ceiling rate within the interest period. N represents the total days within the interest period.

Please refer to Note 4(AA) for the information on hedging of bonds shown above.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(S) OTHER FINANCIAL LIABILITIES

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Appropriated loan funds	\$ 157,927	\$ 164,368
Guarantee deposits received	1,156,140	1,385,834
Hedging derivative financial liabilities	323,314	1,178,504
Others	184,918	141,884
Total	<u>\$ 1,822,299</u>	<u>\$ 2,870,590</u>

(T) RETIREMENT PLAN

The pension funds and related accounts of the Company and its subsidiaries for the nine months ended September 30, 2008 and 2007, were as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2008</u>	<u>2007</u>
Ending balance of pension fund	\$ 4,513,507	\$ 4,460,225
Net periodic pension cost:		
Defined benefit pension plan	254,909	219,728
Defined contribution pension plan	222,582	194,521

(U) INCOME TAXES

The components of income tax expenses of the Company and its subsidiaries for the nine months ended September 30, 2008 and 2007, were as follows:

	<u>For the nine months ended September 30,</u>	
	<u>2008</u>	<u>2007</u>
Current income tax expenses	\$ 1,251,796	\$ 2,458,161
Deferred income tax expenses	49,599	1,793,334
10% surtax on undistributed earnings	17,285	-
Income tax expense	<u>\$ 1,318,680</u>	<u>\$ 4,251,495</u>

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The components of deferred income tax expenses were as follows:

	For the nine months ended September 30,	
	2008	2007
Temporary differences resulting in deferred income tax assets or liabilities:		
Temporary difference due to allowance for credit losses in excess of tax-allowance limit	\$ (1,493)	\$ 1,478,336
Reversal of (provision for) impairment loss on assets	2,088	(10,001)
Reversal of allowance for market value decline on assumed collateral	104,258	175,240
Net unrealized gains (losses) on foreign exchange and derivative instruments	44,595	(398,823)
(Provision for) reversal of difference in pension provision for financial and tax purposes	(1,378)	2,280
Net foreign investment gains recognized under equity method	102,920	35,369
Accrued interest—premium of convertible bonds	-	459,517
Amortization of goodwill	-	52,398
Investment tax credit	(20,995)	(19,614)
Others	(180,396)	18,632
Total	\$ 49,599	\$ 1,793,334

Commencing from January 1, 2006, the Company adopted the “Income Basic Tax Act” in determining the income basic tax, and the Company’s applicable income tax rate is 25%. For the nine months ended September 30, 2008 and 2007, the differences between income taxes, which were calculated as the sum of the net income before tax stated in the Company’s income statement and the tax rate applicable to the period and the same period last year according to the tax law, and the income tax expenses were as follows:

	For the nine months ended September 30,	
	2008	2007
Income tax calculated on net income before tax	\$ 3,493,652	\$ 4,296,858
Income tax separately levied on interest income	(980,802)	(828,602)
Net income from domestic investment	(480,247)	(365,366)
Tax exempt gains/losses on disposal of land	(23,966)	159,350
Securities transaction losses (income) tax relief	(487,778)	420,257
Adjustment from securities under repurchase (resell) agreements	(105,247)	(36,258)
Foreign investment income recognized under equity method	(166)	(4,563)
Provision for miscellaneous loss reserve	15,902	2,485
Expenses and losses on futures proprietary trading	34,302	19,727
Net income from offshore banking unit	(362,026)	(549,857)
Amortization of goodwill	(582,252)	(327,760)
Investment tax credit	(22,533)	(20,446)
Income tax separately levied	799,213	653,635
Accrued interest—premium of convertible bonds	-	496,368
10% surtax on undistributed earnings	17,285	-
Under-stated income tax for prior year	57,572	342,352
Others	(54,229)	(6,685)
Total	\$ 1,318,680	\$ 4,251,495

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

As of September 30, 2008 and 2007, the Company and its subsidiaries' temporary differences resulting in deferred income tax assets or liabilities, loss carryforward, investment tax credit and other tax effects individually stated were as follows:

	September 30, 2008	
	Amount	Tax effect
Temporary differences resulting in deferred income tax assets or liabilities:		
Deductible temporary difference due to provision for impairment loss on assets	\$ 465,723	\$ 116,431
Deductible temporary difference due to allowance for market decline of foreclosed properties received	103,761	25,940
Taxable temporary difference due to unrealized gains on foreign exchange and derivative instruments	(4,283,924)	(1,070,981)
Taxable temporary difference due to investment income recognized under equity method	(2,973,201)	(743,300)
Deductible temporary difference due to provision for cumulative translation adjustments	1,863,417	465,854
Deductible temporary difference due to allowance for credit losses in excess of tax-allowance limit	177,082	44,271
Deductible temporary differences due to other reasons	5,866,931	1,549,853
Effects of loss carryforward	20,835,876	5,208,969
Investment tax credit	308,739	77,185
Total	\$ 22,364,404	\$ 5,674,222

	September 30, 2007	
	Amount	Tax effect
Temporary differences resulting in deferred income tax assets or liabilities:		
Deductible temporary difference due to provision for impairment loss on assets	\$ 469,102	\$ 117,276
Deductible temporary difference due to allowance for market decline of foreclosed properties received	477,124	119,281
Taxable temporary difference due to unrealized gains on foreign exchange and derivative instruments	(4,858,522)	(1,214,631)
Taxable temporary difference due to investment income recognized under equity method	(2,519,430)	(629,858)
Deductible temporary difference due to provision for cumulative translation adjustments	1,425,566	356,392
Deductible temporary difference due to allowance for credit losses in excess of tax-allowance limit	187,046	46,762
Deductible temporary differences due to other reasons	4,978,064	1,336,300
Effects of loss carryforward	21,046,517	5,261,629
Investment tax credit	10,368	2,592
Total	\$ 21,215,835	\$ 5,395,743

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Information on loss carryforward of the Company and subsidiaries is as follows:

<u>The last year for loss carryforward facility</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Year 2011	<u>\$ 20,835,876</u>	<u>\$ 21,046,517</u>

On July 3, 2007, the Company settled out of Court with the National Tax Administration, Ministry of Finance (the "MOF"), the administrative appeal regarding the income tax returns through 2002. The accounting records were adjusted accordingly.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The status of the local tax office's examinations of the income tax returns of the other subsidiaries was as follows:

Subsidiary	Year of Examination	Description of Examination
Chinatrust Commercial Bank Co., Ltd.	Until 2002	<p>The subsidiary's income tax returns through 2002 were examined by the Tax Authority. Under these examinations, the Tax Authority disallowed the tax credit being claimed on taxes withheld for accrued interest on bonds totaling \$851,428 for the years from 1994 to 2002. The subsidiary reached an agreement with the National Tax Administration to receive a refund equal to 65% of these withholding taxes, and the effect on income tax was recorded with proper accounting treatments accordingly.</p> <p>The subsidiary's income tax return for 2001 was examined by the Tax Authority. The subsidiary disagreed with the result of the tax appeal on the non-taxable interest revenue of the OBU and the balance of the imputation credit account (ICA), and filed an administrative appeal. The subsidiary learned the verdict of the Taipei High Administrative Court on October 22, 2007, revealing that it had lost the administrative appeal regarding the income tax return for 2001 made to the Court of First Instance against the Taipei National Tax Administration. The effect on income tax was recorded with proper accounting treatment accordingly.</p> <p>The subsidiary's income tax return for 2002 was examined by the Tax Authority. The subsidiary disagreed with the result of the tax appeal on non-taxable interest revenue of the OBU and filed an administrative appeal. The subsidiary learned the verdict of the Taipei High Administrative Court on March 17, 2008, revealing that it had lost the administrative appeal regarding the income tax return for 2002 made to the Court of First Instance against the Taipei National Tax Administration. The effect on income tax was recorded with proper accounting treatment accordingly.</p>
Chinatrust Bills Finance Corp. (dissolved)	Until 2004	<p>The subsidiary's income tax returns through 2004 were examined by the Tax Authority.</p> <p>With regard to the interest on investments in bonds attributable to the periods prior to purchase, the subsidiary reached an agreement with the National Tax Administration to receive a refund equal to 60% of the withholding taxes for accrued interest on bonds, and the accounting records were adjusted accordingly.</p>
Chinatrust Securities Co., Ltd.	Until 2002	The subsidiary's income tax returns through 2002 were examined by the Tax Authority. The subsidiary reached an agreement with the Taipei National Tax Administration on the tax withheld for accrued interest on bonds totaling \$3,275, and the proper accounting treatments were recorded accordingly.
Chinatrust Insurance Brokers Corp., Ltd.	Until 2002	None.
Chinatrust Venture Capital Corp.	Until 2003	None.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Subsidiary	Year of Examination	Description of Examination
Chinatrust Asset Management Co., Ltd.	Until 2003	The subsidiary's income tax returns through 2003 were examined by the Tax Authority; however, the subsidiary was not satisfied with the examination of certain operating expenses and currency exchange losses. The subsidiary filed an administrative appeal after the tax reinvestigation had been turned down and the petition denied by the Tax Authority. The subsidiary learned the verdict of the Taipei High Administrative Court on April 17, 2008, revealing that it had lost the administrative appeal of income tax returns through 2003 made to the Court of First Instance against the Taipei National Tax Administration. The subsidiary decided to file a second administrative appeal. The effect on income tax will be recorded with proper accounting treatment accordingly after the completion of the administrative appeal.
Chinatrust Security Co., Ltd.	Until 2005	None.
Taiwan Lottery Co., Ltd.	Until 2006	None.

(V) IMPUTATION CREDIT ACCOUNT

As of September 30, 2008, the balance of the stockholders' imputation credit account amounted to \$22,113. The actual tax-deductible ratios of cash dividends and stock dividends on distribution of earnings were 8.41% and 11.42%, respectively. The balance of accumulated deficit for year 2006 amounted to \$(9,687,173), and therefore, no actual tax-deductible ratios were disclosed. All of the ending balance of undistributed retained earnings arose from earnings in 1998 and thereafter.

(W) STOCKHOLDERS' EQUITY

(a) Capital stock

As of September 30, 2008, the Company's authorized capital was \$100,000,000, and paid-in capital for common shares was \$90,986,544 and for preferred stock was \$7,500,000.

On June 13, 2008, the Company's shareholders resolved to capitalize the undistributed earnings of \$3,363,873, capital surplus of \$3,363,873, and employee bonuses of \$161,968 by issuing 688,971 thousand shares. The capital change registration was completed on September 30, 2008.

As of September 30, 2007, the convertible bonds were converted into 575,522 thousand common shares, and the premium from the issuance of these shares, which was accounted for as capital surplus (including convertible bond issue costs) amounted to \$9,329,451. The convertible bonds matured on July 8, 2007. The transfer registration process for the preceding common shares into which the bonds were converted was completed with the Ministry of Economic Affairs.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

On December 8, 2005, the Company's shareholders resolved to enhance capital and strengthen financial structure by issuing Class B preferred shares at a premium of NT\$40 (dollars) per share, totaling \$30 billion, with a term of 7 years. Upon maturity, the Company shall redeem the Class B preferred shares at the issuance price.

Dividends for Class B preferred shares shall be 3.5% per annum of the issuance price and shall be paid annually in one lump sum. Dividends for the issuance year shall be calculated on the basis of the actual number of days from the issuance date to the end of the year. The issuance date is defined as the capitalization date (December 29, 2005). However, if the distribution of the dividends should cause the capital adequacy ratio of the Company to fall below the ratio required by law, the distribution would be temporarily suspended.

If there are no retained earnings or insufficient retained earnings for the year, or the distribution of the dividends for Class B preferred shares would cause the capital adequacy ratio to fall below the ratio required by the law, the distribution shall be temporarily suspended. Any accumulated dividends shall be paid up in full in subsequent years when retained earnings are sufficient, followed by paying the outstanding dividends for preferred shares specified in Article 6-1.

Other than the dividends specified above, Class B preferred shareholders shall have no right to participate in the distribution of retained earnings and capital surplus for common shareholders. During the common shareholders' meeting, Class B preferred shareholders do not have the right to vote on issues, but have the right to be elected as directors or supervisors of the board. Class B preferred shareholders have the right to vote on issues concerning Class B preferred shareholders' interest, and have the right to vote on all issues in the Class B preferred shareholders' meeting.

(b) Capital surplus

The components of capital surplus were as follows:

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Additional paid-in capital—common stock	\$ 16,403,887	\$ 19,767,760
Additional paid-in capital—preferred stock	22,500,000	22,500,000
Total	<u>\$ 38,903,887</u>	<u>\$ 42,267,760</u>

Under the Company Act, capital surplus can only be used to offset a deficit when legal reserve is not sufficient to offset losses or to capitalize pursuant to a resolution to be adopted by a shareholders' meeting as required in the Article 241, Paragraph 1 of the Company Act. Furthermore, according to Article 8 of the "Securities and Exchange Act Enforcement Rules," the amount of additional paid-in capital to be used to increase capital shall not exceed 10% of total paid-in capital.

The capital surplus arising from a capital increase can be capitalized only in the following fiscal year after being registered by the Company with the competent authority for approval.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(c) Earnings distribution and dividend policy

	For the nine months ended September 30,	
	2008	2007
Beginning balance—January 1	\$ 13,339,174	\$ (9,687,173)
Earnings distribution and allocation:		
Legal reserve	(1,333,917)	-
Special reserve	(4,124,041)	-
Employee bonuses—stock	(161,968)	-
Remuneration to directors and supervisors	(53,989)	-
Cash dividends—common stock	(1,681,937)	-
Stock dividends—common stock	(3,363,873)	-
Dividend paid for preferred stock	(2,482,290)	-
Recovery of accumulated deficits	-	9,687,173
Net income	13,172,328	12,851,041
Ending balance—September 30	\$ 13,309,487	\$ 12,851,041

The Company adopted the residual dividend policy to maintain ongoing expansion and profit growth and to conform to related regulations. In consideration of the Company's operation planning, stock dividends are distributed in order to retain essential earnings for funding needs, and the remainder is distributed as cash dividends. The cash dividends shall not be less than 10% of total dividends. The dividend policy shown above must consider the Company's operations, investments, funds required for acquisition, and significant revisions of the law. Therefore, the cash dividends may be adjusted by the board of directors upon approval of a resolution approved by a shareholders' meeting, but the ratio shall not be less than 1% of total dividends. No cash dividend shall be distributed if it is less than NT\$0.1 (dollars) per share.

Annual earnings, if any, are used to pay taxes, make adjustments in accordance with SFAS, offset deficits, and appropriate legal reserve and special reserve. Then, preferred stock and Class B preferred share dividends are distributed prior to the distribution of the remaining earnings. With regard to the remainder of the earnings, the total amount for the distribution of employee bonuses is 0.05%. The total amount for the remuneration to directors and supervisors is 1%, and any adjustments thereto are made in accordance with the resolution approved by the shareholders during a shareholders' meeting. According to the original articles of incorporation, the preceding distribution of employee bonuses and the remuneration to directors and supervisors were according to the resolution approved by the shareholders during a shareholders' meeting, and the total amount for the distribution of employee bonuses was 3% and the total amount for the remuneration to directors and supervisors was 2%.

Distribution of employee bonuses is subject to resolutions by the board of directors. If new shares are issued for employee bonuses, the employees of the Company's subsidiaries may receive the shares in compliance with the Company Act. The board of directors will decide on the terms and conditions of the issuance of such shares.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the nine months ended September 30, 2008, the Company estimated that the employee bonuses and remuneration to directors and supervisors amounted to \$1,524 and \$30,479, respectively. The Company and its subsidiaries estimated that employee bonuses amounted to \$3,753. Estimation of the fair value of employee bonuses and remuneration to directors and supervisors is recognized as current-period expenses based on the Company's net income after tax minus an appropriate reserve and preferred share dividends at the end of accounting period multiplied by the ratio set by the Company's articles of incorporation. The number of shares for the employee stock ownership plan is calculated on the basis of the closing market price and considering the effect of dividend payment on the day before the Company shareholders' meeting. Differences between the actual outcomes resolved by the shareholders' meeting and the original estimates of fair value will be accounted for as changes in accounting estimates and recognized as next year's profit or loss.

On June 13, 2008, and June 15, 2007, resolutions for 2007 earnings distribution and for offsetting the 2006 deficit, respectively, were approved by the shareholders' meeting. The Company estimated the amount of employee bonuses and the remuneration to directors and supervisors to be \$161,968 and \$53,989, respectively. The relevant information on employee bonuses and the remuneration to directors and supervisors approved by the board of directors and shareholders' meeting can be accessed through the Market Observation Post System and other sites.

(X) TREASURY STOCK

(a) Treasury stock repurchase

Purpose of the share repurchase	Beginning of the period	Current increase	Unit: In thousands of share	
			Current decrease	End of the period
Held by the company:				
Transfer to employees	-	93,383	-	93,383

- (b) Under the "Securities and Exchange Act," a company's purchase of treasury stock shall not exceed 10% of total issued and outstanding shares, and the acquisition amount shall not exceed the sum of retained earnings, additional paid-in capital, and realized capital surplus. The maximum allowable amount of common shares repurchased was \$26,785,132, with June 30, 2008, as the measurement date.
- (c) For the nine months ended September 30, 2008, the highest number of common stocks redeemed by the Bank was 93,383 thousand shares, and the purchase amount totaled \$1,851,884, both of which met the requirements of the Securities and Exchange Act.
- (d) In accordance with the "Securities and Exchange Act," treasury stock held by the Company cannot be pledged. Furthermore, these shares are not entitled to any shareholders' rights prior to transfer.
- (e) On September 30, 2008, the market price of the Company's common shares was NT\$17.10 (dollars) per share.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(Y) SHARE-BASED PAYMENT

As of September 30, 2008, the Company and its subsidiaries had set out the measurement principles and specific requirements for the share-based payment transactions for the three years 2004 to 2006:

	Management stock appreciation right plan for the years		
	2004	2005	2006
Grant date	2005.2.4	2006.1.26	2007.2.14
Grant number	87,337	45,665	45,955
Vesting period	(1) 2007.1.1~2007.6.30 (2) 2008.1.1~2008.6.30	2008.1.1~2008.6.30	2009.1.1~2009.6.30
Exercise price on grant date	\$ 33.00	\$ 25.86	\$ 22

Regarding the implementation of the preceding plan, the Company could choose to proceed with the delivery of its treasury stock or cash settlement according to the quantity of treasury stock it currently held. When rights are exercised, the Company has the right to make settlement in cash when an employee is retired or disqualified from receiving shares. When employees terminate their employment or are on leaves of absence without pay, they forfeit their stock appreciation rights.

Disclosures for the Company and its subsidiaries' stock appreciation right plan were as follows:

	For the nine months ended September 30, 2008					
	Management stock appreciation right plan for the years					
	2004		2005		2006	
	Number	Weighted-average exercise price	Number	Weighted-average exercise price	Number	Weighted-average exercise price
Outstanding at the beginning of the period	17,294	\$23.29	36,961	\$22.56	45,445	\$22.00
Granted during the period	-	23.29	-	22.56	-	22.00
Forfeited during the period	-	23.29	-	22.56	-	22.00
Exercised during the period	15,676	23.29	34,876	22.56	703	22.00
Expired during the period	1,618	23.29	2,085	22.56	-	22.00
Outstanding at the end of the period	-	23.29	-	22.56	44,742	22.00
Exercisable at the end of the period	-	23.29	-	22.56	-	22.00

	For the nine months ended September 30, 2007					
	Management stock appreciation right plan for the years					
	2004		2005		2006	
	Number	Weighted-average exercise price	Number	Weighted-average exercise price	Number	Weighted-average exercise price
Outstanding at the beginning of the period	69,925	\$23.29	41,574	\$22.56	45,955	\$22.00
Granted during the period	-	23.29	-	22.56	-	22.00
Forfeited during the period	-	23.29	-	22.56	-	22.00
Exercised during the period	52,631	23.29	4,613	22.56	510	22.00
Expired during the period	-	23.29	-	22.56	-	22.00
Outstanding at the end of the period	17,294	23.29	36,961	22.56	45,445	22.00
Exercisable at the end of the period	17,294	23.29	-	22.56	-	22.00

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the nine months ended September 30, 2008, the weighted-average stock price on the date that the Company's employees actually exercised the stock appreciation rights of 2004, 2005 and 2006 were NT\$28.92 (dollars), NT\$28.83 (dollars) and NT\$25 (dollars), respectively. As of September 30, 2008, the weighted-average remaining contractual term for the share options outstanding as a result of the adoption of the stock appreciation right plan in 2004, 2005 and 2006 was 0, 0 and 0.75 year, respectively.

In accordance with SFAS No. 39, the Company recognizes expenses as a result of the adoption of share-based payment agreements. The disclosures of pro-forma net income and EPS for the period were as follows:

		For the nine months ended September 30,	
		2008	2007
Net income	Recognized net income	\$ 13,172,328	\$ 12,851,041
	Pro-forma net income	13,237,607	12,802,094
EPS	Recognized EPS	1.36	1.48
	Pro-forma EPS	1.37	1.48

(Z) EPS

					For the nine months ended September 30,			
					2008		2007	
					Before	After	Before	After
					income tax	income tax	income tax	income tax
Consolidated Basic EPS								
Consolidated net income from continuing operations					\$ 14,555,949	\$ 13,237,607	\$ 17,100,381	\$ 12,851,041
Cumulative effect of changes in accounting principles					(85,400)	(65,279)	-	-
Preferred stock dividends					(787,500)	(787,500)	(787,500)	(787,500)
Consolidated net income attributable to common shareholders					<u>\$ 13,683,049</u>	<u>\$ 12,384,828</u>	<u>\$ 16,312,881</u>	<u>\$ 12,063,541</u>
Weighted-average number of common stock outstanding (in thousands)					<u>9,086,848</u>	<u>9,086,848</u>	<u>8,168,464</u>	<u>8,168,464</u>
Basic EPS (in dollars)								
Net income from continuing operations					\$ 1.52	\$ 1.37	\$ 2.00	\$ 1.48
Cumulative effect of changes in accounting principles					(0.01)	(0.01)	-	-
Net income					<u>\$ 1.51</u>	<u>\$ 1.36</u>	<u>\$ 2.00</u>	<u>\$ 1.48</u>
Basic EPS—retroactively adjusted								
Weighted-average number of common stock outstanding—retroactively adjusted (in thousands)							<u>8,841,294</u>	<u>8,841,294</u>
Basic EPS—retroactively adjusted (in dollars)							<u>\$ 1.85</u>	<u>\$ 1.36</u>

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the nine months ended September 30,			
	2008		2007	
	Before income tax	After income tax	Before income tax	After income tax
Consolidated Diluted EPS				
Consolidated net income from continuing operations	\$ 14,555,949	\$ 13,237,607	\$ 17,100,381	\$ 12,851,041
Cumulative effect of changes in accounting principles	(85,400)	(65,279)	-	-
Preferred stock dividends	(787,500)	(787,500)	(787,500)	(787,500)
Effect of convertible bonds	-	-	207,155	155,366
Consolidated net income used to calculate diluted EPS	\$ 13,683,049	\$ 12,384,828	\$ 16,520,036	\$ 12,218,907
Weighted-average number of common stock outstanding (in thousands)	9,086,848	9,086,848	8,168,464	8,168,464
The effect of dilutive potential shares:				
Convertible bonds	-	-	180,418	180,418
Weighted-average number of common stock outstanding for the purpose of calculating diluted EPS (in thousands)	9,086,848	9,086,848	8,348,882	8,348,882
Diluted EPS (in dollars):				
Net income from continuing operations	\$ 1.52	\$ 1.37	\$ 1.98	\$ 1.46
Cumulative effect of changes in accounting principles	(0.01)	(0.01)	-	-
Net income	\$ 1.51	\$ 1.36	\$ 1.98	\$ 1.46
Diluted EPS—retroactively adjusted				
Weighted-average number of common stock outstanding—retroactively adjusted (in thousands)			8,841,294	8,841,294
Diluted EPS—retroactively adjusted (in dollars)			\$ 1.87	\$ 1.38

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AA) FINANCIAL INSTRUMENTS

(a) Fair value of financial instruments

Financial assets	September 30, 2008	
	Book value	Fair value
Non-Derivative Financial Instruments		
Cash and cash equivalents	\$ 28,717,930	\$ 28,717,930
Due from Central Bank and call loans to banks	144,903,691	144,903,691
Financial assets measured at fair value through profit or loss—net	58,277,555	58,277,555
Receivables—net	124,710,590	124,710,590
Loans—net	933,000,269	933,000,269
Available-for-sale financial assets—net	123,799,809	123,799,809
Held-to-maturity financial assets	197,030,380	197,309,685
Other financial assets—net	14,718,694	14,727,057
Derivative Financial Instruments		
Trading purpose:		
Forwards	2,149,740	2,149,740
Non-delivery forwards	5,623,115	5,623,115
Currency swaps	5,863,050	5,863,050
Cross currency swaps	2,397,687	2,397,687
Interest rate swaps	22,142,264	22,142,264
Options	6,558,296	6,558,296
Warrants	9,944	9,944
Asset swaps	198,692	198,692
Credit default swaps	489,424	489,424
Commodity-linked interest rate swaps	11,133	11,133
Commodity-linked forward contracts	79,027	79,027
Commodity futures	15,673	15,673
Equity swaps	61,440	61,440
Hedging purpose:		
Interest rate swaps	582,470	582,470

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial liabilities	September 30, 2008	
	Book value	Fair value
Non-Derivative Financial Instruments		
Deposits from Central Bank and other banks	\$ 49,500,138	\$ 49,500,138
Due to Central Bank and other banks	14,252,545	14,252,545
Financial liabilities measured at fair value through profit or loss	351,475	351,475
Securities sold under repurchase agreements	71,295,586	71,295,586
Payables	61,042,616	61,042,616
Deposits and remittances	1,234,195,290	1,234,195,290
Corporate bonds and financial debentures	108,048,791	108,048,791
Other financial liabilities	1,498,985	1,498,985
Derivative Financial Instruments		
Trading purpose:		
Forwards	1,854,258	1,854,258
Non-delivery forwards	5,844,572	5,844,572
Currency swaps	4,919,737	4,919,737
Cross currency swaps	3,449,574	3,449,574
Interest rate swaps	19,695,716	19,695,716
Options	7,879,760	7,879,760
Warrants	32,582	32,582
Asset swaps	400,010	400,010
Credit default swaps	418,228	418,228
Commodity-linked interest rate swaps	11,133	11,133
Commodity-linked forward contracts	79,011	79,011
Interest rate futures	16,359	16,359
Commodity futures	130	130
Equity swaps	61,440	61,440
Equity index futures	23,493	23,493
Hedging purpose:		
Non-delivery forwards	38,637	38,637
Interest rate swaps	284,677	284,677

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial assets	September 30, 2007	
	Book value	Fair value
Non-Derivative Financial Instruments		
Cash and cash equivalents	\$ 33,959,688	\$ 33,959,688
Due from Central Bank and call loans to banks	187,092,364	187,092,364
Financial assets measured at fair value through profit or loss—net	75,957,052	75,957,052
Receivables—net	129,589,828	129,589,828
Loans—net	864,271,396	864,271,396
Available-for-sale financial assets—net	226,092,864	226,092,864
Held-to-maturity financial assets	126,976,127	126,434,107
Other financial assets—net	19,255,937	19,288,820
Derivative Financial Instruments		
Trading purpose:		
Forwards	1,644,175	1,644,175
Non-delivery forwards	1,385,017	1,385,017
Currency swaps	2,926,696	2,926,696
Cross currency swaps	642,887	642,887
Interest rate swaps	19,358,009	19,358,009
Options	5,124,328	5,124,328
Warrants	5,472	5,472
Asset swaps	276,299	276,299
Credit default swaps	30,830	30,830
Commodity-linked interest rate swaps	12,214	12,214
Commodity-linked forward contracts	3,552	3,552
Interest rate futures	114	114
Margin trading	338,606	338,606
Equity swaps	7,408	7,408
Equity index futures	71,908	71,908
Hedging purpose:		
Non-delivery forwards	11,022	11,022

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial liabilities	September 30, 2007	
	Book value	Fair value
Non-Derivative Financial Instruments		
Deposits from Central Bank and other banks	\$ 39,563,952	\$ 39,563,952
Due to Central Bank and other banks	15,793,856	15,793,856
Financial liabilities measured at fair value through profit or loss	2,691,978	2,691,978
Securities sold under repurchase agreements	103,533,677	103,533,677
Commercial paper payable	349,926	349,926
Payables	57,451,061	57,451,061
Deposits and remittances	1,242,932,611	1,242,932,611
Corporate bonds and financial debentures	102,442,689	102,442,689
Other financial liabilities	1,692,086	1,692,086
Derivative Financial Instruments		
Trading purpose:		
Forwards	1,092,258	1,092,258
Non-delivery forwards	1,242,370	1,242,370
Currency swaps	3,209,226	3,209,226
Cross currency swaps	2,694,883	2,694,883
Interest rate swaps	14,179,134	14,179,134
Options	9,237,251	9,237,251
Asset swaps	184,310	184,310
Credit default swaps	13,193	13,193
Commodity-linked interest rate swaps	12,575	12,575
Commodity-linked forward contracts	3,461	3,461
Interest rate futures	21,818	21,818
Margin trading	5,917	5,917
Equity swaps	7,192	7,192
Hedging purpose:		
Interest rate swaps	1,178,504	1,178,504

(b) Methods and assumptions used by the Company and its subsidiaries for fair value evaluation of financial instruments were as follows:

1. Fair value of short-term financial instruments is estimated by their book value on the balance sheet date. Since these instruments have short-term maturities, the book value is adopted as a reasonable basis in estimating the fair value. The method is applied to cash and cash equivalents, due from Central Bank and call loans to banks, receivables, deposits from Central bank and other banks, remittances, securities sold under repurchase agreements, and payables.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. If there is a quoted price in an active market for the financial asset, including financial instruments measured at fair value through profit or loss, and available-for-sale, held-to-maturity and hedging derivative financial assets, the quoted price is regarded as its fair value. If there is no quoted price in an active market for the financial asset, its fair value is estimated on the basis of the result of a valuation technique that refers to quoted prices provided by financial institutions. The discounted cash flow technique is used to estimate the fair value of a debt instrument without active market. The estimates, hypotheses and discount rates for valuation refer to quoted prices, from financial institutions, of financial instruments having substantially the same terms and characteristics, including the credit quality of debtors, the remaining term over which the contractual interest rate is fixed, the remaining term to repayment of the principal, and the currency in which the payments are to be made. Fair value of debt investments without an active market accounted for under other financial assets is determined by the methods described above, and recorded in accordance with the “Regulations Governing the Preparation of Financial Reports by Financial Holding Companies” at cost after amortization. Fair value for an equity investment is determined based on either the price calculated using a valuation technique or its book value.
3. Loans and deposits are both classified as interest-bearing financial assets and liabilities; therefore, the book value of both financial assets and liabilities is equivalent to their fair value. The net book value of non-accrual loans minus provision for credit loss is adopted as the fair value.
4. Fair value of long-term liabilities is estimated by the present value of expected future cash flows. The discount rate is based on rates of equivalent loans available elsewhere, that is, loans with similar maturity date and terms (close to the maturity date).
5. Fair value of financial derivatives is established by the amount of cash to be paid or to be received, assuming that the contract will be terminated on the balance sheet date. In general, it includes unrealized gains or losses on outstanding contracts of the current period. There are reference reports from financial institutions for most financial derivatives of the Company and its subsidiaries.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (c) The fair values of the financial instruments of the Company and its subsidiaries, which were based on quoted market prices or determined by using certain valuation techniques, were as follows:

Financial assets	September 30, 2008	
	Based on quoted market prices	Determined by using valuation techniques
Non-Derivative Financial Instruments		
Cash and cash equivalents	\$ -	\$ 28,717,930
Due from Central Bank and call loans to banks	-	144,903,691
Financial assets measured at fair value through profit or loss—net	9,495,577	48,781,978
Receivables—net	-	124,710,590
Loans—net	-	933,000,269
Available-for-sale financial assets—net	66,719,786	57,080,023
Held-to-maturity financial assets	1,901,515	195,408,170
Other financial assets—net	-	14,727,057
Derivative Financial Instruments		
Trading purpose:		
Forwards	-	2,149,740
Non-delivery forwards	-	5,623,115
Currency swaps	-	5,863,050
Cross currency swaps	-	2,397,687
Interest rate swaps	-	22,142,264
Options	270,687	6,287,609
Warrants	9,944	-
Asset swaps	-	198,692
Credit default swaps	-	489,424
Commodity-linked interest rate swaps	-	11,133
Commodity-linked forward contracts	-	79,027
Commodity futures	15,673	-
Equity swaps	-	61,440
Hedging purpose:		
Interest rate swaps	-	582,470

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial liabilities	September 30, 2008	
	Based on quoted market prices	Determined by using valuation techniques
Non-Derivative Financial Instruments		
Deposits from Central Bank and other banks	\$ -	\$ 49,500,138
Due to Central Bank and other banks	-	14,252,545
Financial liabilities measured at fair value through profit or loss	351,475	-
Securities sold under repurchase agreements	-	71,295,586
Payables	-	61,042,616
Deposits and remittances	-	1,234,195,290
Corporate bonds and financial debentures	-	108,048,791
Other financial liabilities	-	1,498,985
Derivative Financial Instruments		
Trading purpose:		
Forwards	-	1,854,258
Non-delivery forwards	-	5,844,572
Currency swaps	-	4,919,737
Cross currency swaps	-	3,449,574
Interest rate swaps	-	19,695,716
Options	203,418	7,676,342
Warrants	32,582	-
Assets swaps	-	400,010
Credit default swaps	-	418,228
Commodity-linked interest rate swaps	-	11,133
Commodity-linked forward contracts	-	79,011
Interest rate futures	16,359	-
Commodity futures	130	-
Equity swaps	-	61,440
Equity index futures	23,493	-
Hedging purpose:		
Non-delivery forwards	-	38,637
Interest rate swaps	-	284,677

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial assets	September 30, 2007	
	Based on quoted market prices	Determined by using valuation techniques
Non-Derivative Financial Instruments		
Cash and cash equivalents	\$ -	\$ 33,959,688
Due from Central Bank and call loans to banks	-	187,092,364
Financial assets measured at fair value through profit or loss—net	28,185,877	47,771,175
Receivables—net	-	129,589,828
Loans—net	-	864,271,396
Available-for-sale financial assets—net	89,190,967	136,901,897
Held-to-maturity financial assets	7,298,507	119,135,600
Other financial assets—net	-	19,288,820
Derivative Financial Instruments		
Trading purpose:		
Forwards	-	1,644,175
Non-delivery forwards	-	1,385,017
Currency swaps	-	2,926,696
Cross currency swaps	-	642,887
Interest rate swaps	-	19,358,009
Options	145,716	4,978,612
Warrants	5,472	-
Asset swaps	-	276,299
Credit default swaps	-	30,830
Commodity-linked interest rate swaps	-	12,214
Commodity-linked forward contracts	-	3,552
Interest rate futures	114	-
Margin trading	-	338,606
Equity swaps	-	7,408
Equity index futures	71,908	-
Hedging purpose:		
Non-delivery forwards	-	11,022

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial liabilities	September 30, 2007	
	Based on quoted market prices	Determined by using valuation techniques
Non-Derivative Financial Instruments		
Deposits from Central Bank and other banks	\$ -	\$ 39,563,952
Due to Central Bank and other banks	-	15,793,856
Financial liabilities measured at fair value through profit or loss	2,691,978	-
Securities sold under repurchase agreements	-	103,533,677
Commercial paper payable—net	-	349,926
Payables	-	57,451,061
Deposits and remittances	-	1,242,932,611
Corporate bonds and financial debentures	-	102,442,689
Other financial liabilities	-	1,692,086
Derivative Financial Instruments		
Trading purpose:		
Forwards	-	1,092,258
Non-delivery forwards	-	1,242,370
Currency swaps	-	3,209,226
Cross currency swaps	-	2,694,883
Interest rate swaps	-	14,179,134
Options	267,551	8,969,700
Assets swaps	-	184,310
Credit default swaps	-	13,193
Commodity-linked interest rate swaps	-	12,575
Commodity-linked forward contracts	-	3,461
Interest rate futures	21,818	-
Margin trading	-	5,917
Equity swaps	-	7,192
Hedging purpose:		
Interest rate swaps	-	1,178,504

- (d) For the nine months ended September 30, 2008 and 2007, unrealized gain (losses) recognized from the fair value evaluation of financial instruments by using valuation techniques which were recognized by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries amounted to \$351,512 and \$(192,702), respectively.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (e) For the nine months ended September 30, 2008 and 2007, the interest income arising from the financial assets and liabilities which were not carried at fair value through profit or loss by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries amounted to \$37,447,565 and \$40,677,064, respectively, while the interest expenses amounted to \$21,573,516 and \$23,605,240, respectively. For the nine months ended September 30, 2008 and 2007, adjustments of available-for-sale financial assets recognized as adjustments of stockholders' equity amounted to \$(4,547,838) and \$(1,773,830), respectively; gains (losses) resulting from such adjustments were recognized in current profit or loss on available-for-sale financial assets amounting to \$205,843 and \$(448,550), respectively.
- (f) Financial risk management policy and risk information

The major objective of the risk management of the Company and its subsidiaries is to control the risk under the scope approved by the board of directors by efficiently and effectively facilitating the management methods, while pursuing the maximum economic profit. The board of directors of the Company sets out and approves various risk management strategies; these strategies cover the risk appetite, managerial structure, procedure and the risk management authority of each division of the Company.

The Executive Committee, established by the board of directors as a standing committee for overall risk control, holds four main risk review meetings – credit, market, investment and capital, and operating, which are responsible for making management policy, examining limits of authority, and monitoring risk. Each risk review meeting has its own risk committee to assist in execution.

There are certain procedures which have to be completed before delegating any power or authority to the Company and its subsidiaries, operating units or individuals. At the beginning of the year, the Independent Risk Management Unit receives the risk limit applications from the risk-bearing business units and files the cases with the Executive Committee after conducting quantitative risk analysis. After taking into consideration the risk tolerance of each unit, the Committee ratifies the total risk limits, and the results are submitted to the boards of directors of the Company and its subsidiaries for their approval.

The approved authorization is delegated to the Company's subsidiaries, operating units or individuals for their daily operations. The Independent Risk Monitoring Unit adopts certain risk management systems and models to monitor and control the risk of daily trading positions; non-trading positions are monitored by a risk report, with the frequency of such report based on the significance of the risks.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The risks that the Company and its subsidiaries face are illustrated below:

1. Market risk

The Company and its subsidiaries utilize market risk factor sensitivity as a tool to manage market risk. Market risk factor sensitivity of a position is defined as the change in the value of the position with respect to a unit shift of a particular market risk factor. Market risk factors include interest rates, foreign exchange rates, and equity. The calculation of the market risk factor sensitivity is obtained by measuring the effect of one unit increase in market price in all current portfolios held by the Company and its subsidiaries. The difference in the before and after position is referred to as market risk sensitivity, which is used to disclose the effect of value changes due to having various positions with market risk.

Foreign exchange rate factor sensitivity (FX Delta) represents the change in the net present value of the foreign exchange positions with respect to a 100% change in the underlying currency's exchange rate. The FX Delta risk is composed of the FX exposure of derivatives, the foreign exchange positions for hedging purpose, and the foreign currency cash position.

Interest rate factor sensitivity (PVBP, present value of one basis point) represents the change in the net present value of the interest rate positions with respect to parallel shift by 0.01% (1 bp) in a term structure of yield curves. Interest rate products include bonds, interest rate swaps, FRA, caps/floors options, and structured products composed of such products.

Equity factor sensitivity (Equity Delta) represents the change in the net present value of the equity positions with respect to a 100% change in the underlying stock or index prices. The Company and its subsidiaries' equity portfolios include stocks, convertible bonds, equity index and equity options. Nationality recognition is determined by the country of the competent supervisory authority of the stock exchange where the underlying stocks of the equity portfolios are traded.

The Company and its subsidiaries set their market risk limits by first taking into consideration the market movement prediction, its net worth, and the revenue budgets of the risk-taking units to estimate its exposure to market risk. The Company and its subsidiaries then incorporate correlation coefficients estimation among different market risk factors along with a value-at-risk approach to analyze whether the potential loss is justifiable based on the revenue budgets. The market risk limits are determined based on the above analysis, the experience of traders, and the risk appetites of the Company and its subsidiaries.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Quantitative market risk information is listed below:

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries (the banking subsidiaries)

(In Thousands of New Taiwan Dollars)

	<u>Currency</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
FX factor sensitivity			
(FX Delta)			
	EUR	\$ (570,651)	\$ 1,932,272
	JPY	1,772,362	135,976
	USD	18,525,825	(2,185,678)
	Others	(1,294,631)	2,787,438
Interest rate factor sensitivity			
(PVBP)			
Cross currency swaps curve	JPY	(29)	(136)
	NTD	956	276
	Others	(8)	-
Interest rate swaps curve	EUR	20	-
	JPY	59	179
	NTD	216	3,991
	USD	(338)	899
	Others	(110)	166
Forward curve	EUR	(53)	(174)
	JPY	(3)	9
	NTD	(206)	8
	USD	(13)	(776)
	Others	78	(354)
Bond yield curve	NTD	(24,255)	(37,231)
	USD	(3,314)	(3,792)
Equity factor sensitivity			
(Equity Delta)			
	Taiwan	(854,968)	4,577,441
	U.S.A.	(101,897)	-

The FX Delta risk in the above table comes from the FX exposure of derivatives, the hedging of foreign exchange positions, and foreign currency cash positions.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. Credit risk

Possible loss may occur in the event of non-performance by counterparties to financial instrument contracts issued or held by the Company and its subsidiaries. However, the credit rating of the counterparties will be determined by the Company and its subsidiaries before entering into the transactions such as loans, accounts receivable and certain guarantees. Moreover, the sufficiency of adequate collaterals might be needed regarding to the credit evaluations of counterparties. If the counterparty or third party fails to perform its obligation, the Company and its subsidiaries are granted the right to request an injunction regarding that collateral. Therefore the credit risk of the Company and its subsidiaries is reduced. Such procedures have effectively reduced the credit risk of the Company and its subsidiaries. Furthermore, the transaction amount is within the range of the credit line, so the possibility of breaching the contract is low. The effect reduction of the credit rating from fair value and net settlement of collateral received are not considered when disclosing the maximum exposure to credit risk. The amount of credit risk of the Company and its subsidiaries refers to contracts with positive fair value on the balance sheet date.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The analysis of the maximum exposure to credit risk of the financial instruments held by the Company and its subsidiaries was as follows:

Financial instruments	September 30, 2008	
	Book value	Maximum exposure to credit risk
Non-Derivative Financial Instruments		
Financial assets measured at fair value through profit or loss—net	\$ 58,277,555	\$ 58,277,555
Receivables—net	124,710,590	124,710,590
Loans—net	933,000,269	933,000,269
Available-for-sale financial assets—net	123,799,809	123,799,809
Held-to-maturity financial assets	197,030,380	197,030,380
Other financial assets—net	14,718,694	14,718,694
Derivative Financial Instruments		
Trading purpose:		
Forwards	2,149,740	2,149,740
Non-delivery forwards	5,623,115	5,623,115
Currency swaps	5,863,050	5,863,050
Cross currency swaps	2,397,687	2,397,687
Interest rate swaps	22,142,264	22,142,264
Options	6,558,296	6,558,296
Warrants	9,944	9,944
Asset swaps	198,692	198,692
Credit default swaps	489,424	489,424
Commodity-linked interest rate swaps	11,133	11,133
Commodity-linked forward contracts	79,027	79,027
Commodity futures	15,673	15,673
Equity swaps	61,440	61,440
Hedging purpose:		
Interest rate swaps	582,470	582,470

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial instruments	September 30, 2007	
	Book value	Maximum exposure to credit risk
Non-Derivative Financial Instruments		
Financial assets measured at fair value through profit or loss—net	\$ 75,957,052	\$ 75,957,052
Receivables—net	129,589,828	129,589,828
Loans—net	864,271,396	864,271,396
Available-for-sale financial assets—net	226,092,864	226,092,864
Held-to-maturity financial assets	126,976,127	126,976,127
Other financial assets—net	19,255,937	19,255,937
Derivative Financial Instruments		
Trading purpose:		
Forwards	1,644,175	1,644,175
Non-delivery forwards	1,385,017	1,385,017
Currency swaps	2,926,696	2,926,696
Cross currency swaps	642,887	642,887
Interest rate swaps	19,358,009	19,358,009
Options	5,124,328	5,124,328
Warrants	5,472	5,472
Asset swaps	276,299	276,299
Credit default swaps	30,830	30,830
Commodity-linked interest rate swaps	12,214	12,214
Commodity-linked forward contracts	3,552	3,552
Interest rate futures	114	114
Margin trading	338,606	338,606
Equity swaps	7,408	7,408
Equity index futures	71,908	71,908
Hedging purpose:		
Non-delivery forwards	11,022	11,022

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Information on Concentration of Credit Risk

Significant concentrations of credit risk exist when there are significant exposures to an individual counterparty to a transaction or a number of related counterparties engage in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd., did not have any significant concentration of credit risk in terms of a single client or counterparty to a transaction, or clients located in nearby regions, except for clients being in a single industry with similar industrial characteristics. Contracts with significant concentration of credit risk of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. were as follows:

<u>By Industry</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Individual clients	\$ 396,454	\$ 395,175
Manufacturing sector	173,244	148,309
Financial industry	44,171	62,522
Public sector	47,214	25,477
Construction industry	13,352	14,952

(In Millions of New Taiwan Dollars)

Financial instruments with off-balance-sheet credit risk

Since the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. provides loans and issues credit cards, it has substantial credit commitments, most of which are confined to one year. Furthermore, Chinatrust Commercial Bank Co., Ltd. provides guarantee endorsements, guarantee endorsements for commercial paper, and commercial letters of credit as a guarantee for clients' obligations to third parties (included in loan commitments).

Contract amounts of financial instruments with off-balance-sheet credit risk were as follows:

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Unused lines of credit	\$ 839,363,999	\$ 807,620,091
Unused credit card commitments	409,364,102	418,214,871
	<u>\$ 1,248,728,101</u>	<u>\$ 1,225,834,962</u>

As of September 30, 2008 and 2007, non-cancelable credit limits of unused credit facilities were \$141,806,727 and \$150,564,044, respectively.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Since these financial instruments are not settled prior to maturity, the contract amount does not represent cash outflow in the future; that is, the demand for cash in the future is lower than the contract amount. If lines of credit are reached and the collateral or other guarantees are completely worthless, credit risk is equivalent to the contract amount, which is the maximum possible loss for Chinatrust Commercial Bank Co., Ltd. However, prior to providing loans, guarantee endorsements, guarantee endorsements for commercial paper, and commercial letters of credit, Chinatrust Commercial Bank Co., Ltd. performs a strict credit review and grants appropriate lines of credit based upon review results.

For credit card facilities, no collateral is required, but the credit status of the credit card holders is closely monitored and the credit limit will be amended if necessary.

When providing a guarantee endorsement for commercial paper for a client with a specific risk, Chinatrust Commercial Bank Co., Ltd. will request the client to furnish appropriate collaterals. The acceptable collateral for guarantee endorsement for commercial paper includes bonds, time deposits, securities and real estate. If a counter-party fails to comply with its obligation, Chinatrust Commercial Bank Co., Ltd. is granted the right to dispose of that collateral, and the credit risk of Chinatrust Commercial Bank Co., Ltd. is therefore reduced.

3. Liquidity risk

In the light of market liquidity risk, since notional principals of financial derivatives of the Company and its subsidiaries, rather than the amounts actually paid or received, are used mainly to calculate payables or receivables of parties to transactions, amounts settled are generally lower than notional principals. Since financial derivatives held by the Company and its subsidiaries are denominated in major currencies with active trading and reverse transactions are readily available to offset positions, liquidity risk is deemed low.

The Company and its subsidiaries except for Chinatrust Commercial Bank Co., Ltd. set a current ratio benchmark in monitoring and managing the funding liquidity risk. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. sets a maximum cumulative outflow (MCO) limit in monitoring the maturity of the assets and liabilities on the settlement date. The Company's subsidiaries Chinatrust Commercial Bank Co., Ltd. and Chinatrust Securities Co., Ltd. have established liquidity contingency plans for the guidance of each unit when emergency liquidation problems happen. The cash liquidity risk of the Company and its subsidiaries is monitored, and therefore the liquidity risk is considered low.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. Cash flow risk and fair value risk arising from interest rate fluctuation

A. The Company

In considering the possibility of future cash flow risk arising from floating-interest-rate debts due to market interest rate fluctuation, the Company entered into interest rate swap transactions to hedge against the cash flow risk arising from the market interest rate fluctuation.

B. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries

In considering the possibility of future cash flow risk arising from floating-interest-rate assets and liabilities due to market interest rate fluctuation, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries entered into interest rate swap transactions to hedge against the cash flow risk rising from the market interest rate fluctuation.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

a. Information on expected interest rate reset date and maturity date:

As of September 30, 2008 and 2007, the reset and maturity dates were not affected by the contract date. The interest rate risk exposures on assets and liabilities of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries were as shown below. Non-derivative financial assets and liabilities were presented at book value (prior to deducting allowance for bad debts, evaluation adjustments and accumulated impairment.), and derivative financial assets and liabilities were presented at book value allocated to time bands by reference to the earlier of the next interest rate reset date or maturity date. The financial instruments held or issued by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries were as follows:

	September 30, 2008				Total
	Between 0 and 90 days	Between 91 and 180 days	Between 181 days and 1 year	Over 1 year	
Assets					
Interest-rate-sensitive assets					
Due from and call loans to banks	\$ 84,170,398	\$ 18,744,454	\$ 8,456,192	\$ 30,133,469	\$141,504,513
Non-derivative financial assets measured at fair value through profit or loss	50,293,789	1,147,749	478,954	859,200	52,779,692
Derivative financial assets measured at fair value through profit or loss	29,373,519	5,703,868	4,726,479	2,053,676	41,857,542
Securities purchased under resell agreements	3,950,438	-	-	-	3,950,438
Loans	760,657,031	43,511,489	32,238,471	94,269,109	930,676,100
Available-for-sale financial assets	24,262,915	7,080,942	8,452,364	44,072,251	83,868,472
Held-to-maturity financial assets	132,347,469	35,152,692	2,651,140	26,026,936	196,178,237
Other financial assets	8,116,135	537,522	(5,565,371)	(1,806,404)	1,281,882
Liabilities					
Interest-rate-sensitive liabilities					
Deposit from Central Bank and other banks	45,066,869	4,165,662	118,030	149,577	49,500,138
Due to Central Bank and other banks	485,125	4,577,772	865,637	8,324,011	14,252,545
Non-derivative financial liabilities measured at fair value through profit or loss	100,336	-	-	-	100,336
Derivative financial liabilities measured at fair value through profit or loss	26,091,662	5,545,785	4,654,936	4,810,982	41,103,365
Securities sold under repurchase agreements	68,544,207	501,753	7,370	-	69,053,330
Deposits	576,442,260	540,327,075	104,503,115	7,532,001	1,228,804,451
Financial debentures	49,091,164	1,298,569	499,449	38,886,169	89,775,351
Other financial liabilities	309,191	-	-	157,926	467,117

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries (not restated)

	September 30, 2007				Total
	Between 0 and 90 days	Between 91 and 180 days	Between 181 days and 1 year	Over 1 year	
Assets					
Interest-rate-sensitive assets					
Due from and call loans to banks	\$ 112,043,061	\$ 26,486,739	\$ 4,571,468	\$ 26,064,598	\$ 169,165,866
Non-derivative financial assets measured at fair value through profit or loss	31,884,771	313,266	23,966	1,730,472	33,952,475
Derivative financial assets measured at fair value through profit or loss	22,369,181	2,658,918	1,910,293	2,612,079	29,550,471
Loans	610,878,312	47,001,893	40,817,176	168,625,724	867,323,105
Available-for-sale financial assets	97,679,878	11,552,645	19,952,017	42,558,883	171,743,423
Held-to-maturity financial assets	58,682,498	17,348,102	20,780,066	29,312,107	126,122,773
Other financial assets	9,415,403	10,000	50,000	(7,357,777)	2,117,626
Liabilities					
Interest-rate-sensitive liabilities					
Deposit from Central Bank and other banks	34,643,829	713,058	108,201	348,864	35,813,952
Due to Central Bank and other banks	476,996	323,557	5,531,286	9,372,017	15,703,856
Derivative financial liabilities measured at fair value through profit or loss	16,400,444	3,106,891	2,206,293	7,688,941	29,402,569
Securities sold under repurchase agreements	63,662,677	704,610	2,000	-	64,369,287
Deposits	588,019,773	535,151,735	106,014,121	10,768,386	1,239,954,015
Financial debentures	47,533,624	-	2,000,000	26,039,717	75,573,341
Other financial liabilities	651,936	259,668	-	164,368	1,075,972

Note: The above analysis excludes non-interest-bearing assets, liabilities, equity instruments and accumulated impairment of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries.

Chinatrust Bills Finance Corp.

	September 30, 2007				Total
	Less than 30 days	Between 31 and 90 days	Between 91 days and 1 year	Between 1 and 7 years	
Liabilities					
Corporate bonds	\$ -	\$ 2,000,000	\$ 1,500,000	\$ -	\$ 3,500,000

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. Effective interest rates (excluding financial assets held for trading)

As of September 30, 2008 and 2007, the effective interest rate of financial instruments held and issued by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. were as follows, classified by currency:

Financial instruments	September 30, 2008		Chinatrust Commercial Bank Co., Ltd. (not restated)	
			September 30, 2007	
	NTD	USD	NTD	USD
Assets				
Due from Central Bank	0.92%	-	0.97%	-
Due from and call loans to other banks	2.11%	3.81%	2.20%	5.37%
Securities purchased under resell agreements	3.07%	-	0.19%	-
Available-for-sale financial assets	2.45%	3.66%	1.96%	5.31%
Held-to-maturity financial assets	2.17%	4.71%	1.94%	6.20%
Debt investment without active market	-	-	-	7.20%
Loans	3.84%	3.66%	3.81%	4.71%
Receivables—credit card	15.72%	-	14.04%	-
Liabilities				
Deposits	1.47%	1.41%	1.29%	2.56%
Due to other banks	1.95%	2.99%	1.81%	5.08%
Borrowing and other financing	2.94%	0.88%	2.67%	1.38%
Securities sold under repurchase agreements	2.08%	3.58%	1.71%	5.17%

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Chinatrust Bills Finance Corp.

Please refer to Note 10(I) for more information.

c. Effects of interest rate risk exposure arising from hedge transactions:

The effects of interest rate risk exposure from hedge transactions of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. are presented based on the present value of one basis point (PVBP) as follows:

<u>Hedged items</u>	<u>Hedging instruments</u>	<u>PVBP</u>	
		<u>For the nine months ended September 30,</u>	
		<u>2008</u>	<u>2007</u>
Fair value hedge			
Structured deposits in USD	Interest rate swaps	USD -	(10)
Financial debentures in NTD	"	NTD (7,393)	(9,287)
"	"	USD (1)	(73)
Subordinate debentures in USD	"	USD (290)	(310)
Cash flow hedge			
Financial debentures in NTD	Interest rate swaps	NTD (7)	(602)
"	"	USD (4)	-

C. Chinatrust Securities Co., Ltd.

The short-term borrowing of the Company's subsidiary Chinatrust Securities Co., Ltd. bears a fixed interest rate; therefore, the future cash flow will not be affected by market interest rate fluctuation.

(g) Fair value hedge, cash flow hedge, and hedges of net investment in a foreign operation

The objective of market risk management of the Company and its subsidiaries is to lower the potential adverse impacts on a company's operating achievement by approaching the optimum risk position, maintaining the applicable liquidation position, and centrally managing market risk after taking into consideration the economic environment, competition, market price risk, and the effects on net interest revenue. In order to achieve the goal of risk management, the Company and its subsidiaries focus their hedging activities on two major controllable variables: net interest revenue and market value.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Company and its subsidiaries manage these two variables by exploiting three types of hedging relationships: cash flow hedge, fair value hedge, and hedges of net investment in a foreign operation. Under a cash flow hedge, transactions with variable future cash flows will be converted into fixed cash flows in order to minimize the risk from a decrease in net interest income. Under a fair value hedge, transactions with fixed or structural income will be swapped with transactions with fluctuating income to minimize the risk of market value variation. A hedge of net investment in a foreign operation is to minimize the risk of changes in exchange rate by converting the foreign operation's net investment into a fixed New Taiwan Dollar equivalent value via derivative instruments. The major hedging tools that the Company and its subsidiaries use are interest rate swaps and non-delivery forwards.

1. The Company

Considering that the future cash flow risk from floating-interest-rate liabilities due to market interest rate fluctuation might be significant, the Company entered into interest rate swap transactions to hedge against the cash flow risk from market interest rate fluctuation.

<u>Hedged items</u>	<u>Designated hedging instruments</u>		<u>Expected period of cash flow</u>	<u>Expected recognition period of gain or loss</u>	
	<u>Financial instruments designated as hedging instruments</u>	<u>Fair value</u>			
		<u>September 30,</u>			
		<u>2008</u>	<u>2007</u>		
Corporate bonds payable	Interest rate swaps	<u>\$ (14,124)</u>	<u>\$ (236,876)</u>	2006~2010	2006~2010

<u>Items</u>	<u>For the nine months ended September 30,</u>	
	<u>2008</u>	<u>2007</u>
Amount of current adjustment to equity	<u>\$ 82,668</u>	<u>\$ 101,749</u>

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd.

A. Fair value hedge

In order to minimize the risk from future market interest rate fluctuation, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. entered into interest rate swap transactions, where the interest rate payable on fixed-interest-rate debts issued by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. has been swapped with the floating-interest-rate to reduce such interest risk. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. further entered into non-delivery forwards; these contracts are principally to hedge against the foreign exchange fluctuation of USD working capital of the Domestic Banking Unit.

	Designated hedging instruments	Fair value	
		September 30,	
		2008	2007
Structured deposits in USD	Interest rate swaps	\$ -	\$ (68,430)
Perpetual subordinated debentures in USD	"	526,124	(259,669)
Subordinated debentures in NTD	"	(266,732)	(512,653)
Financial debentures in NTD	"	5,795	(64,638)
Capital of Domestic Banking Unit in USD	Non-delivery forward	(38,637)	11,022

B. Cash flow hedge

In order to minimize the uncertainty of future cash flow risk from future market interest rate fluctuation, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. entered into interest rate swap transactions, where the structural interest rate payable on structural debts issued by Chinatrust Commercial Bank Co., Ltd. has been swapped with the fixed interest rate.

Hedged items	Designated hedging instruments	Fair value		Expected period of cash flow	Expected recognition period of gain or loss
		September 30,			
		2008	2007		
Financial debentures in NTD	Interest rate swaps	\$ (19)	\$ (6,214)	2006~2008	2006~2008
"	"	46,749	(30,024)	2009~2011	2009~2011

Items	For the nine months ended September 30,	
	2008	2007
Amount of current adjustment to equity	\$ 21,903	\$ 43,545

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(AB) INFORMATION ON RECLASSIFICATION OF FINANCIAL ASSETS:

- (a) The amount and the reason for reclassification of financial assets

	For the nine months ended September 30, 2008	
	Reclassified	
	Available- for-sale financial assets	
Items which were initially classified as financial assets held for trading	\$	7,927,485

Due to the dramatic changes in the domestic and global financial and economic trends in recent periods, where the facts and circumstances indicated that the situations were those rare ones stated in item 1, (3) ② of paragraph 104 of SFAS No. 34 “Financial Instruments: Recognition and Measurement,” the Company’s subsidiary Chinatrust Commercial Bank Co., Ltd. reclassified its stock investments to available-for-sale financial assets from those classified as held for trading at initial recognition.

- (b) Book value and fair value of financial assets which were reclassified

	For the nine months ended September 30, 2008	
	Book value	Fair value
Available-for-sale financial assets	\$ 7,927,485	\$ 7,927,485

- (c) Recognizing reclassification of financial assets measured at fair value through profit or loss in gain or loss or in equity

	Items which were classified as financial assets held for trading	
	Losses on financial assets measured at fair value through profit or loss if not reclassified	The amount recognized in profit or loss under reclassification
For the nine months ended September 30, 2008	\$ (4,640,479)	\$ -

For the nine months ended September 30, 2008 and 2007, gains (losses) on the Bank’s financial assets prior to the reclassification of financial assets from the trading category amounted to \$1,546,826 and \$(1,823,045), respectively.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. RELATED-PARTY TRANSACTIONS

(A) Names of related parties and relationship with the Company

<u>Name of related party</u>	<u>Relationship with the Company</u>
Chinatrust Security Co., Ltd.	An investee company carried under equity method
Grand Bills Finance Corporation	An investee company carried under equity method by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd.
GCB Finance (HK) Limited	"
Chinatrust Forex Corp.	" (Liquidating)
Chinatrust Securities Investment Consultancy Co., Ltd.	"
CTC Group Inc.	The Chairman of the Company is its Chairman
Chinatrust Culture Foundation	"
National Credit Card Center of R.O.C.	"
Taiwan Institute of Economic Research	"
Chung Cheng Investment Co., Ltd.	"
Overseas Investment & Development Co., Ltd.	The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. is its Chairman
China Development Industrial Bank	An immediate family member of the Chairman of the Company is its Chairman
Chinatrust Charity Foundation	The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. contributed over 1/3 of its total funds
Kuan Ho Construction & Development Co., Ltd.	A company director
Ho-Yeh Investment Co., Ltd.	A company supervisor
Chailease Finance Co., Ltd.	Related party in substance
Chinatrust Recreation Company Ltd.	"
United Engineering Corp.	"
Tectonics Laboratories Co., Ltd.	" (Note)
Advanced Synchronous Solutions Company Limited	"
Linearity Company Limited	"
Doppler Precision Co., Ltd.	"
Other related parties	Including directors, supervisors, managers and their families, spouses, etc. (Note 7(C))

Note: Steven C.Z. Cheng, the former Chief Executive Officer of the Institutional Group of the Company, had the authority to sign for major bank accounts of these related parties in substance without prior notice to the board of the Company. The Company and its subsidiaries were not involved with the fund management of these companies. For the major bank accounts of these related parties in substance, the person with signing authority had been changed to non-related parties, and the accounts had been closed as of December 31, 2006. The former Chief Executive Officer of the Institutional Group of the Company resigned in March 2007.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Significant transactions with related parties

(a) Lease

For the nine months ended September 30, 2008 and 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. received \$9,041 and \$9,128, respectively, from related parties for the rental of buildings and parking spaces. The guarantee deposit and rental revenue for the use of space and machinery received from related parties amounted to \$1,521 and \$1,508, respectively.

(b) Commissions and service fees

For the nine months ended September 30, 2008 and 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. paid commissions and service fees to the National Credit Card Center of the R.O.C. amounting to \$62,197 and \$207,602, respectively (\$30,940 and \$36,751, respectively, accounted for under payables).

(c) Donations

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd.:

<u>Related party</u>	<u>For the nine months ended September 30,</u>	
	<u>2008</u>	<u>2007</u>
Chinatrust Culture Foundation	\$ 42,060	\$ 45,156
Chinatrust Charity Foundation	12,000	16,000
Total	<u>\$ 54,060</u>	<u>\$ 61,156</u>

(d) Guarantees

<u>Related party</u>	<u>For the nine months ended September 30, 2008</u>				
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Guarantee reserve</u>	<u>Interest rate</u>	<u>Collateral</u>
Grand Bills Finance Corporation	\$ 1,533,000	\$ 1,533,000	\$ -	0.10%	Central government bonds, financial debentures and structural deposits
Chailease Finance Co., Ltd.	122,400	122,400	-	0.90%	None
Kuan Ho Construction & Development Co., Ltd.	185,000	185,000	-	1.30%	Real estate

<u>Related party</u>	<u>For the nine months ended September 30, 2007</u>				
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Guarantee reserve</u>	<u>Interest rate</u>	<u>Collateral</u>
Grand Bills Finance Corporation	\$ 1,533,000	\$ 1,533,000	\$ -	0.10%	Central government bonds, NCD and structural deposits
Chailease Finance Co., Ltd.	214,200	214,200	-	0.90%	None

The above commission and service rates are substantially the same as for comparable transactions with third-party counterparties.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(e) Loans

For the nine months ended September 30, 2008							
Categories	No./name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan – employee	40	\$ 20,633	\$ 12,351	\$ 12,351	\$ -	Automobile	(Note)
Home loan mortgage	148	634,458	521,192	521,192	-	Real estate	"
Others	Chailease Finance Co., Ltd.	339,000	226,500	226,500	-	Real estate and machinery	"
"	Kuan Ho Construction & Development Co., Ltd.	160,000	160,000	160,000	-	Real estate	"
"	CTC Group Inc.	583,176	571,226	571,226	-	Real estate	"
"	Others	39,947	4,183	4,183	-	None	"

For the nine months ended September 30, 2007							
Categories	No./name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan – employee	35	\$ 11,497	\$ 7,659	\$ 7,659	\$ -	Automobile	(Note)
Home loan mortgage	110	495,392	396,487	396,487	-	Real estate	"
Others	Chailease Finance Co., Ltd.	1,770,000	400,000	400,000	-	Listed/OTC securities and notes receivable – cheque	"
"	CTC Group Inc.	635,280	623,093	623,093	-	Real estate	"
"	Others	914	598	598	-	Deposits	"

Note: The above rates of loans are substantially the same as for comparable transactions with third-party counterparties.

(f) Deposits

For the nine months ended September 30, 2008				
Related party	Maximum balance	Ending balance	Range of interest rates	Interest expense
Grand Bills Finance Corporation	\$ 1,753,991	\$ 753,528	0~1.30%	\$ 11,587
GCB Finance (HK) Limited	428,092	332,053	0.01~2.00%	99
Chailease Finance Co., Ltd.	283,717	208,663	0~2.73%	1,850
Chinatrust Charity Foundation	279,046	145,665	0~1.74%	485
Overseas Investment & Development Co., Ltd.	148,094	129,315	0~4.20%	2,487
National Credit Card Center of R.O.C.	2,354,084	271,331	0~2.76%	1,931
Taiwan Institute of Economic Research	227,365	208,601	0~2.74%	1,105
Others	2,543,752	1,303,651		13,262
Total	\$ 8,018,141	\$ 3,352,807		\$ 32,806

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

<u>Related party</u>	For the nine months ended September 30, 2007			
	<u>Maximum balance</u>	<u>Ending balance</u>	<u>Range of interest rates</u>	<u>Interest expense</u>
Grand Bills Finance Corporation	\$ 2,172,372	\$ 1,753,302	0~1.73%	\$ 18,068
GCB Finance (HK) Limited	338,282	334,398	0.01~0.10%	121
Taiwan Institute of Economic Research	203,808	168,853	0~2.49%	310
Overseas Investment & Development Co., Ltd.	160,553	152,505	0~4.60%	2,884
Chailease Finance Co., Ltd.	195,584	114,832	0~2.46%	397
National Credit Card Center of R.O.C.	3,802,712	317,131	0~2.49%	2,905
Chung Cheng Investment Co., Ltd.	305,132	105,601	0~1.75%	15
Others	2,362,721	1,019,071		9,675
Total	\$ 9,541,164	\$ 3,965,693		\$ 34,375

The above interest rates on deposits are substantially the same as for comparable transactions with third-party counterparties.

(g) Financial derivatives

September 30, 2008						
<u>Related party</u>	<u>Derivative financial instruments</u>	<u>Contract period</u>	<u>Notional principal</u>	<u>Unrealized profit/loss</u>	<u>Balance sheet</u>	
					<u>Account</u>	<u>Ending balance</u>
China Development Industrial Bank	Swaptions	2008.04.22~ 2009.03.04	NTD 9,000,000	\$ (12,562)	(Note 1)	\$ 39,488
"	Interest rate swaps	2008.08.22~ 2012.03.14	KRW 50,000,000	19,898	"	19,898
"	Interest rate swaps	2008.06.13~ 2013.09.16	NTD 10,394,000	16,245	(Note 2)	(1,994)
"	Currency swaps	2008.06.5~ 2009.06.09	NTD 601,000	5,555	(Note 1)	5,555
Grand Bills Finance Corporation	Interest rate swaps	2004.12.22~ 2010.01.25	NTD 1,500,000	(2,174)	"	1,244

September 30, 2007						
<u>Related party</u>	<u>Derivative financial instruments</u>	<u>Contract period</u>	<u>Notional principal</u>	<u>Unrealized profit/loss</u>	<u>Balance sheet</u>	
					<u>Account</u>	<u>Ending balance</u>
China Development Industrial Bank	Currency swaps	2007.04.25~ 2007.10.29	USD 10,000	\$ (2,521)	(Note 2)	\$ (2,521)
"	Interest rate swaps	2006.09.27~ 2012.06.25	NTD 4,200,000	(19,719)	"	(18,076)
Grand Bills Finance Corporation	Interest rate swaps	2004.12.22~ 2010.01.25	NTD 1,500,000	(16,123)	(Note 1)	5,230

Note 1: Accounted for under financial assets measured at fair value through profit or loss.

Note 2: Accounted for under financial liabilities measured at fair value through profit or loss.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(h) Trades of bills and bonds

<u>Related party</u>	For the nine months ended September 30, 2008	
	Bills and bonds	Bills and bonds
	purchased	sold
Grand Bills Finance Corporation	\$ 4,814,109	\$ 3,825,890
China Development Industrial Bank	3,822,365	4,266,582
Kuan Ho Construction & Development Co., Ltd.	150,000	-
Chung Cheng Investment Co., Ltd.	50,000	-
Ho-Yeh Investment Co., Ltd.	156,000	-

<u>Related party</u>	For the nine months ended September 30, 2007	
	Bills and bonds	Bills and bonds
	purchased	sold
Grand Bills Finance Corporation	\$ 17,235,929	\$ 15,334,107
China Development Industrial Bank	4,964,474	6,664,962
Chailease Finance Co., Ltd.	339,361	-
United Engineering Corp.	29,951	-
Chung Cheng Investment Co., Ltd.	772,325	-

(i) Others

For the nine months ended September 30, 2008 and 2007, the Company's subsidiary Chinatrust Commercial Bank Co. Ltd., paid Chinatrust Security Co., Ltd. security fees of \$61,730 and \$62,298, respectively (\$6,382 and \$9,502, respectively, accounted for under payables).

For the nine months ended September 30, 2008 and 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. paid Chinatrust Recreation Company Ltd. sponsor fees of \$84,000 and \$75,000, respectively.

The Company's sub-subsidiary CT Opportunity Investment Company (CTO), an asset servicing company, signed an Agreement of Limited Partnership with Oscillum Company Limited (Oscillum) to jointly invest in CT Asia Investors I, L.P. (CTAI) and Garrison Colony Asia Investors L.P. (GC) partnership organizations. Pursuant to the Agreement of Limited Partnership, Oscillum acts as a general partner, whereas CTO is merely liable for the capital contributed in CTAI and GC but has no control of or significant influence on the partnership as a limited partner. According to the partnership agreement, CTAI and GC shall periodically provide independent auditors' reports to CTO for it to evaluate its investments in CTAI and GC and to determine whether an impairment loss exists. However, it is not required for Oscillum to provide relevant management reports including information such as use of funds, investment nature, and gain/loss of individual investment portfolios of CTAI and GC. The board of directors of CTO has resolved to terminate the Agreement of Limited Partnership with Oscillum. Please refer to Note 4(J) for further information.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(j) Other significant overseas related-party legal matters for prior years

The former management team of the Company, including the Vice Chairman, Chief Strategic Officer, Chief Compliance Officer, and Chief Financial Officer and the Company's subsidiary Chinatrust Commercial Bank Co., Ltd.'s former General Manager of the Institutional Group and Senior Vice President of the Finance Department were prosecuted by the Taipei District Prosecutors Office, Taiwan, on February 15, 2007, for suspected illegal action due to inadequate authorization of the US\$390 million structured note transaction with Red Fire Developments Limited. In addition, on October 7, 2008, the verdict of the Taipei District Court of first instance was announced. Please refer to Note 7(C) for further information on this case.

In November 2005, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. formally contracted with Tectonics Laboratories Co., Ltd. to purchase real estate located at Cheng Ching Lake for use as the second training center with a purchase price of \$950,000, which was fully paid in December 2005. The ownership of that real estate was completely transferred in January 2006. Tectonics Laboratories Co., Ltd. realized a gain of approximately \$87,821 from this transaction. At the end of 2006, the book value of that real estate was reduced by \$87,821 by Chinatrust Commercial Bank Co., Ltd. for the sake of conservatism.

Between March and April 2006, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. sold its non-performing loans as follows:

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. sold the non-performing loans made to Hua Wang Electric Industry Ltd. to Linearity Company Limited for \$180,329; sold the non-performing loans made to Corwell Development Corp. to Doppler Precision Co., Ltd. for \$44,062; and sold the non-performing loans made to Banyu Paper Mill Co., Ltd. to Tectonics Laboratories Co., Ltd. for \$40,000. No gain or loss was realized from these sales because the selling prices were determined based on the book value of the loans after deducting the provision for losses. In July 2006, however, these sales transactions were canceled, and all of the sales proceeds were returned.

In March 2005, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. sold its non-performing loans made to Fengshan Credit Cooperatives with a book value of \$840,000 (original principal was \$5,900,000) to Advanced Synchronous Solutions Company Limited for \$840,000. No gain or loss was realized from this transaction because the selling price was determined based on the book value of the loans after deducting the provision for losses.

In November 2005, the Company's sub-subsidiary Chung Shin-1 Asset Management Co., Ltd. sold its entire non-performing loan portfolio, with a book value of \$384,562, to Advanced Synchronous Solutions Company Limited for \$290,000. In July 2006, however, the preceding transaction was canceled and all proceeds were returned.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. PLEDGED ASSETS

Pledged assets of the Company and its subsidiaries were as follows:

Assets	September 30,		Purpose of collateral
	2008	2007	
Chinatrust Financial Holding Company, Ltd.			
Negotiable certificates of deposit	\$ 1,700,000	\$ 1,400,000	Collateral for loans and limits on financial transactions
Time deposits	-	78,192	"
Subsidiary—Chinatrust Commercial Bank, Co., Ltd. and subsidiaries			
Bonds	15,168,090	16,984,531	Litigation and other deposits etc. (including guarantee fulfilment for purchase and assumption of EBH)
Negotiable certificates of deposit	17,641,000	25,571,000	Daytime overdrafts, guarantee fulfilment of superficies right and other
Time deposits	91,149	6,037,327	Operation guarantee deposits and trust fund reserves
Receivables	140,400	171,100	Litigation and other deposits
Subsidiary—Chinatrust Securities Co., Ltd. and subsidiaries			
Operating securities— proprietary trading (face value \$10,000)	-	9,953	Guarantee for all the debts or its use is restricted
Refinancing margin	419	648	"
Refinancing collateral receivable	466	846	"
Stock borrowing collateral price	25,369	-	"
Stock borrowing margin	9,145	-	"
Restricted assets—time deposits	389,000	386,000	"
Land	63,499	63,499	"
Buildings (net book value)	36,081	37,697	"
Operation guarantee deposits	320,000	330,000	"
Clearing and settlement fund	93,457	95,776	"
Refundable deposits	35,156	35,636	"
Rentable assets (net book value)	26,807	27,056	"
Idle assets (net book value)	38,921	39,476	"
Subsidiary—Chinatrust Insurance Brokers Corp., Ltd.			
Government bonds	820,000	820,000	Operation guarantee deposits

As of September 30, 2008 and 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. had issued a non-cancellable letter of credit of \$750,000 as a guarantee deposit to serve as lottery contractor.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

(A) Securities sold under repurchase agreements

<u>Assets</u>	<u>September 30, 2008</u>			
	<u>Par value</u>	<u>Selling amount (Note)</u>	<u>Designated repurchase amount</u>	<u>Designated repurchase date</u>
Financial assets measured at fair value through profit or loss	\$ 21,377,600	\$ 21,467,484	\$ 21,480,403	Prior to October 30, 2008
Available-for-sale financial assets	27,901,300	30,714,555	30,738,013	Prior to February 2, 2009
Held-to-maturity financial assets	17,351,400	19,113,547	19,146,503	Prior to April 1, 2009
Total	<u>\$ 66,630,300</u>	<u>\$ 71,295,586</u>	<u>\$ 71,364,919</u>	

<u>Assets</u>	<u>September 30, 2007</u>			
	<u>Par value</u>	<u>Selling amount (Note)</u>	<u>Designated repurchase amount</u>	<u>Designated repurchase date</u>
Financial assets measured at fair value through profit or loss	\$ 17,693,200	\$ 17,965,645	\$ 17,979,184	Prior to November 2, 2007
Available-for-sale financial assets	53,884,000	59,714,615	59,782,618	Prior to February 4, 2008
Held-to-maturity financial assets	23,596,100	25,853,417	25,901,938	Prior to September 15, 2008
Total	<u>\$ 95,173,300</u>	<u>\$ 103,533,677</u>	<u>\$ 103,663,740</u>	

Note: Accounted for under securities sold under repurchase agreements.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(B) Major commitments and contingencies

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Chinatrust Financial Holding Company, Ltd.		
Promissory notes of short-term borrowing and other financing	\$ 3,770,000	\$ 3,970,000
Subsidiary—Chinatrust Commercial Bank Co., Ltd. and subsidiaries		
Contingent liabilities from guarantee and letter of credit business	72,984,519	78,686,082
Promissory notes of Central Bank for banks' clearance	4,486,039	6,570,600
Client notes in custody	108,656,190	120,321,433
Receivables for other banks from syndicated loans	42,280,688	43,676,170
Marketable securities in custody	298,671,408	834,443,081
Travellers' cheques in custody available for sale	457,382	479,811
Special-purpose trust accounts	1,205,864,038	976,312,053
Subsidiary—Chinatrust Securities Co., Ltd.		
Promissory notes	10,000	10,000
Refundable promissory notes	2,100,000	2,550,000
Letter of guarantee for warrant application	567,000	590,000
Outstanding account under fixed asset purchase agreement	-	29,700
	<u><u>\$ 1,739,847,264</u></u>	<u><u>\$ 2,067,638,930</u></u>

On July 31, 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. renewed the services contract for information resources supply with International Business Machines initially signed in 2005, and this action authorized a five-year contract term commencing from July 31, 2007, and ending on July 30, 2012, for the amount of \$1,654 million, which includes a fixed monthly fee of \$19,301 charged for host computer lease fee, an software authorization fee, and an annual maintenance fee.

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. was designated by the MOF as the Issuing Institute of the public-welfare lottery for a period of seven years commencing from January 1, 2007, and ending on December 31, 2013. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. was authorized to utilize and issue traditional lottery, scratch-and-win lottery, and computerized lottery tickets. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. receives a commission for issuing lottery tickets, representing 4.35% of the total lottery sales amount. The commission will be settled monthly; meanwhile, Chinatrust Commercial Bank Co., Ltd.'s profit will be what remains after a fixed payment of \$2,086,800 to the MOF per year. However, if the amount of annual total lottery sales is less than 80% of promised sales, which is \$75.5 billion, then the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. needs to pay 26.75% of the shortage between the promised and actual sales for the government surplus.

On May 18, 2006, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. signed a purchase contract for lottery software, hardware and maintenances services with LotRich Information Co. for the amount of \$1,159,185, which includes a six-year maintenance services contract term commencing from August 2008 and ending in July 2014 for the amount of \$638,880.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. entrusted Taiwan Lottery Co., Ltd. to operate the public-welfare lottery's ticket issuing, sales, promotion, drawing, payment of prize, and management, with a contract period from January 1, 2007, to June 30, 2014. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. will disburse 1.5% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd. monthly. Additionally, if the annual total lottery sales amount is over \$90 billion, the commission for the excess part (over \$90 billion) will be equal to 1.8% of the total excess lottery sales amount. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. signed an amended contract with Taiwan Lottery Co., Ltd. on July 9, 2008, and rescinded the guarantee deposit amounting to \$500,000. In addition, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. will disburse 1.20% of the total lottery sales amount as commission to Taiwan Lottery Co., Ltd. monthly from January 1, 2008. Additionally, if the annual total lottery sales amount is over \$90 billion, the commission for the excess part will be equal to 1.50% of the total excess lottery sales amount.

On September 30, 2008, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. awarded the contract for its new headquarters building project located in NanKang to Da Cin Construction Co., Ltd. with a total construction cost of \$1.48 billion. From the date of contract, different percentages of the total construction cost will be paid at different stages: 10% for pre-payment, 80% for progress payment (monthly payment made as work progresses under a contract), and 10% for final payment (pay separately 5%, 1.5%, 2%, 1% and 0.5%).

(C) Other significant litigation or legal matters

(a) Structured notes

During the period September to December 2005, the Hong Kong Branch of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. purchased overseas investments with total face value of US\$390 million in structured notes linked to a basket of stocks for US\$392,633 thousand from Barclays Bank PLC. This investment was authorized by the board of directors of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. (The structured notes were originally linked to a basket of stocks; however, the portfolio mainly focused on the stock of Mega Financial Holding Company when exercised.)

On January 27, 2006, the Company submitted to the Financial Supervisory Commission (FSC) the formal application to invest in Mega Financial Holding Company; on the same day, the Hong Kong Branch of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. sold the structured notes to Red Fire Development Limited (Red Fire) for US\$401,081 thousand. Earlier in 2006, Top Genius had remitted US\$19,500 thousand to Red Fire for the down payment for Red Fire to purchase the structured notes from the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. Then, during 2006, Red Fire remitted US\$20,900 thousand to Alpha Services.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

According to FSC Jin-Kuan-Yin-(6) No. 09560003931, 09560003933 and 09560003934, dated July 25, 2006, the structured notes transaction was suspected to be a non-arm's-length transaction with risk management and internal control deficiencies, which does not conform to sound business operation and the regulations of the "Banking Act of the Republic of China." As a result of the improper transaction, the FSC required the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. to pay a fine of \$10,000 for certain deficiencies in the purchase and sale of overseas structured notes by the Hong Kong Branch of Chinatrust Commercial Bank Co., Ltd. and requested it to recover the price difference of \$1,003,533 on the structured notes that Red Fire had acquired and redeemed. Before resolving such deficiencies, Chinatrust Commercial Bank Co., Ltd. was prohibited by the FSC from establishing new overseas branches and subsidiaries. Additionally, the Hong Kong Branch of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. was prohibited from engaging in equity-linked derivative financial instrument transactions until July 20, 2007. Furthermore, the originally approved investment quota of 5% to 10% for investing in Mega Financial Holding Company was adjusted to 5% to 6.1%. In March 2007, after the Company and its subsidiary Chinatrust Commercial Bank Co., Ltd. developed a related internal control system and submitted a specific improvement plan in compliance with the directions of the competent authorities, the FSC lifted the business restrictions on strategic reinvestment by the Company and on engaging in establishing overseas branches and subsidiaries and the business of foreign-currency-denominated options on stocks listed in Taiwan by the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. As of June 21, 2007, the Company had disposed of the foregoing 3.9% stake in Mega Financial Holding Company.

In order to sustain overseas and domestic businesses, the directors of the Company resolved to advance the aforesaid price difference amounting to \$1,003,533, which was accounted for under other revenues of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. in September 2006. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. has agreed and promised to follow the directions of the FSC to recover that price gap from Red Fire and return it to the members of the board of directors of the Company if any money is recovered.

Chinatrust Commercial Bank Co., Ltd.'s former Chief Financial Officer, Perry Chang, former Senior Vice President of the Compliance Department, Yan-dun Deng, and the former Senior Vice President of the Finance Department, Sean Lin, were indicted on February 15, 2007, in connection with the preceding transaction by the Taipei District Prosecutors Office. They were charged with a violation under the "Securities and Exchange Act," the "Banking Act of the Republic of China" and the "Financial Holding Company Act," and Chinatrust Commercial Bank Co., Ltd.'s former Chairman, Jeffrey J.L. Koo Jr., former President, Steven C.Z. Cheng, and former Senior Vice President, Shiao-pin Lin, are now wanted by the prosecutors in the Republic of China. The Taipei District Court Prosecutors Office has also filed this case with the FSC to examine if the Company has violated the law or the Company's articles of incorporation or has hindered sound risk management under Article No. 54 of the Financial Holding Company Law. According to the appointed advisory lawyers, because the information that prosecutors conveyed to the FSC is unknown, it is impossible to judge the consequences of that action on the Company. However, there

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

should be no other disadvantageous effects on the Company and its subsidiary Chinatrust Commercial Bank Co., Ltd. if that conveyed information is the same as the previous information based on which the FSC punished the Company's subsidiary Chinatrust Commercial Bank Co., Ltd.

On October 7, 2008, the verdict of the court of first instance had been delivered by the Taipei District Court. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd.'s former Chief Financial Officer Perry Chang, former Senior Vice President of the Compliance Department Yan-dun Deng, and the former Senior Vice President of the Finance Department Sean Lin were sentenced to between seven years and two months and eight years of imprisonment for indirectly performing manipulative acts to influence the trading prices of securities traded on the stock exchange under the "Securities and Exchange Act" and for being a responsible person who is liable in an action for breach of trust under the "Banking Act"; they were acquitted of the remaining charges of violation of insider trading and short-swing trading under the "Securities and Exchange Act." The aforesaid people filed an appeal according to law in regard to being a responsible person who is liable in an action for breach of trust under the "Banking Act" and indirectly performing any other manipulative acts to influence the trading prices of securities traded on the stock exchange market under the "Securities and Exchange Act." Hence, before the ultimate verdict is delivered by the Court, the impact of this case on the Company and its subsidiary Chinatrust Commercial Bank Co., Ltd. remains uncertain.

According to the attorney opinion letter prepared by the advisory lawyers appointed by the Company and its subsidiary Chinatrust Commercial Bank Co., Ltd., "the preceding criminal verdict delivered by the District Court indicated that the loss and damage were inflicted on the Hong Kong Branch of Chinatrust Commercial Bank Co., Ltd. as a result of a benefit obtained by Red Fire Developments Limited (Red Fire) in connection with the redemption of structured notes. Regardless of the fact that the verdict on the recognition of the "loss or damage" concept and the criterion for the damage under the Civil Law and interests lost are not exactly identical, the Directors of Chinatrust Financial Holding Company, Ltd. had complied with Financial Supervisory Commission, Executive Yuan Jin-Kuan-Yin (6) No. 09560003930 and Jin-Kuan-Yin (6) 09560003932 to advance NT\$1 billion to Chinatrust Commercial Bank Co., Ltd. to recover the price gap of US\$30,474,717.12 as a result of the redemption of structured notes obtained by Red Fire declared in that verdict.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Furthermore, according to the facts as recognized in the aforesaid verdict delivered by the District Court, Chinatrust Commercial Bank Co., Ltd. purchased overseas investments with total face value of US\$390 million in structured notes and sold the structured notes to Red Fire for US\$410 million with a gain of US\$11,080 thousand within two months after the date of purchase. With regard to the financial aspects, Chinatrust Commercial Bank Co., Ltd. had not suffered any loss or damage from the transactions in structured notes and equity investment in Mega Financial Holding Company which were indicated in the preceding verdict delivered by the District Court. With regard to the legal aspects, the case above is a criminal case, and since Chinatrust Financial Holding Company, Ltd. is a corporate entity, the ex-employees' criminal liability will not have any influence on Chinatrust Financial Holding Company, Ltd. Therefore, there should be no significant disadvantageous effects on the financial or business affairs of Chinatrust Financial Holding Company, Ltd. The verdict delivered by the District Court also indicated that the ex-employees did not obtain any personal profits due to the aforesaid transaction, nor intend to engage in malpractice for personal gain or to do harm to the company. In addition, the criminal verdict delivered by the District Court is not yet finalized, and the attribution of responsibility, the question of whether Chinatrust Financial Holding Company, Ltd. is jeopardized due to this case, and the actual extent of that damage if it exists will be determined based on the judgment of the court of appeals in the future. Therefore, the judgment should not have any significant disadvantageous effects on the current financial or business affairs of Chinatrust Financial Holding Company, Ltd.”

(b) Others

The judiciary has requested the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. to provide related information on the transactions between the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and Tectonics Laboratories Co., Ltd. and other related parties (please refer to Note 5(B) for further information); however, the Company is not familiar with the content and subject matter of the judicial investigation. In addition, as indicated by the legal consultant of the Company, pursuant to “The Code of Criminal Procedure,” any person involved in the investigation shall not disclose any information about the investigation during the investigation period. Therefore, the impact of the aforesaid investigation on the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. remains uncertain.

In 2006, the Company's banking sub-subsidiary Chinatrust Bank (U.S.A.) recognized a loss provision of US\$20 million in respect of a litigation claim in the La Salle case. In the third quarter of 2007, Chinatrust Bank (U.S.A.) reached a US\$16.5 million settlement agreement with La Salle and paid US\$16.5 million to La Salle under the terms of the settlement agreement. The amount of loss provision exceeding the settlement originally accounted for under loss was reversed and accounted for under other non-interest revenue.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Company's subsidiary Chinatrust Securities Co., Ltd. previously served as the underwriter for issuing the domestic convertible bonds of Chou Chin Industrial Company (Chou Chin). After terminating the underwriting agreement, the former Chairman and related person of Chou Chin were found to be illegally engaged in influencing its share price and illegal trading of its shares, which resulted in the delisting of Chou Chin's shares from the stock market. Consequently, the Securities and Futures Investors Protection Center sued Chou Chin's board of directors, supervisors, certified public accountants and securities underwriter. As of September 30, 2008, this class action lawsuit was still in progress. The management of Chinatrust Securities Co., Ltd. evaluated the circumstances regarding the lawsuit and believed that the potential outcome of such lawsuit would not affect the financial statements as of September 30, 2008.

The Company's subsidiary Chinatrust Securities Co., Ltd. previously served as the underwriter for issuing the domestic convertible bonds of Well Communication Corp. After terminating the underwriting agreement, the Chairman of Well Communication Corp. was illegally provided false financial statements and a prospectus. The Securities and Futures Investors Protection Center sued Well Communication Corp.'s directors, supervisors, certified public accountants and securities underwriter. This class action lawsuit was still in progress, and the management of Chinatrust Securities Co., Ltd. evaluated the circumstances regarding the lawsuit and believed that the potential outcome of such lawsuit would not affect the financial statements as of September 30, 2008.

In 2007, the Company's subsidiary Chinatrust Securities Co., Ltd. issued a letter of comfort to Standard Chartered Bank acknowledging the approval of Chinatrust Asia Limited's application for financing and confirming that there is no suspicion of liquidation of the Company's sub-subsidiary Chinatrust Asia Limited. The Company's subsidiary Chinatrust Securities Co., Ltd. must not dispose of any shares in Chinatrust Asia Limited which would result in its shareholding in Chinatrust Asia Limited being reduced to a minority and non-controlling shareholding without first having received the written consent of Standard Chartered Bank or having ensured that Chinatrust Asia Limited's liability to Standard Chartered Bank is discharged in full. Notwithstanding any opposite confirmations or descriptions given above, it has been both acknowledged and agreed by Chinatrust Securities Co., Ltd. and Standard Chartered Bank that the foregoing shall not be in any way deemed, or interpreted as, a guarantee.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

8. SIGNIFICANT CATASTROPHIC LOSSES: None.

9. SIGNIFICANT SUBSEQUENT EVENTS

In order to raise EPS & ROE of the Company's subsidiary Taiwan Lottery Co., Ltd. and to enhance the efficiency of the Company's capital planning, the board of directors of the Company's subsidiary Taiwan Lottery Co., Ltd. approved a resolution on capital reduction comprising a decrease of \$500,000 in paid-in capital and the elimination of 50,000 thousand common shares on August 6, 2008. After the capital reduction, the paid-in capital for common shares was \$500,000. This capital reduction was approved by the competent authorities, and the capital change registration process was completed on October 9, 2008. The effective date of the announcement on re-issuance for capital reduction is November 6, 2008.

On October 27, 2008, the board of directors of the Company's subsidiary Chinatrust Securities Co., Ltd. approved a resolution to issue common shares through private placement to enhance working capital. This subscription has been tentatively subscribed by the Company and covers 100% of the share capital increase. The total amount of shares privately placed does not exceed 40,000 thousand shares with a tentative price range on NT\$12.5 to NT\$16 (dollars) and par value of NT\$10 (dollars) per share.

10. OTHERS

(A) In accordance with the FSC's Securities and Futures Bureau (SFB) Ruling Letter No. (6) 0930004183 of September 3, 2004, the disclosures related to the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. assuming all the assets and liabilities including operations of EBH are as follows:

(a) Brief introduction to transferor: The forerunner of EBH was first established in Hualien in February 1950 as East Taiwan District Credit Cooperative and Savings Co., Ltd. Following deregulation, the company was reorganized in 1979 into the Enterprise Bank of Hualien and was authorized in 1989 to engage in cross-district operation in Taipei and Yilan. Recently, the core business of EBH has focused on small/medium enterprises and small-scale consumer loans through 31 branches (including trust department.)

(b) Purpose of the transfer of assets and liabilities, and regulatory basis:

1. Purpose: To create a successful and profitable branch network through 31 branches (including trust department) in the future. Furthermore, by expanding the branch channel, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. could provide customers more convenient and diversified financial services to gain long-term profitability.

2. Regulatory basis: Pursuant to Articles No. 58 and 62-4 of the Banking Act and Articles 5, 16 and 18 of the Financial Institutions Merger Act.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (c) Effective date of the transfer: September 8, 2007.
- (d) Type, quantity, and amount of marketable securities issued for the transfer: Not applicable.
- (e) Accounting treatment for assets acquired and liabilities assumed:
1. Accounting method for the transfer: The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. assumed all the assets and liabilities including operations of EBH, and the difference in the amount of money received from the Resolution Trust Corporation (the "RTC") and the net fair value of assets and liabilities is recognized as goodwill.
 2. Relevant accounts and amounts of assets and liabilities assumed through the transfer:

	Amount
Assignment of assets	\$ 7,936,499
Assignment of liabilities	18,706,775
Net assignment of liabilities	10,770,276
Less: Received from the RTC	4,702,047
Goodwill	\$ 6,068,229

- (f) On September 10, 2007, the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. received \$4,490 million as cash subsidy from the RTC, and the remaining amount was settled pursuant to the contract.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (B) According to SFAS No. 25, the income statement of an acquiring company for the period in which a business combination occurs should include income (loss) of the acquired company after the date of acquisition (assuming the merger of EBH was effective on January 1, 2007).

Unit: In Thousands of New Taiwan Dollars

	For the nine months ended September 30, 2007	
	Amount	
Interest income	\$	41,469,093
Less: Interest expenses		(20,696,030)
Net interest income		20,773,063
Non-interest income:		
Service fee and commission income		16,469,769
Gains on financial assets or liabilities measured at fair value through profit or loss		2,271,936
Realized losses on available-for-sale financial assets		(455,031)
Income from equity investments under the equity method		978,381
Foreign exchange losses		(264,901)
Impairment loss on assets		(29,926)
Public-welfare lottery payment		(1,565,100)
Other non-interest gains		307,180
Net Revenue		38,485,371
Bad debt expenses		(5,329,847)
Operating expenses		
Personnel expenses		(9,332,748)
Depreciation and amortization expenses		(1,794,709)
Other general and administrative expenses		(9,360,493)
Net Income Before Tax		12,667,574
Income tax expense		(2,562,884)
Net Income	\$	10,104,690
Earnings per Share (EPS)		
Basic EPS		
Income from continuing operations	\$	2.18
Net Income	\$	1.74

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(C) Personnel, depreciation, and amortization expenses were as follows

Nature	For the nine months ended September 30,	
	2008	2007
	Operating expenses	Operating expenses
Personnel expenses		
Salary expenses	\$ 9,323,899	\$ 9,080,510
Insurance expenses	546,488	500,697
Retirement expenses	504,480	440,105
Other personnel expenses	1,181,496	1,050,200
Total personnel expenses	11,556,363	11,071,512
Depreciation expenses (Note)	1,469,102	1,464,297
Amortization expenses	475,230	452,574
	\$ 13,500,695	\$ 12,988,383

Note: Excluding the depreciation of idle premises and equipment of the Company's subsidiaries Chinatrust Commercial Bank Co., Ltd. and Chinatrust Securities Co., Ltd. amounting to \$14,138 and \$14,150 for the nine months ended September 30, 2008 and 2007, respectively (accounted for under other non-interest income).

(D) Business segment financial information

For the nine months ended September 30, 2008

Business Segment Items	Banking	Securities	Insurance broker	Others	Consolidation
Net interest income (loss)	\$ 22,569,934	\$ 108,581	\$ 14,236	\$ (27,257)	\$ 22,665,494
Non-interest income	20,578,116	60,099	2,367,296	1,305,943	24,311,454
Net revenue	43,148,050	168,680	2,381,532	1,278,686	46,976,948
Bad debt expenses	(9,300,170)	-	-	2,497	(9,297,673)
Operating expenses	(21,927,208)	(426,586)	(43,084)	(722,714)	(23,119,592)
Income (loss) from continuing operations before income tax	11,920,672	(257,906)	2,338,448	558,469	14,559,683
Income tax expense	(910,165)	8,676	(345,873)	(71,318)	(1,318,680)
Cumulative effect of changes in accounting principles	(63,850)	(1,399)	(47)	-	(65,296)
Consolidated gross income (loss)	10,946,657	(250,629)	1,992,528	487,151	13,175,707

For the nine months ended September 30, 2007

Business Segment Items	Banking	Securities	Insurance broker	Others	Consolidation
Net interest income (loss)	\$ 24,913,060	\$ 112,535	\$ 15,122	\$ (426,228)	\$ 24,614,489
Non-interest income	17,183,513	965,448	2,291,876	935,397	21,376,234
Net revenue	42,096,573	1,077,983	2,306,998	509,169	45,990,723
Bad debt expenses	(5,759,440)	-	-	76,925	(5,682,515)
Operating expenses	(21,999,428)	(513,320)	(59,330)	(627,077)	(23,199,155)
Income (loss) from continuing operations before income tax	14,337,705	564,663	2,247,668	(40,983)	17,109,053
Income tax expense	(3,173,241)	(73,137)	(350,764)	(654,353)	(4,251,495)
Consolidated gross income (loss)	11,164,464	491,526	1,896,904	(695,336)	12,857,558

(E) Financial Statements of the Parent Company

Reviewed only, not audited in accordance with generally accepted auditing standards
CHINATRUST FINANCIAL HOLDING COMPANY, LTD.

BALANCE SHEETS

September 30, 2008 AND 2007

(Expressed in Thousands of New Taiwan Dollars)

	September 30,	
	2008	2007
	Amount	Amount
ASSETS		
Cash and cash equivalents	\$ 1,934,587	\$ 5,521,837
Receivables	275,549	110,351
Available-for-sale financial assets—net	28,144,682	30,025,828
Investments under equity method—net	129,238,005	127,999,934
Other financial assets—net	372,132	496,601
Other assets	16,538	66,815
TOTAL ASSETS	\$ 159,981,493	\$ 164,221,366
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Payables	603,628	370,146
Corporate bonds	18,000,000	21,000,000
Other financial liabilities	14,124	236,876
Total Liabilities	18,617,752	21,607,022
Stockholders' Equity		
Capital stock:		
Common stock	90,986,544	84,096,830
Preferred stock	7,500,000	7,500,000
Capital surplus	38,903,887	42,267,760
Retained earnings:		
Legal reserve	1,333,917	-
Special reserve	4,490,248	366,207
Undistributed earnings	13,309,487	12,851,041
Other adjustments to stockholders' equity:		
Cumulative translation adjustments	(1,591,530)	(1,170,153)
Unrealized losses on financial instruments	(11,690,781)	(3,293,013)
Treasury stock	(1,851,884)	-
Net losses not recognized as pension cost	(26,147)	(4,328)
Total Stockholders' Equity	141,363,741	142,614,344
Commitments and Contingencies		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 159,981,493	\$ 164,221,366

Reviewed only, not audited in accordance with generally accepted auditing standards
CHINATRUST FINANCIAL HOLDING COMPANY, LTD.
STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Expressed in Thousands of New Taiwan Dollars, Except for EPS)

	For the nine months ended September 30,			
	2008		2007	
	Amount		Amount	
Income				
Income from investments under equity method	\$	12,396,482	\$	12,825,449
Other income		1,403,316		1,191,006
Expenses and Losses				
Operating expenses		(184,904)		(72,622)
Other expenses and losses		(492,840)		(603,704)
Net Income before Tax		13,122,054		13,340,129
Income tax benefit (expense)		50,274		(489,088)
Net Income	\$	13,172,328	\$	12,851,041
Earnings per Share (EPS)				
Basic EPS		\$ 1.36		\$ 1.48
Basic EPS—retroactively adjusted		\$ 1.36		\$ 1.45
Diluted EPS		\$ 1.36		\$ 1.46
Diluted EPS—retroactively adjusted		\$ 1.36		\$ 1.36

Reviewed only, not audited in accordance with generally accepted auditing standards
CHINATRUST FINANCIAL HOLDING COMPANY, LTD.
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2008	2007
Cash Flows from Operating Activities:		
Net Income	\$ 13,172,328	\$ 12,851,041
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Redemption premiums accrued on convertible bonds payable and foreign exchange losses	-	240,046
Net of amortization of premiums and accretion of discounts on investments in held-to-maturity securities	-	19
Differences between investment income accounted for under equity method and cash dividends received	(9,575,865)	(10,950,940)
Net Changes in Operating Assets and Liabilities:		
(Increase) decrease in receivables	(149,494)	159,461
Increase in payables	352,812	228,476
Deferred income tax assets	(533)	394,512
Net Cash Provided by Operating Activities	<u>3,799,248</u>	<u>2,922,615</u>
Cash Flows from Investing Activities:		
Purchase of investment under equity method	(507,206)	(22,500,000)
Capital returned by investee company under equity method	3,500,000	1,100,000
Proceeds from maturities and paydowns of investments in held-to-maturity financial assets	-	100,000
Decrease in available-for-sale financial assets	-	9,574,120
Decrease (increase) in other financial assets	86,132	(3,293)
Decrease in other assets	12,145	12,481
Net Cash Provided by (Used in) Investing Activities	<u>3,091,071</u>	<u>(11,716,692)</u>
Cash Flows from Financing Activities:		
Decrease in commercial paper payable	(199,978)	(499,979)
Repayment at maturity of subordinated bonds	(3,000,000)	-
Proceeds from maturities and paydowns of convertible bonds	-	(320,457)
Remuneration to directors and supervisors	(53,989)	-
Dividends—preferred stock	(2,482,290)	-
Cash dividends—common stock	(1,681,937)	-
Treasury stock repurchase	(1,747,102)	-
Net Cash Used in Financing Activities	<u>(9,165,296)</u>	<u>(820,436)</u>
Net Decrease in Cash and Cash Equivalents	<u>(2,274,977)</u>	<u>(9,614,513)</u>
Cash and Cash Equivalents, at the Beginning of the Period	4,209,564	15,136,350
Cash and Cash Equivalents, at the End of the Period	<u><u>\$ 1,934,587</u></u>	<u><u>\$ 5,521,837</u></u>
Cash and Cash Equivalents:		
Cash in banks	\$ 1,715,001	\$ 1,521,527
Financial instruments (cash equivalents)	219,586	4,000,310
	<u><u>\$ 1,934,587</u></u>	<u><u>\$ 5,521,837</u></u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest	<u><u>\$ 166,847</u></u>	<u><u>\$ 147,839</u></u>
Income tax	<u><u>\$ 70,089</u></u>	<u><u>\$ 99,254</u></u>
Investing and Financing Activities Not Affecting Cash Flows:		
Convertible bonds payable converted into common stock	<u><u>\$ -</u></u>	<u><u>\$ 10,546,714</u></u>
Employee bonuses—stock	<u><u>\$ 161,968</u></u>	<u><u>\$ -</u></u>
Dividends—common stock	<u><u>\$ 3,363,873</u></u>	<u><u>\$ -</u></u>

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(F) The condensed balance sheets and condensed income statements of financial holding company's subsidiaries

1. Chinatrust Commercial Bank Co., Ltd.

(1) Condensed Balance Sheets

	(In Thousands of New Taiwan Dollars)	
	September 30,	
	2008	2007
		(Restated)
Cash	\$ 20,396,228	\$ 23,540,932
Due from Central Bank and call loans to banks	140,747,871	183,731,718
Financial assets measured at fair value through profit or loss—net	98,251,258	99,279,126
Securities purchased under resell agreements	3,147,188	2,688,232
Receivables—net	121,097,084	124,734,760
Loans—net	847,143,585	788,417,187
Available-for-sale financial assets—net	76,098,669	172,571,876
Held-to-maturity financial assets	193,593,179	123,195,042
Investments under equity method—net	18,391,625	18,378,185
Other financial assets—net	12,172,460	14,389,572
Premises and equipment—net	31,883,582	33,203,114
Intangible assets	11,771,967	11,529,654
Other assets—net	8,770,928	7,852,685
Total assets	1,583,465,624	1,603,512,083
Deposits from Central Bank and other banks	47,649,119	37,595,322
Due to Central Bank and other banks	4,656,777	5,218,984
Financial liabilities measured at fair value through profit or loss	44,940,070	34,398,726
Securities sold under repurchase agreements	69,053,330	100,450,214
Payables	56,687,232	52,259,034
Deposits and remittances	1,152,420,500	1,170,965,508
Financial debentures	89,220,672	80,602,972
Other financial liabilities	1,665,693	2,901,241
Other liabilities	3,911,521	11,746,699
Total liabilities	1,470,204,914	1,496,138,700
Common stock	65,748,726	65,748,726
Reserve for capitalization	5,983,134	-
Capital surplus	16,000,568	16,487,744
Retained earnings	33,132,458	28,107,128
Other adjustments to stockholders' equity	(7,604,176)	(2,970,215)
Total stockholders' equity	113,260,710	107,373,383
Total liabilities and stockholders' equity	1,583,465,624	1,603,512,083

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Condensed Income Statements

(In Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2008	2007 (Restated)
Net interest income	\$ 19,479,816	\$ 20,688,623
Non-interest income	20,272,951	17,620,423
Net revenue	39,752,767	38,309,046
Bad debt expenses	(7,768,227)	(5,274,272)
Operating expenses	(19,737,590)	(20,035,867)
Net income before tax from continuing operations	12,246,950	12,998,907
Net income	11,068,709	10,435,586
EPS—net income (before tax) (in dollars)	1.85	2.23
EPS—net income (after tax) (in dollars)	1.68	1.79

2. Chinatrust Insurance Brokers Corp., Ltd.

(1) Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

	September 30,	
	2008	2007
Current assets	\$ 2,485,186	\$ 3,130,193
Funds and long-term investments	852,143	853,354
Premises and equipment—net	2,662	3,177
Intangible assets	6,403	6,381
Other assets	29,821	29,820
Total assets	3,376,215	4,022,925
Current liabilities	493,808	464,367
Total liabilities	493,808	464,367
Common stock	1,610,395	1,610,395
Retained earnings	1,932,728	1,908,284
Other adjustments to stockholders' equity	(660,716)	39,879
Total stockholders' equity	2,882,407	3,558,558
Total liabilities and stockholders' equity	3,376,215	4,022,925

(2) Condensed Income Statements

(In Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2008	2007
Operating revenues	\$ 2,291,399	\$ 2,094,231
Gross profit	2,291,399	2,094,231
Operating expenses	(918,085)	(701,386)
Non-operating revenues and gains	144,184	268,923
Non-operating expenses and losses	-	(1)
Net income before tax	1,517,498	1,661,767
Net income	1,171,578	1,311,003
EPS—net income (before tax) (in dollars)	9.42	6.42
EPS—net income (after tax) (in dollars)	7.28	5.07

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. Chinatrust Securities Co., Ltd.

(1) Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

	September 30,	
	2008	2007
Current assets	\$ 7,951,287	\$ 10,144,592
Funds and long-term investments	215,276	221,519
Premises and equipment—net	127,684	134,962
Intangible assets	30,064	25,023
Other assets	595,841	643,669
Total assets	8,920,152	11,169,765
Current liabilities	3,572,211	5,449,092
Other liabilities	161,941	122,863
Total liabilities	3,734,152	5,571,955
Common stock	5,000,000	5,000,000
Capital surplus	300,000	300,000
Retained earnings	(70,016)	317,534
Other adjustments to stockholders' equity	(43,984)	(19,724)
Total stockholders' equity	5,186,000	5,597,810
Total liabilities and stockholders' equity	8,920,152	11,169,765

(2) Condensed Income Statements

(In Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2008	2007
Revenues	\$ 730,676	\$ 1,246,957
Expenses	(958,935)	(663,808)
Net (loss) income before tax from continuing operations	(228,259)	583,149
Net (loss) income	(220,982)	510,012
EPS—net (loss) income (before tax) (in dollars)	(0.46)	1.17
EPS—net (loss) income (after tax) (in dollars)	(0.44)	1.02

4. Chinatrust Venture Capital Corp.

(1) Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

	September 30,	
	2008	2007
Current assets	\$ 965,792	\$ 1,143,556
Funds and long-term investments	1,007,295	906,485
Other assets	23,728	21,146
Total assets	1,996,815	2,071,187
Current liabilities	259	3,656
Total liabilities	259	3,656
Common stock	2,000,000	2,000,000
Retained earnings	24,548	60,317
Other adjustments to stockholders' equity	(27,992)	7,214
Total stockholders' equity	1,996,556	2,067,531
Total liabilities and stockholders' equity	1,996,815	2,071,187

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Condensed Income Statements

(In Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2008	2007
Operating revenues	\$ 13,930	\$ 46,402
Gross profit	13,930	46,402
Operating expenses	(1,599)	(837)
Non-operating revenues and gains	6,847	11,239
Non-operating expenses and losses	(3,699)	(445)
Net income before tax	15,479	56,359
Net income	11,831	52,215
EPS—net income (before tax) (in dollars)	0.08	0.28
EPS—net income (after tax) (in dollars)	0.06	0.26

5. Chinatrust Asset Management Co., Ltd.

(1) Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

	September 30,	
	2008	2007
Current assets	\$ 1,105,753	\$ 2,078,130
Funds and long-term investments	4,271,083	6,244,361
Premises and equipment – net	1,789	-
Other assets	3,410	119,921
Total assets	5,382,035	8,442,412
Current liabilities	617	1,432
Total liabilities	617	1,432
Common stock	5,000,000	8,000,000
Retained earnings	474,915	546,074
Other adjustments to stockholders' equity	(93,497)	(105,094)
Total stockholders' equity	5,381,418	8,440,980
Total liabilities and stockholders' equity	5,382,035	8,442,412

(2) Condensed Income Statements

(In Thousands of New Taiwan Dollars)

	For the nine months ended September 30,	
	2008	2007
Operating revenues	\$ 511,975	\$ 465,109
Gross profit	511,975	465,109
Operating expenses	(1,756)	(1,081)
Non-operating revenues and gains	5,050	6,965
Non-operating expenses and losses	(122,893)	-
Net income before tax	392,376	470,993
Net income	314,774	438,244
EPS—net income (before tax) (in dollars)	0.57	0.59
EPS—net income (after tax) (in dollars)	0.45	0.55

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. Chinatrust Security Co., Ltd.

(1) Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

September 30,

	2008	2007
Current assets	\$ 94,448	\$ 100,835
Funds and long-term investments	202	202
Premises and equipment—net	190	93
Other assets	668	687
Total assets	95,508	101,817
Current liabilities	22,328	21,972
Other liabilities	11,219	13,152
Total liabilities	33,547	35,124
Common stock	47,695	47,695
Retained earnings	19,821	19,513
Other adjustments to stockholders' equity	(5,555)	(515)
Total stockholders' equity	61,961	66,693
Total liabilities and stockholders' equity	95,508	101,817

(2) Condensed Income Statements

(In Thousands of New Taiwan Dollars)

For the nine months ended September 30,

	2008	2007
Operating revenues	\$ 130,108	\$ 115,071
Operating costs	(116,141)	(101,167)
Gross profit	13,967	13,904
Operating expenses	(12,500)	(12,568)
Non-operating revenues and gains	1,773	1,866
Non-operating expenses and losses	(2)	-
Net income before tax	3,238	3,202
Net income	2,689	2,712
EPS—net income (before tax) (in dollars)	0.68	0.67
EPS—net income (after tax) (in dollars)	0.56	0.57

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. Taiwan Lottery Co., Ltd.

(1) Condensed Balance Sheets

(In Thousands of New Taiwan Dollars)

September 30,

	2008	2007
Current assets	\$ 353,541	\$ 283,748
Premises and equipment—net	190,783	191,820
Intangible assets	33,569	38,836
Other assets	72,469	581,626
Total assets	650,362	1,096,030
Current liabilities	117,383	136,772
Other liabilities	10,396	5,000
Total liabilities	127,779	141,772
Common stock	500,000	1,000,000
Retained earnings (accumulated deficits)	22,583	(45,742)
Total stockholders' equity	522,583	954,258
Total liabilities and stockholders' equity	650,362	1,096,030

(2) Condensed Income Statements

(In Thousands of New Taiwan Dollars)

For the nine months ended September 30,

	2008	2007
Operating revenues	\$ 627,974	\$ 747,403
Operating costs	(30,081)	(99,529)
Gross profit	597,893	647,874
Operating expenses	(535,509)	(559,461)
Non-operating revenues and gains	18,305	14,136
Non-operating expenses and losses	(2,639)	(400)
Net income before tax	78,050	102,149
Net income	57,319	76,051
EPS—net income (before tax) (in dollars)	1.56	1.02
EPS—net income (after tax) (in dollars)	1.15	0.76

(G) Profitability of the Company:

Unit: %

Items	September 30, 2008	September 30, 2007
Return on assets ratio	10.78	11.11
(in year) Before income tax	10.82	10.70
(in year) After income tax	14.87	16.55
Return on equity ratio	14.93	15.90
(in year) Before income tax	14.93	15.90
(in year) After income tax	98.99	95.81
Net income ratio	98.99	95.81

Note 1: Return on assets ratio = Net income (loss) before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income (loss) before/after income tax ÷ average total equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: The return on assets ratio and return on equity ratio are based on full-year figures and expressed on an annual basis.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(H) Profitability of the Company and its subsidiaries:

Unit: %

Items		September 30, 2008	September 30, 2007
Return on assets ratio (in year)	Before income tax	1.13	1.32
	After income tax	1.03	0.99
Return on equity ratio (in year)	Before income tax	16.49	21.50
	After income tax	14.93	15.90
Net income ratio		28.05	27.96

Note 1: Return on assets ratio = Net income (loss) before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income (loss) before/after income tax ÷ average total equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: The return on assets ratio and return on equity ratio are based on full-year figures and expressed on an annual basis.

Note 5: All ratios referred to in the table above are calculated on the basis of consolidated financial values of the Company and its subsidiaries.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (I) Supplementary disclosures of significant business information of the Company's subsidiaries, included profitability, asset quality, management information, liquidity, and sensitivity to market risk:

1. The Company's subsidiary Chinatrust Commercial Bank Co., Ltd.

- (1) The analysis of the maturity periods of the assets and liabilities of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries was as follows:

	September 30, 2008				
	Within 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Total
Assets					
Due from banks	\$ 4,285,336	\$ -	\$ -	\$ -	\$ 4,285,336
Due from Central Bank and call loans to banks	94,609,344	11,034,210	4,737,869	34,522,268	144,903,691
Financial assets measured at fair value through profit or loss (Note 1)	51,793,789	47,749	78,954	859,200	52,779,692
Securities purchased under resell agreements	3,950,438	-	-	-	3,950,438
Loans (Note 2)	220,454,973	78,446,595	100,413,323	531,361,209	930,676,100
Available-for-sale financial assets (Notes 1 and 3)	44,027,356	(10,264,222)	6,913,508	43,191,830	83,868,472
Held-to-maturity financial assets	131,806,216	36,418,162	2,644,526	25,309,333	196,178,237
Other financial assets—Debt investments without active market (Note 3)	-	-	-	596,923	596,923
Liabilities					
Deposits from Central Bank and other banks	\$ 43,530,716	\$ 4,704,870	\$ 961,845	\$ 302,707	\$ 49,500,138
Due to Central Bank and other banks	485,126	224,675	1,072,927	12,469,817	14,252,545
Securities sold under repurchase agreements	68,544,207	501,753	7,370	-	69,053,330
Deposits and remittances (Note 3)	488,234,054	189,003,603	477,320,931	87,419,796	1,241,978,384
Financial debentures (Note 3)	300,000	1,300,000	500,000	87,675,351	89,775,351

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries
(not restated)

	September 30, 2007				
	Within 3 months	Between 3 and 6 months	Between 6 months and 1 year	Over 1 year	Total
Assets					
Due from banks	\$ 6,836,055	\$ -	\$ -	\$ -	\$ 6,836,055
Due from Central Bank and call loans to banks	123,281,723	10,910,254	428,446	51,511,431	186,131,854
Financial assets measured at fair value through profit or loss (Note 1)	31,884,771	313,266	23,966	1,730,472	33,952,475
Loans (Note 2)	218,870,290	61,174,059	77,093,496	510,185,260	867,323,105
Available-for-sale financial assets (Note 1)	89,635,088	14,037,363	28,410,904	39,660,068	171,743,423
Held-to-maturity financial assets	59,343,847	16,603,152	21,407,634	28,768,140	126,122,773
Other financial assets—Debt investments without active market (Note 3)	-	-	-	1,875,279	1,875,279
Liabilities					
Deposits from Central Bank and other banks	\$ 28,301,204	\$ 6,451,740	\$ 550,965	\$ 510,043	\$ 35,813,952
Due to Central Bank and other banks	476,995	533,751	696,835	13,996,275	15,703,856
Securities sold under repurchase agreements	63,662,677	704,610	2,000	-	64,369,287
Deposits and remittances (Note 3)	485,774,436	108,402,393	543,747,471	113,730,968	1,251,655,268
Financial debentures (Note 3)	5,100,000	-	2,000,000	68,473,341	75,573,341

Note 1: Excluding derivatives, funds, beneficiary certificates, and listed and OTC securities.

Note 2: Excluding non-accrual accounts.

Note 3: Excluding hedging adjustments or accumulated impairment losses.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Company's subsidiary Chinatrust Bills Finance Corp.

	September 30, 2007					
	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	Over 7 years	Total
Assets						
Cash and cash equivalents	\$ 524,840	\$ 50,000	\$ -	\$ -	\$ -	\$ 574,840
Due from Central Bank and call loans to banks	460,510	-	500,000	-	-	960,510
Financial assets measured at fair value through profit or loss—net	9,478,139	7,311,712	2,027,093	206,634	1,943,114	20,966,692
Securities purchased under resell agreements	2,688,232	-	-	-	-	2,688,232
Receivables—net	136,525	74,782	138,320	117,835	-	467,462
Available-for-sale financial assets—net	150,007	100,130	1,494,486	11,256,565	6,738,096	19,739,284
Other financial assets—net	2	-	-	-	-	2
Refundable deposits	-	3,245,000	4,760,313	948,811	7,571	8,961,695
Other assets	30,439	-	-	-	-	30,439
Total assets	<u>13,468,694</u>	<u>10,781,624</u>	<u>8,920,212</u>	<u>12,529,845</u>	<u>8,688,781</u>	<u>54,389,156</u>
Liabilities						
Due to banks	3,750,000	-	-	-	-	3,750,000
Financial liabilities measured at fair value through profit or loss	2,692,112	-	1,061	78,499	-	2,771,672
Securities sold under repurchase agreements	35,336,336	744,591	-	-	-	36,080,927
Payables	43,847	12,719	30,359	2,805	-	89,730
Corporate bonds payable	-	-	-	6,700,000	-	6,700,000
Custody expenses payable	30,439	-	-	-	-	30,439
Total liabilities	<u>41,852,734</u>	<u>757,310</u>	<u>31,420</u>	<u>6,781,304</u>	<u>-</u>	<u>49,422,768</u>
Net liquidity gap	<u>\$(28,384,040)</u>	<u>\$ 10,024,314</u>	<u>\$ 8,888,792</u>	<u>\$ 5,748,541</u>	<u>\$ 8,688,781</u>	<u>\$ 4,966,388</u>

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(2) Averages of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd.'s interest-bearing assets and liabilities, and average interest rates were as follows:

	For the nine months ended September 30, 2008	
	Average value	Average interest rate (%)
Assets		
Due from Central Bank	\$ 41,820,775	0.92
Due from and call loans to banks	137,048,670	2.93
Financial assets measured at fair value through profit or loss	39,003,139	2.20
Securities purchased under resell agreements	521,992	3.07
Available-for-sale financial assets	83,719,855	2.65
Held-to-maturity financial assets	197,193,681	2.19
Debt investments without active market	1,100,600	-
Loans—NTD	677,572,618	3.84
Loans—Foreign currency	138,064,530	4.41
Credit card receivable	29,023,415	15.72
Liabilities		
Deposits—NTD	900,104,148	1.47
Deposits—Foreign currency	249,242,089	2.12
Call loans from banks	73,220,624	0.99
Borrowing and other financing	89,854,376	3.45
Securities sold under repurchase agreements	65,890,932	2.08

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. (not restated)

	For the nine months ended September 30, 2007	
	Average value	Average interest rate (%)
Assets		
Due from Central Bank	\$ 40,608,953	0.97
Due from and call loans to banks	168,794,116	3.73
Financial assets measured at fair value through profit or loss	26,443,249	0.51
Securities purchased under resell agreements	8,239,954	0.19
Available-for-sale financial assets	180,605,957	2.37
Held-to-maturity financial assets	111,511,631	2.07
Debt investments without active market	1,949,692	4.26
Loans—NTD	660,076,104	3.81
Loans—Foreign currency	109,361,326	6.09
Credit card receivable	35,897,369	14.04
Liabilities		
Deposits—NTD	937,986,629	1.29
Deposits—Foreign currency	232,093,093	3.17
Call loans from banks	70,449,343	1.25
Borrowing and other financing	79,940,417	3.50
Securities sold under repurchase agreements	64,516,898	1.79

The Company's subsidiary Chinatrust Bills Finance Corp.

Nature	For the nine months ended September 30, 2007	
	Average value	Average interest rate (%)
Assets:		
Cash and banking deposit	\$ 6,795,793	1.87
Call loans to banks	82,978	1.90
Financial assets measured at fair value through profit or loss	37,197,837	1.89
Securities purchased under resell agreements	2,188,200	(2.17)
Available-for-sale financial assets	29,689,094	2.00
Liabilities:		
Call loans from banks	2,516,103	1.86
Securities sold under repurchase agreements	48,979,063	1.65
Corporate bonds payable	6,700,000	1.89

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (3) The Company's subsidiary Chinatrust Commercial Bank Co., Ltd.'s significant net positions in foreign currencies were as follows:

September 30, 2008			September 30, 2007		
Foreign currency	NTD		Foreign currency	NTD	
amount	amount		amount	amount	
USD	161,103	5,176,229	USD	284,921	9,282,713
EUR	12,062	556,727	EUR	21,107	981,214
GBP	9,085	526,745	CNY	182,059	790,223
HKD	19,305	79,884	GBP	5,702	380,251
NZD	3,592	77,945	THB	278,453	284,301

- (4) Asset quality of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries:

(Unit: In Thousands of New Taiwan Dollars, %)

Month/Year		September 30, 2008					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	\$ 6,824,487	\$ 167,850,143	4.07%	\$ 5,072,458	58.42%	
	Unsecured	1,858,574	396,061,107	0.47%			
Consumer finance	Residential mortgages	4,853,081	302,874,677	1.60%	2,778,166	57.25%	
	Cash cards	310,919	10,667,654	2.91%	310,919	100.00%	
	Micro-credit loans	Original	676,187	23,444,517	2.88%	938,200	138.75%
		Purchase	605	6,210	9.74%	-	- %
	Others	Secured	46,995	8,455,759	0.56%	2,068,769	123.11%
		Unsecured	1,633,482	34,774,536	4.70%		
Total loan business		\$ 16,204,330	\$ 944,134,603	1.72%	\$ 11,168,512	68.92%	
		Overdue receivables	Balance of receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards		\$ 970,233	\$ 64,723,883	1.50%	\$ 995,698	102.62%	
Without-recourse factoring		-	43,782,506	- %	2,189,760	- %	

Month/Year		September 30, 2007					
		Non-performing loans	Total loans	Non-performing loans ratio	Allowance for credit losses	Coverage ratio	
Corporate finance	Secured	\$ 3,661,401	\$ 171,818,580	2.13%	\$ 5,985,681	95.14%	
	Unsecured	2,629,778	327,171,468	0.80%			
Consumer finance	Residential mortgage	5,302,898	293,968,159	1.80%	3,103,371	58.52%	
	Cash cards	440,499	15,430,892	2.85%	357,014	81.05%	
	Micro-credit loans	Original	769,111	27,300,171	2.82%	1,320,568	171.70%
		Purchase	1,435	10,854	13.22%	-	-
	Others	Secured	105,130	6,365,383	1.65%	1,943,800	107.31%
		Unsecured	1,706,267	34,908,744	4.89%		
Total loan business		\$ 14,616,519	\$ 876,974,251	1.67%	\$ 12,710,434	86.96%	
		Overdue receivables	Balance of receivables	Delinquency ratio	Allowance for credit losses	Coverage ratio	
Credit cards		\$ 1,128,983	\$ 70,457,482	1.60%	\$ 1,005,371	89.05%	
Without-recourse factoring		-	37,272,404	- %	143,842	- %	

Note 1: Non-performing loans represent the amount of overdue loans as reported in accordance with the "Regulations on the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans." The credit card overdue loans represent the amount of overdue loans as reported in accordance with Jin-Kuan-Yin-(4)-Zi No. 0944000378, dated July 6, 2005.

Note 2: Non-performing loans ratio = Non-performing loans ÷ total loans; Credit card delinquency ratio = Overdue receivables ÷ balance of receivables.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- Note 3: Coverage ratio for loans = allowance for credit losses ÷ non-performing loans; Coverage ratio for credit card = allowance for credit losses ÷ overdue receivables.
- Note 4: For residential mortgage loans, a borrower provides his/her (or spouse's or minor child's) house as collateral in full and pledges it to the financial institution for the purpose of obtaining funds to purchase property and to construct or repair a house.
- Note 5: Microcredit loan is defined by Jin-Kuan-Yin-(4)-Zi No. 09440010950, dated December 19, 2005, and does not include credit cards or cash cards.
- Note 6: Others in consumer finance are secured and unsecured consumer loans other than residential mortgage loans, cash cards, and microcredit loans, and does not include credit cards.
- Note 7: In accordance with Jin-Kuan-Yin-(5)-Zi No. 094000494, dated July 19, 2005, the amounts of without-recourse factoring will be classified as overdue receivables within three months from the date that suppliers or insurance companies resolve not to compensate the loss.
- Note 8: Supplemental disclosures:
- (a) Loans which are made pursuant to a contract under a debt negotiation plan need not be reclassified as non-performing loans, and represented a total amount of \$2,361,190.
 - (b) Loans which arise pursuant to a contract under a debt liquidation plan and a debt relief plan and need not be reclassified as non-performing loans: None.
 - (c) Receivables which arise from a contract under a debt negotiation plan need not be reclassified as overdue receivables, and represented a total amount of \$3,597,464.
 - (d) Receivables which arise pursuant to a contract under a debt liquidation plan and a debt relief plan and need not be reclassified as overdue receivables: none.
- Note 9: The above information excluded non-accrual loans raised from guarantees. Please refer to other liabilities for further information about relevant allowance for credit losses.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (5) The Company's subsidiary Chinatrust Commercial Bank Co., Ltd.'s concentration of credit extensions

(Unit: In Thousands of New Taiwan Dollars, %)

September 30, 2008			
Ranking	Enterprise group	Credit amount	Credit amount to stockholders' equity ratio (%)
1	Continental Engineering Corporation	\$ 19,240,340	16.99%
2	Formosa Plastics Corporation	15,321,344	13.53%
3	Far Eastern	14,567,495	12.86%
4	Uni-President	12,627,510	11.15%
5	Qisda Corporation (originally: BenQ)	11,961,133	10.56%
6	Chi Mei Corporation	9,294,353	8.21%
7	UMC	8,321,437	7.35%
8	Shin Kong	8,286,411	7.32%
9	Walsin Lihwa	7,384,672	6.52%
10	China Steel Corporation	6,628,767	5.85%
September 30, 2007			
Ranking	Enterprise group	Credit amount	Credit amount to stockholders' equity ratio (%)
1	Continental Engineering Corporation	\$ 18,203,255	16.95%
2	Qisda Corporation (originally: BenQ)	13,428,501	12.51%
3	Formosa Plastics Corporation	12,069,435	11.24%
4	Far Eastern	11,412,656	10.63%
5	Uni-President	10,592,171	9.86%
6	UMC	9,183,460	8.55%
7	Chi Mei Corporation	8,577,673	7.99%
8	Shin Kong	8,525,709	7.94%
9	Foxconn Technology Group	8,148,224	7.59%
10	Walsin Lihwa	6,842,385	6.37%

Note 1: Ranking the top ten enterprise groups other than government or stated-owned enterprises according to the total outstanding loan balance of the enterprise group.

Note 2: Enterprise group is as defined in Article 6 of the "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: The total outstanding credit amount is the sum of the balances of all loan types (including import and export bill negotiations, loans, overdrafts, short/medium/long-term secured and unsecured loans, receivables from securities lending, and non-accrual loans), bills purchased, without-recourse factoring, acceptances receivable, and guarantees receivable.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(6) The Company's subsidiary Chinatrust Commercial Bank Co., Ltd.'s interest rate sensitivity information

a. Sensitivity analysis of interest rate for assets and liabilities (New Taiwan Dollars)

September 30, 2008 (Unit: In Thousands of New Taiwan Dollars, %)

Items	1~90 days (Included)	91~180 days (Included)	181 days~1 year (Included)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 812,851,654	\$ 52,625,486	\$ 26,498,459	\$ 161,233,452	\$ 1,053,209,051
Interest-rate-sensitive liabilities	456,696,429	453,216,243	87,613,047	44,513,853	1,042,039,572
Interest rate sensitivity gap	356,155,225	(400,590,757)	(61,114,588)	116,719,599	11,169,479
Net worth					\$ 113,260,710
Ratio of interest-rate-sensitive assets to liabilities (%)					101.07
Ratio of interest rate sensitivity gap to net worth (%)					9.86

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. (not restated)

September 30, 2007 (Unit: In Thousands of New Taiwan Dollars, %)

Items	1~90 days (Included)	91~180 days (Included)	181 days~1 year (Included)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 669,723,590	\$ 46,210,935	\$ 72,796,578	\$ 221,475,068	\$ 1,010,206,171
Interest-rate-sensitive liabilities	445,121,316	452,457,757	94,541,679	34,977,806	1,027,098,558
Interest rate sensitivity gap	224,602,274	(406,246,822)	(21,745,101)	186,497,262	(16,892,387)
Net worth					\$ 102,312,160
Ratio of interest-rate-sensitive assets to liabilities (%)					98.36
Ratio of interest rate sensitivity gap to net worth (%)					(16.46)

The Company's subsidiary Chinatrust Bills Finance Corp. (dissolved)

September 30, 2007 (Unit: In Thousands of New Taiwan Dollars, %)

Items	1~90 days (Included)	91~180 days (Included)	181 days~1 year (Included)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 24,039,010	\$ 1,573,094	\$ 7,208,797	\$ 21,088,614	\$ 53,909,515
Interest-rate-sensitive liabilities	42,553,478	-	1,061	6,778,499	49,333,038
Interest rate sensitivity gap	(18,514,468)	1,573,094	7,207,736	14,310,115	4,576,477
Net worth					\$ 4,761,222
Ratio of interest-rate-sensitive assets to liabilities (%)					109.28
Ratio of interest rate sensitivity gap to net worth (%)					96.12

Note 1: Listed amounts of the head office, domestic, offshore banking unit and overseas branches (excluding foreign currency amounts) are denominated in NTD.

Note 2: Interest-rate-sensitive assets and liabilities are determined by the revenue or cost of various rates spreads between interest-earning assets and interest-bearing liabilities.

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

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in NTD.)

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. Sensitivity analysis of the interest rate for assets and liabilities (U.S. Dollars)

September 30, 2008					(Unit: In Thousands of U.S. Dollars, %)
Items	1~90 days (Included)	91~180 days (Included)	181 days~1 year (Included)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 5,883,487	\$ 1,094,570	\$ 258,816	\$ 34,718	\$ 7,271,591
Interest-rate-sensitive liabilities	5,551,445	2,094,038	144,618	445	7,790,546
Interest rate sensitivity gap	332,042	(999,468)	114,198	34,273	(518,955)
Net worth					\$ 3,525,077
Ratio of interest-rate-sensitive assets to liabilities (%)					93.34
Ratio of interest rate sensitivity gap to net worth (%)					(14.72)

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. (not restated)

September 30, 2007					(Unit: In Thousands of U.S. Dollars, %)
Items	1~90 days (Included)	91~180 days (Included)	181 days~1 year (Included)	Over 1 year	Total
Interest-rate-sensitive assets	\$ 5,611,009	\$ 1,237,992	\$ 237,175	\$ 305,358	\$ 7,391,534
Interest-rate-sensitive liabilities	5,712,828	2,028,603	132,463	440	7,874,334
Interest rate sensitivity gap	(101,819)	(790,611)	104,712	304,918	(482,800)
Net worth					\$ 3,149,545
Ratio of interest-rate-sensitive assets to liabilities (%)					93.87
Ratio of interest rate sensitivity gap to net worth (%)					(15.33)

Note 1: Listed amounts of the head office, domestic, offshore banking unit and overseas branches (excluding contingent assets and liabilities) are denominated in U.S. dollars.

Note 2: Interest-rate-sensitive assets and liabilities are determined by the revenue or cost of various rate spreads between interest-earning assets and interest-bearing liabilities.

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

Note 4: Ratio of interest-rate-sensitive assets to liabilities = Interest-rate sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in U.S. dollars.)

(7) Profitability of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries

Item		Unit: %	
		September 30, 2008	September 30, 2007
Return on assets ratio (annual)	Before income tax	0.96	1.08
	After income tax	0.89	0.83
Return on equity ratio (annual)	Before income tax	14.40	19.81
	After income tax	13.33	15.19
Net income ratio		25.67	25.15

Note 1: Return on assets ratio = Net income (loss) before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income (loss) before/after income tax ÷ average total equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note 4: The return on assets ratio and return on equity ratio are based on full-year figures and expressed on an annual basis.

Note 5: All ratios referred to in the table above were calculated on the basis of consolidated financial values of the Company's subsidiary Chinatrust Commercial Bank Co., Ltd. and its subsidiaries.

(8) The Company's subsidiary Chinatrust Commercial Bank Co., Ltd.'s structure analysis of assets and liabilities time to maturity

a. Structure analysis of New Taiwan Dollars time to maturity

September 30, 2008 (Unit: In Millions of New Taiwan Dollars)

	Total	Amount remaining to due date				
		1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major capital inflow at maturity	\$ 1,771,963	\$ 501,966	\$ 203,142	\$ 215,315	\$ 226,343	\$ 625,197
Major capital outflow at maturity	1,708,266	401,795	217,223	284,280	308,392	496,576
Gap	63,697	100,171	(14,081)	(68,965)	(82,049)	128,621

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. (not restated)

September 30, 2007 (Unit: In Millions of New Taiwan Dollars)

	Total	Amount remaining to due date				
		1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major capital inflow at maturity	\$ 1,571,906	\$ 338,603	\$ 185,146	\$ 114,296	\$ 182,398	\$ 751,463
Major capital outflow at maturity	1,494,062	305,459	197,905	159,697	594,163	236,838
Gap	77,844	33,144	(12,759)	(45,401)	(411,765)	514,625

Note: Listed amounts of the head office and domestic branches (excluding foreign currency amounts) are denominated in NTD.

b. Structure analysis of U.S. Dollars time to maturity

September 30, 2008 (Unit: In Thousands of U.S. Dollars)

	Total	Amount remaining to due date				
		1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major capital inflow at maturity	\$ 29,396,735	\$ 10,163,430	\$ 6,178,636	\$ 4,943,888	\$ 3,978,016	\$ 4,132,765
Major capital outflow at maturity	29,255,468	11,424,275	5,950,287	5,283,119	4,024,217	2,573,570
Gap	141,267	(1,260,845)	228,349	(339,231)	(46,201)	1,559,195

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. (not restated)

September 30, 2007 (Unit: In Thousands of U.S. Dollars)

	Total	Amount remaining to due date				
		1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Major capital inflow at maturity	\$ 22,615,945	\$10,781,859	\$ 4,300,492	\$ 2,618,277	\$ 751,964	\$ 4,163,353
Major capital outflow at maturity	22,351,530	8,153,493	4,119,286	2,436,554	4,355,347	3,286,850
Gap	264,415	2,628,366	181,206	181,723	(3,603,383)	876,503

Note: Listed amounts of the head office, domestic branches, offshore banking unit and overseas branches are denominated in U.S. dollars.

2. The Company's subsidiary Chinatrust Securities Co., Ltd.

(1) Profitability of Chinatrust Securities Co., Ltd. and its subsidiaries

Unit: %

Item	September 30, 2008	September 30, 2007	
Return on assets ratio (annual)	Before income tax	(2.99)%	7.07%
	After income tax	(2.90)%	6.18%
Return on equity ratio (annual)	Before income tax	(5.68)%	14.55%
	After income tax	(5.50)%	12.73%
Net income ratio	(101.91)%	45.65%	

Note 1: Return on assets ratio = Net income (loss) before/after income tax ÷ average total assets.

Note 2: Return on equity ratio = Net income (loss) before/after income tax ÷ average total equity.

Note 3: Net income ratio = Net income after income tax ÷ Net revenue.

Note 4: The return on assets ratio and return on equity ratio are based on full-year figures and expressed on an annual basis.

Note 5: All ratios referred to in the table above were calculated on the basis of consolidated financial values of the Company's subsidiary Chinatrust Securities Co., Ltd. and its subsidiaries.

(J) Related information of subsidiaries' investment in Mainland China: none

(K) Significant commitments and contingencies of its subsidiaries: Please refer to Note 7 for further information.

(L) Significant catastrophic losses from subsidiaries: none.

(M) Significant subsequent events from subsidiaries: Please refer to Note 9 for further information.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(N) Related-party transactions of the Company's subsidiaries up to \$100 million are summarized as follows:

1. Chinatrust Commercial Bank Co., Ltd.

(1) Names of the related parties and relationship

<u>Name of related party</u>	<u>Relationship with the Bank</u>
Chinatrust Financial Holding Company, Ltd.	Parent company of the Bank.
Chinatrust (Philippines) Commercial Bank Corporation	An investee company carried under equity method by the Bank.
PT Bank Chinatrust Indonesia	"
CTC Bank of Canada	"
Chinatrust Capital Corporation	"
Grand Bills Finance Corporation	"
GCB Finance (HK) Limited	"
Chinatrust Forex Corp.	" (Liquidating)
Chinatrust Securities Investment Consultancy Co., Ltd.	"
Chinatrust Bank (U.S.A.)	An investee company carried under equity method by Chinatrust Capital Corporation.
CTC Group Inc.	An immediate family member of the President (Resigned in year 2007) of the Bank is its Chairman.
Taiwan Institute of Economic Research	"
Chung Chen Investment Co., Ltd.	"
Overseas Investment & Development Co., Ltd.	The Bank is its Chairman.
China Development Industrial Bank	An immediate family member of the Chairman of the Bank is its Chairman.
Chinatrust Securities Co., Ltd.	Controlled by the same Company which controls the Bank.
CTCB (Mauritius) Holding Company, Ltd.	"
Chinatrust Asia Limited	"
Chinatrust Insurance Brokers Corp., Ltd.	"
Chinatrust Venture Capital Corp.	"
Chinatrust Asset Management Co., Ltd.	"
Chinatrust Security Co., Ltd.	"
CT Opportunity Investment Company	"
Tuo Yu Asset Management Servicing Co., Ltd.	"
Chung Shin-1 Asset Management Co., Ltd.	"
Taiwan Lottery Co., Ltd.	"
Chinatrust Charity Foundation	The Bank contributed over 1/3 of its total funds.
Chinatrust Culture Foundation	"
Chailease Finance Co., Ltd.	Related party in substance.
Chinatrust Recreation Company, Ltd.	"
United Engineering Corp.	"
Tectonics Laboratories Co., Ltd.	" (Note)
Advanced Synchronous Solutions Company Limited	"
Linearity Company Limited	"
Doppler Precision Co., Ltd.	"
Other related parties	Including directors, supervisors, managers and their families, spouses, etc. (Note 7(C))

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Note: Steven C. Z. Cheng, the former general manager of the Institutional Group of the Bank, had the authority to sign for major bank accounts of these related parties in substance without prior notice to the board of the Bank. The Bank and its parent company, Chinatrust Financial Holding Company, Ltd., were not involved with the fund management of these companies. For the major bank accounts of these related parties in substance, the person with signing authority had been changed to non-related parties, and the accounts had been closed as of December 31, 2006. Steven C. Z. Cheng, the former general manager of the Institutional Group of the Bank, resigned in March 2007.

(2) Significant transactions between related parties and the Bank

a. Guarantees

For the nine months ended September 30, 2008					
Related party	Maximum balance	Ending balance	Guarantee reserve	Interest rate	Collateral
Grand Bills Finance Corporation	\$ 1,533,000	\$ 1,533,000	\$ -	0.10%	Central government bonds, financial debentures and structural deposits
Chailease Finance Co., Ltd.	122,400	122,400	-	0.90%	None

For the nine months ended September 30, 2007					
Related party	Maximum balance	Ending balance	Guarantee reserve	Interest rate	Collateral
Grand Bills Finance Corporation	\$ 1,533,000	\$ 1,533,000	\$ -	0.10%	Central government bonds, NCD and structural deposits
Chailease Finance Co., Ltd.	214,200	214,200	-	0.90%	None

The above commission and service rates are substantially the same as for comparable transactions with third-party counterparties.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b. Loans

For the nine months ended September 30, 2008							
Category	No./name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Home loan mortgage	124	\$ 522,409	\$ 419,130	\$ 419,130	\$ -	Real estate	(Note)
Others	Chailease Finance Co., Ltd.	339,000	226,500	226,500	-	Real estate and machinery	"

For the nine months ended September 30, 2007							
Category	No./name of related parties	Maximum balance	Ending balance	Settlement status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Home loan mortgage	110	\$ 495,392	\$ 396,487	\$ 396,487	\$ -	Real estate	(Note)
Others	Chailease Finance Co., Ltd.	1,770,000	400,000	400,000	-	Listed/OTC securities and notes receivable—Cheque	"
"	CTC Group Inc.	635,280	623,093	623,093	-	Real estate	"

Note: The above rates of loans are substantially the same as for comparable transactions with third-party counterparties.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

c. Deposits

<u>Related party</u>	<u>For the nine months ended September 30, 2008</u>			
	<u>Maximum</u> <u>balance</u>	<u>Ending</u> <u>balance</u>	<u>Range of</u> <u>interest rates</u>	<u>Interest</u> <u>expenses</u>
CT Opportunity Investment Company	\$ 3,255,917	\$ 3,254,304	0.25~4.30%	\$ 53,117
Chinatrust Financial Holding Company, Ltd.	3,370,086	1,799,139	0~2.19%	25,439
Chinatrust Securities Co., Ltd.	1,864,521	874,992	0~2.60%	12,771
Grand Bills Finance Corporation	1,753,991	753,528	0~1.30%	11,587
Chinatrust Venture Capital Corp.	547,911	398,059	0~3.90%	6,631
Taiwan Lottery Co., Ltd.	767,881	227,491	0~1.86%	3,361
GCB Finance (HK) Limited	428,092	332,053	0.01~2.00%	99
Chailease Finance Co., Ltd.	283,717	208,663	0~2.73%	1,850
Chinatrust Asset Management Co., Ltd.	3,209,038	208,651	0.10~3.90%	2,806
Chinatrust Charity Foundation	279,046	145,665	0~1.74%	485
Chinatrust Asia Limited	152,187	151,067	0.05~7.55%	3,050
Overseas Investment & Development Co., Ltd.	148,094	129,315	0~4.20%	2,487
Chinatrust Insurance Brokers Corp., Ltd.	1,682,754	597,706	0~0.10%	301
PT Bank Chinatrust Indonesia	140,521	133,836	0.1%	55
Total	<u>\$ 17,883,756</u>	<u>\$ 9,214,469</u>		<u>\$ 124,039</u>

<u>Related party</u>	<u>For the nine months ended September 30, 2007</u>			
	<u>Maximum</u> <u>balance</u>	<u>Ending</u> <u>balance</u>	<u>Range of</u> <u>interest rates</u>	<u>Interest</u> <u>expenses</u>
CT Opportunity Investment Company	\$ 3,304,478	\$ 3,304,478	0.01~5.09%	\$ 115,164
Chinatrust Financial Holding Company, Ltd.	24,985,180	2,625,859	0~5.50%	419,485
Grand Bills Finance Corporation	2,172,372	1,753,302	0~1.73%	18,068
Chinatrust Insurance Brokers Corp., Ltd.	1,699,098	834,026	0.10%	442
Chinatrust Securities Co., Ltd.	2,352,704	829,076	0~2.46%	10,691
GCB Finance (HK) Limited	338,282	334,398	0.01~0.10%	121
Chinatrust Venture Capital Corp.	551,467	316,788	0~5.63%	10,682
Taiwan Lottery Co., Ltd.	375,647	190,171	0~1.42%	454
Chinatrust Asset Management Co., Ltd.	1,302,812	172,018	0.1~5.24%	5,699
Taiwan Institute of Economic Research	203,808	168,853	0~2.49%	310
Overseas Investment & Development Co., Ltd.	160,553	152,505	0~4.60%	2,884
Chinatrust Asia Limited	173,153	150,306	0~4.85%	5,983
Chung Shin-1 Asset Management Co., Ltd.	1,049,229	122,455	0~0.1%	98
Chailease Finance Co., Ltd.	195,584	114,832	0~2.46%	397
Chung Cheng Investment Co., Ltd.	305,132	105,601	0~1.75%	15
Total	<u>\$ 39,169,499</u>	<u>\$ 11,174,668</u>		<u>\$ 590,493</u>

The above interest rates of deposits are substantially the same term as for comparable transactions with third-party counterparties.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

d. Financial derivatives

September 30, 2008							
<u>Related party</u>	<u>Derivative financial instruments</u>	<u>Contract period</u>	<u>Notional principal</u>		<u>Unrealized profit/loss</u>	<u>Balance sheet</u>	
						<u>Account</u>	<u>Ending balance</u>
China Development Industrial Bank	Swaptions	2008.04.22~ 2009.03.04	NTD	9,000,000	\$ (12,562)	(Note 1)	\$ 39,488
"	Interest rate swaps	2008.08.22~ 2012.03.14	KRW	50,000,000	19,898	(Note 1)	19,898
"	Interest rate swaps	2008.06.13~ 2013.09.16	NTD	10,394,000	16,245	(Note 2)	(1,994)
"	Currency swaps	2008.06.09~ 2009.06.09	NTD	601,000	5,555	(Note 1)	5,555
Grand Bills Finance Corporation	Interest rate swaps	2004.12.22~ 2010.01.25	NTD	1,500,000	(2,174)	(Note 1)	1,244

September 30, 2007							
<u>Related party</u>	<u>Derivative financial instruments</u>	<u>Contract period</u>	<u>Notional principal</u>		<u>Unrealized profit/loss</u>	<u>Balance sheet</u>	
						<u>Account</u>	<u>Ending balance</u>
China Development Industrial Bank	Currency swaps	2007.04.25~ 2007.10.29	USD	10,000	\$ (2,521)	(Note 2)	\$ (2,521)
"	Interest rate swaps	2006.09.27~ 2012.06.25	NTD	4,200,000	(19,719)	(Note 2)	(18,076)
Grand Bills Finance Corporation	Interest rate swaps	2004.12.22~ 2010.01.25	NTD	1,500,000	(16,123)	(Note 1)	5,230

Note 1: Accounted for under financial assets measured at fair value through profit or loss.

Note 2: Accounted for under financial liabilities measured at fair value through profit or loss.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

e. Trades of bills and bonds

<u>Related party</u>	<u>For the nine months ended September 30, 2008</u>	
	<u>Bills and bonds purchased</u>	<u>Bills and bonds sold</u>
Chinatrust Securities Co., Ltd.	\$ 1,510,222	\$ 1,901,518
Grand Bills Finance Corporation	4,814,109	3,825,890
China Development Industrial Bank	3,822,365	4,266,582

<u>Related party</u>	<u>For the nine months ended September 30, 2007</u>	
	<u>Bills and bonds purchased</u>	<u>Bills and bonds sold</u>
Chinatrust Securities Co., Ltd.	\$ 898,568	\$ 1,152,052
Grand Bills Finance Corporation	17,235,929	15,334,107
China Development Industrial Bank	4,964,474	6,664,962
Chinatrust Insurance Brokers Corp., Ltd.	-	458,108
Chailease Finance Co., Ltd.	339,361	-
Chung Cheng Investment Co., Ltd.	772,325	-

f. Securities sold under repurchase agreements

<u>Related party</u>	<u>For the nine months ended September 30, 2008</u>		
	<u>Ending balance</u>	<u>Interest payable</u>	<u>Interest expenses</u>
Chinatrust Venture Capital Corp.	\$ 120,000	\$ -	\$ 30

<u>Related party</u>	<u>For the nine months ended September 30, 2007</u>		
	<u>Ending balance</u>	<u>Interest payable</u>	<u>Interest expenses</u>
Chinatrust Assets Management Co., Ltd.	\$ 451,339	\$ 84	\$ 1,423

g. Others

For the nine months ended September 30, 2008 and 2007, the Bank received payments of bond maintenance fees and joint marketing operation fees from Chinatrust Insurance Brokers Corp., Ltd. amounting to \$804,930 and \$578,696, respectively (\$110,708 and \$65,445, respectively, accounted for under other receivables).

The Bank signed a management consulting contract with Taiwan Lottery Co., Ltd. in 2007 and received a guarantee deposit of \$500,000 according to the contract. For the nine months ended September 30, 2008 and 2007, the Bank paid Taiwan Lottery Co., Ltd. management consulting service fees amounting to \$588,542 and \$655,160, respectively, of which \$71,051 and \$60,428, respectively, were accounted for under payables. Pursuant to the supplementary agreement, for the nine months ended September 30, 2008, Taiwan Lottery Co., Ltd. received excess management consulting service fees amounting to \$85,748; please refer to Note 7(B) for more detailed information about the supplementary agreement.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

h. Other significant overseas related-party legal matters for prior years

The former management team of Chinatrust Financial Holding Company, Ltd., the Bank's parent company, including the Vice Chairman, Chief Strategic Officer, Chief Compliance Officer, and Chief Financial Officer, and the Bank's former President, Institutional Group and Senior Vice President of the Finance Department, were prosecuted by the Taipei District Prosecutors Office, Taiwan, on February 15, 2007, for suspected illegal action due to inadequate authorization of the US\$390 million structured note transaction with Red Fire Developments Limited. This case is now under court review, and the impact on the Bank remains uncertain before the Court makes its judgment. Please refer to Note 7(C) for further information on this case.

In November 2005, the Bank formally contracted with Tectonics Laboratories Co., Ltd. to purchase real estate located at Cheng Ching Lake for use as the second training center with a purchase price \$950,000, which was fully paid in December 2005. The ownership of that real estate was completely transferred in January 2006. Tectonics Laboratories Co., Ltd. realized a gain of approximately \$87,821 from this transaction. At the end of 2006, the book value of that real estate was reduced by \$87,821 for the sake of conservatism.

Between March and April 2006, the Bank sold its non-performing loans as follows:

The Bank sold the non-performing loans made to Hua Wang Electric Industry Ltd. to Linearity Company Limited for \$180,329; sold the non-performing loans made to Corwell Development Corp. to Doppler Precision Co., Ltd. for \$44,062; and sold the non-performing loans made to Banyu Paper Mill Co., Ltd. to Tectonics Laboratories Co., Ltd. for \$40,000. No gain or loss was realized from these sales because the selling prices were determined based on the book value of the loans after deducting the provision for losses. In July 2006, these sales transactions were canceled and all of the sales proceeds were returned.

In March 2005, the Bank sold its non-performing loans made to Fengshan Credit Cooperative with a book value of \$840,000 (original principal was \$5,900,000) to Advanced Synchronous Solutions Company Limited for \$840,000. No gain or loss was realized from this transaction because the selling price was determined based on the book value of the loans after deducting the provision for losses.

**CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**

2. Chinatrust Securities Co., Ltd.

(1) Names of the related parties and relationship

<u>Name of related party</u>	<u>Relationship with the company</u>
Chinatrust Financial Holding Company, Ltd.	Parent company of the company.
Chinatrust Commercial Bank Co., Ltd.	Controlled by the same parent company which controls the company.
Chinatrust Insurance Brokers Corp., Ltd.	"
Chinatrust Venture Capital Corp.	"
Chinatrust Asset Management Co., Ltd.	"
Chinatrust Security Co., Ltd.	"
Taiwan Lottery Co., Ltd.	"
CTCB (Mauritius) Holding Company, Ltd.	An investee company carried under the equity method by the company.
Chinatrust Asia Limited	"
Chinatrust Securities Investment Consultancy Co., Ltd.	Related party in substance. (Liquidating)
Other related parties	The representative Directors and Supervisors of the company.

(2) Significant transactions with related parties

Please refer to Note 10(N)(1) for transactions with Chinatrust Commercial Bank Co., Ltd.

3. Chinatrust Insurance Brokers Corp., Ltd.

(1) Names of the related parties and relationship

<u>Name of related party</u>	<u>Relationship with the company</u>
Chinatrust Financial Holding Company, Ltd.	Parent company of the company.
Chinatrust Commercial Bank Co., Ltd.	Controlled by the same parent company which controls the company.
Chinatrust Securities Co., Ltd.	"
Chinatrust Venture Capital Corp.	"
Chinatrust Asset Management Co., Ltd.	"
Chinatrust Security Co., Ltd.	"
Taiwan Lottery Co., Ltd.	"

(2) Significant transactions with related parties

Please refer to Note 10(N)(1) for transactions with Chinatrust Commercial Bank Co., Ltd.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. Chinatrust Venture Capital Corp.

(1) Names of the related parties and relationship

<u>Name of related party</u>	<u>Relationship with the company</u>
Chinatrust Financial Holding Company, Ltd.	Parent company of the company.
Chinatrust Commercial Bank Co., Ltd.	Controlled by the same parent company which controls the company.
Chinatrust Insurance Brokers Corp., Ltd.	"
Chinatrust Securities Co., Ltd.	"
Chinatrust Asset Management Co., Ltd.	"
Chinatrust Security Co., Ltd.	"
Taiwan Lottery Co., Ltd.	"

(2) Significant transactions with related parties

Please refer to Note 10(N)(1) for transactions with Chinatrust Commercial Bank Co., Ltd.

5. Chinatrust Asset Management Co., Ltd.

(1) Names of the related parties and relationship

<u>Name of related party</u>	<u>Relationship with the company</u>
Chinatrust Financial Holding Company, Ltd.	Parent company of the company.
Chinatrust Commercial Bank Co., Ltd.	Controlled by the same parent company which controls the company.
Chinatrust Insurance Brokers Corp., Ltd.	"
Chinatrust Securities Co., Ltd.	"
Chinatrust Venture Capital Corp.	"
Chinatrust Security Co., Ltd.	"
Taiwan Lottery Co., Ltd.	"
CT Opportunity Investment Company	Investee that the company has the power to control.
Chung Shin-1 Asset Management Co., Ltd.	"
Tuo Yu Asset Management Servicing Co., Ltd.	"

(2) Significant transactions with related parties

Please refer to Note 10(N)(1) for transactions with Chinatrust Commercial Bank Co., Ltd.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. Chinatrust Security Co., Ltd.

(1) Names of the related parties and relationship

<u>Name of related party</u>	<u>Relationship with the company</u>
Chinatrust Financial Holding Company, Ltd.	Parent company of the company.
Chinatrust Commercial Bank Co., Ltd.	Controlled by the same parent company which controls the company.
Chinatrust Insurance Brokers Corp., Ltd.	//
Chinatrust Securities Co., Ltd.	//
Chinatrust Venture Capital Corp.	//
Chinatrust Asset Management Co., Ltd.	//
Taiwan Lottery Co., Ltd.	//
Chailease Group Co., Ltd	The company's Chairman is its Chairman.

(2) Significant transactions with related parties

Please refer to Note 5(B) for transactions with Chinatrust Commercial Bank Co., Ltd.

7. Taiwan Lottery Co., Ltd.

(1) Names of the related parties and relationship

<u>Name of related party</u>	<u>Relationship with the company</u>
Chinatrust Financial Holding Company, Ltd.	Parent company of the company.
Chinatrust Commercial Bank Co., Ltd.	Controlled by the same parent company which controls the company.
Chinatrust Securities Co., Ltd.	//
Chinatrust Insurance Brokers Corp., Ltd.	//
Chinatrust Venture Capital Corp.	//
Chinatrust Asset Management Co., Ltd.	//
Chinatrust Security Co., Ltd.	//

(2) Significant transactions with related parties

Please refer to Note 10(N)(1) for transactions with Chinatrust Commercial Bank Co., Ltd.

(O) Significant contract: Please refer to Note 7(B) for further information.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (P) The income and expenses arising from the joint marketing operation and information interoperability amongst the Financial Holding Company's subsidiaries were allocated as follows:

The joint marketing expenses between the Company's subsidiaries Chinatrust Commercial Bank Co., Ltd. and Chinatrust Insurance Brokers Corp., Ltd. are allocated to each project item based on the insurance revenue ratio, actual marketing costs of insurance products, labor hours, profitability, etc. For the nine months ended September 30, 2008 and 2007, Chinatrust Commercial Bank Co., Ltd. allocated fees to Chinatrust Insurance Brokers Corp., Ltd. amounting to \$804,854 and \$578,696, respectively.

In order to optimize the benefits efficiently and effectively, Chinatrust Commercial Bank Co., Ltd. and Chinatrust Insurance Brokers Corp., Ltd. share and use each other's information for operations, whereas both companies individually recognize their own profits from the sales of products and services.

- (Q) Account reclassification:

Certain accounts in the financial statements for the nine months ended September 30, 2007, were reclassified to be consistent with the presentation of the current-period consolidated financial statements.

11. DISCLOSURES REQUIRED

- A. Related information on significant transactions:

1. Cumulative purchase or sale of the same investee's capital stock up to \$300,000 or 10% of paid-in capital:

(In Thousands of New Taiwan Dollars/Thousands shares)

Acquisition company	Name of securities	Accounted for under	Counter-party	Relation-ship	Beginning balance (Note 1)		Purchases		Sales (Note 2)				Ending balance (Note 1)	
					Number	Amount	Number	Amount	Number	Sale Price	Book value	Gain (loss) on disposal	Number	Amount
Chinatrust Financial Holding Company, Ltd.	Mega Financial Holding Co.	Available-for-sale-financial assets—net	Public Market	None	645,793	12,883,570	-	-	54,170	1,382,894	1,221,322	161,572	591,623	8,489,790
"	Chinatrust Asset Management Co., Ltd.	Investment under equity method	-	Investee carried under equity method	800,000	8,510,046	-	-	300,000	-	3,000,000	-	500,000	5,381,419
"	Taiwan Lottery Co., Ltd.	Investment under equity method	-	Investee carried under equity method	100,000	955,127	-	-	50,000	-	500,000	-	50,000	522,583

Note 1: Including income from investment under equity method, cumulative translation adjustments, and valuation adjustment.

Note 2: Chinatrust Asset Management Co., Ltd. and Taiwan Lottery Co., Ltd. both underwent a capital reduction and remitted the proceeds of capital reduction to the Company.

2. Acquisition of real estate up to \$300,000 or 10% of paid-in capital: none.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. Disposal of real estate up to \$300,000 or 10% of paid-in capital: none.
 4. Discount on commission fees for transaction with related parties up to \$5,000: none.
 5. Receivables from related parties up to \$300,000 or 10% of paid-in capital: none.
 6. Transaction information on NPL disposition: none.
 7. Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: none.
 8. Other significant transactions that may have substantial influence upon the decisions made by financial statement users: For further information, please refer to Notes 5 and 7(C).
- B. Related information on investee companies:
1. Names and locations of, and relevant information on, investees upon which the Company exercises significant influence: not applicable
 2. Loans to others or individuals: not applicable to financing and securities subsidiaries; others: none.
 3. Endorsements and guarantees for others: not applicable to financing and securities subsidiaries; others: none.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. Marketable securities held as of September 30, 2008: not applicable to financing and securities subsidiaries; others:

(In Thousands of New Taiwan Dollars/Thousands shares)

Name of company holding securities	Marketable securities type and name	Relationship with the securities issuer	Account	September 30, 2008				Remark
				No. of shares	Book value	Shareholding ratio (Note 3)	Market price (Note 1)	
Chinatrust Capital Corporation	Chinatrust Bank (U.S.A.)	Sub-subsidiary, accounted for under equity method	Investments under equity method	Common shares 1 Preferred shares 100	\$8,430,271	100.00%	\$8,430,271	The investment has been eliminated when preparing the consolidated financial statements.
"	Chinatrust Capital Statutory Trust II	"	"	Common shares 774	24,869	(Note4)	24,869	
Chinatrust Insurance Brokers Corp., Ltd.	Beneficiary certificate - PCA Well Pool Fund	-	Available-for-sale financial assets—net	7,606	96,966	-%	98,031	
"	Beneficiary certificate - Yuanta Wan Tai Bond Fund	-	"	22,748	325,000	-%	326,974	
"	Mega Financial Holding Co., Ltd.	-	"	90,348	2,041,484	0.82%	1,296,494	
"	KGI Securities Co., Ltd.	-	"	607	5,828	0.02%	7,278	
"	Central Government Bonds 93107	-	Held-to-maturity financial assets	4,000	400,577	-%	-	Operational guarantee deposits, totally pledged.
"	Central Government Bonds 95-5	-	"	4,500	451,566	-%	-	Operational guarantee deposits, partially pledged.
"	Shopnet Co., Ltd.	-	Other financial assets—net	0.095	-	16.44%	-	The impairment loss has been recognized.
Chinatrust Venture Capital Corp.	Beneficiary certificate - PCA Well Pool Fund	-	Available-for-sale financial assets—net	9,853	125,000	-%	126,994	
"	Beneficiary certificate - NITC Bond	-	"	1	238	-%	240	
"	Beneficiary certificate - ING Taiwan Bond	-	"	6,548	99,954	-%	101,517	
"	Beneficiary certificate - Yuanta Wan Tai Bond Fund	-	"	8,819	125,000	-%	126,767	
"	Beneficiary certificate - UPAMC James Bond Fund	-	"	1,962	30,747	-%	31,143	
"	Kinik Company Ltd.	-	"	0.158	3	-%	4	
"	Advanced Power Electronics Corp.	-	"	0.538	7	-%	7	
"	Acbel Polytech Inc.	-	"	824	15,673	0.17%	10,874	
"	Epistar Corporation	-	"	0.881	46	-%	37	
"	Axiomtek Co., Ltd.	-	"	0.076	2	-%	2	
"	Darfon Corporation	-	"	517	48,643	0.17%	16,880	
"	Advanced Ceramic X Corporation	-	"	208	10,660	0.33%	13,517	
"	Boston Life Science Venture Co.	-	Other financial assets—net	10,000	89,500	5.00%	90,744	
"	Dragon Steel Corporation	-	"	1,884	10,996	0.07%	25,209	
"	"	-	"	3,808	60,928	4.76%	38,080	Preferred shares class B

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Name of company holding securities	Marketable securities type and name	Relationship with the securities issuer	Account	September 30, 2008				Remark
				No. of shares	Book value	Shareholding ratio (Note 3)	Market price (Note 1)	
Chinatrust Venture Capital Corp.	Colini Investment Holdings Limited (originally named Noblehigh Management Limited)	-	Other financial assets—net	1	\$137,136	100.00%	\$132,804	Preferred shares class A
"	"	-	"	1	22,486	100.00%	22,223	Preferred shares class B
"	Total Pioneer Limited	-	"	1	120,162	100.00%	119,845	Preferred shares class A
"	DelSolar Co., Ltd.	-	"	1,010	100,000	0.85%	45,162	
"	NexPower Technology Corp.	-	"	4,000	140,160	1.33%	30,435	
"	Others	-	"	-	325,927	-%	256,849	(Note 2)
Chinatrust Asset Management Co., Ltd.	Beneficiary certificate - UPAMC James Bond Fund	-	Available-for-sale financial assets—net	12,753	200,000	-%	202,424	
"	Beneficiary certificate - Yuanta Wan Tai Bond Fund	-	"	17,627	250,000	-%	253,376	
"	Beneficiary certificate - ING Taiwan Bond Fund	-	"	13,135	199,045	-%	203,629	
"	Beneficiary certificate - PCA Well Pool Fund	-	"	15,808	200,000	-%	203,740	
"	CT Opportunity Investment Company	-	Investments under equity method	36	3,708,407	100.00%	3,708,407	The investment has been eliminated when preparing the consolidated financial statements.
"	Chun Shin-I Asset Management Co., Ltd.	-	"	30,000	557,496	100.00%	557,496	"
"	Tuo Yu Asset Management Servicing Co., Ltd.	-	"	500	5,180	100.00%	5,180	"
Chun Shin-I Asset Management Co., Ltd.	Beneficiary certificate - PCA Well Pool Fund	-	Available-for-sale financial assets—net	12,685	160,542	-%	163,490	
"	Beneficiary certificate - Yuanta Wan Tai Bond Fund	-	"	14,139	200,000	-%	203,238	
Chinatrust Security Co., Ltd.	Mega Financial Holding Co., Ltd.	-	"	800	17,255	-%	11,480	
"	Chung-Chie Property Management	-	Other financial asset—net	20	203	0.50%	398	

Note 1: Listed/OTC companies are measured at fair value. The net worth for a non-listed company is calculated based on the proportion of total equity on hand. The net value of listed/OTC companies' preferred shares is based on the liquidation price plus dividends in arrears.

Note 2: Those account balances are less than 5% of ending balance.

Note 3: The shareholding ratio of preferred shares is calculated based on the proportion of the issued stock on hand.

Note 4: 100% of common shares of the SPE are held by the Company's sub-subsidiary Chinatrust Capital Corporation; the proportion of the common shares of the SPE is approximately 3% of its total equity.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. Cumulative purchases or sales of the same investee's capital stock up to \$300,000 or 10% of paid-in capital:

(In Thousands of New Taiwan Dollars/Thousands shares)

Trading company	Name of securities	Account	Counter-party	Relation-ship	Beginning balance		Purchases		Sales				Ending balance (Note)	
					Number	Amount	Number	Amount	Number	Sale price	Book value	Gain (loss) of disposal	Number	Amount
Chinatrust Asset Management Co., Ltd.	CT Opportunity Investment Company	Investments under equity method		Investee carried under equity method	36	4,478,005	-	-	-	-	1,100,000	-	36	3,708,407
"	Chun Shin-1 Asset Management Co., Ltd.	"		"	130,000	1,824,082	-	-	100,000	-	1,000,000	-	30,000	557,496
Chinatrust Insurance Brokers Corp., Ltd.	Beneficiary certificate - Polaris De-Bao Fund	Available-for-sale financial assets - net	Public market	None	4,440	50,000	28,747	325,000	33,187	375,607	375,000	607	-	-
"	Beneficiary certificate - Yuanta Wan Tai Bond Fund	"	"	"	-	-	22,748	325,000	-	-	-	-	22,748	325,000
Chun Shin-1 Asset Management Co., Ltd.	Beneficiary certificate - Polaris De-Bao Fund	"	"	"	4,439	50,000	22,112	250,000	26,551	300,460	300,000	460	-	-

Note: For the nine months ended September 30, 2008, the Company's sub-subsidiaries CT Opportunity Investment Company and Chun Shin-1 Asset Management Co., Ltd. underwent a capital reduction and remitted the proceeds of capital reduction to the Company's subsidiary Chinatrust Asset Management Co., Ltd.

6. Acquisition of real estate up to \$300,000 or 10% of paid-in capital:

(In Thousands of New Taiwan Dollars)

Acquiring company	Name of property	Transaction date	Transaction amount	Payment status	Counter-party	Relation-ship	Previous transfer data when counterparty is related party				Reference for acquisition price	Acquisition purpose and use status	Other additional term
							Owner	Relationship with issuer	Transfer date	Amount			
Chinatrust Commercial Bank Co., Ltd.	Collateral (Land)	(Note1)	\$335,306	Paid	Hualon Co., Ltd.	None	N/A	N/A	N/A	-	(Note2)	Processed according to the acquisition method	None

Note 1: The Company's subsidiary Chinatrust Commercial Bank Co., Ltd. carried out this transaction on December 26, 2007; therefore, the Real Property Transfer Certificate from the Court was dated January 9, 2008, and the subsidiary Chinatrust Commercial Bank Co., Ltd. received this on January 24, 2008.

Note 2: The acquisition price is determined based on the announcement price of Taiwan Financial Asset Service Corporation and the appraisal report published by Union Real Estate Consultant commissioned by the Court.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. Disposal of real estate up to \$300,000 or 10% of paid-in capital:

(In Thousands of New Taiwan Dollars)

Name of disposing company	Name of property	Transaction date	Original acquisition date	Book value	Transaction amount (Note 1)	Collection status	Gain (loss) on disposition	Counter-party	Relationship	Disposition purpose	Reference for disposition price	Other additional terms
Chinatrust Commercial Bank Co., Ltd.	Collateral (Land)	2008.01.25	2008.01.09	\$335,306	\$335,306	The transaction amounts were fully received.	-	Tung Tsun Yang Ming Hsiang Wang Jang Chi Yeh Shih Jen Li Hsiu Yu Hsu	None	Processed according to the acquisition method	Book value	None

8. Discount on commission fees for transaction with related parties up to \$5,000: none.

9. Receivables from related parties up to \$300,000 or 10% of paid-in capital: none.

10. Financial derivative transaction: for further information, please refer to Note 4(AA).

11. Information on NPL disposal transaction:

(1) Summary table of NPL disposal:

Trade date	Name of transaction party	Debt component	Book value	Selling price	Gain (loss)	Additional term	Relationship
2008.5.8	Bank of America	Secured loan	PHP 75,275 thousand	PHP 78,201 thousand	PHP 2,926 thousand	None	None

(2) Disposal of one single batch of NPL up to \$1,000,000 (excluding sales to related parties) and information on each transaction: none.

12. Types of securitization instruments approved to be issued pursuant to financial assets securitization rules or real estate securitization rules and other relevant information: none.

13. Other significant transactions that may have substantial influence upon the decision made by financial statement users: please refer to Notes 5 and 7(C).

C. Related information on subsidiaries' investments in Mainland China: none.

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

D. Business relationship and material transactions between the parent company and subsidiaries:

For the nine months ended September 30, 2008

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Party	Counterparty	Relation- ship	Transaction status			Percentage of consolidated operating revenues or consolidated total assets
				Account	Amount	Terms	
0	Chinatrust Financial Holding Company, Ltd.	Chinatrust Commercial Bank Co., Ltd.	Parent to subsidiary	Available-for-sale financial assets—net	\$1,700,000	The same terms as for comparable transactions with third-party counterparties.	0.10%
1	Chinatrust Commercial Bank Co., Ltd.	Chinatrust Financial Holding Company, Ltd.	Subsidiary to parent	Deposits and remittances	1,700,000	"	0.10%
"	"	Chinatrust Securities Co., Ltd.	Subsidiary to subsidiary	"	964,583	"	0.06%
"	"	Chinatrust Insurance Brokers Corp., Ltd.	"	"	597,706	"	0.03%
"	"	"	"	Receivables	110,708	"	0.01%
"	"	"	"	Personnel expenses	603,154	"	1.28%
"	"	Chinatrust Venture Capital Corp.	"	Deposits and remittances	414,289	"	0.02%
"	"	"	"	Securities sold under repurchase agreements	120,000	"	0.01%
"	"	Chinatrust Asset Management Co., Ltd.	"	Deposits and remittances	208,651	"	0.01%
"	"	Taiwan Lottery Co., Ltd.	"	"	225,486	"	0.01%
"	"	"	"	Other operating and general expenses	588,542	"	1.25%
"	"	CT Opportunity Investment Company	Subsidiary to sub-subsubsidiary	Deposits and remittances	3,360,959	"	0.19%
"	"	Chinatrust Asia Limited	"	"	166,356	"	0.01%
"	"	PT Bank Chinatrust Indonesia	"	"	145,220	"	0.01%
2	Chinatrust Securities Co., Ltd.	Chinatrust Commercial Bank Co., Ltd.	Subsidiary to subsidiary	Cash and cash equivalents	964,583	"	0.06%
3	Chinatrust Insurance Brokers Corp., Ltd.	"	"	"	597,706	"	0.03%
"	"	"	"	Payables	110,708	"	0.01%
"	"	"	"	Personnel expenses	603,154	"	1.28%
4	Chinatrust Venture Capital Corp.	"	"	Cash and cash equivalents	414,289	"	0.02%
"	"	"	"	Securities purchased under resell agreements	120,000	"	0.01%

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Party	Counterparty	Relation- ship	Transaction status			Percentage of consolidated operating revenues or consolidated total assets
				Account	Amount	Terms	
5	Chinatrust Asset Management Co., Ltd.	Chinatrust Commercial Bank Co., Ltd.	Subsidiary to subsidiary	Cash and cash equivalents	208,651	The same terms as for comparable transactions with third-party counterparties.	0.01%
6	Taiwan Lottery Co., Ltd.	"	"	"	225,486	"	0.01%
"	"	"	"	Service fees and commission income	588,542	"	1.25%
7	CT Opportunity Investment Company	"	Sub-subsidiary to subsidiary	Cash and cash equivalents	3,360,959	"	0.19%
8	Chinatrust Asia Limited	"	"	"	166,356	"	0.01%
9	PT Bank Chinatrust Indonesia	"	"	Deposits from Central Bank and other banks	145,220	"	0.01%

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the nine months ended September 30, 2007

(In Thousands of New Taiwan Dollars)

No. (Note1)	Party	Counterparty	Relationship	Transaction status			Percentage of consolidated operating revenues or consolidated total assets
				Account	Amount	Terms	
0	Chinatrust Financial Holding Company, Ltd.	Chinatrust Commercial Bank Co., Ltd.	Parent to subsidiary	Available-for-sale financial assets—net	2,610,000	The same terms as for comparable transactions with third-party counterparties.	0.15%
"	"	"	"	Interest income	518,013		1.13%
1	Chinatrust Commercial Bank Co., Ltd.	Chinatrust Financial Holding Company, Ltd.	Subsidiary to parent	Deposits and remittances	2,610,000	"	0.15%
"	"	"	"	Interest expense	518,013	"	1.13%
"	"	Chinatrust Securities Co., Ltd.	Subsidiary to subsidiary	Deposits and remittances	827,451	"	0.05%
"	"	Chinatrust Insurance Brokers Corp., Ltd.	"	"	834,026	"	0.05%
"	"	"	"	Other operating and general expenses	541,481	"	1.18%
"	"	Chinatrust Venture Capital Corp.	"	Deposits and remittances	316,788	"	0.02%
"	"	Chinatrust Asset Management Co., Ltd.	"	"	172,018	"	0.01%
"	"	"	"	Securities purchased under resell agreements	451,339	"	0.03%
"	"	Taiwan Lottery Co., Ltd.	"	Deposits and remittances	189,946	"	0.01%
"	"	"	"	Other financial liabilities	500,283	"	0.03%
"	"	"	"	Other operating and general expenses	655,160	"	1.42%
"	"	CT Opportunity Investment Company	Subsidiary to sub-subsubsidiary	Deposits and remittances	3,304,922	"	0.19%
"	"	"	"	Interest expenses	115,165	"	0.25%
"	"	Chinatrust Asia Limited	"	Deposits and remittances	149,945	"	0.01%
"	"	Chung Shin-1 Asset Management Co. Ltd.	"	"	122,455	"	0.01%
"	"	Chinatrust Bank USA	"	Cash and cash equivalents	276,823	"	0.02%
2	Chinatrust Securities Co., Ltd.	Chinatrust Commercial Bank Co., Ltd.	Subsidiary to subsidiary	"	827,451	"	0.05%
3	Chinatrust Insurance Brokers Corp., Ltd.	"	"	"	834,026	"	0.05%
"	"	"	"	Other operating and general expenses	541,481	"	1.18%
4	Chinatrust Venture Capital Corp.	"	"	Cash and cash equivalents	316,788	"	0.02%
5	Chinatrust Asset Management Co., Ltd.	"	"	"	172,018	"	0.01%
"	"	"	"	Securities sold under repurchase agreements	451,339	"	0.03%
6	Chung Shin-1 Asset Management Co. Ltd.	"	Sub-subsubsidiary to subsidiary	Cash and cash equivalents	122,455	"	0.01%

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(In Thousands of New Taiwan Dollars)

No. (Note1)	Party	Counterparty	Relationship	Transaction status			Percentage of consolidated operating revenues or consolidated total assets
				Account	Amount	Terms	
7	CT Opportunity Investment Company	Chinatrust Commercial Bank Co., Ltd.	Sub-subsidiary to subsidiary	Cash and cash equivalents	3,304,922	The same terms as for comparable transactions with third-party counterparties	0.19%
"	"	"	"	Interest income	115,165	"	0.25%
8	Chinatrust Asia Limited	"	"	Cash and cash equivalents	149,945	"	0.01%
9	Taiwan Lottery Co., Ltd	"	Subsidiary to subsidiary	"	189,946	"	0.01%
"	"	"	"	Other financial assets	500,283	"	0.03%
"	"	"	"	Service fees and commission income	655,160	"	1.42%
10	Chinatrust Bank USA	"	Sub-subsidiary to subsidiary	Deposits and remittances	276,823	"	0.02%

Note1: Serial number is determined as follows:

1. 0 represents parent company
2. Subsidiaries are numbered in a sequence of Arabic numerals from 1 based on company category.

12. Business Segment Financial Information: Not applicable.