



Ever...

Caring & Loving

Chinatrust Commercial Bank

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The notarization CPA of last few years

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Website: <http://www.taiwanratings.com.tw>

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I. To Our Shareholders

Thanks to the world economy picking up steam, Taiwan enjoyed a slow but steady recovery in 2005. GDP grew 5.28% in the fourth quarter, an acceleration from 2.49%¹ in the first, ending with a growth rate of 3.80% for the entire year. Pitted against an acutely competitive marketplace, Chinatrust Commercial Bank did well in consolidating resources and providing an ample variety of financial products. The concerted efforts of a high-caliber management team and all members of the workforce enabled the Bank to deliver further earnings growth.

In 2005, the Bank generated revenue of NT\$76.7 billion. With provisions for bad loans and operating expenses taken into account, there was a pretax profit of NT\$16.6 billion, or 3.13 per share, exceeding all other banks in Taiwan. Meanwhile, the 19.15% pretax return on equity was another exemplary performance for the domestic financial services industry. Areas given priority in 2005 included the following:

1. Creating a comprehensive network of outlets to maximize growth

For Chinatrust Financial Holding Co., Ltd. (CFHC), Chinatrust Commercial Bank (CTCB) is the most important cross-selling platform. Priority is given to optimizing sales efficiency at the front desk, branch layout, and online services. The Bank also makes it a point to fully integrate its customer relationship management system and wealth management service network, with a view to creating more sales and boosting earnings. CTCB now has a total of 111 outlets all over the island.

In terms of international expansion, CTCB is especially keen to create the best possible service platform for ethnic-Chinese customers in Hong Kong and China as well as Taiwan. In September 2005, the Bank started a branch in Kowloon, its second branch in Hong Kong. CTCB is the first bank from Taiwan to own two branches in the territory. This was in line with the Bank's belief that "Wherever Taiwanese businesses may go, Chinatrust will be ready to serve them there." With 66 overseas outlets, CTCB has an international presence more far-reaching than any other Taiwan bank. In 2005, the combined earnings of these overseas outlets accounted for 14% of the Bank's total.

To stay competitive internationally and accommodate future expansion, CTCB is relentless about pursuing the most fitting organizational structure. This must also be consistent with the broader strategy adopted by CFHC. In 2005, a "dual-presidency" scheme was introduced to better cope with the growing specialization and complexity required of both retail banking and corporate banking services. Such an arrangement is also considered beneficial to the parent company (CFHC) as it must nurture a larger pool of high-caliber executives in its evolution into a world-class financial institution.

¹ The figure is based on statistics compiled by Taiwan's Directorate General of Budget, Accounting and Statistics (DGBAS) in accordance with the United Nations's 93SNA.

2. Internationally acclaimed R&D strives for continuous innovation

The Bank's track record of corporate reengineering has been a benchmark for local peers. As competition intensifies by the day, the Bank will continue working on innovative working processes, product design, and other areas of service.

CTCB's relentless pursuit of innovation in various segments of the business has won high regard in the international community. In 2005, it was the unanimous choice for *Asiamoney*, *Euromoney*, and *FinanceAsia* as the best bank in Taiwan. In terms of corporate banking, CTCB was cited by the magazine *Global Finance* as the "Best Foreign Exchange Bank in Taiwan" and "Best Trade Finance Bank in Taiwan." For *The Asset* and *Asiamoney*, CTCB was their common choice as the "Best Cash Management Bank in Taiwan." When it comes to personal banking, *Euromoney* cited CTCB as the "Best Domestic Wealth Management Bank in Taiwan" for 2005. The *Asian Banker Journal* hailed the Bank as the "Best Retail Bank in Taiwan." In 2005, CTCB won a total of 41 awards granted by domestic and foreign organizations and publications in recognition of its excellent performance in corporate banking, retail banking, wealth management, Internet banking, human resources, and brand image.

3. Striving for excellence without neglecting social responsibility

At CTCB, sound finances and capital adequacy are given top priority. The management's superior performance in monitoring of market changes, securing a unique niche, and creating earnings growth has long been recognized by rating agencies. Any ratings downgrade due to debt delinquencies by holders of credit and cash cards is bound to prove temporary. Looking ahead, CTCB is set to pattern after international benchmarks in the establishment of a world-class risk management mechanism.

The latest rating action on CTCB was undertaken by Fitch Ratings in March 2006. A summary is as follows:

Type	Name	Credit Rating		Outlook	Additional Notes	Effective Date
		Long Term	Short Term			
International	Moody's	A3	Prime-1	Positive	BFSR rate: C-	2005.10
	Standard & Poor's	A-	A-2	Positive	BFSR rate: C+	2005.09.28
	Fitch	A	F1	Negative	Individual: B Support:3	2006.03.27
Domestic	Taiwan Ratings	twAA	twA-1	Stable	Credit Worthiness: Very Strong	2005.07.07
	Fitch (twn)	AA+(twn)	F1+(twn)	Negative	Individual: B	2006.03.27

CTCB does not neglect its responsibility as a corporate citizen while it strives for excellence on all fronts of business endeavors. Over the years, it has been an avid participant in all kinds of charitable activities based on its corporate motto of “We are Family.” One of the best-known is its “Light Up a Life” fund-raising campaign. In addition to providing schooling to needy children, the Chinatrust Charity Foundation gives grants to college students and sponsors occupational training designed for single mothers so that they can secure a steady source of income.

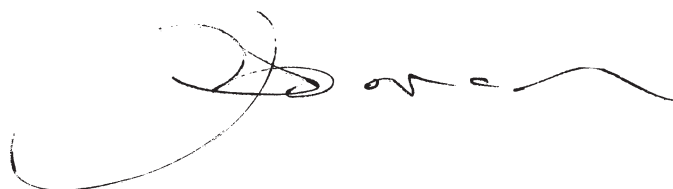
In December 2005, CTCB emerged as the successful bidder for the right to issue government-sanctioned lottery tickets between January 1, 2007 and December 31, 2013. It will be an invaluable opportunity for the Bank to do more for public good as the proceeds are primarily meant for charity.

4. Primary goal for 2006: Creating a world-class bank

Innovation will be pursued on all fronts to grow earnings further. Above all, the Bank will focus on the following tasks:

- (1) Pursue a “blue-ocean strategy” to keep up momentum for earnings growth
- (2) Execute all risk control mechanisms without fail to ensure sustainable growth
- (3) Streamline operational procedures to put corporate resources to the best use
- (4) Create more niches for Chinatrust as a brand for different customers segments
- (5) Maintain financial health while seeking to maximize earnings

As market conditions at home and abroad change by the day, CTCB is ready to review and readjust its strategy and ways of doing business in line with the pace of the government deregulating the financial services industry. Led by a competent and responsible management team looking beyond borders, the Bank is confident of keeping abreast of local peers and creating a global brand that ethnic-Chinese everywhere are happy to have as their favored choice. In turn, shareholders will be rewarded with continuous and steady growth in return on investment.



Jeffrey J. L. Koo, Jr.
Chairman

II. Corporate Profile

1. Introduction

(1) Date of establishment: 14 March 1966

(2) History of Development

Established in 1966, Chinatrust Commercial Bank was originally known as the China Securities and Investment Corporation. During its 40 years of operation, the Bank has undergone two reorganization schemes: changing its name to Chinatrust Investment Co., Ltd. in 1971 and later, transforming its operations to become the Chinatrust Commercial Bank in 1992. The growth of the Bank coincided with Taiwan's economic developments and historical trends, having experienced the formation and development of the country's financial market and is closely related to it.

Chinatrust merged with Grand Commercial Bank in December 2003 and acquired Fengshan Credit Cooperative in July 2004. By the end of 2005, CTCB has 111 domestic outlets and 66 overseas outlets, 3,493 domestic ATMs. The number of ATMs it owns is significantly more than the nearest competitors. The deposit balance reached NTD1.24 trillion and total assets have exceeded NTD1.6 trillion, topping the list of private banks in Taiwan.

(3) Scope of Business

Currently, services provided by Chinatrust include savings deposits, guarantees, foreign exchange, OBU, trusts, credit cards, cash cards, securities, bonds, financial derivatives, purchases of accounts receivables, safe deposit, and electronic banking. Chinatrust has specially introduced its "Wealth Management" concept for its retail finance business, which involves the 3Bs rationale – "Best People, Best Product, and Best Solutions"; providing a complete range of financial planning tools to satisfy every customer's needs, working closely with customers to develop a quality financial lifestyle.

With regard to its corporate finance business, Chinatrust plans to support a sustainable business platform and growth through its distribution network in over 100 countries, and with the competitive advantage of a total of 1000 banking institutions, the Bank's "iaccount" multinational platform provides customers with inter-bank enquiry, cross-border lending, multinational syndicated loans, and other multi-currency services to enable more dynamic and beneficial applications for small- and medium-sized businesses in Taiwan.

(4) Awards and Recognition

Chinatrust's product development initiatives, strong performance, profitability, and other outstanding achievements, have credited the Bank with various awards from polls conducted by

international organizations and industry publications to become the Taiwanese Bank which has received the most awards and acknowledgements. A record of the main awards garnered is listed below:

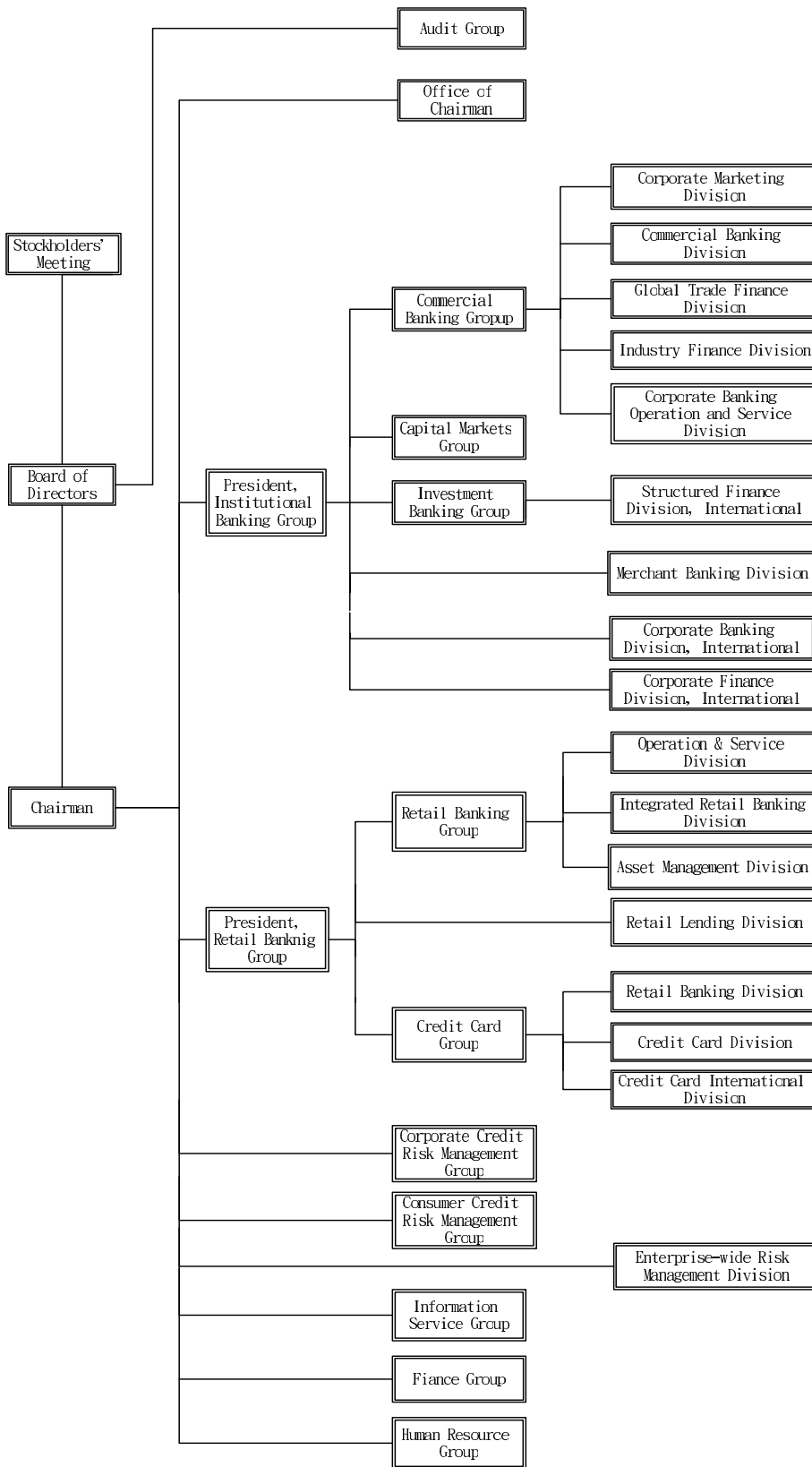
- The Best Foreign Exchange Bank in Taiwan, Best Trade Finance Bank in Taiwan, Best Emerging Market Bank in Taiwan, Best Corporate / Best Consumer Internet Bank in Taiwan---*Global Finance*
- 2005 Taiwan Best Private Bank, The Best Financial Borrower in Asia, Best Bank in Taiwan---*Euromoney*
- Best Cash Management Bank in Taiwan --- *The Asset*
- Asia's Best Companies 2005, Best Domestic Bank, Best Investment Bank, Best Bond House in Taiwan--- *FinanceAsia*
- Best Domestic Commercial Bank in Taiwan, Best Cash Management Bank in Taiwan, Best Domestic Provider of FX Services in Taiwan--- *Asiamoney*
- Asian Banking Award "Human Resource Management" and "Customer Service Program" Runner up --- Asian Bankers Association (ABA)
- The Best Retail Bank in Taiwan--- *The Asian Banker Journal*
- House of the Year, Taiwan --- *Asia Risk*
- Taiwan Loan House, Taiwan Domestic Bond--- *IFR Asia*

(5) Global Network

To coincide with the continuous trend towards liberalization and globalization, Chinatrust endeavors to expand its international presence, by setting up more and more domestic and foreign branch offices. As at end-2005, a total of 111 domestic branches, 66 international branches (representative offices, branch offices, subsidiaries, and subsidiary branches) in locations such as London (UK), Jakarta (Indonesia), Manila (Philippines), Bangkok (Thailand), Hanoi (Vietnam); Representative Offices in Beijing, Hong Kong, Tokyo, New Delhi, Ho-Chi-Minh City and New York; and subsidiary banks in the Philippines, Indonesia, Canada, and the US have been set up. In line with Government policy, Chinatrust's intends to initiate its international expansion plan through mergers and joint ventures; and actively position its presence in the Mainland China market while integrating its existing distribution channels in Southeast Asia, North America, Europe, and other major regions to provide an international network coverage and offer a global and comprehensive range of financial services to its customers.

2. Organization

(1) Organization chart



(2) Directors, supervisors, and major managers

i. Directors and supervisors

(Founder and Honorary Chairman of CTCB, Koo, Chen-Fu)
April 15, 2006

Title	Name	Date of assignment	Office term	Significant experience	Education
Chairman	Jeffrey J. L. Koo, Jr.	June 10, 2005	3	President of CFHC Chairman of CTCB	MBA, Wharton Graduate Division of the University of Pennsylvania, USA
Vice Chairman	Charles L. F. Lo			President of CFHC	Department of Economics, National Chung Hsing University, Taiwan
Director	Jeffrey L. S. Koo			Chairman of CFHC Chairman of Chinese International Economic Cooperation Association	Honorary Ph.D., De La Salle University Philippines MBA, New York University, USA
Director	Wen-Long Yen			Chairman of United Real Estate Management Co., Ltd.	Department of Economics, Soochow University, Taiwan
Director	Michael L.C. Jong			Chairman of Chinatrust Securities Company	Department of Business Administration Tamkang University, Taiwan
Director	Steven C.Z. Cheng			President of Institutional Group, CFHC	MBA, Wharton Graduate Division of the University of Pennsylvania, USA
Director	Steve R.S. Chou			President of Retail Group, CFHC	Bachelor of Business Administration, Tamkang University, Taiwan
Supervisor	Shih-Chuan Lin			Chinatrust of Ho-Yeh Investment Co., Ltd.	Department of Economics, National Taiwan University, Taiwan
Supervisor	Paul T.C. Liang			President of Bank Chinatrust (Indonesia)	Bachelor of International Trade, National Chengchi University, Taiwan
Supervisor	T.C. Tsai			Vice President of Taiwan Fuji Xerox Corp.	Department of Finance and Tax, National Cheng Chi University, Taiwan

Note: All directors and supervisors are legal representatives of Chinatrust Financial Holding Co., Ltd. which owns 5,177,193,509 shares of common stocks and 100% of ownership.

(3) Top 10 shareholders or shareholders owning over 10%

April 15, 2006

Institutional shareholder	Shareholders of major institutional shareholders
Chinatrust Financial Holding Co., Ltd.	<ol style="list-style-type: none"> 1. Jeffrey L. S. Koo (7.72%) 2. The Oakmark International Fund (3.13%) 3. Capital Income Builder Inc. (2.08%) 4. Capital World Growth and Income Fund Inc. (1.75%) 5. Mutual Shares Fund (A series of Franklin Mutual Series Fund Inc.) (1.74%) 6. CTCB Employee Stock Ownership Trust Account (1.17%) 7. Mutual Discovery Fund (A series of Franklin Mutual Series Fund Inc.) (1.12%) 8. EuroPacific Growth Fund (0.99%) 9. Chantel Associates Ltd. (0.94%) 10. China Life Insurance Co., Ltd. (0.90%)

(4) Major managers

Title	Name	Education	Significant experience
Chairman	Jeffrey J. L. Koo, Jr.	MBA, Wharton Graduate Division of the University of Pennsylvania, USA	President of Chinatrust Commercial Bank
Vice Chairman	Charles L. F. Lo	Bachelor of Economics, National Chung Hsing University	President of Chinatrust Financial Holding Company
President, Institutional Banking Group	Steven Cheng	MBA, Wharton Graduate Division of the University of Pennsylvania, USA	President of Chinatrust Securities
President, Retail Banking Group	Charles L. F. Lo	Bachelor of Economics, National Chung Hsing University	President of Chinatrust Financial Holding Company
Deputy President	James J. Sheu	MBA, Wharton Graduate Division of the University of Pennsylvania, USA	SVP of Chinatrust Commercial Bank
Executive Vice President	Thomas F. S. Chen	MBA, South Australia University	SVP of Chinatrust Commercial Bank
Executive Vice President	James Chen	MBA, City University of New York, USA	SVP of Chinatrust Commercial Bank
Executive Vice President	Larry Hsu	Bachelor of Business Administration, National Taiwan University	VP of Citibank Taipei
Executive Vice President	Daniel I.K. Wu	MBA, University of Rochester, USA	Chief Strategic Officer of Taishin Holdings
Executive Vice President	Su Kuo Huang	MBA, Takushoku University, Japan	SVP of Chinatrust Commercial Bank
Executive Vice President	Roman Cheng	MBA, National Cnengchi University	VP of Citibank Taipei
Executive Vice President	Tim T. Chiu	Bachelor of Economics, Soochow University	SVP of Chinatrust Commercial Bank
Executive Vice President	Ruu-Tian Chang	MBA, Minnesota University, USA	SVP of Chinatrust Commercial Bank
Executive Vice President	Perry Chang	MBA, Tunghai University	SVP of Chinatrust Commercial Bank
Executive Vice President	Perry Chang	MBA, Tunghai University	SVP of Chinatrust Commercial Bank
Executive Vice President	Thomas K. S. Chen	Bachelor of Public Finance, National Cnengchi University	SVP of Chinatrust Commercial Bank

III. Business Overview

1. Scope of Business

(1) Scope of Business

A. The Consumer Banking Group is responsible for the following three main businesses:

- a. Retail banking services: Aiming to serve customers' loan and deposit needs, including residential mortgage, auto loan, consumer finance, etc. The Bank's goal is to further consolidate its customer base and increase product-holding ratio in order to increase profitability.
- b. Credit card services: Aiming to satisfy payment requirements of customers. The Bank has long been the leader in the credit card business. Going forward, the Bank's goal is to vigorously strengthen the functionality of existing products and develop more diversified payment options.
- c. Wealth management business: Aiming to satisfy personal investment needs, the Bank's goal is to provide best-of-breed products and services by employing an "open-platform" strategy. Through strategic alliances with global financial institutions, the Bank will increase product diversification and strengthen the development of personal trust services and overseas offerings.

B. The Corporate Banking Group is responsible for the following three main businesses:

- a. Investment Banking: The Bank serves corporate clients in both fund-raising and general consulting with regard to financial matters. Tailor-made financial products will be introduced to further cement its partnership with corporate clients, in turn securing Chinatrust's status as their favored bank to work with.
- b. Capital Market: Topping the list are services pertaining to foreign-exchange markets and derivatives that cover interest rates, exchange rates, stock prices, indices, and other commodities. The Bank's offerings range from futures, options, and swaps to forward contracts as well as a mixture of them. Innovative products and services will be developed in accordance with market changes and customer requirements.
- c. Traditional Commercial Banking: The objective is to offer corporate clients a wider range of financial services, including deposits, loans, remittances, factoring, as well as a bigger variety of channels to raise funds.

(2) Revenue Breakdown:

(Expressed in Million of New Taiwan Dollars “NT\$”)

Item	Amount	Ratio %
Corporate Banking	31,804	39
Retail Banking	24,622	30
Consumer Banking	11,612	14
Wealth Management	13,010	16
Credit Card Business	25,592	31
Total	82,018	100

(3) Innovative Services Being Planned:

Chinatrust Commercial Bank is committed to constantly improving its products and services, including establishment of an optimized customer service platform, design of innovative products and services, streamlining of internal operational processes, renovation of IT systems, upgrading of risk management, and systematization of lending control. This relentless pursuit of customer-centered innovation justifies the Bank’s excellence on all fronts – be it corporate banking, personal banking, wealth management, Internet-enabled banking, or human resources – that in turn creates a trustworthy brand and image.

Chinatrust Commercial Bank was Taiwan’s first bank to be awarded by the Financial Supervisory Commission (FSC) a license for provision of wealth management services. Furthermore, it was cited by the prestigious magazine *Euromoney* as “the Best Bank in Taiwan” for two consecutive years – 2005 and 2006. Based on its vision for “the most preferred and trustworthy wealth management,” the Bank seeks to provide clients with a complete range of services by drawing on the “best people, best product, best solution.” For each and every customer, Chinatrust Commercial Bank readies a tailor-made wealth-management package that not only manages his or her assets but also satisfies any other financial needs he or she may have.

With a view to offering consumers the most convenient, secure payment instrument, Chinatrust Commercial Bank joins hands with Visa International in introducing EMV (Europay MasterCard VISA) credit cards, making Taiwan the second market worldwide to adopt the VISA WAVE chip card. The EMV standard defines interactions at the physical, electrical, data and application levels between IC cards and IC card processing devices for financial transactions. A big benefit for moving to EMV-based credit card payment systems is improved security with associated fraud reduction. Regardless of the transaction value, consumers can expect speedy completion of transactions without having to worry about security.

Chinatrust Commercial Bank is keen to develop a vast array of products to make life easier for consumers. One prime example is “debt-management mortgage,” allowing customers to secure a greater quota of loan at a reasonable interest level in accordance with the value of his or her property being collateralized. Meanwhile, customers are accorded the benefit of consolidating all housing loans, credit loans, credit and cash card debts, and automobile loans, thus sparing

them the trouble of having to take care of all these money matters separately. As such, the renowned magazine *Asian Banker Journal* cited Chinatrust Commercial Bank as “The Best Retail Bank in Taiwan.” It was recognized as not only the most trustworthy and respected consumer bank in Taiwan but also one of the most competitive banks throughout Asia.

Backed by its 66 overseas outlets, Chinatrust Commercial Bank is able to provide corporate banking services across a network of 847 foreign banks in more than 100 countries. In particular, a service is made available to Taiwanese enterprises through iaccount that can fully meet their needs in financing, investment, fund allocation, and risk-hedging. Corporate clients are given a cross-border platform that spans Taiwan, Hong Kong and China as well as Southeast Asia. They have the option of making a transaction on the Internet, by fax, or over the phone. The benefit is self-evident, that is, central control over global operations, diversification of risks, and access to cross-border resources at the same time. At present, Chinatrust Commercial Bank offers such one-stop services for financing, fund allocation, wealth management, and risk-hedging for markets spanning Taiwan, Hong Kong, Indonesia, Vietnam, the United States, and China.

The Bank’s excellence in corporate banking was best illustrated by *International Finance Review*’s awarding its securitization of 2005-1, NT\$18billion CBO bonds as the “Taiwan Bond of the Year.” The same exercise also won the citation as the “Best Deal in Taiwan” by the prestigious magazine *The Asset*.

Chinatrust Commercial Bank does not take its corporate citizenship lightly. One public-good activity universally undertaken by its branches all over the island is provision of umbrellas as a token of the Bank’s caring for customers in the event of their being caught in an unexpected rain. Seemingly minor gestures like this can prove conducive to fostering customer loyalty and leaving the general public a positive impression.

2. Employees

Year		December 31, 2004		December 31, 2005	
Number of employees		6,944		7,556	
Average age		32.45 years old		32.35years old	
Average number of years of employment		6.2 years		6.21 years	
Education		Employee count	Percentage	Employee count	Percentage
	Graduate school or higher	925	13.3%	1,085	14.36%
	University and college	5,545	79.9%	6,057	80.16%
	Senior high school	458	6.60%	398	5.27%
	Below senior high school	16	0.2%	16	0.21%

3. Corporate Responsibility & Moral Behavior

Chinatrust has been dedicated to innovation and professionalism in the financial industry. Other than pursuit of positive financial numbers and optimal shareholder's value, Chinatrust also prizes the tenet laid down by Michael Porter, the world's authority on competitive strategy, that corporate behavior meant for public good should be an integral part of a business's competitiveness. At Chinatrust, corporate social responsibility (CSR) is held as one of its core values. The Company has been involved in any number of public-good activities over the years:

1. Establishing the Chinatrust Charity Foundation

Initiated on November 2, 2004, it is devoted to caring for the economically disadvantaged and children who are either physically or mentally disabled. Volunteer workers are called in from within the Chinatrust group all year round to help make the vision "Love for kids" a reality.

(1) Relief for Economically Disadvantaged Children

A. Holding the "Light up a Life" fundraising campaign

This event has been held since 1985, and was the first fundraiser to aid underprivileged children organized by a local enterprise. In the last 21 years, it has accumulated a total fund of around NT\$380 million, helping more than 60,000 children, through a total of 28 charitable organizations.

B. Financial aid for victims of debt-ridden cardholders

Chinatrust has long cared for the less fortunate, especially children for whom education is even more important. At the beginning of 2006, the Chinatrust Charity Foundation donated NT\$10 million to the "Caring for debt-ridden cardholders" program it jointly started with the Taiwan Fund for Children and Families (CCF). Grants will be awarded to children whose families are unable to repay their credit or cash card debts so that they can continue their schooling they deserve. The Chinatrust Charity Foundation is also ready to assign volunteer workers to CCF outposts all over the island to help the needy families build a better understanding of asset and debt management.

(2) Relief to Disabled Children

The Chinatrust Charity Foundation joined hands with the Taipei county government in assisting the Down- Syndrome Foundation in the establishment of a learning center in Tamsui. It also donated an early treatment ambulance to help children in need of such care in remote areas.

(3) Volunteer Programs

As of February 2006, the Chinatrust Charity Foundation had initiated a cumulative 87 volunteer programs that brought workers to hospitals, nurseries, CCF outposts, and remote corners across the island. Volunteer workers told stories, made home repairs, read to sick children, and helped students in their studies. In total, they contributed 12,919 hours to 3,530 children.

(4) Assisting in the Search for Missing Children

Against the growing number of missing children in Taiwan, Chinatrust joins forces with the Child Welfare League Foundation in putting out information regarding one missing child on the back of credit-card bills mailed to cardholders each month to help locate him or her. Six photos of missing children were distributed between Nov. 2005 and April 2006, leading to the location of two of them. Chinatrust is set to continue this endeavor so that more missing children can find their way home.

2.Sponsoring Artistic Events

Between January 2001 and December 2005, Chinatrust was a sponsor of more than 20 artistic events, including the Chinese musical “Snow Wolf Lake,” Michael Bolton’s live concert, and the Ilan International Children’s Folklore & Folkgame Festival. Chinatrust takes pride in helping imbue people with a higher awareness and readiness to appreciate the arts, thus making possible more quality leisure time.

3.Subsidizing the Care for Gardens at CKS Memorial Hall

Chinatrust’s subsidies for maintenance of the gardens dated back to October 1, 2001 and would remain in effect until September 30, 2006. By helping preserve such a boon to the urban landscape, Chinatrust is happy to provide residents with a beautiful place to escape from the hassle of the city.

4.Building the “Novel Hall”

With a view to helping people’s appreciation of the arts and enhancing their quality of life, Chinatrust took the lead in building on its own a venue for performing arts. As of the end of 2005, Novel Hall had played host to 1,760 performances by domestic and foreign artists that drew an audience of more than 1 million people. That in itself was a worthy contribution to Taiwan’s appreciation of the arts.

IV. Special Notes

1.Dividend policy and status of execution

(1) Dividend policy:

As a subsidiary of the Chinatrust Financial Holding Company, the Bank has the obligation to take care of the fund requirements of the parent company. It will also have to set aside an adequate legal reserve and maintain an equitable policy for distributing cash dividends. Dividends and bonuses for common stocks shall in principle be in cash and shall be maintained at a stable level every year.

The above policy, however, is to be observed only in principle. The Bank shall take into consideration of business performance and budgeted capital requirements and make necessary adjustments in actual distribution.

Distribution terms, time, and amount: In case there is a surplus, the Bank shall first pay taxes, and after adjustment in accordance with accounting principles, make up losses in accordance with the law. Then it shall set aside 30% of the earnings as legal reserve. Before the total legal reserve reaches the amount of the total capital, the distributed cash dividends shall not exceed 15% of the total capital.

After setting aside the legal reserve and special reserve in accordance with law, the Bank shall set aside 0.01% to 0.05% of the distributable earnings to employees as bonuses. The way of distributing the remainder and the retained earnings at year-end shall be proposed by the Board of Directors and approved by the Shareholders' Meeting.

If there are earnings in a fiscal year, the Bank, not in contradiction with the provisions of Article 50 of the Banking Law, shall distribute to the shareholders at least 10% of the dividends in cash.

The Board of Directors shall decide on the payment procedures and the ratio of bonuses for employees.

(2) The Board has approved the earnings appropriation proposal for 2005. The original assumptive resolution of dividend distribution approved by the Board is as follows:

i. Preferred stock dividends: NT\$425,885 thousand

ii. Common stock dividends: It is proposed that NT\$9,060,089 thousand from retained earnings of Year 2005 will be distributed according to the record shown in the shareholder book on the distribution record date (Record Date). The dividends are NT\$1.41 per share in cash and NT\$0.34 per share in stock, total Common Stock dividends are NT\$1.75 per share.

2.The influence of dividend allocation this time to the operation performance, earnings per share and investment return rate for the stockholders:

There was no announced financial forecast for the bank in 2006, therefore no disclosure of such information is needed.

3. Information relating to employee bonuses and remuneration to directors and supervisors of the Board :

- (1) The allocation percentage or range of employee bonuses and remuneration to directors and supervisors of the Board mentioned in the Articles of Incorporation : The employee bonuses allocation range is between 0.01%~0.05%. However, the remuneration to directors and supervisors of the Board is not mentioned in the Article of Corporation.
- (2) The original assumptive resolution of dividend distribution for 2005 approved by the Board is as follows:
- i. Distribution of employee cash bonus NT\$4,546 thousand, stock bonus NT\$0thousand, remuneration to directors and supervisors NT\$0 thousand.
 - ii. Employee bonus distributed in the form of stock : 0 share.
 - iii. The assumptive earnings per share after allocation of employee bonuses and remuneration to directors and supervisors of the Board will be NT\$2.60
- (3) The appropriation of employee bonus and remuneration to directors and supervisors for year 2004

	Year 2004			
	Distributed with the resolution from the Annual General Meeting	Distribution proposal approved by the Board of Directors	Difference	Explanation
1. Distribution status :				
A. Employee bonus distributed in the form of cash	NT\$4,413 thousand	NT\$4,413 thousand	-	
B. Employee bonus distributed in the form of stock				
(1) shares	-	-	-	
(2) amount	-	-	-	
(3) % of outstanding shares of the Year	-	-	-	
C. Remuneration to Directors and Supervisors	NT\$0 thousand	NT\$0 thousand	-	
2. EPS: (Note)				
A. Original EPS	NT\$2.65	NT\$2.65	-	
B. Pro forma EPS	NT\$2.65	NT\$2.65	-	

Note: The original and pro forma data stated above were not retroactively adjusted.

Financial Supervisory Commission

Internal Control Representation

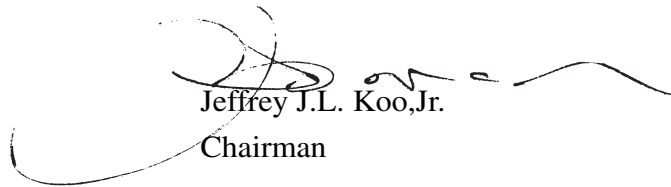
Dear Sirs:

On behalf of Chinatrust Commercial Bank Co., Ltd, we hereby certify that the company's internal control system and risk management mechanism for the fiscal year of 2005 have been implemented and audited by the independent internal auditors as to comply with " bank's Internal Control and Internal Audit Rules", and the internal audit reports are periodically presented to the company's board of directors and supervisors. For the securities business operations, the company has evaluated the effectiveness of related internal control system in accordance with requirements promulgated by "Management Guidelines of Internal Control System for Securities Servicing Entities".

We hereby certify that the company complies with all related laws and regulations, and the internal controls are effectively in place. This representation is part of the annual report and publicly disclosed.

We understand that we are legally bound to SEC ordinance #20, 32, 171 & 174.

Sincerely yours,




Jeffrey J.L. Koo, Jr.
Chairman



Steven C.Z. Cheng
President, Institutional Banking Group



Steve R.S. Chou
President, Retail Banking Group



Thomas K S Chen
General Auditor

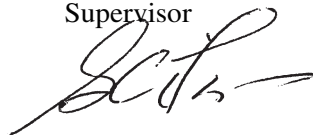


Y.D. Deng
Compliance officer

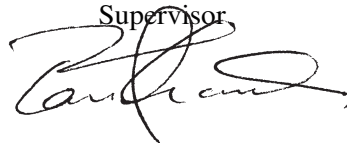
Independent Supervisors' Report

In accordance with Article 219 of the Company Law, the undersigned, have duly examined and accepted as correct the financial report (unconsolidated and consolidated) for the year 2005 submitted by the Board of Directors of Chinatrust Commercial Bank, which included the operating report, balance sheets, statements of income, statements of cash flows, statements of changes in stockholder's equity, and summary of properties.

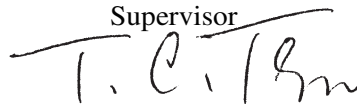
Shih-Chuan Lin
Supervisor



Paul Liang
Supervisor



T.C. Tsai
Supervisor



Apr 28, 2006
Taipei, Taiwan, R.O.C.

Head Office and Domestic Branches

Branch Office	Address	Tel
Head Office (Banking Department)	1F., No.3, Songshou Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 27222002
Chengjhong Branch	1F., No.83, Sec. 1, Chongcing S. Rd., Zhongjheng District, Taipei City 100, Taiwan (R.O.C.)	(02) 23818740
Da-an Branch	1F., No.102, Sec. 2, Roosevelt Rd., Zhongjheng District, Taipei City 100, Taiwan (R.O.C.)	(02) 33651988
Chengde Branch	1F., No.17, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	(02) 25562088
Nanjing East Road Branch	1F., No.16, Sec. 1, Nanjing E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25232238
Jhongsan Branch	1F., No.106-2, Sec. 2, Zhongshan N. Rd., Taipei City 104, Taiwan (R.O.C.)	(02) 25235222
Chengbei Branch	1F., No.218, Songjiang Rd., Zhongshan District, Taipei City 104, Taiwan(R.O.C.)	(02) 25623789
Minsheng Branch	1F., No.58, Sec. 1, Minsheng E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25641818
Chengdong Branch	1F., No.88, Sec. 2, Nanjing E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25677377
Songjiang Branch	1F., No.122, Songjiang Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25677822
Dunbei Branch	1F., No.122, Dunhua N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02) 27133322
Sisong Branch	1F, No.161, Sec.4, Nanjing E. Rd., Songshan District, Taipei, 105, Taiwan, R.O.C.	(02) 27177100
Jhungleun Branch	1F., No.85, Sec. 4, Bade Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02) 27672669
Fubei Branch	1F., No.363, Fusing N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02) 87705566
Dunnan Branch	1F., No.68, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 23253616
Gung-guan Branch	1F., No.281, Sec. 3, Roosevelt Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 23623377
Sinyi Branch	1F., No.236, Sec. 4, Sinyi Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27079977
Anhe Branch	1F., No.195, Sec. 2, Anhe Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27386171
Jhongsiao Branch	1F., No.71, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27520310
Yanji Branch	1F., No.298, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27716000
Ren-ai Branch	1F., No.341, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27754600
Wunshan Branch	1F., No.248, Sec. 4, Sinhai Rd., Wunshan District, Taipei City 116, Taiwan (R.O.C.)	(02) 29335358
Sinsheng South Road Branch	1F., No.111, Sec. 1, Sinsheng S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 87736060
Fusing Branch	1F., No.46, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)27099009
Wanhua Branch	1F., No.92、96, Sec. 2, Changsha St., Wanhua District, Taipei City 108, Taiwan (R.O.C.)	(02) 23898188
Shihmao Branch	2F., No.560, Sec. 4, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 23454000
Songshan Branch	1F., No.550, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 106, Taiwan (R.O.C.)	(02) 23466711
Shinfu Branch	1F.,No.9, Songgao Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 27221668
Yongji Branch	1F., No.18, Yongji Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 27617999
Taipei 101 Mini Branch	5F., No.45, Shihfu Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 81017888
Tianmu Branch	1F., No.90, Sec. 6, Zhongshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02) 28322888
Shihlin Branch	1F., No.307, Zhongjheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02) 28839900
Donghu Mini Branch	1F., No.182, Sec. 3, Kangning Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02) 26312288
Neihu Branch	1F., No.358, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02) 27938668

Branch Office	Address	Tel
Rueiguang Branch	1F., No.32, Lane 513, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02) 27985600
Keelung Branch	1F., No.150, Sinyi Rd., Sinyi District, Keelung City 201, Taiwan (R.O.C.)	(02) 24221166
Jiangcui Mini Branch	1F., No.8, Sec.3, Shuang 10th Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02) 22578999
Banciao Branch	1F., No.187, Sec. 1, Wunhua Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02) 29606600
Bansin Branch	1F., No.293-1, Sec. 1, Jhongshan Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02) 89611500
Sijhih Branch	1F., No.306, Sec. 1, Datong Rd., Sijhih City, Taipei County 221, Taiwan (R.O.C.)	(02) 26489699
Sindian Branch	1F., No.6, Sec. 2, Beisin Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	(02) 29129988
North Sindian Branch	1F., No.25, Minceyuan Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	(02) 29135000
Shuanghe Branch	1F., No.588, Jhongjheng Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02) 29233333
Nashihjiao Mini Branch	1F., No.65, Jhongjheng Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02) 29498838
Yonghe Mini Branch	1F., No.215, Sec. 1, Jhongshan Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02) 89235008
Jhonghe Branch	1F., No.66, Liancheng Rd., Jhonghe City, Taipei County 235, Taiwan (R.O.C.)	(02) 22452277
Jincheng Mini Branch	1F., No.14, Sec. 3, Jincheng Rd., Tucheng City, Taipei County 236, Taiwan (R.O.C.)	(02) 22601177
Tucheng Branch	1F., No.304, Sec. 2, Jhongyang Rd., Tucheng City, Taipei County 236, Taiwan (R.O.C.)	(02) 22630888
Shulin Branch	1F., No.122, Sec.1, Jhongshan Rd., Shulin City, Taipei County 238, Taiwan (R.O.C.)	(02) 26812345
Sanchong Branch	1F., No.208, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02) 29828121
Jhengyi Branch	1F., No.68, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02) 29846633
Chongyang Branch	1F., No.66, Sec. 1, Chongyang Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02) 89881199
North Sinjhuang Branch	1F., No.57, Sec. 2, Jhonghua Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02) 22776789
Danfong Branch	1F., No.879-14, Jhongjheng Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02) 29066888
Sinjhuang Branch	1F., No.320, Jhongjheng Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02) 29929696
Lujhou Branch	1F., No.211, Jhongshan 1st Rd., Lujhou City, Taipei County 247, Taiwan (R.O.C.)	(02) 28482008
Yilan Branch	1F., No.152, Sec. 3, Jhongshan Rd., Yilan City, Yilan County 260, Taiwan (R.O.C.)	(03) 9351122
Hsinchu Branch	1F., No.158, Jhongjheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03) 5222687
Jingguo Mini Branch	1F., No.375, Sec. 1, Jingguo Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03) 5357655
Jhuke Branch	1F., No.2, Jinshan St., Hsinchu City 300, Taiwan (R.O.C.)	(03) 5638080
Jhupei Branch	1F., No.49, Guangming 6th Rd., Jhupei City, Hsinchu County 302, Taiwan (R.O.C.)	(03) 6560222
Jhongli Branch	1F., No.500, Yanping Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03) 4223131
Yanping Branch	1F., No.326, Yanping Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03) 4271122
Jhongyuan Mini Branch	1F., No.445, Sec. 2, Jhongbei Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03) 4662211
Taoyuan Branch	1F., No.32, Sec. 1, Chenggong Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03) 3373266
South Taoyuan Branch	1F., No.389, Fusing Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03) 3388866
Linkou Mini Branch	1F., No.38, Wunhua 2nd Rd., Gueishan Township, Taoyuan County 333, Taiwan (R.O.C.)	(03) 3962777
Bade Mini Branch	1F., No.965, Sec. 1, Jieshou Rd., Bade City, Taoyuan County 334, Taiwan (R.O.C.)	(03) 3716565
Nankan Branch	1F., No.257, Jhongjheng Rd., Lujhu Township, Taoyuan County 338, Taiwan (R.O.C.)	(03) 3212211

Branch Office	Address	Tel
Toufen Branch	1F., No.951, Jhonghua Rd., Toufen Township, Miaoli County 351, Taiwan (R.O.C.)	(037) 695678
Taichung Branch	1F., No.50, Minzu Rd., Central District, Taichung City 400, Taiwan (R.O.C.)	(04) 22292161
Chunggang Branch	1F., No.400, Sec. 1, Taichung Port Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04) 23149999
North Taichung Branch	1 ∨ 2F., No.77, Yucai N. Rd., North District, Taichung City 404, Taiwan (R.O.C.)	(04)22231666
Wunsin Branch	1F., No.875, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	(04) 22469988
Shueinan Branch	1F., No.361, Sec.3, Wunsin Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04) 22960988
Situn Mini Branch	1F., No.111, Sec. 3, Taichung Port Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04) 23551000
Gongyi Branch	1F., No.53, Sec. 2, Gongyi Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04) 23291111
Nantun Branch	1F., No.234, Sec. 2, Wucyuan W. Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04) 24712268
Taiping Mini Branch	1F., No.312, Jhongsing E. Rd., Taiping City, Taichung County 411, Taiwan (R.O.C.)	(04) 22789988
Dali Branch	1F., No.267, Sec. 1, Jhongsing Rd., Dali City, Taichung County 412, Taiwan (R.O.C.)	(04) 24923222
Fongyuan Branch	1F., No.341, Jhongshan Rd., Fongyuan City, Taichung County 420, Taiwan (R.O.C.)	(04) 25201010
Changhua Branch	1F., No.76, Siaoyang Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	(04) 7279933
Yuanlin Branch	1F., No.372, Jhongjheng Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04) 8368676
Nantou Branch	1F., No.220, Jhongshan St., Nantou City, Nantou County 540, Taiwan (R.O.C.)	(049) 2207711
Chiayi Branch	1F., No.241, Minsheng N. Rd., Chiayi City 600, Taiwan (R.O.C.)	(05) 2286600
Douliou Branch	1F., No.2, Singhua St., Douliou City, Yunlin County 640, Taiwan (R.O.C.)	(05) 5360099
Tainan Branch	1F., No.31, Jhongjheng Rd., Central District, Tainan City 700, Taiwan (R.O.C.)	(06) 2295151
Central Tainan Branch	1F., No.167, Sec. 1, Minsheng Rd., Central District, Tainan City 700, Taiwan (R.O.C.)	(06) 2412318
East Tainan Branch	1F., No.290, Sec. 2, Changrong Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06) 2085522
Jhonghua Branch	1F., No.195, Sec. 2, Jhonghua E. Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06) 3353535
South Tainan Mini Branch	1F., No.236, Sec. 2, Jiankang Rd., South District, Tainan City 702, Taiwan (R.O.C.)	(06) 2919999
West Tainan Branch	1F., No.212, Sec. 4, Jinhua Rd., West District, Tainan City 703, Taiwan (R.O.C.)	(06) 2263636
Yongkang Branch	1F., No.425, Jhonghua Rd., Yongkang City, Tainan County 710, Taiwan (R.O.C.)	(06) 2025787
Sinying Branch	1F., No.137, Jhongshan Rd., Sinying City, Tainan County 730, Taiwan (R.O.C.)	(06) 6336789
Sinsing Branch	1F., No.206, Minsheng 1st Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	(07) 2262325
Minzu Branch	1F., No.97, Minzu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	(07) 2386567
Kaohsiung Branch	1F., No.168, Jhongjheng 4th Rd., Cianjin District, Kaohsiung City 801, Taiwan (R.O.C.)	(07) 2318141
Sanduo Mini Branch	1F., No.274, Jhongshan 2nd Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07) 3341199
East Kaohsiung Branch	1F., No.29, Cingnian 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07) 5351885
South Kaohsiung Branch	1F., No.21, Yisin 2nd Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	(07) 3366768
Cianjhen Mini Branch	1F., No.480, Rueilong Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	(07) 7261066
Sanmin Branch	1F., No.366, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07) 3161155
North Kaohsiung Branch	1F., No.52, Mingcheng 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07) 3461199
Jiouru Mini Branch	1F.,No.551,Jiouru 1st Rd.,Sanmin District,Kaohsiung City 807,Taiwan (R.O.C.)	(07) 3805558

Branch Office	Address	Tel
Gangshan Branch	1F.,NO.388, Gangshan Rd.,Gangshan Township,Kaohsiung County 820,Taiwan (R.O.C.)	(07) 6235500
Fongshan Branch	1F., No.85-1, Jhongshan Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07) 7451199
Wujia Branch	No. 699, Wujia 2nd Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07) 8215101
Pingtung Branch	1F., No.450, Zihyou Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08) 7383000
Taitung Branch	1F., No.279, Jhongshan Rd., Taitung City, Taitung County 950, Taiwan (R.O.C.)	(089) 339898
Hualien Branch	1F., No.376, Jhongshan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	(03) 8340566

Overseas subsidiaries

Branch	Address	Tel	Fax
Hong Kong Branch	Suite 2801, 28/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong	852-29161888	852-28109742
Kowloon Branch	26/F,One Peking,No.1 Peking Road,Tsim Sha Tsui,Kowloon,Hong Kong	852-29161688	852-28050899
New Delhi Branch	21A Janpath , New Delhi 110001India	91-11-23356001	91-11-23731815
New York Branch	3rd Fl., 366 Madison Ave., NY, USA	1-212-4578888	1-212-9494774
Tokyo Branch	7th Fl., AIG Building, 1-3, Marunouchi, 1-chome Chiyoda-ku, Tokyo 100-0005, Japan	813-32161108	813-32161090
Ho Chi Minh City Branch	Suite 116, Saigon Trade Center Building, 37 Ton Duc Thang St., Dist.1, Ho Chi Minh City, Vietnam	848-910-1888	848-910-1999
London Rep. Office	7th Fl., Aldermay House , 10-15 Queen Street , London, EC4N 1TX, England	44-207-3290033	44-207-3290828
Bangkok Rep. Office	Diethelm Tower A, Suite 803 93/1 Wireless Road, Bangkok 10330, Thailand	66-2-2543139	66-2-2566480
Hanoi Rep. Office	4th Fl., 41B Ly Thai To Street, Hanoi, Vietnam	84-4-8249088	84-4-8249099
Beijing Rep. Office	B-111,The grand pacific building, 8a, Guanghua rd., Chao Yang district, Beijing, P. R.C. 100026	86-10-65813700	86-10-65815701
Manila Rep. Office	3rd Fl., Tower One, Ayala Triangle, Ayala Avenue cor Paseo De Roxas, Metro Manila, Makati , Philippines	63-2-8485519	63-2-7594982
Jakarta Rep. Office	Wisma Tamara, 16th Fl., J1 Jenderal Sudirman Kav. 24, Jakarta, 12920, Indonesia	62-21-5207878	62-21-5206278
PT. Bank Chinatrust Indonesia	Wisma Tamara, 16th Fl., J1 Jenderal Sudirman Kav. 24, Jakarta, 12920, Indonesia	62-21-5207878	62-21-5206278
Chinatrust (Phils.) Commercial Bank Corp.	3rd Fl., Tower One, Ayala Triangle , Ayala Avenue cor. Paseo De Roxas, Metro Manila, Makati, Philippines	63-2-8485519	63-2-7594983
CTC Bank of Canada	1518 West Broadway, Vancouver, B.C., Canada, V6J 1W8	1-604-6833882	1-604-6833723
Chinatrust Bank (U.S.A.)	22939 Hawthorne Boulevard, 2nd Floor, Torrance, CA 90505	1-310-7918003	1-310-7912877

Automation Service Outside Bank

Name of the Service	Address
Metro Taipei Tienmu Stop	B1,32-1, Baoching Rd., Taipei, Taiwan, R.O.C.
Min-Sheng business area	200, Section 5, Min-Sheng East Rd., Taipei, Taiwan, R.O.C.
Tung-Hwa business circle	49, Tunghwa Street, Taipei, Taiwan, R.O.C.
Wenhwa University	56, Hwa-kang Rd., Peitou area, Taipei, Taiwan, R.O.C.
Tienmu business circle	28-1, Tienmu Weasr Rd., Taipei, Taiwan, R.O.C.
Shi-jhi business circle	96, Section 1, Hsin-tai 5 th Rd., Shi-jhi City, Taipei County, Taiwan, R.O.C.
Building Breeze in Four Seasons	67, Changlung Street, Hsinchuang City, Taipei County, Taiwan, R.O.C.
Luchou Automation Service	251, San-ming Rd., Luchou City, Taipei County, Taiwan, R.O.C.
Taiwan Semiconductor Manufacturing co.,Ltd(Hsin-Chu)	121, Park Avenue III., Science-Based Industrial Park Hsin-Chu, Taiwan 300, R.O.C.
AU Optronics Corporation	1, Hsin-hi Rd., Aspire Park Area, Long-tan, Taoyuan County, Taiwan, R.O.C.
Chung-Shan Institute of Science and Technology	481, Cha-an Section, Chung-cheng Rd., Long-tan, Taoyuan County, Taiwan, R.O.C.
HannStar Display Corporatino(Yangmei)	580, Kao Shi Rd., Yangmei, Taoyuan County, Taiwan, R.O.C.
Quanta Computer Inc.	188, Wen Hwa 2 nd Rd., Kuei Shan Hsiang, Taoyuan County, Taiwan, R.O.C.
Taiwan Semiconductor Manufacturing co., Ltd(Shan-Hwa)	1, Nan-Ke North Rd., Science-Based Industrial Park Shan-Hwa, Tainan, Taiwan, R.O.C.
Imperial VIP	63, Cheng-ho Rd., Chien-Jen Rd., Kaoshiung, Taiwan, R.O.C.
HannStar Display Corporatino(Kaoshiung)	28, North 1th Rd., K.E.P.Z. Taiwan, R.O.C.

Appendix 1

Annual Financial Report 2005

CHINATRUST COMMERCIAL BANK CO., LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
AND
INDEPENDENT AUDITORS' REPORT

ADDRESS: No. 3 SUNG-SHOU ROAD, TAIPEI, TAIWAN, R.O.C.
TELEPHONE NUMBER: 886-2-2722-2002

Independent Auditors' Report

The Board of Directors
Chinatrust Commercial Bank Co., Ltd.

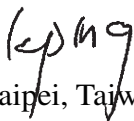
We have audited the accompanying balance sheets of Chinatrust Commercial Bank Co., Ltd. as of December 31, 2005 and 2004, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chinatrust Commercial Bank Co., Ltd. as of December 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in the Republic of China.

As described in Note 3, effective from January 1, 2004, the Bank adopted SFAS No. 33 "Accounting for Transfers of Financial Assets and Extinguishments of Liabilities" to account for bills and bonds sold under repurchase agreements in which control is not surrendered as financing transactions instead of as sale transactions.

Chinatrust Commercial Bank Co., Ltd. has prepared consolidated financial statements, on which we have expressed an unqualified opinion with an added explanatory paragraph.


Taipei, Taiwan, ROC
February 17, 2006

Notice to Readers

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

CHINATRUST COMMERCIAL BANK CO., LTD.
BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

ASSETS	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Cash (Notes 2 and 4(a))	\$ 20,157,339	1	\$ 17,171,780	1
Due from Central Bank and other banks (Note 4(b) and 5)	130,081,167	9	88,544,938	8
Bills and securities purchased (Notes 2, 3, 4(c) and 6)	228,909,605	15	151,529,467	12
Less: Allowance for market value decline	(811,085)	-	(368,275)	-
	<u>228,098,520</u>	<u>15</u>	<u>151,161,192</u>	<u>12</u>
Receivables (Notes 2 and 4(d))	172,346,055	11	142,943,939	11
Less: Allowance for credit losses	(2,503,400)	-	(2,569,795)	-
	<u>169,842,655</u>	<u>11</u>	<u>140,374,144</u>	<u>11</u>
Loans (Notes 2, 4(e) and 5)	856,539,998	56	763,397,805	61
Less: Allowance for loan losses	(9,757,110)	-	(11,336,580)	(1)
	<u>846,782,888</u>	<u>56</u>	<u>752,061,225</u>	<u>60</u>
Long-term investments (Notes 2, 4(f), 4(g) and 6)				
Accounted for under the equity method	15,446,874	1	13,906,352	1
Accounted for under the cost method	4,242,477	-	4,778,341	-
Less: Allowance for market value decline	(1,103,121)	-	(943,028)	-
Long-term bond investments	50,056,835	4	39,041,843	3
Real estate investments	1,400	-	1,400	-
	<u>68,644,465</u>	<u>5</u>	<u>56,784,908</u>	<u>4</u>
Other financial assets (Notes 2, 4(h) and 6)	14,149,987	1	10,587,936	1
Premises and equipments (Notes 2 and 4(i))				
Land and buildings, net	28,539,832	2	28,764,568	3
Equipments and other properties, net	4,889,534	-	5,213,675	-
	<u>33,429,366</u>	<u>2</u>	<u>33,978,243</u>	<u>3</u>
Intangible assets (Notes 2, 4(j) and 10)	4,084,606	-	5,406,959	-
Other assets (Notes 2, 4(k) and 4(q))	6,662,619	-	6,611,592	-
Total assets	<u>\$ 1,521,933,612</u>	<u>100</u>	<u>\$ 1,262,682,917</u>	<u>100</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Bills and bonds sold under repurchase agreements (Notes 2, 3 and 4(c))	\$ 64,273,374	4	\$ 59,944,252	5
Due to Central Bank and other banks	60,168,198	4	67,970,322	6
Payables (Notes 2 and 4(l))	43,301,110	3	30,202,429	2
Deposits and remittances (Notes 4(m) and 5)	1,173,300,055	77	972,488,961	77
Financial debentures (Note 4(n))	68,692,209	5	21,300,000	2
Financing from Central Bank and other banks (Note 4(o))	6,161,354	-	6,815,824	-
Other liabilities (Notes 2, 4(p) and 4(q))	17,243,271	1	12,557,944	1
Total liabilities	<u>1,433,139,571</u>	<u>94</u>	<u>1,171,279,732</u>	<u>93</u>
Stockholders' equity				
Common stock (Note 4(s))	51,771,935	3	50,264,015	3
Preferred stock (Note 4(s))	-	-	2,500,000	-
Capital surplus				
Paid-in capital in excess of par - common stock	519,764	-	519,764	-
Paid-in capital in excess of par - preferred stock	-	-	7,500,000	1
Other additional paid-in capital	12,949	-	36,025	-
Retained earnings				
Legal reserve	25,226,696	2	21,300,848	2
Undistributed retained earnings (Note 4(u))	13,620,385	1	13,363,103	1
Other adjustments to stockholders' equity:				
Unrealized losses on long-term equity investments (Note 4(f))	(1,103,121)	-	(943,028)	-
Cumulative translation adjustments	(1,254,567)	-	(1,816,818)	-
Treasury stock (Notes 2 and 4(t))	-	-	(1,320,724)	-
Total Stockholders' Equity	<u>88,794,041</u>	<u>6</u>	<u>91,403,185</u>	<u>7</u>
Commitments and Contingencies (Notes 2 and 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,521,933,612</u>	<u>100</u>	<u>\$ 1,262,682,917</u>	<u>100</u>

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

CHINA TRUST COMMERCIAL BANK CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars , Except For Per Share Data)

	For the years ended December 31,			
	2005		2004	
	Amount	%	Amount	%
Operating Revenues				
Interest income	\$ 53,216,164	69	\$ 42,336,462	64
Commissions and fees income	17,173,823	22	16,377,634	25
Net gains on bills and securities purchased	606,984	1	838,864	1
Investment income accounted for under the equity method (Note 4(f))	1,404,660	2	1,256,597	2
Net gains on foreign exchange	597,214	1	1,265,549	2
Net gains on derivative instrument	3,459,668	5	3,423,081	5
Other operating revenues	215,401	-	467,533	1
Total Operating Revenues	76,673,914	100	65,965,720	100
Operating Costs				
Interest expense	(16,198,638)	(21)	(10,600,696)	(16)
Commissions and fees paid	(519,812)	(1)	(401,033)	(1)
Provisions for allowances and reserves	(14,564,744)	(19)	(11,062,223)	(17)
Other operating expenses	(698,750)	(1)	(154,224)	-
Total Operating Costs	(31,981,944)	(42)	(22,218,176)	(34)
Gross Margin	44,691,970	58	43,747,544	66
Operating Expenses (Note 10(c))	(27,056,314)	(35)	(25,871,029)	(39)
Operating Taxes	(1,334,744)	(2)	(1,158,119)	(2)
Operating Income	16,300,912	21	16,718,396	25
Non-Operating Revenues	860,650	1	850,175	1
Non-Operating Expenses	(539,045)	(1)	(299,691)	-
Income Before Income Tax	16,622,517	21	17,268,880	26
Income Tax Expense (Notes 2 and 4(q))	(2,706,933)	(3)	(3,251,210)	(5)
Net Income	\$ 13,915,584	18	\$ 14,017,670	21
	Before Tax	After tax	Before Tax	After tax
Basic Earnings Per Share (Notes 2 and 4(v))	\$ 3.13	\$ 2.61	\$ 3.29	\$ 2.65
Basic Earnings Per Share - retroactively adjusted (Notes 2 and 4(v))	\$ -	\$ -	\$ 3.20	\$ 2.57

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

CHINATRUST COMMERCIAL BANK CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	Retained Earnings							Total		
	Common stock	Preferred stock	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Unrealized losses on long-term equity investments		Cumulative translation adjustments	Treasury stock
Beginning Balance - January 1, 2004	\$ 50,659,695	\$ 2,500,000	\$ 8,059,320	\$ 19,118,188	\$ 1,816,240	\$ 7,337,673	\$ (970,608)	\$ (808,718)	\$ (3,888,485)	\$ 83,823,305
Appropriation and distribution of 2003 earnings										
Legal reserve	-	-	-	2,182,660	-	(2,182,660)	-	-	-	-
Reversal of special reserve to undistributed retained earnings	-	-	-	-	(1,816,240)	1,816,240	-	-	-	-
Employee bonuses	-	-	-	-	-	(3,149)	-	-	-	(3,149)
Cash dividends - common stock	-	-	-	-	-	(6,079,163)	-	-	-	(6,079,163)
Dividends - preferred stock	-	-	-	-	-	(612,000)	-	-	-	(612,000)
Net income for 2004	-	-	-	-	-	14,017,670	-	-	-	14,017,670
Effect of restructuring on long-term investments										
Reversal of unrealized losses on long-term equity investments	-	-	-	-	-	(163,923)	27,580	-	-	(163,923)
Cumulative translation adjustments	-	-	-	-	-	-	-	(1,008,100)	-	27,580
Treasury stock transferred to employees	-	-	-	-	-	(475,904)	-	-	1,870,290	(1,008,100)
Cancellation of treasury stock	(395,680)	-	(4,091)	-	-	(291,681)	-	-	691,452	1,394,386
Recognition of treasury stock of subsidiaries	-	-	-	-	-	-	-	-	6,019	6,019
Assets revaluation appreciation for Paraguay branch	-	-	560	-	-	-	-	-	-	560
Ending Balance - December 31, 2004	\$ 50,264,015	\$ 2,500,000	\$ 8,055,789	\$ 21,300,848	\$ -	\$ 13,563,103	\$ (943,028)	\$ (1,816,818)	\$ (1,328,724)	\$ 91,463,185
Appropriation and distribution of 2004 earnings										
Legal reserve	-	-	-	3,925,848	-	(3,925,848)	-	-	-	-
Employee bonuses	-	-	-	-	-	(4,413)	-	-	-	(4,413)
Cash dividends - common stock	-	-	-	-	-	(7,288,282)	-	-	-	(7,288,282)
Stock dividends - common stock	1,507,920	-	-	-	-	(1,507,920)	-	-	-	-
Dividends - preferred stock	-	-	-	-	-	(612,000)	-	-	-	(612,000)
Net income for 2005	-	-	-	-	-	13,915,584	(160,093)	-	-	13,915,584
Recognition of unrealized losses on long-term equity investments										
Cumulative translation adjustments	-	-	-	-	-	-	-	562,251	-	562,251
Treasury stock transferred to employees	-	-	-	-	-	(319,839)	-	-	1,320,724	1,000,885
Retrieve preferred stock	-	(2,500,000)	(7,500,000)	-	-	-	-	-	-	(10,000,000)
Assets revaluation appreciation for Paraguay branch	-	-	587	-	-	-	-	-	-	587
Reversal of assets revaluation appreciation for Paraguay branch	-	-	(23,663)	-	-	-	-	-	-	(23,663)
Ending Balance - December 31, 2005	\$ 51,771,935	\$ -	\$ 532,713	\$ 25,226,696	\$ -	\$ 13,628,385	\$ (1,103,121)	\$ (1,254,567)	\$ -	\$ 88,794,041

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

CHINATRUST COMMERCIAL BANK CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	For The Years Ended December 31,	
	2005	2004
	Amount	Amount
Cash flows from operating activities:		
Net income	\$ 13,915,584	\$ 14,017,670
Adjustments to reconcile net income to net cash provided (used in) by operating activities:		
Depreciation and amortization	3,710,025	3,381,293
Amortization of premium or discount on long term bond investments and exchange gains or losses	196,101	405,351
Investment income recognized under the equity method over cash dividends received	(1,255,942)	(1,084,999)
Losses (gains) on disposition of long-term equity investments (include permanent impairment losses)	460,857	(238,730)
Gain on financial assets securitization	(43,935)	(50,288)
(Gains) losses on dispositions of premises, equipments and foreclosed properties	(42,930)	580,476
Losses on obsolescence of premises and equipments	92,501	86,697
Provision for loan losses	17,126,012	13,654,451
Provision for (reversal of) unrealized losses on bills and marketable securities	437,587	(347,200)
Provision for unrealized losses on assets-backed securities	2,424	-
Provision for guarantee reserve	24,450	28,459
Provision for (reversal of) unrealized losses on foreclosed properties	91,753	(247,416)
Other	(2,804)	5,023
Net change in:		
Receivables	(3,571,741)	5,027,162
Bills and securities purchased	(55,438,545)	(23,534,818)
Payables	1,336,682	(655,243)
Trading derivative instruments, net	(1,563,723)	1,683,883
Net cash (used in) provided by operating activities	<u>(24,525,644)</u>	<u>12,711,771</u>
Cash flows from investing activities:		
Increase in deposits with Central Bank and other banks (excluding cash equivalents)	(32,456,474)	(8,217,061)
Increase in receivables	(33,290,049)	(28,370,446)
Increase in loans	(105,143,325)	(129,257,374)
Purchase of long-term equity investments	-	(240,277)
Proceeds from disposal of long-term equity investments	187,771	7,155,952
Proceeds from financial assets securitization	17,596,003	4,855,000
Purchase of long-term bond investments	(19,578,249)	(7,487,669)
Proceeds from maturities and paydowns of long-term bond investments	8,364,732	6,005,636
Proceeds from disposition of long-term bond investments	-	2,949,999
Purchase of premises and equipments	(3,165,004)	(2,075,861)
Proceeds from disposition of premises, equipments and foreclosed properties	2,863,371	1,880,220
(Increase) decrease in other financial assets	(2,327,445)	1,066,910
(Increase) decrease in other assets	(530,239)	466,834
Non-trading derivative instruments, net	(371,449)	(3,447)
Net cash received from Assuming Fengshan Credit Cooperative (FSCC)	-	2,946,370
Net cash used in investing activities	<u>(167,850,357)</u>	<u>(148,325,214)</u>
Cash flows from financing activities:		
Increase in bills and bonds sold under repurchase agreements	4,329,122	59,944,252
(Decrease) increase in due to Central Bank and other banks	(7,802,124)	5,161,146
Increase in payables	11,803,022	4,024,967
Increase in financial debentures	47,392,209	-
Increase in deposits and remittances	200,811,094	78,289,848
(Decrease) increase in financing from Central Bank and other banks	(654,470)	20,224
Increase in other liabilities	4,954,710	607,650
Cash dividends paid - common stock	(7,288,282)	(6,079,163)
Dividends paid - preferred stock	(612,000)	(612,000)
Employee bonuses	(4,413)	(3,149)
Retrieve of preferred stock	(10,000,000)	-
Proceeds from sale of treasury stock	1,000,885	1,394,386
Net cash provided by financing activities	<u>243,929,753</u>	<u>142,748,161</u>
Net increase in cash and cash equivalents	51,553,752	7,134,718
Cash and cash equivalents, at beginning of the period	69,483,266	62,348,548
Cash and cash equivalents, at the end of the period	\$ 121,037,018	\$ 69,483,266
Cash and cash equivalents:		
Cash	\$ 20,157,339	\$ 17,171,780
Call loans to banks	26,183,871	17,957,759
Due from Central Bank	14,368,890	13,515,247
Bills and securities purchased (cash equivalents)	60,326,918	20,838,480
	\$ 121,037,018	\$ 69,483,266
Supplemental disclosures of cash flows information:		
Cash paid during the period for:		
Interest	\$ 14,752,731	\$ 11,169,417
Income tax	\$ 3,095,519	\$ 949,513
Investing and financing activities not affecting cash flows:		
Stock dividends - common stocks	\$ 1,507,920	\$ -

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

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. Overview

Chinatrust Commercial Bank Co., Ltd. (the “Bank”) was incorporated in March 1966 originally as “China Securities Investment Corporation.” In December 1970, the Bank changed its organization and was renamed China Trust Co., Ltd. 21 years later, on July 2, 1992, it was approved to conduct commercial banking business and changed its name to Chinatrust Commercial Bank Co., Ltd.

In order to restructure overall resources, lower costs, expand business scope, enhance competitiveness, and improve the quality of financial services and operating efficiency, on September 30, 2003, the Bank’s Board of Directors resolved to acquire Grand Commercial Bank, a wholly-owned subsidiary of Chinatrust Financial Holding Company, Ltd. and to merge it with the Bank, with the Bank as the surviving entity. The acquisition recording date was December 1, 2003.

On August 1, 1991, Grand Commercial Bank was approved to conduct commercial banking businesses and began operations on December 30, 1991. As of November 30, 2003, Grand Commercial Bank had 42 domestic branches.

In order to develop the business units, enhance competitiveness, and provide customers with more convenient and multiple financial services, the Bank assumed the outstanding assets, liabilities and operations of Fengshan Credit Cooperative (“FSCC”) on October 1, 2004. Please refer to Note 10 for a further description.

The Bank has been approved to conduct business in the following areas:

- (a) Checking accounts;
- (b) Savings accounts;
- (c) Time deposits;
- (d) Short, medium, and long-term loans;
- (e) Note discounting;
- (f) Investment in marketable securities;
- (g) Domestic foreign exchange business;
- (h) Banker’s acceptances;
- (i) Issuance of domestic standby letters of credit;
- (j) Domestic endorsement guarantee business;
- (k) Collection and payment agency;
- (l) Agency for government and corporate bonds, treasury bills, and securities transactions;

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (m) Agency transactions and proprietary trading of short-term bills;
- (n) Credit card-related products;
- (o) Agency for sale of gold nuggets, gold coins and silver coins;
- (p) Financial derivative businesses as approved by the Ministry of Finance (“MOF”);
- (q) Custody and warehouse services;
- (r) Renting of safe-deposit boxes;
- (s) Financial advisory services on corporate banking;
- (t) Foreign exchange business in connection with exports and imports, fund remittance and repatriation, foreign currency deposits and loans; guarantee for secured repayment, and attestation on exports and imports;
- (u) Non-discretionary trust funds for investment in foreign and domestic marketable securities;
- (v) Account receivable factoring business as approved by the MOF;
- (w) Endorsement and issuance of corporate bonds;
- (x) Issuance of financial debentures;
- (y) Underwriting, agency transactions, and proprietary trading of marketable securities;
- (z) Proprietary trading of government bonds;
- (aa) All businesses related thereto as specified in the license or other agency services as approved by the MOF;
- (bb) Trust and fiduciary services;
- (cc) Margins on foreign currency transactions;
- (dd) Issuance of cash value cards; and
- (ee) Other businesses as approved by the MOF.

The Bank’s headquarters coordinate corporate-wide operations and establish domestic and overseas banking units to expand business. As of December 31, 2005, the Bank had 110 domestic branches and held licenses to open 1 additional branches, 6 foreign branches and 6 overseas representative offices.

The Bank’s parent company is Chinatrust Financial Holding Company, Ltd.

As of December 31, 2005, the Bank had 7,749 employees.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2. Summary of significant accounting policies

The Bank's financial statements were prepared in accordance with generally accepted accounting principles of the Republic of China. The significant accounting policies and bases of measurement adopted in preparing these financial statements are summarized as follows:

(a) Basis of compilation for statements of cash flows

Compilation of statements of cash flows is based upon cash and cash equivalents. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and will mature on short notice so that the interest rate fluctuations have little effect on their values.

(b) Accounts receivable

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

Credit card loan or accrued interest that is over 150 days past due is reclassified to a non-accrual account. Interest collected thereafter is included in earnings only to the extent of cash actually received.

The Bank engages in factoring and management of accounts receivable. The interest and transaction fees from factoring and management of such accounts are treated as current income. An allowance for credit losses is provided by reviewing the balance of accounts at period-end. Unpaid accounts receivables purchased from companies that sell receivables are accounted for under "payables."

(c) Loans

Loans are carried at principal amounts outstanding, net of unearned income and amounts charged off. Interest is recognized on an accrual basis using the interest method. Interest accrual is suspended under either of the following conditions:

- (i) collection of principal or interest accrued is considered highly unlikely; or
- (ii) principal or interest accrued is 180 days past due.

Interest collected thereafter is included in earnings only to the extent of cash actually received.

(d) Allowance for credit losses

Allowance for credit losses is a significant estimate regularly evaluated by management for adequacy and is provided through a charge to provision for credit losses. In accordance with the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing and Non-Accrued Loans issued by the MOF, the management evaluates the quality of the overall portfolio, which comprises loans, accounts receivable, receivable-non-accrual accounts, outstanding guarantees and a review of specific delinquent claims.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

The risk on overall claims is reviewed based on past experiences. Non-accrual accounts deemed as uncollectible are written off upon approval of the Board of Directors.

(e) Bills and securities purchased

Under Article 74-1 of the Banking Law, bills and securities, whether listed or traded OTC, are valued at the lower of total cost or market value, a practice commonly adopted in the banking industry. In accordance with the regulations of the Securities & Futures Bureau (“SFB”), market values are determined by the average closing prices of the last month of the period.

Government and corporate bonds are valued at the lower of total cost or market if market quotes are available; otherwise, bonds are carried at face value and adjusted by the accumulated unamortized discount or premium. Financial debentures, banker’s acceptances, commercial paper, treasury bills and negotiable certificates of time deposits purchased are carried at cost. Overseas debt securities are valued at the lower of total cost or market value, and redeemable value is adopted if it is lower than market price.

Loss due to market value decline or gain on recovery in market value arising from valuation of bills and securities at the lower of total cost or market value is classified as unrealized gain or loss on bills and securities. Gain on short-term notes transactions is accounted for as interest income.

Bills and securities sold under repurchase agreements or restrictions should be disclosed.

(f) Long-term investments

Long-term equity investments are carried at cost. Investments in listed companies in which the Bank has equity ownership of less than 20% are valued at the lower of total cost or market value. The unrealized loss from the decline in market value below cost is charged against stockholders’ equity. Investments in non-listed companies are carried at cost. If the impairment in the value of investment is other than temporary and the recovery of the carrying amount is deemed unlikely, loss on investment is recognized in the current period.

Investees in which the Bank has equity ownership of more than 20% or has significant influence are accounted for under the equity method according to R.O.C. Statement of Financial Accounting Standards (“SFAS”) No. 5. Upon sale, gain or loss on disposal of long-term equity investment is calculated based on the differences between selling price and the book value. The remaining capital surplus arising from a long-term equity investment is adjusted to profit and loss based on the percentage of sales.

Commencing from the year 2005, the Bank prepares consolidated financial statements that include the accounts of its majority-owned affiliates in accordance with amended SFAS No. 7 “Consolidated Financial Statements”.

Upon the sale of long-term equity investments carried at cost, the cost of sale is calculated using the moving-average method, with gains or losses included in current earnings.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Bond investments are classified as long-term bond investments if the Bank intends to hold these investments until they mature. Such investments are reported on the financial statements at cost. The difference between the bond's face value and cost is amortized over the period when the bond is outstanding using the effective interest method. Upon disposal, the weighted-average method is used to calculate gain or loss; Notes should be stated if long-term bond investments are related to repurchase agreement or if they have any restrictions or limitations.

Real estate investments are carried at cost. If the impairment in value is not temporary suggesting that the recovery of the carrying amount is unlikely, an investment loss is recognized in the current year.

(g) Financial assets securitization

Under the Regulations for Financial Assets Securitization, the Bank, with the assistance of a trustee, securitized its financial assets for the purpose of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust. Because the Bank surrendered its rights and control on these securitized financial assets, such financial assets are no longer recognized on the Bank's accounts, and the gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates necessary for credit enhancement, which are classified as other long-term bond investments because those certificates do not have quoted market prices.

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

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

(h) Premises, equipment and depreciation

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

Pursuant to the regulations set forth by the Paraguay government, the local branch in Paraguay (dissolved in 2005) revalues its assets monthly based on the government announced revaluation ratio, effective from the second year of the branch's operation.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

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

(i) Amortization

Capitalized software expenses are amortized over a period of 5 to 10 years.

(j) Intangible assets

Goodwill resulting from merger is amortized over 5 years using the straight-line method. Cash-generating units related to goodwill is tested for impairment in a fixed period each year. An impairment loss is recognized when the recoverable amount is less than the carrying amount. Impairment losses can not be reversed once an impairment loss has been recognized.

(k) Assets Impairment

Commencing from the first quarter of year 2005, the Bank adopted SFAS No. 35 "Accounting for Impairment of Assets." In accordance with SFAS No. 35, unless inapplicable, the recoverable amount (individual assets or cash generating units other than goodwill) of an asset is estimated and compared with the carrying amount whenever there is an indication that the asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount (the higher of fair market value and value in use). For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior period estimation, the carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(l) Foreclosed properties

Foreclosed properties received are stated at estimated net realizable value, and any difference from the nominal value of the original claim is reflected as a credit loss. On the balance sheet date, if the foreclosed properties are still unsold, their net realizable values are reassessed. If there is sufficient evidence indicating that market value is lower than book value, the difference is recognized as a current loss. Gain or loss on disposal of foreclosed properties is accounted for under a recovery of doubtful accounts.

(m) Retirement plan

The Bank maintains and funds a retirement plan covering all regular employees. Payments of pension benefits are calculated based on the employee's average monthly salary for the last six months prior to approved retirement and base point (b.p.) entitlement. The b.p. earned by each employee is based on 2 b.p. for the first 15 years of service and 1 b.p. from the 16th year and thereafter. Under the retirement plan, the pension benefits obligation will be fully compensated by the Bank.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

The Labor Pension Act of R.O.C. (“the Act”), effective from July 1, 2005; adopts a defined contribution pension plan. In accordance with the Act, employees of the Bank (who were hired before July 1, 2005) may elect to be subject to either the Act and maintain their seniority before the enforcement of the Act, or the pension mechanism of the Labor Standards Law. Employees who are hired by the Bank after July 1, 2005, are required to be covered by the pension plan as defined by the Act. For employees subject to this Act, the Bank is required to make monthly cash contributions to the employees’ individual pension accounts at the rate of not less than 6% of the employees’ monthly wages and deposit the contribution in a personal retirement benefit account. However, the employee retirement plan maintained by the Bank has not yet been amended to conform to this Act.

Under SFAS No. 18 “Accounting for Pensions”, an actuarial valuation of a pension asset or liability is performed on the balance sheet date, and a minimum pension liability is recorded in the financial statements based on difference between the accumulated benefit obligation and the fair value of plan assets. Net periodic pension cost recognized in accordance with SFAS No. 18 includes the current service cost, net transition asset or obligation, prior service cost and unrecognized gain (loss) on a pension plan which is amortized on straight-line basis over the expected average remaining service period of 15 years of the employees in accordance with the rules set by the SFB. The Bank contributes monthly no less than 2% of gross salary to the employee pension fund which is deposited into a designated depository account with the Central Trust of China.

Pursuant to the Act, the Bank also contributes cash at the rate of 6% of gross salary of each employee to the Council of Labor Affairs. This contribution is recognized as pension expenses for the current period when the contribution is actually made.

(n) Bills and bonds sold under repurchase agreements

If bills and bonds are sold under repurchase agreements in which beneficial interests and risks are not transferred within the transaction period, the transactions are treated as financing transactions. When such bills and bonds are sold, bills and bonds sold under repurchase agreements are recognized based on sale prices. The difference between the sales price and repurchase price is recognized as interest expense.

(o) Guarantee reserve

Guarantee reserve is provided by evaluating the status of collectibility of the accounts after reviewing the balances of guarantees issued and acceptances receivable.

(p) Securities trading loss reserve

In compliance with the Rules Governing Securities Firms, the Bank provides a securities trading loss reserve in an amount of 10% of the net gain from proprietary trading of securities when gain exceeds loss. This reserve is reversed in the month when the loss is realized. Provision or reversal of such reserve is charged to current earnings under the loss or gain on marketable securities. An allowance is provided until the balance of the reserve reaches \$200,000.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(q) Derivatives instruments

(i) Forward contracts

Foreign currency-denominated assets and liabilities of foreign exchange forward contracts are recorded in New Taiwan Dollars and translated at exchange rates in effect when the transactions occur. Gains or losses due to exchange rate differences at maturity are included in current earnings. On the balance sheet date, unsettled positions are adjusted at the forward exchange rate, with differences reflected as current gains or losses.

Accounts receivables and payables from forward contracts are offset on the balance sheet date, with the balance reflected either as an asset or a liability.

(ii) Non-delivery forward contracts (“NDF”)

Because there is no physical transfer of principal in non-delivery forward transactions, only memorandum entries of notional principals are made on the contract date. On settlement, gains and losses from differences between the spot and contract rates are included in current earnings. Unsettled positions on the balance sheet date are adjusted at forward rates for the remaining contract period, with differences recognized as gains or losses.

(iii) Foreign currency swaps

Memorandum entries of notional principals are made on the contract date for foreign currency swaps. On the balance sheet date, forward accounts receivables are offset against payables, with the difference reflected either as an asset or a liability. Unrealized gains and losses from unsettled positions are computed based on differences between contract and prevailing rates. On settlement, gains and losses due to the differences between spot and contract rates are charged to current earnings.

(iv) Cross-currency swaps

Memorandum entries of notional principals are made on the contract date for cross-currency swaps. Forward accounts receivables are offset against payables on the balance sheet date, with the difference reflected either as an asset or a liability. For trading swaps, gains or losses on the differences between the present and market value of principal and interests, are recognized as unrealized gains or losses. For non-trading swaps, interest is accrued based on contract terms and principal repayment period, with interest revenue and expense recognized in the same period that the hedged items affect earnings.

(v) Interest rate swaps

Because there is no physical transfer of principal, only memorandum entries of notional principals are made for interest rate swaps. For trading swaps, the differences between the present and market value of interest receivables or payables arising thereon are reported as unrealized gains or losses on derivative instruments. For non-trading swaps, interest is accrued based on contract terms with interest revenue and expense recognized in the same period that the hedged items affect earnings.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(vi) Options

Only memorandum entries of notional principals are made on the contract date for options. Premium collected or paid is reflected as other asset or other liability. Differences between the market and book value of premium on the balance sheet date are stated as unrealized gain or loss. Gain or loss resulting from the exercise of options is recognized currently as transaction gain or loss.

(vii) Forward interest rate agreements (“FRA”)

Only memorandum entries of notional principals are made on the contract date for FRA. For trading FRA, differences in the present value of interest revenue or expense between market interest rate and contract interest rate on the balance sheet date are reported as gains or losses on derivative instruments. For non-trading FRA, interest is accrued based on contract terms with interest revenue and expense recognized in the same period that the hedged items affect earnings.

(viii) Asset swaps

An asset swap is an agreement to exchange a fixed interest rate and bond redemption premium with a market floating rate using a convertible bond as its underlying asset. As a result, it involves not only the swap of a fixed interest rate and bond redemption premium with market floating rate, but also the convertible bond call option during the contract period. For trading purpose transactions, any revaluation of the profit/loss is recognized using the mark-to-market method; for non-trading purpose transactions, uncollected interest receivable or unpaid interest payable is accrued.

(ix) Credit default swaps

A credit default swap is an agreement whereby the credit protection buyer transfers the credit risk of the underlying debt to the credit protection seller through a periodic premium payment to the protection seller. Memorandum entries of nominal amounts are made on the transaction date. During the contract period, any revaluation of the profit/loss (using the mark-to-market method) is recorded, apart from the premium paid/received.

(x) Interest rate futures

An interest rate future is a futures contract with short-term interest or government bonds as the underlying asset. Memorandum entries of nominal amounts are made on the day of the transaction. Any revaluation of the profit/loss is recognized using the mark-to-market method. Initial margin requirements are recorded as “Refundable Deposits,” which thereafter is adjusted according to the amount of margin deposit or withdrawal.

(xi) Forward bond transaction

Memorandum entries are made prior to settlement date of the forward bond transaction related to forward transaction contract. During the contract period, any revaluation of the profit/loss is recognized using the mark-to-market method. On maturity date of the contract, related accounting treatment should be according to the manner of contract settlement.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(xii) Commodity-linked interest rate swaps

Only memorandum entries of notional principals are made on the contract date for commodity-linked interest rate swaps, as there is no physical transfer of principal. Prior to the settlement date, the differences between the present and market value of interest receivables or payables arising thereon are reported as unrealized gains or losses on derivative instruments. On the settlement date, gains and losses due to the differences between interest rates swapped are charged against current earnings.

(r) Foreign currency translation

Foreign currency transactions are recorded in their original currency. Foreign exchange gains and losses arising from settlement of foreign currency-denominated assets and liabilities and adjustments from translating such assets and liabilities at spot rates on the balance sheet date are included in current earnings.

Foreign currency-denominated assets and liabilities of overseas subsidiaries are translated at the spot rate on the balance sheet date; the components of their stockholders' equity are translated at the historical rate except for the beginning balance of retained earnings, for which the spot rate at the beginning of the year is used. Dividends are translated at the exchange rate on the date of declaration. Income statement accounts are translated at the weighted-average rate for the year. Translation differences are accounted for as translation adjustments to stockholders' equity.

(s) Commitments and contingencies

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

(t) Income taxes

The Bank adopts the "SFAS" No. 22 "Accounting for Income Taxes" for the purposes of making inter- and intra-period income tax allocation, as well as for calculating the current income tax expense (benefit). Accordingly, the income tax effects from taxable temporary differences are recognized as deferred tax liability, while those deductible temporary differences, prior years' loss carry forward benefits, and investment tax credits are accounted for as a deferred tax assets but subject to management's judgment realization is more likely than not. Adjustments to prior year's income tax expenses are charged against current income tax expense. Investment tax credits are recognized in the current year. Income taxes separately levied on interest revenue from short-term bills are reported as current income tax expense.

The 10% surtax on undistributed retained earnings is recorded as current expense on the date when the stockholders met and resolved not to distribute the earnings.

As a subsidiary of Chinatrust Financial Holding Company, the Bank files a consolidated corporate income tax return with its parent company. The difference between the consolidated income tax and the Bank's ordinary income tax as described above is adjusted at the parent company level and the Bank recognizes such difference as a payable or receivable.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(u) Treasury stock

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

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

On May 17, 2002, Chinatrust Financial Holding Company, Ltd. received treasury stock originally held by the Bank and the shares of the Bank were delisted. Chinatrust Financial Holding Company, Ltd. became the Bank’s parent company, owning 100% of the Bank’s equity. Treasury stock originally held by the Bank was converted to shares of Chinatrust Financial Holding Company, Ltd. Under the SFB Letter Ruling No. (6) 111467, a financial institution which purchases its treasury stock pursuant to Article 28-2, Paragraph 1 of Securities and Exchange Law, and subsequently becomes a subsidiary of a financial holding company through a stock conversion should convert to shares of the financial holding company in accordance with Article 31 of the Financial Holding Company Law, and the financial institution should continue to treat the converted shares as treasury stock and deduct from its stockholders’ equity. The financial holding company shall treat these converted shares as treasury stock.

(v) Earnings per share (“EPS”)

EPS is calculated by dividing the net income, net of preferred stock dividends, by the weighted-average shares outstanding during the period. In the case of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted, regardless of the period when such incremental shares remain outstanding.

3. Reasons for and effect of accounting changes

Commencing from the first quarter of 2005, the Bank adopted SFAS No. 35 “Accounting for Impairment of Assets.” However, the adoption of this new accounting standard did not effect the Bank’s results of operations because no impairment of assets was noted as of December 31, 2005.

Effective January 1, 2004, the Bank adopted SFAS No. 33 “Accounting for Transfers of Financial Assets and Extinguishments of Liabilities,” under which bills and bonds under repurchase agreements in which control is not surrendered are treated as financing transactions instead of as sale transactions. Prior to January 1, 2004, no retroactive adjustments were required on recognition and measurement of transfers of financial assets and extinguishments of liabilities.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

4. Summary of major accounts

(a) Cash

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Cash in vault	\$ 9,105,053	\$ 8,041,267
Petty cash and revolving fund	8,903	8,358
Checks awaiting clearance	6,478,612	3,623,400
Cash in transit	2,659,036	2,242,325
Gold and silver	751	751
Due from other banks	1,904,984	3,255,679
Total	<u>\$ 20,157,339</u>	<u>\$ 17,171,780</u>

(b) Due from Central Bank and other banks

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Required reserve—Account A	\$ 14,218,361	\$ 13,276,667
Required reserve—Account B	25,532,446	22,529,477
Required reserve—Foreign currency	150,495	138,480
Deposits with the Central Bank	34	100,100
Call loans to other banks	90,179,831	52,500,214
Total	<u>\$ 130,081,167</u>	<u>\$ 88,544,938</u>

Based on the required ratio for reserve on the average monthly balances of various deposits, the Bank appropriates funds and deposits them with the Central Bank of China. Deposits in “Required reserve—Account A” are interest-free and can be withdrawn any time; interest accrues on “Required reserve—Account B,” which cannot be withdrawn except for the monthly adjustment to the required reserve.

(c) Bills and securities purchased

Treasury bills	346,314	208,378
Government bonds	49,407,367	31,435,381
Corporate bonds	8,252,507	4,578,094
Financial debentures	4,885,020	476,000
Convertible bonds	5,776,570	8,573,529
Funds investment	1,642,500	1,595,850
Beneficiary certificates	300,000	30,000
Listed equity securities	15,066,036	4,525,733
Bonds purchased under resell agreements	19,153,008	1,246,696
Other bonds and securities	17,480,333	17,368,022
Subtotal	<u>228,909,605</u>	<u>151,529,467</u>
Less: Allowance for market value decline	(811,085)	(368,275)
Total	<u>\$ 228,098,520</u>	<u>\$ 151,161,192</u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

As of December 31, 2005 and 2004, negotiable certificates of deposits purchased, government bonds (include long-term bonds investment), financial debentures, other bonds provided by the Bank as deposits to the courts for provincial seizures and daytime overdrafts amounted to \$19,482,600 and \$17,832,000, respectively.

In accordance with the Banking Law and Trust Enterprise Act, the Bank sets aside 15% to 20% of the average daily balance of the trust funds and deposits it with the Central Bank of China as reserve for indemnity obligations in the event of non-compliance with the regulations or breaches of fiduciary responsibilities. As of December 31, 2005 and 2004, government bonds (including long-term bond investments) provided by the Bank as reserves amounted to \$50,000.

As of December 31, 2005 and 2004, the Bank sold corporate bonds and government bonds (including long term bond investments) with par value of \$58,508,150 and \$54,187,660 under repurchase agreement. The selling price was \$64,273,374 and \$59,944,252 (reflected under bills and bonds sold under repurchase agreements) with an agreed-upon repurchase amount of \$64,330,304 and \$59,987,182 prior to September 21, 2006 and September 12, 2005, respectively.

(d) Receivables

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Notes receivable	\$ 23,576	\$ 28,581
Accounts receivable	155,347,151	127,722,637
Interest receivable	6,139,622	4,247,544
Acceptances receivable	5,696,838	3,138,007
Accrued income	363,601	681,619
Tax refund receivable	538,763	569,265
Other receivables	4,072,640	5,568,730
Accounts receivable-non-accrual account	163,864	987,556
Subtotal	<u>172,346,055</u>	<u>142,943,939</u>
Less: Allowance for credit losses	(2,503,400)	(2,569,795)
Total	<u><u>\$ 169,842,655</u></u>	<u><u>\$ 140,374,144</u></u>

As of December 31, 2005 and 2004, accounts receivable included factoring accounts receivable of \$53,098,179 and \$36,657,207, respectively.

The movements in allowance for credit losses for the years ended December 31, 2005 and 2004 were as follows:

<u>2005</u>	<u>Inherent risk of overall claims</u>	<u>Default risk of specific claims</u>	<u>Total</u>
Beginning balance	\$ 1,907,152	\$ 662,643	\$ 2,569,795
Current provisions	1,178,797	6,574,131	7,752,928
Current charge-off	(739,877)	(7,072,911)	(7,812,788)
Exchange rate effect	(6,535)	-	(6,535)
Ending balance	<u><u>\$ 2,339,537</u></u>	<u><u>\$ 163,863</u></u>	<u><u>\$ 2,503,400</u></u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

<u>2004</u>	Inherent risk of overall claims	Default risk of specific claims	Total
Beginning balance	\$ 1,460,882	\$ 565,796	\$ 2,026,678
Current provisions	633,779	3,544,526	4,178,305
Current charge-off	(183,738)	(3,447,679)	(3,631,417)
Transferred due to categorically assume	3,313	-	3,313
Exchange rate effect	(7,084)	-	(7,084)
Ending balance	<u>\$ 1,907,152</u>	<u>\$ 662,643</u>	<u>\$ 2,569,795</u>

(e) Loans

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Exchange Bills Negotiated	\$ 18,117	\$ 23,541
Corporate loans	277,517,780	271,935,214
Mortgage loans	325,722,746	274,154,419
Automobile loans	15,609,312	15,947,540
Consumer loans	121,315,743	84,605,001
NT dollar loans	740,183,698	646,665,715
Foreign currency loans	106,482,885	104,489,581
Non-accrual loans	9,873,415	12,242,509
Subtotal	856,539,998	763,397,805
Less: Allowance for loan losses	(9,757,110)	(11,336,580)
Total	<u>\$ 846,782,888</u>	<u>\$ 752,061,225</u>

Please refer to Note 4(w) for the industry information.

As of December 31, 2005 and 2004, non-performing loans amounted to \$12,845,447 and \$12,659,129, respectively.

For the years ended December 31, 2005 and 2004, suspended accrual of interest for non-accrual loans amounted to \$172,283 and \$315,422, respectively.

As of December 31, 2005 and 2004, there were no loans written-off without prior recourse. The movements in allowance for loan losses for the years ended December 31, 2005 and 2004 were as follows:

<u>2005</u>	Inherent risk of overall claims	Default risk of specific claims	Total
Beginning balance	\$ 5,367,595	\$ 5,968,985	\$ 11,336,580
Current (reversal) provisions	(1,463,389)	10,836,473	9,373,084
Current charge-off	-	(10,908,058)	(10,908,058)
Exchange rate effects	(50,592)	6,096	(44,496)
Ending balance	<u>\$ 3,853,614</u>	<u>\$ 5,903,496</u>	<u>\$ 9,757,110</u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2004	Inherent risk of overall claims	Default risk of specific claims	Total
Beginning balance	\$ 4,684,786	\$ 3,242,959	\$ 7,927,745
Current provisions	785,704	8,690,442	9,476,146
Current charge-off	(123,773)	(9,700,276)	(9,824,049)
Transferred due to categorically assume	66,972	3,738,039	3,805,011
Exchange rate effects	(46,094)	(2,179)	(48,273)
Ending balance	\$ 5,367,595	\$ 5,968,985	\$ 11,336,580

(f) Long-term investments

	December 31, 2005		December 31, 2004	
	Shareholding Ratio	Book value	Shareholding Ratio	Book Value
<u>Accounted for under the cost method</u>				
Listed equity securities (Market value at \$481,977 and \$644,302 as of December 31, 2005 and 2004, respectively)		\$ 1,585,098		\$ 1,585,098
Less: Allowance for market value decline		(1,103,121)		(943,028)
		481,977		642,070
Taipei Forex Inc.	3.43	6,800	3.43	6,800
Asian Finance and Investment Corp.	-	-	8.66	461,037
Taiwan Aerospace Corp.	5.00	262,113	5.00	262,113
Pacific Venture Corp.	5.00	30,000	5.00	30,000
Taiwan Futures Exchange Corp.	1.20	24,000	1.20	24,000
Union Service Corp.	5.00	1,250	5.00	1,250
Jupiter Venture Capital Co., Ltd.	5.00	30,000	5.00	30,000
Venus Venture Capital Co., Ltd.	4.72	25,000	4.72	25,000
Mercury Venture Capital Co., Ltd.	5.00	30,000	5.00	30,000
Fu Yu Venture Capital Investment Corp.	3.70	50,000	3.70	50,000
Financial Information Service Co., Ltd.	2.28	91,000	2.28	91,000
Taipei Financial Center Corp.	3.06	785,438	3.06	785,438
KGEx. Com. Corp., Ltd.	5.00	105,000	5.00	175,000
KG Ventures Corp.	5.00	260,000	5.00	260,000
Overseas Investment & Development Corp.	14.90	133,074	14.90	133,074
Taipei Smart Card Corp.	2.25	12,256	2.25	12,256
BsnkPro E-service Technology Co., Ltd.	3.33	2,952	3.33	2,952
WinPlus Venture Capital Corp.	5.00	25,000	5.00	25,000
Investar Capital Corp.	5.00	60,000	5.00	60,000
Global Securities Finance Corp.	2.63	173,496	2.63	173,496
Taiwan Asset Management Corp.	2.27	400,000	2.27	400,000
Taiwan Financial Asset Service Corp.	2.94	50,000	2.94	50,000
Debt Instruments Depository and Clearing Co, Taiwan	4.99	100,000	4.99	100,000
The national federation of credit cooperatives	-	-	3.21	4,825
The federation of Kaohsiung County cooperatives	-	-	0.98	2
Sub-total		<u>3,139,356</u>		<u>3,835,313</u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	December 31, 2005		December 31, 2004	
	Shareholding Ratio	Book value	Shareholding Ratio	Book Value
<u>Accounted for under the equity method</u>				
Chinatrust (Philippines) Commercial Bank Corp. (original investment at PHP 2,695,137 thousand)	99.41	2,852,352	99.41	2,593,607
PT Bank Chinatrust Indonesia (original investment at Rupiah 191,000,000 thousand)	99.00	2,348,769	99.00	2,060,713
Chinatrust Forex Corp. (original investment at PHP 31,045 thousand)	60.00	18,672	60.00	18,672
CTC Bank of Canada (original investment at CAD 15,000 thousand)	100.00	466,108	100.00	397,789
Chinatrust Securities Investment Consultancy Co., Ltd. (original investment at \$9,940)	99.40	13,267	99.40	12,364
KGI Securities Investment Trust Co., Ltd. (original investment at \$0 and \$120,000 as of December 31, 2005 and 2004, respectively)	-	-	40.00	113,411
Chinatrust Capital Corp. (Original: China Trust Holdings Corp.) (original investment at \$4,842,782)	100.00	7,713,045	100.00	6,752,665
Grand Bills Finance Corp. (original investment at \$1,010,880)	21.15	1,690,849	21.15	1,625,072
GCB Finance (HK) Limited (original investment at \$223,050)	100.00	343,812	100.00	332,059
Sub-total		<u>15,446,874</u>		<u>13,906,352</u>
Long-term bond investments		50,056,835		39,041,843
Real Estate - Land to be levied by the Government		1,400		1,400
Total		<u><u>\$ 68,644,465</u></u>		<u><u>\$ 56,784,908</u></u>

Note: Please refer to Note 4(c) for a further description of our long-term bond investments.

Investment income or loss recognized under the equity method for the years ended December 31, 2005 and 2004 were as follows:

	2005	2004
Chinatrust (Philippines) Commercial Bank Corp.	\$ 48,124	\$ 195,192
Chinatrust Bills Finance Corp.	-	150,640
PT Bank Chinatrust Indonesia	343,837	255,609
Chinatrust Forex Corp. (Note)	-	457
CTC Bank of Canada	40,410	43,397
Chinatrust Securities Investment Consultancy Corp.,	903	499
KGI Securities Investment Trust Corp., Ltd.	(647)	11,683
Chinatrust Capital Corp. (Original: China Trust Holdings Corp.)	756,085	358,942
Grand Bills Finance Corp.	214,495	225,135
GCB Finance (HK) Limited	1,453	16,521
Grand Life Insurance Agent Co., Ltd.	-	(1,062)
Grand General Insurance Agent Co., Ltd.	-	(416)
Total	<u><u>\$ 1,404,660</u></u>	<u><u>\$ 1,256,597</u></u>

Note: The company went into liquidation.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

As of December 1, 2003 the Bank acquired Grand Commercial Bank, because of the acquisition, the Bank also acquired the equity investments of Grand Commercial Bank, which are accounted for using either the cost or equity method. The equity investments accounted for under the cost method were those of President Securities Corp., BankPro E-service Technology Co., Ltd., WinPlus Venture Capital Corp., Investar Capital Corp., Global Securities Finance Corp., Taiwan Asset Management Corp., Taiwan Financial Asset Service Corp. and Debt Instruments Depository and Clearing Co, Taiwan. The equity investments accounted for under the equity method were those of Grand Bills Finance Corp., GCB Finance (HK) Limited, Grand Life Insurance Agent Co. Ltd., and Grand General Insurance Agent Co., Ltd. The equity investment in President Securities Co., Ltd. was sold and those with Grand Life Insurance Agent Co., Ltd. and Grand General Insurance Agent Co. Ltd., were written-off when these investees were liquidated in 2004.

In March 2004, the Bank sold for cash its long-term investments in Chinatrust Bills Finance Corp. to Chinatrust Financial Holding Company, Ltd. for the purpose of beneficiary from achieve cross selling and increase profits. Since the nature of this transaction is that of a corporate restructuring, the difference between the price and original book value of investments sold is reflected in undistributed retained earnings.

As part of the assets assumed from FSCC on October 1, 2004, the Bank also acquired equity investments in Taiwan Cooperative Bank, the National Federation of Credit Cooperatives and the Federation of Kaohsiung County Cooperatives, each of which is accounted for under the cost method. In May 2005, the Bank sold its investments in the National Federation of Credit Cooperatives and the Federation of Kaohsiung County Cooperatives.

In March 2005, the Bank sold the 12,000 thousand common shares of KGI Securities Investment Trust Co., Ltd. to KGI Securities Corp. Ltd. for cash of \$143,568, with carrying value of \$112,764. The gain of \$30,804 was recognized from the sale of these long-term equity investments.

For the year ended December 31, 2005, the Bank recognized permanent impairment loss of \$492,153 from its equity investment in Asian Finance and Investment Corp. and KGEx. Com. Corp., Ltd., both are accounted for under the cost method. Furthermore, the long-term equity investment of Asian Finance and Investment Corp. has been disposed in July 2005.

(g) Financial assets securitizations

(i) Debenture Securitizations

In year 2005, the Bank engaged in a trust agreement with “Deutsche Bank AG”, Taipei Branch (“Deutsche Bank”). Under the Regulations for Financial Assets Securitization, the Bank securitized its debentures for the purpose of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust. The Bank agreed to transfer its underlying debentures with book values of \$8,627,815 and US\$268,900 thousand, along with the attached benefits and risks to Deutsche Bank and surrendered its rights and control over these debentures. Deutsche Bank also issue beneficiary certificates privately (including ordinate and subordinate beneficiary certificates each with an issue amount of \$9,000,000) to security holders. The proceeds generated from issuing these beneficiary certificates are transferred to the Bank, but the Bank does not retain certain class of beneficiary certificates for credit enhancement. For the year ended December 31, 2005, the gains realized from this asset securitization, which amounted to \$43,935, have been accounted for under net gains on bills and securities sold.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(ii) Mortgage Loans Securitization

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

Class of beneficiary certificates issued	Order of principal repayment	Issue amount	Interest rate	Payment frequency
Class A	1st	\$4,325,000	the index rate +0.25%	once a month
Class B	2nd	250,000	the index rate +0.55%	once a month
Class C	3rd	150,000	the index rate +0.80%	once a month
Class D	4th	130,000	the index rate +1.25%	once a month
Class E	5th	176,192	-	once a month

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

For the year ended December 31, 2005, the gains from Mortgage loans securitization accounted for under non-operating revenues were \$50,288.

1) Key assumptions used in measuring retained interests

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

	Mortgage Loan Securitization	
	August 10, 2004	December 31, 2005
Prepayment rate (annual rate)		
Adjustable Rate Mortgage	17.50%	17.50%
Government Subsidized Mortgage	7.00%	7.00%
Weighted-average life (in years)	17.36	13.34
Expected credit losses rate (annual rate)	3.01%	2.83%
Discounting rate for residual cash flows (annual rate)		
- principal	5.70%	5.70%
- interest	2.34%	2.34%

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

2) Sensitivity analysis

As of December 31, 2005, the key assumptions and sensitivity of the current fair value of residual cash flows with immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

	Mortgage Loan Securitization
Carrying amount of retained interests	\$234,833
Weighted-average life (in years)	13.34
Prepayment rate (annual rate)	
Adjustable Rate Mortgage	17.50%
Government Subsidized Mortgage	7.00%
Impact on fair value with 10% adverse change	(6,972)
Impact on fair value with 20% adverse change	(13,302)
Expected credit losses (annual rate)	2.83%
Impact on fair value with 10% adverse change	(2,757)
Impact on fair value with 20% adverse change	(5,513)

3) Expected static pool credit losses

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

4) Cash flows

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

	From January 1 to December 31, 2005	From August 10 to December 31, 2004
Proceeds from securitizations	\$ -	\$ 4,855,000
Servicing fees received	9,558	4,451
Other cash flows received on retained interests	54,454	17,549
Cash reserve (part of refundable deposits)	-	33,052
Repayments of cash reserve	7,228	1,666
Servicing advances	(16,311)	(6,306)
Repayments of servicing advances	15,652	253

(h) Other financial assets

	December 31, 2005	December 31, 2004
Short-term advances	\$ 329,951	\$ 414,891
Refundable deposits	5,683,700	3,277,376
Pledged certificates of time deposits (note)	120,000	120,000
Derivative financial instruments	8,016,336	6,775,669
Total	\$ 14,149,987	\$ 10,587,936

Note: used for guarantees with bond dealers and underwriters.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(i) Premises and equipment

	<u>Cost</u>	<u>Revaluation Appreciation</u>	<u>Total</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
December 31, 2005					
Land	\$ 17,735,465	\$ 61,649	\$ 17,797,114	\$ -	\$ 17,797,114
Buildings	14,484,148	416	14,484,564	3,741,846	10,742,718
Transportation equipment	66,100	-	66,100	41,568	24,532
Miscellaneous equipment	9,660,004	-	9,660,004	6,000,323	3,659,681
Construction in progress	228,831	-	228,831	-	228,831
Prepayment for buildings and land	976,490	-	976,490	-	976,490
Total	\$ 43,151,038	\$ 62,065	\$ 43,213,103	\$ 9,783,737	\$ 33,429,366
December 31, 2004					
Land	\$ 18,722,296	\$ 68,096	\$ 18,790,392	\$ -	\$ 18,790,392
Buildings	13,371,065	38,937	13,410,002	3,435,826	9,974,176
Transportation equipment	68,865	755	69,620	39,498	30,122
Miscellaneous equipment	9,179,355	9,261	9,188,616	5,224,964	3,963,652
Construction in progress	1,217,301	-	1,217,301	-	1,217,301
Prepayment for equipment	2,600	-	2,600	-	2,600
Total	\$ 42,561,482	\$ 117,049	\$ 42,678,531	\$ 8,700,288	\$ 33,978,243

As of December 31, 2005 and 2004, insurance coverage for the premises and equipment referred to above amounted to \$25,266,329 and \$20,007,566, respectively.

The depreciable assets of local head office and branches were revalued on December 31, 1974 and December 31, 1980, resulting in total appreciation of \$13,510 and \$53,123, respectively. In addition, land was revalued on September 30, 1987 based on government announced value, resulting in land appreciation of \$77,519.

Pursuant to the regulations set forth by the Paraguay government, the local branch of Paraguay revalues its assets monthly based on the Government Announced Revaluation ratio. As of September 30, 2005 and December 31, 2004, the reserve for asset revaluation appreciation amounted to PYG 2,807,649 thousand and PYG 2,710,686 thousand (approximately \$23,663 and \$23,076), respectively. (The Bank dissolved Paraguay branch in 2005, the branch's fixed assets have been completely disposed and the entire amount of revaluation reserve has been written-off against the gain on disposition of premises and equipment.)

The construction of President Enterprise Corporation Tower which was acquired following the acquisition of Grand Commercial Bank by the Bank was completed and accounted for under land and building in 2005.

Pursuant to Article 75 of Banking Act R.O.C., "A Commercial Bank shall not invest in real estate other than for self use". In order to comply with this Act, the Bank disposed portion of of the land and building which was not used for operation, the selling price of and gains on disposition were amounted to \$1,775,922 and \$11,761, respectively.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(j) Intangible assets

Based on the results of its evaluation of the fair value of the assets acquired and liabilities assumed from FSCC in 2004, the Bank recognized goodwill amounting to \$1,821,658. Please refer to Note 10 for a further description.

As of December 31, 2005 and 2004, the balance of goodwill amounted to \$4,084,606 and \$5,406,959, respectively.

(k) Other assets

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Prepayments	\$ 2,031,806	\$ 1,847,753
Deferred charges	1,638,623	1,620,662
Foreclosed properties received	3,927,963	3,897,125
Allowance for decline in market value of foreclosed properties received	(1,011,674)	(921,420)
Deferred income tax assets, net	-	151,534
Temporary debits	73,328	15,938
Others	2,573	-
Total	<u>\$ 6,662,619</u>	<u>\$ 6,611,592</u>

(l) Payables

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Accounts payable	\$ 17,432,140	\$ 10,828,660
Accrued expense	5,580,268	5,217,575
Income tax payable	925,454	1,990,104
Interest payable	4,406,338	2,960,431
Draft acceptance	5,714,157	3,173,800
Collection payable	846,940	889,152
Other tax payable	317,276	288,518
Dividend and bonus payable	37,609	38,512
Other payable	8,040,928	4,815,677
Total	<u>\$ 43,301,110</u>	<u>\$ 30,202,429</u>

As of December 31, 2005 and 2004, accounts payable included factoring accounts receivable of \$16,549,769 and \$9,926,290 respectively.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(m) Deposits and remittances

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
NT\$ Deposits		
Checking accounts	\$ 8,455,382	\$ 7,011,143
Demand deposits		
Demand deposits	96,955,750	61,348,411
Demand savings deposits	254,568,014	234,998,381
Others	4,300,360	1,135,580
Subtotal	<u>355,824,124</u>	<u>297,482,372</u>
Time deposits		
Time deposits	234,319,961	200,253,282
Time savings deposits	326,410,442	240,042,663
Negotiable certificates of time deposits	21,078,000	43,170,300
Deposits at interest from postal deposits	32,200,829	39,828,926
Others	10,100,072	9,433,663
Subtotal	<u>624,109,304</u>	<u>532,728,834</u>
Total NT\$ Deposits	988,388,810	837,222,349
Foreign currency deposits	184,551,151	134,947,362
Remittances under custody	60,881	43,541
Remittances outstanding	299,213	275,709
Total	<u><u>\$ 1,173,300,055</u></u>	<u><u>\$ 972,488,961</u></u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(n) Financial debentures

December 31, 2005					
Bonds	Terms of Transactions			Bond Issued	
	Issue date	Maturity date	Interest Rate	Type	Amount
2001-1	09/24/2001	09/24/2011	Interest is 3.85% compounding semi-annually for the first 5 years and 4.6% from the 6th year to maturity.	Unsecured subordinated financial debentures	\$ 10,000,000
2003-1	09/12/2003	09/12/2010	The single coupon rate is Bank of Taiwan's board floating interest rate for 2-year time deposit plus 80 basis points.	"	5,000,000
2003-2	10/13/2003	10/13/2010	The single coupon rate is Bank of Taiwan's board floating interest rate for 2-year time deposit plus 80 basis points.	"	2,000,000
2003-3	10/13/2003	10/13/2010	The floating single interest rate is the prime rate (Note 1) plus 100 basis points.	"	2,000,000
2003-4	10/28/2003	10/28/2008	The 1 st year : 5% ; The 2 nd ~5 th years : if 6M LIBOR < 0.9%, the coupon rate will be 6M LIBOR. If 6M LIBOR ≥ 0.9%,the coupon rate will be 5%-6M LIBOR.	"	300,000
2003-5 (Note 2)	06/12/2003	06/12/2008	2.5%	"	2,000,000
5.625% Step- UP Callable Perpetual Subordinate Notes	03/17/2005	N/A	Interest is 5.625%, if redemption right is not exercise 10 years after the issue date the interest rate will be 6M LIBOR+1.86%.	Unsecured accumulated and subordinated financial debentures	16,292,209

**CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

December 31, 2005

Bonds	Terms of Transactions			Bond Issued	
	Issue date	Maturity date	Interest Rate	Type	Amount
2005-2	06/06/2005	06/08/2015	A, F and M = 2.168% B, E and N = 2.169% H and J = 2.170% C, I and K = 2.171% D, G and L = 2.172%	Unsecure financial debentures	7,000,000
2005-3	06/08/2005	06/09/2015	A = 2.60% * n/N n represents the total days that USD 30y CMS - 2y CMS greater than zero within interest period. N represents the total days within interest period B = 2.170%	"	2,500,000
2005-4	06/09/2005	06/09/2015	A = 2.62% * n/N n represents the total days that USD 30y CMS - 2y CMS greater than zero within interest period. N represents the total days within interest period B = 2.170%, C = 2.003% D = 2.002%, E = 2.001% F = 2.000%, G = 1.999% H = 1.998%, I = 1.997%	"	4,500,000
2005-5	11/29/2005	N/A	A=3.35%, B=3.35%, if redemption right not exercise 10 years after the issue date, the interest will be CP+1.85% for A and 4.35% for B. Interest will be compute from the issuance date and based on actual days and designated interest rate.	Unsecured non-accumulated and subordinated financial debentures	12,000,000
2005-6	12/22/2005	12/22/2007	2.15%	Unsecure subordinated financial debentures	5,100,000
					<u>\$ 68,692,209</u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2004					
Bonds	Terms of Transactions			Bond Issued	
	Issue date	Maturity date	Interest Rate	Type	Amount
2001-1	09/24/2001	09/24/2011	Interest is 3.85% compounding semi-annually for the first 5 years and 4.6% from the 6th year to maturity.	Unsecured subordinated financial debentures	\$ 10,000,000
2003-1	09/12/2003	09/12/2010	The single coupon rate is Bank of Taiwan's board floating interest rate for 2-year time deposit plus 80 basis points.	"	5,000,000
2003-2	10/13/2003	10/13/2010	The single coupon rate is Bank of Taiwan's board floating interest rate for 2-year time deposit plus 80 basis points.	"	2,000,000
2003-3	10/13/2003	10/13/2010	The floating single interest rate is the prime rate (Note1) plus 100 basis points.	"	2,000,000
2003-4	10/28/2003	10/28/2008	The 1 st year : 5% ; The 2 nd ~5 th years : if 6M LIBOR < 0.9%, the coupon rate will be 6M LIBOR. If 6M LIBOR ≥ 0.9%,the coupon rate will be 5%-6M LIBOR.	"	300,000
2003-5 (Note2)	06/12/2003	06/12/2008	2.5%	"	2,000,000
					<u>\$ 21,300,000</u>

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

(Note 2) Due to the Bank's acquisition of Grand Commercial Bank, the Bank assumed in the first quarter of 2003 subordinated financial debentures previously issued by Grand Commercial Bank.

(o) Financing from Central Bank and other banks

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Financing from Central Bank	\$ 5,934,194	\$ 6,177,484
Financing from other banks	227,160	638,340
Total	<u>\$ 6,161,354</u>	<u>\$ 6,815,824</u>

(i) Financing from Central Bank

As of December 31, 2005, the Bank borrowed US\$180,645 thousand from the Central Bank in order to facilitate the business expansion of its overseas branches and subsidiaries. The annual interest rate of the loan is 6M LIBOR. Interest is payable semi-annually or on the maturity date, July 26, 2019.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(ii) Financing from other banks

As of December 31, 2005, the Bank borrowed US\$5,000 thousand and JPY225,000 thousand from other banks with annual rates of 5.48% and 1.10%~1.10917%, respectively. All financings will be mature prior to March 13, 2006 and March 8, 2010, respectively, and interest is payable on the maturity date.

(p) Retirement plan

The pension funds and related accounts for years ended December 31, 2005 and 2004 were as follows:

	For the years ended December 31,	
	2005	2004
Balance of pension fund - ending	\$ 4,105,419	\$ 3,691,566
Net periodic pension cost:		
Defined benefit pension plan	408,828	695,525
Defined contribution pension plan	86,279	-

The Bank maintains a retirement plan covering all regular employees. Payments of lump-sum pension benefits are calculated based on the number of employee's years of service and salary of the last month prior to approved retirement, with a maximum benefit of 61 months' salary. The Bank contributes 2% of gross salary to pension fund on a monthly basis. Furthermore, the Bank established a Workers' Retirement Reserve Fund Supervisory Committee on May 31, 2000 upon approval of the authority-in-charge and contributes 15% of paid total monthly salary to a designated depository account with the Central Trust of China

As of December 31, 2005 and 2004, the funding status was reconciled with accrued pension liabilities per books as follows:

	For the years ended December 31,	
	2005	2004
Benefit obligation:		
Vested benefit obligation	\$ (597,176)	\$ (734,265)
Non-vested benefit obligation	(3,306,349)	(3,192,320)
Accumulated benefit obligation	(3,903,525)	(3,926,585)
Additional benefit based on future salaries	(725,540)	(703,822)
Projected benefit obligation	(4,629,065)	(4,630,407)
Fair value of pension plan assets	4,105,419	3,691,566
Funding status	(523,646)	(938,841)
Unrecognized net transition obligation	189,039	226,847
Unrecognized loss on pension fund	397,999	652,805
Unrecognized prior service cost	(79,786)	(84,773)
Accrued pension liabilities	\$ (16,394)	\$ (143,962)

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Actuarial assumptions used in the pension costs calculation were as follows:

	For the years ended December 31	
	2005	2004
Discount rate	3.00%	2.50%
Rate of increase in future compensation levels	2.00%	3.00%
Expected long-term rate of return on plan assets	3.00%	2.50%

Form of Net periodic pension cost items were as follows:

	For the years ended December 31	
	2005	2004
Service cost	\$ 339,698	\$ 559,297
Interest cost	140,526	137,642
Expected return on plan assets	(114,690)	(91,000)
Amortization and deferred amount	42,772	89,586
Net periodic pension cost	\$ 408,306	\$ 695,525

As of December 31, 2005 and 2004, vested benefits obligations amounted to \$597,554 and \$770,978, respectively.

(q) Income taxes

The income tax currently payable was reconciled with income tax expense for the years ended December 31, 2005 and 2004 as follows:

	Years Ended December 31	
	2005	2004
Current income tax payable	\$ 1,978,839	\$ 2,429,507
Add (less): Tax effect of temporary differences		
Difference in pension provision for financial and tax purpose	31,892	(6,376)
Net unrealized gain on foreign exchange and derivative instruments	555,278	311,405
Allowance for market value decline on foreclosed properties received	(22,719)	56,846
Amortization of goodwill	142,008	142,008
Others	-	5,500
Adjust to prior years' deferred tax assets	(31,607)	-
Income tax separately levied	304,502	213,948
(Over) under-accrual of prior year's income tax	(251,260)	98,372
Income tax expense	\$ 2,706,933	\$ 3,251,210

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	December 31,	
	2005	2004
Temporary differences which resulted in deferred income tax assets or liabilities		
• Deductible temporary difference due to provision for cumulative translation adjustments	\$ 1,878,887	\$ 2,271,435
• Taxable temporary difference due to investment income recognized under the equity method	(3,040,128)	(3,040,128)
• Taxable temporary difference due to unrealized gain on foreign exchange and derivative instruments	(4,152,837)	(2,036,730)
• Deductible temporary difference due to allowance for market value decline on foreclosed properties received	1,011,674	906,325
• Deductible temporary difference due to amortization of goodwill	1,736,680	2,304,711
• Deductible temporary differences due to other reasons	210,135	200,527
Total	\$ (2,355,589)	\$ 606,140

	December 31	
	2005	2004
Deferred income tax assets	\$ 1,209,344	\$ 1,420,749
Deferred income tax liabilities	(1,798,241)	(1,269,215)
Deferred income tax (liabilities) assets - net	\$ (588,897)	\$ 151,534

The Bank's income tax returns through 2002 were assessed by the Tax Authority. These assessments disclosed that the Tax Authority disallowed the tax credit being claimed by the Bank on taxes withheld from its bond interest income totaling \$851,428 for the years from 1994 through 2002. The Bank disagreed with such assessment and filed for administrative relief. The Bank was eventually allowed to receive a refund equal to 65% of these withholding taxes in accordance with the agreement between the Bank and the National Tax Administration. The Bank's income tax refund had been accounted for accordingly.

(r) Imputation credit account and deductible ratio

As of December 31, 2005, the balance of stockholders' imputed credit accounts amounted to \$202,139. The tax-deductible ratio to 2004 and 2003 earnings distribution for ROC residents/shareholders was approximately 3.26% and 10.59%, respectively. The ending balance of undistributed retained earnings all arose from earnings in 1998 and thereafter.

(s) Capital Stock

On October 11, 2004, the treasury stock of 39,568 thousand shares were cancelled. Please refer to Note 4(t) for related information.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

On April 28, 2005, the Board of Directors resolved to capitalize the undistributed retained earnings by issuing 150,792 thousand new shares. The date of the capital increase was June 30, 2005 and by such date the Bank had completed the relevant registration process.

In August 2000, the Bank issued 250,000 thousand preferred shares with an issue price of \$40 per share, totaling \$10,000,000, with a term of 6 years. Preferred cash dividends are payable on a lump sum basis at 6.12% per annum. If there are no earnings or insufficient earnings, distribution of dividends is postponed and made later when there are sufficient earnings. Preferred stock cannot participate in the distribution of earnings and capital surplus in the form of cash and stocks that are specific to common stock.

During the common shareholders' meetings, preferred shareholders are not granted the right to vote on issues nor the right to vote for elected officers but are granted the right to be elected as members of the Board of Directors and supervisors. During the preferred shareholders' meetings, preferred shareholders are granted the right to vote on issues. On August 30, 2005, the Board of Directors resolved to retrieve the preferred stock in advance at original issue price, and selected September 15, 2005 as the cancellation measurement date of the preferred stock. The Board of Directors also resolved to revise the Article of Association on October 11, 2005.

As of December 31, 2005, the authorized capital stock amounted to \$57,608,656. The common stock issued was \$51,771,935.

(t) Treasury stock

(i)

(In thousand shares)

<u>Reason for repurchase</u>	<u>Number of Shares, Beginning of the period</u>	<u>Current Increase</u>	<u>Current Decrease</u>	<u>Number of Shares, End of the period</u>
Transfer to employees	<u>53,004</u>	<u>-</u>	<u>53,004</u>	<u>-</u>

(ii) The Bank's treasury stock that was converted to shares of Chinatrust Financial Holding Company, Ltd. cannot be pledged. Furthermore, these shares are not granted with shareholders' rights prior to transfer.

(iii) Pursuant to SFB Letter Ruling No. 0920004165, treasury stock not disposed within 3 years are considered non-issued shares and should be cancelled. In consideration of the expiration of the employee stock options issued, on September 24, 2004, the Board of Directors resolved to cancel 39,568 thousand shares to conform with the regulation. The measurement date was October 11, 2004 and the Bank had already completed its filing for the registration changes with this Ministry of Economic Affairs as of such date. As of December 31, 2005, all treasury stock had been transferred to employees.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(u) Earnings distribution and dividend policy

As a subsidiary of Chinatrust Financial Holding Company, Ltd., the Bank is required to fulfill the operating fund demands of the parent company and to maintain its own capital adequacy ratio. Therefore, common stock dividends and bonuses are generally distributed as cash dividends, while preferred stock dividends and bonuses are distributed in accordance with their respective terms and conditions. The Bank adopts a constant and balanced dividend policy through annual common stock dividends and distribution of bonuses.

The above-mentioned methodology is merely a guideline used to select an appropriate dividend policy. In consideration of current operations and capital budget planning for the next year, an appropriate dividend distribution ratio is selected.

Annual earnings, if any, are used to pay for taxes and offset cumulative losses, and then 30% of the remaining earnings are appropriated as legal reserve. Before the legal reserve balance reaches an amount equal to total paid-in capital, cash dividends are limited to 15% of total paid-in capital. When the legal reserve balance reaches an amount equal to total paid-in capital, the above restriction no longer applies.

After the appropriation of legal reserve, the Bank may then declare preferred stock cash dividends and bonuses. The total amount of employee bonuses is based on rates ranging from 0.01% and 0.05% of the remaining balance. Earnings distribution of any remaining balance will be proposed by the Board of Directors with a resolution approved by the shareholders during their meeting.

In the years when the Bank makes a profit, and without violating Article 50 of the Banking Law, at least 10% of dividends will be distributed in cash.

Distributions of employee bonuses within the scope described above are subject to resolutions by the Board of Directors.

The Board of Directors resolved the proposal for 2004 earning distributions on April 28, 2005.

Please refer to Note 4(f) and 5 for information regarding adjustments to undistributed retained earnings resulting from the restructuring of long-term investments.

The distribution of 2004 earnings for employee bonuses and remuneration to directors and supervisors was as follows:

	Amount
	2004
Employee bonuses - cash	\$ 4,413
Remuneration to directors and supervisors	-
	\$ 4,413

If the above employee bonuses and remuneration to directors and supervisors were account for under operating expenses, then the basic earnings per share (after tax) for 2004 would be \$2.65 .

According to the regulation of Securities and Futures Bureau, the proposal for the distribution of employee bonuses and remuneration to directors and supervisors in 2005 has yet to be presented in the Board of Directors' meeting. The information regarding earnings distribution can be found on the market observation post system after resolved by the Board

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

of directors.

(v) EPS

EPS is calculated by dividing net income, net of preferred stock dividends, by the weighted-average shares outstanding during the period. For the years ended December 31, 2005 and 2004, the weighted-average number of shares outstanding was 5,177,194 thousand and 5,057,105 thousand shares, respectively, and the weighted-average number of shares outstanding – retroactively adjusted was 5,177,194 thousand and 5,208,818 thousand shares, respectively.

(w) Financial instruments

(i) Financial derivatives

1) Contract amount or notional principal and credit risk

Financial Instruments	December 31, 2005	
	Contract Amount (Notional Principal)	Credit Risk
Trading purpose		
Forward contracts	\$ 65,267,467	\$ 631,479
Non-delivery forward contracts	135,163,860	1,147,089
Currency swaps	823,824,345	12,267,030
Cross-currency swaps	166,842,986	4,456,005
Interest rate swaps	1,480,261,373	17,011,431
Options	814,422,664	3,786,186
Asset swaps	9,880,229	344,363
Credit default swaps	14,355,675	653,735
Interest rate futures	18,905,175	-
Commodity-linked interest rate swaps	137,970	1,847
Non-trading purpose		
Forward contracts	365,785	73,157
Non-delivery forward contracts	1,378,432	21,112
Interest rate swaps	34,874,599	-
Asset swaps	5,485,950	146,886

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Financial Instruments	December 31, 2004	
	Contract Amount (Notional Principal)	Credit Risk
Trading purpose		
Forward contracts	\$ 70,252,082	\$ 1,204,619
Forward interest rate agreements	1,500,000	-
Non-delivery forward contracts	123,816,933	2,531,683
Currency swaps	705,675,861	782,130
Cross-currency swaps	91,919,308	509,445
Interest rate swaps	735,674,013	7,208,551
Options	587,276,744	4,925,315
Asset swaps	12,683,999	152,185
Credit default swaps	14,516,008	1,293,148
Interest rate futures	1,149,012	200,494
Non-trading purpose		
Forward contracts	63,834	12,767
Non-delivery forward contracts	1,352,400	37,830
Cross-currency swaps	1,366,580	-
Interest rate swaps	5,570,549	-
Asset swaps	8,382,611	363,326

Amount of credit risk refers to contracts with positive fair value on the balance sheet date, representing the Bank's possible loss in the event of non-performance by counterparties to contracts of financial instruments. However, if a party to a transaction is a client of the Bank, the procedures for credit evaluation and authorization have been performed and transactions are confined within lines of credit granted. If deemed necessary, the Bank requests sufficient collateral from counterparties. If a party to the transaction is a financial institution, credit lines are provided according to its worldwide ranking and credit rating, and transaction amounts are limited thereto. Therefore, the Bank deems the likelihood of default as fairly remote.

2) Market Risk

FX factor sensitivity (FX Delta)	Currency	December 31	
		2005	2004
	EUR	\$ (2,305,631)	\$ 670,736
	JPY	676,730	704,758
	NTD	561,070	981,673
	Others	563,699	(53,066)

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	<u>Currency</u>	<u>December 31</u>	
		<u>2005</u>	<u>2004</u>
Interest rate factor sensitivity			
(PVBP)			
<hr/>			
Cross-currency swaps curve	EUR	(7)	(14)
	JPY	-	75
	NTD	2,254	226
	Others	(5)	(6)
Interest rate swaps curve	EUR	-	(2)
	NTD	1,310	4,109
	USD	(2,022)	685
	Others	235	-
Bond yields curve	NTD	5	(657)
	USD	(1,891)	(798)
Equity factor sensitivity			
(Equity Delta)			
<hr/>			
	NTD	186,615	98,712
	USD	1,096,789	662,319

The Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The Bank's objectives in using derivative instruments are to meet customers' needs, to manage the Bank's exposure to risks and to generate revenues through trading activities. The Bank trades derivative instruments on behalf of customers and for its own positions. The Bank provides derivative contracts to address customer demands for customized derivatives. The Bank also takes proprietary positions for its own accounts.

The Bank utilizes market risk factor sensitivities as a tool to manage market risk. Market risk factor sensitivities of a position are defined as the change in the value of a position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate, foreign exchange and equity factor sensitivities. The calculation of the factor sensitivities is obtained by measuring the effect of a 1 unit increase in current interest rates, current foreign exchange rates and equity prices or volatilities upon various product types.

Foreign exchange factor sensitivities ("FX delta") represent the change in the net present value of the foreign exchange portfolios caused by a unit shift of 1% of the underlying currency's exchange rate. The FX delta risk comes from the FX exposure of derivatives, the hedging of foreign exchange positions and foreign currency cash positions. In order to generate a suitable basis for comparison of the factor sensitivities for current and prior years, the adjustments for FX delta for prior years are included in the foreign exchange spot position for hedging purposes and foreign currency cash positions.

**CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

Interest rate factor sensitivities (the present value of one basis point, or “PVBP”) represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift of 0.01% (1 basis point) in the interest rates in various yield curves affecting a portfolio. The Bank’s interest rate-sensitive portfolios include bonds, bond futures, bond options, interest rate swaps, cross-currency swaps, FRA, caps/floors and structured products composed of such products. To provide a suitable basis for comparison of the interest rate factor sensitivities between current and prior years, the forward curve has been adjusted and included in the cross-currency swaps curve. The bond curve interest rate factor sensitivity represents the interest rate risk generated from bond derivatives transactions (i.e., bond futures and bond option.)

Equity factor sensitivities (“equity delta”) represent the change in the net present value of the equity portfolio caused by a unit shift of 100% of the underlying stock or indices prices. The Bank’s equity portfolio includes stocks, equity index options, equity options and convertible bonds. The equity delta risk comes from the Bank’s equity portfolios and the Bank’s underlying positions taken for hedging purposes.

The Bank sets its market risk limits by considering market predictions, capital and annual budgets. It analyses the correlation coefficients among different market risk factors to estimate the potential loss using the Value-at-Risk approach and also determine if this potential loss is appropriate in light of the size of its annual budget. The Bank also determines its market risk limits by considering the experience of its risk-taking units and its risk appetite.

3) Liquidity risk and cash flow risk

Since notional principals of financial derivatives are used mainly to calculate payables or receivables of parties to transactions, rather than the amounts actually paid or cash demand, amounts settled are generally lower than notional principals. Since financial derivatives held by the Bank are denominated in major currencies with active trading and reverse transactions are readily available to offset positions, liquidity risk is deemed low. The Bank manages future cash demand by monitoring market prices periodically, and therefore cash flow risk is also considered low.

4) Net gains or losses from current trading

Net gains or losses from current trading activities reported as net gain or loss on financial derivatives and net gain or loss on foreign exchange were as follows:

	For the years ended December 31	
	2005	2004
Interest rate contracts	\$ 2,758,278	\$ 2,849,136
Foreign exchange contracts	665,473	1,502,153
Commodity contracts	2,483	-
Equity contracts	127	3,701
Net gains	\$ 3,426,361	\$ 4,354,990

Because exchange rate derivatives are hedged by spot exchange contracts, net exchange gain or loss for all contracts includes gain and loss on spot positions.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

5) Non-trading financial derivatives

Non-trading financial derivatives are applied primarily to hedge against exchange and interest rate risks from the Bank's foreign-currency-denominated assets and liabilities.

Interest income on receivables and interest expense on payables arising from non-trading financial derivatives held or issued by the Bank are accounted for on accrual basis.

Valuation methods to establish fair value of trading or non-trading financial derivatives held or issued by the Bank are the same, except that market prices of non-trading derivatives are used for reference purpose only and are not recorded.

(ii) Fair value of financial instruments

Financial Assets	December 31, 2005	
	Book Value	Fair Value
Financial assets: trading purpose		
Forward contracts	\$ 145,705	\$ 145,705
Non-delivery forward contracts	130,982	130,982
Currency swaps	33,444	33,444
Cross-currency swaps	(3,738,870)	(3,738,870)
Interest rate swaps	6,070,344	6,070,344
Options	(3,382,488)	(3,382,488)
Asset swaps	179,140	179,140
Credit default swaps	650,041	650,041
Interest rate futures	(5,484)	(5,484)
Commodity-linked interest rate swaps	794	(794)
Financial assets: non-trading purpose		
Forward contracts	(4,243)	73,157
Non-delivery forward contracts	21,112	21,112
Interest rate swaps	248,100	(1,415)
Asset swaps	(3,283)	134,685
Financial Assets with book value equal to fair value	326,214,812	326,214,812
Long-term equity investments	18,586,230	17,980,608
Bills and securities purchased	278,155,355	278,155,355
Loans	846,782,888	846,782,888
Financial Liabilities		
Financial liabilities with book value equal to fair value	\$ 1,422,095,816	\$ 1,422,095,816

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Financial Assets	December 31, 2004	
	Book Value	Fair Value
Financial assets: trading purpose		
Forward contracts	\$ 509,419	\$ 509,419
Forward interest rate agreements	(3,129)	(3,129)
Non-delivery forward contracts	431,040	431,040
Currency swaps	(1,139)	(1,139)
Cross-currency swaps	(289,857)	(289,857)
Interest rate swaps	810,278	810,278
Options	(1,962,996)	(1,962,996)
Asset swaps	(292,883)	(292,883)
Credit default swaps	1,292,904	1,292,904
Interest rate futures	200,494	200,494
Financial assets: non-trading purpose		
Forward contracts	283	12,767
Non-delivery forward contracts	37,830	37,830
Interest rate swaps	1,775	(4,863)
Cross-currency swaps	162,852	(243,155)
Asset swaps	4,944	217,191
Financial Assets with book value equal to fair value	249,903,129	249,903,129
Long-term equity investments	17,741,665	16,936,792
Bills and securities purchased	190,203,035	190,203,035
Loans	752,061,225	752,061,225
Financial Liabilities		
Financial liabilities with book value equal to fair value	\$ 1,161,682,770	\$ 1,161,682,770

Method and assumptions used to evaluate financial instruments are the following:

- 1) The fair value of short-term financial instruments is estimated by their face value on the balance sheet date. Because the maturity period for this type of financial instrument is relatively short, its face value serves as a reasonable basis for estimating its fair value. Such instruments include cash and cash equivalents, notes and accounts receivable, notes and accounts payable, and due from other banks.
- 2) For marketable securities, market prices are the fair value if available. If market prices are unavailable, financial or other information is used to estimate the fair value.
- 3) The fair value of long-term liabilities is estimated by the present value of expected cash flows. Discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity dates and terms.
- 4) The fair value of financial derivatives is estimated by the amount of cash to be paid or to be received assuming that the contract is terminated on the balance sheet date. In general, it includes unrealized gain or loss on outstanding contracts of the current period. There are reference reports from financial institutions for most of the Bank's financial derivatives.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(iii) Financial instruments with off-balance-sheet credit risk

Because the Bank provides loans and issues credit cards, it has substantial credit commitments with most of the credit commitments confined within one year. Furthermore, the Bank provides guarantees endorsements and commercial letters of credit as guarantee for clients' obligations to third parties (included in loan commitments).

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

	December 31	
	2005	2004
Unused lines of credit	\$ 364,240,492	\$ 296,047,591
Credit card commitments	447,737,829	419,370,700
	\$ 811,978,321	\$ 715,418,291

As of December 31, 2005 and 2004, non-cancelable credit limit of unused credit facilities were \$42,818,801 and \$47,000,388, respectively.

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

Collateral is not required in credit card commitments. Nonetheless, the Bank periodically evaluates credit ratings of cardholders and adjusts cardholders' credit limits if necessary.

(iv) Information on concentrations of credit risk

Concentrations of credit risk exist when counterparties to financial instrument transactions are individuals or groups engaged in similar activities or have activities in the same region, which would impair their ability to meet contractual obligations under negative economic or other conditions.

There is no concentration of credit risk in terms of a single client, a party to a transaction, or clients located in nearby regions, except for clients being in one single industry with similar industrial characteristics. Contracts with concentration of credit risk were as follows:

(In Millions)

By Industry	December 31	
	2005	2004
Individual Clients	\$ 481,786	\$ 388,667
Manufacturing Sector	122,856	115,133
Public Sector	39,021	40,884
Financial Industry	41,228	48,505
Construction Industry	19,982	23,073

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

5. Related-party transactions

(a) Names of the related parties and relationship with the Bank

<u>Name of Related Party</u>	<u>Relationship with the Bank</u>
Chinatrust Financial Holding Company, Ltd.	Parent company of the Bank
Chinatrust (Philippines) Commercial Bank Corp.	An investee company carried under the equity method.
PT Bank Chinatrust Indonesia	//
Chinatrust Forex Corp.	//
CTC Bank of Canada	//
Chinatrust Capital Corp. (Original: China Trust Holdings Corp.)	//
Chinatrust Securities Investment Consultancy Corp., Ltd.	//
Grand Bills Finance Corp.	//
GCB Finance (HK) Limited	//
Chinatrust Charitable Foundation	The Chairman of the Bank is its director
Chinatrust Commercial Bank Trust Account	A trust account (charitable purpose) established by the Bank.
National Credit Card Center of R.O.C.	An immediate family member of the Chairman of the Bank is its Chairman
CTC Group Inc.	//
Chinatrust Culture Foundation	//
Overseas Investment & Development Co., Ltd.	//
Rong-Shing Cultural Foundation	//
Taiwan Institute of Economic Research	//
Lukang Folk Arts Museum	//
The Eisenhower Fellows Association in the Republic of China	//
China Development Financial Holding Corporation	An immediate family member of the Chairman of the Bank is its President
China Development Industrial Bank	An immediate family member of the Chairman of the Bank is its Chairman
KGI Securities Investment Trust Corp., Ltd.	//
Taiwan Asset Management Corporation	// (Resigned)
Chinatrust Recreation Company Ltd.	The Vice-Chairman of the Bank is its Chairman
Chinatrust Securities Corp., Ltd.	Controlled by the same Company which controls the Bank
CTCB (Maurities) Holding Company Ltd.	//
Chinatrust Securities (Hong Kong) Ltd.	//
Chinatrust Insurance Brokers Co., Ltd.	//
Chinatrust Venture Capital Corp., Ltd.	//
Chinatrust Asset Management Co., Ltd.	//
Chinatrust Bills Finance Corp.	//
Chinatrust Security Co., Ltd.	//

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

<u>Name of Related Party</u>	<u>Relationship with the Bank</u>
CT Opportunity Investment Company	Controlled by the same Company which controls the Bank
Tuo Yu Asset Management Servicing Co., Ltd.	//
Chung Shin-1 Asset Management Co., Ltd	//
Shopnet Co., Ltd.	// (No control ability as of December 31, 2005)
Taipei Arena Co. Ltd.	//
Koo Foundation, Sun Yat-Sen Cancer Center	An immediate family member of the Chairman of the Bank is its director
Chinatrust Investment Co., Ltd.	//
Sungyung Investment Co., Ltd.	//
Century Venture Capital Co., Ltd.	//
366 Madison Inc.	//
Ho Shin International Media Co., Ltd.	//
Taiwan Futures Exchange	// (Resigned)
Taiwan Polypropylene Co., Ltd.	// (Resigned)
Sunghung Investment Co., Ltd.	// (Resigned)
Grand Cathay Securities Corp.	An immediate family member of the Chairman of the Bank is its director.
Chailease Investments Corp.	//
Taiwan Fuji Xerox Corp.	//
KK Enterprise Co., Ltd.	//
United Advertising Co., Ltd.	An immediate family member of the President of the Bank is its director (Resigned)
United Design & Publications Inc.	// (Resigned)
Other related parties	Including directors, supervisors, managers and their spouses and immediate family members

(b) Significant transactions with related parties

(i) Lease

Rental income from buildings and parking spaces leased to related parties for the years ended December 31, 2005 and 2004, amounted to \$48,508 and \$52,673 constituting 37.23%, and 38.75%, respectively, of total annual rental income. The deposit and rental for usage of building space amounted to \$3,687 and \$2,743, respectively.

(ii) Commissions and service fees

For the years ended December 31, 2005 and 2004, commissions and service fees paid to the National Credit Card Center of the R.O.C. amounted to \$144,090 and \$153,984, constituting 27.72% and 27.73%, respectively, of total commissions and service fees.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the years ended December 31, 2005 and 2004, the Bank paid Chinatrust Securities Corp. Ltd. on trading securities commissions and other related fees amounting to \$54,411 and \$32,371, respectively.

(iii) Site usage fee

For the years ended December 31, 2005 and 2004, the Bank paid Chinatrust Securities Corp. Ltd. a site usage fee and other related expenses for operations in the amount of \$17,502 and \$16,856, respectively.

(iv) Donations

	For the years ended December 31	
	2005	2004
Chinatrust Charitable Fund (Note)	\$ 164,000	\$ 37,000
Chinatrust Culture Foundation	47,500	38,000
Rong-Shing Cultural Foundation	3,500	3,500
The Eisenhower Fellows Association in the Republic of China	3,350	-
Lukang Folk Arts Museum	-	600
Total	\$ 218,350	\$ 79,100

Note: Including \$39,000 for Chinatrust Charitable Foundation and \$125,000 for Chinatrust Commercial Bank Trust Account.

(v) Property Transactions

In April 2005, the Bank sold the common stock and type B preferred stock of Dragonsteel Corporation, a foreclosed property to Chinatrust Venture Capital Corp., Ltd., with the selling price, selling cost and gains on disposal in the amount of \$73,606, \$38,080 and \$35,526, respectively. The gains on disposal were accounted for as a contra account of operating expenses – provision for allowance and reserve.

In March 2004, in order to increase the profits of the Bank and Chinatrust Financial Holding Company, Ltd., the Bank undertook a joint cross-selling plan with Chinatrust Financial Holding Company, Ltd. and sold the common shares of Chinatrust Bills Finance Corp. to Chinatrust Financial Holding Company, Ltd. The details of the transaction are shown below:

Name	Shares (in thousands)	%	Price	Difference between price and cost (Note)
Chinatrust Bills Finance Corp.	407,994	99.998%	\$ 5,877,497	\$ (163,923)

Note: Reflected as an adjustment to undistributed retained earnings.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

In 2004, the Bank sold non-performing loans to Chung Shin-1 Asset Management Co., Ltd., for \$2,497,447. As the total carrying value of these loans is equal to selling price, no disposal gain or loss was recognized thereon.

(vi) Guarantees

	For the year ended December 31, 2005			
	Maximum Balance	Ending Balance	Range of Rate	Commissions and Service Fees Income
Grand Bills Finance Corp.	\$ 1,533,000	\$ 1,533,000	0.10%	\$ 1,439
PT Bank Chinatrust Indonesia	188,815	112,784	0.25%	-
Chinatrust (Philippines) Commercial Bank	60,659	9,879	1.00%	-
KK Enterprise Co., Ltd.	1,634	1,634	0~0.50%	-
Chinatrust Securities Corp., Ltd.	197,000	-	0.50~0.60%	78
	<u>\$ 1,981,108</u>	<u>\$ 1,657,297</u>		<u>\$ 1,517</u>

	For the year ended December 31, 2004			
	Maximum Balance	Ending Balance	Range of Rate	Commissions and Service Fees Income
PT Bank Chinatrust Indonesia	\$ 235,001	\$ 191,133	0.25%	\$ 14
Chinatrust Securities Corp., Ltd.	188,640	-	0.6%	109
	<u>\$ 423,641</u>	<u>\$ 191,133</u>		<u>\$ 123</u>

(vii) Loans

	For the year ended December 31, 2005			
	Maximum Balance	Ending Balance	Interest Rate	Interest Income
Koo Foundation Sun Yat-Sen Cancer Center	\$ 1,570,000	\$ 1,173,300	0~10.75%	\$ 27,559
CTC GROUP Inc.	655,223	655,223	4.15~6.16%	31,829
366 Madison Inc.	358,430	351,331	4.31~6.34%	21,325
Chinatrust (Philippines) Commercial Bank	155,550	139,800	0.88~1.09%	1,319
United Advertising Co.	144,000	32,000	1.96~10.63%	1,911
Chinatrust Securities Corp., Ltd.	240,719	-	0~9.70%	19
Others	709,582	570,896		10,828
Total	<u>\$ 3,833,504</u>	<u>\$ 2,922,550</u>		<u>\$ 94,790</u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

For the year ended December 31, 2004

	Maximum Balance	Ending Balance	Interest Rate	Interest Income
Koo Foundation Sun Yat-Sen Cancer Center	\$ 1,615,400	\$ 1,420,000	1.85~3.73%	\$ 35,892
Taiwan Asset Management Corporation	1,150,000	950,000	0.00~1.3%	7,742
Sunghung Investment Co., Ltd.	200,000	200,000	3.28~3.64%	6,911
United Advertising Co.	318,890	108,000	1.93~4.75%	3,840
Chinatrust Investment Co., Ltd.	447,000	90,000	2.75~3.5%	6,811
United Design & Publications Inc.	173,631	73,902	1.97~4.9%	18,228
Others	651,236	503,744		12,290
	\$ 4,556,157	\$ 3,345,646		\$ 91,714

Interest rates of loans to related parties are the same as those with other parties.

(viii) Deposits

For the year ended December 31, 2005

	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
Chinatrust Financial Holding Company, Ltd.	\$ 33,039,935	\$ 32,789,339	0~4.31%	\$ 52,382
Grand Bill Finance Corporation	2,281,044	1,759,471	0~1.30%	24,531
Grand Cathay Securities Corp.	1,603,742	1,303,155	0~1.82%	16,793
Chung Shin-1 Assets Management Co., Ltd.	1,118,061	1,118,061	0~1.42%	316
Chinatrust Securities Corp., Ltd.	6,150,416	953,312	0~1.54%	6,021
National Credit Card Center of R.O.C.	1,429,076	663,701	0~1.97%	5,867
GCB Finance (HK) Limited	318,548	315,260	0~0.10%	52
Chinatrust Insurance Brokers Co., Ltd.	3,010,939	301,921	0~1.23%	7,961
Chinatrust Venture Capital Corp., Ltd.	906,996	275,270	0~4.32%	4,827
CT Opportunity Investment Company	2,095,209	264,192	0.01~4.365%	18,460
Taiwan Institute of Economic Research	172,335	172,335	0~1.97%	560
KGI Securities Investment Trust Corp., Ltd.	240,932	170,231	0~1.82%	2,532
Chinatrust Assets Management Co., Ltd.	5,638,138	146,820	0~4.30%	38,083
Overseas Investment & Development Co., Ltd.	177,986	140,240	0~3.75%	1,972
Century Venture Capital Co., Ltd.	170,632	103,502	0~1.02%	417
Chinatrust Bills Finance Corp.	504,243	98,209	0~1.02%	694
Chailease Investments Corp.	129,908	88,250	0~1.42%	1,250
Shopnet Co., Ltd.	497,347	55,321	0~1.10%	145
TAIWAN FUJI XEROX CORP.	149,100	21,754	0~1.30%	22
Sungyung Investment Co., Ltd.	254,004	19,271	0~0.10%	11
Taipei Arena Co. Ltd.	300,000	2,036	0~0.10%	41
Others	4,689,395	1,774,855		16,613
Total	\$ 64,877,986	\$ 42,536,506		\$ 199,550

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

	For the year ended December 31, 2004			
	Maximum	Ending	Interest	Interest
	Balance	Balance	Rate	Expense
Chinatrust Assets Management Co., Ltd.	\$ 10,026,813	\$ 5,122,359	0.10~2.55%	\$ 22,094
Chinatrust Financial Holding Company, Ltd.	20,608,515	5,007,358	0.10~1.74%	51,117
Chinatrust Securities Corp., Ltd.	2,632,993	2,632,993	0~1.60%	5,394
Chinatrust Insurance Brokers Co., Ltd.	4,521,695	2,518,893	0.10~1.15%	1,986
Grand Bills Finance Corp.	2,322,245	2,259,280	0~1.00%	16,708
CT Opportunity Investment Company	5,045,076	1,671,029	0.10~2.23%	15,453
Taifex Taiwan Futures Exchange	1,112,523	1,010,447	0~1.53%	12,251
Chung Shin-I Asset Management Co., Ltd.	1,300,000	677,357	0.10%	281
Taiwan Polypropylene Co., Ltd.	657,503	554,436	0~1.85%	3,155
National Credit Card Center of R.O.C.	993,750	395,468	0~1.05%	4,241
Chinatrust Venture Capital Corp., Ltd.	640,349	368,042	0~2.71%	3,534
KGI Securities Investment trust Corp., Ltd.	173,227	164,262	0~1.35%	1,767
Chinatrust Bills Finance Corp.	450,334	159,674	0~2.4%	665
Overseas Investment & Development Co., Ltd.	133,905	129,171	0~1.45%	1,615
Taiwan Institute of Economic Research	124,896	114,190	0~1.16%	379
Chailease Investments Corp.	108,922	63,087	0~1.35%	903
Koo Foundation Sun Yat-Sen Cancer Center	126,352	23,954		57
Others	5,376,169	1,476,111		14,678
Total	\$ 56,355,267	\$ 24,348,111		\$ 156,278

Interest rates of deposits by related parties are the same as those with other parties.

(ix) Call loans to other banks

	For the year ended December 31, 2005			
Name of Related Party	Ending Balance	Interest Rate	Interest Income	
Chinatrust Bills Finance Corp.	TWD \$ 1,000,000	1.50~1.52%	TWD	\$ 104

	For the year ended December 31, 2004			
Name of Related Party	Ending Balance	Interest Rate	Interest Income	
PT Bank Chinatrust Indonesia	USD \$ 6,000	2.58%	USD	\$ 2

(x) Derivative instruments

	December 31, 2005	
	Currency	Notional principal
Chinatrust Bills Finance Corp.—Interest rate swaps	TWD	300,000
Chinatrust Bills Finance Corp.—Bonds option	TWD	2,500,000

**CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

	December 31, 2004	
	Currency	Notional principal
Chinatrust Financial Holding Company, Ltd.		
—Cross-currency swaps	TWD	1,829,150
Grand Bills Finance Corp. — Interest rate swaps	TWD	5,300,000
Grand Bills Finance Corp. — Government bonds option	TWD	1,200,000
Taiwan Polypropylene Co., Ltd — Interest rate swaps	USD	3,000
PT Bank Chinatrust Indonesia — Currency swaps	USD	100

(xi) Trades of bills and bonds

	For the year ended December 31, 2005	
	Bills and bonds purchased	Bills and bonds sold
Chinatrust Securities Corp., Ltd.	\$ 8,330,590	\$ 5,713,910
Chinatrust Bills Finance Corp.	135,957,298	138,708,555
Grand Bills Finance Corp.	45,630,620	43,387,847
China Development Industrial Bank	5,244,735	5,494,406
Grand Cathay Securities Corp.	136,876,470	135,397,800
Chinatrust Securities (Hong Kong) Ltd	199,441	17,657

	For the year ended December 31, 2004	
	Bills and bonds purchased	Bills and bonds sold
Chinatrust Securities Corp., Ltd.	\$ 4,405,402	\$ 1,205,613
Chinatrust Bills Finance Corp.	36,307,583	38,631,000
Grand Bills Finance Corp.	23,226,678	22,965,692
China Development Industrial Bank	3,799,972	4,105,100

(xii) Other

For the year ended December 31, 2005, the Bank charged transaction fees of Indonesian labor loans from PT Bank Chinatrust Indonesia amounted to \$33,705 which were accounted under receivables.

For the year ended December 31, 2005, the Bank paid Chinatrust Security Co., Ltd for security fees of \$89,689.

For the year ended December 31, 2005, the Bank received computer information and related fees from Chinatrust Securities Corp., Ltd. of \$6,858.

For the years ended December 31, 2005 and 2004, the Bank sold 53,004 thousand shares and 89,352 thousand shares of treasury stock to its employees for \$1,000,885 and \$1,394,386 with carrying value of \$1,320,724 and \$1,870,290, respectively. The difference between the selling price and cost of \$319,839 and \$475,904, respectively, was reflected under undistributed retained earnings.

**CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

For the years ended December 31, 2005 and 2004, the Bank received computer information and related fees from Chinatrust Financial Holding Company, Ltd. of \$17,957 and \$48,484, respectively.

In March 2005, the Bank issued perpetual subordinate notes amounted to USD 500,000 thousand and Chinatrust Securities (Hong Kong) Ltd. was consigned as the concurrent underwriter. The face value of perpetual subordinate notes consigned to Chinatrust Securities (Hong Kong) Ltd. amounted to USD 25,000 thousand.

For the year ended December 31, 2005, the Bank received computer information fee and securities custodian fee from Chinatrust Bills Finance Corp. of \$1,689.

For the year ended December 31, 2005, the Bank received computer information fees and related commissions from Chinatrust Assets Management Co., Ltd. of \$554.

For the years ended December 31, 2005 and 2004, the Bank paid sponsor fees to Chinatrust Recreation Company Ltd. of \$117,396 and \$89,250, respectively.

For the year ended December 31, 2005, the Bank repurchase NPL from Chung Shin-1 Asset Management Co., Ltd. of \$141,189 and charge for computer information fees of \$23.

For the year ended December 31, 2005, the Bank received computer information fees from Tuo Yu Asset Management Servicing Co., Ltd. of \$18.

For the year ended December 31, 2005, the Bank received computer information fees from Chinatrust Venture Capital Corp., Ltd. of \$24.

(c) Transactions in which related parties act as borrower, guarantor, and collateral provider

December 31, 2005

Category	Number of clients	Ending Balance	Possible losses
Consumer loans	1,122	\$ 286,919	None
Employee mortgage loans	1,416	3,395,114	None
Credit transactions in which related parties act as borrower	2,726	8,911,081	None
Credit transactions in which related parties act as guarantor	1,579	5,338,867	None
Credit transactions in which related parties act as collateral provider	3,086	9,683,683	None

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

December 31, 2004

Category	Number of clients	Ending Balance	Possible losses
Consumer loans	971	\$ 297,800	None
Employee mortgage loans	1,448	2,707,739	None
Credit transactions in which related parties act as borrower	3,229	9,340,292	127,519
Credit transactions in which related parties act as guarantor	1	5,563	None
Credit transactions in which related parties act as collateral provider	3,377	9,581,217	None

6. Pledged assets: Please refer to Notes 4(c), 4(f) and 4(h)

7. Significant commitments and contingencies

	December 31, 2005	December 31, 2004
Contingent liabilities from guarantees and letters of credit business	\$ 75,663,080	\$ 90,630,312
Commercial paper to the Central Bank for banks' clearance	6,338,000	6,815,100
Client notes in custody	127,778,091	130,120,897
Receivables for other banks from syndicated loans	44,661,125	39,507,916
Marketable securities in custody	579,038,576	712,971,217
Travellers' cheques in custody available for sale	466,179	539,954
Special - purpose trust accounts	619,223,232	428,276,088
Total	\$ 1,453,168,283	\$ 1,408,861,484

8. Significant catastrophic loss : None.

9. Significant subsequent events : None.

**CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)**

10. Others

- (a) The Bank acquired the operations of Fengshan Credit Cooperative (FSCC) and according to SFB Letter Ruling No. (6) 0930004183, September 3, 2004, the disclosures were as follows:
- (i) Description of FSCC: FSCC was established on March 11, 1957, and had been established for more than 40 years. FSCC's operating activities included deposits, loans, collection and payment agency, and renting of safe-deposit boxes and had 10 branches.
- (ii) Acquisition objective and law accordance:
- 1) Objective: improve operation efficiency generated from the 10 branches acquired.
- 2) Law accordance: Section 18 of Law Governing Merger of Financial Institutions.
- (iii) Acquisition date: October 1, 2004.
- (iv) Marketable securities issued due to the acquisition: none.
- (v) Accounting treatment for the acquisition:
- 1) Acquisition accounting policies: the Bank acquired the assets and assumed the liabilities of FSCC. The difference between fair value of net liabilities assumed and cash subsidy received from Resolution Trust Corporation (the "RTC") was accounted as goodwill, which will be amortized on a straight-line basis over five years.
- 2) Acquisition assets and liabilities:

	Amount
Total assets	\$ 10,294,283
Total liabilities	13,224,486
Net liabilities assumed	2,930,203
Less: cash subsidy received from RTC	(1,108,545)
Goodwill	\$ 1,821,658

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(b) Maturity periods of the assets and liabilities of the Bank were as follows:

	December 31, 2005			
	Within 6 months	Between 6 months and 1 year	Over 1 year	Total
Assets				
Due from banks	\$ 1,904,984	\$ -	\$ -	\$ 1,904,984
Call loans to banks and deposits with the Central Bank	85,872,202	4,707,740	39,501,225	130,081,167
Bills and securities purchased (Note 1)	166,655,347	1,393,985	43,851,737	211,901,069
Loans (Note 2)	238,187,005	85,243,654	523,235,924	846,666,583
Long-term bond investments	2,183,539	1,799,100	46,074,196	50,056,835
Liabilities				
Due to Central Bank and other banks	\$ 59,828,670	\$ 167,988	\$ 171,540	\$ 60,168,198
Bills and bonds sold under repurchase agreements	64,228,101	45,273	-	64,273,374
Deposits and remittances	476,917,725	228,877,600	467,504,730	1,173,300,055
Financing from Central Bank and other banks	402,884	211,966	5,546,504	6,161,354
Financial debentures	-	-	68,692,209	68,692,209

	December 31, 2004			
	Within 6 months	Between 6 months and 1 year	Over 1 year	Total
Assets				
Due from banks	\$ 3,187,425	\$ -	\$ 68,254	\$ 3,255,679
Call loans to banks and deposits with the Central Bank	33,879,658	-	54,665,280	88,544,938
Bills and securities purchased (Note 1)	101,156,715	17,071,125	27,150,044	145,377,884
Loans (Note 2)	227,806,738	79,910,083	443,438,475	751,155,296
Long-term bond investments	4,406,304	2,650,964	31,984,575	39,041,843
Liabilities				
Due to Central Bank and other banks	\$ 63,912,764	\$ 34,586	\$ 4,022,972	\$ 67,970,322
Bills and bonds sold under repurchase agreements	59,931,486	12,766	-	59,944,252
Deposits and remittances	404,523,522	173,776,864	394,188,575	972,488,961
Financing from Central Bank and other banks	844,256	205,916	5,765,652	6,815,824
Financial debentures	-	-	21,300,000	21,300,000

Note 1: Funds, beneficiary certificates and listed equity securities are excluded.

Note 2 :Non-accrual accounts are excluded.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

(c) Personnel, Depreciation and Amortization Expense

<u>Nature</u>	For the year ended December 31	
	<u>2005</u>	<u>2004</u>
Personnel expense		
Salary expense	\$ 7,755,315	\$ 7,802,306
Labor and health insurance	513,610	454,553
Pension expense	448,126	689,491
Other personnel expenses	1,363,732	1,070,698
Sub-total	10,080,783	10,017,048
Depreciation expense	1,796,105	1,766,619
Amortization expense	1,913,920	1,614,674
	\$ 13,790,808	\$ 13,398,341

(d) Average value of the Bank's interest bearing assets and liabilities and average interest rates (or yield) were as follows:

<u>Nature</u>	For the year ended December 31, 2005	
	<u>Average Value</u>	<u>Average Interest Rate (%)</u>
Assets		
Due from Central Bank	\$ 36,801,253	0.99
Call loans to and due from banks	80,776,940	2.38
Bills and securities purchased — bonds(Note)	226,190,128	1.69
Loans — NT\$	701,325,579	4.24
Loans — Foreign currency	105,856,090	4.24
Credit card receivable	64,031,032	18.60
Liabilities		
Deposits — NT\$	911,164,484	1.05
Deposits — Foreign currency	148,913,295	1.77
Call loans from banks	77,024,812	1.85
Financing from Central Bank and other banks	108,688,808	2.35

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Nature	For the year ended December 31, 2004	
	Average Value	Average Interest Rate (%)
Assets		
Due from Central Bank	\$ 37,928,694	1.09
Call loans to and due from banks	53,919,555	1.15
Bills and securities purchased—bonds(Note)	225,239,797	1.56
Loans—NT\$	587,073,188	4.14
Loans—Foreign currency	94,576,453	2.73
Credit card receivable	52,909,192	19.28
Liabilities		
Deposits—NT\$	794,650,011	0.92
Deposits—Foreign currency	131,435,897	0.97
Call loans from banks	73,091,516	0.92
Financing from Central Bank and other banks	90,739,471	1.43

Note: Long-term bond investments were included

(e) Significant net positions of foreign currency

December 31, 2005			December 31, 2004		
Foreign Currency Amount	NT\$ Amount		Foreign Currency Amount	NT\$ Amount	
USD	302,808	9,947,235	USD	130,436	4,163,127
JPY	5,974,324	1,670,421	GBP	21,396	1,312,828
EUR	17,500	681,534	JPY	514,702	160,124
HKD	50,961	215,922	AUD	2,666	66,320
AUD	7,357	177,285	NZD	2,466	56,589

(f) Significant contract

The Bank signed a five-year “Information Processing Equipment leasing, maintenance, software-usage and services” contract with IBM Taiwan Corporation on June 30, 2004. The total contract price should be at least \$2,705,000. Following the signing of the contract, the Bank changed the payment terms from leasing payment terms to one time payment term at purchase, which has been approved by the Bank’s Board of Directors. As of December 31, 2005, the amount been exercised was accumulated to \$700,144.

(g) Account Reclassification

Certain accounts in prior period’s financial statements were reclassified to conform to the presentation adopted in the current period’s financial statements.

Appendix 2

Consolidated Financial Report 2005

**CHINATRUST COMMERCIAL BANK CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
AND
INDEPENDENT AUDITORS' REPORT**

**ADDRESS: No. 3 SUNG-SHOU ROAD, TAIPEI, TAIWAN, R.O.C.
TELEPHONE NUMBER: 886-2-2722-2002**

Independent Auditors' Report

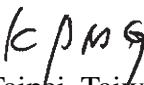
The Board of Directors
Chinatrust Commercial Bank Co., Ltd.

We have audited the accompanying consolidated balance sheets of Chinatrust Commercial Bank Co., Ltd. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chinatrust Commercial Bank Co., Ltd. and subsidiaries as of December 31, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in the Republic of China.

As described in Note 3, effective from January 1, 2004, the Bank adopted SFAS No. 33 "Accounting for Transfers of Financial Assets and Extinguishments of Liabilities" to account for bills and bonds sold under repurchase agreements in which control is not surrendered as financing transactions instead of as sale transactions.


Taipei, Taiwan, ROC
February 17, 2006

Notice to Readers

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

CHINATRUST COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
ASSETS				
Cash (Notes 2 and 4(a))	\$ 22,429,765	1	\$ 18,164,471	1
Due from Central Bank and other banks (Note 4(b) and 5)	132,801,636	8	89,816,427	7
Bills and securities purchased (Notes 2, 3, 4(c), 5 and 6)	249,979,199	16	181,076,723	14
Less: Allowance for market value decline	(1,010,065)	-	(467,608)	-
	<u>248,969,134</u>	<u>16</u>	<u>180,609,115</u>	<u>14</u>
Receivables (Notes 2 and 4(d))	174,054,075	11	144,295,676	11
Less: Allowance for credit losses	(2,519,651)	-	(2,590,794)	-
	<u>171,534,424</u>	<u>11</u>	<u>141,704,882</u>	<u>11</u>
Loans (Notes 2, 4(e) and 5)	920,859,159	58	812,198,784	61
Less: Allowance for loan losses	(11,012,303)	(1)	(12,511,972)	(1)
	<u>909,846,856</u>	<u>57</u>	<u>799,686,812</u>	<u>60</u>
Long-term investments (Notes 2, 4(f), 4(g) and 6)				
Accounted for under the equity method	2,081,653	-	2,115,417	-
Accounted for under the cost method	4,250,190	-	4,785,432	-
Less: Allowance for market value decline	(1,103,121)	-	(943,028)	-
Long-term bond investments	52,143,487	3	39,041,843	3
Real estate investments	1,400	-	1,400	-
	<u>57,373,609</u>	<u>3</u>	<u>45,001,064</u>	<u>3</u>
Other financial assets (Notes 2, 4(h) and 6)	14,410,282	1	10,604,628	1
Premises and equipments (Notes 2 and 4(i))				
Land and buildings, net	29,086,678	2	29,272,691	2
Equipments and other properties, net	5,131,441	-	5,390,420	-
	<u>34,218,119</u>	<u>2</u>	<u>34,663,111</u>	<u>2</u>
Intangible assets (Notes 2, 4(j) and 10)	4,577,148	-	5,909,203	-
Other assets (Notes 2 and 4(k))	8,516,563	1	8,678,054	1
TOTAL ASSETS	\$ 1,604,677,536	100	\$ 1,334,837,767	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Bills and bonds sold under repurchase agreements (Notes 2, 3 and 4(c))	\$ 65,907,005	4	\$ 61,220,932	5
Due to Central Bank and other banks	63,543,159	4	71,598,017	5
Payables (Notes 2 and 4(l))	45,314,470	3	31,634,546	2
Deposits and remittances (Notes 4(m) and 5)	1,240,059,690	77	1,034,285,876	77
Financial debentures (Note 4(n))	70,334,709	4	22,097,925	2
Financing from Central Bank and other banks (Note 4(o))	13,707,424	1	9,520,843	1
Other liabilities (Notes 2 and 4(p))	16,977,949	1	13,042,127	1
Total liabilities	<u>1,515,844,406</u>	<u>94</u>	<u>1,243,400,266</u>	<u>93</u>
Stockholders' equity				
Common stock (Note 4(s))	51,771,935	3	50,264,015	4
Preferred stock (Note 4(s))	-	-	2,500,000	-
Capital surplus				
Paid-in capital in excess of par - common stock	519,764	-	519,764	-
Paid-in capital in excess of par - preferred stock	-	-	7,500,000	-
Other additional paid-in capital	12,949	-	36,025	-
Retained earnings				
Legal reserve	25,226,696	2	21,300,848	2
Undistributed retained earnings (Note 4(u))	13,620,385	1	13,363,103	1
Other adjustments to stockholders' equity:				
Unrealized losses on long-term equity investments (Note 4(f))	(1,103,121)	-	(943,028)	-
Cumulative translation adjustments	(1,254,567)	-	(1,816,818)	-
Treasury stock (Notes 2 and 4(t))	-	-	(1,320,724)	-
Subtotal Stockholders' Equity for Parent Company	<u>88,794,041</u>	<u>6</u>	<u>91,403,185</u>	<u>7</u>
Minority Interest	39,089	-	34,316	-
Total Stockholders' Equity	<u>88,833,130</u>	<u>6</u>	<u>91,437,501</u>	<u>7</u>
Commitments and Contingencies (Notes 2 and 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,604,677,536	100	\$ 1,334,837,767	100

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

CHINA TRUST COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars , Except For Per Share Data)

	For the years ended December 31,			
	2005		2004	
	Amount	%	Amount	%
Operating Revenues				
Interest income	\$ 58,719,244	72	\$ 46,869,462	67
Commissions and fees income	17,590,895	22	16,576,315	24
Net gains on bills and securities purchased	723,951	1	947,170	1
Investment income accounted for under the equity method (Note 4(f))	216,204	-	403,758	-
Net gains on foreign exchange	826,270	1	1,293,447	2
Net gains on derivative instrument	3,465,836	4	3,423,081	5
Other operating revenues	254,778	-	727,490	1
Total Operating Revenues	81,797,178	100	70,240,723	100
Operating Costs				
Interest expense	(18,126,016)	(22)	(11,931,329)	(17)
Commissions and fees paid	(490,876)	(1)	(401,019)	(1)
Provisions for allowances and reserves	(14,842,669)	(18)	(11,237,973)	(16)
Other operating expenses	(703,496)	(1)	(154,224)	-
Total Operating Costs	(34,163,057)	(42)	(23,724,545)	(34)
Gross Margin	47,634,121	58	46,516,178	66
Operating Expenses (Note 10(c))	(29,228,024)	(36)	(27,655,148)	(40)
Operating Taxes	(1,339,147)	(1)	(1,201,222)	(1)
Operating Income	17,066,950	21	17,659,808	25
Non-Operating Revenues	862,338	1	850,275	1
Non-Operating Expenses	(553,300)	(1)	(314,429)	-
Income Before Income Tax	17,375,988	21	18,195,654	26
Income Tax Expense (Notes 2 and 4(q))	(3,456,730)	(4)	(4,174,557)	(6)
Consolidated gross income	\$ 13,919,258	17	\$ 14,021,097	20
Classified as:				
Stockholders of Parent Company (Consolidated net income)	13,915,584	17	14,017,670	20
Minority interest income	3,674	-	3,427	-
	\$ 13,919,258	17	\$ 14,021,097	20
	Before Tax	After tax	Before Tax	After tax
Basic Earnings Per Share (Notes 2 and 4(v))	\$ 3.27	\$ 2.61	\$ 3.48	\$ 2.65
Basic Earnings Per Share - retroactively adjusted (Notes 2 and 4(v))	\$ -	\$ -	\$ 3.38	\$ 2.57

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

CHINATRUST COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	Retained Earnings							Total			
	Common stock	Preferred stock	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Unrealized losses on long-term equity investments		Cumulative translation adjustments	Treasury stock	Minority interest
Beginning Balance - January 1, 2004	\$ 50,659,695	\$ 2,500,000	\$ 8,059,320	\$ 19,118,188	\$ 1,816,240	\$ 7,337,673	\$ (970,608)	\$ (808,718)	\$ (3,888,485)	\$ 35,351	\$ 83,858,656
Appropriation and distribution of 2003 earnings	-	-	-	-	-	(2,182,660)	-	-	-	-	-
Legal reserve	-	-	-	2,182,660	-	(2,182,660)	-	-	-	-	-
Reversal of special reserve to undistributed retained earnings	-	-	-	-	(1,816,240)	1,816,240	-	-	-	-	-
Employee bonuses	-	-	-	-	-	(3,149)	-	-	-	-	(3,149)
Cash dividends - common stock	-	-	-	-	-	(6,079,163)	-	-	-	-	(6,079,163)
Dividends - preferred stock	-	-	-	-	-	(612,000)	-	-	-	-	(612,000)
Effect of restructuring on long-term investments	-	-	-	-	-	(163,923)	-	-	-	-	(163,923)
Reversal of unrealized losses on long-term equity investments	-	-	-	-	-	-	27,580	-	-	-	27,580
Cumulative translation adjustments	-	-	-	-	-	-	-	(1,008,100)	-	-	(1,008,100)
Treasury stock transferred to employees	-	-	-	-	-	(475,904)	-	-	1,870,290	-	1,394,386
Cancellation of treasury stock	(395,680)	-	(4,091)	-	-	(291,681)	-	-	691,452	-	1,394,386
Recognition of treasury stock of subsidiaries	-	-	-	-	-	-	-	-	6,019	-	6,019
Assets revaluation appreciation for Paraguay branch	-	-	560	-	-	-	-	-	-	(1,035)	560
Change in minority interest	-	-	-	-	-	-	-	-	-	-	(1,035)
Net income for 2004	-	-	-	-	-	14,017,670	-	-	-	-	14,017,670
Ending Balance - December 31, 2004	\$ 50,264,015	\$ 2,500,000	\$ 8,055,789	\$ 21,300,848	\$ -	\$ 13,363,103	\$ (943,028)	\$ (1,816,818)	\$ (1,320,724)	\$ 34,316	\$ 91,437,501
Appropriation and distribution of 2004 earnings	-	-	-	-	-	(3,925,848)	-	-	-	-	-
Legal reserve	-	-	-	3,925,848	-	(3,925,848)	-	-	-	-	-
Employee bonuses	-	-	-	-	-	(4,413)	-	-	-	-	(4,413)
Cash dividends - common stock	-	-	-	-	-	(7,288,282)	-	-	-	-	(7,288,282)
Stock dividends - common stock	1,507,920	-	-	-	-	(1,507,920)	-	-	-	-	-
Dividends - preferred stock	-	-	-	-	-	(612,000)	-	-	-	-	-
Recognition of unrealized losses on long-term equity investments	-	-	-	-	-	-	(160,093)	-	-	-	(160,093)
Cumulative translation adjustments	-	-	-	-	-	-	-	562,251	-	-	562,251
Treasury stock transferred to employees	-	-	-	-	-	(319,839)	-	-	1,320,724	-	1,000,885
Retrieve preferred stock	-	(2,500,000)	(7,500,000)	-	-	-	-	-	-	-	(10,000,000)
Assets revaluation appreciation for Paraguay branch	-	-	587	-	-	-	-	-	-	-	587
Reversal of assets revaluation appreciation for Paraguay branch	-	-	(23,663)	-	-	-	-	-	-	-	(23,663)
Change in minority interest	-	-	-	-	-	-	-	-	-	4,773	4,773
Net income for 2005	-	-	-	-	-	13,915,584	-	-	-	-	13,915,584
Ending Balance - December 31, 2005	\$ 51,771,935	\$ -	\$ 532,713	\$ 25,226,696	\$ -	\$ 13,620,385	\$ (1,103,121)	\$ (1,254,567)	\$ -	\$ 39,089	\$ 88,833,130

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

CHINATRUST COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	For The Years Ended December 31,	
	2005	2004
	Amount	Amount
Cash flows from operating activities:		
Consolidated net income	\$ 13,915,584	\$ 14,017,670
Adjustments to reconcile net income to net cash provided (used in) by operating activities:		
Minority interest	3,674	3,427
Depreciation and amortization	3,863,493	3,522,780
Investment income recognized under the equity method over cash dividends received	(67,485)	(232,160)
Amortization of premium or discount on long term bond investments	196,101	405,351
Losses (gains) on disposition of long-term equity investments (include permanent impairment losses)	460,857	(238,730)
Gain on financial assets securitization	(43,935)	(50,288)
(Gains) losses on dispositions of premises, equipments and foreclosed properties	(42,594)	580,476
Losses on obsolescence of premises and equipments	92,549	86,697
Provision for loan losses	17,485,277	13,838,343
Provision for (reversal of) unrealized losses on bills and marketable securities purchased	542,457	(240,495)
Provision for unrealized losses on assets-backed securities	2,424	-
Provision for guarantee reserve	24,450	28,459
Provision for (reversal of) unrealized losses on foreclosed properties	91,753	(247,416)
Other	(15,346)	(54,484)
Net change in:		
Receivables	(3,934,157)	4,484,811
Bills and securities purchased	(46,972,105)	(28,424,903)
Payables	1,873,912	(218,584)
Trading derivative instruments, net	(1,563,723)	1,683,883
Net cash (used in) provided by operating activities	<u>(14,086,814)</u>	<u>8,944,837</u>
Cash flows from investing activities:		
Increase in deposits with Central Bank and other banks (excluding cash equivalents)	(32,753,331)	(7,747,578)
Increase in receivables	(33,290,049)	(28,370,446)
Increase in loans	(120,940,037)	(129,645,828)
Purchase of long-term equity investments	(21,664,901)	(7,727,946)
Proceeds from maturities and paydowns of long-term bond investments	8,364,732	6,005,636
Proceeds from disposal of long-term equity investments	187,771	10,105,951
Proceeds from financial assets securitization	17,596,003	4,855,000
Proceeds from disposition of premises, equipments and foreclosed properties	2,863,623	1,880,220
Purchase of premises and equipments	(3,341,030)	(2,165,559)
(Increase) decrease in other financial assets	(2,565,049)	1,062,980
(Increase) decrease in other assets	(398,599)	564,014
Non-trading derivative instruments, net	(371,449)	(3,447)
Net cash received from Assuming Fengshan Credit Cooperative (FSCC)	-	2,946,370
Net cash used in investing activities	<u>(186,312,316)</u>	<u>(148,240,633)</u>
Cash flows from financing activities:		
Increase in bills and bonds sold under repurchase agreements	4,686,073	59,760,004
Increase in financial debentures	48,213,459	-
(Decrease) increase in due to Central Bank and other banks	(8,054,858)	6,049,254
Increase in payables	11,803,022	4,024,967
Increase in deposits and remittances	205,773,814	81,702,153
Increase (decrease) in financing from Central Bank and other banks	4,186,581	(1,418,083)
Increase in other liabilities	4,249,668	820,836
Cash dividends paid—common stock	(7,288,282)	(6,079,163)
Dividends paid—preferred stock	(612,000)	(612,000)
Employee bonuses	(4,413)	(3,149)
Retrieve of preferred stock	(10,000,000)	-
Proceeds from sale of treasury stock	1,000,885	1,394,386
Net cash provided by financing activities	<u>253,953,949</u>	<u>145,639,205</u>
Effect of exchange rate changes	<u>387,762</u>	<u>(236,962)</u>
Net increase in cash and cash equivalents	53,942,581	6,106,447
Cash and cash equivalents, at beginning of the period	71,944,755	65,838,308
Cash and cash equivalents, at the end of the period	\$ 125,887,336	\$ 71,944,755
Cash and cash equivalents:		
Cash	\$ 22,429,765	\$ 18,164,471
Call loans to banks	27,618,079	18,609,281
Due from Central Bank	15,549,604	14,326,524
Bills and securities purchased (cash equivalents)	60,326,918	20,844,479
	\$ 125,924,366	\$ 71,944,755
Supplemental disclosures of cash flows information:		
Cash paid during the period for:		
Interest	\$ 16,196,743	\$ 12,286,301
Income tax	\$ 3,694,070	\$ 1,155,091
Investing and financing activities not affecting cash flows:		
Stock dividends—common stocks	\$ 1,507,920	\$ -

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



Chinatrust Commercial Bank

