

玉山十三年
13th

ANNUAL REPORT 2004



九十三年年報

E.SUN BANK 5847
280919
2840

 **玉山銀行 E.SUN BANK**



Advancing toward E.SUN's new era.

E.SUN Spokesman

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 Position : Deputy President
 Telephone : (02) 2389-1313
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Deputy Spokesman

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Registered Office and Branches

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

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Rating Agency

Name : Moody's Investors Service Inc.
 Address : 99 Church Street, New York, NY 1007,U.S.A.
 Telephone : 1-212-553-1653

Name : Taiwan Ratings Corporation
 Address : 23rd Fl., No.100, Roosevelt Rd., Sec. 2, Taipei, Taiwan R.O.C.
 Telephone : (02) 2368-8277

Auditing Certified Public Accountant

Certified Public Accountant : Dian Chen Ray Chang
 Accountign Firm : Deloitte Taiwan
 Address : 12th Fl., No.156 Min Sheng East Road, Sec. 3, Taipei, Taiwan, R.O.C.
 Website : www.deloitte.com.tw
 Telephone : (02) 2545-9988

The highest peak, the best bank.



Soaring Yushan, Brilliant and Bright

Fresh E.SUN, the professional bank
Has shed glittering and beautiful light in the past 13 years
When our ideals can be realized, hope lies in front of our eyes.
The highest peak, the best bank
Building a firm dream and advancing toward E.SUN's new Era.



Beautiful hills gathered into a tapestry climb upward into the skies.

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Business Report

In the year 2004, the domestic economy benefited considerably from the recovery in world market. Thanks to brisk expansion in trade and a major boost in private fixed investment, Taiwan's economy recorded its fastest pace of growth since 1998. The central bank's long-maintained "loose" monetary policy shifted into the fourth quarter to a "neutral" stance. In response to the changes in the domestic and external economic and financial markets, E.SUN Bank (ESB) continued to uphold its sound management principles and rely on its fine service quality and a doubling of its service web and continued expansion to provide universal and outstanding service to create customer value:

All key areas of business results displayed progress toward steady and sound development and high professionalism and quality. In terms of major business results, by the end of 2004, ESB had amassed NT\$330.936 billion in deposits and had extended a total of NT\$275.627 billion in loans. During 2004, ESB accepted the equivalent of US\$18.0 billion in foreign exchange transactions and handled NT\$28.118 million in trust assets. By the end of 2004, ESB had also issued a total of 2.41 million credit cards. Pretax income reached NT\$8.372 billion. Our non-performing loan ratio was held to 0.88% and the additional share of loans under observation amounted to only 0.28% for a broadly - defined NPLR of just 1.16%, the lowest among domestic banks. Other key indicators for 2004 included an earnings-per-share (EPS) of

NT\$3.99, a return on assets(ROA) of 1.96% and a return on equity (ROE) of 27%. In terms of major product lines targets in 2005, total deposit balance by the year end amounts to NT\$398.8 billion with expected growth rate of 20.48%; total loan balance by the year end amounts to NT\$332.6 billion with expected growth rate of 21.48%; total foreign exchange business by the year end amounts to US\$21.8 billion; and target of income before tax amounts to NT\$6.286 billion. Besides, ESB received an upgrade of "twA+" in long-term credit rating from the previous "twA", a short-term rating of "twA-1", and a "Stable" in rating forecast by Taiwan Ratings, a partner of Standard & Poor's, on December 22, 2005.

With regard to consumer banking last year, ESB offered a complete line of products in housing loans and fully utilized joint branch and cross-marketing channels, advertising strategy, risk control and precision in operation flows and assessment systems to post marked growth compared to the previous year and allow high quality customers the opportunity to enjoy the best financial services and enhanced customer value.

In terms of growth strategy, ESB's formation of a strategic alliance with the England-based Prudential Plc in early 2004 marked the first successful example of the introduction of a strategic investment from a foreign financial institution into a domestic bank. Besides strengthening ESB's international linkages, the alliance with Prudential, the largest insurance



Setting a new paradigm for success.



Opening a new page, writing history.

group in Europe, has bolstered our bank's development of its insurance operations. We are confident that the combination of ESB's professional and high quality brand name and services with Prudential's international experience and insurance marketing capability will greatly benefit ESB's development in "Bancassurance" businesses and further enhance our customer value.

In June, ESB acquired the Kaohsiung Business Bank and in less than three months had smoothly and successfully completed all operations needed for integration, including the unification of the information technology systems and operation procedures in record time. By acquiring the Kaohsiung Business Bank, ESB boosted its service web in Taiwan to 116 branches, thus greatly expanding its competitiveness in the fields of corporate and consumer banking and wealth management and capability to deliver higher value to its clients. In addition, the increase in our economic scale and wider penetration of our brand name throughout Taiwan has provided the foundation for the gradual realization of a high-growth strategy.

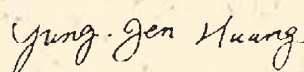
In September, ESB successfully issued a GDR which received the enthusiastic interest of large domestic and foreign financial groups and major investors. Within two hours, over 4.8 times the entire amount was subscribed, an achievement which represents the high degree affirmation of international investors toward ESB's performance. Following the inclusion of MSCI into the Taiwan

Securities Index, this achievement marked a major step in our march into the international market.

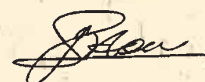
Since its establishment, ESB has devoted its utmost to building sound systems, cultivating outstanding human resources and developing excellent information capabilities. In 2004, we were honored to receive an "Taiwan Financial Sector Outstanding Achievement Award" from the Taiwan Academy of Banking and Finance for having the best human resources training system. This award is an affirmation and an honor, but is also an encouragement for us to continue to cultivate the best and most suitable talent to raise the quality of ESB and the entire Taiwan banking industry.

Transformation is carried out for the sake of growth, and growth is carried out in order to realize even more dreams. ESB will utilize the expansion of its service web and the the enthusiastic efforts of all of its executives and staff to provide more varied, more complete and even more outstanding financial services to create a broader and prosperous future.

Thank you again for your support!



Yung-Jen Huang
Chairman of the Board



Yung-Hsung Hou
President



Alliance formation between E.SUN and Prudential plc.



A Brand New Day

I.Bank Profile



Only with hope can wider visions be perceived.

1.Introduction



Growth is for the purpose of realizing new dreams.

E.SUN Bank (ESB) originated in 1989 when our current president Mr. Yung-jen Huang brought together a group of financial professionals determined to "manage a first-class professional bank." ESB began operations on February 21, 1992 as one of the first cohort of private banks to be founded after the government policy of liberalization of the financial market. In 2001, in the wake of the promulgation of the Statute of Financial Holding Company, E.SUN Financial Holding Company was born on January 28, 2002. Its establishment marked a new era for ESB and combined the strength of the E.SUN group of financial enterprises to provide comprehensive services to our clients in line with our consistent commitment to quality and professionalism.

(1) Sustainable management

E.SUN Bank is named after Yushan (Jade Mountain), Taiwan's highest and most beautiful peak. ESB and E.SUN Financial Holding Company offer our clients a fresh and professional image, sound and upright management, cordial and sophisticated services and a sense of corporate responsibility to contribute love and caring to our society. ESB particularly emphasizes the foundation of a sound management system, the cultivation of professional financial talent, the development of a high degree of applied information technology for all services, the melding and realization of a



"practical, capable and responsible" and "unified, harmonious and joyful" corporate culture based on "leadership, excellence and honor" and "contentment, appreciation and gratitude" to provide the foundations for a sustainable enterprise.

(2) Building capability to fulfill promise

Under the guidance of outstanding financial navigators and an elite team, ESB has build a business organization that features both an outstanding and distinctive management excellence in service.

After winning the title for the best customer service among public and private banks in 2000, ESB received the National Quality Award, Taiwan's highest honor for quality, in 2001. During the same year, ESB Chairman Huang Yung-jen received the K. T. Lee Management Award, Taiwan's highest honor in management studies.

In 2002, Huang become the first financial executive to receive a National Quality Award for individual achievement in recognition of his realization of excellence in management practices. In 2004, ESB received an "Taiwan Financial Sector Outstanding Achievement Award" from the Taiwan Academy of Banking and Finance for the best human resources training system. This award is an



國家品質獎

affirmation of ESB's commitment to cultivating the most professional talent and providing the best service as our highest responsibility.

While ESB has been devoting its utmost efforts to realizing service quality, we have been devoting even more to provide sophisticated and excellent products and services so that we can establish a life-long friendship and create enhanced customer value, even just with one time service to our customers.

(3) Alliances for international cooperation

In February 2004, ESB formed a cross-border strategic alliance with the prominent England-based Prudential Group to provide customers in Taiwan with a wider selection of financial and insurance products and services ,and work together to enhance the value of our brand name and customer value. We hope to continually expand our cooperation and build a deeper and firmer foundation for future development.

(4) Teamwork creates a new record

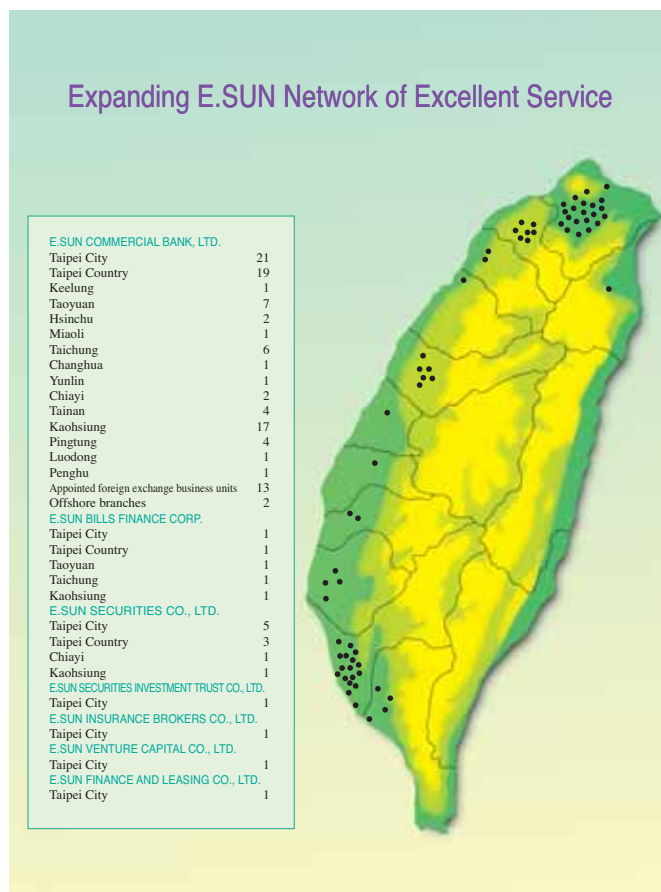
In the wake of the government's promotion of financial reform, ESB participated in the first successful case of the "market exit mechanism" backed by the official Financial Restructuring Fund to acquire the Kaohsiung Business Bank(KBB). In less than three months of preparation, ESB completed all necessary measures for integration and had set a new world record by finishing integration of KBB's IT system and database into ESB by the very first day of reopening on September 6, 2004, an achievement that gained the affirmation and praise of Taiwan authorities. The acquisition marked a new step in ESB's road of "from good to better to big." With an expanded service network of 116 branches, ESB will now be able to raise a higher level among the enterprise ladder of "superiority, excellence and evergreen enterprise."

(5) Organizational reform for new progress

Transformation is for growth; growth is for even more dreams. To make the best use of the expansion of ESB's service web and provide closer and more cordial excellent service, ESB is engaging in a second comprehensive organizational reform. The new structure will feature a division of labor into five major lines of products and services in the fields of corporate finance, individual finance, treasury finance, wealth management and credit cards, and utilize branches as integrated marketing channels for the full range of E.SUN FHC products and services to achieve a new milestone in ESB's development .

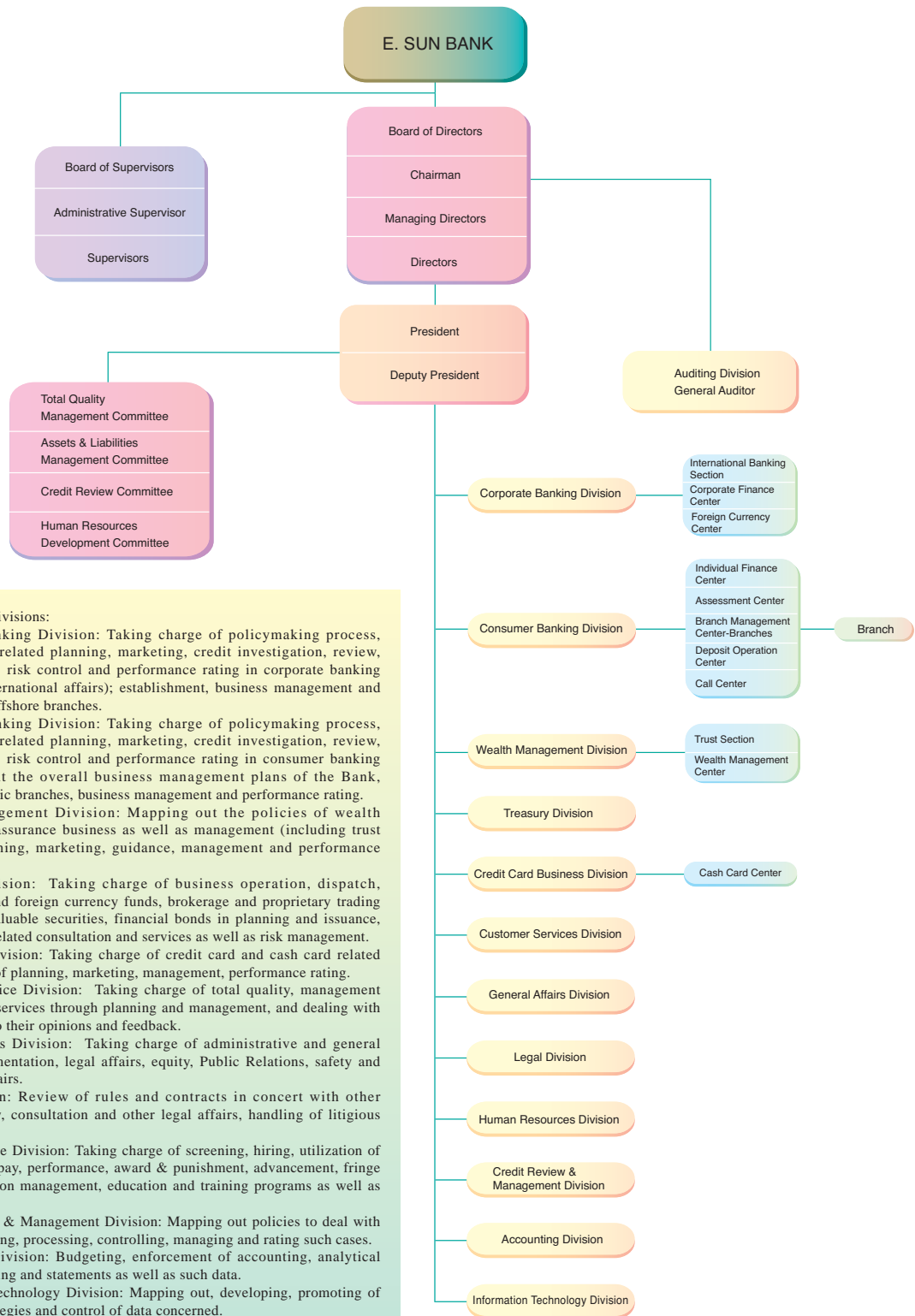


Celebrating E.SUN FHC's 3rd Birthday, E.SUN Bank's 13th Birthday.



Expanding E.SUN network of excellent services.

2. Organization Chart



3. Duties of major divisions:

- (1) **Corporate Banking Division:** Taking charge of policymaking process, business management related planning, marketing, credit investigation, review, guidance, management, risk control and performance rating in corporate banking business (including international affairs); establishment, business management and performance rating of offshore branches.
- (2) **Consumer Banking Division:** Taking charge of policymaking process, business management related planning, marketing, credit investigation, review, guidance, management, risk control and performance rating in consumer banking business; mapping out the overall business management plans of the Bank, establishment of domestic branches, business management and performance rating.
- (3) **Wealth Management Division:** Mapping out the policies of wealth management and bancassurance business as well as management (including trust business) related planning, marketing, guidance, management and performance rating.
- (4) **Treasury Division:** Taking charge of business operation, dispatch, management in local and foreign currency funds, brokerage and proprietary trading in bills, investing in valuable securities, financial bonds in planning and issuance, financial management related consultation and services as well as risk management.
- (5) **Credit Card Division:** Taking charge of credit card and cash card related business in the aspects of planning, marketing, management, performance rating.
- (6) **Customer Service Division:** Taking charge of total quality, management consultation, customer services through planning and management, and dealing with customers in response to their opinions and feedback.
- (7) **General Affairs Division:** Taking charge of administrative and general affairs, property, documentation, legal affairs, equity, Public Relations, safety and safeguarding related affairs.
- (8) **Legal Division:** Review of rules and contracts in concert with other Divisions, study of law, consultation and other legal affairs, handling of litigious cases.
- (9) **Human Resource Division:** Taking charge of screening, hiring, utilization of human resources, their pay, performance, award & punishment, advancement, fringe benefit, employee relation management, education and training programs as well as career projecting.
- (10) **Credit Review & Management Division:** Mapping out policies to deal with doubtful credits, analyzing, processing, controlling, managing and rating such cases.
- (11) **Accounting Division:** Budgeting, enforcement of accounting, analytical management of accounting and statements as well as such data.
- (12) **Information Technology Division:** Mapping out, developing, promoting of information related strategies and control of data concerned.

3. Directors and Supervisors



Firm strategy and decisive action.

(1) Directors and Supervisors

2004.12.31 Unit: 1,000shares

Position	Representative	Date of Election	Term	Date of First Elected	Shareholding When Elected		Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name		Education (experience)	Current Position with Other Company	Devision Chiefs, directors or Supervisors are spouse or within the 2nd degree of consanguinity of each other		
					Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings			Position	Name	Relation
Chairman	Representative of E.SUN Financial Holding Company Yung-Jen Huang	2004 4.27	3 years	1991 12.16	1,817,500	100%	2,017,500	100%	0	0	0	0	ESB President	E.SUN FHC Chairman of Board	SEVP	Joe Huang	Brother
Managing Director & President	Representative of E.SUN Financial Holding Company Yung-Hsung Hou	2004 4.27	3 years	1991 12.16	1,817,500	100%	2,017,500	100%	0	0	0	0	ESB SEVP 41years in financial industry	E.SUN FHC Director & President	None	None	None
Managing Director	Representative of E.SUN Financial Holding Company Tai-Chi Lee	2004 4.27	3 years	1992 11.26	1,817,500	100%	2,017,500	100%	0	0	0	0	Chairman of Tidehold Development Co., Ltd.	E.SUN FHC Director	None	None	None
Managing Director	Representative of E.SUN Financial Holding Company Jackson Mai	2004 4.27	3 years	1991 12.16	1,817,500	100%	2,017,500	100%	0	0	0	0	Chairman of Hsin Tung Yang Co., Ltd.	E.SUN FHC Director	None	None	None
Managing Director	Representative of E.SUN Financial Holding Company Earle Ho	2004 4.27	3 years	1991 12.16	1,817,500	100%	2,017,500	100%	0	0	0	0	Tung Ho Steel Enterprise Co., Ltd.	E.SUN FHC Director	None	None	None
Director	Representative of E.SUN Financial Holding Company Chiu-Hsiung Huang	2004 4.27	3 years	1991 12.16	1,817,500	100%	2,017,500	100%	0	0	0	0	CPA	E.SUN FHC Director	None	None	None
Director	Representative of E.SUN Financial Holding Company Wu-Lin Duh	2004 4.27	3 years	1991 12.16 ~ 1998 3.23 2000 4.18	1,817,500	100%	2,017,500	100%	0	0	0	0	ESB Deputy President 33years in financial industry	E.SUN FHC Deputy President	None	None	None
Director	Representative of E.SUN Financial Holding Company Chun-Hsiung Haung	2004 4.27	3 years	2001 10.16	1,817,500	100%	2,017,500	100%	0	0	0	0	ESB EVP 20years in financial industry	E.SUN FHC SEVP	None	None	None

Position	Representative	Date of Election	Term	Date of First Elected	Shareholding When Elected		Current Shareholdings		Shareholdings of the spouse and minors		Shareholdings under other's name		Education (experience)	Current Position with Other Company	Devision Chiefs, directors or Supervisors are spouse or within the 2nd degree of consanguinity of each other		
					Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings	Shares	Share-holdings			Position	Name	Relation
Director	Representative of E.SUN Financial Holding Company Wei-Hsiung Yu	2004 4.27	3 years	2001 10.15	1,817,500	100%	2,017,500	100%	0	0	0	0	GM of Yung-Chia Investment Co., Ltd.	—	None	None	None
Director	Representative of E.SUN Financial Holding Company Suka Chen	2004 4.27	3 years	2001 4.19	1,817,500	100%	2,017,500	100%	0	0	0	0	ESB EVP 15years in financial industry	E.SUN FHC Division Head	None	None	None
Director	Representative of E.SUN Financial Holding Company Chon-Tsai Lin	2004 4.27	3 years	1991 12.16	1,817,500	100%	2,017,500	100%	0	0	0	0	Chairman of Fu-Yu Corporation	E.SUN FHC Director	None	None	None
Director	Representative of E.SUN Financial Holding Company Cheng-Pin Lee	2004 4.27	3 years	1991 12.16	1,817,500	100%	2,017,500	100%	0	0	0	0	Chairman of Chia-Tun, Hsin-Nan Industrial Corporation	—	None	None	None
Director	Representative of E.SUN Financial Holding Company Tung-Long Kuo	2004 4.27	3 years	2001 6.8	1,817,500	100%	2,017,500	100%	0	0	0	0	ESB SEVP 34years in financial industry	E.SUN FHC SEVP	None	None	None
Director	Representative of E.SUN Financial Holding Company S.C. Shue	2004 4.27	3 years	2004 4.27	1,817,500	100%	2,017,500	100%	0	0	0	0	Former Chairman of E.SUN Bills Finance	—	None	None	None
Director	Representative of E.SUN Financial Holding Company Yuh-Ming Ho	2004 4.27	3 years	2004 4.27	1,817,500	100%	2,017,500	100%	0	0	0	0	Professor Doctor of Chia-Yi Christian Hospital	E.SUN FHC Director	None	None	None
President Supervisor	Representative of E.SUN Financial Holding Company Charles C. Yuan	2004 4.27	3 years	2001 4.19	1,817,500	100%	2,017,500	100%	0	0	0	0	Former Chairman of E.SUN Bills Finance	E.SUN FHC Supervisor	None	None	None
Supervisor	Representative of E.SUN Financial Holding Company Chuan-Hsing Huang	2004 4.27	3 years	2000 8.23	1,817,500	100%	2,017,500	100%	0	0	0	0	Associate Professor of Aletheia University	E.SUN FHC Supervisor	None	None	None
Supervisor	Representative of E.SUN Financial Holding Company Yu-Chen Yang	2004 4.27	3 years	2004 4.27	1,817,500	100%	2,017,500	100%	0	0	0	0	CPA	—	None	None	None

(2) Major Institutional Shareholders

Name of the sole institutional shareholder	Shares held	Major Shareholders of the institutional shareholder
E.SUN Financial Holding Co., Ltd.	Number of Shares: 2,017,500,000 shares Ratio of Shareholding:100%	Cathay Life Insurance Co., Ltd. Hsin Kang Investment Co., Ltd. PCA LIFE Assurance Co., Ltd. HSBC Custodian Bank Trust Account for PuHsin investor holding Co., Ltd. HSBC Custodian Bank Trust Account for HSBC Securities (Asia) Limited Virgin Islands (U.K.) Comewell Investment Co., Ltd. Ron-Yuan Investment Co., Ltd. HSBC Custodian Bank Trust Account for Morgan Stanley & Internatinal Limited Bureau of Labor Insurance All Can Investment Co., Ltd

Note1 : If the directors and supervisors represent institutional shareholders, please listed the name of the institutional shareholders.

Note2 : Please fill in the name of the major shareholders (shareholding exceeds 10% of the total share amount of the top 10 shareholders by shareholding ratio) of the institutional shareholder. And if the major shareholders are institutional investors, please fill out the form (3) below.

(3) Major Shareholders of Major Institutional Shareholders

Name of the major institutional shareholders of the institutional shareholder of ESB	Major institutional shareholder of the major institutional shareholders of the sole institutional shareholder of ESB
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.
Hsin Kang Investment Co., Ltd.	Virgin Islands (U.K.) All Can International Investment Ltd.
PCA LIFE Assurance Co., Ltd.	Prudential Plc
Allcan Investment Co., Ltd.	Virgin Islands (U.K.) Comewell Asset Management Company
Ron-Yuan Investment Co., Ltd.	ChiaTienSha Investment Co. Ltd.

Note1 : If the major shareholders of the sole institutional shareholder of ESB are institutional investors, please fill in the name of the major shareholders.

Note2 : Please fill in the name of the major institutional shareholders (shareholding exceeds 10% of the total share amount or the top 10 shareholders by shareholding ratio) of the major institutional shareholder of the sole institutional shareholder of ESB.

(4) Directors and Supervisors Remuneration

Directors Remuneration

2004.12.31 Unit: NTS\$ 1,000

Title	Name	Salary & Travelling reimbursement	Director bonus from earning distribution	Employee bonus from earning distribution			Sum up of last 3 items	As a percentage to net income (%)	No. of employee stock option certificate	Others
				Cash bonus	Stock bonus					
					Shares	Market Price				
Note		17,544	20,052	0	0	0	0	0	0	Cost of car provided: 2,880; Imputed monthly rent: 40

* E.SUN FHC Representative Chairman/ Yung-Jen Huang , Managing Directors/ Yung-Hsung Hou 、Tai-Chi Lee 、Jackson Mai 、Earle Ho 、Directors/ Chiu-Hsiung Huang 、Wu-Lin Duh 、Chun-Hsiung uang 、Wei-Hsiung Yu 、Suka Chen 、Cheng-Pin Lee 、Chou-Tsai Lin 、Tung-Long Kuo 、S.C. Shue 、Yuh-Ming Ho.

* Director bonus from earning distribution was paid in full to E.SUN FHC.

Supervisors Remuneration

2004.12.31 Unit: NTS\$ 1,000

Title	Name	Salary & Travelling reimbursement	Supervisor bonus from earning distribution	Sum up of last 2 items	As a percentage to net income (%)	Others
Note		1,020	3,150	4,170	0.06%	0

* E.SUN FHC Representative Resident Supervisor/ Chu-Tai Yuan , Supervisor/ Chuan-Hsing Huang 、Yu-Chen Yang.

* Supervisor bonus from earning distribution was paid in full to E.SUN FHC.

(5) Directors and Supervisors Information

Terms Name	At least five-year experience in the field of business, law, finance, or job-related competence.	Not a Director, Supervisor, or employee of E. SUN's employee or related party.	Not a shareholder who holds over 1% of the issued stock directly or indirectly nor on the top-ten shareholder list.	Not the spouse or the 2nd cousin of the individuals who are listed in the last two columns.	Not the Director, Supervisor, or employee of the legal shareholders that hold over 5% stock issue of E. SUN directly or indirectly and/or not a Director, Supervisor, or employee of the top-five legal shareholders of E. SUN.	Not a Director, Supervisor, employee, or shareholder with over 5% shareholdings of a company or institute that has business or financial contact with E. SUN.	Not the business owner, partner, Director (Executive), Supervisor (Member), manager, or spouse of the professionals, proprietorship, partnership, company, or institute that provides finance, business, legal service & consulting to E.SUN and/or E.SUN's related party within one year.	Notes
Chairman Yung-Jen Huang	✓		✓	✓		✓	✓	
Director Yung-Hsung Hou	✓		✓	✓		✓	✓	
Director Tai-Chi Lee	✓		✓	✓		✓	✓	
Director Jackson Mai	✓		✓	✓		✓	✓	
Director Earle Ho	✓	✓	✓	✓	✓	✓	✓	
Director Chiu-Hsiung Huang	✓		✓	✓		✓	✓	
Director Wu-Lin Duh	✓		✓	✓		✓	✓	
Director Chun-Hsiung Huang	✓		✓	✓		✓	✓	
Director Wei-Hsiung Yu	✓	✓	✓	✓	✓	✓	✓	
Director Suka Chen	✓		✓	✓		✓	✓	
Director Chou-Tsai Lin	✓		✓	✓		✓	✓	
Director Cheng-Pin Lee	✓		✓	✓		✓	✓	
Director Tung-Long Kuo	✓		✓	✓		✓	✓	
Director S. C. Shue	✓		✓	✓		✓	✓	
Director Yuh-Ming Ho	✓	✓	✓	✓	✓	✓	✓	
Resident Supervisor Chu-Tai Yuan	✓		✓	✓		✓	✓	
Supervisor Chuan-Hsing Huang	✓		✓	✓		✓	✓	
Supervisor Yu-Chen Yang	✓		✓	✓		✓	✓	

4. Executive Officers



Using commitment and outstanding capability to accumulate E.SUN's knowledge capital.

(1) Executive Managers

2005.3.31 Unit:1,000 shares,%

Division	Position	Name	Date of election	2004.12.31 shareholdings of E.SUN FHC				Experience (education)
				Shareholders		Spouse and minor children		
				Shares	Ratio	Shares	Ratio	Previous position
Headquarter Office	President	Yung-Hsung Hou	2001.06.14	1,177	0.040%	884	0.030%	ESB SEVP
Headquarter Office	Deputy President	Wu-Lin Duh	2002.03.08	2,255	0.077%	399	0.014%	ESB SEVP
Wealth Management Division	SEVP	C.S Huang	2004.02.13	513	0.017%	0	0.000%	ESB Consumer Banking Department EVP
Consumer Banking Division	SEVP	Joe Huang	2004.02.13	1,951	0.065%	1,767	0.060%	ESB Tun-Nan Branch EVP
Consumer Banking Division	SEVP	Tung-Long Kuo	2002.03.08	668	0.023%	114	0.004%	ESB Corporate Banking Department EVP
Treasury Division	SEVP	Magi Chen	2004.02.13	345	0.012%	0	0.000%	ESB Treasury Department EVP
Credit Card Division	SEVP	Ben Chen	2004.02.13	999	0.034%	465	0.016%	ESB Credit Card Department EVP
Information System Division	SEVP	Heng-Hwa Yang	2002.03.08	1,691	0.058%	280	0.010%	ESB Information Technology Department EVP
Auditing Division	General Auditor	Wei-Chin Chien	2004.03.22	439	0.015%	6	0.000%	E.SUN Bills Finance General Auditor
Accounting Division	EVP	Kuan-Her Wu	2002.03.08	1,206	0.041%	111	0.004%	ESB Accounting Department EVP
Information Technology Division	EVP	Jih-Hsiung Tseng	2002.08.02	1,759	0.060%	1,345	0.046%	ESB Information Technology Department GM
General Affairs Division	EVP	Scott Chou	2002.03.08	802	0.027%	170	0.006%	E.SUN General Affairs Department GM
Human Resources Division	EVP	J.C Wang	2004.02.13	667	0.023%	379	0.013%	E.SUN Human Resources Department GM
Corporate Banking Division	EVP	Mao-Cin Chen	2005.02.24	413	0.014%	4	0.000%	ESB Corporate Banking Department GM
Individual Banking Division	EVP	Shuei-Ping Wan	2005.02.24	365	0.012%	1	0.000%	ESB Consumer Banking Department GM

Division	Position	Name	Date of election	2004.12.31shareholdings of E.SUN FHC				Experience (education)
				Shareholders		Spouse and minor children		
				Shares	Ratio	Shares	Ratio	Previous position
Credit Review& Management Division	Senior Vice President	Jhong-Cheng Shun	2002.08.02	148	0.005%	0	0.000%	ESB Nan-King E. Rd. Branch GM
Individual Banking Division	Senior Vice President	Da-Tan Lin	2005.02.24	574	0.020%	23	0.001%	ESB Corporate Banking Department GM
Individual Banking Division	Senior Vice President	Hua Chen	2005.02.24	467	0.016%	4	0.000%	ESB Consumer Banking Department GM
Treasury Division	Senior Vice President	Joseph Syu	2005.02.24	191	0.007%	0	0.000%	ESB OBU Branch GM
International Banking Department	GM	Maggy Chou	2005.02.24	401	0.014%	183	0.006%	ESB Foreign Exchange Department GM
Business-Department Corporate Banking Center	EVP	Fu-Lung Liao	2005.02.03	151	0.005%	77	0.003%	ESB Hsinyi Corporate Banking Center GM
Business-Department Corporate Banking Center	GM	Chun-Nan Tsai	2005.02.03	183	0.006%	401	0.014%	ESB Chengtung Corporate Banking Center GM
Chengtung Corporate Banking Center	Senior Vice President	Chieh-Shan Chang	2002.08.02	299	0.010%	86	0.003%	ESB Min-Shen Branch GM
Hsinyi Corporate Banking Center	GM	Yuan-Shen Li	2005.02.03	307	0.010%	130	0.004%	ESB Min-Shen Branch GM
Hsinchuang Corporate Banking Center	Senior Vice President	Kuang-Nan Yang	2002.08.02	346	0.012%	46	0.002%	ESB Hsin-Chuang Branch GM
Hsinchuang Corporate Banking Center	GM	Chun-Hung Lin	2002.08.02	105	0.004%	0	0.000%	ESB Tun-Nan Branch GM
Panchiao Corporate Banking Center	GM	Chen-Hsien Tseng	2002.08.02	233	0.008%	0	0.000%	ESB Chung-Ho Branch GM
Taoyuan Corporate Banking Center	Senior Vice President	Chuang-Tse Chiu	2002.08.02	379	0.013%	0	0.000%	ESB Tao-Yuan Branch GM
Hsinchu Corporate Banking Center	EVP	Ping-Hui Chen	2002.08.02	1,088	0.037%	216	0.007%	ESB Hsin-Chu Branch EVP
Taichung Corporate Banking Center	EVP	Wen-Cheng Cheng	2002.08.02	167	0.006%	0	0.000%	ESB Ta-Ya Branch SVP
Kaohsiung Corporate Banking Center	EVP	Tung-Pao Cheng	2002.08.02	373	0.013%	103	0.004%	ESB Kaohsiung Branch EVP
Kaohsiung Corporate Banking Center	GM	Kuang-Jung Liang	2002.08.02	306	0.010%	492	0.016%	ESB Tainan Corporate Banking Center GM
Minsheng Consumer Banking Center	Senior Vice President	Chien-Hua Cheng	2002.08.02	595	0.019%	0	0.000%	ESB Chengtung Branch SVP
Tunnan Consumer Banking Center	Senior Vice President	Chih-Kuang Huang	2003.05.15	376	0.013%	0	0.000%	ESB Business Department Corporate Banking Center GM
Minchuan Consumer Banking Center	GM	Ming-Hong Li	2004.08.13	165	0.006%	31	0.001%	ESB Tun-Nan Consumer Banking Center Assistant Manager
Shwangho Consumer Banking Center	EVP	Chih-Hsin Wang	2004.02.13	445	0.015%	0	0.001%	ESB Tu-Cheng Branch GM
Sanchung Consumer Banking Center	Senior Vice President	Wu-Tung Yang	2002.08.02	303	0.010%	0	0.000%	ESB Shu-Lin Branch GM
Taoyuan Consumer Banking Center	GM	Chia-Chu Wu	2002.08.02	519	0.018%	243	0.008%	ESB Li-Hsin Branch GM
Hsinchu Consumer Banking Center	GM	Hsin-Yao Wang	2002.08.02	519	0.018%	7	0.000%	ESB Chu-Nan Branch GM
Taichung Consumer Banking Center	GM	Chin-Ho Lin	2002.08.02	179	0.006%	0	0.000%	ESB Ta-Li Branch GM
Chiayi Consumer Banking Center	GM	Yu-Kai Huang	2002.08.02	884	0.030%	33	0.001%	ESB E. Chiayi Branch GM
Tainan Consumer Banking Center	EVP	Wu-Hsin Chen	2004.08.13	314	0.011%	125	0.004%	ESB Chiayi Consumer Banking Center SVP
Kaohsiung Consumer Banking Center	EVP	Shui-Chin Shen	2004.02.13	513	0.018%	150	0.005%	ESB Chi-Hsien Branch GM
Kaohsiung Consumer Banking Center	GM	Cheng-Lin Ko	2004.08.13	296	0.010%	0	0.000%	ESB Tainan Consumer Banking Center GM
Pingtung Consumer Banking Center	GM	Yi-Sheng Siao	2004.08.13	125	0.004%	5	0.000%	ESB Kaohsiung Consumer Banking Center Assistant Manager

Note: The information regarding managers mentioned above, or their spouses, or the 2nd cousin with positions in other companies are listed in P.7-8 and P.36.

(2) Remuneration of President, Deputy President and Senior Executive Vice President

2004.12.31

Title	Name	Salary	Bonus & special bonus	Employee bonus from earning distribution				Sum up of last 3 items	As a percentage to net income(%)	No. of employee stock option certificate	Others
				Cash Bonus	Stock Bonus						
					Shares	Market Price	Amount				
Note		17,305,363	12,823,136	2,450,000	-	-	-	38,542,779	-	-	Cost of car provided: NTS2,981,000; Imputed monthly rent: NTS 41,000

Note : President/Yung-Hsung Hou; Deputy president/Wu-Lin Duh; Senior executive vice president/Heng-Hwa Yang, Ben Chen, Joe Huang, Magi Chen and C.S. Huang

(3) Employee bonus of managers and Distrubtion

2004.12.31

Title	Name	Stock bonus			Cash bonus	Total	As a percentage to net income(%)
		Shares	Market price	Amount	Amount		
Note		-	-	-	4,900,000	26,802,440	-

Note: President/Yung-Hsung Hou; Deputy President/Wu-Lin Duh; SEVP/C.S Huang, Joe Huang, Tung-Long Kuo, Magi Chen, Ben Chen, Heng-Hwa Yang, General Auditor/Wei-Chin Chien; EVP/Kuan-Her Wu, Ping-Hui Chen, Tung-Pao Cheng, Jih-Hsiung Tseng, Scott Chou, J.C Wang, Mao-Cin Chen, Shuei-Ping Wan, Fu-Lung Liao, Wen-Cheng Cheng, Chih-Hsin Wang, Wu-Hsin Chen, Shui-Chin Shen; Senior Vice President/Jhong-Cheng Shun, Da-Tan Lin, Hua Chen, Cheng-Jhou Syu, Chieh-Shan Chang, Kuang-Nan Yang, Chuang-Tse Chiu, Chien-Hua Cheng, Chih-Kuang Huang, Wu-Tung Yang; GM/Maggy Chou, Chun-Nan Tsai, Yuan-Shen Li, Chun-Hung Lin, Chen-Hsien Tseng, Kuang-Jung Liang, Ming-Hong Li, Chia-Chu Wu, Hsin-Yao Wang, Chin-Ho Lin, Yu-Kai Huang, Cheng-Lin Ko and Yi-Sheng Siao

(4) Shareholding change of Directors, supervisors, managers and declarers defined by section 3 of article 25 in Banking Law

Title	Name	2004		2005.3.31	
		Shareholdings increase (decrease)	Mortgaged shareholdings increase (decrease)	Shareholdings increase (decrease)	Mortgaged shareholdings increase (decrease)
Directors (Major Shareholders)	E.SUN Financial Holding Company, Ltd.	200,000,000shares	(40,000,000shares)	0 shares	0 shares

Information of Share transfer

2004.12.31

Name	Reason	Transection date	Counterparty	Relationship between counterparty, directors, supervisors, managers and declarers defined by section 3 of article 25 in Banking Law	No. of Shares	Transaction price
None	-	-	-	-	-	-

Information of Share mortgaged

2004.12.31

Name	Reason	Date of change	Counterparty	Relationship between counterparty, directors, supervisors, managers and declarers defined by section 3 of article 25 in Banking Law	No. of Shares	Mortgaged (Redeemed) Amount
E.SUN Financial Holding Company, Ltd.	Redemption	2004/10/8	Taiwan Cooperative Bank	-	40,000,000shares	-

(5) Cosolidated shareholding

2004.12.31 Unit : 1,000shares%

Investees	Invested by the Bank		Controlled directly or indirectly by directors, supervisors, Peseident, Deputy President, SEVP, EVP, the executives of divisions and branches as well as the Bank.		Total	
	Shares	Shareholding (%)	Shares	Shareholding (%)	Shares	Shareholding (%)
E.SUN Finance and leasing Co., Ltd.	19,600	98.99	0	0	19,600	98.99
E.SUN Insurance agent Co., Ltd.	1,280	79.00	0	0	1,280	79.00
Kao Li Real-Estate Management Corp.	1,500	30.00	0	0	1,500	30.00
Fu Bon Securities Finance Co., Ltd.	10,253	2.56	0	0	10,253	2.56
Taipei Forex Inc.	160	0.81	0	0	160	0.81
Apex Venture Capital Corp.	5,000	4.67	0	0	5,000	4.67
Taiwan Future Exchange Co., Ltd.	900	0.45	0	0	900	0.45
Gapural Incorporated	557	4.90	705	6.22	1,262	11.12
Financial Information Service Co., Ltd.	9,100	2.28	0	0	9,100	2.28
National Venture Capital Corp.	2,700	4.99	0	0	2,700	4.99
Bank-Pro E-Service Technology Co., Ltd.	450	3.33	0	0	450	3.33
Taiwan Asset Management Corporation	10,000	0.57	0	0	10,000	0.57
Taiwan Financial Asset Service Corporation	5,000	2.94	0	0	5,000	2.94
Taiwan Incudator SMEs Development Co.	2,425	3.44	0	0	2,425	3.44
Taiwan Finance Corporation	2,120	0.41	0	0	2,120	0.41

5.Human Resources



Training is to build up the supporting pillars for E.SUN's tomorrow.

In the past 13 years, we have devoted our utmost efforts to realizing the management principle that "the cultivation of professional talent to provide the best service is ESB's responsibility." In 2004, we were honored to receive an "Taiwan Financial Sector Outstanding Achievement Award" from the Taiwan Academy of banking and Finance for having the best human resources training system of any financial institution in Taiwan.

(1) A team with high EQ

The prosperous development of the financial sector and the rapid integration of financial professions drive ESB's human resources planning for the new century to foster integrated, multi-profession, comprehensive, professional, enthusiastic staff and cultivate integrity and a high moral quality among our employees. We aim to help our employees and staff to develop their professional capabilities and to create a team with an unusually high "emotional quotient."

ESB strongly believes that only happy employees can cultivate satisfied customers. The pursuit of lasting customer satisfaction and the generation of even more valued customers and the building of a bank "with high efficiency and the best quality" must start with the efforts of satisfied employees. The guiding principles for human resource development must be to recruit superior and suitable staff and to create a happy and harmonious and fair working environment. In such environment, every person in an enterprise will not only possess excellent professional ability, but will also identify with the enterprise and will feel a sense of contentment and belonging. They will then feel

honored to be a member of the ESB team and cherish this enterprise which everyone has helped to build together.

In 2004, we accelerated the recruitment and training of new employees in order to complement the further integration of our financial holding company, the addition of many new branches in the wake of the acquisition of the Kaohsiung Business Bank and the brisk expansion of our consumer banking, corporate finance and wealth management operations. As of December 31, 2004, ESB had 2,438 employees with an average age of 29.7 years. In terms of educational level, 13.5 percent had master's degrees, 56.3 percent had bachelor degrees, 27.7 percent had junior college degrees with 2.5 percent with other levels. From the entry level bank tellers to the executive management, every one of our employees is passionate about absorbing new knowledge, cultivating new ideas and horizons in their professional fields. We believe that ESB is an interactive, mutually supportive and life-long learning organization.

(2) Accumulating intellectual capital

To maintain excellent levels of service, ESB devotes its full efforts to cultivating a work force with integrity and discipline as well as correct service attitudes and professional capability. This process begins with recruitment training courses and continues with elementary, intermedian and advanced education and training courses that include improvement of financial professional expertise, education in management concepts and enhancement of understanding of the content of service quality. In 2004, ESB held 95

internal training courses on a variety of subjects and an additional 166 external training seminars which recorded a record of 9,549 attendances. In other words, each staff member received an average of 4.6 courses last year. This record demonstrates our resolution to continuously upgrade the capability of our superior human resources and constitutes the reason for rising confidence and the driving power for the realization of our ideals.

In the past thirteen years, E.SUN has held the

principle of "human capital is the foundation for corporate development", preserved the core strength, accelerated the advancement, and will continue to follow the strategy of searching for the balance of comprehensive development, to nurture employees with commitment and outstanding capability, to fast accumulate E.SUN intellectual capital, to bring the special characteristics of E.SUN learning organization into practice, and to upgrade the quality and value of E.SUN human capital constantly.

Item \ Year		2005.3.31	2004	2003	
Number of Employee		2,698	2,438	1,816	
Average age		30.5	29.7	29.2	
Average experience		3.8	3.6	4.0	
Education profile (%)	Master	15.2	13.5	12.1	
	Bachelor	55.7	56.3	54.9	
	College	26.6	27.7	31.2	
	Senior high school (Occupational school)	2.5	2.5	1.8	
Type of certificates		Bank	Insurance	Security	Others
The number of employees with certificate		1,230	699	361	271
Number of certificates		3,165	1,121	570	390



It takes 10 years to grow a tree, but a century to cultivate a person. We are sowing the seeds, sinking the roots, sprouting the fruits and growing into the mature tree of E.SUN Bank.

II. BUSINESS OPERATIONS

玉山新里程

最高的山 最好的銀行

十三年來 在您的愛護與支持中 穩健的成長
而今 玉山服務網的擴張將邁向116個分行
我們要繼續以 優良的形象 卓越的經營 最好的服務
讓玉山永遠像東昇的朝陽 充滿活力與希望



The unity of our spirit will power E.SUN to advance toward a new era.

1. Business Range



The purpose of transformation is further growth.

In 2004, E.SUN again manifested the combined power of its team spirit, the integration of our core processes of human resources, strategy and operations and the expansion of the breadth and depth of our services. On September 4, 2004, we acquired the Kaohsiung Business Bank and thus expanded our network of branches from 56 to 116, thus doubling our service web and sharply enhancing our ability to deliver customer value. In the current year, ESB will continue to follow its fundamental management principles of putting top priority on security and liquidity and carefully expanding our operations while stressing in tandem business expansion and risk management and striving to meet the needs and expectations of our customers in order to enhance our overall business efficiency and results. The current situation in the key aspects of our business operations are described below.

(1) Wealth Management Business

Wealth management has gradually become the decisive core of the integration of traditional financial services. ESB utilizes diverse, customized and automated financial management services to satisfy the new era of customer financial management needs and stresses the value added needs of customers. Moreover, ESB is also building a new paradigm in

wealth management by using an unique marketing style based on its long-term commitment to providing quality, sophistication and taste to create customer satisfaction and creating customer loyalty with superior products and brands. At present, ESB's wealth management business features deposits, funds and insurance:

A. Deposits

ESB is continuing to actively develop its deposit services and the total amount of deposits reached NT\$330.936 billion by December 31, 2004, a rise of NT\$83.954 billion (including NT\$44.977 billion taken over from the Kaohsiung Business Bank). This figure was 15.73% above our original target (which would have been 100% reached without the KBB acquisition).

In terms of the structure of deposits, demand deposits amounted to NT\$129.068 billion or 39% of the total with an annual growth of 38.62%. Time deposits amounted to NT\$201.868 billion or 61% of total deposits. In terms of type, checking and demand deposits combined totalled NT\$45.910 billion; demand savings deposits amounted to NT\$83.158 billion; time deposits reached NT\$88.542 billion; and time saving deposits amounted to NT\$101.673 billion and NCD amounted to NT\$14.654 billion. The overall structure of deposits continued to improve and overall deposits continued to grow thanks to ESB's excellent corporate

image and correct business strategy.

B. Fund business

In terms of our mutual fund business, ESB continuously refines investment products and services to build a comprehensive line of products and assists clients tailor a complete assets portfolio for their career and fiscal planning through various types of financial products and financial management programs. By December 31, 2004, ESB had earned a total fee income of NT\$385 million in trust and financial management fees, a figure that was 35.2% higher than the previous year.

C. Insurance business

Since entering into a strategic alliance with the England-based Prudential Plc group on February 2, 2004, ESB has built a complete development mechanism for bancassurance services and is utilizing a rich line of products, life planning and tax saving plans to provide customers with more superior and wider-ranging choices in financial and insurance services. As of December 31, 2004, ESB had generated NT\$2.143 billion in revenues from insurance premiums and NT\$122 million in related fee income, a figure that represented a 52.5% increase from the previous year.

(2) Consumer banking business

The development of ESB's consumer banking business stresses effective risk management and the generation of maximum value. Our consumer banking credit policy places quality above quantity and upholds a service spirit of professionalism, enthusiasm and efficiency and responding to changes in the external environment and complementing government policies. Besides actively assisting the government handle loans to help workers purchase and improve housing and assisting home buyers take out mortgage loans and cooperate in the NT\$1.38 trillion preferential mortgage loans for first time home buyers, ESB has also done its best to develop unsecured personal loans and other businesses in order to expand its profit base. By the end of 2004, the total amount of consumer loans had reached NT\$170.592 billion (including NT\$10.864 billion taken over from KBB), up NT\$61.11 billion or 55.81% from the previous year.

A. Home mortgage business

ESB fully utilized cross-marketing channels and the marketing system, database and human resources



The strategic alliance between ESB and Prudential builds a paradigm in cross-sectoral financial cooperation.

of E.SUN Financial Holding Company as well as advertising strategy, a complete line of products, risk management, and refinements in operating procedures and assessment systems to expand our home mortgage business. By the end of 2004, the balance of home mortgages had reached NT\$137.191 billion (including NT\$5.984 billion taken over from KBB) for an increase of NT\$49.799 billion or 56.98% from the previous year.

B. Unsecured personal loan (UPL) business

Due to the entry of many banks into the market, competition in the UPL business is very intense with wave upon wave of price wars. While keeping in mind the special nature of these high risk products, ESB has been able to maintain stable double-digit growth through refining operation processes and reducing risk. As of the end of 2004, the total volume of unsecured personal loans reached NT\$11.815 billion (including NT\$829 million taken over from KBB) for an increase of NT\$2.248 billion or 23.49% from the previous year.

C. Cash card business

ESB has offered services to customers requiring cash cards on the basis of our fixed principle of financial soundness and do our best to meet the most pressing needs of our customers with the best product quality. By the end of 2004, ESB had issued 337,000 cash cards, an increase of 39.95% over the previous year while the balance of overdrafts rose by NT\$1.736 billion or 38.53% to NT\$6.241 billion.

D. Credit card business

ESB's credit card business manifested stable expansion in both the number of new cards issued and the amount of signed transactions. By the end of 2004, ESB had 2.41 million credit cards in force, up 20% from the previous year, and the total value of transactions rose 21% to NT\$61.1 billion. Besides

attaining stable growth in revenues, ESB was also able to maintain superior asset quality as the non-performing loan ratio for loans in arrears for over three months was less than 1% and 0% for cards in arrears for over six months.

ESB also has continuously tallied new innovations and breakthroughs in terms of business development and in the research and development of new products. For example, ESB has participated in fresh and healthy professional sports by issuing Taiwan's first professional sports identification card package with the "Brothers Elephant Baseball Team Card" and by using brand-new marketing methods to sponsoring "E.SUN Games" and "E.SUN Pitch Day" and "E.SUN Environment Day" and other activities aimed at baseball fans. At the same time, ESB has introduced Taiwan's first ultraviolet automatic sensing and color changing function to complement the use of credit cards with chips matching EMV standards in order to allow customers to use credit cards with a greater sense of security.

In terms of services to public agencies, ESB again had the honor to be one of the banks authorized by the Tourism Bureau to issue "Civil Service Citizen Tourism Cards" and was selected by 190,000 civil servants in the Ministry of Interior and the Ministry of Transportation and Communications and other agencies, a tally that marked a rise of over 70,000 from the previous time. ESB also was again selected by the Taipei County government as its partner in issuing government purchasing cards and successfully bid for the qualification rights to issue cards for the "Southern Taiwan Smart IC-Card Electronic Certification System."



E.SUN Your Smile Tourism Center builds a superior brand name for recreation and travel services.

In terms of raising customer loyalty, ESB mapped out an abundant series of marketing activities in 2004 for our cardholders and also sponsored numerous activities with various affinity groups that have elicited a warm response from our customers. In order to provide customers with comprehensive service, ESB has worked to bolster the value-added functions of our credit cards by providing preset codes that can be changed at automated teller machines (ATMs), by providing for payment of tax and public utilities fees through credit cards, payment of bills at convenience stores all over Taiwan and exchange bonus points for purchases at "Hi-Life" convenience stores.

In order to provide customers with distinctive services and create an unique brand name character, ESB also initiated a "E.SUN Your Smile Tourism Center" as a platform to provide travel and tourism services for cardholders including airplane and other travel reservations. It has received very positive response from our customers.

(3) Corporate banking business

In its corporate banking services, ESB places priority on risk management and on providing clients with diverse financial services. In order to complement the government's policy of supporting the development of small businesses, ESB utilizes the "Small and Medium Enterprise Credit Guarantee Fund" mechanism to boost its financing services to the vast numbers of SMEs in Taiwan and also provides "special promotion on traditional industry loans," and "simplified receivable notes financing," and "factoring" products. With regard to medium and large - scale enterprises, ESB is continuing to integrate the resources of the E.SUN Financial Holding Company to provide enterprises with more convenient and flexible channels to raise funds and create the greatest possible value for our clients.

A. Corporate lending services

In 2004, ESB continued to uphold its consistent lending policy of selecting clients with upright and proper management operations and good credit ratings and continuing to refine our risk management mechanisms. As of December 31, 2004, the total value of our corporate loans amounted to NT\$103.236 billion (not including loans to government agencies) accounting for 37.7% of our total lending volume. This figure represented an increase of NT\$17.027 billion or 19.7% compared to the previous year. In terms of client classification by industry, 38% of the loans went to the manufacturing sector, 15% to wholesale and retail commerce and 14% to the finance

and insurance sector.

B. Foreign exchange business

In order to provide clients with more varied financial products and services to satisfy their financial management needs on foreign currency, ESB in April 2004 launched a new business line for "OBU Foreign Exchange Designated Investment Channels Trust on Overseas Negotiable Bonds" and in December, allow customers of minors to open integrated foreign currency deposit accounts. In terms of import and export remittance services, ESB initiated "Forfaiting" services in April 2004 to assist clients in hedging national risk in letters of credit and reducing the credit risk of the issuing bank.

Besides stressing integrated marketing between channels, ESB has also intensified operation risk management between operation centers and business units so that all business development possesses complete risk management mechanisms. At the same time, ESB has paid more attention to the management of customer relations and devoted its best efforts to creating mutual benefits for the bank and the client.

As for the expansion of our global financial services framework, the network of ESB's correspondent banks has risen to 2,532 banks and encompasses all of the major cities in the world to provide clients with convenient financial services worldwide. In 2004, our import, export and remittance operations expanded 20.03% to reach US\$18.01 billion.

(4) e-banking business

ESB's e-banking business focuses on R&D and development competitiveness in e-payment and e-channel operations. On one hand, ESB provides financial services to complement the rapid expansion of domestic e-commerce services and digital content on-line consumer services. On the other hand, ESB utilizes our customer base in e-banking and e-Coin services and the media capabilities of EDM and webpages to achieve greater integration of marketing for all kinds of products and activities offered by E.SUN Financial Holding Company. In 2004, important developments in our e-banking businesses included the following:

A. Leadership in introducing WebATM

In July 2004, ESB took the lead in introducing WebATM, which features IC financial cards with internet payment services, and in promoting services that allow on-line financial management services to both E.SUN and non-E.SUN IC financial card holders with the prizes offering of 10,000 card machines. Given the administrative order issued in September 2004 by monetary authorities to eliminate e-banking SSL fund



eCoin wins the silver prize in the Ministry of Economic Affairs' "e21 Golden Net Awards."

transfers to non-appointed accounts, WebATM functions will be available to replace this function and allow customers to fulfill their fund transferring needs without a hiatus in service as well as fuelling growth in the number of on-line transactions.

B. "e-internet investor" platform

ESB has also introduced an "e-internet investor" platform as part of its individual e-banking services to offer customers who are investing in mutual funds an innovative interface for information sharing that can offer a distinctive character to E.SUN's e-banking mutual fund ordering function. This product was ranked third in the third "e-Commonwealth Marking Champion" ratings in 2004.

C. "eCoin" small amount payment mechanism

ESB's "eCoin" mechanism for small-scale financial transactions has established membership identity card relationships with the Warner recording artist Sun Yentzu and singer Chou Chieh-lun aimed at fans and young on-line users. In addition, ESB has developed "credit card certification" and "transaction security mechanisms" and other functions to bolster mutual trust and security between buyers and sellers and lower the risk of such financial cash flows in eCoin transaction.

D. ESB's eCoin received the silver prize in the "e21 Golden Net Awards" held by the Ministry of Economic Affairs and the "Taiwan Financial Sector Outstanding Achievement Award" in e-banking masterpiece from the Taiwan Academy of Banking and Finance and, as a result, the image of our eCoin brand name has been considerably enhanced.

(5) Trust business

ESB's Trust Department mainly conducts business operations related to designated purpose trust fund investments in foreign securities, acting as a guarantor

bank for qualified foreign institutional investors or domestic securities investment firms, offering custodial services for managing trust funds, handling employee trust (savings) funds, underwriting stock and bond initial offerings and providing consultant services and custodial services.

In terms of new trust products, in cooperation with government policies and promulgated laws and regulations, ESB has applied for permission to promote real estate trusts and negotiable bonds trusts and to offer trust supervisory services and managerial services of combined trust funds and is actively marketing individual trusts and engaging in R&D in related areas such as financial securitization, real estate securitization, mutual trust funds and public interest trust funds.

A. Pecuniary trust

ESB is promoting designated purpose trust fund business as its main base in the short-term while progressing toward the development of collection of mutual trust funds and combined investment management accounts as its main business niche in the medium and long-term. ESB will grasp the mainstream trends in the trust business sector and promote combined retirement pension planning, financial planning and new individual trust services.

B. Real estate trust

In line with the development of government monetary policy, ESB will soundly and steadily promote all types of related services based on customer needs and the trends in the market environment.

C. Securities trust

In accordance with the development of the securities market, ESB will provide new investment and financial management channels for customers.

D. Acting as trust supervisors based on trust laws

In order to offer a wider variety of financial products, ESB, in addition to focusing on the research and development of new trust commercial products is also paying considerable attention to ancillary trust businesses. For example, "acting as trust supervisors as designated by trust law" can support ordinary trust businesses and allow the development of a more integrated and comprehensive framework for trust products.

E. Securitization business

ESB will cooperate with

government policies based on customer-oriented demands and trends in the market environment to suitably participate in the promotion of financial securitization and real estate securitization products.

As of December 31, 2004, the balance of ESB's trust assets had reached NT\$28.118 billion, an increase of NT\$8.373 billion from the previous year. The balance of custodial assets of bonds reached NT\$52.419 billion while the balance of assets in special custodial funds accounts reached NT\$48.913 billion.

(6) Investment business

By the end of 2004, ESB had invested a total of NT\$741 million in various enterprises with the ratio of shareholding as follows:

E.SUN Finance and Leasing Co. Ltd, 98.99%; E.SUN Insurance Agency Corp, 79.00%; Fu-Bon Securities Finance Co., 2.56%; Taipei Foreign Exchange Brokerage Co Ltd, 0.81%; Taiwan International Futures Exchange Corp, 0.45%; Financial Information Services Co, 2.28%; Taiwan Assets Management Co, 0.57%; Taiwan Financing Asset Services Co, 2.94%; Bankpro E-service Technology Co, 3.33%; the PTA Venture Fund Ltd, 4.90%; Apex Venture Capital Corp, 4.67%; National Venture Capital Co., 4.99%; and, United Microelectronics Co., 0.03%. The afore-mentioned companies do not hold shares in ESB.

(7) Business performance

In 2004, ESB posted a net pretax income of NT\$8.372 billion (this figure would have been NT\$10.136 billion without the impact of the acquisition of the Kaohsiung Business Bank) and net post-tax earnings of NT\$7.284 billion. Total revenues amounted to NT\$21.202 billion, of which interest income comprised 66%, fee revenue accounted for 10%, long-term investment shareholding dividends accounted for 15% and other income sources 9%. Total expenditures reached NT\$11.658 billion, of which operating expenses accounted for 47%, interest payments comprised 34%, fees 5% and other operating expenditures 14%. Our net pretax earning ratio stood at 39%, our post-tax earning ratio was 34%, our return on assets was 1.96% and our return on equity was 27.00%.



2. Market Analysis



Setting aside the clouds, we are able to see the sun in prosperity.

(1) Condition on Global Economy

The global economy in 2004 was affected by the important factors of increases of prime interest rates for five times by the U.S. Federal Reserve Bank (Fed), the depreciation of the U.S. dollar, the sharp rises in petroleum and other commodity prices to new peaks and the effort by China to tighten macroeconomic controls. As a result, world economic growth began to decline in the second half of the year. The domestic economic and financial situation was affected by both the above trends in the international economy and political influences. Many listed companies were also affected by landmine corporate storms and uncertainty in cross-strait relations with the People's Republic of China. As a result, the pace of economic expansion showed signs of slowing.

(2) Weakening of global economic expansion

After the U.S.-Iraq war began to ease in the second half of 2003, long-suppressed international demand began to revive. Under the strong stimulus of brisk growth in the U.S. and PRC, global markets finally began to rebound and world economic growth rose to 4.2% in 2004 from the 2.8% in 2003, exceeding 4% for the first time since 2000. However, the expansionary monetary policy of the Fed and other central banks brought the new uncertainties in international financial markets.

Under the US\$600 billion tax cut carried out by Bush administration, rising military expenditures and the series of reductions in prime rates by the Fed, private consumption and corporate expenditures sharply increased

and helped lift real economic growth to 4.4% in 2004. However, under the pressure of soaring world prices for crude oil and other commodities and renewed inflation, the Fed carried out five increases in lending rates in order to prevent the possible economic bubble. This trend is expected to hurt private consumption capability and corporate investment expenditures and thus negatively influence the pace of expansion in the U.S. economy this year.

As domestic demand began to warm up under the stimulus of brisk exports, Japan's economy was able to shake off a decade of sluggish growth and post a welcome 5.9% pace of real economic expansion in the first quarter of 2004. However, under the impact of the global slowdown and soaring crude oil prices, the pace of expansion slowed again in the second quarter and while the economy still posted positive growth, the pace of the recovery was considerably moderated.

The Euro region was constrained by structural problems in most of its national economies as well as the "Pact on Stability and Growth" which limited the flexibility of fiscal policy for each member of the European Union. Although the European Central Bank considered that inflation was still under control, its lack of willingness to lower interest rates caused economic growth in the EU to be slower than in the U.S. and Japan.

The mainland Chinese economy had already become the world's third largest trading economy by 2003 and the globe's sixth largest economy. However, because the PRC's economic growth excessively relied on fixed asset

investment, Beijing initiated a series of macroeconomic control measures to avoid a loss of control of capital investment that could cause economic overheating and spark an inflationary surge. These "macroeconomic control" measures have already become a significant factor affecting future global economic growth.

(3) Adjustment to loose financial conditions

In terms of financial markets, the expansionary monetary policy carried out by the Fed through 14 consecutive reductions in interest rates was reversed in June 2004 with a series of five interest rate hikes after it was decided that no need to be concerned about economic growth. The Fed's basic interest rate rose from 1% to 2.25% and pulled the world's monetary policy toward "neutral" from "expansionary."

After three straight years of value absence in the U.S. dollar, the Bush administration cited the need to implement a weak U.S. dollar policy that saw the U.S. depreciate against the Euro by 8% by the end of 2004 to US\$1.36 to one Euro and from Yen107.35 to the greenback at the beginning of 2004 to Y102.00 to US\$1 by the end of the year. From 2002 to the end of 2004, the U.S. dollar had slipped by 60 percent against the Euro and by 24 percent against the Japanese yen, a trend that clearly spelled the end of the strong U.S. dollar.

In the wake of the continued strengthening of the mainland Chinese trade sector and manipulation by international speculators, pressure on the Renminbi for an upward revaluation have intensified. Since September 2004, a series of major economic conferences, including the Group of Seven meeting and meetings of the Asia-Pacific Economic Cooperation (APEC) forum have urged the adoption of a floating exchange system for the Renminbi. Moreover, in November, one-year Renminbi NDF rates were discounted by 5.5%, the biggest discount ratio in 2004 and another sign that the focus of international financial markets is riveted on the issue of whether the Renminbi will be revalued.

(4) Non-economic factors hit domestic growth

Thanks to brisk growth in external trade and private investment, the official Directorate-General for Budget, Accounting and Statistics in November 2004 revised its forecast for inflation-adjusted gross domestic product to 5.93% compared to its forecast of 4.10% issued in November 2003, for the fastest pace of expansion since 1998. However, the impact of non-economic factors and speculation by foreign portfolio investors, the leading indicators issued by the Council for Economic Planning and Development began to decline in May 2004, indicating that domestic economic expansion might be slowing. Compared to the strong expansion in economic fundamentals, domestic stock market suffered as it was deeply affected by the political environment beginning in the middle of the year. In the wake of the expansion of the

central government fiscal deficit and changes in cross-strait relations, the Standard & Poors rating agency in November lowered Taiwan's sovereign credit rating from "stable" to "turning negative".

Cross-strait trade is a factor in Taiwan's economic growth that cannot be overlooked. Combined import and export merchandise trade reached US\$341.9 billion last year, included US\$174.0 billion in exports and US\$167.9 billion in imports. However, exports to mainland China (including Hong Kong) accounted for 37% of the total value of merchandise exports, exceeding the 16% that went to the U.S. and the 13% that went to Europe. Mainland China has thus become Taiwan's largest export market and also has posted annual increases in the range of 30%. In addition, most of recent outward foreign investment by Taiwanese companies has been going to mainland China as the PRC has become the most important offshore production base of many Taiwan enterprises.

In order to spur a sluggish economy in the past few years, the central bank has adopted an expansionary monetary policy. However, the jump in the wholesale price index by the largest percentage in 23 years in September 2004 raised the spectre of reviving inflation. To avoid negative real interest rates, the central bank ended the loose money policy maintained since 2000 by raising its key discount rate and its rates on short-term secured accommodations and short-term interbank financing both September and December by a total of 0.375 percentage points each, thus lifting the three rates to 1.75%, 2.125% and 4.0%, respectively.

In terms of the New Taiwan dollar exchange rate, the central bank continued to adopt a dynamically stable exchange rate policy to maintain export competitiveness. Since the beginning of 2004, the New Taiwan dollar maintained a level of NT\$33-34 against the greenback until the fourth quarter of eventually allowing the New Taiwan dollar to appreciate to a level of about NT\$32 to the U.S. dollar.

(5) Analysis of international financial trends

The depreciation of the U.S. dollar and the trend of the Chinese Renminbi will be decisive factors in the performance of international financial markets. Most Asian countries have export-oriented economies and virtually all have the U.S. as a major market and with relatively immature domestic demand markets. Although they should adjust their division of assets into currencies that are rising, Asian economies continue to maintain U.S. dollar-denominated assets for reason of overall economic expansion since the U.S. is still the world's largest consumer market. The U.S. will continue to use its twin deficits as a reason to continue a weak greenback policy.

In the end, if the U.S. dollar continues to weaken, the national interest of Asian countries will do the same. If such countries dump their U.S. denominated assets, the U.S. will be forced to sharply boost interest rates in order to attract

enough capital to support its massive deficits. This trend will deliver a severe blow to the U.S. economy, which is highly leveraged on consumer debt. The contraction of U.S. private consumption spending will hurt export expansion and thus overall economic growth in many Asian countries, possibly triggering a worldwide recession. Therefore, in the interest of sustaining U.S. economic expansion and maintaining global financial stability, we anticipate that the Fed will continue to raise interest rates to a certain level and a moderation in the depreciation of the U.S. dollar.

Although a revaluation of the Renminbi would be beneficial for the long-term economic development of China, the chances of a revaluation in the first half of 2005 do not seem to be high under the Beijing government's priority on stability. Like other developing countries, China has adopted a development strategy of promoting exports to drive domestic demand. In light of this situation, Beijing's policy of pegging the Renminbi on the U.S. dollar clearly is favorable for its current economic development. Nevertheless, since international raw materials are priced in terms of U.S. dollars, the depreciation of the greenback will add severe inflationary pressures to the Chinese economy and help trigger a massive influx of foreign hot money anticipating a revaluation and thus considerably adding to pressure for a rise in the Renminbi's value.

The experience of the September 1985 "Plaza Accord" offers an important reference to China's next stage. China is already in a decisive point of macroeconomic control measures and its economy is already facing severe structural problems of major disparities in regional development, difficulties in the agricultural and rural sectors and huge volumes of bad loans in the banking system. These factors, added to the lack of a comprehensive package of supporting measures, indicate that a rash or hasty change the Renminbi exchange rate system could well be harmful for mainland China's strategy at current which puts top priority on the economy. However, since the 2006 deadline for compliance with demands from the World Trade Organization is gradually approaching, it can be predicted that the Renminbi exchange rate will have to be adjusted.

(6) Economic and financial trends in 2005

Under the influence of the Fed's interest hikes, the depreciation of U.S. dollar, soaring international commodity prices and mainland China's macroeconomic control measures, forecasting agencies have moderated earlier outlooks. For example, the U.S.-based Global Insight and the International Monetary Fund have reduced their forecasts for world economic expansion in 2005 to 3.3% and 4.3% respectively; nevertheless, these levels are still higher than the pace of global economic growth in 2003. Most domestic thinktanks also believe that the moderation of global economic growth will restrain the expansion of Taiwan's exports and hold our annual economic growth rate to between 4.0-4.7%. The

outlooks on the tendency for economic growth to moderate in 2005 are basically quite similar, with the major differences being limited to different expectations for the domestic political situation and cross-strait relations.

The degree of stability in domestic politics and the situation of mutual interaction across the Taiwan Strait will be major variables in the outlook for domestic economic growth in 2005. Taiwan's external trade will return to normal growth patterns with expansion in merchandise exports and imports forecast to be in single-digits in contrast with last year's brisk performance. Private capital investment is also expected to slow. Considerations of the likelihood of weakening external demand will lead many companies to delay or reduce the scale of new investments.

Given an expected moderation in the pace of expansion in foreign trade and private fixed capital investment, private consumption expenditures will become the decisive factor in determining overall economic growth and the revival in stock and housing market will play a key role in determining the timing and the strength. If the domestic political situation and cross-strait relations can become more stable, it will not only help enliven stock and property markets and spur private consumption spending, but will also help reduce the impact of the moderation by spurring faster expansion in cross-strait trade.

Consumer prices ended three years of deflation last year, and are expected to continue to rise in the first half of 2005 and moderate in the second half. In terms of interest rates, the central bank is expected to follow suit with the Fed's policy of raising interest rates slowly unless inflationary pressures dramatically intensify and affect the level of real interest rates. Nevertheless, capital supply in the market is expected to remain abundant. In terms of the exchange rate, in consideration of maintaining export competitiveness, the central bank will continue to closely monitor the exchange rate of key trade rivals and adopt a moderate appreciation strategy for the New Taiwan dollar.

In addition, the issue that merits the most attention at present concerns changes in the electronics industry. For example, gross profits for domestic notebook computer subcontracting manufacturers has fallen from double digit levels in 2002 to around 6% by the third quarter of 2004. Obviously, the subcontracting manufacturing production model by which Taiwan become "the king of computers" in the 1990s already faces severe challenges. The domestic electronics industry needs to switch to the "smile" pattern of putting more efforts into developing the two "dimples" of "product and process innovation and R&D" and "brand name and global logistics development" in order to create economic motive force for Taiwan.

3. Miscellaneous

(1) Environmental protection expenditures: Omitted.

(2) Labor-Management Agreements: None.

(3) Labor Relationship Related Information:

A. Important Employment Agreement and Practice

(A) Employees' welfare :

- * Labor insurance: All employees are the insured. Company bears 70% insurance fee, and 20% belong to employee.
- * Health insurance: All employees are the insured. Company bears 60% insurance fee, and 30% belong to employee.
- * Group life insurance: All employees are the insured. The coverage includes group accident insurance, life insurance and medical insurance. Company bears 100% insurance fee.
- * Public Liability Insurance: the insured are all employees. Company bears 100% insurance fee.
- * Bonus: Company allocates annual distributable earnings to employees.
- * Vacation policies: All employees who serve company more than one year get at least 7 paid holidays off.
- * Mortgage loan and unsecured loan are available.
- * Library: With plenty books for employees self-learning.
- * Employee welfare and mutual assistance: Company enact an "Employee Welfare and Mutual Assistance Guidelines" for our employees.
- * We set up "Employee Welfare Committee" for the provision of assistances and supports for our employees. Entertainments and other activities are held periodically.
- * Activities: Travels, trips and tours activities are available and climb the Jade mountain twice annually.
- * Assistance of children education, marriage, death, medical, health examination, retirement, travel and special holidays are available.

(B) Retirement

ESB follows the "Labor Standard Law of Taiwan" in terms of retirement to set up a "Labor Retirement Reserve Committee" and "Employees Pension Fund Committee", which is responsible for employees' retirement.

(C) Other important agreement: None.

B. Loss of the dispute between labor and owner relationships during recent 3 years.

We take the employees as the most important assets and care about their future career development. There is no loss and dispute because of harmony relationship between labor and owner.

(4) Important Contracts :

Characteristics of contract	The parties	Starting and ending date of contract	Major content	Restriction
Acquisition & reimbursement contract	Kaohsiung Business Bank Co., Ltd. Receiver & Trustee of RTC Fund: Central Deposit Insurance Co., Ltd.	Signed on 2004.06.03	Acquiring asset and liabilities of Kaohsiung Business Bank Co., Ltd. and subsidized by RTC fund	None
Outsourcing contract	Systex Corporation	From 2005.01.01 to 2005.12.31	Commission of Operation	None
Outsourcing contract	Anfeng Co., Ltd.	From 1998.05	Commission of Operation	None
Outsourcing contract	DTZ Debenham Tie Leung Taipei Subsidiary	From 2005.02.05 to 2006.02.04	Commission of Operation	None
Outsourcing contract	United Credit Services Standard Credit Management Co., Ltd. Gold Partners Asia Co., Ltd. Famous Credit Management Co., Ltd. Taiwan Teleservices and Technologies Co., Ltd. Justor Collection Management Co., Ltd. Sparkle Collection Management Co., Ltd. P.I.C.K. International Asset Management Co., Ltd. Fu Tsu Collection Management Co., Ltd. Asia Credit Management Co., Ltd.	From 2004.11.12 From 2000.11.31 From 2001.08.29 From 2002.03.01 From 2002.10.01 From 2003.07.22 From 2004.11.11 From 2003.08.18 From 2003.08.18 From 2003.07.22	Commission of Operation	None
Outsourcing contract	Chyng Lei Design Printing Co., Ltd.	From 2002.01.02	Commission of Operation	None
Outsourcing contract	E.SUN Capital Co., Ltd.	From 2002.11.01 to 2005.04.30	Commission of Operation	None

(5) Stock, financial bonds, corporate bonds and offshore issuance of corporate bonds:

ESB has issued 2,017,500,000 shares of stock with paid-in capital of NT\$20.175 billion: NT\$29.6 billion sold in financial bonds, of which ordinary financial bonds comprised NT\$20 billion and secondary financial bonds amounted to NT\$9.6 billion: ESB has not issued any preferential stock shares, corporate bonds or offshore deposit certificates.

(6) Issuance of Financial debentures

Denomination	2001-Zi-1-1 Bank Debenture	2001-Zi-1-2 Bank
Regulations	Tai-Tsi-Rong(2)-Zi-90262964 2001/6/26	Tai-Tsi-Rong(2)-Zi-90262964 2001/6/26
Issue Date	2001.8.6	2001.8.6
Face Value	100	100
Issue Country	Taipei	Taipei
Currency	TWD	TWD
Issue Price	100	100
Amount	3 billions	2 billions
Coupon Rate	3.76%	4.20%
Term	Maturity Date:2006.8.6	Maturity Date:2008.8.6
Ranking	First Secured	Second Secured
Guarantee	Na	Na
Trustee	Na	Na
Underwriting Institutions	Na	Na
Assurance Lawyer	Na	Na
Assurance Accountant	Na	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date	Repayable in Five Installments Starting in The Third Year From The Issue Date
Outstanding Amount	3 billions	1.6billions
Market Capitalization Last Year	16.933 billions	16.933 billions
Final Accounting of Net Value Last Year	20.997 billions	20.997 billions
Redemption	Normal	Normal
Callable or Prepayment Terms	Na	Na
Conversion and Exchange Terms	Na	Na
Negative Pledge	Na	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure, Increasing BIS Ratio and Enhancing Credit
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	14.29%	23.81%
Category of Capitalization	Na	Yes, The Tier II Capital
Credit-rating Institutions, Rating Date and Rating	Taiwan Rating Corp.twA+	Taiwan Rating Corp.twA

Denomination	2001-Zi-2-1 Bank Debenture	2001-Zi-2-2 Bank
Regulations	Tai-Tsi-Rong(2)-Zi-0900010193 2001/11/23	Tai-Tsi-Rong(2)-Zi-0900010193 2001/11/23
Issue Date	2002.6.13	2002.8.16
Face Value	100	100
Issue Country	Taipei	Taipei
Currency	TWD	TWD
Issue Price	100	100
Amount	1.7 billions	1.3billions
Coupon Rate	AB tranche year1~2:5% year 3~5:6.5% - 90DCP C tranche year1:6.5% - 90DCP Year2:6.9% - 90DCP Year3:7.2% - 90DCP Year4:7.5% - 90DCP Year5:7.8% - 90DCP D tranche year1:5.8% - 90DCP Year2:6.5% - 90DCP Year3:7.2% - 90DCP Year4:7.9% - 90DCP Year5:8.6% - 90DCP	5.94% - 6M Libor
Term	Maturity Date:2007.6.13	Maturity Date:2007.8.16
Ranking	Second Secured	Second Secured
Guarantee	Na	Na
Trustee	Na	Na
Underwriting Institutions	Na	Na
Assurance Lawyer	Na	Na
Assurance Accountant	Na	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date	Principal Due on Maturity Date
Outstanding Amount	1.7billions	1.3billions
Market Capitalization Last Year	16.933 billions	16.933 billions
Final Accounting of Net Value Last Year	20.997 billions	20.997 billions
Redemption	Normal	Normal
Callable or Prepayment Terms	Na	Na
Conversion and Exchange Terms	Na	Na
Negative Pledge	Na	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure, Increasing BIS Ratio and Enhancing Credit	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure, Increasing BIS Ratio and Enhancing Credit
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	31.91%	38.10%
Category of Capitalization	Yes, The TierII Capital	Yes, The TierII Capital
Credit-rating Institutions,Rating Date and Rating	Taiwan Rating Corp. twA	Taiwan Rating Corp. twA

Denomination	2001-Zi-2-3 Bank Debenture	2003-Zi-1-1 Bank
Regulations	Tai-Tsi-Rong(2)-Zi-0900010193 2001/6/26	Tai-Tsi-Rong(2)-Zi-0920030551 2003/6/23
Issue Date	2002.8.23	2003.10.9
Face Value	100	100
Issue Country	Taipei	Taipei
Currency	TWD	TWD
Issue Price	100	100
Amount	2 billions	2 billions
Coupon Rate	A: 6.000% - 6M Libor B: 6.001% - 6M Libor C: 6.002% - 6M Libor D: 6.003% - 6M Libor E: 6.004% - 6M Libor	A: Y1:3.8%, Y2~Y5: 5.0%-6M Libor B: Y1:3.8%°FY2~Y5:5.0%-6M Libor C: 5.15% - 6M Libor D: 5.15% - 6M Libor E: 5.15% - 6M Libor F: 4.22% - 90DCP G: 4.22% - 90DCP H: 4.22% - 90DCP Coupon Rate Min0%
Term	Maturity Date:2008.2.23	Maturity Date:2008.10.9
Ranking	First Secured	First Secured
Guarantee	Na	Na
Trustee	Na	Na
Underwriting Institutions	Na	Na
Assurance Lawyer	Na	Na
Assurance Accountant	Na	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date	Principal Due on Maturity Date
Outstanding Amount	2billions	2billions
Market Capitalization Last Year	16.933 billions	18.175 billions
Final Accounting of Net Value Last Year	20.997 billions	17.913 billions
Redemption	Normal	Normal
Callable or Prepayment Terms	Na	Na
Conversion and Exchange Terms	Na	Na
Negative Pledge	Na	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	47.63%	66.99%
Category of Capitalization	Na	Na
Credit-rating Institutions,Rating Date and Rating	Taiwan Rating Corp. twA+	Taiwan Rating Corp. twA+

Denomination	2003-Zi-1-2 Bank Debenture	2003-Zi-1-3 Bank Debenture
Regulations	Tai-Tsi-Rong(2)-Zi-0920030551 2003/6/23	Tai-Tsi-Rong(2)-Zi-0920030551 2003/6/23
Issue Date	2003.10.16	2003.10.29
Face Value	100	100
Issue Country	Taipei	Taipei
Currency	TWD	TWD
Issue Price	100	100
Amount	1.8 billions	1.2 billions
Coupon Rate	A: 2* (NTD IRS5Y - NTD IRS2Y) B: 2* (NTD IRS5Y - NTD IRS2Y) C: 2* (NTD IRS5Y - NTD IRS2Y) D: 2* (NTD IRS5Y - NTD IRS2Y) E: 2* (NTD IRS5Y - NTD IRS2Y) + 0.75% F: 2* (NTD IRS5Y - NTD IRS2Y) + 0.75% G: Y1. 3% : Y2~Y5. 2* (NTD IRS5Y - NTD IRS2Y) + 0.4% Coupon Rate Min 0%	A: IF 3M Libor < 1%°ACoupon Rate 3M Libor + 1.2% 3M Libor >= 1%°ACoupon Rate 4.7% - 3M Libor B: 2.5*°]NTD IRS5Y - NTD IRS2Y°^ + 0.45%°FMAX 3.75% C: 2.5*°]NTD IRS5Y - NTD IRS2Y°^ + 0.45%°FMAX 3.75% D: 2.5*°]NTD IRS5Y - NTD IRS2Y°^ + 0.40%°FMAX 3.70% E: 2.5*°]NTD IRS5Y - NTD IRS2Y°^ + 0.40%°FMAX 3.70% Coupon Rate Min 0%
Term	Maturity Date:2008.10.16	Maturity Date:2008.10.29
Ranking	First Secured	First Secured
Guarantee	Na	Na
Trustee	Na	Na
Underwriting Institutions	Na	Na
Assurance Lawyer	Na	Na
Assurance Accountant	Na	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date	Principal Due on Maturity Date
Outstanding Amount	1.8billions	1.2billions
Market Capitalization Last Year	18.175 billions	18.175 billions
Final Accounting of Net Value Last Year	17.913 billions	17.913 billions
Redemption	Normal	Normal
Callable or Prepayment Terms	Na	Na
Conversion and Exchange Terms	Na	Na
Negative Pledge	Na	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	77.04%	83.74%
Category of Capitalization	Na	Na
Credit-rating Institutions,Rating Date and Rating	Taiwan Rating Corp. twA+	Taiwan Rating Corp. twA+

Denomination	2003-Zi-1-4 Bank Debenture	2003-Zi-1-5 Bank Debenture
Regulations	Tai-Tsi-Rong(2)-Zi-0920030551 2003/6/23	Tai-Tsi-Rong(2)-Zi-0920030551 2003/6/23
Issue Date	2004.2.27	2004.2.27
Face Value	100	100
Issue Country	Taipei	Taipei
Currency	TWD	TWD
Issue Price	100	100
Amount	2billions	1billions
Coupon Rate	A,B,C,D tranche: IF 6M Libor < 1.05% ^o Acoupon rate 6M Libor, IF 1.05%<6MLibor<2.00% ^o Acoupon rate 3.60%, IF 2.0%<6M Libor ^o Acoupon rate (4.52% - 6M Libor), E,F,G tranche: IF 6M Libor < 1.05% ^o Acoupon rate 6M Libor, IF 1.05%<6MLibor<2.00% ^o Acoupon rate 3.50%, IF 2.0%<6M Libor ^o Acoupon rate (4.50% - 6M Libor). coupon rate MIN 0%	A,B,C tranche: IF 6M Libor<2.5% ^o Acoupon rate 3.03%, IF 2.5%<6M Libor ^o Acoupon rate (5.2%-6M Libor) coupon rate MIN 0%
Term	Maturity Date:2009.2.27	Maturity Date:2011.2.27
Ranking	First Secured	First Secured
Guarantee	Na	Na
Trustee	Na	Na
Underwriting Institutions	Na	Na
Assurance Lawyer	Na	Na
Assurance Accountant	Na	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date	Principal Due on Maturity Date
Outstanding Amount	2billions	1billions
Market Capitalization Last Year	18.175 billions	18.175 billions
Final Accounting of Net Value Last Year	17.913 billions	17.913 billions
Redemption	Normal	Normal
Callable or Prepayment Terms	Na	Na
Conversion and Exchange Terms	Na	Na
Negative Pledge	Na	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	94.90%	100.49%
Category of Capitalization	Na	Na
Credit-rating Institutions,Rating Date and Rating	Taiwan Rating Corp. twA+	Taiwan Rating Corp. twA+

Denomination	2003-Zi-1-6 Bank Debenture	2004-Zi-1-1 Bank Debenture
Regulations	Tai-Tsi-Rong(2)-Zi-0920030551 2003/6/23	Tai-Tsi-Rong(2)-Zi-0930008673 2004/5/10
Issue Date	2004.3.18	2004.5.10
Face Value	100	100
Issue Country	Taipei	Taipei
Currency	TWD	TWD
Issue Price	100	100
Amount	2billions	2.3billions
Coupon Rate	A、B：IF 6M Libor < 1.05%，Coupon Rate 6M Libor；IF 1.05% ≤ 6M Libor ≤ 2.00%，Coupon Rate 3.50%；IF 2.00% < 6M Libor，Coupon Rate (4.50%-6M Libor) C、D、E：IF 6M Libor < 1.05%，Coupon Rate 6M Libor；IF 1.05% ≤ 6M Libor ≤ 2.00%，Coupon Rate 3.40%；IF 2.00% < 6M Libor，Coupon Rate (4.40%-6M Libor) F、G：IF (NTD IRS5Y - NTD IRS2Y) ≤ 1.20%，Coupon Rate 2.5* (NTD IRS5Y - NTD IRS2Y) + 0.50%；IF 1.20% < (NTD IRS5Y - NTD IRS2Y)，Coupon Rate 2.00%。 H：year1-2：IF (NTD IRS5Y - NTD IRS2Y) ≤ 1.20%，Coupon Rate 2* (NTD IRS5Y - NTD IRS2Y) + 1.75%；IF 1.20% < (NTD IRS5Y - NTD IRS2Y)，Coupon Rate 2.65%。 Year3-5，IF (NTD IRS5Y - NTD IRS2Y) ≤ 1.20%，Coupon Rate 3* (NTD IRS5Y - NTD IRS2Y) + 1.10%；IF 1.20% < (NTD IRS5Y - NTD IRS2Y)，Coupon Rate 2.10%。 Coupon Rate MIN 0%	A：(6M Libor+0.5001%)*n/N B：(6M Libor+0.5002%)*n/N C：(6M Libor+0.5003%)*n/N D：(6M Libor+0.5004%)*n/N Year1: 1.00% ≤ 6M Libor ≤ 2.00%; Year2: 1.00% ≤ 6M Libor ≤ 2.25%; Year3: 1.05% ≤ 6M Libor ≤ 3.00%; Year4: 1.05% ≤ 6M Libor ≤ 3.50%; Year5: 1.10% ≤ 6M Libor ≤ 4.00%; Year6: 1.10% ≤ 6M Libor ≤ 4.25%; Year7: 1.10% ≤ 6M Libor ≤ 4.50%; Above n mean the days count which the 6M Libor fit with the range E：1.15*(USD CMS 10Y- USD CMS 2Y); Coupon Rate MIN 0%
Term	Maturity Date:2009.3.18	Maturity Date:2011.5.10
Ranking	First Secured	First Secured
Guarantee	Na	Na
Trustee	Na	Na
Underwriting Institutions	Na	Na
Assurance Lawyer	Na	Na
Assurance Accountant	Na	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date	Principal Due on Maturity Date
Outstanding Amount	2billions	2.3billions
Market Capitalization Last Year	18.175 billions	18.175 billions
Final Accounting of Net Value Last Year	17.913 billions	18.989 billions
Redemption	Normal	Normal
Callable or Prepayment Terms	Na	Na
Conversion and Exchange Terms	Na	Na
Negative Pledge	Na	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	111.65%	119.52%
Category of Capitalization	Na	Na
Credit-rating Institutions,Rating Date and Rating	Taiwan Rating Corp. twA+	Taiwan Rating Corp. twA+

Denomination	2004-Zi-1-2 Bank Debenture	2004-Zi-1-3 Bank Debenture
Regulations	Tai-Tsi-Rong(2)-Zi-0930008673 2004/5/10	Tai-Tsi-Rong(2)-Zi-0930008673 2004/5/10
Issue Date	2004.5.19	2004.6.1
Face Value	100	100
Issue Country	Taipei	Taipei
Currency	TWD	TWD
Issue Price	100	100
Amount	0.9billions	1.3billions
Coupon Rate	<p>A : IF 6M Libor \leq 2.50% , Coupon Rate 3.00% ; IF 2.50% < 6M Libor , Coupon Rate (5.30%-6M Libor)</p> <p>B : IF 6M Libor < 1.10% , Coupon Rate 6M Libor ; IF 1.10% \leq 6M Libor \leq 2.50% , Coupon Rate 3.82% ; IF 2.50% < 6M Libor , Coupon Rate (5.00%-6M Libor)</p> <p>C : IF 6M Libor < 1.10% , Coupon Rate 6M Libor ; IF 1.10% \leq 6M Libor \leq 2.00% , Coupon Rate 4.00% ; IF 2.00% < 6M Libor , Coupon Rate (5.10%-6M Libor)</p>	<p>A : IF 6M Libor < 1.10% , Coupon Rate 6M Libor ; IF 1.10% \leq 6M Libor \leq 2.50% , Coupon Rate 3.50% ; IF 2.50% < 6M Libor , Coupon Rate (5.15%-6M Libor)</p> <p>B · C : IF 6M Libor < 1.10% , Coupon Rate 6M Libor ; IF 1.10% \leq 6M Libor \leq 3.50% , Coupon Rate 4.00% ; IF 3.50% < 6M Libor , Coupon Rate (5.50%-6M Libor)</p> <p>D · E : IF 6M Libor < 1.10% , Coupon Rate 6M Libor ; IF 1.10% \leq 6M Libor \leq 3.50% , Coupon Rate 4.00% ; IF 3.50% < 6M Libor , Coupon Rate (6.05%-6M Libor) Coupon Rate MIN 0%</p>
Term	Maturity Date:2011.5.19	Maturity Date:2009.6.1
Ranking	First Secured	First Secured
Guarantee	Na	Na
Trustee	Na	Na
Underwriting Institutions	Na	Na
Assurance Lawyer	Na	Na
Assurance Accountant	Na	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date	Principal Due on Maturity Date
Outstanding Amount	0.9billions	1.3billions
Market Capitalization Last Year	18.175 billions	18.175 billions
Final Accounting of Net Value Last Year	18.989 billions	18.989 billions
Redemption	Normal	Normal
Callable or Prepayment Terms	Na	Na
Conversion and Exchange Terms	Na	Na
Negative Pledge	Na	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	122.18%	129.02%
Category of Capitalization	Na	Na
Credit-rating Institutions, Rating Date and Rating	Taiwan Rating Corp. twA+	Taiwan Rating Corp. twA+

Denomination	2004-Zi-1-4 Bank Debenture	2004-Zi-1-5 Bank Debenture
Regulations	Tai-Tsi-Rong(2)-Zi-0930008673 2004/5/10	Tai-Tsi-Rong(2)-Zi-0930008673 2004/5/10
Issue Date	2004.6.1	2004.9.16
Face Value	100	100
Issue Country	Taipei	Taipei
Currency	TWD	TWD
Issue Price	100	100
Amount	0.5billions	1.3billions
Coupon Rate	IF6M Libor < 0.90%°ACoupon Rate 6M Libor°F IF0.90% < 6M Libor < 3.50%°ACoupon Rate 4.00%°F IF 3.50% < 6M Libor °ACoupon Rate °]5.50%-6M Libor°^ Coupon Rate MIN 0%	2.95%
Term	Maturity Date:2011.6.1	Maturity Date:2010.3.16
Ranking	First Secured	Second Secured
Guarantee	Na	Na
Trustee	Na	Na
Underwriting Institutions	Na	Na
Assurance Lawyer	Na	Na
Assurance Accountant	Na	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date	Principal Due on Maturity Date
Outstanding Amount	0.5billions	1.3billions
Market Capitalization Last Year	18.175 billions	18.175 billions
Final Accounting of Net Value Last Year	18.989 billions	18.989 billions
Redemption	Normal	Normal
Callable or Prepayment Terms	Na	Na
Conversion and Exchange Terms	Na	Na
Negative Pledge	Na	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	131.66%	138.50%
Category of Capitalization	Na	Na
Credit-rating Institutions,Rating Date and Rating	Taiwan Rating Corp. twA+	Taiwan Rating Corp. twA

Denomination	Denomination 2004-Zi-1-6 Bank Debenture
Regulations	Tai-Tsi-Rong(2)-Zi-0930008673 2004/5/10
Issue Date	2004.12.17
Face Value	100
Issue Country	Taipei
Currency	TWD
Issue Price	100
Amount	3.7billions
Coupon Rate	2.80%
Term	Date:2010.6.17
Ranking	Second Secured
Guarantee	Na
Trustee	Na
Underwriting Institutions	Na
Assurance Lawyer	Na
Assurance Accountant	Na
Assurance Financial Institutions	CHUNG HSING BILLS FINANCE CORPORATION
Payment Way	Principal Due on Maturity Date
Outstanding Amount	3.7billions
Market Capitalization Last Year	18.175 billions
Final Accounting of Net Value Last Year	18,989 billions
Redemption	Normal
Callable or Prepayment Terms	Na
Conversion and Exchange Terms	Na
Negative Pledge	Na
Capital Project	For Raising Medium-Term Operating Capital, Decreasing Liquidity Risk, Improving Capital Structure
Authorized Issuing Amount plus Outstanding Amount/Final Accounting of Net Value the Year prior Issue Year	157.99 %
Category of Capitalization	Yes, The Tier IICapital
Credit-rating Institutions,Rating Date and Rating	Taiwan Rating Corp. twA

(7) Share repurchase: None

(8) Issuance of preferred stock: None

(9) Issuance of preferred shares with warrants: None

(10) Issuance of GDR: None

(11) Issuance of employee stock option certificates: None

(12) The names and cumulative number of warrants exercised of top-level company executives holding employee share subscription warrants as well as the ten employees holding employee subscription warrants authorizing purchase of the most shares where the purchase price of such shares is NT\$30 million or greater: None

(13) Cash capital increases or incomplete plans to raise capital: None

(14) Lawsuits:

Besides taking necessary legal action to speed collection of non-performing loans, ESB has no other legal actions outstanding.

(15) Any indictments of punishments due to illegalities or major infractions during the past two years: None.

(16) Acquiring and Handling Real Estate Properties:

In order to integrate information development and education and training, ESB purchased an office building and to build E.SUN Learning and Development Center, which will officially open in June 2004; in addition, to centralize management functions, reduce rent costs, enhance overall management efficiency, boost competitiveness and foster lasting sustainable operations, ESB decided after thorough analysis, survey and comparisons to select a land plot at No.41, Chungshan North Road, Section Two in Taipei City's Chungshan District to build a major office building now under construction that will be turned over to ESB in June 2006.

(17) Information technology facilities :

A. Allocation of major information systems hardware and software

Major application	Hardware	Software
Accounting and deposit/loan/remittance & acceptance business	IBM MainFrame	IBM OS/390 IMS/ESA
Fx business	IBM AS400	IBM OS/400
Trust business	IBM AS400	IBM OS/400
Credit card business	IBM AS400	IBM OS/400
Data warehouse	IBM RS6000	IBM AIX

B. Future plans of development and purchase

To response the change of industry environment, technology innovation, international management standards and the progress of administration concepts (such as applying to credit risk IRB approach, ALM, performance assessment and the customer value analysis improvement) in the future, ESB will pay more attention on system integration and data warehouse deployment to enhance the depth and width of customer services.

C. Emergency Recovery and Security Procedures

The physical environment security regarding entrance guard, fire fighting, electricity, network security, data protection, encryption procedures, system data backup all comply with the "Financial Institute Information System Security Standards", which was set up by The Bankers Association of The Republic of China. In terms of business continuity, we both set up on site system backup and off site information systems backup and recovery procedures. The business recovery procedure is held twice a year to ensure its availability.

(18) Corporate responsibility :

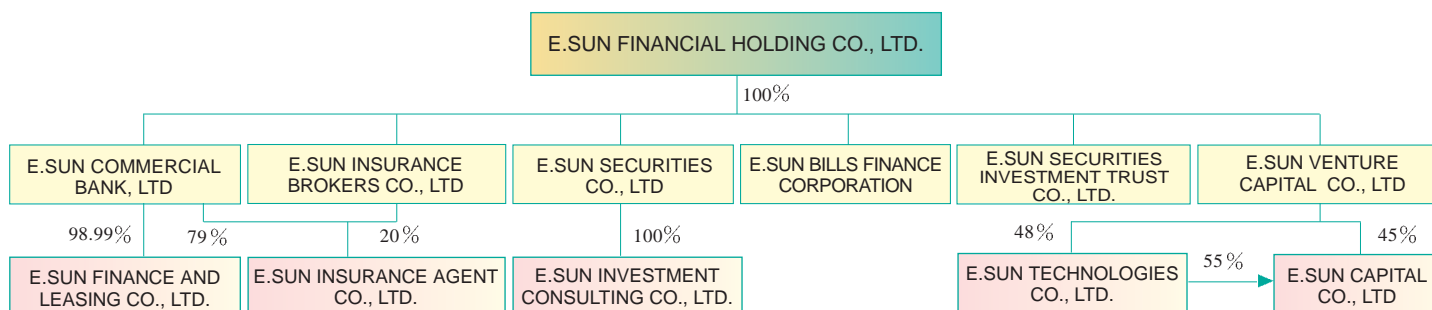
ESB insist to contribute to our society fulfilling the responsibility of corporate. We endeavor to physical education, culture cultivation, industry upgrowth, environment protection, business continuity and shareholder value creation. At the beginning of 2004, we collaborate with baseball team - Brothers to issue a credit card named WIN CARD. We achieve the clean environment for watching baseball game as well as environment protection. During Athens 2004 Olympic period, many activities were held by ESB for Taiwan baseball team such as set posters, flags in branches to enhance the Olympic atmosphere. All tellers put on special uniforms, which was uniquely designed for that activity to support Taiwan baseball team further. We also issued limited version passbook and ATM card to show the "Great Taiwan" spirit wish it could support Taiwan baseball team to win the game. These represent ESB the fully support to baseball activities, and other activities such as Kenting Wind Bells Feast, Taiwan Lantern Festival etc. To demonstrate the love to our society, ESUN volunteers also bring many orphans to see baseball game and donate sports shoes to them. For supporting Taiwan agriculture, ESUN volunteers bought 5,000 boxes of orange when the orange was over planted and donated to our government for helping the victims at many natural disasters such as the Typhoon Mindulle. ESB truly demonstrate the empathy with the society, disseminate the love seeds and activate the enthusiasm of society. ESB implements corporate discipline and comply with regulations; meanwhile, we also create value to shareholders with our business continuity concept.

(19) Special disclosures

A.Related parties

(A) Consolidated business report of the related party

a. Related party organizational chart



b. Data of each related party

2004.12.31 Unit : NT\$1,000

Name of Business	Incorporation date	Address	Capital collected	Business operation or production
E.SUN FINANCIAL HOLDING COMPANY, LTD.	2002.01.28	1F, No.115 & 14F, No.117, Section 3, Mingsheng E. Road, Taipei, Taiwan	29,306,096	Investment and invested business management
E.SUN BILLS FINANCE CORPORATION	1995.10.12	5F, No.115, Section 3, Mingsheng E. Road, Taipei, Taiwan	4,265,000	Brokerage and proprietary trading of short-term security and financial bond
E.SUN SECURITIES CO., LTD	2000.11.20	5F, No.77, Section 1, Wuchang St., Taipei, Taiwan	3,060,000	Underwriting, proprietary trading, and brokerage of marketable securities
E.SUN VENTURE CAPITAL CO., LTD	2002.10.07	4F, No.117, Section 3, Mingsheng E. Road, Taipei, Taiwan	1,000,000	Investment in domestic and international technology business, domestic manufacturing business, and domestic and international venture capital
E.SUN SECURITIES INVESTMENT TRUST CO., LTD.	2001.09.07	8F, No.85, Yanping S. Road, Taipei, Taiwan	300,000	Subscription and application of securities investment and trust fund
E.SUN INSURANCE BROKERS CO., LTD.	2003.07.30	13F, No.5, Yongsuei St., Taipei, Taiwan	62,000	Life insurance broker and property insurance broker
E.SUN FINANCE AND LEASING CO., LTD.	1997.10.09	5F, No.115, Section 3, Mingsheng E. Road, Taipei, Taiwan	198,000	Trade, distribution, and rental of machinery equipment
E.SUN INSURANCE AGENT CO., LTD.	1999.12.15	9F, No.64, Section 1, Wuchang St., Taipei, Taiwan	16,200	Life insurance agent
E.SUN INVESTMENT CONSULTING CO., LTD.	2003.03.11	5F, No.77, Section 1, Wuchang St., Taipei, Taiwan	10,000	Security investment consulting
E.SUN CAPITAL CO., LTD.	2002.02.19	B1 & 1F, No.56, Section 2, Roosevelt Road, Taipei, Taiwan	10,000	Agency of service and human resource
E.SUN TECHNOLOGIES CO., LTD.	2000.05.30	2F, No.77, Section 1, Wuchang St., Taipei, Taiwan	25,000	Provides information software and computer installation

c. The wholly owned subsidiary: None

d. The business scope of E.SUN Bank and its related parties includes: Banking, investment in domestic and international financial business that is authorized by the competent authority and the management of the invested business, short-term security brokerage and trade, marketable securities underwriting, brokerage, and trade, holdings investment, subscription and application of securities investment and trust funds and general investment, life insurance brokerage, property insurance brokerage, lease business, life insurance agent, and security investment consulting. The related parties are independent legal persons from each other with independent business scope defined for execution.

e. Directors, Supervisors, and Managing Director of E.SUN Group:

Unit: 1,000 shares : %

Name of Business	Title	Name and Representing Firm	Shareholding (2005.3.31)	
			Shares	Percentage
E.SUN FINANCIAL HOLDING COMPANY, LTD.(E.SUN FHC)	Chairman	Yung -Jen Huang	7,473	0.255
	Director	Representative of E.SUN Foundation -Yung-Hsung Hou	6,475	0.221
	Director	Representative of Fullead Investment Co.,Ltd. - Tai-Chi Lee	7,592	0.259
	Director	Representative of Hsin Tung Yang Co., Ltd. -Jackson Mai	27,044	0.923
	Director	Representative of Allcan Investment Co., Ltd. - Chiu-Hsiung Huang	45,871	1.565
	Director	Representative of Shang Chun Investment Co., Ltd.- Jiaw-Hwang Shy	6,690	0.228
	Director	Representative of Hsin Ta Cement Co., Ltd.- S.C. Shue	9,328	0.318
	Director	Representative of Shan Meng Investment Co., Ltd.-Bor-I Huang	7,759	1.902
	Director	Chou - Tsai Lin	17,358	0.592
	Director	Cheng-Pin Lee	8,744	0.298
	Director	Representative of Ron-Yuan Investment Co., Ltd.- Ron-Chu Chen	55,742	1.902
	Independent Director	Chen-en Ko	0	0
	Supervisor	Representative of Hsin Kao Shan Investment Co., Ltd.-Chuan-Hsing Huang	8,768	0.299
	Supervisor	Representative of Shi Yang Construction Co., Ltd. -Chu-Tai Yuan	2,720	0.093
	Supervisor	Representative of Ming Chuan Co., Ltd. -Yu-Chen Yang	3,751	0.128
President	Yung - Hsung Hou	1,177	0.040	
E.SUN BILLS FINANCE CORPORATION	Chairman	Representative of E.SUN FHC - Tung - Long Kuo	426,500	100
	Director&President	Representative of E.SUN FHC - C. H. Su		
	Director	Representative of E.SUN FHC - Shang-Chi Gong		
	Director	Representative of E.SUN FHC - Wei-Liang Huang		
	Director	Representative of E.SUN FHC - T.C. Wu		
	Supervisor	Representative of E.SUN FHC - Che-Yu Lee		
	Supervisor	Representative of E.SUN FHC - Magi Chen		
E.SUN SECURITIES CO., LTD	Chairman	Representative of E.SUN FHC - Jiaw-Hwang Shy	306,000	100
	Director&President	Representative of E.SUN FHC - Suka Chen		
	Director	Representative of E.SUN FHC - Mang-Han Shy		
	Director	Representative of E.SUN FHC - Peter John Huang		
	Director	Representative of E.SUN FHC - J. C. Wang		
	Supervisor	Representative of E.SUN FHC - Ching-Long Wang		
E.SUN SECURITIES INVESTMENT TRUST CO., LTD.	Chairman	Representative of E.SUN FHC - Jiaw-Hwang Shy	30,000	100
	Director&President	Representative of E.SUN FHC - Richard Yeh		
	Director	Representative of E.SUN FHC - Magi Chen		
	Director	Representative of E.SUN FHC - Ryh-Hsiung Tzeng		
	Supervisor	Representative of E.SUN FHC - Kuan -Her Wu		
E.SUN VENTURE CAPITAL CO., LTD	Chairman	Representative of E.SUN FHC - Yung- Hsung Hou	100,000	100
	Director&President	Representative of E.SUN FHC - Joseph Huang		
	Director	Representative of E.SUN FHC - Suka Chen		
	Director	Representative of E.SUN FHC - Liang_Yuan Shy		
	Director	Representative of E.SUN FHC - Tien Ying Huang		
	Supervisor	Representative of E.SUN FHC - Kuan Her Wu		
E.SUN INSURANCE BROKERS CO., LTD.	Chairman	Representative of E.SUN FHC - C. S. Huang	6,200	100
	Director&President	Representative of E.SUN FHC - David Chen		
	Director	Representative of E.SUN FHC - Ben Chen		
	Director	Representative of E.SUN FHC - Yu-Lun Tsai		
	Supervisor	Representative of E.SUN FHC - Allen Chang		
E.SUN FINANCE AND LEASING CO., LTD.	Chairman	Representative of E.SUN Commercial Bank -Tung-Long Kuo	19,600	100
	Director	Representative of E.SUN Commercial Bank -J. K. Huang		
	Director	Representative of E.SUN Commercial Bank -Mao-Chin Chen		
	Supervisor	Representative of E.SUN Commercial Bank -Kuan -Her Wu		
E.SUN INSURANCE AGENT CO., LTD.	Chairman	Representative of E.SUN Commercial Bank -Woody Lin	1,279	79
	Director	Representative of E.SUN Commercial Bank -Chi-Chuan Wang		
	Supervisor	Representative of E.SUN Commercial Bank -Allen Chang	324	20
	Director	Representative of E.SUN Insurance Brokers Co., Ltd. - Yu-Lun Tsai		
E.SUN INVESTMENT CONSULTING CO., LTD.	Director&President	Representative of E.SUN Securities Co., Ltd. - Chi-Chang Huang	1,000	100
	Director	Representative of E.SUN Securities Co.,Ltd.-Chien-Hung Chen		
	Director	Representative of E.SUN Securities Co., Ltd. - Jheng-Cong Wang		
	Supervisor	Representative of E.SUN Securities Co., Ltd. - Chuan-Jen Chen		

Name of Business	Title	Name and Representing Firm	Shareholding (2005.3.31)	
			Shares	Percentage
E.SUN TECHNOLOGIES CO., LTD.	Chairman	Representative of San Ta Investment Co., Ltd.- San-Lang Jhang	795	32
	Director	Representative of Shao San International Investment Co.,Ltd.-Meng-Sin Guan	500	20
	Director	Representative of Shao SanInternational Investment Co., Ltd.-Wei-Liang Wang		
	Supervisor	Representative of Shao SanInternational Investment Co., Ltd.-Anthony Lin		
E.SUN CAPITAL CO., LTD.	Chairman	Representative of E.SUN Technologies Co., Ltd. -Ming-Hong Li	550	55
	Director	Representative of E.SUN Technologies Co., Ltd. -Ci-Gan Jhong		
	Director	Representative of E.SUN Technologies Co., Ltd. -De-Ming Jhong		
	Director	Representative of E.SUN Technologies Co., Ltd. -Yuan-Ren Jiang		
	Director	Representative of E.SUN Technologies Co., Ltd. -Huai-Kuan Wu		
	Supervisor	Representative of E.SUN Technologies Co., Ltd. -Lin-Cin Ciou		
	Supervisor	Representative of E.SUN Technologies Co., Ltd. - Che-Yu Lee		

Note: There are no President positions in E.SUN Finance and Leasing Co., Ltd., E.SUN Insurance Agent Co., Ltd., E.SUN Technologies Co., Ltd and E.SUN Capital Co., Ltd.

f. Business operation of the related party

2004.12.31 Unit: NT\$1,000

Name of Business	Capital	Total Asset	Total Liabilities	Net Worth	Operating revenues	Operating income	Net income	Basic EarningPer Share (After Income Tax : NTS)
E.SUN FINANCIAL HOLDING COMPANY, LTD.	29,306,096	44,449,845	2,090,607	42,359,238	4,836,862	4,732,882	4,836,437	1.94
E.SUN BILLS FINANCE CORPORATION	4,265,000	58,750,073	52,778,541	5,971,532	1,409,368	763,447	611,393	1.43
E.SUN SECURITIES CO., LTD	3,060,000	5,901,377	2,716,043	3,185,334	562,326	(59,480)	55,971	0.18
E.SUN VENTURE CAPITAL CO., LTD	300,000	472,611	55,049	417,562	192,500	128,960	104,032	3.47
E.SUN SECURITIES INVESTMENT TRUST CO., LTD	1,000,000	1,024,250	3,173	1,021,077	17,985	13,997	12,994	0.13
E.SUN INSURANCE BROKERS CO., LTD.	62,000	165,682	22,460	143,222	122,256	99,475	74,619	12.04
E.SUN FINANCE AND LEASING CO., LTD.	198,000	1,331,743	1,175,928	155,815	91,419	27,209	22,475	1.14
E.SUN INSURANCE AGENT CO., LTD.	16,200	22,851	13	22,838	647	565	455	0.28
E.SUN INVESTMENT CONSULTING CO., LTD.	10,000	13,774	2,189	11,585	13,000	1,984	1,549	1.54
E.SUN CAPITAL CO., LTD.	25,000	21,401	3,016	18,385	26,699	(1,064)	(1,625)	(0.65)
E.SUN TECHNOLOGIES CO., LTD.	10,000	10,020	2,700	7,320	19,014	(1,281)	(1,472)	(1.47)

(B) Consolidated financial statements of the related parties

The total assets and operating revenue of each invested company does not exceed 10% of the total amount of E.SUN Bank; therefore, it is not included in the consolidated financial statements.

(C) Relation report

a.

Parent company	Wholly-owned reason	Shareholdings & mortgage of the Parent company			Directors, Supervisors, and/or Management assigned by the Parent company
		Shares	Shareholdings (%)	Mortgaged ashares	
E.SUN Financial Holding Company, Ltd.	Own 100% shares of the Company	2,017,500,000	100%	454,000,000	(職稱及姓名如下列)

* Chairman - Yung-Jen Huang Managing Director - Yung-Hsung Hou Tai-Chi Lee Jackson Mai Earle Ho
 Director - Chiu-Hsiung Huang Wu-Lin Duh Chun-Hsiung Huang Wei-Hsiung Yu Suka Chen Chou-Tsai Lin Cheng-Pin Lee Tung-Long Kuo
 S. C. Shue Yuh-Ming Ho Resident Supervisor - Chu-Tai Yuan Supervisor - Chuan-Hsing Huang Yu-Chen Yang

b.Purchasing (sales) transaction: N/A

c. Assets traded: None

d. Assets financing: None

e.Assets leased: The rental condition between E.SUN Bank and E.SUN Finance and Leasing Co., Ltd. is as table below

UNIT: NT\$1,000

Type (rent out or rent)	Target		Rental period	Charact eristics	Pricing foundati on	Payment	Comparing to general rental level	Total rental this period	Rental received this period	Others
	Name	Location								
Rent out	E.SUN Financial Building	5F.No.115, Sec. 3, Mingsheng Rd., Taipei	93.7.1~98.5.31	For business operation	Local market condition	3 months as a period and pay by a note at sight in the beginning of the period	General Level	760	760	—

f. Other important transaction: None

g. Endorsement: None

Certified Public Accountant's Review Report

April 11, 2005

To: E.SUN Commercial Bank, Ltd.

Subject: No material discrepancy with the bank's 2004 Affiliation Reports

Description:

- a. The affiliation reports was made by E.SUN Commercial Bank, Ltd.(" the Bank") on January 28, 2005 for the year ended December 31,2004. The Bank made the representation that the affiliation reports disclosed the information in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises and had no material discrepancy with the footnotes in the financial report. The representation is as enclosure.
- b. We compared the affiliation reports and footnotes in the financial report in 2004 according to the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. We are not aware of any material discrepancy in the Bank's representation as noted above.

Deloitte & Touche

(E) Declaration of Relation report

Declaration of Relation report

Declaration

On behalf on E.SUN Commercial Bank Ltd., we hereby certify that the affiliation report is in conformity with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” . There is no material discrepancy with the information disclosed in the notes of the financial report during fiscal year ,2004.

E.SUN Commercial Bank Ltd.

Chairman: *Yung-Jen Huang*

Taipei, Taiwan, R.O.C.
January 28, 2005

B. Dividend policy and execution

The dividend policy of E.SUN Bank is for cash dividend mainly. If the legal reserve is not equivalent to the total stock capital, the distribution of cash retained earnings may not exceed 15% of the total stock capital

C. Portfolio of Shareholders

2005.3.31

Quantity	Government	Financial institution	Other institution	Individual	QFII	Total
Number of Shareholder		1				1
Number of Shares		2,017,500,000 shares				2,017,500,000 shares
Percentage of Shareholding		100%				100%

D. Distribution of shareholding

2005.3.31 Par value per share NT\$10

Category of shares	Number of shareholders	Number of shares	Percentage of shareholding (%)
1 - 999			
1,000 - 5,000			
5,001 - 10,000			
10,001 - 15,000			
15,001 - 20,000			
20,001 - 30,000			
30,001 - 50,000			
50,001 - 100,000			
100,001 - 200,000			
200,001 - 400,000			
400,001 - 600,000			
600,001 - 800,000			
800,001 - 1,000,000			
over 1,000,001	1	2,017,500,000shares	100%
Total	1	2,017,500,000shares	100%

E. The impact of stock dividend on business performance and Earnings per Share this year and the last two years.

UNIT : NT\$1,000

Item	Year	2005Forecast	2004	2003	
Capital collected - beginning of the period (NT\$1,000)		20,175,000	18,175,000	18,175,000	
Stock dividend and cash dividend of the year	Cash dividend per share (NT\$)	1.34	1.20	0	
	Capitalized retained earnings - stock dividend (share)	1.06	0	0	
	Capitalized additional paid-in capital - stock dividend (share)	0	0	0	
Change of Business performance	Operating revenue (loss) (NT\$1,000)		9,543,266	4,208,604	
	Operating revenue (loss) increase (decrease) from last year (%)		126.76%	N.A.	
	Net Income (Loss) (NT\$1,000)		7,283,936	3,396,261	
	Net Income (Loss) increase (decrease) from last year (%)		114.47%	N.A.	
	Earnings (Loss) per share (NT\$)		3.99	1.87	
	Earnings (Loss) per share increase (decrease) from last year (%)		113.37%	N.A.	
Projected Earnings per Share and Price/Earnings ratio	Retained earnings are capitalized with cash dividend distributed	Projected Earnings per Share	N.A.	N.A.	
		Projected annualized return on Investment	N.A.	N.A.	
	Additional paid-in capital is not capitalized	Projected Earnings per Share	N.A.	N.A.	
		Projected annualized return on Investment	N.A.	N.A.	
	Additional paid-in capital is not capitalized and Capitalized retained earnings - cash dividend distributed	Projected Earnings per Share	N.A.	N.A.	
		Projected annualized return on Investment	N.A.	N.A.	
			Unpublished	N.A.	N.A.

(A) E.SUN Bank should explain the hypothesis made for each forecast or projected data

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

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

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

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

(D) Stock dividend and cash dividend year is the distribution year

E.SUN Bank financial statements:

(A) The 2004 and 2003 financial statements audited by CPA.

(B) The tax rate that is used to calculate the projected data is 25%. The annual loan interest rate of 2004 and 2003 is based on the average loan interest rate 3.96% and 4.98% of E.SUN Bank, respectively.

F. Market price, net worth, earning and dividend per share

UNIT: 1,000shares/ NT\$

ITEM	YEAR		As of 2005.3.31	2004	2003
	Market price per share	The highest		-	-
The lowest		-	-	-	
Average		-	-	-	
Net worth per share	Before distribution		16.76	16.18	11.99
	After distribution		-	-	10.68
Earning per share	Weighted average number of shares		2,017,500	1,825,697	1,817,500
	Earning per share		0.58	3.99	1.87
Dividend per share	Cash Dividend		-	1.20	-
	Stock dividend	Capitalized retained earnings	-	-	-
		Capitalized additional paid-in capital	-	-	-
	Accumulative unpaid dividend		-	-	-
Analysis of return of investment	Price/Earning ratio		-	-	-
	Price/ cash dividend ratio		-	-	-
	Yield of cash dividend		-	-	-

G. Source of Capital

2004.12.31 Unit: NT\$1,000/1,000shares

Year/Month	Issue Price	Authorized Capital		Issued Capital		Note	
		Shares	Amount	Shares	Amount	Source of Capital	Other
2004.1.1		1,817,500	18,175,000	1,817,500	18,175,000		
2004.12.31 (Authorization No.09301248820)	NT\$30	200,000	2,000,000	200,000	2,000,000	Cash Capital increase	private placement

2004.12.31 Unit: shares

Type of shares	Authorized Capital			Note
	Outstanding shares	Shares unissued	Total	
Common shares	2,017,500,000	0	2,017,500,000	

H. Resolutions reached in the Shareholder's Meeting and Extraordinary Meeting in the last two years:

(A) Resolutions reached in the Shareholder's Meeting (executed by the Board of Directors instead) In 2004:

- a. The presented and accepted 2003 "Business Status" and "Business Report and Financial Statements"
- b. The approved "2003 Retained Earnings Distribution", "Amendment of the Articles of Incorporation" and "Amendment of Derivative Products Trade Procedure".

(B) Resolutions reached in the Board of Directors in 2004

Ratification of the "Relocating offices of Corporate Banking Division, "Relocating operating site of International Banking Department and OBU", "Guidelines of transferring cross-holding shares to employees", "Acquisition of assets, liabilities and businesses of Kaohsiung Business Bank", "Amendment of guidelines of commission of operation", and "cash capital increased".

I. Information of financial institution acquired:

Unit: NT\$1,000

Name of Financial Institution		Kaohsiung Business Bank
Address of Financial Institution		No.87, Zhongheng 4th Rd., Kaohsiung City
Responsible Persons		Central Deposit Insurance Co., Ltd.
Issued Capital		500,000
Major Business Item		Banking business
Major Product		Loan and deposit
Financial data	Total Assets	28,364,120
	Total Liabilities	45,670,291
	Total stockholder equities	(17,306,171)
	Gross Profit	842,487
	Operating Income	285,597
	Income before income tax	(280,629)
	Net Income	(268,204)
	Earning per share	(5.36)

J. Subsidiaries hold or settle the shares of the Bank during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report: None

K. Securitization business of the Bank: None

L. Private placement of securities

(A) Information of private placement of securities

Item	Date	2004. 12. 17
Type	Common shares	
Date and amount approved by shareholders' meeting and board of directors	The 4th meeting of the 5th term of BOD approved cash capital increase of NT\$6bn (issuing 200mm new shares) on October 21, 2004.	
Pricing basis and rationality	Based on value report made by Tai Jing Cing Long united accounting firm	
Way of choosing specified persons	All subscribed by Parent company, E.SUN Financial Holding Company, Ltd.	
Reason	The Bank is a subsidiary 100% owned by E.SUN Financial Holding Company. In order to shorten the procedure of issuing new shares, the Bank chose E.SUN Financial Holding Company as specific person to subscribe all new shares.	

(B) During the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report with respect to private placement of securities:

Type of private placement of securities: Common shares

Payment date: 2004.12.21

Date of Report to FSC of Executive Yuan: 2004.11.10

Subject	Qualification	Shares of subscription	Price of subscription	Relationship with the Bank
E.SUN Financial Holding Company, Ltd.	Based on "Criteria Governing the Offering and Issuance of Securities by Securities Issuers"	200,000,000 shares	NT\$30 per share	Parent Company

M. Corporate governance

Please refer to website: <http://www.esunbank.com.tw/about/index.asp>

N. Risk management

(A) E.SUN's risk management framework and policy

E.SUN's follows the business operating guideline of "safety and liquidity first, profitability and growth second, while pay attention to public welfare", which means risk control is priority to business growth. Thus, risk management department is directly organized to business operation risk control and is embedded in Treasury Division, Corporate Banking Division, Consumer Banking Division, Credit Card Division and Wealth Management Division respectively. These risk management departments are responsible for business operation design validation and evaluate proper checkpoints in each operation flow, moreover, conduct a independent risk assessment, supervision and control with periodic or unscheduled report to ITSC of E.SUN FHC.

(B) General qualitative disclosure

Business risks come from 3 aspects and E.SUN's countermeasures are as follows:

a. Credit risk: the counterpart's possibility of default.

Not only strictly complying with the authority's regulations which focus on the level of credit risk aggregation and the transactions with stakeholders, but also improving the customer value and risk analysis ability and the internal control mechanism for aligning with the New Basel Accord. Meanwhile, enhancing the precision of risk recognition lead to the worldwide connection.

E.SUN Bank's Credit risk weighted assets

(a) On-balance sheet item

2004.12.31 Unit: NT\$1,000

Item	Applicable Risk Weights	Risk Weighted Asset
Claims on sovereigns	0%	0
Claim non-central government public sector entities	10%	0
Claims on banks in OECD	20%	5,464,633
Claims secured by residential property	50%	68,312,307
Other assets	100%	180,749,729
Total	-	254,526,669

(b) Off-balance sheet item

2004.12.31 Unit: NT\$1,000

Item	Risk weighted Asset
Ordinary off sheet trade	19,760,700
Financial derivative instruments	1,601,106
Repurchase agreement (RP)	374,078
Resell agreement (RS)	70
Total	21,735,954

(c) Till a quarter preceding the date of printing this annual report, E.SUN Bank, as the role of an originator, trusted or provided its assets for security issuance, the security types and tranches, the total amount of each issuance, the outstanding amount of each issuance, and the buy-back amount in any securitization issuance: None.

b. Market risk: the possibility of assets loss caused by price volatility

To avoid the price volatility of equity, commodity, interest rates and exchange rates and its linkage, which imply the possibility of tremendous risk, E.SUN employ Asset Liability Management (ALM) system and financial risk management system to allocate assets properly and control total underlying exposure timely resulted in more secure level of portfolios under certain confidence interval.

Furthermore, if there is any imbalance in long-term and short-term allocations between assets and liability, a higher liquidity risk such as unable performing load and loss may occur. Therefore, E.SUN pay attention on the liquidity of all assets such as controlling the cash flow, setting most proper cash facility and effective deploying funds to avoid the risk concentration in the fund sources and destinations.

(a) Capital Charge for Market Risk and Risk Weighted Assets

2004.12.31 Unit: NT\$1,000

Type of Risk	Capital Charge	Risk Weighted Assets (Note)
Interest Rate Risk	1,640,346	20,504,325
Equity Risk	133,048	1,663,100
Currency Risk	98,732	1,234,150
Commodity Risk	0	0
Option (Simple Approach)	902,855	11,285,688
Total	2,774,981	34,687,263

Note: 12.5 x Capital Charge

(b)Liquidity Risk

i. Liquidity analysis of assets and liabilities- NTD

2004.12.31 Unit: NT Million

Type of Risk	Total	Period Remaining until Due Date				
		0-30days	31-90days	91-180days	181days - 1year	Over 1 year
Asset	387,170	65,843	19,126	14,359	28,207	259,635
Liabilities	360,827	41,143	45,411	164,330	66,894	43,049
Gap	26,343	24,700	(26,285)	(149,971)	(38,687)	216,586
Accumulated Gap	26,343	24,700	(1,585)	(151,556)	(190,243)	26,343

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

ii.Liquidity analysis of assets and liabilities-Foreign currency

2004.12.31 Unit: USD 1,000

Type of Risk	Total	Period Remaining until Due Date				
		0-30days	31-90days	91-180days	181days - 1year	Over 1 year
Asset	1,356,700	350,300	658,480	218,270	50,450	79,200
Liabilities	1,321,700	682,240	280,020	46,600	73,330	239,510
Gap	35,000	(331,940)	378,460	171,670	(22,880)	(160,310)
Accumulated Gap	35,000	(331,940)	46,520	218,190	195,310	35,000

Note: Listed amount of the head office and domestic branches are in foreign dollars (all convert into US dollars).

c.Operational risk: Possibility of losses stemming from the insufficiency or deficiency of internal processes, people and systems or external events.

ESB commences the preparation of credit risk IRB approach and market risk internal model-based approach that intent to fulfil the true meaning of improving the management ability of credit risk and market risk in conformity with the New Basel Accord framework for capital charge. It is important to cultivate risk culture and to comply with relevant requirements as well as effectiveness audit system in terms of operational risk management. Thus, the fundamental prevention for internal operational risk is to establish sound operational procedures and awareness of risks for all, to develop corporate culture of discipline, and robust risk precautions with proper the assistance of internal control and audit systems. Regarding to external events, E.SUN keeps sensitivity towards outside environments such as market, customer behaviors and the changes of IT and regulations for advanced reaction.

(C) Precautions against the change of domestic or foreign important policies and laws

a.Statement Financial Accounting Standard (SFAS) No.35

SFAS No.35 is to assess the loss of asset value to ensure the book value is not over estimated. The result of ESB's estimation is as following:

Goodwill:The goodwill is with 46.62 million dollars at the end of 2004. Discounted Cash Flow method was adopted by PRICEWATER HOUSE COOPERS to evaluate the goodwill, which is worth 55.72 million dollars means that the goodwill does not decrease.

Assets:To choose the higher one between the estimated net fair value or operational usage value of fixed assets and other assets regarding the reclaimable amount and book value represents no decrease.

b.Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans

The regulations divide credit asset into 5 categories from the original 4 categories, and set up the standards for categorization as well as the provisioning policy for different types of assets. ESB revised "The Procedures for ESB to Evaluate Assets and Deal with Past-Due/Non-Performing Loans" to comply with the regulations.

(D) Precantions against IT and industrial changes

ESB realized that the IT and industrial changes affect not only social resources distribution, fund management, financial management tools in terms of technical aspect but also performance management, risk management and strategic management in terms of fundamental changes of concepts. ESB have paid fairly amount of attention to the changes of IT and industry consistently and tried to learn from the experiences of world-class consultants to keep connected to the world in management ability.

(E) Precantions against the change of corporate image

ESB perceived that the great quality of service represents the corporate image results in E.SUN paying a lot of attention on service quality consistently. In 2004, ESB acquired KBB under the RTC mechanism and accomplish the integration of information technology

systems, human resources and businesses at the settlement date. The integration speed is in the league of the world record. E.SUN not only gained the branch expansion as well as more customer base through the acquisition, but also showcased its execution ability and outstanding achievement which has been praised by the general public and investors.

(F) Risks and benefits of branch expansion

The branches and scale of business of ESB increase rapidly through the acquisition of KBB. The main risks of integration include many uncertainties such as asset quality, information system integration, business operation system and human resource etc. These uncertainties have been taken extremely good care by ESB over time, and ESB is growing steadily. From September 2004 to December 2004, 23 branches originally from KBB had been closed and ready to be removed to more lucrative area, 11 branches were newly opened, and in total 84 branches were in operation by the end of 2004. The branch number will be reaching 114 by the end of 2006. Till the end of March 2005, there were some original KBB branches achieved the status of breakeven, and some were even able to contribute profits. For instance, the original 17 KBB branches had an average of NT\$ 15.534 million in loss by the end of September 2004, but they now had an average of NT\$ 2.163 million in profit.

(G) Risks of business concentration

a. Business concentration

ESB develops its businesses in balance with no particular emphasis on any business line, such as consumer finance, corporate finance, and high risk unsecured loan or finance operation. We will keep our sensitivity towards financial industry condition as well as the macro economic condition, industry directions and price volatility for flexible adjustment business development.

b. Counter-party concentration

ESB has set the cap of risk capability with robust control in both investment and loan portfolio towards our counter-parties to avoid the risk of concentration in the selected industries or counterparts.

(H) Reaction plans to emergency or crisis

ESB have enacted "Guidelines for Emergency or Contingency" to instruct tellers how to deal with panic withdrawal, fraud, robbery, threats, theft, violence, destruction, fire, air raid, natural disasters or other emergencies and how to report to the "Security & Recovery Committee"(for the information system plan please see the "Emergency Recovery and Security Procedures "). Maneuvers are performed periodically to maintain the capacity and to ensure the continuous responsible operation of ESB for our society.

4. Statement on Internal Controls

E.SUN COMMERCIAL BANK, LTD. STATEMENT ON INTERNAL CONTROL

February 14, 2005

Based on the results of our own evaluation of the internal control system from January 1, 2004 through December 31, 2004, E.SUN Commercial Bank, Ltd. (ESB) issues the following statement:

(1) ESB clearly realizes that the establishment, implementation and maintenance of an internal control system is the responsibility of our bank's board of directors and management corps and has already established this system. Its purpose is to provide reasonable assurance that the objectives of effective and efficient business operations (such as earnings, profitability and preserving asset quality), reliable financial reporting and compliance with related laws and regulations are being accomplished.

(2) Internal control systems have inherent limitations, no matter how well they are designed. Effective internal control systems can only provide reasonable assurances of the achievement of the above-mentioned three objectives; moreover, the effectiveness of internal control systems may vary because of changes in operating environment and circumstances. As our bank's internal control system contains a mechanism for self-inspection and evaluation, implementations of improvement and correction are at hand once we identify any misconduct.

(3) Based on criteria for evaluation of internal control systems required by the "Criteria for Establishment of Internal Control Systems by Public Companies" and "Criteria for Establishment of Internal Control Systems by Securities and Futures Service Enterprises" ("Implementation Measures") promulgated by the Securities and Futures Exchange Commission of the Ministry of Finance, our bank has carried out an evaluation to ascertain whether the design and implementation of our internal control system is effective. The criteria adopted for evaluation of internal control systems by the Implementation Measures" include five factors, namely: (1) control environment; (2) risk evaluation; (3) control operations; (4) information and communication; and (5) supervision. Each of these component factors also includes several items. For more detailed information, please refer to the "Implementation Measures".

(4) Our bank has already used the evaluation factors mentioned above to carry out an evaluation of the effectiveness of the design and implementation of our internal control system.

(5) Based on the results of this evaluation, we believe that the internal control system (including supervision on subsidiary enterprises) utilized during the period in question is effective and can ensure the accomplishment of the objectives of effective and efficient business operations (such as earnings, profitability and preserving asset quality), reliable financial reporting and compliance with related laws and regulations.

(6) This statement will become a major part of our annual report and open statement and will in addition be released to the public. The existence of discrepancies or omissions in the content of this open statement would constitute violations of Articles 20, 32, 171 and 174 of the Securities and Futures Exchange Act and entail relevant legal responsibility.

(7) This statement was approved by board of directors of E.SUN Commercial Bank Ltd. on February 14, 2003 and the attending members of the board of directors unanimously agreed to the content of this declaration.

E.SUN Commercial Bank, Ltd.

Chairman of the Board:



President:



STATEMENT ON IMPLEMENTATION OF INTERNAL CONTROL SYSTEM

E.SUN COMMERCIAL BANK, LTD.
STATEMENT ON IMPLEMENTATION OF INTERNAL CONTROL SYSTEM

December 31, 2004

On behalf of E.SUN Commercial Bank, Ltd., we hereby certify that the company indeed complies with the "Enforcement Regulations for Bank Internal Audit Control System" and the company's internal control system and risk management mechanism for the fiscal year of 2004 have been implemented and audited by the independent internal auditors, and the internal audit reports are periodically presented to the company's board of directors and supervisors. Under due assessment, the internal controls and law and regulations compliance of each department during 2004 are effectively in place.

Sincerely yours,

Financial Supervisory Commission, Executive Yuan

Signature of declarant:

President



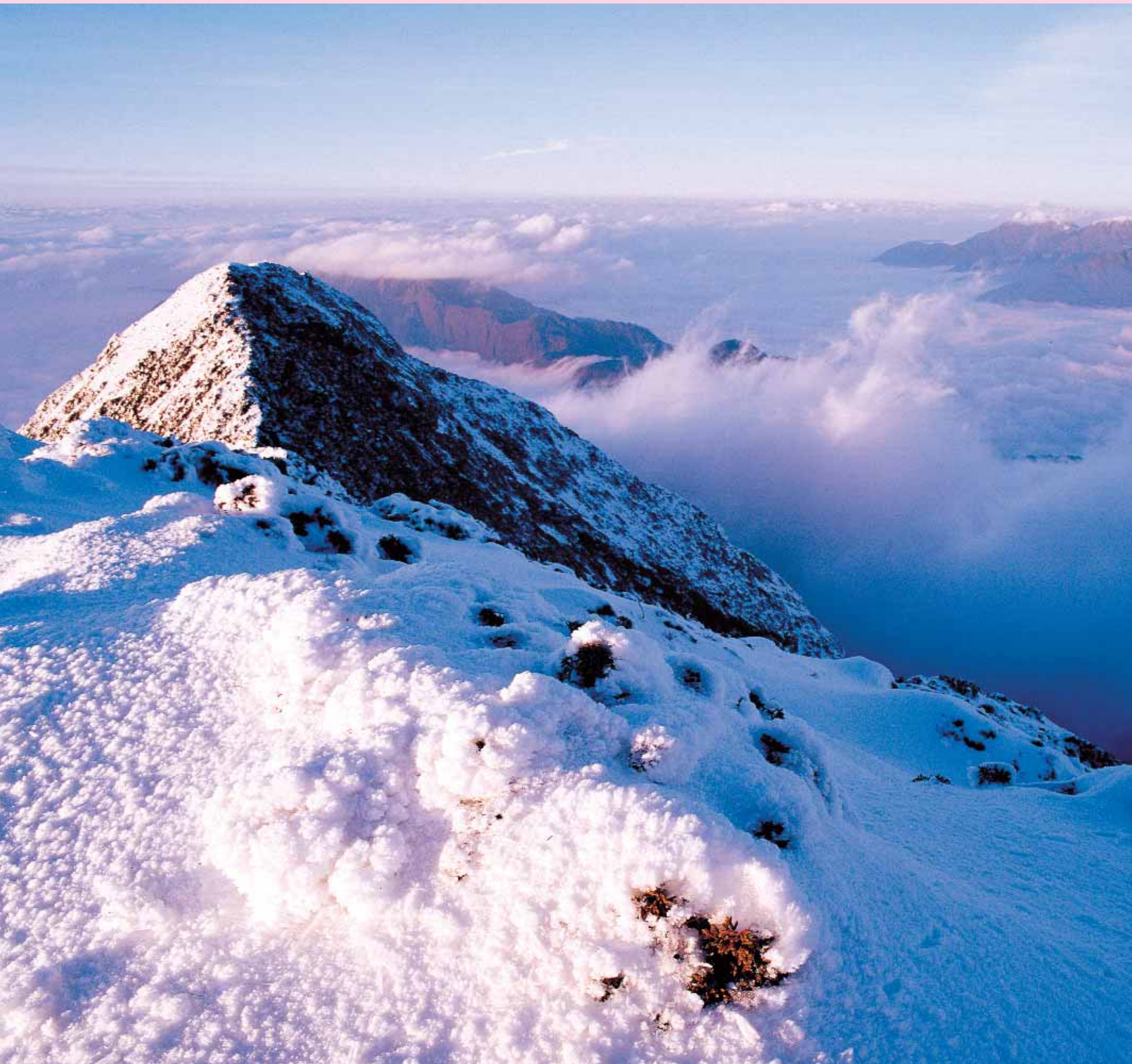
General Auditor



Compliance Officer



III. Business Planning



Growth is for the purpose of realizing even more dreams.

1. Operational strategy



Vigorous E.SUN is resplendent with hope.

In its first 13 years, ESB has pursued comprehensive and balanced development based on the management principles of "putting top priority on the security and liquidity of capital assets, placing profitability and growth second while paying close attention to public welfare" with stable and upright operation and progressing in stages from stable to good, from good to big. ESB is now on the road of new era and achieve the goal from good to great.

(1) Making each step firm and successful

ESB is committed to realizing E.SUN's management concepts of "Expertise, Service and Business" and fostering the melding of an E. Sum corporate culture of excellence. A first-class system can foster a first-class organization; a first-class organization can attract first-class talent. With the addition the two accelerators of R&D and innovation and the use of information technology, strengthening discipline, risk and process management, ESB will make each step sound and successful on the road to creating a lasting and sustainable business niche.

(2) Rapid and precise advancement

The formula for success does not only include corporate culture, high quality human resources and a fully integrated and highly efficient team, but also requires the superior brand name and the addition of strong foundation in information technology and our edge of innovation capability. The combination of these factors is what allows ESB to face the competition and the challenges of the new era and continue to achieve

great performance. When our cherished customers need assistance, we respond with integrated services and solutions at key moment. This is our capability of execution and our ability to run rapidly and precisely ahead of the competition.

(3) Maintaining the core values and spurring progress

The most difficult and most precious attribute of an enterprise that is progressing from superiority to excellence is an environment that integrates culture and management. At ESB, the establishment of a total quality culture begins with business concepts, corporate culture and common visions and goes on to create core values and advance on the path "from good to better to big" and the road of "good to great to evergreen enterprise." We aim to both maintain core values and spur progress.

(4) Becoming the most respected enterprise

In 2004, the opportunity to add 60 more branches allowed ESB's service network to double its scope and consolidate the foundations for ESB's transformation into a lasting evergreen enterprise. The doubling of our service channels will increase the value of ESB to its customers. We expect the utmost in excellence possible from all of ESB's capable staff in maintaining the highest quality service, continuously enhancing the value of the E.SUN brand name, winning the identity and support of customers and uniting together to create an even more resplendent future for ESB and make E.SUN into the most respected enterprise.

2. Operational Plans

Based on the principle of management by objectives, ESB has set short, medium and long-term development plans and is engaged in R&D of innovative new products, applying new advancements in financial information technology and will implement the following plans in a sound and stable manner.

(1) Create customer value

Consolidate the product niches of the E.SUN Financial Holding Company and provide the most appropriate services to cross-border and large-scale corporate clients in order to tailor new models and to enhance customer and asset value.

(2) Manifest the advantage of service channels value

Integrate IT capabilities, innovate and refine service procedures, enhance operational efficiency to create a superior service network.

(3) Bolster customer service capability

Based on fulfilling the needs of customers, refine and consolidate corporate finance, consumer finance and wealth management clients in order to improve competitiveness and create customer value.

(4) Promote information technology development

Respond to the new trend of e-banking services by integrate financial flow mechanisms and innovating and developing virtual and actual individualized service channels in order to become the e-banking transaction channel customers love to use the most and to get the most benefit from our expanded service network.

(5) Cross-sell financial products

Integrate IT systems in the E.SUN Financial Holding Company, refine support systems and bolster the quality and efficiency of operations in order to attain seamless cross-marketing and logistic cooperation and to boost competitiveness.

3. Business objectives

In 2005, E.SUN Financial Holding Company will unite with the E.SUN team including ESB, E.SUN Securities, E.SUN Bills Finance, E.SUN Securities Investment Trust, E.SUN Venture Capital and E.SUN Insurance Brokers and focus on manifesting even greater integrated effectiveness, enhancing competitiveness, using the E.SUN brand name and the edge of our extensive service network to enhance service efficiency, putting priority on controlling risk and intensifying the cultivation of a corps of high quality clients while simultaneously paying attention to ensuring profitability and high liquidity in our fiscal structure. ESB has also set the following operational targets for the year 2005:

(1) Wealth management business

Increase total deposits by end-2005 to NT\$398 billion, accumulate fee income for trust (including mutual funds) to NT\$700 million and attain a target of NT\$300 million in bancassurance fees.

(2) Consumer finance business

Actively complement the government programs to handle loans to workers to purchase or repair housing, offer housing loans to citizens and provide preferential mortgages for first time home buyers, energetically develop unsecured personal loans and credit card businesses in order to expand ESB's niche and attain annual targets in 2005 of NT\$208.8 billion in consumer loans and boost the number of credit cards circulated to 2.85 million.

(3) Corporate finance business

Cooperate with government policy to foster small and medium enterprises and extend a total of NT\$123.8 billion in corporate loans in 2005 while working hard to enhance credit asset quality and risk control. In terms of foreign exchange businesses, attain a target of foreign exchange transactions amounting to US\$21.8 billion while stressing both growth and risk control.

4. Development on Financial Product R&D

While greeting the new era of E.SUN and the expansion of our service network last year, ESB also continued to enhance operational efficiency, develop and promote new financial products, intensify risk control and effectively reduce the volume of non-performing loans. In terms of R&D in 2004, ESB succeeded in introducing the "e-Internet Investor" platform in individual e-banking and provided a new model of shared information interface to customers using the internet to carry out orders in mutual funds that will enhance the distinctiveness of ESB's internet mutual funds order system. In terms of eCoin payment mechanisms, ESB developed and introduced "credit card certification" and "transactions security mechanism" functions to enhance the mutual trust and security between buyer and seller and lower financial flow risk. In the future, ESB will focus research and development efforts on integrating information technology and financial services in the following directions to enhance our overall competitiveness.

(1) Actively develop wealth management businesses into a more professional, real-time and customized financial management planning service.

(2) Fully utilize the value of new service channels, the cross-selling functions of E.SUN Financial Holding Company and databases to improve customer management in the consumer finance business.

(3) Establish systematic assessment and credit quality mechanisms and pay attention to risk control procedures for effective prevention.

(4) Integrate resources of the E.SUN Financial Holding Company, sales channels and diversified financial services to assist companies improve flexibility in raising capital and business development.

(5) Research and develop new innovations to boost the competitiveness of e-Payment and e-Channel services in order to satisfy customers' need for digitalized life and financial management services.



IV. Financial Statements



E.SUN's golden brilliance fills the mountains and valleys.

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1. Condensed Financial Statements from 2000 to 2004

(1) Condensed Balance Sheet

Unit : NTS1,000

Item	Year	2004	2003	2002	2001	2000
		Cash and cash equivalent, Due from Banks	35,571,442	22,755,204	22,391,025	23,310,036
Securities purchased-Net	54,815,405	42,870,451	49,255,431	40,100,894	25,897,597	
Account receivables-Net	30,520,884	24,915,454	18,096,974	12,331,437	9,213,619	
Securities purchased under resell agreement, Prepaid expense	5,876,500	45,269	42,264	54,652	37,582	
Loan, bills and discount-Net	275,359,584	199,070,296	170,775,271	179,345,170	172,117,301	
Long term investment	11,624,627	10,512,806	4,755,205	4,664,698	4,247,634	
Properties-Net	8,991,839	9,395,216	5,018,224	4,787,855	4,508,740	
Goodwill	4,661,587	-	-	-	-	
Other-Net	5,899,032	1,433,136	2,309,086	1,279,092	1,032,609	
Due to Banks	21,568,711	21,664,199	13,620,380	6,535,224	4,574,055	
Account payable	6,464,381	5,287,111	5,045,561	5,925,374	7,125,098	
Securities sold under repurchased agreement, Advances	11,266,484	175,034	34,238	28,879	32,727	
Deposits and remittances	330,971,515	247,016,471	225,739,600	225,029,161	203,334,054	
Financial Bonds	29,600,000	15,000,000	10,000,000	5,000,000	-	
Other liabilities	805,196	545,647	290,310	551,684	350,236	
Capital stock	20,175,000	18,175,000	18,175,000	18,175,000	16,933,000	
Capital surplus	4,233,985	233,502	326,233	326,233	645,441	
Retained earnings (deficit)	Before distribution	8,359,984	3,396,261	(92,731)	4,831,687	3,833,333
	After distribution	(note 2)	1,076,048	-	3,418,076	2,903,722
Cumulative translation adjustments	(13,152)	2,624	2,906	4,404	-	
Unrealized loss on long-term equity investments	(111,204)	-	-	(35,795)	(108,619)	
Treasury stock	-	(498,017)	(498,017)	(498,017)	(283,648)	
Total assets	433,320,900	310,997,831	272,643,480	265,873,834	236,435,677	
Total liabilities	Before distribution	400,676,287	289,688,462	254,730,089	243,070,322	215,416,170
	After distribution	(note 2)	292,008,675	254,730,089	244,483,933	215,438,441
Total stockholders' equity	Before distribution	32,644,613	21,309,370	17,913,391	22,803,512	21,019,507
	After distribution	(note 2)	18,989,157	17,913,391	21,389,901	20,997,236

Note1 : Audited by certified public accountants.

Note2 : Earnings apportion of 2004 is to be determined by shareholders meeting.

(2) Condensed Income Statement

Unit : NT\$1,000

Item \ Year	2004	2003	2002	2001	2000
Operating revenue	21,201,638	13,898,432	14,315,778	16,986,778	16,122,213
Operating costs	11,658,372	9,689,828	18,981,293	14,404,647	14,311,653
Operating profit (loss)	9,543,266	4,208,604	(4,665,515)	2,582,131	1,810,560
Non-operating gains and losses	(1,171,510)	(17,925)	(74,541)	4,125	(60,301)
Continuous operating department income before tax	8,371,756	4,190,679	(4,740,056)	2,586,256	1,750,259
Continuous operating department income	-	-	-	-	-
Gains (losses) from discontinued operations	-	-	-	-	-
Extraordinary gains or losses	-	-	-	-	-
Cumulative effect of changes in accounting principles	-	-	-	-	-
Net income (loss)	7,283,936	3,396,261	(3,510,807)	1,927,965	1,419,566
Earnings per share(NT\$)	3.99	1.87	(1.93)	1.08	0.84

Note 1: The fiscal year unaudited by certified public accounts shall be noted.

2: The banks which are public-listed or traded at places of business of securities firms shall list the numbers as of the last quarter end which before annual report was printed. Meanwhile, the financial data shall be noted under audited or reviewed by certified public accounts, or neither.

3: Gains (losses) from discontinued operations, extraordinary gains or losses and cumulative effect of changes in accounting principles shall be listed on pre-tax base.

4: The financial data that FSC informs to correct or revise shall list the numbers after correction or revision, and note the explanation.

(3) CPAS' Auditing Opinion from 2000 to 2004

Deloitte & Touche had examined the Financial Statements of E.SUN Commercial Bank, Ltd. and issued unqualified opinion reports for the years ended December 31, 2000, 2001, 2002, and 2003 as well as a modified unqualified opinion reports for the years ended December 31, 2004.

2. Financial Analyses from 2000 to 2004

Unit:NT\$1,000;NT\$;%

Item		Year	2004	2003	2002	2001	2000
Financial structure	Ratio of debt to assets(note 3)		92.45	93.13	93.41	91.40	91.08
	Ratio of deposits to net worth		1,013.75	1,159.03	1,260.17	986.82	967.21
	Ratio of properties to net worth		27.54	44.09	28.01	21.00	21.45
Liquidity ratio	Liquidity reserves ratio		11.81	13.12	19.30	14.61	9.42
Activity ratio	Ratio of loans to deposits		83.75	81.48	76.33	80.37	85.45
	NPL ratio		0.88	1.18	1.38	2.83	2.46
	Total assets turnover (Times)		0.06	0.05	0.05	0.07	0.07
	Average operating revenue per employee		8,696	7,653	8,777	11,651	11,906
	Average income per employee		2,988	1,870	(2,153)	1,322	1,048
Profitability ratio	Ratio of return on total assets		1.96	1.16	(1.30)	0.77	0.62
	Ratio of return on stockholders' equity		27.00	17.32	(17.24)	8.80	6.92
	Profit margin ratio		34.36	24.44	(24.52)	11.35	8.80
	Earnings per share (NT\$)(note1)		3.99	1.87	(1.93)	1.08	0.84
Cash flows	Cash flow ratio		(note 2)	31.10	14.92	(note 2)	(note 2)
	Cash flow adequacy ratio		(note 2)	53.72	52.67	5.37	222.16
	Cash re-investments ratio		(note 2)	9.80	1.82	(note 2)	(note 2)
Ratio of regulatory capital to risk-weighted assets	Capital adequacy ratio		11.51	9.97	10.38	11.01	10.56
	Regulatory capital		35,800,391	23,227,083	19,852,431	20,693,681	17,774,237
	Risk-weighted assets		310,949,886	233,069,038	191,279,320	187,965,000	168,387,608
	Ratio of tier I capital to Risk-weighted assets		10.47	10.04	9.45	12.81	13.12
	Ratio of tier I and tier II capital to Risk-weighted assets		11.77	12.00	12.86	13.49	13.08
	Financial leverage ratio		10.47	10.04	9.45	12.81	13.12
	Ratio of common stock equity to total assets		7.53	6.85	6.57	8.58	8.89
Secured loans balance of related-party			2,004,369	2,111,000	2,190,000	2,272,000	2,345,000
Ratio of Secured loans balance of related-party to total loans balance			0.71	1.02	1.25	1.24	1.34
Operating Scale	Market share of assets		1.85	1.31	1.11	1.27	1.17
	Market share of equity		1.45	1.11	1.05	1.04	0.95
	Market share of deposits		1.73	1.37	1.33	1.35	1.27
	Market share of loans		1.74	1.40	1.25	1.28	1.20

Note 1: Based on weighted average number of outstanding shares during each year after giving retroactive recognition to stock dividends issued.

Note 2: No analysis for negative cash inflows from operating activities.

Note 3: The Debt excludes reserve for losses on guarantees, reserve for losses on sale of bonds and contingency reserve.

3. Supervisors' Report

To the 2004 Annual Shareholders' Meeting

E.SUN Commercial Bank, Ltd.

The board of directors have compiled and submitted the bank's 2004 business report, financial statements and statement of distribution of retained earnings which are audited by Deloitte & Touche.

We have completed our examinations and found them to meet the requirements of applicable laws and regulations. This report is hereby prepared in accordance with Article 219 of the Company Law and submitted for your approval.

Resident Supervisor

Charles C. Yuan

Supervisor

Shang Chuan Hsing

Supervisor

Yu-Chen Yang

February 15, 2005

4. Financial Statements of 2004

(1) Independent Auditors' Report

Deloitte.
勤業眾信

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of E.Sun Commercial Bank, Ltd. as of December 31, 2004 and 2003 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Hong Kong and Los Angeles Branches in 2004 had been audited by other auditors, whose reports were furnished to us, and our opinion expressed herein, insofar as it relates to the accounts of these branches, which are included in these financial statements, are based solely on the reports of other auditors. The total assets of these branches were 5% (NT\$21,610,277 thousand) of the Bank's total assets as of December 31, 2004. The net income of these branches were 2% (NT\$135,379 thousand) of the Bank's net income in 2004.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of E.Sun Commercial Bank, Ltd. as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Securities Issuers (applicable to financial statements for 2003 and earlier) and accounting principles generally accepted in the Republic of China.

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Member of
Deloitte Touche Tohmatsu

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

Deloitte & Touche

January 28, 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.

(2) BALANCE SHEETS

December 31, 2004 and 2003

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

ASSETS	2004.12.31	2003.12.31
CASH AND CASH EQUIVALENTS (Note 4)	\$ 7,899,575	\$ 6,886,834
DUE FROM THE CENTRAL BANK OF CHINA AND BANKS (Notes 5 and 25)	27,671,867	15,868,370
SECURITIES PURCHASED (Notes 2, 6, 25 and 26)	54,815,405	42,870,451
RECEIVABLES, NET (Notes 2, 7, 25 and 26)	30,520,884	24,915,454
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 3, 8 and 25)	5,569,238	-
PREPAID EXPENSES	307,262	45,269
BILLS, DISCOUNTS AND LOANS, NET (Notes 2, 9 and 25)	275,359,584	199,070,296
LONG-TERM INVESTMENTS (Notes 2, 10 and 26)		
Long-term equity investments - equity method	183,572	165,762
Long-term equity investments - cost method	599,912	4,572,311
Bonds	7,208,804	5,774,733
Others	3,632,339	-
Total long-term investments	11,624,627	10,512,806
PROPERTIES (Notes 2 and 11)		
Cost		
Land	4,929,923	2,818,737
Buildings	3,049,408	1,560,939
Computers	1,859,957	1,483,532
Transportation equipment	216,839	172,744
Miscellaneous equipment	798,569	654,269
Total cost	10,854,696	6,693,221
Accumulated depreciation	1,886,411	1,605,761
Prpaysments	8,968,285	5,087,460
Net properties	23,554	4,307,756
	8,991,839	9,395,216
GOODWILL (Notes 2 and 12)	4,661,587	-
OTHER ASSETS, NET (Notes 2, 13, 20 and 27)		
Idle assets	690,664	-
Rentable assets	3,103,224	-
Refundable deposits	960,864	851,341
Foreclosed collaterals	402,480	130,418
Others	508,871	83,266
Deferred income tax assets, net	232,929	368,111
Total other assets, net	5,899,032	1,433,136
TOTAL	\$433,320,900	\$ 310,997,832

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Securities sold under agreements to repurchase (Notes 2, 3, 14 and 25)	\$ 10,676,519	\$ -
Due to banks (Note 15)	21,568,711	21,664,199
Payables (Notes 16 and 25)	6,464,381	5,287,111
Advances	589,965	175,034
Deposits and remittances (Notes 17 and 25)	330,971,515	247,016,471
Bonds (Notes 18 and 25)	29,600,000	15,000,000
Other (Notes 2)	805,196	545,647
Total liabilities	400,676,287	289,688,462
STOCKHOLDERS' EQUITY		
Capital stock, \$10 par value	20,175,000	18,175,000
Authorized and issued 2,017,500 thousand shares in 2004 and 1,817,500 thousand shares in 2003		
Capital surplus :		
Paid-in capital in excess fo par value	4,233,502	233,502
From treasury stock	483	-
Total capital surplus	4,233,985	233,502
Retained earnings		
Legal reserve	1,018,878	-
Unappropriated earnings	7,341,106	3,396,261
Totaol retained earnings	8,359,984	3,396,261
Unrealized loss on long-term equity investments	(111,204)	-
Cumulative translation adjustments	(13,152)	2,624
Treasury stock - 40,000 thousand shares	-	(498,017)
Total stockholders' equity	32,644,613	21,309,370
CONTINGENCIES AND COMMITMENTS (Notes 2 and 27)		
TOTAL	\$ 433,320,900	\$ 310,997,832

The accompanying notes are an integral part of the financial statements. (With Deloitte & Touche audit report dated January 28, 2005)

(3) STATEMENTS OF INCOME

Years ended December 31, 2004 and 2003

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

	2004		2003	
OPERATING INCOME				
Interest (Notes 2 and 25)	\$ 14,048,775		\$ 11,057,534	
Service fees (Note 2)	2,080,184		1,540,573	
Gains on sales of securities, net (Notes 2 and 25)	270,037		590,601	
Income from long-term equity investments under the equity method, net (Notes 2 and 10)	21,873		24,305	
Gains on long-term investments (Notes 2 and 10)	3,138,416		3,208	
Foreign exchange gain, net (Note 2)	160,720		307,062	
Gains on derivative transactions (Notes 2 and 31)	1,275,602		351,510	
Others	206,031		23,639	
Total operating income	<u>21,201,638</u>		<u>13,898,432</u>	
OPERATING COSTS				
Interest (Notes 2 and 25)	3,986,827		3,851,147	
Service charges	627,140		595,843	
Provisions (Note 2)	13,841		845,567	
Loss on derivative transactions (Notes 2 and 31)	922,142		36,906	
Others	7,193		5,522	
Total operating costs	<u>5,557,143</u>		<u>5,334,985</u>	
GROSS PROFIT	<u>15,644,495</u>		<u>8,563,447</u>	
OPERATING EXPENSES (notes 19 and 25)				
Business	5,486,661		3,977,917	
General and administrative	580,233		343,290	
Others	34,335		33,636	
Total operating expenses	<u>6,101,229</u>		<u>4,354,843</u>	
OPERATING INCOME	9,543,266		4,208,604	
NONOPERATING INCOME AND GAINS	47,254		29,134	
NONOPERATING EXPENSES AND LOSSES (Notes 2 and 12)	<u>1,218,764</u>		<u>47,059</u>	
INCOME BEFORE INCOME TAX	8,371,756		4,190,679	
INCOME TAX EXPENSE (Notes 2 and 20)	<u>1,087,820</u>		<u>794,418</u>	
NET INCOME	<u>\$ 7,283,936</u>		<u>\$ 3,396,261</u>	
EARNINGS PER SHARE (Note 23)	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
Basic earnings per share	<u>\$ 4.59</u>	<u>\$ 3.99</u>	<u>\$ 2.31</u>	<u>\$ 1.87</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 28, 2005)

(4) STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2004 and 2003

(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus			Retained Earnings				Unrealized Loss on Long-term Equity Investments (Note 2)	Cumulative Translation Adjustments (Note 2)	Treasury Stock (Notes 2 and 22)	Total Stockholders' Equity	
	Shares (Thousands)	Amount	Paid-in Capital in Excess of Par Value	Gain on Sale of Properties	From Treasury Stock	Total	Legal Reserve	Special Reserve	Unappropriated Earnings (Deficit)					Total
BALANCE, JANUARY 1, 2003	1,817,500	\$18,175,000	\$ 303,140	\$ 7,641	\$ 15,452	\$ 326,233	\$ 3,112,924	\$31,391	(\$3,237,046)	(\$ 92,731)	\$ -	\$ 2,906	(\$498,017)	\$17,913,391
Offset of deficit	-	-	(69,638)	(7,641)	(15,452)	(92,731)	(3,112,924)	(31,391)	3,237,046	92,731	-	-	-	-
Net income in 2003	-	-	-	-	-	-	-	-	3,396,261	3,396,261	-	-	-	3,396,261
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	(282)	-	-	(282)
BALANCE, DECEMBER 31, 2003	1,817,500	18,175,000	233,502	-	-	233,502	-	-	3,396,261	3,396,261	-	2,624	(498,017)	21,309,370
Appropriation of prior year's earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	1,018,878	-	(1,018,878)	-	-	-	-	-
Cash dividends- 12%	-	-	-	-	-	-	-	-	(2,181,000)	(2,181,000)	-	-	-	(2,181,000)
Bonus to directors and supervisors	-	-	-	-	-	-	-	-	(23,202)	(23,202)	-	-	-	(23,202)
Bonus to employees	-	-	-	-	-	-	-	-	(116,011)	(116,011)	-	-	-	(116,011)
Balance after appropriation	1,817,500	18,175,000	233,502	-	-	233,502	1,018,878	-	57,170	1,076,048	-	2,624	(498,017)	18,989,157
Transfer of shares to employees	-	-	-	-	483	483	-	-	-	-	-	-	498,017	498,500
Capital increase in December 2004	200,000	2,000,000	4,000,000	-	-	4,000,000	-	-	-	-	-	-	-	6,000,000
Net income in 2004	-	-	-	-	-	-	-	-	7,283,936	7,283,936	-	-	-	7,283,936
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	(111,204)	-	-	-	(111,204)
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	(15,776)	-	-	(15,776)
BALANCE, DECEMBER 31, 2004	2,017,500	\$20,175,000	\$ 4,233,502	\$ -	\$ 483	\$ 4,233,985	\$ 1,018,878	\$ -	\$ 7,341,106	\$ 8,359,984	(\$111,204)	(\$ 13,152)	\$ -	\$ 32,644,613

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 28, 2005)

(5) STATEMENTS OF CASH FLOWS

Years ended December 31, 2004 and 2003

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

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 7,283,936	\$3,396,261
Reversal of allowance for losses on securities purchased	-	(85,919)
Provisions	13,841	845,567
Recovery of written-off credits	1,270,462	1,822,389
Depreciation and amortization	819,227	354,646
Impairment loss of goodwill	1,103,393	-
Equity in net income of equity-method investees, net of cash dividends received	(5,978)	8,532
Gains on sale of long-term investments	(2,915,950)	-
Amortization of premium on long-term bond investments	79,874	36,061
Loss on sale of properties and foreclosed collaterals	20,488	18,651
Loss(gain) on evaluation of derivative transactions	(56,796)	9,704
Deferred income tax	135,182	901,435
Others	77,667	8,600
Net changes in operating assets and liabilities :		
Securities purchased for trading purposes	(9,648,080)	8,793,327
Receivables	(6,070,396)	(8,054,486)
Prepaid expenses	(246,730)	(3,005)
Payables	912,448	242,698
Advances	400,341	140,796
Net cash provided by (used in) operating activities	<u>(6,827,071)</u>	<u>8,435,257</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in securities purchased for investing purposes	(680,586)	(2,322,428)
Decrease (increase) in due from the Central Bank of China and banks	(6,970,172)	1,315,474
Increase in securities purchased under agreements to resell	(5,569,238)	-
Proceeds from sales of		
Properties	393	989
Foreclosed collaterals	179,149	258,406
Long-term investments	4,132,173	-
Acquisition of:		
Long-term investments	(6,133,945)	(5,810,794)
Properties	(1,494,637)	(4,707,069)
Increase in:		
Bills, discounts and loans	(62,074,842)	(29,932,004)
Other assets	(154,067)	(106,120)
Return of principal on long-term investments	1,046,613	-
Cash subsidy received from acquisition of Kaohsiung Business Bank Co., Ltd.,	13,428,965	-
Cash received from acquisition of Kaohsiung Business Bank Co., Ltd on September 3, 2004	1,347,863	-
Net cash used in investing activities	<u>(62,942,331)</u>	<u>(41,303,546)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital increase	6,000,000	-
Increase in securities sold under agreements to repurchase	10,676,519	-
Increase (decrease) in due to banks	(104,312)	8,043,819
Increase in deposits and remittances	38,920,585	21,276,871
Proceeds from issuance of bonds	17,696,100	5,000,000
Repayment of bonds	(400,000)	-
Proceeds from treasury stock	498,500	-
Cash dividends paid	(2,181,000)	-
Payment of bonus to directors, supervisors and employees	(139,213)	-
Increase (decrease) in other liabilities	(166,533)	229,734
Net cash provided by financing activities	<u>70,800,646</u>	<u>34,550,424</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>(18,503)</u>	<u>(2,482)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,012,741	1,679,653
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,886,834	5,207,181
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,899,575	\$ 6,886,834
SUPPLEMENTARY INFORMATION		
Interest paid	\$ 4,042,504	\$ 3,989,874
Income tax paid	<u>\$165,740</u>	<u>\$146,336</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Exchangeable bonds exchanged for ESFHC's stock (Note 10)	\$2,696,100	\$ -
Cost of Long-term equity investments	<u>1,514,142</u>	<u>-</u>
Gain on long-term investments	<u>\$1,181,958</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated January 28, 2005)

(6) NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2004 and 2003
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2004, the Bank had business department, international banking departments, an offshore banking unit (OBU), 2 overseas branches (Los Angeles and Hong Kong) and 89 domestic branches.

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

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

On September 4, 2004, the Bank acquired assets and liabilities (except the assets and liabilities generated from trust business and pension) and business (except trust business) of the Kaohsiung Business Bank Co., Ltd. Please refer to Note 36.

As of December 31, 2004 and 2003, the Bank had 2,438 and 1,816 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements, which included the accounts of the Head Office, OBU, and all branches, have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Guidelines Governing the Preparation of Financial Reports by Securities Issuers (applicable to financial statements for 2003 and earlier) and accounting principles generally accepted in the Republic of China. All interoffice transactions and balances have been eliminated.

In preparing financial statements in conformity with these guidelines and principles, the Bank is required to make certain estimates and assumptions that could affect the amounts of allowances for possible losses, reserve for losses on guarantees, property depreciation, pension, income tax, loss on market value decline of foreclosed collaterals, impairment loss of goodwill and accrued litigation loss. Actual results could differ from these estimates.

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between

the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized according to the nature of each account and sequenced by liquidity. Please refer to Note 30 for maturity analysis of assets and liabilities.

The Bank's significant accounting policies are summarized below.

Securities Purchased

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

Securities Purchased/Sold Under Agreements to Resell/Repurchase

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

Overdue Loan

Under a Ministry of Finance guideline, the Bank classifies loans and other credits (including accrued interest) overdue for at least six months as overdue loans.

Allowances for Possible Losses and Reserve for Losses on Guarantees

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

Debts and guarantees with specific risks are evaluated internally for their collaterals, collectibility and customers' overall credit. Under Ministry of Finance (MOF) guidelines, the Bank makes full provisions for credits deemed uncollectible and makes at least 50% provisions for credits with high uncollectibility.

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

Long-term Investments

Investments in shares of stock of companies in which the Bank exercises significant influence on their operating and financial policy decisions are accounted for by the equity method. Under the equity method, the investments are carried at cost on the acquisition date and subsequently adjusted for the Bank's proportionate share in the net income or loss of the investees. The proportionate share in the net income or loss is recognized as current income or loss, and any cash

dividends received are reflected as a reduction of the carrying values of the investments. The difference, on the acquisition date, between the acquisition cost and the Bank's proportionate equity in the net asset of the investee companies is amortized over five years. Capital increase of investees that results in the increase in the Bank's equity in the investees' net assets is credited to capital surplus, and any decrease is charged to such capital surplus to the extent of the available balance, with the difference charged to unappropriated earnings.

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

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

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

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

Properties and Rentable Assets

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

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

The cost and accumulated depreciation are removed from the accounts when an item of property is disposed of or retired, and any

gain or loss is credited or charged to nonoperating income or expenses.

Foreclosed Collaterals

Foreclosed collaterals (part of other assets) are recorded at the lower of cost or net realizable value on balance sheet dates.

Goodwill

Goodwill is amortized over 5 years. The carrying amount of goodwill is reduced to reflect on impairment loss on balance sheet date.

Pension Costs

The Bank recognizes pension costs on the basis of actuarial calculations. Unrecognized net transitional asset is amortized over 29 years.

Treasury Stock

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

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

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

Recognition of Interest Revenue and Service Fees

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

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

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

Income Tax

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

Tax credits for certain technology or equipment purchases,

expenditures for research and development, employee training and stock investments are recognized in the current period.

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

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

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. A footnote disclosure is made of the situation that might result in a loss if the loss is possible but the amount of loss cannot be reasonably estimated.

Foreign Currency Transactions

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

Forward Contracts

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

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

Foreign-currency Swap Contracts

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

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

Asset Swaps

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

Cross-currency Swap

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

Interest Rate Swaps

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

Foreign-currency Options

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

Foreign-currency Margin Contracts

The Bank enters into foreign-currency margin contracts for trading purposes. Margins received or paid are recorded as liability or assets. The Bank evaluates the unrealized gain or loss based on the spot rate on a daily basis. Gains or losses on the settlement date are credited or charged to income.

Credit Default Swap Contracts

Credit default swap contracts, which are intended to hedge the credit risk of held assets, are recorded through memorandum entries on the contract dates. Premiums amortized or accrued during the contract period are recorded as expenses. Gains or losses from the valuation of contracts on the balance sheet date are credited or charged to current income.

Reclassifications

Certain accounts for 2003 had been reclassified to conform to the 2004 financial statement presentation.

3.ACCOUNTING CHANGES

Under a directive issued by the Ministry of Finance, sales and purchases of bonds and short-term bills under agreements to repurchase or resell were treated as outright sales or purchases until 2003. However, under the Guidelines Governing the Preparation of Financial

Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions are treated as financing. This accounting change increased the Bank's net income for the year ended December 31, 2004 by \$66,855 thousand.

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

4. CASH AND CASH EQUIVALENTS

	2004/12/31		2003/12/31
Cash on hand	\$ 2,889,257	\$	2,049,766
Checks for clearing	2,731,194		2,485,692
Due from banks	2,279,124		2,351,376
	<u>\$ 7,899,575</u>	\$	<u>6,886,834</u>

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

	2004/12/31		2003/12/31
Call loan to banks	\$ 13,174,468	\$	2,307,533
Reserves for deposits in CBC	14,118,370		11,171,225
Deposit in CBC	379,029		2,389,612
	<u>\$ 27,671,867</u>	\$	<u>15,868,370</u>

As required by law, the reserves for deposits in CBC are calculated by applying the prescribed rates to the average monthly balances of various types of deposit accounts. As of December 31, 2004 and 2003, deposit reserve portions of \$8,098,534 thousand and \$5,873,524 thousand, respectively, were restricted from Bank use, as required by certain regulations.

6. SECURITIES PURCHASED

	2004/12/31		2003/12/31
Overseas securities	\$ 20,410,533	\$	20,953,245
Certificates of deposit	19,487,486		11,607,996
Government bonds	12,962,193		5,877,087
Stocks and mutual funds	1,416,376		3,007,121
Commercial paper	279,853		918,696
Corporate bonds	258,964		506,306
	<u>\$54,815,405</u>	\$	<u>42,870,451</u>

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

7. RECEIVABLES

	2004/12/31		2003/12/31
Credit cards	\$ 26,735,412	\$	22,215,161
Accrued interest	1,360,573		822,070
Forward exchange contract receivable	746,044		249,537
Acceptances	679,647		942,906
Accounts receivable	462,508		33,817
Accrued income	110,513		307,337
Other	698,263		729,347
	<u>30,792,960</u>		<u>25,300,175</u>
Less allowance for possible losses	272,076		384,721
	<u>\$ 30,520,884</u>	\$	<u>24,915,454</u>

8. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Securities acquired for \$5,569,238 thousand under agreements to resell as of December 31, 2004 will be sold for \$5,571,843 thousand before January 27, 2005.

9. BILLS, DISCOUNTS AND LOANS

	2004/12/31		2003/12/31
Loans			
Short-term	\$ 55,477,356	\$	44,916,198
Medium-term	67,795,554		60,402,800
Long-term	150,525,009		92,234,971
Bills and discounts	1,543,983		2,008,897
Overdue loans	1,829,381		1,677,190
	<u>277,171,283</u>		<u>201,240,056</u>
Less allowance for possible losses	1,811,699		2,169,760
	<u>\$ 275,359,584</u>	\$	<u>199,070,296</u>

As of December 31, 2004 and 2003, the loan and credit balances for which accrual of interest revenues was discontinued, amounted to \$1,829,381 thousand and \$1,677,190 thousand, respectively. The unrecognized interest revenues on these loans and credits amounted to \$69,411 thousand and \$60,994 thousand for the years ended December 31, 2004 and 2003, respectively. For the years ended December 31, 2004 and 2003, the Bank carried out legal procedures required before the Bank wrote off credits.

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

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

	2003		
	Specific Risk	General Risk	Total
Balance, January 1, 2003	\$ 104,593	\$ 1,436,162	\$ 1,540,755
Recovery of written-off credits	1,808,204	-	1,808,204
Provisions (reversal)	(900,880)	508,721	(392,159)
Write-offs	(784,233)	-	(784,233)
Effects of exchange rate changes	-	(2,807)	(2,807)
Balance, December 31, 2003	<u>\$ 227,684</u>	<u>\$ 1,942,076</u>	<u>\$ 2,169,760</u>

10. long-term investments

	2004/12/31	2003/12/31
Long-term equity investments	\$ 783,484	\$ 4,738,073
Long-term bond investments- government bonds	7,208,804	5,774,733
Other long-term investments-special- purpose trust beneficiary certificates	3,632,339	-
	<u>\$ 11,624,627</u>	<u>\$ 10,512,806</u>

Long-term equity investments are summarized as follows :

	2004/12/31		2003/12/31	
	Carrying Value	% of ownership	Carrying Value	% of ownership
Equity method				
With no quoted market prices				
E.Sun Finance & Leasing Co.	\$ 154,241	99.0	\$ 131,993	99.0
E.Sun Insurance Agent Co.,Ltd	18,042	79.0	33,769	79.0
Kao LiReal-Estate Mangement Co.,	11,289	30.0	-	-
	<u>\$ 183,572</u>		<u>\$ 165,762</u>	
Cost method				
With quoted market prices				
E.Sun Financial Holding Co.,Ltd.(ESFHC)	-	-	\$ 3,914,375	13.0
United Micro Electronics	200,451	-	200,451	-
With no quoted market prices				
Financial Information Service Co., Ltd	108,954	2.3	45,500	1.1
Taiwan Asset Management Corporation	100,000	0.6	100,000	0.6
Fubon Securities Finance Co.	98,957	2.6	155,857	2.6
Other	202,754		156,128	
	711,116		4,572,311	
Less allowance for possible losses	111,204		-	
	<u>599,912</u>		<u>4,572,311</u>	
	<u>\$ 783,484</u>		<u>\$ 4,738,073</u>	
Market values of stock with quoted market prices	<u>\$ 89,247</u>		<u>\$ 6,786,103</u>	

The E.Sun Finance & Leasing Co.'s financial statements on which the calculation of investment carrying value and the related income was based had all been audited, except those of E.Sun Insurance Agent Co., Ltd. and KLMC. The Bank's management believes that, had this

investee's accounts been audited, the effect of any adjustments on the Bank's financial statements would not have been significant. Neither the total assets nor total operating income of the subsidiaries individually reached 10% or collectively reached 30% of those of the Bank. Thus, there was no need for the Bank to prepare consolidated financial statements. The stockholders' meeting of KLMC had resolved its dissolution on October 12, 2004. The Bank will receive the investment amount after KLMC completed the liquidation procedures.

The net income from long-term investment under equity method for the years ended December 31, 2004 and 2003 were \$21,873 thousand and \$24,305 thousand, respectively.

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

On February 12, 2004, the board of directors (hereinafter "the Board") of E.Sun Bank resolved to authorize the chairman to dispose the shares of ESFHC within the limit of 184,449 thousand shares under the Financial Holding Company Law.

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

Long-term bond investments are summarized as follows:

	2004/12/31	2003/12/31
Government bonds A9007	\$ 1,937,692	\$ 1,959,412
Government bonds A9104	3,767,780	3,815,321
Government bonds A893	1,503,332	-
	<u>\$ 7,208,804</u>	<u>\$ 5,774,733</u>

Other long-term investments are summarized as follows:

	2004/12/31	2003/12/31
First Commercial Bank - 2003 mortgage loans securitization beneficiary certificates, type A	\$ 903,984	\$ -
Taishin Commercial Bank - 2004-1 mortgage loans securitization beneficiary certificates, type A	788,355	-
Chang Hwa Bank - 2004-1 mortgage loans securitization beneficiary certificates, type A1	1,940,000	-
	<u>\$ 3,632,339</u>	<u>\$ -</u>

11. ACCUMULATED DEPRECIATION

	2004/12/31	2003/12/31
Buildings	\$ 396,082	\$ 340,533
Computers	864,413	734,047
Transportation equipment	133,032	113,116
Miscellaneous equipment	492,884	418,065
	<u>\$ 1,886,411</u>	<u>\$ 1,605,761</u>

12. GOODWILL

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

13. OTHER ASSETS

	2004/12/31	2003/12/31
Foreclosed collaterals	\$ 478,379	\$ 130,418
Less allowance for possible losses	75,899	-
Foreclosed collaterals, net	402,480	130,418
Rentable assets (less accumulated depreciation \$13,305 thousand)	3,103,224	-
Refundable deposits	960,864	851,341
Idle assets (less accumulated depreciation \$2,127 thousand)	690,664	-
Revaluation of derivative transactions	284,827	-
Deferred income tax assets, net	232,929	368,111
Deferred charges, net	224,044	83,266
	<u>\$ 5,899,032</u>	<u>\$ 1,433,136</u>

14. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold for \$10,676,519 thousand under agreements to repurchase as of December 31, 2004 will be purchased for \$10,682,837 thousand before June 8, 2005.

15. DUE TO BANKS

	2004/12/31	2003/12/31
Call loans from banks	\$ 21,342,104	\$ 20,270,309
Due to banks	161,168	657,609
Bank overdraft	65,439	736,281
	<u>\$ 21,568,711</u>	<u>\$ 21,664,199</u>

16. PAYABLES

	2004/12/31	2003/12/31
Checks for clearing	\$ 2,726,836	\$ 2,485,407
Accrued interest	1,097,094	1,013,766
Other payable - ESFHC	786,427	-
Acceptances	683,912	963,726
Accrued expenses	251,288	217,728
Collections payable	181,374	88,798
Other	737,450	517,686
	<u>\$ 6,464,381</u>	<u>\$ 5,287,111</u>

17. DEPOSITS AND REMITTANCES

	2004/12/31	2003/12/31
Deposits:		
Savings - time	\$ 101,672,666	\$ 76,988,620
Time	85,541,684	67,797,115
Savings - demand	83,158,428	59,528,129
Demand	41,756,710	30,472,991
Negotiable certificates of deposit	14,654,000	9,145,000
Checking	4,152,894	3,050,276
Remittances	35,133	34,340
	<u>\$ 330,971,515</u>	<u>\$ 247,016,471</u>

18. BONDS

	2004/12/31	2003/12/31
Bonds issued on August 6, 2001; 3.76% interest, payable annually; principal due on maturity date (5 years after the issue date).	\$ 3,000,000	\$ 3,000,000
Subordinated bonds issued on August 6, 2001; 4.2% interest, payable annually; principal repayable in five installments starting in the third year from the issue date and final installment due at the end of the seventh year.	1,600,000	2,000,000
Four types of subordinated bonds issued on June 13, 2002; 5%-8.6% interest rate minus the 90 days' interest rate of commercial paper (stated below), payable quarterly; principal due on the maturity date (5 years after the issue date).	1,700,000	1,700,000

	2004/12/31	2003/12/31		2004/12/31	2003/12/31
Four types of subordinated bonds issued on August 16, 2002; 5.94% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5 years after the issue date).	\$ 1,300,000	\$ 1,300,000	Seven types of bonds issued on February 27, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.6% if 6M LIBOR is between 1.05% and 2%, or 4.52% minus 6M LIBOR if 6M LIBOR is more than 2% for types A to D bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types E to G bonds with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	\$ 2,000,000	\$ -
Five types of bonds issued on August 23, 2002; 6% interest rate minus a floating interest rate (stated below), payable semiannually; principal due on the maturity date (5.5 years after the issue date).	2,000,000	2,000,000	Three types of bonds issued on February 27, 2004; interest rates at 3.03% if 6M LIBOR is less than or equal to 2.5%, or 5.2% minus 6M LIBOR if 6M LIBOR is more than 2.5%, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	1,000,000	\$ -
Eight types of bonds issued on October 9, 2003; interest rate at (a) 3.8% for the first year and 5.0% minus six months' London Interbank Offered Rate for U.S. dollars (6M LIBOR) for the second to fifth year for types A and B bonds; (b) 5.15% minus 6M LIBOR for types C to E bonds; and (c) 4.22% minus 90 days' interest rate of commercial paper for types F to H bonds, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	2,000,000	2,000,000	Eight types of bonds issued on March 18, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.50% if 6M LIBOR is between 1.05% and 2.00%, or 4.5% minus 6M LIBOR if 6M LIBOR is more than 2% for types A and B bonds; (b) 6M LIBOR if 6M LIBOR is less than 1.05%, or 3.40% if 6M LIBOR is between 1.05% and 2.00%, or 4.4% minus 6M LIBOR if 6M LIBOR is more than 2% for types C to E bonds; (c) 2.5 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.5% if the five years' NT\$ IRS minus the two years' NT\$ IRS is up to 1.2%, or 2% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% for types F and G bonds; (d) 2 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 1.75% if the five years' NT\$ IRS minus the two years' NT\$ IRS is up to 1.2% in the first and second year, or 2.65% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% in the first and second years, and 3 times of the five years' NT\$ IRS minus the two years' NT\$ IRS if the five years' NT\$ IRS minus the two years' NT\$ IRS is up to 1.2%, or 2.1% if the five years' NT\$ IRS minus the two years' NT\$ IRS is more than 1.2% in the third to fifth year for type H bond, with all interest rates not to fall below 0% and payable quarterly for all bond types; principal repayable on the maturity date (5 years after the issue date).	2,000,000	\$ -
Seven types of bonds issued on October 16, 2003; interest rate at (a) twice the five years' NT\$ interest rate swap (IRS) minus the two years' NT\$ IRS for types A to D bonds; (b) twice the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.75% for types E and F bonds; and (c) 3% for the first year and twice the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.4% for the second to the fifth year for the type G bond, with all interest rates not to fall below 0% and payable semiannually; principal due on the maturity date (5 years after the issue date).	1,800,000	1,800,000			
Five types of bonds issued on October 29, 2003; interest rates at (a) three months' London Interbank Offered Rate for U.S. dollars (3M LIBOR) plus 1.2% if 3M LIBOR is less than 1% or 4.7% minus 3M LIBOR if 3M LIBOR is more than or equal to 1% for type A bond; (b) 2.5 times of the five years' NT\$ IRS minus two years' NT\$ IRS plus 0.45%, with limit of 3.75%, for types B and C bonds; and (c) 2.5 times of the five years' NT\$ IRS minus the two years' NT\$ IRS plus 0.4%, with limit of 3.7%, for types D and E bonds, with all interest rates not to fall below 0% and payable semiannually for type A bond and quarterly for other bond types; principal due on the maturity date (5 years after the issue date).	1,200,000	1,200,000			

	2004/12/31	2003/12/31		2004/12/31	2003/12/31
Five bond types issued on May 10, 2004; interest rates at (a) (6M LIBOR plus 0.5001%) × n/N for type A bond; (b) (6M LIBOR plus 0.5002%) × n/N for type B bond; (c) (6M LIBOR plus 0.5003%) × n/N for type C bond; (d) (6M LIBOR plus 0.5004%) × n/N for type D bond, with 6M LIBOR for types A to D bonds between 1% and 2% in first year, between 1% and 2.25% in second year, between 1.05% and 3.00% in the third year, between 1.05% and 3.50% in the fourth year, between 1.1% and 4.0% in the fifth year, between 1.10% and 4.25% in the sixth year, between 1.1% and 4.5% in the seventh year, "n" means the total days of 6M LIBOR between the foregoing interest rate range in each interest-bearing period, "N" means total days of each interest-bearing period; (e) 1.15 times of the ten years' US\$ CMS minus the two years' US\$ CMS with interest rates not to fall below 0% for type E bond; payable quarterly for all bond types; principal repayable on the maturity date (7 years after the issue date).	\$ 2,300,000	\$ -	types; principal repayable on the maturity date (5 years after the issue date).		
			Bonds issued on June 1, 2004; interest rate at 6M LIBOR if 6M LIBOR is less than 0.9%, or 4% if 6M LIBOR is between 0.9% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually; principal repayable on the maturity date (7 years after the issue date).	500,000	-
			Subordinated bonds issued on September 16, 2004; 2.95% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date)	1,300,000	-
			Subordinated bonds issued on December 17, 2004; 2.80% interest, payable semiannually; principal repayable on maturity date (5.5 years after the issue date)	3,700,000	-
				<u>\$29,600,000</u>	<u>\$15,000,000</u>
Three types of bonds issued on May 19, 2004, interest rates at (a) 3% if 6M LIBOR is less than or equal to 2.5%, or 5.3% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.82% if 6M LIBOR is between 1.1% and 2.5%, or 5% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type B bond; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR between 1.1% and 2.0%, or 5.1% minus 6M LIBOR if 6M LIBOR is more than 2%; with all interest rates not to fall below 0% and payable semiannually for all bond types; principal repayable on the maturity date (7 years after the issue date).	900,000	\$ -			
Five types of bonds issued on June 1, 2004; interest rates at (a) 6M LIBOR if 6M LIBOR is less than 1.1%, or 3.5% if 6M LIBOR is between 1.1% and 2.5%, or 5.15% minus 6M LIBOR if 6M LIBOR is more than 2.5% for type A bond; (b) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 5.5% minus 6M LIBOR if 6M LIBOR is more than 3.5% for types B and C bonds; (c) 6M LIBOR if 6M LIBOR is less than 1.1%, or 4% if 6M LIBOR is between 1.1% and 3.5%, or 6.05% minus 6M LIBOR if 6M LIBOR is more than 3.5%, with all interest rates not to fall below 0% and payable semiannually for all bond	1,300,000	\$ -			

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

2 0 0 4

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

	2003			
	Business Expense	Administrative Expense	Other	Total
Personnel expenses				
Salaries	\$ 1,302,646	\$ 129,181	\$ 4,333	\$ 1,436,160
Insurance	90,076	9,647	-	99,723
Pension	59,790	6,632	-	66,422
Other	114,765	7,360	26,349	148,474
Depreciation expenses	220,515	102,401	-	322,916
Amortization expenses	13,197	18,533	-	31,730

20. INCOME TAX

a. Income tax information is as follows:

	2004	2003
Income tax expense - current before tax credits	\$834,016	\$92,944
Net change in deferred income tax:		
Tax credits	10,679	(540)
Loss carryforwards	306,901	983,404
Allowance for possible losses on loans and receivables	108,218	(74,587)
Loss on market value decline of foreclosed collaterals	(18,975)	-
Impairment loss on goodwill	(262,000)	-
Unrealized gain on derivative transactions	9,872	-
Unrealized foreign exchange gain	(19,513)	(6,842)
Adjustment of prior year's tax	7,500	(199,961)
Tax on unappropriated earnings (10%)	111,122	-
	<u>\$ 1,087,820</u>	<u>\$794,418</u>

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

	2004	2003
Income tax expense on income before income tax at statutory rate (25%)	\$ 2,092,929	\$1,047,660
Permanent differences:		
Tax-exempt income	(1,091,192)	(82,123)
others	(9,522)	28,842
Temporary differences	<u>(158,199)</u>	<u>(901,435)</u>
Income tax expense - current before tax credits	<u>\$834,016</u>	<u>\$92,944</u>

c. Net deferred income tax assets were as follows:

	2004/12/31	2003/12/31
Deferred income tax assets (liabilities)		
Tax credits	\$ -	\$ 10,679
Loss carryforwards	-	306,901
Loss on market value decline of foreclosed collateral	18,975	-
Allowance for possible losses on loans and receivables	1,734	109,952
Unrealized foreign exchange gain	(39,908)	(59,421)
Unrealized gain on derivative transactions	(9,872)	-
Impairment loss on goodwill	262,000	-
Net deferred income taxes assets	<u>\$ 232,929</u>	<u>\$ 368,111</u>

d. Imputed tax credit

	2004/12/31	2003/12/31
Balance of stockholders' imputed tax credit	<u>\$ 6,451</u>	<u>\$141,565</u>

The actual creditable tax ratio was 4.24% for distributing 2003 earnings. The Bank estimated at 0.14% the creditable tax ratio for distributing 2004 earnings. The actual creditable tax ratio may differ from the estimated creditable tax ratio since such ratio is computed on the date the dividend is actually paid or distributed.

e. The unappropriated earnings as of December 31, 2004 and 2003 had no earnings generated before January 1, 1998.

f. The effective tax rates for 2004 and 2003 were about 25%.

g. Income tax returns through 2001 had been examined by the tax authorities. In their assessment of the 1994, 1995, 1997, 1998, 2000 and 2001 tax returns, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to periods in which those bonds, totaling \$290,044 thousand, were held by other investors. In addition, the 1996 and 1999 income tax returns included a reduction of \$30,431 thousand in income tax obligations, which the tax authorities had already examined but could still deny. The Bank had accrued liabilities and written off assets that were related to the foregoing withholding taxes as part of income tax expense in 2001. In August 2002, the Supreme Administrative Court decided that the Taipei National Tax Administration should review again the withholding tax issue.

In 2003, the Taipei National Tax Administration decided to rebate 65% of the foregoing withholding taxes. The Bank accepted this decision and thus recognized a tax refund receivable of \$218,988 thousand for 1994 to 2001 and wrote off withholding taxes of \$10,711 thousand from its 2002 accounts. As of December 31, 2004, the Bank had received tax refund of \$25,430 thousand for 1995 and 1998 tax returns.

21. STOCKHOLDERS' EQUITY

The Bank increased \$2,000,000 capital in December 2004. The Bank issued 200,000 shares and the issue price is \$30 per share. The authorized and issued capital stock becomes \$20,175,000 thousand.

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

- a. 30% as legal reserve;
- b. Special reserve, if needed; and
- c. From any remainder
 - 1) 94% as dividends
 - 2) 1% as remuneration to directors and supervisors
 - 3) 5% as bonus to employees

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

Under the Bank's policy, cash dividends are the major portion of

the declared dividends. However, cash dividends should not be more than 15% of paid-in capital if legal reserve is less than the total paid-in capital.

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

On May 15, 2003, the stockholders resolved to offset deficits of \$3,112,924 thousand against legal reserve; \$31,391 thousand against special reserve; and \$92,731 thousand against capital surplus.

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

Legal reserve	\$	1,018,878
Cash dividend - \$1.2 per share		2,181,000
Bonus to directors and supervisors		23,202
Bonus to employees - by cash		116,011

If aforementioned remuneration to directors and supervisors and bonus to employees had been recognized as expenses, the basic EPS (after income tax) for 2003 would have been decreased from \$1.87 to \$1.81.

As of January 28, 2005, the date of the accompanying auditors' report, the Board of Directors' had not resolved the appropriation of the 2004 earnings.

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

Under the Company Law, legal reserve should be appropriated until the reserve equals the Bank's paid-in capital. This reserve should only be used to reduce or offset a deficit. When the reserve reaches 50% of the Bank's paid-in capital, up to 50% thereof may be declared as stock dividend. In addition, the Banking Law limits the appropriation of cash dividends and any bonuses to stockholders to 15% of the Bank's paid-in capital. But when the legal reserve equals the Bank's paid-in capital, this 15% limit may be excluded.

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

Under the integrated income tax system, which took effect on January 1, 1998, ROC resident stockholders are allowed a tax credit for the income tax paid by the Bank on earnings generated since 1998.

22. TREASURY STOCK

(Note : Shares in thousands)

Reason for Redemption	Beginning of the Year	Increase	Decrease	End of the Year
Reissuance to employees				
2004	40,000	-	40,000	-
2003	40,000	-	-	40,000

The Securities and Exchange Law provides for the following:

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

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

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

d. The Bank is prohibited from exercising the rights of a stockholder with respect to the treasury shares.

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

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

23. EARNINGS PER SHARE

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

	Amount (Numerator)		Shares Denominator (Thousands)	Earnings Per Share (Dollars)	
	Before	After		Before	After
	Income Tax	Income Tax		Income Tax	Income Tax
Basic earnings per share					
2004	\$ 8,371,756	\$ 7,283,936	1,825,697	\$ 4.59	\$ 3.99
2003	\$ 4,190,679	\$ 3,396,261	1,817,500	\$ 2.31	\$ 1.87

The number of shares outstanding should be retroactively adjusted to reflect the effects of the stock dividends distributed subsequently. But since no stock dividends were distributed for the latest two years, the earnings per share need not be retroactively adjusted for the years ended December 31, 2004 and 2003.

24. PENSION PLAN

The Bank has a pension plan for all regular employees. Upon retirement, an employee will receive (a) the Bank's contributions before May 1, 1997, which were credited to his/her account, plus earnings thereof and (b) an amount calculated based on length of service after May 1, 1997 and monthly average basic pay for six months before retirement.

The Bank makes monthly contributions, equal to 5.54% of salaries, to a pension fund. The fund is deposited in the Central Trust of China in the name of the workers' fund administration committee, which manages the fund. The difference between the foregoing contributions and the pension costs based on actuarial calculations is deposited in the Bank in the name of the employees' pension fund administration committee.

Pension information for 2004 and 2003 is as follows:

a. Net pension cost

	2004	2003
Service cost	\$ 99,172	\$ 69,429
Interest cost	14,657	12,642
Actual return on plan assets	(76,712)	(199,363)
Amortization	53,868	183,714
Net pension cost	<u>\$ 90,985</u>	<u>\$ 66,422</u>

b. Reconciliation of the plan funded status to balance sheet amounts

	2004/12/31	2003/12/31
Benefit obligation:		
Vested benefit obligation	(\$ 15,734)	(\$ 13,983)
Non-vested benefit obligation	(356,054)	(278,234)
Accumulated benefit obligation	(371,788)	(292,217)
Additional benefits based on future salaries	(254,242)	(196,354)
Projected benefit obligation	(626,030)	(488,571)
Fair value of plan assets	783,441	627,216
Funded status	157,411	138,645
Unrecognized net transitional asset	(23,304)	(24,404)
Unamortized net gains or losses	(138,104)	(115,941)
Accrued pension cost	<u>(\$ 3,997)</u>	<u>(\$ 1,700)</u>
c. Vested benefits	<u>(\$ 15,734)</u>	<u>(\$ 13,989)</u>

d. Actuarial assumptions

	2004/12/31	2003/12/31
Discount rate	3.0%	3.0%
Rate of increase in compensation	3.0%	3.0%
Expected long-term rate of return on plan assets	3.0%	3.0%

e. Summary of contributions and payment in the pension funds

	2004	2003
Contributions	<u>\$ 88,688</u>	<u>\$ 65,459</u>
Payment of benefits	<u>\$ 8,543</u>	<u>\$ 19,785</u>

25. RELATED-PARTY TRANSACTIONS

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

a. Related parties

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

b. Significant transactions between the Bank and related parties

	December 31			
	Amount	% to TOTAL	Interest Rate (%)	Revenue (Expense)
2004				
1. Call loans to bank	\$ -	-	0.925-	\$ 26
2. Loans	<u>\$ 615,370</u>	-	1.175	<u>\$ 10,995</u>
3. Deposits	<u>\$ 1,966,648</u>	1	1.025-6.72	<u>(\$ 91,474)</u>
4. Securities sold under agreements to repurchase	<u>\$ 517,762</u>	5	0-8.5	<u>(\$ 3,537)</u>
5. Securities purchased under agreements to resell	\$ -	-	0.65-1.025	\$ 253
6. Bonds payable	<u>\$ -</u>	-	0.725-1.05	<u>(\$ 3,621)</u>
7. Purchases and sales of securities				-

	Purchases		Sales	
	Amount		Amount	
Related Party				
E.Sun Bills	\$	847,459	\$	2,698,469
E.Sun Securities	\$	200,480	\$	216,309

	Purchases		Sales	
	Amount		Amount	
Related Party				
E.Sun Bills	\$	24,843,391	\$	20,910,703
E.Sun Securities	\$	975,508	\$	724,337

	2003	
	Amount	%
8.Other receivables (part of receivables) ESFHC	\$ 80,131	-
8.Other payables (part of payables)ESFHC	\$ 786,427	12
9.Foreign exchange gain, net - ESFHC	2004 \$ 115,415	
10.Donation - E.Sun Volunteer & Social Welfare Foundation	\$ 35,943	

	2003	
	Amount	%
8.Other receivables (part of receivables) ESFHC	\$ 80,131	-
9.Foreign exchange loss, net - ESFHC	2003 \$ 4,743	

The purpose of the donation above is for social welfare charity.

12)E.Sun Securities, E.Sun Bills, E.Sun Insurance Broker and E.Sun Finance & Leasing Co. rent premises effective in June 2004. Rentals are calculated on the basis of the leased area and are prepaid quarterly. Rentals in 2004 are as follows:

	2004
E.Sun Securities	\$ 2,239
E.Sun Bills	2,479
E.Sun Insurance Broker	309
E.Sun Finance & Leasing Co.	760
Total	\$ 5,787

	December 31		
	Amount	% to TOTAL	Interest Rate (%) Revenue (Expense)
2003			
1.Call loans to bank	\$ -	-	0.865-1.00 \$ 13
2.Loans	\$ 514,181	-	1.10-7.02 \$ 10,308
3.Deposits	\$ 5,999,963	2	0-13 (\$ 59,360)
4.Securities sold under agreements to repurchase			
E.Sun Bills	\$ 30,000	-	0.7-0.835 (\$ 1,387)
E.Sun Securities	\$ 687,303	-	0.7-1.25 (\$ 10,517)
5.Securities purchased under agreements to resell	\$ -	-	0.7-1.2 \$ 155
6.Bonds payable	\$ 260,000	2	4.2 (\$ 10,800)
7.Purchases and sales of securities			

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

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

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

26.PLEDGED ASSETS

	2004,12,31	2003,12,31
Securities purchased	\$ 1,004,100	\$ 5,712,200
Receivables	600	-
Long-term bond investments	5,050,000	-
	\$ 6,054,700	\$ 5,712,200

As of December 31, 2004 and 2003, certain government bonds and negotiable certificates of deposit, aggregating \$5,050,000 thousand and \$5,000,000 thousand, respectively, and included in the long-term bond investments and securities purchased account, had been provided as collaterals for day term overdraft to comply with the Central Bank's clearing system requirement for Real-time Gross Settlement (RTGS). The unused overdraft amount at the end of a day can also be treated as the Bank's liquidity reserve.

As of December 31, 2004, the Bank provided \$100,000 thousand of government bonds as refundable execution deposits (please refer to Note 36). Other securities were placed with courts of justice pursuant to various collection cases on overdue loans and secured potential obligations in its business.

27.CONTINGENCIES AND COMMITMENTS

Except for those mentioned in other notes, the commitments as of December 31, 2004 were as follows:

a. Renewable operating lease agreements on premises occupied by the Bank's branches, which will expire on various dates by 2010. Rentals are calculated on the basis of the leased areas and are payable monthly, quarterly or semiannually. As of December 31, 2004, refundable deposits on these leases totaled \$732,955 thousand (shown as "refundable deposits"). Minimum annual rentals for the next five years are as follows:

Year	Amount
2005	\$ 293,169
2006	245,277
2007	197,474
2008	144,838
2009	89,281

Total rentals for 2010 will aggregate \$3,907 thousand. The present value of these rentals is \$3,563 thousand based on 1.55% annual interest.

b. Agreements for decoration of a building and various purchases related to the improvements of existing premises occupied by its branches. Total contract amount was approximately \$71,084 thousand. As of December 31, 2004 the remaining unpaid amount was approximately \$49,585 thousand.

	Unit : %	
	2004,12,31	2003,12,31
Capital adequacy ratios (Note)	11.51	9.97
Consolidated capital adequacy ratios (Note)	11.52	9.99
Ratios of debt to net worth	1,227	1,359

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

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

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

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

	2004		2003	
	Average Balance	Average Rate%	Average Balance	Average Rate%
Interest-earning assets				
Cash and cash equivalents - due from banks	\$3,293,861	1.11	\$2,727,363	0.69
Due from the Central Bank of China and banks	15,272,565	1.55	17,619,784	1.52
Securities purchased	51,367,824	1.39	49,426,109	2.44
Securities purchased under agreements to resell	2,510,687	0.81	-	-
Receivables of credit cards	25,418,504	14.31	19,356,279	14.87
Bills, discounts and loans	240,121,560	3.40	180,280,515	3.96
Long-term bond investments	6,384,168	2.08	1,646,479	3.11
Other long-term investments	1,823,816	1.69	-	-

	2004		2003	
	Average Balance	Average Rate%	Average Balance	Average Rate%
Interest-bearing liabilities				
Securities sold under agreements to repurchase	\$11,414,941	0.80	\$ -	-
Due to banks	26,677,506	1.31	28,357,388	1.16
Demand	31,711,638	0.18	23,076,362	0.26
Savings-demand	70,520,794	0.54	52,851,142	0.69
Time	81,163,817	1.26	68,817,865	1.53
Savings-time	82,407,110	1.45	78,478,447	1.87
Negotiable certificates of deposit	13,267,152	1.03	3,077,525	1.13
Bonds	23,660,073	1.86	11,045,479	3.21

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of assets and liabilities of the Bank is based on the remaining period from balance sheet dates. The remaining period to maturity is based on maturity dates specified under related agreements and, if there are no specified maturity dates, on the expected dates of collection.

	2004/12/31			
	Due in One Year	Due after One year up to seven years	Due After seven years	Total
Assets				
Cash and cash equivalents	\$ 7,899,575	\$ -	\$ -	\$ 7,899,575
Due from the Central Bank of China and banks	27,671,867	-	-	27,671,867
Securities purchased under agreements to resell	5,569,238	-	-	5,569,238
Securities purchased	54,815,405	-	-	54,815,405
Receivables	30,792,960	-	-	30,792,960
Bills, discounts and loans	79,445,646	51,294,233	146,431,404	277,171,283
Long-term bond investments	-	-	7,208,804	7,208,804
Other long-term investments	-	3,632,239	-	3,632,339
Refundable deposit	960,864	-	-	960,864
	<u>\$207,155,555</u>	<u>\$ 54,926,572</u>	<u>\$ 153,640,208</u>	<u>\$ 415,722,335</u>
Liabilities				
Securities sold under agreements to repurchase	\$10,676,519	\$ -	\$ -	\$ 10,676,519
Due to banks	21,568,711	-	-	21,568,711
Payables	6,464,381	-	-	6,464,381
Deposits and remittances	319,930,264	11,041,251	-	330,971,515
Bonds	400,000	29,200,000	-	29,600,000
	<u>\$359,039,875</u>	<u>\$40,241,251</u>	<u>\$ -</u>	<u>\$ 399,281,126</u>

	2003/12/31			
	Due in One Year	Due after One year up to seven years	Due After seven years	Total
Assets				
Cash and cash equivalents	\$ 6,886,834	\$ -	\$ -	\$ 6,886,834
Due from the Central Bank of China and banks	15,868,370	-	-	15,868,370
Securities purchased	42,870,451	-	-	42,870,451
Receivables	25,300,175	-	-	25,300,175
Bills, discounts and loans	63,956,107	47,204,336	90,079,613	201,240,056
Long-term bond investments	-	-	5,774,733	5,774,733
Refundable deposit	851,341	-	-	851,241
	<u>\$155,733,278</u>	<u>\$ 47,204,336</u>	<u>\$ 95,854,346</u>	<u>\$ 298,791,960</u>
Liabilities				
Due to banks	\$21,664,199	\$ -	\$ -	\$ 21,664,199
Payables	5,287,111	-	-	5,287,111
Deposits and remittances	233,749,660	13,266,811	-	247,016,471
Bonds	-	15,000,000	-	15,000,000
	<u>\$260,700,970</u>	<u>\$28,266,811</u>	<u>\$ -</u>	<u>\$ 288,967,781</u>

31.FINANCIAL INSTRUMENTS

a.Derivative financial instruments

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

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

The acceptability of doing business with another bank is evaluated on the basis of its world ranking and credit rating. The evaluation also covers determining the limits on contractual amounts with respect to the bank counter-parties, and the transactions are made within this limit.

The contract (nominal) amounts, credit risks, and fair values of derivative transactions as of December 31, 2004 and 2003 were as follows:

Trading purposes	2004			2003		
	Contract (Nominal)	Credit Risk	Fair Value	Contract (Nominal)	Credit Risk	Fair Value
Forward exchange contracts	\$ 9,750,002	\$90,833	(\$ 34,974)	\$ 1,583,647	\$ 6,647	\$ 261
Foreign-currency swap contracts	6,037,084	8,115	5,182	14,319,423	8,776	150
Interest rate swap contracts	3,424,200	15,182	3,010	10,000,000	169,735	(9,704)
Cross-currency swap contracts	5,321,177	270,825	222,495	-	-	-
Foreign-currency option contracts						
Buy	25,631,023	534,367	534,367	1,533,956	58,228	58,745
Sell	24,361,892	-	(563,393)	1,533,956	-	(58,745)
Nontrading purposes						
Asset swap contracts	8,894,881	463,428	260,784	7,653,800	20,547	(113,269)
Cross-currency swap contracts	6,159,825	246,415	210,230	5,500,044	52,705	31,109
Interest rate swap contracts	19,300,000	389,273	(140,533)	5,000,000	151,337	151,337
Credit default swap contracts	317,680	266	144	-	-	-

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

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

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

	2004	2003
Forward exchange contract (under "foreign exchange gain, net")	\$ 402,842	\$ 116,973
Foreign-currency swap contracts		
Interest revenue	\$ 72,906	\$ 46,476
Interest expense	(9,246)	(13,195)
	\$ 63,660	\$ 33,281
Asset swap contract (under "interest revenue")	\$ 24,703	\$ 3,609
Cross-currency swap contracts		
Gains on derivative transactions	\$ -	\$ 92,905
Interest revenue	172,305	92,747
Interest expense	(160,126)	(76,571)
	\$ 12,179	\$ 109,081
Interest rate swap contracts		
Gains on derivative transactions	\$ 244,091	\$ 217,396
Loss on derivative transactions	(725)	-
Interest expense reduction	207,962	\$ 102,688
	\$ 451,328	\$ 320,084
Foreign-currency margin contracts (under "foreign exchange gain, net")	\$ 119,523	\$ 103,792
Foreign-currency option contract		
Gains on derivative transactions	\$ 1,031,511	\$ 41,209
Loss on derivative transactions	(921,417)	(36,906)
	\$ 110,094	\$ 4,303

b.Fair value of nonderivative financial instruments

Assets	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Asset with fair value the same as the carrying value	\$346,967,600	\$346,967,600	247,047,431	\$247,047,431
Securities purchased	54,815,405	55,271,308	36,262,455	36,358,830
Long-term investments	11,624,627	11,473,142	10,512,806	12,768,155
Liabilities				
Liability with fair value the same as the carrying value	398,726,171	398,726,171	289,230,694	289,230,694

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

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

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

3)Bills, discounts and loans, deposits and bonds are interest-bearing financial assets and liabilities. Thus, their carrying value represents current fair value.

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

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

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

The interest rates for loans ranged from 1.20% to 18.25% in 2004 and 1.00% to 18.25% in 2003. The highest interest rate for credit cards was 19.71% in both 2004 and 2003.

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

The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2004 and 2003 were as follows:

	2004	2003
Credit card commitments	\$ 228,563,223	\$ 190,074,198
Guarantees and issuance of letter of credit	8,359,827	10,328,590

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

The Bank evaluates the creditworthiness of each credit application case by case, taking into account the applicant's credit history, credit rating and financial condition. Collateral, mostly in the form of real estate, cash, inventories and marketable securities, may be required depending on the evaluation result. As of December 31, 2004 and 2003, about 63% and 58% of total loans granted, respectively, and about 25% for both years of the aggregate guarantees and letters of credit issued were secured. No collateral is required for credit card facilities but the credit status of each credit card holder is closely monitored. Depending on the results of credit status monitoring, appropriate measures are adopted, including amending the credit limit and, if necessary, cancellation of the facility.

d.Information on concentrations of credit risks

The concentration of credit risk exists when counter-parties to financial transactions are individuals or groups engaged in similar activities or activities in the same region, which would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. The concentrations of credit risk were as follows (10% or more of the outstanding loans):

	2004		2003	
	Amount	%	Amount	%
Natural person	\$170,581,201	61	\$109,502,010	53
Manufacturing	41,453,228	15	32,869,364	16

32.RISK MANAGEMENT POLICIES AND PARTIES FOR CREDIT RISK, MARKET RISK, LIQUIDITY RISK, OPERATION RISK, LEGAL RISK AND MAJOR EXPOSURE

a. Credit risk

1. Asset Liquidity

Unit: NT\$1,000%

	2004.12.31	2003.12.31
Nonperforming loans (overdue loans included)	2,438,734	2,381,188
Overdue loans	1,829,381	1,677,190
Nonperforming loans ratio	0.88	1.18
Surveillance loans	7,87,924	821,022
Surveillance loans/Total loan	0.28	0.41
Allowance for possible losses on loans and receivables	1,811,699	2,169,760

Note 1: Nonperforming loans represent the amounts of reported nonperforming loans, as required by the Ministry of Finance (MOF) rulings dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564)

Note 2: Nonperforming loans ratio = Nonperforming loans (including overdue loans) / (Outstanding loan balances + Overdue loans)

Note 3: Surveillance loans

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

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

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

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

2. Concentrations of credit risk

Unit: NT\$1,000

	2004.12.31	2003.12.31
Credit to interested party	5,171,371	3,981,127
Credit to interested party/Total credit	1.84	1.92
Credit with stock pledged/Total credit	0.40	1.02

Loan concentration by industry	2004.12.31		2003.12.31	
	Type of Industry	%	Type of Industry	%
industry	1. Manufacturing	15	1. Manufacturing	16
	2. Finance, insurance and real estate	10	2. Finance, insurance and real estate	12
	3. Wholesale, retail and catering	6	3. Wholesale, retail and catering	6

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

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

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

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

b. Market risk

1. Net positions on foreign-currency transactions

Unit: In Thousands of Dollars

The net position on foreign-currency transaction (market risk)	2004.12.31		2003.12.31	
	Currency	NT\$	Currency	NT\$
	USD(21,112)	(\$ 670,686)	USD(35,003)	(\$ 1,190,032)
	HKD(102,329)	(417,973)	HKD 113,218	495,793
	SGD9,382	182,325	EUR1,050	44,877
	JPY508,226	157,093	GBP 406	24,581
	RMB(19,044)	(73,097)	NZD976	21,657

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

2. Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Note 29

3. Sensitivity ratios

Unit: %

	2004.12.31	2003.12.31
Ratio of interest rate-sensitive assets to liabilities	82.35	84.48
Ratio of interest rate-sensitivity gap to stockholders' equity	(165.33)	(149.38)

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

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

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

c. Liquidity

1. Profitability

	2004	2003
Return on assets	2.25	1.44
Return on equity	31.03	21.37
Net income ratio	34.36	20.44

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

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

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

d. Income before income tax or net income represents income for the years ended December 31, 2004 and 2003.

e. The profitability is expressed on annual basis.

2. Liquidity analysis of assets and liabilities as of December 31, 2004

	Total	Period Remaining until Due Date				
		0-30Days	31-90Days	91-180Days	181Daysto1Year	Over 1 Year
Assets	\$387,170,000	\$65,843,000	\$19,126,000	\$14,359,000	\$28,207,000	\$259,635,000
Liabilities	360,827,000	41,143,000	45,411,000	164,330,000	66,894,000	43,049,000
Gap	26,343,000	24,700,000	(26,285,000)	(149,971,000)	(38,687,000)	216,586,000
Accumulated gap	26,343,000	24,700,000	(1,585,000)	(151,556,000)	(190,243,000)	26,343,000

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

d. Operation and legal risk

Matters Requiring Special Notation

December 31, 2004

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

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

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

33. INFORMATION REGARDING BORROWERS, GUARANTORS AND COLLATERAL PROVIDERS AS INTERESTED PARTIES

Unit:NT\$1,000

Category	Account Volume	2004.12.31 Amount	Possibility of Loss
Consumer loans (Note 1)	408	\$ 95,467	-
Loan for employees' mortgage housing	481	906,960	-
Other loans (Note 2)	397	4,168,943	-
Guarantees	768	1,901,623	-
Collateral providers	774	2,004,369	-

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

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

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

34. INFORMATION REGARDING THE TRUST BUSINESS UNDER THE TRUST LAW

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

Balance Sheet of Trust
December 31, 2004 and 2003

Trust Assets	2004	2003
Cash in banks	\$ 7,589	\$ 409
Short-term Investments	28,110,551	19,744,466
Total assets	\$ 28,118,140	\$ 19,744,875

Balance Sheet of Trust
December 31, 2004 and 2003

Trust Assets	2004	2003
Trust capital		
Trust by cash	\$ 26,095,800	\$ 19,527,265
Trust by securities	2,022,340	217,610
Total liabilities	\$ 28,118,140	\$ 19,744,875

Balance Sheet of Trust
December 31, 2004 and 2003

Investment Items	2004	2003
Employee deposit trust-demand	\$ 2,112	\$ 409
Collective account-demand	1,467	-
Time	4,010	-
Bonds	9,959	-
Stocks	2,022,390	217,610
Funds	26,078,202	19,526,856
	\$ 28,118,140	\$ 19,744,875

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

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

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

For the year ended December 31, 2004	E.Sun Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	\$ 4,738	\$3,879	\$8,617	E.Sun Bank: 2/3; E.Sun Securities: 1/3. Nevertheless E.Sun Bank Chiayi Branch: 1/3; E.Sun Securities: 2/3.
Broadcasting and security systems	36	36	72	50% each
Networking, monitoring and telephone systems	-	282	282	Based on actual number of equipment used.
Other	1,354	2,634	3,988	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each
	\$6,128	\$6,831	\$12,959	Utilities - based on the actual number of employees Building maintenance expenses - based on space actually occupied

For the year ended December 31, 2004	E.Sun Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	\$ 4,400	\$2,200	\$6,600	E.Sun Bank: 2/3; E.Sun Securities: 1/3. Nevertheless E.Sun Bank Chiayi Branch: 1/3; E.Sun Securities: 2/3.
Fixtures	4,346	3,369	7,715	50% each
Broadcasting and security systems	4,494	4,494	8,988	Signboard, telephone and miscellaneous expenses - based on actual occurrence.
Networking, monitoring and telephone systems	-	1,142	1,142	Insurance and cleaning expenses - 50% each
Others	1,359	2,615	3,974	Utilities - based on the actual number of employees Building maintain expenses - based on space actually occupied
	\$14,599	\$13,820	\$28,419	

Under cooperation arrangements, E.Sun Bank and E.Sun Bills shared some equipment and operating sites since 2004; thus, related expenses were apportioned as follows:

For the year ended December 31, 2004	E.Sun Bank	E.Sun Securities	Total	Apportionment Method
Rental expense	\$ 1,432	\$836	\$2,268	Based on space actually occupied
Fixtures	3,153	1,881	5,034	Based on space actually occupied
Broadcasting and security systems	749	666	1,415	Broadcast and network - based on actual number of equipment used. Security system - E.Sun Bank, E.Sun Bills and E.Sun Capital Co., Ltd. 1/3 each
Networking, monitoring and telephone systems	-	-	-	
Others	298	251	549	Signboard, telephone and miscellaneous expenses - based on actual occurrence. Insurance and cleaning expenses - 50% each
	\$5,632	\$3,634	\$9,266	Utilities - based on the actual number of employees Building maintain expenses - based on space actually occupied

Under cooperation arrangements, the Bank and E.Sun Insurance Broker Co., Ltd. ("ESIB") shared some equipment and operating site, personnel, internet service system and provided cross-selling financial

	2004		2003	
	Amount	%	Amount	%
Operating income	\$ 22,043,908	100	\$ 15,895,023	100
Operating cost	6,113,816	28	6,731,343	42
Gross profit	15,930,092	72	9,163,680	58
Operating expenses	6,667,455	30	5,249,315	33
Operating income	9,262,637	42	3,914,365	25
Nonoperating income and gains	70,486	1	123,619	-
Nonoperating expenses and losses	1,230,244	6	7,679,621	48
Income (loss) before income tax	8,102,879	37	(3,641,637)	(23)
Income tax expense	1,087,147	5	794,418	5
Net income (loss)	\$ 7,015,732	32	(\$ 4,436,055)	(28)
Earnings (loss) per share (NT\$)	\$ 3.84		(\$ 2.44)	

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

To show good faith to employees in order to build a good working relationship, the Bank drew up a "Taking care of employees plan" which let KBB terminate the employee contracts with all employees before the acquisition date and pay the pension and severance to all employees, and the Bank will re-negotiate with each employee for the new wages after the acquisition date. The Bank also came up with a compensation plan for the employees:

a. Calculation standards

1) Those who do not qualify for retiring will get 0.5 base number for each year they worked for KBB as compensations. People who worked less than a year will be calculated by percentages.

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

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

b. Base number

One base number means one month's average salary. Definition of average salary in this plan will be the total salary of the employees from November 1, 2003 to April 30, 2004 divided by six. Those who did not work up to 6 months will tally up their wages and divide by total working days, and then times 30.

The Bank paid \$232,881 thousand to the employees according to this compensation plan, and were recognized as business expenses, and all compensations were paid on October 1, 2004.

37. ADDITIONAL DISCLOSURES

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

a. Related information of significant transactions and investees: Tables 1 to 4 (attached) and Notes 31.

b. Investment in Mainland China: None.

38. SEGMENT AND GEOGRAPHIC INFORMATION

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

TABLE 1

E.SUN COMMERCIAL BANK, LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2004				
				Shares (Thousands)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	Note
E.Sun Finance & Leasing Co., Ltd.	Stocks Gapura Incorporated	-	Long-term investments	705	\$ 18,757	6.22	\$ 17,525	1
	Government bonds A832	-	Long-term investments	-	3,000	-	3,000	\$6,911 thousand of Government bonds placed with courts of justice for collection case on overdue loan
	A854	-	Long-term investments	-	1,000	-	1,000	
	A862	-	Long-term investments	-	4,378	-	4,383	
	A861	-	Long-term investments	-	4,911	-	4,920	
Kao Li Real-Estate	Stocks Far Eastern Textile Ltd.	-	Short-term investments	26	1,800	-	655	2
	Lan F Textile Co., Ltd.	-	Short-term investments	200	3,044	-	2,054	2
	BenQ Corporation	-	Short-term investments	10	1,377	-	354	2
	Acer Incorporated	-	Short-term investments	12	1,948	-	642	2
	Mega Financial Holding Co., Ltd	-	Short-term investments	11	456	-	232	2
	Baotek Industrial Materials Co.,Ltd.	-	Short-term investments	10	361	-	107	2
	Kent World Co., Ltd.	-	Short-term investments	16	495	-	174	2
	Funds	-		126	3,507	-	2,182	2
	Poaris 2001 Fund	-	Short-term investments	262	3,507	-	1,648	2
	Polaris Silicon Valley Fund	-	Short-term investments	96	2,602	-	1,450	2
	Shinkong Competitiveness Fund	-	Short-term investments	208	4,338	-	2,910	2
	Shinkong National Development Fund	-	Short-term investments	309	4,408	-	4,998	2
	Shinkong Chi-Shun Fund	-	Short-term investments	743	10,000	-	10,037	2
	Upamc Home-Run Bond Fund	-	Short-term investments	-	-	-	-	-
E.Sun Capital Co., Ltd	Funds E.Sun Gin-Ru-E Balanced Fund	The Fund management companies is in the same group	Short-term investments	1,414	14,200	-	13,649	2

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

Note 2 : Market value of the listed stock and fund was based on the average closing prices in December 2004 and fund net worth as of December 31, 2004.

TABLE 2

E.SUN COMMERCIAL BANK, LTD.

INVESTEES STOCKS ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares (Thousand)	Amount	Shares (Thousand)	Amount	Shares (Thousand)	Amount	Carrying Value	Gain(Loss) on Disposal	Shares (Thousand)	Amount
E.Sun Commercial Bank,Ltd.	E.Sun Financial Holding Co., Ltd	Long-term investments			325,779	\$ 3,914,375	6,139 (note)	\$ -	331,918	\$6828273	\$3,914,375	\$2,913,898		\$ -

Note : Stock dividend.

TABLE 3

E.SUN COMMERCIAL BANK, LTD.
ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300
MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars)

Company Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Nature of Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
E.Sun Commercial Bank, Ltd	No. 115 and 117 Minsheng E.Rd., Sec. 3 Songshan District, Taipei City 105, Taiwan (R.O.C.) 113 parking space in B1 to B5, 13 units in 1 to 3F and 25 units in 4 to 14F, No. 122-130, Yi 1st Rd., Keelung City Land and buildings	2003.12.11	\$4,280,000	\$3,870,949	Walsin Lihwa Corp.	-	-	-	-	\$ -	Appraisal of DTZ and Honda Appraisers Firm	For use by the head office and business unit	-
		2004.01.28		428,000	Walsin Lihwa Corp.	-	-	-	-	-			
		2004.08.05	562,156	Collaterals assumed in cash from	Transferring ownership of collaterals to creditor Chung Hua Real-Estate Management Corp. (Debtor Wu-Ni-Nan Construction Development Co.)	-	-	-	-	-	Board of Directors decided to authorize conducting Keelung local court first public auction on August 17, 2004	Collect creditor's right immediately	
		2004.09.04	2,284,294	Acquisition	Acquisition of Kaohsiung Business Bank's assets, liabilities and operations	-	-	-	-	Appraisal of Honda Appraisers Firm	To expand the Bank's business, enhance its competitiveness and ensure its long-term development	Follow the contract of acquisition of Kaohsiung Business Bank	

TABLE 4

E.SUN COMMERCIAL BANK, LTD.
NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEES ON
WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		balance as of December 31, 2004			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec.31.2004	Dec.31.2003	Shares (Thousands)	% of Ownership	Carrying Value			
E.Sun Commercial Bank, Ltd.	E.Sun Finance & Leasing Co., Ltd.	Taipei	Leasing and sale of machinery and equipment	\$196,000	\$196,000	19,600	98.99	\$154,241	\$ 22,475	\$ 22,248	
	E.Sun Insurance Agent Co., Ltd.	Taipei	Life insurance agent	3,950	3,950	1,280	79.00	18,042	455	168	
	Kao Li Real-Estate Management Co.	Kaohsiung	Construction management	11,832	-	1,500	30.00	11,289	(2,501)	(543)	

5. Review and Analyses of Financial Status and Results

(1) Review and Analyses of Significant Capital Expenditure and Related Capital Resources

1.Scheduled Cash Outflows and Capital Resources for Significant Capital Expenditure.

(In Thousands of New Taiwan Dollars)

Item	Actual/ Expected Capital Resources	Actual/ Expected Completed Date	Total Required Capital	Actual/Expected Cash Flow Schedule						
				2003	2004	2005	2006	2007	2008	2009
Sindian Branch	Capital Stock	2003	14,024	14,024						
Songshan Branch		2003	19,054	19,054						
Head Office		2005	4,580,000	3,852,000	596,000	132,000				
Nankan Branch		2004	14,461		14,461					
Jhonglun Branch		2004	14,406		14,406					
Heping Branch		2004	16,595		16,595					
Chihsien Branch		2004	17,790		17,790					
Learning & Development Center		2005	1,223,000	120,000	218,350	123,000				
Operation Center		2006	1,550,000			1,350,000	200,000			
New braches and redecoration expenses		2005	232,000			232,000				
New braches and redecoration expenses		2006	120,000				120,000			
New braches and redecoration expenses		2007	64,000					64,000		
New braches and redecoration expenses		2008	32,000						32,000	
New braches and redecoration expenses		2009	32,000							32,000

2.Expected Benefits:

Purchasing the Operation Center is to integrate management processes, decrease rent expenses and enhance competitiveness

Year	Item	Operating Income	Operating Costs	Income from operatings	Note
2005	Operation Center	\$ -	(\$ 21,720)	\$ 21,720	-

(2) Analyses for Liquidity

1.Liquidity Analyses :

No analysis for negative cash inflows from operating activities in 2004.

2.Liquidity Analyses for the Coming Year:

(In Thousands of New Taiwan Dollars)

Cash balance, beginning of the year	Expected net cash flows from operating activities for the coming year	Expected cash outflows for the whole year	Expected cash (1)suplus+/deficit-	Responses for expected cash deficit	
				Plans of investing activities	Plans of financing activities
\$ 7,899,575	(\$ 1,685,148)	\$61,098,034	(\$54,883,607)	-	\$55,402,416
<p>1.Cash flow analysis :</p> <p>(1)Operating activity : Expect to purchase bills and securities for trading purpose. °</p> <p>(2)Investing activity : Expect to increase loan balance.</p> <p>(3)Financing activity : Expect to distribute cash dividend, remuneration of and supervisors, as well as employee bonus.</p> <p>2.Response of expected cash deficit and liquidity analysis :</p> <p>Expect to issue financial debenture, sell bonds under agreement to repurchase and increase deposit balance to respond.</p>					

(3) Operating Result Analyses

1.Operating Result Analyses

(In Thousands of New Taiwan Dollars)

Item \ Year	2004	2003	Changes	
			Amount	Ratio(%)
Operating revenue	\$ 21,201,638	\$ 13,898,432	\$ 7,303,206	53
Operating costs	5,557,143	5,334,985	222,158	4
Gross profit	15,644,495	8,563,447	7,081,048	83
Operating expenses	6,101,229	4,354,843	1,746,386	40
Net operating income	9,543,266	4,208,604	5,334,662	127
Non-operating income	47,254	29,134	18,120	62
Non-operating expenses	1,218,764	47,059	1,171,705	2,490
Income before income tax	8,371,756	4,190,679	4,181,077	100
Income tax	1,087,820	794,418	293,402	37
Net income	\$ 7,283,936	\$ 3,396,261	3,887,675	114
<p>Notes:</p> <p>1.Operating revenue : Mainly due to gain from settling treasury shares of E.Sun FHC through issuing exchangeable bonds and GDR issued by E.Sun FHC.</p> <p>2.Operating expenses : Mainly due to goodwill amortization from acquiring kaohsiung Business bank and related personnel and marketing expenses in 2004.</p> <p>3.Non-operating income : Mainly due to underwriting fee of financial debentures and rebate of Joint Credit Information Center.</p> <p>4. Non-operating expenses : Mainly due to impairment losses in goodwill in 2004.</p> <p>5.Income tax : Mainly due to increase in taxable income in 2004.</p>				

2.Analyses of gross profit changes :

Not available for banks.

E.SUN Commercial Bank, Ltd.

Chairman of the Board

Yung-Jen Huang

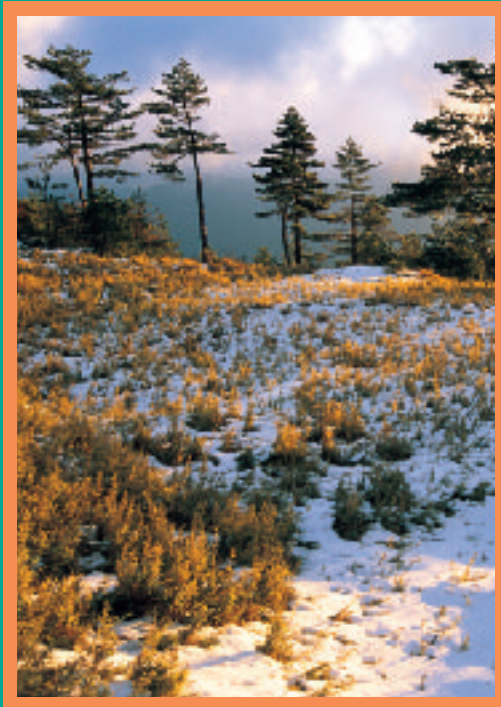
April 15, 2005 Printed

With our heartfelt appreciation and eternal blessing.



玉山銀行服務網

總行營業部	台北市民生東路三段115、117號	(02)2719-1313	中壢分行	桃園縣中壢市中山路126號	(03)427-1313
國際事務部/OBU	台北市民生東路三段115號3樓	(02)2175-1313	壢新分行	桃園縣中壢市民族路328號	(03)492-1313
信託部	台北市永綏街5號2樓	(02)2361-1313	楊梅分行	桃園縣楊梅鎮中山路140號	(03)488-1313
信用卡事業處	台北市武昌街一段64號9樓	(02)2388-1313	新竹分行	新竹市民族路34號	(03)523-1313
南京東路分行	台北市南京東路五段89號	(02)2760-1313	光華分行	新竹市光華街64之2號	(03)533-1313
城中分行	台北市武昌街一段77號	(02)2389-1313	竹南分行	苗栗縣竹南鎮民族街61號	(037)46-1313
城東分行	台北市松江路111號	(02)2504-1313	豐原分行	台中縣豐原市中正路543號	(04)2512-1313
信義分行	台北市基隆路二段41號	(02)2378-1313	台中分行	台中市文心路三段1023號	(04)2291-1313
天母分行	台北市忠誠路一段99號	(02)2835-1313	大墩分行	台中市大墩路768號	(04)2320-1313
民生分行	台北市民生東路三段49號	(02)2509-1313	大里分行	台中縣大里市東榮路312號	(04)2485-1313
復興分行	台北市復興南路一段127號	(02)2771-1313	大雅分行	台中縣大雅鄉民興街35號	(04)2568-1313
敦南分行	台北市敦化南路一段339號	(02)2754-1313	彰化分行	彰化市曉陽路162號	(04)728-1313
長春分行	台北市復興北路178號	(02)2546-1313	南屯分行	台中市南屯區五權西路二段667號	(04)2380-1313
中山分行	台北市中山北路一段145號	(02)2537-1313	斗六分行	雲林縣斗六市太平路227號	(05)532-1313
內湖分行	台北市內湖路一段360巷8號	(02)2659-1313	嘉義分行	嘉義市新榮路242號	(05)223-1313
北天母分行	台北市天母西路26之1號	(02)2877-1313	東嘉義分行	嘉義市民族路442號	(05)216-1313
松山分行	台北市永吉路356號	(02)3765-1313	佳里分行	台南縣佳里鎮延平路351號	(06)721-1313
和平分行	台北市和平東路一段216號	(02)2362-1313	台南分行	台南市民生路二段76號	(06)241-1313
民權分行	台北市民權西路48號	(02)2568-1313	東台南分行	台南市東區崇學路138號	(06)289-1313
中崙分行	台北市八德路三段97號	(02)2577-1313	永康分行	台南縣永康市永大路二段1518號	(06)201-1313
大安分行	台北市復興南路二段237號	(02)2755-1313	高雄分行	高雄市苓雅區四維四路3號	(07)336-1313
古亭分行	台北市南昌路二段220號	(02)2364-1313	前鎮分行	高雄市前鎮區永豐路89號	(07)761-1313
北投分行	台北市中央北路一段191號	(02)2895-1313	七賢分行	高雄市新興區林森一路233號	(07)235-1313
東湖分行	台北市內湖區金湖路368號	(02)2632-1313	北高雄分行	高雄市左營區明誠二路118號	(07)350-1313
新莊分行	新莊市中正路393號	(02)2202-1313	大順分行	高雄市苓雅區大順三路88號	(07)727-1313
北新莊分行	新莊市中華路二段65號	(02)2997-1313	左營分行	高雄市左營區左營大路64號	(07)587-1313
雙和分行	永和中山路一段320號	(02)2923-1313	楠梓分行	高雄市楠梓區藍昌路8號	(07)364-1313
永和分行	永和中正路145號	(02)2949-1313	苓雅分行	高雄市苓雅區和平二路305號	(07)716-1313
福和分行	永和市永和路一段69號	(02)8923-1313	三民分行	高雄市三民區博愛一路195號	(07)315-1313
中和分行	中和市中山路二段389號	(02)2222-1313	大昌分行	高雄市三民區鼎中路343號	(07)341-1313
連城分行	中和市中正路702號	(02)8228-1313	澄清分行	高雄市三民區澄和路147號	(07)386-1313
板橋分行	板橋市三民路二段188號	(02)2963-1313	小港分行	高雄市小港區康莊路47號	(07)807-1313
板新分行	板橋市忠孝路37號	(02)8952-1313	鎮東分行	高雄市前鎮區瑞隆路474號	(07)715-0943
海山分行	板橋市文化路一段120號	(02)2256-1313	鳳山分行	高雄縣鳳山市五甲一路100號	(07)743-1313
三重分行	三重市三和路四段380號	(02)2280-1313	岡山分行	高雄縣岡山鎮壽天路99號	(07)621-1313
重新分行	三重市重新路四段65號	(02)2984-1313	林園分行	高雄縣林園鄉林園北路343號	(07)643-1313
二重分行	三重市光復路一段85之1號	(02)2278-1313	後庄分行	高雄縣大寮鄉鳳屏一路492號	(07)701-2030
土城分行	土城市裕民路116號	(02)2274-1313	屏東分行	屏東縣屏東市永福路9號	(08)733-1313
樹林分行	樹林市中山路一段103號	(02)8675-1313	潮州分行	屏東縣潮州鎮中山路158號	(08)786-1313
迴龍分行	樹林市三俊街114號	(02)2689-1313	東港分行	屏東縣東港鎮中山路75號	(08)835-1313
五股分行	五股鄉五權路1號	(02)2290-1313	內埔分行	屏東縣內埔鄉南寧路71號	(08)778-1313
新店分行	新店市民權路69號	(02)2916-1313	基隆分行	基隆市中正區義一路122號	(02)2427-1313
北新分行	新店市北新路一段10號	(02)8911-1313	羅東分行	宜蘭縣羅東鎮公正路154號	(03)957-1313
桃園分行	桃園市三民路二段300號	(03)332-1313	澎湖分行	澎湖縣馬公市民生路2號	(06)927-1313
林口分行	桃園縣龜山鄉復興一路230號	(03)396-1313	洛杉磯分行	17700 Castleton street Suite 500, City of Industry C.A. 91748 USA	1-626-810-2400
南崁分行	桃園縣蘆竹鄉中正路346號	(03)352-1313	香港分行	香港灣仔港灣道18號中環廣場52樓5208室	852-3405-6168
八德分行	桃園縣八德市介壽路一段870號	(03)367-1313			



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