



First Financial Holding Co., Ltd.

2005 ANNUAL REPORT

First Financial Holding · First Financial Holding · First Financial Holding



First

Financial Holding Co., Ltd. was incorporated on January 2, 2003 with First Commercial Bank as its flagship entity. It is listed on Taiwan Stock Exchange under the stock code 2892.

Founded in 1899, First Bank was one of the three government-affiliated banks with the mission to allocate credit to underserved industrial and commercial businesses, finance national infrastructure, and serve as an underlying force of Taiwan's great economic advancement. In 1998, First Bank became the largest private-owned bank on the island after privatization. Since then it has been able to secure leadership positions in such selected areas as corporate banking, SME business, home mortgages, mutual-fund distribution and custody, trade finance, deposit and lending. It currently owns 194 service points at home along with 15 overseas branches/offices and the US subsidiary of First Bank (USA).

With the historical groundwork well laid by First Bank, First Financial Holding Co. further diversified its business portfolio into securities trading, property and casualty insurance and asset management on July 31, 2003, by acquiring First Taisec Securities Inc., Mingtai Fire & Marine Insurance Co., Ltd. and National Investment Trust Co., Ltd. In August of the same year, it successfully raised the equivalent of NT\$17.3 billion via a global depository receipt program, the first ever issued by a Taiwanese financial institution, which significantly shored up capital bases of the group and its subsidiaries. From June through September of 2004, in its second round of penetrating into new markets to deliver full product range and high quality

services, First Financial Holding Co. established First Financial Asset Management Co., Ltd., First Venture Capital Co., Ltd., First Financial Management Consulting Co., Ltd., and First Property and Casualty Insurance Agency Co., Ltd.

In 2005, First Financial Holding Co. outlined new strategies in competitive environments and prepare for leadership in the local and regional financial markets. After re-examining its group resources, it identified product sales and distributions through banking channels as its foundation for future growth. In September, First Financial Holding Co. concluded the sale of its insurance unit, Mingtai Fire & Marine Insurance Co., setting the precedent of a subsidiary divestiture by a local financial holding company. At the end of the year, it further reorganized its corporate structure in order to respond to customer needs, increase shareholder returns, improve efficiencies and drive innovation in where the opportunities reside.

A client-first approach and a firm commitment to delivering superior services is the core of First Financial Holding Co. With an asset size of NT\$1.5 trillion, more than five million customer base and long-lasting client relationship built over a century, First Financial Holding Co. looks to its future with optimism. It will continue to take steps to prepare for market changes that are taking place around the world. It is the company's belief that only through establishing a leadership position in Taiwan and the Asian market as one of the most competitive financial institutions, can it create and maximize values for its clients, shareholders and employees.

First Financial Holding

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FFHC at a Glance

Financial Highlights

Data as of December 31, 2005 and 2004
in NT\$ mn, in million shares, %

For the year	2005	2004
Revenue	53,048	50,182
Net Income	14,175	10,298
EPS	2.43	1.77
Cash Dividends	1.25	0.75
Stock Dividends	0.25	0.50
ROAE	16.73	14.06
ROAA	0.93	0.68
Shares Outstanding	5,827	5,549
At year end		
Total Asset	1,535,443	1,502,542
Average Total Loans	829,111	836,918
Average Total Deposits	1,103,023	1,072,506
Total Shareholders' Equity	91,334	78,166
Market Price Per Share	23.50	27.20

Consolidated figures

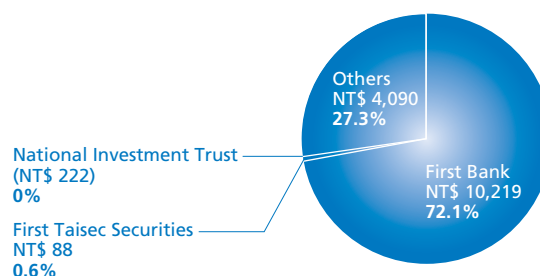
Dividends

in NT\$

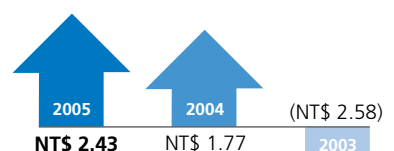
	2005	2004	2003
Stock Dividend	0.25	0.50	0
Cash Dividend	1.25	0.75	0
Total Dividend	1.50	1.25	0

Net Income Breakdown by Core Business

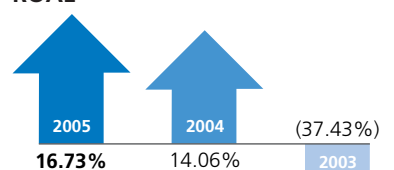
in NT\$ mn



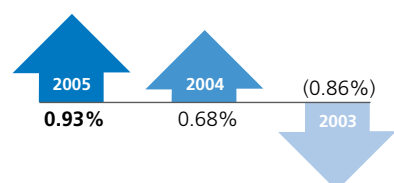
EPS



ROAE



ROAA



Our Distribution Channels

We serve more than 5 million household and business relationship through multiple channels:



Subsidiary Companies

First Commercial Bank

in NT\$ mn

	2005	2004
Total Assets	1,501,047	1,462,211
Total Equity	76,843	67,618
Net Income	10,219	9,967

Non-consolidated figures

First Bank was incorporated on November 26, 1899. After merging with Commercial and Industrial Bank of Taiwan, Chia-I Bank and Hsin-Kao Bank from 1912 through 1923, it was reorganized twice in 1945 and 1949, and changed its corporate name to "First Commercial Bank" in 1976. On January 22, 1998, First Bank became the largest private-owned bank in Taiwan after privatization. Five years later, it joined First Financial Holding Co., Ltd. on January 2, 2003 through a share swap and has since become the primary profit source for the holding company. First Bank has secured leadership positions in such selected areas as corporate banking, SME business, home mortgages, mutual-fund distribution and custody, trade finance, deposit and lending. It currently owns 194 service points at home along with 15 overseas branches/offices and the US subsidiary of First Bank (USA).

First Taisec Securities

in NT\$ mn

	2005	2004
Total Assets	15,760	13,587
Total Equity	5,669	5,550
Net Income	88	(21)

Non-consolidated figures

First Taisec Securities Co., Ltd, formerly known as Taisec Securities, was incorporated in 1988. In 1997, it added proprietary trading and underwriting operations to become a full-service securities firm and offered margin-lending, stock loan and established its futures subsidiary in the subsequent years. On July 31, 2003, Taisec Securities merged with the stock-brokerage unit of First Bank and altogether, they became the securities arm of First Financial Holding Co. operating through 22 branches. Sharing the First Financial Group's common vision of one-stop services for customers, First Taisec Securities is confident in its transition from a niche player to a full-service securities firm of superior scale, scope and skills. The new First Taisec Securities will continue to leverage joint marketing opportunities and information integration across the group to gain further market shares.

National Investment Trust

in NT\$ mn

	2005	2004
Total Assets	1,079	1,338
Total Equity	752	1145
Net Income	(222)	241

Non-consolidated figures

As the third investment trust company established in Taiwan, National Investment Trust Co., Ltd. started its corporate history on January 15, 1986. Since its first fund "NITC Taipei Fund" was listed on the London Exchange on May 22, 1986, NITC has launched a total number of 22 funds and is one of Taiwan's largest fund managers. NITC has been consistently recognized for its superior investment performance with 24 wins of "Taiwan Fund Performance Awards" sponsored by Taipei Foundation of Finance. NITC became a wholly owned subsidiary of First Financial Holding Co. on July 31, 2003 through a share swap. To align with the group's objective of offering one-stop services across products, segments and markets, NITC continues to launch proprietary funds, develop innovative fund products and deliver investment advisory solutions to high-net-worth clients.

First Financial Asset Management

Founded on May 31, 2004, First Financial AMC is a wholly owned subsidiary of First Financial Holding Co. that engages in the acquisition and management of non-performing loans for financial institutions. Currently, it serves mainly as a debt collector for First Bank, but is actively expanding businesses of collection, acquisition and disposition of non-performing loans from other financial institutions.

First Venture Capital

Founded on June 2, 2004, First Venture Capital is a wholly owned subsidiary of First Financial Holding Co. Under an assignment agreement, it authorizes First Financial Management Consulting to manage and invest equity capital in late-stage targets and firms in need of restructuring.

First Financial Management Consulting

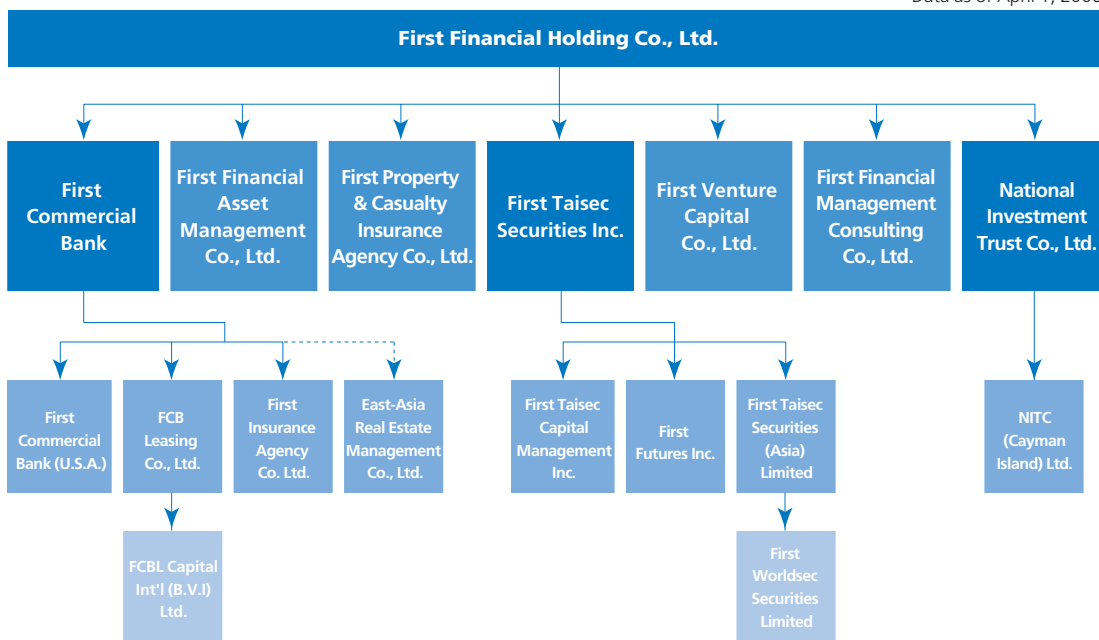
Founded on June 10, 2004, First Financial Management Consulting is a 100%-owned subsidiary of First Financial Holding Co. It provides consulting and management services to venture capital funds for long-term investment. For the time being, it focuses on distressed businesses and potentially undervalued companies.

First Property and Casualty Insurance Agency

Founded on September 16, 2004, First P&C Insurance Agency is a wholly owned subsidiary of First Financial Holding Co. It acts as a broker to sell and distribute property & casualty insurance products.

First Financial Group

Data as of April 1, 2006



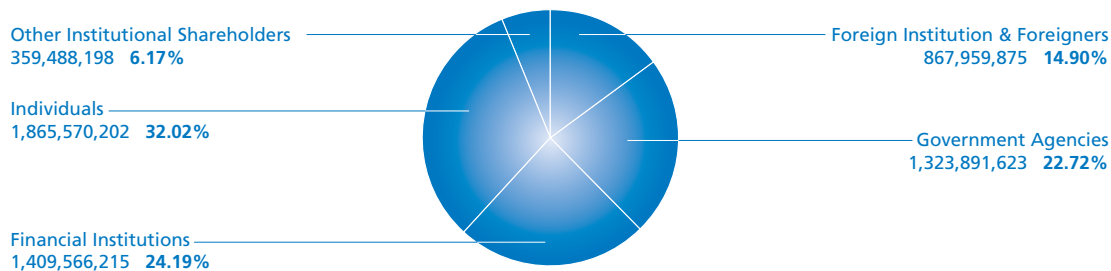
Top 10 Shareholders

Data: As of April 11, 2006

Shareholders	Share-held	%
Ministry of Finance	868,609,186	14.91
Bank of Taiwan	462,122,866	7.93
Cathay Life Insurance	263,940,950	4.53
Shin Kong Life Insurance	233,062,750	4.00
Bureau of Labor Insurance	206,276,542	3.54
Hua Nan Commercial Bank	173,069,005	2.97
Civil Servants' Retirement Fund	163,090,717	2.80
Chunghwa Post Company	77,684,236	1.33
Depository, Citibank N.A.	69,285,918	1.19
Pictet & Cie	58,067,700	1.00

Shareholder Breakdown

Data as of April 11, 2006



Letter to Shareholders

2005 was an important year for First Financial Holding Co. Having transformed into a viable group after restructuring, we concentrated on accessing our core competencies and underlying assets. As a result, banking channels and product sales are defined as the key foundations for profit growth. This letter not only addresses our financial performance for 2005, but also the strategy initiatives planned to adapt to changes, create advantages and to achieve stated goals. We hereby invite you to take a closer look at what we have accomplished for the past year:

In 2005, the local financial industry faced challenging business environments. Over-banking, a lack of profitable scale, a highly homogeneous market and intense price competition combined to cause a slowdown in banking and insurance sectors, which grew at an annual rate of 2.87%, nearly two percentage points down from 4.73% in 2004. In comparison, the macro economy grew by 4.09%, according to Directorate-General of Budget, Accounting and Statistics. The average return on asset of domestic banks dropped to 0.3% from 0.63% a year earlier, while the average return on equity fell to 4.81% from 10.3%, based on data from the Financial Supervisory Commission.

Skyrocketing crude prices, higher interest rates, threats of the bird flu and fears that inflationary pressure may squeeze corporate earnings, private consumption and property pricing drove the TAIEX to the annual low of 5,565.41 in April 2005. The index then range traded between 5,565.41 and 6,600.17, finishing the year 2005 with 6548.34. On the other hand, the financial index declined from 1047.52 to 891.39 over the year, hurt by a combination of controversies over government-led financial reform initiatives, disposals of structured notes, and deteriorating credit costs. Further damping the market sentiment was moral hazards stemming from the legislature's proposal to cap lending spreads on credit cards and cash advance cards and allow extension of debt repayment with lower rates, in an attempt to resolve the consumer debt problems.

Operating in a challenging market marked with

excess liquidity, widening interest spreads between Taiwan and the US, intense competition and an unraveling consumer debt crisis, we made steady progress towards our financial goals. First Financial Holding Co. achieved net income of NT\$8,783 million from continuing operation. The equity base increased to NT\$91,334 million, while the balance sheet topped NT\$1.54 trillion.

Meanwhile, in order to be the leading financial group in Taiwan, we identified banking channels as our core asset and re-positioned our business strategy towards product distributions. In order to deploy capital to higher-return and higher-growth opportunities and optimize asset allocation, we announced in April the sale of our property insurance unit, Mingtai Fire & Marine Insurance Co., to Mitsui Sumitomo Insurance Co., Japan's second-largest property and casualty insurer. The deal was concluded in September 2005, setting the precedent of a subsidiary divestiture by a local financial holding company.

2005 Operating Results

2.43 Earnings per share First Financial Holding Co. reported net income of NT\$14,175 million, or NT\$2.43 per share for the year 2005, which included a net gain of NT\$5,392 million on the sale of Mingtai Fire & Marine Insurance. The average return on asset advanced to 0.93% from 0.68% compared to the prior year, while the average return on equity improved to 16.73% from 14.06%.

Apart from retaining partial earnings for business development, we disbursed the

majority of profits to our shareholders. The cash dividend payout for 2005 reached NT\$7,283 million, or NT\$ 1.25 per share, whereas the stock dividend payout totaled NT\$1,456 million, or 2.5% per share.

Subsidiary First Bank remained the principal profit driver for the group in 2005. With minor negative impact from deteriorating consumer credit industry-wide, the bank reported net income of NT\$10,219 million. Its asset quality was also improved, with the broad-based NPL ratio falling to 1.72% from 2.19% in 2004. Subsidiary First Taisec Securities, in the same year reported net income of NT\$88 million, reversing a net loss of NT\$21 million in 2004 while another Subsidiary National Investment Trust posted net loss of NT\$222 million due to disposals of structured notes held by its bond funds. Overall, through cross-channel integration and joint marketing efforts among different business segments, First Financial Holding Co. gained net total synergies of NT\$700 million.

Our financial structure, credit quality and risk profile also received positive or stable reviews from Standard & Poor's, Moody's and Taiwan Ratings. The long-term credit ratings, short-term credit ratings and outlooks for First Financial Holding Co. and subsidiaries are shown in the table below:

Standard & Poor's

- First Financial Holding Co.: BBB-/A3/Stable
- First Bank: BBB+/A2/Stable

Moody's

- First Bank: A3/P-1/Stable

Taiwan Rating

- First Financial Holding Co.: twA+/twA-2/Stable
- First Bank: twAA-/twA-1/Stable
- First Taisec Securities: twA-/twA-2/Stable

2005 Review

In 2005, we took a number of steps to respond to competition, build competitive advantages and lay a foundation for value creation:

- We sold subsidiary Mingtai Fire & Marine Insurance to allocate capital to our core businesses of corporate finance, foreign exchanges, international loan syndication and mutual-fund distribution and to higher-growth opportunities of wealth management and financial services for overseas Taiwanese businesses.
- We established a "VIP center" for affluent individuals. Meanwhile, we unveiled a new brand using symbols of flowers and butterflies to signify the "blossoming of fortune" enabled by our money management. We also planned an electronic trading platform for our clients to develop innovative approaches to financial planning and further explore personal finance opportunities. At the same time, we are keen to build up a wealth management platform in Hong Kong in response to mounting demands from overseas Taiwan businessmen.
- We expanded our overseas distribution channels and cross-straight correspondent network in consideration of improving earnings contribution from overseas operation. In 2005, we added the Arcadia Branch to First Bank USA. The representative office in Hanoi, Vietnam planned for an upgrade to a full-service branch. In pursuit of opportunities in the Greater China market, the correspondent banking locations on the mainland was increased to 782.
- We continued to reorganize business to respond to customer needs and improve efficiencies. In July, 2004, starting from First Bank, we restructured the company under four pillars- organizational structure, personnel system, risk management and information technology- and shaped its organizational structure into six business units and five support centers. Despite the successful introduction of matrix management, modern risk control, and new

application of information technology, we felt the bank branches had not fully realized their potentials as sales platforms. Therefore, in 2005, we decided to streamline the organization into five groups of Corporate Banking, Personal Banking, Consumer Banking, Operation Management and Financial Markets, and three support centers of Risk Management, General Administration and Information Technology.

Organizational Structure of First Commercial Bank					
Business Units	Corporate Banking	Consumer Banking	Financial Markets	Operation Management	Personal Banking
Functional Centers	General Administration Information Technology Risk Management				

- We leveraged our technology to build E-banking capabilities. We developed on-line collection of taxes and fees, rolled out "eATM" service, and launched innovative incentive programs to promote the usage of our on-line banking system.
- We set up information integration platform to incorporate information across subsidiaries. In addition, we set up special service counters for non-banking business in our bank branches to provide integrated financial solutions to customers, as part of our join-marketing initiatives. To date, First Taisec Securities has brokerage service counters in five First Bank branches. Another 182 special counters are spread across the headquarters and branches of First Bank to provide insurance products and services.
- We continued to review and enhance our corporate governance practices. In May 2005, we were selected by the Securities and Futures Institute as the "Company with Better Disclosure." All information was made publicly available according to the "Regulations governing Information Reporting by Listed Companies" and other disclosure guidelines stipulated for listed

companies. We also planned a progressive implementation of "Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies" and "Corporate Governance Best-Practice Principles for Financial Holding Companies". To empower shareholders, we have enabled shareholders to propose agenda items during the 2006 annual general meeting should they meet the criteria necessary for the consideration of the matters proposed.

- According to the Basel accords and risk management principles, we completed an internal compliance and control system for related parties, a credit rating system, and a full-functioning mechanism for identifying, assessing, monitoring, and managing risk throughout the organization. Going forward, we expect to design quantitative models to measure market risk and push for the establishment of Exposure Assessment Committee.

2006 Priorities

Looking ahead, we will step on the progress made in 2005 to achieve the following objectives:

- Maximizing functions of our sales platform and improving the operational efficiency of our new corporate structure.
- Deepening our core strengths in corporate finance, foreign exchanges and international loan syndication.
- Increasing fee revenues from distribution of mutual funds, trust custody services and sales of banc assurance, while developing new annuities and pension fund products.
- Completing electronic trading and wealth management platforms in Hong Kong to respond to needs from overseas wealthy clients and Taiwanese businesses operating in China.

- Seeking strategic partners and leverage their experience and expertise to enhance our treasury system and facilitate our product innovation.
- Continuing to improve our corporate governance practices and to advance the risk management system in accordance with Basel Committee's accords and principles.

Financial Consolidation Tide

In 2005, the Government facilitated eleven cases of banking mergers and acquisitions and achieved its stated goal of consolidating the number of state-affiliated banks from twelve to six. It also continued to differentiate its banking supervision practices to promote domestic bank consolidation. As the credit card/cash advance card crisis surfaced during the past six months, resulting in the increased pressure for consumer-oriented banks to merge, we believe the landscape of local financial market has changed and will continue to do so.

To prepare for the changing marketplace, we have identified improving profit growth and pursuing the economies of scale as our priority so as to better position ourselves if any acquisition opportunities arise. Meanwhile, merger and acquisition remains one of the most important strategic options we consider. We will keep on evaluating potential partners and acquisition targets in consideration of such issues with regard to asset size, average return on shareholders' equity, complimentary businesses, merger synergies, and interests of employees.

For the past year, our net income grew significantly due mainly to the sale of Mingtai Fire & Marine Insurance Co. Income from continuing operation and investment efficiency, however, did not perform as well as expected. As interest income remained our primary profit source, fee income growth still left room for improvement. Yet this only

served to strengthen our determination to achieve greater profits in 2006.

We are pleased to enter the year 2006 in a strong financial position. Over the course of the coming year and beyond, your support is important to our commitment to best serving clients, delivering quality results and acting with the highest level of integrity. Thank you for your support in the work we have done, and we sincerely invite you to review the actions we will do in the future.



Chairman
Michael C.S. Chang



Chairman
Michael C.S. Chang



President
Hsien-Chuan Huang

Risk Management Profile

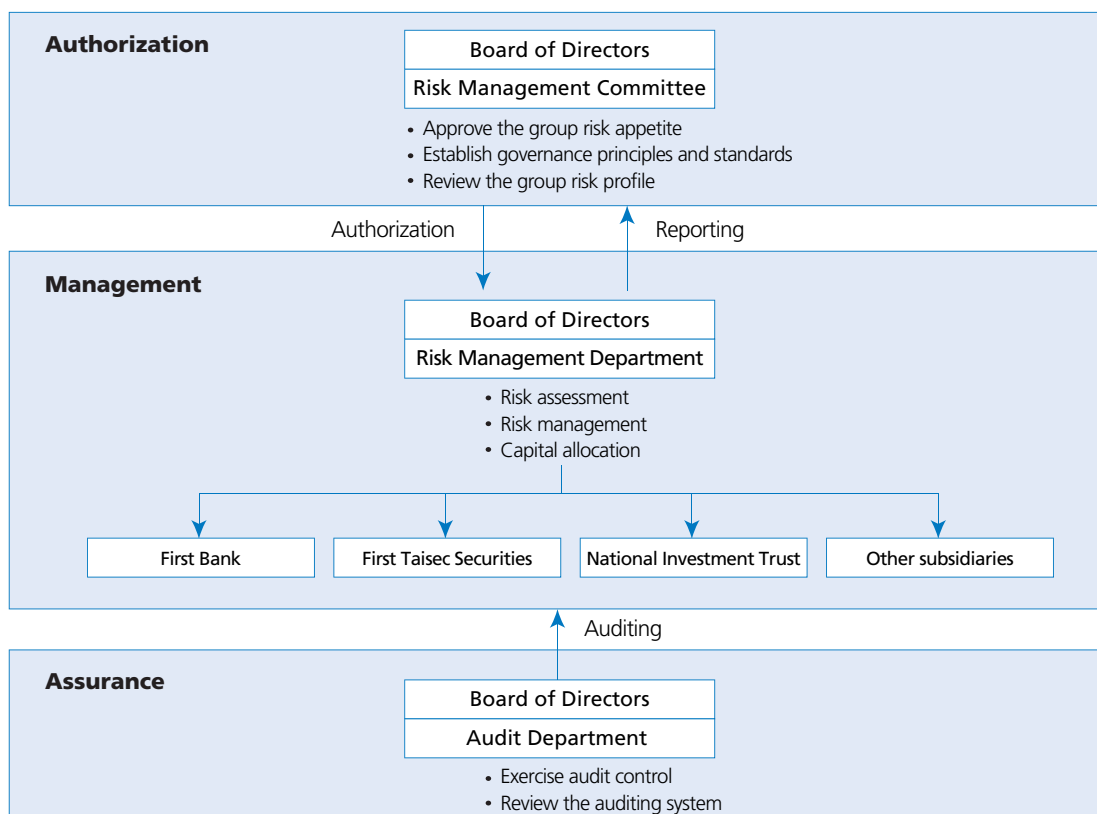
Using Basel Committee as a reference point, we continue to build awareness and disciplined practices of risk oversight. After completing the re-classification of loan positions and provisioning policies in line with global standards, we took a step forward by implementing independent risk management units at subsidiary levels, building an integrated risk management system and creating internal control policies and procedures in the 2004-2005 period. Furthermore, we set up an analytical framework combining with risk measurement methodology, quantitative indicators, statistical models and a data warehouse of parameters. We also insured directors, supervisors and principal executive officers against liabilities that may arise from their acts and established an internal database to monitor and manage related-parties, transactions, and ownership.

Our risk management policy categorizes the various risks in the course of conducting business operation as below:

- Credit risk
- Market risk
- Interest rate risk
- Liquidity risk
- Operational risk
- Legal risk
- Strategic risk
- Reputational risk
- Other risk

Next follows a brief description of our governance structure, controlling process for risk and the important types of risks including credit risk, market risk, liquidity risk and operational risk. We also outline our 2006 risk management initiatives below:

Risk Governance Structure



Risk Management Process

1. Establish risk management policy and framework

2. Establish the process for risk identification and assessment

3. Implement risk monitoring and controlling

4. Report on risk exposure and communicate with internal parties

5. Review the group's optimum risk/reward profile

Credit Risk

In accordance with the New Basel Capital Accord, we not only have established credit underwriting policies and procedures for approving credit, but also introduced analytical tools to calculate adequate capital charges for credit exposure that resides to lending, trading, and portfolio with any individual, counterparty or issuer. In order to reduce the potential for risk concentration, credit limits are established and monitored in light of exposure to the same individual, same related party, same subsidiary or affiliate, single products, particular industry as well as the type of collaterals. We also have built a risk review and monitoring database for related parties.

Market Risk

Market risk factors include: foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices. In addition to defining clear risk tolerance levels for market risk, we use quantitative measures such as VAR and Greeks to assess aggregate risks of exposures.

Liquidity Risk

We strive to expand and diversify our funding sources, and maintain a stable and quality portfolio. We have satisfied reserve requirements and liquidity reserves. Furthermore, we have established an early-warning system to identify liquidity risks arising from a funding gap, inadequate levels of liquidity ratios and a mismatched duration of asset and liabilities.

Operational Risk

We have outlined the tolerance levels for the probabilities of failed internal processes. We have enhanced our internal audit and control to ensure effective management of operational risks across business units. We also have the emergency and back-up plans in place to protect against major disruptions and reduce potential losses.

2006 Risk Management Objectives

- Continuing to review the risk management system to ensure that the group's risk-taking is consistent with its strategy, capital structure, and current and anticipated market conditions
- Establishing quantitative indicators to measure the group's exposure to market risk
- Planning the establishment of Exposure Assessment Committee

Corporate Governance Summary

After the concept of corporate governance was introduced into Taiwan in 2002, "Corporate Governance Best-Practice Principles for Financial Holding Companies" was established in the following year, bringing together 14 financial holding companies in their common commitment to adequate control and accountability systems. In addition, the government revised Securities and Exchange Law on January 11, 2006 to deliver an industry-wide, supportable legal framework for corporate governance to listed companies, their investors and the wider market. The revision increased the legal duties in four main areas of interests, including: the board member roles and responsibilities; the independence roles for directors and supervisors; the integrity of financial reporting; the responsibilities of related professions.

We believe good corporate governance practices are the cornerstone of an efficient company, which facilitates attracting global capital and competing in the international market. As such, First Financial Holding Co. has taken steps to comply with the "Corporate Governance Best-Practice Principles for Financial Holding Companies". We also recognized that good corporate governance depends on the integrity and discipline of all board members, upper and middle management, as well as each employee. Therefore we have drafted a Code of Conducts to promote governance. Under the code, we expand training to raise awareness of ethical behavior and recognition of legitimate interests of shareholders.

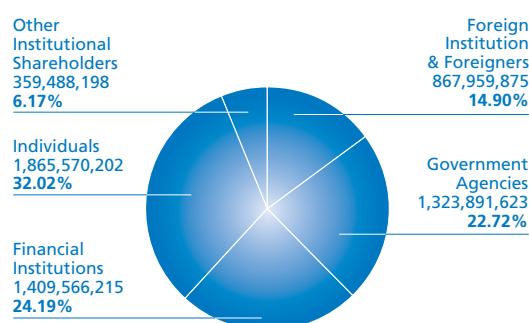
Subject to "Corporate Governance Best-Practice Principles for Financial Holding Companies", a summary description of our implementation of corporate governance policies and procedures is set forth below:

Ownership Structure and Shareholder Rights

We continue to monitor the development of our ownership structure based on the share register as of record date, as well as reports of ownership and changes in ownership of our directors, executive officers and shareholders who possess more than 10%, 25%, 50% and 75% of outstanding common stocks. As of April 11, 2006, our three major shareholders are the Ministry of Finance, Bank of Taiwan and Cathay Life Insurance with share ownership of 14.91%, 7.93% and 4.53%, respectively. The pie chart shown below demonstrates our company's ownership structure:

Shareholder Breakdown

Data as of April 11, 2006



In order to safeguard the rights and interests of shareholders, we have created policies and established a monitoring system in association with credit underwriting for and transactions with related parties, and other persons who have the opportunity to materially influence the operation of the group and its financial performance. In addition, in May 2005, we purchased Directors' and Officers' Liability Insurance from AIU Insurance Company and ACE Insurance Company of North America to cover costs that our directors and officers might become legally obligated to pay as a result of damages to other party.

The Composition, Responsibilities and Competencies of Board Directors and Supervisors

The board of First Financial Holding Co. is comprised of 15 directors and 5 supervisors. They serve for a three-year term and are eligible for re-election. Of the incumbent board, 12 out of the 15 directors and 3 out of the 5 supervisors represent the Taiwan government's shareholdings. Selected by the Governmental Share Ownership Management Committee of the Ministry of Finance, these delegates are high-level officials and professors of national universities who have proven expertise in their respective fields of banking, securities, auditing and information technology, and achieve prominence in their professional activities. An evaluation of their ability to discharge their duties adequately and exercise independent judgment is regularly conducted by Governmental Share Ownership Management Committee.

First Financial Holding Co. has yet to install any independent directors or supervisors on the board. We are currently planning new director-independence action in accordance with the 14.2 Clause of Securities and Exchange Law.

Information Disclosure

We continue to promote timely, consistent and transparent disclosure of all material information concerning the company. To

complement official release of information through our spokesperson, company Website and Investor Relations services, we publish the correspondence addresses of our spokesperson, Investor Relations unit, and the transfer agency service on the company Website and in our annual report to enable effective communication with shareholders. In addition, we place financial data, all relevant announcements made to the market, and information related to our corporate governance practices on the Market Observation Post System (<http://newmops.tse.com.tw/>).

We are currently assessing the feasibility of holding investor meetings. As soon as we start the project, the meeting and its record will be posted on First Financial Holding Co.'s website, either by audio or video, or both.

Functional Committees

First Financial Holding Co. has yet to establish any functional committees of the board of directors. We will consider and take due action in compliance with relevant laws and regulations.

Directors & Executive Officers

All data as of April 1, 2006

Board of Directors

Michael C.S. Chang

Delegate of Ministry of Finance
Chairman and President, First Financial Holding Co., Ltd.
Chairman, First Commercial Bank

Yuan Chi Chao

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
Resident Director, First Commercial Bank

Tsing Yuan Hwang

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
CEO, Daiwa Securities SMBC

Hsin Ginn Huang

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
Professor, Dept. of MIS, National Chung Cheng University

Hsien-Chuan Huang

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
President, First Financial Holding Co., Ltd.

Chin Yuan Kung

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
Chairman, Draco Group

Raymond C. H. Tu

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
Chairman, National Investment Trust Co., Ltd.

Hsien Feng Lee

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
Associate Professor, Dept. of Economics, National Taiwan University

Hui Mei Chou

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
Senior Executive Officer, Ministry of Finance

Te Fu Lu

Delegate of Ministry of Finance
Director, First Financial Holding Co., Ltd.
Manager, Dept. Of Business, Bank of Taiwan

Albert G. C. Ting

Delegate of Bank of Taiwan
Director, First Financial Holding Co., Ltd.
Chairman, CX Technology Corporation

Fan Chih Wu

Delegate of Bank of Taiwan
Director, First Financial Holding Co., Ltd.
Executive Vice President, Bank of Taiwan

Tien Yuan Chen

Delegate of Golden Garden Investment Company
Director, First Financial Holding Co., Ltd.
Chairman, Golden Garden Investment Company

Hsien Chang Wang

Delegate of Mercuries Jeantex Ltd.
Director, First Financial Holding Co., Ltd.
President, Mercury Fu Bao Co., Ltd

Chi Hsun Chang

Director, First Financial Holding Co., Ltd.
President, Magna Central Co., Ltd.

Supervisors

Li Shu Lee

Delegate of Ministry of Finance
Supervisor, First Financial Holding Co., Ltd.
Deputy Director, Statistics Department, Ministry of Finance

Lynette L. T. Chou

Delegate of Ministry of Finance
Supervisor, First Financial Holding Co., Ltd.
Professor, Dept. of Accounting, National Cheng Chi University

Fu Chi Tsai

Delegate of Bank of Taiwan
Supervisor, First Financial Holding Co., Ltd.
Vice President, Bank of Taiwan

Chih Hua Wang

Delegate of Mercuries Jeantex Ltd.
Supervisor, First Financial Holding Co., Ltd.
Vice President, Financial Department, Mercuries & Associates

Chun Chung Lin

Supervisor, First Financial Holding Co., Ltd.
Former Director, Chang Hwa Commercial Bank

First Financial Holding Co., Ltd.

Michael C. S. Chang

Chairman

Hsien-Chuan Huang

President

Hsien-Chung Tsai

Executive Vice President & Spokesman

Lih Lee

Head of Financial & Investment Dept. & Deputy Spokesman

Joung-Huei Yeh

Head of Administration & Planning Dept.

Ding-Yuan Yeh

Chief Auditor

Chin-Yun Wu

Advisor & Head of Risk Management Dept.

Wen-Chang Tu

Head of Corporate Finance Dept.

Grace M. L. Jeng

Head of Personal Finance Dept.

Jason Ko

Advisor & Head of Information Technology Dept.

First Commercial Bank

Michael C. S. Chang

Chairman

Long-I Liao

President

Chin-Yun Wu

Vice President, Corporate Banking Business Unit

Ying-Hsiung Lin

Vice President, Consumer Banking Business Unit

Shwu-Mei Shiue

Vice President, Personal Banking Business unit

Hsin-Shih Hung

Vice President, Financial Markets Business Unit

Jin-Der Chiang

Vice President, Operation Management Business Unit

Abel Liu

Vice President, Risk Management Center

Po-Chiao Chou

Vice President, General Administration Center

Jason Ko

Vice President, Information Technology Center

First Taisec Securities Inc.

Shu-Jen Liao

Chairman

Kuo-Chang Lin

President

National Investment Trust Co., Ltd.

Chung-Hui Tu

Chairman

Chao San Chui

Acting President

First Financial Asset Management Co., Ltd.

Tzeng-Huei Lin

Chairman and President

First Venture Capital Co., Ltd.

C.F Chang

Chairman

First Financial Management Consulting Co., Ltd.

C.F Chang

Chairman

Yung-Hua Chen

Acting President

First Property and Casualty Insurance Agency Co., Ltd.

Long-I Liao

Chairman

Hung-Lin Wu

President



First Commercial Bank

First Commercial Bank

	2005	2004
Total Assets	1,501,047	1,462,211
Total Equity	76,843	67,618
Net Income	10,219	9,967

in NT\$ mn
Non-consolidated figures

2005 in Summary

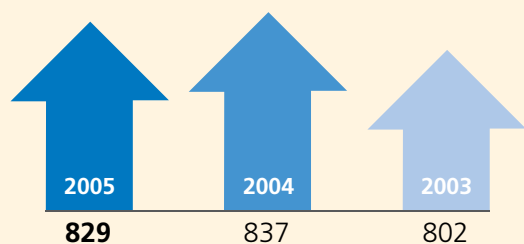
In 2005, First Bank reported revenue of NT\$51,501 million and expenses of NT\$37,900 million. It achieved pretax income of NT\$13,601 million and net income of NT\$10,219 million. A summary of selected financial data is laid out below:

Operation	Size in NT\$ mn	Year-over-year change %
Average deposit balance	1,103,023	2.85%
Average lending balance	829,111	(0.93%)
Foreign-exchange trading	173,955	16.18%
Mutual fund sales	223,419	3.69%
Mutual funds under custody*	259,977	(27.00%)

* The sharp decline in mutual funds under custody reflects the financial authority's mandatory requirement to reduce exposure to structured notes held by local bond funds.

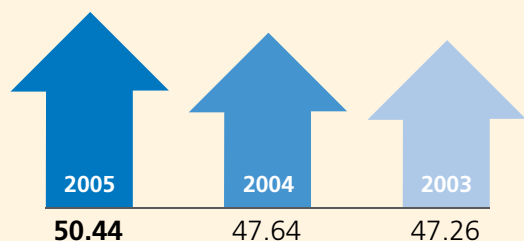
Average Loan Size

in NT\$ bn



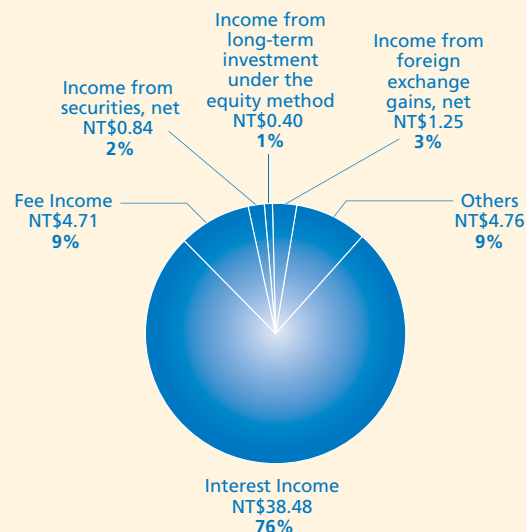
Revenue

Non-consolidated basis, in NT\$ bn



Revenue Breakdown

Non-consolidated basis, in NT\$ bn



During 2005, First Bank made significant progress in the following areas:

- **Continuing reorganization**

The bank set up seven regional centers to improve efficiency and promote consistent credit underwriting policies across geographic markets. In addition, the bank centralized credit approval and debt collection processes in the back office so as to integrate group resources and reallocate personnel needed for the sales and marketing forces.

- **Launches of proprietary financial products and services**

The bank continued to broaden product offerings such as "First Bank Portfolio Management Account for Selected Overseas Funds", "Your Needs Installment Card", "Mobile Card", and "Mail-Cash Advance Loan". The bank also added new lines of services, including "Escrow Services for Property Bulk Sales", "Factoring", "Insurance Mortgage" and "Subordinate Mortgage Loans".

- **Penetration into the wealth management market**

The bank rolled out a "VIP center" to provide wealth management services to affluent individuals. The bank also unveiled a new brand, using symbols of flowers and butterflies to

signify the "blossoming of fortune" enabled by the bank's money management. The bank also held investment sessions with potential clients to enhance their awareness of high-quality investment solutions that the bank offers and to cultivate its customer base.

- **Expansion of international and mainland distribution**

The bank expanded its overseas presence as part of its "E-network of Offshore Branches" and in 2005, it added the Arcadia Branch to First Bank USA. The representative office in Hanoi, Vietnam planned for an upgrade to a full-service overseas branch. After reaching agreements with four state-owned commercial banks, ten joint-stock commercial banks and five city commercial banks, the correspondent network in China was increased to 782 service points. The bank built its sales force across the Taiwan Strait to pursue opportunities in the Greater China market.

- **Improvement of operating efficiency**

In 2005, the bank focused its IT capabilities particularly on electronic banking and streamlined its clearing system. It implemented BPR projects for check collection and remittance. Meanwhile, it continued to respond to customer needs for easy and convenient banking experiences through its on-line tax and fee payment services, on-line application for account balance checking, and its newly expanded eATM service.

- **Enhanced risk management**

To comply with the New Basel Accord, the bank constructed its analytical tools applicable to identify, assess, monitor and manage credit risk, market risk and operational risks, among others. Ongoing monitor and control are in place to cover various risk portfolios. The asset quality of First Bank was improved markedly, as its broad-based NPL ratio of 1.72% and coverage ratio of 52.37% beat the industry average of 2.24% and 49.89% as of the end of 2005.

- **Continuing research and advice services**

The bank conducted a variety of researches in the areas of macroeconomic analysis, outlooks

for the financial and industrial sectors, and the management landscape and business developments of Taiwanese banks to support management decision-making. The bank also continued to build its database and the volume of proprietary research reports.

Business Plan for 2006

- **Pushing for reorganization**

The bank expects to strengthen its joint marketing efforts and enhance sales capabilities at branch level. To improve efficiency and provide quality services to customers, it will continue to optimize business processes of its branch offices, centralize back-office operations, fine-tune the overall work-flow and upgrade its core IT system. In addition, the bank will strive to build an organization where customer needs are valued and met, and performance is recognized and properly rewarded.

- **Focusing on wealth management**

The bank plans to attract and recruit talented experts for financial innovation and seek strategic partners for its asset management operation.

- **Enhancing profit performance**

The bank has identified cash-flow financing, the "Little Giant" small business loan and factoring as key business lines for growth.

- **Tapping opportunities in the Greater China market**

The bank has positioned channels and personnel of the Hong Kong branch as the starting point from which to address financial needs of Taiwanese businesses operating in China.

- **Strengthening risk management**

The bank will continue to enhance the planning and implementation of its credit rating models and related risk-management processes in compliance with the New Basel Accord.



First Taisec Securities

First Taisec Securities

	2005	2004
Total Assets	15,760	13,587
Total Equity	5,669	5,550
Net Income	88	(21)

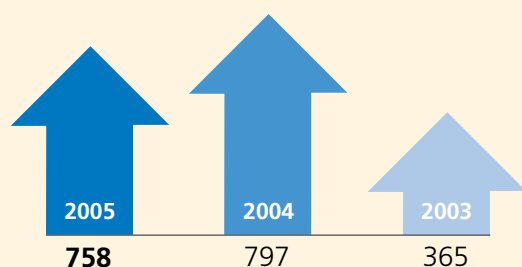
in NT\$ mn
Non-consolidated figures

2005 in Summary

In the year 2005, First Taisec Securities reported net revenue of NT\$2.05 billion. Net expenses were NT\$1.81 billion. Pretax and net income was NT\$245 million and NT\$88 million, respectively.

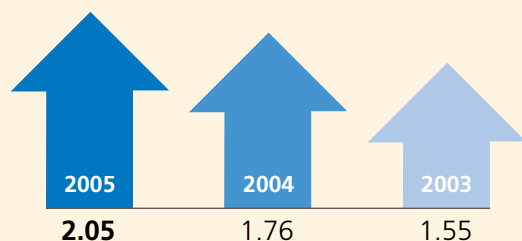
Brokerage Commission

in NT\$ mn



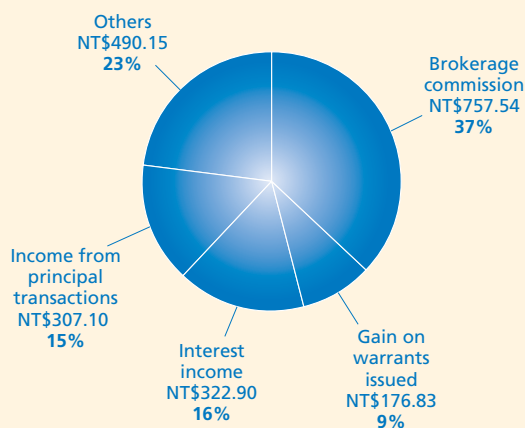
Revenue

Non-consolidated basis, in NT\$ bn



Revenue Breakdown

Non-consolidated basis, in NT\$ mn



Developments of main operations are outlined as below:

• Stock brokerage

In the operation of stock brokerage, one of the main goals for 2005 was to consolidate the branch network and increase market share per branch. As of December 31, 2005, market share per branch increased to 0.0855% from 0.0775% in January 2005. Overall market share advanced to 1.97% from 1.86% over the same period.

• Underwriting

First Taisec Securities acted as the lead manager in the securities issuance of Bothhand Enterprise Inc., Dynacard Co., and Taiwan Oasis Technology Co.

• Bonds

First Taisec Securities actively engaged in trading of government bonds, repurchase agreements and convertible bonds while building up its position in bonds. In summary, repurchase transactions totaled NT\$ 162,625 million, while outright purchases and sales of bonds reached NT\$2,879 million.

• Proprietary trading and research capabilities

First Taisec Securities' analysts continued to provide objective and insightful research for clients, and built its research capability specifically in the overall economy and industries to provide investment advice to proprietary traders. The proprietary trading reported a net gain of NT\$271 million on security trading.

• Transfer agency services

First Taisec Securities provides administrative and bookkeeping services for its underwriting clients, and expects to include registered shareholder base of First Financial Holding Co. and tap other large enterprises for its client base. As of end of 2005, it served 20 clients and revenue reached NT\$14 million.

- **New investment products**

First Taisec Securities issued a total of 26 warrants following the momentum in equity market. The company will continue to roll out new financial products based on its projections of market conditions.

- **Investment research**

For the year 2005, First Taisec Securities published 50 investment weeklies, 167 short takes, 77 industry research reports and 12 monthlies. It also leveraged its macroeconomic and other research views to produce investment advice and industry analyses on an irregular basis.

Outlook for 2006

First Taisec Securities has identified improving core profitability, developing alternative investment products and enhancing risk control and management as its priority objectives.

- **Stock brokerage**

It intends to advance its stock brokerage market share to 2.13% and increase its average margin lending balance to NT\$6 billion vs. NT\$5.33 billion from prior year.

- **Securities underwriting**

It plans to underwrite at least five securities offerings.

- **Bonds**

It expects to bolster its exposure to bonds as well as trade volume of bond options.

- **New investment products**

It plans to issue structured notes, develop a creation and redemption mechanism for exchange-traded funds (ETFs), and formulate convertible-bond arbitrage strategies.



National Investment Trust

	2005	2004
Total Assets	1,079	1,338
Total Equity	752	1,145
Net Income	(222)	241

in NT\$ mn
Non-consolidated figures

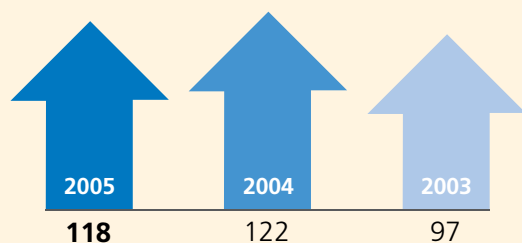
2005 in Summary

In 2005, National Investment Trust reported net revenue of NT\$528 million and operating expenses of NT\$294 million. After an extra NT\$ 417 million loss arising from disposals of structured notes held by NITC Bond Fund and NITC Taiwan Bond Fund, the company posted pretax loss of NT\$156 million and net loss of NT\$222 million.

As of end of 2005, National Investment Trust held assets of NT\$114.4 billion under management in public-offering funds, a 4% or NT\$4.7 billion decrease, ranking 4th among local asset-management outfits by size. National Investment Trust enjoyed above-average performance in terms of year-over-year changes in assets across its fund categories.

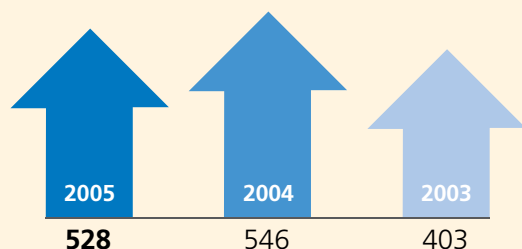
Asset Under Management

in NT\$ bn



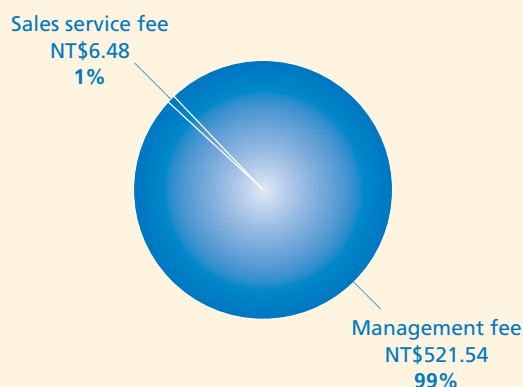
Revenue

Non-consolidated basis, in NT\$ m



Revenue Breakdown

Non-consolidated basis, in NT\$ mn



NITC's Asset Under Management

Fund type	Fund size in NT\$ mn	Year-over-year change %
Equity funds*	17.0	(13%)
Bond funds	97.4	(2%)
Total public-offering funds	114.4	(4%)
Private-placement funds	1.5	-
Funds under discretionary management	1.6	(51%)
Total asset under management	117.5	(1%)
Beneficiary owners	68,065	(17%)
Number of accounts under dollar-cost averaging programs	10,756	(6%)

*Including balanced fund

Overview of Local Mutual Fund Market

Fund type	Asset size in NT\$ bn	Year- over-year change %
Equity funds*	472.2	(7%)
Bond funds	1,334.6	(30%)
Total public-offering funds	1,963.1	(21%)
Private-placement funds	43.7	-
Funds under discretionary management	445.3	7%
Number of beneficiary owner	1,483,936	(13%)

*Including balanced fund

Developments of main operations are outlined as below:

• Fund raising

In the third quarter of 2005, a Dollar-denominated short-dated bond fund drew NT\$10.2 billion during the launch period while a private-placement fund raised NT\$2.5 billion. There were 4 sales campaign launched for stock and bond funds. In the fourth quarter, growth in sales of bond funds topped NT\$10.0 billion.

• Distribution channel

National Investment Trust signed up three more banks to distribute its designated trust funds, held 80 training sessions for fund brokers, and completed an intranet system to track channel visit records.

• Electronic trading

National Investment Trust, with 14,041 on-line customers, ranked among the top 10 asset-managers among peers. It recorded on-line purchase orders as many as nearly 2,000, with a turnover of approximately NT\$200 million in one single month. Incentive programs with discounted fee schedule on specific events and membership were

implemented to encourage electronic trading.

• Fund performance

NITC High Tech Fund posted a three-year total return of 129%, ranking No. 1 among the 35 local technology equity funds and 9th among the 156 local equity funds.

NITC Asian Technology Fund reported a one-year total return of 71.6%, standing at top of the 19 regional equity funds.

NITC Greater China Balanced Fund scored a one-year total return of 32.24%, winning 2nd place among the 45 local blend funds.

NITC Fortune Fund posted a two-year total return of 67.4%, ranking 24th among the 165 local equity funds.

Outlook for 2006

National Investment Trust will continue to launch new products supported by sister companies under the First Financial Group. It aims at becoming Taiwan's second largest asset manager by expanding market share in the private fund market as well as the government fund market. National Investment Trust has finalized the preparatory work for private fund sales, which is ready to launch at any time soon, and has planned to attract assignments from four major government-run funds in hope that its asset size under discretionary management to top NT\$10.0 billion shortly.

Consolidated Financial Statements

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- 26** Consolidated Balance Sheet
- 28** Consolidated Statement of Changes in Shareholders' Equity
- 30** Consolidated Statement of Cash Flow

Independent Auditor's Report

AUDIT REPORT OF INDEPENDENT ACCOUNTANTS

TO: The Board of Directors and Stockholders of First Financial Holding Co., Ltd. and Subsidiaries

We have audited the accompanying consolidated balance sheets of First Financial Holding Co., Ltd. (the "Company") and subsidiaries (collectively the "First Group") as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the First Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the certain consolidated subsidiaries, including First Taisec Securities Inc., Mingtai Fire & Marine Insurance Co., Ltd., National Investment Trust Co., Ltd. and its subsidiary, and the sub-subsidiary, First Commercial Bank (USA), for the year ended December 31, 2004. Financial statements of these subsidiaries were audited by other auditors whose reports had been forwarded to us and our opinion expressed herein, insofar as it related to these amounts included for these subsidiaries, is based solely on the reports of other auditors. The total assets of the consolidated subsidiaries audited by other auditors as of December 31, 2004 were \$41,331,155 thousand New Taiwan dollars, constituting 2.75% of total consolidated assets of the First Group. The operating revenues of such subsidiaries, excluding Mingtai Fire & Marine Insurance Co., Ltd., from January 1, 2004 to December 31, 2004 were \$2,647,484 thousand New Taiwan dollars, constituting 5.28% of consolidated operating revenues of the First Group. The related operating income of Mingtai Fire & Marine Insurance Co., Ltd. was recorded under the income from operations of discontinued segment.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the First Group as of December 31, 2005 and 2004, and the results of its consolidated operations and its consolidated cash flows for each of the years then ended, in conformity with the "Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies", "Guidelines Governing the Preparation of Financial Reports by Securities Issuers", "Guidelines Governing the Preparation of Financial Reports by Public Banks", "Guidelines Governing the Preparation of Financial Reports by Securities Firms", "Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants", "Insurance Law", "Guidelines Governing the Preparation of Financial Reports by Property and Casualty Insurance Companies", and generally accepted accounting principles in the Republic of China.

As described in Notes 1, 2 and 3 to the consolidated financial statements, the consolidated entities shall include subsidiaries, in accordance with the amended Statement of Financial Accounting Standards No.7 "Consolidated Financial Statements" in the Republic of China, effective January 1, 2005.

PricewaterhouseCoopers

March 29, 2006

The accompanying consolidated financial statements are not intended to present the consolidated financial position and results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices utilized in the Republic of China to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and audit report of independent accountants are not intended for uses by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

Consolidated Statements of Operations

FIRST FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)
 (AUDITED)

	For the years ended December 31,			
	2005		2004	
	Amount	%	Amount	%
Operating Revenues				
Interest income	\$ 39,451,849	74	\$ 36,847,957	73
Service income	4,704,207	9	4,404,543	9
Gain on issuance of call (put) warrants	176,829	-	25,501	-
Securities brokerage and underwriting commissions	909,552	2	862,136	2
Gain on trading of bills and securities	1,220,523	2	1,350,513	3
Income from long-term investments accounted for under the equity method	302,138	1	204,785	-
Foreign exchange gain	1,245,158	2	897,022	2
Mutual fund management and sale service fees	569,420	1	545,891	1
Other operating revenues	4,468,610	9	5,043,947	10
Total operating revenues	<u>53,048,286</u>	<u>100</u>	<u>50,182,295</u>	<u>100</u>
Operating Costs				
Interest expenses	(18,677,501)	(35)	(14,787,600)	(29)
Commission expenses	(7,529)	-	-	-
Service charges	(1,038,273)	(2)	(855,855)	(2)
Loss on trading of bills and securities	(144,130)	-	-	-
Loss on long-term investments accounted for under the equity method	(5,592)	-	(15,035)	-
Provisions for doubtful accounts	(4,340,313)	(8)	(7,130,307)	(14)
Other operating costs	(174,798)	(1)	(442,369)	(1)
Total operating costs	<u>(24,388,136)</u>	<u>(46)</u>	<u>(23,231,166)</u>	<u>(46)</u>
Gross Profit	<u>28,660,150</u>	<u>54</u>	<u>26,951,129</u>	<u>54</u>
Operating Expenses				
Business expenses	(15,814,050)	(29)	(14,637,384)	(29)
General and administrative expenses	(474,393)	(1)	(382,181)	(1)
Other operating expenses	(48,152)	-	(54,925)	-
Total operating expenses	<u>(16,336,595)</u>	<u>(30)</u>	<u>(15,074,490)</u>	<u>(30)</u>
Operating Income	<u>12,323,555</u>	<u>24</u>	<u>11,876,639</u>	<u>24</u>
Non-operating Income And Gain				
Interest income	44,652	-	3,099	-
Foreign exchange gain	472	-	13,183	-
Rental income	153,753	-	170,893	-
Investment income	47,383	-	57,612	-
Gain on disposal of assets	308,939	1	350,591	1
Other non-operating income and gain	591,110	1	405,154	1
Total non-operating income and gain	<u>1,146,309</u>	<u>2</u>	<u>1,000,532</u>	<u>2</u>
Non-operating Expenses And Losses				
Interest expenses	(249,491)	(1)	(62,123)	-
Loss on disposal of assets	(77,552)	-	(68,359)	-
Foreign exchange losses	-	-	(13,434)	-
Provisions for impairment losses	(28,843)	-	-	-
Other non-operating expenses and losses	(703,924)	(1)	(358,283)	(1)
Total non-operating expenses and losses	<u>(1,059,810)</u>	<u>(2)</u>	<u>(502,199)</u>	<u>(1)</u>
Consolidated Income From Continuing Operations Before Income Taxes	<u>12,410,054</u>	<u>24</u>	<u>12,374,972</u>	<u>25</u>
Income Tax Expenses	<u>(3,627,094)</u>	<u>(7)</u>	<u>(2,281,227)</u>	<u>(4)</u>
Consolidated Income From Continuing Operations After Income Taxes	<u>8,782,960</u>	<u>17</u>	<u>10,093,745</u>	<u>21</u>
Income from operation of discontinued operations before discontinuance (net of income taxes of \$0 and \$123,846)	265,114	-	203,809	-
Income from disposal of discontinued operations (net of income taxes of \$0)	5,127,310	10	-	-
Income From Discontinued Operations	<u>5,392,424</u>	<u>10</u>	<u>203,809</u>	<u>-</u>
Consolidated Net Income	<u>\$ 14,175,384</u>	<u>27</u>	<u>\$ 10,297,554</u>	<u>21</u>
Earnings Per Share				
Income From Continuing Operations	\$ 2.13	\$ 1.51	\$ 2.12	\$ 1.73
Income From Discontinued Operations	0.92	0.92	0.06	0.04
	<u>\$ 3.05</u>	<u>\$ 2.43</u>	<u>\$ 2.18</u>	<u>\$ 1.77</u>

Consolidated Balance Sheet

FIRST FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 DECEMBER 31, 2005 AND 2004
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
 (AUDITED)

ASSETS	December 31, 2005		December 31, 2004	
	Amount	%	Amount	%
Current Assets				
Cash and cash equivalents	\$ 38,497,514	3	\$ 29,862,151	2
Due from Central Bank and banks	120,145,748	8	140,921,053	9
Marketable securities	304,493,189	20	296,836,207	20
Receivables	32,374,110	2	39,715,092	3
Trading securities	18,243,150	1	24,182,729	2
Investments in bonds under resale agreements	3,296,071	-	1,101,580	-
Prepayments	854,939	-	1,190,003	-
Other current assets	804,838	-	208,578	-
Restricted assets	805,846	-	577,342	-
Total current assets	519,515,405	34	534,594,735	36
Loans, Bills Purchased And Discounted – Net	899,198,388	59	848,503,048	56
Long-term Investments				
Long-term investments accounted for under the equity method	1,939,404	-	1,873,104	-
Long-term investments accounted for under the cost method	9,662,244	-	11,368,298	1
Long-term bond investments	44,492,966	3	46,096,684	3
Real estate investments	-	-	906,918	-
Other long-term investments	13,631,567	1	6,311,760	-
Total long-term investments	69,726,181	4	66,556,764	4
Properties And Equipment				
Cost				
Land and land improvements	16,925,569	1	18,036,467	1
Buildings	8,181,117	1	8,738,003	1
Machinery and equipment	3,633,568	-	3,513,099	-
Transportation equipment	888,654	-	790,918	-
Other equipment	1,876,962	-	2,275,591	-
Leasehold improvements	873,887	-	879,775	-
Subtotal	32,379,757	2	34,233,853	2
Less: Accumulated depreciation	(7,646,611)	-	(7,485,847)	-
Construction in progress and prepayments for equipment	152,027	-	101,534	-
Properties and equipment – net	24,885,173	2	26,849,540	2
Intangible Assets	218,538	-	318,337	-
Other Assets				
Non-operating assets – net	8,262,968	-	8,483,683	1
Other assets – net	2,513,134	-	3,284,914	-
Deferred expenses	11,123,411	1	13,936,578	1
Total other assets	21,899,513	1	25,705,175	2
Debit Items For Securities Consignment Trading – Net	-	-	13,906	-
TOTAL ASSETS	\$1,535,443,198	100	\$1,502,541,505	100

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Current Liabilities				
Short-term borrowings	\$ 989,250	-	\$ 850,260	-
Commercial paper payable	1,967,527	-	2,180,876	-
Payables on bonds under repurchase agreements	17,395,508	1	21,067,655	1
Liabilities for issuance of call (put) warrants – net	170,907	-	980	-
Derivative financial instrument liabilities – OTC	42,337	-	54,824	-
Due to Central Bank and banks	102,568,685	7	101,852,426	7
Payables	51,852,204	4	51,345,869	4
Collections in advance	1,071,100	-	1,349,949	-
Other current liabilities	859,535	-	64,623	-
Total current liabilities	176,917,053	12	178,767,462	12
Financial Bonds Payable	59,300,000	4	59,300,000	4
Deposits And Remittances	1,190,089,604	77	1,155,661,685	77
Funds Borrowed From Central Bank And Banks	233,168	-	194,541	-
Long-term Liabilities	14,741,877	1	18,568,032	1
Other Liabilities	2,780,448	-	11,883,907	1
Credit Items For Securities Consignment Trading – Net	47,351	-	-	-
TOTAL LIABILITIES	1,444,109,501	94	1,424,375,627	95
STOCKHOLDERS' EQUITY				
Capital Stock				
Common stock	58,265,287	4	55,490,750	4
Additional Paid-In Capital				
Paid-in capital in excess of par value	13,045,278	1	13,045,278	1
Long-term equity investments	2,678,832	-	(258,600)	-
Other additional paid-in capital	170	-	-	-
Retained Earnings				
Legal reserve	1,029,755	-	-	-
Special reserve	269,956	-	-	-
Unappropriated earnings	16,123,162	1	10,279,209	-
Equity Adjustments				
Unrealized loss on long-term equity investments	-	-	(71,107)	-
Cumulative translation adjustments	(78,743)	-	(132,589)	-
Net loss not recognized as pension cost	-	-	(187,063)	-
TOTAL STOCKHOLDERS' EQUITY	91,333,697	6	78,165,878	5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,535,443,198	100	\$1,502,541,505	100

Consolidated Statements of Changes in Shareholders' Equity

FIRST FINANCIAL HOLDING CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(AUDITED)

	Additional Paid-In Capita				
	Common stock	Paid-in capital in excess of par value	Treasury stock transactions	Long-term equity investments	Other additional paid-in capital
For The Year Ended December 31, 2004					
Balance, January 1, 2004	\$ 55,490,750	\$ 24,340,580	\$ 19,659	(\$136,995)	\$ -
Accumulated deficits of the prior years recovered	-	(11,295,302)	(19,659)	-	-
Bonuses of employees distributed by subsidiaries	-	-	-	-	-
Adjustments of additional paid-in capital accounted for under the equity method	-	-	-	(121,605)	-
Adjustments of unrealized loss on long-term equity investments accounted for under the equity method	-	-	-	-	-
Adjustments of cumulative translation adjustments accounted for under the equity method	-	-	-	-	-
Adjustments of net loss not recognized as pension cost accounted for under the equity method	-	-	-	-	-
Consolidated net income for 2004	-	-	-	-	-
Balance, December 31, 2004	<u>\$ 55,490,750</u>	<u>\$ 13,045,278</u>	<u>\$ -</u>	<u>(\$ 258,600)</u>	<u>\$ -</u>
For The Year Ended December 31, 2005					
Balance, January 1, 2005	\$ 55,490,750	\$ 13,045,278	\$ -	(\$ 258,600)	\$ -
Distribution of 2004 unappropriated earnings					
Stock dividends	2,774,537	-	-	-	-
Legal reserve	-	-	-	-	-
Special reserve	-	-	-	-	-
Employee bonuses	-	-	-	-	-
Remuneration of Directors and Supervisors	-	-	-	-	-
Cash dividends	-	-	-	-	-
Adjustments of additional paid-in capital accounted for under the equity method	-	-	-	2,937,432	-
Adjustments of unrealized loss on long-term equity investments accounted for under the equity method	-	-	-	-	-
Adjustments of cumulative translation adjustments accounted for under the equity method	-	-	-	-	-
Adjustments of net loss not recognized as pension cost accounted for under the equity method	-	-	-	-	-
Fractional dividends classified as other additional paid-in capital	-	-	-	-	170
Consolidated net income for 2005	-	-	-	-	-
Balance, December 31, 2005	<u>\$ 58,265,287</u>	<u>\$ 13,045,278</u>	<u>\$ -</u>	<u>\$ 2,678,832</u>	<u>\$ 170</u>

Retained Earnings			Unrealized loss on long-term equity investments	Cumulative translation adjustments	Net loss not recognized as pension cost	Total
Legal reserve	Special reserve	Unappropriated earnings (accumulated deficits)				
\$ 698,553	\$ 274,018	(\$ 12,287,532)	(\$ 63,324)	\$ 60,635	(\$ 57,480)	\$ 68,338,864
(698,553)	(274,018)	12,287,532	-	-	-	-
-	-	(18,345)	-	-	-	(18,345)
-	-	-	-	-	-	(121,605)
-	-	-	(7,783)	-	-	(7,783)
-	-	-	-	(193,224)	-	(193,224)
-	-	-	-	-	(129,583)	(129,583)
-	-	10,297,554	-	-	-	10,297,554
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,279,209</u>	<u>(\$ 71,107)</u>	<u>(\$ 132,589)</u>	<u>(\$ 187,063)</u>	<u>\$ 78,165,878</u>
\$ -	\$ -	\$ 10,279,209	(\$ 71,107)	(\$ 132,589)	(\$ 187,063)	\$ 78,165,878
-	-	(2,774,537)	-	-	-	-
1,029,755	-	(1,029,755)	-	-	-	-
-	269,956	(269,956)	-	-	-	-
-	-	(5,399)	-	-	-	(5,399)
-	-	(89,978)	-	-	-	(89,978)
-	-	(4,161,806)	-	-	-	(4,161,806)
-	-	-	-	-	-	2,937,432
-	-	-	71,107	-	-	71,107
-	-	-	-	53,846	-	53,846
-	-	-	-	-	187,063	187,063
-	-	-	-	-	-	170
-	-	14,175,384	-	-	-	14,175,384
<u>\$ 1,029,755</u>	<u>\$ 269,956</u>	<u>\$ 16,123,162</u>	<u>\$-</u>	<u>(\$ 78,743)</u>	<u>\$ -</u>	<u>\$ 91,333,697</u>

Consolidated Statements of Cash Flow

FIRST FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(AUDITED)

	For the years ended December 31	
	2005	2004
Cash flows from operating activities		
Consolidated net income	\$ 14,175,384	\$ 10,297,554
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:		
Depreciation	1,064,366	947,748
Amortization	164,682	135,539
Income from operation of discounted operations before discontinuance	(265,114)	-
Income from disposal of discontinued operations	(5,127,310)	-
Provision for doubtful accounts	4,333,881	7,130,385
Provision for securities business reserves	3,483	25,433
Gain on disposal of short-term investments	-	(10,224)
Gain on sales of mortgage loans under securitization	-	(5,203)
Loss on permanent declines in value for long-term investments	-	385,284
Income from the long-term investments accounted for under the equity method and other investments	(276,092)	(536,125)
Cash dividends from investee companies accounted for under the equity method	130,853	173,169
Gain on disposal of properties and equipment	(226,280)	(260,588)
Properties and equipment reclassified as expenses	712	-
Provisions for impairment losses	28,843	-
Discount amortization on long-term borrowings	(8,542)	-
Unrealized gain on derivative financial instruments	-	(26,015)
Loss (gain) on disposal of other assets	7,133	(1,112)
Gain on disposal of long-term investments	(130,850)	(56,105)
Unrealized gain on recovery in market value for short-term investments	-	(80,856)
Reserve for business loss reserves (including various other reserves)	1,038,988	-
Reversal of various reserves	(37,209)	-
Changes in assets and liabilities		
Trading securities	5,939,579	(5,832,449)
Investments in bonds under resale agreements	(2,194,491)	4,438,453
Marketable securities for trading purposes	(8,841,257)	(34,123,862)
Receivables	6,019,870	5,819,874
Other current assets	(609,695)	117,969
Prepayments	319,990	(61,240)
Miscellaneous assets	2,781,938	1,707,298
Payables	1,758,522	(4,793,408)
Liabilities for issuance of call (put) warrants	337,150	(34,102)
Miscellaneous liabilities	(265,059)	(624,951)
Derivative financial instrument liabilities-OTC	(12,487)	-
Revaluation of derivative financial instruments-net	(247,970)	58,039
Accrued pension liabilities	(538,017)	270,925
Repurchase of issued call (put) warrants	(167,223)	-
Other current liabilities	842,887	58
Debit or credit items for securities consignment trading	61,257	(17,404)
Net cash provided by (used in) operating activities	<u>20,061,922</u>	<u>(14,955,916)</u>

	For the years ended December 31	
	2005	2004
Cash flows from investing activities		
Decrease in due from Central Bank and banks	20,775,305	2,317,039
Increase in restricted assets	(228,504)	(40,684)
(Increase) decrease in loans, bills purchased and discounted	(55,185,257)	5,417,387
Proceeds from sales of mortgage loans under securitization	-	4,572,697
Increase in long-term investments	(6,978,682)	(7,631,841)
Purchase of properties and equipment, and non-operating assets	(916,756)	(969,296)
Proceeds from sales of properties and equipment	307,105	351,086
Purchase of intangible assets	(89,129)	(87,352)
Proceeds from sales of long-term investments	876,982	422,179
Proceeds from disposal of discontinued operations	8,376,495	-
Decrease (increase) in other assets	309,576	(33,925)
Net cash (used in) provided by investing activities	<u>(32,752,865)</u>	<u>4,317,290</u>
Cash flows from financing activities		
Remuneration paid to Directors and Supervisors, and bonuses paid to employees	(\$ 95,377)	(\$ 7,525)
Increase (decrease) in due to Central Bank and banks	716,259	(22,277,798)
(Decrease) increase in payables on bonds under repurchase agreements	(3,672,147)	13,080,350
Increase (decrease) in short-term borrowings	88,990	(423,680)
(Decrease) increase in commercial paper payable	(213,349)	687,593
Increase in bond issuance expenses	-	(1,650)
Increase in deposits and remittances	34,427,919	12,622,949
Increase in funds borrowed from Central Bank and banks	38,627	17,576
Increase in financial bonds payable	-	4,000,000
Increase in long-term liabilities	224,030	4,933,724
Decrease in other liabilities	(196,635)	(102,469)
Cash dividends paid	(4,160,981)	-
Net cash provided by financing activities	<u>27,157,336</u>	<u>12,529,070</u>
Net effect of foreign exchange rate changes on cash and cash equivalents	<u>310,769</u>	<u>184,553</u>
Net cash provided by new consolidated subsidiaries	<u>169,678</u>	<u>-</u>
Net cash (used in) provided by discontinued operations	<u>(6,311,477)</u>	<u>652,505</u>
Net increase in cash and cash equivalents	<u>8,635,363</u>	<u>2,727,502</u>
Cash and cash equivalents at beginning of period	<u>29,862,151</u>	<u>27,134,649</u>
Cash and cash equivalents at end of period	<u>\$ 38,497,514</u>	<u>\$ 29,862,151</u>
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	<u>\$ 17,959,700</u>	<u>\$ 14,985,075</u>
Cash paid during the period for income taxes	<u>\$ 1,487,906</u>	<u>\$ 1,109,075</u>
Cash flow affected partially from financing activities		
Cash dividends distributed	\$ 4,161,806	\$ -
Less: Increase in cash dividends payable	(655)	-
Fractional dividends classified as other additional paid-in capital	(170)	-
Cash dividends paid	<u>\$ 4,160,981</u>	<u>\$ -</u>

Milestones of FFHC

2003

- **January 2** FFHC was established through a share swap with First Commercial Bank.
- **March 28** FFHC announces to acquire First Taisec Securities, National Investment Trust & Mingtai P&C Insurance.
- **July 23** FFHC raised NT\$ 17.3 billion by issuing 48,837,080 GDRs at US\$ 10.30 per share, the first-ever GDR financing in Taiwan financial industry.
- **July 31** FFHC completed the acquisition of First Taisec Securities, National Investment Trust & Mingtai P&C Insurance.

2004

- **May 24** FFHC announces to establish 3 wholly-owned subsidiaries-First Financial AMC, First Venture Capital & First Financial Consulting.
- **May 31** FFHC established a wholly-owned Financial AMC Subsidiary.
- **June 2** FFHC established a wholly-owned Venture Capital Subsidiary.
- **June 10** FFHC established a wholly-owned Financial Consulting Subsidiary.
- **June 23** FFHC issued first unsecured subordinated debt of NT\$ 5 billion.
- **July** FFHC promoted organizational reform to foster a sales-oriented and a customer-centric group. At the bank level, six business units and five centers were formed including Corporate Banking BU, SME Banking BU, Affluent Banking BU, Mass Market BU, Consumer Banking BU, Financial Markets BU; Risk Management Center, Finance and General Administration Center, Operation Management Center, Strategy Center as well as Information Technology Center.
- **September 16** FFHC establishes a wholly-owned P&C Insurance Agency Subsidiary.



2005

- **April 22** FFHC announces to sell of Mingtai P&C Insurance Subsidiary.
- **September 2** FFHC completed the sale of Mingtai P&C Insurance Subsidiary.

2006

- **April** FFHC modified new organizational structure in responses to customers needs at the bank level. 6 business units were integrated into 5 and five centers were consolidated into 3. They are Corporate Banking BU, Consumer Banking BU, Personal Banking BU, Operation Management BU, Financial Markets BU, Risk Management Center, General Administration Center and Information Technology Center.

Shareholder Information

Headquarters

First Financial Holding Co., Ltd.

18F, 30 Chung King S Rd., Sec. 1
Taipei 100, Taiwan
Phone (886 2) 2311 1111
www.firstholding.com.tw

First Commercial Bank

30, Chung King S Rd., Sec. 1
Taipei 100, Taiwan
Phone (886 2) 2348 1111
www.firstbank.com.tw

First Taisec Securities Inc.

6th Floor, No. 29, Sec. 1, An Ho Road
Taipei 106, Taiwan
Phone (886 2) 2741 3434
www.ftsi.com.tw

National Investment Trust Co., Ltd.

7F, 6 Min Chuan E. Rd., Sec. 3,
Taipei 104, Taiwan
Phone (886 2) 2504 1000
www.nitc.com.tw

First Financial Assets management Co., Ltd.

7F, 94 Jhong Siao E. Road, Sec. 2,
Taipei 100, Taiwan
Phone (886 2) 3343 7000

First Venture Capital Co., Ltd.

9F, 30 Chung King S Rd., Sec. 1
Taipei 100, Taiwan
Phone (886 2) 2348 4981

First Financial Management Consulting Co., Ltd.

9F, 30 Chung King S Rd., Sec. 1
Taipei 100, Taiwan
Phone (886 2) 2348 4982

First Property and Casualty Insurance Agency Co., Ltd.

9F, 30 Chung King S Rd., Sec. 1
Taipei 100, Taiwan
Phone (886 2) 2348 4277

Common Share

The common stock of FFHC is listed on the Taiwan Stock Exchange.

Ticker Symbol: 2892

Global Depositary Receipt (GDR)

The GDR of FFHC is listed on the Luxembourg Exchange.

ISIN No.: US32021V1098

Common Code: 017339818

Annual Shareholders' Meeting

Friday, June 9, 2006, 9:00 a.m.
Auditorium level, 30 Chung King S Rd., Sec. 1
Taipei 100, Taiwan

Independent Auditor

Pricewaterhouse Coopers
27F, 333 Keelung Rd., Sec. 1
Taipei 110, Taiwan
Phone (886 2) 2729 6666

Common Share Transfer Agent & Registrar First Commercial Bank

Shareholder Service Department, Trust Division
Personal Banking Business Unit
42 Yen Ping S. Rd., Taipei 100, Taiwan
Phone (886 2) 2348 1137 ~ 1141

GDR Depositary Bank

Citibank, N.A.
388 Greenwich Street, 14th Floor
New York, NY 10013, U.S.A.
Phone (1) 888 250 3985
www.citissb.com/adr/www

Investor Relations

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General information about the company and the financial statements can be obtained online at www.firstholding.com.tw

www.firstholding.com.tw

This English - language version of the FFHC Annual Report 2005 is a selective translation and rewritten of the original Chinese Annual Report 2005. This is not a binding document. In the event of a conflict in interpretation, reference should be made to the Chinese version, which is the authentic text. Both English and Chinese Annual Report 2005 can be accessed by visiting the Investor Relations section of the FFHC's website at www.firstholding.com.tw.

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