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I. History and Functions of the Bankers Association of the Republic of China



▲ Appearance of the new building of BAROC.

The Bankers Association of the Republic of China (BAROC) was founded on August 9, 1983, based on the original structure of the Bankers Association of Taipei. Together with the Bankers Association of Taiwan and the Bankers Association of Kaohsiung, BAROC was formed in accordance with the regulations of the Commercial Association Law, and was approved by the Ministry of the Interior. The Association is located on 8th floor, No. 46, Kuan Chien Road, Taipei. Dr. I-shuan Sun was the first Chairman.

In January 1984, the Bankers Association of Taipei transferred the national banker association business to BAROC to allow it to take over its overall functions. On August 9, 1986, the second Board of Directors and Board of Supervisors were elected at the first session of the second General Assembly. Dr. I-shuan Sun was re-elected for a second term. On August 7, 1989, the first session of the third General Assembly was held. By that time, Dr. Sun had reached his two-term limitation as stipulated by law, and was succeeded by Mr. Y. D. Sheu. During the first session of the fourth General Assembly held on August 1, 1992, the new Boards of Directors and Supervisors were elected, and Mr. Sheu was re-elected Chairman.

On March 23, 1995, Mr. Sheu was appointed Governor of the Central Bank of China. Mr. K. H. Yeh, Managing Director of BAROC became acting Chairman. On August 5, 1995, Mr. James C. T. Lo was elected Chairman during the first session of the fifth Board. On August 14, 1998, Mr. Lo was re-elected Chairman during the first session of the sixth Board. On May 19, 2000, Mr. Lo retired from his position as Chairman of the Bank of Taiwan, and Dr. Yung-san Lee, Managing Director, became acting Chairman of BAROC. Dr. Lee was elected Chairman during the 20th session of the sixth Board held



on July 20 of the same year. On August 17, 2001, the new Board of Directors and Board of Supervisors were elected at the first session of the seventh General Assembly; Dr. Yung-san Lee was elected Chairman of BAROC.

When Dr. Lee was appointed Finance Minister of the Republic of China on February 1, 2002, Mr. Mu-tsai Chen succeeded Dr. Lee as acting Chairman. On February 27, 2002, Mr. Chen was elected Chairman of BAROC during the sixth session of the seventh Board. Mr. Chen was elected Chairman of the China Development Financial Holding Corporation on April 22, 2004 and resigned from the chairmanship of BAROC on April 27, 2004. Gregory K.H. Wang succeeded him as acting Chairman. On September 17 of the same year, the first session of the eighth General Assembly was held in which the eighth Board of Directors and Board of Supervisors were elected with Shen-chih Cheng becoming Chairman of BAROC.

As governed by the charter of BAROC, the aims of the Association are to assist the government in implementing economic and financial policies, to promote economic development, and to strengthen relationships among its members so as to improve their mutual benefits. Its main functions are:

1. To help implement economic, financial and monetary policies as well as commercial laws;
2. To study and balance the demand and supply of funds among various sectors in line with economic development;
3. To formulate and compile common rules and regulations relating to various businesses of its members;
4. To enhance communications, surveys, statistics, consultation, research, development and publications relating to national and international financial businesses;
5. To protect the legitimate rights of its members and to help settle disputes among them;
6. To promote the exchange, analysis, and reporting of credit information among its members and to establish the credit files of the major clients of its members;
7. To consolidate the planning of information systems among its members;
8. To strengthen mutual support, assistance, education, and interaction among the employees of its members, sponsor activities for the benefit of the public, and help implement service ethics and self-disciplinary measures;
9. To participate in international financial organizations and promote national diplomacy;
10. To conduct research and make recommendations in response to requests from the government or private organizations; and
11. To participate in various social and charitable activities.

To carry out the above-mentioned functions and tasks, the Association serves as a bridge between the government and member banks as well as between member banks and the general public.



II. Organization of the BAROC

BAROC consists of three association members, namely, the Bankers Association of Taipei, the Bankers Association of Taiwan, and the Bankers Association of Kaohsiung. As of the end of 2004, the head offices of member banks totaled 64 of which 51 were located in Taipei, 4 in Kaohsiung, and 9 in Taiwan province proper. The branches of member banks located in Taipei, Kaohsiung and Taiwan province proper join their respective local bankers associations and participate in local association activities.

National and Local Bankers Associations	Number of Member Banks' Head Offices	Number of Member Banks' Branches
Bankers Association of the Republic of China		
Bankers Association of Taipei	< 51 >	(645)
Bankers Association of Taiwan	< 9 >	(1827)
Bankers Association of Kaohsiung	< 4 >	(304)
Bankers Association of Taipei County	< 1 >	(391)
Bankers Association of Taoyuan County		(232)
Bankers Association of Hsinchu County		(36)
Bankers Association of Miaoli County		(42)
Bankers Association of Taichung County		(137)
Bankers Association of Changhwa County		(99)
Bankers Association of Nantou County		(39)
Bankers Association of Yunlin County		(47)
Bankers Association of Chiayi County		(19)
Bankers Association of Tainan County		(94)
Bankers Association of Kaohsiung County		(105)
Bankers Association of Pingtung County		(70)
Bankers Association of Ilan County		(37)
Bankers Association of Hualien County	< 1 >	(25)
Bankers Association of Taitung County	< 1 >	(18)
Bankers Association of Penghu County		(6)
Bankers Association of Keelung City		(27)
Bankers Association of Hsinchu City	< 1 >	(77)
Bankers Association of Taichung City	< 4 >	(151)
Bankers Association of Chiayi City		(52)
Bankers Association of Tainan City	< 1 >	(123)

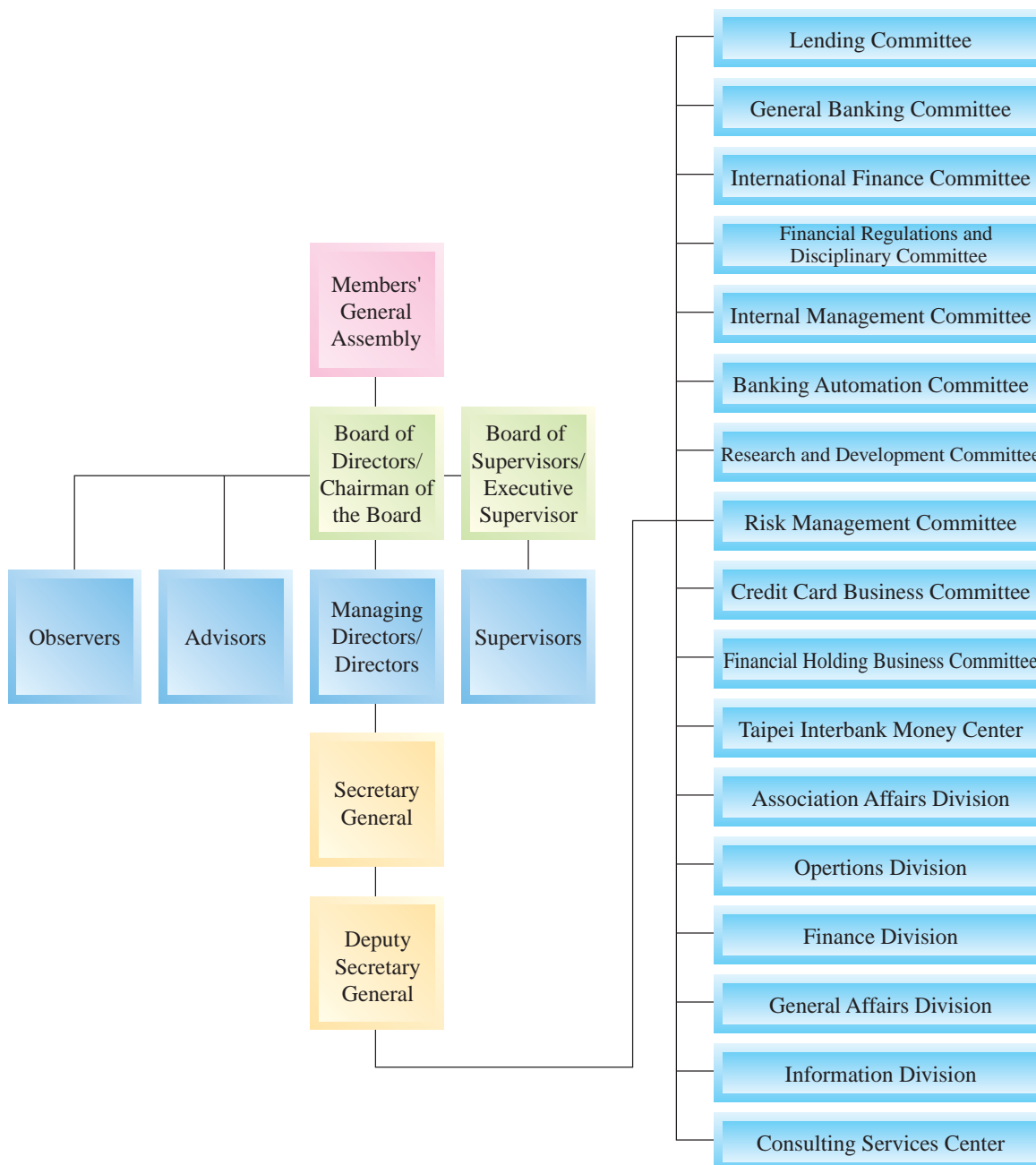
Note: 1. The head offices of member banks of the Bankers Association of Taiwan are comprised of nine banks: Bank of Panhsin (formerly Banciao Credit Cooperative), Shin Kong Bank (formerly United Credit Commercial Bank), Lucky Bank, Cota Commercial Bank, Taichung Commercial Bank (formerly Taichung Business Bank), Hsinchu International Bank, Enterprise Bank of Hualien, Taitung Business Bank, and Tainan Business Bank.

2. < > Number of total head offices of member banks. () Number of branches of member banks.



The BAROC has a Secretary General and two Deputy Secretary Generals, both of whom are responsible for the daily operations of BAROC under the supervision of the Chairman. There are five Divisions under the Secretary General, namely, Association Affairs, Operations, Finance, General Affairs, and Information. In addition, there is a Consulting Services Center. The Association's affairs are conducted through its ten relevant operational committees and one inter-bank money center.

Please find the organization chart and name lists of BAROC directors, supervisors, advisors, and observers as well as the major staff of each division, committee and center as follows:





The 8th Board of Directors, Board of Supervisors, Advisors and Observers of BAROC

As of December 31, 2004

Title	Name	Company Affiliation
Chairman of the Board	Shen-chih Cheng	Chairman, Chiao Tung Bank
Managing Directors	Gregory K.H. Wang	Chairman, Cathay United Bank
	Ming-cheng Lin	Chairman, Hua Nan Financial Holdings Company, Ltd.
	Yung-jen Huang	Chairman, E. Sun Commercial Bank
	Joseph J. C. Lyu	Chairman, Bank of Taiwan
	Sean C. Chen	Chairman, Taiwan Cooperative Bank
	Jia-dong Shea	Chairman, Central Trust of China
	Ching-nian Tsai	President, the Export-Import Bank of R.O.C.
Directors	Po-shin Chang	Chairman, Chang Hwa Commercial Bank
	Steve S.F. Shieh	Chairman, First Commercial Bank
	Pong-long Lin	Chairman, The Farmers' Bank of China
	Chi-yuan Lin	Chairman, Taipei Bank
	Shui-cheng Huang	President, Chunghwa Post Co.
	Wen-long Lin	President, Bank of Overseas Chinese
	Yih-pin Chen	President, The Shanghai Commercial and Savings Bank
	Mu-tsai Chen	Chairman, China Development Financial Holding Corporation
	C. T. Lee	President, China Bills Finance Corporation
	K. C. Yu	President, International Bank of Taipei
	Chih-wei Wu	President, Hsinchu International Bank
	Jun-min Lin	Chairman, Enterprise Bank of Hualien
	Fan-hsiung Kao	Chairman and President, The Chinese Bank
	Chien-chu Hu	President, Cosmos Bank, Taiwan
	Yu-de Chuang	President, Fuhwa Securities Finance Company Limited
	Eli Hong	President, Far Eastern International Bank
	James Wu	President, Fubon Commercial Bank
	Dolly Yang	President, Jih Sun International Bank
	Paul C. Lo	Chairman, Bank SinoPac
	Shiang-chang Lee	President, Union Bank of Taiwan
	Chen I Lin	Chairman, Macoto Bank
	Sheng-hong Chen	Chairman, Sunny Bank
	Ping-hui Liu	Chairman, Bank of Panhsin



Title	Name	Company Affiliation	
Directors	Ying-che Chang	President, Cota Commercial Bank	
Alternate Directors	Jerry Chen	President, Ta Chong Bank	
	Shiu-nan Hwang	President, Taiwan Business Bank	
	Jung-hsiung Lu	President, Chung Hsing Bills Finance Corporation	
	Tseng-chang Lee	President, Shin Kong Commercial Bank	
	Ching-cheng Su	President, Tainan Business Bank	
	Executive Supervisor	Jeffrey L.S. Koo	Representative, Chinatrust Commercial Bank
Supervisors	Sheng-yann Lii	President, Bank of Taiwan	
	Flandy C. Su	Chairman, Bank of Kaohsiung	
	Mckinney Y.T. Tsai	President, The International Commercial Bank of China	
	Harvey Liu	President, International Bills Finance Corp.	
	Yu-chang Tsai	President, Taichung Commercial Bank	
	Daniel Tsai	President, Taishin International Bank	
	Andrew C.Y. Tsai	President, EnTie Commercial Bank	
	Gregory C.P. Chang	President, Chinfon Commercial Bank	
	Kenneth C.M. Lo	Chairman, Industrial Bank of Taiwan	
	Tien-yu Su	President, Lucky Bank	
	Fu-tian Chao	Chairman, Kao Shin Commercial Bank	
	Tein-kon Shaw	Chairman, Taitung Business Bank	
	Advisers	Teh-nan Hsu	President, Hua Nan Commercial Bank
		Chih-wen Chung	President, Taiwan Development & Trust Corporation
Angelo J. Y. Koo		Chairman, China Development Industrial Bank	
Song-xing Chen		President, Fuhwa Commercial Bank	
Thomas C. W. Lee		President, Hwati Bank	
Min-ji Lee		Chairman, Financial Information Service Co., Ltd.	
Lin-sen Chen		President, Joint Credit Information Center	
Hong-wen Chien		Chairman, Chinese Taiwan Securities Association	
Shun-cheng Tan		Adviser, The Bankers Association of the Republic of China	
Wenke Wu		President, Bowa Bank	
Observers	Alex C. Chiang	Vice President, Taipei Branch, American Express Bank Ltd.	
	Xia-zhen Wu	Vice President, Taipei Branch, BNP Paribas	



Major Staff Members of BAROC

As of December 31, 2004

Title	Name	Position/Full-time or Part-time Appointment
Secretary General	Y.C. Kuo	President, EnTie Securities Finance Corp., Part-time
Deputy Secretary General	J. T. Tseng	Full-time
Deputy Secretary General	Tsong-ming Wang	Full-time
Secretary	Chin-chinag Chen	Deputy Chairman, Lending Committee, Full-time
Secretary	S. S. Lai	Officer, Financial Holding Business Committee, Full-time
Secretary	Shiow-shyong Hseu	Full-time
Chairman, Lending Committee	Kuang-si Shiu	SEVP, Chiao Tung Bank, Part-time
Chairman, General Banking Committee	Chun-sheng Lee	EVP, Taiwan Business Bank, Part-time
Chairman, International Finance Committee	David, J. Y. Lee	EVP, Hua Nan Commercial Bank, Part-time
Chairman, Financial Regulations and Disciplinary Committee	S.Y. Huang	SVP&GM, Dept. of Specialized Financing, Taiwan Cooperative Bank, Part-time
Chairman, Internal Management Committee	Alan Y. T. Shaw	EVP, Land Bank of Taiwan, Part-time
Chairman, Banking Automation Committee	C. H. Chou	SVP & GM, Dept. of Electronic Banking, Bank of Taiwan, Part-time
Chairman, Research and Development Committee	Shing-shiang Ou	SVP & GM, Economic Research Office, Bank of Taiwan, Part-time
Chairman, Risk Management Committee	Mao-shyan Liu	Vice President, Hua Nan financial Holding Company, Part-time
Chairman, Credit Card Business Committee	Christopher Wang	Deputy President, Office of Credit Cards, Cathay United Bank, Part-time
Chairman, Financial Holding Business Committee	Pending	Approved at the third session of 8th General Assembly on December 23, 2004
Director, Taipei Interbank Money Center	Sheng-yann Lii	President, Bank of Taiwan, Part-time
Director, Association Affairs Division	Y. M. Chou	Full-time
Chief, Operations Division	S.H. Kao	Full-time
Chief, Finance Division	J. T. Tseng	Part-time
Chief, General Affairs Division	K. E. Wen	Full-time
Chief, Information Division	M. L. Tsai	Full-time
Chief, Consulting Services Center	Y. T. Lee	Full-time



III. An Overview of Economic and Financial Developments

A. A Macroeconomic Summary

1. Stable Expansion after Strong Economic Growth

After the SARS epidemic in the third quarter of 2003, we began to see booming foreign trade, expansion of industrial manufacturing and increasing private consumption and investment. Taiwan's economy enjoyed positive growth for six quarters in a row from Q3 2003 to Q4 2004. Economic growth went off the chart from a low of minus 0.12% in Q2 2003 to a peak of 7.88% in Q2 2004. Due to the global slowdown, the soaring price of international oil, higher interest rates in the US leading to global interest rate rises, macroeconomic adjustments in China and a higher comparison base in the first half of the year, economic growth dropped to 5.27% and 3.25% respectively in Q3 and Q4. The combined yearly economic growth was 5.71%.

2. Moderater Increase in Consumer Prices

Under the influence of price increases in vegetables and fruit due to weather and price increases in imported oil, chemicals, metal products and other items, the WPI rose 7.03% in 2004. Because of tough competition at home, retail prices rose very little. With stable service prices such as for house rents, the CPI increased moderately at 1.62%, coming out of a decline three years in a row in 2001, 2002 and 2003.

3. Continual Improvement in Unemployment

Thanks to the economic recovery at the beginning of the year, companies had greater demand for manpower. The government continued its "Public Service Employment Program." And thus domestic unemployment continuously decreased. The unemployment rate in December 2004 dropped to 4.09% or 1.26% lower than the peak of 5.35% in August 2002. The yearly unemployment rate for 2004 is 4.44% or a decline of 0.55% from 4.99% in 2003. The number of unemployed was 422,000 in December 2004, a decrease of 43,000 from 465,000 in December 2003.

4. Solid Expansion in Foreign Trade

Thanks to the acceleration of growth in the global economy and a significant increase in import demand from the Asian region, external trade posted strong growth in 2004. Except for December, single month export growth rates exceeded 12% and export amounts kept setting new highs with the accumulated total export amount reaching US\$174.01 billion in 2004, up 20.7% from the previous year. In particular, exports of electronic products, machinery, optical instruments, steel, plastics and rubber, chemical products and metal commodities showed significant growth.

With respect to imports, with the large increases in imports of agricultural and industrial materials as well as capital equipment, the total import amount in 2004 reached US\$167.89 billion, up 31.9% from the previous year. Capital equipment posted strong growth of 38.2% with 31.8% growth in agricultural and industrial materials and 19.1% growth in consumer goods.



As import growth outweighed export growth, the total trade surplus was merely US\$6.124 billion, a decline of US\$10.81 billion or 63.8% from the previous year.

5. Continuous Favorable Balance of Payments

The balance of payments is comprised of the current, financial and capital accounts. In 2004, the current account registered a surplus showing a net inflow, because of the continuous expansion in foreign trade and the inward remittance of foreign capital for investment in domestic securities. For 2004 as a whole, the balance of payments registered a surplus of US\$26.6 billion, of which the current account showed a surplus of US\$19.01 billion and the financial account showed a net inflow of US\$6.37 billion. This contrasts with the capital account, which showed a net outflow of US\$0.08 billion. The foreign exchange reserves of the Central Bank of China in 2004 totaled US\$241.74 billion, also a record high.

B. Status of Monetary Finance

1. Moderately Loose Monetary Policies of the Central Bank of China Changed to Neutral Ones

Between December 2000 and the end of 2003, the Central Bank of China (CBC) adjusted interest rates downward no less than fifteen times. The moderate loosening of monetary policy undertaken for three years in a row sustained the recovery in the domestic economy. Despite the high economic growth and booming real estate market in the first half of 2004, unemployment continued to be quite high due to low inflation. The CBC continued its loose monetary policy. In the second half of 2004, due to continuous domestic expansion of the economy and increasing risk of higher commodity prices as well as negative short-term real interest rates, and in order to maintain stable commodity prices and prevent a rise in inflation, the CBC gradually shifted its monetary policies from loose to neutral. Also on October 1 and December 31, 2004, it adjusted upward the discount rates twice by 0.375% in all.

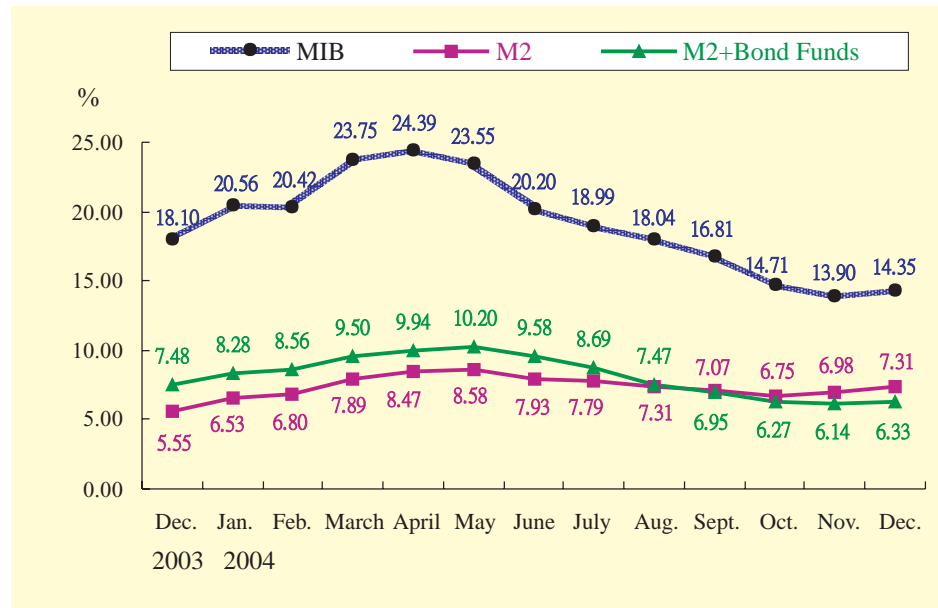
2. The Growth of Monetary Aggregates Rose before It Declined

In the first half of 2004, thanks to higher than expected economic growth, expanded bank credit, net inflow of foreign capital and a lowbase to start from, the monetary aggregates increased significantly; after June, due to slower economic expansion and a higher comparison base, monetary aggregates growth slowed down gradually. The annual growth rates of the daily averages of M1A and M1B were 21.10% and 18.98%, respectively, both the highest after 1990 and 1989. The annual growth rate of the daily average of M2 was 7.45% whereas the annual growth rate of M2+bond funds was 8.14%. Both rates exceeded the target range of monetary growth for the year (the target range for the growth of M2 was from 2.5% to 6.5%, and that of M2+bond funds was from 4.0% to 8.0%).



Annual Growth Rates of Monetary Aggregates

(Averages of Daily Figures)



Source: "Financial Statistics Monthly, Taiwan District, Republic of China,"
Department of Economic Research, The Central Bank of China, February 2005

3. Slow Growth in Short-term Interest Rates and Long-term Interest Rates Rose before Declining

(1) Two Upward Adjustments of Discount Rates by CBC

The Central Bank of China adjusted upward the discount rates twice on October 1 and December 31 2004, 0.375% for discount rates, interest rate on accommodations with collateral, and interest rate on accommodations without collatera respectively. The rates after adjustments of the three were 1.75%, 2.125% and 4.0%.

(2) Deposit and Loan Rates of Banks Remained Low

The weighted average rates of deposits and loans from domestic banks have remained low over the past five years. The weighted average deposit rates of local banks went down before going up and reached a historical low of 1.14% in Q3. It went slightly higher in Q4 at 1.18%, although it was still lower than the 1.27% of Q4, 2003. The weighted average loan rates of local banks went down to 3.39% in Q4, 2004 from the 3.74% of Q4, 2003.

(3) Slow Rising of Money Market Rates

Thanks to the continuously loosening capital of the banking system in the first half of 2004, the daily average of interbank overnight interest rate remained between a low 0.95% and 1.10%. After



Changes in the Central Bank's Interest Rates, 2000 to 2004

Unit:%

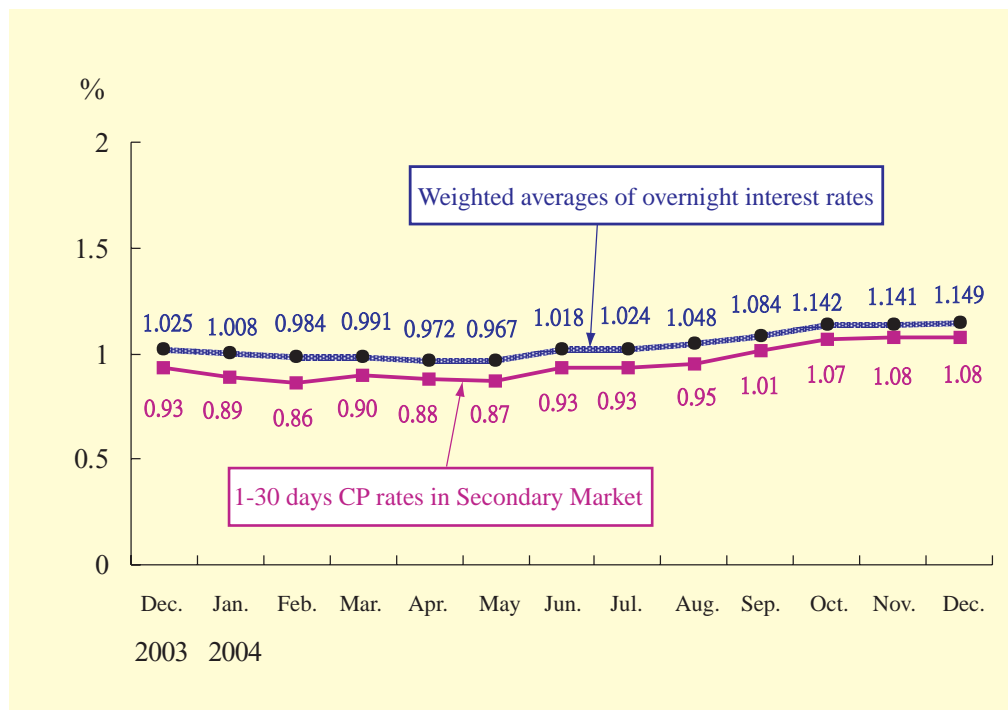
Effective date of change	Discount rate	Interest rate on accommodations with collateral	Interest rate on accommodations without collateral	Background
Dec. 29, 2000	4.625	5.000	9.625	<ul style="list-style-type: none"> The bank tightened their credit lines, and there was demand for currency which commonly occurs at year-end. The stock market plunged, both the financial and real aspects deteriorated.
Feb. 2, 2001	4.375	4.750	9.625	<ul style="list-style-type: none"> Unemployment rate increased. The annual increase of M2 in 2000 was a historic low. The US FED cut interest rates by 1 percentage point in a month.
Mar. 6, 2001	4.250	4.625	9.625	<ul style="list-style-type: none"> Both production and commercial activities in the private sector slowed down. The global economy continued to slow down.
Mar. 30, 2001	4.125	4.500	9.625	<ul style="list-style-type: none"> The economic monitoring indicators continued to show a blue light signal for three consecutive months. The annual growth rate of M2 dropped further to historical lows.
Apr. 23, 2001	4.000	4.375	9.625	<ul style="list-style-type: none"> The unemployment rate climbed higher, banks' lending and investment slowed further down. Both corporate profits and production capacity utilization dropped to lower than expected levels.
May 18, 2001	3.750	4.125	6.000	<ul style="list-style-type: none"> The US FED cut interest rates for the fifth time. Private consumption became more conservative and bank's credit lines were tightened further.
June 29, 2001	3.500	3.875	5.750	<ul style="list-style-type: none"> The Directorate General of Budget, Accounting and Statistics, Executive Yuan announced only 1.06% GDP growth for Q1. The US FED cut interest rates for the sixth time.
Aug. 20, 2001	3.250	3.625	5.500	<ul style="list-style-type: none"> GDP for Q2 dropped by 2.35%, and the annual growth forecast was -0.37%. It was anticipated that the US FED would cut interest rates for the seventh time.
Sept. 19, 2001	2.75	3.125	5.000	<ul style="list-style-type: none"> The September 11 terrorist attack occurred and the US FED adopted emergency measures by cutting the interest rates by half a percentage point. US stock prices fell drastically; the delayed recovery in the US economy was expected to affect Taiwan's economy.
Oct. 4, 2001	2.500	2.875	4.750	<ul style="list-style-type: none"> The 0.5% cut in interest rates by the US FED reflected the weakening of investment and consumption in the US, and was to adversely affect the economic recovery of Taiwan's economy.
Nov. 8, 2001	2.250	2.625	4.500	<ul style="list-style-type: none"> The US FED further cut interest rates by half a percentage point; the global economy remained sluggish. Taiwan's domestic consumption became more conservative as unemployment rose.
Dec. 28, 2001	2.125	2.500	4.375	<ul style="list-style-type: none"> The recovery lacked sufficient momentum to extend further. A heavy plunge in the Japanese yen led to a depreciation in the NT\$.
June 8, 2002	1.875	2.250	4.125	<ul style="list-style-type: none"> Economic turbulence in the global recovery weakened it.
Nov. 12, 2002	1.625	2.000	3.875	<ul style="list-style-type: none"> Market interest rate continued to decline. Domestic demand was weak.
June 27, 2003	1.375	1.750	3.625	<ul style="list-style-type: none"> The domestic economy was adversely affected by SARS; the CBC further cut interest rates to stimulate consumption and investment. The United States and other major industrial countries cut their respective interest rates.
Oct. 1, 2004	1.625	2.000	3.875	<ul style="list-style-type: none"> Risk of higher commodity price increases. The real short-term interest rate was already negative.
Dec. 31, 2004	1.750	2.125	4.000	<ul style="list-style-type: none"> To prevent expected inflation psychology. To avoid disadvantages to long-term financial stability due to the low real interest rate.



June, under the influence of the reduced scale of bond funds, capital was slightly tight and with the 0.25% rise in interest rates by the CBC on October 1, the daily average of interbank overnight interest rate gradually recovered. On December 30, the CBC again announced a 0.25% increase in the discount rate and the interbank call loan rate jumped to 1.205%. The average of such rate in December 2004 was 1.149%, an increase of 0.124% from 1.025% in December 2003.

In the short-term bill market, thanks to loosening fund situation in the first half of the year, rates in primary and secondary markets remained low, rising slightly in the second half of the year. The interest rate of commercial paper of 1-30 days in primary market declined to a low of 0.99% in July and recovered to 1.20% in December. However, it was still 0.02% lower than the 1.22% of December 2003. The interest rate of commercial paper of 1-30 days in secondary market declined to 0.86% in February and recovered to 1.08%, a 0.15% increase from 0.93% in December 2003.

Interest Rates in Money Market



Source: "Financial Statistics Monthly, Taiwan District, Republic of China ", Department of Economic Research, the Central Bank of China, February 2005.

(4) Bond Market Interest Rates Rose before Declining

Due to expected interest rate increases in the bond market in the US from Q2 in 2004 and the impact of a sudden increase in commodity prices, the short boom of bond interest rates in Q1 was



Changes in Interest Rates in 2004

Unit: %

Item Month/ year	Central Bank Rates (End of Month)		Interest Rates of Domestic Banks		Money Market Interest Rates		Capital Market Interest Rates	
	Discount rate	Interest rate on accommodations with collateral	Weighted average interest rates on deposits	Weighted average interest rates on loans	Weighted averages of overnight interest rates	91-180 days commercial paper rates in the secondary market	10-year govern- ment bond rates in primary market	10-year government bond rates in secondary market
Dec. 2003	1.375	1.750	1.27	3.74	1.025	1.22	2.93	2.80
Jan. 2004	1.375	1.750			1.008	1.12		2.62
Feb.	1.375	1.750			0.984	0.97		2.70
March	1.375	1.750	1.19	3.57	0.991	1.14	2.55	2.33
April	1.375	1.750			0.972	1.08		2.39
May	1.375	1.750			0.967	1.01		2.68
June	1.375	1.750	1.16	3.48	1.018	1.11	2.93	2.97
July	1.375	1.750			1.024	0.98	3.14	2.85
Aug.	1.375	1.750			1.048	1.01		2.89
Sept.	1.375	1.750	1.14	3.43	1.084	1.08	2.64	2.64
Oct.	1.625	2.000			1.142	1.17		2.70
Nov.	1.625	2.000			1.141	1.17		2.67
Dec.	1.750	2.125	1.18	3.39	1.149	1.21	2.53	2.43

Source: "Financial Statistics Monthly, Taiwan District, Republic of China ", Department of Economic Research, the Central Bank of China, February 2005.

over and interest rates jumped back. In the second half of 2004, because economic growth slowed and because of the impact of United Securities Investment Trust, a transfer of funds to government bonds drive bond price up and yields down. The weighted average interest rates of newly issued 10-year government bonds reached 3.14% in July and dropped to 2.53% in December, a drop of 0.4% from the 2.93% of December 2003. The weighted average yield of the 10-year index government bond secondary market in June was 2.97% and returned to 2.43% in December, a drop of 0.37% from the 2.80% of December 2003.

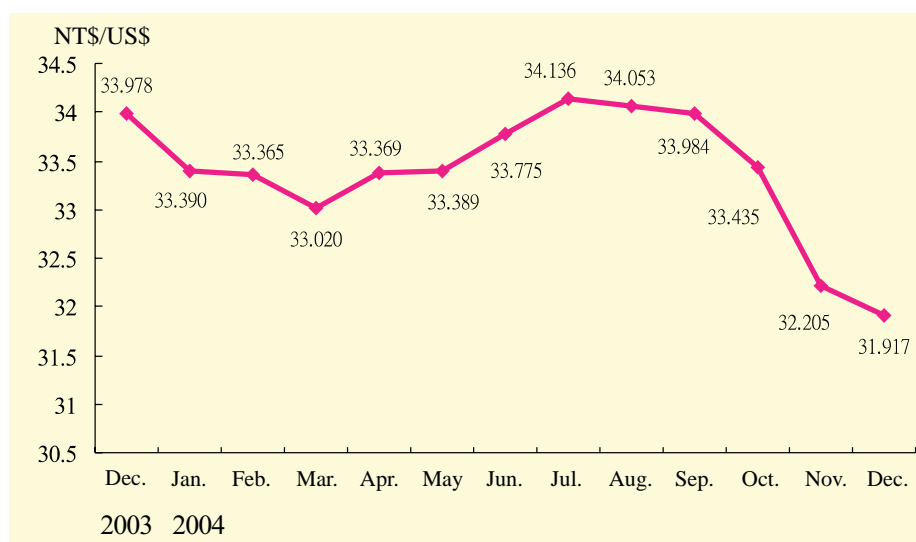
4. Changes in NT\$ Exchange Rates in 2004

Under the influence of US current account and fiscal deficits in 2004, the US\$ experienced depre-



ciation against major currencies while Asian currencies generally appreciated thanks to an expected rise in the Renminbi. In Q1 2004, foreign investors kept remitting funds, lifting exchange rates for the NT\$. The NT\$ experienced a short depreciation during the Presidential election in March. Overall, the NT\$ was still hovering at the edge of appreciation. At the end of March, the NT\$ increased to 33.02 to 1 US\$. From Q2, because of the influences of macro control in China and expected divestment of international funds owing to interest rate increases in the US, the NT\$ felt pressure for depreciation. At the end of July, the NT\$ decreased to 34.136 to 1 US\$. Although the US adjusted interest rates upward after August, due to its increasingly serious deficit, the US\$ became weaker internationally. With the repatriation of international funds back to Asia, the NT\$ appreciated again. The upward interest rate adjustment in China in late October caused Asian currencies to rise. Under the effects of the increasing Taiwan stock ratio in MSCI, foreign funds continued to pour in. The NT\$ appreciated significantly and broke the threshold of 1:32, closing at 31.917 on December 31, a 6.46% increase from 33.978 at the end of 2003.

New Taiwan Dollar Spot Exchange Rates (End of Month)



Source: "Financial Statistics Monthly, Taiwan District, Republic of China ", Department of Economic Research, The Central Bank of China, February 2005.

5. Rebound in the Stock Market before Decreasing

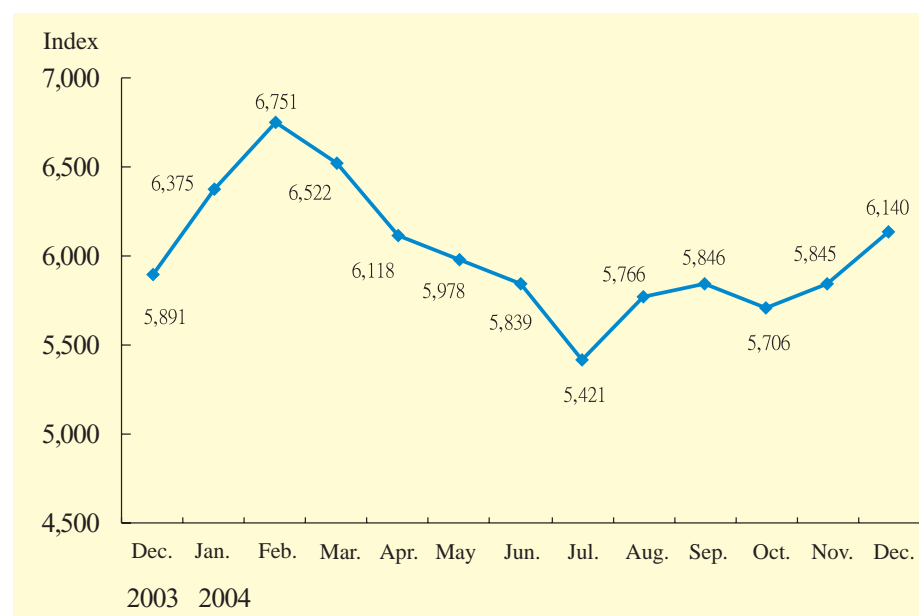
At the beginning of 2004, thanks to a recovery in domestic prosperity, the local stock market continued to rise. On March 4, the TAIEX rose to 7,034.10, the record high of the year. After the Presidential election, due to turmoil in Taiwan's domestic political situation, macro control in China,



upward interest rate adjustment by the US Fed, soaring price of international oil, international terrorist attacks and financial crises of the collapse of Procomm Informatics and the overselling of stocks, stock prices in Taiwan experienced a significant downward shift. The TAIEX dropped to 5,316.87 on August 4. Fortunately, foreign funds returned after August and foreign investors were net purchase of stocks (the total net purchase in 2004 by foreign investors was NT\$284 billion). The TAIEX gradually rebounded and closed at 6,139.69 on December 31, an increase of 4.23% from the end of 2003.

TSE Stock Price Index (TAIEX)

(End of Month)



Source: "Major Indicators", Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, February 2005

C. Status of the Financial Markets

1. Money Market

(1) Interbank Call-Loan Market

In 2004, trading in the interbank call-loan market amounted to NT\$10,199.4 billion, an increase of NT\$1,422.8 billion or 16.21% growth compared with a 9.40% decline of 2003. This was the first increase after declining for two consecutive years. It was apparent that the demand for call loans among financial institutions was greater than before. In terms of borrowers, domestic banks and bills finance companies were the major borrowing entities, accounting for 66.28% and 23.86% respective-



ly, of total trading. With respect to lenders, domestic banks with abundant liquidity remained the largest providers of funds, accounting for 73.62% of total transactions. Medium business banks, with a share of 10.63% of total transactions, were the next in line, and branches of foreign banks in Taiwan, with a share of 5.39% of total transactions, were the third.

(2) Bills Market

i. Primary Market

Given the continuously loosening of funds in the market, there was room for price negotiation in indirect financing for companies, resulting in lower requirements for enterprises to collect funds. After amendment of acts governing bills and finance, issuance of bills had to be reviewed by credit rating firms. Because of these factors the issuance balance of bills shrank. The total issuance amount in 2004 slid to NT\$ 6,888.8 billion from its peak in 1998, a reduction of NT\$658.9 billion or 8.73% from the previous year. Except for commercial paper with a reduction of 17.2% from the previous year, other tools increased with the largest increase shown by treasury bills at 118.7%, followed by negotiable certificates of deposit at 69.25%.

Issues of Bills and Notes

Unit: NT\$ billion

Item \ Period	2004	2003	Change	
			Amount	%
Treasury Bills	130.9	60.0	+70.9	+118.17
Bankers' Acceptances	35.2	34.5	+0.7	+2.03
Negotiable Certificates of Deposit	1,080.0	638.1	+441.9	+69.25
Commercial Paper	5,642.7	6,815.1	-1,172.4	-17.20
Total	6,888.8	7,547.7	-658.9	-8.73

Source: "Financial Statistics Monthly, Taiwan District, Republic of China," Department of Economic Research, the Central Bank of China, February 2005.

ii. Secondary Market

The total trading volume of short-term bills amounted to NT\$48,828.7 billion in 2004, representing a slight increase of 1.98% compared with the previous year. The trading volume of negotiable certificates of deposit registered the largest increase of 44.38% compared with the previous year, followed by an increase in the trading volume of treasury bills at 26.05%. The trading volume of commercial



paper accounted for the lion's share at 76.54% of total trading of short-term bills, although it declined by NT\$2,287 billion or 5.77% compared with the previous year.

Transactions of Bills in the Secondary Market

Unit: NT\$ billion

Item	2004	2003	Change	
			Amount	%
Treasury Bills	2,263.2	1,795.5	+4,677	+26.05
Bankers' Acceptances	44.0	87.8	-43.8	-49.89
Commercial Acceptances	0	0	0	---
Negotiable Certificates of Deposit	9,146.9	6,335.5	+2,811.4	+44.38
Commercial Paper	37,374.6	39,661.6	-2,287.0	-5.77
Total	48,828.7	47,880.4	+948.3	+1.98

Source: "Financial Statistics Monthly, Taiwan District, Republic of China," Department of Economic Research, the Central Bank of China, February 2005.

2. Capital Market

(1) Bond Market

i. Primary Market

To collect funds and establish government bond yield curves effectively, the government has aggressively issued government bonds of different maturities in the past few years, which led to a continuous increase in the government bond amount. However, due to the Procomm Informatics collapse that affected the willingness to buy corporate bonds and the expected rise in domestic interest rates that caused higher costs for issuance, businesses were reluctant to issue bonds. All these factors caused a slight increase in total bond issuance of NT\$40.5 billion or 4.42% in 2004 compared with 2003. Among all bonds, the bulk was still Central Government Bonds at NT\$465 billion with an increase of NT\$10.2 billion, up 2.24% from the previous year. Moreover, the highest increase was in financial bonds at NT\$35.8 billion or 19.62%. The issuance of corporate bonds experienced a decline of NT\$47.5 billion or 17.03% from 2003.

ii. Secondary Market

The total transaction amount of bonds in 2004 was NT\$205 trillion and 925.2 billion, again setting a record high. However, the increase declined to 1.13% from 51.51% in 2003. Except for foreign bonds sliding by 10.84%, other tools increased of which government bond transactions had the



smallest increase of NT\$ 1 trillion and 395.3 billion or 0.70%. In addition to this, active issuance of beneficiary securities stimulated the transactions. Its total value of transactions reached NT\$42.5 billion in 2004, a huge increase of 2,025% from the previous year. Government bonds still accounted for the majority reaching of 98.10% among all bond transactions.

Issues of Bonds

Unit: NT\$ billion

Item	Period	2004	2003	Change	
				Amount	%
Central Government Bonds		465.0	454.8	+10.2	+2.24
Local Government Bonds		42.0	0.0	+42.0	---
Corporate Bonds		231.4	278.9	-47.5	-17.03
Bank Debentures		218.3	182.5	+35.8	+19.62
Total		956.7	916.2	+40.5	+4.42

Source: "Financial Statistics Monthly, Taiwan District, Republic of China," Department of Economic Research, the Central Bank of China, February 2005

Transactions of Bonds in the Secondary Market

Unit: NT\$ billion

Item	Period	2004	2003	Change	
				Amount	%
Government Bonds		202,015.2	200,619.9	+1,395.3	+0.70
Corporate Bonds		2,774.2	2,163.3	+610.9	+28.24
Bank Debentures		457.2	125.4	+331.8	+264.59
Beneficiary Certificates		42.5	2.0	+40.5	+2,025
Foreign Bonds		636.1	713.4	-77.3	-10.84
Total		205,925.2	203,624.0	+2,301.2	+1.13

Source: "Financial Statistics Monthly, Taiwan District, Republic of China," Department of Economic Research, the Central Bank of China, February 2005

(2) Stock Market

By the end of 2004, the number of listed companies in Taiwan was 697, an increase of 28 from the



previous year. The total trading volume was NT\$23 trillion and 875.4 billion showing 17.42% growth from the previous year; the yearly average weighted index was 6,033.78 (with 1966 as the base period), up 16.89% from the previous year. The total market value was NT\$13 trillion and 989.1 billion showing growth of 8.7%.

Statistics of the TSE Market

Unit: NT\$ billion

Item \ Period	2004	2003	Change	
			NO./Amount/Index	%
Number of companies listed in TSE (year end)	697	669	+28	+4.19
Total trading value of the year	23,875.4	20,333.2	+3,544.2	+17.42
Stock price index (TAIEX) (year average)	6,033.78	5,161.90	+871.88	+16.89
Market value	13,989.1	12,869.1	+1,120.0	+8.70

Source: "Financial Statistics Monthly, Taiwan District, Republic of China," Department of Economic Research, the Central Bank of China, February 2005

D. Economic and Financial Outlook for 2005

According to the latest economic predictions by Global Insight Inc. in February 2005, to prevent overheating in the economies of the US and China, tighter monetary policies will be applied and global economic growth will become slow. With high oil prices and lower economic growth than expected in Germany, France, Japan, etc., global economic growth will become slow. Global economic growth in 2005 will drop to 3.3% from 4.1% in 2004 whereas the world trade volume growth will also decline to 4.2% from 8.9%.

Looking to 2005, under the influence of global oil price fluctuations, changes in US\$ exchange rates, rises in interest rates, continuous macro control in China and weaker growth in the global economy, Taiwan will experience slower economic growth this year. According to predictions made by the Directorate-General of Budgeting, Accounting and Statistics, Executive Yuan (DGBAS), despite external trade slowing down, private consumption will increase stably as unemployment improves and domestic asset prices recover. As leading players of semiconductors and TFT-LCD continue to invest and the Taiwan High Speed Rail proceeds, private fixed investments will continue. Moreover, with the progress of the Fourth Nuclear Power Plant and the Da Tan Power Plant of Taiwan Power Company, the fixed investments of state enterprises will show public investment effects. Overall, we expect to



have economic growth of 4.21% in Taiwan, which is lower than the 5.71% of last year. Predictions made by major domestic and foreign institutes range between 4.1% and 4.8%, which is higher than the global average of 3.2% to 4.3%.

Domestic commodity prices, international oil and agricultural and industrial material prices are expected to stabilize; the expected continuous appreciation of NT\$ will offset, to a certain extent, pressure for price increases in imported products. DGBAS expected in February that the Wholesale Price Index this year would increase by 1.0%, lower than that of 2004. Although increases in material and supply costs will move on to low-end products, because of the tough competitive situation facing businesses and the opening of markets, companies are unable to fully reflect cost increases. Therefore, DGBAS expects the Consumer Price Index for the whole year will grow slightly higher than in 2004 at 1.7%.

In terms of interest rate and exchange rates, with monetary policy of CBC still focused on the stability of commodity prices and exchange rates, there is a greater likelihood of stable international oil prices and costs of daily necessities. As it is universally believed that the US\$ will stay weak, the NT\$ is likely to appreciate which will offset partial price increase pressure. Therefore, we will see limited inflation pressure at home. Nevertheless, as the annual growth of M2 keeps increasing and has exceeded the target zone of CBC for 12 months in a row with a continuous inflow of international funds, monetary aggregates will very likely rise which is disadvantageous for commodity price stability. Therefore, under the loosening-switched-to-neutral monetary policy of the CBC, to avoid inflation and adjust the negative real interest rate at home, it is expected there will be higher interest rates in Taiwan. As for the NT\$ exchange rate, despite the support of continuous rises in interest rates in the US and higher economic growth than that in the Euro zone, Japan, etc, long-term US dollar exchange rates will still be weak in the future due to enormous twin deficits in the US. In addition to this, due to a continuous surplus in the current account and record highs in the foreign exchange reserves at home with expectations of appreciation of the Renminbi, the continuous inflow of US\$ into the Asian region, the weaker US\$ and stronger Asian currencies, we cannot exclude the possibility of the NT\$ appreciating.

In the financial operational environment, owing to the continuous financial reforms of the government, asset quality of banks in 2004 saw significant improvements—a large decrease in overdue loans and gradual improvement of profitability. Returns on assets and equity have posted outstanding results in the past few years. Looking to this year, with continuous economic stability, the financial market will expand; and with further financial reforms by the government scheduled, domestic financial performance territory will be rewritten this year. Consequently, the operational environment for domestic banks will be sounder with banks expected to show profits.



Key Economic and Financial Indicators of Taiwan District, Republic of China

Period	Population	GDP Growth Rate	Per Capita GNP (at current prices)		Industrial Production	Merchandise Trade (Customs Statistics) (US\$ million)			Wholesale Price Index (2001=100)
	1,000 persons (1)	% (2)	NT\$ (2)	US\$ (2)	General Index (2001=100)	Export	Import	Trade Balance	Annual Rate of Change (%)
1987	19,559	12.74	168,832	5,298	-	53,679	34,983	18,695	-3.25
1988	19,781	7.84	182,511	6,379	-	60,667	49,673	10,995	-1.57
1989	20,008	8.23	201,402	7,626	-	66,304	52,265	14,039	-0.37
1990	20,233	5.39	218,092	8,111	-	67,214	54,716	12,498	-0.60
1991	20,456	7.55	240,909	8,982	-	76,178	62,861	13,318	0.17
1992	20,652	7.49	264,338	10,506	-	81,470	72,007	9,464	-3.68
1993	20,841	7.01	289,337	10,964	-	85,092	77,061	8,030	2.51
1994	21,037	7.11	312,386	11,806	-	93,049	85,349	7,700	2.17
1995	21,217	6.42	336,042	12,686	-	111,659	103,550	8,109	7.38
1996	21,383	6.10	364,115	13,260	86.09	115,942	102,370	13,572	-1.01
1997	21,569	6.37	389,059	13,556	91.39	122,081	114,425	7,656	-0.45
1998	21,784	4.33	411,802	12,307	94.49	110,582	104,665	5,917	0.60
1999	21,957	5.32	425,235	13,177	101.45	121,591	110,690	10,901	-4.55
2000	22,126	5.78	440,769	14,114	108.47	148,321	140,011	8,310	1.82
2001	22,281	-2.22	432,701	12,798	100.00	122,866	107,237	15,629	-1.34
2002	22,397	3.94	445,512	12,884	107.92	130,597	112,530	18,067	0.05
2003	22,493	3.33	452,259	13,139	115.58	144,180	127,249	16,931	2.48
2004	22,574	5.71	468,956	14,032	126.96	174,014	167,890	6,124	7.03
Jan.	22,541				110.35	11,806	10,570	1,237	2.47
Feb.	22,546				119.22	13,192	13,152	40	2.22
Mar.	22,551	6.72	120,707	3,613	131.41	14,752	14,081	671	2.72
Apr.	22,556				126.67	14,065	13,105	960	4.88
May	22,562				131.63	15,692	14,499	1,193	6.93
June	22,569	7.88	109,247	3,273	128.52	14,427	14,638	-211	7.58
July	22,576				129.88	14,652	13,771	881	9.39
Aug.	22,582				128.19	14,733	13,886	847	10.43
Sep.	22,587	5.27	118,416	3,485	127.87	14,937	14,205	732	11.39
Oct.	22,596				129.83	15,375	15,044	331	11.85
Nov.	22,606				129.14	15,504	14,945	559	8.77
Dec.	22,615	3.25	120,586	3,661	130.83	14,879	15,996	-1,117	6.01

Notes:

(1) Refer to period averages.

(2) The figures for 2004 are quarterly data.

(3) M1B includes net currency issued, checking accounts, passbook deposits and passbook savings deposits.

(4) M2= M1B+ quasi money.

(5) Bond funds (net) is defined as the net value after deducting bond funds' bank deposits and bond funds held by banks from bond funds.

As bond funds' bank deposits are already covered in M2, to avoid double counting, they should be deducted. In addition, since the statistics.

".M2+ bond funds". mainly reflects the financial assets held by enterprises and individuals, bond funds held by banks should be deducted from the statistics as well.

(6) refer to end of period figures.



Consumer Price Index (2001=100)	Discount Rate	Monetary Aggregates			Foreign Exchange Reserves	Spot Exchange Rate (Interbank Closing Rate)	Period
		M1B	M2B	M2+Bond Funds(net)			
Annual Rate of Change (%)	% per annum (6)	Annul Growth Rate (%) (3)	Annul Growth Rate (%) (4)	Annual Growth Rate (%) (5)	(US\$ million) (6)	NT\$/US\$ (6)	
0.51	4.500	46.42	23.53	-	76,748	28.5500	1987
1.28	4.500	30.12	21.16	-	73,897	28.1700	1988
4.42	7.750	13.36	20.42	-	73,224	26.1600	1989
4.12	7.750	-2.80	12.85	-	72,441	27.1075	1990
3.62	6.250	5.87	16.33	-	82,405	25.7475	1991
4.47	5.625	15.44	19.94	-	82,306	25.4025	1992
2.94	5.500	8.22	16.43	-	83,573	26.6260	1993
4.10	5.500	16.94	16.29	-	92,454	26.2400	1994
3.67	5.500	4.76	11.59	-	90,310	27.2650	1995
3.08	5.000	4.13	9.23	-	88,038	27.4910	1996
0.89	5.250	13.82	8.26	-	83,502	32.6380	1997
1.69	4.750	2.52	8.76	-	90,341	32.2160	1998
0.17	4.500	9.87	8.33	-	106,200	31.3950	1999
1.26	4.625	10.58	7.04	7.57	106,742	32.9920	2000
-0.01	2.125	-1.02	5.79	6.47	122,211	34.9990	2001
-0.20	1.625	17.01	3.55	5.64	161,656	34.7530	2002
-0.28	1.375	11.82	3.77	5.25	206,632	33.9780	2003
1.62	1.750	18.98	7.45	8.14	241,738	31.9170	2004
0.01	1.375	20.56	6.53	8.28	214,926	33.3900	Jan.
0.65	1.375	20.42	6.80	8.56	224,803	33.3650	Feb.
0.89	1.375	23.75	7.89	9.50	226,523	33.0200	Mar.
0.95	1.375	24.39	8.47	9.94	227,660	33.3690	Apr.
0.91	1.375	23.55	8.58	10.20	229,003	33.3890	May
1.73	1.375	20.20	7.93	9.58	230,092	33.7750	June
3.34	1.375	18.99	7.79	8.69	230,402	34.1360	July
2.55	1.375	18.04	7.31	7.47	231,609	34.0530	Aug.
2.78	1.375	16.81	7.07	6.95	233,006	33.9840	Sep.
2.40	1.625	14.71	6.75	6.27	235,032	33.4350	Oct.
1.53	1.625	13.90	6.98	6.14	239,129	32.2050	Nov.
1.61	1.750	14.35	7.31	6.33	241,738	31.9170	Dec.

Sources :

1. Directorate-General of Budget, Accounting & Statistics, Executive Yuan, Monthly Statistics of the Republic of China, February 2005.
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6. Department of Economic Research, the Central Bank of China, Financial Statistics Monthly, Taiwan District, Republic of China, February 2005.



IV. Financial Reform and Major Financial Measures

A. Status of Financial Reform

The liberalization and globalization of finance has been promoted for quite some time in Taiwan. In the past few years, we have gradually lifted various financial controls on general business, inflow/outflow of foreign funds, foreign investment institutions, local institutions, interest/exchange rates, market operations, etc. In a broad sense, all these come under financial reform. Beginning in 1991, we experienced major changes in the domestic and foreign financial environments. At home, with the establishment of new private banks the financial market became more competitive as monopoly disappeared. Abroad, another change was the financial crisis in Asia in July 1997. Although the R.O.C. did not suffer as much as other Asian countries, the hidden problems of the banking system surfaced, making the government and financial operators aware of the need for changes in the operational environment and the necessity for financial system integration. The third event was our entry into the World Trade Organization (WTO) on January 1, 2002. The government kept its promise to continue opening financial markets and abolish various financial control measures. Bankers faced tougher challenges from multinational financial operators. Under the impact of above factors, some structural problems of domestic banking systems were revealed, such as the excessive number of banks, fierce price competition, bad assets, increases in the direct finance ratio and regulations being unable to stay on the same page as international regulations.

The government, as a result, became aware of the depth and breadth of financial reforms required and announced Two-Five-Eight Financial Reform Plan in August 2002 with the goal of reducing the overdue loan ratio of all financial institutions to less than 5% in two years and the BIS ratio to over 8%. The major measures included: establishing and amending financial regulations, encouraging the merger of financial institutions, promoting the establishment of financial holding companies, consolidating troubled financial institutions, expediting solutions for overdue loans, encouraging innovations such as securitization of financial assets, increasing penalties for financial crimes, many reform measures for capital markets, simplifying insurance review procedures and promoting diversification of insurance products.

To help banks resolve bad debtor's rights and reduce the overdue loan ratio, CBC reduced the deposit reserve ratio of banks. The Ministry of Finance lowered the business tax of banks to 2% from 5% and the government required all banks to offset bad debts with all the differences from these two measures. With banks continuing to collect overdue loans and offsetting bad debts with their own profits, offset bad debt soared; moreover, the government also aggressively promoted the establishment of asset management companies to help financial institutions with normal operations deal with bad creditor's rights and reduce the overdue loan ratio so that they can concentrate on the development of business and provide enterprise with the capital they need.



With economic recovery and a large reduction of bad creditor's rights of banks in accordance with the policy of the government, bankers have gradually got out of the difficulty of worsened asset quality. The overall bank overdue loan ratio reached a peak of 8.78% in March 2002 and then declined. In December 2003, the overall bank overdue loan ratio dropped to 5% and further decreased to below 5% in 2004. It has even stayed below 4% from September 2004 to date. As for domestic banks accounting for the largest share of all financial institutions, the drop in overdue loans was very obvious. It dropped to 4.33% in December 2003 from a peak of 8.04% in March 2002 and decreased further to 2.78% in December 2004. Even considering the broad measure of overdue loans, the ratio dropped to 4.90% below the 5% of June 2004. Again, it dropped to 3.8% in December, which justified the improvement in the banks' asset quality. In the meantime, the average BIS ratio for banks increased to over 8%. As banks sacrificed profits to offset bad debts in 2002, we saw a rare loss in all domestic banks, causing negative numbers for ROE and ROA. In 2003, the two measures recovered to 3.52% and 0.22% respectively and again to 10.30% and 0.63% in 2004. This is a clear indication of the sound results of financial reform.

On July 1, 2004, the Financial Supervisory Commission of the Executive Yuan started operations as expected, integrating development policies and supervision of banks, securities, insurance, futures, etc to enhance financial discipline and provide independent and detached financial supervision and achieved a milestone in the development of financial supervision as well as promotion of further financial reforms.

Financial reform is a long-term task; President Chen announced the second stage of financial reform on October 20, 2004 and its four major goals: "to help three financial institutions reach a market share of over 10% by the end of 2005, the number of financial institutions with state-owned shares to be halved to six by the end of 2005; the number (14) of current financial holding companies to be halved by the end of 2006 and at least one financial institution to be run by foreign interests or listed abroad." The main thrust of the second financial reform, as a result, was to promote the merger of financial institutions. During the course of this, the government provided reasonable and efficient rules of the game and legal environment and helped businesses complete merger plans that conformed to the market mechanism. The current concrete measures, in addition to continuously building an environment benefiting the merger of financial institutions, also includes a privatization plan for state-owned banks, the deepening market of asset securitization and promoting ongoing discussion of outdated laws and regulations, also comprising the single management of financial supervision, enriching of Financial Restructuring Fund, enforcement of the Agricultural Finance Act, redefinition and re-categorization of overdue loans, establishment of regional financial services center, in accordance with the New Basel Capital Accord, setting up the withdrawal mechanism in the financial mar-



ket, enforcement of the corporate governance system and continuous opening of financial exchanges across the Taiwan Straits.

The first financial reform focused on the removal of abuses in an attempt to reduce risks and enhance the operational basis of financial institutions, whereas the second financial reform aimed at bringing benefits with the goal of improving the global competence of financial institutions, making Taiwan a regional financial center. The two stages are complementary. With improvement in the financial structure and risk control ability of financial institutions and assisting financial bodies to enhance their operational skills and performance to stimulate the potentials and creativity of financial operators so that they can provide customers with the financial products and services they require. Thus, the service level of domestic financial institutions will improve and people in Taiwan will enjoy more advanced financial services.

B. Major Financial Measures

1. Measures Undertaken by the Ministry of Finance and Financial Supervisory Commission, Executive Yuan

(1) Opening of Derivative Financial Products as a Negative List

In accordance with the concrete reforms proposed by the Bank Work Team, the Financial Reform Task Force, Executive Yuan, Ministry of Finance amended "Notices for Banks in Handling Derivative Financial Products Business" on February 13, 2004. Derivative financial products were to be on a negative list and the management of derivative financial products was turned to risk oriented supervision from traditional standard oriented supervision. The notices emphasized the ability of banks to manage risk and bear losses when handling new products.

(2) Regulations of Financial Transaction Supervisory Management

The Financial Supervisory Commission (FSC) was formally established on 1 July 2004, setting a new milestone in combined supervision of banks, securities and insurance in Taiwan. To protect the financial market transaction order and promote the sound development of the market, FSC established a Financial Transaction Supervision Management Act on July 1, 2004, which formally established the market financial transaction supervisory management mechanism to monitor any situations that disadvantage markets or any illegal conduct and take appropriate measures in time.

(3) Formal Enforcement of the New Basel Capital Accord at the End of 2006 in Taiwan

To ensure domestic banks meet the international level of BIS management and risk management, FSC informed each bank that it would amend the Management Act of Bank BIS and Explanations of Calculation of Self-provided Capital and Risk Asset of Banks in accordance with international standards. It also expected to enforce the New Basel Capital Accord at the end of 2006 to be on the same level of other countries and requested banks to take countermeasures in advance and build



appropriate risk management mechanisms to ensure that the law will be obeyed and improve its competence.

(4) Approving Banks to Conduct "Financial Advisory Business"

To help enterprises obtain efficient financial planning, advice, and information on business mergers, etc. through diversified professional services of banks, FSC agreed the scope of "financial advisers" as conducted by banks on December 14, 2004. The original financial adviser business relating to financing was expanded to that relating to the capital market. Also in accordance with the purpose of the negative list, FSC significantly simplified the application measures of banks when conducting this type of business.

(5) Preventive Measures against Financial Fraud

To deter fraud and reduce property loss, FSC ordered BAROC on December 21, 2004 to forward the requirements for cooperation to member banks. In addition, to further carry out measures to prevent crime groups from defrauding bank savings accounts and reduce property loss, FSC has again requested BAROC to amend the template of "Notices on Money Laundering Control for Banks" to include the requirement that banks shall decline the opening of accounts where customers fail to make reasonable explanations of abnormal conditions.

(6) Announcement of the Articles of the Items to Be Specified in Annual Reports of Banks and Financial Holding Companies

To enhance the public disclosure of overall operational information of banks and financial holding companies so that market participants can effectively evaluate the soundness of such institutions and enforce the power of market discipline, FSC passed the "Regulations Governing Items to Be Specified in Annual Reports of Banks" and "Regulations Governing Items to Be Specified in Annual Reports of Financial Holding Companies" on December 30, 2004.

(7) Regulations Regarding a Negative List of Finance-related Businesses Undertaken by Banks

In accordance with the Promotional Project of the Regional Financial Service Center to encourage financial innovation and improve the competence of the financial industry while putting the policies of "lenient legislation with strict law enforcement" and "differentiated management" into practice, in line with the press release of December 31, 2004, FSC is to draw up a negative list of businesses operated by banks to simplify application procedures of banks in new businesses.

2. Measures Undertaken by the Central Bank of China

(1) Amended Regulations Governing Foreign Exchange Business of Banking Enterprises

Under the tendency of development of the international financial market and international financial management, on May 26, 2004, CBC amended and enacted Articles 13, 22, 33, 38, and 41 of Regulations Governing Foreign Exchange Business of Banking Enterprises. The CBC approved and



appointed banks to undertake derivative foreign exchange products, which when undertaking derivative financial products not involving the New Taiwan dollar exchange rate, would report afterwards instead of waiting for prior approval.

(2) Raised Discount Rates on October 1 and December 31 Respectively

CBC raised rediscounts, secured loan financing and short-term accommodation rates on October 1, 2004. The adjusted rediscount, secured loan financing and short-term accommodation rates were 1.625%, 2% and 3.875% respectively. On December 31 of the same year, the CBC again raised the rates by 0.125%. The adjusted rediscount, secured loan financing and short-term accommodation rates were 1.75%, 2.125% and 4%.

(3) Permitted Authorized Foreign Exchange Banks to Conduct Foreign Currency Margin Trading Business

On October 20, 2004, CBC enacted Regulations Governing the Discretionary Foreign Currency Margin Trading Business Conducted by Authorized Banks with a total of 17 articles, agreeing to allow authorized banks with professional knowledge of foreign exchange and relevant skills to conduct foreign currency margin trading.

3. Other Important Financial Measures

(1) Financial Business Operations

- i. The Ministry of Finance ordered BAROC to inform its member banks and branches in Taiwan of foreign banks of the details to be complied with for conducting Market-Linked-Deposit and derivative financial products.
- ii. The Ministry of Finance issued a letter on May 17, 2004, specifying the regulations for selling structural products such as structured deposits. In the future, banks should not promote such products to a certain group of people and must disclose the risks to the customers.
- iii. On May 25, the Ministry of Finance enacted the business standards on banks conducting account receivable underwriting, specifying that, when banks conduct account receivable underwriting with recourse and without recourse, the customers shall be assigners of account receivables (i.e. sellers).
- iv. On July 26, FSC approved the Accounting Handling Principles of Credit Card Business submitted by BAROC, providing consistent standards of account handling of credit card business.
- v. On October 4, FSC enacted regulations for approved banks to accept the opening of NT\$ accounts and foreign currency deposit accounts and remittances of people from mainland China in Taiwan.
- vi. To continue helping traditional industries obtain operational funds, on November 19, FSC amended partial articles of Directions for the Extension of Special Loans and Special Credit



Guarantees for Traditional Industries by Financial Institutions. The total loan amount was increased to NT\$1 trillion and 850 billion and, of this, NT\$1 trillion and 700 billion was to be supplied from the funds of financial institutions themselves.

vii. To reach the goal of single financial supervision and to simplify the applicational procedures of businesses, on December 20, FSC enacted the amended Articles 3, 7 and 10 of Regulations Governing Banks Issuing Financial Bonds. The original two-stage review of issuance of financial bonds, exchange bonds and other financial questions involving stock rights was simplified to one stage with a one-stop window at the Securities and Futures Bureau, FSC to simplify application procedures.

(2) Financial Holding Companies

- i. To allow short-term fund utilization of financial holding companies to be more flexible but with emphasis on circulation and safety, the Ministry of Finance announced the utilization items of short-term funds of financial holding companies on January 12, 2004.
- ii. The Ministry of Finance amended Article 57 and added Articles 57-1, 57-2, 67-1 and 67-2 of the Financial Holding Company Law on February 4, 2004.
- iii. On March 16, 2004, the Ministry of Finance agreed that financial holding companies should, under Article 26 of the Financial Holding Company Law, dispose of their own company shares by transference of shares through participation in issuing overseas depositary receipts.
- iv. On September 13, 2004, FSC enacted "Standards Governing Duties of Maintaining Confidentiality of Financial Holding Companies in Establishing Databases", requesting financial holding companies to report to competent authorities and further requiring their subsidiary companies to build databases of business information and customer data, etc. in accordance with the relevant standards.
- v. To regulate the operations posts, business scope allowed, concurrence of personnel, cross-utilization of information, measures of application and approval etc. of subsidiaries of financial holding companies in co-selling in accordance with the Financial Holding Company Law, FSC enacted relevant standards on co-selling of subsidiaries of financial holding companies on November 19, 2004.
- vi. On December 10, 2004, FSC amended Articles 3 and 7 of Rules Governing Financial Holding Companies Issuing Corporate Bonds. From January 1, 2005, financial holding companies should apply or declare to the competent authorities in accordance with Criteria Governing the Offering and Issuance of Securities by Securities Issuers or Criteria Governing the Offering and Issuance of Overseas Securities by Issuers when issuing corporate bonds.

(3) Foreign Exchange Management



- i. The CBC announced on February 16, 2004 that domestic securities investment trust and consulting enterprises should be allowed to handle foreign exchange when conducting overseas investment.
- ii. The CBC won first approval for a domestic bank to conduct cross-national remitting via the Internet on March 16, 2004. Transactions over NT\$500,000 should be declared online.
- iii. The CBC informed domestic banks on June 17, 2004 that they no longer needed to conform to the approval letter from the Department of Foreign Exchange when undertaking investment principal or yield remittances for foreign investors in domestic securities. Nevertheless, foreign exchange settlement by occurring through sales of borrowed marketable securities should be regarded as remittance of investment principal. The applied total outward remittance amount should not exceed the balance of NT\$ converted from the net of remitted investment principal.
- iv. In accordance with the suggestions of the Financial Action Task Force on November 19, 2004, the CBC requested authorized foreign exchange banks to specify information of remitters including full names, accounts or ID numbers and addresses on the remittance applications when they apply for outward remittance to foreign countries.

(4) Financial Institutions Management

- i. The Ministry of Finance passed amendments to the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans and Bad Debts on January 6, 2004 specifying the definitions of overdue loans, the classification of credit assets of bankers and standards of allowance for bad debts in line with international standards. The amendments were enacted from July 1, 2004.
- ii. To reduce the compliance cost of financial institutions and supervision cost of competent authorities, starting from January 6, 2004, the Ministry of Finance simplified items specified on the business licenses of financial institutions. Under the simplification of the business licenses, from January 2004, MOF requested banks to complete information regarding business items of head offices and branches and appointment of managers at branches via the declaration system.
- iii. To ease the limits foreign banks face when their branches conduct loans, on March 5, 2004, the Ministry of Finance amended Article 18 of the Regulations Governing Foreign Bank Branches and Representative Offices. Furthermore, giving reasonable consideration to development and requirements of careful review for foreign bank branches in Taiwan, the Ministry of Finance amended Articles 14 and 19 of the aforesaid Regulations on June 30, 2004 to properly raise the NT dollar credit limit of a same natural or legal person of foreign bank branches in Taiwan.
- iv. On March 9, 2004, the Ministry of Finance announced that permission had been granted for commercial banks with a short-term credit rating of A-3 or long-term rating of BBB- to invest in



privately placed securities and Taiwan depository receipts. To help enterprises place funds and to stimulate activate the domestic financial market, FSC announced on July 6, 2004 that commercial banks would be allowed to invest in securities such as Taiwan depository receipts, privately placed stocks, privately placed corporate bonds, etc.

v. To help banks successfully collect diversified capital tools in international markets to enrich capital and improve the ability to bear risks, FSC amended Article 4 of the Regulations Governing Capital Adequacy of Banks on compulsory transference on November 9, 2004.

(5) Capital Market Management

i. On May 17, 2004, the Executive Yuan announced four measures to loosen limits on foreign investment including: allowing financial institutions to provide foreign investors with financing services for in-day advance, cancellation of outward remittance from the selling of borrowed securities, allowing foreign investors to hedge in the futures market and eliminating approval from the CBC for investment in the domestic stock market by foreign investors.

ii. On July 21, 2004, FSC decided to loosen the regulations on banks' participation in capital increases in cash. In the capital increase cases of invested enterprises participated in by banks, as long as the investments limit conforms to the regulations and the capital adequacy is over 8%, the application will be automatically approved the next day.

iii. On August 12, 2004, FSC decided to cancel the requirement to force listed and OTC companies to disclose financial estimates. The estimates will be made voluntarily each quarter. The measure was expected to be implemented from January 1, 2005.

iv. From August 16, 2004, FSC determined to tighten regulations on buying back of treasury stock by listed and OTC financial holding companies, banks and insurance companies. The capital adequacy of financial holding companies should exceed 150%, that of banks 12% and the overdue ratio should be below 2.5%.

v. On November 11, 2004, FSC passed the reform proposal for management systems for companies on and after being listed. The overseas capital placement management mechanism would be enhanced to prevent overseas capital placement from being an arbitrage channel for enterprises. Lists of major subscribers great value shall be declared to prevent fraud.

vi. On December 21, 2004, FSC decided to loosen the scope of strategic security borrowing of foreign investors to conduct hedging or arbitrage.

(6) Cross-Strait Financial Relations

On February 28, the Ministry of Finance announced amended Regulations Governing Contact between Financial Institutions in Taiwan and Mainland China for a total of 14 articles.



V. Business Operations of Financial Institutions

A Change in the Operating Units of Financial Institutions

Financial institutions in Taiwan are classified into two categories depending on how they create money, namely, monetary and other financial institutions. Monetary institutions are comprised of the Central Bank of China (CBC) and deposit money banks, the latter including Domestic banks, Medium business banks, Local branches of foreign banks, Credit cooperatives, and Credit departments of farmers' and fishermen's associations. Other financial institutions include the Chunghwa Post Corporation, Investment and Trust companies, and Life Insurance Institutions. As of the end of 2004, there were a total of 429 financial institutions, a decrease of four institutions compared with 433 at the end of 2003. The four included Kaohsiung Business Bank sold for the most part to E. Sun Bank, effectively abolishing one business bank. Also, there was a decrease of three credit cooperatives as Taitung Credit Cooperative was sold for the most part to Fuhwa Bank on June 5, 2004; Chinatrust Commercial Bank merged for the most part with Fengshan Credit Cooperative, Kaohsiung County on October 1 and most of Taishin International Bank was merged with Hsinchu Tenth Credit Cooperative. Moreover, 2004 saw one less foreign bank branch in Taiwan and one more credit department of a farmers' association. The number of branches of financial institutions totaled 5,922 at the end of 2004, a decrease of 8 compared with 5,930 one year earlier.

Number of Financial Institutions in Taiwan

Unit: number

Year	Total		Monetary Institutions												Other Financial Institutions						
			Deposit Money Banks												Chunghwa Post Company		Investment and Trust Companies		Life Insurance Institutions ⁴		
	Head Office	Branches	Central Bank	Domestic Banks		Medium Business Banks		Local Branches Of Foreign Banks ²		Credit Cooperatives		Credit Departments Of Farmers' Associations		Credit Departments Of Fishermen's Associations		Head Office	Branches ³	Head Office	Branches	Head Office	Branches
				Head Office	Branches	Head Office	Branches	Head Office	Branches	Head Office	Branches	Head Office	Branches								
1992	494	3,852	1	32	897	8	315	36	50	74	439	285	770	27	33	1	1,223	7	54	23	71
1993	501	4,111	1	33	1,030	8	352	37	55	74	482	285	788	27	34	1	1,243	7	60	28	67
1994	503	4,410	1	34	1,174	8	403	37	57	74	530	285	827	27	38	1	1,260	6	53	30	68
1995	503	4,745	1	34	1,361	8	446	38	58	73	556	285	886	27	44	1	1,269	5	49	31	76
1996	507	4,981	1	34	1,464	8	472	41	65	73	595	285	925	27	47	1	1,273	5	55	32	85
1997	509	5,181	1	39	1,685	8	491	45	69	64	505	287	943	27	48	1	1,276	5	61	32	103
1998	501	5,368	1	42	2,052	6	352	46	72	54	446	287	958	27	49	1	1,288	4	43	33	108
1999	495	5,531	1	47	2,288	5	288	41	71	50	416	287	971	27	49	1	1,296	3	36	33	116
2000	491	5,636	1	48	2,411	5	282	39	70	48	394	287	973	27	49	1	1,305	3	36	32	116
2001	448	5,841	1	48	2,712	5	293	38	69	39	373	260	883	25	44	1	1,316	3	33	28	118
2002	437	5,850	1	47	2,781	5	287	36	68	37	358	253	847	25	40	1	1,320	3	29	29	120
2003	433	5,930	1	45	2,884	5	289	36	69	35	341	253	828	25	39	1	1,322	3	28	29	130
2004	429	5,922	1	45	2,944	4	245	35	67	32	319	254	827	25	39	1	1,320	3	26	29	135

Notes:

1. Refers to the number of institutions that are formally opened for business.
2. The figure for head offices represents the number of foreign banks, which have set up branches domestically while the data of branches represents the number of their domestic offices.
3. Excludes postal agencies.
4. Includes the Department of Life Insurance, Chunghwa Post Co.

Source : "Financial Statistics Monthly, Taiwan District, the Republic of China", Department of Economic Research, The Central Bank of China, February 2005.

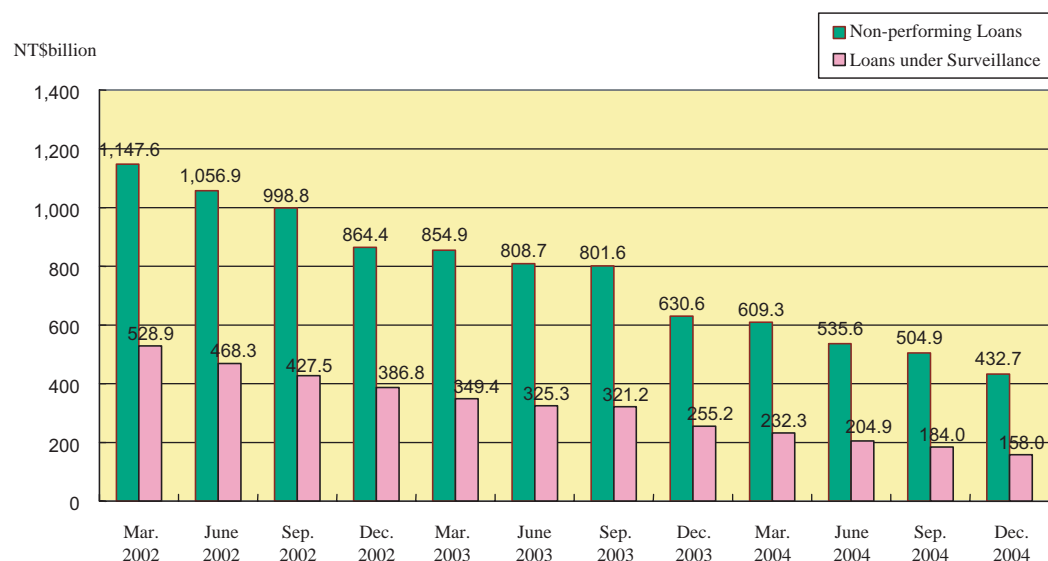


B Amount and Ratio of Non-Performing Loans of Banks

In order to improve the soundness of the business structure and operational quality of all banks while reducing the operational risks, the MOF enacted "258 Financial Reform Plan" in 2002, following the implementation of the "Measures for Accelerating the Reduction of Non-performing Loans of Domestic Banks" on June 10, 2003. The differentiated management measures were adopted with different supervision measures taken depending on the seriousness of Non-performing loans of domestic banks. In addition, it continued to amend "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-Performing Loans and Bad Debts" on definitions of overdue loans, classification of credit assets of bankers and standards of allowance for bad debts to fall in line with international standards and reduce the Non-performing loans and the ratio of banks.

With the efforts of domestic financial institutions to aggressively settle Non-performing loans, not only was the "258 Financial Reform Plan" successfully achieved but also the NPL ratio of all banks dropped below the target of 5% in December 2003. It continued to drop month by month in 2004 and reached a record low of 3.28% at the end of December 2004. At the end of December 2004, the NPL ratio of domestic banks was 2.78%, the first time it fell below 3%, or a decrease of 1.55% from 4.33% at the end of December 2003. Using the broad-sense NPL ratio including loans under surveillance, it dropped to 3.80% from 6.08% at the end of December 2003, or a decrease of around 2.28%.

Non-performing Loans of Local Financial Institutions



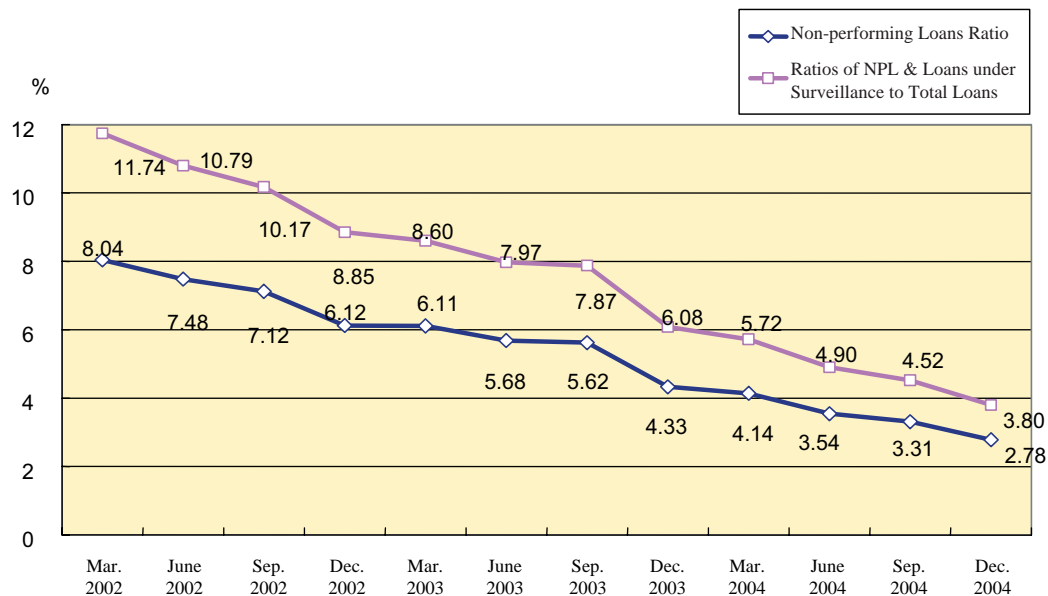
Source: The website of the Bureau of Monetary Affairs, Financial Supervisory Commission, Executive Yuan (www.boma.gov.tw)



By the end of December 2004, the NPL amount of domestic banks was NT\$432.7 billion, a decrease of NT\$197.9 billion from NT\$630.6 billion at the end of December 2003 and a larger decrease of NT\$714.9 billion from the peak of NT\$1,147.6 billion at the end of March 2002. At the end of December 2004, loans under surveillance of domestic banks amounted to NT\$158 billion with a decline from of NT\$255.2 billion at the end of December 2003.

Starting from 1999, domestic banks have continued to enhance asset quality by offsetting non-performing loans (NPLs). Between 1999 and end of December 2004, the accumulated actual offset of non-performing loans by domestic banks was NTS1,336.8 billion, around 8.42 times the profits of 158.8 billion from reductions in business tax and deposit reserve rate of the period. The accumulated actual value of offset NPLs by domestic banks in 2004 was NT\$125.5 billion. Although the amount is smaller, we saw declining ratios of both the NPL and loans under surveillance, which gradually improved the operational quality of banks.

NPL Ratio of Domestic Banks



Source: The website of the Bureau of Monetary Affairs, Financial Supervisory Commission, Executive Yuan (www.boma.gov.tw)

C. Major Operations of the Banking System

1. Deposit Operations

Because of the improvement in economic performance, the gradual decrease in unemployment, and continuous inflow of foreign capital, the annual growth rate of deposits of major financial institu-



tions (including all deposit money banks and the Chunghwa Post Corporation) increased in a stable fashion and reached a peak of 8.54% at the end of April before slowing down to 6.94% at the year end. This was higher than 5.52% at the end of 2003 and even much higher than the 2.23% of the end of 2002. The outstanding balance of deposits of major financial institutions was NT\$23,256.5 billion at the end of 2004, an increase of NT\$1,509.7 billion from the end of the previous year. Except for government deposits declining slightly by 0.47%, all other deposits increased. Demand deposits, in business and personal deposits, increased by NT\$753.6 billion or 12.68%, the largest in terms of amount. Foreign currency deposits increased by 12.88%, which was the largest in terms of ratios.

Change in Deposits by Category of Major Financial Institutions

Unit: NT\$ billion

Item	Period	End of 2004	End of 2003	Change	
				Amount	%
Demand Deposits		6,698.2	5,944.6	+573.6	+12.68
Time & Savings Deposits		10,459.5	10,153.5	+306.0	+3.01
Foreign Currency Deposits		1,322.5	1,171.6	+150.9	+12.88
Government Deposits		925.2	929.6	- 4.4	-0.47
Postal Savings Deposits		3,326.0	3,113.5	+212.5	+6.83
Repurchase Agreements		523.7	434.1	+ 89.6	+20.64
Mutual Funds		1.5	0.0	+1.5	---
Total Deposits		23,256.5	21,746.9	+1,509.7	+6.94

Source: "Financial Statistics Monthly, Taiwan District, Republic of China," Department of Economic Research, the Central Bank of China, February 2005

2. Lending and Investment Operations

In 2004, the continuous recovery of the domestic economy, the increase in demand for enterprise capital, the active promotion of consumer's financing and the increased growth of loans and investments led to a gradual expansion in the lending and investment operations of major financial institutions and reached a growth of 8.65% at year-end, which was far higher than the 2.84% at the end of 2003, the -2.49% in 2002 and the 0.80% in 2001. At the end of 2004, the outstanding balance of loans and investments of major financial institutions amounted to NT\$17,964.6 billion, an increase of NT\$1,429.5 billion over the previous year. Total loans of major financial institutions came to NT\$15,868.3 billion, an increase of 10.71% over the previous year. Total securities and investments were NT\$2,963 billion, a decrease of 4.81% over the previous year.



In terms of the clients of major financial institutions in lending and investment operations, lending to private sector showed a significant increase of NT\$1,494.8 billion in 2004 compared with the previous year, and its growth rate changed from 3.67% in 2003 to 11.59% in 2004, a historical high since November 1995. Lending to government enterprises increased by NT\$52.6 billion or 10.69% in this period. As for credits to the government, there was a decrease of NT\$117.9 billion, and its growth rate decreased from 1.47% to -3.74%.

At the end of 2004, the outstanding balance of loans of domestic banks reached NT\$13,587.8 billion with an annual growth rate of 10.18% from 5.21% in 2003. In terms of the clients, after a decline of two years in a row, claims on government enterprises posted a growth of 4.87% in 2004 while claims on private enterprises grew 6.4%. Claims on individuals grew 18.07% showing the greatest growth. Claims on government agencies declined slightly by 2.48%. The claim ratio on individuals of domestic banks in 2004 had the largest share with 47.30%, followed by 36.51% on private enterprises and 13.20% on government agency.

Loans and Investments by Sector of Major Financial Institutions

Unit: NT\$ billion

Item	Period	End of 2004	End of 2003	Change	
				Amount	%
Claims on Government		3,030.5	3,148.4	-117.9	-3.74
Claims on Government Enterprises		544.6	492.0	+52.6	+10.69
Claims on Private Sector		14,389.5	12,894.7	+1,494.8	+11.59
Total Loans and Investments		17,964.6	16,535.1	+1,429.5	+ 8.65

Source: "Financial Statistics Monthly, Taiwan District, Republic of China," Department of Economic Research, the Central Bank of China, February 2005

3. Foreign Exchange Operations

In 2004, the average daily trading volume in foreign exchange (which included transactions between banks and non-bank clients as well as inter-bank transactions) was US\$10.243 billion, an increase of 40.37% over the previous year. The average daily transaction value between banks and clients was US\$3.33 billion, which was 36.20% higher than that of the previous year. The average daily transaction value between banks amounted to US\$6.913 billion, an increase of 42.51% over the previous year.

In terms of foreign exchange transactions between banks, except for cross currency and interest



rate swaps declining 6.82% from 2003, all types of transactions increased over the previous year. Forward transactions registered the highest growth of 89.12%, followed by 65.18% and 63.81% for option dealings and foreign exchange swaps respectively. Spot transactions showed the lowest growth of 23.51% from the previous year.

With respect to the types of foreign exchange transactions between banks, spot transactions accounted for the lion's share, although it dropped from 56.02% in 2003 to 48.57% in 2004. The share of foreign exchange swaps increased from 25.46% in 2003 to 29.27% in 2004. In addition, the portion of share of cross currency swaps was the smallest at only 0.59%.

Regarding export earnings and import payments, the recovery in the global economy in 2004 led to significant growth in foreign trade, which in turn caused both foreign exchange earnings and payments to increase. Total export earnings amounted to US\$204.05 billion, an increase of 25.07% from the previous year, whereas total import payments amounted to US\$193.30 billion, an increase of 33.01% over the previous year. A favorable trade balance of US\$10.75 billion resulted, which was a decrease of US\$7.08 billion compared with the previous year.

Daily Average Volume of Foreign Exchange Transactions between Banks by Product

Unit: US\$ million

Product \ Period	2004	2003	Change	
			Amount	%
Spot	3,357	2,718	+639	+23.51
Forwards	643	340	+303	+89.12
Swaps	2,023	1,235	+788	+63.81
Options	849	514	+335	+65.18
Cross Currency Swaps	41	44	-3	-6.82
Total	6,913	4,851	+2,062	+42.51

Source: "Financial Statistics Monthly, Taiwan District, Republic of China," Department of Economic Research, the Central Bank of China, February 2005

4. Consumer Finance Operations

After the opening up of the credit card market in 1993, with strong promotion by card issuers and aggressive business expansion, the credit market in Taiwan became one of the fastest growing markets in the world. By the end of December 2004, there were a total of 53 card issuers with 44.18 mil-



lion circulated credit cards and 24.59 million valid credit cards. The outstanding balance of recycled credit through credit cards reached NT\$457.9 billion. The total consumption through credit cards amounted to NT\$127.2 billion in December 2004. The total advance borrowing of cash through credit cards amounted to NT\$20.3 billion in December while loans due over more than six months accounted for an average of 0.51% of total account receivables (including collection payments), a drop of 0.07% from the end of the previous month. In terms of cash cards, there were 35 issuers with 3.76 million cards of used credit. The overall balance of cash card loans was NT\$241.5 billion and the overall overdue loan ratio was 0.626% with a drop of 0.185% from the end of previous month.

With respect to the automatic teller machine (ATM) business, as of the end of December 2004, ATMs of financial institutions numbered 21,499, an increase of 12.32% compared with 19,097 one year earlier. The cumulative number of financial cards issued was 113,592,000. In December 2004, the total number of transactions through ATMs reached NT\$59.85 million, and the total amount of transactions was NT\$746.5 billion. Total number and amount of transactions grew by 3.51% and 10.76%, respectively, compared with NT\$57.82 million and NT\$674 billion, respectively for the same period of the previous year.

5. Financial Derivatives Business

By the end of December 2004, the unsettled contract and notional amounts of derivatives business conducted by domestic banks (including offshore banking units and overseas branches of domestic banks) was NT\$21,777.9 billion, an increase of 60.58% from the end of December 2003.

In terms of transaction markets, OTC market transactions accounted for 99.85% while TAIEX only accounted for 0.15%. Among OTC market transactions, exchange accounted for the lion's share of 56.79% in overall unsettled contracts and notional amounts, followed by forward contracts at 23.30%, with 10.53% and 9.23% sold options and bought options, respectively. As for transaction risks, interest rate contracts accounted for the largest share at 53.61%, followed by 45.32% for contracts related to exchange rates and gold. Commodity contracts accounted for 0.67%, credit contracts 0.20% and equity-linked contracts 0.20%. As regards transaction purposes, trade purpose contracts accounted for 94.08% whereas non-trade purpose contracts came to 5.92%. Of trade banks, foreign bank branches in Taiwan posted 64.80% of unsettled contracts and notional amounts with the remaining 35.20% accounted for by domestic banks.



Notional Amounts Outstanding of Financial Derivatives by Risk and Trading Purposes

Unit: NT\$ billion

Item	End of 2004		End of 2003		Change	
	Amount	%	Amount	%	Amount	%
I. Notional Amounts	21,777.9	100.00	13,562.1	100.00	8,215.8	60.58
A. OTC (over-the-counter)	21,745.0	99.85	13,538.0	99.82	8,207.0	60.62
1. Forwards	5,074.4	23.30	3,499.6	25.80	1,574.8	45.00
2. Swaps	12,368.8	56.79	7,506.2	55.35	4,862.6	64.78
3. Bought Options	2,007.8	9.23	1,312.6	9.68	695.2	52.96
4. Sold Options	2,294.0	10.53	1,219.6	8.99	1,074.4	88.09
B. Exchange-traded Contracts	32.9	0.15	24.1	0.18	8.8	36.51
1. Futures-Long Positions	3.3	0.02	3.5	0.03	-0.2	-5.71
2. Futures-Short Positions	28.8	0.13	20.6	0.15	8.2	39.81
3. Bought Options	0.4	0.00	-	-	0.4	-
4. Sold Options	0.4	0.00	-	-	0.4	-
II. Notional Amounts	21,777.9	100.00	13,562.1	100.00	8,215.8	60.58
A. Total Contracts with Trading Purpose	20,489.2	94.08	13,099.2	96.59	7,390.0	56.42
B. Total Contracts with Non-trading Purpose	1,288.7	5.92	462.9	3.41	825.8	178.40

Note: Data in this table include all domestic banks (head offices, branches, and offshore banking units) and local branches of foreign banks (including offshore banking units).

Source: The Central Bank of China, Press Releases, February 17, 2004 and February 22, 2005

D. Risk Management and Corporate Governance

In light of the trend toward internationalization, consolidation, expansion in scale, and computerization of financial businesses, domestic financial institutions will continue to encounter various operational difficulties and challenges. These include the threat of competition from financial holding companies, increased capacities in price negotiations of consumers, impact of direct finance and erosion of profit, and competition from other financial institutions. In order to improve their competitiveness and to cope with the changing environment, financial institutions should adopt sound development strategies such as implementing risk management systems and adhering to corporate governance; increasing capital; improving risk-bearing capabilities, asset quality, innovative capabilities, and operating efficiency; conducting research and development for new financial commodities; reducing fund



costs; enhancing operating competitiveness; conducting enterprise reconstruction; reducing operating expenses; establishing data banks of clients; strengthening internal controls and auditing functions; and improving personnel training and development.

In order to strengthen the corporate governance of banks and regulate financial holding companies, the government engaged BAROC to prepare "Practical Guidelines for Corporate Governance by Banks", which were instituted at the end of 2003. In addition, parts of articles were amended in accordance with the developmental trend toward global corporate governance and the actual operational domestic situation. They were promulgated after approval by competent authorities. Moreover, the Financial Supervisory Commission was formally established on July 1, 2004 for financial operations. The implementation of an integrated financial supervision system will lead to tighter supervision and management of the banking sector. Therefore, aside from improving their own operations and market competence, it is imperative that financial institutions should instigate risk management practices and corporate governance guidelines.

1. Implementation of Risk Management

As the operations of financial institutions become more liberalized and internationalized and the restrictions on their businesses become fewer and fewer, both the kinds and extent of risk incurred by financial institutions will increase. The main risks encountered by financial institutions in their operations include market risk (interest rate risk and exchange rate risk), credit risk, liquidity risk, operational risk, sovereign risk, off balance sheet risk, and so forth. If financial institutions do not have risk consciousness, risk concepts and a risk management system, they will shrink, fail or even be eliminated. If they are able to practice good risk management principles, a financial crisis is not likely to happen, and even if it does, there will be a mechanism to minimize the possibility of loss.

(1) The New Basel Capital Accord

The International Bank for Settlements (BIS) has announced the finalized New Basel Capital Accord, or Basel II, with scheduled implementation at the end of 2006. In addition to the current requirement of a minimum capital adequacy ratio, the Basel II places special emphasis on the functions of competent authorities in examination procedures and market discipline so as to fulfill the risk management of banks. In evaluating the risky assets of banks for the sake of determining their minimum capital adequacy ratios, not only credit and market risk, but also operational risk should be calculated. The Accord also requests financial institutions to provide legal capital for their operational risks.

In line with the implementation of the New Basel Capital Accord by the International Bank for Settlements (BIS) in 2006, the MOF set up a "New Basel Capital Accord (Basel II) Joint Research Taskforce" in May 2002. It also sponsored a number of seminars and published several articles on the



subject. In order to ensure the comprehensiveness of the research work of the Taskforce and to prompt domestic banks to place greater emphasis on the New Accord and to improve their competitiveness through the strengthening of their risk management, MOF and BAROC established a Joint Research Taskforce on the New Basel Capital Accord in November 2002. The Joint Research Taskforce is divided into six teams including Credit Risk Standards Law, Credit Risk IRB, Operational Risk, Market Risk, Supervisory and Examination, and Asset Securitization and Market Discipline. Members included competent authorities, Joint Credit Information Center and member banks of BAROC numbering around 150 people. The Taskforce will focus its research on the contents of the New Accord and the need to amend relevant laws and regulations of Taiwan. In addition, the Joint Research Taskforce will also proceed with publicity activities with domestic banks, with a view to strengthening risk management mechanisms and resolving common business and operational issues.

The Joint Research Taskforce presented their research reports for the first three phases in June and December 2003 and June 2004 to the competent authorities with the suggestions of the first three phases in written reports which were distributed to each financial institution. The first research report completed in December 2004 for the fourth phase was in accordance with the contents of the New Basel Capital Accord. Under the draft proposal, Explanations and Tables for Self-provided Capital and Risk Asset Calculations for Banks, the competent authorities were expected to hold seminars at the beginning of 2005 to ask for opinions. The fourth phase of the Joint Research Taskforce was expected to be completed by the end of June 2005 while the fifth will take place between July 2005 and December 2006. By then, revisions to the Regulations Governing Management of Capital Adequacy of Banks and Explanations and Tables for Self-provided Capital and Risk Asset Calculations for Banks will be completed to ensure that we shall be able to enact the New Basel Capital Accord.

The ultimate goal of the New Basel Capital Accord is to enhance the internal risk management mechanism of financial institutions with the standard of provision of legal capital. Therefore, financial institutions shall establish a set of daily, autonomous, objective and correct review criteria and risk management mechanisms from their internal management and internal audit. Personnel at different levels of banks including directors, supervisors, presidents and heads of departments as well as internal audit personnel and traders shall be aware of the concept of risk management. More advanced risk control measures have to be taken to fulfill risk management. In addition to this, banks have to evaluate the credit, market and operational risks they can bear more precisely in order to reduce the provision of legal capital. As a result, to reduce the provision of legal capital and to enhance internal risk management by improving competence, domestic banks shall establish risk measurement measures in accordance with the New Basel Capital Accord as soon as possible. With



collection of data and establishment of statistical models, banks can have the most effective control of various risks encountered in operation using more scientific and effective measures.

(2) Practical Model of Bank Risk Management

An independent risk management department is a virtual necessity in today's world. To develop a risk management mechanism and organizational structure of advanced global financial institutions for the reference of domestic financial institutions in future adjustment of organizations and risk evaluation, BAROC, the Bureau of Monetary Affairs of FSC and the Joint Credit Information Center established a Special Committee to promote establishment of practical models in August 2004. Members of the Committee included the conveners of each Research Group of the Joint Research Taskforce and scholars. After selection, the Committee consigned PricewaterhouseCoopers Management Consulting Company to propose a "Practical Model of Risk Management for Banks." The project started in November 2004 and is expected to be completed within seven months. The practical example will serve as a reference for domestic financial institutions to develop a risk management mechanism and planning for practical model Research Groups of the Joint Research Team for the New Basel Capital Accord.

(3) Disclosure of Risks to Clients by Banks When Conducting Structural Products

Due to an overabundance of funds in the market, financial institutions have to absorb the extra funds and develop a speculative wealth management business in the banking industry. Under the design of financial construction, they introduce structural products in combination with products with fixed profits (e.g. time deposits or bonds) with derivative financial products (e.g. options). The high initial profits may attract clients to purchase such products. However, offsetting these high profits are high risks. The structure of some products may put clients in great risk of loss in the future.

To prevent disputes between clients and banks caused by the failure of banks to disclose risks to



clients due to the complexity of structural products, member banks should be informed of the regulations to be noted when conducting structural products linking deposits and derivative financial products on May 22, 2004. BAROC also established a Taskforce to draw up self-disciplinary standards for banks to disclose risks to clients when offering such products under the supervision of the Bureau of Monetary Affairs of FSC. On October 28, 2004, BAROC completed the draft of Self Disciplinary



Standards for Banks to Disclose Risks to Clients when Conducting Structural Products Linking Deposits and Derivative Financial Products and submitted it to FSC for approval. To make the Standards more complete and meet the requirements of actual operation of banks, after exchanging opinions with the Bureau of Monetary Affairs, FSC, the name and scope of the Standards were formally expanded to all structural products with amendment of parts of articles. On December 24, 2004, BAROC submitted the draft of Self Disciplinary Standards for Banks to Disclose Risks to Clients when Conducting Structural Products. On January 27, 2005, after approval by FSC, the Standards were formally enacted to all member banks of BAROC to be the model for offering such products.

2. Corporate Governance

In view of the wide impact of the Asian financial crisis and financial scandals such as Enron Corporation in the US, corporate governance has received increasing emphasis internationally. In 1999, the Organization for Economic Cooperation and Development (OECD) issued the "Guidelines for Corporate Governance", which have since become the basis for innovating corporate governance among countries.

In line with international trends and to deal with domestic corporate governance issues, the Executive Yuan set up a "Task Force on Innovating Corporate Governance" on January 7, 2003. One of its working agenda items was to promote corporate governance of specific organizations (including the financial services sector). It was also decided that the corporate governance of the financial service sector would be its focus in the first phase. In order to further strengthen the performance of corporate governance and to promote the sound development of the financial system, MOF requested BAROC in March 2003 to prepare the draft "Practical Guidelines for Corporate Governance by the Banking Sector", with due regard to the Guidelines for Corporate Governance of OECD mentioned above and the regulations on corporate governance issued for banks by the Basel Banking Supervisory Committee. After several meetings, taking into account practical operations and also consulting with the Taiwan Stock Exchange, Greta Securities Market, MOF and the banking sector, BAROC published the new "Practical Guidelines for Corporate Governance by the Banking Sector" on December 31, 2003. Later, in accordance with the suggestions of competent authorities with reference to the developmental tendency of global corporate governance, as well as actual operational situations of domestic banks, some of the articles were amended. With the approval of the competent authorities, it was promulgated on January 25, 2005. Indeed, corporate governance comes under the scope of self-discipline of the enterprises concerned, and the Practical Guidelines for the banking sector represent a guiding principle for improving the corporate governance of banks. The banking sector should follow the Guidelines, and thereby fulfill and strengthen their corporate governance, improve their operational performance, and enhance their competitiveness.



VI. Association Affairs

A. Holding of Regular Meetings

All meetings of BAROC were scheduled in advance and held in accordance with the statutory procedures. If for whatever reasons such meetings had to be rescheduled or additional meetings had to be held, notices were sent in advance either in writing (through fax) or by telephone. In 2004, a general assembly meeting was held, in which two cases were reported and three motions were discussed. The general assembly meeting agreed to a proposal of co-purchase by BAROC and the Bankers Association of Taipei of the whole of the 3rd floor and 4th F-6 of No. 9, De Huei Street, Taipei City (the Building on Top of the World) and 22 legal parking spaces of the same building. The general assembly also elected the directors and supervisors with Shen-chih Cheng elected as the Chairman of the Board. In the same year, eight Board of Directors meetings, two Board of Supervisors meetings, four joint Boards of Directors and Supervisors meetings and one temporary joint Boards of Directors and Supervisors were held. In total, 52 report cases, 13 approval cases, 75 discussion cases, 8 extraordinary report cases, 1 extraordinary approval cases and 17 extraordinary discussion cases were handled. Each motion was reviewed and commented upon by the BAROC committee as well as the division and center concerned. Resolutions regarding each proposal were made after discussions by directors, supervisors, and advisors. Resolutions were then submitted to the competent authorities for approval, sent to relevant agencies for reference, or passed on to member institutions for implementation.

B. Participation in Financial Conferences

The Chairman of BAROC, Shen-chih Cheng, on behalf of BAROC, along with the FSC Chairperson, Kong Jaw-sheng, participated in the Financial Services Forum held in Washington, U.S.A. on September 29, 2004. They also paid a visit to the chairman, Mr. William H. Donaldson, of the U.S. Securities and Exchange Commission in order to understand the policies of the U.S. government on financial industries and their latest applications.

C. Sponsoring Community Service Activities

1. In 2004, BAROC continued to make donations to a number of cultural and educational groups. BAROC coordinated with relevant agencies in sponsoring certain financial and charity events, including a Symposium on New Tendencies of Laws on Finance and Economics held by National Chengchi University, a Symposium on Business Restructuring by the Taiwan Turnaround Association, a donation for a decorated archway for the National Day of the R.O.C., sponsoring of the Sino-Japan Cultural and Economics Association, the Seventh Outstanding Funds Award, and the Japan Industrial Journal (the special issue for the National Day of the R.O.C.)

2. In 2004, BAROC made donations to various emergency disaster relief and charitable groups, including activities of the Association of Good People and Good Deeds, Luway Center for Special Education in Tainan County, Catholic Center for the Elderly in Bali, funds for raising orphans for the First Foundation and funds of warmth in winter activities by the Association for the Deaf and Dumb.



VII. Business Activities

A. Assistance to Members in Solving Common Operating and Managerial Problems

1. BAROC proposed that the Joint Credit Information Center extend the disclosure period for bad debt information and the issue was discussed by the Center.
2. BAROC proposed to the Joint Credit Information Center that compensatory remarks in connection with enquiries into financial institutions be added to decrease the credit risks of banks and reduce transaction disputes. It was agreed by the Center and member banks were required to implement such measures.
3. BAROC proposed "Notices to be Made for the Issuing of Cash Cards by Member Banks of BAROC" which was submitted to FSC for approval.
4. BAROC, along with Taiwan Stock Exchange Corporation and Chinese Securities Association, founded the Taskforce for a "Study into Combinations of Stock Purchase, Chip ATM Cards and Certificates" to study the feasibility of such combinations. The proposal was submitted to the Bureau of Monetary Affairs, FSC with a copy sent to the Chinese Securities Association for reference. Further details will be discussed depending on the willingness of the Chinese Securities Association.
5. To prevent counterfeit US\$ money from affecting the security of trading, BAROC proposed that import banks for US\$ money provide banks with the U.S. bank note numbers as a reference to check suspicious bank notes, benefiting bank operations and improving customer service quality. Member banks dealing with foreign exchange transactions of BAROC were required to work accordingly.
6. BAROC negotiated with its members to build the unified English translation mechanism for "derivative financial products" to improve the bilingual environment of banks.
7. The proposal to simplify reports of overseas banking units (OBUs) applying for Cross-Strait Financial Business Contacts to the competent authorities, after study by BAROC on suggested items and comments made in reported completion notices and revised reports by CBC on OBUs, was submitted to the Bureau of Foreign Exchange, CBC for their reference.
8. To maintain the creditor's rights of banks, the proposal that exchange settlement banks collecting goods due to the failure of importers to settle the payments shall request a general letter of authorization when clients sign credit contracts was agreed to by the Bureau of Foreign Trade (BOFT), MOEA. In the future, when handling such cases, BOFT will not confirm with importers whether they agree to allow exchange settlement banks to collect goods for them. Member banks dealing with the foreign exchange of BAROC were required to work accordingly.





9. Domestic banks using SWIFT, after using the consultation services of the SWIFT Team of BAROC, have formulated specifications in accordance with SWIFT and will transfer to SWIFT-NET.
10. To maintain Internet banking trading security and prevent gangsters from obtaining the right passwords, the BAROC Taskforce on Standards of Security Control on Financial Institutions Conducting Electronic Banking Business completed Security Control Measures to Prevent Gangsters from Obtaining the Right Passwords of Internet Customers. It was approved by the general assembly of BAROC, submitted to the competent authorities and member banks were requested to proceed accordingly.
11. The Information Security Team of BAROC completed the Information System Security Standards of Financial Institutions and Explanations of Utilization of Information System Security Standards of Financial Institutions. It was approved by the general assembly of BAROC and submitted to FSC for its reference.
12. To ensure the quality of products including chip ATM cards, Chip ATM Card Authorization Mechanisms & Operation the Certification Team of BAROC has established a certification operation system and can provide a certification service. In 2004, 13 companies were certified while seven were under certification.
13. With regard to the proposal to include chip ATM card operational requirements into the countrywide fee (tax) collection operation mechanism, we have revised 6.2 chip card compatibility system messages specifications in accordance with Financial Information System Summary Design Specifications.
14. BAROC assisted its member banks in promoting the upgrading of chip ATM cards; continually held conferences for chip ATM card promotion teams and kept tracing the progress of online status, installation of ATMs, and replacement of cards by each financial institution.
15. To build a sound corporate governance system banking industry and ensure the sound development of the banking industry, BAROC announced Rules on Corporate Governance Practices for the Banking Industry on December 31, 2003. Later, considering the developmental tendency of global corporate governance and actual domestic operational situation, we submitted the Rules to the general assembly and, after approval by competent authorities we announced the amended articles on January 25, 2005 as on the record.





16. To study the Credit Risk Standards Act under the New Basel Capital Accord and the risk weighing applied to the residence mortgage loan by domestic banks, BAROC requested 11 member banks to make trial calculations.
17. With reference to the progress of the chip ATM cards replacement project by BAROC up to the end of 2004:
 - (1) Chip credit cards issuance progress: (a) a total of 27 banks/institutions issued chip credit cards to a total of 5,944,543 cards or 11.62% of circulated credit cards; (b) due to market changes, losses due to counterfeit credit cards have been brought under control. As the cost of chip cards still remains high without significant improvement in its functions, card issuers tend to be conservative, making progress slower than expected.
 - (2) Progress of the EMV card reader upgrade: thanks to the first subsidy system of IRF (Issuer Reimbursement Fee or so-called transaction reimbursement fee or commission of card issuers) subsidizing POS, the update on progress of domestic EMV card readers was ahead of schedule. By the end of August 2004, a total of 114,918 machines, or 69.93% of all readers that support chip cards, had been installed.
18. Hua Nan Bank had doubts about Article 32 of the Banking Law regarding the "recycling credit of credit cards" in connection with loan limits for consumers. Does it refer to the credit card limit or the recycling of credit over the minimum payment of credit cardholders? The case was submitted to FSC which instructed that the recycling credit of credit cards refers to the recycling of credit balance of credits. Banks should pay attention to controlling such limits and member banks were informed.
19. Taipei Fubon Bank expressed concerns regarding the difficult implementation of student cards. BAROC studied the difficulty and submitted the comments to FSC. After instructions from FSC, credit card issuers were informed to proceed accordingly.
20. To ensure the trading of the inter bank call loan market correctly published in real time, BAROC invited members to study the proper time limit of notification of inter-bank call loan trading. The comments were submitted to competent authorities and members were informed accordingly.
21. In order to disclose inter bank call loan operations in real time, BAROC will
 - (1) Disclose the trading information of inter bank call loan trading every half an hour between





09:00 and 17:00 daily. Information including public operations of the CBC at 0900 and the results of subscription and bid tendering, etc. will be disclosed to information companies such as Reuters.

(2) At 17:30 each day, in addition to the above companies, the excess reserves of major banks will be disclosed to competent authorities and major financial media. At 10:30 the next day, the revised excess reserves will be disclosed.

(3) Three times a month reports on inter bank call loan trading will be drawn up. Contact person details will be amended from time to time. Reports will be provided to members as a reference for inter bank call loan trading.

22. The amendment of Establishment Guidelines of Compensation Funds for Loss due to Oversight of Tellers at Banks was completed by BAROC and the discussion was approved at the general assembly. Members were informed to implement it accordingly.

23. In accordance with the restructure plan of the Judicial Yuan to improve the procedures, BAROC compiled the suggestions of members on different civil executions by each district court and submitted them to the Judicial Yuan.

B. Studies on Various Financial Businesses and Regulations Requested by Concerning Authorities

1. FSC gave instructions on the proposal by Hua Nan Bank to loosen the presentation of financial information by bank branches of international financial businesses conducting enterprise credit of affiliates established by domestic businesses. BAROC studied the instructions and, after approval by FSC, informed members to proceed accordingly.

2. The competent authority requested BAROC to study the feasibility of changing the basic interest day to 366 for leap years. After BAROC submitted comments, members were informed to proceed accordingly after approval of the comments by the competent authority.



▲ The Research and Development Committee of BAROC invited personnel involved to establish the WTO Response Team on 1 June 2004.



3. The competent authority requested BAROC to study the feasibility of a condition that employees of creditor's right collection institutions shall have passive qualifications to be included in Guidelines for the Outsourcing of Receivable Creditor's Right Collection by Financial Institutions. After BAROC submitted comments, the case was on record at the competent authority.
4. The Bureau of Monetary Affairs, FSC requested BAROC to study Paragraph 7, Article 18 of the Regulation Governing Members' Credit Information stipulating that financial reports made by accountants who have ceased to practice due to disciplinary action shall not be adopted within one month of the date of penalty. After BAROC submitted comments, members were informed after approval of the comments by the competent authority.
5. To improve the transparency of asset quality of cash card issuers, the competent authority requested periodical disclosure of major business information and the financial information of cash cards. Business and financial ratios shall have unified standards. BAROC was requested to submit comments on disclosure items, measures and recognition standards. After BAROC submitted comments, members were informed after approval of the comments by the competent authority.
6. The competent authority requested BAROC to investigate the current minimum payment of cash cards and current foreign standards and study the proper ratio and the scope of such a ratio. After BAROC submitted comments, the case was on record at the competent authority.
7. The competent authority requested BAROC to study the proper measures to be taken by the competent authority and provide comments. After BAROC submitted comments, members were informed after approval of the comments by the competent authority.
8. The competent authority requested BAROC to study how banks should control multi-purpose ATM cards with functions of credit cards or cash cards and relevant operational risk control mechanisms. After BAROC submitted comments, members were informed after instructions through comments by the competent authority.
9. FSC requested BAROC to study the wording of warnings in aggressive advertisements on cash cards in the media. After BAROC submitted comments, members were informed after instructions on the comments by the competent authority.
10. The competent authority requested BAROC to carefully clarify the differences between the





financing business of cash cards and overdraft business and work on the interest of cash card financing. Comments by BAROC were submitted to the competent authority for their reference.

11. The Bureau of Monetary Affairs, FSC requested BAROC to provide comments on costs of customers paying loans in advance and fee standards of advance settlement. Comments by BAROC were submitted to the competent authority for their reference.
12. The Bureau of Monetary Affairs, FSC requested BAROC to provide comments on the feasibility and possible derivative problems of terminating all kinds of loans, which are being outsourced for marketing. Comments by BAROC were submitted to the competent authority for their reference.
13. The Bureau of Monetary Affairs, FSC requested BAROC to prepare handling principles for "Expediting to Build a Basic Environment for a Smooth Financial Payment Service and Developing a Mutual Platform for Fee and Tax Payments" based on the "Developing Strategic Service Industry Strategies and Support Environment" issued in an Industry Technology Strategy Conference by the Executive Yuan in 2003. BAROC established a taskforce to work on the principles and submit concrete reports for the record. BAROC established a Countrywide Payment Mechanism Promotion Team to study the relevant mechanism and operations, which were submitted to the general assembly. Member banks were requested to proceed as soon as possible.
14. To duly protect consumers, the competent authority requested BAROC and Financial Information Services Co., Ltd. to ensure member institutions were aware of the issues to prevent ATM cards being counterfeited and information transmitted and the standard operational procedures if such things occurred (including contents of affidavits) for the reference of financial institutions. BAROC proposed Guidelines Governing Handling Disputes from Cross-bank Transactions through ATMs and Handling Procedures of Disputes from Cross-bank Transactions through ATMs (including suspicious counterfeit card transactions and affidavits) which were approved by the general assembly. They were submitted to FSC for approval and member banks were informed to proceed accordingly.
15. The Bureau of Monetary Affairs, FSC requested BAROC to establish Self-discipline for Banks in Account Cancellation for the reference of financial institutions. BAROC studied the standards and submitted them to the Bureau of Monetary Affairs, FSC for approval and record.





Member institutions were requested to work accordingly.

16. The competent authority requested BAROC and Financial Information Service Co., Ltd. to expand cooperation with non-financial institutions and enhance domestic financial communications via the Internet. BAROC aggressively worked with Financial Information Service Co., Ltd. to participate in organizations like Open Mobile Internet Alliance (OMAI) to promote the M-Taiwan Project of the Executive Yuan and the integration and development of applications of the mobile Internet industry (mobile phone operators, telecommunications system operators, banking industry and wireless networked operators, etc). BAROC also kept in close contact with the Institute for Information Industry, Ministry of Economic Affairs, Chinese Securities Association and Securities Investment Trust & Consulting Association of R.O.C., etc. to promote cooperation in financial circulation.
17. The Bureau of Monetary Affairs, FSC requested BAROC to amend "Template of Notices for Control of Money Laundering" based on things to be obeyed and superficial characteristics of suspicious money laundering in the Methodology used for Reviewing "Complying with Anti Money Laundering and Fighting against the Financing of Terrorism" issued by APG. BAROC submitted these to the Bureau of Monetary Affairs, FSC for approval on record and member banks were informed to work accordingly.
18. The Department of Foreign Exchange, CBC requested information on remitters of remittance documents when remitting payments abroad in accordance with the special recommendation on anti terrorism by the Financial Action Task Force (FATF). After collecting comments from member institutions, BAROC provided suggestions on feasibility to be submitted to the competent authority for reference.
19. The competent authority requested BARCO to study amendments to Standards Governing the Discretionary Foreign Currency Margin Trading Business Conducted by Authorized Banks and contract template and Standards Governing the Foreign Currency Credit Derivative Business Conducted by Authorized Banks. BAROC submitted comments to the competent authority for reference.
20. The competent authority requested BAROC to amend the Financial Institution Information System Security Basis and the translated materials of E-Banking Risk Management published by the Supervisory Committee of the New Basel Capital Accord to establish self-discipline in e-banking risk management. BAROC studied the above basis and management principles and submitted them to the competent authority for reference.
21. BAROC amended Operational Standards of E-Banking Business Security Control by Financial Institutions, which was approved at the general assembly and submitted to the Bureau of



Monetary Affairs, FSC as reference.

22. Under the Joint Research Team on the the New Basel Capital Accord by FSC and BAROC, six groups were established-- Credit Risk Standards Act, Credit Risk IRB, Operational Risk, Market Risk, Supervision Review and Asset Securitization and Market Discipline. BAROC, the competent authority, Joint Credit Information Center and member institutions worked aggressively on the influences of the New Basel Capital Accord (Basel II) and determined the period of the third phase between January 1, 2004 and June 30, 2004 in coordination with domestic financial regulations. Each group submitted suggestions nine times on Items in Accordance with Competent Authorities of Each Country under the New Accord, Items Not Applicable to the Regulations in the R.O.C. or Items to Be Regulated by Competent Authorities to the competent authority. Phase Four of the Joint Research Team is, in coordination with the competent authority, between July 1, 2004 and June 30, 2005 with the goal of revising Regulations Governing Management of Capital Adequacy of Banks and Explanations and Tables of Self-provided Capital and Risk Asset Calculation of Banks in accordance with the contents of the New Basel Capital Accord.
23. The competent authority requested BAROC to study the feasibility of Liability Insurance of Disclosure of Personal Information. After collecting and arranging the comments of the Non-life Insurance Association of R.O.C. and member institutions, BAROC replied to the competent authority. Upon instruction from the competent authority, BAROC contacted the Non-life Insurance Association of R.O.C. for the list of companies who were willing to undertake such insurance and worked with them on developing insurance policies and other follow-up matters. BAROC provided the member institutions with the list for their reference.
24. To request banks' self-discipline when conducting structural products to ensure fair trading and maintain customers' rights, the competent authority requested BAROC to establish "Self-disciplinary Standards on Risk Disclosure to Customers of Banks when Conducting Structural Products". BAROC established the standards and submitted them to the competent authority for approval and for the record.
25. In accordance with the service industry consultation under WTO to help the banking industry expand financial markets, the Bureau of Monetary Affairs, FSC requested BAROC to collect information to build a database and helped record instances of unfair treatment of other countries in the banking industry in the R.O.C., barriers to the banking industry and difficulties domestic banks encountered in expanding business abroad, etc. BAROC invited people to be involved as members to establish a WTO response team and put together a Compilation of Information on Unfair Treatments by Other Countries to Domestic Banks and Difficulties



Encountered by Domestic Banks in Developing Business Abroad Provided by Member Banks. It was submitted to the Bureau and will be updated every half a year.

26. Upon instruction of the competent authority, BAROC made one copy each of general introduction, articles and article explanation comparison of Credit Card Business Accounting Principles. They were submitted to the competent authority for approval and credit card institutions were requested to proceed accordingly.


27. The competent authority forwarded the meeting recapitulation of Review Meeting of Credit Cards and Cash Card Business held on January 2, 2004 and requested BAROC to proceed in accordance with the conclusions. BAROC submitted comments on the four issues regarding credits for approval of the competent authority: (1) regarding "Disclosure of Major Credit Card Business and Financial Information," the 12 items to be disclosed included: number of circulated cards, number of effective cards, number of suspended cards each month, balance of recycling credit, amount paid via credit cards, amount of advance cash, ratio of payments overdue for over three months in total amount receivable, ratio of payments overdue for over six months in total amount receivable, provision ratio of allowance for bad debts, amount of resolution of overdue loans of the month, and accumulated resolution of overdue loans of the month; (2) the supervision index is the ratio of payments overdue for more than six months in the total account receivable (including collection payments); the "payments overdue for more than six months" is based on the figures at the end of a month. BAROC advised the supervisory authority of the competent authority on supervisory measures; (3) the "warning words of credit card advertisements" were "Be Cautious in Financial Management; Credit is Invaluable" or "Be Cautious in Financial Management; Credit is Incomparable." Fonts in TV commercials were not limited having any two seconds to show warnings (from May 1, 2005, the competent authority requested that warnings have to be shown throughout the commercials) in the ratio of 1:13; fonts in print media commercials were not limited, although the portion should not be



below 1:31; (4) on the appropriateness of minimum payment of credit cards, after making statistics on information provided by card issuers, most of the card issuers requested the minimum payment to be between 2% and 5% with one member requesting a "fixed amount." Checking with international credit card organizations, no such minimum amount requirements were stipulated abroad. As a result, BAROC did not have objective information to be able to suggest the proper minimum payment requirement. The competent authority gave instructions on the



first three items and credit card issuers were informed to proceed accordingly.

28. The competent authority requested BAROC to immediately investigate the status of points of advance cash by credit card in order to understand whether other countries had similar measures. In the meantime, BAROC studied the appropriateness and protection of customers' rights as well as handling of disputes. BAROC made comments to the competent authority for its reference.
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29. Upon instruction of the competent authority, BAROC revised the template of "Notices for Institutions Conducting Credit Card Business on Control of Money Laundering". It was submitted to FSC for approval and credit card institutions were informed to handle it accordingly.
30. The competent authority requested BAROC to study the legal appropriateness, whether it was necessary to amend the article at that time and how to disclose to the customers Article 3 of the Credit Card Standard Contract on the related responsibility of settlement between main and affiliate cardholders in order to protect the rights of customers. Consulting with Dr. Lin Ji-heng, legal adviser to BAROC, it was decided there was no need to amend the article after analyzing the facts and reasons from the second sentence of Taipei District Court, as such an article was not in violation of the principle of good faith nor was it unfair. The comment was submitted to the competent authority for reference.
31. To have sound development of credit card business, avoid overexpansion of credit by customers and protect rights of consumers, the competent authority requested BAROC to investigate the current status of installment payments of credit cards conducted by each credit card institution and give concrete comments on risk control mechanisms and handling of disputes with consumers. The comments were submitted to the competent authority and, after its instructions, credit card institutions were informed to proceed accordingly.
32. The competent authority requested BAROC to investigate the status of two items: the relationship between main and affiliate credit cardholders and "main card applicant signing on behalf of affiliate card applicant" specified on the credit card application forms and study the appropriateness of such and whether unified standards were necessary. The competent authority reviewed BAROC's comments and instructed: agreeing to the proposal by BAROC that affiliate cardholders have to be spouses, parents, children, brothers/sisters and parents of spouses' and credit card issuers should not accept any affiliate card application by "main card applicant signing on behalf of affiliate card applicant". Members were informed to proceed



- accordingly.
33. The competent authority requested BAROC to study the feasibility of whether credit card institutions could provide a choice for consumers during a holding period and not pay stores during such a period for special purchases under Paragraph 1, Article 19 of the Consumer Protection Law. The comment by BAROC was submitted to the competent authority for reference.
 34. BAROC prepared the draft of Bylaws and Discussion Rules of the BAROC Credit Card Business Committee. After approval by the competent authority, credit card business institutions were informed accordingly.
 35. The competent authority, in order to protect consumers' rights, requested BAROC to study the security mechanism for the mailing of passwords of combo cards, credit cards, cash cards, etc. The preventive measures were submitted to the competent authority for reference.
 36. Upon instruction of the competent authority, BAROC revised Regulations Governing Card Issuers Accepting Credit Card Applications via Mail or Fax and Other Substitute Procedures that Certify the Identities of Applicants and submitted them to the competent authority. After definition by the competent authority of "first time," it was accepted for investigation.
 37. The competent authority requested BAROC to prepare countermeasures on conclusions from a meeting held by the Consumer Protection Commission on "matters regarding consumers' rights derived from cash cards". The comments on the four issues of credit card business were submitted to the competent authority for reference.
 38. For sound credit card business development and protection of consumers' rights, FSC requested BAROC to study whether unified standards were required on the schedule and contents in regard to display of partial card numbers on credit card receipts (including credit card receipt counterfoil of stores). The comments were submitted to the competent authority for reference.
 39. The competent authority requested BAROC to study whether financing companies could be special stores for credit card collectors. The comments were submitted to the competent authority for reference. Under instructions of the competent authority, financing companies should not be special stores for credit card collectors. Credit card issuers were informed accordingly.
 40. For protection of consumers' rights and sound development of credit card and cash card business, FSC requested BAROC to study whether limits should be made on the broadcasting of commercials for credit cards and cash cards on TV and other dynamic media, and the reasons for such. Credit card and cash card issuers were requested to duly review the necessity



and appropriateness of all fees collected. The results were submitted to the competent authority. The comments were submitted to the competent authority for reference.

41. For sound development of credit card and cash card business and prevention of waste of resources, increased risks and inefficient operation due to over-issuance of cards and loosening of card review, the competent authority requested BAROC to prepare concrete measures on four items including the statement that card issuers should not outsource marketing of cards above a certain ratio of static cards. The comments were submitted to the competent authority for reference.
42. FSC requested BAROC to study the delivery measures of combo cards in reference to delivery measures of cash cards and password letters via registered mail or personal delivery. The comments were submitted to the competent authority on record. Delivery of password letters in registered mail was not compulsory. However, if the letter is lost during mailing, credit card issuers had to be responsible to provide evidence in the matter of failure of credit card delivery. Members were informed to proceed accordingly.
43. FSC requested BAROC to study preventive measures against fraud via short messages on cell phones. BAROC requested card issuers not to leave telephone numbers in short messages and customers needed to call telephone numbers on the back of credit cards. The measure was effective from December 1, 2004. Banks unable to do so due to system reasons should report to the Bureau of Monetary Affairs, FSC.
44. By instructions from CBC, BAROC was requested to study the feasibility of participation of security business and insurance business in the call loan market; on practice and regulations in expansion of call loan members from the meetings of Review on Participating Members in the Call Loan Market and Establishment of Call Loan Market Brokers by Interbank Call Loan Center, BAROC in the money market team of the Regional Financial Service Center Promotion Taskforce. Reports were submitted on record.
45. In coordination with the Stamp Duty Law of Taxation and Tariff Committee of MOF, MOF requested BAROC to study the influences of deletion of exemption of stamp duty tax on call loan trading. The comments were submitted to the Committee for reference.
46. BAROC forwarded the explanations of amended Article 10 of examination of application for public listing by Securities and Futures Bureau, FSC to member institutions for their reference.
47. BAROC, under the concrete reform suggestions on banks made by the Financial Crime Investigation Team under the Financial Reform Taskforce, Executive Yuan, made a proposal on Banks Uploading the Daily Information of New Accounts to Financial Information Service Co., Ltd. or Bureau of Investigation, Ministry of Justice to Review the Intensive Accounting Opening



to Prevent Crime. BAROC provided legal comments on record.

48. The competent authority requested BAROC to establish a Handling Mechanism for Financial Institutions to Return People their Money in "Warning Accounts" due to Fraud by Gangsters to protect customers' rights. Under Reference Handling Measure of Financial Institutions to Return People their Balances in "Warning Accounts" due to Fraud by Gangsters, BAROC transferred these to member institutions and foreign bank members on record.
49. Because of the needs of consultations of MOE for FTA between R.O.C and Nicaragua, Bureau of Monetary Affairs, FSC requested members of BAROC to provide information regarding Current and Potential Barriers of R.O.C. to Conducting Service Trade or Investments in Nicaragua. The information was submitted to the Bureau to be transferred to MOE.

C. Suggestions to Amend Existing Laws and Regulations with a View to Improving the Financial System

1. Bankers Association of Taipei suggested revision or deletion of Paragraph 8, Article 8 of the Financial Holding Company Law-after a financial holding company is established from reinvestment by banks, investments in banks shall be made by the financial company and Paragraph 9-banks shall continue holding the shares of its invested businesses prior to establishment of the financial holding company approved by competent authorities, although the investment limit shall not increase. The comment was submitted to the competent authority.
2. Taishin International Bank requested, through BAROC, the competent authority to explain the doubts of third parties with an interest in Paragraph 2, Article 45 of the Company Law. The clarification by the competent authority after reporting from BAROC was forwarded to the member.
3. On the doubts of Whether Disclosure Measures of Non-performing Loans by Financial Holding Companies is in conflict with Personal Information Law, BAROC submitted its comments to the competent authority for clarification.
4. Regarding "...Should Proceed in accordance with the Distress Warrant to Meet the Regulation of Priority Settlement of Taxation Creditor's Rights" claimed by the Taxation Agency, Ministry of Finance when receiving a distress warrant on deposit accounts of persons owing taxes from the Administrative Enforcement Agency, BAROC suggested the competent authority reconsider due to doubts on legal principles.
5. The proposal "Amending Paragraph 1, Article 50 of Banking Law regarding the Regulation that Distribution of Case Profits Shall Not Exceed Fifteen Percent of the Capital or the Article on





Exclusion of the Paragraph in Financial Holding Company Law for Subsidiaries of Financial Holding Companies" was submitted to the competent authority for reference.

6. Bureau of Monetary Affairs, FSC requested legal comments from BAROC on "whether overdue interests can be paid on un-extended or re-deposited certificates of deposits due to force majeure." Comments were submitted for reference.
7. Bureau of Monetary Affairs, FSC requested the legal comments from BAROC on "how to handle money from auction by courts on created vehicles transferred to creditors ruled by the courts in traffic violations." Legal comments by BAROC were submitted for reference.
8. Proposals from member institutions on "amending Banking Law on the confidentiality regulation of customer loans so that banks can announce customer data of overdue loans to deter illegal loans" were forwarded to the competent authority for reference.
9. In accordance with the revisions made to Civil Code General Principles, Enforcement Act of the Part of General Principles of the Civil Code, Civil Code Family, Enforcement Act of the Part of Family of the Civil Code and Civil Code Part III Rights In Rem by the Ministry of Justice, suggestions of member institutions were submitted to the Ministry to prevent future disputes.
10. Legal comments of BAROC were given on "whether asset management companies can claim to exclude the emergent disciplinary actions under Paragraphs 1 & 2, Article 287 of the Company Law when executing the non-performing loan rights they purchased under Article 15 of the Financial Institution Merger Law" inquired into by Taiwan Negotiable Instrument Clearing Office for their reference.



D. Gathering of Financial Information and Preparation of Research Reports to Meet the Needs for the Development of Financial Businesses

1. BAROC invited members, Small and Medium Business Credit Guarantee Fund, Taiwan Technology Marketplace Integration Service Center, Industrial Technology Research Institute, and Institute for Information Industry, etc. to compose a report on "How to Encourage Banks to Conduct Intangible Asset Financing Business" and was submitted to the general assembly of BAROC and forwarded to member institutions.
2. BAROC assigned Attorney Lin Ji-heng of Lin & Partners Attorney at Law to write the report, Positions and Suggestions of the Bankers Association of R.O.C. on Amendment Draft Article 205 of the Civil Code, for the reference of the Ministry of Justice.



3. BAROC assigned Prof. Lin Chan-juan to translate the Supervisory Personnel Handbook of Office of Comptroller-Internal and External Audit for the reference of the competent authority and member institutions.
4. For the reading of financial institutions and general public, BAROC invited the Joint Research Team of the Bureau of Monetary Affairs, Financial Supervisory Commission and Bankers Association of the R.O.C. on the New Basel Capital Accord to help translate International Convergence of Capital Measurement and Capital Standards: A Revised Framework into Chinese for the reference of member institutions.
5. To understand the practice of Practical Principles of Corporate Governance for Banking Industry by bankers, the competent authority requested BAROC to ensure member institutions complete the checklist and the results were submitted to the competent authority.
6. BAROC published a total of six issues of the bimonthly journal of BAROC, Issues 19 to 24 in 2004.
7. BAROC, Trust Association of R.O.C. and Taipei Bills Finance Association invited Taiyun Attorney Firm to translate the major letters and orders by the competent authority and publish the completed letters and orders on the website of BAROC for the reference of member institutions and general public.

E. Provision of Financial Information to the Public and Participation in Financial Security and Charity Activities

1. BAROC periodically updated "Survey List of BAROC Self-disciplinary Negotiations and Conditioning Mechanism Execution," "Progress of Various Collective Houses and Financial Problems Encountered," "Legal Contractors of Loans by Member Banks and Telephone Numbers" and "Payment Items and Standards Collected by Cash Card Issuers," etc. and published such data on the website of BAROC.
2. BAROC periodically reported the review results on outsourcing collection institutions of banks and published them on the website of BAROC along with an updated list of collectors and telephone numbers.
3. FSC requested BAROC to publish recycling interest rates and other mutual service charges of credit card issuers and status of differentiated rates in the market on the website of BAROC. BAROC requested credit card issuers to update information quarterly.
4. The Project Office of BAROC for replacement of chip ATM cards established a Chip Credit Card Area on the homepage of BAROC, to publicize cardholders, consumers, stores of credit cards, banks and card issuers, etc. of chip credit cards matters.
5. The one-stop window for credit card claims of BAROC received 489 claims in 2004 (371 made



by phone and some of the claims involved several banks). Among which, 44 were collection issues; 128 were card payment settlements; 25 were credit cards being counterfeited or cash advances made by gangsters; 15 were settlements made by family members; 65 were issues of record of joint credit information; 43 were stores; and 169 were other matters. After contact with the one-stop window with relevant credit card institutions, all cases were successfully settled except where contact persons were out of reach in two cases and another case being handled by legal procedures.

6. BAROC had exclusive personnel and phone lines to handle claims from customers in member institutions to conduct investigations in accordance with laws and regulations (except for credit card cases) and kept contact with the competent authority, member institutions and consumers to resolve the disputes. Around 160 cases were negotiated in 2004.
7. BAROC assisted the heirs of member banks' clients in finding any legacies left behind, such as deposits or objects kept in safe deposit boxes, by preparing form letters for such purposes and transmitting such letters to the member banks concerned. Sixteen cases were handled in 2004.
8. In coordination with the competent authority, BAROC held the 9th Consumption Month and Day Activities of the R.O.C. Staffers were dispatched to support and participate in activities held in Taitung, Tainan and Taoyuan on January 1, 10 and 17, 2004 respectively.

F. Sponsoring Professional Seminars and Lectures on Finance and Other Activities

1. BAROC held a conference on the "Current Status and Future of the Real Estate Market in the R.O.C." at the Department of the Treasury, Bank of Taiwan on February 11, 2004, inviting Prof. Zhang Jin-e of the Department of Land Economics, National Chenchi University to speak.
2. To help member institutions better understand government bond interest rate trading, BAROC, Taiwan Futures Exchange and Polaris Refco Futures held a conference on "How Shall Financial Businesses Utilize Government Bond Futures?" On March 9, 2004.
3. BAROC held the seminar "Economic and Financial Overview in China and Analysis on Tendency of Renminbi" at the Department of Treasury, Bank of Taiwan on April 20, 2004, inviting Dean Prof. Gao Chang of the Institute of Public Administration, National Dong Hwa University to speak.
4. To allow industries, government institutes and academics greater understanding of transactions and settlement mechanisms of credit cards and types of fraud crimes, BAROC continued to hold two Seminars on Credit Card Business and Legal Affairs on April 29/30 and May 6/7, 2004 at Nature Sound Hotel in Yangmingshan, inviting judges, prosecutors, Consumer Protection Officers at Taipei City and Kaohsiung City, representatives from the Ministry of Justice and



- Ministry of Finance, representatives from the Consumer Protection Commission, Executive Yuan and representatives from card issuers of BAROC - around 100 people in all.
5. To help member institutions better understand Risk Adjusted Performance Management (RAPM) and further evaluate and apply it to operational strategies to reduce risks effectively and make proper pricing and capital allocation, BAROC and Oracle Taiwan held a seminar on New Tendencies of Bank Strategies: Rising of Risk Adjusted Performance Management at the Department of the Treasury, Bank of Taiwan on April 30, 2004, inviting the world renowned risk management expert Dr. Chris Marshall to speak.
 6. BAROC invited accountant Huang Jin-ze of PricewaterhouseCoopers Taiwan to deliver a speech on Statement Number 34 of the Financial Accounting Standards--Accounting Handling Standards of Financial Products at the Joint Credit Information Center on May 12, 2004, analyzing the scope of the Statement, comparison with current practice in Taiwan, impacts on the current loss/profits of operators and the cross influences with the New Basel Capital Accord.
 7. BAROC and Taiwan Academy of Banking and Finance held a seminar on The Latest Developments in and Applications of Risk Values on May 17, 2004 at the Academy, inviting an academic from the US Dr. Chen Jiang to analyze the latest development of theory and practice of risk management and application of risk values.
 8. To help domestic banks to update themselves on the latest information available worldwide, BAROC held two training sessions on SWIFT in May and September at BAROC.
 9. BAROC held a seminar on Chip ATM Card Applications via the Internet and Dynamic Passwords at the Department of the Treasury, Bank of Taiwan in May 2004 with participation by member institutions.
 10. BAROC and the Taiwan Academy of Banking and Finance held a seminar on Cases of Asset Securitization and Market Development on June 18 at the Academy, inviting Prof. Hong Zhe-xiong to speak. By analysing cases of current domestic asset mercerization, we aimed to help domestic financial businesses understand the steps and thresholds connected with global markets and the future of the securitization market.
 11. BAROC held a seminar on Cross-strait Economic and Trade Relations and Countermeasures after WTO at the Department of the Treasury, Bank of Taiwan on June 23, 2004, inviting Prof. Chen Tian-zhi, President of Chung Hua Institution for Economic Research to speak.





12. BAROC held a seminar on Organization Functions and Supervisory Directors of the Financial Supervisory Commission, Executive Yuan at the Department of Treasury, Bank of Taiwan on July 26, 2004, inviting Vice Chairperson Susan S. Chang of FSC to speak.
13. To improve the recognition skills of credit and review personnel at card issuers regarding identity, BAROC held a seminar on Skills of Identity Recognition on July 30 and August 6, 2004 at the Department of the Treasury, Bank of Taiwan, inviting Director Ye Jia-yu of the Print and Document Division, Forensic Science, Section Criminal Investigation Bureau, Police Administration, Ministry of Interior to give a speech on basic styles of ID cards, relevant specifications, differences between the new and old versions and methods of detecting counterfeit ones.
14. To enable judicial institutes and representatives of consumer protection groups understand the operational procedures of credit card business, supervisory measures, risk management and civil cases, etc. in the view of practice and laws, BAROC requested the Taiwan Academy of Banking and Finance to sponsor a symposium on Legal Affairs and Laws on Credit Cards on September 17, 2004 at the Taipei International Convention Center, inviting representatives of the above units and credit card operators (around 100 people in all) to exchange views on issues including recycling interest rates, breaches of contract fines, etc.
15. BAROC and the Taiwan Academy of Banking and Finance held a seminar on Latest Tendencies of Risk Management on October 1, 2004 at the Academy, inviting the head of Risk Department of the Retail Financial Market at Barclays Bank, Mr. Brandon Davies to give an in-depth analysis on the latest development tendencies and practical applications of global financial industry from economic capital, statements Number 39 of the International Financial Accounting Standards, management of assets and debts, credit risk management, etc.
16. In coordination with the latest development tendencies and in response to the new standards of Basel 2, BAROC held a seminar on Introduction to Derivative Financial Products and Relevant Risk Control on November 18, 2004 at the Department of the Treasury, Bank of Taiwan with 110 members participating and giving enthusiastic feedback.
17. In accordance with instructions by FSC, BAROC and Taiwan Academy of Banking and Finance held a CEO Forum for two days at Fubon International Convention Center from December





- 1, 2004 and eight workshops between November 29 and December 15 on the 2004 Risk Management Summit Forum-Challenges and Countermeasures of Financial Businesses to help financial institutions enhance the risk management mechanism and improve operational quality and profitability to meet the standards of the New Basel Capital Accord and stay connected with international practice.
18. To make judicial, prosecution and investigation personnel better understand fraud crime types of bank credit and trust businesses so that consensus of operators, judicial, prosecution and investigation personnel could be reached, BAROC and Trust Association of R.O.C. requested the Taiwan Academy of Banking and Finance to hold a second seminar on Cases and Legal Affairs of Financial Crimes at Nature Sound Hotel in Yangmingshan on December 2 and 3, 2004.
19. In 2004, BAROC worked with Taiwan Cooperative Bank to sponsor four seminars on Labor and Work Safety and Health. In accordance with the requirements at outlined in each seminar, specialists of industries and government were invited to assist participants from member banks to conduct operations related to labor and worker safety and Health. A total of around 530 bank staffs participated giving enthusiastic feedback.

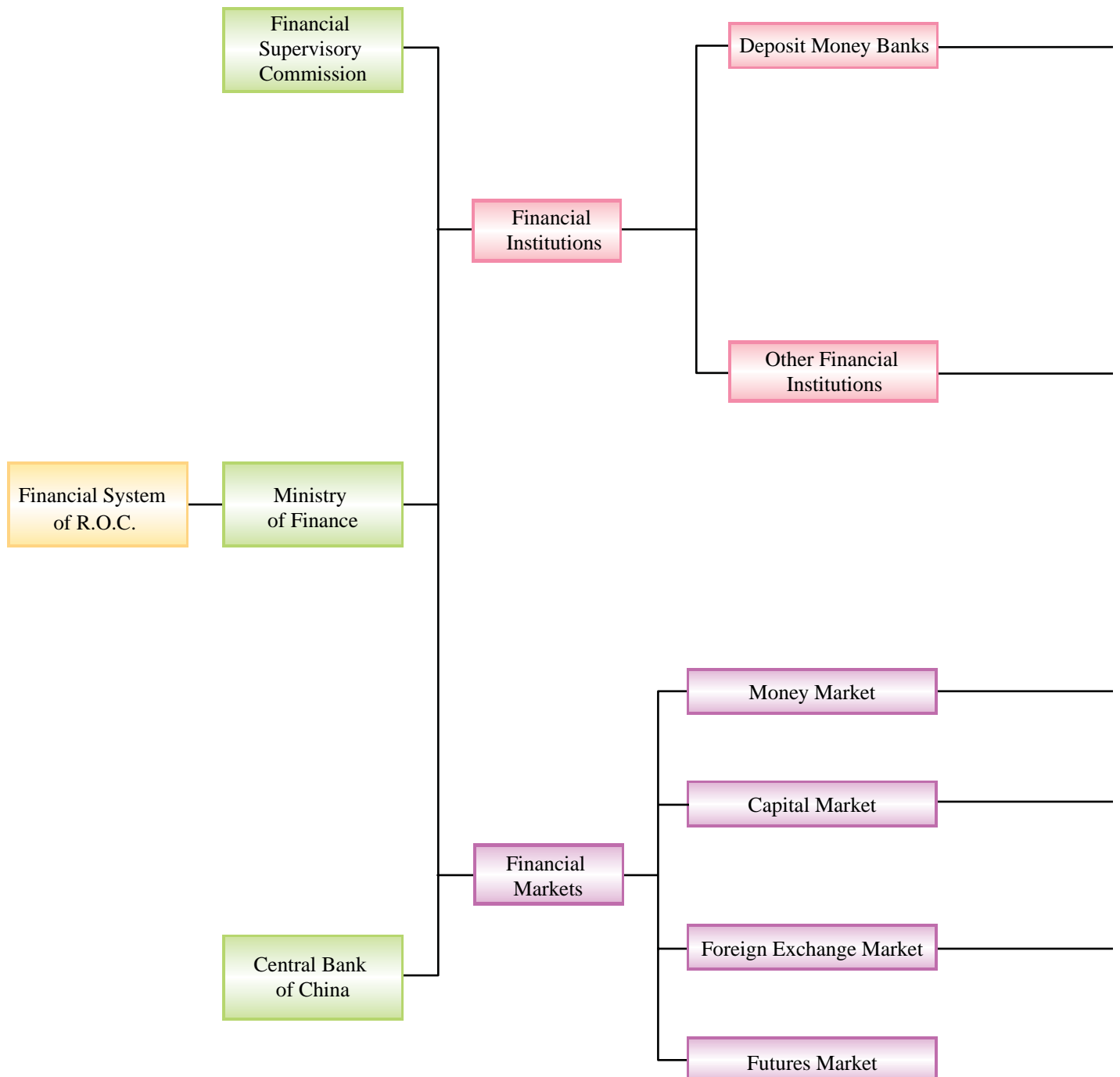
G. Participation in Global Financial Conventions and Exchange Activities

1. Between February 22 and 26, 2004, BAROC dispatched representatives to participate in the seminar on New Basel Capital Accord held by ABA in Melbourne, Australia and the second phase seminar between March 3 and 5, 2004 in Singapore.
2. Representatives of the Shanghai Representative Office of JSC "Bank Turan Alem" visited BAROC and were received by representatives of BAROC.
3. Between May and September, BAROC dispatched representatives to participate in IFX Convention, UN/CEFACT Convention and XML Convention, etc. be updated with the latest development tendencies of international development of financial electronic messages. BAROC also became a member of IFX to acquire the formal consulting channel.
4. BAROC dispatched representatives to participate in the 22nd AFACT Conference and make reports on the current financial development status at the conference.
5. To enhance the participation and influence of domestic banks in international financial matters, BAROC dispatched representatives to participate in the SWIFT International Banking Operation Seminars 2004 by Society Worldwide Interbank Financial Telecommunications between October 11 and 15, 2004.
6. Along with a visiting group from CBC, BAROC dispatched a representative to visit the Asian Development Bank in the Philippines.

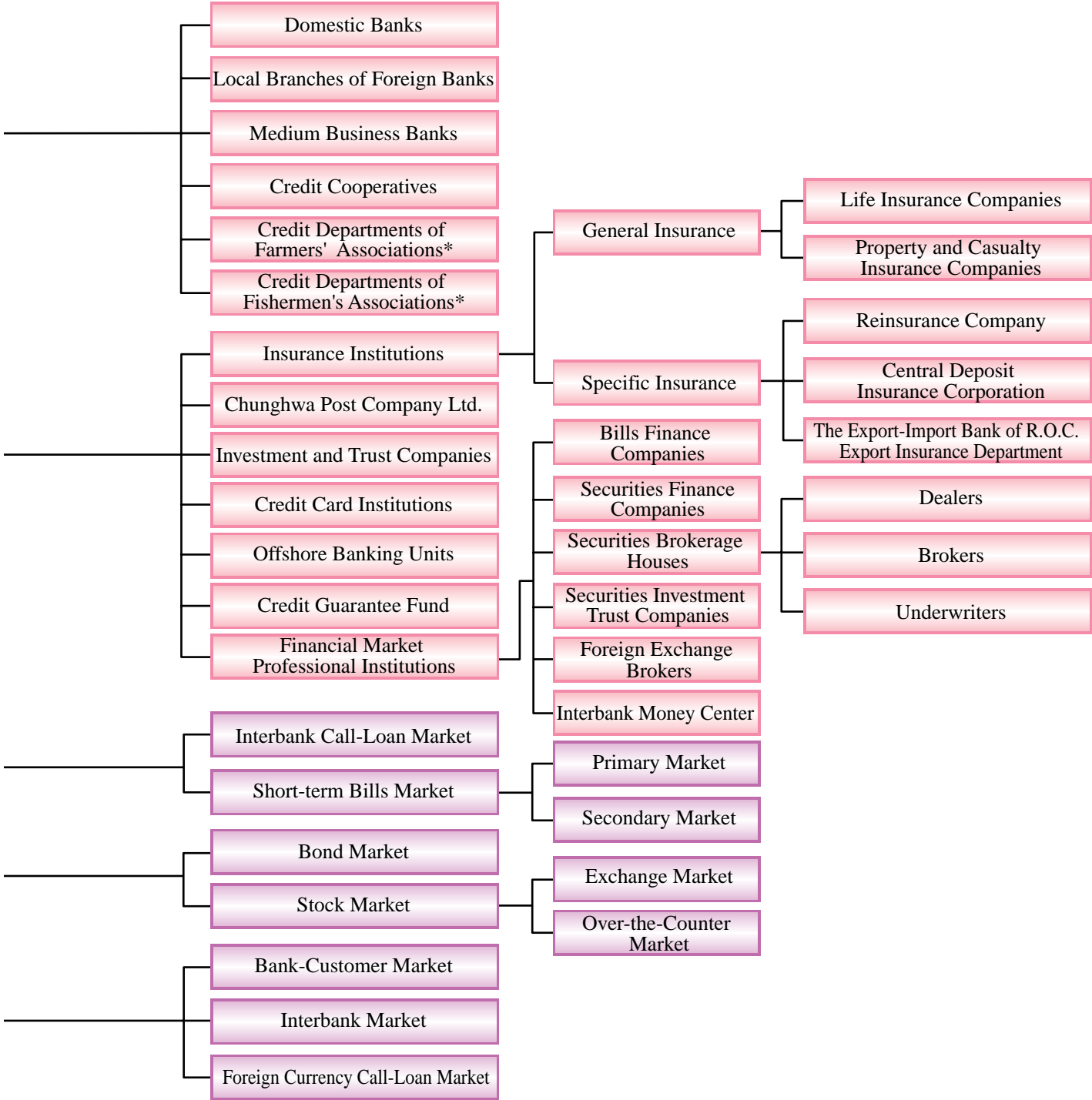


VIII. Appendices

Appendix 1 : Financial System of ROC



* The jurisdiction of the Credit Departments of Farmers' Associations and the Credit Departments of Fishermen's Associations was transferred to the Bureau of Agricultural Finance, Council of Agricultural, Executive Yuan on January 30, 2004.





Appendix 2: Financial & Business Summary of Domestic Banks

As of December 31, 2004

Unit: NT\$ million

Bank	Item	Deposits	Loans	Forex Transactions (US\$1,000)	Total Assets	Net Worth
Central Trust of China		164,200 (164,161)	184,341 (167,826)	14,979,984 (10,512,534)	256,646 (263,281)	7,411 (6,281)
The Farmers Bank of China		457,527 (417,307)	426,322 (369,854)	4,680,017 (4,233,013)	580,116 (544,737)	21,306 (14,515)
Chiao Tung Bank		293,862 (292,534)	422,788 (414,234)	16,353,413 (6,982,991)	642,631 (601,927)	60,630 (58,038)
Bank of Taiwan		2,069,394 (2,004,206)	1,246,691 (1,052,364)	23,478,000 (16,772,018)	2,504,054 (2,395,205)	160,513 158,669
Land Bank of Taiwan		1,555,606 (1,485,871)	1,258,774 (1,152,619)	8,403,088 (6,655,600)	1,788,333 (1,701,383)	79,860 (77,171)
Taiwan Cooperative Bank		1,681,279 (1,640,739)	1,220,995 (1,168,354)	17,828,735 (13,737,578)	2,052,280 (2,023,367)	61,161 (61,732)
First Commercial Bank		1,151,706 (1,135,949)	836,108 (854,260)	28,923,309 (28,477,908)	1,539,706 (1,496,387)	69,675 (52,297)
Hua Nan Commercial Bank		1,216,497 (1,131,780)	874,126 (838,330)	44,603,640 (28,268,177)	1,582,710 (1,467,877)	65,018 (58,675)
Chang Hwa Commercial Bank		1,027,401 (1,011,542)	825,015 (773,240)	25,957,820 (18,240,463)	1,324,882 (1,347,864)	75,280 (74,874)
Bank of Overseas Chinese		228,573 (236,144)	153,313 (161,712)	8,721,866 (7,366,555)	258,822 (268,020)	12,032 (9,375)
The Shanghai Commercial & Savings Bank		321,146 (295,032)	210,175 (203,269)	12,139,235 (9,837,263)	429,252 (385,302)	46,718 (44,389)
Taipei Bank		492,203 (521,614)	317,907 (370,737)	16,598,317 (11,184,121)	704,463 (789,142)	51,541 (50,318)
Cathay United Bank		778,867 (698,796)	586,461 (549,519)	13,863,962 (10,419,338)	1,028,724 (858,953)	84,311 (68,559)
The Export-Import Bank of R.O.C.		- (-)	83,619 (92,444)	850,687 (894,092)	97,912 (108,812)	17,324 (17,354)
Bank of Kaohsiung		125,098 (125,623)	102,937 (112,357)	926,378 (831,403)	151,885 (154,819)	10,416 (10,216)
The International Commercial Bank of China		745,302 (678,091)	601,984 (521,518)	61,387,418 (40,077,779)	1,181,724 (1,067,303)	74,397 (69,100)
China Development Industrial Bank		37,114 (41,665)	55,301 (63,407)	143,109 (92,641)	202,404 (212,543)	127,511 (134,654)
Industrial Bank of Taiwan		37,513 (23,583)	38,741 (31,324)	5,108,535 (840,625)	73,046 (56,784)	25,440 (24,383)
Hwatai Bank		73,231 (69,136)	59,044 (54,354)	202,670 (75,624)	82,502 (77,346)	6,438 (6,183)
Mocoto Bank		190,761 (170,015)	131,063 (118,900)	1,037,305 (1,143,657)	227,531 (215,886)	10,922 (10,705)
Sunny Bank		150,197 (136,092)	125,389 (113,696)	534,890 (422,631)	173,969 (155,905)	10,565 (9,002)
Bank of Panhsin		127,254 (111,674)	112,087 (93,725)	410,491 (84,073)	149,424 (128,430)	7,257 (6,105)
Cota Commercial Bank		73,334 (64,871)	59,879 (54,758)	9,411 (7,123)	79,920 (71,832)	5,112 (4,955)
Shin Kong Commercial Bank		74,684 (64,643)	53,091 (49,820)	- (-)	86,286 (71,257)	10,519 (5,453)
Lucky Bank		84,277 (81,533)	61,810 (57,320)	4,639 (4,179)	89,506 (86,875)	4,234 (4,035)
Kao Shin Commercial Bank		46,541 (47,275)	32,244 (31,427)	- (-)	51,045 (51,601)	2,704 (2,484)
Grand Commercial Bank		- (-)	- (-)	- (19,331,994)	- (-)	- (-)
Union Bank of Taiwan		205,024 (173,504)	138,666 (116,455)	12,248,431 (4,910,984)	247,709 (204,934)	18,833 (16,897)
The Chinese Bank		183,683 (180,869)	134,432 (131,978)	4,998,220 (1,040,871)	215,774 (211,718)	14,712 (15,954)



As of December 31, 2004

Unit: NT\$ million

Bank \ Item	Deposits	Loans	Forex Transactions (US\$1,000)	Total Assets	Net Worth
Far Eastern International Bank	198,768 (167,522)	171,043 (159,391)	19,853,261 (13,974,919)	258,177 (225,080)	19,831 (15,787)
Fuhwa Commercial Bank	227,564 (190,776)	191,541 (164,966)	4,478,884 (2,184,907)	280,140 (228,598)	16,148 (11,604)
Bank SinoPac	329,205 (303,979)	259,828 (209,037)	37,188,296 (19,583,691)	472,046 (409,831)	28,828 (26,311)
E. Sun Commercial Bank	330,990 (247,047)	275,340 (199,557)	18,116,543 (11,943,886)	436,516 (315,046)	33,774 (22,084)
Cosmos Bank, Taiwan	218,167 (210,220)	153,848 (146,622)	818,817 (584,843)	253,794 (242,056)	20,927 (20,458)
Bowa Bank	170,500 (148,712)	111,104 (100,928)	707,664 (652,803)	188,634 (165,171)	7,136 (8,086)
Chung Shing Bank	80,512 (95,231)	21,214 (30,954)	205,387 (167,234)	53,649 (86,223)	-60,439 (-45,780)
Taishin International Bank	560,605 (432,848)	478,294 (397,151)	40,719,814 (24,946,471)	757,481 (567,969)	62,488 (43,791)
Fubon Commercial Bank	231,001 (221,316)	118,095 (136,226)	10,052,464 (5,219,676)	330,012 (288,679)	34,581 (33,185)
Ta Chong Bank	213,803 (196,983)	190,685 (167,982)	21,669,925 (13,519,185)	316,343 (265,131)	16,706 (17,023)
Jih Sun Commercial Bank	220,782 (189,927)	178,307 (162,385)	1,948,051 (1,284,531)	274,118 (231,726)	13,499 (12,395)
EnTie Commercial Bank	234,440 (175,948)	194,079 (143,990)	1,164,567 (876,777)	291,243 (208,007)	18,837 (15,067)
Chinatrust Commercial Bank	972,170 (881,029)	751,132 (626,393)	117,726,649 (56,379,444)	1,262,683 (1,086,609)	91,403 (83,823)
Chinfon Commercial Bank	128,279 (127,630)	73,938 (82,529)	510,582 (451,328)	152,078 (153,485)	9,780 (9,809)
Taiwan Business Bank	862,491 (809,159)	700,169 (636,620)	13,439,477 (9,904,862)	1,071,193 (1,005,961)	38,193 (39,943)
International Bank of Taipei	316,407 (310,449)	270,448 (241,205)	8,385,031 (5,962,659)	412,138 (380,398)	36,978 (33,989)
Hsinchu International Bank	334,068 (296,492)	249,735 (224,136)	5,429,846 (3,323,431)	403,890 (348,908)	19,179 (15,918)
Taichung Commercial Bank	227,596 (222,322)	173,003 (147,642)	1,465,725 (1,214,642)	245,953 (241,482)	13,870 (13,291)
Tainan Business Bank	130,594 (121,287)	107,630 (93,959)	392,550 (294,600)	143,954 (133,871)	7,569 (6,877)
Kaohsiung Business Bank	- (53,334)	- (19,110)	1,038 (2,258)	- (42,654)	- (-16,959)
Enterprise Bank of Hualien	37,065 (38,851)	17,397 (20,402)	- (-)	38,434 (41,443)	525 (1,685)
Taitung Business Bank	56,157 (51,135)	37,537 (35,750)	- (-)	59,520 (53,011)	2,778 (1,256)

Remark: 1. Forex transactions are the total annual amount between banks and customers and the balance are the year-end data; () are the data in 2003.

2. The order of the table is based on that of Financial Business Statistics.

3. Pan Asia Bank was renamed Bowa Bank on 9 April 2004; Kaohsiung Business Bank was generally sold to E. Sun Bank on 4 September 2004; United Credit Commercial Bank was renamed Shin Kong Commercial Bank on 15 November 2004.

Source: Bureau of Monetary Affairs, Financial Supervisory Commission, Executive Yuan.



Appendix 3: Number of Overseas Branches, Representative Offices and Other Outlets of ROC Financial Institutions by Region and Country

As of December 31, 2004

Region	Country	Institution	Total	No. of Branch Offices	No. of Representative Offices	No. of Other Outlets Offices
Southeastern Asia	Indonesia		9	-	2	7
	Cambodia		1	1	-	-
	Thailand		6	2	3	1
	Malaysia		3	2	-	1
	Philippines		23	2	2	19
	Vietnam		11	5	5	1
	Singapore		8	7	1	-
	Subtotal		61	19	13	29
Northeastern Asia	Japan		6	6	-	-
	Subtotal		6	6	-	-
Central Asia	Bahrain		1	-	1	-
	India		1	1	-	-
	Subtotal		2	1	1	-
East Asia	China		8	-	8	-
	Hong Kong		21	12	5	4
	Macao		1	1	-	-
	Subtotal		30	13	13	4
Western Europe	France		1	1	-	-
	U.K.		6	4	2	-
	Subtotal		7	5	2	-
Central Europe	Belgium		1	-	-	1
	Netherlands		2	2	-	-
	Subtotal		3	2	-	1
Eastern Europe	Poland		1	-	1	-
	Subtotal		1	-	1	-
Africa	South Africa		1	1	-	-
	Subtotal		1	1	-	-
North America	Canada		6	1	-	5
	U.S.A.		64	24	1	39
	Subtotal		70	25	1	44
Central America	Panama		3	2	1	-
	El Salvador		1	1	-	-
	Subtotal		4	3	1	-
South America	Brazil		1	-	1	-
	Paraguay		1	1	-	-
	Subtotal		2	1	1	-
Oceania	Palau		1	1	-	-
	Australia		3	3	-	-
	Subtotal		4	4	-	-
Total			191	80	33	78

Source: Bureau of Monetary Affairs, Financial Supervisory Commission, Executive Yuan, February 2005.



Appendix 4. Number of Branches and Representative Offices of Foreign Banks in ROC by Region and Country

As of December 31, 2004

Region	Country	Institution	Number of Foreign Banks with Branches in Taiwan	Number of Branches	Number of Representative Offices
Southeastern Asia	Thailand		1	3	-
	Philippines		1	2	2
	Singapore		3	3	-
	Subtotal		5	8	2
Northeastern Asia	Japan		4	5	-
	Subtotal		4	5	-
East Asia	Hong Kong		2	10	2
	Subtotal		2	10	2
Western Europe	France		4	5	1
	U.K.		1	3	-
	Subtotal		5	8	1
Central Europe	Belgium		2	4	-
	Netherlands		2	6	1
	Switzerland		1	1	1
	Germany		1	1	2
	Subtotal		6	12	4
Northern Europe	Sweden		-	-	1
	Subtotal		-	-	1
Africa	South Africa		1	1	-
	Subtotal		1	1	-
North America	Canada		2	2	1
	U.S.A.		9	20	-
	Subtotal		11	22	1
Oceania	Australia		1	1	-
	Subtotal		1	1	-
Total			35	67	11

Source: Bureau of Monetary Affairs, Financial Supervisory Commission, Executive Yuan, February 2005.



Appendix 5: Chronology of Major Events in 2004

- January 14~15 BAROC and Taipei Bills Finance Association held a conference on publicity for Bills Held in the Custody Settlement promoted by MOF between 14:00 and 17:00 on January 14, 2004.
- January 15 The 25th Board of Directors' meeting of the seventh general assembly was held.
- February 20 BAROC held a Labor and Work Safety and Health (I) meeting in the hall in the head office of Taiwan Cooperative Bank at 13:30, February 20, 2004.
- February 26 The 26th Board of Directors' meeting of the seventh general assembly was held.
- March 3, 5, 17 and 19 The ATM Credit Card Replacement Program Office of BAROC held a total of nine seminars on EMV for member banks on March 3, March 5, March 17 and March 19 in the Conference Room of the Department of the Treasury, Bank of Taiwan.
- March 9 BAROC, Taiwan Futures Exchange and Polaris Refco Futures held a Seminar on How Financial Businesses Shall Utilize Government Bond Futures between 14:20 and 17:30 on March 9, 2004 in the Second Conference Room of BAROC.
- March 25 The 27th Board of Directors' meeting of the seventh general assembly was held.
- March 30 BAROC, National Association of Corporate Directors and KPMG International jointly sponsored a Seminar on Corporate Governance of Financial Institutions between 13:00 and 17:20 in Chien Zhann Hall, Howard Hotel on March 30, 2004.
- April 12~16 To ensure member banks fully understand the latest applications and technological developments in e-commerce, promotion of business and legal research and fostering of talents for e-commerce, BAROC held a Seminar on Financial E-commerce, 2004 (one session for five days) in the hall of the Department of the Treasury, Bank of Taiwan between April 12 and 16, 2004.
- April 23~May 2 Chairman Mu-tsai Chen, on behalf of BAROC, was invited to participate in an Academic Seminar on Cross-strait Finance, 2004 between April 23 and May 2 cosponsored by Chinese Association of Finance and Xi'an Jiaotong University.
- May 6 The 28th Board of Directors' meeting of the seventh general assembly was held.
- May 15-17 The 37th Board of Directors' Meeting of Asian Development Bank was held in Cheju-do, Korea between May 15 and 17, 2004.
- May 17 BAROC held a Symposium on Chip ATM Card Internet and Dynamic Password Applications at 13:00, May 17, 2004 in the hall on the 6th Floor of the Department of the Treasury, Bank of Taiwan.
- May 23~25 The Sino-American Association of Finance held seminars and visited major financial competent authorities between May 23 and 25, 2004 in Washington, DC.
- May 25 BAROC held a seminar on Labor and Work Safety and Health in the hall on the 11th



- Floor of the Taiwan Cooperative Bank between 14:00 and 17:00 on May 25, 2004, inviting Director Wang Huei-qun of the First Section, Labor Standards Inspection Office, Taipei City Government to deliver a speech on contracting, offer a definition of working together and the rights and responsibilities of the banking industry.
- May 27 The 29th Board of Directors' meeting of the seventh general assembly was held.
- June 3 ~4 ATM Credit Card Replacement Program Office of BAROC held a Seminar on EMV on June 3 and June 4, 2004.
- June 10 To help expedite completion of policy goals of the Executive Yuan and ensure member banks have an overall understanding of promotion, the system structure, operational procedures, legal nature of the business and contract relationships of the countrywide payment (tax) collection mechanism as well as helping financial institutions establish a cost platform by the deadline, BAROC held a conference of explanation on Countrywide Payment (Tax) Collection on the 6th Floor, Department of the Treasury, Bank of Taiwan between 09:00 and 17:00 on June 10, 2004.
- June 11 The 1st meeting of the 7th temporary joint Boards of Directors and Supervisors was held.
- June 24 The 6th meeting of the 7th joint Boards of Directors and Supervisors was held.
- July 1 ~2 The ATM Credit Card Replacement Program Office of BAROC held five Seminars on EMV on July 1 and July 2 in the Conference Room on the 6th Floor, Department of the Treasury, Bank of Taiwan with discussion on the two most important work results of the first phase (EMV conversion blueprint and overall establishment plan) and three sessions of introduction to practical applications of the Smart Card Management System (SCMS).
- July 7 ~8 BAROC held a Seminar on the Business of the Countrywide Payment (Tax) Collection between 09:00 and 17:00 on July 7 and 8, 2004 for two days.
- July 9 To help financial institutions introduce the correct Internet financial security mechanism, TWCA held a Seminar on the Practice of Internet Financial Security on July 9, 2004 at the Taipei International Convention Center.
- July 29 The 30th Board of Directors' meeting of the seventh general assembly was held.
- July 30 BAROC held a Seminar on Recognition Skills of ID Cards between 13:30 and 16:30 at the Conference Room on the 6th Floor, Department of Treasury, Bank of Taiwan on July 30, 2004, inviting Director Ye Jia-yu of the Print and Document Division, Forensic Science Section, Criminal Investigation Bureau, Police Administration,



- Ministry of Interior to give a speech.
- August 3 BAROC held a Seminar on Analysis of Practice of Workers' Retirement Payment Regulations between 09:00 and 16:00 on the 6th Floor, Department of the Treasury, Bank of Taiwan on August 3, 2004, inviting Director Wang Su-qin to give a speech on system and legislation of retirement reserves.
- August 6 BAROC held a Seminar on Recognition Skills of ID Cards between 13:30 and 16:30 in the Conference Room on the 6th Floor, Department of Treasury, Bank of Taiwan on August 6, 2004, inviting Director Ye Jia-yu of the Print and Document Division, Forensic Science Section, Criminal Investigation Bureau, Police Administration, Ministry of Interior to give a speech.
- August 11 ATM Credit Card Replacement Program Office of BAROC held six Seminars on EMV on August 11 in the Conference Room on the 6th Floor, Department of the Treasury, Bank of Taiwan; the content included three seminars on authorization management of off-line transactions and introduction to the work results of the first phase (establishment of multi-effect analysis and confirmation of sharing of members/cooperation opportunities/negotiation plan).
- August 16 BAROC and the Industrial Development Bureau, Ministry of Economic Affairs, held a Seminar on Intellectual Property Financing Loans between 13:00 and 17:00 on the 6th Floor, Department of the Treasury, Bank of Taiwan.
- August 26 The 31st Board of Directors' meeting of the seventh general assembly was held.
- September 2 The 32nd Board of Directors' meeting of the seventh general assembly was held.
- September 13 BAROC held a symposium on Financing of Private Investments in Public Construction between 13:30 and 17:00 on the 6th Floor, Department of the Treasury, Bank of Taiwan on September 13, 2004.
- September 17 BAROC held a Symposium on Legal Affairs and Business of Credit Cards between 09:00 and 17:50 on September 17, 2004 at the Taipei International Convention Center with around 100 participants attending.
- September 22 The ATM Credit Card Replacement Program Office of BAROC held three Seminars on EMV on September 22 in the Conference Room on the 6th Floor, Department of the Treasury, Bank of Taiwan; the content included two seminars on "Introduction to Terminal Management" and one seminar on "Office Introduction and Sharing of Experiences of Compatibility of Terminal and Cards."
- September 30 The first session of the eighth members' meeting was held.
- October 7 The ATM Credit Card Replacement Program Office of BAROC held a Seminar on



- EMV on October 7 at the 2nd Conference Room of BAROC with the subject of Influences of Domestic Limit of Unauthorized Off-line Transactions of (NT\$) 3,000 on Credit Card Business Institutions
- October 11 Society Worldwide Interbank Financial Telecommunications held its annual SIBOS-SWIFT business conference in Atlanta, Georgia, US between October 11 and 15.
- October 13 BAROC held a Seminar on Labor and Work Safety and Health (IV) between 13:00 and 17:00 at the hall on the 11th Floor, Taiwan Cooperative Bank on October 13, 2004, inviting Mr. Huang Zhao-xiong, Industrial Safety Technician of the Industrial Safety and Health Association of Taiwan, R.O.C. to give a speech on the design of new automatic checklist.
- November 18 In accordance with the tendency of development of new products and new standards of Basel II, BAROC held a seminar on Introduction to Credit Derivative Financial Products and Their Risk Control between 13:30 and 17:00 on November 18, 2004.
- November 24 The ATM Credit Card Replacement Program Office of BAROC held two Seminars on EMV between 09:30 and 12:00 on 24 November 2004 in the conference room on the 6th Floor of Taiwan Cooperative Bank. The seminars included introduction to results of project offices: Introduction to "PIN Schedule and Relevant Regulations" and Introduction to Experience of PIN Abroad.
- December 9~10 The 4th Joint Meeting of Sino-Japan E-commerce Promotion Committee was scheduled on December 9 to 10, 2004 in Tokyo, Japan. The Bureau of Foreign Trade, MOEA invited BAROC to participate and Vice President and Deputy General Manager Xu Bo-lin of Business Administration Dept., Hua Nan Commercial Bank participated in the Meeting on behalf of BAROC.



Appendix 6: List of Member Bankers of BAROC

As of January 31, 2005

Institution	Position	Name	Telephone	Fax	Address	Web Site
Central Trust of China	Chairman	Jia-Dong Shea	02-23111511	02-23757332	No.49 Wu Chang Street, Section 1, Taipei, Taiwan 100, R.O.C.	www.ctoc.com.tw/
	President	Jiunn-Chih Wang				
Chiao Tung Bank	Chairman	Shen-Chih Cheng	02-23613000	02-23310398	No.91 Heng Yang Road, Taipei, Taiwan 100, R.O.C.	www.ctnbank.com.tw/
	President	Feng-Yi Huang				
The Farmers Bank of China	Chairman	Henry K.C. Chen	02-21003456	02-25622161	No.85 Nanking East Road, Section 2, Taipei, Taiwan 104, R.O.C.	www.farmerbank.com.tw/
	President	Henry K.C. Chen				
The Export- Import Bank of the Republic of China	Chairman	Pauline Fu	02-23210511	02-23940630	8F., No.3 Nan Hai Road, Taipei, Taiwan 100, R.O.C.	www.eximbank.com.tw/
	President	Ching-Nain Tsai				
Bank of Taiwan	Chairman	Joseph J. C. Lyu	02-23493456	02-23892053	No.120 Chungching South Road, Section 1, Taipei, Taiwan 100, R.O.C.	www.bot.com.tw/
	President	Sheng-Yann Lii				
Land Bank of Taiwan	Chairman	Jer Shyang Tsai	02-23483456	02-23710270	No.46 Kuan Chien Road, Taipei, Taiwan 100, R.O.C.	www.landbank.com.tw/
	President	Yi-Hsiung Chang				
Taiwan Cooperative Bank	Chairman	Seau Chen	02-23118811	02-23316567	No.77 Kuan Chien Road, Taipei, Taiwan 100, R.O.C.	www.tcb-bank.com.tw/
	President	Jin-Fong Soo				
First Commercial Bank	Chairman	Steve S.F. Shieh	02-23481111	02-23610036	No.30 Chungching South Road, Section 1, Taipei, Taiwan 100, R.O.C.	www.firstbank.com.tw/
	President	Long-I Liao				
Hua Nan Commercial Bank	Chairman	Ming-Cheng Lin	02-23713111	02-23315737	No.38 Chungching South Road, Section 1, Taipei, Taiwan 100, R.O.C.	www.hncb.com.tw/
	President	Teh-Nan Hsu				
Chang Hwa Commercial Bank	Chairman	Po-Shin Chang	02-25362951	02-25628443	No.57 Chungshan North Road, Section 2, Taipei, Taiwan 104, R.O.C.	www.chb.com.tw/
	President	Mike S.E. Chang				
Taiwan Business Bank	Chairman	Merbert S.S. Chung	02-25597171	02-25507232	No.30 Ta Cheng Street, Taipei, Taiwan 103, R.O.C.	www.tbb.com.tw/
	President	Shiu-Nan Hwang				
Taipei Fubon Bank	Chairman	Chi-Yuan Lin	02-25425656	02-25652122	No.50 Chungshan North Road, Section 2, Taipei, Taiwan 104, R.O.C.	www.taipeibank.com.tw/
	President	Jesse Y. Ding				
Bank of Kaohsiung	Chairman	Flandy C. Su	07-5570535	07-5580529	No.168 Po Ai 2nd Road, Kaohsiung, Taiwan 813, R.O.C.	www.bok.com.tw/
	President	Shin-Hsiung Chuang				
Chunghwa Post Co.	Chairman	Samuel J.S. Hsu	02-23921310	02-23513310	No.55 Jinshan South Road, Section 2, Taipei, Taiwan 106, R.O.C.	www.post.gov.tw/
	President	Shui-Cheng Huang				
Taiwan Development & Trust Corporation	Chairman	Tang Chen	02-23311234	02-23896146	1F., No.2 Chungching South Road, Section 1, Taipei, Taiwan 100, R.O.C.	www.tdtc.com.tw/
	President	Chih-Wen Chung				
The International Commercial Bank of China	Chairman	Tzong-Yeong Lin	02-25633156	02-25611216	No.100 Chi Lin Road, Taipei, Taiwan 104, R.O.C.	www.icbc.com.tw/
	President	Mckinney Y.T. Tsai				
Bank of Overseas Chinese	Chairman	Herbert S.S. Chung	02-23715181	02-23832534	No.8 Hsiang Yang Road, Taipei, Taiwan 100, R.O.C.	www.booc.com.tw/
	President	Wen-Long Lin				
The Shanghai Commercial & Savings Bank	Chairman	Hung-Ching Yung	02-25817111	02-25671912	No.2 Minchuan East Road, Section 1, Taipei, Taiwan 104, R.O.C.	www.scsb.com.tw/
	President	Yih-Pin Chen				
Cathay United Bank	Chairman	Gregory K.H. Wang	02-87226666	02-87899899	No.7 Sung Jen Road, Taipei, Taiwan 110, R.O.C.	www.uwccb.com.tw/
	President	Roger Wu				
China Development Industrial Bank	Chairman	Angelo J.Y. Koo	02-27638800	02-27660047	No.125 Naking East Road, Section 5, Taipei, Taiwan 105, R.O.C.	www.cdibank.com/
	President	Jeffrey Suen				



As of January 31, 2005

Institution	Position	Name	Telephone	Fax	Address	Web Site
Industrial Bank of Taiwan	Chairman	Kenneth C. M. Lo	02-23451101	02-87893568	No.97 Sung Jen Road, Taipei, Taiwan 110, R.O.C.	www.ibt.com.tw/
	President	Henry W. Pang				
International Bank of Taipei	Chairman	S.C. Ho	02-25063333	02-25062462	No.36 Nanking East Road, Section 3, Taipei, Taiwan 104, R.O.C.	www.ibtpe.com.tw/
	President	K.C. Yu				
Hsinchu International Bank	Chairman	Shuan-Yung Chan	03-5245131	03-5250977	6F., No.106 Chung Yang Road, Hsinchu, Taiwan 300, R.O.C.	www.hibank.com.tw/
	President	Chih-Wei Wu				
Taichung Commercial Bank	Chairman	Yu-Fang Tsai	04-22236021	04-22240748	No.87 Minchuan Road, Taichung, Taiwan 403, R.O.C.	www.tccb.com.tw/
	President	Yu-Chang Tsai				
Tainan Business Bank	Chairman	Ping-Chung Chen	06-2139171	06-2130895	No.506 Hsi Men Road, Section 1, Tainan, Taiwan 700, R.O.C.	www.tnb.com.tw/
	President	Ching-Cheng Su				
Enterprise Bank of Hualien	Chairman	Steven Tsai	02-27732338	02-27730178	6F, No.48 Fu Hsing North Road, Taipei, Taiwan 104, R.O.C.	www.banklotus.com.tw/
	President	Yen-Chin Tsai				
Taitung Business Bank	Chairman	Tein-Kon Shaw	089-345888	089-331194	No.354 Chung Hwa Road, Section 1, Taitung, Taiwan 950, R.O.C.	www.ttbb.com.tw/
	President	K.T. Chen				
The Chinese Bank	Chairman	Fan-Hsiung Kao	02-55586666	02-55588673	No.68 Nanking East Road, Section 3, Taipei, Taiwan 104, R.O.C.	www.chinesebank.com.tw/
	President	Fan-Hsiung Kao				
Cosmos Bank, Taiwan	Chairman	Sheng-Fa Hsui	02-27011777	02-27849842	No.39 Tunhwa South Road, Section 2, Taipei, Taiwan 106, R.O.C.	www.cosmosbank.com.tw/
	President	Chien-Chu Hu				
Taishin International Bank	Chairman	Thomas T.L. Wu	02-25683988	02-25111987	No.44 Chungshan North Road, Section 2, Taipei, Taiwan 104, R.O.C.	www.taishinbank.com.tw/
	President	Daniel Tsai				
E. Sun Commercial Bank	Chairman	Yung-Jen Huang	02-23891313	02-23891115	No.77 Wuchang Street, Section 1, Taipei, Taiwan 100, R.O.C.	www.esunbank.com.tw/
	President	Yung-Hsung Hou				
Bowa Bank	Chairman	Wei-Chi Liu	02-23279998	02-33931581	B1, No.123 Chung Hsiao East Road, Section 2, Taipei, Taiwan 100, R.O.C.	www.pab.com.tw/
	President	Wen-Ke Wu				
Fuhwa Commercial Bank	Chairman	Kang-Sheng Kao	02-23801888	02-23801810	No.4 Chung Hsiao West Road, Section 1, Taipei, Taiwan 100, R.O.C.	www.fuhwabank.com.tw/
	President	Song-Xing Chen				
Chinatrust Commercial Bank	Chairman	Jeffrey J.L. Koo, Jr.	02-27222002	02-27234180	No.3 Sung Shou Road, Taipei, Taiwan 110, R.O.C.	www.chinatrust.com.tw/
	President	Eric Chen				
Far Eastern International Bank	Chairman	Douglas T. Hsu	02-23786868	02-23765691	27F, No.207 Tunhwa South Road, Section 2, Taipei, Taiwan 106, R.O.C.	www.feib.com.tw/
	President	Eli Hong				
Jih Sun International Bank	Chairman	Edward K.H. Chen	02-25615888	02-25219889	No.68 Sungchiang Road, Taipei, Taiwan 104, R.O.C.	www.jihsunbank.com.tw/
	President	Dolly Yang				
Bank SinoPac	Chairman	Paul C. Lo	02-25082288	02-25083456	No.9-1 Chien Kuo North Road, Section 2, Taipei, Taiwan 104, R.O.C.	www.banksinopac.com.tw/
	President	Angus Chen				
Union Bank of Taiwan	Chairman	C.C. Huang	02-27180001	02-27174093	3F, No.109 Minsheng East Road, Section 3, Taipei, Taiwan 105, R.O.C.	www.ubot.com.tw/
	President	Shiang-Chang Lee				
Ta Chong Bank	Chairman	Tien-Mao Chen	02-25150888	02-25163338	12F, No.2 Hsinyi Road, Section 5, Taipei, Taiwan 110, R.O.C.	www.tcbank.com.tw/
	President	Jerry, Chen				
EnTie Commercial Bank	Chairman	Paul C.H. Chiu	02-27189999	02-27185478	3F, No.158 Minsheng East Road, Section 3, Taipei, Taiwan 105, R.O.C.	www.entiebank.com.tw/
	President	Andrew C.Y. Tsai				
Macoto Bank	Chairman	Chen- I Lin	02-87928808	02-87929977	No.319 Jioutzung Road, Section 1, Taipei, Taiwan 114, R.O.C.	www.makotobank.com.tw/
	President	Chen- I Lin				



As of January 31, 2005

Institution	Position	Name	Telephone	Fax	Address	Web Site
Chinfon Commerical Bank	Chairman	Shi H. Huang	02-23114881	02-23712395	No.1 Nanyang Street, Taipei, Taiwan 100, R.O.C.	www.chinfonbank.com.tw/
	President	Gregory C.P. Chang				
Sunny Bank	Chairman	Sheng-Hong Chen	02-28208166	02-28233414	No.88 Shihpai Road, Section 1, Taipei, Taiwan 112, R.O.C.	www.esunnybank.com.tw/
	President	Chueh-Yang Hu				
Bank of Panhsin	Chairman	Ping-Hui Liu	02-29629170	02-29572011	5F, No.18 Cheng Tu Street, Pan-chiao City, Taipei, Taiwan 220, R.O.C.	www.bop.com.tw/
	President	Mark Shieh				
Hwatai Bank	Chairman	Min-Hsiung Lin	02-27525252	02-27775213	No.246 Chang An East Road, Section 2, Taipei, Taiwan 104, R.O.C.a	www.hwataibank.com.tw/
	President	Thomas C.W. Lee				
Lucky Bank	Chairman	Chi-Chung Chang	04-22259111	04-22232652	No.35 Chunghua Road, Section 1, Taichung, Taiwan 403, R.O.C.	www.luckybank.com.tw/
	President	Tien-Yu Su				
Cota Commercial Bank	Chairman	Chun-Tse Liao	04-22245171	04-22275237	No.59 Shfu Road, Taichung, Taiwan 400, R.O.C.	www.cotabank.com.tw/
	President	Ying-Che Chang				
Shin Kong Commercial Bank	Chairman	Patrick C.J. Liang	04-22203176	04-22322912	No.126 Chunghua Road, Section 1, Taichung, Taiwan 400, R.O.C.	www.ucbank.com.tw/
	President	Tseng-Chang Lee				
Kao Shin Commercial Bank	Chairman	Fu-Tien Chao	07-5580711	07-5580351	No.75 Li Wen Road, Kaohsiung, Taiwan 813, R.O.C.	www.ksband.com.tw/
	President	Charles W. Chung				
Chung Hsing Bills Finance Corporation	Chairman	Kuo-Hsiun Chuang	02-23569988	02-23918455	6F, No.123 Chung Hsiao East Road, Section 2, Taipei, Taiwan 100, R.O.C.	www.chbfc.com.tw/
	President	Jung- Hsiung Lu				
China Bills Finance Corporation	Chairman	C.C. Tseng	02-27021177	02-27021582	No.14 Tunhwa South Road, Section 2, Taipei, Taiwan 106, R.O.C.	www.cbf.com.tw/
	President	C.T. Lee				
International Bills Finance Corp.	Chairman	Walter Lin	02-25181688	02-25159050	9-11F, No.167 Nanking East Road, Section 2, Taipei, Taiwan 104, R.O.C.	www.ibfc.com.tw/
	President	Harvey Liu				
Fuhwa Securities Finance Co.	Chairman	Chang-Pang Chang	02-23497899	02-23755010	5F., No. 4 Chung Hsiao West Road, Section 1, Taipei, Taiwan 100, R.O.C.	www.fuhwa.com.tw/
	President	Yu-De Chuang				
Grand Bills Finance Corporation	Chairman	Tsong-Hhuey Jih	02-87802801	02-8780-2802	11F, No.560 Chung Hsiao East Road, Section 4, Taipei, Taiwan 110, R.O.C.	www.grandbill.com.tw/
	President	Ho-Sheng Wang				
E. Sun Bills Finance Corp.	Chairman	Shou-Chung Shue	02-27391313	02-27391317	5F-3, No.51 Keelung Road, Section 2, Taipei, Taiwan 110, R.O.C	www.esunbills.com.tw/
	President	Chiu-Hsiung Su				
First Financial Holding Co., Ltd.	Chairman	Steve S.F. Shieh	02-23889889	02-23889989	18F., No.30 Chungching South Road, Section 1, Taipei, Taiwan 100, R.O.C.	www.firstholding.com.tw/
	President	Y.C.Chao				
Hua Nan Financial Holding Co., Ltd.	Chairman	Ming-Cheng Lin	02-23897597	02-23755604	No.38 Chungching South Road, Section 1, Taipei, Taiwan 100, R.O.C.	www.hnfhc.com.tw/
	President	Teh-Nan Hsu				
China Development Financial Holding Corporation	Chairman	Mu-Tsai Chen	02-27638800	02-27660047	No.125 Naking East Road, Section 5, Taipei, Taiwan 105, R.O.C.	www.cdibh.com.tw/
	President	Angelo J.Y. Koo				
Jih Sun Financial Holding Co., Ltd.	Chairman	Kuo-Ho Chen	02-25218888	02-25214888	No.68 Sungchiang Road, Taipei, Taiwan 104, R.O.C	www.jsun.com.tw/
	President	Yung-Fei Chao				
Fubon Financial Holding Co., Ltd.	Chairman	Daniel M. Tsai	02-27780070	02-27780021	3F.,No.237,Sec. 1 Jianguo S.Rd., Taipei, Taiwan 106, R.O.C	www.fubongroup.com.tw/
	President	Richard M. Tsai				
Taishin Financial Holding Co., Ltd.	Chairman	Thomas Wu	02-25654203	02-25117746	9F.,No.44 Chungshan North Road, Section 2, Taipei, Taiwan 104, R.O.C	www.taishinholdings.com.tw/
	President	Julius Chen				
Mega Financial Holding Co., Ltd.	Chairman	Shen-Chih Cheng	02-23141272	02-23113706	No.91 Heng Yang Road, Taipei, Taiwan 100, R.O.C.	www.megaholdings.com.tw/
	President	Tzong-Yeong Lin				
E. Sun Financial Holding Co., Ltd.	Chairman	Yung-Jen Huang	02-23125101	02-23891115	No.77 Wuchang Street, Section 1, Taipei, Taiwan 100, R.O.C.	www.esunbank.com.tw/
	President	Yung-Hsung Hou				