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2004 Annual Report



Taishin Bank

44 Chung-Shan North Road, Section 2, Taipei Taiwan R.O.C.
Tel : 886-2-2568-3988 Fax : 886-2-2511-1987 swift code : TSIBTWTP
<http://www.taishinbank.com.tw>



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Head Office :

No.44, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)

Tel : 886-2-2568-3988

Fax : 886-2-2511-1987

Website : <http://www.taishinbank.com.tw>

Spokesperson :

Daniel M. Tsai, President

Tel : 886-2-2565-4833

Email : daniel@taishinbank.com.tw

Deputy Spokesperson :

Andy Chang, Senior Vice President

Tel : 886-2-2171-1066 ext.888

Email : andyc@taishinbank.com.tw

Ratings

Fitch	2005/2/24	Foreign Currency	
		Long-Term	BBB+
		Short-Term	F2
		Outlook	stable
		Individual	B/C
		Support	4
		National	
		Long-Term	AA-(tw)
		Short-Term	F1+(tw)
		Long-Term	Baa2
		Short-Term	P3
		Outlook	Stable
		Bank Financial Strength	D+
		Financial Strength Outlook	positive
Moody's	2004/10/26	Long-Term National Scale	A1.tw
		Short-Term National Scale	TW1
		National Scale Outlook	stable

I. Chairman's Message to Shareholders



Close to you

We listen to your heart and
looking out for your needs.



The global economy began a strong recovery in the last half of 2003, and the force for growth continued in the first half of 2004. The pace of growth weakened in the second half of that year, however, due to the continuous rise in crude oil prices, weak labor markets in the industrial nations, interest-rate hikes in major countries, and a steady lessening of the effectiveness of expansionary fiscal policies. In general, however, the trend of recovery in the global economy was firmly established; according to a report released by the OECD on Feb. 17, 2005, the global economy grew at a rate of 3.6% for all of 2004. Taiwan's economy was influenced by the international economy, turning in a brilliant performance in the first half of 2004 but slowing down in the second half of the year because of climbing international oil prices, interest-rate hikes in major countries, the macroeconomic adjustments undertaken in mainland China, and other factors. The Directorate

General of Budget, Accounting and Statistics puts the rate of domestic economic growth for the year at an estimated 5.71%.

Along with the strong domestic and international recovery of 2004, thanks to the tireless efforts of managers and staff at all levels the Taishin International Bank turned in its best business performance ever that year. The smooth merger of the Tenth Credit Cooperative of Hsinchu on Oct. 18, and the simultaneous completion of systems conversion, boosted the number of Taishin branches to over 100. Financial performance was equally striking: before-tax and after-tax income for the year reached NT\$13.216 billion and NT\$10.478 billion, respectively, for growth rates of 70.12% and 69.92% over 2003. Earnings per share (EPS) amounted to NT\$3.97 in 2004, up 70.72% over the previous year, and return on equity (ROE) and return on assets (ROA) reached 20.62% and 1.61%, respectively.

Along with our outstanding performance, Taishin Bank also completed a number of basic installation and renewal engineering projects in 2004, including the following: overall renewal of core information systems, re-installation of mid- and back-office transaction risk control systems for financial units, re-engineering and centralization of P&S system processes, and a BSC for a new performance evaluation and bonus system. These basic engineering works not only reinforce our ability to achieve the Bank's operating and profit targets, but they also bring advantages that lengthen our lead over our competitors. In addition, the Bank has continued devoting itself to the development of financial products, introducing revolving loans, real estate asset trust securities, guaranteed home loans, "imak" free design credit cards, and debit cash cards—all the first of their kind in Taiwan, or even Asia. These achievements show that when it comes to developing new financial products, the Taishin International Bank spares no effort.

The government moved to strengthen the competitiveness of Taiwan's financial institutions by inaugurating the second stage of financial reform at the end of 2004, the main goal of which is to direct development toward enlargement, liberalization, and internationalization. We can foresee that this will more firmly establish the trend toward constant enlargement of the island's large financial institutions, and that the market shares of the top few financial institutions will grow ever larger. To achieve the goal of enlargement, financial businesses will integrate the existing resources of their enterprise groups so as to realize operating synergies, while those with insufficient competitiveness will likely be phased out of the market. In the current stage of financial reform, the Taishin International Bank will build on its existing advantageous foundation, adopt stable operating strategies, and continue to pursue organic growth; at the same time, we will seek out opportunities for favorable mergers and acquisitions so as to expand our scale and develop our business niche. In addition, we will work in line with the shift in the government's attitude toward financial institutions from one of control to one of liberalization. In the future, financial businesses will have greater freedom in the businesses they undertake and the products they develop; and the Taishin International Bank, in this environment, will work harder than ever for product development and innovation so as to boost our competitiveness to ever-greater heights. Besides this, we will strive to lower our operating costs and raise our service quality by constantly improving procedures in the quest for optimization of processes and maximization of performance.

A handwritten signature in black ink, appearing to read 'Thomas Wu'.

Thomas Wu, Chairman



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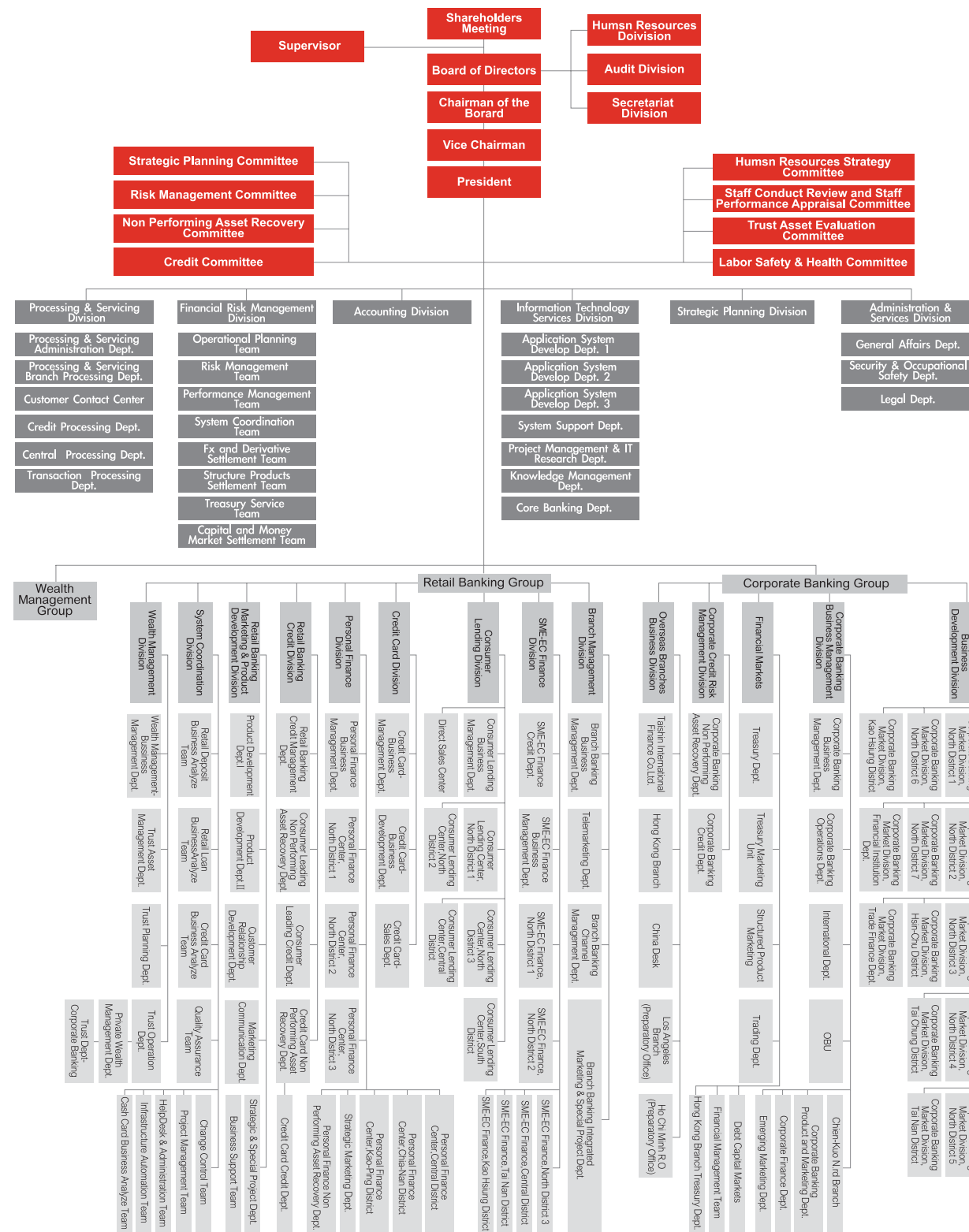
. Profile of Taishin



Close at hand

We keep a sharp eye on all things about you.

Organization Chart



Directors and Supervisors

Title	Name
Chairman	Thomas T.L. Wu
Vice Chairman	Julius Chen
Director	Linda Kuo
Director	Long-Su Lin
Director	Chu-Chan Wang
Director	Charles W.Y. Wang
Director	Thomas K.K. Lin
Managing Supervisor	Tong-Shung Wu
Supervisor	Henry C.S. Kao
Supervisor	Shang-Pin Wu

Managers

Title	Name
President	Daniel M. Tsai
Executive Vice President & Auditor	Howard Wu
Executive Vice President	Jame G.D. Liao
Senior Vice President, Corporate Banking Business Development Division	Larry Chung
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, Financial Risk Management Division	James Chen
Vice President, Strategic Planning Division	Jim Jen
Manager, Accounting Division	Yvonne Liu

Introduction

Date of establishment: Feb. 25, 1992

Inauguration of business: Mar. 23, 1992

Capital: NT\$33.6 billion

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 101 branches, for a total of 105 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. A Shareholders' Meeting on July 26, 2004 resolved to take over the Tenth Credit Cooperative of Hsinchu, and the legal process for the takeover was completed on Oct. 18 the same year.
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 14 business units, including Corporate Banking, Retail Banking, and Wealth Management, 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. Permission was received from the Ministry of Finance on Dec. 9, 2003 to establish the Los Angeles Branch in the United States. Permission was received from the Ministry of Finance on Sept. 21, 2004 for the establishment of a representative office in Vietnam; application documents were presented to the Vietnamese national bank on Dec. 18, 2004, and permission was granted in January 2005. This was a major step forward in the expansion of the Bank's overseas trade business. With the existing 105 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 (as of December 31, 2004)

Types of Shares

Type of Shares	Approved Equity			
	Shares Issued (1,000)		Unissued Shares (1,000)	Total (1,000)
	Listed	Unlisted		
Common Shares	2,775,352	0	188,148	2,963,500
Preferred Shares	0	400,000	0	400,000
Total	3,175,352	0	188,148	3,363,500

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

To enhance its capital ratio and raise medium- to long-term operating funds, the Bank issued bank notes at par value, as follows:

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

See notes to consolidated financial statements (p.43~ p.50)



. Business Operations

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 **Taishin Bank**

We're here for you

We take good care
of your benefits.

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 letter 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 authorities
- Handling of factoring operations approved by the central government authorities
- Provision of guarantees for the issuance of corporate bonds
- Handling of business permitted by the Trust Business Law
- Proprietary dealing in government bonds
- Handling of cash card business

Operating revenue and gains

Item	Amount (NT\$1,000)	Ratio (%)
Interest Income	35,955,136	73
Fee Income	8,558,346	17
Net gains on sale of trading securities	981,316	2
Other operating revenues	3,875,897	8
Total operating revenue and gains	38,219,530	100

Market and Business Conditions

1. Market Analysis

(1) Macroeconomic Environment

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

In the domestic financial industry, under the effects of the Asian economic turmoil, instability in the domestic political situation, and the weakening of the global economy during the period of 1997-2000, a financial crisis was sparked off in Taiwan and the government began the vigorous promotion of financial reform. In coordination with that reform, in August 2002 President Chen Shui-bian announced the "Two-Five-Eight Financial Reform Program" calling for a reduction of non-performing loans in domestic financial institutions to no more than 5% and an increase in the BIS ratio to at least 8% within two years. After two years of effort by the government and the industry, in August 2004 the NPL ratio was down to under 5% and the average BIS ratio was above 10%. In addition, to unify authority for monitoring of the banking, securities, futures, and insurance industries, and to upgrade the quality of financial monitoring and accelerate the linkage of Taiwan's financial monitoring system with the rest of the world, the Executive Yuan's Financial Supervisory Commission went into operation on July 1, 2004.

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

(2) Status of Operations

The warming up of the economy brought on an increase in private investment, and the amount of loans outstanding from financial institutions continued the upturn that began in 2003 to reach a growth of 8.27% in 2004. The diversification of fund-raising channels has caused the banks to shift the focus of their lending business to consumer loans. Demand deposits also grew along with the strengthening of the economy, growing by 31.13% from the end of June 2003 to the same date of 2004. Consumer loans

extended by domestic banks increased by 18.12% over the same period. A constant stream of new products, especially in the area of personal loans, was introduced in an assault on the market in 2004. With the number of credit cards in circulation continuing to decline in 2004 because of market saturation, the issuing banks all targeted an increase in the amount of consumption using their cards and credit card products developed in the direction of personalization.

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

2. Industry Conditions

(1) Market Supply and Demand, and Market Growth

Under the impact of rising interest rates, macroeconomic controls in mainland China, constantly rising oil prices, and the possibility of terrorist attacks, the force for growth in the domestic and international economies is not expected to be as strong in 2005 as it was in 2004. Further, with the implementation of Accounting Bulletins No. 34 and 35 beginning in 2005, companies will become more cautious in their investment and risk avoidance. And, with a phase of investment by silicon wafer fabrication plants, TFT-LCD manufacturers, and related industries coming to an end in 2004, there will be a contraction in the domestic syndicated loan market in 2005. For these reasons, overall growth in the financial market may weaken.

(2) Competitive Niches

- a. Taishin Bank's asset quality is excellent, and it practices proper risk control.
- b. Entered the consumer banking business early; full product line.
- c. High-performance marketing team; leading ability to plan marketing activities.
- d. Excellent product image; complete customer base.

(3) Favorable and Unfavorable Factors to Development Vision

a. Favorable Factors

- (a) Relaxation of regulatory restrictions – Government agencies are devoting full efforts to building Taiwan into a regional financial services center by progressively relaxing financial regulatory restrictions, not only facilitating business development by financial institutions but also favoring the healthy development of the overall financial environment.
- (b) Steady improvement of the financial system – Following the institution of financial reform by the government in 2002, there has not only been a substantial enhancement of the structure and performance of domestic financial institutions but some financial institutions with weak structures have successively withdrawn from the market, laying down a solid foundation for the second phase of financial reform.

b. Unfavorable Factors

- (a) Slowdown in economic growth – The domestic economy was affected by rising interest rates, the macroeconomic adjustments imposed in mainland China, and the continuing high level of oil prices, and the impetus for growth is weaker than in 2004.

- (b) Fierce competition in the market – Consumer banking products are intensely competitive and easily copied, leading to a steady contraction of profit margins.

3. Business Performance

(1) Deposits

Total deposits in the Bank at the end of 2004 (not including redeposits from the postal system) amounted to NT\$506.425 billion, an increase of NT\$121.931 billion in deposits at the end of 2003 for a growth of 31.71%.

(2) Loans

Loans outstanding at the end of 2004 (not including loans for collection and remittances purchased) totaled NT\$477.815 billion; this was an increase of NT\$115.978 billion over a year earlier, for a growth of 32.05%.

(3) Guarantees

The amount of guarantees outstanding at the end of 2004 totaled NT\$22.373 billion, a reduction of NT\$899 million from a year earlier for a negative growth of 3.86%.

(4) Foreign Exchange

Foreign exchange transactions undertaken during 2004 amounted to US\$13.796 billion; compared with the previous year this represented a decline of US\$4.580 billion, for a reduction of 24.92%.

(5) Short-term Bills Trading

The total value of short-term bills transactions undertaken by the Bank in 2004 was NT\$853.960 billion, for a 36.32% growth over the year before.

(6) Credit Cards

A total of 4,632,558 valid credit cards issued by the Bank were in circulation at the end of 2004; this was 513,121 more than a year earlier, for a growth of 12.5%. The amount of consumption using these cards in 2004 totaled NT\$141.0 billion, for an increase of NT\$25.9 billion or 22.5% over the year before.

4. Employee Data

Number, Average Seniority, Average Age, and Education of Employees

Fiscal Year		2004	2003
No. Employees		7,547	6,303
Average Age (years)		30.2	29.9
Average Seniority (years)		2.84	2.80
Education %	Master's	7.2	6.4
	University/College	85.9	85.4
	Senior High	6.9	8.2



. Business and Funds Utilization Plans

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 **Taishin Bank**

Your cares
are our concern.

We sincerely listen to
every word you say.

I. Business Plans for 2005

(1) Personal Banking

Cash Cards

- Operational and system re-engineering.
- Reinforcement of application channels.
- Provision of a multiple-channel payment mechanism.
- Monitoring of asset quality.

Credit Cards

- Greatly increase the number of valid cards in circulation and consumption using the cards so as to consolidate market dominance.
- Manage for customer value so as to increase customer loyalty to and satisfaction with Taishin cards.
- Establish an optimum model for risk and profit so as to achieve operating targets.

Consumer Banking Products

- Development of a customer differentiation operating strategy.
- Development of new products, new programs, and new functions.
- Setting up of an exclusive customer relationship unit and establishment of long-term business relations with customers.

(2) Corporate Bankin

- Active pursuit of target customer groups focused on SMEs and trade transactions.
- Promotion of the factoring and L/C purchasing businesses; active development of loan customers (including domestic and offshore companies); and undertaking of factoring, L/C purchasing, and related businesses in line with customers' actual trading bases.
- Focus on the promotion of trade financing transactions of a self-compensating nature, and pursuit of cross-straits (including Hong Kong) trade financing opportunities.
- Development of the loan business oriented toward standardized products, with risk packages and nature of risk being matched with pre-set customer screening standards.
- Continued innovation of the product framework so as to satisfy customer needs for medium- and large-sized syndicated loans and project loans.
- Combining of Bank and Financial Holding Company resources, such as those of the Treasury Department and Taiwan Securities, to provide complete financial solutions.
- Use of strategic alliances to expand service scope and the product structure.
- Enhancement of service flexibility in combination with overseas bases (including the Hong Kong Branch and Vietnam Representative Office), expansion of the service network for Taiwanese businesses in mainland China and Southeast Asia, and provision of a comprehensive range of services.

(3) Wealth Management and the Trust Business

Wealth Management

- Continued development of financial planning models with emphasis on a customer-oriented "one-on-one intelligent financial planning" operating principle.
- Strengthening of financial consulting capabilities in regard to high-asset customers.
- Active recruitment of outstanding and experienced financial planning professionals and reinforcement of their business capabilities so as to enhance productivity.
- Intensive cultivation of high-asset customers with the development of full-spectrum financial services focused on the customers' financial needs, so as to satisfy the financial demands of those customers.

Trust Business

- Continued promotion of the educational and business start-up trust businesses so as to maintain the Bank's leadership position and expand its market share.
- Readjustment of the securities trust business in coordination with taxes and fees, and active enhancement of market share so as to gain a leadership position.
- Proactive pursuit of the large corporate body money trust business.
- Strengthened performance of trust consulting business promotion.
- Vigorous promotion of the real estate trust business.

Trust Utilization

- Establishment of a diversified range of securities products.
- Development of product lines for collective/individual accounts so as to expand the breadth of product lines.
- Consolidation of the Bank's leadership position in the sale of securities products.
- Development of new products so as to achieve market segmentation.

II. New Product and Service Development Plans

(1) Personal Banking

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

(2) Corporate Banking

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

(3) Wealth Management

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

III. Research and Development

(1) Research and Development Results for the Past Year

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

June 2004	The HOLA co-branded IC card with bonus function was put on the market. By Feb. 15, 2005, 62,000 of the HOLA co-branded cards had been issued.
Sep. 2004	The IC card bonus system and invoicing were put online. By Feb. 25, 2005, a total of IC 64 card machines with bonus function had been installed.
Sep. 2004	Conversion to IC bank cards formally began. By Feb. 15, 2005, conversion had been completed for a total of 780,000 IC cards.

(2) Future Research and Development Plans

- A. Consumer Banking
 - (a) Development of ATM cash-card applications.
 - (b) Development of non-contact payment tools.
 - (c) Active participation in transportation card programs such as FETC, Taiwan High-Speed Rail, and Taipei card company, with the addition of small-amount stored-value card functions to the original transportation functions for use with general small purchases, in this way using the power of the transportation card to stimulate the development of cash and stored-value cards.
- B. Corporate Banking
 - (a) Establishment of strategic alliance relations with foreign banks to provide cross-straits accounts receivable services and offer a diversified range of financing solutions to Taiwanese companies in mainland China.
 - (b) Development of new financial products based on accounts receivable, such as pool factoring and the provision of assistance to clients in operations related to the securitization of accounts receivable.
 - (c) Incorporation of structured financing oriented toward new financial products to cope with the diversified development of financial products and further satisfy customer needs.
 - (d) Addition of more offshore financial services and overseas business units to cope with the trend toward globalization and meet the global deployment needs of Taiwanese businesses.

IV. Long- and Short-term Business Development Plans

(1) Personal Banking

- A. Short-Term Business Development Plans
 - (a) Provision of full-spectrum financial planning services and establishment of the “ Professional financial planning – how convenient ” bank image marketing activities designed to reinforce brand awareness.
 - (b) Differentiation of products and services and use of the general customer group marketing activities as the main platform—with, however, differentiation of high-contribution customer groups.
 - (c) Heightening of frequency of contact with new customers, and of market share, with development of the youth customer group and of effective customers.
 - (d) Development of new products and addition of market share increased penetration for new service channels (such as ATMs, branches, and Internet banking).

- (e) Expansion of the amount of loans to low-risk customers:
 - i. Design and promotion of loans in combination with deposit and financial planning customers.
 - ii. Strengthening of collection capabilities, heightening of the repayment rate, and maintenance of profit ratio.
- (f) Strengthening of risk control and analysis capability, establishment of customer risk ratings, and setting of risk pricing standards.
- (g) For businesses in which the Bank holds a leadership position, lengthening of the gap with competitive rivals and maintenance of an absolute market-share advantage.
- (h) For businesses in which the Bank is lagging, rapid closing of the gap with leading competitive rivals.

B. Long-Term Business Development Plans

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

(2) Corporate Banking

A. Short-term Business Development Plans

- (a) Reinforcement of domestic and overseas syndicated loan and project consultation services so as to expand the corporate syndicated loan market.
- (b) Continued introduction or development of new derivative products to satisfy customers' risk-hedging needs.
- (c) Planning of corporate deposit products and marketing strategies via the management of corporate deposit products.

- (d) Integration with other banks, the bond and capital markets, and the bills finance division in the development of domestic financial derivative products and asset management opportunities.
- (e) Establishment of a corporate trust department to seek business opportunities in asset securitization and other corporate trust services.
- (f) Establishment of a Ho Chi Minh City representative office so as to offer financing and consultation services to Taiwanese businesses in Vietnam through the Offshore Banking Unit.
- (g) Participation in forums organized by international professional magazines to enhance Taishin's image in the corporate banking market.
- (h) Completion of establishment of Basel II and Sungard risk management systems so as to effectively control risk in the loan and transaction markets.

B. Long-term Business Development Plans

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

(3) Trust Business

A. Short-term Business Development Plans

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

(k) Application for new trust businesses.

B. Long-term Business Development Plans

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

(4) Service Quality and Human Resources

A. Short-term Business Development Plans

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

B. Long-term Business Development Plans

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

Funds Utilization Plans

1. Issuance of Financial Debentures

- (1) In May 2003 the Bank applied for an issuance quota of NT\$15.0 billion in financial debentures. At the maturity date of the quota, NT\$4.9 billion had not yet been issued.
- (2) In November 2004 the competent authority approved an issuance quota of NT\$20.0 billion in subordinated financial debentures, with the quota to expire in November 2005. A total of NT\$5.0 billion worth had been issued by the end of 2004, leaving a remaining quota of NT\$15.0 billion.

2. Capital Increase

(1) Financial debentures

Previous issuances of financial debentures: The Bank issued subordinated financial debentures in total amounts of NT\$5.0 billion in 2001, NT\$10.0 billion in 2002, NT\$4.4 billion in 2003, NT\$11.1 billion in 2004, and NT\$1.508 billion in the first quarter of 2005. The proceeds, in their entirety, were used according to plan to augment operating loan funds. Calculating on the average long-term annual interest rate during 2004, and deducting the cost of issuance of the debentures, this will boost the Bank's average annual net interest income by NT\$737.45 million.

(2) Capital Increase

The Bank carried out a capital increase of NT\$11,500,000,015 on Aug. 9, 2004, with all of the resulting new shares being purchased by the Bank's mother company, Taishin Financial Holdings.



. Financial Statements

2004

Annual Report

 **Taishin Bank**

The pleasure of giving

Giving you what
you expect is all I want.

TAISHIN INTERNATIONAL BANK CO., LTD.

Financial Statements for the Years Ended December 31, 2004 and 2003 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders

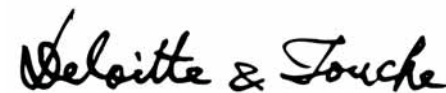
Taishin International Bank Co., Ltd.:

We have audited the accompanying balance sheets of Taishin International Bank Co., Ltd. (the "Bank") as of December 31, 2004 and 2003, and the related statements of income, changes in shareholder's 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 the 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, 2004 and 2003, 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 Public Banks (adopted since January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Securities Issuers (adopted since 2003) and accounting principles generally accepted in the Republic of China.

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



January 26, 2005

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

TAISHIN INTERNATIONAL BANK CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

ASSETS	2004		2003	
	Amount	%	Amount	%
ASSETS				
Cash and cash equivalents (Note 4)	\$ 11,079,484	2	\$ 9,133,545	2
Call loans to banks (Note 22)	4,173,347	1	3,314,980	1
Due from the Central Bank (Note 5)	15,673,291	2	17,889,809	3
Bills and securities purchased, net (Notes 2, 6 and 22)	84,513,696	12	47,760,113	8
Receivables, net (Notes 2, 7 and 22)	103,294,625	14	74,122,840	13
Prepayments	1,049,564	-	1,851,617	-
LOANS, NET (Notes 2, 8 and 22)	478,213,701	64	364,346,423	65
LONG-TERM INVESTMENTS (Notes 2 and 9)				
Stocks - Equity method	1,158,269	-	727,928	-
Stocks - Cost method	6,608,661	1	7,900,889	2
Others	339,512	-	-	-
Total long-term investments, net	8,106,442	1	8,628,817	2
BUY-OPTION PREMIUM	2,672,669	-	2,392,034	-
PROPERTY AND EQUIPMENT, NET (Notes 2 and 10)	17,642,245	2	16,381,254	3
OTHER ASSETS				
Guarantee deposits paid (Notes 22 and 23)	3,236,974	-	2,548,405	1
Collaterals and residuals taken over, net (Note 2)	400,456	-	394,713	-
Refundable collaterals (Note 23)	8,599,096	1	7,205,112	1
Deferred income tax assets (Notes 2 and 20)	21,572	-	2,403,799	-
Others (Note 11)	4,231,046	1	4,255,302	1
Total other assets	16,489,144	2	16,807,331	3
TOTAL	\$ 742,908,208	100	\$ 562,628,763	100

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 26, 2005)

TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

LIABILITIES AND SHAREHOLDER'S EQUITY	2004		2003	
	Amount	%	Amount	%
LIABILITIES				
Due to the Central Bank and other banks (Notes 12 and 22)	\$ 24,675,417	3	\$ 45,795,387	8
Payables (Notes 2 and 13)	31,234,598	4	19,036,998	4
Advance receipts	536,298	-	660,093	-
Deposits and remittances (Notes 14 and 22)	560,977,028	76	433,112,146	77
Bank notes (Note 15)	30,100,000	4	19,000,000	3
Appropriated loan fund	164,340	-	250,416	-
Other liabilities (Notes 2 and 16)	35,563,249	5	2,824,329	1
Total liabilities	683,250,930	92	520,679,369	93
SHAREHOLDER'S EQUITY				
Capital stock (Note 17)				
Common stock	27,753,524	4	24,467,810	4
Preferred stock	4,000,000	1	4,000,000	1
Capital surplus	11,314,079	1	3,099,793	-
Retained earnings (Notes 18 and 21)				
Legal reserve	6,048,311	1	4,198,442	1
Unappropriated earnings	10,541,364	1	6,183,349	1
Total shareholder's equity	59,657,278	8	41,949,394	7
TOTAL	\$ 742,908,208	100	\$ 562,628,763	100

	2004		2003	
	Amount	%	Amount	%
OPERATING REVENUES AND GAINS				
Interest income (Notes 2 and 22)	\$ 35,955,136	73	\$ 29,387,315	77
Fee income (Note 22)	8,558,346	17	5,870,304	15
Net gains on sale of trading securities	981,316	2	1,216,131	3
Other operating revenues (Notes 2 and 25)	3,875,897	8	1,745,780	5
Total operating revenues and gains	49,370,695	100	38,219,530	100
OPERATING COSTS, EXPENSES AND LOSSES				
Interest expenses (Note 22)	7,789,542	16	7,520,702	20
Service charges (Note 22)	6,053,577	12	4,013,634	10
Provision for loan and other losses (Note 2)	6,758,591	14	6,106,092	16
General and administrative expenses (Note 19)	15,674,165	32	12,894,775	34
Total operating costs, expenses and losses	36,275,875	74	30,535,203	80
OPERATING INCOME	13,094,820	26	7,684,327	20
NONOPERATING INCOME	284,381	1	253,065	1
NONOPERATING EXPENSES	(163,019)	-	(168,710)	(1)
INCOME BEFORE INCOME TAX	13,216,182	27	7,768,682	20
INCOME TAX (Notes 2 and 20)	(2,738,475)	(6)	(1,602,455)	(4)
NET INCOME	\$ 10,477,707	21	\$ 6,166,227	16
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 21)	\$ 5.03	\$ 3.97	\$ 3.14	\$ 2.47

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 26, 2005)

TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

YEARS ENDED DECEMBER 31, 2004 AND 2003

(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, 2003	\$ 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)	-	-	-
Dividends on preferred stock-A	-	-	-	-	-	(124,294)	-	-	(124,294)
Dividends on preferred stock-B	-	-	-	-	-	(242,000)	-	-	(242,000)
Cash dividends	-	-	-	-	-	(1,150,000)	-	-	(1,150,000)
Stock dividends	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	-	-	-	-	-	-	53,614	-	53,614
Net income in 2003	-	-	-	-	-	6,166,227	-	-	6,166,227
BALANCE, DECEMBER 31, 2003	24,467,810	4,000,000	3,099,793	4,198,442	-	6,183,349	-	-	41,949,394
Appropriation of 2003 earnings									
Legal reserve	-	-	-	1,849,869	-	(1,849,869)	-	-	-
Dividend on preferred stock-B	-	-	-	-	-	(242,000)	-	-	(242,000)
Cash dividend	-	-	-	-	-	(3,914,849)	-	-	(3,914,849)
Cash bonuses to employees	-	-	-	-	-	(112,974)	-	-	(112,974)
Capital infusion	3,285,714	-	8,214,286	-	-	-	-	-	11,500,000
Net income in 2004	-	-	-	-	-	10,477,707	-	-	10,477,707
BALANCE, DECEMBER 31, 2004	\$ 27,753,524	\$ 4,000,000	\$ 11,314,079	\$ 6,048,311	\$ -	\$ 10,541,364	\$ -	\$ -	\$ 59,657,278

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 26, 2005)

TAISHIN INTERNATIONAL BANK CO., LTD.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Thousands of New Taiwan Dollars)

	2004	2003		2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			CASH FLOWS FROM FINANCING ACTIVITIES		
Net income	\$ 10,477,707	\$ 6,166,227	(Decrease) increase in due to banks	\$ (21,119,970)	\$ 18,604,200
Adjustments to reconcile net income to net cash provided by operating activities			Increase in deposits and remittances	127,864,882	49,832,942
Provision for loan and other losses	6,758,591	6,107,093	(Decrease) increase in guarantee deposits and margins received	(4,959)	17,880
Recovery from loans written off	2,521,027	2,125,116	Increase in debt securities payable under repurchase agreements	28,213,537	-
Depreciation and amortization	2,003,287	1,736,245	Issuance of bank notes	11,100,000	4,000,000
(Reversal of) provision for decline in market value of trading securities	(13,512)	13,512	(Decrease) increase in appropriated loan fund	(86,076)	79,080
Reversal of valuation loss on foreclosed collaterals	(49,536)	(779,323)	Cash dividends	(4,156,850)	(1,516,294)
Loss on sale and disposal of property and equipment	67,259	67,579	Bonuses to employees	(112,974)	(93,081)
Investment income recognized under equity method, net	(449,002)	(344,223)	Capital infusion	11,500,000	2,000,000
Cash dividends distributed by equity-method investees	43,661	205,259			
(Gain) loss on sale of long-term investment	(631,936)	176,107	Net cash provided by financing activities	153,197,590	72,924,727
Deferred income tax expense	2,382,227	1,657,545			
Permanent loss on long-term investment	90,201	202,730	NET INCREASE IN CASH AND CASH EQUIVALENTS	1,945,939	3,849,045
Net changes in operating assets and liabilities					
Receivables and prepayments	12,073,805	(23,992,623)	CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,133,545	5,284,500
Buy-option premium	(280,635)	(1,372,982)			
Pledged marketable securities	(1,393,984)	2,617,226	CASH AND CASH EQUIVALENTS, END OF YEAR	11,079,484	9,133,545
Guarantee deposits	(688,569)	(1,334,635)			
Other assets	(1,773,696)	959,431	SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Payables to and advances from customers	(28,204,936)	6,767,221	Cash paid during the year		
Other liabilities	4,172,093	584,976	Interest	\$ 7,337,721	\$ 8,277,895
			Income tax	\$ 157,159	\$ 150,491
Net cash provided by operating activities	7,104,052	1,562,481			
					(Concluded)
CASH FLOWS FROM INVESTING ACTIVITIES					
Decrease in due from the Central Bank	2,216,518	6,911,513			
Increase in call loans to banks	(858,367)	(3,010,531)			
Increase in trading securities	(36,740,071)	(15,386,013)			
Increase in loans (including delinquent loans)	(123,292,953)	(58,771,989)			
Purchase of long-term investments	(40,740)	-			
Proceeds from sale of long-term investments	1,849,703	372,000			
Purchase of property and equipment	(2,134,318)	(848,541)			
Proceeds from sale of property and equipment	644,525	68,568			
Others	-	26,830			
Net cash used in investing activities	(158,355,703)	(70,638,163)			

(Continued)

 The accompanying notes are an integral part of the financial statements.
 (With Deloitte & Touche audit report dated January 26, 2005)

TAISHIN INTERNATIONAL BANK CO., LTD.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2004 AND 2003

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

1. ORGANIZATION AND OPERATIONS

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

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

To expand business operations and economic scale, enhance operating synergy and competitive advantage, promote public interest and support the government policy of streamlining the financial industry through mergers and acquisitions, the Bank and Dah An Commercial Bank Co., Ltd. ("Dah An Bank") agreed - during their shareholders' meetings on December 7, 2001 - to establish Taishin Financial Holding Co., Ltd. ("Taishin Financial" or TFH) through a share swap. Setting up the holding company, the Bank would merge with Dah An Bank, with the Bank as the survivor company. The boards of directors of the two banks decided February 18, 2002 as the effective date of the merger and TFH's establishment.

The Bank adopted the purchase method to account for the merger, in which the Bank issued new shares to acquire the total assets and liabilities of Dah An Bank. The stock exchange ratio was one common share of Taishin Bank for two common shares of Dah An Bank. Total net assets acquired amounted to \$5,682,428 thousand. The fair value of the new shares issued by Taishin Bank was \$9,475,018 thousand, exceeding the net asset amount of Dah An Bank by \$3,792,590 thousand. This excess was recognized as goodwill to be amortized over five years using the straight-line method.

To expand its business scope, increase its operating sites and enhance its competitive advantage, the Bank acquired the net assets of the 10th Credit Cooperative of Hsin-Chu on October 18, 2004. Total net assets acquired amounted to \$1,042,977 thousand. The acquisition price paid by Taishin Bank was \$1,400,000 thousand, exceeding the net assets of Dah An Bank by \$357,023 thousand. This excess was recognized as goodwill to be amortized over five years using the straight-line method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

Taishin Bank's financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks (adopted since January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Securities Issuers (adopted since 2003) and accounting principles generally accepted in the Republic of China.

In preparing financial statements in conformity with these guidelines and principles, Taishin Bank is required to make certain estimates and assumptions that could affect the amounts of the allowance for doubtful accounts, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities, pension costs, deferred income tax, etc. Actual results could differ from these estimates.

According to Statement of Financial Accounting Standards (SFAS) No. 28, "Disclosures in the Financial Statements of Banks," Taishin Bank need not disclose current and noncurrent assets and liabilities.

Under the Guidelines Governing the Preparation of Financial Reports by Public Banks (adopted since January 1, 2004) and Guidelines Governing the Preparation of Financial Reports by Securities Issuers (adopted since 2003), a parent company is not required to consolidate the financial information of its subsidiaries when neither of the total assets nor total operating revenues of the subsidiary individually reach 10% or collectively reach 30% of those of the parent. Consequently, all of the Bank's subsidiaries (Note 9) were not consolidated.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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

Bills and Securities Purchased

Bills and securities purchased listed and over-the-counter stocks, beneficiary funds, and other kinds of securities - are recorded at acquisition cost and carried at the lower of cost or market, if market value is available. If the market value is lower than cost, an allowance for market decline is provided, and this reversed when market value recovers. Upon the sale of bills and securities purchased, the moving average method is used in determining the cost of securities sold.

Since January 1, 2004, sales and purchases of bonds and short-term bills under repurchase and resell agreements have been recognized as financing transactions to conform to the Guidelines Governing the Preparation of Financial Reports by Public Banks (Note 3).

Allowances for Bad Debts and Losses on Guarantees

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

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

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

Revenue 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 to delinquent accounts, and the accrual of interest income ceases. The Bank will recognize a gain when the delinquent interest is collected.

Long-Term Equity Investments

Long-term equity investments are recorded at acquisition cost. Investees in which the Bank holds an ownership interest of 20% or more or on which the Bank has significant influence are accounted for by the equity method; otherwise, are accounted for by the cost method.

Under the cost method, if the investee is a listed or over-the-counter company, the investment is stated at the lower of cost or market value, and the unrealized loss on investment is charged to shareholder's equity. If the value of an investment is in a stock with no quoted market price declines and this decline is deemed other than temporary, a loss allowance will be provided and the loss is charged to current expense.

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

Under Article 36 of the Financial Holding Company Law, a bank that became a subsidiary of a financial holding company may make new investments only if the investments are made through the financial holding company. It provides, however, that the bank may keep its long-term investments made before the bank became a subsidiary of a financial holding company but is prohibited from increasing these investments.

On December 31, 2002, the Bank's investments in Taiwan Securities Co., Ltd. (" Taiwan Securities ") and Taishin Bills Finance Co., Ltd. (" Taishin Bills ") were transferred to the Bank's parent company, Taishin Financial, as a result of a share swap. Through this swap, Taiwan Securities and Taishin Bills became wholly owned subsidiaries of Taishin Financial. The shares of Taishin Financial held by the Bank were recorded as investments in conformity with the Ministry of Finance Letter No. 6.(91)Tai-Tsai-Cheng 111467.

Financial Asset Securitization

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

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

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

Property and Equipment

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

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

Deferred Charges and Goodwill

Deferred charges are amortized on a straight-line basis over five years.

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

Assumed Collaterals and Residuals

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

Pensions

The treatment of Bank pensions is based on the SFAS No. 18.

Since March 2004, the Bank has funded the employee pension plan at amounts equal to 4.57% of total salaries instead of the 5.71% rate used starting from April 2001. The funds are deposited to an account in the Central Trust of China in the name of the Bank's Employee Retirement Pension Monitoring Committee. The pension fund balance was \$876,082 thousand as of December 31, 2004.

Foreign-currency Transactions

Transactions negotiated in foreign currencies (except derivative transactions) are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses caused by applying prevailing exchange rates when foreign currency receivables and payables are settled, are credited or charged to income. On the balance sheet date, foreign-currency assets and liabilities are restated at the exchange rates prevailing on the balance sheet date, and resulting gains or losses are credited or charged to current income.

Derivative Instruments

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

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

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

For currency swap contracts used for nontrading purposes, the spot-position assets or liabilities are recorded at spot rates on the contract date. Corresponding forward position assets or liabilities are recorded at the contracted forward rates, with receivables and payables to be netted out. Interest receivable or payable is accrued over the contract term.

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

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

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

Income Tax

The Bank inter-period tax allocation based on SFAS No. 22, "Accounting for Income Taxes." Under SFAS No. 22, an entity's deferred tax asset or liability is estimated for future tax effects attributable to temporary differences, prior year's loss carryforwards, and tax credits. An allowance is provided for deferred tax assets that are not certain to be realized. Adjustments of prior year's income tax payable are included in the current year's income tax expense.

Under the amended Income Tax Law of the Republic of China effective 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.

The Bank, its parent company, Taishin Financial, and other subsidiaries use the linked-tax system for the filing of returns. Differences between current and deferred income tax expenses on consolidated basis and those on nonconsolidated basis are adjusted to Taishin Financial's income tax expenses. Related reimbursements and appropriations are recognized as receivables or payables.

Reclassifications

Certain 2003 accounts have been reclassified to be consistent with the 2004 presentation.

3. CHANGE IN ACCOUNTING PRINCIPLE

Transactions on bonds and other short-term securities under repurchase or resell agreements were accounted for as outright sales and purchases. However, since 2004, these transactions have been treated as financing transaction to conform to the Guidelines Governing the Preparation of Financial Reports by Public Banks. This accounting change resulted in the increase in the Bank's net income by \$487,806 thousand. Because repurchase and resell agreements were numerous and of various dates, the cumulative effect of changes in accounting principles and the pro forma data for the year ended December 31, 2003 were not disclosed in the financial statements for the years ended December 31, 2004 and 2003.

4. CASH AND CASH EQUIVALENTS

	December 31	
	2004	2003
Cash in vault	\$ 5,441,990	\$ 2,958,200
Checks for clearing	1,361,329	2,053,539
Due from other banks	3,601,798	3,814,997
Others	674,367	306,809
	<u>\$ 11,079,484</u>	<u>\$ 9,133,545</u>

5. DUE FROM THE CENTRAL BANK

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

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

6. BILLS AND SECURITIES PURCHASED

	December 31	
	2004	2003
Commercial paper	\$ 7,063,482	\$ 2,226,284
Bonds	23,913,873	9,987,131
T-Bills	6,430,365	109,107
Marketable equity securities	6,990,969	4,030,835
Certificates of deposit purchased	36,385,713	31,250,368
Bonds and securities purchased under resell agreements	3,729,294	-
Others	-	169,900
Less allowance for decline in market value	-	(13,512)
	<u>\$ 84,513,696</u>	<u>\$ 47,760,113</u>

7. RECEIVABLES

	December 31	
	2004	2003
Notes receivable	\$ 244,519	\$ 19,120
Accounts receivable	91,459,128	67,764,739
Less unrealized interest income	-	(16,939)
Accrued income	392,855	389,179
Interest receivable	2,446,602	1,468,976
Forward exchange contracts receivable, net – foreign currencies	2,074,832	40,572
Tax refund receivable	246,706	271,226
Acceptances receivable	2,067,823	1,952,377
Others	4,975,305	3,002,927
Less allowance for receivables	(613,145)	(769,337)
	<u>\$ 103,294,625</u>	<u>\$ 74,122,840</u>

8. LOANS (INCLUDING DELINQUENT LOANS)

	December 31	
	2004	2003
Short-term loans	\$ 166,042,372	\$ 120,903,288
Medium-term loans	151,697,190	111,745,861
Long-term loans	159,451,458	128,321,772
Overdrafts	624,800	867,288
Delinquent loans	3,147,055	4,596,856
Bills discounted	478,217	417,445
Gross loans	481,441,092	366,852,510
Allowance for loan losses	(3,227,391)	(2,506,087)
	<u>\$ 478,213,701</u>	<u>\$ 364,346,423</u>

Allowance for Loan Losses

	2004			
	Receivables	For Losses on Certain Loans	For Losses on the Overall Loan Portfolio (Excluding Certain Loans)	Total
Balance, January 1, 2004	\$ 161,954	\$ 564,515	\$ 2,548,955	\$ 3,275,424
Reclassification of the beginning balance	607,383	-	(607,383)	-
Additions from the 10th Credit Cooperative of Hsin-Chu	53,934	240,268	-	294,202
(Reversal of provision) provision for loan losses	(164,796)	6,140,222	424,916	6,400,342
Write-off	(45,330)	(8,540,816)	(64,313)	(8,650,459)
Recovery of loans written off	-	2,521,027	-	2,521,027
Balance, December 31, 2004	<u>\$ 613,145</u>	<u>\$ 925,216</u>	<u>\$ 2,302,175</u>	<u>\$ 3,840,536</u>
	2003			
	Receivables	For Losses on Certain Loans	For Losses on the Overall Loan Portfolio (Excluding Certain Loans)	Total
Balance, January 1, 2003	\$ 141,041	\$ 1,214,818	\$ 2,979,945	\$ 4,335,804
Reclassification of the beginning balance	432,591	-	(432,591)	-
Provision (reversal of provision) for loan losses	195,705	6,313,681	(551,612)	5,957,774
Write off	-	(9,089,100)	(54,170)	(9,143,270)
Recovery of loans written off	-	2,125,116	-	2,125,116
Balance, December 31, 2003	<u>\$ 769,337</u>	<u>\$ 564,515</u>	<u>\$ 1,941,572</u>	<u>\$ 3,275,424</u>

9. LONG-TERM INVESTMENTS

	December 31			
	2004		2003	
Stocks	Carrying Value	Ownership Interest (%)	Carrying Value	Ownership Interest (%)
Equity method				
Taishin International Finance Company Limited	\$ 198,979	99.99	\$ 149,293	99.99
Dah An Leasing Co., Ltd.	199,144	99.00	127,717	99.00
PayEasy Digital Integration Co., Ltd.	67,948	66.67	60,424	66.67
Taishin Real-Estate Management Co., Ltd.	71,012	60.00	60,109	60.00
Taishin Insurance Agency Co., Ltd.	507,309	60.00	247,869	60.00
An Hsin Real-Estate Management, Inc.	29,968	30.00	25,874	30.00
Taiwan Futures Co., Ltd.	49,160	10.00	-	-
Taishin Venture Capital Investment Co., Ltd.	34,749	5.00	56,642	5.00
	<u>1,158,269</u>		<u>727,928</u>	
Cost method				
Taishin Leasing & Financing Co., Ltd.	247,399	19.95	247,399	19.95
Dah Chung Bills Finance Corp.	939,026	18.80	939,026	18.80
Taishin Financial Holding	3,060,034	5.09	3,930,677	7.22
Concord IV Venture Capital Co., Ltd.	76,000	5.00	95,000	6.25
Grand Pacific Venture Capital Co., Ltd.	30,000	5.00	30,000	5.00
Jihsun Venture Capital Investment Co., Ltd.	30,000	5.00	30,000	5.00
Lien An Co., Ltd.	1,250	5.00	1,250	5.00
TKS Venture Capital Co., Ltd.	39,216	4.90	39,216	4.90
Concord VII Venture Capital Co., Ltd.	35,000	4.73	35,000	4.73
Apex Venture Capital Corporation	50,000	4.67	50,000	4.67
United Venture Capital Co., Ltd.	40,000	4.52	40,000	4.52
Concord III Venture Capital Co., Ltd.	44,640	4.46	44,640	4.46
Da Chiang, Inc.	88,875	4.31	125,000	4.31
Hwan Hwa Security Finance Co., Ltd.	231,328	3.50	231,328	3.50
Harbinger Ventures Capital Investment Co., Ltd.	67,000	3.35	67,000	3.35
T.K. Venture Capital Corp.	50,000	3.33	50,000	3.33
Taipei Smart Card Co., Ltd.	16,000	3.20	16,000	3.20
Taiwan Financial Asset Service Corporation	50,000	2.94	50,000	2.94
Pacific Securities	132,334	2.77	180,410	2.77
The National federation of Credit Cooperatives, R.O.C.	3,600	2.39	-	-
Financial Information Service Co., Ltd.	91,000	2.28	91,000	2.28
Universal Venture Fund, Inc.	25,000	1.49	25,000	1.49
Taipei Financial Center Corporation	356,009	1.45	356,009	2.09
Taiwan Provincial Federation of Cooperatives	100	1.03	-	-
Taiwan Futures Exchange, Inc.	19,250	0.96	19,250	0.96
Taipei Forex, Inc.	1,600	0.80	1,600	0.80
Taiwan Asset Management Corporation	100,000	0.57	100,000	0.57
Kaohsiung Mass Rapid Transit Co.	50,000	0.50	50,000	0.50
Eastern Broadband Telecommunications	294,000	0.46	300,000	0.46
Taiwan Fixed Network Co., Ltd.	140,000	0.22	200,000	0.22
Taiwan Futures Co., Ltd.	-	-	40,000	10.00
Systrust@com Corporation	-	-	16,500	3.69
Taiwan Cooperative Bank	-	-	199,584	0.24
Taiwan High Speed Rail Co., Ltd. (preferred stock)	300,000	-	300,000	-
	<u>6,608,661</u>		<u>7,900,889</u>	
Other long-term investments	339,512		-	
Total long-term equity investments	<u>\$ 8,106,442</u>		<u>\$ 8,628,817</u>	

Shares amounting to \$271,259 thousand, representing the Bank's holdings in its subsidiaries, Taishin Bills Finance and Taiwan Securities, were transferred to Taishin Financial on December 31, 2002 through a share-swap (Note 2). Taishin Financial's shares, which were transferred from investments in other companies, held by these two subsidiaries, remained as investment under Ministry of Finance Letter No. 6. (91) Tai-Tsai-Cheng-111467.

Under Article 31 of the ROC Financial Holding Company Act, Taishin Financial's subsidiaries, which include, the Bank, should release their holdings of Taishin Financial's shares. As of December 31, 2004, the Bank released 61,753 thousand shares of Taishin Financial amounting to \$1,558,585 thousand and recognized a gain of \$682,545 thousand on treasury stock sale. In addition, Taishin Financial issued unsecured European Convertible Bonds (II) in April 2004. When the holders of convertible bonds request to convert the bond to the stock, Taishin Financial could apply the fund to buy its stocks from the Bank and transfer the stock to the bond holders. The Bank has kept 202,335 thousand shares of Taishin Financial stock to be used by Taishin Financial when unsecured European Convertible Bonds (II) are converted. The average closing price in December 2004 of the investment in Taishin Financial Holding, a listed company, was greater than the recorded value.

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

On April 25, 2003, the Bank sold 60,000 thousand shares of Taishin Leasing and Financing Co., Ltd., an equity-method investee, and recognized a loss of \$176,107 thousand on this sale. This sale also resulted in a decrease in the Bank's equity interest from 49.95% to 19.95% and in the Bank's changing the accounting for this investment from the equity method to the cost method. Because of this change in methods, carrying value and market value were compared. The comparison showed that market value fell below carrying value and that this decline is irreversible. Thus, Taishin Financial recognized a permanent loss of \$117,111 thousand on this decline. Before the sale of equity investment, the loss on long-term investment was \$6,329 thousand in 2003.

Taishin Financial's wholly owned subsidiary, Taishin Venture Capital Investment Co., Ltd., increased its equity interest in Taishin Venture Capital Investment Co., Ltd. in 2003. Taiwan Securities Co., Ltd. had an 89.99% equity interest in Taiwan Futures Co., Ltd., which Taishin Bank accounted for by the equity method. These percentages showed the Taishin group held a consolidated ownership interest of over 20%. Thus, Taishin Venture Capital Investment and Taiwan Futures are the Bank's equity-method investees.

Based on their audited financial statements for the years ended December 31, 2004 and 2003, net income (loss) of equity-method investees were as follows:

	2004	2003
Taishin International Finance Company Limited	\$ 49,686	\$ 12,974
Dah An Leasing Co., Ltd.	71,427	(4,333)
PayEasy Digital Integration Co., Ltd.	18,500	26,719
Taishin Real-Estate Management Co., Ltd.	26,743	13,976
Taishin Insurance Agency Co., Ltd.	264,240	186,892
Dah Chung Bills Finance Corp.	-	113,507
Others	18,406	(5,512)
	<u>\$ 449,002</u>	<u>\$ 344,223</u>

The above subsidiaries were not consolidated because neither of their total assets nor total operating revenues individually reached 10% or collectively reached 30% of those of the Bank.

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

Other information on beneficiary securities is as follows:

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

*Note: " ARMS " means adjustable rate mortgages.

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

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

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

(a) Assumptions used to evaluate retained interests

	December 31, 2004 Rights of Residential Mortgages
Projected principal repayment rate	20.00%
Estimated weighted average number of years	14.83
Estimated loss rate of credit	1.42%
Present value of remaining cash flows	2.525%

(b) Sensitivity analysis

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

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

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

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

10. PROPERTY AND EQUIPMENT

	December 31			
	2004		2003	
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 9,560,240	\$ -	\$ 9,560,240	\$ 9,429,233
Buildings	4,892,629	508,059	4,384,570	4,501,104
Machinery equipment	3,146,895	1,358,343	1,788,552	1,317,011
Transportation equipment	344,243	170,772	173,471	194,735
Miscellaneous equipment	532,844	368,805	164,039	161,606
Leasehold improvements	741,049	674,864	66,185	103,697
Prepayments for building and equipment	1,505,188	-	1,505,188	673,868
	<u>\$ 20,723,088</u>	<u>\$ 3,080,843</u>	<u>\$ 17,642,245</u>	<u>\$ 16,381,254</u>

As of December 31, 2004 and 2003, total insurance for property and equipment amounted to \$6,149,759 thousand and \$7,255,466 thousand, respectively.

11. OTHER ASSETS

	December 31	
	2004	2003
Deferred charges	\$ 2,230,030	\$ 1,741,373
Goodwill from merger (Note 1)	1,982,369	2,401,973
Others	18,647	111,956
	<u>\$ 4,231,046</u>	<u>\$ 4,255,302</u>

12. DUE TO CENTRAL BANK AND OTHER BANKS

	December 31	
	2004	2003
Due to other banks	\$ 277,217	\$ 872,149
Call loans from banks	24,036,048	43,332,238
Bank overdraft	323,677	1,558,029
Due to the Central Bank	38,475	32,971
	<u>\$ 24,675,417</u>	<u>\$ 45,795,387</u>

13. PAYABLES

	December 31	
	2004	2003
Accounts payable	\$ 20,019,906	\$ 8,381,427
Accrued expenses	3,612,652	2,305,310
Interest payable	2,214,853	1,758,310
Forward exchange contracts payable, net	-	650,400
Acceptances	2,075,093	1,953,676
Others	3,312,094	3,987,875
	<u>\$ 31,234,598</u>	<u>\$ 19,036,998</u>

14. DEPOSITS AND REMITTANCES

	December 31	
	2004	2003
Checking account deposits	\$ 4,312,700	\$ 3,512,649
Demand deposits	54,710,335	36,372,514
Time deposits	187,323,553	126,859,802
Negotiable certificates of deposit	12,322,400	18,805,500
Savings deposits	247,755,664	198,942,786
Deposits transferred from the Postal Bureau	54,180,260	48,354,667
Remittances and drafts issued	372,116	264,228
	<u>\$ 560,977,028</u>	<u>\$ 433,112,146</u>

15. BANK NOTES

To enhance its capital ratio and raise medium- to long-term operating funds, the Bank issued bank notes at par value, as follows:

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

The Bank issued \$3.1 billion in subordinated bank notes on July 10, 2002. Terms were as follows:

(\$'000)

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

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

On November 15, 2002, the Bank issued 5-year bank notes with an aggregate par value of \$1,900,000 thousand. The interest rate is 5.02% minus the current interest rate for 180-day commercial paper but should not be less than 0%. The interest is payable semiannually. The principal is repayable on note maturity.

Under the approval of the Ministry of Finance, the Bank was authorized to issue \$15 billion in bank notes and has partially issued \$10.1 billion in bank notes as follows:

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

Bond	Issued Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	The Method of Redemption and Interest Payment
A	2003.10.08	2008.10.08	5 years	\$200 million/issuance	4.2% minus 6 months'USD LIBOR, but fixed at 4.1% in the first year. In addition, the interest rate should not be less than 0%. From the second year, interest is payable semiannually at the floating rate on the first day of each interest payment period. The floating rate is provided by the Moneyline Telerate on the reset day at 11:00 a.m.	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2003.10.08	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 made a second issue of \$900 million in bank notes in 2003, as follows:

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

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

Bond	Issued Date	Maturity Date	Term	Issue Amount	Interest Rate	Face Value	Redemption Method and Interest Payment
A	2003.12.16	2008.12.16	5 years	\$200 million each	4.9% minus 6-month LIBOR. The 6-month LIBOR is recalculated at the floating rate on the 2nd day interest payment date, which is the first day of each payment period. The floating rate is provided by the Moneyline Telerate on the reset day at 11:00 a.m. The interest rate should not be less than 0%.	\$10,000 thousand	Notes are redeemable at par value in cash on the maturity date. Interest is accruable at a simple rate and payable semiannually from the issue date.
B	2003.12.16	2008.12.16					
C	2003.12.16	2008.12.16		\$300 million each			
D	2003.12.16	2008.12.16					
E	2003.12.16	2008.12.16					
F	2003.12.16	2008.12.16			The interest rate is [2.5*(NTD CMS 5y-NTD CMS 2y)] +0.45%. " NTD CMS 5y " " NTD CMS 2y " is determined by the IRS MID rate of 5 year and 2 year NTD interest rate swap on the 2nd day before interest payment date at 11 AM, provided by PYTWD01 of Reuters on the reset day at 11:00 a.m. The interest rate should not be less than 0%.	\$10,000 thousand	
G	2003.12.16	2008.12.16		\$200 million each			

(Continued)

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

(Concluded)

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

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

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

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

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

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

- Note a: (i) 「T」: Between two interest-determination dates, the number of days with interest rate falling within the ranges of interest rates shown after item (iii) below.
- (ii) 「N」: The number of days between two interest-determination dates.
- (iii) The interest-determination period is between six months before and one day before the interest payment date; interest rate ranges mentioned above are as follows:

	Bank Notes C, D, E, F
Second year	1.0%-2.0%
Third year	1.0%-2.5%
Fourth year	1.0%-3.0%
Fifth year	1.0%-3.5%

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

	Bank Note J
Seventh month to the end of the first year	0.75%-2.0%
Second year	1.0%-2.0%
Third year	1.0%-2.5%
Fourth year	1.0%-3.0%
Fifth year	1.0%-3.5%

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

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

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

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

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

16. OTHER LIABILITIES

	December 31	
	2004	2003
Payables on bonds and securities purchased under resell agreements	\$ 28,213,537	\$ -
Reserve for loss on guarantee	701,740	352,696
Reserve for securities trading	169,482	161,232
Sell option premium	2,463,175	1,860,957
Deferred revenue	337,571	375,227
Reevaluation of derivative instruments – liabilities	3,592,600	-
Others	85,144	74,217
	<u>\$ 35,563,249</u>	<u>\$ 2,824,329</u>

Pension Plan

The Bank charges pension costs based on an actuarial valuation of its pension plan liability. Plan information is as follows:

The status of the employee pension plan as of December 31, 2004 and 2003 is summarized below:

	2004	2003
Actuarial present value of benefit obligations		
Vested benefits	\$ (412)	\$ (276)
Non-vested benefits	(663,455)	(433,590)
Accumulated benefit obligations	(663,867)	(433,866)
Additional benefits estimated for future compensation increase	(519,489)	(343,795)
Projected benefit obligations	(1,183,356)	(777,661)
Plan assets at fair value	885,567	731,547
Projected benefit obligation in excess of plan assets	(297,789)	(46,114)
Unrecognized net transition obligations	41,907	44,900
Unrecognized gains or losses	296,880	70,893
Prepaid pension asset	\$ 40,998	\$ 69,679

The vested benefits of pension plan as of December 31, 2004 and 2003 amounted to \$489 thousand and \$326 thousand, respectively.

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

	2004	2003
Discount rate	3.25%	3.25%
Rate of increase in future compensation levels	3.25%	3.25%
Expected rates of return on plan assets	3.25%	3.25%

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

	2004	2003
Service cost	\$ 167,401	\$ 109,764
Interest cost	30,323	22,425
Expected return on plan assets	(26,725)	(18,821)
Amortization of net transition obligations	2,993	2,993
Amortization of unrecognized losses	5,318	3,423
	<u>\$ 179,310</u>	<u>\$ 119,784</u>

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

	2004	2003
Beginning balance	\$ 731,547	\$ 438,493
Contribution	150,628	161,959
Payment	(6,094)	-
Merger with Dah-An Commercial Bank	-	122,902
Return on assets	9,486	8,193
Ending balance	<u>\$ 885,567</u>	<u>\$ 731,547</u>

17. CAPITAL STOCK

As of December 31, 2004, the Bank's authorized capital was \$33,635,000 thousand, representing 3,363,500 thousand shares, and registered paid-in capital was \$31,753,524 thousand, representing 2,775,352 thousand common shares and 400,000 thousand preferred shares at \$10 par value per share.

Details of capital stock as of December 31, 2004 are as follows:

	Common Stock	Preferred Stock	Total
Initial capital contribution in cash	\$ 10,000,000	\$ -	\$ 10,000,000
Cash capital infusion	11,817,904	7,000,000	18,817,904
Unappropriated earnings and capital surplus transferred to capital stock	6,921,440	-	6,921,440
Redemption of preferred stock-A	-	(3,000,000)	(3,000,000)
Less cancellation of treasury stock	(985,820)	-	(985,820)
	<u>\$ 27,753,524</u>	<u>\$ 4,000,000</u>	<u>\$ 31,753,524</u>

As of December 31, 2004, the issued and outstanding common and preferred shares of Taishin Bank were all held by the parent, Taishin Financial, which was established through a share-swap on February 18, 2002 (Note 1). Based on Article 15 of the Financial Holding Company Law, rights of the shareholders are executed by the board of directors. The Company Law provision on shareholders' meetings does not apply to the Bank.

Taishin Bank made treasury stock cancellations of 79,363 thousand shares in January 2002 and 19,219 thousand shares in September 2003.

On June 30, 2000, the Bank issued preferred stock-B amounting to \$4,000,000 thousand, which is cumulative, nonparticipating, and nonconvertible and has a 6.05% dividend. Preferred stock has preference over common stock in the distribution of dividends. The Bank will redeem the preferred stock at par value six years after the issue date.

On September 20, 1999, the Bank issued preferred stock-A amounting to \$3,000,000, which was cumulative, nonparticipating, and nonconvertible and has a 5.75% dividend. Preferred stock A had preference over common stock and preferred stock-B in the distribution of dividends. Taishin Bank had redeemed preferred stock-A at NT\$10.00 par value and received the approval from the Ministry of Finance to cancel this preferred stock on September 20, 2002.

On December 31, 2003, the Bank issued 62,500 thousand common shares at NT\$10.00 par value. All the shares were subscribed by Taishin Financial for \$2,000 million. The \$1,375,000 thousand premium on capital stock was reported as additional paid-in capital.

To expand its business operations and strengthen its capital structure, the Bank issued 255,556 thousand common shares at NT\$10.00 par value. All shares were subscribed for by Taishin Financial for \$11.5 billion and the subscription price was NT\$45.00 per share. The \$8,944,444 thousand premium on capital stock was reported as additional paid-in capital. The effective date of the capital change was August 9, 2004, and this change was approved by the Ministry of Economic Affairs (MOEA), ROC on August 26, 2004. On December 31, 2004, the Financial Supervisory Commission of the Executive Yuan lowered the subscription price from NT\$45.00 per share to NT\$35.00 per share, for a total subscription price of \$11.5 billion. Thus, the additional shares issued increased to 328,571 thousand shares, and the premium on capital stock was changed to \$8,214,286 thousand. As of January 26, 2005, the date of the accompanying independent auditors' report, the Bank had not yet registered this change with the MOEA.

18. DISTRIBUTION OF EARNINGS AND DIVIDEND POLICY

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

- Tax payments;
- Offset of accumulated deficit, if any;
- Of the remainder from [a] and [b], if any, 30% as legal reserve;
- Of the remainder from [a], [b] and [c], cash dividends to preferred shareholders;
- Of the remainder from [a], [b], [c] and [d], 1% to 5% as bonuses to employees, and appropriated earnings;
- The final remainder plus the beginning balance of unappropriated earnings, as common dividends.

Items (e) and (f) above are to be proposed and approved by the Bank's Board of Directors.

Cash distributions in any given year must not exceed 15% of the Bank's paid-in capital. But if the Bank's legal reserve equals to or exceeds paid-in capital, this restriction does not apply. In addition, if the ratio of capital to risk-weighted assets is less than 8%, cash distribution will also be restricted, as required by the Ministry of Finance.

On May 6, 2004, the board of directors resolved to distribute preferred dividends of \$242,000 thousand, cash dividends of \$3,914,850 thousand, and bonuses to employees of \$112,974 thousand. The basic earnings per share of 2003 was NT\$2.47, which would have been NT\$2.42 had the bonuses to employees been treated as current expenses. Information on the 2003 earnings appropriation can be accessed online through the Market Observations Post System (MOPS) on the Web site of the Taiwan Stock Exchange Corporation.

Under Ministry of Finance Letter No. 1 (89)-Tai-Tsai-Cheng-100116, a listed or an over-the-counter company should provide a special reserve equal to the amount of deduction items (except treasury stock) of shareholders' equity before distributions as stated in item (e) above. As of December 31, 2003, these deduction items amounted to \$252,675 thousand.

On February 18, 2002, the Bank became a subsidiary of Taishin Financial Holding; thus the Bank's shares were delisted. Based on Letter No. 1 (91)-Tai-Tsai-Cheng-112798, the special reserve required by Letter No. 100116 may be transferred to earnings for distribution. The transferred special reserve was distributed in 2003.

19. PERSONNEL EXPENSES, DEPRECIATION, DEPLETION AND AMORTIZATION

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

Nature	Function	2004		2003	
		Operating Cost	Operating Expense	Operating Cost	Operating Expense
Personnel expenses					
Salary		-	6,294,577	-	4,775,423
Labor and health insurance		-	384,859	-	262,672
Pension		-	197,072	-	119,784
Others		-	256,454	-	201,254
Depreciation		-	622,623	-	578,911
Depletion and amortization		-	1,380,664	-	1,157,334

20. INCOME TAX

Income tax expenses for 2004 and 2003 were as follows:

	2004	2003
Income before income tax	\$ 13,216,182	\$ 7,768,682
Permanent differences		
Gain on sale of marketable securities	(599,012)	(962,241)
Provision for trading securities	8,249	148,319
Interest on short-term negotiable instruments, separately taxed at 20%	(735,971)	(644,124)
(Reversal of provision) provision for decline in market value of bills and securities	(13,512)	13,512
Nontaxable OBU income	(114,014)	(129,214)
Investment income recognized under the equity method	(449,002)	(344,223)
Dividend income	(493,375)	(339,895)
Permanent loss on long-term investment	90,201	202,730
Unrealized loss (gain) on derivative instruments	198,506	(69,908)
Others	73,277	151,330
	\$ (2,034,653)	\$ (1,973,714)
Temporary differences		
Reversed decline in market value of collaterals and residuals assumed	(110,762)	(779,323)
Reversed provision for loan losses	-	(707,011)
Provision for guarantee losses in excess of tax limit	-	43,198
Others	61,226	-
	(49,536)	(1,443,136)
Taxable income after permanent and temporary differences	11,131,993	4,351,832
Deduct loss carryforwards	(9,219,499)	(4,351,832)
Taxable income	1,912,494	-
Tax rate	25%	25%
Income tax payable	478,114	-
Deduct investment credits	(95,708)	-
Current income tax expense	382,406	-
Add		
Deferred income tax expense	2,382,227	1,657,545
Additional 10% income tax on undistributed earnings	20,360	-
Tax on interest income from short-term negotiable instruments, separately taxed at 20%	131,270	128,719
Adjustment for prior years' tax estimates	(177,788)	(183,809)
Income tax expense	\$ 2,738,475	\$ 1,602,455

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

	2004	2003
Provision for guarantee losses in excess of tax limit	\$ -	\$ 29,995
Provision for decline in market value of collaterals and residuals assumed	6,265	33,956
Loss carryforwards	-	2,294,820
Investment credits	-	45,028
Others	15,307	-
	\$ 21,572	\$ 2,403,799

The payables to be allocated to Taishin Financial from the adoption by the Bank and Taishin Financial of the linked-tax system in the filing of the 2004 returns were estimated as follows:

	December 31, 2004
Payables allocated to Taishin Financial	\$ 387,613

Based on an amendment of the Income Tax Law, Information on the imputation credit account (ICA) and the estimated imputed tax credit rate as of December 31, 2004 and 2003 is as follows:

	2004	2003
Balance of ICA	\$ 55,118	\$ 80,702
The estimated (actual) imputed tax credit rate	0.52%	5.05%

Information on the undistributed earnings as of December 31, 2004 and 2003 is as follows:

	2004	2003
Since 1998	\$ 10,541,364	\$ 6,183,349

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

21. EARNINGS PER SHARE

Earnings per share is derived from income before income tax and net income of \$13,216,182 thousand and \$10,477,707 thousand, respectively, for 2004, and \$7,768,682 thousand and \$6,166,227 thousand, respectively, for 2003, minus preferred stock dividends divided by the weighted average number of outstanding common shares in each of those years.

The above related-party transactions were made at arm's length in compliance with the Bank's policies.

Call Loans to Banks and Call Loans from Banks

2004					
Related Party	Item	Balance	Highest Amount	Interest Rate %	Interest Revenue (Expense)
Taishin Bills Finance Co.	Call loans to banks	\$ -	\$ 1,000,000	0.875~1.165	\$ 134
Taishin Bills Finance Co.	Call loans from banks	300,000	300,000	0.875~1.185	(58)

2003					
Related Party	Item	Balance	Highest Amount	Interest Rate %	Interest Revenue (Expense)
Taishin Bills Finance Co.	Call loans to banks	\$ -	\$ 50,000	0.90~1.18	\$ 5
Taishin Bills Finance Co.	Call loans from banks	300,000	300,000	0.75~1.40	(217)

All of the above bank transactions were made at arm's length in compliance with the Bank's policies.

Trading Securities

2004						
Related Party	Purchase Price (Cumulative Amount)	Sales Price (Cumulative Amount)	Repurchase Price		Resell Price	
			Ending Balance	Interest Rate	Ending Balance	Interest Rate
Taiwan Securities Co., Ltd.	\$ 113,578,441	\$ 116,065,436	\$ 7,734	0.680~1.000	\$ -	-
Taishin Bills Finance Co.	38,277,134	18,909,203	499,623	0.700~1.185	1,081,375	0.875~1.210
Shin Kong Life Insurance Co., Ltd.	454,060	3,799,277	2,873,410	0.880~1.150	-	-
Shin Kong Financial Holding Co., Ltd.	-	-	501,712	0.830~1.140	-	-
Taishin Financial Holding	-	-	735,679	0.830~1.000	-	-
Others	197,550	194,944	-	-	-	-
	<u>\$ 152,507,185</u>	<u>\$ 138,968,860</u>	<u>\$ 4,618,158</u>		<u>\$ 1,081,375</u>	

2003						
Related Party	Purchase Price (Cumulative Amount)	Sales Price (Cumulative Amount)	Repurchase Price		Resell 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.	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	-	-
	<u>\$ 123,079,165</u>	<u>\$ 113,470,165</u>	<u>\$ 1,744,630</u>		<u>\$ 638,704</u>	

Lease Payments and Guarantee Deposits

Related Party	Lease Object	Lease Period	Lease Payment		Guarantee Deposits	
			2004	2003	2004	2003
Shin Kong Life Insurance Co., Ltd.	Head office and other branches	2001.09.01~2006.09.30	\$ 78,511	\$ 67,341	\$ 20,124	\$ 16,698
Others			36,965	36,065	6,232	6,924

All of the above lease and guarantee transactions were made at arm's length in compliance with the Bank's policies.

Transferring Ownerships of Loans

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

Related Party	Original Amount	Transfer Price	Receivable Ending Balance	
			2004	2003
Taishin Real-Estate Management Co., Ltd.	\$ 2,855,709	\$ 952,928	\$ -	\$ 571,757
Taishin Assets Management Co., Ltd.	7,524,413	1,913,129	-	1,178,259
	<u>\$ 10,380,122</u>	<u>\$ 2,866,057</u>	<u>\$ -</u>	<u>\$ 1,750,016</u>

Bank Notes

Related Party	Item	2004		2003	
		Amount	Percentage of Account Balance	Amount	Percentage of Account Balance
Taishin Bills Finance	Bank notes 91-1	\$ 200,000	1	\$ 200,000	1
Taishin Bills Finance	Bank notes 91-2	50,000	-	50,000	-

23. PLEDGED ASSETS

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

Pledged Assets	Descriptions	2004	2003
Refundable collaterals	Bonds and certificates of time deposit	\$ 8,599,096	\$ 7,205,112
Guarantee deposits paid	Cash	3,236,974	2,548,405

24. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those mentioned in Note 25, the Bank had the following contingent liabilities and commitments as of December 31, 2004 and 2003:

	2004	2003
Bills for collection	\$ 26,100,730	\$ 22,066,248
Custody of marketable securities	77,612,394	104,809,771
Travellers' checks for sale	221,183	248,029
Guarantees	22,372,869	23,271,637
Letters of credit	8,036,492	4,778,707
Commercial paper or bonds sold under repurchase agreements	-	27,899,820
Commercial paper or bonds purchased under resell agreements	-	4,020,256
Trust assets	120,675,974	81,250,654
Unpaid equipment purchase contracts	1,568,110	2,260,502
Unused loan commitments	73,525,384	64,439,810

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

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

Trust Asset Summary

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

25. DERIVATIVE INSTRUMENTS

The Bank uses various derivative instruments, including forward exchange contracts, currency swap agreements, cross-currency swaps, interest rate swaps, options, forward interest rate agreements, futures contracts, etc., to provide customers with hedging instruments for their import, export and currency exchange transactions, as well as to manage the Bank's asset and liability positions and credit risk.

Trading-based Derivative Financial Instruments

Contract Amount or Nominal Principal Amount and Credit Risk

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

Credit risk refers to the counter-party's default on contracts. The credit risk amount shown above pertains to contracts with a positive fair value on the balance sheet date. It represents the Bank's potential loss, considering potential exposures and credit risk factors, if a counter-party breaches a contract. Since the Bank transacts with creditworthy financial institutions and trades within given credit limits, no credit risk is anticipated.

Market Price Risk

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

	December 31	
	2004	2003
	Exchange rate risk	\$ 346,953
Interest rate risk	1,728,168	888,968
	<u>\$ 2,075,121</u>	<u>\$ 1,931,015</u>

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

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

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

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

The Bank has sufficient working capital to meet settlement requirements for derivative transactions and therefore does not require material additional cash inflows.

Net gains and Losses on Derivative Transactions

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

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

Nontrading-Based Derivative Financial Instruments

Contract Amount or Nominal Principal Amount and Credit Risk

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

Credit risk refers to the counter-party's default on contracts. The credit risk amount shown above pertains to contracts with a positive fair value on the balance sheet date. It represents the Bank's potential loss, considering potential exposures and credit risk factors, if a counter-party breaches a contract. Since the Bank transacts with creditworthy financial institutions and trades within given credit limits, no credit risk is anticipated.

Market Price Risk

Market price risk refers to the risk arising from exchange rate and interest rate fluctuations in the market. Since the Bank transacts with reputable international financial institutions, 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 nontrading-based derivative financial instruments are as follows:

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

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

The Bank has sufficient working capital to meet settlement requirements for derivative transactions and therefore does not require material additional cash inflows.

Presentation of Derivative Financial Instruments in Financial Statements

The Bank classifies the gain or loss on currency swap, cross-currency swap and interest rate swap contracts as interest revenues or interest expenses in the income statement. The amounts of these net gains or losses were as follows:

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

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

26. Fair Value of Financial Instruments

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

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

The fair values of the short-term financial instruments are determined 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 and cash equivalents, call loans to banks, due from the Central Bank, receivables and due to banks.

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

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

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

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

27. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Bank is a party to financial instrument and credit card transactions with off-balance-sheet risk to meet the financing needs of its customers. These financial instruments included loans, guarantees, and acceptances bearing interest of 0.30% to 20% in 2004 and 1.024% to 20% in 2003. The interest rate for credit cards can be as high as 20%.

As of December 31, 2004 and 2003, the Bank's financial instruments with off-balance-sheet risk were as follows:

	2004	2003
Unused credit lines	\$ 73,525,384	\$ 64,439,810
Credit card lines	439,207,191	384,987,828

Since the financial instruments will not all be paid off when they are 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 maximum loss on the transaction.

The Bank follows a strict credit policy in assessing and approving all credit lines and guarantees. Certain customers were requested to provide collaterals. The secured loans were 52.21% and 57.56% of the total loans for 2004 and 2003, respectively. The collaterals for loans, financing guarantees and letters of credit guarantees are cash, inventories, securities, real estate and other assets. If the customers default, the Bank will execute its rights on the collaterals based on the contracts.

No collaterals are required for credit card transactions. However, the Bank reassesses its customers' credit ratings periodically. The customers' credit limits will be adjusted if necessary.

28. OTHER FINANCIAL INSTITUTION DISCLOSURES

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

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

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

Note c: Loans under surveillance include (i) long-term installment loans that are overdue more than three months but less than six months, (ii) loans of which the principal is overdue for less than three months but related interests are overdue for more than three months but less than six months, and (iii) delinquent loans allowed to be excluded from the NPL, as defined by BOMA.

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

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

The concentration of credit risk exists when counter-parties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration of Credit Risk

If counter-parties to financial transactions are individuals or groups engaged in similar business activities or having similar economic attributes, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions, concentration of credit risk may occur. For the Bank, concentration of credit risk does not involve a single customer but customers in similar geographic locations and or part of the same industry, as follows:

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

Items	December 31			
	2004		2003	
	Industry	%	Industry	%
Approved credit centralization (Top 3)	Manufacturing	11.29	Manufacturing	11.77
	Finance and insurance	6.81	Finance and insurance	6.72
	Wholesale and retailing	2.99	Wholesale and retailing	3.63

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

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

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

Note d: Loans to parties with common interests as defined by the Bank Law.

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

Provision for Bad Debts and Losses on Guarantees - Provisions for bad debts and losses on guarantees are accrued in consideration of Taishin Bank's estimates of collectibility of loans, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities. Taishin Bank assesses the collectibility of its credit portfolio on the basis of such factors as the borrowers' /clients' payment history, delinquent status, and financial condition and provides for loss, taking into account the value of collateralized assets, in accordance with "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans, Nonaccrual Loans and Bad Debts" of the Ministry of Finance. Under these rules, if the loans, discounts, bills purchased, account receivables, interest receivables, guarantees, advances and other credit facilities are deemed uncollectible. The Bank should make full provisions. If the recovery possibility is deemed low, at least 50% of the loan amount should be provided for. In both cases, the related losses should be recognized as current expenses.

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

Loss on Long-Term Equity Investments - Long-term equity investments are recorded at acquisition cost. Investees in which the Bank holds an ownership interest of 20% or more or on which the Bank has significant influence are valued using the equity method, and those in which the Bank holds an ownership interest of less than 20% or does not have significant influence on are valued by the cost method. Under the cost method, if the investee is a listed or over-the-counter (OTC) company, the investment is stated at the lower of cost or market value, and the related unrealized loss on valuation is charged to the shareholder's equity. If the investee is not a listed or OTC company and there is evidence of market value impairment of the investment, an allowance is provided and the related loss is charged to current expense.

Under the equity method, if the investor sells a portion of the investment such that its percentage of ownership decreases or the investor loses significant influence on the investee, the investor stops changes its accounting treatment for the investment from the equity method to the cost method. The new cost of the investment will be the lower of book value or market value. In addition, the investor should recognize the unrealized gain (loss) from downstream transactions made when the investee was still under the equity method.

Interest-Earning Assets and Interest-Bearing Liabilities

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

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

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

Market Risk Sensitivity

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

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

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

Main Foreign-Currency Position

(In thousands)

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

Note a: The main foreign currency refers to the first five currencies having the highest net positions after being converted into a common unit.

Note b: The main foreign-currency net positions were in terms of their absolute value.

Profitability

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

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

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

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

Note d: Profitability is calculated on annual basis.

Maturity Analysis of assets and liabilities

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

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

Special Recorded Items

	Reason and Amount
The person in charge or employee who violated the law in the course of business operations and was sued by the public prosecutor in the recent year.	None
People who violated the bank law and was fined in the recent year.	The acquired information from the Joint Credit Information Center (JCIC) was leaked out due to Taishin Bank's negligence. The Bank was fined \$500 thousand by the Financial Supervisory Commission, Executive Yuan.
The deficiency that was rectified by Ministry of Finance in the recent year.	The Bank did not take a progressive action on its reinvestment plan in Dah An Leasing Co., Ltd. which was rectified by the Ministry of Finance.
The actual loss amounted to more than \$50,000 thousand in the recent year as a result of major employee fraud or workplace accidents not in compliance with financial institutions' guidelines on workplace security.	None
Others	Taishin Bank inquired about customers' credit information through JCIC without customers' consent. For this act, the Bank was fined \$20 thousand by the MOF.

Note: The recent year refers to the period from December 31, 2003 to December 31, 2004.

Capital Adequacy

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

Trust Accounts

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

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

Loans to Parties with Common Interests

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

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

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

Note c: Parties with common interest is defined by the Bank Law.

29. DISCLOSURES UNDER STATUTORY REQUIREMENTS FOR 2004

Material transactions are summarized as follows:

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	Table 1
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital	None
6	Sale of NPL over NT\$5 billion	None
7	Other significant transactions which may affect decisions of the users of the financial statement	None

Information on Taishin Bank's investees:

No.	Item	Explanation
1	Investees' names, locations, etc	Table 2
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2004	Table 3 (Note a)
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	Note b
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2004	Note b
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital	Note b
9	Derivative instruments	Note b
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL over NT\$5 billion	None
12	Other significant transactions which may affect decisions of the users of the financial statement	None

Note a: Not applicable or not required to be disclosed if the investee is a financial institution, insurance company, or security company.

Note b: Not applicable or not required to be disclosed if the total assets or total operating revenues of the investee is less than 10% of those of Taishin Bank, respectively.

Taishin International Bank Co., Ltd.
Table 1 Investees' disposal of fixed assets over NT\$300 million or 10% of registered capital in 2004

(In Thousands)

Seller	Property Name	Transaction Date	Acquisition Date	Carrying Value	Transaction Amount	Payment	Disposal Gain (Loss)	Transaction Party	Relationship To the Transaction Party	Disposal Purchase	Pricing Reference	Other Agreements
Taishin Bank	3Fl. and 4Fl.-6, No. 9, De Huei St.	2004.01.15	Land: 2002.02.19 Building 2003.09.16	242,080 118,349	226,125 111,375	\$314,625 thousand has been received	(15,955) (6,974)	The Bankers Association of the Republic of China	None	Disposal of idle offices	Appraised by DTZ Debenham: \$343,842 thousand	None
	6Fl., No. 9, De Huei St.	2004.03.04	Land: 2002.02.19 Building 2003.09.16	210,504 102,910	201,000 99,000	\$300,000 thousand has been received	(9,504) (3,910)	Union Chemical Industry Co., Ltd.	None	Disposal of idle offices	Appraised by DTZ Debenham: \$296,564 thousand	None

Taishin International Bank Co., Ltd.
Table 2 Information on investees' names, locations, etc. for the year ended December 31, 2004

1 of 2

(In Thousands, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Principal Business Activities	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	71,012	44,778	26,743	Subsidiary
	Taishin Insurance Agency Co., Ltd.	6Fl., No. 23, Sec. 1, Changan E. Rd., Taipei, Taiwan	Life insurance agency	1,500	1,500	19,800,000	60.00	507,309	443,147	264,240	Subsidiary
	Taishin International Finance Company Limited	4001B, 40th Fl., Tower II, Lippo Center, 89 Queensway Central, Hong Kong	Import and export of foreign exchange, trade financing, guarantee and acceptance	127,314	127,314	29,999,700	99.99	198,979	51,715	49,686	Subsidiary
	PayEasy Digital Integration Co., Ltd.	13Fl., No. 11, Sec. 1, Jungshan N. Rd., Taipei, Taiwan	Investment and enterprise operating consultant, information software and data processing, advertising, international trade, agency and network services	34,000	34,000	4,522,000	66.67	67,948	30,128	18,500	Subsidiary
	Dah An Leasing Co., Ltd.	3Fl., No. 222, Sec. 2, Nanjing E. Rd., Taipei, Taiwan	Leasing and retailing of machinery, mobile, aircraft, marine and components	198,000	198,000	19,800,000	99.00	199,144	72,148	71,427	Subsidiary
	Taishin Venture Capital investment Co., Ltd.	10Fl., No. 46, Sec. 2, Jungshan N. Rd., Taipei, Taiwan	Investment start-up	45,000	60,000	4,500,000	5.00	34,749	(137,868)	(6,893)	Investee on which Taishin Bank has significant influence
	An Hsin Real-Estate Management Co., Ltd.	14Fl., No. 27, Sec. 1, Anhe Rd., Taipei, Taiwan	Construction consultation, real estate appraisal	15,000	15,000	2,100,000	30.00	29,968	24,121	7,139	Investee on which Taishin Bank has significant influence
	Taiwan Futures Co., Ltd.	5Fl., No. 123, Sec. 2, Nanjing E. Rd., Taipei, Taiwan	Futures brokering	40,000	40,000	4,000,000	10.00	49,160	47,452	18,160	Investee on which Taishin Bank has significant influence

Taishin International Bank Co., Ltd.

Table 2 Information on investees' names, locations, etc.

2 of 2

(In Thousands, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Principal Business Activities	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 Insurance Agency Co., Ltd.	Taishin Non-Life Insurance Agency Co., Ltd.	6Fl., No. 23, Sec. 1, Changan E. Rd., Taipei, Taiwan	Nonlife insurance agency	2,440	2,440	439,200	97.60	29,296	20,970	20,217	Subsidiary
	Taishin Insurance Brokers Co., Ltd.	6Fl., No. 23, Sec. 1, Changan E. Rd., Taipei, Taiwan	Insurance brokers	2,000	2,000	417,366	100.00	30,855	26,437	26,415	Subsidiary
An Hsin Real-Estate Management Co., Ltd.	Riches Asset Management Service Company	10Fl., No. 97, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan	Acquisition of delinquent loans and related evaluation, auction, and management	5,500	5,500	550,000	55.00	10,424	8,633	4,737	Subsidiary
	Riches Asset Management Service Company	10Fl., No. 97, Sec. 2, Tunhwa S. Rd., Taipei, Taiwan	Consumption on delinquent loans, evaluation, auction, and management	7,000	-	700,000	70.00	6,809	(273)	(191)	Subsidiary
Taishin Venture Capital Investment Co., Ltd.	HD. Strategic Partner Co.	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	Investment	76,201	76,201	4,420,000	30.93	76,201	-	-	Investee on which Taishin Venture Capital Investment Co., Ltd. has significant influence

Taishin International Bank Co., Ltd.

Table 3 Investees' marketable securities held as of December 31, 2004:

(In Thousands, Except for Percentage and Shares)

Owner	Type and Name of Marketable Security	Issuer's Relationship to the Owner	Accounts Recorded	December 31, 2004				Note
				Shares (Units)	Carrying Value	%	Market Value	
Taishin Real-Estate Management Co., Ltd. Taishin Insurance Agency Co., Ltd.	Stock							
	Common stock of Taishin Financial	Parent	Long-term investments	1,391,490	17,500,000	0.03	40,590	
	Funds							
	Shin Kong Chi-Shin Fund		Short-term investments	32,691,368.35	450,000	-	456,221	
Dah An Leasing Co.,	Stock							
	Taishin Non-Life Insurance Agency Co., Ltd	Parent and subsidiary	Long-term investments	439,200	29,296	97.60	-	
	Taishin Insurance Broker Co., Ltd	Parent and subsidiary	Long-term investments	417,366	30,855	100.00	-	
	Chi-Long Technology Co., Ltd		Long-term investments	950,000	9,500	5.00	-	
An Hsin Real-Estate Management Inc.	Stock							
	Pacific Security		Long-term investments	926,368	14,927	0.22	-	
	Yuan Tai Forex		Long-term investments	600,000	6,000	5.00	-	
	Bon-Li International		Long-term investments	125,000	1,250	1.50	-	
Taiwan Futures Co., Ltd.	Funds							
	Shin Kong Chi-Shin Fund		Short-term investments	1,114,173.02	15,000	-	15,549	
	Stock							
	Riches Asset Management Service Company	Parent and subsidiary	Long-term investments	550,000	10,424	55.00	-	
	Riches Asset Management Service Company	Parent and subsidiary	Long-term investments	700,000	6,809	70.00	-	
	Bond Fund							
	Fuhwa a Bond Fund		Short-term investments	1,697,134.58	20,645	-	21,133	
	TIIM		Short-term investments	2,574,620.25	35,327	-	35,518	
	Fuhwa		Short-term investments	204,212.50	2,500	-	2,648	
	E-Sun New Century		Short-term investments	2,304,900.94	24,027	-	24,388	
Taishin Venture Capital Investment Co., Ltd.	Fuhwa Hsin-Tien-Own Bond Fund		Short-term investments	183,764.40	2,000	-	2,014	
	TIIM High Yield Fund		Short-term investments	166,647.22	2,000	-	2,003	
	Taiwan Futures Exchange, Inc.		Long-term investments	20,000	200	0.01	-	
	Fuh-hwa Heirloom Balance Fund		Short-term investments	1,585,728.4	20,000	-	20,035	
	Stock							
	HD Strategic Partner	Equity-method investee	Long-term investments	4,420,000	76,201	30.93	-	
	Accuray Inc. (preferred stock)	Cost-method investee	Long-term investments	400,000	13,361	-	-	
	Advanced Technology Coatings Limited	Cost-method investee	Long-term investments	350,000	4,839	7.00	-	
	Corrent Corp. (preferred stock)	Cost-method investee	Long-term investments	1,640,913	42,095	-	-	
	Dynacomware Corp.	Cost-method investee	Long-term investments	20,643	31	0.95	-	
Dynalab	Cost-method investee	Long-term investments	516,071	-	0.95	-		
Maxxan Systems Inc. (preferred stock)	Cost-method investee	Long-term investments	1,647,433	20,403	-	-		
Nex Flash Technology Inc. (preferred stock)	Cost-method investee	Long-term investments	255,567	21,393	-	-		
R2 Technology, Inc. (preferred stock)	Cost-method investee	Long-term investments	250,000	34,451	-	-		
U-Systems, Inc. (preferred stock)	Cost-method investee	Long-term investments	550,000	19,014	-	-		
UT-Starcom	Cost-method investee	Long-term investments	84,413	49,900	-	58,593		
First Telecom	Cost-method investee	Long-term investments	5,054,503	45,491	1.40	-		
Integrated Circuit Solution Inc.	Cost-method investee	Long-term investments	2,335,650	32,216	1.03	27,864		
Applied Vacuum Coating Technologies Co., Ltd.	Cost-method investee	Long-term investments	713,750	12,993	0.60	7,886		
Gigastorage Corp.	Cost-method investee	Long-term investments	379,070	7,779	0.13	4,299		
Megaedge Corp.	Cost-method investee	Long-term investments	28,207	49	0.33	-		
Inspire I.T.	Cost-method investee	Long-term investments	100,000	2,000	0.48	-		
Kingmax Inc.	Cost-method investee	Long-term investments	1,370,192	13,702	1.15	-		
Twinmos Technologies Inc.	Cost-method investee	Long-term investments	827,137	7,200	0.40	-		
Far Eastone Telecommunications Co., Ltd.	Cost-method investee	Long-term investments	3,254,157	86,606	0.09	123,072		
@uto Tools Group	Cost-method investee	Long-term investments	358,532	1,076	1.38	-		
Wistron Co.	Cost-method investee	Long-term investments	1,102,101	25,000	0.12	15,540		
UMC	Cost-method investee	Long-term investments	1,188,459	27,100	0.01	23,684		
Dwins Cayman Corp.	Cost-method investee	Long-term investments	2,169,787	2,170	5.33	-		



. Special Items of Record

2004

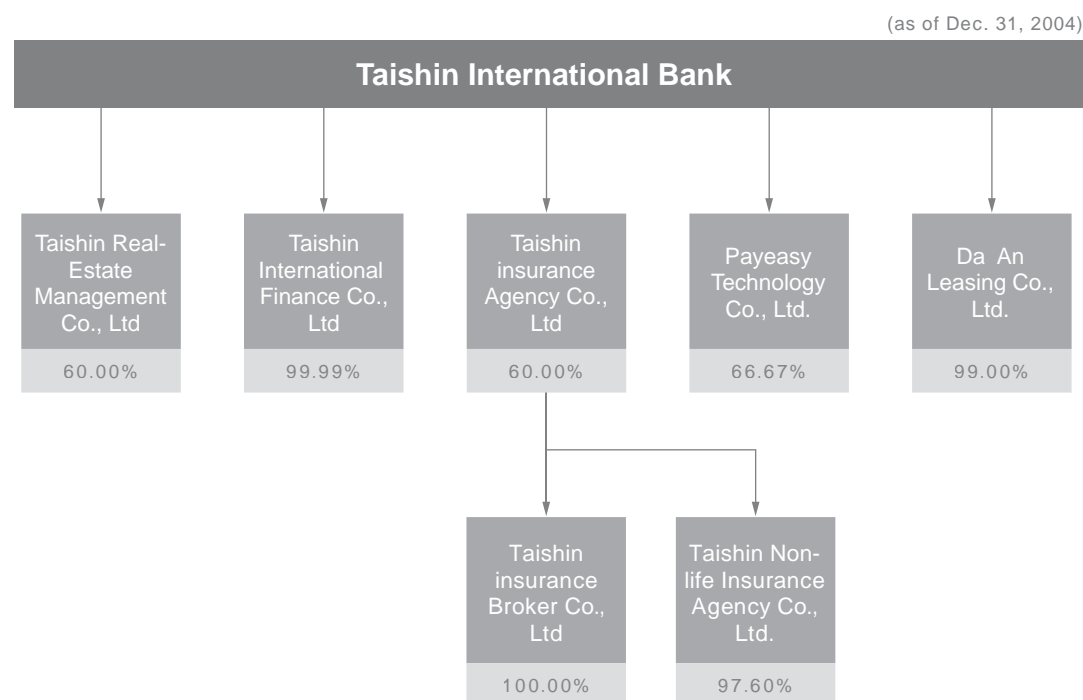
Annual Report



To the last detail

Professional service means taking care of every detail to provide true customer satisfaction.

Organization Chart of Taishin International Bank



Related Companies

Business profile(as of Dec.31,2004) (NT\$1,000)

Company name	Capital Stock	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Profit	Net Progits	EPS (after tax)
"Payeasy Technology Co., Ltd."	67,830	229,151	127,229	101,922	724,925	37,103	30,128	4.44
"Taishin Insurance Agency Co., Ltd."	330,000	1,143,368	297,854	845,514	1,798,222	529,597	443,147	13.43
Taishin Non-life Insurance Agency Co.,	4,500	34,259	4,242	30,017	44,169	23,436	20,970	46.6
Taishin Insurance Brokers Co., Ltd.	4,174	89,029	58,174	30,855	125,394	38,386	26,437	63.34
Dah An Leasing	200,000	201,216	60	201,156	72,422	72,148	72,148	3.61
Taishin International Finance Co.,	123,144	260,661	73,146	187,568	65,792	61,635	51,715	1723.84
Taishin Real-Estate Management Co., Ltd.	66,000	541,615	423,261	118,354	239,680	11,037	44,778	6.78

TWD/HKD =1:4.1048 on December 31, 2004

Stock Dividend Policy and Status of Implementation

1. Stock Dividend Policy

As a subsidiary of the Taishin Financial Holding Co., Taishin Bank meets the operating capital needs of the mother company, under the principle of maintaining an appropriate level of capital adequacy, by distributing preferred stock dividends and bonuses according to the issuing conditions, and by handling the distribution of dividends and bonuses on common stock by distributing dividends to shareholders in the form of cash; it also adopts a policy of stability and balance in the annual distribution of stock dividends and bonuses.

When doubts exist about the Bank's reaching a reasonable level of capital adequacy, dividends and bonuses on preferred stock are distributed according to the conditions of their issuance while dividends and bonuses on common stock are distributed, in principle, half in cash dividends and half in stock dividends. An appropriate adjustment in the ratio of stock dividends can be made, however, in consideration of profitability, the capital situation, the status of capital accumulation, and the amount of the dividend; the distribution of stock dividends is limited, however, to no more than 20% of the amount of estimated after-tax earnings per share following the distribution of stock.

If in the distribution of profit the ability to pay stock dividends and bonuses to holders of common stock for the current year exceeds the actual amount distributed for the previous year by 20%, and if there has been no substantial rise in the price level of the company's stock during the current period, then the company may retain the excess profit to use in balancing stock dividends for the succeeding year.

2. Status of Equity Diversification

The Taishin Bank is a subsidiary of the Taishin Financial Holding Co., which holds 100% of the Bank's equity.

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 Bureau of Monetary Affairs, Financial Supervisory Commission

Statement by

President

Chief Auditor

Conformance Executive

2004

Annual Report

. Major Events in 2004

 **Taishin Bank**

At your humble service

Warm and thoughtful attendance
is our way to say: You mean the
world to us.

- **Jan.** *Euromoney* magazine rated Taishin Bank “ Taiwan – Best Private Bank: 6th ” and “ Taiwan – Best at Relationship Management: 2nd. ”
- **Mar.** The Bank issued the first Platinum-class Visa business card in Asia—the Boss Business Card.
- **Apr.**
 1. Taishin Holdings' Intelligent Partner slogan is born.
 2. Second-generation cash card issued: the Story cash card.
- **May**
 1. The Bank's Infinite Card was granted the "Products/Service Excellence in Retail Financial Services" award for the Taiwan area by *The Asian Banker*.
 2. The Bank rose to third in Taiwan in volume of financial derivatives transactions.
- **June** The Bank and the Hola Home Furnishings Co. issued the co-branded Hola Card and introduced Taiwan's first "Hola Chip Loyalty/Cash Point Chip Card" activity.
- **Sep.** The monthly volume of the Bank's factoring business topped of NT\$18 billion.
- **Oct.**
 1. The Bank won the right for its credit cards to be used for paying membership fees for five golf clubs.
 2. The Bank introduced the first self-designed credit card in Asia, the “make” card.
 3. The first interactive ATM marketing activity, “Super Lucky Twin Star Puzzle,” introduced to promote automated transaction services.
 4. The Bank introduced Taiwan's first cash card usable for making payments at Hi-Life convenience stores.
 5. The Tenth Credit Cooperative of Hsinchu formally merged with Taishin Bank, boosting the number of Taishin branches throughout Taiwan to 101.
- **Nov.**
 1. The “2% Victory” high-yield deposit campaign was introduced, with a term of one month, resulting in single-month records for new customers and new time deposits.
 2. The Taishin Bank received Honorable Mention for “Best Human Resources Development” and an award for “Best Risk Management” from the Taiwan Banking & Finance Best Practice Awards.
 3. The number of Taishin Bank ATMs breaks the 2,000 mark.
- **Dec.**
 1. The Bank's securities trust assets topped NT\$19.3 billion, giving a market share of 17.92% and ranking the Bank third in the industry.
 2. The Bank's e-learning program won a “Best Practice for E-Learning Excellence” award in the 2004 E-Learning awards program sponsored by the Industrial Development Bureau of the Ministry of Economic Affairs and organized by the Institute for Information Industry.
 3. The Bank completed application procedures to the State Bank of Vietnam for the establishment of a Ho Chi Minh City Representative Office.
 4. Amount of syndicated loans with Taishin acting as lead bank topped NT\$30 billion, boosting the Bank into the top 10 in the market.



. List of Branch

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 **Taishin Bank**

Mind on every Move

Aggressively developing every opportunity and pursuing resource builds a more promising financial outlook.

Domestic Unit

■ Head Office & Business Department	No.44, Sec. 2, Jhongshan N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2568-3988	■ Sanchong Branch	No.116, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02)2983-6100
■ Trust Department	No.41, Sec. 1, Jhonghua Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2389-3456	■ Jingping Branch	No.634-9, Jingping Rd., Jhonghe City, Taipei County 235, Taiwan (R.O.C.)	(02)2242-8989
■ International Department	No.17, Sec. 2, Jianguo N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2505-6966	■ Jhonghe Branch	No.341, Jhonghe Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02)2232-7788
■ Offshore Banking Unit	No.17, Sec. 2, Jianguo N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2505-6966	■ Yonghe Branch	No.195, Jhulin Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02)8923-0588
■ Yanping Branch	No.190, Sec. 2, Yanping N. Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	(02)2557-9155	■ Sijih Branch	No.135, Jhongsing Rd., Sijih City, Taipei County 221, Taiwan (R.O.C.)	(02)2694-5133
■ Heping Branch	No.238, Sec. 1, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2368-5589	■ Banciao Branch	No.176, Jhongheng Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02)2965-8888
■ Da-an Mini-Branch	No.118, Sec. 3, Sinyi Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2700-9388	■ Chiangsui Branch	No.79, Alley 3, Lane 182, Sec. 2, Wunhua Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02)8252-9999
■ Dunaan Branch	No.243, Sec. 1, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2721-6789	■ Bannan Branch	No.41, 43, Guancian E. Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02)2956-6789
■ Sinyi Branch	No.89, Leli Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2739-3988	■ Sioulang Branch	No.533, Jhongheng Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	(02)8667-5533
■ Peishih Mini-Branch	No.347, Sec. 2, Heping E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)2705-8588	■ Sindian Branch	No.114, Jianguo Rd., & No.66, Minzu Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	(02)2915-7766
■ Sinsheng Branch	No.62, Sec. 1, Sinsheng S. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2395-2888	■ Jhonghuang Branch	No.425, Jhongheng Rd., Sinjuang City, Taipei County 242, Taiwan (R.O.C.)	(02)2205-9688
■ Jiancheng Branch	No.278, Nanjing W. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2555-3866	■ Sinjuang Branch	No.75, Sec. 2, Jhonghua Rd., Sinjuang City, Taipei County 242, Taiwan (R.O.C.)	(02)2998-0888
■ Dazhi Mini-Branch	No.645, Bei-an Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)8509-6858	■ South Sinjuang Mini-Branch	No.58, Fuguo Rd., Sinjuang City, Taipei County 242, Taiwan (R.O.C.)	(02)2906-8868
■ Chengtung Branch	No.123, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2516-5766	■ Lujhou Branch	No.265, Minzu Rd., Lujhou City, Taipei County 247, Taiwan (R.O.C.)	(02)2848-5858
■ Jianciao Branch	No.96, Sec. 1, Jianguo N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2508-1899	■ East Keelung Branch	No.133-1, Sin 1st Rd., Jhongheng District, Keelung City 202, Taiwan (R.O.C.)	(02)2424-9999
■ Jianpei Branch	No.17, Sec. 2, Jianguo N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2505-6966	■ Taoyuan Branch	No.205, Fusing Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)339-6000
■ Nanmen Mini-Branch	No.55, Sec. 1, Nanchang Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2397-2588	■ Sianfu Branch	No.116, Sianfu Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03)335-1955
■ Simen Branch	No.41, Sec. 1, Jhonghua Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2389-3456	■ Jhongli Branch	No.366, Yanping Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)427-2345
■ Kuting Branch	No.28, Sec. 3, Roosevelt Rd., Jhongheng District, Taipei City 100, Taiwan (R.O.C.)	(02)2364-6888	■ Nanli Branch	No.369, Jhongfong N. Rd., Jhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03)427-3377
■ Tienmou Branch	No.56, Sec. 1, Jhongcheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2836-3988	■ Longtan Branch	No.176, Jia-an Sec., Jhongheng Rd., Longtan Township, Taoyuan County 325, Taiwan (R.O.C.)	(03)499-3800
■ North Tienmou Mini-Branch	No.20, Sec. 7, Jhongshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02)2877-1818	■ Hsinchu Industrial Park Branch	No.289, Sec. 2, Guangfu Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)516-3123
■ Neihu Branch	No.358, Sec. 1, Neihu Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02)2659-9966	■ Hsinchu Branch	No.83, Sec. 2, Dongda Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03)535-1899
■ Jhongsiao Branch	No.280, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02)6636-9999	■ Hsinko Branch	No.2, Jinshan St., Hsinchu City 300, Taiwan (R.O.C.)	(03)563-3000
■ Taipei Branch	No.208,210, Sec. 3, Bade Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2579-8989	■ Jhubei Branch	No.193, Renyi Rd., Jhubei City, Hsinchu County 302, Taiwan (R.O.C.)	(03)656-5690
■ Dunbei Branch	No.117, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2712-6666	■ West Taichung Branch	No.711, Dadun Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04)2327-4567
■ Nantung Branch	No.289, Sec. 3, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2546-1068	■ Taichung Branch	No.308, Sec. 1, Taichung Port Rd., North District, Taichung City 404, Taiwan (R.O.C.)	(04)2328-5577
■ Minsheng Mini-Branch	No.510, Fujin St., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)8787-2680	■ Wunsin Branch	No.447, Sec. 3, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	(04)2294-6888
■ Fusing Branch	No.150, Fusing N. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02)2713-7666	■ Mincyuan Branch	No.559, Mincyuan Rd., North District, Taichung City 404, Taiwan (R.O.C.)	(04)2205-1888
■ South Songshan Branch	No.92, Sec. 5, Nanjing E. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02)2528-6188	■ Fengchia Branch	No.258, Sec. 2, Henan Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04)2451-7890
■ Songde Branch	No.493, Songshan Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2726-1688	■ Nantun Branch	No.187, Sec. 2, Dongsing Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04)2471-4766
■ Taipei 101 Mini-Branch	Room 30, 5F.-5, No.45, Shihfu Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)8101-8686	■ North Taichung	No.55, Sec. 2, Chongde Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	(04)2232-6886
■ Songshou Mini-Branch	B1F., No.11, Songshou Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2723-8333	■ Dali Branch	No.127, Sec. 2, Jhongsing Rd., Dali City, Taichung County 412, Taiwan (R.O.C.)	(04)2483-4088
■ Keelung Rd. Branch	No.55, Sec. 2, Keelung Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02)2735-2567	■ Daya Branch	No.198, Sec. 2, Jhongcing Rd., Daya Township, Taichung County 428, Taiwan (R.O.C.)	(04)2565-2299
■ Sanhe Branch	No.183, Sec. 4, Sanhe Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02)2287-7979	■ Taiping Branch	No.511, Yichang Rd., Taiping City, Taichung County 411, Taiwan (R.O.C.)	(04)2273-0588

Domestic Unit

■ Fongyuan Branch	No.129, Yuanhuan S. Rd., Fongyuan City, Taichung County 420, Taiwan (R.O.C.)	(04)2525-7999
■ Changhua Branch	No.273, Sec. 1, Jhongheng Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	(04)722-7789
■ Fucheng Branch	1F., No.88, Jhongshan Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	(06)228-4400
■ Yongfu Branch	No.150, Sec. 2, Yongfu Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	(06)220-4622
■ Tainan Branch	No.389, Sec. 2, Simen Rd., West Central District, Tainan City 700, Taiwan (R.O.C.)	(06)223-3383
■ Jinhua Branch	No.195, Sec. 2, Jinhua Rd., South District, Tainan City 702, Taiwan (R.O.C.)	(06)263-9121
■ Haidian Branch	No.130, Sec. 1, Haidian Rd., Annan District, Tainan City 709, Taiwan (R.O.C.)	(06)258-5015
■ Chongde Branch	No.260, Chongde Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)290-6901
■ Houchia Branch	No.660, Yunong Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06)268-7412
■ Yongkang Branch	No.986, Jhonghua Rd., Yongkang City, Tainan County 710, Taiwan (R.O.C.)	(06)242-5788
■ Chiayi Branch	No.620, Chueiyang Rd., Chiayi City 600, Taiwan (R.O.C.)	(05)222-2818
■ Cisian Branch	No.249, Cisian 1st Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	(07)238-8545
■ Kaohsiung Branch	No.98, Jhonghua 3rd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07)282-4300
■ Wufu Branch	No.116, Wufu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	(07)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.)	(07)380-1500
■ North Kaohsiung Branch	No.360, Bo-ai 2nd Rd., Zuoying District, Kaohsiung City 813, Taiwan (R.O.C.)	(07)550-9900
■ Gangshan Branch	No.95, Weiren Rd., Gangshan Township, Kaohsiung County 820, Taiwan (R.O.C.)	(07)621-9677
■ Fongshan Branch	No.105, Jhongshan W. Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07)719-9999
■ Wujia Branch	No.9, Wujia 3rd Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07)813-1168
■ Nanping Branch	No.75-2,3, Ren-ai Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08)733-7575
■ Pingtung Branch	No.103, Guangdong Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08)721-7777
■ Hualien Branch	No.183, Jhongheng Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	(03)834-5930

Overseas Unit

■ Hong Kong Branch	15/FI., Admiralty Centre, Tower II, 18 Harcourt Road, Hong Kong	2-852-22349009
■ Ho Chi Minh City Representative Office	OSIC BUILDING 7FI., No.8,Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam	84-8-8228375