

TAIPEI FUBON BANK Co.,Ltd.

ANNUAL REPORT 2005

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

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Please see page 21

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Address : 49th Floor Taipei 101 Tower No.7, Xinyi road, Section 5, Taipei 110,
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Tel : (886)-2-8722 5800

(2) Name : Standard & Poor's Ratings Service

Address : 36th Floor, Edinburgh Tower, The Landmark, 15 Queen's Rd, Central
Hong Kong

Tel : 852-2533-3523

(3) Name : Moody's Investors Service

Address: 18th Floor, 333, Sec.1, Keelung Road, Taipei e City, Taiwan 110, R.O.C.

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5. Certified Public Accountants for Fiscal Year 2005

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6. Exchange Houses where Overseas Securities are Listed : None

7. Website

www.taipeifubon.com.tw

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I. Message to Shareholders

With international crude oil prices repeatedly hitting new highs, prices of raw materials hovering at high levels, and global interest rates continuing to rise, the global economy experienced a slowdown in growth momentum in 2005, dampening the expansion of Taiwan's merchandise trading. However, Taiwan's economy continued to rebound thanks to the government's loose monetary policy and expansion of public outlays. Following the merger with Fubon Bank on January 1, 2005, our bank, aided by the abundant resources of Fubon Financial Holding, has performed well in the fields of cross selling, innovation of products and services, and joint marketing. Our bank scored pre-tax profits of up to NT\$5.28 billion, and our outstanding achievements have won great recognition from various parties.

Along with the pursuit of business growth and profits, our bank still emphasizes the management of quality assets, maintaining its non-performing loan (NPL) ratio at a level consistently lower than the industry's average. At the end of 2005, the bank's NPL ratio reached only 2.42% and its NPL coverage ratio, in the broader definition, hit a high of 58.97%, demonstrating our bank's excellent management strength and development potential. Meanwhile, in compliance with the new Basel II Capital Accord, the bank has gradually established a more precise risk management mechanism.

Due to the bank's satisfactory business performance and assets quality, Taiwan Ratings Corp. announced on September 6, 2005 that it had upgraded the long-term credit rating of Taipei Fubon Bank to "twAA+," from the original "twAA," and maintained its short-term credit rating at "twA-1," with a "stable" outlook, which reflect our bank's superior profit-making ability and asset quality, in comparison with banking peers in Taiwan.

In order to boost capital utilization efficiency following the substantive merger on January 1, 2005, our bank reduced capital by NT\$10 billion in May 2005, a move that doesn't affect the bank's financial health. On the contrary, with profits remaining unchanged, the move boosted the banks' performance in ROE (return on equity) and EPS (earnings per share), creating a positive effect on the bank's management.

With the number of clients and amount of credit extended expected to grow to a remarkable scale of economy, as well as the effective lowering of management costs after the merger, our bank will surely enjoy an outstanding performance this year. In compliance with its business strategy, our bank adjusted its organizational structure in early 2006, centering on the diverse business groups of Fubon Financial, to pull out all the stops for the development of various businesses, including corporate banking, consumer finance, wealth management, financial markets, and credit cards. Our bank has also spared no efforts developing new products, deepening relationships with clients, upgrading service quality, expanding business scale, and reinforcing international

competitiveness, in addition to cooperating with other subsidiaries of Fubon Financial Holding to bring into full play cross-selling effects and merger synergies.

Moreover, our bank will continue to pursue business opportunities in the greater China market by stepping up the cooperation between its Hong Kong branch and Fubon Bank (Hong Kong) to tap the mainland Chinese market, thereby marching toward the goal of becoming a region-leading bank in Asia. With the years of staunch support and patronage of our shareholders, board directors, supervisors, and clients, the bank will never let up further enhancing its business performance, so as to repay shareholders and society in general.

Brief descriptions of the business report for 2005, business plan for 2006, and the latest credit ratings are as follows:

1. Business Report for 2005

(1) Implementation of the Business Plan and Execution of the Budget

As of the end of December 2005, outstanding deposits topped NT\$733,547 million, for a growth of 1.43% and achieving 90.94% of the budget target. Outstanding loans grew 24.29% to NT\$549,331 million, 108.74% of the budget target. Foreign-exchange business advanced 16.53% to US\$38,995 million.

(2) Analysis of Financial Statement and Profit-Making Ability

Business revenue in 2005 reached NT\$48,096 million, up 11.7% over the previous year, with operating costs increasing by 59.29% to NT\$32,083 million. Pre-tax profits amounted to NT\$5,280 million, down NT\$5,456 million from the previous year, achieving 40.61% of the budget target, with pre-tax EPS (earnings per share) reaching NT\$1.64. After-tax profits stood at NT\$5,034 million, for a decrease of NT\$3,662 million from the previous year and achieving 48.46% of the budget target, with after-tax EPS reaching NT\$1.56. In 2005, pre-tax return on asset (ROA) rate stood at 0.53%, pre-tax return on equity (ROE) at 6.66%, and after-tax net profit rate at 10.47%.

2. Business Plan for 2006

(1) Business Policies and Directions

- (A) Deposit Business: Raising the ratio of demand deposits, upgrading the quality and services of financial automation;
- (B) Loan Business: Actively developing pluralized products and channels, soliciting quality clients;
- (C) Financial Market Business: Flexible trading strategy, development of regional financial trading center;

- (D) Credit Card Business: Carrying out segmented marketing, strengthening client loyalty, intensifying quality control of credit-card assets;
- (E) Wealth Management Business: Providing clients comprehensive wealth management services, assisting clients in capitalizing on their wealth;
- (F) Liquidating NPLs: Intensifying the liquidation of NPLs and collection of debts, effectively lowering NPL ratio;
- (G) Risk Management Business: Complying with new Basel II Capital Accord, strengthening risk management ability, and enhancing business performance.

(2) Major Business Goals:

- (A) Deposit Business: NT\$762,590 million
- (B) Loan Business: NT\$697,565 million
- (C) Business Revenue: NT\$64,202 million
- (D) Pre-Tax Profits: NT\$9,541 million.

3. Credit Rating

Rating Date	Credit Rating Institution	Long-term Credit Ratings	Short-term Credit Ratings	Credit Worthiness	Outlook
05/06/2005	Moody's	A3	P-1	C-	Stable
09/06/2005	Taiwan Ratings Corporation	twAA+	twA-1	Very Strong	Stable
09/06/2005	S&P	A-	A-2	C+	Stable

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 establishmen, 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

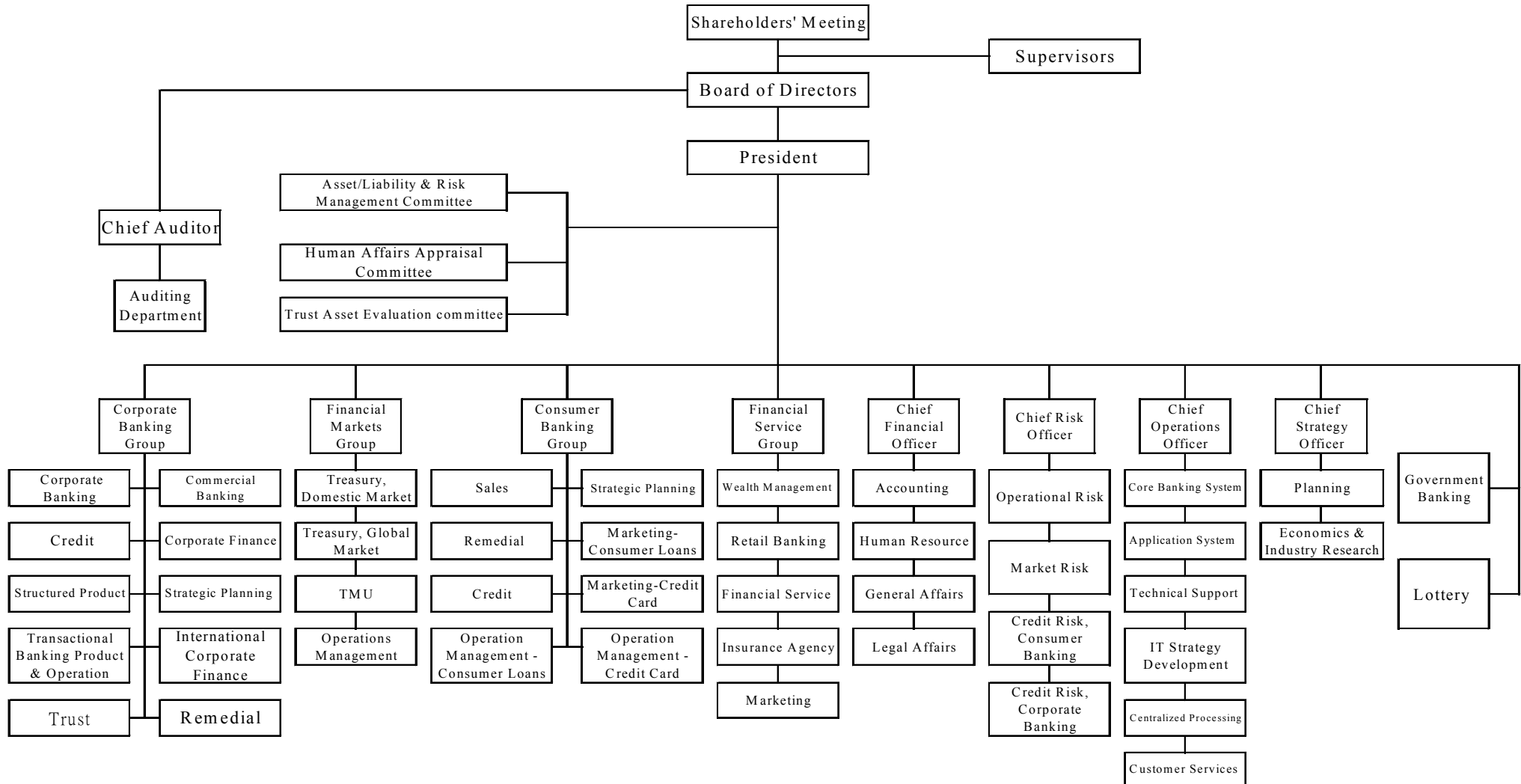
government-owned bank and an accomplished private bank in Taiwan. The move will not only help Fubon FHC expand its earnings potential but also achieve a milestone in Taiwan financial merge history.

2. Organizational Structure

(1) ORGANIZATION CHART

Dec31,2005

2005.12.31



(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
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	Su-Gin Huang	Fubon Financial Holding Co.	Deputy Commissioner, Dept. of Finance, Taipei City Government National Taichung Junior Commercial College	01/19/05	Till the expiration of the current term
Director	Jesse Y. Ding	Fubon Financial Holding Co.	MBA, University of Detroit Mercy, USA	12/23/02	3 yrs
Director	Chao-Yang, Kao	Fubon Financial Holding Co.	National Taiwan University, Law Department Manager, Taiwan Small-Medium Commercial Bank	01/19/05	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	C. F. Lin	Fubon Financial Holding Co.	President of Fubon Direct Marketing & Consulting Co., Ltd. President of Fubon Multimedia Technology Co., Ltd. MSM-Master in Science Mgt. Baker University, Kansas USA	05/13/05	Till the expiration of the current term
Director	Jerry Harn	Fubon Financial Holding Co.	Executive VP, Chinatrust Commercial Bank The Ohio State University MBA	08/10/05	Till the expiration of the current term
Supervisor	Yophy Huang	Fubon Financial Holding Co.	Associate professor, National Taipei College of Business PhD, Economics , Indiana University, USA	01/19/05	Till the expiration of the current term
Supervisor	Victor Kung	Fubon Financial Holding Co.	Graduate School of Finance, New York University, USA CFO, Fubon Financial	12/23/02	3 yrs
Supervisor	Ruey-Chang. Hu	Fubon Financial Holding Co.	Dept. of Business, Taiwan University Executive Vice President. Fubon Commercial Bank Co.Ltd	08/01/05	Till the expiration of the current term

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

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

III. Business Operations

1. Business Information

(1) . Breakdown of Total Revenues

Unit : %

Items	2005	2004
Wealth Management	19.87	19.16
Loans	31.35	33.80
Others	48.78	47.04
Total	100.00	100.00

(2) Business Performance

(A) Wealth Management

In order to develop its wealth management business, the bank actively solicited personal deposits in 2005. Stimulated by the six continuous interest rate hikes by the Central Bank of China, customer preference for personal deposits increased, helping the bank to boost its total deposits to NT\$733.5 billion as of the end of 2005, up 1.43% year-on-year.

In the first quarter of 2005, the bank launched a “profit-doubling” program bundling investments in structured notes with time deposits, which received a warm reception from clients and lasted throughout the year. The program not only brought in fresh funds to the bank but also prompted peers to roll out similar competitive products. In the third quarter, the bank launched its dollar-averaging program for investing in mutual funds called “Gathering Sands Into a Tower,” greatly augmenting the number and value of our dollar-averaging investment accounts.

In order to boost its stable income, our bank successfully inaugurated its investment platform for group management accounts, leading to the formal establishment of two group management accounts—for global blue-chip value stocks and global quality bonds—at the end of October, with the assets in the accounts accumulating to more than NT\$3.6 billion as of the end of December 2005, bringing the bank stable income from the management fees.

(B) Consumer Banking

At of the end of 2005, our consumer banking had scored a 7.11% growth year-on-year, including a 7.07% growth for outstanding housing loans, 5.44% for credit loans (including common credit loans, student loans, and cash cards), and 86.55% for auto loans. The major growth driver was the proper application of a strategy emphasizing both business quality and volume. In addition to its active innovation on new product design, the development of pluralized sales channels, and intensification of database marketing, our bank also regularly reviewed the credit status of clients and the quality of their assets, and adjusted our policy

for product pricing and credit extension accordingly, so as to strengthen our post-loan management functions.

In the aspect of housing loans, we launched three different kinds of products, known as the “Chihsi Program,” “Second-Generation Weili,” and “Fubon Wealth Manager,” allowing clients to make the optimal choices according to their respective needs for funds. In addition, our bank actively strived to offer various policy loans, winning the exclusive businesses of housing loans for public functionaries and public-school teachers in Taipei in 2005 and housing loans for central-government functionaries in 2005, effectively augmenting the business scale of the bank’s housing loans. In the aspect of credit loans, the bank endeavored to satisfy the needs of different client groups with complete product lines, targeting at soliciting a variety of clients, including professionals such as doctors, certified public accountants, lawyers, public functionaries, and teachers, as well as employees of the 1,600 largest enterprises (according to the evaluations of Commonwealth magazine), salaried workers, house owners, and borrowers with good credit records transferred from other banks. In a pioneering response to the requirement of regulators for controlling its exposure as far as lending costs, the bank initiated its policy for making “honest loans.” In the aspect of auto loans, the bank actively developed the market for used-car loans, enabling the business volume to post a phenomenal growth.

In the aspect of credit card business, in 2005 the bank dedicated itself to the R&D of new-generation bank cards, rolling out the “Fubon A Money Platinum Card” featuring the highest cash rebate in Taiwan, as well as the “Fubon A Miles Aviation Card,” which features the bonus that can generate mileage credits with various airlines. These steps enabled the bank to not only attract clients previously using similar, competing products, but also to boost the monthly consumption value of its credit cards to more than NT\$10 billion.

In 2005, in order to strengthen the loyalty of clients and enhance the utilization rate of credit cards, in addition to the continuous promotion of various feed-back programs for card holders, such as “the gift of robotic CD suitcase for using credit cards eight times” and “lottery for use of credit cards,” the bank also completed the installation of the program for “on-line offsetting of payment for card consumption with accumulated bonus points,” offering credit-card holders more pluralized services. In addition, in response to the need of installment payment in the market, the bank actively planned various installment payment products and installment repayment for cash advance. In addition to continuing cooperation with large sales outlets and department stores for installment payment schemes, the bank also offered different preferential services for installment payment according to seasonal or market changes, such as “installment payment for income taxes” program offered during the tax payment season in May. Meanwhile, thanks to the success of the promotional strategy for the “Futon A Money platinum card” program, in 2005 overall credit-card consumption increased 6.27%, or NT\$6.2 billion, with the outstanding amount of revolving credit rising NT\$3.4 billion or 14.6%.

In line with the development trend toward IC-chip cards, the bank has completed the

installation of equipment for producing chip credit cards, as well as a trading system, and has been continuously promoting the issuance of chip cards and the conversion of old cards. In the future, the bank will continue to develop in the direction of pluralized applications, with the aim of developing chip cards that have various functions, so as to boost the services and utilization rates of credit cards.

(C) Corporate Banking

Following the merger between Taipei Bank and Fubon Bank on Jan. 1, 2005, the new entity, Taipei Fubon Bank, has focused its corporate banking business on the planning of customized financial products for different clients and has concentrated on marketing for major business items, so as to provide clients with comprehensive services. In addition to the provision of common operating loans, equipment financing, policy loans, payment guarantees, credit extensions for notes, and e-financing, the bank has also designed structured financial products and financial derivatives according to the individual needs of clients, so as to help them sidestep the risks related to interest rates and exchange rates. Moreover, in conjunction with the credit guarantee system for small and medium-sized businesses, the bank actively rolled out a number of special loan programs for small and medium enterprises (SMEs), including the “batch credit guarantee,” “rapid profit,” “business start-up loan,” and “Kinmanyi loan” programs.

In 2005, the bank’s total outstanding corporate loans posted an annual growth of 6.99%. The biggest item continued to be common operating loans, which grew 19.37% and accounted for 42.17% of the total. Volumes for export-import financing and credit extension by overseas branches also scored evident growth in the year.

Conducting financial business in the greater Chinese market has become a focal point for Taiwanese financial institutions, and our bank has also been actively engaged in this competitive field to strive for business opportunities. Our appointed foreign exchange branches have been approved to engage in the exchange business, such as import/export-related foreign exchange transactions, with Chinese branches of foreign banks and Chinese financial institutions, along with their overseas branches, while our offshore banking unit (OBU) has continued to maintain foreign-exchange remittance links with the aforementioned institutions. Moreover, our financial holding company acquired the International Bank of Asia in Hong Kong as a springboard for tapping the Chinese market. In January 2005, the bank launched its service for “Hong Kong-Taiwan two-way rapid remittance,” offering our corporate clients quality foreign-currency remittance services. Following the merger, the bank scored remarkable progress in the fields of export financing, foreign-currency remittance, and foreign-currency deposits in 2005, in comparison with 2004 before the merger took place.

(D) Treasury

In 2005, the overall New Taiwan dollar loan/deposit ratio of the bank rose to 75% at the end of the year, up from 62% at the beginning of the year and greatly boosting fund utilization efficiency and expanding the room for financial maneuvering. As the bank

continued to serve as a commonly designated trader for the open-market operation of the Central Bank of China, we became even more active in call-loan transactions and quotes. Trading volume of derivative products also grow sharply to rank third among domestic banks for such business.

In 2005, bond yield rates fluctuated within a certain range. With the U.S. Federal Reserve Board's policy of continuously raising interest rates at a stable pace have been fully expected by the market due to such factors as mixed performances of U.S. economic statistics (including the effects of hurricane Katrina), soaring international energy prices, abundant market funds, and the flattening of the yield-rate curve, long-term interest rates didn't rise considerably on the expectation for interest-rate hikes by the Fed. On the contrary, interest rates for 10-year U.S bonds remained below 4.7% throughout the year, closing at 4.35% at year-end. With strict monitoring of PVBP (price value of a basis point) and in consideration of the large-scale flattening of yield-rate curves which will squeeze profit margins, the bank enhanced its position for holding highly rated and timely high-yield bonds, and also shortened the duration for its maintenance of this position, so as to maximize our profits. Coupled with short-term currency and securities trading and periodic investments in futures and options, these practices enabled the bank to rack up a phenomenal growth in net income.

In 2005, in order to meet the different needs of corporate, SME, FI (financial institution), and retailing clients, the bank set up teams comprising financial marketing specialists to provide custom services for structured products, such as foreign exchanges and interest rates.

The merger of Fubon Bank with Taipei Bank boosted the bank's bond holdings to NT\$56,494.7 million in face value, from NT\$35,566.6 million originally, which advanced further to NT\$68,656.4 million at year-end. As yield rates of bonds already dropped to a comparatively low level and the overall duration of bonds also declined, the bank actively took part in bids for the procurement of government and corporate bonds in the primary market and sold out the positions after yield rates dropped, pocketing handsome profits and helping to enliven trading in the secondary market, with the bank's trading volume ranking highest among all domestic banks. Moreover, the bank installed a platform for trading government bond options, adding another risk-hedging tool for the bank's bond investments.

In 2005, under the impact of various bearish market forces, the bank focused its investment strategy for the stock market on the adjustment of its investment portfolio following the merger, so as to boost its holdings of high-cash-dividend stocks for long-term investments, as well as the promotion of new business directions related to share holdings, in order to diversify risks.

(E) Trust

Taipei Fubon Bank and Fubon Securities jointly served as the financial consultants for the issuance of the first domestic REIT (Real Estate Investment Trust), dubbed the "Fubon No. 1 Real Estate Investment Trust Fund," which triggered an enthusiastic reception among

investors, resulting in a five-times over-subscription. The fund formally listed for trading on March 10, and used loans to purchase the sales outlets in the Chungluen building in Taipei that were listed by the Ruentex Group, setting the precedent for domestic REITs to purchase real estate with loans.

Moreover, the bank and Fubon Securities also jointly served as the financial consultants for planning the issuance of the Fubon No. 2 Real Estate Investment Trust Fund, which is based on the offices in the Chungluen building of Ruentex Group, the Fubon Minsheng building, and the Fubon Neihu building. The fund was approved by the Financial Supervisory Commission on March 7, 2006 and listed for trading at the Taiwan Stock Exchange on April 13, with total issuing value of NT\$7,302 million, sparking another warm reception in the market.

(F) Government Treasury Services

In 2005, the bank handled 3.63 million cases of government-related business. In addition to our own business, the bank also entrusted 37 financial peers, with a total of 780 substitute tax collection points, for the collection of various tax payments for the Taipei city government. In 2005, the bank collected tax revenue totaling NT\$43,659 million on behalf of the city government.

In order to provide more quality government-finance services, in 2005 the bank began to entrust convenience stores to collect various government fees, including “tuition and miscellaneous fees for Taipei-city public elementary and high schools,” “tuition and miscellaneous fees for Taipei-city public kindergartens,” “various fees for the Department of Urban Development, Taipei City Government,” and “ad-inspection fees for the Department of Health, Taipei City Government.” In addition, the bank initiated “ATM (automated teller machine) tax payments over the Internet”; joined the national tax-payment operation platform; began bar-coded reading and file transmission for government agencies and schools; and initiated tax payments via financial chip cards and demand deposits. The objective of all these actions was to provide more convenient government-related financial services to the citizens in Taipei, achieving savings in manpower, resources, and expenses.

In order to pluralize government credit extension, in addition to the offering of various special loans in line with government policies, the bank also provided various loans to help finance major construction projects of the Taipei City Government, and actively took part in the bids or negotiations for various loans for municipal governments and central-government agencies, taking advantage of the bank’s experience in government-coffer financial channels and substitute tax collection, so as to expand the scope of the bank’s government-loan business.

(G) Public Welfare Lottery

In 2005, total sales of Taiwan’s public welfare lottery dipped to NT\$71,885.47 million, for a sharp decrease of NT\$14,513.6 million, or 16.79%, from the previous year, including NT\$60,076 million in sales of computerized lottery tickets, NT\$21 million for traditional lottery tickets, and NT\$11,788.4 million for instant-type lottery tickets. The decline is

attributed mainly to the overall business slowdown during the year. Economic downturns normally have a greater effect on products that are not necessities for daily use, such as lottery tickets. Related legal restrictions and public welfare-oriented channels also led to a spiraling contraction of the lottery market.

In 2005, income from the lottery business amounted to NT\$3,068 million, for a decrease of NT\$531 million or 14.76%, from the 2004 level of NT\$3,599.8 billion.

2. Business Strategies and Business Plans for 2006

(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) Following its established wealth management programs called “Meals for Dear Kids” and “Meals of Loving Parents,” the bank rolled out its “Valued Kid Meals,” integrating “time deposits of small deposits and lump-sum payments” with “dollar averaging” investments, offering parents a channel for accumulating education funds or living expenses for their children.
- 2) The bank will endeavor to upgrade the market status of its automated financial services, aiming to “become the No. 1 brand in the automated financial services market within two years” by efficiently enhancing its service quality and expanding its service points.
- 3) The bank will work to elevate client satisfaction with network banking/network ATM (automated teller machine)/telephone banking services.
- 4) In line with promoting the integrated marketing of its financial holding firm, the bank will establish a business model focusing on the allocation of assets, supplemented with product recommendations, so as to provide clients boasting large assets comprehensive wealth management services that will help them enhance their personal wealth.
- 5) In the area of structured bonds, in addition to searching for investment opportunities in markets worldwide, the bank will offer Asian or European currency products and shorten the duration of its products, so as to help clients boost their investment returns.

(B) Consumer Banking

- 1) The bank will continue to develop new products and repackage existing products, so as to satisfy needs of clients for funds in a timely manner.
- 2) The bank will adopt an effective client-grouping management system in order to attract quality clients with good vocational conditions and strong repayment capability.
- 3) Via database marketing, the bank will provide preferential products to existing, quality loaners to prevent substitute repayment by peers, so as to further expand the scale of lending assets and effectively control the quality of loan assets.
- 4) The bank will periodically review its operational status and asset quality, thereby adjusting product pricing and lending policy in a timely manner, and will also establish a management framework of product lines to faithfully reflect the performance of those products.
- 5) The bank will expand its sales force and increase the number of staffers stationed at branches, in addition to the adopting a system to stimulate sales, so as to boost the dynamics of the sales team.
- 6) The bank will initiate an acquiring-bank business for credit cards, so as to boost its income from service fees, as well as overall profits.
- 7) The bank will establish a credit rating system for credit-card clients and an analytical system for consumption behavior, so as to review the principles of credit verification and product pricing it uses, as well as to make proper adjustments in response to market changes. These systems will be launched to reinforce the quality of credit verification and develop precise product marketing strategies.
- 8) The bank will intensify its control over the quality of credit-card assets, actively write off bad debts, make good use of outsourced debt collection, and adjust its program for the utilization of debt-collection vehicles and debt-collection strategies, in accordance with the market environment and the debt negotiation mechanism being promoted by the regulator.

(C) Corporate Banking

- 1) The bank will deeply cultivate business opportunities from existing clients in the direction of “multiple-product transactions,” so as to augment the width and depth of business exchanges between big enterprises and the bank.
- 2) The bank will develop new clients and adopt a unified accounts system under the group in order to satisfy client needs. We will also take advantage of various opportunities to tap leading listed firms that have yet to establish business relationships with the bank, so as to solicit more new clients.
- 3) The bank will develop new products to meet the diversified needs of clients.
- 4) Along with its trade financing business, the bank will strengthen trade-related currency exchanges, financing, and foreign-currency demand deposits.
- 5) The bank will continue incorporating its overseas branches into its client service

network, and, in tandem with the government's liberalization policy, offer cross-border financial services to our clients.

(D) Treasury

- 1) The bank will integrate its the Hong Kong financial trading platform for the development of a regional financial trading center.
- 2) The bank will adopt a nimble trading strategy and strictly manage risks.
- 3) Regarding its foreign exchange business, in 2006 the bank will establish an advanced trading system and augment its trading techniques, so as to solicit more business and obtain steady profits, in addition to active development of non-delivery forwards (NDFs) to meet the risk-hedging needs of clients.

(E) Trust

- 1) The bank will promote its trust businesses for construction financing, joint development of Taipei's MRT (mass rapid transit) system, urban renovation, various collateral objects, and bad debts.
- 2) The bank will promote the trust businesses of assets management for corporate bodies, cash holdings, securities, real estate, public benefits, employee welfare, and pension funds.
- 3) The bank will promote securitization of real estate and financial assets.

(F) Government Treasury Services

- 1) The bank will expand the scope of its public-funds business and solicit the business of various levels of government.
- 2) The bank will expand its business of entrusting convenient stores to collect various taxes and fees, so as to increase service fees of the bank.
- 3) The bank will actively develop business concerning reengineering of the flow of public-funds in business and e-operations.

(G) Lottery Business

- 1) The bank will establish a promotional strategy for the public-welfare lottery focusing on the concrete contributions of lottery earnings to public welfare, as well as work to deepen the lottery's brand image.
- 2) The bank will continue to highlight the two product values of "hope" and "fun" to expand the lottery's market base and assure the achievement of its earnings target for the year.
- 3) The bank will execute the concept of "integrated marketing and transmission" in order to more efficiently carry out communications and interaction with consumers, as well as to boost the cost effectiveness of marketing activities.
- 4) The bank will continue to establish the "databank marketing" basis to carry out various promotional activities in a more precise and effective manner.

3. Research & Development Plans

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

Item	Unit	2005	2004
R & D Spending	NT\$1,000	-	34,803

(2) Research and Development Plans

Since its inception, Fubon Financial Holding has consolidated its banking, life insurance, and securities businesses, among others, to become a financial conglomerate with the most comprehensive financial services in Taiwan. To continue integrating the resources of the financial holding firm to facilitate its business expansion, Taipei Fubon Bank will undertake the acquiring-bank business for credit cards, in order to make the acquiring service a stepping stone for tapping other related business opportunities and increase the bank's income from service fee. In addition, the Bankers Association is actively promoting the conversion of magnetic-stripe credit cards to IC-chip cards. The chip cards were initially promoted because of their addition of anti-counterfeiting functions of chip cards, but today various issuing institutions hope to further utilize the chip cards to develop loyalty utilization and other functions. Since the use of chip cards requires the support of compatible payment terminals, the bank will develop such payment terminals in compliance with EMV (Europay, MasterCard, and Visa) specifications, and will also develop multi-functional credit cards, in order to enhance the loyalty and utilization rates of credit-card holders.

4. Employees Structure

Year		2005	2004		As on April 19,2006
			TAIPEIBANK	Fubon Bank	
Number of employees	Staff	5,301	2,447	1,695	5,554
	Works	152	32	625	164
	Total	5,453	2,479	2,320	5,718
Average age (years)		32.7	33.64	31.10	33.41
Average seniority (years)		6.91	9.44	9.00	6.72
Education level	Graduate or higher	6.35%	4.00%	5.68%	6.89%
	College/University	83.20%	85.97%	82.20%	82.76%
	Senior high school	10.21%	8.71%	12.03%	10.13%
	Below senior high	0.24%	1.32%	0.09%	0.22%

IV. Special Notes

1. Dividend Policy and Status of Execution

(1) Dividend Policy

After yearly budget settlements, after-tax profits, if they exist, will be first used to make up deficits from the previous year, with 30% of the balance being set aside for legal reserves. Of the remainder, less than 5% will be appropriated as employee bonuses, while the remainder will be incorporated into the accumulated retained earnings of past years. The board of directors will then make a proposal for payout of dividends, which will be submitted to the shareholders' meeting for final ratification.

Measures for the bonus payout will be formulated by the board of directors.

Before legal reserves equal paid-in capital and when the capital/risk-based assets ratio meets the requirements of the Banking Law, the ceiling for the payout of cash earnings should comply with the stipulations of the Banking Law and the requirements of the regulator.

(2) Status of Execution

In 2005, the board of directors resolved the appropriation of the 2004 Cash dividends as follows:

Total Cash dividends	Cash Dividend Per Share
\$ 2,794,933,784	\$ 1.20

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

In 2006, the bank intends to carry out a capital increment of NT\$11,495,992,000 via conversion of legal reserves and capital reserves, boosting paid-in capital to NT\$39,627,166,560. The stock-dividend payout will strengthen the bank's equity structure, with no influence on the bank's business performance for this year. On the basis of the after-tax profits of NT\$5,034 million in 2005, the bank's EPS (earnings per share) would reach NT\$1.27 after the capital increment, slightly lower than the actual after-tax EPS of NT\$1.56 in 2005.

(4) The board of directors approved the earnings distribution proposal for 2005 :

Statement of Earning Distribution

Unit: NTD

Item	Amount
Items of Earning :	
Net Earning of Fiscal Year 2005	5,034,394,767
Accumulated Earning	123,803,955
Total	5,158,198,722
Items of Distribution :	
Legal Reserve	1,510,318,430
Employees' Bonus	35,240,763
Directors' and Supervisors' Bonus	-
Cash Dividend Distribution	3,612,639,529
Undistributed Earning	-
Total	5,158,198,722


2. Implementation of the Internal Controls System

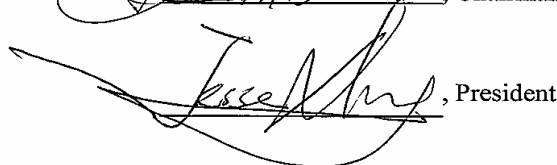
Statement of the Internal Control System of Taipei Fubon Bank

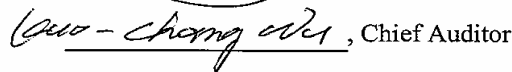
March 15, 2006

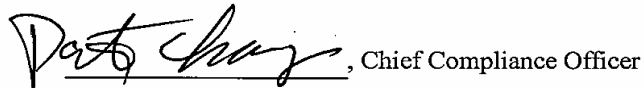
To : Financial Supervisory Commission, Executive Yuan

On behalf of the Taipei Fubon Bank Co. Ltd., we hereby declare that during the period from January 1, 2005 to December 31, 2005, the bank was in compliance with "Enforcement Regulations for Bank Internal Audit Control System", established internal control system, risk management process and auditing by independent audit department, and submitted reports to the Board of Directors and Supervisors on a regular basis. On the securities business, the bank has evaluated the effectiveness of design and execution of internal control system in accordance with "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets". We concluded, after evaluation with faithful care, that every department of the bank has duly performed internal control and compliance. This statement will be a major part of the bank's annual report and proxy statement, which will be publicized. The bank shall be held liable for misrepresentation or nondisclosure in the above content, according to Articles 20, 32, 171, and 174 of the Securities and Exchange Law.

 , Chairman

 , President

 , Chief Auditor

 , Chief Compliance Officer

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

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

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-3051	Chunghsiao Branch	107, Sec.4, Chunghsiao E. Road, Taipei City, Taiwan 10690, R.O.C.	886(2)27417880
012-3062	Chengteh Branch	142, Sec.2, Chengteh Road, Taipei City, Taiwan 10359, R.O.C.	886(2)25536553
012-3073	Lungchiang Branch	28, Sec.3, Nanking E. Road, Taipei City, Taiwan 10489, R.O.C.	886(2)25073817
012-3109	Yenping Branch	69, Sec.2, Yenping N. Road, Taipei City, Taiwan 10346, R.O.C.	886(2)25552170
012-3202	Mucha Branch	92, Sec.3, Mucha Road, Taipei City, Taiwan 11648, R.O.C.	886(2)29391035
012-3213	Muhsin Branch	212, Sec.3, Muhsin Road, Taipei City, Taiwan 11660, R.O.C.	886(2)29383791
012-3305	Lungshan Branch	161, Hsining S. Road, Taipei City, Taiwan 10844, R.O.C.	886(2)23718720
012-3408	Pate Branch	178, Sec.3, Pate Road, Taipei City, Taiwan 10555, R.O.C.	886(2)25776467
012-3419	Yungchuen Branch	15-1, Fude Street, Taipei City, Taiwan 11078, R.O.C.	886(2)27592921
012-3420	Yungchi Branch	185, Yungchi Road, Taipei City, Taiwan 11063, R.O.C.	886(2)27628700
012-3501	Chungshan Branch	162, Sec.2, Chungshan N. Road, Taipei City, Taiwan 10452, R.O.C.	886(2)25963171
012-3604	Peitou Branch	2, Sec.1, Chungyang N. Road, Taipei City, Taiwan 11263, R.O.C.	886(2)28915533
012-3615	Shihpai Branch	216, Wenlin N. Road, Taipei City, Taiwan 11287, R.O.C.	886(2)28271616
012-3707	Taan Branch	37, Sec.4, Jenai Road, Taipei City, Taiwan 10685, R.O.C.	886(2)27312333
012-3800	Tatung Branch	175, Sec.3, Chungking N. Road, Taipei City, Taiwan 10369, R.O.C.	886(2)25929282
012-3903	Kuting Branch	100, Sec.3, Roosevelt Road, Taipei City, Taiwan 10088, R.O.C.	886(2)23650381

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-4003	Shuangyuan Branch	19, Tungyuan Street, Taipei City, Taiwan 10864, R.O.C.	886(2)23030374
012-4014	Wanhua Branch	482, Wanta Road, Taipei City, Taiwan 10872, R.O.C.	886(2)23325901
012-4106	Chiencheng Branch	22, Nanking W. Road, Taipei City, Taiwan 10352, R.O.C.	886(2)25554161
012-4117	Shihfu Branch	1, Shihfu Road, Taipei City, Taiwan 11008, R.O.C.	886(2)27298999
012-4209	Nankang Branch	19-5, Sanchung Road, Taipei City, Taiwan 11501, R.O.C.	886(2)26551177
012-4302	Chingmei Branch	64, Chingwen Street, Taipei City, Taiwan 11670, R.O.C.	886(2)29352636
012-4313	Hsinglung Branch	69, Sec.3, Hsinglung Road, Taipei City, Taiwan 11694, R.O.C.	886(2)86639889
012-4405	Neihu Branch	6, Lane 174, Sec.3, Chengkung Road, Taipei City, Taiwan 11460, R.O.C.	886(2)27961820
012-4427	Wende Branch	42, Wende Road, Taipei City, Taiwan 11475, R.O.C.	886(2)26582620
012-4508	Tunhua Branch	201, Tunhua N. Road, Taipei City, Taiwan 10508, R.O.C.	886(2)27131660
012-4542	Minsheng Branch	163-1, Sec.5, Minsheng E. Road, Taipei City, Taiwan 10573, R.O.C.	886(2)27640853
012-4601	Hsinyi Branch	299, Sec.4, Hsinyi Road, Taipei City, Taiwan 10681, R.O.C.	886(2)27006381
012-4612	Juangjing Branch	286, Juangjing Road, Taipei City, Taiwan 11049, R.O.C.	886(2)27226206
012-4623	The World Trade Center Branch	13F, 333, Sec.1, Keelung Road, Taipei City, Taiwan 11012, R.O.C.	886(2)27252916
012-4704	Sungchiang Branch	200, Sungchiang Road, Taipei City, Taiwan 10467, R.O.C.	886(2)25434282
012-4807	Hoping Branch	236, Sec.2, Fuhsing S. Road, Taipei City, Taiwan 10663, R.O.C.	886(2)27022421

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-4900	Yenchi Branch	387, Sec.4, Jenai Road, Taipei City, Taiwan 10693, R.O.C.	886(2)27527600
012-5000	Chengchung Branch	7, Qingdao W. Road, Taipei City, Taiwan 10041, R.O.C.	886(2)23615481
012-5103	Nanmen Branch	17,Chinhua Street, Taipei City, Taiwan 10092, R.O.C.	886(2)23971640
012-5206	Fuhsing Branch	234, Fuhsing N. Road, Taipei City, Taiwan 10480, R.O.C.	886(2)25023530
012-5309	Hsisung Branch	75-1, Sec.4, Nanking E. Road, Taipei City, Taiwan 10550, R.O.C.	886(2)27170037
012-5402	Changan Branch	82, Sungchiang Road, Taipei City, Taiwan 10456, R.O.C.	886(2)25519797
012-5505	Kueilin Branch	52, Kueilin Road, Taipei City, Taiwan 10849, R.O.C.	886(2)23026226
012-5701	Tunho Branch	77, Sec.2, Tunhua S. Road, Taipei City, Taiwan 10682, R.O.C.	886(2)27012409
012-5804	Tungmen Branch	61, Sec.2, Jenai Road, Taipei City, Taiwan 10062, R.O.C.	886(2)23512081
012-5907	Chunglun Branch	6, Fuhsing N. Road, Taipei City, Taiwan 10492, R.O.C.	886(2)27418257
012-6007	Keelung Road Branch	21, Sec.2, Keelung Road, Taipei City, Taiwan 11052, R.O.C.	886(2)27373671
012-6100	Chinhua Branch	178, Sec.1, Hoping E. Road, Taipei City, Taiwan 10645, R.O.C.	886(2)23698566
012-6203	Sungnan Branch	412, Sec.5, Chunghsiao E. Road, Taipei City, Taiwan 11061, R.O.C.	886(2)27255111
012-6214	Huaisheng Branch	215, Sec.3, Chunghsiao E. Road, Taipei City, Taiwan 10655, R.O.C.	886(2)27818380
012-6306	Minchuan Branch	37, Sec.3, Minchuan E. Road, Taipei City, Taiwan 10476, R.O.C.	886(2)25166786
012-6409	Chilin Branch	146, Chilin Road, Taipei City, Taiwan 10459, R.O.C.	886(2)25681248

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-6502	Shetzu Branch	225, Sec.5, Yengping N. Road, Taipei City, Taiwan 11171, R.O.C.	886(2)28168585
012-6605	Kangtu Branch	358, Chungshan 2nd Road, Kaohsiung City, Taiwan 80242, R.O.C.	886(7)3356226
012-6683	Hsihu Branch	240, Sec.1, Neihu Road, Taipei City, Taiwan 11493, R.O.C.	886(2)87511788
012-6694	ChinCheng Branch	46,Sec.3, Chincheng Road,Tucheng City, Taipei County, Taiwan 23680, R.O.C.	886(2)22631678
012-6708	Wanlung Branch	136, Sec.6, Roosevelt Road, Taipei City, Taiwan 11674, R.O.C.	886(2)29339956
012-6719	Chungkang Branch	160, Sec.1, Taichungkang Road, Taichung City, Taiwan 40354, R.O.C.	886(4)23207711
012-6720	Hsinchuang Branch	227, Hsintai Road, Hsinchuang City, Taipei County, Taiwan 24242, R.O.C.	886(2)29903366
012-6731	Taoyuan Branch	33, Chunghua Road, Taoyuan City, Taoyuan County, Taiwan 33065, R.O.C.	886(3)3367171
012-6742	Chengkung Branch	515, Chengkung Road, Tainan City, Taiwan 70057, R.O.C.	886(6)2803166
012-6764	Sunglung Branch	176-1,Sec.1, Keelung Road, Taipei City, Taiwan 10072, R.O.C.	886(2)27473399
012-6775	Puchien Branch	143, Sec.2, Chungshan Road, Panchiao City, Taipei County, Taiwan 22067, R.O.C	886 (2)89535118
012-6786	Hsinming Branch	582, Chungcheng Road, Chungli City, Taoyuan County, Taiwan 32047, R.O.C.	886(3)4023311
012-6797	Sanchung Branch	36, Sec.2, Chunghsiao Road, Sanchung City, Taipei County, Taiwan 24162, R.O.C.	886(2)89836868
012-6801	Fengyuan Branch	139, Hsiangyang Road, Fengyuan City, Taichung County, Taiwan 42080, R.O.C.	886(4)25220088
012-6812	Shuangho Branch	696, Chingping Road, Chunggho City, Taipei County, Taiwan 23559, R.O.C.	886(2)22438877
012-6823	Kushan Branch	387, Huarong Road, Kushan District,	886(7)5523111

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		Kaohsiung City, Taiwan 80454, R.O.C.	
012-6845	Fengcheng Branch	126, Minsheng Road, Hsinchu City, Taiwan 30043, R.O.C.	886(3)5343888
012-6856	Changhua Branch	349, Sec.2, Chungshan Road, Changhua City, Changhua County, Taiwan 50065, R.O.C.	886(4)7261333
012-6878	Yungho Branch	407, Deho Road, Yungho City, Taipei County, Taiwan 23451, R.O.C.	886(2)86601616
012-6890	The 101 Branch	5Fl., 45, Shihfu Road, Taipei City, Taiwan 11001, R.O.C.	886(2)81018585
012-7015	Shuanglien Branch	13, Sec.1, Minsheng E.Road, Taipei City, Taiwan 10451, R.O.C.	886(2)25115511
012-7026	Nanking East Road Branch	139, Sec.2, Nanking E.Road, Taipei City, Taiwan 10485, R.O.C.	886(2)25155518
012-7037	Tunpei Branch	138, Sec.3, Minsheng E.Road, Taipei City, Taiwan 10596, R.O.C.	886(2)27185151
012-7048	Jenai Branch	237, Sec.1, Chienkuo S.Road, Taipei City, Taiwan 10657, R.O.C.	886(2)23258878
012-7059	Kaohsiung Branch	1, Liouhe 1st Road, Kaohsiung City, Taiwan 80055, R.O.C.	886(7)2391515
012-7060	Chungcheng Branch	476, Chungcheng Road, Taoyuan City, Taoyuan County, Taiwan 33047, R.O.C.	886(3)3350335
012-7071	Taichung Branch	196, Sec.2, Liuchuan W. Road., Taichung City, Taiwan 40357, R.O.C.	886(4)22221911
012-7093	Sungshan Branch	421, Sungshan Road, Taipei City, Taiwan 11083, R.O.C.	886(2)27281199
012-7107	Tucheng Branch	100, Sec.1, Chungyang Road, Tucheng City, Taipei County, Taiwan 23664, 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,	886(7)7482088

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
		Kaohsiung County, Taiwan 83074, R.O.C.	
012-7130	Chungli Branch	119, Sec.2, Chungpei Road, Chungli City, Taoyuan County, Taiwan 32097, R.O.C.	886(3)4595766
012-7152	Anho Branch	B1, 169, Sec.4, Jenai Road, Taipei City, Taiwan 10686, R.O.C.	886(2)27787717
012-7163	Chengyi Branch	279, Chengyi N. Road, Sanchung City, Taipei County, Taiwan 24146, R.O.C.	886(2)29806688
012-7174	Tanan Branch	968, Sec.1, Chiehshou Road, Pate City, Taoyuan County, Taiwan 33442, R.O.C.	886(3)3616565
012-7185	Chiayi Branch	395, Jenai Road, Chiayi City, Taiwan 60045, R.O.C.	886(5)2231688
012-7196	Lingya Branch	39, Chunghua 4th Road, Kaohsiung City, Taiwan 80245, R.O.C.	886(7)3318822
012-7211	Panchiao Branch	266, Sec.1, Wenhua Road, Panchiao City, Taipei County, Taiwan 22041, R.O.C.	886(2)22549999
012-7222	Pei Taichung Branch	333, Sec.4, Wenhsin Road, Taichung City, Taiwan 40666, R.O.C.	886(4)22426222
012-7233	Sanmin Branch	530, Tashuen 2nd Road, Sanmin District, Kaohsiung City, Taiwan 80787, R.O.C.	886(7)3871299
012-7244	Chienkuo Branch	196, Sec.2, Chienkuo N. Road., Taipei City, Taiwan 10483, R.O.C.	886(2)25151775
012-7255	Hsinchu Branch	141, Chungcheng Road, Hsinchu City, Taiwan 30051, R.O.C.	886(3)5278988
012-7266	Hsintien Branch	266, Sec.2, Peihsin Road, Hsintien City, Taipei County, Taiwan 23143, R.O.C.	886(2)29129977
012-7277	Tienmu Branch	36, Tienmu E. Road, Taipei City, Taiwan 11153, R.O.C.	886(2)28763232
012-7288	Hsichih Branch	175, Sec.1, Tatong Road, Hsichih City, Taipei County, Taiwan 22145, R.O.C.	886(2)26411689
012-7299	Huanbei Branch	392, Huanpei Road, Chungli City, Taoyuan County, Taiwan 32070, R.O.C.	886(3)4265199

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
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, Taipei City, Taiwan 10046, R.O.C.	886(2)23885889
012-7336	Wuku Branch	445, Huacheng Road, Hsinchuang City, Taipei County, Taiwan 24253, R.O.C.	886(2)85213399
012-7347	Hsinying Branch	301, Minchi Road, Hsinying City, Tainan County, Taiwan 73047, R.O.C.	886(6)6569889
012-7358	Pingtung Branch	459, Hoping Road, Pingtung City, Pingtung County, Taiwan 90064, R.O.C.	886(8)7336899
012-7369	Chienchen Branch	289, Paotai Road, Chienchen District, Kaohsiung City, Taiwan 80643, R.O.C.	886(7)7170055
012-7370	Tunnan Branch	108, Sec.1, Tunhua S. Road, Taipei City, Taiwan 10557, R.O.C.	886(2)87719898
012-7381	Paosheng Branch	3, Paosheng Road, Yungho City, Taipei County, Taiwan 23444, R.O.C.	886(2)89230888
012-7392	Yuanlin Branch	596, Chukuang Road, Yuanlin City, Changhua County, Taiwan 51052, R.O.C.	886(4)8369189
012-7406	Luotung Branch	286, Hsintung Road, Luotung Town, Ilan County, Taiwan 26541, R.O.C.	886(3)9566611
012-7417	Juihu Branch	62, Juihu Street, Taipei City, Taiwan 11494, R.O.C.	886(2)26591088
012-6753	Chientan Mini-Branch	116, Sec.4, Chengteh Road, Taipei City, Taiwan 11167, R.O.C.	886(2)28866868
012-6867	Tunghu Mini-Branch	25, Tunghu Road, Taipei City, Taiwan 11487, R.O.C.	886(2)26336677
012-6889	Kangshan Mini-Branch	178, Chungshan N.Road, Kangshan Town, Kaohsiung County, Taiwan 83091, R.O.C.	886(7)6213969
012-7428	Chiho Mini-Branch	172-1, Sec.2, Keelung Road, Taipei City, Taiwan 10675, R.O.C.	886(2)66388988
012-7439	Nanchang Mini-Branch	65, Sec.1, Hoping W. Road, Taipei City, Taiwan 10078, R.O.C.	886(2)66305678

Branches Address and Telephone Number			
Code	Branch Name	Address	Tel.
012-7451	HuaLien Mini-Branch	256,Linsen Road, Hualien City, Taiwan 97050, R.O.C.	886(3)8353838
012-2043	Kuting Accounting Office	4Fl., 8, Sec.1, Roosevelt Road, Taipei City, Taiwan 10074, R.O.C.	886(2)23926508
012-4210	Nankang Accounting Office	2Fl., 360, Sec.1, Nankang Road, Taipei City, Taiwan 11579, R.O.C.	886(2)27831442
012-4416	Neihu Accounting Office	99-2, Sec.6, Minchuan E. Road, Taipei City, Taiwan 11466, R.O.C.	886(2)27915130
-	New York Agency	14TH FLOOR, 100 WALL STREET NEW YORK, NY 10005 U. S. A	(002-1-212) 9689888
-	Los Angeles Branch	33RD FLOOR, SUITE #3300 700 SOUTH FLOWER STREET LOS ANGELES CA90017 U. S. A	(002-1-213) 2369151
-	Hong Kong Branch	3/F, FUBON BANK BUILDING 38 DER VOEUX ROAD CENTRALH. K.	(002-852) 28227700
-	London Representative Office	1 BEAUFORT GARDENS LONDON NW4 3QN, U. K	(002-44-208) 2038028

Appendix 1

Annual Financial Report for 2005 and 2004

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.

We have audited the accompanying balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (formerly TAIPEIBANK Co., Ltd., a wholly owned subsidiary of Fubon Financial Holdings Company), as of December 31, 2005 and 2004 and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these 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 rules and 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 TAIPEI FUBON COMMERCIAL BANK Co., Ltd. as of December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks 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 repurchase or resell agreements 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 began to be treated as financing.

As described in Notes 1 and 32, TAIPEIBANK Co., Ltd. merged with Fubon Bank Co., Ltd. (a wholly owned subsidiary of Fubon Financial Holdings Company) by swapping shares on January 1, 2005. To increase the comparability of financial statements, the financial statements as of and for the year ended December 31, 2004 have been restated to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2005.

We have also audited the consolidated financial statements of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. as of and for the years ended December 31, 2005 and 2004, on which we have issued a modified unqualified opinion thereon in our report dated February 7, 2006.

April 10, 2006

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.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(Formerly TAIPEIBANK Co., Ltd.)

BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

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

ASSETS	2005		2004 (Restated - Note 1)	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 4)	\$ 19,507,072	2	\$ 19,219,808	2
DUE FROM CENTRAL BANK OF CHINA AND OTHER BANKS (Note 5)	164,333,065	17	71,845,810	7
SECURITIES PURCHASED, NET (Notes 2 and 6)	117,892,565	12	323,204,013	33
RECEIVABLES, NET (Notes 2 and 7)	50,139,725	5	44,207,862	5
BONDS AND SHORT-TERM BILLS PURCHASED UNDER RESELL AGREEMENTS (Notes 2 and 25)	1,700,000	-	6,010,116	1
PREPAYMENTS	530,236	-	434,224	-
BILLS, DISCOUNTS AND LOANS, NET (Notes 2 and 8)	549,331,039	55	441,973,897	45
LONG-TERM INVESTMENTS (Notes 2 and 9)				
Investments in shares of stock - accounted by the equity method	7,308,048	1	7,295,827	1
Investments in shares of stock - accounted by the cost method	6,454,945	-	6,864,408	1
Investments in bonds	48,557,050	5	45,163,094	4
Investments in other securities	582,931	-	-	-
Long-term investments, net	62,902,974	6	59,323,329	6
OTHER FINANCIAL ASSETS (Notes 2 and 10)	11,834,572	1	2,826,535	-
PROPERTY AND EQUIPMENT (Note 2)				
Land	7,509,318	1	7,518,848	1
Buildings and improvements	5,795,219	1	5,803,744	1
Computers and peripheral equipment	3,308,158	-	3,009,418	-
Transportation and communications equipment	220,304	-	226,196	-
Miscellaneous equipment	1,604,548	-	1,447,759	-
	18,437,547	2	18,005,965	2
Less - accumulated depreciation	(4,494,752)	-	(4,010,282)	(1)
	13,942,795	2	13,995,683	1
Advances for acquisition of equipment	295,131	-	376,691	-
Net property and equipment	14,237,926	2	14,372,374	1
OTHER ASSETS, NET (Notes 2 and 11)	2,710,712	-	1,446,431	-
TOTAL	\$ 995,119,886	100	\$ 984,864,399	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004 (Restated - Note 1)	
	Amount	%	Amount	%
LIABILITIES				
Due to Central Bank of China	\$ 479,210	-	\$ 370,700	-
Due to other banks (Note 12)	28,620,467	3	28,290,671	3
Payables (Note 13)	25,785,360	3	22,650,582	2
Bonds and short-term bills sold under repurchase agreements (Notes 2 and 25)	63,052,968	6	38,127,516	4
Advances	1,632,532	-	2,083,676	-
Deposits and remittances (Note 14)	733,726,966	74	723,867,960	74
Bank debentures (Note 15)	59,400,000	6	64,400,000	7
Borrowed funds	3,821,243	-	16,421,438	2
Long-term liabilities (Note 16)	1,369,610	-	1,642,391	-
Other liabilities (Note 17)	2,333,614	-	3,420,575	-
Total liabilities	920,221,970	92	901,275,509	92
SHAREHOLDERS' EQUITY				
Capital stock - \$10 par value				
Authorized and issued - 2,813,117 thousand shares and 3,813,117 thousand shares in 2005 and 2004, respectively	28,131,175	3	38,131,175	4
Capital surplus:				
Paid-in capital in excess of par value	6,799,200	1	6,799,200	1
Donation	305	-	305	-
Others	17,948,824	2	14,072,753	1
Total capital surplus	24,748,329	3	20,872,258	2
Retained earnings:				
Legal reserve	15,855,432	2	14,524,511	1
Special reserve	1,285,676	-	1,285,676	-
Unappropriated earnings	5,158,199	-	8,820,160	1
Total retained earnings	22,299,307	2	24,630,347	2
Unrealized loss from long-term equity investments	(345,647)	-	(60,541)	-
Cumulative translation adjustments	64,752	-	15,651	-
Total shareholders' equity	74,897,916	8	83,588,890	8
CONTINGENCIES AND COMMITMENTS (Notes 2 and 25)				
TOTAL	\$ 995,119,886	100	\$ 984,864,399	100

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

(With Deloitte & Touche audit report dated April 10, 2006)

TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(Formerly TAIPEIBANK Co., Ltd.)

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earning Per Share)

	2005		2004 (Restated - Note 1)	
	Amount	%	Amount	%
OPERATING INCOME				
Interest (Note 2)	\$ 32,200,160	67	\$ 28,097,236	65
Service fees (Note 2)	9,227,461	19	10,270,808	24
Securities brokerage commissions	-	-	735	-
Gain on trading of securities purchased, net	2,892,195	6	2,653,840	6
Income from long-term equity investments under the equity method, net (Notes 2 and 9)	1,003,305	2	913,439	2
Foreign exchange gain, net	930,446	2	452,441	1
Income from long-term investments, net	1,386,969	3	356,404	1
Gain on derivative financial instruments, net (Notes 2 and 28)	370,358	1	308,596	1
Reversal of allowance for losses	84,955	-	-	-
Total operating income	<u>48,095,849</u>	<u>100</u>	<u>43,053,499</u>	<u>100</u>
OPERATING COSTS				
Interest (Note 2)	16,645,441	35	11,919,672	28
Service charges	3,996,553	8	4,497,087	10
Provisions for losses (Notes 2 and 8)				
Provision for bad debt expense	11,440,861	24	3,527,771	8
Others	-	-	196,382	1
Total operating costs	<u>32,082,855</u>	<u>67</u>	<u>20,140,912</u>	<u>47</u>
GROSS PROFIT	16,012,994	33	22,912,587	53
OPERATING EXPENSES	<u>10,859,279</u>	<u>22</u>	<u>11,443,279</u>	<u>26</u>
OPERATING INCOME	5,153,715	11	11,469,308	27
NONOPERATING INCOME AND GAINS	284,352	-	256,028	-
NONOPERATING EXPENSES AND LOSSES	<u>157,825</u>	<u>-</u>	<u>989,633</u>	<u>2</u>
INCOME BEFORE INCOME TAX	5,280,242	11	10,735,703	25
INCOME TAX (Notes 2 and 19)	<u>245,847</u>	<u>1</u>	<u>2,039,347</u>	<u>5</u>
NET INCOME	<u>\$ 5,034,395</u>	<u>10</u>	<u>\$ 8,696,356</u>	<u>20</u>

(Continued)

	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 21)	<u>\$ 1.64</u>	<u>\$ 1.56</u>	<u>\$ 2.82</u>	<u>\$ 2.28</u>

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

(With Deloitte & Touche audit report dated April 10, 2006)

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(Formerly TAIPEIBANK Co., Ltd.)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)

	Capital Stock Authorized and Issued (\$10 Par Value)		Capital Surplus (Note 2)				Retained Earnings (Note 2)				Unrealized Loss from Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Total Shareholders' Equity		
			Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	Donation	Others	Total	Legal Reserve	Special Reserve				Unappropriated Earnings	Total
BALANCE, JANUARY 1, 2004 (RESTATED - Note 1)	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		
Shares issued for consolidation	1,475,372	14,753,723	-	-	14,072,753	14,072,753	-	-	-	-	(61,191)	-	28,765,285		
Appropriation 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)		
Unrealized loss from long-term equity investments	-	-	-	-	-	-	-	-	-	-	650	-	650		
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	(55,399)	(55,399)		
Net income in the year ended December 31, 2004	-	-	-	-	-	-	-	-	8,696,356	8,696,356	-	-	8,696,356		
BALANCE, DECEMBER 31, 2004 (RESTATED - Note 1)	<u>3,813,117</u>	<u>\$ 38,131,175</u>	<u>\$ 6,799,200</u>	<u>\$ 305</u>	<u>\$ 14,072,753</u>	<u>\$ 20,872,258</u>	<u>\$ 14,524,511</u>	<u>\$ 1,285,676</u>	<u>\$ 8,820,160</u>	<u>\$ 24,630,347</u>	<u>\$ (60,541)</u>	<u>\$ 15,651</u>	<u>\$ 83,588,890</u>		
BALANCE, JANUARY 1, 2005	2,337,745	\$ 23,377,452	\$ 6,799,200	\$ 305	\$ -	\$ 6,799,505	\$ 14,524,511	\$ 1,285,676	\$ 4,560,207	\$ 20,370,394	\$ -	\$ 15,651	\$ 50,563,002		
Shares issued for consolidation	1,475,372	14,753,723	-	-	18,332,706	18,332,706	-	-	-	-	(60,541)	-	33,025,888		
Appropriation of earnings:															
Legal reserve	-	-	-	-	-	-	1,330,921	-	(1,330,921)	-	-	-	-		
Bonus to employees	-	-	-	-	-	-	-	-	(248,438)	(248,438)	-	-	(248,438)		
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(62,110)	(62,110)	-	-	(62,110)		
Cash dividends	-	-	-	-	-	-	-	-	(2,794,934)	(2,794,934)	-	-	(2,794,934)		
Capital reduction	(1,000,000)	(10,000,000)	-	-	-	-	-	-	-	-	-	-	(10,000,000)		
Capital reduction of investee (Note 9)	-	-	-	-	(383,882)	(383,882)	-	-	-	-	60,541	-	(323,341)		
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	49,101	49,101		
Unrealized Loss from long-term equity investments	-	-	-	-	-	-	-	-	-	-	(345,647)	-	(345,647)		
Net income in the year ended December 31, 2005	-	-	-	-	-	-	-	-	5,034,395	5,034,395	-	-	5,034,395		
BALANCE, DECEMBER 31, 2005	<u>2,813,117</u>	<u>\$ 28,131,175</u>	<u>\$ 6,799,200</u>	<u>\$ 305</u>	<u>\$ 17,948,824</u>	<u>\$ 24,748,329</u>	<u>\$ 15,855,432</u>	<u>\$ 1,285,676</u>	<u>\$ 5,158,199</u>	<u>\$ 22,299,307</u>	<u>\$ (345,647)</u>	<u>\$ 64,752</u>	<u>\$ 74,897,916</u>		

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

(With Deloitte & Touche audit report dated April 10, 2006)

TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(Formerly TAIPEIBANK Co., Ltd.)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

	2005	2004 (Restated - Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 5,034,395	\$ 8,696,356
Depreciation and amortization	879,268	829,474
Amortization of deferred employee pension expense	-	809,219
Gain on sale of long-term investments	(981,637)	(109,110)
Realized loss on long-term equity investments	47,830	-
Realized loss on long-term bond investments	-	19,061
Loss from disposal of properties and equipment	10,852	6,334
Loss from disposal of collateral assumed	-	27,844
Equity in net loss (gain) of investee companies and cash dividends received	(335,516)	(155,471)
Amortization of bond premiums	68,813	26,691
Provisions for losses	11,440,861	3,527,771
Collection of loan receivable written off in prior years	1,209,290	1,388,789
Provision (reversal of allowance) for losses on securities	(370,301)	675,966
Realized loss on securities purchased reclassified as long-term bond investments	-	2,031,372
Loss from (reversal of) unrealized loss from collaterals assumed	(91,803)	140,446
Deferred income tax expense (benefit)	(1,201,286)	146,953
Net changes in operating assets and liabilities		
Securities purchased - for trading purposes	205,680,335	(29,658,521)
Receivables and prepayments	(12,650,618)	(871,474)
Payables and advances	2,680,112	3,096,680
Accrued pension liability	-	(219,282)
Net cash provided by (used in) operating activities	<u>211,420,595</u>	<u>(9,590,902)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased - for investing purposes	-	(58,383,303)
Decrease (increase) in bonds and short-term bills purchased under resell agreements	4,310,116	(6,010,116)
Decrease (increase) in loans, bills and discounts	(115,034,249)	39,817,692
Decrease in due from Central Bank of China and other banks	(92,487,255)	55,002,855
Increase in bond investments	(2,481,132)	(8,039,612)
Capital reduction by investee	15,986	1,050
Increase in long-term investments	(582,977)	(3,003,145)
Proceeds from disposal of investments in shares of stock	-	3,756,885
Acquisition of property and equipment	(549,534)	(1,526,479)
Proceeds from disposal of property and equipment	20,851	624,745

(Continued)

	2005	2004 (Restated - Note 1)
Proceeds from disposal of collaterals assumed	\$ 113,822	\$ 120,290
Proceeds from disposal of nonperforming loans	1,314,009	-
Increase in other financial assets	(9,008,037)	(1,011,674)
Increase in other assets, net	<u>(312,149)</u>	<u>(661,198)</u>
Net cash provided by (used in) investing activities	<u>(214,680,549)</u>	<u>20,687,990</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in due to Central Bank of China	108,510	(498,323)
Increase in due to other banks	329,796	5,081,661
Increase in bonds and short-term bills sold under repurchase agreements	24,925,452	38,127,516
Increase (decrease) in deposits and remittances	9,859,006	(19,321,749)
Decrease in borrowed funds	(12,600,195)	(38,541,442)
Increase (decrease) in bank debentures issued	(5,000,000)	12,600,000
Increase (decrease) in long-term liabilities	(246,526)	93,515
Increase (decrease) in other liabilities	(783,731)	135,239
Payment of cash dividends	(2,794,934)	(5,800,229)
Bonus to employees and remuneration to directors and supervisors	(310,548)	(304,745)
Capital reduction	<u>(10,000,000)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>3,486,830</u>	<u>(8,428,557)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>60,388</u>	<u>418,094</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	287,264	3,086,625
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>19,219,808</u>	<u>16,133,183</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 19,507,072</u>	<u>\$ 19,219,808</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 16,078,406</u>	<u>\$ 11,961,482</u>
Income tax paid	<u>\$ 2,556,049</u>	<u>\$ 780,931</u>
NONCASH INVESTING ACTIVITIES		
Transfer of securities purchased to long-term investments	<u>\$ -</u>	<u>\$ 41,358,057</u>
Transfer of long-term investments to securities purchased	<u>\$ -</u>	<u>\$ 301,310</u>

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

(With Deloitte & Touche audit report dated April 10, 2006)

(Concluded)

TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(Formerly TAIPEIBANK CO., LTD.)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (the Bank) started as a financial institution for the Taipei City Government (TCG) in 1969. On July 1, 1984, it was reorganized into a limited liability corporation and was renamed City Bank of Taipei Co., Ltd. The Bank was subsequently renamed TAIPEIBANK Co., Ltd. (TAIPEIBANK) 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 Financial Holdings Company (FFH), which resulted in the Bank's becoming a wholly owned subsidiary of FFH. 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. ("Fubon Bank", a wholly owned subsidiary of FFH) on September 8, 2004 for a merger, with the Bank as the survivor entity. On January 1, 2005, the Bank swapped shares with Fubon Bank at ratio of 0.675:1 ("1" refer to Fubon Bank), resulting in the Bank's issuance of 1,475,372,270 common shares. Related information on the merger with Fubon Bank is shown in Note 32.

The Bank engages in the following: (a) all commercial banking operations authorized under the Banking Law; (b) trust operations; (c) handling of the public-benefit 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 Taipei City, and as of December 31, 2005, its 4 major operating departments were Banking, Trust, Lottery, and Public Treasury departments, with 124 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.

As of December 31, 2005 and 2004, the Bank had 5,484 and 4,826 employees, 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 and accounting principles generally accepted in the Republic of China (ROC). These criteria and principles require the Bank to estimate significant accounts such as allowance for credit losses, depreciation, pension, impairment of assets, losses for pending lawsuit, reserve for losses on defaults and trading loss reserve and provision for losses on guarantees. Because circumstances are inherently uncertain, the actual results could differ from these estimates. The Bank's significant accounting policies are summarized as follow:

Basis of Financial Statements Preparation

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

Translation of Foreign-currency 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 prevailing exchange rates to settle foreign currency assets and liabilities, are either credited or charged to income in the settlement period. At the end of each month, the balances of the foreign currency-denominated assets and liabilities (other than those on forward contracts) are adjusted at 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, over-the-counter (OTC) stocks - convertible bonds and beneficiary certificates (closed-end funds) - average daily closing prices for the last month of the accounting period; (b) beneficiary certificates (open-end funds), net asset values as of the balance sheet dates; (c) short-term bills - dealing price on the balance sheet date; and (d) domestic bonds including government bond and OTC bank debentures - reference prices on the balance sheet day published by the OTC exchange.

When securities purchased are reclassified as long-term investments, the values of the securities are recorded at lower of the aggregate cost or market value, with losses recognized immediately.

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

Securities Purchased or Sold Under Resell or Repurchase Agreements

Sales and purchases of bonds and short-term bills under repurchase or resell agreements are treated as financing and are recorded as "bonds and short-term bills purchased under resell agreements" and "bonds and short-term bills sold under repurchase agreements".

Nonperforming Loans

Under “The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts” (the “Rules”) issued by the Ministry of Finance (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.

Under “the Rules” issued by the Ministry of Finance (MOF), the Bank evaluates the collectibility of its loan portfolio on the basis of its clients’ financial positions, their payment histories and timeliness of repayments on principals and interests.

In accordance with the Rules stated above, the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits. Since July 2005, the Rules amended the classification of loan assets, which divided the loan assets into different class subjects to credits in observation, credits that are likely to be paid in full, credits on which it will be difficult to receive full payment, and credits on which there is no hope of payment. The minimum allowance for credit losses and provision for losses on guarantees for the aforementioned classes should be 2%, 10%, 50% and 100% of outstanding credits, respectively. The amendments on the classification of loan assets have no significant impact on the Bank’s financial statements.

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.

Long-term Investment

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

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 a year after investment acquisition 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.

For the listed and the OTC stock investments reclassified from long-term investments to securities purchased, a realized loss on market value decline is recognized and the cost is recorded at market value while the market value is lower than the carrying amount.

Costs of investments sold are determined using the moving-average method

Investments in bonds are stated at cost. Premium (discount) is amortized over the average remaining term of the bond and treated as decrease (increase) in interest revenue. Cost of bond investment sold is determined by the moving-average method.

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

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: buildings and improvements, 5 to 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 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 deposits, 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 was 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 on the basis of actuarial calculations. Unrecognized net transition obligation is amortized over the average remaining service years of employees. Based on the Labor Pension Act, the defined contribution pension plan recognized the amount of pension that need to be contributed as expense in the period which employees provide service.

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 is recorded as deferred revenue (included as other liabilities) and recognized as revenue upon collection.

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

Reserve for Losses on Defaults and Trading Loss Reserve

Under the regulations of the Securities and Futures Bureau, the Bank should recognize monthly a trading loss reserve at 10% of net gain on sales of securities and record this reserve as a liability account.

The reserve for trading losses should not be used for purposes other than covering the trading loss in excess of trading profit. When the accumulated trading loss reserve reaches the amount of \$200,000, no additional reserve for trading loss is required to be set aside.

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 expenses of personnel training 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 expense.

Income taxes (10%) on unappropriated earnings generated since 1998 are recorded as income tax in the year when the shareholders resolve to retain these earnings.

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-currency assets and liabilities on forward exchange contracts, which are used for trading purposes, are recorded at 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 the related receivables or payables as of the balance sheet dates.

Nondeliverable forward contracts do not involve exchange of principals 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 on the contract starting dates are recorded at their spot rates, and amounts to be exchanged on the settlement dates are recorded at the forward rates. Gains or losses arising from the differences between spot rates and contract starting date 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 Swaps

For cross-currency swap contracts, which are used for trading purposes, the net interest received or paid is either recognized as interest income or expense. On the balance sheet dates, the cross-currency swap contracts are marked to market, and the resulting differences are credited or charged to current income.

Asset Swaps

Asset swap contracts, which are used for nontrading purpose, involve 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, which are used 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 charged to the current period. The gains or losses from the exercise of the options are charged to the current period.

The amounts paid by the Bank on options bought for nontrading purposes are recognized as asset. Any gains or losses arising from the revaluation of the outstanding contracts on the balance sheet dates and the 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 trading purposes, are recorded by memorandum entries on the contract dates. On the settlement dates 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 a third party. These transactions are recorded by memorandum entries on 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 possible loss are disclosed in the notes to the financial statements.

Asset Impairment

The Bank began applying ROC Statement of Financial Accounting Standards (SFAS) No. 35, "Accounting for Asset Impairment" on January 1, 2005, which requires that certain assets, including long-term investments accounted for the equity method, property and equipment, intangible assets and other assets, etc., be subject to an impairment review.

SFAS No. 35 requires the Bank to reviews on the balance sheet date all of the assets for any impairment. If impairment is identified, the Bank must calculate the recoverable amount of the asset or the cash-generating unit. An impairment loss should be recognized whenever the recoverable amount of the asset or the cash generating unit is below the carrying amount, and this impairment loss is either charged to accumulated impairment or used o reduce educes the carrying amount of an asset directly. After the recognition of an impairment loss, the depreciation (amortization) charged to the assets should be adjusted in the future periods at the revised asset carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

3. ACCOUNTING CHANGES

Under a directive issued by the MOF, the accounting treatment for sales and purchases of bonds and short-term bills under repurchase or resell agreements were treated as outright sales or purchases. Effective January 1, 2004, the accounting treatment of these 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 \$130,621 in the pretax income of the former TAIPEIBANK and a decrease by \$191,558 in the pretax income of the former Fubon Bank.

The Bank began applying ROC Statement of Financial Accounting Standards No. 35, "Accounting for Asset Impairment," on January 1, 2005. This accounting change did not have significant impact on the Bank's income in the year ended December 31, 2005.

4. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Cash on hand	\$ 7,401,557	\$ 7,847,588
Checks for clearing	10,371,837	6,296,512
Due from banks - deposits	<u>1,733,678</u>	<u>5,075,708</u>
	<u>\$ 19,507,072</u>	<u>\$ 19,219,808</u>

5. DUE FROM CENTRAL BANK OF CHINA AND OTHER BANKS

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Call loans	\$ 40,100,065	\$ 46,690,809
Deposit reserve - checking account	6,438,720	5,340,131
Required deposit reserve	17,034,607	17,141,821
Reserves for deposit - foreign-currency deposits	60,791	89,967
Deposit in Central Bank of China	54,223	1,982,396
Time deposit in Central Bank of China	100,000,000	-
Others	<u>644,659</u>	<u>600,686</u>
	<u>\$ 164,333,065</u>	<u>\$ 71,845,810</u>

Under a directive issued by the Central Bank of the ROC, NTD - denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD - denominated deposits. These required deposit reserves are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserve are determined at prescribed rates on balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily and are noninterest earnings.

6. SECURITIES PURCHASED, NET

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Negotiable certificates of deposits	\$ 65,901,170	\$ 264,720,623
Government bonds	29,091,789	18,257,694
Foreign investments	9,528,519	10,346,918
Bank debentures	5,900,098	3,396,501
Stocks and beneficiary certificates	4,224,195	6,655,017
Corporate bonds	2,289,905	1,385,044
Treasury notes	1,261,326	3,158,027
Commercial paper	<u>119,387</u>	<u>16,076,900</u>
	118,316,389	323,996,724
Less - allowance for decline in value	<u>(423,824)</u>	<u>(792,711)</u>
	<u>\$ 117,892,565</u>	<u>\$ 323,204,013</u>

The market values of the securities listed on TSE and OTC and beneficiary certificates as of December 31, 2005 and 2004 are summarized as follow:

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Government bonds	\$ 29,179,285	\$ 18,668,356
Bank debentures	5,901,750	3,408,829
Stocks and beneficiary certificates	3,786,148	5,636,381
Corporate bonds	2,286,375	1,427,094

7. RECEIVABLES, NET

	<u>December 31</u>	
	2005	2004
Credit card receivable	\$ 36,767,117	\$ 32,106,806
Accrued interest	4,719,155	3,994,075
Accounts receivable - sales of nonperforming loans	5,210,483	1,531,716
Acceptances	1,878,619	2,425,344
Accounts receivable	1,292,221	915,325
Accrued income	923,252	1,998,259
Refundable income tax	242,721	257,449
Others	<u>1,922,876</u>	<u>1,836,738</u>
	52,956,444	45,065,712
Less - allowance for possible losses	<u>(2,816,719)</u>	<u>(857,850)</u>
	<u>\$ 50,139,725</u>	<u>\$ 44,207,862</u>

8. BILLS, DISCOUNTS AND LOANS, NET

	<u>December 31</u>	
	2005	2004
Discount and overdraft	\$ 6,441,806	\$ 7,964,575
Short-term loans	123,368,228	37,953,342
Short-term secured loans	28,917,505	31,314,281
Medium-term loans	91,136,208	84,170,515
Medium-term secured loans	55,402,266	49,068,372
Long-term loans	52,438,863	44,095,717
Long-term secured loans	185,925,193	179,805,488
Bill purchased, import and export bills	2,139,294	1,670,697
Overdue loans	<u>12,463,759</u>	<u>10,195,133</u>
	558,233,122	446,238,120
Less - allowance for possible losses	<u>(8,902,083)</u>	<u>(4,264,223)</u>
	<u>\$ 549,331,039</u>	<u>\$ 441,973,897</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 overdue loans amounted to \$552,687 and \$391,739 for the years ended December 31, 2005 and 2004, respectively.

For the years ended December 31, 2005 and 2004, no loans were written off without executing the required legal proceedings against defaulting borrowers.

The changes in allowance for possible losses on loans, bills and discounts are summarized below:

	Year Ended December 31, 2005		
	Specific Risk	General Risk	Total
Balance, January 1, 2005	\$ 1,773,929	\$ 1,268,323	\$ 3,042,252
Transfer from the former Fubon Bank	1,460,881	618,940	2,079,821
Provisions	11,072,372	368,489	11,440,861
Write-off	(6,063,148)	-	(6,063,148)
Recovery of written off credits	1,209,290	-	1,209,290
Effects of exchange rate changes	9,726	-	9,726
Balance, December 31, 2005	<u>\$ 9,463,050</u>	<u>\$ 2,255,752</u>	<u>\$ 11,718,802</u>

	Year Ended December 31, 2004		
	Specific Risk	General Risk	Total
Balance, January 1, 2004	\$ 3,000,118	\$ 1,233,076	\$ 4,233,194
Transfer from the former Fubon Bank	1,315,666	1,172,443	2,488,109
Provisions (reversal)	4,046,027	(518,256)	3,527,771
Write-off	(6,565,023)	-	(6,565,023)
Recovery of written off credits	1,388,789	-	1,388,789
Effects of exchange rate changes	(7,728)	-	(7,728)
Reclassifications	56,961	-	56,961
Balance, December 31, 2004	<u>\$ 3,234,810</u>	<u>\$ 1,887,263</u>	<u>\$ 5,122,073</u>

9. LONG-TERM INVESTMENTS

	December 31			
	2005		2004	
	Carrying Value	Percentage of Ownership	Carrying Value	Percentage of Ownership
Investment in shares of stock				
Equity method - unlisted				
Fubon Bills Finance Co., Ltd.	\$ 6,530,958	100.00	\$ 6,209,475	100.00
Fubon Leasing Co., Ltd.	447,247	100.00	784,082	99.99
TAIPEIBANK Life Insurance Agency Co., Ltd.	56,016	100.00	173,729	100.00
Fubonbank Insurance Agent Co., Ltd.	220,737	100.00	79,758	100.00
Fubon Real Estate Management Co., Ltd.	47,602	30.00	45,295	30.00
Fubon Insurance Agent Co., Ltd.	5,488	100.00	3,488	100.00
	<u>7,308,048</u>		<u>7,295,827</u>	
Cost method				
Listed				
Taiwan Cellular Co., Ltd.	2,007,637	1.25	2,007,637	1.32
Chunghwa Telecom Co., Ltd.	876,917	0.15	876,917	0.15
Formosa Petrochemical Corp.	715,671	0.15	715,671	0.15

(Continued)

	December 31			
	2005		2004	
	Carrying Value	Percentage of Ownership	Carrying Value	Percentage of Ownership
China Steel Corporation	\$ 508,628	0.14	\$ 508,628	0.14
Formosa Chemicals & Fiber Corporation	424,290	0.15	424,290	0.15
Mega Financial Holding Co., Ltd.	388,710	0.15	388,710	0.16
Others	85,775	-	85,775	-
Less: Allowance for possible losses	<u>(345,647)</u>		<u>-</u>	
	<u>4,661,981</u>		<u>5,007,628</u>	
Unlisted				
Taiwan High Speed Rail Co., Ltd.	500,000	0.48	500,000	1.01
Taiwan Assets Management Co., Ltd.	300,000	1.71	300,000	1.71
Fubon Securities Finance Co., Ltd.	213,975	5.67	213,975	5.67
Taiwan Fixed Network Co., Ltd.	140,000	0.22	140,000	0.22
Taiwan Financial Asset Service Co., Ltd.	100,000	5.88	100,000	5.88
Financial Information Service Co., Ltd.	91,000	2.28	91,000	2.28
P.K. Venture Capital Investment Corp.	75,000	5.00	75,000	5.00
Taiwan Aerospace Co., Ltd.	65,528	1.25	65,528	1.25
TaiMall Development Co., Ltd.	49,920	1.24	49,920	1.24
Apex Venture Capital Co., Ltd.	45,600	4.67	50,000	4.67
Ascentek Venture Capital Corp.	40,000	4.28	40,000	4.28
Pacific Venture Capital Co., Ltd.	31,540	4.75	41,500	3.33
Fubon Venture Capital Co., Ltd.	25,000	5.00	25,000	5.00
Taipei Smart Card Corp.	25,000	5.00	25,000	5.00
Primus Technology Fund	11,000	3.77	24,000	3.77
Mondex Taiwan Inc.	8,000	6.47	25,000	6.47
Others	<u>71,401</u>	-	<u>90,857</u>	-
	<u>1,792,964</u>		<u>1,856,780</u>	
	<u>6,454,945</u>		<u>6,864,408</u>	
Investment in bonds				
Domestic	31,795,530		34,122,519	
Foreign	<u>16,761,520</u>		<u>11,040,575</u>	
	<u>48,557,050</u>		<u>45,163,094</u>	
Other long-term investments				
Fubon No. 1 REITs	<u>582,931</u>		<u>-</u>	
	<u>\$ 62,902,974</u>		<u>\$ 59,323,329</u>	

As of December 31, 2005 and 2004, the unrealized losses due to the market value decline for the investment in listed stocks and equity-method investments (accounted for as shareholders' equity - unrealized loss on long-term equity investments) were \$345,647 and \$60,541, respectively.

The market values of the listed stocks and other long-term investments, based on the average daily closing prices in December 2005 and 2004, were \$5,244,912 and \$5,155,376, respectively.

The gain (loss) from equity-method investments were as follows:

	<u>Years Ended December 31</u>	
	2005	2004
Fubon Bills Finance Co., Ltd.	\$ 802,058	\$ 695,243
Fubonbank Insurance Agent Co., Ltd.	207,683	64,235
Fubon Insurance Agent Co., Ltd.	3,224	1,348
Fubon Real Estate Management Co., Ltd.	2,307	(547)
TAIPEIBANK Life Insurance Agency Co., Ltd.	1,573	135,256
Fubon Leasing Co., Ltd.	<u>(13,540)</u>	<u>17,904</u>
	<u>\$ 1,003,305</u>	<u>\$ 913,439</u>

The above income (loss) from long-term equity investments was recognized on the basis of investees' audited financial statements for the years ended December 31, 2005 and 2004.

Under Article 31 of the Financial Holdings Company Act, Fubon Leasing Co., Ltd. took the FFH's common stocks amounting to \$383,920 which had been held over three years as unissued stocks of FFH, and wrote off the stocks held on March 31, 2005. Therefore, the Bank wrote off a capital surplus of \$383,882 and reversed the unrealized loss in long-term equity investments by \$60,541 that resulted from the FFH's stocks held by Fubon Leasing Co., Ltd.

The Bank's consolidated financial statements for the years ended December 31, 2005 and 2004 had included the accounts of Fubon Bills Finance Co., Ltd. However, for the consideration of materiality, the Bank's consolidated financial statements did not include the accounts of Fubon Leasing Co., Ltd., Fubonbank Insurance Agent Co., Ltd., Fubon Insurance Agent Co., Ltd. and TAIPEIBANK Life Insurance Agency Co., Ltd. since their combined assets and operation revenues were not significant and the intercompany did not have any significant transactions.

10. OTHER FINANCIAL ASSETS

	<u>December 31</u>	
	2005	2004
Structured deposits	\$ 8,600,000	\$ -
Guarantee deposits	2,366,926	1,452,025
Revaluation of derivative financial commodity - assets	601,215	320,332
Premium of options bought	232,380	1,052,964
Others	<u>34,051</u>	<u>1,214</u>
	<u>\$ 11,834,572</u>	<u>\$ 2,826,535</u>

11. OTHER ASSETS, NET

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Computer software	\$ 622,958	\$ 380,669
Prepaid pension	433,804	419,628
Deferred income tax assets	1,469,121	267,835
Collateral assumed, net	13,490	34,596
Others	<u>171,339</u>	<u>343,703</u>
	<u>\$ 2,710,712</u>	<u>\$ 1,446,431</u>

12. DUE TO BANKS

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Call loans	\$ 27,739,498	\$ 26,355,953
Overdrafts	544,882	1,561,372
Deposits	<u>336,087</u>	<u>373,346</u>
	<u>\$ 28,620,467</u>	<u>\$ 28,290,671</u>

13. PAYABLES

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Checks for clearing	\$ 10,371,837	\$ 6,293,628
Accrued interest	4,098,185	3,583,747
Accrued expenses and taxes	2,908,091	3,734,692
Acceptances	1,905,193	2,287,477
Accounts and notes payable	861,800	408,543
Agency receipt	834,688	409,003
Salaries payable to employees of other organizations	357,267	505,153
Others	<u>4,448,299</u>	<u>5,428,339</u>
	<u>\$ 25,785,360</u>	<u>\$ 22,650,582</u>

14. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Deposits		
Savings	\$ 450,369,296	\$ 438,414,454
Time	154,607,710	146,524,635
Demand	78,358,319	77,621,820
Checking	47,706,424	58,104,228
Negotiable certificates of deposit	2,505,900	2,536,700
Remittances	<u>179,317</u>	<u>666,123</u>
	<u>\$ 733,726,966</u>	<u>\$ 723,867,960</u>

15. BANK DEBENTURES

To maintain its capital adequacy ratio and the medium to long-term capital supply, the former TAIPEIBANK and Fubon Bank applied to the Ministry of Finance for approval to issue bank debentures, the authorized amounts were \$60,000 million and \$50,000 million, respectively. The outstanding balance as of December 31, 2005 and 2004 are summarized as follows:

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
<u>Former TAIPEIBANK</u>		
First dominant bank debentures issued in 2002; fixed 3.2% interest rate; maturity: May 2005	\$ -	\$ 5,000,000
Second dominant bank debentures issued in 2002; adverse floating interest rate; maturity: June 2006 or June 2007	10,000,000	10,000,000
Third dominant bank debentures issued in 2002; adverse floating interest rate; maturity: October 2007	5,000,000	5,000,000
First dominant bank debentures issued in 2003; adverse floating interest rate; maturity: July 2013	5,000,000	5,000,000
Second dominant bank debentures issued in 2003; fixed 1.4% interest rate and adverse floating interest rate; maturity: September 2008 and September 2010	4,300,000	4,300,000
Third dominant bank debentures issued in 2003; adverse floating interest rate; maturity: January 2009	2,500,000	2,500,000
Fourth dominant bank debentures issued in 2003; adverse floating interest rate; maturity: March 2011 or March 2014	1,900,000	1,900,000
Fifth dominant bank debentures issued in 2003; adverse floating interest rate; maturity: March 2011	<u>1,300,000</u>	<u>1,300,000</u>
	<u>30,000,000</u>	<u>35,000,000</u>
<u>Former Fubon Bank</u>		
First subordinated bank debentures issued in 2002; adverse floating interest rate; maturity: October 2007	5,000,000	5,000,000
Second dominant bank debentures issued in 2002; adverse floating interest rate; maturity: December 2007	5,000,000	5,000,000
First dominant bank debentures issued in 2003; adverse floating interest rate; maturity: May 2010	5,800,000	5,800,000
Second dominant bank debentures issued in 2003; floating interest rate; maturity: June 2010	2,400,000	2,400,000
Third dominant bank debentures issued in 2003; floating interest rate; maturity: July 2010	500,000	500,000
Third dominant bank debentures issued in 2003; floating interest rate; maturity: August 2010	1,300,000	1,300,000
Fourth dominant bank debentures issued in 2003; floating interest rate; maturity: December 2008	2,000,000	2,000,000
Fifth dominant bank debentures issued in 2003; adverse floating interest rate; maturity: December 2013	500,000	500,000
First dominant bank debentures issued in 2004; floating interest rate; maturity: February 2011	300,000	300,000
First dominant bank debentures issued in 2004; floating interest rate; maturity: March 2011	300,000	300,000
Second dominant bank debentures issued in 2004; adverse floating interest rate; maturity: March 2011	300,000	300,000

(Continued)

	December 31	
	2005	2004
Third dominant bank debentures issued in 2004; floating interest rate; maturity: March 2011	\$ 800,000	\$ 800,000
Fourth dominant bank debentures issued in 2004; adverse floating interest rate; maturity: March 2011	1,500,000	1,500,000
Fifth dominant bank debentures issued in 2004; floating interest rate; maturity: March 2009	300,000	300,000
Fifth dominant bank debentures issued in 2004; floating interest rate; maturity: March 2011	3,100,000	3,100,000
Sixth dominant bank debentures issued in 2004; floating interest rate; maturity: June 2009	<u>300,000</u>	<u>300,000</u>
	<u>29,400,000</u>	<u>29,400,000</u>
	<u>\$ 59,400,000</u>	<u>\$ 64,400,000</u>

In September 2004, the former Fubon Bank bought the bank debentures (92-4, seven years) issued by the former TAIPEIBANK amounting to \$1,500,000 and recorded the bank debentures as long-term bond investments on January 1, 2005. For the merger between the two banks on January 1, 2005, the investments of the former Fubon Bank and the bank debentures as the liability of the former TAIPEIBANK were netted out.

16. LONG-TERM LIABILITIES

	December 31	
	2005	2004
Fund obtained from the government - intended for specific types of loans	\$ 1,369,610	\$ 1,638,869
Accrued pension cost	<u>-</u>	<u>3,522</u>
	<u>\$ 1,369,610</u>	<u>\$ 1,642,391</u>

17. OTHER LIABILITIES

	December 31	
	2005	2004
Guarantee and marginal deposits	\$ 514,724	\$ 901,650
Suspense accounts	413,206	30,893
Deferred revenue	369,158	624,072
Value of options sold	243,168	1,053,059
Reserve for securities trading losses	139,311	27,184
Reserve for losses on guarantees	61,062	174,528
Others	<u>592,985</u>	<u>609,189</u>
	<u>\$ 2,333,614</u>	<u>\$ 3,420,575</u>

18. SHAREHOLDERS' EQUITY

a. Capital stock

The Bank had a total of \$23,377,452 in authorized capital divided into 2,337,745 thousand shares with par value at NT\$10 per share on December 31, 2004. The Bank merged with the former Fubon Bank by issuing 1,475,372 thousand shares and increasing authorized capital to \$14,753,723. On May 31, 2005, the board of directors, who were entitled to execute the authority of stockholders' meetings, resolved a capital reduction of 1,000,000 thousand shares and returned \$10,000,000 to the shareholders. As of December 31, 2005, the authorized and issued capital was \$28,131,175 divided into 2,813,117 thousand shares.

b. Capital surplus

Under the Company Law and related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from the issuance 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. Capital surplus arising from the issuance of stock in excess of par value can only be declared as stock dividend within specified limits and cannot be declared as stock dividend in the same year that the stock is issued for cash.

c. Earnings appropriation

According to the Bank's Articles of Incorporation, the following should be appropriated from annual net income, less any deficit:

- 1) 30% as legal reserve;
- 2) 10% as special reserve, if needed for the Bank's operations;
- 3) 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.

Because of its merger with Fubon Bank, the Bank amended its Articles of Incorporation in 2005. This amendment provides that the following should be appropriated from annual net income, less any deficit:

- 1) 30% as legal reserve;
- 2) Less than 5% as bonus to employees, of all or part of the remainder and unappropriated earnings generated in period 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 defined 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 deficit. When the reserve reaches 50% of the Bank's paid-in capital, up to 50% of the reserve 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.

Under the Integrated Income Tax System, which took effect on January 1, 1998, local resident and corporate shareholders are allowed tax credits calculated on the basis of the ratio of creditable tax to unappropriated earnings on the date of dividend distribution.

The shareholders' meeting approved the appropriations of the 2004 and 2003 earnings in May 2005 and 2004, respectively, as follows:

	<u>Appropriations of Earnings</u>		<u>Per Share (NT\$)</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Legal reserve	\$ 1,330,921	\$ 1,280,335		
Cash dividends	2,794,934	2,688,703	\$ 1.20	\$ 1.15
Remuneration to directors and supervisors	62,110	59,749		
Bonus to employees - cash	<u>248,438</u>	<u>238,996</u>		
	<u>\$ 4,436,403</u>	<u>\$ 4,267,783</u>		

The appropriation of 2005 earnings has not yet been resolved by the board of directors by February 7, 2005, the date of auditors' report. The related information regarding the proposed and resolved earnings appropriation can be found at the SEC Market Observation Post System (M.O.P.S.) website.

In addition, had the aforementioned remuneration to directors and supervisors and bonus to employees (included in the appropriation of 2004 and 2003 earnings) been recognized as expenses, the basic EPS (after tax) for 2004 would have decreased from NT\$2.28 to NT\$2.20 per share.

19. 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

	<u>Years Ended December 31</u>	
	<u>2005</u>	<u>2004</u>
Current income tax payable	\$ 960,044	\$ 1,470,582
Separate taxes on interest revenue on short-term bills	488,078	541,172
Adjustment of prior years' tax	(989)	(119,360)
Deferred income tax expense (benefit)	<u>(1,201,286)</u>	<u>146,953</u>
Income tax expense	<u>\$ 245,847</u>	<u>\$ 2,039,347</u>

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

	<u>Years Ended December 31</u>	
	<u>2005</u>	<u>2004</u>
Tax on pretax income at 25% statutory rate	\$ 1,320,050	\$ 2,683,916
Add (deduct) tax effects of:		
Tax-exempt income	(631,031)	(266,110)
Permanent difference	(930,958)	(766,175)
Temporary difference	1,201,983	(175,337)
Investment tax credit	<u>-</u>	<u>(5,712)</u>
Current income tax payable	<u>\$ 960,044</u>	<u>\$ 1,470,582</u>

c. Components of deferred income tax assets (included in “other assets”)

	December 31	
	2005	2004
Deferred income tax assets:		
Exceed for credit loss in tax limitation	\$ 1,390,284	\$ 131,554
Unrealized donation expense	63,094	50,731
Unrealized loss on collaterals assumed	12,493	-
Others	<u>3,250</u>	<u>85,550</u>
	<u>\$ 1,469,121</u>	<u>\$ 267,835</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 deductible against the domestic income tax liabilities.

d. Imputed tax credit

	December 31	
	2005	2004
Balance of stockholders’ imputed tax credits		
Taipei Fubon Bank	<u>\$ 388,590</u>	<u>\$ -</u>
TAIPEIBANK		<u>\$ 341,668</u>
Fubon Bank		<u>\$ 176,349</u>
	2005	2004
	(Projected)	(Actual)
The ratio of imputed tax credit to earnings		
Taipei Fubon Bank	5.33%	19.12%

The tax credits allocable to shareholders are based on the balance of Imputation Credit Account on the dividend distribution date. Thus, the 2005 projected creditable tax ratio may vary from the actual ratio.

The balance of unappropriated retained earnings before December 31, 1998 was \$1,396,288 (including a special reserve amounting \$1,285,676) in the year ended December 31, 2005. The balances of the unappropriated retained earnings of the former TAIPEIBANK and Fubon Bank before December 31, 1998 were \$1,396,288 (including special reserve of \$1,285,676) and \$1,382, respectively.

- e. Income tax returns of former TAIPEIBANK through 2002 and income tax returns of former Fubon Bank through 2001 had been examined by the tax authorities. The Bank had settled two lawsuits with the tax authorities on the tax deduction of 10% of accrued bond interest in year 2000 and 2001 and received a tax refund of \$27,877. The agreed-upon tax deduction between two parties was at 65% of the tax paid on accrued bond interest.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION

	Years Ended December 31					
	2005			2004		
	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	\$ 2,001,003	\$ 681,365	\$ 2,682,368	\$ 2,928,209	\$ 522,155	\$ 3,450,364
Pension cost	186,094	43,082	225,654	101,804	867,251	969,055
Others	<u>1,269,635</u>	<u>816,916</u>	<u>2,086,551</u>	<u>1,007,908</u>	<u>302,320</u>	<u>1,310,228</u>
	<u>\$ 3,456,732</u>	<u>\$ 1,541,363</u>	<u>\$ 4,998,095</u>	<u>\$ 4,037,921</u>	<u>\$ 1,691,726</u>	<u>\$ 5,729,647</u>
Depreciation	\$ 318,842	\$ 332,350	\$ 651,192	\$ 165,778	\$ 472,893	\$ 638,671
Amortization	77,390	150,686	228,076	58,739	132,064	190,803

21. EARNINGS PER SHARE

	Income (Numerator)		Shares in Thousands (Denominator)	Earnings Per Share (NT\$)	
	Pretax	After Tax		Pretax	After Tax
	Years ended December 31, 2005	<u>\$ 5,280,242</u>		<u>\$ 5,034,395</u>	<u>3,224,076</u>
Years ended December 31, 2004	<u>\$ 10,735,703</u>	<u>\$ 8,696,356</u>	<u>3,813,117</u>	<u>\$ 2.82</u>	<u>\$ 2.28</u>

22. PENSION PLAN

Upon the Bank's privatization on November 30, 1999, the privatization regulations 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. Under a directive issued by the Executive Yuan, the amount 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 amortized over the remaining years. This amount was fully amortized as of December 31, 2004. After privatization, the service years of the employees who remain with the Bank were recalculated after receiving settlement of seniority. The former Fubon Bank's defined benefit contributory pension plan was retained to cover all regular employees of the Bank. The employees receive benefits based on length of service years and average salary of the six months before retirement.

The Bank makes monthly contributions to the employees' retirement fund. The fund is in the custody of the Pension Fund Supervising Committee and is deposited in the committee's name in the Central Trust of China.

The Labor Pension Act (the "Act") took effect on July 1, 2005. A new defined contribution pension plan was stipulated by this Act. The employees can choose the pension mechanism either under the Labor Standards Law or under this Act. For those employees who were subject to the Labor Standards Law before the enforcement of this Act, still work for the same business entity after the enforcement of this Act, and choose to be subject to the pension mechanism under this Act, their service years before the enforcement of this Act will be retained. Under the Act, the rate of an employees' monthly contribution to the Labor Pension Fund should be at least 6% of the employee's monthly wages. The pension cost on defined contribution plan recognized by the Bank in the second half year of 2005 was \$60,367.

Information on the defined benefit pension plans were as follows:

a. Net periodic pension cost (benefits)

	2005	2004
Service cost	\$ 73,848	\$ 260,408
Interest cost	24,824	48,140
Projected return on plan assets	(27,755)	(57,690)
Amortization	620	(3,519)
Gain from reduction and discharge	<u>-</u>	<u>(364,203)</u>
Net periodic pension cost (benefits)	<u>\$ 71,537</u>	<u>\$ (116,864)</u>

b. Reconciliation of the funded status of the plan and prepaid pension/accrued pension cost

	December 31	
	2005	2004
Benefit obligation:		
Vested benefit obligation	\$ (184,586)	\$ (137,743)
Non-vested benefit obligation	<u>(917,263)</u>	<u>(729,533)</u>
Accumulated benefit obligation	(1,101,849)	(867,276)
Effects of increase in future salary level	<u>(568,950)</u>	<u>(444,380)</u>
Projected benefit obligation (PBO)	(1,670,799)	(1,311,656)
Fair value of plan assets	<u>1,938,981</u>	<u>1,770,472</u>
Unfunded PBO	268,182	458,816
Unrecognized transition net assets	(608)	(730)
Unrecognized pension loss (gain)	<u>166,230</u>	<u>(41,980)</u>
Prepaid pension	<u>\$ 433,804</u>	<u>\$ 416,106</u>
Vested benefits	<u>\$ 236,886</u>	<u>\$ 194,629</u>

c. Actuarial assumptions

	December 31		
	2005	2004	
	Taipei Fubon Bank	TAIPEIBANK	Fubon Bank
Discount rate	3.25%	3.50%	3.25%
Future salary incremental rate	2.75%	2.50%	3.00%
Projected return rate of pension plan assets	3.25%	3.50%	3.25%

23. RELATED-PARTY TRANSACTIONS

The Bank's related parties are as follows:

a. Related parties

<u>Related Party</u>	<u>Relationship with Bank</u>
Fubon Financial Holdings Co., Ltd. (FFH)	Parent company
Taipei City Government (TCG)	Major shareholder of parent company
Fubon Insurance Co., Ltd. (Fubon Insurance)	FFH's subsidiary
Fubon Life Insurance Co., Ltd. (Fubon Life Insurance)	FFH's subsidiary
Fubon Securities Co., Ltd. (Fubon Securities)	FFH's subsidiary
Fubon Bank (Hong Kong) Limited (former International Bank of Asia Limited)	FFH's subsidiary
Fubon Securities Investment Trust Co., Ltd. (Fubon Securities Investment Trust)	FFH's subsidiary
Fubon Direct Marketing Consulting Co., Ltd. (Fubon Direct Marketing Consulting)	FFH's subsidiary
Fubon Asset Management Co., Ltd. (Fubon Asset Management)	FFH's subsidiary
Fubon Venture Capital Consulting Co., Ltd.	FFH's subsidiary
TAIPEIBANK Life Insurance Agency Co., Ltd. (TAIPEIBANK Life Insurance Agency)	Bank's subsidiary
Fubon Bills Finance Co., Ltd. (FBFC)	Bank's subsidiary
Fubon Leasing Co., Ltd. (Fubon Leasing)	Bank's subsidiary
Fubonbank Insurance Agent Co., Ltd.	Bank's subsidiary
Fubon Insurance Agent Co., Ltd.	Bank's subsidiary
Fubon Real Estate Management Co., Ltd.	Bank's equity-method investee
Fubon Securities Investment's affiliate funds	Related party in substance
Citi Fubon Life Insurance Company Hong Kong Limited	Related party in substance
Fubon Building Management Maintain Co., Ltd. (Fubon Building Management)	Related party in substance
Fubon Media Technology Co., Ltd.	Related party in substance
Citibank Co., Ltd. (Citibank)	Related party in substance (until end of October 2004)
TAIPEIBANK Charitable Foundation	Related party in substance
Citi Securities Co., Ltd. (Citi Securities)	Related party in substance (until end of October 2004)
Fubon Technology Consulting Co., Ltd.	Related party in substance
Taiwan Cellular Co., Ltd.	Related party in substance
Taiwan Fixed Network 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
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

(Continued)

<u>Name</u>	<u>Relationship to the Bank</u>
Fubon Culture and Education Foundation	Related party in substance
Citi Fubon Life Insurance Company Hong Kong Limited	Related party in substance
Fubon Securities Finance Co., Ltd.	Related party in substance
Fubon Land Development Co., Ltd. (Fubon Land Development)	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
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, 2005</u>			<u>Interest Income (Expense)</u>
	<u>Balance as of December 31</u>	<u>% of the Account Balance</u>	<u>Rate (%)</u>	
1) Deposits	<u>\$ 40,035,358</u>	<u>5</u>	0-8.045	<u>\$ (222,279)</u>
2) Loans	<u>\$ 63,904,570</u>	<u>12</u>	0.4-12.8	<u>\$ 1,246,518</u>
3) Due from banks - call loans	<u>\$ 550,000</u>	<u>1</u>	1.19-3.32	<u>\$ 74,745</u>
4) Due to banks - call loans	<u>\$ 163,911</u>	<u>1</u>	1.39-3.3	<u>\$ (14,364)</u>
5) Guarantees and acceptances	<u>\$ -</u>	<u>-</u>	0-0.8	<u>\$ 4,385</u>
	<u>December 31, 2005</u>			
	<u>Balance as of December 31</u>	<u>% of the Account Balance</u>	<u>Rate (%)</u>	<u>Interest Income (Expense)</u>
1) Deposits	<u>\$ 47,215,298</u>	<u>7</u>	0-13	<u>\$ (460,868)</u>
2) Loans	<u>\$ 31,586,434</u>	<u>7</u>	0.4-10.31	<u>\$ 1,171,484</u>
3) Due from banks - call loans	<u>\$ 15,898,369</u>	<u>34</u>	0.85-2.34	<u>\$ 208,612</u>
4) Due to banks - call loans	<u>\$ 28,592</u>	<u>-</u>	0.55-1.83	<u>\$ (4,480)</u>
5) Borrowed funds	<u>\$ 953,040</u>	<u>6</u>	1.0-2.41	<u>\$ (10,082)</u>
6) Guarantees and acceptances	<u>\$ 259,116</u>	<u>-</u>	0.5-0.65	<u>\$ 1,296</u>

7) Securities

Name	Type	Years Ended December 31	
		2005	2004
Fubon Bills Finance	Bills purchased under resell agreements	\$ 2,290,320	\$ 3,497,716
	Bills purchased	6,787,017	6,104,746
	Bills sold	993,888	6,876,312
	Bonds purchased	591,687,086	111,066,429
	Bonds sold	609,877,808	114,026,236
	Bonds sold under repurchase agreements	5,434,572	-
	Bonds purchase under resell agreements	3,934,517	-
Citi Securities	Bonds purchased	-	8,878,596
	Bonds sold	-	8,180,721
	Bonds sold under repurchase agreements	683,000	-
Fubon Securities	Bonds purchased	77,009,852	7,350,432
	Bonds sold	74,451,292	6,178,404
	Bonds purchased under resell agreements	1,893,522	3,242,940
Fubon Life Insurance	Bonds sold under repurchase agreements	13,682,680	3,753,685
	Bonds sold	2,250,000	199,054
Fubon Securities Investment Trust	Bonds sold under repurchase agreements	250,554,329	93,064,336
Fubon Insurance	Bonds sold under repurchase agreements	8,025,642	1,747,850
Fubon Asset Management	Bonds sold under repurchase agreements	3,016,439	-
Fubon Financial Holdings	Bonds purchased	-	1,173,742
Fubon Leasing	Bonds sold under repurchase agreements	-	1,389,134

8) Fund transactions

Name	Year Ended December 31, 2005			
	Purchased		Balances as of December 31	
	Units (in Thousands)	Amount	Units (in Thousands)	Amount
Fubon No. 1 REITs	57,595	\$ 582,050	57,595	\$ 582,050
Fubon Chi Hsiang I Fund	-	-	22,103	280,000
Fubon Fund	-	-	51,864	638,974
Fubon OTC Fund	-	-	5,985	30,560
Fubon Technology Fund	-	-	2,614	35,000
Fubon Aggressive Growth Fund	-	-	4,242	28,000
Fubon Internet Fund	-	-	4,556	20,000
Fubon Asia Technology Fund	-	-	4,731	36,000

Name	Year Ended December 31, 2004			
	Purchased		Balances as of December 31	
	Units (in Thousands)	Amount	Units (in Thousands)	Amount
Fubon OTC Fund	319	\$ 1,862	-	\$ -
Fubon Chi Hsiang I Fund	22,103	280,000	22,103	280,000

9) Service fees

In the years ended December 31, 2005 and 2004, the Bank received service fees of \$68,563 and \$72,887, respectively, from the TCG for its handling of the loans to government employees and teachers and mortgage loans to various individuals. For paying principals and interests on bonds on behalf of the TCG, the Bank received service fees of \$11,074 and \$9,651 for the years ended December 31, 2005 and 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 to provide analysis and consultation services related to the aforementioned contract for service expense of \$19,077.

10) Derivative financial instruments

Name	Item	Contract (Notional) Amount as of December 31, 2005
Taiwan Fixed Network Co., Ltd.	Interest rate swap contract	\$ 500,000
Fubon Bills	Interest rate swap contract	6,800,000
Fubon Securities	Interest rate swap contract	575,050
Fubon Securities (BVI) Co., Ltd.	Assets swap contract	492,900
Fubon Life Insurance	Foreign currency options contract	146,044
	Interest rate swap contract	100,000

Name	Item	Contract (Notional) Amount as of December 31, 2004
Citibank	Foreign currency swap contract	\$ 635,360
		US\$ 214,000
	Interest rate swap contract	9,700,000
		US\$ 10,000
	Spot-rate forward	US\$ 185,000
		1,237,311
Fubon Securities (BVI) Co., Ltd.	Assets swap contract	873,620
Fubon Securities	Interest rate swap contract	US\$ 17,500
	Foreign currency swap contract	US\$ 26,168
	Spot-rate forward	US\$ 18,308
Fubon Securities Investment Trust	Foreign currency swap contract	US\$ 12,000
	Spot-rate forward	US\$ 6,000
Fubon Life Insurance	Foreign currency swap contract	US\$ 261,000
	Spot-rate forward	US\$ 231,000
Fubon Insurance	Foreign currency swap contract	US\$ 100,000
	Spot-rate forward	US\$ 100,000
Fubon Bills	Interest rate swap contract	2,000,000

11) Lease

	Name	Lease Terms	Tenancy	Rental Revenue (Expense) for the Years Ended December 31	
				2005	2004
Lessor	TCG	Rentals paid monthly (refundable lease deposits aggregated to \$6,800)	March 2008	\$ (15,578)	\$ (15,399)
	Fubon Securities	Rentals paid monthly	July 2006	(1,394)	(1,370)
	Fubon Insurance	Rentals paid monthly	December 2009	(112,073)	(100,175)
	Fubon Life Insurance	Rentals paid monthly	November 2006	(5,539)	(5,539)
	CHLDC	Rentals paid monthly	April 2010	(140,016)	(67,273)
	Ming Tong Co., Ltd.	Rentals paid monthly	April 2011	(19,536)	(22,422)
	Tao Yin Co., Ltd.	Rentals paid monthly	September 2004	-	(8,584)
	Taiwan Cellular Co., Ltd.	Rentals paid monthly	March 2007	(2,992)	(2,922)
Lessee	TCG	Rentals received yearly	December 2007	517	1,115
	Fubon Securities	Rentals received monthly	January 2009	31,447	29,101
	Fubon Life Insurance	Rentals received monthly	December 2004	-	470
	TAIPEIBANK Charitable Foundation	Rentals received monthly	March 2005	-	1,200
	TAIPEIBANK Life Insurance Agency Co., Ltd.	Rentals received monthly	December 2004	-	1,206
	Fubon Asset Management Co., Ltd.	Rentals received monthly	January 2010	2,206	96
	Fubon Direct Marketing Consulting	Rentals received monthly	July 2007	3,519	-
	Fubon Bank (Hong Kong) Limited	Rentals received monthly	March 2006	906	-

12) Insurance

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

Insured Object	Insurance Period	Insurance Amount	Insurance Premium
<u>Year ended December 31, 2005</u>			
Cash on hand	1/1/2005 - 1/1/2006	\$ 300,000	\$ 850
Coffer duty insurance	4/20/2005 - 4/20/2006	100,000	3,315
Computer equipments	11/1/2005 - 11/1/2006	2,879,761	7,199
Fire insurance	4/20/2005 - 4/20/2006	5,612,824	3,315
Public accident	4/20/2005 - 4/20/2006	102,000	674
Car insurance	12/31/2005 - 12/31/2006	215,556	583
Combined insurance for the bank	4/20/2005 - 4/20/2006	272,000	13,500
<u>Year ended December 31, 2004</u>			
Former TAIPEIBANK			
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

(Continued)

Insured Object	Insurance Period	Insurance Amount	Insurance Premium
Former Fubon Bank			
Office facilities	4/20/2004 - 4/20/2005	\$ 2,451,459	\$ 1,500
Electronic facilities	11/1/2003 - 11/1/2004	965,729	3,079
Combined insurance for the bank and coffer duty insurance	8/2/2003 - 4/20/2005	372,000	3,963
Public accident	4/20/2004 - 4/20/2005	108,000	442
Other		-	14,600

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 \$144,829 and \$145,052 for the years ended December 31, 2005 and 2004, respectively.

14) Donation

An allocation of 30% of the Lottery department's net income was made to public foundation to fulfill social - benefit activities, as required by relevant regulations. For the years ended December 31, 2005 and 2004, the Bank donated \$70,000 and \$50,000, respectively, to the Taipei Bank Charitable Foundation.

15) Refundable income tax

The Bank's parent company (FFH) adopted the linked-tax system for filing the income tax return and forwarded to the Bank the refunds for 2003 of \$213,606.

As of December 31, 2005, FFH had refunded \$113,233 to the Bank. The estimated income tax of \$132,935 for the year ended December 31, 2005 will be paid to FFH, and \$816,400 for 2004 had been paid to FFH.

16) Disposal of nonperforming loans

On December 30, 2004, the former TAIPEIBANK sold its nonperforming loans of \$4,802,027 to Fubon Asset Management for the price of \$465,007. Nonoperating loss on this sale was fully recognized in the current period, after bad debt and provision of bad debt and advances of \$4,333,377.

On November 16, 2004, former Fubon Bank sold its nonperforming loans amounting to \$3,494,741 to Fubon Asset Management for the price of \$1,271,259. Nonoperating loss was fully recognized in the current period, after bad debt and provision of bad debt and advances of \$2,184,527.

On March 29, June 24, August 22, September 23, November 10 and December 8, 2005, the Bank sold its nonperforming loans of \$12,567,889 to Fubon Asset Management for the price of \$5,005,265. An allowance for possible losses was credited, after bad debt and provision of bad debt and advances of \$8,023,808.

As of December 31, 2005, related receivables amounting to \$5,210,483 had not been collected.

17) Property transactions

The Bank entered into a contract with Fubon Bills to transfer a car to the Bank in March 2005, with a transfer price of \$1,219. The Bank entered into real estates transaction contracts with Fubon Asset Management on August 29 and December 26, 2005 to sell its assumed collaterals which amounted to \$63,528.

Under the Financial Holding Company Act, the Bank sold FFH's common stocks to other related parties which amounted to \$1,166,298 in November 2004. As of December 31, 2005, the related receivables have been fully collected.

18) Others

	For the Years Ended	
	December 31	
	2005	2004
Service revenue - Fubon Securities Investment Trust	\$ 80,654	\$ 85,258
Service revenue - others	50,880	100
Other revenue - Fubon Direct Marketing Consulting	3,057	-
Other revenue - others	7	-
Service expense - Fubon Direct Marketing Consulting	227,598	60,752
Service expense - Fubon Insurance	140,855	-
Service expense - Taiwan Cellular Co., Ltd.	22,219	-
Service expense - others	12,044	-
Donation - Fubon Charity Foundation	18,000	16,062
Donation - Fubon Culture and Education Foundation	15,000	19,150
Donation - Fubon Art Foundation	4,410	3,590
Donation - others	200	-
Insurance expense - Fubon Life Insurance	58,446	23,477
Insurance expense - Fubon Insurance	32,152	14,660
Other operating expense - Fubon Insurance	21,762	-
Other operating expense - Taiwan Fixed Network Co., Ltd.	14,743	-
Other operating expense - Fubon Building Management	12,597	17,317
Other operating expense - Taiwan Cellular Co., Ltd.	5,876	-
Other operating expense - Fubon Securities	5,730	-
Other operating expense - FFH	2,639	-
Other operating expense - Fubon Land Development	2,074	1,855
Other operating expense - others	8,509	12,016

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

Under the Banking Law, except for consumer 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.

24. PLEDGED ASSETS

As of December 31, 2005 and 2004, the following assets had been provided as refundable deposits:

	<u>December 31</u>	
	<u>2005</u>	<u>2004</u>
Securities purchased		
Negotiated certificates of deposits	\$ 15,500,000	\$ 15,595,800
Investments in government bonds and others	1,609,969	1,661,275
Long-term bond investment	539,243	150,000
Other financial assets	<u>-</u>	<u>120,248</u>
	<u>\$ 17,649,212</u>	<u>\$ 17,527,323</u>

The above negotiable certificates of deposits were provided as collateral for the day-term overdraft, a requirement for joining the Central Bank of China's clearing system for real-time gross settlement (RTGS), and the pledged amount is adjustable depending on the 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 cases on overdue loans, (b) National Credit Card Center to secure the Bank's potential obligations on credit card activities, and (c) Central Bank of China to secure the Bank's potential obligations on its trust activities.

As of December 31, 2005 and 2004, the Bank had no secured obligations.

25. CONTINGENCIES AND COMMITMENTS

Commitments, in addition to those shown separately in Note 28 as December 31, 2005, are summarized as follows:

a. Repurchase/resell agreements

Bonds and short-term bills sold under repurchase agreements before June 30, 2006	\$ 63,095,904
Bonds and short-term bills purchased under resell agreements before January 9, 2006	1,700,568

As of December 31, 2005, some of the securities purchased and long-term bond investments, which amounted to \$32,640,200 and \$23,587,700, respectively, had been sold under repurchase agreements.

- b. The Bank has several operating lease agreements covering office spaces. As of December 31, 2005, the related refundable lease deposits aggregated \$652,471 (part of "other financial assets"), including refundable deposits of \$603,471. Under agreements with the lessors, the interest on these deposits serves as the Bank's rental payments. The minimum future rentals were as follows:

Fiscal Year	Amount
2006.1.1 - 12.31	\$ 712,304
2007.1.1 - 12.31	655,156
2008.1.1 - 12.31	486,717
2009.1.1 - 12.31	301,780
2010.1.1 - 12.31	100,883

The future minimum rent commitment from 2011 to 2013 is \$35,527, with present value of about \$31,026, discounted at Chunghwa Post's one-year time deposit rate of 2.015%.

- c. As of December 31, 2005, construction and purchase contracts amounted to \$276,735, of which \$43,354 was unpaid.
- 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 a service fee from the MOF 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 end on December 31, 2007.

- e. Balance sheets and property of trust accounts as of December 31, 2005:

**Balance Sheet of Trust Accounts
December 31, 2005**

Trust Assets		Trust Liabilities and Equities	
Bank deposits	\$ 487,835	Payables	
		Tax payable	\$ <u>216</u>
Short-term investments		Trust capital	
Mutual funds	65,387,239	Money trust	122,379,020
Bonds	57,850,061	Securities trust	4,548,230
Stocks	<u>7,254,356</u>	Real-estate trust	2,278,571
	<u>130,491,656</u>	REITs	614,344
Real estate		Charitable trust	30,237
Land	2,169,545	Employee stock trust	257,230
Buildings	110,209		<u>3,661,330</u>
Construction in progress	<u>454,746</u>		<u>133,768,962</u>
	<u>2,734,500</u>	Reserve and accumulated	
		Net income	(64,692)
		Accumulated earnings	<u>9,505</u>
			<u>(55,187)</u>
Total	<u>\$ 133,713,991</u>	Total	<u>\$ 133,713,991</u>

**Property of Trust Accounts
December 31, 2005**

Investment Portfolio	Amount
Bank deposits	\$ 487,835
Short-term investments	
Mutual funds	65,387,239
Bonds	57,850,061
Stocks	<u>7,254,356</u>
	<u>130,491,656</u>
Real estate	
Land	2,169,545
Buildings	110,209
Construction in progress	<u>454,746</u>
	<u>2,734,500</u>
 Total	 <u>\$ 133,713,991</u>

26. 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.

	Years Ended December 31			
	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash - due from banks - deposits	\$ 3,570,695	1.18	\$ 2,793,464	0.42
Due from the Central Bank of China and other banks	63,807,522	1.93	94,914,377	1.27
Securities purchased	263,764,388	1.58	319,400,344	1.11
Bonds and short-term bills purchased under agreements to resell	5,451,572	1.25	5,671,902	1.01
Bills, discounts and loans	484,551,766	3.57	455,979,181	3.58
Investments in bonds	48,766,363	3.58	31,191,407	3.70
<u>Interest-bearing liabilities</u>				
Due to banks	23,238,985	2.69	25,513,986	1.35
Public treasury savings	39,756,400	0.43	54,746,128	0.57
Demand	74,658,152	0.37	74,280,301	0.15
Savings	232,926,660	0.62	229,398,254	0.69
Time	153,060,584	1.77	142,933,593	1.27
Time-savings	211,110,715	1.61	211,333,182	1.44
Negotiable certificates of deposit	2,533,714	0.69	2,923,146	0.67
Bank debentures	60,992,329	1.36	63,125,546	1.96
Borrowed funds	8,197,049	2.64	36,853,671	1.30
Bonds and short-term bills sold under agreements to repurchase	53,196,011	1.15	32,711,497	0.71

27. 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, 2005				
	Due in One Year	Due Between after One Year and Seven Years	Due After Seven Years	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 19,507,072	\$ -	\$ -	\$ 19,507,072
Due from the Central Bank of China and other banks	164,333,065	-	-	164,333,065
Securities purchased	118,316,389	-	-	118,316,389
Receivables	52,956,444	-	-	52,956,444
Bonds and short-term bills purchased under resell agreements	1,700,000	-	-	1,700,000
Bills, discounts and loans	195,264,954	143,937,927	219,030,241	558,233,122
Investments in bonds	448,409	19,224,416	28,884,225	48,557,050
	<u>\$ 552,526,333</u>	<u>\$ 163,162,343</u>	<u>\$ 247,914,466</u>	<u>\$ 963,603,142</u>
<u>Liabilities</u>				
Due to Central Bank of China	\$ 479,210	\$ -	\$ -	\$ 479,210
Due to banks	28,620,467	-	-	28,620,467
Payables	25,785,360	-	-	25,785,360
Bonds and short-term bills sold under repurchase agreements	63,052,968	-	-	63,052,968
Deposits and remittances	702,030,193	31,696,773	-	733,726,966
Borrowed funds	3,821,243	-	-	3,821,243
Bank debentures	500,000	52,400,000	6,500,000	59,400,000
	<u>\$ 824,289,441</u>	<u>\$ 84,096,773</u>	<u>\$ 6,500,000</u>	<u>\$ 914,886,214</u>
December 31, 2004				
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 19,219,808	\$ -	\$ -	\$ 19,219,808
Due from the Central Bank of China and other banks	71,835,810	10,000	-	71,845,810
Securities purchased	323,996,724	-	-	323,996,724
Receivables	45,065,712	-	-	45,065,712
Bonds and short-term bills purchased under resell agreements	6,010,116	-	-	6,010,116
Bills, discounts and loans	111,480,466	188,703,297	146,054,357	446,238,120
Investments in bonds	92,299	43,806,556	1,264,239	45,163,094
	<u>\$ 577,700,935</u>	<u>\$ 232,519,853</u>	<u>\$ 147,318,596</u>	<u>\$ 957,539,384</u>
<u>Liabilities</u>				
Due to the Central Bank of China	\$ 370,700	\$ -	\$ -	\$ 370,700
Due to banks	28,090,671	200,000	-	28,290,671
Payables	22,650,582	-	-	22,650,582
Bonds and short-term bills sold under repurchase agreements	38,127,516	-	-	38,127,516
Deposits and remittances	703,669,593	20,198,367	-	723,867,960
Borrowed funds	16,421,438	-	-	16,421,438
Bank debentures	5,000,000	52,900,000	6,500,000	64,400,000
	<u>\$ 814,330,500</u>	<u>\$ 73,298,367</u>	<u>\$ 6,500,000</u>	<u>\$ 894,128,867</u>

28. 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, asset swaps contracts, cross-currency swap contracts, credit default swaps as an end-user in connection with its risk management activities primarily to hedge its interest rate and exchange rate exposures on its foreign-currency assets or liabilities. The Bank's hedge strategy is to use instruments with fluctuations in their fair values that offset the changes in the fair values of the underlying exposures. The Bank 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 necessary. If the customer is another bank, it will be evaluated on the basis of its world ranking and credit rating as well as be required to have a provision for bad-debt expense.

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

	December 31, 2005			December 31, 2004		
	Contract (Nominal) Amount	Credit Risk	Fair Value	Contract (Nominal) Amount	Credit Risk	Fair Value
<u>Nontrading purposes</u>						
Interest rate swap contract	\$ 87,250,000	\$ 942,089	\$ (1,420,235)	\$ 108,992,000	\$ 1,297,523	\$ 18,136
Assets swap contract	1,631,716	2,204	636	2,859,075	15,191	(166,750)
Cross-currency swap contract	-	-	-	2,531,755	-	(205,998)
Credit default swap	3,000,000	-	(2,068)	3,000,000	-	(3,944)
<u>Trading purposes</u>						
Forward exchange contract	232,649,188	2,073,919	483,417	34,855,370	214,730	(603,085)
Foreign currency swap contract	60,440,334	863,665	(855,656)	175,749,103	985,578	680,387
Cross-currency swap contract	11,839,971	100,605	(57,791)	4,075,106	87,101	(45,594)
Interest rate swap contract	349,219,091	2,566,986	(73,557)	177,087,099	1,480,166	(16,439)
Forward rate agreement	3,381,294	616	(1,260)	-	-	-
Interest rate future contract	-	-	-	-	-	-
Foreign currency option contract						
- Long option	10,488,922	50,431	(7,146)	45,384,909	979,986	379,850
- Short option	9,086,082	-	12,071	46,560,132	-	(234,586)

The fair value of each contract is determined on the basis of the forward rate and the quotations from Reuters, Telerate or 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 in enters into derivative transactions at reasonable market terms. Thus, the Bank does not expect significant cash flow requirements to settle these instruments.

The gain and loss on derivative transactions were as follows:

	<u>Years Ended December 31</u>	
	2005	2004
<u>Nontrading purposes</u>		
Interest rate swap contract:		
Interest revenue (decrease)	\$ (140,178)	\$ (632,831)
Interest expense (decrease)	(454,905)	(2,024,632)
Assets swap contract:		
Interest revenue	30,383	78,472
Foreign currency option contracts:		
Exchange loss	-	(1,875)
Credit default swap contract:		
Net loss on derivative financial instrument	(1,683)	(4,204)
<u>Trading purposes</u>		
Forward exchange contract:		
Exchange gain (loss)	14,001,764	(842,574)
Foreign currency swap contract:		
Interest revenue	990,923	579,760
Interest expense	1,761,814	670,705
Cross-currency swap contract:		
Interest revenue	249,363	99,985
Interest expense	105,416	59,222
Net gain on derivative financial instrument	68,321	6,334
Foreign currency option contracts:		
Net gain (loss) on derivative financial instrument	83,867	(13,535)
Interest rate swap contract:		
Interest revenue	4,359,169	1,251,605
Interest expense	4,422,263	777,830
Net gain on derivative financial instrument	237,594	336,233
Forward rate agreement:		
Net gain on derivative financial instrument	260	2,702
Futures contract:		
Net gain (loss) on derivative financial instrument	(18,001)	(18,934)

As of December 31, 2005 and 2004, the asset swap contracts involving convertible bonds with redemption premiums required the Bank to pay the redemption premiums of \$1,940 and \$1,936, respectively, if the issuers of the bond default on their obligation.

b. Fair value of nonderivative financial instruments

	December 31, 2005		December 31, 2004	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<u>Assets</u>				
Assets with fair value equal to their carrying value	\$ 796,845,473	\$ 796,845,473	\$ 586,084,028	\$ 586,084,028
Securities purchased	117,892,565	117,892,565	323,204,013	323,204,013
Investments in shares of stock	13,762,993	13,746,629	14,160,235	14,307,983
Investments in bonds	48,557,050	48,557,050	45,163,094	45,163,094
Other long-term investments	582,931	599,295	-	-
<u>Liabilities</u>				
Liabilities with fair value equal to their carrying value	916,770,548	916,770,548	896,672,908	896,672,908

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

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

Only the fair values of financial instruments were listed above; thus, the total values listed above do 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 guarantees and obligations under letters of credit issued. Generally, these transactions are for one year. In the years ended December 31, 2005 and 2004, the interest rates for loans ranged from 1.50% to 19.69% and from 0.70% to 19.71%, respectively, and the highest interest rates for credit cards were from 19.69% to 19.71% and for cash cards were 18.25%. The Bank also provided guarantees on loans and letters of credit to customers' fulfillment of contracts. There was 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	
	2005	2004
Credit line of credit cards	\$ 215,595,803	\$ 166,274,003
Credit line of cash cards	4,547,740	4,115,526
Guarantees on loan and letters of credit	57,006,026	67,242,227
Irrevocable loan commitments	17,844,523	9,073,203

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 creditworthiness 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, 2005 and 2004, about 51% and 63%, respectively, of total loans granted and about 36% and 41%, respectively, of the 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. If necessary, the credit limit will be amended.

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 to be similarly affected by changes in economic or other conditions. Only the loans to Taipei City Government (TCG) involved concentration of credit risk. The information on the industry concentration of credit extensions stated in Note 29.a.2).

The net positions of the main foreign-currency transactions as of December 31, 2005 and 2004 were as follows:

	December 31							
	2005			2004				
	Foreign-currency Amounts (in Thousands)	New Taiwan Dollar Amounts (in Thousands)		Foreign-currency Amounts (in Thousands)	New Taiwan Dollar Amounts (in Thousands)			
Net positions of main foreign-currency with market risk	USD	38,287	\$	1,258,105	USD	59,021	\$	1,941,795
	EUR	4,936		192,077	EUR	5,243		226,572
	JPY	628,912		175,215	JPY	328,744		101,614
	GBP	198		11,228	GBP	1,594		97,446
	AUD	112		2,700	SEK	1,901		9,106

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

a. Credit Risks

1) Asset quality

Items	Year	The Bank	Former TAIPEIBANK	Former Fubon Bank
		December 31, 2005	December 31, 2004	December 31, 2004
Overdue loans		13,489,217	5,339,089	5,245,443
Nonperforming loans		12,463,759	4,762,420	5,432,713
Overdue loans ratio		2.42%	1.65%	4.25%
Classified loans		-	1,382,409	305,388
Ratios of classified loans to total loans		-	0.43%	0.25%
Allowance for credit losses		8,902,083	2,825,240	1,438,983
Write-off amount of credits		6,063,148	1,977,543	4,587,480

Note 1: Overdue loans disclosures before June 30, 2005 are regulated in directives No. 832292834 and No. 86656564 issued by the MOF. And overdue loans disclosures after July 1, 2005 are regulated in directives No. 0928011826 issued by the MOF.

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

Note 3: Loans subject to observation are mid-term and long-term loans repayable in installments repayment on which is delinquent for more than three months but less than six months; other loans (the repayment of) principal on which is overdue by less than three months and interest thereon is overdue by more than three months but less than six months that would normally be required to be reported as an overdue loan but for having been 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 due to the September 21, 1999 earthquake, loans for which the collateral has been sold at auction and the proceeds of such auction are yet to be distributed, and loans extended under other approved exempt loan programs.

Note 4: Write-off amount of credits: Accumulated write-off amounts of credits for the years ended December 31, 2005 and 2004.

2) Concentration of credit extensions:

Items	The Bank		Former TAIPEIBANK		Former Fubon Bank	
	December 31, 2005		December 31, 2004		December 31, 2004	
Credit extensions to interested parties	\$16,410,980		\$5,314,511		\$8,691,871	
Ratios of credit extensions to interested parties	2.76%		1.44%		6.96%	
Ratios of credit extensions secured by pledged stocks	0.31%		0.24%		0.34%	
Industry concentration (the biggest three industries of industry credit ratio)	Industry	Percentage	Industry	Percentage	Industry	Percentage
	Natural person	40.72%	Natural person	40.42%	Natural person	63.87%
	Government institutions	16.52%	Manufacturing	17.89%	Manufacturing	10.49%
	Manufacturing	14.53%	Government institutions	13.68%	Commerce	7.58%

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

b) Ratios of credit extensions to interested parties: Credit extensions to interested parties ÷ Total credits.

c) Ratios of credit extensions secured by pledged stocks: Credit extensions secured by pledged stocks ÷ 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 25 and 28.

b. Market risk:

1) Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Please refer to Note 26.

2) Market risk sensitivity

Items	The Bank	Former TAIPEIBANK	Former Fubon Bank
	December 31, 2005	December 31, 2004	December 31, 2004
Ratio of interest rate-sensitive assets to liabilities	88.81%	105.01%	66.60%
Ratio of interest rate-sensitive gap to net worth	(108.10%)	47.42%	(227.81%)

- Note: a) Interest-earning assets and interest-bearing liabilities are the cost or revenue of market risk-sensitive assets and liabilities that would be affected by interest rate fluctuations.
- 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 28.

c. Liquidity risk:

1) Profitability:

Items	The Bank	Former TAIPEIBANK	Former Fubon Bank
	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2004
Return on total assets	0.53%	0.82%	1.68%
Return on net worth	6.66%	11.08%	16.05%
Profit margin	10.47%	19.43%	20.95%

- Note: a) Return on total assets = Income before income tax/Average total assets.
- b) Return on net worth = Income before income tax/Average net worth.
- c) Profit margin = Income after income tax/Total operating revenues.
- d) Income before income tax represents income for the years ended December 31, 2005 and 2004.
- e) The profitability data listed above is expressed on an annual basis.

2) Maturity analysis of assets and liabilities:

	Total	Amount for the Remaining Period Before the Maturity Date				
		0-30 Days	31-90 Days	91-180 Days	181 Days to One Year	Over One Year
Assets	\$1,053,026,000	\$ 341,139,000	\$ 83,122,000	\$ 115,864,000	\$ 57,575,000	\$ 455,326,000
Liabilities	1,067,594,000	187,372,000	131,374,000	129,943,000	183,098,000	435,807,000
GAP	(14,568,000)	153,767,000	(48,252,000)	(14,079,000)	(125,523,000)	19,519,000
Accumulated gap	(14,568,000)	153,767,000	105,515,000	91,436,000	(34,087,000)	(14,568,000)

Note: The above amounts include only New Taiwan dollar amounts held in the Bank's onshore branches (i.e., excluding 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.	None
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.	None
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars.	None
Others	None

Note: 1) The term "within the past one year" means one year before 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 the Banking Bureau, Securities and Futures Bureau or Insurance Bureau

30. CAPITAL ADEQUACY

Items	Year	The Bank	Former TAIPEIBANK	Former Fubon Bank
		December 31, 2005	December 31, 2004	December 31, 2004
Capital adequacy ratio (Note)		11.03%	13.10%	16.82%
		11.20%	13.15%	16.98%
Ratios of debt to net worth		1,228.63%	1,197.16%	899.81%

Note: Capital adequacy ratio = Eligible capital/Risk-based assets. Under to the Banking Law and related regulations No. 0931000649 issued by the MOF, the capital adequacy ratio should be computed at the end of June and December, respectively.

31. INFORMATION RELATED TO BORROWERS, GUARANTERS AND COLLATERAL PROVIDERS AS INTEREST PARTIES

Category	Account Volume	December 31, 2005	The Possibility of Loss (Note c)
Consumer loans (Note a.)	506	\$ 114,562	-
Loans for employees' family mortgage	972	1,873,083	-
Other borrowers (Note b.)	997	14,423,321	-
Guarantees	1,152	22,739,585	-
Collateral providers	121	289,035	-

- Note:
- a. The consumer loans are regulated by Article 32 of the Banking Law.
 - b. Represent the loans, except for consumer loans and loans for employees' mortgage housing, of borrowers who are interest parties.
 - c. The estimated amount of loss is required for disclosure, if any.
 - d. The interest parties mentioned above are subject to Article 33-1 of the Banking Law.

32. RELEVANT INFORMATION OF MERGING WITH FUBON BANK

Under the ROC Statement of Financial Accounting Standards No. 25, "Business Combinations-Accounting Treatment under Purchase Method," the purchase method should not be applied to the merger of the former TAIPEIBANK and Fubon Bank because they are both the 100% subsidiaries of FFH. Under directive No. 243 and No. 244, issued by the Accounting Research and Development Foundation of the ROC on August 22, 2002, this merger was just an adjustment of organization structure, and the book values of assets and liabilities as the merger base. The Bank swapped shares with Fubon Bank at a ratio of 1:0.675 ("1" referred to Fubon Bank), resulting in the Bank's issuance of 1,475,372,270 common shares. The net worth of the merger was \$33,025,888 (including unrealized loss on long-term investment of \$60,541). Related details are as follows:

Items	Amount
Cash and cash equivalents	\$ 4,949,638
Due from the Central Bank of China and other banks	23,030,585
Securities purchased	88,128,211
Receivables	35,666,338
Prepayments	319,994
Bills, discounts and loans, net	122,098,693
Long-term investment	49,082,094
Other financial assets	1,379,199
Properties	5,277,338
Other assets	542,312
Due to banks	(2,495,414)
Payables	(6,048,360)
Repurchase agreement	(25,760,412)
Advance receipts	(773,412)
Deposit and remittance	(231,482,544)
Bank debentures	(29,400,000)
Other liabilities	<u>(1,488,372)</u>
	33,025,888
Unrealized loss on long-term equity investments	60,541
New shares issued owing to the merger	<u>(14,753,723)</u>
Capital surplus resulted form merging (accounted as capital surplus - others)	<u>\$ 18,332,706</u>

The main assets acquired from Fubon Bank are planned to be provided for operation purposes. There are no significant disposal plans. The operating results of Fubon Bank have been part of the Bank's income since January 1, 2005. In addition, the Bank also restated the financial statements for the year ended December 31, 2004 on the merger basis, and the resulting capital surplus of \$14,072,753 was accounted for as capital surplus- others.

33. 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: 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: None.
- 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: Table 2 (attached).
- i. On sale of non-performing loan to at least NT\$5,000 million: Note 23.
- 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: Table 3 (attached).
- l. Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 28, and the derivative transactions of FBFC are summarized below:

FBFC

FBFC enters into short/long options, interest rate swap, assets swap on convertible bonds, interest rate futures and forward rate agreements, for trading purposes, i.e., to generate higher income. In addition, FBFC enters into interest rate swap for hedging purposes, i.e., to hedge its interest rate fluctuation exposures on foreign currency assets.

The outstanding derivative financial instruments as of December 31, 2005 and 2004 were as follows:

1) The contract amounts, credit risks:

	December 31			
	2005		2004	
	Contract Amount	Credit Risk	Contract Amount	Credit Risk
<u>Trading purposes</u>				
Short option	\$ -	\$ -	\$ 1,200,000	\$ -
Interest rate swap contracts	58,838,000	159,781	23,400,000	111,610
Assets swap on convertible bonds	490,000	490,000	250,000	250,000
Interest rate futures	50,000	38	3,105,000	-
Forward rate agreements	-	-	1,000,000	1,946
<u>Nontrading purposes</u>				
Interest rate swap contracts	6,597,000	20,699	2,800,000	-

Credit risk is the exposure to loss if a counter-party defaults on related contracts. All counter-parties to the derivative transactions are securities and financial institutions with high credit rating. Thus, the associated credit risk is deemed very limited, and no significant losses resulting from counter-party defaults are anticipated. In addition, FBFC engaged in the interest rate futures transactions on the Taiwan Futures Exchange with counter parties that remitted guarantee deposits for the unsettled futures contracts to the futures brokers' designated account. The credit default risks were the responsibility of the futures brokers with high credit rating; thus no significant credit risk is expected.

2) Market risk

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

3) Liquidity risk and risk of cash flows

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

4) The gains and losses on derivative financial instruments

	Year Ended	
	December 31	
	2005	2004
Trading purposes		
Interest rate swap contracts	\$ 77,306	\$ 61,637
Short option	12,328	(6,256)
Interest rate futures contracts	2,042	(310)
Forward rate agreements	4	(404)
Asset swap on convertible bonds	<u>10,375</u>	<u>4,006</u>
	<u>\$ 102,055</u>	<u>\$ 58,673</u>
Nontrading purposes		
Interest rate swap contracts	<u>\$ (33,062)</u>	<u>\$ 13,069</u>
Interest income (expense)	<u>\$ (33,062)</u>	<u>\$ 13,069</u>

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

	December 31	
	2005	2004
Trading purposes:		
Premiums - short option	\$ -	\$ 4,634
Unrealized valuation gains	<u>\$ 66,308</u>	<u>\$ 32,721</u>
Futures guarantee deposits	<u>\$ 13,353</u>	<u>\$ 63,812</u>
Nontrading purposes		
Interest payable	<u>\$ 118</u>	<u>\$ 9,038</u>

34. 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 oversea business units are less than 10% of its total revenue and total asset respectively.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(Formerly TAIPEIBANK Co., Ltd.)

MARKETABLE SECURITIES HELD
DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Holding Company	Type and Name of Marketable Securities	Relationship with Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares/Units/ Face Amount (in Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Fubon Leasing Co., Ltd.	<u>Stock</u> Pacific Resources Corporation	-	Long-term investments in shares of socks	4,314	\$ 35,891	4.93	\$ 52,445	Note 4
	Primus Technology Fund	-	Long-term investments in shares of socks	2,650	12,500	5.00	9,208	Note 1
	Yen-Tai Foreign Exchange Co., Ltd.	-	Long-term investments in shares of socks	240	2,400	2.00	3,425	Note 1
Fubon Real Estate Management Co., Ltd.	<u>Beneficiary certificate</u> Fubon Chi Hsiang III Beneficiary	Affiliate	Short-term investments	11,329	146,300	-	146,321	Note 2
TAIPEIBANK Life Insurance Agency Co., Ltd.	<u>Beneficiary certificate</u> ABN AMRO SELECT Bond Fund	-	Short-term investments	2,813	30,000	-	31,446	Note 2
	<u>Bond</u> Government Bond 87-4	-	Other assets	-	3,000	-	3,000	Note 3

Note 1: Net asset values were based on the investees' unaudited financial statements on December 31, 2005.

Note 2: Market prices were determined at the net asset value on December 31, 2005.

Note 3: As refundable deposits.

Note 4: Net asset values was based on the investees' unaudited financial statements on June 30, 2005.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(Formerly TAIPEIBANK Co., Ltd.)

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
DECEMBER 31, 2005
(In Thousands 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		
TAIPEI FUBON BANK Company (Note)	Fubon Assets Management	Equity method investee of the Bank's parent company	\$5,210,483	Not applicable	None	Not applicable	None	None

Note: The receivable resulted from the sale of nonperforming loans to Fubon Assets Management on November 16, 2004; December 30, 2004; March 29, 2005; June 24, 2005; August 22, 2005; September 23, 2005; November 10, 2005 and December 8, 2005.

TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(Formerly TAIPEIBANK Co., Ltd.)

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE BANK EXERCISES SIGNIFICANT INFLUENCE
DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2005			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2005	December 31, 2004	Shares (Thousands)	Percentage of Ownership	Carrying Value			
TAIPEI FUBON BANK Company	Fubon Bills Finance Co., Ltd.	Taipei	Bond and stock underwriting, guarantee, and endorsement	\$ 3,910,329	\$ 3,910,329	453,373	100.00	\$ 6,530,958	\$ 807,313	\$ 802,058	Note 1
	Fubon Leasing Co., Ltd.	Taipei	Sales, maintenance and lease of machinery and equipment	999,946	999,900	61,608	100.00	447,247	(13,540)	(13,540)	Note 1
	Fubon Construction Management Co., Ltd.	Taipei	Investigation, consultation, management and real estate evaluation of construction plans	30,000	30,000	4,273	30.00	47,602	7,692	2,307	Note 1
	Fubonbank Insurance Agent Co., Ltd.	Taipei	Life insurance agent	5,021	5,021	200	100.00	220,737	207,683	207,683	Note 1
	Fubon Insurance Agent Co., Ltd.	Taipei	Property insurance agent	2,013	2,013	200	100.00	5,488	3,224	3,224	Note 1
	TAIPEIBANK Life Insurance Agency Co., Ltd.	Taipei	Life insurance agent	20,000	20,000	2,000	100.00	56,016	4,380	1,573	Note 1

Note 1: Investment gains (losses) were based on the investees' audited financial statements for the year ended December 31, 2005.

Appendix2

Consolidated Financial Report for 2005 and 2004

The bank has incorporated the accounts of Fubon Bills Finance for 2004 and 2005 into its financial statement. However, accounts of other subsidiaries, including Fubon Leasing, Fubon Bank Insurance Agent Co., Fubon Insurance Agent Co., and Taipei Bank Life Insurance Agent Co., have not been incorporated into the financial statement of the bank, due to the limited total amount of their assets and revenues, as well as the absence of major transaction with the parent company.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
TAIPEI FUBON COMMERCIAL BANK Co., Ltd.

We have audited the accompanying balance sheets of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. (formerly TAIPEIBANK Co., Ltd., a wholly owned subsidiary of Fubon Financial Holdings Company) and subsidiaries as of December 31, 2005 and 2004 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated 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 rules and 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of TAIPEI FUBON COMMERCIAL BANK Co., Ltd. and subsidiaries as of December 31, 2005 and 2004 and the results of its operations and its cash flows for the year then ended in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Public Bills Finance Companies 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 repurchase or resell agreements were treated as outright sales or purchases in 2003. In 2004, under the "Criteria Governing the Preparation of Financial Reports by Public Banks" and "Criteria Governing the Preparation of Financial Reports by Public Bills Finance" effective January 1, 2004, the repurchase/resell transactions began to be treated as financing

As described in Notes 1 and 37, TAIPEIBANK Co., Ltd. merged with Fubon Bank Co., Ltd. (a wholly owned subsidiary of Fubon Financial Holdings Company) by swapping shares on January 1, 2005. In order to increase the comparability of financial statements, the financial statements as of and for the year ended December 31, 2004 had been restated to be consistent with the presentation of the financial statements as of and for the year ended December 31, 2005.

April 10, 2006

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..

**TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(FORMERLY TAIPEIBANK CO., LTD.) AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004**

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

ASSETS	2005		2004 (Restated - Note 1)		LIABILITIES AND SHAREHOLDERS' EQUITY	2005		2004 (Restated - Note 1)	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 5)	\$ 23,131,591	2	\$ 19,705,047	2	LIABILITIES				
DUE FROM CENTRAL BANK OF CHINA AND OTHER BANKS (Note 6)	163,783,065	15	72,296,810	7	Short-term bills payable (Note 13)	\$ -	-	\$ 1,776,642	-
SECURITIES PURCHASED, NET (Notes 2 and 7)	176,211,003	17	370,498,593	36	Due to Central Bank of China	479,210	-	370,700	-
RECEIVABLES, NET (Notes 2 and 8)	51,135,892	5	45,031,829	4	Due to other banks (Note 14)	37,550,467	4	36,675,671	4
BONDS AND SHORT-TERM BILLS PURCHASED UNDER RESELL AGREEMENTS (Note 2)	5,005,246	1	6,060,341	1	Payables (Note 15)	26,042,882	3	22,735,076	2
PREPAYMENTS AND OTHER	534,117	-	439,414	-	Bonds and short-term bills sold under repurchase agreements (Note 2)	120,404,804	11	79,639,891	8
BILLS, DISCOUNTS AND LOANS, NET (Notes 2 and 9)	549,331,039	51	441,973,897	43	Advances	1,632,532	-	2,083,676	-
LONG-TERM INVESTMENTS (Notes 2 and 10)					Deposits and remittances (Note 16)	733,568,348	68	723,679,809	70
Investments in shares of stock - accounted by the equity method	777,090	-	1,086,352	-	Bank debentures (Note 17)	59,400,000	6	64,400,000	6
Investments in shares of stock - accounted by the cost method	6,454,945	1	6,864,408	1	Borrowed funds	3,821,243	-	16,421,438	2
Investments in bonds	59,035,056	5	56,350,038	5	Bonds (Note 18)	5,500,000	1	3,000,000	-
Investments in other securities	582,931	-	-	-	Long-term liabilities (Notes 2 and 19)	1,377,775	-	1,648,471	-
Long-term investments, net	66,850,022	6	64,300,798	6	Other liabilities (Notes 2 and 20)	4,517,371	-	3,698,201	-
OTHER FINANCIAL ASSETS (Notes 2 and 11)	16,225,808	2	3,483,645	-	Total liabilities	994,294,632	93	956,129,575	92
PROPERTY AND EQUIPMENT (Note 2)					SHAREHOLDERS' EQUITY				
Land	7,509,318	1	7,518,848	1	Capital stock - \$10 par value				
Buildings and improvements	5,795,219	1	5,803,744	1	Authorized and issued - 2,813,117 thousand shares and 3,813,117 thousand shares in 2005 and 2004, respectively	28,131,175	3	38,131,175	4
Computers and peripheral equipment	3,308,158	-	3,009,418	-	Capital surplus:				
Transportation and communications equipment	225,290	-	231,841	-	Paid-in capital in excess of par value	6,799,200	-	6,799,200	1
Miscellaneous equipment	1,627,552	-	1,476,081	-	Donation	305	-	305	-
Less - accumulated depreciation	(4,514,271)	(1)	(4,033,108)	(1)	Others	17,948,824	2	14,072,753	1
Advances for acquisitions of equipment	295,131	-	376,691	-	Total capital surplus	24,748,329	2	20,872,258	2
Net property and equipment	14,246,397	1	14,383,515	1	Retained earnings:				
OTHER ASSETS, NET (Notes 2 and 12)	2,738,368	-	1,544,576	-	Legal reserve	15,855,432	2	14,524,511	1
TOTAL	\$ 1,069,192,548	100	\$ 1,039,718,465	100	Special reserve	1,285,676	-	1,285,676	-
					Unappropriated earnings	5,158,199	-	8,820,160	1
					Total retained earnings	22,299,307	2	24,630,347	2
					Unrealized loss from long-term equity investments	(345,647)	-	(60,541)	-
					Cumulative translation adjustments	64,752	-	15,651	-
					Total shareholders' equity	74,897,916	7	83,588,890	8
					CONTINGENCIES AND COMMITMENTS (Notes 2 and 28)				
					TOTAL	\$ 1,069,192,548	100	\$ 1,039,718,465	100

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

(With Deloitte & Touche audit report dated April 10, 2006)

**TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(FORMERLY TAIPEIBANK CO., LTD.) AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Earning Per Share)**

	2005		2004 (Restated - Note 1)	
	Amount	%	Amount	%
OPERATING INCOME				
Interest (Note 2)	\$ 33,474,574	68	\$ 29,635,078	67
Service fees (Note 2)	9,317,903	19	10,387,571	24
Gain on trading of securities purchased, net	3,497,339	7	2,648,976	6
Income from long-term equity investments under the equity method, net (Notes 2 and 10)	201,247	-	218,196	-
Foreign exchange gain, net (Note 2)	930,446	2	452,441	1
Income from long-term investments, net	1,388,378	3	356,404	1
Gain on derivative financial instrument, net (Notes 2 and 31)	472,413	1	367,269	1
Other	36,304	-	13,370	-
Total operating income	<u>49,318,604</u>	<u>100</u>	<u>44,079,305</u>	<u>100</u>
OPERATING COSTS				
Interest (Note 2)	17,355,118	35	12,504,560	29
Service charges	4,008,996	8	4,512,244	10
Provisions for losses (Note 2)	<u>11,464,273</u>	<u>24</u>	<u>3,904,732</u>	<u>9</u>
Total operating costs	<u>32,828,387</u>	<u>67</u>	<u>20,921,536</u>	<u>48</u>
GROSS PROFIT	16,490,217	33	23,157,769	52
OPERATING EXPENSES	<u>11,076,092</u>	<u>22</u>	<u>11,643,859</u>	<u>26</u>
OPERATING INCOME	5,414,125	11	11,513,910	26
NONOPERATING INCOME AND GAINS	285,979	1	429,725	1
NONOPERATING EXPENSES AND LOSSES	<u>227,204</u>	<u>1</u>	<u>997,132</u>	<u>2</u>
INCOME BEFORE INCOME TAX	5,472,900	11	10,946,503	25
INCOME TAX (Notes 2 and 22)	<u>438,505</u>	<u>1</u>	<u>2,250,147</u>	<u>5</u>
CONSOLIDATED NET INCOME	<u>\$ 5,034,395</u>	<u>10</u>	<u>\$ 8,696,356</u>	<u>20</u>
	Pretax	After Tax	Pretax	After Tax
EARNINGS PER SHARE (Note 24)	<u>\$ 1.70</u>	<u>\$ 1.56</u>	<u>\$ 2.87</u>	<u>\$ 2.28</u>

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

(With Deloitte & Touche audit report dated April 10, 2006)

**TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(FORMERLY TAIPEIBANK CO., LTD.) AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)**

	Capital Stock Authorized and Issued (\$10 Par Value)		Capital Surplus (Note 2)				Retained Earnings (Note 2)				Unrealized Loss from Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Total Shareholders' Equity		
			Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	Donation	Others	Total	Legal Reserve	Special Reserve				Unappropriated Earnings	Total
BALANCE, JANUARY 1, 2004 (RESTATED - Note 1)	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		
Shares issued for consolidation	1,475,372	14,753,723	-	-	14,072,753	14,072,753	-	-	-	-	(61,191)	-	28,765,285		
Appropriation 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)		
Unrealized loss from long-term equity investments	-	-	-	-	-	-	-	-	-	-	650	-	650		
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	(55,399)	(55,399)		
Consolidated net income in the year ended December 31, 2004	-	-	-	-	-	-	-	-	8,696,356	8,696,356	-	-	8,696,356		
BALANCE, DECEMBER 31, 2004 (RESTATED - Note 1)	<u>3,813,117</u>	<u>\$ 38,131,175</u>	<u>\$ 6,799,200</u>	<u>\$ 305</u>	<u>\$ 14,072,753</u>	<u>\$ 20,872,258</u>	<u>\$ 14,524,511</u>	<u>\$ 1,285,676</u>	<u>\$ 8,820,160</u>	<u>\$ 24,630,347</u>	<u>\$ (60,541)</u>	<u>\$ 15,651</u>	<u>\$ 83,588,890</u>		
BALANCE, JANUARY 1, 2005	2,337,745	\$ 23,377,452	\$ 6,799,200	\$ 305	\$ -	\$ 6,799,505	\$ 14,524,511	\$ 1,285,676	\$ 4,560,207	\$ 20,370,394	\$ -	\$ 15,651	\$ 50,563,002		
Shares issued for consolidation	1,475,372	14,753,723	-	-	18,332,706	18,332,706	-	-	-	-	(60,541)	-	33,025,888		
Appropriation of earnings:															
Legal reserve	-	-	-	-	-	-	1,330,921	-	(1,330,921)	-	-	-	-		
Bonus to employees	-	-	-	-	-	-	-	-	(248,438)	(248,438)	-	-	(248,438)		
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	(62,110)	(62,110)	-	-	(62,110)		
Cash dividends	-	-	-	-	-	-	-	-	(2,794,934)	(2,794,934)	-	-	(2,794,934)		
Capital reduction	(1,000,000)	(10,000,000)	-	-	-	-	-	-	-	-	-	-	(10,000,000)		
Capital reduction of investee (Note 10)	-	-	-	-	(383,882)	(383,882)	-	-	-	-	60,541	-	(323,341)		
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	49,101	49,101		
Unrealized Loss from long-term equity investments	-	-	-	-	-	-	-	-	-	-	(345,647)	-	(345,647)		
Consolidated net income in the year ended December 31, 2005	-	-	-	-	-	-	-	-	5,034,395	5,034,395	-	-	5,034,395		
BALANCE, DECEMBER 31, 2005	<u>2,813,117</u>	<u>\$ 28,131,175</u>	<u>\$ 6,799,200</u>	<u>\$ 305</u>	<u>\$ 17,948,824</u>	<u>\$ 24,748,329</u>	<u>\$ 15,855,432</u>	<u>\$ 1,285,676</u>	<u>\$ 5,158,199</u>	<u>\$ 22,299,307</u>	<u>\$ (345,647)</u>	<u>\$ 64,752</u>	<u>\$ 74,897,916</u>		

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated April 10, 2006)

**TAIPEI FUBON COMMERCIAL BANK CO., LTD.
(FORMERLY TAIPEIBANK CO., LTD.) AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)**

	2005	2004 (Restated - Note 1)
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 5,034,395	\$ 8,696,356
Depreciation and amortization	883,629	833,664
Amortization of deferred employee pension expense	-	809,219
Gain on sale of long-term investments	(983,046)	(109,110)
Realized loss from long-term equity investments	47,830	-
Realized loss from long-term bond investments	-	19,061
Loss from disposal of asset	10,986	6,563
Loss from disposal of collateral assumed	-	27,844
Equity in net loss (gain) of investee companies and cash dividends received	(14,033)	(34,616)
Provisions for losses	11,464,273	3,904,732
Collection of loan receivable written off in prior years	1,209,290	1,388,789
Provision (reversal of allowance) for losses on securities	(370,301)	635,987
Realized loss on securities purchased reclassified as long-term bond investments	-	2,462,125
Deferred income tax expense (benefit)	(1,191,426)	140,395
Net changes in operating assets and liabilities		
Securities purchased - for trading purposes	194,656,477	(73,107,306)
Receivables and prepayment	(12,620,579)	(1,507,920)
Bonds and short-term bills purchased under agreements to resell	(3,255,021)	(150,000)
Payables and advances	2,856,662	3,129,897
Bonds and short-term bills sold under agreements to repurchase	17,078,416	42,817,749
Accrued pension liability	2,085	(217,785)
	<u>214,809,637</u>	<u>(10,254,356)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased - for investing purposes	-	(58,383,303)
Decrease (increase) in bonds and short-term bills purchased under agreements to resell	4,310,116	(7,215,715)
Decrease (increase) in loans, bills and discounts	(115,147,111)	39,535,852
Decrease (increase) in due from Central Bank of China and other banks	(91,486,255)	55,351,855
Increase in long-term bonds investments	(1,701,972)	(8,012,921)
Capital reduction by investee	15,986	1,050
Acquisition of investments in shares of stock	(582,977)	(3,003,145)
Proceeds from disposal of investments in shares of stock	-	3,756,885
Acquisition of property and equipment	(551,654)	(1,529,787)
Proceeds from disposal of property and equipment	22,070	624,753
Proceeds from disposal of collaterals assumed	151,795	120,290

(Continued)

	2005	2004 (Restated - Note 1)
Proceeds from disposal of nonperforming loans	\$ 1,437,704	\$ -
Increase in other financial assets	(12,742,163)	(1,262,011)
Increase in other assets, net	<u>(279,848)</u>	<u>(777,846)</u>
Net cash provided by (used in) investing activities	<u>(216,554,309)</u>	<u>19,205,957</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bills payable	(1,776,642)	(1,968,606)
Increase (decrease) in due to Central Bank of China	108,510	(498,323)
Increase in due to other banks	874,796	6,516,661
Increase in bonds and short-term bills sold under repurchase agreements	23,686,497	38,127,516
Increase (decrease) in deposits and remittances	9,888,539	(19,331,313)
Decrease in borrowed funds	(12,600,195)	(38,541,442)
Issuance of bonds	2,500,000	2,000,000
Increase (decrease) in bank debentures issued	(5,000,000)	12,600,000
Increase (decrease) in long-term liabilities	(272,781)	95,012
Increase (decrease) in other liabilities	807,586	(43,324)
Payment of cash dividends	(2,794,934)	(5,800,229)
Bonus to employees and remuneration to directors and supervisors	(310,548)	(304,745)
Capital reduction	<u>(10,000,000)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>5,110,828</u>	<u>(7,148,793)</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>60,388</u>	<u>418,094</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,426,544	2,220,902
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,705,047</u>	<u>17,484,145</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 23,131,591</u>	<u>\$ 19,705,047</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 16,634,173</u>	<u>\$ 12,515,555</u>
Income tax paid	<u>\$ 2,696,531</u>	<u>\$ 998,289</u>
NONCASH INVESTING ACTIVITIES		
Transfer of securities purchased to long-term investments	<u>\$ -</u>	<u>\$ 52,545,001</u>
Transfer of long-term investments to securities purchased	<u>\$ -</u>	<u>\$ 301,310</u>

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