



臺灣企銀  
TAIWAN BUSINESS BANK

Annual Report 2005

TAIWAN BUSINESS  
BANK

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**Flotation at Overseas Stock Exchange and Information Inquiry: None**



**臺灣企銀**  
TAIWAN BUSINESS BANK



# TAIWAN BUSINESS BANK

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# Message from the Management

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Message from the Management



The year 2005 was characterized by global economic recovery and strong market demand. The economy of the United States exhibited an especially strong resilience; even with the severe damage caused by Hurricane Katrina in the Gulf of Mexico and the constant upping of interest rates by the Federal Reserve, the American economy chalked up its 11th consecutive quarter of growth in excess of 3% and its robust domestic demand stimulated the growth of business worldwide. The demand for energy increased greatly and led to a continuous rise in the international price of oil, which peaked at a historic record of US\$70.85 per barrel at the end of August. This caused an increase in inflationary pressure. According to a forecast by Global Insight Inc., 2006 global economic growth will reach 3.4%.



President and Acting Chairman

**Mr. Peter T. C. Lo**

With the domestic stock market stuck in a period of adjustment and the government taking active steps to clear up bond fund problems, investment instruments in Taiwan decreased and brought on an excess of capital in the market. In addition, the inauguration of the new labor retirement system led to a slowdown of growth in the labor market, and turmoil in the cash- and credit-card market led to a contraction of card credit which also influenced the demand for consumption in the private sector. With domestic and international commodity prices continuing on an upward trend and with a looseness of money supply as well as an ongoing low level of real interest rates in Taiwan, the Taiwan Institute of Economic Research forecasts that the island's economy will grow at a rate of 3.96% in 2006.

Thanks to the strenuous efforts of our entire staff, the Taiwan Business Bank achieved substantial growth in its different areas of business in 2005, as follows:

To fulfill our function of helping small and medium-sized enterprises, the Taiwan Business Bank actively extended SME upgrading and other special loans to assist SMEs in improving their structures and to promote industrial upgrading. The amount of these special loans outstanding at the end of 2005 totaled NT\$22.4 billion, fully exhibiting the SME assistance function; and loans sent to the credit guarantee fund totaled NT\$46.485 billion, amounting to 14% of SME guarantee fund loans, ranking the TBB at the top of the industry. Total loans outstanding by the TBB at the end of 2005 amounted to NT\$717.9 billion; this was NT\$19.3 billion more than the end of 2004, for a growth of 2.76%.

To expand the wealth management business, we set up the wealth management center in August 2005 which was in charge of the planning and execution of wealth business, regulation of personal banker and other relevant business of wealth management. It was transformed to Wealth Management Department in November 2005 and held responsible for the integration of commodities and channels as well as maintenance in client ties. Moreover, it aggressively promoted foreign and domestic mutual funds, foreign securities and agency of insurance products, which efficiently boosted customer assets and upgraded the revenue in service fee. By the end of 2005, the fee income from personal financing business grew 30%, compared with 2004.

In the credit-card business, the Bank moved to increase the number of credit-cards issued as well as the amount of card consumption by setting up a Cards Department and directed strenuous efforts at boosting issuance through the establishment of systems and the enhancement of professionalism. By the end of the year the number of credit-cards issued had risen to 711,600, for a growth of 7.68% over the 660,859 cards that had been issued by the end of 2004. The number amount of consumption using these cards in 2005 increased 9.36% over the previous year.

The Bank also worked in line with the government's "258" financial reform target of lowering the banks' non-performing loan ratio to 5% or less and boosting the capital adequacy ratio to 8% or higher by vigorously improving and strengthening its financial structure. In 2005 we sold NT\$7.937 billion worth of non-performing loans and wrote off NT\$15.442 billion worth of bad debt, bringing our broadly defined NPL ratio down to 2.35% and raising our loan-loss coverage to 40.52%. This achieved the incentive threshold established by the authorities of "accelerating the reduction of the NPL ratio of Taiwan Banks" and greatly facilitated the inauguration of new types of business and the strengthening of our competitiveness. These measures resulted in a loss before income tax for the year of NT\$14.388 billion; if the increase in various kinds of reserves that were allocated to improve the quality of assets were excluded, however, the Bank would have achieved a before provision reserves the income before income tax of NT\$6.241 billion and so its profitability remains strong. With the reduced pressure from NPLs, we will surely achieve an outstanding operating performance in the future and earn greater profits for our shareholders.

In February 2006 the Taiwan Ratings Co. announced that the TBB's long- and short-term credit ratings were "twA" and "twA-2," respectively, and that its outlook was "stable." These ratings reflect the TBB's solid position in Taiwan's deposit and loan markets, and the foundation that it has built up in the SME loan business.

To strengthen competitiveness and establish a customer-oriented corporate culture, in 2005 the Bank worked vigorously to carry out the work of organizational re-engineering. Following a number of discussions by an organizational re-engineering committee made up of the heads of headquarters office units, branch managers, and union representatives, a future operating strategy based on core-business design and planning was mapped out with the aim of injecting new force into future competitiveness. In this readjustment of the organizational structure, headquarters units were divided through functional integration into six major systems, including three business groups and three management centers. The Corporate Banking Group, Personal Banking Group (including financial planning), and Treasury Group are responsible for marketing and development as well as the strengthening of middle-desk risk management supported by back-desk operational management and administrative management with the aim of enhancing operating efficiency. In addition, the Bank has worked to maintain asset quality and control loan risk by completing the establishment of regional risk-management centers. To upgrade operating efficiency and control operating risk, The Bank is currently planning on preparations for the establishment of domestic processing centers, and will expect the regular operation in June 2006. By then business units functions will become more simplified, exclusively tasked with customer service, marketing and consultation services, and able to exhibit the superiority of our branch network while boosting its added value.

In addition to the implementation of organizational re-engineering, our business plans for 2006 call for carrying through with the business group concept, the provision of customer-oriented financial services, the intro-



duction of key performance indicators (KPIs), and the establishment of a performance evaluation system so as to guide our entire staff toward the achievement of the targets established by TBB headquarters and enhance overall bank-wide performance. Our business targets for 2006 include average deposits of NT\$908.2 billion, average loans outstanding of NT\$718.9 billion, foreign-exchange transactions of US\$52.0 billion, securities brokerage dealing in the amount of NT\$194.1 billion, and a trust business volume of NT\$15.0 billion. The key points of our 2006 business plan are described below:

1. Product planning: In line with the customer demand for product diversification, the Bank will provide products that are oriented to customers' needs and are designed to increase their investment channels as well as boost their willingness to invest. We will also concentrate primarily on planning commodities that feature low loan risk and high a contribution to profit so as to increase the Bank's operating income.
2. Channel integration: The Bank will work through the integration of products and branch channels to establish a primary/support marketing mechanism and reinforce primary marketing strength in order to maximize channel performance. For corporate clients, for example, we will set up a dedicated unit that integrates the SME, foreign exchange, derivatives, factoring , syndication loan, and other businesses in unified marketing and the provision of a complete spectrum of services to customers.
3. Marketing strategy: Advertising and marketing activities will be used to enhance the Bank's product image and stimulate consumption by customers; in addition, outstanding customers and customers who have maintained a good long-term relationship with the Bank will be pinpointed as targets for the Bank's business development efforts.
4. Human resources planning: To facilitate the smooth operation of the new organizational framework, personnel will be adjusted in the different business units in accordance with front-, mid-, and back-office human resources planning. We will also carry out professional training and seminars for bank staff, with particular emphasis on training in marketing skills, so as to enrich know-how and cultivate marketing specialists.
5. E-banking: To provide customers with more convenient trading channels and increase the frequency of e-trading, we will carry out re-planning of the Bank's website and strengthen our Internet banking function. We will also plan a special area for employees to use for the exchange of knowledge and as a channel for the submission of suggestions.
6. Operational centralization: We will set up domestic processing center so as to increase the efficiency of centralized operations. Once the center is established, we will be able to release manpower gradually from the operations areas and lead our personnel to switch to the front-desk development of business.

Global macroeconomic conditions will favor the growth of the Asian economy in 2006, and the overall economic environment is expected to remain stable. In addition, with the government's determination to maintain financial stability in Taiwan, the amount and ratio of non-performing loans in our banking system will continue dropping. This reflects a significant improvement in our banking asset quality. Intense competition is squeezing bank profits, however; and if the Taiwan Business Bank does not constantly innovate and progress, we will lose our competitiveness. For this reason the Bank has designated 2006 as a "Year of Action" and is asking each of our employees to rise to action and work together in securing the TBB's position as a "Progressive, Efficient, and Responsible" bank. After our transformation we will strive for a brilliant business performance that will repay the years of care and support with which our shareholders have favored us.

# History of the Bank

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History



## History

The forerunners of the Taiwan Business Bank were two private savings institutions, one established in Taipei in June of 1915 and the other in Tainan in July of the same year. The two were merged into other financial institutions in 1920 and 1926, respectively; and these, in turn, were taken over by the Taiwan Provincial Government together with two other savings cooperatives on Oct. 25, 1945, following the restoration of Taiwan to



From left to right : Chief Auditor, Mr. Liao Tsan Chang ; EVP, Mr. Lee Chun-Sheng ; President and Acting Chairman, Mr. Peter T. C. Lo ; EVP, Mr. Liao Shi-Shun ; EVP, Mr. Huang Sin-Gi ; EVP, Mr. Huang Tian-Chang .

China. The four institutions were reorganized and merged into the Taiwan Mutual Financial Co., Ltd. on Sept. 1, 1946. On May 31 the following year this new institution absorbed the Tokiwa Real Estate Co., Ltd., whereupon its capitalization reached NT\$10 million. The name of the institution was changed again on June 1, 1947, to the Taiwan Provincial Mutual Loans and Savings Co., Ltd., and yet again on January of 1948, to the Taiwan Mutual Loans and Savings Co., Ltd.

The government moved to promote Taiwan's economic development and the growth of its small and medium-sized enterprises (SMEs) by adding a provision for a specialized SME bank in the 1975 revision of the Banking Law, and on July 1, 1976 the Taiwan Mutual Loans and Savings Co. was reorganized into the Medium Business Bank of Taiwan (later also called the Taiwan Business Bank, or TBB). It became a specialized bank charged with the provision of financial assistance and guidance to SMEs, a business which it has been cultivating for 30 years.

To accommodate to the liberalized and internationalized financial environment, and to conform to the government's vision of building Taiwan into an Asia-Pacific operations center, the TBB was transformed into a private bank on Jan. 22, 1998 and entered into a brand-new stage of operation. At the time of the 1976 reorganization the Bank had a capitalization of only NT\$500 million, 50 branches, and 58 sub-branches, but repeated capital increases undertaken to augment operating funds and reinforce the operating base have boosted capitalization to NT\$42,857.22 million today. The Bank's organizational structure has also been readjusted constantly in response to changes in the financial environment and the needs of business operations. In addition to the Auditing Department and Secretarial Department to the Board that have been set up under the Board of Directors, the Bank also has management units totaling three major business groups, three major management centers, and, under them, 18 departments. Domestic branches now number 125, and the Bank also has three overseas branches: Hong Kong, Los Angeles, and Sydney. In addition, six regional risk management centers have been set up to take charge of the control in asset quality, to form appraisal, credit investigation, loan supervision, loan review and centralized management system of the non-performing loan.

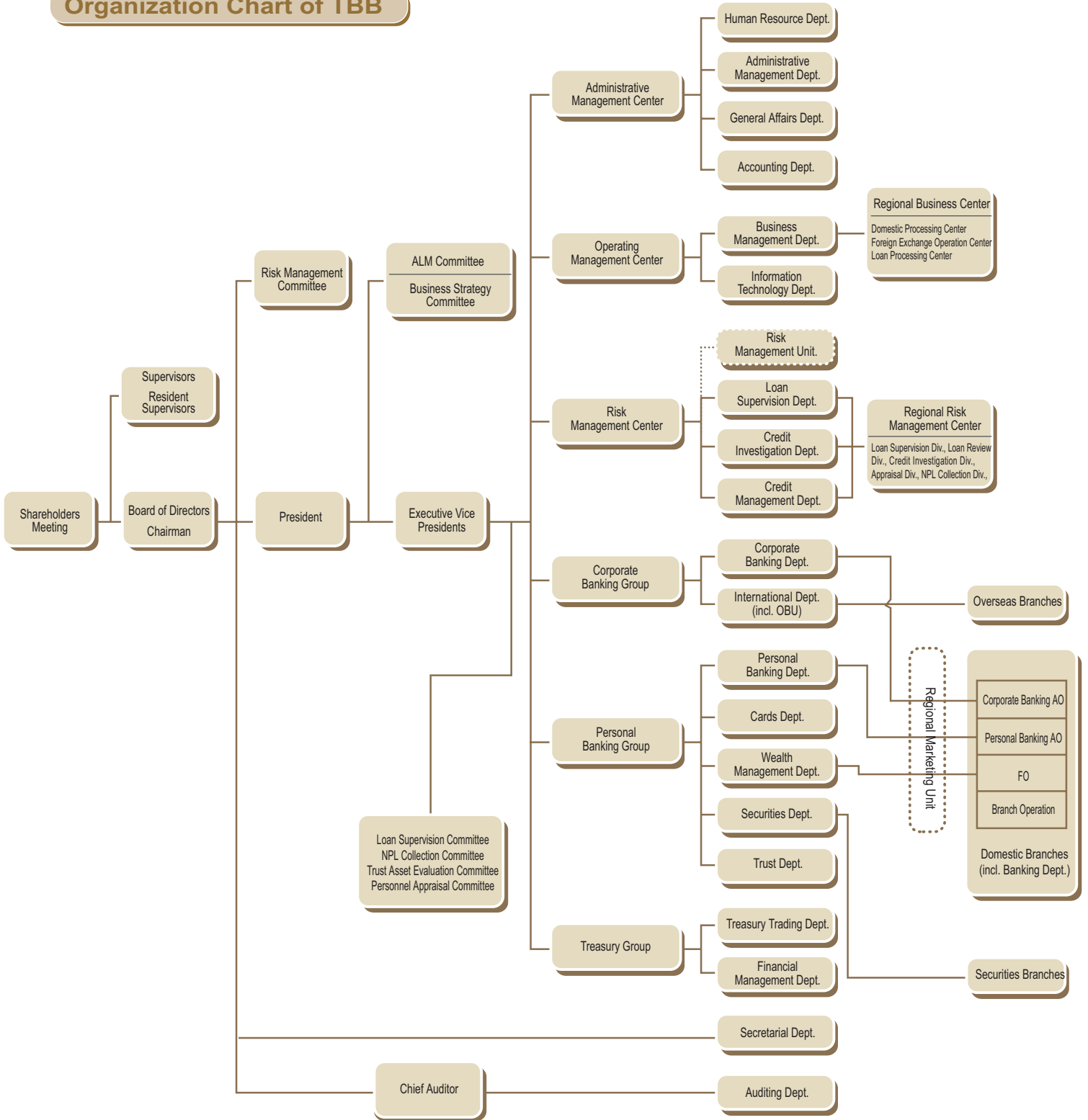
# Organizational Framework

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Organization Chart of TBB



# Organization Chart of TBB



# Business Operations for 2005



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## 1. Corporate Banking

### (1) Loans

At the end of December 2005 the Bank's loans outstanding amounted to NT\$717.9 billion; compared to the end of 2004, this was an increase of N\$19.3 billion for a growth of 2.76%.

#### Loan Performance for the Past Two Years

Unit: NT\$ million

Type of Business	Year	Year-end 2005		Year-end 2004	
		Amount	%	Amount	%
Short-term Loans		207,732	28.94	216,766	31.03
Medium-term Loans		256,293	35.69	223,280	31.96
Long-term Loans		253,897	35.37	258,573	37.01
Credit Loans		350,729	48.85	317,679	45.47
Secured Loans		367,193	51.15	380,940	54.53
Total		717,922	100.00	698,619	100.00

### (2) International Banking

Foreign exchange transactions undertaken by the bank in 2005 totaled US\$46.218 billion; this was US\$4.027 billion more than the year before, for a growth of 9.54%.

#### International Banking Performance for the Past Two Years

Unit: US\$ million

Type of Business	Year	2005		2004	
		Amount	%	Amount	%
Export Financing		2,027	4.39	2,018	4.78
Import Financing		3,229	6.99	3,738	8.86
Remittances		40,962	88.62	36,435	86.36
Total		46,218	100.00	42,191	100.00

Note: International banking transactions include DBU and OBU

## 2. Personal Banking

### (1) Credit Card Business

The accumulated number of international credit cards issued by the Bank stood at 711,600 cards at the end of 2005, an increase of 50,741 cards or 7.68% over a year earlier. The amount of transactions using these cards during the year amounted to NT\$11.310 billion; compared with 2004, this was an increase of NT\$968 million for a growth of 9.36%.

#### Credit Card Performance for the Past Two Years

Unit: NT\$ million/card

Item	Year	2005		2004	
		Amount	%	Amount	%
Card Transaction Volume		11,310		10,342	
Accumulated No. of Cards Issued		711,600		660,859	

### (2) Personal Financing Business

The average amount of consumer loans outstanding in 2005 was NT\$15,409 million, an increase of NT\$1,582 million over the year before, for a growth rate of 11.44%. The average amount of home and other loans outstanding during the year was NT\$161,824 million; this was NT\$1,545 million more than the year before, for a growth of 0.96%.



### Personal Financing Performance for the Past Two Years

Unit: NT\$ million

Item \ Year	2005	2004
Accumulated Average Outstanding Consumer Loans	15,409	13,827
Home Loans and Other Businesses	161,824	160,279
Total	177,233	174,106

## 3. Wealth Management

### (1) Trust Business

a. Scale of trust assets:

Trust assets under management at the end of 2005 totaled NT\$31,005 million; this was an increase of NT\$427 million over the end of 2004, for a growth of 1.4%.

b. Scale of custodial banking assets:

The average amount of assets under custodianship at the end of 2005 reached NT\$54,829 million; this was NT\$4,113 million less than the previous year, for a reduction of 6.98%.

c. Securities certification:

The total value of securities certified by the TBB in 2005 was NT\$14,994 million. This was an increase of NT\$1,571 million more than the year before, for a growth of 11.7%.

d. Fee income from the trust business:

The Bank earned a total of NT\$276.416 million in commissions on the trust business in 2005; compared with the previous year this was an increase of NT\$71.593 million, for a growth of 34.95%.

### Trust Business Performance for the Past Two Years

Unit: NT\$ million

Item \ Year	2005	2004
Balance of Designated Purpose Trust Funds investing in Domestic and Foreign Securities	29,627	29,981
Balance of New Trust Businesses	1,378	597
Subtotal	31,005	30,578
Custodial Banking	54,829	58,942
Volume of Securities Certification	14,994	13,423

### Fee Income from the Trust Business for the Past Two Years

Unit: NT\$ thousand

Item \ Year	2005	2004
Designated Purpose Trust Funds investing in Domestic and Foreign Securities	211,856	129,298
Custodial Banking	58,257	67,455
Securities Certification	3,120	2,978
New Trust Businesses	3,183	5,092
Total	276,416	204,823



## (2) Securities Business

- Securities brokerage: Securities transactions undertaken on behalf of customers in 2005 totaled NT\$178,002 million; this was NT\$76,246 million less than the previous year, for a decline of 29.99%.
- Margin trading: The average balance of margin trading undertaken in 2005 was N\$1,528 million; this was NT\$422 million less than the year before, for a reduction of 21.64%.
- Futures introducing brokerage: Contracts for futures introducing brokerage transactions undertaken in 2005 totaled 147,281; compared with 2004, this was an increase of 23,913 contracts for a growth of 19.38%.

### Securities Business Performance for the Past Two Years

Unit: NT\$ million/contract

Item	Year	2005	2004
Securities Brokerage Transactions		178,002	254,248
Average Balance of Margin Trading		1,528	1,950
Futures Introducing Brokerage (contracts)		147,281	123,368

## (3) Insurance Agency Business

The TBB Insurance Agency Co. earned a total of NT\$4,572 million in insurance premium income in 2005; this was an increase of NT\$2,187 million over the previous year, yielding a growth of 91.70%.

### Insurance Premium and Commission Income for the Past Two Years

Unit: NT\$ million

Type of Business	Year	2005		2004	
		Premiums	Commissions	Premiums	Commissions
Sale of Insurance Products		4,572	171	2,385	126

## 4. Treasury Business

### (1) Foreign Exchange Transactions

The outstanding amount of foreign exchange trading in 2005 totaled US\$83,115 million; this was US\$25,111 million less than in 2004, for a reduction of 23.20%.

### Foreign Exchange Trading for the Past Two Years

Unit: US\$ million

Type of Transaction	Year	2005		2004	
		Amount	%	Amount	%
Spot and Forward Transactions		14,631	17.60	18,754	17.33
Currency Swaps		5,765	6.94	3,668	3.39
Non-delivery Forward Transactions		33	0.04	33	0.03
Options		268	0.32	275	0.25
Interbank Loans		62,418	75.10	85,496	79.00
Total		83,115	100.00	108,226	100.00

## (2) Short-term Investment

Short-term investment at the end of 2005 totaled NT\$1,411 million, down NT\$4,200 million from the end of 2004 for a reduction of 74.85%.

### Short-term Investment for the Past Two Years

Unit: NT\$ million

Investment Instrument	Year	Dec. 31, 2005		Dec. 31, 2004	
		Amount	%	Amount	%
Stocks		37	2.62	1,687	30.06
Funds		1,374	97.38	3,924	69.94
Total		1,411	100.00	5,611	100.00

## (3) Bills and Bonds

Bills and bonds held by the Bank at the end of 2005 amounted to a total value of NT\$135,111 million; compared with a year earlier this was an increase of NT\$3,078 million, for a growth of 2.33%.

### Bonds and Bills Holdings for the Past Two Years

Unit: NT\$ million

Investment Instrument	Year	Dec. 31, 2005		Dec. 31, 2004	
		Amount	%	Amount	%
Short-term Bills		112,302	83.12	106,333	80.53
Certificates of Deposit		112,072		105,667	
Commercial Paper		0		469	
Bills of Acceptance		230		197	
Bonds		22,156	16.40	25,278	19.15
Government Bonds		7,640		9,353	
Corporate Bonds		4,753		5,865	
Financial Debentures		9,763		10,060	
Beneficial Certificates		653	0.48	422	0.32
Total		135,111	100.00	132,033	100.00

## (4) Long-term Equity Investment (Please see Notes to Financial Statements: Long-term Equity Investment)

## 5. Deposits

The total amount of deposits in the Bank at the end of 2005 stood at NT\$922,452 million; this was NT\$10,947 million more than at the end of 2004, for an increase of 1.20%.

### Deposit Performance for the Past Two Years

Unit: NT\$ million

Type of Deposit	Year	Year-end 2005		Year-end 2004	
		Amount	%	Amount	%
Demand		369,337	40.04	360,741	39.57
Time		486,907	52.78	501,750	55.05
Interbank		66,208	7.18	49,014	5.38
Total		922,452	100.00	911,505	100.00



## Business Plans for 2006

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1. Vigorous Development of the Corporate Banking Business

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2. Promotion of the Personal Financing Business

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## 1. Vigorous Development of the Corporate Banking Business

- (1) The TBB is a specialized bank for small and medium-sized enterprises, and in 2006 it will continue striving for the SME loan business and will strengthen the development of "Preferential loans to SMEs" and "start-up loan packages" to help SME clients obtain the capital they need and expand the scale of the TBB's loan business. In addition, marketing by corporate banking AO personnel will be used to provide speedy and convenient services as well as to strengthen interaction with customers, proactively seek an understanding of customer needs, and offer a full spectrum of services that will heighten customers' satisfaction with the Bank's service.
- (2) Different product packages will be planned in accordance with the differing natures of different industries and the different sizes of enterprises, such as forex-related products for exporters and the provision of account receivable financing for domestic-demand enterprises. The syndication loan model is adopted for medium-sized and large enterprises, and the personal-loan model for micro-enterprises with simplified approval of loan quotas, so as to establish the TBB's image of specialization.
- (3) A specialized financing section will be set up for the corporate banking business to integrate the functions of the SME, forex, factoring, and syndication loan marketing teams, with specialized personnel carrying out unified marketing and upgrading integration capability.
- (4) The development of potential SME customers will be strengthened through the upstream and downstream supply chains of existing clients.

## 2. Promotion of the Personal Financing Business

- (1) In response to the cash- and credit-card-debt crisis, in 2006 the focus of the TBB's consumer loan development will be on special loan programs directed at outstanding customer groups such as government-owned enterprises and listed companies.
- (2) The Bank's home-loan programs will be integrated and the "wonderful home" home-purchase program will be introduced to promote home loans and personal financial planning loans with adequate security.
- (3) To carry through with post-loan management and control the personal-loan NPL ratio effectively, the loan review division of regional risk management center will be asked to supervise business units in reporting loan cases that meet conditions for writing off within a set time limit.

## 3. Development of the Wealth Management Business

- (1) A "designated officer, professional, special area" wealth management banking system will be set up, the number of financial planning officers will be expanded, and professional training of financial planning officers will be strengthened in order to enhance the Bank's wealth management capabilities and provide customers with more comprehensive financial planning consultation and services.
- (2) The collection of market information will be strengthened, a weekly financial planning report will be provided, an information feedback system will be established, and the appropriateness and market orientation of financial planning commodities will be reinforced; in addition, the asset deployment concept will be introduced so as to increase the effectiveness of cross-marketing.

## 4. Expansion of the Trust Business

- (1) Efforts will be devoted to development of the custodial banking business and strategic alliances will be used to expand the scale of entrusted assets; in addition, specially selected high-quality funds will be introduced in line with the investment market and customer needs, and sales promotion and incentive programs will be offered to strengthen the willingness of clients to invest.
- (2) In coordination with the passage of laws related to the Trust Law, the TBB will continuously developing the real estate trust, securities trust, insurance fund trust, prepaid money trust, old-age trust, and real estate transaction capital trust so as to increase sources of commission income and reinforce the competitiveness of the Bank's trust business, and will also develop other new types of trust products such as the centralized management and utilization of trust funds, the sale of mutual funds, the securitization of financial assets, and the securitization of real estate so as to expand the scale of business, add more types of trust products, and provide clients with a full range of services.

## 5. Enhancement of the Treasury Business

- (1) The scale of bill and bond operation will be expanded so as to improve the performance of arbitrage.
- (2) Forex position arbitrage operations will be strengthened and the volume of currency options and U.S. dollar against currencies exchange will be heightened so as to boost bank-wide income.
- (3) Development of the derivatives business will be strengthened so as to satisfy the needs of customers for hedging and investment as well as to enhance the performance of financial operations.
- (4) New types of derivative products will be developed so as to increase the diversity of products and heighten the level of customer service.
- (5) A "treasury financial trading management system" will be installed so as to establish automated front-, middle-, and rear-desk financial trading operations and effectively shorten manual procedures while upgrading operating efficiency, expanding the scale of trading, and increasing operating income.
- (6) In line with the changes in domestic and overseas economic fundamentals, the portfolio of investment in short-term assets will be rearranged and the deployment of foreign-fund beneficial certifications will be heightened so as to improve investment income.

## 6. Expansion of the Forex Business and International Finance

- (1) In line with the change in the form of trade payments by enterprises, with remittances increasingly replacing letters of credit, the TBB will continue strengthening the development of the O/A payment business so as to enrich its forex income.
- (2) The forex e-banking function will be reinforced so as to provide clients with more convenient online forex transfer of accounts and remittance services; in addition, the Bank will plan for online deposit balance enquiry by customers of the Hong Kong Branch.
- (3) The Bank will continue developing the cross-straits and offshore banking businesses, using the installation of special service officers for Taiwan businesses in mainland China to deepen interaction with and understanding of those businesses, and thus pursue business opportunities by utilizing the Hong Kong Branch and the OBU as platforms for service to Taiwanese companies in China.
- (4) Training in various kinds of forex businesses will be continued and seminars will be held to explain new key businesses and new measures and thus heighten the know-how and business promotion capabilities of business unit officers. In addition, in line with the Bank's organizational re-engineering the Corporate Banking Department will visit potential clients together with representatives from business units, and vigorous marketing activities will be used to solicit customers.

## 7. Active Clearing of Non-performing Loans to Strengthen the Operating Structure

Planning will be carried out for the establishment of a Loan Collection Management System that will streamline the collection process and enhance working efficiency. In addition, the regional risk management centers will be supervised in using all available channels for clearing up non-performing loans and achieving the target of an NPL ratio of 2.5% or lower.

## 8. Promotion of the Operational Management efficiency

- (1) Key performance indicators (KPIs) will be introduced as the evaluation system for 2006. Headoffice will establish the indicators by business duty. This system will be used to evaluate performance and encourage all employees to achieve fiscal year targets.
- (2) An automated equipment monitoring system will be established and the replenishing of cash in off-premises ATMs will be outsourced so as to maintain a grasp of the operating condition of automated facilities at all times. The replenishing of cash in ATMs and the repair of ATMs may also be outsourced to reduce the wastage of manpower by business units and effectively upgrade the efficiency of the machines. They will also be programmed to air advertisements on a scheduled basis so as to increase product promotion.
- (3) In the area of human resources, manpower distribution will be readjusted in line with the division of personnel called for by the organizational re-engineering program.
- (4) Regional risk management centers (with credit investigation and appraisal divisions) will also be set up in line with the re-engineering of the Bank's organizational structure and credit investigation, collateral appraisal will be centralized in order to upgrade efficiency and facilitate the objectiveness of reporting on credit investigation and collateral appraisal for use as a reference in supervision loans.

## Financial Statements

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I. Balance Sheet and Income statement in the Latest 5 Years

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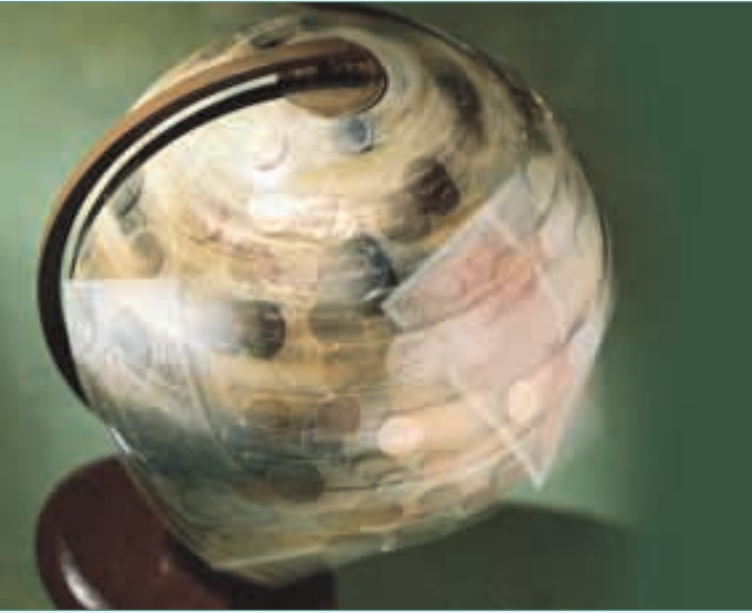
II. Analysis of Major Financial Ratios

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IV. Financial Statement in FY 2004 and Notes to Financial Statement





## I. Balance Sheet and Income statement in the Latest 5 Years

### (I) Balance Sheet

Unit : Thousands of NT Dollars

Item	FY	Financial Statement in the Latest 5 Years(Note 1)				
		FY2005	FY2004	FY2003	FY2002	FY2001
Cash and Cash Equivalents, Deposits with the Central Bank and Due from banks		214,677,184	191,615,948	173,237,394	131,277,922	108,960,316
Bills purchased and marketable Securities		28,820,087	35,712,843	35,919,332	35,077,433	66,871,799
Exchange bills negotiated, notes discounted, and loans		717,455,093	698,304,747	634,936,761	623,318,922	615,255,642
Receivables		33,683,827	28,722,314	25,238,560	30,168,945	26,793,294
Long-term equity investments		4,054,911	4,153,831	4,423,414	3,183,056	4,664,410
Fixed assets		14,682,710	14,973,997	15,241,586	15,240,138	15,402,113
Other assets		32,040,919	58,113,157	83,746,172	89,889,317	80,146,005
Deposits from the Central Bank and other banks		64,660,251	47,604,400	54,643,869	36,374,968	20,265,671
Deposit, remittance		880,248,138	878,089,739	823,941,736	796,343,547	776,532,390
Financial Loans due to Central Bank, other banks, and financial debentures		29,645,000	29,645,000	17,648,600	17,739,000	34,164,381
Other liabilities		42,113,935	38,873,913	37,409,854	38,646,768	47,116,790
Common stock		42,857,220	36,857,220	31,357,220	31,809,070	31,809,070
Capital surplus		-	3,671,614	3,368,389	3,408,748	3,443,753
Retained earnings	Before distribution	(14,976,435)	(4,406,924)	3,391,661	3,292,531	4,218,254
	After distribution	Note 3	(4,406,924)	3,391,661	3,292,531	4,218,254
Others stockholder's Equities		866,622	1,261,875	981,890	541,101	543,270
<b>Total assets</b>		<b>1,045,414,731</b>	<b>1,031,596,837</b>	<b>972,743,219</b>	<b>928,155,733</b>	<b>918,093,579</b>
Total liabilities	Before distribution	1,016,667,324	994,213,052	933,644,059	889,104,283	878,079,232
	After distribution	Note 3	994,213,052	933,644,059	889,104,283	878,079,232
Total stockholder's equities	Before distribution	28,747,407	37,383,785	39,099,160	39,051,450	40,014,347
	After distribution	Note 3	37,383,785	39,099,160	39,051,450	40,014,347

Notes: 1. They have all been reviewed and certified by CPAs for the financial statement in the latest 5 Years

2. As to the before- and after-distribution data given above, the CPA-approved amount used as the income tax and gains from the sale of fixed assets that are converted to capital reserve for the year are listed in the before-distribution category; the earnings allocations and distribution approved by the shareholder's meeting for the following year are listed in the after-distribution category.

3. The appropriation for profits for FY2005 has not yet been approved by the shareholder's meeting.

## (II) Income Statement

Unit : Thousands of NT Dollars

Item	FY	Financial Statement in the Latest 5 Years(Note 1)				
		FY2005	FY2004	FY2003	FY2002	FY2001
Operating revenue		28,869,907	28,695,821	30,142,851	36,906,011	50,298,791
Operating Cost		(34,382,186)	(27,592,397)	(21,150,580)	(27,259,768)	(56,627,869)
Operating Expenses		(8,995,544)	(8,908,240)	(8,267,177)	(8,328,906)	(9,059,148)
Operating Income(loss)		(14,507,823)	(7,804,816)	725,094	1,317,337	(15,388,226)
Non-Operating Income(loss)		119,510	846,530	252,703	(1,190,606)	(1,245,095)
Income(Loss) before income tax		(14,388,313)	(6,958,286)	977,797	126,731	(16,633,321)
Net Income(loss)		(15,045,826)	(7,798,585)	109,690	(963,030)	(12,207,337)
earnings (loss) per share		(3.74)	(2.26)	0.04	(0.31)	(3.94)

Notes: 1. They have all been reviewed and certified by CPAs for the financial statement in the latest 5 Years.

2. Earnings per share are calculated by the retroactively adjusted weighted average number of shares for the current fiscal year.

## (III)Independent Auditors' Name and Opinion

Item	FY	FY2005	FY2004	FY2003	FY2002	FY2001
Checked and Certified by CPAs		Leou Fong Yang David Y.S.Ding	Leou Fong Yang David Y.S.Ding	Leou Fong Yang David Y.S.Ding	Lin Shan-Lan Lin Wen-Wen	Lin Shan-Lan Lin Wen-Wen
Opinion		Qualified opinion	Qualified opinion	Qualified opinion	Qualified opinion	Unqualified opinion



## II. Analysis of Major Financial Ratios

Item	FY	Financial Statement in the Latest 5 Years (Note)				
		FY2005	FY2004	FY2003	FY2002	FY2001
Operating Capability	Loans to Deposits Ratio(%)	83.85	81.00	78.49	79.72	81.08
	NPLs Ratio(%)	2.35	4.73	9.44	9.76	9.97
	Interest Expense to Annual Average Savings Balance(%)	1.25	1.08	1.36	2.19	3.91
	Interest Revenue to Annual Average Loans Balance(%)	3.08	3.14	3.84	5.13	6.52
	Total Assets Turnover (Times)	0.03	0.03	0.03	0.04	0.05
	Average Operating Revenue Per Employee (NT\$1,000)	5,702	5,965	6,039	7,686	10,255
	Average Profit Per Employee (NT\$1,000)	(2,970)	(1,621)	22	(201)	(2,489)
Profitability	Return on tier 1 capital	(45.02)	(8.90)	2.61	0.33	(36.84)
	Return on Total Assets(%)	(1.45)	(0.78)	0.01	(0.10)	(1.36)
	Return on Shareholders' Equity(%)	(45.5)	(20.39)	0.28	(2.44)	(26.11)
	Net Income ratio(%)	(52.12)	(27.18)	0.36	(2.61)	(24.27)
	Earnings Per Share(NTD)	(3.74)	(2.26)	0.04	(0.31)	(3.94)
Growth rate	Growth rate of assets (%)	1.34	6.05	4.80	1.10	4.26
	Growth rate of profit (%)	(106.78)	(811.63)	671.55	100.76	(774.70)
Liquidity Reserve Ratio(%)		18.63	17.25	13.94	12.82	18.05
Adequate Capital	Tier 1 capital (thousand)	27,822,845	36,098,717	37,543,473	37,435,781	38,400,981
	Qualifying capital (thousand)	53,090,779	64,346,186	56,440,676	59,155,138	54,070,793
	Risk-weighted assets (thousand)	526,425,591	562,826,770	558,673,928	563,658,064	540,480,505
	Capital Adequate Ratio(%)	10.09	11.43	10.10	10.49	10.00
	tier 1 capital to risk-weighted assets(%)	5.29	6.41	6.72	6.64	7.10
	tier 2 capital to risk-weighted assets(%)	5.29	5.49	3.91	4.42	3.62
	tier 3 capital to risk-weighted assets(%)	0	0	0	0	0
	Common Equity to Total assets(%)	2.75	3.62	4.02	4.21	4.36
Secured loan to the related parties (thousand)		5,475,054	5,428,929	5,478,867	6,262,266	7,635,791
Secured loan to the related parties to Total Loans(%)		0.73	0.78	0.86	1.00	1.24
Scale of operation(%)	Asset market share (%)	2.96	3.05	3.05	3.07	3.04
	Net Worth market share (%)	1.43	1.96	2.21	2.29	1.83
	Deposit market share (%)	3.15	3.38	3.31	3.35	3.13
	Loan market share (%)	4.20	4.40	4.43	4.54	4.38

Note: They have all been reviewed and certified by CPAs for the financial statement in the latest 5 Years.

Formulas of above financial analysis are as follows :

#### 1. Operating Capability

- (1) Loans to deposits ratio =  $\frac{\text{total loans}}{\text{total deposits}}$
- (2) NPL ratio =  $\frac{\text{loans overdue} + \text{loans on demand}}{\text{total loans}}$
- (3) Interest expense to annual average savings balance =  $\frac{\text{interest expense for regular deposits}}{\text{annual average deposits}}$
- (4) Interest revenue to annual average loans balance =  $\frac{\text{interest revenue for regular loans}}{\text{annual average loans}}$
- (5) Total assets turnover =  $\frac{\text{net operating revenue}}{\text{total assets}}$
- (6) Average operating revenue per employee =  $\frac{\text{net operating revenue}}{\text{number of employees}}$
- (7) Average profit per employee =  $\frac{\text{after-tax income}}{\text{number of employees}}$

#### 2. Profitability

- (1) Return on tier 1 capital =  $\frac{\text{pre-tax income}}{\text{average tier 1 capital}}$
- (2) Return on assets =  $\frac{\text{after-tax income}}{\text{average assets}}$
- (3) Return on shareholders' equity =  $\frac{\text{after-tax income}}{\text{average net equity}}$
- (4) Net income ratio =  $\frac{\text{after-tax income}}{\text{net operating revenue}}$
- (5) Earnings per share =  $\frac{\text{after-tax income} - \text{preferred stock dividend}}{\text{weighted average number of shares issued}}$

#### 3. Growth rate

- (1) Growth rate of assets =  $\frac{\text{total assets by current year} - \text{total assets by previous year}}{\text{total assets by previous year}}$
- (2) Growth rate of profit =  $\frac{\text{pre-tax income by current year} - \text{pre-tax income by previous year}}{\text{pre-tax income by previous year}}$

#### 4. Liquidity reserve ratio = $\frac{\text{Central bank required liquid assets}}{\text{total liquid reservable liabilities}}$

#### 5. Adequate capital

- (1) Qualifying capital = tier 1 capital + tier 2 capital + tier 3 capital — deduction items
- (2) Risk-weighted assets = Credit-risk-weighted assets + Market-risk-equivalent assets x 12.5
- (3) Capital Adequate Ratio =  $\frac{\text{Qualifying capital}}{\text{Risk-weighted assets}}$
- (4) Tier 1 capital to Risk-weighted assets =  $\frac{\text{Tier 1 capital}}{\text{Risk-weighted assets}}$
- (5) Tier 2 capital to Risk-weighted assets =  $\frac{\text{Tier 2 capital}}{\text{Risk-weighted assets}}$
- (6) Tier 3 capital to Risk-weighted assets =  $\frac{\text{Tier 3 capital}}{\text{Risk-weighted assets}}$
- (7) Common Equity to Total Assets =  $\frac{\text{Common Equity}}{\text{Total Assets}}$

#### 6. Scale of operation

- (1) Asset market share =  $\frac{\text{Total Assets}}{\text{All financial institutions total assets}}$
- (2) Net Worth market share =  $\frac{\text{Net Worth}}{\text{All financial institutions total net worth}}$
- (3) Deposit market share =  $\frac{\text{Total Deposit}}{\text{All financial institutions total deposit}}$
- (4) Loan market share =  $\frac{\text{Total Loan}}{\text{All financial institutions total loan}}$

### III. Independent Auditors' Report


#### **The Board of Directors Taiwan Business Bank, Ltd.**

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

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

As described in Note (4) (p) ,in accordance with Article 15, Paragraph 5 of the Law Governing Merger of Financial Institutions and SFC Letter Ruling (3) 0913000051, the Bank amortized the loss on sale of non-performing loans over 5 years, that in our opinion, should be recognized currently in order to conform to generally accepted accounting principles. If the loss on sale of non-performing loans were recognized currently, other assets would be decreased by \$16,433,550 thousands and \$19,583,305 thousands, and undistributed earnings would be decreased by \$16,433,550 thousands and \$19,583,305 thousands, as of December 31, 2005 and 2004, respectively. Additionally, net loss would be decreased by \$3,149,754 thousands and net loss would be increased by \$2,159,603 thousands for the years ended December 31, 2005 and 2004, respectively.

In our opinion, except for the effects of not recognizing currently the loss on sale of non-performing loans as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Taiwan Business Bank, Ltd. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with the "Regulations Governing the Preparation of Financial Statements for Public Banks" and accounting principles generally accepted in the Republic of China.



Taipei, Taiwan, R.O.C.  
February 24, 2006

#### Notice to Readers

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

## IV. Financial Statement in FY 2004 and Notes to Financial Statement

### TAIWAN BUSINESS BANK, LTD

#### BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

(New Taiwan Dollars in Thousands)

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
<b>ASSETS</b>				
Assets				
Cash (Note (4)(a))	\$133,606,414	13	122,763,640	12
Deposits with the Central Bank and cash in banks (Notes (4)(b) and (6))	81,070,770	8	68,852,308	7
Bills purchased and marketable securities - less allowance for market value decline (Notes (2), (4)(c) and (6))	28,820,087	3	35,712,843	3
Receivables - less allowance for doubtful accounts (Notes (2) and (4)(d))	33,683,827	3	28,722,314	3
Prepayments	1,315,466	-	1,420,934	-
Exchange bills negotiated, notes discounted, and loans - less allowance for doubtful accounts (Notes (2), (4)(e) and (5))	717,455,093	68	698,304,747	68
Long-term equity investments (Notes (2) and (4)(f))				
Long-term investments accounted for under the equity method	128,410	-	227,330	-
Long-term investments accounted for under the cost method	2,426,501	-	2,426,501	-
Other long-term investments	1,500,000	-	1,500,000	-
	<u>4,054,911</u>	<u>-</u>	<u>4,153,831</u>	<u>-</u>
Property and equipment at cost (Notes (2) and (4)(g)):				
Land	6,432,728	1	6,504,318	1
Buildings	6,909,270	1	6,961,536	1
Machinery	2,180,423	-	2,042,395	-
Transportation equipment	369,121	-	391,209	-
Miscellaneous equipment	637,852	-	647,886	-
Leased assets	102,447	-	127,508	-
Sub-total	<u>16,631,841</u>	<u>2</u>	<u>16,674,852</u>	<u>2</u>
Less: Accumulated depreciation	4,212,316	-	4,075,728	-
Revaluation appreciation	2,172,126	-	2,286,469	-
Construction in progress	79,532	-	26,003	-
Prepayment for equipment	11,527	-	62,401	-
Property and equipment, net	<u>14,682,710</u>	<u>2</u>	<u>14,973,997</u>	<u>2</u>
Intangible assets	103,085	-	44,978	-
Other assets, net (Notes (2), (4)(h), (4)(p) and (6))	30,522,255	3	56,642,130	5
Brokerage accounts, net	100,113	-	5,115	-
<b>TOTAL ASSETS</b>	<b><u>\$1,045,414,731</u></b>	<b><u>100</u></b>	<b><u>1,031,596,837</u></b>	<b><u>100</u></b>

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Bills sold under repurchase agreements	\$4,449,315	-	4,232,580	-
Bonds sold under repurchase agreements	5,706,753	1	5,750,483	1
Deposits from the Central Bank and other banks (Notes (4)(i) and (5))	64,660,251	6	47,604,400	5
Payables (Note (4)(j))	21,875,852	2	18,588,567	1
Advances	310,612	-	316,517	-
Financial debentures (Notes(4)(l))	29,645,000	3	29,645,000	3
Deposits and remittances (Notes (4)(k) and (5))	880,248,138	84	878,089,739	85
Long-term debts (Notes (4)(g) and (4)(m))	8,819,404	1	8,893,514	1
Other liabilities (Notes (4)(n))	951,999	-	1,092,252	-
<b>Total Liabilities</b>	<b>1,016,667,324</b>	<b>97</b>	<b>994,213,052</b>	<b>96</b>
<b>Stockholders' Equity:</b>				
Common stock, par value \$10 per share; authorized, issued, and outstanding - 4,285,722 thousand shares and 3,685,722 thousand shares as of December 31, 2005 and 2004 respectively (Note (4)(o))	42,857,220	4	36,857,220	4
Capital surplus (Note (4)(o))	-	-	3,671,614	1
<b>Retained earnings:</b>				
Legal reserve (Note (4)(o))	-	-	3,322,270	-
Special reserve (Note (4)(o))	69,391	-	69,391	-
Undistributed earnings	(15,045,826)	(1)	(7,798,585)	(1)
<b>Total retained earnings</b>	<b>(14,976,435)</b>	<b>(1)</b>	<b>(4,406,924)</b>	<b>(1)</b>
Cumulative translation adjustments (Note (2))	(57,940)	-	(23,193)	-
Unrealized revaluation appreciation	924,562	-	1,285,068	-
<b>Total Stockholders' Equity</b>	<b>28,747,407</b>	<b>3</b>	<b>37,383,785</b>	<b>4</b>
Significant Commitments and Contingencies (Note (2) and (7))				
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$1,045,414,731</b>	<b>100</b>	<b>1,031,596,837</b>	<b>100</b>

**TAIWAN BUSINESS BANK, LTD**  
**STATEMENTS OF INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(New Taiwan Dollars in Thousands, except for earnings per share data)

	For The Year Ended December 31, 2005		For The Year Ended December 31, 2004	
	Amount	%	Amount	%
Operating Revenues:				
Interest revenue	\$26,320,908	91	24,403,393	85
Commissions and handling fees	1,617,916	6	1,600,620	5
Securities brokerage and underwriting revenues	171,611	-	252,386	1
Gain on sale of bills purchased and marketable securities, net	88,884	-	839,435	3
Investment income accounted for under the equity method (Note (4)(f))	-	-	14,945	-
Foreign exchange gain	446,329	2	269,308	1
Other operating revenues	224,259	1	1,315,734	5
<b>Total Operating Revenues</b>	<b>28,869,907</b>	<b>100</b>	<b>28,695,821</b>	<b>100</b>
Operating Costs:				
Interest expense	(13,247,438)	(46)	(10,714,333)	(37)
Commissions and handling fees paid	(262,275)	(1)	(265,402)	(1)
Reserve for losses on sale of marketable securities	(5,844)	-	(65,370)	-
Securities brokerage and underwriting fees	(24,130)	-	(36,528)	-
Investment Losses on Equity-Method Investees	(89,668)	-	-	-
Provisions for allowances and reserves	(20,629,529)	(72)	(16,389,634)	(57)
Cash delivery charges	(121,352)	-	(115,049)	(1)
Operating assets lease expense	(1,893)	-	(6,081)	-
Other operating costs	(57)	-	-	-
<b>Total Operating Costs</b>	<b>(34,382,186)</b>	<b>(119)</b>	<b>(27,592,397)</b>	<b>(96)</b>
<b>Gross Margin (Loss)</b>	<b>(5,512,279)</b>	<b>(19)</b>	<b>1,103,424</b>	<b>4</b>
Operating Expenses:				
Selling expenses	(7,289,890)	(25)	(7,213,405)	(25)
Administrative expenses	(1,684,283)	(6)	(1,674,125)	(6)
Other operating expenses	(21,371)	-	(20,710)	-
<b>Total operating expenses</b>	<b>(8,995,544)</b>	<b>(31)</b>	<b>(8,908,240)</b>	<b>(31)</b>
<b>Operating Loss</b>	<b>(14,507,823)</b>	<b>(50)</b>	<b>(7,804,816)</b>	<b>(27)</b>
<b>Total Non-Operating Income</b>	<b>442,933</b>	<b>1</b>	<b>864,814</b>	<b>3</b>
<b>Total Non-Operating Expenses</b>	<b>(323,423)</b>	<b>(1)</b>	<b>(18,284)</b>	<b>-</b>
<b>Loss Before Income Tax Expense</b>	<b>(14,388,313)</b>	<b>(50)</b>	<b>(6,958,286)</b>	<b>(24)</b>
<b>Income Tax Expense (Notes (2) and (4)(q))</b>	<b>(657,513)</b>	<b>(2)</b>	<b>(840,299)</b>	<b>(3)</b>
<b>Net Loss</b>	<b>\$(15,045,826)</b>	<b>(52)</b>	<b>(7,798,585)</b>	<b>(27)</b>
	<b>For The Year Ended December 31, 2005</b>		<b>For The Year Ended December 31, 2004</b>	
	<b>Before tax</b>	<b>After tax</b>	<b>Before tax</b>	<b>After tax</b>
<b>Basic (loss) earnings per share (in New Taiwan dollars)</b>	<b>\$ (3.58)</b>	<b>(3.74)</b>	<b>(2.01)</b>	<b>(2.26)</b>

**TAIWAN BUSINESS BANK, LTD**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004  
(New Taiwan Dollars in Thousands)

	Retained Earnings					Cumulative translation adjustments	Unrealized revaluation appreciation	Treasury stock	Total
	Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings				
<b>Balance - January 1, 2004</b>	\$31,357,220	3,368,389	3,292,531	-	99,130	(12,964)	1,555,687	(560,833)	39,099,160
<b>Appropriation of 2003 earnings:</b>									
Legal reserve	-	-	29,739	-	(29,739)	-	-	-	-
Special reserve	-	-	-	69,391	(69,391)	-	-	-	-
Disposal of fixed assets	-	-	-	-	-	-	(270,619)	-	(270,619)
Issuance of common stock for cash	5,500,000	275,000	-	-	-	-	-	-	5,775,000
Treasury stock transferred to employees	-	28,225	-	-	-	-	-	560,833	589,058
Net loss in 2004	-	-	-	-	(7,798,585)	-	-	-	(7,798,585)
Changes in cumulative translation adjustments	-	-	-	-	-	(10,229)	-	-	(10,229)
<b>Balance - December 31, 2004</b>	<b>36,857,220</b>	<b>3,671,614</b>	<b>3,322,270</b>	<b>69,391</b>	<b>(7,798,585)</b>	<b>(23,193)</b>	<b>1,285,068</b>	<b>-</b>	<b>37,383,785</b>
<b>Appropriation of 2004 earnings:</b>									
Capital Surplus used to offset losses (Note4(o))	-	(3,671,614)	-	-	4,476,315	-	(804,701)	-	-
Legal reserve used to offset losses (Note4(o))	-	-	(3,322,270)	-	3,322,270	-	-	-	-
Disposal of fixed assets	-	-	-	-	-	-	(134,757)	-	(134,757)
Adjustments Reserve for Land Revaluation Increment Tax(Note4(o))	-	-	-	-	-	-	578,952	-	578,952
Issuance of common stock for cash (Note4(o))	6,000,000	-	-	-	-	-	-	-	6,000,000
Net loss in 2005	-	-	-	-	(15,045,826)	-	-	-	(15,045,826)
Changes in cumulative translation adjustments	-	-	-	-	-	(34,747)	-	-	(34,747)
<b>Balance - December 31, 2005</b>	<b>\$42,857,220</b>	<b>-</b>	<b>-</b>	<b>69,391</b>	<b>(15,045,826)</b>	<b>(57,940)</b>	<b>924,562</b>	<b>-</b>	<b>28,747,407</b>

**TAIWAN BUSINESS BANK, LTD**  
**STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(New Taiwan Dollars in Thousands)

	For The Year Ended December 31, 2005	For The Year Ended December 31, 2004
Cash flows from operating activities:		
Net loss	\$ (15,045,826)	(7,798,585)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	508,434	494,931
Amortization of loss on non-performing loans	6,140,953	4,549,806
Investment income recognized under the equity method under (over) cash dividends received	98,920	11,852
Gain on disposal of long-term equity investments	-	(957,814)
Gain on disposal and scrapping of property and premises and non-operating assets, net	(364,375)	(742,084)
Reversal for various reserves	(73,880)	(29,933)
Provision for credit losses	14,570,234	11,960,293
Provision impairment loss of rental assets	1,698	-
Provision impairment loss of Non-Operating Assets	33,869	-
Provision (reversal) of allowance for market decline of bills purchased	53,571	14,373
Change in assets and liabilities:		
Decrease in bills purchased and marketable securities	6,508,195	618,924
Increase in receivables	(4,850,127)	(3,453,596)
Increase (Decrease) in prepayments	105,468	(138,322)
Increase in payables	3,287,285	425,086
Increase (Decrease) in advances	(5,905)	76,956
Increase in brokerage accounts - debit, net	(94,998)	(1,714)
<b>Net cash provided by operating activities</b>	<b>10,873,516</b>	<b>5,030,173</b>
Cash flows from investing activities:		
Increase in exchange bills negotiated, notes discounted, and loans	(19,095,468)	(63,563,042)
Proceeds from disposition of long-term equity investments	-	1,218,845
Increase in long-term equity investments	-	(3,300)
Proceeds from disposition of property and equipment and non-operating assets	513,974	840,821
Purchase of property and equipment	(597,432)	(350,581)
Decrease (increase) in deposits with the central Bank and cash in banks	(19,413,269)	29,485,721
Decrease in other assets	5,049,244	8,708,459
Increase in intangible assets	(16,817)	(9,543)
<b>Net cash used in investing activities</b>	<b>(33,559,768)</b>	<b>(23,672,620)</b>
Cash flows from financing activities:		
Increase (Decrease) in deposits from the Central Bank and other banks	17,055,851	(7,039,469)
Increase in bills sold under repurchase agreements	216,735	4,232,580
Decrease in bonds sold under repurchase agreements	(43,730)	(3,984,061)
Increase in deposits and remittances	2,158,399	54,148,004
Increase in financial debentures	-	11,996,400
Decrease in other liabilities	(66,374)	(102,585)
Increase in long-term debts	682,349	1,318,524
Treasury stock transferred to employees	-	589,136
Issuance of common stock for cash	6,000,000	5,775,000
Net cash provided by financing activities	26,003,230	66,933,529
Net increase in cash and cash equivalents	3,316,978	48,291,082
Cash and cash equivalents, beginning of the year	171,511,925	123,220,843
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 174,828,903</b>	<b>171,511,925</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 12,441,592	16,102,619
Income taxes	\$ 1,169	964
Cash and cash equivalents		
Cash	\$ 133,606,414	122,763,640
Deposits with the Central Bank	8,342,654	8,157,324
Due from banks (due within 90 days)	32,659,087	40,039,223
Bankers' acceptances (due within 90 days)	220,748	182,276
Commercial paper (due within 90 days)	-	369,462
	<b>\$ 174,828,903</b>	<b>171,511,925</b>



**TAIWAN BUSINESS BANK, LTD**  
**NOTES TO FINANCIAL STATEMENTS**

DECEMBER 31, 2005 AND 2004

(New Taiwan Dollars in Thousands, Unless Otherwise Stated)

## **(1) OVERVIEW**

Taiwan Business Bank, Ltd. (the "Bank") was formerly a general savings union known as "Taiwan Mutual Financing Bank" or "Tai-Shio Mutual Financing Bank" when it was established in 1915. After several mergers and acquisitions, it was renamed Taiwan Business Bank, Ltd. to serve as a financier and provider of banking assistance to small and medium-size businesses. The Bank's major lines of business are the following:

- (a) As prescribed by the Banking Law, provide professional services tailored to the needs of small and medium-size businesses;
- (b) Trust and securities brokerage businesses as approved by the relevant authority;
- (c) International banking business; and
- (d) Other relevant businesses as authorized by the relevant authority in-charge.

The Bank's headquarters coordinate corporate-wide operations. Its domestic and overseas branches are set up to provide a variety of banking services. As of December 31, 2005, aside from its headquarter's banking, international, securities, and trust departments, the Bank had 122 domestic branches, 2 mini branches, 1 offshore banking unit, 3 overseas branches, and 16 securities brokerage locations.

The Bank became listed on the Taiwan Stock Exchange on January 3, 1998.

Under the "Statute for Privatization of State Enterprises" and upon the approval of Taiwan Province Government, the shares of the Bank owned by the provincial government were sold to the public. In line with privatization of the three other major Taiwan province government owned run commercial banks, the Bank had completed its own privatization on January 22, 1998.

As of December 31, 2005, the number of employees totaled 5,063.

## **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except for the practice of amortizing the loss on sale of non-performing loans over 5 years in accordance with Article 15, Paragraph 5 of the Law Governing Merger of Financial Institutions and SFC Letter Ruling (3) 0913000051, the Bank's financial statements were prepared in accordance with Regulations Governing the Preparation of Financial Statements for Public Banks and generally accepted accounting principles of the Republic of China. These significant accounting policies and measurement basis are as follows:

### **(a) Basis of Presentation**

The financial statements include the accounts of headquarters, domestic and overseas branches. All inter-office balances and transactions are eliminated.

### **(b) Asset Impairment**

Effective January 1, 2005, the Company adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Accounting for Asset Impairment". According to SFAS 35, except for those assets stated as non-applicable, the Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) other than goodwill may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

**(c) Compilation Basis for the Statements of Cash Flows**

Statements of cash flows are based upon cash and cash equivalents. Cash equivalents are defined as short-term investments readily convertible into known amounts of cash and will mature with short notice. As a result, interest rate fluctuations have minimal impact on their values. These include call loans to and due from banks, treasury bills, commercial paper, and bankers' acceptances maturing within three months.

**(d) Bills Purchased and Marketable Securities**

Bills purchased and marketable securities are defined to include government and corporate bonds, short-term notes, foreign securities, treasury bills, listed and OTC stocks, and beneficiary certificates. Marketable securities are carried at cost and are revalued at the lower of cost or market at the end of every month. Market prices of listed stocks and beneficiary certificates of open-end mutual funds are the average closing prices or their net worth at the end of each month. Market prices of domestic bonds are the reference prices published by the R.O.C. Over-The-Counter or Stock Exchange Center on the balance sheet date, and those of foreign stocks from securities houses or market quotes. Short-term notes and stocks not traded publicly are stated at cost. If bonds are not acquired at par, the premium or discount thereon is amortized equally over the remaining issue term.

Upon sale of stocks and beneficiary certificates, gains and losses are calculated by using the moving-average method. For other securities, gains or losses are computed by using the specific identification method.

Bonds under resale or repurchase agreements are accounted for by using the financing method.

**(e) Loans**

Loans are stated at principals outstanding, excluding unearned revenue. Interest revenue is recognized on accrual basis under the interest method.

Interest accrual on loans is suspended if either of the following occurs:

- (i) Payment of principal or interest is delinquent for 6 months and beyond; or
- (ii) Payment of principal or interest is delinquent for less than 6 months but is already classified as a delinquent loan.

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

**(f) Allowance for Credit Losses and Reserve for Guarantee**

In accordance with the "Rules Governing the Evaluation of Loss Reserve Provision on Bank Assets and Disposal of Overdue loans and Bad Debts " issued by the Ministry of Finance (MOF), the Bank evaluates the non-credit assets in and off the balance sheet by the characteristic of the assets in order to assess the possible loss and loss reserve provision .

The normal credit assets are classified as first class and the other bad credit assets are classified according to different classes, namely, second class "need to pay attention", third class "expected to regain", fourth class "difficult to recover" and fifth class as "irrecoverable" depending on the status of guarantee and length of time overdue.

Aside from the above-mentioned regulation, the Bank also recognizes the minimum amounts of bad debt expense and reserve for guarantee based on certain percentage of each class of credit assets such as 2% of

the balance of second class credit assets, 10% of the balance of third class credit assets, 50% of the balance of fourth class credit assets and 100% of the balance of fifth class credit assets .

Unrecoverable overdue loans and bad debts or a portion recoverable after deducting evaluated recoverable option are written-off as allowance and charged against the recorded allowance for credit losses or reserve for guarantee upon approval by the board of directors and notified supervisor. The excess amount of written off loans over such allowance or reserve is reflected as a current loss.

**(g) Long-Term Equity Investments**

Long-term equity investments are carried at cost. Upon receipt of stock dividends, only the number of incremental shares is recorded through a memo entry to reflect the new cost per share .

Investments in common stock or preferred stock with voting rights of less than 20% and with no controlling interests are stated at cost, except for listed or OTC stocks, which are valued at the lower of cost or market. If impairment in value is other than temporary such that recovery of carrying amount is deemed unlikely, loss on investment is recognized currently.

Investments in twenty-to-fifty-percent-owned affiliates where the Bank has significant influence are accounted for under the equity method. The differences between the original investment costs and equity of these investee companies are amortized equally over 5 years.

In accordance with the Statement of Financial Accounting Standards ("SFAS") No. 7 and rules set forth by the Securities and Futures Commission ("SFC"), investments where ownership exceeds 50% or equity ownership of less than 50% but the Bank is able to exercise significant influence over the investee's operation are not only accounted for under the equity method but the Bank is also required to prepare consolidated statements that will include the accounts of the investees concerned.

Upon sale, the moving-average method is used in calculating for the cost of long-term equity investments sold.

**(h) Property and Equipment**

Property and equipment are stated at cost plus revaluation appreciation, if any. Major renovations, additions, and improvements are capitalized, while repairs and maintenance are charged to current earnings.

Depreciation is provided by using the straight-line method over the estimated useful lives. Revaluation appreciation is depreciated over the remaining useful lives from the date of revaluation. The economic lives of major property and equipment are as follows:

Buildings	10 to 50 years
Machinery	3 to 5 years
Transportation equipment	3 to 6 years
Miscellaneous equipment	5 to 8 years
Leased assets	5 years

Gain or loss from disposition property and equipment is included in current earnings.

**(i) Deferred Charges**

Loss on sale of non-performing loans are capitalized and amortized over five years. In addition, the costs of installation for utilities, including electricity and water, as well as security facilities, are capitalized and amortized equally over 5 years.

**(j) Collateral Assumed**

Collaterals assumed are stated at the lower of net book value or net realizable value; i.e., the amount the Bank receives when creditors cannot meet obligations and the collaterals and salvages are auctioned off. Under SFB

Letter Ruling (2) 094801856 on July 11, 2005, collateral assumed must be disposed before December 31, 2005. If the Bank is unable to dispose the collateral assumed before December 31, 2005, the bank should reserve a provision at carrying amount. Gains or losses on disposition of collaterals are included in current earnings.

**(k) Reserve for Default Losses**

In compliance with the Rules Governing Securities Firms, the Bank provides monthly a default indemnity reserve based on 0.0028% of securities brokerage commissions until the balance of the reserve reaches \$200,000. Such reserve may only be used to cover default losses from securities brokerage or otherwise upon SFC approval.

**(l) Reserve for Trading Losses**

In compliance with Rules Governing Securities Firms, the Bank provides securities trading loss reserve at the rate of 10% of net gain from trading of operating securities when net gain exceeds loss. This reserve is reversed in the month when the loss is actually realized. Also, this reserve is made until the balance reaches \$200,000.

**(m) Treasury Stock**

The Bank adopted SFAS No. 30 "Accounting for Treasury Stock" to account for its repurchase of outstanding shares. Under this Statement, treasury stock is carried at cost. Upon disposition, the excess of selling price over the book value of treasury stock is reflected as "capital surplus—treasury stock." If the selling price is lower than the book value, the difference is charged against capital surplus from treasury stock, and any deficit is debited to retained earnings. The book value of treasury stock is computed using the weighted-average method.

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

**(n) Pension Plan**

In accordance with the to SFC Letter Ruling (1995)(6) No. 00142 and Letter Ruling (1995)(6) No. 01985, the Bank adopted SFAS No.18 "Accounting for Pension" from June 30, 1996 onwards, obtained pension actuarial report with June 30 as the measurement date, and made all necessary disclosures on the balance sheet date. Effective July 1, 1996, the Bank appropriates pension cost and amortizes the unrecognized net transitional benefit obligations equally over 15 years based on the SFAS requirements. Pension liability referred to above was fully paid from the employees pension fund upon the privatization of the Bank.

Following its privatization, the Bank adopted a new pension plan and reassessed pension liabilities accordingly. Effective January 1, 1999, the Bank switched to calendar year and adopted December 31 as the measurement date for actuarial valuation and disclosure purposes.

Under the "Labor Pension Act" which became effective on July 1, 2005(hereinafter called the "new pension plan"), if an old employee chooses to adopt the "new pension plan" and new employee adopts the contributory defined benefit pension plan, the employer is required to contribute monthly an amount equal to not be less than 6% of the employees' monthly salary into the employees individual pension fund accounts with the Bureau of Labor Insurance .Such contribution is charged to current expense account.

**(o) Income Taxes**

The Bank adopted SFAS No. 22 "Accounting for Income Tax" to effect inter and intra- period income tax allocation. Income tax effects from taxable temporary differences are reported as deferred tax liabilities, and deductible

temporary differences, prior years' loss carryforwards, and investment tax credits are reflected as deferred tax assets. Deferred tax assets are recognized subject to management's judgment that realization is more likely than not. Adjustments to prior year's income tax expenses are reflected as current income tax expense.

The 10% surtax on undistributed earnings is reported as current expense on the date when the stockholders decided not to distribute the earnings during their annual meeting.

**(p) Earnings per Share (EPS)**

EPS is based on the weighted-average number of shares outstanding. In the event of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted on a pro rata basis, regardless of the period when the incremental shares are outstanding.

**(q) Foreign Currency Translation**

Foreign currency transaction are recorded in functional currencies. Foreign currency denominated income statement accounts of domestic offices are converted at prevailing rate as transactions occur those of overseas offices are converted into local currencies and later translated in New Taiwan dollars on the balance sheet date on spot rate. Non-forward contract foreign currency denominated assets and liabilities of domestic offices are translated in New Taiwan dollars at the end of each month at the rate announced by Central Bank. Assets and liabilities of overseas offices not denominated in local currencies are first translated into local currencies then into New Taiwan dollars at the rate announced by Central Bank. Realized or unrealized foreign exchange gains and losses are reflected as current exchange gain or loss. Retained earnings of overseas branches are translated as historical rates, with exchange differences reflected as part of cumulative translation adjustments under stockholders' equity.

**(r) Financial Derivatives**

**i) Foreign Currency Exchange Forward Contracts**

Foreign-denominated assets and liabilities arising from trading of foreign exchange forward contracts are translated at exchange rates in effect as transactions occur. Gains or losses due to exchange rates differences at maturity are included in current earnings. On the balance sheet date, unsettled positions are revalued at forward exchange rate of the remaining period of contracts, with differences thereon reflected as current exchange gain or loss.

Accounts receivables and payables arising from forward contracts are offset on the balance sheet date with the net balance reflected as asset or liability.

When non-delivery forward contracts mature, no principals are paid and the difference between the spot rate and contract rate is reflected as exchange gain or loss.

**ii) Interest Swap**

Because there is no physical transfer of principal, only memo entries of notional principals are made for interest rate swaps. For non-trading swaps, interest is accrued based on contract terms with interest revenue and expense recognized in the same period that the hedged items affect earnings.

**iii) Cross Currency Swap**

Principals of non-trading cross currency swaps are stated at forward exchange rate on the contract date with discount or premium amortized over contract terms. Interest receivable or payable, which is calculated by the difference between contract and settlement rates in accordance with contract terms, is treated as an adjustment to the income or expense of the hedged item.

**iv) Currency Swap**

Currency swaps for hedging purposes are recorded at spot rate on the contract date when principals are exchanged. Differences in receivables and payables are accounted for as exchange gain or loss monthly. Currency swaps are adjusted at spot rate at year-end, with exchange differences included in current earnings. Receivables and payables resulting from foreign currency swaps are offset and the differences are reflected as assets or liabilities.

**v) Asset-Backed Interest Rate Swap**

Convertible bonds are the underlying assets of non-trading asset-backed interest rate swaps. Under this type of swap, the Bank swaps the fixed interest rates and the differences between the par value and the redeemable value of the bonds with floating rates with counter-parties. Interest computed using the floating rates is reported as interest revenue.

**vi) Option**

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

**(s) Significant Commitments and Contingencies**

If the loss from a commitment or a contingency is deemed highly likely and the amount thereof can be reasonably estimated, such loss is recognized currently; otherwise only the nature of commitment and contingency is disclosed in the notes to financial statements.

**(3) REASONS FOR AND EFFECTS OF ACCOUNTING CHANGES:**

The Company adopted Statement of Financial Accounting Standards No. 35 "Accounting for Asset Impairment" in 2005. In 2005, the Bank recognized \$1,698 asset impairment loss, thereby resulting in decrease in net income and EPS by \$1,698 and \$0, respectively.

**(4) SUMMARY OF MAJOR ACCOUNTS:**

**(a) CASH**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Petty cash and revolving fund	\$7,571,994	\$7,209,115
Foreign currency held	897,347	861,172
Checks awaiting clearing	11,698,547	5,246,236
Negotiable certificates of time deposits	112,006,484	105,603,407
Cash in banks	1,432,042	3,843,710
Total	<u>\$133,606,414</u>	<u>122,763,640</u>

**(b) DEPOSITS WITH THE CENTRAL BANK AND CASH IN BANKS**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Deposits with the Central Bank	\$28,847,162	\$28,635,819
Call loans to banks	52,223,608	40,216,489
Trust fund reserve	50,000	50,000
Securities deposited as trust fund reserve	(50,000)	(50,000)
Total	<u>\$81,070,770</u>	<u>68,852,308</u>

As of December 31, 2005 and 2004, in accordance with the Banking Law and the Central Bank Law, the required reserve deposited by the Bank with the Central Bank amounted to \$28,550,301 and \$28,518,050, of which \$20,301,792 and \$20,363,287, respectively, were restricted and such restriction may only be lifted when the required reserve is adjusted to a lower amount.

Effective December 2000, in accordance with the amended "Rules Governing Adjustments to and Review of Deposits in Financial Institutions and Reserve for Other Liabilities", the Bank provides the required additional reserve on foreign currency deposits. As of December 31, 2005 and 2004, the required reserve with the Central Bank amounted to \$94,145 and \$2,561, respectively, and its use is unrestricted.

As of December 31, 2005 and 2004, deposits collected on behalf of the armed forces, prisons, and other national deposits amounted to \$202,716 and \$115,208, respectively, and their use are restricted.

Effective January 20, 2001, in accordance with the requirement of the Central Bank of China, the Bank complies with Clause 34 of the Trust Law to treat the discretionary trust of investments in overseas marketable securities as a default loss reserve. As of December 31, 2005 and 2004, the Bank deposited marketable securities of \$50,000 as a trust fund reserve.

**(c) BILLS PURCHASED AND MARKETABLE SECURITIES, NET**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Stocks, bonds and beneficiary certificates	\$18,565,605	\$24,787,483
Marketable securities-proprietary trading	5,654,750	6,525,173
Commercial paper	-	469,069
Bankers' acceptances	229,785	197,262
Bills purchased under agreements to resell	4,443,428	3,750,692
Less: Allowance for market value decline	(73,481)	(16,836)
Net	<u>\$28,820,087</u>	<u>35,712,843</u>
Market price	<u>29,148,263</u>	<u>36,170,805</u>

As of December 31, 2005 and 2004, marketable securities provided and deposited as operational guaranty for provisional seizure by the court amounted to \$1,058,300 and \$883,300, respectively.



**(d) RECEIVABLES**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Interest receivable	\$2,753,232	\$2,597,146
Bankers' acceptances receivable	2,016,406	2,376,364
Revenue receivable	77,036	77,932
Accounts receivable	4,428,329	7,497,996
Income tax refund receivable	274,398	-
Forward contract receivable - foreign currency	12,378,042	-
Foreign exchange forward contract payable	(12,288,187)	-
Foreign exchange forward contract receivable	-	16,848,510
Forward contract payable-foreign currency	-	(16,549,693)
Other receivable-Interbank remittance	23,636,157	15,267,495
Other receivables	541,401	850,990
Sub-total	<u>33,816,814</u>	<u>28,966,740</u>
Less: Allowance for doubtful accounts	(132,987)	(244,426)
Net	<u>\$33,683,827</u>	<u>28,722,314</u>

**(e) EXCHANGE BILLS NEGOTIATED, NOTES DISCOUNTED, AND LOANS**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Foreign currency long positions	\$22,759	\$23,419
Foreign currency imports/exports financing	1,301,437	1,550,213
Notes discounted	2,868,004	3,082,035
Customer overdrafts	155,698	828,970
Secured overdrafts	2,754,368	1,918,230
Short-term unsecured loans	127,977,996	128,325,936
Short-term secured loans	72,322,899	80,711,228
Receivables from securities lending	1,653,403	1,899,574
Medium-term unsecured loans	178,651,771	146,006,320
Medium-term secured loans	77,641,402	77,273,373
Long-term unsecured loans	41,076,138	39,435,380
Long-term secured loans	212,820,909	219,138,151
Less: Allowance for doubtful accounts	(1,791,691)	(1,888,082)
Net	<u>\$717,455,093</u>	<u>698,304,747</u>

**(f) LONG-TERM EQUITY INVESTMENTS**

	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	Book Value	Ownership%	Book Value	Ownership%
<b>Under the equity method</b>				
Union Real-Estate Management Corp. (original investment of \$31,297)	\$33,438	30.00	\$43,158	30.00
Barits Securities Investment & Trust Co., Ltd. (original investment of \$171,000 )	82,388	50.00	175,396	50.00
Taiwan Business Bank Insurance Agency Co., Ltd.(original investment of \$2,000)	12,584	100.00	8,776	100.00
Sub-total	<u>128,410</u>		<u>227,330</u>	



Under the cost method	December 31, 2005		December 31, 2004	
	Book Value	Ownership%	Book Value	Ownership%
<u>Unlisted equity securities</u>				
Taiwan Power Company	11,427	-	11,427	-
United Taiwan Bank S.A.	125,921	10.00	125,921	10.00
Taiwan Sugar Corporation	61,364	0.30	61,364	0.30
Sunysino Development Associated Inc.	20,692	3.96	20,692	3.96
Taiwan Small & Medium Enterprises Devel. Co.	29,000	4.84	29,000	4.84
Taipei Forex Incorporation	7,000	3.53	7,000	3.53
Financial Information Service Co., Ltd.	45,500	1.14	45,500	1.14
Cdib and Partners Investment Co., Ltd.	500,000	4.95	500,000	4.95
Evernight Investment Co., Ltd.	-	17.39	-	17.39
Taiwan Stock Exchange Corp.	198,012	0.95	198,012	0.95
Asia Pacific Broadband Telecom Co., Ltd.	300,000	0.46	300,000	0.46
Taiwan Futures Exchange Co., Ltd.	20,000	1.00	20,000	1.00
Koyon Capital Corporation	15,000	5.00	15,000	5.00
Taiwan Asset Management Corp.	1,000,000	5.68	1,000,000	5.68
Taiwan Finance Asset Service Corp.	50,000	2.94	50,000	2.94
Financial E-Solution Co., Ltd.	19,285	5.13	19,285	5.28
Taiwan Motor Transport Co., Ltd.	-	-	-	-
Kaohsiung Ammonium Sulfate Corp, Ltd.	-	-	-	-
Hua Nan Bills Finance Corp.	-	0.01	-	0.01
Debt Instruments Depository and Clearing Co.	20,000	1.00	20,000	1.00
Taiwan				
Taiwan Integrated Shareholder's Service Company	3,300	1.10	3,300	1.10
Sub-total	2,426,501		2,426,501	
<u>Other long-term investments</u>				
Taiwan High Speed Rail Corp.	1,500,000	-	1,500,000	-
Total	\$4,054,911		\$4,153,831	

On August 20, 2002, the MOF approved the increase in investment equal to 10% ownership in Barits Securities Investment & Trust Co., Ltd. Such investment amounted to \$51,000. The difference between investment cost and the equity of the investee was \$16,968 and is amortized equally over 5 years.

For the years ended December 31, 2005 and 2004, cash dividends received from Barits Securities Investment & Co., Ltd. amounted to \$8,675 and \$8,425, respectively.

For the year ended December 31, 2005 and 2004, cash dividend received from Taiwan Business Bank Insurance Agency Co., Ltd. amounted to \$577 and \$18,372.

In 2004, the stockholders of Financial E-Solution Co., Ltd. resolved to issue common stock for cash. After the issuance of common stock for both years, the Bank's ownership in this investee decreased from 5.6828% to 5.2780% and 5.2780% to 5.1335%, respectively, because the Bank did not subscribe to those new shares issued.

For the years ended December 31, 2005 and 2004, gain (loss) on long-term investments recognized under the equity method based on audited financial statements are as follows (Note-The gain (loss) on long-term investments includes the amortization of the difference between investment cost and the investee's equity) :

Investee Company	For The Year Ended December 31, 2005	For The Year Ended December 31, 2004
Union Real-Estate Management Corp.	\$(9,720)	\$1,852
Barits Securities Investment & Trust Co., Ltd	(84,332)	9,080
Taiwan Business Bank Insurance Agency Co., Ltd.	4,384	4,013
Total	\$(89,668)	14,945

The accounts of investee companies where ownership by the Bank exceeds 50% and which have total assets and total operating revenues not significant influence of the respective accounts of Bank, are not consolidated .

**(g) PROPERTY AND EQUIPMENT**

<b>December 31, 2005</b>	<b>Cost</b>	<b>Revaluation Appreciation</b>	<b>Total</b>
Cost			
Land	\$6,432,728	2,141,091	8,573,819
Buildings	6,909,270	31,035	6,940,305
Machinery	2,180,423	-	2,180,423
Transportation equipment	369,121	-	369,121
Miscellaneous equipment	637,852	-	637,852
Lease Improvement	102,447	-	102,447
Construction in progress	79,532	-	79,532
Prepayment for equipment	11,527	-	11,527
	<b>\$16,722,900</b>	<b>2,172,126</b>	<b>18,895,026</b>
Accumulated depreciation			
Buildings	\$1,702,666	16,617	1,719,283
Machinery	1,600,712	-	1,600,712
Transportation equipment	302,229	-	302,229
Miscellaneous equipment	540,106	-	540,106
Lease Improvement	49,986	-	49,986
	<b>\$4,195,699</b>	<b>16,617</b>	<b>4,212,316</b>
Net			14,682,710
<b>December 31, 2004</b>	<b>Cost</b>	<b>Revaluation Appreciation</b>	<b>Total</b>
Cost			
Land	\$6,504,318	2,255,434	8,759,752
Buildings	6,961,536	31,035	6,992,571
Machinery	2,042,395	-	2,042,395
Transportation equipment	391,209	-	391,209
Miscellaneous equipment	647,886	-	647,886
Lease Improvement	127,508	-	127,508
Construction in progress	26,003	-	26,003
Prepayment for equipment	62,401	-	62,401
	<b>\$16,763,256</b>	<b>2,286,469</b>	<b>19,049,725</b>
Accumulated depreciation			
Buildings	\$1,527,361	16,617	1,543,978
Machinery	1,585,870	-	1,585,870
Transportation equipment	313,501	-	313,501
Miscellaneous equipment	547,414	-	547,414
Lease Improvement	84,965	-	84,965
	<b>\$4,059,111</b>	<b>16,617</b>	<b>4,075,728</b>
Net			14,973,997

(a) Land and buildings were revalued on June 30, 1975, July 1, 1981, July 1, 1990, July 1, 1992, July 1, 1996 and April 10, 1997 in accordance with to the "Land Right Equalization Act" or "Profit Seeking Enterprise Asset Revaluation Act."

(b) As of December 31, 2005, the appreciation from revaluation of properties (including rental assets under operating lease and reflected as other assets) amounted to \$2,415,692. The reserve for land incremental tax thereon amounted to \$704,330 (reflected as long-term liabilities), and the net amount is classified under unrealized revaluation appreciation.

(c) As of December 31, 2005 and 2004, insurance coverage for property and equipment amounted to \$6,346,825 and \$6,497,823, respectively. The Bank did not utilize the buildings (including other assets reflected as non-operating assets) as guarantee, collateral, or pledge.

**(h) OTHER ASSETS**

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Accounts past due	\$16,049,397	\$35,585,048
Less: Allowance for credit losses	(5,216,194)	(5,448,083)
Sub-total	10,833,203	30,136,965
Collateral assumed	1,607,545	2,205,930
Less: Allowance for credit losses	(1,607,545)	(364,312)
Sub-total	-	1,841,618
Refundable deposits	465,326	970,667
Deferred charges (Notes (4)(p))	16,434,635	19,584,969
Deferred tax assets (Note (4)(q))	2,107,869	2,729,261
Non-operating assets, net (Note (4)(g))	440,010	597,881
Pledged certificates of time deposits	65,720	63,536
Customer advance and accounts awaiting clearance	92,149	630,122
Operating guaranty and settlement funds	67,295	63,859
Premium from purchase of options	16,048	23,252
<b>Total</b>	<b>\$30,522,255</b>	<b>56,642,130</b>

Non-operating assets consisted of leased or idle land or buildings as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
<b><u>Rental Assets</u></b>		
Cost		
Land	\$39,939	\$20,165
Buildings	51,918	31,186
Sub-total	91,857	51,351
Revaluation appreciation		
Land	39,719	242,916
Buildings	149	148
Sub-total	39,868	243,064
Cost plus revaluation appreciation	131,725	294,415
Less: Accumulated depreciation	(13,235)	(12,373)
Less: Accumulated impairment	(1,698)	-
Net	<b>\$116,792</b>	<b>282,042</b>
<b><u>Idle Assets</u></b>		
Cost		
Land	\$69,476	\$5,290
Buildings	96,312	19,149
Sub-total	165,788	24,439
Revaluation appreciation		
Land	203,698	304,133
Cost plus revaluation appreciation	369,486	328,572
Less: Accumulated depreciation	(12,399)	(12,733)
Less: Accumulated impairment	(33,869)	-
Net	<b>\$323,218</b>	<b>315,839</b>
Net of Rental Assets and Idle Assets	<b>\$440,010</b>	<b>\$597,881</b>

As of December 31, 2005 and 2004, land worth \$89,866 and \$111,478, respectively, was unlawfully occupied, and the Bank has demanded the occupant to rent, purchase, or bid for it.

**(i) DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Central Bank deposits	\$411,743	\$371,626
Deposits from other banks	221,699	354,580
Call loans from banks	62,701,604	45,505,349
Bank overdrafts	1,325,205	1,372,845
Total	<u><b>\$64,660,251</b></u>	<u><b>47,604,400</b></u>

**(j) PAYABLES**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Interest payable	\$3,325,785	\$2,519,940
Accounts payable	11,918,025	5,280,535
Bankers' acceptances	2,133,867	2,533,958
Accrued expenses	1,203,085	1,688,611
Proceeds collected on behalf of others	689,539	1,475,708
Taxes Payable	-	20,365
Dividends Payable	2,217	2,648
Deposits Received from Securities Borrowers	75,589	80,745
Guaranteed Price from Securities Borrowers	83,003	89,168
Forward contract payables - foreign currency	16,521,102	-
Foreign exchange forward contract receivables	(16,405,749)	-
Foreign exchange forward contract payables	-	16,538,064
Forward contract receivables - foreign currency	-	(16,317,719)
Other payables	2,329,389	4,676,544
Total	<u><b>\$21,875,852</b></u>	<u><b>18,588,567</b></u>

**(k) DEPOSITS AND REMITTANCES**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Savings deposits	\$461,778,810	\$454,678,975
Time deposits	221,372,661	235,879,107
Demand deposits	141,708,942	145,559,667
Checking deposits	31,384,602	26,373,202
Remittances	24,003,123	15,598,788
Total	<u><b>\$880,248,138</b></u>	<u><b>878,089,739</b></u>

**(I) FINANCIAL DEBENTURES****December 31, 2005**

<b>Bonds</b>	<b>Terms of Transactions</b>			<b>Bond Issued</b>	
	<b>Issue date</b>	<b>Maturity date</b>	<b>Interest Rate</b>	<b>Type</b>	<b>Amount</b>
2001-1	11/20/2001	11/20/2011	The debentures bear annual interest rate of 3.75%. Simple interest is accrued and paid annually. The redemption right is exercised within 5 years after the initial issue date. If the redemption right is not exercised, the interest rate will increase to 4.35% and simple interest is accrued from the sixth year.	Unsecured subordinated financial debentures	\$3,939,000
2001-1	11/20/2001	11/20/2011	The debentures bear annual interest rate of 3.7%. Simple interest is accrued and paid annually.	"	500,000
2001-1	11/20/2001	11/20/2011	The debentures bear annual interest rate of 3.8%. Simple interest is accrued and paid annually. The redemption right is exercised within 5 years after the initial issue date. If the redemption right is not exercised, the interest rate will increase to 4.4% and simple interest is accrued from the sixth year.	"	1,204,000
2001-1	11/20/2001	11/20/2008	The debentures bear annual interest rate of 3.7%. Simple interest is accrued and paid annually.	"	6,802,000
2001-2	12/24/2001	12/24/2008	The debentures bear annual interest rate of 3.9%. Floating interest is accrued. (The floating interest rate is the Bank's board floating interest rate for 1-year time deposit plus 0.95%)	"	3,000,000
2001-3	01/10/2002	01/10/2009	The debentures bear annual interest rate of 3.95%. Simple interest is and fix interest accrued and paid annually.	"	200,000
2001-4	08/21/2002	08/21/2007	The debentures bear annual interest rate of 2.85%. Floating interest is accrued. (The floating interest rate is the Bank's board floating interest rate for 1-year time deposit plus 0.7%)	"	2,000,000
2004-1	10/20/2004	non-maturity date	The debentures bear annual interest rate is the seven Banks' board floating average interest rate for 1-year time deposit plus 1.575%. The interest rate will be the seven Banks' board floating average interest rate for 1-year time deposit plus 2.575% from the sixth year	Non-maturity date accumulated subordinated financial debentures	12,000,000
					<u>\$29,645,000</u>

**December 31, 2004**

<b>Bonds</b>	<b>Terms of Transactions</b>			<b>Bond Issued</b>	
	<b>Issue date</b>	<b>Maturity date</b>	<b>Interest Rate</b>	<b>Type</b>	<b>Amount</b>
2001-1	11/20/2001	11/20/2011	The debentures bear annual interest rate of 3.75%. Simple interest is accrued and paid annually. The redemption right is exercised within 5 years after the initial issue date. If the redemption right is not exercised, the interest rate will increase to 4.35% and simple interest is accrued from the sixth year.	Unsecured subordinated financial debentures	\$3,939,000
2001-1	11/20/2001	11/20/2011	The debentures bear annual interest rate of 3.7%. Simple interest is accrued and paid annually.	"	500,000
2001-1	11/20/2001	11/20/2011	The debentures bear annual interest rate of 3.8%. Simple interest is accrued and paid annually. The redemption right is exercised within 5 years after the initial issue date. If the redemption right is not exercised, the interest rate will increase to 4.4% and simple interest is accrued from the sixth year.	"	1,204,000
2001-1	11/20/2001	11/20/2008	The debentures bear annual interest rate of 3.7%. Simple interest is accrued and paid annually.	"	6,802,000
2001-2	12/24/2001	12/24/2008	The debentures bear annual interest rate of 3.9%. Floating interest is accrued. (The floating interest rate is the Bank's board floating interest rate for 1-year time deposit plus 0.95%)	"	3,000,000
2001-3	01/10/2002	01/10/2009	The debentures bear annual interest rate of 3.95%. Simple interest is and fix interest accrued and paid annually.	"	200,000
2001-4	08/21/2002	08/21/2007	The debentures bear annual interest rate of 2.85%. Floating interest is accrued. (The floating interest rate is the Bank's board floating interest rate for 1-year time deposit plus 0.7%)	"	2,000,000
2004-1	10/20/2004	non-maturity date	The debentures bear annual interest rate is the seven Banks' board floating average interest rate for 1-year time deposit plus 1.575%. The interest rate will be the seven Banks' board floating average interest rate for 1-year time deposit plus 2.575% from the sixth year	Non-maturity date accumulated subordinated financial debentures	12,000,000
					<u>\$29,645,000</u>

**(m) LONG-TERM DEBTS**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Funds appropriated for loans	\$8,026,242	\$7,161,669
Reserve for land value incremental tax	704,329	1,460,788
Accrued pension liabilities	88,833	271,057
Total	<u><u>\$8,819,404</u></u>	<u><u>8,893,514</u></u>

**(n) OTHER LIABILITIES**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Reserve for guarantees	\$18,096	\$99,636
Reserve for trading loss	71,384	65,540
Reserve for default loss	53,524	48,544
Reserve for accidental loss	12,004	14,643
Guarantee deposit-in	780,942	840,371
Temporary collection and account awaiting clearance	-	266
Options sold	16,049	23,252
Total	<u><u>\$951,999</u></u>	<u><u>1,092,252</u></u>

**(o) STOCKHOLDERS' EQUITY****(i) Increase in Capital**

On February 6, 2004, the stockholders resolved in their interim meeting to increase the Bank's capital in cash by \$5,500,000 divided into 550,000,000 shares, with par value of \$10 per share. This capital increase with effective date of May 28, 2004, was approved by the former SFC on March 22, 2004. The registration process for this capital increase had been completed on July 2, 2004.

On March 2, 2005, the stockholders resolved in their interim meeting to increase the Bank's capital in cash by \$6,000,000 divided into 600,000,000 shares, with par value of \$10 per share. This capital increase with effective of June 13, 2005, was approved by SFB on April 4, 2005. The registration process for this capital increase had been completed on June 30, 2005.

**(ii) Capital Surplus**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Additional paid-in capital	\$-	\$3,587,256
Capital surplus from donations	-	56,054
Treasury stock	-	28,304
Total	<u><u>\$-</u></u>	<u><u>3,671,614</u></u>

Under the Company Law, except for the additional paid-in capital and capital surplus arising from donations, which can be used to increase capital or offset losses, capital surplus can only be used to offset cumulative losses. SFC regulations permit capitalization of capital surplus only once a year, and the amount should not exceed 10% of actual capital.

On June 21, 2005, the stockholders resolved in their regular meeting to offset losses against legal reserve of \$3,322,270 and capital surplus of \$4,476,315 (including unrealized revaluation appreciation of \$804,701), totalling \$7,798,585.

**(iii) Unrealized Revaluation Appreciation**

In accordance to the Amended Land and Premises Tax Regulation, the owner of a land who possesses land or premises over a long period of time is allowed to avail of reduced land value appreciation tax. As of June 30, 2005, the unrealized revaluation appreciation for the Bank amounted to \$578,952.

On June 21, 2005, the losses offset against unrealized assets revaluation appreciation for the Bank amounted to \$804,701. Pursuant to the Regulation of Assets Revaluation, earnings incurred in the future years should be distributed in accordance to both Company Law and Tax Law. However these earnings cannot be distributed for payment of dividends or used for any other purpose unless, those unrealized revaluation appreciation which was previously offset against losses, has been restored from those earnings.



(iv) Earnings Distribution and Dividend Policy

Under the Bank's Articles of Incorporation, earnings are used initially to restore cumulative losses and pay for income taxes. 30% of the remaining earnings is set aside as legal reserve. Special reserve is appropriated from earnings if necessary for business expansion.

The remaining balance of these earnings, if any, is distributed as follows:

- i) Dividends according to the proposal submitted by the Board of Directors to the annual stockholders' meeting for resolution.
- ii) Employees bonus: 1% to 8%.
- iii) Remuneration to directors and supervisor: 1%.

In principle, the amounts of cash and stock dividends shall be equal. If the ratio of capital held by the Bank to risk assets is lower than the ratio stipulated by the government plus 1% after the distribution, cash dividends per share shall not exceed \$0.5, and the remainder is distributed as stock dividends. Employees bonus may be in the form of cash or stock dividends, depending on the board of directors' resolution.

In 2005 and 2004, the Bank cannot distribute bonus and remuneration to Directors and Supervisor because it incurred a net loss. Related information can be obtained from Market Observation Post System after convening related meetings.

When the balance of legal reserve is still less than the level of total paid-in capital, payment of cash dividends shall not exceed 15% of total paid-in capital.

Under the rules set forth by the SFC, special reserve is appropriated from retained earnings based on the equivalent amounts of the contra accounts in the stockholders' equity. This special reserve may not be distributed as dividends to stockholders until the balances of these contra accounts in the stockholders' equity become nil.

On April 8, 2002, in accordance with the SFC Letter Ruling (1)002433, the loss resulting from disposal of non-performing loans is amortized over five years. In accordance with Article 41 of the Securities Exchange Law, a special reserve is appropriated from retained earnings on the basis of the same amount as the remaining balance of the unamortized loss. Such special reserve is not distributed as dividends to the shareholders until the balance of unamortized loss becomes nil.

(v) Treasury Stock

- i) The Securities Exchange Law, requires that the number of treasury shares repurchased shall not exceed 10% of total shares issued, and the amount shall not exceed the sum of retained earnings, premium on stock issuance, and realized capital surplus. With December 31, 2000 and June 30, 2000 as the measurement dates, the Bank was expecting to repurchase 54,815,000 shares and 100,000,000 shares for \$822,225 and \$1,680,000, respectively. The Bank actually repurchased 54,815,000 shares and 45,185,000 shares for \$560,833 and \$510,139, respectively.
- ii) The Bank purchased 100,000,000 shares of its own shares for employees stock option. Those treasury shares not transferred within 3 years of repurchase are considered as unissued shares. In 2003, 45,185,000 retired shares have been registered. The remaining balance of 54,815,000 shares with transfer price of \$589,146 had been transferred to the employees on record date of February 20, 2004, and the SFC approved the transfer on March 24, 2004. The repurchase conformed to Article 28-2 of the Securities Exchange Law.
- iii) Under the Securities Exchange Law, treasury stock cannot be pledged and is not granted the stockholder's right prior to transfer.

**(p) LOSS ON SALE OF NON-PERFORMING LOANS**

Under Article 15, Paragraph 5 of Law Governing Merger of Financial Institutions and SFC Letter Ruling (3) 0913000051, the loss resulting from the disposal of non-performing loans by a financial institution to an asset management company may be amortized over five years.

On July 5, 2002, the Bank entered into an agreement with the Taiwan Asset Management Corp. to sell its non-performing loans. This resulted in a loss of \$3,644,863(reflected under deferred charges), which is amortized monthly from July 2002 to July 2007.

On December 14, 2002, the Bank entered into a non-performing loans sale agreement with Colony Capital Asia Pacific Pte Ltd. and Lehman Brothers Commercial Corporation Asia Limited. This resulted in a loss of \$18,687,231, which is amortized monthly over five years, from December 2002 to December 2007.

On December 21, 2004, the Bank entered into a non-performing loans sale agreement with FC Capital Management Co., Ltd., Taiwan Branch. This resulted in a loss of \$6,709,409, which is amortized monthly over five years, from December 2004 to December 2009. However, a loss of \$125,733 had been reversed because part of these previously sold non-performing loans were returned in January and June 2005.

On June 24, 2005, the Bank entered into a non-performing loans sale agreement with Colony Capital Asia Ltd.. This resulted in a loss of \$3,128,968, which is amortized monthly over five years, from June 2005 to June 2010. However, a loss of \$12,036 had been reversed because part of these previously sold non-performing loans were returned in July 2005.

For the years ended December 31, 2005 and 2004, the amortization of the loss from the sale of the above non-performing loans amounted to \$6,140,953 and \$4,549,806 (reflected under provisions for allowances and reserves), respectively. As of December 31, 2005 and 2004, the unamortized balance amounted to \$16,433,550 and \$19,583,305, respectively.

**(q) INCOME TAXES**

(i) Deferred tax assets and liabilities arose from:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Deductible temporary difference due to provision for reserve for default loss and accidental loss	\$22,616	\$22,077
Deductible temporary difference due to provision for losses on sale of marketable securities	17,804	16,342
Deductible temporary difference due to amortization of pension expense under SFAS 18	113,752	159,309
Deductible temporary difference due to provision for allowance for credit losses exceeding the tax limit	309,626	98,783
Deductible temporary difference due to provision for impairment losses on other assets	8,892	-
Deductible temporary difference due to provision for contingent losses of lawsuit	63,042	-
Available loss carryforward benefits	11,079,255	7,578,655
Tax effect due to non-deduction allowance on investment tax credit	4,418	-
Deductible temporary difference from cumulative translation adjustments	16,737	7,731
	<u>\$11,636,142</u>	<u>7,882,897</u>

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
(ii) Deferred income tax assets	\$11,636,142	7,882,897
Valuation allowance for deferred income tax assets	(9,528,273)	(5,153,636)
Net deferred income tax assets	<u>\$2,107,869</u>	<u>2,729,261</u>

(iii) The income tax for the years ended December 31, 2005 and 2004 was calculated as follows:

	<u>For The Year Ended December 31, 2005</u>	<u>For The Year Ended December 31, 2004</u>
Income tax computed on financial (loss) income at statutory tax rate (25%)	\$(3,597,078)	\$(1,739,571)
Permanent differences:		
-Suspended securities transaction tax	(57,470)	(458,095)
-Net income from OBU operation	(84,310)	(61,112)
-Reversal (provision) of allowance for decline in market value of marketable securities	11,276	3,593
- Tax separately levied on interest revenue from short-term notes	(1,082)	(7,845)
- Loss (gain) on investment recognized under the equity method	22,642	(3,736)
- Land transaction tax-exempt	(97,660)	(187,202)
- Others	(49,761)	(59,944)
Temporary differences:		
- Provisions for reserve for default loss and accidental loss	538	2,990
- Provision for losses on sale of marketable securities	1,461	16,342
- Amortization of pension expense	(45,556)	5,416
- Allowance for credit loss exceeding the tax allowable limit	210,843	(1,166,472)
- Provision for impairment losses on other assets	8,892	-
- Provision for contingent losses of lawsuit	63,042	-
Taxable income	<u>(3,614,223)</u>	<u>(3,655,636)</u>
Carryforward benefits-deferred	3,614,223	3,655,636
Increase in deferred income tax assets	(3,753,245)	(2,690,101)
Valuation allowance for deferred tax assets	4,374,637	3,436,691
Deferred Income Tax Assets-Cumulative Translation	9,006	3,410
Adjustments increased		
10% surtax on unappropriated earnings	-	95,726
Overseas branch income tax	25,946	-
Adjustment on prior years' income tax	-	(6,391)
Tax separately	1,169	964
Income tax expense	<u>\$657,513</u>	<u>840,299</u>

(iv) The Bank's income tax returns for years up to 2002 have been approved by the tax authority.

(vi) Imputation Credit Account and Tax Deductible Ratio

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Stockholders' imputation credit account	<u>\$1,125,595</u>	<u>855,419</u>

	<b>December 31, 2005 estimated</b>	<b>December 31, 2004 actual</b>
Stockholders' tax deductible ratio	0.00%	0.00%

Information regarding unappropriated earnings:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Before 1997	\$-	-
After 1998	(15,045,826)	(7,798,585)
Total	<u>\$ (15,045,826)</u>	<u>(7,798,585)</u>

**(r) PENSION PLAN**

1. The Bank reserves pension expense in 2005 and 2004 was as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Provisions defined benefit plan Provisions	\$391,545	416,289
Provisions defined contribution plan	17,844	-
Total	<u>\$409,389</u>	<u>416,289</u>

2. The Bank adapt defined benefit plan:

(1) For the years ended December 31, 2005 and 2004, pension contributions to the independent pension fund amounted to \$341,945 and \$393,577, respectively.

(2) The Bank contributes 8% of gross salary to a pension fund and deposits it with the Central Trust of China under the name of the "Employee Pension Funds Supervisory Committee." In October 2001, the contribution rate was increased to 12%. In June 2002, the contribution rate was further increased to 11.3%. In March 2003, the contribution rate was increased to 11.5%. In April 2004, the contribution rate was increased to 12.8%. In May 2005, the contribution rate was decreased to 11.4%. As of December 31, 2005 and 2004, balance of the fund amounted to \$2,636,700 and \$2,275,272, respectively.

(3) For the years ended December 31, 2005 and 2004, actuarial assumptions used for determining pension cost were as follows:

	<b>For The Year Ended December 31, 2005</b>	<b>For The Year Ended December 31, 2004</b>
Discount rate	2.50%	3.00%
Future salary increase rate	1.50%	1.50%
Projected rate of return on pension fund assets	2.50%	3.00%

(4) As of December 31, 2005 and 2004, the reconciliation between funded status and accrued pension liabilities per books were as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Benefit obligation:		
Vested benefit obligation	\$(1,206,118)	(1,117,335)
Non-vested benefit obligation	(1,408,247)	(1,281,102)
Accumulated benefit obligation	(2,614,365)	(2,398,437)
Effect of future salary increase	(497,168)	(443,239)
Projected benefit obligation	(3,111,533)	(2,841,676)
Fair value of pension fund assets	2,636,700	2,275,272
Funded status	(474,833)	(566,404)
Unamortized balance of pension loss	386,000	295,347
Accrued pension liabilities	<u>\$(88,833)</u>	<u>\$(271,057)</u>

(5) For the years ended December 31, 2005 and 2004, components of net pension cost were the following:

	<u>For The Year Ended December 31, 2005</u>	<u>For The Year Ended December 31, 2004</u>
Service cost	\$382,302	405,774
Interest cost	75,710	70,343
Projected return on pension plan assets		
Actual return on pension plan assets	\$(35,404)	(24,182)
Loss on pension plan assets	(34,603)	(36,695)
Pension plan assets anticipated reward	(70,007)	(60,877)
Amortizations	3,540	-
Net pension cost	<u>391,545</u>	<u>415,240</u>

As of December 31, 2005 and 2004, the actual vested benefits under the employee pension plan amounted to \$1,480,420 and \$1,170,232, respectively.

**(s) EARNINGS PER SHARE**

EPS is calculated by dividing the net income by the weighted-average shares outstanding during the period. As of December 31, 2005 and 2004, the number of weighted-average shares outstanding was 4,017,777 thousand shares and 3,455,285 thousand shares, respectively.

**(t) FINANCIAL INSTRUMENTS**

(i) Financial Derivatives

i) Contract Amount or Notional Principal and Credit Risk

<u>Financial instruments</u>	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Contract amount</u>	<u>Credit risk</u>	<u>Contract amount</u>	<u>Credit risk</u>
Trading:				
Foreign exchange forward contracts	\$-	-	63,895	433
Options				
Non-trading:				
Foreign exchange forward contracts	13,243,604	-	12,187,971	-
Non-delivery forward contracts	-	-	158,840	-
Asset-backed swaps	1,396,550	12,324	2,023,622	14,098
Currency swaps	13,034,186	97,024	15,780,849	78,814
Options	1,472,375	-	1,990,982	-

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

ii) Market Risk

The Bank applies the square-off principle on financial derivatives transactions. Gain or loss from interest or exchange rate fluctuations is insignificant. Accordingly, market risk is remote.

iii) Liquidity Risk, Cash Flow Risk, Amount, Period and Uncertainty In Future Cash Demand

The Bank applies the square-off principle on financial derivatives transactions. Accordingly, cash collection from and payment to counter-parties to transactions offset those of the Bank. Impact on cash flow is relatively minor.

The estimated future cash demand from financial derivative transactions is as follows:

Term	December 31, 2005		December 31, 2004	
	Amount		Amount	
Within one year	JPY	442,799	JPY	20,342
	EUR	9,940		

Because the above future demand for cash is estimated, the actual cash demand in the future would be highly affected by fluctuations in interest and exchange rates.

iv) Net Current Gain or Loss on Transactions

Net gain or loss on financial derivatives is reported as exchange gain or loss in the statements of income. For the years ended December 31, 2005 and 2004, foreign exchange gain(loss) amounted to \$(93,641) and \$32,335, respectively.

v) Non-Trading Financial Derivatives

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

Interest receivables or payables accrued on non-trading financial derivatives held or issued by the Bank on accrual basis are reported as interest revenue or expense.

The Bank has no committed or uncommitted contracts.

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

(iii) Fair Value of Financial Instruments

Financial Assets	December 31, 2005	
	Book value	Fair value
Non-trading financial assets:		
Foreign exchange forward contracts	4,527,003	4,511,182
Asset-backed swaps	-	1,428,549
Currency swaps	12,175,820	12,064,574
Options purchased	-	736,188
Book value equal to fair value	977,355,846	977,355,846
Bills purchased and marketable securities	28,820,087	29,148,263
Long-term equity investments	4,054,911	5,814,073
Total financial assets	<u>\$1,026,933,667</u>	<u>1,031,058,675</u>
Financial Liabilities		
Non-trading financial liabilities:		
Currency swaps	810,423,881	806,188,321
Foreign exchange forward contracts	4,401,417	4,391,040
Options sold	-	736,188
Book value equal to fair value	1,016,194,703	1,016,194,703
Total financial liabilities	<u>\$1,831,020,001</u>	<u>1,827,510,252</u>

<b>Financial Assets</b>	<b>December 31, 2004</b>	
	<b>Book value</b>	<b>Fair value</b>
Trading financial assets:		
Foreign exchange forward contracts	\$43,200	43,064
Non-trading financial assets:		
Foreign exchange forward contracts	10,144,779	10,174,703
Asset-backed swaps	-	1,932,728
Currency swaps	4,002,768	4,007,076
Options purchased	-	995,491
Book value equal to fair value	950,531,410	950,531,410
Bills purchased and marketable securities	35,712,314	36,170,805
Long-term equity investments	4,153,831	5,487,094
Total financial assets	<u>\$1,004,588,302</u>	<u>1,009,342,371</u>
<b>Financial Liabilities</b>		
Trading financial liabilities:		
Foreign exchange forward contracts	\$21,609	21,322
Non-trading financial liabilities:		
Currency swaps	5,082,880	4,930,536
Foreign exchange forward contracts	8,290,813	8,317,309
Non-delivery forward contracts	158,840	158,635
Options sold	-	995,491
Book value equal to fair value	993,668,172	993,668,172
Total financial liabilities	<u>\$1,007,222,314</u>	<u>1,008,091,465</u>

Methods and assumptions used in estimating the fair values of financial instruments are specified below:

- i) The fair value of short-term financial instruments is determined by their face value on the balance sheet. Because these instruments will mature on short notice, the face value is used as a reasonable basis for establishing the fair value. This method is applied to cash and cash equivalents, notes and accounts receivable, account payable and call loans and deposits from banks.
  - ii) Market quotes of marketable securities are used as their fair values if available; otherwise financial or other information will be used to establish their fair values.
  - iii) Market quotes of long-term equity investments are used as their fair values if available; if such securities are not traded publicly, financial or other information will be used to establish their fair values.
  - iv) Fair value of long-term liabilities is estimated by the present value of expected cash flows. Discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity date and terms.
  - v) The fair value of financial derivatives is the amount the Bank expects to receive or pay, based on the assumption that contract will be terminated on the balance sheet date. In general, it consists of unrealized gain or loss on current outstanding contracts. There are reference reports for most of the financial derivatives held by the Bank.
- (iii) Financial Instruments with Off-Balance-Sheet Credit Risks
- Because the Bank provides guarantee endorsements and commercial letters of credit as guarantee, it has guarantee and credit commitments mostly confined within one year. Further, the Bank issues credit cards and has loan commitments accordingly.



Contract amounts of financial instruments with off-balance-sheet credit risks are as follows:

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Guarantees and letters of credit	\$28,656,412	31,349,169
Commitments on credit cards	15,278,413	15,278,423
	<u>\$43,934,825</u>	<u>46,627,592</u>

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

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

(iv) Information on Concentration of Credit Risk

The Bank is exposed to concentration risk if counter-parties to financial instrument transactions engage in similar activities, active in the same geographic region, or share similar economic features that would cause their abilities to fulfill contractual obligations to be similarly affected by changes in economic or other conditions.

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

<b>Loans - by region:</b>	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Domestic	\$699,629,198	680,172,103
Southeast Asia	756,375	915,082
Total	<u>\$700,385,573</u>	<u>681,087,185</u>
<b>Loans - by industry: (Note)</b>		
Electric and electronics manufacturing	\$44,756,729	44,609,557
Water,electricity and gas	39,342,467	29,093,072
Total	<u>\$84,099,196</u>	<u>73,702,629</u>

Note: The criteria is 5% of outstanding loans of December 31,2005.

## (5) RELATED PARTY TRANSACTIONS

### (a) Names of Related Parties and Relationship with the Bank

<u>Name of Related Party</u>	<u>Relationship with the Bank</u>
Bank of Taiwan	Corporate director and supervisor of the Bank
Ministry of Finance, R.O.C	Corporate director and supervisor of the Bank
The First Commercial Bank	Corporate director of the Bank
Hua Nan Commercial Bank	Corporate director of the Bank
Chang Hwa Bank	Corporate director and supervisor of the Bank
Land Bank of Taiwan	Corporate director of the Bank
Union Real-Estate Management Corp.	Investee company under the equity method
Barits Securities Investment & Trust Co., Ltd.	Investee company under the equity method
Taiwan Business Bank Insurance Agency Co., Ltd	Investee company under the equity method
Others	Major Shareholders, directors, supervisors, president, executive vice president, managers and their second tier of kinship.

**(b) Significant Related Party Transactions****(i) Due from Banks**

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Bank of Taiwan	\$130,247	0.23	116,530	0.26
Land Bank of Taiwan	26,859	0.05	2,597	0.01
Hua Nan Commercial Bank	230	-	116	-
Chang Hwa Bank	686	-	4,953	0.01
The First Commercial Bank	1,684	-	3,028	0.01
Total	\$159,706	0.28	127,224	0.29

Interest rates are the same as those with regular clients.

**(ii) Deposits from Other Banks**

	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Land Bank of Taiwan	1,957	-	529	-
Hua Nan Commercial Bank	1,928	-	1,631	-
Chang Hwa Bank	3,677	0.01	15,316	0.03
The First Commercial Bank	1,281	-	9,341	0.02
Total	\$8,843	0.01	26,817	0.05

Interest rates are the same as those with regular clients.

**(iii) Call Loans from Banks**

Year Ended	Maximum	Ending	Interest	Annual Interest
December 31, 2005	Balance	Balance	Expense	Rate
Bank of Taiwan	\$3,485,800	2,000,000	15,001	1.275%~3.27%
Land Bank of Taiwan	2,492,900	191,090	4,419	1.33%~4.255%
Chang Hwa Bank	9,936,918	4,563,080	106,332	1.21%~4.67%
Hua Nan Commercial Bank	6,147,988	2,053,040	64,208	1.21%~4.385%
The First Commercial Bank	4,649,610	1,071,022	42,537	1.21%~4.505%
Total	\$26,713,216	9,878,232	232,497	

Year Ended	Maximum	Ending	Interest	Annual Interest
December 31, 2004	Balance	Balance	Expense	Rate
Bank of Taiwan	\$1,512,284	1,226,372	16,619	1.17%~2.45%
Land Bank of Taiwan	476,520	285,912	422	1.01%~2.29%
Hua Nan Commercial Bank	6,600,442	1,683,704	17,714	1.04%~2.52%
Chang Hwa Bank	5,335,640	2,798,222	30,927	0.97%~2.52%
The First Commercial Bank	5,453,542	2,759,180	19,726	0.98%~2.49%
Total	\$19,378,428	8,753,390	85,408	

Interest rates are the same as those with regular clients.

**(iv) Call Loans to Banks**

<b>Year Ended December 31, 2005</b>	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Annual Interest Rate</b>
Bank of Taiwan	\$7,873,654	627,744	14,819	1.19%~4.46%
Land Bank of Taiwan	3,511,560	821,500	11,156	1.18%~4.65%
Hua Nan Commercial Bank	6,302,009	2,004,460	37,425	1.21%~4.65%
Chang Hwa Bank	9,958,018	2,280,342	70,993	1.21%~4.46%
The First Commercial Bank	6,337,585	1,248,680	18,668	1.21%~4.455%
<b>Total</b>	<b>\$33,982,826</b>	<b>6,982,726</b>	<b>153,061</b>	

<b>Year Ended December 31, 2004</b>	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Expense</b>	<b>Annual Interest Rate</b>
Bank of Taiwan	\$6,477,904	476,520	6,569	0.99%~2.44%
Land Bank of Taiwan	933,979	-	3,504	1.02%~2.27%
Hua Nan Commercial Bank	5,391,726	1,759,214	21,268	1.09%~2.57%
Chang Hwa Bank	9,096,971	3,971,000	33,801	0.95%~2.465%
The First Commercial Bank	5,713,209	2,109,617	20,824	0.97%~2.55%
<b>Total</b>	<b>\$27,613,789</b>	<b>8,316,351</b>	<b>85,966</b>	

Interest rates are the same as those with regular clients.

**(v) Deposits**

	<b>December 31, 2005</b>		<b>December 31, 2004</b>	
	<b>Balance</b>	<b>%</b>	<b>Balance</b>	<b>%</b>
Union Real-Estate Management Corp.	\$57	-	1,846	-
Barits Securities Investment & Trust Co., Ltd.	100,420	0.01	144,987	0.02
Taiwan Business Bank Insurance Agency Co., Ltd.	8,272	-	5,679	-
Others	1,378,197	0.16	1,873,164	0.21
<b>Total</b>	<b>\$1,486,946</b>	<b>0.17</b>	<b>2,025,676</b>	<b>0.23</b>

Interest rates are the same as those with regular clients.

**(vi) Credit Loans**

<b>For The Year Ended December 31, 2005</b>	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate</b>	<b>Remarks</b>
Ministry of . Finance, R.O.C	\$355,179	303,973	10,802	3.075%	Loan for land reserved for public
Others	594,691	437,611	9,047	1.508%~8.013%	-
	<b>\$949,870</b>	<b>741,584</b>	<b>19,849</b>		

<b>For The Year Ended December 31, 2004</b>	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Interest Revenue</b>	<b>Interest Rate</b>	<b>Remarks</b>
Ministry of . Finance, R.O.C	\$394,891	355,179	12,471	3.075%	Loan for land reserved for public
Others	1,259,785	509,826	45,614	1.70%~7.743%	-
	<b>\$1,654,676</b>	<b>865,005</b>	<b>58,085</b>		

Interest rates are the same as those with regular clients.

(vii) Commissions and handling fees:

The Bank received manpower support fee of \$134,857 and \$76,056 for the years ended December 31, 2005 and 2004, respectively, for providing personnel and communication resources to the Taiwan Business Banks Insurance Agency Co., Ltd.

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

<b>December 31, 2005</b>			
<b>Category</b>	<b>Number of clients</b>	<b>Ending balance</b>	<b>Possible losses</b>
Consumer loans	1,355	\$571,102	None
Employee mortgage loans	1,418	4,341,307	None
Credit transactions in which related parties act as borrower	3	6,027,773	None
Credit transactions in which related parties act as guarantor	-	-	-
Credit transactions in which related parties provide collateral	-	-	-

<b>December 31, 2004</b>			
<b>Category</b>	<b>Number of clients</b>	<b>Ending balance</b>	<b>Possible losses</b>
Consumer loans	1,321	\$580,850	None
Employee mortgage loans	1,553	4,371,521	None
Credit transactions in which related parties act as borrower	5	7,374,572	None
Credit transactions in which related parties act as guarantor	-	-	-
Credit transactions in which related parties provide collateral	-	-	-

**(6) PLEDGED ASSETS: please refer to notes 4(b), (c) and (h) for more details.**

**(7) SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

**(a) As of December 31, 2005 and 2004, significant commitments and contingencies were as follows :**

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Marketable securities held for custody	\$58,598,880	\$64,253,062
Bills collected for others	111,760,053	121,813,017
Bills lent for others	12,544,466	11,532,094
Guarantees and letters of credit	28,656,412	31,349,169
Collaterals received	6,999	15,113
Trust liabilities	31,005,453	30,578,146
Travelers' check in custody for sale	492,022	481,462
Promissory notes issued	1,058,300	883,300
Items held for custody	15,950,739	15,429,171
Securities underwritten and stamp tax receipt	43	980
Interest rate swaps	2,641,077	7,837,166
Registered government bonds for sale	8,096,700	8,597,700
Registered short-term bills for sale	5,902,592	6,460,028

(b) As of December 31, 2005 and 2004, refundable deposits for operating leases amounted to \$264,410 and \$764,056, respectively. Estimated future rental commitments are as follows:

Period	Amount
01.01.2006~12.31.2006	\$276,513
01.01.2007~12.31.2007	217,770
01.01.2008~12.31.2008	172,660
01.01.2009~12.31.2009	100,126
01.01.2010~12.31.2010	46,009
Total	<b>\$813,078</b>

(c) Estimated rental revenues from rental assets for the next 5 years are as follows:

Period	Amount
01.01.2006~12.31.2006	\$7,158
01.01.2007~12.31.2007	6,057
01.01.2008~12.31.2008	4,826
01.01.2009~12.31.2009	2,250
01.01.2010~12.31.2010	825
Total	<b>\$21,116</b>

(d) As of December 31, 2005 and 2004, major constructions in progress and purchases amounted to \$242,520 and \$371,726, respectively, of which \$153,036 and \$286,453, respectively, remained unpaid.

(e) The Bank's trust department plans, manages, and operates trust services in accordance with the Banking Law and Trust Law. Special purpose funds are used to invest in marketable securities and the Bank also manages trust funds. As of December 31, 2005 and 2004, balance sheet and property accounts of the trust accounts were as follows:

December 31, 2005			
Trust Balance Sheet			
<u>Trust assets</u>		<u>Trust liabilities</u>	
Cash in bank	\$7,940	Trust capital	\$31,005,453
Short-term investments	29,717,348		
Real estate	1,280,165		
<b>Total trust assets</b>	<b>\$31,005,453</b>	<b>Total trust liabilities</b>	<b>\$31,005,453</b>

December 31, 2005	
Trust Property Accounts	
<u>Investments in:</u>	
Cash in bank	\$7,940
Short-term investments	
Funds	29,717,348
Real estate	
Construction in Progress	187,081
Land	1,093,084
<b>Total</b>	<b>\$31,005,453</b>

Note: Included OBU transaction on "foreign currency designated trust funds investment in foreign negotiable securities business" amounting to \$153,799.

**December 31,2004**

**Trust Balance Sheet**

<u>Trust assets</u>		<u>Trust liabilities</u>	
Cash in bank	\$807	Trust capital	\$30,578,146
Short-term investments	30,039,013		
Real estate	538,326		
Total trust assets	<u>\$30,578,146</u>	Total trust liabilities	<u>\$30,578,146</u>

**December 31,2004**

**Trust Property Accounts**

<u>Investments in:</u>	
Cash in bank	\$807
Short-term investments	
Funds	30,039,013
Real estate	
Land	538,326
Total	<u>\$30,578,146</u>

(f) In April 1996, the Bank's World Trade Center Branch (originally named the Young Chi Branch) was sued for allegedly handling a letter of credit export collection for Chin Seen Industrial Co., apparently because that company allegedly used a forged export document and failed to ship the goods to the importer, the International Comagnie de Commercialisation et d'Invertissement (I.C.C.I.) of the Republic of Zaire, which suffered a loss thereon.

Domestic litigation:

The prosecutor has charged three TBB employees under the anti-corruption statute, and I.C.C.I. has initiated a civil suit accessory to the criminal case against them for compensation in the amount of US\$7,830,000. On December 17, 2000 the plaintiff, I.C.C.I., added TBB as a defendant in the civil tort liability case, demanding that it take joint responsibility for compensation with its employees. On November 20 2002, TBB was informed by the superior court that such case was deemed withdrawn by I.C.C.I. under the laws of Civil Procedure, R.O.C. In January, 2003, TBB was further informed that I.C.C.I. filed a motion to reopen the litigation process and had not made any decision with respect to it. As the employees adjudged blamelessness in criminal law option recently. As of September 7, 2005, the case is under investigation in the High Court as the employees adjudged blamelessness in criminal law option, and has pleaded that the legally stipulated time limit in civil suit. The bank deems that under the Civil Law they will not be required to pay compensation, as such the bank has not estimated any loss.

Overseas litigation:

The importer, I.C.C.I., initiated a case with the Court of Commerce of Brussels in Belgium in November 1998, demanding that the L/C opening bank (Banque Bruxelles Lambert, or BBL) and the TBB jointly pay compensation for the L/C in the amount of US\$7,830,000 plus interest, losses, and expenses. TBB has retained a local Belgian attorney to represent it in the case. On August 31, 2005, The Court of Commerce of Brussels rendered its judgement requiring the L/C opening bank pay compensation of US\$7,674,000 to I.C.C.I. However, the L/C opening bank did not pay any compensation even if it was notified of the Court's judgment on September 15, 2005. The bank deems the judgment is censorable, and the suit is adjudged blamelessness in criminal law in Taiwan. Therefore the bank has retained a local attorney to appeal. The bank has accrued the potential compensation of US\$7,674,000.

**(8)SIGNIFICANT CATASTROPHIC LOSSES: None.**

**(9)SIGNIFICANT SUBSEQUENT EVENTS: None.**

**(10)OTHERS**

**(a) Disclosures required for bank financial statements**

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
(i) Domestic loans and advances:		
Private businesses	\$319,110,259	\$329,100,364
State enterprises	53,168,599	45,775,793
Governmental institutions	140,495,586	113,435,287
Non-profit organizations	1,245,073	1,341,386
Individuals	183,969,300	191,028,691
Financial Institutions	34,146	33,500
Others	2,707,091	699,773
Sub-total	<u>700,730,054</u>	<u>681,414,794</u>
Foreign loans and advances:		
Financial institutions	-	-
Non-financial institutions	18,516,729	18,778,035
Sub-total	<u>18,516,729</u>	<u>18,778,035</u>
Total	<u><b>\$719,246,783</b></u>	<u><b>700,192,829</b></u>

As of December 31, 2005 and 2004, non-performing loans (interest accrual suspended) amounted to \$16,049,397 and \$35,585,048, respectively. Interest accrued on such loans amounted to \$881,112 and \$1,953,619, respectively.

(ii) Allowance for Credit Losses:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Beginning balance	\$7,944,903	\$12,262,814
Bad debts expense	14,570,234	11,960,293
Charge-offs and advances	(15,557,901)	(16,904,449)
Exchange differences	4,448	(10,057)
Recovery from charge-offs and advances	1,786,733	636,302
Ending balance	<u>\$8,748,417</u>	<u>7,944,903</u>

(iii) Interest-yielding assets, interest-bearing liabilities, and current average interest rates were as follows:

	<u>For The Year Ended December 31, 2005</u>		<u>For The Year Ended December 31, 2004</u>	
	<u>Average Amount</u>	<u>Average Interest</u>	<u>Average Amount</u>	<u>Average Interest</u>
<b>Assets</b>				
Cash-Negotiable Certificates of Time Deposits	\$101,178,938	1.35%	\$90,977,662	1.24%
Due from and Call Loans to Banks	48,396,662	3.09%	54,762,640	1.38%
Deposits with the Central Bank	28,494,499	1.13%	34,991,296	1.13%
Marketable Securities (including Bonds)	33,925,378	2.51%	34,450,163	2.56%
Loans	680,718,853	3.08%	641,439,027	3.14%
<b>Liabilities</b>				
Deposits from the Central Bank	467,394	-	398,412	-
Deposits from Other Banks	43,047,746	2.90%	45,820,155	1.43%
Demand Deposits(including foreign currency)	337,352,179	0.63%	318,267,335	0.48%
Government Deposits	6,751,543	0.96%	5,353,617	0.73%
Time Deposits(including foreign currency)-Corporate	129,761,700	1.74%	139,407,738	0.99%
Postal Office Deposits	101,795,809	1.81%	111,218,016	1.33%
Time Savings Deposits- Individuals	264,870,279	1.59%	281,468,681	1.18%
Financial Debentures	29,645,000	3.34%	20,033,258	3.30%
Funds Appropriated for Loans	7,520,994	0.75%	6,390,525	0.92%



## (iv) Aging analysis of the Bank's assets and liabilities:

December 31, 2005								
Assets	Within 6 months		6 months to 1 year		Over 1 year		Total	
	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment
Cash	\$20,167,887	20,167,887	-	-	-	-	20,167,887	20,167,887
Cash-Negotiable Certificates of Time Deposits	112,005,589	112,005,589	895	895	-	-	112,006,484	112,006,484
Due from and call loans to banks	40,848,525	40,848,525	-	-	-	-	40,848,525	40,848,525
Deposits with the Central Bank	8,545,370	8,545,370	-	-	20,301,792	20,301,792	28,847,162	28,847,162
Marketable Securities	17,883,163	17,883,163	844,089	844,089	10,166,316	10,092,835	28,893,568	28,820,087
Exchange bills negotiated, Notes discounted, and loans	108,262,319	108,262,319	100,794,245	100,794,245	510,190,220	508,398,528	719,246,784	717,455,092
<b>Total</b>	<b>\$307,712,853</b>	<b>307,712,853</b>	<b>101,639,229</b>	<b>101,639,229</b>	<b>540,658,328</b>	<b>538,793,155</b>	<b>950,010,410</b>	<b>948,145,237</b>
December 31, 2004								
Assets	Within 6 months		6 months to 1 year		Over 1 year		Total	
	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment
Cash	\$13,316,523	13,316,523	-	-	-	-	13,316,523	13,316,523
Cash-Negotiable Certificates of Time Deposits	104,166,943	104,166,943	500,000	500,000	1,000,000	1,000,000	105,666,943	105,666,943
Due from and call loans to banks	44,060,199	44,060,199	-	-	-	-	44,060,199	44,060,199
Deposits with the Central Bank	8,269,971	8,269,971	-	-	20,365,848	20,365,848	28,635,819	28,635,819
Marketable Securities	21,393,501	21,393,501	5,302,470	5,302,470	9,033,708	9,016,872	35,729,679	35,712,843
Exchange bills negotiated, Notes discounted, and loans	147,111,376	147,111,376	71,228,230	71,228,230	481,853,223	479,965,141	700,192,829	698,304,747
<b>Total</b>	<b>\$338,318,513</b>	<b>338,318,513</b>	<b>77,030,700</b>	<b>77,030,700</b>	<b>512,252,779</b>	<b>510,347,861</b>	<b>927,601,992</b>	<b>925,697,074</b>
December 31, 2004								
Liabilities	Within 6 months		6 months to 1 year		Over 1 year		Total	
	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment	Amount	Estimated Receipt / Payment
Deposits from the Central Bank	\$371,626	371,626	-	-	-	-	371,626	371,626
Due to Other Banks	47,232,774	47,232,774	-	-	-	-	47,232,774	47,232,774
Demand Deposits	356,867,109	356,867,109	-	-	-	-	356,867,109	356,867,109
Government Deposits	5,368,313	5,368,313	1,035,924	1,035,924	-	-	6,404,237	6,404,237
Time Deposits-Corporate	42,026,733	42,026,733	18,718,121	18,718,121	72,816,853	72,816,853	133,561,707	133,561,707
Postal Office Deposits	14,835,478	14,835,478	13,565,642	13,565,642	73,916,280	73,916,280	102,317,400	102,317,400
Time Savings Deposits-Individuals	43,393,344	43,393,344	46,149,694	46,149,694	173,797,460	173,797,460	263,340,498	263,340,498
Financial Debentures	-	-	-	-	29,645,000	29,645,000	29,645,000	29,645,000
Funds Appropriated for Loans	3,982,454	3,982,454	20,500	20,500	3,158,715	3,158,715	7,161,669	7,161,669
<b>Total</b>	<b>\$514,077,831</b>	<b>514,077,831</b>	<b>79,489,881</b>	<b>79,489,881</b>	<b>353,334,308</b>	<b>353,334,308</b>	<b>946,902,020</b>	<b>946,902,020</b>

## (b) Personnel, Depreciation, and Amortization Expense

Categorized as: Nature	For The Year Ended December 31, 2005			For The Year Ended December 31, 2004		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Personnel expenses						
Salary expense	-	5,150,015	5,150,015	-	5,131,839	5,131,839
Health and labor insurance expense	-	285,420	285,420	-	284,824	284,824
Pension expense	-	409,389	409,389	-	416,289	416,289
Other expense	-	77,008	77,008	-	209,952	209,952
Depreciation expense	-	464,489	464,489	-	472,345	472,345
Depletion expense	-	-	-	-	-	-
Amortization expense	-	43,945	43,945	-	22,586	22,586
Amortizing loss on sale of non-performing loans	6,140,953	-	6,140,953	4,549,806	-	4,549,806

## (c) Policy and practice of risk management and main risks exposed:

## (i) Information on loan quality, credit risk centralization, loan losses and the policy for loan losses allowance:

## i) Loan quality

	December 31, 2005		December 31, 2004	
	Amount	Percentage	Amount	Percentage
Over due loans-type 1	\$ 15,718,784	2.14	\$ 34,809,754	4.73
Over due loans-type 2	1,538,269	0.21	5,356,050	0.73
Total	17,257,053	2.35	\$40,165,804	5.46

## ii) Credit risk centralization

	December 31, 2005		December 31, 2004	
Loans to related parties	\$	10,940,182		12,326,943
Loans to related parties / Total loans		1.49%		1.64%
Loans with stock pledged / Total loans		0.06%		0.04%
Loan concentration by industry (Top Three)	<u>Industry</u>	<u>Percentage</u>	<u>Industry</u>	<u>Percentage</u>
	Manufacturing	26.76%	Manufacturing	29.76%
	Wholesale, retail and catering	8.43%	Wholesale, retail and catering	7.55%
	Water, electricity, gas	5.68%	Construction	4.47%

## (ii) Concentrations of risk of financial instruments: Note(4) (t)(iii)and(iv).

## (iii) Interest - yielding assets, interest — bearing liabilities, and current average interest rates: Note (10)(a)(iii).

## (iv) Risk sensitivity

	December 31, 2005	December 31, 2004
Ratio of interest - sensitive assets to liabilities	91.51%	89.06%
Ratio of interest - sensitive gap to stockholders' equity	(228.60)%	(228.13)%

(v) Significant net positions of foreign currencies

Significant net positions of foreign currency (Market risk)	December 31, 2005			December 31, 2004		
	Foreign Currency Amount	NT\$ Amount		Foreign Currency Amount	NT\$ Amount	
	USD	40,144	1,307,961	USD	45,173	1,435,071
	HKD	8,591	36,141	EUR	4,381	189,320
	EUR	544	22,557	HKD	9,513	38,858
	GBP	195	10,995	JPY	87,566	27,066
	ZAR	3,025	15,590	AUD	631	15,617

Note 1: Main foreign currencies are the top five foreign currencies on hand ranked in NTD value .

Note 2: Net foreign currency is the absolute value of the net value of each foreign currency on hand.

(vi) Profitability and the maturity analysis of assets and liabilities

i) Profitability

	For the year ended December 31, 2005	For the year ended December 31, 2004
The ratio of return on assets	(1.38)%	(0.69)%
The ratio of return on shareholders' equity	(43.51)%	(18.20)%
Net income ratio	(49.90)%	(24.25)%

ii) The maturity analysis of assets and liabilities

December 31, 2005(In million)

	Amount during the maturity period from the balance sheet date to due date					
	Total	Within 30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Asset	\$953,458	181,718	87,471	115,779	103,054	465,436
Liabilities	1,211,510	191,267	135,531	122,978	290,340	471,394
Gap	(258,052)	(9,549)	(48,060)	(7,199)	(187,286)	(5,958)
Accumulated gap	(258,052)	(9,549)	(57,609)	(64,808)	(252,094)	(258,052)

December 31, 2004(In million)

	Amount during the maturity period from the balance sheet date to due date					
	Total	Within 30 days	31~90 days	91~180 days	181 days~ 1year	Over 1 year
Asset	\$ 954,369	200,877	61,138	122,713	86,770	482,871
Liabilities	963,685	141,040	110,582	96,065	181,461	434,537
Gap	(9,316)	59,837	(49,444)	26,648	(94,691)	48,334
Accumulated gap	(9,316)	59,837	10,393	37,041	(57,650)	(9,316)

Note: Listed amounts are in New Taiwan dollars (i.e., excluding foreign — currency amounts)of the head office and domestic branches.

(vii) Special memorandum items

<b>Offense</b>	<b>Case description and amount</b>
Management or any employee being involved in lawsuit for disobeying any business rules in one year	An Assistant Manager (presently a branch manager) of the branch, XX transacted to change the signature seal of one of its customers (a hospital dean) without the knowledge and consent of the customer. The Manager was aware of the matter. The Prosecutor's Office of the Nantou District Court concluded the case via 2005 Zhen Zih Document No.22 and on January 11, 2005 indicted the defendants finding him guilty of alteration and tampering journal entries under business writing under Article Nos. 29 and 215 of the Criminal Code.
The Bank is being fined for disobeying the Banking Law in one year	None
The Bank is being punished by SFB for any fault in one year	None
The Bank incurred losses of over \$50,000 thousand for management or employee fraud or for any security incident in one year	None
Others	None

(d) Capital Adequacy

	<b>December 31, 2005</b>	<b>December 31, 2004</b>
Capital adequacy ratio	10.09%	11.43%
Total liabilities / shareholders' equity	3,536.53%	2,659.48%

Note : Capital adequacy ratios were based on the figures provided as of December 31 2005 and 2004.

(e) Reclassifications

Certain accounts in the 2004 financial statements have been reclassified to conform to presentation adapted in 2005 for comparison purpose.

## **(10)DISCLOSURES REQUIRED:**

(a) Information on significant transactions

- (i) Accumulative purchases or sales of the same investee companies amounting to over \$300,000 or 10% of paid-in capital: None.
- (ii) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (iii) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.
- (iv) Discount of commissions of handling fees with related parties amounting to over \$5,000: None.
- (v) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.

(vi) Sales of non-performing loans amounting to over \$5,000,000:

In June of 2005, we sold non-performing loans totaling \$7,937,384 to an asset management company. Included in the non-performing loans sold were overdue loans of about \$5,998,676 and bad debt loans of about \$1,938,708. In July of 2005, we sold non-performing loans totaling \$819,418 to an asset management company. Included in the non-performing loans sold were overdue loans of about \$228,391 and bad debt loans of about \$591,027. Please see Note.(4)(p) for other information.

(vii) Other significant transactions that might have influence over the decision making process of the financial statements users: None.

(b) Information on investee companies:

(i) Names, locations, and related information of investees on which the company exercises significant influence:

Name of investing company	Name of investee company	Address	Main Business Scope	Amount of Original Investment		Ownership as of December 31, 2005			Current income or loss of investee company	Investment gain or loss recognized by the Company	Note
				Ending Balance	Beginning Balance	Number of Shares	Share-holding Ratio	Book Value			
Taiwan Business Bank	Union Real-Estate Management Corp.	12F, No.376, Sec.4 Ren Ai Road, Taipei, Taiwan.	Consultancy and review of construction plans information search and valuation of real property and construction	31,297	31,297	3,353,490	30.00%	33,438	(32,400)	(9,720)	An investee company accounted for under the equity method
Taiwan Business Bank	Barits Securities Investment & Trust Co., Ltd.	21F., No.456, Sec. 4, Xinyi Rd., Xinyi District, Taipei City 110, Taiwan (R.O.C.)	Raising and issuance of mutual funds	171,000	171,000	15,000,000	50.00%	82,388	(160,767)	(84,332)	*
Taiwan Business Bank	Taiwan Business Bank Insurance Agency Co., Ltd.	2F., No.158, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	Agent of personal insurance	2,000	2,000	500,000	100.00%	15,526	4,419	4,384	*

Except for the above disclosure, the Bank has no other disclosures regarding the Bank and its investees required to conform to Article 13, Paragraph 1 of Regulations Governing the Preparation of Financial Statements for Security Issuers

Note: The investee's current period net income is the audited net income for the period from January 1, 2005 to December 31, 2005.

(ii) Loans to others: None.

(iii) Endorsement and guarantees for others: None.

(iv) Marketable securities held as of December 31, 2005: None.

(v) Cumulative purchases or sales of the same marketable securities amounting to over \$300,000 or 10% of paid-in capital: None.

(vi) Acquisition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(vii) Disposition of real estate amounting to over \$300,000 or 10% of paid-in capital: None.

(viii) Discount of commissions of handling fees with related parties amounting to over \$5,000: None.

(ix) Receivables from related parties amounting to over \$300,000 or 10% of paid-in capital: None.

(x) Investee companies' financial derivatives transactions: None.

(xi) Sales of non — performing loans amounting to over \$5,000,000: None.

(xii) Other significant transactions that might have influence over the decision making process of the financial statements users: None.

(c) Information on investment in Mainland China: Not applicable.

## (11) BUSINESS SEGMENT FINANCIAL INFORMATION:

(a) Information by industry: the Bank operates only in commercial banking industry.

(b) Information by region: overseas operating revenues and identifiable assets do not exceed 10% of total revenues or total assets of the Bank.

(c) Export information: Not applicable.

(d) Major client information: Not applicable.

## VII. Directory of Head Office and Branch Units

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Head Office	30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Banking Department	30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Trust Department	15F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
Securities Department (Banking Broker)	4F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	
International Department	3F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP
Chi Lin Branch	46, Sec. 2, Min Chen E. Rd., Taipei, Taiwan, R.O.C.	(02)25417171	MBBTTWTP001
Chung Ho Branch	634-10 Gin Pin Rd., Chung Ho City, Taipei Hsien, Taiwan, R.O.C.	(02)22427171	
Po Ai Branch	419 Min Cheng 2nd Rd., Kaohsiung, Taiwan, R.O.C.	(07)5567171	
North Taoyuan Branch	985 Chung Zi Rd., Taoyuan City, Taoyuan Hsien, Taiwan, R.O.C.	(03)3567171	
Nan Can Branch	381 Chung Cheng Rd., Luo Chu Shiang, Taoyuan Hsien, Taiwan, R.O.C.	(03)3227171	MBBTTWTP005
Si Tuen Branch	107, Sec. 3, Taichung Kang Rd., Taichung City, Taiwan, R.O.C.	(04)23587171	MBBTTWTP006
Chung Min Branch	301 Chung Min S. Rd., Taichung City, Taiwan, R.O.C.	(04)23057171	
Ta Ya Branch	161 Ta Ya Rd., Ta Ya Shiang, Taichung Hsien, Taiwan, R.O.C.	(04)25687171	MBBTTWTP011
Jen Ta Branch	183 Fon Nan Rd., Kaohsiung, Taiwan, R.O.C.	(07)3537171	
Jen Ai Branch	357, Sec. 4, Jen Ai Rd., Taipei, Taiwan, R.O.C.	(02)27217171	MBBTTWTP020
Sung Shan Branch	147, Sec. 4, Nan King E. Rd., Taipei, Taiwan, R.O.C.	(02)27167171	MBBTTWTP021
Chien Cheng Branch (Banking Broker)	76 Nan King W. Rd., Taipei, Taiwan, R.O.C.	(02)25507171	MBBTTWTP022
Shih Lin Branch	601 Chung Cheng Rd., Shih-Lin Chiu, Taipei, Taiwan, R.O.C.	(02)28117171	
Yung Ho Branch	168 Chu Lin Rd., Yung Ho City, Taipei Hsien, Taiwan, R.O.C.	(02)29277171	
Hsin Tien Branch	192, Sec. 2, Chung Hsing Rd., Hsin Tien City, Taipei Hsien, Taiwan, R.O.C.	(02)29117171	MBBTTWTP025
Hsin Chuang Branch	1&2F, 16, Sec. 1, Chung Hwa Rd., Hsin Chuang City, Taipei Hsien, Taiwan, R.O.C.	(02)29907171	MBBTTWTP026
Hwa Cheng Branch	370 Hwa Cheng Rd., Hsin Chuang City, Taipei Hsien, Taiwan, R.O.C.	(02)29977171	
Sung Kiang Branch	158 Sung Kiang Rd., Taipei, Taiwan, R.O.C.	(02)25377171	MBBTTWTP040
Taipei Branch (Banking Broker)	72, Sec. 1, Chung King S. Rd., Taipei, Taiwan, R.O.C.	(02)23717171	MBBTTWTP050
Wan Hua Branch	146 Kwang Chow St., Taipei, Taiwan, R.O.C.	(02)23387171	
South Taipei Branch	93, Sec. 2, Roosevelt Rd., Taipei, Taiwan, R.O.C.	(02)23697171	
Fu Hsin Branch	390, Sec. 1, Fu Hsing S. Rd., Taipei, Taiwan, R.O.C.	(02)27057171	MBBTTWTP070
Chung Shan Branch	17 Chang Chuen Rd., Taipei, Taiwan, R.O.C.	(02)25517171	MBBTTWTP080
Chien Kuo Branch	4, Sec. 3, Min Chen E. Rd., Taipei, Taiwan, R.O.C.	(02)25097171	MBBTTWTP081
Nai Hu Branch	15, Alley 360, Sec. 1, Nai Hu Rd. Taipei, Taiwan, R.O.C.	(02)27997171	MBBTTWTP082
Nan King East Road Branch	311, Sec. 3, Nan King E. Rd., Taipei, Taiwan, R.O.C.	(02)27127171	MBBTTWTP090
Chung Hsiao Branch	142, Sec. 4, Chung Hsiao E. Rd., Taipei, Taiwan, R.O.C.	(02)27727171	MBBTTWTP100
East Taipei Branch	135, Sec. 4, Pa Te Rd., Taipei, Taiwan, R.O.C.	(02)87877171	MBBTTWTP101
World Trade Center Branch	547 Kuang Fu S. Rd., Taipei, Taiwan, R.O.C.	(02)23457171	MBBTTWTP102
Yung Trin Branch	552, Sec. 5, Chung Hsiao E. Rd., Taipei, Taiwan, R.O.C.	(02)23467171	
Nan Kang Branch	19-2 San Chung Rd., Nan Kang District, Taipei, Taiwan, R.O.C.	(02)26553771	MBBTTWTP105
Sung Nan Branch	161, Sec. 1, Keelung Rd., Taipei, Taiwan, R.O.C.	(02)27647171	MBBTTWTP110
Dong Hu Branch	152, Sec. 6, Min Chuan E. Rd., Taipei, Taiwan, R.O.C.	(02)87929771	
Ta An Branch	92, Sec. 2, Tun Hwa S. Rd., Taipei, Taiwan, R.O.C.	(02)27007171	MBBTTWTP120
Shuang Ho Branch	356 Chung Ho Rd., Chung Ho City, Taipei Hsien, Taiwan, R.O.C.	(02)22327171	
Jim Ho Branch	403, Sec. 2, Chung Shan Rd., Chung Ho City, Taipei Hsien, Taiwan, R.O.C.	(02)22287171	
Wu Ku Branch	95 Wu Kung Rd., Wu Ku Industrial Zone, Hsin Chuang City, Taipei Hsien, Taiwan, R.O.C.	(02)22987171	MBBTTWTP130

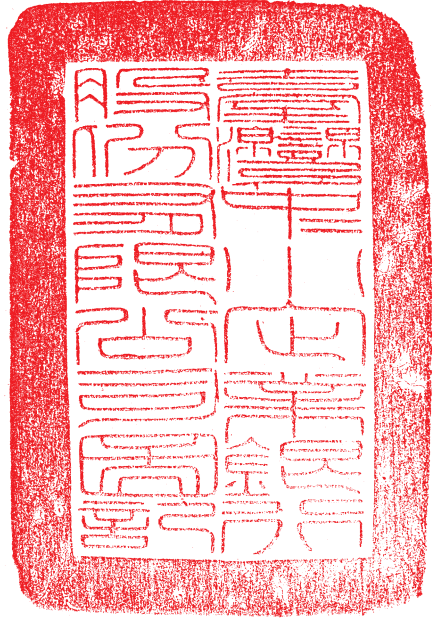
TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Lin Kuo Branch	1F-2, 188 Chung Shan Rd., Lin Kuo Shiang, Taipei Hsien, Taiwan, R.O.C.	(02)26037171	MBBTTWTP131
Pan Chiao Branch	2-1 Ming Te St., Pan Chiao City, Taipei Hsien, Taiwan, R.O.C.	(02)29687171	MBBTTWTP140
Shu Lin Branch	217, Sec. 1, Chung Shan Rd., Shu Lin City, Taipei Hsien, Taiwan, R.O.C.	(02)26757171	MBBTTWTP141
Tu Cheng Branch	126, Sec. 2, Chung Yang Rd., Tu Cheng City, Taipei Hsien, Taiwan, R.O.C.	(02)22737171	MBBTTWTP142
Hwei Long Branch	933 Chung Cheng Rd., Hsin Chuang City, Taipei Hsien, Taiwan, R.O.C.	(02)82097171	
Hsi Chih Branch	75, Sec. 1, Shin Tai 5th Rd., His Chih City, Taipei Hsien, Taiwan, R.O.C.	(02)26987171	MBBTTWTP144
Keelung Branch	9 Ai 3rd Rd., Keelung, Taiwan, R.O.C.	(02)24237171	
Pu Chya Branch	62-1, Sec. 2, Chung Shan Rd., Pan Chiao City, Taipei Hsien, Taiwan, R.O.C.	(02)29547171	
North San Chung Branch	137, Sec. 4, San Ho Rd., San Chung City, Taipei Hsien, Taiwan, R.O.C.	(02)22867171	
South San Chung Branch	232, Sec. 1, Chi Cheng Rd., San Chung City, Taipei Hsien, Taiwan, R.O.C.	(02)29827171	MBBTTWTP153
Lu Chow Branch	42 Yeong Loh St., Lu Chow City, Taipei Hsien, Taiwan, R.O.C.	(02)28477171	
I Lan Branch	305 Sec. 2, Chung Shan Rd., I Lan City, I Lane Hsien, Taiwan, R.O.C.	(03)9367171	
Lo Tung Branch	15 Chung Cheng N. Rd., Lo Tung Chen, I Lan Hsien, Taiwan, R.O.C.	(03)9567171	
Su Aw Branch	96-1, Sec. 1, Chung Shan Rd., Su Aw Chen, I Lan Hsien, Taiwan, R.O.C.	(03)9965051	
Yang Mei Branch	146 Ta Cheng Rd., Yang Mei Chen, Taoyuan Hsien, Taiwan, R.O.C.	(03)4786111	
Hu Kou Branch	76, Sec. 1, Chung Cheng Rd., Hu Kou Shiang, Hsin Chu Hsien, Taiwan, R.O.C.	(03)5997171	
Taoyuan Branch	99 Chung Hwa Road Tao Yuan City, Taiwan, R.O.C.	(03)3317171	MBBTTWTP300
Ta Yuan Branch	80 Chung Shan S. Rd., Ta Yuan Shiang, Taoyuan Hsien, Taiwan, R.O.C.	(03)3857171	MBBTTWTP301
Ta Shi Branch	80 Fu Hsin Rd., Ta Shi Chen, Taoyuan Hsien, Taiwan, R.O.C.	(03)3887171	
Chung Li Branch	157 Chung Shan Rd., Chung Li City, Taoyuan Hsien, Taiwan, R.O.C.	(03)4277171	MBBTTWTP310
Nei Li Branch	74 Chung Hsiao Rd., Chung Li City, Taoyuan Hsien, Taiwan, R.O.C.	(03)4557171	MBBTTWTP311
Hsin Ming Branch	282 Min Tsu Rd., Chung Li City, Taoyuan Hsien, Taiwan, R.O.C.	(03)4027171	
East Taoyuan Branch (Banking Broker)	1223, Sec. 2, One Shou Rd., Guei Shan Shiang, Taoyuan Hsien, Taiwan, R.O.C.	(03)3297171	
Hsin Wu Mini-Branch	257 Chung Shan Rd., Hsin Wu Shiang, Taoyuan Hsien, Taiwan, R.O.C.	(03)4777171	
Hsin Chu Branch	154 Tung Men St., Hsin Chu City, Taiwan, R.O.C.	(03)5277171	MBBTTWTP320
Chu Pei Branch (Banking Broker)	128 Hsien Cheng 9th Rd., Chu Pei City, Hsin Chu Hsien, Taiwan, R.O.C.	(03)5517171	
Hsinchu Science Based Industrial Park Branch	489, Sec. 1, Guang Fu Rd., Hsin Chu City, Taiwan, R.O.C.	(03)5637171	MBBTTWTP322
Pa Te Branch	789, Sec. 1, Chien Shou Rd., Pa Te City, Taoyuan Hsien, Taiwan, R.O.C.	(03)3767171	
Luong Tan Branch	64 Luong Yuan Rd., Luong Tan Shiang, Taoyuan Hsien, Taiwan, R.O.C.	(03)4807171	



TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Chu Tung Branch	6 Tung Lin Rd., Chu Tung Chen, Hsin Chu Hsien, Taiwan, R.O.C.	(03)5947171	
Chu Nan Branch	29 Po Ai St., Chu Nan Chen, Maio Li Hsien, Taiwan, R.O.C.	(037)467171	
Tou Fen Branch	90 Hsin Yi Rd., Tou Fen Chen, Maio Li Hsien, Taiwan, R.O.C.	(037)687171	MBBTTWTP351
Maio Li Branch	606 Chung Cheng Rd., Maio Li City, Taiwan, R.O.C.	(037)327171	
Feng Yuan Branch (Banking Broker)	1 San Feng Rd., Feng Yuan City, Taichung Hsien, Taiwan, R.O.C.	(04)25267171	MBBTTWTP460
Tai Ping Branch (Banking Broker)	27 Chung Hsin E. Rd., Tai Ping City, Taichung Hsien, Taiwan, R.O.C.	(04)22707171	MBBTTWTP470
Ta Chia Branch	14 Chen Cheng Rd., Ta Chia Chen, Taichung Hsien, Taiwan, R.O.C.	(04)26867171	
Sha Lu Branch	355 Chung Chew Rd., Sha Lu Chen, Taichung Hsien, Taiwan, R.O.C.	(04)26657171	
Wu Jih Branch	616 Chung Hwa Rd., Wu Jih Shiang, Taichung Hsien, Taiwan, R.O.C.	(04)23387171	
Taichung Branch (Banking Broker)	224 Chung Cheng Rd., Taichung City, Taiwan, R.O.C.	(04)22297171	MBBTTWTP490
Min Chen Branch	84 Min Chen Rd., Taichung City, Taiwan, R.O.C.	(04)22267171	MBBTTWTP491
Hsing Chung Branch	136 Taichung Rd., Taichung City, Taiwan, R.O.C.	(04)22877171	
Pei Tuen Branch	53 Chin Hwa N. Rd., Taichung City, Taiwan, R.O.C.	(04)22307171	
Nan Tou Branch	139 Fu Shing Rd., Nan Tou City, Nan Tou Hsien, Taiwan, R.O.C.	(049)2237171	
Tsao Tuen Branch	604 Chung Cheng Rd., Tsao Tuen Chen, Nan Tou Hsien, Taiwan, R.O.C.	(049)2357171	
Pu Li Branch	434 Chung Cheng Rd., Pu Li Chen, Nan Tou Hsien, Taiwan, R.O.C.	(049)2997171	
Tan Tze Branch	135, Sec. 2, Chung Shan Rd., Tan Tze Shiang, Taichung Hsien, Taiwan, R.O.C.	(04)25317171	
Chu Shan Branch	919, Sec. 3, Chi Shan Rd., Chu Shan Chen, Nan Tou Hsien, Taiwan, R.O.C.	(049)2644211	
Chang Hwa Branch	61 Kuang Fu Rd., Chang Hwa City, Chang Hwa Hsien, Taiwan, R.O.C.	(04)7257171	MBBTTWTP540
Ho Mei Branch	8 Ho An St., Ho Mei Chen, Chang Hwa Hsien, Taiwan, R.O.C.	(04)7558131	
Yuan Lin Branch	16 Min Chuan St., Yuan Lin Chen, Chang Hwa Hsien, Taiwan, R.O.C.	(04)8377171	MBBTTWTP550
Pei Tou Branch	62 Kung Chien St., Pei Tou Chen, Chang Hwa Hsien, Taiwan, R.O.C.	(04)8877171	
Erh Lin Branch	2 Chung Cheng Rd., Erh Lin Chen, Chang Hwa Hsien, Taiwan, R.O.C.	(04)8957171	
Tou Liu Branch	109 Ta Tung Rd., Do Lui City, Yun Lin Hsien, Taiwan, R.O.C.	(05)5347171	
Pei Kang Branch	65 Wen Hwa Rd., Pei Kang Chen, Yun Lin Hsien, Taiwan, R.O.C.	(05)7827171	
Hu Wei Branch	45 Ho Ping Rd., Hu Wei Chen, Yun Lin Hsien, Taiwan, R.O.C.	(05)6337171	
Chia Yi Branch (Banking Broker)	132 Kuang Hwa Rd., Chia Yi City, Taiwan, R.O.C.	(05)2287171	MBBTTWTP680
Ming Hsiung Branch (Banking Broker)	83, Sec. 3, Chien Kuo Rd., Ming Hsiung Shiang, Chia Yi Hsien, Taiwan, R.O.C.	(05)2207171	
South Chia Yi Branch	766 Shin Min Rd., Chia Yi City, Taiwan, R.O.C.	(05)2867171	
Hsin Ying Branch	216 Chung Shan Rd., Hsin Ying City, Tainan Hsien, Taiwan, R.O.C.	(06)6357171	
Kai Yuan Branch	12 Chung Hwa Rd., Yun Kang City, Tainan Hsien, Taiwan, R.O.C.	(06)3117171	
Yun Kang Branch	79 Chung Cheng S. Rd., Yun Kang City, Tainan Hsien, Taiwan, R.O.C.	(06)2518718	

TBB'S OFFICES	ADDRESS	TEL NO.	SWIFT ADDRESS
Shiue Chia Branch	87 Chung Shan Rd., Shiue Chia Chen, Tainan Hsien, Taiwan, R.O.C.	(06)7837171	
Shan Hwa Branch	352 Chung Shan Rd., Shan Hwa Chen, Tainan Hsien, Taiwan, R.O.C.	(06)5816111	
Yung Ta Branch	1532, Sec. 2, Yung Ta Rd., Yun Kang City, Tainan Hsien, Taiwan, R.O.C.	(06)2337171	
Tainan Branch (Banking Broker)	185 Chung Cheng Rd., Tainan City, Taiwan, R.O.C.	(06)2247171	MBBTTWTP710
Jen Te Branch	339 Chung Shan Rd., Jen Te Shiang, Tainan Hsien, Taiwan, R.O.C.	(06)2797171	MBBTTWTP711
Cheng Yi Mini-Branch	308, Sec. 3, Jian Kang Rd., Tainan City, Taiwan, R.O.C.	(06)2997171	
Cheng Kung Branch	25 Kuong Yuan Rd., Tainan City, Taiwan, R.O.C.	(06)2217171	MBBTTWTP720
East Tainan Branch	75, Sec. 2, Chung Hwa E. Rd., Tainan City, Taiwan, R.O.C.	(06)2687171	
An Ping Branch	67, Sec. 1, Chung Hwa W. Rd., Tainan City, Taiwan, R.O.C.	(06)2657171	MBBTTWTP730
Hua Lien Branch	247 Chung Shan Rd., Hua Lien City, Hua Lien Hsien, Taiwan, R.O.C.	(03)8357171	MBBTTWTP760
Taitung Branch	335, Sec. 1, Chung Hwa Rd., Taitung City, Taitung Hsien, Taiwan, R.O.C.	(089)327171	
East Kaohsiung Branch	249 Chung Cheng 1st Rd., Kaohsiung, Taiwan, R.O.C.	(07)7167171	MBBTTWTP820
Kang Shan Branch (Banking Broker)	412 Kang Shan Rd., Kang Shan Chen, Kaohsiung Hsien, Taiwan, R.O.C.	(07)6227171	MBBTTWTP830
North Feng Shan Branch	24, Sec. 3, Chien Kuo Rd., Feng Shan City, Kaohsiung Hsien, Taiwan, R.O.C.	(07)7767171	
Ling Ya Branch	31 Chingnian 1st Rd., Kaohsiung, Taiwan, R.O.C.	(07)5377171	
Kaohsiung Branch	79 Wu Fu 3rd Rd., Kaohsiung, Taiwan, R.O.C.	(07)2717171	MBBTTWTP850
North Kaohsiung Branch (Banking Broker)	90 Fu Shing 1st Rd., Kaohsiung, Taiwan, R.O.C.	(07)2387171	
Ta Chang Branch	116 Ta Chang 2nd Rd., Kaohsiung, Taiwan, R.O.C.	(07)3827171	
Chien Chen Branch	378-3 Min Chien 2nd Rd., Kaohsiung, Taiwan, R.O.C.	(07)5355171	
Jeou Ru Branch (Banking Broker)	255 Jeou Ru 2nd Rd., Kaohsiung, Taiwan, R.O.C.	(07)3137171	MBBTTWTP860
San Ming Branch (Banking Broker)	153 Chung Shan 1st Rd., Kaohsiung, Taiwan, R.O.C.	(07)2867171	
Feng Shan Branch	157 Chung Shan Rd., Feng Shan City, Kaohsiung Hsien, Taiwan, R.O.C.	(07)7107171	
Ta Fa Branch	1 Hwa Chung Rd., Ta Fa Industrial Zone, Ta Liao Shiang, Kaohsiung Hsien, Taiwan, R.O.C.	(07)7872851	
Ping Tung Branch (Banking Broker)	7 Han Kou St., Ping Tung City, Ping Tung Hsien, Taiwan, R.O.C.	(08)7327171	
Tung Kang Branch	130, Sec. 3, Kuang Fu Rd., Tung Kang Chen, Ping Tung Hsien, Taiwan, R.O.C.	(08)8337171	
Chiao Chou Branch	100 Hsin Sheng Rd., Chiao Chou Chen, Ping Tung Hsien, Taiwan, R.O.C.	(08)7807171	
Offshore Banking Branch	3F, 30 Ta Cheng St., Taipei, Taiwan, R.O.C.	(02)25597171	MBBTTWTP893
Los Angeles Branch	633, West 5TH St. Suite 2280 LA CA 90071 U.S.A.	213-8921260	MBBTUS6L
Hong Kong Branch	Suite 2601, 26/F, Central Tower, 28 Queen's Road, Central, H.K.	852-29710111	MBBTHKHH
Sydney Branch	Suite 3, Level 24, 363 George Street Sydney, N.S.W.2000 Australia	612-92623356	MBBTAU2S

**Taiwan Business Bank, Ltd.**



President and Acting Chairman

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**臺灣企銀**

TAIWAN BUSINESS BANK

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