5. Financial status

5-1. Summarized Balance Sheet and Income Statement over the Past Five Years.

5-1-1. Balance Sheet

Unit: USD thousand

Year / Descriptions		Financial data during 2000~2004				
		2004	2003	2002	2001	2000
Cash, due from banks, deposit with the Central Bank		293,800	277,555	213,365	299,424	257,626
Marketable securities		194,565	88,695	167,994	319,846	249,915
Bank draft, discounts and loans		1,906,294	1,652,738	133,0624	1,006,149	1,145,325
Receivables		23,425	12,130	11,578	9,836	10,472
Long-term investments		5,759	5,410	4,709	4,652	436
Fixed assets		32,186	28,429	27,989	27,754	29,840
Other assets		46,779	45,627	47,888	43,291	34,562
Due to Central bank and other banks		14,703	13,977	10,463	7,245	6,832
Deposits & remittance		2,302,825	1,913,692	1,627,271	1,540,227	1,514,428
Other liabilities		25,110	37,115	24,771	29,894	28,464
Share capital		101,745	93,700	92,087	90,966	96,500
Capital reserve		46,778	43,940	43,184	68,880	73,009
Retained earnings	Before allocation	11,647	8,160	6,371	(26,261)	8,942
	After allocation	(Note)	3,848	1,924	-	4,206
Total assets		2,502,808	2,110,584	1,804,147	1,710,952	1,728,176
Total liabilities	Before allocation	2,342,638	1,964,784	1,662,505	1,577,367	1,549,724
	After allocation	(Note)	1,967,222	1,666,952	1,577,367	1554460
Total Shareholders' equity	Before allocation	160,170	145,800	141,642	133,585	178452
	After allocation	(Note)	143,362	137,195	133,585	173716

Note: Allocation of 2003 profits is pending subject to the approval in the 2004 Shareholders 'meeting

5-1-2. Income Statement

Unit: USD thousand

Year / Descriptions		Financial data during 2000~2004 *1				
		2004	2003	2002	2001	2000
Operating revenues		71,573	69,818	81,002	97,315	110,610
Operating expenses		63,860	61,976	75,418	128,170	102,350
Gross profit		7,713	7,842	5,854	(30,855)	8,261
Non-operating income		1,191	523	427	233	490
Non-operating expenditures		124	859	888	2,861	46
Net income(loss) before tax		8,780	7,506	5,393	(33,483)	8,705
Income tax(profit)		1,229	1,303	(978)	(3,261)	1,977
Net income(loss)		7,550	6,203	6,370	(30,222)	6,727
Earnings per share (loss)	Before adjustment	0.0231	0.0206	0.0216	(0.1040)	0.0219
	After adjustment	(Note)	0.0203	0.0213	(0.1018)	0.0216

Note: Allocation of 2003 profits is pending subject to the approval in the 2004 Shareholders 'meeting

5-2. Analysis on Major Financial Ratios during 2000~2004

Descriptions	Year	Financial analysis during 2000~2004				
		2004	2003	2002	2001	2000
Financial structures (%)	Liabilities to assets ratio (%)	93.60	93.09	92.15	92.19	89.67
	Deposits to net worth ratio (%)	1,437	1,312	1,148	1,152	848
	Fixed assets to net worth ratio (%)	20.09	19.50	19.76	20.78	16.72
Liquidity	Liquid reserves ratio	13.32	10.52	11.47	20.10	14.97
Operating Capability	Loans to deposits ratio (%)	83.72	86.73	82.54	65.86	76.05
	Overdue loan ratio (%)	2.68	3.78	6.28	7.95	8.65
	Total assets turnover(times)	0.03	0.03	0.05	0.06	0.06
	Average operating revenue per employee(USD thousands)	82.37	95.92	121.98	177.26	202.20
	Average earnings per employee(USD thousands)	8.68	8.53	9.58	(55.06)	12.31
Profitability	ROA (%)	0.37	0.38	0.36	(1.81)	0.39
	ROE (%)	5.57	5.18	4.60	(20.03)	3.79
	Net income ratio (%)	12.27	8.88	7.87	(31.06)	6.08
	EPS(loss)(USD)	0.0231	0.0206	0.0216	(0.1040)	0.0219
Cash flow	Cash flow ratio (%)	35.60	31.54	(2.47)	46.22	77.99
	Fund flow adequacy ratio (%)	368.18	324.26	250.72	210.35	226.35
	Fund reinvestment ratio (%)	5.47	6.31	3.94	7.17	9.91
Capital to Risk-based Assets Ratio	Capital adequacy ratio (%)	11.05	12.69	12.84	15.20	20.15
	Capital net worth(USD)	155,360	140,755	140,745	128,819	186,195
	Total risk-based assets(USD)	1,405,714	1,109,446	1,095,898	846,219	924,108
	First capital type to risk weighted risk-based assets ratio (%)	11.28	13.01	12.73	15.55	19.52
	First and second capital type to risk weighted risk-based assets ratio (%)	11.48	13.17	13.35	15.75	20.20
	Leverage ratio (%)	6.68	7.32	7.93	7.89	10.47

	Common stock to total assets ratio (%)	6.4	6.91	7.85	7.81	10.33
Secured Loans to Related Parties (%)		17,277	18,952	22,179	51,065	54,359
Secured Loans to Related Parties to Total Outstanding Loans Ratio (%)		0.88	1.11	1.65	5.01	4.69
Operation Scale (%)	**Mark share of asset**	0.25	0.25	0.24	0.24	0.24
	Mark share of net	0.30	0.32	0.31	0.27	0.34
	Mark share of deposit	0.39	0.36	0.33	0.33	0.31
	Mark share of loan	0.38	0.39	0.34	0.25	0.26

5-3. Supervisors' Audit Report

COTA Commercial Bank Co., Ltd.,
Supervisor's Audit Report for Year 2004

To: Shareholders' Regular Meeting of Year 2004

The Business Report, Financial Statement and Proposal on Profit Allocation of Fiscal 2004 worked out and submitted by COTA Bank board of directors have been duly audited by Peat, Marwick, Mitchell & Co., and further verified by us. This Report duly submitted in accordance with Article 219 of the Company Law.

Standing Supervisor	:	Teh-Chin Lai
Supervisor	:	Hui-Huang Chang
Supervisor	:	Lien-Kui Wang
Supervisor	:	Dong-Po Xie

5-4. Financial Statements for Year 2004

Independent Auditors' Report

The Board of Directors
COTA Commercial Bank Co., Ltd.:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COTA Commercial Bank Co., Ltd. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with Republic of China generally accepted accounting principles and "Regulations Governing Financial Reporting for Financial Institutions."

KPMG Certified Public Accountants

January 11, 2005
Verification Code by Securities, Stock and Exchange Futures Commission, Ministry of Finance:
(88)-Tai-Tsai-Cheng-(VI)-18311

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

COTA Commercial Bank Co., Ltd.

Balance Sheets

December 31, 2004 and 2003
(Expressed in thousands of US Dollars)

	2004 Amount	%	2003 Amount	%
Assets				
Cash and deposits in other banks (note 3)	$ 67,912	3	75,432	4
Deposit in Central Bank (note 4)	228,577	9	202,865	10
Investment securities, net (notes 5 and 19)	196,346	8	88,932	4
Receivables, net (note 6)	22,697	1	11,280	1
Prepayments	942	-	882	-
Loans, net (note 7)	1,923,744	76	1,657,152	78
Long-term investments (note 8)	5,812	-	5,424	-
Other financial assets (notes 17 and 19)	5,300	-	4,443	-
Premises and equipment, net (note 9)	32,480	1	28,505	1
Other assets (note 10)	37,021	2	35,800	2
Deferred income tax (note 15)	4,886	-	5,506	-
Total assets	$ 2,525,717	100	2,116,221	100
Liabilities and Stockholders' Equity				
Bonds sold under agreement to repurchase	$ -	-	11,804	-
Call loans from and due to banks	14,838	1	14,014	1
Payables (note 11)	13,575	1	17,960	1
Advance collections and other accounts payable	4,714	-	971	-
Deposits (note 12)	2,323,904	92	1,918,803	91
Provision for land revaluation increment tax (note 9)	1,407	-	1,326	-
Accrued pension liabilities (note 13)	5,290	-	4,817	-
Other liabilities	143	-	140	-
Reserve for guarantee liabilities	210	-	196	-
Total liabilities	2,364,081	94	1,970,031	93
Stockholders' equity (note 14):				
Common stock	105,117	4	103,267	5
Capital reserve	51,698	2	51,698	2
Retained earnings:				
Statutory reserve	3,730	-	1,892	-
Undistributed earnings	7,246	-	6,138	-
Cumulative Translation Adjustments	(6,155)	-	(16,805)	-
Total stockholders' equity	161,636	6	146,190	7
Commitments and contingencies (note 20)				
Total liabilities and stockholders' equity	$ 2,525,717	100	2,116,221	100

COTA Commercial Bank Co., Ltd.

Statements of Income

For the Years Ended December 31, 2004 and 2003
(Expressed in thousands of US Dollars, except for per share data)

	2004		2003	
	Amount	%	Amount	%
Revenue, income and gains				
Interest income (note 8)	$ 59,795	88	61,932	90
Service income	8,345	12	5,083	7
Gains on sale of marketable securities	-	-	1,812	3
Gains on long-term equity investments	142	-	-	-
Foreign exchange gains, net	11	-	115	-
	68,293	100	68,942	100
Cost, expenses and losses				
Interest expense (note 18)	23,805	35	26,195	38
Service charges	619	1	384	1
Losses on sale of marketable securities, net	105	-	-	-
Provisions for allowances and reserves	6,316	9	7,229	10
Operating expenses	21,521	32	18,704	27
Administrative expenses	8,567	12	8,686	13
	60,933	89	61,198	89
Operating margin	7,360	11	7,744	11
Non-operating income				
Gain on disposal of property	381	1	2	-
Miscellaneous income	755	1	514	-
	1136	2	516	-
Non-operating expenses				
Loss on disposal of property	10	-	13	-
Miscellaneous expenses	109	-	835	-
	119	-	848	-
Income before income tax	8,377	13	7,412	11
Income tax expense (note 15)	1,173	2	1,287	2
Net income	$ 7,204	11	6,125	9

	2004 Before income tax	2004 After income tax	2003 Before income tax	2003 After income tax
Basic EPS (in USD) (note 16)	$ 0.026	0.022	0.023	0.019
Basic EPS - retroactively adjusted			$ 0.023	0.019

COTA Commercial Bank Co., Ltd.

Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2004 and 2003
(Expressed in thousands of US Dollars)

	Common stock	Capital reserve	Retained earnings: Statutory reserve	Retained earnings: Undistributed retained earnings	Cumulative Translation Adjustments	Total
Balance as of January 1, 2003	$ 103,267	51,698	-	6,306	(20,015)	141,256
Appropriation and distribution of 2002 earnings:						
Statutory reserve	-	-	1,892	(1,892)	-	-
Remuneration to directors and supervisors	-	-	-	(132)	-	(132)
Employee profit sharing	-	-	-	(441)	-	(441)
Cash dividends	-	-	-	(3,828)	-	(3,828)
Translation Adjustments	-	-	-	-	3,210	3,210
Net income for 2003	-	-	-	6,125	-	6,125
Balance as of December 31, 2003	103,267	51,698	1,892	6,138	(16,805)	146,190
Appropriation and distribution of 2003 earnings:						
Statutory reserve	-	-	1,838	(1,838)	-	-
Remuneration to directors and supervisors	-	-	-	(129)	-	(129)
Employee profit sharing	-	-	-	(429)	-	(429)
Cash dividends	-	-	-	(1,850)	-	(1,850)
Stock dividends	1,850	-	-	(1,850)	-	-
Translation Adjustments	-	-	-	-	10,650	10,650
Net income for 2004	-	-	-	7,204	-	7,204
Balance as of December 31, 2004	$ 105,117	51,698	3,730	7,246	(6,155)	161,636

COTA Commercial Bank Co., Ltd.

Statements of Cash Flows

For the Years Ended December 31, 2004 and 2003
(Expressed in thousands of US Dollars)

		2004	2003
Cash flows from operating activities:			
Net income	$	7,204	6,125
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		1,340	1,283
Provision for loan losses and other reserves		6,316	7,229
Loss (gain) on disposal of property, net		(371)	11
Loss (gain) on sale of marketable securities		105	(1,812)
Provision for valuation of foreclosed properties		95	800
Accrued pension cost		1,634	1,522
Changes in other current assets and liabilities, net		(5,170)	(1,256)
Net cash provided by operating activities		11,153	13,902
Cash flows from investing activities:			
Increase in deposit in Central Bank		(7,104)	(7,010)
Increase in receivables		(7,564)	-
Increase in long-term equity investments		-	(610)
Decrease in investment securities, net		8,327	39,625
Increase in loans		(146,419)	(302,013)
Purchase of property and equipment		(1,839)	(685)
Proceeds from sale of property and equipment		1,018	13
Decrease (increase) in other financial assets		(510)	1,200
Increase in deferred expenses		(565)	(276)
Net cash used in investing activities		(154,656)	(269,756)
Cash flow from financing activities:			
Increase in deposits		253,220	257,976
Increase (decrease) in guarantee deposits		(7)	4
Increase (decrease) in notes issued under repurchase agreement		(11,958)	11,625
Cash dividends paid		(1,898)	(3,878)
Employee profit sharing		(441)	(448)

Remuneration to directors and supervisors	(132)	(134)
Net cash provided by financing activities	238,784	265,145
Effect Of Foreign Exchange Rate Charges	24,805	6,011
Net increase in cash and cash equivalents	120,086	15,302
Cash and cash equivalents at beginning of year	270,321	255,019
Cash and cash equivalents at end of year	$ 390,407	270,321
Details of cash and cash equivalents:		
Cash	25,256	21,484
Deposits in other banks	42,656	53,948
Deposits in Central Bank	167,378	152,760
Investment securities as cash equivalents	155,117	42,129
	$ 390,407	270,321
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 23,809	26,354
Income tax	$ 408	622
Foreclosed assets transferred to premises	$ 1,004	-

COTA Commercial Bank Co., Ltd.
Notes to Financial Statements
December 31, 2004 and 2003
(Expressed in thousands of USD, unless otherwise stated)

1. Organization and operations

COTA Commercial Bank Co., Ltd. (the Company) was established in 1915 as a credit cooperative. Effective January 1, 1999, the Company changed its status to commercial bank and its name to COTA Commercial Bank Co., Ltd. in accordance with the Company Law and the Banking Law. The Company has 18 domestic branches currently.

The Company is engaged in:

- Receiving deposits, extending loans, investing in bills and bonds, funds remittance, acceptances and guarantees, issuing letters of credit and providing other agency business (except for issuing foreign letters of credit and foreign guarantees);
- Buying and selling foreign currencies and traveler's checks;
- Credit card related services;
- Trust and fiduciary services.

As of December 31, 2004, the number of employees of the Company was 869.

2. Summary of Significant Accounting Policies

The accompanying financial statements were prepared in accordance with generally accepted accounting principles of the Republic of China. Significant accounting policies are summarized as below:

(a) Basis of financial statements

The financial statements include accounts of the headquarters and domestic branches. All inter-office account balances and transactions have been eliminated while preparing the financial statements.

As required by the Banking Law and the Rules Governing Trust and Investment Companies and for the purpose of internal management, the Company maintains separate accounts and prepares separate sets of financial statements for its own funds and for the funds it administers on behalf of trustees. All the entrusted assets are booked in the memo account.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the balance sheet date. Foreign exchange differences arising from translation are recognized in the income statement.

(c) Deposit in Central Bank

Deposit in Central Bank includes statutory deposits and certificate deposits. Statutory deposits are made according to relevant reserve regulations prescribed by Central Bank.

(d) Investment securities

Investment securities, including bonds, short-term bills, equity securities, beneficiary certificates and listed securities are stated at cost and are subsequently evaluated by the lower of cost or market value. Market value of listed stocks and closed-end funds is the average closing price for the last month of the reporting period. Market price for open-end mutual funds is determined by the net worth of the funds on the balance sheet date. Market price of bonds is the quoted market price as of the balance sheet date.

The costs of sale of bonds, beneficiary certificates and equity securities are determined based on the moving-average method. Cost of sale of short-term bills is determined based on the specific-identification method.

(e) Repurchase and resale agreements

Investment securities with repurchase or resale agreements are accounted for using the financing method. Interest income or expenses on the trading of these securities are determined based on the difference between the cost and the price stated on repurchase or resale agreements.

(f) Allowance for loan losses

Allowance for loan losses is regularly evaluated by the management for adequacy and is established through a charge to the provision for loan losses. This evaluation considers the quality of overall portfolio, which comprises of loans, accounts receivables, and outstanding guarantees. The risk of specific delinquent claims refers to the likelihood of default and is subject to review using internal risk rating. The risk of overall claims is reviewed based on past experiences. Doubtful accounts are charged off when the possibility of recovery becomes remote.

In accordance with Business Tax Law, the Company provides 3% of operating revenue as allowance for bad debt with a view to writing off the default accounts starting July 1, 1999, and for the following years until the NPL (non-performing loan) ratio is lower than 1%.

(g) Long-term investments

Long-term investments are stated at cost. When there is evidence that a decline in market value is other than temporary, the cost of the individual security is written down to the market value and the write-down is accounted for as a realized loss. Stock dividends received from investments are not recognized as investment income but are accounted for as an increase in the number of capital shares invested. The cost of sale of investments is determined by the weighted-average method.

(h) Premises and equipment

Premises and equipment are stated at cost except that certain lands have been revalued in accordance with relevant laws and regulations. Revaluation increment is recorded as an addition to the carrying amount of the land and a corresponding capital reserve is recorded after the consideration of applicable reserve for taxes. Major additions, improvement, and replacement are capitalized, while maintenance and repairs are charged to current earnings. Interest incurred in acquisition of property before they are ready for the intended use is capitalized as part of the acquisition costs.

Depreciation is provided on the straight-line method using government-announced useful lives that approximate the economic lives of the assets. Premises and equipment still in use after full depreciation may continue to be depreciated over estimated remaining useful lives. Useful lives of major premises and equipment are as follows:

Buildings and premises	11 to 60 years
Operating equipment	1 to 5 years
Transportation equipment	3 to 5 years
Miscellaneous equipment	3 to 15 years

Gain or loss on disposal of premises and equipment is recorded as non-operating income or expenses.

(i) Assets under operating lease

Assets leased to other parties under operating lease are stated at cost. Depreciation is provided on the straight-line method and is recognized as non-operating expenses.

(j) Idle assets

Idle assets are stated at the lower of historical cost or net realizable value. Depreciation is recognized as non-operating expenses.

(k) Deferred charges

Capital expenditures for equipment repair and software expenses are amortized over a period of 3 to 5 years using the straight-line method.

(l) Foreclosed assets

Foreclosed assets are stated at the estimated net realizable value and are re-assessed on balance sheet date. The excess of cost over market is recognized as current loss. Under Article 76 of the Banking Law, foreclosed assets should be disposed off within four years.

(m) Financial derivatives

The Company is engaged in the trading of certain stock future contracts available on the capital market. The financial instruments are held either for “trading purposes” or “non-trading purposes”. Financial instruments held for non-trading purposes are those intended for hedging the risk of assets, liabilities, positions and cash flows.

Financial instruments for trading purposes are stated at fair market value on the balance sheet date, and gains and losses are credited or charged to current exchange gains or losses. The evaluation and recognition of profits and losses of the financial instruments for non-trading purposes are accounted for on same the basis as the hedged assets, liabilities or positions.

(n) Employees retirement plans

The Company has established a non-contributory employee retirement plan covering all regular employees. According to the plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements. The retirement benefits are lump-sum payments and are based on the years of service and the level of pay at retirement.

The Company contributes, on the monthly basis, an amount equal to 15% of payroll of non-management employees to a pension fund maintained with Central Trust of China to cover the pension obligation for those employees. On the other hand, the Company contributes, on the monthly basis, an amount equal to 8% of payroll of management level employees to another independent fund to cover pension obligation for such employees.

The Company has followed ROC Statement of Financial Accounting Standards No. 18 (SFAS No. 18), "Accounting for Pensions", in accounting for its defined-benefit retirement plan; therefore, pension costs are actuarially determined and include current service cost and amortization of transition obligation at initial adoption of SFAS No. 18, and, under certain circumstances, of actuarial gains and losses. If the accumulated benefit obligation exceeds the fair value of plan assets at the balance sheet date, a minimum liability is recognized based on the actuarial report as of that date.

(o) Reserve for guarantee liability

Reserve for guarantee liability is provided by evaluating the status of guarantees outstanding and acceptances receivable at year end.

(p) Commitments and contingencies

When loss from commitments and contingencies is deemed probable and the amount can be reasonably estimated, such losses are recorded currently; other commitments and contingencies are disclosed with regard to the nature and the range of possible losses, if any.

(q) Revenue recognition

Interest income is recognized under the accrual basis. Accrual of interest is suspended for overdue receivables and is not recognized until collected.

(r) Income tax

Income tax is calculated based on accounting income. Under the asset and liability approach of ROC SFAS No. 22, the amount of deferred tax liabilities or assets is calculated by applying the provisions of enacted tax law to determine the amount of tax payable or refundable, currently or in future years. The tax effect of taxable temporary differences is recorded as deferred tax liability. The tax effects of deductible temporary differences, operating loss carry forwards and tax credits is recognized as deferred tax assets. An allowance is provided on deferred tax assets that may not be realized in the future. Deferred income tax assets and liabilities are classified as current or concurrent based on the classification of the asset or liability related to the deferred item or, on certain transactions not directly related to an asset or liability, the timing of recognition of the deferred item for income tax purposes.

According the revised Income Tax Law that became effective January 1, 1998, undistributed earnings are subject to an additional 10% corporate income surtax. The surtax payable is recorded as the Company's income tax expense in the year when the earnings are resolved to be retained by the stockholders.

(s) Earnings per share (EPS)

Earnings per share (EPS) are computed based on the weighted-average number of common shares outstanding during the period. Retroactively computed EPS for the previous year is also presented if there is capitalization of retained earnings in current year.

3. Cash and Deposits in Other Banks

		December 31, 2004	December 31, 2003
Cash in vault	$	25,256	21,484
Checks awaiting clearance		3,845	5,764
Deposit in other banks		34,192	46,436
Call loans to banks		3,162	-
Deposits with Financial Information Service Co., Ltd.		1,457	1,748
	$	67,912	75,432

4. Deposit in Central Bank

		December 31, 2004	December 31, 2003
Deposit reserve - checking accounts	$	24,939	43,339
Deposit reserve - demand accounts		61,199	50,105
Certificate of deposits		142,439	109,421
	$	228,577	202,865

According to the statutory reserve requirement, the Company deposits funds with Central Bank. Deposits in checking account are interest-free and can be withdrawn without restriction; interest is accrued on demand account which cannot be withdrawn except for the monthly adjustment to the required level of reserve.

5. Investment Securities

		December 31, 2004	December 31, 2003
Commercial papers under resale agreement	$	128,068	30,096
Negotiable certificates of time deposits purchased under resale agreement		3,162	-
Government bonds under resale agreement		19,906	12,033
Corporate bonds under resale agreement		3,665	-
Financial debentures under resale agreement		316	-
Government bonds (fair value were $23,829 and $24,219, respectively, for 2004 and 2003)		23,328	23,512
Corporate bonds (fair value were $10,993 and $13,654, respectively, for 2004 and 2003)		10,659	13,522
Beneficiary certificates (fair value was $2,754 for 2004)		2,719	-
Listed securities (fair value were $1,992 and $2,994, respectively, for 2004 and 2003)		1,993	2,982
Financial debentures (fair value were $2,531 and $6,864, respectively, for 2004 and 2003)		2,530	6,787
		196,346	88,932
Less: allowance for loss on investment securities		-	-
	$	196,346	88,932

6 Receivables

		December 31, 2004	December 31, 2003
Credit card accounts receivable	$	15,097	1,304
Interest receivable		5,540	5,417
Tax refund receivable		1,177	948
Acceptances receivable		436	331
Accrued income		108	45
Other		775	3,630
		23,133	11,675
Less: allowance for loan losses		(436)	(395)

	$ 22,697	11,280

7. Loans

	December 31, 2004	December 31, 2003
Overdrafts	$ 1,317	1,227
Short-term loans	507,342	494,788
Medium-term loans	806,503	650,390
Long-term loans	578,095	466,973
Non-accrual loans	52,269	62,948
	1,945,526	1,676,326
Less: allowance for loan losses	(21,782)	(19,174)
	$ 1,923,744	1,657,152

The movements in allowance for loan losses for the years ended December 31, 2004 and 2003 were as follows:

	Allowance for the loss of		
	Loans	Receivables	Total
2004			
Balance at beginning of year	$ 20,544	423	20,967
Current provisions	6,680	-	6,680
Loans charged-off	(12,296)	(43)	(12,339)
Recoveries of loans previously charged-off	6,854	56	6,910
Balance at end of year	$ 21,782	436	22,218
2003			
Balance at beginning of year	$ 21,660	112	21,772
Current provisions	7,045	295	7,340
Loans charged-off	(12,666)	(29)	(12,695)
Recoveries of loans previously charged-off	3,135	17	3,152
Balance at end of year	$ 19,174	395	19,569

Accrual of interest that has been suspended for non-accrual account amounted to $1,449 and $1,247 thousands, respectively as of December 31, 2004 and 2003.

8. Long-term Investments

		December 31, 2004	December 31, 2003
Investment accounted for under the cost method:			
Bank-Union Life Insurance Agent Co., Ltd.	$	31	29
Taiwan Asset Management Corp.		3,162	2,951
Taiwan Financial Asset Service Corp.		1,581	1,475
Banks-Union General Insurance Agent Co., Ltd.		32	30
Debt Instruments Depository and Clearing Co., Ltd.		632	590
		5,438	5,075
Investment recorded at the lower of cost or market:			
Taiwan Cooperative Bank (fair value as of December 31, 2004 was $2,919)		374	349
	$	5,812	5,424

9. Premises and Equipment

(a) Cost

		December 31, 2004	December 31, 2003
Land	$	14,603	13,474
Buildings		15,075	13,233
Operating equipment		4,732	2,793
Transportation and communication equipment		538	532
Miscellaneous equipment		4,765	4,172
Revaluation increment of land		2,762	2,775
		42,475	36,979
Less: accumulated depreciation		(9,995)	(8,674)
Prepayment for equipment		-	200

	December 31, 2004	December 31, 2003
	$ 32,480	28,505

(b) Revaluation of property

The Company revalued its land in 1965 and 1983. The net amount of land value increment after provision for land value increment tax is recorded as capital reserve. As of December 31, 2004 and 2003, such capital reserve was reflected in the financial statements as follows:

Land value increment	$	2,973
Less: provision for land value increment tax		(1,421)
	$	1,552

(c) Other

Insurance coverage on the property and equipment was $13,975 and $15,264 thousands as of December 31, 2004 and 2003, respectively. No property or equipment was pledged as a security or lien.

10. Other Assets

		December 31, 2004	December 31, 2003
Deferred pension cost	$	4,505	3,957
Deferred charges		1,426	1,329
Idle assets, net		316	332
Assets under lease, net		22,444	20,756
Foreclosed assets, net		8,330	9,426
	$	37,021	35,800

The Company purchased a block of land in Taichung city from the city government in 1990 for future head office use. The land remains un-developed due to the delay of city development program. Since 2001, the land was leased to other party and accounted under the lower of cost or net realizable value. The details as of December 31, 2004 were as follows:

Cost	$	28,991
Less: allowance for decline in value		(6,968)
Estimated net realizable value	$	22,023

11. Payables

		December 31, 2004	December 31, 2003
Interest payable	$	2,620	2,608
Collection payable		1,482	2,790
Checks awaiting clearance		3,846	5,764
Accrued expense		3,964	4,732
Dividends payable		95	83
Acceptance drafts		436	331
Other		1,132	1,652
	$	13,575	17,960

12 Deposits

		December 31, 2004	December 31, 2003
Checking accounts	$	40,835	34,488
Cashier's checks		1,767	3,264
Check guaranteed for payment		27	4
Demand deposits		164,768	134,840
Time deposits		408,395	263,734
Postal deposits accepted		4,835	4,848
Demand savings deposits		538,382	456,012
Term savings deposits		1,164,895	1,021,613
	$	2,323,904	1,918,803

The interest rates of the above deposits ranged 0.20%~1.575% and 0.25%~1.75% in 2004 and in 2003, respectively.

13 Pension

The Company adopted December 31, 2004 and 2003, as the measurement dates for the actuarial assessment of employee pension liability. The reconciliation between the funded status of the plan and accrued pension liability is as follows:

	December 31, 2004	December 31, 2003

Benefit obligation:			
Vested benefit obligation	$	(10,183)	(8,635)
Non-vested benefit obligation		(3,674)	(2,965)
Accumulated benefit obligation		(13,857)	(11,600)
Additional benefits based on future salaries		(4,061)	(3,385)
Projected benefit obligation		(17,918)	(14,985)
Fair value of plan assets		8,568	6,784
Funded status		(9,350)	(8,202)
Unrecognized loss		3,011	1,870
Unrecognized net transition obligation		5,554	5,472
Additional minimum liability		(4,505)	(3,957)
Accrued pension liabilities	$	(5,290)	(4,817)

As of December 31, 2004 and 2003, the components of net periodic pension cost are as follows:

		2004	2003
Service cost	$	1,063	976
Interest cost		510	471
Expected return on plan assets		(85)	(84)
Amortization and deferred amount		147	159
Net pension cost	$	1,635	1,522

Actuarial assumptions for years 2004 and 2003 were the following:

	2004	2003
Discount rate	3.5%	3.5%
Rate of increase in future compensation	2.0%	2.0%
Expected long-term rate of return on plan assets	3.5%	3.5%

14. Stockholders Equity

(a) Common stock

As of December 31, 2004 and 2003, the Company had authorized capital amounting to $105,117 and $103,267 thousands, with $10 par value, respectively. Total authorized and outstanding shares were 324,741 thousands and 318,373 thousands, respectively.

It was resolved in the stockholders' meeting at May 7, 2004 to increase capital from $103,267 to $105,117 thousands through a stock dividend distribution amounting to $1,850 thousands. The increase had been approved by the Ministry of Finance.

(b) Capital reserve

Capital reserve as of December 31, 2004 and 2003 was as follows:

		December 31, 2004	December 31, 2003
Statutory reserve and special reserve transferred	$	36,770	36,770
Revaluation increment		1,700	1,700
Additional paid-in capital		13,180	13,180
Other		48	48
	$	51,698	51,698

In accordance with the ROC Company Law, capital reserve is exclusively used for offsetting prior losses and conversion to capital, and cannot be distributed as cash dividends. According to the ROC Company Law and relevant securities exchange regulations, a capital increase using capital reserve has to be reserves arisen from issuing stock or donated assets received and cannot exceed 10% of a company's paid-in capital in any year. The capital reserve from after-tax gains on disposal of fixed assets cannot be used for conversion to capital. And the capital reserve arisen from long-term equity investments cannot be used to offset prior losses or converted to capital.

(c) Statutory reserve and earnings distribution

The Company's articles of incorporation stipulate that net income should be distributed as follows:

- to pay income tax;

- to offset prior years' deficit, if any;
- to appropriate 30 % as statutory reserve;
- to appropriate stockholders' regular dividends that do not exceed 10% of capital;
- to appropriate 10% as employee profit sharing.

The remaining balance is retained or appropriated based on the resolution of the Company's stockholders.

According to the Banking Law, cash dividends are limited to 15% of total capital until the balance of statutory reserve reaches the amount equal to capital.

The distributions of earnings for 2003 and 2002 were resolved in the stockholders meeting held on May 7, 2004 and May 6, 2003, respectively. The details were as follows:

		2003	2002
Dividend per share (in US dollar)			
Cash	$	0.006	0.012
Stock		0.006	-
	$	0.012	0.012
Employees' profit sharing - cash	$	429	441
Directors' and supervisors' remuneration		129	132
	$	558	573

The proposal for the distribution of 2004 earnings has yet to be presented to the stockholders meeting. The information regarding earnings distribution will be posted on the market observation system after the meeting.

15. Income Tax

The Company is subject to an income tax rate of 25%. The components of income tax expense for 2004 and 2003 were summarized as follows:

	2004	2003
Current	$ 215	489
Deferred	958	798
	$ 1,173	1,287

The differences between "expected" income tax expense calculated at the statutory income tax rate and the income tax expense in the accompanying financial statements were reconciled as follows:

	2004	2003
Expected income tax expense	$ 2,094	1,853
10% surtax on undistributed earnings	200	443
Investment tax credits	(41)	(35)
Tax effect of tax-exempt gain from sale of marketable securities and land	(62)	(450)
Tax on interest income separately taxed	(39)	(31)
Over-accrual of prior year's income tax	(41)	-
Adjustment to prior year's deferred tax assets	-	229
Reversal of allowance for deferred tax assets	(940)	(724)
Other adjustments pursuant to tax laws	2	2
Income tax expense	$ 1,173	1,287

The reconciliation of income tax expense for 2004 and 2003 and income tax refundable as of end of 2004 and 2003 was as follows:

	2004	2003
Expected income tax expense	$ 1,173	1,287
Over-accrual of prior year's income tax	41	-
Deferred income tax	(958)	(798)
Prepayment and withholding	(311)	(488)
Prepayment of tax on separately taxed income	(97)	(134)
Income tax refundable at year end	$ (152)	(133)

The components of deferred income tax expense (benefit) for 2004 and 2003 were the tax consequences of the following temporary differences and credits:

	2004	2003
Unrealized gain on exchange	$ (15)	11
Allowance for loan losses excess of tax limitation	-	(7)
Loss carry forwards	1,926	1,673
Unrealized gain (loss) on foreclosed properties	62	(203)
Investment tax credits	-	57
Reversal of pension cost	34	-
Reversal of allowance for deferred tax assets	(994)	(735)
Other	-	14
	$ 1,013	810

Deferred income tax assets and liabilities as of December 31, 2004 and 2003, represented the tax effects of the following temporary differences and credits:

	December 31, 2004	December 31, 2003
Accrued pension liability	$ 118	141
Allowance for loan losses	2,120	1,979
Unrealized loss on foreclosed properties	1,730	1,673
Loss carry forwards	3,590	5,149
Valuation allowance	(2,660)	(3,411)
	4,898	5,531
Unrealized exchange gains	(12)	(25)
Deferred income tax assets, net	$ 4,886	5,506

In accordance with ROC Income Tax Law, assessed net losses can be carried forward for five consecutive years. Loss carry forwards available to the Company as of December 31, 2004 amounting to $14,361 thousands were the result of loss incurred in 2001 and will be expired in 2006.

The ROC tax authorities had examined and assessed the Company’s income tax returns for all years through 2002.

Imputation credit account (ICA) and creditable ratio

Beginning in 1998, the imputed income tax system was implemented by the ROC government. Under the system, the income tax paid at the corporate level can be used to offset the ROC resident stockholders' individual income tax. The Company is required to establish an Imputation Credit Account (ICA) to maintain a record of the corporate income tax paid and imputation credit it has allocated to each stockholder. The credit available to ROC resident stockholders is calculated by multiplying the dividends by the creditable ratio. The creditable ratio is calculated by dividing the balance of ICA by earnings retained since January 1, 1998.

Undistributed retained earnings:

		December 31, 2004	December 31, 2003
Undistributed retained earning-1998 and after	$	7,246	6,138
Imputation credit account (ICA)	$	77	193

	2004	2003
The creditable ratio on retained earnings	1.02%(Expected)	2.83%(Actual)

The Company's annual income tax return for the year 2000 has been assessed by the tax authorities, which determined the interest expense for the acquisition of idle land and direct cost allocation of market securities trading were not deductible. The Company has petitioned for a re-assessment and had already been notified by the tax authorities. According to the determination, the interest expense mentioned above should be deductible. The Company, however has to make an additional recognition of income tax expense amounting to $25 thousands.

16. Earnings per share

	2004		2003	
	Before income tax	After income tax	Before income tax	After income tax
Primary earnings per share:				
Net income	$ 8,377	7,204	7,412	6,125
Weighted-average outstanding shares	324,741	324,741	318,373	318,373
Primary earnings per share (in dollar)	$ 0.026	0.022	0.023	0.023
Earnings per share retroactively adjusted:				
Net income			7,412	6,125
Weighted-average outstanding shares			324,741	324,741
Primary earnings per share (in dollar)			0.023	0.019

17. Financial Instruments

(a) Financial derivatives

(i) Amount under contracts and credit risk

Credit risk is the risk that the counter-party will be unable to fulfill its contractual duty. The Company signed master netting agreements with the Taiwan Futures Exchange; therefore it is not expected to post significant risk from derivatives trading.

(ii) Market risk

Market risk is the risk that Company will suffer losses due to changes in market prices The Company maintains all its future positions within government prescribed limits in order to manage market risk.

(iii) Liquidity risk, cash flow risk and future cash requirement

Liquidity risk is the risk that the Company will be unable to settle its position on liability at the settlement date. The Company maintains adequate current assets and utilizes money market instruments to support its future cash flow requirements. Therefore, the management of the Company expected that the existing financial instruments would not cause significant losses.

(iv) Financial statement presentation

As of December 31, 2004 the guarantee deposit paid for futures trading was recorded as other financial asset. Such guarantee amounted to $233 thousands as of December 31, 2004 and loss from such trading was $30 thousands for 2004.

(b) Fair value of non-derivative financial instruments

The Company adopts the following methods and assumptions to estimate the fair value of its financial instruments:

(i) Fair value of short-term financial instruments is based on book value. Since such financial instruments are relatively short-term, and future value of payables and receivable should approximate their book value, the Company believes that the carrying value is a reasonable estimate of their fair value. Such instruments include cash and cash equivalents, amounts due from Central Bank, accounts receivable, amounts due to banks and accounts payable.

(ii) For marketable securities, market prices are the fair value if available. Long-term equity investments are estimated at the market quotations, if available. If market quotations are not available, relative financial information is used to estimates the fair value.

(iv) Loans are financial assets which generate interest income, mostly at floating rates. The fair value of loans should approximate its book value.

Fair value of some of the Company’s financial instruments was as follows:

	December 31, 2004		December 31, 2003	
	Book value	Fair value	Book value	Fair value
Marketable securities	$ 196,346	197,217	88,932	89,860
Long-term equity investments (listed)	374	2,919	349	-
Long-term equity investments (non-listed)	5,438	-	5,075	-

(c) Off-balance-sheet credit risks

The Company provides guarantees on third party's obligations. The maturity dates do not concentrate on one particular period.

The contractual amounts for financial contracts with off-balance-sheet credit risks as of December 31, 2004 and 2003 were $48,388 and38,082 thousands, respectively.

The Company evaluates the credit worthiness of each credit applicant on a case-by-case basis, taking into account its credit history, credit rating and financial condition. Collaterals, mostly in the form of fixed assets, cash, inventories, marketable securities and other assets may be required based on the result of the credit worthiness evaluation. Appropriate measures are adopted depending on the result of the credit status monitoring, which include executing the collateral and amending the credit limit.

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The total potential loss is equal to the above contractual amounts, if completely drawn upon and the counterparties default, without considering the value of any collateral.

18. Related Parties Transactions

(a) Related parties and relationship with the Company

Parties	Relationship
Internal management (each individual deposit and loans not exceeding 1% of total deposits and loans)	Including directors, supervisors, managers and their spouses and immediate family members

(b) Significant transactions with related parties

(i) Loans

As of December 31, 2004 and 2003, loans to related parties were approximately $2,116 and $2,049 thousands, respectively, representing 0.11% and 0.12% of total loans at each year-end. Interest resulting from such loans was $64 and $61 thousands, respectively, representing 0.12% and 0.11% of total interest income for 2004 and 2003. The range of interest rates was approximately 2.3%~4.2% and 2.55%~4.4%, respectively.

(ii) Deposits

As of December 31, 2004 and 2003, deposits from related parties were approximately $6,233 and $5,662 thousands, respectively, representing 0.28% and 0.30% of total deposits at each year-end. Interest resulting from such deposits was $87 and $92 thousands, respectively, representing 0.37% and 0.35% of total interest expense for 2004 and 2003. The range of interest rate was approximately 0.20%~1.575% and 0.25%~1.75%, respectively. The range of interest rate for employee demand savings deposits was approximately 9.28%~9.43% and 9.28%~10.32%, respectively.

(iii) As of December 31, 2004 and 2003, details of loans or guarantees that involved related parties were as follows:

Classification	Accounts		Amount	Revaluation loss
	December 31, 2004			
Consumer loan borrowers	57	$	512	None
Employee mortgage loan borrowers	82		5,501	〃
Other loan borrowers	92		11,424	〃
Related parties as guarantors for loans	44		6,090	〃
Related parties as providers of collateral	18		2,387	〃

Classification	Accounts		Amount	Revaluation loss
	December 31, 2003			
Consumer loan borrowers	81	$	709	None
Employee mortgage loan borrowers	94		5,806	〃
Other loan borrowers	85		12,487	〃
Related parties as guarantors for loans	53		10,058	〃
Related parties as providers of collateral	23		2,821	〃

19. Pledged Assets

		December 31, 2004	December 31, 2003
Pledged for:			
Guarantee deposits for provisional actions against defaulted loans and deposit for trust business	$	3,051	2,670
Guarantee deposit for securities trading (under resale agreement)		-	11,804
Subtotal (recorded as investment securities - bonds)		3,051	14,474
Deposit for remittance clearance (recorded as other financial assets)		3,162	2,951
	$	6,213	17,425

20. Significant Commitment and Contingencies

As of December 31, 2004 and 2003, the Company's significant commitments and contingent liabilities were as follows:

		December 31, 2004	December 31, 2003
Collections received	$	309,753	309,762
Guarantees		48,388	38,082
Bills and securities under resale agreements		155,118	42,129
Bills and securities under repurchase agreements		-	11,804
Traveler's checks held on consignment		2,912	2,835
Trusts and items held for safe keeping		-	2,361

Balance sheet and details of trusts are as follows:

Balance Sheet
December 31, 2004

Trust Assets			Trust Liabilities		
Investment in Mutual Fund	$	12,579	Fund balance	$	12,579

Operating lease

The Company has entered into various operating lease agreements for domestic banking premises.

As of December 31, 2004 the estimated rental commitments for the next five years are as follows:

Fiscal Year		Amount
2005	$	834
2006		715
2007		529
2008		386
2009		212
	$	2,676

21. Other

(a) Asset quality and risk exposure analysis

(i) Risk analysis

■ Non-performing loan ratio analysis

		December 31, 2004	December 31, 2003
Non-performing loans	$	52,099	63,447
Overdue receivables		50,923	61,702
NPL ratio		2.68%	3.78%
Loans under monitoring		16,343	18,286
Ratio of loans under monitoring to total loans		0.84%	1.09%
Allowance for doubtful accounts		21,782	19,174
NPL charge-offs during the year		12,339	12,695

■ Concentration of credit risk analysis

	December 31, 2004	December 31, 2003
Loans to related parties	$ 17,436	19,003
Ratio of loans to related parties	0.88%	1.11%
Loans under the collateral of stock securities	0.33%	0.52%

■ Loans by industry

December 31, 2004		December 31, 2003	
Manufacturing	11.06%	Manufacturing	13.68%
Construction	3.80%	Transportation and communication	8.27%
Utilities	3.46%	Utilities	3.34%

(ii) Average amount of interest-bearing assets and liabilities as well as the current interest rate are disclosed as follows:

	December 31, 2004		December 31, 2003	
	Average value	Average rate (%)	Average value	Average rate (%)
Assets:				
Deposit in other banks	$ 14,228	1.23	31,158	1.99
Deposit in Central Bank	187,527	1.27	100,216	1.51
Call loans to banks	417	-	-	-
Investment securities (listed securities excluded)	92,882	3.18	143,287	3.02
Loans	1,702,396	3.18	1,441,682	3.85
Liabilities				
Short-term borrowings	2,377	0.79	5,875	0.88
Due to banks	15,983	0.08	14,313	0.23
Call loans from banks	147	0.97	19,757	1.21
Demand deposits	125,692	0.20	91,324	0.27
Demand savings deposits	455,064	0.67	381,678	0.87
Time deposits	1,391,776	1.40	1,226,783	1.76
Employee deposits	11,924	7.26	10,455	7.78

Average value is calculated on the daily basis.

(iii) Interest sensitivity analysis

	December 31, 2004	December 31, 2003
The ratio of interest bearing asset and liabilities	87.12%	86.70%
The ratio of the gap and equity	(180.46%)	(170.45%)

(iv) Major foreign currency assets

December 31, 2004		December 31, 2003	
Foreign currency	Converted into USD	Foreign currency	Converted into USD
USD	$ 499	USD	382
JPY	420	JPY	302
HKD	319	HKD	257
EUR	457	EUR	409

(b) Maturity analysis and profitability analysis of the Company were as follow:

(i) Profitability analysis:

	December 31, 2004	December 31, 2003
Return on assets	0.37%	0.38%
Return on equity	5.57%	5.18%
Return on revenue	12.27%	10.75%

(ii) Maturity analysis of assets and liabilities (expressed in millions of USD):

	December 31, 2004					
	Total	With in 1 month	Between 31 and 90 days	Between 91 and 180 days	Between 180 and 1 years	Over 1 year
Assets	$ 2,473	505	141	210	250	1,367
Liability	2,336	984	287	306	718	41
Gap	137	(479)	(146)	(96)	(468)	1,326
Accumulated gap	137	(479)	(625)	(721)	(1,189)	137

(Foreign currency not included)

(c) Capital analysis:

	December 31, 2004	December 31, 2003
Capital adequacy ratio	11.05%	12.69%
Debts to total assets ratio	1,462.60%	1,347.58%

(d) Personnel expense, depreciation and amortization for the years ended December 31, 2004 and 2003, were summarized as follows by the nature of expense:

Items	2004			2003		
	Cost of operations	Operating expenses	Total	Cost of operations	Operating expenses	Total
Personnel cost:						
Salaries	11,699	4,563	16,262	10,875	4,336	15,211
Labor and health insurance	664	377	1,041	627	216	843
Pension	1,277	357	1,634	1,002	520	1,522
Other	105	261	366	64	408	472
Depreciation expenses	446	331	777	494	196	690
Amortization expenses	479	84	563	506	74	580

(e) Reclassification

Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation for comparison purpose. None of these reclassifications has a significant effect on the financial statements presentation.