



MACOTO BANK

誠泰銀行

ANNUAL REPORT 2004

MACOTO BANK – ANNUAL REPORT 2004

Financial Highlights 2004	2
A Message to Shareholders	3
Corporate Profile	4
History of Macoto Bank.....	4
Organization Chart of Macoto Bank 2004	5
General Corporate Data.....	6
The Major Shareholders.....	6
Human Resources	7
Result of Operations	10
Deposits Business.....	10
Loans Business.....	11
Consumer Loans Business.....	11
Credit Cards Business.....	12
Trust Business	13
International Banking Business	14
Other Financial Data.....	15
Financial Ratios.....	19
Financial Report	20
Independent Auditor's Report	20
Balance Sheets	21
Statements of Income	22
Statements of Changes in Stockholders' Equity	23
Statements of Cash Flows	24
Notes to Financial Statements.....	26
Head Office and Branches	63

Financial Highlights 2004

Unit: Million

2003 NT\$	Balance Sheet (At year-end)	2004 NT\$	2004 US\$
215,886	Total Assets	227,503	7,128
123,889	Loans, net	134,326	4,209
170,025	Customer Deposits	190,769	5,977
10,719	Shareholders' Equity	10,921	342
7,090	Capital	7,090	222
Profits & Loss Accounts (For the year)			
8,638	Interest Income	9,444	296
11,000	Total Revenues	12,187	382
2,828	Interest Expenses	2,770	87
10,771	Total Operating Costs & Expenses	11,954	375
229	Income Before Income Tax	233	7
183	Net Income	206	7
Financial Ratios			
0.12%	Return on Assets	0.11%	
2.15%	Return on Equity	2.16%	
73.83%	Loans to Deposits Ratio	71.15%	
9.33%	BIS Ratio	9.69%	
Staffs & Networks			
2,625	Number of Employees	2,607	
80	Number of Branches	80	

The exchange rate on December 31, 2004 was US\$ = NT\$ 31.917

A Message to Shareholders

The first half of the year 2004 has been a promising start for the world economy. It can be characterized by the continuation of a full force recovery and a positive economic trend that began in the latter half of 2003. However the growing economy was slightly offset in the second half of 2004 by the sudden sharp rise in world oil prices, the weak labor market in industrial countries, and the increase in the US Federal Reserve rate. The repercussions of these adverse events have marginally inhibited the overall potential growth of the world economy. The world growth rate of the year 2004 stands at 4.1%, and although lower than potentially expected, it still indicates a stable growing world economy that has fully recovered from the events of 2003.

Retrospectively, the Taiwanese economy has also coursed a similar track as that of the world economy. In the first half of 2004, the Taiwanese economy experienced an astonishingly high growth rate of 7.29% - a sign of a prosperous economy fueled by the ongoing robust foreign trade and increase in domestic investment. In the latter half of the 2004 many countries adopted a policy of higher interest rates as a measure against inflation caused by rising oil prices, which has had a negative effect on the economic growth. However due to the improvements in the labor market, and increase in domestic investment in high technology commodities such as electronics, high speed railway and the prominent 'No. 6 Naphtha Cracker Project', Taiwan has been able to overcome the negative effects of the rising oil price and has experienced an overall remarkable end of year growth rate of 5.71% in 2004. As a result, the exchange rate of the N.T. dollar against the U.S. dollar rose from 33.976 to 31.917, caused by the weakening of the U.S. dollar and the relative appreciation of various Asian currencies.

As for our performance in the 2004 financial year, there was substantial growth in the consumer banking business. The outstanding loans amounted to NT\$ 30.6 billion, an increase of NT\$ 10.3 billion, which is a 51% growth rate over the previous year. In particular, we have continued to expand our credit card business as we allied with renowned enterprises and launched the 'JAA Co-brand Card' and the "Miramar Entertainment Card". We always aim to increase credit card usage, and consolidate customer loyalty through our various promotional activities. As a result the total credit card consumption of this financial year amounted to NT\$17.3 billion, which is a NT\$3.4 billion increase.



In respect to the levels of the Deposit and Loan business, the year-end balance of deposits of 2004 was NT\$190.7 billion, 20.7 billion more than that of 2003. The amount of outstanding loans also increased totaling NT\$ 135.7 billion, 10.2 billion more than that of 2003. This is due to the stable growth of the Taiwanese economy, which caused an increase in the demand for additional capital from enterprises. During 2004, the transaction volume in foreign exchange totaled US\$ 1.93 billion; US\$300 million increase over the previous year. In our efforts to improve our quality of credited assets as well as to abide by government policies, we persistently wrote off the bad assets, which led to a net income of NT\$ 260 million and lowered our NPL to 3.51% at the end of 2004.

Furthermore, the year 2004 credit ratings were released, and on December 22, 2004, we were assigned by the Taiwan Ratings Corporation standards a long-term credit rating of twBBB+ and a short-term credit rating of twA-2. The outlook on the long-term rating is stable.

Prospectively, in 2005 the world economy is expected to gradually cool-off because of the slowdown in the volume of international trade. Domestically, it is anticipated that the situation in the labor market will improve lowering unemployment rate. Simultaneously there will be increased investment into the high-speed railway and the 'No. 6 Naphtha Cracker Project' causing an increase in the general level of consumer prices. In addition, the government's policy to promote the 'New Ten Construction Project' will in turn instigate a multiplier effect in the economy. As a result, the creation of jobs and injection of increased capital is expected to lead to a steady rise in general levels of domestic demand. It is forecasted that the annual growth rate in Taiwan will be 3.63%. Anticipating a stable and growing economy, our bank aims to focus its efforts to continue and innovate various financial products, actively write off non-performing loans, expand the scope of our E-banking services, generate more income fees and centralize our operation process to further improve our efficiency. We predict that by the end of 2005, the amount of deposits and loans that we handle will reach a balance of NT\$ 203 billion and NT\$ 149.6 billion respectively. With the continuous support of our valuable shareholders and the relentless determination of our motivated employees, we have the confidence that we will continue to set high standards to best cater our customers, achieve our operating objectives set forth and accomplish much greater things to come.

Chen I Lin
Chairman

Corporate Profile

History of Macoto Bank

In January 1997, the Third Taipei Credit Cooperative was approved to convert into a commercial bank. It was originated from the Manka Credit Union, a local financial organization found by a group of gentry from Taipei Manka District in April 1918.

After the restoration of Taiwan, due to the announcement of new laws by the Government, Manka Credit Union was reconstituted as the Taipei Manka Credit Cooperative in July 1946. In June 1966, with the modification of laws, it was converted from a limited responsibility organization into a guaranteed responsibility organization and the name “Guaranteed Responsibility Taipei Third Credit Cooperative” was introduced.

Since our conversion to a commercial bank, we have cooperated with government policy and supportively solved various financial problems. Firstly, Macoto acquired Second Hsinchu Credit Cooperative in 1997 and became the pioneer to acquire Credit Cooperatives amongst all the private commercial banks. In the following year, Macoto acquired the Eighth Taichung Credit Cooperative, expanding our scope of operations into the Middle of Taiwan. After Macoto's acquisition of Second Chia-Yi Credit Cooperative in August 2001, Macoto also incorporated the Gang Shan Credit Cooperative under the implementation of the Financial Redevelopment funds from the Executive Yuan. As a result, Macoto is presently equipped with eighty branches and has thrived into a nationwide bank.



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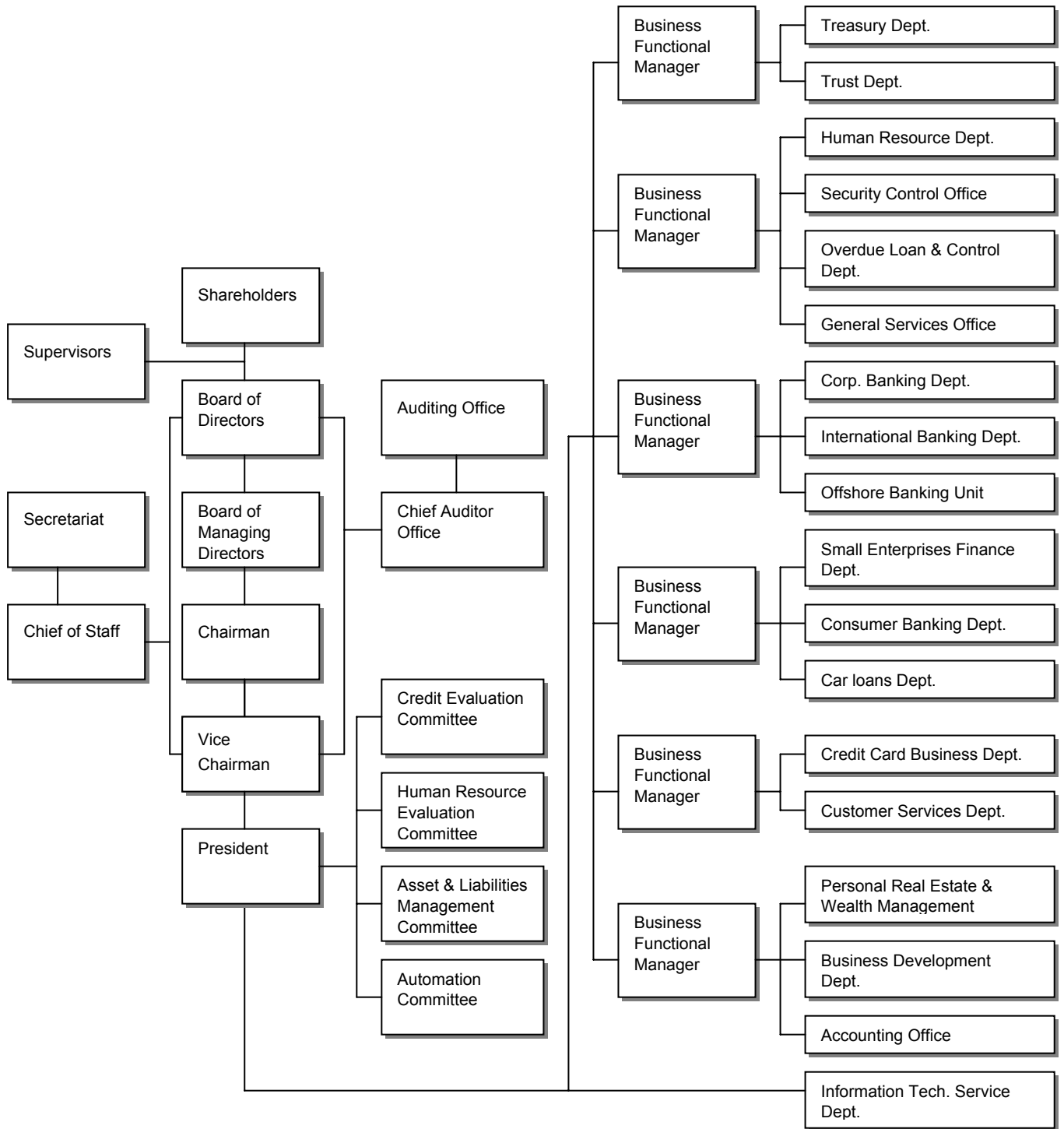
To expand the branches over the island and broaden the new business, we put an enormous amount of effort into developing comprehensive financial services. At present, our major businesses include deposit, loan, payment agency, remittance, trust, credit card, and foreign exchange. In 2002, we were authorized to set up OBU in order to meet customers' demand on overseas business and expand to our foreign exchange business.

To provide a wide range of services to the customer's such as banking, insurance, securities and investing, we invested to form the Macoto Life Insurance Agency and the Macoto Property Insurance Agency to further enhance our one-stop shopping service. In March 2005, we invested into the Macoto Finance (HK) Ltd. in Hong Kong to expand our overseas network and to enhance our international competitiveness. Through Hong Kong's liberal and international banking environment, we are now able provide customers with the necessary diversified and efficient financial services.

Since Macoto's inception in January 2002, the bank has held the philosophy of “Honesty & Sincerity” in order to maximize the success of our operations. In particularly, Macoto announced the bright new slogan “Making Communities Together”, which originates from the word Macoto. This was the underlying reason for the name change from Makoto Bank. We strongly live by our slogan, and we will continue to devote all of our efforts to maximize market growth for our customers and to cultivate the domestic market.

In the year of 2004, Macoto completed the implementation of the New Core Banking system. Such an efficient system will inevitably speed up the development of new financial products and simplify operation procedures to render the latest and perfect banking services to our clients. It is no doubt that in the near future, our business operations will again lead to new milestones.

Organization Chart of Macoto Bank 2004



General Corporate Data

1. Date of Original Establishment:	July 7, 1918 (known as Manka Credit Union)
2. Date of Conversion to Makoto Bank:	Jan. 1, 1997
3. Bank Name Change:	Jan. 1, 2002
4. Total shareholders equity:	NT\$10,719,079,000 (US\$335,842,310)
5. Number of shares issued:	709,039,800
6. Number of employees:	2,607
7. Number of branches:	80
8. Auditor:	Deloitte & Touche
9. Taiwan Rating:	twBBB+/twA-2

The Major Shareholders:

1. Lin Wu, Yeuh Man	8.73%
2. Evergreen E-Services Corp	3.53%
3. Che Wang Industrial Corp.	3.18%
4. Chi Chuang Industrial Corp.	2.33%
5. Chen I Lin	2.30%
6. Jr Chen Investment Corp.	2.08%
7. Formosa Feather Mills Ltd.	1.65%
8. Ternce Tai	1.51%
9. Belinda Yu Chen	1.46%
10. Chen Jo Investment Ltd.	1.45%

As of April 12, 2005

Human Resources:

Board of Directors:

Chairman	Chen I Lin
Vice Chairman	Steven Lin
Managing Director	Tien Sung Lee
Director	Frank Hung
Director	Yung Ping Chang
Director	Ming Jen Huang
Director	Cheng San Lin
Director	Jung Yuan Che
Director	Ternce Tai
Director	Bang Yi Huang
Director	Chien Tung Lin
Director	Daniel J. Chen
Supervisor	Chen Chia Yang
Supervisor	Cheng Li Lin
Chief Auditor	Ching Hsin Chen

As of April 12, 2005

Executive Officers:

Frank Hung	President
Debbie Lin	Senior EVP Small Enterprise Finance Dept., Consumer Banking Dept. & Car Loans Dept.
Bang Yi Huang	Senior EVP Corp. Banking Dept., International Banking Dept. & Offshore Banking Dept.
Mei Ching Yang	Senior EVP Human Resources Dept., Overdue Loan & Control Dept., General Services Office & Security Control Office
Hung Jen Huang	Senior EVP Treasury Dept. & Trust Dept.
Eugene Chang	Deputy Senior EVP Credit Card Business Dept. & Customer Services Dept.
Ching Tai Huang	Deputy Senior EVP Personal Real Estate & Wealth Management Dept., Account Office & Business Development Dept.
Chen Chi Shieh	EVP & Dept. General Manager International Banking Dept. & Offshore Banking Unit

As of April 1, 2005

Owned Subsidiaries: (% shares hold by Macoto Bank at the end of April 12, 2005)

100%	Macoto Life Insurance Agency Co., Ltd.
100%	Macoto Property Insurance Agency Co., Ltd.
49.70%	Macoto Marketing Consultant Co., Ltd.
100%	Macoto Finance (HK) Limited

Clerks and Staffs:

Number, average seniority and age of clerks recruited over the last two years.

Year	Number	Average Seniority	Average age
2003	2,625	4.79	34.18
2004	2,607	5.09	31.75

Staff Educational Level

Year	Post graduate	University	High School	Other
2003	2.33%	73.94%	22.40%	1.33%
2004	2.27%	73.49%	22.90%	1.34%

Result of Operations

Deposits/Loans

Deposits Business

Due to the continuation of the world economic recovery begun in 2003, Taiwan experienced a stable growing economy. This has led to a boost in the wealth effect, and consequently has increased the total balance deposit. At the end of 2004, the total deposits amounted to NT\$190,761 million, a sharp increase of NT\$ 20,746 million, or 12.20% increase compared to the end of previous year.

Looking forward to the year of 2005, it is expected that both Taiwan and the world economy will continue the trend of steady economic growth. It is predicted that the deposits business will continue its growth owing to the positive economic trend. In addition, in order to increase our operational revenues and improve our profitability, we will persist to explore our sources of fee income.



Deposits business for the past two years

Unit: NT\$ millions

	Items	2004	2003	Change	
				Amount	%
Demand deposit	Demand deposits	12,757	9,122	3,635	39.84
	Checking account deposits	2,848	2,432	416	17.10
	Savings-Demand deposits	44,843	39,826	5,017	12.59
	Subtotal	60,448	51,380	9,068	17.64
Time deposit	Time deposits	33,860	26,612	7,248	27.23
	Savings-Time Deposit	91,572	86,632	4,940	5.70
	Time deposits from Post Office	4,881	5,391	(510)	(9.46)
	Subtotal	130,313	118,635	11,678	9.84
Total Deposits		190,761	170,015	20,746	12.20

Loans Business

At the end of 2004, the bank's total outstanding loans amounted to NT\$ 135,734 million representing an increase of NT\$ 10,199 million, or 8.12% growth rate compared to the previous year. Among the increased amount, Personal and Consumer loans totaled NT\$6,221 million and corporate loans amounted to NT\$ 3,978 million compared with a year earlier.

Change of amount of loan business for the past two years

Unit: NT\$ millions

	2004	2003	Change	
	Amount	Amount	Amount	%
Secured loans	73,572	75,457	(1,885)	(2.49)
Unsecured loans	62,162	50,078	12,084	24.13
Total loans	135,734	125,535	10,199	8.12

Consumer Loans Business

In order to facilitate growing demands of the public, increase revenues and expand the scope of our services, we aggressively engaged in the consumer banking market since September of 1997. Aiming to rapidly increase our clients base by catering to the various different types of consumers, we commenced a range of products, such as "Small No-Collateral Loan", "Entrepreneurship Loan", "Credit Union Installment Loan", "Loan Replacement Project", "Government Employee Loan", "Correspondent Banking Employee Loan", "Small amount Credit Loan", "New Wed EZ Loan", "Easy Credit Loan", "Venture Capitalist Loan", "Consumer Products Installment Loan", "Auto Loan", and "Kintaro Cash Card" of revolving credit. Additionally, we also provide various loan packages for our premium customers, which include "Appreciation Plan", "Good Customer Plan", "Revolving Credit Union Loan Plan", "Internet Lottery for Kintaro cash card" and "Revolving Auto loan Plan" etc. to satisfy the diversity of customer needs.



Change of amount of consumer loans business for the past two years

Unit: NT\$ millions

	Small amount credit loans		Cash card		Auto loans	
	Credited	Year-end balance	Credited	Year-end balance	Credited	Year-end balance
	Amount		Amount		Amount	
2003	12,180	13,646	Note	2,441	4,374	4,218
2004	21,234	23,192	Note	2,221	5,330	5,228
Change	9,054	9,546		(220)	956	1,010

Note: Cash card is a revolving loan business.

Credit Cards Business

After the successful introduction of cartoon themed credit cards, we went forward to redesign “The Son of Taiwan Charity Card” in 2004. We also introduced the “Macoto Bank Cobras Card” after the Taiwanese baseball team, the “JAA Co-brand Card” and the “Miramar Entertainment Card”. Due to the extreme success of these promotional credit cards, by August 2004, the total active credit cards achieved the goal of one million.

With the aim to constantly encourage credit card usage and to consolidate consumer loyalty, over the year 2004, we one after the other launched marketing campaigns such as “Online Jackpot”, “Free-Gifts for cardholders”, “Zero Interest Tax payment paid by credit cards”, “2004 Yi Ran Festival”, “2004 Tainan County Hu Tou Bei Carnival”, “2004 Macoto Music Festival”, “Department Store Spending Rewards Plan” and a zero-interest installment and low-interest payment plans for our cardholders. These promotional campaigns have been successful and boosted our credit card usage significantly. In 2004, the annual amount of consumption was NT\$17.3 billions, an increase of 3.4 billions compare to previous year.



In the future, we will continue to devote our efforts to develop innovative marketing products in order to attract premium customers and enhance our credit card's competitiveness. Such efforts will also further consolidate customer loyalty and provide our cardholders with comprehensive services.

Credit cards business for 2004 & 2003

Unit: NT\$ thousand

Item/Year	2004	2003
Total issuance(s)	2,018,142	1,538,060
Aggregate credit amount	17,368,721	13,946,803
Total cash advance amount	3,543,912	2,616,514

Trust Business

In 2004, our “Designated purpose trust funds investing in domestic native securities” amounted to NT\$ 6,343 million; our “Designated purpose trust funds investing in foreign securities” amounted NT\$ 427 million. The foreign currency trust funds investments in foreign securities totaled NT\$1,537 million. The amount of underwriting totaled NT\$8,334,455 million. At the end of 2004, the size of Trustwell Grand Dollar Growth Fund, TLAM Harvest Bond Fund and UBS Dragon Fund under our custody totaled NT\$ 1,861 million. The following table provides the comparison amount between the years 2003 and 2004.

Trust business for 2004 & 2003		Unit: NT\$ millions		
Item/Year	2004	2003	Change	
Designated purpose trust funds investing in domestic native securities	6,343	6,029	314	
Designated purpose trust funds investing in foreign securities	427	300	127	
The Foreign currency trust funds investments in foreign securities	1,537	2,747	(1,210)	
Underwriting	8,334,455	7,384,516	949,939	
Total Funds under our custody	1,861	4,535	(2,674)	

International Banking Business

It is forecasted that the trend in the world economy will continue to grow, our bank has seized the opportunity of a favorable economic climate, and as a result, various departments of our foreign exchange business have grown. Comparisons of performance of each business in 2003 and 2004 are as follows:

In 2004, Import and export documentary volume reached US\$ 397 million, 72% more than the US\$ 166 million in 2003. The total amount of remittance business was up to US\$ 1,426 million, an increase of 276 million, a 24% growth rate compared with the 2003. Foreign currency deposits reached US\$ 98 million, an increase of 17 million, and or a growth rate of 20% from the previous year.

The past two years volume in foreign exchange

Unit: US\$

Year	Item	Volume / balance at the end of the year	Items of transactions
2003	Import	172,062,455	1,211
	Export	59,024,917	1,099
	Outward Remittance	541,366,437	18,907
	Inward Remittance	608,198,152	5,730
	Forward Exchange	163,436,628	138
	Guarantee	8,514,340	8
	Demand deposit	19,171,490	---
	Time deposit	62,229,187	---
	Loans	47,381,198	---
2004	Import	297,326,697	1,526
	Export	99,849,794	926
	Outward remittance	728,280,483	20,435
	Inward remittance	697,416,099	8,155
	Forward Exchange	10,610,252	11
	Guarantee	157,590	1
	Demand deposit	53,839,063	---
	Time deposit	44,247,756	---
	Loans	69,970,057	---

Other Financial Data

a. Capital Adequacy

(In NT\$ millions)	2004 Amount	2003 Amount
Capital		
Tier I	9,574	9,267
Tier II	5,322	5,161
Tier III	0	0
Ratio	%	%
Tier I	6.39	6.32
Tier II	3.55	3.52
Tier III	-	-
Deduction of long-term investment	(0.25)	(0.51)
Total Capital adequacy (BIS) ratio	9.69	9.33

b. Summary of Credit

Breakdown by Business Segment

(In NT\$ millions)	2004 Amount	2003 Amount
Corporate	53,388	49,381
Loans	49,558	46,453
Guarantees	1,481	1,672
Acceptances	244	417
L/C Issuance	2,105	839
Individual	104,548	96,190
Loans	86,176	79,082
Credit Card-Receiveable	18,372	17,108
Total Credit Exposures	157,936	145,571

The above Credit exposures exclude loan collection.

c. Corporate Credit Exposure

Distribution by Industry – Loans Breakdown by Business Segment

(In NT\$ millions)	2004		2003	
	Amount	%	Amount	%
Manufacturing	12,758	26	12,186	26
Construction	5,374	11	6,090	13
Foreign Trade, Wholesale Trade and Eating-drinking Places	8,165	16	6,192	13
Transportation, Storage and Communication	3,114	6	2,637	6
Securities and Futures	2,000	4	1,344	3
Real Estate	5,239	11	4,714	10
Business Services	6,879	14	5,763	13
Others	6,029	12	7,527	16
Total	49,558	100	46,453	100

Manufacturing Industry Breakdown – Loans Breakdown by Business Segment

(In NT\$ millions)	2004		2003	
	Amount	%	Amount	%
Food	391	3	534	4
Textile	1,818	14	1,885	16
Chemical	402	3	470	4
Plastic	866	7	817	7
Metal	2,134	17	1,364	11
Electrical & Electronics Machinery	3,944	31	3,327	27
Transport Equipment	3,114	24	2,231	18
Others	89	1	1,558	13
Total	12,758	100	12,186	100

d. Individual Credit Exposure

(In NT\$ millions)	2004		2003	
	Amount	%	Amount	%
Mortgage Loans	46,060	54	49,313	62
Short Term Secured Loans	2,032	2	2,028	3
Others	38,084	44	27,741	35
Total	86,176	100	79,082	100

e. Loans breakdown by Tenor

(In NT\$ millions)	2004		2003	
	Amount	%	Amount	%
1 year or less	35,295	26	37,352	30
Over 1 year to 7 years	51,844	38	40,546	32
Over 7 years	48,595	36	47,637	38
Total	135,734	100	125,535	100

f. Summary of Overdue Credits

(In NT\$ millions)	2004	2003
	Amount	Amount
Total Overdue Credits	4,769	5,415
NPL Ratio (%)	3.51%	4.31%
Bad Debt Reserve – ❖ Loans	1,411	1,646
❖ Guarantee Contingent Liabilities	15	34
❖ Credit Card Receivable	635	270
❖ Other Receivable	81	66
Total Bad Debt Reserve	2,142	2,016

Overdue credits, according to MOF's definition, include (1) principal past due more than 3 months, and (2) interest past due more than 6 months, if principal payment is not past due, etc.

g. Summary of Deposits

(In NT\$ million)	2004		2003	
	Amount	%	Amount	%
Checking Account Deposits	2,848	1.5	2,432	1.4
Demand Deposits	11,039	5.8	8,471	5.0
Foreign Currency Demand Deposit	1,718	0.9	651	0.4
Saving-Demand Deposits	44,843	23.5	39,826	23.4
Subtotal	60,448	31.7	51,380	30.2
Time Deposits	32,448	17.0	24,498	14.4
Foreign Currency Time Deposit	1,412	0.7	2,114	1.3
Saving-Time Deposits	96,453	50.6	92,023	54.1
Subtotal	130,313	68.3	118,635	69.8
Total Deposits	190,761	100.0	170,015	100.0

At the end of 2004, time deposits were 68.3% of total deposits.

h. Quasi Liquid Assets			Security Investments		
As of December 31			As of December 31		
(In NT\$ millions)	2004	2003	(In NT\$ millions)	2004	2003
Cash and cash equivalents	2,922	3,382	Commercial Papers	-	-
Inter-bank Assets	21,073	19,613	Treasury Bill	-	-
Security Investments	7,691	6,717	Government Bonds	2,197	1,809
			Corporate Bonds	1,876	1,518
			Convertible Bonds	775	436
			Listed Stocks	713	1,175
			Bond Purchased Under Resale	678	100
			Agreements		
			Financial Debenture	850	317
			Mutual Funds	5	939
			Beneficiary Securities	750	164
			Negotiable Certificates of Deposit	1	10
			Overseas marketable securities	57	249
			Less Allowance for devaluation	(211)	-
Total	31,686	29,712	Total	7,691	6,717
Quasi Liquid Ratio	13.93%	13.76%			

i. Summary of Income and Expenses

(In NT\$ millions)	2004		2003	
	Amount	%	Amount	%
Interest Income	9,444	--	8,638	--
Interest Expense	2,770	--	2,828	--
Net Interest Income	6,674	119	5,810	119
Provision for Loan Losses	3,011	54	2,550	52
Net Interest Income After Provision for Loan Losses	3,663	65	3,260	67
Fee Income (Net)	1,230	22	873	18
Capital Gain on Stocks Trading (Net)	154	3	724	14
Other Operating Income	545	10	40	1
Operating Income	5,592	100	4,897	100
Operating and Administrative Expenses	4,750	85	4,082	83
Operating Profit	842	15	815	17
Non-operating Income (Net)	(609)	(11)	(586)	(12)
Net Profit Before Income Tax	233	4	229	5
Provision for Income Tax	(27)	(1)	(46)	(1)
Net Profit	206	3	183	4

Financial Ratios

Items	2004	2003
Financial Structure:		
Debt to assets ratio (%)	95.19	95.03
Deposit to equity ratio (%)	1,746.79	1,586.19
Fixed assets to equity ratio (%)	91.66	86.24
Debt-Paying Ability:		
Current ratio (%)	N/A	N/A
Liquidity ratio (%)	11.53	12.65
Operational Capability:		
Loans to deposits ratio (%)	71.15	73.83
NPL ratio (%)	3.51	4.31
Total assets turnover (%)	5.30	5.44
Average operating income per employee (in TWD 1,000)	4,511	4,016
Average after-tax profit per employee (in TWD 1,000)	79	70
Profitability:		
Return on total assets (%)	0.11	0.12
Return on equity (%)	2.16	2.15
Profit margin (%)	1.75	1.73
Earnings per share	0.29	0.26
Cash Flows:		
Cash flow ratio (%)	-	-
Cash flow adequacy ratio (%)	23.17	67.85
Cash flow reinvestment ratio (%)	-	-

Note:

- * Return on Assets: Income before tax / Average assets
- * Return on Equity: Income before tax / Average net worth

Financial Report

Financial Statements for the Years Ended December 31, 2004 and 2003 and Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors and the Stockholders of Macoto Bank:

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

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

As described in Note 12 to the financial statements, the Bank incurred loss on disposal of non-performing loans amounted to NT\$5,000,521 thousand dollars for the year ended December 31, 2002. The Bank deferred and amortizes the loss over five years according to the "Law Governing Merger of Financial Institutions" which is not in conformity with generally accepted accounting principles in the Republic of China. The unamortized part is accounted as other assets - deferred loss. If the loss on disposal of non-performing loans is not deferred, the carrying value of deferred loss as of December 31, 2004 and 2003 should be reduced by NT\$2,000,209 thousand dollars and NT\$3,000,313 thousand dollars and retained earnings should be decreased by NT\$2,000,209 thousand dollars and NT\$3,000,313 thousand dollars, respectively.

In our opinion, based on our audits, except for the deferred loss on disposal of non-performing loans which is not in conformity with generally accepted accounting principles as described in the third paragraph, the financial statements present fairly, in all material respects, the financial position of Macoto Bank at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with Guidelines Governing the Preparation of Financial Reports by Public Bank (effective on January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Securities Issuers (effective in 2003) and accounting principles generally accepted in the Republic of China.



January 29, 2005

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

Balance Sheets

DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

ASSETS	2004	2003
Cash and cash equivalents (Note 3)	\$ 2,921,562	\$ 3,381,574
Due from Central Bank of China and banks (Notes 4)	21,072,894	19,613,004
Short-term investments, net (Notes 2, 5 and 26)	7,691,091	6,716,686
Receivables, net (Notes 2, 6, 7, 24, 25, and 28)	19,571,793	18,532,451
Prepayments	241,543	210,238
Loans, net (Notes 2, 7, 25, and 28)	134,325,745	123,889,365
Long-term investments	20,229,192	21,307,692
Long-term investment - equity method (Notes 2, 8 and 35)	187,845	511,891
Long-term investment - cost method (Notes 2, 8 and 35)	486,652	536,060
Long-term investment in bonds (Notes 2, 8 and 26)	19,554,695	20,076,799
Other long-term investments (Notes 2 and 8)	-	182,942
Property and equipment, net (Notes 2, 9, 25 and 27)	10,009,920	9,244,223
Intangible asset - goodwill (Notes 2 and 10)	1,347,362	1,451,618
Other assets (Notes 2, 12 and 24)	10,092,164	11,539,568
TOTAL ASSETS	\$ 227,503,266	\$ 215,886,419
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Bonds sold under repurchase agreements (Notes 2, 13 and 25)	\$ 1,257,025	\$ 6,133,581
Due to Central Bank of China and banks (Note 14)	6,196,062	11,798,715
Payables (Notes 2 and 15)	2,934,504	3,314,333
Advances received	536,529	435,628
Customer deposits (Notes 16 and 25)	190,768,661	170,024,799
Financial debenture (Note 17)	14,514,300	13,214,300
Other liabilities (Notes 2, 11 and 18)	375,097	245,984
Total liabilities	\$ 216,582,178	\$ 205,167,340
STOCKHOLDERS' EQUITY:		
Common stock (Note 19)	7,090,398	7,090,398
Capital reserve (Note 20):		
Premium on capital stock	2,682,834	2,682,834
Other capital reserve	5,449	5,449
Retained earnings (Note 21):		
Legal reserve	282,120	227,308
Special reserve	658,278	530,385
Accumulated earnings	206,210	182,705
Other adjustments on stockholders' equity		
Cumulative translation adjustments (Note 2)	(4,201)	-
Total stockholders' equity	10,921,088	10,719,079
COMMITMENTS AND CONTINGENCIES (Notes 2, 27 and 29)		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 227,503,266	\$ 215,886,419

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

Statements of Income

YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004	2003
OPERATING REVENUES (Note 2):		
Interest income (Note 25)	\$ 9,443,800	\$ 8,638,459
Service fees (Note 25)	1,618,489	1,138,992
Gain on sale of short-term investments (Note 2)	153,495	723,564
Other operating income (Notes 2 and 8)	544,922	40,453
Total operating revenues	11,760,706	10,541,468
OPERATING COSTS AND EXPENSES:		
Interest expenses (Note 25)	2,769,763	2,827,684
Service charges	388,009	266,582
Provision for reserve accounts (Notes 2 and 7)	3,010,731	2,549,940
Other operating costs (Notes 2)	10,502	-
Operating expenses (Notes 10, 11, 22 and 27)	4,739,576	4,082,518
Total operating costs and expenses	10,918,581	9,726,724
INCOME FROM OPERATIONS	842,125	814,744
NON-OPERATING INCOME	426,262	458,304
NON-OPERATING EXPENSES (Note 23)	1,035,142	1,044,306
INCOME BEFORE INCOME TAX	233,245	228,742
PROVISION FOR INCOME TAX (Notes 2 and 24)	(27,035)	(46,037)
NET INCOME	\$ 206,210	\$ 182,705
BASIC EARNINGS PER SHARE - Before income tax (Note 19)	\$0.33	\$0.32
BASIC EARNINGS PER SHARE - After income tax (Note 19)	\$0.29	\$0.26

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

Statements of Changes In Stockholders' Equity

YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Reserve	Retained Earnings			Accumulated Earnings	Cumulative	
			Legal Reserve	Special Reserve	Transaction Adjustments		Total	
BALANCE, JANUARY 1, 2003	\$ 7,090,398	\$ 2,686,503	\$ 178,043	\$ -	\$ 579,650	\$ -	\$ 10,534,594	
Appropriations and distributions:								
Legal reserve (Note 21)	-	-	49,265	-	(49,265)	-	-	
Accumulated earnings transferred to special reserve for loss on sale of non-performing loans not fully- amortized (Note 21)	-	-	-	530,385	(530,385)	-	-	
Adjustment due to change of ownership interest on equity- method investees (Note 20)	-	1,780	-	-	-	-	1,780	
Net income for 2003	-	-	-	-	182,705	-	182,705	
BALANCE, DECEMBER 31, 2003	7,090,398	2,688,283	277,308	530,385	182,705	-	10,719,079	
Appropriations and distributions:								
Legal reserve (Note 21)	-	-	54,812	-	(54,812)	-	-	
Accumulated earnings transferred to special reserve for loss on sale of non-performing loans not fully- amortized (Note 21)	-	-	-	127,893	(127,893)	-	-	
Cumulative translation adjustments (Note 2)	-	-	-	-	-	(4,201)	(4,201)	
Net income for 2004	-	-	-	-	206,210	-	206,210	
BALANCE, DECEMBER 31, 2004	\$ 7,090,398	\$ 2,688,283	\$ 282,120	\$ 658,278	\$ 206,210	\$ (4,201)	\$ 10,921,088	

See notes to financial statements.

Statements of Cash Flows

YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 206,210	\$ 182,705
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation	323,199	314,658
Amortization	163,657	138,501
Amortization of loss on disposal of non-performing loans	1,000,104	1,000,104
Provision for doubtful accounts and loan losses	2,673,249	2,549,940
Devaluation (value recovery) of short-term investment	211,405	(732,290)
Provision of reserve for default and trading losses	5,806	-
Provision for devaluation of pledged properties taken-over	140,000	-
Reversion of reserve for guarantee	(19,729)	-
Amortization of premium on long-term investments	64,113	66,479
Cash dividend from equity method long-term investment	23,149	18,787
Gain on disposal of long-term investments	(264,774)	-
Equity in gains of equity method investees	(106,651)	(3,580)
(Gain) loss on sale and disposal of property and equipment and pledged properties taken-over	(9,904)	37,737
Net changes in operating assets and liabilities		
Receivables	(1,418,224)	(8,565,600)
Prepayments	(31,305)	(30,724)
Deferred tax asset	(22,011)	42,605
Payables	(379,829)	388,581
Advances received	100,901	19,278
Accrued pension liabilities	6,763	(6,464)
Net cash provided by (used in) operating activities	2,666,129	(4,579,283)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in due from Central Bank of China and banks	(1,459,890)	1,659,347
Increase in short-term investments	(1,185,810)	(3,900,279)
Increase in loans	(10,201,710)	(21,262,946)
Write-offs of doubtful accounts and loan losses	(2,529,037)	(1,842,873)
Increase in long-term investments	(67,938)	(407,640)
Proceeds from disposal of long-term investments	785,467	-
Decrease (increase) in long-term bond investments	640,933	(8,018,043)
Purchase of property and equipment	(1,159,530)	(804,891)
Proceeds from sale of property and equipment	14,975	6,622
Decrease (increase) in refundable deposits	1,062,520	(3,893,494)
Increase in pledged properties taken-over	(1,090,391)	(1,285,153)
Disposal of pledged properties taken-over	411,231	197,948
Increase in deferred charges	(47,887)	(98,516)
Proceeds from disposal of non-performing loans	-	918,400
Net cash used in investing activities	(14,827,067)	(38,731,518)

(Continued)

Statements of Cash Flows

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (decrease) in bonds sold under repurchase agreements	\$ (4,876,556)	\$ 6,111,497
(Decrease) increase in due to Central Bank of China and banks	(5,602,653)	7,172,841
Increase in customer deposits	20,743,862	21,548,869
Increase in security deposits received	133,393	9,533
Increase in financial debenture	1,300,000	8,700,000
Appropriated loan fund	2,880	20,790
Net cash provided by financing activities	11,700,926	43,563,530
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(460,012)	252,729
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,381,574	3,128,845
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,921,562	\$ 3,381,574
 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year		
Interest	\$ 2,776,665	\$ 2,865,190
Income tax	\$ 149,944	\$ 65,870
 SUPPLEMENTARY DISCLOSURES OF NONCASH INVESTMENT AND FINANCING ACTIVITIES:		
Transfer of property and equipment to deferred charges	\$ 181,241	\$ -
Transfer of pledged properties taken-over to property and equipment	\$ 133,159	\$ -
Transfer of short-term investments to long-term investment in bonds	\$ -	\$ 12,299,865
Proceeds from disposal of non-performing loans	\$ -	\$ 918,400
Less beginning balance of receivable on disposal of non-performing loans (listed under receivable, net)	\$ -	(918,400)
Loss on disposal of non-performing loans, deferred	\$ -	\$ -

(Concluded)

The accompanying notes are an integral part of the financial statements

Notes To Financial Statements

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

On September 23, 1996, the Third Credit Cooperative of Taipei, a credit union, was approved by the Taiwan Ministry of Finance to reorganize into a commercial bank named Macoto Bank (the "Bank"). The name was officially changed to Macoto Bank in January 2002. The Bank is engaged in providing general commercial banking services to customers. Also, the Bank is engaged in customer deposits, personal installment and term loans, bankers' acceptances, foreign exchange transactions, commercial lending, letters of credit, wire transfer services, government bonds, short-term bill and marketable equity security investments, issuing credit card, and engaging in the operations of trust business and custodian of trust funds, etc.

The Bank acquired all of the assets and assumed all of the liabilities of the Second Credit Cooperative of Hsinchu, the Eighth Credit Cooperative of Taichung, the Second Credit Cooperative of Chiayi and the Credit Cooperative of Gang Shang (credit unions) on January 5, 1997, January 1, 1998, August 31, 2001 and September 14, 2001, respectively. The acquisitions were approved by the Republic of China (ROC) Ministry of Finance.

As of December 31, 2004 and 2003, there are 2,607 and 2,625 employees, respectively, in the Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks (effective on January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Securities Issuers (effective in 2003) and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these guidelines and principles, the Bank is required to make certain estimates and assumptions that could affect the amounts of loans, discounts, bills purchased, accounts receivable, interest receivable, guarantees, pension, accrued litigation loss, deferred income tax, and warranty. Actual results could differ from these estimates. According to SFAS No.28 Disclosures in the Financial Statements of Banks, accounts included in the Bank's financial statements were not classified as current or noncurrent

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail. However, the accompanying financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau (SFB, formerly the "Securities and Futures Commission" before July 1, 2004) for their oversight purposes.

The Bank's significant accounting policies are summarized as follows:

Short-Term Investments

Short-term investments mainly consist of government bonds, corporate bonds, financial bonds, marketable equity securities, bonds purchased under resale agreements, convertible bond, convertible certificates of deposit, beneficiary securities and mutual funds. These short-term investments are recorded at their original cost at acquisition date. The equity securities, non-equity securities and mutual funds are treated as investment portfolios and are stated at the lower of aggregate cost or market as of the balance sheet dates. Market values for listed public company stocks are determined based on the average closing price of the last month of the current year. Market values for mutual funds are determined based on the net values per unit as of the balance sheet dates. Costs of the marketable securities sold are

determined using the moving average method. Stock dividends received are not recognized as income, instead are reflected as an increase in the number of shares held.

Under the Guidelines Governing the Preparation of Financial Reports by Public Banks, effective on January 1, 2004, the repurchase/ resale transactions are treated as financing, no longer treated as outright purchases and sales.

Allowances for Doubtful Accounts and Loan Losses and Reserve for Guarantee

Allowances provided for loans, discounts, bills purchased, accounts receivable, interest receivables and guarantees are determined based on management's evaluation of the collectibility of individual accounts, the borrowers'/clients' financial condition and payment history, past loss experience and other pertinent factors, in accordance with "Rules for Bank Assets Evaluation, Loss Reserve Provision, and Disposing of Overdue Loans, Delinquent Loans and Bad Debts" issued by the MOF. According to said rules, at a minimum, if the loans, discounts, bills purchased, accounts receivable, interest receivables and guarantees are deemed unrecoverable, they should be provided in full and losses should be recognized as an expense currently, and if the recovery possibility is deemed low, no less than 50% of the loan amount should be provided and the losses should also be recognized as an expense currently.

Accounts deemed uncollectible are written off with the approval of the Board of Directors.

Recognition of Revenues

Interest revenue on loans is recorded on the accrual basis. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on those loans/ credits is recognized upon collection. Under Ministry of Finance regulations, the interest revenue on credits for which agreements have been reached to extend their maturities is recognized upon collection.

Service fees are recorded as income upon receipt or substantial completion of activities involved in the earnings process.

Long-Term Investments

Long-term investments consist of beneficiary securities, non-listed stocks and government bonds. The stocks are recorded at cost, while bonds are stated at cost with any premium or discount amortized to interest income over the life of the bonds using the straight-line method.

Investments are accounted for by the equity method of accounting when the ownership interest of the Bank, or of the Bank and its subsidiary combined, is 20% or more; or when the Bank or its subsidiary can exercise significant influence. Investment in companies in which the Bank's ownership interest is less than 20% and over which the Bank is unable to exercise significant influence is accounted for by the cost method. The difference between the cost of investment and the net value of ownership interest is amortized over 5 years using the straight-line method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Major replacements and improvements are capitalized, while regular repairs and maintenance are expensed in the period incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Depreciation is continued for the remaining salvage value of the property, plant and equipment if such assets are still in operation after reaching their estimated useful lives. Any gain or loss resulting from sale of the assets is recorded to non-operating income or expense in the current year.

Goodwill

The excess of cost over the fair value of acquired identifiable assets, referred to as Goodwill, is amortized using the straight-line method over twenty years under the Statement of Financial Accounting Standards ("SFAS") No. 25, "The Purchase Method of Accounting for Business Consolidation," Paragraph 4, issued by the Accounting Research and Development Foundation of the ROC.

Pension Plan

The Bank has a pension plan (the "Plan") covering all eligible employees. According to the Plan, the retirement benefits are based on an employee's years of service and average compensation for the six-month period before retirement.

The Plan's fund is administered by a Pension Fund Administration Committee and is deposited with an authorized bank. The Bank recognizes the pension cost according to SFAS No. 18, "Accounting for Pension," issued by the Accounting Research and Development Foundation of the ROC.

The employee's retirement fund is not included in the financial statements.

Pledged Properties Taken-over

Pledged properties are recorded at estimated net present value at the date of acquisition, and are stated at lower of cost or net present value at December 31 of the respective years.

Deferred Charges

Deferred charges are stated at cost and amortized using the straight-line method. Deferred charges are included in other assets.

Deferred Loss

Deferred loss resulted from the disposal of non-performing loans to asset management company. According to the "Law Governing Merger of Financial Institution" and the File No. 091300051 issued by the Ministry of Finance, the deferred loss is amortized over 5 years.

Income Tax

Inter-period income tax allocation is applied, in which tax effects of loss carryforward, deductible temporary differences and income tax credits are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. A valuation allowance is provided for deferred income tax assets that are not certain to be realized.

According to the ROC SFAS No. 12, the Bank recognized the tax benefit from the tax credit earned at the year the expenditure arises from research and development and personnel training expenditure.

Under the Amended Income Tax Law of ROC, a 10% additional income tax is levied on distributable earnings earned in 1998 onward that remain undistributed in the following year. The 10% additional income tax is recognized in the year the shareholders held their meeting and decided to retain the earnings.

Adjustment of prior years' income tax is added to or deducted from current income tax expense in the year the adjustment is made.

Foreign Currency Transactions

The Bank records foreign currency transactions in the respective currencies in which these are denominated at rates when the transactions occur. Gains or losses, caused by different foreign exchange rates applied when foreign currency receivables and payables are settled, are credited to or charged against current income. Assets and liabilities denominated in foreign currencies are translated at the exchange rates at balance sheet date, and any resulting gains or losses are credited to or charged against current income.

Long-term equity investments denominated in foreign currencies are restated at the balance sheet date exchange rates. The related translation adjustments net of deferred tax assets (liabilities), are reported as "Cumulative Translation Adjustments", which is a separate component of stockholders' equity.

Commitments and Contingencies

The Bank estimates any contingent loss that meets two basic requirements:

- (a) Information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or that a liability has been incurred at the date of the financial statements.
- (b) The amount of the loss can be reasonably estimated.

If a loss is probable or estimable, but not both, or if there is at least a reasonable possibility that a liability may have been incurred, the nature of the contingency must be disclosed in a footnote, along with an estimate of the possible loss or the range of the possible loss if an estimate can be made.

Derivative Financial Instruments

The Bank is party to certain derivative transactions, including forward exchange contracts, currency swaps. These contracts are entered into for purposes of reducing the Bank's foreign exchange rate risks.

Forward Exchange Contracts

Forward exchange contracts ("forward contracts") engaged by the Bank pertains to an agreement to exchange different currencies at a specified future date and at a specified rate (the "forward rate").

The forward exchange contracts are for trading purpose. The gain or loss from the difference between the contracted forward rates and spot rates at settlement is credited or charged to current income. The gain or loss on these forward contracts is computed by multiplying the foreign currency amount of the forward contract by the difference between the forward rate available for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period). The gain or loss is recognized in income for the current period. No separate accounting recognition is given to the discount or premium on these forward contracts not qualified for hedge accounting.

Currency Swaps

Foreign-currency spot-position assets or liabilities on currency swap contracts are recorded at spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates. The difference between spot rate on the contract date and contracted forward rate is amortized by the straight-line method over the term of the contract and recorded as interest income or expense. On the balance sheet date, the receivable and payable contracts are netted out. Currency Swaps are used for nontrading purpose.

Interest Rate Swaps

Interest rate swaps ("IRSs"), which are used for nontrading purpose, involve no exchange of principal either at inception or upon 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. IRSs are recorded on the contract dates using memorandum entries. The net interest receivable/ payable upon each settlement is recorded as an adjustment to interest revenue/ expense associated with the items being hedged.

Asset Swaps

Asset swaps, which are used for nontrading purpose, are exchanged between the fixed interest rates of foreign currency convertible bonds and bills and the market floating interest rates. Asset swaps are recorded on the contract dates using memorandum entries. Asset swaps are to avoid the interest rate risk of foreign currency convertible bonds and bills, and therefore the net interest receivable/ payable upon each settlement is recorded as an adjustment to interest revenue/ expense associated with the items being hedged.

Non-Derivative Financial Instruments

The valuation of financial assets and liabilities and the recognition of profits or losses as a result of the valuation are based on the accounting policies previously mentioned and the GAAP of ROC.

Reclassifications

Certain 2003 accounts have been reclassified to conform to the 2004 financial statement presentation.

3. CASH AND CASH EQUIVALENTS

As of December 31, 2004 and 2003, cash consisted of the following:

	2004	2003
Cash	\$ 1,537,305	\$ 1,551,618
Notes and checks for clearing	810,616	1,290,514
Foreign currencies	126,246	139,873
Due from banks	447,395	399,569
Total	\$ 2,921,562	\$ 3,381,574

4. DUE FROM CENTRAL BANK OF CHINA AND BANKS

As of December 31, 2004 and 2003, due from Central Bank of China and banks consisted of the following:

	2004	2003
Negotiable certificate of deposit issued by Central Bank of China	\$ 12,115,170	\$ 12,821,170
Bank reserves - demand deposit, Central Bank of China	4,880,946	4,167,733
Bank reserves - checking account, Central Bank of China	2,672,715	2,414,749
Bank reserves - foreign currency	3,192	3,398
Deposits in Financial Information Exchange Center	201,664	53,053
Call loans to banks	1,199,207	152,901
Total	\$ 21,072,894	\$ 19,613,004

As prescribed by the ROC Banking Law, the Bank is required to maintain a bank reserve with the Central Bank of China for its outstanding demand deposits and checking accounts on a monthly basis. The bank reserves are determined based on the average amount of deposits in each month and legal bank reserve rate. The bank reserve for demand deposit cannot be withdrawn until the monthly adjustment on the bank reserve is made.

5. SHORT-TERM INVESTMENTS

As of December 31, 2004 and 2003, short-term investments consisted of the following:

	2004	2003
Government bonds	\$ 2,196,984	\$ 1,809,173
Financial debenture	849,764	316,597
Corporate bonds	1,875,680	1,518,663
Convertible bonds	775,228	435,968
Listed stocks	713,318	1,174,537
Bond purchased under resale agreements	678,416	100,000
Mutual funds	5,000	938,926
Beneficiary securities	749,660	163,998
Overseas marketable securities	57,450	248,776
Negotiable certificates of deposit	996	10,048
Subtotal	7,902,496	6,716,686
Less allowance for devaluation	(211,405)	-
Total	\$ 7,691,091	\$ 6,716,686

As of December 31, 2004 and 2003, bond purchased under resale agreements will be subsequently sold at \$678,926 thousand and \$100,019 thousand, respectively.

A portion of government bonds is pledged as a trust fund reserve as described in Note 26.

6. RECEIVABLES

As of December 31, 2004 and 2003, receivables consisted of the following:

	2004	2003
Notes receivable	\$ 10,819	\$ 5,499
Accounts receivable, net	17,971,520	16,942,892
Interests receivable	784,473	756,171
Other receivables, net	448,922	268,737
Accrued revenue	15,000	32,719
Customers' liabilities under acceptances	244,139	416,640
Income tax refundable	96,617	97,966
Forward exchange contracts receivable, net	303	11,827
Total	\$ 19,571,793	\$ 18,532,451

7. LOANS, NET (INCLUDING OVERDUE LOANS)

As of December 31, 2004 and 2003, loans consisted of the following:

	2004	2003
Secured loans due within one year and overdrafts	\$ 13,830,278	\$ 14,917,976
Secured loans due from one to seven years	11,952,078	11,416,341
Secured loans due more than seven years	44,006,836	44,193,191
Loans due within one year and overdrafts	16,526,146	15,738,425
Loans due from one to seven years	39,892,165	29,129,974
Loans due more than seven years	4,587,840	3,444,110
Export bill negotiated	264,954	53,426
Bills and notes discounted	2,921	6,856
Exchange bills negotiated	3,074	-
Delinquent loans	4,670,717	6,635,000
Subtotal	135,737,009	125,535,299
Less allowance for loan losses	(1,411,264)	(1,645,934)
Loans, net	\$ 134,325,745	\$ 123,889,365

Allowance for Loan Losses and Accounts Receivable

Allowance for loan losses and accounts receivable at December 31, 2004 and 2003 consisted of the following:

	2004		
	Unrecovery Risk for Particular Loans	Unrecovery Risk for Overall Loan Portfolio (Excluding the Particular Loans)	Total
Balance, January 1, 2004	\$ 1,370,521	\$ 612,221	\$ 1,982,742
Provision for loan losses and doubtful receivable	2,653,245	20,004	2,673,249
Write offs	(2,529,037)	-	(2,529,037)
Balance, December 31, 2004	\$ 1,494,729	\$ 632,225	\$ 2,126,954

	2003		
	Unrecovery Risk for Particular Loans	Unrecovery Risk for Overall Loan Portfolio (Excluding the Particular Loans)	Total
Balance, January 1, 2003	\$ 949,734	\$ 325,941	\$ 1,275,675
Provision for loan losses and doubtful receivable	2,263,660	286,280	2,549,940
Write offs	(1,842,873)	-	(1,842,873)
Balance, December 31, 2003	\$ 1,370,521	\$ 612,221	\$ 1,982,742

8. LONG-TERM INVESTMENTS

As of December 31, 2004 and 2003, long-term investments consisted of the following:

	2004	2003
Long-term bond investments	\$ 19,554,695	\$ 20,076,799
Long-term equity investments	674,497	1,047,951
Other long-term investments	-	182,942
Total	\$ 20,229,192	\$ 21,307,692

Portion of long-term bond investments is sold under repurchase agreements and pledged as refundable deposits and as a collateral of financial debenture as described in Note 26.

The Bank is approved by authority to establish Macoto Finance (HK) Limited in Hong Kong in June, 2004. The capital of Macoto Finance (HK) Limited is HKD 15,600 thousand.

Amortization of the excess of cost of the long-term equity investment under equity method over net identifiable assets, recorded as goodwill, for the years ended December 31, 2004 and 2003 and their balances as of those dates are summarized as follows:

2004				
Investee	Cost Excess of the Investment	Current Period Amortization	Accumulated Amortization	Unamortized Balance
Macoto Security Co., Ltd.	\$ 49,301	\$ 24,100	\$ 49,301	\$ -

2003				
Investee	Cost Excess of the Investment	Current Period Amortization	Accumulated Amortization	Unamortized Balance
Macoto Security Co., Ltd.	\$ 49,301	\$ 9,860	\$ 25,201	\$ 24,100

The shareholders of Macoto Security Co., Ltd. approved to process the liquidation of Macoto Security Co., Ltd on December 22, 2003. The Board of Directors approved March 26, 2004 as the liquidation date.

The Bank's equity in earnings of equity method investees for the years ended December 31, 2004 and 2003 is summarized as follows:

2004			
Investee	Net Earnings	Average Ownership Percentage	Equity in Earnings
Macoto Life Insurance Agency Co., Ltd.	\$ 73,071	100.00%	\$ 73,071
Macoto Property Insurance Agency Co., Ltd.	4,023	100.00%	4,023
Macoto Marketing Consultant Co., Ltd.	63,092	49.70%	31,357
Macoto Finance (HK) Limited	(1,800)	100.00%	(1,800)
Total			\$ 106,651

2003			
Investee	Net Earnings	Average Ownership Percentage	Equity in Earnings
Macoto Life Insurance Agency Co., Ltd.	\$ 24,056	100.00%	\$ 24,056
Macoto Property Insurance Agency Co., Ltd.	1,929	100.00%	1,929
Macoto Marketing Consultant Co., Ltd.	(6,438)	77.54%	(4,992)
Macoto Security Co., Ltd.	(7,783)	97.04%	(7,553)
Total			\$ 13,440

According to Guidelines Governing the Preparation of Financial Reports by Public Banks, the net earnings of Macoto Property Insurance Agency Co., Ltd., an equity method investee, is not necessary to be certified by Certified Public Accountants.

Macoto Life Insurance Agency Co., Ltd., Macoto Property Insurance Agency Co., Ltd., Macoto Marketing Consultant Co., Ltd. and Macoto Security Co., Ltd. are incorporated as subsidiaries of the Bank but were not consolidated because they do not qualify for consolidation. As permitted under SFAS No. 7, "Accounting for Consolidated Financial Statements," and other related laws, financial statements of majority-owned subsidiaries (50% or more) are not consolidated with those of the parent company when (a) both the total assets and total sales of the subsidiaries individually are less than 10% of those of the parent company, and when (b) both the accumulated total assets and the accumulated total sales of the subsidiaries collectively are less than 30% of those of the parent company.

9. PROPERTY AND EQUIPMENT

As of December 31, 2004 and 2003, property and equipment consisted of the following:

2004			
Investee	Cost	Accumulated Depreciation	Carrying Value
Land	\$ 6,214,538	\$ -	\$ 6,214,538
Buildings	1,926,043	401,747	1,524,296
Computer equipment	756,117	401,999	354,118
Transportation facilities and vehicles	33,102	20,779	12,323
Miscellaneous equipment	959,275	482,944	476,331
Advance payment on construction in-process and equipment	1,428,314	-	1,428,314
Total	\$ 11,317,389	\$ 1,307,469	\$ 10,009,920

2003			
Investee	Cost	Accumulated Depreciation	Carrying Value
Land	\$ 5,922,439	\$ -	\$ 5,922,439
Buildings	1,888,934	360,776	1,528,158
Computer equipment	628,660	373,090	255,570
Transportation facilities and vehicles	32,862	16,493	16,369
Miscellaneous equipment	1,035,338	445,444	589,894
Advance payment on construction in-process	931,793	-	931,793
Total	\$ 10,440,026	\$ 1,195,803	\$ 9,244,223

As of December 31, 2004 and 2003, the insurance coverage on fixed assets and pledged properties taken-over (see Note 12) amounted to \$4,901,112 thousand and \$4,613,901 thousand, respectively.

10. GOODWILL

The goodwill which resulted from the acquisition was determined in accordance with SFAS No. 25, "Business Combination - Accounting Treatment under Purchase Method". The goodwill is amortized using the straight-line method over 20 years. As of December 31, 2004 and 2003, the balances of goodwill are calculated as follows:

	2004	2003
Original amount	\$ 2,082,113	\$ 2,082,113
Less accumulated amortization	(734,751)	(630,495)
Total	\$ 1,347,362	\$ 1,451,618

For the years ended December 31, 2004 and 2003, the goodwill amortization expenses of \$104,256 and \$104,255 are included in operating expenses.

11. PENSION PLAN

In accordance with SFAS No. 18, "Accounting for Pensions", the Bank recognizes the pension cost. The details of related pension cost are summarized as follows:

	2004	2003
Service cost - benefits earned during the period	\$ 55,321	\$ 48,637
Interest cost on projected benefit obligation	17,663	17,704
Estimated return on plan assets	(13,807)	(14,542)
Amortization of unrecognized transition obligation, net	2,254	2,254
Amortization of unrecognized pension loss	1,134	-
Net periodic pension cost	\$ 62,565	\$ 54,053

The following table sets forth the Plan's funded status and the amounts recognized in the accompanying balance sheets at December 31, 2004 and 2003:

	2004	2003
Actuarial present value of benefit obligation:		
Vested benefits	\$ 68,751	\$ 55,890
Nonvested benefits	321,656	302,212
Accumulated benefit obligation	390,407	358,102
Effect of projected future salary increases	202,163	189,289
Projected benefit obligation	592,570	547,391
Pension assets at fair value	(455,071)	(400,871)
Projected benefit obligation in excess of plan assets	137,499	146,520
Unrecognized net obligations at transition	(32,975)	(35,229)
Unrecognized pension loss	(65,024)	(78,554)
Accrued pension cost recognized in the balance sheet (included in other liabilities)	\$ 39,500	\$ 32,737
Vested benefits - undiscounted	\$ 87,716	\$ 70,624

Relevant rates used in determining the actuarial present value of the projected benefit obligation as of December 31, 2004 and 2003 are as follows:

	2004	2003
Weighted-average discount rate	3.25%	3.25%
Assumed rate of increase in future compensation levels	3.00%	3.00%
Expected long-term rate of return on plan assets	3.25%	3.25%

Changes in fair values of pension fund for the years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Balances as of January 1	\$ 400,871	\$ 362,736
Pension funded	55,802	60,517
Pension paid	(6,867)	(28,430)
Accrual interest	5,265	6,048
Balance as of December 31	\$ 455,071	\$ 400,871

12. OTHER ASSETS

As of December 31, 2004 and 2003, other assets consisted of the following:

	2004	2003
Pledged properties taken-over (see Note 9)	\$ 3,405,986	\$ 2,982,504
Deferred tax asset (see Note 25)	116,840	94,829
Refundable deposits	4,285,390	5,347,910
Deferred charges	283,739	114,012
Deferred loss, net of amortization	2,000,209	3,000,313
Total	\$ 10,092,164	\$ 11,539,568

The Bank incurred loss on disposal of non-performing loans amounted to \$5,000,521 thousand for the year ended December 31, 2002. The Bank deferred and amortizes the loss over five years according to the "Law Governing Merger of Financial Institutions". As of December 31, 2004, the unamortized part amounted to about \$2,000,209 thousand is accounted as other assets - deferred loss.

13. BONDS SOLD UNDER REPURCHASE AGREEMENTS

As of December 31, 2004 and 2003, bonds sold under repurchase agreements have interest rates ranging from 0.95%~2.078% and 0.725% to 1.90%, respectively. The future repurchasing commitment of such repurchase agreements as of December 31, 2004 and 2003 are \$1,258,054 thousand and \$6,140,193 thousand, respectively.

14. DUE TO CENTRAL BANK OF CHINA AND BANKS

As of December 31, 2004 and 2003, due to Central Bank of China and banks consisted of the following:

	2004	2003
Due to Central Bank of China	\$ 12,962	\$ 10,336
Due to banks	819,898	-
Over draft on banks	6,507	-
Call loan from banks	5,356,695	11,788,379
	\$ 6,196,062	\$ 11,798,715

15. PAYABLES

As of December 31, 2004 and 2003, payables consisted of the following:

	2004	2003
Notes and checks in clearing	\$ 810,616	\$ 1,290,514
Interest payable	603,374	610,276
Accrued expenses	548,816	358,100
Accounts payable	261,263	205,297
Bankers' acceptances	244,139	416,641
Other payables	466,296	433,505
Total	\$ 2,934,504	\$ 3,314,333

16. CUSTOMER DEPOSITS

As of December 31, 2004 and 2003, deposits consisted of the following:

	2004	2003
Savings account deposits	\$ 136,414,710	\$ 126,458,257
Time deposits	18,313,751	19,724,142
Negotiable certificates of deposit	15,546,400	6,887,500
Demand deposits	12,756,722	9,121,744
Time deposits from post office	4,881,424	5,390,826
Checking account deposits	2,847,965	2,432,203
Remittances outstanding	7,689	10,127
Total	\$ 190,768,661	\$ 170,024,799

17. FINANCIAL DEBENTURE

	2004	2003
First financial debenture	\$ 10,000,000	\$ 8,700,000
Secondary financial debenture	4,514,300	4,514,300
Total	\$ 14,514,300	\$ 13,214,300

The Bank issued first secondary financial debenture and second secondary financial debenture on November 26, 2001 and November 30, 2001, respectively, totaling \$4,514,300 thousand, which was approved by the Ministry of Finance, ruling reference No. 0900006000 issued by the Ministry of Finance on October 25, 2001. Details of the financial debenture issuance are summarized as follows:

- (a) Total approved principal: \$10,000,000 thousand
- (b) Principal issued: \$4,514,300 thousand
- (c) Denomination: \$100 thousand, \$1,000 thousand, \$5,000 thousand, and \$10,000 thousand, issued at par
- (d) Period: 10 years, mature on November 26, 2011 and November 30, 2011, respectively. However, the Bank has the option to call redemption of the financial debenture after five years from the issuance date.
- (e) Nominal interest rate: 4.00%, per annum. If the Bank doesn't redeem the financial debenture at its option after five years from the issuance date, the nominal interest rate becomes 4.50%, per annum.
- (f) Repayment: The financial debenture will be paid on the maturity date, except for the Banks' option of redemption.
- (g) The interest will be paid semi-annually from the issuance date.

The Bank issued from first to sixth first financial debenture of 2003 on November 25, 2003, December 3, 2003, December 5, 2003, December 8, 2003, December 10, 2003 and December 16, 2003, respectively, totaling \$8,700,000 thousand, and issued first and second first financial debenture of 2004 on February 4, 2004 and February 16, 2004, respectively, totaling \$1,300,000 thousand. Those issuances of financial debenture were approved by the Ministry of Finance, ruling reference No. 0920032691 issued by the Ministry of Finance on July 14, 2003. Details of the financial debenture issuance are summarized as follows:

- (a) Total approved principal: \$10,000,000 thousand
- (b) Principal issued: \$10,000,000 thousand
- (c) Denomination: \$10,000 thousand, issued at par
- (d) Period: 5 years, mature on November 25, 2008, December 3, 2008, December 5, 2008, December 8, 2008, December 10, 2008 and December 16, 2008, February 4, 2009 and February 16, 2009, respectively.
- (e) Nominal interest rate: Fixed or floating interest rate.
- (f) Repayment: The financial debenture will be paid on the maturity date.
- (g) The interest will be paid as follows:
 - (i) Paid seasonally from the issuance date: A, B, C, D and F items of fifth first financial debenture of 2003.
 - (ii) Paid semi-annually from the issuance date: First, third, fourth, sixth first financial debenture and E item of fifth first financial debenture of 2003 and first and second first financial debenture of 2004.
 - (iii) Paid annually from the issuance date: Second first financial debenture of 2003.

18. OTHER LIABILITIES

As of December 31, 2004 and 2003, other liabilities consisted of the following:

	2004	2003
Reserve for land revaluation	\$ 50,476	\$ 50,476
Appropriated loan fund	82,170	79,290
Reserve for default and trading losses	5,806	-
Security deposits received	182,466	49,073
Reserve for guarantee	14,679	34,408
Accrued pension cost (See Note 11)	39,500	32,737
Total	\$ 375,097	\$ 245,984

Macoto Bank being one of the banks that lend to the Taipei International Financial Building Co., Ltd. was provided by the government with a funding reported as appropriated loan fund.

19. COMMON STOCK / EARNINGS (LOSS) PER SHARE

As of December 31, 2004, the Bank has authorized and issued common stocks totaling \$7,090,398, divided into 709,039,800 common shares at \$10 par value per share.

Earnings per share is calculated based on the weighted average number of shares outstanding and net income for the year ended. For the years ended December 31, 2004 and 2003, the Bank's weighted average number of shares outstanding both were 709,039,800.

Earnings per share for the years ended December 31, 2004 and 2003, are calculated as follows:

	2004	2003
Income before income tax	\$ 233,245	\$ 228,742
Net income	206,210	182,705
Weighted average number of shares outstanding	709,039,800	709,039,800
Basic earnings per share - before income tax	\$0.33	\$0.32
Basic earnings per share - after income tax	\$0.29	\$0.26

20. CAPITAL RESERVE

As of December 31, 2004 and 2003, capital reserve consisted of the following:

	2004	2003
Paid-in capital in excess of par value	\$ 2,682,834	\$ 2,682,834
Long-term investments	1,780	1,780
Other capital reserve	3,669	3,669
Total	\$ 2,688,283	\$ 2,688,283

Additional paid-in capital and long-term investments were appropriated according to accounting principles generally accepted in the Republic of China and ROC Company Law.

Such capital reserve can be transferred to common stock or offset losses, but is prohibited from being used to distribute cash dividends in accordance with the ROC Company Law.

According to Securities and Exchange Law and other related laws, the capital reserves of the premiums on shares issued above their par value and earnings from gifts received can be transferred to capital. However, the amount that is transferred from capital reserve to capital shall not be more than 10% of issued common stock.

The capitalization of the premiums on shares issued above their par value shall be made in the next year after the competent authority's approval.

21. RETAINED EARNINGS

According to the Bank's Articles of Incorporation, 30% of the Bank's annual net income, after paying taxes and offsetting prior years' deficits, if any, should be appropriated to legal reserve. Bonuses to employees and directors & supervisors not exceeding 3% and 1.5% of the remaining balance, respectively, are appropriated after the Board of Directors considers the earnings of the current year. The appropriation of the remaining balance thereafter will be proposed by the Board of Directors and approved by the stockholders.

The dividend policy of Articles of Incorporation is amended and approved by the Bank's stockholders on their May 27, 2003 meeting. The amended content is as follows:

30% of the Bank's annual net income, after paying taxes and offsetting prior year's deficits, if any, should be appropriated to legal reserve. Bonuses to employees and directors & supervisors not less than 1% and not exceeding 1.5% of the remaining balance, respectively, are appropriated after the Board of Directors considers the earnings of the current year. The appropriation of the remaining balance thereafter will be proposed by the Board of Directors and approved by the stockholders.

According to the ROC Bank Law, the Bank should appropriate 30% of its annual net income as legal reserve. The maximum cash dividends may not exceed 15% of the amount of capital until such reserve equals the amount of capital.

According to the ROC Company Law, a company should appropriate its annual net income as legal reserve until such reserve equals the amount of capital.

In accordance with File No. 0910017055 issued by the Ministry of Finance on April 30, 2002 and the Securities and Exchange Law, after the appropriation for legal reserve, retained earnings should be appropriated to special reserve for the amount of unamortized loss on disposal of non-performing loans.

The proposal for distribution of 2003 earnings was approved by the stockholders in their meeting to appropriate legal reserve of \$54,812 thousand and special reserve of \$127,893 thousand and did not distribute any bonus to employees, directors and supervisors.

The proposal for distribution of 2004 earnings was not yet passed as of the date of the independent auditors' report. The result of the proposal will be shown on the Market Observation Post System of the Taiwan Stock Exchange Corporation.

22. EMPLOYEE'S EXPENSES, DEPRECIATION AND AMORTIZATION

Summary of employee's expenses, depreciation and amortization at December 31, 2004 and 2003 is as follows:

	2004	2003
Employee's expense:		
Salaries	\$ 1,574,714	\$ 1,455,416
Labor and health insurance	10,478	104,717
Pension expense	62,565	54,053
Other employee's expense	106,234	87,270
Total	\$ 1,853,991	\$ 1,701,456
Depreciation	\$ 323,199	\$ 314,658
Amortization	\$ 163,657	\$ 138,501

23. NON-OPERATING EXPENSES AND LOSSES

As of December 31, 2004 and 2003, non-operating expenses and losses consisted of the following:

	2004	2003
Loss on disposal of non-performing loans	\$ 1,000,104	\$ 1,000,104
Loss on sale of assets	26,561	43,603
Others	8,477	599
	\$ 1,035,142	\$ 1,044,306

The Bank incurred loss on disposal of non-performing loans amounted to \$5,000,521 thousand for the year ended December 31, 2002. The Bank deferred and amortizes the loss over five years according to the "Law Governing Merger of Financial Institutions". As of December 31, 2004, the unamortized part amounted to about \$2,000,209 thousand is accounted as other assets - deferred loss. Additional information is described in Note 12.

24. INCOME TAX

The income tax expense for the years ended December 31, 2004 and 2003 and income tax refundable as of those dates were determined as follows:

	2004	2003
Income before income tax	\$ 233,245	\$ 228,742
Adjustments:		
Nontaxable gain on sale of marketable securities	(84,922)	-
Nontaxable loss on sale of marketable securities	-	120,516
Nontaxable gain of cash dividend	(30,325)	(24,528)
Unrealized investment income	(106,651)	(3,580)
Gain on disposal of long-term investments	(264,774)	-
Interest income separately taxed	(17,427)	(28,007)
Unrealized market devaluation (value recovery) of short-term investments	211,405	(732,290)
Excess of doubtful accounts and loan losses	9,425	468,100
Adjustments of allowance guarantee reserve according to the Income Tax Law	(7,022)	(1,290)
Unrealized market devaluation of pledged properties taken-over	140,000	-
Nontaxable income of OBU	(249,193)	(307,459)
Others	71,118	34,898
Taxable income	-	-
Effective tax rate	-	-
Current income tax expense	-	-
10% additional income tax	53,558	4,781
Investment tax credit to be credited against income tax	(1,082)	(3,638)
Decrease (increase) in deferred tax asset, net	(22,011)	42,605
Tax paid for interest income on the commercial paper obligations separately taxed	851	2,174
Prior year's tax adjustment	(4,281)	115
Income tax expense	27,035	46,037
(Decrease) increase in deferred tax asset, net	22,011	(42,605)
Tax paid for interest income on the commercial paper obligations separately taxed	(851)	(2,174)
Prior year's tax adjustment	4,281	(115)
Prepayments	(149,093)	(63,696)
Income tax refundable (included in Receivables, net)	\$ (96,617)	\$ (62,553)

As of December 31, 2004 and 2003, deferred tax asset consisted of the following:

	2004	2003
Temporary difference:		
Excess of allowance for doubtful accounts	\$ 568,314	\$ 613,635
Excess of guarantee reserve	-	7,022
Unrealized market devaluation of pledged properties taken-over	140,000	-
Unrealized foreign exchange loss	8,322	9,294
Others	(166,800)	2,245
Loss carryforward	591,011	771,654
Subtotal	1,140,847	1,403,850
Income tax rate	25%	25%
Subtotal	285,212	350,963
Less valuation allowance for deferred tax asset	(168,372)	(256,134)
Net deferred tax asset	\$ 116,840	\$ 94,829

According to the tax credit regulations, training fees can be credited against income tax. As of December 31, 2004, the outstanding deductible detail is as follows:

	2004		
	Deductible Amount	Amount Uncredited	Expiry Year for the Tax Credit
Personnel training fees	\$ 1,082	\$ -	Year 2008

According to the law of income tax, the losses could be carried forward 5 years to deduct from income. As of December 31, 2004, the details of the Bank's losses for past years are as follows:

	2004		
	Declared Amount of Losses	Deductible Amount	Expiry Year for the Carried Losses
Loss after income tax	\$ 354,714	\$ 354,714	Year 2005
Loss after income tax	183,932	183,932	Year 2008
Loss after income tax	52,365	52,365	Year 2009
	\$ 591,011	\$ 591,011	

The information according to the revisions in the Income Tax Law is disclosed as follows:

	2004	2003
The balance of imputed credit account	\$ 56,198	\$ 14,395
The imputed credit rate	27.25%	9.90%
Unappropriated earnings:		
1997 and before	\$ -	\$ -
1998 and after	206,210	182,705
Total	\$ 206,210	\$ 182,705

As of December 31, 2004, the Bank's income tax returns through 2001 had been assessed and approved by the tax authority. Although the Bank's 2001 income tax return had been assessed, the tax paid for interest earned on government bonds, corporate bonds, financial debenture, bonds purchased under resale agreements, and convertible corporate bonds amounting to \$281 thousand was not allowed for deduction and the amortization amount of goodwill, arising from acquisition of Credit Cooperatives, amounting \$92,956 thousand was not recognizable. The Bank didn't agree with the assessed result and filed the reassessment and Taipei National Tax Administration, Ministry of Finance ratified to deduct the tax paid for interest earned on government bonds, corporate bonds, financial debenture, bonds purchased under resale agreements, and convertible corporate bonds amounting to \$183 thousand. The Bank still didn't agree with the result and will have litigation with the authority.

25. RELATED PARTY TRANSACTIONS

Name	Relationships
Wei-Chuan Food Corp.	The spouse of the Bank's former general manager (retired on August 31, 2003) is one of Wei-Chuan's directors.
Miramar City Development Inc.	The same director
Mayfull Enterprise Co., Ltd.	The supervisor is one of the Bank's directors
Formosa Feather Mills Ltd.	The chairman is one of the Bank's directors
Jia Xin Real Estate Development Co., Ltd.	The chairman is one of the Bank's directors
Jie Chang Limited	The chairman (retired in March, 2004) is one relative of the Bank's director.
Jing De Rong Co., Ltd.	The director is the spouse of the Bank's director.
Macoto Life Insurance Agency Co., Ltd.	Investee under equity method
Mocoto Property Insurance Agency Co., Ltd.	Investee under equity method
Macoto Security Co., Ltd. (Liquidated in 2004)	Investee under equity method
Macoto Marketing Consultant Co., Ltd.	Investee under equity method
Macoto Finance (HK) Limited	Investee under equity method
Huang Lung Tu	One relative of the Bank's director.
Huang Ming Ren	One of the Bank's directors.

In the ordinary course of business, the Bank has entered into several transactions with related parties. Major related party transactions and the resulting balances at December 31, 2004 and 2003 and for the years then ended are summarized as follows:

Loans / Deposits / Guarantees / Assets under Trust / Notes Issued under Repurchase Agreement

2004				
Items	Ending Balance	% of Account Balance	Interest Rate/ Premium Rate (%)	Interest Income (Expense)/ Service Fees (Charge)
Loans:	\$ 4,526,738	3.37	0~19.954	\$ 94,236
Deposits:	\$ 3,513,524	1.84	0~9.75	\$ (101,366)
Assets/Liability under trust	\$ 146,464	1.94	0.03~3.00	\$ 862

2003				
Items	Ending Balance	% of Account Balance	Interest Rate/ Premium Rate (%)	Interest Income (Expense)/ Service Fees (Charge)
Loans:	\$ 3,675,436	2.96	1.675~20.00	\$ 137,343
Deposits:	\$ 2,681,801	1.58	0~9.75	\$ (95,146)
Assets/Liability under trust	\$ 358,218	4.68	0.011~3.00	\$ 1,207
Bonds Sold under repurchase agreement (face value)	\$ 8,000	-	1.15~1.30	\$ (6)

The transaction terms with related parties do not significantly differ from those of ordinary customers except for the 9.75% interest rate on the Bank's employee deposits.

Receivables

	2004		2003	
	Ending Balance	% of Account Balance	Ending Balance	% of Account Balance
Macoto Life Insurance Agency Co., Ltd.	\$ 22,500	0.11	\$ 16,000	0.09
Macoto Finance (HK) Limited	\$ 2,744	0.01	-	-

Asset Transaction

On November 11, 2004, the Bank bought real estate from Jia Xin Real Estate Development Co., Ltd. about \$83,640 thousand for office building. As of December 31, 2004, the aforesaid purchase amount had been fully paid.

Services Fee

	2004		2003	
	Amount	% of Account Balance	Amount	% of Account Balance
Macoto Life Insurance Agency Co., Ltd.	\$ 22,500	1.39	\$ 18,021	1.58

The Bank doesn't charge unrelated parties services fee.

26. PLEDGED ASSETS

As of December 31, 2004 and 2003, certain assets were pledged as collaterals, details are summarized as follows:

	2004	2003
Long-term government bond investments (face value)	\$ 7,384,600	\$ 5,614,000
Government bonds purchased (face value)	1,053,000	697,300
Total	\$ 8,437,600	\$ 6,311,300

27. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies arising from agent and trust business were summarized as follows:

	2004	2003
Travelers' checks for sale	\$ 72,869	\$ 117,188
Bills for collection	16,452,365	13,427,603
Custody of marketable securities	1,861,823	4,535,923
Trust assets (mutual funds)	7,547,499	7,651,442

According to Article 17 of the implementation rules of Trust Law, the Bank should disclose its balance sheet of trust account and its asset items, which were as follows:

Trust Account Balance Sheet
December 31, 2004 and 2003
(In Thousand of New Taiwan Dollars)

Trust Asset	2004		2003		Trust Liability	2004		2003	
Cash in banks	\$	1,805	\$	-	Trust liability	\$	7,547,499	\$	7,651,442
Short-term investments		7,542,752		7,651,442					
Long-term investments		2,942		-					
Total	\$	7,547,499	\$	7,651,442	Total	\$	7,547,499	\$	7,651,442

The summary of trust asset is as follows:

	2004	2003
Special purpose trust account - overseas mutual funds	\$ 972,767	\$ 3,123,204
Special purpose trust account - domestic mutual funds	3,642,156	4,528,238
Special purpose trust account - overseas marketable securities	2,928,279	-
Other	4,297	-
Total	\$ 7,547,499	\$ 7,651,442

Leases

As of December 31, 2004, the Bank's leases for office space expire by December 2022. In addition to rental deposits of \$1,167,471 thousand, which is included in refundable deposits, the Bank paid rental expense totaling \$206,872 thousand for the year ended December 31, 2004. The rental expense is included in operating expenses. As of December 31, 2004, the Bank's operating lease commitments for its offices were as follows:

Year	Amount
2005	\$ 160,174
2006	214,667
2007	87,258
2008	19,275
2009	7,198
2010 and thereafter and present value exceeding five years	31,161
Total	\$ 519,733

As of December 31, 2004, the Bank's commitments on purchase of equipment amounted to \$910,000 thousand.

28. FINANCIAL INSTRUMENTS

Derivatives Financial Instruments

As of December 31, 2004 and 2003, the derivative contracts are summarized as follows:

		2004			
Financial Instruments	Contract Amount	Credit Risk	Maturity Date	Fair Value	
Foreign exchange contract:					
Forward exchange contract	(Buy) USD	12,408	\$ 716	January 3, 2005~ January 6, 2005	\$ (1,095)
	NTD	384,605			
	(Sell) USD	12,000			
	NTD	385,080			
	EUR	14			
Currency swaps	(Buy) USD	4,711	866	January 4, 2005~ January 7, 2005	838
	EUR	750			
	JPY	269,449			
	NZD	1,350			
	GBP	500			
	AUD	800			

2004					
Financial Instruments	Contract Amount	Credit Risk	Maturity Date	Fair Value	
	NTD	63,752			
	(Sell) USD	8,144			
	EUR	300			
	GBP	500			
	JPY	77,828			
	NTD	95,798			
Interest rate swaps	NTD	9,600,000	\$ 39,326	November 25, 2008~ February 16, 2009	(105,572)
Asset swaps	NTD	210,000	-	October 27, 2005~ October 16, 2006	
	USD	1,500			-
2003					
Financial Instruments	Contract Amount	Credit Risk	Maturity Date	Fair Value	
Foreign exchange contract:					
Forward exchange contract	(Buy) USD	55,494	\$ 48,557	January 15, 2004~ March 17, 2004	\$ 44,285
	EUR	14,000			
	NTD	513,375			
	(Sell) USD	31,448			
	NTD	1,691,022			
	EUR	2,000			
	JPY	322,490			
Currency swaps	(Buy) USD	42,594	51,163	January 2, 2004~ July 21, 2004	(37,489)
	EUR	11,000			
	JPY	1,731,490			
	NZD	450			
	NTD	1,312,182			
	(Sell) USD	60,408			
	EUR	23,930			
	GBP	100			
	JPY	1,796,655			
	HKD	1,163			
	NTD	170,294			
Interest swaps	NTD	7,000,000	35	November 25, 2008~ December 16, 2008	54,035
Asset swaps	NTD	215,000	1	June 19, 2005~ October 27, 2005	-

The credit risk are the contracts with positive fair value. Positive fair value means the possible loss the Bank will incur if the counter-parties default the contracts. The main trading counter-parties with foregoing contracts are creditworthy financial institutions and before proceeding to those transactions the clients should get their credit lines and the amount of transactions should be within the amount of their respective credit lines.

Market Value Risk

Because the bank's derivatives were designated as hedging instruments, the gain or loss derived from the fluctuation of exchange rate would be offset by the loss or gain on the hedged item attributable to the risk being hedged and thus, the market risk is insignificant.

Liquidity Risk and Cash Flow Risk

Since the bank's derivatives were designated as hedging instruments, the cash inflows or outflows arising from those transactions would be offset by the outflows or inflows on the hedged item attributable to the risk being hedged and therefore, there is no extra cash needed and the risk of cash flow is not high. The possibility of selling those derivative contracts to the market is very small, so the risk of cash flow is not considered.

Purpose

The Bank's forward exchange contracts are mainly for accommodating customers' needs and to hedge the risk derived from it. To avoid the risk arising from the fluctuation of foreign exchange rate, the Bank entered into forward exchange contract. The nontrading use interest rate swaps and asset swaps are to hedge the risk derived from the fluctuation of interest rate of financial debentures and domestic bonds issued by the Bank.

Financial Statement Presentation

The receivables and payables arising from foreign exchange contracts are presented in the balance sheets as a net asset or liability. Gains or losses, caused by different exchange rates and interest rates at balance sheet date or at the time when these contracts are settled, are credited or charged to foreign exchange gain and interest revenue respectively.

Fair Values of Financial Instruments

As of December 31, 2004 and 2003, fair values of financial instruments consisted of the following:

Non-Derivative Financial Instrument	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	\$ 2,921,562	\$ 2,921,562	\$ 3,381,574	\$ 3,381,574
Due from Central Bank of China and banks	21,072,894	21,072,894	19,613,004	19,613,004
Short-term investments, net	7,691,091	7,691,091	6,716,686	6,913,078
Receivables, net	19,571,490	19,571,490	18,525,655	18,525,655
Loans, net	134,325,745	134,325,745	123,889,365	123,889,365
Long-term investments	20,229,192	20,537,796	21,307,692	21,355,240
Other financial assets	3,117,919	3,117,919	4,254,393	4,254,393
Financial liabilities:				
Bonds sold under repurchase agreements	1,257,025	1,257,025	6,133,581	6,133,581
Due to banks	6,196,062	6,196,062	11,798,715	11,798,715
Payables	2,934,504	2,934,504	3,314,333	3,314,333
Customer deposits	190,768,661	190,768,661	170,024,799	170,024,799
Financial debenture	14,514,300	14,514,300	13,214,300	13,214,300
Other liabilities - appropriated loan funds	82,170	82,170	79,290	79,290
Derivative Financial Instrument				
Non-transaction - based:				
Forward foreign currency contract	(1,095)	(1,095)	44,285	44,285
Currency swaps	838	838	(37,489)	(37,489)
Interest rate swaps	-	(105,572)	-	54,035
Asset swaps	-	-	-	-

Fair values were determined as follows:

- (a) The carrying amounts of cash, due from Central Bank of China and banks, receivables, bonds sold under repurchase agreements, due to Central Bank of China and banks and payables approximate fair value because of the short-term maturity of these instruments.
- (b) Securities, short-term investments and long-term investments are measured based on quoted market prices for these instruments. If the securities do not have market prices, fair value is measured based on financial or other information.
- (c) Carrying values of loans, overdue loans, customer deposits, financial debenture, and appropriated loan funds approximate fair values, present values of the future cash outflows.
- (d) Fair values of other financial assets and liabilities are measured based on financial or other information.
- (e) Fair values of derivative financial instruments are determined by the amounts payable or receivable generally including the unrealized gains or losses of unsettled contract, if the Bank terminated the contract on the balance sheet date. Market value for most derivative financial instruments is determined by using the financial institution's quotation.

29. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments and credit card transactions with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loans and standby letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying balance sheet.

Most of the loan periods are within seven years to twenty years with interest rates ranging from 0% to 19.954%. The maximum credit card interest rate is 17.00%. The Bank also deals with financing guarantees and letters of credit guarantees; most agreements of such guarantees are due within one hundred eighty days to one year. The due dates vary.

As of December 31, 2004 and 2003, the financial instruments with off-balance-sheet risk consisted of the following:

	2004	2003
Approved credit limits of credit card	\$ 90,474,802	\$ 81,790,069
Guarantees (transaction amount)	1,481,373	1,672,055
Standby letters of credit written (transaction amount)	2,104,926	839,497

The Bank's exposure to credit loss in the event of nonperformance by the other parties of obligation related to financial instruments and credit card transactions, if the collateral related to these transactions have been totally devalued, will be no more than the transaction amounts.

All of the credit lines and guarantees are approved after a strict credit assessment. Certain clients were requested to provide collateral. The average collateral ratio was 54%. The collateral ratios of financing guarantees and letters of credit guarantees ranged from 0% to 100% with an average rate of 33%. The collateral for loans, financing guarantees and letters of credit guarantees were cash, inventories, securities and other assets. If the client defaults, the Bank will execute its rights on the collateral in accordance with the contract.

There is no collateral related to credit card transactions. However, the Bank assesses its clients' credit status periodically. Credit lines will be adjusted for particular clients when necessary.

30. SIGNIFICANT FOCUSED CREDIT RISK

When the other parties to the financial instruments consist of a single individual, or a concentration of entities with similar commercial activities, they may have similar abilities to fulfil their credit obligations. The Bank does not have such situation.

As of December 31, 2004 and 2003, the Bank's credit exposure related to loans was classified as follows:

	2004	2003
Domestic		
Private enterprises	\$ 43,637,501	\$ 39,823,107
Natural persons	83,411,574	75,086,358
Government institutions	2,000,000	2,000,000

The collateral policy has been described in Note 29. If the counter-parties of the Bank default, the Bank will suffer losses no more than the transaction amount.

31. INTEREST BEARING ASSETS AND INTEREST BEARING LIABILITIES AND THE AVERAGE INTEREST RATE

As of December 31, 2004 and 2003, the interest bearing assets, the interest bearing liabilities and the average interest rates are summarized as follows:

	2004		2003	
	Average Amount	Average Interest Rate (%)	Average Amount	Average Interest Rate (%)
Assets:				
Due from banks	\$ 4,981,059	1.26	\$ 1,512,432	0.99
Due from Central Bank of China (excluding bank reserves - checking account and deposits in Financial Information Exchange Center)	18,846,614	1.33	16,441,252	1.72
Investments (excluding listed stocks and mutual funds but including long-term investment in bonds and other long-term investments)	28,006,036	2.34	19,150,888	3.21
Loans	130,260,476	4.54	125,452,846	4.73
Liabilities:				
Bonds sold under repurchase agreements	8,821,841	0.92	8,680,315	1.03
Due to banks	8,206,134	1.38	6,569,515	1.22
Customer deposits	180,117,686	1.16	156,242,130	1.57
Financial debenture	14,367,174	3.38	5,071,719	3.56
Appropriated loan fund	80,832	1.51	71,368	1.61

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of assets and liabilities of the Bank is based on the remaining period which is from balance sheet date to maturity date. The remaining period to maturity is based on maturity dates specified under agreements, and, if there are no specified maturity dates, on the expected dates of collection.

As of December 31, 2004 and 2003, the maturity analysis of material assets and liabilities are summarized as follows:

2004				
	Within 1 Year	1~7 Years	Over 7 Years	Total
Assets:				
Cash and cash equivalents	\$ 2,921,562	\$ -	\$ -	\$ 2,921,562
Due from Central Bank of China and banks	21,072,894	-	-	21,072,894
Short-term investments, net	7,691,091	-	-	7,691,091
Receivables, net	19,571,793	-	-	19,571,793
Loans, net	30,504,506	51,682,058	52,139,181	134,325,745
Long-term bond investments	4,854,109	1,835,387	12,865,199	19,554,695
Total	\$ 86,615,955	\$ 53,517,445	\$ 65,004,380	\$ 205,137,780

Liabilities:				
Bonds sold under repurchase agreements	\$ 1,257,025	\$ -	\$ -	\$ 1,257,025
Due to Central Bank of China and banks	6,196,062	-	-	6,196,062
Payables	2,934,504	-	-	2,934,504
Customer deposits	180,381,661	10,387,000	-	190,768,661
Financial debenture	-	14,514,300	-	14,514,300
Appropriated loan fund	-	-	82,170	82,170
Total	\$ 190,769,252	\$ 24,901,300	\$ 82,170	\$ 215,752,722

2003				
	Within 1 Year	1~7 Years	Over 7 Years	Total
Assets:				
Cash and cash equivalents	\$ 3,381,574	\$ -	\$ -	\$ 3,381,574
Due from Central Bank of China and banks	17,962,834	1,650,170	-	19,613,004
Short-term investments, net	6,716,686	-	-	6,716,686
Receivables, net	18,532,451	-	-	18,532,451
Loans, net	30,593,816	40,384,130	52,911,419	123,889,365
Long-term bond investments	1,034,183	5,592,288	13,450,328	20,076,799
Other long-term investments	-	182,942	-	182,942
Total	\$ 78,221,544	\$ 47,809,530	\$ 66,361,747	\$ 192,392,821

Liabilities:				
Bonds sold under repurchase agreements	\$ 6,133,581	\$ -	\$ -	\$ 6,133,581
Due to Central Bank of China and banks	11,798,715	-	-	11,798,715
Payables	3,314,333	-	-	3,314,333
Customer deposits	152,767,941	17,256,858	-	170,024,799
Financial debenture	-	8,700,000	4,514,300	13,214,300
Appropriated loan fund	-	-	79,290	79,290
Total	\$ 174,014,570	\$ 25,956,858	\$ 4,593,590	\$ 204,565,018

33. OTHER FINANCIAL INSTITUTION DISCLOSURES

Main Financial Affairs and Business

Capital Adequacy

	December 31	
	2004	2003
1. Tier I Capital	\$ 9,573,726	\$ 9,267,461
2. Tier II Capital	5,321,509	5,160,930
3. Tier III Capital	-	-
4. Deduction items	374,497	747,951
Capital (1+2+3+4)	14,520,738	13,680,440
Risk weighted assets	149,822,227	146,574,934
Capital adequacy ratio	9.69%	9.33%
Liability to net assets ratio	1,983.16%	1,914.04%

Note: Capital adequacy ratio = Capital ÷ Risk weighted assets

Asset Quality

	December 31	
	2004	2003
Over due loans (including delinquent loans)	\$ 4,768,899	\$ 5,414,990
Delinquent loans ratio	4,670,717	6,635,000
Overdue loans ratio	3.51%	4.31%
Surveillance loans	1,017,224	2,567,821
Surveillance loan ratio	0.75%	2.05%
Allowance for loans and delinquent loans	1,411,264	1,645,934
Bad debt written off	2,529,037	1,842,873

Note a: Overdue loans do not include loans allowed to be excluded, which were stipulated by BOMA.

Note b: Overdue loans ratio = Overdue loans (including delinquent loans) ÷ (Loans+Delinquent loans)

Note c: Surveillance loans include (i) the long-term installment loans, overdue more than three months but less than six months, (ii) the principal of other loans overdue less than three months but interests of such loans overdue more than three months but less than six months, (iii) delinquent loans allowed to be excluded from overdue loans, which were stipulated by BOMA.

Prominent Aggregation of Credit Risk

If financial instruments are traded with single customer or with several ones engaged in similar business activities and with similar economic attributes, which may impact such customers' ability to comply with the applicable agreements similarly, prominent aggregation of credit risk may occur. Macoto Bank does not trade with single customer, but trade with individuals of similar geographic locations and industrial types.

Macoto Bank's contract amounts with prominent aggregate attributes of credit risk are as follows:

	December 31	
	2004	2003
Loans to parties with common interests	\$ 4,526,738	\$ 3,675,436
Ratio to total loans	3.41%	3.04%
Stock pledged ratio	1.89%	1.89%

	December 31			
	2004		2003	
	Industry	%	Industry	%
Approved credit	Private enterprise	62.81	Private enterprise	62.06
centralization (Top 3)	Manufacturing	8.77	Manufacturing	8.94
	Wholesale and retailing	5.52	Construction	4.75

Note a: Loans include bills purchased, loans, discounted, acceptances and guarantees.

Note b: Ratio to Total loans = The loans to parties with common interest ÷ Total loans.

Note c: Stock pledged ratio = The loans secured by stock ÷ Total loans.

Note d: Loans to parties with common interests is defined by the Bank Law.

Note e: The disclosure of approved credit centralization is according to "Analysis Sheet of Object and Use of Loans" which is reported to Central Bank of China.

Policy of Allowance for Loans, Delinquent Loans and Loss of Investment

Please see note 2 referring to accounting policies of short-term investments and allowances for doubtful accounts and loan losses and reserve for guarantee.

Special Recorded Items

	Reason and Amount
The person in charge or employee who violated the law in the course of business operations and was sued by the public prosecutor in the recent year.	None
People who violated the bank law and was fined in the recent year.	None
The deficiency that was rectified by Ministry of Finance in the recent year.	None
The actual loss amounted to more than \$50,000 thousand in the recent year as a result of major employee fraud or workplace accidents not in compliance with financial institutions' guidelines on workplace security.	None
Others	None

Profitability

	December 31	
	2004	2003
Return on total assets (Note a)	0.11%	0.12%
Return on net worth (Note b)	2.16%	2.15%
Profit margin (Note c)	1.75%	1.73%

Note a: Return on total assets = $\frac{\text{Income before tax}}{\text{Average assets}}$

b: Return on net worth = $\frac{\text{Income before tax}}{\text{Average net worth}}$

c: Profit margin = $\frac{\text{Net income}}{\text{Operating revenue}}$

d: Profitability is calculated on annual basis

Analysis of due dates of assets and liabilities

	December 31, 2004					
	Amount Due					
	Total	0~30 Days	31~90 Days	91~180 Days	181 Days~ 1 Year	More Than 1 Year
Asset	\$ 219,660,000	\$ 29,889,000	\$ 21,716,000	\$ 12,365,000	\$ 25,026,000	\$ 130,664,000
Liability	253,876,000	37,575,000	33,024,000	35,923,000	97,572,000	49,782,000
Gap	(34,216,000)	(7,686,000)	(11,308,000)	(23,558,000)	(72,546,000)	80,882,000
Accumulated gap	(34,216,000)	(7,686,000)	(18,994,000)	(42,552,000)	(115,098,000)	(34,216,000)

Note: The amounts listed above include accounts in NT dollars only (excluding foreign currency) for both head office and domestic branches.

Market Risk Sensitivity

	December 31	
	2004	2003
Ratio of interest sensitive assets to liabilities	31.17%	38.67%
Ratio of interest sensitive gap to net assets	(239.03%)	(315.08%)

Note a: Ratio of interest sensitive assets to interest sensitive liabilities = $\frac{\text{Interest sensitive assets}}{\text{Interest sensitive liabilities}}$

(Assets and liabilities will be due within one year)

Note b: Interest sensitive gap = Interest sensitive assets - Interest sensitive liabilities

Main Foreign Currency Position

(Foreign currency in thousands, NT dollars in thousands)

	December 31					
	2004		2003			
	Original Currency	New Taiwan Dollars	Original Currency	New Taiwan Dollars		
The main foreign currency net position	USD	14,236	\$ 454,383	USD	18,504	\$ 628,716
(market risk)	JPY	734,904	228,415	HKD	1,529	6,693
	EUR	3,861	168,000	GBP	51	3,096
	AUD	393	9,785	EUR	56	2,402
	CHF	271	7,641	JPY	6,804	2,163

Loans to Parties with Common Interests

Item	Number of Customers	Ending Balance	Evaluation of Loss Possibility
Personal loans (Note a)	726	74,750	-
Employees' mortgage loans	271	505,967	-
Other loans to parties with common interests (Note b)	355	3,946,021	-
Loans with guarantors being parties with common interests	28	1,542,844	-
Loans with collateral providers being parties with common interests	626	4,451,988	-

Note a: Personal loan is defined by the Banking Law.

Note b: Personal loans and employees' mortgage loans are not included.

Note c: Parties with common interest is defined by the Bank Law.

34. CAPITAL ADEQUACY RATIO

The Banking Law and related regulations require that the Bank to maintain a capital adequacy ratio (CAR) of at least 8%. Thus, if the Bank's CAR falls below 8%, the MOF may impose certain restrictions on the level of the cash dividends that the Bank may declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends. As of December 31, 2004 and 2003, the Bank's stand-alone CARs were 9.69% and 9.33%, respectively.

35. INFORMATION RELATED TO SIGNIFICANT TRANSACTIONS

The related information of significant transactions is as follows:

No.	Item	Explanation
1	Accumulated Purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	Appendix I
3	Disposal of fixed assets over NT\$300 million or 10% outstanding capital for the year ended December 31, 2004	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital	None
6	Sale of NPL over NT\$5 billion	None
7	Other significant transactions which may affect decisions of the users of the financial statement	None

The related information of Macoto Bank's investees:

No.	Item	Explanation
1	Related information of investees' names, locations, etc	Appendix II
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2004	Appendix III (Note a)
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	None (Note b)
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	None (Note b)
8	Receivable from related parties over NT\$300 million or 10% of outstanding capital	None (Note b)
9	Derivative instrument	None (Note b)
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL over NT\$5 billion	None
12	Other significant transactions which may affect decisions of the users of the financial statement	None

Note a: Not applicable or not required for disclosure if the investee is a financial institution, insurance company, or security company.

Note b: Not applicable or not required for disclosure if the total assets or operating revenue of the investee is less than 10% of that of the Bank, respectively.

36. SEGMENT INFORMATION

The Bank engages only in banking activities as prescribed by the Banking Law. No single customer and overseas units account for at least 10% of the Bank's operating revenue or total assets. Thus, no customer and geographical information is required to be disclosed.

Appendix I Real estate purchases reaching \$300 million or 10% and more of the Bank's capital:

(In Thousands of New Taiwan Dollars)

Buyer	Name of Real Estate	Transaction Day	Transaction Amount	Payment Situation	Transaction Counterpart	Relationship	Former Transfer Information with Related Parties				Basis of the Price	Purpose of Purchase and Situation	Other Negotiated Item
							Owner	Relationship with the Issuer	Transfer Day	Amount			
The Bank	Acceptance on collateral	2004.12.08	341,680	341,680	Miaoli local court.	-	-	-	-	-	The transfer price on court's real estate right	For sale	-

Appendix II Related information of investees' names, locations, etc.

(In Thousands of New Taiwan Dollars, Except for Number of Shares)

Investor	Investees' Names	Investee's Location	Operating Item	Original Invested Amount		December 31, 2004			Investee's Year 2004 Income	Investee's Year 2004 Gain/Loss Recognition	Note
				End of Year 2004	End of Year 2003	Shares	Percentage (%)	Book Value			
The Bank	Macoto Life Insurance Agency Co., Ltd.	Taipei	Life insurance agency	2,060	2,060	200,000	100.00	80,709	73,071	73,071	Subsidiary
	Macoto Property Insurance Agency Co., Ltd.	Taipei	Property insurance agency	2,060	2,060	200,000	100.00	7,666	4,023	4,023	Subsidiary
	Macoto Marketing Consultant Co., Ltd.	Taipei	Marketing and consultant	9,940	9,940	994,000	49.70	37,533	63,092	31,357	Subsidiary
	Macoto Finance (HK) Limited	Hong Kong	Offshore Banking	67,938	-	-	100.00	61,937	(1,800)	(1,800)	Subsidiary
Macoto Life Insurance Agency Co., Ltd.	Macoto Marketing Consultant Co., Ltd.	Taipei	Marketing and consultant	10,000	10,000	1,000,000	50.00	38,926	63,092	31,196	Subsidiary of the subsidiary

Appendix III Investees' marketable securities held at December 31, 2004:

(In Thousands of New Taiwan Dollars, Except for Number of Shares)

Holding Company	Category and Name of the Security	Relationship	Recording Entry	End of Year 2004			Fair Market Value	Note
				Shares	Cost	%		
Macoto Life Insurance Agency Co., Ltd.	DJ Auto Components Co., Ltd.	-	Long-term investments	3,043,784	36,000	7.16	36,000	
	Macoto Marketing Consultant Co., Ltd.	-	Long-term investments	1,000,000	38,926	50.00	38,926	
	ProMos Technologies Inc.	-	Short-term investments	500,000	6,600	-	6,600	
	Advances Semiconductor Engineering Inc.	-	Short-term investments	528,700	12,456	-	12,456	
Macoto Property Insurance Agency Co., Ltd.	Advances Semiconductor Engineering Inc.	-	Short-term investments	105,740	2,491	-	2,491	
Macoto Marketing Consultant Co., Ltd.	Chi Mei Optoelectronics Co., Ltd.		Short-term investments	500,000	20,740	-	20,740	

* * * * *

Head Office and Branches

BRANCH NAME	ADDRESS	TEL	FAX
Head Office	134, Hsi Chang St., Taipei, Taiwan, R.O.C.	886-2-23812160	886-2-23880828
International Banking Dept.	5F, No.99, Sec.1, Hsin Sheng South Rd., Taipei, Taiwan, R.O.C.	886-2-87710666	886-2-87710566
Offshore Banking Unit	5F, No.99, Sec. 1, Hsin Sheng South Road, Taipei, Taiwan, R.O.C.	886-2-87710666	886-2-87710566
Business Department	134, His Chang St., Taipei, Taiwan, R.O.C.	886-2-23812160	886-2-23614695
Tung Taipei Branch	1, Sec. 5, Nanjing E. Road, Taipei, Taiwan, R.O.C.	886-2-27685966	886-2-27680788
Lung Shan Branch	207, Kang Ting Rd., Taipei, Taiwan, R.O.C.	886-2-23023531	886-2-23025052
Hsi Yuan Branch	147, Sec. 2, Hsi Yuan Rd., Taipei, Taiwan, R.O.C.	886-2-23061271	886-2-23026949
Hsi Men Branch	73, Hsining South Rd., Taipei, Taiwan, R.O.C.	886-2-23145791	886-2-23614634
Da Tung Branch	269, Sec. 3, Chung Ching North Rd., Taipei, Taiwan, R.O.C.	886-2-25974951	886-2-25912632
Fu Hsing Branch	331, Fu Hsing North Rd., Taipei, Taiwan, R.O.C.	886-2-27150825	886-2-27121683
Chung Hsiao Branch	160, Yenchi St., Taipei, Taiwan, R.O.C.	886-2-27410101	886-2-27311605
Wu Chang Branch	76, Lane 356, Lung Chiang Rd., Taipei, Taiwan, R.O.C.	886-2-25059161	886-2-25010094
Cheng Pei Branch	162, Sung Chiang Rd., Taipei, Taiwan, R.O.C.	886-2-25652711	886-2-25113778
Cheng Nei Branch	115, Sec. 1, Chung Ching South Rd., Taipei, Taiwan, R.O.C.	886-2-23814518	886-2-23147032
Sung Chiang Branch	75-1, Sung Chiang Rd., Taipei, Taiwan, R.C.C.	886-2-25042969	886-2-25094541
Jen Ai Branch	29, Sec. 4, Jen Ai Rd., Taipei, Taiwan, R.O.C.	886-2-27766688	886-2-27116258
Nanking E Rd. Branch	1-1, Ching Cheng St., Taipei, Taiwan, R.O.C.	886-2-27199811	886-2-27195595
Nei Hu Branch	17, Lane 360, Sec.1, Nei-Hu Rd., Taipei, Taiwan, R.O.C.	886-2-27976768	886-2-27974899
Chuang Chin Branch	330, Chuang Ching Rd., Taipei, Taiwan, R.O.C.	886-2-23451888	886-2-27295315
Sung Shan Branch	2F, 510, Sec. 5, Chung Hsiao East Rd., Taipei, Taiwan, R.O.C.	886-2-23466636	886-2-23460669
Yung Le Branch	37, Kan Ku St., Taipei, Taiwan, R.O.C.	886-2-25583750	886-2-25560634
Lin Sen N Road Branch	554, Lin Sen North Rd., Taipei, Taiwan, R.O.C.	886-2-25861991	886-2-25862370
Da An Branch	177, Sec. 2, Fu Hsing South Rd., Taipei, Taiwan, R.C.C.	886-2-27551639	886-2-27074631
Hsin Chu Branch	84, Chung Shan Rd., Hsin Chu City, Taiwan, R.O.C.	886-3-5215171	886-3-5235442
Chung Li Branch	201, Chung Shan Rd., Chung Li City, Tao Yuan Hsien, Taiwan, R.O.C.	886-3-4270123	886-3-4270699
Tao Yuan Branch	182, Sec. 3, San Min Rd., Tao Yuan City, Taiwan, R.O.C.	886-3-3316996	886-3-3317038
Tung San Chung Branch	102, Sec.1, Chung Hsin Rd., San Chung City, Taipei, Taiwan, R.O.C.	886-2-29737788	886-2-29740355
Chu Pei Branch	372, Chung Hua Rd., Chu Pei City, Hsin Chu Hsien, Taiwan, R.O.C.	886-3-5552058	886-3-5516455
Lien Cheng Road Branch	166, Lien Cheng Rd., Chung Ho City, Taipei, Taiwan, R.O.C.	886-2-22477330	886-2-22475715
Kuan Tung Chiao Branch	333, Sec. 1, Kuang Fu Rd., Hsin Chu City, Taiwan, R.O.C.	886-3-5678989	886-3-5678905
Tu Cheng Branch	122, Sec.3, Chin Cheng Rd., Tu Cheng City, Taipei, Taiwan, R.O.C.	886-2-22705050	886-2-22700860
Lu Chou Branch	161, Chung Shan 1st Rd., Lu Chou City, Taipei, Taiwan, R.O.C.	886-2-82813182	886-2-82812192
Chien Cheng Branch	73, Sec. 1, Chung Ching North Rd., Taipei, Taiwan, R.O.C.	886-2-25567227	886-2-25504695
Pei San Chung Branch	115, 117, Hsi Wei St., San Chung City, Taipei, Taiwan, R.O.C.	886-2-29875522	886-2-29875310
Yung Ho Branch	411, Chung Cheng Rd., Yung Ho City, Taipei, Taiwan, R.O.C.	886-2-32335656	886-2-32335490
Hsin Pu Branch	21, Yu Nung Rd., Pan Chiao City, Taipei, Taiwan, R.O.C.	886-2-22521919	886-2-22524836

Head Office and Branches

BRANCH NAME	ADDRESS	TEL	FAX
Taichung Branch	101, Taichung Rd., Taichung, Taiwan, R.O.C.	886-4-22284113	886-4-22236762
Chung Kang Branch	99, Sec. 3, Taichung Kang Rd., Taichung, Taiwan, R.O.C.	886-4-23588211	886-4-23584758
Zuoying Huasia Rd. Branch	692, Huasia Rd., Zuoying District, Kaohsiung, Taiwan, R.O.C.	886-7-3487077	886-7-3486077
Da Chia Branch	202, Shuntian Rd., Dajia Town, Taichung County, Taiwan, R.O.C.	886-4-26760020	886-4-26760040
Kung Yih Branch	201, Kung-Yih Rd., Taichung, Taiwan, R.O.C.	886-4-23020919	886-4-23058574
Yuan Lin Branch	346, Sec. 2, Chung Shan Rd., Yuan Lin, Chang Hua Hsien, Taiwan, R.O.C.	886-4-8377007	886-4-8377012
Nan Tun Branch	501, Sec. 2, Wu-Chiuan West Rd., Taichung, Taiwan, R.O.C.	886-4-23832121	886-4-23830564
Tung Tainan Branch	12, Sec. 1, Chung Hua Tung Rd., Tainan, Taiwan, R.O.C.	886-6-2347777	886-6-2346359
Da Li Branch	269, Der-Fang South Rd., Ta Li City, Taichung, Taiwan, R.O.C.	886-4-24835123	886-4-24834382
Sung Chu Branch	162, Sec. 2, Sung-Chu Rd., Taichung, Taiwan, R.O.C.	886-4-22453456	886-4-22449451
Chang Hwa Branch	341, San Min Rd., Chang Hwa City, Taiwan, R.O.C.	886-4-7235997	886-4-7235991
Shu Lin Branch	116-1, Jhonghua Road, Shulin City, Taipei, Taiwan, R.O.C.	886-2-86848777	886-2-86849777
Hou Pu Branch	178, Sec. 1, Szu-Chuan Rd., Panchiao City, Taipei, Taiwan, R.O.C.	886-2-29617997	886-2-29620563
Ku Ting Branch	41, Sec. 2, Roosevelt Rd., Taipei, Taiwan, R.O.C.	886-2-23432330	886-2-23517913
Hsieh Lin Branch	510, Wen-Lin Rd., Taipei, Taiwan, R.O.C.	886-2-28338789	886-2-28337894
Hsin Yi Branch	181, Sec. 4, Hsin Yi Rd., Taipei, Taiwan, R.O.C.	886-2-27059669	886-2-27059699
Tan Feng Branch	665, Chung Cheng Rd., Hsin Chuang City, Taipei, Taiwan, R.O.C.	886-2-29083636	886-2-29033535
Peitou FushingKang Branch	422, Sec.2, Chung Yang North Rd., Peitou, Taipei, Taiwan R.O.C.	886-2-28982399	886-2-28982372
Hsin Sheng S Rd Branch	1F, No.101, Sec.1, Hsin Sheng South Rd., Taipei, Taiwan, R.O.C.	886-2-87719099	886-2-27789652
Yung Kang Branch	41, Chung-Cheng South Rd, Yung-Kang City, Tainan, Taiwan, R.O.C.	886-6-2510899	886-6-2510985
Tien Mu Branch	13, Sec.7, Chung Shan N Rd, Taipei, Taiwan, R.O.C.	886-2-28762126	886-2-28746121
Hsin Tien Branch	311, Chung Cheng Rd., Hsin Tien City, Taipei Hsien, Taiwan, R.O.C.	886-2-89117180	886-2-89117173
Ta Chih Branch	B1, No. 20, JiiYe 3 Road, NeiHu District, Taipei, Taiwan, R.O.C.	886-2-85095510	886-2-25338170
Hsing Lung Branch	1F, No.133, Jing Lung St., Taipei, Taiwan, R.O.C.	886-2-89311099	886-2-89310632
Pa Teh Branch	1089, Sec.2, Chieh Shou Rd., Pa The City, Tao Yuan, Taiwan, R.O.C.	886-3-3658085	886-3-3658645
Lung Tang Branch	390, Chung Hsing Rd., Lung Tang Hsiang, Tao Yuan, Taiwan, R.O.C.	886-3-4991277	886-3-4991279
Chang An Branch	1F, No.100, Sec.2, Chang An East Rd., Taipei, Taiwan, R.O.C.	886-2-25067366	886-2-25075773
Chia Yi Branch	248, Chung Shan Rd., Chia Yi City, Taiwan, R.O.C.	886-5-2247755	886-5-2247747
Tung Chia Yi Branch	188, Min Tsu Rd., Chia Yi City, Taiwan, R.O.C.	886-5-2223633	886-5-2222532
Feng Shan Branch	320, Kuang Yuan Rd., Feng Shan City, Taiwan, R.O.C.	886-7-7197157	886-7-7199753
Tainan Branch	101, Chung Cheng Rd., Tainan City, Taiwan, R.O.C.	886-6-2219511	886-6-2219423
Pei Chia Yi Branch	166, Yu Ai Rd., Chia Yi City, Taiwan, R.O.C.	886-5-2330367	886-5-2330369
Tou Liu Branch	87, Chung Shan Rd., Tou Liu City, Yun Lin Hsien, Taiwan, R.O.C.	886-5-5375586	886-5-5375587
Ping Tung Branch	690, Kuang Tung Rd., Ping Tung City, Taiwan, R.O.C.	886-8-7361899	886-8-7365961

Head Office and Branches

BRANCH NAME	ADDRESS	TEL	FAX
Hua Lien Branch	484, Chung Cheng Rd., Hua Lien City, Taiwan, R.O.C.	886-3-8310802	886-3-8310776
Keelung Branch	23-24, Ai 1st Rd., Keelung City, Taiwan, R.O.C.	886-2-24213998	886-2-24213693
Yi Lan Branch	105-107, Sec. 1, Shen Lung Rd., Yi Lan City, Taiwan, R.O.C.	886-3-9358178	886-3-9358251
San Shia Branch	45, Fushing Rd., Sanshia Town, Taipei, Taiwan, R.O.C.	886-2-86717616	886-2-86717628
Lu Chu Branch	1185, Chung Shan Rd., Luchu Hsiang, Kaohsiung Hsien, Taiwan, R.O.C.	886-7-6975395	886-7-6975397
Kaohsiung Branch	247, Minsheng 1st Rd., Sinsing District, Kaohsiung City, Taiwan, R.O.C.	886-7-2230858	886-7-2230868
Hsin Chuang Branch	252, Hsintai Rd., Hsin Chuang City, Taipei, Taiwan, R.O.C.	886-2-29965995	886-2-29963781
Jiang Tz Tsuei Branch	428, Sec. 2, Wenhua Rd., Banchiau City, Taipei, Taiwan, R.O.C.	886-2-82586288	886-2-22514170
Nan Shih Jiau Branch	1Fl., No. 347, Jingshin St., Jungho City, Taipei, Taiwan, R.O.C.	886-2-29484888	886-2-29491687
Mi Two Branch	242, Chung Cheng Rd., Mi Two Hsiang, Kaohsiung Hsien, Taiwan, R.O.C.	886-7-6178407	886-7-6193638
Kan Shan Branch	145-2, Wei Zen Rd., Kan Shang, Kaohsiung Hsien Taiwan, R.O.C.	886-7-6212551	886-7-6211553
Pei Kaohsiung Branch	523, Min-Tsu 1st, San Ming District, Kaohsiung, Taiwan, R.O.C.	886-7-3478511	886-7-3478512
Siao Gang Branch	292, Hanmin Rd., Siaogang Dist.,Kaohsiung City, Taiwan, R.O.C.	886-7-8025588	886-7-8035959

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