



2003 Annual Report



We bring to sight a better tomorrow.



Taishin Bank

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Taishin
Bank

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Taishin Bank

Annual Report

2003

Focused on developing long-term relationships with our customers.

Chairman's Message to Shareholders I

Chairman's Message to Shareholders



Following the end of the U.S.-Iraq war and the amelioration of the SARS epidemic in Asia in 2003, governments all over the world simultaneously adopted loose-money and expansionary fiscal policies that gradually pulled the world out of the shadows of the growth slump that plagued the first half of the year. The current estimation by JP Morgan Chase puts the annualized rate of real global GDP growth in the third quarter at 5.4% compared with the previous three-month period, a 20-year record high for a single quarter. Under the stimulation of the early recovery of the United States economy, plus the strong rebound of Japan, China, and other major Asian economies which in turn stimulated an European escape from the morass of economic slump, there was a substantial increase in the strength of the global recovery in the second half. With the dissipation of the uncertainties caused by the U.S.-Iraq war, the SARS epidemic, and other factors,

along with the steady recovery of the international economy and the growing effectiveness of the government's stimulative programs, the clouds that had covered the island in the first half of the year were swept clean. Industrial production grew by the month and export orders as well as the volume of import and export trade hit record highs, indicating that the domestic economy had broken away from the depths of the slump.

Both the International Monetary Fund (IMF) and the Economist Intelligence Unit (EIU) optimistically forecast global economic growth at between 3.9% and 4.1% in 2004. Taiwan's domestic economy will be affected by the presidential election, the Executive Yuan's planned five-year NT\$500 billion "New Ten Major Projects Plan," the ongoing development of the "Two Trillion-NT Dollar and Twin Star Industries," and other factors with a relatively high degree of uncertainty; with the influence of such favorable factors as the improvement in the business and financial structures and the steady return of international orders, however, the Taiwan Institute of Economic Research and the Chunghua Institution for Economic Research remain optimistic, projecting, respectively, that the economic growth rate for the year will rise to 4.62% and 4.26%. The initial results of the vigorous writing off of bad debt by the nation's banks became apparent in 2003, and with the steady formation of consolidation brought about by financial holding companies, the profitability of the financial industry as a whole is expected to experience a large increase.

In the year just past, the Taishin International Bank was able to turn in a brilliant report card thanks to the leadership of our executives at all levels and to the concerted efforts of our entire staff. It was, in fact, the best performance in our history. Pre-tax profits reached NT\$7.769 billion, up 61.02% over the NT\$4.825 billion recorded in 2002; after-tax profits of NT\$6.166 billion represented an increase of 51.24% over the NT\$4.077 billion chalked up the year before; and earnings per share were NT\$2.47, an improvement of 54.38% over 2002's NT1.60.

The Taishin Financial Holding Co.,Ltd. of which the Taishin International Bank is an affiliate, was the first financial holding company in Taiwan to operate cross-boundary operations among subsidiary companies, adopting the functional (business group) organization type of operation. This allowed the effects of synergy to make themselves obvious in the first year of operation. After the Taishin Financial Holding Company took in Taiwan Securities and Taishin Bills Finance last year, for example, the joint marketing of insurance brought in NT\$6.77 billion in premium income from new policies. The mutual fund business raised NT\$69.8 billion, bringing in NT\$892 million in commission income. In the area of cash card products, joint marketing added 270,000 new cards, accounting for 37.1% of all the new cards issued in Taiwan during the year. In the credit card business, almost 150,000 cards were issued through joint marketing. Commission income from portfolio products amounted to NT\$716 million, also thanks to the contribution of joint marketing. These figures show that following last year's organizational re-engineering, the functional organization model resulting from the adoption of the business group operating framework has proven its success and made clear that the benefits of joint marketing have begun showing their worth.

After a long period of preparation, the Taishin International Bank's core information system went online on Feb. 16, 2004, not only bringing customers a fuller spectrum of services and greatly enhancing system stability and transaction security, but also providing greater business flexibility and system automation. This was a great leap forward in the timeliness and comprehensiveness of the maintenance of customer data, and in the future it will bring greater effectiveness to the joint marketing efforts of the different business groups.

Taiwan's financial industry has suffered through all kinds of different changes and painful blows in recent years. New financial products and new financial business models and organizations have appeared constantly, making competition more intense than ever. Domestic and foreign financial scholars and experts, Finance Ministry officials, and even our fellow bankers have all predicted that there will be a shakeout among Taiwan's financial holding companies over the next three to five years, and that after a period of consolidation only five or six of the strongest ones will be left in the market. The Taishin International Bank will strive to formulate appropriate and effective strategies; and, with all of our operating team working together to carry them through, we can be assured that we will ultimately emerge victorious from this flood of change.

Thomas Wu, Chairman

 **Taishin Bank**

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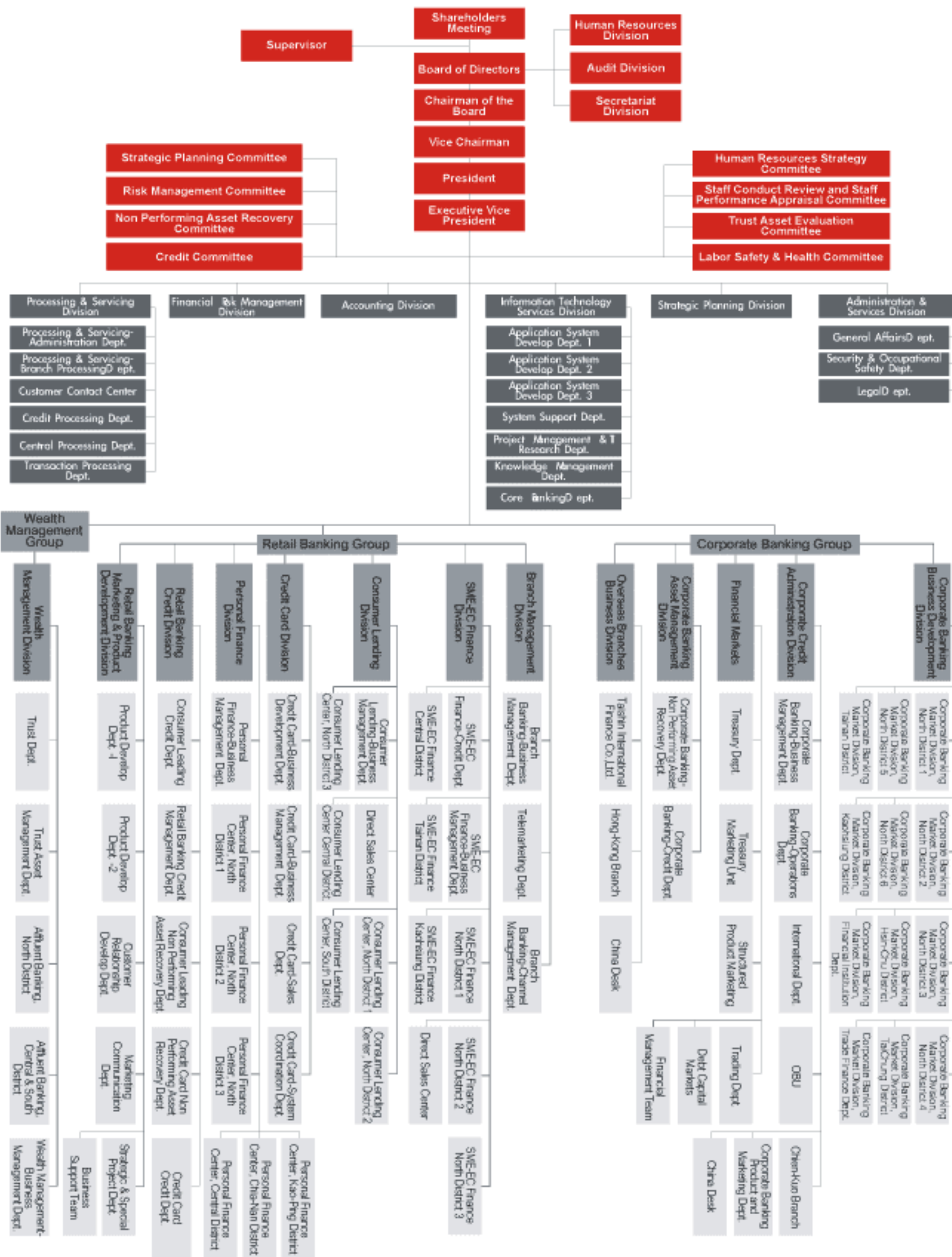
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Profile of Taishin 

Organization Chart

(as of Apr.,13,2004)



Directors and Supervisors

| Title | Name |
|---------------|-------------------|
| Chairman | Thomas T.L. Wu |
| Vice Chairman | Eric T. Wu |
| Director | Long-Su Lin |
| Director | Michelle R.N. Sun |
| Director | Chu-Chan Wang |
| Director | Thomas K.K. Lin |
| Director | Charles W.Y. Wang |
| Supervisor | Henry C.S. Kao |
| Supervisor | Shang-Pin Wu |
| Supervisor | Jen-Ten Hong |

Managers

| Title | Name |
|--|-----------------|
| President | Daniel M. Tsai |
| Executive Vice President | James G.D. Liao |
| Executive Vice President & Auditor | Howard Wu |
| Senior Vice President, Corporate Banking Business Development Division | H.E. Chang |
| Senior Vice President, Consumer Lending Group | Spike Wu |
| Senior Vice President, Branch Management Division | Tsung-Hsin Tsui |
| Senior Vice President, Wealth Management Division | Morris Huang |
| Senior Vice President, Information Technology Services Division | B.R. Ho |
| Senior Vice President, Processing & Servicing Division | Ena Swei |
| Senior Vice President, Corporate Credit Administration Division | Leon Guo |
| Senior Vice President, Administration & Services Division | Carlos Chen |
| Senior Vice President, Secretariat Division | Ming-Nan Lin |
| Senior Vice President, Human Resources Division | Kevin Huang |
| Senior Vice President, Personal Finance Division | Andy Chang |
| Vice President, Strategic Planning Division | Jim Jen |
| Vice President, Financial Risk Management Division | James Chen |
| Manager, Accounting Division | Yvonne Liu |

Introduction

Date of establishment: Feb. 25, 1992

Inauguration of business: Mar. 23, 1992

Capital: NT\$30.035 billion (as of Dec. 31, 2003)

Head office: 44 Zhongshan N. Rd., Sec. 2, Taipei, Taiwan

Tel: (02) 2568-3988

Business units: Main Branch, Trust Department, International Department, Offshore Banking Unit, and 89 branches, for a total of 93 units

History

1. The history of the Taishin International Bank began in 1990, when Chairman Thomas Wu solicited support from friends and prominent business associates for the joint establishment of the Bank. Permission for its establishment was granted by the Ministry of Finance in August 1991, and the Bank opened for business on Mar. 23, 1992. An extraordinary Shareholders' Meeting on Dec. 7, 2001 resolved to establish the Taishin Financial Holding Co. through an exchange of shares together with the Dah An Commercial Bank, Taiwan Securities Co., and Taishin Bills Finance Co. At the same time, the Taishin International Bank absorbed the Dah An Commercial Bank in a merger, issuing new shares to accommodate the merger. The Taishin Financial Holding Co. was formally established on Feb. 18, 2002.
2. Ever since its establishment the Bank has constantly expanded its business scope and its operating network, actively performing the role of an intermediary in the supply and demand of funds for society and providing the financial services needed to bring about economic prosperity.
3. In the Bank's organizational system, the Audit Division, Secretariat Division, and Human Resources Division operate under the Board of Directors, while the management and service units within the headquarters office include the Strategic Planning Division, Processing and Servicing Division, Information Technology Service Division, Administration and Services Division, Financial Risk Management Division, and Accounting Division. There are also 13 business units, including Corporate Banking, Retail Banking, and Wealth Management, under which operate 22 departments and offices, as well as the Trust Department, Main Branch, International Division, and Offshore Banking Unit. The Bank works vigorously to expand its operating network by setting up branches in all major cities in Taiwan; in coordination with the tide of internationalization, it has also set up an OBU and in Feb. 2003 obtained a license for its Hong Kong Branch, which began operating on June 25. This was a major step forward in the expansion of the Bank's cross-straits trade business. With the existing 93 business units throughout Taiwan, the Bank's service network is becoming more comprehensive every day.
4. The Bank's main items of business include deposits, loans, bills discounting, remittances, guarantees, short-term bills brokerage and proprietary trading, import and export negotiation, foreign-currency deposits, trust, agency, custodianship, credit cards, cash cards, trading in derivative products, factoring, and offshore banking.

Equity and Shares (including Preferred Shares), Financial Debentures (including Overseas Financial Debentures), and Overseas Depository Receipts

A. Capital Stock and Shares

Types of Shares

| Types of Shares | Approved Equity | | | | |
|------------------|-----------------------|----------|-----------|-------------------------|---------------|
| | Shares Issued (1,000) | | | Unissued Shares (1,000) | Total (1,000) |
| | Listed | Unlisted | Total | | |
| Common Shares | 2,446,781 | 0 | 2,446,781 | 156,719 | 2,603,500 |
| Preferred Shares | 0 | 400,000 | 400,000 | 0 | 400,000 |
| Total | 2,446,781 | 400,000 | 2,846,781 | 156,719 | 3,003,500 |

B. Issuance of Preferred Shares

1. The Bank reported the issuance of 400 million registered B-type preferred shares, with a par value of NT\$10 each and a total par value of NT\$4 billion, for a capital increase via cash injection, and was notified via Securities and Futures Commission, Ministry of Finance document (2000) Tai Tsai Cheng (1) No. 43424, dated May 25, 2000, of the validity of the report effective May 24, 2000. The collection of payments for the stock was completed on Sep. 20, 1999 and the stock was formally listed on the Taiwan Stock Exchange on June 30, 2000.
2. The stock dividend and bonus for this issuance of registered B-type preferred shares are set at 6.05% per annum, to be paid in cash once a year. There is to be no cumulative disbursement and the shares may not be converted into common shares; they will reach maturity six years after the date of issuance, at which time they will be redeemed by the Bank, using profits or proceeds from new stock issues, at the actual issuing price.

C. Issuance of Bank Debenture

In order to enhance its capital ratio and raise the medium to long term operating funds, the Bank issued bank notes which are listed as follows:

The Bank issued a 10-year bank notes in the amount of \$5,000,000 thousand at par value on October 2, 2001. The interest rates for years one to five and years six to ten are 4.05% and 4.45%, respectively. The interest will be paid annually. The Bank has redemption right on such bank notes at par value plus accrued interest payable starting from the sixth year onward.

The Bank issued a 7-year bank notes in the amount of \$4,800,000 thousand at par value on January 30, 2002. The interest rate for years one to seven is 4.00%. The interest will be paid annually. The principal should be paid back at once when due.

see notes to consolidated financial statements (p.45~48).

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We carefully nurture your investments - helping you lay down strong roots.

Business Operations 

Business Operations

Business Scope

- Acceptance of checking deposits
- Acceptance of demand deposits
- Acceptance of time deposits
- Issuance of financial debentures
- Extension of short-, medium-, and long-term loans
- Discounting of bills
- Investment in securities
- Processing of domestic remittances
- Acceptance of commercial drafts
- Issuance of domestic letters of credit
- Handling of domestic guarantees
- Acting as agent for payments and collections
- Underwriting of government bonds, treasury bills, corporate bonds, and corporate stocks
- Sale of gold bullion and gold and silver coins
- Handling of the credit card business
- Handling of short-term bills brokerage, proprietary dealing, certification, and underwriting
- Handling of custodianship and warehousing
- Rental of safe deposit boxes
- Provision of agency services related to business items listed on the business license or approved by the central government authorities
- Handling of export and import financing, general inward and outward remittances, foreign currency deposits and loans, and guarantees for foreign currency guaranteed payments
- Trading in derivative financial products approved by the central government authority
- Handling of factoring operations approved by the central government authorities
- Provision of guarantees for the issuance of corporate bonds
- Handling of businesses permitted by the Trust Business Law
- Proprietary dealing in government bonds

Operating Ratios

| Item | Amount (NT\$1,000) | Ratio (%) |
|----------------------------|--------------------|-----------|
| Interest Income | 29,387,315 | 77 |
| Commission Income | 5,870,304 | 15 |
| Gain on trading securities | 1,216,131 | 3 |
| Others | 1,745,780 | 5 |
| Total Operating Income | 38,219,530 | 100 |

Market and Business Conditions

1. Market Analysis

A. Economic Analysis

Despite the ravages of terrorist attacks and contagious diseases such as mad cow disease and avian flu, as well as the continued impact on the international economy of the structural unemployment problem brought on by global integration, thanks to the support of strong market demand the global economy maintained the strong force of recovery that began in 2004. According to an economic situation report issued by the U.S. Federal Reserve in early March, the current economic expansion will continue until the end of the year. In Europe, the consumer confidence index for the euro area in February, and the manufacturer confidence index as well, were on the rise; because of this, the European Central Bank optimistically forecast that if development continues under the current conditions, euro-area countries will exhibit stronger growth in the next few months even without a cut in interest rates to offset the negative economic influence of the strong euro. Overall, world economic performance this year is expected to be good.

In Taiwan, the economy benefited from the rise in international economic activity, with greatly increased market demand leading exports, production, finance, and related industries. The growing effect of the stimulative programs that had been inaugurated earlier stimulated an expansion in domestic demand. Despite the dissension that resulted from the presidential election and gave rise to instability in the political situation, the economic situation can be expected to return to normality once the curtain falls on the political problems. Data from the Directorate General of Budget, Accounting and Statistics show that the economy grew at a rate of 3.24% in 2003, industrial production increased at an annual rate of 5.5%, and manufacturing production expanded by 5.4%. The economy is forecast to grow at a rate of 4.74% in 2004.

B. Financial Conditions

Although Fed Chairman Greenspan stated publicly that interest rates should be hiked in order to maintain long-term economic stability, with economic growth effectively leading an increase in employment and with the American presidential election coming at the end of the year, outsiders expect that the U.S. monetary policymakers will maintain the current loose-money policy. In another aspect, it is generally felt that the European Central Bank, based on the improvement in confidence indicators, will adopt a stable monetary policy and wait for the economy to strengthen. For this reason it can be expected that the chance of a large increase in overall international interest rates is not very great.

In regard to Taiwan's domestic interest rates, with the United States maintaining present interest rate levels and with no appreciable inflationary pressure, the Central Bank will hold to a loose monetary policy; with the expectation of a continued warming up of the stock and real estate markets, however, there is a possibility that real interest rates in the market will rise.

In the area of foreign exchange rates, with the uncertainty of the Iraqi situation there is a high possibility that the U.S. dollar will continue its adjustment. The recent export boom has already put heavy pressure for appreciation on the NT Dollar, and it is expected that a rise is inevitable. With the Central Bank's entry into the market to maintain export competitiveness, however, the NT Dollar will likely continue strengthening at a slow pace.

Business Operations

2. Business Targets

| Outstanding at Year-end | Amount (NT\$ million) | Growth (%) |
|----------------------------|-----------------------|------------|
| Deposits | 550,000 | 26 |
| Loans | 480,350 | 23 |
| Guarantees and Acceptances | 26,700 | 4 |

3. Business Performance

A. Deposits

The amount of deposits in the Bank at the end of 2003 (excluding postal savings deposits) stood at NT\$384,493 million, up NT\$53,630 million over the end of 2002. In the structure of these deposits, checking deposits accounted for NT\$3,512 million, or 0.91% of the total; demand deposits amounted to NT\$128,132 million, making up 33.32%; time deposits were NT\$234,043 million, or 60.88%; and transferable deposits made up NT\$18,806 million, or 4.89% of the total.

B. Loans

The Bank's loans outstanding (excluding loans for collection and purchased remittances) at the end of 2003 totaled NT\$396,743 million; compared with the end of the previous year, this was an increase of NT\$59,131 million. Categorized by term, short-term loans at the end of the year amounted to NT\$120,903 million, or 30.47% of the total; medium-term loans stood at NT\$146,651 million, accounting for 36.96% of the overall amount; and long-term loans made up NT\$128,322 million, or 32.34% of the total. Overdrafts amounted to NT\$867 million, or 0.22%.

C. Guarantees

The Bank had NT\$23,272 million in guarantees outstanding at the end of 2003; this was a reduction of NT\$4,354 million from a year earlier, for a negative growth rate of 15.76%.

D. Foreign Exchange

The total value of foreign exchange transactions undertaken by the Bank during 2003 was US\$18,376 million. In this total, remittances amounted to US\$14,792 million, accounting for 80.50% of the total foreign exchange business; import transactions contributed US\$1,096 million, accounting for 5.96%; export transactions made up US\$840 million, or 4.57%; and foreign-currency loans and guarantees accounted for US\$1,648 million, or 8.97% of the total.

E. Short-term Bills Trading

The total value of short-term bills trading undertaken by the Bank in 2003 was NT\$626,443 million. Categorized by type of instrument, trading in bankers acceptances amounted to NT\$789 million, accounting for 0.13% of the total; commercial paper transactions accounted for NT\$243,680 million, or 38.90%; dealing in negotiable certificates of deposit made up NT\$168,475 million, or 26.89%; and dealing in treasury bills contributed NT\$213,499 million, or 34.08% of the total amount.

F. Credit Cards

A total of 4,119,437 valid credit cards issued by the Bank were in circulation at the end of 2002; this was an increase of 750,575 over the end of the previous year, for a growth of 22%. The amount of consumption using these cards in 2003 was NT\$115,122 million; this was an increase of NT\$14,345 million over 2002, for a growth of 14%.

Note: The standard for the above figures is the financial statements for 2003.

4. Employee Data

Number, Average Seniority, Average Age, and Education of Employees for Past Two Years

| Fiscal Year | | 2003 | 2002 |
|---------------------------|--------------------|-------|-------|
| No. Employees | Staff | 6,208 | 4,776 |
| | Workers | 91 | 12 |
| | Total | 6,299 | 4,788 |
| Average Seniority (years) | | 2.8 | 3.6 |
| Average Age (years) | | 29.9 | 29.6 |
| Education (%) | Ph.D. | 0.1 | 0.1 |
| | Master's | 6.3 | 6.0 |
| | University/College | 85.4 | 85.0 |
| | Senior High | 8.1 | 8.8 |
| | Under Senior High | 0.1 | 0.1 |



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We provide courteous service, anytime, anywhere.



Business and Fund Utilization Plans **IV**

Business and Fund Utilization Plans

I. Business Plans for 2004

1. Organizational Development Plans

A. Business Units

- In 2003 the Bank had a total of 93 business units.
- The number of wealth management banks through the island totaled 26, of which nine were flagship banks.
- One to five Personal Banking Centers are to be added in 2004.
- The number of Convenience Banking Service Points reached 275 in 2003.
- The number of Convenience Banking Service Points is projected to reach 1,200 in 2004.

B. Management Units

- A Personal Loan Service Department, and under it a Basel Task Force, was set up in the Retail Banking Credit Division.
- The Chinese name of the Credit Card Business Credit Management Department of the Credit Card Division was changed.
- A Telephone Banking Department was set up in the Branch Management Division.
- The Finance Division was restructured, with the Funds Trading Department, Finance Markets Department, Financial Products Department, Financial Trading Department, and Bond Capital Market Department placed under it.
- A Trust Assets Operations Department was set up under the Wealth Management Division.
- The Information Technology Service Division was reorganized and the Systems Development Department 1, Systems Development Department 2, Systems Support Department, Management Section, Core Systems Business Section, Core Systems Information Section, and Knowledge Management Department placed under its jurisdiction.
- A Cash Card Division, and under it a Cash Card Management Department and the business regions, was set up in the Retail Banking Group.
- A new Product Marketing Department was set up under the Corporate Banking business Management Division.

2. Business Development Plans

A. Retail Banking

(a) Deposits and Remittances

- Branch channels will be standardized to reduce management and marketing costs and enhance profits for shareholders.
- Branch channels will be used to provide customers with professional banking services and consultation so as to increase the production value of marketing.
- The convenience banking business will be aggressively promoted.
- Branch personnel will be trained to become full-spectrum business managers and outstanding portfolio management specialists, thus achieving performance management and personal performance.

- The promotion of low-cost service platforms will be strengthened to realize the synergy effect.
- The incentive system will be made transparent to boost high-contribution personnel.
- The resources of the financial holding company will be used to reinforce cross-marketing.
- A plan for alliances with other industries will be developed to provide one-stop-shopping department-store banking services and create profits.
- Service products that produce commission income will be developed.
- Customer segmentation will be used to develop auxiliary functions for IC cards and customers will be attracted with different value-added products so as to take advantage of sales opportunities.
- An "Open Money Management Bank" will be developed to create new sales channels not subject to space limitations.
- E-commerce will be used to provide distant personal portfolio management consultation services.
- An ATM network platform mechanism will be developed to provide for the sale of fund, insurance, and other products.

(b) Consumer Banking

- High-income products will be emphasized in the expansion of market share for key products and heighten return on assets.
- Direct marketing personnel will be increased and reinforced.
- New products will be introduced in line with market need so as to expand sales channels.
- The goal of marketing will be placed on the maintenance of long-term relations with customers.
- The CRM database will be used appropriately for marketing.

(c) Credit Cards

- The number of valid cards in circulation, and the amount of consumption using them, will be greatly increased to consolidate the Bank's strategic position in the market.
- Income will be increased so as to achieve profit targets.
- Risk management will be thoroughly implemented.

B. Corporate Banking

(a) Corporate Loans

- Relationships will be cultivated with a customer orientation, and the SRM/RM/PM models will be used to provide target customers with a complete range of financial solutions and consulting services.
- Key a/c and mid-corp medium-sized and large customer groups will be provided SRM/RM/PM integrated banking, securities, bills, and innovative products with the aim of satisfying customer demand with customized products.
- A selective service strategy will be adopted for other banks.
- For small enterprises, the emphasis will be placed on self-compensating financing.
- Taiwanese businesses overseas and in mainland China will be offered financial services in combination with the Hong Kong Branch and the Taipei OBU.

Business and Fund Utilization Plans

(b) Foreign Exchange

- Development will continue of corporate and personal electronic banking foreign exchange products such as e-Trade import and export services.
- Foreign exchange operating procedures will be improved, and the Mis Fax/Mail Server will be used to provide customers with real-time transmission services.
- New foreign exchange products will continue to be introduced, and high-income products will be promoted.
- Cooperation with business units will be strengthened for the joint promotion of the foreign exchange business and produce the different units and customers with high-quality services.
- The promotion of self-compensating trade financing businesses will be continued.
- Existing overseas securities businesses will continue to be deepened.
- In coordination with the establishment of the Syndicated Loan Team, the Bank will strive for the right to act as head bank for international syndicated loans to emerging technology companies and blue-chip loan customers so as to increase commission and interest income.
- In line with business development, the Bank will pursue business relations with Taiwanese businesses operating in eastern and southern China.
- Strategic alliances and cooperation with mainland Chinese banks and foreign banks in China will be strengthened, and the promotion of cross-straits financial business will be stepped up.
- Preparations will be made for the establishment of a Los Angeles branch, and the extension of the Bank's customer services across the Pacific is expected to come by the end of 2004.
- Vietnam and other overseas locations will be evaluated for the establishment of branches so as to carry through with the Bank's policy of internationalization.

C. Wealth Management and Trust Operations

(a) Wealth Management Banking

- The financial planning business model will continue to be developed and the customer-oriented "one-on-one intelligent money management" principle will be emphasized.
- The financial consultant certification system will continue to be promoted to effect a major strengthening of financial consulting capability.
- The number of financial advisors will be increased and outstanding portfolio managers with experience will be recruited.
- New demonstration centers will continue to be developed and will be fully utilized to organize activities so as to cement the loyalty of customers and increase the number of wealth management banking clients.
- The amount of assets entrusted to managers by customers will be increased.

(b) Trust Business

- The promotion of securities trust will be continued so as to maintain the Bank's leadership in the market and expand market share.
- The specific money trust function will be strengthened and the scale of trust assets expanded.
- Trust consultant functions will be developed and reinforced.
- A real estate securitization commissioning platform will be established and related businesses will be promoted.

- A newly established OBU account investment fund service will continue to satisfy customer demand for full-spectrum portfolio management services.
- Diversified outstanding fund products will be introduced to provide customers with a range of investment options.
- Customers will continue to be provided with information on fund products, and the latest market information and product quotations will be added at all times to strengthen services to customers.
- Various kinds of fund promotion activities will be designed to provide customers with all sorts of preferential investments with the aim of heightening interaction with customers.

(c) Utilization of Trust Assets

- The development and introduction of new structure bond products will be continued.
- All types of centralized management and utilization as well as individual management accounts will be increased so as to boost the completeness of product lines.
- Internal and external holding company partnership relations will be promoted so as to augment trust asset management capabilities.
- The efficiency of the settlement and clearing business will be reinforced and a real-time storage online information system will be established to strengthen customer services.
- Customer characteristics will be secured and target customers will be cultivated; channels of all kinds will be used to strengthen interchange with customers and provide them with the most suitable products.

D. Assets and Liabilities Management, and Funds Utilization

- (a) The assets and liabilities management system will be strengthened to make management more effective.
- (b) Sources of funds will be diversified and used flexibly in line with business development.
- (c) The internal risk control mechanism will be strengthened in coordination with system establishment.
- (d) Diversified investment will be carried out within the limits of the law.
- (e) Deposit products will be diversified and customer groups will be cultivated.
- (f) Financial product innovation will be carried out vigorously so as to satisfy customers' diversified needs.
- (g) The market share of deposits and loans will be heightened.

E. Service Quality and Human Resources

- (a) The management units, support operations, and information systems of the different subsidiaries will be integrated to establish a common platform that will improve efficiency, reduce costs, and reinforce competitiveness.
- (b) Personnel with potential will continue to be discovered, evaluated, and trained so as to build up an operating team that has implementation capability, common values, and the pursuit of excellence.
- (c) A position evaluation system will be established to attract top people with a diversified, competitive, and performance-oriented system of rewards and punishments.

Business and Fund Utilization Plans

II. The Disposition and Acquisition of Real Estate in 2004, and Long-term Investment Plans

1. Real estate: None

2. Long-term investment:

In accordance with Article 36 of the Financial Holding Company Law, the Bank will only maintain and adjust its original long-term investments. New long-term investment in 2004 will be carried out by the Taishin Financial Holding Co.

III. Research and Development

1. Research and Development Results

- A. Structure loans and project loans were developed.
- B. The development of renminbi receivables was planned.
- C. An Internet service platform for cross-straits corporate financing was developed.
- D. The customer online trade financing business was developed.
- E. "Offset" low-interest home loans was introduced.
- F. Securities trust was inaugurated.
- G. Securitized financial products was developed.
- H. The real estate securitization trust (asset trust) business was inaugurated.
- I. The balanced-type centralized management and utilization account/balanced-type individual management and utilization account business was developed.
- J. The investment of non-discretionary trust funds in domestic and overseas fund network/telephone trading business was inaugurated.
- K. "Five-minute" rapid issuance of cash cards was introduced.

2. Research and Development Plans

- A. New cash trust products will be developed.
- B. New types of trust products (such as inheritance trust) will be developed.
- C. The real estate securitization trustee (investment trust) business will be developed.
- D. Active centralized and individual accounts will be developed.
- E. Fixed-income centralized and individual accounts will be developed.
- F. Retirement fund management accounts will be developed.
- G. The Taishin monetary mutual trust fund will be inaugurated.
- H. All magnetic-strip cards will be replaced with IC cards.

IV. Funds Utilization Plans

Previous issuance of financial debentures:

In 2001 the Bank issued NT\$5 billion worth of subordinated financial debentures, another NT\$10 billion worth were issued in 2002, and another NT\$4 billion worth were issued in 2003. All of the proceeds were used, according to plan, to augment medium- and long-term funds for the extension of loans. Calculated on the average annual interest rate on loans of 5.8551% in 2003, and deducing the cost of issuing the debentures (calculated at a cost of approximately 3.3879% in 2001, 2002, and 2003), this project is projected to result in an increase in net annual interest income of NT\$469 million in future years.

The logo consists of a stylized 'S' inside a square frame, followed by the text 'Taishin Bank' in a bold, white, sans-serif font.

Taishin Bank

Annual Report

2003

A photograph of a desert landscape with rolling sand dunes under a blue sky with light clouds. In the foreground, a red water fountain stands on a sand dune, with water spraying upwards. A path of footprints leads from the bottom left towards the fountain. The text 'Like an oasis in the desert, we provide sustenance through the journey of your life' is written in a white, sans-serif font, following the curve of the path.

Like an oasis in the desert, we provide sustenance through the journey of your life

Financial Statements **v**

TAISHIN INTERNATIONAL BANK CO., LTD.

Financial Statements for the Years Ended December 31, 2003 and 2002 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Taishin International Bank Co., Ltd.:

We have audited the accompanying balance sheets of Taishin International Bank Co., Ltd. (the "Bank") as of December 31, 2003 and 2002, and the related statements of income, changes in shareholders' equity, and cash flows for the years then ended (all expressed in New Taiwan dollars). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with "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 guidelines and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Taishin International Bank Co., Ltd. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China.



(T N Soong & Co and Deloitte & Touche (Taiwan) Established
Deloitte & Touche Effective June 1, 2003)
Taipei, Taiwan
Republic of China
February 13, 2004 (except for Note 26 which is dated February 19, 2004)

The above auditors' report and the following financial statements are English translations of the Chinese auditors' report and financial statements prepared for and used in the Republic of China. This English translation is for convenience of the readers and may present financial statements for periods not previously presented in a single document. Additionally, these financial statements do not include additional supplementary disclosures included in the original Chinese language version as required by the Guidelines for Securities Issuers' Financial Reporting in accordance with the Securities and Futures Commission regulations included in the original Chinese language version. The accompanying financial statements were prepared using accounting principles, procedures and reporting practices generally accepted in the Republic of China and 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 those in the Republic of China. The standards, procedures and practices utilized to audit such financial statements are those generally accepted and applied in the Republic of China.

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

(Expressed in Thousands of New Taiwan Dollars)

| ASSETS | 2003 | 2002 |
|--|-----------------------|-----------------------|
| Cash (Note 3) | \$ 5,318,548 | \$ 4,580,551 |
| Due from banks (Notes 4 and 23) | 7,129,977 | 1,008,398 |
| Due from Central Bank (Note 5) | 17,889,809 | 24,801,322 |
| Bills and securities purchased, net (Notes 2, 6 and 23) | 48,060,113 | 32,687,612 |
| Receivables, net (Notes 2, 7 and 23) | 51,553,251 | 35,330,347 |
| Prepayments | 1,851,617 | 1,505,400 |
| Loans, net (Notes 2, 8 and 23) | 394,611,393 | 334,983,424 |
| Long-term investments (Notes 2 and 9): | | |
| Long-term investment under equity method | 727,928 | 2,478,056 |
| Long-term investment under cost method | 7,600,889 | 6,489,464 |
| Allowance for valuation loss on long-term investments | - | (53,614) |
| Long-term investments, net | 8,328,817 | 8,913,906 |
| Buy option premium (Note 2) | 2,392,034 | 1,019,052 |
| Property and equipment, net (Notes 2 and 10) | 16,381,254 | 16,261,730 |
| Other assets: | | |
| Guarantee deposits paid (Notes 11, 23 and 24) | 2,548,405 | 1,213,770 |
| Delinquent loans, net (Notes 2, 8 and 11) | 4,032,341 | 5,835,218 |
| Collaterals and residuals taken over, net (Notes 2 and 11) | 394,713 | 1,247,228 |
| Refundable collaterals (Notes 11 and 24) | 7,205,112 | 9,822,338 |
| Deferred income tax assets (Notes 2, 11 and 21) | 2,403,799 | 4,061,344 |
| Others (Notes 1, 2 and 11) | 4,255,301 | 4,531,963 |
| Other assets | 20,839,671 | 26,711,861 |
| TOTAL | \$ 574,356,484 | \$ 487,803,603 |

See notes to consolidated financial statements.

(Continued)

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

(Expressed in Thousands of New Taiwan Dollars)

| LIABILITIES AND SHAREHOLDERS' EQUITY | 2003 | 2002 |
|--|-----------------------|-----------------------|
| LIABILITIES: | | |
| Due to banks (Notes 12 and 23) | \$ 45,795,387 | \$ 27,191,187 |
| Payables (Notes 2 and 13) | 30,764,720 | 24,303,160 |
| Advance receipts | 660,092 | 446,636 |
| Deposits and remittances (Notes 14 and 23) | 433,112,146 | 383,279,204 |
| Bank notes (Note 15) | 19,000,000 | 15,000,000 |
| Appropriated loan fund | 250,416 | 171,336 |
| Other liabilities (Notes 2 and 16) | 2,824,329 | 2,073,152 |
| Total liabilities | 532,407,090 | 452,464,675 |
| SHAREHOLDERS' EQUITY: | | |
| Capital stock (Note 17): | | |
| Common stock | 24,467,810 | 23,000,000 |
| Preferred stock | 4,000,000 | 4,000,000 |
| Capital surplus | 3,099,793 | 1,738,525 |
| Retained earnings (Notes 18 and 21): | | |
| Legal reserve | 4,198,442 | 3,044,165 |
| Special reserve | - | 252,675 |
| Unappropriated earnings | 6,183,349 | 3,594,916 |
| Unrealized valuation loss on long-term investments (Notes 2, 9 and 18) | - | (53,614) |
| Treasury stock (Notes 2 and 19) | - | (237,739) |
| Total shareholders' equity | 41,949,394 | 35,338,928 |
| TOTAL | \$ 574,356,484 | \$ 487,803,603 |

See notes to consolidated financial statements.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2003 AND 2002

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

| | 2003 | 2002 |
|--|---------------------|---------------------|
| OPERATING REVENUES: | | |
| Interest income (Notes 2 and 23) | \$ 29,387,315 | \$ 29,866,191 |
| Fees income (Note 23) | 5,870,304 | 4,010,693 |
| Net gains on sales of trading securities | 1,216,131 | 545,278 |
| Other operating revenue | 1,745,780 | 1,521,577 |
| Total operating revenues | 38,219,530 | 35,943,739 |
| OPERATING COSTS: | | |
| Interest expenses (Note 23) | 7,520,702 | 11,033,134 |
| Service charges (Note 23) | 4,013,634 | 2,636,962 |
| Provision for loan and other losses (Note 2) | 7,598,614 | 7,207,808 |
| Other operating costs | - | 173,291 |
| Total operating costs | 19,132,950 | 21,051,195 |
| GROSS INCOME | 19,086,580 | 14,892,544 |
| OPERATING EXPENSES (Notes 2 and 23): | | |
| General expenses (Note 20) | 8,701,358 | 6,939,243 |
| Administrative expenses (Note 20) | 4,144,840 | 2,988,736 |
| Other operating expenses | 48,578 | 33,360 |
| Total operating expenses | 12,894,776 | 9,961,339 |
| OPERATING INCOME | 6,191,804 | 4,931,205 |
| NON-OPERATING INCOME | 1,745,588 | 778,009 |
| NON-OPERATING EXPENSES | (168,710) | (884,549) |
| INCOME BEFORE INCOME TAX | 7,768,682 | 4,824,665 |
| ESTIMATED INCOME TAX EXPENSE (Notes 2 and 21) | (1,602,455) | (747,696) |
| NET INCOME | \$ 6,166,227 | \$ 4,076,969 |
| EARNINGS PER SHARE (Note 22): | | |
| Pre-Tax | \$ 3.14 | \$ 1.92 |
| After-Tax | \$ 2.47 | \$ 1.60 |

See notes to consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2003 AND 2002
(Expressed in Thousands of New Taiwan Dollars)

| | Capital Stock | | | Retained Earnings | | | Unrealized Valuation Loss on Long-Term Investments | Treasury Stock | Total |
|--|----------------------|---------------------|---------------------|---------------------|--------------------|----------------------------|--|-------------------|----------------------|
| | Common Stock | Preferred Stock | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | | | |
| BALANCE, JANUARY 1, 2002 | \$ 17,886,440 | \$ 7,000,000 | \$ 27,704 | \$ 2,732,154 | \$ 550,205 | \$ 1,067,652 | (\$ 252,674) | (\$ 1,001,355) | \$ 28,010,126 |
| Issuance of new common stock to merge Dah An Bank | 5,907,190 | | 1,715,687 | | | (318,044) | | | 7,304,833 |
| Gain on disposal of property and equipment transferred from capital surplus to retained earnings | | | (4,789) | 1,437 | | 3,352 | | | - |
| Special reserve transferred to retained earnings | | | | | (297,530) | 297,530 | | | - |
| Appropriation of 2001 earnings: | | | | | | | | | |
| Legal reserve | | | | 310,574 | | (310,574) | | | - |
| Dividend on preferred stock | | | | | | (414,500) | | | (414,500) |
| Cash dividend | | | | | | (575,000) | | | (575,000) |
| Remunerations to directors and supervisors | | | | | | (9,305) | | | (9,305) |
| Cash bonuses to employees | | | | | | (12,407) | | | (12,407) |
| Redemption of preferred stock-A | | (3,000,000) | | | | | | | (3,000,000) |
| Recovery of unrealized valuation loss on long-term investments | | | | | | | 199,060 | | 199,060 |
| Adjustment for changes in holding percentage in equity investee | | | | | | (3,109) | | | (3,109) |
| Treasury stock | | | | | | | | (237,739) | (237,739) |
| Cancellation of treasury stock | (793,630) | | (77) | | | (207,648) | | 1,001,355 | - |
| Net income for 2002 | | | | | | 4,076,969 | | | 4,076,969 |
| BALANCE, DECEMBER 31, 2002 | 23,000,000 | 4,000,000 | 1,738,525 | 3,044,165 | 252,675 | 3,594,916 | (53,614) | (237,739) | 35,338,928 |
| Special reserve transferred to retained earnings | | | | | (252,675) | 252,675 | | | - |
| Appropriation of 2002 earnings: | | | | | | | | | |
| Legal reserve | | | | 1,154,277 | | (1,154,277) | | | - |
| Dividend on preferred stock-A | | | | | | (124,294) | | | (124,294) |
| Dividend on preferred stock-B | | | | | | (242,000) | | | (242,000) |
| Cash dividend | | | | | | (1,150,000) | | | (1,150,000) |
| Unappropriated earnings transferred to capital stock | 1,035,000 | | | | | (1,035,000) | | | - |
| Cash bonuses to employees | | | | | | (93,081) | | | (93,081) |
| Cancellation of treasury stock | (192,190) | | (13,732) | | | (31,817) | | 237,739 | - |
| Capital infusion | 625,000 | | 1,375,000 | | | | | | 2,000,000 |
| Recovery of unrealized valuation loss on long-term investments | | | | | | | 199,000 | | 53,614 |
| Net income for 2003 | | | | | | 6,166,227 | 53,614 | | 6,166,227 |
| BALANCE, DECEMBER 31, 2003 | <u>\$ 24,467,810</u> | <u>\$ 4,000,000</u> | <u>\$ 3,099,793</u> | <u>\$ 4,198,442</u> | <u>\$ -</u> | <u>\$ 6,183,349</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 41,949,394</u> |

See notes to consolidated financial statements.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(Expressed in Thousands of New Taiwan Dollars)

| | 2003 | 2002 | | 2003 | 2002 |
|---|---------------|---------------|--|---------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net income | \$ 6,166,227 | \$ 4,076,969 | Increase in due to banks | \$ 18,604,200 | \$ 4,374,820 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | Increase (decrease) in deposits and remittances | 49,832,942 | (22,771,154) |
| Provision for loan and other losses | 7,598,615 | 7,207,808 | Increase (decrease) in guarantee deposits and margins received | 17,880 | (25,134) |
| Depreciation and amortization | 1,736,245 | 1,346,089 | Issuance of bank notes | 4,000,000 | 10,000,000 |
| Provision for (recovery of) decline in market value of trading securities | 13,512 | (237,712) | Increase in appropriated loan fund | 79,080 | 21,496 |
| (Recovery of) provision for foreclosed collaterals valuation loss | (779,323) | 666,913 | Cash dividends | (1,516,294) | (989,500) |
| Loss on sale and disposal of property and equipment | 67,579 | 14,580 | Remunerations of directors, supervisors and bonuses to employees | (93,081) | (21,712) |
| Net investment loss (profit) | (138,964) | (443,325) | Redemption of preferred stocks | - | (3,000,000) |
| Loss on sale of long-term equity investment | 176,107 | - | Capital infusion | 2,000,000 | - |
| Deferred income tax expense | 1,657,545 | 486,155 | Net cash provided by (used in) financing activities | 72,924,727 | (12,411,184) |
| Permanent loss on long-term investment | 202,730 | - | NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 737,997 | (10,987,087) |
| Net changes in assets and liabilities provided (used) cash: | | | CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 4,580,551 | 3,585,015 |
| Receivables and prepayments | (16,590,034) | (18,799,473) | CASH AND CASH EQUIVALENTS FROM DAH-AN COMMERCIAL BANK IN MERGER | - | 11,982,623 |
| Buy option premium | (1,372,982) | (495,779) | CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 5,318,548 | \$ 4,580,551 |
| Pledged marketable securities | 2,617,226 | (8,659,659) | SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION - | | |
| Guarantee deposits | (1,334,635) | 160,520 | Cash paid during the year/period for: | | |
| Other assets | 959,430 | 8,378,871 | Interest | \$ 8,277,895 | \$ 12,853,341 |
| Payables to and advances from customers | 6,480,710 | 15,823,684 | Income tax | \$ 150,491 | \$ 262,821 |
| Other liabilities | 584,978 | 365,110 | | | |
| Others | - | 248,405 | | | |
| Total adjustments | 1,878,739 | 6,062,187 | | | |
| Net cash provided by operating activities | 8,044,966 | 10,139,156 | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Decrease (increase) in due from Central Bank of China | 6,911,513 | (15,463,598) | | | |
| (Increase) decrease in due from bank | (6,121,579) | 102,466 | | | |
| (Increase) decrease in trading securities | (15,386,013) | 19,148,160 | | | |
| Increase in loans (including delinquent loans) | (65,254,475) | (7,519,018) | | | |
| Decrease (increase) in long-term investments | 372,000 | (498,550) | | | |
| Purchase of property and equipment | (848,541) | (4,493,289) | | | |
| Proceeds from sale of property and equipment | 68,568 | 6,603 | | | |
| Other | 26,831 | 2,167 | | | |
| Net cash used in investing activities | (80,231,696) | (8,715,059) | | | |

See notes to consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

(Amounts are Expressed in Thousands of New Taiwan Dollars or Other Specified Currency, Except Per Share Data)

1. ORGANIZATION AND OPERATIONS

Taishin International Bank Co., Ltd. ("Taishin Bank" or "Bank") commenced the preparatory work relating to its formation as a commercial bank on October 4, 1990. Operations commenced when the Bank opened for business on March 23, 1992. The Bank is engaged in providing general commercial banking services to customers. Services provided include commercial lending, letters of credit, bankers' acceptances, checking and savings accounts, installment and term loans, foreign exchange transactions, wire transfer services, marketable security investments, credit card issuing, derivative instruments transactions, receivable factoring and offshore banking business, etc.

As of December 31, 2003 and 2002, there are 6,303 and 4,788 employees, respectively, in Taishin Bank.

In order to expand business operations and economic scales, enhance operating synergy and competitive advantages, preserve public interest and promote the government policy in financial institutions' mergers and acquisitions, the Bank and Dah An Commercial Bank Co., Ltd. ("Dah An Bank") agreed to establish Taishin Financial Holding Co., Ltd. ("Taishin Financial Holding" or "TFH") by means of a share swap in their shareholders' meetings on December 7, 2001. In the process of forming the holding company, the Bank would at the same time merge with Dah An Bank, with the Bank being the surviving company. The Board of Directors of the two banks decided the effective date of such merger and formation of the TFH through the approved share swap as February 18, 2002.

The Bank adopted the "purchase method" to account for the merger, in which the Bank acquired the total assets and liabilities of Dah An Bank by issuance of new capital stock. The stock exchange ratio is one common stock of Taishin Bank for two common stock of Dah An Bank. Total net assets acquired amounted to \$5,682,428 thousand which consists of the following:

| | Net Assets Acquired |
|--|-----------------------|
| Cash, due from banks and due from Central Bank | \$ 11,982,624 |
| Bills and securities purchased, net | 18,697,580 |
| Receivables, net | 9,764,104 |
| Prepayments | 233,000 |
| Loans, net | 139,632,199 |
| Long-term investments | 2,927,010 |
| Property and equipment, net | 2,252,015 |
| Other assets | 6,398,470 |
| Total assets | <u>\$ 191,887,002</u> |
| Due to banks | \$ 5,208,030 |
| Payables | 8,888,001 |
| Advances receipts | 241,508 |
| Deposits and remittances | 171,120,930 |
| Appropriated loan fund | 60,560 |
| Other liabilities | 685,545 |
| Total liabilities | <u>\$ 186,204,574</u> |
| Net assets | <u>\$ 5,682,428</u> |

The fair value of new shares of common stock issued by Taishin Bank to effect the merger was \$9,475,018 thousand, exceeding the net assets of Dah An Bank by \$3,792,590 thousand. The excess of the value of common stock issued over the net assets acquired is recognized as goodwill, and is amortized over 5 years on a straight-line method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

Taishin Bank's financial statements are prepared in conformity with "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China. And according to SFAS No. 28 "Disclosures in Financial Statement of Banks", Taishin Bank need not classify current item and noncurrent item in assets and liabilities. In preparing these financial statements, Taishin Bank should use reasonable estimates in the determination of the collectibility of loans, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities, pension costs, deferred income tax, etc. However, these estimates may differ from actual results because of changes in operating conditions and assumptions.

Under generally accepted accounting principles in the Republic of China, a parent company is not required to consolidate the financial information of its subsidiary when both total assets and total operating revenues of the subsidiary are less than 10% of that of the parent, and both consolidated total assets and total operating revenues of these subsidiaries are less than 30% of that of the parent. Consequently, financial information for all subsidiaries in which the Bank's ownership interest is more than 50% is not consolidated into the presented financial statements (Note 9).

Bills and Securities Purchased

Bills and securities purchase, including listed and over-the-counter stocks, beneficiary funds, and the other kinds of securities, are recorded at acquisition cost and carried at the lower of cost or market, if the market value is available. If the market price is lower than cost, an allowance for market decline is provided; on the contrary, such valuation allowance would be reversed. Upon sale of bills and securities purchase, the moving average method is used in determining the cost of securities sold.

In conformity with Ministry of Finance (MOF) regulations, bonds and other short-term securities under agreements to repurchase or resell are accounted for as outright sales and purchases. However, since 2004, repurchase and resell agreement are considered financing transaction to conform with "Guidelines Governing the Preparation of Financial Reports by Public Banks".

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 based on factors such 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 "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Non-accrual Loans and Bad Debts" issued by the Ministry of Finance. According to said rules, if the loans, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities are deemed unrecoverable, they should be provided in full and losses should be recognized as an expense currently, and if the recovery possibility is deemed low, no less than 50% of the loan amount should be provided and the losses should also be recognized as an expense currently.

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

Financial Statements

Income Recognition

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 into delinquent accounts, where the accrual of interest income ceases. The Bank will recognize a gain when such delinquent interest is collected.

Long-Term Equity Investments

The long-term equity investments are recorded at acquisition cost, and accounted for by use of the equity method of accounting where Taishin Bank holds an ownership interest of 20% or more and by use of the cost method of accounting where Taishin Bank holds an ownership interest of less than 20% with an exception in which Taishin Bank has influence on the investee and the equity method is used. Under the cost method, if the investee is a listed or over-counter company, the investment is stated at the lower of cost or market and the related unrealized loss on valuation is charged to the shareholders' equity. If the investee is a non-listed or non-over-counter company and there is evidence indicating that the value of investment is deemed impaired, a loss will be provided and 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 realized at the lower of book value and market value as its new cost. In addition, the investor should recognize the unrealized gain (loss) from the down-stream transactions.

According to Article 36 of Financial Holding Company Law, investment of a bank which became a subsidiary of a financial holding company should be executed by the financial holding company. It also provides that a bank is permitted to keep its investments made before becoming a subsidiary of a financial holding company but is prohibited to increase investment volume.

The investments in Taiwan Securities Co., Ltd. ("Taiwan Securities" or the "Securities") and Taishin Bills Finance Co., Ltd. ("Taishin Bills" or "Bills") were transferred into shares of the parent company, Taishin Financial Holding, as a result of share-swap procedure in which Taiwan Securities and Taishin Bills became 100% owned subsidiaries of Taishin Financial Holding. The shares of Taishin Financial Holding held by Taishin Bank were recorded as investments to conform with letter No. 6.(91)Tai-Tsai-Cheng 111467.

Property and Equipment

Property and equipment are recorded at acquisition cost and stated at cost less accumulated depreciation. Improvements extending the assets' useful life 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 non-operating income (expense).

Depreciation is calculated using the straight-line method over the useful-life guidelines prescribed by the government whilst the leasehold improvements are depreciated over the lease terms.

Deferred Charges and Goodwill

Deferred charges include installation charges for security equipment, phone lines and electric power lines, and are amortized over five years on a straight-line basis.

Goodwill as a result of merger is amortized over 5 years on a straight-line basis.

Collateral and Residuals Taken Over

Collateral and residuals taken over are recorded at cost, and are stated at lower of cost or realizable value at the balance sheet date.

Pensions

From April 2001, the Bank has funded the employee pension plan at 5.71% of the total salaries instead of at 6.38% starting from March 1999. Such funds are set aside under the name of the Employee Retirement Pension Monitoring Committee of the Bank at the Central Trust of China. The balance of Dah An Bank's labor retirement reserve and employees pension were \$196,211 thousand and \$46,079 thousand, respectively as of February 18, 2002, the date of merger which were combined with Taishin Bank's balances. And the balances of Dah An Bank's employees pension were transferred to the Dah An Bank's labor retirement reserve with the approval of Department of Labor, Taipei City Government. The balance of the Bank's labor retirement reserve is \$731,547 thousand as of December 31, 2003. The accounting for such pension plan is based on the provisions of Statement of Financial Accounting Standards ("SFAS") No. 18.

Treasury Stock

The Bank uses the cost method to account for treasury stock as a deduction in shareholders' equity.

When disposing treasury stock, if the disposal value is higher than the book value, the difference is recorded as "capital surplus - treasury stock transactions" and if the disposal value is lower than the book value, the difference is used to offset capital surplus that resulted from the other same kind of treasury stock transactions, then to the retained earnings, if needed.

When the Bank cancels treasury stock, the book value is reversed to offset capital stock and additional paid-in capital by the percentage of shares. 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 that resulted from the other same kind of treasury stock transactions, then to the retained earnings, if needed. On the other hand, 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 that resulted from the other same kind of treasury stock transactions.

Foreign Currency Transactions

Transactions negotiated in foreign currencies (other than forward exchange contracts) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses, caused by different foreign exchange rates applied when foreign currency receivables and payables are settled, are credited or charged to income. Assets and liabilities denominated in foreign currencies are restated by using the balance sheet date exchange rates, and resulting gains or losses are credited or charged to current income.

Derivative Instruments

Under forward exchange contracts for trading purposes, foreign currency - determined assets and liabilities are recorded in New Taiwan dollar based on the specified future rate (the "forward rate") on the contract date. As the contracts matured, the difference between the spot rate and the forward rate is recognized as a gain or loss in the period the contracts settled. For the outstanding contracts, a gain or loss is computed according to the difference between the various forward exchange rates available for the remaining contracts periods and the specified forward rates; the related gain or loss is recognized in the current period. The net amount of receivables and payables related to these contracts on the balance sheet date is recognized as an asset or liability.

Interest rate swaps ("IRSs") involve no exchange of principal either at inception or upon 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 of hedging IRSs is computed on the accrual basis and is recognized as income in current period. Apart from hedging IRSs, the gain or loss is computed by evaluating its fair value and is recognized as income in current period.

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

The principal of currency swap contracts entered into for non-trading purposes are recorded based on the contracted exchange rate on the contract date. The amount resulting from different exchange rates is recognized as assets or liabilities. Those assets or liabilities will be amortized as an interest expense or income during the contract period.

The principal of cross currency swap contracts entered into for non-trading purposes are recorded based on the contracted exchange rate on the contract date. The exchanged interest during the contract period, on an accrual basis, is recognized as a gain or loss in the current period.

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.

A futures transaction is recorded at the notional amount or contract amount as a memo entry on transaction date and pay-out guarantee deposit and broker commission. The gain or loss is computed by evaluating its fair value and is recognized as income or expense in the current period. At 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.

Income Tax

Taishin Bank adopts intra-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 carry-forwards, 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 Income Tax Law of the Republic of China effective from 1998, an additional 10% income tax is levied on distributable earnings earned in the current year that remain undistributed after the shareholders' meeting held in the following year. The levied income tax should be recorded as current period income tax expense in the following year.

Reclassifications

Certain accounts of 2002 financial statements have been reclassified to conform to the 2003 presentation.

3. CASH

| | December 31 | |
|---------------------|--------------|--------------|
| | 2003 | 2002 |
| Cash in vault | \$ 2,958,200 | \$ 2,720,434 |
| Checks for clearing | 2,053,539 | 1,671,794 |
| Others | 306,809 | 188,323 |
| Total | \$ 5,318,548 | \$ 4,580,551 |

4. DUE FROM BANKS

| | December 31 | |
|----------------------|--------------|--------------|
| | 2003 | 2002 |
| Due from other banks | \$ 3,814,997 | \$ 703,949 |
| Call loans to banks | 3,314,980 | 304,449 |
| Total | \$ 7,129,977 | \$ 1,008,398 |

5. DUE FROM THE CENTRAL BANK

| | December 31 | |
|----------------------------|---------------|---------------|
| | 2003 | 2002 |
| Reserve - checking account | \$ 5,003,746 | \$ 3,768,681 |
| Reserve - demand account | 8,910,926 | 8,240,368 |
| Reserve - foreign deposit | 33,980 | 292 |
| Normal account | 3,740,000 | 12,490,000 |
| Interbank clearing account | 201,157 | 301,981 |
| Total | \$ 17,889,809 | \$ 24,801,322 |

The Bank is required to maintain reserve balances deposited in the Central Bank. Such reserves amounted to \$13,948,652 thousand and \$12,009,341 thousand at December 31, 2003 and 2002, respectively.

6. BILLS AND SECURITIES PURCHASED

| | December 31 | |
|--|---------------|---------------|
| | 2003 | 2002 |
| Commercial paper | \$ 2,226,284 | \$ 6,590,361 |
| Bonds | 9,987,131 | 7,340,570 |
| T-Bills | 109,107 | 7,213,620 |
| Marketable equity securities | 4,330,835 | 4,821,628 |
| Negotiable certificates of deposit | 31,250,368 | 6,674,662 |
| Other | 169,900 | 46,771 |
| Less allowance for decline in market value | (13,512) | - |
| Total | \$ 48,060,113 | \$ 32,687,612 |

7. RECEIVABLES

| | December 31 | |
|--|---------------|---------------|
| | 2003 | 2002 |
| Accounts receivable | \$ 46,580,716 | \$ 30,746,371 |
| Less unrealized interest revenue (Note 23) | (16,939) | (66,321) |
| Interest receivable | 1,468,976 | 2,216,002 |
| Forward exchange receivable-net | - | 800,489 |
| Tax refund receivable | 271,226 | - |
| Other | 3,411,226 | 1,774,847 |
| Less allowance for accounts receivables | (161,954) | (141,041) |
| Total | \$ 51,553,251 | \$ 35,330,347 |

8. LOANS (INCLUDING DELINQUENT LOANS) AND ALLOWANCE FOR LOAN LOSSES

| | December 31 | |
|---|---------------|---------------|
| | 2003 | 2002 |
| Short-term loans | \$120,903,288 | \$ 97,758,699 |
| Medium-term loans | 146,650,555 | 138,473,005 |
| Long-term loans | 128,321,772 | 99,895,534 |
| Overdrafts | 867,288 | 1,484,228 |
| Delinquent loans | 4,596,856 | 7,050,036 |
| Bills discounted | 417,445 | 351,903 |
| Gross loans | 401,757,204 | 345,013,405 |
| Less: | | |
| Allowance for loan losses | (3,113,470) | (4,194,763) |
| Delinquent loans transferred to other assets, net (Note 11) | (4,032,341) | (5,835,218) |
| Loans, net | \$394,611,393 | \$334,983,424 |

Allowance for Loan Losses

| | Year Ended December 31, 2003 | | | |
|---------------------------------|------------------------------|--------------------------------|---|--------------|
| | Receivables | For Losses on Particular Loans | For Losses on the Overall Loan Portfolio (Excluding Particular Loans) | Total |
| Balance, January 1, 2003 | \$ 141,041 | \$ 1,214,818 | \$ 2,979,945 | \$ 4,335,804 |
| Provision for loan losses | 20,913 | 7,806,203 | (376,820) | 7,450,296 |
| Write off | - | (9,089,100) | (54,170) | (9,143,270) |
| Recovery from loans written off | - | 632,594 | - | 632,594 |
| Balance, December 31, 2003 | \$ 161,954 | \$ 564,515 | \$ 2,548,955 | \$ 3,275,424 |

| | Year Ended December 31, 2002 | | | |
|---------------------------------------|------------------------------|--------------------------------|---|---------------|
| | Receivables | For Losses on Particular Loans | For Losses on the Overall Loan Portfolio (Excluding Particular Loans) | Total |
| Balance, January 1, 2002 | \$ 88,957 | \$ 600,852 | \$ 903,332 | \$ 1,593,141 |
| Additions from the Dah An Bank merger | 306,513 | 11,669,646 | 5,204,903 | 17,181,062 |
| Provision for loan losses | (254,429) | 10,495,403 | (3,046,080) | 7,194,894 |
| Sale of bad debt | - | (2,010,735) | - | (2,010,735) |
| Write-off | - | (20,902,965) | (82,210) | (20,985,175) |
| Recovery from loans written off | - | 1,362,617 | - | 1,362,617 |
| Balance, December 31, 2002 | \$ 141,041 | \$ 1,214,818 | \$ 2,979,945 | \$ 4,335,804 |

9. LONG-TERM INVESTMENTS

| Investee | December 31 | | | | |
|---|---------------------|----------------|------------------------|----------------|------------------------|
| | 2003 | | | 2002 | |
| | Original Investment | Carrying Value | Ownership Interest (%) | Carrying Value | Ownership Interest (%) |
| Equity method: | | | | | |
| Taishin International Finance Company Limited | \$ 127,314 | \$ 149,293 | 99.99 | \$ 136,319 | 99.99 |
| Dah An Leasing Co., Ltd. | 198,000 | 127,717 | 99.00 | 132,050 | 99.00 |
| PayEasy Digital Integration Co., Ltd. | 34,000 | 60,424 | 66.67 | 33,705 | 66.67 |
| Taishin Real-Estate Management Co., Ltd. | 30,000 | 60,109 | 60.00 | 47,717 | 60.00 |
| Taishin Insurance Agency Co., Ltd. | 1,500 | 247,869 | 60.00 | 183,377 | 60.00 |
| An Hsin Real-Estate Management, Inc. | 15,000 | 25,874 | 30.00 | 25,272 | 30.00 |
| Taishin Venture Capital Investment Co., Ltd. | 60,000 | 56,642 | 5.00 | - | - |
| Taishin Securities Investment Consulting Inc. | - | - | - | 11,300 | 100.00 |
| Taishin Leasing & Financing Co., Ltd. | - | - | - | 918,927 | 49.95 |
| Dah Chung Bills Finance Corp. | - | - | - | 989,389 | 18.80 |
| Subtotal | | 727,928 | | 2,478,056 | |
| Cost method: | | | | | |
| Taishin Leasing & Financing Co., Ltd. | 247,399 | 247,399 | 19.95 | - | - |
| Dah Chung Bills Finance Corp. | 671,611 | 939,026 | 18.80 | - | - |
| Taiwan Futures Co., Ltd. | 40,000 | 40,000 | 10.00 | 40,000 | 10.00 |
| Taishin Financial Holding | 3,930,677 | 3,930,677 | 7.22 | 3,930,677 | 7.47 |
| Concord IV Venture Capital Co., Ltd. | 95,000 | 95,000 | 6.25 | 95,000 | 6.25 |
| Grand Pacific Venture Capital Co., Ltd. | 30,000 | 30,000 | 5.00 | 30,000 | 5.00 |
| Jihsun Venture Capital Investment Co., Ltd. | 30,000 | 30,000 | 5.00 | 30,000 | 5.00 |
| Lien An Co., Ltd. | 1,250 | 1,250 | 5.00 | 1,250 | 5.00 |
| TKS Venture Capital Co., Ltd. | 39,216 | 39,216 | 4.90 | 39,216 | 4.90 |
| Concord VII Venture Capital Co., Ltd. | 35,000 | 35,000 | 4.73 | 35,000 | 4.73 |

(Continued)

| Investee | December 31 | | | | |
|---|---------------------|----------------|------------------------|----------------|------------------------|
| | 2003 | | | 2002 | |
| | Original Investment | Carrying Value | Ownership Interest (%) | Carrying Value | Ownership Interest (%) |
| Apex Venture Capital Corporation | 50,000 | 50,000 | 4.67 | 50,000 | 4.67 |
| United Venture Capital Co., Ltd. | 40,000 | 40,000 | 4.52 | 40,000 | 4.52 |
| Concord III Venture Capital Co., Ltd. | 44,640 | 44,640 | 4.46 | 44,640 | 4.46 |
| Da Chiang, Inc. | 125,000 | 125,000 | 4.31 | 125,000 | 4.31 |
| Systrust@com Corporation | 16,500 | 16,500 | 3.69 | 16,500 | 3.69 |
| Hwan Hwa Security Finance Co., Ltd. | 231,328 | 231,328 | 3.50 | 231,328 | 3.50 |
| Harbinger Ventures Capital Investment Co., Ltd. | 67,000 | 67,000 | 3.35 | 67,000 | 3.35 |
| T.K. Venture Capital Corp. | 50,000 | 50,000 | 3.33 | 50,000 | 3.33 |
| Taipei Smart Card Co., Ltd. | 16,000 | 16,000 | 3.20 | 16,000 | 3.20 |
| Taiwan Financial Asset Service Corporation | 50,000 | 50,000 | 2.94 | 50,000 | 2.94 |
| Pacific Securities | 180,410 | 180,410 | 2.77 | 180,410 | 2.77 |
| Financial Information Service Co., Ltd. | 91,000 | 91,000 | 2.28 | 91,000 | 2.28 |
| Taipei Financial Center Corporation | 356,009 | 356,009 | 2.09 | 356,009 | 2.09 |
| Universal Venture Fund, Inc. | 25,000 | 25,000 | 1.49 | 25,000 | 1.49 |
| Taiwan Futures Exchange, Inc. | 19,250 | 19,250 | 0.96 | 19,250 | 0.96 |
| Taipei Forex, Inc. | 1,600 | 1,600 | 0.81 | 1,600 | 0.81 |
| Taiwan Asset Management Corporation | 100,000 | 100,000 | 0.57 | 100,000 | 0.57 |
| Kaohsiung Mass Rapid Transit Co. | 50,000 | 50,000 | 0.50 | 50,000 | 0.50 |
| Eastern Broadband Telecommunications | 300,000 | 300,000 | 0.46 | 300,000 | 0.46 |
| Taiwan Cooperative Bank | 199,584 | 199,584 | 0.24 | 199,584 | 0.24 |
| Taiwan Fixed Network Co., Ltd. | 200,000 | 200,000 | 0.22 | 200,000 | 0.22 |
| Taishin Venture Capital Investment Co., Ltd. | - | - | - | 75,000 | 5.00 |
| Subtotal | | 7,600,889 | | 6,489,464 | |
| Allowance for valuation loss on long-term investments | | - | | (53,614) | |
| Total long-term equity investments | | \$8,328,817 | | \$8,913,906 | |

Shares held in Taishin Bills Finance and Taiwan Securities were transferred to Taishin Financial Holding's ones on December 31, 2002 by means of a share-swap with total shares of 271,259 thousand.

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

The average closing price in December 2003 of the investment in Taishin Financial Holding, a listed company, was greater than the recorded value.

As of December 31, 2002, the unrealized loss on long-term equity investments resulted from, at the percentage of ownership, the market value decline of listed stocks held by Taishin Leasing & Financing Co., Ltd. accounted for by the equity method and amounted to \$53,614 thousand.

On April 25, 2003, Taishin Bank sold 60,000 thousand shares of Taishin Leasing and Financing Co., Ltd., which was valued by equity method, and recognized a loss on sale of long-term investment amounted to \$176,107 thousand. Due to a decrease of Bank's ownership interest from 49.95% to 19.95%, Taishin Bank turned to adopt the cost method, and thus the value is determined by the Lower of Cost or Market. Taishin Bank recognized a permanent loss on decline in value of \$117,111 thousand resulted from recording cost to fair market value.

Because of the changes in shareholders' structure of Dah Chung Bill Finance Corp., the Bank does not have influence on the investee, Taishin Bank turned to adopt the cost method and thus the value is determined by the lower of cost or market. Taishin Bank recognized a permanent loss on decline in value of \$85,619 thousand resulted from recording cost to fair market value.

Taishin Financial's wholly owned subsidiary, Taisin Venture Capital Investment Co., Ltd. increased its interest in Taishin Venture Capital Investment Co., Ltd., valued under cost method by Taishin Bank, so the Taishin group consolidated ownership interest is over 20%; thus, the Bank valued the Taishin Venture Capital Investment by equity method.

Based on their audited financial statements for the years ended December 31, 2003 and 2002, the equity in net income or loss of investee companies accounted for under the equity method are as follows:

| | 2003 | 2002 |
|---------------------------------------|------------|------------|
| Taishin Bills Finance Co., Ltd. | \$ - | \$ 251,809 |
| Taishin Insurance Agency Co., Ltd. | 186,892 | 133,801 |
| Dah Chung Bills Finance Corp. | 113,507 | 102,274 |
| Taishin Leasing & Financing Co., Ltd. | (6,310) | 30,646 |
| PayEasy Digital Integration Co., Ltd. | 26,719 | 22,829 |
| Others | 23,415 | 10,076 |
| Total | \$ 344,223 | \$ 551,435 |

The above mentioned investees in which the Bank's ownership interest is over 50% are not consolidated for the reason that both total assets and total operating revenues of the subsidiary are less than 10% of that of the parent, and both consolidated total assets and total operating revenues of these subsidiaries are less than 30% of that of the parent.

10. PROPERTY AND EQUIPMENT

| | December 31 | | | |
|--|--------------|--------------------------|----------------|----------------|
| | 2003 | | 2002 | |
| | Cost | Accumulated Depreciation | Carrying Value | Carrying Value |
| Land | \$ 9,429,233 | \$ - | \$ 9,429,233 | \$ 8,159,827 |
| Buildings | 4,981,934 | 480,830 | 4,501,104 | 3,986,128 |
| Machinery equipment | 2,500,718 | 1,183,707 | 1,317,011 | 1,103,061 |
| Transportation equipment | 333,677 | 138,942 | 194,735 | 214,252 |
| Miscellaneous equipment | 534,097 | 372,491 | 161,606 | 143,992 |
| Leasehold improvement | 739,772 | 636,075 | 103,697 | 148,897 |
| Prepayments for building and equipment | 673,868 | - | 673,868 | 2,505,573 |
| Total | 19,193,299 | \$2,812,045 | \$16,381,254 | \$16,261,730 |

As of December 31, 2003 and 2002, total insurance coverage for property and equipment amounted to \$7,255,466 thousand and \$6,845,482 thousand, respectively.

11. OTHER ASSETS

| | December 31 | |
|--------------------------------------|---------------|---------------|
| | 2003 | 2002 |
| Delinquent loans, net (Note 8) | \$ 4,032,341 | \$ 5,835,218 |
| Guarantee deposits (Note 24) | 2,548,405 | 1,213,770 |
| Refundable collaterals (Note 24) | 7,205,112 | 9,822,338 |
| Collaterals and residuals taken over | 394,713 | 1,247,228 |
| Deferred income tax assets (Note 21) | 2,403,799 | 4,061,344 |
| Deferred charges | 1,741,373 | 1,318,266 |
| Goodwill from merger (Notes 1 and 2) | 2,401,973 | 3,160,741 |
| Others | 111,955 | 52,956 |
| Total | \$ 20,839,671 | \$ 26,711,861 |

12. DUE TO BANKS

| | December 31 | |
|-------------------------|---------------|---------------|
| | 2003 | 2002 |
| Due to other banks | \$ 872,149 | \$ 1,973,971 |
| Call loans from banks | 43,332,238 | 24,741,903 |
| Bank overdrafts | 1,558,029 | 425,526 |
| Due to the Central Bank | 32,971 | 49,787 |
| Total | \$ 45,795,387 | \$ 27,191,187 |

13. PAYABLES

| | December 31 | |
|---|---------------|---------------|
| | 2003 | 2002 |
| Accounts payable | \$ 22,061,526 | \$ 16,424,290 |
| Accrued expenses | 2,305,310 | 1,615,094 |
| Interest payable | 1,758,310 | 2,594,651 |
| Forward exchange contracts payable, net | 650,400 | - |
| Others | 3,989,174 | 3,669,125 |
| Total | \$ 30,764,720 | \$ 24,303,160 |

14. DEPOSITS AND REMITTANCES

| | December 31 | |
|---|----------------|----------------|
| | 2003 | 2002 |
| Checking account deposits | \$ 3,512,649 | \$ 3,524,396 |
| Demand deposits | 36,372,514 | 25,150,285 |
| Time deposits | 145,665,302 | 117,891,662 |
| Savings deposits | 198,942,786 | 184,296,118 |
| Deposits transferred from the Postal Bureau | 48,354,667 | 52,301,776 |
| Remittances and drafts issued | 264,228 | 114,967 |
| Total | \$ 433,112,146 | \$ 383,279,204 |

15. BANK NOTES

In order to enhance its capital ratio and raise the medium to long term operating funds, the Bank issued bank notes which are listed as follows:

The Bank issued a 10-year bank notes in the amount of \$5,000,000 thousand at par value on October 2, 2001. The interest rates for years one to five and years six to ten are 4.05% and 4.45%, respectively. The interest will be paid annually. The Bank has redemption right on such bank notes at par value plus accrued interest payable starting from the sixth year onward.

The Bank issued a 7-year bank notes in the amount of \$4,800,000 thousand at par value on January 30, 2002. The interest rate for years one to seven is 4.00%. The interest will be paid annually. The principal should be paid back at once when due.

Financial Statements

The Bank issued \$3.1 billion 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 | 200,000 | 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 |
| Duration | 2002.07.10 2005.07.10 | 2002.07.10 2005.10.10 | 2002.07.10 2005.10.10 | 2002.07.10 2005.10.10 | 2002.07.10 2005.10.10 | 2002.07.10 2005.10.10 | 2002.07.10 2005.10.10 | 2002.07.10 2005.10.10 | 2002.07.10 2005.07.10 |
| Interest Payment | From the issuance date, the interest will be accrued quarterly and paid semi-annually. | From the issuance date, the interest will be accrued quarterly and paid semi-annually. The interest of the three months before maturity will be paid at maturity date. | | | | | | From the issuance date the interest will be accrued every year and paid annually. | |
| Interest Accrual | The interest will be accrued on single and floating coupon rate: the first interest - determined date is on 2nd day before the issuance date. From the issuance date, the interest rate should be adjusted quarterly in accordance with the floating rate on the 2nd day before interest - determined date and be accrued on 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. | | | | | | | | The interest will be accrued on simple, and 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% |
| | 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) | (7.05% - 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, (8.85% - Floating Rate) |
| | 4th Year | N/A | (7.55% - Floating Rate) | (7.55% - Floating Rate) | (7.60% - 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 the Maturity Date | 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 paid. 2. The bonds are bearer, but could be converted into registered upon holders' request. | | | | | | | | |

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

The Bank issued a 5-year bank notes in the amount of \$1,900,000 thousand at par value on November 15, 2002. The interest rate is 5.02% minus the current interest rate of 180-day commercial paper, but should not be less than 0%. The interest will be paid semi-annually. The principal should be paid back at once when due.

The Bank was authorized to issue \$15 billion bank notes under the approval of MOF on May 6, 2003 and partially issued \$4 billion bank notes as follows:

The Bank issued first \$1,000 million bank notes in 2003:

| Bond | Issued Date | Maturity Date | Duration | Issue Amount | Interest Rate | Face Value | The Method of Redemption and Interest Payment |
|------|-------------|---------------|----------|--------------------|--|-------------------|--|
| A | 2003.10.08 | 2008.10.08 | 5-year | \$200 million each | 4.2% minus 6-month USD LIBOR except for the first year fixed at 4.1%. In addition, the interest rate should not be less than 0%. From the second year, the interest rate is recalculated semi-annually in accordance with 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 AM. | \$10,000 thousand | Bonds will be redeemed on the maturity date at par value in cash. Interest will be accrued on simple rate and paid semi-annually from the issuance 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 | | | | | |

The Bank issued second \$900 million bank notes in 2003:

| Bond | Issued Date | Maturity Date | Duration | Issue Amount | Interest Rate | Face Value | The Method of Redemption and Interest Payment |
|------|-------------|---------------|----------|--------------------|--|-------------------|--|
| A | 2003.11.28 | 2008.11.28 | 5-year | \$300 million | 4.9% minus 6-month USD LIBOR and the interest rate should not be less than 0%. The first interest-determined date is November 28, 2003. The following interest rate, from 2 nd year to 5 th year, is recalculated in accordance with the floating rate on 2 nd day prior to interest payment date, the first day of each payment period. The floating rate is provided by the Moneyline Telerate on the re-set day at 11:00 AM. | \$10,000 thousand | Bonds will be redeemed on the maturity date at par value in cash. Interest will be accrued on simple rate and paid semi-annually from the issuance date. |
| B | 2003.11.28 | 2008.11.28 | | \$200 million each | | | |
| C | 2003.11.28 | 2008.11.28 | | \$200 million each | | | |
| D | 2003.11.28 | 2008.11.28 | | \$200 million each | | | |

The Bank issued third \$2,100 million bank notes in 2003:

| Bond | Issued Date | Maturity Date | Duration | Issue Amount | Interest Rate | Face Value | The Method of Redemption and Interest Payment |
|------|-------------|---------------|----------|--------------------|---|-------------------|--|
| A | 2003.12.16 | 2008.12.16 | 5-year | \$200 million each | 4.9% minus 6-month LIBOR. The 6-month LIBOR is recalculated in accordance with the floating rate on 2 nd day prior to interest payment date, the first day of each payment period. The floating rate is provided by the Moneyline Telerate on the re-set day at 11:00 AM. In addition, the interest rate should not be less than 0%. | \$10,000 thousand | Bonds will be redeemed on the maturity date at par value in cash. Interest will be accrued on simple rate and paid semi-annually from the issuance date. |
| B | 2003.12.16 | 2008.12.16 | | \$300 million each | | | |
| C | 2003.12.16 | 2008.12.16 | | \$300 million each | | | |
| D | 2003.12.16 | 2008.12.16 | | \$300 million each | | | |
| E | 2003.12.16 | 2008.12.16 | | \$300 million each | | | |
| F | 2003.12.16 | 2008.12.16 | | \$200 million each | | | |
| G | 2003.12.16 | 2008.12.16 | | \$200 million each | | | |

(Continued)

| Bond | Issued Date | Maturity Date | Duration | 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 "3-month USD LIBOR" is greater than 2.0%, the interest rate is 5.0% minus 3-month USD LIBOR. "3-month USD LIBOR" is determined by 3-month USD LIBOR on the 2 nd day before interest payment date, provided by the Moneyline Telerate on the re-set day at 11:00 AM. In addition, the interest rate should be not less than 0%. | \$10,000 thousand | Bonds will be redeemed on the maturity date at par value in cash. Interest will be accrued on simple rate and paid quarterly from the issuance date. |
| I | 2003.12.16 | 2008.12.16 | | | | | |

16. OTHER LIABILITIES

| | December 31 | |
|--------------------------------|--------------|--------------|
| | 2003 | 2002 |
| Reserve for loss on guarantee | \$ 352,696 | \$ 353,037 |
| Reserve for securities trading | 161,232 | 12,914 |
| Sell option premium | 1,860,957 | 1,029,620 |
| Deferred revenue | 375,227 | 586,028 |
| Others | 74,217 | 91,553 |
| Total | \$ 2,824,329 | \$ 2,073,152 |

Pension Plan

The Bank charged pension costs based on an actuarial valuation of its pension plan liability. The information related to the plan is disclosed as follows:

The status of employee pension plan at December 31, 2003 and 2002 are summarized below:

| | 2003 | 2002 |
|---|------------|------------|
| Actuarial present value of benefit obligations: | | |
| Vested benefits | (\$ 276) | (\$ 5,937) |
| Nonvested benefits | (433,590) | (324,111) |
| Accumulated benefit obligations | (433,866) | (330,048) |
| Additional benefits estimated for future salaries | (343,795) | (271,095) |
| Projected benefit obligations | (777,661) | (601,143) |
| Plan assets at fair value | 731,547 | 438,493 |
| Projected benefit obligation in excess of plan assets | (46,114) | (162,650) |
| Unrecognized net transition obligations | 44,900 | 47,893 |
| Unrecognized gains or losses | 70,893 | 142,262 |
| Prepaid pension asset | \$ 69,679 | \$ 27,505 |

The vested benefits of pension plan as of December 31, 2003 and 2002 amounted to \$326 thousand and \$6,268 thousand, respectively.

The assumptions used in the actuarial computations are summarized as follows:

| | 2003 | 2002 |
|--|-------|-------|
| Discount rate | 3.25% | 3.75% |
| Rate of increase in future compensation levels | 3.25% | 3.50% |
| Expected rates of return on plan assets | 3.25% | 3.75% |

Net periodic pension cost for the years ended December 31, 2003 and 2002 consist of the following:

| | 2003 | 2002 |
|--|------------|-----------|
| Service cost | \$ 109,764 | \$ 92,281 |
| Interest cost | 22,425 | 20,620 |
| Expected return on plan assets | (18,821) | (17,486) |
| Amortization of net transition obligations | 2,993 | 2,993 |
| Amortization of unrecognized gains | 3,423 | 1,172 |
| Total periodic pension cost | \$ 119,784 | \$ 99,580 |

The changes of plan assets for the years ended December 31, 2003 and 2002 were as follows:

| | 2003 | 2002 |
|------------------------------------|------------|------------|
| Beginning balance | \$ 438,493 | \$ 313,941 |
| Contribution | 161,959 | 128,577 |
| Payment | - | (12,278) |
| Merger with Dah-An commercial bank | 122,902 | - |
| Return on assets | 8,193 | 8,253 |
| Ending balance | \$ 731,547 | \$ 438,493 |

17. CAPITAL STOCK

At December 31, 2003, the Bank's authorized capital is \$30,035,000 thousand with 3,003,500 thousand shares and registered capital stock is \$28,467,810 thousand, divided into 2,446,781 thousand common shares and 400,000 thousand preferred shares at \$10 par value per share.

Details of outstanding capital stock as of December 31, 2003 are as follows:

| | Common Stock | Preferred Stock | Total |
|--|---------------|-----------------|---------------|
| Initial capital contribution in cash | \$ 10,000,000 | \$ - | \$ 10,000,000 |
| Capital infusion | 8,532,190 | 7,000,000 | 15,532,190 |
| Unappropriated earnings and capital surplus transferred to capital stock | 6,921,440 | - | 6,921,440 |
| Less redemption of preferred stock-A | - | (3,000,000) | (3,000,000) |
| Less cancellation of treasury stock | (985,820) | - | (985,820) |
| Total | \$ 24,467,810 | \$ 4,000,000 | \$ 28,467,810 |

The issued and outstanding common and preferred shares of Taishin Bank are all held by the parent, Taishin Financial Holding, which was established through a share-swap on February 18, 2002. According to Article 15 of Financial Holding Company Law, rights of the shareholders' are executed by the board of directors. The Company law regarding shareholders' meeting is not applicable.

Taishin Bank has cancelled its own 79,363 and 19,219 thousand shares of treasury stock as of January 2002 and September 2003, respectively.

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The Bank issued preferred stock-A of \$3,000,000 on September 20, 1999 with a cumulative, non-participating, and non-convertible, dividend yield at 5.75%. The right to dividends is preferred to common stock, Taishin Bank had redeemed preferred stock-A on September 20, 2002 at par value, and received the approval from MOF for canceling the preferred stock on the effective date of September 20, 2002.

The Bank issued preferred stock-B of \$4,000,000 thousand on December 31, 2000 with a cumulative, non-participating, and non-convertible, dividend yield at 6.05%. The right to dividends is preferred to common stock. The Bank will redeem the preferred stock 6 years after the issued date at par value.

There are \$1,035,000 thousand unappropriated retained earnings transferred to common stock in 2003, under the approval of the Board of Directors, dated on May 8, 2003.

On December 31, 2003, Taishin Bank issued 62,500 thousand common shares at \$10, par value per share. All the shares were subscribed by Taishin Financial Holding for \$2,000 million. The premium on capital stock in the amount of \$1,375,000 thousand is reported as additional paid-in capital.

18. DISTRIBUTION OF EARNINGS AND DIVIDEND POLICY

The Bank's Articles of Incorporation provide that the Bank's annual earnings shall be appropriated in the following order:

- payment of taxes;
- offset accumulated deficit, if any;
- 30% thereafter, if any, as legal reserve;
- dividend yields in cash distributed to preferred shareholders;
- the remaining balance, 1%~5% as bonuses to employees and 3% as remunerations to directors and supervisors, and appropriated earnings;
- the remainder plus the beginning balance of unappropriated earnings is to be distributed as dividends to shareholders based on proportionate interest in shares.

Items (e) and (f) above are to be proposed by the Bank's Board of Directors and distributed upon approval in the shareholders' regular annual meeting.

However, cash distributions in any given year must not exceed 15% of the Bank's actual paid-in capital. In the case where the Bank's legal reserve equals to or exceeds actual paid-in capital, the above-mentioned restrictions do not apply. Whereas if the ratio of capital to risk-weighted assets is less than 8%, as stipulated by the Ministry of Finance, cash distribution shall also be restricted.

The board of directors resolve to distribute bonuses to employees of \$93,081 thousand on May 8, 2003. The basic earnings per share of 2002 was NT\$1.67 which would have been NT\$1.63 in case the bonuses to employees were treated as current expenses.

The board of directors resolved to distribute bonuses to employees of \$12,407 thousand and remunerations to directors and supervisors of \$9,305 thousand in the appropriation of 2001 earnings. The basic earnings per share of 2001 was NT\$0.35 which would have been NT\$0.33 in case the bonuses to employees and remunerations to directors and supervisors were treated as current expenses.

The appropriation of 2003 earnings has not been approved by the board of directors at the date of auditors report. The information regarding the resolved 2003 earnings appropriation can be obtained later from the SEC Market Observations Post System (M.O.P.S) Website when the resolution is made.

In 2002, the Bank distributed bonuses to employees of \$12,407 thousand in cash and remunerations to Directors and supervisors of \$9,305 thousand from 2001 earnings in accordance with the resolution of Board of Directors and shareholders' approval. The earnings per share of 2001 was \$0.35 which would have been \$0.33 in case the bonuses to employees and remunerations of Directors and supervisors were treated as current expenses.

According to letter No. 1 (89)-Tai-Tsai-Cheng-100116, a listed or an over-the-counter company is required to provide a special reserve equal to the amount of deduction items (except for treasury stock) of shareholders' equity, prior to making distributions as stated in step (e) above. The balance of such deduction items as of December 31, 2003 is \$252,675 thousand. As of February 18, 2002, Taishin Bank became a subsidiary of Taishin Financial Holding and its shares were delisted. According to letter No. 1 (91)-Tai-Tsai-Cheng-112798, the special reserve provided under letter 100116 is allowed to be transferred to earnings for distribution and actually distributed in 2003.

19. TREASURY STOCK

Common Stock

| Reason of Purchase | (In Thousand Shares) | | | Shares in the End of the Year |
|--------------------------|-------------------------------------|----------|----------|-------------------------------|
| | Shares in the Beginning of the Year | Increase | Decrease | |
| Re-issuance to employees | 19,219 | - | (19,219) | - |

Dah An Bank purchased 38,438 thousand treasury shares for re-issuing to its employees according to Article 28-2 of Securities and Exchange Law. After the Bank and Dah An Bank agreed to establish Taishin Financial Holding by means of a share swap, the Bank holds 19,219 thousand shares of Taishin Financial Holding at book value of \$237,739, which were recorded as treasury stock as stipulated in the Letter No. 6. (91) Tai-Tsai-Cheng111467.

Pursuant to Article 28-2 of the Securities Exchange Law and Letter No. 3(91) Tai-Tsai-Cheng 108164, the Bank shall not pledge treasury stocks held, nor shall it possess voting rights or receive dividends. The treasury stock of 19,129 thousand shares mentioned above were allowed to be canceled on September 2003.

According to Article 28-2 of the Securities and Exchange Law, the number of shares bought back shall not be more than ten percent of the total number of issued and outstanding shares of the Company. The total amount of the shares bought back shall not be more than the amount of retained earnings plus premium on capital stock plus realized capital reserve.

As of December 31, 2003, the aggregate treasury stock purchased was 19,219 thousand shares for \$237,739 thousand, both of which are in conformity to the related regulations.

20. PERSONNEL EXPENSES, DEPRECIATION, DEPLETION AND AMORTIZATION

Personnel expenses, depreciation, depletion and amortization expenses for the years ended December 31, 2003 and 2002 were summarized as follows:

| Nature | Function | 2003 | | 2002 | |
|----------------------------|----------|----------------|-------------------|----------------|-------------------|
| | | Operating Cost | Operating Expense | Operating Cost | Operating Expense |
| Personnel expenses: | | | | | |
| Salary | | \$ - | \$ 4,775,423 | \$ - | \$ 3,548,989 |
| Labor and health insurance | | - | 262,672 | - | 208,912 |
| Pension | | - | 119,784 | - | 59,018 |
| Others | | - | 201,254 | - | 179,677 |
| Depreciation | | - | 578,911 | - | 457,892 |
| Depletion and Amortization | | - | 1,157,334 | - | 888,197 |

21. INCOME TAX

Income tax expense for the years ended December 31, 2003 and 2002 is generated as follows:

| | 2003 | 2002 |
|--|--------------|---------------|
| Income before income tax | \$ 7,768,682 | \$ 4,824,665 |
| Permanent differences: | | |
| Gain on sale of marketable securities | (962,241) | (607,609) |
| Provision for trading securities | 148,319 | 12,914 |
| Interest on short-term negotiable instruments, separately taxed at 20% | (644,124) | (1,146,759) |
| Provision for (recovery of) decline in market value of bills and securities | 13,512 | (237,712) |
| Nontaxable OBU (income) loss | (129,214) | 204,016 |
| Investment income recognized by the equity method | (344,223) | (551,435) |
| Dividend income | (339,895) | (89,836) |
| Permanent loss on long-term investment | 202,730 | - |
| Others | 81,422 | 28,347 |
| Subtotal | (1,973,714) | (2,388,074) |
| Temporary differences: | | |
| (Reversed) provision for decline in market value of collaterals and residuals taken over | (779,323) | 666,913 |
| Reversed provision for loan losses | (707,011) | (15,659,692) |
| Provision for guarantee losses exceeding the tax limit | 43,198 | 14,929 |
| Subtotal | (1,443,136) | (14,977,850) |
| Taxable income after permanent and temporary differences | 4,351,832 | (12,541,259) |
| Deduct loss carryforwards | (4,351,832) | - |
| Tax rate | 25% | 25% |
| Income tax currently payable | - | - |
| Add: | | |
| Decrease in deferred tax assets | 1,657,545 | 486,155 |
| Tax on interest income from short-term negotiable instruments, separately taxed at 20% | 128,719 | 229,352 |
| Adjustment for prior years' tax estimates | (183,809) | 32,189 |
| Reported income tax expense | \$ 1,602,455 | \$ 747,696 |

The details of deferred income tax assets (liabilities) as of December 31, 2003 and 2002 are as follows:

| | 2003 | 2002 |
|---|--------------|--------------|
| Bad debt loss exceeding the limit | \$ - | \$ 207,665 |
| Provision for guarantee losses exceeding the limit | 29,995 | 19,195 |
| Provision for decline in market value of collaterals and residuals taken over | 33,956 | 228,786 |
| Loss carryforwards | 2,294,820 | 3,543,206 |
| Investment credit | 45,028 | 62,492 |
| Total | \$ 2,403,799 | \$ 4,061,344 |

According to the amendment in the Income Tax Law, the information of imputation credit account ("ICA") and the estimated imputed tax credit rate as of December 31, 2003 and 2002 are as follows:

| | 2003 | 2002 |
|---|-----------|------------|
| Shareholders' deductible income tax account | \$ 80,702 | \$ 153,852 |
| The estimated imputed tax credit rate | 1.31% | 10.79% |

The information regarding the undistributed earnings as of December 31, 2003 and 2002 are as follows:

| | 2003 | 2002 |
|-----------------|--------------|--------------|
| 1997 and before | \$ - | \$ 32,405 |
| 1998 and after | 6,183,349 | 3,562,511 |
| Total | \$ 6,183,349 | \$ 3,594,916 |

The income tax returns of Taishin Bank up to 2000, have been examined by the tax authorities. The tax authorities denied tax payable deductions and tax refundable additions taken by Taishin Bank for the years of 1994, 1995 and 1998 through 2000 in the amount of \$64,586 thousand and \$38,646 thousand. Taishin Bank appealed the court decision and First Court canceled the determination by the tax authorities and penalty of Taishin Bank. Nevertheless, the amount of tax refundable is not paid back yet. Taishin Bank recorded the tax payable of \$64,586 thousand, tax refundable of \$38,646 and accrued an additional tax payable of \$59,612 thousand for the years of 1999, 2000 and 2001 as current income tax expense for 2001.

22. EARNINGS PER SHARE

Earnings per share is derived from income before income tax and net income of \$7,768,682 thousand and \$6,166,227 thousand for the year ended December 31, 2003, and \$4,824,665 thousand and \$4,076,969 thousand for the year ended December 2002, minus preferred stock dividends divided by the weighted average number of outstanding common shares, including the 103,500 thousand new shares issued by Taishin Bank through transfer of retained earnings to capital.

23. RELATED PARTY TRANSACTIONS**Names and Relationships of Related Parties**

| Name | Relationship |
|--|---|
| Taishin Financial Holding | Parent company |
| Taiwan Securities Co., Ltd. | Under control by the same parent company |
| Taishin Bills Finance Co., Ltd. | Same as above |
| Taishin Assets Management Co. | Same as above |
| Taishin Venture Capital Investment Co., Ltd. | Same as above |
| Taishin Real-Estate Management Co. | An investee under equity method |
| Taishin Insurance Agency Co., Ltd. | Same as above |
| PayEasy Digital Integration Co., Ltd. | Same as above |
| Dah An Leasing Co., Ltd. | Same as above |
| Taishin International finance Co., Ltd. | Same as above |
| Taishin Non-Life Insurance agency Co., Ltd. | Its president is Taishin Bank's chairman |
| Taishin Insurance Broker Co., Ltd. | Same as above |
| Tan Asian Plastics | Same as above |
| Shin Kong Synthetic Fibers Corp. | Same as above |
| Start-up Office of You Bright Optron Corporation | Its founder is Taishin Bank's chairman |
| Shin Kong Life Insurance Co., Ltd. | Its chairman is a member of the immediate family of the Bank's chairman |
| Shin Kong Fire & Marine Insurance Co., Ltd. | Same as above |
| Taiwan Leasing & Financing 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 |
| Shin Ze Asset Management Co., Ltd. | Same as above |
| Taiwan Futures Co., Ltd. | Related party in substance |
| Taiwan Securities Investment Advisory Co., Ltd. | Same as above |
| ShinKong Life RealEstate Service Company | Same as above |
| International Bank of Taipei Co., Ltd. | Same as above |

Material Transactions with Related Parties

Loans, Deposits and Guaranteed Loans

| Item | 2003 | | | |
|--|----------------|----------------------------|--|--|
| | Ending Balance | Highest Amount During 2003 | 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 | 3.750~4.250 | \$ 57,083 |
| Shin Kong Synthetic Fibers Corp. | 1,380,769 | 1,868,000 | 1.550~3.900 | 38,661 |
| Wang Tien Woollen Textile Co., Ltd. | 580,000 | 800,000 | 3.000~4.300 | 21,812 |
| Shin Kong Co., Ltd. | 550,000 | 600,000 | 1.550~2.700 | 736 |
| Taishin Bills Finance | 1,300,000 | 1,300,000 | 1.300~1.500 | 605 |
| Tan Asian Plastics | 354,600 | 424,200 | 1.600~6.3403 | 7,350 |
| Taiwan Leasing & Financing Co., Ltd. | 110,000 | 180,000 | 2.800~4.250 | 4,995 |
| Taiwan Securities Co., Ltd. | 800,000 | 1,000,000 | 1.300~2.650 | 763 |
| Others | 219,914 | | | 7,055 |
| Total | \$ 6,720,283 | | | \$ 139,060 |
| Guaranteed loans to related parties: | | | | |
| Shin Kong Synthetic Fibers Corp. | \$ 603,422 | \$ 1,044,857 | 0.500~0.600 | \$ 2,732 |
| Others | 1,563 | | | 4,222 |
| Total | \$ 604,985 | | | \$ 6,954 |
| Deposits from related parties: | | | | |
| Shin Kong Life Insurance Co., Ltd. | \$ 4,261,795 | | 0~4.900 | (\$ 60,534) |
| Taishin Financial Holding Co., Ltd. | 9,673,771 | | 0~1.030 | (47,210) |
| Taiwan Securities Co., Ltd. | 315,512 | | 0~5.300 | (2,365) |
| Shin Kong Fire & Marine Insurance Co., Ltd. | 223,658 | | 0~4.000 | (2,025) |
| Taishin Insurance Agency Co., Ltd. | 250,242 | | 0~2.300 | (508) |
| Taishin Bills Finance | 6,817,406 | | 0~4.100 | (22,409) |
| Jupiter Venture Capital Co., Ltd. | 138,802 | | 0.150~1.050 | (356) |
| Mercury Venture Capital Co., Ltd. | 137,378 | | 0~1.850 | (550) |
| Shin Ze Asset Management Co., Ltd. | 135,190 | | 0~0.350 | (147) |
| Start-up Office of You Bright Optron Corporation | 120,004 | | 0.150 | (3,748) |
| Taiwan Futures Co., Ltd. | 145,120 | | 0~1.200 | (872) |
| Others | 91,387 | | | (5,723) |
| Total | \$22,310,265 | | | (\$ 146,447) |

| Item | 2002 | | | |
|--------------------------------------|----------------|----------------------------|--|--|
| | Ending Balance | Highest Amount During 2002 | Interest and Service Charge Rate Per Annum % | Interest and Service Revenue (Expense) |
| Loans to related parties: | | | | |
| Shin Kong Synthetic Fibers Corp. | \$ 1,428,000 | \$ 1,998,000 | 3.200~5.000 | \$ 50,467 |
| Shinshen Co., Ltd. | 1,500,000 | 1,500,000 | 4.250~5.000 | 50,141 |
| Shin Kong Co., Ltd. | 600,000 | 600,000 | 2.700~5.000 | 2,179 |
| Wang Tien Woollen Textile Co., Ltd. | 560,000 | 560,000 | 3.700~5.000 | 13,802 |
| Taiwan Securities Co., Ltd. | 400,000 | 400,000 | 1.750~6.750 | 898 |
| Tan Asian Plastics | 177,800 | 224,000 | 3.300~5.888 | 6,005 |
| Taiwan Leasing & Financing Co., Ltd. | 177,000 | 177,000 | 4.250~5.500 | 7,333 |
| Others | 205,129 | | | 15,193 |
| Total | \$ 5,047,929 | | | \$ 146,018 |

(Continued)

| Item | 2002 | | | |
|---|----------------|----------------------------|--|--|
| | Ending Balance | Highest Amount During 2002 | Interest and Service Charge Rate Per Annum % | Interest and Service Revenue (Expense) |
| Guaranteed loans to related parties: | | | | |
| Shin Kong Synthetic Fibers Corp. | \$ 544,857 | 544,857 | 0.300~0.500 | \$ 1,327 |
| Taiwan Securities Co., Ltd. | 250,000 | 300,000 | 0.750 | 405 |
| Others | 91,562 | | | 9,610 |
| Total | \$ 886,419 | | | \$ 11,342 |
| Deposits from related parties: | | | | |
| Shin Kong Life Insurance Co., Ltd. | \$ 5,706,813 | | 0~5.300 | (\$ 199,835) |
| Taishin Bills Finance Co. | 1,083,979 | | 0~5.500 | (23,279) |
| Taiwan Securities Co., Ltd. | 512,331 | | 0~5.300 | (10,944) |
| Taishin Insurance Agency Co., Ltd. | 324,373 | | 0~0.500 | (1,163) |
| Shin Kong Fire & Marine Insurance Co., Ltd. | 187,647 | | 0~4.700 | (3,912) |
| Shin Kong Synthetic Fibers Corp. | 138,192 | | 0~4.000 | (94) |
| Wang Tien Woollen Textile Co., Ltd. | 110,927 | | 0~2.800 | (238) |
| Taiwan Futures Co., Ltd. | 202,262 | | 0~6.450 | (355) |
| Others | 1,547,588 | | | (19,179) |
| Total | \$ 9,814,112 | | | (\$ 258,999) |

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

Call Loans to Bank and Call Loans from Bank

| Related Parties | Item | 2003 | | | |
|---------------------------------|----------------------|---------|----------------------------|-----------------|----------|
| | | Balance | Highest Amount During 2003 | Interest Rate % | Interest |
| Taishin Bills Finance Co., Ltd. | Call loans to bank | \$ - | \$ 50,000 | 0.90~1.18 | \$ 5 |
| Taishin Bills Finance Co., Ltd. | Call loans from bank | 300,000 | 300,000 | 0.75~1.40 | (217) |
| | | 2002 | | | |
| Related Parties | Item | Balance | Highest Amount During 2002 | Interest Rate % | Interest |
| Taishin Bills Finance Co., Ltd. | Call loans to bank | \$ - | \$ 550,000 | 1.90~2.40 | \$ 50 |
| Taishin Bills Finance Co., Ltd. | Call loans from bank | 300,000 | 300,000 | 1.30~2.28 | (801) |

All such transaction with related parties were made under arm's length terms, which are consistent with the Bank's normal policies.

Trading Securities

| Related Parties | 2003 | | | | | |
|---|------------------------------------|---------------------------------|------------------|---------------|----------------|---------------|
| | Purchase Price (Cumulative Amount) | Sales Price (Cumulative Amount) | Repurchase Price | | Resale Price | |
| | | | Ending Balance | Interest Rate | Ending Balance | Interest Rate |
| Taiwan Securities Co., Ltd. | \$ 23,408,616 | \$ 22,889,658 | \$ 67,295 | 0.750~2.450 | \$ - | - |
| Taishin Bills Finance Co., Ltd. | 99,670,549 | 90,580,507 | - | 0.650~1.300 | 638,704 | 0.690~1.500 |
| 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 | - | - |
| Total | \$ 123,079,165 | \$ 113,470,165 | \$ 1,744,630 | | \$ 638,704 | |

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| Related Parties | 2002 | | | | | |
|---|---------------------------------------|------------------------------------|---------------------|---------------|--------------------|---------------|
| | Purchase Price (Cumulative Amount) | Sales Price (Cumulative Amount) | Repurchase Price | | Resale Price | |
| | | | Ending Balance | Interest Rate | Ending Balance | Interest Rate |
| Taiwan Securities Co., Ltd. | \$ 13,953,745 | \$ 15,432,421 | \$ 1,470,129 | 1.250~4.200 | \$ 40,074 | 1.950~2.400 |
| Taishin Bills Finance Co., Ltd. | 45,343,185 | 5,789,355 | 2,653,926 | 1.000~2.300 | 1,523,449 | 1.500~4.447 |
| Shin Kong Life Insurance Co., Ltd. | - | 1,735,699 | 2,155,226 | 1.375~2.350 | - | - |
| Shin Kong Fire & Marine Insurance Co., Ltd. | - | - | 155,278 | 1.400~2.200 | - | - |
| Total | \$ 59,296,930 | \$ 22,957,475 | \$ 6,434,559 | | \$1,563,523 | |

Lease Payments and Guarantee Deposits

| Related Parties | Lease Object | Lease Period | Lease Payment | | Guarantee Deposits | |
|------------------------------------|--|-----------------------|---------------|-----------|--------------------|-----------|
| | | | 2003 | 2002 | 2003 | 2002 |
| Shin Kong Life Insurance Co., Ltd. | Tunha S. Rd. Branch Sec. 1, Tunha South Road, Taipei Managerial and other departments | 2001.09.01~2006.08.31 | \$ 67,341 | \$ 80,036 | \$ 16,698 | \$ 14,465 |
| Shinshen Co., Ltd. | Nanking E. Rd. Branch Sec. 3, Nanking East Road, Taipei | 1999.11.01~2005.10.31 | 23,935 | 22,786 | 5,000 | 5,000 |
| Others | | | 12,130 | 10,189 | 1,924 | 1,924 |

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

Transferring Ownerships of the Loans

The loans transferred to Taishin Real-Estate Management Co., Ltd. & Taishin Assets Management Co., Ltd. in the year of 2002 are as follows:

| Related Parties | Original Amount | Transferring Price | Receivable Ending Balances | |
|--|----------------------|---------------------|----------------------------|---------------------|
| | | | 2003 | 2002 |
| Taishin Real-Estate Management Co., Ltd. | \$ 2,855,709 | \$ 952,928 | \$ 571,757 | \$ 857,635 |
| Taishin Assets Management Co., Ltd. | 7,524,413 | 1,913,129 | 1,178,259 | 1,767,389 |
| Total | \$ 10,380,122 | \$ 2,866,057 | \$ 1,750,016 | \$ 2,625,024 |

As of December 31, 2003 and 2002, balance of receivable from transferred loans was as follows:

| Period | Receivable Balance | Unrealized Interest Income |
|-------------------------------------|--------------------|----------------------------|
| December 31, 2003~December 31, 2004 | \$ 1,750,016 | \$ 16,939 |
| December 31, 2002~December 31, 2003 | \$ 2,625,024 | \$ 59,280 |

Bank Notes

| Related Party | Item | 2003 | | 2002 | |
|-----------------------|-----------------|------------|------------------------|------------|------------------------|
| | | Amount | Percentage of Item (%) | Amount | Percentage of Item (%) |
| Taishin Bills Finance | Bank notes 91-1 | \$ 200,000 | 1 | \$ 200,000 | 1 |
| | Bank notes 91-2 | 50,000 | - | 50,000 | - |

24. PLEDGED ASSETS

As of December 31, 2003 and 2002, the assets pledged are as follows:

| Pledged Assets | Descriptions | 2003 | 2002 |
|-------------------------|--|--------------|--------------|
| Refundable collaterals | Bonds, bills, certificates of time deposit | \$ 7,205,112 | \$ 9,822,338 |
| Guarantee deposits paid | Cash | 2,548,405 | 1,213,770 |

25. CONTINGENT LIABILITIES AND COMMITMENTS

As of December 31, 2003 and 2002, the Bank has the following contingent liabilities and commitments:

| | 2003 | 2002 |
|--|---------------|---------------|
| Bills for collection | \$ 22,066,248 | \$ 25,338,111 |
| Custody of marketable securities | 104,809,771 | 87,082,363 |
| Travellers' checks for sale | 248,029 | 284,331 |
| Acceptances | 1,952,377 | 525,687 |
| Guarantees | 23,271,637 | 27,625,481 |
| Letters of credit | 4,778,707 | 3,387,749 |
| Commercial paper or bonds sold under repurchase agreements | 27,899,820 | 27,539,620 |
| Commercial paper or bonds purchased under resale agreements | 4,020,256 | 2,919,000 |
| Trust assets | 81,250,654 | 50,521,604 |
| Unpaid equipment purchase contracts | 2,260,502 | 1,332,551 |
| Unused loan commitments | 64,439,810 | 57,033,675 |
| Forward exchange contracts | 225,642,069 | 149,771,159 |
| Derivatives related to interest rate contracts in notional amount | 270,157,148 | 32,484,000 |
| Derivatives related to foreign exchange contracts in notional amount | 398,297,695 | 155,631,042 |
| Derivatives related to equity securities and merchandises | 268,686 | 674,300 |

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

| Trust Accounts Balance sheet at December 31, 2003 (Expressed in Thousands of New Taiwan Dollars) | | |
|---|----------------------|--|
| Trust assets: | | Trust liabilities -Accrued management fee \$ 3,373 |
| Cash in banks | \$ 1,305,412 | Trust capital: |
| Short-term investments: | | Monetary trust 74,932,844 |
| Common stocks | 6,271,008 | Security trust 6,314,437 |
| Mutual funds | 73,588,963 | Total \$ 81,250,654 |
| Short-term notes and bills | 84,558 | |
| Receivables | 713 | |
| Total | \$ 81,250,654 | |

Trust Assets Summary

| Items | Amount |
|----------------------------|----------------------|
| Cash in banks | \$ 1,305,412 |
| Short-term investments: | |
| Common stocks | 6,271,008 |
| Mutual funds | 73,588,963 |
| Short-term notes and bills | 84,558 |
| Receivables | 713 |
| Total | \$ 81,250,654 |

26. SUBSEQUENT EVENTS

In compliance with Article 31 of the ROC Financial Holding Company Act, Taishin Bank released Taishin Financial Holding's shares on February 2003. As of February 19, 2004, the accumulated transaction amount is \$379,480 thousand with accumulated 12,750 shares and the disposal gain of \$193,128 thousand is reported.

Taishin Bank decided to sell of 3,600 thousand shares of Taishin Insurance Agency Co., Ltd. under the approval of the Board of Directors on February 19, 2004. However, the motion described above will become effective after the approval of the Board of Monetary Affairs (BOMA). As of December 31, 2003, the carrying value of the investment was \$247,869 thousand.

27. DERIVATIVE INSTRUMENT**Transaction-Based Derivative Instrument**

The Bank engages in various derivative instruments, including forward exchange contracts, interest rate swap agreements and cross currency swaps, interest rate swaps, etc., to provide customers hedging instruments of financial positions as a result of import, export and currency exchange transactions, as well as to manage the bank's asset and liability positions and credit risk.

Contract Amount or Nominal Principal Amount and Credit Risk

| Financial Instrument | December 31 | | | |
|----------------------------|-----------------|-------------|-----------------|-------------|
| | 2003 | | 2002 | |
| | Contract Amount | Credit Risk | Contract Amount | Credit Risk |
| Forward exchange contracts | \$ 45,201,412 | \$ 335,085 | \$ 24,746,492 | \$ 574,775 |
| Interest rate swaps | 240,058,956 | 771,500 | 14,761,125 | 30,390 |
| Cross currency swaps | 12,713,941 | 250,375 | - | - |
| Currency options | 78,088,788 | 135,658 | - | - |
| Interest rate options | 2,600,000 | - | - | - |
| Index futures | 268,686 | - | - | - |

Credit risk refers to the risk arising from the inability of a liable party to meet the terms of the Bank's financial instrument contracts when due. The amount for credit risk listed above pertains to contracts with a positive fair value on balance sheet date. It represents the Bank's potential loss, considering potential exposures and credit risk factors, if the liable party breaches the contract. It is the Bank's policy to enter into financial instruments with creditworthy financial institutions and trade within given credit limits. Therefore, the Bank does not anticipate nonperformance by the counterparties.

Market Price Risk

The market price risk refers to the risk arising from fluctuations in exchange rates and interest rates in the market. The Bank estimates its risk value for 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.

| | December 31 | |
|--------------------|--------------------|--------------|
| | 2003 | 2002 |
| | Exchange rate risk | \$ 1,042,047 |
| Interest rate risk | 888,968 | 458,290 |
| | \$ 1,931,015 | \$ 605,977 |

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

The Bank's expected cash inflows and outflows as a result of engaging in transaction-based derivative financial instruments are as follows:

| Financial Instrument | Period | Amount |
|---------------------------|------------------------------|---------|
| Forward exchange contract | Year ended December 31, 2004 | \$ - |
| Interest rate swaps | Year ended December 31, 2004 | 77,000 |
| Cross currency swaps | Year ended December 31, 2004 | 260,000 |
| Currency options | Year ended December 31, 2004 | 18,000 |
| Interest rate options | Year ended December 31, 2004 | 2,000 |
| Index futures | Year ended December 31, 2004 | 1,000 |

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

The Bank uses its working capital to engage in the derivative financial instruments and therefore does not require material additional cash inflows.

The Bank has recorded exchange loss of \$335,426 thousand and exchange gain of \$876,707 thousand for the years ended December 31, 2003 and 2002, respectively.

The Bank has recorded net gain (loss) on derivative financial instruments in amount of \$596,433 thousand and \$(38,587) thousand as a result of engaging in interest rate swaps for the years ended December 31, 2003 and 2002, respectively.

The Bank has recorded net gain (loss) on derivative financial instruments in amount of \$(16,341) thousand, \$323,813 thousand, \$(2,096) thousand, \$(1,084) thousand and \$(1,863) thousand as a result of engaging in cross currency swaps, currency options, interest rate options, interest futures and index futures, respectively, for the year ended December 31, 2003.

Non-Transaction-Based Derivative Financial Instrument**Contract Amount or Nominal Principal Amount and Credit Risk**

| Financial Instrument | December 31 | | | |
|---------------------------|-----------------|-------------|-----------------|-------------|
| | 2003 | | 2002 | |
| | Contract Amount | Credit Risk | Contract Amount | Credit Risk |
| FX swaps | \$ 136,884,808 | \$ 726,071 | \$ 65,929,479 | \$ 553,394 |
| Cross currency swaps | 30,841,907 | 912,436 | 19,409,583 | 265,263 |
| Interest rate swaps | 27,498,193 | 89,574 | 17,722,875 | 85,039 |
| Currency options | 94,566,839 | 2,145,215 | 45,545,488 | 1,198,341 |
| Equity securities options | - | - | 674,300 | - |

Credit risk refers to the risk arising from the inability of a liable party to meet the terms of the Bank's financial instrument contracts when due. The amount for credit risk listed above pertains to contracts with a positive fair value on balance sheet date. It represents the Bank's potential loss, considering potential exposures and credit risk factors, if the liable party breaches the contract. It is the Bank's policy to enter into financial instruments with creditworthy financial institutions and trade within given credit limits. Therefore, the Bank does not anticipate nonperformance by the counterparties.

Market Price Risk

The market price risk refers to the risk arising from fluctuations in exchange rates and interest rates in the market. The Bank engages in the derivative financial instruments described above with a diversity of other 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

The Bank's expected cash inflows and outflows as a result of engaging in non-transaction-based derivative financial instruments are as follows:

| Financial Instrument | Period | Amount |
|----------------------|------------------------------|-----------|
| FX swaps | Year ended December 31, 2004 | \$ 65,000 |
| Cross currency swaps | Year ended December 31, 2004 | - |
| Interest rate swaps | Year ended December 31, 2004 | 15,000 |
| Currency options | Year ended December 31, 2004 | - |

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

The Bank uses its working capital to engage in the derivative financial instruments and therefore does not require material additional cash inflows.

The Presentation of Derivative Financial Instruments in Financial Statements

The Bank classifies the gain or loss as a result of engaging in FX swap, cross currency swap and interest rate swap contracts as interest revenues or interest expenses in the income statement. The net gain or loss as a result of engaging in the contracts described above is listed below:

| | Years Ended December 31 | |
|----------------------|-------------------------|-----------|
| | 2003 | 2002 |
| FX swaps | \$ 126,930 | \$ 19,810 |
| Cross currency swaps | (6,819) | (72,052) |
| Interest rate swaps | 15,979 | 78,983 |

The Bank classifies the gain or loss as a result of engaging in currency options and equity securities options as "gain or loss on derivatives" included in other operating income in the income statement. The Bank's trading gain (loss) as a result of engaging in currency options and equity securities options was \$310,124 thousand and \$(134,704) thousand for the years ended December 31, 2003 and 2002, respectively.

28. Fair Value of Financial Instruments

| Financial Instrument | December 31 | | | |
|--|----------------|----------------|----------------|----------------|
| | 2003 | | 2002 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Assets: | | | | |
| Financial assets in which fair value is equal to carrying value | \$ 140,171,198 | \$ 140,171,198 | \$ 96,988,989 | \$ 96,988,989 |
| Trading financial assets: | | | | |
| Forward exchange | 90,275 | 90,275 | 591,479 | 591,479 |
| Currency options | 2,110,431 | 2,110,431 | - | - |
| Cross currency swaps | 14,020 | 14,020 | - | - |
| Interest rate swaps | 49,773 | 49,773 | - | - |
| Interest rate options | 3,015 | 3,015 | - | - |
| Non-trading financial assets: | | | | |
| FX swaps | 141,966 | 141,966 | 12,917,699 | 12,917,699 |
| Interest rate swaps | - | - | 355,000 | 358,850 |
| Currency options | 278,589 | 278,589 | 1,019,052 | 1,019,052 |
| Trading securities - | | | | |
| Marketable equity securities | 4,030,835 | 4,425,137 | 4,821,628 | 4,996,250 |
| Long-term investments - | | | | |
| Marketable equity securities | 3,930,677 | 6,971,363 | 3,930,677 | 4,686,546 |
| Loans | 398,643,734 | 398,643,734 | 340,818,642 | 340,818,642 |
| Total | \$ 549,464,513 | \$ 552,899,501 | \$ 461,443,166 | \$ 462,377,507 |
| Liabilities: | | | | |
| Financial liabilities in which fair value is equal to carrying value | \$ 94,660,566 | \$ 94,660,566 | \$ 53,783,166 | \$ 53,783,166 |
| Trading Liabilities: | | | | |
| Forward exchange | 306,108 | 306,108 | - | - |
| Currency options | 981,115 | 981,115 | - | - |
| Interest rate options | 2,560 | 2,560 | - | - |
| Non-trading liabilities: | | | | |
| FX swaps | 843,849 | 843,849 | 12,818,727 | 12,818,727 |
| Cross currency swaps | - | - | 63,790 | 63,790 |
| Currency options | 877,282 | 877,282 | 989,528 | 989,528 |
| Equity securities options | - | - | 40,092 | 40,092 |
| Deposits and remittances | 433,112,146 | 433,112,146 | 383,279,204 | 383,279,204 |
| Total | \$ 530,783,626 | \$ 530,783,626 | \$ 450,974,507 | \$ 450,974,507 |

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

The fair values of the short-term financial instruments are determined by their carrying values on the balance sheet dates. As the due dates of these financial instruments are current, the carrying values approximate the fair values. The method applies to cash, due from banks, due from Central Bank of China, receivables, payables, prepayments, advances receipts, 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.

Trading securities and long-term investments are measured based on 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 book 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. And ordinarily the fair values of the financial instruments include unrealized gain or loss. Most financial instruments of Taishin Bank were quoted from financial institution.

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

| Assets: | 2003 | | | | |
|---|-------------------------|----------------|-----------------|------------------|----------------|
| | 0~30 Days | 31~180 Days | 181 Days~1 Year | More Than 1 Year | Total |
| | Cash and due from banks | \$ 25,138,000 | \$ - | \$ - | \$ - |
| Call loans to banks and banks' overdrafts | 300,000 | - | - | - | 300,000 |
| Investment | 64,774,000 | 10,413,000 | 1,687,000 | 9,072,000 | 85,946,000 |
| Loans (including delinquent loans) | 32,831,000 | 53,240,000 | 95,637,000 | 187,534,000 | 369,242,000 |
| Interest receivables | 1,751,000 | - | - | - | 1,751,000 |
| Property and equipment | - | - | - | 15,627,000 | 15,627,000 |
| Others | 47,263,000 | 45,369,000 | 15,890,000 | 18,622,000 | 127,144,000 |
| Total | \$ 172,057,000 | \$ 109,022,000 | \$ 113,214,000 | \$ 230,855,000 | \$ 625,148,000 |
| Liabilities: | | | | | |
| Call loans from banks and overdrafts on banks | \$ 26,231,000 | \$ - | \$ - | \$ - | \$ 26,231,000 |
| Due to banks (including time deposits transferred from post office) | 1,800,000 | 27,970,000 | 19,468,000 | 22,000 | 49,260,000 |
| Deposits | 58,515,000 | 117,542,000 | 114,962,000 | 35,027,000 | 326,046,000 |
| Interest payables | 1,570,000 | 25,000 | 53,000 | - | 1,648,000 |
| Borrowings | 19,224,000 | 7,903,000 | - | 20,023,000 | 47,150,000 |
| Others | 35,090,000 | 64,835,000 | 26,583,000 | 4,607,000 | 131,115,000 |
| Total | \$ 142,430,000 | \$ 218,275,000 | \$ 161,066,000 | \$ 59,679,000 | \$ 581,450,000 |
| Assets: | | | | | |
| Cash and due from banks | \$ 20,618,000 | \$ - | \$ - | \$ - | \$ 20,618,000 |
| Call loans to banks and banks' overdrafts | 300,000 | - | - | - | 300,000 |
| Investment | 67,241,000 | 2,569,000 | 4,058,000 | 8,907,000 | 82,775,000 |
| Loans (including overdue receivables) | 47,211,000 | 43,227,000 | 74,787,000 | 158,556,000 | 323,781,000 |
| Interest receivables | 2,426,000 | - | - | - | 2,426,000 |
| Property and equipment | - | - | - | 13,636,000 | 13,636,000 |
| Others | 23,473,000 | 21,763,000 | 7,665,000 | 23,417,000 | 76,318,000 |
| Total | \$ 161,269,000 | \$ 67,599,000 | \$ 86,510,000 | \$ 204,516,000 | \$ 519,854,000 |

Financial Statements

| | 2002 | | | | |
|---|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | 0~30 Days | 31~180 Days | 181 Days~1 Year | More Than 1 Year | Total |
| Liabilities: | | | | | |
| Call loans from banks and overdrafts on banks | \$ 11,324,000 | \$ - | \$ - | \$ - | \$ 11,324,000 |
| Due to banks (including time deposits transferred from post office) | 1,592,000 | 30,080,000 | 22,630,000 | 24,000 | 54,326,000 |
| Deposits | 48,637,000 | 113,812,000 | 114,717,000 | 23,366,000 | 300,532,000 |
| Interest payables | 2,417,000 | 8,000 | - | 52,000 | 2,477,000 |
| Borrowings | 25,988,000 | 1,336,000 | 216,000 | 15,171,000 | 42,711,000 |
| Others | 20,373,000 | 19,833,000 | 22,727,000 | 9,396,000 | 72,329,000 |
| Total | \$ 110,331,000 | \$ 165,069,000 | \$ 160,290,000 | \$ 48,009,000 | \$ 483,699,000 |

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

30. INTEREST EARNING ASSETS AND INTEREST BEARING LIABILITIES

The average interest-earning assets, interest bearing liabilities and average interest rates for the years ended December 31, 2003 and 2002 are as follows:

| | 2003 | | 2002 | |
|---|---------------|-------------------------|---------------|-------------------------|
| | Average Value | Average Interest Rate % | Average Value | Average Interest Rate % |
| Assets: | | | | |
| Due from Central Bank | \$ 20,196,630 | 1.43 | \$ 12,194,605 | 2.83 |
| Trading securities bills | 40,772,948 | 1.79 | 49,347,356 | 2.32 |
| Trading securities bonds | 9,439,418 | 3.50 | 7,112,760 | 4.63 |
| Due from banks | 5,938,279 | 1.04 | 4,005,674 | 0.71 |
| Loans | 346,700,345 | 7.40 | 305,765,330 | 8.59 |
| Liabilities: | | | | |
| Due to banks | 33,469,009 | 1.08 | 24,179,751 | 1.86 |
| Demand deposits | 108,585,542 | 0.57 | 88,586,183 | 1.42 |
| Time deposits (including NCD) | 233,234,053 | 1.65 | 222,767,664 | 2.78 |
| Deposits transferred from the Postal Bureau | 51,256,798 | 1.69 | 49,401,054 | 2.68 |
| Bank notes | 15,408,767 | 4.26 | - | - |

31. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments and credit card transactions with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loans, guarantees, and acceptances bearing interest of 1.024% to 20% for the years ended December 31, 2003 and 2002. The interest rate for credit cards can be as high as 20%.

As of December 31, 2003, the Bank' financial instruments with off-balance-sheet risk consist of the following:

| | December 31 | |
|---------------------|---------------|---------------|
| | 2003 | 2002 |
| Unused credit lines | \$ 64,439,810 | \$ 57,033,675 |
| Credit card lines | 384,987,828 | 246,454,348 |

Since the financial instruments will not be all paid off when due, the contract amounts do not represent future cash outflows. That is, the future cash outflows will be less than the contract amount. If the approved credit lines have been used up and the value of the collateral related to these transactions have been totally impaired, the credit risk amount equals to the contract amount, which is the potential loss at maximum.

The Bank has followed a strict credit policy to assess and approve all credit lines and guarantees. Certain customers were requested to provide collaterals. The amount of secured loans accounts for 57.56% and 53.72% of the total loans for the years ended December 31, 2003 and 2002, respectively. The collateral for loans, financing guarantees and letters of credit guarantees are cash, inventories, securities, plants and other assets. If the customers default, the Bank will execute its rights to the collateral in accordance with the terms of the contracts.

There is no collateral related to credit card transactions. However, the Bank reassesses its customers' credit ratings periodically. The customers' credit limits will be adjusted if necessary.

32. DISCLOSURES UNDER STATUTORY REQUIREMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

The related information of material transactions is as follows:

| No. | Item | Explanation |
|-----|---|-------------|
| 1 | Capital lending to another party | Note |
| 2 | Endorsement for another party | Note |
| 3 | Marketable securities held as of December 31, 2003 | Note |
| 4 | Accumulated purchases and sales balance of specific marketable security over NT\$100 million or 20% of outstanding capital for the year ended December 31, 2003 | Note |
| 5 | Acquisition of fixed assets over NT\$100 million or 20% of outstanding capital for the year ended December 31, 2003 | None |
| 6 | Disposal of fixed assets over NT\$100 million or 20% of outstanding capital for the year ended December 31, 2003 | None |
| 7 | Balance of accumulated purchases and sales with the related party over NT\$100 million or 20% of outstanding capital for the year ended December 31, 2003 | Note |
| 8 | Receivables from related parties over NT\$100 million or 20% of outstanding capital | Note 23 |
| 9 | Derivative instrument | Note 27 |

Note: Not applicable or not required for disclosure for a financial institution.

The related information of Taishin Bank's investees:

| No. | Item | Explanation |
|-----|---|------------------|
| 1 | Related information of investees' names, locations, etc | Table 1 |
| 2 | Capital lending to another party | Table 2 (Note a) |
| 3 | Endorsement for another party | None |
| 4 | Marketable securities held as of December 31, 2003 | Table 3 (Note a) |
| 5 | Accumulated purchases and sales balance of specific marketable security over NT\$100 million or 20% of outstanding capital for the year ended December 31, 2003 | None |
| 6 | Acquisition of property, plant and equipment over NT\$100 million or 20% of outstanding capital for the year ended December 31, 2003 | Note b |
| 7 | Disposal of property, plant and equipment over NT\$100 million or 20% of outstanding capital for the year ended December 31, 2003 | Note b |
| 8 | Balance of accumulated purchases and sales with the related party over \$100 million or 20% of outstanding capital for the year ended December 31, 2003 | Note b |
| 9 | Receivables from related parties over NT\$100 million or 20% of outstanding capital | Note b |
| 10 | Derivative instrument | Note b |

Note a: Not applicable or not required for disclosure if the investee is a financial institution, insurance company, or security company.

Note b: Not applicable or not required for disclosure if the total assets or operating revenue of the investee is less than 10% of that of Taishin Bank, respectively.

Table 1 Related information of investees' names, locations, etc.

(NT\$'000, except for percentages and shares)

| Investor | Investees' Names | Investees' Location | Principal Business Activities | Original Investment Amount | | Ending Balance | | | Net Income (Loss) of Current Period | Recognized Income (Loss) of Current Period | Note |
|--|--|--|---|----------------------------|--------------------|----------------|--------|------------|-------------------------------------|--|--|
| | | | | End of Current Period | End of Last Period | Shares | Ratio | Book Value | | | |
| 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 | 60,109 | 30,206 | 13,976 | Subsidiary |
| | Taishin Insurance Agency Co., Ltd. | 6Fl., No. 23, Sec. 1, Changan E. Rd., Taipei, Taiwan | Life insurance agency | 1,500 | 1,500 | 3,600,000 | 60.00 | 247,869 | 309,842 | 186,892 | Subsidiary |
| | Taishin International Finance Co., Ltd. | Room 1501, 15Fl., Tower II, Admiralty Centre, 18 Harcourt Road, Hong Kong | Import and export of foreign exchange, trade financing, guarantee and acceptance | 127,314 | 127,314 | 29,999,700 | 99.99 | 149,293 | 12,975 | 12,974 | 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 | 3,400,000 | 66.67 | 60,424 | 40,079 | 26,719 | 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 | 127,717 | (4,376) | (4,333) | Subsidiary |
| | 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 | 25,874 | 11,999 | 3,624 | Investee on which Taishin Bank has significant influence |
| | Taishin Venture Capital Investment Co., Ltd. | 10Fl., No. 46, Sec. 2, Jungshan N. Rd., Taipei, Taiwan | Investment | 60,000 | 75,000 | 6,000,000 | 5.00 | 56,642 | 1,136 | (3,358) | Investee on which Taishin Bank has significant influence |
| Taishin Insurance Agency Co., Ltd. | 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 | 34,232 | 28,919 | 28,127 | Subsidiary |
| | Taishin Insurance Brokers Co., Ltd. | 6Fl., No. 23, Sec. 1, Changan E. Rd., Taipei, Taiwan | Insurance brokers | 2,000 | 2,000 | 200,000 | 100.00 | 4,439 | 3,506 | 3,506 | Subsidiary |
| An Hsin Real-Estate Management Co., Ltd. | Riches Asset Management Service Company | 10Fl., No. 97, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan | Consumption on delinquent loans, evaluation, auction, and management | 5,500 | 5,500 | 550,000 | 55.00 | 6,787 | 2,340 | 1,267 | Subsidiary |
| | Jsaijin Advanced Optical Technology | 2F, No. 28, 54 Alley, Jangjam Rd, Sindian City Taipei Country, Taiwan. | Precise instrument wholesale, traffic sign construction | 9,000 | 9,000 | 900,000 | 25.00 | 6,000 | (1,862) | (3,000) | Investee on which An Hsin Real-Estate Management Limited has significant influence |
| 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 | 4,620,000 | 30.93 | 76,201 | - | - | Investee on which Taishin Venture Capital has significant influence |
| Taishin International Finance Co., Ltd. | T.S. Assets Management Limited | 3rd Fl., Omer Hedge building, Wick Hams Cay1, P.O. Box 362, Road Town, Tortola, British Virgin Islands | Investment and asset management | - | 93 | 10,000 | 100.00 | 93 | 3,408 | - | Investee on which Taishin International Finance Co., has significant influence |

Table 2 Capital lending to another party as of December 31, 2003:

(NT\$'000, except for percentages)

| No. | Lending Company | Borrower | Account | Highest Balance of Current Period | Ending Balance | Interest Rate Internal | Nature of Lending | Amount of Transaction | Reason of Necessity of Lending | Provision | Collateral | | Lending Limit Amount | Total Limit Amount of Lending |
|-----|--|-------------------------------------|------------------|-----------------------------------|----------------|------------------------|-------------------|-----------------------|--------------------------------|-----------|------------|-------|----------------------|---|
| | | | | | | | | | | | Name | Value | | |
| 1 | An Hsin Real-Estate Management Co., Ltd. | Jinjao Construction Development Co. | Other receivable | 10,000 | - | 7.93% | Business | - | - | - | | | | 20% of net value of the Lending Company |

Table 3 Investees' marketable securities held at December 31, 2003:

(NT\$'000, except for percentages and shares)

| Owner | Type and Name of Marketable Security | Issuer's Relationship to the Owner | Accounts Recorded | December 31, 2003 | | | | Note |
|--|--|------------------------------------|-----------------------|-------------------|----------------|--------|--------------|------|
| | | | | Shares (Units) | Carrying Value | % | Market Value | |
| Taishin Real-Estate Management Co., Ltd. | Stock - Common stock of Taishin Financial | Parent | Long-term investment | 1,309,567 | 17,500 | 0.04 | 33,656 | |
| Taishin Insurance Agency Co., Ltd. | Stock: Taishin Non-Life Insurance Agency Co., Ltd | Parent and subsidiary | Long-term investment | 439,200 | 34,232 | 97.60 | - | |
| | Chi-Long Technology Co., Ltd | Parent and subsidiary | Long-term investment | 950,000 | 9,500 | 5.00 | - | |
| | Taishin Insurance Broker Co., Ltd | Parent and subsidiary | Long-term investment | 200,000 | 4,439 | 100.00 | - | |
| Dah An Leasing Co., Ltd. | Stock: Hann Star Display | | Short-term investment | 1,509,000 | 22,560 | 0.04 | 20,462 | |
| | Century Development | | Long-term investment | 7,206,059 | 52,407 | 3.03 | - | |
| | Pacific Security | | Long-term investment | 926,368 | 14,927 | 0.22 | - | |
| | Yuan Tai Forex | | Long-term investment | 600,000 | 6,000 | 5.00 | - | |
| | Bon-Li International Funds - Shin Kong Chi-Shin Fund | | Long-term investment | 125,000 | 1,250 | 1.50 | - | |
| | | | Short-term investment | 1,114,173.02 | 15,000 | - | 15,063 | |
| An Hsin Real-Estate Management Inc. | Stock: Riches Asset Management Service Company | Parent and subsidiary | Long-term investment | 550,000 | 6,787 | 55.00 | - | |
| | Jsaijin Advanced Optical Technology | Equity investee | Long-term investment | 900,000 | 6,000 | 25.00 | - | |
| | Bond Fund: Golden Asia Pacific | | Short-term investment | 806,193 | 9,645 | - | 9,743 | |
| | TIIM | | Short-term investment | 2,174,269 | 28,909 | - | 29,430 | |
| | E-Sun Hill | | Short-term investment | 200,050 | 2,000 | - | 1,842 | |
| | Fuhwa | | Short-term investment | 204,213 | 2,500 | - | 2,500 | |
| | Shin Kong Taiwan | | Short-term investment | 84,231 | 1,300 | - | 1,343 | |
| | E-Sun New Century | | Short-term investment | 1,352,868 | 14,027 | - | 14,075 | |
| | PCA Securities Investment Trust Bond fund | | Short-term investment | 536,261 | 8,000 | - | 8,008 | |



Taishin Bank

Annual Report

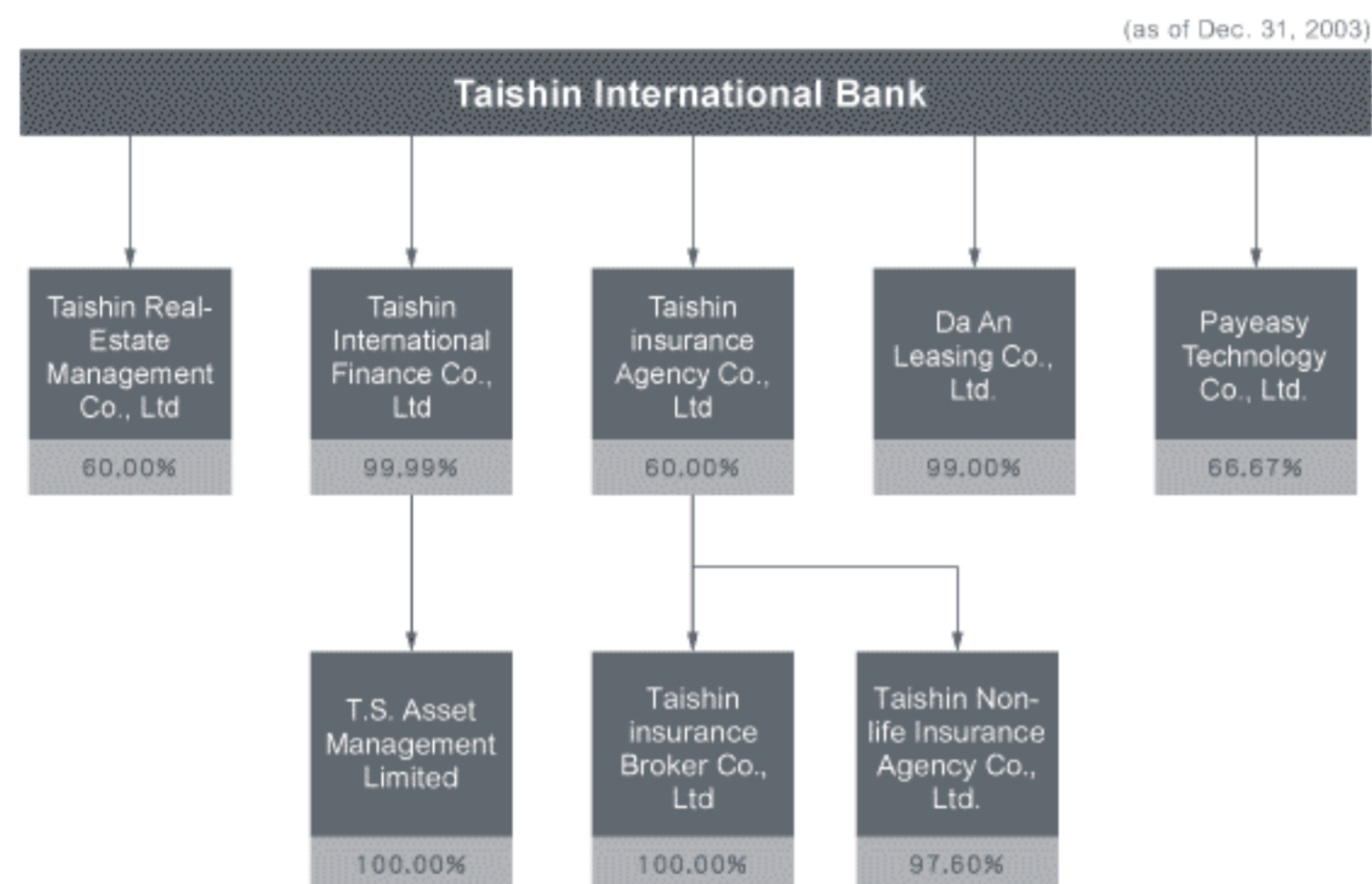
2003



Our collaborative team works in tandem to maintain our insight into the future and create the broadest path forward.

Special Items of Record **VI**

I. Organization Chart of Taishin International Bank



II. Related Companies

Business profile (as of Dec. 31, 2003) (NT\$1,000)

| Company name | Capital Stock | Total Assets | Total Liabilities | Net Worth | Operating Revenue | Operating Profit | Net Profits (after tax) | EPS (after tax) |
|---|---------------|--------------|-------------------|-----------|-------------------|------------------|-------------------------|-----------------|
| Payeasy Technology Co., Ltd. | 51,000 | 210,623 | 119,988 | 90,636 | 651,166 | 53,960 | 40,079 | 7.86 |
| Taishin Insurance Agency Co., Ltd. | 60,000 | 649,311 | 236,196 | 413,115 | 1,657,844 | 372,560 | 309,842 | 51.64 |
| Taishin Non-life Insurance Agency Co., Ltd. | 4,500 | 91,292 | 56,218 | 35,074 | 136,512 | 38,281 | 28,919 | 64.26 |
| Taishin Insurance Brokers Co., Ltd. | 2,000 | 9,032 | 4,593 | 4,440 | 16,614 | 4,718 | 3,506 | 17.53 |
| Dah An Leasing Co., Ltd. | 200,000 | 129,088 | 80 | 129,008 | 10,024 | -4,376 | -4,376 | -0.22 |
| Taishin International Finance Co., Ltd. | 131,310 | 1,278,922 | 1,132,032 | 146,890 | 30,662 | 14,047 | 12,975 | 0.43 |
| T.S. Asset Management Limited | 93 | 105,472 | 101,971 | 3,501 | 3,478 | 3,408 | 3,408 | 340.8 |
| Taishin Real-Estate Management Co., Ltd. | 66,000 | 891,861 | 791,679 | 100,182 | 116,759 | 58,472 | 30,206 | 4.58 |

TWD/HKD = 1:4.377 on December 31, 2003

TWD/USD = 1:33.978 on December 31, 2003

III. Stock Dividend Policy and Status of Implementation

1. Stock Dividend Policy (Revision as approved by the Shareholders' Meeting on Apr. 18, 2002)

Principle Stock Dividend Policy

A. Under the Bank's status of subordination to the Taishin Financial Holding Co. and with consideration to the principle of bringing the capital adequacy ratio to a reasonable level, to meet the needs of the mother company for operating capital, stock dividends and bonuses on preferred shares will be distributed in accordance with the conditions of their issuance, and stock dividends and bonuses issued to holders of common shares will, in principle, be issued to shareholders in the form of cash dividends, with the stock dividend policy that is adopted being designed to maintain stability and balance in the distribution of stock dividends and bonuses each year.

B. Whenever there is concern about the Bank's capital adequacy ratio reaching a reasonable level, with the exception of stock dividends and bonuses for preferred shares, which will be distributed in accordance with the conditions of their issuance, the distributions of dividends and bonuses for common shares will, in principle, be divided evenly between cash and stock dividends; in consideration of the profit situation, status of funds, status of capital accumulation, and extent of stock dividend dilution, however, the Bank may adjust the stock dividend ratio to an appropriate degree, on condition that the extent of dilution of estimated after-tax earnings per share following the distribution of shares does not exceed 20%.

C. When the capability of distributing earnings as stock dividends and bonuses on common shares for the current fiscal years exceeds the amount actually distributed for the previous fiscal year by 20% or more, and when the price level of the Bank's common shares for the current period shows no appreciable increase, then the Bank may retain the excess portion of the earnings for the purpose of balancing stock dividends in the next fiscal year.

2. Status of Implementation (Uncompensated Distribution of Shares): N/A

IV. Statement of Internal Controls

On behalf of the Taishin International Bank we affirm that during the period of Jan. 1, 2003 through Dec. 31, 2003 the Bank did in fact conform to the Implementation Regulations for Banks' Internal Control Systems and Auditing Systems in establishing a system of internal controls and implementing risk management, and that the Bank was audited by an unbiased and independent unit which submitted reports regularly to the Bank's directors and supervisors. Careful assessment reveals that the Bank's various units did in fact effectively implement internal controls and observe the relevant laws and regulations during this fiscal year.

This Statement is submitted to the Ministry of Finance.

Statement by

President

Chief Auditor

Conformance Executive



Taishin Bank

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Major Events in 2003 VII



From humble, small beginnings, we are growing aggressively into all major markets.

Major Events in 2003

- Mar. 25 Index-linked loans introduced.
- Apr. 03 "Offset Interest-Free Home Loans" introduced.
- Apr. 30 Shin Kong Mitsukoshi Platinum Card introduced to the market.
- May 20 Super-value air travel service, unlimited class upgrades, inaugurated for Infinite Card holders.
- May 21 Taishin Bank introduces pioneering revolving "Smart Loans" with automatic quota resumption.
- June 09 Immediate "Five-Minute Issuance" instituted for You-be cash cards.
- June 10 Exclusive women's credit card brand introduced: the Taishin Bank's Rose Card Upgrade to Platinum.
- June 12 Taishin Bank introduces world's first "Verified by Visa" online cash advance application.
- June 19 Taishin Bank pioneers introduction of three-year multi-currency (Austrian Dollar, New Zealand Dollar, euro) foreign currency- and stock price-linked package products.
- June 25 Hong Kong Branch opens for business.
- June 30 Chienchiao Flagship Wealth Management Center opens for business.
- July 15 Preferential-interest credit-card loans carrying interest of 2.99% for first six months introduced.
- July 23 Foreign-currency repurchase guaranteed principal structure deposits priced in US dollars inaugurated.
- Aug. 26 Taishin Bank named as member of the American Express World Service Program by Amex Global Network Services for three consecutive years.
- Sep. 15 The Bank's Art Card redesigned to provide more diversified consumer benefits and increase the anti-fraud safety identification function.
- Sep. 23 Taiwan's first "Heavy Vehicle Loan" program introduced to provide heavy vehicle operators with made-to-order revolving-fund loans.
- Oct. 17 Sungshou Mini Branch inaugurated.
- Oct. 22 Lingya Wealth Management Flagship Center opens for business.
- Nov. 10 Taishin Bank receives permission to join the International Swaps and Derivatives Association (ISDA).
- Nov. 28 Number of valid Taishin Bank-issued credit cards in circulation breaks through 4 million mark.
- Dec. 10 Taishin Bank and the Taiwan agent for Daimler Chrysler introduced the world's first Mercedes-Benz Platinum Card, providing Mercedes-Benz drivers with exclusive top-range services.
- Dec. 31 Smart credit card introduced jointly with the Taiwan agent for Daimler Benz. Taoyuan Flagship Wealth Management Center opened for business.



Taishin Bank

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Changing traditional thinking through innovation.

spreading our wings to achieve a great future.

List of Branch **VIII**

List of Branch

Domestic Unit

| | | | | | |
|-----------------------------|---|-----------------|----------------------------------|--|-----------------|
| ■ Business Department | No.44, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | 886-2-2568-3988 | ■ Sanchong Branch | No.116, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.) | 886-2-2983-6100 |
| ■ Trust Department | No.41, Sec. 1, Jhonghua Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.) | 886-2-2389-3456 | ■ Jingping Branch | No.634-9, Jingping Rd., Jhonghe City, Taipei County 235, Taiwan (R.O.C.) | 886-2-2242-8989 |
| ■ International Department | No.17, Sec. 2, Jianguo N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | 886-2-2505-6966 | ■ Jhonghe Branch | No.341, Jhonghe Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.) | 886-2-2232-7788 |
| ■ Offshore Banking Unit | No.17, Sec. 2, Jianguo N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | 886-2-2505-6966 | ■ Yonghe Branch | No.195, Jhulin Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.) | 886-2-8923-0588 |
| ■ Yanping Branch | No.190, Sec. 2, Yanping N. Rd., Datong District, Taipei City 103, Taiwan (R.O.C.) | 886-2-2557-9155 | ■ Sijhih Branch | No.135, Jhongsing Rd., Sijhih City, Taipei County 221, Taiwan (R.O.C.) | 886-2-2694-5133 |
| ■ Heping Branch | No.238, Sec. 1, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | 886-2-2368-5589 | ■ Banciao Branch | No.176, Jhongheng Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.) | 886-2-2965-8888 |
| ■ Da-an Mini-Branch | No.118, Sec. 3, Sinyi Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | 886-2-2700-9388 | ■ Chiangtsui Branch | No.79, Alley 3, Lane 182, Sec. 2, Wunhua Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.) | 886-2-8252-9999 |
| ■ Dunnan Branch | No.243, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | 886-2-2721-6789 | ■ Bannan Branch | No.41, 43, Guancian E. Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.) | 886-2-2956-6789 |
| ■ Sinyi Branch | No.89, Leli Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | 886-2-2739-3988 | ■ Sioulang Branch | No.533, Jhongheng Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.) | 886-2-8667-5533 |
| ■ Peishih Mini-Branch | No.347, Sec. 2, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | 886-2-2705-8588 | ■ Sindian Branch | No.114, Jianguo Rd., & No.66, Minzu Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.) | 886-2-2915-7766 |
| ■ Sinsheng Branch | No.62, Sec. 1, Sinsheng S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | 886-2-2395-2888 | ■ Jhonghuang Branch | No.425, Jhongheng Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.) | 886-2-2205-9688 |
| ■ Jiancheng Branch | No.278, Nanjing W. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | 886-2-2555-3866 | ■ Sinjhuang Branch | No.75, Sec. 2, Jhonghua Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.) | 886-2-2998-0888 |
| ■ Dazhi Mini-Branch | No.645, Bei-an Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | 886-2-8509-6858 | ■ South Sinjhuang Mini-Branch | No.58, Fuguo Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.) | 886-2-2906-8868 |
| ■ Chengtung Branch | No.123, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | 886-2-2516-5766 | ■ Lujhou Branch | No.265, Minzu Rd., Lujhou City, Taipei County 247, Taiwan (R.O.C.) | 886-2-2848-5858 |
| ■ Jianciao Branch | No.96, Sec. 1, Jianguo N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | 886-2-2508-1899 | ■ East Keelung Branch | No.133-1, Sin 1st Rd., Jhongheng District, Keelung City 202, Taiwan (R.O.C.) | 886-2-2424-9999 |
| ■ Jianpei Branch | No.17, Sec. 2, Jianguo N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.) | 886-2-2505-6966 | ■ Taoyuan Branch | No.205, Fusing Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.) | 886-3-339-6000 |
| ■ Nanmen Mini-Branch | No.55, Sec. 1, Nanchang Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.) | 886-2-2397-2588 | ■ Sianfu Branch | No.116, Sianfu Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.) | 886-3-335-1955 |
| ■ Simen Branch | No.41, Sec. 1, Jhonghua Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.) | 886-2-2389-3456 | ■ Jhongli Branch | No.366, Yanping Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.) | 886-3-427-2345 |
| ■ Kuting Branch | No.28, Sec. 3, Roosevelt Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.) | 886-2-2364-6888 | ■ Nanli Branch | No.369, Jhongfong N. Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.) | 886-3-427-3377 |
| ■ Tienmou Branch | No.56, Sec. 1, Jhongcheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.) | 886-2-2836-3988 | ■ Longtan Branch | No.176, Jia-an Sec., Jhongheng Rd., Longtan Township, Taoyuan County 325, Taiwan (R.O.C.) | 886-3-499-3800 |
| ■ North Tienmou Mini-Branch | No.20, Sec. 7, Jhongshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.) | 886-2-2877-1818 | ■ Hsinchu Industrial Park Branch | No.289, Sec. 2, Guangfu Rd., Hsinchu City 300, Taiwan (R.O.C.) | 886-3-516-3123 |
| ■ Neihu Branch | No.358, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.) | 886-2-2659-9966 | ■ Hsinchu Branch | No.83, Sec. 2, Dongda Rd., Hsinchu City 300, Taiwan (R.O.C.) | 886-3-535-1899 |
| ■ Jhongsiao Branch | No.280, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.) | 886-2-6636-9999 | ■ Hsinko Branch | No.2, Jinshan St., Hsinchu City 300, Taiwan (R.O.C.) | 886-3-563-3000 |
| ■ Taipei Branch | No.208,210, Sec. 3, Bade Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | 886-2-2579-8989 | ■ Jhubei Branch | No.193, Renyi Rd., Jhubei City, Hsinchu County 302, Taiwan (R.O.C.) | 886-3-656-5690 |
| ■ Dunpei Branch | No.117, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | 886-2-2712-6666 | ■ West Taichung Branch | No.711, Dadun Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.) | 886-4-2327-4567 |
| ■ Nantung Branch | No.289, Sec. 3, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | 886-2-2546-1068 | ■ Taichung Branch | No.308, Sec. 1, Taichung Port Rd., North District, Taichung City 404, Taiwan (R.O.C.) | 886-4-2328-5577 |
| ■ Minsheng Mini-Branch | No.510, Fujin St., Songshan District, Taipei City 105, Taiwan (R.O.C.) | 886-2-8787-2680 | ■ Wunsin Branch | No.447, Sec. 3, Wunsin Rd., Beitun District, Taichung City 407, Taiwan (R.O.C.) | 886-4-2294-6888 |
| ■ Fusing Branch | No.150, Fusing N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | 886-2-2713-7666 | ■ Mincyuan Branch | No.559, Mincyuan Rd., North District, Taichung City 404, Taiwan (R.O.C.) | 886-4-2205-1888 |
| ■ South Songshan Branch | No.92, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.) | 886-2-2528-6188 | ■ Fengchia Branch | No.258, Sec. 2, Henan Rd., Situn District, Taichung City 407, Taiwan (R.O.C.) | 886-4-2451-7890 |
| ■ Songde Branch | No.493, Songshan Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.) | 886-2-2726-1688 | ■ Nantun Branch | No.187, Sec. 2, Dongsing Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.) | 886-4-2471-4766 |
| ■ Taipei 101 Mini-Branch | Room 503, 5F, No.45, Shihfu Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.) | 886-2-8101-8686 | ■ North Taichung | No.55, Sec. 2, Chongde Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.) | 886-4-2232-6886 |
| ■ Songshou Mini-Branch | B1F., No.11, Songshou Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.) | 886-2-2723-8333 | ■ Dali Branch | No.127, Sec. 2, Jhongsing Rd., Dali City, Taichung County 412, Taiwan (R.O.C.) | 886-4-2483-4088 |
| ■ Keelung Rd. Branch | No.55, Sec. 2, Keelung Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.) | 886-2-2735-2567 | ■ Daya Branch | No.198, Sec. 2, Jhongcing Rd., Daya Township, Taichung County 428, Taiwan (R.O.C.) | 886-4-2565-2299 |
| ■ Sanhe Branch | No.183, Sec. 4, Sanhe Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.) | 886-2-2287-7979 | ■ Taiping Branch | No.511, Yichang Rd., Taiping City, Taichung County 411, Taiwan (R.O.C.) | 886-4-2273-0588 |

List of Branch

Domestic Unit

| | | |
|--------------------------|---|-----------------|
| ■ Fongyuan Branch | No.129, Yuanhuan S. Rd., Fongyuan City, Taichung County 420, Taiwan (R.O.C.) | 886-4-2525-7999 |
| ■ Changhua Branch | No.273, Sec. 1, Jhongjheng Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.) | 886-4-722-7789 |
| ■ Fucheng Branch | 1F., No.88, Jhongshan Rd., West Central District, Tainan City 700, Taiwan (R.O.C.) | 886-6-228-4400 |
| ■ Yongfu Branch | No.150, Sec. 2, Yongfu Rd., West Central District, Tainan City 700, Taiwan (R.O.C.) | 886-6-220-4622 |
| ■ Tainan Branch | No.389, Sec. 2, Simen Rd., West Central District, Tainan City 700, Taiwan (R.O.C.) | 886-6-223-3383 |
| ■ Jinhua Branch | No.195, Sec. 2, Jinhua Rd., South District, Tainan City 702, Taiwan (R.O.C.) | 886-6-263-9121 |
| ■ Haidian Branch | No.130, Sec. 1, Haidian Rd., Annan District, Tainan City 709, Taiwan (R.O.C.) | 886-6-258-5015 |
| ■ Chongde Branch | No.260, Chongde Rd., East District, Tainan City 701, Taiwan (R.O.C.) | 886-6-290-6901 |
| ■ Houchia Branch | No.660, Yunong Rd., East District, Tainan City 701, Taiwan (R.O.C.) | 886-6-268-7412 |
| ■ Yongkang Branch | No.986, Jhonghua Rd., Yongkang City, Tainan County 710, Taiwan (R.O.C.) | 886-6-242-5788 |
| ■ Chiayi Branch | No.620, Chueiyang Rd., Chiayi City 600, Taiwan (R.O.C.) | 886-5-222-2818 |
| ■ Cisian Branch | No.249, Cisian 1st Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.) | 886-7-238-8545 |
| ■ Kaohsiung Branch | No.98, Jhonghua 3rd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.) | 886-7-282-4300 |
| ■ Wufu Branch | No.116, Wufu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.) | 886-7-216-8855 |
| ■ Linya Branch | No.260, Jhongshan 2nd Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.) | (07)537-5537 |
| ■ East Kaohsiung Branch | No.309,311, Jiansing Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.) | 886-7-380-1500 |
| ■ North Kaohsiung Branch | No.360, Bo-ai 2nd Rd., Zuoying District, Kaohsiung City 813, Taiwan (R.O.C.) | 886-7-550-9900 |
| ■ Gangshan Branch | No.95, Weiren Rd., Gangshan Township, Kaohsiung County 820, Taiwan (R.O.C.) | 886-7-821-9677 |
| ■ Fongshan Branch | No.105, Jhongshan W. Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.) | 886-7-719-9999 |
| ■ Wujia Branch | No.9, Wujia 3rd Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.) | 886-7-813-1168 |
| ■ Nanping Branch | No.75-2,3, Ren-ai Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.) | 886-8-733-7575 |
| ■ Pingtung Branch | No.103, Guangdong Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.) | 886-8-721-7777 |
| ■ Hualien Branch | No.183, Jhongjheng Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.) | 886-3-834-5930 |

Overseas Unit

| | | |
|--------------------|---|--------------|
| ■ Hong Kong Branch | 15/FI., Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong | 852-22349009 |
|--------------------|---|--------------|