

[CONTENTS BANK OF OVERSEAS CHINESE]



Chairman of the Board Mr. Michael C.S. Chang
Chairman of Polaris Financial Group Mr. Wayne Wen-Cheng Pai
Vice-Chairman & President Mr. Mike S.E. Chang

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E-mail : robert@mailbooc.com.tw

2.PROXY-SPOKESMAN
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Title : Senior Deputy Executive Vice President
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4.SHAREHOLDERS' AGENCY
Name : Stock Transfer Department of Polaris Securities Co.
Address : 5F, 147, Ho-Ping East Road, Sec.1 Taipei, Taiwan,
R.O.C.
Tel : +886-2-33433711

5.RATING ORGANIZATION
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6.CERTIFIED PUBLIC ACCOUNTANTS
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MESSAGE TO SHAREHOLDERS



The strong upturn of the American, Japanese, Chinese, and other economies brought on a appreciable warming up of the international economy over the past year, and the influence of the improvement has caused a continuous growth in domestic and external trade, export orders, and industrial production. The upturn also stimulated an increase in private investment and consumption, leading to an ongoing expansion and continuous growth in the amount of loans outstanding in the banking industry as a whole. This was reflected in a substantial improvement in the efficiency of capital utilization by Taiwan's banks, with the greatest increase going to SME and home loans. Also, with the government forcefully promoting financial reform and the

**Chairman of the Board
Mr. Michael C.S. Chang**

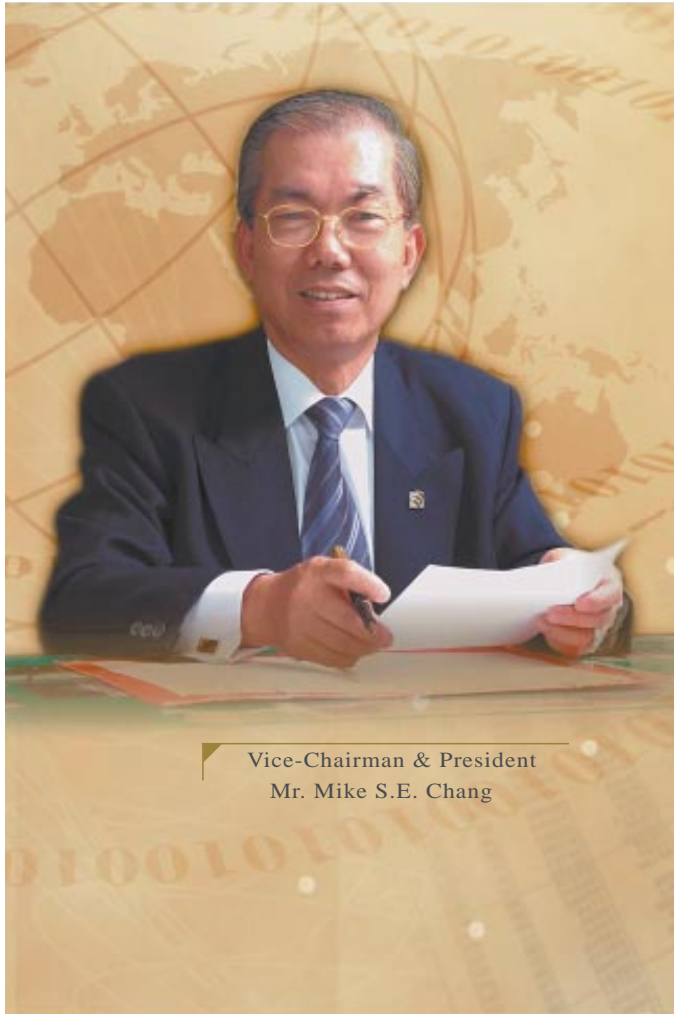
banks writing off large amounts of loans, the volume of non-performing loans in the banking industry as a whole has fallen by a vast amount and asset quality has improved greatly in recent years. Furthermore, intense competition in the banking industry has led to a steady narrowing of the gap between deposit and interest rates, and Taiwan's banks have moved vigorously to develop the consumer loan and wealth management businesses, resulting in a substantial growth in, and stabilization of, profitability.

The BOOC's former chairman, Herbert S.S. Chung, was appointed chairman of the Taiwan Business Bank on June 10, 2004; extraordinary meetings of the Board of Directors and Managing Directors were convened on July 15, and the Standing Board of Directors unanimously elected Managing Director Michael C.S. Chang as the new chairman. With the support of the Board of Directors and the efforts of our entire staff, bank-wide foreign-exchange transactions in 2004

amounted to US\$37,228,562,000, for a growth of 15.19% over 2003. In response to the rising trend in interest rates, the Bank worked hard to adjust its deposit structure in 2004 and replace time deposits with demand deposits so as to heighten the ratio of demand deposits and reduce capital costs. Deposits in the Bank at the end of 2004 totaled NT\$228,573,442,000, representing a decline of 3.21% from a year earlier; however, this total included NT\$93,078,706,000 in demand deposits, which was 3.43% more than the NT\$89,988,892,000 in such deposits at the end of 2003. Demand deposits accounted for 40.72% of all deposits at the end of the year, an improvement of 2.61 percentage points compared with the ratio of 38.11% at the end of the previous year. The Bank has always placed heavy emphasis on loans to small and medium businesses, and strived to boost loans under the SME Credit Guarantee Fund program during 2004. A total of 16,098 such loans with a total value of NT\$15.418 billion were extended during the year, representing a large rate of growth over the 12,394 loans totaling NT\$10.820 billion that were extended the year before. The BOOC has been promoting SME Credit Guarantee Fund loans for many years, and can justly be said to be an industry leader in terms of the professional know-how instilled in its personnel and of its volume of business. Income before allocations for reserves reached NT\$2.614 billion in 2004; increased allocations and the writing off of NT\$5.116 billion worth of bad loans, however, resulted in an after-tax loss of approximately NT\$2.502 billion.

An extraordinary 2004 Shareholders' Meeting moved to improve the BOOC's financial structure and strengthen its competitiveness by approving a capital reduction of NT\$4,550.4 million and resolving to carry out a capital increase of NT\$5,119.2 million in order to raise paid-in capital to NT\$11,944.8 million. The raising of funds for the capital increase was completed on Dec. 27, 2004, and 511,920,000 new shares were issued. This capital increase reduced the ratio of BOOC shares held by the Executive Yuan Development Fund from 20% to 11.43% and increased the shareholding ratio of the Polaris Financial Group from 7.37% to 22.12%, making that group the Bank's largest shareholder. Thanks to this capital restructuring and the sale of NT\$1.11 billion worth of bad assets in 2004, at the end of the year our capital adequacy ratio stood at 10.54% and our non-performing-loan ratio was down to 5.28%. This gives us a healthier operating structure and more room for business development. Our NPL ratio further dropped to 4.74% in January of 2005. At the end of 2004 the Taiwan Ratings Corp. heightened the BOOC's long-term credit rating to twBBB- and its short-term rating to twA-3, and listed its outlook as "stable."

The success of our capital restructuring at the end of 2004 has brought a substantial improvement in our financial situation and asset quality. As a result, during the extraordinary Shareholders' Meeting on Mar. 15 this year, under the strong request of the Executive Yuan Development Fund and the Polaris Financial Group, the Board of Managing Directors unanimously elected Michael C.S. Chang as the 18th chairman of the BOOC and Mike S.E. Chang as the 18th vice chairman and president, so that they could continue leading the Bank forward. The new chairman and vice chairman will adopt a two-way division-of-labor model, with the chairman assuming responsibility for corporate governance and organizational re-engineering while the new vice chairman and president takes charge of business operations. The two have unveiled the following five key development tasks for this year: (1) continued improvement of asset quality, with the ongoing clearing up and sale of bad debt and the constant strengthening of risk management and lowering of the NPL ratio; (2) planning for continued capital increases and seeking out of business partners to become shareholders; (3) strengthened implementation of information evaluation and re-engineering so as to facilitate internal performance evaluation and the improvement of operating procedures; (4) strengthened manpower training with the aim of developing new



Vice-Chairman & President
Mr. Mike S.E. Chang

businesses and creating a business niche for the Bank; and (5) forceful pursuit of performance by the corporate banking, personal banking, and wealth management groups so as to increase outstanding loans to NT\$200 billion and lower the NPL ratio to 2.5% by the end of the year.

The BOOC currently has more than 960,000 depositors, 39,000 corporate and personal loan customers, and 62,000 wealth management clients, giving us a solid business foundation. Following the injection of new vitality into the Bank's operations by the complete reorganization of its management, besides continuing to develop our existing business niches of foreign exchange and international banking we will open up strategic alliances under the virtual financial framework of the Polaris Group, create new products, and use our outstanding personnel and service channels to pursue performance and generate profits so as to reach our target of more than NT\$3.4 billion in pre-allocation profits in 2005.

To better equip the Bank to meet future challenges in the financial market by enhancing productivity and competitiveness, and by firmly establishing an operational responsibility system and corporate culture, the Board of Directors approved a revision of the BOOC Organizational Charter and a readjustment of the Organizational Framework in October 2004, formally initiating the second phase of the Bank's organizational re-engineering. In addition to referring to the effectiveness of the first phase of the re-engineering and to the areas that still need improvement, and reinforcing the integration and expression of the organizational system's functions, intensive discussions and improvements were also carried out concerning different products, processes, and administrative operations. The readjustment of the organizational

framework was implemented by organizing all the headquarters units into six systems by function: the Administrative Group, Business Management Group, Risk Management Group, Corporate Banking Group, Personal Banking Group, and Wealth Business Group, with the Corporate Banking, Personal Banking, and Wealth Business groups being charged with marketing and promotion. Mid-office risk control was strengthened with the support of back-office administrative management and operational management in order to enhance overall competitive strength. Regional risk management and business management operating centers were set up in northern, central, and southern Taiwan to centralize credit investigation, examination, debt management, business management, and foreign exchange operations, and to carry through with the principle of "centralized management and professional division of labor" so as to save manpower and make the most efficient use of resources.

In respect to the development of new businesses, over the past year the Bank has successively inaugurated SME Easy loans, international and domestic factoring, electronic letters of credit, the "instalment cash credit" loan program, and other special loan programs; we have also worked vigorously to improve operating processes and promote the Credit Guarantee Fund, special financing programs, and trade financing for Taiwanese enterprises. Electronic financial services are offered to provide OBU Internet banking customers with online consultation and forex funds transfer, and planning for the Internet ATM business is being carried out. In coordination with government policy, the Bank has also changed all of its ATM machines and gradually switched its customers to IC cards.

The coming year will be a critical time in the BOOC's operational re-engineering. We will build on our re-engineered foundation and carry through with "centralized operations and professional division of labor" so that professional marketing personnel will concentrate on such high-value-added activities as sales and the deepening of customer relationships, and a full spectrum of financial services will be provided around a core of strengthened joint marketing and reinforced risk management. Further, we will carry on with the work of organizational re-engineering and thoroughly implement the business group concept, establish an effective performance evaluation system and system of rewards and punishments, and centralize operations so as to lower loan and operating risks, and enhance operating efficiency. We will also strengthen marketing training and the adjustment of front- and back-office personnel allocation, reassigning tellers to help develop business in the business groups. In the future, the challenges of market competition, risk management, and business innovation and integration will be greater than ever. Our professional directors, supervisors and entire staff will strive in concert to build on the foundation of more than four decades of operating experience and expanded service network to develop niche businesses and start anew so as to repay the support provided by our shareholders by transforming the Bank into a professional, efficient, and information-intensive small but excellent bank.

We would like to extend our utmost gratitude to you our shareholders for the care and support with which you have favored us over the years. In the future our entire staff will work harder than ever, holding firmly to the service attitude of "speed, accuracy, friendliness, and completeness" in the hope of building the BOOC into a "small but excellent, friendly and considerate, information-intensive and efficient" bank. We are fully confident and determined that our organizational re-engineering will succeed and that we will continue strengthening our competitiveness, creating corporate value, and increasing our income as we provide the corporate sector and society at large with a full spectrum of financial services and create an ever-better business performance. In this effort, we beg the continued guidance and support of you, our shareholders, and all sectors of society.

Chairman

Vice Chairman and President

I. Company Introduction

1. Date of establishment: Mar. 1, 1961

2. History of the Bank

- (1) The Bank of Overseas Chinese was established with funds from overseas Chinese and domestic investors in response to the government's appeal for overseas Chinese to return and invest in financial institutions in Taiwan, and thereby help develop business and industry in general and overseas Chinese-invested enterprises in particular. The BOOC was the first private commercial bank to be established after the government of the Republic of China moved to Taiwan; its preparatory office was set up in 1959, and the Bank opened its doors for business on Mar. 1, 1961. The number of BOOC business units has steadily increased to 59 today, and the number of BOOC employees stood at 1,868 as of March 2005.
- (2) From only NT\$100 million in the beginning, the Bank's capitalization was expanded through successive capital increases and, at the time when the Company was listed on the over-the-counter market on Dec. 21, 1998, its registered capital stood at NT\$16.752 billion. Subsequently, the Bank moved to strengthen its operating system, reinforce its capital structure, and make up for accumulated losses by carrying out capital restructuring; capital reduction programs were completed in December 2002 and December 2004, followed by two capital-increase projects involving the issuances of 300 million and 511.92 million new shares, respectively. Today, the Bank's stock equity stands at NT\$11,944.8 million.
- (3) The BOOC completed the merger of the Beigang Credit Cooperative on Sept. 30, 1997, formally taking over the business operations of the credit cooperative in their entirety and assuming its assets and liabilities, each calculated at over NT\$3,937 million. This set a precedent as the first friendly merger between financial institutions in Taiwan.
- (4) To help Taiwanese businesses increase exports to and imports from Hong Kong and mainland China, and to expand its overseas correspondent banking network, the BOOC established a Hong Kong subsidiary—Overseas Chinese Finance Ltd.—in 1999. In that same year the BOOC moved to strengthen business operations and provide asset utilization services to corporate clients by setting up the BOOC International Leasing Co. In October 2003, upon approval by the Ministry of Finance, the Bank established the Overseas Chinese Insurance Broker Co., Ltd. in order to offer its customers broader and deeper bank insurance services.
- (5) To conform to the "Measures to Accelerate the Reduction of NPLs in Taiwan Banks" as promulgated by the Ministry of Finance, in 2003 the BOOC wrote off large amounts of bad debt in order to lower its NPL ratio and allocated additional reserves against bad debt in order to strengthen its financial structure. In October that year the Bank sold NT\$10 billion worth of bad debt. At the beginning of October 2003 the Bank issued NT\$4.5 billion worth of long-term subordinated bank debentures to further reinforce its financial structure and improve its insufficient capital adequacy situation. These measures greatly increased the BOOC's capital adequacy ratio, boosting it above 8% in conformity with legal standards. In September and December of 2004 the Bank sold a further NT\$11.1 billion worth of bad debt, reducing its NPL ratio to 5.28% at the end of the year.

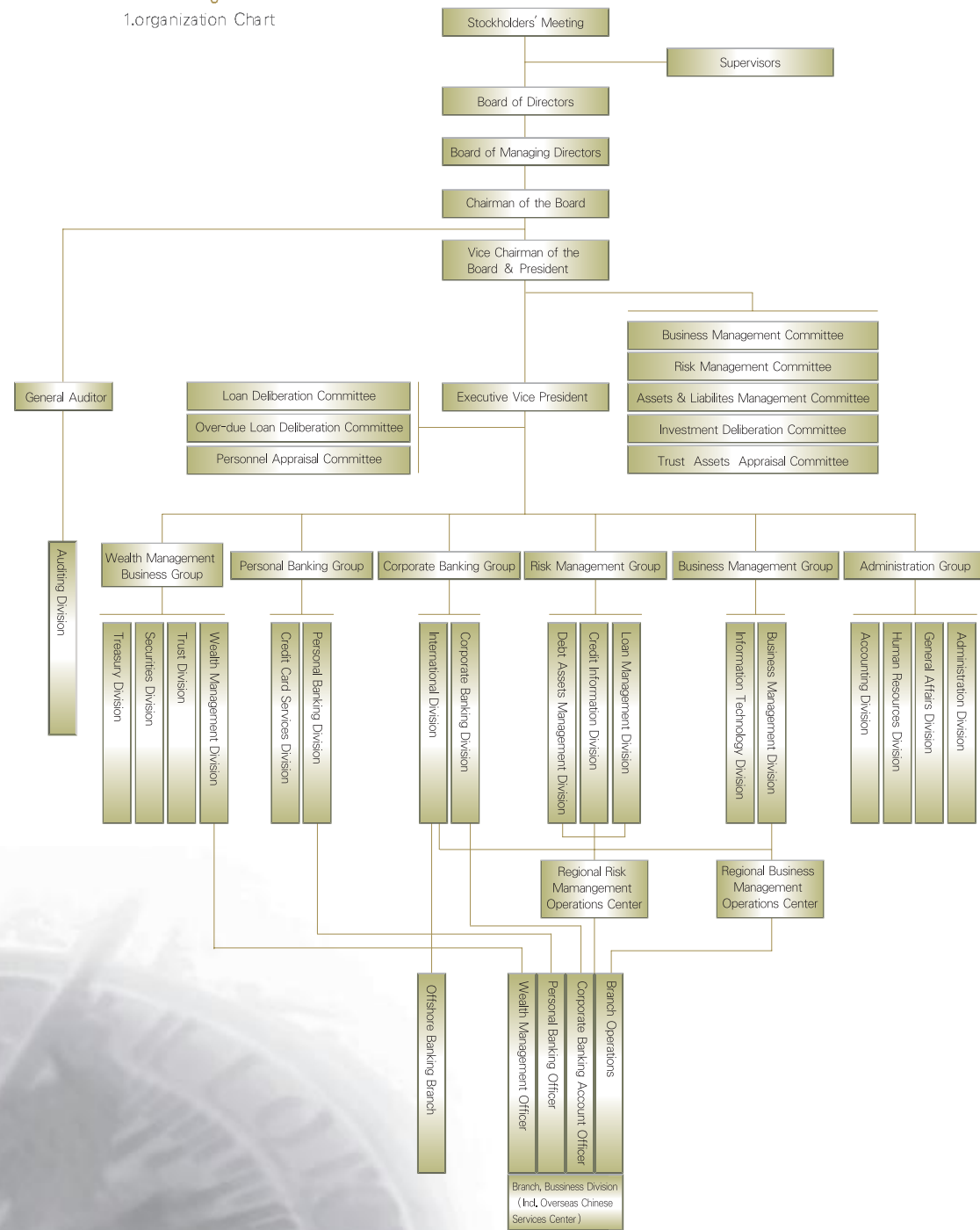


The front row from left :
 Vice-Chairman & President Mr. Mike S.E. Chang
 Chairman of the Board Mr. Michael C.S. Chang
 Resident Supervisor Mr. Edward C.W. Lai

The rear row from left :
 Managing Director Mr. Shih Chiao-Hsin
 Managing Director Mr. William T. Lin
 Managing Director Mr. Weng Chien

- (6) To enhance its organizational operating efficiency and build up a management framework with a professional division of labor and clearly defined areas of responsibility, the Bank instituted its second stage of organizational re-engineering in October 2004 in accordance with a revision of its Organizational Charter and a readjustment of its Organizational Framework as approved by the Board of Directors. In addition to reinforcing the integration and expression of the functions of the Bank's organizational system in consideration of the performance of the previous stage of organizational re-engineering and areas requiring further improvement, this new stage of re-engineering involved the intensive review and improvement of different products, processes, and administrative operations. In the current readjustment of the organizational structure, functional integration of headquarters units was carried out with a division into six systems: the Administrative Group, Business Management Group, Risk Management Group, Corporate Banking Group, Personal Banking Group, and Wealth Business Group. The Corporate Banking, Personal Banking, and Wealth Business groups are charged with marketing and promotion. Middle-office risk control has been strengthened, with the support of back-office administration and operating management, in order to enhance overall competitive strength. In addition, regional risk management and business management

II. BOOC Organization
1. Organization Chart



operating centers were set up in northern, central, and southern Taiwan in order to centralize credit investigation, examination, debt management, business management, and foreign exchange operations, and to carry through with the principle of centralized management and professional division of labor³ so as to save manpower and make the most efficient use of resources.

(7) In March of 2005 an Extraordinary Shareholders' Meeting carried out a re-election of directors and supervisors and organized a new operating team. The new Boards of Directors and Supervisors are made up of scholars and experts in the field of corporate governance, professors specializing in finance, and elite professionals from the fields of finance, insurance, and information. This reorganization provides a strong team lineup with a deep knowledge of corporate governance.

3. Major Areas of Financial Business

- (1) Corporate banking: SME Easy Loans for small businesses (including stores), general corporate loans, domestic and international factoring, domestic and overseas syndicated loans, C-Plan funds-flow services.
- (2) Personal banking: Policy-type home loans, general home loans, financial-planning home loans, installment cash credit, professional elite loans, welfare fund (group) loans, and other general small credit loans.
- (3) Foreign exchange: Foreign-currency cash and traveler's check transactions, foreign-currency deposits, collections and payments for other branches, export and import financing, outward and inward remittances, international factoring, forfeiting, and OBU operations.
- (4) Credit cards: Zodiac Cards, Chen Pao Cards, Diamond Gold Cards, Platinum Cards, IC Combo Cards, affinity cards, and RT Mart, Ministry of National Defense welfare department, and other co-branded cards.
- (5) Bank cards: Zodiac Cards, My Cards, international bank cards.
- (6) Wealth management: Structured bonds, non-discretionary trust-fund investment in domestic and foreign securities trust funds, bank insurance.
- (7) Securities: Purchase of securities on behalf of clients, margin securities trading, recommender for futures transactions, government bond operations, underwriting.
- (8) Others: Online stock brokerage, virtual account collections, corporate banking, ACH (Automatic Clearing House).



2.Information of Board of Directors, Supervisors and Executives.

(1) Directors of the Board and Supervisors Information

April 12, 2005

| Title | Name | Elected Date | Office term | Initial Elected Date | Holding Elected Day | | Holding Shares | | Holding shares by spouse & minor children | | Prime Education & Experience | Current positions |
|---|-------------------|--------------|-------------|----------------------|---------------------|--------|------------------|--------|---|-------|---|---|
| | | | | | Shares | % | Shares | % | Shares | % | | |
| Chairman [Delegate of Polaris Securities Co., Ltd.] | Michael C.S.Chang | 2005.3.15 | 3years | 2005.3.15 | 119,344,865(1/4) | 9.99% | 119,344,865(1/4) | 9.99% | | | Resident Supervisor of First Bank Certified public accountant for 28 years (Master, Department of Public Finance, National Chengchi University) | Chairman, Bank of Overseas Chinese |
| Vice-Chairman [Delegate of Pao Hong Investment Co., Ltd.] | Mike S.E. Chang | 2005.3.15 | 3years | 2005.3.15 | 5,200,000(1/5) | 0.44% | 5,200,000(1/5) | 0.44% | | | President of Chang Hwa Bank Supervisor, Taiwan Stock Exchange Department of Business, Tamkang University (Research at University of California, Berkeley) | Vice-Chairman, Bank of Overseas Chinese |
| Managing Director [Delegate of Polaris Securities Co., Ltd.] | William T.Lin | 2005.3.15 | 3years | 2005.3.15 | 119,344,865(1/4) | 9.99% | 119,344,865(1/4) | 9.99% | | | Director of China Development Financial Holding Corporation (Dr. of Finance, University of Boston) | Supervisor, Taiwan Stock Exchange Director of Board of Taiwan Futures Exchange Professor, Department of Finance of Tamkang University |
| Managing Director [Delegate of Polaris Securities Co., Ltd.] | Shih, Chiao Hsin | 2005.3.15 | 3years | 2005.3.15 | 119,344,865(1/4) | 9.99% | 119,344,865(1/4) | 9.99% | | | CEO of Business Division, Polaris Securities Co., Ltd. (University of Phoenix MBA) | General Manger of APEX International Financial Engineering Res.& Tech. Co., Ltd. |
| Managing Director [Delegate of Polaris Securities Co., Ltd.] | Weng Chien | 2005.3.15 | 3years | 2005.3.15 | 119,344,865(1/4) | 9.99% | 119,344,865(1/4) | 9.99% | | | Executive Vice President & Chief Secretary of Board of Directors & Spokesman of Polaris Securities Co., Ltd. Director of the Board of Polaris Securities Co., Ltd. (Fu Jen Catholic University, Department of Law) | Executive Vice President, Bank of Overseas Chinese Director of Chinese Products Promotion Center |
| Director [Delegate of Development Fund, Executive Yuan] | Jou, Gwo Duan | 2005.3.15 | 3years | 2005.3.15 | 136,512,000(1/3) | 11.43% | 136,512,000(1/3) | 11.43% | | | Director, Taiwan Life Insurance Co., Ltd. Senior Adviser Great Chin Insurance Dr. of The University of Connecticut U.S.A. | Chairman, Taiwan Insurance Institute Associate professor, Department of Finance, National Taiwan University |
| Director [Delegate of Development Fund, Executive Yuan] | Her, Jiun Sheu | 2005.3.15 | 3years | 2005.3.15 | 136,512,000(1/3) | 11.43% | 136,512,000(1/3) | 11.43% | | | Dean, Department of Management Science, National Chiao Tung University President, College of Management, National Chi Nan University (Dr. of New York University U.S.A) | Professor, Department of Management Science & Graduate Institute of Finance, National Chiao Tung University |
| Director [Delegate of Globe Vision Investment Co., Ltd.] | Hsu, Chih Chiang | 2005.3.15 | 3years | 2005.3.15 | 120,000 | 0.01% | 120,000 | 0.01% | | | Finance Dept. Assistant Vice President of Far Glory Group (Department of Public Finance, Feng Chia University) | Assistant Vice President, Finance Dept. Metropolitan Construction |
| Director [Delegate of The Sherwood Taipei Hotel] | B. V. RIU | 2005.3.15 | 3years | 2005.3.15 | 30,000,000 | 2.51% | 30,000,000 | 2.51% | | | Chairman of The Sherwood Taipei Hotel (Bachelor's degree) | Chairman, The Sherwood Taipei Hotel Chairman, Yihwa International Crop. |
| Director | Liu, Jui-Fu | 2005.3.15 | 3years | 2005.3.15 | 10,000,000 | 0.84% | 10,000,000 | 0.84% | 5,000,000 | 0.42% | Chairman of Syscom Computer Engineering Co., (Department of Electrical Engineering, National Cheng Kung University) | Chairman, Syscom Computer Engineering Co., |

April 12, 2005

| Title | Name | Elected Date | Office term | Initial Elected Date | Holding at Elected Day | | Holding Shares | | Holding shares by spouse & minor children | | Prime Education & Experience | Current positions |
|--|-------------------|--------------|-------------|----------------------|------------------------|--------|------------------|--------|---|---|--|---|
| | | | | | Shares | % | Shares | % | Shares | % | | |
| Director (Delegate of Pao Hong Investment Co., Ltd.) | Long S-H Tsia | 2005.3.15 | 3years | 2005.3.15 | 5,200,000(1/5) | 0.44% | 5,200,000(1/5) | 0.44% | | | Resident Director of Imperial Hotel Co., Ltd. (High School graduate) | Chairman, E Yuan Enterprise Co., Ltd. |
| Director (Delegate of Pao Hong Investment Co., Ltd.) | Wen-Long Lin | 2005.3.15 | 3years | 2005.3.15 | 5,200,000(1/5) | 0.44% | 5,200,000(1/5) | 0.44% | | | General Auditor, International Commercial Bank of China. President, Bank of Overseas Chinese (Master, Department of computer, University of New York City) | Chairman, Overseas Chinese Insurance Broker Co., Ltd. Director, Taipei Forex Inc. |
| Director (Delegate of Pao Hong Investment Co., Ltd.) | Tseng Shiang Hai | 2005.3.15 | 3years | 2005.3.15 | 5,200,000(1/5) | 0.44% | 5,200,000(1/5) | 0.44% | | | Vice-President, Bank of Overseas Chinese (Tam Kang University) | Vice-president, Bank of Overseas Chinese Director, Chiao-Fu Real Estate Management Ent. Corp. |
| Director (Delegate of Pao Hong Investment Co., Ltd.) | Hsiao-Ling Chou | 2005.3.15 | 3years | 2005.3.15 | 5,200,000(1/5) | 0.44% | 5,200,000(1/5) | 0.44% | | | President, Brokerage Division, Polaris Securities Co., Ltd. (Master of Business Administration, City University, State of Washington) | Vice-president, Bank of Overseas Chinese Director, Concord IV Venture Capital Co., Ltd. |
| Director (Delegate of BOOC's Employee Welfare Committee) | Ying-Choung Lee | 2005.3.15 | 3years | 2005.3.15 | 27,448 | 0.00% | 27,448 | 0.00% | | | Chairman of Industrial Union, Bank of Overseas Chinese (National Taipei Junior Extension college of Business) | Chief commissioner, BOOC's Employee Welfare Committee Chairman, Industrial Union of Bank of Overseas Chinese |
| Standing Supervisor (YuWin Investment Co., Ltd.) | Edward C.W.Lai | 2005.3.15 | 3years | 2005.3.15 | 4,000,000 | 0.33% | 4,000,000 | 0.33% | | | Deputy director, Department of financial inspection, Central Bank of China (Taiwan) Section Chief, Department of Foreign Exchange, Central Bank of China (Taiwan) (Department of Business, National Taiwan University) | Resident supervisor, Bank of Overseas Chinese |
| Supervisor (Delegate of APEX Investment Co., Ltd.) | Lyou, Kuo-An | 2005.3.15 | 3years | 2005.3.15 | 1,500,000 | 0.13% | 1,500,000 | 0.13% | | | President of APEX international Co., Ltd. (Master, Department of computer, university of Georgia) | CEO of Chairman's Office, Polaris Securities Group |
| Supervisor (Delegate of Development Fund, Executive Yuan) | Yuan, Cheng-Chang | 2005.3.15 | 3years | 2005.3.15 | 136,512,000(1/3) | 11.43% | 136,512,000(1/3) | 11.43% | | | International Division, KGI Securities Co., Ltd. Special assistant of president, Hua-Hsia Investment Holding Co., Ltd. (MBA, Philadelphia, Pennsylvania, U.S.A.) | Associate Project Manager of Development Fund, Executive Yuan |

3. Information of President, Executive, Vice President, Deputy Executive President, and Departments

April 12, 2005

| Title | Name | Elected Date | Shareholding | | Shareholding by Spouse and Minor Children | | Prime Background | Current Positions | Spouse or close relative as managers of the bank | | | | |
|--|------------------|--------------------------|--------------|-------|---|-------|--|--|--|---------------|----------|--|--|
| | | | Shares | % | Shares | % | | | Title | Name | Relation | | |
| Vice Chairman of the Board & President | Mike S.E. Chang | 2005.04.01 | 100,000 | 0.01% | 2,267 | 0.00% | President of Chang Hwa Bank Taiwan Stock Exchange Supervisors Business, Tamkang University (Research at University of California, Berkeley) | | | | | | |
| General Auditor of Board of Director Auditing Division | Chung-Hsu Yu | 2003.09.22 | 127,000 | 0.01% | 0 | 0.00% | National Taiwan University Department of Economics | Supervisor of Chiao-Fu Real Estate Management Corp. Supervisor of BOOC Leasing Int'l Co., Ltd. | | | | | |
| Executive Vice President | Shaing-Hai Tseng | 2004.06.01 | 30,000 | 0.00% | 0 | 0.00% | Department of Banking and Finance, Tamkang University | Director, Chiao-Fu Real Estate Management Corp. | | | | | |
| Executive Vice President & Chief Secretary of Board of Directors | Weng Chien | 2005.03.16 | 0 | 0.00% | 0 | 0.00% | Executive Vice President & Chief Secretary of Board of Directors & Spokesman of Polaris Securities Co., Ltd. Director of the Board of Polaris Securities Co., Ltd. Fu Jen Catholic University, Department of Law | Director, Chinese Products Promotion Center | | | | | |
| Executive Vice President | Hsiao-Ling Chou | 2005.03.16 | 0 | 0.00% | 0 | 0.00% | President, Brokerage Division, Polaris Securities Co., Ltd. Master of Business Administration, City University, State of Washington | Director Concord IV Venture Capital Co., Ltd. | | | | | |
| Executive Vice President | T. C. Huang | 2005.04.01 | 0 | 0.00% | 0 | 0.00% | Master of Public Finance, National Chengchi University | Director, Overseas Chinese Finance Limited | | | | | |
| Senior Deputy Executive Vice President, Human Resources Division | Chang Cheng-Teh | 1996.08.03 2004.11.01 | 121,377 | 0.01% | 160 | 0.00% | Master of Chinese Culture University | Executive Director Dah Chin Bills Finance Corp. Director of Comm-Trend Venture Capital Corp. | | | | | |
| Deputy Executive Vice President, Business Management Division | Jiin-Sheng Lo | 2003.10.31 2004.12.31 | 120,932 | 0.01% | 0 | 0.00% | Department of Economics, Feng Chia University | Chairman, Comm-Trend Venture Capital Corp. | | | | | |
| Deputy Executive Vice President, Debt Assets Management Division | Chang Kuo Tuan | 2003.10.31 2004.11.01 | 62,435 | 0.01% | 26,916 | 0.00% | Board of Directors, Chiao-Fu Real Estate Management Corp. | Director, Chiao-Fu Real Estate Management Corp. | Manager | Hsu Chao Chun | Wife | | |
| Deputy Executive Vice President, Corporate Banking Group | Ching-Fu Lo | 2004.01.02 2004.11.01 | 54,000 | 0.00% | 0 | 0.00% | Department of Public Finance, National Chung Hsing University | Director, Chiao-Fu Real Estate Management Corp. Director, BOOC Leasing Int'l Co., Ltd. | | | | | |
| Senior Vice President, Information Technology Division | Jack C.L.Chen | 1994.08.01 | 51,302 | 0.00% | 86,957 | 0.01% | EMBA, National Chengchi University | | | | | | |
| Vice President, General Affairs Division | Chen, Kuo-Jen | 2004.11.01 | 35,748 | 0.00% | 0 | 0.00% | Accounting & Statistics Department, KuoChi Junior College of Commerce | | | | | | |
| Vice President, Administration Division | Kuo, Nai Ping | 2004.11.01 | 52,443 | 0.00% | 3,141 | 0.00% | Master of Laws, Soochow University | Supervisor, Overseas Chinese Insurance Broker Co. Ltd. | | | | | |
| Vice President, Loan Management Division | Hung Lien Te | 2005.01.24 | 20,208 | 0.00% | 0 | 0.00% | Department of Economics, National Chung Hsing University | | | | | | |
| Vice President, Credit Information Division | Jeff Chen | 2004.11.01 | 50,167 | 0.00% | 0 | 0.00% | Department of International Trade, Feng Chia University | Director, BOOC Leasing International Company. Director, Euroc III Venture Capital Corporation. | | | | | |

| Title | Name | Elected Date | Shareholding | | Shareholding by Spouse and Minor Children | | Prime Background | Current Positions | Spouse or close relative as managers of the Bank | | |
|---|-------------------------|--------------|--------------|-------|---|-------|---|--|--|------|----------|
| | | | Shares | % | Shares | % | | | Title | Name | Relation |
| Vice President, Accountion Division | Lan Hui Po | 2002.04.19 | 114,395 | 0.01% | 23,348 | 0.00% | Department of Business, The National Open University | | | | |
| Senior Vice President Credit Card Services Division | Su, Eng-Hower | 2000.04.05 | 81,943 | 0.01% | 5,996 | 0.00% | Department of Business Administration, National Chengchi University | | | | |
| Vice President Personal Banking Division | John Leu | 2004.05.14 | 13,000 | 0.00% | 0 | 0.00% | Department of Industrial Engineering, National Tsing Hua University | | | | |
| Vice President, Wealth Management Division | Yao-hsiang Ronald Huang | 2004.11.22 | 33,400 | 0.00% | 0 | 0.00% | Florida International University, Miami, FL USA | Director, Overseas Chinese Insurance Broker Co., LTD. | | | |
| Vice President, Offshore Banking Branch | Feng-Yuan Tsai | 2005.01.24 | 134,353 | 0.01% | 14,146 | 0.00% | Department of Public Finance, National Chengchi University | | | | |
| Senior Vice President, International Division | Jimmy C.S. Huang | 2005.01.24 | 164,787 | 0.01% | 0 | 0.00% | EMBA (Executive Master of Business Administration), National Chengchi University B.A, Dунhai University. | Director, Chiao-Fu Real Estate Mangement Ent. Corp. Director, Overseas Chinese Insurance Broker Co., Ltd. | | | |
| Vice President, Treasury Division | Allen C.K.Chiang | 2001.11.13 | 30,461 | 0.00% | 0 | 0.00% | | | | | |
| Vice President, Securities Division | Chi-Chi chang | 2004.11.01 | 63,957 | 0.01% | 243 | 0.00% | MBA of Oklahoma City University | | | | |
| Vice President, Trust Division | Lin Ming Cheng | 2004.05.01 | 74,679 | 0.01% | 0 | 0.00% | Agricultural Economics, National Taiwan University | | | | |



4. Total Percentage of Share-Holding by the Bank, Its Directors and Management

Unit : Share ; Dec. 31, 2004

| Invested Institutes | Investments | | Direct or indirect investment by the Bank, its directors and Management | | Total investment | |
|---|------------------|-----------|---|----------|------------------|----------|
| | Number of Shares | ratio(%) | Number of Shares | ratio(%) | Number of Shares | ratio(%) |
| Taiwan Securities Central Depository Co., Ltd. | 458,185 | 0.1850 | — | — | 458,185 | 0.1850 |
| Taiwan International Merchandise Exchange Corporation | 1,400,000 | 0.7000 | — | — | 1,400,000 | 0.7000 |
| Taipei Forex Inc. | 600,000 | 3.0272 | — | — | 600,000 | 3.0272 |
| Dah Chin Bills Finance Corp. | 32,911,125 | 10.0000 | — | — | 32,911,125 | 10.0000 |
| Financial Information Service Co., Ltd. | 4,550,000 | 1.1375 | — | — | 4,550,000 | 1.1375 |
| Debt Instruments Depository and Clearing Co., Ltd. Taiwan | 2,000,000 | 0.9976 | — | — | 2,000,000 | 0.9976 |
| Chiao-Fu Real Estate Management Ent. Corp. | 1,750,000 | 35.0000 | — | — | 1,750,000 | 35.0000 |
| BOOC Leasing International Co., Ltd. | 19,999,400 | 99.9970 | 400 | 0.002 | 19,999,800 | 99.9990 |
| Overseas Chinese Finance Limited. | 29,999,999 | 99.999997 | 1 | 0.000003 | 30,000,000 | 100.0000 |
| Overseas Chinese Insurance Broker Co., Ltd. | 200,000 | 100.0000 | — | — | 200,000 | 100.0000 |
| China Trust Investment Co., Ltd. | 2,087,464 | 0.6612 | 11,517 | 0.0036 | 2,098,981 | 0.6648 |
| Concord IV Venture Capital Corp. | 7,500,000 | 4.9342 | — | — | 7,500,000 | 4.9342 |
| Euroc III Venture Capital Corp. | 3,000,000 | 5.0000 | — | — | 3,000,000 | 5.0000 |
| Comm-Trend Venture Capital Corp. | 2,325,000 | 11.3636 | 1,860,000 | 9.0909 | 4,185,000 | 20.4545 |
| Chinese Products Promotion Center | 9,250 | 2.4342 | — | — | 9,250 | 2.4342 |
| Core Pacific World Co., Ltd. | 5,800,000 | 5.0000 | — | — | 5,800,000 | 5.0000 |
| Yun Ling Cooperative Union | 36 | — | — | — | 36 | — |



III. Matters about Shares, Dividend, Bankers' Debenture, Preferred Stock GDR, Employee Subscription Warrant and Merger

1. Sources of Equity Capital

| Date | Issuing Price | Approved Capital | | Paid-in Capital | | Notes | |
|-----------|---------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------------------|---|
| | | No. Shares (1,000) | Amount (NT\$1,000) | No. Shares (1,000) | Amount (NT\$1,000) | Capital Source (NT\$1,000) | Other Notes (NT\$1,000) |
| Dec. 2004 | NT\$ 10 | 1,675,200 | 16,752,000 | 1,194,480 | 11,944,800 | Capital reduction of 4,550,400 | FSC Jin Guan Jheng Yi Zih Document No.0930149398, issued on Nov. 22, 2004 |

| Type of Shares | Approved Amount | | | Notes |
|----------------|-----------------------|-----------------|---------------|-------------------------|
| | Shares in Circulation | Unissued Shares | Total | |
| Common Shares | 1,194,480,000 | 480,720,000 | 1,675,200,000 | Over-the-counter shares |

2. Shareholder Structure

| Shareholder Structure | April 12, 2005 | | | | | |
|-----------------------|---------------------|------------------------|--------------------------|-------------|-------------------------------------|---------------|
| | Government agencies | Financial institutions | Other legal institutions | Individuals | Foreign institutions and Individual | Total |
| Volume | | | | | | |
| Number | 4 | 9 | 161 | 35,974 | 261 | 36,409 |
| Shares Holding | 136,513,308 | 262,212,429 | 254,328,502 | 490,613,403 | 50,812,358 | 1,194,480,000 |
| Holding Ratio | 11.43% | 21.95% | 21.29% | 41.08% | 4.25% | 100% |

3. Distribution of Shareholding

| Classification of Shareholding | Par Value : NT\$10 | | Apr.12, 2005 | |
|--------------------------------|------------------------|---------------|--------------|--------|
| | Number of Shareholders | Shares | Shares | % |
| 1 to 999 | 17,912 | 4,575,937 | | 0.38% |
| 1,000 to 5,000 | 9,391 | 23,444,541 | | 1.97% |
| 5,001 to 10,000 | 3,747 | 26,755,224 | | 2.24% |
| 10,001 to 15,000 | 1,601 | 19,988,043 | | 1.67% |
| 15,001 to 20,000 | 811 | 14,361,686 | | 1.20% |
| 20,001 to 30,000 | 946 | 24,507,921 | | 2.05% |
| 30,001 to 50,000 | 668 | 26,089,899 | | 2.19% |
| 50,001 to 100,000 | 665 | 46,607,194 | | 3.90% |
| 100,001 to 200,000 | 288 | 40,486,196 | | 3.39% |
| 200,001 to 400,000 | 152 | 43,828,994 | | 3.67% |
| 400,001 to 600,000 | 81 | 40,597,831 | | 3.40% |
| 600,001 to 800,000 | 25 | 17,200,091 | | 1.44% |
| 800,001 to 1,000,000 | 26 | 25,114,256 | | 2.10% |
| 1,000,001 and above | 96 | 840,922,187 | | 70.40% |
| Total | 36,409 | 1,194,480,000 | | 100% |

4. Major Shareholders

| Major Shareholders | Apr.12, 2005 | |
|---|--------------|-------|
| | Shares | % |
| Development Fund, Executive Yuan | 136,512,000 | 11.43 |
| Polaris Securities Co., Ltd. | 119,344,865 | 9.99 |
| Far Glory Life Insurance Co., Ltd. | 81,834,000 | 6.85 |
| Central Insurance Co., Ltd. | 40,000,000 | 3.35 |
| I Pao Investment Co., Ltd. | 38,000,300 | 3.18 |
| Pao Ting Investment Co., Ltd. | 38,000,124 | 3.18 |
| The Sherwood Taipei Hotel | 30,000,000 | 2.51 |
| Wan Pao Development Co., Ltd. | 24,235,500 | 2.03 |
| APEX International Financial Engineering Res. | 22,500,000 | 1.88 |
| Sherwood Inc. | 20,000,000 | 1.67 |
| Wang Li Chen | 18,020,529 | 1.51 |

5. Market Price, Per Share, Net Value, Profit, and Dividend for 2003-2004

Unit : NT\$

| Items | Year | | Year to Date | |
|-------------------------------------|-----------------------------------|---------------------------|---------------------------|------|
| | 2003 | 2004 | Mar. 31, 2005 | |
| Market Price Per Share | Highest | 7.95 | 7.30 | 9.98 |
| | Lowest | 3.19 | 4.97 | 9.45 |
| | Average | 5.07 | 5.81 | 9.64 |
| Net Value Per Share | Before Distribution | 8.24 | 10.03 | - |
| | After Distribution | 8.24 | 10.03 | - |
| Earnings Per Share | Weighted Average Number of Shares | 1,136,740 thousand shares | 1,133,967 thousand shares | - |
| | Earnings Per Share | (1.23) | (2.21) | - |
| Dividend Per Share | Cash Dividend | - | - | - |
| | Stock Grant | Stock Dividend | - | - |
| | | Capital Surplus | - | - |
| | | Stock Dividend | - | - |
| Accumulated Deferred Stock Dividend | - | - | - | |
| Analysis of Return on Investment | Price/Earning Ratio | (4.12) | (2.63) | - |
| | Dividend Yield | - | - | - |
| | Cash Dividend Yield Ratio (%) | - | - | - |

6. Stock Dividend Policy and Status of Implementation

According to the stipulations of the BOOC Charter, unless otherwise stipulated in the Banking Law, net profit on income that is left when accounts are closed each year following the payment of all taxes should first be used to make up losses from previous years; 30% of the remainder should be allocated as legal reserve and, if necessary, a special reserve can also be allocated. Any profit remaining should be distributed according to the following percentages: (1) 85% as shareholders' bonuses, distributed in accordance with ratio of shares; (2) 5% as directors' and supervisors' compensation; and (3) 10% as employee bonus. Until the legal reserve reaches the amount of capital, the amount of profit distributed as cash may not exceed 15% of capital. Employee bonuses may be distributed in whole or in part in the form of new shares. Pursuant to the Bank's policy of distributing shareholder bonuses via the issuance of both cash and new shares for the purpose of expanding scale and increasing profits while taking consideration of capital adequacy, the ratio of cash issuance may not, in principle, be less than 20%, with the remainder being issued in the form of capital stock. Until the ratio of capital to risk assets reaches the amount stipulated in banking laws and regulations, the maximum amount of profit distributed in the form of cash will be handled in accordance with the Banking Law and the regulations of the competent central government agency.



Professional Team



The front row :
Vice-Chairman & President Mr. Mike S.E. Chang

The rear row from left :
Executive Vice-President Mr. Weng Chien
Executive Vice-President Ms. Hsiao-Ling Chou
Executive Vice-President Mr. Shaing-Hai Tseng
Executive Vice-President Mr. T.C. Huang
General Auditor Mr. Chung Hsu Yu

I. Business Scope

01. Checking deposits
02. Demand deposits
03. Time deposits
04. Short-, medium-, and long-term loans
05. Investment in government bonds, treasury bills, corporate bonds, bank debentures, and corporate stocks
06. Discounting of negotiable instruments
07. Domestic and overseas remittances
08. Commercial paper acceptances
09. Issuance of domestic and overseas letters of credit
10. Domestic and overseas guarantees
11. Agency for collections and payments
12. Sale of government bonds, treasury bills, corporate bonds, and corporate stocks
13. Proprietary trading in government bonds
14. Brokering and proprietary dealing in short-term bills
15. Credit cards
16. Custodianship and warehousing services
17. Rental of safe deposit boxes
18. Guarantees for the issuance of corporate bonds
19. Import and export financing, general outward and inward remittances, foreign-currency deposits, foreign-currency loans, foreign-currency payment guarantees, and international factoring services
20. Dealing in financial derivatives approved by the central government authorities
21. Investment of non-discretionary trust funds in domestic and foreign securities
22. Businesses approved by the Trust Business Law
23. Securities underwriting
24. Financing of margin trading in securities
25. Introducing broker for futures transactions
26. Sale of commemorative coins
27. Agency businesses related to items listed on the business license or approved by the central government authority
28. Agency for the issuance, transfer, and registration of securities, and payment of dividends and bonuses for securities
29. Consulting services for the issuance and sale of stocks
30. Certification of securities
31. Trusteeship for the issuance of bonds
32. Offshore banking
33. Domestic factoring
34. Securities dealing on behalf of customers

II. Market and Business Conditions

1. Deposits, Loans, Foreign Exchange, Investments, and Securities Dealing

(1) Deposits

Unit : NT\$1,000

| Item | 2004 | | 2003 | | Increase/decrease | | |
|--|-------------|---------|-------------|---------|-------------------|----------|------------|
| | Amount | Ratio % | Amount | Ratio % | Amount | Growth | Percentage |
| Demand Deposits | 93,078,706 | 40.72% | 89,988,892 | 38.11% | 3,089,814 | 3.43% | 2.61% |
| Checking Deposits | 4,444,342 | 1.94% | 4,762,059 | 2.02% | (317,717) | (6.67%) | (0.08%) |
| Demand Deposits | 18,822,152 | 8.23% | 19,373,118 | 8.20% | (550,966) | (2.84%) | 0.03% |
| Demand Savings Deposits | 45,217,407 | 19.78% | 43,326,408 | 18.35% | 1,891,000 | 4.36% | 1.43% |
| Foreign Exchange Demand Deposits | 24,594,805 | 10.76% | 22,527,308 | 9.54% | 2,067,497 | 9.18% | 1.22% |
| Time Deposits | 135,494,736 | 59.28% | 146,155,266 | 61.89% | (10,660,530) | (7.29%) | (2.61%) |
| Time Deposits | 25,795,607 | 11.29% | 28,972,630 | 12.27% | (3,177,024) | (10.97%) | (0.98%) |
| Time Savings Deposits | 71,470,010 | 31.27% | 77,278,542 | 32.73% | (5,808,532) | (7.52%) | (1.46%) |
| Deposits from the Directorate General of Post Remittances and Saving Banks | 19,533,897 | 8.55% | 20,906,033 | 8.85% | (1,372,136) | (6.56%) | (0.30%) |
| Foreign Exchange Time Deposits | 18,695,223 | 8.18% | 18,998,061 | 8.05% | (302,838) | (1.59%) | 0.13% |
| Total | 228,573,442 | 100.00% | 236,144,158 | 100.00% | (7,570,716) | (3.21%) | — |

In response to the rise in interest rates, in 2004 the Bank worked to readjust its deposit structure by substituting demand deposits for time deposits and heightening the ratio of demand deposits so as to reduce capital costs. Deposits in the Bank at the end of 2004 stood at NT\$228,573,442,000, 3.21% less than a year earlier. Demand deposits amounted to NT\$93,078,706,000, however, this was an increase of 3.43% over the NT\$89,988,892,000 recorded at the end of 2003 and bringing the ratio of demand deposits to 40.72%, an improvement of 2.61% over the 38.11% ratio at the end of the previous year. This improvement in the deposit structure helps to lower capital costs for the Bank and enhance its business competitiveness.

(2) Loans

Unit : NT\$1,000

| Item | 2004 | | 2003 | | Increase/decrease | | |
|---|-------------|---------|-------------|---------|-------------------|----------|------------|
| | Amount | Ratio % | Amount | Ratio % | Amount | Growth | Percentage |
| Purchase of bill, Discounted & Imports, Exports | 3,220,404 | 1.98% | 4,100,955 | 2.26% | (880,551) | (21.47%) | (0.28%) |
| Short-term loans & Overdrafts | 41,262,899 | 25.41% | 43,379,054 | 23.95% | (2,116,155) | (4.88%) | 1.46% |
| Short-term secured loans & overdrafts | 16,423,002 | 10.11% | 22,034,450 | 12.17% | (5,611,448) | (25.47%) | (2.06%) |
| Medium-term loans | 24,706,464 | 15.22% | 21,605,879 | 11.93% | 3,100,585 | 14.35% | 3.29% |
| Medium-term secured loans | 16,414,652 | 10.11% | 18,196,742 | 10.05% | (1,782,090) | (9.79%) | 0.06% |
| Long-term loans | 9,917,428 | 6.11% | 10,993,634 | 6.07% | (1,076,206) | (9.79%) | 0.04% |
| Long-term secured loans | 41,374,894 | 25.48% | 41,419,712 | 22.88% | (44,818) | (0.11%) | 2.6% |
| Overdue Loans | 9,057,406 | 5.58% | 19,365,521 | 10.69% | (10,299,115) | (53.21%) | (5.11%) |
| Bills purchased, discounted & Loans-Net | 162,377,149 | 100% | 181,086,947 | 100% | (18,709,798) | (10.33%) | — |

The BOOC has always placed emphasis on loans to small and medium enterprises and in 2004 strengthened the extension of loans under the SME Credit Guarantee Fund program. A total of 16,098 of these loans with a value of NT\$15.418 billion were extended during the year, representing large improvements compared with the 12,394 loans worth NT\$10.820 billion extended in 2003. Over the years, the Bank has taken the industry lead in terms of the development of professional know-how and in the amount of business undertaken in the area of SME loans extended under the SME Credit Guarantee Fund, and in 2003 won both headquarters and branch awards for outstanding performance in Small and Medium Enterprise Credit Guarantee Loans.

(3) Foreign Exchange

Unit : US\$ 1,000

| Item | 2004 | 2003 | Growth |
|---------------------|------------|------------|--------|
| Export Financing | 4,400,766 | 4,122,473 | 6.75 |
| Import Financing | 1,905,612 | 1,596,023 | 19.40 |
| Outward Remittances | 15,325,690 | 13,196,931 | 16.13 |
| Inward Remittances | 15,596,494 | 13,402,549 | 16.37 |
| Total | 37,228,562 | 32,317,976 | 15.19 |

The Bank began doing business on Mar. 1, 1961, and was one of the first private banks in Taiwan to engage in the foreign exchange business. The Bank has accumulated a rich store of forex experience over the past 40 years and more, and has established an intensive correspondent banking network with other banks throughout the globe. It also commands a major share of the L/C business in Taiwan.

The foreign exchange transactions undertaken by the Bank in 2004 totaled US\$37,228,562,000; compared with the US\$32,317,976,000 worth undertaken in 2003, this represented a growth of 15.19%. Of this total, export negotiations accounted for US\$4,400,766,000, for an increase of 6.75%, and import financing made up US\$1,905,612,000, up 19.40%. Outward remittances amounted to US\$15,325,690,000, for a growth of 16.13%, and inward remittances totaled US\$15,596,494,000, an increase of 16.37%.

(4) Investment Business

Unit : NT\$1,000

| Item | 2004 | | 2003 | | Growth |
|----------------|---------|---------|---------|---------|---------|
| | Amount | Ratio % | Amount | Ratio % | |
| Capital Market | 308,691 | 56.15% | 148,563 | 41.20% | 107.78% |

The Bank pursued the investment business vigorously in 2004. Taking advantage of the large-scale reduction in interest rates in 2004, the Bank disposed of government bonds; making use of the fluctuations in international exchange rates, it boosted the ratio of its investment in overseas bonds. This effectively heightened profits. The number of new products such as corporate bond asset swaps was also increased in 2004. Profit on the investment business reached NT\$308,691,000 in 2004; this was an increase of NT\$160,128,000 over the NT\$148,653,000 earned in 2003, for a profit growth of 107.78%.

(5) Trust

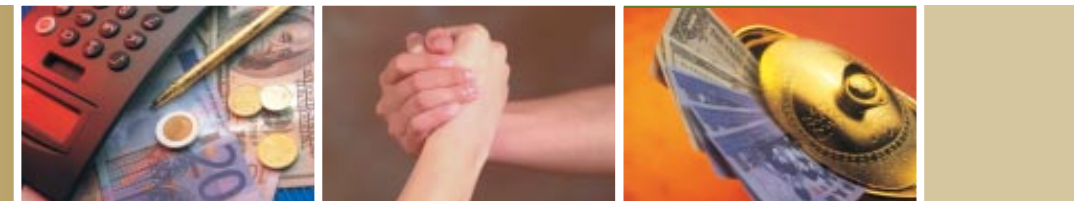
The businesses currently undertaken by the Trust Division include non-discretionary investment in domestic and foreign securities, structure bonds, and auxiliary trust businesses (such as certification, trusteeship for corporate bonds, and custodianship). The funds and structure bonds businesses are currently the biggest sources of income for the Trust Division; together these two businesses accounted for NT\$5,308,681,000 in business volume during 2004, representing an increase of NT\$2,241,423,000 over the NT\$3,067,258,000 in business recorded in 2003. The Bank handled securities certification for 220 companies in 2004, 66 more than the year before, and served as proxy producer for 56 companies, 19 less than in 2003.

(6) Securities

Unit: NT\$ 1,000

| Type of Transaction | 2004 | 2003 | Growth |
|--|------------|------------|---------|
| Brokerage (amount) | 28,754,512 | 22,605,381 | 27.20% |
| Brokerage (market share) | 0.0368% | 0.0371% | (0.81%) |
| Margin Financing (amount outstanding) | 320,974 | 295,722 | 8.54% |
| Margin Financing (market share) | 0.12% | 0.11% | 9.09% |

The NT\$28,754,512,000 in securities brokerage transactions carried out in 2004 represented a growth of 27.20% over the amount undertaken in 2003, and the NT\$320,974,000 in margin financing outstanding marked an improvement of 8.54%. The market evidenced a steady improvement in performance in 2004, and the BOOC took advantage of its existing service channels to expand its securities brokerage business, leading to a small growth in securities transactions and margin financing during the year.



(7) Bonds

| Type of Transaction | 2004 | 2003 | Growth |
|----------------------------------|-----------|-----------|----------|
| Average Daily RP Transactions | 1,288,105 | 1,599,894 | (19.49%) |
| Average Daily Bonds Transactions | 47,913 | 59,074 | (18.89%) |

Because of the expectation that the market was on the verge of entering a cycle of rising interest rates, the Bank reduced its bonds position (from NT\$14.4 billion at the beginning of 2003 to NT\$3.6 billion at the end of that year and NT\$2.3 billion at the end of 2004) and the average daily amounts of RP and bonds dealing both declined. The average daily amount of RP transactions undertaken during the year was NT\$1,288,105,000, down 19.49% from 2003; the average daily amount of bonds dealing in 2004 was NT\$47,913,000, a decline of 18.89% from the year before. The Central Bank of China is expected to continue raising interest rates in 2005, and with the continuous increase in interest rates and with no change in the contraction of bond yields, the Bank will follow the principle of stability in buying and selling bonds with the aim of maintaining steady profitability.

(8) Personal Banking

| Item | 2004 | 2003 | Growth |
|-------------|------------|------------|--------|
| Home loans | 33,760,160 | 33,044,867 | 2.1% |
| Credit Loan | 2,970,643 | 1,422,217 | 52% |

The Bank began the vigorous promotion of high-interest-rate-gap small loans in order to boost operating revenue in 2004, including "Installment Cash Credit Loans," "One-lot Drawing Loans," and "Money-management Home Loans." The amount of credit loans outstanding at the end of 2004 was approximately NT\$2,970,643,000, for a growth of 52% over the end of 2003, and the amount of home loans outstanding was about NT\$33,760,160,000, up 2.1%.

(9) Credit Cards

There were 771,399 BOOC-issued credit cards in circulation as of Dec. 31, 2004, up 27.14% over a year earlier. The amount of consumption using these cards reached NT\$24,140.29 million in 2004, for an increase of 7.04% over the NT\$22,552.08 million in consumption recorded in 2003.

(10) Services to Overseas Chinese

The provision of services to overseas Chinese is one of the objectives for which the BOOC was founded, and it is one of the few banks in Taiwan that has a specific unit charged with the provision of a full spectrum of services to overseas Chinese. The Bank has always maintained a high degree of coordination with and support for the government's policies regarding overseas Chinese. For example, it donates to the Overseas Chinese Loan Guarantee Fund to help overseas Chinese raise start-up capital, and participates actively in the organizing of large conferences and other activities of the World Chinese Traders Conference, World Chinese Banking Amity Conference, and World Taiwanese Chambers of Commerce with the aim of gaining a deep understanding of the needs of overseas Chinese and Taiwanese businesses and of providing necessary services in a timely fashion. The Bank also provides financial services of all kinds to overseas Chinese enterprises that invest in Taiwan.

2. Business Ratios

| Item | 2004 | | 2003 | |
|-----------------------------|--------|-----------|--------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| Interest Income | 6,710 | 77.97 | 7,566 | 73.33 |
| Commission Income | 1,338 | 15.55 | 1,050 | 10.18 |
| Profit from Bills Trading | 317 | 3.68 | 1,372 | 13.30 |
| Profit from Investment | 37 | 0.43 | 49 | 0.47 |
| Profit on Currency Exchange | 161 | 1.87 | 167 | 1.61 |
| Other Operating Income | 43 | 0.50 | 115 | 1.11 |
| Operating Income | 8,606 | 100.00 | 10,319 | 100.00 |

The ratio of interest income in total operating income in 2004 was 77.97%, up 4.64 percentage points compared with 2003. The ratio of commission fee income was 15.55%, up 5.37 percentage points over 2003, and the ratio of income from bills trading was 3.68%, a drop of 9.62 percentage points from the previous year.



3. Market Share of Major Businesses in 2004

Unit : NT\$ 100 Million

| Item | Amount | Market Share (%) |
|----------|--------|------------------|
| Deposits | 2,286 | 1.02 |
| Loans | 1,624 | 1.02 |
| Assets | 2,585 | 0.87 |

Unit : US\$ 100 Million

| Foreign Exchange | Amount | Market Share (%) |
|--------------------------|--------|------------------|
| Export L/C Negotiations | 217 | 4.35 |
| Export L/C Loans | 3 | 3.33 |
| Export L/C Notifications | 141 | 2.32 |
| Import L/Cs Issuance | 148 | 2.28 |

4. Operating Plans for 2005

(1) Corporate Loans

- Coordination with the government in extending policy-type loans.
- Promotion of small working capital easy loans.
- Promotion of the factoring business.
- Planning of XML financial services.
- Provision of trade financing for Taiwanese businesses.

(2) Foreign Exchange

New types of foreign exchange businesses inaugurated in 2004 include MoneyGram small remittance services and the factoring business; in addition, the Bank established a Foreign Exchange Operations Department and carried out the authorization of OBU businesses. Short-term plans for development of the forex business call for the strengthened development of international factoring business. In addition, long-term plans call for the strengthened development of Internet banking; the DBU Internet forex business is already online, and criteria for OBU Internet banking are being set up. In addition, in the future the Bank will establish a Taiwan-mainland China electronic operations platform aimed at providing customers with rapid and convenient forex services.

(3) Trust

- Development of package products that combine trust, insurance, funds, and deposits.
- Observation and grasping of trends in financial development, and planning for and assessment of the introduction of new financial products.
- Application to engage in the funds custodianship business so as to increase commission income.
- Application to engage in new trust businesses in order to satisfy customer needs in the areas of investment planning, tax planning, and assurance planning for children:
 - Securities trust: In view of the increasingly widespread use and complexity of securities investment

and management, the Bank will help investors with the management and utilization of securities in order to provide them with a more diversified range of services and satisfy their needs for tax planning and children's assurance.

b. Real estate trust: The Bank will meet the needs of customers for customized property planning in regard to proposed land development or the continuation of construction projects that are in progress, and in regard to customers that own real estate, thereby helping the customers resolve property distribution problems and keep family property intact.

c. Individual management and utilization of money trust: This business encompasses financial planning, investment, expenditure management, retirement, children's education, insurance funds, and apartment building management funds, and aims to meet the needs of financial planning customers as well as customers of other types.

(4) Consumer Banking

A. The Bank will follow the principle of "controlling volume with price" in introducing high-margin products with wide interest-rate gaps and small credit lines, including "Installment Cash Credit Loans," "Full Catch Loans," and "One-lot Drawing Loans" to meet market needs. Besides meeting the goals of loan customers, this can generate profits for the Bank and increase risk-free commission income, thereby boosting the Bank's profit.

B. Centralized credit investigation, loan review, and appraisal will be carried out so as to control risk effectively and maintain a high asset quality.

C. The training of personal banking specialists will be strengthened so that in addition to having professional loan know-how they will be more sensitive to the market.

D. Post-loan management will be carried through by the Customer Service and Payment Reminder teams.

(5) Electronic Banking

A. Development of prearranged online funds transfer and transfer of consolidated deposits to time deposits.

B. A one-time password (OTP) mechanism will be established.

C. XML funds-flow information services will be instituted.

(6) Credit Cards

A. Direct credit card sales (DS) personnel will be trained in line with the Bank's organizational re-engineering with the aim of vigorously expanding credit-card businesses by professional marketing methods.

B. The added value of cards will be upgraded with the addition of more special-price food, clothing, home, and travel stores so as to stimulate consumption.

C. The Bank will participate in special local themed marketing activities (such as the blue-fin tuna tourist festival in Donggang) and in the special sales campaigns of co-branded card partners so as to seek opportunities for product exposure and to maintain cardholder loyalty.

D. The loan reimbursement, time payment, and other businesses will be expanded and, with accompanying risk-management measures, the amount of credit card receivables (revolving loans) will be enlarged.

- E. Scoring card, online authorization with host computer, and other systems will be introduced so as to reinforce pre-issuance (examination) and post-issuance (consumption authorization) risk control.
- F. Planning will be carried out in regard to the financing function of credit cards so as to enhance customer convenience in using credit cards for financial planning purposes as well as to create new revenue sources.
- G. In line with the agenda of the Bankers' Association for the nation-wide switch to IC cards, planning will be carried out for multiple credit card functions so as to create new channels for the use of credit cards and open up new sources of income for the Bank.

(7) Wealth Management

The new Wealth Management Division contains the manpower of three teams. The Marketing Team undertakes marketing planning and carries out marketing activities directed at customers with the aim of achieving "Retention" of old customers, "Acquisition" of new customers, and "Up-selling" of products. The Channel Support Team is responsible for establishing branch hardware and software facilities, including financial planning areas and wealth management systems. The Sales Management Team handles upgrading of the training of front-end financial planning specialists as well as of back-end product integration with the aim of increasing the productivity and the contributions of financial planning personnel.

(8) Securities

The steady development of the Bank's securities brokerage business should be able to continue in the new year, not only with the development of new customers so as to increase business revenues but also with efforts devoted to boosting the margin trading business. New telephone and Internet securities dealing systems were added in 2001 and 2002, thus giving boosts to the securities business. In addition to the continued cultivation of old customers during the current year, the Bank will develop corporate clients with the aim of greatly increasing market share and income.

(9) Bonds

With the slowdown in the pace of Taiwan's economic development, there may be a chance that the Central Bank of China will pause in its interest rate hikes before the end of the year; and because of this, once the market discounts the interest rate increases the annual operating plan calls for the Bank to gradually enter the market and heighten its bonds position. This not only will increase the amount of RP bond transactions but can also boost income from bonds dealing.

5. Market Analysis

(1) Supply and Demand in the Financial Market, and Growth Prospects

A. Supply Side

According to financial statistics from the Central Bank of China, at the end of January 2005 Taiwan had a total of 411 financial institutions (including general banks, small and medium business banks, branches of foreign banks, credit cooperatives, credit departments of farmers' and fishermen's associations, trust investment companies, life and non-life insurance companies, bills finance companies, and the postal savings deposit system) with 4,514 branches. The number of institutions

was down one from the end of December 2003, while the number of branches was up three. In response to future challenges in the international financial market and to the risk brought by changes in the performance of the domestic economy, the pace of banking consolidation or cross-industry operations has accelerated; 14 financial holding companies have been set up with the aim of expanding market scale and heightening market share, and this has had a far-reaching effect on the market. At the end of January 2005 deposits in the Bank stood at NT\$225,095 million and its outstanding loans totaled NT\$159,358 million, giving the BOOC an important position in the domestic banking industry.

B. Demand Side

Along with the liberalization and internationalization of the financial market, and the accompanying revision of laws and regulations, the channels that corporations can use to raise funds are becoming ever more diversified. In addition to taking out loans from common financial institutions, companies can now raise cheaper funds directly on the domestic and overseas capital and monetary markets by issuing common stock, preferred stock, common corporate bonds, convertible corporate bonds, and depository receipts. According to statistical data from the Central Bank of China, direct financing rose from 10.81% of the market in 1991 to 28.01% at the end of February 2005, showing that the reliance of enterprises on traditional financing tools is lessening year by year. High-profit consumer financing products are faced with a high degree of liberalized and internationalized competition following Taiwan's accession to the WTO and new financial planning tools are constantly being introduced and special management of financial products is being emphasized with the aim of boosting commission income.

C. Growth

The government continued carrying out financial reform in 2004, enhancing national competitiveness, working to establish a complete financial supervisory system, holding to the principle of "loose business oversight and tight financial oversight," accelerating financial consolidation, stimulating financial innovation and business diversification, and helping boost the organization of financial institutions in the direction of enlargement and their business in the direction of diversification. Banks moved in the direction of becoming "department store" banks and expanding their scale of operations through cross-industry operations and alliances. In the future there will be tremendous space for the development of the banking business between Taiwan, Hong Kong, and mainland China under the WTO framework and the globalization of finance and trade.

(2) Competitive Niches

- A. The BOOC is a specialized foreign exchange bank with a complete global correspondent banking network, allowing for a nimble allocation of funds that facilitates business expansion.
- B. The BOOC is a specialized SME financing bank with a solid base of SME customers.
- C. The BOOC engages in the transparent and effective clearing up of bad assets by turning them into profit-generating assets.
- D. The BOOC has teams of directors and supervisors that are familiar with corporate governance and that are firmly determined to carry out reform.

(3) Favorable and Unfavorable Factors in the BOOC Development Vision

A. Favorable Factors

a. Smooth completion of the capital restructuring program

Despite the pressure from the weakness of the international economy, low stock market prices, and falling investment willingness, the BOOC was able to overcome all obstacles and complete a capital increase at the end of 2004, thereby injecting capital for sustained operation, heightening the capital adequacy ratio, and reinforcing the financial structure and operating system. The smooth completion of the capital increase indicates that the Bank's corporate value and the efforts expended over the years have come to be accepted by the public, and the large improvement in capital adequacy will facilitate applications to enter new types of business; this, in turn, will benefit business development, generate profit, and increase the Bank's value even more.

b. Clearing up of bad debts and their conversion to income-generating assets

To improve the structure of loan assets, the Bank not only reviewed and adjusted its business development strategy and took the initiative in clearing up its non-performing loans, but also responded to the opening of the financial environment and the establishment of asset management companies by actively seeking out means of resolving its bad assets. The first batch of bad debt was sold in 2003 and another batch was successfully sold by tender at the end of 2004, thereby converting non-income-producing assets into income-producing assets.

c. Absorption of business experiences and operating concepts from the advanced countries

The entry of more foreign financial institutions into Taiwan's market following the island's accession to the WTO is beneficial to the BOOC's acquisition of strategic partners and to the use of their experiences in the development of new financial products to boost profits and improve the Bank's financial structure.

d. The entry of a new operating team to work in concert with the Bank's richly experienced forex personnel

In the increasingly competitive financial environment of the future, the entry of a new operating team to provide outstanding leadership and work in coordination with the skills of the Bank's richly experienced forex personnel will allow it to overcome its operating obstacles.

e. Use of strategic alliances to open up marketing channels

The exercise of a strong marketing strategy through strategic alliances will revitalize the Bank's organization and facilitate better performance in all areas of business.

B. Unfavorable Factors

a. Price competition among domestic financial institutions, leading to a shrinkage in the gap between interest rates on deposits and loans.

b. Intense market competition, putting pressure on commercial banks that do not belong to financial

holding companies.

c. The rise of direct financing and fall of indirect financing, forcing banks to plan and develop new businesses.

d. The outward migration of industries, and the failure of the BOOC to establish overseas branches to serve customers in local areas there.

e. Inadequate digitization and internationalization of financial products, resulting in a need to improve the quality of BOOC services.

f. Increased pressure from business competition, and a steady increase in risk costs and the demand for risk management techniques.

g. The demand for increased capitalization arising from the requirements of the Bank for International Settlements' Basel II agreement.

C. Countermeasures

a. Consumer banking

Vigorous promotion of the credit card business, planning or packaging of new consumer loans, and promotion of money-management home loans and personal loans.

b. Strengthened services for small and medium enterprises

Strengthened provision of financial information to SMEs through the development of the electronic banking system, and provision of assistance to them in carrying out financial guidance and financial management.

c. Development of the foreign exchange business

Use of the Bank's existing forex customer base together with the experience it has accumulated in the forex products over the years to develop or package new forex businesses and expand the forex business.

d. Readjustment of management units and some business units in response to market changes

To enhance productivity and competitiveness and implement the corporate culture of the operating responsibility system so as to be able to respond to future challenges, in October of 2004 the Bank instituted the second-phase of organizational re-engineering in accordance with the revised Organizational Charter and readjusted organizational framework. Besides referring to the performance of the first phase of organizational re-engineering and the items that still require improvement in reinforcing the integration and expression of the functions of the organizational system, intensive review and improvement work was also carried out in regard to different products, processes, and administrative operations. In the current readjustment of the organizational framework, all headquarters units were organized into six systems by function: the Administrative Group, Business Management Group, Risk Management Group, Corporate Banking Group, Personal Banking Group, and Wealth Business Group, with the Corporate Banking, Personal Banking, and Wealth Business groups being charged with marketing and promotion. Mid-office risk control was strengthened with the support of back-office administrative management and operational management in order to enhance

overall competitive strength. Regional risk management and business management operating centers were set up in northern, central, and southern Taiwan to centralize credit investigation, examination, debt management, business management, and foreign exchange operations, and to carry through with the principle of “centralized management and professional division of labor” so as to save manpower and make the most efficient use of resources.

6. Financial Product Development and Business Development

In view of the steady intensification of financial industry competition in the future, financial businesses, which in the recent low-interest environment have already faced the risk of a loss of depositors and a contraction of operating capital along with a shrinkage of the interest-rate gap and a resulting severe impact on profitability, have moved to satisfy customers' demands for diversified financial products and enhance the quality of their services. Domestic financial institutions have already reinforced their consumer banking business through such measures as the inauguration of the cash card, small credit loans, home loan, structure bond, and trust businesses, and the establishment of VIP financial planning centers along with the enhancement of personal financial planning services. They have also forged strategic alliances with insurance and securities companies with the aim of bringing about a large increase in the ratio of their fee income as well as reduce operating risk.

7. Short- and Long-term Business Development Plans

(1) Short-term Business Development Plans

- A. Expansion of the SME loan business, the transfer of loans under the SME Credit Guarantee Fund, and coordination with government policy in helping SMEs cope with the impact of WTO membership.
- B. Promotion of businesses that produce fee income to heighten the ratio of fee income, lower the ratio of interest income from risk-based assets, and improve the BIS ratio.
- C. Strengthened clearing up of bad assets to reduce the NPL ratio by a proper amount and improve the efficiency of capital utilization.

(2) Long-term Business Development Plans

- A. Cultivation of financial planning professionals, consumer banking service professionals, and the corporate banking service team, and establishment of a business responsibility system.
- B. Planning for a customer relationship management system and design of appropriate financial product marketing to target groups so as to create operating income; and planning of management information systems to provide for the timely adjustment of strategies to reflect operating performance and cope with competition.
- C. Development of the trust business and pursuit of cross-industry alliances so as to create a good financial planning environment; and design of the securitization of financial assets so as to enhance the liquidity of those assets.

III. Employee Data for the Past Two Years and at Publication of Annual Report

1. Basic Employee Structure

| | | Mar.31, 2005 | | | | | |
|-------------------------------|---------------------|--------------|--------|-------|--------|---------------|--------|
| Item | Year | 2004 | | 2003 | | Mar. 31, 2005 | |
| | No. of Employees | Staff | 1,783 | | 1,783 | | 1,757 |
| Guards, Janitors, Technicians | | 123 | | 109 | | 111 | |
| Total | | 1,906 | | 1,892 | | 1,868 | |
| Average Age (Years) | | 36.65 | | 36.87 | | 37.05 | |
| Average Seniority (Years) | | 11.5 | | 11.65 | | 11.8 | |
| Education | Master's | 55 | 2.88% | 69 | 3.65% | 68 | 3.64% |
| | Bachelor's | 708 | 37.15% | 751 | 39.69% | 750 | 40.15% |
| | Junior College | 697 | 36.57% | 709 | 37.47% | 696 | 37.26% |
| | Senior High | 423 | 22.19% | 343 | 18.13% | 334 | 17.88% |
| | Junior High & Under | 23 | 1.21% | 20 | 1.06% | 20 | 1.07% |
| | Total | 1,906 | 100% | 1,892 | 100% | 1,868 | 100% |

2. Professional Licenses Held by Employees, and Advanced Training

◎Professional licenses held by BOOC employees as of Mar. 31, 2005 totaled 57 non-financial licenses and 7,704 financial licenses (including 2,565 insurance licenses, 4,116 licenses awarded after testing by the Taiwan Academy of Banking and Finance, 364 trust managers' and supervisors' licenses, 656 futures trust investment licenses, and three other licenses).

◎In the year to Mar. 31, 2005 the BOOC held 103 in-house training courses with a total of 7,604 participants, and offered 275 outside courses with a total of 1,293 participants.

IV. Corporate Responsibility and Ethical Behavior

The Charity Foundation of BOOC was established to carry out corporate payback to society under the principles of "compassion, kindness, service, and sacrifice." The Bank participates in charity donation and public-benefit activities every year in the hope of conveying the Bank's warmth and care despite the constraints of limited funding.

V. Information Equipment

1. The Bank's main information hardware systems are as follows:

- UNISYS mainframes: the online banking system
- IBM servers: funds system, bills and bonds system, Gateway, and China Steel L/Cs
- DELL servers: Internet banking
- COMPAQ servers: securities system, Internet securities dealing system
- NEC servers: human resources system
- HP servers: wealth management, e-factoring

2. The Bank's main information software systems are as follows:

- UNISYS proprietary software: MCP, COMS, SYSTEMF, etc.
- IBM proprietary software: OS/400, SQL/400, etc.
- Other operating and development systems using different platforms: UNIX OS, Windows OS, STUDIO.NET, etc.

3. Future development and procurement plans:

- Hardware investment: focused mainly on the renewal of UNISYS mainframes and consideration of remote back-up.
- Software investment: establishment of a bank-wide chop and photo system, with key focus on MIS systems to support decision-making and on the heightening of service quality.

4. Emergency back-up and security measures:

- (1) If the hardware and software of the online mainframes and servers (including online mainframes and Internet banking servers) should be severely damaged by a man-made or irresistible natural disaster and cannot be repaired within a short time, then it would be necessary to use the remote back-up

mainframe to restore information operations.

- (2) If the hardware or software of a mainframe or server (including online mainframes or Internet banking servers) should break down, then a different mainframe should be substituted on the spot or the systems rebuilt so that information operations can be restored.
- (3) If the Bank has not yet set up any one of the remote back-up models described above, in the event of a natural disaster or major breakdown of the mainframe or server hardware or software so that online operations become impossible, then for the central mainframe all that can be done is to use the "substitution of a backup mainframe for the central online mainframe" method and, for the Internet banking servers, all that can be done is to take steps to restore operations on the spot.
- (4) When the Information Technology Division decides, based on the severity of a disaster, that restoration measures are necessary, in the interest of effective direction the Division may, after making a verbal report, set up a provisional disaster restoration team to fill in the relevant forms and restore the normal operation of central information systems in accordance with the set procedure.
- (5) Entrances to computer rooms all have door controls and digital video surveillance systems, as well as automatic fire-detection sensors and monitoring systems to report on whether cold-water machines, air conditioning equipment, UPS, and electrical facilities in the area are operating normally. There are also heat and humidity sensing and warning systems.

VI. Labor-Management Relations

1. Employee Welfare Measures and Status of Implementation

The employee welfare measures currently implemented by the Bank include preferential interest rates on employee deposits, employee insurance, bonuses on the three main festivals of the year, birthday bonuses, employee home loans, consumer loans, educational scholarships for employees' children, sports activities, and employee welfare subsidies.

2. Retirement System

In line with the inclusion of banks into the scope of the Labor Standards Law, and to allow employees to retire without having to worry about their livelihood, the retirement system currently adopted by the Bank exceeds the criteria specified in the Labor Standards Law. The Bank's Retirement Reserve Supervisory Committee was approved by the Taipei City Government on May 1, 1998, and a retirement fund is deposited with the Central Trust of China on a monthly basis in accordance with the regulations.



FUNDS UTILIZATION PLANS AND STATUS OF IMPLEMENTATION

3. Labor-Ownership Communication

The Bank currently handles the communication of opinions between labor and ownership via the following two methods:

(1) Scheduled meetings

Meetings between labor and ownership are arranged according to the Implementation Rules for Labor-Ownership Meetings in order to communicate opinions regarding labor-ownership relations and increase mutual understanding, so as to improve solidarity and harmony.

(2) Irregular meetings

Meetings of key staff members may be convened by the Bank's different units whenever necessary to strengthen the internal communication of opinions.

I. Content of Plan

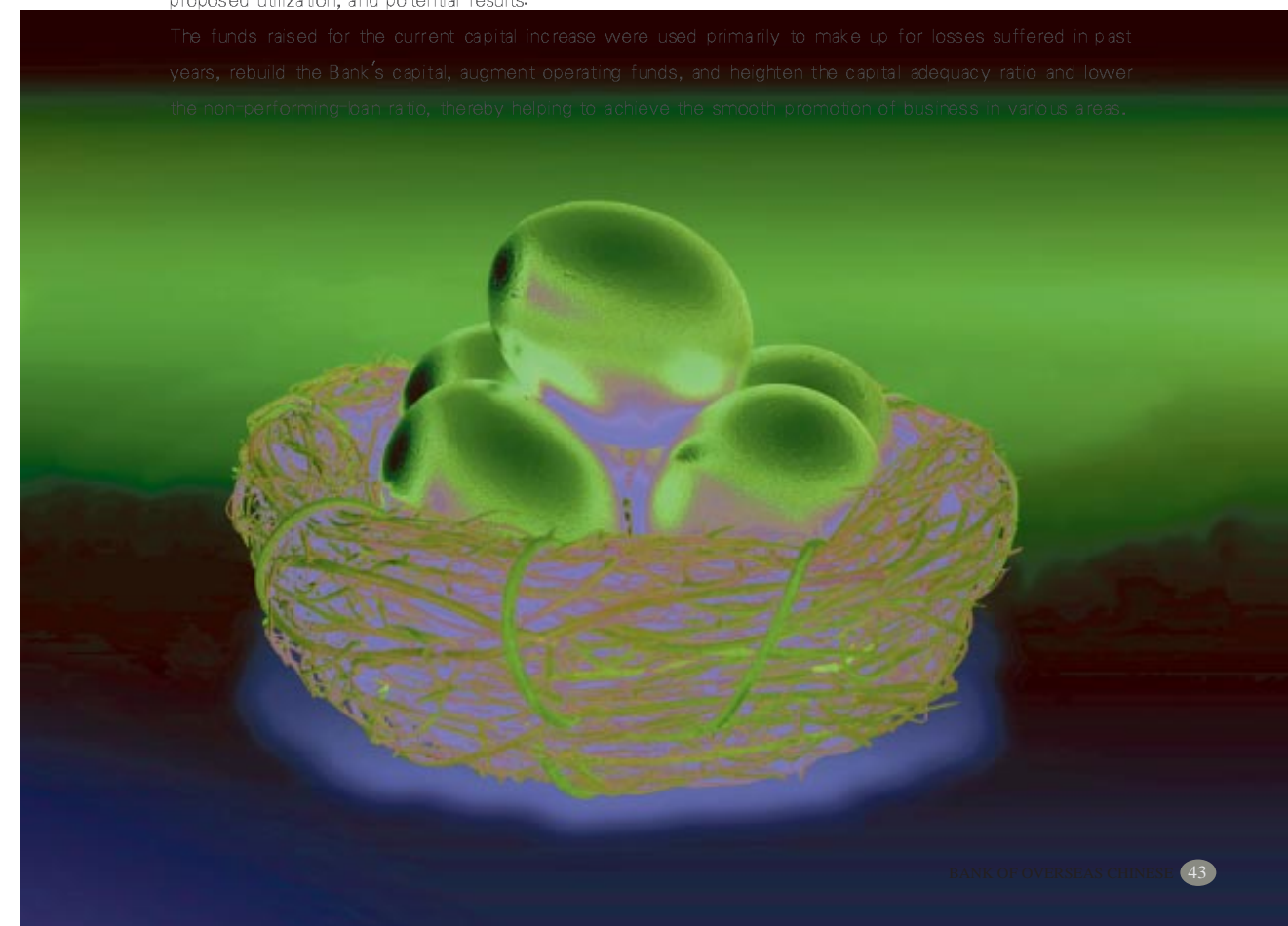
Previous capital increase or issuance of bank debentures, uncompleted former capital increases or issuances of bank debentures, and analysis of the unrealized results of funds utilization plans for the past three fiscal years:

A capital restructuring plan involving a capital increase of NT\$5,119,200,000 was completed on Dec. 27, 2004. In addition to effecting a major improvement in the Bank's ratio of capital to risk assets and strengthening its financial structure, this is expected to enhance the Bank's competitiveness relative to other banks, facilitate the development of business in the future, and increase operating income and generate profits.

II. Status of Implementation

Explanation, in regard to the above projects, of completed business expansions and increases in business locations, augmentation of operating capital, acquisition of other financial institutions or reinvestment in other companies, contents of plans for the expansion or new construction of fixed assets, sources of funds, proposed utilization, and potential results:

The funds raised for the current capital increase were used primarily to make up for losses suffered in past years, rebuild the Bank's capital, augment operating funds, and heighten the capital adequacy ratio and lower the non-performing loan ratio, thereby helping to achieve the smooth promotion of business in various areas.



FINANCIAL HIGHLIGHTS



I. Summary of Assets and Liabilities, and Income Statement, for the Past Five Years

1. Brief Balance Sheets

Unit : NT\$1,000

| Fiscal Item | Financial Information in Recent 5 Years | | | | |
|---|---|-------------|-------------|-------------|-------------|
| | 2004 | 2003 | 2002 | 2001 | 2000 |
| Cash & cash equivalence, due from central bank and due from banks | 24,219,909 | 23,768,847 | 43,722,660 | 40,058,717 | 29,059,093 |
| Marketable securities | 31,572,897 | 32,211,901 | 21,751,240 | 27,381,930 | 12,801,836 |
| Receivable and prepayments | 12,979,602 | 9,484,815 | 10,095,132 | 11,513,590 | 10,055,971 |
| Fund and Investments | 8,405,971 | 3,837,275 | 4,386,891 | 2,751,448 | 2,001,979 |
| Loans, Discounts and Bills Purchases-net | 159,365,836 | 176,734,779 | 172,459,646 | 167,287,082 | 191,595,903 |
| Premises and equipment | 8,585,574 | 8,480,530 | 8,655,421 | 8,844,447 | 9,086,327 |
| Other Assets | 13,385,531 | 12,064,408 | 4,843,003 | 5,630,366 | 5,678,335 |
| Due to central bank and due to other banks | 1,222,703 | 1,639,393 | 2,026,676 | 1,462,216 | 2,682,878 |
| Deposits, drafts and remittances | 228,712,278 | 236,339,614 | 235,849,367 | 236,663,225 | 226,458,875 |
| Bank debenture | 4,500,000 | 4,500,000 | - | - | - |
| Borrowed funds | 179,761 | 862,874 | 1,688,281 | 1,151,247 | 895,141 |
| Payables | 6,777,549 | 6,373,945 | 13,494,002 | 12,532,498 | 16,510,942 |
| Other Liabilities | 5,149,907 | 7,496,453 | 901,612 | 1,042,318 | 1,079,871 |
| Capital Stock | 11,944,800 | 11,376,000 | 11,376,000 | 16,752,000 | 16,752,000 |
| Retained earnings | | | | | |
| Before appropriation | (139,402) | (2,187,463) | (788,354) | (7,350,830) | (4,285,445) |
| After appropriation | (Note) | (2,187,463) | (788,354) | (7,350,830) | (4,285,445) |
| Total assets | 258,515,320 | 266,582,555 | 265,913,993 | 263,467,580 | 260,279,444 |
| Total liabilities | | | | | |
| Before appropriation | 246,542,198 | 257,212,279 | 255,148,784 | 253,878,441 | 247,627,707 |
| After appropriation | (Note) | 257,212,279 | 255,148,784 | 253,878,441 | 247,627,707 |
| Total shareholders' equity | | | | | |
| Before appropriation | 11,973,122 | 9,370,276 | 10,765,209 | 9,589,139 | 12,651,737 |
| After appropriation | (Note) | 9,370,276 | 10,765,209 | 9,589,139 | 12,651,737 |

Note: As the shareholders' meeting has not yet been held, there are no post-distribution figures for 2004 income.

2. Income Summary

Unit : NT\$1,000

| Fiscal Item | Financial Information in Recent 5 Years (Note) | | | | |
|---------------------------------------|---|-------------|------------|-------------|-------------|
| | 2004 | 2003 | 2002 | 2001 | 2000 |
| Operating Revenues | 8,605,621 | 10,318,538 | 11,728,951 | 16,517,047 | 19,043,195 |
| Operating Expenses | 11,244,272 | 11,823,577 | 12,322,053 | 19,539,627 | 21,624,252 |
| Net Operating Income (losses) | (2,618,651) | (1,505,039) | (593,102) | (3,022,580) | (2,581,057) |
| Non-Operating Income | 152,348 | 131,243 | 70,367 | 74,943 | 64,188 |
| Non-Operating Expenses | 36,036 | 25,313 | 98,039 | 117,748 | 111,844 |
| Net Non-Operating Income (losses) | 116,312 | 105,930 | (27,672) | (42,805) | (47,656) |
| Income (losses) before Income Tax | (2,502,339) | (1,399,109) | (620,774) | (3,065,385) | (2,628,713) |
| Income Tax | - | - | - | - | - |
| Net Income (losses) | (2,502,339) | (1,399,109) | (620,774) | (3,065,385) | (2,628,713) |
| Earnings per Share(dollars)(Note) | (2.21) | (1.23) | (0.37) | (1.83) | (1.57) |

Note: Losses per share are calculated according to the weighted average number of shares in circulation during the year.

II. Financial Analysis for the Past Five Years

| Item | Year | Current Fiscal Year as of the end of Mar. 31, 2005 | Financial Analysis of Recent 5 years | | | | |
|--|---|---|--------------------------------------|-------------|-------------|-------------|-------------|
| | | | 2004 | 2003 | 2002 | 2001 | 2000 |
| Financial structure | Ratio of liabilities to asset | 95.65 | 95.37 | 96.49 | 95.94 | 96.36 | 95.14 |
| | Ratio of deposits to net worth | 2,060.82 | 1,920.43 | 2,539.72 | 2,209.67 | 2,483.28 | 1,811.15 |
| | Ratio of fixed assets to net worth | 71.35 | 71.71 | 90.50 | 80.40 | 92.23 | 71.82 |
| Solvency | Liquidity | 18.99 | 19.89 | 16.52 | 15.14 | 18.14 | 7.64 |
| | Ratio of loans to deposits | 72.58 | 69.68 | 74.78 | 73.12 | 70.69 | 84.61 |
| | NPL ratio | 4.77 | 5.28 | 10.15 | 13.98 | 17.80 | 13.41 |
| Operating efficiency | Total assets turnover(times) | 0.01 | 0.03 | 0.04 | 0.04 | 0.06 | 0.07 |
| | Average operating revenue per employee (in thousands of New Taiwan dollars) | 1,128.26 | 4,546.02 | 5,410.87 | 6,242.12 | 8,367.30 | 9,423.45 |
| | Average profit per employee (in thousands of New Taiwan dollars) | (486.65) | (1,321.89) | (733.67) | (330.37) | (1,552.88) | (1,300.81) |
| | Return on total assets (%) | (0.35) | (0.95) | (0.53) | (0.23) | (1.17) | (0.95) |
| | Return on shareholders' equity (%) | (7.85) | (23.45) | (13.90) | (6.10) | (27.56) | (18.82) |
| Profitability | Net Income ratio | (43.13) | (29.08) | (13.56) | (5.30) | (18.56) | (13.80) |
| | Earnings (losses) per share (NT\$1,000) | (0.76) | (2.21) | (1.23) | (0.37) | (1.83) | (1.57) |
| | Cash flow ratio | - | (15.51) | 43.00 | 34.53 | (17.47) | 26.71 |
| Cash flows | Cash flow adequacy ratio | - | 2,073.46 | 1,647.91 | 504.36 | 495.85 | 323.49 |
| | Cash reinvested ratio | - | (1.44) | 4.53 | 7.64 | (3.21) | 10.05 |
| | Capital adequacy ratio | 105.4(Note 1) | 10.54 | 8.04 | 5.53 | 5.05 | 6.01 |
| Bank owned capital to risk capital ratio | Total capital base after deductions | 16,837,487 | 16,837,487 | 13,441,930 | 10,268,710 | 9,191,998 | 12,128,169 |
| | Total risk-weighted exposures (NT\$1,000) | 159,783,065 (Note 1) | 159,783,065 | 167,158,210 | 185,648,609 | 181,981,399 | 201,903,559 |
| | Tier 1 capital to risk-weighted exposures ratio (Note1) | 7.39 | 7.39 | 5.50 | 5.70 | 5.17 | 6.18 |
| | Tier 1 and 2 capital to risk-weighted exposures ratio (%) (Note1) | 11.07 | 11.07 | 8.58 | 6.00 | 5.53 | 6.46 |
| | Leverage ratio | 4.5 | 4.5 | 3.45 | 4.00 | 3.59 | 4.51 |
| | Shareholders' equity to total assets ratio | 4.35 | 4.63 | 3.52 | 4.05 | 3.64 | 4.86 |
| Total secured loans by related parties (NT\$1,000) | 1,357,768 | 1,391,501 | 1,898,107 | 1,669,884 | 2,017,236 | 2,846,503 | |
| Ratio of total secured loans by related parties to total loans | 0.83 | 0.86 | 1.09 | 1.00 | 1.23 | 1.45 | |
| Operation Scale | Market share of asset | - | 0.87 | 0.95 | 1.03 | 1.03 | 1.05 |
| | Market share of net worth | - | 0.68 | 0.57 | 0.67 | 0.53 | 0.71 |
| Scale | Market share of deposit | - | 1.02 | 1.12 | 1.18 | 1.20 | 1.20 |
| | Market share of loan | - | 1.02 | 1.26 | 1.30 | 1.23 | 1.35 |

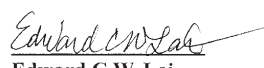
Notes: 1. Data for 2004.

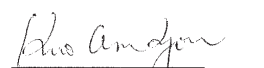
2. Ratios for 2003 have been adjusted in accordance with the criteria for the compilation of financial statements by publicly listed banks as announced by the Securities and Futures Bureau of the Financial Supervisory Commission on June 2003.

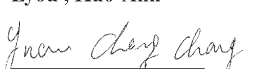
III. SUPERVISORS' REPORT

TO SHAREHOLDERS OF BANK OF OVERSEAS CHINESE

In accordance with Article 219 of the ROC Company Law, we hereby certify that 2004 financial reports submitted by the Board of Directors of Bank which have been examined by Diwan, Ernst & Young and that together with the Report of Business and Statement of covering for loss have been duly examined and accepted by us.

Standing Supervisor : 
Edward C.W. Lai

Supervisor : 
Lyou, Kuo-Anh

Supervisor : 
Yuan, Cheng-Chang

April 22, 2005

IV. Financial Statements for the Most Recent Fiscal Year, Including Auditors' Report, Two-year Balance Sheets, Statement of Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows, and Notes and Attachments

English Translation of Report Originally Issued in Chinese REPORT OF INDEPENDENT AUDITOR

The Board of Directors and Shareholders
Bank of Overseas Chinese

We have audited the accompanying balance sheets of Bank of Overseas Chinese (The Bank) as of December 31, 2004 and 2003, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note IV.10 to the financial statements, the Bank entered into a contract to sell its non-performing loans to assets Management Company during October, 2003, September and December, 2004, respectively. According to the Financial Institutions Merger Act, the total related loss amounted to NT\$9,744,921 thousand will be deferred and then amortized for five years. As of December 31, 2004 and 2003, the balance of unamortized loss were NT\$8,459,821 thousand and NT\$4,942,510 thousand, respectively. The Bank has excluded, from other assets - loss from disposal of non-performing loans in the accompanying balance sheet, in our opinion, should be in conformity with general accepted accounting principle in the Republic of China. If these losses were recognized expenses, other assets will decrease NT\$8,459,821 thousand and NT\$4,942,510 thousand as of December 31, 2004 and 2003, respectively, while accumulated deficit will increase NT\$8,459,821 thousand and 4,942,510 thousand as of December 31, 2004 and 2003. Additionally, loss before income tax would be increase NT\$3,517,311 thousand and NT\$4,942,510 thousand for the years ended December 31, 2004 and 2003, respectively.

In our opinion, except for the effect of not recognizing loss in selling of non-performing loan as an expense in the corresponding period as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Overseas Chinese as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles and "Guidelines Governing the Preparation of Financial Reports by Public Banks" and "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" in the Republic of China.



Diwan, Ernst & Young
March 25, 2005
Taipei, Taiwan
Republic of China

Notice to Readers

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

BANK OF OVERSEAS CHINESE

BALANCE SHEETS

DECEMBER 31, 2004 AND 2003
(Expressed in Thousands of Dollars)

| ASSETS | New Taiwan dollars | | US dollars |
|--|----------------------|----------------------|--------------------|
| | December 31 | | (Note II) |
| | 2004 | 2003 | December 31 |
| Cash and Cash Equivalents (Notes II and IV) | \$8,212,799 | \$5,723,514 | \$258,524 |
| Due from the Central Bank of China and Call Loans to Banks (Notes II and IV) | 16,007,110 | 18,045,333 | 503,875 |
| Securities Purchased-net (Notes II, IV, VI and X) | 31,572,897 | 32,211,901 | 993,859 |
| Receivables-net (Notes II and IV) | 12,475,992 | 8,941,255 | 392,722 |
| Prepayments (Notes II and IV) | 503,610 | 543,560 | 15,853 |
| Bills and Loans-net (Notes II, IV, V and X) | 159,365,836 | 176,734,779 | 5,016,552 |
| Long-term Investments-net (Notes II, IV, VI and X) | | | |
| Equity Securities | 847,468 | 899,482 | 26,677 |
| Bonds | 7,558,503 | 2,937,793 | 237,928 |
| Premises and Equipment (Notes II, IV and VII) | | | |
| Cost: | | | |
| Land | 4,522,258 | 4,521,581 | 142,353 |
| Building | 3,954,029 | 3,820,165 | 124,466 |
| Furniture and fixtures | 1,030,500 | 1,060,203 | 32,438 |
| Transportation equipment | 18,412 | 23,339 | 580 |
| Miscellaneous equipment | 473,179 | 454,861 | 14,895 |
| Revaluation increment | 716,985 | 745,491 | 22,569 |
| Subtotal | 10,715,363 | 10,625,640 | 337,301 |
| Less: Accumulated depreciation | (2,147,787) | (2,152,497) | (67,609) |
| Construction in progress and procurement | 17,998 | 7,387 | 566 |
| Premises and Equipment-net | 8,585,574 | 8,480,530 | 270,258 |
| Other Assets (Notes II and IV) | 13,385,531 | 12,064,408 | 421,353 |
| TOTAL ASSETS | \$258,515,320 | \$266,582,555 | \$8,137,601 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES: | | | |
| Due to the Central Bank of China and Commercial Banks (Notes IV and X) | \$1,222,703 | \$1,639,393 | \$38,489 |
| Payables (Note IV) | 6,539,537 | 6,255,779 | 205,853 |
| Advances | 238,012 | 118,166 | 7,492 |
| Deposits and Remittances (Notes IV, V and X) | 228,712,278 | 236,339,614 | 7,199,455 |
| Banker's Debenture (Note IV) | 4,500,000 | 4,500,000 | 141,652 |
| Banker's Acceptances and Funds Borrowed (Notes IV and X) | 179,761 | 862,874 | 5,658 |
| Accrued Pension Liability (Notes II and IV) | 1,462,116 | 1,383,539 | 46,025 |
| Other Liabilities (Notes II and IV) | 3,687,791 | 6,112,914 | 116,085 |
| Total Liabilities | 246,542,198 | 257,212,279 | 7,760,709 |
| SHAREHOLDERS' EQUITY: | | | |
| Capital Stock (Note IV) | 11,944,800 | 11,376,000 | 376,001 |
| Capital Reserve (Notes II and IV) | | | |
| Reserve for assets revaluation | 171,383 | 177,719 | 5,395 |
| Others | 721 | 721 | 22 |
| Retained Earnings (Note IV) | | | |
| Legal reserve | 20,920 | 20,920 | 659 |
| Accumulated deficit (Note VI) | (160,322) | (2,208,383) | (5,047) |
| Unrealized Loss on Long-term Investments (Notes II and IV) | (2,800) | (2,528) | (88) |
| Cumulative Translation Adjustments (Notes II and IV) | (632) | 7,408 | (20) |
| Treasury Stock (Notes II and IV) | (948) | (1,581) | (30) |
| Total Shareholders' Equity | 11,973,122 | 9,370,276 | 376,892 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$258,515,320 | \$266,582,555 | \$8,137,601 |

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

BANK OF OVERSEAS CHINESE

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in Thousands of Dollars, Except Per Share Amounts)

| Items | New Taiwan dollars | | US dollars |
|---|----------------------|----------------------|-------------------|
| | December 31 | | (Note II) |
| | 2004 | 2003 | 2004 |
| OPERATING INCOME: | | | |
| Interest revenue | \$6,710,038 | \$7,566,206 | \$211,220 |
| Commissions and handling fees | 1,338,097 | 1,050,043 | 42,121 |
| Gains on sales of securities-net | 316,232 | 1,371,999 | 9,954 |
| Investment income-net (Note II) | 37,090 | 48,574 | 1,168 |
| Profit on exchange-net (Note II) | 161,096 | 167,343 | 5,071 |
| Other operating income | 43,068 | 114,373 | 1,356 |
| Total | 8,605,621 | 10,318,538 | 270,890 |
| OPERATING COST: | | | |
| Interest expense | 2,712,645 | 3,481,153 | 85,389 |
| Commissions and handling charges | 397,220 | 385,534 | 12,504 |
| Provisions for possible losses (Note II) | 3,085,376 | 4,558,391 | 97,122 |
| Operating and administrative expenses | 2,998,531 | 3,045,201 | 94,388 |
| Other operating expenses (Note IV) | 2,030,500 | 353,298 | 63,917 |
| Total | 11,224,272 | 11,823,577 | 353,320 |
| NET OPERATING LOSS | (2,618,651) | (1,505,039) | (82,430) |
| NON-OPERATING INCOME: | | | |
| Gains on disposal of premises and equipment (Note II) | 102,296 | 61 | 3,220 |
| Reversal of provision for losses on guarantees | 17,674 | 217 | 556 |
| Others | 32,378 | 130,965 | 1,019 |
| Total | 152,348 | 131,243 | 4,795 |
| NON-OPERATING EXPENSES: | | | |
| Loss on disposal of premises and equipment (Note II) | 2,714 | 562 | 85 |
| Others | 33,322 | 24,751 | 1,049 |
| Total | 36,036 | 25,313 | 1,134 |
| LOSS BEFORE INCOME TAX | (2,502,339) | (1,399,109) | (78,769) |
| INCOME TAX (Notes II and IV) | - | - | - |
| NET LOSS | \$(2,502,339) | \$(1,399,109) | \$(78,769) |
| LOSS PER SHARE (Note IV) (In Dollars) | \$(2.21) | \$(1.23) | \$(0.07) |
| INCOME TAX | - | - | - |
| NET LOSS | \$(2.21) | \$(1.23) | \$(0.07) |
| PRO FORMA INFORMATION ON EARNINGS AS IF UNCONSOLIDATED SUBSIDIARIES' INVESTMENT IN THE BANK IS NOT TREATED AS TREASURY STOCK | | | |
| NET LOSS | \$(2,501,253) | \$(1,397,252) | \$(78,735) |
| LOSS PER SHARE (Note IV) (In Dollars) | \$(2.21) | \$(1.23) | \$(0.07) |

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

BANK OF OVERSEAS CHINESE
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
 (In thousands of New Taiwan Dollars)

| Items | Capital Stock | Capital Reserve | Retained Earnings | | Unrealized Loss on Long-Term Investments | Cumulative Translation Adjustments | Treasury Stock | Total |
|--|------------------|--------------------|-------------------|------------------------|--|--|-------------------|--------------|
| | | | Legal Reserve | Accumulated Deficit | | | | |
| Balance, January 1, 2003 | \$11,376,000 | \$178,440 | \$20,920 | \$809,274 | \$8,890 | \$9594 | \$(1,581) | \$10,765,209 |
| Net loss for 2003 | - | - | - | (1,399,109) | - | - | - | (1,399,109) |
| Unrealized loss on long-term investments (Notes II and IV) | - | - | - | - | 6,362 | - | - | 6,362 |
| Translation adjustments (Note I) | - | - | - | - | - | (2,186) | - | (2,186) |
| Balance, December 31, 2003 | 11,376,000 | 178,440 | 20,920 | (2,209,389) | (2,529) | 7,408 | (1,581) | 9,370,276 |
| Net loss from January 1 to June 30, 2004 | - | - | - | (2,466,231) | - | - | - | (2,466,231) |
| Make up the accumulated loss | (4,550,400) | - | - | 4,550,400 | - | - | - | - |
| Issuance of common stock by cash | 5,119,200 | - | - | - | - | - | - | 5,119,200 |
| Net loss from July 1 to December 31, 2004 | - | - | - | (36,108) | - | - | - | (36,108) |
| Unrealized loss on long-term investments (Notes II and IV) | - | - | - | - | (272) | - | - | (272) |
| Translation adjustments (Note I) | - | - | - | - | - | (9,040) | - | (9,040) |
| Write-off capital reserve from disposal of Land | - | (6,336) | - | - | - | - | - | (6,336) |
| Changes in the Bank's shares held by its subsidiary resulting from reducing capital by the Bank | - | - | - | - | - | - | 633 | 633 |
| Balance, December 31, 2004 | \$11,944,800 | \$172,104 | \$20,920 | \$(160,322) | \$(2,800) | \$(632) | \$(946) | \$11,973,122 |

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

BANK OF OVERSEAS CHINESE
STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
 (In thousands of New Taiwan Dollars)

| | 2004 | 2003 |
|---|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$(2,502,339) | \$(1,399,109) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Provision for possible losses | 3,085,376 | 4,558,391 |
| Depreciation | 180,405 | 207,631 |
| Amortization | 49,195 | 61,931 |
| Amortization on disposal of non-performing loans | 1,085,100 | 200,000 |
| Other loss on investment | 16,379 | - |
| Loss on disposal of premises and equipment | (99,582) | 501 |
| Gain on disposal of long-term investment | (4,208) | - |
| Investment loss (income) recognized by the equity method | (634) | 805 |
| Increase in receivables | (3,826,837) | (282,314) |
| Decrease in prepayments | 39,950 | 71,333 |
| (Increase) Decrease in securities purchased for trading purposes | 334,664 | (283,718) |
| Increase in accrued pension liability | 78,577 | 128,908 |
| Increase in deferred tax asset | (72,613) | - |
| Increase in payables | 283,758 | 544,076 |
| Increase (decrease) in advances | 119,846 | (14,861) |
| Adjustment of changes in exchange rates | (35,423) | 22,786 |
| Net cash provided by (used in) operating activities | (1,268,386) | 3,816,360 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Decrease in due from the Central Bank of China and call loans to banks | 2,038,223 | 2,204,385 |
| Decrease in securities purchased for non-trading purposes | 253,741 | 8,272,581 |
| Proceeds from disposal of long-term investments | 3,255,727 | 3,852,760 |
| Increase in long-term investments | (7,821,411) | (3,349,297) |
| Cash received from investee's capital return | 27,371 | - |
| (Increase) Decrease in bills and loans | 14,723,893 | (8,095,399) |
| Proceeds from disposal of premises and equipment | 153,484 | 63 |
| Acquisition of premises and equipment | (228,657) | (33,569) |
| Increase in unamortized expenses | (56,985) | (8,664) |
| Increase in other assets | (2,620,542) | (7,145,700) |
| Net cash provided by (used in) investing activities | 9,724,844 | (4,302,840) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Decrease in due to the Central Bank of China and commercial banks | (416,690) | (387,283) |
| Increase (decrease) in deposits and remittances | (7,627,336) | 490,247 |
| Increase in Banker's debenture | - | 4,500,000 |
| Decrease in Banker's acceptances and funds borrowed | (683,113) | (825,407) |
| Decrease in other liabilities | (2,394,657) | (2,617,719) |
| Issuance of common stocks by cash | 5,119,200 | - |
| Net cash provided by (used in) financing activities | (6,002,596) | 1,159,838 |
| EFFECT OF CHANGES IN EXCHANGE RATE | 35,423 | (22,786) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,489,285 | 650,572 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 5,723,514 | 5,072,942 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$8,212,799 | \$5,723,514 |
| SUPPLEMENT DISCLOSURES OF CASH FLOWS INFORMATION: | | |
| Interest expenses paid | \$2,804,654 | \$3,916,379 |

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

English Translation of Report Originally Issued in Chinese
BANK OF OVERSEAS CHINESE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(In thousands of New Taiwan Dollars unless otherwise stated)

I. ORGANIZATION AND OPERATIONS

Bank of Overseas Chinese (the Bank) was founded by Overseas Chinese in line with the Government's policy of encouraging investments in financial institutions. In 1959, a preparatory committee was established and the Bank commenced its operations in March 1961.

It is engaged mainly in the following operations:

- (1) Accepting deposits;
- (2) Extending loans and discount;
- (3) Investing in funds and securities;
- (4) Handling remittances and providing guarantee service;
- (5) Acting as a trustee or an agent;
- (6) Other related financial operations authorized by the Banking Law.

The Bank has a trust Department whose trust investment business is regulated under the Republic of China (R.O.C.) Banking Law.

The Bank's stock was traded over-the-counter in Republic of China since December 1998.

As of December 31, 2004 and 2003, the Bank employed 1,893 and 1,907 employees, respectively.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with Guidelines Governing the Preparation of Financial Reports of Public Banks, Guidelines Governing the Preparation of Financial Reports by Securities Issuers and generally accepted accounting principles in the Republic of China. The significant accounting policies are summarized as follows:

1. Basis for Preparation of Financial Statements

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

Under R.O.C. GAAP, a company is required to include in its annual consolidated financial statements only those subsidiaries, which are directly or indirectly owned by the company for over 50% of the ownership. For directly owned subsidiaries with total assets and total net sales less than 10% of the parent's unconsolidated total assets and total net sales may be exempt from preparing consolidated statements.

2. Securities Purchased

Securities purchased are carried at the lower of cost and market value on a portfolio basis. When

market value is lower than the cost, a provision is made for the impairment loss. The reversal of unrealized losses on investments in future periods would be recognized within the limit of the unrealized loss. When stocks are sold, the cost is calculated based on the weighted-average method for equity securities. Other securities are based on individual assessment.

Securities purchased under resell agreements are presented in the balance sheets as part of "Securities purchased" and securities sold under repurchase agreements are presented as part of "Securities sold under agreements to repurchase." The difference between the selling or purchase price and the contracted repurchase or resale price is accounted for as interest expense or interest income.

Effective January 1, 2004, the Bank adopted the new regulations to account for its bills transactions related to resell or purchase agreements using financing method.

3. Long-term Investments

(i) Investments in Equity Securities

The equity method is used for long-term equity investment where the Bank has control, joint control or significant influence over the investee enterprises; however, when the Bank has not received the audited financial statements of the equity method investee company in time to recognize its equity in the investee company's income (loss), the Bank may delay the recognition of its equity in the investee company's income (loss) until the subsequent year. The difference between the cost of investment and the Bank's share of the investee company's equity at acquisition is deferred and amortized over five years.

Investments in other companies with voting rights less than 20% of the common shares of investee are stated at cost, except for investment in listed companies, which are stated at lower of cost or market value. The lower of cost or market value method compares aggregate cost with aggregate market price. The loss should be recognized in the period when the carrying amount is not expected to recover permanently, and the declined value should be carried as new cost of the investment.

(ii) Investments in Bonds

Investments in bonds are stated at cost adjusted for the amortization of premiums or discounts arising on acquisition over the periods to maturity on a straight-line basis. The amortization of premiums or discounts is included as part of interest income or interest expense. Investments in bonds are evidence indicating a decline in the value of an investment is not temporary, and the possibility of recovery is considered remote, the investment is devalued to reflect the market, and the resulting loss is recognized in the period incurred. Cost of bonds upon maturity or disposal is determined by the specification method.

4. Allowances for Doubtful Accounts on Receivables

Allowance for doubtful accounts on receivables are provided based on the results of review of the collectibles of accounts balances and the rates adopted by the relevant regulations. Whenever the management of the Bank determines the receivables are deemed uncollectible, a charge-off that conforms to the Bank's relevant regulations is recommended to and approved by the Bank's board of directors.

5. Bills and Loans

Bills and loans are stated at the principal amount outstanding.

Bills and loans are placed on overdue loans when payments of principal or interest are overdue for six months or if, have performed the relevant legal proceeding, when they are placed on overdue loans the accrual of income is discontinued, subsequent interest payments are credited to income when received.

The allowances for probable losses are provided for due from bills and loans based on collectability review and the rates adopted by the relevant regulations. Balances of uncollectible accounts are written off against allowance for probable losses only upon the approval by the Bank's board of directors.

6. Premises and Equipment

Premises and equipment are stated at cost plus a revaluation increment less accumulated depreciation. Major improvements and renewals are capitalized as cost, and repairs and maintenance are expensed as incurred. Upon sale or disposal of property and equipment, the related cost, revaluation increment and accumulated depreciation are written off from the books, and any gain or loss is credited or charged to income.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

| | | |
|---------------------------|--------|-------|
| Building and improvements | 5 - 60 | Years |
| Furniture and fixtures | 5 - 15 | Years |
| Transportation equipment | 3 - 5 | Years |
| Miscellaneous equipment | 3 - 5 | Years |

The residual value of a premises or equipment that is still in use at the end of the original estimated useful life is depreciated using the straight-line method over its revised estimated useful life.

7. Unamortized expenses

Unamortized expenses are amortized by the straight-line method over five years.

8. Foreclosed property

Foreclosed properties are stated at cost. However, when a decline in value of foreclosed properties are considered not recoverable, the allowance for the decline in net realizable value is provided.

9. Employees Pension Plan

The Bank has pension plans for all regular employees under the relevant and foreign government regulations. The Bank makes monthly contributions to a pension fund, which is administered by the workers' fund administration committee, at amounts up to 8% of the employees' salaries for employees. Effective May 1997, according to the Labor Standard Law, the Bank also makes contributions to the external retirement fund which is administered by a separate committee to supervise the employees retirement fund and is deposited and withdrawn under the committee's name. The Bank makes monthly contributions to the fund at amounts up to 2% of the employees' salaries for employees. Because the pension fund are not under the administration of the Bank, such funds are not reflected in the above-mentioned financial statements.

The Bank adopted the Statement of Financial Accounting Standards (SFAS) No.18 "Accounting for pensions", which requires actuarial determination of pension assets or obligations. The unrecognized net obligation at transition is amortized by the straight-line method over twenty years.

10. Reserves for Possible Losses

Reserve for losses on stock brokerage transactions:

Pursuant to the regulations issued by the Ministry of Finance, a reserve for possible losses on stock brokerage transactions is based on 0.0028% of the amount of total stock traded derived from stock brokerage business until such reserve reached the amount of NT\$200,000 thousand.

Reserve for losses on guarantees:

A reserve is computed within the limit allowed by the relevant laws and regulations based on the balance of guarantees. The reserve is used to cover possible losses on such business.

Reserve for losses on trading securities:

Pursuant to the regulations, 10% of the gain derived from trading securities is reserved for possible loss on trading securities. The reserve cannot be used except to offset trading losses.

11. Treasury Stock

The treasury stock is stated at the acquisition cost except for the donated treasury stock, which is stated at market value. When the treasury stock is sold, the cost is computed by weighted-average method, while gain or loss of selling treasury stock is credited to or charged against Capital Reserve. Cost of treasury stock is shown as a deduction to shareholders' equity on the balance sheets.

Since 2002, the Bank accounts for the stocks held by subsidiary companies as treasury stocks.

12. Recognition of Interest Revenue and Service Fees Income

Interest income for loans is recognized on an accrual basis except for loans classified as non-accrual loans. The accrual of income from non-accrual loans is discontinued; subsequent interest payments are credited to income upon collection.

Under the regulations of the Ministry of Finance, the interest income on credits covered by agreements that extend their maturity is recognized upon collection.

Service fees income is recognized when the services are rendered.

13. Income Tax

The Bank adopted the SFAS No. 22 "Accounting for income taxes" for interperiod and intraperiod income tax allocation. Tax effects on taxable temporary differences are recognized as deferred tax liabilities. Tax effects on deductible temporary differences, operating loss carryforward and investment tax credits are recognized as deferred tax assets. Valuation allowance for deferred tax assets will be set up for their reliability.

Tax credits generated from acquisitions of certain equipment or technology, research and development expenditure, personnel training expenditure and equity investment acquisition, are recognized in the current period.

Income taxes on undistributed earnings are charged at 10% rate and recorded as expense in the year in which shareholders approve the retention of the earnings.

14. Foreign-currency Transactions

The Bank maintains its accounts at the currencies in which transactions are denominated. Foreign currencies revenues and expenses are recorded in New Taiwan Dollars at the exchange rates prevailing on the transaction dates. At the end of each month, those foreign-currency denominated assets and liabilities other than those using forward foreign exchange contracts to hedge the exposure, are restated at the prevailing exchange rates and the resulting differences are recorded as follows: 1) For long-term

equity investments – as cumulative translation adjustment in the shareholders’ equity; 2) For other long-term investments – as cumulative translation adjustments in the shareholders’ equity if restated New Taiwan dollar amounts are lower than the carrying amount. Otherwise, no adjustment is made; 3) For other assets and liabilities – credited or charged to current income.

15. Derivative Financial Instruments

Forward Contracts

Assets and liabilities arising from trading forward contracts are recorded at the contracted forward rate. Upon settlement, gains or losses caused by the difference between the spot rate at the settlement date and the contracted forward rate are credited to or charged against income. At balance sheet date, the gains or losses on outstanding forward contracts arising from the differences between the forward rate available for the remaining period of each contract and the contracted forward rate are credited to or charged against income. The balances of accounts receivable and payables caused by forward contracts are netted on the balance sheet date, and the differences are treated as an asset or liability.

Currency Swaps

Currency swap for non-trading purpose is by nature a money market instrument. It represents two foreign exchange transactions dealt simultaneously, that is, one spot transaction and a forward transaction with same amount but opposite direction. The difference between spot and forward exchange rates are recorded as prepayment or receive-in-advance on trade date, and amortized into revenue or expense as time decay.

Interest Rate Swaps

Interest rate swaps represents agreements between two parties to exchange periodic interest payments, most often fixed vs. floating, are based on a notional principal amount. The differential to be received or paid is recorded as an adjustment of income.

Options

For option contracts, only memo entries of notional principal amounts are made on the contract date. Premiums paid or received are recorded as assets or liabilities. As of the balance sheet date, outstanding option contracts are market-to-market and the gains and losses are recognized in current period. Gains or losses on the exercise of options are recognized in current period.

16. Commitments and Contingent Liabilities

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

17. Statements Convenience Translation into US Dollars

The Bank’s balance sheets and statement of income are stated in New Taiwan dollars (“NT\$”). Translation of the December 31, 2004 New Taiwan dollar amounts into US dollar amounts is provided solely for the convenience of the readers, using the 10:00AM buying rate of NT \$31.768 to US\$1, as provided by the Central Bank of China on December 31, 2004. The convenience translations should not

be construed as representations that the New Taiwan dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

III. ACCOUNTING CHANGES

Nil.

IV. BREAKDOWN OF SIGNIFICANT ACCOUNTS

1. CASH AND CASH EQUIVALENTS

| | December 31 | |
|---------------------------------|-------------|-------------|
| | 2004 | 2003 |
| Cash | \$3,144,679 | \$3,037,602 |
| Post-dated checks for clearance | 1,535,150 | 982,056 |
| Due from commercial banks | 3,532,970 | 1,703,856 |
| Total | \$8,212,799 | \$5,723,514 |

Due from commercial banks of NT\$476,520 thousand and NT\$271,984 thousand at December 31, 2004 and 2003, respectively, was pledged to other bank as deposit for transaction reserve.

2. DUE FROM THE CENTRAL BANK OF CHINA AND CALL LOANS TO BANKS

| | December 31 | |
|-------------------------|--------------|--------------|
| | 2004 | 2003 |
| Deposit reserve account | \$1,011,279 | \$3,048,687 |
| General account | 4,754,637 | 4,707,275 |
| Time deposit account | - | 2,008,000 |
| Call loans to banks | 10,241,194 | 8,281,371 |
| Total | \$16,007,110 | \$18,045,333 |

3. SECURITIES PURCHASED-NET

| | December 31 | |
|---|--------------|--------------|
| | 2004 | 2003 |
| Government and corporate bonds | \$8,916,402 | \$10,140,815 |
| Stocks of listed companies and mutual funds | 85,197 | 449,788 |
| Certificates of deposit | 22,600,000 | 21,650,000 |
| Total | 31,601,599 | 32,240,603 |
| Less: Allowance for decline in market price of securities | (28,702) | (28,702) |
| Net | \$31,572,897 | \$32,211,901 |

- (1) Securities purchased of NT\$767,700 thousand and NT\$831,300 thousand at December 31, 2004 and 2003, respectively, were placed with other parties as collateral for business reserve and guarantees.
- (2) Certificates of deposit account of NT\$4,200,000 thousand and NT\$3,900,000 thousand at December 31, 2004 and 2003, respectively, was pledged to the Central Bank of China as deposit for transactions reserve.
- (3) Securities purchased of NT\$2,351,891 thousand and NT\$3,757,126 thousand at December 31, 2004 and 2003, respectively, provided for repurchase agreement transactions reserve.

4. RECEIVABLES-NET

| | December 31 | |
|--|--------------|-------------|
| | 2004 | 2003 |
| Accounts receivable | \$9,036,818 | \$5,512,268 |
| Accrued interest receivable | 813,111 | 867,416 |
| Customers' liabilities under acceptances | 1,846,034 | 2,087,415 |
| Tax refundable | 368,090 | 452,746 |
| Others | 568,783 | 235,308 |
| Total | 12,632,836 | 9,155,153 |
| Less: Allowance for doubtful accounts | (156,844) | (213,898) |
| Net | \$12,475,992 | \$8,941,255 |

5. PREPAYMENTS

| | December 31 | |
|---------------------------|-------------|-----------|
| | 2004 | 2003 |
| Prepaid expenses | \$27,338 | \$27,824 |
| Inter-bank clearing funds | 306,417 | 308,647 |
| Advances | 72,330 | 173,229 |
| Others | 97,525 | 33,860 |
| Total | \$503,610 | \$543,560 |

6. BILLS AND LOANS-NET

| | December 31 | |
|--|---------------|---------------|
| | 2004 | 2003 |
| Inward-outward documentary bills purchased | \$3,218,891 | \$4,096,542 |
| Discounts | 1,513 | 4,413 |
| Loans | 149,677,576 | 157,127,782 |
| Overdrafts | 421,763 | 501,689 |
| Overdue Loans | 9,057,406 | 19,356,521 |
| Total | 162,377,149 | 181,086,947 |
| Less: Allowance for doubtful accounts | (3,011,313) | (4,352,168) |
| Net | \$159,365,836 | \$176,734,779 |

- (1) Overdue loans, where the accrual of interest ceased, amounted to NT\$9,057,406 thousand and NT\$19,356,521 thousand at December 31, 2004 and 2003, respectively. Unrecognized interests are NT\$571,974 thousand and NT\$1,009,348 thousand for the years ended December 31, 2004 and 2003, respectively.

- (2) The additional information of bills and loans by type of industry and geographic region is shown as note X.

- (3) The following are summaries of the changes in the allowance for doubtful accounts for the years ended December 31, 2004 and 2003, respectively.

| | Allocated | Unallocated | Total |
|-----------------------------------|-------------|-------------|-------------|
| | allowance | portion | |
| 2004 | | | |
| Balance, beginning of year | \$4,174,568 | \$177,600 | \$4,352,168 |
| Provision for doubtful account | 1,410,492 | 1,168,688 | 2,579,180 |
| Reclassification | 217,614 | - | 217,614 |
| Write-off | (4,387,872) | - | (4,387,872) |
| Recoveries | 258,664 | - | 258,664 |
| Effects of exchange rates changes | (8,441) | - | (8,441) |
| Balance, end of year | \$1,665,025 | \$1,346,288 | \$3,011,313 |
| 2003 | | | |
| Balance, beginning of year | \$6,587,051 | \$263,563 | \$6,850,614 |
| Provision for doubtful account | 3,652,084 | - | 3,652,084 |
| Write-off | (6,214,906) | (85,963) | (6,300,869) |
| Recoveries | 150,339 | - | 150,339 |
| Balance, end of year | \$4,174,568 | \$177,600 | \$4,352,168 |

The Bank's financial statements include allowance for doubtful accounts based on information available to the Bank, including defaults to the extent of which can be determined or estimated. However, any adjustments that might be required when related contingent liabilities become probable or determinable in the future are not included.

7. INVESTMENTS IN EQUITY SECURITIES

| Investees | December 31 | | | | Basis for valuation |
|---|-------------|-------------------------|------------|-------------------------|-------------------------|
| | 2004 | | 2003 | | |
| | Book Value | Percentage of ownership | Book Value | Percentage of ownership | |
| BOOC Leasing International Co., Ltd. | \$148,267 | 99.997 | \$161,942 | 99.997 | Equity method |
| Overseas Chinese Finance Limited. | 109,042 | 100.00 | 113,327 | 100.00 | Equity method |
| Chiao-Fu Real Estate Management Ent. Corp. | 7,380 | 35.00 | 4,282 | 35.00 | Equity method |
| Overseas Chinese Insurance Broker Co., Ltd. | 10,123 | 100.00 | 2,034 | 100.00 | Equity method |
| China-Trust Commercial Bank | - | - | 211 | - | Lower of cost or market |
| Chinese Products Promotion Center | 925 | 2.43 | 925 | 2.43 | Cost method |
| China Trust Investment Co., Ltd. | 927 | 0.66 | 927 | 0.66 | Cost method |
| Taiwan Securities Central Depository Co., Ltd. | 1,850 | 0.19 | 1,850 | 0.19 | Cost method |
| Taipei Forex Inc. | 6,000 | 3.03 | 6,000 | 3.03 | Cost method |
| Wallant International Trade Inc. | - | 2.50 | - | 2.50 | Cost method |
| Dah Chin Bills Finance Corp. | 300,000 | 10.00 | 300,000 | 10.00 | Cost method |
| Taiwan International Merchandise Exchange Corporation | 14,000 | 0.70 | 14,000 | 0.70 | Cost method |
| Taiwan Cooperative Bank | - | - | 1,008 | - | Cost method |
| Yun Ling Cooperative Union | 4 | - | 4 | - | Cost method |
| Concord IV Venture Capital Co., Ltd. | 75,000 | 4.93 | 75,000 | 4.93 | Cost method |
| Core Pacific World Co., Ltd. | 58,000 | 5.00 | 100,000 | 5.00 | Cost method |
| Euroc III Venture Capital Corp. | 30,000 | 5.00 | 30,000 | 5.00 | Cost method |
| Financial Information Service Co., Ltd. | 45,500 | 1.14 | 45,500 | 1.14 | Cost method |
| Landmark Venture Capital Corp. | - | - | 25,000 | 5.00 | Cost method |
| Comm-Trend Ventures Capital Corp. | 23,250 | 11.36 | - | - | Cost method |
| Debt Instruments Depository and Clearing Co., Ltd. Taiwan | 20,000 | 1.00 | 20,000 | 1.00 | Cost method |
| Subtotal | 850,268 | | 902,010 | | |
| Less: Unrealized losses on long-term investments | (2,800) | | (2,528) | | |
| Net | \$847,468 | | \$899,482 | | |

(1) Since August 1988, the Bank has 35% of equity interest in Chiao-Fu Real Estate Management Ent. Corp., which accounted for by the equity method.

(2) During 1999, the Bank set up a 100% owned subsidiary, Overseas Chinese Finance Limited. The authorized capital of the subsidiary was HKD\$30,000 thousand, which is accounted for by the equity method.

(3) In April 1999, the Bank set up BOOC Leasing International Co., Ltd., which the authorized capital was NT\$200,000 thousand. The Bank invested NT\$199,994 thousand and held 99.997% ownership in BOOC Leasing International Co., Ltd.

(4) In July 2003, the Bank set up a 100% owned subsidiary, Overseas Chinese Insurance Broker Co., Ltd. The authorized capital of the subsidiary was NT\$2,000 thousand, which is accounted for by the equity method.

(5) Due to the losses incurred by Wallant International Trade Inc., the Bank has fully appropriated the allowance for investment value decline against the original carrying value.

(6) During 2004, the Bank recognized loss amounted to NT\$14,629 thousand and NT\$1,750 thousand, respectively, due to the Core Pacific World Co., Ltd. reduced its capital stock, and the Landmark Venture Capital Corp. resolved to wind up.

(7) The above long-term investments and related investment income (losses), accounted for by the equity method, were based on its audited report as of December 31, 2004 and 2003 and for the years then ended except for the Overseas Chinese Insurance Broker Co., Ltd., were not reviewed or audited by the auditor.

(8) The individual total assets and operating income of all subsidiaries were less than 10% of the unconsolidated total assets and operating income, respectively, of the Bank. In addition, the combined total assets and operating income of those subsidiaries were less than 30% of the unconsolidated total assets and revenues of the Bank. Thus, the Bank was not required and did not prepare consolidated financial statements.

8. INVESTMENTS IN BONDS

| | December 31 | |
|-----------------------------|-------------|-------------|
| | 2004 | 2003 |
| Domestic Bonds | | |
| Government Bond | \$1,184,350 | \$- |
| Corporate Bonds | 3,804,937 | - |
| Financial Institution Bonds | 220,000 | - |
| Subtotal | 5,209,287 | - |
| Foreign Bonds | 2,349,216 | 2,937,793 |
| Total | \$7,558,503 | \$2,937,793 |

As of December 31, 2004 and 2003, long-term investment in bonds of NT\$889,504 thousand and NT\$2,597,812 thousand, respectively, was placed with counter parties as collateral for trading guarantees.

9. PREMISES AND EQUIPMENT

The Bank revalued certain of its premises and equipment in 1976, 1981 and 1994. The revaluation was based on prescribed price indices and multiples in accordance with government regulations. Changes in the revaluation increment up to December 31, 2004 are summarized as follows:

| | Gross Revaluation Increment | Estimated Land Increment Tax | Capital Reserve |
|---|-----------------------------------|------------------------------------|--------------------|
| Revaluation increment in 1976 | \$30,313 | \$10,451 | \$19,862 |
| Revaluation increment in 1981 | 216,454 | 55,716 | 160,738 |
| Revaluation increment in 1994 | 510,841 | 318,663 | 192,178 |
| Capital increase from capital reserve in 1977 | - | - | (18,741) |
| Capital increase from capital reserve in 1982 | - | - | (158,928) |
| Write-off from disposal | (40,623) | (18,247) | (6,336) |
| Capital increase from capital reserve | - | - | (17,390) |
| Balance at December 31, 2004 | \$716,985 | \$366,583 | \$171,383 |

No mortgage was made on the Bank's premises and equipment.

As of December 31, 2004 and 2003, the insurance coverage of above-mentioned premises and equipment are NT\$4,109,477 thousand and NT\$3,992,071 thousand, respectively.

10. OTHER ASSETS

| | December 31 | |
|---|--------------|--------------|
| | 2004 | 2003 |
| Deferred charges | \$123,591 | \$110,730 |
| Refundable deposits | 751,786 | 1,030,712 |
| Foreclosed property -net | 2,603,562 | 4,613,457 |
| Deferred pension costs | 552,525 | 545,500 |
| Deferred income tax assets-net | 893,911 | 821,298 |
| Unamortized loss on selling of non-performing loans | 8,459,821 | 4,942,510 |
| Others | 335 | 201 |
| Total | \$13,385,531 | \$12,064,408 |

In order to mitigate future delinquencies, the Bank entered into a contract and sold its non-performing loans to COLONY CAPITAL ASIA PACIFIC LTD during October, 2003, the related loss amounted to NT\$5,142,510 thousand, and the Bank entered into a contract and sold its non-performing loans to TAIWAN ASSET MANAGEMENT CORPORATION during September and December, 2004, the related loss amounted to NT \$252,732 thousand and NT \$4,349,679 thousand, respectively. The above related loss according to the Financial Institutions Merger Act, article 15, will be deferred and then amortized for five years. The amortized loss totaled NT\$1,085,100 thousand and NT \$200,000 thousand was recorded as other operating expense during 2004 and 2003, respectively.

11. DUE TO THE CENTRAL BANK OF CHINA AND COMMERCIAL BANKS

| | December 31 | |
|----------------------------------|-------------|-------------|
| | 2004 | 2003 |
| Due to the Central Bank of China | \$13,860 | \$1,1532 |
| Due to commercial banks | 203,386 | 304,642 |
| Overdrafts from banks | 1,005,457 | 1,323,219 |
| Total | \$1,222,703 | \$1,639,393 |

12. PAYABLES

| | December 31 | |
|------------------|-------------|-------------|
| | 2004 | 2003 |
| Accounts payable | \$3,026,902 | \$2,578,912 |
| Accrued expenses | 315,939 | 222,201 |
| Accrued interest | 770,147 | 862,156 |
| Acceptances | 1,862,791 | 2,106,758 |
| Others | 563,758 | 485,752 |
| Total | \$6,539,537 | \$6,255,779 |

13. DEPOSITS AND REMITTANCES

| | December 31 | |
|---|---------------|---------------|
| | 2004 | 2003 |
| Deposits from the Directorate General of Postal Remittances and Saving Banks | \$19,533,897 | \$20,906,033 |
| Check deposits | 4,444,342 | 4,762,059 |
| Demand deposits | 43,416,956 | 41,900,426 |
| Time deposits | 44,490,829 | 47,970,691 |
| Savings deposits | 116,687,418 | 120,604,949 |
| Outward remittances | 60,327 | 72,664 |
| Remittances payable | 78,509 | 122,792 |
| Total | \$228,712,278 | \$236,339,614 |

14. BANKER'S ACCEPTANCES AND FUNDS BORROWED

| | December 31 | |
|--|-------------|-----------|
| | 2004 | 2003 |
| Borrowed funds-the Central Bank of China | \$179,761 | \$294,012 |
| Borrowed Funds-other banks | - | 568,862 |
| Total | \$179,761 | \$862,874 |

15. BANKER'S DEBENTURE

| | December 31 | |
|--------------------------------|-------------|-------------|
| | 2004 | 2003 |
| Subordinate Banker's debenture | \$4,500,000 | \$4,500,000 |

In September, 2003, the Bank issued six-year subordinate banker's debenture amounting to NT\$4,500,000 thousand with a floating interest rate of 1.25% plus the average floating interest rate for one-year time saving deposit of Chunghwa Post Co., Ltd. and Bank of Taiwan. The subordinate banker's debenture are repayable at maturity, and the interests are payable semiannually.

Each subordinate Banker's debenture has lower priority claim on assets and income than other debt. That is, its principal and interests are repayable only after more senior debt with higher priority has been satisfied. Subordinate Banker's debenture is senior to common stock.

16. OTHER LIABILITIES

| | December 31 | |
|--|-------------|-------------|
| | 2004 | 2003 |
| Securities sold under repurchase agreements | \$2,532,552 | \$4,897,069 |
| Reserve for land value increment tax | 366,583 | 383,142 |
| Reserve for losses on guarantees | 35,968 | 119,251 |
| Reserve for losses on stock brokerage transactions | 22,597 | 21,792 |
| Reserve for losses on trading securities | 167,739 | 152,494 |
| Reserve for contingency | 35,581 | - |
| Guarantee and margin deposits | 525,296 | 539,166 |
| Others | 1,475 | - |
| Total | \$3,687,791 | \$6,112,914 |

17. PENSION

(1)The Bank adopted the SFAS No. 18 "Accounting for pensions" which requires actuarial determination of pension assets or obligations. The following is the reconciliation between the funded status and amounts recognized:

| | December 31 | |
|---|---------------|---------------|
| | 2004 | 2003 |
| Pension benefit obligation | | |
| Vested | \$(755,206) | \$(739,201) |
| Non-vested | (724,380) | (655,115) |
| Accumulated benefit obligation | (1,479,586) | (1,394,316) |
| Value of future salary projections | (347,029) | (313,832) |
| Projected benefit obligation | (1,826,615) | (1,708,148) |
| Fair value of plan assets | 17,470 | 10,777 |
| Projected benefit obligation in excess of plan assets | (1,809,145) | (1,697,371) |
| Unrecognized net obligation at transition | 680,764 | 737,494 |
| Unrecognized prior service cost | 103,967 | 113,141 |
| Unrecognized pension (benefit) loss | 114,823 | 8,697 |
| Additional minimum pension liability | (552,525) | (545,500) |
| Accrued pension liability | \$(1,462,116) | \$(1,383,539) |

(2)As of December 31, 2004 and 2003, the vested benefit, based on the Bank's pension plan, amounted to NT\$755,206 thousand and NT\$739,201 thousand, respectively.

(3)The major actuarial assumptions used were:

| | 2004 | 2003 |
|--|-------|-------|
| Discount rate | 3.50% | 3.50% |
| Growth rate in compensation levels | 2.00% | 2.00% |
| Expected long-term rate of return on plan assets | 3.50% | 3.50% |

(4)The following is a summary of the components of net pension expenses for 2004 and 2003:

| | 2004 | 2003 |
|--|-----------|-----------|
| Service cost | \$88,847 | \$90,583 |
| Interest cost | 59,785 | 61,889 |
| Expected return on plan assets | (377) | (787) |
| Amortization of net obligation at transition | 65,904 | 65,904 |
| Net pension expenses | \$214,159 | \$217,589 |

18. CAPITAL STOCK

On January 1, 2003, the Bank had an authorized capital stock of NT \$16,752,000 thousand, divided into 1,675,200 thousand shares at NT \$10 dollars par value, the Bank's outstanding capital stock is amounted to NT\$11,376,000 thousand.

On April 26, 2003, the shareholders of the Bank resolved to increase the Bank's capital stock in the amount of NT\$5,000,000 thousand by issuing 500,000 thousand preferred shares at NT\$10 dollars per share, via private auction. However, due to current situation and external factor, the Bank's shareholders' resolved to withdraw the resolution in their special meeting on October 8, 2004.

The shareholders resolved at their special meeting on October 8, 2004 to offset its accumulated deficit as of June 30, 2004 totaled NT\$4,674,614 thousand by reducing NT\$4,550,400 thousand of capital stock, and issue 511,920 thousand new shares at NT\$10 dollars per share, after issuing the new shares, the Bank's outstanding capital stock is amounted to NT\$11,944,800 as of December 31, 2004. The above capital decrease and increase were approved by authority-in-charge.

19. DISTRIBUTION OF RETAINED EARNINGS

The Bank's Articles of Incorporation provides that its annual net income shall be distributed, first, to make up for prior years' losses, if any; and then 30% of the remainder shall be set aside as legal reserve. A special reserve and a dividend may be appropriated, if necessary. If there is any remainder, the following distribution shall apply: extra bonus to shareholders 85%, compensation to directors and supervisors 5%, and bonus to employees 10%, and cash dividends declaration, if any, should not exceed the limit of 15% of paid-in capital, until such retention of legal reserve reached the amount of paid-in capital.

The shareholders of the Bank resolved at their meeting on April 26, 2003 to amend the Articles of Incorporation. "A special reserve and a dividend may be appropriated, if necessary." was then amended as "total or part of the bonus distributable to the employees under the articles of incorporation may be paid in the form of shares newly issued for such purpose" is added to the Bank's article.

The appropriations of earnings shall be resolved by the shareholders at their annual meeting to be held in the following year and given effect to in the financial statements of that year.

The government's regulations stipulate that the Bank must retain part of its annual net income as legal reserve and cash dividends declared, if any, should not exceed the limit of 15% of paid-in capital, until such retention of legal reserve reached the amount of paid-in capital. The legal reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reached one-half of the paid-in capital, up to 50% thereof may be transferred to capital stock.

In order to prevent an impairment of working capital, based on the regulations of authority-in-charge, a portion of the retained earnings equal to the deduction account of shareholders' equity, if any, becomes unavailable for dividend distribution.

The motion to make up accumulated deficit for 2004 has not been resolved by the board of directors. The information regarding 2003 and 2002 of the motion to make up accumulated deficit and resolution of shareholders' meeting were posted on the Market Observation Post System Website.

20. TREASURY STOCK

Since January 1, 2002, the Bank's own stocks held by subsidiary companies are treated as treasury stock in accordance with SFAS No.30. As of December 31, 2004 and 2003, the Bank's own stocks held by BOOC Leasing International Co., Ltd. totaled 516 thousand shares and 860 thousand shares with a carrying value of NT\$3,007 thousand and NT\$4,246 thousand, respectively and market value of NT\$5.83 dollars and NT\$4.94 dollars per share.

21. INCOME TAX

(1) The income tax returns for the years prior to 1999 have been finalized by the tax authorities. Interest income tax levied on the interest income gained by preceding holders of bonds for 1994, 1995 and 1997 to 1999 were disallowed to be an deduction against the Bank's income tax obligations by tax authorities. But the Bank have a reconciliation with the tax authorities during first half 2004, and the Bank has made proper adjustment for the result.

(2) The reconciliation between income tax payable and income tax expense are as follows:

| | 2004 | 2003 |
|---|-----------|-----------|
| Income tax payable | \$- | \$- |
| Prior year income tax adjustments | (72,614) | - |
| Deferred income tax benefit (expenses): | | |
| Allowance for bad debts | (313,472) | (609,770) |
| Operating loss carryforward | 597,847 | 1,240,898 |
| Other income tax benefit | 55,004 | (45,954) |
| Valuation allowance | (266,765) | (585,174) |
| Income tax expenses | \$- | \$- |

(3) Deferred tax liabilities and assets resulting from the following timing differences:

| | 2004 | 2003 |
|-------------------------------------|--------------|--------------|
| a Deductible temporary differences: | | |
| Allowance for bad debts | \$1,477,122 | \$2,731,009 |
| Others | 575,007 | 323,663 |
| Operating loss carryforwards | \$14,866,033 | \$12,474,647 |
| Income tax credit | \$2,763 | \$10,595 |
| | December 31 | |
| | 2004 | 2003 |
| b Deferred tax assets | \$4,232,303 | \$3,892,925 |
| Less: Valuation allowance | (3,338,392) | (3,071,627) |
| Net | \$893,911 | \$821,298 |

(4) As of December 31, 2004, the Bank unused tax credits due to employee training expenditure was NT\$2,763 thousand, and the expiration year ended of 2008.

(5) As of December 31, 2004 and 2003, the related information of shareholders' deductible income tax is as follows:

| | December 31 | |
|---|-------------|---------------|
| | 2004 | 2003 |
| Shareholders' deductible income tax account | \$107,471 | \$106,132 |
| Accumulated deficit after 1998 | \$(160,322) | \$(2,208,383) |
| Creditable ratio for earnings distribution to ROC resident stockholders | -% | -% |

22. LOSS PER SHARE

(1) The computation of loss per share is as follows:

| | 2004 | 2003 |
|--|---------------|---------------|
| Weighted-average shares (in thousand shares) | 1,133,967 | 1,136,740 |
| Loss before income tax | \$(2,502,339) | \$(1,399,109) |
| Income tax | - | - |
| Net loss | \$(2,502,339) | \$(1,399,109) |
| Loss per share: (in New Taiwan Dollars) | | |
| Loss before income tax | \$(2.21) | \$(1.23) |
| Income tax | - | - |
| Net loss | \$(2.21) | \$(1.23) |

Pro forma information on earnings is set out as follows: (if subsidiaries' investment in Bank is not treated as treasury stock)

| | 2004 | 2003 |
|--|---------------|---------------|
| Net Loss | \$(2,501,253) | \$(1,397,252) |
| Loss per share (in New Taiwan Dollars) | \$(2.21) | \$(1.23) |

(2) Estimated earnings per share after consideration of distribution of employee bonus and compensation to directors as required by the Securities and Futures Commission:

None. (For the Bank has accumulated deficit in recent two years)

23. OPERATING EXPENSES

| | For the years ended December 31, | | | |
|-----------------------|----------------------------------|-------------------|----------------|-------------------|
| | 2004 | | 2003 | |
| | Operating Cost | Operating Expense | Operating Cost | Operating Expense |
| Personnel expenses | | | | |
| Salary expenses | \$- | \$1,498,320 | \$- | \$1,498,607 |
| Insurance expenses | - | 135,172 | - | 95,374 |
| Pension expenses | - | 214,159 | - | 217,589 |
| Others | - | 116,437 | - | 16,998 |
| Depreciation expenses | - | 180,405 | - | 207,631 |
| Amortization expenses | - | 49,195 | - | 61,931 |

V. RELATED PARTIES TRANSACTIONS

1. Name and relation of related parties are as follows:

| Name of related parties | Relationship |
|---|--|
| Chiao-Fu Real Estate Management Ent. Corp. | Investee company in equity method |
| Oversens Chinese Insurance Broker Co., Ltd. | Investee company in equity method |
| BOOC Leasing International Co., Ltd. | Investee company in equity method |
| Overseas Chinese Finance Limited. | Investee company in equity Method |
| BOOC's Employee Welfare Committee | The association is the Chairman of the Board |
| Michael C.S Chang | Director of the Bank |
| Wen-Long Lin | General Manager |
| Edward C.W. LAI | Managing Director |
| Chang Kuang Yu | Managing Director |
| Ching-Sung Wu | Managing Director |
| Gwoduan-David Jou | Director |
| Ho-Mou Wu | Director |
| Kung Nina | Director |
| Sen-Sen Chai | Director |
| Long S-H Tsai | Director |
| Tony K.A. Lyou | Director |
| Lin Hsiou-wei W. | Director |
| Ker Liang-Chun | Director |
| Chin, chang-ming | Director |

| Name of related parties | Relationship |
|----------------------------------|----------------------|
| Sanrong Lii | Director |
| Shih Chiao-Hsim | Director |
| Lily Y. Hwang | Director |
| William T. Lin | Director |
| Development Fund, Executive Yuan | Corporation Director |
| Union Wealth Holdings Ltd. | Corporation Director |
| Polaris Securities Co., Ltd. | Corporation Director |
| New-Fortune Development Co. Ltd. | Corporation Director |
| Paohong Investment Co., Ltd. | Corporation Director |
| Others | |

2. Significant account balances and transactions with the related parties are summarized as follows:

(1) Loans and deposits

| Account | December 31 | | | |
|----------|-------------|------------|-----------|------------|
| | 2004 | | 2003 | |
| | Amount | Percentage | Amount | Percentage |
| Loans | \$105,194 | 0.07% | \$135,207 | 0.09% |
| Deposits | 722,747 | 0.35% | 1,661,925 | 0.77% |

Transactions with related parties are similar to those with third parties dealt with in the ordinary course of business, except for employees have bargain rate for saving accounts and housing loans.

The Bank present its transaction or account balance with related parties, in the aggregate, except for which represents the amount over certain percentage of account balance.

(2) Directors and supervisors as guarantees are summarized as follows:

| Name | Debtor | Category | Balance |
|-----------------|-----------------------|------------------------|----------|
| 2004 | | | |
| Sen-Sen Chai | Tiang Kuo Chiang | Long-term Secured Loan | \$3,422 |
| Tony K. A. Lyou | Ho Chuan Chang | Medium-term Loan | 1,587 |
| 2003 | | | |
| Shih Chie Tsai | Fooder ht'í Co., Ltd. | Overdue Loan | \$28,279 |
| Tony K. A. Lyou | Ho Chuan Chang | Medium-term Loan | 3,851 |
| Sen-Sen Chai | Tiang Kuo Chiang | Long-term Secured Loan | 7,541 |

VI. ASSETS PLEDGED OR MORTGAGED

See note IV.

VII. CONTINGENT LIABILITIES AND COMMITMENTS

As of December 31, 2004, the Bank had the following contingent liabilities and commitments, which are not included in the above-mentioned financial statements:

1. Trust, collection and guarantee:

| Items | Amount |
|---|----------------------|
| Securities sold under repurchase agreement | \$2,534,753 |
| Bills for collection | 34,136,013 |
| Commitments to syndicated loan | 752,517 |
| Guarantees on duties and contracts | 7,164,840 |
| Unused commercial letters of credit | 5,709,872 |
| Travelers' checks for sale | 482,779 |
| Trust and securities held for safekeeping (included trustee amount of NT\$8,052,624 thousand) | 8,644,551 |
| Loan commitments | 4,474,571 |
| Credit card lines | 80,818,617 |
| Total | \$144,718,513 |

2. In accordance with S17 of the Trust Laws, the assets and liabilities managed under the Bank's Trust are as follows:

| Balance Sheet Based on Trust December 31 | | | | | |
|---|--------------------|--------------------|--------------------------|--------------------|--------------------|
| | Trust Assets | | Trust Liabilities | | |
| | 2004 | 2003 | 2004 | 2003 | |
| Trust funds | \$8,052,624 | \$3,850,392 | Trust liabilities | \$8,052,624 | \$3,850,392 |
| Total Assets | \$8,052,624 | \$3,850,392 | Total Liabilities | \$8,052,624 | \$3,850,392 |

| Details of Trust Properties December 31 | | | |
|--|--------------------|--------------------|--|
| Item | Amount | | |
| | 2004 | 2003 | |
| Trust funds | \$8,052,624 | \$3,850,392 | |
| Total | \$8,052,624 | \$3,850,392 | |

3. The Bank has entered into certain contracts to purchase premises and equipment totaling NT\$10,110 thousand of which prepayments of NT\$4,183 thousand were made.

4. The Bank is a lessee under certain operating lease agreements covering premises and equipment. The future minimum lease payments, for the years subsequent to December 31, 2004 are as follows:

| Year | Amount |
|--------------|------------------|
| 2005 | \$9,1075 |
| 2006 | 65,850 |
| 2007 | 47,156 |
| 2008 | 12,210 |
| 2009 | 9,260 |
| Total | \$225,551 |

5. Derivative Financial Instruments

In a normal course of business, the Bank is a party to a variety of off-balance-sheet and derivative instruments including forward exchange contracts, currency swaps, and interest rate swaps. These financial instruments involve to varying degrees of risks. The related information is as follows:

(1) Notional and Credit Risk Amounts for Derivative Financial Instruments

| Derivative Financial Instruments | December 31 | | | | | |
|----------------------------------|-----------------|-------------|-------------|-----------------|-------------|-------------|
| | 2004 | | | 2003 | | |
| | Notional Amount | Credit Risk | Fair Value | Notional Amount | Credit Risk | Fair Value |
| For Trading Purpose: | | | | | | |
| Foreign Exchange Contracts | | | | | | |
| Commitments to purchase | \$2,712,124 | \$6,520 | \$2,679,291 | \$2,000,485 | \$16,926 | \$2,015,568 |
| Commitments to sell | 1,219,716 | 14,391 | 1,211,305 | 126,863 | 90 | 129,520 |
| Option contracts | | | | | | |
| Buy | 148,737 | 98 | 201 | - | - | - |
| Sell | 317,680 | - | 1,028 | - | - | - |
| For Non-trading purpose | | | | | | |
| Currency swaps | 2,231,534 | - | 2,231,534 | 4,132,388 | - | 4,132,388 |
| Interest rate swaps | 1,415,112 | 42,501 | - | 2,937,792 | 37,622 | - |
| Option contracts | | | | | | |
| Sell | 142,956 | - | 192 | - | - | - |

Credit risk is the possibility of loss from the failure of counterparty to fully perform under the term of a derivative financial instrument.

Foreign exchange contracts constitute agreements to exchange designated currencies at a specified date at a predetermined price. The Bank enters into foreign exchange contracts to provide foreign exchange to its clients as hedging instruments. All client positions are entered into under the approved credit limits and under the similar policies and procedures used for lending activities to ensure that exposure to all clients is actively monitored and controlled. Certain clients are required to provide

collateral, generally cash, before entering into these transactions and as deemed necessary over the lives of the contract to reduce the Bank's credit exposure on these positions.

As of December 31, 2004 and 2003, the maturity dates of outstanding currency swap contracts ranged from three days to thirty-five days and from one day to three months, respectively. The purpose that the Bank deals in currency swap transactions is for managing cash flow. The counterparties that the Bank dealt with are all prestige international banks and all under the credit limits the Bank grant to every counter party. So, the Bank assumes very little credit risks.

Interest rate swaps represent agreements between two parties for the exchange of periodic interest payments, mostly for the fixed vs. floating rate by based on a notional principal amount. As of December 31, 2004 and 2003, the maturity dates of the outstanding interest rate swaps ranged from ten and half months to five years and six months and from one and half months to five years and two months, respectively. The interest rates swaps are the combination of Assets Swaps and Euro Convertible Bonds. As a consequence, the Bank assumes both credit risks of bond issuers and counterparties. The measure of bond issuers' credit risk is the maximum losses, i.e. the principal amount and the put premium; the Bank would suffer if the bond issuers default. However, public-listed companies issue all the Euro Convertible Bonds the Bank purchased and the principal amounts are also under the control of credit limits used in lending activities. For the counterparties' credit risks, the counterparties the Bank dealt with are all rated at least 'A' class by S&P and also approved by the board of director. So, the Bank assumes very limited credit risks in doing interest rate swaps.

For option contracts, represent agreements to exercise of option at a fixed date. The buyer paid premiums to seller to obtain a exercising right of option, then decided to exercise of option whether or not on the due date. The credit risk depends on the buyer and seller, the credit risk of the buyer, when it exercise of option, while the seller did not fulfill an obligation, the maximum loss is the amount of premiums. When the seller requested to fulfill an obligation and the party of gathering premiums, and therefore have no credit risk.

(2).Market Risk

Market risk is the potential loss arising from adverse future changes in market rates and prices, such as interest rate, foreign currency exchange rate, and price of equity securities. As of December 31, 2004 and 2003, the related risk for the Bank's derivative financial instruments is limited to a less extent.

(3).Liquidity Risk, Cash Flow Risk and the Uncertainty of the Future Cash Flow as to the Amount and Period.

The net expected cash flow generated from engaging in varieties of derivative products was mainly from forward and interest rate swap contracts. The expected cash flow from forward contracts might be affected by exchange rates; however, the expected cash flow from other products was by netting settlement, so the Bank assumed very limited cash flow risk. Besides, the above-mentioned cash flow was uncertain and would be highly affected by the changes of foreign exchange rate and interest rate. The longer the time horizontalizes, the higher the uncertainty it has.

The liquidity of forward exchange contracts that are entered by the Bank with customers could be low. However, the Bank provides this financial instrument to its customers as a hedge instrument and also requires customers to provide the related trading documents to execute the trade. Since the Bank and customers both commit to perform according to the term of forward exchange contract, the liquidity risk of the forward exchange contract would be immaterial. In the meantime, the Bank also enters forward exchange contracts with international financial institutions. The liquidity risk of this type of transaction is very low because it could buy or sell forward exchange contracts at any time on secondary market. There are no liquid secondary market for currency swap and interest rate swap markets; however, transactions that the Bank entered are for hedging purpose, so the Bank assumed very little liquidity risks.

(4).The policies for disclosed gains or losses of derivative financial instruments on financial statements are summarized as follows:

Assets and liabilities arising from trading forward contracts are recorded at the contract forward rate. Upon settlement, gains or losses caused by the difference between the spot rate at the settlement date and the contracted forward rate are credited or charged to income. At balance-sheet date, the gains or losses on outstanding forward contracts arising from the differences between the forward rate available for the remaining period of each contract and the contracted forward rate are credited or charged to income. The balances of account receivable and payable caused by forward contracts are netted on the balance-sheet date, and the difference are treated as an asset or liability.

The assets and liabilities denominated in foreign currency aroused from spot transaction part of currency swaps are recorded as spot exchange rate, and the forward part of currency swap transactions are recorded as forward exchange rate. The differences between spot and forward exchange rates are amortized over the contract period by straight-line method as addition interest income or expenses.

The notional amount is not recorded for interest rate swaps. In the meantime, the differential to be received or paid which was calculated by fixed vs. floating is recorded as adjustment of interest income.

For option contracts, only memo entries of notional principal amounts are made on the contract date. Premiums paid or received are recorded as assets or liabilities. As of the balance sheet date, outstanding option contracts are marked-to-market and the gains and losses are recognized in the current statement of income. Gains and losses on the exercise of options are recognized in current statement of income.

(5).Off-Balance-Sheet Credit Risk

The Bank entered into certain transactions with customers to repurchase or resell securities or short-term notes for business purpose. The Bank also provides a various type of loans and credit card services. The term for the related loans is various and depends on the credit status of the borrowers. In 2004 and 2003, the interest rates for credit card loans are even 14.27%-19.76%.

The Bank also provides guarantees for loans and commercial letters of credit services. These

guarantees represent an irrevocable obligation to pay a third-party beneficiary in the event a customer fails to meet a financial or performance obligation and the dates of guarantees for maturity are not in one particular period.

(6)A summary of the contract amount of each significant class of off-balance-sheet credit related financial instruments outstanding appear in the table below.

| Items | December 31 | |
|---|-------------|-------------|
| | 2004 | 2003 |
| Securities sold under repurchase agreements | \$2,534,753 | \$4,901,958 |
| Loan commitments | 4,474,571 | 4,493,166 |
| Credit card lines | 80,818,617 | 66,477,487 |
| Guarantees and commercial letters of credit | 12,874,712 | 17,410,978 |

These financial instruments will not fully pay before maturity. Therefore, the total contractual amounts of these contracts does not necessarily represent future cash requirement. The maximum amount of possible losses for the above off-balance-sheet credit related financial instruments approximate to those contractual amounts if borrowers failed to perform according to the terms of the contract and the value of existing collateral became worthless.

The Bank will evaluate customers' credit status when provided securities sold under agreement to repurchase, securities purchased under agreement to resell, loan commitments, and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans and the Bank retains the legal right to foreclose or liquidate the collateral. Generally, these collateral include cash, real estate, securities, or other properties. Credit card lines are not secured and may be cancelled by the Bank after periodically reviewed customers' credit status.

6.As of December 31, 2004, the significant pending legal issue arising from normal business is as followed:

The Bank bought NT\$215,442 thousand of Government Bonds from third party; while Bank of Taiwan claimed that its employees stole those Bonds and then sold to the Bank. In April 2002, Bank of Taiwan submitted a petition to Taipei District Court to claim for the return of NT\$215,442 thousand plus interest derived. And the court has not yet decided this case. The Bank considers the possibility of winning this case is high and there will be no negative affect on the financial statements.

VIII.SIGNIFICANT DISASTER LOSS

None.

IX.SIGNIFICANT SUBSEQUENT EVENT

None.

X.OTHERS

1.Fair Value of Financial Instruments

As of December 31, 2004 and 2003, except for the table summarized below, the carrying amounts of financial assets and liabilities reported on the balance sheets are approximately equal to their carrying values.

| Financial Asset | December 31 | | | |
|-----------------------|----------------|-------------|----------------|-------------|
| | 2004 | | 2003 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Securities purchased | \$3,157,897 | \$3,217,059 | \$3,211,901 | \$3,165,173 |
| Long-term investments | 8,405,971 | 8,439,620 | 3,837,275 | 3,837,623 |

Fair value amounts of marketable securities and long-term investment were based on quoted market prices, if available. If quoted market prices did not exist, fair values were estimated using book or other financial resources.

2.Concentration Aggregation of Credit Risk

(1)When counterparties of financial instrument transactions are significantly concentrated in one particular person or most of the counterparties perform the similar business or have the similar business characteristic, the Bank is exposed to credit risk while counterparties fail to live up the terms of the contract under certain economic circumstance. The Bank mitigates the above risk by diversifying counterparties and customers. The below table summarizes the above risk by type of industry and geographic region.

| Loan (exclude bill purchase and overdue loans) | December 31 | |
|--|---------------|---------------|
| | 2004 | 2003 |
| Geographic Region | | |
| Domestic | \$141,740,623 | \$145,422,858 |
| South East Asia | 1,253,045 | 2,138,882 |
| North America | 1,081,528 | 231,220 |
| Others | 6,025,656 | 9,840,924 |
| Total | \$150,100,852 | \$157,633,884 |
| Industry type | | |
| Electronics | \$12,106,530 | \$13,963,322 |
| Construction | 5,631,403 | 6,105,135 |
| Others | 132,362,919 | 137,565,427 |
| Total | \$150,100,852 | \$157,633,884 |
| Credit card | | |
| Gold card | \$2,357,141 | \$2,247,750 |
| Regular card | 2,308,964 | 2,575,360 |
| Business card | 5,811 | 5,250 |
| Total | \$4,671,916 | \$4,828,360 |

The amount of possible losses for the above credit related loans approximate to those notional amounts if borrowers failed to perform in accordance with the terms of the contract and the value of existing collateral became worthless.

(2) Maturity analysis of assets and liabilities: Please refer to Exhibit I

(Exhibit I)

| December 31, 2004 | | | | | | |
|---|------------|------------------|-------------------|------------------|-----------------|-------------|
| Assets | Due in one | Due after one | Due after six | Due after one | Due after seven | Total |
| | month | month before six | months before one | year after seven | | |
| | month | months | year | years | years | |
| Marketable securities-bonds | 917,251 | 192,957 | 158,840 | 6,533,648 | 1,113,706 | 8,916,402 |
| Due from and call loans to banks | 12,735,324 | 278,840 | 160,000 | 600,000 | - | 13,774,164 |
| Bills and loans | 17,181,884 | 33,974,648 | 15,924,414 | 43,989,118 | 39,103,118 | 150,173,182 |
| Long-term investment-bonds | - | 38,1216 | 1,540,717 | 5,446,975 | 189,595 | 7,558,503 |
| Liability | | | | | | |
| Due to commercial banks | 103,386 | 100,000 | - | - | - | 203,386 |
| Time deposits | 33,056,829 | 39,184,910 | 33,788,576 | 5,852,024 | - | 111,882,339 |
| Negotiable certificates of time deposits | 1,141,200 | 1,346,400 | 1,590,900 | - | - | 4,078,500 |
| Deposits from the Directorate General of Postal Remittances and Savings Banks | 2,726,657 | 6,287,740 | 10,519,500 | - | - | 19,533,897 |
| Banker's acceptances and fund borrowed | - | - | - | 4,500,000 | - | 4,500,000 |
| Banker's debenture | - | - | - | - | - | - |
| December 31, 2003 | | | | | | |
| Assets | | | | | | |
| Marketable securities-bonds | 202,793 | 346,530 | 446,119 | 5,867,413 | 3,277,960 | 10,140,815 |
| Due from and call loans to banks | 8,515,297 | 629,970 | 839,960 | - | - | 9,985,227 |
| Bills and loans | 23,406,468 | 41,041,070 | 10,769,869 | 41,219,867 | 41,369,840 | 157,807,114 |
| Long-term investment-bonds | - | 356,979 | 339,980 | 2,240,834 | - | 2,937,793 |
| Liability | | | | | | |
| Due to commercial banks | 4,642 | 300,000 | - | - | - | 304,642 |
| Time deposits | 28,661,790 | 45,316,906 | 36,951,676 | 10,154,961 | - | 121,085,333 |
| Negotiable certificates of time deposits | 1,230,300 | 1,394,100 | 1,539,500 | - | - | 4,163,900 |
| Deposits from the Directorate General of Postal Remittances and Savings Banks | 2,690,597 | 6,616,613 | 11,598,823 | - | - | 20,906,033 |
| Banker's acceptances and fund borrowed | 413,103 | 167,992 | 18,183 | 95,581 | 168,015 | 862,874 |
| Banker's debenture | - | - | - | 4,500,000 | - | 4,500,000 |

(3) Average balances and average interest rate of interest-bearing assets and interest-bearing liabilities

| | 2004 | | 2003 | |
|---|-----------------|--------------|-----------------|--------------|
| | Average balance | Average rate | Average balance | Average rate |
| Assets | | | | |
| Due from banks | \$3,029,816 | 1.33% | \$2,125,437 | 0.80% |
| Call loans to banks | 4,575,253 | 1.89% | 11,026,319 | 1.56% |
| Due from the Central Bank of China | 30,773,361 | 1.21% | 27,740,198 | 1.45% |
| Securities purchased-bonds | 9,136,156 | 4.54% | 12,887,261 | 4.43% |
| Loans | 151,285,725 | 3.25% | 145,915,114 | 3.85% |
| Long-term investments-bonds | 3,954,564 | 2.67% | 3,067,387 | 2.92% |
| Liabilities | | | | |
| Due to banks | 221,813 | 1.30% | 348,726 | 1.65% |
| Overdrafts from banks | 1,074,101 | 0.06% | 691,096 | 0.04% |
| Call loans from banks | 280,887 | 1.03% | 334,681 | 1.12% |
| Demand deposits | 84,474,208 | 0.61% | 73,639,696 | 0.77% |
| Time deposits(including negotiable certificates of time deposits) | 117,472,095 | 1.43% | 129,029,093 | 1.83% |
| Deposits from the Directorate General of Postal Remittances and Savings Banks | 20,564,528 | 1.60% | 23,564,636 | 1.88% |
| Bankers' acceptances and funds borrowed | 1,058,023 | 1.35% | 848,407 | 0.20% |
| Banker's debenture | 4,500,000 | 2.71% | 1,115,781 | 2.75% |

(4) Regulatory capital ratio

Pursuant to the regulations of Banking Law, the ratio of bank's shareholders' equity to its risk weighted assets shall not be less than 8%; if the said ratio is less than the prescribed ratio, the Bank's power to distribute surplus profits may be restricted by the authority in charge.

The ratio of Bank's shareholders' equity to its risk weighted assets as of December 31, 2004 and 2003 are 10.54% and 8.04%, respectively. The equation to calculate such ratios are listed below:

Eligible capital-Deduction item

Weighted risk assets + Capital charges for market risk positions ×12.5

(5) Certain accounts for the financial statements of the year ended December 31, 2003 have been reclassified to conform with the current presentation.

(6) Effective January 1, 2004, the Bank adopted the new "Guidelines Governing the Preparation of Financial Reports of Public Banks" to account for its bills transactions related to resell or repurchase agreements using the financing method, while the bank have no transactions since January 1, then resulted non-influence in net income for 2004.

XI. SEGMENTS INFORMATION

The Bank's operations all belong to one business segment Banking.

V. Audited Consolidated Financial Statement for Parent and Subsidiary Companies for the Most Recent Fiscal Year:None

VI. Influence on the Bank's Financial Status of Working Capital Problems Encountered by the Bank or Its Related Enterprises During the Most Recent Fiscal Year and Up to Date of Publication of the Annual Report:None



I. Financial Status

Unit: NT\$1,000

| Item | Year | | Dec. 31, 2004 | | Dec. 31, 2003 | | Increase(Decrease) Amount (Note 2)% | explain |
|--|-------------|-----------|---------------|-----------|---------------|-----------|--|---------|
| | Amount | (Note 1)% | Amount | (Note 1)% | Amount | (Note 2)% | | |
| Cash, Cash equivalents | 8,212,799 | 3.18 | 5,723,514 | 2.15 | 2,489,285 | 43.49 | Cash, post-dated checks for clearance and due from banks increase 100 million, 550 million and 1,800 million respectively. | |
| Receivables | 12,475,992 | 4.83 | 8,941,255 | 3.35 | 3,534,737 | 39.53 | Accounts receivable increases 3,500 million. | |
| Exchange bills negotiated, notes discounted, and loans | 159,365,836 | 61.65 | 176,734,779 | 66.30 | (17,368,943) | (9.83) | Loans and overdue loans decrease 7,500 million and 10,300 million respectively. | |
| Long-term equity investment | 8,405,971 | 3.25 | 3,837,275 | 1.44 | 4,568,696 | 119.06 | Equity investments increase 4,600 million. | |
| Other liabilities | 3,687,791 | 1.43 | 6,112,914 | 2.29 | (2,425,123) | (39.67) | Securities sold under agreements to repurchase decreases 2,300 million. | |

Note1: % represents the same type of ratio in relative reports.

Note2: % represents the percentage of change calculated from the last year as 100 percent.

Note3: Major changes on account mean that the amount change is over 10% and reaches above 1% of total assets of the same year.

II. Analysis of Operating Results

Unit: \$1,000

| Item | Year | 2004 | 2003 | Increase (Decrease) | Change in % |
|-------------------------------|------|-------------|-------------|------------------------|-------------|
| Operating revenue | | 8,605,621 | 10,318,538 | (1,712,917) | (16.60)% |
| Operating expense | | 11,224,272 | 11,823,577 | (599,305) | (5.07)% |
| Operating profit (loss) | | (2,618,651) | (1,505,039) | (1,113,612) | (73.99)% |
| Non-operating income & profit | | 152,348 | 131,243 | 21,105 | 16.08% |
| Non-operating expense & loss | | 36,036 | 25,313 | 10,723 | 42.36% |
| Income before income tax | | (2,502,339) | (1,399,109) | (1,103,230) | (78.85)% |
| Provision for income tax | | - | - | - | - |
| Net income (loss) | | (2,502,339) | (1,399,109) | (1,103,230) | (78.85)% |

Analysis of changes in increase/decrease ratios:

The net income loss for 2004 was NT\$2,502,339 thousand, an increase of NT\$1,103,230 thousand compared with that of 2003. The major reason is the net decrease by NT\$1,055,767 thousand in securities trading compared with that of 2003.

III. Cash Liquidity

1. Liquidity Analysis for 2003 & 2004

| Item | Year | 2004 | 2003 | Percentage Increase (Decrease) |
|--------------------------|------|-----------|-----------|-----------------------------------|
| Cash Flow Ratio | | Note | 43.00% | Note |
| Cash Flow Adequacy Ratio | | 2,073.46% | 1,647.91% | 25.82% |
| Cash Reinvestment Ratio | | Note | 4.53% | Note |

Note: The ratio is negative.

Analysis of changes in increase/decrease ratios:

There was a negative in net cash inflow from business activity, resulting in negative of cashflow ratio and cash reinvestment. Because of the continuing decline in capital expenditures within recent five years, there is an increase in cash flow adequacy compared with the previous period.

2. Cash Liquidity Analysis for 2005

Unit: NT\$1,000

| Beginning Cash Balance | Estimated Net Operating Cash Flow | Estimated Cash Outflow | Estimated Cash Balance/Shortage | Remedy for Estimated Cash Shortage | |
|------------------------|-----------------------------------|------------------------|---------------------------------|------------------------------------|-------------------|
| | | | | Investment Project | Financing Project |
| ① | ② | ③ | ①+②-③ | | |
| 8,212,799 | 20,710,807 | 20,618,319 | 8,305,287 | - | - |

IV. Influence of Major Expenditures on the Bank's Financial Operations During the Most Recent Fiscal Year: None.

V. Reinvestment Policy for the Past Fiscal Year, Main Causes of Resulting Profits or Losses, Plans for Improvement, and Investment Plans for the Next Year

The Bank's reinvestment in finance-related enterprises is carried out in coordination with government policy, and reinvestment in non-financial enterprises, and cross-industry investment, is carried out in consideration of current law and of enterprises that fit in with the Bank's business. To enhance the performance of the Bank's investments, and the rationality and necessity of its reinvestment policy, in 2004 the Bank sold, under the precondition of maximizing profits, all of its shares in the Chinatrust Financial Holding Co. and the Cooperative Bank, earning profits of NT\$405,000 and NT\$3,804,000, respectively. The Bank has also formulated improvement and responsive measures for reinvested enterprises that are operating poorly and producing an unsatisfactory return on investment, and is watching for opportunities to sell. The Bank evaluates the performance of its investments on a regular basis, in line with current law and internal management rules, and strengthens supervision and management of reinvested companies so as to facilitate future investment strategies.

VI. Risk Management

1. Risk Management Organizational Framework and Policy

(1) Organizational Framework of Risk Management

A Risk Management Center has been established within the BOOC headquarters office to control risk management bank-wide, maintain the quality of loan assets, and handle the evaluation of loans and products. The loan management division operates under the Center, handling the Bank's credit risk and position control as well as integrating the risk management systems for the different areas of business, collating various risk positions on a regular basis, carrying out analysis, and reporting to the Risk Management Committee.

(2) Risk Management Policy

All sorts of innovative financial products have been introduced along with the rapid changes taking place in the financial market and with the intensification of competition in the banking industry, bringing risks to financial companies in more complex forms than were encountered in the past. It is a bank's nature to earn profits from the assumption of risk; the prime task for banks, therefore, is to find a balance between risk and return, and between business development and risk control. Good risk control can reduce to a minimum the impact that a bank must face and bear in the fiercely competitive environment of the future, while inappropriate risk control can lead a bank to extinction. The BOOC follows the rules of the Ministry of Finance and the Bank for International Settlements in evaluating its operating risks, approving risk quotas for different areas of business, and pressing management units to adopt necessary measures to assure the Bank's operating security and improve its operating performance. In addition, the Bank assures the effective implementation of risk management policies by convening meetings of the following evaluation committees on a regular basis so as to determine the effectiveness and shortcomings of risk management and flexibly adjust risk management measures whenever necessary.

- A. Loan Deliberation Committee: Holds meetings once a week, with the vice president in charge of loans presiding; sets loan policy directions and assesses credit risk of major loans.
- B. Over-Due Loan Deliberation Committee: Holds meetings each week, with a vice president presiding; examines non-performing loans and loans for collection, formulates NPL policy, and takes care of other matters as directed by higher authorities.
- C. Investment Deliberation Committee: Holds meetings once a month, with the official in charge of the Wealth Business Group presiding; responsible for reviewing and formulating structural adjustments for the Bank's investment portfolio, mapping out short-, medium-, and long-term investment programs, and carrying out comparative analysis of investment costs and benefits.
- D. Business and Risk Management Committee: Meets every six months, with the president presiding; integrates risk management systems for various areas of business, formulates operating strategies and guiding principles, and readjusts the Bank's operating and management strategies whenever necessary to reduce operating risk.
- E. Assets and Liabilities Management Committee: Meets once a month, with the president or a designated vice president presiding, to carry out the following tasks:
 - a. Reviews readjustment programs for the Bank's assets and liabilities structure and pricing strategy,

and analyzes interest rate, foreign exchange rate, and term sensitivity.

- b. Establishes short-, medium-, and long-term programs for the raising and utilization of funds.
- c. Plans an appropriate level of liquidity, and liquidity structure, to be maintained by the Bank.
- d. Formulates effective utilization measures for New Taiwan Dollar and foreign-currency funds.
- e. Assesses the appropriation of reserves and analyzes the adequacy of the Bank's ratio of capital to risk-based assets.
- f. Carries out capital costs/benefit comparative analysis, and coordinates operating strategies for various areas of business.
- g. Provides guidance for the Bank's funds deployment units in their financial market operations.
- h. Handles other major matters regarding the Bank's assets and liabilities management. If necessary, the Treasury Division convenes a funds meeting, with the president presiding, to review whether or not to adjust posted interest rates and intra-bank interest rates.

2. Risk Measurement and Control Methods, and Quantitative Exposure Information

(1) Risk Management Targets and Policies

A. Credit Risk

The Bank's loan policy stipulates internal and external loan targets, loan authorization limits, loan quotas, principles for lending to materially interested parties and for the implementation of loan policy, and principles for delimitation among management units as the Bank's highest guiding principles for the extension of loans. Loan-extension criteria, directions, and authorization rules are established in accordance with this policy to serve as loan-extension standards. In addition, the vice president in charge of loans convenes meetings of the Loan Examination Committee to set loan policy directions, assess credit risk for major loans, and oversee management units in adopting the following essential measures:

a. Establishment of industry loan quotas

The Bank sets quota ratios for loans to major industries by referring to loans to the industries by other financial institutions, and by weighing the bank's room for business growth as well as credit risk. Limiting conditions or notices are established for loans to industries with poor prospects and high risks, and to high-tech industries, the construction industry, building financing, and land financing, which are subject to drastic changes.

b. Control of loans to affiliated and associated parties

Separate ceilings are established, in consideration of total and net shareholder equity, for total loans and unsecured loans to groups with loan quotas that reach NTS1 billion. Long-term investment in bonds by the Treasury Division, and sales projects undertaken by the Trust Division, are controlled via their inclusion in risk quotas (if a project is guaranteed by a bank or institution, however, then it will be included in the monitoring of the affiliated and associated parties of the guaranteeing bank or institution).

c. Diversification of large loan risk

d. Establishment of industry loan limits

Scheduled announcements are made, for the reference of business units, of industries for which business relations should be strengthened because of their good prospects, and of industries that should be watched closely because of their poor prospects and high risk.

e. Limits on loans secured by stocks and vacant land

The ceiling on the ratio of loans secured by stocks to total loans is set at 5%, and the bank-wide ceiling on stocks used as collateral is set at 10% of the total issued shares of an individual stock-issuing company. Stocks are accepted as collateral in accordance with the BOOC Rules for the Use of Stocks as Collateral.

f. Use of credit rating as a major condition for loans

Except for government loans and other exceptions, normal business relations can be carried on with customers with credit ratings of A1 to A4. For A5 customers, special attention must be devoted to business transactions. No business transactions will, in principle, be carried on with new customers having a credit rating of A6, while the quotas for old A6 customers should be frozen.

g. Attention to post-loan monitoring

B. Operating Risk

To provide customers with high-quality financial services and avoid the risk of direct or indirect losses caused by inappropriate or erroneous human or information system handling internally or by the occurrence of incidents externally, thereby affecting the interests of customers, the Bank has established a compliance officer system and, for the business it undertakes, has set up complete management, internal control, and auditing systems.

The Bank's operating risk is handled as follows:

a. Operating standards

Operating standards and business manuals have been established for different operations and have been published on the Bank's internal website to facilitate reading by employees at any time. The standards are reviewed whenever necessary and revised in regard to potential points of risk.

b. Graded responsibility

Detailed grades of responsibility have been established, clearly setting the scope of responsibility for personnel at different levels.

c. Standardized operating procedures

Standardized operating procedures have been set up to enhance the efficiency and accuracy of operations and lower operating risk.

d. Internal controls

An internal controls system has been established, with control points and firewalls set up for different operations so as to prevent internal malpractice.

e. Auditing and inspection

Self examinations are carried out regularly and auditing units carry out general and special inspections irregularly so as to assure the quality of business.

f. Education and training

Staff skills training has been strengthened to instill a correct working attitude and enhance

professional know-how.

g. Customer service management

Designated units are responsible for customer complaints and for the disposition and reporting of abnormal situations so as to strengthen customer service management and avoid the repeated occurrence of complaints and abnormal situations.

C. Market Risk

a. General market risk procedures for different financial products

Trading units

When a price enquiry is received from a customer, a judgment is made as to whether the current market price is reasonable and the transaction is carried out via telephone or fax; the customer's desires are confirmed, a transaction sheet is printed, and a confirmation document is faxed to the customer.

Clearing units

(a) Transaction and confirmation documents are input into computers for the production of transaction reports.

(b) Establishment and management of contracts are carried out for different financial products.

(c) Unsquared positions are assessed in regard to market price on a regular basis, and the results of the assessment are submitted to the president.

(d) Exposure analysis is carried out for different financial products, and risk assessment reports are produced and submitted to the president on a regular basis.

Accounting units

(a) Attention is paid as to whether the handling of accounts is done in conformity with accounting principles.

(b) Attention is paid to the influence of off-book items on capital adequacy.

(c) The units are responsible for the recording of accounts.

Auditing units

(a) The rationality of internal controls for trading in different financial products is determined on a scheduled basis.

(b) The conformance of the handling procedures of trading units, clearing units, and accounting units is examined on a scheduled basis.

Ranking officials/president, vice president, or designated ranking official

(a) A ranking official is normally designated as the person authorized to check reports.

(b) When abnormalities appear in market price assessment reports, a report is submitted to the Board of Directors and necessary measures are adopted.

Board of Directors

(a) The Board establishes operating strategies and working procedures.

(b) A ranking manager is designated to pay attention to the exposure of different financial products.

(c) Assessment is made on a scheduled basis of whether the trading performance and risk

assumption of different financial products are within the Bank's parameters.

b. Organizational framework of market risk for different financial products

Board of Directors

- (a) Establishes operating strategies and working procedures.
- (b) Designates ranking officials without trading decision-making responsibility to pay attention at all times to the supervision and control of transaction risk for different financial products.
- (c) Assesses, on a scheduled basis, whether the performance of trading in different financial products conforms to established operating strategies and whether the assumption of risk is within the Bank's permitted parameters.

Ranking manager/president, vice president, or designated authorized person

- (a) Evaluates, on a scheduled basis, whether current risk management procedures are appropriate and whether risk management is carried out according to those procedures.
- (b) When market price assessment reports reveal an abnormality, submits a report to the Board of Directors immediately and adopts necessary countermeasures.
- (c) Checks reports related to trading in different products.

Auditing units

Handles assessment in accordance with the Bank's internal auditing methods

- (a) Determine, on a scheduled basis, the appropriateness of internal controls on trading in different financial products.
- (b) Direct attention to the affect of off-book items on capital adequacy.
- (c) Examine reports on trading in different financial products.
- (d) Are responsible for the entry of accounts.

Accounting Units

- (a) Watch for whether or not the handling of accounting for transactions conforms with accounting principles.
- (b) Pay attention to the influence of off-book items on capital adequacy.
- (c) Are responsible for the entry of accounting items.

Clearing units

- (a) Enter transaction and confirmation documents into the computer, and produce transaction charts; also produce entry slips and reports.
- (b) Sign transaction confirmation documents and safeguard legal contracts and other documents (including ISDA contracts).
- (c) Establish and safeguard transaction contract files.
- (d) Print the results of unsquared position assessment carried out in regard to market price, and submit them to the president for checking.
- (e) Analyze whether risk exposure positions are excessively concentrated in respect to individual product markets, terms, currency, transaction partner, and guarantee funds or collateral.
- (f) Produce effective and timely risk assessment reports and submit them to the president for

checking, and provide constant monitoring and management.

- c. The scope of the Bank's funds utilization encompasses foreign currency, domestic and overseas securities, asset swaps, and financial derivatives. Market risk includes primarily exchange-rate risk, interest-rate risk, and price risk.

The Bank's strategies for the control of market risk produced by different trading instruments are as follows:

Foreign Exchange:

- (a) Risk management methods adopted to improve the utilization of funds, heighten operating revenue, and control exchange-rate risk:
 - (aa) In regard to position limits, ceiling amounts are placed on single transactions by each trader, and on accumulated transaction amounts for individual traders; at the same time, limits are also placed on total position exposure for trading rooms.
 - (bb) In regard to stop-loss stipulations, daily loss ceilings are established for individual traders, and accumulated monthly loss ceilings are placed on trading rooms.
 - (cc) In regard to risk assessment, clearing personnel assess trading position profits or losses according to real-time exchange rates, and submit reports to the manager of the Treasury Division for checking.
- (b) Investment in domestic and foreign securities: The following risk strategies are adopted to cope with market risk arising from changes in the prices of invested securities:
 - (aa) In regard to investment quotas, in accordance with the rules governing investment in domestic securities the amount of purchases by the domestic securities investment team is limited to a daily quota, while sales are unrestricted. Investment in foreign securities is limited by the competent authority to a ceiling of US\$300 million or the equivalent amount in other currencies.
 - (bb) In regard to stop-loss, for investment in domestic securities stop-loss should be adopted immediately if unrealized losses in an individual stock reach 15%. For investment in foreign securities, when unrealized losses on an individual trade reach 3% of cost or US\$150,000, stop-loss should be adopted immediately.
 - (cc) In the assessment of market price, clearing units use market prices as the basis for scheduled assessments, and submit assessment reports to members of the Investment Deliberation Committee and to the president.
- (c) Stock index futures and options: To cope with market risk resulting from changes in the prices of invested instruments, trading in stock index futures and options is carried out for hedging purposes and the following risk control strategies are adopted:
 - (aa) In regard to trading quotas, the amount of hedging should conform to the rules stipulated by the competent authority: "The hedging position of banks engaging in futures trading should conform to total market value of unsquare positions plus premium of put option and exercise value of selling call option, but is not in excess of the total market value of

underlying securities for futures marked at closing price on the previous banking day.

(bb) In the assessment of market prices, the clearing units base their daily assessments on prices quoted on the Taiwan Stock Exchange, and produce at least two risk assessment reports per month for submission to the Investment Deliberation Committee and the president.

(cc) In stop-loss operations, when losses from investment in stock index futures made for hedging purposes reaches the amount of the original guarantee, stop-loss should be effected.

(d) Asset swaps:

(aa) In regard to trading limits, according to the BOOC regulations governing asset swaps, the amount of transactions with a single trading partner may not exceed NT\$400 million.

(bb) In regard to credit violations, should a credit abnormality or violation occur, a report should be submitted immediately to the Investment Deliberation Commission and necessary remedial steps taken.

(cc) In regard to market price assessment, market prices provided by trading partners are taken as the basis of assessment, with assessment carried out at least twice a month and assessment reports compiled for the president to check.

(2) Amount to Credit of Risk Assets :

A. Book items - amount of credit risk-based assets

| Dec. 31, 2004 | | |
|--|----------------|-----------------------------|
| Item | Risk Weighting | Amount of Risk-Based Assets |
| Debt secured by BOOC CDs | 0% | 0 |
| Due from local governments | 10% | 437,465 |
| Debt with maturity under 1 year due from banks of non-OECD countries, or debt guaranteed by such banks | 20% | 5,979,918 |
| Debt secured by residential real estate | 50% | 25,678,662 |
| Debt due from general enterprises | 100% | 115,360,978 |
| Total | | 147,457,023 |

B. Off-Balance Sheet Item—Credit Risk of Risk Assets

Unit : NT\$1,000 Dec. 31, 2004

| Item | Amount of Risk Assets |
|--|-----------------------|
| General off-balance sheet transactions | 7,271,825 |
| Derivatives | 137,435 |
| Re-purchase Debt (RP) | 328,869 |
| Re-sale Investment (RS) | - |
| Total | 7,738,129 |

(3) Market Risk Capital Accrual and Amount of Risk Assets

Unit : NT\$1,000 Dec. 31, 2004

| Type of risk | Accrual capital | Amount of Risk Assets (Note 2) |
|----------------------------------|-----------------|--------------------------------|
| Interest rate risk | 213,971 | 2,674,638 |
| Equity share risk | 24,190 | 302,375 |
| Foreign exchange risk | 128,872 | 1,610,900 |
| Commodity risk | - | - |
| Options handled by simple method | - | - |
| Total | 367,033 | 4,587,913 |

(4) Maturity Analysis of Assets and Liabilities

A. New Taiwan Dollar

Unit : NT\$ million Dec. 31, 2004

| Item | Total | Outstanding Amount by Remaining Time to Maturity | | | | |
|-----------------|---------|--|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | over 1 year |
| Assets | 212,752 | 104,971 | 7,806 | 3,152 | 13,882 | 82,941 |
| Liabilities | 200,865 | 61,665 | 15,613 | 78,497 | 27,965 | 17,125 |
| Gap | 11,887 | 43,306 | -7,807 | -75,345 | -14,083 | 65,816 |
| Accumulated Gap | 11,887 | 43,306 | 35,499 | -39,846 | -53,929 | 11,887 |

Note: This chart contains only those NT Dollar amounts in BOOC headquarters and domestic and overseas branches.

B. Foreign Currency

Unit : US \$ 1,000 Dec. 31, 2004

| Item | Total | Amount Due To Date | | | | |
|-----------------|-----------|--------------------|------------|-------------|-----------------|-------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days-1 Year | over 1 year |
| Assets | 1,903,257 | 504,578 | 195,182 | 269,414 | 92,351 | 841,732 |
| Liabilities | 1,863,208 | 431,084 | 112,630 | 747,316 | 102,600 | 469,578 |
| Gap | 40,049 | 73,494 | 82,552 | -477,902 | -10,249 | 372,154 |
| Accumulated Gap | 40,049 | 73,494 | 156,046 | -321,856 | -332,105 | 40,049 |

Note: This chart contains only those foreign currency amounts in BOOC headquarters and domestic and overseas branches (all in US Dollar equivalents).



In regard to liquidity the BOOC has established Rules for the Management of Capital Liquidity; for the management of funds gap, the analysis of interest rate-sensitive assets and liabilities includes such stipulations as target-zone RSA/RSL ratios for interest rate-sensitive assets with maturities of 0-90 days as well as the ratio of funds gap to total assets. For the management of term gap, limits are set for gaps of different terms.

3. Impact on the BOOC's Financial Business of Major Changes in Domestic and Overseas Policies and Laws, and Countermeasures

Taiwan's Statement of Accounting Standards No. 34, "Accounting Regulations for Financial Instruments," which will be implemented in 2006, mandates major changes in methods of recognition and measurement of financial instruments. These changes will have a heavy impact on the balance sheets and income statements of enterprises that hold or issue relatively large amounts of financial products, and the influence of their implementation will encompass companies' profit stability, risk-hedging activities, and financial and risk-management strategies. In response to the impending implementation of Bulletin No. 34, the BOOC has set up a task force comprised of personnel from related units, the progress of which is reported monthly to the Board of Managing Directors. The Bank now calculates profit and loss in accordance with the stipulations of Bulletin No. 34; but definitions contained in the bulletin remain to be clarified and the affect on the amount of profits and losses will be limited, and so the impact on the Bank is not expected to be very great.

4. Impact on the BOOC's Financial Business of Changes in Technology and Industry, and Countermeasures: None

5. Impact of Changes in the BOOC Image on the Bank, and Countermeasures

For the sake of transparency in financial matters following the write-off of bad debt and a resulting major improvement in asset quality, the Bank moved to make up its losses, enhance its financial structure, and strengthen its competitiveness by carrying out a capital restructuring project in 2004. A capital reduction and increase were completed and the sale of bad debt was carried out; as a result, by the end of the year the Bank's ratio of capital to risk assets rose above 10% and the non-performing-loan ratio dropped below 5.3%. This strengthened the Bank's operating system and had a positive affect on enhancing its image; at the same time, it expanded the space for future business development and encouraged the hope that, after its transformation, the BOOC will become a healthy, beautiful bank, thereby requiring the support of its shareholders and the public in general.

6. Expected Benefits and Potential Risks Resulting from Mergers and Acquisitions: None

7. Expected Benefits and Potential Risks Resulting from the Expansion of Business Units: None

8. Risks Arising from Concentration of Business

The BOOC moved to reduce operating costs, assure asset quality, achieve a professional division of labor, and strengthen competitiveness, and thereby achieve its profit targets, by carrying out two organizational re-engineering projects and restructuring its organizational framework. The new framework is divided into front office and back office to concentrate operations functionally, with the front office having three large business groups (corporate banking, personal banking, and wealth management) and the back office consisting of three large management centers (risk, operations, and administration). There is a potential risk in the initial period of this reorganization because of friction, and the Bank has adopted the following countermeasures to deal with it:

- A. Revision of outdated regulations: Some of the Bank's regulations have become outdated by changes in the layered delegation of authority brought about by the restructuring of the organizational framework. The Bank is revising these regulations and will review them whenever necessary in the future, carrying out consistent policy guidance so as to facilitate smooth operations.
- B. Establishment of standardized procedures: The new organizational framework based on business groups began operating in 2005, and standardized procedures for loan operations were established at the end of fiscal 2004 to set norms for inter-unit application procedures and reduce remissness in working processes.
- C. Strengthening of staff training: Staff training is used to strengthen the professionalism of Bank employees, give them a deeper understanding of the business for which they are responsible, and increase their familiarity with their work, this reducing careless mistakes.

9. Influence on and Risk to the BOOC by Changes in Operating Rights

Completion of the capital reduction and increase project in 2004 made the Polaris Financial Group the Bank's biggest shareholder, and the reorganization of the operating team injected new vitality into the BOOC. In addition to the continued development of the Bank's existing niches in the foreign exchange and international banking businesses, this year the Bank will work within the Polaris Financial Group's virtual financial holding framework to forge strategic alliances, create new products, and, with the advantages provided by BOOC personnel and service channels, will strive for business performance and the creation of profit as well as attainment of this year's target of NT\$3.4 billion in pre-allocation profit. The Bank will also

continue promoting organizational re-engineering, instilling the business group concept, and concentrating operations in order to raise operating efficiency and lower loan and operating risks. This will accelerate the enhancement of the BOOC's profitability and improvement of the quality of its operations, and will encourage the expectation of further growth in the future.

VII. The Crisis Management Mechanism

A Crisis Management Team has been set up in BOOC headquarters:

- (1) This team, established by the Business Management Division, consists of one convener (the president) and one deputy convener (the VP in charge of the Headquarters Crisis Management Team, plus a number of other members. When the team is established, the Business Management Division should designate an assigned person to take charge of the establishment of an independent file for each case, the convening of meetings, and case monitoring and record-keeping, and to be responsible for the timely reporting of progress in handling cases.
- (2) Whenever a headquarters business unit turns a major crisis incident over to the Headquarters Crisis Management Team, the team should immediately ask for a meeting of its members to discuss countermeasures and come to a conclusion on the case, after which the convener should submit a report to the BOOC chairman.

VIII. Other Important Matters: None.



Status of Corporate Governance, Deviations from Corporate Governance Best-Practice Principles for Banks, and Reasons

| Item | Operation | Deviations from Corporate Governance Best-Practice Principles for Banks, and Reason |
|---|--|---|
| 1. Equity Structure and Shareholder Rights (1) Method of handling shareholder suggestions and disputes (2) Grasp of name list of major shareholders with control over the bank, and parties with ultimate control of the major shareholders (3) Establishment of risk control mechanism and firewall with associated enterprises | (1) The Bank maintains a 'Shareholders' Mailbox and hotline, and designated personnel handle shareholder suggestions and explain the results of disposition. (2) The Bank has a full grasp of the name list of major shareholders with control over the Bank, and parties with ultimate control of the major shareholders. (3) The Bank handles investment or loan relations with associated enterprises with caution through its auditing and verification mechanism and through compliance with law, as well as through its own governing regulations. Loans to materially interested parties are kept within the limits specified in the Banking Law through computer monitoring. | (1) Fully compliant. (2) Fully compliant. (3) Fully compliant. |
| 2. Organization and Responsibilities of the Board of Directors (1) Establishment of independent directors (2) Scheduled assessment of the independence of CPAs | (1) This will be implemented after an implementation plan is drafted. (2) The Bank has assessed its CPAs as having a substantial understanding of the Bank's accounting system; except for coordinating with the CPA offices in rotating duties and switching CPAs, therefore, the Bank takes no other action to change CPAs. | (1) Will be implemented after an implementation plan is drafted. (2) Fully compliant. |
| 3. Organization and Responsibilities of Supervisors (1) Establishment of independent supervisors (2) Status of communication between supervisors and bank employees and shareholders | (1) This will be implemented after an implementation plan is drafted. (2) Supervisors attend meetings of the Board of Managing Directors, Board of Directors, and Shareholders, and can communicate with them at any time. | (1) Will be implemented after an implementation plan is drafted. (2) Fully compliant. |
| 4. Establishment of Channels of Communication with Materially Interested Parties | The Bank maintains open channels of communication with all materially interested parties. | Fully compliant. |
| 5. Disclosure of Information (1) Establishment of a website where information on financial operations and corporate governance is disclosed (2) Use of other means of disclosure (including the establishment of an English website, the appointment of a designated person to handle the collection and disclosure of bank information, implementation of a spokesperson system, and the plating of the proceedings of corporate briefings on the website) | (1) The BOOC's external website: www.booc.com.tw. (2) An operating system for the reporting of public information on the Web has been established and placed under the charge of a specially designated unit so as to enhance the accuracy and timeliness of information disclosure. A spokesperson system has also been established for the timely and proper disclosure of information. | (1) Fully compliant. (2) Fully compliant. |
| 6. Operation of Auditing and Other Functional Committees | The Bank has established a Loan Deliberation Committee, Over-due Loan Deliberation Committee, Investment Deliberation Committee, Assets and Liabilities Management Committee, Business Management Committee, and Risk Management Committee, comprised of the president, vice presidents in charge of the areas concerned, and heads of relevant divisions. Major strategies and bank affairs are implemented following discussion by the committees. | The Bank has not yet set up an auditing committee; however, major decisions, strategies, and bank affairs are carried out in accordance with resolutions reached by the Board of Managing Directors, Board of Directors, and the committees listed at left. |

7. Explain the status of your bank's corporate governance and its deviation from Corporate Governance Best-Practice Principles for Banks, and reasons for same

8. Other important information that will aid in understanding the status of your bank's corporate governance (such as further education for directors and supervisors, attendance of directors and supervisors at Board of Directors meetings, risk management policy and implementation of risk measurement standards, implementation of consumer and customer protection policy, withdrawal of directors from issues in which they are materially interested, procurement by the bank of liability insurance for directors and supervisors, and social responsibility):

- (1) Further education for directors and supervisors: The Bank submits monthly reports on this and publishes them on its public website.
- (2) Attendance of directors and supervisors at Board of Directors meetings: The record of directors' and supervisors' attendance at Board of Directors meetings is excellent.
- (3) Implementation of risk management policy and risk measurement standards: For details on implementation of the Bank's risk management policy and risk measurement standards, see the explanation on pages 84 through 85.
- (4) Implementation of consumer and customer protection policy: The BOOC's Credit Card Division maintains a 24-hour customer service hotline, (02) 8241-1234, as well as another service hotline, 0800-000-886, to handle customer complaints.
- (5) Withdrawal of directors from cases in which they are materially interested: The Bank's directors all have the realization that they must withdraw from cases in which they are materially interested.
- (6) Procurement by the Bank of liability insurance for directors and supervisors: The Bank is not yet preparing to procure liability insurance for directors and supervisors, and will do so following evaluation of actual need.
- (7) Social responsibility: The BOOC has always strongly emphasized social responsibility; the Charity Foundation of BOOC works on the principle of paying back to society, and in pursuit of the objectives of "compassion, benevolence, service and sacrifice," participates each year in blood drives and other social-benefit activities.


I. Statement of Internal Controls

Statement of Implementation of the Internal Controls System Bank of Overseas Chinese

On behalf of the Bank of Overseas Chinese, we declare that during the period of Jan. 1 - Dec. 31, 2004 the Bank did, in fact, comply with the provisions of the "Implementation Rules for Banks' Internal Control and Auditing Systems" by establishing an internal controls system and carrying out risk management, and by having auditing carried out by an impartial and independent auditing unit, with reports submitted on a regular basis to the Board of Directors and Supervisors. Careful assessment shows that with the exception of items listed in the attached chart, the compliance of the different units with the internal control system, and with laws and regulations, was implemented effectively.

Attestor: Bank of Overseas Chinese

 , President

 , General Auditor

 , Headquarters Legal Compliance Officer

Mar. 14, 2005

Points for Strengthening in the BOOC Internal Controls System, and Improvement Plans

Base date: Dec. 31, 2004

| Points for Strengthening | Improvement Measures | Estimated Time of Completion |
|---|--|--|
| Loan collection and lowering of the NPL ratio | <ol style="list-style-type: none"> In coordination with organizational re-engineering, continued improvement of loan collection procedures and monitoring, readjustment and expansion of the scope of delegation of authority, and greater flexibility in collection so as to assure timely disposition and enhance collection performance. Early initiation of overdue-loan collection through the concentration of collection operations so as to assure timely disposition, in the hope of early completion of precautionary proceedings and reaching of agreements with debtors for their normal repayment. Increased exposure through the Internet of the court auctioning of houses so as to boost the incidence of successful auctions and speed up the recovery of non-performing loan funds. Strengthening of cooperation with asset service companies and brokers to accelerate the disposition of collateral that has been taken over for defaulted loans. Setting of loan collection targets for collection units in different regions. | The BOOC hopes to bring its NPL ratio to within 3% by the end of June 2005, and to 2.5% by the end of the year. (Note: The NPL ratio dropped from 10.15% at the beginning of 2004 to 5.28% at the end of the year.) |
| Disposition of assumed collateral | <ol style="list-style-type: none"> Centralization of assumed collateral for disposition by designated personnel so as to increase the strength of disposition. Listing for priority action of items for which the period of disposal has expired or is about to expire. Handling of sale by open tender and choosing of opportunities for participation in sale by third-party auction and by the bank itself. Follow-up of the disposition of assumed collateral on a monthly basis, and review and revision of disposition plans. | The BOOC hopes to reduce the value of assumed collateral yet to be disposed of to within the target area of NT\$2.0 billion by the end of 2005. (Note: The undisposed amount dropped from NT\$5,583,974,000 at the beginning of 2004 to NT\$3,735,587,000 at the end of the year.) |

Statement of Internal Controls
BOOC Affiliated Security

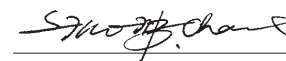
Apr. 26, 2005

The results of a self-inspection of the BOOC Affiliated Security covering the period of Jan. 1 - Dec. 31, 2004, are as follows:

1. The BOOC Affiliated Security Co. fully realizes that the establishment, implementation, and maintenance of a system of internal controls is the responsibility of its Board of Directors and managers, and such a system has been established for the securities business that it operates. The goals of this system are to provide reasonable assurance of the achievement of the goals of operating effectiveness and efficiency (including profitability, performance, and the protection of asset security), the reliability of financial reports, and compliance with relevant laws.
2. An internal control system has inherent limitations; and however comprehensive its design may be, an effective internal control system can provide only reasonable assurance that the three goals listed above will be achieved. Furthermore, the effectiveness of an internal control system may change along with changes in the environment and other conditions. The internal control system of the BOOC Affiliated Security Co. incorporates a self-oversight function, however, and as soon as deficiencies are discovered action is taken to rectify them.
3. The BOOC Affiliated Security Co. judges the effectiveness of the design and implementation of the internal control system in accordance with the stipulations of the internal control judgment items contained in the "Guidelines for Implementation of Internal Control Systems Established by Publicly Listed Companies" (hereinafter referred to as "the Guidelines") promulgated by the Securities and Futures Commission of the Ministry of Finance. The internal control judgment items contained in the Guidelines divide internal controls into five constituent elements according to the control management process: 1) the control environment, 2) risk assessment, 3) control operations, 4) information and communications, and 5) oversight. Each of these constituent elements itself contains a number of items. For details regarding the items mentioned above, please refer to the stipulations of the Guidelines.
4. The BOOC Affiliated Security Co. has adopted the internal control judgment items listed above to assess the effectiveness of the design and implementation of their internal control system.
5. Based on the results of the previously mentioned assessment, the BOOC Affiliated Security Co. feels that during the period stipulated above their internal control system, including design and implementation related to the effectiveness and efficiency of operations, the reliability of financial reports, and compliance with related laws, was effective and able to reasonably assure the attainment of the goals listed above.
6. This Statement will become a major content of the BOOC Affiliated Security Co.'s Annual Report and public explanations, and will be made available to the public. Any falsehood, omission, or other illegality in content that is made public will incur legal responsibility under Articles 20, 32, 171, and 174 of the Securities Transaction Law.
7. This Statement was passed by the Board of Directors of the BOOC Affiliated Security Co. on Apr. 22, 2005, with the unanimous approval of its contents by all of the 13 directors.

BOOC Affiliated Security.

 , Chairman

 , President

II. Legal Violations Resulting in Punishment and Major Deficiencies During the Past Two Years, and Status of Improvement

Unit : NT\$1,000

| Case | Summary and Amount |
|---|---|
| Violations committed during the past two years by officials and employees, resulting in indictments | When Lin X X of the BOOC Chia Yi Branch handled the confiscation by the Yunlin District Court of the deposits of Lu X X at the Tou Liu Branch on Mar. 2, 2001, he was accused of false reporting. On May 28, 2004 the Prosecutor's Office of the Yunlin District Court issued 2004 Indictment Jhen 807 for falsification of documents. In 2004 Judgment Yi 252, the Yunlin District Court issued a verdict of not guilty in the charge of falsification of documents, and rejected the charge of damage to creditor rights. The prosecutor has appealed the outcome. |
| Violations of law resulting in fines imposed by the Ministry of Finance during the past two years | According to Tai Cai Rong (Er) Zih Document No. 0938010509, dated Apr. 7, 2004: In soliciting Wang X X as a home-loan customer, the BOOC Hua Chung Branch, without his permission, obtained his credit information file from the Joint Credit Information Center in violation of Article 18 of the Computer Processed Personal Protection Law. A fine of NT\$20,000 was imposed on the chairman of BOOC in accordance with Article 38 of the Act. According to Financial Supervisory Commission Jin Guan Yin (Er) Zih Document No. 932000927, dated Sep. 21, 2004: The Bank's Sep. 10, 2003 investment in the Polaris Global Long-Short Strategy Principle Guaranteed Fund issued by the X X Investment Trust Co. violated Point 4 of the "Categories and Amounts for Investment in Securities by Commercial Banks" as contained in Article 74-1 of the Banking Law. A fine of NT\$1 million was imposed on the Bank. |
| Deficiencies resulting in severe disciplinary action by the Ministry of Finance during the past two years | None |
| Security incidents occurring during the past two years as a result of staff malpractice, major unexpected incidents, or failure to observe the Guidelines for the Maintenance of Security in Financial Institutions, the actual losses from which exceeded NT\$50 million during one or both of the years | None |
| Other matters designated by the Ministry of Finance for exposure | None |

Notes : 1. The "most recent fiscal year" or "past fiscal year" refers to the one-year period ending with the quarter of disclosure.

2. "Violations of law resulting in fines imposed by the Ministry of Finance during the past two years" refers to violations that resulted in fines imposed by the Bureau of Monetary Affairs, Securities and Futures Bureau, or Department of Insurance.

BOOC HEADQUARTERS OFFICES AND BRANCHES NETWORK

| NAME | ADDRESS | TEL NO. | FAX NO. |
|-----------------------------------|---|-------------------|-----------------|
| Offshore Banking Branch | 8F, #8, Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C. | +886-2-23715181 | +886-2-23895073 |
| Head Office & Business Division | #8 Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C. | +886-2-23715181 | +886-2-23814056 |
| Overseas Chinese Service Division | 2F, #8, Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C. | +886-2-23715181 | +886-2-23814056 |
| Securities Division | 2F, #102, Heng Yang Rd., Taipei, Taiwan 100 R.O.C. | +886-2-23113348 | +886-2-23112961 |
| Credit Card Division | 15F, #228, Sec2, Chung Shan Rd., Chung Ho City, Taipei Hsien, Taiwan 235 R.O.C. | +886-2-82411166 | +886-2-82411260 |
| Fu Hsing Branch | #1 Fu Hsing North Rd., Taipei, Taiwan 100 R.O.C. | +886-2-27514092 | +886-2-27752584 |
| Trust Division | 4F, #102, Heng Yang Rd., Taipei, Taiwan 100 R.O.C. | +886-2-23113348 | +886-2-23112961 |
| International Division | 8F, #8, Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C. | +886-2-23715181 | +886-2-23832248 |
| Keelung Branch | #132, Hsin-1 Rd., Taipei, Taiwan 201 R.O.C. | +886-2-24241231-5 | +886-2-24274623 |
| Lo Tung Branch | #42, Chung Cheng North Rd., Lo Tung Chen, Hlan Hsien, Taipei, Taiwan 103 R.O.C. | +886-3-9566166 | +886-3-9566128 |
| Taipei Branch | #67, Sec.1, Chung Ching North Rd., Taipei, Taiwan 265 R.O.C. | +886-2-2558566-7 | +886-2-25588421 |
| Chung Shan Branch | #133, Sec.2, Chung Shan North Rd., Taipei, Taiwan 104 R.O.C. | +886-2-25316331-4 | +886-2-25631402 |
| Shyh Lin Branch | #281, Sec.4, Cheng Te Rd., Taipei, Taiwan 111 R.O.C. | +886-2-28823720 | +886-2-28823729 |
| East District Branch | #24, Chi Lin Rd., Taipei, Taiwan 104 R.O.C. | +886-2-25219950-9 | +886-2-25511509 |
| Sung Shan Branch | #3, Sec.5, Nanking East Rd., Taipei, Taiwan 105 R.O.C. | +886-2-27530321 | +886-2-27530320 |
| Ta An Branch | #333, Sec.2, Tun Hwa South Rd., Taipei, Taiwan 106 R.O.C. | +886-2-27323188 | +886-2-27380146 |
| Min Shen Branch | #74, Sec.3, Min Chun East Rd., Taipei, Taiwan 105 R.O.C. | +886-2-25030077 | +886-2-25033326 |
| Chung Hsiao Branch | #61, Sun Teh Rd., Taipei, Taiwan 110 R.O.C. | +886-2-27591616 | +886-2-27274718 |
| Chung Cheng Branch | #158, Sec.1, Hsin Sheng Rd., Taipei, Taiwan 100 R.O.C. | +886-2-23975726 | +886-2-23576720 |
| Tun Hwa Branch | #376, Sec.1, Tun Hwa South Rd., Taipei, Taiwan 106 R.O.C. | +886-2-27007799 | +886-2-27047579 |
| Neihu Branch | #5, Alley 22, Lane 513, Rueiguang Rd., Taipei, Taiwan 114 R.O.C. | +886-2-26599008 | +886-2-26599018 |
| Nan Kang Branch | #29-3, Hsing Tung St., Taipei, Taiwan 115 R.O.C. | +886-2-26537890 | +886-2-26536213 |
| Yung Ho Branch | #252, Fu Ho Rd., Yung Ho City, Taipei Hsien, Taiwan 234 R.O.C. | +886-2-29239222 | +886-2-29239134 |
| Chung Ho Branch | #172, Jan-I Rd., Chung Ho City, Taipei Hsien, Taiwan 235 R.O.C. | +886-2-82265698 | +886-2-82265695 |
| Hua Chung Branch | 1F-3, #228, Sec.2, Chung Shan Rd., Chung Ho City, Taipei Hsien, Taiwan 235 R.O.C. | +886-2-82411166 | +886-2-82411244 |
| Pan Chiao Branch | #26, Chu Yung Rd., Pan Chiao City., Taipei Hsien, Taiwan 220 R.O.C. | +886-2-29561188 | +886-2-29614552 |
| Shu Lin Branch | #153, Sec.1, Chung Shan Rd., Taipei Hsien, Taiwan 238 R.O.C. | +886-2-26759668 | +886-2-26759633 |
| Hsin Tien Branch | #527, Chung Cheng Rd., Hsin Tien City., Taipei Hsien, Taiwan 231 R.O.C. | +886-2-222189866 | +886-2-22189870 |
| San Chong Branch | #173, Chen Kong Rd., San Chung City., Taipei Hsien, Taiwan 241 R.O.C. | +886-2-29726199 | +886-2-29726266 |
| Hsin Chuang Branch | #67, Sec.1, Chung Shan Rd., Hsin Tien City, Taipei Hsien, Taiwan 242 R.O.C. | +886-2-85221188 | +886-2-85221688 |
| Tao Yuan Branch | #288, Sec.3, San Min Rd., Tao Yuan, Taiwan 330 R.O.C. | +886-3-3339213-7 | +886-3-3344242 |

| NAME | ADDRESS | TEL NO. | FAX NO. |
|---|--|------------------|-----------------|
| Chung Li Branch | #48, Chien Hsyang Rd., Chung Li City, Tao Yuan Hsien, Taiwan 320 R.O.C. | +886-3-4591431 | +886-3-4591437 |
| Hsin Chu Branch | #321, Pei Ta Rd., Hsin Chu, Taiwan 30020 R.O.C. | +886-3-5226617 | +886-3-5226590 |
| Hsin Chu Science-Based Industrial Park Branch | #647, Sec.1, Kwang Fu Rd., Hsin Chu, Taiwan 300 R.O.C. | +886-3-5633600 | +886-3-5633030 |
| Feng Yuan Branch | #13, Feng Chung Rd., Feng Chung City, Taichung Hsien, Taiwan 420 R.O.C. | +886-4-25276111 | +886-4-25276306 |
| Taichung Branch | #428, Sec.1, Taichung Kang Rd., Taichung, Taiwan 403 R.O.C. | +886-4-23131861 | +886-4-23139410 |
| North-Taichung Branch | #339, Sec.4, Wen Hsin Rd., Taichung, Taiwan 406 R.O.C. | +886-4-22425811 | +886-4-22423992 |
| Min Chuan Branch | #102, Min Chuan Rd., Taichung, Taiwan 400 R.O.C. | +886-4-22214181 | +886-4-22214189 |
| Ching Shui Branch | #243-3, Chung Shan Rd., Ching Shui Chen Taichung, Taiwan 400 R.O.C. | +886-4-26225991 | +886-4-26225992 |
| Tail Branch | #35, Sec.2, Yimin Rd Tail City, Taichung Hsien, Taiwan 412 R.O.C. | +886-4-24832288 | +886-4-24832206 |
| Chang Hua Branch | 2F #280, Sec.2, Chung Cheng Rd., Chang Hua, Taiwan 500 R.O.C. | +886-4-7266266 | +886-4-7265885 |
| Yuan Lin Branch | #410, Sec.2, Yuan Dong Rd., Yuan Lin Chen, Chang Hwa Hsien, Taiwan 510 R.O.C. | +886-4-8347711 | +886-4-8345680 |
| Pei Kang Branch | #95, Chuang Chen Rd., Pekang Chen, Yunlin Hsien, Taiwan 651 R.O.C. | +886-5-7836171 | +886-5-7834913 |
| Jhng Ming Mini-Branch | 1F, #303, Chung Min S. Rd., Taichung City, Taiwan R.O.C. | +886-4-23053333 | +886-4-23053322 |
| Jin Hua Mini-Branch | 1F, #218, Sec3 Jin Hua Rd., Tainan City, Taiwan R.O.C. | +886-6-2112888 | +886-6-2295988 |
| Tainan Science-Based Industrial Park Branch | 2F, #15, Nan Ke 3 Rd., Hsin Shih Hsiang, Tainan Hsein Taiwan 744 R.O.C. | +886-6-5051717 | +886-6-5051719 |
| Tou Liu Branch | #211, Sec.2, Yun Lin Rd., Tou Liu City, Yunlin Hsien, Taiwan 640 R.O.C. | +886-5-5360866 | +886-5-5360858 |
| Me Liao Branch | #74, Chung Hsing Rd., Me Liao Shiang, Yunlin Hsien, Taiwan 638 R.O.C. | +886-5-6938168 | +886-5-6938268 |
| Cha Yi Branch | #320, Chui Yang Rd., Chia Yi, Taiwan 600 R.O.C. | +886-5-2275100 | +886-5-2237810 |
| Tainan Branch | #97, Sec.2, Min Chuan Rd., Tainan, Taiwan 700 R.O.C. | +886-6-2231181 | +886-6-2268890 |
| Jen Der Branch | #1036, Sec.2, Chung Cheng Rd., Jen Yi Village, Jen Der Shiang, Tainan Hsien, Taiwan 717 R.O.C. | +886-6-2702211 | +886-62706350 |
| Fu Cheng Branch | #374, Sec. 4 Rd., Shi Men Rd., Taiwan 704 R.O.C. | +886-6-2523011 | +886-6-2814941 |
| Yung Kang Branch | #112, Chung Cheng North Rd., Yung Kang City, Tainan Hsien, Taiwan 710 R.O.C. | +886-6-2538383 | +886-6-2539323 |
| Kaohsiung Branch | #111, Wu Fu 4th Rd., Kaohsiung, Taiwan 803 R.O.C. | +886-7-5510361-8 | +886-7-5311960 |
| Ling Ya Branch | #472, Chung Shan 2nd Rd., Kaohsiung, Taiwan 800 R.O.C. | +886-7-2618141-5 | +886-7-2618146 |
| San Min Branch | #55, Po Ai 1st Rd., Kaohsiung, Taiwan 807 R.O.C. | +886-7-3121618 | +886-7-3116484 |
| Hsin Shing Branch | #45, Chung Cheng 3rd Rd., Kaohsiung, Taiwan 800 R.O.C. | +886-7-2267191 | +886-7-2262492 |
| Chien Chen Branch | #239, Yi-Hsin I Rd., Kaohsiung, Taiwan 806 R.O.C. | +886-7-3369801 | +886-7-3369908 |
| Kang Shan Branch | #172, Kang Shan Rd., Kang Shan Chen, Kaohsiung Hsien, Taiwan 820 R.O.C. | +886-7-6228812 | +886-7-6228810 |
| Feng Shan Branch | #58, Ching Wu Rd., Feng Shan City, Kaohsiung Hsien, Taiwan 830 R.O.C. | +886-7-7480101 | +886-7-7481717 |
| Ping Tung Branch | #188, Tzu You Rd., Ping Tung, Taiwan 900 R.O.C. | +886-7-7666531 | +886-7-7656736 |

