玉山十四年
14th

ANNUAL REPORT 2005

九 十 四 年 年 報

E.SUN BANK 5847
280919

玉山銀行 E.SUN BANK

http://www.esunbank.com.tw
Date Printed：2006.4.3

Pure as Jade , Stem as Mountain.

E.SUN Spokesman

Name：Wu-Lin Duh

Position：Deputy President

Telephone：（02）2175-1313

email：wulin@email.esunbank.com.tw

Deputy Spoksman

Name：Magi Chen

Position：Senior Executive Vice President

Telephone：（02）2175-1313

email：magi@email.esunbank.com.tw

Registered Office and Branches

Name	Address	Telephone	Website
Register Office	No.115, Sec. 3, Minshen E. Rd., Taipei, Taiwan, R.O.C.	（02）2719-1313	www.esunbank.com.tw
Branches	Please refer to the back cover		

Stock Transfer and Service Contact

Name：Stock Service Department, General Affairs Division, E.SUN Bank

Address：No.115, Minshen E. Rd., Sec. 3, Taipei, Taiwan, R.O.C.

Website：www.esunbank.com.tw

Telephone：（02）2719-1313

Rating Agency

Name：Moody's Investors Service Inc.

Address：99 Church Street, New York, NY 1007,U.S.A.

Telephone：1-212-553-1653

Name：Taiwan Ratings Corporation

Address：49th Fl., Taipei 101 Tower No. 7, Xinyi Rd., Sec. 5, Taipei, Taiwan R.O.C.

Telephone：（02）8722-5800

Auditing Certified Public Accountant

Cerrtified Public Accountant：Ray Chang, Way Yung Do

Accountign Firm：Deloitte Taiwan

Address：12th Fl., No.156 Min Sheng East Road, Sec. 3, Taipei, Taiwan, R.O.C.

Website：www.deloitte.com.tw

Telephone：（02）2545-9988

The highest peak, the best bank.

Dawn at Jade Mountain

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Business Report

Rising interest rates and soaring international crude prices caused the global economic expansion to wane in 2005. With respect to Taiwan, factories continued to move overseas, investment growth in private sector softened, and rises in GDP was limited, which impacted consumption. Overall, economic growth paled in comparison with 2004. Despite changes in the domestic and international banking environment, E.SUN FHC continues to abide by its policy of stable operations, offering an outstanding brand name and highly efficient services. It also continues to expand its number of branches in order to create a comprehensive financial services network and raise customer value.

At the end of 2005, E.SUN's total deposits stood at NT$440.4 billion and total outstanding loans at NT$364.7 billion. Its mortgage loan business grew over 40% for the third consecutive year. E.SUN's foreign exchange operations amounted to NT$25.3 billion in 2005 and the amount of assets under trust was NT$37.43 billion. It has 2.571 million credit cards in force. Pre-tax profit for the year stood at NT$4.783 billion. E.SUN's NPL ratio was only 0.79%, which continued to signify the best asset quality in Taiwan. E.SUN's earnings per share were NT$1.72 in 2005, its return on assets was 0.63%, and return on equity 10.81%. For 2006, E.SUN has set goals of 20% growth in both deposits and loans, to NT$528.8 billion and NT$438.0 billion, respectively, and foreign exchange business of US$30.8 billion. It has set a pre-tax profit goal of NT$4.613 billion.

In 2005 E.SUN was singled out for its outstanding brand name and services. In September it was awarded "Bank of the Year" in Taiwan by the internationally respected magazine The Banker and in October it won First Place in Global View Monthly magazine's Outstanding Service Award. In December, a survey released by the Institute for Information Industry showed E.SUN in first place in the areas of Most Commonly Used Internet Bank and Internet Bank Satisfaction. Moody's has assigned E.SUN long- and short-term credit ratings of BAA2/P-3, while Taiwan Ratings has assigned E.SUN ratings of twA+/twA-1, with a stable outlook.

In November 2005, E.SUN was contracted by the Bureau of Labor Affairs to issue the Labor Protection Card, becoming one of only a handful of banks on Taiwan to be selected. The card enables users to view their labor pension accounts through E.SUN's ATM network and

E.SUN, the fiagship department store in mortgage loan products.

"Outstanding Service Award" awarded by Global View Monthly.

also features the function of being an ATM card and credit card. The card is available to laborers throughout Taiwan and E.SUN already ranks first in market share.

Amid Taiwan's increasingly competitive banking environment, the Bank in 2006 looks to continue to differentiate its products and marketing strategies from its counterparts with the goal raising customer value. E.SUN will equally stress quantity and quality in its risk management, and will provide professional, warm and efficient services to expand its market share. In an effort to meet the government's policy goal for banks to provide a range of mortgage loan products, E.SUN has introduced its Mortgage Loan Flagship Department Store concept, offering a comprehensive array of mortgage loan products to different consumer segments. E.SUN will also strengthen its financing services to small- and medium-sized enterprises to nurture SME development. In terms of wealth management, it will create a comprehensive wealth management platform to assist each customer in designing the most appropriate asset allocation for his or her needs. E.SUN will also stress both quantity and quality in its credit card business, and look to streamline operational procedures, reduce costs and provide customers with value-added services. The Bank will continue to gradually expand its physical branch network and virtual network, expand market share in each area of its operations and achieve the goal of creating a win-win situation for both the Bank and its customers.

Since its establishment, E.SUN has devoted considerable resources to establishing systems, cultivating human resources, developing information system, and providing a foundation for sustainable development. The Bank has also made any number of efforts to realize its corporate responsibility to the community and to Taiwan as a whole. It will continue to work to ensure the highest level of performance and be a highly respected corporate entity.

Once again, we thank you for your support and wish you the best.

Yung-Jen Huang

Yung-Jen Huang
Chairman of the Board

Yung-Hsung Hou
President

"Bank of the Year" in Taiwan awarded by The Banker in 2005

Reliable Wealth Management Services.

I.Bank Profile

Rising Sun from the East

1.Introduction

Chairman Huang Yung-jen and a group of banking professionals in 1989 decided to found E.SUN Bank, with a determination to run the best bank on Taiwan. E.SUN opened its doors on February 21, 1992, after the government implemented its policy of banking liberalization. The passage of the Financial Holding Company Law in 2001 paved the way for the birth of E.SUN Financial Holding Company, Ltd. on January 28, 2002, marking the beginning of a new era for E.SUN. The holding company framework enables E.SUN to integrate various operations under one umbrella, providing customers with a comprehensive array of services from a trusted brand name.

Establishing a Foundation for Sustainable Operations

E.SUN Commercial Bank is named after Taiwan's highest peak "Yushan." The Bank was established with the goal of being Taiwan's foremost financial institution. E.SUN Bank has images as outstanding and professional bodies that offer sincere service and that achieve their corporate responsibilities. E.SUN stresses the establishment of sound operating management systems, the cultivation of a highly trained team of employees, and the development of services that make the best use of information technology. E.SUN seeks to combine with its corporate culture, creating a foundation for sustainable operations.

Living Up to the Promise of Its Brand Name

Over the past 14 years, E.SUN's outstanding management team has helped create a corporate image and brand name that emphasizes "Expertise, Service and Business". E.SUN continuously uses its wisdom and expertise to tackle any challenges head on. It has created a foundation for sustainable operations through creating of corporate systems, training personnel and developing information system.

The Bank has won any number of honors in recent years, including:

* In 2005, E.SUN was selected by The Banker magazine as "Bank of the Year" in Taiwan. It was also selected as Most Commonly Used Internet Bank and first in Internet Bank Satisfaction by Taiwan Internet users, according to data from the Institute for Information Industry.

* In 2005, the Bank was cited by the Taiwan Academy of Banking and Finance as providing the best training for its employees.

* In 2002, Chairman Huang Yung-jen was awarded the Individual Award of the National Quality Award.

* In 2001, E.SUN Bank received the National Quality Award. Chairman Huang Yung-jen was awarded the Lee Kuo-ting Award for Outstanding Management, the highest honor in the management

field in Taiwan.

* In 2000, E.SUN Bank emerged in first place in a survey of service quality of state- and private banks.

E.SUN offers a comprehensive product line and highly efficient services to satisfy the needs of customers. The Bank is customer-oriented and works to differentiate itself in its sales and marketing initiatives. Its risk management is characterized by equal emphasis on quality and quantity. Meanwhile, E.SUN hopes its services will interest customers in introducing the bank to more customers.

Focusing on Teamwork in Reaching New Heights

In today's intensely competitive banking environment, E.SUN has created a corporate identity and culture that focuses on the team. E.SUN wants its team to focus on using intelligence and innovative products and strategies to win customers, rather than solely focusing on pricing.

In the middle of 2005, E.SUN Bank moved its headquarters to Taipei's financial district on Minsheng East Road. The Bank launched its wealth management flagship VIP Center at its headquarters office to set a model in offering customers with a comprehensive range of specialized products and professional service. E.SUN also continues to expand its number of branches, with a goal of having 116 branches that create a tight-knit financial services network.

Becoming Taiwan's Best Performing and Respected Bank

E.SUN Bank wants to serve as a model for the banking sector and set the model in terms of service. It seeks to create a "breath of fresh air" in the marketplace and establish trustworthy relationships with its customers. The Bank pursues quantity, quality and service in its operations, with the aim of cultivating an outstanding base of customers.

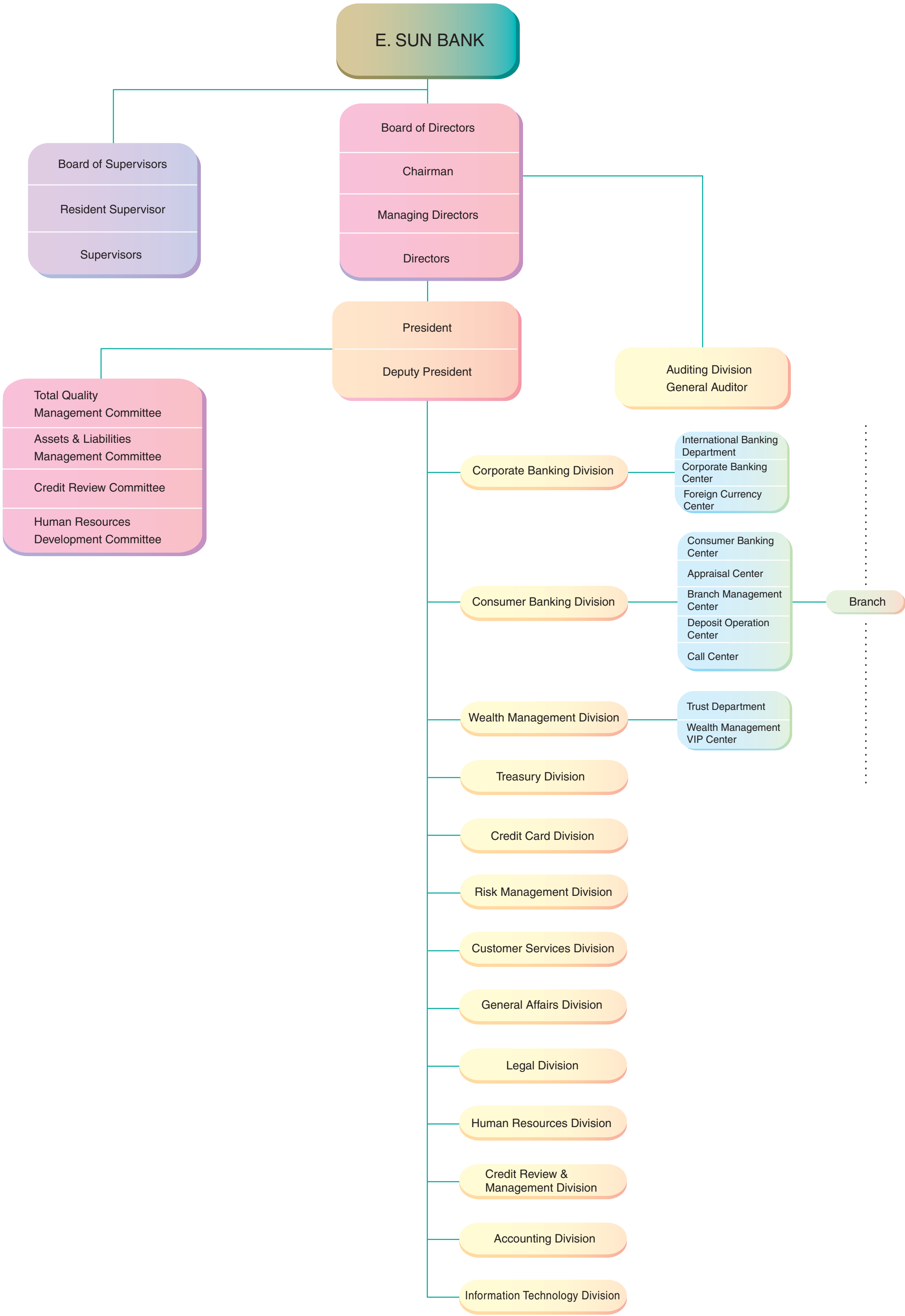
In addition to operations, the E.SUN Volunteer and Social Welfare Foundation engages in various projects to help people in need, including donating nutritional school lunches to underprivileged students, providing scholarships to outstanding students from needy families, and holding activities to donate blood. The fund encourages its volunteers and E.SUN employees to donate money and time when they can to help make Taiwan a better place. This also helps gain respect for the Bank from the community.

E.SUN is lauded for its outstanding operational performance.

Expanding E.SUN Network of Excellent Service

E.SUN COMMERCIAL BANK, LTD.	
Taipei City	29
Taipei Country	22
Keelung	1
Taoyuan	7
Hsinchu	2
Miaoli	1
Taichung	6
Nantou	1
Changhua	1
Yunlin	1
Chiayi	2
Tainan	4
Kaohsiung	17
Pingtung	4
Luodong	1
Penghu	1
Appointed foreign exchange business units	13
Offshore branches	2
E.SUN BILLS FINANCE CORP.	
Taipei City	1
Taipei Country	1
Taoyuan	1
Taichung	1
Kaohsiung	1
E.SUN SECURITIES CO., LTD.	
Taipei City	6
Taipei Country	3
Taichung	1
Chiayi	1
Tainan	1
Kaohsiung	1
E.SUN SECURITIES INVESTMENT TRUST CO., LTD.	
Taipei City	1
E.SUN INSURANCE BROKERS CO., LTD.	
Taipei City	1
E.SUN VENTURE CAPITAL CO., LTD.	
Taipei City	1
E.SUN FINANCE AND LEASING CO., LTD.	
Taipei City	1

2.Organization Chart



3. Directors and Supervisors

Board of Directors

(1) Directors and Supervisors

2006.03.31 Unit: 1,000shares; %

Position	Representative	Date of Election	Term	Date of First Elected	Shareholding When Elected		Current Shareholdings 2005.12.31		Shareholdings of the spouse and minors 2005.12.31		Shareholdings under other's name		Education (experience)	Current Position with Other Company	Devision Chiefs, directors or Supervisors are spouse or within the 2nd degree of consanguinity of each other		
					Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings			Position	Name	Relationship
Chairman	Representative of E.SUN Financial Holding Company Yung-Jen Huang	2005 6.10	3 years	1991 12.16	2,017,500	100%	2,231,355	100%	0	0	0	0	ESB President	E.SUN FHC Chairman of Board	SEVP	Joe Huang	Brother
Managing Director & President	Representative of E.SUN Financial Holding Company Yung-Hsung Hou	2005 6.10	3 years	1991 12.16	2,017,500	100%	2,231,355	100%	0	0	0	0	ESB SEVP 42years in financial industry	E.SUN FHC Director	None	None	None
Managing Director	Representative of E.SUN Financial Holding Company Jackson Mai	2005 6.10	3 years	1991 12.16	2,017,500	100%	2,231,355	100%	0	0	0	0	Chairman of Hsin Tung Yang Co., Ltd.	E.SUN FHC Director	None	None	None
Managing Director	Representative of E.SUN Financial Holding Company Tai-Chi Lee	2005 6.10	3 years	1992 11.26	2,017,500	100%	2,231,355	100%	0	0	0	0	Chairman of Tidehold Development Co., Ltd.	E.SUN FHC Director	None	None	None
Managing Director	Representative of E.SUN Financial Holding Company Chiu-Hsiung Huang	2005 6.10	3 years	1991 12.16	2,017,500	100%	2,231,355	100%	0	0	0	0	CPA	E.SUN FHC Director	E.SUN Bank Director	Po-Wen Huang	Father and son

Position	Representative	Date of Election	Term	Date of First Elected	Shareholding When Elected		Current Shareholdings 2005.12.31		Shareholdings of the spouse and minors 2005.12.31		Shareholdings under other's name		Education (experience)	Current Position with Other Company	Devision Chiefs, directors or Supervisors are spouse or within the 2nd degree of consanguinity of each other		
					Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings			Position	Name	Relationship
Director	Representative of E.SUN Financial Holding Company Ron-Chu Chen	2005 6.10	3 years	2005 6.10	2,017,500	100%	2,231,355	100%	0	0	0	0	Chairman of Nien Hsing Textile Co., Ltd.	E.SUN FHC Director	None	None	None
Director	Representative of E.SUN Financial Holding Company Po-Wen Huang	2005 6.10	3 years	2005 6.10	2,017,500	100%	2,231,355	100%	0	0	0	0	Chairman of Yapu Construction Co., Ltd.	None	E.SUN Bank Director	Chiu-Hsiung Huang	Father and son
Director	Representative of E.SUN Financial Holding Company Jian-Li Wu	2005 6.10	3 years	1995 4.17	2,017,500	100%	2,231,355	100%	0	0	0	0	Chairman of Shang Li Automobile Co., Ltd.	E.SUN FHC Director	None	None	None
Director	Representative of E.SUN Financial Holding Company Fei-Long Tsai	2005 6.10	3 years	1991 12.16	2,017,500	100%	2,231,355	100%	0	0	0	0	Former Chairman of E.SUN Securities Co., Ltd.	E.SUN FHC Director	None	None	None
Director	Representative of E.SUN Financial Holding Company Cheng-Pin Lee	2005 6.10	3 years	1991 12.16	2,017,500	100%	2,231,355	100%	0	0	0	0	Chairman of Chia-Tun,Hsin-Nan Co., Ltd.	E.SUN FHC Director	None	None	None
Director	Representative of E.SUN Financial Holding Company Yuh-Ming Ho	2005 6.10	3 years	2004 4.27	2,017,500	100%	2,231,355	100%	0	0	0	0	Doctor of Chiayi Christian Hospital	None	None	None	None
Director	Representative of E.SUN Financial Holding Company Wu-Lin Duh	2005 6.10	3 years	1991 12.16 ~ 1998 3.23 2000 4.18	2,017,500	100%	2,231,355	100%	0	0	0	0	ESB SEVP 34years in financial industry	E.SUN FHC Deputy President	None	None	None
Director	Representative of E.SUN Financial Holding Company Tung-Long Kuo	2005 6.10	3 years	2001 6.8	2,017,500	100%	2,231,355	100%	0	0	0	0	ESB SEVP 35years in financial industry	E.SUN FHC SEVP	None	None	None
Director	Representative of E.SUN Financial Holding Company Heng-Hwa Yang	2005 6.10	3 years	2005 6.10	2,017,500	100%	2,231,355	100%	0	0	0	0	ESB SEVP 30years in financial industry	E.SUN FHC CRO/CIO	None	None	None
Director	Representative of E.SUN Financial Holding Company Chin-Yi Lin	2005 6.10	3 years	2005 6.10	2,017,500	100%	2,231,355	100%	0	0	0	0	Assistant Vice President of ESB	E.SUN FHC Director	None	None	None
Resident Supervisor	Representative of E.SUN Financial Holding Company S.C. Shue	2005 6.10	3 years	2005 6.10	2,017,500	100%	2,231,355	100%	0	0	0	0	Former Chairman of E.SUN Bills Finance	E.SUN FHC Supervisor	None	None	None
Supervisor	Representative of E.SUN Financial Holding Company Chuan-Hsing Huang	2005 6.10	3 years	2000 8.23	2,017,500	100%	2,231,355	100%	0	0	0	0	Associate Professor of Aletheia University	E.SUN FHC Supervisor	None	None	None
Supervisor	Representative of E.SUN Financial Holding Company Yu-Chen Yang	2005 6.10	3 years	2004 4.27	2,017,500	100%	2,231,355	100%	0	0	0	0	CPA	E.SUN FHC Supervisor	None	None	None

(2) Major Institutional Shareholders

Institutional shareholder	Shares held	Shareholders of the institutional shareholder
E.SUN Financial Holding Co., Ltd.	Number of Shares: 2,231,355,000 shares Ratio of Shareholding:100%	Cathay Life Insurance Co., Ltd. Ron-Yuan Investment Co., Ltd. Bureau of Labor Insurance Hsin Kang Investment Co., Ltd. PCA LIFE Assurance Co., Ltd. HSBC Custodian Bank Trust Account for PuHsin investor holding Co., Ltd. HSBC Custodian Bank Trust Account for HSBC Securities (Asia) Limited Virgin Islands (U.K.) Comewell Investment Co., Ltd. Citi Bank as Custodian E.SUN Financial Holding Company GDR HSBC Custodian Bank Trust Account for Morgan Stanley & Internatinal Limited

4. Executive Officers

Professional Management Team

2006.03.31 Unit : 1,000shares,%

Division	Position	Name	Date of Taking Office	Shareholdings as of December 31, 2005						Education (Experience)	Current Position Held at Other Company	Managers who are spouses or within the second degree of consanguinity		
				Shares Held		Shares Held by Spouse and Children Under 18		Shares Held Using Names of Others						
				Shares	Ratio	Shares	Ratio	Shares	Ratio	Previous Position		Position	Name	Relationship
Headquarter Office	President	Yung-Hsung Hou	2001.06.14	1,250	0.041%	911	0.030%	0	0	SEVP, ESB	Director, E.SUN FHC; Chairman, E.SUN VC	None	None	None
Headquarter Office	Deputy President	Wu-Lin Duh	2002.03.08	2,358	0.078%	411	0.014%	0	0	SEVP, ESB	Director, E.SUN FHC	None	None	None
Coaportate Banking Division	SEVP	Joe Huang	2004.02.13	1,998	0.066%	1,783	0.059%	0	0	EVP, ESB TUN-Nan Branch		None	None	None
Coaportate Banking Division	SEVP	Tung-Long Kuo	2002.03.08	543	0.018%	35	0.001%	0	0	EVP, ESB Corporate Banking Division	Chariman, E.SUN Bill Finance	None	None	None
Treasury Division	SEVP	Magi Chen	2004.02.13	217	0.007%	0	0.000%	0	0	EVP, ESB Wealth Management Division	Supervisor, E.SUN Bill Finance; Director, E.SUN SITC	None	None	None
Wealth Management Division	SEVP	C.S Huang	2004.02.13	558	0.018%	0	0.000%	0	0	EVP, Consumer Banking Division	Chairman, E.SUN Insurance Brokers	None	None	None
Credit Card Division	SEVP	Ben Chen	2004.02.13	1,059	0.035%	479	0.016%	0	0	EVP, ESB Credit Card Division	Director, E.SUN Insurance Brokers	None	None	None
Information Technology Division	SEVP	Heng-Hwa Yang	2002.03.08	1,714	0.057%	288	0.010%	0	0	EVP, ESB Information Technology Division		None	None	None
Auditing Division	General Auditor	Wei-Chin Chien	2004.03.22	472	0.016%	6	0.000%	0	0	General Auditor, E.SUN Binance Finance		None	None	None
Accounting Division	EVP	Kuan-Her Wu	2002.03.08	600	0.020%	0	0.000%	0	0	EVP, ESB Accounting Division	Supervisor, E.SUN VC & SITC	None	None	None
Information Technology Division	EVP	Jih-Hsiung Tseng	2002.08.02	1,787	0.059%	1,171	0.039%	0	0	GM, ESB Information Technology Division	Director, E.SUN SITC	None	None	None
General Affair Division	EVP	Scott Chou	2002.03.08	848	0.028%	175	0.006%	0	0	GM, ESB General Affairs Division		None	None	None
Human Resource Division	EVP	J.C Wang	2004.02.13	717	0.024%	391	0.013%	0	0	GM, ESB Human Resource Division	Director, E.SUN Securities	None	None	None
Corporate Banking Division	EVP	Mao-Cin Chen	2005.02.24	448	0.015%	4	0.000%	0	0	GM, ESB Corporate Banking Division		None	None	None
Corporate Banking Division	EVP	Shuei-Ping Wan	2005.02.24	202	0.007%	201	0.007%	0	0	GM, ESB Consumer Banking Division		None	None	None
Credit Review & Management Division	Senior Vice President	Jhong-Cheng Shun	2002.08.02	172	0.006%	19	0.001%	0	0	GM, ESB Nan-King E. Rd. Branch		None	None	None
Corporate Banking Division	Senior Vice President	Da-Tan Lin	2005.02.24	254	0.008%	24	0.001%	0	0	GM, ESB Corporate Banking Division		None	None	None
Treasury Division	Senior Vice President	Joseph Shue	2005.02.24	213	0.007%	0	0.000%	0	0	GM, ESB OBU		None	None	None
International Banking Department	GM	Maggy Chou	2005.02.24	424	0.014%	198	0.007%	0	0	GM, ESB International Banking Department		GM	Chun-Nan Tsai	Spouse
Risk Management Division	GM	Oliver Hsieh	2006.01.13	111	0.004%	0	0.000%	0	0	GM, ESB Treasury Division		None	None	None

5. Shares and Dividend

(1) Impact on Bank Performance and Earnings Per Share of Proposed Stock Grant

<table>
<tr><th colspan="3">Year / Item</th><th>2006F</th><th>2005A</th><th>2004A</th></tr>
<tr><td colspan="3">Capital collected – beginning of the period (NT$1,000)</td><td>22,313,550</td><td>20,175,000</td><td>18,175,000</td></tr>
<tr><td rowspan="3">Stock dividend and cash dividend of the Year</td><td colspan="2">Cash dividend per share (NT$)</td><td>0</td><td>1.34</td><td>1.20</td></tr>
<tr><td colspan="2">Capitalized retained earnings – stock dividend (share)</td><td>1.00</td><td>1.06</td><td>0</td></tr>
<tr><td colspan="2">Capitalized additional paid-in capital – stock dividend (share)</td><td>0</td><td>0</td><td>0</td></tr>
<tr><td rowspan="7">Change of Business performance</td><td colspan="2">Operating revenue (loss) (NT$1,000)</td><td rowspan="13">Unpublished</td><td>4,818,738</td><td>9,543,266</td></tr>
<tr><td colspan="2">Operating revenue (loss) increase (decrease) from last year (%)</td><td>(49.51%)</td><td>125.76%</td></tr>
<tr><td colspan="2">Net Income (Loss) (NT$1,000)</td><td>3,829,944</td><td>7,283,936</td></tr>
<tr><td colspan="2">Net Income (Loss) increase (decrease) from last year (%)</td><td>(47.42%)</td><td>114.47%</td></tr>
<tr><td colspan="2">Earnings (Loss) per share (NT$)</td><td>1.72</td><td>3.99</td></tr>
<tr><td colspan="2">Earnings (Loss) per share increase (decrease) from last year (%)</td><td>(56.89%)</td><td>113.37%</td></tr>
<tr><td colspan="2">Annualized return on Investment (the reverse of Annualized Price/Earning ratio)</td><td>N.A</td><td>N.A</td></tr>
<tr><td rowspan="6">Projected Earnings per Share and Price/Earnings ratio</td><td rowspan="2">Retained earnings are capitalized with cash dividend distributed</td><td>Projected Earnings per Share</td><td>1.90</td><td>N.A</td></tr>
<tr><td>Projected annualized return on Investment</td><td>N.A</td><td>N.A</td></tr>
<tr><td rowspan="2">Additional paid-in capital is not capitalized</td><td>Projected Earnings per Share</td><td>N.A</td><td>N.A</td></tr>
<tr><td>Projected annualized return on Investment</td><td>N.A</td><td>N.A</td></tr>
<tr><td rowspan="2">Additional paid-in capital is not capitalized and Capitalized retained earnings – cash dividend distributed</td><td>Projected Earnings per Share</td><td>1.90</td><td>N.A</td></tr>
<tr><td>Projected annualized return on Investment</td><td>N.A</td><td>N.A</td></tr>
</table>

(A) The Company should explain the hypothesis made for each forecast or projected data

(B) The projected Earnings per Share for the retained earnings capitalized and with cash dividend distributed = [Net Income - interest accrual from cash dividend* x (1- tax rate)] / [total stock shares issued at the year end - stock dividend distributed for the capitalized retained earnings**]

Interest accrual from cash dividend* = Capitalized retained earnings x annual loan interest rate

Stock dividend distributed for the capitalized retained earnings**: The stock shares increased from the stock dividend distributed the year before for the capitalized retained earnings

(C) Price/Earning Ratio = Average Market Closing Share Price / Earnings per Share of Current Fiscal Year

(D) The year of Stock dividend and cash dividend is the distributing year

Information applied in the table above:

(A) The auditing financial statements of 2005 and 2004

(B) The tax rate that is used to calculate the projected data is 25%. The annual loan interest rate of 2005 and 2004 is based on the average loan interest rate 3.31% and 3.69% of E. Sun Bank, respectively.

(2)Employee Bonuses and Director and Supervisor Compensation

E.SUN Commercial Bank
Allocation of Profits Statement
2005

Unit: NT$1,000

Category of Profit	Amount	Category of Allocation	Amount
2005 Pre-tax Profit Undistributed Profits	4,783,016 4,861	Business Tax Provision for Legal Surplus Shareholders' stock dividend Director and Supervisor Compensation Employee Bonuses Undistributed Profits	953,072 1,148,983 2,331,355 24,802 124,008 205,657
Total	4,787,877	Total	4,787,877

Note 1：Employee cash bonuses were NT$124.008mm, director and supervisor compensation was NT$24.802mm

Note 2：If employee bonuses and director and supervisor compensation were taxed as expenses, earnings per share would decline to NT$1.66 from NT$1.72

Note 3：After increase, capital stood at NT$25.645 billion.

II. BUSINESS OPERATIONS

Growth and Glory

1. Business Scope

Flourishing Greenland

Despite the keenly competitive banking market, E.SUN in 2005 exceeded many of its operational targets thanks to its strong brand name, professional team and accurate execution of operational policies. The Bank integrated its manpower, strategies and operations during the year, expanding the breadth and depth of services. In 2006, E.SUN looks to work together with its customers to form partnerships and create even greater customer value, which will in turn boost the value of the Bank itself. E.SUN seeks to once again offer an outstanding performance and also build on its reputation as a respected company. Below are introductions to the Bank's main areas of operation:

(1) Wealth Management

Wealth management is becoming a key area in the integration of financial services. E.SUN offers a diverse array of personalized financial management services. The bank has introduced KYC service procedures, providing high value-added services that meet the needs of customers. E.SUN also makes the best use of its unique and tasteful sales and marketing styles to ensure customer satisfaction and create a new model in wealth management. Presently, the Bank's wealth management business centers on mutual fund and bancassurance.

1. Mutual Fund

The Bank's fund operations offer a continuously expanding product line and investment platform. E.SUN assists customers in allocation of assets to meet the personal finance needs of each segment of customers. At the end of 2005, commission income from the Bank's fund and trust operations came to NT$381.48 million.

2. Bancassurance

The Bank maintains a strategic alliance with Prudential UK, establishing a new model in multinational cooperation in the area of bancassurance. Insurance operations now include a leading brand name in the market and a range of products. Customers receive assistance in analyzing their personal finance needs to help provide them the coverage they require. The Bank

Unlimited Wealth management svrvices

is aggressively developing a variety of insurance operations systems to help it achieve its operational goals in the most efficient manner. In 2005, premium income stood at NT$2.195 billion and commission income at NT$112 million.

(2) Consumer Banking

E.SUN stresses both quality and quantity in its consumer banking operations. In addition to developing new products and marketing plans to boost growth, the Bank also effectively manages risk to reduce its overdue loans. The Bank provides professional, sincere and highly efficient services in offering a wide range of products that meets the needs of each market segment. E.SUN also features value-added services to further cement relationships with its customers. At the end of 2005, outstanding loans stood at NT$230.599 billion, a rise of NT$60.008 billion, or 35.18%, from the previous year. The status of consumer banking operations is as follows:

1. Deposits

E.SUN continues to work to expand its deposit operations. It offers a wide portfolio of products that is effective in attracting deposits. At the end of 2005, total deposits amounted to NT$440.409 billion, a rise of NT$109.473 billion from the end of 2004, and exceeding the Bank's target for the year by 10.41%.

Demand deposits stood at NT$164.092 billion, comprising 37.26% of all deposits, while time deposits accounted for 62.74% of all deposits at NT$276.317 billion. Checking account deposits and demand deposits stood at NT$60.844 billion, while demand savings deposits amounted to NT$103.248 billion, time deposits NT$142.645 billion and fixed savings deposits NT$133.672 billion. The Bank's outstanding corporate image and on-the-mark operational strategies will pave the way for continued stable growth in deposits.

2. Mortgage Loans

E.SUN offers a range of mortgage loan products to meet the personal finance needs of different clients, the ability to withstand interest rate risk and the financial state of each household. The Bank utilizes its branch network, the financial holding company's sales and marketing system, strategic alliances and well thought out advertisement and marketing campaigns to bolster growth. At the end of 2005, outstanding mortgage loans amounted to NT$192.502 billion, a rise of 40.32%, or NT$55.311 billion, from the previous year. This was the third consecutive year that this area of operations grew over 40%.

3. Unsecure personal loan

Given the turbulence in the credit card and cash card markets, all banks have adopted stricter policies in extending credit. E.SUN continues to take measures to ensure asset quality. Meanwhile, it has streamlined operational procedures and offers the best services possible to attract credit applications from creditworthy customers. These measures enabled outstanding credit in 2005 to rise NT$4.646 billion, or 39.33%, to NT$16.462 billion.

(3) Corporate Banking

E.SUN provides a range of corporate banking services. Risk management, however, presides over these operations. The Bank offers credit to small- and medium-sized enterprises, credit guarantee fund operations, syndicated loans and trade financing to satisfy the myriad needs of the corporate sector. The Bank is aiming to integrate the resources of the financial holding company to provide even more convenient and broader services to its corporate clients, and creating even greater value for these customers.

1. Corporate Lending

While the Bank focuses on extending credit to customers with a strong credit record and reputable operations, it further protects itself by continually strengthening its risk control mechanisms. At the end of 2005, outstanding corporate lending (not including loans to government agencies) stood at NT$134.084 billion, representing 36.77% of the bank's total loan portfolio. Corporate lending grew NT$30.841 billion, or 29.87% in 2005. Of these loans, 40% involved the manufacturing industry, 15% the wholesale and retail sector, and 14% the banking and insurance industry.

2. Foreign Exchange

In an effort to strengthen foreign exchange currency deposits, the Bank introduced a preferential foreign currency interest rate plan to attract potential customers and enable them to flexibly obtain the funds they require. This plan is being carried out in tandem with a personal finance product that offers preferential rates for time foreign deposits. The Bank is expanding its trade financing on the basis of the 80/20 principle, enabling it to cater to key customers. It has also established a special contact window to provide direct and rapid services to these clients. It also takes advantage of the Corporate Banking Center's marketing network to provide customers with comprehensive banking services. E.SUN has introduced a plan under its foreign exchange e-banking platform in which customers can invest in foreign currencies at home. It also has instituted a means for customers to exchange currency through the e-banking network. These strategies take advantage of the Bank's outstanding e-banking platform and help satisfy the needs of its clientele.

This past year was an important one in streamlining foreign exchange operational procedures. In all, the Bank introduced 25 measures to streamline operations for departments involved in foreign exchange and to bolster risk management. One initiative enables customers to carry out a large number of outward remittances at once, while another provides a notification mechanism to customers, providing them real-time information on the status of inward remittances. Automatic billing and simplified forms have also been introduced, helping to boost efficiency for both the Bank and its clients.

E.SUN has a foreign exchange transaction network covering 2,615 banks throughout the world. Tight-knit cooperation between these financial institutions provides convenient trade and commerce payment and receipt services for customers. In 2005, E.SUN's total export/import and exchange volume stood at US$25.322 billion, marketing an impressive growth of 41% from 2004.

(4) e-Banking

E.SUN's e-banking is centered on the development of services and creating competitive advantages in the areas of e-Payment and e-Channel. According to a report released by the Institute for Information Industry on Internet banking habits among consumers in 2005, E.SUN ranked as the Most Commonly Used Internet Bank and was also first in Internet Bank Satisfaction. It ranked second in Internet Bank Awareness. These rankings point to the achievements of the Bank in developing operations in the area of e-banking. Key areas of operation in 2005 were as follows:

E.SUN's WebATM

1. Improving WebATM Services

IC cards and card readers are becoming increasingly widespread. E.SUN cooperates with internet media and electric appliance companies in

promoting WebATM services. In addition, E.SUN continues to strengthen the services provided in its WebATM, offering convenient fund transfer, charging, tax payment, and fee payment functions. In addition, the Bank has introduced a special card reader to be used in tandem with the Labor Protection Card it issues. This enables cardholders to use E.SUN's WebATM network to examine the status of their personal labor pension accounts. E.SUN has encouraged WebATM users to form groups and participate in its "Afternoon Tea" activities, which helps to foster a loyal customer base and increase the number of transactions using the system.

2. Further Development of eCoin Applications

After the successful Fans Card, E.SUN introduced its eCoin card for the game of "Go". The cash-stored card combines bar code prepayment and identification of one's level of expertise in "Go". E.SUN has cooperated with Taiwan's largest "Go" website "Legend Go Server" in jointly holding Taiwan's first E.SUN "Go" King championship. The card, which features an eCoin function, promotes knowledge-oriented leisure activities. It has enjoyed great word of mouth in the community of "Go" enthusiasts.

3. Strengthening Online Services

In July 2005, E.SUN established the E.SUN Parking Fee Payment Network to provide service to vehicle owners. Automobile and motorcycle owners can use the network to pay roadside parking fees assessed in Taipei and Kaohsiung. In addition, they can use E.SUN credit cards, E.SUN's eCoin or E.SUN's WebATM to make the payments online. Holders of E.SUN's credit cards, IC ATM cards and E.SUN's eCoin cards can also go online and directly pay compulsory auto/motorcycle insurance and liability insurance under a framework established with Newa Insurance. This provides an easy way for the public to pay its insurance premiums.

(5) Trust

E.SUN's trust operations integrate the resources of the various firms belonging to the financial holding company and provide customers with comprehensive trust services and tailor-made personal trust products. Trust operations mainly include designated-use trusts that invest in local and foreign equities and mutual funds, trusts under management, custodian banking for Qualified Foreign Institutional Investors or Overseas Chinese investors in local securities, custodian banking for securities brokerage operational guarantee funds, employee equities funds, verification of securities, and providing consultancy services for companies seeking to raise funds.

With the arrival of the wealth management age, trusts have become important for both individuals and companies as investment tools, a means to transfer assets, and use in tax planning and asset protection. As the regulatory environment permits, E.SUN will continue to aggressively develop personal and corporate trust operations.

1. Money Trusts

These include household wealth trusts, children's education trusts, retirement trusts, insurance trusts, advance receipt trust and escrow.

2. Securities Trusts

This includes commissioned transfer of securities, trust registration and delivery to the Bank. The Bank will manage the trust assets according to the trust agreement and proceeds from the trust will be issued to the beneficiary. Staff in this area of operations will also assist customers in tax planning and utilize asset transfers to achieve the greatest benefit for the trust.

3. Real Estate Trusts

E.SUN is working in line with government policies aimed at fostering development of the financial market by designing products that meet the needs of customers and the market environment. E.SUN is introducing real estate management trusts and real estate development trusts to help boost activity in the real estate market.

4. Charitable Trusts

E.SUN is promoting a variety of public welfare trusts, covering charitable, cultural, academic, artistic, religious or sacrificial trusts, bolstering social welfare and delivering on the Bank's responsibility to society.

5. Collective Investment Accounts

These operations are carried out under the individual trusts platform. The trustee or nominee designates a category of trust under which a special account is opened and which is then collectively managed. This reduces investment costs and provides better use of the assets under trust.

At the end of 2005, total assets under trust stood at NT$37.430 billion, which was a rise of NT$9.312 billion from the previous year. Assets under custodianship in the form of securities stood at NT$75.316 billion, while assets funds under custodianship in special accounts amounted to NT$26.759 billion. E.SUN continues to work to boost the quality of its trust services to enhance commission income in this area.

(6) Credit Cards

Given turbulence in the credit and cash card markets, E.SUN has contracted Mercer Oliver Wyman to assist it in establishing a comprehensive credit scoring system. This will effectively control credit risk among cardholders. The credit scoring system focuses on three phases of management, namely pre-issuance, issuance and post-issuance. It utilizes new account, season account and risk models, establishes an automatic credit screening system, provides for management of shadow limits, creates NV files for cardholders and establishes a customer risk level management system. Account reviews are carried out regularly to provide immediate management of exposure, reduce the rate of overdue payments and boost overall credit card asset quality. At the end of 2005, the credit card debt ratio that was overdue three months stood at 1.53%, which was the lowest among the Top 10 card issuing banks. Debt overdue by six months or more stood at zero.

E.SUN continues to develop any number of innovative products. This year, the Bank won the contract to establish the Southern Taiwan IC Smart Card system. It has issued the TaiwanMoney card, which is the first card on Taiwan to serve as a non-contact PayPass IC credit card and provide the functions of being both a credit card and eCash card. When consumers make purchases or take buses, all they will need to do is hold the card to a sensor and the transaction will be completed, saving precious time for customers. The project was singled out by MasterCard International as the Card of the Year and the Best Technology of the Year.

E.SUN began issuing the Labor Protection Card that enables laborers to easily access details about

The E.SUN Your Smile Travel Center shows you the world.

E.SUN and the Tourism Bureau introduce the Taiwan Tourism Bus itinerary.

the labor pension account. The card has been a resounding success and was cited by MasterCard International as Best Product Innovation of the Year.

E.SUN unveiled any number of activities for cardholders in 2005 in order to boost loyalty and strengthen the value-added function of its cards. Cardholders can use their cards to pay utility fees, various tax payments and tuition at convenience stores throughout Taiwan. Cardholders can also exchange their bonus points to purchase merchandise at Life convenience stores. The Bank has also expanded the number of contracted parking lots where cardholders can use their credit cards to pay parking fees.

E.SUN is continuously looking to differentiate its services to its customers. E.SUN has established the E.SUN Your Smile Travel Center. Center staff can book airline tickets and provide other travel services to cardholders. The Center regularly introduces special travel packages and has jointly unveiled the Taiwan Tourism Bus itinerary in conjunction with the Tourism Bureau, enabling customers to witness the beauty of Taiwan. Customer response has been excellent. Meanwhile, as other banks are cancelling perks that enable their cardholders to access airport lounges, eligible E.SUN cardholders can still apply for VIP cards that grant them lounge access. E.SUN credit cards also offer travel insurance, free or discounted parking at lots near the airport, roadway rescue and other services, making them attractive to customers.

(7) Investment

Investments by E.SUN Bank at the end of 2005 stood at NT$867 million. The Bank maintains stakes in the following companies: Taipei Forex Inc. (0.80%), Fubon Securities Finance (2.56%), Taiwan Futures Exchange (0.45%), Financial Information Service (2.28%), E.SUN Finance and Leasing (98.99%), E.SUN Insurance Agent (79.00%), National Venture Capital (4.99%), Bank Pro E-Service Technology (3.33%), Taiwan Asset Management (0.57%), Taiwan Financial Asset Service (2.94%), Taiwan Incubator SMEs Development (3.44%), Taiwan Finance (0.41%), Apex Venture Capital (4.67%), Gapura (4.90%), and United Microelectronics (0.02%).

2. Business Plan

A Better Day with Hope

In 2005, E.SUN FHC continued to integrate operations of banking, securities, bills finance, investment trust, venture capital and insurance brokers subsidies to create synergy. E.SUN's will continue to utilize its brand name and network advantages to help it raise service, strengthen risk management and develop an outstanding customer base. With profits, fiscal structure and appropriate liquidity in mind, the Bank has drafted the following projects for 2006:

(1) Wealth Management

E.SUN intends to continue to strengthen its infrastructure in the area of wealth management in order to bolster operations and achieve even higher levels of customer satisfaction. Operational procedures will be streamlined and service further upgraded, providing customers with comprehensive personal finance services. Resources will be integrated under the FHC umbrella. The corporate and consumer banking teams will pool their efforts, helping to achieve even greater operational synergy.

1. Strengthening Infrastructure

The Bank will continue to establish wealth management centers in 2006. Regional centers will serve to integrate resources and raise operational efficiency. E.SUN will continue to train financial consultants, helping to raise the level of service provided to customers.

2. Broadening Product Line, Creating Wealth Management Platform

The Bank will continue to develop and introduce new products, but with the concept of risk management remaining a foremost priority. Fiscal engineering tools will be introduced to assist customers in appropriately allocating their assets.

3. Realizing the Benefits of Cross Selling

Databases will be integrated to improve sales and marketing, and provide customers the services they require. This will boost customer satisfaction and improve the Bank's performance.

(2) Consumer Banking

E.SUN will work in tandem with government policies to provide preferential mortgage loans, offer home construction loans to laborers, and provide education loans that are sponsored in part with the Ministry of Education. The Bank will continue to develop unique new products and services that will differentiate the bank from its counterparts and that boost customer value.

(3) Corporate Banking

The Bank will act in line with government policies to bolster development of small- and medium-sized enterprises. It will continue to strengthen lending operations with regards to SMEs and will also utilize credit guarantee funds, tranche credit guarantees as well as self-liquidating financing to reduce credit risk.

Trust E.SUN with your assets to create even more wealth for you

(4) e-Banking

The Bank will use its existing Internet cashflow and online services platforms as the basis to develop and introduce new products and applications that meet customer needs. Key business projects for 2006 include:

1. Creating competitive online transaction services

E.SUN will strengthen its strategic alliances and marketing cooperation with various websites as well as develop competitive cash payment services to meet the needs of the market. E.SUN's brand name and word of mouth will be instrumental in expanding the volume of transactions. This will set a solid foundation for this area of business to grow over the long term.

2. Adding depth to online services

E.SUN will strengthen its website and work to better integrate products and services. The Bank will carry out web-based sales and marketing in order to develop a new segment of customers.

(5) Trust

E.SUN will continue to develop its trust operations in line with operational strategies, the state of the market, liberalization in the regulatory environment and customer needs. It intends to create a comprehensive trust platform to provide customers with excellent trust services as follows:

1. Developing individual trust operations

(1) The Bank will work to develop a set of VIP customers from its existing client base, strengthen its personal finance services, develop foreign currency trusts, and provide insurance and individual asset planning.

(2) The Bank will cooperate with outstanding accounting agencies, legal firms and insurance companies to expand its trust clientele and engage in cooperative marketing of related trust products.

2. Expanding custodian banking operations

(1) The Bank will use its excellent corporate image and service quality to increase custodian business from domestic funds and overseas Chinese investing in local securities, as well as organizations offering discretionary trading.

(2) With mutual funds and customers as its cornerstone, E.SUN will seek to engage in strategic cooperation with other industries to develop business relationships that will lead to custodian banking business in the future and boost commission income.

3. Expanding the scale of collective investment accounts

(1) Amid a policy of diversifying risk and prudent investment, the Bank will seek to achieve stable profit growth in this area of operations. Low risk, stable returns and market liquidity will continue to be the foremost priorities in this business.

(2) Trust customers will be offered services to achieve the most appropriate allocation of their assets, fostering even more effective use of their trust assets.

(6) Credit Cards

1. Operational Direction

The Bank will establish credit card operational strategies that complement operational targets and the market environment. It will also enhance its risk management systems. It will continue to emphasize quality over quantity.

2. Business Targets

E.SUN will undertake marketing strategies to appeal to different customer segments. It will streamline operational procedures and tailor its marketing services to achieve the highest level of performance possible.

3. Key Business Policies

E.SUN eyes even higher levels of charges made by its cardholders. It will continue to feature value-added services and pursue customer loyalty, as well as strengthen the image of its credit cards. The Bank will utilize its databases to create customer value .

3. Financial Products and Business Status

Broad Vision for the Future

Amid the rapidly changing banking environment, E.SUN is aggressively developing new financial products to differentiate itself from counterparts. In 2005, the Bank introduced "Coupon Mortgage" and "Coupon Unsecured personal Loan" combining interest rates and repayment terms based on the credit standing of customers. This provides customers who pay interest on time with preferential interest rates and helps to hone a concept of creditworthiness among customers. The Bank has also bolstered its WebATM platform, providing safe, convenient and real-time services, and enabling customers to use their own computers as ATMs. E.SUN continues to devote resources to developing virtual cash services to provide a tool to Internet users to carry out small-sized payments.

In the area of treasury business, E.SUN in 2005 became a charter institution in integrating international investment bank technology in designing and issuing Taiwan's first collateralized bond obligation (CBO), the fundamental assets of which are outstanding NT dollar-denominated bonds. E.SUN issued NT$28.4 billion of CBOs in 2005.

The Bank has developed an asset and liability management system that assembles and classifies various information and then simulates future trends in interest rates and yield curves, and predicts growth in assets and liabilities. The system provides analysis on the impact of a range of indicators on the bank's performance based on various assumptions.

E.SUN has contracted a well-known international consulting agency to assist it in establishing a customer value model. This will help the Bank in analyzing customer consumption patterns, value models and CRM utilization, default analysis, and credit risk management. It will also enable the Bank to rapidly conform to the Basel II protocol, helping to raise its ability to control risk and effectively utilize its capital. E.SUN will continue to apply information technology to development trends in the overall banking environment, with particular focus on the following areas:

(1) The Bank will make use of its network value and utilize FHC and database resources to foster development in each area of operations and raise customer value.

(2) The Bank will hasten development of wealth management operations, providing professional, real-time and tailor-made fiscal planning services.

(3) The Bank will integrate resources, networks and various banking services of the FHC to assist companies in raising capital.

(4) The Bank will establish a systematic mechanism to evaluate credit quality of corporate and retail clients. It will stress risk management procedures to effectively cut the risk of loans going sour.

(5) The Bank will continue to develop new functions for its e-Payment and e-Channel applications, creating a competitive advantage for itself in Internet financial services and satisfying the needs of Internet users.

4. Human Resource

Fulfilling promises, realizing dreams

Establishing systems, cultivating professional employees and developing information systems are the three pillars that establish the basis for E.SUN's future.

Cultivating human resources involves bolstering professional expertise among employees and enabling them to work to achieve their own goals. Employees shall be happy in the jobs in order for E.SUN to become a bank with the best service quality and the highest efficiency. All employees should embody E.SUN's business philosophies and realize that offering the best service is E.SUN's responsibility. The Bank spares no effort in nurturing employees with a high level of ethics, discipline, expertise and service attitude.

Professional Training

Professional training and education is provided not only for new employees, but also for entry-level, mid-level and high-level staff. Coursework focuses on financial and banking knowledge, operations management and service quality, and works to create a common bond among employees to move forward as a team. In 2005, the Bank held 164 internal training workshops and also selected employees to attend 174 training workshops held by professional training institutes. On average, each employee participated in 4.23 training courses. The Bank will continue to devote considerable resources in the pursuit of training outstanding staff.

The Bank had a total of 3,139 employees at the end of 2005, with the average age of employees being 30.3 years old. A total of 14.6% of employees has masters degrees, 62.4%, bachelors degrees, and 21.3% technical school degrees. All employees, from lower level staff to managers display a high level of passion toward their work and continuously seek to hone their expertise, helping to achieve a high performance team.

Establishing a Harmonious Work Environment

E.SUN makes a pledge to all of its employees to create a positive, harmonious, fair and just working environment to offer employees a trusted workplace in which they can continue to grow. This learning-driven team shares its experiences with each other to bolster its abilities.

Given the vibrant development in the banking environment, it is important to integrate the various operations of the FHC to achieve synergy. E.SUN works to provide its employees training in not only

"Bsst human Resource Training" awarded by Taiwen Academy of Banking and Finance.

their respective core fields, but also in other operations under the FHC umbrella.

Item \ Year		2006.03.31	2005	2004
No. of Employees		3,261	3,139	2,438
Average Age		30.2	30.3	29.7
Avg. Years of Service		3.9	3.7	3.6
Academic Background (%)	Masters	15.1	14.6	13.5
	Bachelors	62.5	62.4	56.3
	College	20.7	21.3	27.7
	High School (Vocational)	1.7	1.7	2.5

Professional License Held by Employees	Bank	Insurance	Security	Other
Number of Licenses (2005)	4,660	1,716	1,358	81

Human capital is the foundation for corporate development

5.Corporate Responsibility and Ethical Behavior

E.SUN Bank wants its employees to be world class citizens and the bank to be a world class corporate citizen. To achieve this goal, the Bank is involved in social welfare and charity work, environmental protection efforts, volunteer services, learning and education, and the promotion of tourism on Taiwan. The Bank hopes to pay back its customers and society through concrete initiatives.

In 2005, E.SUN Bank, E.SUN FHC, and the E.SUN Volunteer and Social Welfare Foundation worked together in donating funds to provide nutritional school lunches to underprivileged children. The organizations donated a total of NT$10 million, helping to provide lunches to about 2,000 students. E.SUN has also provided assistance to orphanages throughout Taiwan to take orphans to visit the Taipei Kid's Museum, music concerts and professional baseball games. E.SUN has donated guitars, ping pong tables and other athletic equipment to orphanages, hoping to create happy memories for children as they grow up.

E.SUN has long made a commitment to supporting the arts and culture. It sponsors a music concert on Mother's Day to help express its thanks to Taiwan and mothers throughout the island.

E.SUN Choir expresses its gratitude and blessings to the mothers of Taiwan

E.SUN is also involved in environmental protection work. It held an activity in 2005 in which it helped clean up 16 trails throughout Taiwan, demonstrating its social responsibility to the island. It also participated in the global "Clean Up the World" activity, helping to make Taiwan a cleaner place. E.SUN also took part in the "Smile on 319 Taiwan Villages" activity, promoting tourism throughout the island.

E.SUN pooled donations from its employees to provide international relief assistance in the wake of the South Asian tsunami, exhibiting its responsibility as a global citizen. It has also held many blood drives to help those in need.

E.SUN employees roll up their sleeves and extend help to those who need it

E.SUN takes part in a number of activities throughout Taiwan, such as the Kenting Kite Festival and the Taipei Lantern Festival. It also played a role in the 2005 National College Athletics Games, the 2005 PowerTech Contest for the nation's youth, and the 10th Liang Kuo-shu Academic Seminar.

E.SUN spares no effort in bolstering its services to raise customer value. It will continue to engage in many activities to pay back society, shareholders and society, enabling the bank to become the best performer all around and a highly respected company.

Ⅲ.Risk Management

1. Risk Management Platform and Policies

E.SUN's business development is carried out with safety and liquidity being the foremost priorities, followed by returns and then growth. The Bank pursues growth, but only under the condition that it is does not override risk controls. Each of the Bank's five major departments, namely treasury, corporate banking, consumer banking, credit cards and wealth management, has established risk management units to directly oversee the adherence to risk controls. These units are responsible for cross-checking product design and operational procedures, as well as independently carrying out risk assessments. They also provide reports to the FHC's risk management committee on a regular basis or as requested.

2. Disclosures

The three major areas of business risk and measures to counter risk are described below:

(1) Credit Risk: Refers to risk of those granted credit not servicing their debts according to contractual obligations and losses resulting thereof.

In addition to strict compliance with government regulations that focus on aggregate credit risk and transactions with major shareholders, the Bank is establishing an internal quantitative credit risk and management framework to abide by the New Basel Accord. It also is improving customer value and risk analysis technology to enhance precision in risk recognition and enabling the Bank to be in step with global risk management initiatives.

(2) Market Risk: Refers to possible losses due to fluctuations in asset value

In order to avoid risk associated with price fluctuations in equities, commodities, interest rates and exchange rates, the Bank requires adherence to rules that place limits on trading, investment and fund allocation as well as guidelines governing the trading of derivatives products in any trading of financial commodities.

E.SUN also makes capital charges for market risk according to Basel Accord capital standards and employs an Asset and Liability management system to carry out interest rate risk and liquidity risk stress tests. This ensures that the Bank can withstand specific levels of risk amid interest rate fluctuations or extraordinary events.

(3) Operational Risk: Refers to possible losses from internal procedures, personnel, system errors or external events

E.SUN believes that the underlying significance in making capital charges in accordance with the Basel II framework is in helping the bank itself to hone its credit and market risk management ability. The Bank has already begun preparing to institute the IRB approach and market risk internal models. Meanwhile, the Bank will abide by rules and regulations, create a culture in which staff are conscious of risk in operational procedures, and establish effective auditing systems. The core to managing internal operational risk is in establishing a strong procedural system and promoting a corporate culture in which employees abide by rules and exercise discipline. This is complemented by internal auditing systems. As for external risk, the Bank will maintain a close watch on the market environment, customer behavior, technical reforms and legal changes, enabling it to take immediate action as required.

Ⅳ.Special Notes

Certified Public Accountant's Review Report

Certified Public Accountant's Review Report

March 31, 2006

To: E.SUN Commercial Bank, Ltd.

Subject: No material discrepancy with the bank's 2005 Affiliation Reports

Description:

a. The affiliation reports was made by E.SUN Commercial Bank, Ltd.(" the Bank") on February 8, 2006 for the year ended December 31,2005. The Bank made the representation that the affiliation reports disclosed the information in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and had no material discrepancy with the footnotes in the financial report. The representation is as enclosure.

b. We compared the affiliation reports and footnotes in the financial report in 2005 according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". We are not aware of any material discrepancy in the Bank's representation as noted above.

Deloitte & Touche

Representation

On behalf on E.SUN Commercial Bank Ltd., we hereby certify that the company's 2004 Affiliation Report is followed the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” . There is no material discrepancy with the information disclosed in the notes of financial report for the said period.

E.SUN Commercial Bank, Ltd.

Chairman: Yung-Jen Huang

Taipei, Taiwan, R.O.C.
2006

E.SUN COMMERCIAL BANK, LTD.
Representation on Internal Control

February 16, 2006

On behalf of E.SUN Commercial Bank, Ltd., we hereby certify that the company indeed complies with the “Enforcement Regulations for Bank Internal Audit Control System” and the company's internal control system and risk management mechanism for the fiscal yare of 2005 have been implemented and audited by the independent internal auditors, and the internal audit reports are periodically presented to the company's board of directors and supervisors.

Regarding securities business, according to criteria for evaluation of internal control systems required by the " Criteria for Establishment of Internal Control Systems by Securities and Futures Service Enterprises " promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission, our bank has carried out an evaluation to as certain whether the design and implementation of our internal control system is effective.

Under due assessment, the internal controls and legal compliance of each department during 2005 are effectively in place. This representation will be a major part of our annual report and prospectus, and will also be released to the public. The existence of discrepancies or omissions in the content of this representation would constitute violations of Articles 20, 32, 171 and 174 of the Securities and Futures Exchange Act and entail relevant legal responsibility.

Sincerely yours,

Financial Supervisory Commission, Executive Yuan

Chairman Yung-Jen Huang

President

General Auditor Wei Chin Chien

Compliance Officer

Disclosure of any commissioned internal control review reports carried out bycertified public accountants: None.

V. Financial Statements

The Hills are Alive.

Financial Statements
Index

1. Condensed Financial Statements from 2001 to 2005

(1) Condensed Balance Sheet

Unit : NT$1,000

Item \ Year		Financials from 2001 to 2005(note1)				
		2005	2004	2003	2002	2001
Cash and cash equivalent, Due from Banks		46,496,691	35,571,442	22,755,204	22,391,025	23,310,036
Securities purchased-Net		69,179,983	54,815,405	42,870,451	49,255,431	40,100,894
Account receivables-Net		33,315,178	30,520,884	24,915,454	18,096,974	12,331,437
Securities purchased under resell agreement, Prepaid expense		3,024,512	5,876,500	45,269	42,264	54,652
Loan, bill and discount-Net		368,000,876	275,359,584	199,070,296	170,775,271	179,345,170
Long term investment		22,363,856	11,624,627	10,512,806	4,755,205	4,664,698
Other financial assets		1,926,343	-	-	-	-
Properties-Net		10,135,784	8,991,839	9,395,216	5,018,224	4,787,855
Goodwill		3,662,701	4,661,587	-	-	-
Other-Net		5,389,095	5,899,032	1,433,136	2,309,086	1,279,092
Due to banks		24,240,441	21,568,711	21,664,199	13,620,380	6,535,224
Account payable		11,116,923	6,464,381	5,287,111	5,045,561	5,925,374
Securities sold under repurchased agreement, Advances		10,764,640	11,266,484	175,034	34,238	28,879
Deposits and remittances		440,482,626	330,971,515	247,016,471	225,739,600	225,029,161
Financial Bonds		39,200,000	29,600,000	15,000,000	10,000,000	5,000,000
Other long-term liabilities		3,550,000	-	-	-	-
Other liabilities		650,704	805,196	545,647	290,310	551,684
Capital stock		22,313,550	20,175,000	18,175,000	18,175,000	18,175,000
Capital surplus		4,233,985	4,233,985	233,502	326,233	326,233
Retained earnings (deficit)	Before distribution	7,038,864	8,359,984	3,396,261	(92,731)	4,831,687
	After distribution	(note 2)	5,347,470	1,076,048	-	3,418,076
Cumulative translation adjustment		(2,888)	(13,152)	2,624	2,906	4,404
Unrealized loss on long-term equity investment		(93,826)	(111,204)	-	-	(35,795)
Treasury stock		-	-	(498,017)	(498,017)	(498,017)
Total assets		563,425,019	433,320,900	310,997,832	272,643,480	265,873,834
Total liabilities	Before distribution	530,005,334	400,676,287	289,688,462	254,730,089	243,070,322
	After distribution	(note 2)	403,688,801	292,008,675	254,730,089	244,483,933
Total stockholders equity	Before distribution	33,489,685	32,644,613	21,309,370	17,913,391	22,803,512
	After distribution	(note 2)	29,632,099	18,989,157	17,913,391	21,389,901

Note 1:Audited by certified public accountants
Note 2:Earnings apportion of 2005 is to be determined by shareholders meeting.

(2) Condensed Income Statement

Unit: NT$1,000; except Earnings per share

Item \ Year	Financials from 2001 to 2005(Note1)				
	2005	2004	2003	2002	2001
Operating revenue	20,994,170	20,279,496	13,898,432	14,315,778	16,986,778
Operating costs	8,723,004	4,635,001	5,334,985	15,313,456	11,441,379
Operating profit(loss)	12,221,166	15,644,495	8,563,447	(997,678)	5,545,399
Operating expenses	7,402,428	6,101,229	4,354,843	3,667,837	2,963,268
Operating income (loss)	4,818,738	9,543,266	4,208,604	(4,665,515)	2,582,131
Nonoperating income and gains	85,262	47,254	29,134	26,107	27,339
Nonoperating expenses and losses	120,984	1,218,764	47,059	100,648	23,214
Income (loss) before income tax	4,783,016	8,371,756	4,190,679	(4,740,056)	2,586,256
Income tax expense (benefit)	953,072	1,087,820	794,418	(1,229,249)	658,291
Net income (loss)	3,829,944	7,283,936	3,396,261	(3,510,807)	1,927,965
Earnings (losses) per share(NT$)	1.72	3.61	1.69	(1.75)	0.96

Note:Audited by certified public accountants

(3)CPAS' Auditing Opinion from 2001 to 2005

Deloitte & Touche Had excamined the Finanial Statement of E.SUN Commercial Bank,Ltd.and issued unqualified opinion reports for the years ended December 31,2001,2002,and2003 as well as a modified unqualified opinion reports for the year ended December 31,2004,2005.

2. Financial Analyses from 2001 to 2005

Item	Year	Financial analyses from 2001 to 2005				
		2005	2004	2003	2002	2001
Activity ratio	Ratio of loans to deposits	83.92	83.75	81.48	76.33	80.37
	NPL ratio	0.79	0.88	1.18	1.38	2.83
	Ratio of interest expenses to average deposite	1.26	1.04	1.35	2.60	4.26
	Ratio of interest revenues to average loans	3.32	3.40	3.96	4.98	6.89
	Total assets turnover(Times)	0.04	0.05	0.05	0.05	0.07
	Average operating revenue per employee	6,672	8,318	7,653	8,777	11,651
	Average income per employee	1,220	2,988	1,870	(2,153)	1,322
Profirtability ratio	Ratio of retuen on tier I capital(%)	12.84	26.03	15.94	-19.60	8.45
	Ratio of retuen on total assets(%)	0.77	1.96	1.16	(1.30)	0.77
	Ratio of retuen on stockholders'equity(%)	11.58	27.00	17.32	(17.24)	8.80
	Profit margin ratio(%)	18.29	35.92	24.44	(24.52)	11.35
	Earnings per share(%)	1.72	3.99	1.87	(1.93)	1.08
Ratio of growing	Ratio of assets growing(%)	30.04	39.33	14.07	2.55	12.45
	Ratio of income growing(%)	-42.87	99.77	188.41	-283.28	47.76
Ratio of liquidity preparation		13.48	14.55	11.61	18.00	14.10
Capital adequacy ratio	Total tier I capital	29,826,984	27,983,025	21,309,370	17,913,391	22,822,349
	regulatory capital	40,430,852	35,800,391	23,227,083	19,852,431	20,437,102
	Risk-weighted assets	404,309,377	310,800,391	233,069,038	191,279,320	185,564,069
	Capital adequacy ratio	10.00%	11.51%	9.97%	10.38%	11.01%
	Ratio of tier I capital to risk -weighted assets	7.38%	9.00%	9.14%	9.37%	12.30%
	Ratio of tier II capital to risk -weighted assets	2.81%	2.77%	2.86%	3.5%	1.38%
	Ratio of tier III capital to risk -weighted assets	0	0	0	0	0
	Ratio of common stock equity to total assets(%)	5.94	7.53	6.85	6.57	8.58
Secured loans balance of related-party		2,011,728	2,004,369	2,111,000	2,190,000	2,272,000
Ratio of secured loans balance of related-party to total loans blance		0.54	0.71	1.02	1.25	1.24
Operating Scale	Market share of assets(%)	1.80	1.85	1.31	1.11	1.27
	Market share of equity(%)	1.73	1.45	1.11	1.05	1.04
	Market share of deposits(%)	2.17	1.73	1.37	1.33	1.35
	Market share of assets loans(%)	2.14	1.74	1.40	1.25	1.28

3. Supervisors' Report

To the 2005 Annual Shareholders' Meeting

E.SUN Commercial Bank, Ltd.

The board of directors have complied and submitted the bank's 2005 business report, financial statements and statement of distribution of retained earnings which are audited by Deloitte & Touche. We have completed our examinations and found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in accordance with Article 219 of the Company Law and submitted for your approval.

Resident Supervisor Charles C. Yuan

Supervisor Huang Chuan Hsing

Supervisor Yu-Chen Yang

February 17, 2006

4. Financial Statements of 2004

(1) Indeqendent Auditors' Report

Deloitte.
勤業眾信

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
E.Sun Commercial Bank, Ltd.

We have audited the accompanying balance sheets of E.Sun Commercial Bank, Ltd. as of December 31, 2005 and 2004 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, we did not audit the financial statements of the Bank's Los Angeles Branch for 2005 and those of the Hong Kong and Los Angeles Branches for 2004. The total assets of these branches were 1.44% (NT$8,093,825 thousand) and 4.99% (NT$21,610,277 thousand) of the Bank's total assets as of December 31, 2005 and 2004, respectively. The net incomes of these branches were 1.69% (NT$64,677 thousand) and 1.86% (NT$135,379 thousand) of the Bank's net income in 2005 and 2004, respectively. The financial statements of these branches were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these branches, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit 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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of E.Sun Commercial Bank, 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 the Guidelines Governing the Preparation of Financial Reports by Public Banks and accounting principles generally accepted in the Republic of China.

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Member of
Deloitte Touche Tohmatsu

As stated in Note 3 to the financial statements, sales and purchases of securities under repurchase or resell agreements were treated as outright sales or purchases until 2003. However, under the Guidelines Governing the Preparation of Financial Reports by Public Banks, effective January 1, 2004, the repurchase/resell transactions are treated as financing.

We have also audited the consolidated financial statements of E.Sun Commercial Bank, Ltd. and its subsidiaries as of December 31, 2005 and 2004 and have issued a modified unqualified opinion thereon in our report dated February 8, 2006.

Deloitte & Touche

February 8, 2006

<u>*Notice to Readers*</u>

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.

(2) BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

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

ASSETS	2005 Amount	%	2004 Amount	%
CASH AND CASH EQUIVALENTS (Note 4)	$ 11,287,638	2	$ 7,899,575	2
DUE FROM THE CENTRAL BANK OF CHINA AND OTHER BANKS (Note 5)	35,209,053	6	27,671,867	6
SECURITIES PURCHASED, NET (Notes 2, 3, 6, 27 and 28)	69,179,983	12	54,815,405	13
RECEIVABLES, NET (Notes 2, 7, 27 and 28)	33,315,178	6	30,520,884	7
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 3, 8 and 27)	2,601,670	1	5,569,238	1
PREPAID EXPENSES (Note 27)	422,842	-	307,262	-
BILLS, DISCOUNTS AND LOANS, NET (Notes 2, 9 and 27)	368,000,876	65	275,359,584	64
LONG-TERM INVESTMENTS (Notes 2, 10, 11 and 28)				
Long-term equity investments - equity method				
Long-term equity investments - cost method	191,313	-	183,572	-
Bonds	581,541	-	599,912	-
Others	12,244,590	2	7,208,804	2
Total long-term investments	9,346,412	2	3,632,339	1
OTHER FINANCIAL ASSETS (Note 2)	22,363,856	4	11,624,627	3
PROPERTIES (Notes 2 and 12)	1,926,343	-	-	-
Cost				
Land	4,913,581	1	4,929,923	1
Buildings	3,587,357	1	3,049,408	1
Computers	2,025,298	-	1,859,957	-
Transportation equipment	257,585	-	216,839	-
Miscellaneous equipment	1,007,102	-	798,569	-
Total cost	11,790,923	2	10,854,696	2
Accumulated depreciation	2,310,776	-	1,886,411	-
Prepayments	9,480,147	2	8,968,285	2
Net properties	655,637	-	23,554	-
GOODWILL (Notes 2 and 13)	10,135,784	2	8,991,839	2
OTHER ASSETS, NET (Notes 2, 14, 22, 27, 28 and 29)	3,662,701	1	4,661,587	1
Idle assets, net	724,140	-	690,664	-
Rentable assets, net	3,216,271	1	3,103,224	1
Refundable deposits	987,478	-	960,864	-
Foreclosed collaterals, net	126,700	-	402,480	-
Others	169,034	-	508,871	-
Deferred income tax assets, net	165,472	-	232,929	-
Total other assets, net	5,389,095	1	5,899,032	1
TOTAL	$ 563,495,019	100	$ 433,320,900	100

LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY				
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 3, 6, 15 and 27)	$ 10,104,894	2	$ 10,676,519	2
DUE TO THE CENTRAL BANK OF CHINA AND OTHER BANKS (Note 16)	24,240,441	4	21,568,711	5
PAYABLES (Notes 17 and 27)	11,116,923	2	6,464,381	2
ADVANCES (Note 27)	659,746	-	589,965	-
DEPOSITS AND REMITTANCES (Notes 18 and 27)	440,482,626	78	330,971,515	76
BONDS (Notes 19 and 27)	39,200,000	7	29,600,000	7
OTHER LONG-TERM LIABILITIES (Notes 2 and 20)	3,550,000	1	-	-
OTHERS (Notes 2 and 27)	650,704	-	805,196	-
Total liabilities	530,005,334	94	400,676,287	92
CAPITAL STOCK, $10 PAR VALUE				
Authorized 2,331,355 thousand shares in 2005 and 2,017,500 thousand shares in 2004;				
issued 2,231,355 thousand shares in 2005 and 2,017,500 thousand shares in 2004	22,313,550	4	20,175,000	5
CAPITAL SURPLUS				
Paid-in capital in excess of par value	4,233,502	1	4,233,502	1
From treasury stock	483	-	483	-
Total capital surplus	4,233,985	1	4,233,985	1
RETAINED EARNINGS				
Legal reserve	3,204,059	-	1,018,878	-
Unappropriated earnings	3,834,805	1	7,341,106	2
Total retained earnings	7,038,864	1	8,359,984	2
UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS	(93,826)	-	(111,204)	-
CUMULATIVE TRANSLATION ADJUSTMENTS	(2,888)	-	(13,152)	-
Total stockholders' equity	33,489,685	6	32,644,613	8
CONTINGENCIES AND COMMITMENTS (Notes 2 and 29)				
TOTAL	$563,495,019	100	$ 433,320,900	100

The accompanying notes are an integral part of the financial statements. (With Deloitte & Touche audit report dated February 8, 2006)

(3) STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2005 Amount	2005 %	2004 Amount	2004 %
OPERATING INCOME				
Interest（Notes 2and 27）	$ 17,497,948	84	$ 14,048,775	69
Service fees（Note 2）	2,413,091	11	2,080,184	10
Gains on sales of securities, net (Notes 2, 11 and 27)	356,234	2	270,037	1
Income from long-term equity investments under the equity method, net (Notes 2 and 10)	18,617	-	21,873	-
Gains on long-term investments（Notes 2 and 10）	19,443	-	3,138,416	16
Foreign exchange gain, net（Note 2 and 27）	192,698	1	160,720	1
Gains on derivative transactions, net（Notes 2 and 33）	269,329	1	353,460	2
Others(Note 27)	176,810	1	206,031	1
Total operating income	20,944,170	100	20,279,496	100
OPERATING COSTS				
Interest（Notes 2 and 27）	6,818,484	33	3,986,827	20
Service charges(Note 27)	630,019	3	627,140	3
Procisions（Note 2）	1,265,693	6	13,841	-
Others	8,808	-	7,193	-
Total operating costs	8,723,004	42	4,635,001	23
GROSS PROFIT	12,221,166	58	15,644,495	77
OPERATING EXPENSES（notes 19 and 25）				
Business	6,727,571	32	5,486,661	27
General and administrative	641,483	3	580,233	3
Others	33,374	-	34,335	-
Total operating expenses	7,402,428	35	6,101,229	30
				7
OPERATING INCOME	4,818,738	23	9,543,266	47
NONOPERATING INCOME AND GAINS	85,262	-	47,254	-
NONOPERATING EXPENSES AND LOSSES（Notes 2 and 13）	120,984	-	1,218,764	6
INCOME BEFORE INCOME TAX	4,783,016	23	8,371,756	41
INCOME TAX EXPENSE（Notes 2 and 22）	953,072	5	1,087,820	5
NET INCOME	$ 3,829,944	18	$ 7,283,936	36

EARNINGS PER SHARE（Note 25）

	2005 Before Income Tax	2005 After Income Tax	2004 Before Income Tax	2004 After Income Tax
Basic earnings per share	$ 2.14	$ 1.72	$ 4.15	$ 3.61

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 8, 2006)

(4) STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Capital Stock (Note 23)		Capital Surplus (Notes 2 and 23)			Retained Earnings (Notes 2 and 23)			Unrealized Loss on Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 24)	Total Stockholders' Equity
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Treasury Stock	Total	Legal Reserve	Unappropriated Earnings	Total				
BALANCE, JANUARY 1, 2004	1,817,500	$18,175,000	$ 233,502	$ -	$ 233,502	$ -	$ 3,396,261	$ 3,396,261	$ -	$ 2,624	$ (498,017)	$ 21,309,370
Appropriation of prior year's earnings												
Legal reserve	-	-	-	-	-	1,018,878	(1,018,878)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(2,181,000)	(2,181,000)	-	-	-	(2,181,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	(23,202)	(23,202)	-	-	-	(23,202)
Bonus to employees	-	-	-	-	-	-	(116,011)	(116,011)	-	-	-	(116,011)
Balance after appropriation	1,817,500	18,175,000	233,502	-	233,502	1,018,878	57,170	1,076,048	-	2,624	(498,017)	18,989,157
Transfer of shares to employees	-	-	-	483	483	-	-	-	-	-	498,017	498,500
Capital increase in December 2004	200,000	2,000,000	4,000,000	-	4,000,000	-	-	-	-	-	-	6,000,000
Net income in 2004	-	-	-	-	-	-	7,283,936	7,283,936	-	-	-	7,283,936
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	(111,204)	-	-	(111,204)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(15,776)	-	(15,776)
BALANCE, DECEMBER 31, 2004	2,017,500	20,175,000	4,233,502	483	4,233,985	1,018,878	7,341,106	8,359,984	(111,204)	(13,152)	-	32,644,613
Appropriation of prior year's earnings												
Legal reserve	-	-	-	-	-	2,185,181	(2,185,181)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(2,703,450)	(2,703,450)	-	-	-	(2,703,450)
Stock dividends	213,855	2,138,550	-	-	-	-	(2,138,550)	(2,138,550)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(51,511)	(51,511)	-	-	-	(51,511)
Bonus to employees	-	-	-	-	-	-	(257,553)	(257,553)	-	-	-	(257,553)
Balance after appropriation	2,231,355	22,313,550	4,233,502	483	4,233,985	3,204,059	4,861	3,208,920	(111,204)	(13,152)	-	29,632,099
Net income in 2005	-	-	-	-	-	-	3,829,944	3,829,944	-	-	-	3,829,944
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	17,378	-	-	17,378
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	10,264	-	10,264
BALANCE, DECEMBER 31, 2005	2,231,355	$22,313,550	$ 4,233,502	$ 483	$ 4,233,985	$ 3,204,059	$ 3,834,805	$ 7,038,864	$ (93,826)	$ (2,888)	$ -	$ 33,489,685

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

(With Deloitte & Touche audit report dated February 8, 2006)

(5) STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$3,829,944	$7,283,936
Allowances for losses on securities purchased	130,211	-
Provisions	1,265,693	13,841
Recovery of written-off credits	1,047,527	1,270,462
Depreciation and amortization	1,653,391	819,227
Impairment loss on goodwill	-	1,103,393
Equity in net income of equity-method investees, net of cash dividends received	(18,617)	(5,978)
Loss (gain) on sale of long-term investments	11,303	(2,915,950)
Amortization of premium (discount) on long-term investments	126,172	79,874
Loss on sale of properties, rentable assets, idle assets and foreclosed collaterals, net	74,011	20,488
Deferred income tax	67,457	135,182
Others	(1,718)	20,871
Net changes in operating assets and liabilities		
Securities purchased for trading purposes	213,562	(9,648,080)
Receivables	(4,122,125)	(6,070,396)
Prepaid expenses	(115,580)	(246,730)
Payables	4,652,542	912,448
Advances	69,781	400,341
Net acash provided by (used in) operating activities	8,883,554	(6,827,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased for investing purposes	(14,708,351)	(680,586)
Increase in due from the Central Bank of China and other banks	(7,537,186)	(6,970,172)
Decrease (increase) in securities purchased under resell agreements	2,967,568	(5,569,238)
Proceeds from sales of:		
Properties	(93,617,849)	(62,074,842)
Foreclosed collaterals	(13,896,675)	(6,133,945)
Long-term investments	14,050	4,132,173
Acquisition of:		
Long-term investments	3,039,299	1,046,613
Properties	(1,926,343)	-
Decrease (increase) in:		
Bills, discounts and loans	(1,828,936)	(1,494,637)
Other assets	1,329	393
Other financial assets	238,129	179,149
Return of principal on long-term investments	54,904	(154,067)
Cash subsidy received on the acquisition of the Kaohsiung Business Bank Co., Ltd.	-	13,428,965
Increase in cash arising from the acquisition of the Kaohsiung BusinessBank Co., Ltd. on September 3, 2004	-	1,347,863
Net cash used in investing activities	(127,200,061)	(62,942,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in securities sold under repurchase agreements	$(571,625)	$10,676,519
Increase (decrease) in due to the Central Bank of China and other banks	2,671,730	(104,312)
Increase in deposits and remittances	109,511,111	38,920,585
Proceeds from issuance of bonds	10,000,000	17,696,100
Repayment of bonds	(400,000)	(400,000)
Increase in other long-term liabilities	3,550,000	-
Decrease in other liabilities	(56,234)	(166,533)
Capital increase	-	6,000,000
Proceeds from treasury stock	-	498,500
Cash dividends paid	(2,703,450)	(2,181,000)
Payment of bonus to employees and remuneration to directors and supervisors	(309,064)	(139,213)
Net cash provided by financing activities	121,692,468	70,800,646
EFFECTS OF EXCHANGE RATE CHANGES	12,102	(18,503)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,388,063	1,012,741
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,899,575	6,886,834
CASH AND CASH EQUIVALENTS, END OF YEAR	$11,287,638	$7,899,575
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$6,449,727	$4,042,504
Income tax paid	$1,260,600	$165,740
NONCASH INVESTING AND FINANCING ACTIVITIES		
Exchangeable bonds exchanged for ESFHC's stock (Note 10)	$ -	$2,696,100
Cost of long-term equity investments	-	1,514,142
Gain from long-term investments	$ -	$1,181,958

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

(With Deloitte & Touche audit report dated February 8, 2006)

(6) NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

1.ORGANIZATION AND OPERATIONS

E.Sun Commercial Bank, Ltd. (the "Bank") engages in banking activities permitted by the Banking Law.

As of December 31, 2005, the Bank had a business department, international banking departments, trust department, credit card business division, an offshore banking unit (OBU), 2 overseas branches (Los Angeles and Hong Kong) and 93 domestic branches.

The operations of the Bank's Trust Department consist of planning, managing and operating a trust business. These operations are regulated under the Banking Law and Trust Law of the Republic of China (ROC).

On December 10, 2001, the Bank's stockholders approved the establishment of E.Sun Financial Holding Company, Ltd. (ESFHC) to hold the shares of the Bank, E.Sun Bills Finance Corp. and E.Sun Securities Corp. The board of directors designated January 28, 2002 as the effective date of the share swap. After the shares transfer, the Bank became a 100% subsidiary of ESFHC. Also on January 28, 2002, the trading of the Bank's stock on the Taiwan Stock Exchange (TSE) was stopped, and ESFHC's stock started to be traded on the TSE.

On September 4, 2004, the Bank acquired the assets and liabilities (except the assets and liabilities generated from trust business and pension) and business (except trust business) of the Kaohsiung Business Bank Co., Ltd. Please refer to Note 38.

As of December 31, 2005 and 2004, the Bank had 3,139 and 2,438 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The Bank's financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these guidelines and principles, the Bank is required to make certain estimates and assumptions that could affect the amounts of allowance for possible losses, reserve for losses on guarantees, property depreciation, pension, income tax, loss on market value decline of foreclosed collaterals, impairment loss of assets and accrued litigation loss. Actual results could differ from these estimates.

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the Bank's financial statements are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity. Please refer to Note 32 for the maturity analysis of assets and liabilities.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

The Bank's significant accounting policies are summarized as follows:

Securities Purchased

Securities purchased are carried at aggregate cost less allowance for decline in value. Costs of securities sold are determined by the following methods: Stock, mutual funds and government bonds - moving average; and others - specific identification.

Securities Purchased/Sold Under Resell/Repurchase Agreements

Sales or purchases of bonds and short-term bills under repurchase or resell agreements are stated at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense). Please refer to Note 3.

Overdue Loan

In accordance to Ministry of Finance guidelines, the Bank classifies loans and other credits (including accrued interest) overdue for at least six months as overdue loans.

Allowances for Possible Losses and Reserve for Losses on Guarantees

The Bank makes provisions for bad debts and losses on guarantees based on the evaluation of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances for their specific or general risks.

Debts and guarantees with specific risks are evaluated internally for their collaterals, collectibility and customers' overall credits. Under Ministry of Finance (MOF) guidelines, the Bank makes full provisions for credits deemed uncollectible and makes at least 50% provisions for credits with high uncollectibility. However, under revised MOF guidelines effective July 1, 2005, the Bank makes full, 50%, 10% and 2% provisions for credits deemed uncollectible, highly uncollectible, substandard and special mention, respectively, as minimum provisions for possible losses. This change had no significant impact on the Bank's financial statements.

Under MOF guidelines, credits deemed uncollectible may be written off if the write-off is approved by the Board of Directors.

Long-term Investments

Investments in shares of stock of companies in which 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 proportionate share in the net income or loss of the investees. The proportionate share in the net income or loss is recognized as current income or loss, and any cash dividends received are reflected as a reduction of the carrying values of the investments. Capital increase of investees that results in the increase of the Bank's equity in the investees' net assets is credited to capital surplus, and any decrease is charged to such capital surplus to the extent of the available balance, with the difference charged to unappropriated earnings. If the impairment in investment value is permanent and probability of a recovery in value is remote, an investment loss is recognized.

Other long-term equity investments are accounted for by cost method. Investments in stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect other than temporary decline in the value of the investments, with the related losses charged to current income. Investment in stock with a quoted market price is stated at the lower of aggregate cost or market. The reduction 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. Cash dividends received from a year after the acquisition date are recorded as investment income. Foreign-currency investments are recorded in New Taiwan dollars at the rate of exchange in effect when the transactions occur. At balance sheet date, the balances of these investments are restated at the balance sheet date exchange rates. If the restated amounts are lower than cost, the differences are recognized as translation adjustment under stockholders' equity, otherwise, no adjustment is made.

For both equity-method and cost-method investments, stock dividends received are recognized only as increases in the number of shares held, and not as income. Cost of long-term equity investments sold is determined by the weighted-average method.

Long-term bond investments are stated at cost. Premium or discount is amortized (as a charge or credit to interest income, respectively) over the remaining term of each bond. Costs of bonds sold are determined by the specific identification method.

The special-purpose trust beneficiary certificates are stated at cost. Costs of these upon maturity or sale are determined by the moving-average method.

Other Financial Assets

Other financial assets are primarily investments in structural deposits. The interest revenue generated under the contract is credited to current income. The Bank will reclaim the principal if the investments are held to maturity. However, the Bank could incur a loss if the contract is canceled prematurely.

Financial Asset Securitization

Under the Financial Asset Securitization Act, the Bank securitized part of its bonds and entrusted those bonds to a trustee for the issuance of beneficiary certificates. Except for beneficiary certificates being retained for credit enhancement and reclassified as long-term investments, the Bank de-recognizes the bonds from securities purchased and recognizes gain or loss because the control of contractual rights on these bonds has been surrendered and transferred to a trustee. The gain or loss on the sale of the bonds is the difference between the proceeds and carrying amount of the bonds, and this carrying amount should be allocated at the ratio of the retained right and the part sold to their fair values on the date of sale.

Since quotes are not available for retained interests, the Bank estimates fair value using management's key assumptions on bond credit loss rate and discount rates commensurate to the risks involved.

The retained beneficiary certificates, for which market quotes are not available, are accounted for as long-term investments. The present value of expected future cash flows is estimated and evaluated for any impairment loss. On the balance sheet date, impairment losses are recognized; gains are not.

Properties, Rentable Assets and Idle Assets

Properties, rentable assets and idle assets are stated at cost less accumulated depreciation. The cost of betterments and major renewals that extend the useful life of an item of property and equipment is capitalized. The cost of repairs and maintenance is charged to expense as incurred.

Depreciation is calculated by the straight-line method over service lives estimated as follows: buildings, 3 to 50 years; computers, 3 to 7 years; transportation equipment, 5 to 8 years; miscellaneous equipment, 2 to 10 years; rentable assets, 10 to 50 years; and idle assets, 5 to 50 years. If an asset reaches its residual value but is still in use, it is further depreciated over its newly estimated service life.

An impairment loss should be recognized whenever the recoverable amount of properties or the cash-generating units of properties, rentable assets and idle assets is below the carrying amount. If asset impairment loss is reversed, the increase in the carrying amount resulting from the 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.

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

Foreclosed Collaterals

Foreclosed collaterals are recorded at the lower of cost or net fair value as of the balance sheet date.

Goodwill

Goodwill is amortized over 5 years. Impairment loss is recorded if the carrying amount of goodwill exceeds the recoverable amount.

Pension Costs

The Bank has two types of pension plans: Defined benefit and defined contribution. For the defined benefit plan, the Bank recognizes pension costs on the basis of actuarial calculations. Unrecognized net transitional assets are amortized over 29 years. For the defined contribution plan, the Bank recognizes as pension costs the amounts contributed to the employees' individual pension accounts during the employees' service periods.

When a defined benefit plan is amended, the prior service costs should be amortized on a straight-line basis over the average period from the plan effective or amendment date until the benefits become vested. When the benefits are vested immediately following changes to the defined benefit plan, the Bank should recognize the prior service cost as expense immediately.

Treasury Stock

The reacquisition of issued capital stock is carried at cost and presented as a separate deduction to arrive at stockholders' equity.

The reissuance of treasury stocks is accounted for as follows: (a) reissue price higher than the acquisition cost - the excess is credited to capital surplus on treasury stock; and (b) reissue price less than the acquisition cost - initially charged to capital surplus on treasury stock, with any remaining deficiency charged to unappropriated earnings.

Under a directive issued by the Securities and Futures Bureau (SFB), if a financial institution (FI) repurchases its own capital stock pursuant to the Securities and Exchange Law and becomes a wholly owned subsidiary of a financial holding company (FHC), resulting in the conversion of the FI's treasury stocks to the FHC's stock, the FHC's shares held by the FI should be treated as treasury stock. The FHC should also present the shares it issued in exchange for FI's capital stock as treasury stock. If shares of the FIs under the same FHC were held among each other before the share swap, these shares will be stated as equity investments after the swap.

Recognition of Interest Revenue and Service Fees

Interest revenue on loans is recorded on the accrual basis. Under Ministry of

Finance regulations, no interest revenue is recognized on loans and other credits extended by the Bank that are classified as overdue loans. The interest revenue on those loans is recognized upon collection.

The unpaid interest on rescheduled loans should be recorded as deferred revenue, and the paid interest is recognized as interest revenue.

Service fees are recorded when a major part of the earnings process is completed and revenue is realized.

Income Tax

Provision for income tax is based on inter-period tax allocation. The tax effects of deductible temporary differences, unused tax credits and operating loss carryforwards are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Tax credits for personnel training and stock investments are recognized in the current period.

Income tax on interest in short-term negotiable instruments or special-purpose trust beneficiary certificates, which is levied separately, and any adjustment of income taxes of prior years are added to or deducted from the current year's income tax expense.

Income taxes (10%) on undistributed earnings generated since 1998 are recorded as expenses in the year when the stockholders resolve to retain the earnings.

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. A footnote disclosure is made of the situation that might result in a loss if the loss is possible but the amount of loss cannot be reasonably estimated.

Foreign Currency Transactions

Foreign-currency transactions (except forward transactions) are included in the financial statements at their equivalent New Taiwan dollar amounts at the following rates: Assets and liabilities - current exchange rates; and income and expenses - rates prevailing on the date of each transaction. Exchange gains or losses are credited or charged to current income.

Forward Contracts

For forward contracts, which are used for trading purposes, assets and liabilities are recorded at the contracted forward rate. Gains or losses resulting from the difference between the spot rate and the contracted forward rate on the settlement date are credited or charged to current income.

For contracts outstanding as of the balance sheet date, the gains or losses resulting from the difference between the contracted forward rates and the forward rates available for the remaining periods of the contracts are credited or charged to income. In addition, the receivables and payables related to the forward contracts are netted out, and the resulting amount is presented as an asset or a liability.

Currency Swap Contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are entered into for trading purposes, are recorded at spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates.

The related differences between spot rates and contracted forward rates are amortized and recorded as interest revenue or interest expense over the contract period on the straight-line basis. For contracts open as of the balance sheet date, the receivables and payables on the contracts are netted out, and the resulting amount is presented as an asset or a liability.

Asset Swaps

The Bank agrees to swap the fixed interest and redemption premium or conversion right on its investment in bonds for the floating interest on these bonds. There is no exchange of contract (notional) principals (equal to the aggregate face values of the bonds). For swaps entered into for nontrading purposes, the net interest upon each settlement is recorded as an adjustment to interest revenue associated with the items being hedged.

Cross-currency Swap

Cross-currency swap contracts are recorded at their forward rates on the contract dates. The interest received or paid under the contract is recorded as interest revenue or expense.

Interest Rate Swaps

Interest rate swap contracts are recorded through memorandum entries on the contract dates since there is no exchange of contract (notional) principals. Interest received or paid upon each settlement is recorded as interest revenue or expense.

Options

The Bank enters into currency option contracts and government bonds option contracts for trading purposes. Premiums received or paid are recorded as liabilities or assets. Gains or losses from the exercise of options are credited or charged to current income. For options unexercised as of the balance sheet date, gains or losses from valuation of the contracts are credited or charged to current income.

Foreign-currency Margin Contracts

The Bank enters into foreign-currency margin contracts for trading purposes. Margins received or paid are recorded as liabilities or assets. The Bank evaluates daily the unrealized gains or losses based on spot rates. Gains or losses on the settlement date are credited or charged to current income.

Futures

Margin deposits paid by the Bank for interest rate futures contracts entered into for trading purposes are recognized as assets. Gains or losses resulting from marking to market and from the settlement of the interest rate futures contracts are included in current income and the carrying amount of the margin deposits is adjusted accordingly.

Credit Default Swap Contracts

Credit default swap contracts, which are intended to hedge the credit risk of the held assets or to generate profits, are recorded through memorandum entries on the contract dates. If there is exchange of contract principals, the amounts are recorded as other long-term liabilities. Premiums amortized or accrued during the contract period are recorded as incomes or expenses. Gains or losses from the valuation of contracts as of the balance sheet date are credited or charged to current income.

Credit-linked Loans

The Bank enters into credit-linked loans for trading purposes. The Bank recognizes interest revenue based on the floating interest rate. When the reference entity faces certain situations as described in the contract, the borrower repays loans by giving the reference asset to the Bank.

Reclassifications

Certain accounts for 2004 had been reclassified to be consistent with the presentation of the 2005 financial statements.

3. ACCOUNTING CHANGES

The Bank began applying ROC Statement of Financial Accounting Standards (SFAS) No. 35, "Accounting for Asset Impairment," on January 1, 2005. This accounting change had no significant influence on the financial statements.

Under a directive issued by the Ministry of Finance, sales and purchases of bonds and short-term bills under repurchase or resell agreements were treated as outright sales or purchases until 2003. However, under the Guidelines Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions are treated as financing. This accounting change increased the Bank's net income for the year ended December 31, 2004 by $66,855 thousand.

Since the volume of the Bank's repurchase/resell transactions is huge and the accounting systems had been revised several times such that historical trading data are hard to trace, calculating the cumulative effect of the change in accounting principle was difficult. Thus, the Bank cannot calculate the cumulative effect of the change in accounting principle.

4.CASH AND CASH EQUIVALENTS

	December 31	
	2005	2004
Cash on hand	$ 3,615,071	$ 2,889,257
Checks for clearing	6,990,873	2,731,194
Due from banks	681,694	2,279,124
	$ 11,287,638	$ 7,899,575

5. DUE FROM THE CENTRAL BANK OF CHINA (CBC) AND OTHER BANKS

	December 31	
	2005	2004
Call loan to banks	$ 18,254,448	$ 13,174,468
Reserves for deposits in the Central Bank of China (CBC)	16,570,430	14,118,370
Deposit in CBC	384,175	379,029
	$ 35,209,053	$ 27,671,867

As required by law, the reserves for deposits in CBC are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts. As of December 31, 2005 and 2004, deposit reserve portions of $10,476,676 thousand and $8,098,534 thousand, respectively, were restricted from Bank use, as required by certain regulations.

6. SECURITIES PURCHASED, NET

	December 31	
	2005	2004
Overseas securities	$ 23,943,896	$ 20,410,533
Certificates of deposit	16,483,209	19,487,486
Government bonds	13,096,188	12,962,193
Bank debentures and corporate bonds	11,433,952	258,964
Commercial paper	3,068,282	279,853
Stocks and mutual funds	1,284,667	1,416,376
	69,310,194	54,815,405
Less allowance for possible losses	130,211	-
	$ 69,179,983	$ 54,815,405

As of December 31, 2005 and 2004, some of the government bonds, which amounted to $9,157,700 thousand and $9,602,300 thousand (face value), respectively, had been sold under repurchase agreements.

7.RECEIVABLES, NET

	December 31	
	2005	2004
Credit cards	$ 29,539,803	$ 26,735,412
Accrued interest	1,751,063	1,360,573
Acceptances	790,955	679,647
Accrued income	308,051	110,513
Forward exchange contract receivable	286,634	746,044
Accounts receivable	87,133	462,508
Other	859,347	698,263
	33,622,986	30,792,960
Less allowance for possible losses	307,808	272,076
	$ 33,315,178	$ 30,520,884

8.SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for $2,601,670 thousand and $5,569,238 thousand under resell agreements as of December 31, 2005 and 2004, respectively, will be sold for $2,602,830 thousand and $5,571,843 thousand by January 20, 2006 and January 27, 2005, respectively.

9.BILLS, DISCOUNTS AND LOANS, NET

	December 31	
	2005	2004
Loans	$ 64,940,843	$ 55,477,356
Short-term	82,430,447	67,795,554
Medium-term	217,328,901	150,525,009
Long-term	2,747,423	1,543,983
Bills and discounts	2,133,457	1,829,381
Overdue loans	369,581,071	277,171,283
Less allowance for possible losses	1,580,195	1,811,699
	$ 368,000,876	$ 275,359,584

As of December 31, 2005 and 2004, the loan and credit balances, for which accrual of interest revenues was discontinued, amounted to $2,133,457 thousand and $1,829,381 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to $70,585 thousand and $69,411 thousand for the years ended December 31, 2005 and 2004, respectively.

For the years ended December 31, 2005 and 2004, the Bank carried out legal procedures required before writing off certain credits.

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

	Year Ended December 31, 2005		
	Specific Risk	General Risk	Total
Balance, January 1, 2005	$ 519,622	$ 1,292,077	$ 1,811,699
Provisions (reversal)	902,657	(878,451)	24,206
Write-offs	(1,208,062)	-	(1,208,062)
Recovery of written-off credits	950,088	-	950,088
Effects of exchange rate changes	-	2,264	2,264
Balance, December 31, 2005	$ 1,164,305	$ 415,890	$ 1,580,195

	Year Ended December 31, 2004		
	Specific Risk	General Risk	Total
Balance, January 1, 2004	$ 227,684	$ 1,942,076	$ 2,169,760
Transfer from the Kaohsiung Business Bank Co., Ltd.	-	1,721,007	1,721,007
Provisions (reversal)	1,669,898	(2,367,059)	(697,161)
Write-offs	(2,558,585)	-	(2,558,585)
Recovery of written-off credits	1,180,625	-	1,180,625
Effects of exchange rate changes	-	(3,947)	(3,947)
Balance, December 31, 2004	$ 519,622	$ 1,292,077	$ 1,811,699

10. LONG-TERM INVESTMENTS

	December 31	
	2005	2004
Long-term equity investments	$ 772,854	$ 783,484
Long-term bond investments	12,244,590	7,208,804
Other long-term investments	9,346,412	3,632,339
	$ 22,363,856	$ 11,624,627

Long-term equity investments are summarized as follows:

	December 31			
	2005		2004	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Equity method				
With no quoted market prices				
E.Sun Finance & Leasing Co.	$ 173,018	98.99	$ 154,241	98.99
E.Sun Insurance Agent Co., Ltd.	18,295	79.00	18,042	79.00
Kao Li Real-Estate Management Co. (KLMC)	-	-	11,289	30.00
	191,313		183,572	
Cost method				
With quoted market prices				
United Micro Electronics	175,098	-	200,451	-
With no quoted market prices				
Financial Information Service Co., Ltd.	108,954	2.28	108,954	2.28
Taiwan Asset Management Corporation	100,000	0.57	100,000	0.57
Fubon Securities Finance Co.	98,957	2.56	98,957	2.56
Other	192,358		202,754	
	675,367		711,116	
Less allowance for possible losses	93,826		111,204	
	581,541		599,912	
	$ 772,854		$ 783,484	
Market values of stock with quoted market prices	$ 81,272		$ 89,247	

Under the revised ROC Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements," the Bank's consolidated financial statements in 2005 included the accounts of all subsidiaries. Neither the total assets nor total operating income of the subsidiaries individually reached 10% or collectively reached 30% of those of the Bank in 2004. Thus, there was no need for the Bank to prepare consolidated financial statements in 2004.

The E.Sun Finance & Leasing Co.'s financial statements on which the calculation of investment carrying value and the related income was based had all been audited, except those of E.Sun Insurance Agent Co., Ltd. and KLMC. The Bank's management believes that, had this investee's accounts been audited, the effect of any adjustments on the Bank's financial statements would not have been significant.

The net income from long-term investment under equity method for the years ended December 31, 2005 and 2004 were $18,617 thousand and $21,873 thousand, respectively.

On December 1, 2003, the Bank's Board of Directors (hereinafter "the Board") resolved to issue bonds for exchange with the underlying shares of ESFHC within the limit of 150,000 thousand shares under Article 31 of the Financial Holding Company Law. On January 23, 2004, the Bank issued three-year debenture exchangeable bonds amounting to $2,696,100 thousand, at 0% interest. On June 14, 2004, these bonds were all exchanged for the ESFHC's stock, and the Bank recognized a gain of $1,181,958 thousand on this exchange.

On February 12, 2004, the Board resolved to authorize the chairman to dispose of the shares of ESFHC within the limit of 184,449 thousand shares as required under the Financial Holding Company Law.

On September 27, 2004, the ESFHC issued 6,800 thousand units of Global Depository Receipt. Each unit can be exchange for 25 shares of ESFHC which were held by the Bank. Through this transaction, the Bank sold 170,000 thousand shares and recognized a gain of $1,294,063 thousand.

Long-term bond investments are summarized as follows:

	December 31	
	2005	2004
Government bonds - domestic	$ 7,111,289	$ 7,208,804
Corporate bonds - domestic	3,983,201	-
Overseas securities	1,150,100	-
	$ 12,244,590	$ 7,208,804

Other long-term investments are summarized as follows:

	December 31	
	2005	2004
Mortgage loan securitization beneficiary certificates - domestic	$ 1,145,240	$ 3,632,339
Collateralized securitization beneficiary certificates - overseas	3,254,337	-
Collateralized bond securitization beneficiary certificates - domestic	4,946,835	-
	$ 9,346,412	$ 3,632,339

11.FINANCIAL ASSET SECURITIZATION

In the fourth quarter of 2005, the Bank entered into two trust contracts with The Hong Kong and Shanghai Banking Corporation

Limited (HSBC, the trustee) and transferred the Bank's rights and risks on bond holdings, which amounted to $10,060,287 thousand and $18,340,853 thousand, respectively to the trustee in accordance with the Financial Asset Securitization Act. Upon the transfer, the trustee acquired the bondholder's rights from the Bank, and the trustee issued beneficiary certificates named E.Sun CBO 2005-1 and E.Sun CBO 2005-2 to general investors and turned over to the Bank the funds raised on certificates issuance along with the retained beneficiary certificates (E.Sun CBO 2005-1 is Type D; E.Sun CBO 2005-2 is Type C). The Bank recognized a loss of $10,287 thousand (part of gains on sales of securities, net) on this transaction.

The issuance period for E.Sun CBO 2005-1, amounting to $10,050,000 thousand, is between October 19, 2005 and July 20, 2012. Interest is payable quarterly. This beneficiary certificate is categorized as follows:

Type of Beneficiary Certificate	Repayment Priority	Issued Amount	Interest Rate
A	First	$ 8,750,000	1.825%
B	Second	800,000	2.050%
C	Third	450,000	1.925%
D	Fourth/remainder	50,000	None

The issuance period for E.Sun CBO 2005-2, amounting to $18,341,000 thousand, is between December 28, 2005 and September 20, 2014. This beneficiary certificate is categorized as follows:

Type of Beneficiary Certificate	Repayment Priority	Issued Amount	Interest Rate	Percentage of Total% Amount Issued
A1	First	$2,500,000	0%	95.36%
A2	First	6,215,000	0%	90.08%
A3	First	5,774,349	0%	83.60%
B	Second	1,908,281	0%	82.03%
C	Third/remainder	1,943,370	None	

The Bank's future service income from this contract is expected to cover all service costs; thus, no service asset or service liability is recognized. The Bank's retained beneficiary certificates ensure that the Bank will retain its liquidity after the investor collects its income based on the trust contract. If the certificate issuers cannot disburse funds upon certificate maturity, the invertors and the trustee have no right of recourse on the Bank's other assets. In addition, the investors' rights take precedence over the rights on the retained beneficiary certificates. The value of the retained beneficiary certificates will be affected by the credit risk of the bond issuers, interest rate risk, etc.

a.Key assumptions used in measuring retained interests:

	E.Sun CBO 2005-1		E.Sun CBO 2005-2	
	December 31, 2005	October 19, 2005	December 31, 2005	December 28, 2005
Projected advance reimbursement rate	0%	0%	0%	0%
Projected credit loss rate	0%	0%	2%	2%
Discount rate for residual cash flows	3.82%	3.82%	3.71%	3.71%

All the bond issuers in the asset pool of E.Sun CBO 2005-1 have attained the credit rating of twA or above, and during the past seven years, only one debtor with a credit rating of twB breached the contract according to the Taiwan Ratings 2004 research. Thus, the Bank's projected credit loss rate will be zero.

b.Sensitivity analysis:

As of December 31, 2005, the key assumptions and the sensitivity of the current fair value of residual cash flows to the immediate 10% and 20% adverse changes in these assumptions were as follows:

	December 31, 2005	
	E.Sun CBO 2005-1	E.Sun CBO 2005-2
Carrying amount of retained interest	$ 50,000	$ 3,965,809
Projected credit loss rate (annual)	0%	2%
Impact on fair value of 10% adverse change	-	(87,740)
Impact on fair value of 20% adverse change	-	(184,144)

c. As of December 31, 2005, there had been no credit loss on the securitized bonds; thus, the expected static pool credit loss rate is equal to projected credit loss rate.

d.Cash flows

Cash flows resulting from the securitization are as follows:

	2005	
	E.Sun CBO 2005-1	E.Sun CBO 2005-2
Proceeds from sales of beneficiary certificate	$ 10,000,000	$ 14,375,044
Prepayment of reserve deposit	(80,000)	(51,000)

e.In 2005, the Bank bought structured bonds from the mutual fund managed by E.Sun Securities Investment Trust Corp. and securitized these bonds under E.Sun CBO 2005-2. E.Sun Securities Investment Trust Corp. promised to compensate the Bank for any loss when the trust contract ends. This transaction had been approved by the board of directors and related authorities.

12.ACCUMULATED DEPRECIATION

	December 31, 2005	
	2005	2004
Buildings	$ 519,313	$ 396,082
Computers	1,059,675	864,413
Transportation equipment	149,393	133,032
Miscellaneous equipment	582,395	492,884
	$2,310,776	$1,886,411

13.GOODWILL

The Bank acquired substantially all of the business, and assets and liabilities of the Kaohsiung Business Bank Co., Ltd. on September 4, 2004. The Bank recognized the goodwill of $6,117,415 thousand from this acquisition. The goodwill is amortized over five years. The Bank recognized amortization expenses $998,886 thousand and $352,435 thousand (recorded as business operating expenses) in 2005 and 2004, respectively, and an impairment loss of $1,103,393 thousand (recorded as nonoperating losses) on September 30, 2004. The impairment loss amount was based on the management's evaluation of the scale of future operations.

14.OTHER ASSETS, NET

	December 31 2005	December 31 2004
Foreclosed collaterals	$ 167,101	$ 478,379
Less allowance for possible losses	40,401	75,899
Foreclosed collaterals, net	126,700	402,480
Rentable assets, net (less accumulated depreciation $27,527 thousand in 2005 and $13,305 thousand in 2004)	3,216,271	3,103,224
Refundable deposits	987,478	960,864
Idle assets, net (less accumulated depreciation $10,594 thousand in 2005and $2,127 thousand in 2004)	724,140	690,664
Deferred income tax assets, net	165,472	232,929
Deferred charges, net	155,089	224,044
Revaluation of derivative transactions	13,945	284,827
	$ 5,389,095	$ 5,899,032

15.SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $10,104,894 thousand and $10,676,519 thousand, under repurchase agreements as of December 31, 2005 and 2004, respectively, would be purchased for $10,111,256 thousand and $10,682,837 thousand by April 20, 2006 and June 8, 2005, respectively, with the purchase by June 8, 2005 already completed.

16.DUE TO THE CENTRAL BANK OF CHINA AND OTHER BANKS

	December 31 2005	December 31 2004
Call loans from banks	$ 23,029,028	$ 21,342,104
Due to banks	950,032	96,163
Bank overdraft	200,047	65,439
Due to the Central Bank of China	61,334	65,005
	$ 24,240,441	$ 21,568,711

17.PAYABLES

	December 31 2005	December 31 2004
Checks for clearing	$ 6,981,646	$ 2,726,836
Accrued interest	1,535,406	1,097,094
Acceptances	796,593	683,912
Other payable - ESFHC	459,146	786,427
Accrued expenses	341,828	251,288
Collections payable	327,685	181,374
Other	674,619	737,450
	$ 11,116,923	$ 6,464,381

18.DEPOSITS AND REMITTANCES

	December 31 2005	December 31 2004
Deposits:		
Checking	$ 6,519,038	$ 4,152,894
Demand	54,325,241	41,756,710
Savings - demand	103,248,161	83,158,428
Time	125,680,958	85,541,684
Negotiable certificates of deposit	16,963,700	14,654,000
Savings - time	133,672,080	101,672,666
Remittances	73,448	35,133
	$ 440,482,626	$ 330,971,515

19.BONDS

	December 31 2005	December 31 2004
Bonds issued on August 6, 2001; 3.76% interest, payable annually; principal due on maturity date (5 years after the issue date).	$ 3,000,000	$ 3,000,000
Subordinated bonds issued on August 6, 2001; 4.2% interest, payable annually; principal repayable in five installments starting in the third year from the issue date and final installment due at the end of the seventh year.	1,200,000	1,600,000
Four types of subordinated bonds issued on June 13, 2002; 5%-8.6% interest rate minus the 90 days' interest rate of commercial paper (stated below), payable quarterly; principal due on the maturity date (5 years after the issue date).	1,700,000	1,700,000
Four types of subordinated bonds issued on August 16, 2002; 5.94% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5 years after the issue date).	1,300,000	1,300,000
Five types of bonds issued on August 23, 2002; 6% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5.5 years after the issue date).	$ 2,000,000	$ 2,000,000
Eight types of bonds issued on October 9, 2003; interest rate at (a) 3.8% for the first year, 5.0% minus six months' London Interbank Offered Rate for U.S. dollars (6M LIBOR) for the second to the fifth year and 180 days' interest rate for commercial paper starting from October 9, 2005 for types A and B bonds; (b) 5.15% minus 6M LIBOR for types C to E bonds; and (c) 4.22% minus 90 days' interest rate for commercial paper for types F to H bonds, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	2,000,000	2,000,000
Seven types of bonds issued on October 16, 2003; interest rate at (a) twice the five years' NT$ interest rate swap (IRS) minus the two years' NT$ IRS for types A to D bonds; (b) twice the five years' NT$ IRS minus the two years' NT$ IRS plus 0.75% for types E and F bonds; and (c) 3% for the first year and twice the five years' NT$ IRS minus the two years' NT$ IRS plus 0.4% for the second to the fifth year for the type G bond, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	1,800,000	1,800,000
Five types of bonds issued on October 29, 2003; interest rates at (a) three months' London Interbank Offered Rate for U.S. dollars (3M LIBOR) plus 1.2% if 3M LIBOR is less than 1% or 4.7% minus 3M LIBOR if 3M LIBOR is more than or equal to 1% for type A bond; (b) 2.5 times of the five years' NT$ IRS minus two years' NT$ IRS plus 0.45%, with limit of 3.75%, for types B and C bonds; and (c) 2.5 times of the five years' NT$ IRS minus the two years' NT$ IRS		

	December 31	
	2005	2004
plus 0.4%, with limit of 3.7%, for types D and E bonds, with all interest rates not to fall below 0% and payable semiannually for type A bond and quarterly for other bond types; principal due on the maturity date (5 years after the issue date).	1,200,000	1,200,000
Seven types of bonds issued on February 27, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.6% if 6M LIBOR is between 1.05% and 2%, or 4.52% minus 6M LIBOR if 6M LIBOR is more than 2% for types A to D bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types E to G bonds with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	2,000,000	2,000,000
Three types of bonds issued on February 27, 2004; interest rates at 3.03% if 6M LIBOR is less than or equal to 2.5%, or 5.2% minus 6M LIBOR if 6M LIBOR is more than 2.5%, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	1,000,000	1,000,000
Eight types of bonds issued on March 18, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2.00%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types A and B bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.40% if 6M LIBOR is between 1.05% and 2.00%, or 4.4% minus 6M LIBOR if 6M LIBOR is more than 2% for types C to E bonds; (c) 2.5 times of the five years' NT$ IRS minus the two years' NT$ IRS plus 0.5% if the five years' NT$ IRS minus the two years' NT$ IRS is less than or equal to 1.2%, or 2% if the five years' NT$ IRS minus the two years' NT$ IRS is more than 1.2% for types F and G bonds; (d) 2 times of the five years' NT$ IRS minus the two years' NT$ IRS plus 1.75% if the five years' NT$ IRS minus the two years' NT$ IRS is less than or equal to 1.2%, or 2.65% if the five years' NT$ IRS minus the two years' NT$ IRS is more than 1.2% in the first and second years, and 3 times of the five years' NT$ IRS minus the two years' NT$ IRS if the five years' NT$ IRS minus the two years' NT$ IRS is less than or equal to 1.2%, or 2.1% if the five years' NT$ IRS minus the two years' NT$ IRS is more than 1.2% in the third to fifth year for type H bond, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	$ 2,000,000	$ 2,000,000

	December 31	
	2005	2004
Five bond types issued on May 10, 2004; interest rates at (a) (6M LIBOR plus 0.5001%) _ n/N for type A bond; (b) (6M LIBOR plus 0.5002%) _ n/N for type B bond; (c) (6M LIBOR plus 0.5003%) _ n/N for type C bond; (d) (6M LIBOR plus 0.5004%) _ n/N for type D bond, with 6M LIBOR for types A to D bonds between 1% and 2% in the first year, between 1% and 2.25% in the second year, between 1.05% and 3.00% in the third year, between 1.05% and 3.50% in the fourth year, between 1.1% and 4.0% in the fifth year, between 1.10% and 4.25% in the sixth year, between 1.1% and 4.5% in the seventh year, “n” means the total days of 6M LIBOR between the foregoing interest rate range in each interest-bearing period, “N” means total days of each interest-bearing period; (e) 1.15 times of the ten years' US$ CMS minus the two years' US$ CMS with interest rates not to fall below 0% for type E bond; payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	2,300,000	2,300,000
Three types of bonds issued on May 19, 2004, interest rates at (a) 3% if 6M LIBOR is less than or equal to 2.5%, or 5.3% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.82% if 6M LIBOR is between 1.1% and 2.5%, or 5% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type B bond; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 2.0%, or 5.1% minus 6M LIBOR if 6M LIBOR is more than 2%; with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (7 years after the issue date).	900,000	900,000
Five types of bonds issued on June 1, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.5% if 6M LIBOR is between 1.1% and 2.5%, or 5.15% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5% for types B and C bonds; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 6.05% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (5 years after the issue date).	$ 1,300,000	$ 1,300,000
Bonds issued on June 1, 2004; interest rate at 6M LIBOR if 6M LIBOR is less than 0.9%, or 4% if 6M LIBOR is between 0.9% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually; principal repayable on the maturity date (7 years after the issue date).	500,000	500,000
Subordinated bonds issued on September 16, 2004; 2.95% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	1,300,000	1,300,000
Subordinated bonds issued on December 17, 2004; 2.80% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	3,700,000	3,700,000

Bonds	December 31 2005	2004
Bonds issued on June 24, 2005; 2.75% interest, payable annually; principal repayable on maturity date (10 years after the issue date).	5,000,000	-
Subordinated bonds issued on October 11, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Past Co., Ltd. plus 0.425%, payable quarterly; principal repayable on maturity (seven years after the issue date).	2,000,000	-
Subordinated bonds issued on October 19, 2005; 2.725% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	1,400,000	-
Subordinated bonds issued on November 4, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Past Co., Ltd. plus 0.4%, payable annually; principal repayable on maturity (seven years after the issue date).	1,600,000	-
	$ 39,200,000	$ 29,600,000

The above 90 days' and 180 days' interest rates for commercial paper and floating interest rate were based on the average interest rate quoted by Hong Kong's Moneyline Telerate and Reuter.

20.OTHER LONG-TERM LIABILITIES

	December 31 2005	2004
Credit-linked structured products	$ 2,550,000	$ -
Five-year fixed income, principal-guaranteed deposit (in New Taiwan dollars)	1,000,000	-
	$ 3,550,000	$ -

Credit-linked structured products refer to money deposited in accordance with the structured-product contracts valued in New Taiwan dollars between the Bank and other parties, in which credit risks on certain bonds will be transferred to the counter-parties. When the bond issuers face certain situations as described in the contract, the Bank can make repayments by giving the bonds to the counter parties. The interest rate for this product is from 2.08% to 2.40%, and product maturity is in November 2010.

The five-year fixed income, principal-guaranteed deposits in New Taiwan dollars are the structured deposit, with 2.29% interest payable quarterly and guaranteed return of principal upon instrument maturity. If counter-parties end contracts prematurely, the Bank has the right to recall the deposits at face value each interest paying day.

21.PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

2005	Business Expense	Administrative Expense	Other	Total
Personnel expenses				
Salaries	$ 2,003,523	$ 125,179	$ -	$ 2,128,702
Insurance	157,170	10,137	-	167,307
Pension	134,618	5,751	-	140,369
Other	177,033	7,922	20,735	205,690
Depreciation expenses	330,306	209,889	-	540,195
Amortization expenses	1,039,621	39,611	9,915	1,089,147

2004	Business Expense	Administrative Expense	Other	Total
Personnel expenses				
Salaries	$ 1,768,487	$ 125,719	$ -	$ 1,894,206
Insurance	121,387	8,641	-	130,028
Pension	84,215	6,770	-	90,985
Other	139,812	7,633	22,458	169,903
Depreciation expenses	266,048	141,018	-	407,066
Amortization expenses	372,837	32,714	6,610	412,161

The personnel, depreciation and amortization expenses were part of operating expenses.

22.INCOME TAX

a.Income tax was calculated as follows:

	2005	2004
Income tax expense - current before tax credits	$ 768,162	$ 834,016
Net change in deferred income tax:		
Tax credits	-	10,679
Loss carryforwards	-	306,901
Allowance for possible losses on loans and receivables	1,734	108,218
Loss on market value decline of foreclosed collaterals	8,875	(18,975)
Goodwill	56,149	(262,000)
Unrealized gain or loss on derivative transactions	(8,856)	9,872
Unrealized foreign exchange gain	9,555	(19,513)
Tax on unappropriated earnings (10%)	114,584	111,122
Adjustment of prior year's tax	2,869	7,500
	$ 953,072	$ 1,087,820

b.A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax was shown below:

	2005	2004
Income tax expense on income before income tax at statutory rate (25%)	$ 1,195,744	$ 2,092,929
Permanent differences:		
Tax-exempt income	(390,157)	(1,091,192)
Others	30,032	(9,522)
Temporary differences	(67,457)	(158,199)
Income tax expense - current before tax credits	$ 768,162	$ 834,016

c.Net deferred income tax assets were as follows:

	December 31	
	2005	2004
Deferred income tax assets (liabilities)		
Goodwill	$ 205,851	$ 262,000
Loss on market value decline of foreclosed collaterals	10,100	18,975
Allowance for possible losses on loans and receivables	-	1,734
Unrealized gain or loss on derivative transactions	(1,016)	(9,872)
Unrealized foreign exchange gain	(49,463)	(39,908)
Net deferred income taxes assets	$ 165,472	$ 232,929

d.Imputed tax credit was summarized as follows:

	2005	2004
Balance of stockholders' imputed tax credit	$ 23,637	$ 6,451

The actual creditable tax ratio was 0.98% for distributing 2004 earnings. The Bank estimated the creditable tax ratio for distributing 2005 earnings at 1.11%. The actual creditable tax ratio may differ from the estimated creditable tax ratio since such ratio is computed on the date the dividend is actually paid or distributed.

e.The unappropriated earnings as of December 31, 2005 and 2004 had no earnings generated before January 1, 1998.

f.The effective tax rates for 2005 and 2004 were about 25%.

g.Income tax returns through 2001 had been examined by the tax authorities. In their assessment of the 1994 to 2001 (except 1996 and 1999) tax returns, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to periods when those bonds, totaling $290,044 thousand, were held by other investors. The Bank had accrued liabilities and written off assets that were related to the foregoing withholding taxes as part of income tax expense in 2001. In August 2002, the Supreme Administrative Court decided that the Taipei National Tax Administration should review the withholding tax issue again.

In 2003, the Taipei National Tax Administration decided to rebate 65% of the foregoing withholding taxes. The Bank accepted this decision and thus recognized a tax refund receivable in 2003. As of December 31, 2005, the Bank had received a tax refund of $61,727 thousand on the 1994, 1995 and 1998 tax returns.

23.STOCKHOLDERS' EQUITY

In December 2004, the Bank increased its capital by $2,000,000 thousand. For this increase, the Bank issued 200,000 thousand shares at NT$30.00 per share.

The stockholders resolved to use the 2004 unappropriated earnings of $2,138,550 thousand as stock dividends of 213,855 thousand shares. This appropriation was approved by the Financial Supervisory Commission (FSC) and Ministry of Economic Affairs. As of December 31, 2005, the Bank's issued capital stock amounted to $22,313,550 thousand.

In their meeting on December 29, 2005, the board of directors resolved to increase the Bank's capital by $2,000,000 thousand and to issue 100,000 thousand shares at NT$20.00 per share. Thus, the Bank's authorized capital stock will increase to $23,313,550 thousand. E.Sun Financial Holdings, the Bank's parent, will subscribe for all the new shares. The Bank will issue the shares upon the authorities' approval.

The Bank's Articles of Incorporation provide that the following should be appropriated from the annual net income less any accumulated deficit:

a.30% as legal reserve;

b.Special reserve, if needed; and

c.From any remainder

1) 94% as dividends

2) 1% as remuneration to directors and supervisors

3) 5% as bonus to employees

The stockholders may decide not to declare any dividends or decide to distribute only a portion of the distributable earnings.

Under the Bank's policy, cash dividends are the major portion of the declared dividends. However, cash dividends should not be more than 15% of paid-in capital if legal reserve is less than the total paid-in capital.

Appropriations of earnings should be resolved by the stockholders in the following year and reflected in the financial statements of that year.

On April 27, 2005 and 2004, the stockholders resolved the following appropriation of the 2004 and 2003 earnings, respectively:

	Appropriation		Dividend Per Share (NT$)	
	2004	2003	2004	2003
a.Legal reserve	$ 2,185,181	$ 1,018,878		
b.Cash dividend	2,703,450	2,181,000	$1.34	$1.20
c.Stock dividend	2,138,550	-	1.06	-
d.Remuneration to directors and supervisors	51,511	23,202		
e.Bonus to employees - cash	257,553	116,011		

The foregoing appropriations were the same as those resolved in the Board's meeting on February 14, 2005 and February 12, 2004.

Had the remuneration to directors and supervisors and bonus to employees been recognized as expenses, the basic EPS (after income tax) for 2004 would have decreased from NT$3.61 to NT$3.49.

As of February 8, 2006, the date of the accompanying auditors' report, the Board had not resolved the appropriation of the 2005 earnings.

Information on the appropriation of earnings or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange (http://emops.tse.com.tw).

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital, the amount over 50% of the Bank's paid-in capital may be declared as stock dividends or bonus if the Bank has no earnings. If the Bank has no deficit, only an amount of over 25% of the Bank's paid-in capital may be declared as stock dividends. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from issuance of shares in excess of par value (issuance in excess of common stock par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Under the integrated income tax system, which took effect on January 1, 1998, the stockholders are allowed a tax credit for their proportionate share of the income tax paid by the Bank on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Bank for such income tax and the tax credit allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of dividend distribution.

24.TREASURY STOCK

Reason for Redemption	Beginning of the Year	Increase	Decrease	End of the Year
Reissuance to employees 2004	40,000 thousand shares	-	40,000 thousand shares	-

Following are the provisions of the Securities and Exchange Law on treasury stock:

a.The total number of shares that can be held in treasury stock is limited up to 10% of the number of total outstanding shares.

b.The maximum cost of reacquiring treasury shares is limited up to the sum of the balances of the retained earnings, paid-in capital in excess of par value and realized capital surplus;

c.Using treasury shares to secure any obligations or commitments of the Bank is prohibited;

d.The Bank is prohibited from exercising the rights of a stockholder on the treasury shares.

Under a directive issued by the Securities and Futures Bureau, the Bank repurchased its issued stocks pursuant to the Securities and Exchange Law and became a wholly owned subsidiary of ESFHC, resulting in the conversion of the Bank's treasury stocks into the ESFHC's stocks. The stocks acquired by the Bank were as also treated as treasury stock.

On August 26, 2004, the Bank reissued all treasury stock to employees at the price of average carrying amount.

25.EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Amount (Numerator)		Shares (Denominator) (Thousands)	Earnings Per Share (Dollars)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
Basic EPS					
2005	$ 4,783,016	$ 3,829,944	2,231,355	$ 2.14	$ 1.72
2004	$ 8,371,756	$ 7,283,936	2,019,221	$ 4.15	$ 3.61

The number of shares outstanding was retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. Because of this adjustment, the basic EPS before and after income tax decreased from NT$4.59 to NT$4.15 and from NT$3.99 to NT$3.61 for the year ended December 31, 2004, respectively.

26.PENSION PLAN

The Bank has a defined benefit pension plan for all regular employees. Under this plan, the Bank makes monthly contributions, equal to 5.54% of salaries, to a pension fund. The fund is deposited in the Central Trust of China in the name of the employees' fund administration committee, which manages the fund. The difference between the foregoing contributions and the pension costs based on actuarial calculations is deposited in the Bank in the name of the employees' pension fund administration committee. The Bank amended the defined benefit plan in 2005. Upon retirement, an employee will receive an amount calculated on the basis of service years.

The Labor Pension Act (the "Act"), which took effect on July 1, 2005, provides a new, defined contribution pension plan. Employees may choose the pension mechanism under the Labor Standards Act or the mechanism under the Act. For those employees who were subjected to the Labor Standards Act 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 employer's monthly contribution to the Labor Pension Fund should be at least 6% of the employee's monthly wages. For employees who chose to keep on using the pension mechanism under the Labor Standards Act, the Bank has continued to make monthly contributions to the pension fund from July 1, 2005 at the same rate of 5.54% of salaries. Pension expense under the Act was $45,365 thousand in the second half of 2005.

Other information in 2005 and 2004 on the defined benefit plan is as follows:

	2005	2004
a.Net pension cost		
Service cost	$ 84,582	$ 99,172
Interest cost	20,576	14,657
Actual return on plan assets	(49,876)	(76,712)
Amortization	39,722	53,868
Net pension cost	$ 95,004	$ 90,985

	December 31	
	2005	2004
b.Reconciliation of the plan funded status to balance sheet amounts		
Benefit obligation:	$ (41,575)	$ (15,734)
Vested benefit obligation	(502,569)	(356,054)
Non-vested benefit obligation	(544,144)	(371,788)
Accumulated benefit obligation	(384,797)	(254,242)
Additional benefits based on future salaries	(928,941)	(626,030)
Projected benefit obligation	823,288	783,441
Fair value of plan assets	(105,653)	157,411
Funded status	(22,204)	(23,304)
Unrecognized transitional net asset	119,955	-
Unamortized prior service cost	(15,354)	(138,104)
Unamortized net pension gains or losses		
Accrued pension cost	$ (23,256)	$ (3,997)
Vested benefits	$ (41,761)	$ (15,734)
c.Actuarial assumptions		
Discount rate	2.5%	3.0%
Rate of increase in compensation	3.0%	3.0%
Expected long-term rate of return on plan assets	2.5%	3.0%

d.Summary of pension fund contributions and payments	2005	2004
Contributions	$ 75,223	$ 88,688
Payment of benefits	$ 85,252	$ 8,543

27.RELATED-PARTY TRANSACTIONS

In addition to those mentioned in other notes, the relationship with the Bank and significant related-party transactions, as well as the related parties, are summarized as follows:

a.Related parties

Related Party	Relationship with the Bank
E.Sun Financial Holding Company (ESFHC)	Parent company
E.Sun Bills Finance Corporation ("E.Sun Bills"), E.Sun Securities Corporation ("E.Sun Securities"), E.Sun Venture Capital Co., Ltd., E.Sun Securities Investment Trust Corp. and E.Sun Insurance Broker Co., Ltd. ("E.Sun Insurance Broker")	Subsidiaries of ESFHC
E.Sun Foundation and E.Sun Volunteer & Social Welfare Foundation	One-third of the funds are donated by the Bank and E.Sun Bills
E.Sun Finance & Leasing Co. and E.Sun Insurance Agent Co.	Equity-method investees
Kao Li Real Estate Management Co.	Equity-method investee until its liquidation in June 2005
Fubon Securities Finance Co. and Bank-Pro E-Service Technology Co., Ltd.	The Bank is a director of the Company
Other	The Bank's chairman, president, directors, supervisors, managers and their relatives

b.Significant transactions between the Bank and related parties

	December 31			
	Amount	% to Total	Interest Rate (%)	Revenue (Expense)
2005				
1)Loans	$ 315,292	-	1.225-4.270	$ 9,830
2)Deposits	$ 5,571,157	1	0-8.88	$ (26,961)
3)Securities purchased under resell agreements	$ -	-	1.460-1.465	$ 641
4)Securities sold under repurchase agreements	$ 30,000	-	0.990-1.405	$ (199)
2004				
1)Call loans to bank	$ -	-	0.925-1.175	$ 26
2)Loans	$ 615,370	-	1.025-6.72	$ 10,995
3)Deposits	$ 1,966,648	1	0-8.5	$ (91,474)
4)Securities sold under repurchase agreements	$ 517,762	5	0.65-1.025	$ (3,537)
5)Securities purchased under resell agreements	$ -	-	0.725-1.05	$ 253
6)Bonds	$ -	-	-	$ (3,621)

	December 31			
	2005		2004	
	Amount	% to Total	Amount	% to Total
7)Other receivables (part of receivables)				
ESFHC	$ 80,131	-	$ 80,131	-
8)Other payables (part of payables)				
ESFHC	$ 459,146	4	$ 786,427	12
9)Unearned revenue (part of advances)	$ 2,378	-	$ -	-
10)Guarantee deposits received (part of other liabilities)	$ 6,226	1	$ -	-
11)Refundable deposits (part of other assets)	$ 301	-	$ -	-
12)Prepaid interest (part of prepaid expenses)	$ 14,304	4	$ -	-

The Bank's parent company, ESFHC, filed consolidated corporate tax returns from 2003, i.e., including the Bank's income tax return.

13)Purchases and sales of securities

	2005		2004	
Related Party	Purchases Amount	Sales Amount	Purchases Amount	Sales Amount
E.Sun Bills	$ 11,645,678	$ 3,170,072	$ 847,459	$ 2,698,469
E.Sun Securities	248,430	199,511	200,480	216,309
E.Sun Finance & Leasing	-	1,053	-	-

	2004
14)Donation - E.Sun Volunteer & Social Welfare Foundation	$ 35,943

The donation above is for Foundation's social welfare charity.

	2005	2004
15)Rental revenue (part of operating income - others)	$ 20,790	$ 5,787
16)Rental expense (part of operating expense)	$ 4,004	$ -
17)Contracted research expense (part of operating expense)	$ 46,772	$ -
18)Telecommunications expense (part of operating expense)	$ 5,910	$ -
19)Maintenance expense (part of operating expense)	$ 780	$ -
20)Software service charges (part of operating expense)	$ 714	$ -
21)Brokerage service charges (part of gains on sales of securities)	$ 3,117	$ -
22)Foreign exchange gain, net - ESFHC	$ 56	$ 115,415
23)Underwriting expenses (part of service charges)	$ 3,125	$ -

The Bank has lease contracts with related parties, which rentals are referring to the adjacent office building rentals. The monthly or quarterly rentals were payable in advance.

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for deposits given to managers of the Bank are the same as the interest rates for a certain amount of employees' savings deposits.

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

28.PLEDGED ASSETS

	December 31	
	2005	2004
Securities purchased (face value)	$ 693,996	$ 1,004,100
Receivables	300	600
Long-term bond investments (face value)	5,050,000	5,050,000
Rentable assets (carrying amount)	279,635	-
	$ 6,023,931	$ 6,054,700

As of December 31, 2005 and 2004, the foregoing long-term bond investments had been provided as collaterals for day term overdraft to comply with the Central Bank's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of a day can also be treated as the Bank's liquidity reserve.

As of December 31, 2004, the Bank provided $100,000 thousand (face value) in government bonds as refundable execution deposits. Other securities were placed with courts of justice for various collection cases on overdue loans or were used as business reserve.

The rentable assets are real estates on which the Bank had acquired guarantee deposits of $190,000 thousand based on related contracts. The real estates had been pledged to the tenants, i.e., if the Bank does not return the deposits to the tenants upon contract expiry or termination, the tenants have the right to dispose the properties.

29.CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2005 were as follows:

a.Renewable operating lease agreements on premises occupied by the Bank's branches, which will expire on various dates by July 2015. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2005, refundable deposits on these leases totaled $781,105 thousand (shown as "refundable deposits"). Minimum annual rentals for the next five years are as follows:

Year	Amount
2006	$ 347,252
2007	284,236
2008	221,626
2009	167,065
2010	76,021

Total rentals for 2011 to 2015 will aggregate $11,773 thousand. The present value of these rentals is $10, 249 thousand, based on 1.915% annual interest.

b.Agreements for decoration of buildings and various purchases related to the improvements of existing premises occupied by the Bank's branches, which amounted to approximately $1,389,479 thousand. As of December 31, 2005 the remaining unpaid amount was approximately $736,370 thousand.

30.CAPITAL ADEQUACY RATIO

Unit: %

Item	December 31, 2005	December 31, 2004
Capital adequacy ratios (Note)	10.00	11.51
Consolidated capital adequacy ratios (Note)	10.01	11.52
Ratios of debt to net worth	1,582	1,227

Note: Capital adequacy ratio = Eligible capital/Risk-based assets. Under the Banking Law and related regulations, the capital adequacy ratio (CAR) should be computed at the end of June and December.

The Banking Law and related regulations require that the Bank maintain its non-consolidated and consolidated capital adequacy ratios (CAR) at a minimum of 8%. In addition, if the Bank's CAR falls below 8%, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

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

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

	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 1,340,382	1.58	$ 3,293,861	1.11
Due from the Central Bank of China and other banks	17,930,462	1.79	15,272,565	1.55
Securities purchased	66,310,995	2.36	51,367,824	1.39
Securities purchased under resell agreements	2,505,744	0.99	2,510,687	0.81
Receivables of credit cards	30,198,636	12.74	25,418,504	14.31
Bills, discounts and loans	319,415,591	3.32	240,121,560	3.40
Long-term bond investments	8,853,356	2.02	6,384,168	2.08
Other long-term investments	2,713,248	1.75	1,823,816	1.69
Other financial assets	753,032	1.27	-	-
Interest-bearing liabilities				
Securities sold under repurchase agreements	$ 10,627,246	1.12	$ 11,414,941	0.80
Due to the Central Bank of China and other banks	28,827,048	2.54	26,677,506	1.31
Demand	41,432,261	0.38	31,711,638	0.18
Savings - demand	91,316,207	0.55	70,520,794	0.54
Time	100,525,866	1.76	81,163,817	1.26
Savings - time	115,253,942	1.64	82,407,110	1.45
Negotiable certificates of deposit	18,698,537	1.26	13,267,152	1.03
Bonds	33,043,836	2.30	23,660,073	1.86

32.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 related agreements and, if there are no specified maturity dates, on the expected dates of collection or payment.

	December 31, 2005			
	Due in One Year	Due after One Year Up to Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	$11,287,638	$ -	$ -	$11,287,638
Due from the Central Bank of China and other banks	35,209,053	-	-	35,209,053
Securities purchased	69,310,194	-	-	69,310,194
Receivables	33,622,986	-	-	33,622,986
Securities purchased under resell agreements	2,601,670	-	-	2,601,670
Bills, discounts and loans	88,306,910	67,533,790	213,740,371	369,581,071
Long-term bond investments	-	7,702,730	4,541,860	12,244,590
Other long-term investments	-	6,092,075	3,254,337	9,346,412
Other financial assets	-	1,926,343	-	1,926,343
	$240,338,451	$ 83,254,938	$221,536,568	$545,129,957
Liabilities				
Securities sold under repurchase agreements	$ 10,104,894	$ -	$ -	$10,104,894
Due to the Central Bank of Chinaand other banks	24,240,441	-	-	24,240,441
Payables	11,116,923	-	-	11,116,923
Deposits and remittances	419,122,258	21,360,368	-	440,482,626
Bonds	3,000,000	31,200,000	5,000,000	39,200,000
Other long-term liabilities	-	3,550,000	-	3,550,000
	$467,584,516	$ 56,110,368	$ 5,000,000	$ 528,694,884

	December 31, 2004			
	Due in One Year	Due after One Year Up to Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	$7,899,575	$ -	$ -	$ 7,899,575
Due from the Central Bank of China and other banks	27,671,867	-	-	27,671,867
Securities purchased	54,815,405	-	-	54,815,405
Receivables	30,792,960	-	-	30,792,960
Securities purchased under resell agreements	5,569,238	-	-	5,569,238
Bills, discounts and loans				
Long-term bond investments	79,445,646	51,294,233	146,431,404	277,171,283
Other long-term investments	-	-	7,208,804	7,208,804
Other financial assets	-	3,632,339	-	3,632,339
	$206,194,691	$ 54,926,572	$153,640,208	$ 414,761,471
Liabilities				
Securities sold under repurchase agreements	$ 10,676,519	$ -	$ -	$ 10,676,519
Due to the Central Bank of Chinaand other banks	21,568,711	-	-	21,568,711
Payables	6,464,381	-	-	6,464,381
Deposits and remittances	319,930,264	11,041,251	-	330,971,515
Bonds	400,000	29,200,000	-	29,600,000
	$359,039,875	$ 40,241,251	$ -	$ 399,281,126

33.FINANCIAL INSTRUMENT TRANSACTIONS

a.Derivative transactions

The Bank uses forward exchange, currency swap, interest rate swap, cross-currency swap, foreign-currency margin, currency option, government bonds option, credit-linked loan, credit default swap and futures contracts as hedging instruments for exchange rate and interest rate exposures primarily related to its clients' import obligations and export receipts and remittances. It also uses these contracts to cover its own exposures. Furthermore, the Bank uses cross-currency swap, interest rate swap, asset swap and credit default swap contracts to hedge its exchange rate and interest rate exposures as well as its credit risks as a bond issuer.

Credit risk represents the exposure of the Bank to potential losses due to defaults by counter-parties or issuers. To manage this risk, the Bank reviews the credit history and credit rating of individual customers before entering into any derivative contracts with them. The general terms of the acceptable arrangements (including maximum limits on contractual amounts and, if necessary, required guarantees) are approved by the Bank on the basis of the results of the reviews. The transactions are carried out within the approved terms and limits.

The acceptability of doing business with another bank is evaluated on the basis of its world ranking and credit rating. The evaluation also includes determining the limits on contractual amounts with respect to the bank counter-parties, and the transactions are made within this limit. In addition, the Bank has entered into futures contracts with international futures and options exchanges; thus, no significant credit risk is expected.

The contract (nominal) amounts, credit risks, and fair values of derivative transactions as of December 31, 2005 and 2004 were as follows:

	December 31					
	2005			2004		
Trading purposes	Contract (Nominal)	Credit Risk	Fair Value	Contract (Nominal) Amount	Credit Risk	Fair Value
Forward exchange contracts	$2,858,443	$ 40,825	$15,728	$ 9,750,002	$ 90,833	$(34,974)
Currency swap contracts	37,528,415	4,630	(882)	6,037,084	8,115	5,182
Interest rate swap contracts	35,388,070	342,455	74,758	3,424,200	15,182	3,010
Cross-currency swap contracts	6,752,192	162,818	91,302	5,321,177	270,825	222,495
Foreign-currency margin contracts	1,305,865	-	41,362	2,615,236	-	127,564
Credit-link loan contracts	4,370,380	6,219	6,219	-	-	-
Option contracts						
Buy	26,502,935	173,156	173,156	25,631,023	534,367	534,367
Sell	27,155,153	-	(319,055)	24,361,892	-	(563,393)
Futures contracts						
Buy	509,330	-	14	-	-	-
Sell	673,630	-	36	-	-	-
Credit default swap contracts						
Buy	2,550,000	-	(511)	-	-	-
Sell	328,600	-	(178)	-	-	-
Nontrading purposes						
Asset swap contracts	5,528,695	195,062	115,660	8,894,881	463,428	260,784
Cross-currency swap contracts	6,165,319	53,251	7,176	6,159,825	246,415	210,230
Interest rate swap contracts	32,700,000	920,645	282,151	19,300,000	389,273	(140,533)
Credit default swap contracts	-	-	-	317,680	266	144

The Bank calculates the fair value of each forward contract at the forward rate for the remaining term, quoted from Reuters or Telerate Information System.

The contract or notional amount is used to calculate the amounts for settlement with the counter-parties, so it is neither the actual amount delivered nor the cash requirement for the Bank. Also, the Bank has ability to enter into derivative financial contracts at reasonable market terms. Thus, the Bank does not expect significant cash flow demands to settle these contracts.

The gains and losses on the derivative transactions were as follows:

	2005	2004
Forward exchange contracts (under “foreign exchange gain, net”)	$ 894	$ 34,436
Currency swap contracts		
Interest revenue	$ 143,979	$ 72,906
Interest expense	(140,931)	(9,246)
	$ 3,048	$ 63,660
Asset swap contracts (under “interest revenue”)	$ 539,910	$ 24,703
Cross-currency swap contracts		
Interest revenue	$ 317,325	$ 172,305
Interest expense	(433,111)	(160,126)
Gains on derivative transactions	3,329	-
	$ (112,457)	$ 12,179
Interest rate swap contracts		
Gains on derivative transactions	$ 218,002	$ 244,091
Loss from derivative transactions	(112,036)	(725)
Interest expense reduction	89,027	207,962
	$ 194,993	$ 451,328
Foreign-currency margin contracts (under “foreign exchange gain, net”)	$ 66,018	$ 119,523
Option contracts		
Gains	$ 1,985,414	$ 1,031,511
Loss	(1,822,441)	(921,417)
	$ 162,973	$ 110,094
Credit default swap contracts		
Gains	$ 1,244	$ -
Loss	(3,718)	-
	$ (2,474)	$ -
Futures contracts		
Gains	$ 5,334	$ -
Loss	(5,799)	-
	$ (465)	$ -
Credit-linked loan contracts (under “interest revenue”)	$ 53,579	$ -

b.Fair value of nonderivative financial instruments

	December 31			
	2005		2004	
Assets	Carrying Value	Fair Value	Carrying Value	Fair Value
Asset with fair value the same as the carrying value	$ 452,722,849	$452,722,849	$346,967,600	$346,967,600
Securities purchased	69,179,983	69,179,983	54,815,405	55,271,308
Long-term investments	22,363,856	22,373,675	11,624,627	11,473,142
Liabilities				
Liability with fair value the same as the carrying value	528,561,549	528,561,549	398,726,171	398,726,171

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

1)The carrying values of cash and cash equivalents, due to/from the Central Bank of China and other banks, securities sold (purchased) under repurchase (resell) agreements, receivables, refundable deposits, payables, remittances and parts of other liabilities approximate fair values because of the short maturities of these instruments. The carrying values of other assets and other liabilities also approximate the expected cash inflows or outflows at settlement dates; thus, their carrying values also approximate their fair values.

2)If market prices for securities purchased, long-term investments and other financial assets are available, the fair values of these financial instruments should be based on market prices. If market prices are unavailable, then their carrying values will represent fair values.

3)Bills, discounts and loans, deposits, bonds and other long-term liabilities are interest-bearing financial assets and liabilities. Thus, their carrying values represent fair values.

Only the fair values of financial instruments were listed above, thus, the total of fair values listed above does not represent the Bank's fair value.

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

Under normal business operations, the Bank is a party to transactions involving financial services with off-balance-sheet risks, such as issuing credit cards, extending credit facilities and providing financial guarantee and obligations under letters of credit issued. Generally, these transactions are for one year.

The interest rates for loans ranged from 1.40% to 18.25% in 2005 and 1.20% to 18.25% in 2004. The highest interest rate for credit cards was 19.71% in both years.

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems to the Bank.

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2005 and 2004 were as follows:

	December 31	
	2005	2004
Credit card commitments	$ 244,392,721	$ 228,563,223
Guarantees and issuance of letter of credit	10,438,314	8,359,827

Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The total potential loss (without considering the value of any collateral) in case of default by counter-parties is equal to the above contractual amounts, if completely drawn upon.

The Bank evaluates the creditworthiness of each credit application case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories, marketable securities and other assets, may be required depending on the evaluation result. As of December 31, 2005 and 2004, about 66% and 63% of total loans granted, respectively, and about 13% and 25%, respectively, for both the aggregate guarantees and letters of credit issued, were secured. No collateral is required for credit card facilities but the credit status of each credit cardholder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit and, if necessary, cancellation of the facility.

d.Concentrations of credit risks

The concentration of credit risk exists when counter-parties to financial transactions are individuals 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. The Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. The concentrations of credit risk were as follows (10% or more of the outstanding loans):

	December 31			
	2005		2004	
	Amount	%	Amount	%
Natural person	$230,612,281	61	$170,581,201	61
Manufacturing	58,534,113	16	41,453,228	15

34.RISK MANAGEMENT POLICIES ON CREDIT RISK, MARKET RISK, LIQUIDITY RISK,OPERATION RISK, LEGAL RISK AND MAJOR EXPOSURE

a.Credit risk

1)Asset quality

Unit: In Thousands of Dollars

Items	December 31, 2005	December 31, 2004
Nonperforming loans (overdue loans included)	$ 2,936,430	$ 2,438,734
Overdue loans	2,133,457	1,829,381
Nonperforming loans ratio	0.79%	0.88%
Surveillance loans	-	787,924
Surveillance loans/Total loan	-	0.28%
Allowance for possible losses on loans and receivables	1,580,195	1,811,699

Note 1:Nonperforming loans on December 31, 2005 represent the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans which took effect from July 1, 2005.

Note 2:Nonperforming loans on December 31, 2004 were the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the Ministry of Finance (MOF) rulings dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

Note 3:Nonperforming loans ratio = Nonperforming loans (including overdue loans)/Total loan

Note 4:Surveillance loans as of December 31, 2004

a)Midterm and long-term loans repayable in installments, with repayments overdue for more than three months but less than six months;

b)Other loans, with principal repayments overdue by less than three months and interest overdue by more than three months but less than six months;

c)Nonperforming loans exempted from reporting (including rescheduled loans with repayment terms meeting the criteria under relevant regulations; nonperforming loans which are to be repaid through a credit insurance fund and settlement fund; nonperforming loans with the same amount of certificates of time deposits as collaterals; and loans extended under other approved exemption programs);

d)Loans of companies experiencing financial difficulty do not qualify as overdue loans.

2)Concentrations of credit risk

Items	December 31, 2005	December 31, 2004
Credit to interested party	$3,365,506	$5,171,371
Credit to interested party/Total credit	0.90%	1.84%
Credit with stock pledged/Total credit	0.28%	0.40%

	Type of Industry	%	Type of Industry	%
Loan concentration by industry	a.Manufacturing	16	a.Manufacturing	15
	b.Finance,insurance and real estate	9	b.Finance,insurance and real estate	10
	c.Wholesale, retail and catering	6	c.Wholesale, retail and catering	6

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

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

c)Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

d)The calculation of amounts of credit extensions to interested parties should be based on the Banking Law provisions.

3)Accounting policies on allowance for losses on loans: Note 2.

4)Concentrations of risk: Note 33.

b.Market risk

1)Net positions on foreign-currency transactions

Unit:In Thousands of Dollars

Items	December 31, 2005			December 31, 2004		
	Currency		NT$	Currency		NT$
The net position on foreign-currency transaction (market risk)	HKD	(186,606)	$ (790,874)	USD	(21,112)	$(670,686)
	USD	23,515	772,703	HKD	(102,329)	(417,973)
	EUR	4,406	171,450	SGD	9,382	182,325
	JPY	459,993	128,154	JPY	508,226	157,093
	NZD	(4,221)	(94,734)	RMB	(19,044)	(73,097)

Note: The foreign currencies represent the top five currencies in the Bank's basket of international currencies.

2)Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Note 31.

3)Sensitivity ratios

Unit: %

Items	December 31, 2005	December 31, 2004
Ratio of interest rate-sensitive assets to liabilities	79.45	82.35
Ratio of interest rate-sensitivity gap to stockholders' equity	(248.90)	(165.33)

Note 1:Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by the change of interest rates.

Note 2:Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Note 3:Interest rate-sensitivity gap = Interest rate-sensitive assets °–Interest rate-sensitive liabilities.

c.Liquidity

1)Profitability

Unit: %

Items	Year Ended December 31, 2005	Year Ended December 31,2005
Return on assets	0.96	2.25
Return on equity	14.46	31.03
Net income ratio	18.29	35.92

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

b)Return on equity = Income before income tax/Average equity

c)Net income ratio = Net income/Total operating revenue

d)Income before income tax or net income represents income for the years ended December 31, 2005 and 2004.

e)The profitability is expressed annually.

2)Liquidity analysis of assets and liabilities as of December 31, 2005

unit:In Thousands of Dollars

	Total	Period Remaining until Due Date				
		0-30Days	31-90Days	91-180Days	181Daysto1Year	Over 1 Year
Assets	$514,932,000	$ 75,847,000	$32,572,000	$ 12,948,000	$24,726,000	$368,839,000
Liabilities	489,097,000	88,267,000	73,542,000	94,936,000	168,935,000	63,417,000
Gap	25,835,000	(12,420,000)	(40,970,000)	(81,988,000)	(144,209,000)	305,422,000
Accumulated gap	25,835,000	(12,420,000)	(53,390,000)	(135,378,000)	(279,587,000)	25,835,000

Note: Listed amounts are in New Taiwan dollars (i.e., excluding foreign-currency amounts) of the head office and domestic branches.

d.Operation and legal risk

Matters Requiring Special Notation

December 31, 2004

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None
Within the past year, a fine was levied on the Bank for violations of the Banking Law	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on the Bank	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded NT$50 million dollars	None
Other	None

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

Note 2:The term "a fine levied for violations of the Banking Law within the past year" means a fine levied by Banking Bureau, Securities and Futures Bureau, Insurance Bureau or Examination Bureau.

35. BORROWERS, GUARANTORS AND COLLATERAL PROVIDERS AS INTERESTED PARTIES

Category	December 31, 2005 Account Volume	Amount	Possibility of Loss
Consumer loans (Note 1)	386	$ 102,625	$ -
Loan for employees' mortgage housing	503	1,035,641	-
Other loans (Note 2)	504	2,227,240	-
Guarantees	774	2,371,109	-
Collateral providers	877	2,011,728	-

Category	December 31, 2004 Account Volume	Amount	Possibility of Loss
Consumer loans (Note 1)	408	$ 95,467	$ -
Loan for employees' mortgage housing	481	906,960	-
Other loans (Note 2)	397	4,168,943	-
Guarantees	768	1,901,623	-
Collateral providers	774	2,004,369	-

Note 1:Consumer loans are governed by Article 32 of the Banking Law in ROC.

Note 2:Represent the loans, except for consumer loans and loans for employees' mortgage housing, of borrowers who are interested parties.

Note 3:The interested parties mentioned above are governed by Article 33-1 of the Banking Law in ROC.

36. TRUST BUSINESS UNDER THE TRUST LAW

a. Trust-related items, as shown in the following balance sheet and trust property list

Balance Sheet of Trust Accounts
December 31, 2005 and 2004

Trust Assets	2005	2004
Cash in banks	$ 41,145	$ 7,589
Short-term Investments	37,388,822	28,110,551
Total assets	$ 37,429,967	$ 28,118,140

Balance Sheet of Trust Accounts
December 31, 2005 and 2004

Trust Liabilities	2005	2004
Trust capital		
Trust by cash	$ 35,567,547	$ 26,095,800
Trust by securities	1,862,420	2,022,340
Total liabilities	$ 37,429,967	$ 28,118,140

Trust Property List
December 31, 2005 and 2004

Investment Items	2005	2004
Demand	$ 6,641	$ 3,579
Time	34,504	4,010
Bonds	93,006	9,959
Stocks	2,188,352	2,022,390
Mutual funds	35,073,701	26,078,202
Bonds sold under repurchase agreements	33,763	-
	$ 37,429,967	$ 28,118,140

b.Nature of trust business operations under the Trust Law: Note 1.

37. ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Under cooperation arrangements, the Bank and E.Sun Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

	Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	$ 4,774	$ 3,626	$ 8,400	All branches, except Chiayi Branch: The Bank - 2/3 and E.Sun Securities - 1/3; and the Bank's Chiayi Branch - 1/3 and E.Sun Securities - 2/3
Fixtures	172	-	172	Based on area actually occupied
Broadcasting and security systems	286	36		50% each (except the Bank's Chiayi Branch) and the Bank's Chiayi Branch - 100%
Networking, monitoring and telephone systems	$ 156	$ -	$ 156	Based on actual number of equipment used.
Others	21,631	80,113	101,744	Signboard, telephone and miscellaneous expenses - based on actual incurrence; Insurance and cleaning expenses - 50% each; Utilities - based on the actual number of employees, but for the Bank's North Hsinchuang and Tucheng Branch - 50% each Building maintenance expenses - based on space actually occupied
	$ 27,019	$ 83,775	$ 110,794	

Rental expense	$ 4,738	$ 3,879	$ 8,617	E.Sun Bank: 2/3; E.Sun Securities: 1/3. Nevertheless E.Sun Bank Chiayi Branch: 1/3; E.Sun Securities: 2/3.
Broadcasting and security systems	36	36	72	50% each
Networking,monitoring and telephone systems	-	282	282	Based on actual number of equipment used.
Others	1,354	2,634	3,988	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each Utilities - based on the actual number of employees Building maintenance expenses - based on space actually occupied
	$6,128	$6,831	$12,959	

Under cooperation arrangements, the Bank and E.Sun Bills shared some equipment and operating sites; thus, related expenses were allocated as follows:

	Bank	**E.Sun Bills**	**Total**	**Allocation Method**
	$ 2,566	$ 1,524	$ 4,090	Based on space actually occupied
Fixtures	-	418	418	Based on space actually occupied
Broadcasting and security systems	36	53	89	The Bank's Kaohsiung Branch, E.Sun Bills and E.Sun Capital Co., Ltd. - 1/3 each, but the Bank's Panchian Branch - 100%
Monitoring, telephone and networking systems	85	40	125	Based on actual number of equipment used

(Continued)

	Bank	E.Sun Bills	Total	Allocation Method
Others	$ 288	$ 321	$ 609	Signboard, telephone and miscellaneous expenses - based on actual incurrence. The Bank's Kaohsiung Branch's utilities - the Bank, E.Sun Bills and E.Sun Capital Co., Ltd., 1/3 each The Bank's Panchiao Branch's utilities - based on actual incurrence and actual number of employees.
	$ 2,975	$ 2,356	$ 5,331	
	$ 1,432	$ 836	$ 2,268	Based on space actually occupied
Fixtures	3,153	1,881	5,034	Based on space actually occupied
Broadcasting, security and networking systems	749	666	1,415	Broadcast and network - based on actual number of equipment used. Security system - the Bank, E.Sun Bills and E.Sun Capital Co., Ltd. 1/3 each.
Others	298	251	549	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each Utilities - based on the actual number of employees Building maintain expenses - based on space actually occupied
	$ 5,632	$ 3,634	$ 9,266	

Under cooperation arrangements, the Bank and E.Sun Insurance Broker Co., Ltd. (ESIB) shared some equipment and operating sites, personnel, and an internet service system and provided cross-selling financial services starting in 2004. The service fees earned by the Bank were based on 10% of the gross revenue derived from the insurance companies' products sold by the Bank. In 2005 and 2004, ESIB should have paid the Bank $11,564 thousand and $12,996 thousand, respectively; the unpaid amount was $726 thousand and $2,738 thousand, respectively.

The Bank received $46,608 thousand in cross-selling advance revenues from E.Sun Securities Investment Trust Corp. (ESSIT) and realized $32,900 thousand of these revenues in 2005. The Bank also received $326 thousand and $2,083 thousand of cross-selling revenues from ESSIT in 2005 and 2004, respectively.

The cross-selling transactions between the Bank and E.Sun Securities were as follow:

	Year Ended December 31	
	2005	2004
Revenue	$ 500	$ 16,110
Expense	$ 5,956	$ -

38.ACQUISITION OF OTHER FINANCIAL INSTITUTIONS' MAIN ASSETS, LIABILITIES AND OPERATION

To expand its business, enhance its competitiveness and ensure its long-term development, the Bank participated in the open bid and refund procedure for the assets, liabilities (except the assets and liabilities generated from trust business and pension) and operations (except for the trust business) of Kaohsiung Business Bank (KBB) and won the bid for $13,368,000 thousand, to be subsidized by the Executive Yuan Resolution Trust Corporation (RTC) Fund. This acquisition was approved by the Board of Directors on June 1, 2004, but if the related regulations and the authorities would require changes in the content and other matters of the bid, the Bank's chairman will be fully authorized to handle these changes. The acquisition was completed on September 4, 2004. KBB had business department, trust department and 44 domestic branches as of the acquisition date.

KBB was established in November 1950 and obtained approval for its conversion into banking institution in July 1978. Main operations include savings, loans, guarantees, safekeeping, remittance, trust funds, etc. Credit card operation started in 1994, and asset trust operations were approved by Ministry of Finance in 2001.

KBB's stock started to be traded on the Taiwan Stock Exchange (TSE) on March 12, 1984, but stopped trading on the TSE on January 17, 2002. Since then, KBB was considered a public listed company subject to the requirements of the Securities and Futures Commission (SFC). On February 10, 2003, the SFC approved KBB's declassification as a public listed company.

The Bank's acquisition of KBB's entire operations (except the trust business) and assets and liabilities (except those related to the trust business and pension) meant that KBB would transfer to the Bank all its profits and risks as of the date of the acquisition. If there was any liability assumed which KBB or its related parties (under the definition of the contract) did not disclose during the Bank's due diligence performing period and the liability was incurred before the acquisition date, the Bank could ask for compensation within one year after the acquisition date. The terms of payment of cash subsidy from the RTC Fund are:

a.Seventy percent of the subsidy should be paid on the first working day after the acquisition date; and

b.The remaining 30% should be paid within 60 days of the first payment and after the two-stage payment by the Bank of refundable deposits for the execution of the KBB acquisition agreement.

Under certain regulations, the Bank recognized a goodwill of $6,117,415 thousand, equal to the difference between the actual cash subsidy of $13,428,965 thousand and fair value of KBB's net liabilities of $19,546,380 thousand as of the date of the acquisition. Goodwill is amortized using straight-line method over five years.

Fair values of KBB's assets and liabilities were as follows:

Cash subsidy received	$ 13,428,965
Fair value	
Cash and cash equivalents	$ 1,347,863
Due from the Central Bank of China and otherbanks	4,833,325
Securities purchased	1,616,288
Receivables	345,798
Prepaid expenses	15,263
Bills, discounts, and loans, net	15,262,493
Long-term investments	121,912
Net properties	1,787,268
Other assets	654,118
Due to banks	(8,824)
Payables	(264,822)
Advances	(14,590)
Deposits and remittance	(45,034,459)
Other liabilities	(208,013)
	(19,546,380)
Goodwill	$ 6,117,415

All major assets additions from the acquisition are going to be used for future operations and are not going to be disposed. All operating results of KBB after September 4, 2004 are included in the Bank's income statement, but any profit or loss before the acquisition date was not included. For comparison purposes, the combined pro forma income statements for 2004 are shown as follows (KBB's data during January 1 and September 3, 2004 were audited by other auditor).

	Year Ended December 31, 2004	
	Amount	**%**
Operating income	$ 21,121,766	100
Operating cost	5,191,674	25
Gross profit	15,930,092	75
Operating expenses	6,667,455	32
Operating income	9,262,637	43
Nonoperating income and gains	70,486	1
Nonoperating expenses and losses	1,230,244	6
Income before income tax	8,102,879	38
Income tax expense	1,087,147	5
Net income	$ 7,015,732	33
Earnings per share (NT$)	$3.47	

In the meeting of the Executive Yuan's Resolution Trust Corporation Fund ("RTC Fund") Committee (the "Committee") on July 1, 2003, the Committee reached a consensus that the RTC Fund will subsidize the difference between the retirement and severance payments under the Labor Standards Act that KBB should pay and KBB's pension funds up to the date before the acquisition date.

To show good faith to employees for a sound working relationship, the Bank drew up an employee welfare plan to let KBB end its contracts with all employees before the acquisition date and make pension and severance payments. The Bank renegotiated new wages with each employee after the acquisition date and came up with an employee compensation plan, as follows:

a.Calculation standards

1)Those who do not qualify for retirement will get 0.5 as the base compensation number for each year they worked for KBB. For those who worked less than a year, the calculation is prorated.

2)Those who qualify for voluntary retirement will get one month's average salary as compensation.

3)Those who qualify for mandatory retirement will not get any compensation.

b.Base number

One base number means one month's average salary, i.e., the average of the monthly salary of the employees from November 1, 2003 to April 30, 2004. Those who did not work up to 6 months will tally up their wages and divide these wages by the total working days, and the result will be multiplied by 30.

Based on the compensation plan, the total amount payable to the employees was $232,881 thousand. This amount, which was recognized as business expense, was paid on October 1, 2004.

39.ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and its investees:

a.Related information of significant transactions and investees:

1)Financing provided: The Bank - not applicable; investee company - none

2)Endorsement/guarantee provided: The Bank - not applicable; investee company - none

3)Marketable securities held: The Bank - not applicable; investee company - Table 1 (attached)

4)Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital: None

5)Acquisition of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: Table 2 (attached)

6)Disposal of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: None

7)Allowance of service fees to related parties amounting to at least NT$5 million: None

8)Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: None

9)Sale of nonperforming loans amounting to at least NT$5 billion: None

10)Other significant transactions which may affect the decisions of users of financial reports: Note 38 to the financial statements.

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

12)Derivative transactions: Note 33 to the financial statements

b.Investment in Mainland China: None

40.SEGMENT AND GEOGRAPHIC INFORMATION

The Bank's operations all belong to one business segment, namely, banking. Also, all overseas units individually represent less than 10% of the bank's total operating revenues and 10% of its total assets. Thus, no segment and geographic information is required to be disclosed.

TABLE 1

E.SUN COMMERCIAL BANK, LTD.
MARKETABLE SECURITIES HELD
DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership(%)	Market Value or Net Asset Value	
E.Sun Finance & Leasing Co., Ltd.	Stocks							
	Gapura Incorporated	-	Long-term investments	462	$ 10,733	6.21	$ 11,432	1
	Government bonds							
	A862	-	Long-term investments	-	4,169	-	4,162	$8,500 thousand in government bonds placed with courtsof justice forcollection cases on overdue loan
	A861	-	Long-term investments	-	5,713	-	5,707	
E.Sun Insurance Agent Co., Ltd.	Funds							
	E.Sun Gin-Ru-E Balanced Fund	The fund management companies is in the same group	Short-term investments	1,414	14,200	-	13,881	2

Note 1:The amounts are based on the investee's latest unaudited financial statements.

Note 2:Market value of the fund was based on the net asset value as of December 31, 2005.

TABLE 2

E.SUN COMMERCIAL BANK, LTD.

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT$300
MILLION OR 10% OF THE PAID-IN CAPITAL
YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

Company Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
E.Sun Commercial Bank,Ltd.	Land: Lot 41, 2 small Sec., Chungshan Sec., Chungshan District, Taipei City Nine floors above ground and three floors underground of a building under construction on the above property	2005.02.16	$1,350,000	$634,500 already paid as of December 31, 2005 The remaining amounts paid on schedule under the contract	Founding Construction & Development Co., Ltd.	-	-	-	-	$	Appraisal of China Credit Information Service, Ltd. and Honda Appraisers Firm	Office	-

Note : Stock dividend.

TABLE 3

E.SUN COMMERCIAL BANK, LTD.

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE
COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED 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
				Dec.31,2005	Dec.31.2004	Shares (Thousands)	Percentage of Ownership(%)	Carrying Value			
E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	Taipei	Leasing and sale of machinery and equipment	$196,000	$196,000	19,600	98.99	$ 173,018	$ 18,969	$ 18,777	
	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	3,950	3,950	1,280	79.00	18,295	465	253	

5. Consolidated Financial Statements of 2005 to 2004

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
E.Sun Commercial Bank, Ltd.

We have audited the accompanying consolidated balance sheets of E.Sun Commercial Bank, Ltd. and subsidiaries (collectively, the “Bank”) as of December 31, 2005 and 2004 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. However, we did not audit the financial statements of the Bank's Los Angeles Branch for 2005 and those of the Hong Kong and Los Angeles Branches for 2004. The total assets of these branches were 1.43% (NT$8,093,825 thousand) and 4.99% (NT$21,610,277 thousand) of the Bank's consolidated total assets as of December 31, 2005 and 2004, respectively. The net operating revenues of these branches were 1.74% (NT$365,439 thousand) and 2.48% (NT$503,709 thousand) of the Bank's consolidated net operating revenues in 2005 and 2004, respectively. The financial statements of these branches were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these branches, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the Rules Governing the Audit 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of E.Sun Commercial Bank, Ltd. and subsidiaries as of December 31, 2005 and 2004 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks and accounting principles generally accepted in the Republic of China.

As stated in Note 2 to the consolidated financial statements, the amended Statement of Financial Accounting Standards (SFAS) No. 7, “Consolidated Financial Statements,” took effect on January 1, 2005. Based on SFAS No. 7, the Bank's consolidated financial statements included subsidiaries and other investees over which the Bank had controlling interest. Because there was no need for the Bank to prepare consolidated financial statements based on the original SFAS No. 7, the consolidated financial statements of E.Sun Commercial Bank, Ltd. and subsidiaries and the financial statements of E.Sun Commercial Bank, Ltd. are the same.

As stated in Note 3 to the consolidated financial statements, sales and purchases of securities under repurchase or resell agreements were treated as outright sales or purchases until 2003. However, under the Guidelines Governing the Preparation of Financial Reports by Public Banks, effective January 1, 2004, the repurchase/resell transactions are treated as financing.

February 8, 2006

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2005 Amount	%	2004 Amount	%
CASH AND CASH EQUIVALENTS (Note 5)	$ 11,288,720	2	$ 7,899,575	2
DUE FROM THE CENTRAL BANK OF CHINA AND OTHER BANKS (Note 6)	35,209,053	6	27,671,867	6
SECURITIES PURCHASED, NET (Notes 2, 3, 7, 30 and 31)	69,193,851	12	54,815,405	13
RECEIVABLES, NET (Notes 2, 8, 30 and 31)	34,652,784	6	30,520,884	7
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 2, 3, 9 and 30)	2,601,670	1	5,569,238	1
PREPAID EXPENSES (Note 30)	426,848	-	307,262	-
BILLS, DISCOUNTS AND LOANS, NET (Notes 2, 10 and 30)	368,000,876	65	275,359,584	64
LONG-TERM INVESTMENTS (Notes 2, 11, 12 and 31)				
Long-term equity investments - equity method	-	-	183,572	-
Long-term equity investments - cost method	592,274	-	599,912	-
Bonds	12,254,472	2	7,208,804	2
Others	9,346,412	2	3,632,339	1
Total long-term investments	22,193,158	4	11,624,627	3
OTHER FINANCIAL ASSETS (Note 2)	1,926,343	-	-	-
PROPERTIES (Notes 2 and 13)				
Cost				
Land	4,979,139	1	4,929,923	1
Buildings	3,614,635	1	3,049,408	1
Computers	2,025,298	-	1,859,957	-
Transportation equipment	258,915	-	216,839	-
Miscellaneous equipment	1,018,304	-	798,569	-
Total cost	11,896,291	2	10,854,696	2
Accumulated depreciation	2,319,392	-	1,886,411	-
	9,576,899	2	8,968,285	2
Prepayments	655,637	-	23,554	-
Net properties				
GOODWILL (Notes 2 and 14)	10,232,536	2	8,991,839	2
OTHER ASSETS, NET (Notes 2, 15, 25, 30, 31 and 32)	3,662,701	1	4,661,587	1
Idle assets, net	724,140	-	690,664	-
Rentable assets, net	3,216,271	1	3,103,224	1
Refundable deposits	987,478	-	960,864	-
Foreclosed collaterals, net	126,700	-	402,480	-
Others	169,034	-	508,871	-
Deferred income tax assets, net	177,961	-	232,929	-
Total other assets, net	5,401,584	1	5,899,032	1
TOTAL	$ 564,790,124	100	433,320,900	100

LIABILITIES AND STOCKHOLDERS' EQUITY	2005 Amount	%	2004 Amount	%
SHORT-TERM DEBTS (Note 16)	$1,030,000	-	$ -	-
COMMERCIAL PAPER ISSUED (Note 17)	259,570	-	-	-
SECURITIES SOLD UNDER REPURCHASE AGREEMENTS (Notes 2, 3, 7, 18 and 30)	10,104,894	2	10,676,519	2
DUE TO THE CENTRAL BANK OF CHINA AND OTHER BANKS (Note 19)	24,240,441	4	21,568,711	5
PAYABLES (Notes 20 and 30)	11,131,799	2	6,464,381	2
ADVANCES (Note 30)	659,746	-	589,965	-
DEPOSITS AND REMITTANCES (Notes 21 and 30)	440,413,231	78	330,971,515	76
BONDS (Notes 22 and 30)	39,200,000	7	29,600,000	7
OTHER LONG-TERM LIABILITIES (Notes 2 and 23)	3,550,000	1	-	-
OTHERS (Notes 2 and 30)	704,130	-	805,196	-
Total liabilities	531,293,811	94	400,676,287	92
STOCKHOLDERS' EQUITY OF PARENT COMPANY				
Capital stock, $10 par value				
Authorized 2,331,355 thousand shares in 2005 and 2,017,500 thousand shares in				
2004; issued 2,231,355 thousand shares in 2005 and 2,017,500 thousand shares in 2004	22,313,550	4	20,175,000	5
Capital surplus				
Paid-in capital in excess of par value	4,233,502	1	4,233,502	1
From treasury stock	483	-	483	-
Total capital surplus	4,233,985	1	4,233,985	1
Retained earnings				
Legal reserve	3,204,059	-	1,018,878	-
Unappropriated earnings	3,834,805	1	7,341,106	2
Total retained earnings	7,038,864	1	8,359,984	2
Unrealized loss on long-term equity investments	(93,826)	-	(111,204)	-
Cumulative translation adjustments	(2,888)	-	(13,152)	-
Total stockholders' equity of parent company	33,489,685	6	32,644,613	8
MINORITY INTEREST	6,628	-	-	-
Total stockholders' equity	33,496,313	6	32,644,613	8
CONTINGENCIES AND COMMITMENTS (Notes 2 and 32)				
TOTAL	$564,790,124	100	$ 433,320,900	100

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 8, 2006)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2005		2004	
	Amount	%	Amount	%
OPERATING INCOME				
Interest (Notes 2 and 30)	$17,573,480	83	$14,048,775	69
Service fees (Note 2)	2,438,287	12	2,080,184	10
Gains on sales of securities, net (Notes 2, 12 and 30)	356,234	2	270,037	1
Income from long-term equity investments under the equity method, net (Notes 2 and 11)	-	-	21,873	-
Gains on long-term investments (Notes 2 and 11)	19,443	-	3,138,416	16
Foreign exchange gain, net (Notes 2 and 30)	192,698	1	160,720	1
Gains on derivative transactions, net (Notes 2 and 36)	269,329	1	353,460	2
Others (Note 30)	178,577	1	206,031	1
Total operating income and gains	21,028,048	100	20,279,496	100
OPERATING COSTS				
Interest (Notes 2 and 30)	6,834,948	33	3,986,827	20
Service charges (Note 30)	630,019	3	627,140	3
Provisions (Note 2)	1,265,693	6	13,841	-
Others	9,221	-	7,193	-
Total operating costs	8,739,881	42	4,635,001	23
GROSS PROFIT	12,288,167	58	15,644,495	77
OPERATING EXPENSES (notes 19 and 25)				
Business	6,784,279	32	5,486,661	27
General and administrative	641,483	3	580,233	3
Others	33,374	-	34,335	-
Total operating expenses	7,459,136	35	6,101,229	30
OPERATING INCOME	4,829,031	23	9,543,266	47
NONOPERATING INCOME AND GAINS	86,010	-	47,254	-
NONOPERATING EXPENSES AND LOSSES (Notes 2 and 14)	121,108	-	1,218,764	6
INCOME BEFORE INCOME TAX	4,793,933	23	8,371,756	41
INCOME TAX EXPENSE (Notes 2 and 25)	963,700	5	1,087,820	5
CONSOLIDATED INCOME	$ 3,830,233	18	$ 7,283,936	36
BELONG TO:				
Parent company	$ 3,829,944	18	$ 7,283,936	36
Minority interest	289	-	-	-
	$ 3,830,233	18	$ 7,283,936	36

	2005		2004	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 28)				
Basic earnings per share	$ 2.14	$ 1.72	$ 4.15	$ 3.61

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

(With Deloitte & Touche audit report dated February 8, 2006)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

	Stockholders' Equity of Parent Company													
	Capital Stock (Note 26)		Capital Surplus (Notes 2 and 26)			Retained Earnings (Notes 2 and 23)			Unrealized Loss on Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 27)	Stockholders' Equity of Parent Company	Minority Interest	Total Stockholders' Equity
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	From Treasury Stock	Total	Legal Reserve	Unappropriated Earnings	Total						
BALANCE, JANUARY 1, 2004	1,817,500	$18,175,000	$ 233,502	$ -	$ 233,502	$ -	$ 3,396,261	$ 3,396,261	$ -	$ 2,624	$ (498,017)	$ 21,309,370	$ -	$ 21,309,370
Appropriation of prior year's earnings														
Legal reserve	-	-	-	-	-	1,018,878	(1,018,878)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(2,181,000)	(2,181,000)	-	-	-	(2,181,000)	-	(2,181,000)
Remuneration to directors and supervisors	-	-	-	-	-	-	(23,202)	(23,202)	-	-	-	(23,202)	-	(23,202)
Bonus to employees	-	-	-	-	-	-	(116,011)	(116,011)	-	-	-	(116,011)	-	(116,011)
Balance after appropriation	1,817,500	18,175,000	233,502	-	233,502	1,018,878	57,170	1,076,048	-	2,624	(498,017)	18,989,157	-	18,989,157
Transfer of shares to employees	-	-	-	483	483	-	-	-	-	-	498,017	498,500	-	498,500
Capital increase in December 2004	200,000	2,000,000	4,000,000	-	4,000,000	-	-	-	-	-	-	6,000,000	-	6,000,000
Net income in 2004	-	-	-	-	-	-	7,283,936	7,283,936	-	-	-	7,283,936	-	7,283,936
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	(111,204)	-	-	(111,204)	-	(111,204)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	(15,776)	-	(15,776)	-	(15,776)
BALANCE, DECEMBER 31, 2004	2,017,500	20,175,000	4,233,502	483	4,233,985	1,018,878	7,341,106	8,359,984	(111,204)	(13,152)	-	32,644,613	-	32,644,613
Appropriation of prior year's earnings														
Legal reserve	-	-	-	-	-	2,185,181	(2,185,181)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	(2,703,450)	(2,703,450)	-	-	-	(2,703,450)	-	(2,703,450)
Stock dividends	213,855	2,138,550	-	-	-	-	(2,138,550)	(2,138,550)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	(51,511)	(51,511)	-	-	-	(51,511)	-	(51,511)
Bonus to employees	-	-	-	-	-	-	(257,553)	(257,553)	-	-	-	(257,553)	-	(257,553)
Balance after appropriation	2,231,355	22,313,550	4,233,502	483	4,233,985	3,204,059	4,861	3,208,920	(111,204)	(13,152)	-	29,632,099	-	29,632,099
Effects of increase in consdidated subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	6,339	6,339
Consolidated income in 2005	-	-	-	-	-	-	3,829,944	3,829,944	-	-	-	3,829,944	289	3,830,233
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	17,378	-	-	17,378	-	17,378
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	10,264	-	10,264	-	10,264
BALANCE, DECEMBER 31, 2005	2,231,355	$22,313,550	$ 4,233,502	$ 483	$ 4,233,985	$ 3,204,059	$ 3,834,805	$ 7,038,864	$ (93,826)	$ (2,888)	$ -	$ 33,489,685	$ 6,628	$ 33,496,313

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

(With Deloitte & Touche audit report dated February 8, 2006)

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

(In Thousands of New Taiwan Dollars)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income	$3,830,233	$ 7,283,936
Allowance for losses on securities purchased	129,992	-
Provisions	1,302,042	13,841
Recovery of written-off credits	1,047,527	1,270,462
Depreciation and amortization	1,654,721	819,227
Impairment loss on goodwill	-	1,103,393
Equity in net income of equity-method investees, net of cash dividends received	413	(5,978)
Loss (gain) on sale of long-term investments	11,303	(2,915,950)
Amortization of premium (discount) on long-term investments	126,632	79,874
Loss on sale of properties, rentable assets, idle assets and foreclosed collaterals, net	74,014	20,488
Deferred income tax	61,432	135,182
Others	21,882	20,871
Net changes in operating assets and liabilities		
Securities purchased for trading purposes	213,562	(9,648,080)
Receivables	(4,327,198)	(6,070,396)
Prepaid expenses	(114,622)	(246,730)
Payables	4,654,471	912,448
Advances	69,781	400,341
Net acash provided by (used in) operating activities	8,756,185	(6,827,071)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased for investing purposes	(14,708,351)	(680,586)
Increase in due from the Central Bank of China and other banks	(7,537,186)	(6,970,172)
Decrease (increase) in securities purchased under resell agreements	2,967,568	(5,569,238)
Proceeds from sales of:		
Properties	(93,617,849)	(62,074,842)
Foreclosed collaterals	(13,897,728)	(6,133,945)
Long-term investments	14,050	4,132,173
Acquisition of:		
Long-term investments	3,051,323	1,046,613
Properties	(1,926,343)	-
Decrease (increase) in:		
Bills, discounts and loans		
Other assets	(1,833,909)	(1,494,637)
Other financial assets	1,329	(154,067)
Return of principal on long-term investments	238,129	393
Cash subsidy received on the acquisition of the Kaohsiung Business Bank Co., Ltd.	55,503	179,149
Increase in cash arising from the acquisition of the Kaohsiung BusinessBank Co., Ltd. on	-	(154,067)
September 3, 2004	-	1,347,863
Net cash used in investing activities	(127,193,464)	(62,942,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in commercial paper issued	$(318,629)	$ -
Increase in short-term debts	475,000	-
Increase (decrease) in securities sold under repurchase agreements	(571,625)	10,676,519
Increase (decrease) in due to the Central Bank of China and other banks	2,671,730	(104,312)
Increase in deposits and remittances	109,475,512	38,920,585
Proceeds from issuance of bonds	10,000,000	17,696,100
Repayment of bonds	(400,000)	(400,000)
Increase in other long-term liabilities	3,550,000	-
Decrease in other liabilities	(56,234)	(166,533)
Capital increase	-	6,000,000
Proceeds from treasury stock	-	498,500
Cash dividends paid	(2,703,450)	(2,181,000)
Payment of bonus to employees and remuneration to directors and supervisors	(309,064)	(139,213)
Net cash provided by financing activities	121,813,240	70,800,646
EFFECTS OF EXCHANGE RATE CHANGES	12,102	(18,503)
EFFECTS OF INCREASE IN CONSOLIDATED SUBSIDIARIES	1,082	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,389,145	1,012,741
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,899,575	6,886,834
CASH AND CASH EQUIVALENTS, END OF YEAR	$11,288,720	$ 7,899,575
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$6,460,567	$ 4,042,504
Income tax paid	$1,278,274	$ 165,740
NONCASH INVESTING AND FINANCING ACTIVITIES		
Exchangeable bonds exchanged for ESFHC's stock (Note 10)	$ -	$ 2,696,100
Cost of long-term equity investments	-	1,514,142
Gain from long-term investments	$ -	$ 1,181,958

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 8, 2006)

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

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

1.ORGANIZATION AND OPERATIONS

E.Sun Commercial Bank, Ltd. (the 栖ank”) engages in banking activities permitted by the Banking Law.

As of December 31, 2005, the Bank had a business department, international banking departments, trust department, credit card business division, an offshore banking unit (OBU), 2 overseas branches (Los Angeles and Hong Kong) and 93 domestic branches.

The operations of the Bank's Trust Department consist of planning, managing and operating a trust business. These operations are regulated under the Banking Law and Trust Law of the Republic of China (ROC).

On December 10, 2001, the Bank's stockholders approved the establishment of E.Sun Financial Holding Company, Ltd. (ESFHC) to hold the shares of the Bank, E.Sun Bills Finance Corp. and E.Sun Securities Corp. The board of directors designated January 28, 2002 as the effective date of the share swap. After the shares transfer, the Bank became a 100% subsidiary of ESFHC. Also on January 28, 2002, the trading of the Bank's stock on the Taiwan Stock Exchange (TSE) was stopped, and ESFHC's stock started to be traded on the TSE.

On September 4, 2004, the Bank acquired the assets and liabilities (except the assets and liabilities generated from trust business and pension) and business (except trust business) of the Kaohsiung Business Bank Co., Ltd. Please refer to Note 41.

E.Sun Finance & Leasing Co., Ltd. (ESFL) leases and sells machinery and equipment.

E.Sun Insurance Agent Co., Ltd. (ESIA) acts as a life insurance agent.

The consolidated entities are listed in Table 4 (attached).

As of December 31, 2005 and 2004, the Bank and subsidiaries had 3,155 and 2,438 employees, respectively.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks and accounting principles generally accepted in the Republic of China. In preparing consolidated financial statements in conformity with these guidelines and principles, the Bank and its subsidiaries are required to make certain estimates and assumptions that could affect the amounts of allowance for possible losses, reserve for losses on guarantees, property depreciation, pension, income tax, loss on market value decline of foreclosed collaterals, impairment loss of assets and accrued litigation loss. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. 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 financial statements shall prevail.

The significant accounting policies are summarized as follows:

Consolidation

The Bank prepared consolidated financial statements as of and for the year ended December 31, 2005 based on the amended Statement of Financial Accounting Standards (SFAS) No. 7, “Consolidated Financial Statements,” effective January 1, 2005, which requires that consolidation include all direct and indirect subsidiaries and other investees over which the Bank has a controlling interest. Thus, the Bank's consolidated financial statements as of and for the year ended December 31, 2005 included the accounts of the Bank, E.Sun Finance & Leasing Corp. (ESFL) and E.Sun Insurance Agent Corp. (ESIA). All significant intercompany transactions and balances have been eliminated for consolidation purposes.

Under the previous SFAS No. 7, the Bank did not prepare consolidated financial statements in 2004. Neither the operating revenues nor total assets of the Bank's subsidiaries - ESFL and ESIA - individually reached at least 10% or collectively reached at least 30% of those of the Bank. Thus, the Bank did not have to prepare consolidated financial statements as of and for the year ended December 31, 2004. The significant intercompany transactions for those subsidiaries whose accounts were not included in the consolidated financial statements as of and for the year ended December 31, 2004 are shown in Note 4.

The financial statements of the Bank's subsidiaries had all been audited, except those of ESIA. The Bank's management believes that the effect of adjustments, if any, had ESIA's financial statements been audited would not have had a significant impact on the consolidated financial statements.

Hereinafter, the consolidated entities are collectively referred to as the “Company.”

Current and Noncurrent Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the financial statements of E.Sun Bank are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by their liquidity.

Except for the matter stated in the preceding paragraph, assets to be converted or consumed within the operating cycle are classified as current. Obligations to be liquidated or settled within the operating cycle are classified as current. All other assets and liabilities are classified as noncurrent.

The consolidated financial statements, however, do not show the classification of current or noncurrent assets/liabilities because the banking industry accounts for the major parts of the consolidated accounts. Thus, accounts in the consolidated financial statements are instead categorized by nature and sequenced by their liquidity. Please refer to Note 35 for the maturity analysis of assets and liabilities.

Securities Purchased

Securities purchased are carried at aggregate cost less allowance for decline in value. Costs of securities sold are determined by the following methods: Stock, mutual funds and government bonds - moving average; and others - specific identification.

Securities Purchased/Sold Under Resell/Repurchase Agreements

Sales or purchases of bonds and short-term bills under repurchase or resell agreements are stated at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense). Please refer to Note 3.

Overdue Loan

In accordance to Ministry of Finance guidelines, the Bank classifies loans and other credits (including accrued interest) overdue for at least six months as overdue loans.

Allowances for Possible Losses and Reserve for Losses on Guarantees

The Bank makes provisions for bad debts and losses on guarantees based on the evaluation of loans, overdue loans, bills, discounts, receivables, guarantees and acceptances for their specific or general risks.

Debts and guarantees with specific risks are evaluated internally for their collaterals, collectibility and customers' overall credits. Under Ministry of Finance (MOF) guidelines, the Bank makes full provisions for credits deemed uncollectible and makes at least 50% provisions for credits with high uncollectibility. However, under revised MOF guidelines effective July 1, 2005, the Bank makes full, 50%, 10% and 2% provisions for credits deemed uncollectible, highly uncollectible, substandard and special mention, respectively, as minimum provisions for possible losses. This change had no significant impact on the Company's consolidated financial statements.

Under MOF guidelines, credits deemed uncollectible may be written off if the write-off is approved by the Bank's Board of Directors.

Long-term Investments

Investments in shares of stock of companies in which the Company 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 Company's proportionate share in the net income or loss of the investees. The proportionate share in the net income or loss is recognized as current income or loss, and any cash dividends received are reflected as a reduction of the carrying values of the investments. Capital increase of investees that results in the increase of the Company's equity in the investees' net assets is credited to capital surplus, and any decrease is charged to such capital surplus to the extent of the available balance, with the difference charged to unappropriated earnings. If the impairment in investment value is permanent and probability of a recovery in value is remote, an investment loss is recognized.

Other long-term equity investments are accounted for by cost method. Investments in stocks with no quoted market price are accounted for at cost. The carrying amount of the investment is reduced to reflect other than temporary decline in the value of the investments, with the related losses charged to current income. Investment in stock with a quoted market price is stated at the lower of aggregate cost or market. The reduction 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. Cash dividends received from a year after the acquisition date are recorded as investment income. Foreign-currency investments are recorded in New Taiwan dollars at the rate of exchange in effect when the transactions occur. At balance sheet date, the balances of these investments are restated at the balance sheet date exchange rates. If the restated amounts are lower than cost, the differences are recognized as translation adjustment under stockholders' equity, otherwise, no adjustment is made.

For both equity-method and cost-method investments, stock dividends received are recognized only as increases in the number of shares held, and not as income. Cost of long-term equity investments sold is determined by the weighted-average method.

Long-term bond investments are stated at cost. Premium or discount is amortized (as a charge or credit to interest income, respectively) over the remaining term of each bond. Costs of bonds sold are determined by the specific identification method.

The special-purpose trust beneficiary certificates are stated at cost. Costs of these upon maturity or sale are determined by the moving-average method.

Other Financial Assets

Other financial assets are primarily investments in structural deposits. The interest revenue generated under the contract is credited to current income. The Company will reclaim the principal if the investments are held to maturity. However, the Company could incur a loss if the contract is canceled prematurely.

Financial Asset Securitization

Under the Financial Asset Securitization Act, the Bank securitized part of its bonds and entrusted those bonds to a trustee for the issuance of beneficiary certificates. Except for beneficiary certificates being retained for credit enhancement and reclassified as long-term investments, the Bank de-recognizes the bonds from securities purchased and recognizes gain or loss because the control of contractual rights on these bonds has been surrendered and transferred to a trustee. The gain or loss on the sale of the bonds is the difference between the proceeds and carrying amount of the bonds, and this carrying amount should be allocated at the ratio of the retained right and the part sold to their fair values on the date of sale.

Since quotes are not available for retained interests, the Bank estimates fair value using management's key assumptions on bond credit loss rate and discount rates commensurate to the risks involved.

The retained beneficiary certificates, for which market quotes are not available, are accounted for as long-term investments. The present value of expected future cash flows is estimated and evaluated for any impairment loss. On the balance sheet date, impairment losses are recognized; gains are not.

Properties, Rentable Assets and Idle Assets

Properties, rentable assets and idle assets are stated at cost less accumulated depreciation. The cost of betterments and major renewals that extend the useful life of an item of property and equipment is capitalized. The cost of repairs and maintenance is charged to expense as incurred.

Depreciation is calculated by the straight-line method over service lives estimated as follows: buildings, 3 to 55 years; computers, 3 to 8 years; transportation equipment, 5 to 8 years; miscellaneous equipment, 2 to 10 years; rentable assets, 10 to 50 years; and idle assets, 5 to 50 years. If an asset reaches its residual value but is still in use, it is further depreciated over its newly estimated service life.

An impairment loss should be recognized whenever the recoverable amount of properties or the cash-generating units of properties, rentable assets and idle assets is below the carrying amount. If asset impairment loss is reversed, the increase in the carrying amount resulting from the 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.

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

Selling on Condition

The cost of goods sold and imputed interest are recorded as accounts receivable installment. The imputed interest is treated as unearned interest income and is recognized as interest income when earned using the interest rate method.

Capital Lease

Capital lease is accounted for as direct financing lease in accordance with the ROC Statement of Financial Accounting Standards No. 2, “Accounting for Leases.” Lease payment receivable results from minimum rental payment plus unguaranteed residual value. The difference between the lease payment receivable and the cost or the carrying value of the leased property is the unearned interest revenue, which is amortized on the interest rate method using implicit interest rate.

Foreclosed Collaterals

Foreclosed collaterals are recorded at the lower of cost or net fair value as of the balance sheet date.

Goodwill

Goodwill is amortized over 5 years. Impairment loss is recorded if the carrying amount of goodwill exceeds the recoverable amount.

Pension Costs

The Company has two types of pension plans: Defined benefit and defined contribution. For the defined benefit plan, the Company recognizes pension costs on the basis of actuarial calculations. Unrecognized net transitional assets are amortized over 23 to 29 years. For the defined contribution plan, the Company recognizes as pension costs the amounts contributed to the employees' individual pension accounts during the employees' service periods.

When a defined benefit plan is amended, the prior service costs should be amortized on a straight-line basis over the average period from the plan effective or amendment date until the benefits become vested. When the benefits are vested immediately following changes to the defined benefit plan, the Company should recognize the prior service cost as expense immediately.

Since 2004, ESFL has applied the ROC Statement of Financial Accounting Standards No. 18, “Accounting for Pensions,” to calculate pension costs.

Treasury Stock

The reacquisition of issued capital stock is carried at cost and presented as a separate deduction to arrive at stockholders' equity.

The reissuance of treasury stocks is accounted for as follows: (a) reissue price higher than the acquisition cost - the excess is credited to capital surplus on treasury stock; and (b) reissue price less than the acquisition cost - initially charged to capital surplus on treasury stock, with any remaining deficiency charged to unappropriated earnings.

Under a directive issued by the Securities and Futures Bureau (SFB), if a financial institution (FI) repurchases its own capital stock pursuant to the Securities and Exchange Law and becomes a wholly owned subsidiary of a financial holding company (FHC), resulting in the conversion of the FI's treasury stocks to the FHC's stock, the FHC's shares held by the FI should be treated as treasury stock. The FHC should also present the shares it issued in exchange for FI's capital stock as treasury stock. If shares of the FIs under the same FHC were held among each other before the share swap, these shares will be stated as equity investments after the swap.

Recognition of Interest Revenue and Service Fees

Interest revenue on loans is recorded on the accrual basis. Under Ministry of Finance regulations, no interest revenue is recognized on loans and other credits extended by the Company that are classified as overdue loans. The interest revenue on those loans is recognized upon collection.

The unpaid interest on rescheduled loans should be recorded as deferred revenue, and the paid interest is recognized as interest revenue.

Service fees are recorded when a major part of the earnings process is completed and revenue is realized.

Income Tax

Provision for income tax is based on inter-period tax allocation. The tax effects of deductible temporary differences, unused tax credits and operating loss carryforwards are recognized as deferred income tax assets, and those of taxable temporary differences are recognized as deferred income tax liabilities. Valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Tax credits for personnel training and stock investments are recognized in the current period.

Income tax on interest in short-term negotiable instruments or special-purpose trust beneficiary certificates, which is levied separately, and any adjustment of income taxes of prior years are added to or deducted from the current year's income tax expense.

Income taxes (10%) on undistributed earnings generated since 1998 are recorded as expenses in the year when the stockholders resolve to retain the earnings.

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. A footnote disclosure is made of the situation that might result in a loss if the loss is possible but the amount of loss cannot be reasonably estimated.

Foreign Currency Transactions

Foreign-currency transactions (except forward transactions) are included in the financial statements at their equivalent New Taiwan dollar amounts at the following rates: Assets and liabilities - current exchange rates; and income and expenses - rates prevailing on the date of each transaction. Exchange gains or losses are credited or charged to current income.

Forward Contracts

For forward contracts, which are used for trading purposes, assets and liabilities are recorded at the contracted forward rate. Gains or losses resulting from the difference between the spot rate and the contracted forward rate on the settlement date are credited or charged to current income.

For contracts outstanding as of the balance sheet date, the gains or losses resulting from the difference between the contracted forward rates and the forward rates available for the remaining periods of the contracts are credited or charged to income. In addition, the receivables and payables related to the forward contracts are netted out, and the resulting amount is presented as an asset or a liability.

Currency Swap Contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are entered into for trading purposes, are recorded at spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates.

The related differences between spot rates and contracted forward rates are amortized and recorded as interest revenue or interest expense over the contract period on the straight-line basis. For contracts open as of the balance sheet date, the receivables and payables on the contracts are netted out, and the resulting amount is presented as an asset or a liability.

Asset Swaps

The Company agrees to swap the fixed interest and redemption premium or conversion right on its investment in bonds for the floating interest on these bonds. There is no exchange of contract (notional) principals (equal to the aggregate face values of the bonds). For swaps entered into for nontrading purposes, the net interest upon each settlement is recorded as an adjustment to interest revenue associated with the items being hedged.

Cross-currency Swap

Cross-currency swap contracts are recorded at their forward rates on the contract dates. The interest received or paid under the contract is recorded as interest revenue or expense.

Interest Rate Swaps

Interest rate swap contracts are recorded through memorandum entries on the contract dates since there is no exchange of contract (notional) principals. Interest received or paid upon each settlement is recorded as interest revenue or expense.

Options

The Company enters into currency option contracts and government bonds option contracts for trading purposes. Premiums received or paid are recorded as liabilities or assets. Gains or losses from the exercise of options are credited or charged to current income. For options unexercised as of the balance sheet date, gains or losses from valuation of the contracts are credited or charged to current income.

Foreign-currency Margin Contracts

The Company enters into foreign-currency margin contracts for trading purposes. Margins received or paid are recorded as liabilities or assets. The Company evaluates daily the unrealized gains or losses based on spot rates. Gains or losses on the settlement date are credited or charged to current income.

Futures

Margin deposits paid by the Company for interest rate futures contracts entered into for trading purposes are recognized as assets. Gains or losses resulting from marking to market and from the settlement of the interest rate futures contracts are included in current income and the carrying amount of the margin deposits is adjusted accordingly.

Credit Default Swap Contracts

Credit default swap contracts, which are intended to hedge the credit risk of the held assets or to generate profits, are recorded through memorandum entries on the contract dates. If there is exchange of contract principals, the amounts are recorded as other long-term liabilities. Premiums amortized or accrued during the contract period are recorded as incomes or expenses. Gains or losses from the valuation of contracts as of the balance sheet date are credited or charged to current income.

Credit-linked Loans

The Company enters into credit-linked loans for trading purposes. The Company recognizes interest revenue based on the floating interest rate. When the reference entity faces certain situations as described in the contract, the borrower repays loans by giving the reference asset to the Company.

3.ACCOUNTING CHANGES

The Company began applying ROC Statement of Financial Accounting Standards (SFAS) No. 35, “Accounting for Asset Impairment,” on January 1, 2005. This accounting change had no significant influence on the consolidated financial statements.

Under a directive issued by the Ministry of Finance, sales and purchases of bonds and short-term bills under repurchase or resell agreements were treated as outright sales or purchases until 2003. However, under the Guidelines Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions are treated as financing. This accounting change increased the Company's consolidated income for the year ended December 31, 2004 by $66,855 thousand.

Since the volume of the Bank's repurchase/resell transactions is huge and the accounting systems had been revised several times such that historical trading data are hard to trace, calculating the cumulative effect of the change in accounting principle was difficult. Thus, the Bank cannot calculate the cumulative effect of the change in accounting principle.

4.SIGNIFICANT INTERCOMPANY TRANSACTIONS

The significant intercompany transactions, except for the long-term equity investments and stockholders' equity of investees which had been eliminated, are summarized below:

Transacting Party	Eliminated Account	Eliminated Account	Amount	Transaction Counter-party
2005				
Bank	Deposits and remittances	Deposits and remittances	$69,395	ESFL and ESIA
	Other operating revenue	Other operating revenue	1,678	ESFL
	Interest expense	Interest expense	62	ESFL and ESIA
ESFL	Cash and cash equivalents	Cash and cash equivalents	64,986	Bank
	Refundable deposits	Refundable deposits	2,500	Bank
	Nonoperating income and gains	Nonoperating income and gains	29	Bank
	Operating expense	Operating expense	1,678	Bank
ESIA	Cash and cash equivalents	Cash and cash equivalents	1,909	Bank
	Nonoperating income and gains	Nonoperating income and gains	33	Bank

The significant intercompany transactions for those subsidiaries that did not have to be consolidated as of and in the year ended December 31, 2004 are summarized below:

Transacting Party	Eliminated Account	Amount	Transaction Counter-party
Bank	Deposits and remittances	$33,805	ESFL and ESIA
	Guarantee deposits received	599	ESFL
	Other operating revenue	760	ESFL
	Interest expense	72	ESFL and ESIA
ESFL	Cash and cash equivalents	28,473	Bank
	Refundable deposits	599	Bank
	Operating expenses	760	Bank
	Nonoperating income and gains	19	Bank
ESIA	Cash and cash equivalents	5,332	Bank
	Nonoperating income and gains	53	Bank

5. CASH AND CASH EQUIVALENTS

	December 31	
	2005	2004
Cash on hand	$ 3,615,074	$ 2,889,257
Checks for clearing	6,990,873	2,731,194
Due from banks	682,773	2,279,124
	$ 11,288,720	$ 7,899,575

6. DUE FROM THE CENTRAL BANK OF CHINA (CBC) AND OTHER BANKS

	December 31	
	2005	2004
Call loan to banks	$ 18,254,448	$ 13,174,468
Reserves for deposits in CBC	16,570,430	14,118,370
Deposit in CBC	384,175	379,029
	$ 35,209,053	$ 27,671,867

As required by law, the reserves for deposits in CBC are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts. As of December 31, 2005 and 2004, deposit reserve portions of $10,476,676 thousand and $8,098,534 thousand, respectively, were restricted from Bank use, as required by certain regulations.

7. SECURITIES PURCHASED, NET

	December 31	
	2005	2004
Overseas securities	$ 23,943,896	$ 20,410,533
Certificates of deposit	16,483,209	19,487,486
Government bonds	13,096,188	12,962,193
Bank debentures and corporate bonds	11,433,952	258,964
Commercial paper	3,068,282	279,853
Stocks and mutual funds	1,298,867	1,416,376
	69,324,394	54,815,405
Less allowance for possible losses	130,543	-
	$ 69,193,851	$ 54,815,405

As of December 31, 2005 and 2004, some of the government bonds, which amounted to $9,157,700 thousand and $9,602,300 thousand (face value), respectively, had been sold under repurchase agreements.

8. RECEIVABLES, NET

	December 31	
	2005	2004
Credit cards	$ 29,539,803	$ 26,735,412
Accrued interest	1,752,344	1,360,573
Notes receivable	1,368,975	2,632
Acceptances	790,955	679,647
Accrued income	308,051	110,513
Forward exchange contract receivable	286,634	746,044
Accounts receivable	160,612	462,508
Other	863,573	695,631
	35,070,947	30,792,960
Less allowance for possible losses	363,804	272,076
Less unrealized interest revenue	54,359	-
	$ 34,652,784	$ 30,520,884

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities acquired for $2,601,670 thousand and $5,569,238 thousand under resell agreements as of December 31, 2005 and 2004, respectively, will be sold for $2,602,830 thousand and $5,571,843 thousand by January 20, 2006 and January 27, 2005, respectively.

10. BILLS, DISCOUNTS AND LOANS, NET

	December 31	
	2005	2004
Loans		
Short-term	$ 64,940,843	$ 55,477,356
Medium-term	82,430,447	67,795,554
Long-term	217,328,901	150,525,009
Bills and discounts	2,747,423	1,543,983
Overdue loans	2,133,457	1,829,381
	369,581,071	277,171,283
Less allowance for possible losses	1,580,195	1,811,699
	$ 368,000,876	$ 275,359,584

As of December 31, 2005 and 2004, the loan and credit balances, for which accrual of interest revenues was discontinued, amounted to $2,133,457 thousand and $1,829,381 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to $70,585 thousand and $69,411 thousand for the years ended December 31, 2005 and 2004, respectively.

In 2005 and 2004, the Bank carried out legal procedures required before writing off certain credits.

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

	2005		
	Specific Risk	General Risk	Total
Balance, January 1, 2005	$ 519,622	$ 1,292,077	$ 1,811,699
Provisions (reversal)	902,657	(878,451)	24,206
Write-offs	(1,208,062)	-	(1,208,062)
Recovery of written-off credits	950,088	-	950,088
Effects of exchange rate changes	-	2,264	2,264
Balance, December 31, 2005	$ 1,164,305	$ 415,890	$ 1,580,195

	2004		
	Specific Risk	General Risk	Total
Balance, January 1, 2004	$ 227,684	$ 1,942,076	$ 2,169,760
Transfer from the Kaohsiung Business Bank Co., Ltd.	-	1,721,007	1,721,007
Provisions (reversal)	1,669,898	(2,367,059)	(697,161)
Write-offs	(2,558,585)	-	(2,558,585)
Recovery of written-off credits	1,180,625	-	1,180,625
Effects of exchange rate changes	-	(3,947)	(3,947)
Balance, December 31, 2004	$ 519,622	$ 1,292,077	$ 1,811,699

11.LONG-TERM INVESTMENTS

	December 31	
	2005	2004
Long-term equity investments	$ 592,274	$ 783,484
Long-term bond investments	12,254,472	7,208,804
Other long-term investments	9,346,412	3,632,339
	$ 22,193,158	$ 11,624,627

Long-term equity investments are summarized as follows:

	December 31			
	2005		2004	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Equity method				
With no quoted market prices	$ -	-	$ 154,241	98.99
ESFL	-	-	18,042	79.00
ESIA	-	-	11,289	30.00
Kao Li Real-Estate Management Co.(KLMC)	-		183,572	
Cost method				
With quoted market prices				
United Micro Electronics	$ 175,098	-	$ 200,451	-
With no quoted market prices				
Financial Information Service Co., Ltd.	108,954	2.28	108,954	2.28
Taiwan Asset Management Corporation	100,000	0.57	100,000	0.57
Fubon Securities Finance Co.	98,957	2.56	98,957	2.56
Other	203,091		202,754	
Less allowance for possible losses	686,100		711,116	
	93,826		111,204	
	592,274		599,912	
Market values of stock with quoted market prices	$ 592,274		$ 783,484	
	$ 81,272		$ 89,247	

The ESFL's financial statements on which the calculation of investment carrying value and the related income was based had all been audited, except those of ESIA and KLMC. The Company's management believes that, had this investee's accounts been audited, the effect of any adjustments on consolidated financial statements would not have been significant.

The long-term investments under the equity method resulted in a net loss of $413 thousand in 2005 and net income of $21,873 thousand in 2004.

On December 1, 2003, the Bank's Board of Directors (hereinafter “the Board”) resolved to issue bonds for exchange with the underlying shares of ESFHC within the limit of 150,000 thousand shares under Article 31 of the Financial Holding Company Law. On January 23, 2004, the Bank issued three-year debenture exchangeable bonds amounting to $2,696,100 thousand, at 0% interest. On June 14, 2004, these bonds were all exchanged for the ESFHC's stock, and the Bank recognized a gain of $1,181,958 thousand on this exchange.

On February 12, 2004, the Board resolved to authorize the chairman to dispose of the shares of ESFHC within the limit of 184,449 thousand shares as required under the Financial Holding Company Law.

On September 27, 2004, the ESFHC issued 6,800 thousand units of Global Depository Receipt. Each unit can be exchange for 25 shares of ESFHC which were held by the Bank. Through this transaction, the Bank sold 170,000 thousand shares and recognized a gain of $1,294,063 thousand.

Long-term bond investments are summarized as follows:

	December 31	
	2005	2004
Government bonds - domestic	$ 7,121,171	$ 7,208,804
Corporate bonds - domestic	3,983,201	-
Overseas securities	1,150,100	-
	$ 12,254,472	$ 7,208,804

Other long-term investments are summarized as follows:

	December 31	
	2005	2004
Mortgage loan securitization beneficiary certificates - domestic	$ 1,145,240	$ 3,632,339
Collateralized securitization beneficiary certificates - overseas	3,254,337	-
Collateralized bond securitization beneficiary certificates - domestic	4,946,835	-
	$ 9,346,412	$ 3,632,339

12.FINANCIAL ASSET SECURITIZATION

In the fourth quarter of 2005, the Bank entered into two trust contracts with The Hong Kong and Shanghai Banking Corporation Limited (HSBC, the trustee) and transferred the Bank's rights and risks on bond holdings, which amounted to $10,060,287 thousand and $18,340,853 thousand, respectively to the trustee in accordance with the Financial Asset Securitization Act. Upon the transfer, the trustee acquired the bondholder's rights from the Bank, and the trustee issued beneficiary certificates named E.Sun CBO 2005-1 and E.Sun CBO 2005-2 to general investors and turned over to the Bank the funds raised on certificates issuance along with the retained beneficiary certificates (E.Sun CBO 2005-1 is Type D; E.Sun CBO 2005-2 is Type C). The Bank recognized a loss of $10,287 thousand (part of gains on sales of securities, net) on this transaction.

The issuance period for E.Sun CBO 2005-1, amounting to $10,050,000 thousand, is between October 19, 2005 and July 20, 2012. Interest is payable quarterly. This beneficiary certificate is categorized as follows:

Type of Beneficiary Certificate	Repayment Priority	Issued Amount	Interest Rate
A	First	$ 8,750,000	1.825%
B	Second	800,000	2.050%
C	Third	450,000	1.925%
D	Fourth/remainder	50,000	None

The issuance period for E.Sun CBO 2005-2, amounting to $18,341,000 thousand, is between December 28, 2005 and September 20, 2014. This beneficiary certificate is categorized as follows:

Type of Beneficiary Certificate	Repayment Priority	Issued Amount	Interest Rate	Percentage of Total Amount Issued
A1	First	$2,500,000	0%	95.36
A2	First	6,215,000	0%	90.08
A3	First	5,774,349	0%	83.60
B	Second	1,908,281	0%	82.03
C	Third/remainder	1,943,370	None	

The Bank's future service income from this contract is expected to cover all service costs; thus, no service asset or service liability is recognized. The Bank's retained beneficiary certificates ensure that the Bank will retain its liquidity after the investor collects its income based on the trust contract. If the certificate issuers cannot disburse funds upon certificate maturity, the invertors and the trustee have no right of recourse on the Bank's other assets. In addition, the investors' rights take precedence over the rights on the retained beneficiary certificates. The value of the retained beneficiary certificates will be affected by the credit risk of the bond issuers, interest rate risk, etc.

a.Key assumptions used in measuring retained interests:

	E.Sun CBO 2005-1		E.Sun CBO 2005-2	
	December 31, 2005	October 19, 2005	December 31, 2005	December 28, 2005
Projected advance reimbursement rate	0%	0%	0%	0%
Projected credit loss rate	0%	0%	2%	2%
Discount rate for residual cash flows	3.82%	3.82%	3.71%	3.71%

All the bond issuers in the asset pool of E.Sun CBO 2005-1 have attained the credit rating of twA or above, and during the past seven years, only one debtor with a credit rating of twB breached the contract according to the Taiwan Ratings 2004 research. Thus, the Bank's projected credit loss rate will be zero.

b.Sensitivity analysis:

As of December 31, 2005, the key assumptions and the sensitivity of the current fair value of residual cash flows to the immediate 10% and 20% adverse changes in these assumptions were as follows:

	December 31, 2005	
	E.Sun CBO 2005-1	E.Sun CBO 2005-2
Carrying amount of retained interest	$ 50,000	$ 3,965,809
Projected credit loss rate (annual)	0%	2%
Impact on fair value of 10% adverse change	-	(87,740)
Impact on fair value of 20% adverse change	-	(184,144)

c.As of December 31, 2005, there had been no credit loss on the securitized bonds; thus, the expected static pool credit loss rate is equal to projected credit loss rate.

d.Cash flows

Cash flows resulting from the securitization are as follows:

	E.Sun CBO 2005-1	E.Sun CBO 2005-2
Proceeds from sales of beneficiary certificate	$ 10,000,000	$ 14,375,044
Prepayment of reserve deposit	(80,000)	(51,000)

e.In 2005, the Bank bought structured bonds from the mutual fund managed by E.Sun Securities Investment Trust Corp. and securitized these bonds under E.Sun CBO 2005-2. E.Sun Securities Investment Trust Corp. promised to compensate the Bank for any loss when the trust contract ends. This transaction had been approved by the board of directors and related authorities.

13.ACCUMULATED DEPRECIATION

	December 31	
	2005	2004
Buildings	$ 522,439	$ 396,082
Computers	1,059,675	864,413
Transportation equipment	150,668	133,032
Miscellaneous equipment	586,610	492,884
	$2,319,392	$1,886,411

14.GOODWILL

The Bank acquired substantially all of the business, and assets and liabilities of the Kaohsiung Business Bank Co., Ltd. on September 4, 2004. The Bank recognized the goodwill of $6,117,415 thousand from this acquisition. The goodwill is amortized over five years. The Bank recognized amortization expenses $998,886 thousand and $352,435 thousand (recorded as business operating expenses) in 2005 and 2004, respectively, and an impairment loss of $1,103,393 thousand (recorded as nonoperating losses) on September 30, 2004. The impairment loss amount was based on the management's evaluation of the scale of future operations.

15.OTHER ASSETS, NET

	December 31	
	2005	2004
Foreclosed collaterals	$ 167,101	$ 478,379
Less allowance for possible losses	40,401	75,899
Foreclosed collaterals, net	126,700	402,480
Rentable assets, net (less accumulated depreciation $27,527 thousand in 2005 and $13,305 thousand in 2004)	3,216,271	3,103,224
Refundable deposits	987,478	960,864
Idle assets, net (less accumulated depreciation $10,594 thousand in 2005and $2,127 thousand in 2004)	724,140	690,664
Deferred income tax assets, net	177,961	232,929
Deferred charges, net	155,089	224,044
Revaluation of derivative transactions	13,945	284,827
	$ 5,401,584	$ 5,899,032

16.SHORT-TERM DEBTS

	December 31	
	2005	2004
Credit loans - 1.48%-1.58% annual interest rate	$ 1,030,000	$ -

17.COMMERCIAL PAPER ISSUED

	December 31	
	2005	2004
Commercial paper issued	$ 260,000	$ -
Less discount on commercial paper issued - 1.162%-1.330% discount rate	430	-
	$ 259,570	$ -

18.SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold for $10,104,894 thousand and $10,676,519 thousand under repurchase agreements as of December 31, 2005 and 2004, respectively, would be purchased for $10,111,256 thousand and $10,682,837 thousand by April 20, 2006 and June 8, 2005, respectively, with the purchase by June 8, 2005 already completed.

19.DUE TO THE CENTRAL BANK OF CHINA AND OTHER BANKS

	December 31	
	2005	2004
Call loans from banks	$ 23,029,028	$ 21,342,104
Due to banks	950,032	96,163
Bank overdraft	200,047	65,439
Due to the Central Bank of China	61,334	65,005
	$ 24,240,441	$ 21,568,711

20.PAYABLES

	December 31	
	2005	2004
Checks for clearing	$ 6,981,646	$ 2,726,836
Accrued interest	1,535,869	1,097,094
Acceptances	796,593	683,912
Other payable - ESFHC	459,146	786,427
Accrued expenses	345,112	251,288
Collections payable	327,701	181,374
Other	685,732	737,450
	$ 11,131,799	$ 6,464,381

21.DEPOSITS AND REMITTANCES

	December 31	
	2005	2004
Deposits:	$ 6,519,019	$ 4,152,894
Checking	54,258,365	41,756,710
Demand	103,248,161	83,158,428
Savings - demand	125,680,958	85,541,684
Time	16,961,200	14,654,000
Negotiable certificates of deposit	133,672,080	101,672,666
Savings - time	73,448	35,133
Remittances		
	$ 440,413,231	$ 330,971,515

22.BONDS

	December 31	
	2005	2004
Bonds issued on August 6, 2001; 3.76% interest, payable annually; principal due on maturity date (5 years after the issue date).	$ 3,000,000	$ 3,000,000
Subordinated bonds issued on August 6, 2001; 4.2% interest, payable annually; principal repayable in five installments starting in the third year from the issue date and final installment due at the end of the seventh year.	1,200,000	1,600,000
Four types of subordinated bonds issued on June 13, 2002; 5%-8.6% interest rate minus the 90 days' interest rate of commercial paper (stated below), payable quarterly; principal due on the maturity date (5 years after the issue date).	1,700,000	1,700,000

	December 31	
	2005	2004
Four types of subordinated bonds issued on August 16, 2002; 5.94% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5 years after the issue date).	$ 1,300,000	$ 1,300,000
Five types of bonds issued on August 23, 2002; 6% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5.5 years after the issue date).	2,000,000	2,000,000
Eight types of bonds issued on October 9, 2003; interest rate at (a) 3.8% for the first year, 5.0% minus six months' London Interbank Offered Rate for U.S. dollars (6M LIBOR) for the second to the fifth year and 180 days' interest rate for commercial paper starting from October 9, 2005 for types A and B bonds; (b) 5.15% minus 6M LIBOR for types C to E bonds; and (c) 4.22% minus 90 days' interest rate for commercial paper for types F to H bonds, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	2,000,000	2,000,000
Seven types of bonds issued on October 16, 2003; interest rate at (a) twice the five years' NT$ interest rate swap (IRS) minus the two years' NT$ IRS for types A to D bonds; (b) twice the five years' NT$ IRS minus the two years' NT$ IRS plus 0.75% for types E and F bonds; and (c) 3% for the first year and twice the five years' NT$ IRS minus the two years' NT$ IRS plus 0.4% for the second to the fifth year for the type G bond, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	1,800,000	1,800,000
Five types of bonds issued on October 29, 2003; interest rates at (a) three months' London Interbank Offered Rate for U.S. dollars (3M LIBOR) plus 1.2% if 3M LIBOR is less than 1% or 4.7% minus 3M LIBOR if 3M LIBOR is more than or equal to 1% for type A bond; (b) 2.5 times of the five years' NT$ IRS minus two years' NT$ IRS plus 0.45%, with limit of 3.75%, for types B and C bonds; and (c) 2.5 times of the five years' NT$ IRS minus the two years' NT$ IRS plus 0.4%, with limit of 3.7%, for types D and E bonds, with all interest rates not to fall below 0% and payable semiannually for type A bond and quarterly for other bond types; principal due on the maturity date (5 years after the issue date).	1,200,000	1,200,000
Seven types of bonds issued on February 27, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.6% if 6M LIBOR is between 1.05% and 2%, or 4.52% minus 6M LIBOR if 6M LIBOR is more than 2% for types A to D bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types E to G bonds with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	2,000,000	2,000,000

	December 31	
	2005	2004
Three types of bonds issued on February 27, 2004; interest rates at 3.03% if 6M LIBOR is less than or equal to 2.5%, or 5.2% minus 6M LIBOR if 6M LIBOR is more than 2.5%, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	$ 1,000,000	$ 1,000,000
Eight types of bonds issued on March 18, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2.00%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types A and B bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.40% if 6M LIBOR is between 1.05% and 2.00%, or 4.4% minus 6M LIBOR if 6M LIBOR is more than 2% for types C to E bonds; (c) 2.5 times of the five years' NT$ IRS minus the two years' NT$ IRS plus 0.5% if the five years' NT$ IRS minus the two years' NT$ IRS is less than or equal to 1.2%, or 2% if the five years' NT$ IRS minus the two years' NT$ IRS is more than 1.2% for types F and G bonds; (d) 2 times of the five years' NT$ IRS minus the two years' NT$ IRS plus 1.75% if the five years' NT$ IRS minus the two years' NT$ IRS is less than or equal to 1.2%, or 2.65% if the five years' NT$ IRS minus the two years' NT$ IRS is more than 1.2% in the first and second years, and 3 times of the five years' NT$ IRS minus the two years' NT$ IRS if the five years' NT$ IRS minus the two years' NT$ IRS is less than or equal to 1.2%, or 2.1% if the five years' NT$ IRS minus the two years' NT$ IRS is more than 1.2% in the third to fifth year for type H bond, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	2,000,000	2,000,000
Five bond types issued on May 10, 2004; interest rates at (a) (6M LIBOR plus 0.5001%) _ n/N for type A bond; (b) (6M LIBOR plus 0.5002%) _ n/N for type B bond; (c) (6M LIBOR plus 0.5003%) _ n/N for type C bond; (d) (6M LIBOR plus 0.5004%) _ n/N for type D bond, with 6M LIBOR for types A to D bonds between 1% and 2% in the first year, between 1% and 2.25% in the second year, between 1.05% and 3.00% in the third year, between 1.05% and 3.50% in the fourth year, between 1.1% and 4.0% in the fifth year, between 1.10% and 4.25% in the sixth year, between 1.1% and 4.5% in the seventh year, "n" means the total days of 6M LIBOR between the foregoing interest rate range in each interest-bearing period, "N" means total days of each interest-bearing period; (e) 1.15 times of the ten years' US$ CMS minus the two years' US$ CMS with interest rates not to fall below 0% for type E bond; payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	2,300,000	2,300,000

	December 31	
	2005	2004
Three types of bonds issued on May 19, 2004, interest rates at (a) 3% if 6M LIBOR is less than or equal to 2.5%, or 5.3% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.82% if 6M LIBOR is between 1.1% and 2.5%, or 5% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type B bond; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 2.0%, or 5.1% minus 6M LIBOR if 6M LIBOR is more than 2%; with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (7 years after the issue date).	$ 900,000	$ 900,000
Five types of bonds issued on June 1, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.5% if 6M LIBOR is between 1.1% and 2.5%, or 5.15% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5% for types B and C bonds; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 6.05% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (5 years after the issue date).	1,300,000	1,300,000
Bonds issued on June 1, 2004; interest rate at 6M LIBOR if 6M LIBOR is less than 0.9%, or 4% if 6M LIBOR is between 0.9% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually; principal repayable on the maturity date (7 years after the issue date).	500,000	500,000
Subordinated bonds issued on September 16, 2004; 2.95% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	1,300,000	1,300,000
Subordinated bonds issued on December 17, 2004; 2.80% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date).	3,700,000	3,700,000
Bonds issued on June 24, 2005; 2.75% interest, payable annually; principal repayable on maturity date (10 years after the issue date).	5,000,000	-
Subordinated bonds issued on October 11, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Past Co., Ltd. plus 0.425%, payable quarterly; principal repayable on maturity (seven years after the issue date).	2,000,000	-
Subordinated bonds issued on October 19, 2005; 2.725% interest, payable annually; principal repayable on maturity date (7 years after the issue date).	1,400,000	-
Subordinated bonds issued on November 4, 2005; interest rate at the one-year time savings deposit floating rate of Chunghwa Past Co., Ltd. plus 0.4%, payable annually; principal repayable on maturity (seven years after the issue date).	1,600,000	-
	$ 39,200,000	$ 29,600,000

The above 90 days' and 180 days' interest rates for commercial paper and floating interest rate were based on the average interest rate quoted by Hong Kong's Moneyline Telerate and Reuter.

23.OTHER LONG-TERM LIABILITIES

	December 31	
	2005	2004
Credit-linked structured products	$ 2,550,000	$ -
Five-year fixed income, principal-guaranteed deposit (in New Taiwan dollars)	1,000,000	-
	$ 3,550,000	$ -

Credit-linked structured products refer to money deposited in accordance with the structured-product contracts valued in New Taiwan dollars between the Bank and other parties, in which credit risks on certain bonds will be transferred to the counter-parties. When the bond issuers face certain situations as described in the contract, the Bank can make repayments by giving the bonds to the counter parties. The interest rate for this product is from 2.18% to 2.40%, and product maturity is in November 2010.

The five-year fixed income, principal-guaranteed deposits in New Taiwan dollars are the structured deposit, with 2.29% interest payable quarterly and guaranteed return of principal upon instrument maturity. If counter-parties end contracts prematurely, the Bank has the right to recall the deposits at face value each interest paying day.

24.PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2005			
	Business Expense	Adminis-trative Expense	Other	Total
Personnel expenses				
Salaries	$ 2,016,103	$ 125,179	$ -	$ 2,141,282
Insurance	157,947	10,137	-	168,084
Pension	135,408	5,751	-	141,159
Other	177,515	7,922	20,735	206,172
Depreciation expenses	331,361	209,889	-	541,250
Amortization expenses	1,039,896	39,611	9,915	1,089,422

	2004			
	Business Expense	Adminis-trative Expense	Other	Total
Personnel expenses				
Salaries	$ 1,768,487	$ 125,719	$ -	$ 1,894,206
Insurance	121,387	8,641	-	130,028
Pension	84,215	6,770	-	90,985
Other	139,812	7,633	22,458	169,903
Depreciation expenses	266,048	141,018	-	407,066
Amortization expenses	372,837	32,714	6,610	412,161

The personnel, depreciation and amortization expenses were part of operating expenses.

25.INCOME TAX

a.Income tax was calculated as follows:

	2005	2004
Income tax expense - current before tax credits	$ 781,742	$ 834,016
Net change in deferred income tax:		
Tax credits	-	10,679
Loss carryforwards	-	306,901
Allowance for possible losses on loans and receivables	(4,223)	108,218
Loss on market value decline of foreclosed collaterals	8,875	(18,975)
Goodwill	56,149	(262,000)
Unrealized gain or loss on derivative transactions	(8,856)	9,872
Unrealized foreign exchange gain	9,555	(19,513)
Tax on unappropriated earnings (10%)	(68)	111,122
Adjustment of prior year's tax	116,022	7,500
	4,504	
	$ 963,700	$ 1,087,820

b.A reconciliation of income tax expense - current before tax credits and income tax expense on income before income tax was shown below:

	2005	2004
Income tax expense on income before income tax at statutory rate (25%)	$ 1,198,473	$ 2,092,929
Permanent differences:		
Others	(355,299)	(1,100,714)
Temporary differences	(61,432)	(158,199)
Income tax expense - current before tax credits	$ 781,742	$ 834,016

c.Net deferred income tax assets were as follows:

	December 31	
	2005	2004
Deferred income tax assets (liabilities)		
Goodwill	$ 205,851	$ 262,000
Loss on market value decline of foreclosed collaterals	10,100	18,975
Allowance for possible losses on loans and receivables	12,421	1,734
Pension	68	-
Unrealized gain or loss on derivative transactions	(1,016)	(9,872)
Unrealized foreign exchange gain	(49,463)	(39,908)
Net deferred income taxes assets	$ 177,961	$ 232,929

d.Imputed tax credit was summarized as follows:

	The Bank	ESFL	ESIA
Balance of imputation credit account (ICA)			
December 31, 2005	$ 23,637	$ 18,531	$ 237
December 31, 2004	$ 6,451	$ 12,379	$ 164
Estimated creditable tax ratio for distributing the 2005 Earnings	1.11%	-	29.61%
Actual creditable tax ratio for distributing the 2004 Earnings	0.98%	-	33.33%

The actual creditable tax ratio may differ from the estimated creditable tax ratio since such ratio is computed on the date the dividend is actually paid or distributed.

e.The unappropriated earnings as of December 31, 2005 and 2004 had no earnings generated before January 1, 1998.

f.The effective tax for 2005 and 2004 was about 25%.

g.The years for which income tax returns had been examined by the tax authorities as of December 31 2005 were as follows:

Bank	ESFL	ESIA
2001	2002	2003

h.In their assessment of the 1994 to 2001 (except 1996 and 1999) tax returns, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to periods when those bonds, totaling $290,044 thousand, were held by other investors. The Bank had accrued liabilities and written off assets that were related to the foregoing withholding taxes as part of income tax expense in 2001. In August 2002, the Supreme Administrative Court decided that the Taipei National Tax Administration should review the withholding tax issue again.

In 2003, the Taipei National Tax Administration decided to rebate 65% of the foregoing withholding taxes. The Bank accepted this decision and thus recognized a tax refund receivable in 2003. As of December 31, 2005, the Bank had received a tax refund of $61,727 thousand on the 1994, 1995 and 1998 tax returns.

26.STOCKHOLDERS' EQUITY

In December 2004, the Bank increased its capital by $2,000,000 thousand. For this increase, the Bank issued 200,000 thousand shares at NT$30.00 per share.

The Bank's stockholders resolved to use the 2004 unappropriated earnings of $2,138,550 thousand as stock dividends of 213,855 thousand shares. This appropriation was approved by the Financial Supervisory Commission (FSC) and Ministry of Economic Affairs. As of December 31, 2005, the Bank's issued capital stock amounted to $22,313,550 thousand.

In their meeting on December 29, 2005, the Bank's board of directors resolved to increase the Bank's capital by $2,000,000 thousand and to issue 100,000 thousand shares at NT$20.00 per share. Thus, the Bank's authorized capital stock will increase to $23,313,550 thousand. E.Sun Financial Holdings, the Bank's parent, will subscribe for all the new shares. The Bank will issue the shares upon the authorities' approval.

The Bank's Articles of Incorporation provide that the following should be appropriated from the annual net income less any accumulated deficit:

a.30% as legal reserve;

b.Special reserve, if needed; and

c.From any remainder

1) 94% as dividends

2) 1% as remuneration to directors and supervisors

3) 5% as bonus to employees

The stockholders may decide not to declare any dividends or decide to distribute only a portion of the distributable earnings.

Under the Bank's policy, cash dividends are the major portion of the declared dividends. However, cash dividends should not be more than 15% of paid-in capital if legal reserve is less than the total paid-in capital.

Appropriations of earnings should be resolved by the stockholders in the following year and reflected in the financial statements of that year.

On April 27, 2005 and 2004, the Bank's stockholders resolved the following appropriation of the 2004 and 2003 earnings, respectively:

	Appropriation		Dividend Per Share (NT$)	
	2004	2003	2004	2003
a.Legal reserve	$ 2,185,181	$ 1,018,878		
b.Cash dividend	2,703,450	2,181,000	$1.34	$1.20
c.Stock dividend	2,138,550	-	1.06	-
d.Remuneration to directors and supervisors	51,511	23,202		
e.Bonus to employees - cash	257,553	116,011		

The foregoing appropriations were the same as those resolved in the Board's meeting on February 14, 2005 and February 12, 2004.

Had the remuneration to directors and supervisors and bonus to employees been recognized as expenses, the basic EPS (after income tax) for 2004 would have decreased from NT$3.61 to NT$3.49.

As of February 8, 2006, the date of the accompanying auditors' report, the Board had not resolved the appropriation of the 2005 earnings.

Information on the appropriation of earnings or deficit offsetting can be accessed through the Web site of the Taiwan Stock Exchange (http://emops.tse.com.tw).

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve should only be used to offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital, the amount over 50% of the Bank's paid-in capital may be declared as dividends or bonus if the Bank has no earnings. If the Bank has no deficit, only an amount of over 25% of the Bank's paid-in capital may be declared as stock dividends. In addition, the Banking Law limits the appropriation of cash dividends to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be waived.

Under related regulations, capital surplus may only be used to offset a deficit. However, capital surplus arising from issuance of shares in excess of par value (issuance in excess of common stock par value, capital surplus from issuance of common stock for combination and treasury stock transactions) and donation may be transferred to common stock on the basis of the percentage of shares held by the stockholders. Any capital surplus transferred to common stock should be within a certain percentage prescribed by law.

Under the integrated income tax system, which took effect on January 1, 1998, the stockholders are allowed a tax credit for their proportionate share of the income tax paid by the Bank on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Bank for such income tax and the tax credit allocated to each stockholder. The maximum credit available for allocation to each stockholder cannot exceed the balance shown in the ICA on the date of dividend distribution.

27.TREASURY STOCK

Reason for Redemption	Beginning of the Year	Increase	Decrease	End of the Year
Reissuance to employees 2004	40,000 thousand shares	-	40,000 thousand shares	-

Following are the provisions of the Securities and Exchange Law on treasury stock:

a.The total number of shares that can be held in treasury stock is limited up to 10% of the number of total outstanding shares.

b.The maximum cost of reacquiring treasury shares is limited up to the sum of the balances of the retained earnings, paid-in capital in excess of par value and realized capital surplus;

c.Using treasury shares to secure any obligations or commitments of the Bank is prohibited;

d.The Bank is prohibited from exercising the rights of a stockholder on the treasury shares.

Under a directive issued by the Securities and Futures Bureau, the Bank repurchased its issued stocks pursuant to the Securities and Exchange Law and became a wholly owned subsidiary of ESFHC, resulting in the conversion of the Bank's treasury stocks into the ESFHC's stocks. The stocks acquired by the Bank were as also treated as treasury stock.

On August 26, 2004, the Bank reissued all treasury stock to employees at the price of average carrying amount.

28.EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Amount (Numerator)		**Shares**	**Earnings Per Share (Dollars)**	
	Before Income Tax	After Income Tax	(Denominator) (Thousands)	Before Income Tax	After Income Tax
Basic EPS					
2005	$ 4,783,016	$ 3,829,944	2,231,355	$ 2.14	$ 1.72
2004	$ 8,371,756	$ 7,283,936	2,019,221	$ 4.15	$ 3.61

The number of shares outstanding was retroactively adjusted to reflect the effects of the stock dividends distributed in the year following earnings appropriation. Because of this adjustment, the basic EPS before and after income tax decreased from NT$4.59 to NT$4.15 and from NT$3.99 to NT$3.61 for the year ended December 31, 2004, respectively.

29.PENSION PLAN

The Bank has a defined benefit pension plan for all regular employees. Under this plan, the Bank makes monthly contributions, equal to 5.54% of salaries, to a pension fund. The fund is deposited in the Central Trust of China in the name of the employees' fund administration committee, which manages the fund. The difference between the foregoing contributions and the pension costs based on actuarial calculations is deposited in the Bank in the name of the employees' pension fund administration committee. The Bank amended the defined benefit plan in 2005. Upon retirement, an employee will receive an amount calculated on the basis of service years.

ESFL has a defined benefit pension plan for all regular employees. Upon retirement, an employee will receive an amount calculated on the basis of service years.

The Labor Pension Act (the "Act"), which took effect on July 1, 2005, provides for a new, defined contribution pension plan. Employees were allowed to choose to continue being subject to the pension mechanism under the Labor Standards Act or the mechanism under the Act. For Company employees who were subject to the Labor Standards Act before 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. Based on the Act, the rate of the Company's monthly contribution to the Labor Pension Fund is 6% of monthly salaries and wages. For employees who chose to keep on using the pension mechanism under the Labor Standards Act, the Bank has continued to make monthly contributions to the pension fund from July 1, 2005 at the same rate of 5.54% of salaries.

Pension expense under the Act was $45,565 thousand in the second half of 2005.

Other information in 2005 and 2004 on the defined benefit plan is as follows:

	Bank		ESFL
	2005	2004	2005
a.Net pension cost			
Service cost	$ 84,582	$ 99,172	$ 558
Interest cost	20,576	14,657	92
Actual return on plan assets	(49,876)	(76,712)	-
Amortization	39,722	53,868	(60)
Net pension cost	$ 95,004	$ 90,985	$ 590

	The Bank		ESFL
	December 31		December 31
	2005	2004	2005
b.Reconciliation of the plan funded status to balance sheet amounts			
Benefit obligation:	$ (41,575)	$ (15,734)	$ -
Vested benefit obligation	(502,569)	(356,054)	(2,764)
Non-vested benefit obligation	(544,144)	(371,788)	(2,764)
Accumulated benefit obligation	(384,797)	(254,242)	(1,085)
Additional benefits based on future salaries	(928,941)	(626,030)	(3,849)
Projected benefit obligation	823,288	783,441	3,123
Fair value of plan assets	(105,653)	157,411	(726)
Funded status	(22,204)	(23,304)	436
Unrecognized transitional net asset	119,955	-	-
Unamortized prior service cost	(15,354)	(138,104)	30
Unamortized net pension gains or losses			
Accrued pension cost	$ (23,256)	$ (3,997)	(260)
Vested benefits	$ (41,761)	$ (15,734)	$ -
c.Actuarial assumptions			
Discount rate	2.5%	3.0%	2.5%
Rate of increase in compensation	3.0%	3.0%	2.5%
Expected long-term rate of return on plan assets	2.5%	3.0%	2.5%
d.Summary of pension fund contributions and payments			
Contributions	$ 75,223	$ 88,688	$ 331
Payment of benefits	$ 85,252	$ 8,543	$ -

30.RELATED-PARTY TRANSACTIONS

In addition to those mentioned in other notes, the relationship with the Company and significant related-party transactions, as well as the related parties, are summarized as follows:

a.Related parties

Related Party	Relationship with the Bank
E.Sun Financial Holding Company (ESFHC)	Parent company
E.Sun Bills Finance Corporation ("E.Sun Bills"), E.Sun Securities Corporation ("E.Sun Securities"), E.Sun Venture Capital Co., Ltd., E.Sun Securities Investment Trust Corp. and E.Sun Insurance Broker Co., Ltd. ("E.Sun Insurance Broker")	Subsidiaries of ESFHC
E.Sun Foundation and E.Sun Volunteer & Social Welfare Foundation	One-third of the funds are donated by the Bank and E.Sun Bills
E.Sun Finance & Leasing Co. and E.Sun Insurance Agent Co.	Equity-method investees of subsidiary (applicable to the year ended December 31, 2004)
Kao Li Real Estate Management Co.	Equity-method investee until its liquidation in June 2005
Fubon Securities Finance Co. and Bank-Pro E-Service Technology Co., Ltd.	The Bank is a director of the Company
Other	The Bank's chairman, president, directors, supervisors, managers and their relatives

b.Significant transactions between the Company and related parties

	December 31			
	Amount	% to Total	Interest Rate (%)	Revenue (Expense)
2005				
1)Loans	$ 315,292	-	1.225-4.270	$ 9,830
2)Deposits	$ 5,501,762	1	0-8.88	$ (26,899)
3)Securities purchased under resell agreements	$ -	-	1.460-1.465	$ 641
4)Securities sold under repurchase agreements	$ 30,000	-	0.990-1.405	$ (199)
2004				
1)Call loans to bank	$ -	-	0.925-1.175	$ 26
2)Loans	$ 615,370	-	1.025-6.72	$ 10,995
3)Deposits	$ 1,966,648	1	0-8.5	$ (91,474)
4)Securities sold under repurchase agreements	$ 517,762	5	0.65-1.025	$ (3,537)
5)Securities purchased under resell agreements	$ -	-	0.725-1.05	$ 253
6)Bonds	$ -	-	-	$ (3,621)

	December 31			
	2005		2004	
	Amount	% to Total	Amount	% to Total
7)Other receivables (part of receivables)				
ESFHC	$ 80,131	-	$ 80,131	-
8)Other payables (part of payables)				
ESFHC	$ 459,146	4	$ 786,427	12
9)Unearned revenue (part of advances)	$ 2,378	-	$ -	-
10)Guarantee deposits received (part of other liabilities)	$ 6,226	1	$ -	-
11)Refundable deposits (part of other assets)	$ 301	-	$ -	-
12)Prepaid interest (part of prepaid expenses)	$ 14,304	4	$ -	-
13)Securities purchased - mutual funds	$ 14,200	-	$ -	-

The Bank's parent company, ESFHC, has filed consolidated corporate tax returns, i.e., including the Bank's income tax return, from 2003.

14)Purchases and sales of securities

	2005		2004	
Related Party	Purchases Amount	Sales Amount	Purchases Amount	Sales Amount
E.Sun Bills	$ 11,645,678	$ 3,170,072	$ 847,459	$ 2,698,469
E.Sun Securities	248,430	199,511	200,480	216,309

	2005	2004
15)Donation - E.Sun Volunteer & Social Welfare Foundation		$ 35,943
16)Rental revenue (part of operating income - others)	$ 21,589	$ 5,787
17)Rental expense (part of operating expense)	$ 4,004	$ -
18)Contracted research expense (part of operating expense)	$ 46,772	$ -
19)Telecommunications expense (part of operating expense)	$ 5,910	$ -
20)Maintenance expense (part of operating expense)	$ 780	$ -
21)Software service charges (part of operating expense)	$ 714	$ -
22)Brokerage service charges (part of gains on sales of securities)	$ 3,117	$ -
23)Foreign exchange gain, net - ESFHC	$ 56	$ 115,415
24)Underwriting expenses (part of service charges)	$ 3,125	$ -

The Bank used an adjacent office building under operating lease contracts with related parties. The monthly or quarterly rentals were payable in advance.

The interest rates shown above are similar to, or approximate, those offered to third parties. However, the interest rates for deposits given to managers of the Bank are the same as the interest rates for a certain amount of employees' savings deposits.

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

31.PLEDGED ASSETS

	December 31	
	2005	2004
Securities purchased (face value)	$ 693,996	$ 1,004,100
Receivables	300	600
Long-term bond investments (face value)	5,058,500	5,050,000
Rentable assets (carrying amount)	279,635	-
	$ 6,032,431	$ 6,054,700

As of December 31, 2005 and 2004, the foregoing long-term bond investments had been provided as collaterals for day term overdraft to comply with the Central Bank's clearing system requirement for real-time gross settlement (RTGS). The unused overdraft amount at the end of a day can also be treated as the Bank's liquidity reserve.

As of December 31, 2004, the Bank provided $100,000 thousand (face value) in government bonds as refundable execution deposits. Other securities were placed with courts of justice for various collection cases on overdue loans or were used as business reserve.

The rentable assets are real estates on which the Bank had acquired guarantee deposits of $190,000 thousand based on related contracts. The real estates had been pledged to the tenants, i.e., if the Bank does not return the deposits to the tenants upon contract expiry or termination, the tenants have the right to dispose the properties.

32.CONTINGENCIES AND COMMITMENTS

In addition to those mentioned in other notes, the commitments as of December 31, 2005 were as follows:

a.Renewable operating lease agreements on premises occupied by the Bank's branches, which will expire on various dates by July 2015. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2005, refundable deposits on these leases totaled $781,105 thousand (shown as “refundable deposits”). Minimum annual rentals for the next five years are as follows:

Year	Amount
2006	$ 347,252
2007	284,236
2008	221,626
2009	167,065
2010	76,021

Total rentals for 2011 to 2015 will aggregate $11,773 thousand. The present value of these rentals is $10, 249 thousand, based on 1.915% annual interest.

b.Agreements for decoration of buildings and various purchases related to the improvements of existing premises occupied by the Bank's branches, which amounted to approximately $1,389,479 thousand. As of December 31, 2005 the remaining unpaid amount was approximately $736,370 thousand.

33.CAPITAL ADEQUACY RATIO

Unit: %

Item	December 31, 2005	December 31, 2004
Capital adequacy ratios (Note)	10.00	11.51
Consolidated capital adequacy ratios (Note)	10.01	11.52
Ratios of debt to net worth	1,582	1,227

Note: Capital adequacy ratio = Eligible capital/Risk-based assets. Under the Banking Law and related regulations, the capital adequacy ratio (CAR) should be computed at the end of June and December.

The Banking Law and related regulations require that the Bank maintain its non-consolidated and consolidated capital adequacy ratios (CAR) at a minimum of 8%. In addition, if the Bank's CAR falls below 8%, the authorities may impose certain restrictions on the amount of cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

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

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

	2005		2004	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash and cash equivalents - due from banks	$ 1,340,382	1.58	$ 3,293,861	1.11
Due from the Central Bank of China and other banks	17,930,462	1.79	15,272,565	1.55
Securities purchased	66,310,995	2.36	51,367,824	1.39
Securities purchased under resell agreements	2,505,744	0.99	2,510,687	0.81
Receivables of credit cards	30,198,636	12.74	25,418,504	14.31
Bills, discounts and loans	319,415,591	3.32	240,121,560	3.40
Long-term bond investments	8,853,356	2.02	6,384,168	2.08
Other long-term investments	2,713,248	1.75	1,823,816	1.69
Other financial assets	753,032	1.27	-	-
Interest-bearing liabilities				
Securities sold under repurchase agreements	$ 10,627,246	1.12	$ 11,414,941	0.80
Due to the Central Bank of China and other banks	28,827,048	2.54	26,677,506	1.31
Demand	41,432,261	0.38	31,711,638	0.18
Savings - demand	91,316,207	0.55	70,520,794	0.54
Time	100,525,866	1.76	81,163,817	1.26
Savings - time	115,253,942	1.64	82,407,110	1.45
Negotiable certificates of deposit	18,698,537	1.26	13,267,152	1.03
Bonds	33,043,836	2.30	23,660,073	1.86

35.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 related agreements and, if there are no specified maturity dates, on the expected dates of collection or payment.

	December 31, 2005			
	Due in One Year	Due after One Year Up to Seven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	$11,288,720	$ -	$ -	$11,288,720
Due from the Central Bank of China and other banks	35,209,053	-	-	35,209,053
Securities purchased	69,324,394	-	-	69,324,394
Receivables	34,167,513	903,434	-	35,070,947
Securities purchased under resell agreements	2,601,670	-	-	2,601,670
Bills, discounts and loans	88,306,910	67,533,790	213,740,371	369,581,071
Long-term bond investments	9,882	7,702,730	4,541,860	12,254,472
Other long-term investments	-	6,092,075	3,254,337	9,346,412
Other financial assets	-	1,926,343	-	1,926,343
	$240,908,142	$ 84,158,372	$221,536,568	$546,603,082
Liabilities				
Short-term debts	$ 1,030,000	$ -	$ -	$1,030,000
Commercial paper issued	259,570	-	-	259,570
Securities sold under repurchase agreements	10,104,894	-	-	10,104,894
Due to the Central Bank of China and other banks	24,240,441	-	-	24,240,441
Payables	11,131,799	-	-	11,131,799
Deposits and remittances	419,052,863	21,360,368	-	440,413,231
Bonds	3,000,000	31,200,000	5,000,000	39,200,000
Other long-term liabilities	-	3,550,000	-	3,550,000
	$468,819,567	$56,110,368	$ 5,000,000	$529,929,835

	December 31, 2004			
	Due in One Year	Due after One Year Up toSeven Years	Due After Seven Years	Total
Assets				
Cash and cash equivalents	$7,899,575	$ -	$ -	$ 7,899,575
Due from the Central Bank of China and other banks	27,671,867	-	-	27,671,867
Securities purchased	54,815,405	-	-	54,815,405
Receivables	30,792,960	-	-	30,792,960
Securities purchased under resell agreements	5,569,238	-	-	5,569,238
Bills, discounts and loans	79,445,646	51,294,233	146,431,404	277,171,283
Long-term bond investments	-	-	7,208,804	7,208,804
Other long-term investments	-	3,632,339	-	3,632,339
Other financial assets				
	$206,194,691	$ 54,926,572	$153,640,208	$ 414,761,471
Liabilities				
Securities sold under repurchase agreements	$ 10,676,519	$ -	$ -	$ 10,676,519
Due to the Central Bank of Chinaand other banks	21,568,711	-	-	21,568,711
Payables	6,464,381	-	-	6,464,381
Deposits and remittances	319,930,264	11,041,251	-	330,971,515
Bonds	400,000	29,200,000	-	29,600,000
	$359,039,875	$ 40,241,251	$ -	$ 399,281,126

36.FINANCIAL INSTRUMENT TRANSACTIONS

a.Derivative transactions

The Bank uses forward exchange, currency swap, interest rate swap, cross-currency swap, foreign-currency margin, currency option, government bonds option, credit-linked loan, credit default swap and futures contracts as hedging instruments for exchange rate and interest rate exposures primarily related to its clients' import obligations and export receipts and remittances. It also uses these contracts to cover its own exposures. Furthermore, the Bank uses cross-currency swap, interest rate swap, asset swap and credit default swap contracts to hedge its exchange rate and interest rate exposures as well as its credit risks as a bond issuer.

Credit risk represents the exposure of the Bank to potential losses due to defaults by counter-parties or issuers. To manage this risk, the Bank reviews the credit history and credit rating of individual customers before entering into any derivative contracts with them. The general terms of the acceptable arrangements (including maximum limits on contractual amounts and, if necessary, required guarantees) are approved by the Bank on the basis of the results of the reviews. The transactions are carried out within the approved terms and limits.

The acceptability of doing business with another bank is evaluated on the basis of its world ranking and credit rating. The evaluation also includes determining the limits on contractual amounts with respect to the bank counter-parties, and the transactions are made within this limit. In addition, the Bank has entered into futures contracts with international futures and options exchanges; thus, no significant credit risk is expected.

The contract (nominal) amounts, credit risks, and fair values of derivative transactions as of December 31, 2005 and 2004 were as follows:

	December 31					
	2005			2004		
Trading purposes	Contract (Nominal)	Credit Risk	Fair Value	Contract (Nominal) Amount	Credit Risk	Fair Value
Forward exchange contracts	$2,858,443	$ 40,825	$15,728	$ 9,750,002	$ 90,833	$(34,974)
Currency swap contracts	37,528,415	4,630	(882)	6,037,084	8,115	5,182
Interest rate swap contracts	35,388,070	342,455	74,758	3,424,200	15,182	3,010
Cross-currency swap contracts	6,752,192	162,818	91,302	5,321,177	270,825	222,495
Foreign-currency margin contracts	1,305,865	-	41,362	2,615,236	-	127,564
Credit-link loan contracts	4,370,380	6,219	6,219	-	-	-
Option contracts						
Buy	26,502,935	173,156	173,156	25,631,023	534,367	534,367
Sell	27,155,153	-	(319,055)	24,361,892	-	(563,393)
Futures contracts						
Buy	509,330	-	14	-	-	-
Sell	673,630	-	36	-	-	-
Credit default swap contracts						
Buy	2,550,000	-	(511)	-	-	-
Sell	328,600	-	(178)	-	-	-
Nontrading purposes						
Asset swap contracts	5,528,695	195,062	115,660	8,894,881	463,428	260,784
Cross-currency swap contracts	6,165,319	53,251	7,176	6,159,825	246,415	210,230
Interest rate swap contracts	32,700,000	920,645	282,151	19,300,000	389,273	(140,533)
Credit default swap contracts	-	-	-	317,680	266	144

The Bank calculates the fair value of each forward contract at the forward rate for the remaining term, quoted from Reuters or Telerate Information System.

The contract or notional amount is used to calculate the amounts for settlement with the counter-parties, so it is neither the actual amount delivered nor the cash requirement for the Bank. Also, the Bank has ability to enter into derivative financial contracts at reasonable market terms. Thus, the Bank does not expect significant cash flow demands to settle these contracts.

The gains and losses on the derivative transactions were as follows:

	2005	2004
Forward exchange contracts (under "foreign exchange gain, net")	$ 894	$ 34,436
Currency swap contracts		
Interest revenue	$ 143,979	$ 72,906
Interest expense	(140,931)	(9,246)
	$ 3,048	$ 63,660
Asset swap contracts (under "interest revenue")	$ 539,910	$ 24,703
Cross-currency swap contracts		
Interest revenue	$ 317,325	$ 172,305
Interest expense	(433,111)	(160,126)
Gains on derivative transactions	3,329	-
	$ (112,457)	$ 12,179
Interest rate swap contracts		
Gains on derivative transactions	$ 218,002	$ 244,091
Loss from derivative transactions	(112,036)	(725)
Interest expense reduction	89,027	207,962
	$ 194,993	$ 451,328
Foreign-currency margin contracts (under "foreign exchange gain, net")	$ 66,018	$ 119,523
Option contracts		
Gains	$ 1,985,414	$ 1,031,511
Loss	(1,822,441)	(921,417)
	$ 162,973	$ 110,094
Credit default swap contracts		
Gains	$ 1,244	$ -
Loss	(3,718)	-
	$ (2,474)	$ -
Futures contracts		
Gains	$ 5,334	$ -
Loss	(5,799)	-
	$ (465)	$ -
Credit-linked loan contracts (under "interest revenue")	$ 53,579	$ -

b.Fair value of nonderivative financial instruments

	December 31			
	2005		2004	
Assets	Carrying Value	Fair Value	Carrying Value	Fair Value
Asset with fair value the same as the carrying value	$ 454,064,905	$454,064,905	$346,967,600	$346,967,600
Securities purchased	69,193,851	69,193,864	54,815,405	55,271,308
Long-term investments	22,193,158	22,202,964	11,624,627	11,473,142
Liabilities				
Liability with fair value the same as the carrying value	529,838,649	529,838,649	398,726,171	398,726,171

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

1)The carrying values of cash and cash equivalents, due to/from the Central Bank of China and other banks, securities sold (purchased) under repurchase (resell) agreements, receivables, refundable deposits, payables, remittances and parts of other liabilities approximate fair values because of the short maturities of these instruments. The carrying values of other assets and other liabilities also approximate the expected cash inflows or outflows at settlement dates; thus, their carrying values also approximate their fair values.

2)If market prices for securities purchased, long-term investments and other financial assets are available, the fair values of these financial instruments should be based on market prices. If market prices are unavailable, then their carrying values will represent fair values.

3)Bills, discounts and loans, deposits, short-term debt, commercial paper issued, bonds and other long-term liabilities are interest-bearing financial assets and liabilities. Thus, their carrying values represent fair values.

Only the fair values of financial instruments were listed above, thus, the total of fair values listed above does not represent the Bank's fair value.

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

Under normal business operations, the Bank is a party to transactions involving financial services with off-balance-sheet risks, such as issuing credit cards, extending credit facilities and providing financial guarantee and obligations under letters of credit issued. Generally, these transactions are for one year.

The Bank's interest rates for loans ranged from 1.40% to 18.25% in 2005 and 1.20% to 18.25% in 2004. The highest interest rate for credit cards was 19.71% in both years.

There was no concentration of maturity dates in one particular period that would potentially result in liquidity problems to the Bank.

The Bank's amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2005 and 2004 were as follows:

	December 31	
	2005	2004
Credit card commitments	$ 244,392,721	$ 228,563,223
Guarantees and issuance of letter of credit	10,438,314	8,359,827

Since many of the commitments are expected to expire without being drawn upon, the total committed amounts do not necessarily represent future cash requirements. The total potential loss (without considering the value of any collateral) in case of default by counter-parties is equal to the above contractual amounts, if completely drawn upon.

The Bank evaluates the creditworthiness of each credit application case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories, marketable securities and other assets, may be required depending on the evaluation result. As of December 31, 2005 and 2004, about 66% and 63% of total loans granted, respectively, and about 13% and 25%, respectively, for both the aggregate guarantees and letters of credit issued, were secured. No collateral is required for credit card facilities but the credit status of each credit cardholder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit and, if necessary, cancellation of the facility.

d.Concentrations of credit risks

The concentration of credit risk exists when counter-parties to financial transactions are individuals 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. The Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. The Bank's concentrations of credit risk were as follows (10% or more of the outstanding loans):

	December 31			
	2005		2004	
	Amount	%	Amount	%
Natural person	$230,612,281	61	$170,581,201	61
Manufacturing	58,534,113	16	41,453,228	15

37.THE BANK'S RISK MANAGEMENT POLICIES ON CREDIT RISK, MARKET RISK, LIQUIDITY RISK, OPERATION RISK, LEGAL RISK AND MAJOR EXPOSURE

a.Credit risk

1)Asset quality

Unit: In Thousands of Dollars

Items	December 31, 2005	December 31, 2004
Nonperforming loans (overdue loans included)	$ 2,936,430	$ 2,438,734
Overdue loans	2,133,457	1,829,381
Nonperforming loans ratio	0.79%	0.88%
Surveillance loans	-	7,87,924
Surveillance loans/Total loan	-	0.28%
Allowance for possible losses on loans and receivables	1,580,195	1,811,699

Note 1:Nonperforming loans on December 31, 2005 represent the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans which took effect from July 1, 2005.

Note 2:Nonperforming loans on December 31, 2004 were the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the Ministry of Finance (MOF) rulings dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

Note 3:Nonperforming loans ratio = Nonperforming loans (including overdue loans)/Total loan

Note 4:Surveillance loans as of December 31, 2004

a)Midterm and long-term loans repayable in installments, with repayments overdue for more than three months but less than six months;

b)Other loans, with principal repayments overdue by less than three months and interest overdue by more than three months but less than six months;

c)Nonperforming loans exempted from reporting (including rescheduled loans with repayment terms meeting the criteria under relevant regulations; nonperforming loans which are to be repaid through a credit insurance fund and settlement fund; nonperforming loans with the same amount of certificates of time deposits as collaterals; and loans extended under other approved exemption programs);

d)Loans of companies experiencing financial difficulty do not qualify as overdue loans.

2)Concentrations of credit risk

Items	December 31, 2005	December 31, 2004
Credit to interested party	$3,365,506	$5,171,371
Credit to interested party/Total credit	0.90%	1.84%
Credit with stock pledged/Total credit	0.28%	0.40%

	Type of Industry	%	Type of Industry	%
Loan concentration by industry	a.Manufacturing	16	a.Manufacturing	15
	b.Finance,insurance and real estate	9	b.Finance,insurance and real estate	10
	c.Wholesale, retail and catering	6	c.Wholesale, retail and catering	6

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

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

c)Ratios of credit extensions secured by pledged stocks: Credit with stocks pledged ÷ Total credit.

d)The calculation of amounts of credit extensions to interested parties should be based on the Banking Law provisions.

3)Accounting policies on allowance for losses on loans: Note 2.

4)Concentrations of risk: Note 36.

b.Market risk

1)Net positions on foreign-currency transactions

Unit:In Thousands of Dollars

Items	December 31, 2005			December 31, 2004		
	Currency		NT$	Currency		NT$
The net position on foreign-currency transaction (market risk)	HKD	(186,606)	$ (790,874)	USD	(21,112)	$(670,686)
	USD	23,515	772,703	HKD	(102,329)	(417,973)
	EUR	4,406	171,450	SGD	9,382	182,325
	JPY	459,993	128,154	JPY	508,226	157,093
	NZD	(4,221)	(94,734)	RMB	(19,044)	(73,097)

Note: The foreign currencies represent the top five currencies in the Bank's basket of international currencies.

2)Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Note 34.

3)Sensitivity ratios

Unit: %

Items	December 31, 2005	December 31, 2004
Ratio of interest rate-sensitive assets to liabilities	79.45	82.35
Ratio of interest rate-sensitivity gap to stockholders' equity	(248.90)	(165.33)

Note 1:Interest rate-sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities affected by the change of interest rates.

Note 2:Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities.

Note 3:Interest rate-sensitivity gap = Interest rate-sensitive assets °–Interest rate-sensitive liabilities.

c.Liquidity

1)Profitability

Unit: %

Items	Year Ended December 31, 2005	Year Ended December 31,2005
Return on assets	0.96	2.25
Return on equity	14.46	31.03
Net income ratio	18.29	35.92

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

b)Return on equity = Income before income tax/Average equity

c)Net income ratio = Net income/Total operating revenue

d)Income before income tax or net income represents income for the years ended December 31, 2005 and 2004.

e)The profitability is expressed annually.

2)Liquidity analysis of assets and liabilities as of December 31, 2005

	Total	Period Remaining until Due Date				
		0-30Days	31-90Days	91-180Days	181Daysto1Year	Over 1 Year
Assets	$514,932,000	$ 75,847,000	$32,572,000	$ 12,948,000	$24,726,000	$368,839,000
Liabilities	489,097,000	88,267,000	73,542,000	94,936,000	168,935,000	63,417,000
Gap	25,835,000	(12,420,000)	(40,970,000)	(81,988,000)	(144,209,000)	305,422,000
Accumulated gap	25,835,000	(12,420,000)	(53,390,000)	(135,378,000)	(279,587,000)	25,835,000

Note:Listed amounts are in New Taiwan dollars (i.e., excluding foreign-currency amounts) of the head office and domestic branches.

d.Operation and legal risk

Matters Requiring Special Notation
December 31, 2004

Causes	Summary and Amount
Within the past year, a responsible person or professional employee violated the law in the course of business, resulting in an indictment by a prosecutor	None
Within the past year, a fine was levied on the Bank for violations of the Banking Law	None
Within the past year, misconduct occurred, resulting in the Ministry of Finance's imposing strict corrective measures on the Bank	None
Within the past year, the individual loss or total loss from employee fraud, accidental and material events, or failure to abide by the "Guidelines for Maintenance of Soundness of Financial Institutions" exceeded NT$50 million dollars	None
Other	None

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

Note 2:The term "a fine levied for violations of the Banking Law within the past year" means a fine levied by Banking Bureau, Securities and Futures Bureau, Insurance Bureau or Examination Bureau.

38.THE BANK'S BORROWERS, GUARANTORS AND COLLATERAL PROVIDERS AS INTERESTED PARTIES

Category	December 31, 2005 Account Volume	Amount	Possibility of Loss
Consumer loans (Note 1)	386	$ 102,625	$ -
Loan for employees' mortgage housing	503	1,035,641	-
Other loans (Note 2)	504	2,227,240	-
Guarantees	774	2,371,109	-
Collateral providers	877	2,011,728	-

Category	December 31, 2004 Account Volume	Amount	Possibility of Loss
Consumer loans (Note 1)	408	$ 95,467	$ -
Loan for employees' mortgage housing	481	906,960	-
Other loans (Note 2)	397	4,168,943	-
Guarantees	768	1,901,623	-
Collateral providers	774	2,004,369	-

Note 1:Consumer loans are governed by Article 32 of the Banking Law in ROC.

Note 2:Represent the loans, except for consumer loans and loans for employees' mortgage housing, of borrowers who are interested parties.

Note 3:The interested parties mentioned above are governed by Article 33-1 of the Banking Law in ROC.

39.THE BANK'S TRUST BUSINESS UNDER THE TRUST LAW

a.Trust-related items, as shown in the following balance sheet and trust property list

Balance Sheet of Trust Accounts
December 31, 2005 and 2004

Trust Assets	2005	2004
Cash in banks	$ 41,145	$ 7,589
Short-term Investments	37,388,822	28,110,551
Total assets	$ 37,429,967	$ 28,118,140

Balance Sheet of Trust Accounts
December 31, 2005 and 2004

Trust Liabilities	2005	2004
Trust capital		
Trust by cash	$ 35,567,547	$ 26,095,800
Trust by securities	1,862,420	2,022,340
Total liabilities	$ 37,429,967	$ 28,118,140

Trust Property List
December 31, 2005 and 2004

Investment Items	2005	2004
Demand	$ 6,641	$ 3,579
Time	34,504	4,010
Bonds	93,006	9,959
Stocks	2,188,352	2,022,390
Mutual funds	35,073,701	26,078,202
Bonds sold under repurchase agreements	33,763	-
	$ 37,429,967	$ 28,118,140

b.Nature of trust business operations under the Trust Law: Note 1.

40.ALLOCATION OF REVENUE, COST AND EXPENSE THAT RESULTED FROM THE SHARING OF RESOURCES BETWEEN E.SUN FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

Under cooperation arrangements, the Bank and E.Sun Securities shared some equipment and operating sites; thus, related expenses were allocated as follows:

Year ended December 31, 2005	Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	$ 4,774	$ 3,626	$ 8,400	All branches, except Chiayi Branch: The Bank - 2/3 and E.Sun Securities - 1/3; and the Bank's Chiayi Branch - 1/3 and E.Sun Securities - 2/3
Fixtures	172	-	172	Based on area actually occupied
Broadcasting and security systems	286	36		50% each (except the Bank's Chiayi Branch) and the Bank's Chiayi Branch - 100%
Networking, monitoring and telephone systems	$ 156	$ -	$ 156	Based on actual number of equipment used.
Others	21,631	80,113	101,744	Signboard, telephone and miscellaneous expenses - based on actual incurrence; Insurance and cleaning expenses - 50% each; Utilities - based on the actual number of employees, but for the Bank's North Hsinchuang and Tucheng Branch - 50% each Building maintenance expenses - based on space actually occupied
	$ 27,019	$ 83,775	$ 110,794	
Year ended December 31, 2004				
Rental expense	$ 4,738	$ 3,879	$ 8,617	E.Sun Bank: 2/3; E.Sun Securities: 1/3. Nevertheless E.Sun Bank Chiayi Branch: 1/3; E.Sun Securities: 2/3.
Broadcasting and security systems	36	36	72	50% each
Networking,monitoring and telephone systems	-	282	282	Based on actual number of equipment used.
Others	1,354	2,634	3,988	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each Utilities - based on the actual number of employees Building maintenance expenses - based on space actually occupied
	$6,128	$6,831	$12,959	

Under cooperation arrangements, the Bank and E.Sun Bills shared some equipment and operating sites; thus, related expenses were allocated as follows:

Year ended December 31, 2005	Bank	E.Sun Securities	Total	Allocation Method
Rental expense	$ 2,566	$ 1,524	$4,090	Based on space actually occupied
Fixtures	-	418	418	Based on space actually occupied
Broadcasting and security systems	36	53	89	The Bank's Kaohsiung Branch, E.Sun Bills and E.Sun Capital Co., Ltd. - 1/3 each, but the Bank's Panchian Branch - 100%
Monitoring,telephone and networking systems	85	40	125	Based on actual number of equipment used
Others	288	321	609	Signboard, telephone and miscellaneous expenses - based on actual incurrence. The Bank's Kaohsiung Branch's utilities - the Bank, E.Sun Bills and E.Sun Capital Co., Ltd., 1/3 each The Bank's Panchiao Branch's utilities - based on actual incurrence and actual number of employees.
	$2,975	$2,356	$5,331	
Year ended December 31, 2004				
Rental expense	$1,432	$836	$2,268	Based on space actually occupied
Fixtures	3,153	1,881	5,034	Based on space actually occupied
Broadcasting, security and networking systems	749	666	1,415	Broadcast and network - based on actual number of equipment used. Security system - the Bank, E.Sun Bills and E.Sun Capital Co., Ltd. 1/3 each.
Others	298	251	549	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each Utilities - based on the actual number of employees Building maintain expenses - based on space actually occupied
	$5,632	$3,634	$9,266	

Under cooperation arrangements, the Bank and E.Sun Insurance Broker Co., Ltd. (ESIB) shared some equipment and operating sites, personnel, and an internet service system and provided cross-selling financial services starting in 2004. The service fees earned by the Bank were based on 10% of the gross revenue derived from the insurance companies' products sold by the Bank. In 2005 and 2004, ESIB should have paid the Bank $11,564 thousand and $12,996 thousand, respectively; the unpaid amount was $726 thousand and $2,738 thousand, respectively.

The Bank received $46,608 thousand in cross-selling advance revenues from E.Sun Securities Investment Trust Corp. (ESSIT) and realized $32,900 thousand of these revenues in 2005. The Bank also received $326 thousand and $2,083 thousand of cross-selling revenues from ESSIT in 2005 and 2004, respectively.

The cross-selling transactions between the Bank and E.Sun Securities were as follow:

	Year Ended December 31	
	2005	2004
Revenue	$ 500	$ 16,110
Expense	$ 5,956	$ -

41. ACQUISITION OF OTHER FINANCIAL INSTITUTIONS' MAIN ASSETS, LIABILITIES AND OPERATION

To expand its business, enhance its competitiveness and ensure its long-term development, the Bank participated in the open bid and refund procedure for the assets, liabilities (except the assets and liabilities generated from trust business and pension) and operations (except for the trust business) of Kaohsiung Business Bank (KBB) and won the bid for $13,368,000 thousand, to be subsidized by the Executive Yuan Resolution Trust Corporation (RTC) Fund. This acquisition was approved by the Board of Directors on June 1, 2004, but if the related regulations and the authorities would require changes in the content and other matters of the bid, the Bank's chairman will be fully authorized to handle these changes. The acquisition was completed on September 4, 2004. KBB had business department, trust department and 44 domestic branches as of the acquisition date.

KBB was established in November 1950 and obtained approval for its conversion into banking institution in July 1978. Main operations include savings, loans, guarantees, safekeeping, remittance, trust funds, etc. Credit card operation started in 1994, and asset trust operations were approved by Ministry of Finance in 2001.

KBB's stock started to be traded on the Taiwan Stock Exchange (TSE) on March 12, 1984, but stopped trading on the TSE on January 17, 2002. Since then, KBB was considered a public listed company subject to the requirements of the Securities and Futures Commission (SFC). On February 10, 2003, the SFC approved KBB's declassification as a public listed company.

The Bank's acquisition of KBB's entire operations (except the trust business) and assets and liabilities (except those related to the trust business and pension) meant that KBB would transfer to the Bank all its profits and risks as of the date of the acquisition. If there was any liability assumed which KBB or its related parties (under the definition of the contract) did not disclose during the Bank's due diligence performing period and the liability was incurred before the acquisition date, the Bank could ask for compensation within one year after the acquisition date. The terms of payment of cash subsidy from the RTC Fund are:

a.Seventy percent of the subsidy should be paid on the first working day after the acquisition date; and

b.The remaining 30% should be paid within 60 days of the first payment and after the two-stage payment by the Bank of refundable deposits for the execution of the KBB acquisition agreement.

Under certain regulations, the Bank recognized a goodwill of $6,117,415 thousand, equal to the difference between the actual cash subsidy of $13,428,965 thousand and fair value of KBB's net liabilities of $19,546,380 thousand as of the date of the acquisition. Goodwill is amortized using straight-line method over five years.

Fair values of KBB's assets and liabilities were as follows:

Cash subsidy received	$ 13,428,965
Fair value	
Cash and cash equivalents	1,347,863
Due from the Central Bank of China and otherbanks	4,833,325
Securities purchased	1,616,288
Receivables	345,798
Prepaid expenses	15,263
Bills, discounts, and loans, net	15,262,493
Long-term investments	121,912
Net properties	1,787,268
Other assets	654,118
Due to banks	(8,824)
Payables	(264,822)
Advances	(14,590)
Deposits and remittance	(45,034,459)
Other liabilities	(208,013)
	(19,546,380)
Goodwill	$ 6,117,415

All major assets additions from the acquisition are going to be used for future operations and are not going to be disposed. All operating results of KBB after September 4, 2004 are included in the Bank's income statement, but any profit or loss before the acquisition date was not included. For comparison purposes, the combined pro forma income statements for 2004 are shown as follows (KBB's data during January 1 and September 3, 2004 were audited by other auditor).

	Year Ended December 31, 2004	
	Amount	**%**
Operating income	$ 21,121,766	100
Operating cost	5,191,674	25
Gross profit	15,930,092	75
Operating expenses	6,667,455	32
Operating income	9,262,637	43
Nonoperating income and gains	70,486	1
Nonoperating expenses and losses	1,230,244	6
Income before income tax	8,102,879	38
Income tax expense	1,087,147	5
Net income	$ 7,015,732	33
Earnings per share (NT$)	$3.47	

In the meeting of the Executive Yuan's Resolution Trust Corporation Fund ("RTC Fund") Committee (the "Committee") on July 1, 2003, the Committee reached a consensus that the RTC Fund will subsidize the difference between the retirement and severance payments under the Labor Standards Act that KBB should pay and KBB's pension funds up to the date before the acquisition date.

To show good faith to employees for a sound working relationship, the Bank drew up an employee welfare plan to let KBB end its contracts with all employees before the acquisition date and make pension and severance payments. The Bank renegotiated new wages with each employee after the acquisition date and came up with an employee compensation plan, as follows:

a.Calculation standards

1)Those who do not qualify for retirement will get 0.5 as the base compensation number for each year they worked for KBB. For those who worked less than a year, the calculation is prorated.

2)Those who qualify for voluntary retirement will get one month's average salary as compensation.

3)Those who qualify for mandatory retirement will not get any compensation.

b.Base number

One base number means one month's average salary, i.e., the average of the monthly salary of the employees from November 1, 2003 to April 30, 2004. Those who did not work up to 6 months will tally up their wages and divide these wages by the total working days, and the result will be multiplied by 30.

Based on the compensation plan, the total amount payable to the employees was $232,881 thousand. This amount, which was recognized as business expense, was paid on October 1, 2004.

42.ADDITIONAL DISCLOSURES

Following are the additional disclosures required by the Securities and Futures Bureau for the Bank and its investees:

a.Related information of significant transactions and investees:

1)Financing provided: The Bank - not applicable; investee company - none

2)Endorsement/guarantee provided: The Bank - not applicable; investee company - none

3)Marketable securities held: The Bank - not applicable; investee company - Table 1 (attached)

4)Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 10% of the paid-in capital: None

5)Acquisition of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: Table 2 (attached)

6)Disposal of individual real estates at costs of at least NT$300 million or 10% of the paid-in capital: None

7)Allowance of service fees to related parties amounting to at least NT$5 million: None

8)Receivables from related parties amounting to at least NT$300 million or 10% of the paid-in capital: None

9)Sale of nonperforming loans amounting to at least NT$5 billion: None

10)Other significant transactions which may affect the decisions of users of financial reports: Note 41 to the financial statements.

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

12)Derivative transactions: Note 36 to the financial statements

b.Investment in Mainland China: None

c.Business relationship and significant transactions among the Bank and subsidiaries: Table 5 (attached)

43.SEGMENT AND GEOGRAPHIC INFORMATION

The Bank's operations all belong to one business segment, namely, banking. Also, all overseas units of the Bank individually represent less than 10% of the Company's total operating revenues and 10% of its total assets. Thus, no segment and geographic information is required to be disclosed.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

TABLE 1

Holding Company Name	Marketable Securities Type and Name	Relationship with the Holding Company	Financial Statement Account	December 31, 2005				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
E.Sun Finance & Leasing Co., Ltd.	Stocks							
	Gapura Incorporated	-	Long-term investments	462	$ 10,733	6.21	$ 11,432	1
	Government bonds							
	A862	-	Long-term investments	-	4,169	-	4,162	$8,500 thousand in government bonds placed with courtsof justice forcollection cases on overdue loan
	A861	-	Long-term investments	-	5,713	-	5,707	
E.Sun Insurance Agent Co., Ltd.	Funds							
	E.Sun Gin-Ru-E Balanced Fund	The fund management companies is in the same group	Short-term investments	1,414	14,200	-	13,881	2

Note 1:The amounts are based on the investee's latest unaudited financial statements.

Note 2:Market value of the fund was based on the net asset value as of December 31, 2005.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL

YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

TABLE 2

Company Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
E.Sun Commercial Bank,Ltd.	Land: Lot 41, 2 small Sec., Chungshan Sec., Chungshan District, Taipei City Nine floors above ground and three floors underground of a building under construction on the above property	2005.02.16	$1,350,000	$634,500 already paid as of December 31, 2005 The remaining amounts paid on schedule under the contract	Founding Construction & Development Co., Ltd.	-	-	-	-	$	Appraisal of China Credit Information Service, Ltd. and Honda Appraisers Firm	Office	-

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

TABLE 3

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

YEAR ENDED 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
				Dec.31,2005	Dec.31.2004	Shares (Thousands)	Percentage of Ownership	Carrying Value			
E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	Taipei	Leasing and sale of machinery and equipment	$196,000	$196,000	19,600	98.99	$ 173,018	$ 18,969	$ 18,777	1
	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	3,950	3,950	1,280	79.00	18,295	465	253	1

Note 1: When preparing the consolidated financial statements, it has been eliminated..

TABLE 4

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED ENTITIES

DECEMBER 31, 2005 AND 2004

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Percentage of Ownership(%) Balances as of December 31, 2005	Percentage of Ownership(%) Balances as of December 31, 2004	Note
E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	Taipei	Leasing and sale of machinery and equipment	98.99	98.99	1
	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	79.00	79.00	1

Note 1: Neither the operating revenue nor total assets of the Bank's subsidiaries individually reached 10% or collectively reached 30% of those of the Bank. Thus, their accounts were not included in these consolidated financial statements as of and for the year ended December 31, 2004.

E.SUN COMMERCIAL BANK, LTD. AND SUBSIDIARIES

TABLE 3

INTERCOMPANY BUSINESS RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS

YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Transaction Company	Counter-party	Nature of Relationship (Note 2)	balance as of December 31,2005 Financial Statement Account	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (%)
0	E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	a.	Deposits and remittances	$67,486	Note 4	0.01%
0	E.Sun Commercial Bank, Ltd.	E.Sun Insurance Agent Co., Ltd.	a.	Deposits and remittances	1,909	Note 4	0.00%
0	E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	a.	Other operating revenue	1,678	Note 4	0.01%
1	E.Sun Finance & Leasing Co., Ltd.	E.Sun Commercial Bank, Ltd.	b.	Cash and cash equivalents, refundable deposits	67,486	Note 4	0.01%
1	E.Sun Finance & Leasing Co., Ltd.	E.Sun Commercial Bank, Ltd.	b.	Operating expense	1,678	Note 4	0.01%
2	E.Sun Insurance Agent Co., Ltd.	E.Sun Commercial Bank, Ltd.	b.	Cash and cash equivalents	1,909	Note 4	0.00%

Note 1:Transaction between parent company and subsidiaries should be distinguished as follows:
a.Parent company: 0.
b.Subsidiaries are numbered sequentially from 1.

Note 2:Three types of transactions with related parties were classified as follows:
a.Parent company to subsidiaries.
b.Subsidiaries to parent company.
c.Subsidiaries to subsidiaries.

Note 3:For calculating the percentages, asset or liability account is divided by the consolidated total assets or liabilities and revenue or expense account is divided by the consolidated total revenue or expense of the same period.

Note 4:The terms for the transactions between the Bank and related parties are similar to those with unrelated parties.

Note 5:Referring to transactions exceeding New Taiwan dollars $1,000 thousand.

6. Review and Analyses of Financial Status and Results

(1)Analysis of financial status

(In Thousands of New Taiwan Dollars)

Item \ Year	2005/12/31	2004/12/31	Changes	
			Amount	%
Cash and cash equivalents, as well as due from the central bank of bank of China and other banks(Note1)	46,496,691	35,571,442	10,925,249	31
Securities purchased, Net（Note1 ）	69,179,983	54,815,405	14,364,578	26
Receivables, Net	33,315,178	30,520,884	2,794,294	9
Securities purchased under resell agreements and prepaid expenses(Note2)	3,024,512	5,876,500	(2,851,988)	(49)
Bills, discounts and loans, Net(Note3)	368,000,876	275,359,584	92,641,292	34
Long-term investments(Note4)	22,363,856	11,624,627	10,739,229	92
Other financial assets(Note5)	1,926,343	-	1,926,343	-
Net properties	10,135,784	8,991,839	1,143,945	13
Goodwill(Note6)	3,662,701	4,661,587	(998,886)	(21)
Other assets, Net	5,389,095	5,899,032	(509,937)	(9)
Total assets	563,425,019	433,320,900	130,104,119	30
Due to the central bank of China and other banks	24,240,441	21,568,711	2,671,730	12
Payables(Norte7)	11,116,923	6,464,381	4,652,542	72
Securities sold under repurchase agreement and advances	10,764,640	11,266,484	(501,844)	(4)
Deposits and remittances(Note8)	440,482,626	330,971,515	109,511,111	33
Bonds(Note9)	39,200,000	29,600,000	9,600,000	32
Other long-term liabilities(Note10)	3,550,000	-	3,550,000	-
Other liabilities	650,704	805,196	(154,492)	(19)
Total liabilities	530,005,334	400,676,287	129,329,047	32
Capital stock	22,313,550	20,175,000	2,138,550	11
Capital surplus	4,233,985	4,233,985	-	-
Retained earnings	7,038,864	8,359,984	(1,321,120)	(16)
Unrealized loss on long-term equity investments	(93,826)	(111,204)	17,378	-
Cumulative translation adjustments	(2,888)	(13,152)	10,264	-
Total stockholder' equity	33,489,685	32,644,613	845,072	3

Notes1: Mainly due to funding from issuance of financial debentures and cash capital injection.
Notes2: Mainly due to decrease in securities purchase under resold agreement in2005.
Note3: Mainly due to aggressive expansion in mortgage loan business this year.
Note4: Mainly due to increase in other long-term investment from retaining beneficiary certificates from securitization this year, as well as purchase of corporate bond to gain higher return.
Note5: Mainly due to investment in structured deposits launched by financial institutions this year.
Note6: Mainly due to goodwill amortization this year.
Notes7: Mainly due to increase in checks for clearing.
Note8: Mainly due to growth in deposit and number of branches.
Note9: Mainly due to issuance of financial debentures to raise fund for operation an enhance capital adequacy ratio.
Note10: Mainly due to sales of credit-linked structured products and fixed income, principal-guaranteed deposit.

(2) Review and Analyses of Significant Capital Expenditure and Related Capital Resources

1.Scheduled Cash Outflows and Capital Resources for Significant Capital Expenditure

(In Thousands of New Taiwan Dollars)

Item	Actual/ Expected Capital Resources	Actual/ Expected Completed Date	Total Required Capital	Actual/Expected Cash Flow Schedule						
				2004	2005	2006	2007	2008	2009	2010
16 branches set up or improvement		2004	171,607	171,607						
20 branches set up or improvement		2005	242,615		242,615					
Purchase of operating site located on Wunhua Rd., in Banciao City		2005	285,000		285,000					
E.SUN Financal Building		2005	4,580,000	596,000	132,000					
Operation Center A		2005	1,223,000	218,350	123,000					
Operation Center B		2006	1,550,000		675,000	875,000				
New Branches		2006	212,000			212,000				
Existing or redecorated branches	Capital Stock	2006	52,000			52,000				
New Branches		2007	40,000				40,000			
Existing or redecorated branches		2007	20,000				20,000			
New Branches		2008	40,000					40,000		
Existing or redecorated branches		2008	20,000					20,000		
Improvement of E.SUN Financial Building		2009	94,000			18,000	18,000	12,000	46,000	
New Branches		2009	40,000						40,000	
Existing or redecorated branches		2009	20,000						20,000	
Elevator change in E.SUN Financial Building		2010	12,000							12,000
New Branches		2010	40,000							40,000
Existing or redecorated branches		2010	20,000							20,000

2.Expected Benefits°G

Purchasing the Operation Center is to integrate management processes, decrease rental expenses and enhance competitiveness.

Year	Item	Operating Income	Operating Costs	Income from operatings	Notes
2006	Operation center -B	$ –	($ 4,584)	$ 4,584	–

(3) Analyses for Liquidity

1.Liquidity Analyses:

No analysis for negative net cash flow from operating activities in 2004 and the preceding 5 years.

2.Liquidity Analyses for the Coming Year

(In Thousands of New Taiwan Dollars)

Cash balance, beginning of the year	Net cash flow from operating activities for the whole year	Cash outflow for the whole year	Cash surplus (deficit)	Response for cash deficit	
				Plans of investing activities	Plans of financing activities
11,287,638	(61,245)	97,619,978	(87,393,585)	-	99,266,977

1.Cash flow analysis:
(1)Operating activities: Expect to increase receivables.
(2)Investing activities: Expect to increase loan balance.
(3)Financing activities: Expect to distribute cash dividend, remuneration of directors and supervisors, as well as employee bonus.
2.Response for cash deficit and liquidity analysis:
Expect to issue financial debentures, sell bonds under repurchase agreement and increase deposit.

(4) Operating Result Analyses

(In Thousands of New Taiwan Dollars)

Item / Year	2005	2004	Changes	
			Amount	Ratio %
Operating revenue	$ 20,944,170	$ 20,279,496	$ 664,674	3
Operating costs	8,723,004	4,635,001	4,088,003	88
Gross profit	12,221,166	15,644,495	(3,423,329)	(22)
Operating expenses	7,402,428	6,101,229	1,301,199	21
Net operating income	4,818,738	9,543,266	(4,724,528)	(50)
Non-operating income	85,262	47,254	38,008	80
Non-operating expenses	120,984	1,218,764	(1,097,780)	(90)
Income before income tax	4,783,016	8,371,756	(3,588,740)	(43)
Income tax	953,072	1,087,820	(134,748)	(12)
Net Income	$ 3,829,944	$ 7,283,936	(3,453,992)	(47)

Notes:
Operating costs: Mainly due to increase in interest expense from growing deposit and rising interest rate, as well as higher provisioning to maintain sound asset quality.
Operating expenses: Mainly due to increase in number of branches and related personnel and marketing expense.
Non-operating income: Mainly due to reverse of reserve for f loss from depreciation of foreclosed collaterals and disposal of unused properties in 2005.
Non-operating expenses Mainly due to impairment losses in goodwill in 2004.

E.SUN Commercial Bank, Ltd.

Chairman of the Board Yung. Jen Huang

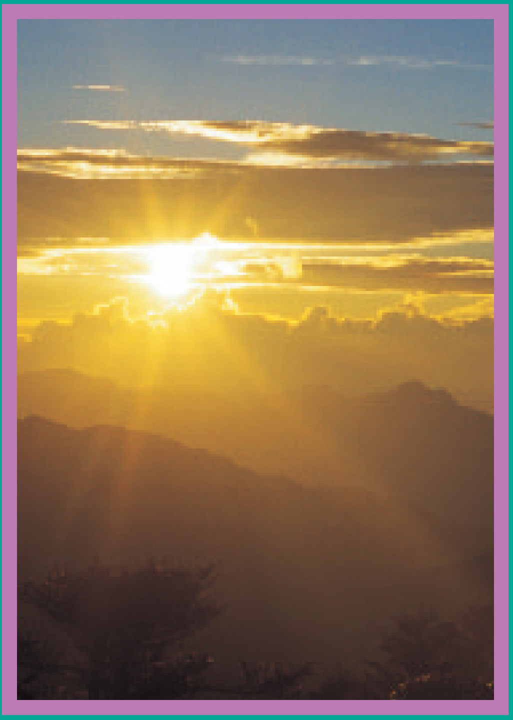
April 3 , 2006 Printed

With our heartfelt appreciation and eternal blessing.

Service Network of E.SUN BANK

Head Office Business Division	(02)2719-1313
International Banking Division/OBU	(02)2175-1313
Trust Division	(02)2175-1313
Credit Card Division	(02)2388-1313
Nanching East Road Branch	(02)2760-1313
Chengjhong Branch	(02)2389-1313
Chengtung Branch	(02)2504-1313
Hsinyi Branch	(02)2378-1313
Tienmu Branch	(02)2835-1313
Minsheng Branch	(02)2509-1313
Fuhsing Branch	(02)2771-1313
Tunnan Branch	(02)2754-1313
Changchun Branch	(02)2546-1313
Chungshan Branch	(02)2537-1313
Neihu Branch	(02)2659-1313
North Tienmu Branch	(02)2877-1313
Songshan Branch	(02)3765-1313
Heping Branch	(02)2362-1313
Mincyuan Branch	(02)2568-1313
Jhonglun Branch	(02)2577-1313
Daan Branch	(02)2755-1313
Guting Branch	(02)2364-1313
Beitou Branch	(02)2895-1313
Dong-Hu Branch	(02)2632-1313
松江分行	(02)2562-1313
士林分行	(02)2834-1313
木柵分行	(02)2936-1313
雙園分行	(02)2301-1313
新湖分行	(02)8791-6613
Hsinchuang Branch	(02)2202-1313
North Hsinchuang Branch	(02)2997-1313
Shwangho Branch	(02)2923-1313
Yonghe Branch	(02)2949-1313
Fu-Hei Branch	(02)8923-1313
Jhonghe Branch	(02)2222-1313
Liancheng Branch	(02)8228-1313
Banciao Branch	(02)2963-1313
Banhsin Branch	(02)8952-1313
Haishan Branch	(02)2256-1313
Sanchung Branch	(02)2280-1313
東三重分行	(02)2971-1313
Chongsin Branch	(02)2984-1313
Er-Chong Branch	(02)2278-1313
Tucheng Branch	(02)2274-1313
Shulin Branch	(02)8675-1313
Hueilong Branch	(02)2689-1313
Wugu Branch	(02)2290-1313
Sindian Branch	(02)2916-1313
Beisin Branch	(02)8911-1313
光復分行	(02)2962-9913
三峽分行	(02)2673-6613

Taoyuan Branch	(03)332-1313
Linkou Branch	(03)396-1313
Nankan Branch	(03)352-1313
Bade Branch	(03)367-1313
Jhongli Branch	(03)427-1313
Lisin Branch	(03)492-1313
Yangmei Branch	(03)488-1313
Hsinchu Branch	(03)523-1313
Guanghua Branch	(03)533-1313
Jhunan Branch	(037)46-1313
Taichung Branch	(04)2291-1313
Dadun Branch	(04)2320-1313
Nantun Branch	(04)2380-1313
Dali Branch	(04)2485-1313
Daya Branch	(04)2568-1313
Fongyuan Branch	(04)2512-1313
Changhua Branch	(04)728-1313
草屯分行	(049)238-1313
Douliou Branch	(05)532-1313
Chiayi Branch	(05)223-1313
East Chiayi Branch	(05)216-1313
Chiali Branch	(06)721-1313
Tainan Branch	(06)241-1313
Dongtainan Branch	(06)289-1313
Yungkang Branch	(06)201-1313
Kaohsiung Branch	(07)336-1313
Cianjhen Branch	(07)761-1313
Chihsien Branch	(07)235-1313
North Kaohsiung Branch	(07)350-1313
Dashun Branch	(07)727-1313
Zuoying Branch	(07)587-1313
Nanzih Branch	(07)364-1313
Lingya† Branch	(07)716-1313
Sanmin Branch	(07)315-1313
Dachang Branch	(07)341-1313
Chengcing Branch	(07)386-1313
Siaogang Branch	(07)807-1313
Jhendong Branch	(07)715-0943
Fongshan Branch	(07)743-1313
Gangshan Branch	(07)621-1313
Linyuan Branch	(07)643-1313
Houjhuang Branch	(07)701-2030
Pingtung Branch	(08)733-1313
Chaojhou Branch	(08)786-1313
Donggang Branch	(08)835-1313
Neipu Branch	(08)778-1313
Keelung Branch	(02)2427-1313
Luodong Branch	(03)957-1313
Penghu Branch	(06)927-1313
Los Angeles Branch	1-626-810-2400
Hong Kong Branch	852-3405-6168



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