



第一金融集團

第一金融控股股份有限公司
First Financial Holding Co., Ltd.

2004 ANNUAL REPORT

第一金控 · First Financial Holding

第一金控 ·



First Financial Holding Co., Ltd. ("First FHC") was founded on January 2, 2003 with First Commercial Bank ("First Bank") as its flagship entity. It is publicly traded on Taiwan Stock Exchange under the stock code 2892.

Founded in 1898, First Bank was one of the three government-affiliated banks with the mission to allocate credit to underserved industrial and commercial businesses, finance national infrastructure and serve as an underlying force of the island's great economic leap. In 1998, First Bank became the largest private-owned bank on the island after privatization. Since then it has been able to secure leadership positions in such selected areas as the SME business, home mortgages, mutual-fund distribution, deposit and lending. It owns 193 service points in Taiwan and continues to expand its presence globally through 16 overseas branches and First Bank (USA).

With the historical groundwork well-laid by First Bank, First FHC, on Junly 31, 2003, further diversified its business portfolio into securities trading, property and casualty insurance and asset management by acquiring First Taisec Securities Co., Ltd., Mingtai Fire & Marine Insurance Co., Ltd. and National Investment Trust Co., Ltd. In August of the same year, it successfully raised the equivalent of NT\$17.3 billion by way of global depository receipt, the first ever issued by a Taiwan financial institution, which shored up the group and its

subsidiaries' capital base.

During 2004, in its second round of entering into new markets to deliver full product range and high-quality services, First FHC established First Financial Asset Management Co., Ltd., First Venture Capital Co., Ltd., First Financial Management and Consulting Co., Ltd., and First P&C Insurance Agency Co., Ltd., under its fold. More importantly, to develop a sales-oriented culture and a customer-centric organization, we announced a new structural change to our organization so that the potential of joint marketing and transactions across subsidiaries will be fully explored. We believe that only through strengthened focus on reorganization and a new mindset to excel, could we maximize value for our clients, shareholders and employees.

With as an asset base of NT\$1.5025 trillion, ranking 4th place among the local banks, more than five million customers and excellent client relationship cemented over a century, we are optimistic about our future as a leading integrated financial services provider. We will continue to position ourselves to adapt to ongoing market changes occurring globally in the financial industry and will strive to do better in growth, innovation, services. It is our long-term commitment to be recognized as one of the island and Greater China Area's leading financial institutions.

Contents

Group Review

- 02 FFHC at a Glance
- 04 Letter to Shareholders
- 08 Market Outlook & 2005 Business Focus
- 10 Corporate Social Responsibility
- 11 Directors and Executive Officers

Subsidiary Overview

- 12 First Commercial Bank
- 16 First Taisec Securities
- 20 Mingtai Fire & Marine Insurance
- 23 National Investment Trust

Supplementary Information

- 27 Consolidated Financial Statements
- 36 FFHC & Company

2 FFHC at a Glance

Financial Highlights

(in NT\$ million, in million shares)

For the year	2004	2003
Revenue	70,065	68,329
Net income	10,298	(12,784)
EPS	1.86	(2.58)
Cash Dividends paid	0.75	0
Stock Dividend paid	0.50	0
ROAE	14.06	(37.43)
Shares outstanding	5,549	5,549

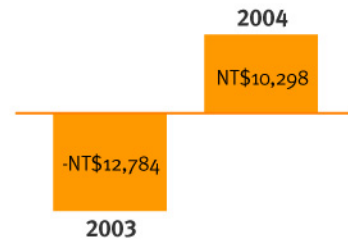
At year end

Total asset	1,502,542	1,483,985
Average total loans	836,918	801,705
Average total deposits	1,072,506	1,036,472
Total shareholder's equity	78,166	68,339
Market price per share	27.20	23.70

Consolidated figures

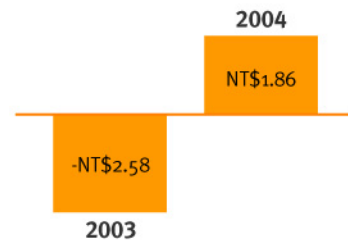
Net Income

(in NT\$ million)



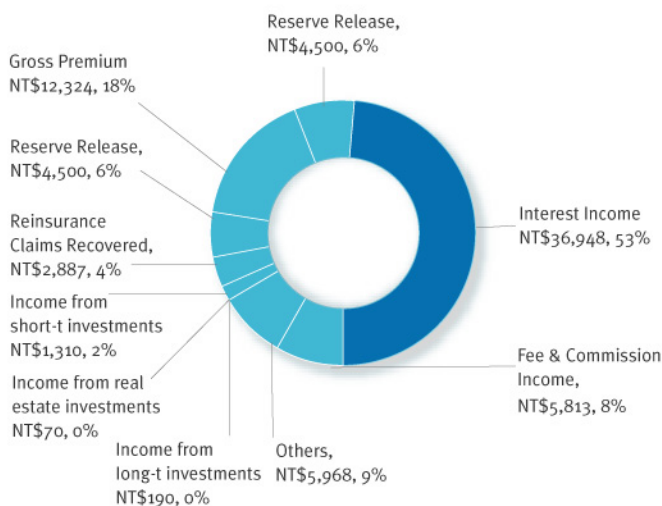
Earnings per share

(in NT\$)



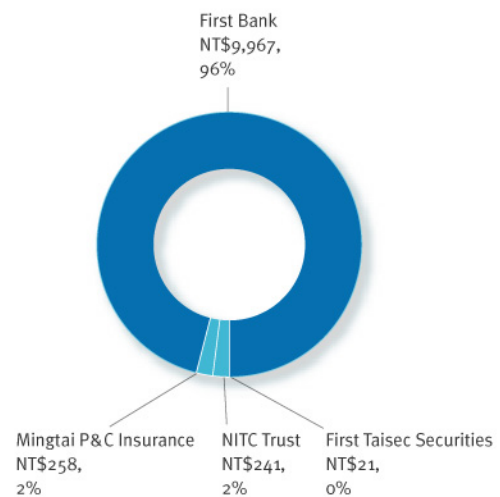
Revenue Breakdown By Income Categories

(in NT\$ million)

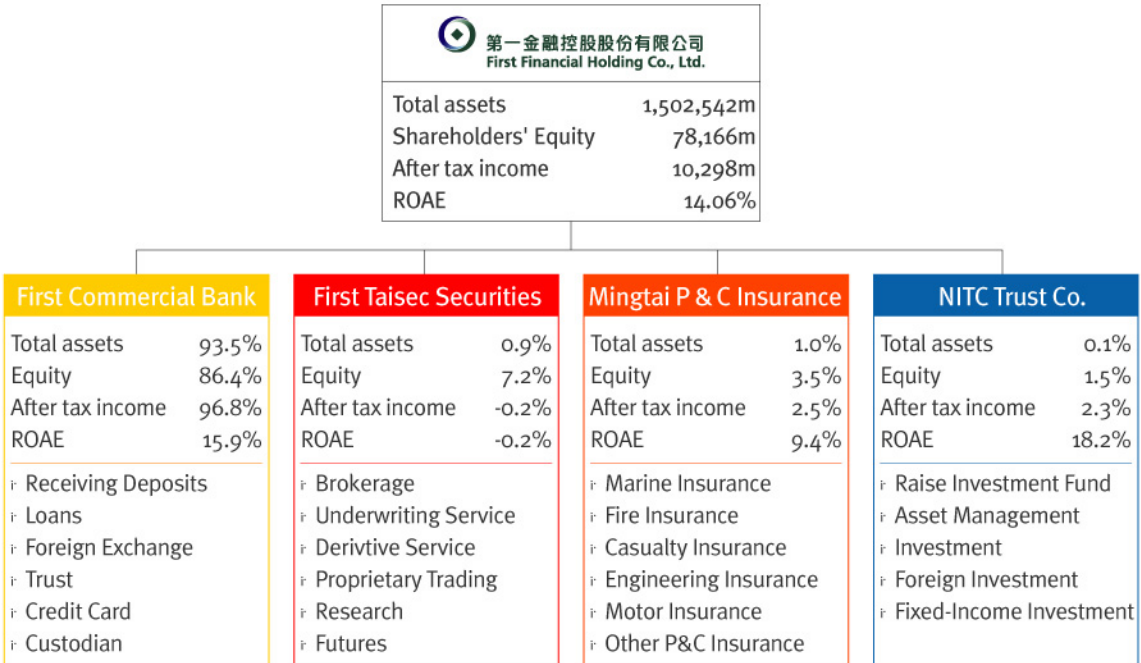


Net Income Breakdown by Core Business

(in NT\$ million)



Core Business



Other Subsidiaries:

*First Financial Asset Management Co., Ltd.

*First Venture Capital Co., Ltd.

*First Financial Management and Consulting Co., Ltd.

*First P&C Insurance Agency Co., Ltd.

Ownership Structure

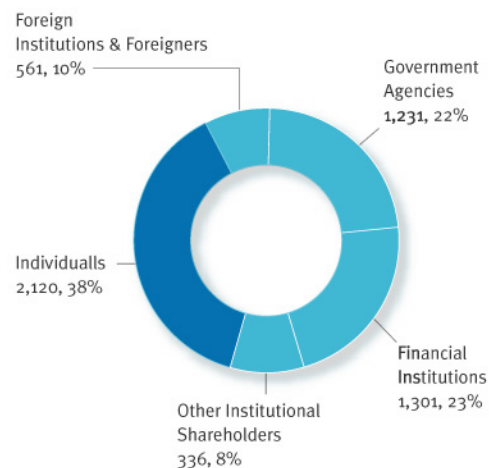
Date: as of April 12, 2005

Major Shareholders List	Share Held	%
Ministry of Finance	827,246,844	14.91
Bank of Taiwan	449,640,825	8.10
Hua Nan Commercial Bank	164,827,624	2.97
Cathy Life Insurance Co.	162,416,000	2.93
Shin Kong Life Insurance	161,583,000	2.91
Civil Servants' Retirement Fund	155,026,207	2.79
Bureau of Labor Insurance	151,124,040	2.72
Chunghwa Post Company	87,132,559	1.57
Taishin International Bank	85,145,000	1.53
Depository, Citibank N.A.	70,860,760	1.28

Shareholder Structure Breakdown

(in million shares)

Total shares: 5,549 million shares



Letter to Shareholders

Setting the stage for leadership in Taiwan's financial industry, in 2003, First FHC completed its first critical task of improving asset quality and restoring financial strength. The reform momentum continued well into 2004, when we pushed for joint marketing and business integration across subsidiaries. In a move to achieve further profit growth and increased efficiency, a new corporate structure was put into effect to transform First FHC and its subsidiaries into a customer-centric, sales-oriented organization.

As we look back, we are pleased to announce that 2004 was a good year: earnings exceeded expectation, cross-selling synergies took concrete shape and our corporate reform increasingly garnered support from customers, employees and shareholders. We therefore invite you to take a closer look at our business, strategy and what we have accomplished over the past year.

First FHC provides integrated financial services in banking, securities trading, property and casualty insurance and asset management. We are competitively positioned in banking business with leadership in mutual fund distribution and custody service. First Bank's deposit/lending activities rank among the top five among domestic banks. With respect to the credit quality, our delinquency experience was in sum improved. During the year ended December 31, 2004, our NPL ratio stood at 2.19% and loan-loss coverage ratio was at 43.22%, compared to the industry average of 3.80% and 41.41%, respectively. It is also worth noting the explosive growth in the insurance products sold through First Bank, which has made the bank the fourth-largest bancassurance player within a period of three years.

At the same time, Mingtai Insurance attained an 8.85% market share, ranking second in the property and casualty industry. National Investment Trust ranked fourth in the domestic market with assets under management in excess of NT\$122.4 billion.

Financial Highlights

Looking back, the economic environment of 2004 was generally favorable. Despite factors such as the surge in oil prices, higher interest rates and the impact from China's macro-economic control policy, the Taiwan economy grew by 5.7%. Sectors such as financial services, insurance and real estate achieved a growth rate of 3.58% over the previous year. Buoyed by brighter world economic outlook, the global interest rate market was on an upward

trend. However, Taiwan's money supply still saw excess liquidity, subduing the central bank's pace in raising interest rates.

The equities market got off to a strong start in 2004, with the Taiwan Stock Exchange Weighted Price Index peaking at 7,034 points on March 4, but eased off towards the end of the first quarter. The stream of news and events-Taiwan's presidential and legislative election, China's macro-economic control policy, the rise in oil prices and central banks' move to hike interest rate-dampened investor sentiments and the market slid, trading between 5,255 and 6,183 till year-end.

1.86 Earnings per share

In 2004, First FHC achieved a net income of NT\$10.298 billion, or NT\$1.86 per share, on operating revenue of NT\$10.475 billion. The ROAE improved to 14.06%. The solid performance was compared with an after-tax loss of NT\$12.784 billion in 2003 due to large bad loan write-off. First Bank remained the principal profit driver and reported a net income of NT\$9.967 billion for the year, contributing 96.8% of the group's operating income. Mingtai Insurance and National Investment Trust reported NT\$258 million and NT\$241 million respectively. Affected by the volatile equity market and a NT\$162 million in stock warrants-related tax provision, First Taisec Securities reported a net loss of NT\$21 million, cutting the Group's earnings by a slight 0.2%.

Through the back-office integration and cross-selling among different business segments, First FHC gained net total synergies of NT\$700 million. According to our internal estimates, approximately 4.9% of First Bank's net income, 7.7% of Mingtai Insurance's after tax profits and 34.1% of National Investment Trust's net profits were contributed by the cross-selling network.

Assessment on credit rating



As there is a demanding trend toward requiring greater transparency in financial reporting and more accountability to investors, First FHC has been appointed Standard & Poor's and Taiwan Ratings to access the credit rating for each company within First Financial Group.

The long-term credit ratings, short-term credits and outlooks for First FHC and its subsidiaries are shown below:

Standard & Poor's

- FFHC:BBB-/A-3/Stable
- First Bank:BBB/A-3/Stable
- Mingtai Insurance:A-/NA/Stable

Taiwan Ratings

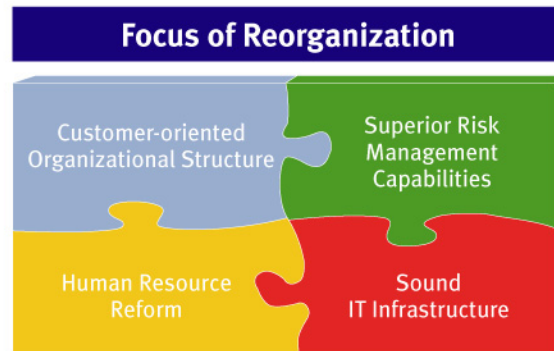
- FFHC:twA+/twA-2/Stable
- First Bank:twAA-/twA-1/Stable
- First Taisec Securities:twA-/twA-2/Stable
- Mingtai Insurance:twAA/NA/Stable

In sum, the ratings above reflect First Financial Group's financial stability and solid credit quality.

Promotion of organizational reform

Since July, 2004, First FHC has promoted the campaign to foster a sales-oriented culture and a customer-centric entity within the Group in response to increasing competition in a saturated financial industry with diversified customer needs. Starting from First Bank, we first adopted an integrated business model and structured the corporate into six business units: Corporate Banking, SME Banking, Affluent Banking, Mass

Market, Consumer Banking, and Financial Market. The supporting functions were then grouped into five centers for Risk Management, Finance and General Administration, Operation Management, Strategy and Information Technology. By re-harnessing our Group resources, we hope to evolve a better understanding of our customer, an effective control of risks, an active sales force and a supportive operation to exploit higher value for our shareholders and investors.



Moreover, to effectively respond to the changing market conditions, we have also taken steps to develop new mindset and practices, such as cultivating and retaining internal staff, seeking outside talents and linking performance to compensation. In addition, we will continue to expand our sales force until the ratio of administrative staff per sales staff reaches its optimal level. We believe that the long-term success of our business relies on a sales-oriented culture and a customer-centric organization, where customer needs are valued and met, and the pursuit of profitable growth is rewarded.

Forces of Market Consolidation

In October 2004, the government initiated the second phase of financial reforms, declaring four main objectives as reducing the number of state banks from 12 to 6; halving the number of financial holding companies from 14 to 7; consolidating the market with 3 leading players reaching over 10% market share; facilitating the transition of at least one financial institution to foreign ownership or to publicly list on the foreign exchange.

We believe that the policy objectives will forge historic changes for Taiwan's financial services

6 industry. To prepare for the changing marketplace, First FHC will continue to restructure its organization, improve earnings growth and pursue the economies of scale, so as to increase its acquisition-ready currency in the midst of industry's consolidation process.

Merger and acquisition activity remains one of the important strategic choices we consider. First FHC will continue to evaluate potential partners and acquisition targets based on the following criteria: whether management goals are matched; whether synergies are created; and most importantly, whether shareholder value, employee interests and customers' rights are adequately maintained and protected.

Following significant improvement in its credit quality and capital strength, First FHC demonstrated unprecedented earnings growth in 2004. Although banking profit, largely derived from

interest income, remains our primary source of profit, we have conducted a detailed review of our customer profile and Group resources over the past year, eventually targeting SMEs, wealth management and personal financial services as core opportunities in the next growth stage.

We are determined to be recognized as Taiwan's most competitive financial institution. To that end, our strategy will concentrate on capturing cross-selling and joint-marketing synergies across subsidiaries, carrying on organizational restructuring and targeting priority customer segments and products that earn higher returns. In the long-run, our commitment to sustaining value for our shareholders, employees and customers will lead us forward. We would like to take the opportunity to thank you for your support for the work we have done, and the work we will continue to do in the future.



President and Acting Chairman of First FHC
Mr. Y. C. Chao



First Financial Group Management Team

- | | | |
|--|---|---|
| <p>A.Winston C. Yang
President
First Venture Capital Co., Ltd.
First Financial Management and Consulting Co. Ltd.</p> | <p>H.Long-I Liao
President
First Commercial Bank
Chairman
First P&C Insurance Agency Co., Ltd.</p> | <p>O.Brenda Wong
Executive Vice President
Consumer Finance Business Unit</p> |
| <p>B.Hung-Lin Wu
President
First P&C Insurance Agency Co., Ltd.</p> | <p>I.Po-Cheng Lin
President
Mingtai Fire & Marine Insurance Co., Ltd.</p> | <p>P.Chin-Yun Wu
Executive Vice President
Risk Management Center</p> |
| <p>C.Kuo-Chang Lin
President
First Taisec Securities Inc.</p> | <p>J.Hsien-Chuan Huang
Executive Vice President
First Financial Holding Co., Ltd.</p> | <p>Q.Jeson Liu
Executive Vice President
Financial Markets Business Unit</p> |
| <p>D.Steven Li Chang
President
Mingtai Fire & Marine Insurance Co., Ltd.</p> | <p>K.Chung-Hui Tu
President
National Investment Trust Co., Ltd.</p> | <p>R.Philip Yu
Executive Vice President
Affluent Banking Business Unit</p> |
| <p>E.Yuan-Chi Chao
President & Acting Chairman
First Financial Holding Co., Ltd.
First Commercial Bank</p> | <p>L.Po-Chiao Chou
Executive Vice President
Finance and General Administration Center</p> | <p>S.Ming-Ren Chien
Executive Vice President
SME Banking Business Unit</p> |
| <p>F.Tzeng-Huei Lin
President & Chairman
First Financial Assets Management Co., Ltd.</p> | <p>M.Tzuoo-Yau Lin
Executive Vice President
Operation Management Center</p> | <p>T.Jason Ko
Executive Vice President
Information Technology Center</p> |
| <p>G.Shu-Jen Liao
President
First Taisec Securities Inc.</p> | <p>N.Ying-Hsiung Lin
Executive Vice President
Strategy Center</p> | <p>U.Jin-Der Chiang
Executive Vice President
Mass Market Business Unit</p> |
| | | <p>V.Abel Liu
Executive Vice President
Corporate Banking Business Unit</p> |

Market Outlook & 2005 Business Focus

Looking into 2005, we expect modest economic growth in Taiwan due to rising global oil prices, interest rate increases, and a projected slowdown in the American and global economy. According to the Directorate-General of Budget, Accounting and Statistics of Executive Yuan, the annual economic growth rate will decelerate to 4.21% in 2005, from 5.71% in 2004. Additionally, private consumption expenditure, private investment and yearly consumer price index are estimated to grow at a steady pace of 2.5%, 8.9% and 1.7% respectively.

In addition to the projected weak economic outlook for 2005, First FHC is also facing the challenges from external changes. These include:

- **Financial reform in Taiwan**

In October 2004, the Taiwan government declared its policy for consolidation and privatization in the financial sector in the hope of creating a national champion. The policy aims to halve the number of state-owned financial institutions to 6, create at least three banks with a market share over 10%, cut the number of financial holding companies from 14 to 7 and give foreign investors control of at least one lender. To accelerate these objectives, the Taiwan government will dilute its stakes in government-owned and controlled financial institutions to promote financial industry consolidation.

- **Increased local regulation**

On July 1, 2004, the Financial Supervisory Commission of the Executive Yuan ("FSC") was established, undertaking sole responsibility of regulating banking, securities and insurance industries in Taiwan. While FSC along with other competent financial authorities gradually govern banks, securities and insurance institutions based on the relative performance of the companies, major revisions were made to Taiwan's Statements of Financial Accounting Standards. SFAS No. 7 "Consolidated Financial Statement" and SFAS No. 35 "Long-term

Investments in Equity Securities" should be applied in the fiscal year of 2005; SFAS No. 34 "Accounting for Financial Instruments" will take effect in the beginning of 2006.

- **The New Basel Capital Accord**

The Basel Committee on Banking Supervision published the New Basel Capital Accord (Basel II) which highlights minimum capital requirements, supervisory review and market discipline. The implementation is expected to effect by the end of 2006.

- **Fierce domestic competition**

Given the limited scale of Taiwan's financial market, fourteen financial holding companies and other financial institutions are similar in their business models and target customers and engage in fierce competition. Because industry customers are moving manufacturing operations to overseas locations where costs are low, the traditional lending business has become crowded, with interest spread narrowing. Additionally with foreign financial institutions aggressively investing in the local market, financial institutions are beginning to actively ally with securities, insurance and asset management companies to offer a diverse range of financial products in order to win customer sentiment.

Facing the speedy transformation of the financial sector, First FHC will continue to prioritize profitability by dedicating itself to cross-selling, supporting financial products R&D, promoting SME loan business, and focusing on wealth management and consumer finance. To further increase shareholders value, protect investor interest and accelerate efficient management, First FHC will constantly emphasize on going organizational restructuring, corporate governance issues and increasing foreign ownership of First FHC.

● **Enhance risk management**

In addition to establishing an information firewall to protect customer information, First FHC will create an aggregate risk limits policy to effectively review risk exposures on an integrated basis to facilitate risk management decisions and capital allocation.

● **Strengthen corporate governance**

First FHC will comply with the best practices of corporate governance promoted by 14 financial holding companies in Taiwan. First FHC's corporate governance practices in 2005 will address on information disclosure, audit quality, and the establishment of board governance guideline and corporate governance guideline.

● **Increase foreign ownership of First FHC**

In August 2003, First FHC pioneered domestic financial institutions and was the first company to issue Global Depository Receipts through 1 billion new shares. Not only had First FHC successfully strengthened its capital base; First FHC also effectively gained publicity overseas and built a sustainable relationship with foreign institutional investors. First FHC will continue to seek to increase foreign ownership of the company's shares in view of accelerating efficient management, stabilizing the stock price, and strengthening corporate governance practices.



2005 Business Focus

● **Support financial product R&D**

For the past two years, First FHC has successfully helped subsidiaries write off bad debts, improve financial structure, and conduct an organizational reform program. In 2005, we are highlighting the importance of creating sustainable profits through ongoing research and development capabilities for financial products in response to the intensifying price war and copy-cat strategy adopted by many industry peers.

● **Foster cross-selling strategy**

With the business philosophy of offering one-stop financial shopping for customers, First FHC will continue to foster cross-selling of various financial products to increase the number of products per customer. Targeting the Group's existing 5 million clients, First FHC established cross-selling service counters at various sales channels, created electronic selling platforms across different business segments, aggregated and consolidated customer accounts and promoted joint marketing with customers.

● **Promote organizational reform**

Since July 2004, First FHC has been focusing on bank-centric organizational reform aiming at developing a sales culture and customer-first business principle. Beginning with its subsidiary, First Bank, we configured a matrix organizational structure consisting of six business units and five supporting centers. The business units include corporate banking, SME banking, affluent banking, mass market, consumer banking and financial market units. The supporting centers are risk management, operation management,

● **Merger, acquisition & strategic alliance**

The consolidation trend in the financial industry requires First FHC not only to expand its production scale, but also to enrich financial services content. First FHC will adopt M&A or strategic alliance as one of its earnings strategies under the Group's principles of putting customers first, maximizing shareholders wealth and taking care of our employees.

New Corporate	Sales Culture & Customer-oriented Corporate					
Business Units	Wealth Mgmt	Mass Market	SME	Corporate Banking	Affluent Banking	Consumer Banking
Functional Support	2005 Reorganization focuess					
	Credit risk management					
	Back-office consolidation					
	MIS reporting system/IT strategy					
	HR/performance management system					
	Customer-relationship management (CRM) systems					
	Multi-channel management (e.g., branch, call center, internet, etc)					

Corporate Social Responsibilities

As an integral part of social development, First FHC believes that the sustainability of an enterprise depends upon respect for human life, the awareness of social issues, environmental protection efforts and energy conservation.

In addition to providing equal and fair employment

opportunities, a safe and comfortable working environment, complete employee benefits and training, First FHC and First Bank Cultural and Educational Foundation also actively promote citizen education, sponsor art performances, support local community developments, and participate in charity events.



More than 2,000 employees and family members participated in First FHC's charity event. The event raised approximately NT\$ 6 million for local charity organizations and Southeast Asia tsunami victims.

Donation

- Donated NT\$10 million to the relief account established by the Ministry of the Interior for Typhoon Middelie relief efforts in July 2004.
- Donated NT\$5 million to the Hsinchu County Government for Typhoon Aere relief efforts in August 2004.

Education

- Provided scholarship support which amounted to NT\$ 3 million for 300 outstanding college and university students to advance their studies.
- Sponsored the First Bank Community Library which is located at the intersection of Chang An E. Road and Linsen N. Road.
- Invited well-known vocalist, Ms. Chien Wen-Hsiu, to perform two outdoor concerts in Taipei and Kaohsiung. Both concerts attracted over 3,000 viewers.
- Sponsored the "Economic, Financial and Accounting Forum 2004" held by Taiwan Hakka Forum Association. The topics included corporate governance, the future of the FHCs, Basel II, risk management for financial institutions, and development of the securities market and insurance business.



Sponsored the "Taiwan Flower Exposition in Changhua 2004" held by the county government. The annual program promotes local economic development and to introduces a high-quality tourism business.

Directors & Executive Officers

11

Board of Directors

Yuan-Chi Chao

President & Acting Chairman,
First Financial Holding Co., Ltd.

Chung-Hui Tu

Chairman, National Investment Trust
Co., Ltd

Tsing-Yuan Hwang

CEO, Daiwa Securities SMBC

Hsin-Ginn Huang

Professor, Dept. of MIS, National
Chung-Cheng University

Wen-Chin Liou

Associate Professor, Dept. of MIS,
National Cheng-Chi University

Fan-Chih Wu

Chief Auditor, Bank of Taiwan

Jou-Che Kau

SVP & General Manager, Credit Review
& Management Dept. of Hua Nan
Commercial Bank

Tien-Yuan Chen

Chairman, Golden Gate Motor Co., Ltd.
Chairman, Taiwan Coca Cola Bottling
Company

Yen Tai

Supervisor, Hui Ding Enterprise Co.

Sunny C.L. Wu

Vice Chairman, Tokyo Marine Nawa
Insurance Co., Ltd.
Chairman, Super International
Investment Co., Ltd.

Supervisors

Yung-Sun Wu

Former professor, Institute of Business
and Management, National Chiao Tung
University

Fu-Chi Tsai

SVP & General Manager, Dept. of
Planning, Bank of Taiwan

Wei-Sheng Huang

President, Small and Medium
Business Credit Guarantee Fund

First Financial Holding Co., Ltd.

Yuan-Chi Chao

President & Acting Chairman

Hsien-Chuan Huang

Executive Vice President

Hsien-Chung Tsai

Chief Auditor

Ding-Yuan Yeh

Advisor & Head of Auditing Dept.

Grace M.L. Jeng

Head of Administration & Planning
Dept.

Lih Lee

Head of Financial & Investment Dept.

Chin-Yun Wu

Advisor & Head of Risk Management
Dept.

Jason Ko

Advisor & Head of Information
Technology Dept.

Wen-Chang Tu

Head of Corporate Finance Dept.

Brenda Wong

Advisor & Head of Personal Finance
Dept.

First Commercial Bank

Yuan-Chi Chao

Acting Chairman

Long-I Liao

President

Jin-Der Chiang

EVP, Mass Market BU

Ming-Ren Chien

EVP, SME Banking BU

Po-Chiao Chou

EVP, Finance and General
Administration Center

Jason Ko

EVP, Information Technology Center

Tzuoo-Yau Lin

EVP, Operation Management Center

Ying-Hsiung Lin

EVP, Strategy Center

Jeson Liu

EVP, Financial Markets BU

Brenda Wong

EVP, Consumer Finance BU

Chin-Yun Wu

EVP, Risk Management Center

Philip Yu

EVP, Affluent Banking BU

Abel Liu

EVP, Corporate Banking BU

Hsien-Chung Tsai

Chief Auditor

First Taisec Securities Inc.

Shu-Jen Liao

Chairman

Kuo-Chang Lin

President

Mingtai Fire & Marine Insurance Co., Ltd.

Po-Cheng Lin

Chairman

Steven Li Chang

President

National Investment Trust Co., Ltd.

Chung-Hui Tu

Chairman

Thomas C.L. Tsai

Acting President

First Financial Assets Management Co., Ltd.

Tzeng-Huei Lin

President & Chairman

First Venture Capital Co., Ltd.

Henry S. L. Chen

Chairman

Winston C. Yang

President

First Financial Management and Consulting Co., Ltd.

Henry S. L. Chen

Chairman

Winston C. Yang

President

First P&C Insurance Agency Co., Ltd.

Long-I Liao

Chairman

Hung-Lin Wu

President



第一金融集團
第一銀行
First Bank

First Commercial Bank



	2004	2003
Revenue	48,456,257	48,258,851
Net Income	9,967,095	(13,306,619)
Asset	1,462,211,426	1,442,507,317
Equity	67,617,906	57,901,195

*NT Dollar, thousand
Unconsolidated figures*

First Commercial Bank ("First Bank") was established on November 26, 1899. Having merged with Commercial and Industrial Bank of Taiwan in 1911, and Chia-I Bank and Hsin-Kao Bank in 1923, it had a significant presence in Taiwan and was the leading government-owned bank to support Taiwan's economic development and uphold industrial and commercial businesses during the 1960s, 70s and 80s. After First Bank privatized on January 22, 1998, it joined First FHC on January 2, 2003 through a share swap. Since then, First Bank has continued to re-engineer its business model, offer various financial products and strive for excellence.

First Bank had total assets of NT\$ 1.462 trillion by December 2004 and was among the top 200 banks in the world in terms of asset size. In order to meet the needs of customers and to provide diverse financial services required by Taiwan-based enterprises, in addition to the current 193 branch offices in Taiwan, First Bank has 13 overseas branches, 3 representative offices, and 1 subsidiary bank located in California, USA.

Overview of Banking Industry in Taiwan

In 2004, Taiwan's economy grew strongly amid the global economic recovery. Along with the resurgent market, total outstanding loans by major financial institutions rose by 10.72% over 2003. As local banks continued to clean up their balance sheets and implement strict credit control policies, the average non-performing loan ratios of domestic banks by narrow and broad definitions had declined to 2.78% and 3.80% respectively at the end of 2004.

On the other hand, due to abundant domestic money supply, NT dollar interest rates moved relatively slowly despite the rising international interest rate under the influence of upturn in global economic fundamentals. While the intense competition in the financial industry has led to shrinkage in the interest spread, banks have been working vigorously to develop non-interest income trade and higher-yield business. Moreover, the established cross-selling configuration in the local financial industry has allowed banks to offer securities or insurance related products by joint marketing and cooperative promotion, which presents a good opportunity for banks to develop wealth management services.

www.firstbank.com.tw 第一銀行

聰明煉金術

定期不定額投資法

小額投資不再是一成不變
定期不定額

他傻瓜，您聰明的選擇
依據股價指數的波動，自由設定投資加減碼金額，讓您成為基金理財高手

投資新法寶

- ★第一寶：逢低加碼
- ★第二寶：逢高減碼

幫您跳脫一般人追高殺低的投資迷途，打透長期投資的獲利秘訣。原來投資也可以so smart so easy!

第一銀行營業單位理財顧問、理財專員
第一銀行網址：www.fristbank.com.tw

www.firstbank.com.tw 第一銀行 First Bank

家庭財富信託

家庭財富信託功能

1. 專業理財與資產的長期目標。
2. 資產傳承，確保財產妥善傳承。
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▲ Family wealth trust

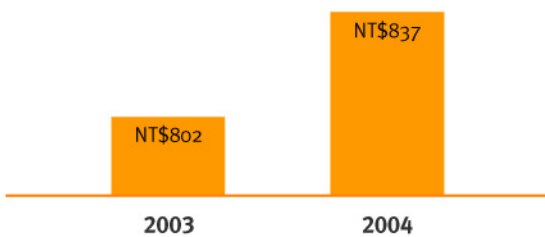
◀ Personal loan promotion program

In 2004, industry profits grew strongly compared to that in the previous year. Because of the expansion in the lending business, the increase in fee income, and the diminishing pressure to write off bad debts, the Financial Supervisory Commission said that banks' total before-tax income soared to a record of NT\$ 155.3 billion in 2004 from a mere NT\$ 50.5 billion in 2003. Return on shareholders' equity jumped to 10.30% in 2004 from 3.52% in 2003.

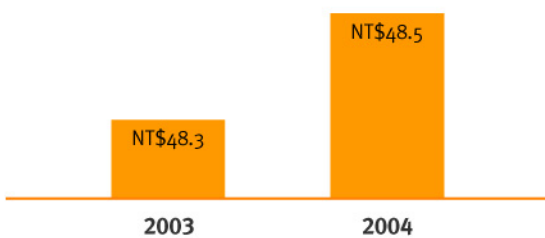
Operating Performance in 2004

While the average deposits were NT\$1.073 trillion at First Bank, a rise of NT\$36.034 billion over 2003, or an increase of 3.5%, the average loans were NT\$836.918 billion, an increase of NT\$35.213 billion or a growth of 4.4%. Other major businesses such as the foreign exchange transactions, fund sales, and custody services in 2004 amounted to US\$149.725 billion, NT\$216.624 billion and NT\$410.295 billion respectively. Each represented a growth of 12.0%, 3.3% and -1.8%, respectively, compared to the same period in 2003.

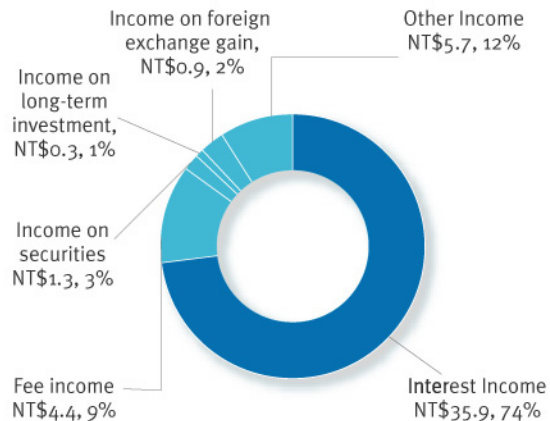
First Bank's total revenue was NT\$48.456 billion. After accounting for the overall expenses of NT\$36.453 billion and the income tax of NT\$2.035 billion, after-tax profits stood at NT\$9.967 billion, or earnings per share of NT\$2.16.



Average loan size, NT dollars, billion
The size growth by 4.4% in 2004



Total Revenue, NT dollars, billion
Revenue growth by 0.4% in 2004



Revenue Breakdown, NT dollars, billion

In addition to the solid financial performance, the major operational objectives accomplished are as follows:

- New Financial Products Offering

New products such as the "Collective Management Account for Trust Funds," "I-First IC Card," and "RMBS" were launched. Online service of "Corporate Cash Management" and "Trustee Service for Buying and Selling Real Estate" were initiated. "Account Receivables Financing Online System" and the "Family Wealth Trust Online System" were developed. First Bank also aggressively pursued business opportunities in syndicated loans deals. Of these accomplishments, "RMBS" and the Eastern MultiMedia syndicated loan were awarded the "Best Deal of the Year 2004 in Taiwan" and the "Loan Deal of the Year 2004 in Taiwan" by Asiamoney.

- Expansion of Cross-Straits Trade Finance

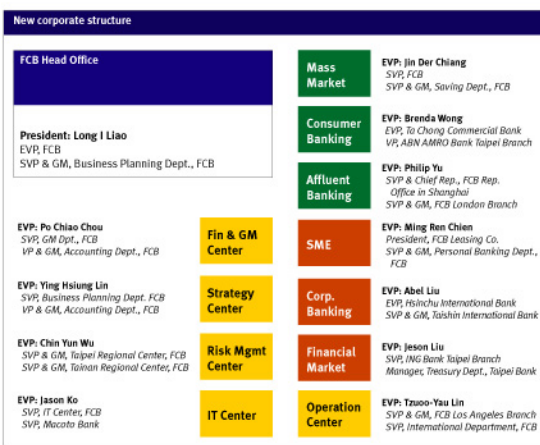
In response to the growing trade across the Taiwan Straits, First Bank has established correspondent relations with 4 of China's state-owned banks, 10 incorporated banks, and 6 city commercial banks, providing a total of 775 correspondent banking locations. Meanwhile, First Bank has entered into a memorandum of understanding on business cooperation in the Greater China area with Wing Hang Bank, Hong Kong, and with Commerzbank AG, Hong Kong Branch. These alliances mainly aim at providing comprehensive and efficient services to Taiwanese companies operating in Taiwan, Hong Kong, and Mainland China.

- Risk Management Enhancement

To comply with the Basel II requirements and to effectively monitor various risks, First Bank has built an integrated risk platform and developed a quantitative model and method to respond to the needs.

Organizational Reform Project

To effectively compete with rivals in the heavily saturated financial industry, and to revitalize the Bank's competitive advantages, First Bank began to reengineer its organization by removing operational activities from branches, and segmenting the Bank's customers and associated service propositions since July 1, 2004. Under the new organizational structure, 6 customer-oriented business units concentrating on product marketing were established, which includes Corporate Banking, SME Banking, Affluent Banking, Mass Market, Consumer Banking, and Financial Markets units. In addition, back-office operations were centralized into 5 major functional centers comprising Risk Management, Operation Management, Finance and General Administration Management, Strategy Center and Information Technology. While developing a sales culture within the bank, First Bank particularly emphasizes creating strong and supportive back offices. In 2004, check collection and remittance services were centralized at regional centers; a central customer service department was introduced; and integrated management information system across business units and operational centers were established.



Business Strategies for 2005

According to Directorate-General of Budget, Accounting and Statistics, Taiwan's economy will revert from a strong recovery to a stable growth in 2005 under projected mild global growth. Facing the decelerating economic growth to 4.2% in 2005 from 5.7% in 2004, First Bank is dedicated to continuous organizational reform to adapt to ongoing market changes. We believe that building a sales culture within a performance-based organization will not only effectively create sustainable returns, but can also creatively provide excellent and value-added services through a full range of financial products to win customer sentiment.

Our operating strategies and direction in 2005 are:

- Promote organizational reform project
- Strengthen professional training
- Increase the scale of consumer financing business
- Foster cross-selling synergies
- Establish performance-based award system
- Improve customer relationship management
- Enhance risk management
- Promote centralized operational function
- Advance automatic management

The budget targets in 2005 are:

- Deposits: NT\$1.105 trillion
- Loans: NT\$895.475 billion
- Foreign exchange transaction: US\$149.190 billion
- Revenues: NT\$56.827 billion
- Expenses: NT\$43.322 billion
- Pre-tax profit: NT\$13.505 billion

As one of the most established banks in Taiwan with long history, good reputation and strong track record, First Bank has been known for 106 years for providing extensive financial services to industrial and commercial enterprises, large companies, small businesses and retail individuals. In 2005, we will continue to strive to complete our strategic plans and budget targets, and advance toward our long-term vision of being one of Taiwan's top 5 banks and Asia's top 20 banks by 2007.



第一金融集團

一銀證券股份有限公司

First Taisec Securities Inc.

First Taisec Securities



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*NT Dollar, thousand
Unconsolidated figures*

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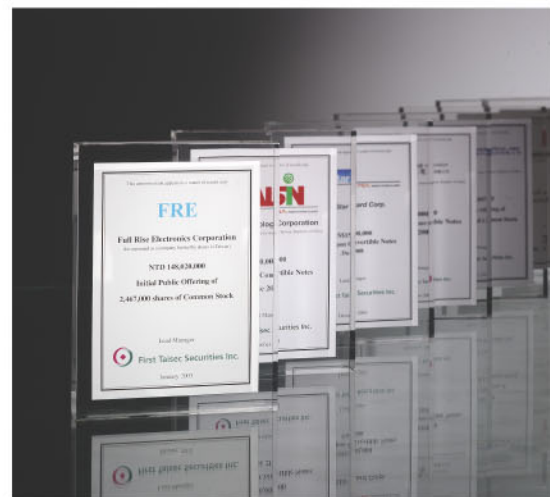
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▲ Brokerage business promotion

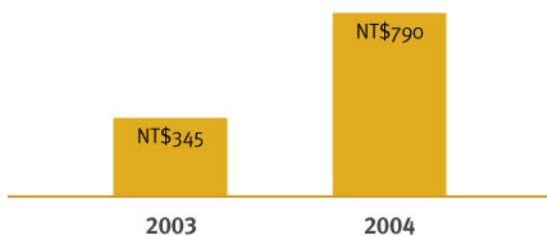


▲ Underwriting records

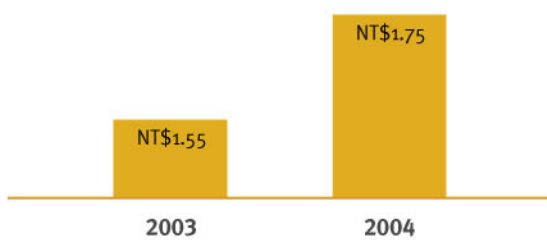
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Operating Performance in 2004

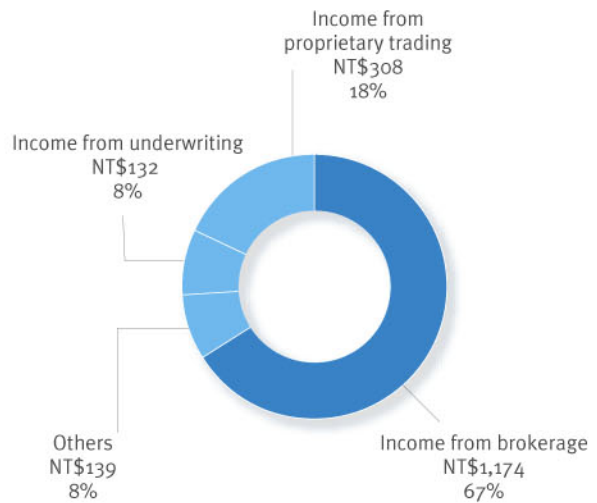
During the year of 2004, the fee income from the brokerage business totaled NT\$790 million, a 218% increase compared to NT\$345 million for the same period last year. First Taisec Securities' total revenue was NT\$1.777 billion, a rise of NT\$210 million or 13% over 2003. However, owing to the volatile stock market and NT\$162 million in a warrants-related tax provision, First Taisec Securities recorded a net loss after tax of NT\$21 million, resulting in pre-tax earnings per share of NT\$ 0.37, and after-tax earnings per share of NT\$0.05.



*Stock Brokerage Commission, NT dollars, million
Commission growth by 218% in 2004*



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Income Breakdown, NT dollars, million

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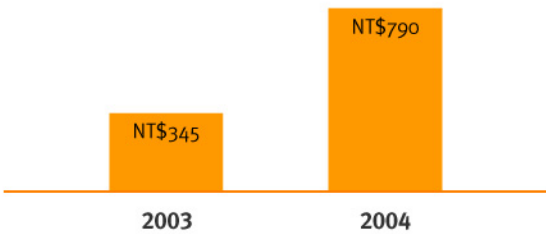


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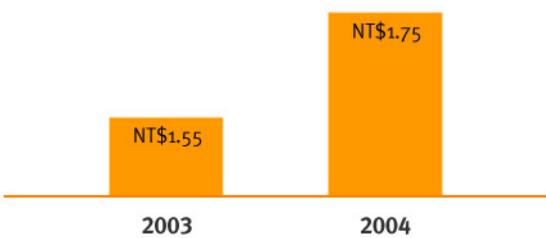
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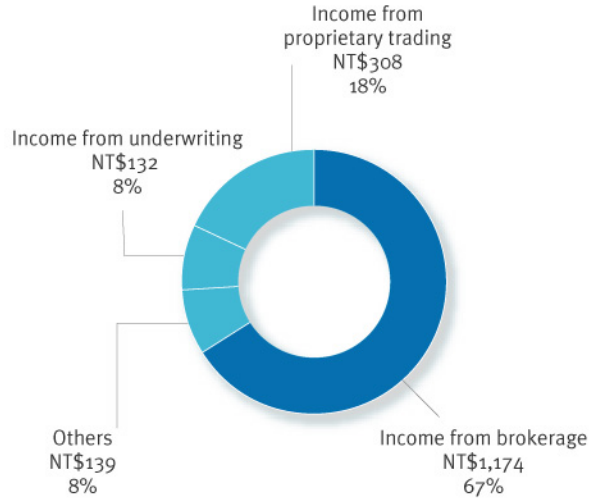
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第一金融集團

明台產物保險股份有限公司
Mingtai Fire & Marine Insurance Co.,

Mingtai Fire & Marine Insurance



	2004	2003
Revenue	19,944,819	19,039,295
Net Income	257,601	397,801
Asset	15,043,750	13,851,139
Equity	2,726,173	2,748,698

*NT Dollar, thousand
Unconsolidated figures*

Founded in 1961, Mingtai Fire & Marine Insurance Co., Ltd. ("Mingtai Insurance") has been the second-largest property and casualty insurance company in Taiwan for the past two decades. Mingtai Insurance's 5 major business lines are automobile, fire, marine, engineering and casualty insurance. It serves its customers through 17 branches and 48 liaison offices in Taiwan along with representative offices in Hong Kong, Thailand, Malaysia, Indonesia, Vietnam and Shanghai, China.

On July 31, 2003, Mingtai Insurance formally merged with First FHC and became the insurance business segment of First Financial Group. In connection with the merger, Mingtai Insurance has been implementing associated projects to explore cross-selling synergies, improving the operating process, minimizing costs and enhancing earnings quality. Internally, it is undergoing the corporate reengineering plan. Externally, Mingtai Insurance works closely with other business segments in product development, joint marketing, information exchange and channel expansion.

Overview of property and casualty insurance market in Taiwan

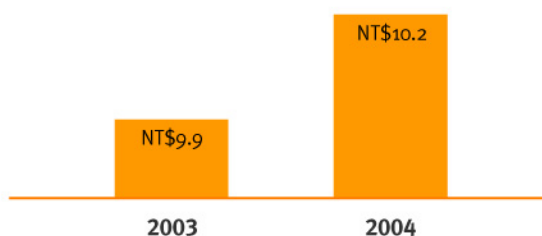
The Taiwan property and casualty market has grown relatively strongly over the last few years compared with its larger Asian peers. During 2004, the combined written premium increased 5.49%, and reached NT\$1.155 trillion. The growth rate in automobile insurance rose to 20.62%. The main factors contributing to the rise in automobile insurance are the imposed Compulsory Auto Liability Insurance Act, high renewal rate for existing policyholders and the increase in new automobile demand. Casualty insurance also soared 19.96%. On the other hand, increase in oil prices, steel and other raw materials encouraged Taiwan's exports, which boosted the marine insurance market, resulting in a strong increase of 11.14%. Meanwhile, because of the construction of rapid transition system, public works expansion in Taiwan and the recovery in the real estate industry, engineering insurance was able to maintain table growth of 3.33%.

However, fire insurance registered a weak

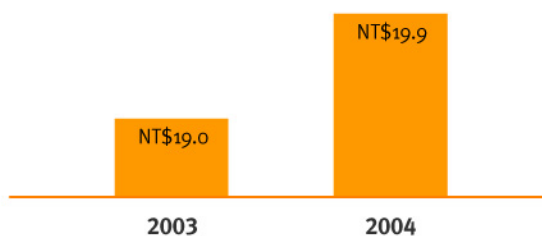
performance with a decrease of 8.67% in written premium. The price war in the fire insurance market introduced a decline in unit prices. Even with the easing of pricing pressure following the Fire Insurance Self-disciplinary Regulation promulgated by Non-life Insurance Association in the second half of the year, the market still fell significantly. Aviation insurance also demonstrated a downward trend with a drop of 16.86% amid the low accidental rate in the domestic aviation industry, the decelerating base rate, and additional risk insurance charge.

Operating performance in 2004

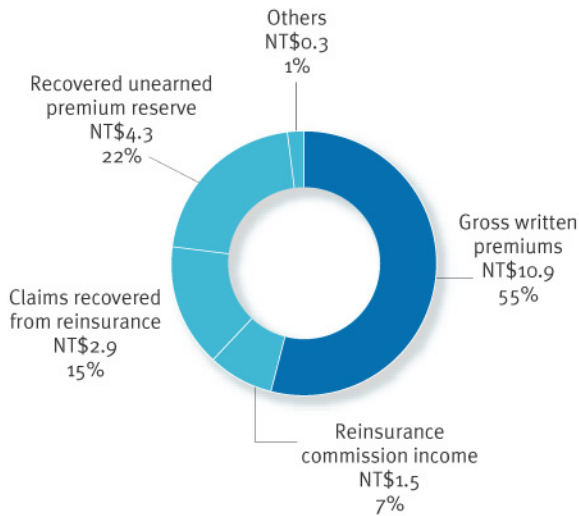
In 2004, Mingtai Insurance ranked second in Taiwan's property and casualty insurance industry, and had a market share of 8.85%. The total written premium income in fiscal year 2004 grew 3.25%, to NT\$10.217 billion, a result of increasing business in aviation insurance and credit insurance. By December 31, 2004, Mingtai Insurance's assets totaled NT\$15.044 billion; revenue amounted to NT\$19.945 billion, a 5% growth over 2003. Its earnings after tax reached NT\$258 million, presenting after-tax earnings per share of NT\$1.17.



*Written Premium, NT dollars, billion
Premium growth by 3.25% in 2004*



*Total revenue, NT dollars, million
Revenue growth by 4.75% in 2004*



Income Breakdown, NT dollars, million

Gross written premium represented 54.72% of Mingtai Insurance's 2004 revenues. The remainder of the revenue was comprised of 22.56% in recovered related reserves, and 22.72% of other income. In terms of insurance benefits paid, the expense totaled NT\$ 5.033 billion, an increase of NT\$1.085 billion compared to the same period in 2003. Of the insurance benefits expenses, claims on automobile insurance, the largest business line for Mingtai Insurance, accounted for 59.92% of total written premiums and other business lines also had good claim rates because risks subjected to underwriting and reinsurance were effectively controlled. In sum, total gross underwriting profits was NT\$276 million, an increase of NT\$57 million compared to last year.

Operating strategies in 2005

Taiwan's property and casualty insurance industry for 2005 is believed to be under price competition and industry consolidation. In response to the new market conditions, we intend to increase the property and casualty market share to 9% by modifying direct and indirect automobile insurance weight, developing individual fire insurance business, and targeting growth for written premium to be 4.38% to NT\$10.7 billion. In addition, to reinforce the overall management of assets and to diversify our portfolio investment, we plan to examine returns on long term investments, decrease interest income from banking accounts, grow securities investment and increase our stake in overseas securities.

In 2005, Mingtai Insurance will continue to obey its philosophy-purity, novelty, trustfulness, and integrity-to aggressively pursue corporate value, enhance shareholders' wealth, protect customer interests, and secure the employee benefits.



第一金融集團

建弘證券投資信託股份有限公司
National Investment Trust Co., Ltd.

National Investment Trust



	2004	2003
Revenue	545,891	403,245
Net Income	240,692	57,012
Asset	1,338,493	1,629,144
Equity	1,144,710	1,502,269

*NT Dollar, thousand
Unconsolidated figures*

National Investment Trust Co., Ltd. ("NITC") was incorporated on January 15, 1986 and became the third investment trust company in Taiwan. Since its first fund "NITC Taipei Fund" was listed on the London Stock Exchange on May 22, 1986, NITC has launched a total number of 21 funds. As one of the leading asset management companies in Taiwan, NITC's overall assets under management were NT\$122.4 billion by the end of 2004. Prior to its acquisition by First FHC, it was the only fund management company to have its shares publicly traded on the GreTai Securities Market, and has pioneered services in telephone-based and Internet-based fund trading. For the 7th consecutive years since 1998, NITC has won "Taiwan Fund Performance Awards" sponsored by the Taipei Foundation of Finance and received a range of independent awards for strong performance.

On July 31, 2003, NITC became a wholly-owned subsidiary of First FHC through a share swap. To align with the First Financial Group's strategy of offering a one-stop-shop for financial services, and to advance towards the goal of being one of the best asset management companies in the Greater China region, NITC will focus on developing its own brand funds while striving to deliver value-added services to top tier clients and promote cross-selling amongst subsidiaries of First FHC.

Overview of mutual fund market in Taiwan

During 2004, two new asset management companies joined the mutual fund market in Taiwan, resulting in a total number of 45 market players. The industry's total assets under management was NT\$2.481 trillion, down 6.9% or NT\$185.6 billion from the year earlier. While the size of domestic and global equity funds dropped by 3.9% or NT\$13.2 billion to arrive at NT\$329.2 billion by the end of 2004, the size of balanced funds climbed by 43.8% or NT\$54.8 billion to reach NT\$176.5 billion. At the same time, the scale of domestic and global bond funds declined to NT\$1.897 trillion, a fall of 11.6% or NT\$249.1 billion over 2003. The volume of newly introduced funds such as fund of funds, index funds, and principal guarantee funds received NT\$22.9 billion in total. Discretionary assets under management, on the other hand, expanded to NT\$417 billion, up 25.2% over 2003. Compared to 2003, the number of total beneficiaries continued to fall by 7.1% to 1,704,960 in 2004.

Operating performance in 2004

As of December 31, 2004, NITC had NT\$122.447 billion total assets under management, ranking 4th in the domestic market. Amongst the assets, funds under management increased 23%, from NT\$97

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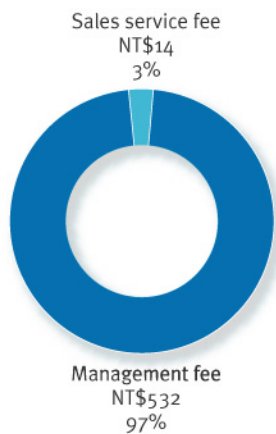
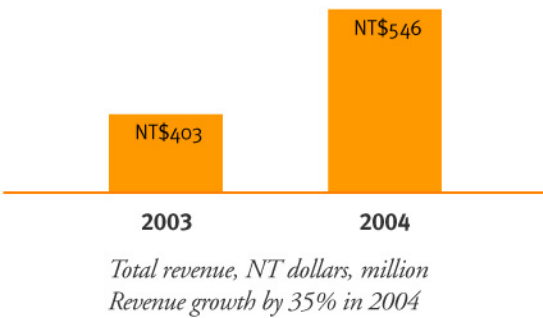
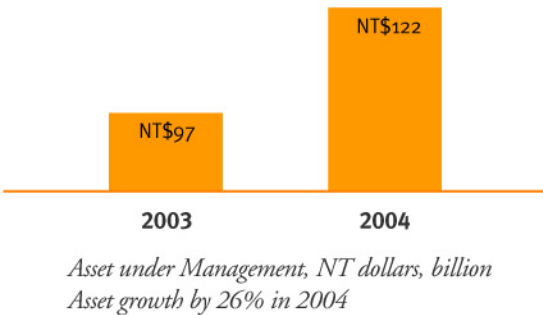
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建弘投信獨立經營管理

▲ NITC Global China Fund

billion at the end of 2003 to NT\$119.1 billion at the end of 2004. In addition, investment in bond funds, balanced funds and discretionary assets stood at NT\$99.6 billion, NT\$19.5 billion and NT\$3.3 billion, respectively. In 2004, total revenues of NITC was NT\$546 million, an increase of 35% from NT\$403 million. Pre-tax earnings were NT\$316 million, representing NT\$3.19 pre-tax earnings per share.



Income Breakdown, NT dollars, million

During the first quarter of 2004, NITC launched the "NITC Greater China Fund" and has raised NT\$5.92 billion. Subsequently during the third quarter of 2004, the "NITC Global Balanced Fund" was also

started and has raised NT\$1.78 billion. As the Labor Insurance Fund was partially allocated to the private asset management companies, NITC was also awarded NT\$2 billion through discretionary accounts.

As of December 31, 2004, NITC has a total of 21 funds, including 9 domestic equity funds, 5 overseas equity funds, 3 balanced funds, 2 domestic bond funds and 1 equity fund raised offshore. The performances of some of NITC Funds are as follows.

- NITC High-tech Fund: two-year returns on investment were 41.99%, ranking first among 35 domestic high-tech equity funds;
- NITC Value Fund: one-year return on investment was 11.94%, ranking 13th among 173 listed equity funds in the local market;
- NITC Double Fortune Fund: one-year return on investment was 10.13%, ranking 17th among 173 listed equity funds in the local market; and
- NITC Fu Yuan Fund: one-year return on investment was 6.70%, ranking 28th among 173 listed equity funds in the local market.

To satisfy customers' needs for a full range of financial products, NITC together with First FHC intend to provide a one-stop-shop for financial services by cross-selling, cross-training and cross-segment research and development. NITC has thus joined the "Product Research and Development Committee" of Securities Investment Trust & Consulting Association in an effort to enrich its product offering. In terms of new financial services delivery, NITC continues to promote electronic commerce including automatic voice trading and Internet transactions. By the end of 2004, NITC had 13,072 electronic trading accounts, an increase of 4,248 over 2003, with its trading volume accounting for 15% of the total trading volume at NITC. Further, customer visit report database was built internally, an online tracking system aimed at tracking electronic accounts approval process was set up, and the Secure Online Shopping System (SOSA) membership was also obtained during 2004.

Operating strategies in 2005

NITC has embarked on a "Silver Medal" campaign to be the second-largest asset management company in Taiwan in terms of the size of assets under management. NITC's operating strategies to achieve this goal are:

- Develop discretionary asset management business

Following the deregulation of discretionary account management in 2000, NITC will continue to focus on four major government-run funds—the State Postal Fund, the State Employee Fund, the Labor Insurance Fund and the Labor Pension Fund—to explore discretionary business opportunities.

- Enhance direct sales force

In order to increase our competitive advantage in the marketplace, NITC will strive to cultivate professional financial consultants and to develop innovative fund products. A private placement fund is scheduled to be launched during the first quarter of 2005, and NITC further plans to design new overseas bond fund, balanced funds and principal guarantee funds.

- Expand distribution channels

NITC will partner with distribution agencies that offer the most effective joint marketing

opportunities and provide extended customer reach.

- Establish performance-based award system

With the performance-based award system, NITC aims at fostering sales, encouraging employees and rewarding work excellence.

- Promote electronic trading

NITC will provide more online trading features such as delivering instant financial planning information and modern investment ideas to enhance customer services.

We believe it is only with the strong earnings results, that we can effectively maximize shareholders' wealth, enhance employees' benefits and protect customer interests. Accordingly, we will rigorously strive to deliver strong fund performance, enhance profits growth and meet the strategic goals based on our corporate philosophy of trustfulness, integrity and professionalism.

Consolidated Financial Statements

- 28 Independent Auditor's Report
- 29 Consolidated Statement of Operations
- 30 Consolidated Balance Sheet
- 32 Consolidated Statement of Changes in Stockholders' Equity
- 34 Consolidated Statement of Cash Flows

Report of Independent Accountants

TO: The Board of Directors and Stockholders of First Financial Holding Co., Ltd. and subsidiaries

We have audited the accompanying consolidated balance sheets of First Financial Holding Co., Ltd. (the "Company") and subsidiaries (collectively the "First Group") as of December 31, 2004 and 2003, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the periods from January 1, 2004 to December 31, 2004 and from January 2, 2003 (inception date) to December 31, 2003. These consolidated financial statements are the responsibility of the First Group's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the certain consolidated subsidiaries, including First Taisec Securities Inc., Mingtai Fire & Marine Insurance Co., Ltd., and National Investment Trust Co., Ltd., and the certain consolidated sub-subsidiaries, including First Commercial Bank (USA), First Taisec Securities (Asia) Ltd., and NITC (Cayman Islands) Ltd. for each of the years then ended. These financial statements were audited by other auditors whose reports have been forwarded to us and our opinion expressed herein, insofar as it related to these amounts included for these subsidiaries, is based solely on the reports of other auditors. The total assets of the consolidated subsidiaries and sub-subsidiaries referred to above as of December 31, 2004 and 2003 were \$39,930,805 and \$43,082,169 thousand New Taiwan dollars, constituting 2.66% and 2.90% of total consolidated assets of the First Group. The operating revenues of such subsidiaries and sub-subsidiaries for the periods from January 1, 2004 to December 31, 2004 and from January 2, 2003 (inception date) to December 31, 2003 were \$22,515,595 and \$21,298,973 thousand New Taiwan dollars, constituting 32.14% and 31.17% of consolidated operating revenues of the First Group.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Financial Holding Co., Ltd. and its subsidiaries as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the periods from January 1, 2004 to December 31, 2004 and from January 2, 2003 (inception date) to December 31, 2003 in conformity with the "Guidelines Governing the Preparation of Financial Reports by Financial Holding Companies", "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China.

As described in Note 1, the 2003 consolidated financial statements did not include the financial statements of the certain sub-subsidiaries. However, due to the regulation requirement or the total assets of the certain sub-subsidiary exceeds 10% of the total assets of its investor company as of December 31, 2004, the financial statements of the sub-subsidiaries have to be included in the 2004 consolidated financial statements. Consequently, because of the change of the consolidated entity, the Company restates the 2003 consolidated financial statements for comparison purpose.

PricewaterhouseCoopers

March 9, 2005

(Note 9 dated April 11, 2005)

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices utilized in the Republic of China to audit such consolidated financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and audit report of independent accountants are not intended for uses by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

Consolidated Balance Sheet

FIRST FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2004		2003	
	Amount	%	Amount	%
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 29,862,151	2	\$ 27,134,649	2
Due from Central Bank and banks	140,975,523	9	143,292,562	10
Marketable securities	296,836,207	20	262,404,563	18
Receivables	39,715,092	3	45,128,480	3
Trading securities	24,182,729	2	18,269,423	1
Investments in bonds under resale agreements	1,101,580	-	5,540,033	-
Prepayments	1,190,003	-	1,124,847	-
Other current assets	208,578	-	345,859	-
Restricted assets	577,342	-	537,000	-
Total current assets	534,649,205	36	503,777,416	34
LOANS, BILLS PURCHASED AND DISCOUNTED-NET	848,503,048	56	865,975,484	58
FUNDS AND LONG-TERM INVESTMENTS				
Long-term investments accounted for under the equity method	1,873,104	-	1,308,960	-
Long-term investments accounted for under the cost method	11,313,828	1	11,388,591	1
Long-term bond investments	46,096,684	3	43,585,526	3
Other long-term investments	7,218,678	-	2,919,367	-
	66,502,294	4	59,202,444	4
PROPERTIES AND EQUIPMENTS				
Cost				
Land and land improvements	18,036,467	1	18,944,562	1
Buildings	8,738,003	1	9,019,378	1
Machinery and equipments	3,513,099	-	3,281,744	-
Transportation equipments	790,918	-	810,272	-
Other equipments	2,275,591	-	2,349,162	-
Leasehold improvements	879,775	-	822,441	-
Subtotal	34,233,853	2	35,227,559	2
Less: Accumulated depreciation	(7,485,847)	-	(7,213,558)	-
Construction in progress and prepayments for equipments	101,534	-	118,371	-
Properties and equipments-net	26,849,540	2	28,132,372	2
INTANGIBLE ASSETS	318,337	-	308,687	-
OTHER ASSETS				
Non-operating assets	8,483,683	1	7,663,983	1
Other assets	3,284,914	-	3,122,494	-
Deferred expenses	13,936,578	1	15,802,505	1
Total other assets	25,705,175	2	26,588,982	2
DEBT ITEM FOR CONSIGNED TRADES-NET	13,906	-	-	-
TOTAL ASSETS	\$1,502,541,505	100	\$1,483,985,385	100

	2004		2003	
	Amount	%	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 850,260	-	\$ 1,289,700	-
Commercial paper payables	2,180,876	-	1,493,283	-
Payables on bonds under repurchase agreements	21,067,655	1	8,068,077	1
Liabilities for issuance of call (put) warrants	980	-	35,082	-
Derivative financial instrument liabilities- OTC	54,824	-	80,839	-
Due to Central Bank and banks	101,852,426	7	124,130,224	8
Payables	51,345,869	4	56,084,292	4
Other current liabilities	64,623	-	68,642	-
Collections in advance	1,349,949	-	1,705,988	-
Total current liabilities	178,767,462	12	192,956,127	13
FINANCIAL BONDS PAYABLE	59,300,000	4	55,300,000	4
DEPOSITS AND REMITTANCES	1,155,661,685	77	1,143,038,736	77
FUNDS BORROWED FROM CENTRAL BANK AND OTHER BANKS	194,541	-	176,965	-
LONG-TERM LIABILITIES	18,568,032	1	13,355,008	1
OTHER LIABILITIES	11,883,907	1	10,816,187	-
CREDIT ITEM FOR CONSIGNED TRADES-NET	-	-	3,498	-
Total liabilities	1,424,375,627	95	1,415,646,521	95
STOCKHOLDERS' EQUITY				
COMMON STOCK	55,490,750	4	55,490,750	4
ADDITIONAL PAID-IN CAPITAL				
Paid-in capital in excess of par value	13,045,278	1	24,340,580	2
Treasury stock transaction	-	-	19,659	-
Investee under equity method	(258,600)	-	(136,995)	-
RETAINED EARNINGS				
Legal reserve	-	-	698,553	-
Special reserve	-	-	274,018	-
Unappropriated earnings (accumulated deficits)	10,279,209	-	(12,287,532)	(1)
EQUITY ADJUSTMENTS				
Unrealized loss on long-term equity investments	(71,107)	-	(63,324)	-
Cumulative translation adjustment	(132,589)	-	60,635	-
Net loss not recognized as pension cost	(187,063)	-	(57,480)	-
Total stockholders' equity	78,165,878	5	68,338,864	5
Commitments and contingent liabilities				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,502,541,505	100	\$1,483,985,385	100

Consolidated Statement of Changes in Stockholders' Equity

FIRST FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
 FOR THE PERIODS FROM JANUARY 1 TO DECEMBER 31, 2004 AND FROM JANUARY 2
 (INCEPTION DATE) TO DECEMBER 31, 2003
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS (LOSS) PER SHARE)

	Additional paid-in capital			
	Common stock	Paid-in capital in excess of par value	Treasury stock equity method	Investee under equity method
Balance, January 1, 2003	\$ -	\$ -	\$ -	\$ -
Issuance of common stocks				
in exchange of shares with the subsidiary	38,216,000	19,073,806	-	-
Issuance of new stocks for acquisition of subsidiaries	7,299,044	(2,022,978)	-	-
Issuance of GDR	10,000,000	7,300,408	-	-
Remuneration to Directors and Supervisors and bonuses to employees allocated by subsidiaries	-	-	-	-
Adjustment of additional paid-in capital accounted for under the equity method	-	-	-	(136,995)
Adjustment of unrealized loss on long-term equity investments accounted for under the equity method	-	-	-	-
Adjustment of net loss not recognized as pension cost accounted for under the equity method	-	-	-	-
Adjustment of cumulative translation accounted for under the equity method	-	-	-	-
Retirement of treasury stocks by subsidiary accounted for under the equity method	(24,294)	(10,656)	(11,431)	-
Gain on the disposal of the Company's shares by subsidiary reclassified as additional paid-in capital	-	-	31,090	-
Consolidated net loss	-	-	-	-
Balance, December 31, 2003	<u>\$ 55,490,750</u>	<u>\$ 24,340,580</u>	<u>\$ 19,659</u>	<u>(\$ 136,995)</u>
Balance, January 1, 2004	\$ 55,490,750	\$ 24,340,580	\$ 19,659	(\$ 136,995)
Prior-year loss recovery	-	(11,295,302)	(19,659)	-
Bonuses to employees allocated by subsidiaries	-	-	-	-
Adjustment of additional paid-in capital accounted for under the equity method	-	-	-	(121,605)
Adjustment of net loss not recognized as pension cost accounted for under the equity method	-	-	-	-
Adjustment of unrealized loss on long-term equity investments accounted for under the equity method	-	-	-	-
Adjustment of cumulative translation accounted for under the equity method	-	-	-	-
Consolidated net income	-	-	-	-
Balance, December 31, 2004	<u>\$ 55,490,750</u>	<u>\$ 13,045,278</u>	<u>\$ -</u>	<u>(\$ 258,600)</u>

Retained earnings								
Legal reserve	Special reserve	Unappropriated earnings (accumulated deficits)	Unrealized loss on long-term equity investments	Cumulative translation adjustment	Net loss not recognized as pension cost	Treasury stock	Total	
\$ -	\$ -	(\$ 38,147)	\$ -	\$ -	\$ -	\$ -	(\$ 38,147)	
-	-	-	-	-	-	-	57,289,806	
698,553	274,018	586,154	(97,817)	12,617	(7,542)	(75,026)	6,667,023	
-	-	-	-	-	-	-	17,300,408	
-	-	(22,830)	-	-	-	-	(22,830)	
-	-	-	-	-	-	-	(136,995)	
-	-	-	34,493	-	-	-	34,493	
-	-	-	-	-	(49,938)	-	(49,938)	
-	-	-	-	48,018	-	-	48,018	
-	-	(28,645)	-	-	-	75,026	-	
-	-	-	-	-	-	-	31,090	
-	-	(12,784,064)	-	-	-	-	(12,784,064)	
<u>\$ 698,553</u>	<u>\$ 274,018</u>	<u>(\$12,287,532)</u>	<u>(\$ 63,324)</u>	<u>\$ 60,635</u>	<u>(\$ 57,480)</u>	<u>\$ -</u>	<u>\$ 68,338,864</u>	
\$ 698,553	\$ 274,018	(\$12,287,532)	(\$ 63,324)	\$ 60,635	(\$ 57,480)	\$ -	\$ 68,338,864	
(698,553)	(274,018)	12,287,532	-	-	-	-	-	
-	-	(18,345)	-	-	-	-	(18,345)	
-	-	-	-	-	-	-	(121,605)	
-	-	-	-	-	(129,583)	-	(129,583)	
-	-	-	(7,783)	-	-	-	(7,783)	
-	-	-	-	(193,224)	-	-	(193,224)	
-	-	10,297,554	-	-	-	-	10,297,554	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,279,209</u>	<u>(\$ 71,107)</u>	<u>(\$ 132,589)</u>	<u>(\$ 187,063)</u>	<u>\$ -</u>	<u>\$ 78,165,878</u>	

Consolidated Statement of Cash Flows

FIRST FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS FROM JANUARY 1 TO DECEMBER 31, 2004 AND
FROM JANUARY 2 (INCEPTION DATE) TO DECEMBER 31, 2003
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Consolidated net income (loss) for the periods from January 1 to December 31, 2004 and from January 2, 2003 to December 31, 2003	\$ 10,297,554	(\$ 12,784,064)
Net income of the subsidiary from January 1, 2003 to January 2, 2003	-	5,060
Consolidated net income (loss) for the years ended December 31, 2004 and 2003	10,297,554	(12,779,004)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	995,320	954,105
Amortization	152,711	139,332
Provisions for doubtful accounts	7,130,385	37,245,499
Provisions for securities business reserves	25,433	10,251
Reversal of various reserves	-	(90,948)
Provisions for insurance business reserves	847,466	697,949
Income from long-term investments accounted for under the equity method	(278,524)	(124,971)
Losses on permanent declines in the value for long-term investments	385,284	266,140
Cash dividends from investees accounted for under the equity method	37,569	8,268
Gain on disposal of short-term investments	(10,224)	(8,200)
Gain on disposal of long-term investments	(56,105)	(1,305)
Gain on disposal of properties and equipments	(260,695)	(190,637)
Unrealized (gain) loss on derivative financial instruments	(26,015)	4,417
Gain on sales of mortgage loans under securitization	(5,203)	-
Gain on disposal of intangible assets	-	(3,096)
Gain (loss) on disposal of other assets	(1,112)	95,307
Gain on market value recovery of short-term investments	(80,856)	(117,319)
Changes in assets and liabilities		
Trading securities	(5,832,449)	(3,458,331)
Investments in bonds under resale agreements	4,438,453	1,214,537
Marketable securities for trading purposes	(34,558,908)	(106,419,650)
Receivables	5,971,323	51,184,376
Prepayments	(66,462)	1,069,423
Miscellaneous assets	1,888,097	(5,650,705)
Liabilities for issuance of call (put) warrants	(34,102)	35,082
Payables	(4,781,163)	(60,152,766)
Derivative financial instrument liabilities-OTC	-	8,937
Accrued pension liabilities	332,884	181,581
Miscellaneous liabilities	(641,599)	436,870
Net cash used in operating activities	<u>(14,130,938)</u>	<u>(95,444,858)</u>

	<u>2004</u>	<u>2003</u>
Cash flows from investing activities		
Increase in restricted assets	(\$ 40,684)	(\$ 170,041)
Decrease (increase) in loans, bills purchased and discounted	5,417,387	(50,350,096)
Increase in long-term investments	(7,824,378)	(33,180,377)
Purchase of properties and equipments	(1,006,038)	(1,190,149)
Proceeds from sales of properties and equipments	351,289	379,749
Decrease in other assets	25,062	518,834
Proceeds from sales of intangible assets	-	3,728
Proceeds from sales of long-term investments	422,179	421,776
Proceeds from sales of mortgage loans under securitization	4,572,697	-
Refund from capital decrease of the investee company	-	6,396
Decrease in due from Central Bank and banks	2,317,039	35,222,233
Purchase of intangible assets	(87,352)	(70,061)
Net cash provided by (used in) investing activities	<u>4,147,201</u>	<u>(48,408,008)</u>
Cash flows from financing activities		
Increase (decrease) in dividends payable	4,776	(1,716)
Cash dividends paid and refund from over-5-year unpaid cash dividends reclassified as additional paid-in capital	-	(134,676)
Remuneration paid to Directors and Supervisors	(14,685)	(23,217)
(Decrease) increase in short-term borrowings	(423,680)	489,700
Increase in commercial paper payable	687,593	1,244,109
Increase in bond issuance expenses	(1,650)	-
Increase in payables on bonds under repurchase agreements	13,080,350	936,390
(Decrease) increase in due to Central Bank and banks	(22,277,798)	44,595,396
Increase in financial bonds payable	4,000,000	24,800,000
Increase in deposits and remittances	12,622,949	53,243,242
Increase (decrease) in funds borrowed from Central Bank and other banks	17,576	(122,413)
Issuance of common stocks for cash	-	17,300,408
(Decrease) increase in other liabilities	(102,469)	159,473
Increase in long-term liabilities	4,933,724	1,775,329
Net cash provided by financing activities	<u>12,526,686</u>	<u>144,262,025</u>
Net effect of foreign exchange rate changes on cash and cash equivalents	<u>184,553</u>	<u>6,108</u>
Net increase in cash and cash equivalents	2,727,502	415,267
Cash and cash equivalents at the beginning of the period	<u>27,134,649</u>	<u>26,719,382</u>
Cash and cash equivalents at the end of the period	<u>\$ 29,862,151</u>	<u>\$ 27,134,649</u>
Supplemental disclosures of cash flow information		
Cash paid for interest during the period	<u>\$ 14,985,075</u>	<u>\$ 17,046,234</u>
Cash paid for income taxes during the period	<u>\$ 1,109,075</u>	<u>\$ 352,523</u>

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Common Share

The common stock of FFHC is listed on the Taiwan Stock Exchange.
Ticker Symbol: 2892

Global Depository Share (GDS)

The GDS of FFHC is listed on the Luxembourg Exchange.
ISIN No.: US32021V1098
Common Code: 017339818

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Common Share Registrar

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