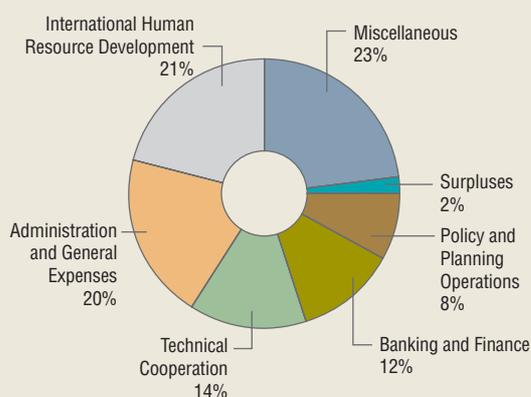


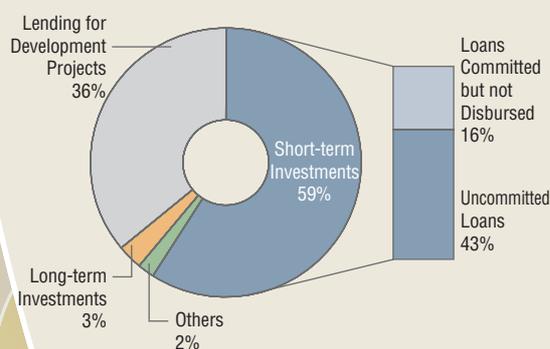
Financial Management

The goal of the TaiwanICDF's financial management is to ensure that the organization has sufficient funds to carry out its operations, maintain its financial security, and achieve sustainable development. As a non-profit entity, the TaiwanICDF values liquidity and stability in order to accomplish its operational objectives. It builds various investment portfolios in order to diversify financial risk, achieve reasonable returns, and manage disbursement procedures and principal repayments for lending projects.

Departmental Operations Expenses in 2004



Fund Utilization in 2004



Utilization

The TaiwanICDF's financial assets come predominantly from its initial fund and accumulated surpluses. The initial fund is used to carry out investment and lending and credit guarantee projects that focus on economic and social development. Uncommitted portions are set aside in deposits, commercial papers, bonds, mutual funds, and stocks, etc.

The accumulated surpluses consist of interest payments from development-based loans, credit guarantee fees, and short-term investment income. These inflows cover departmental operations for technical cooperation, international human resource development, banking and finance, policy and planning (including humanitarian assistance), as well as for administration and general expenses. The fund utilization is illustrated in the chart on the bottom left.

Procedural Management for Lending Projects

Since its inception, the TaiwanICDF has been involved in a total of 66 lending projects. Loan information including repayment terms, interest rates, and grace periods are shown in the table below.

The TaiwanICDF committed US\$493.97 million by the end of 2004. Of this sum, US\$363.03 million has already been disbursed, equal to 73.49 percent of total commitments, while the aggregate principal repay-

Loan Terms

Item	Average
Years of Loans	17.67
Interest Rate (%)*	3.54
Grace Period (Years)	5.05
Avg. Commitment (Thousand, US\$)	7,484

* Excluding the Small Farmholders' Financing Scheme

ments have totaled US\$164.04 million, translating to 33.21 percent of accumulated disbursements.

The chart at the bottom of the page illustrates the commitments, accumulated disbursements, and principal repayments over the years.

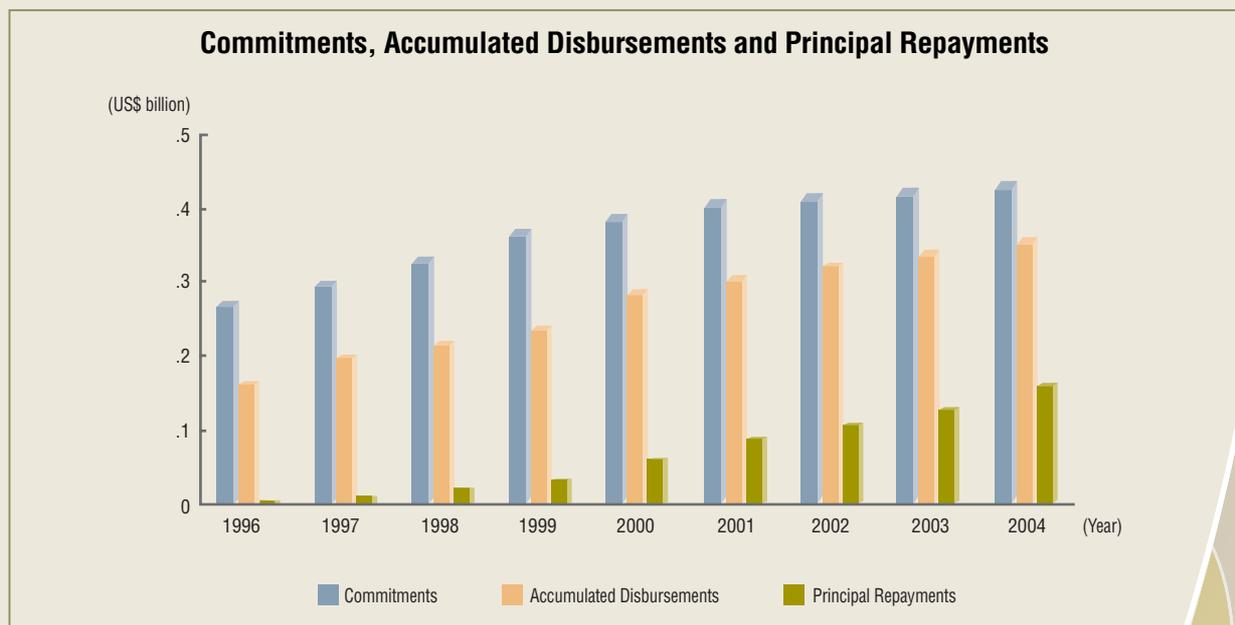
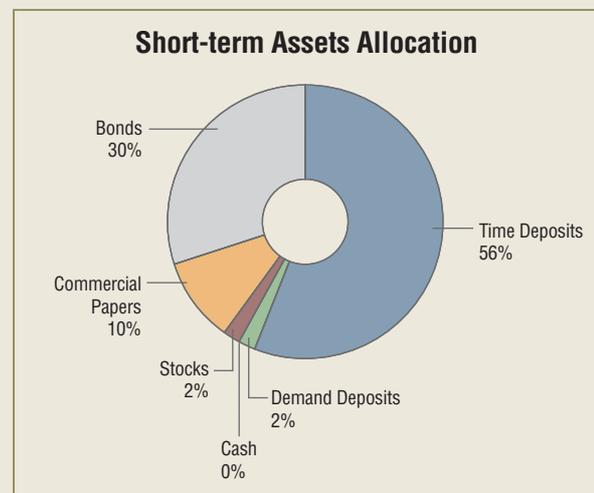
To express the quality of the TaiwanICDF's assets in an appropriate manner, bad debt allowances of up to NT\$315.28 million were provisioned in 2004.

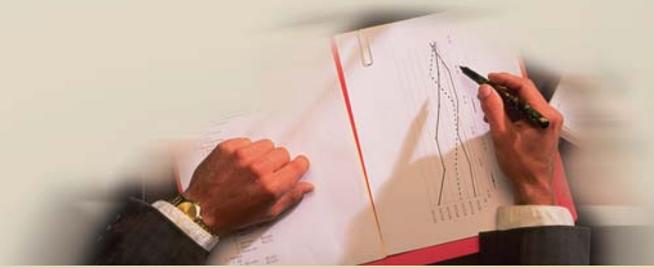
Short-term Investments

Short-term investments in 2004 were allocated primarily in time deposits, bonds (including government bonds, debentures, and corporate bonds) and commercial papers. However, with authorization from the Board of Directors and Supervisors, the TaiwanICDF employs discretionary investment services of up to NT\$300 million.

The chart to the right displays the allocation of short-term assets at the end of 2004. Over the past

year, interest rates have come off historical lows. To avoid risks associated with a further rise in rates, funds amassed from maturing bonds have been transferred to time deposits. As such, the proportion of funds in time deposits is quite high. Further adjustments in the allocation of assets will be made in line with continued interest rate hikes.





Prospects

In the past, the TaiwanICDF's assets were primarily in NT dollar- or US dollar-denominated instruments. In light of operational needs and to minimize exchange rate risks, the Fund will include assets in other currencies. This change is expected to lend further stability to the value of the TaiwanICDF's

assets. In fact, the Fund's resources will be utilized in a more multifaceted manner in the future in the wake of asset management guideline amendments. The TaiwanICDF will invest in appropriate assets in strong economies throughout the world to achieve its goal of diversifying risks.

Historical Comparison of Short-term Investment Returns and One-year Bank Interest Rates

