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Letter to Shareholders

Letter to shareholders

The economic growth of Taiwan in the first half of 2005 was 2.78%, lower than the United States and other Asian nations. However, the performance of the domestic economy took a turn for the better starting in the third quarter of the year. In general, Taiwan's economy could be described as cold inside and warm outside in 2005. In terms of the banking industry, domestic banks were caught up in a credit card and cash card crisis during the year. On a positive note, all banks showed support of the "Governing Rules for Rapidly Reducing Overdue Loans of Domestic Banks" issued by the Financial Supervisory Commission, in order to clean up non-performance Loan. Banks also took more of a conservative attitude towards credit risk to reduce the impact of the credit crisis and to initiate strategies aimed at improving profitability.

Confronted with a constantly changing environment, Fuhwa Commercial Bank strove to have all NPL cleaned up in 2005, reducing its overdue loan ratio to 2.49% by the end of the year and the recovery ratio of bad debt improved from 30.81% in 2004 to 42.30% in 2005. In terms of business performance, by the end of 2005, the total amount of deposits of Fuhwa Commercial Bank amounted to NT\$257.4 billion, which represented an increase of NT\$29.8 billion (13.09% growth) from the NT\$227.6 billion in 2004. Loans balance (including collection) was NT\$231.3 billion, which represented an increase of NT\$34.1 billion (17.29% growth) from the NT\$197.2 billion in 2004. Foreign exchange trade was US\$9.138 billion, which represented an increase of US\$793 million (9.5% growth) from the US\$8.345 billion in 2004. Operating revenue in 2005 amounted to NT\$11.98196 billion, while operating expenses amounted to NT\$11.85915 billion; therefore, pre-tax net income amounted to NT\$74.09 million and net income amounted to NT\$51.67 million after deducting income tax of NT\$22.42 million. Earnings per share was NT\$0.03.

Government policy currently does not allow new bank branches to be set up. Not letting this restriction stand in the way of its growth, Fuhwa Commercial Bank acquired credit cooperatives to overcome the bottleneck of having insufficient branch offices. Respectively, Fuhwa Commercial Bank merged with Tainan Seventh Credit Cooperative and Tainan Sixth Credit Cooperative in 2005; therefore Fuhwa Commercial Bank increased the total number of branches from fifty to seventy. Fuhwa Commercial Bank

plans to relocate some branches to northern Taiwan to support the deployment strategy of Fuhwa Financial Holding Co., Ltd., reinforcing Fuhwa Commercial Bank's competitiveness as a northern financial center, by providing customers with a convenient financial service network.

Facing fierce competition in the financial market coupled with diversified demands of customers, Fuhwa Commercial Bank strives to create innovative financial products and diversified profit streams. In terms of its financial business, Fuhwa Commercial Bank cooperates with domestic and offshore professional institutions and integrates financial products to promote such products as its "518 High & Hit" and "Plan Ahead." In terms of consumer banking, Fuhwa Commercial Bank promotes mortgage loans including its mortgage life insurance which is "168 Mortgage," second mortgage, financial mortgage, and "preferential interest rate mortgage." The driving force behind these products is to satisfy the diversified needs of customers by providing a full range of product lines.

Fuhwa Commercial Bank Co., Ltd. was substantially affected by the investment of Yuanta Group in Fuhwa Financial Holding Co., Ltd. in July 2005. Fuhwa Commercial Bank went through a complete re-organization in October 2005 by bringing on board the excellent management and risk control experience of Yuanta Group. The Bank was divided into six Groups based on business segments, risk control, and administrative functions. They include the Corporate Banking Group, Consumer Banking Group, Banking Service Group, Financial Markets Group, Risks Management Group, and Administration Management Group. Five vice presidents were delegated to lead these groups, establishing a strategy to integrate internal resources effectively, assign and share responsibility for profitability. Business performance will improve with greater cooperation with other subsidiaries of Fuhwa Financial Holding Co., Ltd. by capitalizing on cross-selling functions within the group. The re-organization has brought with it a new energy to the bank that will certainly begin to translate into improved business performance for 2006.

Due to the fact that Fuhwa Commercial Bank worked to improve asset quality, the macroeconomic environment is growing more stable and Fuhwa anticipated funds after the merger with Yuanta Group, Fuhwa Commercial Bank has been recognized an upgraded "positive" rating by Taiwan Ratings Corporation on December 19, 2005. Long-term and short-term credit was rated as "twA-" and "twA-2;" meaning that the creditability of debt was strong.

In 2006, according to the findings of domestic economic research institutes, Taiwan's economic growth rate is expected to be in the range of 3.96%~4.25%. Economic growth in 2006 is still subject to many uncertainties, including bird flu, oil prices, sluggish economic growth in the United States, the degree of a global recovery, the domestic political environment, and so on. However, current forecasts are predicting domestic economic expansion to be similar to that of 2005.

In terms of interest rates, the market anticipates that upward interest rate adjustments by the Fed will come to an end in 2006. However, in order to prevent the widening of the interest rate gap between Taiwan and the United States, the Central Bank of China is expected to raise interest rates in Taiwan. The economic climate in Taiwan continues to promote stable expansion; therefore the frequency and scale of interest rate hikes by Central Bank will not be dramatic.

Other economies, such as the EU and Japan, are most likely to see their interest rates rise this year. China's RMB has room to be re-valued while the advantage of the U.S. Dollar is disappearing. In the future, capital will most likely shift to Asia, creating a situation where the U.S. Dollar will no longer be the one and only strong currency, while the New Taiwan Dollar will not be unaffected.

After going through a consumer banking credit crisis and eroded profitability in Taiwan in 2005, Taiwan's banking industry will go through a substantial change in business operations in 2006. The business of bank credit and loan will turn more conservative. Also, some banking institutions may consider charging membership fee for credit card and shifting the focus of their business to mortgage, wealth management services, and/or trust service in order to develop a more differential strategy. Fuhwa Commercial Bank will continue its effort of writing off bad debt this year, seizing business opportunities with quality assets, and generating higher profitability. We will also focus on our wealth management business and

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develop comprehensive financial product lines to provide customers with diversified financial products. Besides, we will plan to issue subordinated financial debentures and cash injection. These efforts will strengthen our business operations and help us face challenges head on. Our business plan for 2006 is illustrated in more detail below:

- A. Utilize resources of the financial holding company to offer diversified financial products to satisfy customers.
- B. Reinforce our internal cross-selling abilities and reduce capital costs and operating expenses.
- C. Integrate resources within the financial holding structure to get more involved in wealth management.
- D. Make adjustments to business locations with the aim of increasing our market share in northern Taiwan.
- E. Increase automatic service equipment, expand market share, and reduce trading costs.
- F. Promote our Web-ATM, reduce OTC costs, and increase service fee income.
- G. Expand our customer base and improve business performance through internal campaigns and customer referrals.
- H. Develop our trust services and increase operational skills and capabilities.
- I. Speed up internal administration e-flow and upgrade operational efficiency.

This year we are dedicated to increasing value for our shareholders, customers, and employees. We are confident that we will be stable growth amidst competitive environment. Your ongoing suggestions, guidance, encouragements, and support are welcome, and it is crucial to our continuous growth.

Chairman

Chung P. Yen

Vice Chairman

Michael D. Ho

President

Chang-Ming Her



Company Overview

Company Overview

I. Introduction

Fuhwa Commercial Bank Co., Ltd. (referred to as “the Bank” hereinafter) was permitted by the Ministry of Finance to incorporate on January 14, 1992 and commenced operations on February 12, 1992. Upon the legislation of Taiwan’s Financial Holding Company Law, the Bank joined Fuhwa Financial Holding Co., Ltd. on August 1, 2002 through stock transfer and became a wholly-owned subsidiary. Asia Pacific commercial Bank Co., was approved to be renamed Fuhwa Commercial Bank Co., Ltd. in September 2002.

At its beginning, the Bank had only seven branches in Taiwan. However, since joining Fuhwa Financial Holding Co., Ltd. at the end of 2002, the Bank has become a professional financial institution with thirty-seven business locations in Taiwan and has a Hong Kong representative office. In order to expand its operating foundation and improve customer service, the Bank acquired four cooperative banks step-by-step. By the end of 2005, the Bank had seventy branches in metropolitan areas including Taipei, Taichung, and Kaohsiung, as well as branches to serve customers in less populated communities such as Taitung and Kinmen.

Event date	Acquired institutions	Branch increase	Total branches
2002/8	When Asia Pacific Commercial Bank joined Fuhwa Financial Holding Co., Ltd., the number of branches was 37 branches		
2003/7	Toulio Credit Cooperative, Yunlin County	5	42
2004/6	Taitung Credit Cooperative	8	50
2005/6	Tainan 7 th Credit Cooperative	8	58
2005/12	Tainan 6 th Credit Cooperative	12	70

In order to provide customers with comprehensive financial services, the Bank has invested in Fuhwa Leasing Co., Ltd., Fuhwa Property Insurance Agent Co., and Fuhwa Life Insurance Agent Co.,.

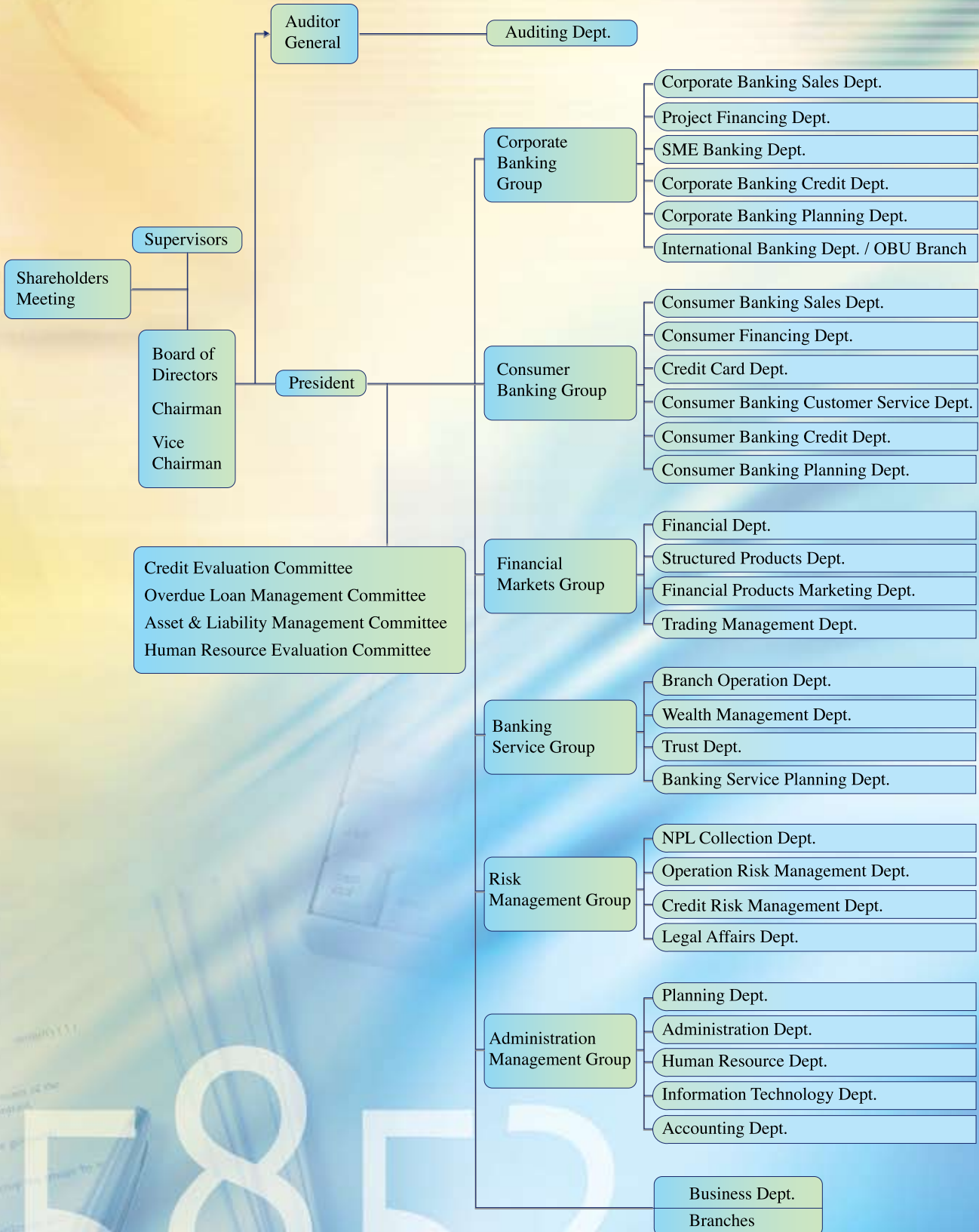
Yuanta Group joined Fuhwa FHC group on July 1, 2005. In order to support a new operating strategy and succeed in the competitive financial environment, the Bank has made some significant adjustments to its operations team. Its previous five business segments were re-organized into six business groups; moreover, five more vice presidents were recruited for each division.

From its founding, the Bank has based its operating philosophy on “sincerity, stability, service, innovation, and mercy.” Customer satisfaction stemming from innovative products and high quality service helps to establish a loyal customers. In response to the competitive pressure faced by financial institutions and the dramatic increase of online customers in recent years, the Bank has striven to develop e-Banking, reinforce e-Banking functions, and expand its banking services in breadth and depth. In addition, through using the FXML standard, developing by the Bankers Association of the Republic of China. E-payment systems were provided to corporate customers in July 2005 in order to improve corporate financial e-payment functions and value-added services. Fund transfers for corporate customers has become much more convenient. Also, a Web-ATM system was constructed in October 2005, providing a comprehensive banking service for customers.

In 2006, Fuhwa Bank will strive to increase its number of business locations, relocating some branches to northern Taiwan, as well as developing new markets outside the Taipei metropolitan area. The merger with Yuanta Group will also help to provide customers with diversified financial products and high quality services and generate maximum profit.

II. Organization

(I) Organization chart



(II) Job responsibilities:

According to the Articles of Association of the Bank, the Head Office has Groups and Departments set up in accordance with the principle of organizational division for the defined job responsibilities, as follows:

1. Banking Service Group

- (1) Branch Operation Department: Responsible for the deployment of deposit and remittances personnel and the enforcement of education & training plan, the planning and management of deposits and remittances and integration, and the performance evaluation and management of deposits and remittances personnel.
- (2) Wealth Management Department: Responsible for the development of wealth management, the enforcement of budget targets, product development, integration, and marketing activities. Also, the deployment, education and training, performance evaluation, and management of financial sales staff.
- (3) Trust Department: Responsible for the planning, development, and management of trust business, the enforcement of annual budget targets, and the process of trust business.
- (4) Banking Service Planning Department: Responsible for the planning of banking service strategy and orientation, the draft of mid-term, long-term and annual operation plan, and the draft of the service quality system, follow up, analysis, and corrective actions.

2. Corporate Banking Group

- (1) Corporate Banking Sales Department: Responsible for the development of corporate banking and the enforcement of budget targets, marketing of corporate banking, the review and approval of credit, and the process of bookkeeping and accounting.
- (2) Project Financing Department: Responsible for the planning and promotion of factoring, joint credit and project financing business.
- (3) SME Banking Department: Responsible for product R&D, integration, marketing, customer credit check, and budget target enforcement.
- (4) Corporate Banking Credit Department: Responsible for the reviewing and rechecking of credit extension loan and business regulation and management of corporate credit accounts.
- (5) Corporate Banking Planning Department: Responsible for the organizational planning and adjustment of Corporate Banking Group, the planning and enforcement of corporate staff's education and training, the planning of corporate banking operations, annual operation plan, budget targets, and the draft of performance evaluation measures; also, the development and design of corporate banking products.
- (6) International Banking Department: Responsible for the process, promotion, and management of foreign exchange business; also, for the planning and management of offshore branches.
- (7) Offshore Banking Branch: Responsible for the process of offshore financial business.

3. Consumer Banking Group

- (1) Consumer Banking Planning Department: Responsible for the planning of consumer banking business, the stipulation and enforcement of annual operation plan and budget targets, and the education and training of consumer banking personnel.
- (2) Consumer Banking Sales Department: Responsible for the market research, R&D, marketing plan, business promotion, and customer's credit check for mortgage and credit.

- (3) Consumer Financing Department: Responsible for the market research, product R&D, and marketing promotion of car loans and installment payments.
- (4) Consumer Banking Credit Department: Responsible for making consumer credit policies, case review and approval and bookkeeping and accounting, collection of NPL, and appraisal of real estate.
- (5) Consumer Banking Service Department: Responsible for the telemarketing and customer service of the Bank.
- (6) Credit Card Department: Responsible for making credit card business strategy, the enforcement of budget targets, marketing research, product R&D and interation, the planning and enforcement of advertisement and promotion, and relevant credit check and credit card issuance.

4. Financial Markets Group

- (1) Department: Responsible for the fund allocation and utilization of the Bank, including fund allocation, cash flow gap management, gapping, issuance and pricing of debentures, short-term notes and bills, trading, govemnt bond trading, foreign exchange trading, and so on.
- (2) Structured Products Department: Responsible for the development of derivative financial products, the promotion of structured financing, supervising, merging, asset securitization, and securities investment.
- (3) Financial Products Marketing Department: Responsible for interest rates and exchange rates. Also, the marketing of derivative products and financial products in the banking industry.
- (4) Trading Management Department: Responsible for asset and liability management, the planning and management of Financial Markets Group, internal control, settlement an Financial d after service.

5. Risk Management Group

- (1) NPL Collection Department: Responsible for write-off and management of nonperforming loans in corporate banking and 60 days non-performing loans or foreclosed in mortgage, as well as the summary and analysis of NPL of the Bank.
- (2) Operation Risk Management Department: Responsible for the construction, monitoring, and management of operation risk management mechanisms.
- (3) Credit Risk Management Department: Responsible for the construction, monitoring, and management of credit risk and market risk management mechanisms.
- (4) Legal Affairs Department: Responsible for the legal affairs and self-evaluation process of the Bank.

6. Administration Management Group

- (1) Administration Department: Responsible for custody of bank seals, the bank's documentation, typing, proofreading, administration, repair & maintenance, holding the Board meetings, and others administration issues of the Bank.
- (2) Human Resource Department: Responsible for the bank-wide human resources including employment, discharge, promotion, delegation, performance evaluation, salary and prize money, recruitment, education, and training.
- (3) Planning Department: Responsible for the planning and promotion of the organizational structure of the Bank, making business strategies, branches evaluation, performance evaluation, marketing, long-term investments management, and e-Banking.

- (4) Accounting Department: Responsible for the accounting system, making the planning and development of accounting procedures, budget, annual closing, and taxation.
 - (5) Information Technology Department: Responsible for the stipulation and promotion of information technology policies, the construction and enforcement of information management system, and the planning and management of information systems and information networks.
7. Auditing Department: Responsible for audit over the bank-wide sales, financial, accounting affairs, computer system, cash and inventory items and supervising internal audits.

(III) Board of directors, supervisors, president, vice president, directors, and major managers

1. Directors and supervisors (I)

December 31, 2005

Title	Name	Date of assignment	Expiration date	Date of the first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Work experience (education)	Current employment with the Bank and other organization	Other managers, directors and supervisors as spouse or kin within degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Chairman	Fuhwa Financial Holding Co., Ltd. Legal representative: C.C. Yen	06.30.2005 (Note 1)	04.28.2007	06.30.2005	1,350,000,000 (Note 2)	100%	1,800,000,000	100%	—	—	—	—	Master of Law, university of Michigan Standing Representative (R.O.C.) of World Trade Organization, Minister of Finance, & Political Vice Minister of Finance.	Chairman of Fuhwa Commercial Bank Co., Ltd., Chairman of Fuhwa Financial Holding Co., Ltd., Chairman of Fuhwa Foundation, director of Inotera Technology Co., Ltd., and Supervisor of Industrial Bank of Taiwan.			
Director	Fuhwa Financial Holding Co., Ltd. Legal representative: W.J. Ma	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	MBA, UC Berkley V.P. of International Dept. of Yuanta Core Pacific Securities Co., Ltd., Executive Assistant to CEO of Yuanta Core Pacific Security Investment & Trust Co., Ltd., and Underwriting Dept. of Yuanta Core Pacific Securities Co., Ltd.	Chairman of Fuhwa Securities Finance Co., Ltd., Director of Fuhwa Financial Holding Co., Ltd., and Director of Fuhwa Foundation.	Fuhwa FHC Legal representative	W.C Ma	brother
Director	Fuhwa Financial Holding Co., Ltd. Legal representative: W.C. Ma	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	University of Southern California CEO of SysPower, Director of Yuanta Core Pacific Securities Co., Ltd., Chairman of Tzi-Fu International Co., Ltd., and executive assistant to CEO of Yuanta Construction Co., Ltd.	Vice Chairman of Fuhwa Commercial Bank Co., Ltd., Director of Fuhwa Financial Holding Co., Ltd., and Director of Fuhwa Foundation.	Fuhwa FHC Legal representative	W.J Ma	brother

Title	Name	Date of assignment	Expiration date	Date of the first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Work experience (education)	Current employment with the Bank and other organization	Other managers, directors and supervisors as spouse or kin within degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Fuhwa Financial Holding Co., Ltd. Legal representative: C. M. Her	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	Bachelor of Laws, National Taiwan University Director & President of FuBon Asset Management Co., Ltd., Director & Consultant of FuBon Bank, Chairman of NPL Review Committee of FuBon Financial Holding Co., Ltd., Executive V.P. of Bank of Taipei, Commissioner of Corporate Banking Group, V.P. of Corporate Banking Group of FuBon Financial Holding Co., Ltd., Commissioner of Operation Committee, Commissioner of DRC Committee, Commissioner of Credit Committee, Commissioner of HR Evaluation committee, Chairman of NPL Review Committee, V.P. of Bank of Taipei, Credit Review Committee, HR Evaluation Committee, NPL Review Committee, chairman of Trust Assets Evaluation Committee, Chief Auditor of Bank of Taipei, and Clerk, specialist, Supervisor in the Head Office, Assistant Manager, Vice supervisor, and supervisor of Bank of Taipei.	President of Fuhwa Commercial Bank Co., Ltd., Director & President of Fuhwa Financial Holding Co., Ltd., Director of Fuhwa Securities Finance Co., Ltd., Director of Fuhwa Foundation, Chairman of Fuhwa Life Insurance Agent Co., Ltd., Chairman of Fuhwa Property Insurance Agent Co., Ltd., Director of Fuhwa Asset Management Co., Ltd., and Director of Sun Chain Technology Corp.			

Title	Name	Date of assignment	Expiration date	Date of the first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Work experience (education)	Current employment with the Bank and other organization	Other managers, directors and supervisors as spouse or kin within degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Fuhwa Financial Holding Co., Ltd. Legal representative: Vincent Lin	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	EMBA, National Chung Cheng University Executive V.P. of Yuanta Core Pacific Securities Co., Ltd., Director of Yuanta Securities Core Pacific Securities (Hong Kong), Director of Grand Asia Asset Management Limited, Chairman of Grand Asia Securities Investment Management Limited, President of Yuanta Construction Co., and Chairman of Yaw-Chen Information Co.	Chairman of Fuhwa Venture Capital Co., Ltd., Chairman of Fuhwa I Venture Capital Co., Ltd., Supervisor of Fuhwa Securities Co., Ltd., and Director of Yuanshorn Investment Co.			
Director	Fuhwa Financial Holding Co., Ltd. Legal representative: C.Y. Chang	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	Dept. International Trade, Fu Jen Catholic University V.P. of Yuanta Core Pacific Securities Co., Ltd., Manager of Underwriting Dept. (and Bond Dept.) of Youngli Securities Co., Ltd., Senior Vice President of Business Planning Dept. of Din-Kong Securities Co., Ltd., and Director of Core Pacific International (Hong Kong) Co.	Supervisor of Fuhwa Financial Holding Co., Ltd., Supervisor of Fuhwa Life Insurance Agent Co., Ltd., Director of Fuhwa Futures Co., Ltd., Director of Fuhwa Financial Consulting Co., Ltd., Director of Fuhwa Venture Capital Co., Ltd., and Director of Fuhwa I Venture Capital Co., Ltd.			

Title	Name	Date of assignment	Expiration date	Date of the first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Work experience (education)	Current employment with the Bank and other organization	Other managers, directors and supervisors as spouse or kin within degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Fuhwa Financial Holding Co., Ltd. Legal representative: S.D. Cho	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	Dept. of Business Management, U.S. Southwest University. Chairman of Taichung Securities, Standing Director of Asia Pacific Bank, Director of Asia Pacific Investment & Trust Co., Director of International Securities, Chairman of Asia Pacific Leasing Co., Ltd., and Chairman of Fuan Insurance Agent Co., Ltd. Chairman of Fuhwa Financial Holding Co., Ltd., Supervisor of Deh-Mei Automobile Co., Director of Taiwan Yi-Her International Co., Director of Fuhwa Leasing Co., Ltd., Director of Fong-Long Automobile Co., Director of Kong-Ya Investment Co., Ltd., Owner of Jin-Li Industry Co., Owner of Jin-Li Trading Co., Owner of Yi-Her Automobile Co., Ltd., Business Owner of Chong-Li Trading Co., Director of Sun-Yeh Textile Industry Co., Ltd., Supervisor of Martin International Co., Ltd., Director of Rater Automobile Co., Ltd., and Director of Cheng-Long Automobile Co., Ltd.				

Title	Name	Date of assignment	Expiration date	Date of the first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Work experience (education)	Current employment with the Bank and other organization	Other managers, directors and supervisors as spouse or kin within degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Fuhwa Financial Holding Co., Ltd. Legal representative: H.C. Wang	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	Master of Finance, National Chung Cheng University. V.P. of Central Investment Holding Co., Ltd., V.P. of PanAsia Commercial Bank, Manager of Finance Business Dept. of Central Investment Holding Co., Ltd., Manager of Shon-Her Branch of SinoPac Bank, and Junior Manager of Business Dept. of SinoPac Bank.	Director of Fuhwa Financial Holding Co., Ltd., Director of Fuhwa Securities Finance Co., Ltd., President of Central Investment Holding Co., Ltd., Director of Yu-Tai Industry Co., Ltd., Director of Broadcasting Corporation of China, Director of Hua Hsia Investment Co., Ltd., Director of Kong Hua Investment Co., Ltd., Director of Central Film Co., Ltd., Chairman of Li-Hua Development Co., Ltd., Director of Shen Hua Venture Capital Co., Ltd., Director of Universal Investment Co., Ltd., Director of Sino-Canadian Investment Development Co., Ltd., Director of Global Venture Capital Co., Ltd., Chairman of SinoPac Investment Co., Ltd., Director of Chi-Shen Industry Co., Ltd., Director of Che-Yu Venture Capital Co., Ltd., Chairman of Yu-Tai Development Co., Ltd., Director of Shen-Fu Life Insurance Co., Ltd., Chairman of Shon-Yuan Investment Co., Ltd., Chairman of Yu-Shen Investment Co., Ltd., Director of Palasia Hotel Palau Co., Ltd., Director of Chung-Yuan Construction Co., Ltd., Director of APH-I Industry, Director of New Herrizon Industry, Director of Central Investment Holding Co., Ltd., Director of Koppel Ltd., and Director of Yung-Jen Investment Co., Ltd.			

Title	Name	Date of assignment	Expiration date	Date of the first election	Shareholdings when elected		Current shareholdings		Current shareholdings of spouse and minors		Shareholding under other's name		Work experience (education)	Current employment with the Bank and other organization	Other managers, directors and supervisors as spouse or kin within degree relationship		
					Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Fuhwa Financial Holding Co., Ltd. Legal representative: W.S. Jo	08.05.2005 (Note 3)	04.28.2007	08.05.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	Graduate Institute of Industrial Engineering & Management, Chung Hua University Manager of Savings Dept. of Bank of Taiwan and supervisor of Human Resources Dept. of Bank of Taiwan	Director of Fuhwa Financial Holding Co., Ltd., V.P. of Bank of Taiwan, and Director of Taiwan Property Insurance Co., Ltd.			
Supervisor	Fuhwa Financial Holding Co., Ltd. Legal representative: P. Gon	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	MBA, Indiana University, Director of Nanshan High School, Director of Yuanta Core Pacific Securities Co., Ltd., Chairman of Yuanta Core Pacific Securities (Hong Kong) Co., Ltd., President of Da-An Commercial Bank, and V.P. of Chiao Tung Bank.	Supervisor of Fuhwa Financial Holding Co., Ltd.			
Supervisor	Fuhwa Financial Holding Co., Ltd. Legal representative: S.W. Chen	06.30.2005	04.28.2007	06.30.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	Law School, National Chung Hsing University V.P. of Fuhwa Securities Co., Ltd., V.P. of Department of Legal Affairs of Yuanta Core Pacific Securities Co., Ltd., Legal Affairs Officer of Sun Kong Vita Company, and Legal Affairs Officer of GM Automobile Company.	Director of Fuhwa Futures Co., Ltd., Supervisor of Fuhwa Leasing Co., Ltd., Director of Fuhwa Financial Consulting Co., Ltd., Director of Fuhwa Venture Capital Co., Ltd., and Director of Fuhwa 1 Venture Capital Co., Ltd.			
Supervisor	Fuhwa Financial Holding Co., Ltd. Legal representative: M.C. Chen	08.05.2005 (Note 3)	04.28.2007	08.05.2005	1,350,000,000	100%	1,800,000,000	100%	—	—	—	—	Dept. of Bank Insurance, Feng Chia U. Manager of Planning Department, Trust Dept. Securities Dept. of Bank of Taiwan, Manager of Nanmin Branch, Cheng-Chong Branch, and Ren-Ai Branch of Bank of Taiwan, Vice Supervisor of Head Office of Bank of Taiwan, and auditor of Bank of Taiwan.	Supervisor of Fuhwa Financial Holding Co., Ltd.			

Note 1: Fuhwa Financial Holding Co., Ltd. appointed directors and supervisors for its 5th year on June 30, 2005. There were eight directors elected including Mr. C.C. Yen, Mr. W.J. Ma, Mr. W.C. Ma, Mr. C.M. Her, Mr. Vincent Lin, Mr. C.Y. Chang, Mr. C.Y. Chang, Mr. H.C. Wang, and Mr. S.D. Cho. There were three Supervisors elected including Mr. P. Gon, Mr. S.W. Chen, and Mr. J.L. Jin for a term from April 29, 2004 to April 28, 2007. Mr. C.C. Yen was elected as the Chairman in the 32nd Temporary Board Meeting of the fifth year.

Note 2: In terms of "shareholdings when elected," it was based on the shareholdings (1,350,000,000 shares) of Fuhwa Financial Holding Co., Ltd. on April 29, 2004. The surplus Recapitalization was for 50,000,000 shares on July 12, 2004 and 100,000,000 shares on July 11, 2005; also, the cash infusion (private subscription) was for 300,000,000 shares; therefore, the grand total of capitalization was for 1,800,000,000 shares on December 31, 2005.

Note 3: Director W.S. Jo was appointed on August 05, 2005. Supervisor J.L. Jin was discharged on August 05, 2005. Mr. M.C. Chen reported to duty.

2. Directors and supervisors (II)

Terms	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
Name								
C.C. Yen	✓		✓	✓			✓	
W.J. Ma	✓		✓	✓			✓	
W.C. Ma	✓		✓	✓			✓	
C.M. Her	✓		✓	✓			✓	
Vincent Lin	✓		✓	✓			✓	
C.Y. Chang	✓		✓	✓			✓	
S.D. Cho	✓		✓	✓			✓	
H.C. Wang	✓		✓	✓			✓	
W.S. Jo	✓		✓	✓			✓	
P. Gon	✓		✓	✓			✓	
S.W. Chen	✓		✓	✓			✓	
M.C. Chen	✓		✓	✓			✓	

3. Key shareholders of the corporate shareholders

December 31, 2005

Name of Corporate Shareholders	Key shareholders of the corporate shareholders
Fuhwa Financial Holding Co., Ltd.	Kuang-Hwa Investment Holding Co., Ltd.
	Jen-Jay Investment Co., Ltd.
	Yuanta Core Pacific Securities Co., Ltd.
	Yu-Yang Investment Co., Ltd.
	Land Bank of Taiwan Co., Ltd.
	Bank of Taiwan Co., Ltd.
	Yu-Hwa Development Co., Ltd.

4. Key shareholders of the corporate shareholders as representatives of corporate shareholders

December 31, 2005

Name of Corporate Shareholders	Key shareholders of the corporate shareholders
Kuang-Hwa Investment Holding Co., Ltd.	Central Investment Holding Co., Ltd.
Yuanta Core Pacific Securities Co., Ltd.	Yuan Hung Investment Co., Ltd.
	Yuan Tong Investment Co., Ltd.
	Modern Investment Co., Ltd.
Yu-Yang Investment Co., Ltd.	Jen-Jay Investment Co., Ltd.
Land Bank of Taiwan Co., Ltd.	Ministry of Finance
Bank of Taiwan Co., Ltd.	Ministry of Finance
Yu-Hwa Development Co., Ltd.	Kuang-Hwa Investment Holding Co., Ltd.

5. President, vice presidents, directors, and department heads

December 31, 2005

Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and prime experience	Positions concurrently served in other firms	Managers who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
President	C.M. Her	07.01.2005	0	0	0	0	0	0	President of Fuhwa Commercial Bank National Taiwan U.	President of Fuhwa Financial Holding Co., Ltd., Director of Fuhwa Securities Finance Co., Ltd., Director of Fuhwa Leasing Co., Ltd., Director of Fuhwa Commercial Bank, and Director of Fuhwa Asset Management Co., Ltd.			
Senior V.P.	Dragon Giang	08.01.2005	0	0	0	0	0	0	Senior V.P. of Fuhwa Commercial Bank Feng Chia U.				
Senior V.P.	C.P. Lue	08.01.2005	0	0	0	0	0	0	Senior V.P. of Fuhwa Commercial Bank Master of Accounting, National Chengchi U.				
V.P.	Connie Lin	08.19.2005	0	0	0	0	0	0	V.P. of Fuhwa Commercial Bank Ph.D of Finance and Banking,National Taiwan U.				
Auditor General	J.S. Wang	08.10.2005	0	0	0	0	0	0	Auditor General of Fuhwa Commercial Bank Master of Laws,National Taiwan U.				
Senior Vice Assistant President	Fred Liu	11.01.2005	0	0	0	0	0	0	Senior Vice Assistant President of Credit Card Dept. Soochow U.				
Senior Vice Assistant President	Y.L. Chen	07.22.2005	0	0	0	0	0	0	Senior Vice Assistant President of Corporate Banking Dept. National Taiwan U.				
Vice Assistant President	J.C. Hou	07.12.2004	0	0	0	0	0	0	Vice Assistant President of International Banking Dept. of Fuhwa Commercial Bank MBA, Andrew University, U.S.A				
Vice Assistant President	C.S. Giang	06.28.2004	0	0	0	0	0	0	Vice Assistant President of Finance Dept. Tamkang U.				
Vice Assistant President	T.F. Kao	07.22.2005	0	0	0	0	0	0	Vice Assistant President of Administration Dept. Feng Chia U.				
Vice Assistant President	J.S. Chi	05.03.2004	0	0	0	0	0	0	Vice Assistant President of NPL Collection Dept. of Fuhwa Commercial Bank Hwa-nan Senior Commercial High School	Manager of Fuhwa Asset Management Co., Ltd.			
Vice Assistant President	Y.C. Hwang	10.13.2005	0	0	0	0	0	0	Vice Assistant President of Planning & Development Dept. Tamkang U.				
Vice Assistant President	C.M. Lee	11.01.2005	0	0	0	0	0	0	Vice Assistant President of Consumer Banking Dept. MBA, University of Illinois, U.S.A				
Vice Assistant President	Vincent Chang	07.23.2004	0	0	0	0	0	0	Vice Assistant President of Consumer Banking Service Dept. MBA, Chung Yuan Christian University				
Vice Assistant President	H.C. Liao	08.05.2005	0	0	0	0	0	0	Vice Assistant President of Branch Operation Dept. Tamkang University				

Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and prime experience	Positions concurrently served in other firms	Managers who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Vice Assistant President	S.T. Hsieh	07.23.2004	0	0	0	0	0	0	Vice Assistant President of Credit Risk Management Dept. University of Southern California, U.S.A				
Vice Assistant President	K.L. Wang	10.03.2005	0	0	0	0	0	0	Vice Assistant President of Corporate Banking Planning Dept. National Chengchi U.				
Vice Assistant President	Z.S. Lee	07.22.2005	0	0	0	0	0	0	Vice Assistant President of Corporate Banking Credit Dept. National Chengchi U.				
Vice Assistant President	C.F. Liu	12.02.2002	0	0	0	0	0	0	Vice Assistant President of Accounting Dept. Soochow U.				
Senior manager	J.H. Cheng	12.23.2005	0	0	0	0	0	0	Senior Manager of Wealth Management Dept. Fu Jen Catholic U.				
Senior manager	Y.K. Chen	07.01.2005	0	0	0	0	0	0	Senior Manager of Consumer Banking Credit Dept. Feng Chia U.				
Senior manager	C.W. Tso	05.27.2005	0	0	0	0	0	0	Senior Manager of Consumer Financing Dept. Chinese Culture U.				
Senior manager	H.K. Chang	10.01.2005	0	0	0	0	0	0	Senior Manager of Human Resources Dept. National Taiwan U.				
Representative	W.C. Chang	10.14.2005	0	0	0	0	0	0	Representative of Hong Kong Representative Office George Washington U. -				
Senior Manager	M.J. Chen	10.01.2005	0	0	0	0	0	0	Senior Manager of Legal Affairs Dept. Master of Laws Fu Jen Catholic U.				
Vice Assistant President	C.F. Chen	05.03.2004	0	0	0	0	0	0	Vice Assistant President of Taichung Branch National Taiwan U.				
Vice Assistant President	W.H. Chang	12.03.2001	0	0	0	0	0	0	Vice Assistant President of Winshin Branch National Chung Hsing U.				
Vice Assistant President	M.C. Yang	08.05.2004	0	0	0	0	0	0	Vice Assistant President of Taipei Branch National Taiwan U.				
Vice Assistant President	T.L. Chen	11.08.2001	0	0	0	0	0	0	Vice Assistant President Shalu Branch Feng Chia U.				
Vice Assistant President	K.C. Liao	08.09.2004	0	0	0	0	0	0	Vice Assistant President of Fongyuan Branch MBA of National Central U.				
Senior manager	Tony Wu	12.01.2004	0	0	0	0	0	0	Senior Manager of Changhua Branch Tamsui Institute of Business Administration				
Senior manager	Frank Tsai	10.01.2005	0	0	0	0	0	0	Senior manager of Yuanlin Branch National Chengchi U.				

Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and prime experience	Positions concurrently served in other firms	Managers who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Senior manager	J.Y. Chien	06.01.2004	0	0	0	0	0	0	Senior manager of Sanchung Branch Shin-Hsin College				
Manager	L.C. Yu	07.19.2004	0	0	0	0	0	0	Manager of Pingjhen Branch Tunghai U.				
Senior manager	M.H. Wang	07.19.2004	0	0	0	0	0	0	Senior manager of Caotun Branch National Taichung College of Commerce				
Senior manager	C.P. Tsai	08.09.2004	0	0	0	0	0	0	Senior manager of Yongkong Branch Kaohsiung Vocational High School of commerce				
Vice Assistant President	C.J. Chen	11.08.2001	0	0	0	0	0	0	Vice Assistant President of Kaohsiung Branch National Kaohsiung First University of Science and Technology				
Senior manager	M.R. Shih	08.05.2005	0	0	0	0	0	0	Senior manager of Chingmei Branch Lin-Tung College of Commerce .				
Vice Assistant President	C.S. Chen	10.14.2005	0	0	0	0	0	0	Vice Assistant President of Hsinchu Branch International MBA, University of South Australia				
Manager	T.H. Shieh	07.19.2004	0	0	0	0	0	0	Manager of Lugang Branch Tamsui Institute of Business Administration				
Senior manager	R.J. Shieh	08.09.2004	0	0	0	0	0	0	Senior manager of Doushin Branch Taichung Institute of Commerce				
Manager	S.M. Chen	07.19.2004	0	0	0	0	0	0	Substitute manager of Chiayi Branch MBA, the University of Alabama				
Senior manager	Y.A. Lin	07.11.2005	0	0	0	0	0	0	Senior manager of Yonghe Branch Tamkang U.				
Senior Vice Assistant President	D.K. Chen	10.01.2005	0	0	0	0	0	0	Senior Vice Assistant President of Fusing Branch Tamkang U.				
Senior manager	C.S. Pan	03.11.2002	0	0	0	0	0	0	Senior manager of Dali Branch MBA, Tung Hai U.				
Senior manager	C.C. Liu	12.01.2004	0	0	0	0	0	0	Senior manager of Boai Branch Feng Chia U.				
Manager	P.C. Chao	10.01.2005	0	0	0	0	0	0	Manager of ChongDe Branch Tamkang U.				
Senior manager	Y.T. Juan	07.19.2004	0	0	0	0	0	0	Senior manager of Miaoli Branch Soochow U.				
Manager	S.W. Wang	08.09.2004	0	0	0	0	0	0	Manager of Beidou Branch Overseas Chinese Institute of Commerce				
Senior manager	G.D. Liao	10.08.2002	0	0	0	0	0	0	Senior manager of Jiali Branch MBAEVA, Chang Jung Christian U. – MBA				

Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and prime experience	Positions concurrently served in other firms	Managers who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Manager	S.M. Wang	08.09.2004	0	0	0	0	0	0	Manager of Dajia Branch Taichung Technology College, Correspondence School of Business				
Manager	A.K. Hung	08.09.2004	0	0	0	0	0	0	Manager of Huwei Branch Overseas Chinese Institute of Commerce				
Senior manager	K. T. Lin	05.10.2005	0	0	0	0	0	0	Senior manager of Shihlin Branch Chihlee Institute of Commerce				
Senior manager	S.Y. Lin	11.08.2001	0	0	0	0	0	0	Senior manager of Nankan Branch MBA, Arizona State University				
Manager	H. Tsai	07.19.2004	0	0	0	0	0	0	Manager of Sihua Branch Taichung Institute of Commerce				
Vice Assistant President	S.B. Lue	05.27.2003	0	0	0	0	0	0	Vice Assistant President of Chengtung Branch National Chung Hsing U.				
Vice Assistant President	Y.W. Hung	12.01.2004	0	0	0	0	0	0	Vice Assistant President of SinJhang Branch Chinese Culture U.				
Senior manager	C.H. Chien	12.01.2004	0	0	0	0	0	0	Senior manager of Chungli Branch Tamsui Institute of Business Administration				
Manager	S.Y. Chang	08.09.2004	0	0	0	0	0	0	Manager of Sanmin Branch Fu Jen Catholic U.				
Vice Assistant President	Jennifer Lin	11.01.2005	0	0	0	0	0	0	Vice Assistant President of Business Dept. Soochow U.				
Manager	J.Y. Horng	08.09.2004	0	0	0	0	0	0	Manager of Pingtung Branch National Cheng Kung U. Correspondence School				
Senior manager	C.S. Wang	07.19.2004	0	0	0	0	0	0	Senior manager of Dounan Branch Transworld Institute of Commerce				
Vice Assistant President	Y.J. Chen	10.29.2004	0	0	0	0	0	0	Vice Assistant President of Banciao Branch Aletheia University				
Senior manager	M.C. Huang	03.18.2004	0	0	0	0	0	0	Senior manager of Taoyuan Branch Tamsui Institute of Business Administration				
Manager	C.H. Yang	12.23.2005	0	0	0	0	0	0	Manager of Rende Branch Tainan 1 st Senior High School, Tutorial School				
Substitute manager	M.K. Tsai	10.01.2005	0	0	0	0	0	0	Substitute manager of Fongshan Branch MBA, ChaoYang University of Technology				
Manager	S.H. Lai	06.05.2004	0	0	0	0	0	0	Manager of Doushin Branch Taiwan Hospitality and Tourism College				
Manager	K.M. Chen	06.05.2004	0	0	0	0	0	0	Manager of Malan Branch Tonfone High School				

Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and prime experience	Positions concurrently served in other firms	Managers who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Senior manager	T.C. Chen	10.21.2004	0	0	0	0	0	0	Senior manager of Neihu Branch Fu Jen Catholic U.				
Senior manager	C.H. Chen	09.01.2005	0	0	0	0	0	0	Senior manager of Ilan Branch National Taipei Institute of Commerce				
Senior manager	K.T. Cheng	08.15.2005	0	0	0	0	0	0	Senior manager of Kenmen Branch National Cheng Chi U.				
Vice Assistant President	H.L. Koo	12.13.2004	0	0	0	0	0	0	Vice Assistant President of Linkou Branch MBA, National Taiwan University of Science Technology				
Manager	Sherry Hsu	12.16.2004	0	0	0	0	0	0	Manager of Jhubei Branch MBA, National Central University				
Manager	T.C. Wu	06.18.2005	0	0	0	0	0	0	Manager of Annan Branch Nan Tai College				
Manager	S.C. Li	12.23.2005	0	0	0	0	0	0	Manager of Anchung Branch Liu Shin Business High School				
Manager	J.T. Liu	06.18.2005	0	0	0	0	0	0	Manager of Winshen Branch Chinese Culture U.				
Manager	J.H. Wang	06.18.2005	0	0	0	0	0	0	Manager of Yongshin Branch Far East Institute of Technology and Commerce				
Senior manager	Z.S. Pan	10.01.2005	0	0	0	0	0	0	Senior manager of Tainan Branch Soochow U.				
Manager	T.S. Shih	06.18.2005	0	0	0	0	0	0	Manager of Naden Branch Tamsui Institute of Business Administration				
Researcher substitutes manager	F.B. Yang	12.24.2005	0	0	0	0	0	0	Researcher substitute manager of the 6 th Credit Cooperative Branch Taiwan Commercial & Industrial School				
Manager	H.D. Kuo	12.24.2005	0	0	0	0	0	0	Manager of Hsimen Branch Master of Banking Operation, National Kaohsiung 1 st University of Science and Technology				
Manager	C.N. Tseng	12.24.2005	0	0	0	0	0	0	Manager of Jianguo Branch Chung Hwa College of Medical Technology				
Researcher substitutes manager	Q.Y. Kuo	12.24.2005	0	0	0	0	0	0	Researcher substitute manager of Sinna Branch Nan Yin Vocational High School				
Manager	C.W. Kuo	12.24.2005	0	0	0	0	0	0	Manager of Dongmen Branch Feng Chia U.				
Researcher substitutes manager	S.Y. Tsai	12.24.2005	0	0	0	0	0	0	Researcher substitute manager of Dalin Branch Leader University				

Title	Name	Date of appointment	Shareholdings		Shares held by spouse and minors		Shares held in other's name		Education and prime experience	Positions concurrently served in other firms	Managers who are spouses or kin within 2 nd relationship		
			Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Researcher substitutes manager	Y.C. Wu	12.24.2005	0	0	0	0	0	0	Researcher substitute manager of Jinhua Branch Kung Shan Institute of Technology				
Manager	S.J. Tseng	12.24.2005	0	0	0	0	0	0	Manager of Dasing Branch Liu Hsin Home Economics & Commercial High School				
Vice Assistant President	C.L. Wang	12.24.2005	0	0	0	0	0	0	Vice Assistant President of Kai Yuan Branch Chinese Culture U.				
Researcher substitutes manager	S.D. Yang	12.24.2005	0	0	0	0	0	0	Researcher substitute manager of Yuandong Branch Far East Institute of Technology				
Manager	W.Y. Hsu	12.24.2005	0	0	0	0	0	0	Manager of Aneh Branch Kung Shan University				
Supervisor	H.B. Li	05.09.2005	0	0	0	0	0	0	Supervisor of Gangshan Preparatory Office Oriental Institute of Technology				
Supervisor	M.T. Hwang	12.15.2005	0	0	0	0	0	0	Supervisor of Tienmu Preparatory Office Master of Economics, National Taiwan U.				
Supervisor	S.F. Lin	06.23.2005	0	0	0	0	0	0	Supervisor of Jhonghe Preparatory Office MBA, Yuan Ze U.				
Supervisor	T.C. Cheng	12.28.2005	0	0	0	0	0	0	Supervisor of Minshin Preparatory Office National Cheng Chi U.				
Supervisor	C.F. Lai	12.19.2005	0	0	0	0	0	0	Supervisor of Lujo Preparatory Office Feng Chia U.				
Vice Assistant President	T.R. Wu	06.18.2005	0	0	0	0	0	0	Vice Assistant President of the 7 th Credit Cooperative National Tainan 1 st Senior High School				
Manager	C.L. Lin	06.18.2005	0	0	0	0	0	0	Manager of Eastern Tainan Branch Tamsui Institute of Business Administration (resigned on 1,27,2006)				

December 31, 2005
Unit: NT\$

Breakdown of remuneration paid to directors of the Bank	Number of directors	
	Year	
	The Bank	Companies in the consolidated financial statement
Below NT\$2,000,000	7	8
NT\$2,000,000~5,000,000	2	2
NT\$5,000,000 ~10,000,000	0	0
NT\$10,000,000~50,000,000	0	0
Over NT\$50,000,000	0	0
Total	9	10

Note: The institutional shareholder of Fuhwa Financial Holding Co., Ltd., Bank of Taiwan, delegated Mr. W.S. Jo as a Representative Director of the institutional shareholders of the Bank. The Bank distributed a total of NT\$115,000 (NT\$70,000 for transportation Allowance and NT\$45,000 for remuneration) remuneration to the institutional shareholder, Bank of Taiwan, of Fuhwa Financial Holding Co., Ltd.

(2) Remuneration paid to supervisors

December 31, 2005
Unit:NT\$1,000

Title	Name	Transportation Allowance		Compensation		Compensation Appropriated to Supervisors from Earnings		Total amount of the first three items on left		Total amount as a proportion of Net Income		Other compensation	
		The Bank	All Companies included in consolidated financial statements	The Bank	All Companies included in consolidated financial statements	The Bank	All Companies included in consolidated financial statements	The Bank	All Companies included in consolidated financial statements	The Bank	All Companies included in consolidated financial statements	The Bank	All Companies included in consolidated financial statements
Supervisor	Fuhwa Financial Holding Co., Ltd. Representative legal person: P. Gon												
Supervisor	Fuhwa Financial Holding Co., Ltd. Representative legal person: S.W. Chen	-	-	260	260	-	-	260	260	0.5	0.5	-	-
Supervisor	Fuhwa Financial Holding Co., Ltd. Representative legal person: M.C. Chen (Note)												

Breakdown of remuneration paid to supervisors of the Bank	Number of supervisors	
	Year	
	The Bank	Companies in the consolidated financial statement
Below NT\$2,000,000	3	3
NT\$2,000,000~5,000,000	0	0
NT\$5,000,000~10,000,000	0	0
NT\$10,000,000~50,000,000	0	0
Over NT\$50,000,000	0	0
Total	3	3

Note: The institutional shareholder of Fuhwa Financial Holding Co., Ltd., Bank of Taiwan, delegated Mr. M.C. Chen as a Supervisor of the institutional shareholder of the Bank. The Bank distributed a total of NT\$105,000 (NT\$60,000 for transportation allowance and NT\$45,000 for remuneration) remuneration to the institutional shareholder, Bank of Taiwan, of Fuhwa Financial Holding Co., Ltd.

(3) Remuneration paid to presidents & vice presidents

December 31, 2005
Unit: NT\$

Title	Name	Salary		Bonus		Employee Profit Sharing						Total amount as a proportion of Net Income		Amount of Employee stock Options Granted		Other compensation				
		The Bank included in consolidated financial statements	All Companies included in consolidated financial statements	The Bank included in consolidated financial statements	All Companies included in consolidated financial statements	The Bank Stock dividend		All Companies included in consolidated financial statements Stock dividend		Market price	Market price	Shares	Amount	Cash dividend	The Bank included in consolidated financial statements	All Companies included in consolidated financial statements	The Bank included in consolidated financial statements	All Companies included in consolidated financial statements		
C.M. Her	Dragon Giang	9,806,497	9,806,497	3,089,392	3,089,392	Cash dividend	Market price	Shares	Amount										Cash dividend	Market price
										President	C.H. Chen									
V.P.	Y.Y. Chen																			
V.P.	Luke Wu																			

The tenure of Mr. C.C. Yen, Mr. W.C. Ma, Mr. C.M. Her, Mr. Dragon Giang, Ms. C.P. Lue, and Ms. J.F. Lin was for the period August 2005 ~ December 2005.

The tenure of C.H. Chen, Luke Wu, and Y.Y. Chen was for the period January 2005 ~ June 2005 and they were replaced in July 2005.

Remark: The cash bonus data were for Mr. C.M. Her, Mr. Dragon Giang, Ms. C.P. Lue, Ms. Y.Y. Chen, and Ms. J.F. Lin.

Breakdown of remuneration paid to presidents & vice presidents of the Bank	Number of presidents & vice presidents	
	Year	
	The Bank (Note 7)	Companies in the consolidated financial statement
Below NT\$2,000,000	5	5
NT\$2,000,000~5,000,000	4	4
NT\$5,000,000~10,000,000	0	0
NT\$10,000,000~50,000,000	0	0
Over NT\$50,000,000	0	0
Total	9	9

(4) Numbers of managers with allocation of bonus to employees and status of allocation to them

February 10, 2005

Unit: NTS

	Title	Name	Stock dividend			Cash dividend	Total	Ratio of total amount to Net Income (%)
			Shares	Market price	Amount	Amount		
Management (Note 3)	President	C.M Her						
	Senior V.P.	Dragon Giang						
	Senior V.P.	C.P. Lue						
	Senior V.P.	Y.Y. Chen						
	V.P.	J.F. Lin						
	Auditor General	J.S. Wang						
	Senior Assistant Vice President	D.K. Chen						
	Senior Assistant Vice President	Fred Liu						
	Senior Assistant Vice President	Y.L. Chen						
	Assistant Vice President	M.J. Yang						
	Assistant Vice President	T.L. Chen						
	Assistant Vice President	K.C. Liao						
	Assistant Vice President	C.J. Chen						
	Assistant Vice President	J.C. Hou						
	Assistant Vice President	C.S. Chen						
	Assistant Vice President	Y.W. Hung						
	Assistant Vice President	Jennifer S.C. Lin						
	Assistant Vice President	Y.J. Chen						
	Assistant Vice President	C.F. Wang						
	Assistant Vice President	H.L. Koo						
	Assistant Vice President	C.L. Wang						
	Assistant Vice President	C.F. Chen						
	Assistant Vice President	W.H. Chang						
	Assistant Vice President	S.B. Lue						
	Assistant Vice President	C.S. Chiang						
	Assistant Vice President	T.F. Kao						
	Assistant Vice President	J.S. Chi						
	Assistant Vice President	Y.C. Hwang						
	Assistant Vice President	C.J. Lee						
	Assistant Vice President	Vincent Chang						
	Assistant Vice President	H.C. Liao						
	Assistant Vice President	S.T. Hsieh						
	Assistant Vice President	J.P. Chang						
	Assistant Vice President	K.L. Wang						
	Assistant Vice President	Z.S. Lee						
	Assistant Vice President	C.F. Liu						
	Supervisor	S.F. Lin						
	Supervisor	T.C. Cheng						
	Supervisor	C.F. Lai						
	Deputy Auditor	S.C. Gai						
	Commissioner	B.S. Kuo						
	Commissioner	T.R. Wu						
	Commissioner	Y.J. Chen						
	Senior manager	Tony Wu						
	Senior manager	R.Y. Tsai						
	Senior manager	R.Y. Chien						
	Senior manager	M.H. Hwang						
	Senior manager	C.P. Tsai						
	Senior manager	Y.A. Lin						
	Senior manager	C.S. Pan						
Senior manager	C.C. Liu							
Senior manager	Y.T. Run							
Senior manager	GD. Liao							
Senior manager	S.Y. Lin							
Senior manager	C.H. Chien							
Senior manager	C.S. Wang							
Senior manager	M.C. Huang							
Senior manager	T.C. Chen							
Senior manager	C.H. Chen							
Senior manager	K.T. Cheng							
Senior manager	Z.S. Pan							
Senior manager	M.R. Shih							
Senior manager	R.J. Hsieh							
Senior manager	K.T. Lin							
Senior manager	J.H. Cherng							
Senior manager	C.W. Tso							
Senior manager	H.K. Chang							

	Title	Name	Stock dividend			Cash dividend	Total	Ratio of total amount to Net Income (%)
			Shares	Market price	Amount	Amount		
	Senior manager	S.Y. Chang						
	Manager	W.Y. Hsu						
	Manager	C.H. Hsieh						
	Manager	S.W. Wang						
	Manager	S.M. Wang						
	Manager	H. Tsai						
	Manager	S.Y. Chang						
	Manager	C.H. Yang						
	Manager	Y.L. Hsu						
	Manager	T.C. Wu						
	Manager	H.D. Kuo						
	Manager	C.N. Tseng						
	Manager	C.W. Kuo						
	Manager	L.C. Yo						
	Manager	B.C. Chaio						
	Manager	J.Y. Hong						
	Manager	S.H. Lai						
	Manager	K.M. Chen						
	Manager	S.C. Li						
	Manager	J.T. Liu						
	Manager	J. H. Wang						
	Manager	T.S. Shih						
	Manager	S.J. Tseng						
	Supervisor	M.C. Hwang						
	Supervisor	H.B. Lee						
	Representative	W.J. Chang						
	Manager	S.M. Chen						
	Manager	A.K. Horng						
	Manager	M.K. Tasi						
	Senior vice manager	Y.K. Chen						
	Senior vice manager	M.J. Chen						
	Researcher substitute for manger	W.S. Lin						
	Researcher substitute for manger	F.B. Yang						
	Researcher substitute for manger	Q.Y. Kuo						
	Researcher substitute for manger	S.Y. Tasi						
	Researcher substitute for manger	Y.C. Wu						
	Researcher substitute for manger	S.D. Yang						
Total Amount			-	-	-	1,765,100	1,765,100	3.42%

Remark: The amount is the total amount of all personnel.

7. Analyze the ratio of remuneration distributed to Directors, Supervisors, President, and V.P. by the Bank and the companies in the consolidated financial statements within two years to net income; explain remuneration policy, standard, and combination; and stipulate remuneration procedure and its relevancy to operating performance.

(1) Analysis of the ratio of remuneration distributed to the Directors, Supervisors, President, and Vice President of the Bank with respect to net income after tax:

A. In 2005, the Bank made NT\$51.568 million in net income after tax, which is a decrease of 96.56% from the NT\$1.502258 billion in net income after tax from 2004. In 2005 and 2004, the total remuneration to the Directors and Supervisors accounted for 14.68% and 0.15% of the net income after tax respectively.

	2005	2004
Total remuneration to Directors and Supervisors	\$7,572,000	\$2,230,000
Net income after tax (as shown through the consolidated financial statements)	\$51,568,000	\$1,502,258,000
Ratio	14.68%	\$0.15%

B. In 2005 and 2004, the total remuneration to the President and Vice President accounted for 26.32% and 4.31% of the net income after tax respectively:

	2005	2004
Total remuneration to President, Vice President	\$13,577,034	\$13,016,131
Net income after tax (as shown through the consolidated financial statements)	\$51,568,000	\$1,502,258,000
Ratio	26.32%	0.87%

(2) The Bank's policy, standards, organization, remuneration procedures and relevancy to operating performance regarding remuneration distributed to the Directors, Supervisors, President, and Vice President are as follows:

The remuneration to the Bank's President and Vice President includes salaries, performance allowances, and any bonus or special remuneration that were determined based on their degrees, professional experiences and performance in business operations. These terms had been reported to and approved by the board of directors before the President and Vice President were hired to their positions and paid with the remuneration. The remuneration to directors and supervisors is duly resolved at the shareholders' meeting. Their transportation allowance and attendance allowance are duly determined based on the rates prevalent in similar banks.

(IV) Shareholding transfer and change in pledge of shareholding for directors, supervisors, managerial officers, and those who are required to declare shareholding in accordance with Article 25.3:

Unit: 1,000 shares

Title	Name	2005		April 30, 2006	
		Increase (decrease) in Number of Shares Held	Increase (decrease) in Number of pledged stocks	Increase (decrease) in Number of Shares Held	Increase (decrease) in Number of pledged stocks
Chairman	Fuhwa Financial Holding Co., Ltd. Representative: C.C. Yen	400,000	-	-	-
Vice Chairman	Fuhwa Financial Holding Co., Ltd. Representative: W.C. Ma	400,000	-	-	-
Director & President	Fuhwa Financial Holding Co., Ltd. Representative: C.M. Her	400,000	-	-	-
Director	Fuhwa Financial Holding Co., Ltd. Representative: W.J. Ma	400,000	-	-	-
Director	Fuhwa Financial Holding Co., Ltd. Representative: Vincent Lin	400,000	-	-	-
Director	Fuhwa Financial Holding Co., Ltd. Representative: C.Y. Chang	400,000	-	-	-
Director	Fuhwa Financial Holding Co., Ltd. Representative: H.C. Wang	400,000	-	-	-
Director	Fuhwa Financial Holding Co., Ltd. Representative: S.D. Cho	400,000	-	-	-
Director	Fuhwa Financial Holding Co., Ltd. Representative: W.S. Jo	400,000	-	-	-
Supervisor	Fuhwa Financial Holding Co., Ltd. Representative: P. Gon	400,000	-	-	-
Supervisor	Fuhwa Financial Holding Co., Ltd. Representative: M.C. Chen	400,000	-	-	-
Supervisor	Fuhwa Financial Holding Co., Ltd. Representative: S.W. Chen	400,000	-	-	-

Note: It is for the issuance of 300,000 thousand shares from the capitalization of cash and 100,000 thousand shares from the capitalization of retained earnings.

(V) Ratio of comprehensive shareholding of investees

Unit: Share; %

Reinvestment (Note 1)	Ownership by the Bank		Direst/Indirect ownership by Directors, Supervisors, and Management		Total investment	
	Shares	%	Shares	%	Shares	%
Fuhwa Leasing Co., Ltd.	19,700,000	98.56	—	—	19,700,000	98.56
Fuhwa Property Insurance Agent Co., Ltd.	(Note 2)	80.00	—	—	(Note 2)	80.00
Fuhwa Life Insurance Agent Co.,	199,994	99.99	—	—	199,994	99.99
Taipei Forex Inc.	80,000	0.4036	—	—	80,000	0.4036
FuBon Securities Finance Co., Ltd.	7,886,671	1.9717	—	—	7,886,671	1.9717
Grand Bills Finance Co., Ltd.	7,333,248	1.3600	—	—	7,333,248	1.3600
Financial Information Service Co., Ltd.	4,615,000	1.1538	—	—	4,615,000	1.1538
Ornatube Enterprise Co., Ltd. (Note 2)	200,577	0.0499	—	—	200,577	0.0499
Taiwan Asset Management Co., Ltd.	10,000,000	0.5675	—	—	10,000,000	0.5675
China Daily News Co., Ltd.	4,636	0.0138	—	—	4,636	0.0138
National Federation of Credit Cooperatives of Tainan city	440	16.6038	—	—	440	16.6038
National Federation of Credit Cooperatives of Taiwan	2,000	2.0805	—	—	2,000	2.0805
The National Federation of Credit Cooperatives R.O.C.	78,600	5.6518	—	—	78,600	5.6518

Note 1: The investment that is made in accordance with Banking Law Article 74.

Note 2: It is a Limited Company.

III. Shares and Dividends

(I) Source of stock capital

April 30, 2006

Unit: NT\$1,000; 1,000 shares

Month / Year	Issue price	Authorized Capital		Paid-up Capital		Remark	
		Shares	Amount	Shares	Amount	Source of Capital	Others
December 2004	\$10	1,400,000	14,000,000	1,400,000	14,000,000		
July 2005	\$10	100,000	1,000,000	100,000	1,000,000	Capital Increased by Earnings Recapitalization	Note 1
July 2005	\$10	300,000	3,000,000	300,000	3,000,000	Capital Increased by cash(private placement)	Note 2

Note 1: Gin-Guan-Jen (I) No. 0940115706 dated May 16, 2005.

Note 2: Gin-Guan-Yin (VI) No. 0940013937 dated June 17, 2005.

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common stock	1,800,000	—	1,800,000	Public offering

(II) Composition of shareholders

December 31, 2005

Shareholders Number	Government Agencies	Financial Institutions	Other Institutions	Individuals	Foreign institutions and foreigners	Total
Number of shareholders	0	1	0	0	0	1
Shareholdings	0	1,800,000,000	0	0	0	1,800,000,000
Shareholdings percentage (%)	0	100%	0	0	0	100%

(III) Status of share scattering

December 31, 2005

NT\$10 par value

Classification of shareholdings (shares)	Number of shareholders	Shareholdings	Shareholdings (%)
1 ~ 999	0	0	0
1,000 ~ 5,000	0	0	0
5,001 ~ 10,000	0	0	0
10,001 ~ 15,000	0	0	0
15,001 ~ 20,000	0	0	0
20,001 ~ 30,000	0	0	0
30,001 ~ 50,000	0	0	0
50,001 ~ 100,000	0	0	0
100,001 ~ 200,000	0	0	0
200,001 ~ 400,000	0	0	0
400,001 ~ 600,000	0	0	0
600,001 ~ 800,000	0	0	0
800,001 ~ 1,000,000	0	0	0
1,000,001 up	1	1,800,000,000	100%
Total	1	1,800,000,000	100%

(IV) Main shareholders

Shares Main Shareholders	Shareholdings (shares)	Shareholdings (%)
Fuhwa Financial Holding Co., Ltd.	1,800,000,000	100%

(V) Market price, net worth, earnings, and dividends per share ,and relevant data over the past two years

Items		Year			
		2005	2004	April 30, 2006	
Market price per share	Highest	-	-	-	
	Lowest	-	-	-	
	Average	-	-	-	
Net worth per share	Before appropriation(NT)	10.41	11.28	10.25	
	After appropriation(NT)	10.39	11.24	10.25	
Earnings per share	Weighted average issued shares(1000 shares)	1,650,000	1,450,000	1,800,000	
	Earnings per share	Before adjustment	0.03	1.11	(0.13)
		After adjustment	0.03	1.04	(0.13)
Stock dividend per share	Cash dividends	0.02	0.02	-	
	Stock dividends	by earnings	-	0.71	-
		by surplus	-	-	-
	Accumulative unpaid dividends	-	-	-	
Return on investment	P/E ratio	-	-	-	
	Dividend Yield	-	-	-	
	Cash dividend yield	-	-	-	

(VI) Dividend policies and enforcement

1. The dividend policies

Fuhwa Bank has adopted a “residual dividend policy” to continue its business scale expansion, to maximized profitability, and maintain an appropriate capital adequacy According to the Articles of Association, any net income generated in a fiscal year are to be used to make up for any losses from prior periods. Then, 30% of the remaining balance should be appropriated as legal surplus (some of the balance is appropriated as special surplus and/or retained earnings.) If there is any balance left after the aforementioned appropriations, 2% of the balance is designated for employees bonuses. For the distribution of dividends and bonuses, the Board of Directors is to propose the distribution ratio of stock dividends and cash dividends in accordance with the financial situation, market condition, and development plan of the Bank. In response to the growth of the Bank, the distribution ratio of stock dividend shall not be lower than 80%; however, it can be adjusted with the approval of the Board of Directors and must be presented at the Shareholders’ Meeting for review and acceptance. Cash dividends are to be distributed upon the approval of the distribution proposal at the Shareholders’ Meeting. However, stock dividends may not be distributed until written approval is obtained from the relevant government authorities.

After the bank became a subsidiary of Fuhwa Financial Holding Co., Ltd., the rights of the Shareholders’ Meeting of Fuhwa Commercial Bank Co., Ltd. are exercised by the Board of Directors.

2. Enforcement of dividend policies:

The Board of Directors has determined to have cash dividends distributed for an amount of NT\$ 0.02 share from the earnings of 2005.

(VII) The impact of stock dividends on the business performance and earnings per share of the Bank

Unit: NT\$1,000

Year		2005	2004	
Items				
Paid-in capital at the beginning of the year		14,000,000	10,500,000	
Earnings distribution current year	Cash dividend per share(NT \$)	0.02	0.02	
	Stock dividend per share issued through capitalization of earnings	-	0.071	
	Stock dividend per share from capital surplus	-	-	
Changes in business performance	Operating income	122,811	1,997,175	
	% of increase (decrease) of operating income against last year's	(93.85)%	91.48%	
	Net income	51,669	1,502,258	
	% of increase (decrease) of net income against last year's	(96.56)%	64.44%	
	Earnings per share (NT\$) (before adjustment)	0.03	1.11	
	% of increase (decrease) of earnings per share against last year's	(97.30)%	33.73%	
	Average annual return on investment (1/annual P/E ratio)	0.30%	11.10%	
Pro forma earnings per share and P/E ratio	If earnings would be entirely transferred to cash dividends	Pro forma Earnings Per Share (NT\$)	0.03	1.11
		Pro forma Average Annual Return on Investment	0.30%	11.10%
	If capital surplus is not transferred to capital increase	Pro forma Earnings Per Share (NT\$)	-	-
		Pro forma Average Annual Return on Investment	- %	- %
	If stock dividends from capital surplus are not transferred but are transferred to cash dividend	Pro forma Earnings Per Share (NT\$)	0.03	1.11
		Pro forma Average Annual Return on Investment	0.30%	11.10%

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

1. Amounts or scope of employee bonuses and remuneration to directors and supervisors provided for in the Bank's Articles of Association

(1) Employee bonus

According to the Articles of Association Article 34, any net income generated in a fiscal year are to be used to make up previous losses and then 30% of the balance is to be held as a legal reserve and a certain ratio as a special reserve or as retained earnings. If there is any balance left after all the aforementioned appropriations, it is to be appropriated as follows:

A. Dividend and bonus to shareholders: 98%

B. Bonus to employees: 2%

(2) Remuneration to directors and supervisors: Fuhwa Commercial Bank Co., Ltd. has only one shareholder after merging with Fuhwa Financial Holding Co., Ltd.; therefore, no remuneration is distributed to board of directors and supervisors.

2. Information on employee bonuses and remuneration to directors and supervisors resolved by the Board of Directors

(1) Distribution of employee bonuses, stock dividends, and remuneration to directors and Supervisors

The ratio of earnings to be allocated for 2005 was officially resolved by the

board of directors, including a a cash bonus to employees amounting to NT\$723,000. Meanwhile, since Fuhwa Commercial Bank Co., Ltd. merged into Fuhwa Financial Holding Co., Ltd. there has been only one shareholder. Since then, no remuneration to directors and supervisors has been determined for the Bank.

- (2) The recommended stock dividends to employees and the ratio of stock dividends to capitalized retained earnings: Nil
 - (3) The earnings per share after the recommended employee bonus amount and remuneration to directors and supervisors' :\$0.03 dollar
3. Earnings of the last year distributed as employee bonuses and remuneration to directors and supervisors

Unit: NT\$1,000

2004	Actual allocation	Allocation resolved in the board of directors	Difference
Bonus to employees	21,031 in cash	21,031 in cash	Nil
Remuneration to directors and supervisors	Nil	Nil	Nil

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

IV. Issuance of Financial Bonds

Classification of Financial Debenture	The First Term Subordinated Debentures 2002(Note2)	
Date of Approval & Approval Document No.	Tai-Tsai-Jung (II) No. 0910042863 Bureau of Monetary Affairs, Ministry of Finance	
Date of Issuance	November 04,2002	November 04,2002
Par Value	NT\$3.1 billion	NT\$1.4 billion
Issuance and Trading Venue	Taipei City	Taipei City
Currency	NT\$	NT\$
Issuing Price	Issued at par value on the date of	Issued at par value on the date of
Total Amount	NT\$3.1 billion	NT\$1.4 billion
Interest Rate	6.15% less Libor (Note 1)	3.5%
Duration	Duration: 5 years and 3 months Maturity: February 4, 2008	Duration: 5 years and 3 months Maturity: February 4, 2008
Priority	Subordination Financial Debentures	Subordination Financial Debentures
Guarantor	None	None
Trustee	None	None
Underwriter	None	None
Certificate Attorney	Chien Yeh Law Offices: Y.Y. Jin	Chien Yeh Law Offices: Y.Y. Jin
Certificate CPA	KPMG CPA:Ann-Tien Yu	KPMG CPA:Ann-Tien Yu
Certificate Financial Institute	Grand Bills Finance Co., Ltd.	Grand Bills Finance Co., Ltd.
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 for Previous Year	NT\$14,000,000 thousand	NT\$14,000,000 thousand
Net Worth in the Prior Year	NT\$15,788,458 thousand	NT\$15,788,458 thousand
Performance	None	None
The Terms for Redemption or Early Repayment	None	None
Terms and Conditions for Transfer and Exchange	None	None
Restrictions	None	None
Capital Utilization Plan	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)	19.63%	9.47%
Eligible Entity Capital	Yes, Tier II Capital	Yes, Tier II Capital
Credit Rate	None	None

Note 1: It is based on the 6-month U.S. Dollar Libor quote and is to be recalculated at the beginning of every six-month.

Note 2: It is the statistic data of Bank Debenture up to December 31, 2005.

V. Issuance of Preferred Shares: Nil.

VI. Issuance of GDR/ADR: Nil.

VII. Issuance of Employee Stock Options : Nil.

VIII. Mergers or Acquisitions Involving Other Financial Institutions:

(I) For mergers or acquisitions of other banks within one year, the advising CPA must disclose their opinion on the proposed exchange ratio:

Fuhwa Bank weighed with full guarantee for “Tainan 7th Credit Cooperative” and “Tainan 6th Credit Cooperative” this year with a cash payment instead of issuing new shares; therefore, it is exempted from the requirement.

(II) For any listings, it should disclose M&A activities with other banks within the past five years. When banks are merged or acquired by issuing new shares, the opinion of the underwriter must be disclosed: Nil

(III) For banks other than listed OTC banks, they should disclose that stock issuance for the merger or acquired shares within the quarter and the impact on Shareholder’s Equity: Nil

(IV) The Bank that issuing new shares approved by the Board of Directors to merging other banks should disclose the institutions information.

Unit: NT\$1,000
Date: April 30, 2006

Name of Financial Institution		Guarantee Liability Tainan 7 th Credit Cooperative	Limited Liability Tainan 6 th Credit Cooperative
Address of Financial Institution		100, Sec. 2, Ming Chiuan Road, Tainan City	165, Sec. 1, Ming Shen Road, Tainan City
Business Owner		Chairman J.P. Lin	Chairman Y.H. Tsai
Paid-in Capital		267,132	4,300
Major Business Line		<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 deposits. 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 engage in custodian business. 11. To process agency services relevant to the authorized businesses on business license 	<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 deposits. 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 process Credit Card and relevant business. 10. To process acceptances of commercial drafts. 11. To issue domestic Letter of Credit. 12. To handle domestic guarantee business. 13. To handle services in collection and payment of payable sums. 14. To underwrite government bond, treasury bonds, corporate bonds, and corporate stocks. 15. To carry out the business of warehousing, property custody services, and agency related to the aforementioned business. 16. To accept the application for foreign exchange business of banks. 17. Other businesses authorized by central governmental agency.
Main Products		Deposits, loans, and agency business	Deposit, loans, agency business, foreign exchange, and credit card
Financial data of recent years	Total Assets	7,215,666	16,732,266
	Total Liabilities	6,889,849	16,114,306
	Total Shareholders' Equity	325,817	617,960
	Operating Revenue	182,888	410,352
	Gross Operating Profit	(1,071)	(34,524)
	Profit/Loss	(88,776)	(213,895)
	Net Income	3,013	(141,085)
Earnings Per Share	0.70	(34.23)	

Note: Financial data of recent years are prepared by referring to the 2004 annual report of The 7th Credit Cooperative of Tainan and The 6th Credit Cooperative of Tainan.



Company Operations

Company Operations

I. Business Items

(I) Scope of business lines

1. Accepting checking deposits.
2. Accepting demand deposits.
3. Accepting time deposits.
4. Extending short-term, mid-term, and long-term loans.
5. Discounting negotiable instruments.
6. Investing in marketable securities.
7. Processing domestic remittance.
8. Processing acceptances of commercial drafts.
9. Issuing domestic Letters of Credit.
10. Rendering guarantee for corporate bonds issuance.
11. Handling domestic guarantee business.
12. Acting as an agent for receiving payment and remittance.
13. Underwriting government bonds, Treasury Bonds, corporate bonds, and corporate stocks.
14. Rendering credit card services.
15. Processing short-term bills brokerage, certifications, and proprietary underwriting business.
16. Carrying out the business of warehousing and property custody services.
17. Leasing safe deposit vaults.
18. Processing agency business relevant to licensed businesses or businesses authorized by the central government.
19. Engaging in import/export foreign exchange, general outward and inward remittances, oreign exchange deposits, foreign currency loans and guarantee business for secured payment in foreign currencies.
20. Selling gold bullion, gold coins, and silver coins.
21. Processing business services as accredited by the Trust Business Law.
22. Processing the trade of government bonds and bills.
23. Trading in derivative financial commodities as approved by the competent authorities at the central government level.
24. Factoring accounts receivables from domestic manufacturers' exporting business.
25. Transferring factored accounts receivables of exporters to foreign accounting receivable underwriters.
26. Factoring accounts receivables from the sales of domestic manufacturers.

(II) An overview of business performance

1. Deposits

Unit: NT\$ million

Classification of deposit		12/31/2005		12/31/2004		Comparison with 2004	
		Amount	%	Amount	%	Amount increase (decrease)	%
Demand deposits (Note)	Checking deposits	2,265	0.84	1,966	0.84	299	15.21
	Demand deposits	17,752	6.61	15,340	6.52	2,412	15.72
	Passbook saving deposits	60,511	22.54	49,514	21.04	10,997	22.21
	Subtotal	80,528	30.00	66,820	28.40	13,708	20.51
Time deposits (Note)	Time deposits	77,865	29.00	76,624	32.56	1,241	1.62
	Time savings deposits	83,975	31.28	67,203	28.56	16,772	24.96
	Subtotal	161,840	60.28	143,827	61.12	18,013	12.52
Others	Postal savings redeposits	15,032	5.60	16,916	7.19	(1,884)	(11.14)
	Financial institution deposits	3,023	1.13	20	0.01	3,003	15,000.15
	Interbank call loans from banks / due to banks	8,044	3.00	8,387	3.28	(311)	(4.09)
	Subtotal	26,099	9.72	25,324	10.48	1,430	3.06
Total		268,467	100.00	235,316	100.00	33,151	14.09

Note : The demand deposits and time deposits include foreign exchange deposits and treasury deposits.

2. Small and medium business-oriented loans and consumer-oriented loans

Unit: NT\$1,000

Items	12/31/2005		12/31/2004		Comparisn with 2004	
	Amount	%	Amount	%	Amount	%
Small and medium business-oriented loans	29,187,448	12.88	18,127,201	9.46	11,060,247	61.01
Consumer-oriented loans	131,130,019	57.89	97,255,450	50.78	33,874,569	34.83

Note1: Ratio of small and medium business-oriented loans: Small and medium business-oriented loans ÷ Total balance of loans (excluding non-performing loans); Ratio of consumer-oriented loans: Consumer-oriented loans ÷ Total balance of loans (excluding non-performing loans)

Note2: The term "small and medium business" as set forth herein denotes enterprises as defined by the criteria of the Small and Medium Enterprise Administration, Ministry of Economic Affairs.

Note3: Consumer-oriented loans include house purchase loans, house remodeling loans, car purchase loans, Fringe benefit loans granted to employees of entities and organizations, and other personal consumer loans (excluding revolving credit with credit cards)

3. Foreign exchange business

Unit: US\$1,000

Year Items	12/31/2005		12/31/2004		Comparison with 2004	
	Amount	%	Amount	%	Amount increase (decrease)	Increase (decrease) ratio (%)
Importing	763,740	8.35	846,879	10.15	(83,139)	(9.82)
Exporting	262,248	2.86	249,649	2.99	12,599	5.05
Outward	3,865,216	42.30	3,359,806	40.26	505,410	15.04
Inward	4,246,713	46.47	3,889,602	46.60	357,111	9.18
Total	9,137,917	100.00	8,345,936	100.00	791,981	9.49

4. Trust business

Unit: NT\$1,000

Year Items		12/31/2005	12/31/2004	Comparison with 2004	
				Amount increase (decrease)	Increase (decrease) ratio (%)
Non-discretionary trust funds investing in domestic and foreign securities	Domestic funds (including stock-linked products)	11,468,302	11,017,082	451,220	4.10
	Offshore funds (including offshore marketable securities)	22,730,875	14,424,167	8,306,708	57.59
	fee income	338,610	185,250	153,360	82.79
Custodian business	Balance of custodian asset at year-end	35,674,880	47,703,770	(12,028,890)	(25.22)
	fee income	43,830	58,520	(14,690)	(25.10)
Balance of employee stock ownership trust		463,480	142,790	320,690	224.59
Balance of living trust		59,460	13,100	46,360	353.89
Specific independent money trust balance - ending		42,580	60,370	(17,790)	(29.47)
Common trust fund balance (money market common trust fund only) ending		756,300	908,020	(151,720)	(16.71)
Marketable security trust balance - ending		764,850	1,019,000	(254,150)	(24.94)
Money credit and collateral trust balance - ending		10,912,940	4,628,180	6,284,760	135.79
Real estate trusts balance - ending		1,410,240	1,109,460	300,780	27.11
Fee income (excluding custodian and specific money trust investing in domestic and offshore securities)		25,610	9,790	15,820	161.59
The amount of securities certification		37,843,000	9,588,000	28,255,000	294.69

5. Credit Card business

Items	12/31/2005	12/31/2004	Comparison with 2004	
			Amount increase (decrease)	Increase (decrease) ratio (%)
Number of cards issued	583,732	514,066	69,666	13.55
Number of cards in circulation	290,856	299,996	(9,140)	(3.05)
Total amount charged (NT\$1 million)	7,042	7,848	(806)	(10.27)
Revolving credit (NT\$1 million)	4,332	3,239	1,093	33.74

6. Operating income and expenses

Unit: NT\$1,000

Items	2005		2004	
	Amount	%	Amount	%
Operating revenue				
Interest revenue	\$ 10,029,124	84	8,156,061	79
Fee and commission revenue	1,763,985	15	1,572,456	15
Trading profit from marketable securities, net	-	-	174,623	2
Gain on long-term equity investment, net	32,506	-	55,875	1
Exchange gains, net	-	-	137,529	1
Other operating revenue	156,344	1	179,319	2
	<u>11,981,959</u>	<u>100</u>	<u>10,275,863</u>	<u>100</u>
Operating expenses				
Interest expenses	4,131,850	35	2,862,484	28
Fee and commission expenses	523,271	4	584,495	6
Trading losses from marketable securities, net	230,455	2	-	-
Exchange losses	58,845	-	-	-
Provision for allowances and reserves	2,964,931	25	1,550,571	15
Business expenses	2,657,916	22	1,945,899	19
Administrative expenses	1,280,148	11	1,327,868	13
Other operating expenses	11,732	-	7,371	-
	<u>11,859,148</u>	<u>99</u>	<u>8,278,688</u>	<u>81</u>
Operating income	<u>122,811</u>	<u>1</u>	<u>1,997,175</u>	<u>19</u>
Non-operating income	89,732	-	123,467	1
Non-operating expenses	<u>138,456</u>	<u>1</u>	<u>69,983</u>	<u>-</u>
Net income before income tax	74,087		2,050,659	20
Income tax expense	<u>22,418</u>	<u>-</u>	<u>548,401</u>	<u>5</u>
Net income	<u>\$ 51,669</u>	<u>-</u>	<u>1,502,258</u>	<u>15</u>

(III) Operation plan for 2006

1. Deposit and remittance business

- (1) Reinforce competitiveness of wealth management business in northern Taiwan, while balancing business development with current operations.
- (2) Categorize customers according to customer profiles and needs, and match those up with financial specialists, making any necessary adjustments to operations in order to improve business competitiveness.
- (3) Provide occasional campaigns about deposits (time deposits and demand deposits in New Taiwan Dollars and foreign currency) and wealth management business. For example, our “Member Gets Member” (MGM) campaign designed to attract customers to improve overall performance.

2. Trust business

- (1) Set up collective management accounts.
- (2) Promote real estate trust business.
- (3) Continue boost custody services scale.
- (4) Seek to act as a trustee in financial asset and real estate securitization.
- (5) Develop trust of loans and related security interests.
- (6) Plan standard pecuniary trust products.

3. Corporate banking business

- (1) The corporate banking business of the Bank is classified according to the following customer categories: 1) major corporate banking customers 2) minor corporate banking customers, and 3) SME banking (micro) customers. Banking products are planned accordingly to provide comprehensive corporate banking services.
- (2) Promote the account manager system and take advantage of the extensive resources of the financial holding company, diversified products, and skilled team to provide customers with professional and comprehensive custom-made banking services.
- (3) Strengthen skills and expertise of corporate banking personnel to be able to compete effectively in the midst of globalization.
- (4) Actively increase our fee income ratio in efforts to achieve greater income diversification.

4. Foreign exchange business

- (1) Set up a foreign exchange center in central Taiwan to promote our foreign exchange business.
- (2) Promote foreign exchange demand deposits to reduce the foreign fund cost of the Bank.
- (3) Reinforce our offshore wire transfer network and improve the foreign exchange business in scope and operational efficiency.
- (4) Upgrade sales staff members’ skills and knowledge by providing foreign exchange

training.

- (5) Help plan for the construction of the Bank's core information system.
- (6) Improve operation efficiency by upgrading foreign exchange operations system.

5. Consumer banking business

- (1) Create and improve consumer banking products in line with market development and seasonal demand. In addition, follow our objectives of "diversification, segmentation, and promptness" to provide customers with custom-made financial products.
- (2) Utilize customer data within the group to provide more tailored services for existing customers, as well as develop new customers through internal efforts or customer referrals.

6. Credit Card business

- (1) Design credit cards that portray the Bank's strength to attract potential customers for our securities business and financial services business.
- (2) Implement a campaign under the organizational structure of the financial holding company in which sales staff can compete against each other to sign up customers with good credit quality.
- (3) Further develop credit card usage by developing credit cards with installments.

(IV) Market analysis

1. Macroeconomic development

In the first half of 2005, the international economy experienced sluggish growth and Taiwan manufacturing companies continued their trend of transferring production offshore. These factors, combined with unsatisfactory export volumes and domestic productivity contributed to total economic growth reaching a mere 2.73%. By the second half of 2005, growing demand for electronic products worldwide helped boost production levels for exporters. Economic growth in the fourth quarter of 2005 reached 6.4%, posting a six quarter record high. Overall economic growth for the year ended at 4.09%. For 2006, many variables exist that may affect the domestic economy, including cross-Taiwan Strait tensions, the threat of bird flu, oil price increases, exchange rate fluctuations between the NT and U.S. dollars, natural disasters, and the political policies. However, despite all these potential threats, global economic forecasts this year by Global Insight, the World Bank, and the EIU (Economist Intelligence Unit), we will see stable growth in the range of 3.2%~4.0% in 2006, equivalent to the previous year, which will be beneficial to Taiwan's economy. According to the report of the Directorate-General of Budget, Accounting and Statistics of Executive Yuan, the credit and cash card crisis will constrain private sector consumption; however, the influence of strong economic conditions in the United States, Japan, and European nations as well as mainland China will help Taiwan's economy to outperform last year with a growth rate of 4.25%.

In terms of interest rate policy, from June 2004 to the end of January 2006, the U.S. Federal Reserve raised interest rates fourteen consecutive times, causing an increase from 1% to 4.50%. However, since U.S. economic growth is expected to reach 4.5%, the Fed may adjust interest rates up again to keep economic growth at a 4% level for the first half. Upward rate adjustments by the Fed are expected to come to an end soon, and Taiwan's Central Bank of China is expected to raise interest rates to mitigate the widening interest rate gap between Taiwan and the United States. However, since Taiwan's economic growth is stable, the frequency and range of interest rate adjustments by the Central Bank will not be extreme.

In terms of exchange rates, the Fed's rate adjustments should to come to an end soon, this may not be the case for the Euro due to inflationary pressure. Money supply growth rate increases; therefore, the cycle of interest rate increases are expected to continue. Japan is expected to step out of its "decade-long" economic black cloud and end its zero interest rate policy soon, causing the Yen to appreciate. In this situation, the U.S. Dollar will weaken and lose its dominant edge.

From Taiwan's international trade perspective, the trend change of exchange rate of RMB is important. Even when the RMB appreciated went up on July 21, 2005, mainland China continued to manipulate the exchange rate. From the viewpoint of NDF (Non-Delivery Forward) or actual exchange rate, the expectation of RMB appreciation in the market will continue. In 2006, political and economic factors raise the pressure of RMB appreciation. Meanwhile, the expectation of RMB appreciation in the future affects other currencies.

Taiwan's foreign exchange market is classified as a type of "shallow dish" market. In addition, there are high correlation relationship among US dollar, Japanese Yen, and Korean Won. Fund is most likely to move into the Asian markets from all over the world this year. Furthermore, the U.S. Dollar will no longer be the one and only strong currency in the world.

2. Business development considerations

(1) SWOT analysis of Fuhwa Bank

Strengths	Weaknesses
<ul style="list-style-type: none"> ■ Yuanta Core Pacific Securities new management blood joined Fuhwa's team to improve Fuhwa business performance, and to offer new diversified securities products . ■ The improvement of overdue loans helps improve business development 	<ul style="list-style-type: none"> ■ Branch coverage remains insufficient ■ Low brand name recognition ■ Low product differentiation
Opportunities	Threats
<ul style="list-style-type: none"> ■ Changes in the banking industry, exhibited by lower overdue loans and higher profitability. ■ After the merger with Tainan 6th and 7th Credit Cooperatives , Fuhwa has 70 branches. After branch re-allocation, there were 23 branches in the Taipei metropolitan area, helping to improve market share in Taipei. 	<ul style="list-style-type: none"> ■ The impact of the credit card and cash card crisis and the decline of those business negatively affects profitability. ■ Technological innovation helps alters the banking industry by raising the level of competitive pressure. ■ Technology crime affects the safety of banking transactions. ■ Banking products can easily be sold at lower prices which is detrimental to profitability among all banks.

(2) Responsive strategies of the Bank

- A. In order to improve the situation of highly homogenous products and low customer's loyalty, we will strengthen our customer relationship, continually train staff, raise their professional abilities and develop more customer-oriented financial products and more value-added services.
- B. Efforts focused on improving asset quality were successful in reducing the overdue loan ratio to 2.49% by the end of 2005. The Bank intends to strengthen risk management going forward.
- C. Substantiate the Bank's risk management policy and adjust risk management structures and procedures to prevent poor credit from occurring.
- D. Improve performance and competitiveness of the Bank by raising the level of service quality through product sales, resource integration, and cost savings.

(V) Financial products research and business development

1. Major financial products and newly established departments within two years

The Bank was re-structured in October 2005 into the six following groups: Banking Service, Corporate Banking, Consumer Banking, Financial Markets, Risks Management, and Administration Management. Three departments were set up within the Corporate Banking Group: Corporate Banking Sales, Project Financial, and SME Banking. In addition, a Financial Products Marketing Department was set up within Financial Markets Group. Dividing business operations along functional lines will assist the Bank in achieving better results.

(1) Corporate Banking Sales Department: The Board of Directors approved to establish the Corporate Banking Group on September 5, 2005, and then set up Corporate Banking Sales Department within the Group. The arrangements were finalized officially on October 1, 2005. Three divisions within the Corporate Banking Sales Department were established with their job responsibility defined as follows:

Division	Job Responsibility
Business Marketing	Promote major corporate banking business and enforce budget goals
Business Promotion	Assist with the development and network setup of corporate banking business
Banking Industry & Management	Process credit and business transactions, monitor and manage the corporate banking marketing team

Since October 1, 2005, the corporate banking sales business can be classified as either major corporate banking or minor corporate banking. The major corporate banking marketing team provides major credit customers with a comprehensive service. The Bank's corporate banking branches are located mostly in western Taiwan and encounter the challenge of market saturation. However, the Bank intends to develop its credit guarantee fund business and attract new demand deposits to generate income.

(2) Project Financing Department: As of December 31, 2005, the balance of account receivable factoring stood at NT\$1,415,823,395 with recourse and NT\$223,696,841 without recourse.

Statistics of Accounts Receivable				
Month	Invoice amount (NT\$100 million)	Expense (NT\$1,000)	Interest income (NT\$1,000)	Total income (NT\$1,000)
1	548	711	1,768	2,479
2	300	455	1,811	4,745
3	578	985	2,203	3,188
4	321	591	1,954	2,545

5	456	857	1,924	2,781
6	477	796	1,933	2,729
7	441	785	2,087	2,872
8	544	780	2,632	3,412
9	992	576	2,340	2,916
10	912	875	4,507	5,382
11	1,107	767	5,200	5,967
12	1,504	1,274	6,794	8,068
TTL	8,180	9,451	35,153	44,604

- (3) SME Banking Department: SME Banking Department was transferred from the Corporate Banking Department under the Corporate Banking Group on October 1, 2005. It deals with the credit financing business for medium & small-sized businesses.

By the end of December 2005, the operation scale and performance was as follows:

- A. The Bank had a credit balance of over NT\$2.6 billion, detailed as follows:

Classification of credit	Credit balance (NT\$1,000)
Credit lot	1,389,676
Revolving fund	1,083,574
Convenience store project	69,461
President leasing project	113,190
Total	2,655,901

- B. Performance of the department:

Accounts	Amount (NT\$1,000)
Operating revenue – interest revenue	202,499
Operating revenue – fee & commission revenue	26,969
Operating revenue – exchange, others, and internal revenue	30,306
Add: Total operating revenue	259,774
Operating expenses – interest expenses	1,167
Operating expenses – fee & commission expenses	1,948
Operating expenses – internal expenses (interest paid to inter-branches)	42,524
Minus: Total operating expenses	45,639
Minus: Operating expenses	77,593
Add: Non-operating income	193
Minus: Non-operating expenses	18
Minus: provision for allowances and reserves	43,450

Minus: Internal expenses & income tax	27,672
Total net income	65,595

- (4) Financial Products Marketing Department: Financial Products Marketing Department was approved to be transferred from the Financial Department’s Derivative Banking Team to the Financial Markets Group at the 44th Board of Directors meeting on December 8, 2005. It manages the exchange rate, interest rate, and the promotion and sale of derivatives and other products that are authorized by the government.

By the end of December 2005, the Bank performed a total trade amount of US\$1,880,739,590.07 with a profit of NT\$26,903,890 as detailed below:

Product	Volume (US\$)	Actual profit (NT\$)
Spot FX	826,494,025.08	842,677
Forward FX	375,099,138.11	2,378,446
FX swaps	283,773,676.89	601,605
Non-Delivery Forward(NDF)	11,000,000.00	697,061
FX option	379,372,750.00	22,042,517
Non-Delivery Option(NDO)	5,000,000.00	341,584
Total	1,880,739,590.07	26,903,890

2. Results of and Expenditure on R&D in the last two years

Many new financial products have been introduced in recent years. In order to provide customers with a range of products that are comprehensive and customized, the Bank has engaged in extensive research and development of innovative products. The Bank will continue its efforts in this area to strengthen the competitiveness of the entire Bank. It will accomplish this by focusing on the following:

- (1) Structured debt project: Provide debt management strategies for customers for principal and interest payback at a low monthly interest rate.
- (2) Diversified mortgage projects: The “Happy Loan” provides customers with a general mortgage and credit loan. The “168 Mortgage” combines mortgage and life insurance to ensures customers solvency in an emergency. The “Preferential Mortgages” provides customers with a “one-stop” mortgage interest rate that is superior to strategic mortgage loans. The “Junior Financing” and “Transfer & Reverse Mortgage Loan” provides customers with fund flexibly.
- (3) Develop comprehensive financial products: Cooperate with domestic and offshore financial institutions to combine and repackage financial products in order to provide customers with adequate financial services and generate stable returns.

- (4) E-process: The Bank actively cooperates with other companies to have a platform that provides L/C issuance, negotiation, and online payment processing, and also to better manage business procedures and customers' source of funds.
 - (5) E-banking: Strengthen e-banking, promote Web-ATM, and expand traditional OTC services to serve customers wherever they are.
 - (6) Construct risk management system: In response to the enforcement of Basel II, risk management systems and risk evaluation systems will be actively constructed and enforced.
- (VI) Short-term and long-term business development plans
1. Please refer to page 37~38 for the annual business development plan in detail.
 2. Long-term business development plans
 - (1) Improve risk management capabilities and generate maximum profit.
 - (2) Continually improve operating procedures. Control and reduce operating costs while working to generate service differentiation and quality in order to improve customer satisfaction.
 - (3) Aggressively innovate to develop a range of products for one-stop-shopping for customers.
 - (4) Provide professional training for employees aimed at improving service quality.

II. Employee Statistics

April 30, 2006

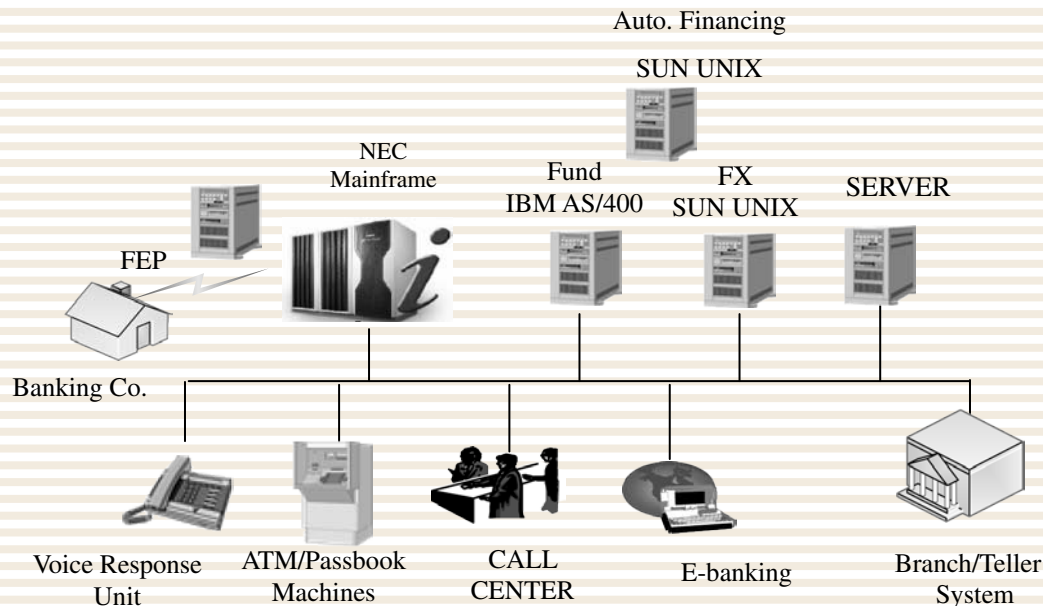
Year		2004	2005	As of April 30, 2006
Number of staff		2,376	2,815	2,884
Average age		32.92	34.82	34.95
Average seniority		3.49	3.52	3.59
Educational level	Ph.D	2	2	2
	Master	125	149	172
	University & College	1,814	2,195	2,284
	High School	429	466	425
	Below High School	6	3	1
Certificates and licenses held by Fuhwa Bank employees	Internal control	Financial planning specialists	Preliminary credit personnel	Advanced credit personnel
	Preliminary foreign exchange personnel	Trust salesmen	Security salesperson	Security senior salesperson
	Security analyst	Industry analyst	Futures salesperson	Investment trust & consulting salesperson
	Property insurance salesperson	Property insurance agent	Property insurance broker	Investment insurance
	Real estate salesperson	Real estate broker	Life insurance agent	Life insurance broker
	Preliminary qualification exam	Advanced qualification exam	Class B special exam	Class C special exam
	Land registration agent	Labor safety & health specialists	Bond specialists	Security salesperson
	CFP			

III. Responsibility and Ethics

Fuhwa shares its corporate spirit by giving back to society. Through Fuhwa Foundation, we have made donations and helped disadvantaged individuals through the following projects: providing care for refugees in southern Asia, supporting a northeastern Asia project, helping senior citizens in solitude, arranging a bean feast, providing scholarships and financial aid, and sponsoring art and cultural activities. It is the intention of Fuhwa to contribute whatever we have to offer to society and to fulfill our responsibility to our community.

IV. Information Equipment

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



1. NEC/IPX7800 (ACOS-4/NPX)

Deposits, loans, exchange, inter-bank, agent, ATM, IC card, and remittance in package.

2. SUN E3500 (Solaris)

Foreign exchange system (DBU / OBU), TMU, portfolio deposits, auto loans, motorcycle loans, project auto loans, safe deposit, capital management (Financial Department), and assets securitization.

3. IBM RS6000 (AIX)

HSM, data warehouse (DW), finance and accounting system (SAP), and system integration platform (EAI).

4. IBM AS400 (OS/400)

Funds, foreign currency trust, custodian banks, equity link notes, and shareholding trust.

5. NT SERVER

Voice mail, safement dispatch, software distribution, SWIFT, e-banking, stock financing, seals management system, notes exchange center, remittance center, consumer banking review, consumer banking collection, wealth management network, JCIC(MQ), appraisal inquiry, stock and bond, accounting receivable factoring, credit card, employee portal-login, mail server, and memorandum management(NOTES).

(II) Plans for future procurement or development

1. Construction of an account with various quota systems
Supporting the diversification of overdraft products.
2. FEP system
Integrate an ATM, voice response unit, and e-banking network to provide 24-hour service; construct an ATM monitoring system to improve AMT operations and service quality.
3. Auditing paperwork system
Construct an automatic auditing paperwork system to improve the efficiency of auditors.
4. Deposits (offshore bonds and consumer banking loans)
Provide customers with various trust products and loans for specific purposes; also, support business promotions and reservations.
5. Offshore bond (structured bond system)
Provide operation platform system for offshore bond, structured bonds, and corporate bonds to reinforce service quality and work efficiency.
6. ACH system
Integrate dividend distribution, fund deduction, and collections and remittance business for formatting process; construct exchange platform with Stock Exchange Corporation and bank's server; also, provide query interface and debit and credit information of an account.
7. Banking collection process and credit check and credit award e-flow
Support the banking collection process and review procedures and documents to have data summarized and the operating process standardized.
8. Market risk management system
In response to Basel II, construct a market risk management system.
9. Operating procedure and risk evaluation of process risk management
In response to Basel II, construct operating procedures and risk evaluation of process risk management system.
10. Credit risk analysis system
In response to Basel II, construct a credit risk analysis system.
11. Reformation of exchange system module
Upgrade the function of exchange system to reinforce system operations.
12. Integrated deposit system
The application, interest, and settlement of integrated deposits is structured to serve deposits and debit/credit processes to save time.

13. Price negotiation system

Exchange rate negotiation and flow is controlled by this system to minimize errors and save time.

14. Allocation of collections and advances of lawsuits

The function of collection and advances of lawsuit maintenance is added, and the function of reporting expense and query is provided.

15. Web ATM

Super ATM provides safer and more convenient account transfer through the Internet.

16. Web ATM for vendors

Expand the business scope of Web ATM. Expand the consumption network of Web ATM to generate income and fulfill the request of corporate e-banking.

17. Function upgrade of B2Bank

Provide comprehensive and safe corporate transaction platform.

18. EIS system

Construct EIS to help department heads control business operations.

19. Related party analysis system

Integrate the database of related parties for reinforcing risk management.

20. CONTACT CENTER project

Integrate the CTI and IVR systems of the customer service center, credit card service center, and direct marketing center.

21. Imagery process system of the Bank

Implement imagery scan and data storage to resolve the inconvenience of document mailing and faxing; also, to have operation processes standardized in order to upgrade operation efficiency.

22. Human Resource system (HR system)

Support group integration by having a human resources system constructed.

23. Data and report management system

Construct a historical data and report online query system.

24. Employee Portal-Login

Integrate information and document management of the group.

(III) Emergency relocated backup and security protection

1. Timing of relocated backup rescue procedures

(1) Regional emergency

In the case of an emergency, damage to information equipment is to be examined and assessed first. Once the rescue team has all the necessary information, equipment and personnel will be arranged accordingly in order to resume normal operations as soon as possible.

(2) Computer center emergency

Rescue mission shall take place according to the information operation emergency protocols stipulated by each unit and inform relevant units for support. Additionally, all departments of the organization will be informed of the situation.

2. Security and protection measures

(1) For the protection of the Bank's computer system, data storage safety, document files, and working personnel, all necessary preventive measures must be implemented accordingly.

(2) Security and protection measures in the event of an emergency

A. Precautionary measure

The computer center is to be constructed with the necessary preventive measures for earthquakes, fires, lightning strikes, and other disasters. Also, an automatic alert system is to be installed for such emergencies.

B. Crime prevention

The computer center must be equipped to prevent invasion and sabotage. The traffic in computer rooms must be monitored with monitoring devices installed and those personnel granted access controlled. Computer system data files must be protected from unauthorized alteration, programming, or tampering.

C. Backup and retrieval

Computer hardware design must include a backup function. Important files must be built with regular backup setting and sound retrieval process. The Business Department must be able to have an independent remedial measure in place.

(3) Computer equipment must be maintained periodically 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) Concurrent labor agreement and the enforcement

1. Employee welfare

- (1) Labor insurance and health insurance for employees is provided in accordance with government regulations.
- (2) Group insurance for employees including life insurance, worker compensation insurance, cancer insurance, hospitalization insurance, and occupational hazard insurance is provided.
- (3) Establish Employees Welfare Committee and stipuable relevant subsidy rules.
- (4) Provide subsidies to clubs established by Fuhwa Bank employees.
- (5) Provide scholarships for employees' children.
- (6) Provide subsidies to departments that hold leisure or travel activities.
- (7) Provide meal allowance.
- (8) Provide "winter and summer uniforms".
- (9) Offer preferential interest rates for savings accounts of employees, pension deposits, mortgage loans, property remodeling loans, and consumer loans.
- (10) Provide shareholding trust service to employees.
- (11) Provide vacation and retirement benefits in accordance with an employees' entertainment and career plans.

2. Retirement plan

The Labor Retirement Plan was enforced starting on July 1, 2005. When employees of the Bank retire, procedures are to be followed as stipulated in both the "Employee Retirement Rules" and the "Labor Retirement Measures" regulations.

(1) Requirement for retirement

A. Voluntary retirement:

- a. Employees who have worked for the Bank at least 15 years and are fifty-five years old or older.
- b. Employees who have worked for the Bank over 25 years.

B. Voluntary early retirement:

- a. Employees who are fifty years old or older.
- b. Employees' age and seniority combined are over fifty-five.

C. Compulsory retirement:

- a. Employees who are sixty years old or older.
- b. Employees who are physically or mentally disabled and can no longer perform their job responsibilities.

(2) Pension plan

- A. Employee seniority earned before the enforcement of the Labor Standards Law is awarded with one point per year with a maximum of thirty points awarded.
- B. Employee seniority earned after the enforcement of the Labor Standards Law is awarded with two points per year and one point per year for seniority beyond the 15th year and with a maximum of forty-five points awarded.
- C. Any fraction of a year of service shall be counted as a half year if less than half a year, and as a full year if more than half a year. Points calculated in fractions shall not exceed 45 points in total.
- D. When applying for voluntary early retirement, an additional 0.5 points is awarded for each service year but may not exceed a maximum of five points.

(3) The Bank has organized an “Employees Pension Reserve Committee” that appropriates pension reserves on a monthly basis.

3. Other significant accords: Nil.

(II) Losses resulting from labor disputes over the past three years

1. 2003:

- (a) The court awarded a pension payment requested by Mr. C.H. Chen for an amount of NT\$1.74 million.
- (b) An employment claim by Mr. C.F. Wu was validated by the court with a payment of NT\$5.91 million awarded.

2. 2004: None

3. 2005: None

VI. Major Contracts

Contract	Counterparts	Contracted period	Content	Restrictive clauses
Overall take-over	Guarantee Responsibility of The 7 th Credit Cooperative of Tainan	2005.1.10~2005.6.17	Merger	-
Overall take-over	Limited Responsibility of The 6 th Credit Cooperative of Tainan	2005.8.29~2005.12.23	Merger	-

VII. Collateralized Product Obligation: None



Capital Expenditure Plan

Capital Expenditure Plan

- I. Description: Analysis of the last pending cash capitalization and financial bond issuance plans as well as analysis of any parts of the plan not executed within the past three years.

The Bank applied with the Financial Supervisory Commission of the Ministry of Finance in 2002 to have a subordinated debentures issued for an amount of NT\$4.5 billion. No. 0910042863 was approved and issued on September 24, 2002. The purpose of this measure was to improve the tier II self-sufficient capital, future capital adequacy, and working capital. By the end of 2005, Fuhwa Bank had outstanding financial bonds of NT\$4.5 billion.

- II. Enforcement of plan:

For details about capital sources and capital expansion plans for the year, please refer to section 1-4 of the section titled, “Financial status and analysis of operating results and risk management.”



Financial Information

Financial Information

I. Condensed Balance Sheet and Income Statement over the Past Five Years

(I) Condensed Balance Sheet

Unit: NT\$1,000

Year Items		Financial Information for the Last Five Years				
		2005	2004	2003	2002	2001
Cash, cash equivalent, due from Central Bank and other banks		35,492,474	37,651,406	29,950,906	26,940,517	27,423,925
Marketable securities purchased		27,370,033	24,538,408	23,350,138	25,069,832	17,580,333
Loans – net		228,842,212	195,102,670	168,475,062	119,262,086	114,605,983
Receivables		9,265,445	7,960,841	6,607,607	2,687,781	2,627,684
Long-term investments		479,632	556,444	521,991	494,077	830,720
Fixed assets		2,902,383	2,832,256	2,472,451	1,375,074	1,404,995
Other assets		4,516,071	4,051,838	3,867,480	3,160,950	2,211,826
Due to Central Bank and other bank		11,066,979	7,753,710	13,478,256	5,155,920	2,113,276
Deposits accepted and remittances payable		257,446,644	228,236,725	190,791,068	148,683,093	140,872,340
Funds borrowed from Central Bank and other banks and Financial banks		4,500,000	4,500,000	4,500,000	4,500,000	-
Other liabilities		17,125,372	16,414,970	15,081,629	10,382,120	10,675,604
Capital stocks		18,000,000	14,000,000	10,500,000	12,115,136	12,115,136
Capital surplus		14,673	14,673	14,673	11,740	1,709
Retained earnings	Before allocation	773,874	1,773,785	905,091	(1,635,364)	1,137,125
	After allocation	737,706	722,205	271,527	(1,635,364)	1,137,125
Additional shareholders' equity		(59,292)	-	(25,082)	(222,328)	(229,724)
Total assets		308,868,250	272,693,863	235,245,635	178,990,317	166,685,466
Total liabilities	Before allocation	290,138,995	256,905,405	223,850,953	168,721,133	153,661,220
	After allocation	290,175,163	256,956,985	223,984,517	168,721,133	153,661,220
Total shareholders' equity	Before allocation	18,729,255	15,788,458	11,394,682	10,269,184	13,024,246
	After allocation	18,693,087	15,736,878	11,261,118	10,269,184	13,024,246

Note: The aforementioned financial information are certified by CPA; also, in response to Public Offering Bank Financial Statement Standard, the Bank had some accounting accounts on 2001 and 2002 financial statements reclassified accordingly.

(II) Condensed Income Statement

Unit: NT\$1,000
except for earnings per share (NT\$)

Items	Year	Condensed Financial Data Over Five Years (Note)				
		2005	2004	2003	2002	2001
Operating revenue		11,981,959	10,275,863	8,750,611	8,385,532	9,685,630
Operating expenses		11,859,148	8,278,688	7,707,569	11,743,292	8,850,999
Operating income (Loss)		122,811	1,997,175	1,043,042	(3,357,760)	834,631
Non-operating income (loss)		(48,724)	53,484	(50,965)	22,748	4,383
Net income (loss) before income tax		74,087	2,050,659	992,077	(3,335,012)	839,014
Net income (Loss)		51,669	1,502,258	913,579	(2,772,489)	677,905
Earnings per share (NT\$)	Before adjustment	0.03	1.11	0.87	(2.37)	0.57
	After adjustment	-	1.04	0.77	(2.61)	0.63

Note: The aforementioned financial data are certified by a CPA; also, in response to Public Offering Bank Financial Statement Standard, the Bank had some accounting accounts on 2001 and 2002 financial statements reclassified accordingly.

(III) The bank's last five-year financial statements were examined by the following verified public accounts

Year	Accounting office	Accountant	Auditing 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
2005	KPMG Certified Public Accounts	Andrew Yu & Lily Lu	Standard no qualified opinion

II. Financial Ratio Analysis Over the Past Five Years

Analysis items (Note 2)		Condensed financial ratio analysis within five years					Up to March 31, 2005
		2005	2004	2003	2002	2001	
Operating ability	Loans to deposit Ratio(%)	89.84	86.42	88.30	78.38	82.42	97.29
	NPL ratio (%)	2.49	2.93	3.75	4.22	5.72	2.90
	Ratio of interest expense to annual average deposits (%)	1.64	1.37	1.57	2.60	4.43	0.37
	Ratio of interest income to annual average credit amount	4.08	4.49	4.01	5.57	6.91	0.97
	Total assets turnover (times)	-	0.01	0.04	0.05	0.06	0.56
	Average operating revenue per employee	4,285	4,181	4,625	7,937	9,371	602
	Average profit per employee	18	611	573	(2,653)	661	(67)
Profitability	Return on tier I capital (%)	0.45	15.53	9.28	(28.64)	6.59	-
	Return on assets(%)	0.02	0.59	1.86	(1.60)	0.42	(0.06)
	Return on Shareholders' Equity ratio (%)	0.30	11.05	8.43	(23.80)	5.30	(1.03)
	Net income ratio (%)	0.43	14.62	11.34	(40.21)	8.74	(11.13)
	Earnings per share (NT\$)	0.03	1.04	0.77	(2.61)	0.63	(0.10)
Growth rate	Assets growth rate (%)	13.27	15.92	31.43	7.38	5.58	7.66
	Profit growth rate (%)	(96.39)	106.70	129.75	(497.49)	(150.46)	(130.91)
Ratio of liquidity reserve (%)		12.40	12.70	14.30	21.90	20.30	13.20
Capital adequacy	Total Tier I capital	17,409,720	15,287,622	11,115,002	10,269,185	13,024,046	-
	Capital – net	18,820,259	18,586,556	15,234,825	14,571,679	13,592,079	-
	Total risk-based assets	231,159,107	204,978,673	174,791,811	131,967,688	124,197,168	-
	Capital adequacy ratio (%)	8.14	9.07	8.72	11.04	10.94	-
	Ratio of Tier I capital to risk-based assets (%)	7.53	7.46	6.36	7.78	10.49	-
	Ratio of Tier II capital to risk-based assets (%)	0.82	1.88	2.66	3.90	0.67	--
	Ratio of Tier III capital to risk-based assets (%)	0	0	0	0	0.47	-
Ratio of common stock to total assets (%)		6.06	5.79	4.84	5.74	7.81	-
Total secured loans of related parties		2,471,406	1,124,045	2,608,229	1,154,857	1,124,435	1,489,419
Ratio of total secured loans of relate parties to total loans (%)		1.02%	0.54%	1.42%	0.90%	0.92%	0.62%
Operating scale	Assets market share	1.05	0.91	0.84	0.69	0.65	1.07
	Net-worth share	1.05	0.90	0.70	0.64	0.72	1.01
	Deposits market share	1.24	1.19	1.06	0.87	0.84	1.20
	Loan market share	1.39	1.24	1.19	0.88	0.82	1.36

Explain the causes of financial ratio change within two years (the changes of financial ratio that does not exceed the threshold of 20% needs not be analyzed).

(1) For the purpose of having assets quality substantiated, the Bank had substantial bad debt appropriated in 2005; therefore, the operating income of 2005 was lower than the year of 2004 including Total Assets Turnover and Employee's Average Operating Income.

(2) The ratio of Tier II capital to risk assets in 2005 is lower than in the year of 2004 due to the amortization of NT\$900 million subordinated financial debentures in 2005.

Note 1: The financial statements that are not audited by CPA must be identified.

Note 2: The following equations are to be included in the end of annual report:

1. Operating ability
 - (1) Deposit/loan ratio = Total loans/total deposits
 - (2) Non-performing Loans ratio = NPL / Total loans outstanding
 - (3) Ratio of interest expense to average deposits = Total interest expense/Annual average deposit
 - (4) Ratio of interest income to annual average credit amount = Total interest income / annual average credit amount
 - (5) Total assets turnover (times) = Total net operating income / Total assets
 - (6) Employees' average operating income = Operating income / Total number of employees
 - (7) Employees' average profit = Net income / Total number of employees
2. Profitability
 - (1) Return on Tier I Capital = Net income / Average Category I capital amount
 - (2) Return on assets = Net income / Average total assets
 - (3) Return on Shareholders' Equity ratio = Net income / Average Shareholders' Equity (net)
 - (4) Net profit ratio = Net income / Operating income (net)
 - (5) Earnings per share = (Net income – preferred stock dividend) / Weighted average stock shares issued (Note 3)
3. Growth rate

- (1) Assets growth rate = (Total assets of the year – Total assets of the year before) / Total assets of the year before
- (2) Profit growth rate = (Net income before tax of the year – Net income before tax of the year before) / Net income before tax of the year before
4. Liquidity reserve ratio = Liquidity assets defined by Central Bank of China / Accrual liquidity reserve liability
5. Capital adequacy
- (1) Net Capital (net) = Tier I capital + Tier II capital + Tier III capital – capital debit
- (2) Total risk-based assets = Credit risk weighted risk assets + market risk capital x 12.5
- (3) Capital adequacy ratio = Self-sufficient capital (net) / Total risk assets
- (4) Ratio of Tier I capital to risk-based assets = Tier I capital / Total risk-based assets
- (5) Ratio of Tier II capital to risk-based assets = Tier II capital / Total risk-based assets
- (6) Ratio of Tier III capital to risk-based assets = Tier III capital / Total risk-based assets
- (7) Ratio of common stock to total assets = Common stock / Total assets
6. Operating scale
- (1) Assets market share (%) = Total assets / Total assets of banks that provide deposits and loans business (Note 4)
- (2) Net worth share (%) = Net worth / Total net worth of banks that provide deposits and loans business
- (3) Deposits market share (%) = Total deposits amount / Total deposits amount of banks that provide deposits and loans business
- (4) Loans market share (%) = Total loans / Total loans amount of banks that provide deposits and loans business

Note 3: The following conditions are to be considered for the calculation of earnings per share:

1. It is based on the weighted average common stock shares instead of the outstanding stock shares at year-end.
2. For cash capitalization or Treasury stock trade, the circulation period is to be considered for the calculation of weighted average stock shares.
3. For capitalized retained earnings or additional paid-in capital, for the calculation of earnings per share of previous years and semi-annual, it is to be adjusted retroactively and proportionally to the ratio of capitalization but not the issuance period of the capitalization.
4. If the preferred stock is non-convertible cumulative preferred stock, the dividend (distributed or not distributed) is to be deducted from Net Income or is to be added to Net Loss.
5. If the preferred stock is non-cumulative preferred stock; also, if there is net income generated, preferred stock dividend is to be deducted from net income; however, if there is net loss resulted, no adjustment is required.

Note 4: Financial institutions that are able to provide deposits and loans business include domestic banks, branches of international banks in Taiwan, Cooperative Bank, Trust Department of farmers bank and fishermen banks, and trust investment company.

III. Supervisors' Audit Report to the Financial Statement Over the Past Years

Fuhwa Commercial Bank Co., Ltd.

Supervisor's Report

The Board of Directors of Fuhwa Commercial Bank Co., Ltd. prepared and presented the 2005 business report, financial statements, and the statement of retained earnings. The financial statements were audited by the CPAs Ms A.T. Yu and Ms. Lily. Lu of KPMG and issued an independent auditor's report.

Supervisors have reviewed the above-mentioned reports that were composed and presented by the Board of Directors. They have been audited and it is concluded the reports are presented fairly; therefore, a Supervisor's Report is hereby issued in accordance with Company Law Article 219.

To: 2006 Shareholdings' meeting of Fuhwa Commercial Bank Co., Ltd.

Fuhwa Commercial Bank Co., Ltd

Supervisor: Ping Keng



Supervisor: Hsiu-Wei Chen



Supervisor: Min-Chang Chen



February 27, 2006

IV. Financial Statements as for 2005

Independent Auditors' Report

The Board of Directors
Fuhwa Commercial Bank:

We have audited the accompanying balance sheets of Fuhwa Commercial Bank (the Bank) as of December 31, 2005 and 2004, 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, 2005 and 2004, 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 Reports by Banks, other related regulations, and Republic of China generally accepted accounting principles.

Fuhwa Commercial Bank has prepared consolidated financial statements of the Bank and its subsidiaries as of and for the years ended December 31, 2005 and 2004, on which we have expressed a modified unqualified opinion with explanatory paragraphs for reference.

February 10, 2006

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.

Fuhwa Commercial Bank

Balance Sheets

December 31, 2005 and 2004
(expressed in thousands of New Taiwan dollars)

Assets	2005		2004		Liabilities and Stockholders' Equity		2005		2004	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Cash and cash equivalent (note 4)	\$ 6,178,992	2	4,413,332	2	Deposits by Central Bank	-	\$ 14,900	-	10,987	-
Due from Central Bank and placement to other banks (note 5)	29,313,482	9	33,238,074	12	Deposits by other banks	11,052,079	4	7,742,723	3	3
Marketable securities (notes 6, 8, 17 and 18)	27,370,033	9	24,538,408	9	Securities sold under repurchase agreements (notes 6, 17 and 18)	10,796,321	3	10,903,860	4	4
Receivables (notes 7, 14 and 17)	9,265,445	3	7,960,841	3	Payables (note 16)	5,859,712	2	4,714,678	2	2
Loans and advances to customers, net (notes 7 and 17)	228,842,212	75	195,102,670	72	Deposits and remittances (notes 11 and 17)	257,446,644	84	228,236,725	84	84
Long-term equity investments (note 8):					Subordinate financial debentures (notes 12 and 17)	4,500,000	1	4,500,000	1	1
Investments under equity method	185,194	-	217,678	-	Other liabilities (notes 13 and 16)	469,339	-	796,432	-	-
Investments under cost method	294,438	-	338,766	-	Total Liabilities	290,138,995	94	256,905,405	94	94
	479,632	-	556,444	-	Stockholders' equity (note 15):					
Other financial assets (notes 16 and 18)	1,000,721	-	1,551,861	-	Common stock of \$10 per share; authorized and issued 1,800,000 thousand shares in 2005; authorized and issued 1,400,000 thousand shares in 2004	18,000,000	6	14,000,000	5	5
Property and equipment, net (notes 9 and 19)	2,902,383	1	2,832,256	1	Capital surplus:					
Other assets:					From treasury stock transactions	14,673	-	14,673	-	-
Deferred income tax assets, net (note 14)	720,360	-	733,105	-	Retained earnings:					
Miscellaneous assets (notes 9 and 10)	2,794,990	1	1,766,872	1	Legal reserve	722,205	-	271,527	-	-
	3,515,350	1	2,499,977	1	Unappropriated earnings	51,669	-	1,502,258	1	1
					Other adjustments to stockholders' equity:					
					Net losses from unrecognized pension cost	(59,292)	-	-	-	-
					Total stockholders' equity	18,729,255	6	15,788,458	6	6
Total Assets	\$ 308,868,250	100	272,693,863	100	Commitments (notes 14, 16, 19 and 20)					
					Total Liabilities and Stockholders' equity	\$ 308,868,250	100	272,693,863	100	100

See accompanying notes to financial statements.

Fuhwa Commercial Bank

Statements of Income

For the years ended December 31, 2005 and 2004
(expressed in thousands of New Taiwan dollars)

	2005	%	2004	%
	Amount	%	Amount	%
Operating revenue				
Interest revenue (note 17)	\$ 10,029,124	84	8,156,061	79
Fee and commission revenue (note 17)	1,763,985	15	1,572,456	15
Trading profit from marketable securities, net (note 17)	-	-	174,623	2
Gain on long-term equity investment, net	32,506	-	55,875	1
Exchange gains, net (note 16)	-	-	137,529	1
Other operating revenue (note 16)	<u>156,344</u>	<u>1</u>	<u>179,319</u>	<u>2</u>
	<u>11,981,959</u>	<u>100</u>	<u>10,275,863</u>	<u>100</u>
Operating expenses				
Interest expenses (note 17)	4,131,850	35	2,862,484	28
Fee and commission expenses (note 17)	523,271	4	584,495	6
Trading losses from marketable securities, net (note 17)	230,455	2	-	-
Exchange losses (note 16)	58,845	-	-	-
Provision for allowances and reserves (note 7)	2,964,931	25	1,550,571	15
Business expenses (notes 9, 13 and 17)	2,657,916	22	1,945,899	19
Administrative expenses (notes 9, 13 and 17)	1,280,148	11	1,327,868	13
Other operating expenses	<u>11,732</u>	<u>-</u>	<u>7,371</u>	<u>-</u>
	<u>11,859,148</u>	<u>99</u>	<u>8,278,688</u>	<u>81</u>
Operating income	<u>122,811</u>	<u>1</u>	<u>1,997,175</u>	<u>19</u>
Non-operating income	89,732	-	123,467	1
Non-operating expenses (note 10)	<u>138,456</u>	<u>1</u>	<u>69,983</u>	<u>-</u>
Net income before income tax	74,087	-	2,050,659	20
Income tax expense (note 14)	<u>22,418</u>	<u>-</u>	<u>548,401</u>	<u>5</u>
Net income	<u>\$ 51,669</u>	<u>-</u>	<u>1,502,258</u>	<u>15</u>
	Before	After	Before	After
	income tax	income tax	income tax	income tax
Basic earnings per share (expressed in New Taiwan dollars)	<u>\$ 0.04</u>	<u>0.03</u>	<u>1.41</u>	<u>1.04</u>
(note 15)				

See accompanying notes to financial statements.

Fuhwa Commercial Bank

Statements of Changes in Stockholders' Equity

For the years ended December 31 2005 and 2004
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Net losses from unrecognized pension cost	Total
Balance as of January 1, 2004	\$ 10,500,000	14,673	-	905,091	(25,082)	11,394,682
Cash injection in capital (note 15)	3,000,000	-	-	-	-	3,000,000
Appropriation of retained earnings (note 15):						
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
Cash injection in capital (note 15)	3,000,000	-	-	-	-	3,000,000
Appropriation of retained earnings (note 15):						
Legal reserve	-	-	450,678	(450,678)	-	-
Bonus to employees	-	-	-	(21,031)	-	(21,031)
Cash dividends	-	-	-	(30,549)	-	(30,549)
Retained earnings transferred to common stock	1,000,000	-	-	(1,000,000)	-	-
Net loss from unrecognized pension cost	-	-	-	-	(59,292)	(59,292)
Net income for 2005	-	-	-	51,669	-	51,669
Balance as of December 31, 2005	\$ 18,000,000	14,673	722,205	51,669	(59,292)	18,729,255

See accompanying notes to financial statements.

Fuhwa Commercial Bank

Statements of Cash Flows

For the years ended December 31 2005 and 2004
(expressed in thousands of New Taiwan dollars)

	2005	2004
Cash flows from operating activities:		
Net income	\$ 51,669	1,502,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for allowances and reserves	2,964,931	1,550,571
Allowance for loss on decline in net realizable value of marketable securities	34,479	-
Depreciation	176,611	136,078
Amortization	167,791	96,326
Gain on long-term equity investment under equity method	(32,506)	(55,875)
Cash dividends from investees under equity method	64,991	26,025
Loss on devaluation of long-term investments under cost method	154	-
Loss (gain) on disposal of property and equipment	10,664	(1,740)
Loss on disposal of other assets	246	-
Loss (gain) on disposal of securities foreclosed, net	1,571	(37,905)
Allowance for loss on decline in net realizable value of idle assets	122,795	32,094
Gain on disposal of idle assets	(13,978)	-
Allowance for (reversal of) loss on decline in net realizable value of securities foreclosed	(20,212)	27,164
Decrease (increase) in trading securities	(1,100,753)	959,899
Increase in receivables	(2,066,082)	(1,703,553)
Decrease (increase) in other financial assets held for trading purposes	566,856	(789,037)
Decrease in deferred income tax assets	12,745	532,028
Increase (decrease) in payables	1,063,056	(71,485)
Increase (decrease) in accrued pension liability	31,737	(42,421)
Reversal of reserve for securities trading losses	(9,933)	(31,531)
Net cash provided by operating activities	<u>2,026,832</u>	<u>2,128,896</u>
Cash flows from investing activities:		
Decrease (increase) in due from Central Bank and placement to other banks	4,380,394	(10,048,297)
Increase in non-trading securities	(1,600,510)	(2,165,137)
Increase in loans and advances to customers	(22,459,233)	(26,410,036)
Capital refund from investees under cost method	1,130	45,448
Acquisition of property and equipment	(608,753)	(414,709)
Proceeds from disposal of property and equipment	2,638	27,876
Proceeds from disposal of idle assets	271,788	-
Proceeds from disposal of securities foreclosed	288,705	641,697
Decrease (increase) in other assets (including other financial assets held for non-trading purposes)	741,229	(314,005)
Net cash provided by acquiring credit cooperative (note 20)	5,005,826	913,030
Net cash used in investing activities	<u>(13,976,786)</u>	<u>(37,724,133)</u>
Cash flows from financing activities:		
Increase in deposits by Central Bank	3,913	3,742
Increase (decrease) in deposits by other banks	3,309,356	(5,728,288)
Increase (decrease) in securities sold under repurchase agreements	(107,539)	1,165,891
Increase in deposits and remittances	8,816,118	34,663,086
Increase (decrease) in other liabilities	(1,254,654)	220,694
Increase in capital	3,000,000	3,000,000
Cash dividends	(51,580)	(133,564)
Net cash provided by financing activities	<u>13,715,614</u>	<u>33,191,561</u>
Net increase (decrease) in cash and cash equivalents	1,765,660	(2,403,676)
Cash and cash equivalents, at beginning of period	4,413,332	6,817,008
Cash and cash equivalents, at end of period	<u>\$ 6,178,992</u>	<u>4,413,332</u>
Supplementary disclosure of cash flow:		
Cash payment of interest	<u>\$ 3,844,517</u>	<u>2,884,735</u>
Cash payment of income tax	<u>\$ 115,327</u>	<u>112,997</u>

See accompanying notes to financial statements.

Fuhwa Commercial Bank

Notes to Financial Statements

For the years ended December 31, 2005 and 2004
(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.

The Bank's parent company is Fuhwa Financial Holding Co., Ltd. As of December 31, 2005, the number of the Bank's employees was 2,796.

(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.

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 at daily 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.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

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.

Marketable securities which earn a profit by dealings in the short term are stated as securities for trading purposes.

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.

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.

Principal or interest overdue over three months is categorized as overdue accounts. Interest overdue over six months is categorized as overdue accounts before June 30, 2005. 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.

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Fuhwa Commercial Bank

Notes to Financial Statements

In accordance with 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.

As of 2005, for investments which the Bank has controlling interests are consolidated into, the Bank's consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 7 (SFAS 7) "Consolidated Financial Statements". In addition, for the consolidated purpose the parent company, the Bank has prepared consolidated financial statements for each quarters of 2005 in accordance with SFAS 7.

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.

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

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

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.

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.

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, "The Credit Cooperative of Taidong" in 2004, "The 7th Credit Cooperative of Tainan" in 2005 and "The 6th Credit Cooperative of Tainan" in 2005. 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) Asset impairment

Effective January 1, 2005, the Bank adopted Statement of Financial Accounting Standards No. 35 (SFAS 35) "Accounting for Asset Impairment". In accordance with SFAS 35, the Bank assesses at each balance sheet date whether there is any indication that an asset other than goodwill may have been impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. The Bank recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Bank assesses the cash-generating unit of goodwill on an annual basis and recognizes an impairment loss on the excess of carrying value over the recoverable amount.

The Bank reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

15) Deposits by banks, and deposits and remittances

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

16) 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.

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Fuhwa Commercial Bank

Notes to Financial Statements

17) 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.

18) 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.

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. On July 1, 2005, the Labor Pension Act (the New System) became effective. Under the New System the Bank has an obligation to contribute no less than 6% of monthly paid salary to the pension accounts in the Labor Insurance Bureau individually owned by the Bank's existing employees who choose to join the new system and the employees hired after the effective date. The amounts deposited are charged to current operations.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

In accordance with the pension plan, the measurement date for the completion of the actuarial assessment was established as the ending date of the year. 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 current service cost, and amortization of net transition asset or obligation, prior service cost, and unrecognized gain (loss) on a pension plan, amortized over the average remaining service years on a straight-line basis.

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.

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.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

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) Changes in Accounting Policy and Their Effect

The Bank adopted Statement of Financial Accounting Standards No. 35 "Accounting for Asset Impairment" in 2005. As of December 31, 2005, after performing an impairment test on those assets or goodwill which had an indication of impairment, the Bank determined that no impairment loss need be recognized..

(4) Cash and Cash Equivalents

As of December 31, 2005 and 2004, the composite banking insurance amounted to \$171,500.

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

	December 31, 2005	December 31, 2004
Deposit reserve:		
Checking account	\$ 3,980,321	4,811,426
Demand account	<u>6,233,311</u>	<u>5,027,063</u>
	10,213,632	9,838,489
Certificates of deposit	15,950,000	19,250,000
Placement to other banks	<u>3,149,850</u>	<u>4,149,585</u>
Total	<u><u>\$ 29,313,482</u></u>	<u><u>33,238,074</u></u>

(6) Marketable Securities

	December 31, 2005	December 31, 2004
Held for trading purposes	\$ 19,347,670	18,082,077
Held for non-trading purposes	<u>8,073,810</u>	<u>6,473,299</u>
Subtotal	27,421,480	24,555,376
Less: Allowance for valuation loss	<u>51,447</u>	<u>16,968</u>
Total	<u><u>\$ 27,370,033</u></u>	<u><u>24,538,408</u></u>

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

As of December 31, 2005 and 2004, details of securities held for trading purposes were as follows:

	2005	2004
Commercial paper	\$ 2,796,630	2,446,636
Negotiable certificates of deposit	334,707	50,521
Government bonds	9,635,542	7,948,910
Corporate bonds	2,151,818	1,896,275
Financial debentures	2,124,418	2,231,634
Listed stocks and beneficiary certificates	2,080,913	3,259,366
Treasury bills	-	245,279
Banker's acceptances	-	3,456
Certificates of deposit	164,086	-
Bonds held under repurchase agreement	59,556	-
Total	<u>\$ 19,347,670</u>	<u>18,082,077</u>

As of December 31, 2005 and 2004, details of securities held for non-trading purposes were as follows:

	2005	2004
Corporate bonds	\$ 7,988,810	6,253,614
Asset-based securities	85,000	121,171
Financial debentures	-	98,514
Total	<u>\$ 8,073,810</u>	<u>6,473,299</u>

As of December 31, 2005 and 2004, the average yield for the aforementioned non-trading-purpose securities was 2.25% and 2.44%, respectively.

The reverse repurchase agreements amounted to \$59,556 on December 31, 2005. The related assets were commercial paper and negotiable certificates of deposit. The reselling price of the aforementioned reverse repurchase agreements amounted to \$59,570, and the reselling period was within six months. The yield was 1.47%.

The liabilities of the repurchase agreements amounted to \$10,796,321 and \$10,903,860 on December 31, 2005 and 2004, respectively. The related assets of the repurchase agreements amounted to \$10,729,798 and \$10,701,257 on December 31, 2005 and 2004, respectively. The aforementioned amounts of the repurchase agreements are recorded as liabilities, and the repurchasing periods were within one year and six months. The yields were 1.24%~1.45% and 0.85%~1.30% in 2005 and 2004, respectively.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(7) Loans and Advances to Customers

	December 31, 2005	December 31, 2004
Bills purchased and discounted	\$ 242,887	424,961
Short-term loans and overdrafts	25,302,141	27,728,281
Short-term secured loans and overdrafts	15,824,086	16,657,074
Medium-term loans	61,593,737	52,691,468
Medium-term secured loans	32,747,518	24,264,833
Long-term loans	4,377,820	4,371,752
Long-term secured loans	86,446,845	65,402,237
Non-performing loans	<u>4,747,316</u>	<u>5,694,980</u>
	231,282,350	197,235,586
Less: allowance for bad and doubtful accounts	<u>2,440,138</u>	<u>2,132,916</u>
	<u>\$ 228,842,212</u>	<u>195,102,670</u>

Movements of allowance for bad and doubtful accounts in years 2005 and 2004 were as follows:

	2005		
	Specific provision	General provision	Total
Beginning balance	\$ 1,230,204	987,533	2,217,737
Add: provision for doubtful accounts	3,952,464	(987,533)	2,964,931
recoveries of doubtful accounts	392,730	-	392,730
allowance related to acquisition of The 7th Credit Cooperative of Tainan	9,458	-	9,458
allowance related to acquisition of The 6th Credit Cooperative of Tainan	637,280	-	637,280
foreign exchange translation adjustment	2,498	-	2,498
Less: write-off	<u>3,541,544</u>	<u>-</u>	<u>3,541,544</u>
Ending balance	<u>\$ 2,683,090</u>	<u>-</u>	<u>2,683,090</u>

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Fuhwa Commercial Bank
Notes to Financial Statements

		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>

As of December 31, 2005 and 2004, details of allowance for bad and doubtful accounts were as follows:

		2005	2004
Loans and advances (excluding non-performing loans)	\$	906,942	900,961
Non-performing loans		1,533,196	1,231,955
Accounts receivable		<u>242,952</u>	<u>84,821</u>
	\$	<u>2,683,090</u>	<u>2,217,737</u>

For the years 2005 and 2004, the amounts of allowance for bad and doubtful accounts generated from 3% of operating revenue were \$297,540 and \$253,036, respectively.

As of December 31, 2005 and 2004, the amounts of interest receivable that were not accrued from non-performing loans were \$136,754 and \$201,676, respectively.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(8) Long-term Equity Investments

	December 31, 2005			December 31, 2004		
	Percentage of ownership	Investment cost	Book value	Percentage of ownership	Investment cost	Book value
Equity method:						
Fuhwa Leasing Co., Ltd.	98.56	\$ 197,000	104,144	98.56	197,000	142,529
Fuhwa Property Insurance Agent Company	80.00	2,880	5,479	80.00	2,880	4,756
Fuhwa Life Insurance Agent Company	99.99	2,000	75,571	99.99	2,000	70,393
Subtotal		201,880	185,194		201,880	217,678
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	74,542	74,542
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	1.15	46,150	46,150
Taipei Forex Inc.	0.40	800	800	0.40	800	800
Ornatube Enterprise Co., Ltd.	0.05	155	-	0.05	155	155
Taiwan Asset Management Co., Ltd.	0.57	100,000	100,000	0.57	100,000	100,000
National Federation of Credit Cooperatives R.O.C.	5.65	7,860	7,860	0.59	890	890
China Daily News Co., Ltd.	0.01	46	46	-	-	-
National Federation of Credit Cooperatives of Taiwan	2.08	200	200	-	-	-

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

	December 31, 2005			December 31, 2004		
	Percentage of ownership	Investment cost	Book value	Percentage of ownership	Investment cost	Book value
National Federation of Credit Cooperatives of Tainan City	16.60	\$ 40	40	-	-	-
Subtotal		<u>294,593</u>	<u>294,438</u>		<u>287,337</u>	<u>287,337</u>
Total		<u>\$ 496,473</u>	<u>479,632</u>		<u>540,646</u>	<u>556,444</u>

After completion of the acquisition of the Credit Cooperative of Taidong on June 7, 2004, 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. Furthermore, on March 31, 2005, the board of directors resolved to convert the aforementioned long-term equity investments of Taiwan Cooperative Bank Co., Ltd. into marketable securities.

After completion of the acquisition of The 7th Credit Cooperative of Tainan City on June 17, 2005, Taiwan Cooperative Bank Co., Ltd., which was previously held by The 7th Credit Cooperative of Tainan City, was accounted for as marketable securities by the Bank. Furthermore, China Daily News Co., Ltd, the National Federation of Credit Cooperatives of Taiwan, the National Federation of Credit Cooperative of Tainan City, and the National Federation of Credit Cooperatives R.O.C., which were previously held by The 7th Credit Cooperative of Tainan City, were accounted for as long-term equity investments by the Bank.

After completion of the acquisition of The 6th Credit Cooperative of Tainan City on December 23, 2005, the National Federation of Credit Cooperatives of Taiwan, the National Federation of Credit Cooperatives of Tainan City, and the National Federation of Credit Cooperatives R.O.C., which were previously held by The 6th Credit Cooperative of Tainan City, were accounted for as long-term equity investments by the Bank.

Furthermore, the National Federation of Credit Cooperatives R.O.C., the National Federation of Credit Cooperatives of Tainan City, and the National Federation of Credit Cooperatives of Taiwan made refunds of \$890, \$40 and \$200, respectively, for the original subscription in 2005. The Bank exchanged the shares of National Federation of Credit Cooperatives R.O.C. for the shares of Financial Information Service Co., Ltd., and received a refund of \$100 for the original subscription in 2004.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(9) Property and Equipment, Net

	December 31, 2005	December 31, 2004
Cost:		
Land	\$ 1,592,258	1,505,777
Buildings	543,208	812,352
Equipment	780,224	740,594
Transportation equipment	39,181	33,344
Other equipment	<u>271,582</u>	<u>237,211</u>
Subtotal	3,226,453	3,329,278
Less: accumulated depreciation	<u>618,187</u>	<u>693,807</u>
	2,608,266	2,635,471
Prepayment for equipment	<u>294,117</u>	<u>196,785</u>
	<u>\$ 2,902,383</u>	<u>2,832,256</u>

For the years ended December 31, 2005 and 2004, details of movement of accumulated depreciation were as follows:

	2005	2004
Beginning balance	\$ 693,807	734,663
Add: depreciation for the period	176,611	136,078
Less: disposals for the period	186,543	176,934
reclassified as idle assets	<u>65,688</u>	<u>-</u>
Ending balance	<u>\$ 618,187</u>	<u>693,807</u>

The insurance coverage on property and equipment, other assets—securities foreclosed, and idle assets was approximately \$1,635,210 and \$1,635,617 on December 31, 2005 and 2004, respectively.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(10) Idle Assets

	December 31, 2005	December 31, 2004
Cost:		
Land	\$ 326,562	255,898
Buildings	354,412	-
Prepayment for equipment	<u>2,200</u>	<u>1,912</u>
	683,174	257,810
Less: accumulated depreciation	65,688	-
allowance for reduction of idle assets	<u>154,889</u>	<u>32,094</u>
	<u>\$ 462,597</u>	<u>225,716</u>

Due to the relocation of branch offices, some fixed assets became idle. As of December 31, 2005 and 2004, the Bank estimated the recoverable amounts of those assets and recognized losses of \$122,795 and \$32,094, respectively.

(11) Deposits and Remittances

	December 31, 2005	December 31, 2004
Checking deposits	\$ 2,265,407	1,966,172
Demand deposits	17,751,704	15,339,880
Time deposits	77,865,000	76,624,240
Time deposits transferred from Post Office	15,032,282	16,916,330
Demand savings deposits	60,511,316	49,514,078
Time savings deposits	83,975,364	67,203,062
Remittances	<u>45,571</u>	<u>672,963</u>
	<u>\$ 257,446,644</u>	<u>228,236,725</u>

As of December 31, 2005 and 2004, time to maturity for the above time deposit and savings deposit accounts, except for demand savings deposits, was within three years.

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Fuhwa Commercial Bank
Notes to Financial Statements

(12) 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.

(13) 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 the Central Trust of China in 2005 and 2004. Furthermore, the Bank deposited an amount equal to 6% of the monthly gross salary payment in the Bureau of Labor Insurance in the second half of the year 2005. The measurement date of the actuarial reports was December 31, 2005 and 2004, respectively.

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Fuhwa Commercial Bank
Notes to Financial Statements

As of December 31, 2005 and 2004, the reconciliation of the plan's funded status to accrued pension liabilities was as follows:

	2005	2004
Benefit obligation:		
Vested benefit obligation	\$ (44,247)	(36,572)
Non-vested benefit obligation	(403,802)	(321,494)
Accumulated benefit obligation	(448,049)	(358,066)
Additional benefits based on future salaries	(173,274)	(122,709)
Projected benefit obligation	(621,323)	(480,775)
Fair value of plan assets	390,567	332,321
Funding status	(230,756)	(148,454)
Unrecognized net transition obligation	20,909	23,000
Unrecognized prior service cost	(3,193)	(3,452)
Unrecognized loss	232,566	113,048
Additional minimum pension liability	(77,008)	(9,887)
Accrued pension liabilities (recorded as other liabilities)	<u>\$ (57,482)</u>	<u>(25,745)</u>
Vested benefit	<u>\$ 57,691</u>	<u>49,338</u>

For the years ended December 31, 2005 and 2004, the components of net pension cost were as follows:

	2005	2004
Service cost	\$ 63,881	76,773
Interest cost	13,324	17,939
Actual return on plan assets	(9,114)	(4,248)
Amortization	7,368	(4,581)
Net pension cost	<u>\$ 75,459</u>	<u>85,883</u>

Actuarial assumptions for the years 2005 and 2004 were as follows:

	2005	2004
Discount rate	2.50 %	3.50 %
Rate of increase in future compensation	2.00 %	1.50 %
Rate of projected return on plan assets	2.50 %	3.50 %

For the years ended December 31, 2005 and 2004, the net pension cost for the defined contribution pension plan were \$32,875 and \$0, respectively.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(14) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. The income tax expense for 2005 and 2004 is summarized below:

	2005	2004
Current income tax expense	\$ 9,673	16,373
Deferred income tax expense	<u>12,745</u>	<u>532,028</u>
Income tax expense	<u><u>\$ 22,418</u></u>	<u><u>548,401</u></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, 2005 and 2004, were as follows:

	2005	2004
Income tax at statutory rate	\$ 18,522	512,665
Permanent differences	35,895	(78,159)
Adjustments for tax effect of separately taxable interest income from short-term bills	(3,218)	(7,756)
Income of OBU exempt from tax	(51,162)	(64,287)
Investment tax credit	(3,520)	(2,211)
Adjustment resulting from expiration of prior year's loss carryforwards	453,362	-
Underestimation of prior year's investment tax credit	(426)	(421)
Overestimation (underestimation) of prior year's loss carryforwards	3,909	(77,514)
Underestimation of related-party receivables due to consolidated tax returns	-	(7,811)
Adjustment of prior year's allowance for bad debts assessed by the tax authorities	-	80,961
Provision for (reversal of) allowance for deferred income tax assets	(428,362)	190,000
Others	(2,582)	2,934
Income tax expense	<u><u>\$ 22,418</u></u>	<u><u>548,401</u></u>

(Continued)

Fuhwa Commercial Bank
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For the years ended December 31, 2005 and 2004, the major components of deferred income tax expenses (benefits) were as follows:

	2005	2004
Unrealized exchange gain (loss)	\$ (76,217)	20,049
Decrease (increase) in allowance for bad debts in excess of tax limitation	(26,129)	248,454
Unrealized loss on decline in market price of marketable securities	(8,620)	(4,242)
Unrealized loss on reversal (decline) in net realizable value of foreclosed property	5,053	(6,791)
Unrealized loss on decline in market price of idle assets	(30,698)	(8,024)
Increase in investment tax credit	(3,520)	(2,211)
Decrease in loss carryforwards	124,393	91,767
Underestimation of prior year's investment tax credit	(426)	(421)
Overestimation (underestimation) of prior year's loss carryforwards	3,909	(77,514)
Adjustment of prior year's allowance for bad debts assessed by the tax authorities	-	80,961
Loss carryforwards expired	453,362	-
Provision for (reversal of) allowance for deferred income tax assets	(428,362)	190,000
Deferred income tax expenses	<u>\$ 12,745</u>	<u>532,028</u>

As of December 31, 2005 and 2004, the deferred income tax assets were as follows:

	2005	2004
Deferred income tax assets	\$ 1,041,998	1,483,105
Valuation allowance—deferred income tax assets	(321,638)	(750,000)
Deferred income tax assets, net	<u>\$ 720,360</u>	<u>733,105</u>

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Fuhwa Commercial Bank
Notes to Financial Statements

As of December 31, 2005 and 2004, the components of deferred income tax assets (liabilities), including temporary differences, loss carryforwards, and tax credits, and the respective income tax effect for each component were as follows:

	2005		2004	
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax assets (liabilities):				
Allowance for bad debts in excess of tax limitation	\$ 297,635	74,409	193,120	48,280
Unrealizable exchange gain (loss)	167,307	41,826	(137,563)	(34,391)
Unrealized loss on decline in market price of marketable securities	51,447	12,862	16,968	4,242
Unrealized loss on decline in net realizable value of securities foreclosed	10,557	2,639	30,769	7,692
Unrealized loss on decline in market price of idle assets	154,889	38,722	32,094	8,024
Loss carryforwards	3,453,543	863,386	5,780,199	1,445,050
Investment tax credit	8,154	<u>8,154</u>	4,208	<u>4,208</u>
		<u><u>\$ 1,041,998</u></u>		<u><u>1,483,105</u></u>

As of December 31, 2005 and 2004, the components of the balance of tax refunds receivable and income tax receivable from affiliated parties (recorded as receivables) were as follows:

	2005	2004
Current income tax	\$ 9,673	16,373
Income tax withholding	(103,072)	(91,748)
Reversal (accrual) of prior years' income tax adjustment and additional tax requested by authorities	2,582	(2,934)
Separate taxation	(12,255)	(21,249)
Tax refunds receivable of prior year	(8,665)	(57,335)
Income tax receivable from affiliated parties of prior years	(315,613)	(216,022)
	<u><u>\$ (427,350)</u></u>	<u><u>(372,915)</u></u>

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Fuhwa Commercial Bank
Notes to Financial Statements

Since 2003, the Bank has filed a consolidated income tax return. As of December 31, 2005 and 2004, the details of receivable and payable resulting from income tax were as follows:

	2005		
	Receivables from affiliated parties (recorded as receivables)	Payables to affiliated parties (recorded as payables)	Due from National Tax Administration (recorded as receivables)
Before 2003	\$ -	-	8,665
2003	216,022	-	-
2004	99,591	-	-
2005	<u>103,072</u>	<u>-</u>	<u>-</u>
	<u>\$ 418,685</u>	<u>-</u>	<u>8,665</u>
	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>

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Fuhwa Commercial Bank
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For the years ended December 31, 2005 and 2004, 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:

2005				
	Current income tax expense	Deferred tax expenses	Deferred tax assets	Tax refunds receivable (receivables from affiliated parties)
Amounts calculated under SFAS No. 22	\$ 9,673	12,745	720,360	103,072
Difference adjustment	-	-	-	-
Amounts calculated for combined corporate income tax return filing	<u>\$ 9,673</u>	<u>12,745</u>	<u>720,360</u>	<u>103,072</u>

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	(25,849)	25,849	(25,849)	25,849
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>

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, 2005, the amount of losses and the year of expiry were as follows:

Year incurred	2005	Year of expiry
2002 (assessed)	<u>3,453,543</u>	2007

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Pursuant to the ROC Statute for Upgrading Industries, the Bank's unused investment tax credit—staff training cost as of December 31, 2005, was as follows:

Year incurred	2005	Year of expiry
2003	\$ 1,996	2007
2004	2,638	2008
2005	<u>3,520</u>	2009
	<u>\$ 8,154</u>	

The Bank's most current annual income tax return assessed by the tax authority is the return for year 2002.

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.

(15) Stockholders' Equity

1) Common stock

On September 18, 2003, the board of directors resolved to increase capital for cash of \$3,000,000. After cash injection, the balance of capital amounted to \$13,500,000. The date of the capital increase decided by the board of directors was designated as February 18, 2004. The aforementioned registration of the capital increase was also completed.

On February 19, 2004, the board of directors resolved to declare cash dividends which amounted to \$120,892, or \$0.09 per share, and 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.

On February 17, 2005, the board of directors resolved to declare cash dividends which amounted to \$30,549, or \$0.02 per share, and to increase the issued capital by transferring \$1,000,000 from unappropriated earnings through the issuance of 100,000 thousand shares of new common stock dividends of \$0.71 per share. After the capital injection, the total issued capital amounted to \$15,000,000. The resolution to increase capital was approved by the FSC on May 16, 2005, with Ruling Jin-Guan-Cheng (1) No. 0940115706. The date of the capital increase was designated as July 11, 2005, by the board of directors, and the related registration was also completed.

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Fuhwa Commercial Bank
Notes to Financial Statements

On April 28, 2005, the board of directors resolved to increase capital by the issuance of 300,000 thousand shares of new common stock for cash. After the capital injection, the total issued capital amounted to \$18,000,000. The resolution to increase capital was approved by the FSC on June 17, 2005, with Ruling Jin-Guan-Yin (6) No. 0940013937. The date of the capital increase was designated as July 11, 2005, by the board of directors, and the related registration was also completed.

2) 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, 2005, and 2004, the components of capital surplus were as follows:

	2005	2004
Treasury stock transaction	\$ <u>14,673</u>	<u>14,673</u>

3) 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.

4) 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.

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Fuhwa Commercial Bank
Notes to Financial Statements

The ratio of cash to stock dividends 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 dividends distributed shall not be lower than 80% unless changed by the board of directors 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.

On February 17, 2005, and February 19, 2004, the board of directors proposed on the Bank's 2004 and 2003 appropriation of earnings. The proposed distribution of the Bank's employee bonuses was as follows:

	2005	2004
Bonus to employees – cash	\$ <u>21,031</u>	<u>12,672</u>

If the aforementioned employee bonuses were all paid in cash and were charged against earnings the for 2004 and 2003, the earnings per share after tax for the years ended December 31, 2004 and 2003, would have decreased from \$1.11 to \$1.10 and \$0.87 to \$0.86 (expressed in New Taiwan dollars) in 2004 and 2003, respectively.

As of February 10, 2006, the Bank's 2005 appropriation of earnings had not been proposed by the Bank's board of directors. The related information can be obtained from the Market Observation Post System.

5) Weighted-average outstanding shares of common stock

As of December 31, 2005 and 2004, the weighted-average outstanding shares of common stock (after retroactive adjustment of capital reduction to offset accumulated deficits) were 1,650,000 thousand shares and 1,450,000 thousand shares, respectively.

6) Information related to the integrated tax system

The information related to the integrated tax system as of and for the years ended December 31, 2005 and 2004, was as follows:

	2005	2004
Imputation credit account balance	\$ <u>24,342</u>	<u>1,683</u>

The imputation tax credit ratio of earnings to be distributed used for ROC resident shareholders in 2006 is estimated at 33.33%. The actual imputation tax credit ratio of the first and second earnings distribution in 2005 was 1.45% and 4.13%, respectively.

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Fuhwa Commercial Bank
Notes to Financial Statements

The unappropriated earnings on December 31, 2005 and 2004, were as follows:

	2005	2004
Prior to 1997	\$ -	-
Post 1998	<u>51,669</u>	<u>1,502,258</u>
	<u>\$ 51,669</u>	<u>1,502,258</u>

(16) Disclosure of Financial Instruments

1) Derivative financial instruments

As of December 31, 2005 and 2004, the outstanding contracts for derivative financial instruments were as follows:

1. Contract amount or notional amount, and fair value

	Contract amount (notional amount)	December 31, 2005	
		Fair value Gain (assets)	Loss (liabilities)
Held for trading purposes:			
Forward exchange contract \$	1,824,530	42,517	20,898
Currency swap contract	5,648,922	3,390	26,614
Currency option contract	3,003,204	55,667	55,667
Cross currency contract	2,249,544	16,150	-
Convertible bond asset swap — short option	20,000	-	1,670
	<u>\$ 12,746,200</u>	<u>117,724</u>	<u>104,849</u>
Held for non-trading purposes:			
Interest rate swap contract \$	<u>3,100,000</u>	<u>-</u>	<u>108,773</u>

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Fuhwa Commercial Bank
Notes to Financial Statements

	December 31, 2004		
	Contract amount (notional amount)	Fair value Gain (assets)	Loss (liabilities)
Held for trading purposes:			
Forward exchange contract \$	3,632,253	86,870	18,158
Non-delivery forward exchange contract	96,120	-	369
Currency swap contract	9,265,334	165,676	17,803
Currency option contract	6,370,888	139,643	129,479
Cross currency contract	1,789,847	-	53,470
Convertible bond asset swap – short option	20,000	-	3,600
	<u><u>\$ 21,174,442</u></u>	<u><u>392,189</u></u>	<u><u>222,879</u></u>
Held for non-trading purposes:			
Interest rate swap contract \$	<u><u>3,100,000</u></u>	<u><u>-</u></u>	<u><u>38,587</u></u>

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 rate swap contracts held for non-trading purposes were to hedge fluctuation in future cash flows caused by subordinate financial debentures issued with floating interest rates.

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.

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Fuhwa Commercial Bank

Notes to Financial Statements

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.

5. Net gains or losses from current trading activities

Net gains or losses from current trading activities reported as operating revenue and exchange gain or loss were as follows:

	2005	2004
Foreign exchange contracts	\$ 111,478	151,452
Equity contracts	<u>27,289</u>	<u>60,274</u>
Net gains	<u><u>\$ 138,767</u></u>	<u><u>211,726</u></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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Notes to Financial Statements

As of December 31, 2005 and 2004, fair values of some non-derivative financial instruments were as follows:

	2005		2004	
	Book value	Fair value	Book value	Fair value
Marketable securities	\$ 27,370,033	27,375,956	24,538,408	24,538,408
Long-term equity investments	479,632	479,632	556,444	560,410

(17) Related-party Transactions

1) Name and relationship of related party

Name of related party	Relationship
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	A director of such company is a corporate supervisor of the Bank's parent company (director's terms of Hua Xia Investment expired on November 16, 2004)
Singfor Life Co., Ltd.	The President of such company is a corporate director of the Bank's parent company (expired on on January 6, 2005)
Fuhwa Financial Holding Co., Ltd.	Parent company of the Bank
Yuanta Core Pacific Securities Co., Ltd.	From June 30, 2005, a second degree relative of the President of such company is Vice President of the Bank
Yuanta First Global Investment Trust Co., Ltd.	From June 30, 2005, a second degree relative of the President of such company is Vice President 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

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Name of related party	Relationship
Fuhwa Life Insurance Agent Company	Investee that is controlled by the Bank
Fuhwa Leasing Co., Ltd.	Investee that is controlled by the Bank
Fuhwa Property Insurance Agent Company	Investee that is controlled 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

2) Significant transactions with related parties

1. Deposits

December 31, 2005			
Name	Balance as at December 31	Percentage of deposits (%)	Interest range (%)
Each related party's deposits are not over 1% of total deposits	\$ <u>6,882,596</u>	<u>2.67</u>	0.00~13.00
December 31, 2004			
Name	Balance as at December 31	Percentage of deposits (%)	Interest range (%)
Fuhwa Securities Finance Co., Ltd.	\$ 3,783,260	1.66	0.00~1.35
Each related party's deposits are not over 1% of total deposits	2,802,556	1.23	0.00~13.00
	<u>\$ 6,585,816</u>	<u>2.89</u>	

Apart from an interest rate limit on staff demand savings deposits of 13%, during 2005 and 2004, the interest rate limit on other related parties' demand savings deposits was 0.00%~5.18% and 0.00%~5.15%, respectively. The interest rates and other terms provided to the above related parties were the same as the terms offered to the general public.

During 2005 and 2004, interest expenses on the above deposits were \$163,268 and \$90,010 (including \$15,212 and \$30,261 for Fuhwa Securities Finance Co., Ltd.), respectively.

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2. Loans

Name	December 31, 2005		
	Balance as at December 31	Percentage of loans (%)	Interest range (%)
Kuang Hwa Investment Co., Ltd	\$ 474,000	0.20	1.60~1.82
Hua Xia Investment Co., Ltd	300,000	0.13	2.60~4.60
Fuhwa Securities Finance Co., Ltd.	650,000	0.28	1.50
Each related party's loans are not over 1% of total loans	86,623	0.04	1.30~5.82
	\$ 1,510,623	0.65	

Name	December 31, 2004		
	Balance as at December 31	Percentage of loans (%)	Interest range (%)
Kuang Hwa Investment Co., Ltd	\$ 424,000	0.22	1.40~1.61
Hua Xia Investment Co., Ltd	340,690	0.17	2.20~4.33
Yu Hwa Development Co., Ltd	900,000	0.46	1.45~1.70
Each related party's loans are not over 1% of total loans	865,753	0.44	1.15~6.33
	\$ 2,530,443	1.29	

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 1.30% to 4.60% and from 1.15% to 6.33%, and on loans to bank staff, ranging from 1.95% to 5.82% and 2.13% to 5.85%, in the years 2005 and 2004, respectively.

During 2005 and 2004, interest income received from the above loans was \$29,611 and \$72,598, respectively.

3. Fee and commission revenue

Name	2005	
	Fee and commission revenue	Account receivable
Fuhwa Securities Investment Trust Co., Ltd.	\$ 6,635	411
Fuhwa Life Insurance Agent Company	121,832	3,960
	\$ 128,467	4,371

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Fuhwa Commercial Bank
Notes to Financial Statements

Name	2004	
	Fee and commission revenue	Account receivable
Fuhwa Securities Investment Trust Co., Ltd.	\$ 7,293	570
Fuhwa Life Insurance Agent Company	<u>122,491</u>	<u>-</u>
	<u>\$ 129,784</u>	<u>570</u>

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

4. Fee and commission expenses

Name	2005	2004
Fuhwa Securities Co., Ltd.	\$ 9,482	6,081
Fuhwa Capital Management Co., Ltd.	<u>3,083</u>	<u>5,527</u>
	<u>\$ 12,565</u>	<u>11,608</u>

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

5. Rental expenses

Name	Usage	Rental expenses	
		2005	2004
Fuhwa Securities Co., Ltd.	Office premises	\$ 114,503	105,358
Fuhwa Asset Management Co., Ltd.	Office premises	12,991	14,469
Fuhwa Securities Finance Co., Ltd.	Office premises	8,874	-
		<u>\$ 136,368</u>	<u>119,827</u>

As of December 31, 2005 and 2004, the above transactions resulted in rent payable to Fuhwa Securities Co., Ltd. amounting to \$8,337 and \$8,079, respectively (recorded as payables).

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6. Property transactions

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

	Investment in 2005	2005	
		Ending balance	Gain on disposal
Yuanta First Global Investment Trust Co., Ltd.	\$ 630,000	-	789
Fuhwa Securities Investment Trust Co., Ltd.	105,991	956,272	441
	<u>\$ 735,991</u>	<u>956,272</u>	<u>1,230</u>
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>

(b) The details of the Bank's engaging in purchase without recourse transactions with affiliates in the open market were as follows:

	Type	2005	
		Purchase price	Selling price
Fuhwa Securities Co., Ltd.	Bond	\$ 1,821,480	2,854,719
Fuhwa Securities Investment Trust Co., Ltd.:			
Fuhwa New Balance Fund	Bond	49,217	-
Yuanta Core Pacific Securities Co., Ltd.	Bond	4,691,215	4,398,544
		<u>\$ 6,561,912</u>	<u>7,253,263</u>

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	Type	2004 Purchase price	Selling price
Fuhwa Securities Co., Ltd.	Bond	\$ 2,268,186	1,888,977
Fuhwa Securities Investment Trust Co., Ltd.:			
Fuhwa Bond Fund	Bond	-	697,605
		<u>\$ 2,268,186</u>	<u>2,586,582</u>

- (c) The Bank entered into contracts with Fuhwa Asset Management Co., Ltd. to sell non-performing loans for the price of \$775,795. As of December 31, 2005 and 2004, proceeds retained from the abovementioned transaction amounted to \$555,795 and \$336,021 respectively, and the remaining part, amounting to \$220,000 and \$439,774, respectively, was recorded as receivables.

7. Other

- (a) For the years ended December 31, 2005 and 2004, details of bond repurchase transactions engaged in by affiliated parties were as follows:

Name	2005			
	Highest amount	Ending balance	Interest range (%)	Interest expense (revenue)
Under agreement to repurchase:				
Fuhwa Securities Co., Ltd.	\$ 3,860,530	-	0.98~1.47	25,405
Fuhwa Securities Investment Trust Co., Ltd.:				
Fuhwa APEX Bond Fund	150,000	-	1.18	29
Fuhwa Bond Fund	280,011	130,010	1.00~1.39	123
Fuhwa New Balance Fund	170,047	30,000	0.95~1.39	839
Fuhwa II Fund	100,000	-	0.93~1.37	117
Singfor Life Co., Ltd.	85,000	42,057	0.93~1.39	108

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Name	Highest amount	2005		Interest expense (revenue)
		Ending balance	Interest range (%)	
Yuanta Core Pacific Securities Co., Ltd.:				
Yuan Ta Fixed Income	\$ 631,337	631,337	1.17~1.40	1,629
Yuan Ta Fixed Income II	587,338	250,564	1.18~1.39	1,343
Yuan Ta Wan Tai	200,060	-	1.19~1.24	232
Yuan Ta Full Win	540,059	-	0.99~1.38	1,791
Yuan Ta Full Win II	105,102	-	1.19~1.37	202
Total		<u>\$ 1,083,968</u>		<u>31,818</u>
Under agreement to resell:				
Fuhwa Securities Co., Ltd.	\$ 250,000	<u>-</u>	1.48	<u>(101)</u>
2004				
Name	Highest amount	Ending balance	Interest range (%)	Interest expense
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>

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

- (b) The details of the Bank's selling the first series of the subordinated financial debentures issued in 2002 to related parties were as follows:

		2005			
Related party	Highest amount	Ending balance	Interest range (%)	Interest expense	
Fuhwa Securities Financial Co., Ltd.	\$ 966,000	<u>966,000</u>	1.66~3.81	<u>28,299</u>	

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

As of December 31, 2005 and 2004, the above transactions resulted in interest payable of \$2,548 and \$5,848, respectively, recorded as payables.

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

		2005			
Related party	Highest amount	Ending balance	Interest range (%)	Interest income	
Chong Yang Investment Co., Ltd.	\$ 185,224	<u>-</u>	5.23~5.38	<u>9,501</u>	

		2004			
Related party	Highest amount	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>	

As of December 31, 2004, revenue receivables (recorded under receivables) generated from the above mentioned transactions totaled \$242.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(d) Convertible bond asset swaps—fixed income (recorded as marketable securities)

For the years ended December 31, 2005 and 2004, the convertible asset swap transactions were as follows:

Name	Objective	Period	2005		Interest revenue
			Nominal amount	Interest rate (%)	
Yuanta Core Pacific Securities Co., Ltd.	Pan Jit 1	2004.5.14~ 2005.5.14	\$ 28,000	4.00	28
	EDT 1	2003.6.23~ 2005.6.23	93,000	2.00	800
	AL i	2003.5.12~ 2005.6.13	30,000	2.10	281
	Flexium 1	2003.12.1~ 2005.12.1	40,000	2.35	744
	Taiflex 1	2004.5.30~ 2006.5.30	60,000	2.10	1,260
Fuhwa Securities Co., Ltd.	Test-Serv. 1	2004.4.7~ 2006.4.6	140,000	1.75	2,636
	Chenming 1	2004.11.30~ 2005.5.11	150,000	2.00	1,332
	Chenming 2	2004.11.30~ 2005.5.11	150,000	2.00	1,332
	Zero One Tech	2004.11.1~ 2005.5.24	45,000	2.00	480
			\$ 736,000		8,893

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

Name	Objective	Period	2004		Interest revenue
			Nominal amount	Interest rate (%)	
Fuhwa Securities Co., Ltd.	Allring 1	2003.11.19~ 2005.9.22	\$ 12,000	2.00	532
	Chenming 1	2003.5.30~ 2005.5.30	150,000	2.00	3,000
	Chenming 2	2003.5.30~ 2005.5.30	150,000	2.00	3,000
	Zero One Tech	2003.7.29~ 2005.7.31	45,000	2.00	907
	Test-Serv 1	2004.4.7~ 2006.4.6	140,000	1.75	1,228
	AREC 1	2003.10.27~ 2004.3.1	88,300	2.00	534
			\$ 585,300		9,201

- 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:

Type	December 31, 2005		Default possibility
	Number of accounts	Amount	
Consumer loans	134	\$ 39,311	No
Mortgage loans for employees	104	153,450	No
Other loans to interested parties	806	<u>2,800,608</u>	No
		\$ 2,993,369	
Loans to others with interested parties acting as guarantors	402	<u>\$ 808,575</u>	No
Secured loans with collateral from interested parties	462	<u>\$ 2,290,674</u>	No

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

Type	December 31, 2004		Default possibility
	Number of accounts	Amount	
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	<u>\$ 509,187</u>	No
Secured loans with collateral from interested parties	391	<u>\$ 957,763</u>	No

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

Name of interested party	December 31, 2004
Kuang Hwa Investment Co., Ltd.	\$ 424,000
Hua Xia Investment Co., Ltd.	340,690
Yu Hwa Development Co., Ltd.	<u>900,000</u>
Total	<u>\$ 1,664,690</u>

The loans to Kuang Hwa Investment Co., Ltd., Hua Xia Investment Co., Ltd., and Yu Hwa Development Co., Ltd. were contained in the information on related-party transactions in 2005.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(18) Pledged Assets

Pledged assets	Pledged for	Book value	
		December 31, 2005	December 31, 2004
Short-term bills (recorded as marketable securities)	Securities sold under repurchase agreement	\$ 10,729,798	10,701,257
Bonds (recorded as other financial assets)	Reserve for trust business	57,974	57,974
	Provisional seizure	146,322	94,005
	Reserves deposited in United Credit Card Center	-	44,383
	Operating deposits of trading bills	63,043	63,043
	Operating deposits of trading bonds	11,317	11,666
		<u>\$ 11,008,454</u>	<u>10,972,328</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 debtors' 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.

(19) Commitments and Contingencies

- 1) Significant purchase agreements

As of December 31, 2005 and 2004, the Bank had agreements for purchasing assets amounting to \$394,478 and \$384,032, respectively. The unpaid amounts of those agreements were \$100,361 and \$187,247, respectively.

(Continued)

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, 2005, estimated future lease contract commitments were as follows:

Fiscal Year	Rental Amount
2006	\$ 260,931
2007	224,701
2008	165,982
2009	117,887
2010	48,014
	<u>\$ 817,515</u>

3) Others

	December 31, 2005	December 31, 2004
Consignment collection for others	\$ 21,665,254	18,788,902
Traveler's checks held on consignment for sale	165,688	192,444
Consignment securities, custodial goods, and other	35,801,181	47,713,917
Trust assets	48,609,023	33,322,166
	<u>\$ 106,241,146</u>	<u>100,017,429</u>
Lines of credit provided but not used	<u>\$ 111,309,801</u>	<u>102,252,551</u>
Credit commitment on credit card	<u>\$ 49,273,318</u>	<u>41,177,196</u>
Guarantees	<u>\$ 10,065,427</u>	<u>9,400,024</u>
Unused L/C balance	<u>\$ 2,835,353</u>	<u>3,673,979</u>
Securities sold under repurchase agreements	<u>\$ 10,802,609</u>	<u>11,033,591</u>
Securities purchased under resell agreements	<u>\$ 59,570</u>	<u>-</u>

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

- 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 2005			
Trust assets		Trust liabilities	
Bank deposits	\$ 99,592	Trust capital—pecuniary trust	\$ 34,764,691
Short-term investments	35,743,339	Trust capital—securities trust	764,847
Long-term investments	10,602,400	Trust capital—real estate trust	1,410,242
Real estate	1,407,388	Trust capital—pecuniary creditor's right and its collateral right trust (note: including financial asset securitization)	10,912,939
Net assets of Co-Trust Fund	<u>756,303</u>	Trust capital—Co-Trust Fund	<u>756,303</u>
Total trust assets	<u>\$ 48,609,022</u>	Total trust liabilities	<u>\$ 48,609,022</u>

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 assets 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>

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

Trust Property List
December 31 2005

Invested items	Book value
Short-term investments:	
Bonds	\$ 14,969,280
Common stock	1,226,563
Beneficiary securities	<u>20,303,799</u>
Subtotal	<u>36,499,642</u>
Others:	
Bank deposits	99,592
Long-term investments:	
Creditor's right investment	10,602,400
Real estate:	
Land	<u>1,407,388</u>
	<u>\$ 48,609,022</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	<u>17,458,051</u>
Subtotal	<u>27,546,459</u>
Others:	
Bank deposits	65,593
Long-term investments:	
Creditor's right investment	4,609,609
Real estate:	
Land	<u>1,100,505</u>
	<u>\$ 33,322,166</u>

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(20) 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, 2005 and 2004, is as follows:

Function Accounts	2005			2004		
	Cost of goods sold	Operating expense	Total	Cost of goods sold	Operating expense	Total
Personnel costs:						
Salaries	-	1,926,849	1,926,849	-	1,670,810	1,670,810
Labor and health insurance	-	130,416	130,416	-	104,952	104,952
Pension	-	108,334	108,334	-	85,883	85,883
Other employment	-	55,302	55,302	-	45,200	45,200
Depreciation expenses	-	176,611	176,611	-	136,078	136,078
Depletion expenses	-	-	-	-	-	-
Amortization expenses	-	167,791	167,791	-	96,326	96,326

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

	2005		2004
	The 6th Credit Cooperative of Tainan City	The 7th Credit Cooperative of Tainan City	The Credit Cooperative of Taidong
Due from Central Bank	\$ 321,364	134,438	55,879
Marketable securities	72,680	40,732	-
Receivables	16,849	8,344	6,873
Loans and advances to customers, net	9,823,477	3,305,960	1,369,376
Long-term equity investment under cost method	6,020	2,366	50,051
Other financial assets	843,640	8,892	26,840
Property and equipment, net	237,424	271,787	141,095
Other assets	293,190	35,942	43,993
Payables	(52,419)	(29,559)	(65,530)
Deposits and remittances	(13,701,509)	(6,692,292)	(2,782,572)
Other liabilities	(845,805)	(660)	(27,138)
Subtotal	(2,985,089)	(2,914,050)	(1,181,133)
Completion of acquisition of goodwill—recorded in the other assets account	670,957	222,356	268,103
Net cash equivalents provided by the acquisition	<u>\$ (2,314,132)</u>	<u>(2,691,694)</u>	<u>(913,030)</u>

(Continued)

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, 2005	December 31, 2004
Total outstanding loan balance (including nonperforming loans)	231,282,350	197,235,586
Overdue loans (including nonperforming loans) (Note 1)	5,769,186	5,775,231
Nonperforming loans	4,747,316	5,594,739
Overdue loan ratio	2.49 %	2.93 %
Loans under surveillance	-	1,147,740
Ratio of loans to total loans	- %	0.58 %
Reserve for loans and nonperforming loans	2,440,318	2,132,916

Note 1: Before June 30, 2005, 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.

From July 1, 2005, the overdue loans (including nonperforming loans) are those reported in accordance with MOF letter Tai-Tsai-Rong (1) No. 0928011826.

Note 2: Nonperforming loans for the year ended December 31, 2004, exclude the non-reportable amount.

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

Note 4: Only applying to before June 30, 2005, 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).

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

(b) Information on concentration of credit risk.

a) Loans classified by geographical region:

	December 31, 2005	December 31, 2004
Domestic	\$ 219,352,905	186,795,312
Overseas	<u>11,929,445</u>	<u>10,440,274</u>
Total	<u>\$ 231,282,350</u>	<u>197,235,586</u>

b) Loans classified by industry:

	December 31, 2005	December 31, 2004
Manufacturing	\$ 34,086,412	32,457,570
General commercial	14,940,044	14,642,391
Construction	6,407,878	5,645,798
Private	141,003,155	103,618,297
Others	<u>34,844,861</u>	<u>40,871,530</u>
Total	<u>\$ 231,282,350</u>	<u>197,235,586</u>

c) Percentage of loans by industry:

	December 31, 2005		December 31, 2004	
	Industry	Ratio	Industry	Ratio
Concentration of credit risk by industry (top 3)	Individuals	64.55 %	Individuals	52.55 %
	Manufacturing	13.80 %	Manufacturing	16.46 %
	Wholesale, Retail, and Food and Beverage Industry	5.38 %	Finance, Insurance, Real Estate Industry, and Leasing	7.27 %

(Continued)

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, 2005	December 31, 2004
Total outstanding credits	\$ 241,789,318	209,513,846
Outstanding balance of credit extended to related parties	2,993,369	2,033,116
Ratio of lines of credit to related parties to total outstanding credits	1.24 %	0.97 %
Ratio of lines of credit secured by company shares	2.38 %	3.42 %

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

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.

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

	December 31, 2005	December 31, 2004
20 to 29 years old	\$ 797,100	699,124
30 to 44 years old	2,879,675	1,921,019
45 to 64 years old	1,452,721	987,764
over 65 years old	34,308	22,768
Total	<u>\$ 5,163,804</u>	<u>3,630,675</u>

- (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. The risk of specific debts is evaluated by the defaults on payment. To consolidate the company's financial structure, enhance the ability to accept risk, and reinforce the quality of assets, the Bank evaluated and reserved allowance for bad debts for expired loans and advances to customers this year.
- b) Reserve for guarantee liabilities (recorded as other liabilities) is based on the ending balance of guarantees and acceptances.

(Continued)

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 aforementioned 1(b) credit risk significantly concentrated.
- (b) The Bank's contract amounts of financial instruments with off-balance-sheet credit risk were as follows:

	December 31, 2005	December 31, 2004
Unused lines of credit	\$ <u>111,309,801</u>	<u>102,252,551</u>
Credit commitment on credit card	\$ <u>49,273,318</u>	<u>41,177,196</u>
Other guarantees	\$ <u>10,065,427</u>	<u>9,400,024</u>
Unused L/C balance	\$ <u>2,835,353</u>	<u>3,673,979</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, 2005 and 2004, loans with collateral made up 59.60% and 55.51%, 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, and marketable securities etc., with high liquidity. When the customer defaults, the Bank will execute its rights 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, 2005 and 2004.

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.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

3. Information on interest-bearing assets and liabilities

	2005		2004	
	Average amount	Average rate (%)	Average amount	Average rate (%)
Assets:				
Cash due from banks	1,629,834	1.75	2,950,991	1.32
Due from Central Bank and placement to other banks	32,569,686	1.36	25,075,827	1.31
Marketable securities	23,137,296	3.75	21,774,104	3.83
Loans and advances to customers	209,250,189	3.79	172,402,102	3.68
Liabilities:				
Due to banks	10,468,070	3.12	11,958,105	1.43
Demand deposits	15,175,979	0.36	13,731,515	0.28
Demand saving deposits	52,355,910	0.68	47,386,709	0.66
Time deposits	69,063,939	1.72	52,272,043	1.19
Time savings deposits	75,172,375	1.62	61,362,358	1.58
Negotiable certificates of deposit	14,653,548	1.36	7,342,754	1.23
Appropriated loan fund	57,604	2.81	122,940	2.89

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

	December 31, 2005	December 31, 2004
Ratio of interest-rate-sensitive assets to liabilities	69.16 %	74.67 %
Ratio of interest-rate-sensitive spreads to net equity	(415.83) %	(341.69) %

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

5. Major foreign currency position, net

	December 31, 2005			December 31, 2004		
	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	3,379	111,007	USD	19,369	618,207
	JPY	389,349	108,901	NZD	562	13,677
	HKD	6,292	26,661	EUR	202	8,817
	EUR	187	7,258	HKD	1,932	7,931
	AUD	270	6,497	JPY	19,540	6,075

6. Profitability

(a) For the years ended December 31, 2005 and 2004, information on return on assets, return on net equity, and net income to operating revenue was as follows:

	2005	2004
Return on assets (note 1)	0.03 %	0.81 %
Return on net equity (note 2)	0.43 %	15.09 %
Net income to operating revenue (note 3)	0.62 %	19.96 %

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

Note 2: Return on net equity = Net income 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	\$ 288,795,000	44,192,000	17,297,000	17,172,000	10,916,000	199,218,000
Liabilities	379,061,000	45,072,000	48,553,000	77,487,000	91,095,000	116,854,000
Spreads	(90,266,000)	(880,000)	(31,256,000)	(60,315,000)	(80,179,000)	82,364,000
Accumulated spreads	(90,266,000)	(880,000)	(32,136,000)	(92,451,000)	(172,630,000)	(90,266,000)

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

7. Extraordinary events

2005

Event and amount

President or employees were prosecuted in court in the latest year for violation of laws or regulations in business	None
Violation and penalty given by the Financial Supervisory Commission, Executive Yuan, in the latest year	FSC letter Gin-Guan-Yin (6) No. 0948010715 of June 10, 2005, said that Fuhwa Bank was in violation of Article 57-2 of the Banking Law, under which Fuhwa Bank was to apply for establishment of offices for non-business use before its operation. A penalty of \$2,000 was given by the FSC in accordance with Article 129-1 of the Banking Law.
Any deficiency was incurred and warned of by the FSC	None
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	None

4) Capital adequacy ratio

	December 31, 2005	December 31, 2004
Self-owned capital ratio (note)	8.14 %	9.07 %
Debt-to-net equity ratio	1,549.12 %	1,627.17 %

Note: Self-owned capital ratio = Self-owned capital/Risk-based assets, pursuant to Article 44 of the Banking Law, MOF letter Tai-Tsai-Rong (1) No. 0090345106 of October 16, 2001, and FSC letter Bank's Capital Ratio Management, Jin-Guan-Yin (1) No. 0931000649 of November 9, 2004. The self-owned capital ratio is calculated at the end of June and December every year. The ratio disclosed on March 31 and September 30 is the ratio calculated at the end of June and December of previous year.

(Continued)

Fuhwa Commercial Bank
Notes to Financial Statements

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

1. Business transactions:

Please refer to note 17 - transactions with related parties.

2. Cross-selling activities:

The financial holding company attempted to satisfy customers' needs, increase sales revenues, and decrease costs through the Company's marketing strategy, locations and cross-marketing in order to enjoy the advantages of integration. The Company established Fuhwa Financial Holding Group Companies' Cross-Marketing Management System in accordance with Articles 42 and 43 of the Financial Holding Company Act and Articles 7 of Enforcement Regulations for Financial Holding Company Internal Audit Control System in order to manage cross-sales among subsidiaries and to protect customer rights.

3. Information interchange:

According to Articles 7 of Fuhwa Financial Holding Group Companies' Cross-Marketing Management System, whenever cross-sales exist between the Company and subsidiaries or between subsidiaries, the following rules should be followed for disclosure and exchanging of information:

(a) relevant government regulations should be followed.

(b) contracts signed by customers which clearly identify the terms should be obtained.

(c) Financial Holding Company and subsidiaries' code of conduct should be maintained.

The policy should be the basis for exchanging information among subsidiaries in order to avoid violating customer rights. Except for circumstances specially mentioned in the policy, the interchanging of customer information should not contain credit, investment or insurance information other than client's basic information.

4. Mutual use of business facilities and premises:

According to Articles 25 of Fuhwa Financial Holding Group Companies' Cross-Marketing Management System, contracts regarding legal responsibility and allocation method for expenses arising from the mutual use of business facilities and cross-sales between the Company's subsidiaries should be formulated and signed.

As of December 31, 2005, there were no significant cross-marketing activities and exchanging of information.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

(21) 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: none.
4. Information regarding discounted processing fees on transactions with related party for which the amount exceeded NT\$5 million: none.
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 party	Turnover rate	Expected receivables from related party		Collection after December 31, 2005	Allowance for bad debt
					Amount	Method of management		
The Bank	Fuhwa Financial Holding Co., Ltd.	Parent company	418,685 (Note)	-	-	-	-	-

Note: Income tax receivable calculated under combined corporate income tax return filing with related parties.

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, 2005	December 31, 2004	Shares (thousand)	Ratio	Book value			
The Bank	Fuhwa Leasing Co., Ltd.	5F., No. 4, Sec. 1, Jhongsiao W. Rd., Taipei, Taiwan	Real estate and property selling and leasing.	\$ 197,000	197,000	19,700	98.56%	104,144	(38,946)	(38,385)	Subsidiary
	Fuhwa Property Insurance Agent Company	2F., No. 327, Song-long Rd., Taipei, Taiwan	Property insurance agency	2,880	2,880	(note 1)	80.00%	5,479	2,289	1,806	Subsidiary
	Fuhwa Life Insurance Agent Company	"	Life insurance agency	2,000	2,000	200	99.99%	75,571	69,731	69,085	Subsidiary
				<u>\$ 201,880</u>	<u>201,880</u>			<u>185,194</u>	<u>33,074</u>	<u>32,506</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.

(Continued)

Fuhwa Commercial Bank

Notes to Financial Statements

4. Information regarding securities held as of December 31 2005:

Name of company which holds securities	Category and name of security	Relationship between issuer of security and the Bank	Account name	Year-end				Remarks
				Shares (thousand)	Book value	Percentage of shares	Market value (note 1)	
Fuhwa Leasing Co., Ltd.	Stock: Asia Pacific Broadband Telecom Co., Ltd.	-	Long-term equity investments	4,000	\$ 20,000	0.06	20,000	
Fuhwa Property Insurance Agent Company	Beneficiary certificates: Yuan Ta Fixed Income II	(note 3)	Short-term investments	90	1,300	-	1,300	
"	Fuhwa Bond Fund	(note 2)	"	330	4,045	-	4,169	
					<u>5,345</u>		<u>5,469</u>	
Fuhwa Life Insurance Agent Company	Beneficiary certificates: Yuan Ta Fixed Income II	(note 3)	Short-term investments	243	3,500	-	3,500	
"	Fuhwa Bond Fund	(note 2)	"	593	7,106	-	7,480	
					<u>10,606</u>		<u>10,980</u>	
					<u>\$ 35,951</u>		<u>36,449</u>	

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.

Note 3: From June 30, 2005, a second degree relative of the President of such company is Vice President of the Company's parent company.

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.

(22) Segment Information: not applicable.

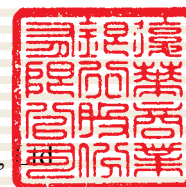
V. Certified statements parent-subsiary consolidated financial

Declaration

The companies that were to be included in the related party consolidated financial statement in 2005 (January 1~December 31, 2005) according to “Related Party Consolidated Business Report, Related Party Consolidated Financial Statements, and Relation Report Standard” and the companies that were to be included in the parent-subsiary consolidated financial statement according to “Finance & Accounting Standard Communiqué No. 7” were identical; moreover, the information to be disclosed in the related party consolidated financial statement was disclosed in the aforementioned parent-subsiary consolidated financial statements; therefore, the related party consolidated financial statements would not be prepared separately.

Sincerely,

Company: Fuhwa Commercial Bank Co.,



Business owner: Ching Chang Yen



Date: February 10, 2006

Independent Auditors' Report

To: The Board of Directors of Fuhwa Commercial Bank Co., Ltd.

We have audited the accompanying consolidated balance sheet of Fuhwa Commercial Bank Co., Ltd. and its subsidiaries as of December 31, 2005 and 2004, and the related consolidated income statement, consolidated statement of retained earnings, and consolidated statement of cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management, while our responsibility is to express opinions on these consolidated financial statements based on our audits.

We conduct our audits subject to auditing and attestation standards and generally accepted auditing standards in the Republic of China. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to in the preceding paragraph present fairly, in all material respects, the financial position of Fuhwa Commercial Bank Co., Ltd. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years ended in conformity with the Criteria Governing the Preparation of Financial Reports by Public Offering Banks, regulations, and generally accepted accounting principles in the Republic of China.

As stated in Notes 2(1) to the consolidated financial statements, Fuhwa Commercial Bank has qualified for having financial statements composed in accordance with the amended Finance & Accounting Standard Communiqué No. 7 "Consolidated Financial Statements" in 2005 for the first time, according to the said Communiqué, financial statements of prior periods need not be modified retroactively upon the effectiveness of the new clauses. The 2004 consolidated financial statements contained only the information of the parent company since the subsidiaries did not qualify to be included in the consolidated financial statements; however, the situation has changed in the 2005 consolidated financial statement.

KPMG

CPA

A.T. Yu

L.L. Lu



SEC approval No.: : (88) Tai.chuang.jen (82) No. 18311

FSC approval No.: : Jin.kuang.jen (VI) No. 0940100754

February 10, 2006

Fuhwa Commercial Co., Ltd. & Subsidiaries
Consolidated Income Statement
For the years ended December 31, 2005 and 2004

		Unit: NTS1,000			
		<u>2005</u>		<u>2004</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4100	Operating revenue:				
4501	Interest income	\$ 10,057,844	77	8,156,061	79
4516	Fee and commission revenue	1,648,545	13	1,572,456	15
4531	Trading Profit from marketable securities,	-	-	174,623	2
4532	Gain on long-term equity investment, Net (Equity Method)	-	-	55,875	1
4534	Exchange gains, Net	-	-	137,529	1
4609	Other operating revenue	1,285,004	10	179,319	2
		<u>12,991,393</u>	<u>100</u>	<u>10,275,863</u>	<u>100</u>
5850	Operating expenses:				
5501	Interest expenses	4,137,904	32	2,862,484	28
5516	Fee and commission expenses	523,386	4	584,495	6
5531	Trading losses from marketable securities, net	230,139	2	-	-
5534	Exchange losses, net	58,845	-	-	-
5535	Provision for allowances and reserves	2,993,650	23	1,550,571	15
5811	Business expenses	2,657,916	20	1,945,899	19
5820	Administrative expenses	1,401,928	11	1,327,868	13
5839	Other operating expenses	816,040	6	7,371	-
		<u>12,819,808</u>	<u>98</u>	<u>8,278,688</u>	<u>81</u>
6100	Operating income	<u>171,585</u>	<u>2</u>	<u>1,997,175</u>	<u>19</u>
4999	Non-operating income	90,087	-	123,467	1
5999	Non-operating expenses	<u>163,684</u>	<u>2</u>	<u>69,983</u>	<u>-</u>
6300	Net income before income tax	97,988	-	2,050,659	20
6410	Income tax expense	<u>46,420</u>	<u>-</u>	<u>548,401</u>	<u>5</u>
	Consolidated gain	<u>\$ 51,568</u>	<u>-</u>	<u>1,502,258</u>	<u>15</u>
	Including:				
	Consolidated net income	\$ 51,669	-	1,502,258	15
6800	Net loss of minority stock shares	<u>(101)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>\$ 51,568</u>	<u>-</u>	<u>1,502,258</u>	<u>15</u>
		<u>Before tax</u>	<u>After tax</u>	<u>Before tax</u>	<u>After tax</u>
7000	Basic Earnings per share (Unit: NT\$)	<u>\$ 0.04</u>	<u>0.03</u>	<u>1.41</u>	<u>1.04</u>

Fuhwa Commercial Bank Co., Ltd. & Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
For the years ended December 31, 2005 and 2004

Unit: NT\$1,000

	<u>Retained Earnings</u>						Total
	Common Stock	Capital surplus	Legal reserve	Unappropriated earnings	Net losses from unrecognized pension cost	Minority stock shares	
Balance as of January 1, 2004	\$ 10,500,000	14,673	-	905,091	(25,082)	-	11,394,682
Cash injection in capital	3,000,000	-	-	-	-	-	3,000,000
Appropriation of retained earnings:							
Legal reserve	-	-	271,527	(271,527)	-	-	-
Bonus to employees	-	-	-	(12,672)	-	-	(12,672)
Cash dividend	-	-	-	(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
Cash injection in capital	3,000,000	-	-	-	-	-	3,000,000
Appropriation of retained earnings:							
Legal reserve	-	-	450,678	(450,678)	-	-	-
Bonus to employees	-	-	-	(21,031)	-	-	(21,031)
Cash dividends	-	-	-	(30,549)	-	-	(30,549)
Retained earnings transferred to common stock	1,000,000	-	-	(1,000,000)	-	-	-
Net loss of unrecognized pension cost	-	-	-	-	(59,292)	-	(59,292)
Net loss of minority stock shares	-	-	-	-	-	(101)	(101)
Effect of subsidiary consolidated for the first time	-	-	-	-	-	2,995	2,995
Net income for 2005	-	-	-	51,669	-	-	51,669
Balance as of December 31, 2005	\$ 18,000,000	14,673	722,205	51,669	(59,292)	2,894	18,732,149

Fuhwa Commercial Co., Ltd. & Subsidiaries
Consolidated Statements of Cash Flow
For the years ended December 31, 2005 and 2004

	2005	Unit: NT\$1,000 2004
Cash flows from operating activities:		
Consolidated Net income	\$ 51,568	1,502,258
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for allowances and reserves	2,993,650	1,550,571
Allowance for loss on decline in net realizable value of marketable securities	34,479	-
Depreciation	177,351	136,078
Amortization	167,850	96,326
Gain on long-term equity investment under equity method	-	(55,875)
Cash dividends from investees under equity method	-	26,025
Loss on devaluation of long-term investments under cost method	25,154	-
Loss (gain) on disposal of property and equipment	10,664	(1,740)
Loss on disposal of other assets	246	-
Loss(gain) on disposal of securities foreclosed, net	1,571	(37,905)
Allowance for loss on decline in net realizable value of idle assets	122,795	32,094
Gain on disposal of idling assets	(13,978)	-
Allowance for (reversal of) loss on decline in net realizable value of securities foreclosed	(20,212)	27,164
Decrease (increase) in trading securities	(1,100,753)	959,899
Increase in receivables	(2,678,807)	(1,703,553)
Decrease (increase) in other financial assets held for trading purposes	566,856	(789,037)
Decrease in deferred income tax assets	12,495	532,028
Increase (decrease) in payables	1,130,068	(71,485)
Increase (decrease) in accrued pension liability	34,670	(42,421)
Reversal of reserve for securities trading losses	(9,933)	(31,531)
Net cash provided by operating activities	1,505,734	2,128,896
Cash flows from investing activities:		
Decrease (increase) in due from Central Bank and placement to other banks	4,380,394	(10,048,297)
Decrease in non-trading securities	(1,616,460)	(2,165,137)
Decrease (increase) in long-term stock investment	(50,000)	-
Proceeds from the sale of long-term stock investment	5,000	-
Increase in loans and advances to customers	(22,459,233)	(26,410,036)
Capital refund from investees under cost method	1,130	45,448
Acquisition of property and equipment	(614,063)	(414,709)
Proceeds from disposal of property and equipment	2,638	27,876
Proceeds from disposal of idle assets	271,788	-
Proceeds from disposal of securities foreclosed	288,705	641,697
Decrease (increase) in other assets (including other financial assets held for non-trading)	733,842	(314,005)
Net cash provided by acquiring credit cooperative	5,005,826	913,030
Net cash used in from investing activities	(14,050,433)	(37,724,133)
Cash flows from financing activities:		
Increase (decrease) in deposits by Central Bank	3,913	3,742
Increase (decrease) in deposits by other banks	3,649,356	(5,728,288)
Increase (decrease) in securities sold under repurchase agreement	(107,539)	1,165,891
Increase in deposits and remittances	8,727,108	34,663,086
Increase (decrease) in other liabilities	(1,130,533)	220,694
Increase in Capital	3,000,000	3,000,000
Distribution of cash dividend and bonus to employees	(51,859)	(133,564)
Net cash provided by financing activities	14,090,446	33,191,561
Effect of subsidiary consolidated for the first time	220,953	-
Net increase in cash and cash equivalents	1,766,700	(2,403,676)
Cash and cash equivalents, at beginning of period	4,413,332	6,817,008
Cash and cash equivalents, at end of period	\$ 6,180,032	4,413,332
Supplementary disclosure of cash flow:		
Cash payment of interest	\$ 3,851,135	2,884,735
Cash payment of income tax	\$ 143,207	112,997



Financial Status and Analysis of Operating Results and Risk Management

Financial Status and Analysis of Operating Results and Risk Management

I. Analysis of Financial Status and Operating Results

(I) Financial status

Unit: NT\$1,000

Item \ Year	2005	2004	Difference	
			Amount	%
Total assets	308,868,250	272,693,863	36,174,387	13.27
Total liabilities	290,138,995	256,905,405	33,233,590	12.94
Total Shareholders' Equity	18,729,255	15,788,458	2,940,797	18.63

Descriptions on major changes:

Total Shareholders' Equity: The increase in Shareholders' Equity from the year before is due to capital augment this term, in cash and as converted from earnings.

(II) Operating result

Unit: NT\$1,000

Item \ Year	2005	2004	Amount	Ratio of change
	Total	Total	Increase (decrease)	(%)
Operating revenue	11,981,959	10,275,863	1,706,096	16.60
Operating expenses	11,859,148	8,278,688	3,580,460	43.25
Net operating income	122,811	1,997,175	(1,874,364)	(93.85)
Non-operating income	89,732	123,467	(33,735)	(27.32)
Non-operating expenses	138,456	69,983	68,473	97.84
Net income before income tax	74,087	2,050,659	(1,976,572)	(96.39)
Income tax expense	22,418	548,401	(525,983)	(95.91)
Net income	51,669	1,502,258	(1,450,589)	(96.56)

Descriptions on change in increase/decrease in ratio:

1. Net operating income: Net income for the year decreased due to the appropriation of substantial bad debts to uphold asset quality; therefore, despite the growth of operating income this year, the net income is lower than the year before.
2. Non-operating income: The non-operating income of the year decreased due to the loss from the disposition of collateral and the reduction of loss reserve for RP & RS trade.
3. Non-operating expenses: The non-operating expenses and loss of the year increased due to the appropriation of allowance for loss of idle assets in valuation.

4. Income tax expense: The income tax expense of the year is substantially lower than the year before due to the substantial decrease of net income before tax and tax-exempted income.

(III) Cash flow

1. Liquidity analysis over the past two years

Item \ Year	2005	2004	Increase (decrease) ratio (%)
Ratio of cash flow (%)	7.31%	9.11%	(19.76)%
Ratio of cash flow adequacy (%)	419.24%	311.98%	34.38%
Ratio of cash taken for further investment (%)	3.84%	3.76%	2.13%

Ratio increase (decrease) analysis:

- (1) Ratio of cash flow: The growth of deposit business this year is not anticipative than the year before; moreover, loan business is developed progressively; the ratio of cash flow, therefore, is lower than the year before.
- (2) Ratio of cash flow adequacy: The net cash inflow of the year is lower than the year before; therefore, the cash flow adequacy ratio is higher than the year before.
- (3) Ratio of cash taken for further investment: The bills purchased for trade purposes of the year is higher than the year before and the net income of the year is lower than the year before, therefore the net cash inflow in operating activities is lower than the year before and the cash reinvestment ratio is lower than the year before.

2. Analysis of cash flow of one year ahead

Unit: NT\$1,000

Cash balance – beginning	Net cash flow from operating activities	Cash outflow (inflow) of the year	Cash balance (deficiency) amount	Remedial actions if deficiency of cash is forecasted	
				Investing plan	Fund management plan
6,178,992	(11,390,605)	(11,031,780)	5,820,167	-	-

- (1) Analysis of cash flow for the year:
 - A. Operating activities: (11,390,605)
 - B. Investing activities: (41,985,411)
 - C. Financing activities: 53,017,191
- (2) Remedial measures for insufficient cash flow and liquidity analysis: Nil

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

1. Purposes for major capital expenditures and sources of capital

Unit: NT\$1,000

Project	Actual or expected sources of capital	Actual or expected completing date	Total fund needed	Actual or expected fund application						
				2004	2005	2006	2007	2008	2009	2010
35 ATM machines	Self-sufficient fund	2005	15,015	-	7,293	7,722	-	-	-	-
AS400 mainframe of Trust Department	"	2005	10,800	-	10,800	-	-	-	-	-
Database – stage II	"	2005	17,643	8,821	8,822	-	-	-	-	-
Note remittance imagery system	"	2005	27,500	8,250	4,400	14,850	-	-	-	-
Collection & credit management system of Consumer Banking Group	"	2005	12,700	3,060	9,640	-	-	-	-	-
Branch terminal system x 140 sets	"	2006	17,990	-	-	17,990	-	-	-	-
Construction of Kwong Fu N. Road engineering room	"	2006	42,400	-	36,040	6,360	-	-	-	-
Hall ATM x 30 sets	"	2006	11,700	-	-	11,700	-	-	-	-
Inter-bank preparatory process system (software & hardware)	"	2006	38,000	-	16,750	21,250	-	-	-	-
Banking credit system	"	2006	10,630	-	1,860	8,770	-	-	-	-
NEC computer system	"	2006	127,200	-	122,097	5,103	-	-	-	-

2. Anticipated effect

In order to continue the collection business of Fuhwa securities and merging with other financial institutions, it is necessary to acquire additional terminals, ATMs, and passbook entry machines printers as well as expand mainframe equipment. By doing so, Fuhwa will be able to expand its financial territory, diversify its operations, and increase earnings.

- (V) According to Financial Holding Law Article 36, relating to transfer investment policy in recent years, the causes of gain or loss, corrective action, and investment plan within one year: Once the registration of a bank is transformed into a financial holding company, the investment business of the bank is to be arranged by the financial holding company. Therefore, Fuhwa Commercial Bank had joined Fuhwa Financial Holding Company through a stock transfer on August 1, 2002 and the Bank stopped operating its transfer investment business.

II . Risk Management

(I) Organizational structure and risk management policies of Fuhwa Bank

1. Organization structure of risk management

The organization structure of Fuhwa Bank's risk management includes: The Board of Directors, top management level, Risk Management Group, and business units. Job responsibilities are illustrated as follows:

(1) Board of Directors

The Board of Directors of the Bank is the decision-making authority for substantiating risk management. The Board of Directors is to approve the risk management policy and standards of the Bank, to supervise the enforcement of regulations, to confirm the capital adequacy of the Bank in absorbing all losses resulted from risks, to reinforce the risk management mechanism of the Bank, and to achieve the comprehensive risk management goals of the Bank.

(2) Top management level

Top management level of the Bank is to develop risk management standards and relevant regulations in accordance with the risk management policies approved by the Board of Directors. They are also to draft a clear definition of risk management responsibilities and enforcement, the adequacy of risk management procedures, and the effectiveness of risk management systems.

(3) Risk Management Group

Risk Management Group is organized under the supervision of the President of Fuhwa Bank. It is an independent department responsible for the Bank's risk management, including market, credit, and operation risks. Management departments are organized under the supervision of the Risk Management Group according to the nature of risk, including a Credit Risk Department (including Market Risk Management Office and Credit Risk Management Office), Operation Risk Department, Legal Affairs Department, and NPL Collection Department to carry out all risk management measures.

(4) Business units

The departments and offices within the Head Office including the head of each business department and employees are also responsible to carry out risk management. Department heads and operations officers are responsible for analyzing and monitoring the risks within the organization and adopts in accordance to the countermeasure to ensure the effectiveness of risk management policies, relevant regulations, and business risk management measures.

2. Risk management policies

In order to validate risk management systems and promote risk management-oriented operations, achieve operation goals and improve shareholder value, the Board of Directors of the Bank approved the company's risk management policies. Under the risk management policies and byelaws, Fuhwa Bank gradually adopts the risk quantification, establishes the risk

value management and rating mechanism to proceed with risk pricing and optimal capital allocation. The potential risks faced by the Bank, and its risk management principle are separately explained as follows:

(1) Market risks

Market risks refers to the potential loss in items on the balance sheet and off-balance sheet due to price fluctuations in the market, including interest rates, exchange rates, securities, and product price change. The Bank has stipulated market risk management standards and the market risk of each position is measured and controlled through the structure of its market risk management system.

(2) Credit risks

Credit risks refer to the potential breach of contract committed by a borrower or trading party who has failed to uphold their agreement due to the declined of their business operations, or for other reasons (such as a dispute between the corporate and trading parties). The Bank has credit risk management standards in place and controls credit risk through the construction and enforcement of its management structure.

(3) Operation risks

Operation risks refer to the potential loss of the Bank resulting from incompetence or inadequacy of internal operations, personnel, and system, or external events. The Bank has operation risk management standards in place to control risks effectively through the stipulation of control procedures and flow in accordance with business and trade flow analysis.

(4) Legal risks

Legal risks refer to the possible loss from the invalidity of an agreement as a result of not following the law, a non-enforceable agreement, incomplete clauses, or inadequate regulations. The Bank uses its Legal Affairs Department to offer legal consulting and review procedures on internal regulations in order to carry out law-binding efforts of the entire Bank in its finance and business operations.

(5) Liquidity risks

Liquidity risks include market liquidity risk and fund liquidity risk (finance risk). Market liquidity risk refers to insufficient market depth or market disorder that causes the risk of substantial price fluctuations at the time of disposal or writing off holding positions. Fund liquidity risk refers to the risk of nonperformance by the date due or failing to have assets cashed for sufficient funds. The Bank has relevant regulations in place according to the demand of capital for business operations. It controls market liquidity risk by closely monitoring the application of funds, controlled by the Treasury Department, on a daily basis.

In addition to the aforementioned conditions, the success of risk management system also relies on the concern and support of the top decision-makers. With full authorization of management, the risk management system is effectively constructed and enforced.

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

1. General disclosure

(1) Market risks

Market risk management standards are stipulated in accordance with the risk management policies of the Bank and defines the scope of market risk management and risk measurements used. Moreover, definitions are predetermined for the position limits of financial products, the limit of nominal principal and stop-loss, and the principle of process within and outside authorization. For the purpose of keeping market risk data transparent, the risk management department requires that the risk management report of the business department on a daily and monthly basis and submits to the risk management center of the financial holding company. If any extraordinary transactions, the risk management department will continually supervise and track. Moreover, the financial holding company supports the integrated risk management system, constructed in such a way as to fulfill Basel II risk management requirements.

(2) Credit risks

Credit risk management standards are stipulated in accordance with the risk management policies of the Bank and defines the scope of market risk management and risk measurements used. Credit risk management is classified into the categories of corporate banking business and consumer banking business in accordance with the nature of business operations. In supporting the adjustments to its organization structure, the Bank has set up both a Corporate Banking Group and Consumer Banking Group to handle the corporate banking and consumer banking businesses in order to strengthen its business divisions and independent credit checks and review for carrying out risk control measures. The corporate banking business and consumer banking business is introduced as follows:

A. Corporate banking business: For the management of corporate banking credit risk:

- a. Internal evaluation system includes “Corporate credit risk evaluation” and “credit risk classification” for reference in reviewing corporate financing cases in order to reinforce credit risk management and protect the credit safety of the Bank.
- b. Incident reporting system continually examines market development and presents a project report on evaluating the estimated loss and recovery according to the credit risk exposure of extraordinary cases. It also reinforces credit loan management and an ongoing review system in order to monitor the credit status of customers.
- c. Alert reporting system: Apply KMV credit risk measurement model to screen the EDF results of the listing/OTC credit loans customers and to provide it to credit department for reference in performing post loan evaluation with the use

of other credit alert systems.

B. Consumer banking business: Credit risk management for consumer banking:

- a. Construct credit scoring mechanisms for consumer banking products.
- b. Construct credit review and collection system. Apply the automatic credit scoring system to have the quantified breach of contract model, loss prediction model, risk measurement index, and risk pricing mechanisms constructed in response to actual risk controls and the requirements of Basel II in risk management quality.
- c. Reinforce control of individual credits in response to the credit card crisis of consumer banking business. Moreover, raise the review standards and quota management of credit card and credit products to minimize credit loss.
- d. For the consumer banking business, enforce centralized collection and outsourcing to assure higher rate of recovery.

(3) Operation risks

For operation risk management, all departments, offices, and business units are to perform their responsibilities, follow operation risk management procedures, and control operation risks of each department within a tolerable range through risk evaluation and measurement.

The Bank has a designated an operation risk management department. The Head Office, all departments and offices, and business units will have operation risk management personnel appointed for the daily operation of operation risk management and operation risk identification and measurement, including the process of operation risk self-evaluation and procedure analysis. Also, they are to present corrective actions or suggestions for a situation that occurred or potential threat and follow up by implementing corrective actions. For the purpose of minimizing operation risks, the Bank has proper operation procedures, precise internal controls, a reinforced information system, and adequate backup facilities set up at remote locations. According to the operation risk management standards of the Bank, the alternative tool of insurance mechanisms and subcontractors is also available to have part of the risk transferred or written off in order to minimize loss.

(4) Legal risks

If banks have broken the law by failing to abide by governmental regulations, possible consequences include disciplinary action, high punitive fines, temporary suspension of business licenses in part or in whole, and possible replacement of the business owner. It is also detrimental to the company if they want to file for a new business. For any omission in operational procedures and business agreements signed by the Bank, it may be deemed invalid in a court of law, and the incomplete clauses and inadequate regulations may cause the signed agreement to be revoked, resulting in loss. The Bank uses its Legal Affairs Department to understand and follow all related laws and provide professional legal consulting to review procedures for the legality of all internal

regulations and business agreements.

(5) Liquidity risks

The liquidity risk management of the Bank is mainly carried out by using the measurement index of relevant liquidity risk management, including the ratio of loans to deposits, ratio of current reserves, and analysis of interest-rate-sensitive spreads, to monitor the liquidity risk of the entire Bank. The President of Fuhwa Bank calls an Assets & Liabilities Committee meeting once a month to review the business operations and capital demand of the Bank and makes decisions for each business unit to enforce. For the Bank's liquidity risk management, gaps between assets & liabilities and structural changes on due dates are analyzed periodically and funds are appropriated and implemented in accordance with the fund status. These measures ensure that liquidity risk is effectively minimized.

2. Items to be disclosed of credit risk

(1) Items on the Sheet – Credit risk asset

December 31, 2005
Unit: NT\$1,000

Item	Risk Weighted	Risk asset
Secured by the Central government	0%	0
Claims on domestic public-sector entities, excluding central government, and loans guaranteed by such entities	10%	0
Secured by domestic bank	20%	1,828,959
Residential mortgage backed loan	50%	41,787,075
Secured by other assets	100%	154,144,655
Less: specific loss provisions, not including write-offs	100%	(2,935,402)
Total		194,825,287

(2) Items beyond the table – Credit risks and amount of risk-oriented risks

December 31, 2005
Unit: NT\$1,000

Item	Risk assets
Off-balance sheet items	22,964,837
Derivatives	151,947
Repurchase agreements	371,460
Resale agreements	0
Total	23,488,244

(3) For the founding institution, the securities, amount issued, outstanding balance, and repurchased balance of the securities issued by the trusted and assigned asset: None

3. Accrued capital of market risk and risk weighted assets

December 31, 2005
Unit: NT\$1,000

Risk	Accrued capital charge	Risk assets
Interest rate risk	681,232	8,515,400
Equity exposure	331,442	4,143,025
Exchange risk	11,505	143,813
Commodity risk	0	0
The simple approach	3,467	43,338
Total	1,027,646	12,845,576

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:

(1) Analysis on the mature assets and liabilities-New Taiwan Dollars

December 31, 2005
Unit: NT\$1,000

	Total	Amount Outstanding by Time Remaining to Maturity				
		1~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Inflow of due fund	288,795,000	44,192,000	17,297,000	17,172,000	10,916,000	199,218,000
Outflow of due fund	397,654,000	45,072,000	48,553,000	77,487,000	91,095,000	135,447,000
Gap	(108,859,000)	(880,000)	(31,256,000)	(60,315,000)	(80,179,000)	63,771,000

Note: The amount in the Table included the Head Office, domestic and offshore branches in New Taiwan Dollar (except the foreign currency).

(2) Analysis on the mature assets and liabilities - U.S. Dollars

December 31, 2005
Unit: US\$1,000

	Total	Amount outstanding by Time Remaining to Maturity				
		1~30 days	31~90 days	91~180 days	181 days ~ 1 year	Over 1 year
Assets	727,096	113,613	73,618	145,759	70,942	323,164
Liabilities	552,182	421,415	77,909	18,585	34,273	0
Gaps	174,914	(307,802)	(4,291)	127,174	36,669	323,164
Cumulative gap	174,914	(307,802)	(312,093)	(184,919)	(148,250)	174,914

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

1. Government promotes the merger of financial institutions

In recent years, it was quite obvious that the financial industry has been changed in Financial holding Company, merger and banking retirement mechanism. The Financial Supervisory Commission and the Ministry of Finance have worked together to plan and promote the second financial reformation, aimed at “cutting the number of financial holding companies by half.” It is expected that the trend of bank consolidation will happen, when the Ministry of Finance release their holding stock in public banks. Facing such circumstance, the bank have adjusted its organization and procedures, in order to improve operating efficiency and profitability. Moreover, reform to operating procedures to create better corporate value and to provide customers with comprehensive financial product lines will help Fuhwa Bank become a more effective bank in the short run and increase its market share through mergers in the mid-term and long-term.

2. Law amendments by the Financial authorities targets asset quality improvement

The amended “Appropriation of Loss Reserve for Financial Assets Evaluation and Overdue Loans, Collections, and Bad Debt Measures” of the Ministry of Finance was enforced on July 1, 2005. This amendment categorizes NPL according to the collateral of credit and the overdue time. Classifications are: Class II suspectable credit, Class III collectible credit, Class IV difficult collection, and Class V uncollectible credit. The appropriation of allowance for bad debt and guarantee obligation reserve has a minimum standard of 2%, 10%, 50%, and the total of credit assets. In response to the enforcement of the new regulation, the Bank will continue to write-off bad debts, reinforce the training of business and administration personnel and also plan to sell bad loans to asset management companies. Evaluating and classifying credit assets accordingly, the total calculated allowance for bad debts and the corresponding bad debt reserves will be appropriated on a monthly basis.

3. Amendment of Finance & Accounting Standard of R.O.C.

“Finance & Accounting Standard” No. 35 and No. 34 are in effect starting December 31, 2005 and December 31, 2006, respectively.

“Finance & Accounting Standard” No. 35 regulates the “Accounting for impairment of assets” of corporations and it will require corporations to adjust asset values to be closer to the fair value and then improve financial transparency and asset operating efficiency. In response to the communiqué, the Bank will strengthen to evaluate asset quality with corporate creditability checks to improve corporate credit quality and control credit asset risks.

“Finance & Accounting Standard” No. 34 “Accounting for financial instruments” requires that the accounting principles of financial products (including derivatives) be changed from the Lower of Cost or Market Price Method to the Fair Market Price Method. The substantial price fluctuation of financial products will be reflected on the income statement and it will help improve the creditability and transparency of financial statements. In response to the challenge of this communiqué, the Bank has helped its business personnel understand the content of the communiqué through internal education and training in order to abide by the new regulation.

4. Debt negotiation mechanism of the Financial Supervisory Commission

The Financial Supervisory Commission requires that financial institutions strengthen their control of credit risk to prevent from the over credit and acquisition. The Bank has used the “Credit Scoring System” and “Reviewal Mechanism” to sift out the high risk customers. And enhance to collection affairs to minimize the overdue ratio for keeping asset quality.

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

1. Trend of industry moving out

The domestic electronics industry was on its way to recovery in 2005 while traditional industry continued to grow as well. However, due to the less than satisfactory domestic investment environment, the condition of industry emigration remains unchanged, in which, traditional industry with mature production performing the worst. Therefore, the Bank has gradually adjusted credit assets for each industry to respond to the economic cycle of entire industries, to control the fund application of credit account, sources of fund, and collateral quality in order to improve credit quality and minimize credit risk.

2. Rapid technology development

In order to create quality and convenient services, the Bank has striven to reinforce the function of e-banking and voice mail services, has developed Web ATM system, so customers may enjoy the financial services of the Bank from anywhere. Moreover, the Bank has adopted a multi-functional and diversified consumer banking credit system to have a consumer banking product database constructed for the analysis and planning of product design, price strategy, advertisement, and risk control in compliance with market trends and improving product competitiveness.

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

Government authorities and the general public are concerned about the on-going credit card crisis and its negative impact on the image of all banks. Fuhwa Bank will continue to focus its emphasis on providing high-quality services and total financial solutions to fulfill customers’ needs. Moreover, in the case of any inaccurate reporting from the media, the Bank will clarify any misunderstanding immediately through the Taiwan Stock Exchange Corporation and the Market Observation Post System.

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

1. The Bank completed a total acquisition of “The 7th Credit Cooperative of Tainan” and “The 6th Credit Cooperative of Tainan” in June 2005 and December 2005, respectively. The anticipated benefits of the merger include:

(1) Increased business locations and expanded marketing network: While the setup of new branches is prohibited by government, adding branches through a merger is an effective way to quickly expand Fuhwa Bank’s marketing network.

- (2) Reduced operating costs and new growth opportunities: Benefits of the merger include using resources more efficiently through resource sharing. Also, the rapid increase in assets and customer base helps us to improve earnings and competitiveness.

2. Potential risks:

- (1) Loss of customers from the acquired branches: Due to the change of ownership, the deposit and loan customers of the financial institution may leave due to unfamiliarity with the new business style of the management team.
- (2) Poor asset quality: In general, the overdue loan ratio of NPL is high within the Cooperative banks; therefore, after completion of the acquisition, Fuhwa Bank's overdue loan ratio went up, affecting its overall asset quality.

3. Countermeasures of the Bank:

- (1) To prevent from the Cooperative bank customers leaving, Fuhwa Bank retained existing branch employees to keep in good relationship with customers. To improve contact with customers before and after the acquisition, a number of measures were used to help existing customers understand that their financial services would not be interrupted by the new change in management. The Bank used the media, Internet, written notices in bank lobbies, and employees to communicate the new changes to customers.
- (2) Continue to process the collection and management of NPL and write off bad debts to strengthen and improve asset quality.

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

1. The benefits from expanding business locations include an expanded scope of service and an enlarged customer base.
2. Potential risks:
 - (1) Converting acquired branch offices into the Fuhwa network brings with additional costs such as hardware and software integration and upgrades, rental expense, renovations, added employee expense, as well as overall safety of the branch. Due to all these considerations, reaching break-even point is not something that will happen immediately.
 - (2) In such intense competition environment, more resources will need to be used to penetrate the market, causing profitability to suffer.
3. Responsive actions taken by Fuhwa Bank:
 - (1) Reinforce employees' professional training and improve service quality and standards. Reduce and minimize operational risks such as unnecessary errors and negligence.
 - (2) In establishing new branches, in addition to reviewing and evaluating the surrounding location of the new site, focus on taking branch offices that are in areas where the market is saturated and relocate if necessary.

(VIII) Concentrated business risk

1. In order to reduce operating costs, the Bank has centralized the process of standardized businesses such as mortgage and credit loans, credit card products or appraisals, and collections, with the desired goal of integrating processes and authorization. The potential

risks include:

- (1) Risk of personnel centralization: Once the business personnel in each department and office are centralized, if customer information is not effectively controlled, it could be lost or pose a risk of collusion.
- (2) Risk of system malfunction: Once operations are centralized in one location, if a system malfunction occurs, there is a greater risk of business being interrupted.

2. Responsive measures of the Bank

For risks associated with centralization, the Bank has trained key personnel to respond effectively to an emergency. Also, the Bank has mandated administrative measures for close control, for example, for maintaining confidentiality of customer information, evaluation of the computer system, and placing the backup system at a remote location.

(1) Customer centralization risk

The Bank has followed the requirement of Banking Law Article 33.3 regarding the credit quota granted to the same person, the same related party, and the same associate. Group quotas are granted to each individual group with adjustments made to avoid credit centralization risk.

(2) Industry centralization risk

In order to prevent industry centralization risk, the Bank reviews the terms and conditions of credit loans and makes necessary adjustments in accordance with the economic development of each industry.

(3) Collateral credit risk

The Bank follows Banking Law Article 72 in processing corporate and residential construction loans. Relevant regulations are in place for credit loans with collateral to control credit risk.

(4) National credit risk

The Bank uses global and national credit quotas to activate the internationalization of its financial business and to reinforce its risk control ability in foreign exchange credit.

(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) Court Cases Pending: N/A

(X I) Other significant risks: N/A

III. Crisis Management Mechanism

To strengthen the bank's Emergency rescue system and preventive measures, the bank has enacted the "Fuhwa Commercial Bank Guidelines for Emergency Responding Procedures" and organized the "Emergency Response Team" and "Emergency Report System". 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.

IV. Other Major Events: None



Operation of Corporate Governance

Operation of Corporate Governance

Item	Business operation	Differences from the Corporate Governance Regulations Governing Banking Industry and Causes
<p>I . Shareholder structure and Shareholders' Equity of the Bank</p> <p>(I) The process of Shareholders suggestions or disputes by the Bank</p> <p>(II) The main shareholders of the bank controlled by the Bank and the ultimate controller of the main shareholders</p> <p>(III) The risk control mechanism and firewall with the related party constructed by the Bank</p>	<p>(I) Fuhwa Commercial Bank is 100% owned subsidiary of Fuhwa Financial Holding Co., Ltd. The parent company manages the Bank in accordance with Financial Holding Company Law Article 26 and by maintaining a smooth channel of communication.</p> <p>(II) Fuhwa Financial Holding Co., Ltd. is the one and only shareholder of the Bank; therefore, Fuhwa Financial Holding Co., Ltd. is the main shareholder of the Bank and the ultimate controller of the main shareholder.</p> <p>(III) The finance of the Bank is independent from the related party and with clear performance and responsibility defined and to be audited by CPA periodically and with adequate firewall constructed. The Bank has independent Risks Management Group setup for the control of market risks, credit risks, operation risks, legal risks, and other risks. The credit and trade with the related party is processed in accordance with Financial Holding Company Law Article 44 and Article 45 and the regulations of parent company. Cross marketing is processed in accordance with Financial Holding Company Law Article 43 and Article 48 and relevant regulations. The Related Party Query System is constructed for information query and with trade information summarized and submitted to the Board of Directors for record.</p>	<p>In compliance with the requirement of "Corporate Governance Best-Practice Principles for Banking firms"</p>

<p>II. Composition and responsibility of the Board of Directors</p> <p>(I) The Independent Directors of the Bank</p> <p>(II) Evaluating the independence of the CPA periodically</p>	<p>(I) The Directors of the Bank are delegated by Fuhwa Financial Holding Co., Ltd. and there are no Independent Directors appointed currently.</p> <p>(II) The professionalism and independence of CPA is evaluated periodically every year.</p>	<p>Corporate Governance Best-Practice principles for Banking Firms Article 31: “Banking industry may have Independent Directors appointed in accordance with operation scale and business operation...” the said appointment is not currently mandatory.</p>
<p>III. Composition and responsibility of Supervisors</p> <p>(I) The Independent Supervisors of the Bank</p> <p>(II) The communication of Supervisors with the staffs and Shareholders of the Bank</p>	<p>(I) The Supervisors of the Bank are appointed by Fuhwa Financial Holding Co., Ltd. and there are currently no independent supervisors.</p> <p>(II) Bank information is made available to the public; therefore, Supervisors may communicate to employees at any time.</p>	<p>Corporate Governance Best-Practice principles for Banking Firms Article 54: “Banking industry may have Independent Supervisors appointed in accordance with operation scale and business operation...” the said appointment is not mandatory currwntly.</p>
<p>IV. Communication channel with interested parties</p>	<p>The Bank has a smooth communication channel.</p>	<p>It is in compliance with the requirement of Corporate Governance Best-Practice principles for Banking Firms.</p>
<p>V. Information disclosure</p> <p>(I) Construction of Website, disclosure of financial business, and the coporate governance of the Bank</p> <p>(II) Other disclosures of the Bank (establishing on English Website, bank information collection and disclosure by the designated personnel, reinforce the spokesman system, and publishing the public offering seminar on the Website)</p>	<p>(I) The Bank has set up a Chinese Website (http://www.fuhwabank.com.tw) to disclose annual report, quarterly financial statements, and corporate governance information published for reference.</p> <p>(II) The Bank has designated a spokesman and representative spokesman (Senior V.P., C.P. Lue is the spokesman). Each department and office has designated personnel to collect information for update.</p>	<p>It is in compliance with the requirement of “Business Management & Operation Code of banking industry”</p>
<p>VI. Fuhwa Bank’s Review Committee Performance</p>	<p>N/A</p>	<p>Corporate Governance Best-Practice principles for Banking Firms Article 36: “Banking industry may have an Audit Committee appointed...” the said appointment is not currently mandatory .</p>
<p>VII. State the Bank’s corporate governance policies and the difference between the policies and the “corporate Governance Best-Practice Principles for Banking Firms”:</p> <p>Since it is not a mandatory requirement; therefore, there is no an Independent Director, Independent Supervisor, and Audit Committee setup; however, the enforcement of Corporate Governance is in compliance with “Corporate Governance Best-Practice principles for Banking Firms”</p>		

VIII. Please state the systems and measures adopted by the Bank in fulfilling responsibilities to the society (such as, human right, employee's interest, environmental protection, community involvement, supplier relation, supervision, and rights & obligations) and the fulfillment of social responsibility:

Fuhwa Commercial Bank and Fuhwa Financial Holding Co., Ltd. (the parent company of Fuhwa Commercial Bank) have sponsored charity activities and provided scholarships from time to time through Fuhwa Foundation in fulfilling social responsibility.

IX. Other important information that helps understand the business management and operation of the Bank (such as, advanced study of Directors & Supervisors, attendance of Directors and Supervisors at the Board meeting, enforcement of risk management policy and risk measurement standard, enforcement of consumer protection or customer policy, enforcement of Directors who is with a conflict of interest excused from the meeting, and the liability insurance acquired for Directors and Supervisors):

(I) Advanced education programs for Directors and Supervisor: Depending on business operation and the freewill of Directors and Supervisors, the Bank will have them enrolled for professional advanced courses outside the Bank.

(II) Attendance of Directors and Supervisors at the Board meeting: Directors and Supervisors attend Board meeting according to the Company Law.

(III) Directors who are with a conflict of interest excused from the meeting: The Directors of the Bank who is with a conflict of interest must be excused from attending the meeting.

(IV) Liability insurance acquired for Directors and Supervisors: It is not yet processed.

(V) Enforcement of risk management policies: The risk management policies of the Bank are stipulated to have risk quantification substantiated accordingly, the management and evaluation mechanism of value at risk established, and the risk management-oriented business operation promoted in order to create stable and quality profits for shareholders.

(VI) Protecting consumers or customers: The obligations of the Bank are stipulated in the agreement in accordance with the requirement of competent authority and Bank Association for the protection of consumers.

* The Bank has set up Customer Service Center and with free Hot Line provided by the designated customer service personnel for the protection of consumers and the satisfaction of customers through prompt and convenient service and problem solving mechanism.

Note 1: For the advanced education programs for Directors and Supervisor, please refer to the "Governing Rules for the Advanced Study of Directors and Supervisors of TSEC/GTSM listed Companies" of Taiwan Stock Exchange Corporation.

Note 2: Detail the enforcement of business management & operation including risk management policy, risk measurement standard, and consumers and customers protection policy.



Information Regarding the Bank's CPA Firm

Information Regarding the Bank's CPA Firm

I. CPA payments

CPA Firm	CPA		Auditing fees	Other than Auditing dues					Is the auditing period for the entire fiscal year?			Remark	
				System design	Commercial / Industrial registration	Human resources	Others	Subtotal	Yes	No	Auditing period		
KPMG	Andrew Yu	Lily Lu	5,320	-	-	-	900	900	√				
							(Note 1)						
							335	335					
							(Note 2)						

Note 1: Financial institution inspection service

Note 2: Unconditional acceptance

II. Replacement of CPA

Due to the internal operation adjustment of KPMG, the CPAs for the audit of financial statements have been changed from CPA Andrew Yu and CPA Lisa Kuang to CPA Andrew Yu and CPA Lily Lu since 2005.

III. Chairman, President, and managers who are in charge of finance or accounting affairs were employed by the CPA firm or the related party of the CPA firm within one year: None



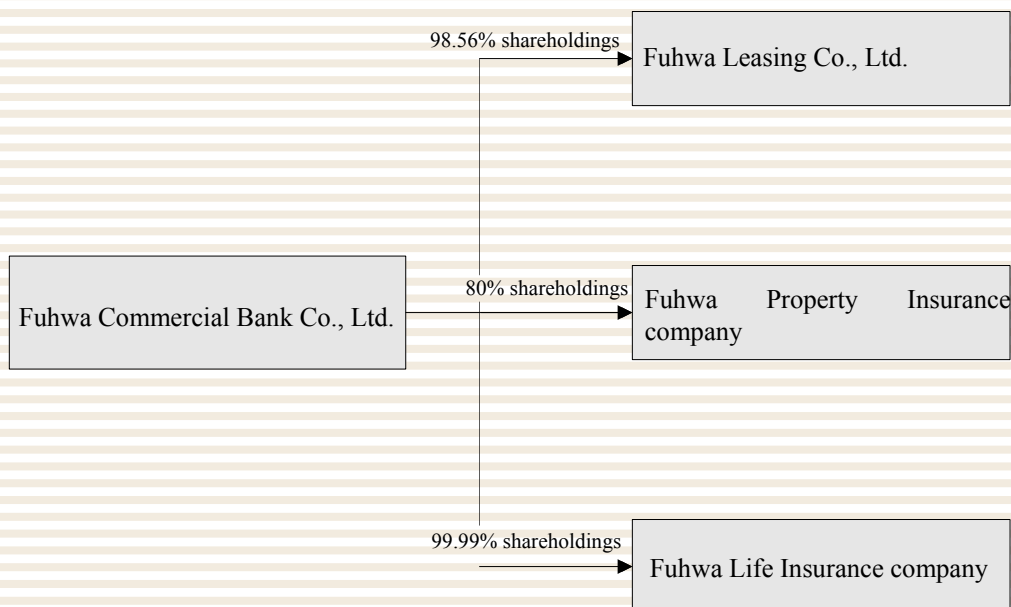
Special Items

Special Items

I . Particulars of Affiliates

(I) Consolidated business reports of affiliates

1. Organization chart of affiliates



2. Particulars of affiliates

December 31, 2005

Corporate	Founding dates	Address	Paid-up capital (NT\$1,000)	Business operation or products
Fuhwa Leasing Co., Ltd.	07.24.1998	5F, 4, Sec. 1, Chung Hsiao W. Road, Chung Cheng District, Taipei City	199,880	Leasing
Fuhwa Property Insurance Agent Co.	10.02.1999	3F-1, 40, Sec. 2, Tun Hwa S. Road, Da An District, Taipei City	3,600	Property insurance agent
Fuhwa Life Insurance Agent Co.	11.20.2001	3F-1, 40, Sec. 2, Tun Hwa S. Road, Da An District, Taipei City	2,000	Life insurance agent

3. Particulars of directors, supervisors, and president

December 31, 2005

Corporate	Title	Name or Representative	Shareholdings		Remark (personal shareholdings)	
			Shares	Shareholdings ratio (%)	Shares	Shareholdings ratio (%)
Fuhwa Leasing Co., Ltd.	Chairman	Representative of Fuhwa Commercial Bank Co., Ltd.: J.H. Liu	19,700,000	98.56		
	Director	Representative of Fuhwa Commercial Bank Co., Ltd.: J.T. Yang				
	Director	Representative of Fuhwa Commercial Bank Co., Ltd.: S.D. Cho				
	Director	Representative of Fuhwa Commercial Bank Co., Ltd.: Dragon Giang				
	Director	Representative of Fuhwa Commercial Bank Co., Ltd.: Y.C. Hwang				
	Supervisor	Representative of Fuhwa Commercial Bank Co., Ltd.: S.W. Chen				
Fuhwa Property Insurance Agent Co.	Director	Representative of Fuhwa Commercial Bank Co., Ltd.: Dragon Giang	(Note)	80.00		
Fuhwa Life Insurance Agent Co.	Chairman & President	Representative of Fuhwa Commercial Bank Co., Ltd.: C.M. Her	199,994	99.99		
	Director	Representative of Fuhwa Commercial Bank Co., Ltd.: T.F. Kao				
	Director	Representative of Fuhwa Commercial Bank Co., Ltd.: C.P. Lue				
	Supervisor	Representative of Fuhwa Commercial Bank Co., Ltd.: C.Y. Chang				

Note: it is a limited company structure

4. Business performance by affiliates

December 31, 2005
Unit: NT\$1,000

Corporate	Capital	Total assets	Total liabilities	Net worth	Operating revenues	Operating profit	Net income (after tax)	EPS (NT\$) (after tax)
Fuhwa Leasing Co.	199,880	601,332	495,667	105,666	840,228	(13,524)	(38,946)	(1.95)
Fuhwa Property Insurance Agent Co.	3,600	9,020	2,171	6,849	9,902	2,914	2,289	6.358
Fuhwa Life Insurance Agent Co.	2,000	115,761	40,188	75,573	314,450	91,727	69,731	348.65

(II) Consolidated financial statements of the related parties

Please refer to "Financial status: Consolidated Financial Statements of the year" for details.

(III) Declaration by Fuhwa Commercial Bank Co., Ltd.

Declaration

This hereby solemnly declares that the affiliation report (the report on the relationship between the Company and its controlling companies) of Fuhwa Commercial Bank Co., Ltd. (for the period starting from January 1, 2005 until December 31, 2005) has been duly prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises”. This further declares that the information disclosed herein shows no significant non-conformity from the financial statements of the preceding term.

This Declaration is duly issued to verify the aforementioned facts.

Company: Fuhwa Commercial Bank Co., Ltd.

Chairman: Ching-Chang Yen

February 21, 2006

(IV) CPAs' Opinions upon Recheck

CPAs' Opinions upon Recheck of the Affiliation Report



To: Fuhwa Commercial Bank Co., Ltd.

We, the Undersigned Certified Public Accountant(s), have duly completed recheck of the affiliation report (the report on the relationship between the Bank and its controlling companies) in accordance with Letter Tai-Tsai-Cheng-(VI)-Tze 04448 of the Financial Supervisory Commission, Executive Yuan (with the Securities and Futures Commission, Ministry of Finance as its predecessor) dated November 30, 1999. Based on the grounds of the findings in the recheck, we duly issue the Opinions on Recheck regarding whether Fuhwa Commercial Bank Co., Ltd. has composed the affiliation report in accordance with the requirements set forth in the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and whether the affiliation report shows any significant differences from the relevant information disclosed in the notes to the financial statements for the same term audited by us on February 10, 2006.

Based on the grounds of the findings of our Recheck, we did not find anything in the preparation of the aforementioned affiliation report that was in breach of the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", nor did we find any significant non-conformity from the relevant information disclosed in the notes to the financial statements for the same term.

KPMG

CPAs:

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SEC approval NO: (88) Tai-Chai-Jen (VI)
NO.18311

FSC approval NO: Jin-Kuang-Jeng (VI)
NO. 0940100754

February 21, 2006

(V) Affiliation report

1. Summary of relationship of affiliates and controlling companies

Expressed in number of shares, %

Name of holding company	Source of control	The shareholding and pledge of the holding company			Directors and supervisors or managers appointed by the holding company	
		No. of shares held	Shareholding ratio	No. of shares pledged	Professional title	Name
Fuhwa Financial Holding Co., Ltd.	Acquired 100% shareholding of the Company	1,800,000,000	100%	Nil	Director (chairman)	Ching-chang, Yen
					Director (vice chairman)	Wei-chen, Ma
					Director (general manager)	Chang-mirng, Her
					Director	Wei-chien, Ma
					Director	Wu-tien, Lin
					Director	Tsai-yu, Chang
					Director	Hai-ching, Wang
					Director	Hsien-tao, Chiu
					Director	Wu-hsiung, Chou
					Supervisor	Ping, Keng
					Supervisor	Ming-chang, Chen
					Supervisor	Hsiu-wei, Chen
Jen-Jay Co., Ltd.	Having control over the personnel, finance and business of Fuhwa Financial Holding Co., Ltd. under Article 369~2, Paragraph 2 of the Company Law.					

*1. The judicial person director representatives of Fuhwa Financial Holding Co., Ltd. prior to June 30, 2005 were: Kao Kang-sheng, Chen Sung-hsing, Huang Shou-tzuo, Kuo Huan-kun, Chung Huo-teh, Chen Chi-shou, Chen Yung-yi, Yang Chao, Chang Yu-lin; and the supervisor representatives were Su Teh-chien, Chou Chueh-sze and Chuang Yu-teh. The judicial person director representatives of Fuhwa Financial Holding Co., Ltd. taking office on June 30, 2005 were Yen Ching-chang, Ma Wei-chen, Ho Chang-ming, Ma Wei-chien, Lin Wu-tien, Chang Tsai-yu, Wang Hai-ching, Chiu Hsien-tao and the supervisor representatives were Keng Ping, Chen Hsiu-wei and Chin Chia-lin. On August 5, 2005, Chou Wu-hsiung was named as the new judicial person director representative and Chen Ming-chang was named as the new supervisor, while Supervisor Chin Chia-lin was discharged at the same time.

*2: The aforementioned data were as of December 31, 2005.

2. Facts of transaction:

(1) Input, output transaction: Nil

(2) Property transaction: Nil.

(3) Fund financing: Not applicable to the bank in the present case.

(4) Asset leasehold: Nil.

(5) Other significant transaction: After the Bank was consolidated into Fuhwa Financial Holding Co., Ltd., it adopted an affiliated taxation system for declaration in consolidation. As of December 31, 2005, the amount receivable from Fuhwa Financial Holding Co., Ltd. as an affiliate came to NT\$418,685,000.

3. Endorsement/guarantee: Not applicable to the bank in the present case.

4. Other issues having significant impact upon finance and business: Nil.

II. Implementation of Internal Controls:

(I) Statement of Internal Controls









Internal Control Declaration of Fuhwa Commercial Bank Co., Ltd.

As officially resolved at the 51st board of directors meeting, Session Five, held on March 23, 2006

We, the Undersigned, hereby formally and solemnly declare for and on behalf of Fuhwa Commercial Bank Co., Ltd. (the Bank) that during January 1, 2005~December 31, 2005, Fuhwa Commercial Bank Co., Ltd. faithfully complied with the “Regulations Governing Internal Control System of Banks and Enforcement Thereof” by conducting risk control, carrying out an audit through the detached and independent Audit Department and reporting to the board of directors and the supervisors on a regular basis. Regarding the concurrent securities business operation, the Bank has faithfully complied with the “Guidelines for Service Businesses in Securities and Futures Markets in Internal Control” by judging and verifying whether the internal control system has been effectively established and enforced. Through prudent assessment of the internal control systems for various units and their legal compliance, the Bank proves to have effectively enforced the system except where so stated on the table annexed hereto. This Declaration forms the principal contents of the Bank’s Annual Report and Prospectus and will be made public. We, the Undersigned, assume all legal responsibilities under Articles 20, 32, 171 and 174 of the Securities and Exchange Law in case of misrepresentation or concealment.

To: Financial Supervisory Commission, Executive Yuan

Declarants:

Chairman:		
General Manager:		
Auditor-General:		
Legal Compliance Head of the Group:		

March 23, 2006

(II) Issues calling for improvement and rectification

Fuhwa Commercial Bank Co., Ltd., Plans for Improvement and Rectification

Reference (base) day: December 31, 2005

Points calling for improvement	Corrective actions	Time scheduled for completion of corrective action
<p>The Bank’s schedule of delegation of authority for positions (hierarchical responsibility structure) system should be timely updated upon in line with the adjustment of the organizational rules.</p>	<p>The Bank’s schedule of delegation of authority for positions (hierarchical responsibility structure) has been reassessed and updated in line with the organizational rules resolved by the board of directors. Based on On the grounds of Interpretation Chin-Kuan-Yin-(II)-Tze 09585005530 dated February 27, 2006, the power authority for the schedule of delegation of authority for positions (hierarchical responsibility structure) is required as resolved by in the board of directors except for the bank-wide organizational rules, overall business management strategy, major policies or major risk related management rules and business rules.</p>	<p>Quarter 2, 2006</p>

(III) Certified Public Accountant(s)' internal control system report in project review

Certified Public Accountant(s)' Report on Inspection over Fuhwa Commercial Bank Co., Ltd.

Attn.: Fuhwa Commercial Bank Co., Ltd., Board of Directors

As required by Article 25 of the "Regulations Governing Internal Control System of Banks and Enforcement Thereof" promulgated by the Financial Supervisory Commission, Executive Yuan (formerly Ministry of Finance), when a Certified Public Accountant audits and verifies a bank's annual financial statements, the bank should consign the Certified Public Accountant to conduct a review of the internal control system of the Bank and should offer opinions regarding the Bank's internal control system, the legal compliance head's enforcement and the appropriateness of the allowance for bad debt policies.


We, the Undersigned Certified Public Accountant(s), have accepted consignment from Fuhwa Commercial Bank Co., Ltd. to undertake the aforementioned issues. As further required by Article 28 of said Regulations, we submit the scope of the audit, the audit procedures and audit results as per the Appendices hereto.

This Report is submitted for your reference only. You may submit this Report to the Financial Supervisory Commission, Executive Yuan as a reference for supervisory purposes, but shall not use this Report for any other purposes or provide it to any others.

KPMG

CPAs

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SEC approval NO: (88)Tai.chai.jen (VI)-18311

FSC approval NO:Jin.kuang.Jen(VI) 0940100754

April 17, 2006

III. Objections by Directors or Supervisors to Major Decisions Resolved by the Board of Directors: None

IV. Status of Securities Raised Privately

Date	Dec. 31, 2005 (Note 1)	March 31, 2006
Item		
Type of privately offered security	Common shares	Nil
Date/Amount passing shareholders' meeting or directors' meeting	April 28, 2005 Total amount: 3,000,000,000	
Grounds and validity of pricing	Issued per par value according to Article 140 of Company Law	
Methods selected by specific person	Subscribed for from this company's sole shareholder, Fuhwa Financial Holding Co., Ltd..	
Necessary reasons for public offering	In order to maintain the unity of shareholders' structure, this company proceeds with the increase in capital by cash according to the provisions related to private offering of security provided in Article 43.6 of the Security and Exchange Act, all of which are subscribed for by this company's sole shareholder, Fuhwa Financial Holding Co., Ltd..	

Implementation of private offering of security in the latest fiscal year and until the date of publication of annual report:

Type of privately offered security: common shares

Date of payment: July 11, 2005

Date of reporting to FSC: July 19, 2005

Counterpart	Qualification	Quantity of subscription	Price of subscription	Relationship with bank
Fuhwa Financial Holding Co., Ltd..	According to Paragraph 1(1) of Article 43.6 of Securities and Exchange Act	300,000,000 shares	NT\$10	This company's sole shareholder

V. Bank Shares Held or Sold by Subsidiaries: None

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

- (I) The Board of Directors of the Bank resolved in the meeting held on January 5, 2005 that Fuhwa Bank took over all assets, and liabilities in full of “Guarantee liability of The 7th Credit Cooperative of Tainan” unconditionally at the cost of NT\$120 per share (NT\$100 par) for a grand total of NT\$289 million and officially joined business operations on June 20, 2005. The number of branch offices were increased to 58 after the merger. In order to improve the business operations of branch office, some of the branch offices will be relocated to Taipei City, Taipei County, Hsinchu City, Taichung City, and Kaohsiung County for a broader service network.
- (II) The Board of Directors of the Bank resolved in the meeting held on August 4, 2005 that Fuhwa Bank took over all assets, and liabilities of the “Limited liability of The 6th Credit Cooperative of Tainan” unconditionally at the cost of NT\$118 per share (NT\$100 par) for a grand total of NT\$541 million and officially joined business operations on December 26, 2005. The number of branch offices were increased from 58 offices to 70 offices after the merger. In response to the branch strategy of the financial holding company, only the “Kai Yuan Branch” and “Anhe Branch” remained unchanged. The other ten branch offices will be relocated to Taipei City, Taipei County, Taoyuan County, and Taichung County to increase competition to those important areas.

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

Disclosure period: 2004 and 2005

Disclosures	Case and amount
Prosecution by the prosecutor upon Fuhwa Commercial Bank's responsible person or staff because of violation of law on business operation.	None
Penalty find imposed by the Financial Supervisory Commission because of violation of law.	FSC letter Gin-Guan-Yin(6) No. 0948010715 of June 10, 2005, said that Fuhwa Bank was in violation of Article 57-2 of the Bank Law, under which Fuhwa Bank was to apply for establishment of offices for non-business use before its operation. A penalty of \$2,000 was given by the FSC in accordance with Article 129-1 of the Banking Law.
Shortcomings for which Fuhwa Commercial Bank received harsh rectification from the Financial Supervisory Commission.	None

<p>The punishment rendered by Financial Supervisor Commission, Executive Yuan in accordance with Banking Law Article 61.1</p>	<p>None</p>
<p>Work accidents occurred as a result of collusion, major occasional events (fraud, theft, embezzlement and collusion, fake transation, falsified vouchers and marketable securities, kickback, natural disaster loss, loss incurred by external forces, hacker attack, data theft, and revealing business secret and customer's information), or failing to comply with the requirement of "Guidelines on Financial Institutions in Safety & Security Maintenance" and the loss of individual event or total loss of the year exceeding NT\$50 million</p>	<p>None</p>
<p>Other disclosures requested by Financial Supervisor Commission, Executive Yuan</p>	<p>None</p>

VIII. Additional Supplementary Remarks: None

Milestones of Fuhwa Commercial Bank in 2005

- January Fuhwa Commercial Bank attended the “2005 Wealth Life Fair” sponsored by the United Daily News.
- The “Fongtien Branch” resumed business and was relocated to 1~3F, 128, Jhongshan Road, Sec. 3, Yilan City, Yilan County and its name was changed to “Yilan Branch.”
- February Fuhwa Commercial Bank and five other banks signed a syndication loan agreement with L.M. Resort Co., Ltd. for an amount of NT\$800 million and for a period of 10 years. It was the first syndication loan agreement of Fuhwa Commercial Bank.
- The “Baynan Branch” was relocated to 1~2F, 348, Yonghua Road, West Central District, Tainan City and its name changed to “Tainan Branch.”
- March Fuhwa Commercial Bank was the pioneer in the market to work with the international Chinese golf magazine, “Global Golf,” in the first golf joint card promotion.
- April Fuhwa Commercial Bank promoted its “168 mortgage project” which combined life insurance with mortgage and offering a first year fixed interest rate of 1.68%.
- Fuhwa Commercial Bank promoted its “Happy Loan” mortgage project, providing home mortgages to customers with high percentages of loans.
- June Fuhwa Commercial Bank acquired “The 7th Credit Cooperative of Tainan” and joined business operations on June 20, 2005.
- Fuhwa Commercial Bank offered its “Plan Ahead Time & Rated Amount Lifetime 51% off” preferential wealth management campaign.
- August Fuhwa Commercial Bank attended the “2005 Wealth Management Fair” sponsored by China Times.
- Fuhwa Commercial Bank promoted its “preferential mortgage” with one interest rate which is 0.1% lower than the strategic mortgage rate.
- Fuhwa Commercial Bank promoted its “518 High-time deposit with high interest rate” campaign.
- Fuhwa Commercial Bank was entrusted to issue the “China Development Industrial Bank Corporate Loan Trust Beneficiary Security” for an amount of NT\$5.1 billion. Fuhwa Commercial Bank was entrusted for the second time to manage corporate loan collateralized debt obligations after the “SinoPac Corporate Loan Trust Beneficiary Security.”
- September “Beitun Branch” was relocated to No. 46, Sec. 2, Chongde Rd., Beitun District, Taichung City to provide customers with a more comfortable financial service environment and with the name changed to “Chongde Branch.”

October “Chungli Branch” was relocated to No. 7, Jhongyang E. Rd., Jhongli City, Taoyuan County to provide customers with a more comfortable financial service environment.

December Taiwan Ratings Company rated the three subsidiaries of Fuhwa Financial Holding Co., Ltd. The long-term and short-term credit of Fuhwa Commercial Bank, Fuhwa Securities Co., Ltd., and Fuhwa Securities Finance Co., Ltd. was rated as “twA-/twA-2” and the rating perspective was changed from “stable” to “positive.”

Fuhwa Commercial Bank acquired “The 6th Credit Cooperative of Tainan” and joined business operations on December 26, 2005.

Fuhwa Commercial Bank provided its “second mortgage” to customers for flexible fund use.

Head Office & Branches, Overseas Offices, and Related Affiliates of Fuhwa Commercial Bank

Head Office &			
Branches	ADDRESS	TEL	FAX
Head Office	No.4, Sec. 1, Zhongxiao W. Rd., Zhongheng District, Taipei City 100, Taiwan	(02) 2380-1888	
Business Department	No.4, Sec. 1, Zhongxiao W. Rd., Zhongheng District, Taipei City 100, Taiwan	(02) 2380-1799	(02) 2380-1700
Taipei Branch	No.38, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan	(02) 2705-7888	(02) 2755-3751
Chingmei Branch	1 ~ 2F., No.3, Jingwun St., Wunshan District, Taipei City 116, Taiwan	(02) 8663-6766	(02) 8663-3139
Nanjing East Road Branch	No.139-8, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan	(02) 2756-3777	(02) 2756-3811
Shihlin Branch	1~4F, No.314, Zhongheng Rd., Shihlin District, Taipei City 111, Taiwan	(02) 2837-6638	(02) 2835-5886
Chengtung Branch	No.128, Sec. 3, Nanjing E. Rd., Zhongshan District, Taipei City 104, Taiwan	(02) 8772-5788	(02) 8772-5988
Neihu Branch	1F., No.618, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan	(02) 8751-8759	(02) 8751-9858
Sinyi Branch	236-1, Sec. 4, Sinyi Rd., Sinyi District, Taipei City 110, Taiwan	(02) 2703-2569	(02) 2701-2259
Songjiang Branch	1F, No.109& 8F-1, No.111, Songjiang Rd., Zhongshan District, Taipei City 104, Taiwan	(02) 2516-8608	(02) 2516-1078
Tianmu Branch	No.14, Tianmu W. Rd., Shihlin District, Taipei City 111, Taiwan	(02) 2871-2558	(02) 2871-1117
Yonghe Branch	No.606, Zhongheng Rd., Yonghe City, Taipei County 234, Taiwan	(02) 2232-5558	(02) 2232-5568
Jhonghe Branch	1F., No.1 ~ 3, Taihe St., Zhonghe City, Taipei County 235, Taiwan	(02) 2245-6789	(02) 8245-7669
Sanchong Branch	1 ~ 2 ~ 5F, No.111, Sec.3, Chongsin Rd., Sanchong City, Taipei County 241, Taiwan	(02) 2983-2255	(02) 2988-5810
Sinjhang Branch	No.379, Zhongheng Rd., Sinjhuang City, Taipei County 242, Taiwan	(02) 2206-7799	(02) 2206-9977
Lujhou Branch	1F., No.231,233,235&2F, No.235, Changrong Rd., Lujhou City, Taipei County 247, Taiwan	(02) 2281-8958	(02) 2281-0266
Banciao Branch	1~4F, No.242, Sec. 2, Wunhua Rd., Banciao City, Taipei County 220, Taiwan	(02) 8259-7979	(02) 8259-7676
Nankan Branch	1 ~ 2F, No.309, Zhongheng Rd., Lujhu Township, Taoyuan County 338, Taiwan	(03) 312-9550	(03) 312-9551
Chungli Branch	No.7, Zhongyang E. Rd., Zhongli City, Taoyuan County 320, Taiwan	(03) 426-6007	(03) 426-6017
Taoyuan Branch	No.429, Zhongshan Rd., Taoyuan City, Taoyuan County 330, Taiwan	(03) 337-2211	(03) 334-2381
Pingjhen Branch	No.18, Huannan Rd., Pingjhen City, Taoyuan County 320, Taiwan	(03) 494-2690	(03) 494-3064
Linkou Branch	1 ~ 2F, No.236 ~ 238, Fusing 1st Rd., Gueishan Township, Taoyuan County 333, Taiwan	(03) 328-8999	(03) 328-8668
Hsinchu Branch	No.276, Minsheng Rd., Hsinchu City 300, Taiwan	(03) 545-6688	(03) 545-6008
Jhubei Branch	1~2F No.208, Dong Sec. 1, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan	(03)658-1212	(03)658-1233
Yilan Branch	1~3F, No.128, Sec. 3, Zhongshan Rd., Yilan City, Yilan County 260, Taiwan	(03)932-5566	(03)932-2233
Miaoli Branch	No.458, Zhongheng Rd., Miaoli City, Miaoli County 360, Taiwan	(037) 336-678	(037) 336-718
Taichung Branch	1~4F, No.66, Mincyuan Rd., Taichung City 400, Taiwan	(04) 2227-1799	(04) 2220-7499

Head Office &			
Branches	ADDRESS	TEL	FAX
Wunsin Branch	No.337, Sec. 3, Wunsin Rd., Situn District, Taichung City 407, Taiwan	(04) 2297-0068	(04) 2296-5966
Fusing Branch	No.269, Sec. 1, Fusing Rd., South District, Taichung City 402, Taiwan	(04) 2261-6889	(04) 2262-1060
ChongDe Branch	No.46, Sec. 2, Chongde Rd., Beitun District, Taichung City 406, Taiwan	(04) 2232-9961	(04) 2233-1818
Shalu Branch	No.535, Jhongshan Rd., Shalu Township, Taichung County 433, Taiwan	(04) 2665-6656	(04) 2665-6503
Fongyuan Branch	No.23, Yuanhuan W. Rd., Fongyuan City, Taichung County 420, Taiwan	(04) 2529-3366	(04) 2529-2065
Caotun Branch	No.118, Sec. 2, Taiping Rd., Caotun Township, Nantou County 542, Taiwan	(049) 232-1661	(049) 232-1800
Dali Branch	No.724, Tucheng Rd., Dali City, Taichung County 412, Taiwan	(04) 2492-2288	(04) 2493-2355
Dajia Branch	No.833, Sec. 1, Jhongshan Rd., Dajia Township, Taichung County 437, Taiwan	(04) 2688-6088	(04) 2688-6366
Changhua Branch	No.898, Sec. 2, Jhongshan Rd., Changhua City, Changhua County 500, Taiwan	(04) 726-7001	(04) 726-6992
Yuanlin Branch	No.283, Sec. 2, Datong Rd., Yuanlin Township, Changhua County 510, Taiwan	(04) 835-6403	(04) 835-2653
Lugang Branch	No.321, Jhongshan Rd., Lugang Township, Changhua County 505, Taiwan	(04) 778-5799	(04) 777-9779
Beidou Branch	No.166, Guangfu Rd., Beidou Township, Changhua County 521, Taiwan	(04) 887-3881	(04) 887-3886
Sihu Branch	No.555, Donghuan Rd., Sihu Township, Changhua County 514, Taiwan	(04) 882-5656	(04) 882-5626
Doushin Branch	No.29, Wunhua Rd., Douliou City, Yunlin County 640, Taiwan	(05) 535-1799	(05) 535-1313
Huwei Branch	No.1, Heping Rd., Huwei Township, Yunlin County 632, Taiwan	(05) 633-9169	(05) 633-9423
Dounan Branch	No.67, Jhongshan Rd., Dounan Township, Yunlin County 640, Taiwan	(05) 597-1138-40	(05) 597-1139
Chiayi Branch	No.185, Jhongsing Rd., Chiayi City 600, Taiwan	(05) 232-7469	(05) 232-6415
Yongkang Branch	No.509, Siaodong Rd., Yongkang City, Tainan County 710, Taiwan	(06) 312-6789	(06) 312-1228
Jiali Branch	No.278, Wunhua Rd., Jiali Township, Tainan County 722, Taiwan	(06) 721-4888	(06) 721-0249
Rende Branch	1~3F, No.449、451, Jhongshan Rd., Rende Township, Tainan County 717, Taiwan	(06) 249-6088	(06)249-6379
Tainan Branch	1~2F、No.348, Yonghua Rd., West Central District, Tainan City 700, Taiwan	(06) 293-8688	(06)293-8699
Fuchen Branch	No.165, Sec. 1, Minsheng Rd., West Central District, Tainan City 700, Taiwan	(06) 228-1281	(06)223-2415
Dontainan Branch	No.348, Sec. 2, Dongmen Rd., East District, Tainan City 701, Taiwan	(06) 268-7815	(06)267-3371
Wunsian Branch	No.327, Wunsian Rd., North District, Tainan City 704, Taiwan	(06) 258-1156	(06)258-1150
Annan Branch	No.356, Sec. 1, Anhe Rd., Annan District, Tainan City 709, Taiwan	(06) 246-8075	(06)246-8290
Anchung Branch	No.67, Sec. 4, Anjhong Rd., Annan District, Tainan City 709, Taiwan	(06) 247-4395	(06)247-4348
Naden Branch	No.647、649, Chongde Rd., East District, Tainan City 701, Taiwan	(06) 289-0775	(06)268-4448
Hsimen Branch	No.269, Chenggong Rd., West Central District, Tainan City 700, Taiwan	(06) 226-8146	(06)226-8148
Kai Yuan Branch	No.461, Shengli Rd., North District, Tainan City 704, Taiwan	(06) 238-3125	(06)236-3661

Head Office &			
Branches	ADDRESS	TEL	FAX
Dalin Branch	No.436, Sec. 2, Datong Rd., South District, Tainan City 702, Taiwan	(06) 215-0943	(06)215-6080
Anhe Branch	No.226, Sec. 1, Anhe Rd., Annan District, Tainan City 709, Taiwan	(06) 255-1236~8	(06)256-9941
Dongmen Branch	No.380, Sec. 2, Dongmen Rd., East District, Tainan City 701, Taiwan	(06) 267-8431	(06)269-7717
Yuandong Branch	No.218, Sec. 3, Anjhong Rd., Annan District, Tainan City 709, Taiwan	(06) 247-5560	(06)247-5581
Dasing Branch	No.307, Wunsian Rd., North District, Tainan City 704, Taiwan	(06) 280-2820	(06)280-2850
Kaohsiung Branch	No.38, Minzu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan	(07) 222-9688	(07) 225-7728
Boai Branch	No.491, Mingcheng 2nd Rd., Zuoying District, Kaohsiung City 813, Taiwan	(07) 558-6088	(07) 558-3699
Sanmin Branch	1、2F, No.661, Jiangong Rd., Sanmin District, Kaohsiung City 807, Taiwan	(07) 395-1588	(07) 395-3288
Fongshan Branch	No.280, Wujia 2nd Rd., Fongshan City, Kaohsiung County 830, Taiwan	(07) 715-2700	(07) 715-8500
Gangshan Branch	No.380, Gangshan Rd., Gangshan Township, Kaohsiung County 820, Taiwan	(07) 621-8955	(07) 621-5358
Pingtung Branch	No.25, Gongyuan Rd., Pingtung City, Pingtung County 900, Taiwan	(08) 733-7889	(08) 765-6566
Kinmen Branch	1、2F, No.74、76, Jhongheng Rd., Jinhu Township, Kinmen County 891, Taiwan	(082)337-766	(082)336-989
Tungshin Branch	No.427, Sec. 1, Jhonghua Rd., Taitung City, Taitung County 950, Taiwan	(089) 324-351	(089) 324-734
Malan Branch	No.560, Gengsheng Rd., Taitung City, Taitung County 950, Taiwan	(089) 326-171	(089) 356-055

Offshore office	Address	Tel	Fax
Hong Kong Representative Office	Unit 601, 6F, Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong	852-2810-9313	852-2810-9310

Related party	Address	Tel	Fax
Fuhwa Leasing Co., Ltd.	5F, No.4, Sec. 1, Jhongsiao W. Rd., Jhongheng District, Taipei City 100, Taiwan	(02)2380-2316	(02)2380-2313
Fuhwa Property Insurance Agent company	3F.-1, No.40, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan	(02)3707-2000	(02)3707-2007
Fuhwa Life Insurance Agent company	3F.-1, No.40, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan	(02)3707-2000	(02)3707-2007

