



2005 Annual Report

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People are our greatest assets.



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Refer to Page P.142~P.146

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*58 years ago, Hsinchu Bank was born on this land.
Time passes by but inter-personal sentiments do no expire.
A loyalty built up over a period of sixty years is priceless.
For Hsinchu Bank truly felt that
life itself is the greatest wealth of all.
Helping all of our old friends
search for a dream horizon and construct a wishing wall
has always been our insistence.
From 38 employees and a capital of NTD500 we set out
and now the 83 branches, each is like a beacon of light,
glowing in warmth, guarding every person on this land.*

*During the August seventh flood, Hsinchu Bank took it upon herself to resolve pre-winter
problems in local areas.
After the 921 earthquake, Hsinchu Bank stood shoulder to shoulder with the people on this
land to rebuild homes and families.
In the aftermath of Typhoon Aere, Hsinchu Bank, with the sound of pianos, awakened hopes
alongside our Smangus friends.
Through good and bad years, idealistic and passionate ages,
from a Formosa with much toil to a soaring economy.
From export processing to large wafer plants rich in web technology,
Hsinchu Bank has been here holding fast to the wealth of all;
Leading new and old friends into the future step by step.*

*If there was a movie named "Hsinchu Bank",
its past would be a record of extraordinary years,
its present a platform of bliss and prosperity,
its future a whole new territory of wealth.
Set your dreams and settle your financial plans as the backbone of life
so that a happy home is readily seen.*

*Memories will not be forgotten.
While you are sleeping, we are still wild awake.
Come and meet with us with the trust of your lifetime.*



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Understanding is bliss





1. Report to Shareholders

The year I turned twenty,
I deposited my first paycheck
into Hsinchu Bank.
For the past sixty years,
she has been like my most
reliable friend.
Her thoughtfulness through
careful and meticulous
calculations is the most
secure fortress for my assets.
I am glad that
in that year long ago,
I handed my life's
most important decision
over to Hsinchu Bank.

Letter to the Shareholders

The 2005 macroglobal economic boom continues to recover. But due to the rise of international crude oil and the adjustment of interest rate by the central banks of each nation, global economic growth was moderate. The U. S. A. was still the locomotive of global economy, affecting the global economic trend. The European market was more flexible and gradually enlivening while Asia still maintained to be the region with fastest global growth. Regarding the international exchange rate, the double deficit of the U. S. A. activated the worldwide appreciation trend on US Dollar. The Directorate General of Budget,

Accounting, Statistics under the Executive Yuan estimated our domestic annual growth to be 3.80%.

Although it was slightly lower than last year, but the signal of economic policy at the end of the year can still keep on the green. Consumer Price Index increased by 2.21% compared with last year at the same period, and average increase for the whole year was 2.30%. As to financial aspect, due to the active transaction and investment in the stock market and obvious net inward remittance of foreign investment, domestic fund was loose and stimulated the desire for consumption and investment, average annual growth of monetary supply M1A, M1B, and M2 were 7.65%, 7.10%, and 6.22% respectively.

2005 can be said to be a grim year to the financial industry, not only the systematic risk on consumer financing derived from double cards trouble, but measures such as Card Debt Negotiation Mechanism and Individual Card Debt Consolidated Maximum Limit. In the second financial reforma-

tion being enforced by the government, aside from the current stage of merging state-owned banks, only banks with stable constitution and excellent asset with high profitability will be able to survive. The Bank is working toward enhancing its market competition by implementing accreditation policy laying equal stress on quality and quantity, promoting card rating system to supplement loan quality control, and actively reducing overdue loan. We shall continue in expanding our business in financial services business, penetrating deeply into our existing clients, expanding our nationwide bases, and developing new excellent clients. We shall also make improvement on the working procedures of our branches, increase the productivity and professionalism of our staff, and reduce cost to increase profitability of the Bank. Regarding the promotion of new business, the Bank had successfully solicited NT\$10 billion permanent and accumulative subordinated debentures, making our risk-based capital adequacy ration (referred as BIS in short) to rise from 9% to 11.98%. We are more proud for being the first in Taiwan to issue realty mortgage bond securitization (RMBS), not just the one and only bank in Taiwan that received the AAA international credit rating, but also passed the strict screening and guarantee of AMBAC. Hsinchu International Commercial Bank also left a deep impression on the international-class investment institutions. Our promotion of e-learning and integrating knowledge management also received "Excellent" rating from the Industrial Development Bureau, MOEA. In retrospect to the Bank's operation at the end of 2005, total deposit was NT\$332 billion and total lending was NT\$275.2 billion. With the dedication from all staffs, profit and loss before pre-provision and pre-tax profit was NT\$6.28 billion, an increase of NT\$5.394 billion compared with last year, a growth of 16.43%, and net profit per share after tax was NT\$2.03.

In view of the continuous improvement of the asset quality of The Bank, FitchRatings Company had upgraded the Bank's long-term and short-term credit ratings on January 10, 2006. Long-term credit rating was upgraded from A-(twn) to A(twn), whereas short-term credit rating was upgraded from F2(twn) to F1(twn). The overall rating for the Bank's outlook is stable.

For global economic outlook in 2006 will grow at a moderate pace, with a growth rate between 2.9%~3.4%, which is fair or slightly higher than in 2005. In which, the growth rate of U. S. A. and Mainland China will be slower than in 2005. Euro money is more hopeful while Japan is fair or slowing down still needs further observation. Our Central Bank is continuously raising the interest which affects the real estate market. Since the government had taken into account on shrinking the interest rate differential of double credit cards and overdue loan that will facilitate the banks to shrink their consumer credit loan, in general it is

unfavorable to consumption growth. But the continuous improvement on employment and opening the tourism policy for the people of Mainland China to visit Taiwan is favorable to the increase consumption in the future.

In addition to the continuous implementation of existing policies, the Bank has focused its strategic business planning for 2006 as follows:

Organization Planning: (1) Consolidation and reorganization of collection unit

(2) Transform the Bank's training system to a systematic learning mode

Operation and Management: (1) Introduce performance management index

(2) Create an operation cost mode to strengthen cost control

Sales Promotion: (1) Expedite license application for new types of businesses

(2) Structural financial instrument business cooperation with the same trade

Information System: (1) Create personal trust system and collective account system

(2) Purchasing, create and integrate image system

2005 was a brilliant year for Hsinchu International Commercial Bank. We experienced agonizing reformation and trial on the precipitous market environment of the financial industry during the past, but through the joint effort of our colleagues, we have submitted a beautiful record with great fighting spirit and in the international limelight. With the supports of all the stockholders to Hsinchu International Commercial Bank, we shall keep the achievement of last year going ardently to create a new peak. We sincerely request our shareholders, experts, and professionals in the field to continue giving us the strongest encouragement and supports in order to grow more steadily and accomplish more excellent achievement.


Chairman

Vice Chairman

President

Trust determines all.





2. General Status of the Bank

Partners in business are all about the word "trust."
The many years of cooperation with Hsinchu Bank has continued to be my greatest help.
Her sound system and professional service offer me trust and trust alone.



Background In General

I. Introduction

The Bank was established in 1948 by the gentries of Taoyuan, Hsinchu, and Miaoli area. The original name was "Hsinchu District's Mutual Loan Inc", specialized in the mutual loan business. Its business regions included Taoyuan, Hsinchu, and Miaoli Counties. The initial capital was twenty million Old Taiwan Dollars, which was only about NT\$500. It employed only 38 people, while the business environment was not ideal.

In early years, the Taiwanese economy was recession ridden and inflation ran high. Developing new business was rather difficult. And it was hard for the pioneers to begin. Because of the efforts of all the employees, business grew gradually. Especially after 1954, our business increased rapidly and laid the foundation for later development.

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

Since 1970, its business has increased greatly. The profit in 1969 was around NT\$6 million. By 1977, it was increased to NT\$96 million, showing a growth of 1600% in a mere eight years. This was the result of the effort of our colleagues. In 1975, mutual loan companies went under the coverage of the new banking regulation and were renamed "Medium Business Banks". In compliance with the regulations and facing the fast growing development, the company was changed formally to "The Medium Business Bank of Hsinchu District" in 1978.

Since the Bank is regional, it puts a strong emphasis on different needs of its individual clients, hoping to closely bond with the region. In 1980, it established a regional development policy. The staff visited clients one by one in order to establish a mutual relationship between the Bank and its clients. This unique policy enabled the Bank to grow under a difficult economic climate and fare well amid fierce competition with other banks. In order to expand its business, it began, ahead of other private banks, in 1983 to have its stock listed at NT\$35.3 per share in Taiwan's stock market.

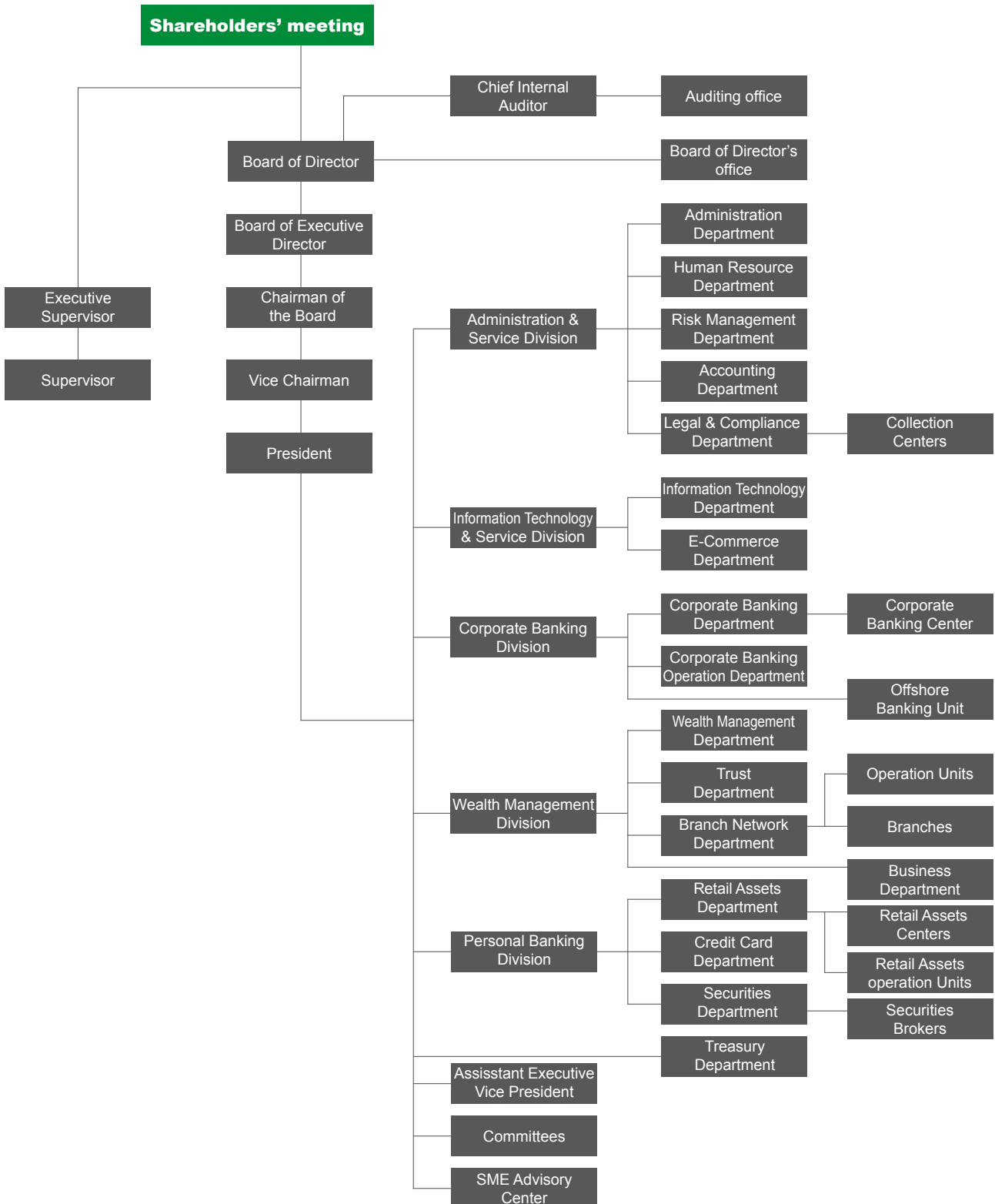
In light of its increased business, the Bank started to computerize its business in 1978. It started implementing a computer system in 1984 and completed its inter-branch computer network in 1989. Following the development of various software programs, the operations have been fully computerized. Moreover, due to the increase in the number of employees, the original office space became inadequate. So, the Bank invested a large amount of capital to build new office building, located at the corner of Chungcheng Rd. and Chungyang Rd. in the heart of downtown Hsinchu. The Bank has been using it for its own headquarters since 1987.

To raise the quality of its human resources, it especially emphasized personnel training in the hope that every employee can be familiarized with the operation of the company in a short time. Because of the outstanding training program, the Bank has received the "Ching Shang" Prize (Golden Business Award) from the Ministry of Economic Affairs. It shows our efforts in personnel training is recognized by the society. In order to cope with the drastic competitions after opening up the financial markets, our Bank made official announcement of the Corporate Identification System (CIS) at the beginning of January 1993, we also participated and won a silver medal in the first session of the Fine Logo Design Contest held by the Ministry of Economic Affairs, which greatly enhanced the corporate image of our Bank. Furthermore, to correspond to our transformation into a commercial bank in 1999, our CIS has also been redesigned, modifying the Chinese character 'bamboo' from an 80 degree inclination in the original logo to stand at an upright 90 degree, creating a simple, solid, and elegant visual effect, which serves to captivate the centripetal identification of all our staff, and to strengthen the recognition of our clients.

The Bank provides services of deposits, loans collection, exchange, trust, credit cards, foreign exchange, etc. In addition, the International Business Department of the Bank was established in August 16, 1993 and the international banking business has operated independently thereafter. The Finance Department of the Bank was established in November 1996, and financing arrangement and management efficiency has been improved tremendously since then. Since the Ministry of Finance announced on August 19, 1994 that it would ease restrictions on the scope of business for medium and small business banks signaled our first step beyond being just a regional operation. Moreover, our official transformation into "Hsinchu International Commercial Bank" on April 20, 1999, shaking off restrictions of client segments and regions, continue to provide comprehensive financial services to the general public. Our Bank had 83 business locations as of the end of 2005. We are confident in maintaining stable growth and becoming a comprehensive and internationalized bank through our complete and prospective plan and strong teamwork.

II. Organization

(I) Organization Chart





(II) Duty of Each Department:

1. Auditing Office

This Office is in charge of auditing business, accounts, finance, and various inventory safe deposit articles.

2. Board of Director's Office

This Office is in charge of handling meeting affairs, seal specimen, letters and documents, confidential and important matters, and public relations related to the Board of Directors.

3. Administration Department

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

4. Human Resources Department

This Department is in charge of personnel management, employees remuneration, welfare and benefits planning, promoting and implementing personnel training, books selection and purchasing, and editing and printing training materials and periodicals.

5. Accounting Department

This Office is in charge of preparing and executing budget and final settlement of account, tax declaration and accounting, annual accounting, operational affairs counseling, management, evaluation, and analysis.

6. Information Technology Department

This Department is in charge of system programming, write and protect designed program, data processing, and data control.

7. Legal & Compliance Department

This Office is in charge of legal cases, creditor's management, handling various business regulations, and studying related laws and orders enacted by the government.

8. Branch Network Department

This Department is in charge of work procedures and risk management, planning and developing real and fictitious network and business automation, upgrading service quality, analyzing various business operation, product performance evaluation and project execution.

9. Risk Management Department

This Department is in charge of credit, market and operation risk monitoring and management.

10. Corporate Banking Department

This Department is in charge of drawing up accrediting policy and accrediting system, examination and re-examination of accrediting cases, macro economy and industrial study, policy planning and promotion of medium and long-term corporate financing business, AO personnel training and budget follow-up management of each business banking center.

11. Retail Assects Department

This Department is in charge of developing the consumer banking business and consumer banking products, and the development, promotion, management, verification, evaluation, and risk control and control of related businesses.

12. Credit Card Department

This Department is in charge of developing credit and issuing card products, and the development, promotion, management, verification, evaluation, and risk control and control of related businesses.

13. Treasury Department

This Department is in charge of related works in fund revolving and allocation of Taiwan and foreign currencies, foreign exchanges, fixed earnings, and derivative financial instruments transaction, planning, and marketing.

14. Trust Department

This Department is in charge of credit business planning, management, and execution, and handling businesses assigned by the competent authority.

15. Corporate Banking Operation Department

This Department is in charge of foreign exchange management, supervision, operation, corporate financial allocation and management in New Taiwan Dollars and foreign currencies, and consumer financial allocation and management in New Taiwan Dollars and foreign currencies.

16. Offshore Banking Unit

This Department is in charge of planning, management, promotion, supervision, and operation of international financial business, and corporate financing allocation and management.

17. E-Commerce Department

This Department is in charge of e-commerce affairs and planning and executing related customer service.

18. Securities Department

This Department is in charge of planning, management and execution of securities business, and processing businesses assigned by the competent authority.

19. Corporate Banking Center

This Center is in charge of maintaining corporate banking business, promotion, examination, risk control, product development and performance evaluation and budget achievement of business promotion section and AO performance.

20. Retail Assets Centers

This Center is in charge of promotion, maintenance, and budget of consumer banking business.

21. Collection Centers

This Center is in charge of collection reminding of bad debts, compromise, legal charges, and bad debts management.

22. SME Advisory Center

This Center is in charge of providing management, financial, production, marketing, and loan consultation and supervision to small and medium enterprises.

23. Wealth Management Department

This Department is in charge of planning, promotion, drawing up policy, development of advantageous instruments, marketing project execution, management, and evaluation.

24. Business Department

This Department is in charge of business scope provided in the Banking Law and those approved by the competent authority.

25. Branches

These branches are in charge of business scope provided in the Banking Law and those approved by the competent authority.



(III) Names, Education & Selected Past Positions, Date of Appointment, Term of Office, Shareholdings of Spouse and Dependents of Directors, Supervisors and Management (December 31, 2005)

1. Directors and Supervisors

Title	Name	Date of Appointment	Term	Initial Date of Appointment	Shareholding at Appointment		Current Shareholding		Current Shareholding of Representative, Spouse & Dependents	
					Shares	%	Shares	%	Shares	%
Chairman	Hwa Wan Investments Corp. Representative: Shuan-Yung Chan	June 10, 2005	3 Yrs	February 28, 1978	70,067,927	4.92%	93,210,238	5.92%	3,434,451	0.22%
Vice Chairman	Hwa Hung Investments Co., Ltd. Representative: Kenneth Chen	June 10, 2005	3 Yrs	June 7, 1999	11,050,613	0.78%	12,155,674	0.77%	4,211,336	0.27%
Executive Director	Po-Hsiung Wu	June 10, 2005	3 Yrs	March 1, 1981 (July 11, 1982 ~ Jun. 29, 2005 suspended)	1,190,286	0.08%	1,309,314	0.08%	6,320,790	0.40%
Executive Director	Chih-Wei Wu	June 10, 2005	3 Yrs	May 5, 1990	2,887,193	0.20%	3,798,241	0.24%	750,104	0.05%
Executive Director	Hwa Wan Investments Corp. Representative: Sung-De Jen	June 10, 2005	3 Yrs	March 1, 1981	70,067,927	4.92%	93,210,238	5.92%	0	0.00%
Executive Director	Fubon Life Assurance Co., Ltd. Representative: Kuo-Liang Chiang	June 10, 2005	3 Yrs	June 10, 2005	37,375,000	2.63%	56,307,600	3.58%	0	0.00%
Executive Director	Po-Hsiung Cheng	June 10, 2005	3 Yrs	February 9, 1964 (Feb. 6, 1967 ~ Feb. 28, 1981 suspended)	8,817,207	0.62%	9,698,927	0.62%	1,074,146	0.07%
Director	Chih-Yang Wu	June 10, 2005	3 Yrs	June 5, 1996	1,001,148	0.07%	1,101,262	0.07%	76,382	0.005%
Director	Chih-Liang Wu	June 10, 2005	3 Yrs	June 10, 2005	1,556,355	0.11%	1,711,880	0.11%	0	0.00%

Shareholding in Other's Name		Education & Selected Past Positions	Also Serve Concurrently at	Other Executives, Directors or Supervisors are Spouse within second-degree Relatives of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
0	0.00%	Medium Business Bank of Hsinchu District, President Tam Kang University, Commerce	Hsinchu Futures Co., Ltd., Executive Director Hsinchu Insurance Agent Co., Ltd., Chairman Chu-Chian Insurance Agent Co., Ltd., Chairman Chu Sheng Technology Co., Chairman Hsinchu Real Estate Co., Ltd., Chairman Hsinchu Gen-Gin Security Co., Ltd., Chairman Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd., Chairman Chu Ying International Co., Ltd. Chairman TSC Bio Venture Capital Co., Ltd., Director Hsinchu Gen-Gin Car Rental Co., Ltd., Chairman Chu Chi Interior Furnishing Engineering Co., Ltd., Chairman Chu Cheng Construction Co., Ltd., Director	Institutional Director Representative Institutional Director Representative & Chief Secretary	Sung-De Jen Yi-Pei Chan	Brother Father & Son
0	0.00%	Tai Shang Shr Ya Co., Ltd. Chairman Tam Kang University	Hsinchu Futures Co., Ltd., Executive Director Chu Sheng Technology Co., Director Hsinchu Real Estate Co., Ltd., Executive Director Hsinchu Gen-Gin Security Co., Ltd., Director Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd., Director Chu Ying International Co., Ltd., Director Hsinchu Gen-Gin Car Rental Co., Ltd., Director Chu Chi Interior Furnishing Engineering Co., Ltd., Director	Director Institutional Director Representative Director	Ching-Tang Chen Gui-Ying Chen Chien-Chung Chen	Brother Brother Father & Son
0	0.00%	Medium Business Bank of Hsinchu District, Chairman National Cheng Kung University, Business Administration	Emeritus Chairman of Hsinchu International Bank Hsinchu Real Estate Co., Ltd., Executive Director	Director	Chih-Yang Wu	Father & Son
0	0.00%	Medium Business Bank of Hsinchu District, President University of California, MA	President of Hsinchu International Bank Hsinchu Futures Co., Ltd., Director Hsinchu Insurance Agent Co., Ltd., Director Chu-Chian Insurance Agent Co., Ltd., Director Taipei Forex Co., Ltd., Director Modex Taiwan Co., Ltd., Director Hsinchu Real Estate Co., Ltd., Director Chu Ying International Co., Ltd., Director Universal Venture Fund Co., Ltd., Director Taiwan Small and Medium Enterprises Development Co., Ltd., Executive Supervisor Hsinchu Gen-Gin Car Rental Co., Ltd., Director Chu Chi Interior Furnishing Engineering Co., Ltd., Director Chu Cheng Construction Co., Ltd., Director	Director	Chih-Liang Wu	Brother
0	0.00%	Technology Partners Venture Capital Co., Ltd. Chairman California State University, MBA	Hsinchu Futures Co., Ltd., Director Hsinchu Real Estate Co., Ltd., Director TSC Bio Venture Capital Co., Ltd., Chairman	Institutional Chairman Representative	Shuan-Yung Chan	Brother
0	0.00%	Fubon Financial Holding Co., Ltd., Investment Chief Fubon Life Insurance Co., Ltd., Executive Vice President Houston University, MBA	Fubon Life Assurance Co., Ltd., Director Fubon Financial Holding Co., Ltd., Investment Chief Fubon Life Assurance Co., Ltd., Executive Vice President	N/A	N/A	N/A
0	0.00%	Medium Business Bank of Hsinchu District, Executive Director	Hsinchu Futures Co., Ltd., Director Hsinchu Real Estate Co., Ltd., Director	N/A	N/A	N/A
0	0.00%	Lawyer National Taiwan University, Master of Law Harvard University, LLM	N/A	Executive Director	Po-Hsiung Cheng	Father & Son
0	0.00%	Beijing Chinese Broadcasting Network Co., Chief Technical Supervisor Chung Hua University, Computer Engineering	N/A	Executive Director	Chih-Wei Wu	Brother

Title	Name	Date of Appointment	Term	Initial Date of Appointment	Shareholding at Appointment		Current Shareholding		Current Shareholding of Representative, Spouse & Dependents	
					Shares	%	Shares	%	Shares	%
Director	Hwa Wan Investments Corp. Representative: Ching-Cheng Hsu	June 10, 2005	3 Yrs	June 7, 1999 (Changed representative on June 10, 2005)	70,067,927	4.92%	93,210,238	5.92%	760,102	0.05%
Director	Hwa Wan Investments Corp. Representative: Kung-Yung Tien	June 10, 2005	3 Yrs	June 5, 1996	70,067,927	4.92%	93,210,238	5.92%	170,854	0.01%
Director	Hwa Wan Investments Corp. Representative: Yi-Pei Chan	June 10, 2005	3 Yrs	May 5, 1987 (Changed representative on June 7, 1999)	70,067,927	4.92%	93,210,238	5.92%	1,378,494	0.09%
Director	Wills Electric Co., Ltd. Representative: Wen-Tung Chen	June 10, 2005	3 Yrs	June 6, 2002	1,122,000	0.08%	1,234,200	0.08%	14,193,300	0.90%
Director	Fubon Life Assurance Co., Ltd. Representative: Hung-Cheng Ni	June 10, 2005	3 Yrs	June 10, 2005	37,375,000	2.63%	56,307,600	3.58%	0	0.00%
Director	Fubon Insurance Assurance Co., Ltd. Appointed Representative: Pen-Chuan Yang	June 10, 2005	3 Yrs	June 10, 2005	11,525,000	0.81%	17,965,200	1.14%	0	0.00%
Director	Chien-Chung Chen	June 10, 2005	3 Yrs	June 7, 1999	3,034,846	0.21%	3,488,330	0.22%	0	0.00%
Director	Hsin Den Investments Corp. Appointed Representative: Guo-Ying Chen	June 10, 2005	3 Yrs	June 7, 1999	2,230,807	0.16%	2,453,887	0.16%	5,614,290	0.36%
Director	Ching-Tang Chen	June 10, 2005	3 Yrs	May 4, 1984	3,591,368	0.25%	3,950,504	0.25%	1,087,973	0.07%
Director	Chao-Shiun Chiu	June 10, 2005	3 Yrs	May 5, 1990	3,383,751	0.24%	3,722,126	0.24%	0	0.00%
Director	Yi-Tze Chou	June 10, 2005	3 Yrs	June 3, 1993	8,346,283	0.59%	8,937,911	0.57%	98,846	0.006%
Director	Yi Chou Investments Corp. Appointed Representative: Shi-Yu Wang	June 10, 2005	3 Yrs	June 5, 1996	1,494,143	0.10%	1,808,557	0.11%	3,452,681	0.22%
Executive Supervisor	Trans-Asia Investments Corp. Representative: Chuan-Feng Chen	June 10, 2005	3 Yrs	May 5, 1987	25,892,790	1.82%	28,482,069	1.81%	1,160,720	0.07%
Supervisor	Chen-Chuan Huang	June 10, 2005	3 Yrs	June 5, 1996	4,293,346	0.30%	4,605,680	0.29%	171,154	0.01%
Supervisor	Kuen Tai Investments Corp. Representative: Yu-Ling Chen	June 10, 2005	3 Yrs	June 3, 1993 (Changed representative on June 6, 2002)	830,639	0.06%	913,702	0.06%	3,247,151	0.21%

Note 1: Original Corporate director was Xuan-De Investments Co., Ltd. It merged with Hwa Wan Investments Corp. in September 2005. Hwa Wan Investments Corp. became the surviving company. There is no change on its representative and position.

Shareholding in Other's Name		Education & Selected Past Positions	Also Serve Concurrently at	Other Executives, Directors or Supervisors are Spouse within second-degree Relatives of Consanguinity to Each Other		
Shares	%			Title	Name	Relation
0	0.00%	Hsinchu International Bank, Director Washington University, Ph.D in Computer Science	N/A	N/A	N/A	N/A
0	0.00%	Te-Hui Industry Co., Ltd., Chairman Chung Yuan Christian University	N/A	N/A	N/A	N/A
0	0.00%	Global Strategic Investment Fund, Management Asia University, Japan, Business Administration	Chief Secretary of Hsinchu International Bank Hsinchu Futures Co., Ltd., Executive Director & Chairman TSC Bio Venture Capital Co., Ltd., Director Paradigm Asset Management Co., Ltd., Director	Institutional Chairman Representative	Shuan-Yung Chan	Father & Son
0	0.00%	Weber Electric Co., Ltd., Chairman	N/A	N/A	N/A	N/A
0	0.00%	Fubon Life Insurance Co., Ltd., Financial Dept., Assistant Vice President Chung Hsing University, Accounting	Fubon Life Assurance Co., Ltd., Financial Dept., Assistant Vice President	N/A	N/A	N/A
0	0.00%	Cathay Life Insurance, Promotion Dept., Dept. Chief Tak Ming Junior College of Commerce, Accounting	N/A	N/A	N/A	N/A
0	0.00%	Medium Business Bank of Hsinchu District, International Business Dept., Division Head Dallas University, MBA	N/A	Institutional Vice Chairman Representative	Kenneth Chen	Father & Son
0	0.00%	Medium Business Bank of Hsinchu District, Director Chinese Culture University	N/A	Vice Chairman Institutional Director Representative	Kenneth Chen Guo-Ying Chen	Brother Brother
0	0.00%	Hsinchu Futures Co., Ltd., Chairman	Hsinchu Futures Co., Ltd., Director Hsinchu Real Estate Co., Ltd., Director	Vice Chairman Institutional Director Representative	Kenneth Chen Kuo-Eng Chen	Brother Brother
0	0.00%	Lawyer National Taiwan University, Master of Law	Hsinchu Real Estate Co., Ltd., Director	N/A	N/A	N/A
0	0.00%	Hsinchu Bus, Director National Taiwan University	N/A	N/A	N/A	N/A
0	0.00%	Medium Business Bank of Hsinchu District, Director	N/A	N/A	N/A	N/A
0	0.00%	Doctor National Taiwan University, Medicine	Hsinchu Futures Co., Ltd., Supervisor Hsinchu Real Estate Co., Ltd., Supervisor Hsinchu Gen-Gin Security Co., Ltd., Supervisor Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd., Supervisor Chu Chi Interior Furnishing Engineering Co., Ltd., Supervisor	N/A	N/A	N/A
0	0.00%	Chinese Culture University, PHD Chung Yuan Christian University, Lecturer	Hsinchu Futures Co., Ltd., Supervisor Hsinchu Real Estate Co., Ltd., Supervisor Chu Chi Interior Furnishing Engineering Co., Ltd., Director	N/A	N/A	N/A
0	0.00%	Kuen Tai Cultural and Educational Foundation, Vice CEO Wisconsin University, MBA	N/A	N/A	N/A	N/A

2. Management

Title	Name	Date of Appointment	Shareholding		Shareholding of Spouse & Dependents	
			Shares	%	Shares	%
President	Chih-Wei Wu	96.06.05	3,798,241	0.241%	750,104	0.048%
Executive Vice President	Wen-Kuang Wu	96.06.05	719,227	0.046%	0	0.000%
Executive Vice President	Fang-Jen Lu	05.01.01	92,840	0.006%	0	0.000%
Executive Vice President	Keui-Ling Hu	05.06.10	600,232	0.038%	0	0.000%
Executive Vice President	Shen-Hwa Lo	05.03.07	55,000	0.003%	0	0.000%
Chief Internal Auditor	Sam Chang	01.07.02	490,324	0.031%	0	0.000%
Assistant Executive Vice President	Da-Shian Chiu	02.07.01	385,639	0.024%	0	0.000%
Assistant Executive Vice President	I-Rung Lin	04.10.26	270,438	0.017%	0	0.000%
Assistant Executive Vice President	Wen-Chin Hung	02.07.01	716,659	0.046%	39,029	0.002%
Assistant Executive Vice President	Chia-Jung Chen	02.07.01	468,544	0.030%	0	0.000%
Assistant Executive Vice President	Wen-Hao Chen	05.06.10	114,335	0.007%	0	0.000%
Executive Secretary, Board of Director's Office	Yi-Pei Chan	02.07.16	1,378,494	0.087%	0	0.000%
Administration Dept. Senior Vice President	Chun-Wu Liang	03.12.01	37,032	0.002%	0	0.000%
Human Resources Dept. Senior Vice President	Bing-Yi Lee	04.06.10	0	0.000%	0	0.000%
Accounting Dept. Senior Vice President	Yu-Ching Hsu	04.10.26	83,384	0.005%	0	0.000%
Auditing Office Senior Vice President	Chin-Te Chan	04.10.26	312,859	0.020%	0	0.000%
Information Technology Dept. Senior Vice President	Po-Kai Wang	05.03.07	167,583	0.011%	0	0.000%
E-Commerce Dept. Senior Vice President	Fang-Ching Lin	03.11.17	249,354	0.016%	0	0.000%
Branch Network Dept. Senior Vice President	Chi-Chen Lin	05.03.07	304,446	0.020%	0	0.000%
Legal & Compliance Dept. Senior Vice President	Kao-Wen Sung	05.08.01	170,962	0.011%	0	0.000%
Taoyuan Collection Center Manager	Yen-Wen Peng	04.10.26	252,220	0.016%	6,547	0.000%
Chungli Collection Debt Center Manager	Tzu-Hsien Lee	05.08.01	106,956	0.007%	0	0.000%
Hsinchu Collection Debt Center Manager	Tai-Ku Hsieh	03.07.15	118,357	0.008%	20,000	0.001%
Miaoli Collection Debt Center Manager	Chia-Hung Chang	03.07.15	61,160	0.004%	0	0.000%
Risk Management Dept. Senior Vice President	Shih-Ping Chen	04.03.19	163,148	0.010%	0	0.000%
Retail Assets Dept. Senior Vice President	Chin-Wen Cheng	05.12.30	32,023	0.002%	0	0.000%
Taipei Retail Assets Center 1 Manager	Tung-Kuang Han	02.12.30	84,099	0.005%	0	0.000%
Taipei Retail Assets Center 2 Manager	Shih-Chin Kao	05.07.01	38,308	0.002%	0	0.000%
Taoyuan Retail Assets Center Manager	Chien-Tsung Hsu	02.12.30	188,443	0.012%	0	0.000%
Hsinchu Retail Assets Center Manager	Mu-Sheng Lin	02.12.30	100,000	0.006%	0	0.000%
Taichung Retail Assets Center Manager	Chin-Chun Ho	03.03.14	178,454	0.011%	0	0.000%
Tainan Retail Assets Center Manager	Chung-Chieh Tung	02.12.30	5,003	0.000%	0	0.000%
Treasury Dept. Senior Vice President	Wen-Po Yang	05.08.15	0	0.000%	0	0.000%
Trust Dept. Senior Vice President	Chun-Ying Tseng	05.08.26	99,903	0.006%	0	0.000%
Securities Dept. Senior Vice President	Chia-Yung Wu	05.02.24	33,817	0.002%	0	0.000%
Wealth Management Dept. Senior Vice President	Chuan-Chien Chiu	04.03.19	294,354	0.019%	0	0.000%
Corporate Banking Dept. Senior Vice President	Ching-Piao Huang	05.08.01	166,347	0.011%	0	0.000%
Overseas Corporate Banking Center Vice President	Chien-Lang Yang	05.12.30	49,205	0.003%	15,000	0.001%
Major Corporate Banking Center Vice President	Liu-Lin Hung	05.12.30	113,542	0.007%	58,027	0.004%
SME Corporate Banking Center Vice President	Mei-Huei Chen	05.12.30	153,699	0.010%	0	0.000%
Business Dept. Manager	Cheng-Hua Lee	04.07.01	97,756	0.006%	22,000	0.001%
Hsinchu Branch Manager	Shu-Chien Su	05.12.30	53,572	0.003%	0	0.000%
Kuangfu Branch Manager	Hui-Chi Tseng	05.12.30	70,273	0.004%	0	0.000%
Chulien Branch Manager	Yu-Lien Cheng	05.12.30	42,845	0.003%	0	0.000%
Chungcheng Branch Manager	Shou-Chuan Huang	04.11.26	43,463	0.003%	3,324	0.000%
Yenping Branch Manager	Tsang-Yuan Lin	05.12.30	95,523	0.006%	45,072	0.003%
Chutung Branch Manager	Chin-Jen Ho	05.12.30	28,580	0.002%	0	0.000%
Hsinpu Branch Manager	Hsin-Yu Ho	05.12.30	27,250	0.002%	18,351	0.001%
Hukou Branch Manager	Chang-Sheng Liu	05.12.30	187,919	0.012%	0	0.000%
Chupei Branch Manager	Chien-Hung Lin	05.12.30	212,111	0.013%	46,238	0.003%
Kuanshi Branch Manager	Shen Hsien-Cheng	03.12.01	93,356	0.006%	0	0.000%
Hsinfeng Branch Manager	Chiun-Tsung Wang	04.10.26	92,760	0.006%	0	0.000%
Hsinshing Branch Manager	Yi-Cheng Chen	05.12.30	1,088,835	0.070%	0	0.000%
Hsinshing Securities Manager	Yu-Ying Liu	03.10.15	104,115	0.007%	0	0.000%
Hsinchey Branch Manager	Chuo-Chu Su	05.12.30	56,239	0.004%	0	0.000%
Hsinshy Securities Manager	Tien-Sung Peng	03.09.15	17,702	0.001%	0	0.000%
Science Park Branch Manager	Shou-Hui Chao	04.10.26	59,874	0.004%	140,000	0.009%
North Hsinchu Branch Manager	Chi-Lung Lu	04.07.01	187,217	0.012%	0	0.000%
Taoyuan Branch Manager	Wen-Chin Tsai	04.10.26	159,341	0.010%	0	0.000%
Tashi Branch Manager	Ching-Liang Wu	05.12.30	44,801	0.003%	0	0.000%
Dayuan Branch Manager	Kuang-Jung Fan	05.12.30	66,829	0.004%	20,541	0.001%
Chungli Branch Manager	Cheng-Sheng Hsu	05.12.30	146,126	0.009%	0	0.000%
Yangmei Branch Manager	Keng-Chung Yueh	03.01.07	166,101	0.011%	0	0.000%
Hsinwu Branch Manager	Chao-Man Wu	03.01.07	2,270	0.000%	9,459	0.001%
Lungtan Branch Manager	Wen-Hsiung Ku	05.12.30	60,213	0.004%	0	0.000%
Lungtan Securities Manager	An-Hua Lo	04.10.26	14,544	0.001%	0	0.000%
Sanmin Branch Manager	Kuo-Hsiung Lin	05.04.12	24,261	0.002%	34,093	0.002%
Neilin Branch Manager	Jih-Hsin Lee	03.07.15	241,773	0.015%	0	0.000%
Pateh Branch Manager	Chin-Fu Teng	05.12.30	91,288	0.006%	169	0.000%
Pateh Securities Manager	Lung-Chuan Hsu	05.02.24	47,334	0.003%	320	0.000%
YungAn Branch Manager	Lien-Fa Hsu	03.04.28	47,243	0.003%	10,248	0.001%
Hsinming Branch Manager	Yueh-Chun Liao	04.10.26	213,692	0.014%	0	0.000%
Hsinming Securities Manager	Min-Yen Chuang	05.02.24	46,107	0.003%	0	0.000%
Kueishan Branch Manager	Shu-Ling Chiu	05.08.26	184,453	0.012%	0	0.000%
Nankan Branch Manager	Ching-Po Chang	02.12.30	178,709	0.011%	0	0.000%

Shareholding by Others Nominally		Education & Selected Past Position	Current Position in the Company & Other Company	Management, Directors & Supervisory by Spouse or Relation		
Shares	%			Title	Name	Relation
0	0.000%	University of California, MBA	Note 1	N/A	N/A	N/A
0	0.000%	Chung Hsing University, Business Administration	Note 2	N/A	N/A	N/A
0	0.000%	Tam Kang University, Physics	N/A	N/A	N/A	N/A
0	0.000%	National Taiwan University, Law	Note 3	N/A	N/A	N/A
0	0.000%	Yunlin University of Technology, PHD	Note 4	N/A	N/A	N/A
0	0.000%	National Cheng Chi University, MBA	Note 5	N/A	N/A	N/A
0	0.000%	Taichung College of Commerce, Bank & Insurance	Note 6	N/A	N/A	N/A
0	0.000%	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Accounting	Note 7	N/A	N/A	N/A
0	0.000%	National Chiao Tung University, MBA	N/A	N/A	N/A	N/A
0	0.000%	Asia University, Japan, Business	Note 8	N/A	N/A	N/A
0	0.000%	Soochow University, Mathematics	N/A	N/A	N/A	N/A
0	0.000%	Soochow University, MBA	N/A	N/A	N/A	N/A
0	0.000%	University of Florida, MBA	N/A	N/A	N/A	N/A
0	0.000%	Soochow University, Accounting	Note 9	N/A	N/A	N/A
0	0.000%	Feng Chia University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Washington University, MBA	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, Economics	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, Law	N/A	N/A	N/A	N/A
0	0.000%	Open College of Commerce, Bank & Insurance	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University, Law	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Economics	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Public Finance	N/A	N/A	N/A	N/A
0	0.000%	Natinal Tsing Hua University, Institute of Economics	N/A	N/A	N/A	N/A
0	0.000%	Tung Hai University, Law	N/A	N/A	N/A	N/A
0	0.000%	Chung Hsing University, Department of Statistics	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, Economics	N/A	N/A	N/A	N/A
0	0.000%	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	National Cheng Kung University, Department of Statistics	N/A	N/A	N/A	N/A
0	0.000%	National Sun Yat-Sen University, Institute of Economics	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University, Graduate Insitute of International Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Banking	N/A	N/A	N/A	N/A
0	0.000%	Western Michigan University, MBA	Note 10	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Industrial Management Science	Note 11	N/A	N/A	N/A
0	0.000%	Soochow University, Law	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University, Department of Tourism Management	N/A	N/A	N/A	N/A
0	0.000%	Tung Hai University, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Lintung Junior College of Commerce, Accounting Statistics Science	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Bank & Insurance	N/A	N/A	N/A	N/A
0	0.000%	Tak Ming Junior College of Commerce, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, Law	N/A	N/A	N/A	N/A
0	0.000%	Taipei College of Commerce, Public Finance	N/A	N/A	N/A	N/A
0	0.000%	Tung Hai University, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Tak Ming Junior College of Commerce, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Accounting Statistics Science	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Bank & Insurance	N/A	N/A	N/A	N/A
0	0.000%	Soochow University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Chung Hsing University, Public Finance	N/A	N/A	N/A	N/A
0	0.000%	Lienho Junior College of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, International Trade	N/A	N/A	N/A	N/A
0	0.000%	University of California, MBA	N/A	N/A	N/A	N/A
0	0.000%	Taipei Private Yu-Dah Commercial Professional School	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, Economics	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Banking	N/A	N/A	N/A	N/A
0	0.000%	Shih Chien Home Economics College, Secretarial Course	N/A	N/A	N/A	N/A
0	0.000%	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Soochow University, Law	N/A	N/A	N/A	N/A
0	0.000%	Chung Yuan Christian University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Banking	N/A	N/A	N/A	N/A
0	0.000%	Soochow University, Economics	N/A	N/A	N/A	N/A
0	0.000%	Tam Kang University, Cooperative Economics	N/A	N/A	N/A	N/A
0	0.000%	National Chin-Yi Institute of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University, Accounting	N/A	N/A	N/A	N/A
0	0.000%	Tung Hai University, International Trade	N/A	N/A	N/A	N/A
0	0.000%	National Taipei College of Business, Apply Commerce	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University, Law	N/A	N/A	N/A	N/A
0	0.000%	National Chin-Yi Institute of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Chungli Vocational Senior High School	N/A	N/A	N/A	N/A
0	0.000%	Tam Kang University Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Open College of Commerce, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Open College of Commerce, Accounting	N/A	N/A	N/A	N/A

Title	Name	Date of Appointment	Shareholding		Shareholding of Spouse & Dependents	
			Share	%	Share	%
Nankan Securities Manager	Ping-Shi Wu	05.06.01	14,927	0.001%	0	0.000%
Tashulin Branch Manager	Mei-Kuei Lin	04.10.26	88,312	0.006%	0	0.000%
Lungkang Branch Manager	Chien-Yu Chiu	03.01.07	54,696	0.003%	0	0.000%
Shantzuting Branch Manager	Wen-Chih Chang	05.12.30	29,907	0.002%	0	0.000%
Pushin Branch Manager	Huan-Po Lo	05.12.30	50,890	0.003%	1,204	0.000%
Kueilung Branch Manager	Po-Nien Su	05.12.30	90,034	0.006%	0	0.000%
Kuaichi Branch Manager	Chu-Yun Yang	05.04.01	95,546	0.006%	0	0.000%
Huanpei Branch Manager	Chin-Cheng Chang	05.12.30	199,980	0.013%	0	0.000%
Juifeng Branch Manager	Kuo-Chi Hsu	05.12.30	15,295	0.001%	0	0.000%
Tungmen Branch Manager	Ying-Chun Chao	03.01.07	153,042	0.010%	7,444	0.000%
Hsinpo Branch Manager	Jung-Hsiang Chung	05.12.30	85,083	0.005%	0	0.000%
Pingchen Branch Manager	Shu-Hua Wang	05.12.30	91,248	0.006%	0	0.000%
Tachu Branch Manager	Chia-Chi Chin	05.12.30	59,652	0.004%	0	0.000%
Miaoili Branch Manager	Lin-Chang Wei	05.12.30	108,959	0.007%	0	0.000%
Chunan Branch Manager	Kuang-Huai Ho	05.12.30	49,592	0.003%	0	0.000%
Chunan Securities Manager	Hsiu-Chin Peng	04.10.26	49,873	0.003%	16,984	0.001%
Toufen Branch Manager	Wen-Chung Su	03.04.28	28,458	0.002%	0	0.000%
Yenli Branch Manager	Kuei-Huang Jao	03.01.07	58,712	0.004%	0	0.000%
Chuolan Branch Manager	Yung-Cheng Lee	05.12.30	78,710	0.005%	0	0.000%
Kungkuan Branch Manager	Ting-Feng Chan	04.04.19	162,726	0.010%	3,168	0.000%
Tunghsiao Branch Manager	Te-Liang Lin	03.07.15	161,530	0.010%	17,210	0.001%
Tunghsiao Securities Manager	Chi-Hsiang Lu	04.10.26	14,441	0.001%	0	0.000%
Houlung Branch Manager	Chin-Hsin Kuo	05.12.30	67,970	0.004%	0	0.000%
Sanyi Branch Manager	Chun-Fu Huang	03.01.07	153,146	0.010%	2,000	0.000%
Peimiao Branch Manager	Min-Hua Chan	05.04.12	100,913	0.006%	4,620	0.000%
Peimiao Securities Manager	Sung-Kuang Lai	03.10.15	47,007	0.003%	0	0.000%
Tahu Branch Manager	Kao-Yuan Chu	05.12.30	192,118	0.012%	50,000	0.003%
Tunglo Branch Manager	Shih-Ling Lai	05.12.30	79,826	0.005%	0	0.000%
Sanshing Branch Manager	Tai-I Liu	05.12.30	212,364	0.013%	0	0.000%
East Neili Branch Manager	Chieh Wang	05.12.30	10,000	0.001%	0	0.000%
East Neili Securities Manager	Shao-Kuang Wu	01.06.22	54,219	0.003%	0	0.000%
Chungyuan Branch Manager	Yao-Huang Sun	05.04.12	2,596	0.000%	0	0.000%
Taishi Branch Manager	Hsiu-Ju Chiu	04.10.26	82,398	0.005%	0	0.000%
Chuangching Branch Manager	AI-Mei Ting	05.04.01	94,195	0.006%	62,150	0.004%
Chinling Branch Manager	Yung-Chen Wu	05.12.30	228,724	0.015%	0	0.000%
Taipei Branch Manager	Shih-Fen Weng	04.10.26	102,960	0.007%	0	0.000%
Panchiao Simplified Branch Manager	Mong-Lin Wang	03.07.17	34,323	0.002%	0	0.000%
Luchou Simplified Branch Manager	Chan-Chou Chen	04.10.26	74,543	0.005%	0	0.000%
Neihu Simplified Branch Manager	Wen-Fa Yueh	05.12.30	139,806	0.009%	0	0.000%
Taichung Branch Manager	Cheng-Yuan Wang	05.12.30	93,016	0.006%	0	0.000%
Fengyuan Branch Manager	Kuo-Hsin Hu	02.12.30	59,127	0.004%	0	0.000%
Chiayi Branch Manager	Lung-Ching Chang	05.12.30	78,403	0.005%	11,000	0.001%
Tainan Branch Manager	Yu-Jen Lin	05.12.30	11,807	0.001%	0	0.000%
Kaohsiung Branch Manager	Yi-Yu Tang	05.08.01	31,412	0.002%	0	0.000%
Tungning Simplified Branch Manager	Shih-Lung Tsai	04.10.26	15,403	0.001%	3,427	0.000%
Tunghai Simplified Branch Manager	Chih-Min Lin	04.10.26	62,317	0.004%	0	0.000%
Shenkang Simplified Branch Manager	Lien-Huang Pan	04.10.26	162,826	0.010%	53,958	0.003%
Taoyuan Securities Manager	Liang-Shing Lai	05.02.24	49,952	0.003%	0	0.000%
Chungteh Simplified Branch Manager	Wen-Pin Chan	04.03.19	93,422	0.006%	0	0.000%
Liming Simplified Branch Manager	Wan-Te Lin	04.10.26	0	0.000%	0	0.000%
Chunho Branch Manager	Jung-Lin Tseng	05.12.30	44,444	0.003%	0	0.000%
Shilin Branch Manager	Wen-Chih Chen	05.12.30	39,503	0.003%	0	0.000%
Yungho Branch Manager	Ying-Lo Lu	03.05.09	113,761	0.007%	0	0.000%
Peitun Branch Manager	Wei-Feng Chan	04.05.07	110,604	0.007%	53,447	0.003%
Shitun Branch Manager	Chih-Ming Chang	04.05.03	103,132	0.007%	0	0.000%
Tali Branch Manager	Cheng-Yun Kuan	05.12.30	38,776	0.002%	0	0.000%
Changhua Branch Manager	Ming-Tsung Tseng	05.04.12	113,759	0.007%	1,172	0.000%
Yuanlin Branch Manager	Jung-Ta Chang	05.06.15	44,728	0.003%	24	0.000%
Fengshan Branch Manager	Ting-Fong Lu	05.04.12	54,724	0.003%	0	0.000%

Note 1: President of Hsinchu International Bank, Director of Hsinchu Futures Co., Ltd., Director of Hsinchu Insurance Agent Co., Ltd., Director of Chu-Chian Insurance Agent Co., Ltd., Director of Taipei Forex Co., Ltd., Director of Modex Taiwan Co., Ltd., Director of Hsinchu Real Estate Co., Ltd., Director of Chu Ying International Co., Ltd., Director of Universal Venture Fund Co., Ltd., Executive Supervisor of Taiwan Small and Medium Enterprises Development Co., Ltd., Director of Hsinchu Gen-Gin Car Rental Co., Ltd., Director of Chu Chi Interior Furnishing Engineering Co., Ltd., Director of Chu Cheng Construction Co., Ltd.

Note 2: Director of Hsinchu Futures Co., Ltd.

Note 3: Supervisor of Hsinchu Insurance Agent Co., Ltd., Supervisor of Chu-Chian Insurance Agent Co., Ltd.

Note 4: Supervisor of Hsinchu Futures Co., Ltd., Director of Hsinchu Insurance Agent Co., Ltd.

Director of Chu-Chian Insurance Agent Co., Ltd., Supervisor of Paradigm Asset Management Co., Ltd.

Note 5: Supervisor of Hsinchu Insurance Agent Co., Ltd., Supervisor of Chu-Chian Insurance Agent Co., Ltd.

Note 6: Supervisor of Chu Ying International Co., Ltd.

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

Note 8: Executive Secretary of Hsinchu International Bank, Executive Director & Chairman of Hsinchu Futures Co., Ltd., Director of TSC Bio Venture Capital Co., Ltd., Director of Paradigm Asset Management Co., Ltd.

Note 9: Supervisor of Chu Cheng Construction Co., Ltd.

Note 10: Director of Hsinchu Futures Co., Ltd.

Note 11: Director of Hsinchu Insurance Agent Co., Ltd., Director of Chu-Chian Insurance Agent Co., Ltd.

Shareholding by Others Nominally		Education & Selected Past Positions	Current Position in the Company & Other Company	Management, Directors & Supervisory by Spouse or Relation		
Share	%			Title	Name	Relation
0	0.000%	Yuan Ze University, Graduate School of Management	N/A	N/A	N/A	N/A
0	0.000%	Cheng Kung Senior High School	N/A	N/A	N/A	N/A
0	0.000%	Open College of Commerce, Banking	N/A	N/A	N/A	N/A
0	0.000%	Lienho Junior College of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University, Law	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Open College of Commerce, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Taipei College of Commerce, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Taichung College of Commerce, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Chung Yuan Christian University, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Economics	N/A	N/A	N/A	N/A
0	0.000%	Taichung College of Commerce, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, Law	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Bank & Insurance	N/A	N/A	N/A	N/A
0	0.000%	Lienho Junior College of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Open College of Commerce, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Chung Yu Junior College of Business Administration, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Open College of Commerce, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	National Feng-Yuan Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Hsinchu Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	Taichung College of Commerce, Business Accounting	N/A	N/A	N/A	N/A
0	0.000%	National Feng-Yuan Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	Miaoli Senior High School	N/A	N/A	N/A	N/A
0	0.000%	National Feng-Yuan Commercial High School	N/A	N/A	N/A	N/A
0	0.000%	Lintung Junior College of Commerce, Accounting	N/A	N/A	N/A	N/A
0	0.000%	Lienho Junior College of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Texas University, MBA	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, Accounting	N/A	N/A	N/A	N/A
0	0.000%	National Cheng Chi University, Law	N/A	N/A	N/A	N/A
0	0.000%	Tatung College of Commerce, Accounting Statistics Science	N/A	N/A	N/A	N/A
0	0.000%	Vanung College of Technology, Electrical Engineering	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Bank Management	N/A	N/A	N/A	N/A
0	0.000%	Vanung University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Chung Hsing University, Cooperative Economics	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Chung Hsing University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Lienho Junior College of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Banking	N/A	N/A	N/A	N/A
0	0.000%	Tung Hai University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Bank & Insurance	N/A	N/A	N/A	N/A
0	0.000%	Whampoa R.O.C. Military Academy, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Public Finance	N/A	N/A	N/A	N/A
0	0.000%	Chung Yuan Christian University, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	National Taichung Institute of Technology, Apply Commerce	N/A	N/A	N/A	N/A
0	0.000%	Chinese Culture University, Bank Management	N/A	N/A	N/A	N/A
0	0.000%	Feng Chia University, Economics	N/A	N/A	N/A	N/A
0	0.000%	Open College of Commerce, Business Administration	N/A	N/A	N/A	N/A
0	0.000%	Fu Jen Catholic University, International Trade	N/A	N/A	N/A	N/A
0	0.000%	Southern Taiwan College of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Tam Kang University, Department of Statistics	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Tourism	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Accounting Statistics Science	N/A	N/A	N/A	N/A
0	0.000%	Lienho Junior College of Technology, Industrial Management Science	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Accounting Statistics Science	N/A	N/A	N/A	N/A
0	0.000%	Tamsui Oxford University College, Banking	N/A	N/A	N/A	N/A
0	0.000%	Lintung Junior College of Commerce, International Trade	N/A	N/A	N/A	N/A



(IV) Major Shareholders of Institutional Shareholders (December 31, 2005)

Name of Corporate	Name of Shareholder
Wills Electric Co., Ltd.	Wen-Tung Chen
	Sui-Chen Chen Lin
	Chung-Wei Chen
	Ya-Yu Chen
	Ya-Ching Chen
Hwa Wan Investments Corp.	Shao-Hwa Chan Yen-Wan Chan Hu
	Shuan-Yung Chan Sung-Der Jen
	Ming-Fan Chan Ming-Chu Chan
	Hwa Yen Investments Corp.
	TEC Corp.
	Conquest Group Holdings LTD
Kuen Tai Investments Corp.	Kuen-Tu Chu Lu-Feng Chu
	Wen-Huei Chu Wen-Huang Chu
	Arthur H. Chu Hau-Ming Chu
	Shey-Mei Chang Yi-Lin Li
Trans-Asia Investments Corp.	Yu-Ling Chen
	Chuan-Feng Chen
	Pao-Mei Chou Yen-Chun Chen
	Chi-Yang Chen
Hwa Hung Investments Corp.	ICON Investments LTD.
	Kenneth Chen Yin-Hsueh Tseng
	Chien-Chung Chen Ping-Hung Chen
	Shiow-Mei Chen Chao-Rong Chen
Hsin Den Investments Corp.	Wen-Yuan Tsai
	Kuo-Eng Chen Ting-Wei Chen
	Tsui-Ling Cheng
	Tze-Yun Chen
Yi Chou Investments Corp.	Ling-Yu Chen
	Shi-Yu Wang Fang-Yun Chen
	Chin-Chou Wang Ta-Sung Wang
	Ta-Wei Wang Chin-Ling Wang
Fubon Life Assurance Co., LTD.	Kuo-Eng Chen
Fubon Insurance Assurance Co., LTD.	Fubon Financial Holding Co., Ltd
	Fubon Financial Holding Co., Ltd

Note : 10% or more Share holding

(V) Major Shareholders of Institutional Shareholders (December 31, 2005)

Name of Corporate	Name of Shareholder
Conquest Group Holdings LTD.	Yi-Pei Chan Mei-Mia Chan Hung
	Yi-Chang Chan
	Yi-Kun Chan
	Shuan-Yung Chan
ANB Developments Corp.	Yung Man International Limited
TEC Corp.	Sung-Der Jen
	Mei-Jung Chen
	Chao-Nu Li
	Chao-Pu Li
	Hsiu-Chen Tsai
	Hsiu-Min Tsai
	Pin-Hui Wu
Hwa Yen Investments Corp.	Hsiu-Chen Tsai
	Ming-Hui Tsai Chan
	Hsiu-Ling Tsai
	Hsiu-Min Tsai
	Hung-Yu Tsai
	Wei-Shuan Tseng
	Ming-En Sun
	Yi-Tze Tsai
	Yi-Cheng Tsai
	Wei-Kai Zheng
Fubon Financial Holding Co., Ltd.	Taipei City Government
	Ming Tung Investment Co., Ltd.
	Taung Ying Investment Co., Ltd.
	Foreign Beneficiary Certificate Account of Citi Bank
	Hong Fu Investment Co., Ltd.
	Ming-Chung Tsai
	Ming-Hsing Tsai
	Trust on FS Asia Holdings' Investment Account of Citi Bank, Taipei Branch
	Trust on New Market Growth Fund Investment Account of Chase Manhattan Bank
Trust on World Growth and Profit Fund Co. of Chase Manhattan Bank	
ICON Investments LTD	Chuan-Feng Chen
	Pao-Mei Chou
	Chi-Yang Chen
	Yen-Chun Chen

Note : 10% or more Share holding

(VI) Professional Knowledge and Independence of Directors & Supervisors

Name \ Qualification	More than 5 years experience in business, law, financial or banking business	Not employed by the Bank or director, supervisor, or employee of its affiliated company	Natural shareholder who non-directly or indirectly holds more than 1% of the total amount of stock issued by the Bank or top 10 shareholders
Hwa Wan Investments Corp. Representative: Shuan-Yung Chan (Note2)	√		√
Hwa Hung Investments Co., Ltd. Representative: Kenneth Chen	√		√
Po-Hsiung Wu	√		√
Chih-Wei Wu	√		√
Hwa Wan Investments Corp. Representative: Sung-Der Jen (Note2)	√		√
Fubon Life Assurance Co., Ltd. Representative: Kuo-Liang Chiang	√	√	√
Po-Hsiung Cheng	√		
Chih-Yang Wu	√	√	√
Chih-Liang Wu	√	√	√
Hwa Wan Investments Corp. Representative: Ching-Cheng Hsu (Note2)	√	√	√
Hwa Wan Investments Corp. Representative: Kung-Yung Tien (Note2)	√	√	√
Hwa Wan Investments Corp. Representative: Yi-Pei Chan (Note2)	√		√
Wills Electric Co., Ltd. Representative: Wen-Tung Chen	√	√	
Fubon Life Assurance Co., Ltd. Representative: Hung-Cheng Ni	√	√	√
Fubon Insurance Assurance Co., Ltd. (Appointed Representative: Pen-Chuan Yang)	√	√	√
Chien-Chung Chen	√	√	√
Hsin Den Investments Corp. (Appointed Representative: Kuo-Eng Chen)	√	√	
Ching-Tang Chen	√		√
Chao-Shiun Chiu	√		√
Yi-Tze Chou	√	√	
Yi Chou Investments Corp. (Appointed Representative: Shi-Yu Wang)	√	√	√
Trans-Asia Investments Corp. Representative: Chuan-Feng Chen	√		√
Chen-Chuan Huang	√		
Kuen Tai Investments Corp. Representative: Yu-Ling Chen	√	√	√

Note 1: Mark "√" in the block where the Director or Supervisor qualifies.

Note 2: Original Corporate Director was Xuan-De Investments Co., Ltd. It merged with Hwa Wan Investments Corp. in September 2005. Hwa Wan Investments Corp. became the surviving company. There is no change on its representative and position.

Not the spouse or relation of the afore two types of shareholders	Corporate director, supervisor, & employee who non-directly or indirectly holds more than 5% of the total stock amount issued by the Bank or top 5 corporate shareholders	Director, supervisor, & management staff of a specific company or institution who doesn't have any financial & business association with the Bank or shareholder who holds more than 5% of the stock	Business owners, partners, directors, supervisors, management, & spouse of professionals, single proprietors, partnership, companies or institutional groups who did not provide business and legal services and consultations to the Bank or affiliated company(ies) in recent years	Remark
			√	
	√	√	√	
	√	√	√	
√		√	√	
√			√	
√			√	
√	√	√	√	
	√	√		
√	√	√	√	
		√	√	
√	√	√	√	
			√	
	√		√	
√			√	
√		√	√	
	√	√	√	
√	√	√	√	
√	√	√	√	
	√	√	√	
√	√	√	√	
√	√	√	√	
√	√	√	√	
√	√	√	√	
√	√	√	√	
√	√	√	√	
√	√	√	√	

(VII) Remuneration of Directors, Supervisors, Presidents, and Vice Presidents (December 31, 2005)

1. Remuneration of Directors

Title	Name	Transportation (Thousand NT\$)		Remuneration (Thousand NT\$)		Earning Distribution for Director's Remuneration (Thousand NT\$)(Note2)		Earning Distribution for Employee's Bonus(Note2)			
		The Bank	All the Companies in the Con- solidated Statement	The Bank	All the Companies in the Con- solidated Statement	The Bank	All the Companies in the Con- solidated Statement	The Bank			
								Cash Dividend (Thousand NT\$)	Stock Dividend		
						Share	Market Value (NT\$)		Amount (Thousand NT\$)		
Chairman	Hwa Wan Investments Corp. Representative: Shuan-Yung Chan (Note1)	11,752	12,912	28,190	31,736	101,697	101,697	607	18,210	16.84	307
Vice Chairman	Hwa Hung Investments Co., Ltd. Representative: Kenneth Chen										
Executive Director	Po-Hsiung Wu										
Executive Director	Chih-Wei Wu										
Executive Director	Hwa Wan Investments Corp. Representative: Sung-Der Jen (Note1)										
Executive Director	Fubon Life Assurance Co., Ltd. Representative: Kuo-Liang Chiang										
Executive Director	Po-Hsiung Cheng										
Director	Chih-Yang Wu										
Director	Chih-Liang Wu										
Director	Hwa Wan Investments Corp. Representative: Ching-Cheng Hsu (Note1)										
Director	Hwa Wan Investments Corp. Representative: Kung-Yung Tien (Note1)										
Director	Hwa Wan Investments Corp. Representative: Yi-Pei Chan (Note1)										
Director	Wills Electric Co., Ltd. Representative: Wen-Tung Chen										
Director	Fubon Life Assurance Co., Ltd. Representative: Hung-Cheng Ni										
Director	Fubon Insurance Assurance Co., Ltd. (Appointed Representative: Pen-Chuan Yang)										
Director	Chien-Chung Chen										
Director	Hsin Den Investments Corp. (Appointed Representative: Kuo-Eng Chen)										
Director	Ching-Tang Chen										
Director	Chao-Shiun Chu										
Director	Yi-Tze Chou										
Director	Yi Chou Investments Corp. (Appointed Representative: Shi- Yu Wang)										
Director	Meei-Yu Tai										
Director	Yunn Shyong Wu										
Director	Representative of Hsinchu International Bank Employees' Welfare Foundation:Wen-Kuang Wu										
Director	Representative of Hsinchu International Bank Employees' Welfare Foundation:Chang-Luan Liu										
Director	Representative of Xuan De In- vestments Co., Ltd:Yi-Mei Chan Hsu										

Note1: Original Corporate Director was Xuan-De Investments Co., Ltd. It merged with Hwa Wan Investments Corp. in September 2005. Hwa Wan Investments Corp. became the surviving company. There is no change on its representative and position.
Note2:Earning distribution for director's remuneration and employee's bonus is the proposal of Y2005.

Range of Remuneration Paid to Each Director of The Bank	No. of Directors 2005	
	The Bank	All the Companies in the Consolidated Statement
Less than NT\$2,000,000	6	6
NT\$2,000,000 (inclusive) ~ NT\$5,000,000	6	6
NT\$5,000,000 (inclusive)~ NT\$10,000,000	12	12
NT\$10,000,000 (inclusive)~NT\$50,000,000	2	2
More than NT\$50,000,000	0	0
Total	26	26

Earning Distribution for Employee's Bonus(Note2)				Total of the Aforementioned Four Items (Thousand NT\$)		Ratio (%) in Net Profit After Tax (Thousand NT\$)		Total Amount of Stock Warrant Subscribed by Employees (Thousand NT\$)		Other Remuneration (Thousand NT\$)	
All the Companies in the Consolidated Statement				The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement
Cash Dividend (Thousand NT\$)	Stock Dividend										
	Share	Market Value (NT\$)	Amount (Thousand NT\$)								
607	18,210	16.84	307	142,553	147,259	4.47	4.63	0	0	4,716	4,716

2. Remuneration of Supervisors

Title	Name	Transportation (Thousand NT\$)		Remuneration (Thousand NT\$)	
		The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement
Executive Supervisor	Trans-Asia Investments Corp. Representative: Chuan-Feng Chen	1,792	2,077	0	0
Supervisor	Chen-Chuan Huang				
Supervisor	Kuen Tai Investments Corp. Representative: Yu-Ling Chen				

Note: Earning distribution for supervisor's remuneration is the proposal of Y2005.

Range of Remuneration Paid to Each Supervisor of The Bank	No. of Supervisor 2005	
	The Bank	All the Companies in the Consolidated Statement
	Less than NT\$2,000,000	0
NT\$2,000,000 (inclusive) ~ NT\$5,000,000	2	2
NT\$5,000,000 (inclusive)~ NT\$10,000,000	1	1
NT\$10,000,000 (inclusive)~ NT\$50,000,000	0	0
More than NT\$50,000,000	0	0
Total	3	3

3. Remuneration of Presidents and Vice Presidents

Title	Name	Salary (Thousand NT\$)		Reward & Special Allowance (Thousand NT\$)		Earning Distribution for Employee's Bonus(Note)			
		The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank			
						Cash Dividend (Thousand NT\$)	Stock Dividend		
				Share	Market Value (NT\$)		Amount (Thousand NT\$)		
President	Chih-Wei Wu	15,450	15,504	6,477	6,477	230	1,267,659	16.84	21,347
Executive Vice President	Wen-Kuang Wu								
Executive Vice President	Keui-Ling Hu								
Executive Vice President	Fang-Jen Lu								
Executive Vice President	Shu-Hwa Lo								
Chief Internal Auditor	Sam Chang								

Note: Earning distribution for employee's bonus is the proposal of Y2005.

Range of Remuneration Paid to Each Supervisor of The Bank	No. of President and Vice Presidents 2005	
	The Bank	All the Companies in the Consolidated Statement
	Less than NT\$2,000,000	1
NT\$2,000,000 (inclusive) ~ NT\$5,000,000	2	2
NT\$5,000,000 (inclusive)~ NT\$10,000,000	1	1
NT\$10,000,000 (inclusive)~ NT\$50,000,000	2	2
More than NT\$50,000,000	0	0
Total	6	6

Earning Distribution for Supervisor's Remuneration (Thousand NT\$)(Note)		Total of the Aforementioned Three Items(Thousand NT\$)		Ratio (%) in Net Profit After Tax		Other Remuneration (Thousand NT\$)	
The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement
12,019	12,019	13,811	14,096	0.43	0.44	0	0

Earning Distribution for Employee's Bonus				Total of the Aforementioned Three Items (Thousand NT\$)		Ratio (%) in Net Profit After Tax		Total Amount of Stock Warrant Subscribed by Employees (Thousand NT\$)		Other Remuneration (Thousand NT\$)	
All the Companies in the Consolidated Statement				The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement	The Bank	All the Companies in the Consolidated Statement
Cash Dividend (Thousand NT\$)	Stock Dividend										
	Share	Market Value (NT\$)	Amount (Thousand NT\$)								
230	1,267,659	16.84	21,347	43,504	43,558	1.36	1.37	0	0	7,139	7,139

4. Bonus Distribution to the Management and Their Names

	Title	Name	Stock Bonus			Cash Bonus	Total (Thousand NT\$)	Ratio (%) in Net Profit After Tax
			Share	Market Value (NT\$)	Amount (Thousand NT\$)	Amount (Thousand NT\$)		
Management	President	Chih-Wei Wu	2,104,756	21.27	44,768	0	44,768	1.40
	Executive Vice President	Wen-Kuang Wu						
	Executive Vice President	Keui-Ling Hu						
	Chief Internal Auditor	Sam Chang						
	Assistant Executive Vice President	Wen-Chin Hung						
	Assistant Executive Vice President	Chia-Jung Chen						
	Assistant Executive Vice President	Ta-Hsien Chiu						
	Assistant Executive Vice President	I-Jung Lin						
	Assistant Executive Vice President	Wen-Hao Chen						
	Treasury/Accounting Dept. Senior Vice President	Yu-Ching Hsu						

5. Net Profit Ratio Analysis of the Total Amount of Remuneration to the Bank's Directors, Supervisors, and Major Management and all the Companies Mentioned in the Consolidated Statement After Tax, Remuneration Payment Policy, Standard and Combination, Drawing Up Procedure, and Connection with Operation Performance During the Past Two Years:

The salary and remuneration policy of the Bank was evaluated according to the job analysis, description, and position. An internal salary structure was created to reflect the relative value of the position. Salary policy line was decided by the Bank based on the salary standard paid by other banks to talented people of the competitive market and to the paying capability of the Bank, and draw up the internal salary rank

The salary and remuneration combination of the Bank's Presidents and Vice Presidents is divided into fixed reward and variable reward:

Fixed reward: This refers to the salary decided based on the Bank's salary policy mentioned above.

Variable reward: This includes annual bonus, performance reward and bonus based on the business performance of the Bank, profitability standard, and different evaluation of authorized supervisor on the annual performance of the management.

Net profit ratio analysis of remuneration paid to the Bank's Directors, Supervisors, and the management after tax during the Past two years:

	2005	2004	Growth Ratio
Director	3.21%	2.95%	9%
Supervisor	0.50%	0.38%	32%
Presidents, Executive Vice Presidents, Chief Internal Auditor	1.71%	1.93%	-11%

The Bank didn't prepare a Consolidated Statement in 2004. Therefore, net ratio profit analysis of remuneration paid to the Bank's Directors, Supervisors, and Major Management and all the companies mentioned in the Consolidated Statement after tax during the Past two years: Omitted

(VIII) Shareholding on the same reinvestment business of the Bank, Directors, Supervisors, President, Executive Vice President, Assistant Executive Vice President, head of each departments and branches of the Bank, and business(s) directly or indirectly controlled by the Bank, and combined in the computation of shareholding percentage return (December 31, 2005)

Reinvestment (Note)	Bank's Investment		Investment of Directors, Supervisors, President, Executive Vice President, Assistant Executive Vice Pres- ident, each department, and directly or indirectly con- trolled business of the Bank		General Investment	
	Number of Shares (Share)	Shareholding (%)	Number of Shares (Share)	Shareholding (%)	Number of Shares (Share)	Shareholding (%)
Hsinchu Futures Co., Ltd.	30,112,440	88.57	2,024,387	5.95	32,136,827	94.52
Hsinchu Real Estate Co., Ltd.	13,255,162	59.84	2,970,917	13.41	16,226,079	73.25
Hsinchu Insurance Agent Co., Ltd.	40,026,621	99.87	637	0.002	40,027,258	99.872
Chu-Chian Insurance Agent Co., Ltd.	1,670,699	99.86	21	0.001	1,670,720	99.861
Masterlink Securities Co., Ltd.	6,362,175	0.48	94,851,746	7.11	101,213,921	7.59
Preferred Bank U. S. A.	154,000	2.32	160,407	2.42	314,407	4.74
Taipei Forex Co., Ltd.	600,000	3.03	0	0	600,000	3.03
Taiwan Small and Medium Enter- prises Development Co., Ltd.	3,417,440	4.84	0	0	3,417,440	4.84
Fubon Securities & Finance Co., Ltd.	3,943,335	0.99	23,364,304	5.84	27,307,639	6.83
Trad-Van Information Services Co., Ltd.	2,557,170	1.29	0	0	2,557,170	1.29
Universal Venture Fund Co., Ltd.	3,809,600	4.76	0	0	3,809,600	4.76
Taiwan Futures Exchange Co., Ltd.	1,025,000	0.51	3,050,000	1.53	4,075,000	2.04
Financial Information Services	4,550,000	1.14	0	0	4,550,000	1.14
Windance Co., Ltd.	18,850,000	2.73	634,491	0.09	19,484,491	2.82
Taiwan Financial Asset Service Co.,Ltd.	5,000,000	2.94	0	0	5,000,000	2.94
Paradigm Asset Management Co., Ltd.	6,000,000	20.00	0	0	6,000,000	20.00
Modex Taiwan Co., Ltd.	640,000	6.47	0	0	640,000	6.47
Debt Investments & Clearance Co., Taiwan	4,000,000	2.00	0	0	4,000,000	2.00
TSC Bio Venture Capital Co., Ltd.	2,025,000	5.00	3,000,000	7.41	5,025,000	12.41

Note: Investment in compliance with Article 74 of Banking Law

(IX) Changes on the Shareholdings of Directors, Supervisors, and Management (December 31, 2005)

Title	Name		2005		As of February 28, 2006	
			Increase (Decrease) of Shareholding	Increase (Decrease) of Pledge Shares	Increase (Decrease) of Pledge Shares	Increase (Decrease) of Pledge Shares
Chairman	Shuan-Yung Chan	Representative of				
Executive Director	Sung-Der Jen	Hwa Wan Investments				
Director	Ching-Cheng Hsu	Corp.	23,142,311	3,250,000	0	0
Director	Yi-Pei Chan	(major shareholders)				
Director	Kung-Yung Tien	(Note 1)				
Vice Chairman	Representative of Hwa Hung Investments Corp.: Kenneth Chen		1,105,061	0	0	0
Executive Director	Po-Hsiung Wu (Note 2)		119,028	0	0	0
Executive Director	Chih-Wei Wu		911,048	0	0	0
Executive Director	Kuo-Liang Chiang	Representative of				
Director	Hung-Cheng Ni	Fubon Life Insurance Co., Ltd. (major shareholders) (Note 2)	18,932,600	0	14,291,000	0
Executive Director	Po-Hsiung Cheng		832,460	0	0	0
Director	Chih-Yang Wu		100,114	0	0	0
Director	Chih-Liang Wu (Note 2)		155,525	0	0	0
Director	Representative of Wills Electric Co., Ltd.: Wen-Tung Chen		112,200	0	0	0
Director	Representative of Fubon Insurance Assurance Co., Ltd.: Pen-Chuan Yang (major shareholder) (Note 2)		6,440,200	0	0	0
Director	Chien-Chung Chen		453,484	0	0	0
Director	Representative of Hsin Den Investments Corp.:Kuo-Eng Chen		223,080	0	0	0
Director	Ching-Tang Chen		359,136	0	0	0
Director	Chao-Shiun Chiu		338,375	0	0	0
Director	Yi-Tze Chou		591,628	0	(99,000)	0
Director	Representative of Yi Chou Investments Corp.:Shi-Yu Wang		324,414	0	0	0
Executive Supervisor	Representative of Trans-Asia Investments Corp.: Chuan-Feng Chen (major shareholder)		2,589,279	0	0	0
Supervisor	Representative of Kuen Tai Investments Corp.: Yu-Ling Chen		83,063	0	0	0
Supervisor	Chen-Chuan Huang		312,334	0	(83,000)	0
Executive Vice President	Wen-Kuang Wu		198,716	0	0	0
Executive Vice President	Fang-Jen Lu		8,440	0	0	0
Executive Vice President	Shen-Hwa Lo		5,000	0	0	0
Chief Internal Auditor	Sam Chang		337,906	0	0	0
Executive Vice President	Keui-Ling Hu		227,114	0	0	0
Assistant Executive Vice President	Wen-Chin Hung		183,189	0	0	0
Assistant Executive Vice President	Chia-Jung Chen		180,633	0	0	0
Assistant Executive Vice President	Ta-Hsien Chiu		177,641	0	0	0
Assistant Executive Vice President	I-Jung Lin		94,251	0	0	0
Assistant Executive Vice President	Wen-Hao Chen(Note 2)		103,726	0	0	0
Treasury/Accounting Dept. Senior Vice President	Yu-Ching Hsu		13,915	0	0	0

Note 1: Original Corporate director was Xuan-De Investments Co., Ltd. It merged with Hwa Wan Investments Corp. in September 2005. Hwa Wan Investments Corp. became the surviving company. There is no change on its representative and position.

Note 2: Those who took office on June 10, 2005 and their increase (decrease) of shareholding at the beginning.

III. Capital and Shares (including Preferred Shares), Financial Debentures (Overseas Financial Debentures), and Overseas Depository Receipts and Stock Warrant Subscription of Employees:

(I) Capital and Shares

1. Source of Capital:

Date	Issued Price	Authorized Capital		Paid-in Capital		Remark	
		Number of Shares (Share)	Amount (Thousand NT\$)	Number of Shares (Share)	Amount (Thousand NT\$)	Source of Capital	Other
Sept. 8, 2005	10	1,900,000,000	19,000,000	1,574,536,807	15,745,358	Earnings transferred to capital increase on July 7, 2005 as per Chin-Kuan-Cheng-Tzu-0940126380.	--

Type of Shares	Authorized Capital			Remark
	Shares Issued	Shares Unissued	Total Share	
Listed common shares	1,574,535,807	325,464,193	1,900,000,000	Earnings transferred to capital increase on July 7, 2005 as per Chin-Kuan-Cheng-Tzu-0940126380.

2. Solicited Issued Negotiable Securities by Summarized Statement System: None

3. Shareholders' Structure:

Basis Date of shareholding: August 20, 2005(the day of stoppage of transferring equity (dividend) before last time funding)

Shareholders' Structure	Government Institution	Bank Institution	Other Corporate	Individual	Foreign Corporate & Foreigner	Total
Quantity						
Number of Person	4	12	177	92,778	88	93,059
Shareholding	5,008	83,740,484	290,738,259	888,222,480	160,909,854	1,423,616,085
Shareholding %	0.00	5.88	20.42	62.40	11.30	100.00

4. Holding Diversification:

Holding diversification of stocks issued by the Bank is as follows. The Bank didn't issue any preferred stock.

Common stock: NT\$10.00/par value

Basis Date of shareholding: August 20, 2005(the day of stoppage of transferring equity (dividend) before last time funding)

Shareholding Classification	Shareholders	Shareholding	Shareholding %
1 to 999	36,178	11,061,970	0.78%
1,000 to 5,000	32,531	78,359,244	5.50%
5,001 to 10,000	10,329	74,909,868	5.26%
10,001 to 15,000	4,977	60,423,079	4.24%
15,001 to 20,000	2,313	41,261,161	2.90%
20,001 to 30,000	2,394	58,770,844	4.13%
30,001 to 50,000	1,863	72,201,028	5.07%
50,001 to 100,000	1,332	92,760,827	6.52%
100,001 to 200,000	588	82,655,183	5.81%
200,001 to 400,000	247	70,307,074	4.94%
400,001 to 600,000	92	45,853,092	3.22%
600,001 to 800,000	48	32,850,755	2.31%
800,001 to 1,000,000	27	24,632,546	1.73%
More than 1,000,001, classify according to actual situation	140	677,569,414	47.59%
Total	93,059	1,423,616,085	100.00%

5. List of Major Shareholders:

Basis Date of shareholding: August 20, 2005(the day of stoppage of transferring equity (dividend) before last time funding)

Name of Major Shareholders	Share	Shareholding	Shareholding %
1. Xuan Der Investments Co., Ltd. (Note2)		70,107,927	4.92%
2. Chih Der Investment Co., Ltd.		63,777,305	4.48%
3. Fubon Life Insurance Co., Ltd.		43,266,000	3.04%
4. JP Morgan Chase & Co., Custodial of the Special Investment Account of University Retirement Plan Co., Ltd.		35,400,000	2.49%
5. Trans-Asia Investments Corp.		25,892,790	1.82%
6. HSBC, Custodial of the Special Account of Morgan Stanley International Co., Ltd.,		25,781,200	1.81%
7. Cathay Life Insurance		18,549,000	1.30%
8. Chunghwa Post Co., Ltd.		17,190,900	1.21%
9. Hwa Wan Investments Corp.		14,401,381	1.01%
10. Chase Manhattan Bank, Custodial of Asia Equity Fund of Fu Lin Ming Fund		12,634,000	0.89%

Note1: Shareholders holding more than 1% shareholding or top 10 shareholders.

Note2: Original Corporate director was Xuan-De Investments Co.,Ltd It merged with Hwa Wan Investments Corp.in September 2005.Hwa Wan Investments Corp.became the surviving company. There is no change on its representative and position

6. Market Price, Net Value, Earnings, & Stock Dividend Per Share, and Relevant Data of the Last Two Years:

Item	Year		2004	2005	Current Year Till February 28, 2006
	Market price per (NT\$)	Maximum		22.70	22.30
	Minimum		14.90	16.45	16.50
	Average		19.71	19.51	17.56
	Before adjustment		-	-	-
	After adjustment		-	-	-
Net value per share (NT\$)	Before distribution		13.35	13.78	14.18
	After distribution		11.63	Note 2	Note 3
Earnings per share (NT\$)	Weighted average Share (1000 shares)		1,408,254	1,574,536	1,574,536
	Earnings per share	Before adjustment	1.99	2.03	0.18
		After adjustment	1.80	Note 2	Note 3
Stock dividend per share (NT\$) Note 1	Cash Dividend		0.00	0.4	Note 2
	Distribution without condition	Surplus share distribution	1.00	1.00	Note 2
		Capital reserve distribution	0.00	0.00	Note 2
	Cumulative unpaid stock dividend		0.00	0.00	Note 2
Investment return analysis (%) Note 1	Gain ratio		9.90	9.61	16.26(Note 4)
	Profit ratio		0.00	48.78	Note 2
	Rate of yield of cash dividend		0.00	0.02	Note 2

Note 1: Stock dividend per share of each fiscal year refers to the distribution of earnings of the previous year that was resolved by the Shareholders' Meeting.

Note 2: Shareholders' Meeting not convened yet.

Note 3: 2006 not closed yet.

Note 4: Annualized number.

7. Stock dividend Policy and Execution:**(1) Stock dividend policy of the Bank:**

For the continuous expansion of the scale of the Bank and increase ability to profit, and taking into account sufficiency of capital, the Bank has adopted surplus stock dividend policy. Distribution of stock dividend is based on the capital budget plan of the Company. Stock dividend is first appropriated for the required fund reserve, part of the surplus is appropriated as cash dividend. Cash dividend should not be less than 10% of the total amount of the whole stock dividend. But if cash dividend is less than NT\$0.1, it shall be changed to stock distribution.

(2) Stock dividend policy of the Bank for this year had been passed by the 10th Term Board of Directors in its 7th meeting, and to be in the form of distributing stock dividend, but it is not yet resolved by the Stockholders' Meeting.**8. Effect of the Proposed This Year's Distribution Without Condition to the Business Performance of the Company and Earnings Per Share:**

According to the provision stipulated in the Letter No. (91)-Tai-Tsai-Cheng-(I)-002534 from the Securities and Futures Exchange Commission under the Ministry of Finance, disclosure is not required if the company did not prepare and make public announcement of its financial forecast. The Bank did not prepare and make public announcement of the 2006 Financial Forecast, hence disclosure is not necessary.

9. Distribution of Employees' Bonus and Directors & Supervisors' Reward:

(1) Distribution of employees' bonus and the number of members or scope of directors and supervisors' reward stipulated in the Articles of Incorporation of the Bank: Please Refer to Page 78-81.

(2) Proposal for the distribution of employees' bonus passed by the Board of Directors:

a.Amount to be distributes as employees' cash bonus, stock bonus, and Directors & Supervisors' reward:

Proposed to distribute NT\$91,998,355 as employees' cash bonus, NT\$21,718,120 as stock bonus, and NT\$113,716,475 as Directors & Supervisors' reward.

b.Proposed distribution of employees' stock bonus share and its percentage on the surplus transferred to capital increase:

Proposed to distribute 2,171,812 shares as employees' stock bonus share, which is 4.40% of the total shares of surplus transferred to capital increase this time.

c.Considered earning per share after the proposed distribution of employees' bonus and Directors & Supervisors' reward:

Considered earning per share at NT\$1.88 per share after the proposed distribution of employees' bonus and Directors & Supervisors' reward.

(3) Distribution of last year's earnings as employees' bonus, Directors & Supervisors' reward: Please Refer to Page 78-81.

10. Repurchase of Bank's Share: None**11. Earnings Per Share After Calculating Employees' Bonus and Share Distribution (calculated at market value): NT\$1.95**

Note : The market price is 16.85 calculated with the average closed price at the end of 2005.

(II) Issuance of Financial Debentures from recent two years

Type of Financial Debenture	First Overseas Unsecured Convertible Financial Debenture
Date of Approval and Reference No. of the Competent Authority	May 4, 2004, ref. No. Tai-Tsai-Cheng-(I)-Tzu-0930114232
Date of Issue	May 13, 2004
Face Value	US\$1,000
Place of Issue	Europe & Asia
Currency	U. S. Dollar
Issuing Price	100% of the face value of bond
Total Amount	US\$110,000,000
Interest Rate	0%
Period	5 Years, Date of Maturity: May 13, 2009
Order of Redemption	Primary order
Endorsing Institution	None
Consignee	Bank of New York
Underwriting Institution	Merrill Lynch International
Certifying Lawyer	N/A
CPA	Diwan,Ernst & Young-Irene Juanlu,Roger Ho
Certifying Financial Institution	N/A
Redemption method	Except for advance redemption, repurchase & cancellation or exercising conversion rights, this bond shall be redeemed by the Bank upon maturity at 98.50897% of its face value.
Unredeemed Balance	US\$110,000,000
Paid-in Capital before the published year	NT\$12,901,110,440
Net Worth before the published year	NT\$16,072,170,000
Performance	Good
Redemption or Advance Redemption Clause	(1) After 2 years of issuance of the corporate bond, if the closing price of the common stock of the Bank in the Taiwan Stock Exchange based on the exchange rate to US\$ at that time had reached 120% of the convertible price for 20 consecutive business days (converted into US\$ based on the stipulated fixed exchange rate of pricing day), the Bank may redeem all or part of the bonds based on its face value. (2) If more than 95% of the bonds was already redeemed, repurchased, or exercising conversion rights, the Bank may redeem all of the bonds based on its face value. (3) In case there is any change on the laws and regulations of the National Tax Administration of the Republic of China, and as a result, it was necessary for the Bank to pay extra interest, the Bank may redeem all of the bonds based on its face value.
Conversion & Exchange Condition	Except advance redemption or repurchase and cancellation, and period not allowed for conversion stipulated by the law, owner of bonds may exercise conversion rights commencing from the 31st day after the issuance of the bond until 10 days prior to its maturity. But exercising conversion of rights before June 30, 2006, except for a specific situation, it is necessary that the closing price of the Bank's common stock should be higher by a specific percentage than the conversion price of the bond for at least 20 consecutive transaction days from last 30 transaction days of the last quarter.
Restriction Clause	N/A
Fund Utilization Plan	Redeem loan and deal with medium and long term loans.
Declaration of issued amount plus issued balance to the net worth after final settlement of last year	71.62%
Included in the qualified own capital and other category	None
Name of Credit Rating Institute, Date of Ratings and Its Class of Rating	None

(III) Issuance of Overseas Depository Receipts, Preferred Shares, Stock Warrant Subscription of Employees, and Merging or transferring Other Financial Institution: None

2005 First Lot (Period) Financial Debentures	2005 Second Lot (Period) Financial Debentures
Chin-Kuan-Yin-Tzu-093003631, January 3, 2005	Chin-Kuan-Yin-Tzu-093003631, January 3, 2005
January 5, 2005	January 24, 2005
NT\$ 100,000, NT\$500,000, NT\$1,000,000, NT\$5,000,000, NT\$10,000,000	NT\$ 100,000, NT\$500,000, NT\$1,000,000, NT\$5,000,000, NT\$10,000,000
Domestic	Domestic
New Taiwan Dollars	New Taiwan Dollars
100% of the face value of bond	100% of the face value of bond
NT\$7,636,700,000	NT\$2,363,300,000
By floating rate; based on the average 1-year deposit at ordinary sliding bank interest plus 1.493%, Annual interest rate for the first lot is 3.0%.	By floating rate; based on the average 1-year deposit at ordinary sliding bank interest plus 1.493%, Annual interest rate for the first lot is 3.0%.
No maturity data	No maturity data
Secondary	Secondary
N/A	N/A
N/A	N/A
All the Business Department of Hsinchu International Bank	All the Business Department of Hsinchu International Bank
N/A	N/A
Diwan, Ernst & Young – Roger Ho	Diwan, Ernst & Young – Roger Ho
Fubon Securities Finance Co., Ltd.	Chung Hsing Securities Finance Co., Ltd.
Interest paid every half year.	Interest paid every half year.
NT\$7,636,700,000	NT\$2,363,300,000
NT\$14,236,161,000	NT\$14,236,161,000
NT\$19,010,243,000	NT\$19,010,243,000
Good	Good
After 5 years of issuance of the bond, if the BIS ratio of the Bank after calculating redemption comply with the minimum ratio stipulated by the competent authority and been agreed upon by the competent authority, the Bank may redeem the bonds in advance.	After 5 years of issuance of the bond, if the BIS ratio of the Bank after calculating redemption comply with the minimum ratio stipulated by the competent authority and been agreed upon by the competent authority, the Bank may redeem the bonds in advance.
If the BIS ratio of the Bank is lower than the minimum ration stipulated by the competent authority, accumulated loss exceeded the total of reserve earning and capital reserve, and does not comply with the regulation within six months, the whole lot of bond shall be converted into permanent accumulated preferred stock.	If the BIS ratio of the Bank is lower than the minimum ration stipulated by the competent authority, accumulated loss exceeded the total of reserve earning and capital reserve, and does not comply with the regulation within six months, the whole lot of bond shall be converted into permanent accumulated preferred stock.
When the BIS ratio of the Bank is lower than the minimum ratio stipulated by the competent authority due to paying the interest, interest payment may be deferred, and no extra interested shall be calculated for the deferred interest.	When the BIS ratio of the Bank is lower than the minimum ratio stipulated by the competent authority due to paying the interest, interest payment may be deferred, and no extra interested shall be calculated for the deferred interest.
To deal with the mid-term and long-term fund utilization.	To deal with the mid-term and long-term fund utilization.
101.26%	113.69%
Yes, Type 2.	Yes, Type 2.
none	none

*More care is required
in reading about life.*





3. Business Overview and Capital Utilization Plan

I am a fourth year university student. While my peers are feeling lost about their future prospects, thanks to the comprehensive service of Hsinchu Bank, I already have a lump sum fund. Whether the plan is to study abroad or set up my own business, I have nothing to worry about.



Business Operations

I. General Banking Operation:

(I) Major Business of Each business Category

1. General Deposits and Loans

- (1). Acceptance of checking deposits
- (2). Acceptance of other deposits
- (3). Corporate and consumer loans
- (4). Bill and notes discounting
- (5). Processing of domestic remittance
- (6). Handling of domestic guarantee
- (7). Collecting and paying agency
- (8). Acceptance of commercial draft
- (9). Buying and selling of gold and silver bullion
- (10). Bills brokerage and dealing
- (11). Syndication loan
- (12). Factoring
- (13). Issuing letters of credit

2. Trust and Investments

- (1). Securities Investments
- (2). Conducting warehousing and custodial business relating to the above items
- (3). Securities brokerage and dealing
- (4). Securities underwriting, register and dividends distribution agency
- (5). Consulting services regarding securities issuance
- (6). Securities certification
- (7). Custodial
- (8). Margin loan and stock short sale services
- (9). Over-the-counter (OTC) stock brokerage
- (10). Domestic futures brokerage
- (11). Trust of negotiable securities, real estate, and cash
- (12). Providing investments, financial services, and real estate development and consultation services
- (13). Certification of securities

3. Foreign Exchange

- (1). Import/export trade finance
- (2). Inward and outward remittances
- (3). Foreign currency deposits
- (4). Foreign currency loans
- (5). Foreign currency payments guarantee
- (6). Offshore Banking Unit's business

4. Other Business

- (1). Issuance of financial debentures
- (2). Credit card business
- (3). Other services authorized by the government
- (4). Corporate Internet banking

(II) Major Businesses and Its Operation ratio, Market Share, Growth, and changes:**1. Growth and Changes of Major Businesses:**

(Expressed in NT\$1,000)

Item		End of Dec. 2005	End of Dec. 2004	Increase (Decrease)	Rate of Growth (%)
Deposits and remittances payable		331,994,137	334,105,007	2,110,870	-0.63%
Loans ,bills discounted and purchased		275,171,267	256,643,333	18,527,934	7.22%
Guarantee		8,486,367	7,405,740	1,080,627	14.59%
Consumer Finance	Number of Authorized Merchants	11,712	11,126	586	5.27%
	Volume of Credit Cards Issued	908,360	816,464	91,896	11.26%

(Expressed in NT\$1,000)

Item		Jan. ~ Dec. 2005	Jan. ~ Dec. 2004	Increase (Decrease)	Rate of Growth (%)
Security Trust	Transaction volume of stock brokerage	160,890,165	213,593,049	(52,702,884)	-24.67%
	Sales volume of trust fund	29,984,146	21,725,002	8,259,144	38.02%
	Total	190,874,311	235,318,051	(44,443,740)	-18.89%
Foreign Ex- change (Expressed in US\$1,000)	International exchange	10,773,267	9,640,153	1,133,114	11.75%
	Negotiation of Import Bills	801,531	855,888	(54,357)	-6.35%
	Negotiation of Export Bills	1,042,461	1,050,227	(7,766)	-0.74%
Total		12,617,259	11,546,268	1,070,991	9.28%

2. Operation Ratio of Major Businesses:**(1). Loans, bills discounted and purchased**

(Expressed in NT\$1,000)

	December 31, 2005		December 31, 2004	
	Amount	Percentage	Amount	Percentage
Purchase of foreign exchange & discounts	432,689	0.16%	452,102	0.18%
Short-term loan & overdraft	31,150,727	11.32%	28,677,619	11.17%
Short-term secured loan & overdraft	11,375,997	4.13%	7,959,911	3.10%
Medium-dated loan	70,831,659	25.74%	51,966,953	20.25%
Medium-dated secured loan	27,730,632	10.08%	27,442,094	10.69%
Long-term loan	8,732,383	3.17%	9,216,596	3.59%
Long-term secured loan	119,647,584	43.48%	124,026,476	48.33%
Receivable on demand	5,269,326	1.92%	6,901,582	2.69%
Sub-total	275,171,267	100.00%	256,643,333	100.00%

(2). Deposits and remittances payable

(Expressed in NT\$1,000)

	December 31, 2005		December 31, 2004	
	Amount	Percentage	Amount	Percentage
Savings deposit	235,860,723	71.04%	235,256,757	70.42%
Time deposit	57,026,206	17.18%	62,491,389	18.70%
Current deposit	34,706,652	10.45%	33,102,810	9.91%
Check deposit	4,301,731	1.30%	3,216,835	0.96%
Draft	98,825	0.03%	37,216	0.01%
Sub-total	331,994,137	100.00%	334,105,007	100.00%

(3). Loans, bills discounted and purchased-summarize in categories of similar industries: Please refer to page 91.

(4). Foreign Exchange

(Expressed in NT\$1,000)

	December 31, 2005		December 31, 2004	
	Amount	Percentage	Amount	Percentage
International exchange	10,773,267	85.39%	9,640,153	83.49%
Negotiation of Import Bills	801,531	6.35%	855,888	7.41%
Negotiation of Export Bills	1,042,461	8.26%	1,050,227	9.10%
Sub-total	12,617,259	100.00%	11,546,268	100.00%

3. Market Share of Major Businesses:

Please Refer to Page 57.

(III) Operation Plans for 2006:

1. Deposits and Branches

- (1). Develop automated recycling system and Internet ATM, create an ATM monitoring system, and tied up with Internet operators.
- (2). Introduce diversified customer payment counters for associations and students' matriculation fee, ACH collection & payment services – collection system, and 58 nationwide bills payment counters.
- (3). Introduce transaction cost pricing liability center system and plan a new system for inter-bank interest-fund management system.
- (4). Create a bill collection/salary data collective key in center.
- (5). Increase the counters of branch service quality and reduce provisional counters of branch of the total transaction volume to 19%.
- (6). Visual design project of a new generation bank dormitory.

2. Loans

- (1). Corporate Banking
 - A. Create a total corporate internet e-platform to provide Total-Solution integrated professional financing service.
 - B. Establish a dedicated sales task force to actively promote business activities for SME.
 - C. Implement a data warehouse system, providing real-time and accurate MIS information to facilitate risk control and decision-making management.
 - D. Simplify loan process, expedite case investigation, as well as upgrading the professionalism of investigation staff.
- (2). Retail Assets
 - A. Develop the Scorecard for the new project of "Loan Me More" (Projects 4 & 5), and revise the Scorecard of the old project (Project 2).
 - B. Issuance of the first domestic RMBS listed overseas.
 - C. Implementation of "Loan Me More" accreditation module in e-loan system.

3. Securities

- (1). Set up securities broker branches in Lungtan and Nankan.
- (2). Promotional projects for idle customers to return and technology to rush ahead by promoting e-transaction and automated backstage settlement.
- (3). Modify real-time profit and loss automated issuing system to facilitate offsetting via e-order to increase transaction volume.
- (4). Simplify business procedure, have manpower through call center, and guide backstage staff to have contact with front line services.
- (5). Implement elite project, set up sales team, and develop securities specialist system.

4. Foreign Exchange

- (1). Continue with Trade Finance with its emphasis in promoting import and export business. Strengthen in absorbing foreign exchange deposit to have ample fund sources for foreign currency loan.
- (2). Promote B2B processing platform to extend customers' service quality.
- (3). Coordinate with government policies by strengthening the promotion of OBU service and become a fund dispatching center for Taiwanese businessmen.
- (4). Strengthen fund management to upgrade fund utilization efficiency.

5. Credit Cards

- (1). Cooperate with "Asia Shopping Mall" and "Dainty Design Cosmetics Co., Ltd." by issuing Asia Shopping Joint Credit Card and Dainty Joint Credit Card.
- (2). Promote projects such as "Don't Let Slip the Chicken (an Opportunity)", "Borrow 10 Times of the Prize", "Get Promoted Quickly" and "Advance Loan by Phone" to promote cash advance loan business in full force.
- (3). Hold unscheduled "swipe 6 NEW surprise", and promotions in department stores during Mother's Day, Valentine's Days, to increase consumption.
- (4). Introduce SCORING and image system and modify the automated reviewing work system (E-CARD).

6. Trust and Wealth Management

- (1) Trust
 - A. Open "Insurance Premium Trust" service, and apply licenses for "Real estate Trust", "Negotiable Securities Trust", "Investments, Financial management, and Real estate Development & Consultation Service", and "Negotiable Securities Certification Service".
 - B. Increase overseas bond, NTD structural Instruments, by creating diversified investments channels.
 - C. Actively expanding assets management program to provide customers with more professional, richer, and customized financial management services.
 - D. Develop channel trust products with professional image of "Trust Plan" to provide planned services in financial management and taxation matters in order to develop the trust business.
 - E. Hold large assets management seminars and training camps to upgrade the professional asset management image of the Bank and the professional knowledge of our staff in wealth management.
- (2) Wealth Management
 - A. Complete the internal control system of wealth management, VIP customer's satisfaction survey system, and customer's complaint handling system.



- B. Database and system of customers in the wealth management of the Bank and system integration, create the Rock Private Wealth Management Brand, and set up a RM system.
- C. Complete the installation of VIP wealth management area in the Bank.

7. Risk Management

- (1). Install the Algo system for market risk, and create a market risk control system. Develop the most appropriate risk mode and risk report design.
- (2). Basel II BIS calculation.

8. Treasury Department

- (1). Successfully issued NT\$10,000,000,000 permanent accumulative subordinated debentures.
- (2). Increase the income on outright purchase/sell of negotiable securities.
- (3). Proceed with business integration by combining the TMU and Fund Division of Corporate Banking Operation Department.
- (4). Expedite the application of various new types of business licenses, and be active in negotiating with internationally-known foreign banks for structural financial instruments cooperation.

9. Human Resources Dept.

- (1). Received the 2005 "Excellent Award for the Best E-Learning Example" from the Industrial Development Bureau, MOEA.
- (2). Completed the educational training system and successfully went online.
- (3). Completed the 2005 Branch Management personnel promotion training plan.
- (4). Planned for cost management project and laying a profound and lasting foundation for employment cost management of the Bank in the future.
- (5). Successfully introduced the new labor retirement system and internal communication.
- (6). Introducing more diversified recruitment channels for the Bank.

(IV) Market Analysis

1. Situation and Growth of Future Market Demand

Unemployment situation was improved in the first half of 2005, and consumption increased steadily. But export growth was affected by the slowing down of international economic boom and the moving overseas of our local industry. Macroeconomic growth was only 2.73%. As the manufacturing industry recovers and export performance turned to better during the last half year, and with the enforcement of public constructions by the government, initial statistics made for the economic growth during the third quarter was 4.38%, and forecasted to continuously grow to 5.28% during the fourth quarter. Total economic growth during the last half year was 4.83%, and estimated economic growth of 3.80% for the whole year.

(1). Economic Boom

Economy was leading in December 2005 and index also went up. General index of the economic leading index December 2005 was 109.9, an increase of 0.6% compared with the 109.2 in November, also, general index was 114.6, and increase of 1.0% compared with the 113.5 in November. Economy measures signal light showed a green for five consecutive months, overall judgement score was 26 points, an increase of 2 points from last month. It is expected that short-term economic performance will keep on expanding, and economic growth for the whole year will also be better than last year.

(2). Price Index

Consumer Price Index (CPI) in December 2005 increased by 2.21% compared with last year of the same month. Average rise for the whole year was 2.30%, which was mainly due to the weather and food price that was relatively at a higher standard compared with last year. Wholesale Index of Price (WPI) was 111.54, a rise of 1.70% compare with last year same month. Average rise for the whole year was 0.60%, which was mainly due to high price of raw mineral product, agricultural products, petroleum, and coal.

(3). Monetary Supply

Annual increase rate of average M1A, M1B, and M2 in December was 6.67%, 6.56%, and 6.64% respectively, higher than last month, which was mainly due to active investment in stock market and obvious increase of inward remittance by foreign investors. Annual increase rate of adjusted M2 was 6.59%. Cumulative average annual increase rate of M1A, M1B, and M2 in December 2005 was 7.65%, 7.10%, and 6.22% respectively.

(4). Interest Rate

Maximum Interbank Call Loan Rate of the financing industry in December 2005 was 1.487% and minimum was 1.387%. Weighted average rate for the whole month was 1.407%, higher by 0.02% compared with 1.387% of last month. Maxi-

mum current rate of 30-days commercial notes in the secondary market was 1.474% and minimum was 1.38%. Weighted average rate for the whole month was 1.41%, higher by 0.03% compared with 1.38% of last month.

2. Advantageous and Disadvantage Factors of Region, Competition, and Prospectus of Business Operation

For the effective diversification of loan risk, the Bank had clearly stipulated the meaning of limited assets combination management, implementation method, and risk trend in its loan policy. The ratio of business in each region at present is matching. We hope that under the new version of the agreement structure, management method and effect will be improved in the future.

(V) Banking Product Research and Development:

1. R&D Expenditures of Major Products, Results, and New Installation of business Departments For the Past 2 Years

- (1). Establish a credit risk mode most suitable to corporate banking. As of December 2005 we have already developed and offered the Logistic regression mode of listed company. We have used the developed KMV mode of listed companies for risk warning reference. R&D expenditure was about NT\$4,400 thousand dollars.
- (2). Created an internal mode for market risk. As of December 2005, we have used the VaR (Value at Risk) generated from internal mode such as the Parametric VaR, Historical VaR, and Monte Carlo VaR in calculating the VaR of interest rate, equity securities, and foreign exchange, and created the risk measurement of financial instrument and control procedure according to this circulation sequence. R&D expenditure was about NT\$30,000 thousand dollars.
- (3). Regarding the new "Loan Me More" Project 4 and Project 5 for self-operating and corporate, we continued cooperating with advertising company in creating the name of the brand in June 2005, also controlled assets' quality and revised the SCORECARD, making the amount of new loan in 2005 to reach NT\$24.5 billion, creating a historical high, and leading in the small loan market for two consecutive years.
- (4). We have completed the RMBS of the Bank and successfully issued on December 20,2005.
- (5). Created volume credit grading system, using the grade of loan extension customer as reference for authorization approval level of loan extension and consideration for pricing strategy, and created the MIS administrative report.
- (6). Became a new member of the Factors Chain International (FCI), reinforcing the expansion of its factoring accounts.
- (7). Continue with our customized case financing service for SME by opening the "small easy-check financing" and "easy-loan service".
- (8). Coordinating with the trend in corporate e-fund flow by using the e-fund flow service system to open "Dynamic Fund Flow Service" for suppliers' chain.
- (9). Opened "Fixed Rate medium-dated loan" service.
- (10). International Rate Swap (IRS)
- (11). Cross Currency Swap (CCS)
- (12). In order to expand our market territory in Greater Taipei, we given permission by the authority on June 21, 2005 to establish the Taipei Consumer Banking Second Regional Center with staff employed on July 1.
- (13). Corporate banking organization was adjusted and set up the primary corporate banking center, SME banking center, and the overseas corporate banking center.
- (14). To upgrade the professional image of the Bank and strengthen the market competitiveness of the Bank among the trade, we have set up a "Joint Loan Team" for mobile missions.

2. Future Research and Development Plans and Estimated R&D Expenditure

R&D Item	R&D Expenditure
1. Creation of credit risk mode most suitable for corporate banking	NT\$6,600 thousand dollars
2. New SCORECARD for consumer RMBS, new default probability mode and default loss probability mode for secured and unsecured combination (for non-recycling products only).	US\$368 thousand dollars
3. Introducing IMA external verification mechanism for market risk to comply with the criteria of Basel "Quality and Quantity Standard".	NT\$10,000 thousand dollars

(VI) Long-term and Short-term Business Development Plans

1. Short-term:

- (1). Control loan risk, adjust loan structure, improve assets quality, professional review and job sharing, reinforce risk control system, and create a risk factor database.
- (2). Set up a special unit to actively promote various businesses to SME and minor enterprises, and develop scorecard according to the type of industry and business scale.
- (3). Segregate and draw up business promotion strategies according to target market, expand the scope of business, provide corporate wealth management services, and develop an integrated marketing mechanism.
- (4). Introduce risk scoring and regular review mechanism to reinforce risk control.
- (5). Take great efforts in developing transfer payment agency to increase the rate of valid cards.
- (6). Keep on holding various consumer promotional activities to increase the use of credit card and amount of consumption.
- (7). Emphasis on realty loan: 1Q shall introduce the new realty loan standardization product and realty loan life insurance in 2006.
- (8). Improve the sales organization proficiency and personnel competitiveness.
- (9). Study and application of advertising strategy and have more knowledge on related laws and regulations.
- (10). Acquisition of scoring technique and transferring experience technique.
- (11). Introduce the productivity and cost to income ratio management index to create a proper work cost mode.
- (12). Continue with the basic construction of the four major aspects, i.e., strategy, organization, product, system, and supplemented with effect of "improved service quality" to form an assets management model mechanism.
- (13). Strengthen the promotion of Trade Finance service.
- (14). Strengthen the absorption of foreign exchange deposits to have adequate foreign currency for fund demand.
- (15). Promote B2B working platform to reinforce customer's service quality.
- (16). Establish a market competitive and fair salary, remuneration, and benefits policy.
- (17). Set up a new Human Resources Information System (HRIS) and human resources access website.
- (18). Establish "Hsinchu Bank University" to officially transform the Bank into a training system for systematic learning mode.

2. Long-term:

- (1). Provide solution proposal, create professional image, and dedicated in product innovation to become a corporate financial management consultant.
- (2). Integrate closely with the various financial instruments of the Bank by creating a sound value integrated marketing platform.
- (3). Create a cardholders behavioral mode analysis platform and conduct mass marketing.
- (4). Review various costs in order to achieve maximum result at minimum cost.
- (5). Striving toward "National Top Five Fine Consumer Financing Bank".
- (6). Offer the personal professionalism and product advantage to the Rock VIP customers through the common acknowledgement and participation of colleagues, in order to bring in record with earnings and continues growth of business to customer's acknowledgement.
- (7). Coordinate with government policy by strengthening the promotion of OBU services and become the fund dispatching center of Taiwanese businessmen.
- (8). Create HRIS founded by professional ability.
- (9). Continue in developing e-Learning to lay foundation for the future knowledge management (KM) of the Bank.

II. Human Resources

(1) Number of Employees, Average Seniority, Average Age, Education Ratio, Professional Licenses Possessed, and Advance Study & Training

1. Table of Employees' Seniority and Education

Year		2004	2005	Current Year Till February 28, 2006
No. of Employees	50 Years old & above	51	58	61
	40 Years old & above	328	419	428
	30 Years old & above	1,334	1,498	1,483
	20 Years old & above	1,174	1,439	1,398
	20 Years old and under	2	0	0
	Total	2,889	3,414	3,370
Average Age		32.30	32.30	32.40
Average Seniority		6.80	6.20	6.40
Education	Doctorate	0.00%	0.00%	0.00%
	Mater	4.12%	4.51%	4.45%
	University	73.49%	75.04%	75.55%
	Senior High School	22.15%	20.30%	19.85%
	Other	0.24%	0.15%	0.15%
Title of License Possessed by Employees	Account Executive of Securities Broker	242	340	292
	Account Executive of Investment Type Insurance Produce	565	768	702
	Account Executive of Investment Trust and Investment Advisers	82	129	110
	Professional Capability Test for Accrediting Personnel in Primary Level	526	576	549
	Professional Capability Test for Accrediting Personnel in Advance Level	17	22	22
	Account Executive of Futures Broker	118	202	185
	Life Insurance Account Executive Registration Certificate	1713	1379	1296
	Professional Capability Test for Bond's Account Executive	3	7	5
	Professional Capability Test for Foreign Exchange Personnel in Primary Level	148	205	199
	Professional Capability Test for Financial Management Planner	429	549	508
	Professional Capability Test in Trust Professional Business of Account Executive in the Trust Industry	947	1,263	1,170
	Fundamental Test in Internal Control of Bank	1,481	1,762	1,653
	Senior Account Executive of Securities Broker	198	256	216
	Property Insurance Account Executive's Registration Certificate	807	980	902
	Qualification Test For Account Executive of Finance Bills Broker	5	14	13
	Account Executive for the Buy & Sell and Margin Trading of Securities	14	39	33
	Internal Auditor's Certificate	1	2	2
	Professional Capability Test of Service Personnel	7	17	15

2. Related Licenses Obtained by the Staff Related to Financial and Information Transparency Specified by the Competent Authority

Title of License	Department	Total	Total	Title of License	Department	Total	Total
Life Insurance Account Executive Registration Certificate	Treasury Dept.	5	1,296	Professional Capability test for Service Personnel	Treasury Dept.	0	15
	Accounting Dept.	0			Accounting Dept.	0	
	Auditing Office	0			Auditing Office	0	
	Other Dept.	1,291			Other Dept.	15	
Internal Auditor's Certificate	Treasury Dept.	0	2	Securities Investment Analyst	Treasury Dept.	0	1
	Accounting Dept.	0			Accounting Dept.	0	
	Auditing Office	1			Auditing Office	0	
	Other Dept.	1			Other Dept.	1	
Account Executive for the Buy & Sell and Margin Trading of Securities	Treasury Dept.	0	33	Professional capability test for Bond's Account Executive	Treasury Dept.	1	5
	Accounting Dept.	0			Accounting Dept.	0	
	Auditing Office	0			Auditing Office	0	
	Other Dept.	33			Other Dept.	4	
Account Executive of Investment Trust & Investment Advisers	Treasury Dept.	4	110	Account Executive of Securities Broker	Treasury Dept.	7	292
	Accounting Dept.	0			Accounting Dept.	2	
	Auditing Office	1			Auditing Office	1	
	Other Dept.	105			Other Dept.	282	
Account Executive of Investment Type Insurance Product	Treasury Dept.	2	702	Certified Financial Management Planning Consultant	Treasury Dept.	0	1
	Accounting Dept.	0			Accounting Dept.	0	
	Auditing Office	5			Auditing Office	0	
	Other Dept.	695			Other Dept.	1	
Professional Capability Test for Foreign Exchange Personnel in Primary Level	Treasury Dept.	6	199	Professional Test in Trust Professional Business of Account Executive in the Trust Industry	Treasury Dept.	8	1,170
	Accounting Dept.	1			Accounting Dept.	6	
	Auditing Office	6			Auditing Office	21	
	Other Dept.	186			Other Dept.	1,135	
Professional Capability Test for Accrediting Personnel in Primary Level	Treasury Dept.	1	549	Professional Capability Test for Financial Management Planner	Treasury Dept.	7	508
	Accounting Dept.	0			Accounting Dept.	4	
	Auditing Office	17			Auditing Office	11	
	Other Dept.	531			Other Dept.	486	
Professional Capability Test for Bank Personnel in Risk Management	Treasury Dept.	0	5	Professional Certificate of Financial Accountant of Listed Company	Treasury Dept.	0	2
	Accounting Dept.	0			Accounting Dept.	1	
	Auditing Office	1			Auditing Office	0	
	Other Dept.	4			Other Dept.	1	
Property Insurance Account Executive Registration Certificate	Treasury Dept.	2	902	Trust Business Seminar	Treasury Dept.	2	357
	Accounting Dept.	3			Accounting Dept.	3	
	Auditing Office	6			Auditing Office	7	
	Other Dept.	891			Other Dept.	345	
Account Executive of Futures Broker	Treasury Dept.	10	185	Professional Capability test for Accrediting Personnel in Advanced Level	Treasury Dept.	0	22
	Accounting Dept.	0			Accounting Dept.	0	
	Auditing Office	2			Auditing Office	0	
	Other Dept.	173			Other Dept.	22	
Fundamental Test in Internal Control of Bank	Treasury Dept.	9	1,653	Senior Account Executive of Securities Broker	Treasury Dept.	8	216
	Accounting Dept.	8			Accounting Dept.	0	
	Auditing Office	32			Auditing Office	3	
	Other Dept.	1,604			Other Dept.	205	

3. Table of the Advance Study and Training of Employees

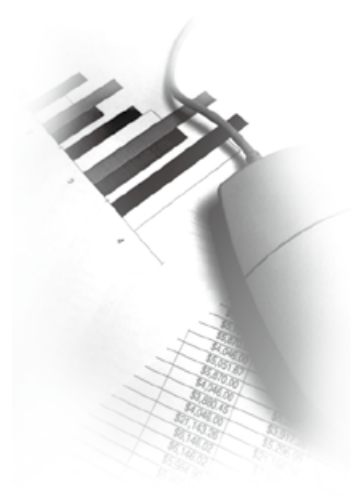
	2005	2006 (Estimated)	Difference	Rate of Increase
Total Trained Personnel	5,868	8,305	2,437	41.53%
Total Class Hours	1,518	2,268	750	49.40%
Total Classes Opened	126	198	72	57.14%
Total Days of Class	225	325	100	44.44%

4. Employees Behavior or Moral Principle Rules & Regulations:

Hsinchu International Bank has a specific rules and regulations for employees' behavior or moral principle.

III. Business Responsibility and Moral Ethics:

1. Donated musical instruments such as small electronic piano and second-hand pianos for Toashan Elementary School, Wufeng Township, Hsinchu County.
2. "Send Love to Southeast Asia" donation activity, in which the whole amount of donation was donated to the R. O. C. Red Cross for disposal.
3. Donated electronic pianos and glockenspiels to Shihlei Elementary School, Shihlei Tibe and Shimakushih Tribe in Chienshih Township, Hsinchu County. Organized the 2005 "Fountain of Life of Aborigine Tribe" charity donation activity.
4. Sponsored NT\$1 million to the Eden Foundation for the "Taiwanese-Vietnamese Children" project.
5. Organized the "Hsinchu International Commercial Bank's 4th Charity Scholarship" activity and donated NT\$3 million.
6. Donated NT\$1 million to the Pakistan earthquake disaster.
7. Donated musical instruments such as small electronic pianos and glockenspiels to Wenshui Elementary School and Meiyuan Elementary School in TaiAn township, Miaoli County.



IV. Information Equipment:

(I) Hardware & software Installation and Maintenance of Major Information Systems, and Future Development & Procurement Plan

Upgraded the existing HP Himalaya K2016 motherboard to HP NonStop Server S88016 in April 2005.

(II) Emergency Readiness and Safety Measures

1. If there is any employee casualty, system document emergency repair section should send someone to be in charge and coordinate with saving the evidence, get in contact with the insurance company, cooperate with insurance investigation, and insurance claim matters.
2. If there is any employee casualty that resulted in lawsuit, system document emergency repair section should send someone to be in charge and coordinate with the legal unit to make compromise or proceed with litigation.
3. With regards to the construction of working space in foreign places or new working space, communication emergency repair section should send someone to be in charge of getting in touch with the suppliers, spare parts contact and acquisition, software and hardware purchasing, and purchasing of actual equipment.

V. Labor-management Relations:

(I) Amount of loss caused by dispute with our labors in the last 2 years and as of February 28, 2006, and estimation of possible future loss: None

(II) Employee's Welfare Benefits, Retirement System and Implementation:

1. Employees' welfare benefits:

- (1) Employees' bonus and stock bonus.
- (2) Employees joining the "Labor Insurance", "National Health Insurance", and "Group Insurance".
- (3) Free regular physical examination.
- (4) Allocating, marriage, funeral, birth, tour, educational subsidy, bonus for the three major festivities, and club subsidy.
- (5) Organizing tour, evening party, and company anniversary activity regularly.
- (6) Employee's retirement pension deposited in the "Bank Employees' Time Deposit" to enjoy the same preferred interest rate for bank employee's savings deposits.
- (7) Exquisite retirement souvenir.
- (8) Preferred interest rate for employees' savings deposits.
- (9) Preferred interest rate for employees' loan.
- (10) Preference for employees' financial management: Free handling charge, preferred exchange rate, free transfer charges.
- (11) Preference for Hsinchu International Bank's credit card holder: Free annual fee, double cumulative points.
- (12) Presentable uniform.
- (13) Free lunch.
- (14) For employees who died on duty, aside from resignation pay, a preferable pension shall be given.

2. Retirement & Severance System:

- (1) Employee's retirement is divided into voluntary retirement and ordered retirement.
- (2) Retirement age of employee is 60 years old. Employee in the management level with excellent performance who had been reviewed by the Performance Evaluation Committee and submitted for approval by the Chairman may be extended for another year, but limited to five times only.

- (3) Standard payment of retirement pay is calculated at 2 basic points for every full year of seniority. Those whose seniority were more than 15 years, 1 basic point shall be given for every full year.
- (4) The Labor Retirement Pension Act was enforced on July 1, 2005 by adopting definite appropriation system. After its implementation, employees may choose to use the related pension regulation stipulated in the "Labor Standard Law" or use the pension system of that Act and retain the work seniority prior to that Act. With regards to the employees who choose to use that Act, employees' pension appropriation percentage borne by the Company should not be less than six percent of the monthly salary of the employee.

(III) Labor-Management Agreement: None

(IV) Protective Measures of Employee's Equity:

1. The Personnel Arbitration Committed is in charge of matters related to reward and punishment of employees and renewed discussion.
2. The Salary and Job Evaluation Committed is in charge of negotiating the matters stated in Article 2, Other Negotiating Matters Related to Wages of the Labor Law, drawing up the plan for the Bank's salary policy and salary structure, approving the year end bonus and allocation of bonus and method of allocation, approving the reward code and bonus code of the Bank, approving the scale of salary increase, and evaluating job performance.
3. The Performance Evaluation Committed is in charge of approving the employee's performance evaluation and handling performance evaluation appeal.
4. Labor-Management conference and scope of discussion: Labor development, production plan and business situation, coordinating labor-management relation, facilitate labor-management cooperative matters, labor terms, labor benefits planning, and improvement of working efficiency.

(V) Working Environment and Employees' Safety Measures:

1. It was promulgated and stipulated by the Council of Labor Affairs of the Executive Yuan as per Letter No. Lao-An-I-0940046256 dated August 18, 2005 that any bank that employes more than 500 employees should install a Labor Safety & Sanitary Administration Unit.
2. The Bank has always given great consideration to the working environment and safety measures of employees, in the hope of preventing occupational hazard to employees effectively that might result in casualty death. Aside from conducting the 2005 physical examination for all the employees of the bank in March and September 2005 in compliance with the relevant regulations stipulated in the "Labor Safety and Sanitary Act", the bank is more than active in promoting and installing a labor safety and sanitary administration unit.
3. In coordination with the related regulations of the "Labor Safety and Sanitary Act", the Bank had seek the assistance of the Industrial Safety & Sanitary Association of R. O. C. on March and September 2005, and completed the 2005 "Working Environment Determination", and improved the parts that were not yet improved in accordance with the regulation.
4. The Bank continued to commission the Industrial Safety & Sanitary Association of R. O. C. to implement working environment determination on March and September 2006 in accordance with the regulations of the "Labor Safety and Sanitary Act".



VI. Material Contracts:

Nature of Contract	Party Concerned	Contract Validity	Main Description	Restriction Clause
Cooperative	Retail Assets Dept.	Jan. 31, 2005 ~ Jan. 31, 2006	Signed an advertising agency contract with The Ogilvy Centre	-
Cooperative	Retail Assets Dept.	Apr. 1, 2005 ~ Mar. 31, 2006	Signed an advertising media procurement contract with MediaCore Co., Ltd.	-
Cooperative	Retail Assets Dept.	Jan. 13, 2004 ~ Feb. 28, 2005	Fair Isaac Expert Score Card.	-
Cooperative	Retail Assets Dept.	Mar. 4, 2005 ~ Sept. 3, 2005	Real Estate Appraisal System Development	-

VII. Application for Approval to Handle Securitization Products and Related Information in Recent Years in Accordance with the Regulation for Securitization of Financial Assets or Regulation for Securitization of Real Estate:

Please refer to page 74-76.



Fund Utilization Plans

I. Fund Utilization Plan:

1. Source of Fund: Solicited overseas unsecured convertible financial debentures for USD110,000,000 in 2004. Issued domestic permanent and accumulated subordinated debentures for a total of NT\$10 billion in 2005.
2. Fund Utilization Purpose: Used in the redemption of medium and long-term foreign currency loan due to banks, paying for future medium and long-term foreign current loan demand, reducing current risk, improving assets and liabilities structure, and to increase the Bank's BIS.

II. Fund Utilization Execution:

1. Overseas unsecured convertible financial debentures fund utilization:

Expressed in US\$1,000 : %

Plan	Execution Schedule till End of 2005			Reason for Execution Ahead of Time and Improvement Plan
Redemption of loan from banks	Expense	Estimated expense	68,300	None
		Actual expense	68,300	
	Execution Schedule	Estimated expense	100.00%	
		Actual expense	100.00%	
Pay for future medium and long term loan	Expense	Estimated expense	41,700	None
		Actual expense	41,700	
	Execution Schedule	Estimated expense	100.00%	
		Actual expense	100.00%	

2. Benefit that may arise from the fund utilization of overseas unsecured convertible financial debentures:
Acquire low interest fund required in paying for medium and long-term loan
3. Other fund utilization execution and benefit that may possibly arise:
Please refer to Page 118.

Pilot for the map of bliss





4. Financial Status

When not working at the tech company,
My favorite past time is to drive my baby 4WD and travel hills and rivers.
I am able to have such leisure time simply because I chose Hsinchu Bank.
Their mobile service is just like my beloved car — safe and reliable.

Financial Status

I. Condensed Financial Statements for the Last Five Years:

(I) Condensed Balance Sheet

Expressed in NT\$1,000

Item	Year	Financial Information of the Last Five Years				
		2005	2004	2003	2002	2001
Cash & cash equivalent, due from Central Bank of China and banks		22,844,125	25,410,244	23,803,242	28,904,151	29,417,921
Marketable bills & securities, net		75,570,440	81,280,208	52,488,956	39,143,659	25,883,860
Loans, bills discounted and purchased, net		272,227,645	253,313,957	231,125,940	220,235,780	219,840,808
Receivables, net		12,581,116	11,138,392	10,733,027	8,716,886	4,657,608
Long-term Investments, net		6,027,855	7,953,664	1,424,164	1,166,963	1,226,217
Fixed assets, net		7,426,859	6,994,117	6,650,268	6,315,340	6,029,157
Other assets, net		5,324,466	6,910,632	6,933,541	7,277,922	6,946,151
Due to Central Bank of China and banks		3,720,719	870,663	3,360,596	79,005	156,561
Customer deposits and remittances payable		331,994,137	334,105,007	296,542,718	280,881,881	270,829,063
Financing/borrowings from Central Bank of China and banks		22,106,250	16,033,834	8,681,030	8,347,530	-
Other liabilities		16,658,844	16,801,225	1,189,867	832,685	776,612
Stock capital		15,745,358	14,236,161	12,901,110	12,901,110	12,665,348
Capital reserve	Before distribution	390,220	196,026	206,798	229,394	225,813
	After distribution	Note	196,026	206,798	206,574	225,813
Retained earnings	Before distribution	5,554,398	4,578,056	3,193,137	650,434	4,403,628
	After distribution	Note	2,363,542	1,770,438	673,254	4,167,866
Other Stockholders' Equity		(12)	-	(228,875)	(424,783)	(418,861)
Total assets		402,069,296	393,063,368	333,298,597	311,806,967	294,035,250
Total liabilities	Before distribution	380,379,332	374,053,125	317,226,427	298,450,812	277,159,322
	After distribution	Note	374,758,442	317,314,075	298,450,812	277,159,322
Total Shareholders' Equity	Before distribution	21,689,964	19,010,243	16,072,170	13,356,155	16,875,928
	After distribution	Note	18,304,926	15,984,522	13,356,155	16,875,928

Note: Shareholders' Meeting was not convened yet.

(II) Condensed Statement of Income

Expressed in NT\$1,000

Item	Year	Financial Information of the Last Five Years					Current Year Till February 28, 2006 (Note)
		2005	2004	2003	2002	2001	
Operating Income		17,231,967	14,208,852	14,132,747	15,401,628	17,327,657	2,952,996
Operating Expense		13,903,839	11,355,802	11,659,772	19,181,246	17,058,699	2,880,044
Operating (Loss) Profit		3,328,128	2,853,050	2,472,975	(3,779,618)	268,958	72,952
Non-operating Profit or Loss		15,432	160,744	58,563	117,270	154,218	153,765
Net Income (Loss) before tax		3,343,560	3,013,794	2,531,538	(3,662,348)	423,176	226,717
Net Income (Loss) after tax		3,190,856	2,807,618	2,519,883	(3,517,432)	368,191	276,315
Earnings per share (NT\$)	Before adjustment	2.03	1.99	2.04	(2.91)	0.30	0.18
	After adjustment	-	1.80	1.66	(2.36)	0.24	-

Note: Financial information of the current year till February 28, 2006 was un-audited.

(III) Accountant's Information**I. Profession Charges Information:**

(I) Professional charges paid to CPA, CPA's office, and non-auditing charges of its affiliated company occupying more than 25% of the charges ratio:

Name of Office	CPA		Auditing Charge (Expressed in NT\$1,000)	Non-auditing charge (Expressed in NT\$1,000)					Does the auditing period made by the CPA includes the whole accounting year			Remark (Expressed in NT\$1,000)
				System Design	Industrial registration	Human Resources	Other	Subtotal	Yes	No	Auditing Period	
Diwan, Ernst & Young	Irene Juanlu	Josh Chen	5,070	0	100	0	0	100	V			

(II) Change of accounting office and auditing charge paid during the change of auditing charges paid for the fiscal year was less than last year: Did not change the accounting office, so no disclosure is necessary.

(III) Auditing charges less than 15% and more compared from last year: None.

II. Change of CPA Information During the Past Two Years and Afterward:

2005: None

2004: CPAs Roger Ho and Irene Juanlu who were the accountants of Diwan, Ernst & Young CPA Co. were in charge of auditing and certifying the financial reports of Hsinchu International Bank. In coordination with the readjustment of our internal organization, Irene Juanlu and Josh Chen were the CPAs in charge of the auditing and certification of the 2004 Financial Report.

II. Financial Analysis of the Past Five Years:

Year		Financial Analysis of the Past Five Years					Current Year Till Feb 28,2006 (un-audited)
		2005	2004	2003	2002	2001	
Analyzed Item(Note 3)							
Operating Ability	Loans to Deposits Ratio (%)	82.88	76.82	79.12	79.40	82.04	84.14
	Overdue Ratio (%) (The Key Point Index)	2.46	2.63	4.39	4.46	7.92	3.75
	Interest Expense to Annual Average Deposits Balance (%)	1.42	1.23	1.49	2.36	4.14	0.26
	Interest Revenue to Annual Average Loans Balance (%)	4.44	4.25	4.42	6.13	7.43	0.77
	Total Assets Turnover (Times)	0.04	0.04	0.04	0.05	0.06	0.01
	Average Operating Income Per Employee (Thousand NT\$)	5,381.63	5,408.78	6,619.55	7,857.97	8,493.95	876.26
	Average Profit Per Employee (Thousand NT\$)	996.52	1,068.75	1,180.27	(1,794.61)	180.49	81.99
Profitability	Return on Tier I Capital(%)	4.17	4.34	4.36	(6.12)	0.63	-
	Return on Total Assets(%)	0.80	0.77	0.78	(1.16)	0.13	0.06
	Return on Shareholders' Equity(%)	15.68	16.01	17.13	(23.27)	2.19	1.26
	Profit Margin(%)	18.52	19.76	17.83	(22.87)	2.12	9.36
	Retroactive Earnings per share (NTD)	2.03	1.99	2.04	(2.91)	0.30	0.18
Growth Ratio	Assets Growth (%)	2.29	17.93	6.89	6.04	8.67	23.77
	Profit Growth (%)	10.94	19.05	(169.12)	(965.44)	2,896.15	(93.22)
Current Reserve Ratio (%)		17.46	19.98	16.06	15.83	12.97	17.23

BIS	Total Tier I Capital (Thousand NT\$)	21,308,663	18,823,111	15,871,885	13,155,871	16,741,317	-
	Equity Capital, net (Thousand NT\$)	31,795,973	21,219,538	20,590,024	19,766,904	16,916,486	-
	Total Risk Assets (Thousand NT\$)	265,474,427	236,605,497	215,737,312	200,558,060	193,644,719	-
	BIS Ratio (%) (The Key Point Index)	11.98%	8.97%	9.54%	9.86%	8.74%	-
	Tier I Capital to Risk Assets Ratio (%)	8.03%	7.96%	7.36%	6.56%	8.65%	-
	Tier II Capital to Risk Assets Ratio (%)	4.66%	1.69%	2.82%	3.84%	0.60%	-
	Tier III Capital to Risk Assets Ratio (%)	0.00%	0.00%	0.00%	0.00%	0.08%	-
	Common Stock Equity to Total Assets Ratio (%)	5.39%	4.84%	4.82%	4.28%	5.74%	-
Total Relationship Collateral Loan (Thousand NT\$)		2,284,402	3,282,044	1,897,818	2,059,134	2,132,385	2,261,948
Total Relationship Collateral Loan to Total Loan Ratio (%)		0.80	1.24	0.77	0.88	0.93	0.79
Operating Scale	Assets Market Share(%)	1.09	1.11	1.01	1.01	0.96	-
	Net Worth Market Share (%)	1.05	0.97	0.89	0.76	0.86	-
	Deposits Market Share (%)	1.39	1.48	1.40	1.40	1.37	-
	Loans Market Share (%)	1.58	1.59	1.60	1.59	1.55	-

Explain the cause of changes in the various financial ratio in the past 2 years. (Analysis not required if the increase/decrease of changes is less than 20%)

(1) Asset growth in 2005 was less than 87.23% compared with 2004, which was mainly due to the increase in long-term investment at the end of 2004, and purchase of NT\$6,220,951,000 government bonds for re-purchase operation.

(2) Profit growth in 2005 was less than 42.57% compared with 2004, which was mainly due to the increase in recovering overdue account and disposal of fixed assets at the end of 2004.

Note 1: All the financial institutions that are allowed to engage in deposits and loans business including domestic banks, branches of foreign banks in Taiwan, credit cooperative banks, credit department of agricultural & fisheries association banks, and trust & investments companies.

Note 2: Information of all the financial institutions engaged in deposits and loans business provided by the Status Data of the Financial Supervisory Commission, R. O. C..

Note 3: Calculation methods of analyzed items are as follows:

1. Operating Ability

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

(2) Overdue Ratio = Overdue Total Loan/ Total Loan

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

(4) Interest Revenue to Annual Average Loans Balance= Total Interest Revenue/Average Annual Loans Balance

(5) Total Assets Turnover =Operating profit, net/Total Assets

(6) Average Operating Income Per Employee = Average Operating Income/Total Employees

(7) Average Profit Per Employee = Net Income After Tax/Total Employees

2. Profitability

- (1) Return on Tier I Capital = Net Income or Loss Before Tax/Average Total Tier I Capital
- (2) Return on Total Assets = Net Income or Loss After Tax/Average Total Assets
- (3) Return on Shareholders' Equity = Net Income or Loss After Tax/Average Shareholders' Equity
- (4) Profit Margin = Net Income or Loss After Tax/Net Operating Profit
- (5) Earnings per share=(Net Income After Tax and Preferred Stock's Dividend)/Weighted Average Number of Shares Outstanding

3. Growth Ratio

- (1) Assets Growth = (Current Total Assets-Last Year's Total Assets)/Last Year's Total Assets
- (2) Profit Growth = (Current Net Income or Loss Before Tax-Last Year's Net Income or Loss Before Tax)/Last Year's Net Income or Loss Before Tax.

4. Current Reserve Ratio = Current Assets Stipulated by the Central Bank of China/Various Liabilities Appropriated as Current Reserve.

5. BIS

- (1) Equity Capital = Tier I Capital+Tier II Capital+Tier III Capital – Capital Deductions
- (2) Total Risk Assets = Credit Risk Weighted Risky Assets+Capital Estimated Appropriation of Market Risk × 12.5
- (3) BIS Ratio = Equity Capital /Total Risk Assets
- (4) Tier I Capital to Risk Assets Ratio=Tier I Capital/Total Risk Assets
- (5) Tier II Capital to Risk Assets Ratio =Tier II Capital/Total Risk Assets
- (6) Tier III Capital to Risk Assets Ratio =Tier III Capital/Total Risk Assets
- (7) Common Stock Equity to Total Assets Ratio = Common Stock Equity/Total Assets

6. Operating Scale

- (1) Assets Market Share = Total Assets/Total Assets of all the financial institutions allowed to engaged in deposits and loans
- (2) Net Worth Market Share = Net Worth /Total Net Worth of all the financial institutions allowed to engaged in deposits and loans
- (3) Deposits Market Share= Total Deposits /All the financial institutions allowed to engaged in deposits and loans
- (4) Loan Market Share=Total Loan /All the financial institutions allowed to engaged in deposits and loans

III. Supervisor's Report on Financial Statements for Recent Year:

Supervisor's Report

To: The 2006 Shareholders' Meeting

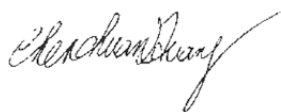
The Board of Directors have complied and submitted the Bank's 2005 financial statements (including Balance Sheets, Profit and Loss Statements (Statements of Income), Statements of Changes in Shareholders' Equity, and statements of Cash Flows (including consolidated financial reports)), audited by Diwan, Ernst & Young; and business report and statements of distribution of retain earnings. We are satisfied that they have been correctly complied from the books and accounts of the Bank at the date therefore according to Company Law in R. O. C. Article 219.

Executive Supervisor : Trans-Asia Investments Corp.

Representative: Chuan-Feng Chenz



Supervisor: Chen-Chuan Huang



Kuen Tai Investments Corp.

Representative: Yu-Ling Chen



April 25, 2006



IV. Financial Report for Recent Year:

Independent Auditors' Report

Hsinchu International Bank Co., Ltd.:

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

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

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial positions of the Bank as of December 31, 2005 & 2004, and the results of its operations and its cash flows for the years then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Public Banks" and generally accepted accounting principles in the Republic of China

We have also audited the consolidated financial statements of Hsinchu International Bank Co., Ltd. as of and for the year ended December 31, 2005 and have expressed an unqualified audit report on such consolidated financial statements.

Diwan, Ernst & Young

Diwan, Ernst & Young

February 13, 2006

Taipei, Taiwan

Republic of China

The above auditors' report and the following financial statements are English translations of the Chinese auditors' report and financial statements prepared for and used in the Republic of China. The accompanying financial statements were prepared using accounting principles, procedures and reporting practices generally accepted in the Republic of China and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in the Republic of China. The standards, procedures and practices utilized to audit such financial statements are those generally accepted and applied in the Republic of China

HSINCHU INTERNATIONAL BANK CO., LTD.
STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

	<u>2005</u>	<u>2004</u>		
Operating revenues:				
Interest income (Notes 18 and 20)	NT\$ 11,817,660	NT\$ 10,443,039		
Fee and commission income (Note 20)	2,766,080	2,095,184		
Securities brokerage income	159,678	223,665		
Gain on trading marketable securities, net (Note 18)	501,507	-		
Investment income recognized by equity method (Note 7)	352,757	270,553		
Exchange gain, net (Note 20)	171,850	138,221		
Other operating revenue (Notes 7 and 20)	<u>1,462,435</u>	<u>1,038,190</u>		
Total operating revenues	<u>17,231,967</u>	<u>14,208,852</u>		
Operating expenses:				
Interest expense (Notes 18 and 20)	4,744,933	3,893,645		
Fee and commission expense	254,538	183,073		
Charges on securities brokerage	10,451	13,885		
Loss on trading marketable securities, net (Note 18)	-	87,495		
Provision for loan and other losses (Note 20)	2,936,396	2,380,232		
General and administrative expense (Notes 13, 15 and 18)	5,410,917	4,486,745		
Other operating expense (Note 7)	<u>564,604</u>	<u>310,727</u>		
Total operating expenses	<u>13,903,839</u>	<u>11,355,802</u>		
Operating profit	<u>3,328,128</u>	<u>2,853,050</u>		
Non-operating incomes (expenses):				
Rental income	94,109	93,327		
Gain on disposal of fixed assets (Notes 8 and 18)	21,815	55,118		
Loss on disposal of fixed assets (Notes 8 and 18)	(17,080)	(6,595)		
Impairment losses (Notes 3 and 9)	(10,830)	-		
Other income (expense), net	<u>(72,582)</u>	<u>18,894</u>		
Income before income taxes	<u>3,343,560</u>	<u>3,013,794</u>		
Provision for income taxes (Note 16)	<u>152,704</u>	<u>206,176</u>		
Net income	NT\$ <u><u>3,190,856</u></u>	NT\$ <u><u>2,807,618</u></u>		
Earnings per common share as reported (Note 17)	<u>Before taxes</u>	<u>After taxes</u>	<u>Before taxes</u>	<u>After taxes</u>
Calculated base on the current period weighted average number of shares.	NT\$ <u><u>2.12</u></u>	NT\$ <u><u>2.03</u></u>	NT\$ <u><u>2.14</u></u>	NT\$ <u><u>1.99</u></u>
Calculated based on the weighted average number of shares after taking the effect of transfer the retained earnings into the capital.			NT\$ <u><u>1.93</u></u>	NT\$ <u><u>1.80</u></u>

See accompanying notes to the financial statements



HSINCHU INTERNATIONAL BANK CO., LTD.
BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

(Expressed in Thousands of New Taiwan Dollars)

	Dec. 31, 2005	Dec. 31, 2004
ASSETS		
Cash and cash equivalents (Note 4)	NT\$ 8,587,765	NT\$ 7,033,866
Due from banks and Central Bank of China (Note 4)	14,256,360	18,376,378
Marketable securities, net (Notes 5 and 18)	75,570,440	81,280,208
Receivables, net (Notes 16 and 20)	12,581,116	11,138,392
Prepayments and others	66,790	62,154
Loans, bills discounted and purchased, net (Notes 6, 18 and 20)	272,227,645	253,313,957
Long-term investments (Note 7)		
Equity investment		
Equity investment under equity method	1,316,036	967,264
Equity investment under cost method	562,537	640,661
	1,878,573	1,607,925
Debt investment	2,348,491	6,345,739
Others long-term investments	1,800,791	-
	6,027,855	7,953,664
Fixed assets, net (Notes 8, 18 and 19)		
Land	2,857,287	2,825,647
Buildings	2,937,052	2,948,680
Computer and other office equipment	3,894,286	3,184,841
Revaluation increment	516,273	516,273
	10,204,898	9,475,441
Less: accumulated depreciation	(2,965,154)	(2,642,950)
Construction in progress and prepayments for premises and equipment	187,115	161,626
	7,426,859	6,994,117
Other assets, net (Notes 8, 9, 13, 16 and 18)	5,324,466	6,910,632
TOTAL ASSETS	NT\$ 402,069,296	NT\$ 393,063,368

See accompanying notes to the financial statements

	Dec. 31, 2005	Dec. 31, 2004
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Due to banks and Central Bank of China	NT\$ 3,720,719	NT\$ 870,663
Payables (Note 20)	4,631,653	5,331,908
Receipts in advance and others	1,267,729	910,488
Customer deposits and remittances payable (Notes 10 and 18)	331,994,137	334,105,007
Financing/ Borrowings from Central Bank of China and banks	492,750	4,523,184
Bonds payable (Note 11)	21,613,500	11,510,650
Other liabilities (Notes 8, 12 and 18)	16,658,844	16,801,225
Total liabilities	<u>380,379,332</u>	<u>374,053,125</u>
Shareholders' equity (Note 14):		
Common stock	<u>15,745,358</u>	<u>14,236,161</u>
Capital surplus		
Revaluation increment on property and equipment	381,303	187,132
Gains on disposal of treasury stock	8,024	8,024
Others capital surplus	893	870
	<u>390,220</u>	<u>196,026</u>
Reserves		
Statutory reserve	2,271,184	1,428,899
Special reserve	320	320
Retained earnings	<u>3,282,894</u>	<u>3,148,837</u>
	<u>5,554,398</u>	<u>4,578,056</u>
Other adjustment		
Cumulative translation adjustments	<u>(12)</u>	-
	<u>(12)</u>	-
Total shareholders' equity	<u>21,689,964</u>	<u>19,010,243</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	NT\$ <u><u>402,069,296</u></u>	NT\$ <u><u>393,063,368</u></u>

HSINCHU INTERNATIONAL BANK CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Expressed in Thousands of New Taiwan Dollars)

	Capital surplus			
	Common stock	Revaluation increment on property and equipment	Gains on disposal of treasury stock	Other capital surplus
Balance as of January 1, 2004	NT\$ 12,901,110	NT\$ 200,285	NT\$ 6,513	NT\$ -
Appropriation of retained earnings:				
Statutory reserve	-	-	-	-
Stock dividends	1,335,051	-	-	-
Directors and supervisors' remuneration	-	-	-	-
Employee cash dividends	-	-	-	-
Revaluation increment on property and equipment transferred to gains on disposal of fixed assets	-	(13,153)	-	-
Net income for year 2004	-	-	-	-
Disposal of treasury stock	-	-	1,264	-
Disposal of treasury stock by subsidiary	-	-	247	-
Dividends payable transferred to capital surplus	-	-	-	406
Capital surplus of subsidiary by equity method	-	-	-	464
Balance as of December 31, 2004	<u>14,236,161</u>	<u>187,132</u>	<u>8,024</u>	<u>870</u>
Appropriation of retained earnings:				
Statutory reserve	-	-	-	-
Stock dividends	1,509,197	-	-	-
Cash dividends	-	-	-	-
Directors and supervisors' remuneration	-	-	-	-
Employee cash dividends	-	-	-	-
Revaluation increment on property and equipment transferred to gains on disposal of fixed assets	-	(13,983)	-	-
Capital surplus and cumulative translation adjustment of subsidiary by equity method	-	-	-	23
Reserve for land revaluation increment taxes transferred to capital surplus	-	208,154	-	-
Net income for year 2005	-	-	-	-
Balance as of December 31, 2005	<u>NT\$ 15,745,358</u>	<u>NT\$ 381,303</u>	<u>NT\$ 8,024</u>	<u>NT\$ 893</u>

See accompanying notes to the financial statements.

Reservest			Other adjustment			
Statutory reserve	Special reserve	Retained earnings (Accumulated losses)	Cumulative translation adjustments	Treasury stock	Total shareholders' equity	
NT\$ 672,934	NT\$ 320	NT\$ 2,519,883	NT\$ -	NT\$ (228,875)	NT\$ 16,072,170	
755,965	-	(755,965)	-	-	-	
-	-	(1,335,051)	-	-	-	
-	-	(71,135)	-	-	(71,135)	
-	-	(16,513)	-	-	(16,513)	
-	-	-	-	-	(13,153)	
-	-	2,807,618	-	-	2,807,618	
-	-	-	-	228,817	230,081	
-	-	-	-	58	305	
-	-	-	-	-	406	
-	-	-	-	-	464	
<u>1,428,899</u>	<u>320</u>	<u>3,148,837</u>	<u>-</u>	<u>-</u>	<u>19,010,243</u>	
842,285	-	(842,285)	-	-	-	
-	-	(1,509,197)	-	-	-	
-	-	(569,447)	-	-	(569,447)	
-	-	(110,725)	-	-	(110,725)	
-	-	(25,145)	-	-	(25,145)	
-	-	-	-	-	(13,983)	
-	-	-	(12)	-	11	
-	-	-	-	-	208,154	
-	-	<u>3,190,856</u>	<u>-</u>	<u>-</u>	<u>3,190,856</u>	
NT\$ <u>2,271,184</u>	NT\$ <u>320</u>	NT\$ <u>3,282,894</u>	NT\$ <u>(12)</u>	NT\$ <u>-</u>	NT\$ <u>21,689,964</u>	



HSINCHU INTERNATIONAL BANK CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(Expressed in Thousands of New Taiwan Dollars)

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net income	NT\$ 3,190,856	NT\$ 2,807,618
Adjustments to reconcile net income to cash flows from (used in) operating activities:		
Depreciation and amortization	487,039	414,352
Amortization for bond issuing cost	10,101	6,428
Amortization for discount and premium on long-term debt investment	13,900	11,259
Provision for loan and other losses	2,882,651	2,373,734
Provision for other reserves	53,745	6,498
Reserve for loss on trading securities transferred to non-operating income	-	(200,000)
Provision for decline in market value of pledged properties taken over	94,777	222,850
Impairment loss	10,830	-
Investment income recognized by equity method	(352,757)	(270,553)
Receipts of cash dividends on equity method	3,997	8,400
Gain on disposal of long-term investment	(450,240)	(28,218)
Investment loss from invested company resolved to decrease its capital	32,936	-
Gain on disposal and sale of fixed assets	(4,735)	(48,523)
Loss on sale of pledged properties taken over	357,267	47,624
Changes in assets and liabilities provided (used) cash:		
Receivables	(2,019,860)	(2,495,850)
Acceptances receivable	(92,780)	711,709
Receivable on forward contracts for trading purposes	172	7,198
Prepayments and others	(4,636)	77,305
Deferred tax assets, net	9,061	120,039
Payables	(302,446)	484,635
Payable on forward contracts for trading purposes	(47,975)	59,172
Collection for customers	33,646	23,938
Acceptances	62,010	(648,914)
Advance receipts and others	357,241	320,855
Net cash flows from operating activities	<u>4,324,800</u>	<u>4,011,556</u>

(Continued)

	2005	2004
Cash flows from investing activities:		
(Increase) decrease in due from Central Bank of China and banks	NT\$ 4,120,018	NT\$ (643,824)
(Increase) decrease in marketable securities	5,709,768	(17,911,108)
Increase in loans, bills discounted and purchased	(23,453,262)	(24,512,081)
(Increase) decrease in long-term investments	91,938	(1,150,681)
Proceeds from sale of long-term investment	4,360,869	38,242
Proceeds from invested company resolved to decrease its capital	25,968	22,674
Purchase of fixed assets	(840,326)	(576,058)
Purchase of pledged properties taken over	(223)	(58)
Proceeds from sales of fixed assets and pledged properties taken over	1,072,020	669,377
(Increase) decrease in receivable on non-trading purpose forward contracts	85,351	(109,483)
Decrease in payable for non-trading purpose forward contracts	(5,385)	(17,709)
(Increase) decrease in guarantee deposits	36,180	(1,090,687)
Increase in other assets	(93,056)	(114,884)
Net cash flows used in investing activities	<u>(8,890,140)</u>	<u>(45,396,280)</u>
Cash flows from financing activities:		
Increase (decrease) in customer deposits and remittances payable	(2,110,870)	37,562,289
Increase (decrease) in due to banks and Central Bank of China	2,850,056	(2,489,933)
Increase (decrease) from Central Bank of China and banks	(4,030,434)	3,842,154
Decrease in guarantee deposits received	(26,274)	(246,963)
Issuance of convertible bonds	10,000,000	3,510,650
Increase in bonds and short-term bills sold under repurchase agreements	66,081	-
Increase (decrease) in other liabilities	(27,272)	27,272
Payment of cash dividends	(569,447)	-
Payment of employee cash dividends and directors and supervisors' remuneration	(135,870)	(87,648)
Disposition of treasury stock	-	230,081
Net cash flows from financing activities	<u>6,015,970</u>	<u>42,347,902</u>
Effect of currency exchange	103,269	-
Net increase in cash and cash equivalents	1,553,899	963,178
Cash and cash equivalents, beginning of year	7,033,866	6,070,688
Cash and cash equivalents, end of year	NT\$ <u>8,587,765</u>	NT\$ <u>7,033,866</u>
Supplemental information on cash flows:		
Income taxes paid	NT\$ <u>152,556</u>	NT\$ <u>115,948</u>
Other investing and financing activities not affecting cash:		
Reserve for land revaluation and capital surplus transferred to gain on sale of fixed assets	NT\$ <u>14,294</u>	NT\$ <u>27,529</u>
Dividends payable transferred to capital surplus.	NT\$ <u>-</u>	NT\$ <u>406</u>
Loans, bills discounted and purchased transferred to long-term investments	NT\$ <u>1,800,791</u>	NT\$ <u>-</u>

(Concluded)



HSINCHU INTERNATIONAL BANK CO., LTD. NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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

1. ORGANIZATION AND BUSINESS SCOPE

Hsinchu International Bank Co., Ltd. (the Bank) was founded in 1948. The Bank's business activities were those of a medium size business bank as regulated by the Banking Law and Securities Brokerage Regulations. Pursuant to an approval granted by the Securities and Futures Commission (SFC), the Bank's shares have been publicly listed since 1983. The SFC had changed to the Securities and Futures Bureau (SFB) from July 1, 2004.

Pursuant to approvals granted by the Ministry of Finance (MOF), the Bank established a Trust Department in 1989, and an International Business Department in 1993. From year 1989, the Bank started security trading business and from year 1993, the Bank started security broker business, both approved by SEC. In 1995, the Bank established its Offshore Banking Unit (OBU) and Taipei Branch. The Bank was approved by the MOF to operate as a commercial bank and changed its name to Hsinchu International Bank Co., Ltd. on April 20, 1999. Additionally, the Bank's operations have been expanded to business activities of commercial bank defined by the MOF.

As of December 31, 2005 and 2004, the Bank had employees amounted to 3,414 and 2,889 persons, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation of financial statements

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

(2) Use of estimates

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

(3) Cash and Cash equivalents

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

(4) Marketable securities

Marketable securities are stated at the lower of cost or fair market value. The fair market value is determined by the average closing price of the last month of the accounting period. Unlisted securities' equivalent market price is the latest settlement price at the end of the period. However, the market value of open-ended mutual funds is measured by the net asset value of the mutual fund on the balance sheet date. On disposition, cost is calculated based on the moving-average method.

(5) Loans, non-accrual loans, and interest revenue

Loans are recorded at the amounts of principal outstanding. Interest income is recognized on an accrual basis except for interest on non-performing loans. All non-performing loans under which there is no principal payment after the lapse of six full months or the properties for mortgage are executed shall be transferred to non-accrual loans account item after the six months payment period or after the disposal day of the collateral. However, accrued interest shall continue to be posted to the interest column of the non-accrual loans account for each borrower, or a notation of such shall be made. Interest shall not be accrued to non-performing loans that are transferred to non-accrual loans account item. Any unpaid interest due on a non-performing loan prior to its transfer to a non-accrual loan shall be transferred to the non-accrual loans item together with principal. When there is postponement or modification of the credit terms for the debtors, the Bank agrees to receive partial interests and the rest of interests are stopped accruing.

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

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

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

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

- 1) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- 2) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect [from the debtor(s)] where there is no financial benefit in execution.
- 3) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank taking possession of such collateral.
- 4) More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.

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

With regard to the write-off of non-performing

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

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

(7) Long-term investments

Long-term equity investments

Long-term investments in equity securities traded in the open market that represent less than 20% of the investee's common stocks with voting rights, and where the Bank and its subsidiaries together do not have significant influence over the investee, are stated at the lower of cost or market value. Unrealized loss then is recorded as a reduction in shareholder's equity. Long-term investments in equity securities not traded in the open market are stated at cost.

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

When the Bank holds 20% or more of an investee company's stock with voting rights, or when the Bank has significant influence over the investee's operation and financial policies, the investments are accounted for under the equity method. The difference between the cost of investment and the amount of underlying equity in net asset of an investee is amortized using the straight-line method over five years, and recognized as investment gain or loss.

When the Bank has significant influence over its investee companies, the investee company is treated as the subsidiaries. The financial statements of these subsidiaries should be included in the consolidated financial statement at the end of the accounting period.

For investments accounted under equity method, any difference between the costs and the net assets of the invested company multiplied by the percentage of stocks owned by the investor should be amortized



over five years evenly and listed as investment income or loss.

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

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

Long-term debt investments

Long-term debt investments are stated at acquisition cost, and the valuation of unamortized premium or discount is adjusted based on the par value.

Retain interests of financial asset Securitization

Under the Regulations for Financial Asset Securitization, the Bank entrusted all the related rights and obligations of its land and buildings mortgage loan to the trustee for issuance of the related beneficiary certificates. Thus, the Bank had lost the right and control on the entrustment of these loans, which were removed from the Bank's accounts, and recognized gains on this securitization, except for subordinated seller certificates for credit enhancement, which were reclassified as other long-term investments.

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

The subordinated seller certificates, shown as other long-term investments, are evaluated at the present value of future cash flows on the balance sheet date, because they have no quoted market prices. The resulting losses are recorded as reducing interest income and the resulting gains are not recorded. Interest income is recorded when received.

(8) Fixed assets and depreciation

Fixed assets are stated at acquisition cost or reappraised value. Major renewals, improvements and additions are treated as capital expenditures. After adopting the R.O.C. Statement of Financial Accounting Standards(" SFAS") No. 35," Accounting for Asset Impairment", the net book value of fixed assets are stated the cost not only less accumulated depreciation but accumulated impairment.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets : Build-

ings are from five to sixty years; computer, office equipment and other equipment are from three to five years. Fixed assets that are still in use after the estimated useful life, are depreciated based on the residual value. Gains or losses on the disposal of property and equipment are recorded as non-operating income or expense.

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

(9) Collaterals and residuals taken over

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

(10) Convertible bonds

Due to the inseparability of the conversion option and debt elements of the convertible bonds, the issuer should record total proceeds received for the issuance of the convertible bond solely as a liability. The direct and necessary costs of issuing convertible bond should be recorded as deferred expenses. The costs should be amortized by using the straight-line method over the period from issuance to maturity or the period from the issuance date to the expiry date, which ever is shorter, and recognized as issuing expenses.

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

(11) Reserves

Employee retirement and severance benefits

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

The Bank has adopted the R.O.C. Labor Standards Laws on May 1, 1997 and set up "Supervisory Com-

mittee of Retirement Fund" and informed the social authority. The Bank has made the monthly deposits to the fund in Central Trust of China since July 1998. The measurement date of the Bank's pension plan was established on the balance sheet date. The Bank accrues pension cost and minimum pension liability when the accumulated benefit obligation exceeds the fair value of the fund assets. Prior service cost and gains or losses on pension plan assets are amortized over the remaining service period. Under the defined contribution scheme, the Bank monthly deposit the pension to each employee's individual pension accounts on the accrual basis and recognized as current expenses.

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

Reserve for losses on trading securities

According to "Rules Governing Securities Firms", the provision equal to 10% of the monthly net trading gains is made as a reserve for losses on default until such reserve reaches NT\$200 million. Such reserve can only be used to offset default losses or other purposes as approved and as deemed appropriate by the SFB.

Reserve for losses on default in securities brokerage

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

Reserve for losses on guarantee

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

(12) Derivatives

Forward foreign exchange contracts

When the Bank entered into forward foreign exchange contracts for trading purposes, the Bank will record a receivable and a corresponding payable based on the contracted foreign exchange amount at the contracted forward rate. At each financial reporting date, the Bank will adjust the receivable amount based on the spot rate and recognized the differences as gains or losses in the statement of income and expenditure. Upon settlement, gains

or losses resulting from the difference between the foreign exchange amount at the spot rate and the carrying amount of the receivable are credited or charged to statement of income. In addition, for financial presentation purposes, balances of these receivable and payable are netted.

For forward foreign exchange contracts undertaken for hedging purposes, the difference between the spot rate and the contracted forward rate is recorded as an adjustment to the exchange gain and loss resulted from those hedged foreign currency denominated assets and liabilities.

Cross-currency swap

For cross-currency swap contracts undertaken for trading purposes, the amounts to be exchanged on settlement dates are recorded at the rates prevailing on the date of contract. Interest income or expenses arise during the contract period are recognized as exchange gains or losses in the statement of income.

For contracts undertaken for non-trading purposes, amounts to be exchanged on settlement dates are recorded at the contracted forward rate. Interest income or expenses arise during the contract period are recognized as an adjustment to the income or expense of the hedged items.

Options

For option contracts, the premium collected from put options is recognized as advance receipts and the premium paid for call options is recognized as prepaid expenses. The values of the option contracts are evaluated every month according to the market prices, and the differences are recognized as unrealized revenues or expenses. Unrealized revenues or expenses will be reversed in the beginning of the next month and realized when the contracts are settled. The gains or losses resulting from settlement are recognized in the current period.

Non-delivery deposit forward contracts

Given that there is no physical transfer of principal in non-delivery forward transactions, only memorandum entries of nominal amount are recorded on contracting date. Upon maturity of a contract, gains or losses resulting from the difference in exchange rate applied on maturity date are credited or charged to the current period. On the balance sheet date, differences resulting from exchange rate adjustments of uncleared positions with respect to the time remaining are recognized as current exchange gains or losses.

Interest rate swap contracts of assets

Interest rate swap contracts of assets for non-trading purpose are based on the convertible bonds. During the bonds period, par fixed rate and compensation interest on maturity are exchanged with the counter



parties for floating rate and fixed rate. The Bank adjusted the interest difference for the above transaction both on settlement date and balance sheet date.

Interest rate swaps

Interest rate swaps involve no exchange of principal either at the beginning of contract or maturity; rather, they involve the periodic exchange of interest payments, between the floating and the fixed interest rates, arising from an underlying notional principal amount. At the beginning of the transaction, interest rate swaps contracts are only recorded as memorandum entries. For trading interest rate swaps, the interest received or paid on each settlement is recognized as interest income or expense in the current period. The non-trading interest rate swaps are evaluated at the fair value at the balance sheet date, and resulting gains or losses are credited or charged to current income.

(13) Foreign currency transactions

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

- 1) The cumulative translation effects for long-term equity investments using functional currencies other than the New Taiwan dollars are included in the cumulative translation adjustment in the shareholders' equity;
- 2) The cumulative translation effects for other investments are included in the cumulative translation adjustments in the shareholders' equity if restated New Taiwan dollar amounts are lower than the carrying amount. Otherwise, no adjustment is made;
- 3) Other assets and liabilities - credited or charged to current income.

(14) Treasury stock

According to "Regulations Governing Share Repurchase by Listed and OTC Companies", the Bank claims that the treasury stock will be transferred to employees. The cost is determined by the average method and is recorded as "treasury stock", which is the deduction of shareholders' equity. When transferring the treasury stock, if the transferring price is higher than the book value, the difference is credited to the account "capital surplus- gains on disposal of treasury stock"; if lower than the book value, the difference is debited to the same account; if higher than the book value, debited to "retained earnings."

(15) Income taxes

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

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

Effective in year 1998, any tax-adjusted retained earnings, which have not been distributed in the next year, should be subject to an additional tax of 10% under the Integrated Income Tax System. The tax levied should be listed as income tax expense in the year in which the non-distribution decision is made.

(16) Assets of impairment

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

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

Impairment loss (reversal) is classified as non-operating expense (income).

(17) Contingencies

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

(18) Earnings per share of common stock

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

3. THE REASON AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Bank adopted the R.O.C. SFAS No. 35, "Accounting for Asset Impairment" to account for the impairment of its assets for its financial statements ended on December 31, 2005. Due to the change in accounting principles, the Bank's assets decreased by NT\$10,830 thousand as of December 31, 2005, and the Bank's net income and earnings per share decreased by NT\$10,830 thousand and NT\$0.0069, respectively, for the year ended December 31, 2005.

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

(1) Cash and cash equivalents

	('000) <u>Dec. 31, 2005</u>	('000) <u>Dec. 31, 2004</u>
Cash on hand	NT\$ 4,432,978	NT\$ 4,305,317
Notes and checks for clearance	133,897	100,244
Due from banks	<u>4,020,890</u>	<u>2,628,305</u>
Total	<u>NT\$ 8,587,765</u>	<u>NT\$ 7,033,866</u>

(2) Due from banks and Central Bank of China

	('000) <u>Dec. 31, 2005</u>	('000) <u>Dec. 31, 2004</u>
Reserve for deposits-category A	NT\$ 1,238,966	NT\$ 4,263,963
Reserve for deposits-category B	8,519,656	8,304,617
Settlement accounts	401,390	392,922
Reserve for deposits-foreign Currency	19,710	15,957
Call loans	<u>4,076,638</u>	<u>5,398,919</u>
	<u>NT\$14,256,360</u>	<u>NT\$ 18,376,378</u>

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

5. MARKETABLE SECURITIES

	('000) <u>Dec. 31, 2005</u>	('000) <u>Dec. 31, 2004</u>
Government bonds	NT\$ 10,640,291	NT\$ 5,232,079
Corporate bonds	4,521,900	1,092,806
Commercial bonds	5,439,022	725,972
Listed stocks and mutual funds	2,458,971	3,424,582
Beneficiary securities	503,180	-
Certificates of deposits	34,557,997	37,283,776
Treasury bill	-	3,064,796
Commercial paper	5,794,594	10,110,559
Bonds and short-term bills sold under resale agreements	<u>11,654,485</u>	<u>20,345,638</u>
	75,570,440	81,280,208
Less: allowance for probable losses	-	-
	<u>NT\$75,570,440</u>	<u>NT\$81,280,208</u>

As of December 31, 2005 and 2004, the Bank had NT\$809,737 thousand and NT\$1,085,448 thousand, respectively in government and corporate bonds deposited for such legal proceedings.

In accordance with the R.O.C. Trust Law, the Bank is required to deposit government and corporate bonds against its trust operations. As of December 31, 2005 and 2004, the Bank had NT\$46,790 thousand and NT\$50,196 thousand, respectively of deposit in the Central Bank of China for this purpose.

In accordance with guidelines set by the National Credit Card Center, the Bank is required to make a deposit for credit card transaction amount. As of December 31, 2004, the Bank had NT\$51,877 thousand of deposit in the Central Bank of China for its credit card operations. For the operations in the settlement of commercial paper trading activities through the R.O.C. OTC Securities Exchange the Bank provided a deposit of NT\$131,719 thousand and NT\$130,898 thousand for its settlement activities as of December 31, 2005 and 2004, respectively.

In accordance with the R.O.C. "Regulation Governing Administration of Bills Finance", the Bank, which is involved in bills finance, is required to make a deposit for its operations. As of December 31, 2005 and 2004, the Bank had NT\$46,790 thousand and NT\$50,196 thousand, respectively in government bonds deposited in

the Central Bank of China for this purpose.

In accordance with "Rules Governing Securities Firm", the Bank also operates as the security agent is required to make a deposit for its operation. As of December 31, 2005 and 2004, the Bank had NT\$196,519 thousand and NT\$192,455 thousand, respectively deposited in Bank of Taiwan.

In accordance with "Rules Governing the Operation of Auxiliary Futures Trading Services by Securities Firms", the Bank, which is involved in future trading services, is required to make a deposit for its operation. As of December 31, 2005 and 2004, the Bank had NT\$46,790 thousand and NT\$50,646 thousand, respectively deposited in the Bank of Taiwan.

In accordance with the rule set by Central Bank of China, the Bank is required to deposit sufficient guaranty for day-time overdraft to Central Bank of China. As of December 31, 2005 and 2004, the Bank had NT\$2,500,000 thousand and NT\$2,000,000 thousand, respectively deposited in the Central Bank of China and the interest rate of these certificates of deposits were 1.44% and 1.30%~1.457%, and the maturity will be on January 5, 2006 and September 2, 2005, respectively.

As of December 31, 2005 and 2004, The Bank held bonds and short-term bills purchased under agreement to resell amounted to NT\$15,223,891 thousand and NT\$10,880,144 thousand, respectively.

For issuance of the related beneficiary certificates of home mortgage, the Bank provided a deposit of NT\$848,900 thousand to Calyon Bank Taipei Branch as of December 31, 2005.

6. LOANS, BILLS DISCOUNTED AND PURCHASED

	('000) Dec. 31, 2005	('000) Dec. 31, 2004
Bills negotiated and discounted	NT\$432,689	NT\$452,102
Short-term loans and overdraft	31,150,727	28,677,619
Short-term secured loans and overdraft	11,375,997	7,959,911
Medium-term loans	70,831,659	51,966,953
Medium-term secured loans	27,730,632	27,442,094
Long-term loans	8,732,383	9,216,596
Long-term secured loans	119,647,854	124,026,476
Non-accrual loans	5,269,326	6,901,582
	<u>275,171,267</u>	<u>256,643,333</u>
Less: allowance for doubtful accounts	(2,943,622)	(3,329,376)
Net	NT\$ <u><u>272,227,645</u></u>	NT\$ <u><u>253,313,957</u></u>

7. LONG-TERM INVESTMENTS

	Dec. 31, 2005		Dec. 31, 2004	
	Percentage of share holding(%)	('000) Amount	Percentage of share holding(%)	('000) Amount
Equity investments:				
Equity method:				
Hsin-Chu Real Estate Co., Ltd.	60	NT\$ 187,772	60	NT\$ 184,158
Hsin-Chu Futures Co., Ltd.	89	267,307	89	262,917
Hsin-Chu Insurance Agent Co., Ltd.	100	761,147	100	426,905
Chu-Chiann Insurance Agent Co., Ltd.	100	36,295	100	19,824
Paradigm Assets Management Co., Ltd (The former name was Chung-Shing Assets Management Co., Ltd.).	20	<u>63,515</u>	20	<u>73,460</u>
		<u>1,316,036</u>		<u>967,264</u>
Cost method:				
Preferred Bank U.S.A.	2	21,995	5	39,960
Taiwan Small and Medium Enterprises Development Co., Ltd.	5	29,000	5	29,000
Universal Venture Fund Co., Ltd.	5	38,096	5	80,000

Windance Co., Ltd.	3	188,500	3	188,500
Mondex Taiwan Co., Ltd.	7	8,000	7	25,000
TSC Bio Ventures Capital Co., Ltd.	5	20,250	5	20,250
Others (percentage of shares held under 5 % or amount under NT\$100,000 thousand)		256,696		257,951
		<u>562,537</u>		<u>640,661</u>
Long-term debt investment:				
Government bond		NT\$ 2,315,641		NT\$ 6,220,951
Oversea bond		<u>32,850</u>		<u>124,788</u>
		<u>2,348,491</u>		<u>6,345,739</u>
Others long investments		<u>1,800,791</u>		<u>-</u>
		6,027,855		7,953,664
Less: allowance for decline in market value		<u>-</u>		<u>-</u>
		<u>NT\$ 6,027,855</u>		<u>NT\$7,953,664</u>

For the years of 2005 and 2004, the Bank recognized investment income under the equity method to NT\$352,757 thousand and NT\$270,553 thousand, respectively which are determined based on audited financial statements.

In February and October 2005, the Board of Directors' meeting resolved to sale the stocks of Preferred Bank, U.S.A. The price was NT\$158,752 thousand and the gain on disposal, net of book value and the related expenses, was NT\$140,787 thousand.

In August 2004, the Bank invested in TSC Bio Ventures Capital Co., Ltd., which is approved by the Bureau of Monetary Affairs (BMA), the Bank held 5% of ownership, amounted to NT\$20,250 thousand.

In April 2005, the general shareholders' meeting of Mondex Taiwan Co., Ltd. resolved to decrease its capital. The Bank recognized the investment loss NT\$17,000 thousand in proportion to the Bank's holding interest.

In June 2005, the general shareholders' meeting of Universal Venture Fund Co., Ltd. resolved to decrease its capital and return the capital to the shareholders. The Bank recognized the investment loss NT\$15,936 thousand.

In June 2004, the Board of Directors' meeting resolved to invest the government bonds with repurchase agreement recorded as long-term debt investment. The cost for the repurchase agreement provided by long-term bonds was NT\$882,186 thousand and NT\$5,159,853 thousand in December 31, 2004 and 2005, respectively. Because of the price of the mid-term and long-term bonds were increasing and the profit between short-term and long-term bonds were keep decreasing, the Board of Directors resolved to dispose some of the bonds. The price was NT\$4,198,920 thousand, the Bank recognized the gain on disposal of NT\$370,511 thousand.

As of December 31, 2005 and 2004, the last maturity of bonds issued by overseas banks and invested by the Bank will be in February 2011 and April 2013, respectively.

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

The Bank held the subordinated seller certificate of NT\$1,800,791 thousand as other long-term investments with the right on interests in excess of the fixed amount paid to the investors. If debtors fail to repay the entrusted loans, investors and the Deutsche Bank AG, Taipei Branch have no right of recourse to the Bank. The repayment of the principals of subordinated seller certificates will be executed behind the investor certificates and the value was affected by credit risk, repayment rate, and changes in interest rate on those transferred loans.

(a) Key assumptions used in measuring retained interests

Key economic assumptions used in measuring the retained interests on the securitization date resulting from the completion of securitization during the year were as follows:

	<u>2005</u>
Repayment rate (annual rate)	15%
Weighted-average life	6.5 year
Expected credit losses (annual rate)	1.5%
Discounted rate for residual cash flows	3.4%

(b) Sensitivity analysis

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

	('000)
Carrying amount of retained interest	NT\$ 1,847,591
Weighted-average life	6.5 year
Prepayment rate	15%
Impact on fair value of 10% adverse change – 16.5%	NT\$ (23,400)
Impact on fair value of 20% adverse change – 18.0%	NT\$ (47,000)
Expected credit losses (annual rate)	1.5%
Impact on fair value of 10% adverse change – 1.65%	NT\$ (15,210)
Impact on fair value of 20% adverse change – 1.80%	NT\$ (29,250)

(c) There was no actual credit loss for the securitized mortgage loan thus the expected static pool credit losses were equal to zero.

(d) Cash flows

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

	('000)
	<u>2005</u>
Other cash flows received on retained interests	NT\$ -
Cash reserve (part of refundable deposits)	NT\$ -

8. FIXED ASSETS AND OTHER ASSETS

The Bank had revalued its land and buildings several times since 1974. The latest revaluation was made for land on July 31, 1992. The details of the revaluation increment were as follows:

	('000)		('000)	
	<u>Dec. 31, 2005</u>		<u>Dec. 31, 2004</u>	
	<u>Land</u>	<u>Buildings</u>	<u>Land</u>	<u>Buildings</u>
Fixed assets	NT\$505,866	NT\$10,407	NT\$505,866	NT\$10,407
Other assets	<u>180,961</u>	<u>-</u>	<u>221,576</u>	<u>914</u>
	NT\$ <u>686,827</u>	NT\$ <u>10,407</u>	NT\$ <u>727,442</u>	NT\$ <u>11,321</u>

As of December 31, 2005 and 2004, reserve for land revaluation increment taxes amounted to NT\$285,112 thousand and NT\$516,850 thousand, respectively.

In January 2005, the Bank sold the land and building located in No.193 and 193-9, San Zuo Wu Section, She Siao Subsection, Jhongli City to a non-related party. The contract price was NT\$26,500 thousand and the gain on disposal, net of book value and the related expenses, was NT\$21,761 thousand.

Please refer to Note 18 (2). 9, 10 and 11 for the assets transactions between, the Bank and its related parties, Hsin-Chu Real Estate Co., Ltd., Hsin-Chu Insurance Agent Co., Ltd. and Chu-Cherng Construction Co., Ltd.

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

In June 2004, the Bank sold the land and building located in No.555, sec 3, Chang-an E. Rd, Taipei City to a non-related party. The contract price was NT\$5,364 thousand and the gain on disposal, net of book value and the related expenses, was NT\$4,386 thousand. Besides, in July 2004, the Bank sold the land located in No.38-18, Sec.1, Rong-guang. Rd, Hsinchu City to a non-related party. The contract price was NT\$63,310 thousand and the gain on disposal, net of book value and the related expenses, was NT\$50,676 thousand.

9. OTHER ASSETS

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Rental real estate-land	NT\$ 796,767	NT\$ 859,791
Rental real estate-buildings, net	1,076,524	1,112,259
Less: accumulated of impairment loss	(2,513)	-
Pledged properties taken over-land	757,511	1,462,451
Pledged properties taken over-buildings and equipment, net	979,134	1,637,597
Less: allowance for market value decline of pledged properties taken over	(746,645)	(651,868)
Idle assets-land	72,765	102,647
Idle assets-buildings, net	43,251	64,167
Less: accumulated of impairment loss	(8,317)	-
Guarantee deposit	1,502,886	1,539,066
Deferred pension cost	184,772	129,227
Deferred tax assets, net	593,368	602,429
Others	74,963	52,866
	NT\$ <u>5,324,466</u>	NT\$ <u>6,910,632</u>

The lease terms range from one to ten years and based on the lease agreements existing as of December 31,

2005, the minimum rental incomes for the following five years were as follows:

Year	Amount ('000)
2006	NT\$ 42,241
2007	33,906
2008	27,763
2009	25,389
2010	22,745
2011 and thereafter	30,451

(Net present value is NT\$27,309 thousand)

Part of the Bank's building which is located in Jung-Yang Rd., Hsin-Chu City has been rented to Hsin-Chu Chinatrust Hotel. The rental contract contains an additional variable component dependent on sales revenue percentage.

10. CUSTOMER DEPOSITS AND REMITTANCES PAYABLE

	('000) Dec. 31, 2005	('000) Dec. 31, 2004
Savings deposits	NT\$ 235,860,723	NT\$ 235,256,757
Time deposits	57,026,206	62,491,389
Demand deposits	34,706,652	33,102,810
Checking accounts	4,301,731	3,216,835
Remittances payable	98,825	37,216
Total	NT\$ 331,994,137	NT\$ 334,105,007

As of December 31, 2005 and 2004, the Bank has issued transferable time deposits amounting to NT\$3,158,800 thousand and NT\$4,574,500 thousand, respectively.

11. BONDS PAYABLE

	('000) Dec. 31, 2005	('000) Dec. 31, 2004
Subordinated debentures	NT\$ 18,000,000	NT\$ 8,000,000
Convertible bonds	3,613,500	3,510,650
	NT\$ 21,613,500	NT\$ 11,510,650

(1) Subordinated debentures

Bond	Issue Conditions	('000) Dec. 31, 2005	('000) Dec. 31, 2004
91-1 A	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years, maturity date: July 19, 2007	NT\$ 6,067,400	NT\$ 6,067,400
91-1 B	5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate +1.75%, maturity date: July 19, 2007	972,600	972,600
91-1 C	5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate +1.75%, maturity date: July 19, 2007	400,000	400,000
91-1 D	5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate +1.75%, maturity date: July 19, 2007	320,000	320,000
91-1 E	5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years, maturity date: July 19, 2007	240,000	240,000
94-1	No maturity date, interest payable semi-annually, base on the average variable one year regular rate of the big nine banks' +1.493%	7,636,700	-
94-2	No maturity date, interest payable semi-annually, base on the average variable one year regular rate of the big nine banks' +1.493%	2,363,300	-
		NT\$ 18,000,000	NT\$ 8,000,000

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

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

(2) Convertible bonds

The details of the convertible bonds payable were as follows:

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Original issue size (US\$110,000 thousand)	NT\$ <u>3,613,500</u>	NT\$ <u>3,510,650</u>

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

(A) Issue size

Up to US\$110 million in principal amount.

(B) Form, denomination and issue price

The Bonds will be issued at 100% of the principal amount in global registered form in denominations of US\$1,000 or integral multiples thereof and will constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank.

(C) Issue date

May 13, 2004.

(D) Redemption on the maturity date

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

(E) Coupon rate

The indicative coupon for the Bonds is 0% per annum.

(F) Conversion

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

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

(G) Redemption at the option of the issuer

(a) The Bank may redeem the Bonds in whole or in part, beginning 2 years after the issue date at

par provided that each of the closing price of the common shares of the Bank on the Taiwan Stock Exchange Corporation (TSEC) translated into US dollars at the prevailing rate for a period of 20 consecutive trading days is or exceeds 120% of the conversion price then in effect translated into US dollars at a fixed exchange rate set on the pricing date;

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

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

(H) Conversion securities

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

(I) Conversion price

The conversion price is NT\$22.4 per common share, at the premium of 33% above the closing price of common shares on the pricing date. Besides, according to the appropriation of year 2004 earnings, the conversion price adjusted to NT\$20.25 per common share since August 24, 2005.

12. OTHER LIABILITIES

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Appropriated loan fund	NT\$ -	NT\$ 27,272
Reserve for land revaluation increment taxes	285,112	516,850
Reserve for losses on guarantee	62,157	62,157
Reserve for losses on default in securities brokerage	51,909	47,409
Reserve for losses on trading securities	49,763	517
Bonds and short-term bills sold under repurchase agree- ments	16,106,078	16,039,997
Guarantee deposits received	80,748	107,023
Others	<u>23,077</u>	<u>-</u>
	<u>NT\$ 16,658,844</u>	<u>NT\$ 16,801,225</u>

13.EMPLOYEE RETIREMENT BENEFITS

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

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Benefit obligation:		
Vested benefit obligation	NT\$(198,065)	NT\$(189,486)
Non-vested benefit obligation	<u>(1,066,839)</u>	<u>(664,495)</u>
Accumulated benefit obligation	<u>(1,264,904)</u>	<u>(853,981)</u>
Additional benefit based on future salaries	<u>(791,195)</u>	<u>(567,096)</u>
Projected benefit obligation	(2,056,099)	(1,421,077)
Fair value of plan assets	<u>1,285,694</u>	<u>1,069,042</u>
Funded status	<u>(770,405)</u>	<u>(352,035)</u>
Unrecognized pension losses	629,901	117,975
Net transition obligation	<u>325,276</u>	<u>363,287</u>
Deferred pension cost	NT\$ <u>(184,772)</u>	NT\$ <u>(129,227)</u>

The components of net periodic pension cost were as follows:

	('000)	('000)
	<u>2005</u>	<u>2004</u>
Service cost	NT\$89,971	NT\$93,227
Interest cost	49,738	45,441
Expected return on plan assets	(37,416)	(30,648)
Amortized and deferred portion	<u>38,011</u>	<u>38,011</u>
Net periodic pension cost	NT\$ <u>140,304</u>	NT\$ <u>146,031</u>

The major actuarial assumptions were as follows:

	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Discount rate	3.50%	3.50%
Expected long-term rate of return on plan assets	2.50%	3.50%
Rate of future increase in compensation	3.25%	2.50%

Payments of retirement benefits amounted to NT\$28,733 thousand and NT\$17,940 thousand in 2005 and 2004, respectively.

As of December 31, 2005 and 2004, the movement of the fund deposited in Central Trust of China was as follows:

	('000)	('000)
	<u>2005</u>	<u>2004</u>
Beginning balance	NT\$1,069,042	NT\$875,636
Deposits during the year	195,848	183,520
Interest during the year	28,494	11,145
Withdrawals during the year	<u>(7,690)</u>	<u>(1,259)</u>
Ending balance	NT\$ <u>1,285,694</u>	NT\$ <u>1,069,042</u>

14. SHAREHOLDERS' EQUITY**(1)Capital surplus and reserve**

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

According to the Securities Exchange Law and other related regulations, the total capital surplus (from donated assets received and capital surplus) transferred to capital cannot exceed 10 percent-age of issued capital every year. The capital surplus can be used to increase the capital in the next year after the transfer is approved by the authorities concerned.

According to SFB, the companies listed in the open market should set aside a statutory reserve when distributing the earnings. They should also conform with Securities Exchange Law No.41, which requires the companies to appropriate a special reserve from the current year's net income and prior years' unappropriate earnings with the amount equals to the total of any valuation or contra-account in the shareholder's equity of the year. The valuation and contra-account includes unrealized loss of valuation on long-term investment, cumulative translation adjustments, etc. As for accumulated prior years' valuation or contra-account in the shareholder's equity, the special reserve should be appropriated from the prior years' unappropriated earnings and cannot be distributed. If the valuation or contra-account of shareholder's equity were reversed, the special reserve could be distributed.

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

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

(2)Dividend policy

In order to increase the profitability, expand the

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

On June 11, 2004, the general shareholders' meeting resolved to make a distribution of earnings for the year 2003. The distribution includes NT\$755,965 thousand of statutory reserve, NT\$1,280,429 thousand of stock dividends, NT\$71,135 thousand of directors and

supervisors' remuneration, NT\$16,513 thousand of employee cash dividends and NT\$54,622 thousand of employee stock dividends.

On the same day, the Board of Directors authorized the chairman to determine the date of stock distribution and the date of capital increase. The SFB authorized the capital increase on July 28, 2004 and approved September 15, 2004 to be the date for stock distribution and capital increase. The legal registration has been completed on October 18, 2004.

The 2003 earnings distribution to the employees bonus and the director and supervisors' remuneration was disclosed as follows:

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

	The resolution of the general shareholders' meeting	The resolution of the Bank's Board of Directors	Difference
Distribution			
(a) Employee cash bonus	NT\$ 16,513	NT\$ 16,513	-
(b) Employee stock bonus			
Amount	54,622	54,622	-
Number of shares	5,462	5,462	-
Percentage of share outstanding	0.43%	0.43%	-
(c) Directors and supervisors' remuneration	71,135	71,135	-
Earning per share			
Original earning per share	2.04	2.04	-
The projected earning per share after distributing employee cash bonus and director and supervisors' remuneration	1.92	1.92	-

On June 10, 2005, the general shareholders' meeting resolved to make a distribution of earnings for the year 2004. The distribution includes NT\$842,285 thousand of statutory reserve, NT\$569,447 thousand of cash dividends, NT\$1,423,616 thousand of stock dividends, NT\$110,725 thousand of directors and supervisors' remuneration, NT\$25,145 thousand of employee cash dividends and NT\$85,581 thousand of employee stock dividends. The above capital increase has been authorized by the SFB on July 7, 2005 and the Board of Directors has approved on August 24, 2005 to be the date for stock distribution and capital increase. The legal registration has been completed on September 30, 2005.

The 2004 earnings distribution to the employees bonus and the director and supervisors' remuneration was disclosed as follows:

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

	The resolution of the general shareholders' meeting	The resolution of the Bank's Board of Directors	Difference
Distribution			
(a) Employee cash bonus	NT\$ 25,145	NT\$ 25,145	-
(b) Employee stock bonus			
Amount	85,581	85,581	-
Number of shares	8,558	8,558	-
Percentage of share outstanding	0.60%	0.60%	-

(c) Directors and supervisors' remuneration	110,725	110,725	-
Earning per share			
Original earning per share	1.99	1.99	-
The projected earning per share after distributing employee cash bonus and director and supervisors' remuneration	1.84	1.84	-

Information on employee bonus and remuneration of directors and supervisors as resolved by the Board of Directors and determined in the general meeting of shareholders can be found in "Market Observation Post System" (<http://mops.tse.com.tw> of the TSE).

(3) Treasury Stock

('000 shares)

Year	Reason	Shares on Jan 1, 2004	Increase during Year 2004	Decrease during Year 2004	Shares on Dec. 31, 2004
2004	Transfer to employee	<u>42,699</u>	<u>-</u>	<u>42,699</u>	<u>-</u>

Securities Exchange Law regulates that corporation's purchase of its own stocks can not be over 10% of the issued shares, and the dollar amount of purchase can not be more than the amount of retained earnings plus reserve for capital increase and realized capital surplus. As of December 31, 2004, the Bank held 102,722 thousand shares at most with the cost of NT\$568,141 thousand. On the basis of auditors' report for the nine-month period ended September 30, 2004, the upper limits were 142,762 thousand shares and amount of NT\$3,964,966 thousand.

According to Securities Exchange Law, the treasury stock of the Bank can't be pledged and cannot have the shareholders' rights until transferring.

Chu-Cherng Construction Co., Ltd sold the Bank's shares during the six-month period ended June 30, 2004, resulting in the gain of NT\$819 thousand. As required by SFAS No.30, the gain on disposal from subsidiaries' sale of the Bank's shares was calculated based on the indirect holding percentage and amounted to NT\$247 thousand. The amount was transferred to "Capital surplus-gain on disposal of treasury stock".

For the year 2004, the Bank disposed its treasury stocks to employees, and the total transferring prices was NT\$230,081 thousand. The differences between transferring prices and book values was NT\$1,264 thousand, was credited to the account "capital surplus-gains on disposal of treasury stock".

15. PERSONNEL EXPENSE, DEPRECIATION EXPENSE AND AMORTIZATION

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

	('000) <u>2005</u>	('000) <u>2004</u>
Person expense:		
Salary expense	NT\$2,398,890	NT\$1,878,485
Insurance expense	143,618	112,565
Pension expense	200,194	146,031
Depreciation expense	481,726	409,913
Amortization	5,313	4,439

16. INCOME TAXES AND THE INTEGRATED INCOME TAX SYSTEM INFORMATION

(1) Income taxes

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

	('000) <u>2005</u>	('000) <u>2004</u>
Current income tax expense	NT\$ 143,643	NT\$ 86,137
Deferred income tax provisions	<u>9,061</u>	<u>120,039</u>
	<u>NT\$ 152,704</u>	<u>NT\$ 206,176</u>

The differences between "expected" income taxes at the statutory income tax rate and the income tax as reported in the accompanying financial statements were summarized as follows:



	('000)	('000)
	<u>2005</u>	<u>2004</u>
Income tax at statutory rate	NT\$ 835,880	NT\$ 753,448
10% income tax on unappropriated earning	-	89,282
Undeductible tax expense of the overseas income	2,976	-
20% preferential tax effect on certain interest income	(34,648)	(21,367)
Exempt (gain) loss from securities trading	(179,774)	68,686
Offshore banking unit tax-exempt income	(19,826)	(14,051)
Loss (gain) on disposal of fixed assets	42,928	(3,192)
Investment gain recognized under the equity method	(87,092)	(70,200)
Prior years' income tax adjustments	3,063	(44,967)
Prior years' loss carry forwards adjustments	(379,264)	-
Tax credit on employee training expenditure	(6,503)	(5,558)
Other tax reconciling items	(13,648)	35,094
Change in allowance for deferred tax assets	(11,388)	(580,999)
	<u>NT\$ 152,704</u>	<u>NT\$ 206,176</u>

The deferred income tax provisions were as follows:

	('000)	('000)
	<u>2005</u>	<u>2004</u>
Investment loss (gain) recognized under the equity method	NT\$ 1,097	NT\$ (2,561)
Recovery (recognition) of allowance for bad-debt in excess of tax limit	(112,125)	93,092
Recovery (recognition) provision for other reserves	(13,437)	48,375
Provision of reserve for market value decline of pledged properties taken over	(24,443)	(55,713)
Impairment loss	(2,708)	-
Unrealized gain on inter-affiliate accounts	(1,582)	-
Prior years' loss carry forwards adjustments	(379,264)	-
Loss carry forwards	544,899	578,763
Tax credit on employee training expenditure	8,012	39,082
Change in allowance for deferred tax assets	(11,388)	(580,999)
	<u>NT\$ 9,061</u>	<u>NT\$ 120,039</u>

The deferred income tax assets were as follows:

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Deferred tax assets	NT\$ 1,188,338	NT\$ 1,208,787
Allowance for deferred tax assets	(594,970)	(606,358)
Deferred tax assets, net	<u>NT\$ 593,368</u>	<u>NT\$ 602,429</u>

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

	('000)		('000)	
	Dec. 31, 2005		Dec. 31, 2004	
	Amount	Income tax effect	Amount	Income tax effect
Deferred tax assets:				
Investment loss recognized under the equity method	NT\$ 53,368	NT\$ 13,342	NT\$ 57,758	NT\$ 14,439
Bad debts expense over limitation	1,332,537	333,134	884,037	221,009
Provision of reserve for default in securities brokerage	52,263	13,066	47,763	11,941
Provision of reserve for loss in securities trading	49,763	12,441	517	129
Market value decline of pledged properties taken over	749,645	187,411	651,868	162,968
Impairment loss	10,830	2,708	-	-
Unrealized gains on inter-affiliate accounts	6,329	1,582	-	-
Loss carry forwards	2,498,619	624,654	3,161,158	790,289
Tax credit on employee training expenditure	-	-	8,012	8,012
		<u>NT\$ 1,188,338</u>		<u>NT\$ 1,208,787</u>

As of December 31, 2005 and 2004, income tax refundable was as follows:

	('000)	('000)
	Dec. 31, 2005	Dec. 31, 2004
Estimated income tax expenses	NT\$ 143,643	NT\$ 86,137
Prepaid and withheld income taxes	(58,134)	(76,392)
20% preferential taxes on certain interest income	(137,605)	(86,463)
Undeductible tax expense of the overseas income	(2,976)	-
Prior years' income tax adjustments	(3,063)	44,967
Income tax refundable	<u>NT\$ (58,135)</u>	<u>NT\$ (31,751)</u>

According to the Law of Income Taxes, the losses could be carried forward 5 years to deduct the following years income. As of December 31, 2005, the details of the Bank's losses for past years were as follows:

Years of loss	Declared (approved) amount of losses	Available deductible amount	Deducted amount	Undeducted amount	The extended years for the losses
2000	NT\$ 3,824,364	NT\$ <u>3,781,251</u>	NT\$ <u>1,282,632</u>	NT\$ <u>2,498,619</u>	2006

The tax authorities have examined and assessed the Bank's income tax returns for the years through fiscal year 2001. There is appeal pending for the prior years tax returns with the tax authority and result in the tax effect of about NT\$6,032 thousand. The Bank believed that the final arbitration will not significantly affect the presentation of financial position and operating results.

(2) Information regarding the Integrated Income Tax System

	('000)	('000)
	Dec. 31, 2005	Dec. 31, 2004
Imputed tax credits for shareholders	NT\$ <u>32,029</u>	NT\$ <u>122,368</u>
	<u>2005 (estimated)</u>	<u>2004 (actual)</u>
Imputed tax credit rate of earnings appropriation	<u>0.98%</u>	<u>8.07%</u>

<u>Unappropriated retained earnings</u>	('000) <u>Dec. 31, 2005</u>	('000) <u>Dec. 31, 2004</u>
1997 and before	NT\$ -	NT\$ -
1998 and after	3,282,894	3,148,837
	<u>NT\$ 3,282,894</u>	<u>NT\$ 3,148,837</u>

17. EARNINGS PER SHARE

The earnings per share of common stock for the years ended December 31, 2005 and 2004 were as follows:

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

For the year ended December 31, 2005

	<u>Amount</u>		<u>Number of shares</u>	<u>Earnings per share</u>	
	<u>Before taxes</u>	<u>After taxes</u>		<u>Before taxes</u>	<u>After taxes</u>
	NT\$	NT\$		NT\$	NT\$
Net income	3,343,560	3,190,856			
Net income for basic earnings per common stock	3,343,560	3,190,856	1,574,536	<u>2.12</u>	<u>2.03</u>

For the year ended December 31, 2004

	<u>Amount</u>		<u>Number of shares</u>	<u>Earnings per share</u>	
	<u>Before taxes</u>	<u>After taxes</u>		<u>Before taxes</u>	<u>After taxes</u>
	NT\$	NT\$		NT\$	NT\$
Net incomes	3,013,794	2,807,618			
Net incomes for basic earnings per common stock	3,013,794	2,807,618	1,408,254(Note 1)	<u>2.14</u>	<u>1.99</u>
Net incomes for basic earnings per common stock	3,013,794	2,807,618	1,559,174(Note 2)	<u>1.93</u>	<u>1.80</u>

Note 1: Calculated based on the current period weighted average number of shares.

Note 2: Calculated based on the weighted average number of shares after taking the effect of transfer the retained earnings into the capital.

18. RELATED-PARTY TRANSACTIONS

(1) Relationship with the bank

<u>Name</u>	<u>Relationship with the Bank</u>
Hsin-Chu Real Estate Co., Ltd. (HCRE)	The Bank's subsidiary
Hsin-Chu Futures Co., Ltd. (HCF)	The Bank's subsidiary
Hsin-Chu Insurance Agent Co., Ltd. (HCIA)	The Bank's subsidiary
Chu-Chiann Insurance Agent Co., Ltd.	The Bank's subsidiary
Paradigm Assets Management Co., Ltd.	The Bank's subsidiary
Hsin-Chu Gen-Gin Security Co., Ltd. (HGSC)	HCRE's subsidiary
Chu-Chi Interior Decoration Engineering Co., Ltd. (CIDEC)	HCRE's subsidiary
Chu-Sheng Technology Co., Ltd. (CST)	HCRE's subsidiary
Ju-Ying International Co., Ltd. (JYIC)	HCRE's subsidiary
Chu-Cherng Construction Co., Ltd. (CCC)	HCRE's subsidiary
Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. (HGABM)	HCRE's subsidiary
Hsin-Chu Gen-Gin Car Leasing Co., Ltd.	HGABM's subsidiary
Hsin-Chu Gen-Gin Truck Leasing Co., Ltd. (Note)	HGABM's subsidiary
Chu-Chi Travel service Co., Ltd.	HCRE's subsidiary
Hiplan (Nanking) Technology Corp. Ltd.	CST's subsidiary
International Bills Financing Co., Ltd.(IBF)	The Bank's chairman is the second immediate family of the company's director in Board
Others	As SFAS No.6, "Disclosure for related party transactions, "and the directors of the company are the spouse or within the second immediate family of other companies

Note : The company was liquidated in May 2004

(2) Major transactions with related parties

1) Loans to related parties

As of December 31, 2005 and 2004, short and mid-term loans to related parties were approximately NT\$1,651,911 thousand and NT\$1,873,088 thousand, respectively, representing 0.60% and 0.73% of total loans, discounts, and bills purchased as of December 31, 2005 and 2004, respectively. Interests resulting from such loans were NT\$55,403 thousand and NT\$21,486 thousand, respectively, representing 0.47% and 0.21% of total interest revenue for 2005 and 2004. The ranges of interest rates were equal approximately 0.01%~18.25%. In the years of 2005 and 2004, the highest balances of loans to related parties were approximately NT\$2,037,978 thousand and NT\$1,948,239 thousand, respectively.

The terms and conditions of short and mid-term loans to the related parties were substantially similar to those for other loans.

2) Deposits from the related parties

As of December 31, 2005 and 2004, deposits from the related parties were approximately NT\$1,975,396 thousand and NT\$1,327,186 thousand, respectively, representing 0.60% and 0.40% of total deposits and remittances as of December 31, 2005 and 2004, respectively. Interest expenses resulting from such deposits were NT\$18,327 thousand and NT\$12,311 thousand, respectively, representing 0.39% and 0.32% of total interest expenses for 2005 and 2004, respectively. In the years of 2005 and 2004, the highest balances of deposits from the related parties were approximately NT\$2,872,484 thousand and NT\$2,264,205 thousand, respectively.

The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public, except that employees' saving interest rate is 8% when the deposit balance was below NT\$480 thousand per employee.

- 3) The Bank contracted HCRE to administer the construction of certain premises. The service fees for the years ended December 31, 2005 and 2004, amounted to NT\$41,989 thousand and NT\$16,949 thousand, respectively.
- 4) The Bank contracted HGSC to administer the security services of certain premises. The service fees for the years ended December 31, 2005 and 2004 amounted to NT\$62,538 thousand and NT\$59,217 thousand, respectively.
- 5) The Bank has paid to CIDEK for the decoration of the Bank's branches for the years ended December 31, 2005 and 2004, amounted to NT\$67,947 thousand and NT\$151,538 thousand, respectively.
- 6) The Bank contracted HGABM to take over the building management of the bank's branches for the years ended December 31, 2005 and 2004 amounted to NT\$40,756 thousand and NT\$38,778 thousand, respectively.
- 7) The Bank leased the office premises from HCRE, and the rental expenses for the years ended December 31, 2005 and 2004 were NT\$1,319 thousand and NT\$851 thousand, respectively.
- 8) The Bank leased cars from Hsin-Chu Gen-Gin Car Leasing Co., Ltd. and the rental expenses for the years ended December 31, 2005 and 2004 were NT\$11,016 thousand and NT\$8,823 thousand, respectively.
- 9) During 2004, the Bank leased the office premises from CCC and deposited NT\$475,000 thousand, accounted as guarantee deposit, in CCC, instead of any rental pay. In December 2005, the Board of Directors' meeting resolved to purchase the land and buildings located in No.745, Kuang-fu Sec., Hsinchu City from CCC. The price was NT\$475,000 thousand. However, the title wasn't transferred to the Bank as of December 31, 2005.
- 10) In November 2004, the Bank sold the land and building located in No. 1174, Puding E. Rd, Thongli City to HCRE. The contract price was NT\$2,300 thousand and the loss on disposal, net of book value and the related expense, was NT\$993 thousand.
- 11) In December 2004, the Bank sold the land and building located in No. 1-23 and No. 1-49, Dongmen Sec. 2, Hsinchu City to HCIA. The contract price was NT\$42,500 thousand and the gain on disposal, net of book value and the related expenses, was NT\$23,130 thousand. The Bank has transferred the title in January 2005. As of December 31, 2005, gains from inter-affiliated company transactions were NT\$23,077 thousand and were recorded as "other liabilities".
- 12) The transactions involving government bonds and other short-term bills under repurchase agreements with the related parties were as follows:

A. Repurchase or resale agreement

('000)

Jan.1~Dec. 31, 2005					
Transaction	Related parties	Maximum amount	Ending balance	Interest rate%	Interest income (expense)
Bonds:					
Repurchase	IBF	NT\$ <u>3,085,781</u>	NT\$ <u>2,599,096</u>	0.975~1.40	NT\$ <u>(14,909)</u>
	Other	NT\$ <u>35,972</u>	NT\$ <u>25,972</u>	0.975~1.25	NT\$ <u>(158)</u>
Short-term bills:					
Resale	IBF	NT\$ <u>1,554,861</u>	NT\$ <u>798,360</u>	1.20~1.51	NT\$ <u>9,589</u>

('000)

Jan.1~Dec. 31, 2004					
Transaction	Related parties	Maximum amount	Ending balance	Interest rate%	Interest income (expense)
Bonds:					
Resale	IBF	NT\$ <u>14,987</u>	NT\$ <u>-</u>	0.68	NT\$ <u>9</u>
Repurchase	IBF	NT\$ <u>2,900,843</u>	NT\$ <u>450,121</u>	0.655~1.025	NT\$ <u>13,232</u>
Short-term bills:					
Resale	IBF	NT\$ <u>847,757</u>	NT\$ <u>410,810</u>	0.89~1.175	NT\$ <u>4,417</u>

B. Purchase or sale agreements

('000)

Jan.1~Dec. 31, 2005					
Transaction	Related parties	Maximum amount	Ending balance	Interest rate%	Gain(loss)on trading marketable securities
Bonds:					
Sale	IBF	NT\$ <u>51,443</u>	NT\$ <u>-</u>	2.382	NT\$ <u>19</u>
Short-term bills:					
Purchase	IBF	NT\$ <u>1,106,425</u>	NT\$ <u>-</u>	1.20~1.460	NT\$ <u>-</u>

('000)

Jan.1~Dec. 31, 2004					
Transaction	Related parties	Maximum amount	Ending balance	Interest rate%	Gain(loss)on trading marketable securities
Bonds:					
Purchase	IBF	NT\$ <u>199,274</u>	NT\$ <u>-</u>	2.437~2.972	NT\$ <u>-</u>
Sale	IBF	NT\$ <u>199,431</u>	NT\$ <u>-</u>	1.300~2.754	NT\$ <u>296</u>
Short-term bills:					
Purchase	IBF	NT\$ <u>778,458</u>	NT\$ <u>-</u>	0.900~1.025	NT\$ <u>-</u>

19.COMMITMENTS AND CONTINGENCIES

(1)As of December 31, 2005 and 2004, the Bank's significant commitments and contingencies were as follows:

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Letters of credit issued	NT\$ 2,271,168	NT\$ 2,261,430
Guarantees extended	8,486,367	7,405,740
Government bonds and other short-term bills sold under repurchase agreements	16,115,309	16,051,500
Government bonds and other short-term bills acquired under resale agreements	11,665,457	20,357,771
Unsettled foreign currency forward contract	5,899,623	5,397,041
Unsettled foreign currency swap and options contract	2,416,423	14,963,815

(2) As of December 31, 2005 and 2004, the existing contracts for construction and decoration of the Bank's premises approximated NT\$54,284 thousand and NT\$17,154 thousand, respectively. The Bank had paid approximately NT\$42,500 thousand and NT\$13,769 thousand, respectively.

(3) According to the existing contracts for the lease of its premises, as of December 31, 2005, rental payments were as follows:

<u>Year</u>	<u>Amount</u>	<u>Balance Sheet of Trust December 31, 2005</u>	
		<u>Trust assets</u>	<u>Trust liabilities</u>
2006	NT\$ 90,404	Short-term investments:	Trust capital:
2007	68,997	Investments	Money trust
2008	45,557	in funds	NT\$ 34,358,245
2009	39,560	NT\$ 34,358,245	Total trust
2010	14,942	Total trust assets	liabilities
2011 and thereafter	11,469	NT\$ <u>34,358,245</u>	NT\$ <u>34,358,245</u>
(Net present value is NT\$10,146 thousand)			

(4) As of December 31, 2005 and 2004, the Bank had the following major commitments relating to trust activities:

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Bills for collection	NT\$26,749,339	NT\$23,832,110
Marketable securities for custody	1,534,435	1,761,834
Travelers checks held for sale	99,461	102,664
Assets resulting from various trust agencies	34,358,245	22,855,911

(5) As a result of business operation and employee termination of the Bank a lawsuit was brought up regarding the employment relationship, and a claim for salary and damage compensation of NT\$16,864 thousand plus interest at 5%. The case has not yet been settled.

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

<u>Trust Assets December 31, 2005</u>		<u>Trust liabilities</u>	
Short-term investments:		Trust capital:	
Investments	NT\$ 34,358,245	Money trust	NT\$ 34,358,245
in funds			
Total trust assets	NT\$ <u>34,358,245</u>	Total trust	liabilities
			NT\$ <u>34,358,245</u>

Trust Assets December 31, 2005 ('000)

<u>Investments</u>	<u>Book value</u>
Short-term investments:	
Investments in funds	NT\$ 34,358,245
Total	NT\$ <u>34,358,245</u>

20. OTHER

(1) Financial derivatives and fair market value of financial instruments

1) Financial derivatives

The Bank involved in a variety of derivative instruments such as forward foreign exchange contracts, foreign exchange swap contracts, and interest rate swap contracts in response to its customers' trading activities and in the management of its risk exposure to fluctuations in foreign exchange and financing needs.

Pursuant to the "Appointed Bank Regulations" established by the Central Bank of China. The Bank engaged in two kinds of forwards transactions-fixed due date and selected due date. Divided by due date, there are 30, 60, 90, 120, 150, 180, 360 days instruments. The limitation of the transaction date is one year.

The Bank uses swap contracts to buy or sell US dollars. Since currencies other than US dollars sometimes are hard to buy through the foreign exchange money market, the Bank can use swap transactions in order to hedge its risks.

The credit risk amount, accounting for potential market risk and credit risk, and measured at fair market value, represents the possibility that an accounting loss to the Bank may occur as a direct result of the counterparts' failure to meet their contractual obligations. To limit credit exposure arising from such transactions, the Bank evaluates the credit standing of the counterparts in accordance with the Bank's policies and procedures of credit monitoring and approval.

The market price risk is a risk of fluctuation in exchange rate and interest rate. The Bank uses forwards and currency swaps together with calculated capital of long and short position in every currency to evaluate the market price risk value. This value represents the loss of unfavorable fluctuation in market.

The market risk of the Bank for forwards contract and currency swaps was considered together; the market risk derived from the currency fluctuations would be offset by the net gain (loss) of the hedged foreign currency transactions. The purpose of interest rate swaps is to hedge the interest risk derived from the assets and liabilities. After offsetting the interest rate risk of hedged assets and liabilities, there would be no market risk exit.

In order to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk, the Bank designates derivative instruments negatively correlated to the proportionate changes in the fair values of hedged item as hedging tools. Moreover, the positions are monitored on a timely basis.

A. Derivatives held or issued for trading purposes

(A) Contract amount and credit risk

Financial instruments	Dec. 31, 2005 ('000)		Dec. 31, 2004 ('000)	
	Contract amount	Credit risk amount	Contract amount	Credit risk amount
Forward contracts	NT\$ 4,787,937	NT\$ 81,799	NT\$ 5,338,207	NT\$ 87,398
Buy (sell) options	1,151,089	12,806	12,156,368	132,454
Interest rate swaps	600,000	6,067	-	-

(B) Market risk

	('000) Dec. 31, 2005	('000) Dec. 31, 2004
Exchange rate risk value	NT\$36,014	NT\$12,280
Interest rate risk value	9,803	7,728

(C) Liquidity risk, cash flow risk and uncertainty of future funding requirements

The expected future cash flows needed for the settlements of Bank's derivative contracts were as follows:

Average maturity	('000) 2005	('000) 2004
Less than one year	NT\$ 4,794,714	NT\$ 5,424,855

The amount of the expected future cash flows is estimated. The uncertainty arising from fluctuations of exchange rates and interest rates is the primary function for estimating expected future cash flow. Accordingly, duration can also be a function. Generally, the longer the maturity of a financial instrument, the less certain it becomes. It is unlikely for the Bank to settle a forward contract it held in an unreasonable price in the market. Additionally, the exchange rates are fixed for

the forward contracts and the Bank does not anticipate any significant cash flow risk.

(D) Financial statement disclosures

a. In 2005 and 2004, transactional exchange gains (losses) for derivative transactions amounted to NT\$35,424 thousand and NT\$(56,656) thousand, respectively.

b. The book values and fair values of the Bank's un-matured forward contracts outstanding were as follows:

Category	('000) Dec. 31, 2005	('000) Dec. 31, 2004
Forward proceeds receivable-foreign currencies	NT\$ 3,865	NT\$ 20,076
Forward settlement payable	23,705	61,139
Forward proceeds receivable	34,317	18,278
Forward settlement payable-foreign currencies	3,308	13,849

(E) Options

The Bank engaged in options transactions to comply with the new business of hedging tools. Depositors include savings deposit clients and the internationally well-known banks, who would have to qualify under the risk management assessment of the Bank. The

deposit clients are those who deposit their principal in the Bank and use the interest earned to buy the options. Therefore, the credit risk is very low. In order to eliminate the potential market risk, the Bank will buy opposite options at the same time when the clients buy their options.

From the option transactions, the Bank recognized net exchange gain amounted to NT\$9,595 thousand and NT\$10,890 thousand, service revenues amounted to NT\$30,008 thousand and NT\$46,229 thousand and service expenses amounted to NT\$0 thousand and NT\$2 thousand for the years ended December 31, 2005 and 2004, respectively.

(F) Interest rate swap

From the interest rate swap, the Bank recognized net interest expenses amounted to NT\$2,300 thousand for the year ended December 31, 2005.

B. Derivatives held or issued for non-trading purposes

(A) Contract amount and credit risk

<u>Financial instruments</u>	<u>Dec. 31, 2005</u>		<u>Dec. 31, 2004</u>	
	<u>Contract amount</u>	<u>Credit risk amount</u>	<u>Contract amount</u>	<u>Credit risk amount</u>
Forward contracts	NT\$ 337,120	NT\$ 674	NT\$ 1,419,988	NT\$ 227,342
Non-delivery deposit forward (NDF) contracts	1,164,854	5,922	1,198,963	6,636
Cross Currency Swap contracts	1,369,300	19,433	1,724,300	33,755
Interest rate swap contracts of assets	670,504	38,213	1,055,875	15,145
Interest rate swaps	2,451,000	24,510	-	-

(B) Liquidity risk, cash flow risk and uncertainty of future funding requirements

The Bank had unmatured FX swap contracts, NDF contracts, Cross Currency Swap contracts and the expected future cash flows needed for those transactions were NT\$2,799,245 thousand and NT\$4,190,665 thousand in 2005 and 2004, respectively.

An interest rate swap contract is to exchange a fixed interest rate for a floating rate. The Bank expects that there is no significant need for future cash flows and does not anticipate any significant cash flows risk.

Derivative financial products are mainly held by the Bank to meet the needs of its customers and for its own funds management. The principle of the Bank is just to borrow sufficient funds from the money market, without engaging in high leverage transactions, the financial products held are of a higher liquidity in the general financial market. The possibility of not selling at a reasonable price in the open market is remote; hence liquidity risk is very low.

(C) In 2005 and 2004, the Bank incurred net interest expenses for FX swap contracts amounted to NT\$81,845 thousand and NT\$42,898 thousand, respectively. Besides, the Bank incurred net exchange gain (loss) for derivative NDF transactions amounted to NT\$6,524 thousand and NT\$(3,658) thousand for the years of 2005 and 2004, respectively. The book values and estimated fair values of the Bank's

unmatured forward contracts outstanding were as follows:

<u>Category</u>	<u>(000)</u>	
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Swap agreements:		
Forward proceeds receivable	NT\$ -	NT\$ 11,553
Forward proceeds receivable-foreign currencies	1,625	-
Forward settlement payable-foreign currencies		4,574
	<u>(000)</u>	<u>(000)</u>
<u>Category</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Non-delivery deposit forward (NDF) contracts:		
Forward proceeds receivable	NT\$ 15,104	NT\$ 15,117
Forward proceeds receivable foreign currencies	-	2,160
Forward settlement payable-foreign currencies	-	810
CrossCurrency Swap (CCS)		
Forward proceeds receivable	55,300	128,550

(D) Interest rate swap contracts of assets signed with the counter parties based on the capital gain of debenture bonds, which will counteract the interest incomes and the interest expenses. The Bank has interest incomes for interest rate swap contracts of as-

sets NT\$42,584 thousand and NT\$22,492 thousand for the years ended December 31, 2005 and 2004, respectively.

(E) From the non-trading interest rate swaps, the Bank recorded unrealized gains amounted to NT\$33,430 thousand for the year ended December 31, 2005.

2) Fair value of financial instruments

	Dec. 31, 2005		Dec. 31, 2004	
	Book value	Fair value	Book value	Fair value
Financial assets				
Book value equivalent to fair values	NT\$ 309,155,772	309,155,772	NT\$ 291,401,659	291,401,659
Marketable securities	75,570,440	75,602,867	81,280,208	81,469,792
Long-term investment	6,027,855	6,529,810	7,953,664	8,128,449
Financial liabilities				
Book amount equivalent to fair values	NT\$ 25,031,948	25,031,948	NT\$ 26,872,775	26,872,775
Customer deposits and remittances payable	331,994,137	331,952,509	334,105,007	334,034,758
Subordinated debenture	18,000,000	18,000,000	8,000,000	8,000,000
Bonds payable	3,613,500	3,613,500	3,510,650	3,510,650

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

(A) Financial assets with book amounts equivalent to fair values:

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

(B) Marketable securities:

The fair value was based on either the average end-of-month quoted closing price of the reported accounting period or the latest settlement price at the end of the fiscal year. The fair value of open-ended mutual funds was measured by the net asset value of the mutual funds on the balance sheet date. If a quoted market price was not available, a reasonable estimate of fair value was based on financing or other data.

(C) Loan, bills discounted and purchased:

The fair values of loans, discounts and bills purchased were estimated based on certain characteristics of banking industry. On that account, the book value was a reasonable estimate of fair value, taking into account the current credit-worthiness of the borrowers. The fair values of fixed-rate loans with medium to long term maturity were es-

timated by discounting the future cash flows using the current rates. Since the Bank entered into fixed-rate loans of which interest rate were higher than market rate and the remaining maturities were less than three years and it was not practical to calculate the present value of each transaction, the fair value of loans was estimated using book value, taking into account of the current credit-worthiness of the borrowers.

(D) Long-term investments:

The fair values of long-term investments were estimated based on the market price if the market price was available. If a quoted market price was not available, a reasonable estimate of fair value was based on financing or other data.

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

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

(F) Customer deposits and remittances payable:

The fair values of customer deposits and remittances payable were estimated based on the certain characteristics of banking industry. A large portion

of the bank's deposit liabilities was made with floating interest rate and the maturities for most of those deposit liabilities were less than one year. On that account, the book value was a reasonable estimate of fair value. The fair values of long-term deposits were estimated by discounting the future cash flows using the current rates.

(G) Subordinated debenture:

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

(H) Convertible Bonds:

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

3) Concentrations of credit risk of financial instruments

Concentrations of credit risk are most likely resulting from exposures with an individual counterparty. Group concentrations of credit risk exist if a number of counterparties are engaged in similar activities or activities in the same region have similar economic characteristics that would affect their ability to meet contractual obligations. The Bank maintains trading positions in a number of markets and with a variety of counterpart or obligors. The Bank's significant group concentrations of credit risk were summarized in categories of similar industries as follows:

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Loans-industry		
Individuals	NT\$181,576,800	NT\$167,076,705
Commercial	168,650	376,732
Manufacturing	48,408,157	45,963,772
Construction and real estate	10,479,010	8,429,641
Other institutions	<u>34,538,650</u>	<u>34,796,483</u>
Total	<u>NT\$ 275,171,267</u>	<u>NT\$ 256,643,333</u>

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

(2) The policy of credit risk, market risk, liquidity risk, activity risk and law risk, and the risk exposed condition.

1) Loan quality

	('000)	('000)
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Non-performing loans (NPLs)	NT\$ 6,757,499	NT\$ 6,755,112
Non-accrual loans	5,269,326	6,901,582
NPLs/Gross loans	2.46%	2.63%
Surveillance loans	-	501,125
Surveillance loans/Gross loans	-	0.20%
Allowance for loan losses	2,943,622	3,329,376
Loans write-offs	2,765,013	2,352,158

Note 1: Non-performing loans (NPLs)

(a) Before June 30, 2005, Non-performing loans were exempted from reporting as a non-performing loan by Ministry of Finance Order Tai-Tsai-Rong No. 832292834 on February 16, 1994, and Tai-Tsai-Rong No. 86656564 on December 1, 1997.

(b) After July 1, 2005, Non-performing loans were exempted from reporting as a non-performing loan by Ministry of Finance Order Tai-Tsai-Rong (1) Zi-0928011826 on January 6, 2004.

Note 2: Surveillance loans

The policy of surveillance loans was applied the regulation before June 30, 2005.

2) Credit risk centralization

(In thousand)

	Dec. 31, 2005		Dec. 31, 2004	
Loans to related parties	NT\$2,597,461		NT\$3,591,982	
Loans to related parties / Total loans	0.91%		1.35%	
Loans collateralized with stocks	0.58%		0.49%	
Industry link	Industry	Percentage	Industry	Percentage
	1.Manufacturing	18.52%	1.Manufacturing	18.52%
	2.Commercial	4.21%	2.Commercial	4.27%
	3.Construction and real estate	3.95%	3.Construction and real estate	3.59%

Note: Total loans include loans, bills discounted and purchased, acceptances receivables and guarantees.

3) Loan losses and the policy for loan losses allowance:

The Bank shall classify credit assets on and off balance sheet. Normal credit assets shall be classified as "Category One." The remaining unsound credit assets shall be evaluated based on the status of the loan collaterals and the length of time overdue. Assets that require special mention shall be classified as "Category Two," assets that are substandard shall be classified as "Category Three," assets that are doubtful shall be classified as "Category Four," and assets for which there is loss shall be classified as "Category Five." The Bank shall evaluate credit assets on and off balance sheet and shall allocate sufficient loan loss provision and reserves against liability on guarantees. The minimum standard for loan loss provision shall be the sum of 2% of the balance of Category Two credit assets, 10% of the balance of Category Three credit assets, 50% of the balance of Category Four credit assets, and the full balance of Category Five credit assets.

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

The write-off of non-performing loans and non-accrual loans shall be authorized by a resolution passed by the Board of Directors, and the supervisors shall be notified.

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

4) Financial instruments with off-balance-sheet credit risk

In 2005 and 2004, majority of the Bank's credit commitments expired within one year with the 0.01% ~ 15% interest rate ranges (the interest rates for the credit card receivable were both up to 19.89%). The Bank's commitments such as financial guarantees and letters of credit were conditional commitments to guarantee performance to third parties. These guarantee agreements primarily expired within one year. Maturity was not concentrated in the specific period.

The Bank's financial instruments with off-balance-sheet credit risk were summarized as follows:

	('000) <u>Dec. 31, 2005</u>	('000) <u>Dec. 31, 2004</u>
Loan commitments	NT\$ 76,039,271	NT\$ 90,408,944
Lines of credit commitments for credit card holders	36,909,035	34,717,511
Financial guarantees and standby letters of credit	10,757,535	9,667,171

The Bank anticipates that not all of those commitments will be utilized before agreed-upon expiration or other termination clauses. The amount of unused commitment does not necessarily represent future funding requirements. For that reason, the contract or nominal amount does not represent the amount of the Bank's exposure to credit risk. The amount is potentially subject to credit risk arising from the possible inability of counterparties to meet the terms of contracts and the material deterioration in collateral.

Before entering loan commitments, financial guarantees or letters of credits, the Bank performs a strict credit evaluation. The strategy of the Bank is to require certain borrowers to provide collateral (usually in the form of cash, inventory or marketable securities) for all or part of the exposures prior to the approval and authorization of loans. The Bank had the right to dispose the collateral in case of default. The percentage of secured loans as a percentage of total loan as of December 31, 2005 and 2004, were 57.88% and 62.08%, respectively.

The Bank's credit card holders were not required to maintain collateral for the lines of credit committed by the Bank. The Bank evaluated the present creditworthiness of the

cardholders regularly. The Bank would adjust their credit lines, if there were a material deterioration in creditworthiness of the cardholders.

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

	('000)		('000)	
	For the year ended		For the year ended	
	December 31, 2005		December 31, 2004	
	Average interest		Average interest	
Average amount	rate%	Average amount	rate%	
	(Annual rate)		(Annual rate)	
Assets:				
Due from Central Bank of China	NT\$11,946,307	1.09	NT\$11,229,223	1.36
Call loans	7,279,502	1.86	4,206,068	0.76
Marketable securities-bonds	11,215,427	3.30	19,037,919	4.13
Loan, bills discounted and purchased	253,552,887	3.88	241,435,159	3.55
Long-term investments-bonds	5,614,670	2.85	3,464,508	2.78
Liabilities:				
Demand deposits	NT\$124,287,425	0.47	NT\$ 112,188,605	0.45
Foreign currency demand deposits	5,968,844	1.01	4,777,487	0.33
Time deposits	187,459,146	1.51	181,954,584	1.42
Foreign currency time deposits	9,249,175	2.59	7,626,323	1.42
Transferable time deposits	3,738,790	1.45	4,606,899	1.17
Financing/Borrowing from Central Bank of China and banks	2,756,395	2.14	4,510,111	1.27
Subordinated debentures	17,232,877	3.50	8,000,000	4.02

6) Risk sensitivity

	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Risk sensitive assets/Risk sensitive liabilities	89.39%	91.96%
Risk sensitive gap/Total shareholders' equity	(167.88%)	(139.41%)

7) Primary foreign currencies

(In thousand)

	<u>Dec. 31, 2005</u>				<u>Dec. 31, 2004</u>			
	Original currency		Equivalent NTD amount		Original currency		Equivalent NTD amount	
Primary foreign currencies held (Market risk)	1	USD 12,560	412,579		1	USD 4,407	140,660	
	2	JPY 1,063,746	297,636		2	JPY 18,897	60,742	
	3	HKD 7,977	33,798		3	EUR 554	24,113	
	4	NZD 1,352	30,350		4	HKD 2,653	10,890	
	5	EUR 686	26,723		5	CNY 2,566	9,894	

8) Profitability

	<u>2005</u>	<u>2004</u>
The ratio of return on assets	0.84%	0.83%
The ratio of return on shareholders' equity	16.43%	17.17%
Net income ratio	18.52%	19.76%

	9) Demand deposits, time deposits and foreign currency deposits	
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Demand deposits	NT\$ 144,538,086	NT\$ 132,460,222
Demand deposit/total deposits	45.28%	41.31%
Time deposits	174,685,520	188,156,414
Time deposits/total deposits	54.72%	58.69%
Foreign currency-denominated deposits	13,821,784	15,036,577
Foreign currency-denominated deposits/total deposits	4.33%	4.69%

Note: Total deposits exclude Postal Bureau deposits.

	10) Small and medium enterprise loans and consumer loans	
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>
Small and medium enterprise loans	NT\$ 47,784,535	NT\$ 33,239,837
Small and medium enterprise loans/Total loans	17.37%	12.95%
Consumer loans	148,017,528	134,159,850
Consumer loans/ Total loans	53.79%	52.28%

11) The maturity analysis of assets and liabilities

(In thousand)

	Total	Amount during the maturity period from the balance sheet date to due date				
		Within 30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Assets	NT\$ 392,826,986	77,000,511	18,614,020	13,349,359	17,496,711	266,366,385
Liabilities	464,513,264	58,892,944	53,652,757	61,548,277	114,513,764	175,905,522
Gap	(71,686,278)	18,107,567	(35,038,737)	(48,198,918)	(97,017,053)	90,460,863
Accumulated gap		18,107,567	(16,931,170)	(65,130,088)	(162,147,141)	(71,686,278)

12) Special memorandum items

	Cases and amount
Management or any employee being prosecuted in lawsuit for disobeying of any rules in business in one year	None
The Bank being fined for disobeying the Banking Law in one year	Note 1 and Note 2
The Bank being punished by MOF for any fault in one year	None
The Bank incurred losses over NT\$50,000 thousand for management or employee fraud or for any security incident in one year	None
Others	None

Note: 1.The offshore Banking Unit of the Bank has not been authorized to operate the China business. During November and December 2004, the Bank did the "Letter of Credit" business between R.O.C. and China. This business conflicted with the regulations of "Act Governing Relations between Peoples of the Taiwan Area and the Mainland Area" Article 36-1, and the SFB punished the Bank NT\$2,000 thousand.

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

(3) Capital Adequacy

	<u>Dec. 31, 2005</u>	<u>Dce. 31, 2004</u>
Capital adequacy ratio	11.98%	8.97%
Total liabilities/Shareholders' equity	1,753.71%	1,967.64%

(4) Related party credit transaction

('000)

Category	Number	Balance as of	
		<u>Dce. 31, 2005</u>	<u>Probable loss</u>
Consumers loans	1,170	313,068	-
Employee loans for house purchase	553	1,054,226	-
Loans for other related parties	202	943,670	8,041
Loans guaranteed by related parties	141	278,276	-
Loans with collateral security provided by related parties	-	-	-

(5) In accordance with R.O.C. SFAS No. 28, further disclosures were as follows:

1) The maturity analysis of material assets and liabilities were as follows:

('000)

	Dec. 31, 2005					
	Within 1 month	1~6 months	6 months~1 year	1~7 years	Over 7 years	Total
Assets:						
Marketable securities-bonds	NT\$17,400	NT\$70,662	NT\$352,532	NT\$15,721,797	NT\$4,438,822	NT\$20,601,213
Call loans	707,345	3,244,529	124,764	-	-	4,076,638
Loan, bills discounts and purchased (Note 1)	9,726,260	26,396,260	13,465,898	93,929,816	126,383,707	269,901,941
Long-term debt investments	-	-	-	928,811	3,220,471	4,149,282
Total	NT\$10,451,005	NT\$29,711,451	NT\$13,943,194	NT\$110,580,424	NT\$134,043,000	NT\$298,729,074
Liabilities:						
Due to banks (Note 2)	NT\$3,700,000	NT\$-	NT\$492,750	NT\$-	NT\$-	NT\$4,192,750
Customer deposits and remittances payable (Note 3)	22,862,951	77,630,594	77,918,983	8,943,845	-	187,356,373
Total	NT\$26,562,951	NT\$77,630,594	NT\$78,411,733	NT\$8,943,845	NT\$-	NT\$191,549,123

('000)

	Dec. 31, 2004					
	Within 1 month	1~6 months	6 months~1 year	1~7 years	Over 7 years	Total
Assets:						
Marketable securities-bonds	NT\$314,184	NT\$393,982	NT\$999,971	NT\$4,027,827	NT\$1,314,893	NT\$7,050,857
Call loans	5,077,294	156,177	51,862	113,586	-	5,398,919
Loan, bills discounts and purchased (Note 1)	7,686,292	27,973,315	10,372,275	73,025,435	130,684,434	249,741,751
Long-term debt investments	-	-	-	31,915	6,313,824	6,345,739
Total	NT\$13,077,770	NT\$28,523,474	NT\$11,424,108	NT\$77,198,763	NT\$138,313,151	NT\$268,537,266
Liabilities:						
Due to banks (Note 2)	NT\$200,000	NT\$3,661,479	NT\$542,555	NT\$319,150	NT\$-	NT\$4,723,184
Customer deposits and remittances payable (Note 3)	23,574,471	81,615,742	87,559,475	8,857,752	-	201,607,440
Total	NT\$23,774,471	NT\$85,277,221	NT\$88,102,030	NT\$9,176,902	NT\$-	NT\$206,330,624

Note 1: Non-accrual loans are not included.

Note 2: Including due to banks and Central Bank of China and financing / borrowing from Central Bank of China and banks.

Note 3: Only time deposits and time saving deposits are included.



The maturity analysis of the Bank recognized the maturity period from the date of balance sheet to the due date.

2) Allowance for doubtful accounts

(‘000)

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

(‘000)

	Dec. 31, 2004			
	Unrecovery risk for the overall			Total
	Unrecovery risk for particular loans	Country risk	(excluding the particular loans)	
Beginning balance	NT\$2,929,277	NT\$ -	NT\$758,304	NT\$3,687,581
Provision for loan losses and doubtful receivable	2,145,810	-	227,924	2,373,734
Write-off	<u>(2,352,455)</u>	-	<u>(154,318)</u>	<u>(2,506,773)</u>
Ending balance	NT\$ <u>2,722,632</u>	NT\$ <u>-</u>	NT\$ <u>831,910</u>	NT\$ <u>3,554,542</u>

The Bank received NT\$889,850 thousand and NT\$752,036 thousand of bad debts recovery during the years of 2005 and 2004, respectively, and recorded as operating income.

The balances of loans with non-accumulating interests were NT\$5,423,643 thousand and NT\$7,069,257 thousand on December 31, 2005 and 2004, respectively. The balances of non-accumulating interest receivable were NT\$1,241,266 thousand and NT\$1,803,240 thousand on December 31, 2005 and 2004, respectively.

3) The Bank had not written off any loans without lodging appeals.



21. NOTES TO DISCLOSURE ITEMS

(1) Information of significant transactions

- 1) Accumulated purchases or sales of the stocks for the same invested company amounted to NT\$300 million or over 10% of the capital were as follows: None.
- 2) Real estate acquisition amounted to NT\$300 million or over 10% of the capital were as follows: Please refer to Appendix 1.
- 3) Real estate disposal amounted to NT\$300 million or over 10% of the capital were as follows: None.
- 4) Allowances for service fee from transaction with the related parties amounted to NT\$5 million were as follows: None.
- 5) Receivables from the related parties amounted to NT\$300 million or over 10% of the capital were as follows: None.
- 6) Sales of NPLs amounted to NT\$5,000 million or more were as follows: None.
- 7) Other significant transactions that might have influence over the decision making of the financial statements users: None.

Appendix 1

For the year 2005

(Amounts are in thousands)

Purchasing company	The Bank	
Recording entry	Land and buildings	
Date	December . 30, 2005	
Cost	NT\$ 475,000	
Payment paid	Rental deposit planning to be paid	
Trading party	Chu-Cherng Construction Co., LTD	
Relationship	Subsidiary of the Bank	
The prior trading information if the trading party is related	Owner	Miao-Jiang, Chang
	Relationship with the company	--
	Date	January .4, 1999
	Cost	NT\$106,000
Basis of the price	Home Ban Real Estate Evaluate Co., Ltd	
Purpose and usage	Office	
Others	Rental deposit planning to be paid	

(2) Information of invested company

1) The information that the Bank has direct or indirect significant influences or controls: (number of shares and amounts are in thousands)

December 31, 2005

Investor	Investee	Investee's address	Operating item
The Bank	Hsin-Chu Real Estate Co., Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Bond and stock underwriter, guarantee, and endorsement
The Bank	Hsin-Chu Futures Co., Ltd.	3F,130, Si Wei Road, Hsin-Chu, Taiwan	Futures underwriter
The Bank	Hsin-Chu Insurance Agent Co., Ltd.	85 Chung-Zeng Road, Hsin-Chu, Taiwan	Life insurance agent
The Bank	Chu-Chiann Insurance Agent Co., Ltd.	85 Chung-Zeng Road, Hsin-Chu, Taiwan	Property insurance agent
The Bank	Paradigm Assets Management Co., Ltd.	19F, 123, Sec2, Chung- Hsiao East Road, Taipei, Taiwan	Securities investment trust
Hsin-Chu Real Estate Co., Ltd.	Chu Cherng Construction Co., Ltd.	4F,130, Si Wei Road, Hsin-Chu, Taiwan	Land development
Hsin-Chu Real Estate Co., Ltd.	Chu-Chi Interior Decoration Engineering Co., Ltd.	10F, 3, Lane 91, Dongmei Road, Hsin-Chu, Taiwan	Indoor decoration
Hsin-Chu Real Estate Co., Ltd.	Chu-Sheng Technology Co., Ltd.	11F,130, Si Wei Road, Hsin-Chu, Taiwan	Computer software development
Hsin-Chu Real Estate Co., Ltd.	Chu-Chi Travel Service Co., Ltd.	9F,256, Nan Da Road, Hsin-Chu, Taiwan	Traveling agent
Hsin-Chu Real Estate Co., Ltd.	Hsin-Chu Gen-Gin Security Co., Ltd.	4F,130, Si Wei Road, Hsin-Chu, Taiwan	Security
Hsin-Chu Real Estate Co., Ltd.	Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	4F,130, Si Wei Road, Hsin-Chu, Taiwan	Apartment and mension management
Hsin-Chu Real Estate Co., Ltd.	Ju-Ying International Co., Ltd.	4F-2,130, Siwei Road, Hsin-Chu, Taiwan	Information and software services
Hsin-Chu Real Estate Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan	Car Leaseing
Hsin-Chu Real Estate Co., Ltd.	Sen-ding Co., Ltd.	13F.-3, 160, Sec. 3, Dongsing Rd., West District, Taichung, Taiwan	Hotel
Hsin-Chu Real Estate Co., Ltd.	Yu-zhuang Co., Ltd.	70-72, Hebei W. St., Beitun District, Taichung, Taiwan	Hotel
Chu-Cherng Construction Co., Ltd.	Ju-Ying International Co., Ltd.	4F-2, 130, Si, Wei Road, Hsin-Chu, Taiwan	Information and software services
Hsin-Chu Gen-Gin Security Co., Ltd.	Ju-Ying International Co., Ltd.	4F-2, 130, Si, Wei Road, Hsin-Chu, Taiwan	Information and software services
Hsin-Chu Gen-Gin Security Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan	Car Leaseing
Chu-Chi Interior Decoration Engineering Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan	Car Leaseing
Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	Ju-Ying International Co., Ltd.	4F-2, 130, Si, Wei Road, Hsin-Chu, Taiwan	Information and software services
Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan	Car Leaseing
Ju-Ying International Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan	Car Leaseing
Chu-Sheng Technology Co., Ltd.	Hiplan (Nanking) Technology Corp. Ltd.	168, Kiangsu SoftwarePark Long Pan Zhong Road, Nanking Mainland China	Information processing services
Chu-Sheng Technology Co., Ltd.	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.	10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan	Car Leaseing

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

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

B. Real estate disposal amounted to NT\$300 million or over 10% of the capital were as follows: Please refer to Appendix 2

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

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

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

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

G. Loans to others on December 31, 2005 were as follows: Please refer to Appendix 3

Original invested amount		December 31, 2005			Investee's income (loss) for the year ended Dec. 31, 2005	Investee's period gain/loss recognition	Note
December 31, 2005	December 31, 2004	Shares	Percentage (%)	Dollar amount			
30,000	30,000	13,255	59.84	187,772	16,350	7,600	Subsidiary of the Bank
442,830	442,830	30,112	88.57	267,307	4,956	4,390	Subsidiary of the Bank
2,000	2,000	40,027	99.87	761,147	334,253	334,242	Subsidiary of the Bank
2,000	2,000	1,671	99.86	36,295	16,471	16,470	Subsidiary of the Bank
60,000	60,000	6,000	20.00	63,515	(149,727)	(9,945)	-
80,000	80,000	8,484	50.50	47,834	(2,970)	(4,684)	Subsidiary of the Bank
4,415	4,415	1,316	88.30	14,528	305	148	Subsidiary of the Bank
15,880	9,880	1,588	79.40	6,950	(10,366)	(7,810)	Subsidiary of the Bank
1,800	1,800	180	30.00	-	(2,152)	-	Subsidiary of the Bank
39,520	39,520	4,328	98.80	47,632	(321)	(317)	Subsidiary of the Bank
9,880	9,880	1,415	98.80	22,317	1,220	1,083	Subsidiary of the Bank
15,000	15,000	1,500	15.15	14,185	(9,928)	(1,503)	Subsidiary of the Bank
3,419	-	338	6.75	3,170	(3,550)	(249)	Subsidiary of the Bank
24,000	-	2,400	48.00	22,782	(3,739)	(2550)	-
12,600	14,000	1,260	18.00	11,507	(1,121)	(1,354)	-
10,000	10,000	1,000	10.10	9,456	(9,928)	(1,181)	Subsidiary of the Bank
20,000	20,000	2,000	20.20	18,913	(9,928)	(1,964)	Subsidiary of the Bank
5,000	2,000	647	12.95	6,081	(3,550)	(479)	Subsidiary of the Bank
1,186	1,000	135	2.70	1,137	(3,550)	(65)	Subsidiary of the Bank
10,095	10,095	1,000	10.10	9,394	(9,928)	(950)	Subsidiary of the Bank
6,000	6,000	870	17.40	8,170	(3,550)	(645)	Subsidiary of the Bank
6,000	6,000	784	15.68	8,110	(3,550)	273	Subsidiary of the Bank
4,146	4,146	1	100.00	264	(953)	(953)	Subsidiary of the Bank
3,000	-	291	5.82	2,733	(3,550)	(267)	Subsidiary of the Bank

H. Financial guarantees for others: None.

I. Securities held at December 31, 2005 were as follows: Please refer to Appendix 4

J. Accumulated stock purchases or sales of the same stock amounted to NT\$300 million or over 10% of the capital were as follows: None.

K. Financial derivatives transaction: None.

Appendix 1
For the year 2005

Purchasing company	Recording entry	Date	Cost	Payment paid	Trading party
Hsin-Chu Real Estate Co., Ltd.	Land	September 13, 2005	NT\$356,180	Had paid	Ming Chen, Liou-He, Wu and Tung-yu, Chang

Appendix 2
For the year 2005

Disposing company	Name of properties	Transaction date	Date of original acquisition	Book value	Transaction amount	Collecting status
Hsin-Chu Real Estate Co., Ltd.	Investment in real estate	June 30, 2005	December 14, 2004	NT\$656,349	NT\$673,834	Had received

Appendix 3
For the nine-month period ended September 30, 2005.

Loaner	Debtor	Recording entry	Line of credit to the debtor	Highest balance	Ending Balance
Hsin-Chu Real Estate Co., Ltd.	Chi-Da united building Co.	Account receivable	-	NT\$20,070	NT\$15,058

Note : Calculated based on the 40% of Hsin-Chu Real Estate Co., Ltd.'s shareholders' equity as of December 31, 2005.



(Amounts are in thousands)

Relation ship	The prior trading information if the trading party is related				Basis of the price	Purpose and usage	Other
	Owner	Relationship with the company	Date	Cost			
--	--	--	--	--	Global Vision Evaluate Real-Estate Co., Ltd.	Real-estate invest- ment	None

(Amounts are in thousands)

Gain (loss) from disposal	Counterparty	Relationship	Reason of disposal	Price reference	Other commitments
NT\$17,485	Tung-Yu, Chang and Ming-Lung, Liu	-	Investment hold for trading	Market price	None

(Amounts are in thousands)

Interest Rate interval	Purpose	Allowance for bad debts	Collateral		Business Amount	Line of Credit
			Item	Value		
-	Build market place	-	-	-	-	NT\$126,434(Note)

Appendix 4
For the year of 2005

Holding company	Security	
	Category	Name
Hsin-Chu Real Estate Co., Ltd.	Stock	Chu-Cherng Construction Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Chu-Chi Interior Decroation Engineering Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Chu-Sheng Technology Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Chu-Chi Travel Service Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Hsin-Chu Gen-Gin Security Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Ju-Ying International Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Sen-ding Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Shin Kong Financial Holding Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Phoenix Silicon International Corp.
Hsin-Chu Real Estate Co., Ltd.	Stock	Yu-zhuang Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Fair Fiend Enterprise Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Excellence Electronic Co., Ltd.
Hsin-Chu Real Estate Co., Ltd.	Stock	Leadwell Cnc Machines Mfg. Corp.
Hsin-Chu Real Estate Co., Ltd.	Stock	Crpwnpo Technology Inc.
Hsin-Chu Futures Co., Ltd.	Stock	Taiwan Futures Exchange Co., Ltd
Hsin-Chu Insurance Agent Co., Ltd.	Mutual funds	Chung Hsing Happy Fund
Chu-Cherng Construction Co., Ltd.	Stock	Phoenix Precision Technology Corporation
Chu-Cherng Construction Co., Ltd.	Beneficiary securities	Fubon No.1 REITS
Chu-Cherng Construction Co., Ltd.	Beneficiary securities	Shin Kong No.1 REITS
Chu-Cherng Construction Co., Ltd.	Stock	D-Link Corp.
Chu-Cherng Construction Co., Ltd.	Bills	Short-term bills
Chu-Cherng Construction Co., Ltd.	Stock	Der Lee Co., Ltd.
Chu-Cherng Construction Co., Ltd.	Stock	Her Li Sin Co. Ltd.
Chu-Cherng Construction Co., Ltd.	Stock	Ju-Ying International Co., Ltd.
Chu-Cherng Construction Co., Ltd.	Stock	Internatonal Venice Co., Ltd.
Chu-Chi Interior Design Engineering Co., Ltd.	Stock	Windance Co., Ltd.
Chu-Chi Interior Design Engineering Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.
Hsin-Chu Gen-Gin Security Co., Ltd.	Stock	Ju-Ying International Co., Ltd.
Hsin-Chu Gen-Gin Security Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leaseing Co., Ltd.
Hsin-Chu Gen-Gin Security Co., Ltd.	Stock	Chu-Chiann Investments Co., Ltd.
Hsin-Chu Gen-Gin Security Co., Ltd.	Stock	Windance Co., Ltd.
Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leasing Co., Ltd.
Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	Stock	Ju-Ying International Co., Ltd.
Ju-Ying International Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leasing Co., Ltd.
Ju-Ying International Co., Ltd.	Stock	Her Lisin Co. Ltd.
Chu-Sheng Technology Co., Ltd.	Stock	Hiplan (Nanking) Technology Corp. Ltd.
Chu-Sheng Technology Co., Ltd.	Stock	Hsin-Chu Gen-Gin Car Leasing Co., Ltd.

Note 1: Calculated with reference to the investees' audited shareholders' equity as of December 31, 2005.

Note 2: Calculated with reference to the investees' unaudited shareholders' equity as of December 31, 2005.

Note 3: Calculated with reference to the investees' unaudited shareholders' equity as of September 30, 2005.

Note 4: Calculated with reference to the investees' unaudited shareholders' equity as of November 30, 2005.

(Numbers of shares and amounts are in thousands)

Relationship with the issuer	Recording entry	December 31, 2005				Note
		Shares	Cost NT\$	Percentage (%)	Fair market value	
Invested company measured by equity method	Long-term investments	8,484	47,834	50.50	47,834	Note 1
Invested company measured by equity method	Long-term investments	1,316	14,528	88.30	15,528	Note 1
Invested company measured by equity method	Long-term investments	1,588	6,950	79.40	6,950	Note 1
Invested company measured by equity method	Long-term investments	180	-	30.00	-	-
Invested company measured by equity method	Long-term investments	4,328	47,632	98.80	47,632	Note 1
Invested company measured by equity method	Long-term investments	1,418	22,317	98.80	22,317	Note 1
Invested company measured by equity method	Long-term investments	1,500	14,185	15.15	14,185	Note 1
Invested company measured by equity method	Long-term investments	338	3,170	6.75	3,170	Note 1
Invested company measured by equity method	Long-term investments	2,400	22,782	48.00	22,205	Note 2
-	Long-term investments	6,107	102,883	0.15	154,757	-
-	Long-term investments	306	4,968	0.33	2,549	Note 2
-	Long-term investments	1,260	11,507	18.00	11,506	Note 2
-	Long-term investments	2	21	-	23	Note 3
-	Long-term investments	-	3	-	3	Note 3
-	Long-term investments	6	62	0.01	68	Note 4
-	Long-term investments	1	4	-	-	Note 2
-	Long-term investments	3,050	30,500	1.53	82,625	Note 2
-	Short-term investment	1,000	10,000	-	11,009	-
-	Short-term investment	1	19	-	88	-
-	Short-term investment	700	7,255	-	7,245	-
-	Short-term investment	1,000	10,006	-	10,050	-
-	Short-term investment	-	-	-	3	-
-	Short-term investment	-	20,000	-	20,000	-
-	Short-term investment	143	2,444	-	-	-
-	Long-term investments	150	1,500	7.69	1,613	Note 2
Hsin-Chu Real Estate Co., Ltd.'s subsidiary	Long-term investment	1,000	9,456	10.10	9,456	Note 1
-	Long-term investments	545	5,455	18.18	4,604	Note 2
-	Long-term investment	510	5,100	0.07	4,233	Note 4
Hsin-Chu Real Estate Co., Ltd.'s Subsidiary	Long-term investment	135	1,137	2.70	1,268	Note 1
Hsin-Chu Real Estate Co., Ltd.'s subsidiary	Long-term investments	2,000	18,913	20.20	18,913	Note 1
Hsin-Chu Real Estate Co., Ltd.'s subsidiary	Long-term investments	647	6,081	12.95	6,081	Note 1
The company's chairman is a director of CCI	Long-term investments	1,150	8,050	5.12	9,131	Note 2
-	Long-term investments	124	1,245	0.02	1,029	Note 4
Hsin-Chu Real Estate Co., Ltd.'s subsidiary	Long-term investments	870	8,170	17.40	8,170	Note 1
Hsin-Chu Real Estate Co., Ltd.'s subsidiary	Long-term investments	1,000	9,394	10.10	9,456	Note 1
Hsin-Chu Real Estate Co., Ltd.'s subsidiary	Long-term investments	784	8,110	15.68	7,367	Note 1
-	-	150	1,500	7.69	1,613	Note 2
The China company invested indirectly by Chu-Sheng Technology Co.,Ltd. Via third place.	Long-term investments	1	264	100.00	264	Note 2
Hsin-Chu Real Estate Co., Ltd.'s subsidiary.	Long-term investments	291	2,733	5.82	2,733	Note 1

3) Investment information of China

A. As of December 31, 2005, the details information:

(Amounts are in thousands)

Name of China investee	Hiplan (Nanking) Technology Corp., Ltd.	
Main operating activities	Information processing services	
Paid-in capital	NT\$4,146(US\$120)	
Investment methods	Note 1	
Accumulatd invested amount remitted out of Taiwan at the beginning of the period	NT\$4,146(US\$ 120) (Note 1)	
Funds remitted out or funds withdrawn In the period	Remitted out	--
	Withdrwan	--
Accumulatd invested amount remitted out of Taiwan at the end of the period	NT\$4,146(US\$ 120) (Note 2)	
Direct or indirect investment holding percentage	48%	
Investment gain/loss recognized in the period	(953)	
Book value of investment at the end of the period	264	
Gain/loss on investment remitted back to Taiwan up to the end of the period	-	

Note 1: Invested in China through remittance of funds to Hong Kong.

Note 2: Hiplan (Nanking) Technology Corp., Ltd. is a subsidiary of Chu-Sheng Technology Co., Ltd., which is an investee accounted for under the equity method by Hsin-Chu Real Estate Co., Ltd.

B. As of December 31, 2004 the limit amounts of investment in Mainland China were as follows:

(Amounts are in thousands)

Accumulated investment funds remitted to China at the end of the period	Investment amount permitted by MOEAIC	Limitation on the amount of funds invested in China (Note 1)
NT\$ 4,146 (US\$ 120, Note 2)	US\$ 200	NT\$5,837,993

Note 1: Calculated in accordance with the rule set by Ministry of Economic Affairs R.O.C.

Note 2: Total funds remitted out of Taiwan to China at December 31, 2005 were US\$120 thousand which were equivalent to NT\$3,942 thousand using the spot rate at December 31, 2005 for exchange conversion.

22. SEGMENT INFORMATION

(1) Industry segments

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

(2) Geographic segments

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

(3) Foreign exchange revenues

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

(4) Major customers

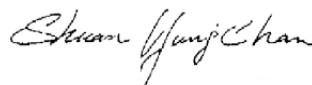
No single customer represents 10% or more of the Bank's operating revenues.

V. Consolidated Financial Statement by Independent Auditors for Recent Year:**Declaration**

The Company declares that its affiliated enterprises defined in Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and subsidiaries defined in Republic of China Statement of Financial Accounting Standards No. 7 "Consolidated Financial Statements" are corresponding in year 2005. In addition, the information disclosed in consolidated financial statements of affiliated enterprises has been revealed previously in consolidated financial statements of subsidiaries. Thus the company does not disclose the consolidated financial statements of affiliated enterprises separately.

Hereby

Company Name : Hsinchu International Bank
Chairman : Shuan-Yung Chan





INDEPENDENT AUDITORS' REVIEW REPORT

Hsinchu International Bank Co., Ltd.:

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

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

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

Diwan, Ernst & Young

Diwan, Ernst & Young
February 13, 2006
Taipei, Taiwan
Republic of China

The above auditors' report and the following consolidated financial statements are English translations of the Chinese auditors' report and consolidated financial statements prepared for and used in the Republic of China. The accompanying consolidated financial statements were prepared using accounting principles, procedures and reporting practices generally accepted in the Republic of China and are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in the Republic of China. The standards, procedures and practices utilized to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

**HSINCHU INTERNATIONAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (FIRST TIME COMPILATION)**

FOR THE YEAR ENDED DECEMBER 31, 2005

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

Jan. 1~Dec. 31, 2005

Revenues:

Interest income (Note 26)	NT\$ 11,784,260
Fee and commission income (Note 26)	2,967,968
Gain on trading marketable securities, net (Note 26)	541,875
Gain on sale of investment (Note 9)	458,728
Gain on disposal of fixed assets (Note 10)	21,795
Exchange gain, net (Note 29)	171,814
Other income (Notes 21 and 29)	<u>2,726,615</u>
	<u>18,673,055</u>

Disbursement:

Interest expenses (Note 26)	4,733,991
Fee and commission expense	268,630
Investment loss recognized by equity method, net (Note 9)	12,517
Provision for loan and other losses (Note 29)	2,937,604
Operating expenses (Note 23)	5,519,706
Loss on disposal of fixed assets (Note 10)	18,253
Impairment losses (Notes 3 and 10)	10,830
Other expenses (Note 22)	<u>1,711,360</u>
	<u>15,212,891</u>

Income before income taxes	3,460,164
Provision for income taxes (Note 24)	<u>276,425</u>
Consolidated net income	NT\$ <u>3,183,739</u>

Represented by:

Primary equity	3,190,856
Minority interest	<u>(7,117)</u>
	NT\$ <u>3,183,739</u>

Earnings per common share (Note 25)

Consolidated net income	NT \$ 2.02
Loss from minority interest	<u>(0.01)</u>
Primary equity	NT\$ <u>2.03</u>

See accompanying notes to the consolidated financial statements.



**HSINCHU INTERNATIONAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (FIRST TIME COMPILATION)**

DECEMBER 31, 2005

(Expressed in Thousands of New Taiwan Dollars)

Dec. 31, 2005

ASSETS

Cash and cash equivalents (Note 4)	NT\$ 8,602,863
Due from banks and Central Bank of China (Note 4)	14,256,360
Marketable securities, net (Notes 5, 26 and 27)	75,617,826
Receivables, net (Notes 9 and 29)	12,609,366
Other receivables-related parties (Note 26)	1,000
Customer margin deposit (Note 6)	140,909
Inventories and construction in progress(Notes 7 and 27)	1,049,867
Other current assets (Notes 24 and 29)	117,731
Loans, bills discounted and purchased, net (Notes 8 and 26)	271,152,893
Long-term investments (Notes 9 and 27)	
Equity investment	
Equity investment under equity method	86,297
Equity investment under cost method	<u>735,336</u>
	<u>821,633</u>
Debt investment	2,348,491
Investment in real estate	162,676
Other long-term investments	<u>1,800,791</u>
	<u>5,133,591</u>
Fixed assets, net (Notes 10 and 27)	
Land	3,420,033
Buildings	3,004,060
Computer and other office equipment	<u>5,428,388</u>
	11,852,481
Less: accumulated depreciation	(3,217,743)
Construction in progress and prepayments for premises and equipment	<u>187,115</u>
	<u>8,821,853</u>
Intangible assets (Note 11)	10,657
Other assets, net (Notes 10, 12, 19, 24 and 27)	4,974,986
TOTAL ASSETS	<u><u>NT\$ 402,489,902</u></u>

See accompanying notes to the consolidated financial statements.

Dec. 31, 2005

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Short-term borrowings (Notes 13, 26 and 27)	NT\$ 330,000
Short-term notes and bills payable (Note 14)	353,773
Due to banks and Central Bank of China Payables (Notes 7 and 29)	3,720,719
Due to customers (Note 26)	4,839,797
Long-term borrowings-current portion (Notes 17 and 27)	135,693
Other current liabilities	72,250
Customer deposits and remittances payable (Notes 15 and 26)	1,361,544
Financing from Central Bank of China and banks	330,822,893
Bonds payable (Note 16)	492,750
Long-term liabilities (Notes 17 and 27)	21,613,500
Other liabilities (Notes 10, 18 and 19)	60,029
	<u>16,725,574</u>
Total liabilities	<u>380,528,522</u>

Shareholders' equity (Note 20):

Common stock	<u>15,745,358</u>
Capital surplus:	
Gains on disposal of treasury stocks	8,024
Other capital surplus	<u>382,196</u>
	<u>390,220</u>
Reserves:	
Statutory reserve	2,271,184
Special reserve	320
Retained earnings	<u>3,282,894</u>
	<u>5,554,398</u>

Cumulative translation adjustments	(12)
Shareholders' equity of the Bank	<u>21,689,964</u>

Minority interest	<u>271,416</u>
Total shareholders' equity	<u>21,961,380</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	NT\$ <u><u>402,489,902</u></u>
--------------------------------------------	--------------------------------



HSINCHU INTERNATIONAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (FIRST TIME COMPILATION)
FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in Thousands of New Taiwan Dollars)

	<u>Capital surplus</u>		
	<u>Common stock</u>	<u>Gains on disposal of treasury stock</u>	<u>Other capital surplus</u>
Balance as of January 1, 2005	NT\$ 14,236,161	NT\$ 8,024	NT\$ 188,002
Appropriation of retained earnings:			
Statutory reserve	-	-	-
Stock dividends	1,509,197	-	-
Cash dividends	-	-	-
Directors and supervisors' remuneration	-	-	-
Employee cash dividends	-	-	-
Revaluation increment on property and equipment transferred to gain on disposal of fixed assets	-	-	(13,983)
Reserve for land revaluation increment taxes transferred to capital surplus	-	-	208,154
Capital surplus and cumulative translation adjustments of subsidiary by equity method	-	-	23
Consolidated net income for the year ended December 31, 2005			
Represented by:			
Primary equity	-	-	-
Minority interest	-	-	-
Balance as of December 31, 2005	NT\$ <u>15,745,358</u>	NT\$ <u>8,024</u>	NT\$ <u>382,196</u>

See accompanying notes to the consolidated financial statements.

Reserve			Cumulative translation adjustments	Shareholders' equity of the Bank	Minority interest	Total shareholders' equity
Statutory reserve	Special reserve	Retained earnings				
NT\$ 1,428,899	NT\$ 320	NT\$ 3,148,837	NT\$	NT\$ 19,010,243	NT\$ 273,699	NT\$ 19,283,942
842,285	-	(842,285)	-	-	-	-
-	-	(1,509,197)	-	-	-	-
-	-	(569,447)	-	(569,447)	-	(569,447)
-	-	(110,725)	-	(110,725)	-	(110,725)
-	-	(25,145)	-	(25,145)	-	(25,145)
-	-	-	-	(13,983)	-	(13,983)
-	-	-	-	208,154	-	208,154
-	-	-	(12)	11	4,834	4,834
-	-	3,190,856	-	3,190,856	-	3,190,856
-	-	-	-	-	(7,117)	(7,117)
<u>NT\$2,271,184</u>	<u>NT\$ 320</u>	<u>NT\$ 3,282,894</u>	<u>NT\$ (12)</u>	<u>NT\$ 21,689,964</u>	<u>NT\$ 271,416</u>	<u>NT\$ 21,961,380</u>



HSINCHU INTERNATIONAL BANK CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (FIRST TIME COMPILATION)
FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in Thousands of New Taiwan Dollars)

Jan. 1~Dec. 31, 2005

Cash flows from operating activities:

Consolidated net income	NT\$	3,183,739
Adjustments to reconcile net income to cash flows from (used in) operating activities:		
Depreciation and amortization		585,750
Amortization for bond issuing cost		10,101
Amortization for discount and premium on long-term debt investment		13,900
Provision for loan and other losses		2,882,651
Provision for other reserves		54,953
Unrealized gain in valuation of short-term investments		(2,018)
Loss on sale of pledged properties taken over		94,777
Impairment loss		10,830
Investment loss recognized by equity method		12,517
Receipts of cash dividends on equity method		3,997
Gain on disposal of long-term investment		(450,240)
Investment loss from invested company resolved to decrease its capital		32,936
Gains on disposal and sale of fixed assets		(3,542)
Loss on disposal of pledged properties taken over		357,267
Changes in assets and liabilities provided (used) cash:		
Receivables		(2,019,860)
Acceptances receivable		(92,780)
Receivable on forward contracts for trading purposes		172
Other current assets		(4,636)
Deferred tax assets, net		9,927
Payables		(302,751)
Payable on forward contracts for trading purposes		(47,975)
Collection for customers		33,646
Acceptances		62,010
Other current liabilities		<u>357,241</u>
Net cash flows from operating activities		<u>4,782,612</u>

(Continued)

Jan. 1~Dec. 31, 2005

Cash flows from investing activities:

Decrease in due from Central Bank of China and banks	NT\$	4,120,018
Decrease in marketable securities		5,709,768
Increase in loans, bills discounted and purchased		(22,378,509)
Decrease in long-term investments		91,938
Proceeds from sale of long-term investment		4,360,869
Proceeds from invested company resolved to decrease its capital		25,968
Purchase of fixed assets		(840,326)
Purchase of pledged properties taken over		(223)
Proceeds from sales of fixed assets and pledged properties taken over		1,072,020
Decrease in receivable on non-trading purpose forward contracts		85,351
Decrease in payable for non-trading purpose forward contracts		(5,385)
Decrease in guarantee deposits		596,298
Increase in other assets		<u>(93,056)</u>
Net cash flows used in investing activities		<u>(7,255,269)</u>

Cash flows from financing activities:

Decrease in due to banks		(3,282,114)
Increase in financing from Central Bank of China and banks		2,850,056
Decrease in customer deposits and remittances payable		(4,030,434)
Decrease in guarantee deposits received		(26,425)
Issuance of subordinated debentures		10,000,000
Increase in bonds and short-term bills sold under repurchase agreements		66,081
Decrease in other liabilities		(27,272)
Payment of cash dividends		(569,447)
Payment of employee's cash dividends and directors and supervisors' remuneration		<u>(135,870)</u>
Net cash flows from financing activities		<u>4,844,575</u>
Effect of first time consolidation of subsidiaries		(906,190)
Effect of currency exchange		<u>103,269</u>
Net increase in cash and cash equivalents		1,568,997
Cash and cash equivalents, beginning of period		<u>7,033,866</u>
Cash and cash equivalents, end of period	NT\$	<u><u>8,602,863</u></u>
Supplemental information on cash flows:		
Income taxes paid	NT\$	<u>265,897</u>
Other investing and financing activities not affecting cash:		
Loans, bills discounted and purchased transferred to long-term investments	NT\$	<u>1,800,791</u>

See accompanying notes to the consolidated financial statements.

VI. Financial Revolving Difficulty Occurred with Affiliates in Recent Year Till February 28,2006 : None

*Reserve a future
in a brave new world*





5. Financial Status, Review and Analysis of Operating Result and Risk Control

Every year since I was in grade five, Dad and Mom would help me give my red pocket money to the uncles and aunts at Hsinchu Bank. Daddy says that Hsinchu Bank is a trustworthy and reliable friend whose comprehensive and thoughtful control and management shall promise me an admirable vision.

Financial Status and Review & Analysis of Operation Result and Risk Control

I. Review & Analysis of Financial Status and Operation Result:

(I) Financial Status

Unit: NTD thousand

Item	Year	2006	2005	Difference	
				Amount	%
Cash & cash equivalent		8,587,765	7,033,866	1,553,899	22
Due from Central bank of China and banks		14,256,360	18,376,378	(4,120,018)	(22)
Marketable bills & securities, net		75,570,440	81,280,208	(5,709,768)	(7)
Receivables, net		12,581,116	11,138,392	1,442,724	13
Prepayments & others		66,790	62,154	4,636	7
Loans, bills discounted and purchased, net		272,227,645	253,313,957	18,913,688	7
Long-term investments		6,027,855	7,953,664	(1,925,809)	(24)
Fixed assets, net		7,426,859	6,994,117	432,742	6
Other assets, net		5,324,466	6,910,632	(1,586,166)	(23)
Total assets		402,069,296	393,063,368	9,005,928	2
Due to Central bank of China and banks		3,720,719	870,663	2,850,056	327
Payables		4,631,653	5,331,908	(700,255)	(13)
Receipts in advance and others		1,267,729	910,488	357,241	39
Deposits and remittances payable		331,994,137	334,105,007	(2,110,870)	(1)
Financing/borrowings from Central Bank of China and banks		492,750	4,523,184	(4,030,434)	(89)
Subordinated debentures		21,613,500	11,510,650	10,102,850	88
Other liabilities		16,658,844	16,801,225	(142,381)	(1)
Total liabilities		380,379,332	374,053,125	6,326,207	2
Total shareholders' equity		21,689,964	19,010,243	2,679,721	14

1. Refer to statement of cash flows for the increment of cash and cash equivalent for the current period.
2. Decrease in Due from Central Bank of China and Banks for the current period was mainly due to fund dispatching at ending of the current period and decreased discounted loan to banks.
3. Decrease in Long-term Investment for the current period was mainly due to the sales of domestic government bonds as the bond market for the current period provided profit-making opportunity.
4. Decrease in the net value of other assets for the current period was mainly due to more accepted collaterals were disposed in the current period compared to last period.
5. Increase in Due to Central Bank of China and Banks for the current period was mainly due to fund dispatching at ending of the current period and discounted loan with banks increased.
6. Increase in Receipts in Advance and Others for the current period was mainly due to increase in payment of temporary credit of litigation cases.
7. Decrease in Financing/Borrowings from Central Bank of China and Banks for the current period was mainly due to fund dispatching at the ending of the current period and financing from banks decreased.
8. Increase in Subordinated Debentures for the current period was mainly due to the issuance of subordinated debentures.

(II) Business Result

Unit: NTD thousand

Item	Year	2006		2005		Amount Increase (Decrease)	Ratio (%) of Change
		Sub-total	Total	Sub-total	Total		
Operating Income			17,231,967		14,208,852	3,023,115	21
Interest income		11,817,660		10,443,039		1,374,621	13
Other operating income		5,414,307		3,765,813		1,648,494	44
Operating expense			13,903,839		11,355,802	2,548,037	22
Interest expense		4,744,933		3,893,645		851,288	22
Other operating expense		9,158,906		7,462,157		1,696,749	23
Operating Profit			3,328,128		2,853,050	475,078	17
Non-operating Income & Gain			139,669		280,650	(140,981)	(50)
Non-operating Expense & Loss			124,237		119,906	4,331	4
Income before income tax			3,343,560		3,013,794	329,766	11
Income tax expense			152,704		206,176	(53,472)	(26)
Income after income tax			3,190,856		2,807,618	383,238	14

Analysis and explanation of the increase/decrease in ratio of changes are as follows:

1. Increase in the other operating income for the current period was mainly due to the continued growth of consumer banking and credit cards business that lead to the increase of service income. Also, the increase was due to the net gain derived from the sell and purchase of bills and securities, and income from investment computed with the equity method have increased comparing to the same period of last year.
2. Increase in the interest expense for the current period was mainly due to the interest rates on deposits increased comparing to the same period of last year and hence lead to increase in interest payments for deposits. In addition, financial debentures were issued in the current period that leads to an increase of interest on financial debentures.
3. Increase in other operating expense for the current period was mainly due to the increase of provisions for reserve for the current period, and the comparatively increase of operating expense as a result of approximately 21% growth in operating income.
4. Decrease in Non-operating Income and Gain for the current period was mainly due to the decrease in recovering overdue accounts comparing to the same period of last year.

(III) Cash Flow**1. Liquidity analysis for the last 2 years**

Item	Year			Increase (Decrease) Ratio %
		2006	2005	
Cash Flow Ratio (%) (Note)		N/A	N/A	N/A
Cash Flow Adequacy Ratio (%)		340.97	373.94	(8.82)
Cash Re-investments Ratio (%) (Note)		N/A	N/A	N/A

Note: According to Statement of Financial Accounting standards No. 28, it should not be distinguished to current and non-current. Analysis exempted because the increase (decrease) ratio in cash flow adequacy did not meet the standard for analysis.

2. Cash liquidity analysis for the next year:

Unit: NTD thousand

Cash Balance at Beginning of Year (1)	Net Cash Provided by Operating Activities (2)	Cash Flow in (3)	Cash Surplus (Overdraft) (1)+(2)-(3)	Remedy for Cash Overdraft	
				Investment Plans	Financial Plans
8,587,765	5,860,735	4,329,947	10,118,553	-	-

(IV) Major Capital Expense Affecting Financial Business In Recent Years

1. Major Capital Expense in Recent Years

Unit: NTD thousand

Plan	Actual or Expected Source of Fund	Actual or Expected Date of Completion	Total Fund Required	Actual or Expected Fund Utilization						
				93	94	95	96	97	98	99
NT\$ System	Equity	2004	110,000	38,000	-	-	-	-	-	-
YungAn Branch'furnishing	Equity	2004	12,000	12,000	-	-	-	-	-	-
Furnishings for 3 new branches in Shi Tuen	Equity	2004	25,870	25,870	-	-	-	-	-	-
Ho Feng Building furnishing	Equity	2004	49,800	48,600	1,200	-	-	-	-	-
Purchasing Information Department	Equity	2005	206,000	-	206,000	-	-	-	-	-
Nankan Branch' furnishing	Equity	2005	20,000	-	20,000	-	-	-	-	-
Kueishan Branch' furnishing	Equity	2005	10,000	-	10,000	-	-	-	-	-
Information Department's furnishing	Equity	2005	10,600	-	10,600	-	-	-	-	-
Set up branches in Changhua, Yuanlin, and Kushan	Equity	2005	25,000	-	25,000	-	-	-	-	-
Flagship Branch'furnishing	Equity	2006	100,000	-	16,000	84,000	-	-	-	-
Purchasing Information Department	Equity	2006	33,225	-	14,975	18,250	-	-	-	-

2. Estimated Possible Benefit:

Regarding the renovation of the Bank's dormitory, we shall install a flagship branch in each county (city). Aside from expanding outside the region, we shall also create the CIS image of the Bank to accomplish actual benefit from advertising. Introducing document image management system in the Bank to simplify the existing working procedures, collective keying of cases, expedite processing time, improve processing efficiency, saves manpower cost, accelerate document reading, and prevent the risk of lost and damage.

(V) Reinvestment Policy in Recent Years, Its Major Cause of Profit or Loss, Improvement Plan and Investment Plan for the Next Year:

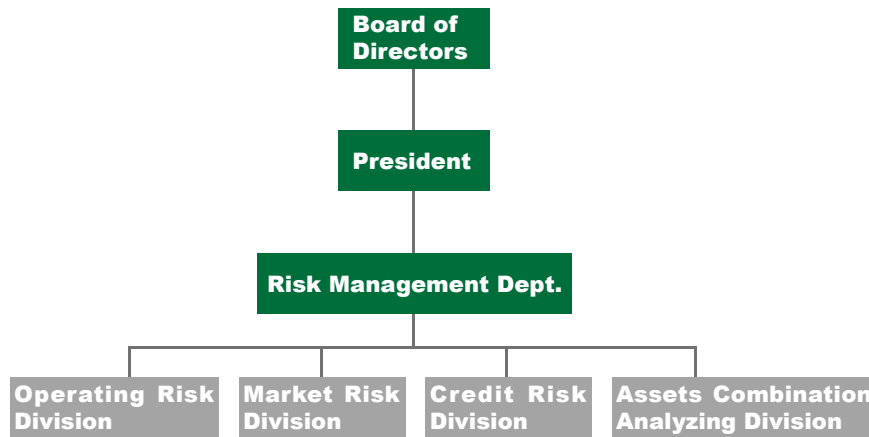
Regarding reinvestment, the Bank shall utilize the general business benefits of financial institution to strengthen its inter-financial operation. Net realized profit of the Bank’s reinvestments in 2005 was NT\$502,608,000, which were derived from Hsinchu Insurance Agent Co., Ltd. and California Fubon Bank.

(VI) Analysis and Evaluation of Risk Control in Recent Years till February 28, 2006 are as follows:

1. Risk Management Organization Structure and Policy

(1). Risk Management Organization Structure

The Board of Directors is the highest supervisory and decision-making unit of risk management, deciding the strategy of risk management and distribution of authority. A Risk Management Department was set up to be in charge of the executing and managing the risk management policies of the Bank.



(2). Risk Management Policy

The risk management of the bank is to be able to identify risk instantly, measure accurately, monitor effectively, and control strictly. Its purpose is to accomplish the most appropriate earning target and capital turnover within the permissible range of risk and by taking into account the utilization efficiency of assets combination.

2. Method of measuring and controlling various risks and insurance mass information

(1). General fixed exposure: The Bank should describe the risk management target and policy of each risk territory (including credit risk, market risk, operating risk, and other risk).

A.Credit Risk

According to the accreditation policy of the Bank, credit risk management is to ensure that business operation achieve the most appropriate earning target within the reasonable range of risk, and avoid over concentration of loan to diversify risk. To carry out credit risk management, the Bank had adopted centralized management, but still emphasizes authorization of power in decision-making according to the business, transaction scale, and gravity of risk. In coordination with the related itinerary and criteria of Basel Concordat implemented in Taiwan, the Bank is also currently promoting the introduction of plans that complies with the regulations for credit risk internal scoring by stages. Regarding consumer finance, we have adopted the top-down management mode, in which scoring system is already initiated in major credit financing products such as “Loan Me More”, “Index Credit Loan for Fine customers”. Regarding corporate financing, we have adopted the bottom-up management mode and installing at the most appropriate risk separation mode as schedule. We are currently planning to adopt the logistic regression mode on public listed companies and the scoring system on small companies. We shall also supplement listed (OTC)



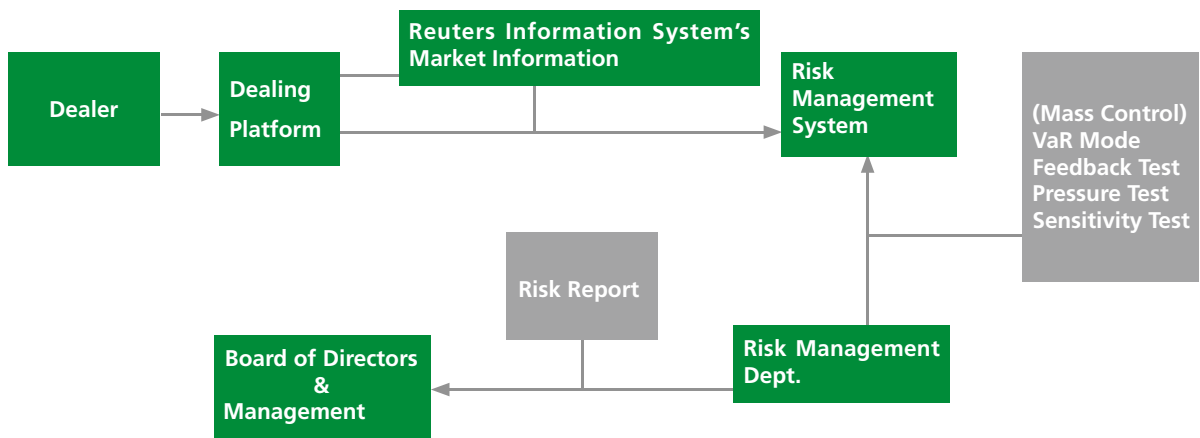
companies with the KMV mode for risk warning reference.

Aside from satisfying legal capital requirement in the first column and internal scoring pressure test, the Bank is also enforcing the new Basel Concordat for the purpose of cultivating and carrying out the risk culture, in the hope of using as the optimum behavioral target rod of a model bank.

B. Market Risk

The purpose of our market risk management is to deal with the market price fluctuation and variation by having the Risk Management Department executes risk identification, risk measurement, risk monitoring, and risk exposure to control the risk in financial products price of the Bank.

Simple chart of the Bank's Market Risk Management is as follows:



The management approves the various financial instruments quota of the Bank each year according to the annual business plan and budget target for the Risk Management Dept to execute market risk management.

A clear transaction standard is fixed for operating each financial instrument of the Bank according to its characteristic, including general position limits, stop-loss limits, dealer's transaction limits. Also, in coordination with the installation of risk management system, plan to include VaR limit, and make plans to draw up a risk estimate of the bank in coordination with the implementation of the new Basel Concordat, in order to achieve the top-down control mechanism.

Regarding risk control and exposure, the Risk Management Dept. shall draw up a risk warning point on the various opening financial instruments and various limits of the Bank to inform the front dealer at real time about over the limits that may happen any time due to fierce fluctuation in the market and to execute exception control mechanism immediately. The Risk Management Dept. shall give a regular report about the market VaR, interest rate sensitivity analysis, position of financial instrument, and handling exception matters of the Bank to the management and the Board of Directors in order to have a sound risk management structure.

C. Operation Risk

The gradual diversification of banking business resulted in the daily increase of work. In order to prevent unnecessary risk due to internal work and employee, improper or error of system, and legal negligence that jeopardizes customer's equity and affects the normal operation of the Bank, the Bank had already created a sound internal system and administration system as follows:

- (A) In coordination with the development of business, relevant policies and work flows should be revised on time and publish in the internal system of the Bank to facilitate reading by the all the employees of the Bank.
- (B) Draw up principle of internal control in accordance with the laws and regulations. Set up various work control points and mutual control system.
- (C) Conduct regular self-auditing. A general or case auditing should be conducted in each business unit by the auditing unit, and to keep on follow-up, re-audit, and make improvement.
- (D) Refer to the criteria in the new Basel Concordat for developing a Mark to Risk mechanism in order to improve operation risk control ability.

(2). Exposure of Credit Risk:

A. Item in the Table — Amount of Risky Assets in Credit Risk

December 31, 2005

Expressed in NT\$ Thousand

Item(Note 1)	Applicable Risk Equity	Amount of Risky Assets
Due from the Central Bank of China (banks)	0%	0
Overdraft & loans (local government)	10%	75,243
Call loans (bank)	20%	3,503,521
Overdraft & loans (using housing as collateral of debt)	50%	59,935,407
Overdraft & loans (other secured or unsecured loan)	100%	171,846,183
Total	-	235,360,354

Note 1: The titles of asset item in the Table are major asset items in the Table and their major creditors applicable to that same class of risk equity rate.

B. Items Outside the Table — Amount of Risky Assets of Credit Risk

December 31, 2006

Expressed in NT\$ Thousand

Item	Amount of Risky Assets
General transaction outside the Table	10,901,867
Derivative financial instruments	179,424
Bills and bonds under re-purchase (RP)	326,718
Re-sell bills and bonds Investments(RS)	376
Total	11,408,385

C. Bank's engage in asset securitization:

December 31, 2005

Expressed in NT\$ Thousand

Type of Security	Total Amount Issued	Balance in Circulation	Balance of Re-purchase
Investor's Beneficiary Securities	10,204,484	10,204,484	
Seller's Beneficiary Securities	1,800,791		1,800,791

- (3). Capital requirement that should be exposed by banks who stops the standard method in calculating market risk:
Calculation and appropriation of market risk capital and amount of risky assets

December 31, 2006

Expressed in NT\$ Thousand

Type of Risk	Calculated Capital	Amount of Risky Assets(Note 1)
Risk in interest rate	1,066,959	13,336,988
Risk in equity securities	393,482	4,918,525
Risk in foreign exchange	36,014	450,175
Risk in products	0	0
Simplified method adopted in processing option	0	0
Total	1,496,455	18,705,688

Note 1: Calculated capital multiplied by 12.5 times

- (4). Matters that should be exposed for banks who use the existing module in planning for the capital required in market risk of each type of asset combination that applies existing module:

A. The so-called market risk refers to risk on market fluctuation on the combination portion of investment holding due to fluctuation of stock price, interest rate, and exchange rate. The Bank had started using the market risk control system and installed planning project on December 2004, in the hope that with the introduction of market risk control system, VaR (Value at Risk) generated from existing module method can substitute the standard method, and achieve the following matters. The so-called VaR refers to the biggest amount of loss that may possibly occur on the investment combination within a certain period of time and under a specific fiducial interval.

A). Integrating the on-time monitoring of the types of business, investment combinations, and types of risks in the Treasury Department, Corporate Banking Operation Department, Securities Department, Trading Division, and provide a daily report of control information.

B). Calculate the VaR of Trading Position daily, assist in controlling the potential risk of that financial instrument, and create an effective Mark to Risk system. Aside from serving as a basis for the competent authority to request for capital calculation and as a standard in coping with the criteria of the Basel II Concordat the Bank will also be able to reduce its capital cost, allowing the investors to acquire maximum benefit.

B. Analysis of Matured Assets and Liabilities

December 31, 2006

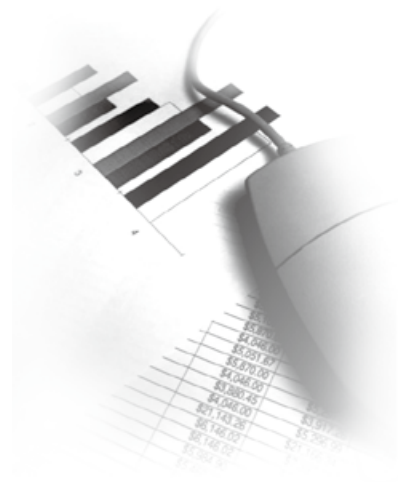
Expressed in NT\$ Thousand

	Total	Remaining Period from Maturity and Amount				
		1 to 30 days	31 days to 90 days	91 days to 180 days	181 days to 1 year	More than 1 year
Assets	392,826,986	77,000,511	18,614,020	13,349,359	17,496,711	266,366,385
Liabilities	464,513,264	58,892,944	53,652,757	61,548,277	114,513,764	175,905,522
Duration gap	(71,686,278)	18,107,567	(35,038,737)	(48,198,918)	(97,017,053)	90,460,863

Note: This Table includes only the portions in New Taiwan Dollars (excluding foreign currencies) of the head office and local branches.

3. Foreign and Local Significant Policies and Changes in the Laws Affecting Financial Business and Countermeasures:

The competent authority had given instruction to the Bankers' Association to implement the "Unsecured Debt Negotiation Mechanism for Consumer Financing Cases" commencing on 2006, requesting the cooperation each member bank to assist debtors in solving their credit card(s), cash card(s), and consumer loans. The Bankers' Association had already set up a advertising propaganda fund and plan to set up a committee to deal with it. The most direct effect on the banks is the increase of expenses and decrease of income. Because upon the implementation of the abovementioned negotiation mechanism and in order to deal with that mechanism and abide to the regulations stipulated by the competent authority, it is necessary for the Bank to get more staff to handle the negotiation cases, develop our motherboards and the functions of delinquent reminders and legal system. The Bank should also pay advertising fee to the Bankers' Association for its advertisement, committee's preparation fee, and liquidation fee of financial companies. All of the above expenses will be an increase to the expenditure cost of the Bank. Besides, government authority proposed to amend the regulation related to interest rate in the Civil Law, and the Civil Department of the Judicial Yuan had drafted the "Consumer Debt Liquidation Act" and stop the collection items commissioned to debt collector companies. Instruction was also given to TAMCO to plan and set up a public welfare based AMC (for China Trust, etc., the 8 major consumer financing banks, to make debts into shares at the beginning), and the banks should also cooperate in reducing the interest rate for redemption project. The above will result in the decrease of bank income and affect the Bank's surplus. Also, delinquent collection and lawsuit should be suspended (i.e. the client is temporarily exempted from paying) during the review period of a negotiation case, which will naturally increase the NPL figure and bad debts.





Since the issue on "card debt" has gradually become a social issue, this negotiation mechanism will certainly have a certain impact to the Bank. The Bank had now adopted the following measures:

- (1). The Delinquent Debt Center of Taoyuan Branch shall set up a negotiation mechanism team for unified authority in order to avoid scattered handling that may result in repetitious and waste of manpower, draw up regulation of handling by stipulating the processing procedure, and coordinate with developing a system in order to increase the processing efficiency of cases and reduce the existing processing cost.
- (2). The Bank shall draw up a negotiation standard from debts on credit card, cash card, and consumer loan, to assist clients who had difficulty in paying their debts and reduce their burden by installment payment so that they will be willing to keep on paying their debts, this reducing NPL and bad debts. We hope that with this negotiation mechanism, clients who had stopped paying their debts will resume paying. And under the principle of protecting the principal, we will be able to recover some of the interest and minimize possible loss and risk.
- (3). To prevent the possibility of debtors escaping from paying the debt due to the "Consumer Debt Liquidation Act" or public welfare based AMC, the Bank proposed to draw up related rules and regulations and coordinating with appropriate phrasing cut in on debtors with delays, to allow them to have the ability to pay the whole amount or part of the amount, and for the Bank to have the first opportunity in getting the payment and minimize our loss on the capital.
- (4). Since the Bank can no longer commission collector companies to collect delinquent debts, our non-operating income will certainly decrease. We are currently drawing up related proposals and measures to deal with the situation. In the event that there is an increase of collecting personnel so that each case will be under control and followed up in the hope of minimizing the possibility of bad debts and reducing the loss on allowance for bad debts, collecting personnel shall be paid by commission basis in reference to the commission of collector companies to increase the non-operating income on bad debts.

4. Changes in technology and industry affecting financial business and countermeasures: None

5. Changes of bank image affecting the Bank and countermeasures: None

6. Expected benefit and possible risk in merging: None

7. Expected benefit and possible risk in expanding business points:

1. No expansion of business point was made in 2005, only three branches moved their location:
 - (1) Peimen Branch moved to Yunlin
 - (2) Minchu Branch moved to Changhua
 - (3) North Chungli Branch moved to Fengshan
2. Reason for branch moving: Distribution of branches in the Taoyuan, Hsinchu, and Miaoli region is too concentrated, nature of business overlapped, and fierce competition among branches, therefore, some branches were moved to Changhua County and Kaohsiung County in order to expand the service points of the Bank and link the south and the north into a line and increase the competitive advantage of the Bank.
3. To prevent doubt and inconvenience caused to our clients due to the removal of branches, we dealt with the rights and obligation of our clients satisfactorily and offered them other substitute services. Clients who are applying for or processing various changes can go to the nearest processing branch with the same working process without affecting their rights due to the removal of the branch.

8. Risk to be Encountered by the Business Center:

In order to diversify the risk of accreditation effectively, the Bank had clearly stipulated the meaning of asset combination limit, implementation method, and risk trend in the loan policy. The ratio of each block is the same. We hope that under the new Basel II, management method and effect will be improved in the future.

9. Change in the operating rights affecting the Bank and risk: None**10. Litigation or non-litigation cases:** There is no significant litigation or non-litigation cases occurred to the Bank in the past two years.**11. Other significant risk and measures:** None**(VIII) Coping with Crisis and Measures:**

The spokesperson shall establish a provisional crisis handling team as per situation and deal with it.

(IX) Other Significant Matter: Please Refer to Page 140-141.

*Perfect housekeeper.
Thoughtful service.*





6. Corporate Governance

Having been married
for many years,
I truly understand the difficulty
in maintaining a household.
When my husband and I
decided to set a new direction
for our family,
We found Hsinchu Bank.
She is not only our private
wealth keeper
She is also
a bliss management guru.

Corporate Governance

(I) Hsinchu International Bank operational status and the differences in contrast to the Corporate Government Best-practice Principles for Banks

Item	Status of Operation	Status and Reasons for Differences
<p>1. The Bank's capital structure and shareholders' equity</p> <p>(1) Methods adopted by the Bank in resolving shareholders' suggestions and disputes.</p> <p>(2) Monitoring status of major shareholders and its final controller by the Bank.</p> <p>(3) Methods adopted in the implementation of risk control mechanism and firewall with the Bank's affiliated companies.</p>	<p>(1) Problems related to suggestions and disputes are handled by our Bank's Stock Affairs Section under the Administration Department and its spokesperson.</p> <p>(2) Print a List of Shareholders from the date of Shareholders' Meeting or from the day of stoppage of transferring exequity (dividend), in order to be in control of the shareholdings of major shareholders.</p> <p>(3) On June 6, 2003, Shareholders' Meeting passed and amended our Bank's procedures on acquisition and disposal of assets, as well as risk control mechanism and firewall.</p>	<p>In compliance with the Principles.</p>
<p>2. The formation and duties of the Board of Directors</p> <p>(1) Status of the establishment of directors.</p> <p>(2) Periodic evaluation on the independence of auditors</p>	<p>(1) Not yet established.</p> <p>(2) The Bank had completed the evaluation of accountant independency on December 2003 and 2004.</p>	<p>1. Schedule to propose for its establishment at the next (2008) re-election of Directors and Supervisors.</p> <p>2. In compliance with the Principles.</p>
<p>3. The formation and duties of Supervisor</p> <p>(1) Status of the establishment of independent Supervisors.</p> <p>(2) Communication status between supervisors and the bank's employees and shareholders</p>	<p>(1) Not yet established. In accordance with the partial amendment of Securities Exchange Law promulgated by the President on January 11, 2006, it is not a prerequisite to establish independent supervisors.</p> <p>(2) The Bank's Supervisors conducted a supervisory tour on each business unit and employees every year, as well as established communication channels with shareholders and interested parties.</p>	<p>1. To be proposed in coordination with the planning of independent Directors and auditing committee during the next re-election.</p> <p>2. In compliance with the Principles.</p>
<p>4. Status of establishment of communication channels with interested parties.</p>	<p>(1) Each related department is responsible for the maintenance of communication channels with interested parties, and handle in compliance with the law and the principle of credibility</p> <p>(2) The Bank shall set up an investors relation organization to create a spokesperson system for corporate Investment institutions, fund management, shareholders and the media, negative information handling mode, investor's opinion feedback and handling mechanism, open disclosure of financial and non-financial information, and create good communication and interaction</p>	<p>In compliance with the Principles.</p>
<p>5. Publication of material information</p> <p>(1) The establishment of an Internet website to publicize the financial information and operational profile of the Bank.</p> <p>(2) Other methods to publicize material information (such as English website, designated person for the collection and publication of the Bank's information, spokesperson mechanism, and implementation of the Bank's website during corporate investor's conference.</p>	<p>(1) Our Bank's IT room, E-Commerce department, and related offices are responsible for the establishment and maintenance of the website to publicize financial information and operational profiles. Mr. Gui-Ling Hu, Executive Vice President, shall be the spokesperson of the Company.</p> <p>(2) Same as above.</p>	<p>In compliance with the Principles.</p>

6. Operational status for auditor's committee	Not yet established.	Schedule to propose for its establishment at the next (2008) re-election of Directors and Supervisors.
------------------------------------------------------	----------------------	--------------------------------------------------------------------------------------------------------

7. In cases where a company has its own version of principles for management and business activities stipulated in accordance with the "Principles for Management and Business Activities of Banks", explain and describe the differences:

The Bank's operations and supervisions at present, except for not setting up an "Independent Directors" and "Auditing Committee" and schedule to propose their establishment during the next (2008) re-election of Directors and Supervisors, are performed in accordance with the "Principles for Management and Business Activities of Banks" to the fullest extent.

8. Other material information (including education for directors and supervisors, attendance status of Board of Directors" meeting by the directors and supervisors, supervision on risk control policies and risk evaluation standards, supervision on the protection for consumers, independence demonstrated by director regarding issues in which the director's interests are present, purchase of responsibility insurance for the social responsibility of directors and supervisors.

- Directors and supervisors are instructed to attend government held educational seminars related to management on an irregular basis.
- Directors of our Bank are all restricted to participate in issues in which their interests are present. None of them is allowed to vote in such issues.
- Our Bank had bought an USD5,000,000 insurance for all directors and supervisors on April 16,2005.
- Our Bank had stipulated risk control policies including guidelines for acquisition and disposal of assets and investment policies and its related procedures in accordance with "Procedures and Guidelines for Acquisition and Disposal of Assets for Public Companies". Related department had also been established to supervise the procedures.
- Our Bank had stipulated risk control and risk measurement standard in the accreditation policy and to be executed by each department accordingly.
- Issues regarding customers' or consumers' complaints and disputes are all first processed in accordance with the procedures and guidelines for customer services by the electronic business department, in addition to tracking all follow-up matters.
- Our Bank had specified procedures and guidelines on business performance for presidents, and explicit regulations have been set forth regarding their duties and responsibilities.
- In coordination with the revision of "Information Declaration Code for Securities OTC" by the Taiwan Stock Exchange Corporation, our Bank has publicized the changes in the attendance of directors and supervisors in the Board of Directors' Meeting and continuing education and training on the publicized information website monthly commencing from November 2004.
- In order to upgrade the transparency and fairness of publicized merging information and in coordination with the Order of the Taiwan Stock Exchange Corporation, our Bank had drawn up the "Self-control Standard of the Bank's Merging Information Publication" as a basis to be followed by the Bank.
- Continuing education of the Bank's Directors and Supervisors in 2005 is as follows:

Curriculum	Organizing Unit	Hour	Participants	Total Expense
Practical advance workshop for Directors and Supervisors (Legal responsibilities and obligations of directors and supervisors)	Securities and Futures Institute	3 Hours	17 Persons	NT\$51,000
Practical workshop for Directors and Supervisors	Securities and Futures Institute	12 Hours	2 Persons	NT\$15,000

Note 1: For continuing educations and training of directors and supervisors, refer to the regulations set forth by the Taiwan Stock Exchange Corporation in the "Reference governing the key points in the promotion of continuing education for directors and supervisors at listed and OTC companies.

Note 2: Specify supervisory status on risk control policies, risk evaluation standards, and protection policies for customers and consumers.

*Original country and
living stream.
Caring for humanity.*





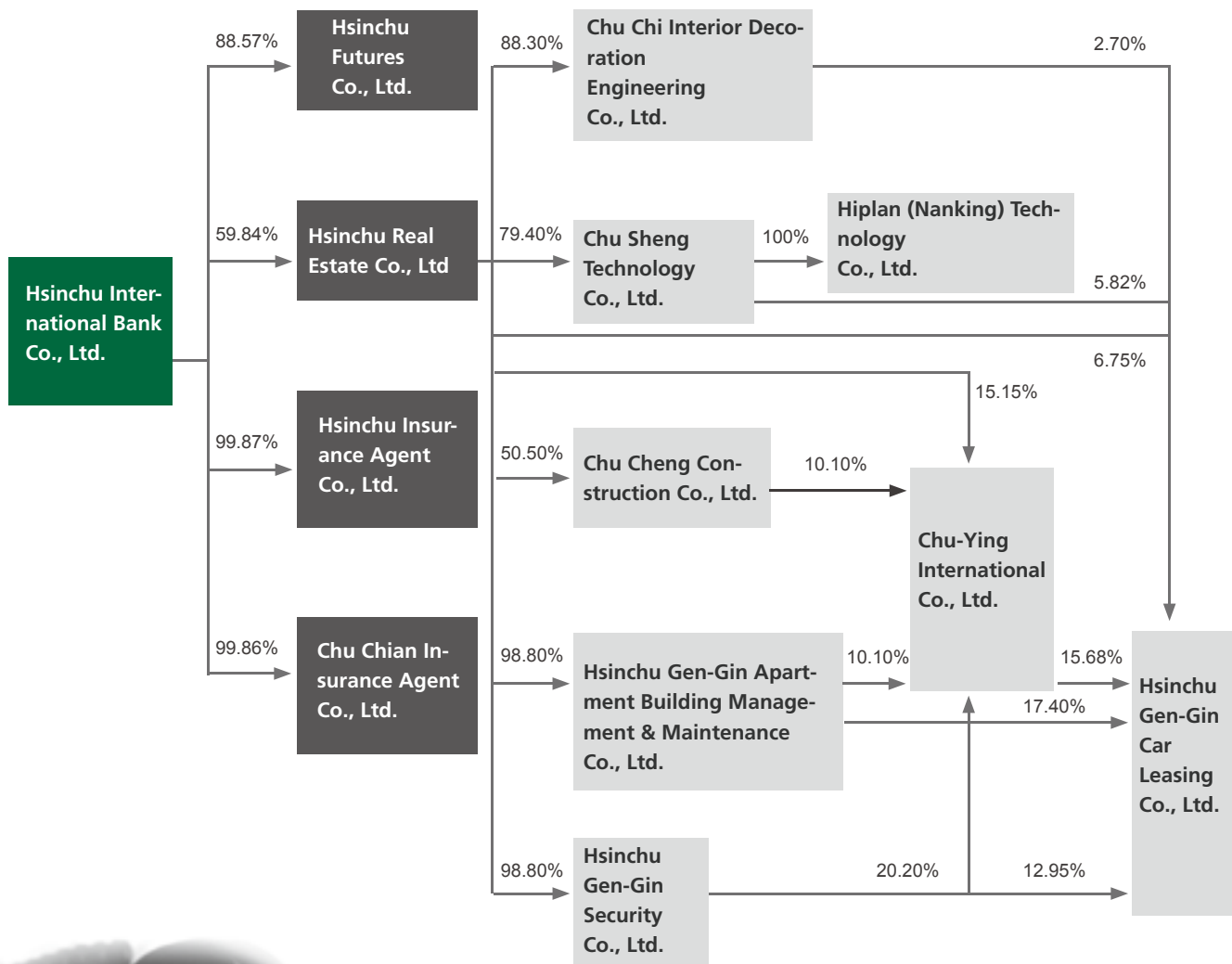
7. Specially Recorded Items

After the typhoon went by that year, there has been a long time since the beautiful and natural voice of children was heard. Fortunately, there was the timely appearance of Hsinchu Bank; the children started their merry singing again. Thank you, Hsinchu Bank.

Special Items

I. Affiliates Information

(I) Organization Chart of Affiliates and Shareholdings



(II) Basic Information of Respective Affiliates

Expressed in NT\$ Thousand

Name	Established Date	Address	Paid-in Capital	Main Business or Production Item
Hsinchu Futures Co., Ltd.	Dec. 30, 1994	1, 3F, 130 Si Wei Road, Hsinchu, Taiwan	340,000	Futures dealer and futures consulting
Hsinchu Real Estate Co., Ltd.	Mar. 1, 1989	1-2, 11F, 130 Si Wei Road, Hsinchu, Taiwan	221,527	Examination and consultation of construction projects, notarize contracts, appraisal and credit checks on real estates, financial audits, verification of project progress and construction management, real estates transactions and other items of disposal, assist in procedures to guarantee compliance with contract, other consultation and advisory items to the above-mentioned businesses.
Hsinchu Insurance Agent Co., Ltd.	Sept. 7, 1999	1F, 85 Chungcheng Road, Chungcheng Li, Hsinchu, Taiwan	400,770	Agent for personal insurance
Chu-Chian Insurance Agent Co., Ltd.	Sept. 30, 1999	1F, 85 Chungcheng Road, Chungcheng Li, Hsinchu, Taiwan	16,730	Agent for property insurance
Chu Chi Interior Furnishing Engineering Co., Ltd.	Sept. 16, 1998	1-2, 11F, 130 Si Wei Road, Hsinchu, Taiwan	14,902	Interior design business, construction material retail business, scenic interior design business, interior furnishing, and may engage in non-banned or restricted businesses except licensed business.
Chu Sheng Technology Co.	Sept. 10, 1996	1-2, 11F, 130 Si Wei Road, Hsinchu, Taiwan	20,000	Wholesale of computer software, wholesale of electronic materials, retail of electrical appliance, retail of communication materials, retails of computer software, retail of electronic materials, general store, international trade, business management consultation, electronic information service, leasing business, manufacturing generator, power transmission and distributor machine, water treatment engineering, waste disposal equipment installation engineering, air pollution control engineering, fire safety facility installation engineering, automatic control equipment engineering, computer equipment installation, telecommunication engineering, instruments and meters installation engineering, cable installation engineering, wholesale of precision instruments, wholesale of telecommunication materials, wholesale of pollution control equipment, wholesale of fire safety equipment, retail of precision instruments, retail of pollution control equipment, retails of fire safety equipment, installation of lighting, manufacturing electronic components, and product designing.
Chu Cheng Construction Co., Ltd.	May 25, 1993	2-3, 4F, 130 Si Wei Road, Hsinchu, Taiwan	168,000	Consign construction companies to build commercial buildings, rental and sales of public housing, to design and carry out interior embellishment business (other than the construction business), sales and import/export business for construction materials and machinery, sales distribution and agent dealership for plumbing and electrical materials, development and sales or rental of industrial plants, development for special industrial zones, investment in public construction projects, development of new townships and new communities, and the agency distribution, dealership, quotation, and tender bidding services for the above-mentioned domestic or foreign products.
Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	Sept. 8, 2000	3, 4F, 130 Si Wei Road, Hsinchu, Taiwan	14,321	Apartment building management services industry
Hsinchu Gen-Gin Security Co., Ltd.	Sept. 29, 2000	2, 11F, 130 Si Wei Road, Hsinchu, Taiwan	43,804	Security industry
Hiplan (Nanking) Technology Corp., Ltd.	June 18, 2001	203, 49F Kuangsu Software Park, Long Pan Zhong Road, Nanking, Mainland China	US\$120,000 (US1=NT 31.917)	Hardware & software R&D, production, sales, and after service
Chu Ying International Co., Ltd.	May 22, 2001	2, 4F, 130 Si Wei Road, Hsinchu, Taiwan	99,000	Retail of food and soft drinks, retail of garments, retail of apparel, retail or books and stationery, retail of toys and entertainment products, retail of computer software, general store, international trade, computer software service, leasing business, other business service (conducting presentations and concerts).
Hsinchu Gen-Gin Car Rental Co., Ltd.	May 30, 2002	2, 4F, 130 Si Wei Road, Hsinchu, Taiwan	50,000	Car leasing, and may engage in non-banned or restricted businesses except licensed business.

Note 1: No matter the size of affiliated companies, all should be disclosed.

Note 2: If the affiliated companies have factories and sales of the products over operating venues 10%, factory names, established date, address and main production items should be listed

Note 3: If the affiliated companies have branches overseas, company name and address should be listed in English, established date should be in Gregorian Calendar, and paid-in capital may be expressed in foreign currency (but should be noted with the prevailing exchange rate at the date of report).

(III) Business Scope of the Respective Affiliates

1. Hsinchu Futures Co., Ltd. : Future underwriter.
2. Hsinchu Real Estate Co., Ltd. : Construction management business.
3. Hsinchu Insurance Agent Co., Ltd. : Life insurance agent.
4. Chu-Chian Insurance Agent Co., Ltd. : Life insurance agent.
5. Chu Chi Interior Furnishing Engineering Co., Ltd. : Interior decoration and furnishing.
6. Chu Sheng Technology Co. : Computer software development.
7. Chu Cheng Construction Co., Ltd. : Construction and development.
8. Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. : Apartment and mansion management
9. Hsinchu Gen-Gin Security Co., Ltd. : Security.
10. Hiplan (Nanking) Technology Corp. Ltd. : Information processing services
11. Chu Ying International Co., Ltd. : Leasing.
12. Hsinchu Gen-Gin Car Rental Co., Ltd. : Car leasing

(IV) Information on Directors, Supervisors, and Presidents at the Respective Affiliates:

Company Name	Title	Name of Representative	Shareholding	
			Share	Ratio
Hsinchu Futures Co., Ltd.	Chairman	Hsinchu International Bank's Representative: Yi-Pei Chan	30,112,440	88.57%
	Executive Director	Hsinchu International Bank's Representative: Kenneth Chen	30,112,440	88.57%
	Executive Director	Hsinchu International Bank's Representative: Shuan-Yung Chan	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Chia-Jung Chen	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Chia-Yung Wu	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Sung-Der Jen	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Chih-Kang Wu	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Po-Hsiung Cheng	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Ching-Tang Chen	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Chih-Wei Wu	30,112,440	88.57%
	Director	Hsinchu International Bank's Representative: Wen-Kuang Wu	30,112,440	88.57%
	Supervisor	Hsinchu International Bank's Representative: Chuan-Feng Chen	30,112,440	88.57%
	Supervisor	Hsinchu International Bank's Representative: Chien-Hwa Lo	30,112,440	88.57%
	Supervisor	Hsinchu International Bank's Representative: Chen-Chuan Huang	30,112,440	88.57%
President	Li Der Chang	0	0	
Hsinchu Real Estate Co., Ltd.	Chairman	Hsinchu International Bank's Representative: Shuan-Yung Chan	13,255,162	59.84%
	Executive Director	Hsinchu International Bank's Representative: Po-Hsiung Wu	13,255,162	59.84%
	Executive Director	Hsinchu International Bank's Representative: Kenneth Chen	13,255,162	59.84%
	Director	Hsinchu International Bank's Representative: Chih-Wei Wu	13,255,162	59.84%
	Director	Hsinchu International Bank's Representative: Po-Hsiung Cheng	13,255,162	59.84%
	Director	Hsinchu International Bank's Representative: Sung-Der Jen	13,255,162	59.84%
	Director	Hsinchu International Bank's Representative: Ching-Tang Chen	13,255,162	59.84%
	Director	Chao-Shiun Chiu	908,225	4.10%
	Director	Ming Zhe Luo	883,677	3.99%
	Supervisor	Hsinchu International Bank's Representative: Chuan-Feng Chen	13,255,162	59.84%
	Supervisor	Hsinchu International Bank's Representative: Chen-Chuan Huang	13,255,162	59.84%
	Supervisor	De Gang Tsai	883,667	3.99%
	President	Chi Meng Shih	0	0
Hsinchu Insurance Agent Co., Ltd.	Chairman	Hsinchu International Bank's Representative: Shuan-Yung Chan	40,026,621	99.99%
	Director	Hsinchu International Bank's Representative: Wen-Chien Chan	40,026,621	99.99%
	Director	Hsinchu International Bank's Representative: Chuan-Kan Chiu	40,026,621	99.99%
	Director	Hsinchu International Bank's Representative: Shen-Hwa Lo	40,026,621	99.99%
	Director	Hsinchu International Bank's Representative: Chih-Wei Wu	40,026,621	99.99%
	Supervisor	Hsinchu International Bank's Representative: Sam Chang	40,026,621	99.99%
	Supervisor	Hsinchu International Bank's Representative: Keui-Ling Hu	40,026,621	99.99%
President	Wen-Chien Chan	40,026,621	99.99%	
Chu-Chian Insurance Agent Co., Ltd.	Chairman	Hsinchu International Bank's Representative: Shuan-Yung Chan	1,670,699	99.99%
	Director	Hsinchu International Bank's Representative: Wen-Chien Chan	1,670,699	99.99%
	Director	Hsinchu International Bank's Representative: Chuan-Kan Chiu	1,670,699	99.99%
	Director	Hsinchu International Bank's Representative: Shen-Hwa Lo	1,670,699	99.99%
	Director	Hsinchu International Bank's Representative: Chih-Wei Wu	1,670,699	99.99%
	Supervisor	Hsinchu International Bank's Representative: Sam Chang	1,670,699	99.99%
	Supervisor	Hsinchu International Bank's Representative: Keui-Ling Hu	1,670,699	99.99%
President	Wen-Chien Chan	1,670,699	99.99%	

Chu Chi Interior Furnishing Engineering Co., Ltd.	Chairman	Hsinchu Real Estate Co., Ltd.'s, Representative: Shuan-Yung Chan	1,315,834	88.30%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Kenneth Chen	1,315,834	88.30%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Chih-Wei Wu	1,315,834	88.30%
	Supervisor	Hsinchu Real Estate Co., Ltd.'s, Representative: Chuan-Feng Chen	1,315,834	88.30%
	President	Chi Meng Shih	0	0
Chu Sheng Technology Co.	Chairman	Hsinchu Real Estate Co., Ltd.'s, Representative: Shuan-Yung Chan	1,588,000	79.40%
	Director	Meei-Yu Tai	1,000	0.05%
	Director	Kenneth Chen	1,000	0.05%
	Supervisor	Ming Zhe Luo	1,000	0.05%
	President	Xing Lo Sun	0	0
Chu Cheng Construction Co., Ltd.	Chairman	Miao Ling Huang	1,708,000	10.17%
	Director	Chu Chian Investment Co., Ltd.'s Representative: Xing Yao Sheng	1,334,000	7.94%
	Director	Yuan-Fu Construction Co., Ltd.'s Representative: Zheng Zhou Zhang	2,520,000	15.00%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Shuan-Yung Chan	8,484,000	50.50%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Chih-Wei Wu	8,484,000	50.50%
	Supervisor	Hsinchu Real Estate Co., Ltd.'s, Representative: Chin Der Chan	8,484,000	50.50%
	President	Chi-Hsiu Peng	0	0
Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	Chairman	Hsinchu Real Estate Co., Ltd.'s, Representative: Shuan-Yung Chan	1,414,954	98.80%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Meei-Yu Tai	1,414,954	98.80%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Kenneth Chen	1,414,954	98.80%
	Supervisor	Chuan-Feng Chen	1,432	0.10%
	President	Rei Yao Chiu	0	0
Hsinchu Gen-Gin Security Co., Ltd.	Chairman	Hsinchu Real Estate Co., Ltd.'s, Representative: Shuan-Yung Chan	4,327,795	98.80%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Meei-Yu Tai	4,327,795	98.80%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Kenneth Chen	4,327,795	98.80%
	Supervisor	Chuan-Feng Chen	4,380	0.10%
	President	Rei Yao Chiu	0	0
Hiplan (Nanking) Technology Co., Ltd.	Chairman Concurrent President	Chu Sheng Technology Co.'s, Representative: Xing Lo Sun	0	0
	Director	Chu Sheng Technology Co.'s, Representative: Chi Zhen Lin	0	0
	Director	Chu Sheng Technology Co.'s, Representative: Zi Ping Lin	0	0
Chu Ying International Co., Ltd.	Chairman	Hsinchu Real Estate Co., Ltd.'s, Representative: Shuan-Yung Chan	1,500,000	15.15%
	Director	Hsinchu Gen-Gin Security Co., Ltd.'s, Representative: Kenneth Chen	2,000,000	20.20%
	Director	Chu Chian Investment Co., Ltd.'s, Representative: Xing Yao Sheng	2,000,000	20.20%
	Director	Chu Cheng Construction Co., Ltd.'s, Representative: Miao Ling Huang	1,000,000	10.10%
	Director	Shi Yang International Co., Ltd.'s Representative: Chih-Yang Chiu	1,000,000	10.10%
	Director	Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.'s, Representative: Chih-Wei Wu	1,000,000	10.10%
	Director	Long Xing Liu	400,000	4.04%
	Supervisor	Ta-Hsien Chiu	200,000	2.02%
Hsinchu Gen-Gin Car Rental Co., Ltd.	Chairman	Chu Sheng Technology Co.'s, Representative: Shuan-Yung Chan	290,979	5.82%
	Director	Hsinchu Real Estate Co., Ltd.'s, Representative: Kenneth Chen	337,515	6.75%
	Director	Hsinchu Gen-Gin Security Co., Ltd.'s, Representative: Chih-Wei Wu	647,398	12.95%
	Director	Cheng Der Consultants Co., Ltd.'s Representative: Mei-Miao Chan Hung	509,480	10.19%
	Director	Hua Hung Financial Marketing Co.,Ltd.'s Representative: Chih-Pong Chu	605,472	12.11%
	Director	Chin-Yao Chen	13,500	0.27%
	Director	Chu Chian Investment Co., Ltd.'s Representative: Xing Yao Sheng	337,515	6.75%
	Supervisor	Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.'s, Representative: Rei Yao Chiu	869,840	17.40%
	Supervisor	Chu Chi Interior Furnishing Engineering Co., Ltd. Representative: Chi Meng Shih	135,006	2.70%
	President	Chih-Pong Chu	605,472	12.11%

Note 1: In cases where the affiliate is a foreign company, persons with equivalent title will be listed.

Note 2: In cases where the invested company is a limited corporation, please fill out number of shares and holding percentage; for others, please fill out capitals balance and contributed capital percentage with an explanation footnote.

Note 3: In cases where the director or supervisor is a corporate company, additional related information on the representatives must be revealed.

(V) Operating Results of the Respective Affiliates:

Expressed in NT\$ Thousand

Company Name	Capital	Total Assets	Total Liabilities	Net Worth	Average Income	Operating Profit (Loss)	Net Income (after tax)	Earnings per share (NT\$)	Remark
Hsinchu Futures Co., Ltd.	340,000	464,236	162,433	301,803	54,209	(6,128)	4,956	0.15	
Hsinchu Real Estate Co., Ltd.	221,527	1,346,981	1,030,897	316,084	754,046	39,347	16,350	0.74	
Hsinchu Insurance Agent Co., Ltd.	400,770	842,536	81,366	761,170	495,840	435,215	334,253	8.34	
Chu-Chian Insurance Agent Co., Ltd.	16,730	41,877	5,581	36,296	26,198	21,667	16,471	9.85	
Chu Chi Interior Decoration Engineering Co., Ltd.	14,902	29,074	12,621	16,453	77,990	1,249	305	0.20	
Chu Sheng Technology Co., Ltd.	20,000	11,189	2,435	8,754	3,475	(9,132)	(10,366)	(5.18)	
Chu Cheng Construction Co., Ltd.	168,000	1,618,998	1,517,974	101,024	196,008	13,382	(2,970)	(0.18)	
Hsinchu Gen-Gin Apartment Building Management & Maintenance Co., Ltd.	14,321	31,184	8,597	22,587	46,535	3,739	1,220	0.85	
Hsinchu Gen-Gin Security Co., Ltd.	43,804	62,678	14,468	48,210	87,302	2,616	(321)	(0.07)	
Hiplan (Nanking) Technology Co., Ltd.	4,146	1,240	976	264	979	(955)	(953)	(2.30)	Un-audited
Chu Ying International Co., Ltd.	99,000	127,093	33,475	93,618	165,439	(9,603)	(9,928)	(1.00)	
Hsinchu Gen-Gin Car Rental Co., Ltd.	50,000	193,580	146,615	46,965	35,899	(2,156)	(3,550)	(0.71)	

Note 1: No matter the size of affiliated companies, all should be disclosed.

Note 2: The exchange rate was as follows: RMB1=NT4.0705

(VI) Endorsement, Fund Loan, and Engaging in Transaction Information of Derivative Products by Affiliated Companies:

Please Refer to Pages 98-99.

(VII) Consolidated Business Reports:

According to Clause two of Article two in Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, the Company is not the subordinate company therefore it is no need to disclose the Consolidated Financial Statements of Affiliated Enterprises.

II. Internal Control System Execution Status:

(I) Internal Control Declaration

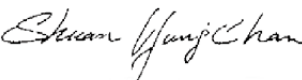
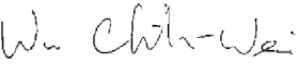

Hsinchu International Bank Internal Control Declaration

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

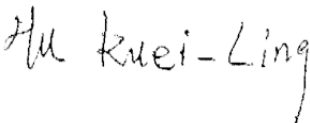
Jan.27, 2006

We, hereby, declare on behalf of Hsinchu International Bank that establishment of internal control system and the implementation of risk management from January 1 to December 31, 2005 were based on the "Guidelines for the Internal Control System and Auditing system of Banks", and was audited by an Independent Auditing Department, submitted reports to the Board of directors and Supervisors regularly. With regards to securities business, the judgment concerning the design and execution effectiveness of internal control systems in our Company is made in accordance with the check items on internal control effectiveness stipulated in the Guidelines for Establishment of Internal Control Systems in Securities and Futures Service Enterprises" promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. After careful evaluation, the internal control made by each department for the current year and regulation basis, except the matters mentioned in the attachments, were executed effectively. This Declaration shall be publicized among the major contents of our annual report and company prospectus. Any illegal falsification and concealment regarding the publications will be in violation of Articles 20, 32, 171, and 174 of the Securities Transaction Law.

Hsinchu International Bank

Chairman		Seal/Signature
President		Seal/Signature
Chief Internal Auditor		Seal/Signature

The manager of the head office stipulated in the law

	Seal/Signature
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(II) Auditor's Report on Internal Control

Auditor's Report

Hsinchu International Bank Co., Ltd.

Apr.19.2006

In accordance with the stipulation in Article 25 of the Guidelines for Certified Public Accountants' Examinations of and Reports on Financial Statements of Financial Institutions promulgated by the Ministry of Finance: "In the cases where the financial statements of the bank is being certified by certified public accountant, the consigned CPA should also make an audit on the internal control systems of the bank, and should give its opinions and submit a report of the declaration authority with regards to the accuracy of the information, internal control system, execution of the system in compliance with the laws and regulations decreed by the competent authority, and the appropriateness of the proposed allowance for bad debts policy."

The CPA authorized by Hsinchu International Bank Co., Ltd. based on the stipulation in Article 28 of the aforementioned Guidelines, and enclosing the scope of audit, audit procedure, and audit result processed the above-mentioned matters.

This Audit Report is for your reference only. Except for providing it to the Financial Supervisory Commission for supervision reference, it should not be used for other purpose or provided to a third party.

Diwan, Ernst & Young

Diwan, Ernst & Young
Taipei, Taiwan, Republic of China

III. From recent years till February 28, 2006, difference of opinion and with recorded or written statement of Director(s) or Supervisor(s) with regard to the major resolutions passed by the Board of Directors: None

IV. From recent years till February 28, 2006, in cases where there is private soliciting of marketable securities, the date passed by the Shareholders' Meeting or Board of Directors and the shares, basis and rationality for fixing the price, selection method of specific person, necessary reason for soliciting, and the utilization plan of collected amount of Bank's shares or negotiable securities, the fund utilization and plan execution of private solicitation of negotiable securities: None

V. From recent years till February 28, 2006, shareholding of subsidiary or disposal of the Bank's shares: None

VI. From recent years till February 28, 2006, major resolutions by Shareholders' Meeting, Board of Directors, and Provisional Meeting:

Major resolutions passed by the Board of Directors and Shareholders' Meeting in 2005

Date	Meeting	Significant Resolutions	Discussion of Execution
Feb. 24, 2005	Board of Directors	1. Passed the resolution for 2004 Financial Statements. 2. Passed the resolution for the date, time, and place for the 2005 Shareholders' Meeting.	1. Execute as resolved 2. Execute as resolved
Apr. 12, 2005	Board of Directors	1. Passed the resolution for 2004 Distribution of Earnings. 2. Passed the resolution for 2004 Earnings and Employee's Bonus Transferred to Capital Increase.	1. Execute as resolved 2. Execute as resolved
June 6, 2005	Board of Directors	1. Passed resolution to file application for "Financial Assets Securitization Business" the competent authority.	1. Execute as resolved
Aug. 26, 2005	Board of Directors	1. Passed the resolution for 2005 First-half Financial Statements and Consolidated Statements.	1. Execute as resolved
Dec. 30, 2005	Board of Directors	1. Passed the resolution for the purchase of house and lot located at No. 9, Lane 91, Tungmei Rd., Hsinchu City from the related party, Chu Cheng Construction Co., Ltd. as an investment.	1. Execute as resolved
June 10, 2005	Shareholders' Meeting	1. Passed the resolution for 2004 Final Settlement. 2. Passed the resolution for 2004 Distribution of Earnings. 3. Passed the resolution for 2004 Earnings and Employee's Bonus Transferred to Capital Increase. 4. Passed the resolution to amendment of Articles of Incorporation 5. Passed the resolution to re-elect directors and supervisors.	1. Execute as resolved 2. Execute as resolved 3. Execute as resolved 4. Execute as resolved 5. Execute as resolved

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

(I) Officials and employees indicated for crime committed in the performance of their duties: None

(II) Violations of the Banking Law resulting in fines by the Board:

1. Prior to the approval of handling loans between the two straits, the International Financial Business Branch of the Bank had processes application made by Taiwanese businessmen in Mainland China to open a secured L/C during November & December 2004, which does not comply with the stipulation in Paragraph 1, Article 36 of the "Civilian Relations Code Between the People in Taiwan and Mainland China", and was served a fine by the Financial Supervisory Commission for the amount of NT\$2 million.
2. The collector company commissioned by the Bank to collect delinquent cash card loan made threatening phone calls to clients which violated the stipulation in Item 4 & Item 5 of the "Implementation Code Internal Control and Auditing System of the Bank" in Article 45-1 of the Banking Law promulgated by the Financial Supervisory Commission, and was served a fine for the amount of NT\$2 million in accordance with Subparagraph 7, Article 129 of the same Law.

(III) Deficiencies resulting in strict disciplinary action by the Board: None

(IV) Punishment by the Board in accordance with Article 61-1 of the Banking Law: None

(V) Major security incidents occurred as a result of staff malpractice, major unexpected incidents, or failure to observe the guidelines for the Maintenance of Security in Financial Institutions, the actual losses from which exceeded NT\$50 million during one or both years: None

(VI) Other matters which the Board has instructed to be disclosed: None

VIII. Other Matters for Supplementary Explanation:

(I) Significant Events in 2005

- 01/05 Issued permanent and accumulative subordinated debentures.
- 01/27 Organized the "2005 Hsinchu International Bank's International Women Tennis Tournament".
- 01/31 Donated electronic piano and second-hand glockenspiel to Taoshan Elementary School, Wufeng Township, Hsinchu County for its music class.
- 01/31 Cooperated with "Asia Shopping Mall" for issuing the Asia Shopping Joint Credit Card.
- 01/31 Organized the "Send Love to South Asia" donation activity, transferred the whole donation received to the Red Cross of R. O. C. for its disposal.
- 02/01 Implemented learning passport, set up learning development path for each key position.
- 02/17 Launched the "Petty Amount Easy-check Financing Business" and the "Easy-loan Special Financing Business".
- 02/18 Implemented the branch management officers' promotion plan.
- 02/24 Convened the 19th meeting of the 9th Board of Directors.
- 02/24 Cooperated with "Dainty Design Cosmetics Co., Ltd." for issuing the Dainty Joint Credit Card.
- 03/01 FitchRatings Company had upgraded the Bank's international long-term and short-term credit ratings to "BB+" and "B" respectively. Domestic long-term and short-term credit rating was upgraded to "A- (twn)" and "F2 (twn)" respectively.
- 03/05 Sole sponsored the "Coach Jui-Lin Lee Memorial Competition".
- 03/08 The new version of Internet securities order system (i.e. EZ-Rich Internet Order System) was officially online.
- 03/18 Sponsored the "Spring in Hsinchu" music festival organized by the IC music station.
- 03/24 Internet ATM was officially online.
- 04/08 Securities Broker, Lungtan Branch was inaugurated.
- 04/12 Convened the 20th meeting of the 9th Board of Directors.
- 04/20 The "Do Mi So" image advertisement won Second Place in the survey made by Common Wealth Magazine on the core clients.
- 05/01 Launched the cash loan business by phone.
- 05/05 Electronic document system of the Bank came online.
- 05/10 Used the e-fund flow service system in launching the supply chain of "Active Financing Services".
- 05/10 Launched the "Custodial Bank" business, accepted the first private solicited fund "International Private Solicitation 1".
- 05/11 Implemented the "Intern Bank Staff" and the "Financial Services Training Plan".
- 05/20 The "Barefoot, Glockenspiel, Hanging Bridge" image advertisement won First Place in the survey made by Common Wealth Magazine on the core clients.
- 06/01 The new version of B2C Internet Bank was officially online, became the first Internet bank in Taiwan to adopt mobile pin code system
- 06/02 Was in the finalist for the "1st Enterprise-Social Responsibility Award" in the Financial Industry Section.
- 06/06 Convened the 21st meeting of the 9th Board of Directors.
- 06/10 Convened the 2005 Shareholders' Meeting and conducted the re-election of directors and supervisors during the meeting.
- 06/10 Convened the 1st & 2nd meetings of the 10th Board of Directors.
- 06/20 Had a presentation on the sub brand of wealth management business, "The Rock Private Wealth Management".
- 06/24 Launched the IRS in NT\$.

- 06/24 Donated electronic pianos and glockenspiels to Shihlei Elementary School, Shilei Tribe, and Shimakushih Tribe in Chienshih Township, Hsinchu County for their music class.
- 06/30 Introduced the 104 e-HR Web online recruitment platform.
- 07/01 Hi-School e-learning online.
- 07/01 Replaced RE-CYCLE ATM for deposits and withdrawals two-in-one service.
- 07/01 Total activation of ATM monitoring and control system.
- 07/01 Five simple branches, Tungning Branch, Chungteh Branch, Tunghai Branch, Liming Branch, and Shengkang branches were changed into common branches. Five common branches, Chilien Branch, Juifeng Branch, Chungcheng Branch, Tungmen Branch, and Hueilung Branch were changed into simple branches.
- 07/01 Established the Taipei Second Retail Assets Operation Unit Center.
- 07/01 Activated the customer Relationship Manager (RM) mechanism under the sub brand "The Rock Private Wealth Management".
- 07/11 The Peimen Branch in Hsinchu City moved to Yunlin Town, Changhua County and started operating as Yunlin Branch.
- 07/11 Launched the "Real Estate Investments & Trust Business".
- 07/28 Foreign exchange current account transfer and report of loss via Internet Banking online.
- 08/01 Launched the national tax payment platform and seal making mechanism in financial companies to offer our clients with a new kind of bill paying service.
- 08/01 Accepted the first public solicited fund "Yuan Ta Global Combination Fund".
- 08/26 Convened the 3rd meeting of the 10th Board of Directors.
- 08/30 Launched the matriculation payment by credit card.
- 09/01 Cooperated with Hi-Life Convenient Store to exchange gift items by deducting bonus points from our credit cards.
- 09/01 Launched the payment of bills for the industrial associations and schools via convenient stores and ATM, and those holding our chip credit card may pay taxes by credit card at the national Tax Administration and other banks.
- 09/05 Opened hot line for financial service complaints.
- 09/08 Nankan Securities Broker Branch started its business.
- 09/14 Launched the "Fixed Interest Rate for Medium Term Loan".
- 09/14 Organized the 2005 "Aborigine Township Fountain of Life" charity donation.
- 09/24 Organized the Sports Family Day on the 57th Anniversary of the Bank with the participation of 5,000 employees and families.
- 09/27 Launched the sales of domestic structure-type products.
- 10/03 Sponsored the "Taiwanese-Vietnamese Children" project organized by Eden Foundation and for NT\$1 million.
- 10/04 Organized the "Hsinchu International Commercial Bank 4th Charity Scholarship" and donated NT\$3 million.
- 10/08 Organized the "2005 Consumer Financing System's Overseas Incentive Camp in Chi-Chou-Island, South Korea, holding its commendation on excellent bank staff for the first time overseas.
- 10/12 Convened the 4th meeting of the 10th Board of Directors.
- 10/31 Donated NT\$1 million for the Pakistan earthquake disaster.
- 11/01 Fund financing services via Internet was online.
- 11/01 Know-how management-Search engine system online.
- 11/04 Cooperated with PChome access website for Internet ATM officially got launched online.
- 11/05 The "Sacred Tree" image advertisement won Second Place in the survey made by the Common Wealth magazine on the core clients.
- 11/11 The e-learning curriculum, "e-Learning Internet Science Park", won the "AA" certification for its quality".
- 11/11 Launched time deposit fixed amount investments in foreign currency.
- 11/15 Published VIP Financial Quarterly Magazine.
- 11/21 The "Wealth Management Services" was approved by the Financial Supervisory Commission.
- 11/28 Minchu Branch in Hsinchu City moved to Changhua County, at the same time changing its name as Changhua Branch and started its business officially.
- 12/13 Commissioned bill storage administration system was online.
- 12/14 Organized the 1st Courtesy Champion Contest.
- 12/16 Donated musical instruments to four schools in the aboriginal mountains in Fushing Township, Taoyuan County.
- 12/19 North Chungli Branch in Chungli City moved to Fengshan City, Kaohsiung County, changed its name as Fengshan Branch and officially started its business.
- 12/19 Launched time deposit open-end investments
- 12/20 RMBS was successfully issued in Ireland.
- 12/23 Donated electronic piano and glockenspiel to the Wenshui Elementary School and Meiyuan Elementary School in TanAi Township, Miaoli County for their music classes.
- 12/27 The e-learning program, "E-Learning in Industrial Promotion and Development Program" won the "Excellent Award" and received a reward from the Industrial Development Bureau, MOEA for NT\$1.5 million as subsidy in promoting e-learning.
- 12/30 Convened the 5th meeting of the 10th Board of Directors.

(II) Address of Head Office and Branches

Code	Bank Code	Unit	Establishment Date	Address	Telephone No.	Fax No.	Note
03	052-0018	Business Department	Sept. 15, 1948	106 Chungyang Rd., Hsinchu, Taiwan	03-5243151~9	03-5230963	
04	052-0292	Hsinchu Branch	Jan. 6, 1987	35 Fushing Rd., Hsinchu, Taiwan	03-5266171~8	03-5236079	
05	052-0328	Kaungfu Branch	Mar. 26, 1987	270 Kuangfu Rd., Sec. 1, Hsinchu, Taiwan	03-5775663~4	03-5781742	Change address on Oct. 6, 1996
07	052-0432	Chulien Branch	Dec. 20, 1989	256 Nanta Rd., Hsinchu, Taiwan	03-5215130~2	03-5261855	Oct. 21, 1997 Branch
08	052-0454	Chungcheng Branch	Dec. 11, 1990	326 Chungcheng, Hsinchu, Taiwan	03-5348939~43	03-5349865	Change address on Oct. 13, 1997
09	052-0498	Yenping Simple Branch	Nov. 9, 1990	50, Lane 214, Yenping Rd., Sec. 1, Hsinchu, Taiwan	03-5219216~9	03-5219215	Oct. 09, 1997 Branch Changed system on Sept. 17, 2001
10	052-0052	Chutung Branch	Mar. 1, 1950	300 Changchun Rd., Sec. Chutung Town	03-5965711~5	03-5954025	
11	052-0085	Hsinpu Branch	Oct. 24, 1955	386 Chungcheng Rd., Hsinpu Town	03-5883611~5	03-5883344	
12	052-0133	Hukou Branch	Jul. 3, 1974	82 Chungcheng Rd., Sec. 1, Hukou town	03-5992614~8	03-5901627	
13	052-0177	Chupei Branch	Jul. 7, 1983	59 Sanmin Rd., Chupei Town	03-5513115~8	03-5512190	Change address on Aug. 22, 1994
14	052-0306	Kuanshi Branch	Sept. 9, 1987	21 Mingteh Rd., Kuanshi Town	03-5875151~3	03-5877927	Apr. 16, 2001 Branch
15	052-0384	Hsinfeng Branch	Sept. 22, 1988	155-7 Chienshing Rd., Sec. 1, Hsinfeng Town	03-5591113~5	03-5594636	Jul. 27, 1993 Branch
16	052-0513	Hsinshing Branch	Dec. 16, 1991	130 Shi Wei Rd., Hsinchu, Taiwan	03-5233171~5	03-5233177	
17	052-0524	Hsinshey Branch	Nov. 21, 1991	141 Chungcheng W. Rd., Chupei	03-5519456~61	03-5551783	Changed address on Oct. 12, 1996
18	052-0546	Science Park Branch	Nov. 15, 1991	11 Science Park 2nd Rd., Hsinchu Science Park, Hsinchu, Taiwan	03-5785355~8	03-5787055	Sept. 12, 1995 Branch
19	052-0579	North Hsinchu Branch	Dec. 9, 1992	243 Chungyang Rd., Hsinchu, Taiwan	03-5348155~9	03-5421589	Changed address on Jun. 30, 2003
20	052-0030	Taoyuan Branch	Sept. 1, 1949	66 Chungcheng Rd., Taoyuan City	03-3340176~83	03-3371647	Changed address on Dec. 4, 2000
21	052-0100	Dashi Branch	Jul. 4, 1972	95 Kangchuang Rd., Dashi Town	03-3873915~9	03-3889901	
22	052-0155	Dayuan Branch	Jul. 4, 1972	44 Chungshan N Rd., Dayuan Town	03-3861130~33	03-3861924	
23	052-0041	Chungli Branch	Sept. 1, 1949	194 Chungshan Rd., Chungli City	03-4252186~90	03-4256977	
24	052-0111	Yangmei Branch	Jul. 3, 1977	105 Tacheng Rd., Yangmei Town	03-4783491~4	03-4752718	

25	052-0122	Hsinwu Branch	Jul. 9, 1973	251 Chungshan Rd., Hsinwu Town	03-4773226-9	03-4772052	
26	052-0166	Lungtan Branch	Apr. 1, 1973	202 Peilung Rd., Lungtan Town	03-4793185-8	03-4891391	
27	052-0199	Sanmin Branch	Sept. 3, 1984	301 Sanmin Rd., Sec. 3, Taoyuan City	03-3351593-7	03-3328102	Changed address on Jun. 26, 2000 Combined the savings & remittance business of Chungshan Branch on May 17, 2004
28	052-0203	Neili Branch	Sept. 20, 1984	83 Hsinyi Rd., Neili, Chungli City	03-4553122-6	03-4524244	
29	052-0214	Pateh Branch	Oct. 16, 1985	43 Chiehshou Rd., Sec. 2, Pateh City	03-3634341-6	03-3660967	Changed address on May 27, 1996
30	052-0236	YungAn Branch	Nov. 11, 1985	465 Chungcheng Rd., Taoyuan City	03-3324002-6	03-3361491	Combined the savings and remittance business of Chungshin Branch on May 24, 2004
31	052-0225	Hsinming Branch	Nov. 5, 1985	56 Minchu Rd., Chungli City	03-4918701-10	03-4918710	
32	052-0270	Kueishan Branch	Jan. 14, 1987	1077 Wanshou Rd., Sec. 2, Kueishan Town	03-3290728-32	03-3290273	
33	052-0281	Nankan Branch	Jan. 15, 1987	90 Chungcheng Rd., Luchu Town	03-3524148-52	03-3226443	
34	052-0317	Dashulin Branch	Apr. 14, 1987	233 Taoying Rd., Taoyuan City	03-3664291-6	03-3664296	Changed address on Feb. 12, 1996
36	052-0351	Lungkang Branch	Sept. 14, 1988	302 Lungtung Rd., Chungli City	03-4657783-87	03-4567704	Changed address on Oct. 14, 1996
37	052-0362	Shantzuting Branch	Sept. 23, 1988	150 Chungfeng Rd., Shanting Sec., Pinchen City	03-4696257	03-4692907	Sept. 21, 1994 Branch
38	052-0373	Pushin Branch	Aug. 1, 1988	351 Yungmei Rd., Lin 3, Pushin Li, Yangmei Town	03-4824984-6	03-4826073	Changed address on Jul. 25, 1994
41	052-0421	Hueilung Branch	Nov. 21, 1989	111 Wanshou Rd., Sec. 1, Kueishan Town	02-82001277	02-82006012	Dec. 16, 1996 Branch
42	052-0465	Kuaichi Branch	Dec. 14, 1990	862 Chunjih Rd., Taoyuan City	03-3553278-82	03-3553723	
43	052-0476	Huanpei Branch	Dec. 26, 1989	405 Huanpei Rd., Chungli City	03-4511333	03-4513135	Changed address on Jul. 7, 1997
44	052-0487	Juifeng Branch	Dec. 24, 1989	909 Chiehshou Rd., Sec. 2, Pateh City	03-3685706-8	03-3685727	Changed address on Dec. 8, 1997
45	052-0535	Tungmen Branch	Dec. 10, 1991	119 Chingshan E Rd., Taoyuan City	03-3395633	03-3394301	
46	052-0557	Hsinpo Branch	Dec. 5, 1991	661 Chungshan Rd. Sec.2, Hsipo village, Kuanyin Town	03-4986401-3	03-4986404	Sept. 8, 1997 Branch
48	052-0591	Pinchen Branch	Dec. 16, 1992	225 Huannan Rd., Pingchen City, Taoyuan County	03-4910311-7	03-4910319	Changed address on Mar. 5, 2001
49	052-0616	Dachu Branch	Jan. 25, 1994	506-23 Dachu Rd., Luchu Town, Taoyuan County	03-3137633	03-3137626	Changed address on May 18, 1996
50	052-0074	Miaoli Branch	Sept. 1, 1949	562 Chungcheng Rd., Miaoli City	037-324671-6	037-358940	

51	052-0063	Chunan Branch	Sept. 1, 1949	217 Chungcheng Rd., Chunan Town	037-476161~5	037-474881 037-474882	Changed address on Dec. 15, 1997
52	052-0096	Toufen Branch	Jul. 3, 1970	106 Hoping Rd., Toufen Town	037-668281~5	037-676791	
53	052-0144	Wanli Branch	Jul. 3, 1975	19 Weikung Rd., Wanli Town	037-862851~5	037-852609	
54	052-0188	Chuolan Branch	Jul. 4, 1983	48 Chungcheng Rd., Chuolan Town	045-891916~9	045-894942	
55	052-0247	Kungkuan Branch	Jan. 28, 1986	211 Chunghsiao Rd., Kungkuan Town	037-228525~6	037-221245	Changed address on May 17, 1999
56	052-0258	Tungshiao Branch	Jan. 28, 1986	16 JenAi rd., Tungshiao Town	037-757511~2	037-757514	Changed address on Jul. 27, 1998
57	052-0269	Houlung Branch	Apr. 8, 1986	20 Chengkung Rd., Peilung Li, Houlung Town	037-724591~2	037-724980	Changed address on Nov. 22, 1999
58	052-0410	Sanyi Branch	Oct. 27, 1989	83 Chungcheng Rd., Sanyi Town	037-875281~3	037-875242	Changed address on Aug. 12, 1986
59	052-0443	Peimiao Branch	Dec. 19, 1989	296 Weikung Rd., Chinghua Li, Miaoli City	037-267501~3	037-260184	Sept. 20, 1996 Branch
60	052-0502	Tahu Branch	Nov. 6, 1990	79 Minsheng Rd., Tahu Town	037-995561~3	037-995564	Sept. 11, 1995 Branch
61	052-0568	Tunglo Simple Branch	Oct. 18, 1991	201 Chungcheng Rd., Tunglo Town, Tunglo Village	037-985211~3	037-985214	Oct. 14, 1998 Branch Changed system on Sept. 28, 2001
62	052-0638	Sanshing Bridge Simple Branch	Jan. 19, 1994	576 Chunghua Rd., Sec. 4, Hsinchu, Taiwan	03-5303838	03-5308328	Changed address on Aug. 13, 2001 Changed system on Sept. 17, 2001
63	052-0649	East Neili Branch	Jan. 26, 1994	47 Jungmin Rd., Chungli City	03-4351988~95	03-4351093	Changed address on Sept. 20, 1999
64	052-0627	Chungyuan Simple Branch	Jan. 24, 1994	90 Hungyang Rd., Chungli City	03-4668166	03-4662442	Changed address on Jun. 28, 1999 Changed system on Sept. 17, 2001
65	052-0683	Kungshi Branch	Apr. 28, 1995	220 Fushing 1st Rd., Kueishan Town, Taoyuan County	03-3972288	03-3972266	
66	052-0708	Chuangching Simple Branch	Apr. 27, 1995	35 Dashing W. Rd., Sec. 2, Taoyuan City	03-3026699	03-3028833	Changed address on Jul. 24, 2000 Changed system on Sept. 17, 2001
67	052-0694	Chinling Branch	Apr. 26, 1995	87 Chinling Rd., Pinchen City	03-4579155	03-4579920	
68	052-0672	Taipei Branch	Mar. 21, 1995	38 Chienkuo N. Rd., Sec. 1, Taipei	02-87723232	02-87723838	Changed address on Feb. 12, 2001
69	052-0719	Panchiao Branch	Mar. 28, 1997	192 Minchu Rd., Panchiao City	02-29528799	02-29528797	Changed address on May 7, 2001 Changed system on Jul. 12, 2002
70	052-0720	Luchou Branch	May 18, 1998	342 Chihhsien Rd., Luchou City, Taipei County	02-82828266	02-82815941	Changed system on Jul. 12, 2002 Changed address on Sept. 16, 2002
71	052-0753	Neihu Branch	Apr. 23, 1998	1F, 69 Tunghu Rd., Neihu District, Taipei	02-26318888	02-26326910	Changed system on Jul. 12, 2002
72	052-0742	Taichung Branch	May 29, 1998	1F, 308 Wenshin Rd., Sec. 1, Taichung	04-3192480-5	04-23192473	
73	052-0731	Fenguan Branch	May 20, 1998	797 Yuanhuan E. Rd., Fenguan City, Taichung County	04-25234116	04-25240078	
74	052-0786	Chiayi Branch	Jul. 26, 1999	345 Minchu Rd., Chiayi	05-2288855	05-2240800	

75	052-0775	Tainan Branch	June 23, 1999	429 Chinhua Rd., Sec. 2, Tainan	06-2648101	06-2648140	
76	052-0764	Kaohsiung Branch	June 24, 1999	383 Chiuju 1st Rd., Kaohsiung	07-3872296	07-3860532	
77	052-0812	Tungning Simple Branch	Aug. 17, 2001	96 TungAn Rd., East District, Tainan	06-2761561	06-2761565	Opened on Aug. 17, 2001
78	052-0823	Tunghai Simple Branch	Sept. 18, 2001	306 Fuko Rd., Shituen District, Taichung	04-24653500	04-24653501	Opened on Sept. 18, 2001
79	052-0801	Shenkang Simple Branch	Sept. 26, 2001	27-15 Minsheng Rd., Shenkang Town, Taichung County	04-25634781	04-25634785	Opened on Sept. 26, 2001
82	052-0834	Chungteh Simple Branch	Sept. 27, 2001	364 Chungteh Rd., Tainan	06-2697461	06-2697458	Opened on Sept. 27, 2001
83	052-0797	Liming Simple Branch	Sept. 28, 2001	562 Tayueh Rd., Taichung	04-22536208	04-22536205	Opened on Sept. 28, 2001
84	052-0867	Chungho Simple Branch	Jul. 2, 2002	182 Chien 1st Rd., Chungho City, Taipei County	02-82271656	02-82271659	Opened on Jul. 2, 2002
85	052-0845	Shilin Simple Branch	Jul. 3, 2002	177 Chungcheng Rd., Sec. 1, Shilin District, Taipei	02-28386096	02-28386160	Opened on Jul. 3, 2002
86	052-0756	Yungho Simple Branch	Jul. 9, 2002	302 Chungcheng Rd., Yungho City, Taipei County	02-29452510	02-29451275	Opened on Jul. 9, 2002
87	052-0878	Peituen Branch	May 24, 2004	236 Wenshin Rd., Sec. 4, North District, Taichung	04-22990755	04-22990803	Chungshing Branch changed system
88	052-0889	Shituen Branch	May 17, 2004	327 Honan Rd., Sec. 2, Shituen District, Taichung	04-27081040	04-27081118	Chungshan Branch changed system
89	052-0890	Tali Branch	Jul. 19, 2004	161, 163, 165, & 167 Chengkung Rd., Tali City, Taichung County	04-24967768	04-24965125	East Chungli Branch changed system
92	052-0029	Changhua Branch	Dec. 6, 2005	53 Chungcheng Rd., Sec. 2, Changhua City, Changhua County	04-7282999	04-7229958	Changed address on November 28, 2005 and changed its name (originally Minchu Branch, Savings and Remittance Business combined into the North Hsinchu Branch)
93	052-0937	Yunlin Branch	July 15, 2005	439 Fuzun Rd., Sec. 2, Yunlin Town, Changhua County	04-8390750	04-8930755	Changed address July 11, 2005 and changed its name (originally Peimen Branch, Savings and Remittance Business combined into the Yenping Branch)
94	052-0340	Fengsha Branch	Dec. 26, 2005	150 Paotai Rd., Fengshan City, Kaohsiung County	07-7522727	07-7522759	Changed address December 19, 2005 and changed its name (originally North Chungli Branch, Savings and Remittance Business combined into the Huanpei Branch)
80	052-0650	Trust Department		106 Chungyang Rd., Hsinchu, Taiwan	03-5253171	03-5269443	Changed address on Aug. 12, 1996

90	052-0605	Corporate Banking Operation Department	Aug. 16, 1993	5F, 110 Chungcheng Rd., Hsinchu, Taiwan	03-5288234	03-5285166	Changed address on Dec. 9, 2002
91	052-0661	Offshore Banking Unit	Jan 16, 1995	5F, 110 Chungcheng Rd., Hsinchu, Taiwan	03-5288234	03-5285166	Changed address on Dec. 9, 2002
		Credit Card Department		2~6F, 326 Chungcheng Rd., Hsinchu, Taiwan	03-5345858	03-5436022	
		Retail Assets Department		6F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-5750066	03-5710599 03-5710399	
		Branch Network Department		4F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-5722525	03-5722770	
		Legal & Compliance Office		5F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5250397	
		Auditing Office		3F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-5725199	03-5724199	
		Information Technology Department		11 Park 2nd Rd., Hsinchu Science Park, Hsinchu, Taiwan	03-5789366	03-5789348	
		Corporate Banking Department		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-6000502	
		Administration Department		6F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5250977	
		E-commerce Department		8F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-6003456	03-6000666	
		Human Resources Department		5F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5220641	
		Treasury Department		6F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5264067	
		Accounting Department		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5280595	
		Securities Department		6F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5284138	
		Wealth Management Department		5F, 9, Lane 91, Tungmei Rd., Hsinchu, Taiwan	03-5725988	03-5725955	
		Risk Management Department		4F, 106 Chungyang Rd., Hsinchu, Taiwan	03-5245131	03-5251531	

(III) Matters with significant effect on Shareholders' Equity or Securities price occurred as since Past year till February 28, 2006 mentioned in Clause 2, Item 2, Article 36 of Stock Exchange Law: None

