# HSINCHU INTERNATIONAL BANK CO., LTD.

**Financial Statements for the**
**Six-Month Periods Ended June 30, 2006 and 2005 and**
**Independent Auditors' Report**

**INDEPENDENT AUDITORS' REPORT**

Hsinchu International Bank Co., Ltd.:

We have audited the accompanying balance sheets of Hsinchu International Bank Co., Ltd. (the "Bank") as of June 30, 2006 and 2005, and the related statements of income, changes in shareholders' equity and cash flows for the six-month periods 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.

Except as described in the next paragraph, we conducted our audits in accordance with "Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards and rules require that we plan and perform the audit procedures to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 and the reports of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 10 to the financial statements, the Bank's equity investments of Hsin-Chu Real Estate Co., Ltd., Hsin-Chu Insurance Agent Co., Ltd., Chu-Chiann Insurance Agent Co., Ltd., and Paradigm Assets Management Co., Ltd. (The former name was Chung-Shing Assets Management Co., Ltd.) under the equity method amounted to NT$934,938 thousand and NT$856,567 thousand, respectively constituting both 0.22% of total assets as of June 30, 2006 and 2005, respectively and the related investment incomes, amounted to NT$132,016 thousand and NT$156,217 thousand, respectively constituting (4.21)% and 9.36% of incomes (losses) before income taxes for the six-month periods ended June 30, 2006 and 2005, respectively, were based on reviewed reports or unaudited financial statements. Furthermore, as stated in Note 31(2) to the financial statements, the information of invested companies is based on the unaudited or unreviewed financial statements furnished by the companies.

In our opinion, except for the effects that if the equity investments under the equity method and investment income described in the preceding paragraph may be adjusted based on reviewed financial statements, we are not aware of any material modifications that should be made to the accompanying financial statements in order to be in conformity with "Guidelines Governing the Preparation of Financial Report by Public Banks" and generally accepted accounting principles in the Republic of China.

As stated in Note 3 to the financial statements, the Bank adopted the R.O.C. Statement of Financial Accounting Standards No. 34 “Accounting for Financial Instruments” and No. 36 “Disclosure and Presentation of Financial Instruments”, effective from January 1, 2006.

We have reviewed the consolidated financial statements of Hsinchu International Bank Co., Ltd. as of and for the six-month period ended June 30, 2006 and have expressed a modified review report on such financial statements as well.

Ernst & Young
August 2, 2006
Taipei, Taiwan
Republic of China

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

## HSINCHU INTERNATIONAL BANK CO., LTD.

**BALANCE SHEETS**
**JUNE 30, 2006 AND 2005**
**(Expressed in Thousands of New Taiwan Dollars)**

| | June 30, 2006 | June 30, 2005 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents (Note 4) | NT$ 7,389,590 | NT$ 6,241,993 |
| Due from banks and Central Bank of China (Note 4) | 21,637,312 | 20,655,970 |
| Financial assets at fair value through profit or loss (Notes 5 and 28) | 10,961,157 | 10,420,828 |
| Bonds and short-term bills sold under resale agreements (Note 28) | 295,722 | 19,193,106 |
| Receivables, net (Notes 6 and 7) | 10,566,921 | 11,122,383 |
| Loans and bills discounted, net (Notes 7 and 28) | 298,403,912 | 254,338,227 |
| Available-for-sale financial assets (Note 8) | 11,524,522 | 8,336,450 |
| Held-to-maturity financial assets (Note 9) | 43,493,927 | 52,105,312 |
| Equity investment under equity method (Note 10) | 1,199,122 | 1,122,322 |
| Other financial assets (Note 11) | 404,478 | 476,768 |
| Fixed assets, net (Notes 12 and 28) | | |
| Land | 2,999,894 | 2,833,564 |
| Revaluation increment-land | 505,866 | 505,866 |
| Buildings | 3,272,395 | 2,958,373 |
| Revaluation increment-buildings | 10,407 | 10,407 |
| Accumulated depreciation-buildings | (676,763) | (622,764) |
| Transportation and communication equipment | 474 | 474 |
| Accumulated depreciation-transportation and communication equipment | (474) | (474) |
| Miscellaneous equipment | 4,070,095 | 3,349,810 |
| Accumulated depreciation-miscellaneous equipment | (2,504,015) | (2,153,725) |
| Construction in progress | 33,359 | 20,773 |
| Prepayments for premises and equipment | 176,960 | 319,414 |
| | 7,888,198 | 7,221,718 |
| Other assets, net (Notes 7, 10, 12, 13 and 26) | 5,123,016 | 6,026,181 |
| TOTAL ASSETS | NT$ 418,887,877 | NT$ 397,261,258 |

| | June 30, 2006 | June 30, 2005 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Liabilities: | | |
| Due to banks and Central Bank of China (Note 14) | NT$ 18,462,359 | NT$ 13,086,821 |
| Financing from Central Bank of China and banks | 1,839,750 | 1,104,258 |
| Financial liabilities at fair value through profit or loss (Note 5) | 57,568 | 70,582 |
| Bonds and short-term bills sold under repurchase agreements (Note 28) | 23,582,814 | 12,319,410 |
| Payables (Note 15) | 6,365,170 | 4,618,361 |
| Customer deposits and remittances payable (Notes 16 and 28) | 331,417,277 | 323,030,982 |
| Bonds payable (Note 17) | 18,547,543 | 21,477,980 |
| Other financial liabilities (Note 18) | - | 20,453 |
| Other liabilities (Notes 12, 19 and 28) | 1,275,370 | 1,350,862 |
| Total liabilities | 401,547,851 | 377,079,709 |
| Shareholders' equity (Note 21): | | |
| Common stock | 15,745,358 | 14,236,161 |
| Reserve for capital increase | 494,079 | 1,509,197 |
| Capital surplus: | | |
| Gains on disposal of treasury stocks | 8,024 | 8,024 |
| Other capital surplus | 893 | 870 |
| | 8,917 | 8,894 |
| Reserves: | | |
| Statutory reserve | 3,228,441 | 2,271,184 |
| Special reserve | 332 | 320 |
| Retained earnings (accumulated losses) | (2,682,085) | 1,774,490 |
| | 546,688 | 4,045,994 |
| Other adjustment: | | |
| Revaluation increment on property and equipment | 381,303 | 381,303 |
| Cumulative translation adjustments | - | - |
| Unrealized gain on available-for-sale financial assets | 163,681 | - |
| | 544,984 | 381,303 |
| Total shareholders' equity | 17,340,026 | 20,181,549 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | NT$ 418,887,877 | NT$ 397,261,258 |

See accompanying notes to the financial statements.

## HSINCHU INTERNATIONAL BANK CO., LTD.

**STATEMENTS OF INCOME**
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005**
**(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)**

| | Jan. 1~June 30, 2006 | Jan. 1~June 30, 2005 |
|---|---|---|
| Interest incomes (Note 28 ) | NT$ 6,556,172 | NT$ 5,771,716 |
| Less： interest expenses (Note 28 ) | 2,675,427 | 2,298,436 |
| Net interest incomes | 3,880,745 | 3,473,280 |
| Non-interest incomes | | |
| Fees and commission incomes, net (Notes 22 and 28) | 1,311,881 | 1,045,810 |
| Gains on financial assets and liabilities at fair value through profit or loss , net (Notes 5 and 23) | 14,012 | 262,498 |
| Gains on available-for-sale financial assets, net | 162,641 | 75,534 |
| Investment incomes recognized under the equity method, net (Note 10) | 128,893 | 159,055 |
| Exchange gains, net | 50,390 | 66,079 |
| Impairment loss reversals, net | 43,987 | 122,846 |
| Other non-interest incomes, net (Notes 7 and 24) | 643,812 | 312,817 |
| Total non-interest incomes | 2,355,616 | 2,044,639 |
| Operating incomes before provision for loan losses and general and administrative expenses | 6,236,361 | 5,517,919 |
| Provision for loan losses (Note 7) | 6,275,799 | 1,284,938 |
| General and administrative expenses：(Notes 20, 25 and 28) | | |
| Personnel expenses | 1,626,359 | 1,314,891 |
| Depreciation and amortization expenses | 273,722 | 227,105 |
| Other expenses | 1,192,569 | 1,021,752 |
| | 3,092,650 | 2,563,748 |
| Income (losses) from continuing operations before income taxes | (3,132,088) | 1,669,233 |
| Provision for income taxes-continuing operations (Note 26) | (332,100) | (13,219) |
| Income (losses) from continuing operations | (2,799,988) | 1,682,452 |
| Cumulative effect of changes in accounting principle | 66,607 | - |
| Net income (loss) | NT$ (2,733,381) | NT$ 1,682,452 |

| Earnings (losses) per common share (Note 27) | Before taxes | After taxes | Before taxes | After taxes |
|---|---|---|---|---|
| Calculated base on the weighted-average number of common shares outstanding | | | | |
| Income (loss) from continuing operations | NT$(1.99) | NT$(1.78) | NT$1.17 | NT$1.18 |
| Cumulative effect of changes in accounting principle | 0.04 | 0.04 | - | - |
| Net income (loss) | NT$(1.95) | NT$(1.74) | NT$1.17 | NT$1.18 |
| Calculated based on the weighted- average number of common shares outstanding due to the distribution of stock dividends： | | | | |
| Income from continuing operations | | | NT$1.06 | NT$1.07 |
| Cumulative effect of changes in accounting principle | | | - | - |
| Net income | | | NT$1.06 | NT$1.07 |

See accompanying notes to the financial statements.

## HSINCHU INTERNATIONAL BANK CO., LTD.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005**
**(Expressed in Thousands of New Taiwan Dollars)**

| | | | Capital surplus | | Reserve | | | Other adjustment | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Reserve for capital increase | Gains on disposal of treasury stock | Other capital surplus | Statutory reserve | Special reserve | Retained earnings (accumulated losses) | Revaluation increment on property and equipment | Cumulative translation adjustments | Unrealized gain on available-for-sale financial assets | Total shareholders' equity |
| **Balance as of January 1, 2006** | NT$ 15,745,358 | NT$ - | NT$ 8,024 | NT$ 893 | NT$ 2,271,184 | NT$ 320 | NT$ 3,282,894 | NT$ 381,303 | NT$ (12) | NT$ - | NT$ 21,689,964 |
| Appropriation of retained earnings: | | | | | | | | | | | |
| Statutory reserve | - | - | - | - | 957,257 | - | (957,257) | - | - | - | - |
| Special statutory reserve | - | - | - | - | - | 12 | (12) | - | - | - | - |
| Stock dividends | - | 494,079 | - | - | - | - | (494,079) | - | - | - | - |
| Cash dividend | - | - | - | - | - | - | (1,574,536) | - | - | - | (1,574,536) |
| Directors and supervisors' remuneration | - | - | - | - | - | - | (113,716) | - | - | - | (113,716) |
| Employee cash dividends | - | - | - | - | - | - | (91,998) | - | - | - | (91,998) |
| Net loss for the six-month period ended June 30, 2006 | - | - | - | - | - | - | (2,733,381) | - | - | - | (2,733,381) |
| Changes in shareholder' equity of subsidiary by equity method | - | - | - | - | - | - | - | - | 12 | 68,088 | 68,100 |
| Changes in unrealized gain on available-for-sale financial assets | - | - | - | - | - | - | - | - | - | 95,593 | 95,593 |
| **Balance as of June 30, 2006** | **NT$ 15,745,358** | **NT$ 494,079** | **NT$ 8,024** | **NT$ 893** | **NT$ 3,228,441** | **NT$ 332** | **NT$ (2,682,085)** | **NT$ 381,303** | **NT$ -** | **NT$ 163,681** | **NT$ 17,340,026** |
| **Balance as of January 1, 2005** | NT$ 14,236,161 | NT$ - | NT$ 8,024 | NT$ 870 | NT$ 1,428,899 | NT$ 320 | NT$ 3,148,837 | NT$ 187,132 | NT$ - | NT$ - | NT$ 19,010,243 |
| Appropriation of retained earnings: | | | | | | | | | | | |
| Statutory reserve | - | - | - | - | 842,285 | - | (842,285) | - | - | - | - |
| Stock dividends | - | 1,509,197 | - | - | - | - | (1,509,197) | - | - | - | - |
| Cash dividends | - | - | - | - | - | - | (569,447) | - | - | - | (569,447) |
| Directors and supervisors' remuneration | - | - | - | - | - | - | (110,725) | - | - | - | (110,725) |
| Employee cash dividends | - | - | - | - | - | - | (25,145) | - | - | - | (25,145) |
| Revaluation increment on property and equipment transferred to gain on disposal of fixed assets | - | - | - | - | - | - | - | (13,983) | - | - | (13,983) |
| Reserve for land revaluation increment taxes transferred to capital surplus | - | - | - | - | - | - | - | 208,154 | - | - | 208,154 |
| Net income for the six-month period ended June 30, 2005 | - | - | - | - | - | - | 1,682,452 | - | - | - | 1,682,452 |
| **Balance as of June 30, 2005** | **NT$ 14,236,161** | **NT$ 1,509,197** | **NT$ 8,024** | **NT$ 870** | **NT$ 2,271,184** | **NT$ 320** | **NT$ 1,774,490** | **NT$ 381,303** | **NT$ -** | **NT$ -** | **NT$ 20,181,549** |

See accompanying notes to the financial statements.

## HSINCHU INTERNATIONAL BANK CO., LTD.

**STATEMENTS OF CASH FLOWS**
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005**
**(Expressed in Thousands of New Taiwan Dollars)**

| | Jan. 1~June 30, 2006 | Jan. 1~June 30, 2005 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net income (loss) | NT$ (2,733,381) | NT$ 1,682,452 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 273,722 | 227,105 |
| Investment income recognized under equity method | (128,893) | (159,055) |
| Loss on assets carried at cost | 5,532 | 32,936 |
| Provision for loan and other losses | 6,275,799 | 1,284,938 |
| Loss (gain) on disposal and sale of fixed assets | 2,133 | (11,488) |
| Realized gain from affiliate transactions | (49) | - |
| Gain on redeem of convertible bonds | (18,177) | - |
| Loss on sale of pledged properties taken over | 32,710 | 201,143 |
| Impairment loss reversals | (43,987) | (122,846) |
| Provision for other reserves (recovery gain) | (45,989) | 14,976 |
| Changes in operating assets provided by (used in) cash： | | |
| Receivables | 2,069,898 | (792,386) |
| Deferred income taxes assets, net | (388,231) | (86,309) |
| Financial assets at fair value through profit or loss | (1,769,434) | 11,130,591 |
| Changes in operating liabilities provided by (used in) cash： | | |
| Payables | 204,265 | (744,243) |
| Financial liabilities at fair value through profit or loss | 12,284 | (468,169) |
| Net cash flows provided by operating activities | 3,748,202 | 12,189,645 |
| **Cash flows from investing activities:** | | |
| Increase in due from Central Bank of China and banks | (7,380,952) | (2,279,592) |
| Increase in loans and bills discounted | (32,302,713) | (2,131,543) |
| Decrease in bonds and short-term bills sold under resale agreements | 11,358,762 | 1,152,532 |
| Decrease from available-for-sale financial assets | 230,491 | 177,507 |
| Decrease (increase) from held-to-maturity financial assets | 3,970,956 | (14,128,171) |
| Purchase of fixed assets | (234,134) | (408,784) |
| Proceeds from sales of fixed assets and pledged properties take over | 46,685 | 746,932 |
| Decrease in other financial assets | 8,007 | 3,251 |
| Decrease in other assets | 120,200 | 158,645 |
| Net cash flows used in investing activities | (24,182,698) | (16,709,223) |

(Continued)

## HSINCHU INTERNATIONAL BANK CO., LTD.

**STATEMENTS OF CASH FLOWS**
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005**
**(Expressed in Thousands of New Taiwan Dollars)**

| | Jan. 1~June 30, 2006 | Jan. 1~June 30, 2005 |
|---|---|---|
| **Cash flows from financing activities:** | | |
| Increase (decrease) in due to banks and Central Bank of China | NT$ 2,070,788 | NT$ (1,234,867) |
| Increase (decrease) in financing from Central Bank of China and banks | 1,347,000 | (3,418,926) |
| Increase in customer deposits and remittances payable | 12,093,992 | 2,377,001 |
| Increase (decrease) in bonds and short-term bills sold under repurchase agreements | 7,476,736 | (3,720,587) |
| Issuance (redemption) of convertible bonds | (2,911,379) | 10,000,000 |
| Decrease in other financial liabilities | - | (6,819) |
| Decrease in other liabilities | (499,087) | (99,924) |
| Payment of employee cash dividends and directors and supervisors' remuneration | (205,714) | (135,870) |
| Net cash flows provided by financing activities | 19,372,336 | 3,760,008 |
| Effect of exchange rate changes on cash and cash equivalents | (136,015) | (32,303) |
| Net decrease in cash and cash equivalents | (1,198,175) | (791,873) |
| Cash and cash equivalents, beginning of period | 8,587,765 | 7,033,866 |
| Cash and cash equivalents, end of period | NT$ 7,389,590 | NT$ 6,241,993 |
| Supplemental information : | | |
| Income taxes paid | NT$ 54,373 | NT$ 73,927 |
| Investing and financing activities not affecting cash: | | |
| Changes in reserve for land revaluation and capital surplus from unrealized disposal gain of fixed assets | NT$ - | NT$ 28,698 |

(Concluded)

## HSINCHU INTERNATIONAL BANK CO., LTD.

**NOTES TO FINANCIAL STATEMENTS**
**FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2006 AND 2005**
**(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

### 1. ORGANIZATION AND BUSINESS SCOPE

Hsinchu International Bank Co., Ltd. (the Bank) was founded in 1948. The Bank's business activities were those of a medium size business bank as regulated by the Banking Law and Securities Brokerage Regulations.

Pursuant to an approval granted by the Securities and Futures Commission (SFC), the Bank's shares have been publicly listed since 1983. The SFC had changed to the Securities and Futures Bureau (SFB) from July 1, 2004.

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

Additionally, the Bank's operations have been expanded to business activities of commercial bank defined by the MOF.

As of June 30, 2006 and 2005, the Bank had employees amounted to 3,391 and 3,179 persons.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of preparation of financial statements

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

Certain accounts of financial statements of the six-month periods ended June 30, 2005 had been reclassified for the comparison purpose of the presentation of the six-month periods ended June 30, 2006.s

(2) Use of estimates

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

(3) Cash and Cash equivalents

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

(4) Financial assets and financial liabilities

*Before applying Accounting Standards No. 34*

*Long-term investments*

Long-term investments in equity securities that represent less than 20% of the investee's common stocks with voting rights, and where the Bank and its subsidiaries together do not have significant influence over the investee, they are stated at the lower of cost or market value if traded in the open market, and unrealized loss due to price decline then is recorded as a deduction in shareholder's equity. In contrast, if not traded in the open market, those investments are stated at cost, and a loss is recognized if objective evidence of impairments exists for the investments and it is remote to recover.

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

Long-term debt investments which the Bank has positive intention and capability to hold for a long term are stated at acquisition cost, and the valuation of unamortized premium or discount is adjusted based on the par value.

*Marketable securities*

Other than the investments described in preceding paragraph, marketable securities are stated at the lower of cost or fair market value. The fair market value is determined by the average closing price of the last month of the accounting period or the latest settlement price at the end of the period. However, the market value of open-ended mutual funds is measured by the net asset value of the mutual fund on the balance sheet date. On disposition, selling cost is calculated based on the moving-weight-average method.

*After applying Accounting Standards No. 34, effective from January 1, 2006*

Financial assets in the scope of R.O.C. Statement of Financial Accounting Standards No. 34, “Accounting for Financial Instruments” (“SFAS No. 34,”) are classified as either financial assets at fair value through profit or loss, bond portfolio with no active market bonds, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Financial liabilities are classified as either financial liabilities at fair value through profit or loss, derivative financial liabilities for hedge, or financial liabilities at amortized cost.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are subsequently measured at fair value and changes in fair value are recognized in profit and loss. Held for trading and designated by the Bank as at fair value through profit or loss are classified as financial assets at fair value through profit or loss.

*Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

*Held-to-maturity financial assets*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

*Assets carried at cost*

Assets carried at cost are referred to equity instruments whose fair value can not be reliably measured and are stated at original cost.

(5) Bonds and short-term bills sold under resale agreements / Bonds and short-term bills sold under repurchase agreements

When trading the bonds and short-term bills with resale agreements, the actual amounts paid are recorded as bonds and short-term bills sold under resale agreements. When trading bonds and short-term bills with repurchase agreements, the actual amounts collected are recorded as bonds and short-term bills sold under repurchase agreements. Additionally, the related interest revenue and interest expense generating from preceding transactions are recognized on an accrual basis.

(6) Loans, non-accrual loans, and interest income

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

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

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

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

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

1) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.

2) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the bank might collect [from the debtor(s)] where there is no financial benefit in execution.

3) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the bank taking possession of such collateral.

4) More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.

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

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

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

(8) Equity investment under equity method

When the Bank holds 20% or more of an investee company's stock with voting rights, or when the Bank directly or indirectly (e.g. through subsidiaries) has significant influence over the investee's operation and financial policies, the investments are accounted for under the equity method.

When the Bank has control over its investee companies, the investee companies are treated as the subsidiaries. The financial statements of these subsidiaries should be consolidated financial statements when preparing the Bank's consolidated financial statements at the end of the accounting period. However, it is not required to prepare the consolidated statements for the first and the third quarters of financial statements.

The difference between the acquisition cost in an investee company and the Bank's share of net assets of the investee is amortized in 5 years. However, such a difference is no longer amortized since January 1, 2006. Newly acquired difference is analyzed and accounted for in the manner similar to acquisition cost allocation as provided in SFAS No. 25 "Business Combination-Accounting Treatment under Purchase Method," under which goodwill is not amortized.

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

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

(9) Fixed assets and depreciation

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

Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets: Buildings are from five to sixty years; computer, office equipment and other equipment are from three to five years. Fixed assets which are still in use after the estimated useful life are depreciated based on the residual value. Gains or losses on the disposal of property and equipment are recorded as non-operating income or expense.

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

(10) Collaterals and residuals taken over

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

(11) Convertible bonds

Due to the inseparability of the conversion option and debt elements of the convertible bonds, the issuer should record total proceeds received for the issuance of the convertible bond solely as a liability.

The direct and necessary costs of issuing convertible bond should be recorded as deferred expenses. The costs should be amortized by using the straight-line method over the period from issuance to maturity or the period from the issuance date to the expiry date, which ever is shorter, and recognized as issuing expenses.

The difference between payment and carrying amount of convertible bonds at the early extinguishment date should be recognized as extraordinary losses or gains in the current period, if it is material.

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

For convertible bonds issued after January 1, 2006, the components of compound financial instrument are separated by the Bank on initial recognition. The liability component is measured first, and the difference between the proceeds of the bond issued and the fair value of the liability components is accounted for as the equity component. The present value of the liability component is calculated using the market interest rate for similar debt without conversion options. The liability component is subsequently measured at amortized cost, and changes in fair value of the equity component are not recognized.

(12) Reserves

*Employee retirement and severance benefits*

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

The Bank has adopted the R.O.C. Labor Standards Laws on May 1, 1997 and set up "Supervisory Committee of Retirement Fund" and informed the social authority. The Bank has made the monthly deposits to the fund in Central Trust of China since July 1998.

The measurement date of the Bank's pension plan was established on the balance sheet date. The Bank accrues pension cost and minimum pension liability when the accumulated benefit obligation exceeds the fair value of the fund assets. Prior service cost and gains or losses on pension plan assets are amortized over the remaining service period. Under the defined contribution scheme, the Bank monthly deposit the pension to each employee's individual pension accounts on the accrual basis and recognized as current expenses.

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

According to SFAS No. 23 “Presentation and Disclosures for Interim Financial Statements”, pension plan disclosures can be less than the disclosures required by SFAS No.18 “Accounting for Pensions”.

*Reserve for losses on trading securities*

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

*Reserve for losses on default in securities brokerage*

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

*Reserve for losses on guarantee*

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

(13) Derecognition of financial assets and liabilities

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in which the transferor surrenders control over those financial assets, and shall be accounted for as a sale.

If a transfer of financial assets in exchange for cash or other consideration (other than beneficial interests in the transferred assets) does not meet the criteria for a sale, the Bank accounted for the transfer as a borrowing with collateral.

*Financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

*Retain interests of financial asset securitization*

Under the Regulations for Financial Asset Securitization, the Bank entrusted all the related rights and obligations of its land and buildings mortgage loans to trustees for issues of the related beneficiary certificates. The trustees deliver all proceeds from the issues of beneficiary certificates to the Bank. Thus, the Bank losses its right and control of these loans entrusted; moreover, except for those which are subordinated seller certificates and are retained in order to enhance credit as well as are reclassified as held-to-maturity financial assets, the entrusted loans are removed from the Bank's account, and gain or loss are recognized accordingly.

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

The subordinated seller certificates, accounted for as held-to-maturity financial assets, are evaluated at the present value of future cash flows at the balance sheet date due to no quoted market prices. The valuation loss is recorded to reduce interest income, and the valuation gain is not recorded. Interest income from the trustees is recorded when received.

(14) Foreign currency transactions

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

(15) Income taxes

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

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

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

The R.O.C. government enacted the Alternative Minimum Tax Act( “ AMT Act”), which became effective on January 1, 2006. The alternative minimum tax imposed under AMT Act is a supplement tax levied at a rate of 10% when the income tax payable determined pursuant to the Income Tax Law is below the minimum amount computed under the AMT Act.

(16) Assets of impairment

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

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

Impairment loss (reversal) is classified as non-interest losses (income).

(17) Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

*Assets carried at amortized cost*

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

*Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

*Available-for-sale financial assets*

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

(18) Contingencies

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

(19) Earnings per share of common stock

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

## 3. THE REASON AND EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

The Bank adopted the SFAS No. 35, "Accounting for Asset Impairment" to account for the impairment of its assets for its financial statements beginning on and after January 1, 2005 (the "effective date"). Due to this change in accounting principles, the Bank's assets decreased by NT$8,317 thousand as of June 30, 2005, and the Bank's net income and earnings per share decreased by NT$8,317 thousand and NT$0.0058, respectively, for the six-month period ended June 30, 2005.

The Bank adopted the SFAS No. 34, "Accounting for Financial Instruments" and No. 36, "Disclosure and Presentation of Financial Instruments" to account for the financial instruments for its financial statements beginning on and after January 1, 2006 (the "effective date"). Transitional arrangement for instruments outstanding at the effective date is summarized as follows:

At the effective date, the Bank shall remeasure and reclassify financial assets and liabilities that should be measured at fair value or amortized cost as appropriate according to SFAS No. 34. Any resulting adjustment shall be recognize as either cumulative effects of changes in accounting principles or a component of equity, depending on the classification of the instruments:

(1) Cumulative effects of changes in accounting principles: for financial assets or liabilities at fair value through profit or loss and derivatives designated as fair value hedges.

(2) A component of equity: for financial assets carried at amortized cost and available-for-sale financial assets.

The above changes in accounting principles increased the Bank's financial assets at fair value through profit or loss and available-for-sale financial assets by NT$47,702 thousand and NT$95,593 thousand as of June 30, 2006, respectively, and decreased the Bank's net loss and loss per share by NT$47,702 thousand and NT$0.03, respectively, for the six-month period ended June 30, 2006.

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

(1) Cash and cash equivalents

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Cash on hand | NT$ 4,777,083 | NT$ 4,370,025 |
| Notes and checks for clearance | 39,488 | 83,335 |
| Due from banks | 2,573,019 | 1,788,633 |
| Total | NT$ 7,389,590 | NT$ 6,241,993 |

(2) Due from banks and Central Bank of China

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Reserve for deposits-category A | NT$ 4,051,364 | NT$ 3,818,773 |
| Reserve for deposits-category B | 8,733,342 | 8,742,913 |
| Settlement accounts | 515,928 | 421,376 |
| Reserve for deposits-foreign currency | 19,439 | 18,971 |
| Call loans | 8,317,239 | 7,653,937 |
| | NT$ 21,637,312 | NT$ 20,655,970 |

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

## 5. FINANCIAL ASSETS OR LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| Trading assets | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Government bonds | NT$ 579,187 | NT$ 103,293 |
| Corporate bonds | 93,988 | 191,200 |
| Commercial bonds | 17,657 | 31,618 |
| Stocks | 59,843 | 70,356 |
| Mutual funds | 1,708,013 | 2,411,520 |
| Certificates of deposits | 1,020,095 | 178,992 |
| Commercial paper | 7,326,779 | 7,218,780 |
| Buy option contacts | 12,540 | 30,497 |
| Forward contacts | 3,405 | 71,914 |
| Cross currency swap contacts | 119,144 | 104,580 |
| Swap contacts | - | 8,078 |
| Interest rate swap contacts | 20,506 | - |
| | NT$ 10,961,157 | NT$ 10,420,828 |

| Trading liabilities | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Sell option contacts | NT$ 12,540 | NT$ 30,497 |
| Forward contacts | 44,233 | 32,928 |
| Cross currency swap contacts | 795 | 7,157 |
| | NT$ 57,568 | NT$ 70,582 |

The purposes of trading derivative instruments of the Bank are primarily to hedge risks resulting from exchange rate and interest rate floating and to provide hedging instruments to customers. The Bank's strategy of financial hedging is trying to hedge most risks from changes in fair value and variability in cash flow.

The Bank's derivatives contacts in outstanding were as follows:

| Financial instruments | | ('000) June 30, 2006 | | ('000) June 30, 2005 |
|---|---|---|---|---|
| Buy option contacts | NT$ | 997,553 | NT$ | 3,895,229 |
| Sell option contacts | | 997,553 | | 3,895,229 |
| Forward contacts | | 6,218,629 | | 6,069,964 |
| Cross currency swap contacts | | 1,369,300 | | 1,369,300 |
| Swap contacts | | 364,396 | | 1,618,950 |
| Interest rate swap contacts | | 5,893,333 | | - |

For the six-month periods ended June 30, 2006 and 2005, gain(loss) on trading assets amounted to NT$(23,650) thousand and NT$301,166 thousand, respectively, and gain (loss) on trading liabilities amounted to NT$37,662 thousand and NT$(38,668) thousand, respectively

## 6. RECEIVABLES, NET

| | | ('000) June 30, 2006 | | ('000) June 30, 2005 |
|---|---|---|---|---|
| Accounts receivables | NT$ | 5,198,733 | NT$ | 6,178,379 |
| Acceptance receivables | | 742,238 | | 581,850 |
| Interest receivables | | 1,438,277 | | 1,299,737 |
| Tax refund receivables | | 391,974 | | 338,238 |
| Other receivables-credit card | | 2,532,955 | | 2,690,829 |
| Other receivables | | 761,920 | | 442,764 |
| | | 11,066,097 | | 11,531,797 |
| Less: allowance for doubtful accounts | | (499,176) | | (409,414) |
| | NT$ | 10,566,921 | NT$ | 11,122,383 |

## 7. LOANS AND BILLS DISCOUNTED

| | | ('000) June 30, 2006 | | ('000) June 30, 2005 |
|---|---|---|---|---|
| Bills negotiated and discounted | NT$ | 210,700 | NT$ | 297,998 |
| Short-term loans and overdraft | | 34,320,459 | | 23,019,161 |
| Short-term secured loans and overdraft | | 16,144,613 | | 10,397,542 |
| Medium-term loans | | 73,759,060 | | 58,658,712 |
| Medium-term secured loans | | 30,859,715 | | 26,048,306 |
| Long-term loans | | 9,268,908 | | 9,235,682 |
| Long-term secured loans | | 132,957,350 | | 124,409,450 |
| Non-accrual loans | | 4,159,550 | | 5,719,334 |
| | | 301,680,355 | | 257,786,185 |
| Less: allowance for doubtful accounts | | (3,276,443) | | (3,447,958) |
| | NT$ | 298,403,912 | NT$ | 254,338,227 |

(1) Allowance for doubtful accounts

| | June 30, 2006 | | | ('000) |
|---|---|---|---|---|
| | Unrecovery risk for particular loans | Country risk | Unrecovery risk for the overall loan portfolio (excluding the particular loans) | Total |
| Beginning balance | NT$ 2,384,399 | NT$ - | NT$ 928,677 | NT$ 3,313,076 |
| Provision for loan losses and doubtful receivable | 5,451,000 | - | 824,799 | 6,275,799 |
| Write-off | 5,017,159 | - | 778,416 | 5,795,575 |
| Ending balance | NT$ 2,818,240 | NT$ - | NT$ 975,060 | NT$ 3,793,300 |

| | June 30, 2005 | | | ('000) |
|---|---|---|---|---|
| | Unrecovery risk for particular loans | Country risk | Unrecovery risk for the overall loan portfolio (excluding the particular loans) | Total |
| Beginning balance | NT$ 2,722,632 | NT$ - | NT$ 831,910 | NT$ 3,554,542 |
| Provision for loan losses and doubtful receivable | 1,064,545 | - | 220,393 | 1,284,938 |
| Write-off | 864,322 | - | 82,400 | 946,722 |
| Ending balance | NT$ 2,922,855 | NT$ - | NT$ 969,903 | NT$ 3,892,758 |

The Bank received NT$451,473 thousand and NT$431,762 thousand from write-off loans during the six-month periods ended June 30, 2006 and 2005, respectively, and recorded them as non-interest incomes.

The balances of loans with interest charges suspended were NT$6,444,409 thousand and NT$6,538,034 thousand as of June 30, 2006 and 2005, respectively. In case of continuing charging interests, the balances of interest receivable computed from these loans were NT$731,147 thousand and NT$1,628,044 thousand on June 30, 2006 and 2005, respectively.

(2)The Bank had not written off any loans without launching any legal actions.

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Government bonds | NT$ 4,816,514 | NT$ 6,937,595 |
| Corporate bonds | 3,273,096 | - |
| Commercial bonds | 2,473,984 | 1,250,756 |
| Stocks | 242,960 | 98,099 |
| Beneficiary securities | 717,968 | 50,000 |
| | NT$ 11,524,522 | NT$ 8,336,450 |

For the operations in the settlement of commercial paper trading activities through the R.O.C. OTC Securities Exchange, the Bank provided deposits of NT$127,864 thousand for its settlement activities as of June 30 2005.

## 9. HELD-TO-MATURITY FINANCIAL ASSETS

| | | (‘000) June 30, 2006 | | (‘000) June 30, 2005 |
|---|---|---|---|---|
| Government bonds | NT$ | 9,073,386 | NT$ | 6,259,850 |
| Corporate bonds | | 5,320,138 | | 2,455,462 |
| Commercial bonds | | 4,599,612 | | 1,040,000 |
| Certificates of deposits | | 22,700,000 | | 42,350,000 |
| Beneficiary securities | | 1,800,791 | | - |
| | NT$ | 43,493,927 | NT$ | 52,105,312 |

As of June 30, 2006 and 2005, the Bank had deposited held-to-maturity financial assets in amounts of NT$931,650 thousand and NT$940,514 thousand, respectively, for filing attachment against debtors to courts.

In accordance with the R.O.C. Trust Law, the Bank is required to deposit held-to-maturity financial assets to secure its trust operations. As of June 30, 2006 and 2005, the Bank had NT$47,225 thousand and NT$46,565 thousand of deposit in the Central Bank of China for this purpose, respectively.

In accordance with guidelines set by the National Credit Card Center, the Bank is required to make a deposit for credit card transactions. Accordingly, as of June 30, 2005, the Bank had deposited held-to-maturity financial assets amounted to NT$ 60,899 thousand to the Central Bank of China.

In accordance with the R.O.C. “Regulation Governing Administration of Bills Finance”, the Bank is required to make a deposit for its bill finance operations. Accordingly, as of June 30, 2006 and 2005, the Bank had deposited NT$47,225 thousand and NT$46,565 thousand, respectively, recorded under held-to-maturity financial assets, in the Central Bank of China.

In accordance with “Rules Governing Securities Firm”, the Bank, as a security agent, is required to make a deposit for its operation. As of June 30, 2006 and 2005, the Bank had deposited NT$207,791 thousand and NT$186,260 thousand, respectively, in Bank of Taiwan.

In accordance with “Rules Governing the Operation of Auxiliary Futures Trading Services by Securities Firms”, the Bank is required to make a deposit for its future trading operation. As of June 30, 2006 and 2005, the Bank had deposited NT$56,670 thousand and NT$46,565 thousand, respectively, in the Bank of Taiwan.

In accordance with the rule set by Central Bank of China, the Bank is required to deposit sufficient guaranty for daytime overdraft to Central Bank of China. As of June 30, 2006 and 2005, the Bank had deposited certificates of deposits amounted to NT$3,000,000 thousand and NT$1,000,000 thousand, respectively, in the Central Bank of China, and the interest rate of these certificates of deposits were to 1.6% and 1.3%, respectively, and the maturity date are on July 5, 2006 and September 2, 2005, respectively.

For the operations in the settlement of commercial paper trading activities through the R.O.C. OTC Securities Exchange, the Bank provided deposits of NT$130,870 thousand for its settlement activities as of June 30 2006, respectively.

For issuance of the related beneficiary certificates of home mortgage, the Bank provided a deposit of NT$846,451 thousand to Calyon Bank Taipei Branch as of June 30, 2006.

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

The Bank held the subordinated seller certificate of NT$1,800,791 thousand, recorded as held-to-maturity financial assets, with the right on interests in excess of the fixed amount paid to investors. If debtors fail to repay the entrusted loans, investors and the Deutsche Bank AG, Taipei Branch has no right of recourse to the Bank. The Bank's right to the repayment of the loans entrusted as subordinated seller certificates is beyond the investors, and the value of these subordinated seller certificates is affected by credit risk, repayment rate, and changes in interest rate on those transferred loans.

(a) Key assumptions used in measuring retained interests

| | Jan. 1~June 30, 2006 |
|---|---|
| Repayment rate (annual rate) | 30% |
| Weighted-average life | 3.62 year |
| Expected credit losses (annual rate) | 1.5% |
| Discounted rate for residual cash flows | 2.6% |

(b) Sensitivity analysis

As of June 30, 2006, if key economic assumptions and the related assumptions were adversely changed to 10% and 20%, respectively, the sensitivity of the current fair value of residual cash flows was as follows:

| | | ('000) |
|---|---|---|
| Carrying amount of retained interest | NT$ | 1,838,319 |
| Weighted-average life | | 3.62 year |
| Prepayment rate | | 30% |
| Impact on fair value of 10% adverse change – 33.0% | NT$ | (12,690) |
| Impact on fair value of 20% adverse change – 36.0% | NT$ | (23,490) |
| Expected credit losses (annual rate) | | 1.5% |
| Impact on fair value of 10% adverse change – 1.65% | NT$ | (7,522) |
| Impact on fair value of 20% adverse change – 1.80% | NT$ | (15,045) |

(c) There was no actual credit loss for the securitized mortgage loan; thus, the expected static pool credit loss rate was equal to expected credit loss rate.

(d) Cash flows

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

| | | ('000)<br>Jan. 1~June 30, 2006 |
|---|---|---|
| Other cash flows received on retained interests | NT$ | - |
| Cash reserve (part of refundable deposits) | NT$ | 1,414 |

## 10. EQUITY INVESTMENT UNDER EQUITY METHOD

| Name | June 30, 2006 Percentage of share holding(%) | June 30, 2006 ('000) Amount | June 30, 2005 Percentage of share holding(%) | June 30, 2005 ('000) Amount |
|---|---|---|---|---|
| Hsin-Chu Real Estate Co., Ltd. | 60 | NT$ 266,101 | 60 | NT$ 184,050 |
| Hsin-Chu Futures Co., Ltd. | 89 | 264,184 | 89 | 265,755 |
| Hsin-Chu Insurance Agent Co., Ltd. | 100 | 576,523 | 100 | 569,618 |
| Chu-Chiann Insurance Agent Co., Ltd. | 100 | 31,942 | 100 | 26,906 |
| Paradigm Assets Management Co., Ltd. (The former name was Chung-Shing Assets Management Co., Ltd.). | 20 | 60,372 | 20 | 75,993 |
| | | NT$ 1,199,122 | | NT$ 1,122,322 |

For the six-month periods ended June 30, 2006 and 2005, the Bank recognized investment income by equity method amounted to NT$128,893 thousand and NT$159,055 thousand, respectively. The investment gains and losses under the equity method, except Hsiu-Chu Futures Co., Ltd. were calculated based on reviewed and unaudited financial statements.

In April 2006, the Bank invested in Paradigm Assets Management Co., Ltd, which is approved by the Financial and Supervisory Commission (FSC), amounted to NT$38,400 thousand. As of June 30, 2006, Paradigm Assets Management Co., Ltd has not completed the legal registration, the Bank recorded as pay in advance.

## 11. OTHER FINANCIAL ASSETS

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Assets carried at cost | NT$ 401,779 | NT$ 473,660 |
| Exchange bills negotiated | 2,699 | 3,108 |
| Other non-accrual loans | 17,681 | 35,386 |
| Allowance for doubtful accounts | (17,681) | (35,386) |
| | NT$ 404,478 | NT$ 476,768 |

The assets carried at cost were as follows:

| | June 30, 2006 Percentage of share holding(%) | June 30, 2006 ('000) Amount | June 30, 2005 Percentage of share holding(%) | June 30, 2005 ('000) Amount |
|---|---|---|---|---|
| Taiwan Small and Medium Enterprises Development Co., Ltd. | 5 | NT$ 29,000 | 5 | NT$ 29,000 |
| Universal Venture Fund Co., Ltd. | 5 | 38,096 | 5 | 38,096 |
| Windance Co., Ltd. | 3 | 188,500 | 3 | 188,500 |
| Mondex Taiwan Co., Ltd. | 3 | 2,468 | 7 | 8,000 |
| TSC Bio Ventures Capital Co., Ltd. | 5 | 20,250 | 5 | 20,250 |
| Others (percentage of shares held under 5 % or amount under NT$100,000 thousand) | | 159,092 | | 189,814 |
| Less：accumulated of impairment loss | | (35,627) | | - |
| | | NT$ 401,779 | | NT$ 473,660 |

Due to the merger of The Taiwan Securities Central Depository Co., Ltd. (“TSCD”) and Debt Instruments Depository and Clearing Co., Ltd. Taiwan (“DDCD”), two investee companies of the Bank, TSCD, the acquiring company, acquired the equity ownership of DDCD by issuing stocks and paying cash. Consequently, the Bank obtained TSCD's stocks for 460 thousand share, representing ownership approximate 0.17%, and cash for NT$30,722 thousand in exchange of DDCD’s stocks; furthermore, the carrying amount of investment in DDCD has been written off since then. Additionally, TSCD is renamed as Taiwan Depository & Clearing Corporation after the merger completed in March 2006.

In June 2006 and April 2005, the general shareholders' meeting of Mondex Taiwan Co., Ltd. resolved to decrease its capital. The Bank recognized the investment loss NT$5,532 thousand and NT$17,000 thousand in proportion to the Bank's holding interest, respectively.

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

## 12. FIXED ASSETS AND OTHER ASSETS

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

| | June 30, 2006 (‘000) | | | | June 30, 2005 (‘000) | | | |
|---|---|---|---|---|---|---|---|---|
| | Land | | Buildings | | Land | | Buildings | |
| Fixed assets | NT$ | 505,866 | NT$ | 10,407 | $ | 505,866 | NT$ | 10,407 |
| Other assets | | 180,961 | | - | | 180,961 | | - |
| | NT$ | 686,827 | NT$ | 10,407 | NT$ | 686,827 | NT$ | 10,407 |

As of June 30, 2006 and 2005, reserve for land revaluation increment taxes both amounted to NT$285,112 thousand, recorded as other liabilities.

Please refer to Note 28 (2). 10 and 11 for the assets transactions between the Bank and its related parties, Chu-Cherng Construction Co., Ltd. and Hsin-Chu Insurance Agent Co., Ltd.

## 13. OTHER ASSETS

| | June 30, 2006 (‘000) | | June 30, 2005 (‘000) | |
|---|---|---|---|---|
| Prepayments | NT$ | 250,254 | NT$ | 155,235 |
| Idle assets-land | | 72,765 | | 72,765 |
| Idle assets buildings, net | | 42,441 | | 44,062 |
| Less: accumulated of impairment loss | | (8,317) | | (8,317) |
| Rental real estate-land | | 796,767 | | 832,843 |
| Rental real estate buildings, net | | 1,063,783 | | 1,093,065 |
| Less: accumulated of impairment loss | | (2,513) | | - |
| Guarantee deposit | | 885,087 | | 1,334,476 |
| Pledged properties take over-land | | 704,164 | | 1,044,868 |
| Pledged properties take over-buildings, net | | 940,070 | | 1,156,745 |
| Less: accumulated of impairment loss | | (667,031) | | (520,705) |
| Temporary payments and suspense accounts | | 58,021 | | 84,683 |
| Deferred tax assets, net | | 981,599 | | 688,738 |
| Others | | 5,926 | | 49,723 |
| | NT$ | 5,123,016 | NT$ | 6,026,181 |

Per lease agreements, entered by the Bank and tenants for the Bank's commercial buildings, existing as of June 30, 2006, the leasing terms were ranging from one to ten years. And the minimum discounted rental incomes per all lease agreements were as follows:

| Period | ('000) Amount |
|---|---|
| July 1, 2006 to June 30, 2007 | NT$ 41,953 |
| July 1, 2007 to June 30, 2008 | 36,424 |
| July 1, 2008 to June 30, 2009 | 31,561 |
| July 1, 2009 to June 30, 2010 | 23,621 |
| July 1, 2010 to June 30, 2011 | 20,622 |
| July 1, 2011 and thereafter | 21,184 (Net present value is NT$18,741 thousand) |

Part of the Bank's building which is located in Jung-Yang Rd., Hsin-Chu City has been rented to Hsin-Chu Chinatrust Hotel. The rental contract contains a variable rent with corresponding to the revenue of the hotel.

**14. DUE TO BANKS AND CENTRAL BANK OF CHINA**

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Due to banks | NT$ 16,725 | NT$ 22,902 |
| Time deposits from Chunghwa Post | 12,045,634 | 13,003,735 |
| Overdrafts on banks | - | 60,184 |
| Call loans from banks | 6,400,000 | - |
| | NT$ 18,462,359 | NT$ 13,086,821 |

**15. PAYABLES**

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Notes collected for others | NT$ 593,080 | NT$ 634,314 |
| Accounts payables | 777,782 | 597,559 |
| Accrued expense | 457,362 | 381,645 |
| Acceptances | 745,457 | 591,735 |
| Accrued income taxes | - | 5,536 |
| Accrued interest | 1,275,068 | 1,130,024 |
| Accrued dividends | 1,574,536 | 569,446 |
| Collected for others | 282,470 | 160,181 |
| Other payables : | | |
| Transactions incurred after working hours | 181,385 | 113,820 |
| Foreign trust fund | 214,255 | 26,552 |
| Suspension accounts | 56,363 | 55,885 |
| Cross bank account transfer handling charge | 39,046 | 36,098 |
| Others | 168,366 | 315,566 |
| | 659,415 | 547,920 |
| Total | NT$ 6,365,170 | NT$ 4,618,361 |

## 16. CUSTOMER DEPOSITS AND REMITTANCES PAYABLE

| | (‘000) June 30, 2006 | (‘000) June 30, 2005 |
|---|---|---|
| Savings deposits | NT$ 233,559,741 | NT$ 235,702,462 |
| Time deposits | 56,531,750 | 51,636,711 |
| Demand deposits | 37,577,428 | 31,879,765 |
| Checking accounts | 3,622,384 | 3,722,604 |
| Remittances payable | 125,974 | 89,440 |
| Total | NT$ 331,417,277 | NT$ 323,030,982 |

As of June 30, 2006 and 2005, the Bank has issued transferable time deposits amounted to NT$7,456,500 thousand and NT$3,785,000 thousand, respectively.

## 17. BONDS PAYABLE

| | (‘000) June 30, 2006 | (‘000) June 30, 2005 |
|---|---|---|
| Subordinated debentures | NT$ 18,000,000 | NT$ 18,000,000 |
| Convertible bonds | 547,543 | 3,477,980 |
| | NT$ 18,547,543 | NT$ 21,477,980 |

(1) Subordinated debentures

| Bond | Issue conditions | (‘000) June 30, 2006 | (‘000) June 30, 2005 |
|---|---|---|---|
| 91-1 A | 5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years, maturity date：July 19, 2007 | NT$ 6,067,400 | NT$ 6,067,400 |
| 91-1 B | 5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate +1.75%, maturity date：July 19, 2007 | 972,600 | 972,600 |
| 91-1 C | 5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate +1.75%, maturity date：July 19, 2007 | 400,000 | 400,000 |
| 91-1 D | 5-year term, interest payable semi-annually, base on the Banks' variable one year regular rate +1.75%, maturity date：July 19, 2007 | 320,000 | 320,000 |
| 91-1 E | 5-year term, interest payable semi-annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years, maturity date：July 19, 2007 | 240,000 | 240,000 |
| 94-1 | No maturity date, interest payable semi-annually, base on the average variable one year regular rate of the big nine banks' +1.493% | 7,636,700 | 7,636,700 |
| 94-2 | No maturity date, interest payable semi-annually, base on the average variable one year regular rate of the big nine banks' +1.493% | 2,363,300 | 2,363,300 |
| | | NT$ 18,000,000 | NT$ 18,000,000 |

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

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

(2) Convertible bonds

The details of the convertible bonds payable were as follows:

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Original issue size (US$110,000 thousand) | NT$ 547,543 | NT$ 3,477,980 |

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

(A) Issue size

Up to US$110 million in principal amount.

(B) Form, denomination and issue price

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

(C) Issue date

May 13, 2004.

(D) Redemption on the maturity date

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

(E) Coupon rate

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

(F) Conversion

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

(b) Before June 30, 2006, the Bank and the Lead Manager, in view of market conditions on the pricing date, may jointly determine to adopt a Contingent Conversion Feature. If a Contingent Conversion Feature is adopted, for the bondholders to exercise the conversion rights before certain anniversary of the Bonds (to be determined on the Pricing Date), the closing price of common shares shall exceed the contingent conversion trigger for at least 20 trading days out of the last 30 consecutive trading days in the preceding quarter.

(G) Redemption at the option of the issuer

(a) The Bank may redeem the Bonds in whole or in part, beginning 2 years after the issue date at par provided that each of the closing price of the common shares of the Bank on the Taiwan Stock Exchange Corporation (TSEC) translated into US dollars at the prevailing rate for a period of 20 consecutive trading days is or exceeds 120% of the conversion price then in effect translated into US dollars at a fixed exchange rate set on the pricing date;

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

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

(H) Conversion securities

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

(I) Conversion price

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

In May 2006, the Bank redeemed the Bonds at a price equal to 99.4009% of the unpaid principal amount of the Bonds. The difference between payment and carrying amount of the Bonds was NT$18,177 thousand, recognized as non-interest income.

**18. OTHER FINANCIAL LIABILITIES**

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Appropriated loan fund | NT$ - | NT$ 20,453 |

**19. OTHER LIABILITIES**

| | | ('000) June 30, 2006 | | ('000) June 30, 2005 |
|---|---|---|---|---|
| Advance receipts | NT$ | 24,515 | NT$ | 43,137 |
| Reserve for land revaluation increment taxes | | 285,112 | | 285,112 |
| Reserve for losses on guarantee | | 62,157 | | 62,157 |
| Reserve for losses on default in securities brokerage | | 55,359 | | 49,331 |
| Reserve for losses on trading sectirities | | 323 | | 13,572 |
| Guarantee deposits received | | 74,885 | | 73,643 |
| Temporary receives and suspense accounts | | 749,061 | | 800,807 |
| Other | | 23,958 | | 23,103 |
| | NT$ | 1,275,370 | NT$ | 1,350,862 |

**20. EMPLOYEE RETIREMENT BENEFITS**

| | | ('000) Jan. 1～June 30, 2006 | | ('000) Jan. 1～June 30, 2005 |
|---|---|---|---|---|
| Pension expense | NT$ | 235,046 | NT$ | 141,276 |

| | | June 30, 2006 | | June 30, 2005 |
|---|---|---|---|---|
| Balance of pension fund in the Central Trust of China | NT$ | 1,345,312 | NT$ | 1,180,739 |
| Accrued pension liabilities | NT$ | - | NT$ | - |

**21. SHAREHOLDERS' EQUITY**

(1) Capital surplus and reserve

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

According to the Securities Exchange Law and other related regulations, the total capital surplus transferred to capital cannot exceed 10 percentage of issued capital every year. The capital surplus can be used to increase the capital in the next year after the transfer is approved by the authorities concerned.

According to SFB, the companies listed in the open market should set aside a statutory reserve when distributing the earnings. They should also conform with Securities Exchange Law No.41 and a FSC's announcement (Reference number：0950000507 dated 27 January 2006), which requires the companies to appropriate a special reserve from the current year's net income and prior years' unappropriate earnings with the amount equal to the total of any contra amounts in the shareholder's equity occurred in the year. (contra amounts may include unrealized gain or loss on available-for-sale financial assets and cumulative translation adjustments, etc. ) For the contra amounts in the shareholder's equity occurred in prior years, the special reserve should be appropriated from the prior years' unappropriated earnings and cannot be distributed. If the contra amounts of shareholder's equity are reversed, the special reserve could be distributed.

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

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

(2) Dividend policy

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

On June 10, 2005, the general shareholders' meeting resolved to make a distribution of earnings for the year 2004. The distribution includes NT$842,285 thousand of statutory reserve, NT$569,447 thousand of cash dividends, NT$1,423,616 thousand of stock dividends, NT$110,725 thousand of directors and supervisors' remuneration, NT$25,145 thousand of employee cash dividends and NT$85,581 thousand of employee stock dividends. The above capital increase was authorized by the SFB on July 7, 2005, and the Board of Directors set August 24, 2005 to be the date for stock distribution and capital increase. The legal registration has been completed on September 8, 2005.

The 2004 earnings distributed as employees bonus and the director and supervisors' remuneration was as follows:

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

| | The resolution of the general shareholders' meeting | The resolution of the Bank's Board of Directors | Difference |
|---|---|---|---|
| Distribution | | | |
| (a) Employee cash bonus | NT$ 25,145 | NT$ 25,145 | - |
| (b) Employee stock bonus | | | |
| Amount | 85,581 | 85,581 | - |
| Number of shares | 8,558 | 8,558 | - |
| Percentage of share outstanding | 0.6% | 0.6% | - |
| (c) Directors and supervisors' remuneration | 110,725 | 110,725 | - |
| Earning per share | | | |
| Original earning per share | 1.99 | 1.99 | - |
| The projected earning per share after distributing employee cash bonus and director and supervisors' remuneration | 1.84 | 1.84 | - |

On June 9, 2006, the general shareholders' meeting resolved to make a distribution of earnings for the year 2005. The distribution includes NT$957,257 thousand of statutory reserve, NT$12 thousand of special reserve, NT$472,361 thousand of stock dividends, NT$1,574,536 thousand of cash dividends, NT$113,716 thousand of directors and supervisors' remuneration, NT$91,998 thousand of employee cash dividends and NT$21,718 thousand of employee stock dividends. The above capital increased has been authorized by the SFB on July 3, 2006 and the Board of Directors set August 14, 2006 to be the date for stock distribution and capital increase.

The 2005 earnings distributed as employees bonus and the director and supervisors' remuneration was as follows:

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

| | The resolution of the general shareholders' meeting | The resolution of the Bank's Board of Directors | Difference |
|---|---|---|---|
| Distribution | | | |
| (a) Employee cash bonus | NT$ 91,998 | NT$ 91,998 | - |
| (b) Employee stock bonus | | | |
| Amount | 21,718 | 21,718 | - |
| Number of shares | 2,172 | 2,172 | - |
| Percentage of share outstanding | 0.13% | 0.13% | - |
| (c) Directors and supervisors' remuneration | 113,716 | 113,716 | - |
| Earning per share | | | |
| Original earning per share | 2.03 | 2.03 | - |
| The projected earning per share after distributing employee cash bonus and director and supervisors' remuneration | 1.88 | 1.88 | - |

Information of distributions resolved within general meetings of shareholders can be found in "Market Observation Post System" (**http://mops.tse.com.tw** of the TSEC).

## 22. FEE AND COMMISSION INCOME, NET

| | ('000) Jan. 1~June 30, 2006 | ('000) Jan. 1~June 30, 2005 |
|---|---|---|
| Fee and commission income | NT$ 1,436,667 | NT$ 1,137,948 |
| Fee and commission expense | (124,786) | (92,138) |
| | NT$ 1,311,881 | NT$ 1,045,810 |

## 23. GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS, NET

| | ('000) Jan. 1~June 30, 2006 | ('000) Jan. 1~June 30, 2005 |
|---|---|---|
| Dividends from financial assets at fair value through profit or loss | NT$ 1,002 | NT$ 5,299 |
| Gain on disposal of financial assets and liabilities at fair value through profit or loss , net | 31,915 | 257,199 |
| Gain on valuation of financial assets and liabilities at fair value through profit or loss , net | (18,905) | - |
| | NT$ 14,012 | NT$ 262,498 |

## 24. OTHER NON-INTEREST INCOME, NET

| | (‘000) Jan. 1~June 30, 2006 | (‘000) Jan. 1~June 30, 2005 |
|---|---|---|
| Securities brokerage income | NT$ 118,552 | NT$ 69,695 |
| Rental income | 46,205 | 48,487 |
| Gains on property exchange | (2,084) | 11,488 |
| Recovered bad and overdue accounts | 459,727 | 436,500 |
| Loss on assets carried at cost | (5,532) | (32,936) |
| Loss on sale of pledged properties taken over | (32,710) | (201,143) |
| Miscellaneous income (expenses) | 59,654 | (19,274) |
| | NT$ 643,812 | NT$ 312,817 |

## 25. PERSONNEL EXPENSE, DEPRECIATION EXPENSE AND AMORTIZATION

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

| | (‘000) Jan. 1~June 30, 2006 | (‘000) Jan. 1~June 30, 2005 |
|---|---|---|
| Personnel expense | | |
| Salary expense | NT$ 1,306,880 | NT$ 1,110,753 |
| Insurance expense | 84,433 | 62,862 |
| Pension expense | 235,046 | 141,276 |
| Depreciation expense | 272,229 | 224,554 |
| Amortization | 1,493 | 2,551 |

## 26. INCOME TAXES AND THE INTEGRATED INCOME TAX SYSTEM INFORMATION

(1) Income taxes

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

| | (‘000) Jan. 1~June 30, 2006 | (‘000) Jan. 1~June 30, 2005 |
|---|---|---|
| Current income tax expense | NT$ 56,131 | NT$ 73,090 |
| Deferred income tax provisions (income) | (388,231) | (86,309) |
| | NT$ (332,100) | NT$ (13,219) |

The reconciliation from income taxes at the statutory income tax rate to the income tax reported in the accompanying financial statements was summarized as follows:

| | Jan. 1~June 30, 2006 ('000) | Jan. 1~June 30, 2005 ('000) |
|---|---|---|
| Income tax at statutory rate | NT$ (783,022) | NT$ 417,298 |
| Undeductible tax expense of the overseas income | 452 | 2,270 |
| Offshore banking unit tax-exempt income | (1,030) | (9,859) |
| Exempt gain from securities trading | (205) | (69,645) |
| Unrealized gain on trading assets and liabilities | 4,727 | - |
| Loss (gain) on disposal of fixed assets | 5,254 | 18,331 |
| 20% preferential tax effect on certain interest income | (25,059) | (17,923) |
| Investment income recognized under equity method | (33,004) | (39,054) |
| Prior years' income tax adjustments | 1,758 | (837) |
| Prior years' loss carry forwards adjustments | 103,240 | (379,264) |
| Tax credit on employee training expenditure | (1,942) | (3,053) |
| Other tax reconciling items | 10,421 | (12,260) |
| Change in allowance for deferred tax assets | 386,310 | 80,777 |
| | NT$ (332,100) | NT$ (13,219) |

The deferred income tax income were as follows:

| | Jan. 1～June 30, 2006 ('000) | Jan. 1～June 30, 2005 ('000) |
|---|---|---|
| Investment loss (income) recognized under the equity method | NT$ (781) | NT$ 709 |
| Recovery of allowance for bad-debt in excess of tax limit | (59,311) | (79,158) |
| Recovery (provision) for other reserves | 11,498 | (3,744) |
| Recovery for asset impairment | 19,904 | 30,713 |
| Unrealized gain on inter-affiliate accounts | 20 | (1,603) |
| Prior years' loss carry forwards adjustments | 103,240 | (379,264) |
| Loss carry forwards | (847,169) | 257,249 |
| Tax credit on employee training expenditure | (1,942) | 8,012 |
| Change in allowance for deferred tax assets | 386,310 | 80,777 |
| | NT$ (388,231) | NT$ (86,309) |

The deferred income tax assets were as follows:

| | June 30, 2006 ('000) | June 30, 2005 ('000) |
|---|---|---|
| Deferred tax assets | NT$ 1,962,879 | NT$ 1,375,873 |
| Allowance for deferred tax assets | (981,280) | (687,135) |
| Deferred tax assets, net | NT$ 981,599 | NT$ 688,738 |

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

| | June 30, 2006 ('000) | | June 30, 2005 ('000) | |
|---|---|---|---|---|
| | Amount | Income tax effect | Amount | Income tax effect |
| Deferred tax assets: | | | | |
| Investment loss recognized under the equity method | NT$ 56,491 | NT$ 14,123 | NT$ 54,919 | NT$ 13,730 |
| Bad debts expense over limitation | 1,569,780 | 392,445 | 1,200,666 | 300,167 |
| Provision of reserve for default in securities brokerage | 55,713 | 13,928 | 49,685 | 12,421 |
| Provision of reserve for loss in securities trading | 323 | 81 | 13,572 | 3,393 |
| Impairment loss | 680,861 | 170,215 | 529,022 | 132,255 |
| Unrealized gains on inter-affiliate transactions | 6,248 | 1,562 | 6,410 | 1,603 |
| Loss carry forwards | 5,474,334 | 1,368,583 | 3,649,214 | 912,304 |
| Employee training | 1,942 | 1,942 | - | - |
| | | NT$ 1,962,879 | | NT$ 1,375,873 |

As of June 30, 2006 and 2005, refundable income taxes were as follows:

| | June 30, 2006 ('000) | June 30, 2005 ('000) |
|---|---|---|
| Estimated income tax expenses | NT$ 56,131 | NT$ 73,090 |
| Prepaid and withheld income taxes | (25,679) | (28,318) |
| 20% preferential taxes on certain interest income | (53,921) | (71,657) |
| Prior years' income tax adjustments | (1,758) | 837 |
| Undeductible tax expense of the overseas income | (452) | (2,270) |
| Income tax refundable | NT$ (25,679) | NT$ (28,318) |

According to the Income Taxes Law, the losses could be carried forward 5 years to deduct the following years' taxable income. As of June 30, 2006, the details of the Bank's losses for past years were as follows:

('000)

| Years of loss | Declared (approved) amount of losses | Available Deductible amount | Deducted amount | Undedcuted amount | The extended years for the losses |
|---|---|---|---|---|---|
| 2002 | NT$ 3,824,364 | NT$ 3,781,251 | NT$ 1,695,592 | NT$ 2,085,659 | 2007 |
| Jan. 1 ~ June 30, 2006 | 3,389,677 | 3,388,675 | - | 3,388,675 | 2011 |
| | NT$ 7,214,041 | NT$ 7,169,926 | NT$ 1,695,592 | NT$ 5,474,334 | |

The tax authorities have examined and assessed the Bank's income tax returns for the years through fiscal year 2001.

(2) Information regarding the Integrated Income Tax System

| | (‘000) June 30, 2006 | (‘000) June 30, 2005 |
|---|---|---|
| Imputed tax credits for shareholders | NT$ 129,559 | NT$ 225,559 |

| | Jan. 1~June 30, 2006 | Jan. 1~June 30, 2005 |
|---|---|---|
| Imputed tax credit rate of estimated earnings appropriation | - | 12.71% |

| Unappropriated retained earnings (accumulated losses) | (‘000) June 30, 2006 | (‘000) June 30, 2005 |
|---|---|---|
| 1997 and before | NT$ - | NT$ - |
| 1998 and after | (2,682,085) | 1,774,490 |
| | NT$ (2,682,085) | NT$ 1,774,490 |

## 27. EARNINGS PER SHARE

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

| | For the six-month period ended June 30, 2006 | | | | |
|---|---|---|---|---|---|
| | Amount | | Number | Earnings per share | |
| | Before taxes NT$ | After taxes NT$ | of shares | Before taxes NT$ | After taxes NT$ |
| Losses from continuing operations | (3,132,088) | (2,799,988) | 1,574,536 | (1.99) | (1.78) |
| Cumulative effect of changes in accounting principle | 66,607 | 66,607 | 1,574,536 | 0.04 | 0.04 |
| Net losses | (3,065,481) | (2,733,381) | | (1.95) | (1.74) |
| Net losses for basic earnings per common stock | | | | (1.95) | (1.74) |

| | For the six-month period ended June 30, 2005 | | | | |
|---|---|---|---|---|---|
| | Amount | | Number | Earnings per share | |
| | Before taxes NT$ | After taxes NT$ | of shares | Before taxes NT$ | After taxes NT$ |
| Net incomes | 1,669,233 | 1,682,452 | | | |
| Net incomes for basic earnings per common stock | 1,669,233 | 1,682,452 | 1,423,616 (Note 1) | 1.17 | 1.18 |
| Net incomes for basic earnings per common stock | 1,669,233 | 1,682,452 | 1,574,536 (Note 2) | 1.06 | 1.07 |

Note 1: Calculated base on the weighted-average number of common shares outstanding.

Note 2: Calculated based on the weighted- average number of common shares outstanding due to the distribution of stock dividends.

## 28. RELATED-PARTY TRANSACTIONS

(1) Relationship with the Bank

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

Note：The company was liquidated in May 2006.

(2) Major transactions with the related parties

1) Loans to related parties

As of June 30, 2006 and 2005, loans to the related parties were approximate NT$1,712,415 thousand and NT$1,476,469 thousand, respectively, representing 0.57% of total loans and bills discounted as of June 30, 2006 and 2005. Interest incomes resulting from such loans were NT$27,773 thousand and NT$30,709 thousand, respectively, representing 0.42% and 0.53% of total interest income for the six-month periods ended June 30, 2006 and 2005. The ranges of interest rates were equal approximately 0.01%~18.25% and 1.69%~18.25%, respectively. For the six-month periods ended June 30, 2006 and 2005, the highest balances of loans to the related parties were approximately NT$1,832,201 thousand and NT$2,001,680 thousand, respectively.

The terms and conditions of short-term and mid-term loans to the related parties have no substantially difference. The provision for loan losses of the related parties was evaluated under the unrecovery risk for the overall loan portfolio.

2) Deposits from the related parties

As of June 30, 2006 and 2005, deposits from the related parties were approximate NT$1,947,167 thousand and NT$1,571,930 thousand, respectively, representing 0.59% and 0.49% of total deposits and remittances as of June 30, 2006 and 2005, respectively. Interest expenses resulting from such deposits were NT$11,761 thousand and NT$8,332 thousand, respectively, representing 0.44% and 0.36% of total interest expenses for the six-month periods ended June 30, 2006 and 2005, respectively. For the six-month periods ended June 31, 2006 and 2005 the highest balances of deposits from the related parties were approximate NT$2,727,438 thousand and NT$2,067,177 thousand, respectively.

The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public, except that employees' saving interest rate is 8.00% when the deposit balance was below NT$480 thousand per employee.

3) The Bank contracted HCRE to administer the construction of certain premises. The service fees for the six-month periods ended June 30, 2006 and 2005 were NT$8,410 thousand and NT$13,414 thousand, respectively.

4) The Bank contracted HGSC to administer the security services of certain premises. The service fees for the six-month periods ended June 30, 2006 and 2005 amounted to NT$32,722 thousand and NT$30,367 thousand, respectively

5) The Bank has paid to CIDEC for the decoration of the Bank's branches for the three-month periods ended June 30, 2006 and 2005 amounted to NT$64,636 thousand and NT$14,038 thousand, respectively.

6) The Bank contracted HGABM to take over the building management of the bank's branches for the six-month periods ended June 30, 2006 and 2005 amounted to NT$21,596 thousand and NT$19,964 thousand, respectively.

7) The Bank leased the office premises from HCRE, and the rental expenses for the six-month periods ended June 30, 2006 and 2005 were NT$851 thousand and NT$660 thousand, respectively.

8) The Bank leased cars from HCGGCL, and the rental expenses for the six-month periods ended June 30, 2006 and 2005 were NT$5,158 thousand and NT$5,419 thousand, respectively.

9) The Bank charged the insurance handing fee to CCIA for the six-month period ended June 30, 2006 amounted to NT$1,496 thousand.

10) During 2005, the Bank leased an office from CCC without a consideration except for a security deposit of NT$475,000 thousand, recorded under guarantee deposit. In December 2005, the Board of Directors resolved to purchase the leased office, located in No.745, Kuang-fu Sec., Hsinchu City, from CCC with a price of NT$475,000 thousand, which was paid by against the security deposit. As of March 31, 2006, the ownership of the property has been transferred to the Bank.

11) In December 2004, the Bank sold the land and building located in No. 1-23 and No. 1-49, Dongmen Sec. 2, Hsinchu City to HCIA. The contracted selling price was NT$42,500 thousand and the gain on disposal, net of book value and the related expenses, was NT$23,130 thousand. The Bank has transferred the ownership in January 2005. As of June 30, 2006, gains from inter-affiliated company transactions were NT$23,028 thousand and were recorded as “other liabilities”.

12) The transactions involving government bonds and other short-term bills with the related parties were as follows:

A. Repurchase or resale agreement

| Transaction | Related parties | Jan.1~June 30, 2006 Maximum amount | Ending balance | Interest rate% | Interest income (expense) ('000) |
|---|---|---|---|---|---|
| Repurchase | IBF | NT$ 1,936,971 | NT$ 750,767 | 1.385～1.440 | NT$ (9,147) |
| | Others | 31,039 | 6,011 | 1.250～1.420 | (112) |
| | | | NT$ 756,778 | | NT$ (9,259) |
| Resell | IBF | NT$ 340,387 | NT$ 195,974 | 1.450～1.580 | NT$ 1,192 |

| Transaction | Related parties | Jan.1~June 30, 2005 Maximum amount | Ending balance | Interest rate% | Interest income (expense) ('000) |
|---|---|---|---|---|---|
| Repurchase | IBF | NT$ 2,550,955 | NT$ 150,000 | 0.975～1.150 | NT$ (3,628) |
| | Others | 5,933 | 5,933 | 0.980～1.035 | (30) |
| | | | NT$ 155,933 | | NT$ (3,658) |
| Resell | IBF | NT$ 1,554,861 | NT$ 1,554,861 | 1.200～1.275 | NT$ 2,861 |

B. Purchase or sale agreements

| Transaction | Related parties | Jan.1~June 30, 2006 Maximum amount | Ending balance | Interest rate% | Gain on available-for-sale financial assets ('000) |
|---|---|---|---|---|---|
| Purchase | IBF | NT$ 319,764 | NT$ 133,350 | 1.455～1.580 | NT$ - |

| Transaction | Related parties | Jan.1~June 30, 2005 Maximum amount | Ending balance | Interest rate% | Gain on available-for-sale financial assets ('000) |
|---|---|---|---|---|---|
| Sell | IBF | NT$ 51,037 | NT$ - | 2.382 | NT$ 19 |
| Purchase | IBF | NT$ 1,106,425 | NT$ 686,237 | 1.200～1.275 | NT$ - |

## 29. COMMITMENTS AND CONTINGENCIES

(1) As of June 30, 2006 and 2005, the Bank's significant commitments and contingencies were as follows:

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Letters of credit issued | NT$ 2,276,133 | NT$ 2,887,289 |
| Guarantees extended | 9,016,885 | 6,637,102 |
| Government bonds and other short-term bills sold under repurchase agreements | 23,598,870 | 12,324,667 |
| Government bonds and other short-term bills acquired under resale agreements | 295,894 | 19,202,372 |
| Unsettled foreign currency forward contract | 4,826,233 | 9,165,651 |
| Unsettled foreign currency swap and options contract | 1,791,729 | 2,992,090 |

(2) As of June 30, 2006 and 2005, the existing contracts for construction and decoration of the Bank's premises were approximate NT$63,876 thousand and NT$31,547 thousand, respectively. The Bank had paid approximate NT$33,359 thousand and NT$20,773 thousand, respectively.

(3) According to the existing contracts for the lease of its premises, as of March 31, 2006, rental payments were as follows:

| Period | ('000) Amount |
|---|---|
| July 1, 2006 to June 30, 2007 | NT$ 107,359 |
| July 1, 2007 to June 30, 2008 | 78,201 |
| July 1, 2008 to June 30, 2009 | 62,064 |
| July 1, 2009 to June 30, 2010 | 50,661 |
| July 1, 2010 to June 30, 2011 | 23,208 |
| July 1, 2011 and thereafter | 21,309 (Net present value is NT$18,259 thousand) |

(4) As of June 30, 2006 and 2005, the Bank had the following major commitments relating to the trust activities:

| | ('000) June 30, 2006 | ('000) June 30, 2005 |
|---|---|---|
| Bills for collection | NT$ 25,473,245 | NT$ 22,686,340 |
| Marketable securities for custody | 1,597,350 | 1,462,066 |
| Travelers checks held for sale | 109,507 | 107,949 |
| Assets resulting from various trust agencies | 50,451,976 | 23,380,203 |

(5) As a result of business operation and employee termination of the Bank, a lawsuit was brought up with a claim for salary and damage compensation of NT$17,490 thousand plus interest at 5%. However, this law suit has not yet been settled.

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

Balance Sheet of Trust
June 30, 2006

('000)

| Trust assets | | Trust liabilities | |
|---|---|---|---|
| Short-term investments: | | Trust capital: | |
| Investments in funds | NT$ 50,451,976 | Money trust | NT$ 50,451,976 |
| Total trust assets | NT$ 50,451,976 | Total trust liabilities | NT$ 50,451,976 |

Trust Assets
June 30, 2006

('000)

| Investments | Book value |
|---|---|
| Short-term investments: | |
| Investments in funds | NT$50,451,976 |
| Total | NT$50,451,976 |

**30. OTHER**

(1) Fair market value of financial instruments

1) Information of financial instruments

| Non-derivative financial instruments-assets | June 30, 2006 Book value | ('000) Fair value | June 30, 2005 Book value | ('000) Fair value |
|---|---|---|---|---|
| Book value equivalent to fair values | NT$ 40,774,632 | 40,774,632 | NT$ 58,547,928 | 58,547,928 |
| Financial assets at fair value through profit or loss | 10,805,562 | 10,805,562 | 10,205,759 | 10,205,759 |
| Loans and bills discounted | 298,403,912 | 298,403,912 | 254,338,227 | 254,338,227 |
| Available-for-sale financial assets | 11,524,522 | 11,524,522 | 8,336,450 | 8,336,450 |
| Held-to-maturity financial assets | 43,493,927 | 43,493,927 | 52,105,312 | 52,105,312 |
| Equity investment under equity method | 1,199,122 | 1,119,122 | 1,122,322 | 1,122,322 |
| Other financial assets | 404,478 | 404,478 | 476,768 | 476,768 |

| Derivative financial instruments-assets | June 30, 2006 Book value | ('000) Fair value | June 30, 2005 Book value | ('000) Fair value |
|---|---|---|---|---|
| Buy option contacts | NT$ 12,540 | 12,540 | NT$ 30,497 | 30,497 |
| Forward contacts | 3,405 | 3,405 | 71,914 | 71,914 |
| Cross currency swap contacts | 119,144 | 119,144 | 104,580 | 104,580 |
| Swap contacts | - | - | 8,078 | 8,078 |
| Interest rate swap contacts | 20,506 | 20,506 | - | - |

| Non-derivative financial instruments-liabilities | June 30, 2006 Book value | ('000) Fair value | June 30, 2005 Book value | ('000) Fair value |
|---|---|---|---|---|
| Book amount equivalent to fair values | NT$ 50,324,978 | 50,324,978 | NT$ 31,202,494 | 31,202,494 |
| Customer deposits and remittances payable | 331,417,277 | 331,373,277 | 323,030,982 | 322,976,449 |
| Subordinated debenture | 18,000,000 | 18,000,000 | 18,000,000 | 18,000,000 |
| Bonds payable | 547,543 | 547,543 | 3,477,980 | 3,477,980 |

| Derivative financial instruments-liabilities | June 30, 2006 Book value | ('000) Fair value | June 30, 2005 Book value | ('000) Fair value |
|---|---|---|---|---|
| Sell option contacts | NT$ 12,540 | 12,540 | NT$ 30,497 | 30,497 |
| Forward contacts | 44,233 | 44,233 | 32,928 | 32,928 |
| Swap contacts | 795 | 795 | 7,157 | 7,157 |

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

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

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

(B) Financial assets at fair value through profit or loss, available-for-sale financial assets and held-to-maturity financial assets:

The fair value is determined by transaction price quoted in an active market, when available; if otherwise, valuation techniques are applied. The estimates and assumptions applied in valuation techniques are consistent with available information about the estimates and assumptions that market participants would use in setting a price for the financial instrument.

(C) Loan and bills purchased:

The fair values of loans, discounts and bills purchased are estimated based on certain characteristics of banking industry. On that account, the book value was a reasonable estimate of fair value, taking into account the current credit-worthiness of the borrowers. The fair values of fixed-rate loans with medium to long term maturity were estimated by discounting the future cash flows using the current rates. Since the Bank entered into fixed–rate loans of which interest rate were higher than market rate and the remaining maturities are less than three years and it was not practical to calculate the present value of each transaction, the fair value of loans was estimated using book value, taking into account of the current credit-worthiness of the borrowers.

(D) Other financial assets:

Other financial assets are referring to investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

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

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

(F) Customer deposits and remittances payable:

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

(G) Subordinated debenture:

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

(H) Convertible bonds:

Fair values of the Convertible bonds (the Bonds) are estimated based on their carrying values on the balance sheet. As the coupon rate on the Bonds is 0% and the date of redemption is uncertain, it is difficult to calculate the present value of the Bonds. In addition, the carrying amount of the Bonds is adjusted based on the prevailing spot exchange rate on the balance sheet date. Therefore, fair values of the Bonds is estimated based on their carrying amount on the balance sheet.

(I) For derivatives that do not have quoted market prices in active market, a cash-flow discount method is applied for forward foreign currency and interest rate swap contracts, and Black Scholdes Model is applied for swap option contracts.

The Bank computed the fair value of each individual forward foreign currency contracts by using the expected exchange rate at the future maturity date, and whose rate was generated from Kondor, a quoted pricing system. With respect to fair values of contracts for interest rate swap and foreign currency exchange, expect part of contracts were computed based on the quoted prices provided by counterparties, the others were individually computed based on the pricing information provided by Reuters, a global information company.

The Bank's fair values of financial assets and financial liabilities computed by quoted market prices or other valuation techniques are as below:

| | Determined by quoted market prices ('000) | | Estimated by other valuation techniques ('000) | |
|---|---|---|---|---|
| Financial instruments-assets | June 30, 2006 | June 30, 2005 | June 30, 2006 | June 30, 2005 |
| Cash and cash equivalents | NT$ - | - | NT$ 7,389,590 | 6,241,993 |
| Due from banks and Central Bank of China | - | - | 21,637,312 | 20,655,970 |
| Financial assets at fair value through profit or loss | 2,441,031 | 2,807,987 | 8,520,126 | 7,612,841 |
| Bonds and short-term bills sold under resale agreements | - | - | 295,722 | 19,193,106 |
| Receivables | - | - | 10,566,921 | 11,122,383 |
| Available-for-sale financial assets | 11,524,522 | 8,336,450 | - | - |
| Held-to-maturity financial assets | 18,993,136 | 9,755,312 | 24,500,791 | 42,350,000 |
| Equity investment under equity method | - | - | 1,199,122 | 1,122,322 |
| Other financial assets | - | - | 404,478 | 476,768 |

| | Determined by quoted market prices ('000) | | Estimated by other valuation techniques ('000) | |
|---|---|---|---|---|
| Financial instruments –liabilities | June 30, 2006 | June 30, 2005 | June 30, 2006 | June 30, 2005 |
| Loan and bills discounted | NT$ - | - | NT$ 298,403,912 | 254,338,227 |
| Due to banks and Central Bank of China | - | - | 18,462,359 | 13,086,821 |
| Financing from Central Bank of China and banks | - | - | 1,839,750 | 1,104,259 |
| Financial liabilities at fair value through profit or loss | - | - | 57,568 | 70,582 |
| Bonds and short-term bills sold under repurchase agreements | - | - | 23,582,814 | 12,319,410 |
| Payables | - | - | 6,365,170 | 4,618,361 |
| Customer deposits and remittances payable | - | - | 331,417,277 | 323,030,982 |
| Subordinated debenture | - | - | 18,000,000 | 18,000,000 |
| Bonds payable | - | - | 547,543 | 3,477,980 |

For the six-month period ended June 30, 2006, the Bank recognized gain amounted to NT$60,440 thousand from the changes in fair value which were evaluated by using other valuation techniques.

The financial assets and financial liabilities with fair value risks in changes of interest rates of the Bank were NT$61,590,158 thousand and NT$41,582,814 thousand as of June 30, 2006, respectively, as well as NT$87,210,652 thousand and NT$30,319,410 thousand as of June 30, 2005, respectively. Additionally, as of June 30, 2006 and 2005, the cash flow risk due to changes of interest rate were NT$20,506 thousand and NT$0, respectively.

3).Information of financial risks

(A) Market risk

The Bank has been applying value at risk to assess the market risk of financial instruments since 2006. When negative changes in market factors arising, the value at risk states the potential losses from changes in holding periods and reliance levels. The Bank estimated its value at risk for each held or issued financial instruments based on the fluctuation of related historical price incurred in the past year. The table below showing the values at risk of the financial instruments of the Bank, the values at risk was estimated for one day's potential losses on a presumption that the unfavourable changes in exchange rates and interest rates can cover 99% fluctuation incurred in one day among the market. Also, per the presumption, the value at risk of financial assets and liabilities may exceed the amounts disclosed in the table below for one day out of 100 days owing to the changes in interest rates and exchange rates.

('000)

| | For the six-month period ended June 30, 2006 | | |
|---|---|---|---|
| Types of market risks | Annual average amount | Maximum amount | Minimum amount |
| Value at risk of exchange rate | NT$ 52,431 | 112,089 | 13,087 |
| Value at risk of interest rate | 69,655 | 169,465 | 25,715 |
| Value at risk of equity | 106,388 | 186,731 | 56,412 |
| Value at risk of market price | 118,678 | 143,231 | 91,162 |

(B) Credit risk

That the Bank may recognize losses from held or issued financial instruments may be caused by the events of counterparties failing to perform their obligations under financial instruments agreements. When practicing loan, loan commitment or loan guarantee businesses, the Bank properly conducts its credit assessments. As of June 30, 2006 and 2005, the percentages of loans with collaterals over total loans were 60％ and 63％, respectively, and the percentages for guarantees issued plus letters of credit issued with collaterals were 23％and 35％, respectively. The collaterals obtained from loan, commitment, and guarantee businesses mostly consisted of cash, inventories, marketable securities, and other assets. When counterparties breaching agreements/contracts, the Bank has rights to execute the collaterals, which can mitigate the credit risk. However, when disclosing the amount under maximum credit risk exposure, the fair values of collaterals are ignored.

For all financial instruments held by the Bank, the amounts under maximum credit risk exposure excluding from the fair values of collaterals were as below:

| | (‘000) | | (‘000) | |
|---|---|---|---|---|
| | June 30, 2006 | | June 30, 2005 | |
| Financial instruments | Book value | The amount under maximum credit risk exposure | Book value | The amount under maximum credit risk exposure |
| Loans and bills discounted | NT$ 301,680,355 | 2,732,721 | NT$ 257,786,185 | 2,678,814 |

The factors of computing the amounts related to credit risk above were those using fair value at balance sheet date as a basis and assessing the contracts with off-balance sheet commitments and guarantees. Concentration of credit risk is most likely resulting from an exposure of concentrating on an individual counterparty. Group concentrations of credit risk exist if a number of counterparts are engaged in similar activities or activities in the same region have similar economic characteristics that would affect their ability to meet contractual obligations. The Bank maintains trading positions in a number of markets and with a variety of counterpart or obligors.

The Bank's significant group concentrations of credit risk were summarized in categories of similar industries as follows:

| | (‘000) | | (‘000) | |
|---|---|---|---|---|
| | June 30, 2006 | | June 30, 2005 | |
| Industry | Book value | The amount under maximum credit risk exposure | Book value | The amount under maximum credit risk exposure |
| Individuals | NT$ 198,270,286 | 1,406,117 | NT$ 177,074,767 | 1,145,995 |
| Commercial | 14,232,395 | 771,286 | 9,984,225 | 183,196 |
| Manufacturing | 53,194,961 | 205,289 | 40,182,558 | 695,742 |
| Construction and real estate | 11,339,516 | 201,289 | 9,748,822 | 104,034 |
| Other institutions | 24,643,197 | 148,740 | 20,795,813 | 549,847 |
| | NT$ 301,680,355 | 2,732,721 | NT$ 257,786,185 | 2,678,814 |

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

(C) Liquidity risk

As of June 30, 2006 and 2005, the provision rates of liquidity were 10% and 23%, respectively, and funds raising from capital and operation are sufficient to meet commitments associated with contracts. Consequently, there is no such liquidity risk which the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Additionally, except for interest rate swaps with leverage effects held, the other derivatives held by the Bank consisted of low liquidity risk that the derivatives can not be sold with reasonable price in the market.

The Bank's basic policy of operation management is managing to mitigate caps between contractual interest rates at maturity dates and interest rates at balance sheet date as well as contractual maturity dates and balance sheet dates. Due to variety and uncertainty of contractual terms, the interest rates and maturity dates of financial assets and financial liabilities may not be matched, which may cause gains or losses. The liquidity ability of the Bank was assessed based on the status of maturity dates that was properly grouped in financial assets and financial liabilities, which was disclosed as below:

('000)

| | June 30, 2006 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Within 1 month | 1~3 months | 3 months~ 1 year | 1 year~ 2 years | 2 years~ 3 years | 3 years~ 4 years | 4 years~ 5 years | Over 5 years | Total |
| Assets | NT$ | NT$ | NT$ | NT$ | NT$ | NT$ | NT$ | NT$ | NT$ |
| Financial assets at fair value through profit or loss | 5,739,859 | 2,406,907 | 200,107 | 51,000 | 12,710 | 15,900 | 14,378 | 596,844 | 9,037,705 |
| Available-for-sale financial assets | - | - | - | 70,212 | 744,778 | 1,882,892 | 1,731,727 | 6,133,985 | 10,563,594 |
| Held-to-maturity financial assets | 16,403,000 | 1,675,189 | 5,049,242 | 1,204,525 | 2,598,433 | 4,422,591 | 7,821,624 | 4,319,323 | 43,493,927 |
| Due from banks and Central Bank of China | 4,780,992 | 945,270 | 2,590,977 | - | - | - | - | - | 8,317,239 |
| Loans and bills discounted | 10,345,419 | 20,370,062 | 26,818,921 | 12,999,647 | 20,555,933 | 16,317,219 | 17,444,646 | 172,668,958 | 297,520,805 |
| | 37,269,270 | 25,397,428 | 34,659,247 | 14,325,384 | 23,911,854 | 22,638,602 | 27,012,375 | 183,719,110 | 368,933,270 |
| Liabilities | | | | | | | | | |
| Bonds payable | - | - | - | 8,000,000 | - | 547,543 | - | 10,000,000 | 18,547,543 |
| Time deposits- New Taiwan dollars | 25,101,211 | 38,825,182 | 120,627,051 | 4,159,556 | 2,807,260 | - | - | - | 191,520,260 |
| Time deposits- foreign currency | 2,972,734 | 2,449,175 | 2,866,577 | - | - | - | - | - | 8,288,486 |
| Due to banks and Central Bank of China | 6,400,000 | - | - | - | - | - | - | - | 6,400,000 |
| Financing from Central Bank of China and banks | 744,180 | 447,590 | 647,980 | - | - | - | - | - | 1,839,750 |
| | 35,218,125 | 41,721,947 | 124,141,608 | 12,159,556 | 2,807,260 | 547,543 | - | 10,000,000 | 226,596,039 |

('000)

| | June 30, 2005 | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 month | 1～6 months | 6 months～1 year | 1～7 years | Over 7 years | Total |
| Assets: | | | | | | |
| Marketable securities- bonds | NT$ 48,500 | NT$ 920,333 | NT$ 149,725 | NT$ 8,134,252 | NT$ 2,773,997 | NT$ 12,026,807 |
| Call loans | 6,723,050 | 834,168 | 1,865 | 94,854 | - | 7,653,937 |
| Loan, bills discounts and purchased (Note 1) | 7,055,272 | 22,820,475 | 9,349,577 | 81,965,971 | 130,878,664 | 252,069,959 |
| Long-term debt investments | - | - | - | 2,995,350 | 3,247,618 | 6,242,968 |
| Total | NT$ 13,826,822 | NT$ 24,574,976 | NT$ 9,501,167 | NT$ 93,190,427 | NT$ 136,900,279 | NT$ 277,993,671 |
| Liabilities: | | | | | | |
| Due to banks (Note 2) | NT$ - | NT$ 788,079 | NT$ 316,180 | NT$ - | NT$ - | NT$ 1,104,259 |
| Customer deposits and remittances payable (Note 3) | 21,882,274 | 95,435,364 | 74,768,951 | 8,820,608 | - | 200,907,197 |
| Total | NT$ 21,882,274 | NT$ 96,223,443 | NT$ 75,085,131 | NT$ 8,820,608 | NT$ - | NT$ 202,011,456 |

Note 1: Non-accrual loans are not included.
Note 2: Including due to banks and Central Bank of China and financing/borrowing from Central Bank of China and banks.
Note 3: Only time deposits and time saving deposits are included.

(D) Cash flow risk and fair value risk from changes in interest rates

Future cash flow from the assets and liabilities with floating interest rates held by the Bank may fluctuate due to the changes in market interest rates, of which a risk as a result. In order to hedge the risk, the Bank has entered interest rate swap contracts after related assessments.

The Bank presumed that the expected re-pricing dates and expected maturity dates were not effected by contractual dates. The interest rate risks used in preparing the table below were stated based on the book value of financial assets and liabilities held by the Bank and reclassified based on which earlier dates are between maturity dates and re-pricing dates. The book values of financial instruments issued or held distinguished by either re-pricing dates or maturity dates were as below:

('000)

| | June 30, 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Within 1 month | 1~3 months | 3 months~1 year | 1 year~2 years | 2 years~3 years | 3 years~4 years | Over 4 years | Total |
| Assets | NT$ | NT$ | NT$ | NT$ | NT$ | NT$ | NT$ | NT$ |
| Available-for-sale financial assets | | | | | | | | |
| Commercial bonds | - | - | - | - | 400,000 | - | 185,262 | 585,262 |
| Loans and bills discounted | | | | | | | | |
| Short-term loans | - | - | - | 345,000 | 8,391,666 | 150,000 | - | 8,886,666 |
| Total | - | - | - | 345,000 | 8,791,666 | 150,000 | 185,262 | 9,471,928 |
| Gap of interest rate sensitivity | - | - | - | 345,000 | 8,791,666 | 150,000 | 185,262 | 9,471,928 |

(2) Related party credit transaction

('000)

| Category | Number | Balance as of June 30, 2006 | Status of fulfilling obiligations Loans | Non-performing loan |
|---|---|---|---|---|
| | | NT$ | NT$ | NT$ |
| Consumers loans | 1,131 | 296,065 | 295,716 | 349 |
| Employee loans for house purchase | 861 | 1,659,739 | 1,659,739 | - |
| Loans for other related parties | 21 | 69,665 | 69,665 | - |
| Loans guaranteed by related parties | 158 | 337,285 | 337,285 | - |
| Loans with collateral security provided by related parties | - | - | - | - |

(3) Loan quality

('000)

| | June 30, 2006 Amount | % |
|---|---|---|
| Non-performing loans (NPLs)-category A (Note 1) | NT$ 5,975,619 | 1.98% |
| Non-performing loans (NPLs)-category B (Note 1) | 2,381,071 | 0.79% |
| Total non-performing loans (NPLs) | 8,356,690 | 2.77% |

('000)

| | June 30, 2005 |
|---|---|
| Non-performing loans (NPLs) (Note 1) | NT$ 6,047,030 |
| Non-accrual loans | 5,754,720 |
| NPLs/gross loans | 2.35% |
| Surveillance loans (Note 2) | 996,037 |
| Surveillence loans/gross loans | 0.38% |
| Allowance for loan losses | 3,483,344 |
| Loans write-offs | 866,181 |

Note 1: Non-performing loans (NPLs)

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

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

Note 2: Surveillance loans

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

(4) Credit risk centralization

(In thousand)

| | June 30, 2006 | | June 30, 2005 | |
|---|---|---|---|---|
| Loans to related parties | NT$ 4,207,800 | | NT$ 2,358,775 | |
| Loans to related parties / Total loans | 1.35% | | 0.89% | |
| Loans collateralized with stocks | 0.64% | | 0.48% | |
| Industry link | Industry | Percentage | Industry | Percentage |
| | 1.Manufacturing | 18.51% | 1.Manufacturing | 16.23% |
| | 2.Commercial | 4.39% | 2. Construction and real estate | 4.14% |
| | 3.Construction and real estate | 4.19% | 3. Commercial | 3.93% |

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

(5) Risk sensitivity (New Taiwan dollars)

(In thousand)

| | Within 90 days | 91~180 days | 180 days~1 year | Over 1 year | Total |
|---|---|---|---|---|---|
| Risk sensitive assets | 311,825,000 | 7,759,000 | 1,384,000 | 45,194,000 | 366,162,000 |
| Risk sensitive liabilities | 144,733,000 | 176,849,000 | 43,887,000 | 8,712,000 | 374,181,000 |
| Risk sensitive gap | 167,092,000 | (169,090,000) | (42,503,000) | 36,482,000 | (8,019,000) |
| Shareholders' equity | | | | | 17,340,026 |
| Risk sensitive assets / Risk sensitive liabilities | | | | | 97.86% |
| Risk sensitive gap / Shareholders' equity | | | | | (46.25)% |

(6) Risk sensitivity (United State dollars)

(In thousand)

| | Within 90 days | 91~180 days | 180 days~1 year | Over 1 year | Total |
|---|---|---|---|---|---|
| Risk sensitive assets | 261,946 | 380,472 | 387,394 | - | 1,029,812 |
| Risk sensitive liabilities | 309,393 | 348,852 | 398,014 | - | 1,056,259 |
| Risk sensitive gap | (47,447) | 31,620 | (10,620) | - | (26,447) |
| Shareholders' equity | | | | | (17,852) |
| Risk sensitive assets / Risk sensitive liabilities | | | | | 97.50% |
| Risk sensitive gap / Shareholders' equity | | | | | 148.15% |

(7) Profitability

| Item | | Jan. 1～June 30, 2006 | Jan. 1～June 30, 2005 |
|---|---|---|---|
| The ratio of return on assets | Before taxes | (0.76)％ | 0.42％ |
| | After taxes | (0.67)％ | 0.43％ |
| The ratio of return on shareholders' equity | Before taxes | (16.05)％ | 8.52％ |
| | After taxes | (14.01)％ | 8.59％ |
| Net income ratio | | (43.83)％ | 30.49％ |

(8) The maturity analysis of assets and liabilities (New Taiwan dollars)

(In thousand)

| | Total | Amounts cumulated based on the terms from the balance sheet date to due date | | | | |
|---|---|---|---|---|---|---|
| | | Within 30 days | 31~90 days | 91~180 days | 181 days ～1 year | Over 1 year |
| Expected primary assets inflow when due | NT$ 412,829,350 | NT$ 63,056,861 | NT$ 22,530,284 | NT$ 14,161,169 | NT$ 23,948,813 | NT$ 289,132,223 |
| Expected primary liabilities inflow when due | 480,620,769 | 73,275,344 | 49,938,946 | 72,009,128 | 108,383,306 | 176,996,045 |
| Gap between assets and liabilities | (67,773,419) | (10,218,483) | (27,408,662) | (57,847,959) | (84,434,493) | 112,136,178 |

(9) The maturity analysis of assets and liabilities (United State dollars)

(In thousand)

| | Total | Amounts cumulated based on the terms from the balance sheet date to due date | | | | |
|---|---|---|---|---|---|---|
| | | Within 30 days | 31~90 days | 91~180 days | 181 days ～1 year | Over 1 year |
| Expected primary assets inflow when due | US$ 435,769 | US$ 127,754 | US$ 121,934 | US$ 118,526 | US$ 6,922 | US$ 60,633 |
| Expected primary liabilities inflow when due | 453,625 | 273,599 | 60,319 | 39,459 | 49,162 | 31,086 |
| Gap between assets and liabilities | (17,856) | (145,845) | 61,615 | 79,067 | (42,240) | 29,547 |

(10) Capital Adequacy

| | (‘000) June 30, 2006 | (‘000) June 30, 2005 |
|---|---|---|
| Capital adequacy | NT$ 28,040,674 | NT$ 32,215,288 |
| Total risk-weighted assets | NT$ 285,719,439 | NT$ 239,830,676 |
| Capital adequacy ratio | 9.81% | 13.43% |
| Tier Ⅰ capital / Total risk-weighted assets | 5.84% | 8.26% |
| Tier Ⅱ capital/ Total risk-weighted assets | 4.35% | 5.88% |
| Tier Ⅲ capital/ Total risk-weighted assets | - | - |
| Shareholder's equity/Total assets | 4.14% | 5.08% |

(11) The interest earning assets, interest bearing liabilities and the average interest rates were as:

('000)

| | For the six-month period ended June 30, 2006 | |
|---|---|---|
| | Average amount | Average interest rate% (Annual rate) |
| Assets: | | |
| Due from Central Bank of China | NT$ 11,661,848 | 1.10 |
| Financial assets at fair value through profit or loss-bonds | 1,130,903 | 1.33 |
| Available-for-sale financial assets-bonds | 12,071,727 | 2.23 |
| Held-to-maturity financial assets-bonds | 16,327,570 | 0.81 |
| Call loans | 8,863,334 | 2.75 |
| Loan and bills purchased | 274,407,314 | 4.07 |
| Liabilities: | | |
| Demand deposits-New Taiwan dollars | 133,181,364 | 0.48 |
| Demand deposits-foreign currency | 6,157,840 | 1.68 |
| Time deposits-New Taiwan dollars | 175,512,093 | 1.82 |
| Time deposits-foreign currency | 8,458,430 | 3.86 |
| Transferable time deposits | 3,157,776 | 1.63 |
| Call loans from banks /financing from Central Bank of China and banks | 587,038 | 4.95 |
| Subordinated debentures | 18,000,000 | 3.82 |

('000)

| | For the six-month period ended June 30, 2005 | |
|---|---|---|
| | Average amount | Average interest rate% (Annual rate) |
| Assets: | | |
| Due from Central Bank of China | NT$ 11,818,200 | 1.14 |
| Marketable securities-bonds | 7,139,883 | 2.50 |
| Call loans | 6,739,610 | 1.29 |
| Loan, discounts and bills purchased | 248,706,450 | 3.80 |
| Long-term investments-bonds | 6,216,785 | 2.85 |
| Liabilities: | | |
| Demand deposits | 121,902,172 | 0.47 |
| Foreign currency demand deposits | 5,765,725 | 0.80 |
| Time deposits | 191,881,020 | 1.47 |
| Foreign currency time deposits | 9,465,333 | 2.27 |
| Transferable time deposits | 4,204,751 | 1.40 |
| Call loans from banks /financing from Central Bank of China and banks | 1,733,890 | 2.57 |
| Subordinated debentures | 16,444,444 | 3.36 |

(12) Primary foreign currencies

(In thousand)

| | June 30, 2006 | | | | June 30, 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Original currency | | | Equivalent NTD amount | Original currency | | | Equivalent NTD amount |
| Primary foreign currencies held (Market risk) | 1 | HKD | 14,644 | 61,079 | 1 | USD | 2,446 | 77,323 |
| | 2 | USD | 800 | 25,917 | 2 | CAD | 551 | 14,138 |
| | 3 | THB | 21,405 | 18,173 | 3 | HKD | 2,293 | 9,328 |
| | 4 | NZD | 686 | 13,524 | 4 | CNY | 2,426 | 9,267 |
| | 5 | GBP | 141 | 8,350 | 5 | EUR | 113 | 4,312 |

(13) Demand deposits, time deposits and foreign currency deposits

| | (‘000) June 30, 2006 | (‘000) June 30, 2005 |
|---|---|---|
| Demand deposits | NT$ 143,527,962 | NT$ 135,037,949 |
| Demand deposits ratio | 43.32% | 41.81% |
| Time deposits | 187,763,112 | 187,903,461 |
| Time deposits ratio | 56.68% | 58.19% |
| Foreign currency-denominated deposits | 13,652,776 | 13,813,331 |
| Foreign currency-denominated deposits ratio | 4.12% | 4.28% |

(14) Small and medium enterprise loans and consumer loans

| | (‘000) June 30, 2006 | (‘000) June 30, 2005 |
|---|---|---|
| Small and medium enterprise loans | NT$ 45,381,347 | NT$ 43,080,395 |
| Small and medium enterprise loans ratio | 15.25% | 16.71% |
| Consumer loans | 167,364,412 | 143,115,518 |
| Consumer loans ratio | 56.26% | 55.51% |

(15) Special memorandum items

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

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

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

## 31. NOTES TO DISCLOSURE ITEMS

(1) Information of significant transactions

1) Accumulated purchases or sales of the stocks for the same invested company amounted to NT$300 million or over 10% of the capital were as follows: None.

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

3) Real estate disposal amounted to NT$300 million or over 10% of the capital was as follows: None.

4) Allowances for service fee from transaction with the related parties amounted to NT$5 million were as follows: None.

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

6) Sales of NPLs amounted to NT$5,000 million or more were as follows: None.

7) Information for issuance of beneficiary certificates approved by the R.O.C. Financial Asset Securitization Law and Real Estate Securitization Law: Please refer to Note 9 to the financial statements.

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

Appendix 1

For the six-month period ended June 30, 2006

(Amounts are in thousands)

| Purchasing company | Recording entry | Date | Cost | Payment paid | Trading party | Relation-ship | The prior trading information if the trading party is related | | | | Basis of the price | Purpose and usage | Others |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Owner | Relationship with the company | Date | Cost | | | |
| The Bank | Land and buildings | December 30, 2005 | NT$ 475,000 | Rental deposit planning to be paid | Chu-Cherng Construction Co., Ltd | Subsidiary of the Bank | Miao-Jiang, Chang | - | January 4, 2001 | NT$ 106,000 | Home Ban Real Estate Evaluate Co., Ltd | Office | Rental deposit planning to be paid |

(2) Information of invested company

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

June 30, 2006

| Investor | Investee | Investee's address | Operating item | Original invested amount | | June 30, 2006 | | | Investee's income (loss) for the six-month period ended June 30, 2006 | Investee's period gain/loss recognition | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 2006 | June 30, 2005 | Shares | Percentage (%) | Dollar amount | | | |
| The Bank | Hsin-Chu Real Estate Co., Ltd. | 11F,130, Si Wei Road, Hsin-Chu, Taiwan | Bond and stock underwriter, guarantee, and endorsement | 30,000 | 30,000 | 14,092 | 59.84 | 266,101 | 44,708 | 10,229 | Subsidiary of the Bank |
| The Bank | Hsin-Chu Futures Co., Ltd. | 3F,130, Si Wei Road, Hsin-Chu, Taiwan | Futures underwriter | 442,830 | 442,830 | 30,112 | 88.57 | 264,184 | (3,526) | (3,123) | Subsidiary of the Bank |
| The Bank | Hsin-Chu Insurance Agent Co., Ltd. | 85 Chung-Zeng Road, Hsin-Chu,Taiwan | Life insurance agent | 2,000 | 2,000 | 40,027 | 99.87 | 576,523 | 115,982 | 114,534 | Subsidiary of the Bank |
| The Bank | Chu-Chiann Insurance Agent Co., Ltd. | 85 Chung-Zeng Road, Hsin-Chu,Taiwan | Property insurance agent | 2,000 | 2,000 | 1,671 | 99.86 | 31,942 | 10,476 | 10,396 | Subsidiary of the Bank |
| The Bank | Paradigm Assets Management Co., Ltd | 19F, 123, Sec2,Chung-Hsiao East Road, Taipei, Taiwan | Securities investment trust | 60,000 | 60,000 | 6,000 | 20.00 | 60,372 | (15,713) | (3,143) | – |
| Hsin-Chu Real Estate Co., Ltd. | Chu Cherng Construction Co., Ltd. | 4F,130, Si Wei Road, Hsin-Chu, Taiwan | Land development | 80,000 | 80,000 | 8,484 | 50.50 | 85,558 | 74,703 | 37,725 | Subsidiary of the Bank |
| Hsin-Chu Real Estate Co., Ltd. | Chu-Chi Interior Decroation Engineering Co.,Ltd. | 10F, 3, Lane 91, Dongmei Road, Hsin-Chu, Taiwan | Indoor decoration | 4,415 | 4,415 | 1,316 | 88.30 | 15,496 | 1,370 | 968 | Subsidiary of the Bank |
| Hsin-Chu Real Estate Co., Ltd. | Chu-Chi Travel Service Co., Ltd. | 9F,256, Nan Da Road, Hsin-Chu, Taiwan | Traveling agent | 1,800 | 1,800 | 180 | 30.00 | - | 138 | - | Subsidiary of the Bank |
| Hsin-Chu Real Estate Co., Ltd. | Hsin-Chu Gen-Gin Security Co., Ltd. | 4F,130, Si Wei Road, Hsin-Chu, Taiwan | Security | 39,520 | 39,520 | 4,328 | 98.80 | 48,919 | 1,303 | 1,198 | Subsidiary of the Bank |
| Hsin-Chu Real Estate Co., Ltd. | Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. | 4F,130, Si Wei Road, Hsin-Chu, Taiwan | Apartment and mension management | 9,880 | 9,880 | 1,415 | 98.80 | 23,108 | 801 | 791 | Subsidiary of the Bank |
| Hsin-Chu Real Estate Co., Ltd. | Ju-Ying International Co., Ltd. | 4F-2,130, Siwei Road, Hsin-Chu, Taiwan | Information and software services | 15,000 | 15,000 | 1,500 | 15.15 | 14,164 | (138) | (21) | Subsidiary of the Bank |

| Investor | Investee | Investee's address | Operating item | Original invested amount | | June 30, 2006 | | | Investee's income (loss) for the six-month period ended June 30, 2006 | Investee's period gain/loss recognition | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 2006 | June 30, 2005 | Shares | Percentage (%) | Dollar amount | | | |
| Hsin-Chu Real Estate Co., Ltd. | Hsin-Chu Gen-Gin Car Leaseing Co., Ltd. | 10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan | Car Leaseing | 3,419 | 3,000 | 338 | 6.75 | 3,293 | 1,813 | 122 | Subsidiary of the Bank |
| Hsin-Chu Real Estate Co., Ltd. | Sen-ding Co., Ltd. | 13F.-3, 160, Sec. 3, Dongsing Rd., West District, Taichung, Taiwan | Hotel | 24,000 | - | 2,400 | 48.00 | 19,923 | (5,498) | (2,859) | – |
| Chu-Cherng Construction Co., Ltd. | Ju-Ying International Co., Ltd. | 4F-2, 130, Si, Wei Road, Hsin-Chu, Taiwan | Information and software services | 10,000 | 10,000 | 1,000 | 10.10 | 9,456 | (138) | (14) | Subsidiary of the Bank |
| Chu-Cherng Construction Co., Ltd. | Chu-Ruei Co., Ltd. | No.146, Guangming 6th Rd., Jhubei City, Hsin-chu Taiwan | Restaurant | 1,000 | - | 100 | 7.14 | 1,000 | 12 | - | Subsidiary of the Bank |
| Hsin-Chu Gen-Gin Security Co., Ltd. | Ju-Ying International Co., Ltd. | 4F-2, 130, Si, Wei Road, Hsin-Chu, Taiwan | Information and software services | 20,000 | 20,000 | 2,000 | 20.20 | 18,913 | (138) | (28) | Subsidiary of the Bank |
| Hsin-Chu Gen-Gin Security Co., Ltd. | Hsin-Chu Gen-Gin Car Leaseing Co., Ltd. | 10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan | Car Leaseing | 5,893 | 5,000 | 647 | 12.95 | 6,316 | 1,813 | 235 | Subsidiary of the Bank |
| Chu-Chi Interior Decoration Engineering Co., Ltd. | Hsin-Chu Gen-Gin Car Leaseing Co., Ltd. | 10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan | Car Leaseing | 1,186 | 1,000 | 135 | 2.70 | 1,186 | 1,813 | 49 | Subsidiary of the Bank |
| Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. | Ju-Ying International Co., Ltd. | 4F-2, 130, Si, Wei Road, Hsin-Chu, Taiwan | Information and software services | 10,095 | 10,095 | 1,000 | 10.10 | 9,394 | (138) | (14) | Subsidiary of the Bank |
| Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. | Hsin-Chu Gen-Gin Car Leaseing Co., Ltd. | 10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan | Car Leaseing | 6,000 | 6,000 | 870 | 17.40 | 8,170 | 1,813 | 315 | Subsidiary of the Bank |
| Ju-Ying International Co., Ltd. | Hsin-Chu Gen-Gin Car Leaseing Co., Ltd. | 10F, 5, Lane 91, Dongmei Road Hsin-Chu, Taiwan | Car Leaseing | 6,000 | 6,000 | 784 | 15.69 | 7,651 | 1,813 | 284 | Subsidiary of the Bank |
| Ju-Ying International Co., Ltd. | Chu-Ruei Co., Ltd. | No.146, Guangming 6th Rd., Jhubei City, Hsin-chu Taiwan | Restaurant | 2,000 | - | 200 | 14.29 | 2,000 | 12 | - | Subsidiary of the Bank |

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

A. Real estate acquisition amounted to NT$300 million or over 10% of the capital was as follows: None.

B. Real estate disposal amounted to NT$300 million or over 10% of the capital were as follows: None.

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

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

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

F. Information for issuance of beneficiary certificates approved by the R.O.C. Financial Asset Securitization Law and Real Estate Securitization Law: None.

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

H. Loans to others on March 31, 2006 were as follows： Please refer to Appendix 1

I. Financial guarantees for others: None.

J. Securities held at June 30, 2006 were as follows： Please refer to Appendix 2

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

L. Financial derivatives transaction: None.

Appendix 1

For the six-month period ended June 30, 2006

(Amounts are in thousands)

| Loaner | Debtor | Recording entry | Line of credit to the debtor | Highest balance | Ending balance | Interest rate interval | Purpose | Allowance for bad debts | Collateral | | Business amount | Line of Credit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Item | Value | | |
| Hsin-Chu Real Estate Co., Ltd. | Chi-Da united building Co. | Account receivable | - | NT$15,058 | NT$10,015 | 8.93% | Build market place | - | - | - | - | NT$189,544 (Note) |

Note : Calculated based on the 40% shareholders' equity of Hsin-Chu Real Estate Co., Ltd as of June 30, 2006.

Appendix 2

June 30, 2006

(Numbers of shares and amounts are in thousands)

| Holding company | Security | | Relationship with the issuer | Recording entry | June 30, 2006 | | | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | Category | Name | | | Shares | Cost NT$ | Percent-age (%) | Fair market value | |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Chu-Cherng Construction Co., Ltd. | Invested company measured by equity method | Equity investment under equity method | 8,484 | 85,558 | 50.50 | 88,742 | Note 1 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Chu-Chi Interior Decroation Engineering Co., Ltd. | Invested company measured by equity method | Equity investment under equity method | 1,316 | 15,496 | 88.30 | 15,496 | Note 1 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Chu-Chi Travel Service Co., Ltd. | Invested company measured by equity method | Equity investment under equity method | 180 | - | 30.00 | - | Note 2 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Hsin-Chu Gen-Gin Security Co., Ltd. | Invested company measured by equity method | Equity investment under equity method | 4,328 | 48,919 | 98.80 | 48,919 | Note 1 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. | Invested company measured by equity method | Equity investment under equity method | 1,415 | 23,108 | 98.80 | 23,108 | Note 1 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Ju-Ying International Co., Ltd. | Invested company measured by equity method | Equity investment under equity method | 1,500 | 14,164 | 15.15 | 14,164 | Note 1 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Hsin-Chu Gen-Gin Car Leaseing Co., Ltd. | Invested company measured by equity method | Equity investment under equity method | 338 | 3,293 | 6.75 | 3,293 | Note 1 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Sen-Ding Co., Ltd. | Invested company measured by equity method | Equity investment under equity method | 2,400 | 19,923 | 48.00 | 19,923 | Note 2 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Shin Kong Financial Holding Co., Ltd. | - | Available-for-sale financial assets | 6,067 | 215,992 | 0.15 | 215,992 | - |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Yu-zhuang Co., Ltd. | - | Assets carried at cost | 1,260 | 11,507 | 18.00 | 11,546 | Note 5 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Phoenix Silicon International Corp. | - | Assets carried at cost | 306 | 4,968 | 0.33 | 2,560 | Note 4 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Fair Fiend Enterprise Co., Ltd. | - | Assets carried at cost | - | 1 | - | 2 | Note 6 |
| Hsin-Chu Real Estate Co., Ltd. | Stock | Leadwell Cnc Machines Mfg. Corp. | - | Assets carried at cost | 6 | 62 | 0.01 | 65 | Note 4 |
| Hsin-Chu Futures Co., Ltd. | Stock | Taiwan Futures Exchange Co., Ltd. | - | Available-for-sale financial assets | 3,050 | 30,500 | 1.52 | 82,625 | Note 2 |
| Chu-Cherng Construction Co., Ltd. | Stock | D-Link Corp. | - | Financial assets at fair value through profit or loss | - | - | - | 3 | - |
| Chu-Cherng Construction Co., Ltd. | Stock | Der Lee Co., Ltd. | - | Financial assets at fair value through profit or loss | 143 | 2,444 | 0.07 | - | - |
| Chu-Cherng Construction Co., Ltd. | Stock | Phoenix Precision Technology Corporation | - | Financial assets at fair value through profit or loss | 1 | 19 | - | 48 | - |
| Chu-Cherng Construction Co., Ltd. | Beneficiary securities | Fubon No.1 REITS | - | Financial assets at fair value through profit or loss | 700 | 7,255 | - | 8,001 | - |
| Chu-Cherng Construction Co., Ltd. | Beneficiary securities | Shin Kong No.1 REITS | - | Financial assets at fair value through profit or loss | 1,000 | 1,006 | - | 10,350 | - |
| Chu-Cherng Construction Co., Ltd. | Stock | Ju-Ying International Co., Ltd. | Hsin-Chu Real Estate Co., Ltd. 's subsidiary | Equity investment under equity method | 1,000 | 9,456 | 10.10 | 9,442 | Note 1 |
| Chu-Cherng Construction Co., Ltd. | Stock | Internatonal Venice Co., Ltd. | - | Assets carried at cost | 545 | 5,455 | 18.18 | 4,604 | Note 4 |

| Holding company | Security | | Relationship with the issuer | Recording entry | June 30, 2006 | | | | Note |
|---|---|---|---|---|---|---|---|---|---|
| | Category | Name | | | Shares | Cost NT$ | Percent-age (%) | Fair market value | |
| Chu-Cherng Construction Co., Ltd. | Stock | Her Li Sin Co. Ltd. | - | Assets carried at cost | 150 | 1,500 | 5.49 | 1,613 | Note 3 |
| Chu-Cherng Construction Co., Ltd. | Stock | Chu-Ruei Co. Ltd. | - | Assets carried at cost | 100 | 1,000 | 7.14 | 1,083 | - |
| Chu-Chi Interior Design Engineering Co., Ltd. | Stock | Windance Co., Ltd. | - | Assets carried at cost | 510 | 4,136 | 0.07 | 4,136 | Note 2 |
| Chu-Chi Interior Design Engineering Co., Ltd. | Stock | Hsin-Chu Gen-Gin Car Leaseing Co., Ltd. | Hsin-Chu Real Estate Co., Ltd.'s Subsidiary | Equity investment under equity method | 135 | 1,186 | 2.70 | 1,317 | Note 1 |
| Hsin-Chu Gen-Gin Security Co., Ltd. | Stock | Ju-Ying International Co., Ltd. | Hsin-Chu Real Estate Co., Ltd. 's subsidiary | Equity investment under equity method | 2,000 | 18,913 | 20.20 | 18,885 | Note 1 |
| Hsin-Chu Gen-Gin Security Co., Ltd. | Stock | Hsin-Chu Gen-Gin Car Leaseing Co., Ltd. | Hsin-Chu Real Estate Co., Ltd. 's subsidiary | Equity investment under equity method | 647 | 6,316 | 12.95 | 6,316 | Note 1 |
| Hsin-Chu Gen-Gin Security Co., Ltd. | Stock | Chu-Chiann Investments Co., Ltd. | The company's chairman is a director of CCI | Assets carried at cost | 1,150 | 8,050 | 5.12 | 8,878 | Note 2 |
| Hsin-Chu Gen-Gin Security Co., Ltd. | Stock | Windance Co., Ltd. | - | Assets carried at cost | 124 | 1,010 | 0.02 | 1,010 | Note 2 |
| Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. | Stock | Hsin-Chu Gen-Gin Car Leasing Co., Ltd. | Hsin-Chu Real Estate Co., Ltd.'s subsidiary | Equity investment under equity method | 870 | 8,170 | 17.40 | 8,487 | Note 1 |
| Hsin-Chu Gen-Gin Apartment Building Management & Maintenance Co., Ltd. | Stock | Ju-Ying International Co., Ltd. | Hsin-Chu Real Estate Co., Ltd.'s subsidiary | Equity investment under equity method | 1,000 | 9,394 | 10.10 | 9,442 | Note 1 |
| Ju-Ying International Co., Ltd. | Stock | Hsin-Chu Gen-Gin Car Leasing Co., Ltd. | Hsin-Chu Real Estate Co., Ltd.'s subsidiary | Equity investment under equity method | 784 | 7,651 | 15.69 | 7,651 | Note 1 |
| Ju-Ying International Co., Ltd. | Stock | Chu-Ruei Co., Ltd. | Hsin-Chu Real Estate Co., Ltd.'s subsidiary | Equity investment under equity method | 200 | 2,000 | 14.29 | 2,166 | - |
| Ju-Ying International Co., Ltd. | Stock | Her Lisin Co., Ltd. | - | Assets carried at cost | 210 | 2,100 | 7.69 | 1,613 | Note 3 |

Note 1: Calculated with reference to the investees' reviewed shareholders' equity as of June 30, 2006.
Note 2: Calculated with reference to the investees' unaudited shareholders' equity as of June 30, 2006.
Note 3: Calculated with reference to the investees' unaudited shareholders' equity as of December 31, 2005.
Note 4 :Calculated with reference to the investees' audited shareholders' equity as of December 31, 2005.
Note 5:Calculated with reference to the investees' unaudited shareholders' equity as of April 30, 2006.
Note 6:Calculated with reference to the investees' unaudited shareholders' equity as of March 31, 2006.

3) Investment information of China

Hiplan (Nan King) Technology Corp., Ltd. is a subsidiary of Chu-Shang Technology Co., Ltd., ("CST") which is an investee accounted for under the equity method by Hsin-Chu Real Estate Co., Ltd. CST was liquidated in May 2006. As of June 30, 2006, CST has not completed the legal registration.

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