



2004 Annual Report



Taishin Holdings

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Taishin Financial Holding Co., Ltd.



The year 2004 was a time in which Taiwan's domestic economy bottomed out and began growing at a moderate pace. With the government's promotion of the second wave of financial reform serving as a catalyst, the financial industry boomed with vitality and vigor, sweeping away the clouds of the recent recession.

Whatever the situation in which we might find ourselves, Taishin Holdings is committed to playing the role of a leader of innovation. We not only maintained a high level of organic growth in 2004 but acquired the Tenth Credit Cooperative of Hsinchu, boosting the number of our bank branches through the 100 mark. The number of business locations for Taiwan Securities has also been increased to 60, and we are advancing smoothly toward the regional

finance vision. In addition to the Hong Kong branches of Taishin Bank and Taiwan Securities, permission has also been received to establish a representative office in Vietnam. These offices and the functional China Desk will be joined together to form a trans-national financial planning and management service platform for Taiwanese businesses, developing in the direction of a regional financial service network. This is a manifestation not only of Taishin's ambition to put down roots and carry out deployment in Taiwan and the Greater China area, but also of our intention to pave the way for long-term stable business growth.

In 2004 Taishin Holdings recorded an after-tax profit of NT\$11.3 billion and earnings per share of NT\$2.8, placing us second among all financial holding companies in Taiwan and marking the third consecutive year in which we exceeded our financial targets. Taishin Bank performed exceptionally well, with an after-tax profit of NT\$10.48 billion and earnings per share that set a new record of NT\$3.97, making it the champion profit-maker among all domestic banks. Taiwan Securities also achieved record profits for the year and ranked second in the industry.

Even as we pursue growth and profit, Taishin Holdings pays close attention to risk management. In coordination with the implementation of the Basel II agreement at the end of December 2006, Taishin Holdings is taking the lead in confronting operating risk by cooperating with a foreign professional consulting company in setting up an operating risk management (ORM) system; in the area of credit risk management, we are establishing an internal credit assessment system according to the Basel II IRB criteria with the aim of managing credit risk more closely; and, in the area of market risk, we have brought in an integrated financial trading system that provides for the real-time control of positions and losses.

Thanks to our appropriate risk management, we not only won the Asian award for risk management but Taishin Holdings can justly be said to stand out in the industry. In 2004 our broadly defined non-performing loan ratio was only 1.18% and our coverage of ratio has reached 65%. Our return on shareholder equity amounted to 17.92%.

In the field of credit ratings, both Fitch and Moody's adjusted the credit rating of the Taishin Holdings group upward. Fitch hiked the group's international long-term rating to BBB and set our outlook on stable, and boosted the group's domestic outlook to A+ (tw). The long-term international rating of the Taishin International Bank was boosted to BBB+ and its domestic rating to AA-(tw). The international long-term rating of Taiwan Securities was notched up to BBB- and its domestic rating to A(tw). For Taishin Bills Finance, the international long-term rating was hiked to BBB and the domestic rating to A+(tw). Moody's maintained its international long-term rating of Taishin Holdings and Taishin Bank at Baa3 and Baa2, respectively, and posted their international outlook at stable; it boosted the domestic rating of Taishin Holdings to A2.tw, however, and boosted Taishin Bank's rating to A1.tw.

Taishin Holdings won a number of major international awards in 2004. Asiamoney magazine named us as the "Overall Best Managed Company in Taiwan" and the "Overall Most Improved Company for Best Management Practices in Taiwan" for the year, and our outstanding managers were honored with the titles of "Best Chief Executive Officer in Taiwan," "Best Chief Financial Officer in Taiwan," and "Best Investor Relations Officer in Taiwan." In addition, Euromoney magazine chose Taishin Holdings as among the Taiwan companies with "Best Corporate Governance," and we also received the "Risk Management House of the Year" award from Asia Risk. We have become one of Taiwan's landmark enterprises on the international stage, but we are not satisfied with this achievement. After attracting this much hopeful attention, we will redouble our efforts and, with feet planted firmly on the ground, strive for even better performance as we advance toward the vision of becoming "Taiwan's top financial brand".

Under the framework of our three major business groups, each will strive to open up its own realm of business and bring hope to the company as a whole.

The **Wealth Management Group** uses innovative products and VIP service to carry out planning that allows customers to realize their dreams of health and wealth. On the one hand, the widespread Mega Center, bank, and securities service channels and customer bases are combined for the quick accumulation of assets under management (AUM); on the other hand, products and services are upgraded not only through the innovation and introduction of trust products but also through the establishment of a VIP Club within Taiwan securities to provide top-of-the-pyramid customers with preferred services.

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I . Chairman's Message to Shareholders

A caring and understanding partner

Taking care of you is a joy,
you taught me the pleasure and pride of giving.

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In 2004, Taiwan Securities boosted its share of the brokerage market from 4.4% to 5.1% and moved into the top three companies, in terms of profitability, in underwriting, proprietary trading, and warrants, putting the company in a position of leadership. In the future the Wealth Management Group will use M&A and other means to continue expanding the scale of its service channels, and it will development the securities investment, trust business and reinforce its financial planning product line in order to maintain its position of leadership in the market and assure a win-win situation for the company and its customers.

The Retail Banking Group brings customizes products and services to its customers by using its experience in creating the leading credit card business together with its advanced customer relationship management (CRM) platform. The Group has always prided itself as an innovation leader, with an outstanding operating performance that contributes more than half of the total revenues of Taishin Holdings. After acquiring the Tenth Credit Cooperative of Hsinchu, the symbiosis generated by service channel scale has made the profit potential of the Group even stronger.

The Retail Banking Group is at the head of the industry in a number of key businesses. It is the champion in auto loans and second in credit cards and cash cards, and it founded the i make credit card and Story bank card for customers who want to design their own cards, along with the Infinite card. The company was honored with an award for "Product/Service Excellence in Retail Financial Services" presented by The Asia Banker, and it was the first in all of Asia to introduce home loans combined with insurance. These are all the fruits of our efforts, and we will follow them up by continuing to introduce all kinds of innovative consumer financial products in pursuit of the goal of doubling our customer satisfaction.

The Wholesale Banking Group team is using its rich store of experience combined with its advantage in the banking and securities businesses to develop an integrated range of brand new financial services for small and medium enterprises from consulting, risk management, and loans to the raising of funds on the capital market. It has also expanded its business to serve the trans-national needs of Taiwanese businesses, and has established a cross-straits financial planning and management network to provide complete solutions to Taiwan's fast-growing enterprises.

The Wholesale Banking Group recorded an extraordinary performance in 2004, including a growth of more than 100% in its accounts receivable business, propelling it firmly into second place in Taiwan. The FRCP bills underwriting volume was first on the island, the number APO/SPO underwriting cases took second place, underwriting of corporate bonds and bank debentures ranked third, and the transaction volume of foreign exchange derivatives advanced to place among the top five. The company also issued the first private placement of real estate securitization in Taiwan. In the future the Group will penetrate deeply into the development of integrated marketing and will expand services to overseas and cross-straits Taiwanese businesses, advancing forward at a steady pace.

In years to come, the Taishin Financial Holding Company will strive to maintain a high rate of organic growth, reinforce asset quality, enhance organizational efficiency, promote ISO quality management, and continue to establish market and credit risk management systems, using CRM to create customer value and increase synergies. We will also provide our customers with "five-heart-class service" featuring "attentiveness, meticulousness, considerateness, sincerity, and enthusiasm." We will hold steadfastly to the spirit of constant improvement of products, services, management, and profitability as we seek to create a win-win situation with our customers and maintain a position of leadership in today's intensely competitive market.

In addition, Taishin Holdings has turned in a brilliant record in M&A for each of the past three years under the government's implementation of the second wave of financial reform, and we will certainly continue this record in the future. With the bank as our core entity, we will first seek to expand our service channel network and improve our market share, and then we will reinforce our major product lines such as insurance and securities investment trust to assure that our assets and customer base will continue to grow steadily. Our ultimate goal is to develop Taishin Holdings into Taiwan's premier financial brand and fully justify the hopes that our customers and shareholders place in us.

Finally, I want to thank you our shareholders for your unfailing support. We hope for your continued care, support, and guidance in the future, as our operating team adopts a customer orientation and we do everything in our power to pursue maximum benefit for our shareholders, our customers, and our employees.

Chairman



May 2005



II . Company Profile

A loyal and sincere partner

No matter where you are and how hard the going gets, I will always be there by your side.

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I. Introduction

Establishment Date: February 18, 2002

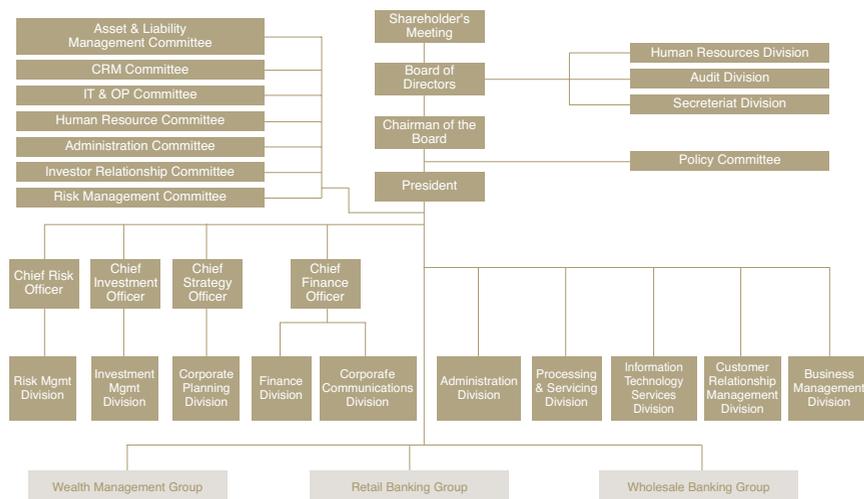
Head Office Location: 44 Chung Shan N. Rd., Sec.2, Taipei, Taiwan

Company history:

After the Law on the Mergers of Financial Institutions and the Law on Financial Holding Companies were passed, the trend among financial institutions of cross-industry collaboration through the integration of financial products has emerged. Taishin International Bank Co., Ltd. (referred to as "Taishin Bank"), Dah An Commercial Bank Co., Ltd. (referred to as "Dah An Bank"), Taishin Bills Finance Co., Ltd. (referred to as "Taishin Bills Finance") and Taiwan Securities Company (referred to as "Taiwan Securities") shared a common goal and exchanged equity shares to establish the "Taishin Financial Holding Co., Ltd." The company was established in different stages. In the first stage, Taishin Bank merged with Dah An Bank through the exchange of equity shares on February 18, 2002 to establish Taishin Financial Holding Co., Ltd. On December 31, 2002, Taiwan Securities and Taishin Bills Finance were incorporated into Taishin Holdings as subsidiaries through the exchange of equity shares at the ratio of 1:1.2 and 1:1.3 respectively. In addition, Taishin Asset Management Co., Ltd. (referred to as Taishin Asset Management) was established in August 2002 by 100% direct investment of Taishin Holdings in a purpose to relieve the pressure of NPL ratio and the outstanding non-performing loans. In October, the company incorporated Taishin Marketing Consultant Co., Ltd. (referred to as Taishin Marketing) as a subsidiary at the approval of the Ministry of Finance to stimulate sales and save marketing cost. On September 25, 2003, we established Taisin Venture Capital Investment Co., Ltd. to engage in venture capital businesses. On October 18, 2004, Taishin Bank has further acquired The 10th Credit Cooperatives of Hsin Chu to expand its operation locations, creating more incentives for our employees, customers and shareholders.

II. Organization Chart

(as of Dec. 31, 2004)



Key functions and responsibilities:

- **Human Resources Division:**
human resources policy planning, personnel administration, evaluation, recruitment, transference, training and education.
- **Audit Division:**
establishing auditing system, internal control administration, internal audit, and evaluation.
- **Secretariat Division:**
organizing shareholders' meetings, compiling board meeting records, meeting itinerary, meeting agendas, custody of seals for senior executives, stock registration, itinerary and meetings for senior executives and other ad hoc assignments.
- **Corporate Planning Division:**
strategic planning, merger and acquisition, strategic alliances, evaluation and management of long-term equity investment, coordination and liaison of external consultants and relevant parties.
- **Risk Management Division:**
monitoring credit, market and operational risks of Taishin FHC and its subsidiaries.
- **Finance Division:**
administering financial planning, financing, credit rating, and financial accounting of Taishin FHC and its subsidiaries, and controlling assets and liabilities as well as cash flow of Taishin FHC and its subsidiaries.
- **Corporate Communications Division:**
managing legal entities' relations with the media.
- **Investment Management Division:**
analysis, consolidation, and management of subsidiaries' short-term equity and mutual fund investment.
- **Administration Division:**
custody of corporate seal and stamps, document acceptance and delivery, transcription and collation, general administration, repair and maintenance.
- **Processing & Servicing Division:**
process and system design for Taishin FHC and its subsidiaries, driving operational integration, and building a common platform.
- **Information Technology Services Division:**
development of IT functionality, IT architecture, software and hardware integration of Taishin FHC, and technology-enabled applications based on banking requirements.
- **Customer Relationship Management Division:**
customer information analysis and application, data warehouse planning and installation.
- **Business Management Division:**
business planning and review, defining annual budgeting guidelines and principles, tracking budget execution at all levels, and coordinating operational issues among subsidiaries.
- **Wealth Management Group:**
wealth management program implementation and management, wealth management bank, securities brokerage service, trust and personal investment products R&D, domestic and overseas financial markets research.
- **Retail Banking Group:**
consumer banking business implementation and management, credit cards, consumer finance, branch marketing, phone banking, and credit management of consumer finance.
- **Wholesale Banking Group:**
corporate banking implementation and management, corporate financing, fund solicitation, public offering, listing of stocks in primary market, financial planning of merger and acquisition, foreign exchange, cash management, factoring service, fixed return products and derivatives R&D.

Unsecured Subordinated Corporate Bonds

Taishin Financial issued \$8 billion unsecured subordinated corporate bonds in December 2003. Details were as follows:

Item	Bond	AA	AB	AC	AD	AE	AF	AG	AH	AI	AJ	AK	AL	BA
Issue amount		4,500 million	500 million	500 million	200 million	300 million	300 million	200 million	450 million	200 million	200 million	200 million	200 million	250 million
Face value		10 or 50 million												
Issue price		Par value												
Duration		2003.12.12 2010.12.12	2003.12.15 2010.12.15	2003.12.16 2010.12.16	2003.12.17 2010.12.17	2003.12.18 2010.12.18	2003.12.19 2010.12.19	2003.12.22 2010.12.22	2003.12.23 2010.12.23	2003.12.24 2010.12.24	2003.12.25 2010.12.25	2003.12.26 2010.12.26	2003.12.29 2010.12.29	2003.12.12 2010.12.12
Interest payment		Payable annually from the issue date.												
Interest accrual		From the issuance date, the interest will be accrued on fixed and simple interest rate.												
Coupon rate		3.5%												
Redemption on maturity:		in cash at par value.												
Other		1.The interest payments rely on the amounts accrued by Taishin Financial. 2.The bonds are bearer, but could be converted into registered bonds upon holders' request. 3.If Taishin Financial's consolidated capital adequacy ratio (CAR) is less than the standard set under relevant regulations, Taishin Financial should stop paying interest on and redeeming the bonds until the consolidated CAR conforms to the requirements.												

Note: Floating rate is determined at the 90-day commercial paper fixing rate in the secondary market, provided on page 6165 of the Money Line Telerate at 11:00 a.m. on the interest-determination day.

Unsecured Subordinated Corporate Bonds (I)

- (a) Issue amount: \$2,000,000 thousand.
- (b) Denomination: \$10,000 thousand.
- (c) Issue date: May 21, 2004.
- (d) Issue price: 100% of the principal
- (e) Maturity: 7 years from the issue date.
- (f) Coupon rate: 2.9% per annum.
- (g) Interest payment: Simple interest per annum from the issue date.

(h) Redemption on maturity: In cash.

- (i) Other: Taishin Financial should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

Unsecured Subordinated Corporate Bonds (II)

- (a) Issue amount: \$5,000,000 thousand.
- (b) Denomination: \$10,000 thousand.
- (c) Issue date: June 21, 2004.
- (d) Issue price: 100% of the principal
- (e) Maturity: 7 years from the issue date.
- (f) Coupon rate: 3.5% per annum.
- (g) Interest payment: Simple interest per annum from the issue date.
- (h) Redemption on maturity: In cash.
- (i) Other: Taishin Financial should suspend the payment of interest and principal when its capital adequacy ratio is lower than the lowest limit (100%) until the ratio meets the standards set by relevant authorities (the part of interest could be cumulative and the interest of the principal in the extension period could be calculated at coupon rate).

Unsecured Corporate Bonds

To raise working capital and enhance financial structure, Taishin Bills Finance issued unsecured convertible bonds under SFB approval. Bond issue terms were as follows:

	December 31	
	2004	2003
First issue of unsecured corporate bonds (I)	\$ 1,200,000	\$ 1,200,000
Second issue of unsecured corporate bonds (II)	1,300,000	1,300,000
Third issue of unsecured corporate bonds (III)	1,000,000	1,000,000
Fourth issue of unsecured corporate bonds (IV)	1,500,000	1,500,000
	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

Unsecured Bonds (I)

Item	A Bond	B Bond	C Bond	Total
Denomination	\$800,000	\$200,000	\$200,000	\$1,200,000
Issue amount	\$800,000	\$200,000	\$200,000	\$1,200,000
Rate	1.85%	1.85%	1.85%	
Issue date	June 25, 2003	June 26, 2003	June 27, 2003	
Record date	Every June 25	Every June 26	Every June 27	
Term	5 years	5 years	5 years	
Redemption on maturity	In cash at par value	In cash at par value	In cash at par value	

Unsecured Bonds (II)

Item	A Bond	B Bond	C Bond	D Bond	E Bond	F Bond	Total
Denomination	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$300,000	\$1,300,000
Issue amount	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$300,000	\$1,300,000
Rate	1.6250%	1.6251%	1.6250%	1.6251%	1.6251%	1.6250%	
Issue date	August 25, 2003	August 25, 2003	August 26, 2003	August 26, 2003	August 27, 2003	August 27, 2003	
Record date	Every August 25	Every August 25	Every August 26	Every August 26	Every August 27	Every August 27	
Term	5 years						
Redemption on maturity	In cash at par value						

Unsecured Bonds (III)

Item	A Bond	B Bond	C Bond	D Bond	E Bond	Total
Denomination	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,000,000
Issue amount	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,000,000
Record	2.3000%	2.3000%	2.3000%	2.3000%	2.3000%	
Issue date	November 10, 2003	November 11, 2003	November 12, 2003	November 13, 2003	November 14, 2003	
Record date	Every May 10 and November 10	Every May 11 and November 11	Every May 12 and November 12	Every May 13 and November 13	Every May 14 and November 14	
Term	5 years					
Redemption on maturity	In cash at par value					

Unsecured Bonds (IV)

Item	A Bond	B Bond	C Bond	D Bond	E Bond	F Bond	Total
Denomination	\$300,000	\$200,000	\$300,000	\$300,000	\$200,000	\$200,000	\$1,500,000
Issue amount	\$300,000	\$200,000	\$300,000	\$300,000	\$200,000	\$200,000	\$1,500,000
Rate	2.5000%	2.4502%	2.4501%	2.4500%	2.4500%	2.4501%	
Issue date	December 26, 2003	December 29, 2003	December 29, 2003	December 29, 2003	December 30, 2003	December 30, 2003	
Record date	Every June 26 and December 26	Every June 29 and December 29	Every June 29 and December 29	Every June 29 and December 29	Every June 30 and December 30	Every June 30 and December 30	
Term	5 years						
Redemption on maturity	In cash at par value						

24. LONG-TERM BORROWINGS

As of December 31, 2004 and 2003 Taiwan Securities' long-term borrowings were as follows:

	2004	2003
Long-term loan	\$ -	\$ 1,000
Less current portion	-	(1,000)
Long-term commercial paper payables	500,000	500,000
Less discounts	(174)	(1,989)
	\$ 499,826	\$ 498,011

A long-term loan of Taiwan Securities on December 31, 2004 and 2003 was as follows:

Bank	Due dates and rates	Original Amount	2004	2003
China Limited Trust & Investment Corporation	Principal due on September 30, 2004; 3.50% interest payable monthly.	\$ 150,000	\$ -	\$ 1,000
Less current portion			-	(1,000)
			\$ -	\$ -

Taiwan Securities' long-term commercial paper payables as of December 31, 2004 and 2003 were as follows:

	2004	2003
Grand Bills Finance Co.	\$ -	\$ 500,000
International Bills Finance Co.	500,000	-
Less discounts	(174)	(1,989)
	\$ 499,826	\$ 498,011

As of December 31, 2004 and 2003 interest rates on long-term loans listed above were 1.561% and from 1.10% to 3.50%, respectively. Please refer to Note 35 for pledged assets.

25. OTHER LIABILITIES

	December 31	
	2004	2003
Payable for securities financing guarantee	\$ 2,550,131	\$ 1,162,572
Sell option premium	2,463,175	1,860,957
Securities financing guarantee deposits-in	2,134,995	905,177
Reserve for guarantee liabilities	1,145,191	714,831
Deferred income	337,571	375,227
Accrued pension liability	285,965	259,388
Reserve for trading losses	340,216	286,420
Reserve for default losses	97,166	21,282
Derivative financial instrument liabilities	3,684,059	118,715
Warrants issued	217,222	180,456
Others	103,390	151,635
	\$ 13,359,081	\$ 6,036,660

Warrants

Details of warrants issued by Taiwan Securities are as follows:

	December 31	
	2004	2003
Warrants issued	\$ 1,435,767	\$ 1,739,005
Gain on change in fair value	(113,276)	(910,805)
Market value	1,322,491	828,200
Repurchased warrants	1,073,567	916,018
Gain (loss) on change in value	31,702	(268,274)
Market value	1,105,269	647,744
Liability on warrants issued, net	\$ 217,222	\$ 180,456

Taiwan Securities issued American style warrants, which are exercisable within six months after listing on market and will be settled by cash payments or securities issuance at the option of Taiwan Securities. As of December 31, 2004, the warrants issued and repurchased warrants, excluding unexercisable warrants, were as follows:

Warrants	Name of Warrants	Number of Warrants	Exercisable as of December 31, 2004	Number of Repurchased Warrants	Issue Date	Issue Price Per Share	Exercise Price Per Share	Market Value Per Share
TS45	Premier	35,000,000	24,550,000	486,000	2004.07.01	0.890	36.42	0.05
TS46	Acer	40,000,000	28,050,000	11,096,000	2004.07.01	0.940	48.24	1.05
TS47	Foxconn Electronics Co.	45,000,000	31,550,000	29,581,000	2004.11.18	1.782	140.88	2.30
TS48	ASE Inc.	25,000,000	17,550,000	14,707,000	2004.11.18	2.481	38.25	2.00
TS49	Winbond	35,000,000	24,550,000	7,881,000	2004.11.23	1.488	18.23	1.20
TS50	U-Ming Marine Transport Co.	45,000,000	31,539,000	11,155,000	2004.11.23	0.992	75.00	0.65
TS51	Chang Hwa Bank	30,000,000	21,050,000	13,068,000	2004.11.25	2.282	31.50	2.10
TS52	Mega Holdings	40,000,000	28,050,000	24,494,000	2004.11.25	2.332	32.55	1.75
TS53	Waterland Financial Holdings Co.	40,000,000	28,050,000	17,032,000	2004.11.29	1.538	18.68	1.30
TS54	YIEH PHUI	35,000,000	24,550,000	12,197,000	2004.11.29	2.332	34.20	2.15
TS55	UMC	35,000,000	24,550,000	17,193,000	2004.12.01	2.282	30.30	2.05
TS56	CMC	45,000,000	31,550,000	22,112,000	2004.12.01	2.233	22.80	1.75
TS57	Quanta Display Inc.	45,000,000	31,550,000	12,358,000	2004.12.06	2.282	26.40	1.60
TS58	Sinopac Holdings	30,000,000	21,050,000	19,386,000	2004.12.06	2.133	26.70	1.75
TS59	MSI	40,000,000	28,050,000	23,982,000	2004.12.08	2.332	29.25	2.70
TS60	Farmers Bank	40,000,000	28,050,000	22,562,000	2004.12.08	1.538	16.73	1.80
TS61	NOVATER	45,000,000	31,550,000	28,964,000	2004.12.10	2.034	144.75	2.30
TS62	Optimax	45,000,000	31,550,000	29,040,000	2004.12.10	1.687	111.75	1.65
TS63	Acer	40,000,000	28,050,000	27,355,000	2004.12.16	1.191	78.75	1.20
TS64	Sunplus	45,000,000	31,550,000	31,000,000	2004.12.16	1.042	67.80	1.15
TS65	Cheng Uei Precision Industry Co., Ltd.	45,000,000	31,550,000	30,417,000	2004.12.21	1.488	97.50	1.55

Reserve for Contract Losses

As of December 31, 2004 and 2003, reserve for contract losses was \$97,166 thousand and \$21,282 thousand, respectively. According to the Rules Governing Securities Companies, effective July 1, 2000, securities brokers' reserve for contract loss was changed from 2% of their monthly commission income to 0.0028% of the transaction amount. This reserve may be used only to offset loss from brokerage trading or for items approved by the Securities and Futures Bureau.

Accrued Pension Liabilities

Reconciliations of pension fund contributions and accrued pension liabilities of Taishin Financial and subsidiaries are as follows:

	December 31, 2004				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Actuarial present value of benefit obligation					
Vested benefit obligations	\$ -	\$(412)	\$(353)	\$(792)	\$(1,557)
Non-vested benefit obligations	(6,835)	(663,455)	(198,204)	(13,439)	(881,933)
Accumulated benefit obligations	(6,835)	(663,867)	(198,557)	(14,231)	(883,490)
Additional benefits based on future salaries	(4,868)	(519,489)	(130,240)	(10,777)	(665,374)
Projected benefit obligations	(11,703)	(1,183,356)	(328,797)	(25,008)	(1,548,864)
Plan assets at fair value	3,005	885,567	86,509	29,246	1,004,327
Projected benefit obligations in excess of plan assets	(8,698)	(297,789)	(242,288)	4,238	(544,537)
Unrecognized transition assets	2,041	41,907	3,105	2,492	49,545
Unrecognized pension loss (gain)	4,851	296,880	(42,952)	(6,730)	252,049
Deferred pension cost	(2,024)	-	-	-	(2,024)
Prepaid pension expense (accrued pension liabilities)	\$(3,830)	\$ 40,998	\$(282,135)	\$ -	\$(244,967)

	December 31, 2003				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Actuarial present value of benefit obligations					
Vested benefit obligations	\$ -	\$(276)	\$(4,298)	\$(673)	\$(5,247)
Non-vested benefit obligations	(2,869)	(433,590)	(176,859)	(9,572)	(622,890)
Accumulated benefit obligations	(2,869)	(433,866)	(181,157)	(10,245)	(628,137)
Additional benefits based on future salaries	(2,245)	(343,795)	(97,681)	(8,831)	(452,552)
Projected benefit obligations	(5,114)	(777,661)	(278,838)	(19,076)	(1,080,689)
Plan assets at fair value	-	731,547	65,703	18,104	815,354
Projected benefit obligations in excess of plan assets	(5,114)	(46,114)	(213,135)	(972)	(265,335)
Unrecognized transition assets	2,155	44,900	3,537	2,639	53,231
Unrecognized pension loss (gain)	470	70,893	(41,069)	(7,519)	22,775
Deferred pension cost	(380)	-	-	-	(380)
Prepaid pension expense (accrued pension liabilities)	\$(2,869)	\$ 69,679	\$(250,667)	\$(5,852)	\$(189,709)

As of December 31, 2004 and 2003, vested benefits according to the employee pension regulations were as follows:

	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
December 31, 2004	\$ -	\$(489)	\$ 422	\$ 953	\$ 886
December 31, 2003	-	(326)	5,066	804	5,544

The assumptions used in the actuarial computations were as follows:

	2004			
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance
Discount rate	3.25%	3.25%	3.25%	3.25%
Rate of increase in future compensation levels	3.25%	3.25%	3.00%	3.50%
Expected rates of return on plan assets	3.25%	3.25%	3.25%	3.25%

	2003			
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance
Discount rate	3.25%	3.25%	3.25%	3.25%
Rate of increase in future compensation levels	3.25%	3.25%	2.50%	3.50%
Expected rates of return on plan assets	3.25%	3.25%	3.25%	3.25%

Net periodic pension cost in 2004 and 2003 were as follows:

	2004				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Service cost	\$ 2,029	\$ 167,401	\$ 44,985	\$ 5,155	\$ 219,570
Interest cost	166	30,323	9,062	620	40,171
Expected return on plan assets	-	(26,725)	(2,412)	(647)	(29,784)
Amortization of net transition obligations	113	2,993	432	147	3,685
Amortization of unrecognized gain or loss	-	5,318	(599)	(255)	4,464
	<u>\$ 2,308</u>	<u>\$ 179,310</u>	<u>\$ 51,468</u>	<u>\$ 5,020</u>	<u>\$ 238,106</u>

	2003				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Service cost	\$ 1,432	\$ 109,764	\$ 39,625	\$ 4,920	\$ 155,741
Interest cost	182	22,425	9,604	921	33,132
Expected return on plan assets	-	(18,821)	(2,055)	(606)	(21,482)
Amortization of net transition obligations	113	2,993	432	147	3,685
Amortization of unrecognized gain or loss	79	3,423	-	46	3,548
	<u>\$ 1,806</u>	<u>\$ 119,784</u>	<u>\$ 47,606</u>	<u>\$ 5,428</u>	<u>\$ 174,624</u>

The changes in plan assets in 2004 and 2003 were as follows:

	2004				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Beginning balance	\$ -	\$ 731,547	\$ 65,703	\$ 18,104	\$ 815,354
Contribution	2,992	150,628	20,000	10,872	184,492
Payment	-	(6,094)	-	-	(6,094)
Return on assets	13	9,486	806	270	10,575
	<u>\$ 3,005</u>	<u>\$ 885,567</u>	<u>\$ 86,509</u>	<u>\$ 29,246</u>	<u>\$ 1,004,327</u>

	2003				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Beginning balance	\$ -	\$ 438,493	\$ 49,914	\$ 14,255	\$ 502,662
Contribution	-	161,959	16,474	3,622	182,055
Payment	-	-	(1,491)	-	(1,491)
Return on assets	-	8,193	806	227	9,226
Merger with Dah-An Commercial Bank	-	122,902	-	-	122,902
Ending balance	<u>\$ -</u>	<u>\$ 731,547</u>	<u>\$ 65,703</u>	<u>\$ 18,104</u>	<u>\$ 815,354</u>

26. CAPITAL STOCK

As of December 31, 2004, Taishin Financial's authorized capital was \$100,000,000 thousand (10,000,000 thousand shares); registered capital stock was \$48,072,921 thousand, divided into 4,407,292 thousand common shares and 400,000 thousand preferred shares at NT\$10.00 par value.

Details of outstanding capital stock as of December 31, 2004 were as follows:

	Common Stock	Preferred Stock	Total
First share swap	\$ 23,000,000	\$ 7,000,000	\$ 30,000,000
Less cancellation of series A preferred shares	-	(3,000,000)	(3,000,000)
Second share swap	13,316,236	-	13,316,236
Add convertible bonds converted to common shares	5,334,740	-	5,334,740
Stock dividends distributed	2,614,135	-	2,614,135
Less cancellation of treasury stock	(192,190)	-	(192,190)
	<u>\$ 44,072,921</u>	<u>\$ 4,000,000</u>	<u>\$ 48,072,921</u>

On February 18, 2002, Taishin Financial issued 2,300,000 thousand common shares; 300,000 thousand preferred shares - Series A; and 400,000 thousand preferred shares - Series B to acquire all the issued common shares, Series A preferred shares, and Series B preferred shares, respectively, of Taishin Bank through a share swap at a 1:1 ratio.

On December 31, 2002, Taishin Financial issued 1,331,624 thousand shares to acquire all the issued common shares of Taiwan Securities and Taishin Bills Finance through share swaps at ratios of 1:1.2 and 1:1.3, respectively, with "1" representing Taishin Financial.

On September 22, 2003, Taishin Financial had written off its own 19,219 thousand shares held by its subsidiary, Taishin Bank, in compliance with Article 31 of the ROC Financial Holding Company Act.

Taishin Financial's group capital adequacy ratio was 127.13% in 2004.

On September 20, 2002, Series A preferred shares were redeemed at NT\$10.00 par value and canceled under the approval of the Ministry of Finance.

Series B preferred shares amounting to \$4,000,000 thousand with a cumulative, non-participating, and nonconvertible dividend at 6.05% per annum are redeemable on June 30, 2006 at NT\$10.00 par value. Preferred shares have preference over common shares in dividend distribution.

27. CAPITAL SURPLUS

Taishin Financial's capital surplus as of December 31, 2004 was \$16,664,660 thousand, which included additional paid-in capital of \$1,178,201 thousand from the unappropriated earnings of the financial institutions that swapped shares to form Taishin Financial (Note 1). Under Article 47-4 of the ROC Financial Holding Company Act, distribution of the portion from the original financial institutions' unappropriated earnings is not limited to the guidelines under Article 241-1 of the ROC Company Law.

12. LONG-TERM INVESTMENTS

	December 31					December 31			
	2004		2003			2004		2003	
	Carrying Value	Ownership Interest(%)	Carrying Value	Ownership Interest(%)		Carrying Value	Ownership Interest(%)	Carrying Value	Ownership Interest(%)
Equity method									
Taishin Asset Management Co., Ltd.	\$ 984,689	100.00	\$ 865,482	100.00	Concord III Venture Capital Co., Ltd.	\$ 44,640	4.46	\$ 44,640	4.46
Taishin Marketing Consultant Co., Ltd.	4,916	100.00	3,459	100.00	Concord VII Venture Capital Co., Ltd.	35,000	4.73	35,000	4.73
Taisin Venture Capital Investment Co., Ltd.	951,466	100.00	991,611	100.00	Taiwan Asset Management Corp.	100,000	0.57	100,000	0.57
Taishin International Finance Co., Ltd.	198,979	99.99	149,293	99.99	Taiwan Financial Asset Service Corporation	50,000	2.94	50,000	2.94
PayEasy Digital Integration Co., Ltd.	67,948	66.67	60,424	66.67	Lien An Co., Ltd.	1,250	5.00	1,250	5.00
Taishin Real-Estate Management Co., Ltd.	71,012	60.00	60,109	60.00	Financial Information Service Co., Ltd.	91,000	2.28	91,000	2.28
Taishin Insurance Agency Co., Ltd.	507,309	60.00	247,869	60.00	Taipei Smart Card Co., Ltd.	16,000	3.20	16,000	3.20
Dah An Leasing Co., Ltd.	161,028	99.00	127,717	99.00	Systrust@com Corporation	-	-	16,500	3.69
An Hsin Real-Estate Management Co., Ltd.	29,968	30.00	25,874	30.00	Eastern Broadband Telecommunications	294,000	0.46	300,000	0.46
Taishin Venture Capital Investment Co., Ltd.	34,749	5.00	56,642	5.00	Taiwan Security Central Depository Co., Ltd.	18,582	0.45	18,582	0.45
Taiwan Futures Co., Ltd.	491,602	100.00	520,669	99.99	Fubon Security Finance Co., Ltd.	4,127	0.08	6,500	0.08
Taiwan Securities Investment Advisory Co., Ltd.	331,013	92.00	363,477	91.18	Entie Securities Finance Co.	6,222	0.12	6,222	0.12
Anew Holdings Ltd.	1,420,200	100.00	615,443	100.00	Noble Tech Venture Capital Co., Ltd.	36,000	10.00	36,000	10.00
Shin Ze Asset Management Co., Ltd.	81,990	51.00	73,710	51.00	Shin Kong Investment Trust Corporation	-	-	99,400	7.67
Taiwan Managed Futures Co., Ltd.	187,398	100.00	-	-	Infopro Co., Ltd.	1,608	0.74	1,608	0.74
Taishin Investment Trust Co., Ltd.	135,249	45.00	-	-	Chinese Automobile Co., Ltd.	3	-	3	-
Less treasury stock	(17,500)		(17,500)		Kang Hsuan Educational Publishing Corporation	-	-	9,258	0.30
	<u>5,642,016</u>		<u>4,144,279</u>		Taiwan Credit Cooperative	100	1.03	-	-
Cost method					The National Federation of Credit Cooperative, ROC	3,600	2.39	-	-
Debt Instruments Depository and Clearing Co. Taiwan	100,000	5.00	100,000	5.00	Taiwan Integrative Shareholder Service Company	8,300	2.77	-	-
Broadcasters Market Research Co., Ltd.	5,000	1.00	5,000	3.00	Expand Channel Multimedia, Inc.	615	-	-	-
Taishin Leasing and Financing Co., Ltd.	247,399	19.95	247,399	19.95	Taiwan High Speed Rail Co., Ltd. (preferred stock)	300,000	-	300,000	-
Dah Chung Bill Finance Corp.	939,026	18.80	939,026	18.80		<u>3,777,366</u>		<u>4,261,067</u>	
Taipei Financial Center Corporation	356,009	2.09	356,009	2.09	Less allowance for valuation loss on long-term investments	(44)		(44)	
Hwan Hwa Security Finance Co., Ltd.	271,810	4.11	271,810	4.11	Add other long-term investments	<u>339,512</u>		<u>-</u>	
Taiwan Fixed Network Co., Ltd.	140,000	0.22	200,000	0.22		<u>\$ 9,758,850</u>		<u>\$ 8,405,302</u>	
Taiwan Cooperative Bank	-	-	199,584	0.24					
Harbinger Ventures Capital Investment Co., Ltd.	67,000	3.35	67,000	3.35					
Apex Venture Capital Corporation	50,000	4.67	50,000	4.67					
Kaohsiung Mass Rapid Transit Co.	50,000	0.50	50,000	0.50					
United Venture Capital Co., Ltd.	40,000	4.52	40,000	4.52					
TKS Venture Capital Co., Ltd.	39,216	4.90	39,216	4.90					
Grand Pacific Venture Capital Co., Ltd.	30,000	5.00	30,000	5.00					
Jihsun Venture Capital Investment Co., Ltd.	30,000	5.00	30,000	5.00					
Universal Venture Fund, Inc.	25,000	1.49	25,000	1.49					
Concord IV Venture Capital Co., Ltd.	76,000	5.00	95,000	6.25					
Taiwan Futures Exchange, Inc.	27,050	1.35	27,050	1.35					
Taipei Forex Inc.	1,600	0.80	1,600	0.80					
Pacific Securities	132,334	2.77	180,410	2.77					
Da Chiang, Inc.	88,875	4.31	125,000	4.31					
T.K. Venture Capital Corp	50,000	3.33	50,000	3.33					

As of December 31, 2004, Taiwan Securities recognized an unrealized valuation loss of \$44 thousand due to the decline in value of the stocks of its equity-method investee, Anew Holdings Ltd.

Based on their audited financial statements in 2004 and 2003, the equity in net income (loss) of equity-method investees companies were as follows:

	2004	2003
Taishin Asset Management Co., Ltd.	\$ 185,675	\$ 113,950
Taishin Marketing Consultant Co., Ltd.	1,457	1,354
Taishin Insurance Agency Co., Ltd.	264,240	186,892
Dah An Leasing Co., Ltd.	33,310	(4,333)
Dah Chung Bills Finance Corp.	-	113,507
Taishin Real-Estate Management Co., Ltd.	26,743	13,976
Taishin International Finance Co., Ltd.	49,686	12,974
PayEasy Digital Integration Co., Ltd.	18,500	26,719
Anew Holdings Ltd.	25,814	105,027
Taiwan Futures Co., Ltd.	42,704	34,252
Taiwan Securities Investment Advisory Co., Ltd.	2,088	5,361
Shin Ze Asset Management Co., Ltd.	18,480	48,210
Others	(34,091)	(13,902)
	<u>\$ 634,606</u>	<u>\$ 643,987</u>

The employees' bonuses and remunerations to directors and supervisors of the investees, which amounted to \$174,504 thousand in 2004 and \$122,883 thousand in 2003, had not been deducted from the investment income recognized for both years under the equity method.

As of December 31, 2004 and 2003, a total of 1,391 thousand shares and 1,310 thousand shares, respectively, of Taishin Financial were held by Taishin Bank's subsidiary, Taishin Real-Estate Management Co., Ltd., and had a carrying value of \$17,500 thousand. Based on SFAS No. 30, "Accounting for Treasury Stocks," the common shares of Taishin Financial acquired by its subsidiary were recorded as treasury stock, which amounted to \$17,500 thousand, based on ownership interest, as of December 31, 2004 and 2003.

In April 2003, Taishin Bank sold 60,000 thousand shares of Taishin Leasing and Financing Co., Ltd., an equity-method investee, and recognized a loss of \$176,107 thousand on this sale. This sale also resulted in a decrease in Taishin Bank's equity interest from 49.95% to 19.95% and in Taishin Bank's changing the accounting for this investment from the equity method to the cost method. Because of this change in methods, carrying value and market value were compared. The comparison showed that market value fell below carrying value and that this decline is irreversible. Thus, Taishin Financial recognized a permanent loss of \$117,111 thousand on this decline. Before the sale of equity investment, the loss on long-term investment was \$6,329 thousand in 2003.

Because of the changes in shareholders' structure of Dah Chung Bills Finance Corp. in 2003, Taishin Bank lost its influence on the investee and changed the accounting for this investment to the cost method. Thus, the value is determined by the lower of cost or market.

Taishin Financial's wholly owned subsidiary, Taisin Venture Capital Investment Co., Ltd., increased its interest in Taishin Venture Capital Investment Co., Ltd. ("Taishin Venture"). Thus, the Taishin group's consolidated ownership interest in Taishin Venture exceeded 20% and this investment was accounted for by the equity method. The investment in Taiwan Futures Co., Ltd. was accounted for in the same way because Taishin Bank and Taiwan Securities' consolidated ownership interest in Taiwan Futures Co., Ltd. exceeded 20%.

Taishin Financial is not required to consolidate the financial information of all the above subsidiaries although in which its equity interest is more than 50% because neither the total assets nor total operating revenues of these subsidiaries individually reached 10% of those of Taishin Financial or collectively reached 30% of those of Taishin Financial.

Other long-term investments were from Taishin Bank's sale of mortgage loans. Taishin Bank entrusted these loans with a carrying value of \$4,724,512 thousand to Deutsche Bank - Taipei Branch, which will issue beneficiary securities on these loans, with terms from March 30, 2004 to June 21, 2026.

Other information on beneficiary securities is as follows:

Security Features	A	B	C
Issue amount	\$ 3,850,000	\$ 350,000	\$ 185,000
Issue price	Coupon value	Coupon value	Coupon value
Interest rate per annum	ARMS* rate on the interest-determination date plus 0.25%. If securities are not redeemed by the issuer on the first exercise date, interest rate is ARMS rate plus 0.375%.	ARMS rate on the interest-determination date plus 0.60%. If securities are not redeemed by the originator on the first exercise date, interest rate is ARMS rate plus 0.90%	ARMS rate on the interest-determination date plus 0.85%. If securities are not redeemed by the originator on the first exercise date, interest rate is rate ARMS plus 1.275%.

*Note: "ARMS" means adjustable rate mortgages.

Taishin Bank holds D security, with face value of \$339,512 thousand, and the right to claim residual interests after paying fixed interests of A, B, and C security. If the borrowers are not able to repay the loans on maturity, investors and Deutsche Bank - Taipei Branch do not have recourse to Taishin Bank's other assets. The right to claim loan principal follows the investor' rights, and its value depends on the credit risk, advanced principal payment rate, and interest risk on the principal transferred.

Note: As loan issuer, Taishin Bank may opt to redeem all the collateralized mortgage loans (except default loans) at fair market values (a) on the payment date or (b) on the business day before any of the payment dates (each is "exercise date for put option") after the earlier of the following situations:

- a. The unpaid balance of all the collateralized mortgage loans is under 10% of the balance the collateral mortgage loans on the transfer date; or,
- b. Repayment becomes due in June 2009.

(a) Assumptions used to evaluate retained interests	December 31, 2004 Rights of Residential Mortgages
Projected principal repayment rate	20.00%
Estimated weighted average number of years	14.83
Estimated loss rate of credit	1.42%
Present value of remaining cash flows	2.525%

(b) Sensitivity analysis	December 31, 2004 Rights of Residential Mortgages
Present value of retained interests	\$ 339,540
Projected principal repayment rate	20%
Influence of 10% unfavorable change in fair value	\$ (433)
Influence of 20% unfavorable change in fair value	\$ (763)
Estimated loss rate of credit	1.42%
Influence of 10% unfavorable change in fair value	\$ (4,812)
Influence of 20% unfavorable change in fair value	\$ (9,586)

(c) Because there is no actual loss on credits, the loss rate of a static portfolio equals the estimated loss rate on credits.

(d) Cash inflows from and cash outflows to securitization trustees were as follows:

	December 31, 2004	
Cash from new securitization	\$	4,724,512
Other cash inflows from retained interests		28,485
Reserved cash (accounted for as refundable deposits)		16,000

13. OTHER FINANCIAL ASSETS

	December 31	
	2004	2003
Guarantee deposits paid (Note 35)	\$ 3,408,340	\$ 2,712,668
Refundable collaterals (Note 35)	13,779,840	13,138,656
Foreclosed collaterals and assumed residuals	400,456	394,713
Operating deposits (Note 35)	1,946,387	1,561,444
Settlement funds (Note 35)	348,814	357,955
Buy option premium	2,672,669	2,392,034
Others	436,809	757,293
	<u>\$ 22,993,315</u>	<u>\$ 21,314,763</u>

Operating Deposits

As stipulated in the Rules Governing Securities Firms, underwriters, dealers, and brokers should provide \$40 million, \$10 million and \$50 million, respectively, in the form of cash, government bonds, and/or other financial instruments as operating deposits to be placed in Taiwan Securities' designated banks. Taiwan Securities should also provide an additional \$150 million and \$10 million as operating deposits for margin trading and branch operations, respectively.

As stipulated in the Rules Governing the Operation of Auxiliary Futures Trading Services by Securities Firms, the head office of a futures advisory firm should provide operating deposits of \$10 million for its operations and \$5 million for each of its branches.

As stipulated in the Rules Governing Futures Commission Merchants, futures dealers should have operating deposits of \$10 million for registration purposes.

As stipulated in the Criteria Governing Review of Securities Traded on Over-the-Counter (OTC) Markets, Taiwan Securities should provide operating deposits of \$20 million each time it introduces warrants into the market.

As stipulated in the Criteria Governing Review of Class II Stocks Traded on Over-the-Counter Markets of the ROC, brokers should provide operating deposits of at least \$1 million for trading Class II Stocks on the OTC exchange.

As stipulated in the GreTai Securities Market Guidelines for Securities Firms Engaged in OTC Trading of Convertible Bond Asset Swaps and Structured Notes, a securities company should provide operating deposits according to the credit rating standard for transacting structured notes.

As stipulated in Article 36 of the Rules Governing Bills Finance Companies and Article 3 of Regulations Governing the Use and Management of Set-aside Deposits by Bills Finance Businesses, bills finance companies should provide operating deposits equal to 5% of capital stock to the Central Bank.

Settlement Funds

Provisions on settlement funds under the "Rules Governing the Administration of Securities Companies" are as follows:

In the first year of trading, all brokers should place \$15 million as settlement funds with the Taiwan Stock Exchange before starting trading transactions and contribute a certain percentage of the transaction amounts to the fund within 10 days after the end of each quarter. In the second year, the settlement funds need to reach only \$7 million, including the previous year's contribution. If the funds accumulated until the previous year are more or less than \$7 million, the brokers can claim a refund from the Taiwan Stock Exchange or submit the shortage, respectively, at the end of January each year.

All dealers are required to deposit \$10 million as settlement fund to the Taiwan Stock Exchange before starting trading activities.

Securities firms are required to deposit \$3 million as settlement fund to the Taiwan Stock Exchange before each additional branch starts trading operations, and this deposit will be reduced to \$2 million from the second year.

14. PROPERTY AND EQUIPMENT

	December 31			2003 Carrying Value
	2004		2003	
	Cost	Accumulated Depreciation	Carrying Value	
Land	\$ 11,832,465	\$ -	\$ 11,832,465	\$11,688,361
Buildings	5,606,975	613,575	4,993,400	5,125,007
Machinery equipment	3,753,398	1,556,302	2,197,096	1,703,241
Transportation equipment	362,738	178,615	184,123	201,759
Miscellaneous equipment	544,283	377,718	166,565	165,121
Leasehold improvements	984,610	769,367	215,243	246,969
Prepayments for building and equipment	1,550,375	-	1,550,375	699,498
	<u>\$ 24,634,844</u>	<u>\$ 3,495,577</u>	<u>\$ 21,139,267</u>	<u>\$ 19,829,956</u>

As of December 31, 2004 and 2003, insurance for property and equipment amounted to \$7,163,786 thousand and \$8,014,540 thousand, respectively. Please refer to Note 35 for property and pledged as collaterals. Interest capitalization by Taiwan Securities amounted to \$13,097 thousand in 2004 and \$15,421 thousand in 2003.

15. OTHER ASSETS

	December 31	
	2004	2003
Deferred income tax assets (Note 31)	\$ 235,541	\$ 2,589,532
Deferred charges	2,406,972	1,923,547
Goodwill from merger	2,001,388	2,401,973
Rental assets, net	326,311	330,597
Debit item for consigned trades, net	28,180	147,380
Others	102,217	244,468
	<u>\$ 5,100,609</u>	<u>\$ 7,637,497</u>

As of December 31, 2004 and 2003, the rental assets of Taiwan Securities were as follows:

	December 31	
	2004	2003
Land	\$ 200,070	\$ 200,070
Buildings	164,461	164,461
Less accumulated depreciation	(38,220)	(33,934)
	<u>\$ 326,311</u>	<u>\$ 330,597</u>

As of December 31, 2004 and 2003, Taiwan Securities had casualty insurance for rental assets totaling \$85,366 thousand. Please refer to Note 35 for rental assets pledged as collaterals.

Security brokerage accounts with debit (credit) balances as of December 31, 2004 and 2003 were as follows:

	December 31	
	2004	2003
Debits		
Settlement accounts receivable	\$ 1,954,713	\$ 2,448,166
Securities receivable purchased for customers	7,897,117	6,833,689
Price receivable of securities purchased for customers	4,391,019	3,228,652
Securities receivable sold through consignment	4,719,847	3,214,196
Settlement prices	1,135,002	(158,804)
Cash in bank settlements	42,244	24,508
	<u>20,139,942</u>	<u>15,590,407</u>
Credits		
Securities deliverable purchased for customers	7,897,117	6,833,689
Price payable of securities sold for customers	4,719,847	3,212,737
Securities payable sold through consignment	4,719,846	3,214,196
Settlement accounts payable	2,704,696	2,167,581
Marginal and securities borrowers payable	70,256	14,824
	<u>20,111,762</u>	<u>15,443,027</u>
	<u>\$ 28,180</u>	<u>\$ 147,380</u>

16. SHORT-TERM BORROWINGS

	December 31	
	2004	2003
Unsecured short-term loans	\$ 2,810,000	\$ 4,700,000
Current portion of long-term payables	-	1,000
	<u>\$ 2,810,000</u>	<u>\$ 4,701,000</u>

As of December 31, 2004 and 2003, interest rates on unsecured short-term loans ranged from 1.20% to 1.35% and 1.20% to 1.40% per annum, respectively.

17. COMMERCIAL PAPER PAYABLE

	December 31	
	2004	2003
Guarantee and acceptance institution		
International Bills Finance Co.	\$ 1,850,000	\$ 350,000
Chung Hsing Bills Finance Co.	1,200,000	500,000
Polyvest Bills Finance Co.	140,000	-
Taiwan Bills Finance Co.	300,000	900,000
E. Sun Bills Finance Co.	150,000	250,000
Ta Ching Bills Finance Co.	350,000	150,000
United Bills Finance Co.	120,000	-
Hua Nan Bills Finance Co.	500,000	150,000
Chinatrust Bills Finance Co.	200,000	160,000
Hsinchu International Bank	-	200,000
Taishin Bills Finance Co.	600,000	300,000
Grand Bills Finance Co.	500,000	1,125,000
China Bill Finance Co.	950,000	500,000
Fubon Bills Finance Co.	1,500,000	1,650,000
Dah Chung Bill Finance Co.	100,000	-
Bank SinoPac	600,000	-
	<u>9,060,000</u>	<u>6,235,000</u>
Unguaranteed	-	250,000
Less discounts on short-term bills payable	(6,804)	(4,613)
	<u>\$ 9,053,196</u>	<u>\$ 6,480,387</u>

As of December 31, 2004 and 2003, interest rates for commercial paper payable ranged from 0.682% to 1.17% and 0.68% to 1.10% per annum, respectively. Please refer to Note 35 for pledged assets.

18. BONDS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

	December 31	
	2004	2003
Ending balance	\$ 96,608,002	\$ 11,283,788
Interest rate (%)	0.775~2.40	0.65~1.60

19. DUE TO BANKS

	December 31	
	2004	2003
Due to the Central Bank	\$ 38,475	\$ 32,971
Due to other banks	277,217	872,149
Call loans from banks	28,826,048	49,342,238
Bank overdraft	323,677	1,558,029
	<u>\$ 29,465,417</u>	<u>\$ 51,805,387</u>

20. PAYABLES

	December 31	
	2004	2003
Interest payable	\$ 2,214,853	\$ 1,758,310
Accrued expenses	3,784,256	2,349,333
Notes and accounts payable	20,306,614	8,515,686
Acceptance payable	2,075,093	1,953,676
Tax payable	104,482	248,612
Forward exchange payable - foreign currencies	-	650,400
Others	5,094,266	4,502,107
	\$ 33,579,564	\$ 19,978,124

21. DEPOSITS AND REMITTANCES

	December 31	
	2004	2003
Checking deposits	\$ 4,222,615	\$ 3,429,324
Demand deposits	53,880,595	36,144,861
Time deposits	173,969,791	114,013,882
Negotiable certificates of deposit	12,322,400	18,805,500
Savings deposits	247,755,664	198,942,786
Deposits transferred from the Postal Bureau	54,180,260	48,354,667
Remittances and drafts issued	372,116	264,228
	\$ 546,703,441	\$ 419,955,248

22. BANK NOTES

Taishin Bank issued bank notes to enhance its capital ratio and raise medium to long-term operating funds. Details of the bank notes are as follows (\$250,000 thousand held by other subsidiary are eliminated):

- (a) 10-year bank notes amounting to \$5,000,000 thousand on October 2, 2001. The interest rates are 4.05% for years 1 to 5 and 4.45% for years 6 to 10. Interest is payable annually. Taishin Bank has redemption right on these bank notes at par value plus accrued interest payable starting from the sixth year.
- (b) 7-year bank notes amounting to \$4,800,000 thousand on January 30, 2002. The interest rate for years one to seven is 4.00%. Interest is payable annually. Principal is repayable on maturity.

(c) Taishin Bank issued \$3,050 million in subordinated bank notes on July 10, 2002. Terms were as follows:

		(\$'000)									
Bond Item		A	B	C	D	E	F	G	H	I	
Issue Amount		200,000	600,000	500,000	500,000	500,000	200,000	200,000	150,000	200,000	
Face Value		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Issue Price		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Term		2002.07.10 ~ 2005.07.10	2002.07.10 ~ 2007.10.10	2002.07.10 ~ 2007.10.10	2002.07.10 ~ 2007.10.10	2002.07.10 ~ 2007.10.10	2002.07.10 ~ 2007.10.10	2002.07.10 ~ 2007.10.10	2002.07.10 ~ 2007.10.10	2002.07.10 ~ 2005.07.10	
Interest Payment		From the issuance date, interest is accruable quarterly and payable semiannually		From the issuance date, interest is accruable quarterly and payable semiannually. The interest of the three months before maturity will be paid on the maturity date.						From the issuance date, interest is accruable and payable annually.	
Interest Accrual		The interest is accruable at simple and floating coupon rates: the first interest - determination date is on 2nd day before the issue date. From the issue date, the interest rate should be adjusted quarterly in accordance with the floating rate on the 2nd day before the interest-determination date and be accrued at a simple rate; in addition, the interest rate should not be lower than 0.00% and the interest will be accrued on the basis of actual days.								Interest accruable at a simple, fixed coupon rate	
Interest Rate	1st Year		(6.35% - Floating Rate)	(6.35% - Floating Rate)	(6.70% - Floating Rate)	4.63%	The first 18 months: 8.00% - Floating Rate	(11.00%-2× Floating Rate)	4.15%	3.65% - fixed rate	
	2nd Year	(6.50% - Floating Rate)	(6.75% - Floating Rate)	(6.75% - Floating Rate)	(7.00% - Floating Rate)			(10.50%-2× Floating Rate)	4.15%		
	3rd Year		(7.15% - Floating Rate)	(7.15% - Floating Rate)	(7.30% - Floating Rate)	From the 19th month: 6.70% - Floating Rate	(10.00%-2× Floating Rate)	If the floating rate is lower than 4.70% - the coupon rate is 4.15% - otherwise, rate is (8.85% - Floating Rate)			
	4th Year	N/A	(7.55% - Floating Rate)	(7.55% - Floating Rate)	(7.60% - Floating Rate)		(7.05% - Floating Rate)	(9.50%-2× Floating Rate)	N/A		
	5th Year - Maturity date	N/A	(7.95% - Floating Rate)	(7.95% - Floating Rate)				(9.00%-2× Floating Rate)	N/A		
Redemption on Maturity		The bonds will be redeemed at the maturity date in cash at par value									
Other Agreements		1. The interest payments rely on the amount Taishin Bank accrued. Overrun interest will not be accrued. 2. The bonds are bearer bonds, which can be converted into registered bonds upon holders' request.									

The floating rate is determined at the 90-day commercial paper fixed rate in the secondary market, provided on page 6165 of the Money Line Telerate at 11.00 am on the interest-determination day.

- (d) On November 15, 2002, Taishin Bank issued 5-year bank notes with an aggregate par value of \$1,900,000 thousand. The interest rate is 5.02% minus the current interest rate for 180-day commercial paper but should not be less than 0%. The interest is payable semiannually. The principal is repayable on note maturity.
- (e) Under the approval of the Ministry of Finance, Taishin Bank was authorized to issue \$15 billion in bank notes and has partially issued \$10.1 billion in bank notes as follows:

Taishin Bank made a first issue of \$1,000 million in bank notes in 2003, as follows:

Bond	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2003.10.08	2008.10.08	5 years	\$200 million/issuance	4.2% minus 6 months' USD LIBOR, but fixed at 4.1% in the first year. In addition, the interest rate should not be less than 0%. From the second year, interest is payable semiannually at the floating rate on the first day of each interest payment period. The floating rate is provided by the Moneyline Telerate on the re-set day at 11:00 a.m.	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2003.10.08	2008.10.08					
C	2003.10.08	2008.10.08					
D	2003.10.08	2008.10.08					
E	2003.10.08	2008.10.08					

Taishin Bank made a second issue of \$900 million in bank notes in 2003, as follows:

Bond	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2003.11.28	2008.11.28	5 years	\$300 million	4.9% minus 6 months' USD LIBOR and the interest rate should not be less than 0%. The first interest determination date is November 28, 2003. The following interest rate, from the 2nd year to the 5th year, is recalculated at the floating rate on the 2nd day before the interest payment date, the first day of each payment period. The floating rate is provided by the Moneyline Telerate on the reset day at 11:00 a.m.	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2003.11.28	2008.11.28		\$200 million			
C	2003.11.28	2008.11.28					
D	2003.11.28	2008.11.28					

Taishin Bank made a third issue of \$2,100 million bank notes in 2003, as follows:

Bond	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2003.12.16	2008.12.16	5 years	\$200 million each	4.9% minus 6-month LIBOR. The 6-month LIBOR is recalculated at the floating rate on the 2nd day interest payment date, which is the first day of each payment period. The floating rate is provided by the Moneyline Telerate on the re-set day at 11:00 a.m. The interest rate should not be less than 0%.	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2003.12.16	2008.12.16					
C	2003.12.16	2008.12.16					
D	2003.12.16	2008.12.16		\$300 million each			
E	2003.12.16	2008.12.16					
F	2003.12.16	2008.12.16		\$200 million each			
G	2003.12.16	2008.12.16					

(Continued)

Bond	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
H	2003.12.16	2008.12.16	5 years	\$200 million each	If 3-month USD LIBOR is less than 1.1%, the interest rate is 3 month USD LIBOR plus 0.65%; if 3-month USD LIBOR is between 1.1% and 2%, the interest rate is 3.25%; if the 3-month USD LIBOR is greater than 2.0%, the interest rate is 5.0% minus the 3-month USD LIBOR. The 3-month USD LIBOR ¹ is determined at the 3-month USD LIBOR on the 2nd day before the interest payment date, provided by the Moneyline Telerate on the reset day at 11:00 a.m. The interest rate should not be less than 0%	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
I	2003.12.16	2008.12.16					

Taishin Bank made a fourth issue of \$1,000 million bank notes in 2003, as follows:

Bond Note	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2004.01.06	2009.01.06	5 years	\$300 million each	If the 3-month USS LIBOR is less than 1.1%, the interest rate is the 3-month USD LIBOR; if the 3-months USD LIBOR is between 1.1% and 2.05%, the interest rate is 3.80%; if the 3-month USD LIBOR is greater than 2.05%, the interest rate is 4.70% minus 3-month USD LIBOR. The 3-month USD LIBOR is determination at the 3 months' US LIBOR on the 2nd day before the interest payment date, provided by the Moneyline Telerate on the reset day at 11:00 a.m. The first interest-determination date is January 6, 2004. The following interest rates from the 2nd year to the 5th year are recalculated at the floating rate on the interest payment date, the first day of each payment period. The interest rate should not be less than 0%.	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2004.01.06	2009.01.06					
C	2004.01.06	2009.01.06					
D	2004.01.06	2009.01.06		\$200 million each			

Taishin Bank made a fifth issue of \$1,900 million in bank notes in 2003, as follows:

Bank Note	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2004.03.11	2009.03.11	5 years	\$300 million	If 6-month USD LIBOR is less than 1.1%, the interest rate is 6-month USD LIBOR; if 6-month USD LIBOR is between 1.1% and 2.10%, the interest rate is 3%; if 6-month USD LIBOR is greater than 2.10%, the interest rate is 5% minus 6-month USD LIBOR. The interest rate should not be less than 0%.	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2004.03.11	2009.03.11		\$300 million			
C	2004.03.11	2009.03.11		\$300 million			
D	2004.03.11	2009.03.11		\$200 million	If the 6-month USD LIBOR is less than 1.1%, the interest rate is 6-month USD LIBOR; if the 6-month USD LIBOR is between 1.1% and 2.10%, the interest rate is 3.60%; if the 6-month USD LIBOR is greater than 2.10%, the interest rate is 4.50% minus 6-month USD LIBOR. The interest rate should not be less than 0%.		
E	2004.03.11	2009.03.11		\$200 million			
F	2004.03.11	2009.03.11		\$300 million			
G	2004.03.11	2009.03.11		\$300 million			

Taishin Bank made a sixth issue of \$3,200 million in bank notes in 2003, as follows:

Bank Note	Issue Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment	
A	2004.03.26	2009.03.26	5 years	\$600 million	If the index interest rate is less than 1.1%, the interest rate is index interest rate (Note b); if the index interest rate is between 1.1% and 2.1%, the interest rate is 3.2%; if the index interest rate is greater than 2.10%, the interest rate is 4.6% minus index interest rate. The interest rate should not be less than 0%.	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.	
B	2004.03.26	2009.03.26		\$300 million				
C	2004.03.26	2009.03.26		\$300 million	3.5% multiplied by T/N (Notes [a] and [b]), except for the 3.5% fixed rate on the first year. The interest rate should not be less than 0%.			
D	2004.03.26	2009.03.26		\$300 million				
E	2004.03.26	2009.03.26		\$200 million				
F	2004.03.26	2009.03.26		\$200 million	2.8% multiplied by T/N (Notes [a] and [b]), except for the fixed 3.5% on the first six months. The interest rate should not be less than 0%.			
G	2004.03.26	2009.03.26		\$300 million				
H	2004.03.26	2009.03.26		\$300 million				3.0% multiplied by T/N (Notes [a] and [b]), except for the 3.5% fixed rate on the first year. The interest rate should not be less than 0%.
I	2004.03.26	2009.03.26		\$300 million				
J	2004.03.26	2009.03.26		\$400 million	3.5% multiplied by T/N (Notes [a] and [b]), except for the 3.5% fixed rate on the first year. The interest rate should not be less than 0%.			

Note a: (i) 「T」: Between two interest-determination dates, the number of days with interest rate falling within the ranges of interest rates shown after item (iii) below.

(ii) 「N」: The number of days between two interest-determination dates.

(iii) The interest-determination period is between six months before and one day before the interest payment date; interest rate ranges mentioned above are as follows:

	Bank Notes C, D, E, F
Second year	1.0%-2.0%
Third year	1.0%-2.5%
Fourth year	1.0%-3.0%
Fifth year	1.0%-3.5%
	Bank Notes G, H, I,
Seventh month to the end of the first year	0.75%-2.0%
Second year	1.0%-2.5%
Third year	1.0%-3.0%
Fourth year	1.0%-3.5%
Fifth year	1.0%-4.0%
	Bank Notes J
Seventh month to the end of the first year	0.75%-2.0%
Second year	1.0%-2.0%
Third year	1.0%-2.5%
Fourth year	1.0%-3.0%
Fifth year	1.0%-3.5%

Note b: The index interest rate for bank notes A and B is calculated at the floating rate on the first day of each interest payment period. The floating rate is provided on page 3750 of the Moneyline Telerate on the reset day at 11:00 a.m. The first interest-determination date is March 26, 2004. The interest rate from the 2nd year to the 5th year is recalculated semiannually.

The index interest for bank notes C, D, E, F, G, H, I and J is at with the floating rate on the first day of each interest payment period. The floating rate is provided on page 3750 of the Moneyline Telerate on the reset day at 11:00 a.m. The index interest rate between three months before and one day before the interest payment date is calculated at the floating rate provided by the Moneyline Telerate on the reset day at 11:00 a.m. The interest rate for bank notes C to J is recalculated semiannually (except for Taishin bank notes accrued at the fixed coupon rate) in accordance with the coupon rate rule.

Taishin Bank was authorized to issue \$20 billion in bank notes under the approval of the Financial Supervisory Commission, Executive Yuan on November 9, 2004. It had partially issued \$5 billion in bank notes as of December 31, 2004, as follows:

Bank Note	Issued Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
2004, first issue of bank note	2004.12.15	2014.12.15	10 years	\$5 billion	Taishin Bank's floating interest rate for one-year time deposit plus 0.85% from the first to the fifth year and Taishin Bank's floating interest rate for one-year time deposit plus 1.85% after the sixth year. The floating rate is provided by the Central Bank on the reset day at 10:30 a.m.	\$100 million	Interest is accruable at a simple rate and payable annually from the issue date. Additional interest is not accruable if principal and interest are withdrawn after the interest date. Notes are redeemable at par value in cash on the maturity date.

Redemption policy: Taishin Bank can redeem all or part of the notes on each interest payment date at the principal value plus interest after the fifth anniversary (December 15, 2009) by notifying the holders in written form seven days before redemption. Taishin Bank can also redeem all or part of the notes on the noninterest date at the principal value plus the interest after the fifth anniversary by notifying the holders in writing two months before redemption.

23. CORPORATE BONDS PAYABLE

	December 31	
	2004	2003
Unsecured convertible bonds - par	\$ -	\$ 1,468,900
Unsecured European Convertible Bonds - par	8,164,816	6,591,882
Unsecured European Convertible Bonds - premiums	2,105	5,446
Unsecured subordinated corporate bonds - par	15,000,000	8,000,000
Unsecured corporate bonds - par	5,000,000	5,000,000
	28,166,921	21,066,228
Add		
Interest compensation payables - unsecured convertible bonds	-	57,347
Interest compensation payables - unsecured European Convertible Bonds	41,334	112,458
Less current portion of bonds payable	(7,181,325)	(1,526,247)
	\$ 21,026,930	\$ 19,709,786

To expand business operations and increase recognized income from investees, Taishin Financial issued unsecured convertible bonds, unsecured European Convertible Bonds and unsecured subordinated corporate bonds, and Taishin Bills Finance issued unsecured bonds. These issues were approved by the Bureau of Monetary Affairs (BOMA) and the Securities and Futures Bureau (SFB). Bond issue terms were as follows:

Unsecured Convertible Bonds

- Issue amount: \$3,000,000 thousand.
- Denomination: \$100 thousand
- Issue date: September 13, 2002.
- Issue price: coupon value.

(e) Maturity: 5 years from the issue date.

(f) Coupon rate: 0% per annum.

(g) Conversion period:

Except for the closed period (as defined by relevant ROC laws), bonds may be converted from after 120 days of the issue date until the 10th day before the maturity date.

(h) Conversion object: Issuer's common shares.

(i) Pricing:

i) Conversion price per share of NT\$15.50 is determined on the pricing date.

ii) The conversion price per share will be adjusted in accordance with the antidilution principle when the issuer raises new capital, distributes stock dividends or issues employee bonus shares, or when any other dilutive events specified in the Trust Deed occur.

iii) Under the approval of the board of directors, the conversion price per share was modified to NT\$14.5 since August 12, 2004 in accordance with events specified in the Trust Deed.

(j) Redemption at bondholders' option:

Put option of the convertible bonds gives bondholders the right to demand that Taiwan Financial redeem the bonds at par value plus the interest compensation after the second to the fourth anniversary of bond issue.

(k) Redemption at Taishin Financial's option:

i) Taishin Financial may call back all of the bonds from after 2 years of the issue date until the 40th day before the maturity date at a margin-yielding price if the closing prices of its common shares traded on the Taiwan Stock Exchange for 30 consecutive trading days exceeds 50% of the conversion price.

ii) Taishin Financial may redeem the outstanding bonds wholly, but not partially, at a margin-yielding price if over 95% of the bonds have been redeemed or converted.

iii) The yield-to-maturity rates of the bonds are as follows:

Holding Period	Annual Yield Rate
The day after the second anniversary to the third anniversary	2.50%
The day after the third anniversary to the fourth anniversary	3.00%
The day after the fourth anniversary to 40 days prior to the maturity date	Denomination of \$100 thousand

(l) Redemption on maturity:

Unless previously converted or redeemed, the bonds will be redeemed on maturity in cash at par value.

(m) Interest compensation payable:

The difference between the redemption price and face value of the bonds is amortized by the effective interest (3%) method and is credited to the reserve for bonds redemption accounts from the issue date to the exercise date. As of December 31, 2003, interest compensation payable balance was \$57,347 thousand, convertible bonds converted into shares amounted to \$1,531,100 thousand, and the balance of unconverted bonds was \$1,468,900 thousand. Because the bondholders can exercise their put option from September 13, 2004, the balance of convertible bonds and its interest compensation payable were transferred to current liabilities. As of December 31, 2004, all the convertible bonds had been converted.

Unsecured European Convertible Bonds (I)

(a) Issue amount: US\$220,000 thousand (including additional issue of US\$20,000 thousand).

(b) Denomination: US\$1 thousand.

(c) Issue date: April 17, 2003.

(d) Issue price: 100% of the principal amount of the bonds; additional amount issued at 101% of par value.

(e) Maturity: 5 years from the issue date.

(f) Coupon rate: 0% per annum.

(g) Conversion method:

i) Conversion object: Taishin Financial's common shares.

- i) Conversion object: Taishin Financial's common shares.
- ii) Conversion period:
 - Except for the closed period (as defined by relevant ROC laws), bonds may be converted from after 90 days of the issue date until the 30th day before the maturity date.
- iii) Pricing:
 - Conversion price per share of NT\$21.33 was determined on the pricing date (based on the fixed rate of NT\$34.81:US\$1).
 - Taishin Financial should change the conversion price in accordance with any events specified in the Trust Deed.
 - Under the approval of the board of directors, the conversion price per share was modified to NT\$18.04 since August 12, 2004 in accordance with events specified in the Trust Deed.
- (h) Redemption at the bondholders' option:
 - After April 17, 2006, the bondholders may demand Taishin Financial to redeem the bonds at par value plus interest compensation, calculated semiannually at 2.4% per annum in any of these situations:
 - Taishin Financial's common shares cease to be listed or admitted for trading on the Taiwan Stock Exchange.
 - The power control structure of Taishin Financial changes.
 - Bond issue is on its third anniversary
- (i) Redemption at Taishin Financial's option:
 - i) At maturity:
 - Unless the bonds are previously redeemed, repurchased and canceled, or converted, the issuer will redeem the bonds on the maturity date at 112.69% of the outstanding principal amount.
 - ii) Before maturity:
 - At any time on or after April 17, 2006, Taishin Financial may redeem the bonds totally or partially at par value plus interest compensation, calculated semiannually at 2.4% per annum, in any of these situations:
 - The closing price of Taishin Financial's common shares listed on the Taiwan Stock Exchange for 30 consecutive trading days exceeds 130% of the conversion price.
 - Over 95% of the bonds have been redeemed or converted.
 - Taishin Financial is obligated to pay additional tax because of certain changes in the tax laws in the ROC or in another jurisdiction having authority over Taishin Financial.
- (j) Redemption on maturity:
 - Unless previously converted or redeemed, the bonds will be redeemed in cash at par value on maturity.
- (k) Interest compensation payable:
 - The difference between the redemption price and face value of the bonds is amortized by the effective interest (2.40%) method and is credited to the reserve for bond redemption accounts. Interest compensation payables were \$41,334 thousand and \$112,458 thousand on December 31, 2004 and 2003, respectively.
 - As of December 31, 2004 and 2003, options exercised on unsecured European Convertible Bonds (I) amounted to US\$189,186 thousand and US\$26,007 thousand, respectively.
- (l) Trading market:
 - Luxembourg Stock Exchange

Unsecured European Convertible Bonds (II)

- (a) Issue amount: US\$225,000 thousand (including additional issue of US\$25,000 thousand).
- (b) Denomination: US\$1 thousand.
- (c) Issue date: April 28, 2004.
- (d) Issue price: 100% of principal
- (e) Maturity: 1.5 years from the issue date.
- (f) Coupon rate: 0% per annum.

- (g) Conversion method:
 - i) Conversion object: Taishin Financial's common shares held by Taishin Bank.
 - ii) Conversion period:
 - Except for the closed period (as defined by relevant ROC laws), bonds may be converted from after 30 days of the issue date until the 10th day before the maturity date.
 - iii) Pricing:
 - Conversion price per share of \$36.80 is determined on the pricing date (based on the fixed rate of NT\$33.093:US\$1).
 - Taishin Financial should change the conversion price in accordance with any of the events specified in the Trust Deed.
 - Under the approval of the board of directors, the conversion price per share was modified to \$32.94 since August 12, 2004 in accordance with events specified in the Trust Deed.
- (h) Redemption at the bondholders' option:
 - The bondholders may demand Taishin Financial to redeem the bonds at par value in any of these situations:
 - Taishin Financial's common shares cease to be listed or are no longer admitted for trading on the Taiwan Stock Exchange.
 - Taishin Financial's power control structure changes (include but not limited to a change in the majority of the directors)
- (i) Redemption at Taishin Financial's option:
 - At any time on or after April 28, 2005, Taishin Financial may redeem the bonds totally or partially at par value in any of these situations:
 - The closing price of Taishin Financial's common shares listed on the Taiwan Stock Exchange for 20 consecutive trading days exceeds 130% of the conversion price.
 - Over 95% of the bonds have been redeemed or converted.
 - Certain changes in the tax laws result in withholding tax increases, which require Taishin Financial to pay more taxes.
 - Redemption is prohibited during the closed period as defined by ROC laws.
- (j) Redemption on maturity:
 - Unless previously converted, redeemed, or repurchased, the bonds will be redeemed on maturity at 98.88% of the outstanding principal amount in cash.
- (k) Trading market:
 - Luxembourg Stock Exchange
 - As of December 31, 2004, options on unsecured European Convertible Bonds (II) had not been exercised. The balance of these bonds was transferred to current liability since the bonds will mature in October 2005.

28. DISTRIBUTION OF EARNINGS AND DIVIDEND POLICY

Taishin Financial's Articles of Incorporation provide that earnings should be appropriated in the following order:

- Payment of income taxes;
- Offset of prior year's losses, if any;
- Legal reserve and if needed, special reserve;
- Dividends to holders of Series B preferred shares at 6.05% per annum based on the NT\$10.00 par value and these holders' accumulated unpaid dividends in previous years;
- 1% to 8% as bonuses to employees and 3% as remuneration to directors and supervisors;
- The remainder, together with the unappropriated retained earnings of previous years, as dividends.

Taishin Financial's board of directors should prepare a proposal on above item (f) for approval in the shareholders' regular annual meeting. However, cash distributions in any given year must not exceed 15% of Taishin Financial's actual paid-in capital. If Taishin Financial's legal reserve equals 50% of paid-in capital, the preceding restriction does not apply. In addition, under Ministry of Finance requirements, if the group's capital adequacy ratio is less than 100%, distributions of dividends may also be restricted.

In their meeting on June 11, 2004, the shareholders resolved to distribute from the 2003 earnings cash dividends (NT\$1.2 per share); stock dividends of \$2,500,305 thousand; preferred stock dividends of \$242,000 thousand; bonuses to employees of \$75,879 thousand in cash and of \$113,830 thousand in stock (11,383 thousand shares); and remunerations to directors and supervisors of \$189,709 thousand. The ex-dividend date determined by the board of directors was August 12, 2004. The basic earnings per share in 2003 was NT\$2.16, which would have been NT\$2.07 had the bonuses to employees and remunerations to directors and supervisors been treated as current expenses.

The appropriation of the 2004 earnings has not been approved by the Board of Directors as of February 5, 2005, the date of the accompanying independent auditors' report. Information of earnings appropriation can be accessed online through the Market Observation Post System (MOPS) on the Web site of the Taiwan Stock Exchange.

Under Article 28-2 of the ROC Securities and Exchange Law, Taishin Financial should not exercise shareholders' rights on treasury shares. As of December 31, 2004, 14,065 thousand shares of Taishin Financial were being held by Taishin Financial's subsidiaries. In addition, under Article 31 of the ROC Financial Holding Company Act, if Taishin Financial's subsidiaries holding its parent company's shares for investing purpose should not exercise shareholders' rights on these shares, except for appropriation of earnings and legal reserve and capitalization of capital surplus.

29. TREASURY STOCK

	2004			
	Beginning Balance	Increase	Decrease	Ending Balance
Stock held by subsidiaries	364,715	16,931	128,404	253,242

	2003			
	Beginning Balance	Increase	Decrease	Ending Balance
Stock held by subsidiaries	418,709	-	53,994	364,715

As of December 31, 2004, the treasury stock held by subsidiaries is summarized as follows:

	Shares (In Thousands)	Original Cost (Per Share)
Taishin Bank	224,386	\$13.64
Taiwan Securities	27,465	14.21
Taishin Real-Estate Management Co., Ltd.	1,391	12.58

These treasury shares were held by Taishin Financial's subsidiaries by means of a share swap made under Article 31 of the ROC Financial Holding Company Act and related rules. The average market price per share of Taishin Financial shares in December 2004 was \$29.17.

Based on SFAS No. 30, "Accounting for Treasury Stocks," the shares of Taishin Financial held by its subsidiaries are regarded as treasury stock.

In compliance with Article 31 of the ROC Financial Holding Company Act, Taishin Financial's subsidiaries, Taishin Bank and Taiwan Securities, would release their holdings of Taishin Financial's shares under the resolutions of the subsidiaries' boards of directors dated October 21 and October 27, 2003, respectively.

The holdings of a subsidiary, Taishin Bank, of 202,335 thousand shares of Taishin Financial will be used by Taishin Financial when Unsecured European Convertible Bonds (II), issued on April 28, 2004, are converted.

Under Articles 38 and 31 of the ROC Financial Holding Company Act, subsidiaries and investees in which a subsidiary's ownership is over 20%, and investees in which a financial holding company has a controlling interest are not allowed to hold shares of the financial holding company unless the shares resulted from conversion (shares held as a result of conversion should be disposed of or transferred within three years.) Controlling interest means the financial holding company's ownership of shares with voting rights or capital stock of a bank, insurance company or securities house is more than 25%, or the financial holding company has direct or indirect ability to designate the majority of the directors of a bank, insurance company or securities house.

Article 28.2 of the Securities and Exchange Law stipulates that the number of treasury stock held by a company should not exceed 10% of the outstanding shares and the amount should be no more than the total of retained earnings, realized capital surplus and additional paid-in capital.

30. PERSONNEL, DEPRECIATION, DEPLETION AND AMORTIZATION EXPENSES

Personnel, depreciation, and amortization expenses in 2004 and 2003 are summarized as follows:

Nature	Classification	2004		2003	
		Operating Cost	Operating Expense	Operating Cost	Operating Expense
Personnel expenses					
Salary		-	\$ 8,384,037	-	\$ 6,461,937
Labor/health insurance		-	508,531	-	357,136
Pension		-	255,868	-	174,624
Others		-	314,927	-	251,820
Depreciation		-	818,535	-	724,137
Depletion and amortization		-	1,500,760	-	1,242,262

31. INCOME TAX

In 2003, Taishin Financial adopted the linked tax system for tax filing with subsidiaries Taishin Bank, Taiwan Securities, Taishin Bills Finance, Taishin Asset Management Co., Ltd. and Taishin Marketing Consultant Co., Ltd. Taishin Venture Capital Investment Co., Ltd. was included in this tax system in 2004.

Taishin Financial and its subsidiaries' income tax expenses in 2004 and 2003 were as follows:

	2004				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Income before income tax	\$ 11,016,071	\$ 13,216,182	\$ 2,827,176	\$ 832,393	\$ 27,891,822
Permanent differences					
Investment income recognized under the equity method	(11,304,312)	(449,002)	-	-	(11,753,314)
Gain on trading securities	-	(599,012)	(1,667,650)	-	(2,266,662)
Provision for trading securities	-	8,249	-	10,493	18,742
Income tax amount affected under outright method	-	-	-	(524,732)	(524,732)
Interest on short-term negotiable instruments, separately taxed at 20%	(41,646)	(735,971)	-	(264,485)	(1,042,102)
Permanent loss for decline in market value of long-term investment	-	90,201	-	-	90,201
Recovery of unrealized loss on short-term investments and trading securities	-	(13,512)	(9,691)	-	(23,203)
Tax-exempt offshore banking unit's income	-	(114,014)	-	-	(114,014)
Dividend revenue	(242,000)	(493,375)	(114,223)	-	(849,598)
Adjustment of expense for the disposal of securities	-	-	389,157	-	389,157
Gain on exchange of warrants and related premium	-	-	1,530,815	-	1,530,815
Loss on trading of tax-exempt bonds	-	-	-	142,911	142,911
Operating expenses for tax-exempt bond transactions	-	-	-	48,560	48,560
Gain on conversion of bonds	-	-	(109,568)	-	(109,568)
Unrealized loss on derivative instrument	-	198,506	-	-	198,506
Entertainment expenses in excess of tax limit	-	-	164,651	-	164,651
Others	1,361	73,277	(21,750)	(9,223)	43,665
	(11,586,597)	(2,034,653)	161,741	(596,476)	(14,055,985)
Temporary differences					
Deferred provision for organization cost	(6,020)	-	-	-	(6,020)
Pension cost	-	-	-	(3,226)	(3,226)
Reversed decline in market value of foreclosed collaterals and residuals assumed	-	(110,762)	-	-	(110,762)
Provision for loan loss in excess of tax limit	-	-	145,038	-	145,038
Provision for guarantee loss in excess of tax limit	-	61,226	-	83,133	144,359
Investment income recognized under equity method - foreign investee	-	-	(25,814)	-	(25,814)
Valuation of derivative instruments	-	-	63,639	-	63,639
Others	6,560	-	74,723	(6,840)	74,443
	540	(49,536)	257,586	73,067	281,657
Taxable income after permanent and temporary differences	(569,986)	11,131,993	3,246,503	308,984	14,117,494
Deduct loss carryforwards	-	(9,219,499)	-	-	(9,219,499)
Taxable income	(569,986)	1,912,494	3,246,503	308,984	4,897,995
Tax rate	25%	25%	25%	25%	-
Current income tax payable	-	478,114	811,616	77,236	1,366,995
Less investment credits	-	(95,708)	-	-	(95,708)
Current income tax payable	-	382,406	811,616	77,236	1,271,258
Add					
Deferred income tax expense (benefit)	237	2,382,227	(9,166)	(19,307)	2,353,991
Tax on interest income on short-term negotiable instruments, separately taxed at 20%	9,096	131,270	-	105,932	246,298
Adjustment of prior years' tax estimates	(1)	(177,788)	27,386	13,116	(137,287)
Additional 10% income tax on unappropriated earnings	-	20,360	32,425	-	52,785
Income tax benefit - linked tax system	(297,823)	-	-	-	(297,823)
Income tax (benefit) expense	\$(288,491)	\$ 2,738,475	\$ 862,261	\$ 176,977	\$ 3,489,222

	2003				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Income before income tax	\$ 7,275,065	\$ 7,768,682	\$ 1,542,457	\$ 899,518	\$ 17,485,722
Permanent differences					
Investment income recognized under the equity method	(7,224,777)	(344,223)	-	-	(7,569,000)
Gain on trading securities	(10,939)	(962,241)	(1,553,693)	-	(2,526,873)
(Reversal of allowance) provision for trading securities	-	148,319	-	(139,966)	8,353
Interest on short-term negotiable instruments, separately taxed at 20%	(3,290)	(644,124)	-	(296,950)	(944,364)
Permanent loss on long-term investment	-	202,730	-	-	202,730
Tax-exempt offshore banking unit's income	-	(129,214)	-	-	(129,214)
Dividend income	(366,294)	(339,895)	(128,213)	-	(834,402)
Nondeductible expense for sales of trading securities	-	-	195,332	-	195,332
Gain on exchange of warrants and related premium	-	-	925,424	-	925,424
Gain on trading of tax-exempt bonds	-	-	-	(394,004)	(394,004)
Operating expenses for tax-exempt bond transactions	-	-	-	51,019	51,019
Recovery of unrealized loss on short-term investments and trading securities	-	13,512	(42,092)	-	(28,580)
Pension cost in excess of tax limit	1,806	-	-	-	1,806
Gain on conversion of bonds	-	-	(197,737)	-	(197,737)
Unrealized gain on derivative instruments	-	(69,908)	-	-	(69,908)
Entertainment expenses in excess of tax limit	-	-	134,968	-	134,968
Others	28,154	151,330	6,701	167	321,320
	(7,575,340)	(1,973,714)	(659,310)	(779,734)	(10,988,098)
Temporary differences					
Deferred provision for organization cost	(6,020)	-	-	-	(6,020)
Amortization of organization cost and employee's benefits	-	-	-	(74)	(74)
Pension cost	-	-	-	1,806	1,806
Reversed decline in market value of foreclosed collaterals and residuals assumed	-	(779,323)	-	-	(779,323)
(Reversal of allowance) provision for loan loss in excess of tax limit	-	(707,011)	187,616	-	(519,395)
Provision for guarantee loss in excess of tax limit	-	43,198	-	9,283	52,481
Investment income recognized under equity method - foreign investee	-	-	(105,027)	-	(105,027)
Valuation of derivative instruments	-	-	(83,635)	(2,153)	(85,788)
Others	-	-	(28,061)	-	(28,061)
	(6,020)	(1,443,136)	(29,107)	8,862	(1,469,401)
Taxable income after permanent and temporary differences	(306,295)	4,351,832	854,040	128,646	5,028,223
Deduct loss carryforwards	-	(4,351,832)	-	-	(4,351,832)
Taxable income	(306,295)	-	854,040	128,646	676,391
Tax rate	25%	25%	25%	25%	-
Current income tax payable	-	-	213,500	32,152	245,652
Add					
Deferred income tax expense (benefit)	3,534	1,657,545	47,456	(3,422)	1,705,113
Tax on interest income from short-term negotiable instruments, separately taxed at 20%	619	128,719	-	61,172	190,510
Income tax expense transferred from withholding tax on bond interest income earned by prior bondholders	-	-	5,115	81,169	86,284
Adjustment of prior years' tax estimates	-	(183,809)	(42,193)	5,142	(220,860)
Additional 10% income tax paid on unappropriated earnings	-	-	17,379	5,643	23,022
Income tax benefit - linked tax system	(24,227)	-	-	-	(24,227)
Income tax (benefit) expense	\$(20,074)	\$ 1,602,455	\$ 241,257	\$ 181,856	\$ 2,005,494

The details of deferred income tax assets as of December 31, 2004 and 2003 are as follows:

December 31, 2004					
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Bad debt loss in excess of tax limit	\$ -	\$ -	\$ 345,537	\$ -	\$ 345,537
Provision for guarantee loss in excess of tax limit	-	-	-	76,348	76,348
Provision for decline in market value of foreclosed collaterals and residuals assumed	-	6,265	-	-	6,265
Deferred provision for organization cost	3,199	-	-	-	3,199
Loss on securities trading default	-	-	24,292	-	24,292
Deferred bond issuance cost	-	-	-	1,324	1,324
Investment gain recognized under equity method - foreign investee	-	-	(40,101)	-	(40,101)
Pension cost in excess of tax limit	-	-	3,986	-	3,986
Valuation of derivative instruments	-	-	(4,999)	(1,456)	(6,455)
Others	1,268	15,307	-	-	16,575
Less allowance	-	-	(195,429)	-	(195,429)
	<u>\$ 4,467</u>	<u>\$ 21,572</u>	<u>\$ 133,286</u>	<u>\$ 76,216</u>	<u>\$ 235,541</u>

December 31, 2003					
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance	Total
Bad debt loss in excess of tax limit	\$ -	\$ -	\$ 309,277	\$ -	\$ 309,277
Provision for guarantee loss in excess of tax limit	-	29,995	-	55,564	85,559
Provision for decline in market value of foreclosed collaterals and residuals assumed	-	33,956	-	-	33,956
Deferred provision for organization cost	4,704	-	-	-	4,704
Loss carryforwards	-	2,294,820	-	-	2,294,820
Investment credit	-	45,028	-	-	45,028
Investment gain recognized under equity method - foreign investee	-	-	(33,647)	-	(33,647)
Pension cost in excess of tax limit	-	-	3,986	807	4,793
Valuation of derivative instrument	-	-	(20,909)	538	(20,371)
Loss on securities trading default	-	-	5,321	-	5,321
Others	-	-	291	-	291
Less allowance	-	-	(140,199)	-	(140,199)
	<u>\$ 4,704</u>	<u>\$ 2,403,799</u>	<u>\$ 124,120</u>	<u>\$ 56,909</u>	<u>\$ 2,589,532</u>

Based on the amended ROC Income Tax Law, information on the imputation credit accounts (ICA) is as follows:

December 31, 2004				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance
Balance of ICA	<u>\$ 294,459</u>	<u>\$ 55,118</u>	<u>\$ 941,472</u>	<u>\$ 82,285</u>

December 31, 2003				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance
Balance of ICA	<u>\$ 134,302</u>	<u>\$ 80,702</u>	<u>\$ 564,204</u>	<u>\$ 46,073</u>

As stipulated in the Ministry of Finance Letter No. (91) Tai-Tsai-Tax 0910454466, the denominator to be used in the imputed tax credit ratio should include the unappropriated earnings generated from 1998 of the financial institutions that established Taishin Financial through a share swap (these earnings are credited to the capital surplus of the financial holding company). As of December 31, 2004, the capital surplus of Taishin Financial included \$1,085,666 thousand of these post-1998 earnings.

The imputed tax credit rates were as follows:

December 31, 2004				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance
2004 (estimated)	2.33%	0.52%	33.99%	12.53%
2003 (actual)	4.68%	5.05%	33.33%	3.05%

Examination of Subsidiaries' Income Tax

As of December 31, 2004, the income tax returns of 2002 and 2003 had not yet been examined by the tax authorities.

The income tax returns of Taishin Bank through 2001 had been examined and cleared by the tax authorities.

The income tax returns of Taiwan Securities through 2000 (except 1999) had been examined and cleared by the tax authorities.

The income tax returns of Taishin Bills Finance through 1999 had been examined and cleared by the tax authorities.

The refund ratio of the tax credit deductions taken by Taishin Bills Finance since 1998, regardless of whether the bondholder is an individual or an enterprise, could be 60% of the total withholding taxes, the ratio specified in the agreement with tax authorities in October 2003. Thus, Taishin Bills Finance received the refundable withholding taxes of \$34,131 thousand for 1998 and 1999. Taishin Bills Finance recorded the remainder of 40% of withholding taxes as bond purchase cost of \$17,646 thousand in 2004. By December 31, 2004, the withholding taxes of natural persons and corporations were \$160,900 thousand.

Information on unappropriated earnings is as follows:

December 31, 2004				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance
Unappropriated earnings				
Until 1997	\$ -	\$ -	\$ 26,098	\$ -
From 1998	11,535,815	10,541,364	2,049,143	656,543
	<u>\$ 11,535,815</u>	<u>\$ 10,541,364</u>	<u>\$ 2,075,241</u>	<u>\$ 656,543</u>

December 31, 2003				
	Taishin Financial	Taishin Bank	Taiwan Securities	Taishin Bills Finance
Unappropriated earnings				
Until 1997	\$ -	\$ -	\$ 26,098	\$ -
From 1998	7,295,139	6,183,349	1,288,137	751,956
	<u>\$ 7,295,139</u>	<u>\$ 6,183,349</u>	<u>\$ 1,314,235</u>	<u>\$ 751,956</u>

32. STOCK-BASED EMPLOYEE COMPENSATION PLAN

Taishin Financial adopted the Stock-Based Employee Compensation Plan on August 19, 2004 and recognized its compensation cost under the intrinsic value method. As of December 31, 2004, the compensation cost was \$0. Under the plan, Taishin Financial has to grant 77,549 units of stock warrant to its qualified employees. Each unit represents the right to obtain 1,000 shares of Taishin Financial's common stock, and the exercise price is equal to the stock closing price on the Taiwan Stock Exchange on the grant date.

The exercise price of the employee stock warrants is subject to adjustments based on certain situations specified in the compensation plan.

Stock warrants under this plan can be exercised two years from the grant date and will expire five years from the grant date. The exercisable percentage is as follows

Stock-Warrants Grant Period	Percentage Exercisable	Cumulative Percentage Exercisable
2-3 years	50%	50%
3-4 years	25%	75%
4-5 years	25%	100%

The quantity and weighted-average exercise price of the stock warrants were as follows:

Stock Warrants	2004	
	Unit	Weighted Average Exercise Price
Outstanding units, beginning balance	-	\$ -
Units granted	77,549	24.4
Units exercised	-	-
Units forfeited	433	24.4
Outstanding units, ending balance	77,116	
Exercisable units, ending balance	-	

Disclosures of the outstanding units of the stock warrants were as follows:

December 31, 2004					
Exercise Price	Outstanding Units	Expected Weighted Average Outstanding Period	Weighted Average Exercise Price	Weighted Average	Weighted Average Exercise Price
\$24.4	77,116	4.63 years	\$24.4	-	\$ -

Had Taishin Financial recognized the compensation cost of its stock-based employee compensation plan under the fair value method, the related method, assumption, pro forma net income and pro forma earnings per share (EPS) in 2004 would have been as follows:

Valuation Model	Binomial	
Assumptions	Dividend yield	15%
	Expected price volatility	39.39%
	Risk-free interest rate	2.36%
	Expected outstanding periods	4.63 years
Net income (in thousands)	Net income recognized in financial statements	\$ 11,304,562
	Pro forma net income	\$ 11,256,036
Basic EPS (in dollars)	Net income recognized in financial statements	\$2.80
	Pro forma net income	\$2.79
Diluted EPS (in dollars)	Net income recognized in financial statements	\$2.58
	Pro forma net income	\$2.57
Weighted market price per unit of stock warrants granted in the current period (in dollar)		\$5.49

33. EARNINGS PER SHARE

	2004								
	Income (Numerator)		Shares in Thousands (Denominator)		Earnings Per Share (Dollars)				
					Including Subsidiaries' Treasury Stock		Excluding Subsidiaries' Treasury Stock (Note)		
	Pre-Tax	Post-Tax	Including Subsidiaries' Treasury Stock	Excluding Subsidiaries' Treasury Stock (Note)	Pre-Tax	Post-Tax	Pre-Tax	Post-Tax	
Net income	\$ 14,793,784	\$ 11,304,562							
Less preferred dividends	(242,000)	(242,000)							
Basic earnings per share									
Net income of common shareholders	14,551,784	11,062,562	3,947,664	4,253,426	\$ 3.69	\$ 2.80	\$ 3.42	\$ 2.60	
Dilutive effect of common shares - convertible bonds	77,266	77,266	371,261	371,261					
Dilutive effect of common shares - employee stock warrants	-	-	3,644	3,644					
Diluted earnings per share									
Net income of common shareholders and effect of dilutive common shares	\$ 14,629,050	\$ 11,139,828	4,322,569	4,628,331	\$ 3.38	\$ 2.58	\$ 3.16	\$ 2.41	
	2003								
	Income (Numerator)		Shares in Thousands (Denominator)		Earnings Per Share (Dollars)				
					Including Subsidiaries' Treasury Stock		Excluding Subsidiaries' Treasury Stock (Note)		
	Pre-Tax	Post-Tax	Including Subsidiaries' Treasury Stock	Excluding Subsidiaries' Treasury Stock (Note)	Pre-Tax	Post-Tax	Pre-Tax	Post-Tax	
Net income	\$ 9,300,633	\$ 7,295,139							
Less preferred dividends	(242,000)	(242,000)							
Basic earnings per share									
Net income of common shareholders	9,058,633	7,053,139	3,476,061	3,908,547	\$ 2.61	\$ 2.03	\$ 2.32	\$ 1.80	
Dilutive effect of common shares - convertible bonds	227,135	227,135	448,270	448,270					
Diluted earnings per share									
Net income of common shareholders and effect of dilutive common shares	\$ 9,285,768	\$ 7,280,274	3,924,331	4,356,817	\$ 2.37	\$ 1.86	\$ 2.13	\$ 1.67	

Earnings per share in 2003 had been retroactively adjusted to take into account the effect of the distribution of stock dividends and employee bonuses in 2004.

34. RELATED-PARTY TRANSACTIONS

Names and relationships of related parties are as follows:

Name	Relationship
Taishin Asset Management Co. Ltd.	Wholly owned subsidiary
Taishin Marketing Consultant Co., Ltd.	Same as above
Taisin Venture Capital Investment Co., Ltd.	Same as above
Taishin Insurance Agency Co., Ltd.	Equity method investee
Taishin Real-Estate Management Co. Ltd.	Same as above
PayEasy Digital Integration Co., Ltd.	Same as above
Taishin International Finance Co., Ltd.	Same as above
Dah An Leasing Co., Ltd.	Same as above
An Hsin Real-Estate Management Co., Ltd.	Same as above
Taiwan Futures Co., Ltd.	Same as above
Taishin Venture Capital Investment Co., Ltd.	Same as above
Anew Holdings Ltd.	Same as above
Taiwan Securities Investment Advisory Co., Ltd.	Same as above
Shin Ze Asset Management Co., Ltd.	Same as above
Taiwan Managed Futures Co., Ltd.	Same as above
Taishin Investment Trust Co., Ltd.	Same as above
Taiwan Securities (HK) Co., Ltd.	Same as above
Tan Asian Plastics	Its president is Taishin Financial's chairman
Taishin Nonlife Insurance Agency Co., Ltd.	Same as above
Taishin Insurance Broker Co., Ltd.	Same as above
Shin Kong Synthetic Fibers Corp.	Its chairman is a member of the immediate family of Taishin Financial's chairman
Shin Kong Life Insurance Co., Ltd.	Same as above
Shin Kong Fire & Marine Insurance Co., Ltd.	Same as above
Shin Kong Financial Holding Co., Ltd.	Same as above
Wang Tien Woollen Textile Co., Ltd.	Same as above
Shin Kong Co., Ltd.	Same as above
Shinshen Co., Ltd.	Same as above
Jupiter Venture Capital Co., Ltd.	Same as above
Mercury Venture Capital Co., Ltd.	Same as above
Taishin Leasing & Financing	Related party in substance
Taishin International Investment Development Co., Ltd.	Same as above
Shinkong Life Real Estate Service Co., Ltd.	Same as above
Taiwan Shin Kong Securities Co., Ltd.	Same as above
Fu Mei Co., Ltd.	Same as above
Ming Huang Investment Co., Ltd.	Same as above
The Great Taipei Gas Corporation	Same as above
Shin Kong Spinning Co., Ltd.	Same as above

Material Transactions with Related Parties

Loans, Deposits and Guaranteed Loans

Item	2004			
	Ending Balance	Highest Amount	Interest and Service Charge Rate Per Annum%	Interest and Service Revenue (Expense)
Loans to related parties				
Shin Kong Co., Ltd.	\$ 550,000	\$ 550,000	1.40~1.55	\$ 3,251
Shinshen Co., Ltd.	1,425,000	1,425,000	0.60~2.95	53,415
Shin Kong Synthetic Fibers Corp.	1,163,846	1,403,077	3.70~3.86	22,604
Wang Tien Woollen Textile Co., Ltd.	250,000	580,000	3.00~3.20	11,036
Tan Asian Plastics	200,000	514,700	1.60~3.75	5,156
Ming Huang Investment Co., Ltd.	160,000	160,000	2.45~2.62	3,918
Fu Mei Co., Ltd.	213,000	223,994	2.20~2.40	4,809
Taiwan Shin Kong Securities Co., Ltd.	100,000	290,000	1.70~2.45	4,825
Others	420,962			12,156
	<u>\$ 4,482,808</u>			<u>\$ 121,170</u>
Guarantee for loans of related parties				
Shin Kong Synthetic Fibers Corp.	\$ 21,166	\$ 908,052	0.50~0.60	\$ 4,447
Others	1,564			3,647
	<u>\$ 22,730</u>			<u>\$ 8,094</u>
Deposits from related parties				
Shin Kong Life Insurance Co., Ltd.	\$ 941,866		0~2.15	\$ (14,047)
Taishin Insurance Agency Co., Ltd.	433,091		0~0.15	(467)
Taiwan Futures Co., Ltd.	1,546,315		0~1.30	(4,611)
Jupiter Venture Capital Co., Ltd.	132,924		0~1.35	(1,104)
Mercury Venture Capital Co., Ltd.	151,094		0~1.35	(1,225)
Shin Kong Synthetic Fibers Corp.	199,948		0~0.65	(2,241)
Taishin Investment Trust Co., Ltd.	198,286		0~1.40	(1,075)
Dah An Leasing Co., Ltd.	165,152		0~0.15	(95)
Others	1,903,736			(8,948)
	<u>\$ 5,672,412</u>			<u>\$ (33,813)</u>

Item	2003			
	Ending Balance	Highest Amount	Interest and Service Charge Rate Per Annum%	Interest and Service Revenue (Expense)
Loans to related parties				
Shinshen Co., Ltd.	\$ 1,425,000	\$ 1,500,000	3.75~4.25	\$ 57,083
Shin Kong Synthetic Fibers Corp.	1,380,769	1,868,000	1.55~3.90	38,661
Wang Tien Wollen Textile Co., Ltd.	580,000	800,000	3.00~4.30	21,812
Shin Kong Co., Ltd.	550,000	600,000	1.55~2.70	736
Tan Asian Plastics	354,600	424,200	1.60~6.34	7,350
Taiwan Leasing and Financing Co., Ltd.	110,000	180,000	2.80~4.25	4,995
Others	219,914			7,055
	<u>\$ 4,620,283</u>			<u>\$ 137,692</u>
Guarantee for loans of related parties				
Shin Kong Synthetic Fibers Corp.	\$ 603,422	\$ 1,044,857	0.50~0.60	\$ 2,732
Others	1,563			4,222
	<u>\$ 604,985</u>			<u>\$ 6,954</u>
Deposits from related parties				
Shin Kong Life Insurance Co., Ltd.	\$ 4,261,795		0~4.90	\$ (60,534)
Shin Kong Fire & Marine Insurance Co., Ltd.	223,658		0~4.00	(2,025)
Shin Ze Asset Management Co., Ltd.	135,190		0~0.35	(147)
Taishin Insurance Agency Co., Ltd.	250,242		0~2.30	(508)
Start-up office of You Bright Optron Corporation	120,004		0.15	(3,748)
Jupiter Venture Capital Co., Ltd.	138,802		0.15~1.05	(356)
Mercury Venture Capital Co., Ltd.	137,378		0~1.85	(550)
Taiwan Future Co., Ltd.	145,120		0~1.20	(872)
Others	91,387			(5,723)
	<u>\$ 5,503,576</u>			<u>\$ (74,463)</u>

All transactions with related parties were made under arm' s length terms, which are consistent with normal policies.

Short-term loans to related parties:

Item	2003			
	Highest Amount	Ending Balance	Interest and Service Charge Rate Per Annum (%)	Interest Expense
Shin Kong Life Insurance Co., Ltd.	\$ 294,000	\$ -	-	\$ 3,859

Trading Securities

Related Parties	2004					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Price Ending Balance	Interest Rate (Per Annum %)	Resell Price Ending Balance	Interest Expense
Shin Kong Life Insurance Co., Ltd.	\$ 454,060	\$ 3,799,277	\$ 2,873,410	0.88~1.150	\$ -	-
Shin Kong Financial Holding Co., Ltd.	-	-	501,712	0.83~1.140	-	-
Others	197,550	194,944	-	-	-	-
	<u>\$ 651,610</u>	<u>\$ 3,994,221</u>	<u>\$ 3,375,122</u>		<u>\$ -</u>	

Related Parties	2003					
	Purchase Price (Accumulated Amount)	Sales Price (Accumulated Amount)	Repurchase Price Ending Balance	Interest Rate (Per Annum %)	Resell Price Ending Balance	Interest Expense
Shin Kong Life Insurance Co., Ltd.	\$ -	\$ -	\$ 1,250,963	0.650~1.375	\$ -	-
Shin Kong Fire & Marine Insurance Co., Ltd.	-	-	426,372	0.675~1.300	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,677,335</u>		<u>\$ -</u>	

Lease Payments and Guarantee Deposits

Related Parties	Lease Object	Lease Period	Lease Payments		Guarantee Deposits	
			2004	2003	December 31 2004	2003
Shin Kong Life Insurance Co., Ltd.	Managerial and other departments	2001.09.01~2006.09.30	\$ 78,511	\$ 67,341	\$ 20,124	\$ 16,698
Others			36,965	36,065	6,232	6,924

All transactions with related parties were made under arm' s length terms, which are consistent with normal policies. Lease payments were made in compliance with lease contracts.

Transferring Ownerships of the Loans

The loans transferred at the end of 2002 to Taishin Real-Estate Management Co., Ltd. and Taishin Assets Management Co., Ltd. were as follows:

Related Parties	Original Amount	Transfer Price	Receivable Balances	
			December 31 2004	2003
Taishin Real-Estate Management Co., Ltd.	\$ 2,855,709	\$ 952,929	\$ -	\$ 571,757
Taishin Assets Management Co., Ltd.	7,524,413	1,913,128	-	1,178,259
	<u>\$ 10,380,122</u>	<u>\$ 2,866,057</u>	<u>\$ -</u>	<u>\$ 1,750,016</u>

III. Directors, Supervisors & Managers

1. Directors & Supervisors

DECEMBER 31, 2004

Title	Representative / Company
Chairman	Thomas T.L. Wu Representative of Bo Rei Co.,Ltd.
Director	Cheng Ching Wu Representative of Tai Ho Co., Ltd.
Director	Thomas Wu Representative of Taishin Leasing & Financing Co., Ltd.
Director	Chu Chan Wang Representative of Pan City Co., Ltd.
Director	Yu-Lon Chiao
Director	Linda Kuo Representative of Tong Shin Co.
Director	Long-Su Lin Representative of Bo Rei Co. ,Ltd.
Managing Supervisor	Tong-Shung Wu Representative of Master Advisor Management Consulting Co., Ltd.
Supervisor	Henry C.S. Kao Representative of Royal Investment Co., Ltd.
Supervisor	Charles W.Y. Wang Representative of Bo Rei Co., Ltd.

2. Managers

DECEMBER 31, 2004

Title	Name
President	Julius Chen
General Manager, Wholesale Banking Group	Justin Tsai
General Manager, Retail Banking Group	Daniel M. Tsai
General Manager, Wealth Management Group	Keh hsiao Lin
Chief Auditor	Diao-Li Lin
CFO & Spokesperson	Carol Lai
CRO	James Lin
CSO	Daniel Wu
CIO	Welch Lin
Senior Vice President, Processing & Servicing Division	Ena Swei
Senior Vice President, Information & Technology Services Division	B.R. Ho
Senior Vice President, Business Management Division	Jim C.L. Jen
Senior Vice President, Risk Management Division	Bomin Wang
Senior Vice President, Corporate Planning Division	David Chang
Senior Vice President, Administration Division & Secretariat Division	Ming-Nan Lin
Senior Vice President, Human Resources Division	Kevin Huang

Other Material Transactions and Liability Contracts with Related Parties

Item	Related Party	December 31			
		2004		2003	
		Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Bonds purchased under agreements to resell	Taishin International Investment Development Co., Ltd.	\$ 788,350	3	\$ 1,268,595	14
	Taishin Leasing and Financing Co., Ltd.	1,056,614	5	763,419	9

All such transactions with related parties were made under arm's length terms, which are consistent with normal policies. Taishin Financial and its subsidiaries' income tax expenses in 2004 and 2003 were as follows:

35. PLEDGED ASSETS

As of December 31, 2004 and 2003 the assets pledged were as follows:

Pledged Assets	Description	December 31			
		2004		2003	
		Amount	Percentage of Item (%)	Amount	Percentage of Item (%)
Refundable collaterals	Bonds, certificates of time deposit	\$ 13,779,840		\$ 13,138,656	
Guarantee deposits paid	Cash, bonds	3,408,340		2,712,668	
Operating deposits	Cash, bonds, bank notes	1,946,386		1,561,444	
Settlement funds	Cash	348,814		357,955	
Trading securities - underwriting	Bonds	207,000		-	
Trading securities - dealing	Bonds, marketable equity security	2,222,666		66,900	
Certificates of time deposit pledged		33,500		123,622	
Property and equipment, net	Land and buildings	1,311,244		1,324,963	
Rental assets	Land and buildings	299,985		303,560	

36. CONTINGENT LIABILITIES AND COMMITMENTS

As of December 31, 2004 and 2003, Taishin Financial and subsidiaries had the following contingent liabilities and commitments, excluding those mentioned in "Derivative Instruments" (Note 37):

Pledged Assets	2004			2003		
	Taishin Bank	Taishin Bills Finance	Total	Taishin Bank	Taishin Bills Finance	Total
	Bills for collection	\$ 26,100,730	\$ -	\$ 26,100,730	\$ 22,066,248	\$ -
Custody of marketable securities	77,612,394	-	77,612,394	104,809,771	-	104,809,771
Travellers' checks for sale	221,183	-	221,183	248,029	-	248,029
Payables on underwritten securities	-	4,629,000	4,629,000	-	4,977,500	4,977,500
Guarantees	22,372,869	13,806,100	36,178,969	23,271,637	13,987,800	37,259,437
Letters of credit	8,036,492	-	8,036,492	4,778,707	-	4,778,707
Commercial paper or bonds sold under repurchase agreements	-	-	-	27,899,820	54,743,412	82,643,232
Commercial paper or bonds purchased under resell agreements	-	-	-	4,020,256	5,498,435	9,518,691
Trust assets	120,675,974	-	120,675,974	81,250,654	-	81,250,654
Unpaid equipment purchase contracts	1,568,110	-	1,568,110	2,260,502	-	2,260,502
Guarantee notes received	-	298,468	298,468	-	304,055	304,055
Payables on collaterals received	-	8,521,036	8,521,036	-	9,357,811	9,357,811
Unused loan commitments (excluding credit card)	73,525,384	-	73,525,384	64,439,810	-	64,439,810

Under Article 17 of the implementation rules of the Trust Law, Taishin Bank should disclose its balance sheet of trust account and its asset items, as follows:

Trust Accounts Balance Sheet as of December 31, 2004 (In Thousands of New Taiwan Dollars)			
Trust assets		Trust liabilities	
Cash in banks	\$ 1,188,614	Payables	\$ 56,499
Short-term investments		Advance receipts	36,038
Common stocks	18,049,572	Trust capital	
Mutual funds	99,768,909	Monetary trust	100,885,001
Short-term notes and bills	579,378	Security trust	18,593,918
Receivables	20,488	Real estate trust	1,104,518
Real estate	1,069,013		
	<u>\$ 120,675,974</u>		<u>\$ 120,675,974</u>

Trust Asset Summary

Items	Amount
Cash in banks	\$ 1,188,614
Short-term investments	
Common stocks	18,049,572
Mutual funds	99,768,909
Short-term notes and bills	579,378
Receivables	20,488
Real estate	1,069,013
	<u>\$ 120,675,974</u>

37. DERIVATIVE INSTRUMENTS

Taishin Financial uses nontrading cross-currency swaps and interest rate swaps to manage its foreign capital risk.

Contract (Notional) Amount and Credit Risk

Financial Instrument	December 31			
	2004		2003	
	Contract Amount	Credit Risk	Contract Amount	Credit Risk
Cross-currency swaps	\$ -	\$ -	\$ 4,941,938	\$ -
Interest rate swaps	\$ 10,000,000	-	\$ 250,000	-

Credit risk refers to a counter-party's default on contracts. The above credit risk amount pertains to contracts with a positive fair value on balance sheet date. It represents Taishin Financial's potential loss, considering potential exposures and credit risk factors, if the counter-party breaches the contract.

Taishin Financial's derivative transactions were with Taishin Bank, Taishin Financial's wholly owned subsidiary. Thus, Taishin Financial does not anticipate counter-party default.

IV. Status of capital and issuance of corporate shares, corporate bonds, and GDR as of March 2005

1. Type of Shares

Type of Shares	Authorized Capital		
	Shares Issued (1,000)	Unissued Shares (1,000)	Total (1,000)
Common Shares	4,407,292,107	5,192,707,893	9,600,000,000
B-type Preferred Shares	400,000,000	0	400,000,000

2. Corporate Bond

(1) Straight Bonds

Type	2003 Domestic 1 st Unsecured Subordinated Bond	2004 Domestic 1 st Unsecured Subordinated Bond	2004 Domestic 2 nd Unsecured Subordinated Bond
Issued Date	December 12~29,2003	May 21,2004	June 21,2004
Face value	NT\$10,000,000 \\ NT50,000,000	NT\$10,000,000	NT\$10,000,000
Issued and Listed Place	OTC, Taiwan	OTC, Taiwan	OTC, Taiwan
Issued Price	100%	100%	100%
Total amount	NT\$8 Billion	NT\$2 Billion	NT\$5 Billion
Coupon	Type A : 3.5% Type B : 5.7%-「Floating Rate B」 (note 1)	2.9%	3.5%
Maturity	7 years(December 12~29,2010)	7 years(May 21,2011)	7 years(June 21,2011)
Status	Subordinated	Subordinated	Subordinated
Guarantor	None	None	None
Trustee	Bank SinoPac	Bank SinoPac	Bank SinoPac
Underwriter	None	None	None
Legal	Modern Law office	Modern Law office	Modern Law office
Auditors	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Final Redemption	Redemption at Maturity	Redemption at Maturity	Redemption at Maturity
Outstanding balance	NT\$8billion	NT\$2billion	NT\$5billion
Call or Early Redemption	None	None	None
Restriction	None	None	None
Qualified Capital	Yes	Yes	Yes
Rating	Moody's 2003.11.17 Baa2.tw	Fitch Taiwan 2004.05.04 BBB+(tw)	Fitch Taiwan 2004.06.02 BBB+(tw)
Other Rights	Conversion \\ GDR or others	None	None
	Terms and Conditions	Note2	Note2
Amortization			
Custodian	None	None	None

Note 1: 「Floating Rate B」 : (Moneyline Telerate) page 6165 \ 90D CP (Fixing Rate)

Note2 : P96 ~P102 Terms and conditions of Corporate Bonds

(2) Convertible Bonds

Type	2002 Domestic 1 st Unsecured Convertible Bond	2003 Euro 1 st Unsecured Convertible Bond	2004 Euro 2 nd Unsecured Convertible Bond	
Issued Date	2002.09.13	2003.04.17	2004.04.28	
Face value	NT\$100,000	US\$1,000	US\$1,000	
Issued and Listed Place	OTC,Taiwan	Luxemburg	Luxemburg	
Issued Price	100%	100%;Over-allotment issues at 101%	100%	
Total amount	NT\$3billion	US\$220mn(including over allotment US\$20mn)	US\$225mn	
Coupon	0%	0%	0%	
Maturity	5 years ; Maturity Date : 2007.09.13	5 Years ; Maturity Date : 2008.04.17	1.5 Years ; Maturity Date : 2005.10.28	
Status	Senior and unsecured	Senior and unsecured	Senior and unsecured	
Guarantor	None	None	None	
Trustee	Bank SinoPac	Citibank, N.A.	DB Trustees(Hong Kong)	
Underwriter	Hua Nan Securities Corp.	Citigroup Global Markets	Deutsche Bank	
Legal	Cheng & Lee Attorneys At Law	-	-	
Auditors	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	
Final Redemption	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will mature on September 13,2007 at 100% of their principal amount to be paid in N.T. dollars.	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will mature on April 17,2008 at 112.69% of their principal amount to be paid in U.S. dollars.	Unless previously redeemed, repurchased and cancelled or converted, the Bonds will mature on Oct. 28, 2005 at 98.88% of their principal amount to be paid in U.S. dollars.	
Outstanding balance	0	US\$30.814mn (as of 2004.12.31)	US\$225mn (as of 2004.12.31)	
Call or Early Redemption	Note 1	Note 1	Note 1	
Restriction	Note 1	Note 1	Note 1	
Qualified Capital	None	None	None	
Rating	None	Moody's Investors Service, Inc. 2003.04.10 Baa3	None	
Other Rights	The amount of Conversion \ GDR or others	NT\$3.0billion	Conversion amount: US\$202.950mn (As of 2004.3.22)	Conversion amount US\$0
	Terms and Conditions	Note 1	Note 1	Note 1
Amortization	limited impact on dilution No big impact on shareholder's equity	limited impact on dilution No big impact on shareholder's equity	limited impact on dilution No big impact on shareholder's equity	
Custodian	None	None	Citibank,N.A.,Taipei branch	

Note 1 : see P 96-P102 Terms and Conditions of Corporate Bonds

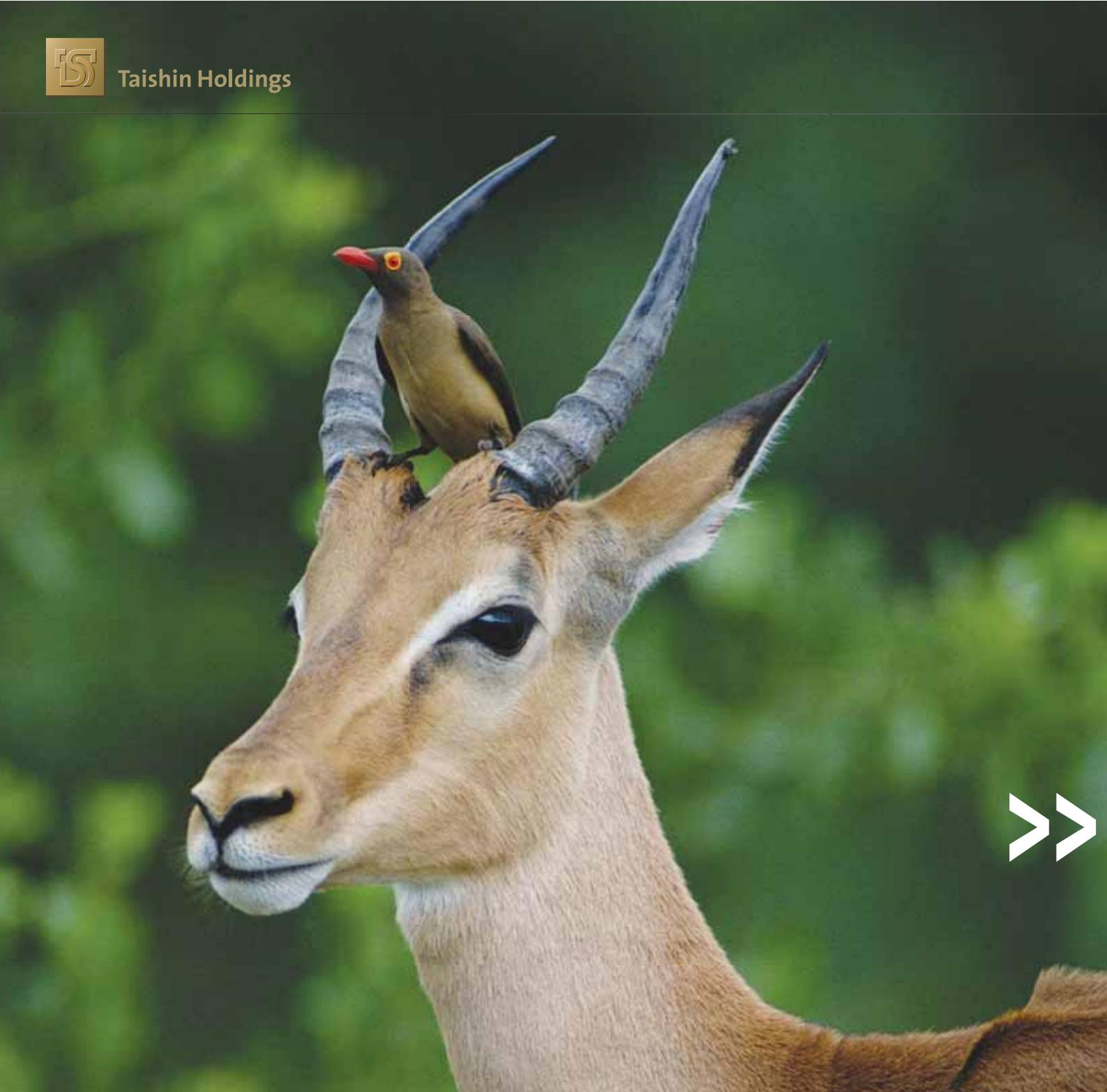
(3) Convertible Bonds

Type	2002 Domestic 1 st Unsecured Convertible Bond	2003 Euro 1 st Unsecured Convertible Bond	2004 Euro 2 nd Unsecured Convertible Bond	
Item \ Year	2004	2004	2004	
Market Price	Highest	214.00	176.50	109.15
	Lowest	148.40	111.38	99.00
	Average	186.78	148.10	101.97
Conversion Price	NT\$14.5	NT\$18.04	NT\$32.94	
Issued Date and Conversion Price on Issuing Date	2002.09.12 ; NT\$15.5	2003.04.17 ; NT\$21.33	2004.04.28 ; NT\$36.80	
Converted from	New common shares	New common shares	Current common shares	

Note1:2002 Domestic 1st convertible bonds are all converted by 2004.11.10 *

3. Preferred shares

Item	Issuing Date	2000.06.30	
Face value		NT\$10	
Issued Price		100%	
Total shares		400,000,000 shares	
Total amount		NT\$4.0billion	
Obligation & Rights	Coupon	6.05%	
	Allotment of remaining properties	Prior to common shares	
	Voting Right	Not eligible for voting or election, but can be elected	
	Others	Same with common shares and has the refusal for new stocks from cash injection	
Outstanding shares	Total amount of redemption or conversion	None	
	Number of shares to be redeemed or converted	400,000,000 Shares	
	Redemption or conversion clause	None	
Market Price	year	Highest	-
		Lowest	-
		Average	-
Others	Total amount of conversion shares up to the published day	0	
	Terms and conditions	None.	
	Impact on current shareholders	-	



III. Business Operations

Partner in growth and learning

Acquiring knowledge as it comes; an ambitious mind is the strength and advantage to achieve self-fulfillment.

2004
Annual Report

I. Business Plan

Taishin Financial Holding Co., Ltd.

1. Business Scope

Pursuant to Article 36, Financial Holding Company Law, the business of the Company is confined to investment and the management of invested businesses.

(1) The company may invest in the following businesses:

- A. Banking
- B. Bills Finance
- C. Credit Cards
- D. Trust
- E. Insurance
- F. Securities
- G. Futures
- H. Venture Capital
 - I. Foreign financial institutions as approved by relevant authorities
 - J. Other finance-related businesses as approved by relevant authorities

(2) Management of aforementioned invested businesses.

(3) The company may, at the approval of relevant authorities upon application, invest in businesses other than those specified in (1).

2. Operating Plans for the Current Fiscal Year

Taishin's Operating Strategies

A. Optimal Use of Service Channel Resources

The business locations operated by financial holding companies are more numerous and more widespread than those of non-financial institutions, and this advantage allows financial holding companies to win more favorable price conditions for their customers as well as to use their relatively low operating costs to pay something back to consumers.

In addition, financial holding companies can steadily expand their group income sources by developing the cross-industry cooperation model. With the development of the Internet and the dense distribution of convenience stores, small and medium-size financial holding firms, as well as larger ones, are able to achieve the goal of increasing their service channels.

B. Using Niche Businesses to Stimulate Other Businesses

Credit card, cash card, deposit, and securities brokerage products make up the locomotive of personal banking, and these products are used to deepen relations with customers through the cross-marketing of wealth management, insurance, funds, structured products, and other services.

Corporate banking is focused on small and medium enterprises, and RM teams that span the stock, banking, and bond businesses are established to combine capital market, corporate financing, treasury, accounts receivable, and corporate financial planning services and provide total financial solutions that satisfy the needs of corporate customers at different stages of development.

C. Looking for Merger Opportunities to Expand Economic Scale

In addition to growing organically, Taishin Holdings seeks to compete with large financial holding companies and establish a foothold in the market by looking for opportunities to expand through merger with other financial institutions, with the aim of achieving double digit growth in scale of assets and market share within a short period of time and thus strengthening its competitiveness. On Oct. 2004, Taishin has expanded its size and product range by absorbing the Tenth Credit Cooperative of Hsinchu.

In the merger process, Taishin does not necessarily have to be the surviving entity. Its foremost consideration is the benefit of shareholders, customers, and employees, and the most important consideration is that a merger must achieve symbiosis.

D. Clearly Identified Target Customers

Core target customers are the wealthy class, personal loans, branch operation, and medium-size enterprises. Business units are divided, according to their business characteristics, into three business groups: Wealth Management, Retail Banking, and Wholesale Banking.

E. Innovative Financial Products, Meeting Customer Needs

Better than operating in focus markets is being able to create a market by quickly meeting customer needs. To take Taishin's business as an example, the development of derivative products, the marketing of trust products, offset interest-free home loans, and the use of credit card bonus points to pay for gasoline-all are designed to meet customer needs, and so good performance follows naturally.

3. Industry Conditions

(1) Market Conditions

A. The Trend Toward Reorganization and Merger of Financial Holding Companies

The government has announced a change in the goal of the second stage of financial reform and is now encouraging mergers with the aim of reducing the 14 domestic financial holding companies to just 7 by the end of 2006, and thus reinforcing competitiveness. The Financial Supervisory Commission has formulated three possible major models for financial holding company M&As: mergers between formerly state-owned financial institutions that have been privatized, mergers between privatized and private financial institutions, and mergers between formerly state-owned financial institutions and purely private financial institutions with the addition of foreign investment. The FSC has set the following competitive indexes for the resulting "national champion" institutions: a 10% share of the asset market, an ROE of 15% to 20%, an ROA greater than 1%, a BIS ratio of more than 10%, a broadly defined non-performing loan ratio of under 2.5%, coverage ratio of at least 60%, and a cost-income ratio under 40%.

I. Business Plan

B. Expansion of Business Units

To facilitate the development of their retail banking and wealth management businesses, banks operating under financing holding companies are targeting the establishment of at least 150 branches as an appropriate operating scale. With the authorities having frozen branch licenses while permitting the large-scale relocation of branches for merged financial institutions, the sale by tender of business locations by the Kaohsiung Business Bank, Fengshan Credit Cooperative, Chung Shing Bank, and even Taiwan Development & Trust have attracted large numbers of bidders. In addition, banks have continued to absorb credit cooperatives. Securities companies, too, are using M&A to add more business units and increase their market share. There is a general consensus in the market that this is the way to expand service channels and achieve an appropriate scale of operation so long as symbiosis can be achieved and the price is reasonable.

C. The Rise of Retail Banking

With the liberalization, internationalization, and regulatory relaxation of the finance industry, the capital and monetary markets are becoming more mature by the day, corporate fund-raising channels are becoming more diversified all the time, and the ratio of direct corporate financing via the capital market is rising year by year. This is causing a steady narrowing of the interest spread for banks. To keep their business growing, banks are vigorously seeking products that offer better profits and this has directed their attention in the direction of personal banking products, such as home loans, credit card loans, and auto loans, that are characterized by stable profitability and a relatively low bad-debt ratio.

D. The Rising Trend of Wealth Management

With the economy recovering and financial products becoming more diversified and internationalized, the demand of the wealthy customer group for asset management is growing stronger by the day. Taiwanese customers and Taiwanese business people operating abroad have developed into a customer group with huge potential. With the advantage of strong finances and vast resources, financial holding companies are vigorously developing the wealth management business by offering more elite products and services. Besides satisfying the needs of the wealthy customer group, these products and services also allow the financial holding firms to accumulate large amounts of assets under management and to increase stable sources of income such as processing fees.

E. Development of Investment Banking

Development of investment banking is one of the important methods that financial institutions have adopted to diversify their income sources in response to financial liberalization and internationalization and the diversification of corporate fund-raising channels. For example: issuing bonds for corporations, helping them list on the stock market, helping them with mergers and acquisitions, debt-for-equity swap planning, issuance of commercial bills, interest-rate swaps, transfer of loans, assisting local governments with the issuance of bonds, use of professional financial planners to sell financial products of various kinds to customers, and utilization of all types of funds and assets on behalf of customers. All of these businesses can be encompassed within the scope of investment banking. With growing outward investment by Taiwanese enterprises, the increasing exchange of domestic and overseas

financial products, the increasing internationalization of corporate operations, and the rapid accumulation of wealth by the people of Taiwan, the diversity and depth of the demand for financial planning can only become stronger by the day.

(2) Trends of Development in Financial Products

In the future, competition in the finance industry will become ever more intense, and with non-interest income based mainly on service replacing interest income under the "users pays" orientation, the ratio of non-interest income will increase steadily. Most new financial products introduced for this purpose will be brought in from abroad; the market will diversify, and these new businesses will be oriented toward market demand.

Under the government's successive relaxation of financial controls, expansion of the scope of operators, and vigorous promotion of privatization of government-owned financial enterprises, service quality, manpower training, and product development have been added to price factors in financial competition. This is bringing greater maturity to the development of Taiwan's financial industry.

Taishin International Bank Co., Ltd.

1. Business Scope

- A. Acceptance of demand deposits
- B. Acceptance of time deposits
- C. Issuance of financial debentures
- D. Extension of short-, medium-, and long-term loans
- E. Discounting of bills
- F. Investment in securities
- G. Processing of domestic remittances
- H. Acceptance of commercial drafts
- I. Issuance of domestic letter of credit
- J. Handling of domestic guarantees
- K. Acting as agent for payments and collections
- L. Underwriting of government bonds, treasury bills, corporate bonds, and corporate stocks
- M. Sale of gold bullion and gold and silver coins
- N. Handling of the credit card business
- O. Handling of short-term bills brokerage, proprietary dealing, certification, and underwriting
- P. Handling of custodianship and warehousing
- Q. Rental of safe deposit boxes
- R. Provision of agency services related to business items listed on the business license or approved by the central government authorities
- S. Handling of export and import financing, general inward and outward remittances, foreign
- T. currency deposits and loans, and guarantees for foreign currency guaranteed payments
- U. Trading in derivative financial products approved by the central government authorities
- V. Handling of factoring operations approved by the central government authorities
- W. Provision of guarantees for the issuance of corporate bonds
- X. Handling of business permitted by the Trust Business Law
- Y. Proprietary dealing in government bonds
- Z. Handling of cash card business

I. Business Plan

2. New Product and Service Development Plans

(1) Personal Banking

- A. Promotion of strengthened credit care payment rights, DIY credit card rights.
- B. Active participation in all kinds of transportation card programs such as FETC, Taiwan High-Speed Railway, and the Taipei card company with the aim of combining transportation cards with consumer stored-value card functions to bring convenience to the general public.
- C. Development of the ATM application of cash-card channel.
- D. Continued introduction of housing loan securitization.

(2) Corporate Banking

- A. Establishment of strategic alliances with foreign banks in order to provide cross-straits accounts receivable services and offer diversified financing solutions to Taiwanese businesses in mainland China.
- B. Formulation of new types of financial products based on accounts receivable, such as pool factoring and assisting customers to carry out the securitization of accounts receivable.
- C. Combination of structured financing oriented toward new financial products to cope with the diversified development of financial products and further satisfy customer needs.
- D. Expansion of offshore financing and overseas service locations in line with the trend toward globalization so as to satisfy the capital needs of Taiwanese enterprises in their global deployment.
- E. Development of the corporate asset management business and establishment of a product development capability or cooperation with domestic and foreign asset management companies in the development of a diverse range of domestic and overseas financial products suited for corporate investment, and provision of high-quality services in such areas as mutual funds, private-placement funds, corporate trust, and domestic and overseas agency operation services.

(3) Wealth Management

- A. Development of new money trust businesses.
- B. Development of the retirement trust fund business.
- C. Continued prosecution of the REIT and REAT businesses.
- D. Development of electronic invoicing for investment products.

3. Operating Plans for 2005

(1) Personal Banking

- A. **Cash Cards**
 - a. Operational and systemic re-engineering.
 - b. Reinforcement of application channels.
 - c. Provision of a diversified repayment mechanism.
 - d. Control of asset quality.
- B. **Credit Cards**
 - a. Large increase in number of valid cards and amount of consumption to consolidate the Bank's advantageous market position.

- b. Operation in accordance with customer value to advance customers' loyalty to and satisfaction with Taishin credit cards.
- c. Establishment of an optimal model of risk/profit balance so as to reach operating targets.

C. Other Consumer Banking Products

- a. Development of a customer-segmentation operating strategy.
- b. Development of new products, new programs, and new functions.
- c. Establishment of a special customer relations team to build long-term business relations between customers and the Bank.

(2) Corporate Banking

- A. Vigorous pursuit of target customer groups: Key A/C, Mid-Corp, small and medium enterprises, and trade-financing corporations that engage mainly in trading.
- B. Promotion of the factoring and letter-of-credit purchasing businesses: Vigorous pursuit of the factoring and L/C purchasing businesses with loan clients (including their domestic and offshore companies) in line with their actual trading base.
- C. Promotion of self-compensating trade financing: Pursuit of self-compensating trade financing and cross-straits trade financing opportunities in order to keep the Bank's foreign-exchange income and performance improving. Regulations for trade financing projects will be revised in 2005 for the purpose of designing standardized risk portfolios and risk characteristics and the aim of developing the trade financing business into a loan business with a standardized-product orientation.
- D. Continued innovation in the product framework to satisfy clients' needs for medium- and large-size loans and for project financing.
- E. Provision of total financial solutions by combining the resources of the bank and holding company such as the Treasury Department and the Taiwan Securities Co.
- F. Expansion of the service scope and product structure together with strategic alliance partners.
- G. Increase of service flexibility in combination with overseas units (including the Hong Kong Branch and Vietnamese representative office), and expansion of the service network for Taiwanese businesses in mainland China and Southeast Asia to facilitate the provision of a complete range of services

(3) The Wealth Management Business

A. Wealth Management

- a. Continued cultivation of the financial planning business model with emphasis on the "one-on-one intelligent financial planning" customer-oriented operating principle.
- b. Strengthening of financial consulting services for high-asset clients.
- c. Active recruitment of experienced outstanding financial planning personnel, reinforcement of their business capabilities so as to enhance their productivity.
- d. Cultivation of high-asset clients and development of a full range of financial services based on customer needs so as to satisfy the financial demands of those clients. Active recruitment of experienced outstanding financial planning personnel and reinforcement of their business capabilities so as to enhance their productivity.
- e. Large-scale increase in the amount of customer assets under management.

I. Business Plan

B. Trust Business

- a. Continued promotion of the children's education and venture trust businesses so as to maintain a position of market leadership and expand market share.
- b. Readjustment of the securities trust business in line with tax laws in order to heighten market share and win a leadership position in the market.
- c. Active solicitation of large-scale corporate money trust businesses.
- d. Development of new trust businesses.
- e. Strengthening of performance in the promotion of the trust consulting business.
- f. Development and promotion of effective service channels.
- g. Vigorous promotion of the real estate trust business.

C. Trust Utilization

- a. Development of diversified securities products.
- b. Development of collective/individual account product lines so as to increase the breadth of the product range.
- c. Consolidation of the Bank's leadership position in the sale of securities products.
- d. Segmentation of the market through the development of new products.

4. Industry Conditions

(1) Macroeconomic Environment

The global economy began showing signs of recovery in the last half of 2003 and the growth trend continued strong in the first half of 2004. In the last half of 2004, however, global economic growth weakened under the impact of continuous rises in the price of crude oil, weak labor markets in the industrial countries, interest rate hikes in major nations, and a steady reduction in the effects of expansionary financial policies; in general, however, the global economic recovery continued on course. According to a report released by the OECD on Feb. 17, 2005, global economic growth for 2004 was 3.6%. In Taiwan, the economy performed strongly in the first half of 2004 under the influence of the international economy but then the force of the expansion slowed in the second half because of the climbing international price of oil, interest rate increases in major countries, and the macroeconomic controls imposed by mainland China. According to an estimate by Taiwan's Directorate General of Budget, Accounting and Statistics, Taiwan's economy grew at a rate of 5.71% for the year.

In the domestic financial industry, under the effects of the Asian economic turmoil, instability in the domestic political situation, and the weakening of the global economy during the period of 1997-2000, a financial crisis was sparked off in Taiwan and the government began the vigorous promotion of financial reform. In coordination with that reform, in August 2002 President Chen Shui-bian announced the "wo-Five-Eight Financial Reform Program" alling for a reduction of non-performing loans in domestic financial institutions to no more than 5% and an increase in the BIS ratio to at least 8% within two years. After two years of effort by the government and the industry, in August 2004 the NPL ratio was down to under 5% and the average BIS. ratio was above 10%. In addition, to unify authority for monitoring of the banking, securities, futures, and insurance industries, and to upgrade the quality of financial monitoring and accelerate the linkage of Taiwan's financial

monitoring system with the rest of the world, the Executive Yuan's Financial Supervisory Commission went into operation on July 1, 2004.

Although the first financial reform achieved considerable success, Taiwan's financial institutions are still facing such problems as too many banks, intense competition, an excessively small scale of operations, and inadequate international competitiveness. After hearing recommendations from the Economic Advisory Council, therefore, President Chen Shui-bian directed, on Oct. 20, 2004, the immediate inauguration of a second financial reform. The first-stage reform concentrated on getting rid of deficiencies; for the second stage, the key focus is on upgrading the international competitiveness of Taiwan's financial services industry. Its targets are the building of a financial environment and legal system that meets world standards and the development of Taiwan into a regional financial services center.

(2) Status of Operations

The warming up of the economy brought on an increase in private investment, and the amount of loans outstanding from financial institutions continued the upturn that began in 2003 to reach a growth of 8.27% in 2004. The diversification of fund-raising channels has caused the banks to shift the focus of their lending business to consumer loans. Demand deposits also grew along with the strengthening of the economy, growing by 31.13% from the end of June 2003 to the same date of 2004. Consumer loans extended by domestic banks increased by 18.12% over the same period. A constant stream of new products, especially in the area of personal loans, was introduced in an assault on the market in 2004. With the number of credit cards in circulation continuing to decline in 2004 because of market saturation, the issuing banks all targeted an increase in the amount of consumption using their cards and credit card products developed in the direction of personalization.

Many banks shifted the focus of their business toward wealth management in 2004. The large banks experienced a major increase in profits, despite the contraction of the spread between deposit and loan interest rates, because of an increase in commission and fee income from the wealth management business. Overall, during the first six months of 2004 the profits earned by Taiwan's banks rose 29.67% over the same months of 2003.

5. Research and Development

(1) Research and Development Results for the Past Two Years

Results of the loyalty program and IC bank card conversion during the past two years:

June 2004: The HOLA co-branded IC card with bonus function was put on the market.

By Feb. 15, 2005 62,000 of the HOLA co-branded cards had been issued.

Sep. 2004: The IC card bonus system and invoicing were put online.

By Feb. 25, 2005 a total of IC 64 card machines with bonus function had been installed.

Sep. 2004: Conversion to IC bank cards formally began.

By Feb. 15, 2005, conversion had been completed for a total of 780,000 IC cards.

I. Business Plan

(2) Future Research and Development Plans

A. Consumer Banking

- a. Development of ATM cash-card applications.
- b. Development of non-contact payment tools.
- c. Active participation in transportation card programs such as FETC, Taiwan High-Speed Rail, and Taipei card company, with the addition of small-amount stored-value card functions to the original transportation functions for use with general small purchases, in this way using the power of the transportation card to stimulate the development of cash and stored-value cards.

B. Corporate Banking

- a. Establishment of strategic alliance relations with foreign banks to provide cross-straits accounts receivable services and offer a diversified range of financing solutions to Taiwanese companies in mainland China.
- b. Development of new financial products based on accounts receivable, such as pool factoring and the provision of assistance to clients in operations related to the securitization of accounts receivable.
- c. Incorporation of structured financing orientated toward new financial products to cope with the diversified development of financial products and further satisfy customer needs.
- d. Addition of more offshore financial services and overseas business units to cope with the trend toward globalization and meet the global deployment needs of Taiwanese businesses.

6. Long- and Short-term Business Development Plans

(1) Personal Banking

A. Short-Term Business Development Plans

- a. Provision of full-spectrum financial planning services and establishment of the "Professional financial planning-how convenient" bank image marketing activities designed to reinforce brand awareness.
- b. Differentiation of products and services and use of the general customer group marketing activities as the main platform-with, however, differentiation of high-contribution customer groups.
- c. Heightening of frequency of contact with new customers, and of market share, with development of the youth customer group and of effective customers.
- d. Development of new products and addition of market share increased penetration for new service channels (such as ATMs, branches, and Internet banking).
- e. Expansion of the amount of loans to low-risk customers:
 - i. Design and promotion of loans in combination with deposit and financial planning customers.
 - ii. Strengthening of collection capabilities, heightening of the repayment rate, and maintenance of profit ratio.
- f. Strengthening of risk control and analysis capability, establishment of customer risk ratings, and setting of risk pricing standards.

g. For businesses in which the Bank holds a leadership position, lengthening of the gap with competitive rivals and maintenance of an absolute market-share advantage.

h. For businesses in which the Bank is lagging, rapid closing of the gap with leading competitive rivals.

B. Long-Term Business Development Plans

- a. Cultivation of existing service channel relationships for the development of a diversity to cooperative opportunities.
- b. Upgrading of ATMs from a transaction "service" orientation to a product "sales" orientation.
- c. Enhancement of the ratio of automated transactions to lower operating costs.
- d. Abundant use of customer relationship management techniques to cultivate customer relations.
- e. Reinforcement of analysis of customer needs and development of a customer segmentation strategy to increase the effectiveness of marketing.
- f. Provision of competitive interest rate quotations and continued growth of business volume, and establishment of long-term business relations between the Bank and its customers.
- g. Addition of more value-added and service functions to generate a brand image of leadership in innovation.
- h. Operation in the interest of customer value.
- i. Establishment of an optimal balance between profit and risk.

(2) Corporate Banking

A. Short-term Business Development Plans

- a. Reinforcement of domestic and overseas syndicated loan and project consultation services so as to expand the corporate syndicated loan market.
- b. Continued introduction or development of new derivative products to satisfy customers' risk-hedging needs.
- c. Planning of corporate deposit products and marketing strategies via the management of corporate deposit products.
- d. Integration with other banks, the bond and capital markets, and the bills finance division in the development of domestic financial derivative products and asset management opportunities.
- e. Establishment of a corporate trust department to seek business opportunities in asset securitization and other corporate trust services.
- f. Establishment of a Ho Chi Minh City representative office so as to offer financing and consultation services to Taiwanese businesses in Vietnam through the Offshore Banking Unit.
- g. Participation in forums organized by international professional magazines to enhance Taishin's image in the corporate banking market.
- h. Completion of establishment of Basel II and Sungard risk management systems so as to effectively control risk in the loan and transaction markets.

I. Business Plan

B. Long-term Business Development Plans

- a. Winning of the trust of medium- and large-size corporations through integrated marketing and the cultivation of services so as to boost the contribution of medium- and large-size customers.
- b. Continuous monitoring of the standard operating procedures for various corporate banking products so as to reduce operating risk.
- c. Strengthened promotion of the accounts receivable business and cash management products in order to provide cross-straits financing and capital deployment services to Taiwanese enterprises.

(3) Trust Business

A. Short-term Business Development Plans

- a. Active pursuit of the domestic fund custodianship business and generation of long-term fund custodianship fee income.
- b. Vigorous pursuit of new-series funds with outstanding performance so as to achieve completeness of product line and maximization of profit potential for investors.
- c. Vigorous pursuit of more favorable profit-sharing conditions with cooperating fund companies.
- d. Building up of a diverse range of securities products.
- e. Dispersal of customer asset deployment and increasing of asset types.
- f. Continued provision of fixed-income products.
- g. Provision of opportunities for clients to purchase products on the secondary market.
- h. Expansion of the breadth of the collective/individual account product line/platform so as to increase product diversification.
- i. Use of sales bonuses and customer paybacks to increase the amount of product sales.
- j. Pursuit of support at the service channel end, establishment of a trust sales platform, and increase in opportunities for media exposure.
- k. Application for new trust businesses.

B. Long-term Business Development Plans

- a. Use of the product-matching concept to provide a rich line of fund products, and continued introduction of outstanding domestic/foreign fund products.
- b. Maintenance of stable growth in assets entrusted by funds to generate steady management-fee income.
- c. Installation of domestic and offshore tax planners, and establishment of strategic alliances.

(4) Service Quality and Human Resources

A. Short-term Business Development Plans

- a. Promotion of ISO quality management and continued improvement of procedures in order to achieve optimal processes.
- b. Enhancement of organizational performance and employee productivity.
- c. Strengthening of staff skills, enhancement of productivity, and reduction of staff turnover.
- d. Implementation of the five-star service program to upgrade service quality and mold a high-quality service culture.

B. Long-term Business Development Plans

- a. Continued selection, evaluation, and training of manpower so as to build up a manpower pool for the sustained development of the company.
- b. Reinforcement of performance management, with equal emphasis on performance evaluation and future development.
- c. Implementation of the Personnel Professional Skills Development Plan.

Taiwan Securities Co., Ltd.

1. Business Scope

The Company provides its clients with a complete spectrum of financial investment services, such as brokerage, underwriting, fixed income, and transfer agency.

Overview introductions of the operations are:

(1) Brokerage

A service brokering securities (including electronic trading) and stock settlement.

(2) Margin Trading

Offering margin trading and short selling.

(3) Proprietary Trading

Trade TSE \ OTC securities and emerging stock to maximize profits under controllable risk.

(4) Underwriting Service

Assist corporations in initial public offerings on the TSE or OTC markets and render consulting services in overseas investment, tax planning, restructuring, etc.

(5) Fixed Income Service

Dealing with fixed-income related businesses such as proprietary trading, brokerage, and repo. Trading, underwriting in the primary market, and sales of bond funds. Besides, we also offer overall and diversified portfolio suggestions of long term and short term capital planning for the clients.

(6) Bills Finance Service

Provide commercial paper, NCD, ABCP, FRCP brokerage and proprietary trading.

(7) International Service

Provide research reports, brokerage services, and consultation services for individual and institutional foreign investors.

(8) Transfer Agency Service

Render business services in stock transfer, shareholders' meeting, and consulting.

(9) Derivatives Service

Concentrate on spread arbitrage in domestic convertible bonds, warrants, and hedging.

(10) Futures Service

Support services for securities-related futures trading and dealing of proprietary securities-related futures trading.

I. Business Plan

2. New Product and Service Development Plans

Taiwan Securities continues to work steadfastly toward the goal of providing its customers with a diverse range of products and the full spectrum of financial planning services, striving vigorously to develop various kinds of derivative products and to expand new financial markets to offer clients more investment options. The Company already holds qualification to issue numerous financial products, and besides market-listed stock warrants is continuing to introduce structured products and over-the-counter stock warrants. Permission to deal in bills and bond options was received in 2004. In the future, the Company will continue moving in step with government policies and the progress of deregulation by introducing a continuous stream of new products and services so as to provide customers with a full spectrum of investment planning services.

3. Operating Plans for 2005

Operating plans for various business fields:

(1) Stock Brokerage

Expansion of the Company's business scale brought its share of the brokerage market to 5.1% and heightened market ranking to third. In 2005 the Company will continue to strengthen island-wide deployment and heighten market share and competitiveness in an attempt to reach greater market share. In addition, cross-industry alliances with investment and insurance agency businesses will be established to offer such investment tools as fund and insurance products, and the resources of Taishin Holdings will be used to satisfy customer demand for one-stop shopping services.

(2) Proprietary Trading

The recovery of the economy is expected to continue in the first half of 2005, and the Company hopes to take advantage of the resulting profit opportunities through the appropriate utilization of capital. At the same time, strict risk control will be exercised to enable profits to grow at a stable rate. In addition, interaction will be strengthened between the R&D and financial holding operating units so as to integrate operating platforms and enhance operating quality.

(3) Underwriting Service

In both quality and quantity, the Company has occupied a position of leadership in Taiwan's capital market over the years. In the future, emphasis will continue to be placed on serving as an investment bank for small and medium enterprises, providing professional guidance to outstanding small and medium enterprises with good fundamentals for listing on the TSE and OTC markets and offering them customized financial planning. In addition, the Company will integrate the resources of the holding company to develop large-scale funding projects and serve as a cooperative partner for large business conglomerates. The Company will also work to maintain its position of leadership by developing asset securitization and other products in line with market trends in order to increase product depth, while at the same time using training courses and seminars to constantly strengthen knowledge management and upgrade staff quality so as to maintain the Company's competitiveness in the underwriting business.

(4) Transfer Agency

Although the transfer agency market is becoming mature and intensely competitive, the Company will work vigorously to integrate the resources of its underwriting unit with Taishin Holdings' Wholesale Banking Group to bring in customers through the resulting service synergies so as to achieve the goal of increasing transfer agency clients and the number of shareholders.

4. Industry Conditions

The securities industry has been developing in Taiwan for more than 40 years, and after the stock market boom of 1980-1990 and the tide of financial holding company consolidation the number of consolidated securities companies has grown from fewer than 10 at first to about 60 today (including foreign-invested companies), plus a number of regional specialized securities firms. The trend toward financial holding company mergers will continue in 2005, and the securities market will continue on its progress toward linking with the international market. In the face of this year's implementation of Bulletin 35, the new underwriting system, the widening of the range of stock price fluctuations, and the upgrading of the weighting of Taiwan stocks by MSCI, a growing intensity of competition in the market can be expected. Confronted by this severe trial, securities companies will have to think deeply about how to respond to such challenges as the capital outflow and irrational price competition. In addition to joining financial holding companies or organizing strategic alliances, securities companies must also develop their own characteristics and their own niches, and go on with their development toward becoming internationalized companies. This is the only way that they will be able to continue operating in the competitive market of the future.

5. Research and Development

(1) Results of Research and Development

The Company obtained licenses for proprietary futures trading and bills dealing in 2004, and continuously introduced structured stock products, warrants, and other derivative products. In 2004 the Company issued a total of 43 cases of warrants and realized profits of NT\$847 million, abundantly manifesting the results of its R&D work.

(2) Research and Development Plans

In 2004 the government authority opened up applications for qualification to issue structured products for overseas objectives, and Taiwan Securities will make plans to obtain such qualification so that it will be able to continuously introduce new products through a full range of product planning and a meticulously professional attitude and, in response to the advent of the age of diversified financial planning, provide investors with financial products with consideration of risk control and demand.

6. Long and Short-term Business Development Planning

(1) Short-term Business Development Plans

- A. Brokerage operations: Business development plans for 2005 contain the following targets and directions:

I. Business Plan

a. In 2005 the Company will continue strengthening its island-wide deployment to improve operating performance and profits. b. Cross-industry cooperation with the investment trust and insurance agency businesses will be used to provide financial planning with fund and insurance products.

b. Cross-industry cooperation with the investment trust and insurance agency businesses will be used to provide financial planning with fund and insurance products.

c. By integrating the resources of Taishin Holdings, customers will be offered financial planning using more diversified financial products.

B. Proprietary trading:

The operating platforms of the financial holding company will be integrated to strengthen battle capabilities and achieve budget targets.

C. Underwriting:

In the short term, the resources of the holding company will be integrated and large underwriting cases undertaken; in addition, the Company will continue developing new products and engaging in the financial asset securitization business.

D. Transfer agency:

The resources of the holding company will be integrated with the aim of attracting customers through the Company's niche in providing a range of synergetic services so as to achieve the target of a large increase in the numbers of transfer agency clients and shareholders.

(2) Long-term Business Development Plans

A. Brokerage business: Following are the key points of future business development plans:

a. Expansion of scale:

Continued expansion of business locations to increase market share in various areas of business.

b. Development of electronic trading:

Upgrading of the electronic trading function so as to provide customers with a more convenient and more comprehensive trading system.

c. Reinforcement of channel marketing synergies:

Cultivation of full-capability financial planners, reinforcement of the diversified product marketing function of business units, and strengthening of cross-industry alliances.

d. Resource integration:

Effective integration of holding company resources and sale of portfolios of financial products by combining the products of units within the holding company, so as to provide customers with a full spectrum of services.

B. Proprietary trading:

Strengthening of contact with overseas markets and carrying out of related research, and formulation plans for investment in overseas securities markets.

C. Underwriting:

In addition to stressing the strategy of enlargement, domestic and overseas sales channels will be expanded and trans-national M&A as well as financial consultancy services will be developed.

D. Transfer agency:

The professional know-how and practical training of personnel will be strengthened in order to provide customers with the finest of services, and business relations between clients and the holding company will be built up so as to achieve synergies of resource integration.

Taishin Bills Finance Co., Ltd.

1. Business Scope

- A. Certification and underwriting of short-term bills
- B. Brokerage and proprietary trading of short-term bills
- C. Guarantee and endorsement of short-term bills
- D. Interbank loans broker
- E. Corporate finance consultation
- F. Brokerage and proprietary trading of government bonds
- G. Certification and underwriting of financial bonds
- H. Brokerage and proprietary trading of financial bonds
- I. Brokerage and Proprietary trading of corporate bonds
- J. Derivatives-related business approved by relevant authorities

2. Operating Plans for 2005

With the bottoming out of the global economy, Taiwan's economy also evidenced a slow upturn and the Company adopted a stable, conservative loan policy of "emphasis on quality rather than quantity" and strengthened dealing in bonds and primary and secondary bills trading. Because of relatively limited sources of self-guaranteed instruments, customer development as well as development and expansion on the pricing level were strengthened so as to increase the amount of issuance of instruments guaranteed by other entities. The purchasing of NCDs from banks with good credit, and bidding on revolving credit for short-term bills instruments (NIFs), were also strengthened.

This year's business development plan is as follows:

(1) New Loan Products:

The authorities carried out a large-scale opening of new bills businesses, including numerous derivative products such as fixed-rate commercial bills, bill and bond futures, exchange-rate swaps, bond options, asset swaps, and proprietary dealing in corporate bonds. In the present and the future, the Company will hold to the spirit of leading the industry and participating actively in product and market development.

(2) Trading:

Trading in bills and bonds will be reinforced, as well be the development and cultivation of potential customers. The company will actively participate in bidding for government bonds and treasury bills, seek to serve as NIF manager bank and to engage in certification and underwriting for affiliated enterprises, and use new financial products to expand its business scope. Faced with the steady shrinkage of bills in the monetary market, the company will strengthen customer development and expand the scope of its quotations so as to increase the volume of bills that are guaranteed by others, that are guarantee-exempt, and that carry fixed interest rates, and will boost purchases of NCDs of banks with good credit ratings as well as the buying of NIF instruments.

I. Business Plan

(3) Information:

The company will accelerate the integration of information within the financial holding company, develop a centralized settlement clearing system, and participate in the development of financial product systems by affiliated enterprises; it will carry out online real-time risk monitoring of loans and transactions, reinforce capital deployment and bills-selection capabilities, and promote telephone and Internet bills and bonds trading in order to save manpower. It will also develop a customer management system so as to enhance the quality of customer services.

(4) Management:

Training in professional and marketing skills will be strengthened, the digitization and paperless development of documentation and administrative procedures will be reinforced so as to enhance administrative efficiency, and the manpower of the financial holding group will be combined to manifest employee efficiency.

(5) New Product:

The government has allowed new business to bill finance industry which includes various kind of derivatives products, such as fix rate commercial paper, currency swap, fix income option.

(6) Others:

The company's professional image and team reputation will be established and an outstanding brand position will be built up in the market, and the market will be guided into benevolent competition with the aim of achieving stable improvement in asset growth, market share, and return on capital.

3. Industry Conditions

(1) International and Domestic Economic Conditions

Thanks to the low-interest environment along with expansionary fiscal policies, in the first half of 2004 the global economy continued the upturn that began in 2003, recovering strongly under the influence of economic expansion in the major advanced industrial nations and the emerging nations of Asia. After mid-year, however, the continuous climb of international prices for agricultural and industrial raw materials and oil, as well as rising interest rates in the United States, the imposition of macroeconomic controls in China, and other factors, the pace of global economic growth slowed down. Taiwan's domestic economy followed the international trend, with growth being relatively significant on the trade and manufacturing levels. Real estate and other prices rebounded, and there were improvements also in the labor market, consumption, and investment. Despite the influence that the presidential and legislative elections, the cross-straits situation, and other non-economic factors had had on the strength of growth, therefore, the economic growth rate for 2004 reached a four-year high of 5.71%.

(2) The Financial Market

With the recovery, various central banks, including those of England, Australia, and Europe, moved to suppress the overheated real estate market and prevent inflation by raising interest rates one after another beginning in November 2003. In the first half of 2004 the U.S. Federal

Reserve (Fed) switched its monetary policy from loose to neutral, and hiked interest rates six times from the end of June 2004 to February 2005. This boosted the federal funds rate from a historic low of 1% to 2.5%.

The Central Bank of Taiwan, where the economy also turned upward but at a moderate rate while inflation remained low, decided to raise the rediscount rate, the secured loan rate, and the short-term loan rate only in September and at the end of December by 25 and 12.5 basis points, respectively. The Central Bank used sterilization to guide short-term interest rates in the monetary market from a low of 0.8% in the first quarter to 1.2% at the end of the year, lagging other central banks by a quarter and instituting interest rate increases only half as high. In mid-2004 the American strong-dollar policy was quietly changed under the influence of the double deficit in the U.S., and with the euro and major Asian currencies on a trend of appreciation, the exchange rate of the New Taiwan Dollar also began a substantial upturn at the end of the third quarter. With insufficient investor confidence in the stock market, hot money flowed in and the market was flooded with short-term capital; and, amidst a tide of " appreciation substituting for rising interest rates, " the pressure for rapid interest-rate hikes was temporary alleviated.

(3) Market Conditions

The environment described above was favorable to improvement in the government bond market and interest rates stayed at a low level; but with short-term interest rates up and long-term rates stable, bond yield was compressed. In the monetary market the cost of long-term funds was kept down by the excess of capital, making it easy for financial institutions and corporations alike to obtain funds; the demand for short-term funds was correspondingly weak and, despite too much money chasing two few instruments, issuing interest rates could not be increased in line with capital costs because of competition among companies. This led to an appreciable reduction in the gap between primary and secondary rates beginning in the second half of 2004. At the end of February 2004 the outstanding amount of certificates of deposit in the Central Bank stood at NT\$3.7 trillion; with the expectation of interest-rate hikes by banks and with capital arrangements tending to the short-term, the amount reaching maturity within one month reached NT\$1.81 trillion. This situation is likely to continue in the second quarter.

Selling pressure on convertible bonds was heavy following the outbreak of the Procomp Informatics case in June 2004, providing a shock to the bond-based-fund structure, already uneasy because of concerns about inverse floating bonds and interest-rate hikes. The United Securities Investment Trust case in July lead to a hemorrhaging of money from such funds, and large amounts flowed directly into the market to buy short-term instruments. Investment trust companies moved to strengthen investor confidence by aggressively raising their liquidity positions and adjusting bonds on hand, leading to a rise in transaction interest rates that did not come down again until the scale of transactions returned to normal. This will have a strong influence on the bond and monetary markets in the second half of the year.

I. Business Plan

4. Research and Development

The ABCP certification, underwriting, brokerage, and proprietary trading businesses will be developed. This will not only permit the Company to increase revenue by opening up a stable source of instruments, but will also help make corporate fund-raising channels more flexible, expand participation in the monetary market, and provide customers with a full spectrum of services.

- A. In line with the government's promotion of the establishment of a monetary market quoted in US dollars, the Company will assist with feasibility studies on the development of such a market with the aim of helping customers deploy their capital more flexibly, stimulating market activity, and expanding the number of investors participating in the market.
- B. Research and development of equity-based financial products will allow the Company to bring greater diversity to its products and to diversify risk faced by bills finance companies in being limited to interest-rate-related products, thereby achieving the goal of increasing income.
- C. Research and development of credit-based financial products will not only allow the Company to carry out pre-loan control by strengthening its credit investigation, diversifying loans, and limiting individual loan quotas, but will also permit it to use derivative products to hedge against loan risk.

5. Long and Short-term Business Development Planning

The Company's short-, medium-, and long-term development plans, adopted to cope with market competition, to promote business, and to reinforce the corporate structure, are as follows:

A. Short-term goals:

- a. Continued upgrading of service quality and operating efficiency, and establishment of a good reputation.
- b. Reinforcement of loan extension and strict credit investigation, and carrying through with risk controls.
- c. Cultivation of blue-chip customers and vigorous solicitation of outstanding clients, and increased depth of business relations.
- d. Strengthened personnel training, development of financial personnel, and establishment of an image of corporate professionalism.

B. Medium-term goals:

- a. Inauguration of new types of business and provision of customers with a more diversified range of financial services.
- b. Assurance of the security and accuracy of transaction data, strict observance of secrecy rules, and heightening of service quality.
- c. Establishment of outstanding trust, participation in credit rating activities, and solicitation of a good credit rating.
- d. Implementation of the target management system and enhancement of management and operating efficiency.

C. Long-term goals:

- a. Enhancement of the reputation of the operating team, introduction of benevolent market competition, and increased influence in financial markets.

- b. Reinforcement of information service functions and upgrading of service efficiency so as to cope with the rapidly changing financial environment.
- c. Aggressive development and promotion of foreign-currency bills, bonds, mutual funds, and other financial instruments.
- d. Utilization of the financial holding company's resources to pursue growth in business performance and create reasonable profits.

Taishin Asset Management Co., Ltd.

1. Business Scope

The primary activities of Taishin Asset Management include credit transfer, valuation or auction, management, and outstanding account receivables management for financial institutions.

2. Operating Plans for 2005

- A. The company's vision is to become the most outstanding and trustworthy asset management firm. Although the company is yet small in scale and its short-term goal is to dispose only of the Taishin Bank's bad debt, the aspiration of its management is to become the most outstanding, most trustworthy AMC.
- B. The company's profit target is to achieve the same level of profit as other major enterprises under the holding company.
- C. Key business tasks:
 - a. Continued disposition of bad debt purchased from the Taishin Bank.
 - b. The purchase or commissioned disposition model will be used depending on Taishin Bank's progress in disposing of its bad debt.
 - c. Solicitation of management and disposition of the assets of asset management companies that have purchased bad debt.
 - d. Purchase of part of the bad debt of other banks and, depending on the company's financial situation, participation in the purchase of bad debt on the market.

3. Industry Conditions

In the domestic bad-debt market, the sale of NPL assets reached NT\$200 billion in 2002 and NT\$260 billion in 2003, and then fell to approximately NT\$150 billion in 2004. In terms of quality, there has been a gradual switch from corporate loans to syndicated and consumer loans.

The NPL ratio among Taiwan's banks fell to 2.78% at the end of December 2004, bringing the total amount down to NT\$432.7 billion. The government's target of a reduction of NPLs to under 5% within two years was reached ahead of time, and most domestic corporate debt has been released. Asset management companies will respond to market changes by bidding actively on non-performing consumer loans; the companies will also be able to make use of their abundant capital and manpower to undertake the work of corporate reorganization, a move which will be helpful to domestic financial and corporate reform.

I. Business Plans

4. Long- and Short-term Business Development Plans

(1) Business Development Plans for 2005

A. Purchase of Non-performing Loans

- a. Continued disposal of bad debt purchased from Taishin Bank.
- b. Cooperation with other companies in bidding for bad assets. This will increase business sources on the one hand, while providing an understanding of the price-evaluation model used by other companies, their asset management know-how, and their planning of returns on the other.
- c. Purchasing by price negotiation. The Company will cooperate with other private AMC firms in individual projects, using the choice of projects to gain an easier grasp of capital planning, risk evaluation, and investment results.
- d. Establishment of a team to focus on bidding for NPL assets secured by land in the Greater Taipei area, and expansion of the land development business through the arrangement of this debt.

B. Agency Business

- a. Continued service as agency for the disposition of the Taishin Bank's NPLs.
- b. Continued service as agency for the disposition of the Taishin Bank's idle assets.
- c. Continued service as agency for the collection of bad debts for enterprises related to the Taishin Holdings.
- d. Pursuit of the management and disposition of bad assets of asset management companies that have already been purchased.

(2) Long-term Business Development Plans

Other business items will be developed in line with the purchase of bad assets: price assessment services, real estate consulting, leasing, and land development.

Taishin Marketing Consultant Co., Ltd.

1. Scope of Business

The main business activities of Taishin Marketing Consultant are the marketing of consumer banking products for Taishin Bank and the provision of brokerage services, the sale of first and second housing loans, personal loans, car loans, cash cards, and credit cards, and the provision to the public of financial planning and of a full spectrum of professional services to those in need of capital.

2. Operating Plans for 2005

- A. Establishment of business units in secondary towns and cultivation of customers there.
- B. Creation of innovative marketing methods to increase sales channels and expand market share.

3. Industry Conditions

Current business locations enjoy the advantage of having a banking brand, and they thus concentrate mainly on serving existing customers and providing service channel sales. In the future the Company will promote direct sales, an operating strategy which will lower fixed unit costs and expand the development of the customer base.

4. Long- and Short-term Business Development Plans

(1) Short-term Development Plans

The Company will set up business locations in prosperous second-class towns, and at suitable locations will operate together with automated ATM service areas. This operating strategy will lower unit fixed costs, have the advantage of expanding the scope of customer development, and will increase product market share.

(2) Long-term Development Plans

The marketing network will be expanded and integrated, with the Company first setting up business locations to develop the market in places with good potential, and, when sufficient operating scale is achieved, will apply for the establishment of branches to serve the public.

Taisin Venture Capital Co., Ltd.

1. Business Scope

(1) The Taisin Venture Capital Co., Ltd. engages in the venture capital business in accordance with the Scope and Guidelines for Venture Capital Industry. The Regulations stipulate that the scope of investment by venture capital firms is limited to technology industries, other venture capital enterprises, general manufacturing industries, and service industries.

The scope of technology industries as defined in the Regulations is as follows:

- A. Communications, information, consumer electronics, semiconductors, precision machinery and automation, aerospace, advanced materials, specialty chemicals and pharmaceuticals, medicine and health care, pollution prevention, biotechnology, technology services, resources and resource development, and advanced sensing.
- B. Science-based industries conforming to those listed in Article 3 of the Statute for the Establishment and Administration of Science Parks.
- C. Emerging, important, and strategic industries as listed in Article 8 of the Statute for Upgrading Industries.
- D. Other technology industries determined or announced by the Ministry of Finance in consultation with the competent authority.

Since the use of services for the knowledge economy is indispensable to future industrial development, at the beginning of 2004 the government broadened the scope of investment by venture capital enterprises to include service industries, and defined "service industries" to include R&D and technology services; information services; distribution and shipping; medical care; health and caregiver services, tourism, travel, and recreation; cultural and creative services; financial services; communication media services; manpower training and manpower services; engineering consulting; environmental protection services; and product design services.

I. Business Plans

(2) New Financial Products and Services to be Developed

Venture investment can be termed the vanguard of corporate financing, with the venture capital company first pinpointing new start-ups with potential, commercial banks then providing financing, and finally stock underwriters providing guidance in listing on the OTC market. These operations bring greater benefits of integration to a financial holding company. After the government broadens the scope of venture investment, the Company will actively seek out Taiwan companies that are already listed on the TSE or OTC markets, and that are undervalued but have good prospects, for investment. This will increase its profit opportunities.

2. Operating Plans for 2005

In 2005 the Company will continue investing in domestic and overseas technology companies and venture investment enterprises in order to complete its investment portfolio. The venture capital fund is planned for investment by region, with 80% going to domestic industries and 20% to overseas areas.

3. Industry Conditions

Judging from the overall development trend for global industries, high-tech industries will remain the mainstream of industrial development in the future; but the market slump of the past few years has caused under-valuation of numerous enterprises with high growth potential, and only long-term deployment of venture investment will be able to provide a firm grasp of the opportunities presented by long-term regional and industrial growth.

Taiwan's overall corporate competitiveness is strengthened by the industrial cluster effect, and investment in Taiwanese companies or Chinese companies overseas can spur their growth and investment in Taiwan and bring in substantial returns. The field of investment that the Company plans to establish will be focused primarily on high-tech industries, with investment in high-tech industries in Taiwan accounting for 80% of overall investment.

4. Research and Development

The Company carries out investment in accordance with the stipulations of the Scope and Guidelines for Venture Capital Industry. The scope of venture investment contained in the Scope and Guidelines pinpoints primarily technology enterprises, other venture investment enterprises, general manufacturing enterprises, and service industries. For this reason, the Company's R&D work is limited to the industries and enterprises given above and individual company projects. Investment is undertaken only after possible industrial and company risks are studied and the feasibility of the project submitted.

Venture investment is the vanguard of the corporate financing business, with new start-ups having good potential first being pinpointed, capital loans then being provided by commercial banks, and stock underwriters then providing guidance for listing on the TSE or OTC markets, thereby bringing greater benefits of integration to the holding company. With excessive production by global industries over the past five years and the prices of technology shares being generally low, venture capital firms worldwide have been seeking new industrial directions. In Taiwan, the venture capital association has contacted the government authorities on numerous occasions about the business restrictions that are imposed on venture capital enterprises, and once the government relaxes these restrictions the Company will vigorously seek out TSE- and OTC-listed Taiwanese companies that have undervalued stocks but good business prospects for investment with the aim of increasing profit opportunities.

5. Long- and Short-term Business Development Plans

In its short-term business development the Company will continue cooperating with the Taishin Holdings Wholesale Banking Group to increase the screening of investment cases, and will invest in companies with cash income above 12% so as to increase the Company's annual cash flow. Once the government further opens up the scope of venture investment, the Company will also work vigorously to pinpoint TSE- and OTC-listed companies that have undervalued stocks but good business prospects for investment, so as to boost profit opportunities.

Judging from overall global industrial development trends, the mainstream of long-term business development will continue to be technology industries. The slumping market of the past few years, however, has led to the under-valuation of the stocks of numerous companies with high growth potential, and only through venture investment via the long-term deployment method can the Company take solid advantage of the resulting opportunities for long-term industrial and regional growth.

Looking at current trends in domestic venture capital investment, overall investment willingness in 2004 was weak and total investment amount and number of cases were small. In 2005, however, the expectation for ongoing recovery will make this a good year for venture capital companies that concentrate on medium- and long-term investment, with the promise of correspondingly rich returns in the next few years.

II. Market and Business Conditions

Taishin Financial Holding Co., Ltd.

1. Market Analysis

(1) Qualitative Changes in the Market

The establishment of financial holding companies under the concept of cross-industry operation is expected to bring substantial qualitative changes to the original financial market by giving expression to the mechanism for integration of group resources and services. The content of these changes include the gradual disappearance of clear boundaries between individual markets because of cross-industry operations, the switch from a product orientation to a customer orientation in the thinking of competitors in the market, and a new integrated services as well as new business competition and opportunities for market expansion brought on by the entry of financial holding companies.

(2) Major Competitors in Domestic and Overseas Markets

There are currently 14 financial holding companies operating in Taiwan, and each of the major competitors has its own operating characteristics. Some are based on life insurance, such as the Cathay Financial Holding Co., whose more than 6 million life insurance customers give it a market share above 30%. Some have been established jointly by banking, securities, non-life insurance, and life insurance companies, such as the Fubon Financial Holding Co., with entities that are all performing well and a fairly complete product line. Some are organized around commercial banks, such as the Chinatrust Financial Holdings Co., First Financial Holding Co., and Hua Nan Financial Holdings Co.; among these, Chinatrust enjoys a strong competitive advantage in the consumer banking business and in marketing channels.

The main overseas competition comes from American and European banks such as Citibank and HSBC. Japan too has passed a financial holding company law and related regulations, and has set up a number of holding companies; but these companies are burdened by bad debt and other operating encumbrances, and do not yet constitute a threat to Taiwanese companies. American and European holding companies, with their relatively mature operating models, product lines, and marketing, pose more serious challenges to Taiwan's financial holding companies, especially following the island's accession to WTO membership.

2. Competition Strategy

(1) Expanding Business Territory and Creating Synergies

Use of M&A and cross-industry alliances: 1. Expansion of operating territory and creation of business opportunities; 2. Cross-industry operation to heighten asset management capability, profitability, and rate of return; 3. Creation of business integration and enhancement of marketing efficiency; and 4. Establishment of an economic scale of operation to lower fixed unit costs.

(2) Strengthening of Operations and Strict Control of Risk

Strengthening of risk management, maintenance of asset quality, implementation of assets and liabilities management, control of liquidity risk, effective use of short-term funds, strengthening of long-term investment evaluation and management, heightening of income on assets, implementation of auditing and internal control systems.

(3) Reinforcement of Products and Full Services

Establishment of a full-spectrum financial business including banking, bills finance, stocks, insurance, and asset management, while seeking personal and corporate banking opportunities and carrying through with cross-marketing and operating platform integration.

(4) Customer Orientation and Professional Division of Labor

In-depth management of customer data and differentiation of customer categories, adoption of an orientation toward customer needs, development of integrated complementary products suitable for individual customer groups, establishment of exclusive business teams for different customer groups, training of business personnel in complete product know-how, and provision of customers with one-stop-shopping financial services.

(5) Reinforcement of Human Resources and Cultivation of Manpower

Implementation of on-the-job training and job rotation to enhance the quality of Company staff, cultivation of personnel, and accelerated promotion of the rate of use of automated equipment to save on personnel costs. Enhancement of the company's image, and cultivation and attraction of first-rate international financial specialists.

3. Competitive Niche

(1) Integration of Service Channels

Companies operating under the flag of Taishin Holdings include Taishin Bank, Taiwan Securities, and Taishin Bills Finance, among others. The service channels of these companies differ in accordance with their different natures; by integrating the different sales channels, different customer groups can be encompassed and more service locations will be available to provide financial consultation.

(2) Provision of a Diversified Product Range

The different needs of customers at different times makes a diverse range of products an indispensable factor. The Company has always focused on customer-centric services, and product re-bundling and one-stop-shopping are indexes of high-quality service that saves customers' time while at the same time satisfying their needs. In addition, the segmentation of existing customers for the provision of more appropriate financial products is used to achieve the goal of cross-marketing.

(3) Harmonization of Cultures

Differences in corporate culture can be exploited to stimulate even greater power. The Company will hold firmly to a consistent customer-centric attitude in providing clients with friendly, professional consultation services.

4. Future Development Prospects

(1) Favorable Factors

- A. Taishin Holdings encompasses a complete line of products encompassing banking, securities, and bills finance.
- B. Taishin Securities enjoys an outstanding brand image in the domestic capital market.

II. Market and Business Conditions

- C. Taishin Bank has an excellent market image and a complete customer base.
- D. Under the trend of consolidation in the domestic finance industry and the need of customers for a long-term cooperative partner, Taishin Holdings can provide services that assure customer satisfaction.

(2) Unfavorable Factors

- A. There are 14 financial holding companies in Taiwan and competition among them is intense, and there is concern about the high degree of similarity among their product development and packaging.
- B. There is a need for further integration of the marketing cultures of the various subsidiaries operating under the flags of financial holding companies.

(3) Countermeasures

- A. Special attention to the deepening of customer relationships, and innovation of products to satisfy the total needs of customers.
- B. Strengthening of the customer-oriented division of labor with the aim of providing customers with even better service.

Taishin International Bank Co., Ltd.

1. Supply and Demand in the Market, and Growth Conditions

With the influence of the upward trend in interest rates both domestically and internationally, the macroeconomic controls imposed in mainland China, the continued high level of oil prices, and the possibility of further terrorist attacks, the force for growth in 2005 is not expected to be as strong as in 2004. In addition, the implementation of Accounting Bulletins 34 and 35 in 2005 will make companies more cautious in their investment and risk-hedging activities. Furthermore, the domestic syndicated loan market will contract because of lagging investment (compared with 2004) in the wafer fab and TFT-LCD industries. There may well be a slowdown, therefore, of growth force in the overall financial market.

2. Competitive Niche

- A. The Taishin Bank's asset quality is good and it exercises appropriate risk control.
- B. The Bank entered the personal banking business early, and its product line is complete.
- C. The sales team's performance is good and the Bank leads the industry in sales activity planning capability.
- D. The brand image is excellent and the customer base is complete.

3. Favorable and Unfavorable Factors for Development Prospects

(1) Favorable Factors

- A. Relaxation of regulatory restrictions: The government is steadily relaxing finance-related regulations in order to promote the development of Taiwan into a regional financial services center; besides facilitating the business development of financial companies, this will also promote a healthy overall financial environment.

- B. Steady improvement of the financial system: Since the launching of financial reform in 2002, there has been an appreciable enhancement of the systems and performance of domestic financial institutions; some institutions with poor systems have withdrawn from the market, laying down a good foundation for the second phase of financial reform.

(2) Unfavorable Factors

- A. Weakening of economic growth force: In 2005 the domestic and overseas economies will be affected by rising interest rates, the macroeconomic controls in mainland China, and the continuing high level of oil prices, and growth force will not be as strong as in 2004.
- B. Intense market competition: Competition in consumer loan products is intense and easily emulated, leading to steady reduction in interest spreads.

Taiwan Securities Co., Ltd.

1. Main Product and Primary Products/Services

This company is a consolidated securities house with a list of business items that includes brokerage channels, proprietary trading, underwriting, bonds, stock registration and transfer services, trust transactions, issuance of warrants, and provision of investors and capital consumers with professional and comprehensive securities investment services. Since the primary brokerage income of a securities house is determined by its market share, the largest its share of the brokerage market the larger will be its profits. Proprietary dealing is investment in securities dealing by the company itself in the purchase and sale of securities; there is no provision of services to customers, nor is there any delineation of service areas. Underwriting and stock registration and transfer services are provided to publicly issued companies and to all their investors, with a service area that covers all of Taiwan.

2. Future Supply and Demand

(1) Supply Side

Consolidation among major securities houses will continue in 2005. To strengthen market competitiveness, increase usable resources, and expand the scope of business, however, securities companies should not only continuously expand their service locations but should also stress the promotion of new financial products and the customization of products so as to reinforce differentiated operating capabilities, for this is the only way they can come out ahead in the competition for enlargement. At the end of 2004 the company had 59 business locations throughout Taiwan.

(2) Demand Side

In 2004 the dissention caused by Taiwan's presidential election and the macroeconomic controls imposed by mainland China led to fears of an economic turnaround. In the uncertain year of 2005, diversity of investment tools will become more important than ever and new financial products that incorporate a risk-hedging function will become the mainstream trend. In the future, therefore, the focus of development for securities houses will be the provision of a full spectrum of financial planning services and a diverse range of products that meet consumer needs.

II. Market and Business Conditions

3. Business Targets

The Company's foremost goal in 2005 will remain the integration of holding company resources. Taiwan Securities will work constantly to merge with or acquire other securities houses so as to increase market share, and will continue to cooperate with bank service channels to take advantage of the effects of cross-marketing. The Company will also work vigorously to develop new products that satisfy the diverse needs of customers. Taiwan Securities set up a proprietary futures trading business in 2004 and obtained bills-related licenses, allowing it to engage in a broader range of businesses. In the underwriting business, the Company continued helping small and medium enterprises with TSC and OTC listing; in addition, it will strive actively to integrate holding company resources and develop large funding projects, thereby becoming a cooperative partner for the Group's member enterprises. In its proprietary trading the Company exercises strict risk control, and it will strengthen exchange with R&D units and the holding company's operating units so as to effectively integrate operating platforms and heighten operating performance. To sum up the above points, Taiwan Securities will continue its progress toward growth and strength in 2005.

4. Favorable and Unfavorable Factors for Development Prospects

(1) Favorable Factors

A. Market development: The Securities and Futures Bureau of the Financial Supervisory Commission has expanded the scope of businesses in which foreign companies can invest, raised investment ceilings, and opened up new financial products. In May of 2005 MSCI will increase the weighting of Taiwan stocks; this will add more space to the foreign-investment market, with its vast demand, and to the market for the new financial products that domestic companies are constantly developing. In addition, consolidation in Taiwan's financial market will accelerate in 2005. In its own market development, with the added synergies of the holding group the Company will take early possession of the market by employing the advantage of the enlarged scale and added comprehensiveness of its services. The continued reinforcement of cross-marketing in the future will do much to heighten the Company's competitiveness.

B. Business development: Taiwan Securities established a futures management subsidiary on Apr. 4, 2004, and on May 4 that year it was among the first group of securities companies to receive approval from the Ministry of Finance to engage in the bills finance business. This broadened the scope of the company's business; this is a vital factor, because only with diversified operations will a company be able to satisfy customer needs amidst the competition of the future securities market. Taiwan Securities has secured the advantage in this competition.

C. Product diversity: After completing its first real estate securitization for the Meifu Times Commercial Building in September of 2004, the Company will make plans in 2005 for tailor-made structured products and will continue applying for the issuance of new financial products with the aim of satisfying the diversified investment and market needs of its customers.

D. Credit rating: Thanks to the Company's proper capital structure and appropriate level of capital, plus the dedication to improvement of its risk management mechanism, the continuous increase in its brokerage units, and the benefits of inclusion in the financial holding company, in February 2005 Fitch Rating raised Taiwan Securities' credit rating to A(twn). In addition to reducing the Company's capital costs in its raising of funds and its application and issuance of financial products, this also expands its space for future operations and development.

(2) Unfavorable Factors

A. Economic factors: Under the influence of the macroeconomic adjustments in mainland and the dissention resulting from the March 2004 presidential election in Taiwan, the island's stock market experienced a substantial cooling in 2004 and market capital began switching from active to wait-and-see. With the advent of 2005 international stock markets will face uncertainties products by such factors as climbing petroleum prices, the depreciation of the U.S. dollar, and interest rate increases in mainland China, and whether the economy will come to a soft landing or will continue growing is unclear. In this uncertain environment, operations in the securities market can be kept lively only by continuously issuing new products and increasing sources of income.

B. Regulatory influence: Auditing Bulletin 35, which stipulates that if companies suffer asset losses those losses must be disclosed in its financial reports, becomes effective in 2005. Although the long-term influence of this bulletin will be to increase the transparency of financial disclosure, whether or not it will produce a land-mine effect in the short term injects an element of uncertainty into the securities market.

Taishin Bills Finance Co., Ltd.

1. Main Market and Primary Products/Services

Points of sales include the head office in Taipei, Tainan Branch and Taichung Branch.

2. Future Supply and Demand

Under product innovation promoted by the government authorities and the industry, NT Dollar interest rate swaps (IRS), NT Dollar interest rate options (IRO), and interest rate futures were introduced in 2003, and these products have since become mature. At the beginning of 2004 the Ministry of Finance promulgated the Regulations Governing Derivatives Trading by Bills Finance Companies, relaxing the qualifications for such trading by such companies. As part of the relaxation, trading in interest rate derivatives in the status of a dealer is no longer limited to risk-hedging transactions, but derivative products may also be used to adjust assets and liabilities flexibly. Also, the operation of derivative products as a business operator is switched to a negative list and post-transaction reporting, with reports to the Ministry of Finance being due only 15 days after the fact. This measure will help bills companies, whose business scope has always been limited to the spot market and to the guaranteeing of commercial paper in the past, to open up more sources of income.

In addition, asset securitization products are attracting the attention of buyers because of their tax advantages. The first of these products to be offered in the form of asset-backed commercial paper (ABCP), the WPIAR securitization, was issued on Nov. 12, 2004, and ensuing business opportunities are there for the taking.

II. Market and Business Conditions

3. Business Targets

In response to government promotion of national economic and financial development, and of the liberalization of the domestic securitization market, the Taishin Bills Finance. will direct its effort toward the development of all kinds of financial products; it will strive to secure the ABCP certification and underwriting businesses so as to expand its income sources; and it will assess the feasibility of handling derivatives based mainly on equity and loans with the aim of reducing the Company's credit and market risk while increasing its sources of profit.

At the end of February the Directorate General of Budget, Accounting and Statistics predicted that consumer prices would rise 1.67% in 2005; and although inflationary pressure has lessened to under the previously forecast level, the rate on one-year certificates of deposit indicates that the real rate of interest is negative. It can be foreseen, therefore, that the Central Bank will gradually raise interest rates. The pace of the increase should be subjected to microadjustments of positions through constant observation of changes in the CPI.

Rising interest rates have a relatively negative impact on bills companies, with yields reduced because of narrow interest rate spreads. In response to the flood of capital, banks use low interest rates to promote loans and this squeezes out the demand for short-term bills. Fee income might also shrink, and other kinds of capital gains are needed to make up for the erosion of overall profits.

With the moderate upturn of the economy, a reduction of interference from political factors, and conditions in the capital market, the stock market will rise slowly at the beginning of the year and investor confidence can be expected to strengthen. Investment positions in transferable bonds can be expanded to earn better capital gains; conversely, in making investments in fixed-income bonds it is necessary to observe carefully where money is flowing and what are the best times to operate in order to control risk.

4. Favorable and Unfavorable Factors for Development Prospects

(1) Favorable Factors

- A. The strength of the economic recovery has slackened from last year, and the Central Bank has not readjusted its loose-money policy by an appreciable amount; in the future the capital environment will remain stable for a time, and this will favor the development of the monetary market.
- B. The successive opening up of new businesses by the government increases the diversity of businesses in which bills finance companies can engage, and Taishin's vigorous inauguration of new types of business will enhance cross-industry competitiveness.
- C. Fitch Rating Ltd. heightened its credit rating of Taishin Bills Finance in 2004, to an international long-term foreign-currency rating of BBB and a domestic rating of twnA+. Among bills finance companies this is an outstanding performance, and it will have a positive impact on the Company's image and its business development.
- D. The integration of the resources of the Taishin Holdings facilitates the development of various businesses, and in increase in sources of both bills and capital can be expected.

(2) Unfavorable Factors

- A. There is an excess of funds in banks and no appreciable heightening of corporate capital needs. This has led to a corresponding contraction of the bills market; and with no improvement in the shortage of bills sources, the bills business is difficult to develop.
- B. With bills finance companies competing fiercely for bills and banks asking their customers to use their own bills units for certification and underwriting, the amount of bills issuance is likely to decrease.
- C. The trend in short-term interest rates is showing signs of bottoming out and turning upward, and this will boost capital costs for bills finance companies. This situation puts upward pressure on the real interest rates of government bonds, and the rise of interest rates in the market will bring losses in originally held positions.

Taishin Asset Management Co., Ltd.

1. Main Market and Primary Products/Services

The main business items of the Taishin Asset Management includes the purchase of monetary debt from financial institutions, the assessment and auctioning of the monetary debt of financial institutions, management services, factoring, and management services for overdue accounts receivable. The main method of operation used at the present time is to procure the bad debt of financial institutions through transfers or the establishment of trusts, the management and reorganization of that debt, and the disposal of it within a reasonable time in order to earn the greatest return.

2. Future Market Supply and Demand

To get rid of the long-term deficiencies in the financial system, the government proposed the "Two Five Eight Financial Reform Program" calling for a reduction of the non-performing-loan ratio in the financial system to under 5% within two years; and with continuous efforts and vigorous NPL clearance by domestic financial institutions, the NPL ratio had been cut to 2.78% by the end of 2004, with a total amount of NT\$432.7 billion. With the five-year period allowed for the amortization of losses from the sale of bad debt under the Financial Institutions Merger Law set to expire in mid-2005, however, banks that still have a low BIS ratio are expected to sell off their bad debt as quickly as possible within the stipulated period.

3. Business Targets

The government has expended a lot of energy in recent years to reform the operating structures of Taiwan's financial institutions. Besides using the Financial Restructuring Fund to help community level financial institutions resolve their NPL problems, the government has also granted, in the Financial Institutions Merger Law, a legal basis for the disposition of the bad loans of financial institutions by asset management companies. The aim is to alleviate the increasingly serious problem of NPLs in the domestic banking system.

Although the asset management company system has only recently begun taking shape in Taiwan, the high level of bad assets on the island—NT\$400 billion—will surely attract the entry of more domestic and foreign institutions. The short-, medium- and long-term plans that the AMC has set to capture a foothold in this business are as follows:

II. Market and Business Conditions

(1) Short-term goals:

To help the TFHC affiliate Taishin Bank resolve its bad-loan problems, reduce the expense and time for the court auction process that the Bank would need to resolve the problem itself, permit it to recover cash at an early date, reduce the amount of its NPLs, and improve its financial structure.

(2) Medium-term goals:

- A. Help the government resolve the bad-asset problem facing the overall domestic financial environment.
- B. Develop professional personnel and link with the international market.

(3) Long-term goals

- A. Develop other business items in line with the purchase of bad assets, such as value-assessment services, real estate investment consultancy, and the leasing business.
- B. To become a leader in Taiwan's bad-asset investment and management industry.

4. Favorable and Unfavorable Factors for Development Prospects

(1) Favorable Factors

The writing off of bad loans by financial institutions provides abundant business opportunities to the Company. Before the establishment of asset management companies, the disposal of bad loans by financial institutions had to be done through a lengthy judicial procedure. Now, under the government policy of vigorous disposal of bad loans by financial institutions, all of the financial institutions are seeking other channels for the disposal of bad debt; and asset management companies, under authority granted by law, can use more efficient purchasing procedures to help financial institutions to improve their NPL ratios with a short period of time. For this reason, asset management companies will play a vital role in the disposal of bad loans in the future.

Asset management companies can also perform a more active function by providing funding assistance and becoming involved in corporate reorganization for companies that are still operationally viable. This is beneficial to domestic financial and corporate reform.

(2) Unfavorable Factors

Competitors are constantly increasing their efforts to capture the market for the disposition of bad debt. Under the government's strategy of forcing financial institutions to lower their NPLs, all of the financial institutions have faced sore trials; and asset management companies, with their effective model of bad-debt purchasing and disposition, have attracted many financial institutions to use this channel to sell off their bad debt. At the same time, this situation has attracted the attention of other domestic and foreign companies, leading inevitably to increased competition. This will exert competitive pressure on the Company's future development.

With the Company's professional operating team, however, and with its understanding of the domestic market, it should be able to maintain a good operating performance in this increasingly competitive environment.

Taishin Marketing Consultant Co., Ltd.

1. Main Market for Primary Products/Services

Taishin Marketing Consultant Company sets up its business locations across the northern, central and southern parts of Taiwan.

2. Future Market Supply and Demand

Competition in the financial industry will become steadily more intense, and as a result of the vigorous promotion of consumer financing by different banks and the rise of consumer consciousness, banks will be faced with price competition and a shrinking interest rate spread. Under the "user pays" consumer orientation, the focus of business development in the future will be primarily on non-interest-producing service businesses.

With the marketing of products with a high interest-rate spread and the improvement of commission income as its primary objectives, the financial industry will need to adopt a market demand orientation and work vigorously to develop new types of financial products to meet the diversified needs of the market, as well as to enhance the quality of services.

3. Business Targets

In coordination with the Taishin Bank's development of the consumer financing business, the core business will be the marketing of personal loans and the key products will be subordinated loans, auto loans, credit card, and cash cards.

4. Favorable and Unfavorable Factors for Development Prospects

(1) Favorable Factors

With banks being limited in the number of their business locations, and with their operating costs kept at a high level, the Taishin Marketing Consultant's operating strategy is to establish business locations in prosperous secondary cities and, where appropriate, to operate together with ATM automated service areas. This kind of operating strategy has the advantages of reducing unit fixed costs, expanding the development of the customer base, and increasing product market share.

(2) Unfavorable Factors

With locations far from metropolitan areas, the recruitment and training of good personnel is difficult. In the direct marketing system, base salaries are relatively low and staff turnover is high.

Taisin Venture Capital Co., Ltd.

1. Main Market for Primary Products/Services

Divided by area of investment, venture capital funds will concentrate primarily on the Taiwan area and secondarily on areas with opportunities for strategic alliances and economic efficiencies with Taiwanese industries: the United States, Europe, and other Asian areas. In general, planning calls for the investment of 80% of venture capital funds in Taiwan and 20% overseas.

II. Market and Business Conditions

2. Future Market Supply and Demand

Judging from the current state of the venture capital industry in Taiwan, the poor economic performance at home and abroad in 2002 led to weak investment willingness and investment was low in both number of cases and in amounts that year. The expectation of continued economic recovery in 2003, however, provided the best opportunity for venture capital companies with their emphasis on medium- and long-term investment, and lucrative returns on this investment are expected over the next several years.

3. Business Targets

In the overall planning for utilization of investment funds, this VC fund plans to put 30% of its investment in companies during their start-up stage, 20% during their expansion stage, and 50% during their mature stage. In terms of industries, the emphasis will be on investment in four major categories: communications and other IT industries, the IC industry, the opto-electronics industry, and the software and biochemical industries. Investment targets will be unlisted companies in Taiwan, and Taiwanese and American companies in the start-up and growth stages. The model of bringing new start-ups companies or teams from Europe and America to Taiwan for development will be adopted, with the aim of developing new technology enterprises in cooperation with Taiwanese companies. An estimated 80% of all available capital will be invested in Taiwan.

4. Favorable and Unfavorable Factors to Development Prospects

(1) Favorable Factors

Taiwan's venture capital industry has developed to the stage of maturity, and to keep the industry growing stronger the government has expanded its sources of funds by relaxing ratio limits on investment in venture

capital firms by insurance companies, banks, and securities houses, and has abolished restrictions on industries in which venture capital companies are allowed to invest, thus expanding sources of venture capital and further boosting growth and development. At the same time, with the focus of global industrial development remaining on technology industries, venture capital companies play an indispensable role in the provision of capital. As the steady recovery of the global economy continues in the future and capital spending increases, Taiwan's venture capital industry will enjoy another wave of expansion and growth.

(2) Unfavorable Factors

A. Decline of Taiwan's Economy, and Weak Investment Willingness

The main factor that influences the amount of investment is the economy. When the economy is good the stock market performs well and the raising of funds is relatively easy, and there are large returns on venture investment; but when the economy is bad, the return on investment is reduced and the raising of funds becomes difficult. At this time when the global economy is slipping and the demand for high-tech products is falling, therefore, the expansion of corporate capital increase is slowing down and companies have turned conservative in their attitude toward investment. At the same time, mainland China is offering tax incentives to various industries and some of Taiwan's enterprises are migrating there. All of this has an impact on willingness to invest and operate in Taiwan.

B. Cancellation of Tax Incentives for Venture Investment

Venture capital enterprises were originally eligible for tax incentives, but in the 2000 revision of the Statute for Upgrading Industries the authorities, for taxation and other considerations, cancelled investment tax credits for venture capital firms.

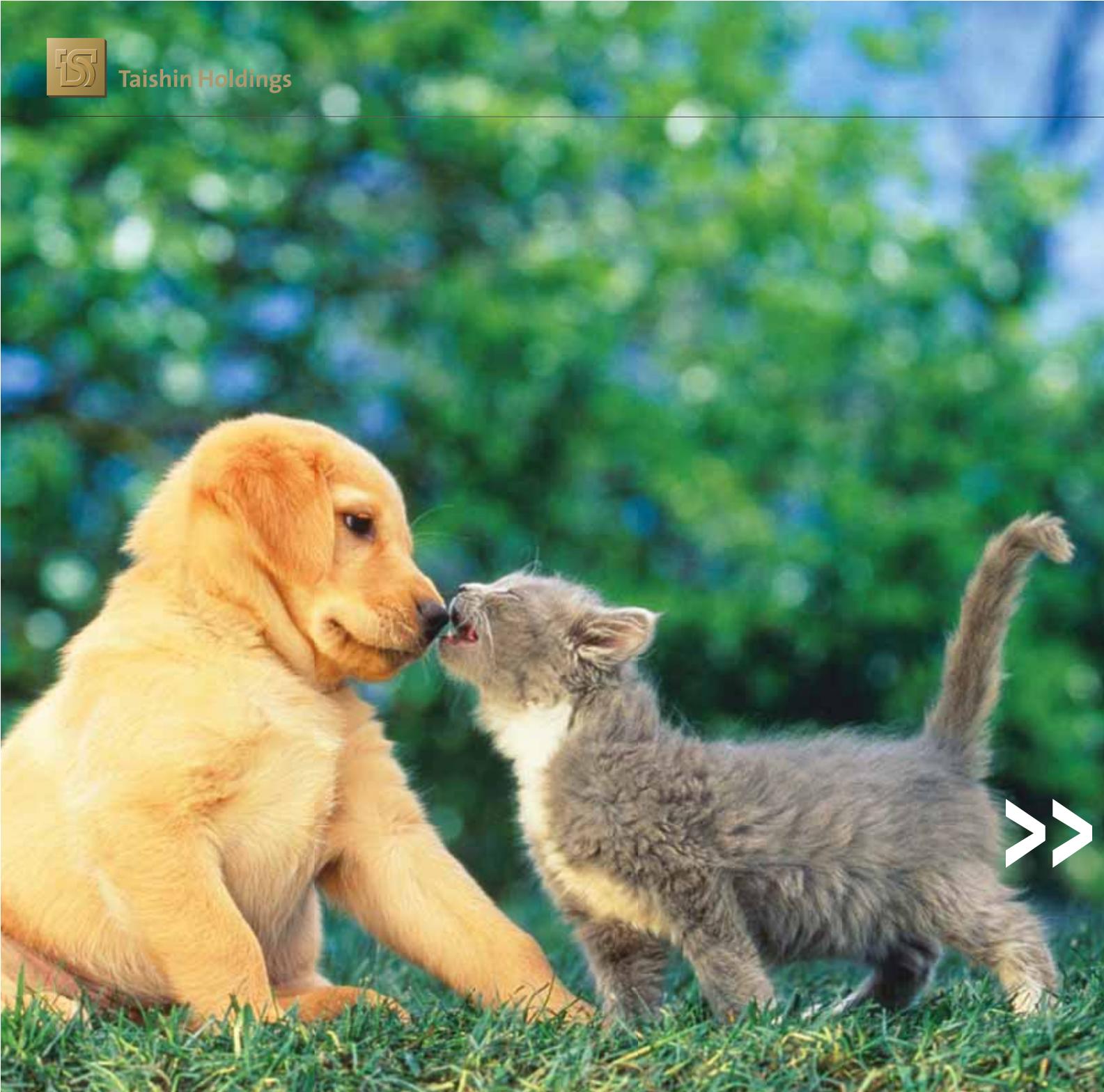
III. Corporate Responsibility and Ethical Behavior

In its operations in the financial industry itself, Taishin Financial Holdings not only focuses on operating performance but constantly keeps in mind the "what is taken from society should be used for society" concept of social responsibility and sense of mission. In culture and the arts, in social benefit, in environmental protection, and in other activities that enhance the quality and continuation of life, we not only participate actively in providing funds but also emphasize the use of creativity and innovation to bring even more brilliant paybacks to society and infinitely extend the value of those paybacks. In other words, Taishin Holdings contributes not only its money, but also its heart, to support these activities. Following are a few examples:

1. The Taishin Bank Foundation for Arts and Culture was set up in 2001, and the Taishin Arts Awards were established at the same time to provide rewards and honors from the aspects of nativist view and performing arts, thereby creating a record of Taiwan's contemporary art history and building up its lasting historical position.
2. Art performances of high standard are sponsored, including Taiwan performances by the Vienna Philharmonic Symphony Orchestra.
3. Sponsorship is provided for financial and business seminars such as the 2004 National Taiwan University International Conference on Finance and the Asian/FA/FTA/FMA 2003/04 Conference. The Company helps to invite world-class management gurus to come to Taiwan and share their leading-edge expertise in corporate management, including Prof. Peter M. Senge of Harvard University, Prof. Lou Marinoff of New York University, and Harvard innovation guru Prof. Clayton E. Christensen.
4. The Company sponsored a traveling exhibition of works by the famous French photographer Yan Arthus-Bertrand.
5. The Company worked with affiliate Payeasy.com in putting on a series of "Care for Taiwan" activities focused on the Sept. 21, 1999 earthquake, utilizing the resources and concern of the corporate network to help the residents in earthquake reconstruction areas establish local self-help industries such as those processing pickled plums, vegetable dyes, dried longans, and Assam tea. Taishin converts "e-commerce" to "e-charity" The "Care for Taiwan" activities reflect Taishin's commitment to this island, and they will be continued in the future.
6. Donations are provided for disaster relief, including NT\$10 million for flooding in Taiwan in 2004 and NT\$5.2 million for the South Asia tsunami.

We promise all of the customers of the Taishin Holdings and its subsidiaries that we will continue promoting high-quality services. Taishin Bank has passed ISO 9001 quality management certification this year and is going all out to promote unification of rear-office operations and process improvement. Taiwan Securities is engaged in the overall implementation of six sigma. These are concrete actions that express our commitment to our customers to "pursue quality and constant improvement."

Taishin Holdings will follow a customer-centric core business orientation. All of our financial services and products are designed to meet the needs of our customers, and our thoughts are focused on how to satisfy customer needs and create customer value. For our shareholders, our goal is to create maximum return on investment.



IV. Funds Utilization Plans

A partner you can totally trust

Mutual understanding can be realized without saying a word.

2004
Annual Report

Taishin International Bank Co., Ltd.

1. Content of Plan

(1) Issuance of Bank Debentures

- a. The Bank applied to issue bank debentures in the amount of NT\$15 billion in May 2003. At the time of expiration, NT\$4.9 billion had not yet been issued.
- b. The Bank received permission from the competent authority in November 2004 for the issuance of NT\$20 billion in subordinated bank debentures, to expire in November 2005. NT\$5 billion worth had been issued by the end of 2004, leaving a remaining amount of NT\$15 billion.

(2) Cash Capital Increment

Done to build up the Bank's operating capital and heighten self-owned capital, and reinforcement of the financial structure.

2. Status of Implementation

(1) Bank Debentures

Implementation of previous issuances of bank debentures: The Bank issued a total of NT\$5 billion worth of bank debentures in 2001, NT\$10 billion worth in 2002, NT\$10.1 billion worth in 2003, and NT\$5 billion worth in 2004. The entire amount of the proceeds of these issues was used, in accordance with plans, to build up loan funds. Calculating on the average annual interest rate on medium- and long-term loans in 2004 and subtracting the cost of issuing the debentures, these funds can increase annual net interest income by NT\$737.45 million.

(2) Capital Increase

The Bank carried out a capital increase of NT\$11,500,000,015 via cash injection on Aug. 9, 2004, the entire amount of which was subscribed by the parent firm, Taishin Financial Holding Co.

Taiwan Securities Co., Ltd.

1. Content of Plan

With the exception of the capital increase carried out in July 2003 in accordance with a resolution of the Board of Directors, the Taiwan Securities Co. has no uncompleted plans for capital increases via cash injection or the issuance of corporate bonds, for which the results are unrealized, within the most recent three years. Data on the capital increase mentioned above are given below:

- (1) Date of input into the stock market observation station or the Internet: Aug. 7, 2003.
- (2) Source of capital: Private placement for capital increase via cash injection, with issuance of 176,470,589 shares at a price of NT\$17 per share, thereby raising a total of NT\$3,000,000,013.
- (3) Proposed capital utilization plan: Used for improvement of the Company's financial structure.
- (4) Expected potential result: Strengthening of the Company's financial structure.

2. Status of Implementation

The main objective of the NT\$3,000,000,013 that was raised through private placement with the mother company, Taishin Holdings was to improve the Company's overall financial structure.

3. Heightening of Credit Rating

Thanks to the reinforcement and improvement of the financial structure, the Company's credit rating was raised several times beginning in 2003 (as shown in the following table). This brought the credit rating from BBB+ in 2002 to A- in October 2004, better than the industry average.

4. Reduction of Financial Costs

The repayment of short-term borrowings via the present capital increase via cash injection effectively reduced spending on financial costs, thereby having a substantial positive benefit in terms of shareholders' interests. In addition, the resulting upgrading of the Company's credit rating strengthened the Company's price-negotiation capability in the monetary market and provided more favorable conditions in terms of loan conditions.

Reinforcement of financial ratios: The Company's overall financial structure evidenced substantial improvement following this capital increase via cash injection, and with the continuous expansion of business (with five new branches added and capital increases for overseas reinvested enterprises carried out in 2004) a satisfactory performance will be maintained.



V. Financial Statements

A warm and caring partner

Looking toward the future, your support is like a fountain of strength that nourishes me in my journey.

2004
Annual Report

INDEPENDENT AUDITORS' REPORT

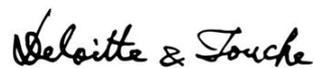
The Board of Directors and Shareholders
Taishin Financial Holding Co., Ltd. and subsidiaries

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

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants, Guidelines for Certified Public Accountants' Examinations of and Reports on Financial Statements of Financial Institutions, and auditing standards generally accepted in the Republic of China. Those rules, guidelines, 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Taishin Financial and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with Regulations Governing the Preparation of Financial Statements of Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports by Securities Issuers, Guidelines Governing the Preparation of Financial Reports by Public Banks and Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Companies (adopted since January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants and accounting principles generally accepted in the Republic of China.

As mentioned in Note 3 to the financial statements, effective January 1, 2004, Taishin Bank and Taishin Bills Finance have treated securities trading under repurchase or resell agreements as financing transactions to conform to Guidelines Governing the Preparation of Financial Reports by Public Banks and Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Companies.



February 5, 2005

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.

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	2004		2003	
	Amount	%	Amount	%
OPERATING REVENUE				
Interest income (Note 2)	\$ 38,382,435	65	\$ 30,856,813	68
Fee income (Note 3)	11,436,393	20	8,102,602	18
Net gains on trading bills and securities	2,371,401	4	3,001,778	7
Investment income recognized under the equity method (Notes 2 and 12)	510,953	1	529,493	1
Other operating revenue	6,107,719	10	2,879,527	6
Total operating revenue	58,808,901	100	45,370,213	100
OPERATING COSTS				
Interest expenses	9,014,216	15	8,063,903	18
Service charges	6,295,193	11	4,181,357	9
Losses on trading bills and securities	454,022	1	22,661	-
Investment loss recognized under equity method (Notes 2 and 12)	50,852	-	8,389	-
Provision for loan and other loss (Note 2)	6,850,400	11	6,160,466	14
Other operating costs	1,044,650	2	1,015,347	2
Total operating costs	23,709,333	40	19,452,123	43
GROSS INCOME	35,099,568	60	25,918,090	57
OPERATING EXPENSES (Note 30)	20,366,489	35	16,709,007	37
OPERATING INCOME	14,733,079	25	9,209,083	20
NONOPERATING INCOME AND GAINS	428,322	1	416,235	1
NONOPERATING EXPENSES	(367,617)	(1)	(324,685)	(1)
INCOME BEFORE INCOME TAX	14,793,784	25	9,300,633	20
ESTIMATED INCOME TAX EXPENSE (Notes 2 and 31)	(3,489,222)	(6)	(2,005,494)	(4)
CONSOLIDATED NET INCOME	\$ 11,304,562	19	\$ 7,295,139	16
	Pretax	After-Tax	Pretax	After-Tax
EARNINGS PER SHARE (Notes 2 and 33)				
Basic	\$ 3.69	\$ 2.80	\$ 2.61	\$ 2.03
Diluted	\$ 3.38	\$ 2.58	\$ 2.37	\$ 1.86

Pro forma information on the assumption that shares held by subsidiaries were not treated as treasury stock:

	2004		2003	
	Pretax	After-Tax	Pretax	After-Tax
EARNINGS PER SHARE (Notes 2 and 33)				
Basic	\$ 3.42	\$ 2.60	\$ 2.32	\$ 1.80
Diluted	\$ 3.16	\$ 2.41	\$ 2.13	\$ 1.67

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated February 5, 2005)

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

ASSETS	2004		2003	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 2 and 4)	\$ 12,756,402	1	\$ 10,099,055	2
Call loans to banks	4,298,347	1	5,164,980	1
Due from Central Bank (Note 5)	15,673,291	2	17,889,809	3
Short-term investments, net (Notes 2, 6 and 35)	134,084,685	15	54,385,990	9
Trading securities, net (Notes 2, 7 and 35)	18,337,634	2	12,349,238	2
Bonds and securities purchased under resale agreements (Notes 2, 3 and 8)	23,065,981	3	8,969,731	2
Receivables, net (Notes 2 and 9)	105,206,915	12	75,139,806	12
Margin loans receivable (Notes 2 and 10)	15,306,766	2	13,843,656	2
Prepayments	1,119,265	-	1,902,455	-
Loans, net (Notes 2, 11 and 34)	475,913,701	55	362,246,423	59
LONG-TERM INVESTMENTS (Notes 2 and 12)				
Long-term investments under the equity method	5,642,016	1	4,144,279	-
Long-term investments under the cost method	3,777,366	-	4,261,067	1
	9,419,382	1	8,405,346	1
Allowance for valuation loss on long-term investments	(44)	-	(44)	-
Other long-term investments	339,512	-	-	-
Long-term investments, net	9,758,850	1	8,405,302	1
OTHER FINANCIAL ASSETS (Notes 2, 13 and 35)	22,993,315	3	21,314,763	3
PROPERTY AND EQUIPMENT (Notes 2, 14 and 35)				
Cost				
Land	11,832,465	1	11,688,361	2
Buildings	5,606,975	1	5,696,280	1
Machinery equipment	3,753,398	1	3,038,144	1
Transportation equipment	362,738	-	348,759	-
Miscellaneous equipment	544,283	-	546,161	-
Leasehold improvement	984,610	-	940,902	-
	23,084,469	3	22,258,607	4
Accumulated depreciation	(3,495,577)	(1)	(3,128,149)	(1)
Prepayment for building and equipment	1,550,375	-	699,498	-
Property and equipment, net	21,139,267	2	19,829,956	3
OTHER ASSETS (Notes 2, 15 and 31)	5,100,609	1	7,637,497	1
TOTAL	\$864,755,028	100	\$ 619,178,661	100

LIABILITIES AND SHAREHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%
LIABILITIES				
Short-term borrowings (Note 16)	\$ 2,810,000	-	\$ 4,701,000	1
Commercial paper payable, net (Note 17)	9,053,196	1	6,480,387	1
Bonds and securities sold under repurchase agreements (Notes 2 and 18)	96,608,002	11	11,283,788	2
Current portion of long-term payables (Notes 2 and 23)	7,181,325	1	1,526,247	-
Due to banks (Note 19)	29,465,417	3	51,805,387	9
Payables (Notes 2 and 20)	33,579,564	4	19,978,124	3
Advance receipts	544,442	-	664,359	-
Deposits and remittances (Notes 21 and 34)	546,703,441	63	419,955,248	68
Bank notes (Note 22)	29,850,000	4	18,750,000	3
Corporate bonds payable, net of current portion (Notes 2 and 23)	21,026,930	2	19,709,786	3
Appropriated loan fund	164,340	-	250,416	-
Long-term liabilities (Note 24)	499,826	-	498,011	-
Other liabilities (Notes 2 and 25)	13,359,081	2	6,036,660	1
Total liabilities	790,845,564	91	561,639,413	91
SHAREHOLDERS' EQUITY				
Capital stock				
Common stock (Note 26)	44,072,921	5	37,561,133	6
Preferred stock (Note 26)	4,000,000	-	4,000,000	1
Capital surplus (Notes 27 and 29)				
Additional paid-in capital in excess of par	14,607,925	2	12,943,198	2
Treasury stock transactions	2,056,735	-	576,011	-
Retained earnings (Notes 28 and 31)				
Legal reserve	1,133,950	-	404,436	-
Special reserve	10,508	-	10,508	-
Unappropriated earnings	11,535,815	2	7,295,139	1
Unrealized loss on valuation of long-term investments (Notes 2 and 12)	(44)	-	(44)	-
Cumulative translation adjustments	(40,489)	-	33,757	-
Treasury stock (Notes 2, 12 and 29)	(3,467,857)	-	(5,284,890)	(1)
Total shareholders' equity	73,909,464	9	57,539,248	9
TOTAL	\$864,755,028	100	\$619,178,661	100

 The accompanying notes are an integral part of the consolidated financial statements.
 (With Deloitte & Touche audit report dated February 5, 2005)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	Capital Stock		Capital Surplus		Retained Earnings			Unrealized Loss on Valuation of Long-Term Investments	Cumulative Translation Adjustments	Treasury Stock	Total
	Common Stock	Preferred Stock	Additional Paid-in Capital in Excess of Par	Treasury Stock Transaction	Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 2003	\$ 36,316,236	\$ 4,000,000	\$ 12,455,489	\$ -	\$ -	\$ -	\$ 4,044,359	\$ (53,658)	\$ 43,150	\$ (6,041,231)	\$ 50,764,345
Convertible bonds converted to common stock	1,437,087	-	1,037,083	-	-	-	-	-	-	-	2,474,170
Changes in holding percentage in subsidiaries	-	-	-	-	-	-	-	-	-	(7,000)	(7,000)
Cancellation of subsidiary's treasury stock	(192,190)	-	(63,955)	18,406	-	-	-	-	-	237,739	-
Taishin Financial's stock held by subsidiaries, which were subsequently subscribed by subsidiaries' employees	-	-	-	(13,062)	-	-	-	-	-	110,729	97,667
Taishin Financial's shares sold by subsidiaries	-	-	-	225,125	-	-	-	-	-	414,873	639,998
Taishin Financial's cash dividends received by subsidiaries	-	-	-	345,542	-	-	-	-	-	-	345,542
Appropriation of 2002 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	404,436	-	(404,436)	-	-	-	-
Special reserve	-	-	-	-	-	10,508	(10,508)	-	-	-	-
Dividends on preferred A stocks - 5.75%	-	-	-	-	-	-	(124,294)	-	-	-	(124,294)
Dividends on preferred B stocks - 6.05%	-	-	-	-	-	-	(242,000)	-	-	-	(242,000)
Employee bonuses	-	-	-	-	-	-	(32,631)	-	-	-	(32,631)
Remunerations to directors and supervisors	-	-	-	-	-	-	(97,894)	-	-	-	(97,894)
Cash dividends - \$1 per share	-	-	(485,419)	-	-	-	(3,132,596)	-	-	-	(3,618,015)
Recovery from unrealized loss on valuation of long-term investments	-	-	-	-	-	-	-	53,614	-	-	53,614
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	(9,393)	-	(9,393)
Net income in 2003	-	-	-	-	-	-	7,295,139	-	-	-	7,295,139
BALANCE, DECEMBER 31, 2003	37,561,133	4,000,000	12,943,198	576,011	404,436	10,508	7,295,139	(44)	33,757	(5,284,890)	57,539,248
Convertible bonds converted to common stock	3,897,653	-	3,248,253	-	-	-	-	-	-	-	7,145,906
Taishin Financial's stock held by subsidiaries, which were subsequently subscribed by subsidiaries' employees	-	-	-	229,587	-	-	-	-	-	842,466	1,072,053
Taishin financial's shares sold by subsidiaries	-	-	-	926,368	-	-	-	-	-	974,567	1,900,935
Taishin Financial's cash dividends received by subsidiaries	-	-	-	324,769	-	-	-	-	-	-	324,769
Appropriation of 2003 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	729,514	-	(729,514)	-	-	-	-
Dividends on preferred B stocks - 6.05%	-	-	-	-	-	-	(242,000)	-	-	-	(242,000)
Employee bonuses	113,830	-	-	-	-	-	(189,709)	-	-	-	(75,879)
Remunerations to directors and supervisors	-	-	-	-	-	-	(189,709)	-	-	-	(189,709)
Stock dividends - 6%	2,500,305	-	(1,583,526)	-	-	-	(916,779)	-	-	-	-
Cash dividends - \$1.2 per share	-	-	-	-	-	-	(4,796,175)	-	-	-	(4,796,175)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	(74,246)	-	(74,246)
Net income in 2004	-	-	-	-	-	-	11,304,562	-	-	-	11,304,562
BALANCE, DECEMBER 31, 2004	\$ 44,072,921	\$ 4,000,000	\$ 14,607,925	\$ 2,056,735	\$ 1,133,950	\$ 10,508	\$ 11,535,815	\$ (44)	\$ (40,489)	\$ (3,467,857)	\$ 73,909,464

 The accompanying notes are an integral part of the consolidated financial statements.
 (With Deloitte & Touche audit report dated February 5, 2005)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	2004	2003		2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			CASH FLOWS FROM INVESTING ACTIVITIES		
Consolidated net income	\$ 11,304,562	\$ 7,295,139	Decrease in due from Central Bank	\$ 2,216,518	\$ 6,911,513
Adjustments to reconcile net income to net cash provided by operating activities			Decrease (increase) in call loans to banks	866,633	(4,660,531)
Provision for loan and other loss	6,961,338	6,088,462	Increase in marketable securities purchased	(36,740,071)	(15,386,013)
Recovery from loss on foreclosed collateral valuation (Reversal of allowance) provision for decline in market value of trading securities	(49,536)	(779,323)	Increase in loans (including delinquent loans)	(123,092,953)	(57,071,989)
Recovery of loans written off	2,521,027	2,125,116	Increase in long-term investments	(275,018)	(718,577)
Depreciation and amortization	2,319,295	1,966,399	Proceeds from sale of property and equipment	651,038	72,107
Loss on sale and disposal of property and equipment	67,259	67,579	Purchase of property and equipment	(2,470,152)	(1,401,460)
Investment income recognized under the equity method, net	(634,606)	(643,987)	(Increase) decrease in guarantee deposits	(2,047)	4,056
Cash dividends distributed by equity-method investees	235,768	205,259	Decrease (increase) in pledged securities	752,800	(943,719)
(Gain) loss on sale of long-term investments	(627,904)	176,107	Increase in operating deposits	(390,000)	(345,000)
Loss on sale of property and equipment	11,682	36,648	Decrease (increase) in settlement funds	9,141	(86,947)
Deferred income tax expense	2,056,167	1,680,886	Others	-	26,830
Permanent loss on long-term investments	90,201	202,730	Net cash used in investing activities	(158,474,111)	(73,599,730)
Accrued interest compensation	90,941	198,981			
Net changes in operating assets and liabilities			CASH FLOWS FROM FINANCING ACTIVITIES		
Marketable securities purchased	(44,975,709)	(1,735,560)	(Decrease) increase in short-term borrowings	(1,891,000)	1,257,000
Short-term investments for trading purpose	(1,698,697)	205,577	Increase in commercial paper payable	2,572,809	2,467,366
Trading securities	(5,992,727)	9,712,203	Decrease in long-term liabilities	-	(150,000)
Bonds and securities purchased under resell agreements	(10,366,956)	766,692	(Decrease) increase in due to banks	(22,339,970)	17,714,200
Margin loans receivable	(1,463,110)	(4,692,909)	Issue of corporate bonds	-	5,000,000
Receivables and prepayments	13,183,449	(23,715,368)	Issue of European convertible bonds	7,181,325	7,482,396
Other financial assets	103,827	(1,206,441)	Issue of subordinated corporate bonds	7,000,000	8,000,000
Other assets	(1,733,779)	976,500	Issue of bank notes	11,100,000	4,000,000
Pledged securities	(1,393,984)	2,617,226	(Decrease) increase in appropriated loan fund	(86,076)	79,080
Guarantee deposits	(688,569)	(1,334,635)	Increase in deposits and remittances	126,748,193	38,153,609
Payables to and advances from customers	(28,634,241)	8,707,155	(Decrease) increase in guarantee deposits received	(4,418)	17,980
Long-term payable	(55,752)	66,778	Increase in long-term commercial paper payable	1,815	498,011
Debit (credit) item for consigned trades	119,200	(536,835)	Increase in bonds and securities sold under repurchase agreements	26,970,501	-
Bonds and securities sold under agreements to repurchase	58,353,713	(11,202,323)	Remunerations to directors and supervisors and bonuses to employees	(265,570)	(130,525)
Securities financing guarantee deposits in	1,229,818	70,530	Payment of cash dividends	(4,710,034)	(3,639,290)
Payable for securities financing guarantee	1,387,559	74,213	Sale of treasury stock	3,012,986	697,666
Other current liabilities	128,190	(2,150,559)	Others	(2)	(3)
Other liabilities	4,175,751	850,128	Net cash provided by financing activities	155,290,559	81,447,490
Others	(169,766)	(77,747)			
Net cash provided by (used in) operating activities	5,840,899	(3,971,867)	NET INCREASE IN CASH AND CASH EQUIVALENTS	2,657,347	3,875,893
			CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,099,055	6,223,162
			CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,756,402	\$ 10,099,055
			SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
			Cash paid during the year		
			Interest	\$ 8,687,331	\$ 8,456,224
			Income tax	\$ 370,821	\$ 605,679
			NONCASH INVESTING AND FINANCING ACTIVITIES		
			Convertible bonds converted to common stock (including accrued interest compensation)	\$ 7,145,906	\$ 2,474,170
			Bonds payable and interest compensation payable transferred to current liability	\$ -	\$ 1,526,247
			Treasury stock	\$ 1,817,033	\$ 756,341

 The accompanying notes are an integral part of the consolidated financial statements.
 (With Deloitte & Touche audit report dated February 5, 2005)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

1. ORGANIZATION AND CONSOLIDATION POLICY

Taishin Financial Holding Co., Ltd. ("Taishin Financial") was established by Taishin International Bank Co., Ltd. ("Taishin Bank") and Dah An Commercial Bank Co., Ltd. ("Dah An Bank") pursuant to the ROC Financial Holding Company Act and related regulations through a share swap on February 18, 2002. Taishin Financial invests in and manages its investments in financial institutions.

According to Article 4 of the ROC Financial Holding Company Act, a financial holding company should have controlling interest in bank and insurance company or securities house at the same time. Taishin Bank and Dah An Bank established Taishin Financial through a share swap. In forming the holding company, Taishin Bank merged with Dah An Bank, with Taishin Bank as the survivor company. In addition, Taiwan Securities Co., Ltd. and Taishin Bills Finance Co., Ltd. became wholly owned subsidiaries through a share swap effective on December 31, 2002.

On December 31, 2004 and 2003, Taishin Financial had 47 and 35 employees, respectively.

Taishin Bank began preparations for its establishment as a commercial bank on October 4, 1990, and started its business operations on March 23, 1992. Taishin Bank provides customers with (a) general commercial banking services - commercial lending, foreign exchange transactions, installment and term loans, wire transfer, marketable security investments, receivable factoring, offshore banking business, etc; and (b) various financial instruments - letters of credit, bankers' acceptances, checking and savings accounts, credit cards, derivative instruments, etc.

On December 31, 2004 and 2003, Taishin Bank had 7,547 and 6,303 employees, respectively.

Taiwan Securities was incorporated in October 1988. In November 2000, it merged with the Hsinchu Science Park Securities Corp. and later acquired the business of six branches of Grand Fortune Securities (originally named Sun Securities), one branch of Hong Fu Securities and Futures Co., Ltd. and one branch of Fu Shan Securities Co., Ltd. under the approval of the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan. Taiwan Securities' operations are securities underwriting, brokerage, margin lending and securities transfer services, brokerage and dealing services related to futures, and other operations approved by the relevant authorities.

On December 31, 2004 and 2003, Taiwan Securities had 2,293 and 2,416 employees, respectively.

Taishin Bills Finance commenced the preparatory work relating to its formation as a bills finance company on April 1, 1997 according to the ROC Company Law, the ROC Banking Law, Rules Governing Bills Finance Companies and other regulations. As of January 19, 1998, Taishin Bills Finance obtained a license to operate and commenced operations on March 5, 1998. Taishin Bills Finance is engaged in the following operations: brokerage and dealing in short-term bills and bonds; underwriting and certifying of, and providing guarantees and endorsements on commercial paper; brokerage of interbank loans between financial institutions; and other businesses approved by the Ministry of Finance ("MOF").

On December 31, 2004 and 2003, Taishin Bills Finance had 82 and 80 employees, respectively.

Consolidation Policy

Based on the Regulations Governing the Preparation of Financial Statements of Financial Holding Companies, a financial holding company has the responsibility to prepare annual and interim consolidated financial statements in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 7, "Consolidated Financial Statements." Under these regulations, a parent company should consolidate, in addition to subsidiaries of bank, insurance, and securities companies, the financial information of its more than 50% owned subsidiaries. Consolidation is not required if neither of the total assets nor total operating revenues of the subsidiaries individually reaches 10% or collectively reaches 30% of those of the parent.

Based on the above guidelines, the financial statements of Taishin Financial's wholly owned subsidiaries, Taishin Bank, Taiwan Securities and Taishin Bills Finance, have been included in Taishin Financial's consolidated financial statements. In preparing the consolidated financial statements, material intercompany transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Statements of Financial Holding Companies, Guidelines Governing the Preparation of Financial Reports of Securities Issuers, Guidelines Governing the Preparation of Financial Reports by Public Banks (adopted since January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Firms, Guidelines Governing the Preparation of Financial Reports by Public Bills Finance (adopted since January 1, 2004), Criteria Governing the Preparation of Financial Reports by Futures Commission Merchants, and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these guidelines and principles, management may make certain estimates and assumptions that could affect the amounts of the allowance for doubtful accounts, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities, pension costs, deferred income tax, etc. Actual results could differ from these estimates due to changes in operating conditions and assumptions.

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.

The significant accounting policies of Taishin Financial and consolidated subsidiaries are summarized as follows:

Current / Noncurrent Assets and Liabilities

According to SFAS No. 28, "Disclosures in the Financial Statements of Banks," Taishin Bank need not disclose current and noncurrent assets and liabilities. Generally, except for the above description, current assets are unrestricted cash and cash equivalents and other assets to be converted into cash, sold, or consumed either in one year or in one operating cycle. Liabilities to be liquidated in one year or in one operating cycle are recorded as current liabilities. All other assets and liabilities are classified as noncurrent.

As the banking company accounts for a large part of the consolidation, assets and liabilities in the consolidated financial statements are categorized according to their nature and sequenced by their liquidity rather than classified as current or noncurrent assets/liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, unrestricted deposits, and short-term investments with maturities of three months or less.

Short-Term Investments

Short-term investments consist of listed stocks and other kinds of securities. These are recorded at acquisition cost and stated at the lower of cost or market value on the balance sheet date, if the market value is available. If the market price is lower than cost, an allowance for market decline is provided; if the market price recovers, the valuation allowance is reversed. The moving average method is used to determine the cost of investments sold.

Trading Securities

Trading securities refer to investments in government bonds, corporate bonds, stocks listed or traded on the Taiwan Stock Exchange (TSE) and the GreTai Securities Market (GTSM, Taiwan's over-the-counter securities exchange), Taiwan Innovative Growing Entrepreneur ("TIGER"), securities purchased for hedging the position of warrants, convertible bond asset swap, equity-linked notes, and hedged bonds for interest rate swap, which are recorded at acquisition cost. Government bonds, stocks and bonds listed or traded on TSE or GTSM are stated at the lower of acquisition cost or market price. Market price is determined on the basis of the last trading day's closing price or the reference price quoted by the counter market; TIGER stocks are valued by the cost method. The moving average cost method is used to determine cost of securities sold. The book value of convertible bonds and the related accounts will be written off upon exercise of the conversion rights. New Entitlement Certificates ("EC") are recorded at the market price of convertible bonds or common shares, whichever is more identifiable. Interest income on government bonds and corporate bonds are accrued on the balance sheet date.

Bonds and Securities Purchased/Sold Under Resell/Repurchase Agreements

Repurchase and resell agreements are considered financing transactions if the risk and reward are carried by the seller. Otherwise, they are considered trading transactions. Under the financing criterion, the transaction under a repurchase agreement is recorded at its sales price and listed as a liability while that under a resell agreement is recorded at its purchase price and listed as an asset.

For Taishin Bank and Taishin Bills Finance, in conformity with Ministry of Finance (MOF) regulations, bonds and other short-term securities under repurchase or resell agreements are accounted for as outright sales and purchases. However, since 2004, repurchase and resell agreement have been recognized as financing transactions to conform to the Guidelines Governing the Preparation of Financial Reports by Public Banks and the Guidelines Governing the Preparation of Financial Reports by Public Bills Finance.

Allowances for Bad Debts and Losses on Guarantees

Allowances for bad debts and losses on guarantees are accrued on the basis of Taishin Bank's and Taishin Bills Finance's managements' estimate of the collectibility of loans, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities. The management assesses the collectibility of its credit portfolio on the basis of such factors as the borrowers/clients' payment history, delinquent status, and financial condition and provides for losses, taking into account the value of collateralized assets, in accordance with regulations issued by the Ministry of Finance (MOF). These rules states that, if the loans, discounts, bills purchased, accounts receivable, interest receivables, guarantees, advances and other credit facilities are deemed uncollectible, full provisions should be made and the loss should be recognized as an expense currently. If the possibility of collection is deemed low, provisions of at least 50% of the credit should be made and the loss should be recognized as an expense currently.

Accounts deemed uncollectible are written off with the approval of the Board of Directors.

Under SFAS No. 28, "Disclosures in the Financial Statements of Banks," a loan that recovers after being written off in the current period is recorded as a reduction of allowance for loan loss.

Income Recognition and Bad-Debt Write-Off

Loans are recorded at principal amounts outstanding. The interest income on loans is recognized on an accrual basis.

When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to non-accrual loan accounts, and the accrual of interest income ceases. A gain will be recognized when the delinquent interest is collected.

Taiwan Securities' revenue recognition policies are as follows:

- (a) Brokerage commission and gain on sale of securities: recognized on trading day.
- (b) Interest on margin loans and bonds purchased under resell agreements: accrued in the term of the financing and trading contract;
- (c) Underwriting commission: recognized at the end of the underwriting contracts;
- (d) Transfer agent fees: recognized monthly according to the contracts.

Long-Term Investments

Long-term investments are recorded at acquisition cost. For investments acquired through a share swap and eligible for the regulations of the letters issued by the Accounting Research and Development Foundation on October 29, 2001 (ref. no. GI-MI 182) and on July 12, 2002 (ref. no. GI-MI 202), the book value of the investees is defined as assets (net of permanent devaluation, if any) less liabilities. The moving average cost is used to determine the cost of investments sold. Investee in which the investor's ownership is less than 20% or over which the investor does not have significant influence are carried at cost. For investments in shares with no quoted market prices, any permanent devaluation is recognized as current loss. For investments in shares with quoted market prices, investments are stated at the lower of cost or market value, and any unrealized loss is recognized as a reduction of shareholders' equity. Investments in which the investor's ownership interest is 20% or more or in which the investor has significant influence over the investee are valued using the equity method. Any excess of investment costs to acquired net assets of investees are amortized on a straight-line method over five years as investment income or loss. If the value of an investment in a stock with no quoted market price declines and this decline is deemed other than temporary, a loss allowance will be provided and the loss is charged to current expense.

Under the equity method, if the investor sells a portion of the investment such that its equity interest in the investee decreases or it loses significant influence on the investee, it changes its method for investment accounting from the equity method to the cost method. It then records a new long-term investment cost at the lower of book value or market value. In addition, the investor should recognize the unrealized gain (loss) from downstream sales transactions with its investees.

Taishin Financial's shares, which were transferred from investments in other companies, held by subsidiaries which joined the share swap, remained as investment in conformity with the Ministry of Finance Letter No. 6. (91) Tai-Tsai-Cheng-111467.

Financial Asset Securitization

Taishin Bank uses special-purpose trust services in accordance with the Statute for Financial Asset Securitization. Trustee institutions with mortgage loans and related rights transferred from Taishin Bank issued beneficiary securities and transferred the related funds to Taishin Bank. In these transactions, Taishin Bank transfers the beneficiary rights on loans to securities buyers and gives up the control over loan contracts. Unless subordinate beneficiary securities are accounted for as other long-term investments for the purpose of credit enhancement, these certificates are excluded from loans and are recognized as income or expense upon the sale of related assets.

The difference between carrying value and selling price of loans is recognized as an income or expense. The carrying value is allocated between the assets sold and the retained interests based on their fair market values on the date of transfer. Because there is no market price for the sold asset and the retained right, Taishin Bank assesses fair value by making the best estimate of loss rate on the creditor's right, advanced principal repayment rate and discount rate of related risks to project the present value of future cash flows.

Subordinate beneficiary securities, which are not traded in the open market, are accounted for other long-term investments. Interest income is recognized when Taishin Bank receives interest from trustee institutions. The value of subordinate beneficiary securities is evaluated at the present value of future cash flows on the balance sheet date. Loss on valuation will be recognized as a deduction from interest income, but gain will not be similarly recognized.

Property and Equipment

Property and equipment are recorded at acquisition cost and stated at cost less accumulated depreciation. Interest incurred for the expenditure of purchasing or constructing property and equipment before completion is capitalized and included as part of the acquisition cost. Improvements extending the useful lives of assets are capitalized; otherwise they are expensed currently. When assets are retired or sold, their costs and related accumulated depreciation are removed from the accounts. Any resulting gain (loss) is credited (charged) to nonoperating income (expense).

Depreciation is calculated using the straight-line method over useful lives based on guidelines prescribed by the government, and leasehold improvements are depreciated over the lease terms.

Deferred Charges and Goodwill

Deferred charges are amortized on a straight-line basis over related service lives.

Goodwill resulting from a merger is amortized on a straight-line basis over five to ten years.

Assumed Collateral and Residuals

Assumed collaterals and residuals are recorded at cost. These are stated at the lower of cost or realizable value on the balance sheet date.

Reserve for Loss on Bonds

Under the "Rules Governing Securities Companies," 10% of net gain on sale of government bonds purchased is provided monthly as reserve until the balance of the reserve reaches \$200 million. This reserve should be used only to cover loss on the sale of government bonds.

Stock Warrant Liabilities

Warrants issued are accounted for as a liability at issue price before maturity or exercise. When warrants are repurchased after they are issued, the repurchase price is recorded as "repurchased warrants" and are treated as a reduction of the warrant issued. Warrants issued (including repurchased warrants) are measured at fair market value on the balance sheet date. Any unrealized loss, not exceeding the increase in market value of the hedged securities, on changes in loss valuation of warrants issued is deferred; any excessive loss is recognized as current loss.

Corporate Bonds Payable

Issuers issued corporate bonds, some at par value and the others at premium, and recognized interest expense at their yield rate through the outstanding period. The direct and necessary cost of bond issuance was charged to "Deferred bond issuance cost" and amortized during the period from the issuance date to the redemption expiry date. Taishin Financial and its subsidiaries adopt book-value method in the case that the convertible bondholders exercise the conversion option. The conversion price in excess of the par value of common stock will be credited to "capital surplus - additional paid-in capital."

Pensions

The accounting for pensions of Taishin Financial and its subsidiaries is based on SFAS No. 18, "Accounting for Pensions." Taishin Financial and all the subsidiaries have funded employee pension plans at amounts equal to 2% to 6.23% of total salaries.

Treasury Stock

The acquisition of treasury stock is accounted for at cost, while the fair value will be adopted if these shares are donated. Treasury stock is reported as a deduction to arrive at shareholders' equity.

The value of treasury stock used in the execution of a stock warrant is the total of the strike price and book value of the stock warrant. Any difference from the treasury stock reissuance transaction is recorded under shareholders' equity.

The value of treasury stock used upon the exercise of conversion rights by a holder of a convertible bond is the book value of the convertible bond.

Gains on sales of treasury stock should be recorded as "capital surplus - treasury stock," and losses may be offset against capital surplus resulting from other treasury stock transactions. If capital surplus is not enough for this offset, the remaining loss is offset against unappropriated retained earnings.

When treasury stock is cancelled, the book value is reversed to offset capital stock and additional paid-in capital by the percentage of shares cancelled. If the book value of treasury stock exceeds the total of capital stock and additional paid-in capital, the difference is charged to additional paid-in capital from prior treasury stock transactions. If additional paid-in capital is not enough for this offset, the remaining loss is offset against unappropriated retained earnings. If the book value of treasury stock is lower than the total of capital stock and additional paid-in capital, the difference is credited to the additional paid-in capital from prior treasury stock transactions.

Based on SFAS No. 30, the shares of Taishin Financial held by its subsidiaries should be regarded as treasury stock when the financial holding company is recognizing investment income and when preparing financial statements (including consolidated financial statements).

Foreign Currency Transactions

Transactions negotiated in foreign currencies (except derivative transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses caused by applying prevailing exchange rates when foreign currency receivables and payables are settled, are credited or charged to income. On the balance sheet date, foreign-currency assets and liabilities are restated at the exchange rates prevailing on the balance sheet date, and resulting gains or losses are credited or charged to current income. Foreign-currency long-term investments are restated at the exchange rates prevailing on the balance sheet date, and resulting translation adjustments are reported as a separate component of shareholders' equity.

Derivative Financial Instruments

Forward exchange contracts for trading purposes are recorded as assets or liabilities in New Taiwan dollar at the future rate (the "forward rate") specified on the contract date. When a contract matures, the difference between the spot rate on maturity and the forward rate is recognized as a gain or loss in the settlement period. For contracts outstanding as of the balance sheet date, a gain or loss is computed according to the difference between the various forward exchange rates available for the remaining contract periods and the specified forward rates; the related gain or loss is recognized in the current period. The receivables and payables related to these contracts are netted out, and the resulting amount is recognized as an asset or liability.

Interest rate swaps (IRS) involve no exchange of principal either at the contract start or maturity, rather, they involve the periodic exchange of interest payments, between the floating and the fixed interest rates, arising from an underlying notional principal amount. The exchanged interest received or paid on each settlement of hedging IRSs is computed on the accrual basis and recognized in the current period as interest income or expense of the hedged item. Trading IRSs are evaluated at their fair value at the balance sheet date, and resulting gains or losses are credited or charged to current income.

For currency option contracts, premiums paid or received are recorded as assets or liabilities. The gain or loss from exercising the contracts is credited or charged to current income. The premiums of the outstanding contracts are evaluated at the balance sheet date. Changes in premium value are recognized as a gain or loss in the current period.

For currency swap contracts used for nontrading purposes, the spot-position assets or liabilities are recorded at spot rates on the contract date. Corresponding forward position assets or liabilities are recorded at the contracted forward rates, with receivables and payables to be netted out. Those assets or liabilities will be amortized as an interest expense or income during the contract period.

Cross-currency swap contracts for nontrading purposes are recorded at their forward rates on the contract starting date. The interest received or paid on contract settlement is recorded in the current period as an adjustment to the revenue or expense of the hedged item. For cross-currency swaps used for trading purposes, the difference between discounted value of future interest and the principal of cross currency swap contracts and fair value based on transaction purposes is recognized as a gain or loss in the current period and charged to current income.

A futures transaction, together with the related pay-out guarantee deposit and broker's commission, is recorded on the transaction date at the contract (notional) amount using a memorandum entry. The gain or loss is computed at its fair value and recognized as income or expense in the current period. On the maturity date, the memo entry will be reversed, and the settlement gain or loss is recognized as income or expense in the current period.

For forward rate agreements, the notional amounts are recorded on the contract starting dates using memorandum entries. Present value of interest gains or losses arising from the differences between the contracted interest rates and actual interest rates upon settlement or as of the balance sheet dates are credited or charged to current income.

Taiwan Securities engages in futures brokerage and receives commission income recorded as "other commission in futures".

Income Tax

Taishin Financial and its subsidiaries adopt the inter-period tax allocation under the provisions of SFAS No. 22, "Accounting for Income Tax." Under SFAS No. 22, an entity's deferred tax asset or liability is estimated for future tax effects attributable to temporary differences, prior years' loss carryforwards and tax credits. An allowance is provided under the assessment of the realizability of deferred tax assets. Adjustments of prior years' income tax payable are included in current income tax expense.

Under the amended ROC Income Tax Law effective from 1998, an additional 10% income tax is levied on distributable earnings earned in the current year that remain unappropriated after the shareholders' meeting held in the following year. The levied income tax should be recorded as current period income tax expense in the year the shareholders' meeting is held.

Taishin Financial and the subsidiaries adopt the linked-tax system for tax filings. Differences between current and deferred income tax expenses on consolidated entity basis and those on nonconsolidated entity basis are adjusted in Taishin Financial's income tax expenses. Related reimbursement and appropriation are recognized as receivables or payables.

Reclassifications

Certain accounts of consolidated financial statements for the year ended December 31, 2003 have been reclassified to be consistent with the 2004 financial presentation.

3. REASONS AND EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

For Taishin Bank and Taishin Bills Finance, bonds and other short-term securities under repurchase or resell agreements are accounted for as outright sales and purchases. However, since 2004, repurchase and resell agreement have been considered financing transactions to conform to the "Guidelines Governing the Preparation of Financial Reports by Public Banks" and "Guidelines Governing the Preparation of Financial Reports by Public Bills Finance Companies." This change in accounting principle resulted in increases in the net income of Taishin Bank by \$487,806 thousand and of Taishin Bills Finance by \$524,732 thousand. Because repurchase and resell agreements were numerous and of various dates, making the compilation of historical data difficult, the cumulative effect of the change in accounting principles was not disclosed in the financial statements for the year ended December 31, 2004 nor were the related pro forma data for the year ended December 31, 2003 presented.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2004	2003
Cash in vault and working funds	\$ 5,445,320	\$ 2,961,280
Checks for clearing	1,361,329	2,053,539
Demand deposits	193,905	172,794
Checking deposits	58,183	2,087,670
Time deposits	1,421,500	698,300
Due from banks	3,601,798	1,814,997
Others	674,367	310,475
	<u>\$ 12,756,402</u>	<u>\$ 10,099,055</u>

As of December 31, 2004 and 2003, the interest rates of time deposits ranged from 0.975% to 2.50% and from 0.975% to 4.10% per annum, respectively.

5. DUE FROM CENTRAL BANK

	December 31	
	2004	2003
Reserve - checking account	\$ 4,064,642	\$ 5,003,746
Reserve - demand account	11,291,699	8,910,926
Reserve - foreign deposit	116,290	33,980
Normal account	-	3,740,000
Others	200,660	201,157
	<u>\$ 15,673,291</u>	<u>\$ 17,889,809</u>

Taishin Bank is required to maintain reserve balances in the Central Bank. These reserves amounted to \$15,472,631 thousand and \$13,948,652 thousand as of December 31, 2004 and 2003, respectively.

6. SHORT-TERM INVESTMENTS

	December 31	
	2004	2003
Commercial paper	\$ 18,919,114	\$ 2,850,591
Negotiable certificate of deposits	48,519,869	32,196,871
Treasury bills	13,058,690	109,107
Bonds	44,475,995	14,427,634
Stocks and funds	9,111,017	4,637,656
Others	-	183,003
Less allowance for decline in market value	-	(18,872)
	<u>\$ 134,084,685</u>	<u>\$ 54,385,990</u>

7. TRADING SECURITIES

	December 31	
	2004	2003
Dealing		
Domestic		
TSE stocks	\$ 5,466,571	\$ 3,457,315
GTSM stocks	543,963	417,677
TIGER stocks	587,186	239,984
Bonds	7,256,531	5,017,518
Others	-	301,604
Overseas		
European Convertible Bonds	399,778	-
	<u>14,254,029</u>	<u>9,434,098</u>
Underwriting		
Domestic		
TSE stocks	163,147	119,356
GTSM stocks	75,463	75,847
Bonds	2,386,150	1,365,000
Others	-	59,526
Overseas		
European Convertible Bonds	564,699	-
Less allowance for devaluation of trading securities	(31,466)	-
	<u>3,157,993</u>	<u>1,619,729</u>
Hedge position		
TSE stocks	791,657	1,189,898
GTSM stocks	138,844	71,336
Less allowance for devaluation of trading securities	(4,889)	(32,024)
	<u>925,612</u>	<u>1,229,210</u>
Custodian accounts		
Fixed-income instruments - short-term bills	-	66,201
	<u>\$ 18,337,634</u>	<u>\$ 12,349,238</u>

Some securities held for operations were pledged as collaterals (Note 35). If the cost of these securities exceed market value on the balance sheet date, an allowance is provided.

Of the trading securities, bonds under repurchase agreements had face values aggregating \$5,329,400 thousand and \$2,530,000 thousand as of December 31, 2004 and 2003, respectively.

As of December 31, 2003, the interest rates for short-term bills in the custodian accounts ranged from 0.725% to 0.875%.

8. BONDS AND SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2004	2003
Ending balance	\$ 23,065,981	\$ 8,969,731
Interest rates (%)	0.945-2.25	0.775-3.25

9. RECEIVABLES, NET

	December 31	
	2004	2003
Notes and accounts receivable	\$ 91,904,855	\$ 67,951,444
Less unrealized interest revenue	-	(16,939)
Acceptance receivable	2,067,823	1,952,377
Interest receivable	3,355,872	1,844,050
Tax refund receivable	722,841	699,463
Forward exchange contracts receivable, net	2,074,832	40,572
Other receivables	6,112,023	4,010,956
Less:		
Allowance for valuation - tax refund receivable	-	(112,374)
Allowance for receivables	(1,031,331)	(1,229,743)
	\$ 105,206,915	\$ 75,139,806

10. MARGIN LOANS RECEIVABLE

Taiwan Securities has engaged in margin lending since 1991. As of December 31, 2004 and 2003, receivables for margin loans were \$15,306,766 thousand and \$13,843,656 thousand, respectively.

11. LOANS

As of December 31, 2004 and 2003, loans of Taishin Bank were as follows:

	December 31	
	2004	2003
Short-term loans	\$ 163,742,372	\$ 118,803,288
Medium-term loans	151,697,190	111,745,861
Long-term loans	159,451,458	128,321,772
Overdrafts	624,800	867,288
Delinquent loans	3,147,055	4,596,856
Bills discounted	478,217	417,445
Gross loans	479,141,092	364,752,510
Less allowance for loan losses	(3,227,391)	(2,506,087)
	\$ 475,913,701	\$ 362,246,423

Allowance for Loan Losses

Allowance for loan losses of Taishin Bank were as follows:

	2004			
	Receivables	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio	Total
Balance, January 1, 2004	\$ 161,954	\$ 564,515	\$ 2,548,955	\$ 3,275,424
Reclassification of the beginning balance	607,383	-	(607,383)	-
Additions from the 10th Credit Cooperative of Hsin-Chu	53,934	240,268	-	294,202
Provision (reversal of provision) for loan losses	(164,796)	6,140,222	424,916	6,400,342
Write-off	(45,330)	(8,540,816)	(64,313)	(8,650,459)
Recovery of loans written off	-	2,521,027	-	2,521,027
Balance, December 31, 2004	\$ 613,145	\$ 925,216	\$ 2,302,175	\$ 3,840,536

	2003			
	Receivables	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio	Total
Balance, January 1, 2003	\$ 141,041	\$ 1,214,818	\$ 2,979,945	\$ 4,335,804
Reclassification of the beginning balance	432,591	-	(432,591)	-
Provision (reversal of provision) for loan losses	195,705	6,313,681	(551,612)	5,957,774
Write-off	-	(9,089,100)	(54,170)	(9,143,270)
Recovery of loans written off	-	2,125,116	-	2,125,116
Balance, December 31, 2003	\$ 769,337	\$ 564,515	\$ 1,941,572	\$ 3,275,424

Category and Purpose of the Derivative Financial Instrument and Strategy to Achieve the Purpose

The derivative financial instrument is held for nontrading purposes. The purpose of the fixed-rate interest swap contract is to hedge bond interest risk and manage cash flows to match operating needs and the requirements of a growing bond business. Thus, the hedge strategy is to avoid market price risks. Taiwan Securities has selected hedging instruments having high negative correlation with fair value of the hedged items and periodically evaluates the effectiveness of these instruments.

The interest rate swap for trading purposes is used to generate earnings from interest rate fluctuations by noting market trends.

Reporting of Derivative Transactions in the Financial Statement

At the start of an interest rate swap contract, a memorandum entry is made to note the transaction. The interest receivable and payable will be reflected in the current period. In 2004 and 2003, the interest rate swap amounts were recorded as follows:

	December 31	
	2004	2003
IRS interest expenses		
Trading purpose	\$ -	\$ 1,251
Gain (loss) on derivative instruments - gain (loss) on valuation - interest rate swap - trading	11,144	(8,022)
Assets of derivative instruments		
Interest rate swap agreements	22,453	-
Nontrading purposes		
Other operating expenses - loss on valuation	-	108,490

Convertible Bond Swap

Contract Amount and Credit Risk

	December 31			
	2004		2003	
	Contract or Notional Amount	Credit Risk	Contract or Notional Amount	Credit Risk
Convertible bonds				
IRS and option exchange	\$ 904,400	\$ -	\$ 335,600	\$ -

Market Price Risk

Taiwan Securities engages in IRS and asset swap options. Interest rates swap is the swapping of contracted interest return for interest expense and interest compensation to traders. Thus, there is no significant market price risk. In addition, traders have the right to buy convertible bonds at a fixed price during the contract term. Because Taiwan Securities has acquired convertible bonds, it does not have significant market price risk.

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period Uncertainty

Taiwan Securities engages in IRS and asset swap options in which the underlying asset is a convertible bond by an underwriter or holder. Taiwan Securities receives payment for derivative trading. Further, the term of contracts provide swapping contracted interest return for interest expense and interest compensation to traders, and Taiwan Securities has the right to buy convertible bonds from traders before the due date. Thus, Taiwan Securities does not have significant cash flow risk and additional financing need. For its option trading, Taiwan Securities has convertible bonds bought from asset swapping traders, underwriter or holder to settle; thus, there are no significant cash flow risk and additional financing needed.

Category and Purpose of the Derivative Financial Instrument and Strategy to Achieve the Purpose

When Taiwan Securities uses IRS for asset swap trades and receives payment from selling convertible bonds, gain (loss) on selling convertible bonds to traders and contracting to swap contracted interest return for interest expense and interest compensation to traders in the contracted term are presented in the current period. Taiwan Securities sells convertible bonds swap option and receives a premium, and traders have the right to buy convertible bonds at a fixed price in the contracted term. Gain and (loss) from valuing an option and premium realized are presented in the current period.

Reporting of Derivative Transaction in the Financial Statement

	December 31	
	2004	2003
Derivative financial instrument assets		
Asset swap option	\$ 58,213	\$ 136,979
IRS for asset swap	-	2,694
Deferred loss on option	850	3,820
Derivative financial instrument liabilities		
IRS for asset swap	20,610	15,130
Asset swap option	17,827	34,069
Gain (loss) on derivative financial instruments		
(Loss) gain on valuation of option	(49,974)	75,158
Gain on exercise	1,240	242
Gain (loss) on valuation of IRS	6,379	(1,249)

Structured Notes Transactions

Contract Amount and Credit Risk

	December 31			
	2004		2003	
	Contract or Notional Amount	Credit Risk	Contract or Notional Amount	Credit Risk
Equity-linked notes				
Fixed-income transactions and option transactions	\$ 35,350	\$ -	\$ 65,400	\$ -
Principle guaranteed notes				
Fixed-income transactions and option transactions	2,000	-	-	-

Taiwan Securities engages in equity-linked notes and then invests in fixed-income products by receiving payment from traders. Traders sell the asset options of equity to Taiwan Securities at the same time. Since Taiwan Securities has collected sufficient payment, it assumes that the credit risk is extremely low.

Market Price Risk

Taiwan Securities engages in equity-linked notes and buys the embedded stocks at the same time for hedging. Because the buying and selling of embedded stocks were hedged, Taiwan Securities does not have significant market price risk.

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period Uncertainty

Securities traders need fund, and thus the contracts would be settled before the due day. But whether settlement is early or not, Taiwan Securities' working capital is sufficient. Thus, Taiwan Securities does not have significant cash flow risk and no additional finance is needed.

(in Thousands, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Principal Business Activities	Original Investment Amount		Ending Balance Shares			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of Current Period	End of Last Period	Shares	Ownership Interest (%)	Book Value			
Anew Holdings Ltd.	Shin Ze AMC	4Fl., No. 100, Sec. 3, Minsheng E. Rd., Song Shan Dis., Taipei, Taiwan	Collection of delinquent loans, evaluation, auction, and management. Management on late posting payment, investment, business management consultant	25,500	25,500	2,550,000	51.00	81,990	37,975	18,480	Subsidiary
	Taiwan Managed Futures Co., Ltd.	9Fl., No. 123, Sec. 2, Nanjing E. Rd., Taipei	Management of futures transactions	200,000	-	20,000,000	100.00	187,398	(12,601)	(12,601)	Subsidiary
	Taishin Investment Trust Co., Ltd.	11Fl., No. 96, Sec. 1, Jian Guo N. Rd., Taipei	Securities issuance and investment	135,000	-	13,500,000	45.00	135,250	553	249	Subsidiary
	Tai Chen (BVI) Co., Ltd.	Omar Hodge Building, Wickhams Cay 1, P.O. Box 362, Road Town, Tortola, British Virgin Islands	Underwriters and business advisory	USD10	USD 10	10,000	100.00	61,450	(3,200)	(3,200)	Subsidiary
	Taiwan Securities (Hong Kong) Co., Ltd.	40th Floor, Tower II, Lippo Center, 89 Queensway Central, Hong Kong	Brokers, under-writers, and investment consultant	HKD288,600	HKD108,600	288,600	100.00	1,275,640	29,241	29,241	Subsidiary
	TSC Capital Limited	40th Floor, Tower II, Lippo Center, 89 Queensway Central, Hong Kong	Consultant	HKD20,000	-	20,000	100.00	82,267	161	161	Subsidiary
Taiwan Securities (Hong Kong) Co., Ltd. Nominee United	40th Floor, Tower II, Lippo Center, 89 Queensway Central, Hong Kong	Trust agent business	-	-	-	100.00	-	-	-	Subsidiary	

Reporting of Derivative Transactions in the Financial Statement

	2004	2003
Gain (loss) on issue of warrants	\$ 2,212,185	\$ 871,091
(Loss) gain on sell securities - hedge - Taiwan Stock Exchange	(422,242)	131,586
Gain on sell securities - hedge - OTC Exchange	6,964	47,645
Loss on issue of warrants	(947,575)	(823,994)
Expense for issue of warrants	(2,200)	(700)
Gain (loss) on valuation of securities - hedge	27,135	(22,661)
Loss on sell securities - warrants	(314)	-

Futures Contracts

Contract Amount and Credit Risk

	Buyer / Seller	December 31			
		2004		2003	
		Contracted Amount or Premium of Payment (Requirement)	Fair Value	Contracted Amount or Premium of Payment (Requirement)	Fair Value
30-Day Commercial Paper Interest Rate Futures	Seller	\$ 65,004	\$ 64,964	\$ -	\$ -
30-Day Commercial Paper Interest Rate Futures	Buyer	8,117	8,116	-	-
Electronic Sector Index Futures	Buyer	4,575	4,618	-	-
Finance Sector Index Futures	Seller	15,193	15,690	-	-
TAIEX Futures	Seller	317,272	327,964	277,884	275,281
TAIEX Options	Seller	183	173	-	-

Taiwan Securities has futures contracts traded on the Taiwan Futures Exchange. The counter-parties to the contracts should maintain sufficient contract deposits if the market price fluctuates. Therefore, the risk of defaults on contracts is not significant.

Market Price Risk

Currently, the futures market in Taiwan has Taiwan stock index futures openly traded. Since the stock index will not fluctuate significantly on each trading day, the risk arising from market price fluctuation is not significant.

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period Uncertainty

Taiwan Securities, unsettled futures can be settled at reasonable prices; thus, liquidity risk is not significant.

Taiwan Securities' index futures and option contracts are deposit transactions, in which the deposits have already been paid before trading. If unsettled parts of futures contracts each trading day need to be funded, Taiwan Securities has sufficient working capital to meet this requirement; thus, the risk of raising money and liquidity is not significant.

Taiwan Securities' futures brokers have sufficient operating capital. Thus, the risk of defaults on contracts is not significant. Each futures contract has its market value and can be traded on the Taiwan Futures Exchange. Thus, liquidity risk is not significant.

Category and Purpose of the Derivative Financial Instrument and Strategy to Achieve the Purpose

Since March 2004, Taiwan Securities has 10-year government bond futures contracts held for trading purposes to expand investments and use capital more effectively. Taiwan Securities has Taiwan stock index futures contracts for nontrading purposes to hedge the risk from marketable securities trading in the open market. Taiwan Securities invests in derivative instruments with market prices that are highly inversely related to the market prices of hedged items.

Reporting of Derivative Transactions in the Financial Statements

The amounts of futures contracts in 2004 and 2003 were as follows:

	2004	2003
Assets		
Futures deposits - self-owned capital	\$ 57,706	\$ 77,491
Call option	-	-
Liabilities		
Put option	173	-
Trading		
Realized loss on futures contracts	(2,998)	-
Unrealized loss on futures contracts	(11,108)	-
Nontrading		
Unrealized gain (loss) on futures contracts	308	(3,146)
Realized loss on futures contracts	(5,180)	(67,141)

Interest Rate Swaps

Contract Amount and Credit Risk

	December 31			
	2004		2003	
	Contract or Notional Amount	Credit Risk	Contract or Notional Amount	Credit Risk
Nontrading				
Interest rate swap	\$ 2,850,000	\$ -	\$ -	\$ -

Market Price Risk

Market price risk refers to the risk of interest rate changes in the market. Taiwan Securities engages in interest rate swaps for nontrading purposes to hedge bond interest risks. Derivative gain (loss) on interest rate will largely offset the gain (loss) on the hedged item; thus, the market price risk is not significant.

Taiwan Securities has an interest rate swap for trading purposes with market price risk estimated according to PVBP (present value of basis point). The loss on interest rate changes is not expected to be material; thus, the market price risk is not significant.

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period Uncertainty

Interest rate swaps involve the exchange of fixed rate payments of obligations without the exchange of notional amounts. The gain (loss) on these swaps was \$11,144 in 2004. Since the swap amount is small, there is no cash flow risk.

Contract (Notional) Amount and Credit Risk

The details of derivative transactions as of December 31, 2004 were as follows:

Item	Contract	Buyer/ Seller	Lots	Contracted Amount or Premium of Payment (Receipt)	Fair Value
Futures	February 2005, 30-Day Commercial Paper Interest Rate Futures	Seller	8	\$ 65,004	\$ 64,964
Futures	March 2005, 30-Day Commercial Paper Interest Rate Futures	Buyer	1	8,117	8,116
Futures	January 2005, Taiwan Stock Exchange Electronic Sector Index	Buyer	4	4,575	4,618
Futures	January 2005, Taiwan Stock Exchange Finance Sector Index	Seller	15	15,193	15,690
Futures	January 2005, Taiwan Stock Exchange Capitalization Weighted Index	Seller	265	317,272	327,964
				<u>\$ 410,161</u>	<u>\$ 421,352</u>
Options	January 2005, Taiwan Stock Exchange Capitalization Weighted Index (6300 put option)	Seller	110	\$ 183	\$ 173

Credit Risk

Taiwan Securities has futures contracts traded in the Taiwan Futures Market. The counter-parties should maintain sufficient contract deposits if the market price fluctuates. Therefore, the risk of defaults on contracts is not significant.

Market Price Risk

Market price risk refers to the risk of futures and option market price change. To hedge this risk, Taiwan Securities' futures department has a risk control policy, which includes a limit for acceptable loss on settlements to be made. If loss due to price decline reduces the futures deposits to the minimum amount required by the Securities and Futures Bureau, Taiwan Securities may settle the contract or make a deposit to cover the loss.

Liquidity Risk

Taiwan Securities' futures brokers have sufficient operating capital. Therefore, the risk of contract default is not significant. Each futures contract has its market value and can be traded in the Taiwan futures market. Therefore, liquidity risk is not significant.

Reporting of Derivative Transactions in the Financial Statement

Taiwan Securities records the deposits paid for Taiwan Stock index futures contract, Taiwan stock index options contract, and stock options contract under current assets-self-owned capital. Gains or losses on settled contracts are reflected currently. In 2004, the loss (including unrealized loss) was \$14,106 thousand. As of December 31, 2004, the balance of futures deposits (self-owned capital) was \$57,706 thousand.

Fair Value of Financial Instruments

	December 31, 2004	
	Carrying Value	Fair Value
Nonderivative Financial Instruments		
Assets		
Cash and cash equivalents	\$ 243,809	\$ 243,809
Short-term investments	69,902	69,902
Derivative Financial Instruments		
Futures deposits-self-owned capital	\$ 57,706	\$ 57,706

Taiwan Securities uses the following methods and assumptions to determine the fair value of the financial instruments:

The fair value of the short-term financial instruments is determined by their carrying values on the balance sheet dates. Because of the short maturities of these instruments, their carrying values approximate fair values. The method applies to cash and cash equivalents, short-term investments and other current assets.

The fair values of financial instruments are the amounts that Taiwan Securities expects to obtain or has to pay if Taishin Financial cancels derivative instrument contracts on balance sheet date. The amounts generally includes unrealized gain or loss. Fair values of the majority of derivative instruments were based on quotations from financial institutions.

SUBSIDIARY - TAISHIN BILLS FINANCE CO., LTD.

Taishin Bills Finance engages in derivative transactions to manage asset and liability positions and risk.

Trading-Based Derivative Financial Instrument

Contract (Notional) Amount and Credit Risk

	December 31			
	2004		2003	
Financial Instruments	Contract Amount	Credit Risk	Contract Amount	Credit Risk
Interest rate swaps	\$ 5,900,000	\$ 150,466	\$ 800,000	\$ 8,254
Assets swaps	929,000	27,582	50,000	576
Debt security options	400,000	3,267	-	-

Credit risk refers to the risk on counter-party's default on contracts. The credit risk amounts listed above pertain to contracts with a positive fair value on balance sheet date. They represent Taishin Bills Finance's potential loss, considering potential exposures and credit risk factors, if the counter-parties breach the contract.

Taishin Bills Finance's policy is to enter into derivative transactions with creditworthy financial institutions and trade within given credit limits. Thus, Taishin Bills Finance does not anticipate default by counter-parties.

	December 31	
	2004	2003
Exchange rate risk	\$ 346,953	\$ 1,042,047
Interest rate risk	1,728,168	888,968
	\$ 2,075,121	\$ 1,931,015

Liquidity Risk, Cash Flow Risk and Uncertainty in Future Cash Demand

Taishin Bank's expected cash inflows and outflows on trading-based derivative financial instruments are as follows:

Financial Instrument	Period	Amount
Currency swaps	December 31, 2004 to December 31, 2005	\$ (2,615,835)
Forward exchange contract	December 31, 2004 to December 31, 2005	(686,504)
Interest rate swaps	December 31, 2004 to December 31, 2005	22,447
Cross-currency swaps	December 31, 2004 to December 31, 2005	30,410
Currency options	December 31, 2004 to December 31, 2005	1,505,153

The expected cash flows listed above are forecast amounts. These forecasts are influenced by exchange rates and interest rates. The longer the period, the higher the uncertainty.

Taishin Bank has sufficient working capital to engage in derivative transactions and therefore does not require material additional cash inflows.

Net gains and Losses on Derivative Transactions

The net gains (losses) on trading-based derivative transactions were as follows:

	December 31	
	2004	2003
Currency swaps	\$ 393,763	\$ -
Forward exchange contracts	(1,230,834)	(335,426)
Interest rate swaps	1,298,673	596,433
Cross-currency swaps	46,535	(16,341)
Currency options	(481,821)	323,813
Interest rate options	154,793	(2,096)
TAIEX Options	(108)	-
Forward interest rate agreements	(4,874)	-
Interest rate futures	6,635	(1,084)
Index futures	34,070	(1,863)
	\$ 216,832	\$ 563,436

Nontrading-Based Derivative Financial Instrument

Contract (Notional) Amount and Credit Risk

Financial Instrument	December 31			
	2004		2003	
	Contract Amount	Credit Risk	Contract Amount	Credit Risk
Currency swaps	\$ 125,934,798	\$ 627,935	\$ 136,884,808	\$ 726,071
Cross-currency swaps	4,723,009	424,234	30,841,907	912,436
Interest rate swaps	66,942,481	235,101	27,498,193	89,574
Currency options	15,836,657	68,444	94,566,839	2,145,215

Credit risk refers to the risk arising from a counter-party's default on contracts. The credit risk amount listed above pertains to contracts with a positive fair value on balance sheet date. It represents Taishin Bank's potential loss, considering potential exposures and credit risk factors, if the counter-party breaches the contract. It is Taishin Bank's policy to enter into derivative transactions with creditworthy financial institutions and trade within given credit limits. Therefore, Taishin Bank does not anticipate default by counter-parties.

Market Price Risk

The market price risk refers to the risk arising from exchange rate and interest rate fluctuations in the market. Taishin Bank enters into derivative transactions with reputable international financial institutions to minimize the specified risk. Therefore, the market price risk is not expected to be significant.

Liquidity Risk, Cash Flow Risk and Uncertainty in Future Cash Demand

Taishin Bank's expected cash inflows and outflows as a result of using nontrading-based derivative financial instruments are as follows:

Financial Instrument	Period	Amount
Currency swaps	December 31, 2004 to December 31, 2005	\$ 1,997,569
Cross-currency swaps	December 31, 2004 to December 31, 2005	(22,378)
Interest rate swaps	December 31, 2004 to December 31, 2005	(42,485)

The expected cash flows listed above are forecast amounts. These forecasts are influenced by exchange rates and interest rates. The longer the period, the higher the uncertainty.

Taishin Bank has enough working capital to engage in derivative transactions and therefore does not require material additional cash inflows.

Presentation of Derivative Transactions in Financial Statements

Taishin Bank classifies the gain or loss as a result of engaging in currency swap, cross-currency swap and interest rate swap contracts as interest revenues or interest expenses in the income statement. The net gain or loss on derivative transactions is shown below:

	2004	2003
Currency swaps	\$ (221,504)	\$ 126,930
Cross-currency swaps	(44,390)	(6,819)
Interest rate swaps	323,118	154,425

Capital Adequacy

Item	December 31	
	2004	2003
Tier I capital	\$ 53,674,909	\$ 35,530,300
Tier II capital	21,014,042	18,266,334
Tier III capital	-	-
Deduction items	8,106,442	8,328,817
Capital	66,582,509	45,467,817
Risk-weighted assets	575,370,862	449,486,303
Capital adequacy ratio	11.57%	10.12%
Liability to net asset ratio	1,145.29%	1,241.21%

Trust Accounts

Under Article 3 of the Trust Law, Taishin Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2004 were as follows:

Item	Amount
Special purpose trust accounts - foreign and domestic investments	\$ 94,538,392
Special purpose monetary fund - master	614,159
Special purpose monetary fund - stand-alone	3,029,459
Specific monetary fund - stand-alone	2,209,434
Specific fund - stand-alone	18,593,918
Real estate securitization	604,459
Real estate trust	500,059
Monetary mutual trust fund	586,094
	<u>\$ 120,675,974</u>

Loans to Parties with Common Interests

Item	Number of Customers	Past Experience	Amount of Possible Loss
Personal loans (Note a)	1,417	\$ 202,687	\$ 447
Employees' mortgage loans	676	2,035,465	-
Other loans to parties with common interests (Note b)	293	16,609,959	-
Loans with guarantors having common interests	540	2,605,503	-
Loans with collateral providers having common interests	849	6,050,010	-

Note a: Personal loan is defined by the Banking Law.

Note b: Personal loans and employees' mortgage loans are not included.

Note c: Parties with common interest are defined by the Banking Law.

Taishin Bills Finance

Balance Sheet

	December 31	
	2004	2003
Assets		
Cash and cash equivalents	\$ 2,010,835	\$ 1,312,445
Call loans to banks	425,000	1,850,000
Trading securities	53,840,446	6,114,737
Trading securities purchased under resell agreements	984,514	-
Other current assets	1,538,473	747,698
Property and equipment, net	462,973	465,770
Other assets	8,073,774	9,126,969
Total	\$ 67,336,015	\$ 19,617,619
Liabilities		
Commercial papers payable	\$ -	\$ 249,564
Trading securities sold under agreements to repurchase	48,113,417	-
Due to banks	6,890,000	7,310,000
Other current liabilities	134,450	65,748
Bonds payable	5,000,000	5,000,000
Other liabilities	479,357	393,401
Total liabilities	60,617,224	13,018,713
Shareholders' equity		
Capital stock - common stock	5,140,000	5,140,000
Retained earnings	1,578,791	1,458,906
Total shareholders' equity	6,718,791	6,598,906
Total	\$ 67,336,015	\$ 19,617,619

Income Statement

Total operating revenue	\$ 1,829,715	\$ 1,246,051
Total operating expenses	(997,322)	(346,533)
Income before income tax	832,393	899,518
Income tax expense	(176,978)	(181,856)
Net income	\$ 655,415	\$ 717,662
Pretax earnings per share (dollar)	\$ 1.62	\$ 1.75
After-tax earnings per share (dollar)	\$ 1.28	\$ 1.40

Important Financial and Business Overview

Capital Adequacy

	December 31	
	2004 (%)	2003 (%)
Capital adequacy ratio	15.47	18.03
Liability to net asset ratio	902.20	197.29

Note: Capital adequacy ratio = Capital ÷ Risk weighted assets. The ratio is calculated on June 30 and December 31. The ratios disclosed in the first and the third quarters are those as of the preceding December 31 and June 30.

Market Price Risk

The market price risk refers to the risk arising from interest rate fluctuations in the market. Taishin Bills Finance estimates its risk value on financial instruments such as asset swap contracts in accordance with capital positions of different currencies. The risk value refers to a potential loss of a financial instrument or investment portfolio for a specific period and at a confidence level as a result of unfavorable changes in the market.

	December 31	
	2004	2003
Interest rate risk	\$ 65	\$ 831

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period Uncertainty

Taishin Bills Finance's expected cash inflow and outflow on derivative transactions are as follows:

Financial Instrument	Period	Amount
Assets swap	2005	\$ 22,769
Interest rate swaps	2005	7,647
Debt security options	2005	-

The expected cash flows listed above are forecast amounts. These forecasts are influenced by interest rates. The longer the period, the higher the uncertainty.

Taishin Bills Finance has enough working capital to engage in derivative transactions and therefore does not require material additional cash inflows.

Nontrading-Based Derivative Financial Instruments

Contract (Notional) Amount and Credit Risk

	December 31			
	2004		2003	
Financial Instruments	Contract Amount	Credit Risk	Contract Amount	Credit Risk
Interest rate swaps	\$ 5,300,000	\$ 15,662	\$ 900,000	\$ 9,616
Interest rate cap	2,500,000	11,733	2,500,000	12,500

Credit risk refers to the risk arising from a counter-party's default on contracts. The credit risk amounts listed above pertain to contracts with a positive fair value on the balance sheet date. It represents Taishin Bills Finance's potential loss, considering potential exposures and credit risk factors.

Market Price Risk

The market price risk refers to the risk arising from exchange rate and interest rate fluctuations in the market. Taishin Bills Finance engages in derivative transactions with reputable financial institutions or clients to minimize the specified risk. Therefore, the market price risk is not expected to be significant.

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period Uncertainty

Taishin Bills Finance's expected cash inflows as a result of engaging in nontrading-based derivative financial instruments are as follows:

Financial Instrument	Period	Amount
Interest rate swaps	2005	\$ 10,907
Interest rate cap	2005	12,949

The expected cash flows listed above are forecast amounts. These forecasts are influenced by interest rates. The longer the period, the higher the uncertainty.

Taishin Bills Finance has enough working capital to engage in derivative transactions and therefore does not require material additional cash inflows.

Presentation of Derivative Transactions in Financial Statements

Taishin Bills Finance classifies the gain or loss on nontrading-based interest rate swap contracts as interest income or interest expenses in the income statement. The net gain on these contracts was \$40,822 thousand in 2004.

Taishin Bills Finance classified as other income or expense in the 2003 income statement the following results of the derivative transactions for trading purposes: (a) gain of \$25,028 thousand on interest rate swaps; (b) gain of \$339 thousand on asset swaps; (c) loss of \$8,202 thousand on debt security options; and (d) gain of \$515 thousand on futures contracts.

Futures Contracts

The details of Taishin Bills Finance's futures contracts in 2004 are as follows:

Derivative financial instruments are used for trading purposes to profit on the differences in prices based on futures contracts and actual market prices.

As of December 31, 2004, all the futures contracts for trading purposes had been settled. In addition, Taishin Bills Finance classified the deposits paid for future contracts as other current financial assets, amounting to \$8,421 thousand.

The gains and losses on future contracts are recorded currently as other operating revenue.

Fair Value of Financial Instruments

Nonderivative Financial Instruments

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Financial assets in which fair value is equal to carrying value	\$ 12,062,638	\$ 12,062,638	\$ 12,575,420	\$ 12,575,420
Trading securities and other short-term investments	54,720,446	54,885,141	6,514,737	6,541,552
	<u>\$ 66,783,084</u>	<u>\$ 66,947,779</u>	<u>\$ 19,090,157</u>	<u>\$ 19,116,972</u>
Financial liabilities				
Financial liabilities in which fair value is equal to carrying value	\$ 60,136,763	\$ 60,136,763	\$ 12,625,312	\$ 12,625,312

Category and Purpose of the Derivative Financial Instrument and Strategy to Achieve the Purpose

Equity-linked notes liability - fixed-income products are the balance of option premium deducted from discounted contract principal that is equal to the amount received from traders on the starting date of the contract. Implicit interest expenses amortized on an interest or straight-line method are presented as gain (loss) on equity-linked notes. Equity-linked notes asset - options are presented at market value and the gains or losses of valuing are presented in the current period. Interest income of fixed-income products is recognized according to the term of holding on accrual-basis; fixed-income products are valued at the lower of cost or market value. Discount or premium on the cost of purchasing fixed-income products is amortized over holding periods. The realized gains or losses are calculated on the basis of the result of disposal of fixed-income products.

Taiwan Securities uses equity-linked notes on the basis of a certain understanding of the price trends of embedded assets and buys linked stocks to hedge market price risk.

Reporting of Derivative Transactions in the Financial Statement

	December 31	
	2004	2003
Current assets		
Deposits - custodian accounts	\$ -	\$ 7
Trading securities - custodian accounts	-	66,201
Equity-linked note assets - option	392	4,546
Deferred loss on equity-linked note assets	143	253
Current liabilities		
Equity-linked note liabilities - fixed-income products	36,646	65,225
Equity-linked note liabilities - premium	1,014	4,291
Principal-guaranteed notes - option	8	-
Income (expense)		
(Loss) gain on equity-linked notes	(214)	214
Loss on settlement of equity-linked notes in advance	(2,095)	(66)
Gain on valuation	4,401	508

Options

Contract Amount

	December 31	
	2004	2003
Trading		
Interest rate options	\$ 1,450,000	\$ -

Credit Risk

Credit risk refers to the risk arising from the inability of a counter-party's present or future cash flow to meet the terms of Taiwan Securities' financial instrument contracts when due. Taiwan Securities enters into derivative transactions only with creditworthy financial institutions. Therefore, Taiwan Securities does not anticipate defaults by counter-parties.

Market Price Risk

The market price risk refers to the risk arising from interest-rate fluctuations in the market. Taiwan Securities engages in interest rate options and debt security options and receives premiums computed on the basis of trends in market interest rates and yield rates. Therefore, the market price risk is not expected to be significant.

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period Uncertainty

Taiwan Securities had a net loss of \$3,406 thousand on interest rate options in 2004. Because the amount is immaterial, Taiwan Securities does not require material additional cash inflows.

In addition, Taiwan Securities had a net gain of \$0 thousand on debt securities options in 2004. Therefore, Taiwan Securities does not require material additional cash inflows.

Category and Purpose of the Derivative Financial Instrument and Strategy to Achieve the Purpose

Taiwan Securities uses trading-based interest rate options and debt securities options to have earnings on the premiums and the differences resulting from interest rate fluctuations.

Reporting of Derivative Transaction in the Financial Statement

	December 31	
	2004	2003
Derivative financial instrument liabilities		
Interest rate options (trading)	\$ 15,181	\$ -
Loss on valuation of derivative financial instrument		
Debt security options (trading)	(2,753)	-
Interest rate options (trading)	(3,406)	-

Taiwan Securities uses the following methods and assumptions to determine the fair values of financial instruments:

The fair values of the short-term financial instruments are determined at their carrying values on the balance sheet dates. Their carrying values approximate fair values because of their short maturities. The method applies to cash and cash equivalents, short-term and long-term investments, trading securities, bonds purchased/sold under resell/repurchase agreements, marginal receivables, other receivables, operating deposits, settlement funds, guarantee deposits paid, short-term borrowings, commercial paper payables, securities financing guarantee deposit-in, and payable for securities financing guarantee.

Trading securities are measured at quoted market prices for these instruments. If market prices are not available, the fair values are determined in accordance with financial theory, market practices or other reliable financial information.

Derivative Financial Instrument Information of the Futures Department of Taiwan Securities

Futures Commission Merchants' Specific Risks

Future transactions contain the financial leverage of few deposits. Risks of Taiwan Securities' future dealing transactions arise from market price risks of the trading instruments. Taiwan Securities has set a limit for acceptable loss on settlements to be made. Thus, the risk can be controlled.

Derivative Financial Instruments

	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Trading-based financial assets				
Debt security options	\$ 241	\$ 241	\$ -	\$ -
Interest rate swap	9,534	9,534	4,254	4,254
Asset swap	(3,150)	(3,150)	50,000	50,392
	<u>\$ 6,625</u>	<u>\$ 6,625</u>	<u>\$ 54,254</u>	<u>\$ 54,646</u>
Nontrading-based financial assets				
Interest rate swap	\$ 2,609	\$ 2,609	\$ (7,678)	\$ (7,678)
Interest rate cap	698	698	-	-
	<u>\$ 3,307</u>	<u>\$ 3,307</u>	<u>\$ (7,678)</u>	<u>\$ (7,678)</u>

Taishin Bills Finance uses the following methods and assumptions to determine the fair value of the financial instruments:

The fair value of short-term financial instruments is determined at their carrying values on the balance sheet dates. Because these financial instruments have short maturities, the carrying values approximate the fair values. The method applies to cash and cash equivalents, call loans to banks, receivables, other current financial assets, securities purchased/sold under resell/repurchase agreement, guarantee deposits and pledged marketable securities, short-term borrowings, commercial paper payable, call loans from banks, and corporate bond and other payables.

Trading securities and other short-term investments are measured on the basis of their quoted market prices. If market prices are not available, the fair values are determined in accordance with financial theory, market practices or other reliable financial information.

The fair values of financial instruments are the amounts Taishin Bills Finance expects to obtain or has to pay if it closes these contracts on balance sheet date. Ordinarily, the fair values of the financial instruments include unrealized gain or loss. The fair values of majority of the financial instruments of Taishin Bills Finance were based on quotes from financial institution.

38. CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME AND IMPORTANT FINANCIAL NOTES OF SUBSIDIARIES

Taishin Bank

Balance Sheet

	December 31	
	2004	2003
Assets		
Cash and due from Central Bank and other banks	\$ 30,926,122	\$ 30,338,334
Bills and securities purchased	84,513,696	47,760,113
Loans, net	478,213,701	364,346,423
Long-term investments, net	8,106,442	8,628,817
Property and equipment, net	17,642,245	16,381,254
Receivable and prepayments	104,344,189	75,974,457
Other assets	19,161,813	19,199,365
Total	<u>\$ 742,908,208</u>	<u>\$ 562,628,763</u>

	December 31	
	2004	2003
Liabilities		
Due to banks	\$ 24,675,417	\$ 45,795,387
Deposits and remittances	560,977,028	433,112,146
Bank notes	30,100,000	19,000,000
Payable and advance receipts	31,770,896	19,697,091
Other liabilities	35,727,589	3,074,745
Total liabilities	<u>683,250,930</u>	<u>520,679,369</u>
Shareholders' equity		
Capital stock	31,753,524	28,467,810
Capital surplus	11,314,079	3,099,793
Retained earnings	16,589,675	10,381,791
Total shareholders' equity	<u>59,657,278</u>	<u>41,949,394</u>
Total	<u>\$ 742,908,208</u>	<u>\$ 562,628,763</u>

Income Statement

	December 31	
	2004	2003
Operating revenue	\$ 49,370,695	\$ 38,219,530
Operating cost and expense	(36,275,875)	(30,535,203)
Operating income	13,094,820	7,684,327
Nonoperating income	284,381	253,065
Nonoperating expense	(163,019)	(168,710)
Income before income tax	13,216,182	7,768,682
Estimated income tax expense	(2,738,475)	(1,602,455)
Net income	<u>\$ 10,477,707</u>	<u>\$ 6,166,227</u>
Pre-tax earnings per share (dollars)	\$ 5.03	\$ 3.14
After-tax earnings per share (dollars)	<u>\$ 3.97</u>	<u>\$ 2.47</u>

Key Financial and Business Highlights

Asset Quality

	December 31	
	2004	2003
Nonperforming loans (NPLs, including delinquent loans) (Note a)	\$ 4,959,693	\$ 6,395,498
Delinquent loans	3,147,055	4,596,856
NPL ratio (Notes b and e)	1.03%	1.59%
Surveillance loans (Note c)	716,104	757,778
Surveillance loan ratio (Note e)	0.15%	0.19%
Allowance for loans and delinquent loans (Note e)	3,227,391	3,113,470
Bad debts written off (Note d)	8,650,459	9,143,270

Note a: NPL does not include loans allowed to be excluded under the guidelines of the Bureau of Monetary Authority (BOMA).

Note b: NPL ratio = NPL (including delinquent loans) ÷ (Loans+Delinquent loans)

Note c: Surveillance loans include (i) long-term installment loans, with principal repayment overdue more than three months but less than six months, (ii) the principal repayment of other loans overdue is less than three months but interest payments are overdue more than three months but less than six months, (iii) delinquent loans to be excluded from NPL, as allowed by BOMA.

Note d: The amounts of bad debts written off were cumulative from January 1 to December 31 of 2004 and 2003, respectively.

Note e: The balance as of December 31, 2003 included the amount of "Accounts receivable - Revolving credit."

Concentration of Credit Risk

If the counter-parties to financial instrument transactions are individuals or groups engaged in similar business activities or activities in the same region, which may impact their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions, credit risk concentration may occur. Taishin Bank does not transact with a single customer but with individuals in similar geographic locations and companies in the same industry.

Taishin Bank's contract amounts with prominent aggregate attributes of credit risk are as follows:

	December 31	
	2004	2003
Loans to parties with common interests (Note a)	\$ 18,848,000	\$ 16,518,000
Ratio to total loans (Note b)	3.73%	3.87%
Stock pledge ratio (Note c)	5.96%	5.82%

Item	2004		2003	
	Industry	%	Industry	%
Approved credit concentration (Top 3)	Manufacturing	11.29	Manufacturing	11.77
	Finance and insurance	6.81	Finance and insurance	6.72
	Wholesale and retailing	2.99	Wholesale and retailing	3.63

Note a: Loans include bills purchased; loans and bills discounted; acceptances; and guarantees.

Note b: Ratio to total loans = Loans to parties with common interest ÷ Total loans.

Note c: Stock pledge ratio = Loans secured by stock ÷ Total loans.

Note d: Loans to parties with common interests is defined by the Banking Law.

Policy of Allowance for Loans, Nonaccrual Loans and Loss of Investment

Provision for Bad Debts and Losses on Guarantees - Provisions for bad debts and losses on guarantees are accrued in consideration of Taishin Bank's estimates of collectibility of loans, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities. Taishin Bank assesses the collectibility of its credit portfolio on the basis of such factors as the borrowers' /clients' payment history, delinquent status, and financial condition and provides for loss, taking into account the value of collateralized assets, in

accordance with "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Nonaccrual Loans and Bad Debts" issued by the Ministry of Finance. Based on these rules, if the loans, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities are deemed uncollectible, they should be provided for in full and a loss should be recognized as an expense currently. If the recovery possibility is deemed low, at least 50% of the loan amount should be provided for and the loss should also be recognized as current expense.

Loss on Investments of Bills and Securities - Trading securities, including listed stocks, mutual funds, and other kinds of securities, are recorded at acquisition cost and carried at the lower of aggregate cost or market value. If the market value is lower than cost, a valuation allowance for market decline is provided; if market value recovers, valuation allowance is reversed. Changes in valuation allowance are recognized as income or loss in the current period. The moving average method is used in determining the cost of trading securities sold.

Loss on Long-Term Equity Investments - Long-term equity investments are recorded at acquisition cost. Investees in which Taishin Bank holds an ownership interest of 20% or more or on which Taishin Bank has significant influence are valued using the equity method, and those in which the Bank holds an ownership interest of less than 20% or does not have significant influence on are valued by the cost method. Under the cost method, if the investee is a listed or over-the-counter company, the investment is stated at the lower of cost or market value, and any unrealized loss on valuation is charged to the shareholders' equity. If the investee's shares have no quoted market prices and there is evidence indicating that the value of investment is deemed permanently impaired, a loss allowance will be provided and loss is charged to current expense.

Under the equity method, if the investor sells a portion of the investment so that its portion of ownership decreases or the investor may lose significant influence on the investee, the investor stops using equity method and then the cost method is used. The long-term investment accounts are recorded at the lower of book value or market value as its new cost. In addition, the investor should recognize the unrealized gain (loss) from down-stream transactions.

Interest-Earning Assets and Interest-Bearing Liabilities

The average interest-earning assets, interest-bearing liabilities and average interest rates in 2004 and 2003 were as follows:

	2004		2003	
	Average Value	Average Interest Rate %	Average Value	Average Interest Rate %
Assets				
Due from the Central Bank	\$ 18,186,835	1.12	\$ 20,196,630	1.43
Trading security bills	60,754,354	1.25	40,772,948	1.79
Trading security bonds	27,364,787	3.26	9,439,418	3.50
Due from banks	6,721,973	2.33	5,938,279	1.04
Loans (Note)	397,965,968	6.01	346,700,345	7.40
Accounts receivable	50,014,790	15.81	-	-
Liabilities				
Due to banks	27,464,992	1.37	33,469,009	1.08
Demand deposits	153,083,484	0.41	108,585,542	0.57
Time deposits (including NCD)	282,512,949	1.28	233,234,053	1.65
Deposits transferred from the Postal Bureau	49,065,135	1.53	51,256,798	1.69
Bank notes	24,191,257	3.93	15,408,767	4.26
Trading securities sold under agreements to repurchase	27,065,758	0.80	-	-

Note: The balance as of December 31, 2003 included the amount of "Accounts receivable - Revolving credit"

Taishin Bank classifies the gain or loss on options as "gain or loss on derivatives" in the income statement. Taishin Bank's trading gain (loss) as a result of engaging in currency options and interest rate options was \$79,612 thousand in 2004 and \$310,124 thousand in 2003.

Fair Value of Financial Instruments

Financial Instrument	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Financial assets in which fair value is equal to carrying value	\$ 226,862,446	\$ 226,862,446	\$ 162,740,787	\$ 162,740,787
Trading financial assets				
Forward exchange	-	-	90,275	90,275
Currency options	2,570,245	2,570,245	2,110,431	2,110,431
Cross currency swaps	169,311	169,311	14,020	14,020
Interest rate swaps	-	-	49,773	49,773
Interest rate options	101,996	101,996	3,015	3,015
TAIEX Options	429	429	-	-
Nontrading financial assets				
Currency swaps	1,929,558	3,778,055	-	-
Cross-currency swaps	-	-	141,966	141,966
Interest rate swaps	65,092	(109,643)	-	-
Currency options	-	-	278,589	278,589
Trading securities				
Marketable equity securities	6,990,969	8,217,740	4,030,835	4,425,137
Long-term investments				
Marketable equity securities	3,060,034	6,545,341	3,930,677	6,971,363
Loans (including delinquent loans)	478,213,701	478,213,701	364,346,423	364,346,423
	<u>\$ 719,963,781</u>	<u>\$ 726,349,621</u>	<u>\$ 537,736,791</u>	<u>\$ 541,171,779</u>
Liabilities				
Financial liabilities in which fair value is equal to carrying value	\$ 82,469,664	\$ 82,469,664	\$ 82,932,844	\$ 82,932,844
Trading Liabilities				
Currency swaps	2,955,666	2,955,666	-	-
Forward exchange	685,554	685,554	306,108	306,108
Currency options	2,106,867	2,106,867	981,115	981,115
Interest rate options	355,812	355,812	2,560	2,560
TAIEX Options	497	497	-	-
Interest rate swaps	11,707	11,707	-	-
Forward interest rate agreements	4,874	4,874	-	-
Non-trading liabilities				
Currency swaps	-	-	843,849	843,849
Cross-currency swaps	46,889	18,194	-	-
Currency options	-	-	877,282	877,282
Deposits and remittances	560,977,028	560,977,028	433,112,146	433,112,146
	<u>\$ 649,614,558</u>	<u>\$ 649,585,863</u>	<u>\$ 519,055,904</u>	<u>\$ 519,055,904</u>

Taishin Bank uses the following methods and assumptions to determine the fair values of financial instruments:

The fair values of the short-term financial instruments are determined at their carrying values on the balance sheet dates because of the short maturities of these instruments. The method applies to cash and cash equivalents, call loans to banks, due from Central Bank, receivables, payables, and due to banks.

The carrying values of loans, bills discounted, and deposits, which are interest-bearing financial assets and liabilities, approximate their fair values.

The fair values of trading securities and long-term investments are measured at quoted market prices for these instruments. If market prices are not available, the fair values are determined in accordance with financial theory, market practices or other reliable financial information.

The carrying values of trading securities and long-term investments are the amounts before deductions of allowance for decline in market value.

The fair values of financial instruments are the amounts that Taishin Bank expects to obtain or has to pay, if Taishin Bank closes these contracts on balance sheet date. Ordinarily, the fair values of the financial instruments include unrealized gain or loss. The fair values of majority of Taishin Bank's financial instruments were based on quotations from financial institutions.

SUBSIDIARY - TAIWAN SECURITIES CO., LTD.

Financial Instruments

Derivative financial instruments:

Warrants

Information about Issued Warrants

See Note 25.

Credit Risk

Since Taiwan Securities has collected sufficient amounts for the issue of warrants, it anticipates no significant credit risk.

Market Price Risk

Using the delta hedging method, Taiwan Securities bought certain securities upon issuing warrants to avoid market price risks. Taiwan Securities will sell or buy securities depending on the change in delta values. However, because of the cost of transactions, liquidity of object securities, and avoidance of buying high level and selling low, Taiwan Securities is allowed to buy in or sell only within a fixed range.

Liquidity Risk, Cash Flow Risk, Future Cash Demand and Period of Uncertainty

Since Taiwan Securities has options to settle warrants issued by cash or securities, it is assumed to have no significant liquidity risk, cash flow risk, future cash need and period of uncertainty.

Category and Purpose of the Derivative Financial Instrument and Strategy to Achieve the Purpose

Taiwan Securities owned American options for trading purposes because of present lower interest rates. To avoid the fall in the currency purchasing power, Taiwan Securities invested in instruments with returns higher than time deposit interest rates. Taiwan Securities has assessed the present domestic capital market and the future securities market before issuing warrants to increase the flexibility of capital arrangement and be free from the decrease of purchasing power caused by inflation, interest rate, etc.

Market Price Risk

The market price risk refers to the risk arising from exchange rate and interest fluctuations in the market. Taishin Financial estimates its risk value in accordance with capital positions of various currencies. The risk value refers to a potential loss of a financial instrument or investment portfolio for a specific period and at a confidence level, as a result of unfavorable changes in the market.

	December 31	
	2004	2003
Interest rate risk	\$ 106,300	\$ 88,451

Liquidity Risk, Cash Flow Risk and Uncertainty on Future Cash Demand

Taishin Financial's expected cash inflows and outflows as a result of engaging in nontrading derivative transactions are as follows:

Financial Instrument	Period	Amount
Interest rate swaps	December 31, 2004 to December 31, 2005	\$ 39,781

The expected cash flows listed above are forecast amounts based on exchange rates and interest rates. The longer the period, the higher the uncertainty. Taishin Financial has enough working capital to engage in derivative transactions and therefore does not require material additional cash inflows.

Presentation of Derivative Transactions in Financial Statements

Taishin Financial classifies gain or loss on cross-currency swaps and interest rate swaps as interest revenues or interest expenses in the income statement. The actual net gain (loss) on derivative transactions is shown below:

	December 31	
	2004	2003
Cross-currency swaps	\$ (1,989)	\$ 1,314
Interest rate swaps	39,710	182

Fair Value of Financial Instruments

Financial Instrument	December 31			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Financial assets with fair value equal to carrying value	\$ 98,924,090	\$ 98,924,090	\$ 73,801,035	\$ 73,801,035
Nontrading financial assets	5,655	5,655	182	182
	<u>\$ 98,929,745</u>	<u>\$ 98,929,745</u>	<u>\$ 73,801,217</u>	<u>\$ 73,801,217</u>
Financial liabilities				
Financial liabilities with fair value equal to carrying value	25,105,466	25,105,466	16,312,388	16,312,388
Nontrading financial liabilities	-	-	37,334	37,334
	<u>\$ 25,105,466</u>	<u>\$ 25,105,466</u>	<u>\$ 16,349,722</u>	<u>\$ 16,349,722</u>

Taishin Financial classifies gain or loss on cross-currency swaps and interest rate swaps as interest revenues or interest expenses in the income statement. The actual net gain (loss) on derivative transactions is shown below:

- (a) The fair value of short-term financial instruments is determined at their carrying values on the balance sheet dates because of their short maturities. The fair value of refundable deposits is also based on carrying value because these have no due dates.
- (b) The fair values of long-term equity investments with no quoted market prices are determined at their carrying values on the balance sheet date.
- (c) If Taishin Financial canceled derivative instrument contracts on the balance sheet date, the fair values of the financial instruments refer to the amounts that Taishin Financial expects to obtain or pay on such day, including unrealized gain or loss.

SUBSIDIARY - TAISHIN BANK

Trading-Based Derivative Financial Instrument

Contract (Notional) Amount and Credit Risk

Financial Instrument	December 31			
	2004		2003	
	Contract Amount	Credit Risk	Contract Amount	Credit Risk
Currency swaps	\$ 289,582,596	\$ 1,131,668	\$ -	\$ -
Forward exchange contracts	69,629,574	488,316	45,201,412	335,085
Interest rate swaps	669,534,907	2,598,495	240,058,956	771,500
Cross-currency swaps	58,568,439	812,227	12,713,941	250,375
Currency options	198,619,022	2,494,021	78,088,788	135,658
Interest rate options	47,929,945	29,071	2,600,000	-
TALEX Options	925	-	-	-
Forward interest rate agreements	20,962,650	5,735	-	-
Interest rate futures	1,492,592	-	-	-
Index futures	107,964	-	268,686	-

Credit risk refers to a counter-party's default on contracts. The credit risk amounts listed above pertain to contracts with a positive fair value on balance sheet date. They represent Taishin Bank's potential loss, considering potential exposures and credit risk factors, if a counter-party breaches the contract. It is Taishin Bank's policy to enter into derivative transactions with creditworthy financial institutions and trade within given credit limits. Therefore, Taishin Bank does not anticipate defaults by counter-parties.

Market Price Risk

The market price risk refers to the risk arising from exchange rate and interest rate fluctuations in the market. Taishin Bank estimates its risk value on financial instruments such as forward exchange contracts in accordance with capital positions of various currencies. The risk value refers to a potential loss of a financial instrument or investment portfolio for a specific period and at a confidence level, as a result of unfavorable changes in the market.

Market Risk Sensitivity

	December 31	
	2004	2003
Ratio of interest-sensitive assets to liabilities	73.20%	89.73%
Ratio of interest sensitivity gap to net assets	(220.73%)	(92.35%)

Note a: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(Assets and liabilities due within one year)

Note b: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Main Foreign Currency Position

(Foreign currency and NT dollars in thousands)

	December 31			
	2004		2003	
	Original Currency	New Taiwan Dollars	Original Currency	New Taiwan Dollars
The main foreign currency net position (market risk)				
USD	84,576	\$ 2,699,421	USD 233,238	\$ 7,925,728
JPY	6,707,261	2,085,287	JPY 1,569,673	498,842
GBP	8,904	547,481	GBP 9,169	554,933
HKD	119,161	489,131	EUR 17,111	733,704
EUR	9,505	413,663	CAD 10,238	268,857

Note a: The main foreign currency refers to the five highest amounts resulting from conversion of the foreign currencies into New Taiwan dollars.

Note b: The main foreign net position is at the absolute values of the currencies.

Profitability

Item	December 31	
	2004	2003
Return on total assets (Note a)	2.02%	1.48%
Return on net worth (Note b)	26.01%	20.10%
Profit margin (Note c)	21.22%	16.13%

Note a: Return on total assets = $\frac{\text{Income before tax}}{\text{Average assets}}$

Note b: Return on net worth = $\frac{\text{Income before tax}}{\text{Average net worth}}$

Note c: Profit margin = $\frac{\text{Net income}}{\text{Operating revenue}}$

Note d: Profitability is calculated annually.

Maturity Analysis of Assets and Liabilities

(In thousands of New Taiwan Dollars)

	December 31, 2004					
	Total	Period Remaining until Due Date and Amount Due				
		0~30 Days	31~90 Days	91~180 Days	181 Days ~1 Year	More Than 1 year
Asset	\$ 962,478,000	\$ 262,236,000	\$ 129,548,000	\$ 80,130,000	\$ 97,652,000	\$ 392,912,000
Liability	900,478,000	388,742,000	147,575,000	116,401,000	161,890,000	85,870,000
Gap	62,000,000	(126,506,000)	(18,027,000)	(36,271,000)	(64,238,000)	307,042,000
Accumulated gap	-	(126,506,000)	(144,533,000)	(180,804,000)	(245,042,000)	62,000,000

Note: The amounts listed above include accounts in NT dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Special Recorded Items

	Reason and Amount
Within the past year, the person in charge or employee violated the law in the course of business operations and was sued by the public prosecutor in the recent year.	None
Within the past year, a fine was levied on Taishin Bank for violating the Banking Law.	The acquired customer information from the Joint Credit Information Center (JCIC) was leaked out due to Taishin Bank's negligence. Thus, Taishin Bank was fined \$500 thousand by the Financial Supervisory Commission, Executive Yuan.
Within the past year, Taishin Bank committed a misdemeanor, resulting in the Ministry of Finance's (MOF) subjecting Taishin Bank to corrective measures.	Taishin Bank did not take a progressive action on its reinvestment plan in Dah An Leasing Co., Ltd. Thus, MOF imposed corrective measures on Taishin Bank.
Within the past year, there was an actual loss of more than \$50,000 thousand due to a major employee fraud, workplace accidents or failure to comply with financial institutions' guidelines for sound operations.	None
Others	Taishin Bank asked for customers' credit information from the JCIC without customers' consent. Thus, it was fined \$20 thousand by MOF.

Note: The "past year" refers to the period from January 1, 2004 to December 31, 2004.

Asset Quality

	December 31	
	2004	2003
Nonperforming loans (NPL, including delinquent loans)	\$ -	\$ -
Delinquent loans	-	-
NPL ratio	-	-
Allowance for loans and delinquent loans	-	-

Note : NPL ratio = NPL (including delinquent loans) ÷ (Loans+ Delinquent loans)

Management Information

a. Business Highlights

	December 31	
	2004	2003
Guarantees	\$ 13,806,100	\$ 13,987,800
Ratio of guarantees to net assets (after appropriation of last year's earnings)	228%	238%
Short-term securities sold under repurchase agreements	33,543,516	30,735,046
Ratio of short-term securities sold under repurchase agreements to net assets (after appropriation of last year's earnings)	553%	523%

b. Concentration of Credit Risks

	December 31	
	2004	2003
Loans to parties with common interests	\$ 673,000	\$ 1,070,000
Percentage of loans to parties with common interests	4.87%	7.65%
Stock pledged and approved credit ratio	25.48%	31.47%

Item	Industry	December 31	
		2004 (%)	2003 (%)
	Agriculture, forestry, fishery and animal husbandry	-	-
	Mining	-	1.07
	Manufacturing	20.59	26.69
	Utilities	-	-
	Construction	2.97	2.32
Approved credit concentration	Wholesale and retailing, food and beverage	10.88	11.58
	Transportation, warehousing and communications	2.64	-
	Finance, insurance and leasing	19.35	10.27
	Finance, insurance and securities brokerage	9.42	14.37
	Finance, insurance and real estate	5.49	6.78
	Finance, insurance and, investment	28.26	26.92
	Service industry	0.40	-
	Others	-	-
		100.00	100.00

Note a: Percentage of loans to parties with common interests = Loans to parties with common interests ÷ Total loans.

Note b: Stock pledged and approved credit ratio = Loans secured by stocks ÷ Total loans.

Note c: Loans include guarantees, endorsed notes and delinquent loans.

c. Summary of Reinvestments

None.

d. Policy of Allowance for Loans, Delinquent Loans and Investment

Provisions for bad debts and loss on guarantees are accrued on the basis of Taishin Bills Finance's estimates of collectibility of account receivables, interest receivables and guarantees on commercial paper.

Taishin Bills Finance assesses the collectibility of its credit portfolio based on factors such as the borrowers' /clients' financial condition, payment history, and delinquent status and provides for loss, taking into account the value of collateralized assets, in accordance with "The Rules for Bills Finance Company Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Nonaccrual Loans and Bad Debts" issued by the Ministry of Finance (MOF).

Credit facilities deemed unrecoverable are written off with the approval of the Board of Directors.

For a securities firm trading securities for its own account, if the profit for trading securities for its own account exceeds the amount of loss, it should allocate 10% of the excess amount on a monthly basis as the trading loss reserve. When the accumulated amount of the trading loss reserve reaches \$200 million, allocation may be suspended, in accordance with "Rules Governing Securities Firms" issued by the MOF.

e. Special Recorded Items

	Reason and Amount
Within the past year, the person in charge or employee violated the law in the course of business operations and was sued by the public prosecutor in the recent year.	None
Within the past year, a fine was levied on Taishin Bills finance for violating the Law Governing Bills Finance Business.	Traders did not register with the Bills Finance Association. Thus, Taishin Bills Finance was fined \$1,000 thousand.
Within the past year, Taishin Bills Finance committed a misdemeanor, resulting in the Ministry of Finance's (MOF) subjecting Taishin Bank to corrective measures.	None
Within the past year, there was an actual loss of more than \$50,000 thousand due to a major employee fraud, workplace accidents or failure to comply with financial institutions' guidelines for sound operations.	None
Others	Taishin Bills Finance violated Article 45 of the ROC Financial Holding Company Act by subscribing for \$100,000 thousand in unsecured subordinated corporate bonds (I) of Taishin Financial Holding Co., Ltd. It was thus fined \$2,000 thousand.

Note: The "past year" refers to the period from January 1, 2004 to December 31, 2004.

Profitability

	December 31	
	2004 (%)	2003 (%)
Return on total assets (Note a)	1.91	5.32
Return on net worth (Note b)	12.50	13.80
Profit margin (Note c)	45.49	72.19

Note a: Return on total assets = $\frac{\text{Income before tax}}{\text{Average assets}}$

Note b: Return on net worth = $\frac{\text{Income before tax}}{\text{Average net worth}}$

Note c: Profit margin = $\frac{\text{Net income}}{\text{Operating revenue}}$

Liquidity

Analysis of maturities of assets and liabilities as of December 31, 2004:

	1-30 Days	31-90 Days	91-180 Days	181 Days ~1 Year	More Than 1 year
Cash used in					
Bills position	\$ 3,830,528	\$ 10,524,555	\$ 11,555,089	\$ 11,118,153	\$ -
Bonds position	375,586	305,215	4,984	803,230	20,848,238
Deposits	255,005	110,000	858,500	1,171,000	2,068,000
Call loans to banks	425,000	-	-	-	-
Bonds and securities purchased under resell agreements	939,472	45,042	-	-	-
	5,825,591	10,984,812	12,418,573	13,092,383	22,916,238
Cash provided by					
Call loans from banks	6,890,000	-	-	-	5,000,000
Bonds and securities sold under repurchase agreements	43,530,034	4,187,433	395,951	-	-
Self-owned capital	-	-	-	-	6,718,792
	50,420,034	4,187,473	395,951	-	11,718,792
Net flow	\$ (44,594,443)	\$ 6,797,379	\$ 12,022,622	\$ 13,092,383	\$ 11,197,446
Accumulated net flow	\$ (44,594,443)	\$ (37,797,064)	\$ (25,774,442)	\$ (12,682,060)	\$ (1,484,613)

Market Risk Sensitivity

	December 31	
	2004 (%)	2003 (%)
Ratio of interest-sensitive assets to liabilities	76.94	88.18
Ratio of interest sensitivity gap to net assets	(188.76)	(111.56)

Note:

- Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.
- Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(Assets and liabilities due within one year)
- Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Taiwan Securities

Balance Sheet

	December 31	
	2004	2003
Assets		
Cash and cash equivalents	\$ 697,225	\$ 289,706
Short-term investments	1,329,837	361,140
Bonds purchased under resell agreements	16,482,681	8,229,174
Trading securities	18,535,491	13,133,315
Marginal receivables	15,306,766	13,843,656
Other current assets	1,357,169	1,230,651
Long-term investments	2,721,987	1,759,110
Property and equipment	3,026,582	2,980,133
Other assets	2,869,535	2,757,740
Debit item for consigned trade	28,180	147,380
Total	\$ 62,355,453	\$ 44,732,005
Liabilities		
Short-term borrowings	\$ 3,310,000	\$ 5,501,000
Commercial paper payable	9,053,196	6,230,823
Bonds sold under repurchase agreements	22,678,382	11,283,788
Warrant issuance liabilities	217,222	180,456
Securities financing guarantee deposit-in	2,134,995	905,177
Payable for securities financing guarantee	2,550,131	1,162,572
Other current liabilities	2,103,355	976,028
Long-term liabilities	499,826	498,011
Other liabilities	533,172	411,734
	43,080,279	27,149,589
Shareholders'equity		
Capital stock - common stock	\$ 13,255,044	\$ 12,999,574
Capital surplus	2,076,860	2,076,860
Retained earnings	4,176,269	3,024,903
Unrealized loss on valuation of long-term investments	(44)	(44)
Cumulative translation adjustments	(40,489)	33,757
Treasury stock	(192,466)	(552,634)
	19,275,174	17,582,416
Total	\$ 62,355,453	\$ 44,732,005

Income Statement

	2004	2003
Total operating revenue	\$ 9,198,010	\$ 6,635,715
Total operating expense	(6,370,834)	(5,093,258)
Income before income tax	2,827,176	1,542,457
Income tax expense	(862,261)	(241,257)
Net income	\$ 1,964,915	\$ 1,301,200
Pretax basic earnings per share (dollar)	\$ 2.22	\$ 1.31
After-tax basic earnings per share (dollar)	\$ 1.54	\$ 1.11

Capital Adequacy

	December 31	
	2004(%)	2003(%)
Capital adequacy ratio	279.04	368.25

Limitation and Execution of Financial Ratios As Stipulated in the Futures Trading Law

Items	December 31, 2004		
	Calculation	Ratio	Benchmark
Shareholders' equity/ (Total liabilities - futures trader equity - loss on trading securities - reserve of penalty)	392,925 258	1,522.96	≥ 1
Current assets/ Current liabilities	372,101 258	1,442.25	≥ 1
Shareholders' equity/ Minimum issued capital	392,925 400,000	98.23%	≥ 60% ≥ 40%
Adjusted Net Capital/ Guarantee deposit needed for unsettled position	337,879 30,386	1,111.96%	≥ 25% ≥ 15%

Balance Sheet (Futures - Dealing Department)

Code	Assets	December 31, 2004	
		Amount	%
101000	Current assets		
101010	Cash and deposits	\$ 243,809	62
101040	Short-term investments	69,902	18
101430	Futures deposits - self-owned capital	57,706	15
101990	Other current assets	684	-
	Total current assets	372,101	95
103000	Property and equipment		
103030	Equipment	8,975	2
103039	Less accumulated depreciation	(1,253)	-
	Total property and equipment	7,722	2
105000	Other assets		
105010	Operating deposits	10,000	2
105030	Refundable deposits	3,360	1
	Total other assets	13,360	3
906001	Total assets	\$ 393,183	100

Code	Liabilities and Shareholders' Equity	December 31, 2004	
		Amount	%
201000	Current liabilities	\$ 173	-
222307	Short option liability	85	-
201990	Other current liabilities		
	Total current liabilities	258	-
301000	Shareholders' equity		
304000	Appropriated operating capital		
304040	Retained earnings	400,000	102
	Unappropriated earnings	(7,075)	(2)
	Total shareholders' equity		
906002	Total liabilities and shareholders' equity	392,925	100
		\$ 393,183	100

Income Statement (Futures - Dealing Department)

Code	Liabilities and Shareholders' Equity	2004	
		Amount	%
	Revenues		
409018	Gain on option contracts - trading	\$ 12,559	84
438990	Other operating revenue	706	5
440000	Other nonoperating income	1,634	11
	Total revenues	14,899	100
	Expenses		
502030	Dealing processing fees	1,014	7
523210	Loss on futures contracts - trading	14,106	94
524300	Settlement service charges	1,339	9
530000	Operating expenses	5,191	35
538000	Other operating charges	324	2
	Total expenses	21,974	147
902001	Income before income tax	(7,075)	(47)
551000	Income tax expense	-	-
902005	Net income	\$ (7,075)	(47)

Taiwan Futures

In accordance with the "Guidelines Governing the Preparation of Financial Reports by Futures Commission Merchants" stipulated by the Securities and Futures Bureau, MOF, major financial ratios of Taiwan Futures as of December 31, 2004 and 2003 were disclosed as follows to show financial status, operating results and cash flow information:

Items	December 31, 2004		
	Calculation	Ratio	Benchmark
Shareholders' equity/ (Total liabilities - futures trader equity - loss on trading securities - reserve of penalty)	492,642 <hr/> 3,347,440-3,211,044-14,237	4.03	≧ 1
Current assets/ Current liabilities	3,639,060 <hr/> 3,251,970	1.12	≧ 1
Shareholders' equity/ Minimum issued capital	492,642 <hr/> 215,000	229.14%	≧ 60%
Adjusted Net Capital/ Guarantee deposit needed for unsettled position	461,746 <hr/> 717,151	64.39%	≧ 25%

Items	December 31, 2003		
	Calculation	Ratio	Benchmark
Shareholders' equity/ (Total liabilities - futures trader equity - loss on trading securities - reserve of penalty)	534,151 <hr/> 2,104,429-1,995,176-4,743	5.11	≧ 1
Current assets/ Current liabilities	2,459,108 <hr/> 2,029,956	1.21	≧ 1
Shareholders' equity/ Minimum issued capital	534,151 <hr/> 400,000	133.54%	≧ 60%
Adjusted Net Capital/ Guarantee deposit needed for unsettled position	510,989 <hr/> 350,414	145.82%	≧ 25%

Method of Sharing and Amounts of Expenditure Shared among Subsidiaries

Taishin Financial, Taiwan Securities, and Taishin Bills Finance use a "balanced scorecard" plan and made an agreement on consulting fee sharing based on the number of each company's managers. In 2004, expense sharing was as follows (US dollars in thousands):

Taishin Financial	\$	60
Taiwan Securities		175
Taishin Bills Finance		30
	\$	<u>265</u>

Under Article 46 of the ROC Financial Holding Company Act, Taishin Financial discloses the credit, endorsement or the other transactions of the same person, affiliated party at enterprise as follows:

Name	Relationship	Amount of Credit Endorsement or Other Transactions	Percentage of Taishin Financial's Net Worth
WCCPA	The same related parties	\$ 13,617	23.67
Yuanta Core Pacific Securities	The same related parties	5,196	9.03
Cathay Financial Holding Co., Ltd.	The same related parties	17,435	30.30
Fubon Financial Holding Co., Ltd.	The same related parties	10,302	17.90
Shin Kong Life Insurance Co., Ltd.	The same related parties	51,245	89.06
Far Eastern Textile Ltd.	The same related parties	5,996	10.42
Chungghwa Post Co., Ltd.	The same related parties	57,629	100.00
Bureau of Labor Insurance	The same related parties	4,386	7.62
Hon Hai Precision Ind. Co., Ltd.	The same related parties	6,017	10.46
Chungghwa Telecom-Pension Fund Committee	The same related parties	5,700	9.91
Nan Shan Life Insurance Co., Ltd.	The same related parties	5,708	9.92
Taiwan Cement Corp.	The same related parties	4,051	7.04
Yosun Industrial Co., Ltd.	The same related parties	3,450	6.00
Taiwan High Speed Rail Corp.	The same related parties	4,046	7.03
First International Computer	The same related parties	3,615	6.28
Compal Co., Ltd.	The same related parties	3,464	6.02
TSMC	The same related parties	8,317	14.45
Long Bon Development Co.	The same related parties	5,927	10.30
Quanta Computer Co., Ltd.	The same related parties	3,455	6.00
Capital Securities Corp.	The same related parties	6,003	10.43
Wa Yeu Computer Co., Ltd.	The same related parties	3,734	6.49
Continental Engineering Corp.	The same related parties	3,631	6.31
United Microelectronics Corp.	The same related parties	9,028	15.69
E. Sun financial Holding Co., Ltd.	The same related parties	3,137	5.51
Fuhwa Financial Holding Co., Ltd.	The same related parties	7,383	12.83
Mega Financial Holding Co., Ltd.	The same related parties	3,196	5.55
Jih Sun Financial Holding Co., Ltd.	The same related parties	5,644	9.81
Hua Nan Financial Holding Co., Ltd.	The same related parties	3,990	6.93
China Development Financial Holding Co., Ltd.	The same related parties	5,478	9.52
Uni-President Enterprises Corp.	The same related parties	11,046	19.20
Chinatrust Financial Holding Co., Ltd.	The same related parties	12,292	21.36
First Financial Holding Co., Ltd.	The same related parties	4,058	7.05
Union Bank of Taiwan Co., Ltd.	The same related parties	4,936	8.63
Formosa Plastics Corporation	The same related parties	8,413	14.62
Grand Bills Finance Corporation	The same related parties	3,631	6.31
Veterans Affairs Committee	The same related parties	5,907	10.27
		<u>\$ 321,063</u>	

39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

Material transactions are summarized as follows:

Items disclosed in accordance with Letter No. 6, (89) Tai-Tsai-Cheng 04754, Securities and Future Bureau (SFB), Ministry of Finance (MOF).

No.	Item	Explanation
1	Capital lending to another party	None
2	Endorsement for another party	None
3	Marketable securities held as of December 31, 2004	Table 1
4	Accumulated purchases and sales balance over \$100 million or 20% of outstanding capital for the year ended December 31, 2004	None
5	Acquisition of fixed assets over \$100 million or 20% of outstanding capital for the year ended December 31, 2004	None
6	Disposal of fixed assets over \$100 million or 20% of outstanding capital for the year ended December 31, 2004	Table 2
7	Balance of accumulated purchases and sales with the related party over \$100 million or 20% of outstanding capital for the year ended December 31, 2004	None
8	Intercompany receivables over \$100 million or 20% of outstanding capital	Note 34
9	Derivative instrument	Note 37

Information on Taishin Financial's investees:

No.	Item	Explanation
1	Investees' names, locations, etc	Table 3
2	Capital lending to another party	Note a
3	Endorsement for another party	Note a
4	Marketable securities held as of December 31, 2004	Table 4 (Note a)
5	Accumulated purchases and sales balance over \$100 million or 20% of outstanding capital for the year ended December 31, 2004	Table 5 (Note a)
6	Acquisition of fixed assets over \$100 million or 20% of outstanding capital for the year ended December 31, 2004	Note b
7	Disposal of fixed assets over \$100 million or 20% of outstanding capital for the year ended December 31, 2004	None
8	Balance of accumulated purchases and sales with related party over \$100 million or 20% of outstanding capital for the year ended December 31, 2004	Note b
9	Intercompany receivables over \$100 million or 20% of outstanding capital	Note 34
10	Derivative instrument	Note b

Note a: None, or not required to be disclosed if the investee is a bank, insurance or security company.

Note b: None, or not required to be disclosed if the total assets or total operating revenue of the investee is less than 10% of those of Taishin Financial.

Information of Investment in Mainland China: None

40. Taishin Financial's trading securities held as of December 31, 2004

(Expressed in Thousands, Except for Percentage and Shares)

Owner	Type and Name of Marketable Security	Issuer's Relationship to the Owner	Accounts Recorded	December 31, 2004			Market Value	Note
				Shares (Units)	Carrying Value	%		
Taishin Financial	Bonds under agreements to resell		Securities purchased under agreements to resell	3,225,600	\$ 3,481,259			
	Government bond	-						
	Taipei city bond	-	Same as above	151,300	166,518			
	Traffic bond	-	Same as above	323,500	390,537			
	Taipei development bond	-	Same as above	95,000	93,229			
	Kaohsiung city bond	-	Same as above	135,000	135,283			
						4,266,826		
	Stock							
	Taishin Bank	Parent and subsidiary	Long-term investments					
	Common stock			2,702,336,556	52,546,733	100		
	Preferred stock			400,000,000	4,000,000	100		
	Taishin AMC	Parent and subsidiary	Long-term investments	75,000,000	977,689	100		
	Taishin Marketing Consultant	Parent and subsidiary	Long-term investments	100,000	4,916	100		
	Taiwan Securities	Parent and subsidiary	Long-term investments	1,325,504,447	19,070,556	100		
	Taishin Bills Finance	Parent and subsidiary	Long-term investments	514,000,000	6,718,792	100		
	Taisin Venture Capital Investment Co., Ltd.	Parent and subsidiary	Long-term investments	100,000,000	953,360	100		
	Debt Instruments							
Depository and Clearing Co. Taiwan Broadcasters Market Research Co., Ltd.	Cost-method investee	Long-term investments	10,000,000	100,000	5			
	Cost-method investee	Long-term investments	500,000	5,000	1			
				\$84,377,046				

41. Related information of investees' names, locations, etc. as of and for the year ended December 31, 2004

(in Thousands, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Principal Business Activities	Original Investment Amount		Ending Balance Shares			Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of Current Period	End of Last Period	Shares	Ownership Interest (%)	Book Value			
Financial Holding Co., Ltd.	Taishin Bank	1Fl., No. 44, Sec. 2, Jungshan N. Rd., Taipei, Taiwan	Commercial bank business, trust, and bills discounting	48,982,363	37,482,363	Common Stock 2,775,352,429 Preferred stock 400,000,000 75,000,000	100.00	52,546,733	10,477,708	9,113,805	Subsidiary
	Taishin Asset Management Co. Ltd.	3Fl., No. 46, Sec. 2, Jungshan N. Rd., Taipei, Taiwan	Consumption on delinquent loans, evaluation, auction, and management	750,000	750,000		100.00	4,000,000 977,689	187,056	185,675	Subsidiary
	Taishin Marketing Consultant Ltd.	2Fl., No. 111, Sec. 4, Bate Rd., Taipei, Taiwan	Investment and enterprise operating consultant and agency	2,000	2,000	100,000	100.00	4,916	1,457	1,457	Subsidiary
	Taiwan Securities	1Fl., No. 123, Sec. 2, Nanjing E. Rd., Taipei, Taiwan	Securities brokerage, margin lending, and underwriting financial products	17,400,824	17,400,824	1,325,504,447	100.00	19,070,566	1,964,915	1,407,741	Subsidiary
	Taishin Bills Finance	9-10Fl., No. 162, Sungiang Rd., Taipei, Taiwan	Bills finance	6,371,010	6,371,010	514,000,000	100.00	6,718,792	655,415	633,885	Subsidiary
	Taisin Venture Capital Investment Co., Ltd.	12Fl., No. 46, Sec. 2, Jungshan N. Rd., Taipei, Taiwan	Starting-up investment	1,000,000	1,000,000	100,000,000	100.00	953,360	(38,251)	(38,251)	Subsidiary
Taishin Assets Management Ltd.	Taishin Real-Estate Management Ltd.	3Fl., No. 46, Sec. 2, Jungshan N. Rd., Taipei, Taiwan	Audit and consulting of construction plan, contract witness	39,600	39,600	2,640,000	40.00	53,323	44,778	16,035	Subsidiary
	Cheun Chang Development Ltd.	4Fl., No. 21, Sec. 3, Nanjing E. Rd., Taipei, Taiwan	Management, consulting and lease of real estate	27,000	27,000	2,700,000	45.00	128,040	225,275	101,374	Subsidiary
Taishin Bank	Taishin Real-Estate Management Co., Ltd.	3Fl., No. 46, Sec. 2, Jungshan N. Rd., Taipei, Taiwan	Audit and consulting of construction plan, contract witness	30,000	30,000	3,960,000	60.00	71,012	44,778	26,743	Subsidiary
	Taishin Insurance Agency Co., Ltd.	6Fl., No. 23, Sec. 1, Changan E. Rd., Taipei, Taiwan	Life insurance agency	1,500	1,500	19,800,000	60.00	507,309	443,147	264,240	Subsidiary
	Taishin International Finance Company Limited	4001B, 40th Fl., Tower II, Lippo Center, 89 Queensway Central, Hong Kong	Import and export of foreign exchange, trade financing, guarantee and acceptance	127,314	127,314	29,999,700	99.99	198,979	51,715	49,686	Subsidiary
	PayEasy Digital Integration Co., Ltd.	13Fl., No. 11, Sec. 1, Jungshan N. Rd., Taipei, Taiwan	Investment and enterprise operating consultant, information software and data processing, advertising, international trade, agency and network services	34,000	34,000	4,522,000	66.67	67,948	30,128	18,500	Subsidiary
	Dah An Leasing Co., Ltd.	3Fl., No. 222, Sec. 2, Nanjing E. Rd., Taipei, Taiwan	Leasing and retailing of machinery, mobile, aircraft, marine and components	198,000	198,000	19,800,000	99.00	199,144	72,148	71,427	Subsidiary
	Taishin Venture Capital investment Co., Ltd.	10Fl., No. 46, Sec. 2, Jungshan N. Rd., Taipei, Taiwan	Starting-up investment	45,000	60,000	4,500,000	5.00	34,749	(137,868)	(6,893)	Investee on which Taishin Bank has significant influence
Taishin Insurance Agency Co., Ltd.	An Hsin Real-Estate Management Co., Ltd.	14Fl., No. 27, Sec. 1, Anhe Rd., Taipei, Taiwan	Construction consultation, real estate appraisal	15,000	15,000	2,100,000	30.00	29,968	24,121	7,139	Investee on which Taishin Bank has significant influence
	Taiwan Futures Co., Ltd.	5Fl., No. 123, Sec. 2, Nanjing E. Rd., Taipei, Taiwan	Brokers of futures transactions	40,000	40,000	4,000,000	10.00	49,160	47,452	18,160	Investee on which Taishin Bank has significant influence
	Taishin Non-Life Insurance Agency Co., Ltd.	6Fl., No. 23, Sec. 1, Changan E. Rd., Taipei, Taiwan	Non-Life Insurance Agency	2,440	2,440	439,200	97.60	29,296	20,970	20,217	Subsidiary
	Taishin Insurance Brokers Co., Ltd.	6Fl., No. 23, Sec. 1, Changan E. Rd., Taipei, Taiwan	Insurance brokers	2,000	2,000	417,366	100.00	30,855	26,437	26,415	Subsidiary
An Hsin Real-Estate Management Co., Ltd.	Riches Asset Management Service Company	10Fl., No. 97, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan	Acquisition of delinquent loans and related evaluation, auction, and management	5,500	5,500	550,000	55.00	10,424	8,633	4,737	Subsidiary
	Riches Asset Management Service Company	10Fl., No. 97, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan	Consumption on delinquent loans, evaluation, auction, and management	7,000	-	700,000	70.00	6,809	(273)	(191)	Subsidiary
Taishin Venture Capital Investment Co., Ltd.	HD, Strategic Partner Co.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investment	76,201	76,201	4,420,000	30.93	76,201	-	-	Investee on which Taishin Venture Capital Investment Co., Ltd. has significant influence
Taiwan Securities Co., Ltd.	Anew Holdings Ltd.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Management of the overseas investment business	1,310,540	457,351	39,894,691	100.00	1,420,156	25,814	25,814	Subsidiary
	Taiwan Futures Co., Ltd.	2Fl., No. 123, Sec. 2, Nanjing E. Rd., Taipei	Brokers of futures transactions	360,020	359,950	36,000,000	90.00	442,442	47,452	42,704	Subsidiary
	Taiwan Securities Investment Advisory Co., Ltd.	5Fl., No. 90, Sec. 1, Jian Guo N. Rd., Taipei	Securities investment consultant and publications of investment	338,529	335,270	27,599,513	92.00	331,013	1,568	2,088	Subsidiary



Taishin Holdings

Taishin Holdings

Taishin Financial Holding Co., Ltd.

2FL, No.44 Chung Shan North Road, Section 2
Taipei, Taiwan
886-2-2536-6666
website : <http://www.taishinholdings.com.tw>

Taishin International Bank Co., Ltd.

1FL, No.44 Chung Shan North Road, Section 2
Taipei, Taiwan
886-2-2568-3988
website : <http://www.taishinbank.com.tw>

Taiwan Securities Co., Ltd.

1FL, No.123 Nanjing East Road, Section 2
Taipei, Taiwan
886-2-2507-5000
website : <http://www.tsc.com.tw>

Taishin Bills Finance Co., Ltd.

9FL, No.162 Sung Chiang Road
Taipei, Taiwan
886-2-2562-3333
website : <http://www.taishinbills.com.tw>

Taishin Asset Management Co., Ltd.

6FL, No.46 Chung Shan North Road, Section 2
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886-2-2571-5100

Taishin Marketing Consultant Co. Ltd.

6FL, No.135 Ba De Road, Section 4
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886-2-2748-6886

Taisin Venture Capital Investment Co., Ltd.

10FL, No.46 Chung Shan North Road, Section 2
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