

TAIPEIBANK Co., Ltd. ANNUAL REPORT 2004

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

1. Spokesperson

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2. Contact Information – Corporate Headquarters and Branches

Please see page 17

3. Stock Registration Agent

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Address : 2Fl., No.17, Hsuehchang St., Taipei, Taiwan, R.O.C.

Website : www.fbs.com.tw

Tel : (886) 2-2381-0131

4. Credit Rating Institution

Name : Taiwan Ratings Corporation

Address : 23Fl., No.100, Sec.2, Roosevelt Rd., Taipei, Taiwan, R.O.C.

Tel : (886) 2-2368- 8277

5. Certified Public Accountants for Fiscal Year 2004

CPAs : Ray Chang, Terence Huang

Company : Deloitte & Touche

Address : 12Fl., No.156, Sec.3, Minsheng E. Rd., Taipei, Taiwan, R.O.C.

Website : www.deloitte.com.tw

Tel : (886) 2-2545-9988

6. Exchange Houses where Overseas Securities are Listed : None

7. Website

www.taipeifubon.com.tw

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I. Message to Shareholders

Over the past year, the international economy remained strong despite the sharp rise in international crude oil prices, the rise in US interest rates and China's economic macro control measures. Taiwan benefited by seeing an expansion in international trade. Other measures, including a loose monetary policy and an expansion of public works projects, helped to boost the economy. Through Fubon Financial Holding Company's abundant resource, the Bank outperformed on the field of cross selling and innovative service, reaching pre-tax profits for the year of NT\$5.5 billion, representing growth of 18.07% over 2003.

Meanwhile, the Bank's leaders and entire workforce accomplished a formidable mission last year, in achieving the merger of TAIPEIBANK and Fubon Commercial Bank. The two banks, now renamed as "Taipei Fubon Commercial Bank," were successfully merged on January 1, 2005. This marks the first successful merger between a government-owned bank and a private bank, hence establishing a model for future M&A between public and private sector banks.

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

TAIPEIBANK's total fee income of wealth management business grew 38.47% over 2003. Meanwhile, new mortgage and credit loan launched boosted consumer banking business, generating growth of 7.74% over 2003, credit loans in particular grew 33.23%. In corporate banking, TAIPEIBANK has worked to develop financial technology for special projects, such as the Neihu-Line Mass-Rapid Transit Project Financing project, which won the runner-up among 107 competing projects at the Asian Banking Awards 2004.

While pursuing growth in business operations and increased profits, TAIPEIBANK has maintained an emphasis on asset quality control. It's non- performing loan (NPL) ratio has always been much lower than the industry average. In fact, at the end of 2004, the Bank's NPL ratio fell to an historical low of 1.65%. The coverage ratio reached as high as 58.35%, establishing a solid business foundation for future growth. Meanwhile, in order to correspond with Taiwan's 2006 implementation of the Basel II, TAIPEIBANK has accordingly already set up an even more rational risk management mechanism.

Satisfied with the Bank's operations and asset quality, on December 22, 2004, Taiwan Ratings Corporation announced a hike in TAIPEIBANK's long-term credit rating from

“twAA-” to “twAA.” Its short-term credit rating was maintained at “twA-1,” and the bank was given a “stable” outlook. This reflects TAIPEIBANK’s superior profitability and asset quality compared with its industry counterparts.

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

Taipei Fubon Commercial Bank expects an exceptional performance in its first post-merger year, anticipating growth from economies of scale in terms of customer numbers and credit approvals as well as reduced operating costs. In step with our business strategy, the Bank began structural reorganization at the beginning of March 2005 in order to streamline all operations, including corporate banking, consumer banking, wealth management, financial banking and credit card business. This is enabling the Bank to continue to develop new products and deepen customers relationship, increase service quality, broaden business scope and strengthen international competitiveness. Bolstered by synergy with other subsidiaries of Fubon financial holding company, the Bank will fully boast a comprehensive cross-selling and integrated partnership.

Taipei Fubon Commercial Bank is also actively pursuing business opportunities in the Greater China, using our Hong Kong affiliate Fubon Bank (Hong Kong) as a springboard to achieve our goal as the best Asian Regional Bank. We would like to extend our sincerest gratitude to all our shareholders, and we look forward to your continued support and advise. The combined staff of Taipei Fubon Commercial Bank will continue to strive for excellence and to improve our performance.

II. Corporate Profile

1. Introduction

(1) Establishment Date and Basis :

TAIPEIBANK was established on Apr. 21, 1969 by Ministry of Finance Order (57) Tsai Tzu No. 7864

(2) History

TAIPEIBANK was established in coordination with national financial policy on Apr. 21, 1969 with capital provided by the the Taipei City Government, to regulate local finances, support municipal construction, and act as agent for the municipal treasury. Its name at that time was “City Bank of Taipei,” and its business territory was limited to the city. Since at the time of its establishment, was a financial institution owned by the city government and did not have the status of a corporation, the bank was reorganized as a company limited by shares on July 1, 1984.

On Jan. 1, 1993, the Bank’s name was changed to TAIPEIBANK Co., Ltd. in line with the establishment of its corporate identity system. With the government’s implementation of financial liberalization, the following year TAIPEIBANK expanded its business operations outside The City for the first time with the establishment of the Kaohsiung Branch. On Jan. 20, 1995 permission was granted for a change from a regional bank to a national bank and for expansion of the business territory to the entire country. In 1997, in line with the policy of privatization of government banks, shares were offered for subscription by employees and the general public; this resulted in a further capital increase of NT\$2 billion through cash injection. TAIPEIBANK shares were formally listed on the Taiwan Stock Exchange on July 23, 1997. To carry through with the policy of privatization of government enterprises, the Bank’s main shareholder, the The City Government, released shares on Nov. 30, 1999 and actively solicited buyers for them. As a result, the Bank was formally reorganized as a private enterprise. TAIPEIBANK became a subsidiary of the Fubon Financial Holding Co (Fubon FHC) . on Dec. 23, 2002 in order that long-term development, at the same time, the bank stopped all trades in the Taiwan Stock Exchange.

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

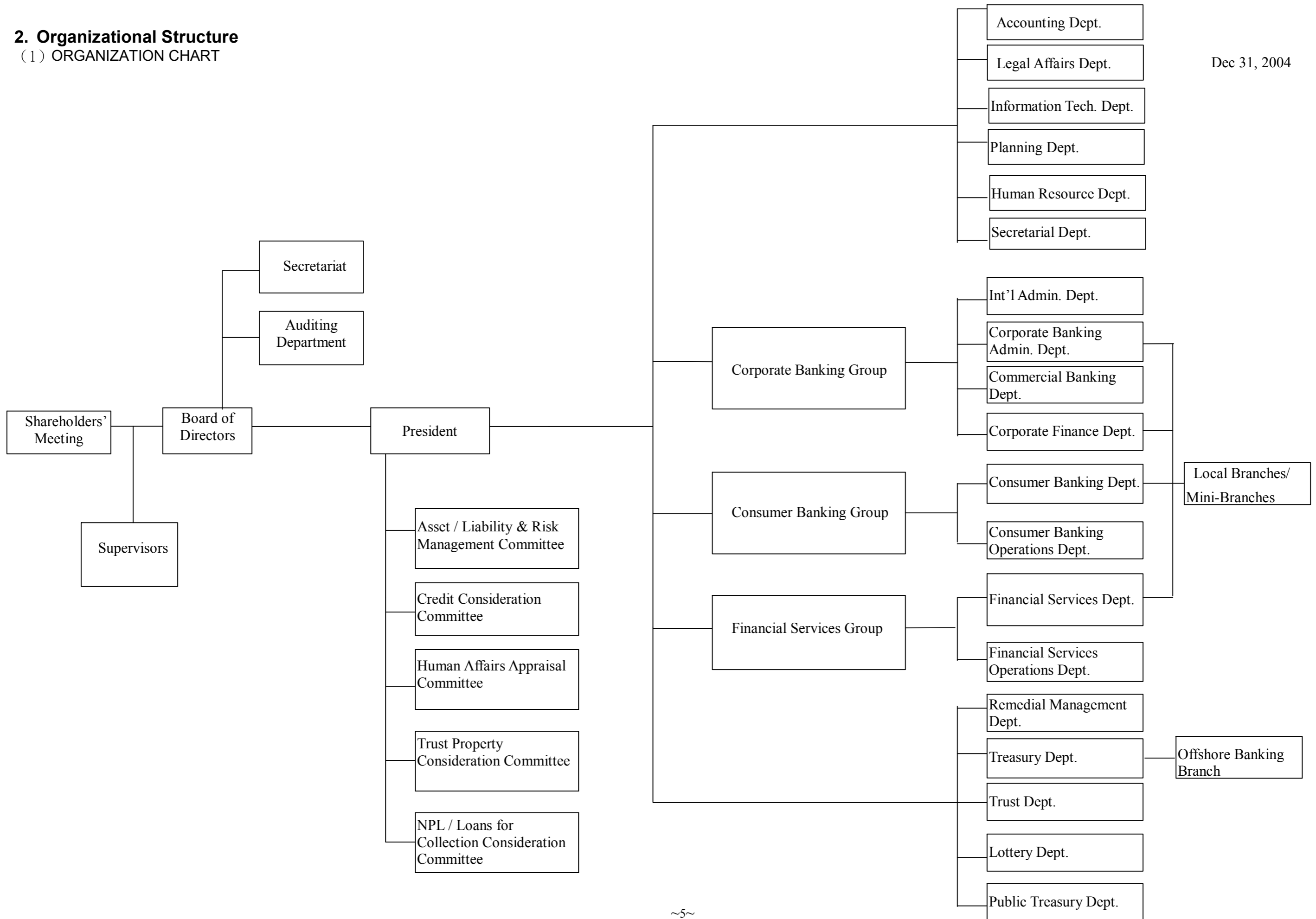
After two years of intensive preparation, TAIPEIBANK and Fubon Commercial Bank were officially merged into Taipei Fubon Commercial Bank on Jan. 1, 2005. The integration of two banks marked the first and only successful full-scale merger of operations between a large government-owned bank and an accomplished private bank in Taiwan. The move will not

only help Fubon FHC expand its earnings potential but also achieve a milestone in Taiwan financial merge history.

2. Organizational Structure

(1) ORGANIZATION CHART

Dec 31, 2004



(2) Board Members and Supervisors

Title	Name	Representing Organization	Education & Background	Date Elected	Term
Chairman	Chi-Yuan Lin	Fubon Financial Holding Co.	Ph.D. Massachusetts Institute of Technology	12/23/02	3 yrs
Vice Chairman	Daniel Tsai	Fubon Financial Holding Co.	Graduate School of Law , University of Georgetown , USA Chairman, Fubon Insurance Vice Chairman, TAIPEIBANK	12/23/02	3 yrs
Managing Director	Jesse Y. Ding	Fubon Financial Holding Co.	MBA, University of Detroit Mercy, USA	12/23/02	3 yrs
Director	Sush-Der Lee	Fubon Financial Holding Co.	MBA, Mankato State University, USA Commissioner, Dept. of Finance, The City Government	12/23/02	3 yrs
Director	Richard Tsai	Fubon Financial Holding Co.	Graduate School of Finance, New York University, USA Chairman, Fubon Life Insurance	12/23/02	3 yrs
Director	Victor Kung	Fubon Financial Holding Co.	Graduate School of Finance, New York University, USA CFO, Fubon Financial	12/23/02	3 yrs
Director	O. Rex Her	Fubon Financial Holding Co.	Dept. of Law, National Taiwan University	12/23/02	3 yrs
Director	Chin-Chyuan Lai	Fubon Financial Holding Co.	MBA, National Chiao Tung University	09/01/04	Till the expiration of the current term
Director	Tien Hsia Chang	Fubon Financial Holding Co.	Dept. of Business, National Taiwan University	05/26/04	Till the expiration of the current term
Director	Kung-liang Yeh	Fubon Financial Holding Co.	Feng Chia University Chairman, Fubon Securities	12/23/02	3 yrs
Supervisor	Shyh-Bao Lai	Fubon Financial Holding Co.	Ph.D. South California University	12/23/02	3 yrs
Supervisor	Wang, Chuan-Hsi	Fubon Financial Holding Co.	Dept. of Mathermatics, Tamkang University Chairman,Fubon Direct.	09/01/03	Till the expiration of the current term
Supervisor	Peng-Yuan Cheng	Fubon Financial Holding Co.	Dept. of Law, National Taiwan University President, Fubon Life Insurance	12/23/02	3 yrs

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

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

III. Business Operations

1. Business Information

(1) Breakdown of Total Revenues

Items	Unit : %	
	2004	2003
Wealth Management	19.40	24.76
Loans	33.87	35.31
Others	46.73	39.93
Total	100.00	100.00

(2) Business Performance

(A) Wealth Management

At the end of 2004, the Bank's total deposits decreased by 5.64% from 2003 levels. To achieve lower funding cost, the Bank actively increase demand deposits. The deposits, excluding government deposits, grew by 6.64% over 2003. However, postal deposit and fixed deposits decreased from 2003 levels.

In order to develop wealth management business, the Bank has appointed portfolio management consultant to tailor customer investments attributes according to customers' tax liability and risk endurance. In the field of product offering, the Bank actively introduced mutual funds, structure notes, insurance product, New Taiwan Dollar and foreign currency consolidated deposits and RP. At the end of 2004, total fee income on trust products grew by 38.47%.

The Bank seeks to provide tailor-made products for its customers. To offer distinct service, the Bank divided customers into Platinum and Normal customers based on their asset size and are served by PA and PB, respectively. To provide best financial service and concise with Fubon CIS, we remodeled our branches and build more Platinum banking center.

To comply with government policy and provide security transaction environment, the Bank had been upgraded to accept IC card transactions. At the end of 2004, 82.25% of the Bank ATMs had been upgraded to accept IC card transaction. At the end of 2004, the Bank issued 1,965,967 Bank Cards, representing growth of 11.29% over 2003. Of those cards, IC Cards in circulation stand at 14.26% of the total.

The Bank also actively pursued physical and virtual automated banking technologies and internet banking services. It promoted and strengthened automated services while opening an web ATM network. The Bank is one of only a few financial institutions to offer this kind of network, which provides clients with new channels for balance inquiries and cash transfers, increasing convenience and service efficiency for clients. At the end of 2004, the Bank and Fubon Commercial Bank had an aggregate 1,042 ATMs, representing growth of 50.38%, effectively raised the Bank's competitiveness. Post-merger, the combined bank shares 121 branches, becoming the private domestic bank with the widest branch network in Taipei and takes the highest market share in Taipei area.

(B) Consumer Banking

At the end of 2004, the outstanding balance of mortgages and consumer loans grew 2.43% and 33.23% over 2003, respectively. Loan business outperformed than 2003 since the Bank emphasized risk control as it pursued to control a high level of profitability and actively launched many new consumer loan products during the year.

In mortgages, the Bank aggressively bid government policy loan. For example, in June 2004, it obtained the right to provide mortgages to Taipei City government employees and teachers. Since these types of loans can be arranged in various combinations as index mortgages, they can effectively increase the scale of our mortgage business.

As the economy continued to boost, interest rate inclined to rise. The Bank introduced “balance” mortgage loans that combined fixed and floating interest rates, thus allowing borrowers the convenience of managing the risk of interest rate fluctuations through the flexible matching of interest rates within the loan amount. The Bank introduced a number of innovative mortgages products in 2004, with all of them receiving a warm reception. Products included “Blessed Home Mortgages” for first-time home buyers, “101 Mortgages” which satisfied all consumer needs for home purchase, renovation and financing, and “Cash Advantage Loans” and “Reversion Financing Loans,” providing more financial flexibility.

In consumer loan market, facing serious competition and variety of product offerings, the Bank launched different kinds of tailor-made products for target customers according to market segmentation. New products include “super prime personal loans”, “second mortgages” and “unsecured loan integration”.

(C) Corporate Banking

The Bank exerted its best efforts in developing project financing technologies. Its “Neihu-Line Mass-Rapid Transit Project Financing” was a runner up at the Asian Banking Awards 2004, among 107 competing projects.

In recent years, the Bank focuses on planning customized financial products and stressing marketing in order to provide more comprehensive financial services. Besides providing the suitable financial service for core corporate customers, the Bank also designs appropriate structure financial products and derivatives to avoid interest and exchange risks. In addition, joint with SMBCG fund, the Bank promoted “Batch Credit Guarantee”, “Fast Get Profit” and “Gold Satisfaction Project” loans to our small and medium enterprises. In 2004, loan business for large enterprises and SMEs increase by 10.46% and 12.65%, respectively.

At the end of December 2004, our New York, Los Angeles and Hong Kong branches had total assets of US\$705.85 million, while Offshore Banking Units (OBU) had total assets of US\$1,804.28 million. The bank has 1,950 correspond banks spread all over the world.

Banking services in Greater China market become more and more important. The Bank will use Hong Kong affiliate, Fubon Bank(Hong Kong), as a spring board to develop Greater China market. In 2004, the Bank executed several business partnerships with Fubon Bank(Hong Kong). In particular, the “Hong Kong-Taiwan

Rapid Remittance” program was launched at the end of the year which provide clients much better remittance services.

(D) Treasury

Due to rapid changes in the financial market and the constant introduction of new financial products, the Bank continues to develop and promote new financial derivatives so as to provide the customers with a complete line of products and customerized financial planning services. The Bank applied for approval 16 new licenses in 2004, including the industry-leading “NT Dollar Credit Default Swap” and “NT Dollar Credit-Linked Product.” The Bank also is developing new products to further satisfy diversified customer needs. In addition, we have set up “Derivative Product Development Department” to in charge of developing derivative products and position management to fulfill our clients’ needs.

(E) Trust

At the end of 2004, securities investment trust funds under custodianship grew 16.68% increase over the end of 2003. The amount of investment of non-discretionary trust finds in domestic and overseas securities grew 24.16% over a year earlier.

(F) Government Treasury Services

In 2004, the bank accepted bills payments in 3.42 million instances. In addition to its tax collection stations, the bank has commissioned 744 tax collection stations at 41 other financial institutions to collect various types of Taipei City taxes. The amount of tax collected on behalf of the city in 2004 totalled NT\$27.75 billions.

(G) Public Welfare Lottery

In 2004, total public welfare lottery sales grew by 7.75% over 2003, with computerized tickets accounting for 86.66% of total sales.

In addition to current lottery products, the Bank developed diversified products and increase sale volume through E-commerce.

2. Business Strategies and Business Plans for 2005

(1) Business Strategy

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

(2) Business Plans

(A) Wealth Management

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

(B) Consumer Banking

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

(C) Corporate Banking

- 1) Develop capital market and investment banking services apart from traditional loan business.
- 2) Further explore SME business through “Small and Medium Business Credit Guarantee Fund”.
- 3) Upgrade trade finance products and offer E-payment services over Greater China Area.
- 4) Improve the operation efficiency through digitized application process.

(D) Credit Card Business

- 1) Keep on focusing acquisition by issuing affinity card and co-branded card.
- 2) Strengthen platinum cards market penetration through market campaigns.
- 3) Initiate ore usage promotional programs to promote client loyalty.
- 4) Systematize the collection process to follow up customers' liquidity more efficiently.

(E) Treasury

- 1) Adopt more flexible trade strategies to control market risk.
- 2) Gradually strengthen sales-oriented operations and raise the percentage of handling fee income.
- 3) Improve capital efficiency and lower costs.

(F) Trust

- 1) Promote and develop collective investment trust funds business.
- 2) Further penetrate trust business including personal trusts, as well as securities trusts, real estate trusts, charitable trusts, employees benefit trusts and pension trusts.
- 3) Exploit the securitization business.

(G) Government Treasury Services

- 1) Strive to explore government treasury services to all levels of government institutions.
- 2) Install more IT technology to streamline the process.
- 3) Collect taxes and fees through convenience stores channel.

(H) Lottery Business

Boost sales by installing compressive value-added products.

3. Research & Development Plans

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

Item	Unit	2004	2003
R & D Spending	NT\$1,000	20,673	10,750
R & D Reports	Number	1,204	1,908

(2) Research and Development Plans

(A) Strengthening the Marketing Management System

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

(B) Chip Credit Card

According to the regulations of Visa International and MasterCard International, new credit cards in Taiwan will be issued in the form of chip cards from January 2006. Meanwhile, the chip card migration steering committee of the Bankers Association of the ROC has resolved that in order to accelerate the installation of the chip card terminals, the IRF for credit cards (the ratio between the issuing banks and acquiring banks) will be lowered by 0.0442% for 4 year to subsidize the acquiring banks, the transaction fee rate allocated to the issuing banks will be cut

to 1.5058%, down from the existing 1.55%, so as to subsidize the acquiring banks. In July 2003, a project management office(PMO) for the chip card migration was established to push for the smooth conversion to credit chip cards. The PMO is backed by an NT\$60 million fund, to be shared by member banks according to the value of the customer transaction. Our bank plans to install the related systems in 2005 and then adopt the marketing strategy to issue credit chip-cards at a proper time.

4. Employees Structure

Year		2004	2003	As on April 8,2005
Number of employees	Staff	2,447	2,986	4,520
	Works	32	190	289
	Total	2,479	3,176	4,809
Average age (years)		33.64	37.39	33.26
Average seniority (years)		9.44	12.66	7.46
Education level	Graduate or higher	4.00%	3.62%	4.89%
	College/University	85.97%	81.90%	84.15%
	Senior high school	8.71%	12.63%	10.83%
	Below senior high	1.32%	1.85%	0.13%

IV. Special Notes

1. Dividend Policy and Status of Execution

(1) Dividend Policy

The board of directors authorized by the shareholders amended the Bank's Articles of Incorporation on Sept. 8, 2004. This amendment provides that the following should be appropriated from the annual net income, less any deficit:

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

Under the Company Law, legal reserve should be appropriated until the reserve equals the paid-in capital. This reserve should only be used to reduce or offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital, up to 50% thereof may be declared as stock dividend.

(2) Status of Execution

In 2004, the board of directors resolved the appropriation of the 2003 Cash dividends as follows:

Total Cash dividends	Cash Dividend Per Share
\$ 2,688,703,033	\$ 1.1501

(3) The influence of dividend allocation to financial business and earnings per share :

None.

(4) The board of directors approved the earnings distribution proposal for 2004 :

Statement of Earning Distribution

Unit: NTD

Item	Amount
Items of Earning :	
Net Earning of Fiscal Year 2004	4,436,402,833
Accumulated Earning	123,803,955
Total	4,560,206,788
Items of Distribution :	
Legal Reserve	1,330,920,850
Employees' Bonus	248,438,559
Directors' and Supervisors' Bonus	62,109,640
Cash Dividend Distribution	2,794,933,784
Undistributed Earning	123,803,955
Total	4,560,206,788

Note1 : All the above bonus are distributed by the latest fiscal year's earnings.

Note2 : According to "the Article of Incorporation" before Sep. 8, 2004, the shareholders' bonus was 90%; employees' bonus was 8%; Directors and supervisors' bonus was 2%.

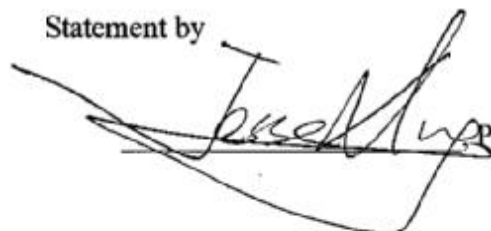
2. Implementation of the Internal Controls System

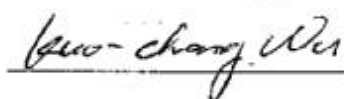
Statement of Internal Controls

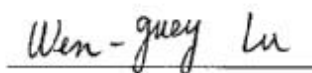
On behalf of Taipei Fubon Commercial Bank we affirm that during the period of Jan. 1, 2004 through Dec. 31, 2004 Taipei Fubon Commercial Bank did in fact conform to the Implementation Regulations for Banks' Internal Control Systems and Auditing Systems in establishing an internal control system and implementing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

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

Statement by

 President

 Chief Auditor

 Conformance Executive

March. 2, 2005

V. Headquarters and Branches of Taipei Fubon Commercial Bank

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

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-1806	Foreign Department	22F, 169, Jenai Road, Sec.4, The City, Taiwan 10686, R.O.C.	886(2)27716699
012-5608	Offshore Banking Branch	19F, 169, Jenai Road, Sec.4, The City, Taiwan 10686, R.O.C.	886(2)27716699
012-2032	Changan E. Road Branch	36, Sec.1, Changan E. Road, The City, Taiwan 10442, R.O.C.	886(2)25212481
012-2205	Chengtung Branch	90, Sec.2, Nanking E. Road, The City, Taiwan 10406, R.O.C.	886(2)25116388
012-2216	Nungan Branch	369, Sungchiang Road, The City, Taiwan 10482, R.O.C.	886(2)25031451
012-2607	Chu-Hsu-Bu Branch	261, Sec. 3 Nanking E. Road, The City, Taiwan 10550, R.O.C.	886(2)27172800
012-3006	Shihlin Branch	288, Chungcheng Road, The City, Taiwan 11162, R.O.C.	886(2)28317444
012-3017	Shihlung Branch	360, Sec. 6, Chungshan N. Road, The City, Taiwan 11152, R.O.C.	886(2)28735757
012-3028	Rueiguang Branch	392, Rueiguang Road, The City, Taiwan 11492, R.O.C.	886(2)26562989
012-3039	Yuhcheng Branch	126, Sec.6, Chunghsiao E. Road, The City, Taiwan 11576, R.O.C.	886(2)26511212
012-3040	Fukang Branch	310, Sec.4, Chengteh Road, The City, Taiwan 11168, R.O.C.	886(2)28836712
012-3051	Chunghsiao Branch	107, Sec.4, Chunghsiao E. Road, The City, Taiwan 10690, R.O.C.	886(2)27417880
012-3062	Chengteh Branch	142, Sec.2, Chengteh Road, The City, Taiwan 10359, R.O.C.	886(2)25536553
012-3073	Lungchiang Branch	28, Sec.3, Nanking E. Road, The City, Taiwan 10489, R.O.C.	886(2)25073817

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-3109	Yenping Branch	69, Sec.2, Yenping N. Road, The City, Taiwan 10346, R.O.C.	886(2)25552170
012-3202	Mucha Branch	92, Sec.3, Mucha Road, The City, Taiwan 11648, R.O.C.	886(2)29391035
012-3213	Muhsin Branch	212, Sec.3, Muhsin Road, The City, Taiwan 11660, R.O.C.	886(2)29383791
012-3305	Lungshan Branch	161, Hsining S. Road, The City, Taiwan 10844, R.O.C.	886(2)23718720
012-3408	Pate Branch	178, Sec.3, Pate Road, The City, Taiwan 10555, R.O.C.	886(2)25776467
012-3419	Yungchuen Branch	15-1,Fude Street, The City, Taiwan 11078, R.O.C.	886(2)27592921
012-3420	Yungchi Branch	185, Yungchi Road, The City, Taiwan 11063, R.O.C.	886(2)27628700
012-3501	Chungshan Branch	162, Sec.2, Chungshan N. Road, The City, Taiwan 10452, R.O.C.	886(2)25963171
012-3604	Peitou Branch	2, Sec.1, Chungyang N. Road, The City, Taiwan 11263, R.O.C.	886(2)28915533
012-3615	Shihpai Branch	216, Wenlin N. Road, The City, Taiwan 11287, R.O.C.	886(2)28271616
012-3707	Taan Branch	37, Sec.4, Jenai Road, The City, Taiwan 10685, R.O.C.	886(2)27312333
012-3800	Tatung Branch	175, Sec.3, Chungking N. Road, The City, Taiwan 10369, R.O.C.	886(2)25929282
012-3903	Kuting Branch	100, Sec.3, Roosevelt Road, The City, Taiwan 10088, R.O.C.	886(2)23650381
012-4003	Shuangyuan Branch	19, Tungyuan Street, The City, Taiwan 10864, R.O.C.	886(2)23030374
012-4014	Wanhua Branch	482, Wanta Road, The City, Taiwan 10872, R.O.C.	886(2)23325901
012-4106	Chiencheng Branch	22, Nanking W. Road, The City, Taiwan 10352, R.O.C.	886(2)25554161
012-4117	Shihfu Branch	1, Shihfu Road, The City, Taiwan 11008, R.O.C.	886(2)27298999
012-4209	Nankang Branch	19-5, Sanchung Road, The City, Taiwan 11501, R.O.C.	886(2)26551177
012-4302	Chingmei Branch	64, Chingwen Street, The City, Taiwan 11670, R.O.C.	886(2)29352636
012-4313	Hsinglung Branch	69, Sec.3, Hsinglung Road, The City,	886(2)86639889

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		Taiwan 11694, R.O.C.	
012-4405	Neihu Branch	6, Lane 174, Sec.3, Chengkung Road, The City, Taiwan 11460, R.O.C.	886(2)27961820
012-4427	Wende Branch	42, Wende Road, The City, Taiwan 11475, R.O.C.	886(2)26582620
012-4508	Tunhua Branch	201, Tunhua N. Road, The City, Taiwan 10508, R.O.C.	886(2)27131660
012-4542	Minsheng Branch	163-1, Sec.5, Minsheng E. Road, The City, Taiwan 10573, R.O.C.	886(2)27640853
012-4601	Hsinyi Branch	299, Sec.4, Hsinyi Road, The City, Taiwan 10681, R.O.C.	886(2)27006381
012-4612	Juangjing Branch	286, Juangjing Road, The City, Taiwan 11049, R.O.C.	886(2)27226206
012-4623	The World Trade Center Branch	13F, 333, Sec.1, Keelung Road, The City, Taiwan 11012, R.O.C.	886(2)27252916
012-4704	Sungchiang Branch	200, Sungchiang Road, The City, Taiwan 10467, R.O.C.	886(2)25434282
012-4807	Hoping Branch	236, Sec.2, Fuhsing S. Road, The City, Taiwan 10663, R.O.C.	886(2)27022421
012-4900	Yenchi Branch	387, Sec.4, Jenai Road, The City, Taiwan 10693, R.O.C.	886(2)27527600
012-5000	Chengchung Branch	7, Qingdao W. Road, The City, Taiwan 10041, R.O.C.	886(2)23615481
012-5103	Nanmen Branch	5, Sec.1, Roosevelt Road, The City, Taiwan 10092, R.O.C.	886(2)23971640
012-5206	Fuhsing Branch	234, Fuhsing N. Road, The City, Taiwan 10480, R.O.C.	886(2)25023530
012-5309	Hsisung Branch	75-1, Sec.4, Nanking E. Road, The City, Taiwan 10550, R.O.C.	886(2)27170037
012-5402	Changan Branch	82, Sungchiang Road, The City, Taiwan 10456, R.O.C.	886(2)25519797
012-5505	Kueilin Branch	52, Kueilin Road, The City, Taiwan 10849, R.O.C.	886(2)23026226
012-5701	Tunho Branch	77, Sec.2, Tunhua S. Road, The City, Taiwan 10682, R.O.C.	886(2)27012409
012-5804	Tungmen Branch	69, Sec.2, Jenai Road, The City, Taiwan 10062, R.O.C.	886(2)23512081
012-5907	Chunglun Branch	6, Fuhsing N. Road, The City, Taiwan 10492, R.O.C.	886(2)27418257

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-6007	Keelung Road Branch	21, Sec.2, Keelung Road, The City, Taiwan 11052, R.O.C.	886(2)27373671
012-6100	Chinhua Branch	178, Sec.1, Hoping E. Road, The City, Taiwan 10645, R.O.C.	886(2)23698566
012-6203	Sungnan Branch	412, Sec.5, Chunghsiao E. Road, The City, Taiwan 11061, R.O.C.	886(2)27255111
012-6214	Huaisheng Branch	215, Sec.3, Chunghsiao E. Road, The City, Taiwan 10655, R.O.C.	886(2)27818380
012-6306	Minchuan Branch	37, Sec.3, Minchuan E. Road, The City, Taiwan 10476, R.O.C.	886(2)25166786
012-6409	Chilin Branch	146, Chilin Road, The City, Taiwan 10459, R.O.C.	886(2)25681248
012-6502	Shetzu Branch	225, Sec.5, Yengping N. Road, The City, Taiwan 11171, R.O.C.	886(2)28168585
012-6605	Kaohsiung Branch	358, Chungshan 2nd Road, Kaohsiung City, Taiwan 80242, R.O.C.	886(7)3356226
012-6683	Hsihu Branch	240, Sec.1, Neihu Road, The City, Taiwan 11493, R.O.C.	886(2)87511788
012-6694	Haishan Branch	208, Sec.3, Chungyang Road, Tucheng City, The County, Taiwan 23680, R.O.C.	886(2)22677877
012-6708	Wanlung Branch	136, Sec.6, Roosevelt Road, The City, Taiwan 11674, R.O.C.	886(2)29339956
012-6719	Chungkang Branch	160, Sec.1, Taichungkang Road, Taichung City, Taiwan 40354, R.O.C.	886(4)23207711
012-6720	Hsinchuang Branch	227, Hsintai Road, Hsinchuang City, The County, Taiwan 24242, R.O.C.	886(2)29903366
012-6731	Taoyuan Branch	33, Chunghua Road, Taoyuan City, Taoyuan County, Taiwan 33065, R.O.C.	886(3)3367171
012-6742	Chengkung Branch	515, Chengkung Road, Tainan City, Taiwan 70057, R.O.C.	886(6)2803166
012-6764	Sunglung Branch	176-1, Sec.1, Keelung Road, The City, Taiwan 10072, R.O.C.	886(2)27473399
012-6775	Houpu Branch	55, Sec.1, Nanya S.Road, Panchiao City, The County, Taiwan 22060, R.O.C.	886(2)29693388
012-6786	Hsinming Branch	582, Chungcheng Road, Chungli City, Taoyuan County, Taiwan 32047, R.O.C.	886(3)4023311
012-6797	Sanchung Branch	36, Sec.2, Chunghsiao Road, Sanchung City, The County, Taiwan 24162, R.O.C.	886(2)89836868
012-6801	Fengyuan Branch	139, Hsiangyang Road, Fengyuan City,	886(4)25220088

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		Taichung County, Taiwan 42080, R.O.C.	
012-6812	Shuangho Branch	696, Chingping Road, Chungho City, The County, Taiwan 23559, R.O.C.	886(2)22438877
012-6823	Kushan Branch	387, Huarong Road, Kushan District, Kaohsiung City, Taiwan 80454, R.O.C.	886(7)5523111
012-6845	Fengcheng Branch	126, Minsheng Road, Hsinchu City, Taiwan 30043, R.O.C.	886(3)5343888
012-6856	Changhua Branch	349, Sec.2, Chungshan Road, Changhua City, Changhua County, Taiwan 50065, R.O.C.	886(4)7261333
012-6878	Yungho Branch	407, Deho Road, Yungho City, The County, Taiwan 23451, R.O.C.	886(2)86601616
012-6890	The 101 Branch	5Fl., 45, Shihfu Road, The City, Taiwan 11001, R.O.C.	886(2)81018585
012-7015	Shuanglien Branch	13, Sec.1, Minsheng E.Road, The City, Taiwan 10451, R.O.C.	886(2)25115511
012-7026	Nanking East Road Branch	139, Sec.2, Nanking E.Road, The City, Taiwan 10485, R.O.C.	886(2)25155518
012-7037	Tunpei Branch	138, Sec.3, Minsheng E.Road, The City, Taiwan 10596, R.O.C.	886(2)27185151
012-7048	Jenai Branch	237, Sec.1, Chienkuo S.Road, The City, Taiwan 10657, R.O.C.	886(2)23258878
012-7059	Hsinhsing Branch	1, Liouhe 1st Road, Kaohsiung City, Taiwan 80055, R.O.C.	886(7)2391515
012-7060	Chungcheng Branch	476, Chungcheng Road, Taoyuan City, Taoyuan County, Taiwan 33047, R.O.C.	886(3)3350335
012-7071	Taichung Branch	196, Sec.2, Liuchuan W. Road., Taichung City, Taiwan 40357, R.O.C.	886(4)22221911
012-7093	Sungshan Branch	421, Sungshan Road, The City, Taiwan 11083, R.O.C.	886(2)27281199
012-7107	Tucheng Branch	100, Sec.1, Chungyang Road, Tucheng City, The County, Taiwan 23664, R.O.C.	886(2)22709898
012-7118	Tainan Branch	166-6, Chungshan Road, Tainan City, Taiwan 70043, R.O.C.	886(6)2290266
012-7129	Fengshan Branch	223, Tzeyu Road, Fengshan City, Kaohsiung County, Taiwan 83074, R.O.C.	886(7)7482088
012-7130	Chungli Branch	119, Sec.2, Chungpei Road, Chungli City, Taoyuan County, Taiwan 32097, R.O.C.	886(3)4595766
012-7152	Anho Branch	B1, 169, Sec.4, Jenai Road, The City,	886(2)27787717

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		Taiwan 10686, R.O.C.	
012-7163	Chengyi Branch	279, Chengyi N. Road, Sanchung City, The County, Taiwan 24146, R.O.C.	886(2)29806688
012-7174	Tanan Branch	968, Sec.1, Chiehshou Road, Pate City, Taoyuan County, Taiwan 33442, R.O.C.	886(3)3616565
012-7185	Chiayi Branch	395, Jenai Road, Chiayi City, Taiwan 60045, R.O.C.	886(5)2231688
012-7196	Lingya Branch	39, Chunghua 4th Road, Kaohsiung City, Taiwan 80245, R.O.C.	886(7)3318822
012-7211	Panchiao Branch	266, Sec.1, Wenhua Road, Panchiao City, The County, Taiwan 22041, R.O.C.	886(2)22549999
012-7222	Pei Taichung Branch	333, Sec.4, Wenhsin Road, Taichung City, Taiwan 40666, R.O.C.	886(4)22426222
012-7233	Sanmin Branch	48, Tashuen 2nd Road, Sanmin District, Kaohsiung City, Taiwan 80787, R.O.C.	886(7)3871299
012-7244	Chienkuo Branch	196, Sec.2, Chienkuo N. Road., The City, Taiwan 10483, R.O.C.	886(2)25151775
012-7255	Hsinchu Branch	141, Chungcheng Road, Hsinchu City, Taiwan 30051, R.O.C.	886(3)5278988
012-7266	Hsintien Branch	266, Sec.2, Peihsin Road, Hsintien City, The County, Taiwan 23143, R.O.C.	886(2)29129977
012-7277	Tienmu Branch	36, Tienmu E. Road, The City, Taiwan 11153, R.O.C.	886(2)28763232
012-7288	Hsichih Branch	175, Sec.1, Tatong Road, Hsichih City, The County, Taiwan 22145, R.O.C.	886(2)26411689
012-7299	Huanbei Branch	392, Huanpei Road, Chungli City, Taoyuan County, Taiwan 32070, R.O.C.	886(3)4265199
012-7303	Yungkang Branch	856, Dawan Road, Yungkang City, Tainan County, Taiwan 71070, R.O.C.	886(6)2736099
012-7314	Hsiangyang Branch	9, Hsiangyang Road, The City, Taiwan 10046, R.O.C.	886(2)23885889
012-7336	Wuku Branch	445, Huacheng Road, Hsinchuang City, The County, Taiwan 24253, R.O.C.	886(2)85213399
012-7347	Hsinying Branch	301, Minchi Road, Hsinying City, Tainan County, Taiwan 73047, R.O.C.	886(6)6569889
012-7358	Pingtung Branch	459, Hoping Road, Pingtung City, Pingtung County, Taiwan 90064, R.O.C.	886(8)7336899
012-7369	Chienchen Branch	289, Paotai Road, Chienchen District, Kaohsiung City, Taiwan 80643, R.O.C.	886(7)7170055

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-7370	Tunnan Branch	108, Sec.1, Tunhua S. Road, The City, Taiwan 10557, R.O.C.	886(2)87719898
012-7381	Paosheng Branch	3, Paosheng Road, Yungho City, The County, Taiwan 23444, R.O.C.	886(2)89230888
012-7392	Yuanlin Branch	596, Chukuang Road, Yuanlin City, Changhua County, Taiwan 51052, R.O.C.	886(4)8369189
012-7406	Luotung Branch	286, Hsintung Road, Luotung Town, Ilan County, Taiwan 26541, R.O.C.	886(3)9566611
012-7417	Juihu Branch	62, Juihu Street, The City, Taiwan 11494, R.O.C.	886(2)26591088
012-6753	Chientan Mini-Branch	116, Sec.4, Chengteh Road, The City, Taiwan 11167, R.O.C.	886(2)28866868
012-6834	Kaiyuan Mini-Branch	536, Chunghua Road, Yungkuang City, Tainan County, Taiwan 71079, R.O.C.	886(6)2028585
012-6867	Tunghu Mini-Branch	25, Tunghu Road, The City, Taiwan 11487, R.O.C.	886(2)26336677
012-6889	Wuchia Mini-Branch	493, Wuchia 2nd Road, Fengshan City, Kaohsiung County, Taiwan 83091, R.O.C.	886(7)8223111
012-7428	Chiho Mini-Branch	172-1, Sec.2, Keelung Road, The City, Taiwan 10675, R.O.C.	886(2)66388988
012-7439	Nanchang Mini-Branch	65, Sec.1, Hoping W. Road, The City, Taiwan 10078, R.O.C.	886(2)66305678
012-2043	Kuting Accounting Office	4Fl., 8, Sec.1, Roosevelt Road, The City, Taiwan 10074, R.O.C.	886(2)23926508
012-4210	Nankang Accounting Office	2Fl., 360, Sec.1, Nankang Road, The City, Taiwan 11579, R.O.C.	886(2)27831442
012-4416	Neihu Accounting Office	99-2, Sec.6, Minchuan E. Road, The City, Taiwan 11466, R.O.C.	886(2)27915130
-	Los Angeles Branch	14TH FLOOR, 100 WALL STREET NEW YORK, NY 10005 U.S.A	(002-1-212) 9689888
-	New York Agency	33RD FLOOR, SUITE #3300 700 SOUTH FLOWER STREET LOS ANGELES CA90017 U.S.A	(002-1-213) 2369151
-	Hong Kong Branch	34TH FLOOR 9 QUEEN'S ROAD, CENTRAL HONG KONG	(002-852) 28227700
-	London Representative Office	1 BEAUFORT GARDENS LONDON NW4 3QN, U.K	(002-44-208) 2038028

Appendix

Annual Financial Report for 2004 and 2003

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TAIPEIBANK Co., Ltd.

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

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

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

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

January 28, 2005

Notice to Readers

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

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

TAIPEIBANK CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2004 AND 2003
(In Thousands of New Taiwan Dollars and Shares, Except Par Value)

ASSETS	2004		2003		LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 2 and 4)	\$ 14,270,170	2	\$ 10,565,939	2	LIABILITIES				
DUE FROM CENTRAL BANK OF CHINA AND BANKS (Notes 2 and 5)	49,132,905	8	81,902,279	12	Due to Central Bank of China	\$ 370,700	-	\$ 869,023	-
SECURITIES PURCHASED, NET (Notes 2 and 6)	235,075,802	36	206,646,824	30	Due to banks (Note 11)	25,795,257	4	18,802,051	3
RECEIVABLES, NET (Notes 2 and 7)	8,216,899	1	6,477,043	1	Payables (Note 12)	16,605,744	2	14,151,435	2
BONDS AND SHORT-TERM BILLS PURCHASED UNDER AGREEMENTS TO RESELL (Note 2)	6,010,116	1	-	-	Bonds and short-term bills sold under agreements to repurchase (Note 2)	12,367,104	2	-	-
PREPAYMENTS	114,230	-	243,810	-	Advances	1,310,264	-	1,060,544	-
BILLS, DISCOUNTS AND LOANS, NET (Notes 2 and 8)	319,875,204	49	375,036,054	54	Deposits and remittances (Note 13)	492,385,416	75	521,756,562	76
LONG-TERM INVESTMENTS (Notes 2 and 9)					Bank debentures (Note 14)	36,500,000	6	29,300,000	4
Investments in shares of stock - accounted by the equity method	173,729	-	172,579	-	Borrowed funds	16,739,118	3	54,962,880	8
Investments in shares of stock - accounted by the cost method	3,411,543	1	841,843	-	Long-term liabilities (Notes 2 and 15)	1,616,136	-	1,721,206	-
Investments in bonds	8,155,963	1	-	-	Other liabilities (Notes 2 and 16)	1,630,311	-	1,102,205	-
Long-term investment, net	11,741,235	2	1,014,422	-	Total liabilities	605,320,050	92	643,725,906	93
OTHER FINANCIAL ASSETS (Note 2)	1,447,336	-	982,238	-	SHAREHOLDERS' EQUITY				
PROPERTY AND EQUIPMENT (Note 2)					Capital stock - \$10 par value				
Land	4,904,528	1	4,801,358	1	Authorized and issued - 2,337,745 shares	23,377,452	4	23,377,452	3
Buildings and improvements	3,828,278	1	3,636,672	-	Capital surplus:				
Computers and peripheral equipment	1,854,620	-	1,543,740	-	Paid-in capital in excess of par value	6,799,200	1	6,799,200	1
Transportation and communication equipment	149,504	-	157,338	-	Donation	305	-	305	-
Miscellaneous equipment	484,394	-	510,660	-	Total capital surplus	6,799,505	1	6,799,505	1
Less - accumulated depreciation	2,305,690	1	2,086,360	-	Retained earnings:				
Advances on acquisitions of equipment	112,074	-	-	-	Legal reserve	14,524,511	2	13,244,176	2
Net property and equipment	9,027,708	1	8,563,408	1	Special reserve	1,285,676	-	1,285,676	-
INTANGIBLE ASSETS	380,669	-	320,211	-	Unappropriated earnings	4,560,207	1	4,391,587	1
OTHER ASSETS, NET (Notes 2 and 10)	590,778	-	1,143,124	-	Total retained earnings	20,370,394	3	18,921,439	3
TOTAL	\$ 655,883,052	100	\$ 692,895,352	100	Cumulative translation adjustments	15,651	-	71,050	-
					Total shareholders' equity	50,563,002	8	49,169,446	7
					CONTINGENCIES AND COMMITMENTS (Notes 2 and 24)				
					TOTAL	\$ 655,883,052	100	\$ 692,895,352	100

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

(With Deloitte & Touche audit report dated January 28, 2005)

TAIPEIBANK CO., LTD.

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

	2004		2003	
	Amount	%	Amount	%
OPERATING INCOME				
Interest (Note 2)	\$ 13,816,860	61	\$ 14,907,081	60
Service fees (Note 2)	5,874,521	26	5,106,645	21
Sales of silver coins	-	-	8	-
Securities brokerage commissions	735	-	36,220	-
Net gain on trading of securities purchased	2,345,021	10	3,540,480	14
Income from long-term equity investments under the equity method, net (Notes 2 and 9)	135,256	1	152,886	1
Foreign exchange gain, net (Note 2)	341,505	1	148,030	1
Income from long-term equity investments, net	119,886	-	559,558	2
Net gain on derivative financial instrument (Notes 2 and 27)	194,464	1	230,750	1
Total operating income	<u>22,828,248</u>	<u>100</u>	<u>24,681,658</u>	<u>100</u>
OPERATING COSTS				
Interest (Note 2)	7,524,180	33	7,435,369	30
Service charges	2,620,587	12	2,461,146	10
Securities brokerage commissions	-	-	3,306	-
Provisions (reversal) for losses (Notes 2 and 8)				
Provision for bad debt expense	17,010	-	3,430,699	14
Others	55,936	-	(393,930)	(2)
Total operating costs	<u>10,217,713</u>	<u>45</u>	<u>12,936,590</u>	<u>52</u>
GROSS PROFIT	12,610,535	55	11,745,068	48
OPERATING EXPENSES (Note 19)	<u>6,374,490</u>	<u>28</u>	<u>6,333,494</u>	<u>26</u>
OPERATING INCOME	6,236,045	27	5,411,574	22
NONOPERATING INCOME AND GAINS	181,589	1	212,965	1
NONOPERATING EXPENSES AND LOSSES	<u>893,062</u>	<u>4</u>	<u>945,583</u>	<u>4</u>
INCOME BEFORE INCOME TAX	5,524,572	24	4,678,956	19
INCOME TAX (Notes 2 and 18)	<u>1,088,169</u>	<u>5</u>	<u>411,173</u>	<u>2</u>
NET INCOME	<u>\$ 4,436,403</u>	<u>19</u>	<u>\$ 4,267,783</u>	<u>17</u>
	2004		2003	
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 20)	<u>\$ 2.36</u>	<u>\$ 1.90</u>	<u>\$ 2.00</u>	<u>\$ 1.83</u>

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

(With Deloitte & Touche audit report dated January 28, 2005)

TAIPEIBANK CO., LTD.

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

	<u>Capital Stock Authorized and Issued (\$10 Par Value)</u>		<u>Capital Surplus (Notes 2 and 17)</u>			<u>Retained Earnings (Notes 2 and 17)</u>				<u>Cumulative Translation Adjustments (Notes 2 and 17)</u>	<u>Total Shareholders' Equity</u>
	<u>Shares (Thousands)</u>	<u>Amount</u>	<u>Paid-in Capital in Excess of Par Value</u>		<u>Total</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>			
			<u>Donation</u>	<u>Other</u>				<u>Legal Reserve</u>	<u>Total</u>		
BALANCE, JANUARY 1, 2003	2,337,745	\$ 23,377,452	\$ 6,305		\$ 6,11,735,581	\$ 1,513,901		\$ 18,160,274	\$ 86,266	\$ 48,423,497	
Appropriations of earnings:											
Legal reserve	-	-	-	-	-	1,508,595	-	(1,508,595)	-	-	
Bonus to employees	-	-	-	-	-	-	-	(280,530)	(280,530)	(280,530)	
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(70,132)	(70,132)	(70,132)	
Cash dividends	-	-	-	-	-	-	-	(3,155,956)	(3,155,956)	(3,155,956)	
Cumulative translation adjustments	-	-	-	-	-	-	-	-	(15,216)	(15,216)	
Net income in 2003	-	-	-	-	-	-	-	4,267,783	4,267,783	4,267,783	
BALANCE, DECEMBER 31, 2003	2,337,745	23,377,452	6,799,200	305	6,799,505	13,244,176	1,285,676	4,391,587	18,921,439	71,050	49,169,446
Appropriations of earnings:											
Legal reserve	-	-	-	-	-	1,280,335	-	(1,280,335)	-	-	
Bonus to employees	-	-	-	-	-	-	-	(238,996)	(238,996)	(238,996)	
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(59,749)	(59,749)	(59,749)	
Cash dividends	-	-	-	-	-	-	-	(2,688,703)	(2,688,703)	(2,688,703)	
Cumulative translation adjustments	-	-	-	-	-	-	-	-	(55,399)	(55,399)	
Net income in 2004	-	-	-	-	-	-	-	4,436,403	4,436,403	4,436,403	
BALANCE, DECEMBER 31, 2004	<u>2,337,745</u>	<u>\$ 23,377,452</u>	<u>\$ 6,305</u>		<u>\$ 6,14,524,511</u>	<u>\$ 1,456,020</u>		<u>\$ 20,370,394</u>	<u>\$ 15,651</u>	<u>\$ 50,563,002</u>	

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

(With Deloitte & Touche audit report dated January 28, 2005)

TAIPEIBANK CO., LTD.

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

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 4,436,403	\$ 4,267,783
Depreciation and amortization	501,826	431,483
Amortization of deferred employee pension expense	809,219	882,780
Gain on sale of investments in shares of stock	(99,269)	(548,449)
Loss (gain) on disposal of asset	4,436	(40,448)
Equity in net loss (gain) of investee companies and cash dividends received	(1,150)	(127,846)
Amortization of bonds' premiums or discounts	(1,028)	17,693
Provision (reversal of allowance) for losses on securities	490,425	(229,961)
Provisions for losses	72,946	3,036,769
Collection of loan receivable written-off in prior years	777,319	191,805
Deferred income tax	113,734	(40,384)
Changes in operating assets and liabilities		
Securities purchased - for trading purposes	(29,658,521)	(34,274,704)
Receivables	(1,701,936)	(257,680)
Prepayments	129,580	89,721
Payables	2,454,309	379,619
Advances	249,720	(183,971)
Accrued pension liability	(211,806)	(202,674)
Net cash used in operating activities	<u>(21,633,793)</u>	<u>(26,608,464)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in securities purchased - for investing purposes	50,000	2,175,409
Increase in bonds and short-term bills purchased under agreements to resell	(6,010,116)	-
Decrease (increase) in loans, bills and discounts	53,867,913	(6,536,449)
Decrease in due from Central Bank of China and banks	32,769,374	5,637,235
Proceeds from disposal of investments in shares of stock	227,200	965,829
Return of capital from investee	1,050	-
Acquisition of property and equipment	(819,381)	(315,793)
Proceeds from disposal of asset	501,557	145,518
Increase in investment of stocks	(2,999,991)	-
Increase in investments of bonds	(7,154,935)	-
Decrease (increase) in other financial assets	(465,098)	100,595
Increase in intangible assets	(171,311)	(238,481)
Redemption of investments in bonds	-	1,000,000
Increase in other assets	(448,289)	(75,635)
Net cash provided by investing activities	<u>69,347,973</u>	<u>2,858,228</u>

(Continued)

	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to Central Bank of China	\$ (498,323)	\$ (159,469)
Increase (decrease) in due to banks	6,993,206	(5,762,709)
Increase in bonds and short-term bills sold under agreements		
to repurchase	12,367,104	-
Increase (decrease) in deposits and remittances	(29,371,146)	13,722,274
Increase (decrease) in borrowed funds	(38,223,762)	11,649,775
Proceeds from bonds issued	7,200,000	9,300,000
Increase in long-term liabilities	106,736	273,938
Increase in other liabilities	472,936	20,433
Payment of cash dividends	(2,688,703)	(3,155,956)
Bonus to employees and remuneration to directors and supervisors	<u>(298,745)</u>	<u>(350,662)</u>
Net cash provided by (used in) financing activities	<u>(43,940,697)</u>	<u>25,537,624</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(69,252)</u>	<u>(28,383)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,704,231	1,759,005
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>10,565,939</u>	<u>8,806,934</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 14,270,170</u>	<u>\$ 10,565,939</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 7,464,464</u>	<u>\$ 8,170,963</u>
Income tax paid	<u>\$ 517,732</u>	<u>\$ 833,479</u>
NON-CASH INVESTING ACTIVITIES		
Transfer of long-term investments in shares of stock to securities purchased	<u>\$ 301,310</u>	<u>\$ -</u>
Transfer of securities purchased to long-term investments in bonds	<u>\$ 1,000,000</u>	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated January 28, 2005)

TAIPEIBANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS

(Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

The Bank started as a financial institution for the The City Government (TCG) in 1969. On July 1, 1984, it was reorganized into a limited liability corporation and was renamed City Bank of The Co., Ltd. The Bank was subsequently renamed TAIPEIBANK Co., Ltd. on January 1, 1993. The Bank was privatized on November 30, 1999, through the sale of its shares of stock to the public, with the holdings of the TCG reduced to less than 50% of the Bank's outstanding capital stock. On October 4, 2002, the extraordinary shareholders' meeting resolved the acquisition proposal made by the Fubon Finance Holding Company (FFH) which the Bank became a wholly owned subsidiary of FFH. This acquisition was made through a share swap at the ratio of 1.1461 shares of Fubon Financial Holdings for every share of the Bank's stock. The board of directors designated December 23, 2002 as the effective date of the share swap, as well as the date that the Bank's stocks were delisted from the Taiwan Stock Exchange.

To fully harness the synergy of two diversified business operations and strive for the goal on cost reduction, a decision was reached by the board of directors from the Bank and Fubon Bank Co., Ltd (a wholly owned subsidiary of FFH) on September 8, 2004 for the merger. At January 1, 2005, with the Bank as the surviving entity, the Bank will swap shares with Fubon Bank at ratio of 0.675:1, resulting in issuance of 1,475,372,270 shares of common stock by the Bank. A capital reduction of NT\$10 billion will be expected following this merger.

The Bank is engaged in the following: (a) all commercial banking operations authorized under the Banking Law; (b) trust operations; (c) handling of the public welfare lottery operations and (d) other authorized operations. In addition to the foregoing activities, the Bank continues to handle certain functions for the TCG that primarily include the acceptance of the payments for taxes, fines and other fees as well as payments of principal and interest on bonds issued by the TCG.

The Bank has its head office in The City, and as of December 31, 2004, its four major operating departments and Banking, Trust, Lottery, and Public Treasury departments, with 85 branches (including one offshore banking unit (OBU), and 3 overseas branches), as well as 1 overseas representative office.

The operations of the Bank's Trust Department consist of: (1) planning, managing and operating of trust business; and (2) custodianship of non-discretionary trust fund in domestic and overseas securities and mutual funds. The foregoing operations are regulated under the Banking Law.

The number of employees of the Bank as of December 31, 2004 and 2003 was 2,506 and 3,205, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for 2003) and accounting principles generally accepted in the Republic of China (ROC). These principles require the Bank to estimate significant accounts such as allowance for credit losses, depreciation, pension, losses upon suspended lawsuit and provision for losses on guarantees. Because circumstances are inherently uncertain, the estimates may vary from the actual amounts. Significant accounting policies of the Bank are summarized below:

Basis of Financial Statements

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

Translation of the Financial Statements

The financial statements of foreign branches and the OBU are translated into New Taiwan dollars using the following exchange rates: Assets and liabilities - current rates; accumulated earnings - historical rates; income and expenses - weighted average rate for the period. The resulting translation adjustments are reported as "cumulative translation adjustments" in the balance sheets.

Foreign Currency Transactions

The transactions of the Bank that are denominated in currencies other than the functional currency of the overseas operating unit (the "foreign currency") are recorded in their respective functional currencies at the exchange rates prevailing on the transaction date. Gains or losses, resulting from the application of different foreign exchange rates towards settlements of foreign currency assets and liabilities, are either credited or charged to income in the period which they occurred. At the end of each month, the balances of the foreign currency-denominated assets and liabilities (other than those on forward contracts) are adjusted using the prevailing exchange rates published by the Central Bank of China or the local foreign exchange market, with the related gains and losses reflected in income.

Securities Purchased

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

When securities purchased are reclassified as held-to-maturity investments, the values of the

securities are recorded at lower of the aggregated cost or market value with losses being recognized immediately.

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

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

Nonperforming Loans

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

Allowance for Possible Losses and Reserve for Losses on Guarantees

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

Pursuant to “The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Nonaccrual Loans and Bad Debts” issued by the Ministry of Finance (MOF), the Bank evaluates the collectibility of its loan portfolio based on its clients’ financial positions, their payment histories and timeliness of repayments on principles and interests.

Debts and guarantees with specific risks are evaluated internally for their collaterals, collectibility and customers’ overall credit. The Bank makes full provisions for credits deemed uncollectible and makes provisions of at least 50% of credits for the credits with high uncollectibility in accordance with guidelines issued by the MOF.

Loans or credits deemed uncollectible are written off against the allowance for credit losses only if the write-offs are approved under a resolution issued by the Board of Directors.

Investments in Shares of Stock

Investments in companies wherein the Bank exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investments are carried at cost on the acquisition date and subsequently adjusted for the Bank’s equity in the investees’ net income or loss. Any cash dividends received are accounted for as reduction in the carrying values of the investments. When the investment is acquired or when the equity method is first adopted, the difference between the investment cost and the Bank’s equity in the investee’s net asset is amortized over 10 years.

Other investments in shares of stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect a decline of market values other than temporary below carrying values, with the related losses charged to current income. Other investments in shares of stock with quoted market price are stated at the lower of cost or

market. The reduction of the carrying value of an investment to reflect a lower market value and its write-up due to the subsequent recovery in market value are charged or credited to stockholders' equity, respectively. Cash dividends received after the acquisition year are recorded as investment income.

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

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

For the listed and over-the-counter stock investments reclassified from long-term investments to securities purchased, when the market value is lower than the carrying amount, a realized loss for market value decline is recognized and the related cost is recorded at market value.

Investments in Bonds

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

Property and Equipment

Property and equipment are stated at cost. Major renewals, additions and improvements are capitalized, while repairs and maintenance are expensed as incurred.

Depreciation is calculated using the straight-line method over service lives estimated as follows (plus one year to represent estimated residual value): Buildings and improvements, 60 years; computers and peripheral equipments, 3 to 15 years; transportation and communication equipments, 3 to 10 years; and miscellaneous equipments, 3 to 20 years. Property and equipment that have reached their full residual value but are still in use, are depreciated over their newly estimated lives.

The cost and accumulated depreciation are removed from the accounts when an item of property is disposed of, and any gain or loss is credited or charged to nonoperating income or expenses.

Collaterals Assumed

Collaterals assumed (part of other assets) are recorded cost of acquisition and revalued at the lower of cost or net realizable value on the balance sheet date.

Operating Leases

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

Pension

As part of its privatization on November 30, 1999, the Bank fully paid its entire pension obligations to all employees under relevant regulations. The portion of the payments made pertaining to unfunded and unaccrued pension obligations deferred as other assets in accordance

with the directive from the Executive Yuan. The amount deferred is being amortized over five years starting December 1999.

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

Interest Revenue and Service Fees

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

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

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

Income Tax

Deferred tax assets are recognized for the tax effects of deductible temporary differences, loss carryforwards, and unused investment credits, and deferred tax liabilities are recognized for the tax effect of taxable temporary differences. Valuation allowance is provided for deferred tax assets that are not expected to be realized.

Income tax credits for eligible equipment or technology acquired, expenses of personnel training, R&D expenditures and investments in shares of stock are recognized in the period which those acquisitions or expenses occurred.

Income tax on interest from short-term negotiable instruments, which is levied separately, and any adjustments of income taxes of prior years are added to or deducted from the current year's tax provision.

Income taxes (10%) on unappropriated earnings are recorded as income tax in the year when the shareholders have resolved that the earnings shall be retained.

The Bank, Fubon Financial Holding and its subsidiaries selected the linked tax system for income tax filings since 2003. Under the related rules, the accounting procedure is reasonable and applied systematically on a consistent basis. The related contributions or payments are accrued as receivables or payables, respectively.

Foreign Exchange Forwards

Foreign exchange forward contracts used in the Bank's trading activities are accounted for as follows:

Foreign-currency assets and liabilities on forward exchange contracts for trading purposes are recorded at contracted forward rates on the contract starting dates. Gains or losses arising from

the differences between the contracted forward rates and spot rates on settlement are credited or charged to current income. For contracts outstanding as of the balance sheet dates, the gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to related receivables or payables as of the balance sheet dates.

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

Foreign Currency Swaps

Foreign-currency swap contracts are used to support the Bank's need for various foreign currencies. Amounts exchanged at the contract dates are recorded at their spot rates where the amounts that will be exchanged at the settlement dates are recorded at the forward rates. Gains or losses arise from the differences between spot rates and contracted rates are amortized using the straight-line method over the term of the contract and are credited or charged to interest income or expense. On balance sheet dates, the balances of the receivables and payables under the contracts are netted out, and the resulting amount is classified either as an asset or a liability.

Cross-currency Swap

Cross-currency swap contracts, which are used for trading purposes, are recorded at their spot rates on the contract dates. The net interest received or paid is either recognized as interest income or expense. On the balance sheet dates, the forward currency receivables or payables on cross-currency swap are restated at the prevailing spots rates and the resulting differences credited or charged to current income. Beginning of year 2003, the values of cross-currency swap contracts are marked to market on balance sheet date.

Asset Swaps

Asset swap contracts for nontrading purpose involve in the exchange of interest payments on fixed-rate bonds and stock conversion rights of convertible bonds for floating-rate interest. On each settlement date/balance sheet date, gains or losses on the differences between these rates are recorded as adjustments to interest income associated with the bonds being hedged.

Interest Rate Futures

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

Options

The amounts received from options written and amounts paid on options bought for trading purposes are recognized as liability and asset, respectively. The outstanding contracts are marked to market on the balance sheet dates with any gain or loss arising from the revaluation shown as "net gain or loss on derivative financial instruments." The gains or losses from the exercise of the options are charged to the current period.

The amounts received by the Bank on options written and amounts paid on options bought for nontrading purposes are recognized as liability and asset, respectively. Gains or losses from the exercise of the option contracts are charged to income or as adjustment to carrying amounts of the items hedged.

Forward rate Agreements

Forward rate agreements, which are entered into for accommodating clients' need or minimizing Bank's exposures, are not recognized as assets or liabilities since such agreements do not require the exchange of notional amounts on the contract dates. On the settlement date or balance sheet dates, any gains or losses resulting from the differences between contracted rate and market rate are credited or charged to income.

Interest Rate Swaps

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

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

Credit Default Swaps

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

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the amount of loss cannot be reasonably estimated and the loss is possible, the circumstances that might give rise to the loss are disclosed in notes of the financial statements.

Reclassifications

Certain accounts for the years ended December 31, 2003 have been reclassified to conform to the comparative period of 2004 classifications.

3. ACCOUNTING CHANGES

Under a directive issued by the MOF, the accounting treatment for sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases. Effective January 1, 2004, the accounting treatment of the aforementioned transactions are reclassified as financing under the "Criteria Governing the Preparation of Financial Reports by Public Banks". For the year ended December 31, 2004, the effect of this

accounting change resulted in an increase of income before income tax by \$130,621.

With high volumes of transaction on repurchase and resell of bonds and bills executed by the Bank on daily basis and several updates on the Bank's accounting systems, calculation for the cumulative effects of change in accounting principle was unable to carried out as tracing historic trading data is deemed difficult. On the basis of foregoing reasons, neither the cumulative effect of change in accounting principle, nor the pro forma information was disclosed.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2004	2003
Cash on hand	\$ 6,108,339	\$ 4,568,645
Checks for clearing	4,233,937	3,847,209
Due from Banks - deposits	3,927,894	2,150,085
	<u>\$ 14,270,170</u>	<u>\$ 10,565,939</u>

5. DUE FROM CENTRAL BANK OF CHINA AND BANKS

	December 31	
	2004	2003
Call loans	\$ 33,642,181	\$ 55,805,177
Deposit reserve - checking account	3,302,023	10,340,647
Required deposit reserve	11,464,320	10,881,431
Reserves for deposit - foreign-currency deposits	41,299	50,997
Deposit in Central Bank of China	82,396	4,206,663
Others	600,686	617,364
	<u>\$ 49,132,905</u>	<u>\$ 81,902,279</u>

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

6. SECURITIES PURCHASED, NET

	December 31	
	2004	2003
Negotiable certificates of deposits	\$ 186,950,623	\$ 144,416,935
Commercial paper	16,076,900	29,055,702
Government bonds	8,961,174	4,743,534
Stocks and beneficiary certificates	5,831,044	5,423,318
Treasury notes	3,158,027	5,944,559
Bank debentures	3,150,000	3,150,000
Corporate bonds	1,208,286	1,911,935
Acceptance	-	13,398
Foreign investments	10,346,918	12,113,761
	<u>235,682,972</u>	<u>206,773,142</u>
Less - allowance for decline in value	<u>607,170</u>	<u>126,318</u>
	<u>\$ 235,075,802</u>	<u>\$ 206,646,824</u>

As of December 31, 2004, some of the foregoing securities purchased, which amounted to \$7,331,390, had been sold under agreements to repurchase.

7. RECEIVABLES, NET

	December 31	
	2004	2003
Accrued interest	\$ 2,707,269	\$ 2,062,756
Acceptances	2,242,185	1,522,652
Accrued income	967,487	748,160
Accounts receivable	897,689	1,582,778
Accounts receivable - sales of non-performing loans	406,875	-
Refundable income tax	19,349	251,430
Others	1,193,057	568,013
	<u>8,433,911</u>	<u>6,735,789</u>
Less - allowance for possible losses	<u>217,012</u>	<u>258,746</u>
	<u>\$ 8,216,899</u>	<u>\$ 6,477,043</u>

8. BILLS, DISCOUNTS AND LOANS, NET

	December 31	
	2004	2003
Discount and overdraft	\$ 7,854,293	\$ 28,150,332
Short-term loan	29,291,120	24,280,576
Short-term secured loan	24,870,070	35,919,283
Medium-term loan	54,605,930	51,241,992
Medium-term secured loan	38,922,139	32,532,585
Long-term loan	35,905,692	33,052,096
Long-term secured loan	124,855,153	163,684,936

(Continued)

	December 31	
	2004	2003
Bill purchased and discount, import and export bills	\$ 1,633,627	\$ 1,912,295
Overdue loans	<u>4,762,420</u>	<u>8,236,407</u>
	322,700,444	379,010,502
Less - allowance for possible losses	<u>2,825,240</u>	<u>3,974,448</u>
	<u>\$ 319,875,204</u>	<u>\$ 375,036,054</u>

The Bank has not accrued any interest on the entire balance of the overdue loans shown above. The unrecognized interest revenue on the above loans amounted to \$223,356 and \$569,985 for the years ended December 31, 2004 and 2003, respectively.

For the years ended December 31, 2004 and 2003, no loans were written off without executing the required legal proceedings were executed against defaulted borrowers.

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

	For the Years Ended December 31, 2004		
	Specific Risk	General Risk	Total
Balance, January 1, 2004	\$ 3,000,118	\$ 1,233,076	\$ 4,233,194
Provisions (reversal)	(18,237)	35,247	17,010
Write-off	(1,977,543)	-	(1,977,543)
Recovery of written-off credits	777,319	-	777,319
Effects of exchange rate changes	<u>(7,728)</u>	<u>-</u>	<u>(7,728)</u>
Balance, December 31, 2004	<u>\$ 1,773,929</u>	<u>\$ 1,268,323</u>	<u>\$ 3,042,252</u>

	For the Years Ended December 31, 2003		
	Specific Risk	General Risk	Total
Balance, January 1, 2003	\$ 2,749,764	\$ 739,614	\$ 3,489,378
Provisions	2,937,237	493,462	3,430,699
Write-off	(2,871,937)	-	(2,871,937)
Recovery of written-off credits	191,805	-	191,805
Effects of exchange rate changes	(4,754)	-	(4,754)
Reclassifications	<u>(1,997)</u>	<u>-</u>	<u>(1,997)</u>
Balance, December 31, 2003	<u>\$ 3,000,118</u>	<u>\$ 1,233,076</u>	<u>\$ 4,233,194</u>

9. LONG-TERM INVESTMENTS

	December 31			
	2004		2003	
	Carrying Value	Percentage of Ownership	Carrying Value	Percentage of Ownership
Investment in shares of stock				
Equity method - unlisted				
TAIPEIBANK Life Insurance Agency Company Ltd.	\$ 173,729	99.99	\$ 172,579	99.99
Cost method				
Listed				
Chunghwa Telecom Co., Ltd.	876,917	0.15	-	-
Formosa Petrochemical Corp.	715,671	0.15	-	-
China Steel Corporation	508,628	0.15	-	-
Formosa Chemicals & Fiber Corporation	424,290	0.15	-	-
Mega Financial Holding Co., Ltd.	388,710	0.16	-	-
Waterland Financial Holdings	-	-	429,241	3.08
Others	<u>85,775</u>	-	-	-
	<u>2,999,991</u>		<u>429,241</u>	
Unlisted				
Taiwan Asset Management Co.	100,000	0.57	100,000	0.57
P.K. Venture Capital Investment Corp.	75,000	5.00	75,000	5.00
Taiwan Financial Asset Service Co.	50,000	2.94	50,000	2.94
Financial Information Service Co., Ltd.	45,500	1.14	45,500	1.14
Shang Yang Venture Capital Corp.	40,000	4.28	40,000	4.28
The Smart Card Corp.	25,000	5.00	25,000	5.00
Modex Taiwan Inc.	25,000	0.47	25,000	6.47
Others	<u>51,052</u>	-	<u>52,102</u>	-
	<u>411,552</u>		<u>412,602</u>	
	<u>\$ 3,411,543</u>		<u>\$ 841,843</u>	
Investment in bonds				
Domestic	\$ 6,744,432		\$ -	
Foreign	<u>1,411,531</u>		<u>-</u>	
	<u>\$ 8,155,963</u>		<u>\$ -</u>	

The decision to reclassify investments in Waterland Financial holding form long-term investments to securities purchased was approved by the board of directors on June 28, 2004.

The market value of the listed stocks, based on the average daily closing price in December 2004 and 2003, were \$3,019,228 and \$631,957, respectively.

The gain from equity-method investments were as follows:

	December 31	
	2004	2003
TAIPEIBANK Life Insurance Agency Company Ltd.	\$ 135,256	\$ 149,329
Fuh Hua R.E.M.C.	-	3,557
	<u>\$ 135,256</u>	<u>\$ 152,886</u>

The carrying value of the equity-method investments and the related equity in their net income were calculated on the basis of audited financial statements.

Consolidated financial statements was not prepared as the individual assets and incomes of the investee was less than 10% of the Bank's total asset or income and their combined assets and incomes were less than 30% of the Bank's total assets or income.

As of December 31, 2004, some of the foregoing bonds purchased under agreements to resell, which amounted to \$3,744,432, had been sold under agreements to repurchase.

10. OTHER ASSETS, NET

	<u>December 31</u>	
	2004	2003
Prepaid pension	\$ 419,628	\$ -
Deferred income tax assets (Note 18)	57,879	171,613
Collateral assumed	2,259	39,737
Deferred employee pension (Note 21)	-	809,219
Others	<u>111,012</u>	<u>122,555</u>
	<u>\$ 590,778</u>	<u>\$ 1,143,124</u>

11. DUE TO BANKS

	<u>December 31</u>	
	2004	2003
Call loans	\$24,753,184	\$18,142,204
Overdrafts	870,232	285,001
Deposits	<u>171,841</u>	<u>374,846</u>
	<u>\$25,795,257</u>	<u>\$18,802,051</u>

12. PAYABLES

	<u>December 31</u>	
	2004	2003
Checks for clearing	\$ 4,231,053	\$ 3,841,188
Accrued interest	2,604,150	2,320,733
Acceptances	2,287,477	1,544,512
Accrued expenses and taxes	1,926,329	1,389,285
Accounts and notes	408,543	502,324
Others	<u>5,148,192</u>	<u>4,553,393</u>
	<u>\$16,605,744</u>	<u>\$14,151,435</u>

13. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	2004	2003
Deposits		
Savings	\$ 285,633,166	\$ 285,201,715
Time	97,680,932	116,286,795
Checking	55,583,082	71,146,059
Demand	51,791,830	47,226,501
Negotiable certificates of deposit	1,512,200	1,746,000
Remittances	<u>184,206</u>	<u>149,492</u>
	<u>\$ 492,385,416</u>	<u>\$ 521,756,562</u>

14. BANK DEBENTURES

To maintain its capital adequacy ratio and the medium to long-term capital supply, the Bank applied to the Bureau of Monetary Affairs of the Ministry of Finance for approval on issuance of bank debentures. The authorized amount was NT\$60,000 million.

	<u>December 31</u>	
	2004	2003
91-1 three years, 3.2% interest rate; maturity: May 7, 2005	\$ 5,000,000	\$ 5,000,000
91-2 four or five years, inverse floating interest rate, maturity: June 10, 2006 or June 10, 2007	10,000,000	10,000,000
91-3 five years, inverse floating interest rate, maturity: October 1, 2007	5,000,000	5,000,000
92-1 ten years, inverse floating interest rate; maturity: July 31, 2013	5,000,000	5,000,000
92-2 five or seven years, 1.4% interest rate and inverse floating interest rate; maturity: September 1, 2008 or September 1, 2010	4,300,000	4,300,000
92-3 five years, inverse floating interest rate; maturity: January 8, 2009	2,500,000	-
92-4 Seven or ten years, inverse floating interest rate; maturity: March 19, 2011 or March 19, 2014	3,400,000	-
92-5 Seven years, inverse floating interest rate; maturity: March 19, 2011	<u>1,300,000</u>	<u>-</u>
	<u>\$ 36,500,000</u>	<u>\$ 29,300,000</u>

15. LONG-TERM LIABILITIES

	<u>December 31</u>	
	2004	2003
Fund obtained from government - intended for specific types of loans	\$ 1,616,136	\$ 1,509,400
Accrued pension cost	<u>-</u>	<u>211,806</u>
	<u>\$ 1,616,136</u>	<u>\$ 1,721,206</u>

16. OTHER LIABILITIES

	December 31	
	2004	2003
Value of options sold	\$ 600,881	\$ 92,844
Guarantee and marginal deposits	597,839	692,556
Reserve for losses on guarantees	72,883	36,396
Reserve for losses on contingency	23,735	6,058
Deferred revenue	20,255	71,253
Others	314,718	203,098
	<u>\$ 1,630,311</u>	<u>\$ 1,102,205</u>

17. SHAREHOLDERS' EQUITY

The shareholders' meeting approved the appropriations of 2003 and 2002 earnings in May 2004 and July 2003, respectively, as follows:

	Appropriations of Earnings		Per Share (NT\$)	
	2003	2002	2003	2002
Legal reserve	\$ 1,280,335	\$ 1,508,595		
Cash dividends	2,688,703	3,155,956	\$ 1.15	\$ 1.35
Remuneration to directors and supervisors	59,749	70,132		
Bonus to employees - cash	238,996	280,530		
	<u>\$ 4,267,783</u>	<u>\$ 5,015,213</u>		

Assuming the bonus to employee and remuneration to director and supervisors were recognized as an expense, the EPS of the bank for 2003 would decrease from \$1.83 to \$1.70.

As of January 28, 2005, the auditor's report date, the appropriation of earning in 2004 had not been resolved by the board of directors. Information on this appropriation can be accessed through the Market Observation on the website of the Taiwan Stock Exchange.

Under the Company Law and related regulations, capital surplus may only be used to offset a deficit generally. However, capital surplus arising from the issue of stock in excess of par value, stock issuance to effect a merger, reissuance of treasury stock or donation may also be declared as stock dividend within specified limits in accordance with a guideline issued by the Securities and Futures Bureau.

The board of directors amended the Bank's Articles of Incorporation on December 23, 2002. This amendment provides that the following shall be appropriated from the annual net income, less any deficit:

- 30% as legal reserve;
- 10% as special reserve, if necessary for the Bank's operation;
- 90% as dividends, 8% as bonus to employees and 2% as remuneration to directors and supervisors of all or part of the remainder and unappropriated earnings generated in prior years, as determined by the board of directors.

Appropriations of earnings should be resolved by the shareholders in the following year and

given effect in the financial statements of that year.

Under the Financial Holdings Company Law, the Bank's board of directors takes the functions of shareholders as regulated by the Company Law.

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve may only be used to reduce or offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital, up to 50% may be capitalized. The Banking Law limits the appropriation of all dividends to 15% of the Bank's paid-in capital if the legal reserve equals the Bank's paid-in capital.

18. INCOME TAX

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

Income tax information is as follows:

a. Income tax expense

	For the Years Ended	
	December 31	
	2004	2003
Current income tax payable	\$ 555,205	\$ 67,704
Separate taxes on interest revenue on short-term bills	422,430	372,244
Deferred income tax expense	113,734	(40,384)
Tax (10%) on unappropriated retained earnings	-	13,394
Adjustment of prior years' tax	<u>(3,200)</u>	<u>(1,785)</u>
Income tax	<u>\$ 1,088,169</u>	<u>\$ 411,173</u>

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

	December 31	
	2004	2003
Tax on pretax income at 25% statutory rate	\$ 1,381,133	\$ 1,169,729
Add (deduct) tax effects of:		
Tax-exempt income	(277,759)	(588,823)
Permanent difference	(427,637)	(531,384)
Temporary difference	<u>(120,532)</u>	<u>18,182</u>
Current income tax payable	<u>\$ 555,205</u>	<u>\$ 67,704</u>

c. Components of deferred income tax assets (included in "other assets") as of December 31, 2004 and 2003.

	December 31	
	2004	2003
Deferred income tax assets:		
Unrealized donation	\$ 50,731	\$ 30,347
Pension	-	40,293
Exceed for credit loss in tax limitation	-	98,535
Others	<u>7,148</u>	<u>2,438</u>
	<u>\$ 57,879</u>	<u>\$ 171,613</u>

Taxable income from all sources is subject to income tax. Foreign income taxes paid, to the extent of the domestic income tax applicable to the foreign-source income, are tax deductions against the domestic income tax liabilities.

d. Imputed tax credit

	December 31	
	2004	2003
Balance of stockholders' imputed tax credit	<u>\$ 340,051</u>	<u>\$ 153,425</u>
	2004	2003
	(Projected)	(Actual)
The ratio of imputed tax credit to earnings	10.45%	6.02%

The actual creditable tax ratio to be used in distributing earnings generated as of December 31, 2004 will be determined on the date of dividend distribution. Thus, the expected creditable tax ratio may change depending on the ICA balance on the dividend distribution date.

The balance unappropriated retained earnings prior to June 30, 1998 was \$1,396,288 for both periods ended December 31, 2004 and 2003. The above amount included the amounts shown as special reserve amounting \$1,285,676.

- e. Income tax returns through 2002 have been examined by the tax authority. The Bank has settled two lawsuits with the tax authority in regards to tax deduction of 10% of accrued bond interest in year 2000 and 2001, and received a tax refund in the amount of \$27,877. The agreed upon tax deduction between two parties was at 65% of the tax paid on accrued bond interest. In light of the legal settlements, the Bank has accrued 35% of the tax paid on accrued bond interest in 2004 and 2003 or \$9,454 as tax expense.

19. PERSONNEL, DEPRECIATION AND AMORTIZATION

	January 1 to December 31					
	2004			2003		
	Included in Branch and Operating Department	Included in General and Adminis- tration	Total	Included in Branch and Operating Department	Included in General and Adminis- tration	Total
Personnel						
Salaries	\$ 1,374,520	\$ 393,681	\$ 1,768,201	\$ 1,905,042	\$ 216,899	\$ 2,121,941
Labor and health insurance	126,533	32,990	159,523	170,266	16,366	186,632
Pension cost	1,543	867,251	868,794	466,249	25,717	491,966
Others	<u>833,185</u>	<u>269,245</u>	<u>1,102,430</u>	<u>1,066,186</u>	<u>89,599</u>	<u>1,155,785</u>
	2,335,781	1,563,167	3,898,948	3,607,743	348,581	3,956,324
Depreciation	165,778	184,628	350,406	269,698	55,104	324,802
Amortization	58,730	92,689	151,419	89,257	17,424	106,681
Others	<u>1,716,559</u>	<u>227,139</u>	<u>1,943,698</u>	<u>1,907,808</u>	<u>15,789</u>	<u>1,923,597</u>
	<u>\$ 4,276,848</u>	<u>\$ 2,067,623</u>	<u>\$ 6,344,471</u>	<u>\$ 5,874,506</u>	<u>\$ 436,898</u>	<u>\$ 6,311,404</u>

20. EARNINGS PER SHARE

	<u>Income</u>		<u>Shares</u> (Thousands)	<u>Earnings</u> <u>Per Share (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After</u> <u>Tax</u>
	Year 2004	<u>\$ 5,524,572</u>		<u>\$ 4,436,403</u>	<u>2,337,745</u>
Year 2003	<u>\$ 4,678,956</u>	<u>\$ 4,267,783</u>	<u>2,337,745</u>	<u>\$ 2.00</u>	<u>\$ 1.83</u>

21. PENSION PLAN

Upon the Bank's privatization on November 30, 1999, the privatization rules required that the Bank pays its employees pension and other benefits totaling \$6,384,810, of which \$4,021,515 was neither funded nor accrued as of that date. This amount, pursuant to a directive issued by the Executive Yuan, is being amortized over five years starting December 1, 1999. Under a directive by the Labor Commission of the Executive Yuan and the resolution by the board of directors in January 2001, the Bank paid additional privatization-related benefits amounting to \$306,966, which is also being amortized over the remaining years. This amount is fully amortized as of December 31, 2004.

The pension benefits after November 30, 1999 are determined in accordance with the Labor Standard Law, with the years of service starting on December 1, 1999. The Bank makes monthly contributions to a pension fund. The monthly contribution was equal to 12.8% of salaries. Beginning on February 1, 2004, the monthly contribution is decreased to 9.5% of salaries. The fund is administered by a pension fund committee and deposited under the committee's name in the Central Trust of China.

Information on the pension plans were as follows:

	2004	2003
a. Net periodic pension cost (benefits)		
Service cost	\$ 169,416	\$ 233,561
Interest cost	25,894	32,123
Projected return on plan assets	(37,763)	(34,528)
Amortization	(5,365)	(10,407)
Gain from reduction and discharge	(364,203)	(95,228)
Net periodic pension cost (benefits)	<u>\$ (212,021)</u>	<u>\$ 125,521</u>
b. Reconciliation of the funded status of the plan and prepaid pension/accrued pension cost		
	December 31	
	2004	2003
Benefit obligation:		
Vested benefit obligation	\$ (119,659)	\$ (317,196)
Non-vested benefit obligation	<u>(303,043)</u>	<u>(360,313)</u>
Accumulated benefit obligation	(422,702)	(677,509)
Effects of increase in future salary level	<u>(201,543)</u>	<u>(264,660)</u>
Projected benefit obligation (PBO)	(624,245)	(942,169)
Fair value of plan assets	<u>1,131,208</u>	<u>965,776</u>
Unfunded PBO	506,963	23,607
Unrecognized net gain	<u>(87,335)</u>	<u>(235,413)</u>
Prepaid pension (accrued pension cost)	<u>\$ 419,628</u>	<u>\$ (211,806)</u>

	December 31	
	2004	2003
c. Vested benefits	<u>\$ 173,276</u>	<u>\$ 449,847</u>
d. Actuarial assumptions		
Discount rate	3.5%	3.5%
Future salary incremental rate	2.5%	2.5%
Projected return rate of pension plan assets	3.5%	3.5%

22. RELATED PARTY TRANSACTIONS

The Bank's related parties are as follows:

a. Related parties

Name	Relationship to the Bank
Fubon Financial Holdings Co., Ltd. (FFH)	Parent company
The City Government (TCG)	Major shareholder of parent company
Fubon Bank	FFH's equity-method investee
Fubon Insurance Co., Ltd.	FFH's equity-method investee
Fubon Life Insurance Co., Ltd.	FFH's equity-method investee
Fubon Securities Co., Ltd.	FFH's equity-method investee
International Bank of Asia Limited	FFH's equity-method investee
Fubon Securities Investment Trust Co., Ltd. and its affiliate funds	FFH's equity-method investee
Fubon Direct Marketing Consulting Co., Ltd.	FFH's equity-method investee
Fubon Asset Management Co., Ltd.	FFH's equity-method investee
Fubon Venture Capital Consulting Co., Ltd.	FFH's equity-method investee
TAIPEIBANK Life Assurance Agent Co., Ltd.	The Bank's equity-method investee
Fubon Bill Finance Co., Ltd.	Fubon Bank's equity-method investee
Fubon Leasing Co., Ltd.	Fubon Bank's equity-method investee
Fubon Construction Management Co., Ltd.	Fubon Bank's equity-method investee
Fubonbank Insurance Agent Co., Ltd.	Fubon Bank's equity-method investee
Fubon Insurance Agent Co., Ltd.	Fubon Bank's equity-method investee
Citibank Co., Ltd., The Branch	Related party in substance (Not related as of November 2004)
TAIPEIBANK Charitable	Related party in substance
Citi Securities Co., Ltd.	Related party in substance (Not related as of November 2004)
Fubon Technology Consulting Co., Ltd.	Related party in substance
Taiwan Cellular Co., Ltd.	Related party in substance
Chung Hsing Land Development Co., Ltd. (CHLDC)	Related party in substance
International Investment Trust Co., Ltd.	Related party in substance
Ming Tong Co., Ltd.	Related party in substance
Tao Yin Co., Ltd.	Related party in substance
Fubon Art Foundation	Related party in substance
Fubon Charity Foundation	Related party in substance
Kuang Hsin Printing Co., Ltd.	Related party in substance

(Continued)

<u>Name</u>	<u>Relationship to the Bank</u>
Fubon Securities (BVI) Co., Ltd.	Related party in substance
Fubon Futures Co., Ltd.	Related party in substance
Fubon Venture Capital Co., Ltd.	Related party in substance
Sinostar Venture Capital Co., Ltd.	Related party in substance
Fubon Culture and Education Foundation	Related party in substance
Citi Fubon Life Insurance Company Hong Kong Limited	Related party in substance
Fubon Building Management Maintain Co., Ltd.	Related party in substance
Fubon Securities Finance Co., Ltd.	Related party in substance
Fubon Land Co., Ltd.	Related party in substance
Sinostar Capital Co., Ltd.	Related party in substance
Fu-An Leasing Co., Ltd.	Related party in substance
Fubon Leisure and Entertainment Co., Ltd.	Related party in substance
Taiwan High Speed Rail Co., Ltd.	Related party in substance
Citi Insurance Agent Co., Ltd.	Related party in substance
Fubon Securities Investment Consulting Co., Ltd.	Related party in substance
Fu-Sheng Properties Insurance Agent Co., Ltd.	Related party in substance
Fu-Sheng Life Assurance Agent Co., Ltd.	Related party in substance
Others	Directors, supervisors, managers and their relatives; equity-accounted investee

b. Significant related party transactions are summarized as follows:

	<u>December 31, 2004</u>			
	<u>Balance as of December 31</u>	<u>% of the Account Balance</u>	<u>Rate (%)</u>	<u>Interest Income (Expense)</u>
1) Deposits				
TCG	\$ 37,855,167	8	0-2.75	\$ (278,555)
Others	<u>4,062,117</u>	<u>1</u>	0-13	<u>(77,339)</u>
	<u>\$ 41,917,284</u>	<u>9</u>		<u>\$ (355,894)</u>
2) Loans				
TCG	\$ 30,797,197	10	0.993-3.46	\$ 1,161,914
Others	<u>536,657</u>	<u>-</u>	1.6-10.31	<u>6,197</u>
	<u>\$ 31,333,854</u>	<u>10</u>		<u>\$ 1,168,111</u>
3) Due from banks - call loans	<u>\$ 7,956,369</u>	<u>24</u>	0.925-2.34	<u>\$ 101,756</u>
4) Due to banks - call loans	<u>\$ 28,592</u>	<u>-</u>	0.55-1.05	<u>\$ (3,428)</u>
5) Borrowed funds	<u>\$ 1,270,720</u>	<u>8</u>	1.0-2.41	<u>\$ (14,099)</u>
6) Bank debentures	<u>\$ 1,500,000</u>	<u>4</u>	3.80	<u>\$ (12,804)</u>
7) Guarantees and acceptances	<u>\$ 259,116</u>	<u>-</u>	0.5	<u>\$ 1,296</u>

December 31, 2003

	Balance as of December 31	% of the Account Balance	Rate (%)	Interest Income (Expense)
1) Deposits				
TCG	\$ 53,388,548	10	0-5.63	\$ (242,458)
Others	<u>1,418,122</u>	<u>1</u>	0-13	<u>(26,489)</u>
	<u>\$ 54,806,670</u>	<u>11</u>		<u>\$ (268,947)</u>
2) Loans				
TCG	\$ 99,445,401	26	0.99-3.64	\$ 2,116,660
Others	<u>574,888</u>	<u>-</u>	1.60-10.30	<u>24,493</u>
	<u>\$ 100,020,289</u>	<u>26</u>		<u>\$ 2,141,153</u>
3) Due from banks - call loans	<u>\$ -</u>	<u>-</u>	0.90-1.31	<u>\$ 621</u>
4) Due to banks - call loans	<u>\$ -</u>	<u>-</u>	0.60-1.55	<u>\$ (1,111)</u>
5) Borrowed funds	<u>\$ 1,155,932</u>	<u>2</u>	0.98-1.61	<u>\$ (15,169)</u>
6) Guarantees and acceptances	<u>\$ 415,860</u>	<u>-</u>	0.5-0.65	<u>\$ 1,579</u>

7) Securities

Name	Type	Amount for the Years Ended December 31	
		2004	2003
Fubon Bills Finance	Bills purchased under agreements to resell	\$ 3,397,941	\$ 2,451,710
	Bills purchased	4,420,937	9,348,892
	Bills sold	6,796,389	-
	Bonds purchased	82,775,666	3,702,889
	Bonds sold	86,315,671	268,380
Citi Securities	Bonds purchased	4,197,068	-
	Bonds sold	4,082,863	-
Fubon Bank	Bonds purchased	7,582,363	49,940
	Bonds sold	7,688,352	-
	Bills purchased	987,536	-
Fubon Securities	Bonds purchased	5,305,615	149,182
	Bond sold	4,511,706	-

8) Fund transactions

For the Years Ended December 31, 2004						
Name	Purchased		Balances as of December 31		Disposal Gain (Loss)	
	During the Period					
	Units (in Thousands)	Amount	Units (in Thousands)	Amount		
Fubon OTC Fund	319	\$ 1,862	-	\$ -	\$ (507)	
Fubon Chi Hsiang I Fund	22,103	280,000	22,103	280,000	3,079	

For the Years Ended December 31, 2003						
Name	Purchased		Balances as of December 31		Disposal Gain (Loss)	
	During the Period					
	Units (in Thousands)	Amount	Units (in Thousands)	Amount		
Fubon Ju-I Fund	86,182	\$ 1,300,000	-	\$ -	\$ 10,217	

9) Service fees

For the years ended December 31, 2004 and 2003, the Bank received service fees of \$72,887 and \$93,567, respectively, from the TCG for its handling of the loans to government employees and teachers and housing loans to various individuals. For paying principals and interests on bonds on behalf of the TCG, the Bank received service fees of \$9,651 in 2004.

For the year ended December 31, 2004, the Bank entered into a financial consultation contract with Taiwan High Speed Rail Co., Ltd. and received service fees of \$31,711. In addition, the Bank contracted with Fubon Securities for providing analysis and consultation services related to the contract here mentioned for service expense of \$19,077.

For the year ended December 31, 2003, the Bank received a service fee of \$1,728 from Fubon Securities Investment Trust for promoting its mutual funds.

10) Derivative financial instruments

Name	Item	Contract Amount	Contract	The Gain and Loss for the	
		for the Year Ended December 31, 2004	as of December 31, 2004	Year Ended December 31, 2004	
Citi Bank	a. Foreign currency swap contract	\$ 5,082,880	\$ 635,360	Interest revenue	\$ 15,782
				Interest expense	510
	b. Interest rate swap contract	600,000	4,400,000	Reduction of interest expense	69,177
	c. Cross-currency swap	675,560	-	Interest income	6,612
				Interest expense	1,781
Fubon Bank	a. Foreign currency swap contract	5,735,347	4,528,163	Interest revenue	1,900
				Interest expense	3,502
	b. Interest rate swap contract	800,000	800,000	Interest expense	2,356
Fubon Securities (BVI)	Assets swap contract	1,175,416	873,620	Interest revenue	16,015

Name	Item	Contract	Contract	The Gain and Loss for the Year Ended December 31, 2003	
		Amount for the Year Ended December 31, 2003	as of December 31, 2003		
Citi Bank	a. Foreign currency swap contract	\$ 12,035,292	\$ 5,269,690	Interest revenue	\$ 16,307
				Interest expense	322
	b. Interest rate swap contract	4,409,000	4,400,000	Reduction of interest expense	65,204
	c. Forward rate agreement	674,860	-	Loss on derivative financial instrument	490
Fubon Bank	Foreign currency swap contract	1,189,930	-	Interest revenue	1,603

11) Lease

	Name	Lease Terms	Tenancy	Rental Revenue (Expense) for the Years Ended December 31	
				2004	2003
Lessor	TCG	Rentals paid monthly (refundable lease deposits aggregated to \$3,400)	June 2007	\$ (15,399)	\$ (12,312)
	Fubon Bank	Rentals paid monthly	September 2006	(1,005)	(302)
	Fubon Insurance	Rentals paid monthly	By end of 2009	(3,742)	-
	CHLDC	Rentals paid monthly	July 2005	(4,933)	-
Lessee	TCG	Rentals received yearly	December 2005	1,115	1,244
	Fubon Securities	Rentals received monthly	January 2009	29,101	8,114
	Fubon Bank	Rentals received monthly	September 2006	1,885	628
	Fubon Life Insurance	Rentals received monthly	December 2004	470	-
	TAIPEIBANK	Rentals received monthly	May 2006	1,200	700
	Charitable Foundation TAIPEIBANK Life Assurance Agent	Rentals received monthly	December 2004	1,206	-
	Fubon Asset Management Co., Ltd.	Details received monthly	January 2005	96	-

12) Insurance

The Bank entered into several contracts with Fubon Insurance as follows:

Insured Object	Insurance Period	Insurance Amount	Insurance Premium
Cash on hand	1/1/2004-1/1/2005	\$ 300,000	\$ 1,285
Coffer duty insurance	1/1/2004-1/1/2005	30,000	363
Employee dishonesty and negligence coverage, etc.	1/1/2004-1/1/2005	270,500	3,895
Computer equipments	12/31/2003-12/31/2004	642,646	2,262
Commercial fire insurance	12/31/2003-12/31/2004	2,011,224	603

13) Cooperation

The Bank entered into a cooperation contract with Fubon Securities on brokerage services. Under this contract, the Bank paid the apportioned cost of \$8,655 and \$2,747 for the years ended December 31, 2004 and 2003, respectively.

In addition, the Bank entered into a cooperation contract with Fubon Bank to co-promote Fubon Bank's credit cards. Under this contracts, the Bank received rewards, in accordance with \$53,258 for the year ended December 31, 2004.

14) Donation

Allocation of 30% of Lottery department's net income was made to public foundation to fulfill social - benefit activities, as required by the Regulation. For the years ended December 31, 2004 and 2003, the Bank donated \$50,000 and \$80,000 to TAIPEIBANK Charitable Foundation, respectively.

15) Refundable income tax

The Bank's parent company (FFH) adopted the linked-tax system for filing the income tax return and forwarded the refunds for 2003 in the amount of \$97,878 to the Bank.

As of December 31, 2004, the parent company has refunded the Bank in the amount of \$78,529. The estimated income tax of \$470,930 for year 2004 has been paid to the parent company.

16) Property transactions

The Bank entered into a contract with Fubon Bank to transfer 270 automated teller machines to the Bank, with aggregate transfer prices of \$115,847. The transfer has been completed as of December 31, 2004.

17) Disposal of non-performing loan

The Bank has sold its non performing loan amounted to \$4,802,027 to Fubon Asset Management for the price of \$465,007. Nonoperating loss at \$3,643, after bad debt and provision of bad debt of \$4,264,938 and advances of \$68,439, was fully recognized in the current period. As of December 31, 2004, the receivable for the non-performing loan was \$406,875.

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

In accordance with the Bank Law, with the expectance for consumer and government loans, credits extended by the Bank to any related party should be 100% secured and their terms should be similar to those for third parties.

23. PLEDGED ASSETS

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

	December 31	
	2004	2003
Securities purchased		
Negotiated certificates of deposits	\$ 14,900,000	\$ 10,000,000
Investments in bonds and others	1,661,275	845,344
Other financial assets	<u>120,248</u>	<u>109,241</u>
	<u>\$ 16,681,523</u>	<u>\$ 10,954,585</u>

The above negotiable certificates of deposits were provided as collateral for the day-term overdraft, a requirement for joining the Central Bank's clearing system of Real-time Gross Settlement (RTGS), and the pledged amount is adjustable based on overdraft amount.

Investments in bonds and other financial assets had been placed with the: (a) courts of justice as part of the requirements for pursuing various collection case on overdue loans, (b) National Credit Card Center to secure the Bank's potential obligations on its credit card activities, and (c) Central Bank of China to secure its potential obligations on its trust activities.

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

24. CONTINGENCIES AND COMMITMENTS AS OF DECEMBER 31, 2004

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

a. Repurchase/resell agreements

Bonds and short-term bills sold under agreements to repurchase before February 2, 2005	\$ 12,372,254
Bonds and short-term bills purchased under agreements to resell before February 25, 2005	\$6,014,189

- b. The Bank has several operating lease agreements covering office spaces. As of December 31, 2004, the related refundable lease deposits aggregated to \$583,504 (part of "other financial assets"). This amount included refundable deposits of \$553,000. Under agreements with the lessor, the interest on these deposits serves as the Bank's rental payments. The minimum future rentals as of December 31, 2004 were as follows:

Fiscal Year	Amount
2005.1.1-12.31	\$ 376,579
2006.1.1-12.31	296,785
2007.1.1-12.31	203,068
2008.1.1-12.31	96,905
2009.1.1-12.31	42,718

The future minimum rent commitment from 2010 to 2011 is \$34,998. The present value of these future rentals based on current annual interest rate is \$33,161.

- c. As of December 31, 2004 construction and purchase contracts amounted to \$509,425, of which the unpaid amount was \$363,220.
- d. The Bank was appointed by the Ministry of Finance (MOF) to operate the public-benefit lottery for five years, from January 1, 2002 to December 31, 2006, and handle the sales of tickets for the traditional lottery, quick-win lottery, and computerized lottery. The Bank will receive from the MOF a service fee based on the amount of tickets sold.

The Bank contracted Lottery Technology Services Corp. in 2002 to establish and maintain the operation of the public-benefit lottery agency for a monthly service fee. The contract will be expired on June 30, 2007.

- e. The Bank engages in various Trustee activities. As of December 31, 2004 and 2003, the trust account were \$49,039,188 and \$39,497,185, respectively.

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

Assets		Liabilities	
Deposits	\$ 760	Cash trust	<u>\$49,039,188</u>
Investment in mutual funds	36,145,136		
Investment in bonds	<u>12,893,292</u>		
	<u>\$49,039,188</u>		

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

Investment Portfolio	Amount
Deposits	\$ 760
Mutual funds	36,145,136
Bonds	<u>12,893,292</u>
	<u>\$49,039,188</u>

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

Average balance is calculated by daily average balance of interest-earning assets and interest-bearing liabilities.

	For the Years Ended December 31			
	2004		2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate(%)
<u>Interest-earning assets</u>				
Cash - due from banks of deposits	\$ 2,076,290	0.49	\$ 1,278,754	0.54
Due from Central Bank of China and banks	55,485,021	1.34	67,949,283	1.35
Securities purchased	243,887,346	1.37	182,083,503	1.78
Bonds and short-term bills purchased under agreements to resell	1,156,312	1.01	-	-
Bills, discounts and loans	337,922,619	2.93	375,303,015	3.18
Investments in bonds	1,951,766	4.55	879,999	4.60
<u>Interest-bearing liabilities</u>				
Due to banks	17,500,182	1.37	16,622,720	1.24
public treasury savings	54,746,128	0.57	56,716,135	0.50
Demand	50,077,614	0.14	42,563,470	0.17
Savings	143,351,406	0.82	133,370,459	1.04
Time	109,495,723	1.28	117,576,818	1.39
Time-savings	\$ 144,041,128	1.38	\$ 153,406,238	1.80
Negotiable certificates of deposit	1,640,864	0.54	1,879,376	0.96
Bank debentures	35,450,546	0.82	23,546,849	1.28
Borrowed funds	36,853,671	1.30	42,139,551	1.18
Bonds and short-term bills sold under agreements to repurchase	16,999,713	0.71	-	-

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

December 31, 2004				
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	\$ 14,270,170	\$ -	\$ -	\$ 14,270,170
Due from Central Bank of China and banks	49,132,905	-	-	49,132,905
Securities purchased	235,682,972	-	-	235,682,972
Receivables	8,433,911	-	-	8,433,911
Bonds and short-term bills purchased under agreements to resell	6,010,116	-	-	6,010,116
Bills discounts and loans	85,383,510	91,262,577	146,054,357	322,700,444
Investments in bonds	-	6,891,724	1,264,239	8,155,963
	<u>\$ 398,913,584</u>	<u>\$ 98,154,301</u>	<u>\$ 147,318,596</u>	<u>\$ 644,386,481</u>
Liabilities				
Due to Central Bank of China	\$ 370,700	\$ -	\$ -	\$ 370,700
Due to banks	25,795,257	-	-	25,795,257
Payables	16,605,744	-	-	16,605,744
Bonds and short-term bills sold under agreements to repurchase	12,367,104	-	-	12,367,104
Deposits and remittances	480,286,903	12,098,513	-	492,385,416
Borrowed funds	16,739,118	-	-	16,739,118
Bank debentures	5,000,000	25,500,000	6,000,000	36,500,000
	<u>\$ 557,164,826</u>	<u>\$ 37,598,513</u>	<u>\$ 6,000,000</u>	<u>\$ 600,763,339</u>

December 31, 2003				
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	\$ 10,565,939	\$ -	\$ -	\$ 10,565,939
Due from Central Bank of China and banks	81,902,279	-	-	81,902,279
Securities purchased	206,773,142	-	-	206,773,142
Receivables	6,735,789	-	-	6,735,789
Bills, discounts and loans	109,196,556	95,988,013	173,825,933	379,010,502
	<u>\$ 415,173,705</u>	<u>\$ 95,988,013</u>	<u>\$ 173,825,933</u>	<u>\$ 684,987,651</u>
Liabilities				
Due to Central Bank of China	\$ 869,023	\$ -	\$ -	\$ 869,023
Due to banks	18,802,051	-	-	18,802,051
Payables	14,151,435	-	-	14,151,435
Deposits and remittances	504,125,018	17,631,544	-	521,756,562
Borrowed funds	54,962,880	-	-	54,962,880
Bank debentures	-	24,300,000	5,000,000	29,300,000
	<u>\$ 592,910,407</u>	<u>\$ 41,931,544</u>	<u>\$ 5,000,000</u>	<u>\$ 639,841,951</u>

27. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

The Bank used forward exchange contracts, interest rate swap, foreign-currency swap,

cross-currency swap, forward rate agreement, interest rate future and foreign currency option contracts as hedge instruments for clients' foreign currency and interest rates exposures which pertained primarily to import obligations, export receipts and their remittances. The Bank also uses interest rate swaps, assets swaps contracts, credit default swap, foreign-currency option contracts as an end-user in connection with its risk management activities primarily as to hedge against its interest rate and exchange rate exposures on its foreign-currency assets or liabilities. The Bank's hedge strategy is to use instruments that offset the fluctuations in their fair values with the changes in the fair values of the underlying exposures. It also periodically evaluates the effectiveness of these instruments.

Credit risk is the exposure to loss on counter-parties' default on transactions. Thus, the Bank reviews each of its customer's credit history and credit rating before approving the financial instrument arrangement and the credit limit. An appropriate guarantee would be required from the customer if it is deemed to be necessary. If the customer is another bank, it will be evaluated on the basis of its world ranking and credit rating as well as providing a provision for bad debt expense.

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

	December 31, 2004			December 31, 2003		
	Contract (Nominal) Amount	Credit Risk	Fair Value	Contract (Nominal) Amount	Credit Risk	Fair Value
<u>Non-trading purposes</u>						
Interest rate swap contract	\$ 58,650,000	\$ 1,124,204	\$ 198,463	\$ 43,800,000	\$ 1,304,513	\$ 268,092
Assets swap contract	2,859,075	15,191	(166,750)	3,047,639	3,830	(124,473)
Credit default swap	1,500,000	-	(2,630)	-	-	-
Foreign-currency option contract						
- Long option	-	-	-	339,980	231	(3,643)
<u>Trading purposes</u>						
Forward exchange contract	\$ 27,574,932	\$ 133,268	\$ (528,596)	\$ 28,626,702	\$ 51,346	\$ (78,154)
Foreign currency swap contract	34,410,248	839,155	669,675	35,492,843	117,055	103,637
Cross-currency swap contract	3,302,000	-	(54,239)	2,206,375	14,897	14,897
Interest rate swap contract	143,767,312	837,263	5,915	35,386,000	216,176	(1,323)
Interest rate future contract	-	-	-	679,960	-	(778)
Foreign currency option contract						
- Long option	32,692,975	527,793	271,100	5,944,455	76,025	31,151
- Short option	32,883,390	-	(241,566)	6,371,246	-	(28,044)

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

The contract or notional amount is used to calculate the settlement amount of the counter parties, so it is neither the amount for actual delivery nor the cash requirement for the Bank. In addition, the Bank believes its ability to enter into derivative transactions at reasonable market terms. Based on the aforementioned reasons, the Bank doesn't expect significant cash flow requirements to settle these instruments.

The gain and loss on the derivative transactions are as follows:

	2004	2003
<u>Non-trading purposes</u>		
Interest rate swap contract:		
Interest revenue (decrease)	\$ (81,332)	\$ (42,777)
Interest expense (decrease)	(1,098,879)	(745,788)
Assets swap contract:		
Interest revenue	46,135	33,023
Foreign currency option contracts:		
Exchange gain(decrease)	(1,875)	35,193
Credit default swap contract:		
Net gain (decrease) on derivative financial instrument	(4,204)	-
<u>Trading purposes</u>		
Forward exchange contract:		
Exchange gain (decrease)	(768,085)	(417,713)
Foreign currency swap contract:		
Interest revenue	63,612	83,946
Interest expense	145,366	25,619
Cross currency swap contract:		
Interest revenue	64,959	33,676
Interest expense	33,313	12,983
Net gain (decrease) on derivative financial instrument	(61,049)	-
Exchange gain	-	3,495
Foreign currency option contracts:		
Net gain on derivative financial instrument	9,071	94,543
Interest rate swap contract:		
Interest revenue	\$ 1,	\$ 2:
Interest expense	777,830	204,176
Net gain on derivative financial instrument	247,317	138,994
Forward rate agreement:		
Net gain (decrease) on derivative financial instrument	2,702	(2,787)
Future contract:		
Net gain on derivative financial instrument	627	-

As of December 31, 2004 and 2003, the assets swap contracts involving convertible bonds with redemption premiums required the Bank to pay the redemption premium amounting to \$1,936 and \$70,045, respectively, if the issuers of the bond default on their obligation.

b. Fair value of non-derivative financial instruments

	December 31, 2004		December 31, 2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Assets of which the fair value equals to the carrying value	\$ 398,822,382	\$ 398,822,382	\$ 474,844,312	\$ 474,844,312
Securities purchased	235,075,802	235,075,802	206,646,824	206,647,252
Investments in shares of stock	3,585,272	3,604,509	1,014,422	1,217,138
Investments in bonds	8,155,963	8,184,421	-	-
deposits - operating guarantee and deposits - exchange clearing	130,248	128,497	119,241	132,520
<u>Liabilities</u>				
Liabilities of which the fair value equals to the carrying value	603,639,244	603,639,244	642,350,660	642,350,660

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

- 1) The carrying values of cash and cash equivalents, due from Central Bank of China and banks, receivables, Bonds and short-term bills purchased under agreements to resell, other financial assets, due to Central Bank of China, due to banks, remittances, borrowed funds, payables, Bonds and short-term bills sold under agreements to repurchase, appropriated loan fund, accrued pension cost and guarantee deposit received approximate their fair values due to the short maturity of these instruments.
- 2) Loans, bills purchased, deposits and bank debentures issued are financial assets and liabilities with mainly floating interest. Thus, their carrying values are deemed to be equivalent to their current fair value.
- 3) Fair value of securities purchased, investments in shares of stock and investments in bonds are based on market prices or their carrying value if market price are unavailable.
- 4) Refundable deposits in the form of government bonds are based on market prices or on carrying values if market prices are demand unavailable.

Only the fair values of financial instruments were listed above, thus, the total values listed above does not represent the fair value of the Bank as a whole.

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

In its normal business operations, the Bank is a party to financial instruments involving off-balance-sheet risks on credit cards and cash cards issued, commitments to provide financial guaranty and obligations under letters of credit issued. Generally, these transactions are for one year. For the years ended December 31, 2004 and 2003, the interest rates for loans range from 0.7% to 5.5% and 2.3% to 7.5%, respectively, and the highest interest rate for credit cards and cash cards are 19.71% and 18.25%, respectively. The Bank also provides guarantees on loans and letters of credit to assure performance of contracts by customers. There is no concentration of maturity dates in one period that would result in liquidity problem to the Bank.

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

	December 31	
	2004	2003
Credit line of credit cards	\$ 2,336,650	\$ 27,671
Credit line of cash cards	4,115,526	-
Guarantees on loan and letters of credit	59,552,280	60,235,617
Irrevocable loan commitments	9,073,203	9,684,502

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

The Bank evaluates the credit worthiness of each loan application by taking into account the

credit history, credit rating and financial position of the applicant. Collateral, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the result of the credit rating. As of December 31, 2004 and 2003, about 62% and 70%, respectively, of total loans granted and about 41% and 39% of aggregate amount of guarantees and letters of credit issued were secured.

No collateral is required for credit card and cash card facilities; however, the credit status of each cardholder is closely monitored. Appropriate measures are adopted, depending on the results of the credit status monitoring, which include but not limit to amending the credit limit or, if necessary, canceling the facility.

d. Information on concentrations of credit risks

The concentration of credit risk refers to individual or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations as they are similarly affected by changes in economic or other conditions. The loans to The City Government (TCG) as of December 31, 2004 and 2003 aggregated to \$30,797,197 and \$99,445,401 which representing 10% and 26% of the Bank's total outstanding loans, respectively. The TCG's deposits in the Bank as of December 31, 2004 and 2003 aggregated to \$37,855,167 and \$53,388,548, respectively.

The net position on foreign-currency transactions as of December 31, 2004 and 2003 are US\$30,097 and US\$34,491, respectively.

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

a. Credit Risks

1) Asset quality

Items	Year	
	December 31, 2004	December 31, 2003
Overdue loans	\$5,339,089	\$9,023,459
Nonperforming loans	4,762,420	8,236,407
Overdue loans ratio	1.65%	2.37%
Classified loans	1,382,409	2,732,612
Ratios of classified loans to total loans	0.43%	0.72%
Allowance for credit losses	2,825,240	3,974,448
Write-off amount of credits	1,977,543	2,871,937

Note 1: Overdue loans disclosures regulated in directives No. 832292834 and No. 86656564 issued by the Ministry of Finance.

Note 2: Overdue loans ratio: Overdue loans (including nonperforming loans)/(Outstanding loan balance + Nonperforming loans)

Note 3: Classified loans were as follows:

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

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

2) Concentration of credit extensions:

Items	December 31, 2004		December 31, 2003	
Credit extensions to interested parties	\$5,314,511		\$4,426,631	
Ratios of credit extensions to interested parties	1.44%		1.05%	
Ratios of credit extensions secured by pledged stocks	0.24%		0.55%	
Industry concentration (the biggest three industries of industry credit ratio)	Industry	Percentage	Industry	Percentage
	Manufacturing	17.89%	Government institutions	31.26%
	Government institutions	13.68%	Manufacturing	13.77%
	Wholesale and retail sale	7.08%	Wholesale and retail sale	5.64%

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

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

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

d) Credit extension to interested parties is defined by the Banking Law.

3) Policy of provision on credit losses: Please refer to Note 2.

4) Concentrations of risk: Please refer to Notes 24 and 27.

b. Market risk:

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

2) Market risk sensitivity

Items	December 31, 2004	December 31, 2003
Ratio of interest-rate sensitive assets to liabilities	105.01%	109.67%
Ratio of interest-rate sensitive gap to net worth	47.42%	87.96%

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

b) Ratio of interest-rate sensitive assets to liabilities = Interest-rate sensitive assets/Interest-rate sensitive liabilities (with maturities of less than one year in New Taiwan Dollars).

c) Interest-rate sensitive gap = Interest-rate sensitive assets - Interest-rate sensitive liabilities.

3) The net positions of the main foreign-currency transactions: Please refer to Note 27.

c. Liquidity risk:

1) Profitability:

Items	For the Years Ended December 31, 2004	For the Years Ended December 31, 2003
Return on total assets	0.82%	0.69%
Return on net worth	11.08%	9.59%
Profit margin	19.43%	17.29%

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

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

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

2) Maturity analysis of assets and liabilities:

	Total	Amount for the Remaining Period Prior to the Maturity Date				
		0-30 Days	31-90 Days	91-180 Days	181 Days to One Year	Over One Year
Assets	\$ 606,859,000	\$ 182,986,000	\$ 74,972,000	\$ 30,729,000	\$ 59,864,000	\$ 258,308,000
Liabilities	618,184,000	72,720,000	70,373,000	75,504,000	118,355,000	281,232,000
GAP	(11,325,000)	110,266,000	4,599,000	(44,775,000)	(58,491,000)	(22,924,000)
Accumulated gap	(11,325,000)	110,266,000	114,865,000	70,090,000	11,599,000	(11,325,000)

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

d. Operating risk and litigation risk

	Summary and Amount
Within the past one year, a responsible person or professional employee, in the course of business, violated the law, resulting in an indictment by a prosecutor.	The ex-clerk of Feng Yuan branch was prosecuted by district attorney of Tai Chung district court for fraud of \$22,311 in 2002. On October 3, 2003, the court announced a guilty verdict and sentenced the ex-clerk to 34 months of imprisonment.
Within the past one year, a fine was levied on the Bank for violations of the Banking Law.	None
Within the past one year, misconduct occurred that resulted in the Ministry of Finance imposing strict corrective measures.	The Bank replied "In compliance with the conclusion of personnel matters arbitration committee, the persons neglecting their duty had reasonably explained and been proven unintentionally, therefore no administrative disciplinary action should be announced," to MOF for the investigation of the financing project for one company purchasing land. However, MOF disagreed and sent the letter stating that "... lack of fair judgment." After the committee re-held, the Bank announced the administrative disciplinary action on them and then MOF sent the letter to adopt the punishment.
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars.	None
Others	None

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

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

29. STATEMENT OF CAPITAL ADEQUACY

Year	December 31, 2004	December 31, 2003
Items		
Capital adequacy ratio (Note)	13.10%	13.12%
Combined capital adequacy ratio (Note)	13.15%	13.17%
Ratios of debt to net worth	1,197.16%	1,309.20%

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

30. INFORMATION REGARDING BORROWERS, GUARANTERS AND COLLATERAL PROVIDERS AS INTEREST PARTIES

Category	Account Volume	December 31, 2004	The Possibility of Loss (Note c)
Consumer loans (Note a.)	229	\$ 65,764	-
Loans for employees' family mortgage	211	459,934	-
Other borrowers (Note b.)	848	4,788,814	-
Guarantees	612	26,104,642	-
Collateral providers	86	159,173	-

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

31. ADDITIONAL DISCLOSURES

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

- a. Financing provided: Not applicable.
- b. Endorsement/guarantee provided: Not applicable.
- c. Marketable securities held: Please see Table 1 (attached).
- d. Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 10% of the issued capital: Please see Table 2 (attached).
- e. Acquisition of individual real estates at costs of at least NT\$300 million or 10% of the issued capital: None.
- f. Disposal of individual real estates at prices of at least NT\$300 million or 10% of the issued capital: None.
- g. Total purchase from or sale to related parties amounting to at least NT\$300 million: None.
- h. Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: Please see Table 3.
- i. On sale of non-performing loan to at least NT\$5,000 million: None.

- j. Significant transaction material to the fair representation of the financial statement: None.
- k. Names, locations, and related information of investees on which the Company exercises significant influence: Please see Table 4 (attached).

32. INDUSTRY/SEGMENT INFORMATION

The Bank only engages its businesses in accordance with Banking Law No. 3; therefore, it is exempt from disclosing financial information of its business by industry segments. The Bank is further exempt from disclosing financial information by geographical segment as the revenue or the asset of its overseas business units are less than 10% of bank's total revenue or total asset respectively. The City Government is considered as a major client to the Bank. For information in regards to disclosure of major client, please refer to Note 22 - related party transactions.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004				Note
				Units (Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
TAIPEIBANK Life Insurance Agency Company Ltd.	Beneficiary certificate	-	Short-term investments	10,099	\$ 108,057	-	\$ 111,418	Note 2
	ABN AMRO SELECT Bond Fund Bond Government Bond 87-4	-	Long-term investments	-	3,017	-	3,049	

Note 1: Market values of the beneficiary certificate and government bond were based on net asset values in December 31, 2004 and the price as of December 31, 2004 published by the OTC exchange.

Note 2: Pledged as operating deposits.

TAIPEIBANK CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares (Thousand)	Amount
TAIPEIBANK Co., Ltd.	Chunghwa Telecom Co., Ltd.	Long-term investment	-	-	-	\$ -	14,122	\$876,917	-	\$ -	\$ -	\$ -	14,122	\$876,917
	Formosa Petrochemical Corp.	Long-term investment	-	-	-	-	12,398	715,671	-	-	-	-	12,398	715,671
	China Steel Corporation	Long-term investment	-	-	-	-	14,382	508,628	-	-	-	-	14,382	508,628
	Formosa Chemicals & Fiber Corporation	Long-term investment	-	-	-	-	7,266	424,290	-	-	-	-	7,266	424,290
	Mega Financial Holding Co., Ltd.	Long-term investment	-	-	-	-	18,193	388,710	-	-	-	-	18,193	388,710

TAIPEIBANK CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL

DECEMBER 31, 2004

(Amounts in Thousand of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
TAIPEIBANK Co., Ltd. (Note 1)	Fubon Assets Management	Equity accounted investee of the Bank's parent company	\$406,875	Not applicable	\$ -	Not applicable	\$ -	\$ -

Note 1: The receivable comes from disposal of nonperforming loans to Fubon Assets Management on December 30, 2004.

TAIPEIBANK CO., LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE FOR THE YEAR ENDED DECEMBER 31, 2004

(Amounts in Thousand New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2004	December 31, 2003	Shares (Thousand)	Percentage of Ownership (%)	Carrying Value			
TAIPEIBANK Co., Ltd.	TAIPEIBANK Life Insurance Agency Company Ltd.	2F, 50, Sec.2, Chungshan N.Road, The City, Taiwan 10419, R.O.C.	Life insurance agent	\$ 20,000	\$ 20,000	2,000	99.99	\$ 173,729	\$ 135,660	\$ 135,256	