

2004 ANNUAL REPORT

FUBON COMMERCIAL BANK

Fubon Commercial Bank and TaipeiBank have been officially merged into Taipei Fubon Commercial Bank on January 1, 2005

169, Sec. 4, Jen Ai Road,
Taipei, Taiwan
Tel: (02) 2771-6699

1. Spokesperson

Name : Tien-Hsia Chang

Title : Chief Financial Officer

Tel : (886) 2-2771-6699

E-mail : tienhsia.chang@taipeifubon.com.tw

Acting Spokesperson

Name : Daniel Chen

Title : Chief Strategy Officer

Tel : (886) 2-2771-6699

E-mail : daniel.chen@taipeifubon.com.tw

2. Contact Information – Corporate Headquarters and Branches

Please see page14

3. Stock Registration Agent

Name : Fubon Securities Co., Ltd.

Address : 2F, 17, Hsu-Chang St., Taipei, Taiwan, R.O.C.

Tel : (886) 2-2381-0131

Website : www.fbs.com.tw

4. Credit Rating Institution

Name : Taiwan Ratings Corporation

Address : 23F, 100, Sec. 2, Roosevelt Rd., Taipei, Taiwan, R.O.C.

Tel : (886) 2-2368- 8277

Website : www.taiwanratings.com

5. Certified Public Accountants for Fiscal Year 2004

CPAs : Ray Chang, Terence Huang

Company : Deloitte & Touche

Address : 12F, 156, Sec. 3, Min-Sheng E. Rd., Taipei, Taiwan, R.O.C.

Tel : (886) 2-2545-9988

Website : www.deloitte.com.tw

6. Exchange Houses where Overseas Securities are Listed : None

7. Website

www.taipeifubon.com.tw_____

Table of Contents

Item	Page
I. Message to Shareholders	3
II. Corporate Profile	4
1. Introduction	4
2. Organizational Structure	5
III. Business Operations	7
1. Business Information	7
2. Business Strategy and Business Plans for 2005	9
3. Research and Development Plans	11
4. Employees Structure	11
IV. Special Notes	12
1. Dividend Policy and Status of Execution	12
2. Implementation of the Internal Controls System	13
V. Headquarters and Branches of Taipei Fubon Commercial Bank	14
<Appendix 1> Annual Financial Reports for 2004 and 2003	22
<Appendix 2> Consolidated Financial Reports for 2004 and 2003	70

I. Message to Shareholders

In respect to the Year 2004 operation, Fubon Commercial Bank dedicated most of its effort to make the first full-scale integration between Taipei Bank, a large government-owned bank and the private bank successfully; even so, it still kept the new products innovated and profitability sustained, recording pre-tax income at NT\$5.2 billion and after-tax earnings per share at NT\$1.95.

Fubon Commercial Bank and Taipei Bank have very different strengths and historical backgrounds. Fubon Commercial Bank focusd on wealth management and consumer banking, Taipei Bank expertized in corporate banking and government banking. Through mutual support and further cooperation, the merger effectively offers better back up and support to each side. The organizational structure and information systems of both banks have been integrated efficiently and effectively. Meanwhile, the merger synergy realized gradually.

First, ongoing launch programs were introduced for comprehensive product lines including creative and well-packed mortgages and consumer loans to fulfill consumers' needs / wants in the consumer banking field. Actually those have proved popular, enabling the business to grow around 21% and exceeding approximately the outstanding balance NT\$24 billion in the consumer loan business.

In addition, when comparing the number of wealth management clients the Bank served last year, customer base rose over 10% in 2004. Yield coming from products cross-selling rose 23.3%, while returns in bancassurance area grew 43.2%.

Besides cooperating with other subsidiaries of Fubon Financial Holding Co., Ltd. to develop project financing technologies and provide customized financial planning services for the jumbo corporate accounts, the Bank tapped SME business thru SMBCGF program.

Based on Fubon Commercial Bank's strong operations performed and asset quality maintained, Taiwan Ratings Corporation in December 2004 issued it long-term and short-term credit ratings of "twAA" and "twA-1" respectively, with a "stable" outlook and noted that the Bank's profitability has increased over the past two years in part due to better-than-average marginal net income and commissions from wealth management.

After completion of the merger with Taipei Bank on January 1, 2005. The Bank will undergo a capital reduction of NT\$10 billion. This will not pose any negative effect to the bank's capital health. Rather, maintaining the same level of profits, the Bank's ROE and EPS will effectively improve, providing a positive impact on the Bank's operations after the merger. The Financial Supervisory Commission of the Executive Yuan has approved the capital reduction, which will be completed during 2005.

To expand sales capability, offer completed product lines including banking, as well as insurance, brokerage and asset management products and deliver comprehensive financial services to all of our customers, Taipei Fubon Bank has reengineered the organization and business process into a customer-driven entity. Not only does the Bank become the private domestic bank with the largest network of branches and the highest market share in the Taipei area but also serves as Fubon Financial's most powerful cross-selling platform. Following innovation, one of the driving forces of Fubon, the Bank will continue to strive for excellence in strategies planning, products offering and service quality improving, utilize Fubon Bank (Hong Kong) platform to develop Greater China business and participate in industry consolidation to enlarge operating scale and then maximizing shareholders' values.

II. Corporate Profile

1. Introduction

(1) Date of Establishment :

Fubon Commercial Bank (FCB) was established on August 1, 1991 by Ministry of Finance Order Tsai Tzu No. 800278066.

(2) History of Development

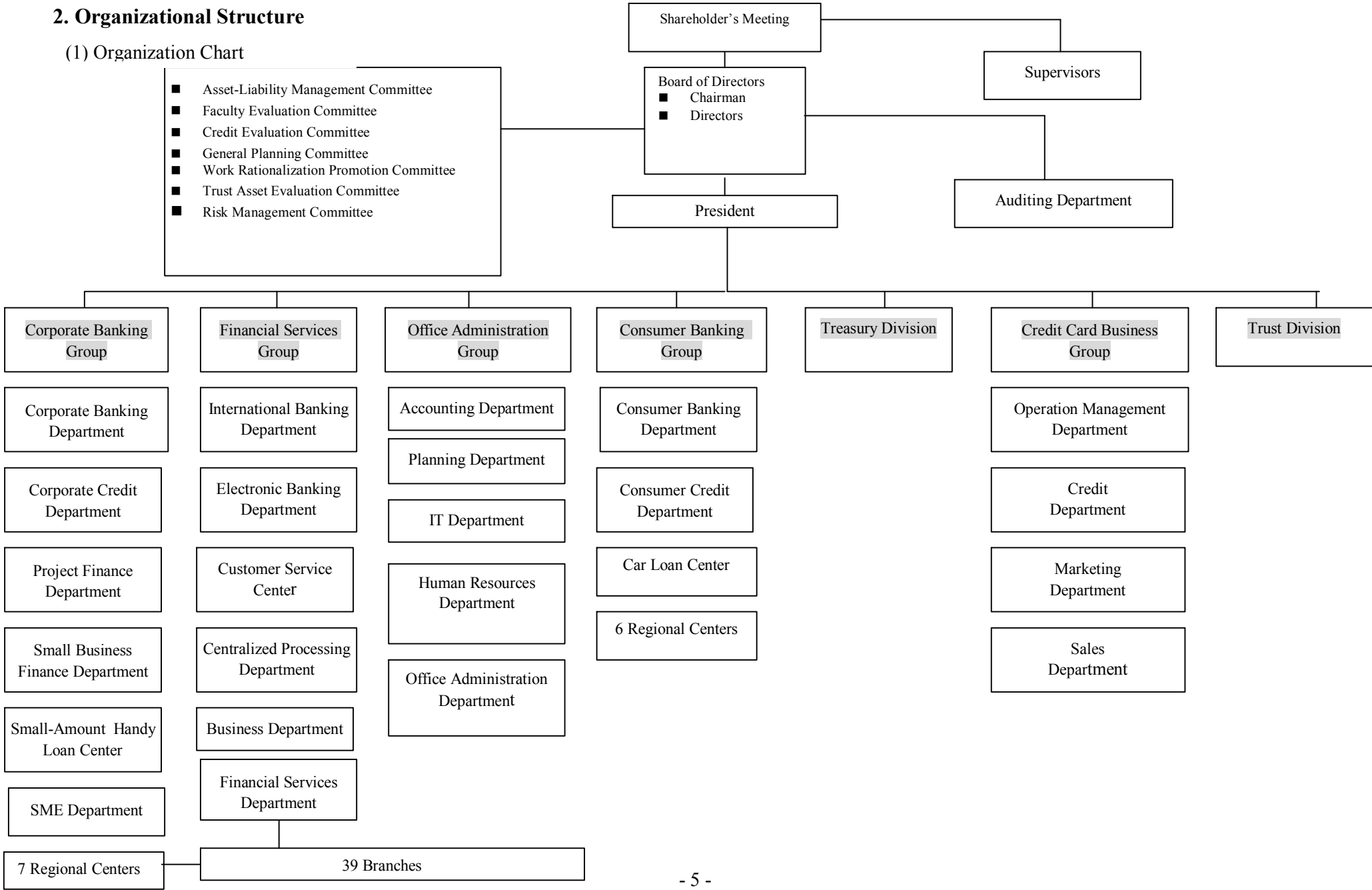
Established in 1991, Fubon Commercial Bank provides all kind of financial services approved by the Banking Law. On December 29, 2001, Fubon Financial Holding Co., Ltd. obtained 100% of the outstanding shares of the Bank through a share swap and the Bank's stock was delisted from the Taiwan Stock Exchange on the same date.

Taipei Bank began operating under the Fubon FHC umbrella on December 23, 2002. At the beginning it has maintained operations alongside Fubon Commercial Bank as an independent entity. However, in order to preserve the brand position and strengths of both parties, as well as minimizing potential repercussions, Fubon FHC then decide to merge two banks through actively integration of information systems, workflow, organization and staff.

After two years of intensive preparation, Fubon Commercial Bank and Taipei Bank were officially merged into Taipei Fubon Commercial Bank on Jan. 1, 2005. The integration of two banks marked the first and only successful full-scale merger of operations between a large government-owned bank and an accomplished private bank in Taiwan. The move will not only help Fubon FHC expand its earnings potential but also achieve a milestone in Taiwan financial merge history.

2. Organizational Structure

(1) Organization Chart



(2) Board Members and Supervisors

Title	Name	Representing Organization	Education & Background	Date Elected	Term
Chairman	Daniel . Tsai.	Fubon Financial Holding Co.	Graduate School of Law, Georgetown University, USA Chairman, Fubon Insurance Vice Chairman, TAIPEIBANK	26/07/04	Till the expiration of the current term
Director	Chuan-Hsi , Wang	Fubon Financial Holding Co.	Dept. of Mathematics, Tamkang University Chairman, Fubon Direct.	07/01/02	3 yrs
Director	James, Wu	Fubon Financial Holding Co.	MBA, University of Missouri, USA Chairman, Fidelity investments Taiwan	29/04/03	Till the expiration of the current term
Director	Bang-Jen, Liu	Fubon Financial Holding Co.	Dept. of Accounting & Statistics, Cheng Kung University Vice President, Huanan Bank	07/01/02	3 yrs
Director	Chao-Yang, Kao	Fubon Financial Holding Co.	National Taiwan University, Law Department Manager, Taiwan Small-Medium Commercial Bank	15/08/03	Till the expiration of the current term
Supervisor	Chia-Chen, Lin	Fubon Financial Holding Co.	Dept. of Economics Taiwan University Chairman, Fubon Bills Financial Co. Ltd.	07/01/02	3 yrs
Supervisor	Ruey-Chang , Hu	Fubon Financial Holding Co.	Dept. of Business, Taiwan University Executive Vice President, Fubon Commercial Bank Co. Ltd	15/0803	Till the expiration of the current term

(3) 10% or More Shareholdings of Institutional Shareholder Representatives, Directors, Supervisors & Top 10 Shareholders

Institutional Shareholders	Top 10 Shareholder whose total investments account for more than 10% of total shares
Fubon Financial Holding Company	Taipei City Government 、Ming Tong Co. ,

III. Business Operations

1. Business Information

(1) Breakdown of Total Revenues

Unit : %

Item	2004	2003
Wealth Management	18.91	19.42
Loans	33.73	26.77
Credit Card	28.91	27.61
Others	18.45	26.20
Total	100.00	100.00

(2) Business Performance

(A) Wealth Management

Platinum account officers and personal bankers in each branch offer asset portfolio advice based on customers' financial needs, tax considerations, and the abilities to assume risk. The innovative product portfolios and highly efficient services put the Bank ahead of its counterparts and strengthen its brand name in the wealth management market. At the end of 2004, the total fee income grew 22.41%.

The Bank seeks to provide tailor-made products for its customers. To offer distinct service, the Bank divided customers into Platinum and Normal customers based on their asset size and are served by PA and PB, respectively.

The Bank maintains cooperative relationships with strategic partners McDonald's and Fubon Insurance. This has resulted in many sales promotion projects, helping to raise the volume of automated services. In addition, in order to ensure the smooth progress of the merger with Taipei Bank, the Bank began moving automation hardware to Taipei Bank in May 2004. Hardware in the IC ATM Cards program has been upgraded.

(B) Consumer Banking

In 2004, the Bank posted substantial growth over 2003 in consumer banking according to the policy of providing customized products and the introduction of various loan products. In the consumer loan business, the Bank expanded the scale by initiating segment-oriented product offering for various targets; in the mortgage business, following the product strategy focusing on "Fixed Rate Mortgages" in Year 2003, the Bank primarily reached low risk clients with stable incomes by launching the third wave "Fixed Rate Mortgage-Platinum Campaign" and introduced innovative "100% Mortgage" to the customers with a reliable repayment history.

(C) Corporate Banking

In recent years, the Bank focuses on planning customized financial products and stressing marketing in order to provide more comprehensive financial services. Besides providing the suitable financial service for core corporate customers, the Bank also designs appropriate structure financial products and derivatives to avoid interest and exchange risks. In addition, joint with SMBCG fund.

Banking services in Greater China market become more and more important. The Bank will use Hong Kong affiliate, Fubon Bank(Hong Kong), as a spring board to develop Greater China market. In 2004, the Bank executed several business partnerships with Fubon Bank(Hong Kong). In particular, the “Hong Kong-Taiwan Rapid Remittance” program was launched at the end of the year which provide clients much better remittance services.

(D) Credit Card business

The Bank launched co-branded card initiatives to acquire more potential clients and held usage activities to bolster customer loyalty in 2004. Simultaneously, the Bank offered more tailor-made products and services via event-driven technologies. In the end of 2004, the Bank was among the top five in market share for platinum cards and grew 11.18% in the charges made while comparing with ones in 2003.

To reward cardholders for their patronage, on December 25, 2004, the Bank increased travel accident insurance and insurance coverage of flight delay and baggage delay or loss for cardholders, established a cardholder’s’ travel service center and continued to integrate its customer service system, helping to raise service quality.

(E) Treasury

In an effort to provide clients with a more comprehensive product line and customized financial planning services, the Bank remains committed to expanding and developing derivatives products. While merging with Taipei Bank, the Bank will continue to apply for licenses to issue more market-oriented products, further fulfilling the varied customers’ needs.

(F) Trust

The assets under the custody of the Bank consisted of domestic mutual funds, discretionary investment assets, business operation funds, stock owned by venture capital company and marketable securities certificates owned by of securities and bills finance company.

Due to changes in the economic environment and amendments in Trust Laws, more and more clients are seeking to have diversified trust products. As a result, the Bank has launched various individual management trust services, such as pecuniary trust, securities trust and real estate trust. The business volume of all such trust products grew sharply from 2003. In the future, the Bank will look at various trust products overseas in an effort to develop individual and juristic trust products suitable for Taiwan.

2. Business Strategy and Business Plans for 2005

(1) Business Strategy

- (A) Grow corporate and consumer loans
- (B) Grow credit card portfolio
- (C) Realize potential in wealth management business
- (D) Growth other fee-based business
- (E) Realize cost savings
- (F) Improve operating efficiency
- (G) Prudent credit and market risk control
- (H) Develop greater Chinese business together with Fubon Bank (Hong Kong)

(2) Business Plans

(A) Wealth Management

- 1) Continue to cross sell products including banking, as well as insurance and asset management merchandises and deliver comprehensive financial services.
- 2) Build up Wealth Management RM System and offer tailor-made financial recommendations.
- 3) Speed up the switch move on IC ATM Card and promote the combined-function of IC ATM Card and Visa Debit.
- 4) Renovate the branches to unify the brand image and embellish the distribution channels' appearance.

(B) Consumer Banking

- 1) Innovate consumer-oriented loan products under the guideline, "decentralization, segmentation and timeliness".
- 2) Enforce the marketing function by offering extensive training session, deploying more branch sales force and simplifying the workflow.
- 3) Exercise the CRM technology to shoot the target customers precisely by fully tapping the data warehouse resources.
- 4) Review the customers' business status and loan quality regularly and adjust pricing and loan approval policy timely.

(C) Corporate Banking

- 1) Develop capital market and investment banking services apart from traditional loan business.

- 2) Further explore SME business through “Small and Medium Business Credit Guarantee Fund”.
 - 3) Upgrade trade finance products and offer E-payment services over Greater China Area.
 - 4) Improve the operation efficiency through digitized application process.
- (D) Credit Card business
- 1) Keep on focusing acquisition by issuing affinity card and co-branded card.
 - 2) Strengthen platinum cards market penetration through market campaigns.
 - 3) Initiate ore usage promotional programs to promote client loyalty.
 - 4) Systematize the collection process to follow up customers’ liquidity more efficiently.
- (E) Treasury
- 1) Adopt more flexible trade strategies to control market risk.
 - 2) Gradually strengthen sales-oriented operations and raise the percentage of handling fee income.
 - 3) Improve capital efficiency and lower costs.
- (F) Trust
- 1) Promote and develop collective investment trust funds business.
 - 2) Further penetrate trust business including personal trusts, as well as securities trusts, real estate trusts, charitable trusts, employees benefit trusts and pension trusts.
 - 3) Exploit the securitization business.

3. Research and Development Plans

(1) R&D Spending for the Past Two Years

Unit : NT\$1,000

Item	2004	2003
R & D Spending	14,130	18,021

(2) Research and Development Plans

(A) Strengthening the Marketing Management System

Besides using data warehouse systems to grasp client profiles and trading habits as a reference for marketing decision, the Bank completed the construction of marketing management system in 2004. This system will initiate, administer and execute marketing activities more independently. Able to hone in on client trading behavior, it will rapidly provide clients with relevant products and services to satisfy their financial needs. Due to the operation of the marketing management system, the Bank's marketing model takes client needs as its guiding principle. Not only does it speed up marketing responses, improve response rates and improve client loyalty, it also increases the Bank's income and profit.

(B) Chip Card

According to the regulations of Visa International and MasterCard International, new credit cards in Taiwan will be issued in the form of chip cards from January 2006. Meanwhile, the chip card migration steering committee of the Bankers Association of the ROC has resolved that in order to accelerate the installation of the chip card terminals, the IRF for credit cards (the ratio between the issuing banks and acquiring banks) will be lowered by 0.0442% for 4 year to subsidize the acquiring banks, the transaction fee rate allocated to the issuing banks will be cut to 1.5058%, down from the existing 1.55%, so as to subsidize the acquiring banks. In July 2003, a project management office (PMO) for the chip card migration was established to push for the smooth conversion to credit chip cards. The PMO is backed by an NT\$60 million fund, to be shared by member banks according to the value of the customer transaction. Our bank plans to install the related systems in 2005 and then adopt the marketing strategy to issue credit chip-cards at a proper time.

4. Employees Structure

Year		2004	2003	As on April 8, 2005
Number of employees	Staff	1,695	1,451	4,520
	Workers	625	509	289
	Total	2,320	1,960	4,809
Average age (years)		31.10	32.01	33.26
Average tenure (years)		9.00	9.05	7.46
Education level	Graduate or higher	5.68%	5.31%	4.89%
	College/University	82.2%	80.26%	84.15%
	Senior high school	12.03%	14.33%	10.83%
	Below senior high	0.09%	0.10%	0.13%

Note : The number of employees on April 8, 2005 is combined.

IV. Special Notes

1. Dividend Policy and Status of Execution

(1) Dividend Policy

The board of directors authorized by the shareholders amended the Bank's Articles of Incorporation on March 22, 2002. This amendment provides that the following should be appropriated from the annual net income, less any deficit:

- 1) 30% as legal reserve;
- 2) 1% to 5% of the remaining earnings as employee bonus;
- 3) Dividends to shareholders of all or part of the remainder and unappropriated earnings generated in prior years as determined by the board of directors.

Under the Company Law, legal reserve should be appropriated until the reserve equals the paid-in capital. This reserve should only be used to reduce or offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital up to 50% thereof may be declared as stock dividend. The Banking Law limits the appropriation for cash dividend, and any additional dividends to shareholders are limited to 15% of the Bank's paid-in capital.

(2) Status of Execution

In 2004, the board of directors resolved the appropriation of the 2003 Cash dividends and Dividend Per Share respectively, as follows:

<u>Cash dividends</u>	<u>Dividend Per Share</u>
\$ 3,111,525,375	\$ 1.4236

- (3) The influence of dividend allocation to financial business and earnings per share :
None

- (4) The board of directors approved the earnings distribution proposal for 2004 :
Because Taipei Bank and Fubon Commercial Bank were officially merged into "Taipei Fubon Commercial Bank" on January 1, 2005, Fubon Commercial Bank became the exterminated bank. Total retained earnings have been transferred to capital surplus of Taipei Fubon Commercial Bank. There is no earnings distribution available.

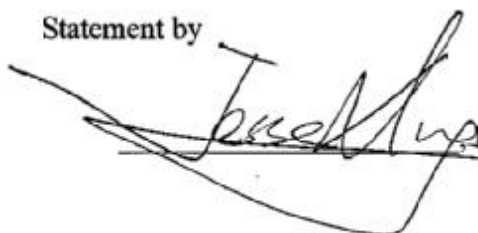
2. Implementation of the Internal Controls System

Statement of Internal Controls

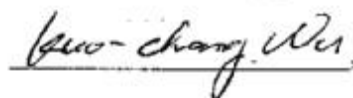
On behalf of Taipei Fubon Commercial Bank we affirm that during the period of Jan. 1, 2004 through Dec. 31, 2004 Taipei Fubon Commercial Bank did in fact conform to the Implementation Regulations for Banks' Internal Control Systems and Auditing Systems in establishing an internal control system and implementing risk management, and that the Bank was audited by an unbiased and independent unit which submitted reports regularly to the Bank's directors and supervisors. Careful assessment reveals that the Bank's various units did in fact effectively implement internal controls and observe the relevant laws and regulations during this year.

This Statement is submitted to Bureau of Monetary, Financial Supervisory Commission, R.O.C.

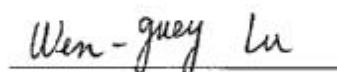
Statement by



President



Chief Auditor



Conformance Executive

March. 2, 2005

V. Headquarters and Branches of Taipei Fubon Commercial Bank

Headquarters Address and Telephone Number	
Headquarter: 169, Jen Ai Road, Sec.4, Taipei City, Taiwan 10686,R.O.C	886(2)27716699
Business Department: 50, Sec.2, Chungshan N.Road, Taipei City, Taiwan 10419, R.O.C.	886(2)25425656
Trust Department: 3F, 138, Sec. 3, Min Sheng E. Rd., Taipei City, Taiwan 10596, R.O.C.	886(2)27186888
Securities Department (Dealer and Underwriter) : 15F, 169, Jen Ai Road, Sec.4, Taipei City, Taiwan 10686, R.O.C.	886(2)27716699

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-1806	Foreign Department	22F, 169, Jenai Road, Sec.4, Taipei City, Taiwan 10686, R.O.C.	886(2)27716699
012-5608	Offshore Banking Branch	19F, 169, Jenai Road, Sec.4, Taipei City, Taiwan 10686, R.O.C.	886(2)27716699
012-2032	Changan E. Road Branch	36, Sec.1, Changan E. Road, Taipei City, Taiwan 10442, R.O.C.	886(2)25212481
012-2205	Chengtung Branch	90, Sec.2, Nanking E. Road, Taipei City, Taiwan 10406, R.O.C.	886(2)25116388
012-2216	Nungan Branch	369, Sungchiang Road, Taipei City, Taiwan 10482, R.O.C.	886(2)25031451
012-2607	Chu-Hsu-Bu Branch	261, Sec. 3 Nanking E. Road, Taipei City, Taiwan 10550, R.O.C.	886(2)27172800
012-3006	Shihlin Branch	288, Chungcheng Road, Taipei City, Taiwan 11162, R.O.C.	886(2)28317444
012-3017	Shihtung Branch	360, Sec. 6, Chungshan N. Road, Taipei City, Taiwan 11152, R.O.C.	886(2)28735757
012-3028	Rueiguang Branch	392, Rueiguang Road, Taipei City, Taiwan 11492, R.O.C.	886(2)26562989
012-3039	Yuhcheng Branch	126, Sec.6, Chunghsiao E. Road, Taipei City, Taiwan 11576, R.O.C.	886(2)26511212
012-3040	Fukang Branch	310, Sec.4, Chengteh Road, Taipei City, Taiwan 11168, R.O.C.	886(2)28836712
012-3051	Chunghsiao Branch	107, Sec.4, Chunghsiao E. Road, Taipei City, Taiwan 10690, R.O.C.	886(2)27417880
012-3062	Chengteh Branch	142, Sec.2, Chengteh Road, Taipei City, Taiwan 10359, R.O.C.	886(2)25536553

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-3073	Lungchiang Branch	28, Sec.3, Nanking E. Road, Taipei City, Taiwan 10489, R.O.C.	886(2)25073817
012-3109	Yenping Branch	69, Sec.2, Yenping N. Road, Taipei City, Taiwan 10346, R.O.C.	886(2)25552170
012-3202	Mucha Branch	92, Sec.3, Mucha Road, Taipei City, Taiwan 11648, R.O.C.	886(2)29391035
012-3213	Muhsin Branch	212, Sec.3, Muhsin Road, Taipei City, Taiwan 11660, R.O.C.	886(2)29383791
012-3305	Lungshan Branch	161, Hsining S. Road, Taipei City, Taiwan 10844, R.O.C.	886(2)23718720
012-3408	Pate Branch	178, Sec.3, Pate Road, Taipei City, Taiwan 10555, R.O.C.	886(2)25776467
012-3419	Yungchuen Branch	15-1, Fude Street, Taipei City, Taiwan 11078, R.O.C.	886(2)27592921
012-3420	Yungchi Branch	185, Yungchi Road, Taipei City, Taiwan 11063, R.O.C.	886(2)27628700
012-3501	Chungshan Branch	162, Sec.2, Chungshan N. Road, Taipei City, Taiwan 10452, R.O.C.	886(2)25963171
012-3604	Peitou Branch	2, Sec.1, Chungyang N. Road, Taipei City, Taiwan 11263, R.O.C.	886(2)28915533
012-3615	Shihpai Branch	216, Wenlin N. Road, Taipei City, Taiwan 11287, R.O.C.	886(2)28271616
012-3707	Taan Branch	37, Sec.4, Jenai Road, Taipei City, Taiwan 10685, R.O.C.	886(2)27312333
012-3800	Tatung Branch	175, Sec.3, Chungking N. Road, Taipei City, Taiwan 10369, R.O.C.	886(2)25929282
012-3903	Kuting Branch	100, Sec.3, Roosevelt Road, Taipei City, Taiwan 10088, R.O.C.	886(2)23650381
012-4003	Shuangyuan Branch	19, Tungyuan Street, Taipei City, Taiwan 10864, R.O.C.	886(2)23030374
012-4014	Wanhua Branch	482, Wanta Road, Taipei City, Taiwan 10872, R.O.C.	886(2)23325901
012-4106	Chiencheng Branch	22, Nanking W. Road, Taipei City, Taiwan 10352, R.O.C.	886(2)25554161
012-4117	Shihfu Branch	1, Shihfu Road, Taipei City, Taiwan 11008, R.O.C.	886(2)27298999
012-4209	Nankang Branch	19-5, Sanchung Road, Taipei City, Taiwan 11501, R.O.C.	886(2)26551177

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-4302	Chingmei Branch	64, Chingwen Street, Taipei City, Taiwan 11670, R.O.C.	886(2)29352636
012-4313	Hsinglung Branch	69, Sec.3, Hsinglung Road, Taipei City, Taiwan 11694, R.O.C.	886(2)86639889
012-4405	Neihu Branch	6, Lane 174, Sec.3, Chengkung Road, Taipei City, Taiwan 11460, R.O.C.	886(2)27961820
012-4427	Wende Branch	42, Wende Road, Taipei City, Taiwan 11475, R.O.C.	886(2)26582620
012-4508	Tunhua Branch	201, Tunhua N. Road, Taipei City, Taiwan 10508, R.O.C.	886(2)27131660
012-4542	Minsheng Branch	163-1, Sec.5, Minsheng E. Road, Taipei City, Taiwan 10573, R.O.C.	886(2)27640853
012-4601	Hsinyi Branch	299, Sec.4, Hsinyi Road, Taipei City, Taiwan 10681, R.O.C.	886(2)27006381
012-4612	Juangjing Branch	286, Juangjing Road, Taipei City, Taiwan 11049, R.O.C.	886(2)27226206
012-4623	Taipei World Trade Center Branch	13F, 333, Sec.1, Keelung Road, Taipei City, Taiwan 11012, R.O.C.	886(2)27252916
012-4704	Sungchiang Branch	200, Sungchiang Road, Taipei City, Taiwan 10467, R.O.C.	886(2)25434282
012-4807	Hoping Branch	236, Sec.2, Fuhsing S. Road, Taipei City, Taiwan 10663, R.O.C.	886(2)27022421
012-4900	Yenchi Branch	387, Sec.4, Jenai Road, Taipei City, Taiwan 10693, R.O.C.	886(2)27527600
012-5000	Chengchung Branch	7, Qingdao W. Road, Taipei City, Taiwan 10041, R.O.C.	886(2)23615481
012-5103	Nanmen Branch	5, Sec.1, Roosevelt Road, Taipei City, Taiwan 10092, R.O.C.	886(2)23971640
012-5206	Fuhsing Branch	234, Fuhsing N. Road, Taipei City, Taiwan 10480, R.O.C.	886(2)25023530
012-5309	Hsisung Branch	75-1, Sec.4, Nanking E. Road, Taipei City, Taiwan 10550, R.O.C.	886(2)27170037
012-5402	Changan Branch	82, Sungchiang Road, Taipei City, Taiwan 10456, R.O.C.	886(2)25519797
012-5505	Kueilin Branch	52, Kueilin Road, Taipei City, Taiwan 10849, R.O.C.	886(2)23026226
012-5701	Tunho Branch	77, Sec.2, Tunhua S. Road, Taipei City, Taiwan 10682, R.O.C.	886(2)27012409

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-5804	Tungmen Branch	69, Sec.2, Jenai Road, Taipei City, Taiwan 10062, R.O.C.	886(2)23512081
012-5907	Chunglun Branch	6, Fuhsing N. Road, Taipei City, Taiwan 10492, R.O.C.	886(2)27418257
012-6007	Keelung Road Branch	21, Sec.2, Keelung Road, Taipei City, Taiwan 11052, R.O.C.	886(2)27373671
012-6100	Chinhua Branch	178, Sec.1, Hoping E. Road, Taipei City, Taiwan 10645, R.O.C.	886(2)23698566
012-6203	Sungnan Branch	412, Sec.5, Chunghsiao E. Road, Taipei City, Taiwan 11061, R.O.C.	886(2)27255111
012-6214	Huaisheng Branch	215, Sec.3, Chunghsiao E. Road, Taipei City, Taiwan 10655, R.O.C.	886(2)27818380
012-6306	Minchuan Branch	37, Sec.3, Minchuan E. Road, Taipei City, Taiwan 10476, R.O.C.	886(2)25166786
012-6409	Chilin Branch	146, Chilin Road, Taipei City, Taiwan 10459, R.O.C.	886(2)25681248
012-6502	Shetzu Branch	225, Sec.5, Yengping N. Road, Taipei City, Taiwan 11171, R.O.C.	886(2)28168585
012-6605	Kaohsiung Branch	358, Chungshan 2nd Road, Kaohsiung City, Taiwan 80242, R.O.C.	886(7)3356226
012-6683	Hsihu Branch	240, Sec.1, Neihu Road, Taipei City, Taiwan 11493, R.O.C.	886(2)87511788
012-6694	Haishan Branch	208, Sec.3, Chungyang Road, Tucheng City, Taipei County, Taiwan 23680, R.O.C.	886(2)22677877
012-6708	Wanlung Branch	136, Sec.6, Roosevelt Road, Taipei City, Taiwan 11674, R.O.C.	886(2)29339956
012-6719	Chungkang Branch	160, Sec.1, Taichungkang Road, Taichung City, Taiwan 40354, R.O.C.	886(4)23207711
012-6720	Hsinchuang Branch	227, Hsintai Road, Hsinchuang City, Taipei County, Taiwan 24242, R.O.C.	886(2)29903366
012-6731	Taoyuan Branch	33, Chunghua Road, Taoyuan City, Taoyuan County, Taiwan 33065, R.O.C.	886(3)3367171
012-6742	Chengkung Branch	515, Chengkung Road, Tainan City, Taiwan 70057, R.O.C.	886(6)2803166
012-6764	Sunglung Branch	176-1, Sec.1, Keelung Road, Taipei City, Taiwan 10072, R.O.C.	886(2)27473399
012-6775	Houpu Branch	55, Sec.1, Nanya S.Road, Panchiao City,	886(2)29693388

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		Taipei County, Taiwan 22060, R.O.C.	
012-6786	Hsinming Branch	582, Chungcheng Road, Chungli City, Taoyuan County, Taiwan 32047, R.O.C.	886(3)4023311
012-6797	Sanchung Branch	36, Sec.2, Chunghsiao Road, Sanchung City, Taipei County, Taiwan 24162, R.O.C.	886(2)89836868
012-6801	Fengyuan Branch	139, Hsiangyang Road, Fengyuan City, Taichung County, Taiwan 42080, R.O.C.	886(4)25220088
012-6812	Shuangho Branch	696, Chingping Road, Chungho City, Taipei County, Taiwan 23559, R.O.C.	886(2)22438877
012-6823	Kushan Branch	387, Huarong Road, Kushan District, Kaohsiung City, Taiwan 80454, R.O.C.	886(7)5523111
012-6845	Fengcheng Branch	126, Minsheng Road, Hsinchu City, Taiwan 30043, R.O.C.	886(3)5343888
012-6856	Changhua Branch	349, Sec.2, Chungshan Road, Changhua City, Changhua County, Taiwan 50065, R.O.C.	886(4)7261333
012-6878	Yungho Branch	407, Deho Road, Yungho City, Taipei County, Taiwan 23451, R.O.C.	886(2)86601616
012-6890	Taipei 101 Branch	5Fl., 45, Shihfu Road, Taipei City, Taiwan 11001, R.O.C.	886(2)81018585
012-7015	Shuanglien Branch	13, Sec.1, Minsheng E.Road, Taipei City, Taiwan 10451, R.O.C.	886(2)25115511
012-7026	Nanking East Road Branch	139, Sec.2, Nanking E.Road, Taipei City, Taiwan 10485, R.O.C.	886(2)25155518
012-7037	Tunpei Branch	138, Sec.3, Minsheng E.Road, Taipei City, Taiwan 10596, R.O.C.	886(2)27185151
012-7048	Jenai Branch	237, Sec.1, Chienkuo S.Road, Taipei City, Taiwan 10657, R.O.C.	886(2)23258878
012-7059	Hsinhsing Branch	1, Liouhe 1st Road, Kaohsiung City, Taiwan 80055, R.O.C.	886(7)2391515
012-7060	Chungcheng Branch	476, Chungcheng Road, Taoyuan City, Taoyuan County, Taiwan 33047, R.O.C.	886(3)3350335
012-7071	Taichung Branch	196, Sec.2, Liuchuan W. Road., Taichung City, Taiwan 40357, R.O.C.	886(4)22221911
012-7093	Sungshan Branch	421, Sungshan Road, Taipei City, Taiwan 11083, R.O.C.	886(2)27281199
012-7107	Tucheng Branch	100, Sec.1, Chungyang Road, Tucheng City, Taipei County, Taiwan 23664,	886(2)22709898

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		R.O.C.	
012-7118	Tainan Branch	166-6, Chungshan Road, Tainan City, Taiwan 70043, R.O.C.	886(6)2290266
012-7129	Fengshan Branch	223, Tzeyu Road, Fengshan City, Kaohsiung County, Taiwan 83074, R.O.C.	886(7)7482088
012-7130	Chungli Branch	119, Sec.2, Chungpei Road, Chungli City, Taoyuan County, Taiwan 32097, R.O.C.	886(3)4595766
012-7152	Anho Branch	B1, 169, Sec.4, Jenai Road, Taipei City, Taiwan 10686, R.O.C.	886(2)27787717
012-7163	Chengyi Branch	279, Chengyi N. Road, Sanchung City, Taipei County, Taiwan 24146, R.O.C.	886(2)29806688
012-7174	Tanan Branch	968, Sec.1, Chiehshou Road, Pate City, Taoyuan County, Taiwan 33442, R.O.C.	886(3)3616565
012-7185	Chiayi Branch	395, Jenai Road, Chiayi City, Taiwan 60045, R.O.C.	886(5)2231688
012-7196	Lingya Branch	39, Chunghua 4th Road, Kaohsiung City, Taiwan 80245, R.O.C.	886(7)3318822
012-7211	Panchiao Branch	266, Sec.1, Wenhua Road, Panchiao City, Taipei County, Taiwan 22041, R.O.C.	886(2)22549999
012-7222	Pei Taichung Branch	333, Sec.4, Wenhsin Road, Taichung City, Taiwan 40666, R.O.C.	886(4)22426222
012-7233	Sanmin Branch	48, Tashuen 2nd Road, Sanmin District, Kaohsiung City, Taiwan 80787, R.O.C.	886(7)3871299
012-7244	Chienkuo Branch	196, Sec.2, Chienkuo N. Road., Taipei City, Taiwan 10483, R.O.C.	886(2)25151775
012-7255	Hsinchu Branch	141, Chungcheng Road, Hsinchu City, Taiwan 30051, R.O.C.	886(3)5278988
012-7266	Hsintien Branch	266, Sec.2, Peihsin Road, Hsintien City, Taipei County, Taiwan 23143, R.O.C.	886(2)29129977
012-7277	Tienmu Branch	36, Tienmu E. Road, Taipei City, Taiwan 11153, R.O.C.	886(2)28763232
012-7288	Hsichih Branch	175, Sec.1, Tatong Road, Hsichih City, Taipei County, Taiwan 22145, R.O.C.	886(2)26411689
012-7299	Huanbei Branch	392, Huanpei Road, Chungli City, Taoyuan County, Taiwan 32070, R.O.C.	886(3)4265199
012-7303	Yung kang Branch	856, Dawan Road, Yung kang City,	886(6)2736099

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		Tainan County, Taiwan 71070, R.O.C.	
012-7314	Hsiangyang Branch	9, Hsiangyang Road, Taipei City, Taiwan 10046, R.O.C.	886(2)23885889
012-7336	Wuku Branch	445, Huacheng Road, Hsinchuang City, Taipei County, Taiwan 24253, R.O.C.	886(2)85213399
012-7347	Hsinying Branch	301, Minchi Road, Hsinying City, Tainan County, Taiwan 73047, R.O.C.	886(6)6569889
012-7358	Pingtung Branch	459, Hoping Road, Pingtung City, Pingtung County, Taiwan 90064, R.O.C.	886(8)7336899
012-7369	Chienchen Branch	289, Paotai Road, Chienchen District, Kaohsiung City, Taiwan 80643, R.O.C.	886(7)7170055
012-7370	Tunnan Branch	108, Sec.1, Tunhua S. Road, Taipei City, Taiwan 10557, R.O.C.	886(2)87719898
012-7381	Paosheng Branch	3, Paosheng Road, Yungho City, Taipei County, Taiwan 23444, R.O.C.	886(2)89230888
012-7392	Yuanlin Branch	596, Chukuang Road, Yuanlin City, Changhua County, Taiwan 51052, R.O.C.	886(4)8369189
012-7406	Luotung Branch	286, Hsintung Road, Luotung Town, Ilan County, Taiwan 26541, R.O.C.	886(3)9566611
012-7417	Juihu Branch	62, Juihu Street, Taipei City, Taiwan 11494, R.O.C.	886(2)26591088
012-6753	Chientan Mini-Branch	116, Sec.4, Chengteh Road, Taipei City, Taiwan 11167, R.O.C.	886(2)28866868
012-6834	Kaiyuan Mini-Branch	536, Chunghua Road, Yungkuang City, Tainan County, Taiwan 71079, R.O.C.	886(6)2028585
012-6867	Tunghu Mini-Branch	25, Tunghu Road, Taipei City, Taiwan 11487, R.O.C.	886(2)26336677
012-6889	Wuchia Mini-Branch	493, Wuchia 2nd Road, Fengshan City, Kaohsiung County, Taiwan 83091, R.O.C.	886(7)8223111
012-7428	Chiho Mini-Branch	172-1, Sec.2, Keelung Road, Taipei City, Taiwan 10675, R.O.C.	886(2)66388988
012-7439	Nanchang Mini-Branch	65, Sec.1, Hoping W. Road, Taipei City, Taiwan 10078, R.O.C.	886(2)6630-5678
012-2043	Kuting Accounting Office	4Fl., 8, Sec.1, Roosevelt Road, Taipei City, Taiwan 10074, R.O.C.	886(2)23926508
012-4210	Nankang Accounting Office	2Fl., 360, Sec.1, Nankang Road, Taipei City, Taiwan 11579, R.O.C.	886(2)27831442

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-4416	Neihu Accounting Office	99-2, Sec.6, Minchuan E. Road, Taipei City, Taiwan 11466, R.O.C.	886(2)27915130
-	Los Angeles Branch	14TH FLOOR, 100 WALL STREET NEW YORK, NY 10005 U.S.A	(002-1-212) 9689888
-	New York Agency	33RD FLOOR, SUITE #3300 700 SOUTH FLOWER STREET LOS ANGELES CA90017 U.S.A	(002-1-213) 2369151
-	Hong Kong Branch	34TH FLOOR 9 QUEEN'S ROAD, CENTRAL HONG KONG	(002-852) 28227700
-	London Representative Office	1 BEAUFORT GARDENS LONDON NW4 3QN, U.K	(002-44-208) 2038028

< Appendix 1 >

Annual Financial Report for 2004 and 2003

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Fubon Bank Co., Ltd.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fubon Bank Co., Ltd. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for 2003) and accounting principles generally accepted in the Republic of China.

As described in Note 3, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases in 2003. In 2004, under the "Criteria Governing the Preparation of Financial Reports by Public Banks" effective January 1, 2004, the repurchase/resell transactions are treated as financing.

We have also audited the consolidated financial statements of Fubon Bank as of and for the years ended December 31, 2004 and 2003, on which we have issued a modified unqualified opinion thereon.

January 25, 2005

Notice to Readers

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

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

FUBON BANK CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2004		2003		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 2 and 4)	\$ 4,949,638	1	\$ 5,567,244	2	LIABILITIES				
DUE FROM CENTRAL BANK AND BANKS (Notes 2 and 5)	23,030,585	7	44,946,386	16	Due to banks (Note 11)	\$ 2,495,414	1	\$ 4,406,959	1
SECURITIES PURCHASED, NET (Notes 2 and 6)	88,128,211	27	72,269,878	25	Payables (Notes 2 and 12)	6,048,360	2	6,053,305	2
RECEIVABLES, NET (Notes 2 and 7)	35,666,338	11	35,964,991	12	Repurchase agreements (Note 2)	25,760,412	8	-	-
PREPAYMENTS	319,994	-	172,313	-	Advance receipts	773,412	-	357,292	-
BILLS, DISCOUNTS AND LOANS, NET (Notes 2 and 8)	122,098,693	37	112,521,388	39	Deposits and remittances (Note 13)	231,482,544	70	221,433,147	77
LONG-TERM INVESTMENTS, NET (Notes 2 and 9)					Bank debentures (Note 14)	29,400,000	9	22,500,000	8
Long-term equity investments under the equity method	7,122,098	2	6,963,973	3	Other liabilities (Notes 2 and 15)	1,488,372	-	1,676,441	1
Long-term equity investments under the cost method	3,452,865	1	2,795,171	1	Total liabilities	297,448,514	90	256,427,144	89
Long-term bond investments	38,507,131	12	456,501	-	SHAREHOLDERS' EQUITY				
Long-term investments, net	49,082,094	15	10,215,645	4	Capital stock - \$10 par value				
OTHER FINANCIAL ASSETS (Note 2)	1,379,199	-	832,623	-	Authorized and issued - 2,185,736,697 shares	21,857,367	7	21,857,367	8
PROPERTIES (Note 2)					Capital surplus				
Cost					Paid-in capital in excess of par value	1,437,250	-	1,437,250	-
Land	2,574,997	1	2,574,997	1	Reissuance of treasury stock	26,054	-	26,054	-
Buildings	2,211,693	1	2,205,374	1	Retained earnings				
Equipment	1,154,798	-	936,874	-	Legal reserve	5,148,426	2	3,801,201	1
Transportation and communications equipment	76,692	-	109,050	-	Special reserve	252,058	-	252,058	-
Miscellaneous equipment	362,559	-	349,376	-	Unappropriated	4,365,274	1	4,596,072	2
Leasehold improvements	600,806	-	569,579	-	Unrealized loss on long-term equity investments	(60,541)	-	(61,191)	-
Total cost	6,981,545	2	6,745,250	2	Total shareholders' equity	33,025,888	10	31,908,811	11
Less: Accumulated depreciation	1,968,824	-	1,777,540	-	CONTINGENCIES AND COMMITMENTS (Notes 2 and 24)				
Advances for acquisition of equipment and construction in progress	5,012,721	2	4,967,710	2					
Net properties	264,617	-	42,996	-					
OTHER ASSETS, NET (Notes 2 and 10)	542,312	-	834,781	-					
TOTAL	\$ 330,474,402	100	\$ 288,335,955	100					

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated January 25, 2005)

FUBON BANK CO., LTD.

STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004		2003	
	Amount	%	Amount	%
OPERATING INCOME				
Interest (Note 2)	\$ 14,305,285	70	\$ 12,383,129	60
Service fees (Note 2)	4,464,652	22	3,923,076	19
Income from securities, net	308,819	1	3,461,898	17
Income from long-term equity investments under the equity method (Notes 2 and 9)	778,183	4	887,123	4
Foreign exchange gain (Note 2)	110,936	1	65,591	-
Other	369,711	2	83,499	-
Total operating income	<u>20,337,586</u>	<u>100</u>	<u>20,804,316</u>	<u>100</u>
OPERATING COSTS				
Interest (Note 2)	4,420,401	22	4,011,983	19
Service charges	1,944,865	9	2,120,207	10
Loss from long-term investments	-	-	42,947	-
Provisions for credit losses (Notes 2 and 8)	3,510,761	17	5,246,714	25
Other	159,507	1	99,304	1
Total operating costs	<u>10,035,534</u>	<u>49</u>	<u>11,521,155</u>	<u>55</u>
GROSS PROFIT	<u>10,302,052</u>	<u>51</u>	<u>9,283,161</u>	<u>45</u>
OPERATING EXPENSES				
Functional (Note 19)	4,132,434	20	3,728,974	18
Administrative (Note 19)	917,315	5	826,640	4
Other	19,040	-	10,905	-
Total operating expenses	<u>5,068,789</u>	<u>25</u>	<u>4,566,519</u>	<u>22</u>
OPERATING INCOME	<u>5,233,263</u>	<u>26</u>	<u>4,716,642</u>	<u>23</u>
NONOPERATING INCOME AND GAINS	77,329	-	287,656	1
NONOPERATING EXPENSES AND LOSSES	<u>99,461</u>	<u>-</u>	<u>287,087</u>	<u>1</u>
INCOME BEFORE INCOME TAX	5,211,131	26	4,717,211	23
INCOME TAX (Notes 2 and 18)	<u>951,178</u>	<u>5</u>	<u>226,460</u>	<u>1</u>
NET INCOME	<u>\$ 4,259,953</u>	<u>21</u>	<u>\$ 4,490,751</u>	<u>22</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 20)				
Basic earnings per share	<u>\$ 2.38</u>	<u>\$ 1.95</u>	<u>\$ 2.16</u>	<u>\$ 2.06</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated January 25, 2005)

(Concluded)

FUBON BANK CO., LTD.

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	<u>Capital Stock</u>		<u>Capital Surplus (Notes 2 and 16)</u>			<u>Retained Earnings (Notes 2 and 16)</u>				<u>Unrealized Loss on Long-term Equity Investments (Notes 2 and 9)</u>	<u>Treasury Stock (Notes 2 and 17)</u>	<u>Total Shareholders' Equity</u>
	<u>Shares (in Thousands)</u>	<u>Amount</u>	<u>Additional Paid-in Capital</u>	<u>Reissuance of Treasury Stock</u>	<u>Total</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated</u>	<u>Total</u>			
BALANCE, JANUARY 1, 2003	2,185,737	\$ 21,857,367	\$ 1,437,250	\$ 6,510	\$ 1,443,760	\$ 3,576,309	\$ 252,058	\$ 854,960	\$ 4,683,327	\$ (134,725)	\$ (245,332)	\$ 27,604,397
Appropriation of 2002 earnings												
Legal reserve	-	-	-	-	-	224,892	-	(224,892)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(518,747)	(518,747)	-	-	(518,747)
Bonus to employees	-	-	-	-	-	-	-	(6,000)	(6,000)	-	-	(6,000)
Treasury stock reissued to employees	-	-	-	19,544	19,544	-	-	-	-	-	245,332	264,876
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	73,534	-	73,534
Net income for the year ended December 31, 2003	-	-	-	-	-	-	-	4,490,751	4,490,751	-	-	4,490,751
BALANCE, DECEMBER 31, 2003	2,185,737	21,857,367	1,437,250	26,054	1,463,304	3,801,201	252,058	4,596,072	8,649,331	(61,191)	-	31,908,811
Appropriation of 2003 earnings												
Legal reserve	-	-	-	-	-	1,347,225	-	(1,347,225)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(3,111,526)	(3,111,526)	-	-	(3,111,526)
Bonus to employees	-	-	-	-	-	-	-	(32,000)	(32,000)	-	-	(32,000)
Net income for the year ended December 31, 2004	-	-	-	-	-	-	-	4,259,953	4,259,953	-	-	4,259,953
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	650	-	650
BALANCE, DECEMBER 31, 2004	<u>2,185,737</u>	<u>\$ 21,857,367</u>	<u>\$ 1,437,250</u>	<u>\$ 26,054</u>	<u>\$ 1,463,304</u>	<u>\$ 5,148,426</u>	<u>\$ 252,058</u>	<u>\$ 4,365,274</u>	<u>\$ 9,765,758</u>	<u>\$ (60,541)</u>	<u>\$ -</u>	<u>\$ 33,025,888</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated January 25, 2005)

FUBON BANK CO., LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,259,953	\$ 4,490,751
Provision of allowance for losses on securities	185,541	-
Provision of allowance for long-term bond investments	19,061	62,057
Provision of loss on long-term equity investments	-	19,146
Provisions for credit losses	3,510,761	5,246,714
Depreciation and amortization	327,648	285,115
Income from disposal of nonperforming loans, net	(31,027)	-
Loss from transfer of securities purchased to long-term bond investments	2,031,372	-
Income from long-term equity investments under the equity method	(778,183)	(887,123)
Cash dividends received	623,862	675,289
Losses (gains) on disposal of long-term investments	(9,841)	23,801
Losses on disposal of properties, net	1,898	2,181
Losses on disposal of collaterals assumed	27,844	92,220
Unrealized losses on collaterals assumed	140,446	-
Increase (decrease) in accrued pension cost	(7,476)	65,321
Deferred income tax	33,219	35,997
Amortization of premium on long-term bond investment	27,719	-
Decrease in receivables and prepayments	538,033	335,387
Increase (decrease) in payables and advances receipts	<u>392,651</u>	<u>(2,971,347)</u>
Net cash provided by operating activities	<u>11,293,481</u>	<u>7,475,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased - for investing purposes	(58,433,303)	(14,068,783)
Decrease (increase) in due from Central Bank and banks	21,915,801	(13,555,823)
Decrease (increase) in bills, discounts and loans	(13,463,660)	2,926,288
Increase in long-term equity investments	(3,154)	-
Increase in long-term bond investments	(2,384,677)	(271,984)
Proceeds from disposal of long-term investments	3,529,685	816,766
Acquisition of properties	(707,098)	(288,365)
Proceeds from disposal of properties	123,188	9,044
Increase in other financial assets	(546,576)	(436,627)
Proceeds from disposal of collaterals assumed	120,290	241,677
Increase in other assets	<u>(41,598)</u>	<u>(44,934)</u>
Net cash used in investing activities	<u>(49,891,102)</u>	<u>(24,772,741)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to banks	(1,911,545)	2,840,971
Increase in repurchase agreements	25,760,412	-
Increase in deposits and remittances	10,049,397	2,591,959
Increase in bank debentures	6,900,000	12,500,000
Increase (decrease) in other liabilities	(188,069)	504,764
Cash dividends and employee bonus paid	<u>(3,111,526)</u>	<u>(524,747)</u>

(Continued)

	2004	2003
Decrease in dividends and bonus payable	\$ (6,000)	\$ (15,006)
Proceeds from reissuance of treasury stock to employees	<u>-</u>	<u>264,876</u>
Net cash provided by financing activities	<u>37,492,669</u>	<u>18,162,817</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>487,346</u>	<u>(14,300)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(617,606)	851,285
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,567,244</u>	<u>4,715,959</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,949,638</u>	<u>\$ 5,567,244</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 4,497,018</u>	<u>\$ 4,345,209</u>
Income tax paid	<u>\$ 263,199</u>	<u>\$ 164,711</u>
NON-CASH INVESTING ACTIVITIES		
Transfer of securities purchased to long-term investments	<u>\$ 40,358,057</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche audit report dated January 25, 2005)

(Concluded)

FUBON BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

Fubon Bank Co., Ltd. (the "Bank") obtained authorization from the Ministry of Finance ("MOF") of the Republic of China (ROC) to operate as a commercial bank on August 1, 1991 and started operations on April 20, 1992.

The Bank was established to engage in all commercial banking operations allowed by the Banking Law.

Through a share swap effective December 19, 2001, the Bank became an unlisted wholly owned subsidiary of Fubon Financial Holdings Co., Ltd. (FFH, a newly formed financial holdings company under the ROC Financial Holdings Company Act).

As of December 31, 2004, the Bank's operating units included Banking, Trust Department, International Division of the Head Office, an offshore banking unit (OBU) and 38 domestic branches.

The operations of the Bank's Trust Department are (1) planning, managing and operating of a trust business; and (2) custody of nondiscretionary trust funds in overseas securities and mutual funds. These operations are regulated under the Banking Law and the Trust Law.

As of December 31, 2004 and 2003, the Bank had 2,320 and 1,960 employees, respectively.

To fully harness the synergy of both diversified business operations and decrease operating costs, the Bank planned to merge with Taipei Bank (wholly owned subsidiary of Fubon Financial Holdings Co., Ltd.) on January 1, 2005 with Taipei Bank as the surviving entity after a decision reached by the board of directors of the two companies on September 8, 2004. The Bank will swap issued shares with Taipei Bank at a ratio of 1 to 0.675, resulting in 1,475,372,270 shares of common stock to be issued by Taipei Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for 2003) and generally accepted accounting principles in the ROC. Under these guidelines and principles, the Bank should estimate the allowance for credit losses, depreciation, pension, losses on suspended lawsuits and provision for losses on guarantees. Since operating conditions have an element of uncertainty, the estimates may vary from the actual amounts. Significant accounting policies of the Bank are summarized below:

Basis of Financial Statement Preparation

The accompanying financial statements include the accounts of the Head Office, the OBU and all branches. All inter-office balances and transactions have been eliminated.

Foreign-currency Transactions

The Bank records foreign-currency transactions in the currencies used. Foreign-currency income and expenses are translated into New Taiwan dollars at rates prevailing on the date of each transaction. Foreign-currency assets and liabilities are translated into New Taiwan dollars at month-end rates, and resulting differences are credited or charged to current income.

Securities Purchased

Securities purchased are stated at cost less allowance for losses on decline in market value below carrying value, which is charged to current income. The allowance is reversed when the market value recovers, and this reversal is recognized as income. Market prices are determined as follows: (a) listed stocks - average daily closing prices for the last month of the accounting period; (b) over-the-counter (OTC) stocks and convertible bonds - average daily closing prices for the last month of the accounting period, published by the GreTai Securities Market (the OTC securities exchange); (c) beneficiary certificates (open-end fund), net asset values as of the balance sheet dates; beneficiary certificates (close-ended funds) - net assets values as the average closing price of the last month of accounting period; (d) short-term bills - dealing price on the balance sheet date; and (e) domestic bonds - reference prices on the balance sheet day published by the OTC exchange.

When securities purchased are reclassified as investments in bonds, the value of the securities are recorded at lower of the aggregated cost or market value with losses being recognized immediately.

Costs of securities sold are determined using the weighted-average method, except for costs of short-term bills are determined using the specific identification method.

Sales and purchases of bonds and short-term bills under agreements to repurchase or to resell are treated as financing (refer to Note 3).

Nonperforming Loans

Pursuant to “The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts” (the “Rules”) issued by the MOF, the balances of loans and other credits extended by the Bank and the related accrued interest are classified as nonperforming when the loan is six months overdue. Accrual of interest is suspended and realizability is evaluated.

Allowance for Credit Losses and Provision for Losses on Guarantees

In determining the allowance for credit losses and provision for losses on guarantees, the Bank assesses the collectibility on the balances of loans, discounts and bills purchased, accounts, interest, acceptances and other receivables, and nonperforming loans, as well as guarantees as of the balance sheet dates.

Pursuant to the Rules, the Bank evaluates credit losses on the basis of its borrowers’/clients’ financial position, the Bank’s prior experiences, repayments for principal and interest by borrowers/clients, collaterals provided, and estimated collectibility of the loans.

The Bank assesses losses on particular loans in accordance with the Rules. The Rules require that the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits.

Write-offs of loans falling under the MOF guidelines, upon approval by the board of directors, are offset against the recorded allowance for credits losses.

Investments in Shares of Stock

Investments in companies wherein the Bank exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investments are carried at cost on the acquisition date and subsequently adjusted for the Bank's equity in the investees' net income or loss. Any cash dividends received are accounted for as reduction in the carrying values of the investments. When the investment is acquired or when the equity method is first adopted, the difference between the investment cost and the Bank's equity in the investee's net asset is amortized over 5 years.

Other investments in shares of stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect a decline of market values other than temporary below carrying values, with the related losses charged to current income. Other investments in shares of stock with quoted market price are stated at the lower of cost or market. The reduction of the carrying value of an investment to reflect a lower market value and its write-up due to the subsequent recovery in market value are charged or credited to stockholders' equity, respectively. Cash dividends received after the acquisition year are recorded as investment income.

Under accounting principles generally accepted in the ROC, in applying the lower of cost or market method, the shares of the Fubon Financial Holdings held by the Bank should be evaluated separately from the listed stocks.

For both equity-method and cost-method investments, stock dividends received are accounted for only as increases in the number of shares held.

Costs of investments sold are determined using the weighted-average method.

If the values of long-term equity investments have been impaired, the loss from investments is recognized and carrying value of long-term equity investments is modified.

Investments in Bonds

Investments in bonds are stated at cost. Premium or discount is amortized (as a charge or credit to interest income) using the straight-line method over the remaining terms of the bonds.

If the value of long-term bond investments have been impaired permanently, the losses from investments will be recognized and carrying values of long-term bond investments will be modified.

Properties

Properties are stated at cost less accumulated depreciation. Major renewals, additions and improvements are capitalized, while repairs and maintenance are expensed as incurred.

Depreciation is calculated by the straight-line method over service lives estimated as follows: buildings, 5 to 47 years; equipment, 3 to 4 years; transportation and communications equipment, 3 to 5 years; miscellaneous equipment, 5 to 8 years; and leasehold improvements, lower of contract period or service lives. For assets that have reached their residual value but are still in use, further depreciation is calculated on the basis of any remaining salvage value and newly estimated service lives.

Upon sale or other disposal of properties, their cost and related accumulated depreciation are removed from the accounts. Any resulting gain (loss) or revenue (expense) is credited (charged) to current income.

Collaterals Assumed

Collaterals assumed are recorded at cost (included in other assets) and revalued at the lower of cost or net realizable value as of the balance sheet dates.

Operating Leases

The Bank has operating lease agreements on the office spaces used by its branches. The imputed interest on lease deposits (included as part of other financial assets), computed using the interest rate on one-year time deposit, is charged to functional expenses - rent and credited to interest income.

Treasury Stock

Issued stock reacquired is carried at cost and presented as a deduction to arrive at shareholders' equity. The treasury stocks are to be reissued to employees. The reissuance of treasury stocks is accounted for as follows: (a) reissue price higher than the acquisition cost - the excess is credited to capital surplus - reissuance of treasury stock; and (b) reissue price less than the acquisition cost - initially charged to capital surplus - reissuance of treasury stock, with any remaining deficiency charged to unappropriated earnings.

Pension

Pension costs on defined benefit plans are determined on the basis of actuarial calculations. Unrecognized net transition obligation is amortized over the average remaining service years of employees.

Interest Revenue and Service Fees

Interest revenue is recorded using the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as nonperforming loans. The interest revenue on those loans/credits is recognized upon collection.

Under the regulations of the MOF, the interest revenue on credits covered by agreements that extend their maturity is recorded as deferred revenue (included as other liabilities) and recognized as revenue upon collection.

Service fees are recorded as income upon receipt and substantial completion of activities involved in the earnings process.

Income Tax

Inter-period income tax allocation is applied, in which tax effects of deductible temporary differences, loss carryforwards and unused investment tax credits are recognized as deferred income tax assets and those of taxable temporary differences are recognized as deferred income tax liabilities. A valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Tax credits for acquiring certain equipment or technology, research and development expenditures, personnel training expenditures and equity investments are recognized as reduction of current income tax.

Income tax on interest derived from short-term negotiable instrument is levied separately.

Adjustments of prior years' tax liabilities are included in the current year's tax expense.

Income tax (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve the retention of the earnings.

The Bank and Fubon Financial Holdings and subsidiaries use a linked-tax system for income tax filings since 2002. Under the related rules, the accounting procedure is applied systematically on a consistent basis, and related contributions and payments are accrued as receivables and payables, respectively.

Foreign Exchange Forwards

Foreign-currency assets and liabilities on forward exchange contracts for trading purposes are recorded at contracted forward rates on the contract starting dates. Gains or losses arising from the differences between the contracted forward rates and spot rates on settlement are credited or charged to current income. For contracts outstanding as of the balance sheet dates, the gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to related receivables or payables as of the balance sheet dates.

Nondeliverable forward contracts do not involve exchanges of principal upon settlement. Gains or losses arising from the differences between the contracted interest rates and actual interest rates upon settlement or as of the balance sheet dates are credited or charged to current income.

Currency Swap Contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are mainly for managing risks on the Bank's currency positions, are recorded at spot rates when the transactions occur. Discounts or premiums are amortized by the straight-line method over the contract terms and are recorded as interest income or expense. The corresponding forward-position assets or liabilities are recorded at the contracted forward rates. For contracts outstanding as of the balance sheet dates, the receivables and payables are netted out.

Cross-currency Swaps

Cross-currency swap contracts are recorded as memorandum entries at spot rates on the contract dates. The net interest receivable or payable on the settlement or balance sheet date is recorded as an adjustment to the revenue or expense associated with the item being hedged.

Cross-currency swap contracts, which are for the purposes of accommodating customers' needs or managing the Bank's exposures, are marked to market as of the balance sheet dates. The interest received or paid at each settlement date or balance sheet date are recognized as interest income or expense, which are credited or charged to current income.

Asset Swaps

Asset swap contracts involve the exchange of interest payments on fixed-rate bonds and stock conversion rights of convertible bonds for floating-rate interest. Gains or losses arising from the differences between these rates are recorded as adjustments to interest income or expense associated with the bonds being hedged.

Interest Rate Futures

Margin deposits paid by the Bank on futures contracts bought for trading purpose are recognized as assets. Both unrealized gain or loss arising from changes in market value of future contracts on the balance sheet dates, and realized gain or loss calculated on contract settlement date or from early settlement, are recognized as current income or loss and the book value of margin deposit will be adjusted.

Options

The amounts received from options written and amounts paid on options bought for the purposes of accommodating customers' needs or managing the Bank's exposures are recognized as liability and asset, respectively. The outstanding contracts are adjusted on the basis of market value on the balance sheet dates, and any gain or loss arising from the revaluation is shown as "net gain or loss on derivative financial instruments." The gains or losses from the exercise of the options are charged to the current period.

Interest Rate Swaps

The Bank enters into interest rate swap agreements for the purposes of accommodating customers' needs or managing the Banks' exposures. Interest rate swaps do not involve exchanges of the notional principals, which are recorded on the contract dates using memorandum entries. The interest received or paid at each settlement date is recognized as interest income or expense. The outstanding agreements for trading purposes are recognized at market value on balance sheet dates.

For swaps entered into for hedging purposes, the net interest on each settlement is recorded as an adjustment to interest income or expense associated with the item being hedged.

Credit Default Swaps

Credit default swaps involve paying premium to transfer credit risk of denominated entities to third party. Such transactions are recorded by memorandum entries at the contract dates. The premium paid or accrual by the Bank for a credit default swap contract on each settlement or balance sheet date is recorded as current expense.

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the amount of loss cannot be reasonably estimated and the loss is possible but remote, the reason for the possible loss is described as a footnote disclosure in the financial statements.

Reclassifications

Certain accounts for the year ended December 31, 2003 have been reclassified to conform to the presentation of the financial statements for the comparative period in 2004.

3. ACCOUNTING CHANGES

Under a directive issued by the MOF, bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases. However, under the "Criteria Governing the Preparation of Financial Reports by Public Banks" effective January 1, 2004, the repurchase/resell transactions are treated as financing. As a result of this change, pre-tax income for the year ended December 31, 2004 decreased by \$191,558.

Since the repurchase/resell transactions of the Bank are daily financing activities with great volume, and the accounting systems had been revised for several times, the historical trading data are hard to trace, thus, calculating the cumulative effect of change in accounting principle is difficult. Thus, the Bank cannot calculate the cumulative effect of the change in accounting principle nor disclose the pro forma information.

4. CASH AND CASH EQUIVALENT

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Cash on hand	\$ 1,739,249	\$ 2,208,964
Checks for clearing	2,062,575	2,903,737
Due from banks	<u>1,147,814</u>	<u>454,543</u>
	<u>\$ 4,949,638</u>	<u>\$ 5,567,244</u>

5. DUE FROM CENTRAL BANK AND BANKS

	December 31	
	2004	2003
Call loans	\$ 13,366,308	\$ 27,725,646
Deposit reserve - checking account	2,038,108	1,561,108
Required deposit reserve	5,677,501	5,433,636
Reserves for deposits - foreign-currency deposits	48,668	30,090
Deposits in Central Bank	1,900,000	9,890,000
Other	<u>-</u>	<u>305,906</u>
	<u>\$ 23,030,585</u>	<u>\$ 44,946,386</u>

The required deposit reserves are determined monthly at rates prescribed for average balances of customers' New Taiwan dollar deposits and are subject to withdrawal restrictions. The reserve - checking account and foreign-currency deposits reserves may be withdrawn anytime and are noninterest earning.

6. SECURITIES PURCHASED, NET

	December 31	
	2004	2003
Negotiable certificates of deposits	\$ 77,770,000	\$ 28,270,517
Government bonds	9,296,520	25,200,362
Mutual fund beneficiary certificates	823,973	2,144,973
Bank debentures	246,501	4,612,448
Corporate bonds	176,758	3,871,193
Commercial paper	-	7,503,164
Stocks	<u>-</u>	<u>667,221</u>
	88,313,752	72,269,878
Less: Allowance for decline in market value	<u>185,541</u>	<u>-</u>
	<u>\$ 88,128,211</u>	<u>\$ 72,269,878</u>

As of December 31, 2004, the Bank held securities purchased of \$1,197,310 under agreements to repurchase.

The market value or reference prices of government bonds, corporate bonds and stocks which traded on the TSE and the OTC and bank debentures and beneficiary certificates as of December 31, 2004 and 2003 were as follows:

	December 31	
	2004	2003
Government bonds	\$ 9,437,907	\$ 24,563,891
Mutual fund beneficiary certificates	448,196	1,814,737
Bank debentures	259,271	4,583,635
Corporate bonds	212,837	3,757,716
Stocks	<u>-</u>	<u>1,823,728</u>
	<u>\$ 10,358,211</u>	<u>\$ 36,543,707</u>

7. RECEIVABLES

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Credit card receivable	\$ 25,952,954	\$ 25,111,462
Accounts receivable	6,171,488	8,568,709
Proceeds receivables from sale of nonperforming loans	1,124,841	273,692
Accrued income	1,030,772	442,222
Accrued interest	962,181	1,620,568
Refundable income tax	238,100	203,398
Acceptances	183,159	214,840
Other	<u>643,681</u>	<u>258,483</u>
	36,307,176	36,693,374
Less: Allowance for possible losses	<u>640,838</u>	<u>728,383</u>
	<u>\$ 35,666,338</u>	<u>\$ 35,964,991</u>

8. BILLS, DISCOUNTS AND LOANS

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Overdraft	\$ 110,282	\$ 117,545
Short-term loans	8,662,222	9,658,360
Short-term secured loans	6,444,211	7,286,672
Medium-term loans	29,564,585	24,094,735
Medium-term secured loans	10,146,233	12,733,458
Long-term loans	8,190,025	6,228,268
Long-term secured loans	54,950,335	51,594,937
Import and export negotiations	37,070	51,653
Nonperforming loans	<u>5,432,713</u>	<u>2,515,486</u>
Subtotal	123,537,676	114,281,114
Less: Allowance for credit losses	<u>1,438,983</u>	<u>1,759,726</u>
	<u>\$ 122,098,693</u>	<u>\$ 112,521,388</u>

No interest revenue of nonperforming loans is recognized by the Bank. The unrecognized interest revenue on the above loans amounted to \$168,383 and \$147,297 for the years ended December 31, 2004 and 2003, respectively.

For the years ended December 31, 2004 and 2003, the Bank wrote off certain credits because required legal procedures done by the Bank for collecting on the loans had negative results.

The details and changes in allowance for credit losses on bills, discounts and loans (including receivables shown in Note 7) are summarized below:

	For the Year Ended December 31, 2004		
	Specific Risk	General Risk	Total
Balance, January 1, 2004	\$ 1,315,666	\$ 1,172,443	\$ 2,488,109
Provision	4,064,264	(553,503)	3,510,761
Write-off	(4,587,480)	-	(4,587,480)
Recovery of written-off credits	611,470	-	611,470
Other	56,961	-	56,961
Balance, December 31, 2004	<u>\$ 1,460,881</u>	<u>\$ 618,940</u>	<u>\$ 2,079,821</u>
	For the Year Ended December 31, 2003		
	Specific Risk	General Risk	Total
Balance, January 1, 2003	\$ 1,301,566	\$ 1,261,905	\$ 2,563,471
Provision	5,336,176	(89,462)	5,246,714
Write-off	(5,654,543)	-	(5,654,543)
Recovery of written-off credits	334,222	-	334,222
Other	(1,755)	-	(1,755)
Balance, December 31, 2003	<u>\$ 1,315,666</u>	<u>\$ 1,172,443</u>	<u>\$ 2,488,109</u>

9. LONG-TERM INVESTMENTS

	December 31			
	2004		2003	
	Carrying Value	Percentage of Ownership (%)	Carrying Value	Percentage of Ownership (%)
<u>Equity investments</u>				
Equity method				
Fubon Bills Finance Co., Ltd.	\$ 6,209,475	100.00	\$ 6,085,481	100.00
Fubon Leasing Co., Ltd.	784,082	99.99	765,528	99.99
Fubonbank Insurance Agent Co., Ltd.	79,758	100.00	64,819	95.00
Fubon Construction Management Co., Ltd.	45,295	30.00	45,842	30.00
Fubon Insurance Agent Co., Ltd.	3,488	100.00	2,303	99.00
	<u>7,122,098</u>		<u>6,963,973</u>	
Cost method				
Listed				
Taiwan Cellular Co., Ltd.	2,007,637	1.32	-	-
Fubon Financial Holding Co., Ltd.	-	-	1,164,336	0.50
Kuo-Yang Construction Co., Ltd.	-	-	2,571	0.14

(Continued)

	December 31			
	2004		2003	
	Carrying Value	Percentage of Ownership (%)	Carrying Value	Percentage of Ownership (%)
Unlisted				
Taiwan High Speed Rail Co., Ltd.	\$ 500,000	1.01	\$ 500,000	1.01
Fubon Securities Finance Co., Ltd.	213,975	5.67	337,011	5.67
Taiwan Assets Management Co., Ltd.	200,000	1.14	200,000	1.14
Taiwan Fixed Network Co., Ltd.	140,000	0.22	200,000	0.22
Taiwan Aerospace Corp.	65,528	1.25	65,528	1.25
Apex Venture Capital Co., Ltd.	50,000	4.67	50,000	4.67
Taiwan Financial Asset Service Co., Ltd.	50,000	2.94	50,000	2.94
Tai Mall Development Co., Ltd.	49,920	1.24	49,920	1.24
Financial Information Services Co., Ltd.	45,500	1.14	45,500	1.14
Pacific Venture Capital Co., Ltd.	41,500	3.33	41,500	3.33
Fubon Venture Capital Co., Ltd.	25,000	5.00	25,000	5.00
Other	<u>63,805</u>		<u>63,805</u>	
	<u>3,452,865</u>		<u>2,795,171</u>	
	10,574,963		9,759,144	
<u>Bond investments</u>				
Long-term bond investments, net	<u>38,507,131</u>		<u>456,501</u>	
	<u>\$ 49,082,094</u>		<u>\$ 10,215,645</u>	

Except for Fubon Bill Finance, the Bank's subsidiaries - Fubon Leasing, Fubonbank Insurance Agent and Fubon Insurance Agent were not included in the consolidated financial statements, since their individual assets and operating revenues were less than 10% of those of the Bank, and their total assets and operating revenues were less than 30% of those of the Bank.

For the years ended December 31, 2004 and 2003, income from long-term equity investments under the equity method were \$778,183 and \$887,123, respectively.

Based on investees' audited financial reports of the corresponding period, income (loss) from long-term equity investments of investees under the equity method for the years ended December 31, 2004 and 2003, respectively, were summarized as follows:

	For the Years Ended	
	December 31	
	2004	2003
Fubon Bills Finance Co., Ltd.	\$ 695,243	\$ 840,402
Fubon Leasing Co., Ltd.	17,904	(11,375)
Fubon Construction Management Co., Ltd.	(547)	(362)
Fubonbank Insurance Agent Co., Ltd.	64,235	58,241
Fubon Insurance Agent Co., Ltd.	<u>1,348</u>	<u>217</u>
	<u>\$ 778,183</u>	<u>\$ 887,123</u>

As of December 31, 2004 and 2003, the unrealized losses due to the market value decline of equity-method investments (accounted as shareholders' equity - unrealized loss on long-term equity investments) were \$60,541 and \$61,191, respectively.

As of December 31, 2003, the market value of the Bank's equity in Kuo-Yang Construction Co., Ltd. fell below carrying value, and this decline was considered other than temporary; thus, the Bank recognized \$19,146 as loss on long-term equity investment.

Based on the average closing prices in December of 2004 and 2003, the market values of the listed stocks were \$2,136,148 and \$1,350,366, respectively, including the market value of Fubon Financial Holdings of \$1,347,907 in 2003.

In March 2004, the Bank transferred investment in Taiwan Cellular Co., Ltd. from securities purchased to long-term equity investments. Also, long-term bond investments amounted to \$38,350,420 was transferred from securities purchased in 2004 due to long-term holding intention.

As of December 31, 2004, the Bank held long-term bond investments of \$12,169,498 under agreements to repurchase.

10. OTHER ASSETS, NET

	December 31	
	2004	2003
Deferred income tax assets, net	\$ 209,956	\$ 243,175
Deferred charges	154,042	110,429
Leasehold assets, net	139,301	141,860
Collaterals assumed, net	32,337	320,800
Other	<u>6,676</u>	<u>18,517</u>
	<u>\$ 542,312</u>	<u>\$ 834,781</u>

11. DUE TO BANKS

	December 31	
	2004	2003
Call loans	\$ 1,602,769	\$ 3,722,036
Overdraft	691,140	418,183
Due to banks	201,505	203,179
Due to Central Bank	<u>-</u>	<u>63,561</u>
	<u>\$ 2,495,414</u>	<u>\$ 4,406,959</u>

12. PAYABLES

	December 31	
	2004	2003
Notes and checks in clearing	\$ 2,062,575	\$ 2,903,737
Interest payable	979,597	895,349
Accrued expenses	922,491	1,019,716
Tax payable	889,394	120,659
Collections for others	121,677	297,404
Other	<u>1,072,626</u>	<u>816,440</u>
	<u>\$ 6,048,360</u>	<u>\$ 6,053,305</u>

13. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	2004	2003
Deposits		
Savings	\$ 152,781,288	\$ 142,585,484
Time	48,843,703	52,806,191
Checking	2,521,146	2,337,707
Demand	25,829,990	22,327,349
Negotiable certificates of deposit	1,024,500	1,259,000
Remittances	<u>481,917</u>	<u>117,416</u>
	<u>\$ 231,482,544</u>	<u>\$ 221,433,147</u>

14. BANK DEBENTURES

To maintain the capital adequacy ratio, the Bank needs to have long-term operating capital. Thus, the Bank applied to the Bureau of Monetary Affairs of the MOF for approval to issue bank debentures amounting to \$50,000,000, and the MOF authorized the issuances on September 4, 2002, March 10, 2003 and February 27, 2004.

	<u>December 31</u>		Maturity Date	Term
	2004	2003		
First subordinated bank debentures issued in 2002	\$ 5,000,000	\$ 5,000,000	October 2007	Inverse floating interest rate
Second dominant bank debentures issued in 2002	5,000,000	5,000,000	December 2007	Inverse floating interest rate
First dominant bank debentures issued in 2003	5,800,000	5,800,000	May 2010	Inverse floating interest rate
Second dominant bank debentures issued in 2003	2,400,000	2,400,000	June 2010	Floating interest rate
Third dominant bank debentures issued in 2003	500,000	500,000	July 2010	Floating interest rate
Third dominant bank debentures issued in 2003	1,300,000	1,300,000	August 2010	Floating interest rate
Fourth dominant bank debentures issued in 2003	2,000,000	2,000,000	December 2008	Floating interest rate
Fifth dominant bank debentures issued in 2003	500,000	500,000	December 2013	Inverse floating interest rate
First dominant bank debentures issued in 2004	300,000		- February 2011	Floating interest rate
First dominant bank debentures issued in 2004	300,000		- March 2011	Floating interest rate
Second dominant bank debentures issued in 2004	300,000		- March 2011	Inverse floating interest rate
Third dominant bank debentures issued in 2004	800,000		- March 2011	Floating interest rate
Fourth dominant bank debentures issued in 2004	1,500,000		- March 2011	Inverse floating interest rate
Fifth dominant bank debentures issued in 2004	300,000		- March 2009	Floating interest rate

(Continued)

	<u>December 31</u>		Maturity Date	Term
	2004	2003		
Fifth dominant bank debentures issued in 2004	\$ 3,100,000	\$ -	March 2011	Floating interest rate
Sixth dominant bank debentures issued in 2004	300,000	-	June 2009	Floating interest rate
	<hr/>	<hr/>		
Total	<u>\$ 29,400,000</u>	<u>\$ 22,500,000</u>		

15. OTHER LIABILITIES

	<u>December 31</u>	
	2004	2003
Value of options sold	\$ 452,178	\$ 148,938
Derivative financial instrument revaluation	304,317	248,943
Guarantee and marginal deposits	303,811	315,036
Deferred revenue	279,192	451,532
Reserve for losses on guarantees	101,645	101,645
Reserve for securities trading losses	3,449	61,047
Suspense accounts	1,123	313,346
Other	<u>42,657</u>	<u>35,954</u>
	<u>\$ 1,488,372</u>	<u>\$ 1,676,441</u>

16. SHAREHOLDERS' EQUITY

a. Capital surplus

Under the Company Law and related regulations, capital surplus may be used only to reduce or offset deficit, and paid-in capital in excess of par value may be declared as stock dividend within specified limits a year. These restrictions are in accordance with regulations issued by the Securities and Futures Bureau (the "SFB").

b. Earnings appropriation and dividend policy

The board of directors authorized by the shareholders amended the Bank's Articles of Incorporation on March 22, 2002. This amendment provides that the following should be appropriated from the annual net income, less any deficit:

- 1) 30% as legal reserve;
- 2) 1% to 5% of the remaining earnings as employee bonus;
- 3) Dividends to shareholders of all or part of the remainder and unappropriated earnings generated in prior years as determined by the board of directors.

Under the Company Law, legal reserve should be appropriated until the reserve equals the paid-in capital. This reserve should only be used to reduce or offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital up to 50% thereof may be declared as stock dividend. The Banking Law limits the appropriation for cash dividend, and any additional dividends to shareholders are limited to 15% of the Bank's paid-in capital.

The appropriation of earnings should be resolved by the shareholders in the following year and given effect to in the financial statements of that year. Under the Financial Holdings Company Law, the Bank's board of directors carries out the shareholders meeting functions stipulated in the Company Law.

In March 2004 and March 2003, the board of directors resolved the appropriation of the 2003 and 2002 earnings, respectively, as follows:

	<u>Earnings Appropriation</u>		<u>Dividend Per Share</u>	
	2003	2002	2003	2002
Legal reserve	\$ 1,347,225	\$ 224,892		
Cash dividends	3,111,526	518,747	\$ 1.4236	\$ 0.2376
Bonus to employees - cash	<u>32,000</u>	<u>6,000</u>		
	<u>\$ 4,490,751</u>	<u>\$ 749,639</u>		

The appropriation of 2004 earnings has not yet been resolved by the board of directors by January 25, 2005, the date of auditors' report. The related information regarding the proposed and resolved earnings appropriation can be referred from the SEC Market Observation Post System (M.O.P.S.) website.

In addition, had aforementioned remuneration to directors and supervisors and bonus to employees (included in the appropriation of 2003 and 2002 earnings) been recognized as expenses, the basic EPS (after tax) for 2003 would have been decreased from NT\$2.06 to NT\$2.05 per share, and the basic EPS (after tax) for 2002 would have been decreased from NT\$0.35 to NT\$0.34 per share.

Under the Integrated Income Tax System, which took effect on January 1, 1998, noncorporate resident shareholders are allowed a tax credit for the income tax paid by the Bank on earnings generated since January 1, 1998.

17. TREASURY STOCK (COMMON STOCK)

(Shares in Thousands)

Reason for Purchase	Beginning of the Year	Increase	Decrease	End of
				the Year
<u>Reissuance to employees</u>				
For the year ended December 31, 2003	21,574	-	21,574	-

Under the Securities and Exchange Law, the Bank is prohibited from reacquiring more than 10% of the total shares issued and from incurring a reacquisition cost exceeding the total of the retained earnings and capital surplus (additional paid-in capital in excess of par value, capital surplus arising from gains on disposal of properties and donated capital). In addition, the Bank is prohibited from using the treasury stock to secure any of its obligations and from exercising the rights of a shareholder on those treasury stocks.

Issued stock repurchased by the Bank before the recorded date of the share swap had been transferred to Fubon Financial Holdings Co., Ltd. as shares, which were reissued to the employees in March and September 2003 and March 2002, respectively.

18. INCOME TAX

Fubon Financial Holdings Co., Ltd. adopted the linked-tax system for income tax filings with its qualified subsidiaries, including the Bank.

a. Income tax expense:

	For the Years Ended December 31	
	2004	2003
Current income tax	\$ 915,377	\$ 57,721
Tax on unappropriated retained earnings	-	68,734
Separate taxes on short-term bills interest revenue	118,742	43,095
Prior year's tax adjustment	(47,426)	20,913
Prior year's effect of integrated income tax system	(68,734)	-
Deferred income tax	<u>33,219</u>	<u>35,997</u>
Income tax	<u>\$ 951,178</u>	<u>\$ 226,460</u>

b. Reconciliation of tax on pretax income at statutory rate and current income tax:

	For the Years Ended December 31	
	2004	2003
Tax on pretax income at 25% statutory rate	\$ 1,302,773	\$ 1,179,293
Add (deduct) tax effects of:		
Tax-exempt income	11,649	(438,093)
Permanent difference	(338,528)	(482,178)
Temporary difference	(54,805)	(22,576)
Investment tax credits	(5,712)	(113,040)
Other	<u>-</u>	<u>(65,685)</u>
Current income tax payable	<u>\$ 915,377</u>	<u>\$ 57,721</u>

c. Deferred income tax assets (included in "other assets") as of December 31, 2004 and 2003 consisted of the following:

	December 31	
	2004	2003
Deferred income tax assets		
Excess for credit loss in tax limitation	\$ 131,554	\$ 234,530
Other	<u>78,402</u>	<u>8,645</u>
Deferred tax assets, net	<u>\$ 209,956</u>	<u>\$ 243,175</u>

d. Imputed tax credit:

Balance of shareholders' imputed tax credit	<u>\$ 112,566</u>	<u>\$ 139,696</u>
---	-------------------	-------------------

	2004 (Predicted)	2003 (Actual)
The ratio of imputed tax credit to earnings	2.58%	3.50%

The unappropriated retained earnings generated since January 1, 1998 that were included in the balances as of December 31, 2004 and 2003 were both \$1,382.

- e. Income tax returns through 2001 had been examined by the tax authorities. The lawsuits on withholding tax had come to compromises in January 2004 and the tax authorities will refund 65% of the withholding tax for the previous years. Accordingly, the Bank accrued 35% of the withholding tax in 2004.

19. PERSONNEL, DEPRECIATION AND AMORTIZATION

	For the Years Ended December 31					
	2004			2003		
	Functional Expenses	Administrative Expenses	Total	Functional Expenses	Administrative Expenses	Total
Personnel expense						
Salary expense	\$ 1,553,689	\$ 128,474	\$ 1,682,163	\$ 1,420,875	\$ 85,185	\$ 1,506,060
Pension expense	100,261	-	100,261	86,049	-	86,049
Other	48,190	85	48,275	37,808	62	37,870
	<u>1,702,140</u>	<u>128,559</u>	<u>1,830,699</u>	<u>1,544,732</u>	<u>85,247</u>	<u>1,629,979</u>
Depreciation	-	288,265	288,265	-	260,487	260,487
Amortization	9	39,374	39,383	-	24,628	24,628
Other	<u>2,430,285</u>	<u>461,117</u>	<u>2,891,402</u>	<u>2,184,242</u>	<u>456,278</u>	<u>2,640,520</u>
	<u>\$ 4,132,434</u>	<u>\$ 917,315</u>	<u>\$ 5,049,749</u>	<u>\$ 3,728,974</u>	<u>\$ 826,640</u>	<u>\$ 4,555,614</u>

20. EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) are summarized as follows:

	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NTS)	
	Pretax	After tax		Pretax	After tax
<u>For the year ended December 31</u>					
2004	<u>\$ 5,211,131</u>	<u>\$ 4,259,953</u>	<u>2,185,737</u>	<u>\$ 2.38</u>	<u>\$ 1.95</u>
2003	<u>\$ 4,717,211</u>	<u>\$ 4,490,751</u>	<u>2,180,019</u>	<u>\$ 2.16</u>	<u>\$ 2.06</u>

21. PENSION

The Bank has a defined benefit contributory pension plan covering all regular employees. The Bank makes monthly contributions, equal to 8% of employee salaries, to the pension fund. The employees will receive benefits based on length of service years and average salary of the six months before retirement.

- a. The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2004 and 2003 are as follows:

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Benefit obligation		
Vested benefit obligation	\$ 18,084	\$ 21,553
Non-vested benefit obligation	426,484	420,014
Accumulated benefit obligation	444,568	441,567
Additional benefits based on future salaries	242,843	250,434
Projected benefit obligation	687,411	692,001
Fair value of plan assets	<u>(639,264)</u>	<u>(581,866)</u>
Funded status	48,147	110,135
Unrecognized net transition asset	730	852
Unrecognized pension loss	<u>(53,635)</u>	<u>(114,469)</u>
Prepaid pension cost	<u>\$ (4,758)</u>	<u>\$ (3,482)</u>

- b. Actuarial assumptions

1) Discount rate used in determining present values	3.25%	3.25%
2) Future salary increase rate	3.00%	3.00%
3) Expected rate of return on plan assets	3.25%	3.25%

- c. The changes in the pension fund are summarized below:

	<u>For the Years Ended</u>	
	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Balance, January 1	\$ 578,019	\$ 512,697
Contributions	96,433	74,079
Benefits paid	(45,320)	(15,612)
Interest and investment revenue	<u>10,132</u>	<u>6,855</u>
Balance, December 31	<u>\$ 639,264</u>	<u>\$ 578,019</u>

22. RELATED-PARTY TRANSACTIONS

The Bank's related parties are as follows:

- a. Related parties

<u>Name</u>	<u>Relationship to the Bank</u>
Fubon Financial Holdings Co., Ltd. (FFH)	Parent company
Taipei City Government (TCG)	Major shareholder of parent company
Taipei Bank	FFH's equity-method investee
Fubon Insurance Co., Ltd.	FFH's equity-method investee
Fubon Life Insurance Co., Ltd. (FLI)	FFH's equity-method investee
Fubon Securities Co., Ltd.	FFH's equity-method investee
International Bank of Asia Limited	FFH's equity-method investee

(Continued)

Name	Relationship to the Bank
Fubon Securities Investment Trust Co., Ltd. and its affiliate funds (FSIT)	FFH's equity-method investee
Fubon Direct Marketing Consulting Co., Ltd. (FDM)	FFH's equity-method investee
Fubon Asset Management Co., Ltd.	FFH's equity-method investee
Fubon Venture Capital Consulting Co., Ltd.	FFH's equity-method investee
Taipei Bank Life Assurance Agent Co., Ltd.	Taipei Bank's equity-method investee
Fubon Bill Finance Co., Ltd.	The Bank's equity-method investee
Fubon Leasing Co., Ltd.	The Bank's equity-method investee
Fubon Construction Management Co., Ltd. (FCM)	The Bank's equity-method investee
Fubonbank Insurance Agent Co., Ltd.	The Bank's equity-method investee
Fubon Insurance Agent Co., Ltd.	The Bank's equity-method investee
Citibank Co., Ltd., Taipei Branch	Related party in substance (Citibank was not a related party since November 2004)
Taipeibank Charitable Foundation	Related party in substance
Citi Securities Co., Ltd.	Related party in substance (Citi Securities was not a related party since November 2004)
Fubon Technology Consulting Co., Ltd. (FTC)	Related party in substance
Taiwan Cellular Co., Ltd. (TCC)	Related party in substance
Chung Hsing Land Development Co., Ltd. (CHLDC)	Related party in substance
International Investment Trust Co., Ltd.	Related party in substance
Ming Tong Co., Ltd. (MTC)	Related party in substance
Tao Yin Co., Ltd.	Related party in substance
Fubon Art Foundation (FAF)	Related party in substance
Fubon Charity Foundation (FCF)	Related party in substance
Kuang Hsin Printing Co., Ltd.	Related party in substance
Fubon Securities (BVI) Co., Ltd.	Related party in substance
Fubon Futures Co., Ltd.	Related party in substance
Fubon Venture Capital Co., Ltd.	Related party in substance
Sinostar Venture Capital Co., Ltd.	Related party in substance
Fubon Culture and Education Foundation (FCEF)	Related party in substance
Citi Fubon Life Insurance Company Hong Kong Limited	Related party in substance
Fubon Building Management Maintain Co., Ltd.	Related party in substance
Fubon Securities Finance Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd.	Related party in substance
Sinostar Capital Co., Ltd.	Related party in substance
Fu-An Leasing Co., Ltd.	Related party in substance
Fubon Leisure and Entertainment Co., Ltd.	Related party in substance
Taiwan High Speed Rail Co., Ltd.	Related party in substance
Citi Insurance Agent Co., Ltd.	Related party in substance
Fubon Securities Investment Consulting Co., Ltd.	Related party in substance
Fu-Sheng Properties Insurance Agent Co., Ltd.	Related party in substance
Fu-Sheng Life Assurance Agent Co., Ltd.	Related party in substance
Others	Directors, supervisors, managers and their relatives

b. Significant related-party transactions are summarized as follows:

For the Year Ended December 31, 2004				
	Balance as of December 31	% of the Account Balance	Rate (%)	Interest Income (Expense)
1) Deposits	<u>\$ 5,298,014</u>	<u>2</u>	0-5.4	<u>\$ (104,974)</u>
2) Loans	<u>\$ 252,580</u>	<u>1</u>	0.4-7.25	<u>\$ 3,373</u>
3) Due from banks - call loans				
FBFC	\$ -	-	0.85-1.165	\$ 9,830
Taipei Bank	317,680	1	0.975-1.45	4,017
International Bank of Asia Limited	<u>7,942,000</u>	<u>35</u>	0.974-1.7854	<u>97,356</u>
	<u>\$ 8,259,680</u>	<u>36</u>		<u>\$ 111,203</u>
4) Due to banks - call loans				
Citibank Co., Ltd., Taipei Branch	\$ -	-	0.8-1.12	\$ (1,052)
Taipei Bank	<u>-</u>	<u>-</u>	0.925-1.83	<u>(330)</u>
	<u>\$ -</u>	<u>-</u>		<u>\$ (1,382)</u>
For the Year Ended December 31, 2003				
	Balance as of December 31	% of the Account Balance	Rate (%)	Interest Income (Expense)
1) Deposits	<u>\$ 7,451,977</u>	<u>3</u>	0-5.4	<u>\$ (183,833)</u>
2) Loans	<u>\$ 526,455</u>	<u>-</u>	0.4-7.25	<u>\$ 3,170</u>
3) Due from banks - call loans				
FBFC	\$ 2,050,000	7	0.875-1.40	\$ 14,118
Taipei Bank	-	-	0.8-1.55	6,089
Citibank Co., Ltd., Taipei Branch	<u>-</u>	<u>-</u>	1.0-1.165	<u>985</u>
	<u>\$ 2,050,000</u>	<u>7</u>		<u>\$ 21,192</u>
4) Due to banks - call loans				
Citibank Co., Ltd., Taipei Branch	\$ 339,980	8	1.10-1.15	\$ (210)
Taipei Bank	<u>-</u>	<u>-</u>	0.9-1.31	<u>(386)</u>
	<u>\$ 339,980</u>	<u>8</u>		<u>\$ (596)</u>

5) Securities

Name	Type	Trade Amount for the Years Ended December 31	
		2004	2003
Fubon Bills Finance	Bonds purchased	\$ 28,290,763	\$ 81,288,496
	Bonds sold	27,710,565	82,093,804
	Bills purchased	1,683,809	12,208,431
	Bills sold	79,923	-
	Bills purchased under agreements to resell	99,775	578,551
Fubon Securities	Bonds purchased	2,044,817	9,384,299
	Bonds sold	1,666,698	12,884,075
	Bonds purchased under agreements to resell	3,242,940	-
Fubon Leasing	Bonds sold under agreements to repurchase	1,389,134	-
Citi Securities	Bonds purchased	4,681,528	4,558,719
	Bonds sold	4,097,858	3,158,865
FFH	Bonds purchased	1,173,742	46,698
	Bond sold	-	1,200,887
	Bonds sold under agreements to repurchase	-	1,580,313
Taipei Bank	Bonds purchased	7,688,352	-
	Bonds sold	7,582,363	49,940
FLI	Bonds purchased	-	642,305
	Bonds sold	199,054	2,247,248
	Bonds sold under agreements to repurchase	3,753,685	-
FSIT	Bonds sold under agreements to repurchase	93,064,336	217,239,325
Fubon Insurance Co., Ltd.	Bonds sold under agreements to repurchase	1,747,850	-

6) Securities purchased

The Bank bought 80,086 thousands units and 72,943 thousands units of mutual funds amounting to \$823,973 and \$794,973 which FSIT had issued as of December 31, 2004 and 2003, respectively.

7) Derivatives (notional amount)

	December 31	
	2004	2003
Citibank Co., Ltd., Taipei Branch	Interest rate swap	US\$ 10,000 \$ 5,300,000
		5,300,000 -
	Asset swap	- US\$ 37,000
	Foreign currency swap	US\$ 214,000 -
	Spot-rate forward	US\$ 185,000 -
	1,237,311 -	
FBFC	Interest rate swap	2,000,000 1,000,000
Fubon Securities Co., Ltd.	Foreign-currency swap	US\$ 26,168 -
	Asset swap	- US\$ 3,000
	Interest rate swap	US\$ 17,500 US\$ 7,500
	Spot-rate forward	US\$ 18,308 -

(Continued)

	December 31	
	2004	2003
FSIT		
Spot-rate forward	US\$ 6,000	\$ -
Foreign-currency swap	US\$ 12,000	-
FLI		
Foreign-currency swap	US\$ 261,000	-
Spot-rate forward	US\$ 231,000	-
Taipei Bank		
Foreign-currency swap	US\$ 149,539	-
Spot-rate forward	1,953,119	-
	US\$ 112,857	-
	JPY 419,400	-
Interest rate swap	800,000	-
Fubon Insurance Co., Ltd.		
Foreign-currency swap	US\$ 100,000	-
Spot-rate forward	US\$ 100,000	-

The gains and losses on derivative transactions with related parties for the years ended December 31, 2004 and 2003 were as follows:

	For the Year Ended December 31, 2004	
	Account	Amount
Interest rate swap contract	Interest revenue	\$ 18,250
	Interest expense	14,959
	Gain from derivative financial transactions	113
Asset swap contract	Interest revenue	16,420
Foreign-currency swap contract	Interest revenue	74,056
	Interest expense	6,846
For the Year Ended December 31, 2003		
	Account	Amount
Interest rate swap contract	Interest revenue	\$ 33,221
	Interest expense	6,449
Asset swap contract	Interest revenue	88,374
Foreign-currency swap contract	Interest revenue	1,857
	Interest expense	4,082

8) Lease

	Name	Lease Terms	Tenancy	Rental Expense for the Years Ended December 31	
				2004	2003
Lessor	Fubon Insurance	Rentals paid monthly	June 2009	\$ 96,433	\$ 73,158
	FLI	Rentals paid monthly	November 2006	5,539	5,391
	Taipei Bank	Rentals paid monthly	September 2006	1,855	1
	Fubon Securities	Rentals paid monthly	July 2006	1,370	1,330
	CHLDC	Rentals paid monthly	July 2006	62,340	57,411
	MTC	Rentals paid monthly	April 2005	22,422	21,711
	TCC	Rentals paid monthly	March 2007	2,922	2,922
	Fubon Land Development Co., Ltd.	Rentals paid monthly	August 2007	1,755	-
	Tao Yin Co., Ltd.	Rentals paid monthly	September 2009	8,584	8,499

9) Insurance

a) Property insurance

The Bank entered into several contracts with Fubon Insurance Co., Ltd. for the years ended December 31, 2004 and 2003. The details are as follows:

Insured Items	Insurance Period	Insurance Amount	Insurance Expense
<u>2004</u>			
Office facilities	2004.4.20-2005.4.20	\$ 2,451,459	\$ 1,500
Electronic facilities	2003.11.1-2005.11.1	965,729	3,079
Combined insurance for the bank and insurance items placed with the bank for safekeeping case	2003.8.2-2005.4.20	372,000	3,963
Public accident	2004.4.20-2005.4.20	108,000	442
Other			14,660
<u>2003</u>			
Office facilities	2002.8.5-2004.4.20	2,506,373	1,815
Electronic facilities	2002.11.1-2004.11.1	763,002	2,671
Combined insurance for the bank and insurance items placed with the bank for safekeeping case	2002.8.2-2004.8.2	472,500	4,115
Public accident	2003.4.20-2004.4.20	90,000	329
Other			35,967

b) Life insurance

The Bank paid \$23,477 and \$22,149 to FLI for the employees' group safety insurance for the years ended December 31, 2004 and 2003, respectively.

10) United marketing

The Bank signed an electronic transfer contract with Fubon Securities Co., Ltd. Under this contract, the Bank recognized apportioned cost, by the clients' average deposits, amounted to \$136,397 and \$103,041 for the years ended December 31, 2004 and 2003, respectively.

The Bank had cooperative arrangements with Taipei Bank to promote a credit card jointly. Thus, for the year ended December 31, 2004 the Bank recognized service fee of \$68,365 which was a percentage of the credit card users' purchases.

11) Donation

	For the Years Ended	
	December 31	
	2004	2003
FCF	\$ 16,062	\$ 13,367
FAF	3,590	2,400
FCEF	19,150	1,400

12) Income tax refund receivable

FFH, the Bank's parent company adopted the linked-tax system to file the income tax returns. As a result, FFH will receive in tax refunds from the Bank on December 31, 2004 amounting to \$770,920. The Bank paid \$4,839 of tax payables to FFH in 2003 and received \$152,255 in tax refunds from FFH in 2002.

13) Disposal of nonperforming loans

On November 16, 2004, the Bank sold nonperforming loans of \$3,494,741 to Fubon Asset Management with selling price amounted to \$1,271,259. The related losses of \$38,955 were included in current income (included in nonoperating expenses and losses). As of December 31, 2004, the related receivables amounted to \$1,112,352 were not collected.

14) Bank debentures

FLI obtained first subordinated bank debentures amounting to \$500,000, which were issued by the Bank in October 2002. The Bank paid FLI the related interest of \$17,831 and \$18,816 for the years ended December 31, 2004 and 2003, respectively.

15) Long-term investments

Under the Financial Holding Company Act, the Bank sold FFH's common stocks to other related parties which amounted to \$1,166,298. As of December 31, 2004, the related receivables have been collected.

The Bank obtained fourth bank debentures amounting to \$1,500,005, which were issued by Taipei Bank in September 2004. The Bank recognized related interest revenue of \$12,804 for the year ended December 31, 2004.

16) Transfer of automated teller machine

For the year ended December 31, 2004, the Bank sold 270 units of automated teller machine to Taipei Bank which amounted to \$115,847. As of December 31, 2004, the related receivables have been collected.

17) Others

	For the Years Ended	
	December 31	
	2004	2003
Service revenue - FSIT	\$ 85,258	\$ 238,409
Investigating fees - FCM	1,575	6,975
Advertising expense - FDM	8,745	-
Building administrative expense - Fubon Building Management	17,317	18,671
Certificate fees - FBFC	111	-
Service revenue - Securities Trust	100	-
Service revenue - FDM	-	85,370
Consulting fees - FTC	-	350
Agency fees - Fubon Securities	-	650
Research fees - Fubon Land Development	1,855	-
Parking rentals - CHLDC	1,696	-

The terms of the transactions with related parties were similar to those for third parties, except for the preferential interest rates offered to employees for savings and loans of up to prescribed limits.

Under the Banking Law, except for consumer loans and government loans, credits extended by the Bank to any related party should be secured 100%, and the terms of credits extended to related parties should be similar to those for third parties.

23. PLEDGED ASSETS

As of December 31, 2004 and 2003, the following assets had been provided as refundable deposits:

	December 31	
	2004	2003
Securities purchased	\$ 695,800	\$ 9,840,400
Due from Central Bank and banks - deposits in Central Bank	-	1,200,000
Long-term bond investments	<u>150,000</u>	<u>-</u>
	<u>\$ 845,800</u>	<u>\$ 11,040,400</u>

The above securities purchased - negotiable certificates of deposits and due from Central Bank and banks - deposits in Central Bank were provided as collateral for the day-term overdraft in joining the Central Bank's clearing system of Real-time Gross Settlement (RTGS). The pledged amount may be adjusted on the basis of the overdraft amount.

Securities purchased - government bonds and long-term bond investments were placed with the (a) courts of justice for various collection cases on overdue loans, (b) National Credit Card Center to secure the Bank's potential obligations on its credit card activities, and (c) Central Bank of China to secure its potential obligations on its trust activities.

As of December 31, 2004 and 2003, the bank had no secured obligation.

24. CONTINGENCIES AND COMMITMENTS

Commitments, in addition to those shown separately in Note 27 as of December 31, 2004, are summarized as follows:

- | | Amount |
|---|---------------|
| a. Bonds and short-term bills amounting to \$25,760,412, sold under agreements to repurchase by July 15, 2005 | \$ 25,781,486 |
| b. The Bank has several operating lease agreements covering office spaces. As of December 31, 2004, the related refundable lease deposits aggregated \$65,410 (accounted as "other financial assets"). Under agreements with the lessors, future minimum rentals under these leases are as follows: | |

Year	Amount
2005.1.1-2005.12.31	\$ 326,759
2006.1.1-2006.12.31	255,327
2007.1.1-2007.12.31	204,290
2008.1.1-2008.12.31	157,806
2009.1.1-2009.12.31	109,353

Rentals for the years beyond 2009 amount to \$72,371, with present value of about \$70,337 as discounted at the Bank's one-year time deposit rate of 1.45% on January 1, 2005.

c. Balance sheets and trust property of trust accounts

**Balance Sheet of Trust Accounts
December 31, 2004**

Trust Assets		Trust Liabilities and Equities	
Bank deposits	\$ <u>76,094</u>	Trust capital	
Short-term investments		Money trust	\$ 55,291,247
Mutual funds	25,635,548	Securities trust	3,759,485
Stocks	3,695,295	Real-estate trust	<u>571,202</u>
Bills	100,332		<u>59,621,934</u>
Bonds	28,324,776	Reserve and accumulated	
Overseas stocks	<u>1,264,663</u>	earnings	
	<u>59,020,614</u>	Net income	28,350
Real estate		Accumulated earnings	<u>(815)</u>
Land	396,881		<u>27,535</u>
Buildings	6,158		
Construction in progress	<u>149,722</u>		
	<u>552,761</u>		
Total trust assets	<u>\$ 59,649,469</u>	Total trust liabilities and	
		equities	<u>\$ 59,649,469</u>

**Property of Trust Accounts
December 31, 2004**

Investment Portfolio	Amount
Bank deposits	\$ <u>76,094</u>
Short-term investments	
Mutual funds	25,635,548
Stocks	3,695,295
Bills	100,332
Bonds	28,324,776
Overseas stocks	<u>1,264,663</u>
	<u>59,020,614</u>
Real estate	
Land	396,881
Buildings	6,158
Construction in progress	<u>149,722</u>
	<u>552,761</u>
Total	<u>\$ 59,649,469</u>

25. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balances are calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	For the Years Ended December 31			
	2004		2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Call loans	\$ 25,430,946	1.20	\$ 23,624,238	1.20
Due from Central Bank	13,998,410	1.15	21,296,393	1.39
Securities purchased	75,512,998	0.29	79,350,641	4.46
Bills, discounts and loans	118,056,562	5.43	118,404,771	5.40
Long-term bonds investment	30,739,641	3.47	777,387	2.05
<u>Interest-bearing liabilities</u>				
Due to banks	204,868	1.32	268,881	1.83
Call loans from banks	7,808,936	1.32	5,175,373	1.17
Demand deposits	111,517,701	0.36	89,382,072	0.48
Staff's demand saving deposits	1,083,303	4.38	955,154	4.56
Time deposits	35,311,094	1.24	47,772,194	1.61
Foreign-currency time deposits	17,164,633	0.99	13,101,172	1.20
Time savings deposits	67,292,054	1.56	68,862,774	2.04

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of the Bank's assets and liabilities is based on the period from the balance sheet dates up to the maturity dates specified under related agreements, or, if there are no specified maturity dates, on expected collection dates.

	December 31, 2004				
	Due in Three Months	Due from After Three Months to Six Months	Due from After Six Months to One Year	Due After One Year	Total
<u>Assets</u>					
Due from Central Bank and banks	\$ 14,109,634	\$ 8,910,951	\$ -	\$ 10,000	\$ 23,030,585
Securities purchased	78,893,183	219,950	573,096	8,627,523	88,313,752
Bills, discounts and loans (excluding nonperforming loans)	8,025,627	5,966,215	6,672,401	97,440,720	118,104,963
Long-term bond investments	79,420	-	12,879	38,589,556	38,681,855
	<u>\$ 101,107,864</u>	<u>\$ 15,097,116</u>	<u>\$ 7,258,376</u>	<u>\$ 144,667,799</u>	<u>\$ 286,131,155</u>
<u>Liabilities</u>					
Due to banks	\$ 1,602,769	\$ 692,645	\$ -	\$ 200,000	\$ 2,495,414
Deposits and remittances	91,789,812	73,899,334	57,693,544	8,099,854	231,482,544
Bank debentures	-	-	-	29,400,000	29,400,000
	<u>\$ 93,392,581</u>	<u>\$ 74,591,979</u>	<u>\$ 57,693,544</u>	<u>\$ 37,699,854</u>	<u>\$ 263,377,958</u>

December 31, 2003

	Due in Three Months	Due from After Three Months to Six Months	Due from After Six Months to One Year	Due After One Year	Total
<u>Assets</u>					
Due from Central Bank and banks	\$ 28,789,286	\$ 14,247,100	\$ 10,000	\$ 1,900,000	\$ 44,946,386
Securities purchased	38,811,980	199,984	1,908,167	31,349,747	72,269,878
Bills, discounts and loans (excluding nonperforming loans)	15,219,534	5,912,475	4,819,205	85,814,414	111,765,628
Long-term bond investments	<u>175,044</u>	<u>-</u>	<u>33,998</u>	<u>433,609</u>	<u>642,651</u>
	<u>\$ 82,995,844</u>	<u>\$ 20,359,559</u>	<u>\$ 6,771,370</u>	<u>\$ 119,497,770</u>	<u>\$ 229,624,543</u>
<u>Liabilities</u>					
Due to banks	\$ 4,140,219	\$ 266,740	\$ -	\$ -	\$ 4,406,959
Deposits and remittances	77,157,811	72,369,427	61,034,989	10,870,920	221,433,147
Bank debentures	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,500,000</u>	<u>22,500,000</u>
	<u>\$ 81,298,030</u>	<u>\$ 72,636,167</u>	<u>\$ 61,034,989</u>	<u>\$ 33,370,920</u>	<u>\$ 248,340,106</u>

27. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

The Bank enters into forward exchange, foreign-currency swap, cross currency swap, interest rate swap, interest rate futures and option contracts for trading purposes, i.e., to accommodate customers' needs and to manage its exposures. The Bank enters into interest rate swap, asset swap, credit default swap and cross-currency swap for nontrading purposes, i.e., to hedge the effects of foreign exchange, interest rate or credit default exposure on foreign-currency assets or liabilities. The Bank's hedge strategy is to use instruments with fluctuations in their fair values that offset changes in the fair values of the underlying exposures. The Bank also periodically evaluates the effectiveness of the instruments.

The Bank is exposed to credit risk on counter-parties' default on contracts. Thus, the Bank reviews each customer's credit history and credit rating before approving the financial instrument arrangement and the credit limit. An appropriate guarantee would be required from the customer. If the customer is another bank, it will be evaluated on the basis of its world ranking and credit rating.

The contract (notional) amounts, credit risks, and fair values of derivative transactions were as follows:

	December 31					
	2004			2003		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
<u>Nontrading purposes</u>						
Interest rate swap contracts	\$ 50,342,000	\$ 173,319	\$ (180,327)	\$ 32,500,000	\$ 71,636	\$ (207,549)
Asset swap contracts	-	-	-	1,996,884	22,890	(83,382)
Cross-currency swap contracts	2,531,755	-	(205,998)	2,481,854	-	(56,186)
Credit default swap contracts	1,500,000	-	(1,314)	-	-	-
<u>Trading purposes</u>						
Forward exchange contracts	7,280,538	81,462	(74,489)	4,036,087	24,719	17,930
Foreign-currency swap contracts	141,338,855	146,423	10,712	89,594,182	229,698	54,857
Cross-currency swap contracts	773,106	87,101	8,645	-	-	-
Interest rate swap contracts	33,319,787	642,903	(22,354)	17,074,820	24,328	(228,812)

	December 31					
	2004			2003		
<u>Trading purposes</u>	Contract (Notional) Amount	Credit Risk	Value of Option Purchased/ Written	Contract (Notional) Amount	Credit Risk	Value of Option Purchased/ Written
Option contracts - short option	\$ 13,676,742	\$ -	\$ 452,178	\$ 6,699,004	\$ -	148,938
Option contracts - long option	12,691,934	452,193	452,193	6,529,014	150,425	148,862

The Bank calculates the fair value of each contract at the forward rate for the remaining term quoted from Reuters or the Telerate Information System. The fair value of an individual asset swap contract is calculated on the basis of quotations from the Bloomberg Information System.

The contract or notional amounts are used solely as a basis for calculating the amounts to settle with counter-parties. That is, the contract or notional amounts do not represent the actual cash inflows or outflows; thus, no significant cash demand is expected.

The gains and losses on derivative transactions for the years ended December 31, 2004 and 2003 were as follows:

	For the Year Ended December 31, 2004	
	Account	Amount
Interest rate swap contracts	Interest revenue	\$ 925,753
	Interest expense	551,499
	Gain from derivative financial transactions	88,916
Asset swap contracts	Interest revenue	32,337
	Interest expense	25,909
Cross-currency swap contracts	Interest revenue	35,026
	Interest expense	25,909
	Gain from derivative financial transactions	8,948
Forward exchange contracts	Foreign exchange loss	74,489
Foreign-currency swap contracts	Interest revenue	516,148
	Interest expense	525,339
Foreign-currency option contracts	Loss from derivative financial transactions	22,606
Interest rate futures contracts	Loss from derivative financial transactions	19,561
	For the Year Ended December 31, 2003	
	Account	Amount
Interest rate swap contracts	Interest revenue	\$ 590,979
	Interest expense	408,025
Asset swap contracts	Interest revenue	129,122
	Interest expense	82
Cross-currency swap contracts	Interest revenue	23,729
	Interest expense	20,106
Forward exchange contracts	Foreign exchange gain	15,893
Foreign-currency swap contracts	Interest revenue	134,328
	Interest expense	140,927
Foreign-currency option contracts	Loss from derivative financial transactions	9,449

b. Fair value of nonderivative financial instruments

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Assets with fair value approximating carrying value	\$ 186,368,948	\$ 186,368,948	\$ 198,986,192	\$ 198,986,192
Securities purchased	88,128,211	88,128,211	72,269,878	72,317,388
Long-term equity investments	10,574,963	10,703,474	9,759,144	9,942,603
Long-term bond investments	38,507,131	38,507,131	456,501	456,501
<u>Liabilities</u>				
Liabilities with fair value approximating carrying value	295,513,274	295,513,274	254,166,383	254,166,383

Methods and assumptions applied in estimating the fair value of nonderivative financial instruments are as follows:

- 1) The carrying values of cash and cash equivalents, due from Central Bank and banks, receivables, Bonds and short-term bills purchased under agreements to resell, other financial asset due to Central Bank, due to banks, remittances, payables, bonds and short-term bills sold under agreements to repurchase, fund received for sub-loans and guarantee deposit received approximate their fair values due to the short maturity of these instruments.
- 2) Bill, discounts and loans, deposits, and bank debentures are interest-earning assets and interesting bearing liabilities. Thus, their carrying value represent current fair value.
- 3) If market prices for securities purchased, long-term equity investments and long-term bond investments are available, the fair values of these financial instruments are based on these market prices. If market prices are unavailable, then their carrying values represent fair values.
- 4) Refundable guarantee deposits in the form of government bonds are based on their carrying values since such deposits do not have specific dates.

Not all of the fair values of all financial and nonfinancial instruments are presented above. Therefore, the total fair values disclosed do not represent the Bank's aggregate fair value.

c. Financial instruments with off-balance-sheet credit risks

The Bank has significant credit commitments principally relating to customer financing activities. For the years ended December 31, 2004 and 2003, the interest rates for loans ranged from 2.14% to 14.84% and from 1.49% to 14.20%, respectively, and the highest interest rate for credit cards was 19.69% for both periods. The Bank also issues financial guarantees and standby letters of credit to guarantee customers' obligations to third parties. There was no concentration of maturity dates in one period that would potentially result in liquidity problems to the Bank.

The contract amounts of financial instruments with off-balance-sheet credit risks were as follows:

	December 31	
	2004	2003
Credit commitments of credit cards	\$ 163,937,353	\$ 202,871,370
Financial guarantees and standby letters of credit	7,689,947	10,009,255

The total commitment amounts do not necessarily represent future cash requirements since most of the commitments are expected to expire without being drawn upon. The Bank is exposed to losses of up to the total amount of the commitments (without taking into account the value of any collateral) if counter-parties default.

The Bank evaluates the creditworthiness of credit applications case by case, taking into account the applicant's credit history, credit rating and financial condition. (As of December 31, 2004 and 2003, about 60.59% and 52.59%, respectively, of total loans granted were secured.) Collateral, mostly in the form of real estate, cash, inventories and marketable securities or other property, may be required depending on the result of the creditworthiness evaluation.

No collateral is required for credit card facilities but the credit status of each credit cardholder is closely monitored. Depending on the results of the credit status monitoring, appropriate measures are adopted, which include amending the credit limit and, if necessary, canceling the facility.

28. CONCENTRATIONS OF RISK

The Bank has no credit risk concentration in any counter-party or groups of counter-parties engaged in similar business activities or activities in the same region that would cause the Bank's ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. However, as of December 31, 2004 and 2003, there were certain concentrations of risk, as follows:

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Individuals	\$ 83,935,859	\$ 93,973,353
Manufacturing	13,781,930	17,108,132
Business and commerce	9,960,330	9,385,047
Finance, insurance and real-estate	5,168,979	9,615,092

The net positions of the main foreign-currency transactions as of December 31, 2004 and 2003 were as follows:

	<u>December 31</u>					
	<u>2004</u>		<u>2003</u>			
	<u>Foreign-currency Amounts (in Thousands)</u>	<u>New Taiwan Dollar Amounts (in Thousands)</u>	<u>Foreign-currency Amounts (in Thousands)</u>	<u>New Taiwan Dollar Amounts (in Thousands)</u>		
Net positions of main foreign-currency with market risk	USD	28,924	\$ 918,858	USD	35,458	\$ 1,205,492
	EUR	5,055	218,463	EUR	959	40,981
	JPY	316,601	97,861	HKD	2,449	10,722
	GBP	1,565	95,695	JPY	26,858	8,535
	SEK	1,200	5,748	NZD	272	6,070

29. MAJOR RISK EXPOSURE SITUATIONS, MANAGEMENT POLICY AND PRACTICE OF CREDIT RISK, MARKET RISK, LIQUIDITY RISK, OPERATING RISK AND LEGAL RISK

a. Credit Risks

1) Asset quality

(In Thousands of New Taiwan Dollars, %)

Items	Year	December 31, 2004	December 31, 2003
Overdue loans (including nonperforming loans) (Note 1)		\$ 5,245,443	\$ 4,110,409
Nonperforming loans		5,432,713	2,515,486
Overdue loans ratio (Note 2)		4.25%	3.58%
Classified loans (Note 3)		305,388	1,210,959
Ratios of classified loans to total loans		0.25%	1.06%
Allowance for credit losses		1,438,983	1,759,726
Write-off amounts of credits (Note 4)		4,587,480	5,654,543

Note 1: The overdue loans disclosures regulated in directives No. 832292834 and No. 86656564 issued by the MOF.

Note 2: Overdue loans ratio: $\text{Overdue loans (including nonperforming loans)} / (\text{Outstanding loan} + \text{Nonperforming loans})$

Note 3: Classified loans were as follows:

- a) Medium and long-term loans repayable in installment repayments which were delinquent for more than three months but less than six months.
- b) Other loans (the repayment of) principal on which is overdue by less than three months and interest thereon is overdue by more than three months but less than six months that would normally be required to be reported as an overdue loan.
- c) Loans exempted from such reporting, including loans for which an agreement has been reached to repay such loan in installments, loans for which a credit insurance fund will cover such repayment (as evidenced by a sufficient certificate of deposit or reserve), loans for which repayment has, by agreement, been extended and loans extended under other approved exempt loan programs.
- d) Supporting enterprise loans have not reached the deadline of reporting as overdue loans.

Note 4: Write-off amounts of credits: Accumulated write-off amounts of credits for the years ended December 31, 2004 and 2003.

2) Concentration of credit extensions:

(In Thousands of New Taiwan Dollars, %)

Items	December 31, 2004		December 31, 2003	
Credit extensions to interested parties	\$8,691,871		\$1,661,131	
Ratios of credit extensions to interested parties	6.96%		1.35%	
Ratios of credit extensions secured by pledged stocks	0.34%		1.01%	
Industry concentration (the biggest three industries of industry credit ratio)	Industry	Percentage	Industry	Percentage
	Manufacturing	10.49%	Manufacturing	9.85%
	Commerce	7.58%	Finance, insurance and real estate	6.38%
	Transportation, storage and communication	5.93%	Commerce	5.89%

Note: a) Total credits include bills, discounts and loans (including those for import and export negotiations), acceptances and guarantees.

b) Ratio of credit extensions to interested parties: $\text{Credit extensions to interested parties} \div \text{Total credits}$.

c) Ratio of credit extensions secured by pledged stocks: $\text{Credit extensions secured by pledged stocks} \div \text{Total credits}$

d) Credit extensions to interested parties are defined by the Banking Law.

3) Policy on the provision for credit losses: Notes 2 and 8.

4) Concentrations of risk: Note 28.

b. Market risk:

1) Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Note 25.

2) Market risk sensitivity

(%)

Items	December 31, 2004	December 31, 2003
Ratio of interest rate-sensitive assets to liabilities	66.60	73.99
Ratio of interest rate-sensitive gap to net worth	(227.81)	(152.35)

Note: a) Interest-earning assets and interest-bearing liabilities are the cost or revenue of market risk sensitive assets and liabilities that would be affected by interest rate variability.

b) Ratio of interest rate sensitive assets to liabilities = $\text{Interest rate sensitive assets} / \text{Interest rate sensitive liabilities}$ (in New Taiwan dollars, with maturities of less than one year).

c) Interest rate sensitive gap = $\text{Interest rate sensitive assets} - \text{Interest rate sensitive liabilities}$.

3) The net positions of the main foreign-currency transactions: Note 28

c. Liquidity risk:

1) Profitability:

(%)

Items	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
Return on total assets	1.68	1.70
Return on net worth	16.05	15.85
Profit margin	20.95	21.59

Note: a) Return on total assets = Income before income tax/Average total assets

b) Return on net worth = Income before income tax/Average net worth

c) Profit margin = Income after income tax/Total operating revenues

d) Income before income tax represents income for the year ended December 31, 2004 and 2003.

2) Maturity analysis of assets and liabilities:

December 31, 2004

(In Thousands of New Taiwan Dollars)

	Total	Amount for the Remaining Period Before the Maturity Date				
		0-30 Days	31-90 Days	91-180 Days	181 Days to One Year	Over One Year
Assets	\$ 386,208,000	\$ 68,603,000	\$ 20,957,000	\$ 16,417,000	\$ 8,001,000	\$ 272,230,000
Liabilities	546,277,000	43,109,000	75,667,000	80,815,000	55,956,000	290,730,000
GAP	(160,069,000)	25,494,000	(54,710,000)	(64,398,000)	(47,955,000)	(18,500,000)
Accumulated gap		25,494,000	(29,216,000)	(93,614,000)	(141,569,000)	(160,069,000)

Note: The above amounts include only New Taiwan dollar amounts held in the onshore branch by Fubon Bank (i.e. excludes foreign currency).

d. Operating risk and law risk matters

**Matters Requiring Special Notation
December 31, 2004**

(In Thousands of New Taiwan Dollars)

	Summary and Amount
Within the past one year, a responsible person or professional employee, violated the law in the course of business, resulting in an indictment by a prosecutor.	None
Within the past one year, a fine was levied on Fubon Bank for violations of the Banking Law.	1. The Bank violated the Financial Holdings Company Law by trading stock with related parties without a decision reached by the Bank's board of directors. 2. The Bank violated related regulations by investing in mutual funds that the Bank's chairman was one of the members of the mutual fund's board of directors. 3. Customers' confidential information loss was generated by consumer banking department.
Within the past one year, misconduct occurred that resulted in the Ministry of Finance's imposing strict corrective measures.	None
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars.	None
Others	None

Note: 1) The term "within the past one year" means the one year before the balance sheet date.

2) The term "a fine levied on Fubon Bank for violations of the related regulations within the past one year" means a fine levied by the Bureau of Monetary Affairs, Securities and Futures Bureau or Insurance Bureau.

30. STATEMENT OF CAPITAL ADEQUACY

Items	Year	
	December 31, 2004	December 31, 2003
Capital adequacy ratio (Note)	16.82%	13.76%
Consolidated capital adequacy ratio (Note)	16.98%	15.27%
Ratios of debt to net worth	899.81%	802.21%

Note: Capital adequacy ratio = Eligible capital/Risk-based assets. Under the Banking Law and related regulations No. 0090345106 issued by the Ministry of Finance, the capital adequacy ratio should be computed once half a year.

31. BORROWERS, GUARANTEES OR COLLATERAL PROVIDERS AS INTEREST PARTIES

Category	Account Volume	December 31, 2004	The Possibility of Loss (Note c)
Consumer loans (Note a.)	405	\$ 107,947	-
Loans for employees' family mortgage	335	642,896	-
Other borrowers (Note b.)	484	802,009	-
Guarantees	879	1,081,001	-
Collateral providers	655	1,149,386	-

- Note:
- a. The consumer loans are regulated by Article 32 of the Banking Law.
 - b. Except for consumer loans and loans for employees' family mortgage, the credits in which borrowers are interest parties.
 - c. Disclosing the evaluation loss, if the possibility of loss is significant.
 - d. The interest parties mentioned above is regulated by Article 33-1 of the Banking Law.

32. ADDITIONAL DISCLOSURES

Following are the additional disclosures and information related to significant transactions and investees required by the Securities and Futures Bureau.

- a. Information on significant transactions and investees.
 - 1) Financing provided: Not applicable.
 - 2) Endorsement/guarantee provided: Not applicable.
 - 3) Marketable securities held: Table 1 (attached).
 - 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None.
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None.
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None.
 - 7) The discount of service fee to related-parties amounting to at least NT\$5 million: None.
 - 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Table 2 (attached).
 - 9) On sale of nonperforming loans to at least NT\$5,000 million: None.
 - 10) Other significant items which will affect the decision of the financial report users: None.

- 11) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 3 (attached).

FBFC

FBFC enters into short call option on interest rate, interest rate swap, assets swap on convertible bonds, forward rate agreements, interest rate futures and inverse floating-rate time deposits for trading purpose, i.e., to generate higher income. In addition, FBFC enters into interest rate swap and short call option on convertible bonds for hedging purpose, i.e., to hedge its interest rate fluctuation exposures on foreign currency assets and liabilities.

The outstanding derivative financial instruments as of December 31, 2004 and 2003 were as follows:

- 1) The contract amounts, credit risks:

	December 31					
	2004			2003		
	Contract Amount	Credit Risk	Market Value	Contract Amount	Credit Risk	Market Value
<u>Trading purposes</u>						
Short call option on interest rate	\$ 1,200,000	\$ -	\$ (3,229)	\$ 3,200,000	\$ -	\$ (1,422)
Interest rate swap contracts	23,400,000	111,610	32,680	2,700,000	-	(13,661)
Assets swap on convertible bonds	250,000	-	-	-	-	-
Interest rate futures	3,105,000	-	(438)	-	-	-
Forward rate agreements	1,000,000	1,946	(404)	1,000,000	1,634	1,634
Inverse floating-rate time deposits	300,000	-	-	-	-	-
<u>Nontrading purposes</u>						
Interest rate swap contracts	2,800,000	-	(200)	5,000,000	-	-
Short call option on convertible bonds	-	-	-	20,000	-	-

Credit risk is the exposure to loss if a counter-party defaults on related contracts. All counter-parties to the derivative transactions are worldwide ranking financial institutions with long-term credit rating of at least "A" by international credit rating organizations. Thus, the associated credit risk is deemed very limited, and no significant losses resulting from counter-party defaults are anticipated. In addition, FBFC engaged in the interest rate futures contracts at Taiwan Futures Exchange with counter parties remitted guarantee deposits for the unsettled futures contracts in the futures brokers' appointed account. The credit default risks were the responsibility of the futures brokers with high credit rating and therefore, no significant credit risk is expected.

- 2) Market risk

Market risk results from the fluctuations in interest rates. FBFC has entered into IRS and FRA contracts to hedge interest rate fluctuations in the bonds and bills market. Thus, the risks on fluctuating interest rates will be offset by the interest revenue from and expense for the assets and liabilities being hedged. In addition, FBFC evaluate the market value of the contracts from counter-party's actuary information, and the transaction quotas were set to control risk. Thus, the market risk is acceptable to FBFC.

3) Liquidity risk and risk of cash flows

FBFC enters into non-delivery contract in which the contracts amounts are used only to calculate the amounts to settle with counter-parties. Also, FBFC enters into interest rate futures transaction which is a kind of non-delivery margin transaction in which the related account receivable - futures guarantee deposits and unsettled positions are calculated by last-price in the evaluated day. That is, the nominal amount do not represent the actual cash inflow or outflow, thus, no significant cash demand is expected.

4) The gains and losses on derivative financial instruments

	For the Years Ended	
	December 31	
	2004	2003
Trading purposes		
Short call option on interest rate	\$ (6,256)	\$ 3,115
Interest rate swap contracts	61,637	(13,257)
Forward rate agreements	(404)	800
Assets swap on convertible bonds	4,006	-
Interest rate futures contracts	<u>(310)</u>	<u>-</u>
 Gains from derivative financial instruments, net (included in other income)	 <u>\$ 58,673</u>	 <u>\$ (9,342)</u>
Nontrading purposes		
Forward rate agreements	\$ -	\$ 20
Interest rate swap contracts	<u>13,069</u>	<u>2,049</u>
Interest income	<u>\$ 13,069</u>	<u>\$ 2,069</u>

As of December 31, 2004 and 2003, the outstanding balances of derivative financial instruments were as follows:

	December 31	
	2004	2003
Trading purposes:		
Short option premium (part of "other liabilities")	<u>\$ 4,634</u>	<u>\$ 4,595</u>
Unrealized valuation gains (part of "other financial assets")	<u>\$ 32,721</u>	<u>\$ -</u>
Accounts receivable - futures guarantee deposits (part of "other financial assets - guarantee deposits")	<u>\$ 63,812</u>	<u>\$ -</u>
Inverse floating-rate structured notes (part of other financial assets)	<u>\$ 300,000</u>	<u>\$ -</u>
Interest receivable		
Nontrading purposes	<u>\$ 9,038</u>	<u>\$ 628</u>
Trading purposes	<u>\$ -</u>	<u>\$ 129</u>

33. SEGMENT AND GEOGRAPHIC INFORMATION

The Bank engages only in banking activities as prescribed by the Banking Law and has no single customer that accounts for 10% or more of the Bank's operating revenues, and has no overseas units. Thus, no segment and geographic information is required to be disclosed.

FUBON BANK CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2004

(Amounts in Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2004				Note
				Shares/Units/ Face Amount (in Thousands)	Carrying Value (Note 1)	Percentage of Ownership (%)	Market Value or Net Asset Value (Note 1)	
Fubon Leasing Co., Ltd.	<u>Stock</u>							
	Fubon Financial Holdings Co., Ltd.	Parent company	Long-term equity investments	9,974	\$ 383,920	0.12	\$ 323,356	Note 1
	Pacific Resources Corporation	-	Long-term equity investments	4,314	35,891	4.93	52,492	Note 2
	Hon-Ja Venture Capital Co., Ltd.	-	Long-term equity investments	2,650	26,500	5.00	13,469	Note 2
	Yen-Tai Foreign Exchange Co., Ltd.	-	Long-term equity investments	240	2,400	2.00	2,749	Note 4
Fubon Construction Management Co., Ltd.	<u>Beneficiary certificate</u>							
	Fubon Wish II Beneficiary	Beneficiary certificate issued by the affiliate	Short-term investments	3,883	54,179	-	55,088	Note 3
	Fubon Chi-Hsiang III Bond Fund	Beneficiary certificate issued by the affiliate	Short-term investments	8,943	92,075	-	92,248	Note 3

Note 1: Market prices of listed and over-the-counter stocks were based on the average daily closing prices in December 2004.

Note 2: Net asset values were based on the investees' unaudited financial statements on December 31, 2004.

Note 3: Market prices were determined at the net asset value on December 31, 2004.

Note 4: Net assets values were based on the investees' audited financial statements on December 31, 2004.

FUBON BANK CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS300 MILLION OR 10% OF THE ISSUED CAPITAL

DECEMBER 31, 2004

(Amounts in Thousand of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Fubon Bank Co., Ltd.	Fubon Assets Management	Subsidiary of Fubon Financial Holdings	\$1,112,352	Not applicable	\$ -	-	\$ -	\$ -

Note: The receivable comes from disposal of nonperforming loans to Fubon Assets Management on November 16, 2004.

FUBON BANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
 DECEMBER 31, 2004
 (Amounts in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2004	December 31, 2003	Shares (Thousands)	Percentage of Ownership	Carrying Value			
Fubon Bank Co., Ltd.	Fubon Bills Finance Co., Ltd.	Taipei	Bond and bill underwriting, guarantee, and endorsement	\$ 3,910,329	\$ 3,910,329	453,373	100.00	\$ 6,209,475	\$ 698,904	\$ 695,243	Note 1
	Fubon Leasing Co., Ltd.	Taipei	Sales, maintenance and lease of machinery and equipment	999,900	999,900	99,990	99.99	784,082	17,906	17,904	-
	Fubon Construction Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans and finance	30,000	30,000	4,273	30.00	45,295	(1,823)	(547)	-
	Fubonbank Insurance Agent Co., Ltd.	Taipei	Life insurance agent	5,021	1,900	200	100.00	79,758	66,703	64,235	Note 2
	Fubon Insurance Agent Co., Ltd.	Taipei	Property insurance agent	2,013	1,980	200	100.00	3,488	1,359	1,348	Note 2

Note 1: Net income from the investee included (1) the amortization of the difference between acquisition cost and the equity in the investee; and (2) reversal of unrealized transaction.

Note 2: In December 2004, the board of directors resolved the acquisition of minority interest of Fubonbank Insurance Agent Co., Ltd. and Fubon Insurance Agent Co., Ltd.

< Appendix2 >

Consolidated Financial Reports for 2004 and 2003

Except for Fubon Bill Finance, the Bank's subsidiaries - Fubon Leasing, Fubonbank Insurance Agent and Fubon Insurance Agent were not included in the consolidated financial statements, since their individual assets and operating revenues were less than 10% of those of the Bank, and their total assets and operating revenues were less than 30% of those of the Bank.

Consolidated Financial Statements of Fubon Commercial Bank and Fubon Bill Finance are as follow :

FUBON BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars and Shares, Except Par Value)

ASSETS	2004		2003		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENT	\$ 5,434,877	1	\$ 6,918,206	2	LIABILITIES				
DUE FROM CENTRAL BANK AND BANKS	23,481,585	6	43,696,386	15	Short-term bills payable	\$ 1,776,642	-	\$ 3,745,248	1
SECURITIES PURCHASED, NET	133,102,791	35	87,303,404	29	Due to banks	10,880,414	3	9,306,959	3
RECEIVABLES, NET	36,490,305	10	36,157,646	12	Payables	6,132,854	2	6,107,961	2
RESELL AGREEMENTS	50,225	-	-	-	Repurchase agreements	67,272,787	17	-	-
PREPAYMENTS AND OTHER	325,184	-	542,356	-	Advance receipts	773,412	-	357,292	-
BILLS, DISCOUNTS AND LOANS, NET	122,098,693	32	112,521,388	38	Deposits and remittances	231,434,393	60	221,394,560	74
LONG-TERM INVESTMENTS, NET					Bank debentures	29,400,000	8	22,500,000	8
Long-term equity investments under the equity method	912,623	-	878,492	-	Bonds	3,000,000	1	1,000,000	-
Long-term equity investments under the cost method	3,452,865	1	2,795,171	1	Other liabilities	1,772,078	-	2,180,212	1
Long-term bond investments	49,694,075	13	456,501	-	Total liabilities	352,442,580	91	266,592,232	89
Long-term investments, net	54,059,563	14	4,130,164	1	SHAREHOLDERS' EQUITY				
OTHER FINANCIAL ASSETS	4,496,309	1	1,286,298	1	Capital stock - \$10 par value				
PROPERTIES					Authorized and issued - 2,185,736,697 shares	21,857,367	6	21,857,367	7
Cost					Capital surplus				
Land	2,574,997	1	2,574,997	1	Paid-in capital in excess of par value	1,437,250	-	1,437,250	1
Buildings	2,211,693	1	2,205,374	1	Reissuance of treasury stock	26,054	-	26,054	-
Equipment	1,154,798	-	936,874	-	Retained earnings				
Transportation and communications equipment	82,337	-	114,695	-	Legal reserve	5,148,426	2	3,801,201	1
Miscellaneous equipment	390,881	-	378,742	-	Special reserve	252,058	-	252,058	-
Leasehold improvements	600,806	-	569,579	-	Unappropriated	4,365,274	1	4,596,072	2
Total cost	7,015,512	2	6,780,261	2	Unrealized loss on long-term equity investments	(60,541)	-	(61,191)	-
Less: Accumulated depreciation	1,991,650	1	1,801,106	-	Total shareholders' equity	33,025,888	9	31,908,811	11
Advances on acquisitions of equipment and construction in progress	5,023,862	1	4,979,155	2	CONTINGENCIES AND COMMITMENTS				
Net properties	264,617	-	42,996	-					
OTHER ASSETS, NET	640,457	-	923,044	-					
TOTAL	\$ 385,468,468	100	\$ 298,501,043	100	TOTAL	\$ 385,468,468	100	\$ 298,501,043	100

FUBON BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004		2003	
	Amount	%	Amount	%
OPERATING INCOME				
Interest	\$ 15,843,127	72	\$ 12,655,868	59
Service fees	4,581,415	21	4,077,888	19
Income from securities, net	729,810	3	4,466,997	21
Income from long-term equity investments under the equity method, net	82,940	-	46,721	-
Foreign exchange gain	110,936	1	65,591	-
Other	624,196	3	262,846	1
Total operating income	<u>21,972,424</u>	<u>100</u>	<u>21,575,911</u>	<u>100</u>
OPERATING COSTS				
Interest)	5,005,289	23	4,158,549	19
Service charges	1,944,754	9	2,131,262	10
Loss from long-term investments	-	-	42,947	-
Provisions for trading and credit losses	3,699,061	17	5,470,756	25
Other	590,959	2	99,304	1
Total operating costs	<u>11,240,063</u>	<u>51</u>	<u>11,902,818</u>	<u>55</u>
GROSS PROFIT	<u>10,732,361</u>	<u>49</u>	<u>9,673,093</u>	<u>45</u>
OPERATING EXPENSES				
Functional and administrative	5,265,597	24	4,746,058	22
Other	19,040	-	13,351	-
Total operating expenses	<u>5,284,637</u>	<u>24</u>	<u>4,759,409</u>	<u>22</u>
OPERATING INCOME	5,447,724	25	4,913,684	23
NONOPERATING INCOME AND GAINS	80,468	-	301,714	1
NONOPERATING EXPENSES AND LOSSES	<u>106,261</u>	<u>1</u>	<u>287,087</u>	<u>1</u>
INCOME BEFORE INCOME TAX	5,421,931	24	4,928,311	23
INCOME TAX	<u>1,161,978</u>	<u>5</u>	<u>437,560</u>	<u>2</u>
CONSOLIDATED NET INCOME	<u>\$ 4,259,953</u>	<u>19</u>	<u>\$ 4,490,751</u>	<u>21</u>

(Continued)

	<u>2004</u>		<u>2003</u>	
	Pre-tax	After Tax	Pre-tax	After Tax
EARNINGS PER SHARE				
Basic earnings per share	<u>\$ 2.48</u>	<u>\$ 1.95</u>	<u>\$ 2.26</u>	<u>\$ 2.06</u>

(Concluded)

FUBON BANK CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	Capital Stock		Capital Surplus (Notes 2 and 20)			Retained Earnings (Notes 2 and 20)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 10)	Treasury Stock (Notes 2 and 21)	Total Shareholders' Equity
	Shares (in Thousands)	Amount	Additional Paid-in Capital	Reissuance of Treasury Stock	Total	Legal Reserve	Special Reserve	Unappropriated	Total			
BALANCE, JANUARY 1, 2003	2,185,737	\$ 21,857,367	\$ 1,437,250	\$ 6,510	\$ 1,443,760	\$ 3,576,309	\$ 252,058	\$ 854,960	\$ 4,683,327	\$ (134,725)	\$ (245,332)	\$ 27,604,397
Appropriation of 2002 earnings												
Legal reserve	-	-	-	-	-	224,892	-	(224,892)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(518,747)	(518,747)	-	-	(518,747)
Bonus to employees	-	-	-	-	-	-	-	(6,000)	(6,000)	-	-	(6,000)
Treasury stock reissued to employees	-	-	-	19,544	19,544	-	-	-	-	-	245,332	264,876
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	73,534	-	73,534
Consolidated net income for the year ended December 31, 2003	-	-	-	-	-	-	-	4,490,751	4,490,751	-	-	4,490,751
BALANCE, DECEMBER 31, 2003	2,185,737	21,857,367	1,437,250	26,054	1,463,304	3,801,201	252,058	4,596,072	8,649,331	(61,191)	-	31,908,811
Appropriation of 2003 earnings												
Legal reserve	-	-	-	-	-	1,347,225	-	(1,347,225)	-	-	-	-
Cash dividends	-	-	-	-	-	-	-	(3,111,526)	(3,111,526)	-	-	(3,111,526)
Bonus to employees	-	-	-	-	-	-	-	(32,000)	(32,000)	-	-	(32,000)
Consolidated net income for the year ended December 31, 2004	-	-	-	-	-	-	-	4,259,953	4,259,953	-	-	4,259,953
Reversal of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	650	-	650
BALANCE, DECEMBER 31, 2004	<u>2,185,737</u>	<u>\$ 21,857,367</u>	<u>\$ 1,437,250</u>	<u>\$ 26,054</u>	<u>\$ 1,463,304</u>	<u>\$ 5,148,426</u>	<u>\$ 252,058</u>	<u>\$ 4,365,274</u>	<u>\$ 9,765,758</u>	<u>\$ (60,541)</u>	<u>\$ -</u>	<u>\$ 33,025,888</u>

FUBON BANK CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 4,259,953	\$ 4,490,751
Provision (reversal) of allowance for losses on securities	145,562	(101,320)
Loss from long-term equity investments	-	19,146
Provision of allowance for long-term bond investments	19,061	62,057
Provisions for trading and credit losses	3,699,061	5,470,756
Depreciation and amortization	331,838	289,618
Gain on disposal of nonperforming loans, net	(31,027)	-
Loss from transfer of securities purchased to long-term bond investments	2,462,125	-
Income from long-term equity investments under the equity method	(82,940)	(46,721)
Cash dividends received	52,613	26,966
Losses (gains) on disposal of long-term investments	(9,841)	23,801
Losses on disposal of properties	2,127	2,250
Losses on disposal of collaterals assumed	27,844	92,220
Unrealized losses from collaterals assumed	132,725	2,025
Amortization of premium on long-term bond investments	27,719	-
Increase (decrease) in accrued pension cost	(5,979)	66,870
Deferred income tax	26,661	35,934
Decrease (increase) in receivables and prepayments	9,938	(449,334)
Increase in resell agreements	(50,225)	-
Increase (decrease) in payables and advance receipts	420,992	(3,019,137)
Increase in repurchase agreements	<u>41,612,150</u>	<u>-</u>
Net cash provided by operating activities	<u>53,050,357</u>	<u>6,965,882</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased - for investing purposes	(99,952,075)	(22,836,084)
Decrease (increase) in due from Central Bank and banks	20,214,801	(9,805,823)
Increase in other financial instruments	(3,210,011)	(829,703)
Decrease (increase) in bills, discounts and loans	(13,390,324)	3,138,034
Proceeds from disposal of long-term investments	3,529,685	816,766
Increase in long-term equity investments	(3,154)	-
Increase in long-term bond investments	(2,384,677)	(271,984)
Acquisition of properties	(710,406)	(292,268)
Proceeds from disposal of properties	123,196	9,272
Proceeds from disposal of collaterals assumed	120,290	241,677
Decrease (increase) in other assets	<u>(38,016)</u>	<u>251,657</u>
Net cash used in investing activities	<u>(95,700,691)</u>	<u>(29,578,456)</u>

(Continued)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term bills payable	\$ (1,968,606)	\$ 3,745,248
Increase in repurchase agreements	25,660,637	-
Increase in due to banks	1,573,455	3,520,971
Increase in deposits and remittances	10,039,833	3,093,176
Increase in bonds	2,000,000	1,000,000
Increase in bank debentures	6,900,000	12,500,000
Increase (decrease) in other liabilities	(408,134)	547,978
Cash dividends and employee bonus paid	(3,111,526)	(524,747)
Decrease in dividends and bonus payable	(6,000)	(15,006)
Proceeds from reissuance of treasury stock to employees	<u>-</u>	<u>264,876</u>
Net cash provided by financing activities	<u>40,679,659</u>	<u>24,132,496</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>487,346</u>	<u>(14,300)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(1,483,329)	1,505,622
CASH AND CASH EQUIVALENT, BEGINNING OF YEAR	<u>6,918,206</u>	<u>5,412,584</u>
CASH AND CASH EQUIVALENT, END OF YEAR	<u>\$ 5,434,877</u>	<u>\$ 6,918,206</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 5,051,091</u>	<u>\$ 4,478,224</u>
Income tax paid	<u>\$ 480,557</u>	<u>\$ 287,171</u>
NON-CASH INVESTING ACTIVITIES		
Transfer of securities purchased to long-term investments	<u>\$ 51,545,001</u>	<u>\$ -</u>