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To Our Shareholders

In 2004, as the world economy was steadily rallying, Taiwan's economy showed improvement over 2003. The annual growth rate in 2004 was 5.71%, an all-time-high since 2001. Nevertheless, the general perspective towards economy was conservative in Taiwan. Since China launched the Macro Economic Control policy it has been gradually making an impact. Factors such as rising crude oil prices, commodity prices and interest rates as well as fluctuating exchange rates, further dampened consumer confidence amidst the incessant unrest in domestic politics. As Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX, an index compiled by the Taiwan Stock Exchange) showed, it started at 6,226 points at the start of the year and was down to 6,139 points, not showing any rise at the close of the year. Looking forward to 2005, as the United States, Japan and the EU show weak momentum in economic growth and exchange rates, interest rates, oil and commodity prices are unstable, the domestic economic growth rate is expected to pare back to 4.21% in 2005.

Fuhwa Commercial Bank ("Fuhwa Bank" or "the bank") joined Fuhwa Financial Holding Co., Ltd. in August 2002. In an effort to integrate the conglomerate for synergy, Fuhwa Financial Holding Co., Ltd. launched an organizational reform in 2003. On July 1, 2004, the four groups, i.e., Corporate Banking, Consumer Banking, Wealth Management, and Investment, were officially established alongside the Risk Management Center and Operation Center. Through the business function links and vertical integration, all subsidiaries share customer bases and resources. Fuhwa Bank has taken the lead amongst Taiwan's financial holding domain to successfully establish Data Warehouse & Enterprise Resource Planning (ERP) systems. Fuhwa Bank is able to offer optimal financial services to clients under the customer-oriented organization.

We'd now like to brief our shareholders Fuhwa Commercial Bank's 2004 business performance and the business plans for 2005:

Fuhwa Commercial Bank 2004 Business Performance:

Implementation of business plans

Encouraged by world economy recovery, banks in Taiwan have over the past years spared no effort to strive for maximum sales growth and write-offs. Amidst cutthroat competition and drastic internal reform, the entire Fuhwa staff has, through great teamwork, achieved significant growth, with NT\$1.11 earnings per share in 2004, up by 32% over the NT\$ 0.84 earnings per share of 2003.

As of December 31, 2004, the bank's total deposit stood at NT\$ 227.6 billion, up by NT\$36.8 billion, or 19.29% over the NT\$190.8 billion of the same date in 2003. The total loan amounted to NT\$ 197.2 billion, an increase of NT\$25.8 billion or 15.05% over the NT\$171.4 billion in 2003. The foreign exchange volume traded by the bank totaled US\$8.345 billion, up by US\$2.186 billion or 35.49% over the US\$6.159 billion of 2003. Its operating revenue was NT\$ 10.27586 billion, up by 17.43%; the operating expenses stood at NT\$8.27869 billion. It posted a net profit before tax of NT\$2.05066 billion and the net profit after tax reached NT\$ 1.5226 billion after deducting tax in the amount of NT\$548.4 million. In terms of asset quality, as of December 31, 2004, the Bank's non-performing loans ratio stood at 2.93%, significantly below the 3.75% of 2003.

Furthermore, following the merger and acquisition (M&A) of Touliao Credit Cooperative, Yunlin in 2003. Fuhwa Bank acquired Taitung Credit Cooperative and gained eight additional branch outlets, bringing the total number of branches up to fifty. Meanwhile, in line with the group's deployment strategy, Fuhwa Bank has completed the branches relocation, established additional outlets in northern Taiwan and further extended its territory to eastern Taiwan as well as offshore island Kinmen.

Fuhwa Commercial Bank also rolled out Taiwan's first money market fund and issued the first Credit Card with debt management concept in 2004. Meanwhile, Fuhwa Bank teamed up with UFJ Holdings Inc — Japan's fourth largest financial holding group and launched international factoring services. Thanks to these innovative projects, Fuhwa Bank has remained undaunted and maintained stable growth even amidst fierce competition.

C r e d i t r a t i n g

Fuhwa Bank has maintained continuous loan and deposit growth, improved its asset quality dramatically and the competitive edge. These results have been recognized by Taiwan Ratings Corporation, which rated Fuhwa Bank “twA-” long-term rating & “twA-2 short-term rating, up by 2 notches in 2004. The bank's outlook was revised to “stable” .

Business plan highlights for 2005

Faced with intense competition in Taiwan's financial market, Fuhwa Bank has worked out substantive measures. The main focus is the continuous development of customer relations and distribution channels in 2005 to assure stable sales turnover and profitability. We will make full use of the group's organizational framework to strengthen corporate banking, consumer banking and wealth management groups' operational ability through the integrated group resources. Meanwhile, with the information technology, we will deploy e-enabled corporate environments to promptly and accurately transmit information within Fuhwa group. For the Bank's long term sustainability, we, as always, will exert every effort to enhance risk management, strengthen credit quality, and improve the bank's structure.

In an effort to strengthen customer relationships, we have strived to improve the service quality, speed up operation process, and ensure customer satisfaction. Meanwhile, we have also strived to establish a complete marketing channel. We merged two Credit Cooperatives in 2003 and 2004. The board of directors further resolved that on June 17, 2005, Fuhwa Bank will merge with “Guaranteed Liabilities Tainan City 7th Credit Cooperative” with full guarantee. Following the merger, Fuhwa Bank will have 58 branches. Once again, the Bank successfully expands its branch channel with cautious moves.

In order to strengthen enterprise risk management and compliance system, the Bank has set up the dedicated Risk Management Department in August 2004. We are launching Basel II related initiatives to consolidate the overall risk management, which include setting up internal policies and rules, sound delegation system, risk measurement indicators, periodic assessment and reporting system, as well as independent audit operations. Through these combined efforts, we will set up a prompt and effective regime of risk management to catch up with the international standards and, in turn, provide our esteemed shareholders with the maximum possible value.

C o r p o r a t e B a n k i n g S e r v i c e s

Through efforts to analyze customer attributes and the demands of target groups, we have adjusted the business model. Meanwhile, we have made great efforts to integrate our business to offer “One-stop Shopping” services. As a result, Fuhwa Bank was able to upgrade itself from conventional loan services to a “Solution Provider” We have also strived to broaden our loan basis and bolster control over asset quality and risk. Meanwhile, we will strengthen fee income products, including cash management, trade financing, foreign exchange, and risk management, as well as financial advisory services, we also aggressively promote e-banking services to provide more convenient channels to clients.

Consumer Banking Service

Boost consumer banking market share and market position, increase consumer banking loan percentage to effectively enhance profitability. Increase credit risk control and asset quality to maximize interest margin with sound risk management. Increase fee income sources to enhance fee income to revenue ratio. Enhance the service quality of consumer banking sales specialists and their business proficiency to build the image of professionalism and excellence.

Wealth Management

By focusing on banking and brokerage channels, we will also improve our phone banking, cyber banking, tele-marketing centers and automatic service facilities to increase opportunities for wealth management. To maximize the performance of the distribution channels, Fuhwa Bank will assist with the training of brokerage agents to obtain certifications and licenses required for wealth management. As Fuhwa group has successfully set up its Data warehouse Phase II Campaign Management System, we will pursue target marketing and retention through our professional financial advisors. Keep launching new products to help our clients managing their asset in the most efficient way and providing value added and trustworthy services.

Trust Services

Keep growing our custodian business and launching new products, including property trust, asset and real estate securitization, money market funds, and collective management accounts etc, to enlarge trust assets size and increase fee income.

As the government has announced the policy of cutting the number of Financial Holding Company to seven and large financial institutions need to broaden their domain, M&A has become the market trend. Through cross-sales and synergy, it is expected that Fuhwa Bank will grow significantly in 2005. While our staff members faithfully fulfill our corporate philosophy of rendering a combination of honest, solid, innovative and thoughtful services, we will develop more diversified products to meet the various needs of our clients. We will also provide more thoughtful services to expanded customer base through additional sales and service channels.

Thanks to your warm support over the past years, without which our stable growth amidst critical adversities would not have been possible, we feel that we owe an immeasurable debt of appreciation to our treasured shareholders. In the days and years ahead, we will continue to invite and appreciate your valuable comments, advice, and support.

With our warmest regards, we sincerely wish you the greatest happiness, health and success, now, and for ever.

Chairman



President



Company Profile

I. Introduction of Fuhwa Commercial Bank

History

Fuhwa Commercial Bank Co., Ltd. (hereinafter referred to as Fuhwa Bank, or the bank) obtained its banking license on January 14, 1992 and officially commenced business operations on February 12, 1992.

In an effort to demonstrate synergy and enhance consolidated superintendence over cross-banking services, the government officially enacted the Financial Holding Company Law in June 2001, which spearheaded a new era for financial institutions. In accordance with the Financial Holding Company Law, Asia Pacific Commercial Bank joined Fuhwa Financial Holding Co., Ltd. ("Fuhwa FHC") on August 1, 2002 through share swapping and became a subsidiary of Fuhwa FHC. In September 2002, Asia Pacific Commercial Bank was approved to be renamed Fuhwa Commercial Bank Co., Ltd.

To expand its business scale, broaden strongholds, and boost its competitive edge, Fuhwa Bank merged with the "Guaranteed Liability Touliao Credit Cooperative, Yunlin County" (hereinafter referred to as Touliao Credit Cooperative) and the "Guaranteed Liability Taitung Credit Cooperative, Yunlin County" (hereinafter referred to as Taitung Credit Cooperative) on July 25, 2003 and June 7, 2004 respectively. The board of directors further resolved on January 5, 2005 that Fuhwa Commercial Bank, by full guarantee, will merge with "Guaranteed Liabilities Tainan City 7th Credit Cooperative" on June 17, 2005 as the date of merger, with a total price of approximately NT\$288.695 million.

Corporate Philosophy

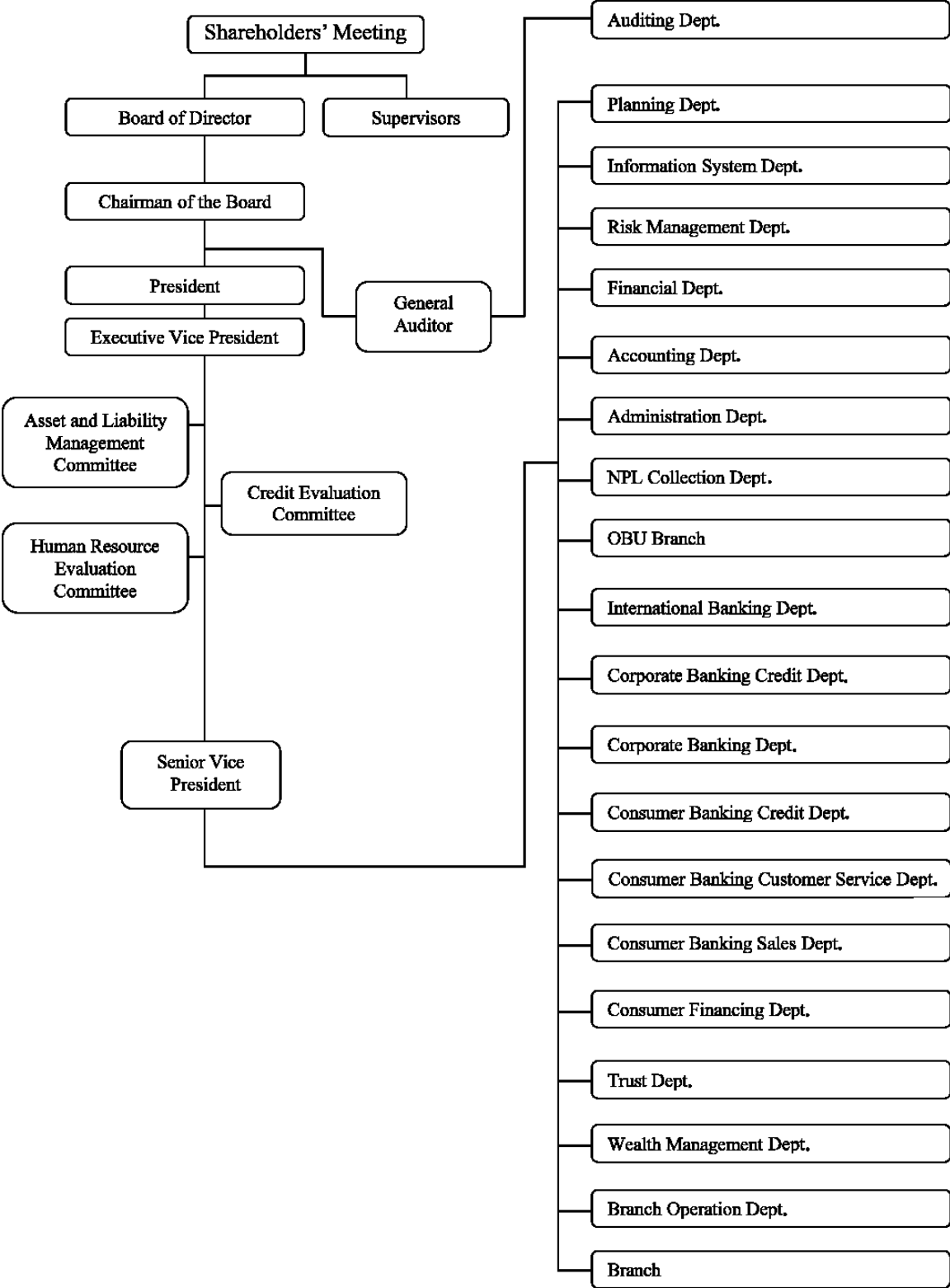
Fuhwa Commercial Bank started business with seven business outlets established by its predecessor, the Asia Pacific Commercial Bank Ltd. Since this time, through exceptional effort, it has acquired Touliao Credit Cooperative, Taitung Credit Cooperative, and Tainan City 7th Credit Cooperative. As of June 2005, it will have a total of 58 sales outlets which will significantly redouble the Company's competitive edge and will extend its coverage from metropolitan areas of Taipei, Taichung, and Kaohsiung further into Taitung in eastern Taiwan and the offshore island of Kinmen. Through the corporate philosophy of providing customers with honest, solid, and innovative service, we are consistently keeping abreast with the times, offering ongoing innovations and improved products and services. Taking advantage of cross-marketing through our financial holding conglomerate, we provide integral and convenient services. Our core value is to respect employees and treat clients as valuable assets. We will return to shareholders with the best achievement we make.

Future Prospects

Looking forward to 2005, Fuhwa Bank will, base upon the solid foundation that has been built, making every possible effort to introduce international resources, enhance risk control, and promote products oriented to market and customer needs. Meanwhile, we will seek to extend business outlets through M&A. Taking advantage of the group's resources, we will develop various customer segments and set up intensive marketing channels to accomplish sales targets in order to achieve maximum gains for Fuhwa Bank.

II.Fuhwa Oranization

(I)Organization chart



(II) Key Divisions and Their Respective Businesses and Services

1. Auditing Dept. :

Take charge of audit over the bank-wide sales, financial, accounting affairs, computer systems, cash and inventory items and supervising internal audits.

2. Planning Dept. :

Take charge of financial research, planning, and promotion of bank-wide initiatives, operation related information, bank-wide performance evaluation, matters relevant to governmental authorities, planning and development of e-banking products, planning and implementation of long-term investments.

3. Information System Dept. :

Take charge of the planning, design, and implementation of the bank information system, as well as the operation and management of data center.

4. Risk Management Dept. :

Carry out enterprise risk management, matters of credit ratings, and legal consultation; also function as the compliance department to manage and implement the legal system to assure Fuhwa Bank will faithfully comply with all relevant laws and regulations.

5. Financial Dept. :

Take charge of funding, planning and short-term investment, research and determining exchange rate and interest rates, planning the derivatives trading, the bank's mid-term and long-term capital planning.

6. Accounting Dept. :

Take charge of bank-wide accounting, annual closing and statistics.

7. Administration Dept. :

Take charge of custody of bank seals, the bank's documentation, typing, proofreading, issuance of major documents, registration and management, bank-wide security, construction affairs, procurement, property leasehold and purchase, property management, general affairs, cashier's affairs, secretarial affairs, equity affairs, holding board meetings and public affairs.

Take charge of the bank-wide human resources, appointment, discharge, transfer, assignment, promotion, and performance evaluation of employees, soliciting, training, and insurance, welfare and relevant matters of employees.

8. NPL Collection Dept. :

Take charge of write-off and management of nonperforming loans other than consumer banking business, management over other credits and total nonperforming loans reporting of the entire bank.

9. Offshore Banking Branch. :

Take charge of OBU related banking services.

10. International Banking Dept. :

Take charge of handling, promoting, management and statistics of foreign exchange related business operation.

11. Corporate Banking Credit Dept. :

Take charge of the reviewing and rechecking of loans extended by corporate banking, the collection and analysis of due diligence material.

12. Corporate Banking Dept. :

Plan and review long-term and short-term corporate banking strategies, integration of corporate banking products, performance evaluation, educational & training programs, marketing, promotion, and management of corporate banking related business.

13. Consumer Banking Credit Dept. :

Evaluate and manage the performance in consumer banking, making loan policies, credit review and underwriting, collection of NPL, collateral appraisal.

14. Consumer Banking Customer Service Dept. :

Take charge of the promotion of tele-marketing, e-commerce, the planning and management of call center.

15. Consumer Banking Sales Dept. :

Take charge of market research, product development, marketing planning, advertising, publicity planning, sales channel planning, and sales promotion.

16. Consumer Financing Dept. :

Take charge of the planning marketing & sales of auto loan and consumer product installment loan.

17. Trust Dept. :

Take charge of management and operation of trust and investment.

18. Wealth Management Dept. :

Mapping out wealth management strategies, to plan and promote bank-wide wealth management business, set targets for business operation, take the responsibility for performance evaluation and educational & training programs for the bank's wealth management operation.

19. Branch Operation Dept. :

Take charge of planning and management for deposit and remittance affairs, integrated planning and management of the locations for branches, management of the service quality and client complaints for branches, design and management of the centralized operations.

20. Business Dept. :

Take charge of a variety of commercial banking services approved by the Central Bank.

(III) Particulars of directors and supervisors

Particulars of directors and supervisors(1)

Position	Name	Electoral (Elected) date	Expiration date	Date of this first election	Shares held when elected		Current shareholding		Shares held by spouse, minor children		Shares held in others' names		Educational & professional background	Positions Concurrently served in other firms	Other positions - director and supervisor as spouse or kin within degree relationship	
					No. of shares	Shareholding	No. of shares	Shareholding	No. of shares	Shareholding	No. of shares	Shareholding			Position	Name
Chairman	Kang-sheng Luo	98.04.29	99.04.28	91.08.01	0	-	238,139	0.017	-	0.000	-	-	Bachelor of Business Management, Nankai Changqing University	Chairman, Fubens Commercial Bank LTD.		
Director	Shen-tso Huang	98.04.29	99.04.28	91.08.01	1,528,280	0.159	1,893,844	0.139	-	0.000	-	-	Master of Public Finance, Nankai Chengde University	President, Fubens Financial Holding Company LTD. Chairman, Fubens Securities Company LTD.		
Director	Chang-sheng Chen	98.04.29	99.04.28	92.10.02	0	-	-	0.000	-	0.000	-	-	Ph.D of Law, Southwest Jiaotong University	President, Fubens Commercial Bank LTD. Executive Vice President, Fubens Financial Holding Company LTD. President, Fubens Financial Consulting Company LTD.		
Director	Huang-lun Xiao	98.04.29	99.04.28	91.08.01	6,808,010	0.646	6,883,792	0.491	1,773,186	0.127	-	-	Wen Xie Elementary School	Fubens Kin Enterprise Co. Ltd. of the Board of Director USA Real Estate Corporation of Managing Director		
Director	He-de Chang	98.04.29	99.04.28	91.08.01	6,410,041	0.529	6,547,968	0.475	1,086	0.000	-	-	Taining Industrial High School	Jin He Real Estate CO., LTD. of the Board of Directors		
Director	Chen-shen Chen	98.04.29	99.04.28	91.08.01	6,384,728	0.528	6,850,879	0.475	-	0.000	-	-	Chang Sui High School	Fubens Kin Enterprise CO., Ltd. of President		
Director	Yong-yi Chen	98.04.29	99.04.28	92.01.19	0	-	22,820	0.002	-	0.000	-	-	Master of Arts, Georgetown University, USA	Executive Vice President, Fubens Commercial Bank LTD.		
Supervisor	Chen-shen Chen	91.08.01	93.04.18	91.08.01	847	0.000	884	0.000	120,875	0.008	-	-	National Lanking Senior High School			
Supervisor	Yu-shen Chen	98.04.29	99.04.28	91.08.01	897,586	0.059	959,799	0.069	-	0.000	-	-	Master of Public Finance, Nankai Chengde University	Executive Vice President, Fubens Financial Holding Company LTD. President, Fubens Securities Company LTD.		

Notes : All directors and supervisors are legal representatives of Fubens Financial Holding Co., Ltd.
Notes : Ms. Yong-yi Chen replaced Mr. Yu-shen Chen on January 19, 2004.

(IV) Directors and supervisors as representatives of corporate shareholders, with shareholding ratio up to 10% the names of the top ten shareholders in terms of shareholding ratio:

Key shareholders of the corporate shareholders

December 31, 2004

Name of corporate shareholder	Key shareholder of the corporate shareholder
Fuhwa Financial Holding Company Limited	Fuhwa Financial Holding Company Limited

Key shareholders of the corporate shareholders as representatives of corporate shareholders

December 31, 2004

Name of corporate shareholder	Key shareholder of the corporate shareholder
Fuhwa Financial Holding Company Limited	Fuhwa Financial Holding Company Limited

Particulars of directors and supervisors⁽²⁾

Terms Name	At least 5 years of experience in commerce, law, finance and experience as required	Neither an employee of the bank, nor director, supervisor, employee of its affiliates	Does not hold 1% or more of the outstanding shares of the bank directly or indirectly, or the top ten individual shareholders.	Not a spouse or next of kin of the persons stated in the first two fields in this table.	Not a director, supervisor, employee of institutional shareholders that hold more than 5% of the outstanding shares of the bank, and not a director, supervisor or employee of the top five institutional shareholders	Not a director, supervisor, manager of shareholder with 5% or more of the holding in a company that has financial and business transaction with the company.	Not a professional, proprietor, partner, company or owner, partner, (director), (supervisor), manager or the spouse of the above of institution that provides financial, commercial, or legal service or consultation to the company during last year,	Remarks
Kang-sheng Kao	✓		✓	✓		✓	✓	
Shou-tso Huang	✓		✓	✓		✓	✓	
Chung-hsing Chen	✓		✓	✓		✓	✓	
Huan-kun Kuo	✓	✓	✓	✓		✓	✓	
Ho-the Chung	✓	✓	✓	✓	✓	✓	✓	
Chi-shou Chen	✓	✓	✓	✓	✓	✓	✓	
Young-yi Chen	✓		✓	✓	✓	✓	✓	
Chueh-szu Chou	✓	✓	✓	✓	✓	✓	✓	
Yu-the Chuan	✓		✓	✓		✓	✓	

(V) President, Executive Vice President, Senior Vice President and Department Heads

December 31, 2004

Position	Name	Date of appointment	Share held total shares		Share held by spouse, sibling or child		Share held in others' names		Educational & professional highlights	Positions concurrently served in other firms	Managers or spouses or kin within degree 2 relationship	
			No. of shares	Shareholding (%)	No. of shares	Shareholding (%)	No. of shares	Shareholding (%)			Position	Relationship
President	Chang-hung Chen	98.02.08	-	0.0000	-	0.0000	-	0.0000	President, Taiwan Savings Corporation FLD of Lewis Southern Methodist University			
Executive Vice President & General Manager	Young-ji Chen	98.01.08	32,830	0.0023	-	0.0000	-	0.0000	General Auditor, Fubon Bank Master of laws, Georgetown University, USA			
Executive Vice President & General Manager	Lufan Wu	98.03.15	-	0.0000	-	0.0000	-	0.0000	Executive Vice President & Manager, Fubon Bank Master of Economics, Chinese Culture University			
General Auditor	Hsin-hung Liu	98.10.07	21,315	0.0015	-	0.0000	-	0.0000	General Auditor, Fubon Financial Holding Company LTD. Master of international development policy, Drexel University, USA			
Senior Vice President & General Manager	Yao-hua Liu	92.07.01	240,803	0.0172	185,824	0.0132	-	0.0000	Senior Vice President & General Manager, Fubon Bank National Cheng Chi University			
Senior Vice President	Charles Lee	98.11.12	-	0.0000	-	0.0000	-	0.0000	Senior Vice President, Fubon Bank Master of accounting, U. of Texas at Dallas			
Senior Vice President	Chih-sheng Lin	98.07.23	-	0.0000	-	0.0000	-	0.0000	Senior Vice President, Fubon Bank MBA, Mississippi State University			
Senior Vice President	David Chen	92.12.01	-	0.0000	-	0.0000	-	0.0000	Graduate Feng Chia University			
Manager	Hui-ming Lee	98.11.01	22,000	0.0019	-	0.0000	-	0.0000	The Examination Yuan Master of politics, National Cheng Chi University			
Manager	Jung-shu Chi	98.05.03	-	0.0000	-	0.0000	-	0.0000	Chinatrust Bank Eva-nan Senior Commercial High School			
Manager	Benny Lin	92.10.17	-	0.0000	-	0.0000	-	0.0000	Merrill Lynch Fu Jen Catholic University			
Manager	Steven Chia	93.07.09	-	0.0000	-	0.0000	-	0.0000	Senior Manager, Fubon Financial Holding Company LTD. MBA, Indiana University of Pennsylvania			
Manager	Su-Yen Hsieh	98.07.23	108,417	0.0077	-	0.0000	-	0.0000	Manager, Fubon Bank Minister of Public Administration, South California State University			

December 31, 2004

Position	Name	Date of appointment	Shares held total shares		Shares held by spouse, minor children		Shares held in others' names		Educational & professional highlights	Positions concurrently served in other firms	Managers or spouses or kin within degree 2 relationship	
			No. of shares	Shareholding (%)	No. of shares	Shareholding (%)	No. of shares	Shareholding (%)			Position	Name
Manager	Shu-hung Lin	98.11.12	31,485	0.0022	-	0.0000	-	0.0000	Manager, Fubon Bank Soochow University			
Manager	Yi-hsueh Chang	98.07.23	-	0.0000	-	0.0000	-	0.0000	Fubon Bank MBA, Chung Yuan Christian University			
Manager	Jen-chung Hsu	98.07.12	-	0.0000	-	0.0000	-	0.0000	Boson Commercial Bank MBA, Anderson University of Michigan			
Department head	Chai-fu Liu	91.12.02	298,723	0.0213	3,118	0.0002	-	0.0000	General Auditor, Fubon Securities Finance Company LTD. Soochow University			
Department head	Pony Ma	98.03.05	-	0.0000	-	0.0000	-	0.0000	Fubon Financial Holding Company LTD. Master of Information Management, National Taiwan University			
Manager	Joseph Chiang	98.06.28	-	0.0000	-	0.0000	-	0.0000	Chung Sing Bank Taocheng University			
Manager	Chang-mao Lee	98.05.03	213,838	0.0152	-	0.0000	-	0.0000	Manager, Fubon Bank MBA, University of Illinois			
Manager	Milly Yang	98.06.05	-	0.0000	-	0.0000	-	0.0000	Jihon Bank National Taiwan University			
Manager	Ming Wen	98.10.01	-	0.0000	-	0.0000	-	0.0000	Fubon Bank Feng Chia University			
Manager	Hsiang-chang Liao	98.12.27	-	0.0000	10,389	0.0007	-	0.0000	Republic Bank Tainan University			
Manager	Theng-cheng Chen	98.10.21	-	0.0000	-	0.0000	-	0.0000	Manager, Fubon Bank Fu Jen Catholic University			
Manager	Shiao-hua Liu	92.05.27	27,573	0.0020	-	0.0000	-	0.0000	Manager, Fubon Bank National Cheng Kung University			
Manager	Chi-wan Tan	98.08.23	12,826	0.0009	-	0.0000	-	0.0000	Fubon Bank Chinese Culture University			
Manager	Jui-yi Chen	98.06.01	-	0.0000	-	0.0000	-	0.0000	Chinshui Bank Sich Hsi College			

December 31, 2004

Position	Name	Date of appointment	Share held total shares		Shares held by spouse, minor children		Shares held in others' names		Educational & professional highlights	Positions concurrently served in other firms	Managers in spouse or kin within degree 2 relationship	
			No. of shares	Shareholding	No. of shares	Shareholding	No. of shares	Shareholding			Position	Name
Manager	Yang-wen Hsiang	98.12.01	-	0.0000	-	0.0000	-	0.0000	Master Bank Chinese Culture University			
Manager	Yu-tao Chang	98.08.09	-	0.0000	-	0.0000	-	0.0000	TC Bank Soochow University			
Manager	Yang-jun Chen	98.10.28	34,873	0.0025	-	0.0000	-	0.0000	Manager, Fubwa Bank Alibaba University			
Manager	Hsi-jui Kuo	98.12.13	-	0.0000	-	0.0000	-	0.0000	Master Bank MBA, National Taiwan University of Science and Technology			
Manager	Ming-sheng Hsiang	98.08.18	100,414	0.0115	8,293	0.0007	-	0.0000	Manager, Fubwa Bank Tungshai Institute of Business Administration			
Manager	Ing-jung Liu	99.11.08	120,860	0.0088	-	0.0000	-	0.0000	Fubwa Bank MBA, Arizona State University			
Manager	Chi-hung Chao	98.12.01	155	0.0000	-	0.0000	-	0.0000	Fubwa Bank Tungshai Institute of Business Administration			
Manager	Li-ching Yu	98.07.18	1,804	0.0001	-	0.0000	-	0.0000	Manager, Fubwa Bank Tungshai University			
Manager	Wen-shen Chang	98.05.03	212,662	0.0162	38,624	0.0028	-	0.0000	Fubwa Bank MBA, George Washington State University			
Manager	Shuey Hsu	98.12.16	8,827	0.0006	-	0.0000	-	0.0000	Fubwa Bank MBA, Research and Development Office, NCU			
Manager	Yow-hung Juen	98.07.19	209,709	0.0148	-	0.0000	-	0.0000	Manager, Fubwa Bank Soochow University			
Manager	Chen-sh Chen	98.05.03	138,425	0.0099	19,785	0.0014	-	0.0000	Manager, Fubwa Bank National Taiwan University			
Manager	Wen-Hsiung Chang	99.08.11	190,429	0.0138	-	0.0000	-	0.0000	Manager, Fubwa Bank National Cheng Kung University			
Manager	Tsu-hung Chen	99.11.08	119,289	0.0081	-	0.0000	-	0.0000	Manager, Fubwa Bank Feng Chia University			

December 31, 2004

Position	Name	Date of appointment	Share held total shares		Share held by spouse, partner, children		Share held in others' names		Educational & professional highlights	Positions concurrently served in other firms	Managers in spouse or kin within degree 2 relationship		
			No. of shares	Shareholding	No. of shares	Shareholding	No. of shares	Shareholding			Position	Name	Relationship
Manager	Kuang-sheng Liao	98.08.09	115,243	0.0082	-	0.0000	-	0.0000	Manager, Fubens Bank MBA, National Sun Yat-Sen University				
Manager	Fe-shing Chen	98.05.03	2,571	0.0002	563	0.0000	-	0.0000	Fubens Bank Tainjung University				
Manager	Er-sheng Pan	94.03.11	1,487	0.0001	-	0.0000	-	0.0000	Fubens Bank MBA, Tainjung University				
Manager	Daung Chen	98.12.01	12,663	0.0009	-	0.0000	-	0.0000	Manager, Fubens Bank Tainjung University				
Manager	Shiao-ahn Wang	98.08.09	29,058	0.0021	-	0.0000	-	0.0000	Fubens Bank Tainjung Institute of Commerce				
Manager	Mai-shian Hwang	98.07.19	108,654	0.0078	449	0.0000	-	0.0000	Manager, Fubens Bank Tainjung Institute of Commerce				
Manager	Tung Wu	98.12.01	137,478	0.0098	382	0.0000	-	0.0000	Manager, Fubens Bank Tainjung Institute of Commerce				
Manager	Shu-feng Lai	98.08.09	49,183	0.0035	-	0.0000	-	0.0000	Fubens Bank Tainjung Institute of Commerce				
Manager	Chang-kuo Hsieh	98.07.19	733	0.0001	-	0.0000	-	0.0000	Manager, Fubens Bank Tainjung Institute of Commerce				
Manager	Shiao-yuan Wang	98.08.09	38,370	0.0028	-	0.0000	-	0.0000	Fubens Bank Overseas Chinese Institute of Commerce				
Manager	Boo Yui	98.07.19	27,791	0.0020	-	0.0000	-	0.0000	Fubens Bank Tainjung Institute of Commerce				
Manager	Jui-shian Hsieh	98.08.09	74,886	0.0053	10,671	0.0008	-	0.0000	Manager, Fubens Bank Tainjung Institute of Commerce				
Manager	As-yoo Hung	98.06.09	36	0.0000	-	0.0000	-	0.0000	Fubens Bank Overseas Chinese Institute of Commerce				
Manager	Chia-wei Wang	98.07.19	10,185	0.0007	117	0.0000	-	0.0000	Manager, Fubens Bank Tainjung Institute of Commerce				

December 31, 2004

Position	Name	Date of appointment	Shares held total shares		Shares held by spouse, without children		Shares held in others' names		Educational & professional highlights	Positions concurrently served in other firms	Managers in spouse or kin within degree 2 relationship	
			No. of shares	\$-par value	No. of shares	Shareholding	No. of shares	Shareholding			Position	Name
Manager	Shiun-min Chen	98.07.19	37,130	0.0027	552	0.0000	-	0.0000	Fubwa Bank MBA, Alabama State University			
Manager	Wei-hsiung Wang	98.11.04	7,353	0.0005	-	0.0000	-	0.0000	Motagec, Fubwa Bank Tainan Vocational School			
Manager	Ching-pun Tsai	98.08.09	1,178	0.0001	-	0.0000	-	0.0000	Fubwa Bank Kai-shihing Vocational School			
Manager	Chung-shi Liao	91.10.08	148,600	0.0108	-	0.0000	-	0.0000	Fubwa Bank Master of Business Administration, Chang Jung Christian University			
Manager	Chia-jung Chen	90.11.08	93,128	0.0067	-	0.0000	-	0.0000	Fubwa Bank Alabama University			
Manager	Pei-ku Tsai	98.12.01	59,421	0.0042	-	0.0000	-	0.0000	Fubwa Bank National Cheng Chi University			
Manager	Ching-chang Liu	98.12.01	-	0.0000	-	0.0000	-	0.0000	Fuchen Bank Feng Chia University			
Manager	Shin-yin Cheng	98.08.09	20,182	0.0014	-	0.0000	-	0.0000	Fubwa Bank Fu Jen Catholic University			
Manager	Jin-yi Hwang	98.08.09	-	0.0000	-	0.0000	-	0.0000	Fubwa Bank National Cheng Kung University			
Manager	Shu-hui Lai	98.06.05	-	0.0000	-	0.0000	-	0.0000	Tainan Credit Cooperative Tainan Hospitality And Tourism College			
Manager	Guo-anh Chen	98.06.05	-	0.0000	-	0.0000	-	0.0000	Tainan Credit Cooperative Yungfeng High School			
Manager	Wen-Jung Wang	98.08.05	-	0.0000	-	0.0000	-	0.0000	Tainan Credit Cooperative Yingning Vocational School			
Manager	De-lual Yu	98.12.24	-	0.0000	-	0.0000	-	0.0000	Jibon Bank Tainanng University			

(VI) Remuneration paid to directors and supervisors, president, and vice presidents over the past years

Remuneration paid to directors (I)

December 31, 2004
In NT 1,000 dollars

Position	Name	Transportation Allowance	Compensation	Employee Profit Sharing				Total Compensation	Total Compensation Paid to Directors as % of 2003 Net Income	Number of Employee Stock Options Granted	Other Compensation
				Cash	Stock						
					Shares	Market Price Per Share	Market Value				
Director	Kang-sheng Kao	1,740	-	-	-	-	-	1,740	0.1158	-	-
Director	Chung-hsing Chen										
Director	Young-yi Chen										
Director	Shou-tso Huang										
Director	Huan-kun Kuo										
Director	Ho-the Chung										
Director	Chi-shou Chen										

Remuneration paid to supervisors (II)

December 31, 2004
In NT 1,000 dollars

Position	Name	Transportation Allowance	Compensation	Total Compensation	Total Compensation Paid to Supervisors as % of 2003 Net Income	Other Compensation
Supervisor	Chueh-szu Chou	490	-	490	0.0326	-
Supervisor	Yu-the Chuan					

Remuneration paid to the president and vice presidents(III)

December 31, 2004
In NT 1,000 dollars

Position	Name	Salary	Bonus	Employee Profit Sharing				Total Compensation	Total Compensation Paid to Directors as % of 2003 Net Income	Number of Employee Stock Options Granted	Other Compensation
				Cash	Stock						
					Shares	Market Price Per Share	Market Value				
President	Chung-hsing Chen	6,892	1,932	27	-	-	-	8,851	0.5892	-	-
Executive Vice President	Young-yi Chen										
Executive Vice President	Luke Wu										

**Names of managerial officers with allocation of bonus to employees
and status of allocation to them(IV)**

December 31, 2004
In NT 1,000 dollars

Position	Name	Stock			Profit Sharing Cash	Total Profit Sharing Value	Total Compensation Paid to Directors as % of 2003 Net Income
		Shares	Market Price Per Share	Market Value			
Senior Vice President & General Manager	Yao-hua Liu	-	-	-	849	849	0.0565
Senior Vice President	David Chen						
Department head	Chi-fu Liu						
Manager	Wen-huei Wang						
Manager	Shiang-wen Wang						
Manager	Chin-sen Wang						
Manager	Shiun-min Wang						
Manager	Chi-wen Tso						
Manager	Shiou -bau Liu						
Manager	Tomy Wu						
Manager	Chung-mou Lee						
Manager	Yow-tang Juan						
Manager	Shu- tseng Lin						
Manager	Sunny Lin						
Manager	Ing-jiuar Lin						
Manager	Jin-yi Hung						
Manager	Wen-chen Chang						
Manager	Wen-Hsiang Chang						
Manager	Sherry Hsu						
Manager	Tzu-liang Chen						
Manager	Yeong-jen Chen						
Manager	Chen-fu Chen						
Manager	Chen-jung Chen						
Manager	Deng-ke Chen						
Manager	Li-ching Yu						
Manager	Ming-cheng Huang						
Manager	Mei-shiuan Huang						
Manager	Kuang-chung Liao						

Manager	Guang-de Liao						
Manager	Po-chang Chao						
Manager	Jr-sheng Pan						
Manager	Hau Tsai						
Manager	Ching-pou Tsai						
Manager	Frank Tsai						
Manager	Shu-Ing Lai						
Manager	Chung-hwa Hsieh						
Manager	Su Tzu Hsieh						
Manager	Jui-chien Hsieh						
Manager	Chi-hung Chien						
Manager	Shiou-min Chen						
Manager	An-guo Hung						

(VII) Shareholding transfer and change in pledge of shareholding for directors and supervisors, managerial officers, and those who are required to declare shareholding in accordance with Article 25, Paragraph 3 of the Banking Law in recent years: Nil.

(VIII) Ratio of comprehensive shareholding of investees

December 31, 2004
In NT 1,000 dollars

Names of investee(*1)	Ownership by Fuhwa Bank		Direct /Indirect Ownership by Directors, Supervisors, and Management		Total Ownership	
	Investment Cost	%	Investment Cost		Investment Cost	%
Fuhwa Leasing Co., Ltd.	197,000	98.56	-	-	197,000	98.56
Fuhwa Property Insurance Agency Co., Ltd.	2,880 (*2)	80.00	-	-	2,880 (*2)	80.00
Fuhwa Life Insurance Agent Co., Ltd.	2,000	99.99	-	-	2,000	99.99
Taiwan Cooperative Bank Co., Ltd.	51,429	0.08	-	-	51,429	0.08
Fubon Securities Finance Co., Ltd.	74,542	1.97	-	-	74,542	1.97
Grand Bills Finance Co., Ltd.	64,800	1.36	-	-	64,800	1.36
Financial Information Service Co., Ltd.	46,150	1.15	-	-	46,150	1.15
Taipei Forex Inc.	800	0.40	-	-	800	0.40
Ornatube Enterprise Co., Ltd.	155	0.05	-	-	155	0.05

Taiwan Asset Management Co.	100,000	0.57	-	-	100,000	0.57
The National Federation of Credit Co-operatives R.O.C.	890	0.59	-	-	890	0.59

*1: Investment duly made in accordance with Article 74 of the Banking Law.

*2: In the organization of limited companies.

III. Shares and dividend

(I) Source of share capital

December 31, 2004
In NT 1,000 dollars / Number of 1,000 Shares

Month/Year	Price	Authorized		Paid-in		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Date of Approval & Approval Document No.
2003.12	\$10	1,050,000	10,500,000	1,050,000	10,500,000		
2004.02	\$10	300,000	3,000,000	300,000	3,000,000	Cash Offering	*1
2004.07	\$10	50,000	500,000	50,000	500,000	Capitalization of Profits	*2

*1 : (92) Tai-Tsai-Jung-(II) - 0920047493 dated November 17, 2003

*2 : (93) Tai-Tsai-Cheng-(I) - 0930126570 dated June 15, 2004

Type of Stock	Authorized Capital			Remark
	Issued Shares	Unissued Shares	Total	
Common Stock	1,400,000	-	1,400,000	Public release company share

(II) Composition of shareholders

December 31, 2004

	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	1	0	0	0	1
Shareholding (Thousand Shares)	0	1,400,000	0	0	0	1,400,000
Holding Percentage (%)	0	100%	0	0	0	100%

(III) Status of share scattering

At NT\$10 par value

December 31, 2004

Shareholding grading	Number of Shareholders	Number of sharesheld (Thousand Shares)	Shareholding (%)
1 ~ 999	-	-	-
1,000 ~ 5,000	-	-	-
5,001 ~ 10,000	-	-	-
10,001 ~ 15,000	-	-	-
15,001 ~ 20,000	-	-	-
20,001 ~ 30,000	-	-	-
30,001 ~ 50,000	-	-	-
50,001 ~ 100,000	-	-	-
100,001 ~ 200,000	-	-	-
200,001 ~ 400,000	-	-	-
400,001 ~ 600,000	-	-	-
600,001 ~ 800,000	-	-	-
800,001 ~ 1,000,000	-	-	-
1,000,001 up	1	1,400,000	100
Total	1	1,400,000	100

(IV) Roster of key shareholders

Shareholders	Number of sharesheld (Thousand Shares)	Shareholding (%)
Fuhwa Financial Holding Co., Ltd.	1,400,000	100.00

*: The shareholders who hold up to 1% of the total shareholding each or the top ten shareholders by shareholding ratio.

(V) The market quotation, net worth, earnings, dividend per share, and relevant data over the past two years

Unit : NT\$

Item		Year	2004	2003	1/01/2005~3/31/2005
Net worth per share	Before distribution		11.70	10.52	11.47
	After distribution		11.66	11.23	-
Earnings per share	Weighted-average shares (Thousand Shares)		1,350,000	1,083,449	1,400,000
	Earnings per share	Before adjustment	1.11	0.87	0.23
		After adjustment	-	0.84	-
Dividends per share	Cash dividends		0.02	0.09	-
	Stock dividend	By earnings	0.71	0.37	-
		By surplus	-	-	-

(VI) The dividend policies and enforcement

1. The dividend policies

With an aim to continue its business scale expansion, to boost profitability and maintain capital adequacy, Fuhwa Bank distributes dividends with remaining earnings only. The board of directors will propose the ratio of cash dividend or stock dividend to be distributed based on the current financial environment, market trends, and the bank's future plans. While Fuhwa Bank is in the growing stage, the stock dividend distribution ratio shall not be lower than 80%; provided however, it may be changed as consented by the directors. The cash dividend shall be distributed after the board of directors determines the ratio of distribution of earnings. The stock dividend shall not be distributed until written approval is obtained from the relevant governmental authorities.

After the bank became a subsidiary of Fuhwa Financial Holdings Co., Ltd., the directors of the bank shall assume the rights as shareholders of the bank.

2. Dividend distribution

As resolved in the 22nd board of directors meeting of Session V, 2004, the bank will distribute cash dividend of NT\$0.02 per share and stock dividend of NT\$ 0.71 per share. As of March 25, 2005, the total number of outstanding shares were 1.4 billion shares. A total of NT\$30,549,205 will be distributed as cash dividend and NT\$ 1 billion will be distributed as stock dividend.

(VII) Share allocation without consideration as proposed in the present share holders' meeting and its impact upon business performance and EPS

In NT 1,000 dollars

Year / Item		2004(Forcast)	
Paid-in Capital at the beginning of the period		10,500,000	
Earnings distribution current year	Cash dividend per share (NT\$)	0.02	
	Stock dividend per share issued through capitalization of earnings	0.07	
	Stock dividend per share issued from capital reserve	-	
Changes in operating performance	Operating income	1,997,175	
	% of increase (decrease) of operating income against last year's	91.48%	
	Net income	1,502,258	
	% of increase (decrease) of net income against last year's	64.44%	
	Earnings per share(NT\$)	1.11	
	% of increase (decrease) of earnings per share against last year's	33.73%	
	Average annual return on investments (1/annual P/E ratio)	11.10%	
Pro forma earnings per share and P/E ratio	All in cash dividends for shares issued through capitalization of earnings	Pro forma earnings per share(NT\$)	1.11
		Pro forma average return on investment %	11.10%
	For shares issued from capital reserve	Pro forma earnings per share(NT\$)	-
		Pro forma average return on investment %	-
	For shares issued from capital reserve and dividends are distributed in the form of cash dividends for shares issued through capitalization of earnings	Pro forma earnings per share(NT\$)	1.11
		Pro forma average return on investment %	11.10%

(VIII) Bonus to employees and remuneration to directors and supervisors

1. Bonus to employees

Terms and timing of allocation: From the surplus earnings as shown through annual account closing, the sum for payment of tax and make up previous losses, if any, shall be first withheld. Then 30% is to be held as a legal reserve and then a certain ratio as a special reserve or as retained earnings. The final surplus, if any, may then be allocated. The dividend and bonus to shareholders shall be 98% and bonus to employees 2%. Until the accumulated total of the legal reserve is up to the total amount of capital, the maximum cash dividend shall not exceed 15% of the total capital. The aforementioned restriction does not apply when the accumulated total of the legal reserve is up to the total amount of capital.

2. Remuneration to directors and supervisors: Nil.

3. Information regarding allocation of bonus as resolved by the board of directors: Nil.

4. The earnings of the preceding year used to allocate bonus to employees: Nil.

(IX) Repurchase by Fuhwa Commercial Bank of its own shares: Nil.

IV. Issuance of financial debentures

Name	The First Term Subordinated Debentures 2002	
Date of Approval & Approval Document No.	September 24, 2002, Tai-Tsai-Jung-(II) -0910042863 Bureau of Monetary Affairs, Ministry of Finance.	
Date of issuance	November 4, 2002	November 4, 2002
Face value issued	NT\$ 3.1 billion	NT\$ 1.4 billion
Issuance and trading venue	Taipei	Taipei
Price of issue	To be issued at face value on the date of issuance	To be issued at face value on the date of issuance
Total Amount	NT\$ 3.1 billion	NT\$ 1.4 billion
Face interest rate	6.15% less Libor(*)	3.5%
Duration	5 years 3 months February 4, 2008	5 years 3 months February 4, 2008
Priority	Subordination Financial Debentures	Subordination Financial Debentures
Guarantor	None	None
Trustee	None	None
Underwriter	None	None
Legal Counsel	Chien Yeh Law Office	Chien Yeh Law Office
Auditor	KPMG Certified Public Accountants Andrew Yu	KPMG Certified Public Accountants Andrew Yu
Financial institution	Grand Bills Finance Corporation	Grand Bills Finance Corporation
Repayment	Principal to be repaid in a lump sum at maturity	Principal to be repaid in a lump sum at maturity
Outstanding	NT\$ 3.1 billion	NT\$ 1.4 billion
Paid-in capital, 2001	NT\$12,115,136 Thousand	NT\$12,115,136 Thousand
Net worth, 2001	NT\$13,024,246 Thousand	NT\$13,024,246 Thousand
Performance	None	None
The terms for redemption or early repayment	None	None
Conversion Right	None	None
Redemption or Early Repayment Clause	None	None
Capital utilization plans	To increase Tier II capital and improve capital adequacy	To increase Tier II capital and improve capital adequacy
(Issue Price+ outstanding balance)/ (Paid-in capital, 2001)	23.80 %	10.75 %
Eligible entity capital	Type II capital	Type II capital
Credit Rating	None	None

*: Base on the parity rate of interbank interest rate for U. S. Dollars quoted in London-based banks, to be calculated afresh starting from the interest date every half year.

V. Preferred shares: Nil

VI. Issuance of GDR: Nil.

VII. Issuance of employees' warrants: Nil

VIII. M&A (including merger, acquirement and partitioning)

- (I) To help boost our competitive edge, broaden business foundations, and further augment business horizons, Fuhwa Bank resolved at its board meeting held on June 5, 2003 that Fuhwa Bank weighed with full guarantee for the "Taitung City Credit Cooperative of Taitung County" at NT\$119 per share, in a total equity of NT\$126,154,182, with June 7, 2004 as the M&A date. we consigned Deloitte Touche International Financial Consultation Co., Ltd. To conduct an appraisal. On "fair market value" basis, taking into account the hypotheses and restrictions through various approaches, the appraisal results indicated a price of NT\$ 91.82 per share. Fuhwa Bank acquired the financial institution at NT\$ 119 per share based on the NT\$91.82 per share price plus premium NT\$ 27.18 (approximately 29.60%) as Taitung Credit Cooperative's title transfer. Granting a premium is a common practice in title transfer. Furthermore, based on Bloomberg statistics , in 2001 the average premium in M&A cases ranged from 23.21% to 43.48%. Accordingly, the 29.60% premium in the case concerned is believed to be reasonable.
- (II) In an attempt to broaden strongholds in northern Taiwan and to balance deployment, we relocated the Fengjung Branch to Neihu District, Taipei, and renamed it "Neihu Branch" ; Taitung Credit Cooperative was relocated to Hsinchu County and renamed "Chupei Branch" ; Chihpen Branch relocated to Taoyuan County and renamed "Linkou Branch" ; Peinan Branch relocated to Tainan City and renamed "Tainan Branch" . As approved by the Ministry of Finance in March 2001, the Fengtien Branch and Fenglo Branch had already been suspended but were, under Fuhwa Bank's policy, consolidated into Fuhwa Bank and reinstated and renamed "Yilan Branch" and "Kinmen Branch" .

Particulars of the Taitung Credit Cooperative

As of December 31, 2004
In NT 1,000 dollars

Name of financial institution		Guaranteed Liability Taitung City Credit Cooperative of Taitung County
Financial institution location		427 Chunghua Road, Sec. 1, Taitung City, Taitung County
Responsible person		Chen Hsien-hsing, Chairman of the Board
Paid-in capital		NT\$ 104,024
Major business lines		<ol style="list-style-type: none"> 1. To accept checking deposits. 2. To accept demand deposits. 3. To accept time deposits. 4. To accept savings deposit. 5. To extend short-term, mid-term and long-term loans. 6. To discount negotiable instruments. 7. To invest in government bonds, short-term bills, corporate bonds and financial debentures. 8. To handle domestic remittance. 9. To handle services in collection and payment of payable sums. 10. To render agency services related to the aforementioned business operation. 11. To render other business and services as approved by the Central Government authorities.
Major products		Deposit & loan business
Financial particulars in recent years	Total assets	3,013,911
	Total liabilities	2,930,261
	Total equity	83,650
	Operating revenues	121,538
	Gross operating profit	81,529
	Profit/Loss	(25,790)
	Profit/Loss this term	(25,702)
	EPS (NT\$)	(23.34)

Company Operations

I. Business items

(I) Business Fuhwa Bank is approved to operate

1. To accept checking deposits.
2. To accept demand deposits.
3. To accept time deposits.
4. To extend short-term, middle-term and long-term loans.
5. To discount negotiable instruments.
6. To invest in marketable securities.
7. To process domestic remittance.
8. To process acceptances of commercial drafts.
9. To issue domestic letters of credit.
10. To render guarantee for corporate bonds issuance.
11. To handle domestic guarantee business.
12. To act as an agent for receiving payment and remittance.
13. To underwrite government bonds, treasury bonds, corporate bonds and corporate stock.
14. To render credit card services.
15. To handle short-term bills brokerage, certification and proprietary underwriting business.
16. To carry out the business of warehousing and property custody services.
17. To lease safe deposit vaults.
18. To render business operation as stated on the business license or as approved by the competent authorities at the Central Government level.
19. To engage in import/export foreign exchange, general outward and inward remittances, foreign exchange deposits, foreign currency loans and guarantee business for secured payment in foreign currencies.
20. To buy and sell gold bullions, silver bullions, gold coins and silver coins.
21. To render business services as accredited by the Trust Business Law.
22. To buy and sell government bonds.
23. To engage in business of derivative financial commodities as approved by the competent authorities at the central government level.
24. To purchase foreign accounts receivable incurred by domestic firms in export.
25. To transfer the foreign accounts receivable of exporters purchased to foreign factors of accounts receivable.
26. To purchase domestic accounts receivable incurred by domestic firms in domestic sales.

(II) An overview of business performance

1. Deposits

As of December 31, 2004, the aggregate of Fuhwa Commercial Bank's deposit balance came to NT\$227.6 billion, increasing by NT\$36.8 billion or 19.29% over NT\$190.8 billion of the corresponding date of the preceding year; including demand deposits in New Taiwan Dollars and foreign currencies amounting to NT\$ 66.8 billion, accounting for 29.35% of the total; time savings deposit balance came to NT\$160.8 billion, accounting for 70.65% of the total.

2. Loans

As of December 31, 2004, the total balance of loans (including overdue loans) came to NT\$197.2 billion, increasing by NT\$25.8 billion or 15.05% over NT\$171.4 billion as of December 31, 2003; including the balances of mid-term and short-term loans and overdraft amounting to NT\$ 44.3 billion, accounting for 22.46% of the total loans; balance of mid-term loans NT\$77 billion, 39.05% of the total; the balance of long-term loans was NT\$ 69.8 billion, 35.40% of the total; overdue loans NT\$5.7 billion, 2.89% of the total.

3. Foreign exchange

In 2004, Fuhwa Commercial Bank operated foreign exchange business amounting to US\$ 8.345 billion in total, growing by 35.49% over US\$6.159 billion operated in 2003. Of the total balance, import business accounted for 10.15% of the total and export 2.99% of the total; outward remittance 40.26% and inward remittance 46.60% of the total.

4. Guarantee and acceptance

The guarantees and acceptances rendered by Fuhwa Bank include primarily acceptances, guarantee for corporate bond issuance, performance bonds for project tenders, advance payment return bonds and guarantee for issuance of commercial papers. As of December 31, 2004, the total of guarantees and acceptances reached NT\$10.53 billion, increased by 10.61%, including acceptances NT\$ 1.13 billion, guarantee for issuance of corporate bonds NT\$1.1 billion, guarantee for performance bonds NT\$1.19 billions; guarantee for commercial paper issuance NT\$3.85 billion, guarantee for financial institution loans NT\$580 million and other guarantees and acceptances NT\$2.68 billion.

5. Trust services

As of December 31, 2004, the balance of trust assets of the entire Fuhwa Commercial Bank totaled NT\$33.322 billion, increasing by NT\$15.143 billion or 83.30% over NT\$18.179 billion as of December 31, 2003. In 2004, Fuhwa Commercial Bank made a total of NT\$195.04 million as revenues in handling charges (including revenue of handling charges for earmarked trust NT\$185.25 million and trust handling charges revenue NT\$9.79 million), increasing by NT\$62.82 million or 47.51% over NT\$132.22 million (including revenue of handling charges for earmarked trust NT\$132.21million and trust handling charges revenue NT\$10,000).

Fuhwa Commercial Bank has spared no effort to boost its business services as a custodian bank. As of December 31, 2004, we had taken into custody ten domestic securities investment & trust funds in the asset scale up to NT\$ 46.233 billion. In addition, we took

into custody sixty accounts of discretionary investment in total asset scale of NT\$ 596 million, alongside 9 business guarantee bond accounts in total asset scale of NT\$875 million. During 2004 year round, Fuhwa Commercial Bank made a total of NT\$58.52 million revenue through handling charges, an astonishingly growth of 1,056.52%. We certified securities in a total of 91 cases, increased by 18 cases over the 73 cases certified in 2003. In 2004, we certified up to a total of NT\$9.588 billion, decreased of NT\$719 million from the total of NT\$10.307 billion certified in 2003. The revenue earned through handling charges from certification came to NT\$1.294 million, increased by NT\$373,000 over NT\$921,000 earned in 2003.

6. Credit card services

In regards to credit card issuance, as of December 31, 2004, the total accumulated number of credit cards issued reached 514,066 cards, increased by 6,706 cards or 13.39% over the total of 453,360 cards that have been issued as of December 31, 2003.

In terms of the amount charged by clients with credit cards, the total consumption in 2004 stood at NT\$7.84773 billion, increased by NT\$1.1292 billion, or 16.35% over NT\$ 6.74481 billion attained in 2003.

In 2004, the balance of cash advanced with credit cards totaled NT\$1.32734 billion, which grew by NT\$443.81 million, or 50.23% over NT\$883.53 million recorded in 2003.

7. Operating revenues, expenses and earnings

In 2004, operating revenues totaled NT\$10.27586 billion, increased by NT\$1.52525 billion over the total of NT\$8.75061 billion of 2003. Those revenues primarily came from interest income of NT\$8.15606 billion, accounting for 79.37% of total operating revenues; revenues from handling fees totaled NT\$1.57246 billion, 15.30% of the total operating income. The operating expenses totaled NT\$ 8.27869 billion, increased by NT\$571.12 million or 7.41% over NT\$7.70757 billion of 2003. The major expenses included interest expense of NT\$2.86248 billion, accounted 34.58% of the total; business expenses NT\$ 1.9459 billion, 23.50% of the total; overheads NT\$1.32787 billion, 16.04% of the total; all reserves of NT\$1.55057 billion, accounted for 18.73% of the total; net profit before tax NT\$2.05066 billion. After deducting income tax of NT\$548.4 million, the net profit after tax stood at NT\$ 1.5226 billion.

(III) Business operating plans of the year

Corporate banking

1. Continuously develop corporate banking operational base to enhance fee-income product profitability.
2. Provide diversified products that meet customer's needs, such as factoring, TMU, syndicated loans, and investment banking services to meet customers' needs for one-stop shopping.
3. As the Statement of Financial Accounting Standards No. 34 will be in force in 2006, Fuhwa Bank will aggressively seeking "target groups in greater demand for the hedging risks" and "target groups for structured products" so as to continuously develop TMU business.

4. Develop new financial products, such as non-principal forward foreign exchange in RMB (known as NDF), non-principal exchange options in RMB (known as NDO), and interest rate derivatives.
5. Set up e-banking structure to enhance electronic banking services.
6. Strengthen account officers's professional knowledge and marketing skill, to transform Fuhwa Bank from a “loan provider” to a “solution provider” , to boost the banks’ competitive edge.

Consumer banking

1. Mortgage & Credit loan:

- (1)Mortgage products:distinguish consumer demand of “home buyer” , “home equity” and “refinance” , offering 110% mortgage, insurance mortgage, comprehensive mortgage, overdraft mortgage, HELOC, refinance, etc. to meet consumers’ demands.
- (2)Consumer loan products: “serving new clients” as a principle and offering new products such as prime and super prime consumer loans, Debt Consolidations Loan and Sub-prime Loan, etc.
- (3)Customer retention: strengthening relationship with existing clients, improving clients’ satisfaction, offering products such as “coming home” project.

- 2.Consumer financing: forming strategic alliance with selected factoring companies, car dealers and manufacturers for consumer financing services, promoting small installment loans of durable goods.
- 3.Credit cards: strengthening alliance partnership and enhance the added value of credit cards.
- 4.Insurance agent business: exploring diversified channels and marketing strategies.
- 5.Keeping buildings high-performance sales teams.
- 6.With the aggressive growth in 2003 and 2004, the consumer banking business has reached sufficient economies of scale to engage in commercial advertisement to boost branding.

Deposit business

1. To thrust the deposit business and probe into new customer bases, Fuhwa Bank launched “Open Sesame, Big Fortune Come on in” in the first quarter of 2005, and offered clients an effective means to manage their assets.
2. To promote demand deposits to enhance profitability and improve deposit structure.
3. To continuously increase Fuhwa Bank's sales outlets and concerted service counters to team up with the securities terminals for securities services. Through such efforts, Fuhwa Bank will increase it demand deposit ratio and profitability.

Wealth management

1. Distribution channels and outlets:

Based on banking and securities channels, Fuhwa Bank will improve its tele-banking/cyber banking, tele-marketing centers as well as automatic service facilities to increase opportunities for wealth management.

2. Wealth management sales team:

To maximize the performance of the distribution channels, Fuhwa Bank will assist with the training of brokerage agents to obtain certification and licenses required for wealth management

3. Establish an efficient product management model:

Wealth Management Product Review meeting will be held regularly to coordinate research and development and introduction of products.

4. Broaden customer bases and money management asset size:

Fuhwa Bank will develop new customer bases through strategic alliances with different trade lines and through existent clients recommendation of potential clients.

Trust business

1. To continue increase money market mutual fund size.
2. To continue boost custodian bank business scale.
3. To establish e collective management accounts for a various trust funds.
4. Seeking to act as a trustee in financial asset and real estate securitization.
5. To promote money trust business and property trust business.

Credit card business

1. Steady increase the credit card volume

We will continue to promote the “Priceless Credit Platinum Card” and the “Transasia Airways Card” keep launch new products such as CHIP Card and Personalize Card. Meanwhile, will take advantage of the unique added functions to meet customer needs and retain loyalty to Fuhwa credit cards.

2. Improve profitability

We will strengthen credit card related financial services and money management activities. In line with peak seasons, we will launch a number of promotions and consistently offer benefits to cardholders to boost the bank's profit.

3. Service strategies

- (1) Enhance services and boost efficiency. Strengthen Call Center Services.
- (2) Extend Call Center services to customers requiring information regarding deposit-making, mutual fund, foreign exchange and wealth management consulting.
- (3) Offer integral service systems, including ACD (AUTOMATIC CALL DISTRIBUTOR) System IVR (Interactive Voice Response) Systems and CTI (Computer Telephony Integration) Systems. These systems may connect with the Internet, e-mail system and fax to provide better services to customers.

(IV) Market analysis

Since the government launched its Phase I Financial Reform in 1999, most banks have tremendously improved their asset quality. In October 2004, President Chen Shui-bian announced four goals of Phase II Financial Reform. The primary goal is to have the top three financial institutions together gain a market share of at least 10%; the number of state owned financial institutions to be reduced from 12 to 6; and to halve the number of financial holding companies to half the current number before end of 2006; and at least one financial holding company is operated by foreign investors or listed abroad. These government policies initiated the M&A trend in the market. We anticipate the trend to continue in 2006 as financial institutions will seek M&A opportunities to increase size and stay in the market.

Aside from the M&A trend that will continue to shake the financial market, asset quality is believed to be another key factor that affects a bank's profitability. From July 2005, Taiwan's nonperforming loan ratio and definition of bad debt provisioning will meet international standards, ie. asset types will be classified in to 5 types instead of 4 and losses incurred as a result of nonperforming loan sales may not be amortized in 5 years. Banks that fail to meet such standards may have to improve their asset quality at the expense of profits.

Furthermore, Taiwan's Financial Accounting Standards will undergo a major reform in 2005 in order to meet the international standards. Under the "Consolidated Financial Statements" as per Statement of Financial Accounting Standards No. 7, and Statement Financial Accounting Standards No. 35 regarding asset impairment that will be in force in 2005, financial institutions with complicated divestment and those with higher goodwill book value and greater idle assets will be affected most. Statement No. 34 "Accounting Guidelines for Financial Products" that will be in force in 2006 will create an even more extensive impact, particularly financial institutions that have more derivative position. As a countermeasure, financial institutions will make prudent adjustment of various financial ratios ahead of schedule in 2005 to minimize the adverse shock.

The rising interest rate is another factor that may significantly affect the financial industry. Where there are increasing difficulties to trade in the stock market, financial holding companies mainly rely on banks as their major profit sources. In Taiwan, interest income remains the major source of income for banks. Consumer banking business benefits less than corporate banking in the event of widened interest margin as a result of rising interest rates. Corporate banking, on the contrary, will benefit more. As lending rates for corporate banking have been down to a historical low, corporate banking business can better respond to the rising interest rates in the market. Moreover, weaker demand in the past reduced deposit/loan ratio. Corporate banking business face less funding cost pressure when interest rates go up, therefore become a main beneficiary of rising interest rates.

Amongst consumer banking loans, high interest margin products such as credit cards and cash cards have not been able to reflect the rising capital costs to raise interest rates as the lending rates have reached the ceiling. Meanwhile, the credit card market has reached maturity while cash card market is approaching the same stage. The market has been saturated as a result of over competition. The overall growth rate of the market will be, therefore, slowed down. The momentum to grow has been weakened.

In addition, the “New Basel II Accord” , which is vital to bank's lending reform, is scheduled to come into effect by end of 2006. All financial institutions have been preparing themselves in this regard. After the new system is in force, corporate banking business will undergo critical pressure. Banks whose capital adequacy ratio stays around 8% will be forced to introduce capital injection or tighten loans. However, those with high capital adequacy or are even capable of booking their own capital through internal rating methods (known as IRB) will be in a better position. The financial strength gaps among banks will be widened much further.

(V) Financial product research and business development overview

1. Financial products research

Fuhwa Bank has, since its commencement of business operation, committed to meet consumers’ needs and introduced new financial products all the time to respond to the changing market. In the future, we will adhere to this goal to develop more financial products to strengthen competitiveness.

- (1) Develop collateral loan obligation (CLO) business.
- (2) Set up e-banking structure and strengthen its operation.
- (3) As scheduled for consumer banking services, we will adopt sound product line strategies during 2005~2007 to meet customer needs. In addition to the continuous effort to develop market, maintain relationship with loan customers and enhance customer satisfaction, we will team up with major logistic channels to launch specific products. In the future, advertising exposure will be adopted to enhance Fuhwa's publicity and brand awareness.
- (4) Forming strategic alliance with selected factoring companies, car dealers and manufacturers for financing services and promoting consumer loans to target clients.
- (5) We will carve out added business horizons including custody of securities, real estate trust, securitization of financial assets and real estate, mutual trust fund in the money market, and centralized management of accounts to broaden trust assets and increase the handling charge revenues.
- (6) Research and develop wealth management packaged products, strengthen the finance management teams’ expertise to help customers enlarge asset size.

2. Research and development

Project title	Date scheduled for online performance	Contents of Projects in brief
Chop and signature imaging system	2005.1Q	Customers' chop and signature imaging storage and retrieval system.
Financial asset securitization system	2005.1Q	System for the processing and management financial asset securitization.
Consumer banking collection and application processing, underwriting systems	2005.2Q	Automate the Consumer banking collection and application processing/underwriting.
HOME-ATM	2005.2Q	Provide virtual ATM functions(except cash withdraw) through CHIP ATM card and TV at home.
Phase II of data warehousing	2005.3Q	Set up customer credit investigation module and upgrade the quality of loan cases.
Group employee portal	2005.3Q	Web portal for group employees.
New 5 types NPL evaluation system	2005.3Q	System to evaluate NPL by 5 types.
Auto and installment loan application processing system	2005.3Q	System for auto and installment loan credit review and underwriting.
History transactions inquiry system	2005.3Q	Provide branches the historical transactions inquiry capability.
Collective fund management system	2005.3Q	System for managing collective funds.
Credit risk data mart	2005.3Q	Data mart for credit risk analysis .
Centralized checks processing and imaging processing systems	2005.4Q	Centralize the data entry, document imaging, data processing and settlement/clearing of checks.
Centralized remittance operation and image processing systems	2005.4Q	Centralize the data entry, document imaging, data processing and settlement/clearing of remittance.
Real estate trust system	2005.4Q	System for real estate trust account management and services.
Stock loan application processing system	2005.4Q	System for stock loan application processing.
Audit document management system	2006.1Q	E-enabled the Audit documents management.

Credit card application processing and underwriting system	2006.1Q	System for credit card application processing, scoring and underwriting.
Bank & Securities info transmission platform	2006.1Q	Platform that automate the transaction info transmission.
Market risk management system	2006.1Q	In line with BaselII, set up the market risk management system.
Corporate banking credit review and collateral management system	2006.1Q	System for corporate credit review and collateral management.
Generation II Cyber-banking System	2006.2Q	Beef up safety and services for clients in the Internet trading.
Front end processing system	2006.2Q	Front end system to provide 24X7 nonstop processing of ATM, IVR, Internet transactions.
Forex document imaging system	2006.2Q	Document imaging for Forex .

3. Future research and development plans

(1) NEC mainframe equipment procurement and installation

The NEC mainframe equipment procurement and installation are to meet the needs for the increasing trading volume after the merger of Credit Cooperatives, extensive establishment of securities collection and payment departments as well as the need for the equipment office to be set up when the Central Information Office is relocated to Taipei.

(2) FEP cross-bank convenient systems

Integrate the ATMs, voice, cyber banking and such electronic channels to provide 24-hour services; set up ATM monitoring systems to enhance ATM efficiency to upgrade of customer services quality.

(3) Foreign exchange business oriented image processing systems

Centralize data management, minimize the inconvenience of mailing and fax documents, to standardize operating procedures.

(4) Audit document systems

Automatic processing of audit documents to enhance administrative efficiency of auditors.

(5) Affiliate bank's specimen seal systems

Where a client turns to a counter for trading, the teller may check and verify the specimen seal online. In case of inter-bank trading, the teller may access the specimen seal archive to check and verify the seal, which will enhance tellers' efficiency and service quality.

(6) Centralized fund management system

Issue collective funds to provide diversified products to clients. Fuhwa Bank may increase its fee income and custodian fee.

(7) Real estate trust

Provide diversified products to clients. Fuhwa Bank may increase its fee income and custodian fee.

(8) The e-system for corporate banking loan procedures

Centralize data management and standardize the operating procedure.

(9) Setup of the market risk management system

Set up the market risk management system in line with the new BASEL II Accord.

(10) The operating procedures of the operation risk management system and risk assessment

Set up the operating procedures of the operation risk management system and risk assessment system in line with the new BASEL II Accord.

(11) The data mart setup for the loan risk analysis data

Set up the loan risk analysis system in line with the new BASEL II Accord.

(VI) Long- and short-term business development plans

1. We will adjust the credit granting structure in full steam, upgrade the quality of services to mitigate price war.
2. Provide multifaceted and comprehensive integral services oriented to customer needs to live up to their one-stop shopping needs.
3. Boost product lines, channels and sales promotion strategies toward diverse, differential, customized, and low cost development.
4. Try by all means to rationalize control and management of expenses to maximize the utilization of resources.
5. Beef up the competence of risk management and minimize risks in loans.

II. Particulars of employees

Year		2003	2004	3/31/2005
Number of employees		1,925	2,376	2,446
Average age		32	33	34
Average seniority		3.82	3.49	3.55
Educational level	Ph.D.	1	2	2
	Master	118	125	127
	University	1,449	1,814	1,882
	Senior high school	351	429	429
	Below senior high school	6	6	6
Titles of professional licenses possessed by Fuhwa Commercial Bank employees		Internal control, moneymaking planning specialists, grassroots level loan tellers, advanced level loan tellers, grassroots foreign exchange specialists, trust tellers, securities sales specialists, high level securities sales specialists, securities analyzers, industrial analyzers, futures tellers, investment & trust consultants, property insurance tellers, property insurance agents, property insurance brokers, investment-oriented insurance specialists, real estate brokerage tellers, real estate brokers, life insurance agents, life insurance agents, general examination and higher examination of the nation, Class B Special Examination, Class C Special Examination, land registry professional agents, Labor Safety & Health Specialists, Bond Specialists, Bill Tellers.		

III. Corporate responsibility and moral behavior

Through the Fuhwa Culture & Education Foundation, Fuhwa Bank has spared no effort to devote itself to society and to extend warmth and support to the needed under the corporate philosophy of “wholehearted devotion and thoughtful contribution” . In the sacred mission of building a harmonious and prosperous society, Fuhwa Bank has been an active member of the society.

(I) Social welfare

1. Fuhwa Elite Scholarship

Fuhwa Commercial Bank has established the “Fuhwa Elite Scholarship” in an effort to help aspiring students and foster high-caliber elites for the nation. Such “Fuhwa Elite Scholarship” is available to potential university and college students in related finance and legal majors every year .

2. Post-typhoon reconstruction

Typhoon Aere hit Taiwan hard, in particular the mountain areas, on August 24, 2004. Many aboriginal villages were critically damaged or even destroyed. While the grownups were kept busy in the reconstruction work, school children were virtually unattended at school or after school. In an attempt to lend a warm helping hand, Fuhwa Bank sponsored Taoshan Primary School in Wufeng Hsiang, Chienshih Hsiang Aboriginal Tribal Association's After-school Guidance Center in Hsinchu County, as well as Tayuan Tribe Deep-Cultivation Association of Miaoli County. We donated financial subsidies to support after-school counseling programs so that those children in the disaster stricken area could have a safe environment for after-school learning.

3. Lend a helping hand to the remote areas

In 2004, Taiwan was critically hit by July 2nd flood and Typhoon Aere. Numerous rural mountain areas were damaged by landslides and mudslides, which led to severe losses, driving the local community into desperate adversity. As always, Fuhwa employees showed how they cared by visiting the remote area villagers and donating them daily necessities on many occasions. We hope that these acts could function as the catalyst for more people to contribute more, with the hope that the underprivileged people will receive practical gains to meet their mental and physical needs

4. Sidewalk sponsorship

To render thanks to the society and create a better environment, Fuhwa invested more than NT\$2 million to sponsor the corridors and sidewalks around the Fuhwa Headquarters. We are encouraged to see that pedestrians are pleased by Fuhwa Bank's thoughtfulness in contrast to the hectic urban hassle.

(II) Academic culture

The “Striving for Excellence” Project launched by the National Culture and Arts Foundation (NCAF) is intended to foster talents of arts of the nation, promote Taiwan's arts and cultural development to link up with the international trends to accomplish the goal of building Taiwan into the Island of Culture. In 2004, Fuhwa Bank echoed NSFG Foundation and teamed up with Wu Dong-Jinn Foundation, Sinkong Wu Huo-shih Foundation to jointly support the “Striving for Excellence Project for Performance Arts—the Best Production of Performance Arts” Scholarship and Grants Project. Through such efforts, Fuhwa Bank intends to spearhead a trend to encourage the art world to go upward and to launch cross-line cooperation toward the sustainable operation among the literature and art groups and boost their competitive edge in the international community. Out of the 59 production proposals presented by 50 competitors, 8 production proposals presented by 8 competitors were selected as the awardees. The proposals were awarded NT\$1 million each at most as the premiering fee along with a NT\$7.5 million subsidy.

(III) The environmental protection system

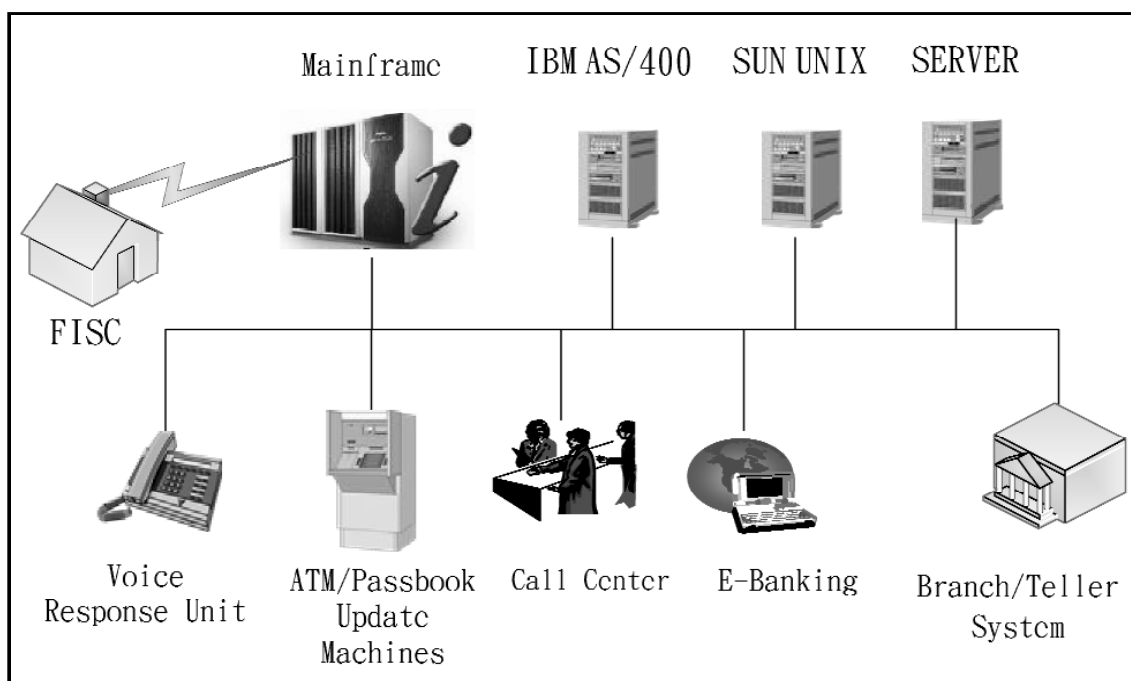
Continually lend an impetus to environmental protection awareness and put environmental protection into effect. Vigorously echoing the environmental protection policy launched by the government, Fuhwa Bank has unfolded a variety of internal environmental protection measures. Under these measures, all employees are to cherish resources, recycle paper and other resources as much as possible. In all branch banks, we reclassify garbage and resources to assure meeting the goals within the shortest time.

(IV) Sustainable operation to create value to shareholders

As always, Fuhwa Bank devotes itself to Taiwan's banking market in the principle of honesty and stability even during the time when Taiwan economy was undergoing the worst adversities. Looking forward, Taiwan's banking industry will face a “service revolution”. Fuhwa Bank will try all it can to locate its unique characteristics and discover any virgin markets to best serve the clients. As we watch the world's economic development, we will extend our operation to more diverse fields to keep in line with the international trend. While maintaining the bank's business operation, we will devote to product innovation to tackle the intensifying competition. We are confident that our effort to create value for our shareholders will lead us to victory.

IV. Information Infrastructure

(I) The existing information system framework and software / hardware equipment



1、NEC/IPX7 800 (ACOS- 4/NPX)

Deposits, loans, remittances, interbank transaction, agency, ATM, debit cards, international cards, campus IC cards, Combo cards, remittance in package, the Mammon, stock short sales, specimen seal systems, Note Processing Center.

2、SUN E3500 (Solaris)

(DBU、OBU), foreign exchange, TMU, portfolio deposits, auto loans, motorcycle loans, project auto loans, safe deposit, capital management (Financial Department), asset securitization.

3、IBM RS6000 (AIX)

Scrambler, DW、SAP、EAI.

4、IBM AS400(OS/400)

Funds, foreign currency trust, custodian banks, equity linked notes, shareholding trust.

5、NT SERVER

Voice, statement dispatch (DPS)、SWIFT、cyber banks, management information database (MIS、AIS)、client contribution/AO performance、JCIC joint due diligence (MQ)、input management, appraisal inquiry, notes/bonds (McAfee)、account receivables, credit cards (EDS)、employee portal, E-MAIL server、memorandum management (NOTES)、money management network (electronic statements)。

(II) Plans for future procurement or development

1. Procurement

- (1) ATM Hardware Security Module (HSM) (T_DES).
- (2) NEC new mainframe — magnetic tape equipment (CGMT_128T).
- (3) NEC new mainframe — disk drive (i_STORAGE).
- (4) NEC new mainframe (IPX7800-113).
- (5) Upgrade of corporate financial flow platform equipment
- (6) Open-type platform co-shared mainframe.
- (7) Data Warehousing (DW) Disk Array.
- (8) Upgrade of joint credit information system (D-JCIC), mainframe and circuits.

2. Development

- (1) ATM purchase transfer transaction
- (2) EIS executive information system.
- (3) HOME-ATM.
- (4) Human resources systems.
- (5) Real estate trust system.
- (6) Memorandum management systems.
- (7) Foreign exchange system market price assessment functions.
- (8) Foreign exchange business image processing systems.
- (9) Market risk management system.
- (10) Securities trust system.
- (11) Operation risk management system.
- (12) Corporate banking credit review system.
- (13) Money trust.
- (14) Credit card credit scoring.
- (15) Credit card credit review system.
- (16) Insurance premium trust system.
- (17) Clients' transaction history inquiry system.
- (18) Front desk trading systems for derivatives.
- (19) Stock Loan Application management system.
- (20) Data warehousing phase II — Data mining applications.
- (21) Mutual Fund IVR system.
- (22) Centralized operation for checks.
- (23) Credit line booking systems for unit-linked bonds.
- (24) Portal website for group clients.

- (25) Portal website for group employees.
- (26) Appraisal systems for new assets categories.
- (27) Centralized operation for remittance.
- (28) Asset securitization system.
- (29) Installment system.
- (30) Consumer financing credit review system.
- (31) Front end system for Inter Bank transactions.
- (32) Audit Document management system.
- (33) Balance transfer credit scoring system.
- (34) Collateral management systems.
- (35) The information exchange platforms of the Taiwan Stock Exchange Corporation (TSEC).

(III) Emergency backup and security protection

1 、Timing for relocated backup rescue operation

- (1) In case of a regional emergency

The unit concerned should ascertain the damage and inform the MIS Department's emergency rescue personnel to dispatch information equipment and personnel for support so that the operation may be restored to normal function.

- (2) In case of an emergency at the Information Center

Rescue mission shall take place according to the information operation emergency protocols stipulated by each unit and inform relevant units for support.

2. Security and protection measures

- (1) To safeguard the computer systems, equipment and stored information, documents and archives as well as personnel of the entire Fuhwa Bank and protection measures shall be duly adopted as appropriate.
- (2) Security and protection measures in the event of an emergency

- ① Precautionary measure

The computer room shall be equipped with quakeproof, fireproof, thunderbolt-proof devices. The alarm system of such devices shall be automatically activated in the event of an emergency.

- ② Crime protections

To prevent any intrusion, the computer equipment room should be isolated and a surveillance system shall be installed at the entrance and exist to strictly control access. Reinforced protection should be provided for archives and files to prevent tampering with, altering of data or disclosure.

- ③ Backup and retrieval

The computer hardware equipment shall be equipped with backup function. Important files should be built with regular backup settings and sound retrieval process. The Sales Departments should be equipped with independent remedial capacity.

- (3) The computer machinery & equipment should receive regular maintenance and logged.
- (4) Aiming at the protection against a calamity, a mobile task forces should be organized to be responsible for emergency rescue and drills must be held from time to time.

V. Labor relationship

(I) Major labor agreements and the enforcement

1. Employee welfare

- (1) Purchase labor insurance and National Health Insurance for all employees
- (2) Purchase group insurance policies for employees, including term life, personal injury, cancer, hospitalization, medical and occupational hazard insurance.
- (3) Establish Employee Welfare Committee and stipulate relevant subsidy rules.
- (4) Provided subsidies to clubs established by Fuhwa Bank employees.
- (5) Provide educational scholarships for employees' children.
- (6) Provide subsidies to departments that hold leisure or travel activities.
- (7) Provide meal allowances.
- (8) Provide winter and summer uniforms.
- (9) Offer special interest rates to employee savings deposits, pension deposits, mortgage, property remodeling loans and consumer loans.
- (10) Provide shareholding trust services to employees.
- (11) Comprehensive regulations regarding employees' retirement and leave-taking process with regard to employee leisure time and career plans.

2. Retirement systems

Fuhwa Bank has enacted "Employee Retirement Rules" to help employees plan their retirement.

(1) Requirements for retirement:

- ① Voluntary retirement
 - A. Having served for at least fifteen years, in the age of 55 and over.
 - B. Having served for more than twenty-five years.
- ② Early voluntary retirement:
 - A. Age over 50 years.
 - B. Age and years of service sum up to fifty five.
- ③ Mandatory retirement
 - A. Over sixty years of age.
 - B. Incompetent to perform job duties due to mental illness or physical inability.

(2) Pension payment

- ①The years of service not applicable to Labor Standards Law shall be given one point per year of service; up to thirty points as maximum.
- ②The years of service applicable to the Labor Standards Law shall be given two points per year of service with one point for each year of service after 15 years of service, up to 45 points as maximum.
- ③Any fraction of the year of service shall be counted as half year if less than half year, and as one full year if over half year. Points calculated by parts shall not exceed 45 points in total.
- ④An employee who takes the initiative to apply for early retirement may gain additional 0.5 point for each year of service (any fraction less than one year shall not be included), provided however, the total of which shall not exceed 5 points.

(3) Fuhwa Bank has duly organized the Employee Retirement Fund Supervisory Committee and has appropriated the reserve fund on a monthly basis.

3. Other significant accords: None.

(II) Losses incurred by Fuhwa Bank as a result of labor disputes over the past three years

1. 2002: None.

2. 2003:

- (1) In the case of Ching-Hang Chen's claim for pension payment, Fuhwa Bank shall pay a total of NT\$1.74 million as pension payment according to the final judgment rendered by the court.
- (2) In the case of Chin-fu Wu' claim for ascertainment of the employment relationship, Fuhwa Bank shall pay a total of NT\$5.91 million as salary payment according to the final judgment rendered by the court.

3. 2004: None.

VI. Major contracts

Contractual property	Counterparts	Starting and ending dates of the ontracts	Contents in highlights	Restrictive terms
Overall take-over	Taitung Credit Cooperative	2003/07/09~ 2004/06/07	Consolidate correlation items	
	Tainan 7th Credit Cooperative	2005/01/10~ 2005/06/17		

VII. The following categories of securitized products which have been carried out by Fuhwa Commercial Bank in accordance with the Financial Asset Securitization Statute or Real Estate Securitization Statute over the past years and relevant information: Nil.

Capital Expenditure Plan and Execution

In NT 1,000 dollars

Items	Actual or Planned Source of Capital	Actual or Planned Completion Date	Total Amount	The Execution of Major Capital Expenditure						
				2003	2004	2005	2006	2007	2008	2009
Upgrade BISII into NBT version	Owned capital	2003.1	12,655	12,655	-	-	-	-	-	-
Generation II Cyber-banking System	Owned capital	2003.2	3,985	3,985	-	-	-	-	-	-
The NBT equipment of the Securities Collection & Payment Department	Owned capital	2003.3	672	672	-	-	-	-	-	-
Upgrade of the mainframe	Owned capital	2003.3	51,100	51,100	-	-	-	-	-	-
The NBT software and hardware equipment	Owned capital	2003.4	772	772	-	-	-	-	-	-
Automatic Passbook Update Machines	Owned capital	2003.4	10,020	10,020	-	-	-	-	-	-
Automatic Teller Machines (ATMs)	Owned capital	2003.4	28,314	28,314	-	-	-	-	-	-
New purchase of NBT terminals	Owned capital	2003.4	34,652	34,652	-	-	-	-	-	-
Chung-sheng Building	Owned capital	2003.12	771,292	771,292	-	-	-	-	-	-
Horizontal terminals, 250 sets	Owned capital	2004	32,600	-	32,600	-	-	-	-	-
79 Automatic Passbook Update Machines and 60 ATMs	Owned capital	2004	34,430	-	34,430	-	-	-	-	-
SAP financial accounting information systems	Owned capital	2004	86,765	-	86,765	-	-	-	-	-
Wealth Management Information System	Owned capital	2004	11,188	-	11,188	-	-	-	-	-
35 Automatic Teller Machines	Owned capital	2005	15,015	-	-	15,015	-	-	-	-
AS400 Mainframe of the Trust Department	Owned capital	2005	10,800	-	-	10,800	-	-	-	-

Phase II of data warehousing	Owned capital	2005	17,643	-	8,821	8,822	-	-	-	-
Instrument & remittance image centralized operation systems	Owned capital	2005	27,500	-	8,250	19,250	-	-	-	-
Consumer banking dunning and credit investigation management systems	Owned capital	2005	12,700	-	3,060	9,640	-	-	-	-

Financial Information

I. Summary Balance Sheet and Income Statement over the Past-Five Year

1. Condensed balance sheet

In NT 1,000 dollars

Item	Year	Financial data for the last five years (*)				
		2004	2003	2002	2001	2000
Cash due from central bank and other banks		37,651,406	29,950,906	26,940,517	27,423,925	17,606,481
Marketable securities purchased		24,538,408	23,350,138	25,069,832	17,580,333	26,955,284
Loans-net		195,102,670	168,475,062	119,262,086	114,605,983	106,650,029
Receivable		7,960,841	6,607,607	2,687,781	2,627,684	2,723,697
Long-term investments		556,444	521,991	494,077	830,720	773,323
Fixed assets		2,832,256	2,472,451	1,375,074	1,404,995	1,671,787
Other assets		4,051,838	3,867,480	3,160,950	2,211,826	1,488,685
Due to Central bank and other bank		7,753,710	13,478,256	5,155,920	2,113,276	2,875,281
Deposits accepted and remittances payable		228,236,725	190,791,068	148,683,093	140,872,340	137,385,786
Funds borrowed from Central bank and other banks and Financial banks		4,500,000	4,500,000	4,500,000	-	-
Other liabilities		16,414,970	15,081,629	10,382,120	10,675,604	5,168,517
Capital stocks		14,000,000	10,500,000	12,115,136	12,115,136	12,115,136
Capital surplus		14,673	14,673	11,740	1,709	-
Retained earnings	Before allocation	1,773,785	905,091	(1,635,364)	1,137,125	459,220
	After allocation	1,722,204	771,527	(1,635,364)	1,137,125	459,220
Additional shareholder's equity		-	(25,082)	(222,328)	(229,724)	(134,654)
Total assets		272,693,863	235,245,635	178,990,317	166,685,466	157,869,286
Total liabilities	Before allocation	256,905,405	223,850,953	168,721,133	153,661,220	145,429,584
	After allocation	256,956,986	223,984,517	168,721,133	153,661,220	145,429,584
Total shareholder's equity	Before allocation	15,788,458	11,394,682	10,269,184	13,024,246	12,439,702
	After allocation	15,736,877	11,261,118	10,269,184	13,024,246	12,439,702

Remark : The aforementioned financial data have been duly audited by CPAs, including the financial data of Fiscal 2000 and 2001 which were audited by other CPAs. Besides, in coordination with the expression of the financial statements, 2004, Fuhwa Commercial Bank has duly reclassified certain accounting titles for its financial statements of 2000~2002.

2. Condensed income statement

Expressed in Thousand NT Dollars

Item	Year	Financial data for the last five years (*)					1/01/2005~ 3/31/2005
		2004	2003	2002	2001	2000	
Operating revenues		10,275,863	8,750,611	8,385,532	9,685,630	10,805,024	2,898,857
Gross operating perfits		8,278,688	7,707,569	11,743,292	8,850,999	12,472,814	2,517,966
Operating income		1,997,175	1,043,042	(3,357,760)	834,631	(1,667,790)	380,891
Non-operating revenues		53,484	(50,965)	22,748	4,383	4,956	24,463
Income from operations of continued segments-before tax		2,050,659	992,077	(3,335,012)	839,014	(1,662,834)	405,354
Income from operations of continued		1,502,258	913,579	(2,772,489)	677,905	(1,155,681)	323,577
Net income		1,502,258	913,579	(2,772,489)	677,905	(1,155,681)	323,577
Income before income tax		2,050,659	992,077	(3,335,012)	839,014	(1,662,834)	405,354
Net income		1,502,258	913,579	(2,772,489)	677,905	(1,155,681)	323,577
Earnings per share	Before adjustment	1.11	0.87	(2.37)	0.57	(0.96)	0.23
	After adjustment	-	0.84	(2.63)	0.64	(1.07)	-

Remarks: The aforementioned financial data have been duly audited by CPAs, including the financial data of Fiscal 2000 and 2001 which were audited by other CPAs. Besides, in coordination with the expression of the financial statements, 2004, Fuhwa Commercial Bank has duly reclassified certain accounting titles for its financial statements of 2000~2002.

3. The bank's last five-year financial statements were examined by the following verified public accountants

Year	Accounting office	Accountant	Auditing opinion
2000	BDO Taiwan Union & Co.	Pin-lin, Tseng & Hsiang-ying, Huang	Modified no qualified opinion
2001	BDO Taiwan Union & Co.	Pin-lin, Tseng & Hsiang-ying, Huang	No qualified opinion
2002	KPMG Certified Public Accounts	Andrew Yu & Lisa Kuang	Modified no qualified opinion
2003	KPMG Certified Public Accounts	Andrew Yu & Lisa Kuang	Modified no qualified opinion
2004	KPMG Certified Public Accounts	Andrew Yu & Lisa Kuang	Standard no qualified opinion

II. Financial analysis over the past five years

Analytical		Year	Financial Analysis For the Last 5 Years					1/01/2005 3/31/2005
		2004	2003	2002	2001	2000		
Financial structure(%)	Debt ratio	94.21	95.16	94.26	92.19	92.12	94.40	
	Deposit ratio	1,445.59	1,674.39	1,447.86	1,081.41	1,104.26	1,486.70	
	Fixed assets ratio	17.94	21.70	13.39	10.79	13.44	17.85	
Solvency(%)	Current reserve ratio	12.70	14.30	21.90	20.30	20.70	16.00	
Operating ability	Credit ratio	86.42	88.30	78.38	82.42	78.54	86.16	
	Nonperforming loan ratio (%)	2.93	3.75	4.22	5.72	3.41	2.82	
	Total asset turnover ratio(times)	0.01	0.04	0.05	0.06	0.07	0.01	
	Average employee profit	813	5,493	7,937	9,371	10,529	1,185	
	Average employee operating revenues	611	573	(2,653)	661	(1,132)	132	
Profitability	Return on assets (%)	0.59	1.86	(1.60)	0.42	(0.74)	0.12	
	Return on shareholder's equity (%)	11.05	8.43	(23.80)	5.30	(8.83)	2.03	
	Profit marg (%)in	14.62	11.34	(40.21)	8.74	(15.50)	11.16	
	Earning per share (NTD)	Before retroactive adjustment	1.11	0.87	(2.37)	0.57	(0.96)	0.23
		After retroactive adjustment	-	0.84	(2.63)	0.64	(1.07)	-
Cash flow	Cash flow ratio	9.11	1.80	(*1)	26.58	(*1)	-	
	Cash flow adequacy ratio	311.98	207.12	393.54	362.32	(*1)	-	
	Cash reinvestment ratio	3.76	1.30	(*1)	24.03	(*1)	-	
Ratio of owned capital to risk asset	Capital adequacy	9.07	8.72	11.04	10.94	11.42	-	
	Owned capital, net	18,586,556	15,234,825	14,571,679	13,592,079	12,243,430	-	
	Total risk assets	204,978,673	174,791,811	131,967,688	124,197,168	107,195,086	-	
	Tier I capital to weighted risk assets ratio	7.46	6.36	7.78	10.49	11.60	-	

	Ratio of tier I capital and tier II capital to weighted risk asset	9.34	9.01	11.68	11.16	12.20	-
	Leverage ratio	6.03	5.37	5.94	8.23	8.02	-
	common share equity to the ratio assets	5.79	4.84	5.74	7.81	7.88	-
Total loan guaranteed by interested parties		1,124,045	2,608,229	1,154,857	1,124,435	1,555,893	1,949,534
Total loan guaranteed by interested parties to total loan ratio		0.54%	1.42%	0.90%	0.92%	1.35%	0.91%
Operating scale	Assets market share	0.91%	0.84%	0.69%	0.65%	0.63%	0.96%
	Net-worth share	0.90%	0.70%	0.64%	0.72%	0.69%	0.91%
	Deposits market share	1.19%	1.06%	0.87%	0.84%	0.86%	1.25%
	Loan market share	1.24%	1.19%	0.88%	0.82%	0.74%	1.29%

*1: Funds from operation in cash flow statements are outflows and are not included in the cash flow ratios.

*2: Financial ratio formula

1. Financial ratios

- (1) Liability to asset ratio = Total liability (*3) / Total asset
- (2) Deposits to net worth ratio = Deposit / Net worth
- (3) Fixed asset to net worth ratio = Net fixed asset / Net shareholders' equity

2. Solvency:

Current reserve ratio = Current asset as prescribed by the Central Bank / Deposits that are required to set aside for reserves

3. Operational ratios

- (1) Deposit / loan ratio = Total loan / Total deposit
- (2) Nonperforming ratio = (Nonperforming loan + Collection) / Total loan (including collection)
- (3) Total asset turnover = Net operating revenue / Total asset
- (4) Employee average operating income = Operating income / Total number of employees
- (5) Average employee profitability = Net profit after tax / Total number of employees

4. Profitability

- (1) Return on asset = Profit (loss) after tax / Average total asset
- (2) Return on equity = Profit (loss) after tax / Average net shareholders' equity
- (3) Net income = Profitability(loss) after tax / net operating revenue
- (4) Earnings per share = (Net profit after tax - Dividend of preferred shares) / Weighted average of outstanding shares (*4)

5. Cash flow(*5)

- (1) Cash flow ratio = Funds from operation / Current liabilities
- (2) Cash flow adequacy = Funds from operation in the past five years /
(Capital expenditures + Cash dividend of the past five years)
- (3) Cash reinvestment ratio = (Funds from operation - Cash dividend) /
(Gross fixed asset + Long-term investment + Other assets
+working capital).

6. Capital to risk asset ratio

- (1) Capital adequacy = Capital / Total risk asset
- (2) Capital = Tier I capital + Tier II capital + Tier III capital - Deductibles of the capital
- (3) Total risk asset = Weighted risk assets + Capital amortization of the market risks × 12.5
- (4) Tier I capital to weighted risk assets ratio = Tier I capital / Average adjusted asset (Average asset - “goodwill” under Tier I capital)
- (5) Tier I capital and Tier II capital to weighted risk assets ratio = (Tier I capital + Tier II capital / Weighted risk assets)
- (6) Leverage ratio = Tier I capital / Average adjusted asset (Average asset - “goodwill” under Tier I capital)
- (7) Common share equity to total asset = Common share equity / Total asset

7. Operational scale

Assets market share = Total asset / Total asset of all financial institutions permitted to engage in deposit and loan business.

Net-worth market share = Net worth / Total net worth of all financial institutions permitted to engage in deposit and loan business.

Deposit market share = Total deposit / Total deposit of all financial institutions permitted to engage in deposit and loan business.

Loan market share = Total loan / Total loan of all financial institutions permitted to engage in deposit and loan business.

*3: Total liability shall deduct guarantee provisioning, securities trading loss provisioning, default provisioning and contingency provisioning.

*4: The following factors shall be taken into account when calculating earnings per share aforementioned:

1. The calculation shall be based on the weighted average of the number of common shares, instead of the number of outstanding shares issued as of December 31 of the year.
2. In the event of cash ejection or treasury stock transactions, the period of circulation shall be taken into account when calculating weighted average number of shares.
3. In the event of capital ejection from earnings or capital reserves, the calculation of annual or semi-annual earnings per share shall be adjusted according to the capital ejection ratio retroactively, without considering the period of such ejections.

4.If the preferred shares are non-convertible accumulated preferred shares, the dividend for that year (whether distributed or not) shall be deducted from net profit after tax or the net loss after tax shall be increased.

5.If the preferred shares are non-accumulative and in the case of net profit after tax, the dividend of the preferred shares shall be deducted from net profit after tax. No adjustment is necessary if loss is incurred.

*5: The following should be noted when reviewing the cash flow analysis:

1.“Funds from operation” shall refer to the cash inflow from operation in the Cash Flow Statement.

2.“Capital expenditure” shall refer to the cash outflow of the capital investment every year.

3.Cash dividend” shall mean cash dividend of both common shares and preferred shares.

4.“Gross fixed asset” shall mean the total fixed asset before accumulated depreciation.

*6:“Financial institutions permitted to engage in deposit and loan business” includes domestic banks, branches of foreign banks in Taiwan, credit cooperatives, the credit departments of farmers and fishermen's associations, as well as investment & trust companies.

III.the supervisors' review report to the financial statements over the past years.

復華商業銀行股份有限公司監察人審查報告書

本公司董事會造送 93 年度營業報告書、財務報表及盈餘分配表，其中財務報表經安侯建業會計師事務所俞安恬會計師及關春修會計師查核簽證完竣。

上項董事會所造送書表，業經本監察人等查核完竣，認為尚無不合，爰依照公司法第二一九條之規定，備具報告書，敬請鑒察

此上

復華商業銀行股份有限公司 94 年度股東常會

復華商業銀行股份有限公司

監察人 周爵泗



監察人 莊有德



中 華 民 國 9 4 年 2 月 1 7 日

IV. The financial statements of the past years include CPA's audit reports, Balance Sheet, Income Statement, Statement of Change in Shareholder's Equity, Cash Flow Statement and the notes or appendices annexed thereto.

The Board of Directors
Fuhwa Commercial Bank:

We have audited the accompanying balance sheets of Fuhwa Commercial Bank (the Bank) as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the 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 Republic of China generally accepted auditing standards and the Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants. 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 Fuhwa Commercial Bank 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 the Guidelines Governing the Preparation of Financial Reporting by Banks, other related regulations, and Republic of China generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'KPMG', is written in a stylized, cursive font.

January 28, 2005

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

Fubwa Commercial Bank

Balance Sheets

December 31, 2004 and 2003
(expressed in thousands of New Taiwan dollars)

Assets	2004		2003		Liabilities and Stockholders' Equity		2004		2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cash and cash equivalent (note 3)	\$ 4,413,332	2	6,817,008	3	Deposits by Central Bank		\$ 10,987	-	7,245	-
Due from Central Bank and placement to other banks (note 4)	33,238,074	12	23,133,898	10	Deposits by other banks		7,742,723	3	13,471,011	6
Marketable securities (notes 5, 15 and 16)	24,538,408	9	23,350,138	10	Securities sold under repurchase agreements (notes 5, 15 and 16)		10,903,860	4	9,737,969	4
Receivables (notes 6, 12 and 15)	7,960,841	3	6,607,607	3	Payables (note 15)		4,714,678	2	4,720,633	2
Loans and advances to customers, net (notes 6 and 15)	195,102,670	72	168,475,062	72	Deposits and remittances (notes 9 and 15)		228,236,725	84	190,791,068	81
Long-term equity investments (note 7):					Subordinate financial debentures (notes 11 and 15)		4,500,000	1	4,500,000	2
Long-term equity investment under equity method	217,678	-	187,828	-	Other liabilities (notes 10 and 14)		796,432	-	623,027	-
Long-term equity investment under cost method	338,766	-	334,163	-	Total Liabilities		256,925,405	94	223,850,953	95
Other financial assets (notes 14 and 16)	1,551,861	-	521,991	-	Stockholders' equity (note 13):					
Property and equipment, net (notes 8, 15 and 17)	2,832,256	1	743,880	-	Common stock of \$10 per share; authorized 1,400,000 and 1,050,000 thousand shares in 2004 and 2003, respectively; issued 1,400,000 and 1,050,000 thousand shares on December 31, 2004 and 2003, respectively		14,000,000	5	10,500,000	4
Other assets:					Capital surplus:					
Deferred income tax assets, net (note 12)	733,105	-	1,265,133	-	Capital surplus -- treasury stock transactions		14,673	-	14,673	-
Miscellaneous assets (notes 8 and 18)	1,766,872	1	1,856,467	1	Retained earnings:					
	2,499,977	1	3,121,600	1	Legal reserve		271,527	-	-	-
					Unappropriated earnings		1,502,258	1	905,091	1
					Other adjustments to stockholders' equity:		1,773,785	1	905,091	1
					Net losses from unrecognized pension cost		-	-	(25,082)	-
					Total stockholders' equity		15,788,458	6	11,394,682	5
					Commitments (notes 6, 14, 17 and 18)		-	-	-	-
Total Assets	\$ 272,693,863	100	235,245,635	100	Total Liabilities and Stockholders' equity		\$ 272,693,863	100	235,245,635	100

Fuhwa Commercial Bank

Statements of Income

For the years ended December 31, 2004 and 2003
(expressed in thousands of New Taiwan dollars)

	2004		2003	
	Amount	%	Amount	%
Operating revenue				
Interest revenue (note 15)	\$ 8,156,061	79	6,890,841	79
Fee and commission revenue (note 15)	1,572,456	15	889,521	10
Trading profit from marketable securities, net (note 15)	174,623	2	884,424	10
Gain on long-term equity investment, net	55,875	1	31,310	-
Exchange gains, net (note 14)	137,529	1	-	-
Other operating revenue (note 14)	<u>179,319</u>	<u>2</u>	<u>54,515</u>	<u>1</u>
	<u>10,275,863</u>	<u>100</u>	<u>8,750,611</u>	<u>100</u>
Operating expenses				
Interest expenses (note 15)	2,862,484	28	2,931,739	34
Fee and commission expenses (note 15)	584,495	6	679,500	8
Provision for allowances and reserves (note 6)	1,550,571	15	1,378,220	15
Business expenses (notes 8, 10 and 15)	1,945,899	19	1,845,829	21
Administrative expenses (notes 8, 10 and 15)	1,327,868	13	867,029	10
Other operating expenses	<u>7,371</u>	<u>-</u>	<u>5,252</u>	<u>-</u>
	<u>8,278,688</u>	<u>81</u>	<u>7,707,569</u>	<u>88</u>
Operating income	<u>1,997,175</u>	<u>19</u>	<u>1,043,042</u>	<u>12</u>
Non-operating income	123,467	1	37,843	-
Non-operating expenses (note 15)	<u>69,983</u>	<u>-</u>	<u>88,808</u>	<u>1</u>
Net income before income tax	2,050,659	20	992,077	11
Income tax expense (note 12)	<u>548,401</u>	<u>5</u>	<u>78,498</u>	<u>1</u>
Net income	<u>\$ 1,502,258</u>	<u>15</u>	<u>913,579</u>	<u>10</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic earnings per share (expressed in New Taiwan dollars)	<u>\$ 1.52</u>	<u>1.11</u>	<u>0.92</u>	<u>0.84</u>

Fuhwa Commercial Bank

Statements of Changes in Stockholders' Equity

For the years ended December 31 2004 and 2003
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings (accumulated losses)	Net losses from unrecognized pension cost	Treasury stock	Total
Balance as of January 1, 2003	\$ 12,115,136	11,740	654,673	482,386	(2,772,423)	(10,240)	(212,088)	10,269,184
Capital surplus used to offset accumulated deficits (note 13)	-	(11,740)	-	-	11,740	-	-	-
Legal reserve used to offset accumulated deficits (note 13)	-	-	(654,673)	-	654,673	-	-	-
Special reserve used to offset accumulated deficits (note 13)	-	-	-	(482,386)	482,386	-	-	-
Capital reduction used to offset accumulated deficits (note 13)	(1,615,136)	-	-	-	1,615,136	-	-	-
Net loss from unrecognized pension cost	-	-	-	-	-	(14,842)	-	(14,842)
Treasury stock transferred to employees (note 13)	-	14,673	-	-	-	-	212,088	226,761
Net income for 2003	-	-	-	-	913,579	-	-	913,579
Balance as of December 31, 2003	10,500,000	14,673	-	-	905,091	(25,082)	-	11,394,682
Cash injection in capital (note 13)	3,000,000	-	-	-	-	-	-	3,000,000
Appropriation of retained earnings (note 13):								
Legal reserve	-	-	271,527	-	(271,527)	-	-	-
Bonus to employees	-	-	-	-	(12,672)	-	-	(12,672)
Cash dividends	-	-	-	-	(120,892)	-	-	(120,892)
Retained earnings transferred to common stock	500,000	-	-	-	(500,000)	-	-	-
Reversal of net loss from unrecognized pension cost	-	-	-	-	-	25,082	-	25,082
Net income for 2004	-	-	-	-	1,502,258	-	-	1,502,258
Balance as of December 31, 2004	\$ 14,000,000	14,673	271,527	-	1,502,258	-	-	15,788,458

Fuhwa Commercial Bank

Statements of Cash Flows

For the years ended December 31 2004 and 2003
(expressed in thousands of New Taiwan dollars)

	2004	2003
Cash flows from operating activities:		
Net income	\$ 1,502,258	913,579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	136,078	95,183
Amortization	96,326	43,977
Provision for allowances and reserves	1,550,571	1,378,220
Gain on long-term equity investment under equity method	(55,875)	(31,310)
Cash dividends from investees under equity method	26,025	5,867
Reversal of reserve for securities trading losses	(31,531)	-
Gain on disposal of property and equipment	(1,740)	(5,520)
Allowance for loss on decline in net realizable value of idle assets	32,094	-
Allowance for loss on decline in net realizable value of securities foreclosed	27,164	1,593
Gain on disposal of securities foreclosed, net	(37,905)	(31)
Decrease in trading securities	959,899	525
Increase in receivables	(1,703,553)	(3,921,922)
Increase in other financial assets held for trading purposes	(789,037)	(64,771)
Decrease in deferred income tax assets	532,028	210,989
Increase (decrease) in payables	(71,485)	1,897,536
Decrease in accrued pension liability	(42,421)	(20,912)
Net cash provided by operating activities	<u>2,128,896</u>	<u>503,003</u>
Cash flows from investing activities:		
Increase in due from Central Bank and placement to other banks	(10,048,297)	(550,789)
Decrease (increase) in non-trading securities	(2,165,137)	1,719,169
Increase in loans and advances to customers	(26,410,036)	(48,724,070)
Capital refund from investees under cost method	45,448	-
Acquisition of property and equipment	(414,709)	(1,033,765)
Proceeds from disposal of property and equipment	27,876	8,678
Proceeds from disposal of securities foreclosed	641,697	385,254
Increase in other assets (including other financial assets held for non-trading purposes)	(314,005)	(951,768)
Net cash provided by acquiring credit cooperative (note 18)	913,030	1,886,948
Net cash used in investing activities	<u>(37,724,133)</u>	<u>(47,260,343)</u>
Cash flows from financing activities:		
Increase (decrease) in deposits by Central Bank	3,742	(1,011)
Increase (decrease) in deposits by other banks	(5,728,288)	8,323,347
Increase in securities sold under repurchase agreements	1,165,891	2,437,579
Increase in deposits and remittances	34,663,086	37,909,535
Increase in other liabilities	220,694	240,798
Increase in capital	3,000,000	-
Cash dividends and employee bonus	(133,564)	-
Treasury stock transferred to employees	-	226,761
Net cash provided by financing activities	<u>33,191,561</u>	<u>49,137,009</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,403,676)</u>	<u>2,379,669</u>
Cash and cash equivalents, at beginning of period	<u>6,817,008</u>	<u>4,437,339</u>
Cash and cash equivalents, at end of period	<u>\$ 4,413,332</u>	<u>\$ 6,817,008</u>
Supplementary disclosure of cash flow:		
Cash payment of interest	\$ 2,884,735	3,045,298
Cash payment of income tax	\$ 112,997	113,633
Investing and financing activities not affecting cash flows:		
Declaration of cash dividends from investees under equity method	\$ -	548

Fuhwa Commercial Bank

Notes to Financial Statements

For the years ended December 31, 2004 and 2003
(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Organization

Fuhwa Commercial Bank (the Bank) was founded on January 14, 1992, and commenced operations on February 12, 1992. The Bank is principally engaged in commercial banking activities allowed by the Banking Law and in business activities authorized by the supervising authority of the central government. In September 2002, the Bank was authorized to be renamed Fuhwa Commercial Bank from Asia Pacific Bank.

As of August 1, 2002, based on the Financial Holding Company Law, the Bank became a subsidiary of Fuhwa Financial Holding Company by share exchange and was de-listed from the stock market at the same time.

In order to extend the Bank's operations and branches and to enhance its competitiveness, the Bank completed the acquisition of "The Credit Cooperative of Douliou" on July 25, 2003, and "The Credit Cooperative of Taidong" on June 7, 2004.

The Bank's parent company is Fuhwa Financial Holding Co., Ltd. As of December 31, 2004, the number of the Bank's employees was 2,458.

(2) Summary of Significant Accounting Policies

The financial statements of the Bank are presented in the local currency and in Chinese. These financial statements have been translated into English. The translated information is consistent with the Chinese language financial statements from which it is derived.

The financial statements of the Bank are prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Banks, other related regulations, and ROC generally accepted accounting principles. The financial statements are prepared primarily on a historical cost basis except as otherwise specified in the following accounting policies. A summary of significant accounting policies and the measurement basis used in preparing the financial statements is as follows:

1) Preparation of financial statements

The financial statements include the accounts of the head office and its branches. All intra-office balances and transactions have been eliminated for consolidation purposes.

The Bank, for internal management purposes, should maintain separate accounts and prepare separate sets of financial statements for its own funds and for the funds it administers on behalf of trustors. All the entrusted assets are booked to the memo account.

Fuhwa Commercial Bank
Notes to Financial Statements

2) Foreign currency transactions

Except for accounts in its Offshore Banking Unit that are maintained in US dollars, accounts in all other departments are maintained in New Taiwan dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, and all income and expense accounts denominated in original foreign currencies are translated into New Taiwan dollars monthly at end-of-month closing exchange rates. At the balance sheet date, the financial statement amounts in all foreign currencies are translated into New Taiwan dollars at exchange rates assigned on that date. Differences from translation are recorded as gains or losses for the current period.

3) Cash and cash equivalents

The Bank considers cash and due from banks as cash and cash equivalents.

4) Deposit reserve

Deposit reserve is calculated based on the monthly average balance of the various deposit accounts, by using legal reserve ratios as promulgated by the CBC. The deposit reserve—demand account is placed with the CBC and is subject to change only when the monthly reserve requirement is adjusted.

5) Marketable securities

Marketable securities, including short-term bills, listed stocks, government bonds, financial debentures, corporate bonds, and beneficiary certificates, are stated at cost and evaluated using the lower-of-total-cost-or-market-value method at the end of the period. The market prices of listed stocks and closed-end mutual funds are the average closing prices for the last month of the reported accounting period. Market prices for open-end mutual funds are determined by the net worth on the balance sheet date. The market prices of financial debentures and corporate bonds are determined by the last trading price of the reported accounting period. The market prices of government bonds are determined by the last trading price on the OTC at the balance sheet date. On disposition, except for the cost of short-term bills sold being determined by the specific identification method, the cost of marketable securities sold is determined by the moving weighted-average method.

6) Repurchase agreements

Financial instruments sold under repurchase agreements are accounted for using the financing method. The difference between the cost and the price stated on repurchase agreements is recognized as interest income or interest expense.

7) Loans and advances to customers, and related allowance for doubtful accounts

Credit terms are decided by the term to maturity of loans. The loan period of short-term loans is within one year, the loan period of medium-term loans is one to seven years, and the loan period of long-term loans is more than seven years. Loans with pledged assets are recorded as secured loans.

Fuhwa Commercial Bank

Notes to Financial Statements

All loans are recorded initially as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. An allowance for doubtful accounts is determined by an evaluation of the collectibility of loans, receivables, and advance accounts. Doubtful accounts are written off when the recovery possibility is remote.

The Bank records principal that is overdue over three months or interest which is overdue over six months as overdue accounts. In addition, when principal or interest has not been paid for over six months, the said principal and interest are transferred to non-performing loans. When this occurs, interest will only be calculated and booked to the memo account accordingly.

In accordance with Bureau of Monetary Affairs, Ministry of Finance, Ruling Tai-Tsai-Rong No. 88733168, banks should provide 3% of operating revenue as allowance for bad debt with a view to writing off the default accounts from July 1, 1999, and for the following four years. In addition, based on interpretation letter Wa-Chung-One-Yi No. 09200114870, the aforementioned rules are still valid until the overdue accounts ratio is lower than 1%. The aforementioned allowance is recognized as operating expenses—provisions expense and charged to current operations.

8) Long-term equity investments

Long-term equity investments are stated at acquisition cost. Long-term equity investments in listed companies where the Bank owns less than 20% of the voting stock and lacks significant influence over the investee are stated at the lower of cost or market value. Unrealized loss thereon is recorded as a reduction in stockholders' equity. Long-term equity investments in non-listed companies that represent less than 20% of the investee's common stock ownership are stated at cost. However, when there is evidence showing that a decline in the market value of such investment is other than temporary, the investment is written down to reflect the market value, and the resulting loss is recognized in the period of such write-down. Stock dividends are not recognized as income but treated as increases in the number of shares held. Cost is determined by the weighted-average method when disposing of long-term investments.

Long-term investments are accounted for by the equity method when the Bank owns 20% or more of an investee's voting stock.

In order to meet the requirements for financial report preparation of the parent company, "Fuhwa Financial Holding Company", the bank should prepare consolidated financial statements when preparing annual and interim financial reports. However, pursuant to ROC SFAS No. 7, "Consolidated Financial Statements", the bank is not required to do so.

9) Property and equipment, and related depreciation

Property and equipment are stated at acquisition cost. Interest expense on the acquisition of assets is capitalized and classified under appropriate categories of property and equipment. Major renewals and betterments of property and equipment are capitalized, while maintenance and repairs are expensed.

Fuhwa Commercial Bank
Notes to Financial Statements

Apart from land, depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. In addition, the salvage value is amortized over the estimated remaining useful life of an asset. Gains or losses on the disposal of property and equipment are recorded as non-operating income or losses.

The estimated useful lives of property, plant and equipment are listed as follows:

Buildings	3~55 years
Equipment	3~5 years
Transportation equipment	3~5 years
Other equipment	3~20 years

10) Other asset—idle assets

Idle assets, the fixed assets that are not used for operating or any other purposes, are stated at their net realizable value. Any shortfalls in book values at year-end will be recognized as non-operating losses.

11) Other asset—securities foreclosed

Securities foreclosed are stated at their net realizable value. Any difference from the original value of the loans and advances is recognized as bad debts. Unsold securities foreclosed are revalued at the balance sheet date, and any shortfalls are recognized as non-operating expenses for the period. Losses or gains on the disposal of securities foreclosed are recorded as non-operating losses or gains.

12) Other asset—deferred assets

Computer software and leased assets are recorded at acquisition cost and are amortized over three years and the lease term, respectively.

13) Other asset—goodwill

Goodwill was carried forward from the acquisition of "The Credit Cooperative of Douliou" in 2003 and "The Credit Cooperative of Taidong" in 2004. It is recognized as the purchase price less the market value of tangible assets obtained, and classified as intangible asset. Goodwill is amortized over 10 years using the straight-line method.

14) Deposits by banks, and deposits and remittances

Deposits are recorded at the contracted principal amount or the expected value on maturity.

Fuhwa Commercial Bank
Notes to Financial Statements

15) Subordinate financial debentures

The Bank issued subordinate financial debentures at par with a lump-sum payment at maturity, and the interest expenses are computed and recorded at face value multiplied by the stated interest rate every month. The annual fee paid to the OTC is recognized as operating expense.

16) Other liability—reserve for securities trading losses

According to the Securities and Exchange Law and the Rules Governing Administration of Securities Firms, 10% of the excess of securities trading gains over losses must be provided as a reserve on a monthly basis, until the accumulated balance of such reserve reaches \$200,000,000. Such reserve can only be used to offset the loss from securities trading.

The aforementioned reserve for trading losses is recognized as operating expense and charged to current operations.

17) Other liability—reserve for losses on guarantees

The reserve for losses on guarantees is determined by evaluating the potential losses on guarantees and commitments at year-end.

The aforementioned reserve for losses on guarantees is recognized as operating expense and charged to current operations.

18) Treasury stock

When the Bank buys back issued stock, the Bank uses the provisions of Statement of Financial Accounting Standards (SFAS) No. 30, "Accounting for Treasury Stock", to debit the treasury stock account in the amount of cost paid. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus—treasury stock; otherwise, the excess of the cost over the price is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average cost and is calculated by each group according to the cause for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus generated from similar treasury stock transactions. If the capital surplus—treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus generated from similar treasury stock transactions.

Fuhwa Commercial Bank
Notes to Financial Statements

19) Financial derivatives

Derivative financial instruments are foreign exchange forward contracts, currency swaps, interest rate swaps, cross currency swaps and options, etc., entered into by the Bank in foreign exchange, interest rate, and capital markets. The financial instruments are held for "trading purposes" or "non-trading purposes". Trading purposes include transactions entered into as market-maker for customer services and other relevant activities. Non-trading purposes are hedging, which is a tool of risk management for assets, liabilities, positions and cash flows in accordance with the accrual method.

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

Purchases of derivative financial instruments are netted with the sale of derivative financial instruments with similar transaction natures and counter-parties. The assets from evaluation of net gains are recorded as other assets, and the liabilities from evaluation of net losses are recorded as other liabilities.

20) Retirement plan

The original employee retirement plan of the Bank was established in 1992 for the benefit of all eligible employees. Effective from May 1, 1997, such plan was modified in order to comply with the Labor Standards Law. Pension payments are computed based on years of service and the average monthly salary prior to retirement. In accordance with the Labor Standards Law, the Bank makes a monthly cash contribution to the pension fund that is deposited in the Central Trust of China under the name of the supervising committee of the employee retirement pension fund.

In accordance with the pension plan, the measurement date for the completion of the actuarial assessment was established as the balance sheet date. The amount of the accumulated benefit obligation over pension plan assets is recognized as minimum pension liability on the reporting date. Furthermore, the Bank recognizes net pension cost, which includes service costs, interest costs, expected returns on plan assets, and the amortization of the net transition obligation, in accordance with the retirement plan's actuarial assessment. The initial net pension cost and unrecognized net transition obligation are amortized by using the straight-line method.

Minimum pension liability usually occurs due to the existence of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation. If the amount of minimum pension liability does not exceed the sum of unrecognized prior service cost and unrecognized transitional net assets or net benefit obligation, then the difference would be charged to the deferred pension cost account; otherwise, the difference shall be charged to the account net loss not yet recognized as net pension cost. Deferred pension cost is classified as an intangible asset; net loss from unrecognized net pension cost is classified as a reduction of stockholders' equity.

Fuhwa Commercial Bank

Notes to Financial Statements

21) Recognition of revenue

Interest revenue and fees and commissions are recognized as income on an accrual basis.

22) Income tax

Income tax is estimated based on the accounting net income. Deferred income tax is determined based on differences between the financial statements and tax basis of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to deductible temporary differences, utilization of loss carryforwards, and income tax credits are recognized as deferred income tax assets. The realization of deferred income tax assets is evaluated, and a valuation allowance is recognized accordingly.

The 10% surtax on unappropriated earnings is recorded as expense in the year the stockholders resolve the distribution of earnings.

In accordance with the Financial Holding Company Act, Article 49, the Bank has adopted its parent company, Fuhwa Financial Holding, as the taxpayer to file a consolidated corporate income tax return and pay the 10% surtax on undistributed earnings from 2003. When the Bank prepared its financial statements for the year ended December 31, 2003, the Bank accounted for its income tax in conformity with SFAS No. 22, "Accounting for Income Taxes". However, the Bank also adjusted the related income tax balance in a reasonable and systematic way to reflect the differences computed under filing a consolidated corporate income tax return with Fuhwa Financial Holding as the taxpayer. The adjustments resulting from using Fuhwa Financial Holding as the taxpayer to file to a consolidated corporate income tax return are recorded under receivable from (payable to) related parties.

23) Earnings per share of common stock

Earnings per share are computed as net income divided by the weighted-average number of issued shares of common stock. Treasury stock reduces the issued outstanding shares of common stock. The increase in issuance of a stock dividend from retained earnings or capital surplus or the decrease in issued shares due to capital reduction is adjusted retroactively. Furthermore, if the designated date of record for a stock dividend or capital reduction is proposed before publishing the financial statements, the earnings per common share are adjusted retroactively.

(3) Cash and Cash Equivalents

As of December 31, 2004 and 2003, the composite banking insurance amounted to \$171,500 and \$153,500, respectively.

Fuhwa Commercial Bank
Notes to Financial Statements

(4) Due from Central Bank and Placement to Other Banks

	December 31, 2004	December 31, 2003
Deposit reserve:		
Deposit reserve — checking account	\$ 4,811,426	2,177,609
Deposit reserve — demand account	<u>5,027,063</u>	<u>4,448,399</u>
	9,838,489	6,626,008
Certificates of deposit	19,250,000	15,888,000
Placement to other banks	<u>4,149,585</u>	<u>619,890</u>
Total	<u>\$ 33,238,074</u>	<u>23,133,898</u>

(5) Marketable Securities

	December 31, 2004	December 31, 2003
Held for trading purposes	\$ 18,082,077	19,041,976
Held for non-trading purposes	<u>6,473,299</u>	<u>4,308,162</u>
Subtotal	24,555,376	23,350,138
Less: Allowance for valuation loss	<u>16,968</u>	-
Total	<u>\$ 24,538,408</u>	<u>23,350,138</u>

As of December 31, 2004 and 2003, details of securities held for trading purposes were as follows:

	December 31, 2004	December 31, 2003
Government bonds	\$ 7,948,910	6,686,065
Listed stocks and beneficiary certificates	3,259,366	2,430,871
Commercial paper	2,446,636	2,521,086
Treasury bills	245,279	629,844
Negotiable certificates of deposit	50,521	316,649
Banker's acceptances	3,456	-
Financial debentures	2,231,634	2,677,951
Corporate bonds	<u>1,896,275</u>	<u>3,779,510</u>
Total	<u>\$ 18,082,077</u>	<u>19,041,976</u>

Fuhwa Commercial Bank
Notes to Financial Statements

As of December 31, 2004 and 2003, details of securities held for non-trading purposes were as follows:

	2004	2003
Government bonds	\$ -	1,536,846
Financial debentures	98,514	-
Corporate bonds	6,253,614	2,760,754
Asset-based securities	<u>121,171</u>	<u>10,562</u>
Total	<u>\$ 6,473,299</u>	<u>4,308,162</u>

As of December 31, 2004 and 2003, the average yield for the aforementioned non-trading-purpose securities was 2.44% and 2.90%, respectively.

The liabilities of the repurchase agreements amounted to \$10,903,860 and \$9,737,969 on December 31, 2004 and 2003, respectively. The aforementioned amounts of the repurchase agreements are recorded as liabilities, and the repurchasing periods are all within six months. The yields were 0.85%~1.30% and 0.75%~1.05% in 2004 and 2003, respectively.

(6) Loans and Advances to Customers

	December 31, 2004	December 31, 2003
Bills purchased and discounted	\$ 424,961	253,498
Short-term loans and overdrafts	27,728,281	28,830,130
Short-term secured loans and overdrafts	16,657,074	14,320,926
Medium-term loans	52,691,468	38,714,209
Medium-term secured loans	24,264,833	25,699,573
Long-term loans	4,371,752	4,409,871
Long-term secured loans	65,402,237	52,737,914
Non-performing loans	<u>5,694,980</u>	<u>6,445,751</u>
	197,235,586	171,411,872
Less: allowance for bad and doubtful accounts	<u>2,132,916</u>	<u>2,936,810</u>
	<u>\$ 195,102,670</u>	<u>168,475,062</u>

Fuhwa Commercial Bank
Notes to Financial Statements

Movements of allowance for bad and doubtful accounts in years 2004 and 2003 were as follows:

	2004		
	Specific provision	General provision	Total
Beginning balance	\$ 1,970,927	987,787	2,958,714
Add: provision for doubtful accounts	1,517,800	(8,804)	1,508,996
recoveries of doubtful accounts	286,782	-	286,782
allowance related to acquisition of The Credit Cooperative of Taidong	414	13,311	13,725
Less: write-off	2,545,719	-	2,545,719
foreign exchange translation adjustment	-	4,761	4,761
Ending balance	<u>\$ 1,230,204</u>	<u>987,533</u>	<u>2,217,737</u>
		2003	
	Specific provision	General provision	Total
Beginning balance	\$ 1,942,475	610,649	2,553,124
Add: provision for doubtful accounts	941,237	369,721	1,310,958
recoveries of doubtful accounts	402,595	-	402,595
allowance related to acquisition of The Credit Cooperative of Douliou	252,824	8,802	261,626
Less: write-off	1,568,204	-	1,568,204
foreign exchange translation adjustment	-	1,385	1,385
Ending balance	<u>\$ 1,970,927</u>	<u>987,787</u>	<u>2,958,714</u>

Fuhwa Commercial Bank
Notes to Financial Statements

As of December 31, 2004 and 2003, details of allowance for bad and doubtful accounts were as follows:

	2004	2003
Loans and advances	\$ 900,961	1,248,923
Non-performing loans	1,231,955	1,687,887
Accounts receivable	<u>84,821</u>	<u>21,904</u>
	<u>\$ 2,217,737</u>	<u>2,958,714</u>

For the years 2004 and 2003, the amounts of allowance for bad and doubtful accounts generated from 3% of operating revenue were \$253,036 and \$212,231, respectively.

As of December 31, 2004 and 2003, the amounts of interest receivable that were not accrued from non-performing loans were \$201,676 and \$202,994, respectively.

(7) Long-term Equity Investments

	December 31, 2004			December 31, 2003		
	Percentage of ownership	Investment cost	Book value	Percentage of ownership	Investment cost	Book value
Equity method:						
Fuhwa Leasing Co., Ltd.	98.56	\$ 197,000	142,529	98.56	197,000	149,167
Fuhwa Property Insurance Agency Co., Ltd.	80.00	2,880	4,756	80.00	2,880	4,155
Fuhwa Life Insurance Agent Co., Ltd.	99.99	2,000	70,393	99.99	2,000	34,506
Subtotal		<u>201,880</u>	<u>217,678</u>		<u>201,880</u>	<u>187,828</u>
Lower-of-cost-or-market-value method:						
Taiwan Cooperative Bank Co., Ltd.	0.08	51,429	51,429	-	-	-
Cost method:						
Fubon Securities Finance Co., Ltd.	1.97	74,542	74,542	1.97	119,890	119,890
Grand Bills Finance Co., Ltd.	1.36	64,800	64,800	1.36	64,800	64,800
Financial Information Service Co., Ltd.	1.15	46,150	46,150	1.14	45,500	45,500
Taipei Forex Inc.	0.40	800	800	0.40	800	800

Fuhwa Commercial Bank
Notes to Financial Statements

	December 31, 2004			December 31, 2003		
	Percentage of ownership	Investment cost	Book value	Percentage of ownership	Investment cost	Book value
Omatube Enterprise Co., Ltd.	0.05	\$ 155	155	0.05	155	155
Taiwan Asset Management Co.	0.57	100,000	100,000	0.57	100,000	100,000
Taiwan Cooperative Bank Co., Ltd.	-	-	-	-	2,268	2,268
The National Federation of Credit Co-operatives R.O.C.	0.59	890	890	0.49	750	750
Subtotal		<u>287,337</u>	<u>287,337</u>		<u>334,163</u>	<u>334,163</u>
Total		<u>\$ 540,646</u>	<u>556,444</u>		<u>536,043</u>	<u>521,991</u>

After completion of the acquisition of The Credit Cooperative of Taidong, 1,767 thousand shares of Taiwan Cooperative Bank Co., Ltd. and 9 thousand shares of The National Federation of Credit Cooperatives R.O.C. which were previously held by The Credit Cooperative of Taidong were accounted for as long-term equity investments by the Bank.

After completion of the acquisition of The Credit Cooperative of Douliou, 88 thousand shares of Taiwan Cooperative Bank Co., Ltd. and 8 thousand shares of The National Federation of Credit Cooperatives R.O.C. which were previously held by The Credit Cooperative of Douliou were accounted for as long-term equity investments by the Bank.

Furthermore, the Bank converted 8 thousand shares of the National Federation of Credit Cooperatives R.O.C. to 65 thousand shares of Financial Information Service Co., Ltd., resulting in a refund of \$100 thousand for the original subscription payment.

The total assets and operating revenues of the investee in which the Bank owned more than 50% of the shares did not meet the criteria for consolidated financial statements, the Bank did not prepare consolidated financial statements..

Fuhwa Commercial Bank
Notes to Financial Statements

(8) Property and Equipment, Net

	December 31, 2004	December 31, 2003
Cost:		
Land	\$ 1,505,777	1,420,381
Buildings	812,352	783,166
Equipment	740,594	681,799
Transportation equipment	33,344	75,316
Other equipment	<u>237,211</u>	<u>200,316</u>
Subtotal	3,329,278	3,160,978
Less: accumulated depreciation	<u>693,807</u>	<u>734,663</u>
	2,635,471	2,426,315
Prepayments for equipment	<u>196,785</u>	<u>46,136</u>
	<u><u>\$ 2,832,256</u></u>	<u><u>2,472,451</u></u>

For the years ended December 31, 2004 and 2003, details of movement of accumulated depreciation were as follows:

	2004	2003
Beginning balance	\$ 734,663	618,938
Add: depreciation for the period	136,078	95,183
accumulated depreciation related to acquisition of The Credit Cooperative of Douliou	-	28,252
Less: disposals for the period	<u>176,934</u>	<u>7,710</u>
Ending balance	<u><u>\$ 693,807</u></u>	<u><u>734,663</u></u>

The insurance coverage on property and equipment and other assets—securities foreclosed was approximately \$1,635,617 and \$1,512,058 on December 31, 2004 and 2003, respectively.

Fuhwa Commercial Bank
Notes to Financial Statements

(9) Deposits and Remittances

	December 31, 2004	December 31, 2003
Checking deposits	\$ 1,966,172	2,002,557
Demand deposits	15,339,880	14,166,478
Time deposits	76,624,240	58,794,463
Time deposits transferred from Post Office	16,916,330	17,907,439
Demand savings deposits	49,514,078	38,635,185
Time savings deposits	67,203,062	59,270,042
Remittances	<u>672,963</u>	<u>14,904</u>
	<u>\$ 228,236,725</u>	<u>190,791,068</u>

As of December 31, 2004 and 2003, time to maturity for the above time deposit and savings deposit accounts, except for demand savings deposits, was within three years.

(10) Pension

The Bank deposited an amount equal to 6.9% of the monthly gross salary payment in a retirement fund account for the engaged employees in 2004 and 2003. The measurement date of actuarial reports was December 31, 2004 and 2003, respectively.

As of December 31, 2004 and 2003, the reconciliation of the plan's funded status to accrued pension liabilities was as follows:

	2004	2003
Benefit obligation:		
Vested benefit obligation	\$ (36,572)	(56,238)
Non-vested benefit obligation	<u>(321,494)</u>	<u>(367,182)</u>
Accumulated benefit obligation	(358,066)	(423,420)
Additional benefits based on future salaries	<u>(122,709)</u>	<u>(97,114)</u>
Projected benefit obligation	(480,775)	(520,534)
Fair value of plan assets	<u>332,321</u>	<u>355,254</u>
Funding status	(148,454)	(165,280)
Unrecognized net transition obligation	23,000	25,091
Unrecognized prior service cost	(3,452)	(3,711)
Unrecognized loss	113,048	122,196
Additional minimum pension liability	<u>(9,887)</u>	<u>(46,462)</u>
Accrued pension liabilities (recorded as other liabilities)	<u>\$ (25,745)</u>	<u>(68,166)</u>
Vested benefit	<u>\$ 49,338</u>	<u>72,377</u>

Fuhwa Commercial Bank
Notes to Financial Statements

For the years ended December 31, 2004 and 2003, the components of net pension cost were as follows:

	2004	2003
Service cost	\$ 76,773	70,147
Interest cost	17,939	15,633
Actual return on plan assets	(4,248)	(4,633)
Amortization	<u>(4,581)</u>	<u>(3,960)</u>
Net pension cost	<u>\$ 85,883</u>	<u>77,187</u>

Actuarial assumptions for the years 2004 and 2003 were as follows:

	2004	2003
Discount rate	3.50 %	3.50 %
Rate of increase in future compensation	1.50 %	1.50 %
Rate of projected return on plan assets	3.50 %	3.50 %

(11) Subordinate Financial Debentures

In order to increase the regulatory capital ratio and raise medium- and long-term operating funds, the board of directors of the Bank resolved to issue subordinate financial debentures on August 22, 2002. The issuing of subordinate financial debentures was approved by the Bureau of Monetary Affairs in Ministry of Finance Ruling Tai-Tsai Rong No. 0910042863 on September 24, 2002. The Bank's first issuance of the subordinated bank debentures was made on November 4, 2002, and the period of the instrument was five years and three months. The issued amount was \$4,500,000, which was the total amount and stated at face value. The details were as follows:

	Floating interest rate	Fixed interest rate
Par value	\$3,100,000	1,400,000
Stated interest rate	6.15% less Libor (note)	3.50%
Period	Five years and three months	Five years and three months
Interest payment date	Payable every half-year	Payable every half-year
Term of principal payment	Paid off on maturity date	Paid off on maturity date
Issued price	Priced at face value on issuing date	Priced at face value on issuing date

Note: The stated interest rates are recalculated every half-year according to the average six-month US dollar Libor rate.

Fuhwa Commercial Bank
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(12) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. The income tax expense for 2004 and 2003 is summarized below:

	2004	2003
Current income tax expense (benefit)	\$ 16,373	(132,490)
Deferred income tax expense	<u>532,028</u>	<u>210,988</u>
Income tax expense	<u>\$ 548,401</u>	<u>78,498</u>

The differences between "expected" income tax at the statutory income tax rate and the income tax expense as reported in the accompanying financial statements for the years ended December 31, 2004 and 2003, were as follows:

	2004	2003
Income tax at statutory rate	\$ 512,665	248,019
Loss (gain) on sale of land	(8,817)	1,470
Provision for (reversal of) securities trading losses reserve	(7,883)	13,249
Adjustments for tax effect of separately taxable interest income from short-term bills	(7,756)	(4,328)
Dealing profit from securities	(35,657)	(208,564)
Dividend income	(11,833)	(9,594)
Gain on long-term equity investment under equity method	(13,969)	(7,827)
Income of OBU exempt from tax	(64,287)	(60,149)
Investment tax credit	(2,211)	(1,576)
Overestimation (underestimation) of prior year's loss carryforwards	(77,514)	116,588
Overestimation (underestimation) of prior year's investment tax credit	(421)	1,875
Underestimation of related-party receivables due to consolidated tax returns	(7,811)	(49,441)
Adjustment of prior year's allowance for bad debts assessed by the tax authorities	80,961	(80,961)
Provision for allowance for deferred income tax assets	190,000	150,000
Others	2,934	(30,263)
Income tax expense	<u>\$ 548,401</u>	<u>78,498</u>

Fuhwa Commercial Bank

Notes to Financial Statements

For the years ended December 31, 2004 and 2003, the major components of deferred income tax expenses (benefits) were as follows:

	2004	2003
Unrealized exchange gain	\$ 20,049	1,218
Allowance for bad debts in excess of tax limitation	248,454	24,242
Unrealized loss on decline in market price of marketable securities	(4,242)	-
Unrealized loss on decline in net realizable value of foreclosed property	(6,791)	(398)
Unrealized loss on decline in market price of idle assets	(8,024)	-
Increase in investment tax credit	(2,211)	(1,576)
Decrease in loss carryforwards	91,767	-
Overestimation (underestimation) of prior year's loss carryforwards	(77,514)	116,588
Overestimation (underestimation) of prior year's investment tax credit	(421)	1,875
Adjustment of prior year's allowance for bad debts assessed by the tax authorities	80,961	(80,961)
Provision for allowance for deferred income tax assets	<u>190,000</u>	<u>150,000</u>
Deferred income tax expenses	<u><u>\$ 532,028</u></u>	<u><u>210,988</u></u>

As of December 31, 2004 and 2003, the deferred income tax assets were as follows:

	2004	2003
Deferred income tax assets	\$ 1,483,105	1,825,133
Valuation allowance—deferred income tax assets	<u>(750,000)</u>	<u>(560,000)</u>
Deferred income tax assets, net	<u><u>\$ 733,105</u></u>	<u><u>1,265,133</u></u>

Fuhwa Commercial Bank
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As of December 31, 2004 and 2003, the components of deferred income tax assets, including temporary differences, loss carryforwards, and tax credits, and the respective income tax effect for each component were as follows:

	2004		2003	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets (liabilities):				
Allowance for bad debts in excess of tax limitation	\$ 193,120	48,280	1,510,781	377,695
Unrealizable exchange gain	(137,563)	(34,391)	(57,367)	(14,342)
Unrealized loss on decline in market price of marketable securities	16,968	4,242	-	-
Unrealized loss on decline in net realizable value of securities foreclosed	30,769	7,692	3,605	901
Unrealized loss on decline in market price of idle assets	32,094	8,024	-	-
Loss carryforwards	5,780,199	1,445,050	5,837,211	1,459,303
Investment tax credit	4,208	4,208	1,576	1,576
		<u>\$ 1,483,105</u>		<u>1,825,133</u>

As of December 31, 2004 and 2003, the components of the balance of tax refunds receivable and income tax receivable from affiliated parties (recorded as receivables) were as follows:

	2004	2003
Current income tax	\$ 16,373	(132,490)
Withholding income tax	(91,748)	(84,924)
Reversal (accrual) of prior years' income tax adjustment and additional tax requested by authorities	(2,934)	30,101
Separate taxation	(21,249)	(28,709)
Tax refunds receivable of prior year	(57,335)	(130,280)
Income tax receivable from affiliated parties of prior years	(216,022)	-
	<u>\$ (372,915)</u>	<u>(346,302)</u>

Fuhwa Commercial Bank
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Since 2003, the Bank has filed a consolidated income tax return. As of December 31, 2004 and 2003, the details of receivable and payable resulting from income tax were as follows:

	2004		
	Receivables from affiliated parties (recorded as receivables)	Payables to affiliated parties (recorded as payables)	Due from National Tax Administration (recorded as receivables)
Before 2003	\$ -	-	57,335
2003	216,022	-	-
2004	<u>99,558</u>	<u>-</u>	<u>-</u>
	<u>\$ 315,580</u>	<u>-</u>	<u>57,335</u>
	2003		
	Receivables from affiliated parties (recorded as receivables)	Payables to affiliated parties (recorded as payables)	Due from National Tax Administration (recorded as receivables)
Before 2003	\$ -	-	130,280
2003	<u>216,022</u>	<u>-</u>	<u>-</u>
	<u>\$ 216,022</u>	<u>-</u>	<u>130,280</u>

For the years ended December 31, 2004 and 2003, reconciliation of current income tax expenses, deferred income tax expenses, deferred income tax assets, and tax refunds receivable (receivables from affiliated parties) calculated in conformity with R.O.C. SFAS No. 22, "Accounting for Income Tax", to the balances calculated for combined corporate income tax return filing with Fuhwa Financial Holding Co. Ltd. is as follows:

	2004			
	Current income tax expenses	Deferred tax expenses	Deferred tax assets	Tax refunds receivable (receivables from affiliated parties)
Amounts calculated under SFAS No. 22	\$ 42,222	506,179	758,954	73,709
Difference adjustment	<u>(25,849)</u>	<u>25,849</u>	<u>(25,849)</u>	<u>25,849</u>
Amounts calculated for combined corporate income tax return filing	<u>\$ 16,373</u>	<u>532,028</u>	<u>733,105</u>	<u>99,558</u>

Fuhwa Commercial Bank
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	2003			
	Current income tax benefit	Deferred tax expenses	Deferred tax assets	Tax refunds receivable (receivables from affiliated parties)
Amounts calculated under SFAS No. 22	\$ (1,392)	129,331	1,906,790	84,924
Difference adjustment	<u>(131,098)</u>	<u>81,657</u>	<u>(81,657)</u>	<u>131,098</u>
Amounts calculated for combined corporate income tax return filing	<u>\$ (132,490)</u>	<u>210,988</u>	<u>1,825,133</u>	<u>216,022</u>

In accordance with the ROC Income Tax Law, assessed net losses can be carried forward for five consecutive years to reduce taxable income. As of December 31, 2004, the amount of losses and the year of expiry were as follows:

Year incurred	2004	Year of expiry
2000 (assessed)	\$ 2,308,049	2005
2002 (reported)	<u>3,472,150</u>	2007
	<u>\$ 5,780,199</u>	

Pursuant to the ROC Statute for Upgrading Industries, the Bank's unused investment tax credit—staff training cost as of December 31, 2004, was as follows:

Year incurred	2004	Year of expiry
2003	\$ 1,997	2007
2004	<u>2,211</u>	2008
	<u>\$ 4,208</u>	

The Bank's most current annual income tax return assessed by the tax authority is the return for year 2001.

The Bank's 10% surtax on unappropriated earnings for the year 1998 has been assessed by the tax authority. The ROC tax authority determined that the unrealized exchange gains from 1997 accounted for in taxable income in 1998 cannot offset unappropriated earnings in 1998. However, the Bank petitioned for a recheck of the above.

The Bank has provided an allowance for the above-mentioned petition for a recheck and appeal with the MOF.

Fuhwa Commercial Bank
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(13) Stockholders' Equity

1) Common stock

On September 18, 2003, the board of directors resolved to reduce capital by \$1,615,136 in order to offset accumulated deficits and increase capital for cash of \$3,000,000. After capital reduction and cash injection, the balance of capital amounted to \$13,500,000. The resolution to reduce capital was approved by the SFC on December 26, 2003, with Ruling (92) Tai-Tsai-Cheng (1) No. 0920160677. The date of the capital reduction was designated as December 29, 2003; therefore, the date of the capital increase was designated as February 28, 2004. The aforementioned registration of the capital increase and reduction was also completed.

On February 19, 2004, the board of directors resolved to increase the issued capital by transferring \$500,000 from unappropriated earnings through the issuance of 50,000 thousand shares of new common stock dividends of \$0.37 per share. After the capital injection, the total issued capital amounted to \$14,000,000. The resolution to increase capital was approved by the SFC on June 15, 2004, with Ruling (93) Tai-Tsai-Cheng (1) No.0930126570. The date of the capital increase was designated as July 12, 2004, by the board of directors, and the related registration was also completed.

2) Treasury stock

The remaining shares of previously bought back treasury stock were all transferred to employees in the year 2003, resulting in a gain of \$14,673, which was recorded as capital surplus—treasury stock.

3) Capital surplus

According to the ROC Company Law, realized capital surplus can be capitalized and transferred to share capital after offsetting accumulated deficit. Capital surplus should not be used for distribution of cash dividends. Realized capital surplus mentioned above includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank. The amount of capital surplus capitalized each year may not exceed a certain percentage of the Bank's issued share capital. Issuance of new stock from capital surplus from cash subscription in excess of par value of common stock can be made only once per year, and cannot be made in the same year as cash subscription.

As of December 31, 2004, and 2003, the components of capital surplus were as follows:

	2004	2003
Treasury stock transaction	\$ <u>14,673</u>	<u>14,673</u>

4) Legal reserve and appropriated special reserve

After paying all taxes as required, the annual net income will be distributed to appropriate 30% as legal reserve. The Bank cannot distribute cash dividends exceeding 15% of total share capital until legal reserve reaches an amount equal to total share capital. In addition, apart from the appropriation of legal reserve from retained earnings, the Bank also appropriated special reserve in accordance with the Bank's articles of incorporation or the board of directors' resolution.

Fuhwa Commercial Bank
Notes to Financial Statements

5) Dividend policy and appropriation of earnings

In order to continuously expand its operation and increase earning capacity, and to maintain the capital adequacy ratio, the Bank has adopted the following dividend policy: the Bank's annual net income, after paying all taxes as required by law, must be applied to offset prior years' losses first; the remainder is then set aside with 30% as legal reserve, and a partial amount can be appropriated as special reserve or retained earnings. If there is still a remainder, it will be distributed as follows:

1. 98% as shareholders' dividends and bonuses.
2. 2% as bonus to employees.

The ratio of cash to stock distributed is determined by the resolution of the board of directors in consideration of the related industry condition, market perceptions, and the Bank's business strategies. During the growing period of the Bank, in principle, stock distributed shall not be lower than 80% unless resolved by the board of directors to be changed as deemed necessary. Cash dividends shall be distributed after the distribution of earnings proposal is resolved by the board of directors, while stock dividends are distributed after obtaining authorizing documents from the supervising authority.

The board of directors resolved on April 3, 2003, to offset accumulated deficits by special reserves, legal reserves, and capital surplus amounting to \$482,386, \$654,673 and \$11,740, respectively, totaling \$1,148,798.

On February 19, 2004, the board of directors resolved the Bank's 2003 appropriation of earnings. The distribution of the Bank's dividends per share and employee bonuses was as follows:

	2003	2002
Dividends per common share (dollar):		
Cash	\$ 0.09	-
Stock (at par value)	0.37	-
	\$ 0.46	-
Bonus to employees – cash	\$ 12,672	-

Because of the accumulated losses in 2002, the Bank had no appropriation of earnings for that year.

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If the aforementioned employee bonuses were all paid in cash, and were deemed as the expenses from the same fiscal year as the distributed earnings, the earnings per share after tax (after retraction) would have decreased from \$0.84 to \$0.83 (expressed in New Taiwan dollars) in 2003.

As of January 28, 2005, the Bank's 2004 appropriation of earnings had not been resolved by the Bank's board of directors. After the resolution, the related information can be obtained from the Market Observation Post System.

6) Weighted-average outstanding shares of common stock

As of December 31, 2004 and 2003, the weighted-average outstanding shares of common stock (after retroactive adjustment of capital reduction to offset accumulated deficits) were 1,350,000 thousand shares and 1,083,449 thousand shares, respectively.

7) Information related to the integrated tax system

The information related to the integrated tax system as of and for the years ended December 31, 2004 and 2003, was as follows:

	2004	2003
Imputation credit account balance	\$ <u>1,683</u>	<u>109,419</u>

The imputation tax credit ratio of earnings to be distributed used for ROC resident shareholders in 2005 is estimated at 0.11%. The actual imputation tax credit ratio of the first and second earnings distribution in 2004 was 12.83% and 14.55%, respectively.

The unappropriated earnings on December 31, 2004 and 2003, were as follows:

	2004	2003
Prior to 1997	\$ -	-
Post 1998	<u>1,502,258</u>	<u>905,091</u>
	<u>\$ 1,502,258</u>	<u>905,091</u>

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Notes to Financial Statements

December 31, 2003

Contract amount (notional amount)	Fair value Gain	Loss
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Held for non-trading purposes:

Interest rate swap contract	\$ <u>3,100,000</u>	<u>20,837</u>	<u>-</u>
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The assets and liabilities relating to the revaluation gain or loss on the contracts for trading purposes were recorded under other assets and other liabilities, respectively.

Interest swap contracts were in order to hedge fluctuation in future cash flows caused by issuing subordinate financial debentures with floating interest rates, and were for non-trading purposes.

2. Credit risk

Credit risk is the risk that the counter-party will be unable to fulfill its contractual obligations. When derivative financial instruments become profitable, credit risk is increased. In order to reduce credit risk, the Bank utilized the same credit policy with loans and credit activities, and set limitations on credit. In addition, the Bank signed master netting agreements with the counter-party to reduce credit risk.

3. Market risk

Market risk is the risk that the Bank will suffer losses due to changes in market interest as well as exchange rates. The Bank maintains all its foreign currency positions within prescribed limits in order to manage market risk.

4. Liquidity risk, cash flow risk, and future cash requirement

Liquidity risk is the risk that the Bank will be unable to settle its position on liability at the settlement date. The Bank controls the transaction risks of the financial instruments by adopting the credit approval policy mentioned above, position limitation, stop loss point setting, and a management control process. In addition, the Bank maintains adequate current assets, and utilizes money market and foreign exchange market instruments to support its future cash flow requirements.

The above contract amounts only disclosed the outstanding contract amounts on the balance sheet date; they did not reflect the exposure under market and credit risk. The management of the Bank expected that the financial instruments mentioned above would not cause significant losses.

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Notes to Financial Statements

5. Net gains or losses from current trading

Net gains or losses from current trading activities reported as net gain or loss on financial derivatives and net gain or loss on foreign exchange were as follows:

	2004	2003
Foreign exchange contracts	\$ 151,452	65,158
Equity contracts	<u>60,274</u>	<u>10,381</u>
Net gains	<u>\$ 211,726</u>	<u>75,539</u>

Since exchange rate derivatives are hedged by spot exchange contracts, net exchange gain or loss for all contracts includes gain and loss on spot positions.

2) Non-derivative financial instruments

Methods and assumptions for estimation of the fair values of non-derivative instruments were as follows:

1. Book value will be considered as their fair value for financial instruments with short maturities. The applicable accounts include cash, due from Central Bank, and placement to other banks, accounts receivable, part of other financial assets, deposits by Central Bank, deposits by banks, securities sold under repurchase agreements, accounts payable, subordinate financial debentures, and other liabilities.
2. If market value of marketable securities and long-term equity investments is available, then it will be considered as the fair value. If market value is not available, fair value is estimated by using book value.
3. Loans and advances are valued by using the floating rate. Therefore, fair value equals book value.
4. Other assets -- securities foreclosed have been revalued at the balance sheet date to their net realizable value, and allowances have been provided for loss on decline. Therefore, fair value equals book value.
5. Deposits and remittances normally mature within one year. However, if the maturity date is for a period of more than one year, book value is calculated using the floating rate. Therefore, fair value equals book value.
6. Because the financial instruments of most credit commitments and guarantees mature within one year, the contract amounts for these contracts are current market values.

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As of December 31, 2004 and 2003, fair values of some non-derivative financial instruments were as follows:

	2004		2003	
	Book value	Fair value	Book value	Fair value
Marketable securities	\$ 24,538,408	24,538,408	23,350,138	23,429,330
Long-term equity investments	556,444	560,410	521,991	521,991

(15) Related-party Transactions

1) Name and relationship of related party

Name of related party	Relationship
Kuomintang	Influential investor of the Bank's parent company
Chong Yang Investment Co., Ltd	Investor of the Bank's parent company accounted for by equity method
Kuang Hwa Investment Co., Ltd	Investor of the Bank's parent company accounted for by equity method
Yu Hwa Development Co., Ltd	Investor of the Bank's parent company accounted for by equity method
Hua Xia Investment Co., Ltd	The director of such company is a corporate supervisor of the Bank's parent company (term expired on November 6, 2004)
Sing for Life Co., Ltd.	The President of such company is a corporate director of the Bank's parent company
Fuhwa Financial Holding Co., Ltd.	Parent company of the Bank
Fuhwa Securities Co., Ltd.	Affiliated company controlled by the same company as the Bank
Fuhwa Securities Finance Co., Ltd.	Affiliated company controlled by the same company as the Bank
Fuhwa Securities Investment Trust Co., Ltd.	Affiliated company controlled by the same company as the Bank
Fuhwa Asset Management Co., Ltd.	Affiliated company controlled by the same company as the Bank
Fuhwa Capital Management Co., Ltd.	Affiliated company controlled by the same company as the Bank
Fuhwa Life Insurance Agent Co., Ltd.	Investee that is significantly influenced by the Bank
Fuhwa Lease Co., Ltd.	Investee that is significantly influenced by the Bank
Fuhwa Property Insurance Agent Co., Ltd	Investee that is significantly influenced by the Bank
Others (each related party's deposits and loans are not over 1% of total deposits and loans)	The Bank's affiliated companies and directors, supervisors and managers, and their relatives

Fuhwa Commercial Bank
Notes to Financial Statements

2) Significant transactions with related parties

1. Deposits

Name	December 31, 2004		
	Balance as at December 31	Percentage of deposits (%)	Interest range (%)
Fuhwa Securities Finance Co., Ltd.	\$ 3,783,260	1.66	0~1.35
Each related party's deposits are not over 1% of total deposits	2,802,556	1.23	0~13.00
	<u>\$ 6,585,816</u>	<u>2.89</u>	

Name	December 31, 2003		
	Balance as at December 31	Percentage of deposits (%)	Interest range (%)
Each related party's deposits are not over 1% of total deposits	<u>\$ 1,774,500</u>	<u>0.93</u>	0~13.00

Apart from an interest rate limit on staff demand savings deposits of 13%, the interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

During 2004 and 2003, interest expenses on the above deposits were \$90,010 (including \$30,261 for Fuhwa Securities Finance Co., Ltd.) and \$18,964, respectively.

2. Loans

Name	December 31, 2004		
	Balance as at December 31	Percentage of loans (%)	Interest range (%)
Kuang Hwa Investment Co., Ltd	\$ 424,000	0.22	1.400~1.612
Hua Xia Investment Co., Ltd	340,690	0.17	2.200~4.325
Yu Hwa Development Co., Ltd	900,000	0.46	1.450~1.700
Each related party's loans are not over 1% of total loans	865,753	0.44	1.150~6.325
	<u>\$ 2,530,443</u>	<u>1.29</u>	

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Name	December 31, 2003		
	Balance as at December 31	Percentage of loans (%)	Interest range (%)
Chong Yang Investment Co., Ltd	\$ 1,000,000	0.58	1.500~3.000
Kuang Hwa Investment Co., Ltd	500,000	0.29	1.500~2.450
Hua Xia Investment Co., Ltd	345,300	0.20	2.250~4.750
Yu Hwa Development Co., Ltd	900,000	0.53	1.500~1.700
Each related party's loans are not over 1% of total loans	1,562,405	0.91	1.150~7.250
	\$ 4,307,705	2.51	

Loans to related parties are under the same terms as those to other customers, except for interest rates on loans to affiliated companies, ranging from 1.15% to 6.325% and from 1.15% to 6.675%, and on loans to bank staff, ranging from 2.125% to 5.75% and 2.125% to 7.25%, in the years 2004 and 2003, respectively.

During 2004 and 2003, interest income received from the above loans was \$72,598 and \$99,238, respectively.

3. Fee and commission revenue

Name	2004	2003
Fuhwa Securities Investment Trust Co., Ltd.	\$ 7,293	17,354
Fuhwa Life Insurance Agent Co., Ltd.	122,491	76,090
	\$ 129,784	93,444

The above-mentioned revenue mainly came from commissions from sales of mutual funds and life insurance policies.

As of December 31, 2004 and 2003, the above transactions resulted in accounts receivable from Fuhwa Securities Investment Trust Co. Ltd. amounting to \$570 and \$728, respectively, recorded as receivables.

4. Fee and commission expenses

Name	2004	2003
Fuhwa Securities Co., Ltd.	\$ 6,081	4,207
Fuhwa Capital Management Co., Ltd.	5,527	952
	\$ 11,608	5,159

The above expenses mainly resulted from structured note fees and certifying expenses.

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5. Rental expenses

Name	Usage	Rental expenses	
		2004	2003
Fuhwa Securities Co., Ltd.	Office premises	\$ 105,358	52,472
Fuhwa Asset Management Co., Ltd.	Office premises	14,469	-
Kuomintang	Office premises	-	48,267
		<u>\$ 119,827</u>	<u>100,739</u>

As of December 31, 2004 and 2003, the above transactions resulted in rent payable to Fuhwa Securities Co., Ltd. amounting to \$8,079 and \$5,740, respectively (recorded as payables).

6. Property transactions

(a) The details of the Bank's investing in open-end funds were as follows:

	2004		
	Investment in 2004	Ending balance	Gain on disposal
Fuhwa Securities Investment Trust Co., Ltd.	<u>\$ 995,273</u>	<u>945,272</u>	<u>127</u>

	2003		
	Investment in 2003	Ending balance	Gain on disposal
Fuhwa Securities Investment Trust Co., Ltd.	<u>\$ 124,625</u>	<u>-</u>	<u>16,684</u>

(b) The details of the Bank's investing in bonds issued by related party in the secondary market were as follows:

Related party	Highest amount	2004		
		Ending balance	Interest range (%)	Interest income
Chong Yang Investment Co., Ltd.	\$ 326,343	<u>185,224</u>	5.23~5.38	<u>16,879</u>

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Related party	Highest amount	2003		Interest income
		Ending balance	Interest range (%)	
Chong Yang Investment Co., Ltd.	\$ 469,677	<u>326,343</u>	5.23~5.38	<u>24,780</u>

As of December 31, 2004 and 2003, revenue receivables (recorded under receivables) generated from the abovementioned transactions totaled \$242 and \$422, respectively.

- (c) The Bank entered into contracts with Fuhwa Asset Management Co., Ltd. to sell non-performing loans for the price of \$776,021, resulting in loss on disposal of \$80,265. However, the Bank collected part of the nonperforming loans before the settlement date of December 22, 2003. As a result, the contract price was reduced by \$226 to a total of \$775,795. As of December 31, 2004 and 2003, proceeds retained from the abovementioned transaction amounted to \$336,021 and \$100,000 respectively, and the remaining part, amounting to \$439,774 and \$675,795, respectively, was recorded as receivables.
- (d) The Bank entered into a contract with the Kuomintang to purchase real estate, located on the 1st, 2nd, 3rd and 7th floors, 4, Jhongsiao W. Rd., Taipei, to be used as office space including 23 parking spaces in the basement. Under the modified contract of November 4, 2003, the Bank only purchased the 1st, 2nd, and 3rd floors, including 17 parking spaces in the basement, of the above-mentioned real estate, and had paid the full price of \$771,292 as of December 31, 2003, recorded as property and equipment, net.

7. Other

- (a) For the years ended December 31, 2004 and 2003, details of bond repurchase transactions engaged in by affiliated parties are summarized as follows:

Name	Highest amount	2004		Interest expense
		Ending balance	Interest range (%)	
Fuhwa Securities Co., Ltd.	\$ 3,808,192	2,408,281	0.75~1.30	20,543
Fuhwa Securities Investment Trust Co., Ltd.				
Fuhwa Bond Fund	1,469,292	-	0.63~0.88	4,643
Fuhwa New Balance Fund	329,717	110,015	0.63~1.00	708
Fuhwa Advantage Bond Fund	700,199	-	0.65~0.85	620
Fuhwa II Fund	100,000	-	0.63~1.00	59
Fuhwa Fund	40,002	-	0.63~0.70	3
Fuhwa Diamond Fund	300,111	-	0.65~0.68	122
Sing for Life Co., Ltd	98,013	-	0.65~0.87	161
Total		<u>\$ 2,518,296</u>		<u>26,859</u>

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Name	Highest amount	2003		Interest expense
		Ending balance	Interest range (%)	
Fuhwa Securities Co., Ltd.	\$ 3,120,198	2,284,737	0.80~1.08	7,378
Fuhwa Securities Investment Trust Co., Ltd.				
Fuhwa Bond Fund	1,384,141	689,823	0.63~0.95	3,820
Fuhwa New Balance Fund	274,357	-	0.65~0.80	335
Fuhwa Classical Fund	1,004,011	-	0.65~0.85	392
Total		\$ 2,974,560		11,925

- (b) The details of the Bank's selling subordinate financial debentures to related parties in the year 2002 were as follows:

Related party	Highest amount	2004		Interest expense
		Ending balance	Interest range (%)	
Fuhwa Securities Financial Co., Ltd.	\$ 966,000	<u>966,000</u>	3.81~4.92	<u>45,272</u>

Related party	Highest amount	2003		Interest expense
		Ending balance	Interest range (%)	
Fuhwa Securities Financial Co., Ltd.	\$ 966,000	<u>966,000</u>	4.55~4.92	<u>46,168</u>

As of December 31, 2004 and 2003, the above transactions resulted in interest payable of \$5,848 and \$7,552, respectively, recorded as payables.

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- 3) Information regarding affiliates acting as borrowers, guarantors, and collateral providers of the Bank (which are interested parties in accordance with Articles 32 and 33 of the Banking Law) was as follows:

December 31, 2004				
Type	Number of accounts	Amount	Default possibility	
Consumer loans	35	\$ 63,482	No	
Mortgage loans for employees	453	490,307	No	
Other loans to interested parties	340	<u>1,479,327</u>	No	
		<u>\$ 2,033,116</u>		
Loans to others with interested parties acting as guarantors	417	509,187	No	
Secured loans with collateral from interested parties	391	957,763	No	

December 31, 2003				
Type	Number of accounts	Amount	Default possibility	
Consumer loans	58	\$ 100,820	No	
Mortgage loans for employees	525	573,631	No	
Other loans to interested parties	209	<u>2,070,896</u>	No	
		<u>\$ 2,745,347</u>		
Loans to others with interested parties acting as guarantors	304	289,638	No	
Secured loans with collateral from interested parties	165	407,935	No	

Fuhwa Financial Holding Co., Ltd. is responsible for the Bank. When major shareholders of Fuhwa Financial Holding Co., Ltd. are considered as interested parties according to Articles 32 and 33 of the Banking Law, the loans to those parties are as follows:

Name of interested party	December 31, 2004	December 31, 2003
Kuang Hwa Investment Co., Ltd	\$ 424,000	500,000
Chong Yang Investment Co., Ltd	-	1,000,000
Hua Xia Investment Co., Ltd	340,690	345,300
Yu Hwa Development Co., Ltd	<u>900,000</u>	<u>900,000</u>
Total	<u>\$ 1,664,690</u>	<u>2,745,300</u>

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(16) Pledged Assets

Pledged assets	Pledged for	Book value	
		December 31, 2004	December 31, 2003
Short-term bills (recorded as marketable securities)	Securities sold under repurchase agreement	\$ 10,701,257	9,610,176
Bonds (recorded as other financial assets)	Reserve for trust business	57,974	57,974
	Provisional seizure	94,005	70,076
	Reserves deposited in United Credit Card Center	44,383	21,421
	Operating deposits of trading bills	63,043	63,003
	Operating deposits of trading bonds	11,666	11,221
		<u>\$ 10,972,328</u>	<u>9,833,871</u>

- 1) The Bank provided the Central Bank of China with government bonds as reserve for its trust custodian business.
- 2) For executing provisional seizure of debtor's properties, the Bank provided the pledged assets to the court.
- 3) Certain reserves were deposited in United Credit Card Center for the Bank's credit card business.
- 4) Operating deposits of trading bills were deposited in the Central Bank of China for the Bank's securities dealing business.
- 5) Operating deposits of trading bonds were deposited in the OTC for the Bank's treasury sales business. Furthermore, reserve for trading losses has been set to conform to securities regulations.

(17) Commitments and Contingencies

- 1) Significant purchase agreements

As of December 31, 2004 and 2003, the Bank had agreements for purchasing assets amounting to \$384,032 and \$99,911, respectively. The unpaid amounts of those agreements were \$187,247 and \$53,776, respectively.

Fuhwa Commercial Bank
Notes to Financial Statements

2) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2004, estimated future lease contract commitments were as follows:

Fiscal Year	Rental Amount
2005	\$ 198,000
2006	172,685
2007	132,231
2008	84,841
2009	43,735
	<u>\$ 631,492</u>

3) Others

	December 31, 2004	December 31, 2003
Consignment collection for others	\$ 18,788,902	16,311,320
Traveler's checks held on consignment for sale	192,444	239,913
Consignment securities, custodial goods, and other Trust assets	<u>47,713,917</u>	<u>48,281,950</u>
	<u>33,322,166</u>	<u>18,179,402</u>
	<u>\$ 100,017,429</u>	<u>83,012,585</u>
Lines of credit provided but not used	<u>\$ 102,252,551</u>	<u>115,546,233</u>
Credit commitment on credit card	<u>\$ 41,177,196</u>	<u>34,771,296</u>
Guarantees	<u>\$ 9,400,024</u>	<u>8,488,548</u>
Unused L/C balance	<u>\$ 3,673,979</u>	<u>2,469,928</u>
Securities sold under repurchase agreements	<u>\$ 11,033,591</u>	<u>9,742,366</u>

4) In accordance with Article 17 of the Trust Enterprise Law, the disclosures of the trust balance sheet and trust property list are as follows:

Trust Balance Sheet December 31, 2004			
Trust assets		Trust liabilities	
Bank deposits	\$ 65,593	Trust capital—pecuniary trust	\$ 25,657,509
Short-term investments	26,638,442	Trust capital—securities trust	1,018,998
Long-term Investments	4,609,609	Trust capital—real estate trust	1,109,458
Real estate	1,100,505	Trust capital—financial asset securitization	4,628,184
Net asset of Co-Trust Fund	<u>908,017</u>	Trust capital—Co-Trust Fund	<u>908,017</u>
Total trust assets	<u>\$ 33,322,166</u>	Total trust liabilities	<u>\$ 33,322,166</u>

Fuhwa Commercial Bank
Notes to Financial Statements

Trust Balance Sheet
December 31, 2003

Trust assets		Trust liabilities	
Bank deposits	\$ 508	Trust capital—pecuniary trust	\$ 18,179,402
Short-term investments	<u>18,178,894</u>		
Total trust assets	<u>\$ 18,179,402</u>	Total trust liabilities	<u>\$ 18,179,402</u>

Trust Property List
December 31, 2004

Invested items	Book value
Short-term investments:	
Bonds	\$ 8,924,634
Common stock	1,163,774
Beneficiary securities	17,458,051
Others	<u>65,593</u>
Subtotal	27,612,052
Long-term investments:	
Asset-based securities	4,609,609
Real estate:	
Land	<u>1,100,505</u>
	<u>\$ 33,322,166</u>

Trust Property List
December 31, 2003

Invested items	Book value
Short-term investments:	
Bonds	\$ 3,422,973
Common stock	1,861
Beneficiary securities	14,754,060
Others	<u>508</u>
	<u>\$ 18,179,402</u>

- 5) In order to extend the Bank's operations and branches and to boost its competitiveness, on January 5, 2005, the board of directors resolved to acquire Tainan 7th Credit Cooperative for \$288,695. The designation date is June 17, 2005.

Fuhwa Commercial Bank
Notes to Financial Statements

(18) Others

1) Summary of personnel, depreciation, depletion and amortization expenses

A summary of personnel, depreciation, depletion and amortization expenses for the years ended December 31, 2004 and 2003, is as follows:

Accounts	Function	2004			2003		
		Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Personnel costs:							
Salaries		-	1,670,810	1,670,810	-	1,389,366	1,389,366
Labor and health insurance		-	104,952	104,952	-	77,690	77,690
Pension		-	85,883	85,883	-	77,187	77,187
Other employment		-	45,200	45,200	-	32,712	32,712
Depreciation expenses		-	136,078	136,078	-	95,183	95,183
Depletion expenses		-	-	-	-	-	-
Amortization expenses		-	96,326	96,326	-	43,977	43,977

2) Net cash equivalents provided by the acquisitions were as follows:

	The Credit Cooperative Of Taidong 2004	The Credit Cooperative Of Douliou 2003
Due from Central Bank	\$ 55,879	79,932
Receivables	6,873	9,907
Loans and advances to customers, net	1,369,376	1,787,312
Long-term equity investment under cost method	50,051	3,019
Other financial assets	26,840	18,232
Property and equipment, net	141,095	161,953
Other assets	43,993	21,701
Payables	(65,530)	(46,259)
Deposits and remittances	(2,782,572)	(4,198,440)
Other liabilities	<u>(27,138)</u>	<u>(16,145)</u>
Subtotal	(1,181,133)	(2,178,788)
Completion of acquisition of goodwill—recorded in the other assets account	268,103	291,840
Net cash equivalents provided by the acquisition	<u>\$ (913,030)</u>	<u>(1,886,948)</u>

Fuhwa Commercial Bank
Notes to Financial Statements

3) The disclosure of risk management policy, systems procedures and practice for managing various of risks, and analysis of exposure to the main risks

1. Asset quality, concentration of credit risk, and policies on allowance for bad debts for loans and advances to customers

(a) Asset quality

	December 31, 2004	December 31, 2003
Total outstanding loan balance	197,235,586	171,411,872
Overdue loans (including nonperforming loans)	5,775,231	6,429,701
Nonperforming loans	5,594,739	5,644,476
Overdue loan ratio	2.93 %	3.75 %
Loans under Surveillance	1,147,740	2,091,087
Ratio of Loans to total loans	0.58 %	1.22 %
Reserve for loans and nonperforming loans	2,132,916	2,936,810

Note 1: The overdue loans (including nonperforming loans) are those reported in accordance with MOF letters Tai-Tsai-Rong No. 832292834 of February 16, 1994, and Tai-Tsai-Rong No. 86656564 of December 1, 1997.

Note 2: Nonperforming loans exclude the non-reportable amount.

Note 3: Overdue loan ratio = overdue loans (including nonperforming loans) / (loan balance + nonperforming loans)

Note 4: Loans under Surveillance include medium-term and long-term installment loans which are unpaid over three months but less than six months, and other loans of which the principal is unpaid less than three months with the interest unpaid periodically over three months but less than six months. In addition, loans-to-be-observed include those which approach the standard for overdue loans and have been certified (including overdue loans with agreements for installments, overdue loans with compensation from Credit Insurance Funds, loans with time deposits and sufficient deposits for repayment, loans with agreements for extension of repayment term of loans of borrowers who suffered damage in the 921 earthquake, loans for which the collateral has been sold under auction but not distributed, and loans for other projects which are certified but not claimed).

Fuhwa Commercial Bank
Notes to Financial Statements

(b) Information on concentration of credit risk.

a) Loans classified by geographical region:

	December 31, 2004	December 31, 2003
Domestic	\$ 186,795,312	162,226,056
Overseas	<u>10,440,274</u>	<u>9,185,816</u>
Total	<u>\$ 197,235,586</u>	<u>171,411,872</u>

b) Loans classified by industry:

	December 31, 2004	December 31, 2003
Manufacturing	\$ 32,457,570	33,513,552
General commercial	14,642,391	15,084,547
Construction	5,645,798	5,787,779
Private	103,618,297	79,396,825
Others	<u>40,871,530</u>	<u>37,629,169</u>
Total	<u>\$ 197,235,586</u>	<u>171,411,872</u>

c) Percentage of loans by industry:

	December 31, 2004		December 31, 2003	
	Industry	Ratio	Industry	Ratio
Concentration of credit risk by industry (top 3)	Individuals	52.55 %	Individuals	48.13 %
	Manufacturing	16.46 %	Manufacturing	18.16 %
	Finance, Insurance, Real Estate Industry and Leasing	7.27 %	Wholesale	7.36 %

Fuhwa Commercial Bank
Notes to Financial Statements

- d) Lines of credit to interested parties (which are related parties in accordance with Articles 32 and 33 of the Banking Law) and ratio of lines of credit secured by stock:

	December 31, 2004	December 31, 2003
Total outstanding credits	\$ 209,513,846	184,189,371
Outstanding balance of credit extended to related parties	2,033,116	2,745,347
Ratio of lines of credit to related parties to total outstanding credits	0.97 %	1.49 %
Ratio of lines of credit secured by company shares	3.42 %	2.96 %

- e) Credit card receivables classified by card-holder's age:

	December 31, 2004	December 31, 2003
20 to 29 years old	\$ 699,124	359,315
30 to 44 years old	1,921,019	859,765
45 to 64 years old	987,764	441,991
over 65 years old	<u>22,768</u>	<u>10,742</u>
Total	<u>\$ 3,630,675</u>	<u>1,671,813</u>

Note 1: Total outstanding credits include remittance bills, negotiation drafts under letter of credit, loans, discounts, acceptance receivables, guarantee receivables, recurring credit balance of credit card, and clients' liabilities under guarantees.

Note 2: Ratio of lines of credit to related parties to total credit lines = Lines of credit (defined by Banking Law) / Total credit lines.

Note 3: Ratio of lines of credit secured by company shares = Lines of credit mortgaged by stock / Total credit lines.

- (c) Loans, nonperforming loans, and policy on reserve for investment loss

- a) The Bank reserved allowance for bad debts from loans, advances to customers, and so on, especially for the risk of specific debts which cannot be collected entirely and the potential risk from the whole of debts. The risk of specific debts is evaluated by the defaults on payment. The potential risk from the whole of debts is evaluated by past experience.
- b) Reserve for guarantee liabilities (recorded as other liabilities) is based on the ending balance of guarantees and acceptances.

Fuhwa Commercial Bank
Notes to Financial Statements

- c) Securities are evaluated by LCM at the end of the period. Long-term investments which do not apply the equity method are evaluated by LCM if they are listed stocks; if not, long-term investments are evaluated by the cost method.

2. Information on concentration for credit risk of assets, liabilities, and off-balance-sheet items

The credit extensions made by the Bank were generally based on the credit risk diversification principle. There is no significant concentration of credit risk in terms of a single client or party to transactions. The Bank's credit composition is extensively diversified and spread over all types of industries, products, regions, etc. The Bank's contracted amounts with credit risk significantly concentrated were as follows:

- (a) Refer to information on concentration of credit risk for contract amounts of balance sheet accounts with credit risk significantly concentrated.
- (b) Financial instruments with off-balance-sheet credit risk

The Bank's contract amounts of financial instruments with off-balance-sheet credit risk were as follows:

	December 31, 2004	December 31, 2003
Unused lines of credit	\$ <u>102,252,551</u>	<u>115,546,233</u>
Credit commitment on credit card	\$ <u>41,177,196</u>	<u>34,771,296</u>
Other guarantees	\$ <u>9,400,024</u>	<u>8,488,548</u>
Unused L/C balance	\$ <u>3,673,979</u>	<u>2,469,928</u>

The unused loan commitments to the Bank's customers are determined mainly by whether the credit customers can maintain a certain credit standing. The Bank only provides loans within the credit line. Except for loan commitments on credit cards, certain customers are required to provide collateral of equivalent value and guarantors. For the years ended December 31 2004 and 2003, loans with collateral made up 55.51% and 56.22%, respectively, of the entire amount of loans. The percentage of guarantees and letters of credit with collateral varies from 0% to 100%. Collateral is usually property such as cash, real estate, marketable securities with high liquidity, etc. When the customer defaults, the Bank will execute its right regarding the collateral or other guarantees.

Credit commitment on credit cards does not require collateral. However, the credit standing of cardholders is reviewed periodically, and credit lines are revised if deemed necessary. The highest interest rate on credit cards was 18.25% for the years ended December 31, 2004 and 2003.

None of the above financial instruments will actually be paid in full before maturity. Therefore, amounts in such contracts do not necessarily represent future cash outflow, and thus the amount of future cash required is lower than the contracted amount. The maximum possible loss that the Bank may incur is the total amount of loss associated with the assumption that the credit lines have been fully used up and collateral or other pledged items have completely lost their value, with credit risk equivalent to the contracted amount.

Fuhwa Commercial Bank
Notes to Financial Statements

3. Information on interest-bearing assets and liabilities

	2004		2003	
	Average amount	Average rate (%)	Average amount	Average rate (%)
Assets:				
Cash due from banks	2,950,991	1.32	3,634,471	1.44
Due from Central Bank and placement to other banks	25,075,827	1.31	18,391,679	1.58
Marketable securities	21,774,104	3.83	12,146,643	4.13
Loans and advances to customers	172,402,162	3.68	142,817,383	4.01
Liabilities:				
Due to banks	11,958,105	1.43	12,712,293	1.15
Demand deposits	13,731,515	0.28	9,755,932	0.33
Demand saving deposits	47,386,709	0.66	31,685,634	0.91
Time deposits	52,272,043	1.19	44,408,973	1.58
Time savings deposits	61,362,358	1.58	56,820,421	2.05
Negotiable certificates of deposit	7,342,754	1.23	2,718,379	1.75
Appropriated loan fund	122,940	2.89	118,628	3.00

4. Ratios of interest-rate-sensitive assets to liabilities and interest-rate-sensitive spreads to net equity

	December 31, 2004	December 31, 2003
Ratio of interest-rate-sensitive assets to liabilities	74.67 %	79.15 %
Ratio of interest-rate-sensitive spreads to net equity	(341.69) %	(312.14) %

Fuhwa Commercial Bank
Notes to Financial Statements

5. Major foreign currency position, net

	December 31, 2004			December 31, 2003		
	Amount in functional currency	Amount in New Taiwan dollars		Amount in functional currency	Amount in New Taiwan dollars	
Major foreign currency position, net (market risk)	USD 19,369	618,207		USD 4,130	140,317	
	NZD 562	13,677		EUR 417	17,863	
	EUR 202	8,817		JPY 35,134	11,169	
	HKD 1,932	7,931		HKD 2,496	10,923	
	JPY 19,540	6,075		SFR 319	8,768	

6. Profitability

(a) For the years ended December 31, 2004 and 2003, information on return on assets, return on net equity, and net income to operating revenue was as follows:

	2004	2003
Return on assets (note 1)	0.81 %	0.48 %
Return on net equity (note 2)	15.09 %	9.16 %
Net income to operating revenue (note 3)	19.96 %	11.34 %

Note 1: Return on assets = Profits before income taxes / Average assets

Note 2: Return on net equity = Profits before income taxes / Average net equity

Note 3: Net income to operating revenue = Net income before income taxes / Operating revenue

(b) Duration analysis of assets and liabilities

	Total	Aging for remaining period until expiration				
		Day 0 to day 30	Day 31 to day 90	Day 91 to day 180	Day 181 to 1 year	Over 1 year
Assets	\$ 254,487,000	47,589,000	15,663,000	17,345,000	15,005,000	158,885,000
Liabilities	240,786,000	97,023,000	29,824,000	31,169,000	54,935,000	27,835,000
Spreads	13,701,000	(49,434,000)	(14,161,000)	(13,824,000)	(39,930,000)	131,050,000
Accumulated spreads	13,701,000	(49,434,000)	(63,595,000)	(77,419,000)	(117,349,000)	13,701,000

Fuhwa Commercial Bank
Notes to Financial Statements

7. Extraordinary events

	2004	Event and amount
President or employees were prosecuted in court in the latest year for violation of laws or regulations in business		None
Any deficiency was incurred and warned of by the MOF		Nan-Jing E. Road Branch was corrected by the MOF because the Branch did not comply with related regulations to process money transfer for A Company's capital increase.
Any safety incidents happened in the latest year due to employee fraud, any significant unusual events occurred, or the company did not follow the Points for Safety of Financial Institutions. The actual loss was greater than \$50,000 individually or in total in the latest year.		None
Others		According to the approval of the supervising authority and two-thirds of the board, Han-Tzong Liou will take over the position of general auditor.

4) Capital adequacy ratio

	December 31, 2004	December 31, 2003
Capital ratio (note)	9.07 %	8.72 %
Debt-to-net equity ratio	1,627.17 %	1,964.52 %

Note: Capital ratio = Capital/Risk-weighted assets. Pursuant to Article 44 of the Banking Law and the MOF letter Bank's Capital Ratio Management, Tai-Tsai-Rong (1)0090345106, of October 16, 2001.

5) The Bank entered into cross-selling transactions with Fuhwa Financial Holding Co., Ltd. and its other subsidiaries as follows:

1. Business of transactions:

Please refer to note 15 - transactions with related parties.

Fuhwa Commercial Bank
Notes to Financial Statements

2. Cross-selling activities:

The financial holding company attempted to satisfy customers' needs, increase sales revenues, and decrease costs through its group marketing strategy, distribution channels, and cross-selling in order to enjoy the advantages of integration. The financial holding company set a policy for the costs and expenses of cross-sales among subsidiaries and for amortization in April 2004. The policy is based on the actual sales figures and a subsidiary's paying a certain percentage commission to a subsidiary which sells for it.

3. Information interchange:

Fuhwa Financial Holding Co., Ltd., the parent company of the Bank, developed a policy on Privacy and Security of Clients' Data in November 2002. The policy refers to regulating the collection of clients' data, the storage and safeguarding of clients' data, data security and protection, data classification, utilization and disclosure of clients' data, modification of clients' data, discontinuation of use of clients' data, and so on.

4. Mutual use of business facilities and places:

According to the decision of Fuhwa Financial Holding Co., Ltd.'s operating conference, Fuhwa Financial Holding and its subsidiaries allocate the expenses for business facilities by the percentage of actual utilization.

As of December 31 2004, there was no significant transaction or allocation of revenues, costs and expenses in accordance with the regulations in terms of cross-marketing business, information interchange, and mutual use of business facilities.

(19) Other Disclosure Items

1) Related information on material transaction items:

1. Information regarding stock of long-term equity investment for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
2. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
3. Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Name of company which disposed of property	Name of property	Transaction date or occurrence date	Initial acquired date	Book value	Transaction amount	The process of accounts receivable	Losses or gains on the disposal	Counter-party	Relationship	Disposal objective	References for stacking prices	Other required items
The Bank	securities foreclosed	October 12, 2004	March 10, 2003	343,159	392,420	Paid	23,469	Sun-Chen Steel Co., Ltd.	None	Sale of foreclosed land and building	ETK	None

4. Information regarding discounted processing fees on transactions with related party for which the amount exceeded NT\$5 million: none.

Fuhwa Commercial Bank
Notes to Financial Statements

5. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital:

Name of company which accounted for receivables from related party	Name of counter-party	Relationship with the Bank	Ending balance of receivables from related parties	Turnover rate	Expected receivables from related party		Collection after December 31, 2004	Allowance for bad debt
					Amount	Method of management		
The Bank	Fuhwa Asset Management Co., Ltd.	Affiliated company	439,774	-	-	-	-	-
The Bank	Fuhwa Financial Holding Co., Ltd.	Parent company	315,580	-	-	-	-	-

6. Information regarding selling non-performing loans for which the amount exceeded NT\$5 billion: none.
7. Other material transaction items which were significant to people who use the information in the financial statements: none.

2) Information on long-term equity investments:

1. Information on investees' names, locations, etc.

Name of the investor	Name of the investee	Investee location	Investee's main operations	Original investment amount		Held by investor at year-end			Net income (loss) of investee	Gain (loss) recognized during the period	Remarks
				December 31, 2004	December 31, 2003	Shares (thousand)	Ratio	Book value			
The Bank	Fuhwa Leasing Co., Ltd.	7F, No. 130, Sec. 3, Nanjing E. Rd., Taipei City, Taiwan	Real estate and property selling and leasing.	\$ 197,000	197,000	19,700	98.56%	142,529	(6,733)	(6,638)	Subsidiary
	Fuhwa Property Insurance Agency co., Ltd.	2F, No. 327, Song-long Rd., Taipei, Taiwan	Property insurance agency	2,880	2,880	(note 1)	80.00%	4,736	1,539	1,217	Subsidiary
	Fuhwa Life Insurance Agent Co., Ltd.	"	Life insurance agency	2,000	2,000	200	99.99%	70,393	61,552	61,296	Subsidiary
				<u>\$ 201,880</u>	<u>201,880</u>			<u>217,678</u>	<u>56,356</u>	<u>55,875</u>	

Note 1: Limited company with no shares.

2. Lending to other parties: not applicable to Fuhwa Leasing Co., Ltd., for which this is one of its registered operating activities. Other investees: none.
3. Guarantees and endorsements for other parties: none.

Fuhwa Commercial Bank
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4. Information regarding securities held as of December 31 2004:

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Bank	Account name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value (note 1)	
Fuhwa Leasing Co., Ltd.	Stock: Eastern Broadband Telecom Co., Ltd.	-	Long-term equity investments	5,000	\$ 50,000	0.08	50,000	
Fuhwa Property Insurance Agency Co., Ltd.	Beneficiary certificates: Fuhwa Bond Fund	-	Short-term investments	107	1,300	-	1,381	
"	Fuhwa Bond Fund	(note 2)	"	330	4,045	-	4,113	
					5,345		5,494	
Fuhwa Life Insurance Agent Co., Ltd.	Fuhwa Bond Fund	-	"	139	1,700	-	1,806	
"	Fuhwa Bond Fund	(note 2)	"	593	7,106	-	7,380	
"	Polaris De-bao Fund	-	"	172	1,800	-	1,859	
					10,606		11,045	
					\$ 65,951		66,533	

Note 1: If market value of marketable securities and long-term equity investments is available, then it will be considered as the fair value. If market value is not available, fair value is estimated by using book value.

Note 2: The management company and parent company are both subsidiaries of Fuhwa Financial Holding Co., Ltd.

5. Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
6. Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
7. Information on the disposal of the real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
8. Information regarding discounted processing fees on transactions with related party for which the amount exceeded NT\$5 million: none.
9. Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.
10. Information regarding trading in derivative financial instruments: none.
11. Information regarding selling non-performing loans for which the amount exceeded NT\$5 billion: none.
12. Other material transaction items which were significant to people who use the information in the financial statements: none.

3) Information regarding investments in Mainland China: none.

(20) Segment Information: not applicable.

V. In case of insolvency taking place in a bank or affiliates thereof in recent years as of the Yearbook release date, the impact upon the Bank's financial standing: N/A

Reassessment and analysis of financial standing and managerial results as well as matters related to risk management

I. Financial standing

In NT 1,000 dollars

Item \ Year	2004	2003	Comparison	
			Amount	%
Total Assets	272,693,863	235,245,635	37,448,228	15.92
Total liabilities	256,905,405	223,850,953	33,054,452	14.77
Total shareholder's equity	15,788,458	11,394,682	4,393,776	38.56

Descriptions on major changes:

Total amount of shareholders' equity: In the present term, the total amount of shareholders' equity increased over the preceding term, due primarily to capital augment this term, in cash and as converted from earnings.

II. Results of business management

In NT 1,000 dollars

Item \ Year	2004	2003	Amount Increase/Decrease	Change(%)
Net operating income	10,275,863	8,750,611	1,525,252	17.43
Operating expenses	8,278,688	7,707,569	571,119	7.41
Operating income	1,997,175	1,043,042	954,133	91.48
Non-operating revenues	123,467	37,843	85,624	226.26
Non-operating expenses	69,983	88,808	(18,825)	(21.20)
Pre-tax profit	2,050,659	992,077	1,058,582	106.70
Income taxes	548,401	78,498	469,903	598.62
Net income	1,502,258	913,579	588,679	64.44

Analytical descriptions on change in increase/decrease in ratio:

- (I) Net operating profit: The net operating profit rose this term, due primarily to the successful expansion of consumer banking loans and credit card business which prompted the interest revenue and handling charge revenue to increase over the corresponding period of the preceding year. Though with rising labor costs in line with sales expansion, the net operating profit still increased over the corresponding period for the preceding year.

(II) Non-operating revenues and profits: Non-operating revenues and profits increased this term, due primarily to rally of real estate market this term which led to increase of the net gain of the collateral taken over and retrieval of allowance for loss in bonds.

(III) Non-operating expenditures and loss: In this term, the non-operating expenditures and loss dropped because in the preceding term, Fuhwa Commercial Bank disposed non-performing credits to factoring companies and, as a result, underwent loss. A similar situation did not occur this term.

(IV) Income tax expenses: In this term, the income tax expense significantly rose compared with the corresponding period of the preceding year, due primarily to the significant rise of net profit before tax and decrease of income tax this term.

III. Cash flow

(I) Analysis over the cash flow over the past two years

Item \ Year	2004	2003	Change(%)
Ratio of cash flow	9.11%	1.80%	406.11%
Ratio of cash flow adequacy	311.98%	207.12%	50.63%
Ratio of cash taken for further investment	3.76%	1.30%	189.23%

Analytical descriptions of the change in increase/decrease of the ratio:

1. Ratio of cash flow: In the present term, Fuhwa Commercial Bank has strived to promote consumer banking and credit card business which has prompted the revenues of interest and handling charges on the rise. Further along with the growth of deposits, the Bank got adequate capital and, in turn, reduced the loan from fellow banks. The ratio of cash flow, therefore, increased over the preceding term.
2. Ratio of cash flow adequacy: In the present term, the net cash inflow tremendously rose over the preceding term, leading to such ratio to grow over the preceding term.
3. Ratio of cash taken for further investment: In the present term, the bills purchased for the purposes of trading increased over the preceding term. As a result, the net cash inflow in operating activities significantly increased over the preceding term which led to the rise of such ratio.

(II) Analysis of the cash flow of one year ahead

In NT 1,000 dollars

Beginning cash balance	Forecasted net cash flow from business activities in the whole year ahead	Forecasted cash outflow in the whole year ahead	Forecasted balance/deficiency of cash	Remedial actions if deficiency of cash is forecasted	
				Investment project	Fund management project
4,413,332	(5,602,050)	(6,697,773)	5,509,055	-	-

1. Analysis of cash flow this year:

(1) Operating activities : (5,602,050)

(2) Investment activities : (47,386,797)

(3) Financing activities : 54,084,570

2. Countermeasures anticipated making up the insufficiency in cash and analysis of the current attribute: N/A.

IV. The impact of major capital expenditures to finance in recent years

(I) Automatic passbook update equipment with expansion of the mainframe which will significantly help Fuhwa Bank extend its business scale and operate toward diversified operation to boost profits.

(II) After joining the Fuhwa group, Fuhwa Bank has been actively seeking opportunities to explore a more extensive business scope through the shared resources of the group. To meet such goal, Fuhwa Bank has purchased Chung Sheng Building to accommodate all group entities for maximized result of joint-marketing.

V. The outward investment policies, key reasons leading to profit or loss, the countermeasures and the investment projected within next year:

(I) The outward investment policies, key reasons leading to profit or loss in 2004: Nil.

(II) Investment plans projected for one year ahead: No such investment plan so far.

(III) Information on long-term equity investments

1. Information on investees' names, locations, etc.

Name of the investor	Name of the investee	Investee location	Investee's main operations	Original investment amount		Held by investor at year-end			Net income (loss) of investee	Gain (loss) recognized during the period	Remarks
				December 31, 2004	December 31, 2003	Shares (thousand)	Ratio	Book value			
The Bank	Fuhwa Leasing Co., Ltd.	7F., No. 130, Sec.3, Nanjing E. Rd., Taipei City, Taiwan	Real estate and property selling and leasing.	\$ 197,000	197,000	19,700	98.56%	142,529	(6,735)	(6,638)	Subsidiary
	Fuhwa Property Insurance Agency co., Ltd.	2F., No. 327, Song-lung Rd., Taipei, Taiwan	Property insurance agency	2,880	2,880	(note 1)	80.00%	4,756	1,539	1,217	Subsidiary
	Fuhwa Life Insurance Agent Co., Ltd.	"	Life insurance agency	2,000	2,000	200	99.99%	70,393	61,552	61,296	Subsidiary
					\$ 201,880	201,880			217,678	56,356	55,875

Note 1: Limited company with no shares.

2.Lending to other parties: not applicable to Fuhwa Leasing Co., Ltd., for which this is one of its registered operating activities. Other investees: none.

3.Guarantees and endorsements for other parties: none.

4.Information regarding securities held as of December 31 2004:

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Bank	Account name	Year-end				Remarks
				Number of shares	Book value	Percentage of shares	Market value (note 1)	
Fuhwa Leasing Co., Ltd.	Stock: Eastern Broadband Telecom Co., Ltd.	-	Long-term equity investments	5,000	\$ 50,000	0.08	50,000	
Fuhwa Property Insurance Agency Co., Ltd.	Beneficiary certificates: Fuhwa Bond Fund	-	Short-term investments	107	1,300	-	1,381	
"	Fuhwa Bond Fund	(note 2)	"	330	4,045	-	4,113	
					5,345		5,494	
Fuhwa Life Insurance Agent Co., Ltd.	Fuhwa Bond Fund	-	"	139	1,700	-	1,806	
"	Fuhwa Bond Fund	(note 2)	"	593	7,106	-	7,380	
"	Polaris De-bao Fund	-	"	172	1,800	-	1,859	
					10,606		11,045	
					\$ 65,951		66,539	

Note 1: If market value of marketable securities and long-term equity investments is available, then it will be considered as the fair value. If market value is not available, fair value is estimated by using book value.

Note 2: The management company and parent company are both subsidiaries of Fuhwa Financial Holding Co., Ltd.

5.Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

6.Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

7.Information on the disposal of the real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

8.Information regarding discounted processing fees on transactions with related party for which the amount exceeded NT\$5 million: none.

9.Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: none.

10.Information regarding trading in derivative financial instruments: none.

11.Information regarding selling non-performing loans for which the amount exceeded NT\$5 billion: none.

12.Other material transaction items which were significant to people who use the information in the financial statements: none.

VI. Analytical assessment of risk management

(I) The organization structure and policies of Fuhwa risk management

Risk Management Department was established independently under the President of Fuhwa Bank. The Risk Management Department is further divided into Market Risk, Credit Risk, Operational Risk, Legal Counseling and Law Compliance divisions. The Risk Management Department is in charge of risk control for the entire bank, assessment of the enforcement of risk management and the risk management information system establishment.

In line with the risk management policies stipulated by the “Risk Management Committee” of Fuhwa Financial Holding Co., Ltd., the Risk Management Department has prescribed risk management regulations and rules for various business operations, and overseen the risk management of market, credit, operation, and law. The short-term and mid-term risk management goals are to integrate and improve the information system, to set up the market risk database system and the “credit review e-system” and “summary internal credit rating systems”. The long-term goal of risk management is to quantify risk, establish risk value management and rating mechanism to proceed with risk pricing and optimal capital allocation to maximize value for shareholders.

(II) Measures and approaches to risk control and exposure quantification

1. General disclosure

(1) Credit risk

Credit risks are divided into corporate banking risks and consumer banking risks. To further define credit review function, the Review Department of corporate banking services was divided into Corporate Banking Department and Corporate Banking Credit Department. The Consumer Banking Department was divided into Consumer Banking Department and Consumer Banking Credit Department. By distinguishing business development from credit review, we assured that the goals of risk management are met. On the other hand, as the nonperforming loan collection process differs between corporate and consumer banking, consumer banking collection will be handled by the consumer banking credit department from 2004.

Corporate banking business:

- ① Strictly enforces the decisions of the Credit Review Committee.
- ② Continuously strengthen the management and review systems after loan extension.
- ③ Set up and control the credit lines of conglomerate groups.
- ④ Establish the alert and report system of abnormal loans.
- ⑤ Strengthen the training of credit and due diligence personnel.

Consumer banking business:

- ① Introduce the credit scoring system for consumer banking products.
- ② Establish credit review and collection system to boost efficiency.
- ③ Enforce centralized collection and outsourcing to assure higher rate of recovery.

The short-term goals of credit risk:

To improve the risk management system and meet the requirements of Basel II, Fuhwa Bank has set up the Consumer Banking Credit Review System and Collection System in 2004. In 2005, we will further set up the Corporate Banking Credit Review System. The Corporate Banking Credit Department will develop an internal rating system to quantify PDs in 2005. Meanwhile, in the group's data warehouse, we will set up a credit risk data mart to engage in historical data collection, cleansing and screening to facilitate the establishment of the risk management system.

(2) Market risks

Control over trading lines and price risks: For market risks incurred as a result of financial operation, interest rate and exchange rate financial products are reviewed regularly each year regarding counterparty lines and trader's lines. By end of every business day, product sensitivity analysis (e.g., duration, PV01, Delta) and individual trader's performances are provided to the financial trading management for review.

The decision making system under the delegation hierarchy:

Set up each level's authorization limits for investment operations. No managers may approve transactions beyond their respective authorization. The credit line control, individual trader or counterparty credit line adjustments, transaction check-and-balance and stop-loss monitoring shall fall within the same authorization.

Risk management system establishment:

In line with the Financial Holding Risk Management Committee policies, the bank participated in the setup of an integral market risk management system to meet Basel II requirements on risk management quality as well as the enforcement plans regards to State-ment of Financial & Accounting Standards No. 34. The bank introduced the assessment and fair value model to evaluate the financial products. The market risk management system project evaluation and selection of consultant are commenced in 2005. The upper limit for the bank's total market risk and the risk value of each individual trading unit will be established when the market information system is completed to effectively assess the overall market risk exposure.

(3) Operation risks

We are striving for a consistent and systematic operational risk management procedure and complying with such procedure to identify, analyze and assess the operational risk. Operational risks are consistently monitored and adjusted according to the indicators established by the nature of risks. An operational risk management mechanism will be established in accordance with Basel II risk management requirements to effectively reduce loss and capital provisioning.

(4) Legal risks

Fuhwa Bank has assigned legal specialists to review relevant laws and regulations, M&A agreements, investment contracts and syndicate loan agreements, and to assist with employees to understand the laws and regulations. When necessary, a legal counsel will be available to review major agreements and legal documents to protect the bank's rights and be in compliance with relevant regulations.

2. Quantified risk exposure information regarding quantified huge risks

(1) Items to be disclosed for credit risks

① Items on the sheet—risks asset

December 31, 2004
In NT 1,000 dollars

Item	Risk Weight	Risk asset
Secured by the Central government	0%	-
Claims on domestic public-sector entities, excluding central government, and loans guaranteed by such entities.	10%	-
Secured by domestic banks	20%	3,190,765
Residential mortgage backed loan	50%	29,925,965
Secured by other asset	100%	143,475,043
Less : Specific loss provisions, not including write-offs	100%	(1,230,203)
Total	-	175,361,570

② Items beyond the table—credit risks and amount of risk-oriented risks

December 31, 2004
In NT 1,000 dollars

Item	Risk Weighted Assets
Off-balance sheet items	15,127,220
Derivatives	246,693
Repurchase agreement	166,015
Resale agreements	0
Total	15,539,928

③ Acting as an originator, the tranches, amount issued, outstanding balance and repurchased balance of the securities issued by the trust or assigned asset: None.

3. Provisioning of market risk and risk asset, as indicated below:

Provisioning of market risk and risk asset

December 31, 2004
In NT 1,000 dollars

Risk	Capital to be provisioned	Risk asset(*)
Interest Rate Risk(IRR)	549,818	6,872,725
Equity Exposure	521,092	6,513,650
Exchange Risk	51,488	643,600
Commodity Risk	0	0
The Simple Approach	3,776	47,200
Total	1,126,174	14,077,175

(*): The amortized capital × 12.5 times.

4. For Banks that use model to calculate asset required for market risk, disclosure items for asset portfolio that model may apply : N/A.

5. Liquidity: asset and liability maturity analysis

Analysis on the mature assets & liabilities — New Taiwan Dollars

December 31, 2004
In 1,000,000 NT dollars

Amount Outstanding by Time Remaining to Maturity						
	Total	0~30 days	31~90 days	91~180 days	180 days~1 year	More than one year
Asset	254,487	47,589	15,663	17,345	15,005	158,885
Liability	240,786	97,023	29,824	31,169	54,935	27,835
Gap	13,701	(49,434)	(14,161)	(13,824)	(39,930)	131,050
Cumulative Gap	(294,096)	(49,434)	(63,595)	(77,419)	(117,349)	13,701

(*): Figures in this table include only the amounts in New Taiwan Dollars (excluding foreign currencies) of the Head Office and domestic and overseas branches at home and abroad.

(III) The impact of changes in major local and international policies and regulations and the countermeasures

1. The “Labor Pension Rules” will be enforced on July 1, 2005. Under the newly promulgated system, the pension reserve is appropriated at a fixed rate to be borne by the employer, which is 6% of the employer's monthly pay. To enhance labor relationship, Fuhwa Bank employees may choose at their own discretion between both systems. The bank will also set aside pension fund reserves pursuant to the law for better employee welfare with a hope to retain talents for the bank.

2. Amendment Article 22-1 of the “Consumer Protection Law” establishes the unified percentage disclosure system for consumer loan costs. Namely, all costs required for the loans shall be converted into and shown by annual interest rate. As Fuhwa Bank does business with good faith and seeks to meet consumers’ needs, it will make the relevant calculations disclosure available pursuant to the law.

3. The amendment “Regulations governing the Bank's Asset evaluation loss provisioning and Non-Performing Loan and Bad Debt collection” are scheduled to be enforced on July 1, 2005. The highlights of the amendments include: loans under surveillance shall be included in nonperforming loans, asset types are changed from 4 types to 5 types, and bad-debt provisioning standards have been prescribed according to asset types. To work in line with the new system, the bank will continue to write off bad debt and is planning to sell its non-performing loans to asset management companies. As for asset types, the bank has evaluated the new system and ran calculations on the bad-debt provisioning in connection with the loan collaterals and overdue period. The bank also made bad-debt provisioning every month to reduce the new system's impact on the bank.

(IV) How technological and industrial changes impact the bank's financial operation and how the bank reacts.

Industrial transformation is critical to a business operation and will indirectly affect a bank's credit quality. Once a business entity encounters operational difficulties, the entity or its employees' repayment may be a problem and lead to default, ultimately increases the nonperforming loans of the bank and affects profit. To respond to such impact, the following is the strategy adopted:

1. To be informed of purpose of the loan, payment source and collateral quality, to improve credit quality and reduce risk.

2. Strengthen loan extension review follow-ups; reinforce debtor's activity monitoring to maintain credit quality. Plan front desk's review counsel to improve review quality and secure debt.

(V) How the change of image affects a bank and how it reacts.

Corporate image is established in a long and complicated process, which is also the process the public media and the general public communicate to and affect each other. Once a corporate image is established, it usually won't change easily. On the other hand, a corporate image needs to be established as well as maintained.

Fuhwa Bank joined Fuhwa Financial Holding Co., Ltd. by share swap in August 2002. Since then, Fuhwa's image has been a regional bank. To reshape its image, Fuhwa has been working hard to enhance image and deepen customer relationships.

1. Customer relations : In addition to increasing outlets (from 37 outlets to 58) to enhance accessibility, the bank also introduced a number of new products to meet customer's needs. At the same time, the bank also seeks to improve professionalism of sales personnel to enhance customer satisfaction.

2. Company image : Fuhwa has been devoting itself to participate and hold non-profit activities. Taking advantage of the mass media, the products and the bank gained exposure. As corporate ideal was made known, the bank's image and customer satisfaction both were improved.

(VI) Anticipated benefits and potential risks from M&A

Anticipated benefits

1. Since we took over the Taitung Credit Cooperative, we have gained additional number of strongholds and accounts. That means significant benefit to our business scale, efficiency and competitive edge.

2. Analysis on the influence upon public interests from the take-over of Taitung Credit Cooperative:

(1) Improve banking service quality:

Taitung Credit Cooperative was comparatively small in size and had limited resources. Since it joined Fuhwa Bank, it had significantly improved its service quality through the shared resources.

(2) Added convenience:

Our customers enjoy the convenience brought by the additional number of outlets.

(3) Added financial stability

Through the take-over of the Taitung Credit Cooperative, over-banking in Taiwan was solved and helped to improve operation efficiency as well as financial stability.

(4) A practical solution to a problem financial institution:

We took over Taitung Credit Cooperative primarily in an attempt to echo the government policy to stabilize the banking industry. By means of M&A, we hope to solve some of the banking problems.

Potential risks

In an effort to broaden business horizons, expand outlets, and boost our competitive edge, we took over the Taitung Credit Cooperative, including all of its assets and liabilities. The potential risks in the take-over included the increasing amount of non-performing loans, no-performing loan ratio and bad-debt. However, with the take-over, the bank's capital adequacy is still above the 8% regulatory limit and the non-performing loan ratio remains below the 5% regulatory limit. Fuhwa Bank's performance has not been affected so far.

(VII) Anticipated benefits and potential risks from additional number of outlets

Anticipated niches

1. Fuhwa Bank has expanded its distribution channel and extended its business scale to achieve economies of scale.
2. Through the joint marketing targets of the financial holding group, economies of scale would be improved and provide more comprehensive services to clients.

Potential risks

1. To support the business operation of the outlets, we are bound to procure more operational systems and resource planning systems. This will raise the break-even point.
2. As the numbers of salespeople were significantly boosted to operate the additional outlets, there is certain risk in the performance of the staff and training program efficiently.

(VIII) Concentrated business risk

1. Client concentration risk

We have complied with Article 33-3 of the Banking Law, which limits the credit line to the same individual, the same interested party and the same affiliate. A credit line will also be determined for groups to prevent concentration risk.

2. Industry concentration risk

To diversify risk, the bank reviews credit terms as needed according to industrial cyclicity, and regularly prepares statements to reveal status of loans to various industries.

3. Loan collateral risk

In accordance with Article 72-2 of the Banking Law, the bank grants corporate construction and residential construction loans.

4. Sovereign Risk

Fuhwa Bank has established individual credit lines for every sovereign state. It will promote internationalization of financial operations and strengthen the overall risk manageability of exchange credits.

(IX) How changes of controlling stake affect the bank and the risk entailed

Here at Fuhwa Bank, the managerial staff holds strictly defined authorities. The internal control system and audit system have both been implemented substantively. A comprehensive set of management rules and detailed job duty and authorization have been regulated to sustain operation. Any change in the controlling stake affects little to the operation of the company.

(X) Litigious and non-litigious actions: N/A.

(XI) Other significant risks: N/A

VII. Crisis responding mechanism

To strengthen the bank's emergency rescue system and preventive measures, so as to respond efficiently and effectively to reduce loss and restore normal operation in the event of any emergency (including fire, typhoon, earthquakes, runs, protest, epidemics or other devastations), the bank has enacted the "Fuhwa Commercial Bank Guidelines for Emergency Responding Procedures" and organized the "Emergency Responding Task Force" and "Emergency Report System" with the President being the convener and the Vice President being the deputy convener. The hazard prevention trainings and drills are held regularly to strengthen protective facilities, such as fire, earthquake and explosion-proof equipment and medicine kits. In the event of emergencies, all Fuhwa units will immediately contact the subject authorities, the Taiwan Securities Exchange, Securities and Futures Commission and the banking industry to hold an emergency task force meeting for countermeasures.

VIII. Other major events: None.

Operation of corporate governance

Items	Descriptions	Differences from the Corporate Governance Regulations Governing Banking Industry and Cause
<p>Fubwa Bank's shareholding structure and shareholders' equity.</p> <p>(II) How Fubwa Bank handles proposals made by shareholders or disputes.</p> <p>(III) The controlling shareholders of the bank and their ultimate controllers.</p> <p>(IV) Fubwa Bank's establishment of the risk control mechanism of affiliates and firewalls.</p>	<p>Fubwa Bank's shareholders are Fubwa Financial Holding Co., Ltd.. The board of directors will act as the shareholders at the shareholder's meeting.</p> <p>I. The risk management systems of Fubwa Bank and its affiliates shall be made in accordance with relevant rules and regulations. An "Interest Party Search System" is available for inquiries.</p> <p>II. The transactions will be reported to the board of directors for review.</p>	<p>Same as left</p>
<p>I. Composition and duties of the board members</p> <p>(I) Fubwa Bank's independent directors.</p> <p>(II) Regular assessment of the independency of the CPAs.</p>	<p>All Fubwa Bank's directors are the judicial person representatives assigned by Fubwa Financial Holding Co., Ltd.</p> <p>All CPAs retained by Fubwa Bank are independent CPAs.</p>	<p>Same as left</p>
<p>II. Composition and duties of supervisors</p> <p>(I) Fubwa Bank's establishment of independent supervisors.</p> <p>(II) Communications between the supervisors and Fubwa Bank's employees and shareholders.</p>	<p>All Fubwa Bank's supervisors are the judicial person representatives assigned by Fubwa Financial Holding Co., Ltd.</p> <p>Supervisors shall attend the board meetings and may be reached at any time for discussions.</p>	<p>Same as left</p>
<p>V. Communication channels with interested parties.</p>	<p>All relevant parties may contact Fubwa Bank if necessary.</p>	
<p>VI. Information disclosure</p> <p>(I) Fubwa Bank's website establishment, financial operation disclosure and the bank's corporate governance.</p> <p>(II) Fubwa Bank's other disclosures (e.g., establishing an English language website, appointment of personnel to collect and disclose Fubwa Bank's information, reinforce the spokesman system, operational results published on Fubwa Bank's website).</p>	<p>I. All departments and offices have been staffed with designated personnel in collecting information and update the information to be disclosed on the information observation website regularly for external use..</p> <p>II. Fubwa Bank has designated a spokesman and setting spokesman.</p> <p>III. Fubwa Bank has set up a corporation website: https://www.fubwabank.com.tz</p>	
<p>VI. Fubwa Bank's Review Committee performance.</p>	<p>N/A</p>	<p>The duties and responsibilities of the Review Committee are to be handled by the designated departments and offices. The Committee shall report to the board of directors.</p>

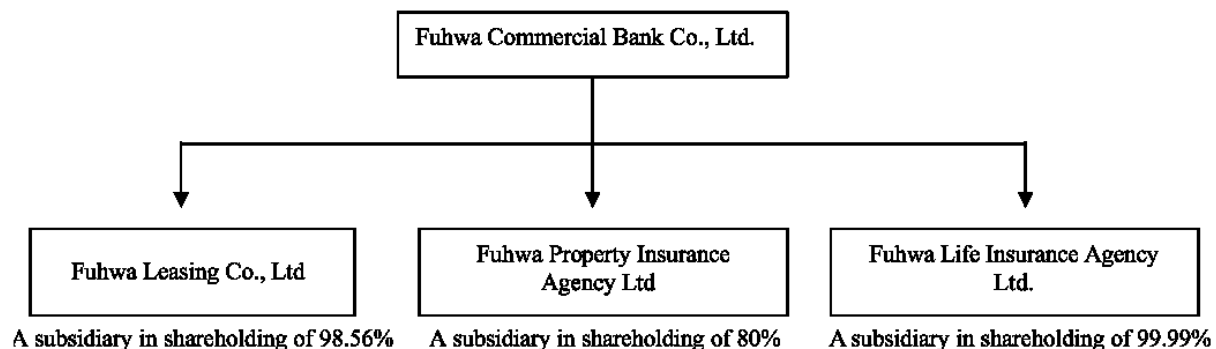
VII. Other information that helps to understand the bank's corporate governance (e.g., higher education of the directors and supervisors, attendance of the directors and supervisors at the board meeting; risk management policies and enforcement of risk measures, customer protection policy enforcement, the directors' income from issues involving their interests; insurance purchased by Fulwa Commercial Bank for its directors and supervisors regarding their liability, risk control)

- (I) Fulwa Bank has arranged advanced education programs for its directors and supervisors.
- (II) The directors and supervisors shall attend the board meetings in accordance with the Company Law.
- (III) Fulwa Bank has prepared its operation manual and handbook for all operations with a unified standard so as to prevent operational risk. It will hold internal reviews regularly and from time to time to substantiate internal control and auditing.
- (IV) Fulwa Bank has compiled with the daily, weekly and monthly audit requirements set by the "Over-the-Counter Securities Market (OTSM)" and has set up the "Customer Service Division" to handle clients' complaint and respond to the complaints appropriately.
- (V) All directors shall excuse themselves from issues concerning the interested parties.
- (VI) Fulwa Bank has not purchased liability insurance for its independent directors and supervisors.
- (VII) As always, Fulwa Bank has been operating with good faith to sustain its business growth and to continuously introduce new financial services. Fulwa Bank will seek to diversify its operations to create maximum values for shareholders.

Special Items

I.Particulars of affiliates

(I)Organization chart of affiliates



(II)Particulars of affiliates

December 31, 2004

Company names	Founding dates	Address	Paid-in capital(Thousand New Taiwan Dollars)	Major business or production
Fuhwa Leasing Co., Ltd.	July 24,1998	7F.,No130, Sec.3, Nanjing E. Rd., Taipei City , Taiwan	199,880	Leasehold
Fuhwa Property Insurance Agency Ltd.	Oct. 2,1999	2F.,No.327,Song-long Rd., Taipei, Taiwan	3,600	Property insurance agent
Fuhwa Life Insurance Agency Ltd.	Nov.20,2001	2F.,No.327,Song-long Rd., Taipei, Taiwan	2,000	Life insurance agent

(III) Particulars of directors, supervisors and general managers of affiliates

December 31, 2004

Company name	Title	Name or statutory representative	Number of shares held		Remarks (It represents the individual shareholding)	
			Number of shares	Shareholding	Number of shares	Shareholding
Fuhwa Leasing Co., Ltd.	Chairman	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Luke Wu	19,700,000	98.56		
	Director	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Chan-chih, Yang				
	Director	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Kuang-chung Liao				
	Director	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Joseph Chiang				
	Supervisor	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Steven Chiu Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Young-yi Chen				
Fuhwa Property Insurance Agency Ltd.	Director	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Young-yi Chen	288,000	80.00		
Fuhwa Life Insurance Agency Ltd.	Chairman & General Manager	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Young-yi Chen	199,994	99.99		
	Director	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Steven Chiu				
	Director	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Yao-hua Liu				
	Director	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Shu- tseng Lin				
	Supervisor	Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Sunny Lin Statutory representative of Fuhwa Commercial Bank Co.,Ltd. : Chi-fu Liu				

(IV) Business performance by affiliates

Company name	Amount of capital	Total asset	Total liabilities	Net worth	Operating revenues	Operating profits	Profit(Loss) (After tax)	EPS(NT\$) (After tax)
Fuhwa Leasing Co., Ltd.	199,880	308,478	163,866	144,612	580,427	(9,280)	(6,735)	(0.34)
Fuhwa Property Insurance Agency Ltd.	3,600	6,638	694	5,944	8,978	2,035	1,539	4.28
Fuhwa Life Insurance Agency Ltd.	2,000	103,577	33,182	70,395	286,571	82,000	61,552	307.76

II. Internal Control

(I) Internal Control Declaration

復華商業銀行股份有限公司 內部控制制度聲明書

中華民國94年02月17日

本公司民國93年01月01日至93年12月31日之內部控制制度，依據自行檢查的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、財務報導之可靠性及相關法令之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據行政院金融監督管理委員會證券期貨局訂頒「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1. 控制環境，2. 風險評估，3. 控制作業，4. 資訊及溝通，及5. 監督。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、本公司業已採用上述內部控制制度判斷項目，檢查內部控制制度之設計及執行的有效性。
- 五、本公司基於前項檢查結果，認為本公司上開期間的內部控制制度(含對子公司之監理)，包括知悉營運之效果及效率目標達成之程度、財務報導之可靠性及相關法令之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 七、本聲明書業經本公司民國94年02月17日董事會通過，出席董事七人中，有零人持反對意見，餘均同意本聲明書之內容，併此聲明。

復華商業銀行股份有限公司



董事長：

高松鳴



簽章

總經理：

陳永興



簽章

(II) Exposure of CPAs' audit reports where CPAs have been hired to conduct internal control systems.

會計師檢查復華商業銀行股份有限公司報告

復華商業銀行股份有限公司董事會 公鑒

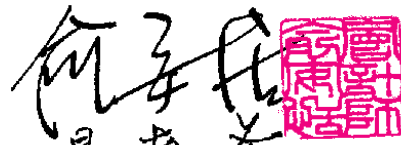
依據金融監督管理委員會(原財政部)頒佈銀行內部控制及稽核制度實施辦法第二十六條第一項之規定：銀行年度財務報表由會計師辦理查核簽證時，應委託會計師辦理銀行內部控制制度之查核，並對銀行申報主管機關表報資料正確性、內部控制制度及遵守法令主管制度執行情形、備抵呆帳提列政策之妥適性表示意見。

本會計師受復華商業銀行股份有限公司委託，辦理上開事項，並依同法第二十九條之規定，檢附查核範圍、查核內容及查核結果如附件。

本檢查報告僅供 貴公司參考， 貴公司除提供金融監督管理委員會銀行局作為監理之參考外，不可作為其他用途或分送其他人士。

安侯建業會計師事務所

會計師：




原證期會核：(88)台財證(六)第18311號
准簽證文號

中華民國九十四年三月二十一日

III. Directors or Supervisors who have objected the major decisions resolved in the board of directors with records or written declaration in recent years and as of the Yearbook date and the major contents: Nil.

IV. Status of securities raised privately in recent years and as of the Yearbook date. Disclosure of the dates on which when the amounts, prices were resolved in the shareholders' meeting or board of directors meeting, the rationality, method to choose specified parties and the reasons to raise the fund privately.

V. The Fuhwa Commercial Bank stocks held or disposed by subsidiaries in recent years and as of the Yearbook date: Nil.

VI. Major decisions resolved in the shareholders' meeting and board of directors meeting:

The board of directors resolved in the meeting held on January 5, 2005 that Fuhwa Commercial Bank take over all assets and liabilities in full of "Guaranteed Responsibility the Seventh Credit Cooperative of Tainan City".

VII. Disclosure on penalty imposed over the past two years over defects and the corrective action taken:

Facts in disclosure	Facts and amounts involved
Prosecution by the prosecutor upon Fuhwa Commercial Bank's responsible person or staff because of violation of law on business operation.	Nil
Penalty fine imposed by the Financial Supervisory Commission because of violation of law.	Nil
Shortcomings for which Fuhwa Commercial Bank received harsh rectification from the Financial Supervisory Commission.	In the OO Special Audit Project by the Ministry of Finance, in the subscription to new shares by employees in the Nanking E. Road branch, Fuhwa Commercial Bank did not proceed with the case through account transfer as required. Regarding the issue, the Ministry of Finance remarked the opinions of "stiff rectification recommended" in writing.
Penalty imposed by Financial Supervisory Commission, Executive Yuan in accordance with Article 61 of the Banking Law.	Nil
Loss(es) amounting to over NT\$50 million substantially in the respective years, resulting from fraud, major contingencies (fraudulence, larceny, embezzlement, stealing of property, fake transaction, falsified vouchers and securities, receipt of kickbacks, damages resulting from natural disaster, loss incurred by external forces, hacker attack, stealing of data or disclosure of business secrets and customer databases) or failure to follow Guidelines on Financial Institutions in Safety & Security Maintenance, individually or in total. Should disclose the attributes and amounts of loss.	Nil
Other disclosure as designated by the Financial Supervisory Commission, Executive Yuan	Nil

VIII. Milestones of Fuhwa Commercial Bank, 2004

- 2004-1 Fuhwa Commercial Bank participated in the Wealth & Life Expo.
- 2004-3 “Toulio Credit Cooperative” was relocated to 280 Wuchia 2nd Road, Fengshan City, Kaohsiung County and renamed “Fengshan Branch”
- 2004-3 “Chungshan Branch” was relocated to 429 Chungshan Road, Taoyuan City and renamed “Taoyuan Branch”
- 2004-6 Fuhwa Commercial Bank successfully launched the Taitung Credit Cooperative, to increase from 42 to 50 outlets.
- 2004-7 Fuhwa Financial Holding Co., Ltd. reorganized itself to integrate the resources of the entire conglomerate for co-share of resources.
- 2004-7 Fuhwa Commercial Bank inked contract with UFI to jointly exploit Accounts Receivable business for Taiwan-based investors.
- 2004-7 Fuhwa Commercial Bank spearheaded the trend by launching “Liability Management Card” as a real trendsetter.
- 2004-8 Fuhwa Commercial Bank launched “Reciprocal Housing Loans” .
- 2004-10 Teamed up with the three Top Heavyweights (Fuhwa Commercial Bank, Singfor Life, Rebar Rehousing) for the first time to launch “Blessed Home” Project.
- 2004-10 Rolled out “Multifaceted Loan” House Loan products by combining house loan and life insurance.
- 2004-10 Relocated Feng Jung Branch” to 1F, 618 Juikuang Road, Neihu District, Taipei and renamed it “Neihu Branch” .
- 2004-10 Relocated “Chungshan Branch” to 429 Chungshan Road, Taoyuan City and renamed it “Taoyuan Branch” .
- 2004-10 Relocated “Tsetung Branch” to 1F~4F, 242 Wenhua 2nd Road, Panchiao City, Taipei County and renamed it “Panchiao Branch” .
- 2004-11 Fuhwa Commercial Bank premiered its Money Fund in Taiwan.
- 2004-11 Relocated its “Kukeng Branch” to 1F~3F, 449 & 451 Chungshan Road, Jenteh Hsiang, Tainan County and renamed it “Jenteh Branch” .
- 2004-12 Fuhwa Commercial Bank launched low interest rate small amount consumer loan products known as the “Da Chang Jing” to garner the markets.
- 2004-12 In celebration of the branch relocation, Fuhwa Commercial Bank launched the highly competitive “Open Sesame” and “Password to Wealth” programs to benefit clients.
- 2004-12 Taiwan Ratings Corporation significantly raised the credit rating of three subsidiaries under Fuhwa Holding Corporation, i.e., Fuhwa Commercial Bank, Fuhwa Financial Holding and Fuhwa Securities Finance by two degrees in a row, from “twBBB” to “twA- “ and gave an overall rating of prospect “Steady” .
- 2004-12 Relocated “Chihpen Branch” to 1F~2F, 236 & 238 Fuhsing 1st Road, Kuishan Hsiang, Taoyuan County and renamed it “Linkou Branch” .
- 2004-12 Relocated “Taitung Branch” to 1F~2F, 208 Kuangming 6th Road, East Section I, Chupei City, Hsinchu County and renamed it “Chupei Branch” .
- 2004-12 Relocated “Fenglo Branch” to 1F~2F, 74 & 76 Chungcheng Road, Chinhu Township, Kenmen County and renamed it “Kinmen Branch” .

全省營業單位 Head Office and Branches

- ◆ **總公司 Head Office**
100 台北市忠孝西路一段4號
No.4, Sec.1, Jhongsiao W. Rd.,
Taipei City 100, Taiwan
TEL: (02)2380-1888
- ◆ **信託部 Trust Department**
100 台北市忠孝西路一段4號2樓
2F, No.4, Sec.1, Jhongsiao W. Rd.,
Taipei City 100, Taiwan
TEL: (02)2380-1888
FAX: (02)2380-1940
- ◆ **國外部 International Department**
100 台北市忠孝西路一段4號2樓
2F, No.4, Sec.1, Jhongsiao W. Rd.,
Taipei City 100, Taiwan
TEL: (02)2380-1888
FAX: (02)2380-1789
- ◆ **國際金融業務分行 Offshore Banking Unit**
100 台北市忠孝西路一段4號2樓
2F, No.4, Sec.1, Jhongsiao W. Rd.,
Taipei City 100, Taiwan
TEL: (02)2380-1888
FAX: (02)2380-1789
- ◆ **財務部 Finance Department**
100 台北市忠孝西路一段4號7樓
7F, No.4, Sec.1, Jhongsiao W. Rd.,
Taipei City 100, Taiwan
TEL: (02)2380-1888
FAX: (02)2380-1910
- ◆ **營業部 Business Department**
100 台北市忠孝西路一段4號
No.4, Sec.1, Jhongsiao W. Rd.,
Taipei City 100, Taiwan
TEL: (02)2380-1799
FAX: (02)2380-1700
- ◆ **台北分行 Taipei Branch**
106 台北市敦化南路一段325號
No.325, Sec.1, Dunhua S. Rd., Taipei
City 106, Taiwan
TEL: (02)2705-7888
FAX: (02)2755-3751
- ◆ **景美分行 Chingmei Branch**
116 台北市文山區景文街3號
No.3, Jingwun St., Wnushan District,
Taipei City 116, Taiwan
TEL: (02)8663-6766
FAX: (02)8663-3139
- ◆ **城東分行 Chengtung Branch**
104 台北市南京東路三段128號
No.128, Sec. 3, Nanjing E. Rd.,
Taipei City 105, Taiwan
TEL: (02)8772-5788
FAX: (02)8772-5988
- ◆ **南京東路分行 Nanjing East Road Branch**
105 台北市南京東路五段139之8號
No.139-8, Sec. 5, Nanjing E. Rd.,
Taipei City 105, Taiwan
TEL: (02)2756-3777
FAX: (02)2756-3811
- ◆ **士林分行 Shihlin Branch**
103 台北市士林區中正路314號
No.314, Jhongjheng Rd., Shihlin Dist
rict, Taipei City 111, Taiwan
TEL: (02)2837-6638
FAX: (02)2835-5886
- ◆ **內湖分行 Neihu Branch**
114 台北市內湖區瑞光路618號1樓
No.618, Rueiguang Rd., Neihu
District, Taipei City 114, Taiwan
TEL: (02)8751-8759
FAX: (02)8751-9858
- ◆ **永和分行 Yonghe Branch**
234 台北縣永和中市正路606號
No.606, Jhongjheng Rd., Yonghe
City, Taipei County 234, Taiwan
TEL: (02)2232-5558
FAX: (02)2232-5568
- ◆ **三重分行 Sanchong Branch**
241 台北縣三重市重新路三段111號
No.111, Sec. 3, Chongsin Rd., San
chong City, Taipei County 241, Taiwan
TEL: (02)2983-2255
FAX: (02)2988-5810
- ◆ **新莊分行 Sinjhang Branch**
242 台北縣新莊市中正路379號
No.379, Jhongjheng Rd., Sinjhuang
City, Taipei County 242, Taiwan
TEL: (02)2206-7799
FAX: (02)2206-9977
- ◆ **板橋分行 Banciao Branch**
220 台北縣板橋市文化路二段242號
No.242, Sec. 2, Wunhua Rd.,
Banciao City, Taipei County 220,
Taiwan
TEL: (02)8259-7979
FAX: (02)8259-7676
- ◆ **桃園分行 Taoyuan Branch**
330 桃園縣桃園市中山路429號
No.429, Jhongshan Rd., Taoyuan
City, Taoyuan County 330, Taiwan
TEL: (03)337-2211
FAX: (03)334-2381
- ◆ **中壢分行 Chungli Branch**
320 桃園縣中壢市普義路175號
175 Pu I Road, Chung Li, Taoyuan
County 320, Taiwan
TEL: (03)461-7878
FAX: (03)451-1804
- ◆ **南崁分行 Nankan Branch**
338 桃園縣蘆竹鄉中正路309號
No.309, Jhongjheng Rd., Lujhu
Township, Taoyuan County 338, Taiwan
TEL: (03)312-9550
FAX: (03)312-9551
- ◆ **平鎮分行 Pingjhen Branch**
320 桃園縣平鎮市環南路18號
No.18, Huannan Rd., Pingjhen City,
Taoyuan County 324, Taiwan
TEL: (03)494-2690
FAX: (03)494-3064
- ◆ **林口分行 Linkou Branch**
333 桃園縣龜山鄉復興一路236、238號
No.236&238, Fusing 1st Rd.,
Gueishan Township, Taoyuan County
333, Taiwan
TEL: (03)328-8999
FAX: (03)328-8668
- ◆ **新竹分行 Hsinchu Branch**
300 新竹市民生路276號
No.276, Minsheng Rd., Hsinchu City
300, Taiwan
TEL: (03)545-6688
FAX: (03)545-6008
- ◆ **竹北分行 Jhubei Branch**
302 新竹縣竹北市光明六路東一段208號
No.208, Dong Sec. 1, Guangming
6th Rd., Jhubei City, Hsinchu County
302, Taiwan
TEL: (03)658-1212
FAX: (03)658-1233
- ◆ **宜蘭分行 Yilan Branch**
260 宜蘭縣宜蘭市中山路三段128號
No.128, Sec. 3, Jhongshan Rd.,
Yilan City, Yilan County 260, Taiwan
TEL: (03)932-5566
FAX: (03)932-2233
- ◆ **苗栗分行 Miaoli Branch**
360 苗栗縣苗栗市中正路458號
No.458, Jhongjheng Rd., Miaoli
City, Miaoli County 360, Taiwan
TEL: (037)336-678
FAX: (037)336-718
- ◆ **台中分行 Taichung Branch**
400 台中市民權路66號
No.66, Mincyuan Rd., Taichung City
400, Taiwan
TEL: (04)2227-1799
FAX: (04)2227-0499
- ◆ **復興分行 Fusing Branch**
402 台中市南區復興路一段269號
No.269, Sec. 1, Fusing Rd., South
District, Taichung City 402, Taiwan
TEL: (04)2261-6889
FAX: (04)2262-1060
- ◆ **文心分行 Wunsin Branch**
407 台中市西屯區文心路三段337號
No.337, Sec. 3, Wunsin Rd., Situn
District, Taichung City 407, Taiwan
TEL: (04)2297-0068
FAX: (04)2296-5966
- ◆ **北屯分行 Beitun Branch**
406 台中市北屯區昌平路一段30號
No.30, Sec. 1, Changping Rd.,
Beitun District, Taichung City 406,
Taiwan
TEL: (04)2232-9961
FAX: (04)2233-1818
- ◆ **大里分行 Dali Branch**
412 台中縣大里市塗城路724號
No.724, Tucheng Rd., Dali City,
Taichung County 412, Taiwan
TEL: (04)2492-2288
FAX: (04)2493-2355
- ◆ **豐原分行 Fongyuan Branch**
420 台中縣豐原市圓環西路23號
No.23, Yuanhuan W. Rd., Fongyuan
City, Taichung County 420, Taiwan
TEL: (04)2529-3366
FAX: (04)2529-2065

- ◆ **大甲分行 Dajia Branch**
437 台中縣大甲鎮中山路一段833號
No.833, Sec. 1, Jhongshan Rd.,
Dajia Township, Taichung County
437, Taiwan
TEL: (04)2688-6088
FAX: (04)2688-6366
- ◆ **沙鹿分行 Shalu Branch**
433 台中縣沙鹿鎮中山路535號
No.535, Jhongshan Rd., Shalu Town
ship, Taichung County 433, Taiwan
TEL: (04)2665-6656
FAX: (04)2665-6503
- ◆ **草屯分行 Caotun Branch**
542 南投縣草屯鎮太平路二段118號
No.118, Sec. 2, Taiping Rd., Caotun
Township, Nantou County 542, Taiwan
TEL: (049)232-1661
FAX: (049)232-1800
- ◆ **彰化分行 Changhua Branch**
500 彰化縣彰化市中山路二段898號
No.898, Sec. 2, Jhongshan Rd.,
Changhua City, Changhua County
500, Taiwan
TEL: (04)726-7001
FAX: (04)726-6992
- ◆ **員林分行 Yuanlin Branch**
510 彰化縣員林鎮大同路二段283號
No.283, Sec. 2, Datong Rd., Yuanlin
Township, Changhua County 510,
Taiwan
TEL: (04)835-6403
FAX: (04)835-2653
- ◆ **鹿港分行 Lugang Branch**
505 彰化縣鹿港鎮中山路321號
No.321, Jhongshan Rd., Lugang
Township, Changhua County 505,
Taiwan
TEL: (04)778-5799
FAX: (04)777-9779
- ◆ **北斗分行 Beidou Branch**
521 彰化縣北斗鎮光復路166號
No.166, Guangfu Rd., Beidou Town
ship, Changhua County 521, Taiwan
TEL: (04)887-3881
FAX: (04)887-3886
- ◆ **溪湖分行 Sihu Branch**
514 彰化縣溪湖鎮東環路555號
No.555, Donghuan Rd., Sihu Town
ship, Changhua County 514, Taiwan
TEL: (04)882-5656
FAX: (04)882-5626
- ◆ **斗信分行 Doushin Branch**
640 雲林縣斗六市文化路29號
No.29, Wunhua Rd., Douliou City,
Yunlin County 640, Taiwan
TEL: (05)535-1799
FAX: (05)535-1313
- ◆ **斗南分行 Dounan Branch**
640 雲林縣斗南鎮中山路67號
No.67, Jhongshan Rd., Dounan
Township, Yunlin County 630, Taiwan
TEL: (05)597-1138
FAX: (05)597-1139
- ◆ **虎尾分行 Huwei Branch**
632 雲林縣虎尾鎮和平路1號
No.1, Heping Rd., Huwei Township,
Yunlin County 632, Taiwan
TEL: (05)633-9169
FAX: (05)633-9423
- ◆ **嘉義分行 Chiayi Branch**
600 嘉義市中興路185號
No.185, Jhongsing Rd., Chiayi City
600, Taiwan
TEL: (05)232-7469
FAX: (05)232-6415
- ◆ **永康分行 Yongkang Branch**
710 台南縣永康市小東路509號
No.509, Siaodong Rd., Yongkang
City, Tainan County 710, Taiwan
TEL: (06)312-6789
FAX: (06)312-1228
- ◆ **佳里分行 Jiali Branch**
722 台南縣佳里鎮文化路278號
No.278, Wunhua Rd., Jiali Township,
Tainan County 722, Taiwan
TEL: (06)721-4888
FAX: (06)721-0249
- ◆ **仁德分行 Rende Branch**
717 台南縣仁德鄉中山路449、451號
No.449&451, Jhongshan Rd., Rende
Township, Tainan County 717, Taiwan
TEL: (06)249-6088
FAX: (06)249-6379
- ◆ **台南分行 Tainan Branch**
700 台南市中西區永華路348號
No.348, Yonghua Rd., West Central
District, Tainan City 700, Taiwan
TEL: (06)293-8688
FAX: (06)293-8699
- ◆ **七信分行 Chinshin Branch**
700 台南市中西區民權路二段100號
No.100, Sec. 2, Mincyuan Rd., West
Central District, Tainan City 700, Taiwan
TEL: (06)228-1281
FAX: (06)223-7132
- ◆ **東台南分行 Dontainan Branch**
701 台南市東區東門路二段348號
No.348, Sec. 2, Dongmen Rd., East
District, Tainan City 701, Taiwan
TEL: (06)268-7815
FAX: (06)267-3371
- ◆ **文賢分行 Wunsian Branch**
704 台南市北區文賢路327號
No.327, Wunsian Rd., North District,
Tainan City 704, Taiwan
TEL: (06)258-1156
FAX: (06)258-1150
- ◆ **永興分行 Yongshin Branch**
702 台南市南區金華路一段138號
No.138, Sec. 1, Jinhua Rd., South
District, Tainan City 702, Taiwan
TEL: (06)264-3622
FAX: (06)264-3624
- ◆ **安南分行 Annan Branch**
709 台南市安南區安和路一段356號
No.356, Sec. 1, Anhe Rd., Annan
District, Tainan City 709, Taiwan
TEL: (06)246-8075
FAX: (06)246-8290
- ◆ **安中分行 Anchung Branch**
709 台南市安南區安和路四段67號
No.67, Sec. 4, Anhe Rd., Annan Dis
trict, Tainan City 709, Taiwan
TEL: (06)247-4395
FAX: (06)247-4348
- ◆ **南德分行 Naden Branch**
701 台南市東區崇德路647、649號
No.647&649, Chongde Rd., East Dis
trict, Tainan City 701, Taiwan
TEL: (06)289-0775
FAX: (06)268-4448
- ◆ **高雄分行 Kaohsiung Branch**
800 高雄市新興區民族二路38號
No.38, Minzu 2nd Rd., Sinsing Dis
trict, Kaohsiung City 800, Taiwan
TEL: (07)222-9688
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- ◆ **東信分行 Tungshin Branch**
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董事長
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