



**Caring makes all the difference.**

**By listening to you with all our hearts,  
By serving you with care,  
Against all odds,  
We had an outstanding year in 2003.**

**Now, we'd like to share with you:  
How caring has made all the difference.**



# Financial Highlights

ITEMS	2003 CONSOLIDATED		2003 CONSOLIDATED EXCLUDING GCB	
	NTD	USD <sup>2</sup>	NTD	USD
<b>FOR THE YEAR</b>				
Income before Income Tax	9,100	268	19,144	563
Net Income	7,716	227	15,212	448
<b>AT THE YEAR END</b>				
Total Assets	1,213,211	35,706	–	–
Stockholders' Equity	93,950	2,765	–	–
<b>PER SHARE</b>				
Earnings per Share - before income tax	1.70	0.05	3.80	0.11
Earnings per Share - after income tax	1.42	0.04	2.99	0.09
Stockholders' Equity per Share - common stock	15.34	0.45	16.10	0.47
Group Capital Adequacy Ratio <sup>4</sup>	124.73%		–	
Return on Equity - after income tax; common stock	9.47%		19.84%	
Return on Assets - after income tax	0.72%		1.54%	

1. CFHC was established on the May 17, 2002. The pro-forma consolidated financials of 2002 is based on the assumption that CFHC was established on the Jan.1, 2002.  
 2. U.S. Dollars amounts are converted at the prevailing exchange rate on Dec. 31, 2002 of NT\$34.753=US\$1  
 3. U.S. Dollars amounts are converted at the prevailing exchange rate on Dec. 31, 2003 of NT\$33.978=US\$1  
 4. If not including convertible bonds, then the group capital adequacy ratio as of 2003 will be 106.58%.

In Million, except per share data

2002 CONSOLIDATED <sup>1</sup>

NTD USD<sup>3</sup>

15,622 450

11,763 339

936,600 26,950

79,146 2,277

3.08 0.09

2.29 0.07

15.65 0.45

150.84%

16.92%

1.29%

# To Our Shareholders

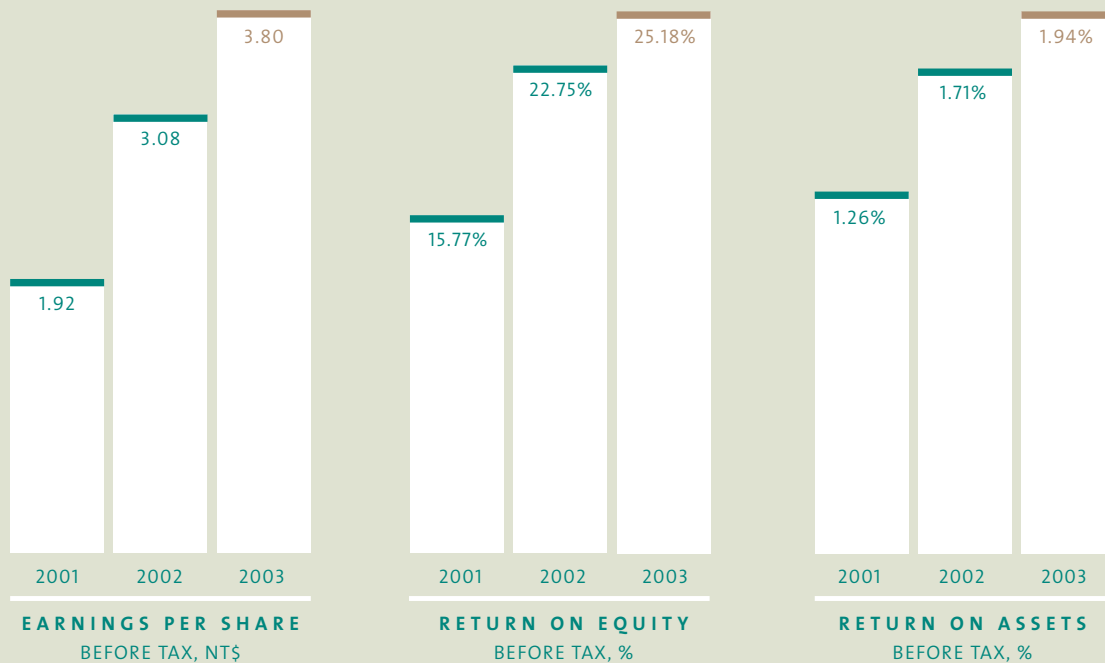
Year 2003 was challenging for everyone. The SARS outbreak and the war in Iraq contributed to the general economic slump in Taiwan and across Asia. Competition in the financial industry had also intensified as local banks began to emerge from several years of aggressive financial reforms. Despite such challenging times, Chinatrust Financial Holding Company (CFHC) had another outstanding year in 2003.

As a part of its “bank-centric” strategy, CFHC acquired Grand Commercial Bank (GCB) and set up new subsidiaries to expand the product lines. Cross-selling was used to generate higher fee income, and we further fine-tuned our customer-oriented services to ensure major retail and corporate business growth. We also set up an independent “Risk and Capital Committee” for establishing and monitoring risk management policies. Together, they provided CFHC with a solid platform for strong and sustainable growth.

## *Successfully Merged with Grand Commercial Bank*

In 2003, as a part of its “bank-centric” strategy, CFHC expanded its banking channels and business. It is our belief that people have their strongest relationship with banks and trust banks over other financial institutions. Our ability to apply that belief to our business practice and provide integrated services to our customers has helped differentiate ourselves from our competitors and made us the most profitable financial holding company in 2002.

CFHC acquired Grand Commercial Bank (GCB) on September 30, 2003. Only two months later, on December 1, 2003, we merged GCB into Chinatrust Commercial Bank (CTCB). The merger was completed on January 27, 2004, when GCB’s IT system was successfully integrated into CTCB’s systems. Already, the merger is considered the fastest and smoothest bank merger in Taiwan’s financial history. This demonstrates our outstanding execution capabilities and serves as a basis for



NOTES: 1. Since CFHC was established on May 17, 2002, 2001 and 2002 figures are based on pro forma consolidated financial reports of CFHC. 2003 figures are based on pro forma consolidated financial reports of CFHC (excluding GCB).

2. 2003 consolidated figures (including GCB) of CFHC are as follows: The pretax earnings per share was NT\$ 1.70 / The pretax return on average shareholders’ equity (common stock) was 11.32% / The pretax return on average assets was 0.85%.



In retail business, CFHC's income before income tax reached NT\$10.6 billion, an unprecedented record in Taiwan's financial industry for a single business unit.

**NT\$ 10.6**  
*billion*

## To Our Shareholders

future mergers and acquisitions.

The merger has effectively secured CTCB's position as the largest private bank in Taiwan. At the end of 2003, CTCB's consolidated assets increased to over NT\$1 trillion, with deposits reaching NT\$944.3 billion and loans NT\$691.0 billion. The number of CTCB branches increased from 58 to 101 nationwide; likewise, the number of ATMs reached 2,600, more than double the number of machines of any other bank in the country. We were thus able to provide financial services to more customers, increase our market share and strengthen the relationship with our customers.

### *Set up Subsidiaries to Expand Product Lines*

CFHC is also expanding its product line to provide customers with a comprehensive range of services, thereby gaining more business opportunities. In 2003 we set-up two new subsidiaries: Chinatrust Venture Capital and Chinatrust Asset

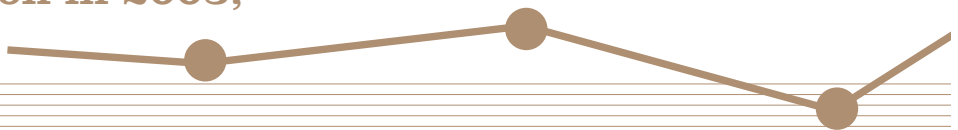
Management. We also obtained approval to bring Chinatrust Bills Finance into our fold.

Chinatrust Venture Capital was established in March 2003. It offers business investment, management and financial consultation services, by leveraging the network and customer base of both CTCB and Chinatrust Securities. Chinatrust Asset Management, on the other hand, focuses on capturing potential business opportunities from the restructuring of non-performing assets resulting from Taiwan's continuing financial reforms. Its expertise in credit management and collection, along with strategic alliances with world-renowned business institutions, helps it in its goal of becoming a leader in the domestic and international non-performing assets market.

Moreover, to foster brand awareness and increase the effectiveness of cross-selling, we have adopted the policy of naming our subsidiaries with the prefix "Chinatrust." Thus, in

*an increase of* **54%**

**In corporate business, the income before income tax grew from NT\$5.2 billion in 2002 to NT\$8.1 billion in 2003, an increase of 54%.**



2003, we renamed two subsidiaries: Chinatrust Securities and Chinatrust Insurance, in accordance with this policy.

### **Effective Cross-selling to Spur High Fee Income Growth**

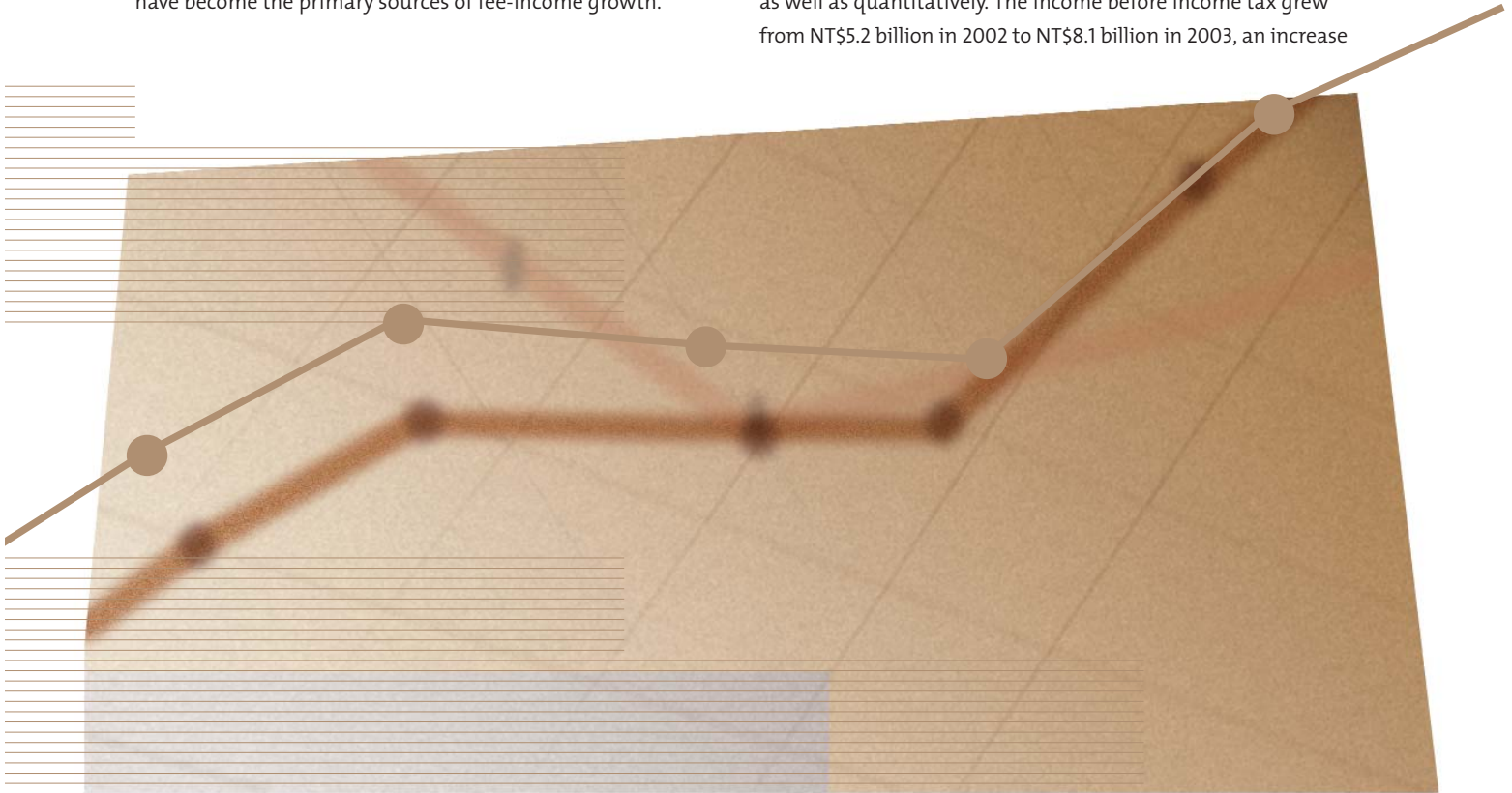
Contrary to the local banking practice of relying heavily on loan business, CTCB emphasizes on the importance of fee income. We continue to introduce innovative products geared towards generating fee income, which has now become a new trend in the industry.

Since the establishment of CFHC, the deployment of the bank-centric strategy has reaped substantial increase in fee income through cross-selling among the subsidiaries. In 2003, CFHC netted a total fee income of NT\$13.2 billion, a remarkable 26% growth from the NT\$10.5 billion of 2002. The fast-growing wealth management business and new corporate products have become the primary sources of fee-income growth.

### **Customer-oriented Organization to Ensure Major Growth of Retail and Corporate Businesses**

Over the years, CFHC has led the industry by providing customer-oriented services through the Retail Group and the Institutional Group. In 2003, CFHC's income before income tax from retail business reached NT\$10.6 billion, an unprecedented record in Taiwan's financial industry for a single business unit. Our credit card business has long been the leader in the market. Currently, CTCB has more than six million cards in circulation, accounting for a 16% of the market share. That makes us the largest credit card issuer in Taiwan. In addition, our wealth management business has exceeded its income target by a wide margin to reach NT\$1.6 billion. All its main products have been ranked number one in their respective categories.

Similarly, our corporate business has grown qualitatively as well as quantitatively. The income before income tax grew from NT\$5.2 billion in 2002 to NT\$8.1 billion in 2003, an increase



## To Our Shareholders

of 54%. To make our corporate business more effective, we reduced reliance on conventional loans and increased non-interest income by 40%. All our main products were market leaders in their respective categories. Specifically, we are the number one player in factoring business, reaching a volume of NT\$170.0 billion in 2003. In the online banking business, we rank number one in both business volume and number of transactions.

**Professional Management Earning Wide Recognition**  
CFHC's management capability and profitability have long been recognized internationally. Foreign ownership accounted for over 50% of our common shares at the end of 2003. The ratio was the highest among domestic financial institutions.

The company's outstanding Risk Management capability was recognized by The Asset magazine as "The Best Credit in Taiwan." Euromoney also regarded CTCB as "The Best Managed Banking and Financial Company in Taiwan." These awards are

proofs of our blue-chip performance. In addition, CTCB was granted the "2003 Excellence in Voluntary Enforcement of Self-Discipline" by the Fair Trade Commission. CTCB is the only bank ever to receive such recognition in Taiwan.

In Research and Development, CTCB was the pioneer in introducing plastic currency in the Taiwanese market. In 2003, we introduced the Transparent Cash Card and the Automatic Loan Machine. We received the "Outstanding Celebrity and Elite Award" and "Excellent Product Golden Quality Award" from the Republic of China Consumers Association.

Finally, CTCB was listed by Global Finance among the "World's Best Internet Banks for 2003," and Chinatrust Securities was regarded as the "2003 Taiwan Bond House" by International Financing Review.

**Sustaining High Growth and Highest Earnings Per Share**  
Since its establishment, CFHC has been the leader in earnings per

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*an increase of* **23%**

**The consolidated income before income tax for CFHC, excluding GCB's, grew from NT\$ 15.6 billion in 2002 to NT\$19.1 billion in 2003, an increase of 23%.**

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share among all the 14 domestic financial holding companies, maintaining a double-digit growth every year. In 2003, the consolidated earnings per share of NT\$3.80 remained the highest among peers. The income before income tax also reached a new height. The consolidated income before income tax for CFHC, excluding GCB's, grew from NT\$15.6 billion in 2002 to NT\$19.1 billion in 2003, an increase of 23%. The consolidated pretax return on equity and return on asset reached 25.18% and 1.94% respectively. We have proven to be the financial holding company with the highest earning power in Taiwan.

To maintain our high asset quality standard, we decided to expedite goodwill amortizations and eliminate non-performing loans after the GCB merger. CTCB declared a one-time acquisition cost of NT\$10.1 billion. In 2003, CFHC's consolidated revenue and cost was NT\$63.3 billion and NT\$54.2 billion respectively. The consolidated income before income tax was adjusted to NT\$9.1 billion, meeting the revised financial forecast of NT\$9.0 billion.

### ***Emphasis on Risk Management, Benchmark to International standards***

CFHC has always demanded a standard of high asset quality. After the merger of GCB, we effectively eliminated bad assets. Thus, we managed to maintain the asset quality at the narrow-based NPL ratio of 1.65% and broad-based NPL ratio of 2.41%. We are among the banks with best asset quality in Taiwan. Our coverage ratio of 79.37% was also far above the industry average.

In Risk Management, we set up an independent "Risk and Capital Committee" responsible for establishing risk management policies and monitoring their execution. We followed the Basel II guidelines and completed our risk management model ahead of all other banks. Looking ahead, we will continue to benchmark our performance against world-class leaders in Risk Management.

### ***Congenial Customer Services to Assure Sustainable Shareholder Value***

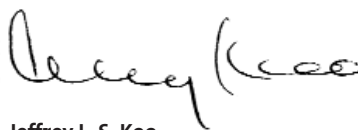
In 2004, we will continue to implement the "bank-centric" strategy and promote cross-selling. Our goals are to complete the resource integration throughout the group and further fine-tune human resources policies.

Since our establishment, transformation has been at the heart of our organization. It has permitted us to build up and increase competence in sales and marketing, management, and operations. The end result is that CTCB has become the most profitable bank and CFHC the financial holding company with the best earning power.

Our core value is to treat our customers as members of a big family, as expressed by our motto: "We Are Family." Only through a culture of honesty, professionalism, and hospitality, will customers be satisfied, their needs fulfilled, and their values asserted. In times of keen competition, satisfied and loyal customers are central to our success in delivering higher value for the shareholders and the society at large.

To care for our customers, we need people with passion and professionalism, and to attract and retain such people to work with us, we need a good working environment. Once in place, these elements will create a virtuous cycle: with increasing benefits for our shareholders, employees, and customers.

Building on our competitive advantages, we will further explore the market in Greater China and work towards creating a world-class name that becomes the pride of Chinese people throughout the world.



**Jeffrey L. S. Koo**  
Chairman



## Who We Are

*A General Description of the Company*





## Chinatrust Financial Holding Company

The Chinatrust Financial Holding Company (CFHC) was founded on May 17, 2002 to provide integrated services to its customers and to establish an international and multi-faceted financial entity in Taiwan. With Chinatrust Commercial Bank (CTCB) as the flagship organization, two CTCB affiliated companies, the Chinatrust Securities Company, and the Chinatrust Insurance Brokers Company were amalgamated into one new organization. Thereafter, CFHC set up the Chinatrust Venture Capital Corp. and the Chinatrust Asset Management Company. The business activities of member companies are divided into two categories: consumer banking and corporate banking. This integrated structure will enable resource sharing and cross-selling and will ensure the provision of multi-faceted financial services across the board to all customers.

In order to expand its operational scale in banking, CFHC acquired Grand Commercial Bank in September 2003. The swiftness of the integration was unprecedented in the country's financial history: the merger was completed in December 2003 and in January 2004, the acquired bank was fully integrated into CFHC. Staff members of Grand Commercial Bank went through intensive in-service training to adapt to the new corporate culture and business environment.

CFHC will continue to uphold its tenet "to maximize the profitability for its shareholders." The company will map out its strategic business plans, strengthen its competitive capabilities, and provide more convenient business facilities and diversified financial services to its customers, in order to become the leader in the industry as well as the best run Chinese financial institution in the world.

### The main objectives of CFHC are:

- To establish Chinatrust Financial Holding Company as a trustworthy financial institution.
- To provide one-stop, all-inclusive, financial services to the satisfaction of its customers.
- To be a pioneer in providing new financial products and a bellwether in the financial sector.
- To be the best run Chinese financial institution in the world.

### CFHC's credit ratings are listed below

Moody's	Issuer Rating: Baa2		
Fitch Ratings Ltd.	Long Term BBB+	Short Term F2	Outlook Stable
Standard & Poor's	Long Term BBB-	Short Term A-3	Outlook Stable

### The following awards have been received

2003	Best Company IR by country from <i>Institutional Investor</i>
	Best Company IR by industry category from <i>Institutional Investor</i>
	Best Credit in Taiwan from <i>The Asset</i>

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## Chinatrust Commercial Bank

### History

The predecessor of Chinatrust Commercial Bank was China Securities Investment Corporation, founded in 1966 as a dealer in securities and underwriting. China Securities Investment Corp. was reorganized as China Trust Company in 1971. Upon approval of the Ministry of Finance, China Trust Company was transformed into Chinatrust Commercial Bank in 1992. These transformations were timed in concert with different economic development stages of Taiwan to meet evolving needs of the industry.

In December 2003, CTCB acquired Grand Commercial Bank. It now has 101 branches throughout the island.

### A Pioneer in Business Activities

Over the years, CTCB has dedicated itself to innovation and development of new financial products, scoring a proud record of being the pioneer in new business activities: It initiated the services of a securities transfer agency, a leasing business, and

an Employees Pension and Savings Trust Funds program backed by services. It issued the first credit card in Taiwan and was the first bank to provide automatic banking services. It extended business hours to 7 p.m. with special business hours on holidays. It set up mini-branches for special clients, and initiated variable interest rates for mortgage loans. In early 2004, the number of credit cards in circulation exceeded 6 million, making CTCB the largest credit card issuer in Taiwan.

With the rapid growth of telecommunications and the Internet, CTCB continues to expand its Mobile Banking and Internet Banking. Through strategic alliance and e-commerce, it provides financial services of e-pay, e-lending, and e-collecting. These services help customers manage their fund usages efficiently.

### Recognition of Performance

Because of its outstanding performance in product development, business activities, and profitability, CTCB has received numerous awards from government agencies, rating agencies, and economic journals. It is the most highly commended bank in Taiwan.

### CTCB's credit ratings are listed below

Moody's	Long Term Baa1	Short Term Prime -2	Outlook Stable
Fitch Ratings Ltd.	Long Term A-	Short Term F2	Outlook Stable
Standard & Poor's	Long Term BBB	Short Term A-3	Outlook Stable

**Who We Are** *A General Description of the Company*



**Honors Received:**

2002	Best Domestic Investment Bank in Taiwan from <i>The Asset</i>
	The Best Retail Bank in Taiwan from <i>The Asian Banker Journal</i>
2003	The Best Emerging Market Bank in Taiwan from <i>Global Finance</i>
	Best Local Bank in Taiwan from <i>Finance Asia</i>
	Best Consumer Internet Bank in Taiwan from <i>Global Finance</i>
	Best Managed Banking and Finaneial compang in Taiwan from <i>Euromoney</i>

**Public Service**

CTCB never forgets to pay back the society for what it has received by way of social service in the form of charities, cultural activities, and medical care as well as sports events, education and environmental protection. For example, it founded the Taiwan Institute of Economic Research and the Sun Yat-Sen Cancer Center. It also built the Novel Hall for artistic performances and sponsored the “Light Up a Life” campaign at Christmas time to raise funds for charity organizations.

In recent years, CTCB also participated in many activities by sponsoring popular exhibitions in Taiwan. These exhibitions included the paintings of Salvador Dali in 2000, Yuan Ming Yuan Relics in 2001, and the Chinese Dinosaur Exhibition in 2002. In 2003 it sponsored the Ancient Egyptian Art from the Louvre. It is hoped that these exhibitions will promote appreciation of foreign arts and culture in Taiwan.

**Worldwide Network**

In order to meet the challenges of rapid liberalization and globalization of the financial services, CTCB has actively undertaken to set up more business offices, both in Taiwan and overseas. As of the end of 2003, it has a total of 101 business offices nationwide and 58 business offices overseas. The overseas units include representative offices in London, Jakarta, Manila, Bangkok, Hanoi, and Beijing; branch offices in Hong Kong, Tokyo, New Delhi, Ho Chi Minh City, New York, and Asuncion; and subsidiary banks in the Philippines, Indonesia, Canada, and the United States. In future, CTCB plans to gain more footholds overseas through merger and acquisition. It also plans to follow Taiwan government’s policies and guidelines to explore extensively the market in Mainland China. Through an extended international network, CTCB aspires to serve all its customers worldwide.



### Chinatrust Insurance Brokers Company

Chinatrust Insurance Brokers Company was established in February 1996 as a subsidiary of Chinatrust Commercial Bank. Its sales network includes direct mail, electronic marketing, telemarketing, OTC sales and personal sales. Scope of property insurance includes fire insurance, engineering insurance, motor insurance, fidelity insurance, and marine cargo insurance. Group and individual life insurances include accident insurance, health insurance, whole life insurance, endowment insurance, and annuity insurance.

In response to the trend of liberalization and globalization of financial services, Chinatrust Insurance Brokers Company actively forms alliance with other insurance companies, and improves professional insurance capabilities. Using multi-faceted risk management and a platform of insurance products, the company provides a series of service products, such as banking, billing and securities trading, to fulfill our obligation in offering the best finance management services to our customers.

### Chinatrust Securities Company

In July 2002, Chinatrust Securities Company officially joined CFHC to further develop its direct financing business and provide more comprehensive securities and financial management services to its clients. In addition to assisting institutional clients in raising funds from the capital markets, CFHC is now actively developing its brokerage and futures businesses in order to offer its clients a full dimension of securities services.

The underwriting business of Chinatrust Securities consists mainly of two areas: One is consulting services to companies in preparation for Initial Public Offerings (IPO) on the Taiwan Stock Exchange (TSE) or Over-The-Counter (OTC) markets, and the other is corporate finance services to companies listed on the Taiwan stock exchange and OTC and seeking capital market financing. For IPO consulting services, Chinatrust Securities assists its clients in specialized areas such as public offering, audit and evaluation of internal control, capital and management rights planning, transfer agent planning as well as underwriting of the initial publicly offered shares. In addition, Chinatrust Securities helps its clients switching from OTC to TSE, mergers for companies listed on the TSE and OTC, and recommendations on emerging stocks. On the corporate finance front, Chinatrust Securities provides planning and underwriting services for capital markets financing, shareholding dilution, and mergers through instruments

## Who We Are *A General Description of the Company*

including cash capital financing of common and preferred stocks, secondary public offering of shares, issuing of convertible corporate bonds or corporate bonds with warrants.

Chinatrust Securities is engaged in various trading businesses, including stocks, bonds, derivatives, and futures products. The company also expects to provide customized derivative products of well-rounded financial services.

In addition to the brokerage division at the headquarter, currently there are 6 branch offices providing brokerage services of the securities and futures listed on TSE, OTC, and Taiwan Futures Exchange. The 6 branch offices include Chung-Hsiao, Chi-Hsien, Ching-Nien, Yung-Kang, Wen-Hsing, and Hsinchu. In the beginning of January 2003, Chinatrust Securities officially began its electronic trading services. It is hoped that through various channels including Internet and telephone, clients would be able to place orders in a safer and more comfortable trading environment.

### **Honor Received:**

2003 Taiwan Bond House from *International Financial Review*



## **Chinatrust Venture Capital Corp.**

Chinatrust Venture Capital Corp. is the venture capital investment arm of CFHC. Its business focus is to participate in a variety of venture capital investment activities in high-tech industries such as information technology, telecommunications, bio-chemistry and healthcare. Special emphasis will be placed on high payback and high risk start-up enterprise investments. Leveraging Chinatrust's financial prowess, Chinatrust Venture Capital Corp. aims to provide corporate customers with a total solution for company development and, at the same time, being their valued investor and partner.

### **Industry Focus**

#### **1. Information Technology and Telecommunications**

Display technologies including liquid crystal display, plasma display and other emerging new display technologies

Integrated circuits/semiconductor designs

Wireless communication systems and components

Telecommunications system/equipment and related components

Next generation PC components and sub-systems

Consumer electronics and related components

Opto-electronics components

Enterprise software and storage management systems

#### **2. Life Science/Healthcare Industry**

Biotech industry

Pharmaceuticals

Diagnostics and medical devices

Other healthcare-related industries

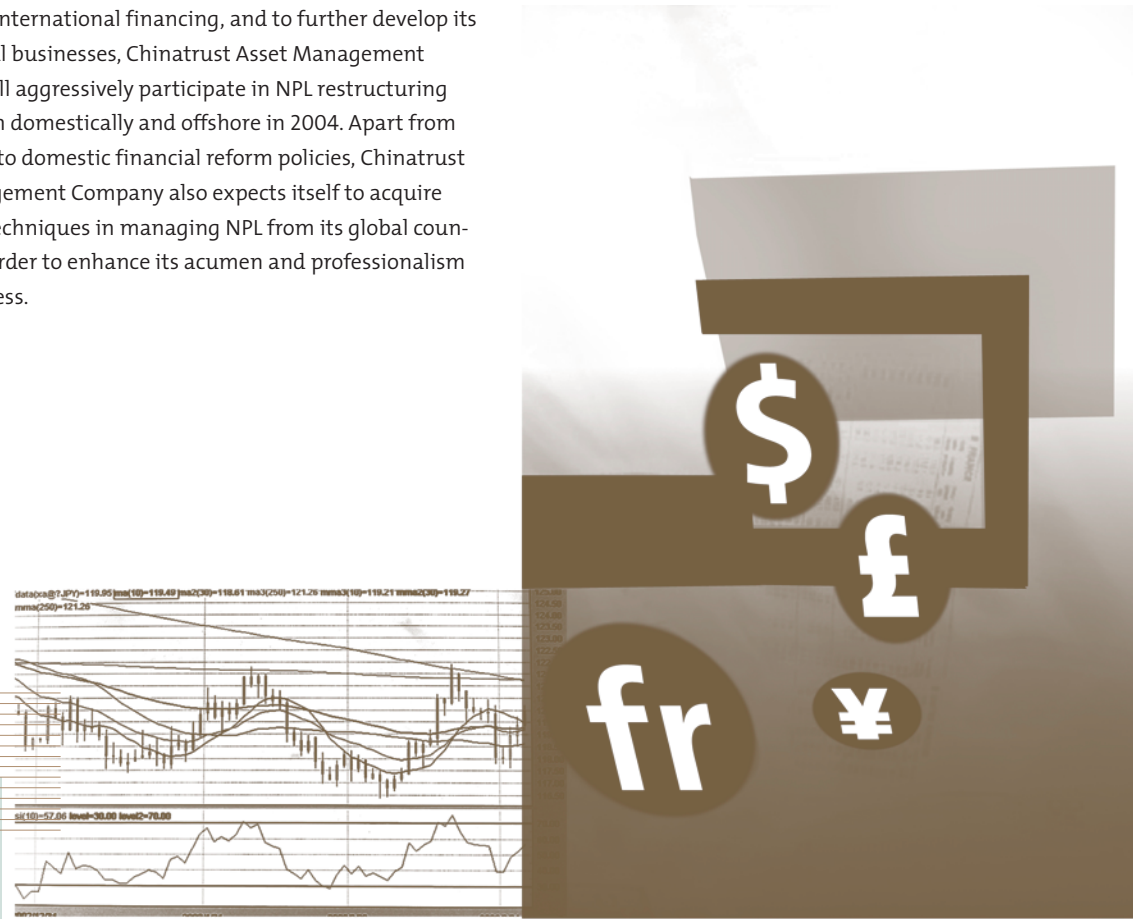
#### **3. Traditional, non-tech industries with high growth prospect**



## Chinatrust Asset Management Company

Chinatrust Asset Management Company was established in May 2003. The main business objective of this company is to capture potential business opportunities from restructuring of the vast amount of non-performing assets resulting from Taiwan's continuing financial reform. Its operations include acquisitions of financial debts from financial institutions as well as management and processing of financial debt assets for financial institutions. With its expertise in loans collection and other related areas, Chinatrust Asset Management Company focuses on strengthening its position in the domestic NPL/non-performing assets market through strategic alliances with world-renowned business institutions.

As of the end of 2003, Chinatrust Asset Management Company had a paid-in capital of NT\$15 billion. In 2003, the Company invested NT\$5 billion in restructuring NPL related businesses in collaboration with various foreign business institutions. In order to promptly react to the trend of globalization and international financing, and to further develop its international businesses, Chinatrust Asset Management Company will aggressively participate in NPL restructuring projects both domestically and offshore in 2004. Apart from conforming to domestic financial reform policies, Chinatrust Asset Management Company also expects itself to acquire additional techniques in managing NPL from its global counterparts in order to enhance its acumen and professionalism in the business.



# The Organization



## Organization Chart

Stockholders' Meeting

Supervisors

Board of Directors

Office of Chief Auditor

Head of Audit

Compliance Officer

Executive Committee

Risk & Capital Management Committee

Credit Policy Committee

Chairman, Vice Chairman

President Office of Retail Group

President Office of Institutional Group

Office of Chief Credit Officer

President

Office of Chief Financial Officer

Financial Controller

Office of Chief Information Officer

Office of Chief Administrative Officer

Office of Chief Strategy Officer

## The Organization

### Directors and Supervisors

December 31, 2003

TITLE	NAME	REPRESENTATIVE	DATE OF ASSIGNMENT	OFFICE TERM	OWNED SHARES UPON ASSIGNMENT	
					No. of Shares	%
Chairman	<b>Jeffrey L. S. Koo</b>		Jun 29, 2001	3	360,387,440	8.14
Vice Chairman	<b>Michael L.C. Jong</b>	Representative of Chung Cheng Investment Ltd.	Jun 29, 2001	3	4,575,040	0.10
Director	<b>Jeffrey J. L. Koo, Jr.</b>	Representative of Kuan Ho Construction & Development Co., Ltd.	Jun 29, 2001	3	54,590,260	1.23
Director	<b>Charles L. F. Lo</b>	Representative of Asia Livestock Co., Ltd.	Jun 29, 2001	3	672,800	0.02
Director	<b>James J. Sheu</b>	Representative of HI Investment Ltd.	Jun 29, 2001	3	104,079,296	2.35
Director	<b>Wen-Long Yen</b>		Jun 29, 2001	3	51,670,563	1.17
Director	<b>Gwo-Yeu Tsai</b>		Jun 29, 2001	3	67,773	0.00
Supervisor	<b>Ming-Shan Shaw</b>	Representative of HI Investment Ltd.	Jun 29, 2001	3	104,079,296	2.35
Supervisor	<b>Shih-Chuan Lin</b>	Representative of HI Investment Ltd.	Jun 29, 2001	3	104,079,296	2.35
Supervisor	<b>T. C. Tsai</b>	Representative of Kuan Ho Construction & Development Co., Ltd.	Jun 29, 2001	3	54,590,260	1.23

### Significant Shareholders of Legal Entities

December 31, 2003

NAME OF LEGAL ENTITY	HI Investment Ltd.	Kuan Ho Construction & Development Co., Ltd.	Chung Cheng Investment Ltd.
MAIN LEAGAL PERSON	<b>Robert Simon Fraser</b>	<b>Wen-Long Yen, 30%</b>	<b>Jeffrey J. L. Koo, 44%</b>
		<b>Mizue Hayashi, 30%</b>	<b>Chung Kwan Investment Co., Ltd., 49%</b>
		<b>Wen-Shi Yen, 10%</b>	
		<b>Wen-Tse Yen, 10%</b>	
		<b>Wen-Hui Yen, 10%</b>	

Note: A main legal person refers to any shareholder whose equity is over 10% or who is one of the top ten shareholders.

PRESENTLY OWNED SHARES		SHARES OWNED BY THE SHAREHOLDERS, SPOUSE AND CHILDREN UNDER THE LEGAL AGES		SIGNIFICANT EXPERIENCE	EDUCATION
No. of Shares	%	No. of Shares	%		
418,514,874	7.61	418,514,874	7.61	Chairman of CTCB	Honorary Ph.D., De La Salle University, Philippines MBA, New York University, USA
5,283,756	0.10	1,259,723	0.02	Director of CTCB	Department of Business Administration, Tamkang University, Taiwan
42,021,188	0.76	3,081,396	0.06	Chairman of CTCB	MBA, The Wharton School, University of Pennsylvania, USA
777,022	0.01	1,165,933	0.02	Deputy President of CTCB	Department of Economics, National Chung Hsing University, Taiwan
85,759,784	1.56	301,108	0.01	Deputy President of CTCB	MBA, The Wharton School, University of Pennsylvania, USA
59,674,823	1.09	59,687,168	1.09	Chairman of United Real Estate Management Corp.	Department of Economics, Soochow University, Taiwan
150,421	0.00	150,421	0.00	Chief, Secretariat, Board of Directors Taiwan Cement Corp.	Department of Law, Soochow University, Taiwan
85,759,784	1.56	0	0.00	Chairman of Ta-Ho Maritime Corp.	Special Commerce Program, College of Law, National Taiwan University, Taiwan
85,759,784	1.56	298,626	0.01	Chairman of Ho-Yeh Investment Co., Ltd.	Department of Economics, National Taiwan University, Taiwan
42,021,188	0.76	1,177,687	0.02	Vice President of Taiwan Fuji Xerox Corp.	Department of Finance and Tax, National Chengchi University, Taiwan

Asia Livestock Co., Ltd.
Wen-Shi Yen, 15%
Chung Kwan Investment Co., Ltd., 15%
Tsai Ming Jih, 15%
Shou-Shih Chen, 15%
Wen-Long Yen, 15%
Wen-Tse Yen, 12.5%
Mizue Hayashi, 12.5%

## The Organization

### The Management Team



#### **Michael L.C. Jong**

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Current Position

**Vice Chairman, Chinatrust Financial Holding Company**

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Significant Experience

**Chief Securities Investment Officer and Spokesman,  
Chinatrust Financial Holding Company  
Chairman of the Board, Chinatrust Securities Company**

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Education

**Institute of Business Administration,  
National Taiwan University, Taiwan  
Tamkang University, Taiwan**



#### **Jeffrey J. L. Koo, Jr.**

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Current Position

**Chairman, Chinatrust Commercial Bank  
President, Chinatrust Financial Holding Company**

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Significant Experience

**President, Chinatrust Commercial Bank  
Executive Vice President, Taiwan Fuji Xerox Corp.**

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Education

**MBA, The Wharton School, University of Pennsylvania, USA  
SooChow University, Taipei, Taiwan**



### **Charles L.F. Lo**

#### Current Position

**Vice Chairman, Chinatrust Commercial Bank**  
**Representative of R.O.C., Product Development and Marketing Committee, VISA International Organization**

#### Significant Experience

**Director, Credit Card Business Committee, The Bankers Association of the Republic of China**  
**Deputy President & Managing Director of Consumer Banking Group, Chinatrust Commercial Bank**  
**President, Chinatrust Financial Holding Company**

#### Education

**National Chung-Hsing University, Taiwan**



### **Eric Chen**

#### Current Position

**President, Chinatrust Commercial Bank**  
**President, Institutional Group, Chinatrust Financial Holding Company**  
**Chairman of the Board, Chinatrust Securities Company**

#### Significant Experience

**Country Officer and Country Head of Corporate Bank in Taiwan, Citigroup**

#### Education

**MBA, The University of Missouri, USA**  
**National Chengchi University, Taiwan**

## The Organization

### The Management Team



#### **Steve R.S. Chou**

**Current Position** President, Retail Group, Chinatrust Financial Holding Company  
Senior Executive Vice President & Managing Director of Retail Banking Group,  
Chinatrust Commercial Bank

**Significant Experience**

Senior Executive Vice President & Managing Director of Corporate Banking Group,  
Chinatrust Commercial Bank  
President of Institutional Group & Deputy Spokesman, Chinatrust Financial Holding Company

**Education** Tamkang University, Taiwan



#### **Steven C. Z. Cheng**

**Current Position** Chief Financial Officer, Chinatrust Financial Holding Company  
Chairman, Chinatrust Bills Finance Corp.  
Chairman, Chinatrust Asset Management Company  
Chairman, Chinatrust Venture Capital Corp.

**Significant Experience**

President, KG Ventures  
Executive Director, Fixed Income, Currency and Commodities Division, Goldman Sachs (Japan) Ltd.

**Education** MBA, The Wharton School, University of Pennsylvania, USA



#### **James J. Sheu**

**Current Position**

Chief Credit Officer, Chinatrust Financial Holding Company

**Significant Experience**

Deputy President & Managing Director of Corporate Banking Group, Chinatrust Commercial Bank

**Education** MBA, The Wharton School, University of Pennsylvania, USA



#### **Ruu-Tian Chang**

**Current Position** Chief Information Officer, Chinatrust Financial Holding Company  
Senior Executive Vice President & Managing Director of Information  
Services Group, Chinatrust Commercial Bank

**Significant Experience**

Sales Executive, EDS Taiwan  
Information Center & Resource Manager, First Bank Systems in Minnesota

**Education** MBA, University of Minnesota, USA





### **Thomas K S Chen**

Current Position

**General Auditor, Chinatrust Financial Holding Company**

Significant Experience

**President, Chinatrust Commercial Bank New York Branch**

**Senior Executive Vice President, Chinatrust Commercial Bank**

**Vice Chairman, Chinatrust Commercial Bank Indonesia Branch**

**Vice Chairman, Chinatrust Commercial Bank Philippine Branch**

Education **National Chengchi University, Taiwan**



### **Shiawpin Lin**

Current Position

**Chief Strategy Officer / Spokesman, Chinatrust Financial Holding Company**

Significant Experience

**Advisor of Corporate Planning Department, Chinatrust commercial Bank**

**Principal of Monitor Asia Pacific, Monitor Company**

Education **MBA, University of Columbia, USA**



### **Oliver Shang**

Current Position **Chief Administrative Officer, Chinatrust Financial Holding Company**  
**Executive Vice President & Managing Director of Human Resources Group,**  
**Chinatrust Commercial Bank**

Significant Experience

**Assistant Executive Vice President & Deputy Managing Director of Human Resources Group,**  
**Chinatrust Commercial Bank**

Education **MBA, University of Delaware, USA**



# The Great Achievements

*Profile of Business*

2003





## Chinatrust Commercial Bank Co., Ltd.

### 1. Outline of Corporate Banking Business

Corporate expansion is the driving force behind social and economic growth. In the spirit of serving the needs of the corporation and its industry, Chinatrust Commercial Bank provides a comprehensive solution to help the company advance as well as participate itself actively in the development and growth of the financial market. Chinatrust Commercial Bank aspires to “dynamic innovation,” “sagacious risk management,” “versatile human resources,” “prudent spending control,” and “esprit de corps” in becoming the best financial institution in the country, the select-partner of all corporations, and the financial institution that generates the best value for its shareholders.

As Taiwan financial market matures, the means of corporate finance diversifies. With the rapid advancement of globalization and proliferation of financial services within

cross-strait business, Chinatrust’s corporate banking business has made due adjustment by shifting its focus to meet market demands. Oriented to customers’ needs, Chinatrust provides comprehensive product lines and service networks in the following four major areas: Corporate Lending, Investment, Working-Capital Management, and Risk Management.

In the area of Corporate Lending, Chinatrust has been helping corporations in granting loans and guarantees to meet their long-term and short-term cash flow needs. In preparation for the scaled-up fund raising trend, Chinatrust has been a key player in the syndication loan market that successfully completed many major deals. It was acknowledged by the renowned International Financing Review as “Loan of the Year 2003” that further affirms Chinatrust’s professionalism and capability as an international corporate banking institution. Under the thriving domestic capital market, Chinatrust has consolidated its Financial Holdings’ resources in offering flexible and multi-



2003.01 Best Domestic Investment Bank in Taiwan from The Asset

2003.05 The Best Emerging Market Bank in Taiwan from Global Finance

2003.12 Best Managed Banking and Financial Company in Taiwan from Euromoney

furious capital market funding packages to the corporations. Furthermore, in addition to coordinating with Chinatrust Securities to help its customers raising capital through initial public offering listing on TSE, OTC, and GTSM (GreTai Securities Market), secondary public offerings, and stock agent services, Chinatrust Commercial Bank also collaborated with its distribution channels to facilitate corporations in issuing their assorted corporate bonds. These measures enable corporations allocate their capital efficiently. On top of catering to corporation's capital needs, the bank also focuses itself on transactional based lending; by integrating itself with corporate supply chains, it offers the best and the most efficient AR financing service. With the highest market share, Chinatrust Commercial Bank proves itself as the choice of the customers.

In the area of Corporate Investment, Chinatrust Commercial Bank is Taiwan's largest bond trader. Its friendly and transparent trading platform satisfies the needs of corpo-

rations' short-term liquidity asset investment. Together with the experienced financial engineering team, Chinatrust has been able to structure a variety of investment product packages to increase its customers' returns and at the same time to lower the bank's funding cost, thus Chinatrust benefits both the bank and its customers.

In the area of Working-Capital Management, Chinatrust has responded to the trends of a faster, more globalized, and more e-evolutionary industrial cash flow by integrating its settlement mechanism, Hong Kong branches, and the Internet banking channel to provide faster and more convenient services in collection, payment and exchange. Moreover, in light of the proliferation of the financial services among cross-strait business, the bank provides comprehensive services in lending, cash flow, collection and payment management in trade finance.

In the area of Risk Management, Chinatrust stands firmly as one of the best Derivatives Trading banks in Taiwan. Among

By the end of 2003, our corporate banking business posted an outstanding 54% earnings growth over 2002.

**54%** *earnings growth*



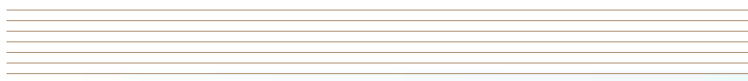
exchange rates, interest rates or indices, Chinatrust is able to customize its products to customers' specific needs by offering hedge packages including Forwards, Options, Swaps and combinations of these products to help its customers optimize their risk management at minimum cost.

In the first half of 2003, Taiwan's economy in areas such as consumer spending and corporate investment were adversely affected by the American-led war against Iraq and the SARS outbreak. Although Chinatrust's corporate banking business was also affected, it recovered as the adverse causes abated and the global economy recovered during the second half of 2003, posting an outstanding 54% earnings growth over 2002. Looking forward to 2004, it is expected that with the solid foundation of current business in conjunction with the scale advantage imparted by the merger of Grand Commercial Bank, Chinatrust will be able to have another outstanding year of performance.

## 2. Outline of Consumer Banking Business

In the cutthroat consumer banking market, Chinatrust Commercial Bank has always been driven by customer needs and unceasingly provided innovative financial products and integrated financial services to completely satisfy the customers in all areas of interaction. The year 2003 had been elusive due to domestic SARS spread and the war in Iraq overseas. The economy sagged and interest rates continued to fall. In spite of ever-changing global political and economic climate and dwindling profit margins, the consumer banking business of Chinatrust Commercial Bank was able to meet yearly earnings target of NT\$8.7 billion in October. Total earnings for the year even broke the NT\$10 billion record at NT\$10.6 billion, overachieving at 117% and a record high in spite of unfavorable conditions.

In order to provide customers with convenient and real-time financial services, as of year end 2003, a total of 2,624 ATMs have been set up at strategic traffic junctions and 7-Eleven



convenience stores, capturing some 13% market share. In addition to safe, secure and always available cash transactions, Chinatrust ATMs also provide customer-based one-stop shopping functions, such as enquiries and online application for various products (e.g. cash card, credit card, small loans, insurance, bonds) without the need for a personal visit to the bank.

On Internet banking service, Chinatrust Commercial Bank has commanded the greatest number of online users for the third year in a row. Since April, 2003, our online acquiring business is still the only one in Taiwan that accepts payment by installments and our transaction volumes have broken record highs as the undisputed market leader. The online banking business of Chinatrust Commercial Bank has been winning awards every year and in September, 2003 Global Finance named us as "The Best Consumer Internet Bank in Taiwan."

Additionally Chinatrust has successively renovated branch offices island-wide to provide premium customers with exclu-

sive counters as well as convenient and automatic customer traffic diversion and channeling to improve service to meet different requirements of customers, such as the installation of bill payment machines to alleviate long lineups. The automated service processed close to a million transactions a year and has boosted utilization of automatic equipment by 50%.

Chinatrust debuted the first transparent card in early 2003. The novel card design plus the 30-minute approval process quickly captured the market. Furthermore, the availability of customised credit and loan products has made Chinatrust the first choice for consumers.

To accommodate individual mortgage needs, Chinatrust has implemented innovative ideas. For example, in 2003, "Offset Mortgage," "Interest Differentiated Mortgage," "Good Customer Second Mortgage Package," and "ESCROW" services scored a record high of NT\$225.9 billion, which established Chinatrust as the third largest in the domestic mortgage market, expand-



## The Great Achievements *Business Report*

ing our market share to 6%.

Notwithstanding Taiwan's economy had suffered from the outbreak of SARS during the second quarter of 2003, Chinatrust's credit card business still has an exceptional performance. The number of cards in circulation has increased by 830,000 during 2003 to reach NT\$5.8 million, up 17%, while the market share stayed at 16%. Meanwhile, consumption volume rose by 23% to over NT\$224.6 billion, and market share was up slightly to 19%. Fiscal 2003 was also a phenomenal year for acquiring business with a growth rate as high as 32% and acquiring volume reaching a record high of NT\$197.8 billion, accounting for 23% of market share. CTCB attributed the huge expansion of billing volume to the size of participating merchants and the "installment scheme" which allows installment payment of bills for major department stores, hypermarkets, and consumer electronic appliance chain stores. The total volume of installments, which translates into high fee income, was near

NT\$50 billion, a robust increase of 189% from previous year.

Year 2004 marks the 30th anniversary for Chinatrust's credit card business. It is our unwavering commitment that we'll provide completely satisfactory service and innovative products to customers to win the fierce competition.

To provide our VIPs with greater expertise and more comprehensive financial management service, as of January 2003, Chinatrust has set up the wealth management business division predicated on a tour-de-force team that offers comprehensive and personalized wealth management services. Our uncompromising efforts have produced fruits in this highly competitive market. In 2003, sales for structured products (structured notes and structured deposits) were over NT\$35.1 billion and mutual funds sales (domestic and offshore funds) escalated to NT\$89.4 billion. The first year premium in insurance sales broke NT\$18 billion mark, up 126% from 2002, securing the first place among all banks selling insurance.





### 3. Trust Business

On scale of business expansion and service quality enhancements, many new products have been introduced to the market in the year. By the end of 2003, the trust and custodian business posted NT\$990.4 billion, a swell of NT\$426.7 billion from 2002 that translates into a 76% growth.

In non-discretionary trust fund for investment in foreign and domestic securities, the past year's trust aggregate in securities and structure notes/products has commanded a leading market position for us. Chinatrust is also the first to launch "Collective Investment Account," leading Taiwan banks into the asset management arena. For 2003, the annualized return of the said account was 19.42%. Our innovative "custodian business" has made extraordinary achievements as Chinatrust is the first ETF custodian bank in Taiwan.

In catering to personal, family and institutional investment management, tax-savings planning, asset transfer and child

assurance, Chinatrust has been innovative in introducing new trust products such as "Securities Trust," "Religious Charitable Trust," "Testamentary Trust," "Pre-Arrangement Life Trust," and "Embryonic Blood Bank Trust," as well as "Asset Backed Securitization" and "Real Estate Investment Trust" under development. In Employee Stock Ownership Trust, we have over 80% market share. Multi-Target Retirement Fund Trust has been introduced to satisfy diversified investment needs of corporate retirement funds.

In addition to making the service more convenient to customers, the operation of the stock transfer agency business has been incorporated into the overall marketing scheme of the institutional finance business, the effectiveness of which has been proven with a 21% market share, making Chinatrust the largest service agent in the marketplace. As of today, Chinatrust has completed securities certification for a total of 945 corporations. In the discretionary investment services industry, we are the leader among the six licensed banks.



By the end of 2003, the trust and custodian business posited NT\$990.4 billion, a swell of NT\$426.7 billion from 2002.

**76%** *growth*

## Chinatrust Securities Company

### 1. Brokerage

Chinatrust Securities Company receives orders from clients and trades securities listed on the TSE and OTC Stock Exchanges. In order to hedge client investments, Chinatrust Securities also undertakes the trading in TAIEX Futures, TSE Electronic Sector Index Futures, TSE Banking and Insurance Sector Index Futures, Taiwan 50 Futures, Interest Futures, Mini-TAIEX Futures, TAIEX Options, Equity Options, and new Futures products approved by the governing authorities. In 2003, the combined volume of TSE and OTC Stock Exchange markets was NT\$22,515 billions while the annual trading volume of Chinatrust Securities was NT\$186.6 billions, accounting for 0.412% of market share.

### 2. Trading

#### A. Equity

Chinatrust Securities trades on TSE and OTC Stock Exchanges.

#### B. Fixed Income

Chinatrust Securities trades various treasury bonds, corporate bonds and financial debentures. Professional trading services provided to customers include outright purchase, outright sell, repurchase and resell.

In response to financial reform policies of the government aimed at propelling a healthy development of the securities market, Chinatrust Securities introduced new product lines such as “trading before issuing of treasury bonds,” “bonds borrowing and lending” and “10-year Government Bond Futures” that cater to the diversity of the bond market.

Additionally, in order to create the synergy of integrating R&D with Sales Channels after establishing Chinatrust Financial Holding Company, Chinatrust Securities has taken the initiative in developing cross-discipline sales as well as new packages of integrated financial products and services. Thus, Chinatrust Securities is able to provide its customers customized and comprehensive one-stop shopping services.

#### C. Financial Derivatives

In 2003, Chinatrust Securities adopted an aggressive strategy for issuing warrants. It issued a total of five call-warrants, amounting to NT\$436 millions. Chinatrust Securities ranked 13th

in both amount issued and market share, and its profitability was comparable with other securities firms.

In addition to obtaining a license for issuing warrants, Chinatrust Securities this year has also been granted the certificate for handling structured notes. Despite its low volume because of disputes over taxation and settlement schemes, equity-link Notes will be available to the market as soon as the disputes are resolved and demands from clients emerge.

Chinatrust Securities is also a Participating Dealer (PD) of Exchange Traded Fund (ETF). By providing mechanisms for redemption creation, Chinatrust Securities expects to offer a wider array of investment tools.

#### D. Futures

The Futures Proprietary Trading Department of Chinatrust Securities was established in May 2003 and has been engaged in trading since then. In its early stages, the Department focused mainly on adjusting risks arising from overall trading positions of the company while at the same time engaging in futures proprietary trading.

### 3. Underwriting

Chinatrust Securities offers planning and consulting services of mergers and Initial Public Offerings (IPOs) on TSE or OTC Stock Exchange markets. It also assists public companies to raise needed low-cost capital, thereby stimulating the capital market and facilitating economic development. In 2003, Chinatrust Securities has successfully completed IPO projects for Tachan Securities Co., Ltd. and AV Tech Corporation. As for Secondary Public Offering (SPO) projects, Chinatrust Securities assisted the following companies successfully in raising capital: New Best Wire Industrial Co., Ltd., Yeti Electronics Co., Ltd., Chi Mei Optoelectronics Corporation, Honmyue Enterprise Co., Ltd., Macronix International Co., Ltd., Media Tech., Iteq Corporation, Harvatek Corporation, Zero One Technology Co., Ltd., Makalot Industrial Co., Ltd., Yemchio. Co. Ltd. and Standard Chemical & Pharmaceutical Co. Ltd. Moreover, Chinatrust Securities provides regulatory consulting services on the issuance and trading of bonds, assistance in issuing corporate bonds, financial debentures and international bonds. Consequently, the services of Chinatrust Securities Company have helped in vitalizing the market and economic development.

## Chinatrust Insurance Brokers Company

### 2003 commission revenues are as follows

Unit: Million NTD

	Projected Commission Revenue TAX INCLUDED	Actual Commission Revenue TAX INCLUDED	Achievement Rate
Property & Casulty Insurance	80	98	122%
Life Insurance	1070	1337	125%

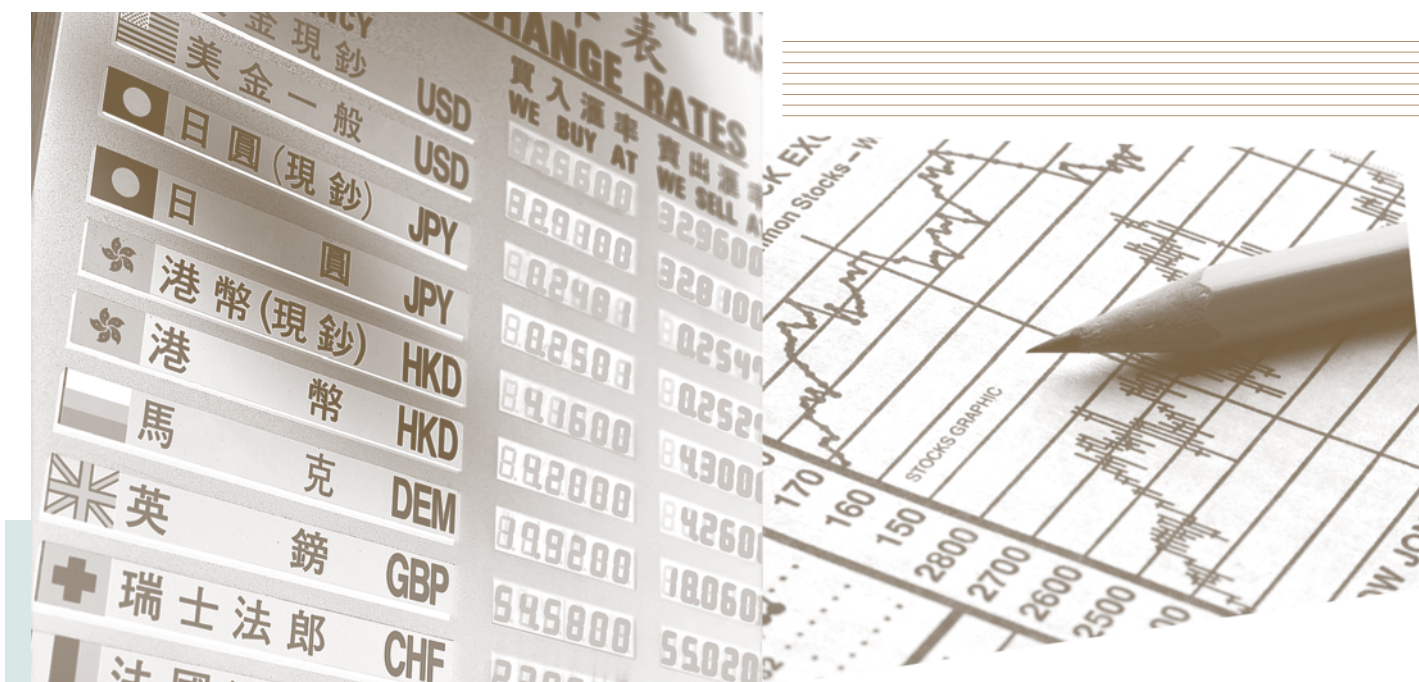
After-tax earnings in 2003 was NT\$1,123.95 millions, EPS at NT\$29 that translates into 119% revenue growth and 156% pre-tax earnings growth over the previous year. It successfully met revenue targets set in the beginning of the year.

## Chinatrust Venture Capital Corp.

Chinatrust Venture Capital Corp. (CVCC) specializes in private equity investments in technology companies. In 2003, 17 investment cases were completed with NT\$410 millions in direct domestic investments and US\$10.85 millions overseas. During 2003, two companies in CVCC's portfolio have been listed successfully on Taiwan's Stock Exchanges.

## Chinatrust Asset Management Company

The main business objective of Chinatrust Asset Management Company is to capture potential business opportunities from restructuring of the vast amount of non-performing assets from financial institutions. Total investment amount in 2003 was NT\$5.8 billions, targeting primarily at non-performing bank assets.



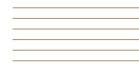


# Prospect of Year 2004

*Business Plans*







### **Chinatrust Financial Holding Company**

Based on its “bank-centric” business strategy, CFHC builds cross-selling platforms for its banks, integrating the resources of its subsidiaries to provide customers with all encompassing financial services that can maximize the overall effects of cross-merchandising among the holding companies. The specific business plan follows:

#### **1. Strategic Planning and Monitoring**

CFHC will execute the “bank-centric” strategy by closely monitoring each subsidiary’s operations. It will perform scheduled assessments on the company’s strategies and operations in order to stay abreast of market trends.

#### **2. Integration of Organizations and Functions**

In order to ensure each subsidiary executes CFHC’s strategy effectively, the company has adopted a matrix structure for organizational reporting that centralizes the decision making process at the CFHC headquarters. Going forward, this organization structure will remain effective for maximum operational efficiency.

#### **3. Overall Benefits of Cross-Selling**

CFHC will continue to use the Customer Relationship

Management (CRM) System. Supported by resources and product lines of subsidiaries, the company will strive to raise its cross-selling ratio in order to increase CFHC’s overall revenue and profit margin.

#### **4. Grasp Merger Opportunities and Bring in Strategic Alliances**

As Taiwan’s financial institutions undergo the current wave of consolidations, CFHC will stay the course of its current strategies in seeking opportunities for mergers and acquisitions to bolster the company’s core competence and expand its scale of economy and scope of business. At the same time, it will form strategic alliances with internationally renowned institutions to further strengthen the company’s core competence.

#### **5. Lay Groundwork for the Mainland**

In light of China’s increasingly important role in the global economy and Taiwan’s industries moving westward to China, Chinatrust Commercial Bank, a subsidiary of CFHC, established a Beijing office in March 2003. This office currently conducts financial consulting and business information gathering. In future, this office will try to carve out a business territory in the Greater China region, with the aim of becoming the best Chinese bank in the world.



## Chinatrust Commercial Bank

In 2004, CTCB will continue to execute CFHC's "bank-centric" strategy while strengthening its cross-selling platform and enhancing its channel distribution capability and operating efficiency. The company will collaborate with other subsidiaries of CFHC to differentiate its products and services from the competition by catering to the needs of customers, providing them with comprehensive financial services. The key business plans are described below:

### **1. Enhance Channel Distribution Capability and Operating Efficiency**

The company will continue to improve on its channel distribution capabilities, database-driven marketing tactics, and intensified customer relations to promote sales. In the meantime, the company will continue introducing innovative products and improving ATM services, Internet banking, and enterprise level e-business interfaces to enhance usability, and to subsequently increase customer loyalty.

### **2. Innovative Products and Services**

In order to enhance customer relations and expand into new markets, the company will respond to market trends and customer needs by developing innovative products and better services to differentiate itself from the competition.

### **3. Strengthen the Strategy of Customer Segmentation**

CTCB will continue its efforts in offering customized financial solutions to its targeted customers and will strengthen its customer segmentation skills to further expand its customer base, and offering the best products and services to fulfill their needs.

### **4. Increase Revenue from Fees and Commissions**

In pursuit of better earnings structure, CTCB emphasizes cross-sell efforts to increase fees and commissions, generated from the banking platform.

### **5. Benchmark Asset Quality to International Standards**

CTCB ensures the quality of its assets meets international standards, and at the same time, strengthens its risk management mechanism. Going forward, the company will continue its works in compliance with Basel II New Accord by 2006.

## Chinatrust Securities Company

Following CFHC's overall strategy, Chinatrust Securities Company will continue to provide financial services such as capital market financing and securities brokerage to enable one-stop-shopping of financial services to both retail and corporate customers. The key business plans are described below:

### ***1. In Underwriting Business, Continue to Exploit Competitive Advantages***

With extensive underwriting experiences, innovative spirits and professionalism, the company will help industries raise long-term capital and ascertain market trends.

### ***2. In Trading Business, Strive to Develop Derivative Products and Strengthen Risk Management***

Aligning itself with the government's financial development policy and the market trend in diversification, the company will collaborate with CFHC's other subsidiaries to offer bond derivative products and related services.

The company will strengthen its stock market analysis capabilities, collaborate with the R&D department, and utilize high-standard risk management systems as well as risk aversion tools to build a sound portfolio to maximize investment yields with limited risk.

### ***3. In Retail Business, Develop Integrated Products and Strengthen the Trading Platform***

The company will continue to employ CFHC's cross-selling channels and resources to aggressively promote the securities business. It will address the needs of CFHC's target customers and develop a series of private banking businesses. In addition to introducing integrated products, the company will further develop new types of securities products and trading platforms to facilitate convenient one-stop-shopping.

## Chinatrust Insurance Brokers Company

Chinatrust Insurance Brokers Co., Ltd. focuses its business on carrying through CFHC's "bank-centric" strategy. It will join forces with other subsidiaries to provide Chinatrust's customers with quality insurance products. The key business plans are described below:

### ***1. Select Quality Alliances***

The company forms alliances with selected partners domestically and internationally. Through CFHC's "open platform strategy," it may be able to provide the best-of-breed products to its corporate and retail customers.

### ***2. Product Innovation and Differentiation***

The company will utilize Chinatrust's extensive customer database to detect customer needs. It will continue to research and develop products integrating banking, securities, and trust businesses in order to deliver differentiated products and services.

### ***3. Fortify Marketing Approaches***

The company will adopt versatile marketing approaches such as advertising to increase customer recognition and loyalty.

### ***4. Optimize Usage of CFHC's Sales Channels and Resources***

The company will collaborate closely with other CFHC subsidiaries. Through consolidated effects of the brand image of the group, sales channel advantages and R&D superiority, it will be able to provide customers with the best financial management services.





## Chinatrust Venture Capital Corp.

Chinatrust Venture Capital Corp. focuses its investment on high-tech industries that bear high risks but with high returns. The company will utilize CFHC's extensive customer database and marketing expertise to cooperate with CFHC's other subsidiaries to provide a complete solution to meet the needs of its customers. The company's key business plans are described below:

### *1. Foster International Collaboration*

Utilizing long-term relations between Chinatrust and international investment communities, the company will acquire advanced techniques through strategic alliances with world-renowned institutions to generate more competitive business advantages for Taiwan's VC industry.

### *2. Optimize CFHC's Resources to Serve Niche Customers*

With CFHC's sophisticated banking networks and comprehensive financial services, the company will target its investment at new industries and niche companies with high growth potentials. Assisted by strict risk management, it will provide start-up companies with capital investment, enterprise management, and financial consulting services in the initial phases of enterprise setup.

## Chinatrust Asset Management Company

Chinatrust Asset Management Company was established in May 2003. The main business objective of the company is to capture potential business opportunities due to the restructuring of vast amounts of non-performing assets resulting from Taiwan's continuing financial reform. The company will venture into the non-performing assets market with its superior credit and collection expertise. The key business plans are described below:

### *1. Actively Participate in Tender Sales*

In response to "Project 258" of the Ministry of Finance, financial institutions have been aggressively restructuring their non-performing assets to meet MOF's regulations. The company will take advantage of the expected peak period between 2003 and 2004 to bid for financial debt assets of these institutions.

### *2. Introduce Foreign Capital and Acquire New Management Techniques*

Taiwan's investment activities have been slowed down as a result of the downturn of the global economy. Therefore, the company will form alliances with internationally renowned asset management institutions, continue to introduce foreign capital to Taiwan, and acquire new skills in asset management in order to strengthen the core competence of the company.





# Financial Report

## Independent Supervisors' Report

**To:**

Chinatrust Financial Holding Company, Ltd.

In accordance with Article 219 of the Company Law, the undersigned, have duly examined and accepted as correct the financial reports (unconsolidated and consolidated) for the year 2003 submitted by the Board of Directors of Chinatrust Financial Holding Co., Ltd., which included the operating report, distribution of earnings, balance sheets, statements of income, statements of cash flows, statements of changes in stockholders' equity.

Shih-Chuan Lin  
Supervisor

Ming-Shan Shaw  
Supervisor

T. C. Tsai  
Supervisor

Taipei, Taiwan, R.O.C.  
April 27, 2004

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## Independent Auditors' Report

### *The Board of Directors*

Chinatrust Financial Holding Company, Ltd.:

We have audited the accompanying consolidated balance sheets of Chinatrust Financial Holding Company, Ltd. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year ended December 31, 2003, and for the period from May 17, 2002 to December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit certain financial statements included in the consolidated entity, which statements reflect total assets constituting 11.35% and total revenues constituting 12.32% of the related consolidated totals for the period from May 17, 2002 to December 31, 2002. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for those subsidiaries, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chinatrust Financial Holding Company, Ltd. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the year ended December 31, 2003 and for the period from May 17, 2002 to December 31, 2002, in conformity with accounting principles generally accepted in Republic of China.

Taipei, Taiwan, R.O.C.

February 1, 2004



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The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the 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.

## Financial Report

### CONSOLIDATED STATEMENTS OF INCOME

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

New Taiwan Dollars in Thousands, Except for Per Share Data

	From January 1, 2003 to December 31, 2003		From May 17, 2002 to December 31, 2002	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Interest income	\$ 43,260,060	69	49,924,597	77
Commission and fee income	13,204,022	21	10,461,154	16
Net gains on marketable securities	3,711,093	6	3,084,229	5
Investment income accounted for under the equity method	47,734	-	-	-
Net gains from foreign exchange	345,744	-	1,199,176	2
Net gains on derivative instruments	2,275,518	4	-	-
Other operating revenues	266,637	-	219,680	-
<b>TOTAL OPERATING REVENUES</b>	<b>63,110,808</b>	<b>100</b>	<b>64,888,836</b>	<b>100</b>
<b>OPERATING COSTS</b>				
Interest expense	(11,679,730)	(19)	(16,555,179)	(26)
Commission and fees paid	(895,218)	(1)	(1,010,514)	(1)
Investment losses accounted for under the equity method	-	-	(1,177)	-
Provisions for allowances and reserves	(12,988,212)	(21)	(10,422,218)	(16)
Net losses on derivative instruments	-	-	(491,345)	(1)
Other operating costs	(79,742)	-	(113,125)	-
<b>TOTAL OPERATING COSTS</b>	<b>(25,642,902)</b>	<b>(41)</b>	<b>(28,593,558)</b>	<b>(44)</b>
<b>Gross margin</b>	<b>37,467,906</b>	<b>59</b>	<b>36,295,278</b>	<b>56</b>
<b>Operating expenses</b>	<b>(24,126,645)</b>	<b>(38)</b>	<b>(19,754,015)</b>	<b>(30)</b>
<b>Operating taxes</b>	<b>(1,010,987)</b>	<b>(2)</b>	<b>(1,114,927)</b>	<b>(2)</b>
<b>Operating income</b>	<b>12,330,274</b>	<b>19</b>	<b>15,426,336</b>	<b>24</b>
<b>Non-operating revenues</b>	<b>185,274</b>	<b>-</b>	<b>340,668</b>	<b>-</b>
<b>Non-operating expenses</b>	<b>(3,415,228)</b>	<b>-</b>	<b>(145,326)</b>	<b>-</b>
<b>Income before income tax</b>	<b>9,100,320</b>	<b>19</b>	<b>15,621,678</b>	<b>24</b>
<b>Income tax expense</b>	<b>(1,379,225)</b>	<b>(2)</b>	<b>(3,842,954)</b>	<b>(6)</b>
<b>Less: Minority interest income</b>	<b>(4,995)</b>	<b>-</b>	<b>(15,268)</b>	<b>-</b>
<b>Preacquisition income</b>	<b>-</b>	<b>-</b>	<b>(5,186,215)</b>	<b>(8)</b>
<b>CONSOLIDATED NET INCOME</b>	<b>\$ 7,716,100</b>	<b>17</b>	<b>6,577,241</b>	<b>10</b>

New Taiwan Dollars in Thousands, Except for EPS

	From January 1, 2003 to December 31, 2003		From May 17, 2002 to December 31, 2002	
	Before income tax	After income tax	Before income tax	After income tax
BASIC EPS	\$ 1.70	1.42	1.95	1.36
BASIC EPS - retroactively adjusted	\$ -	-	1.76	1.23
Diluted EPS	\$ 1.67	1.39	1.89	1.32
Diluted EPS - retroactively adjusted	\$ -	-	1.70	1.18

**PRO FORMA DATA ASSUMING COMPANY SHARES HELD BY SUBSIDIARIES NOT CONSIDERED AS TREASURY STOCK**

CONSOLIDATED NET INCOME	\$ 7,716,100		6,577,241	
	Bofore income tax	After income tax	Before income tax	After income tax
BASIC EPS	\$ 1.63	1.36	1.68	1.17
Diluted EPS	\$ 1.60	1.33	1.62	1.13

Note: The pro forma statement of CFHC excluding GCB please refer to page 52.

## Financial Report

### CONSOLIDATED BALANCE SHEETS

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

New Taiwan Dollars in Thousands

	December 31, 2003		December 31, 2002	
	Amount	%	Amount	%
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,028,329	2	11,191,069	1
Call loans to and due from banks	40,625,877	3	21,169,427	2
Deposits with the Central Bank	41,484,730	3	24,992,643	3
Marketable securities	224,226,337	18	150,093,314	16
Less: Allowance for market value decline	(1,041,502)	-	(907,218)	-
	223,184,835	18	149,186,096	16
Receivables	125,402,075	10	87,908,234	9
Less: Allowance for credit losses	(2,315,120)	-	(2,302,254)	-
	123,086,955	10	85,605,980	9
Loans	691,039,305	57	603,071,923	65
Less: Allowance for loans losses	(9,222,782)	(1)	(9,874,157)	(1)
	681,816,523	56	593,197,766	64
Long-term investments				
Accounted for under the equity method	2,447,200	-	148,720	-
Accounted for under the cost method	8,720,029	1	4,598,642	-
Less: Allowance for market value decline	(970,608)	-	(1,270,186)	-
Bonds investments	259,652	-	158,741	-
Real estate investments	1,400	-	8,102	-
	10,457,673	1	3,644,019	-
Other financial assets	18,628,208	2	10,485,327	1
Premises and equipment				
Land and buildings, net	29,522,950	3	24,536,248	3
Equipment and other assets, net	5,057,975	1	3,543,838	-
	34,580,925	4	28,080,086	3
Intangible assets	4,635,441	-	-	-
Other assets	11,681,363	1	9,047,451	1
<b>TOTAL ASSETS</b>	<b>\$ 1,213,210,859</b>	<b>100</b>	<b>936,599,864</b>	<b>100</b>

New Taiwan Dollars in Thousands

		December 31, 2003		December 31, 2002	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		Amount	%	Amount	%
<b>LIABILITIES</b>					
Call loans from and due to banks		\$ 79,669,209	7	53,031,617	6
Payables		28,805,267	2	21,848,411	2
Deposits		927,795,291	76	728,203,566	78
Borrowings and other financing		71,859,371	6	47,815,766	5
Other liabilities		11,077,957	1	6,490,843	1
<b>TOTAL LIABILITIES</b>		<b>1,119,207,095</b>	<b>92</b>	<b>857,390,203</b>	<b>92</b>
Minority interest		54,214	-	63,243	-
<b>STOCKHOLDERS' EQUITY</b>					
Capital stock	Common stock	54,962,000	5	46,054,268	5
	Preferred stock	12,655,429	1	2,500,000	-
Capital surplus		32,089,783	3	30,902,024	3
Retained earnings	Legal reserve	657,724	-	-	-
	Special reserve	110,852	-	-	-
	Undistributed earnings	7,746,609	-	6,577,241	-
<b>Other adjustments to stockholders' equity</b>					
Unrealized losses on long-term equity investments		(970,608)	-	(1,270,188)	-
Cumulative translation adjustments		(819,365)	-	(604,964)	-
Treasury stock-common stock		(4,445,558)	-	(5,011,963)	-
Treasury stock-preferred stock		(8,037,316)	(1)	-	-
<b>TOTAL STOCKHOLDERS' EQUITY</b>		<b>93,949,550</b>	<b>8</b>	<b>79,146,418</b>	<b>8</b>
Commitments and Contingencies					
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>\$ 1,213,210,859</b>	<b>100</b>	<b>936,599,864</b>	<b>100</b>

## Financial Report

### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

	CAPITAL STOCK		
	Common Stock	Preferred Stock	Capital Surplus
Established on May 17, 2002 through stock conversion	\$ 46,054,268	2,500,000	30,896,474
Recognition of capital surplus of subsidiaries	-	-	5,550
Recognition of translation adjustments of subsidiaries	-	-	-
Recognition of unrealized losses on long-term equity investments	-	-	-
Effect of restructuring on long-term investments	-	-	-
Recognition of undistributed retained earnings of subsidiaries	-	-	-
Purchase of treasury stock	-	-	-
Net income for the period from May 17, 2002 to December 31, 2002	-	-	-
<b>ENDING BALANCE-DECEMBER 31, 2002</b>	<b>\$ 46,054,268</b>	<b>2,500,000</b>	<b>30,902,024</b>
Appropriation and distribution of 2002 earnings - Legal reserve	-	-	-
Special reserve	-	-	-
Employee bonuses	-	-	-
Cash dividends-common stock	-	-	-
Stock dividends-common stock	439,338	-	-
Dividends-preferred stock	-	-	-
Capitalization of capital surplus	4,393,387	-	(4,393,387)
Common stock and preferred stock issued for acquisition of Grand Commercial Bank	4,075,007	10,155,429	5,952,076
Recognition of capital surplus of subsidiaries	-	-	(370,930)
Recognition of translation adjustments of subsidiaries	-	-	-
Recognition of unrealized losses on long-term equity investments	-	-	-
Recognition of undistributed retained earnings of subsidiaries	-	-	-
Recognition of treasury stock of subsidiaries	-	-	-
Effect of restructuring on long-term investments	-	-	-
Decrease in undistributed retained earnings due to non-subscription of newly issued investee shares according to ownership	-	-	-
Repurchase of treasury stock	-	-	-
Net income in 2003	-	-	-
<b>ENDING BALANCE-DECEMBER 31, 2003</b>	<b>\$ 54,962,000</b>	<b>12,655,429</b>	<b>32,089,783</b>



Year ended December 31, 2003 and the period from May 17, 2002 to December 31, 2002 / New Taiwan Dollars in Thousands

RETAINED EARNINGS			OTHER ADJUSTMENTS TO STOCKHOLDERS' EQUITY				Total
Legal Reserve	Special Reserve	Undistributed Retained Earnings	Unrealized Losses On Long-term Equity Investments	Cumulative Translation Adjustments	Treasury Stock-common Stock	Treasury Stock-preferred Stock	
-	-	-	(1,241,729)	(522,570)	(4,774,086)	-	72,912,357
-	-	-	-	-	-	-	5,550
-	-	-	-	(82,394)	-	-	(82,394)
-	-	-	(28,459)	-	-	-	(28,459)
-	-	(241,280)	-	-	-	-	(241,280)
-	-	241,280	-	-	-	-	241,280
-	-	-	-	-	(237,877)	-	(237,877)
-	-	6,577,241	-	-	-	-	6,577,241
-	-	<b>6,577,241</b>	<b>(1,270,188)</b>	<b>(604,964)</b>	<b>(5,011,963)</b>	-	<b>79,146,418</b>
657,724	-	(657,724)	-	-	-	-	-
-	110,852	(110,852)	-	-	-	-	-
-	-	(520)	-	-	-	-	(520)
-	-	(4,393,387)	-	-	-	-	(4,393,387)
-	-	(439,338)	-	-	-	-	-
-	-	(612,000)	-	-	-	-	(612,000)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	20,182,512
-	-	-	-	-	-	-	(370,930)
-	-	-	-	(214,401)	-	-	(214,401)
-	-	-	299,580	-	-	-	299,580
-	-	(483,463)	-	-	-	-	(483,463)
-	-	-	-	-	885,602	-	885,602
-	-	151,803	-	-	-	-	151,803
-	-	(1,251)	-	-	-	-	(1,251)
-	-	-	-	-	(319,197)	(8,037,316)	(8,356,513)
-	-	7,716,100	-	-	-	-	-
<b>657,724</b>	<b>110,852</b>	<b>7,746,609</b>	<b>(970,608)</b>	<b>(819,365)</b>	<b>(4,445,558)</b>	<b>(8,037,316)</b>	<b>93,949,550</b>

## Financial Report

### CONSOLIDATED STATEMENTS OF CASH FLOWS

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

New Taiwan Dollars in Thousands

	From January 1, 2003 to December 31, 2003	From May 17, 2002 to December 31, 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 7,716,100	6,577,241
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities</b>		
Minority interest income	4,995	15,268
Preacquisition income	-	5,186,215
Depreciation and amortization	2,180,016	1,752,459
Intangible assets charge-off	3,000,000	-
Investment loss (income) accounted for under the equity method over cash dividends received	(76,347)	4,055
Losses from reclassification of investments	-	3,668
Amortization of bonds premium	5,635	2,928
Losses (gains) on dispositions of long-term investments	(11,322)	22,195
Losses on dispositions of premises and equipment and foreclosed properties	298,670	154,968
Losses on scrapping of premises and equipment	16,723	17,300
Provision for loan losses	14,616,863	11,768,799
Provision for unrealized losses in marketable securities	14,493	709,189
Reversal of guarantee reserve	(29,258)	(91,657)
Provision for (reversal of) securities trading loss reserve	172,395	(7,392)
Provision for unrealized losses on foreclosed properties	408,926	212,849
Provision for default losses	5,415	6,963
Foreign exchange losses	266,282	35,783
Others	(564,016)	13,553
Net change in		
Accrued interest on convertible bonds	267,991	281,842
Receivables	(7,358,867)	(168,140)
Marketable securities	(70,940,455)	(18,471,360)
Payables	1,018,481	(1,923,397)
Trading derivative instruments, net	(368,929)	215,023
Non-trading derivative instruments, net	(237,549)	(74,421)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(49,593,758)</b>	<b>6,243,931</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net decrease (increase) in loans	14,852,751	(46,528,315)
Purchase of long-term equity investments	(3,783,561)	(105,907)
Proceeds from dispositions of long-term equity investments	4,295,830	255,452
Net decrease (increase) in other financial assets	4,859,702	(704,983)
Increase in receivables	(26,559,763)	(2,880,352)
Proceeds from dispositions of premises and equipment and foreclosed properties	6,345,336	1,335,582
Purchase of premises and equipment	(1,855,701)	(1,865,590)
Decrease (increase) in deposits with the Central Bank (excluding cash equivalents)	6,844,441	(795,101)
Increase in due from banks (excluding cash equivalents)	(17,291,514)	(4,644,433)
Increase in other assets	(4,814,019)	(5,805,835)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(17,106,498)</b>	<b>(61,739,482)</b>

New Taiwan Dollars in Thousands

	From January 1, 2003 to December 31, 2003	From May 17, 2002 to December 31, 2002
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings and other financing	22,015,737	15,785,557
Increase in call loans from banks	22,349,383	5,188,182
Increase in payables	1,186,780	1,647,232
Increase in deposits	56,421,954	14,752,038
Increase (decrease) in other liabilities	(1,393,621)	1,106,416
Increase in minority interest	376	-
Remuneration to directors and supervisors	(312,413)	(188,172)
Employee bonuses	(178,950)	(201,109)
Cash dividends paid		
Preferred stock	(612,000)	(612,000)
Common stock	(4,393,392)	(3,996,652)
Treasury stock purchased	(8,356,513)	(1,868,425)
Treasury stock transferred to employees	559,960	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>87,287,301</b>	<b>31,613,067</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(348,515)</b>	<b>(42,819)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,238,530</b>	<b>(23,925,303)</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	57,744,747	81,670,050
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<b>\$ 77,983,277</b>	<b>57,744,747</b>

<b>CASH AND CASH EQUIVALENTS</b>		
Cash	24,342,914	11,191,069
Deposits with other banks	11,044,440	9,482,960
Deposits with the Central Bank	21,808,549	10,446,229
Negotiable certificates of time deposits purchased	9,886,880	18,036,31
Commercial paper purchased	10,900,494	8,588,173
	<b>\$ 77,983,277</b>	<b>57,744,747</b>

<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>				
Cash paid during the year/period for	Interest	\$	10,867,030	19,204,461
	Guaranteed interest on trust funds	\$	28,541	129,741
	Income taxes	s	3,138,554	1,622,552

<b>INVESTING AND FINANCING ACTIVITIES WITH NO CASH FLOW EFFECT</b>				
Employee bonuses		\$	385	77

## Financial Report

### PRO FORMA CONSOLIDATED STATEMENTS OF INCOME

#### EXCLUDING GRAND COMMERCIAL BANK

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

New Taiwan Dollars in Thousands, Except for EPS

	Year ended December 31, 2003		Year ended December 31, 2003	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Interest income	\$ 42,576,183	68	49,924,597	77
Commission and fee income	13,030,369	21	10,461,154	16
Net gains on marketable securities	3,495,942	6	3,084,229	5
Investment income accounted for under the equity method	40,270	-	-	-
Net gains from foreign exchange	385,793	-	1,199,176	2
Net gains on derivative instruments	2,251,877	4	-	-
Other operating revenues	643,203	1	219,680	-
<b>TOTAL OPERATING REVENUES</b>	<b>62,423,637</b>	<b>100</b>	<b>64,888,836</b>	<b>100</b>
<b>OPERATING COSTS</b>				
Interest expense	(11,814,866)	(19)	(16,555,179)	(26)
Commission and fees paid	(837,017)	(1)	(1,010,514)	(1)
Investment losses accounted for under the equity method	-	-	(1,177)	-
Provisions for allowances and reserves	(7,271,170)	(12)	(10,422,218)	(16)
Net losses on derivative instruments	-	-	(491,345)	(1)
Other operating costs	(79,742)	-	(113,125)	-
<b>TOTAL OPERATING COSTS</b>	<b>(20,002,795)</b>	<b>(32)</b>	<b>(28,593,558)</b>	<b>(44)</b>
<b>Gross Margin</b>	<b>42,420,842</b>	<b>68</b>	<b>36,295,278</b>	<b>56</b>
<b>Operating Expenses</b>	<b>(22,301,449)</b>	<b>(36)</b>	<b>(19,754,015)</b>	<b>(30)</b>
<b>Operating Taxes</b>	<b>(1,008,706)</b>	<b>(2)</b>	<b>(1,114,927)</b>	<b>(2)</b>
<b>Operating Income</b>	<b>19,110,687</b>	<b>30</b>	<b>15,426,336</b>	<b>24</b>
<b>Non-Operating Revenues</b>	<b>185,274</b>	<b>-</b>	<b>340,668</b>	<b>-</b>
<b>Non-Operating Expenses</b>	<b>(151,815)</b>	<b>-</b>	<b>(145,326)</b>	<b>-</b>
<b>Income Before Income Tax</b>	<b>19,144,146</b>	<b>30</b>	<b>15,621,678</b>	<b>24</b>
<b>Income Tax Expense</b>	<b>(3,926,828)</b>	<b>(6)</b>	<b>(3,842,954)</b>	<b>(6)</b>
<b>Less: Minority interest income</b>	<b>(5,428)</b>	<b>-</b>	<b>(15,268)</b>	<b>-</b>
<b>CONSOLIDATED NET INCOME</b>	<b>\$ 15,211,890</b>	<b>24</b>	<b>11,763,456</b>	<b>19</b>
	Before income tax	After income tax	Before income tax	After income tax
<b>BASIC EPS</b>	<b>\$ 3.80</b>	<b>2.99</b>	<b>3.42</b>	<b>2.53</b>
<b>BASIC EPS - retroactively adjusted</b>	<b>\$ -</b>	<b>-</b>	<b>3.08</b>	<b>2.29</b>
<b>Diluted EPS</b>	<b>\$ 3.59</b>	<b>2.83</b>	<b>3.26</b>	<b>2.42</b>
<b>Diluted EPS - retroactively adjusted</b>	<b>\$ -</b>	<b>-</b>	<b>2.93</b>	<b>2.18</b>

Note: This income statement excludes the effect of the acquisition of Grand Commercial Bank.

# Special Notes

MINISTRY OF FINANCE

## Internal Control Representations

*Dear sir:*

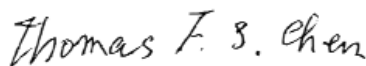
On behalf of Chinatrust Financial Holding Co., Ltd., we hereby certify that the company's internal control system and risk management mechanism for the fiscal year of 2003 have been implemented and audited by the independent internal auditors as to comply with "Financial Holding Companies' Internal Control and Internal Audit Rules," and the internal audit reports are periodically presented to the company's board of directors and supervisors.

We hereby certify that the company complies with all related laws and regulations, and the internal controls are effectively in place.

Sincerely yours,



Charles L. F. Lo  
President



Thomas F. S. Chen  
General Auditor



Daniel C. K. Chen  
Compliance Officer

## Special Notes

### DEVIDEND POLICY AND EARNINGS DISTRIBUTION

#### **1. In the Article of CFHC's Article s of Incorporation, the contents regarding dividend policy are as following:**

In order to sustain growth and increase profitability, the company shall keep a policy of retaining a portion of the earnings in conformity with relevant laws and regulations. After deduction of the retained earnings, the balance of the surplus is distributed in the form of stock dividends and cash dividends, but the cash dividends shall not be less than 10% of the distributed earnings. If the cash dividend is less than NT\$0.10, it shall not be distributed. The above ruling is the general principle for distributing earnings. The board of directors may request the shareholders' meeting to make adjustments in the distribution, if necessary.

Terms, timing, and amounts for distribution of earnings: In case there is a surplus, the company shall first pay taxes, make up losses in past years, and set aside retained earnings, legal surplus, and dividends for preferred shares in accordance with the law. For the balance, 0.01-0.05% shall be for the bonuses of the employees, and 4% shall be for the remuneration of directors and supervisors. Distribution of the remainder funds, together with the undistributed surplus in the previous year, shall be proposed by the board of directors at the shareholders' meeting for approval or adjustment.

The board of directors shall be authorized to decide on the exact percentage for distribution of bonuses to employees. If the bonuses are in the form of stock dividends, employees of subsidiary companies approved by the Company Law shall also be entitled to the distribution. The details are to be decided by the board of directors.

#### **2. The appropriation of employee bonus and remuneration to directors and supervisors for 2002**

	DISTRIBUTED WITH THE RESOLUTION FROM THE ANNUAL GENERAL SHAREHOLDERS' MEETING	DISTRIBUTION PROPOSAL APPROVED BY THE BOARD OF DIRECTORS	DIFFERENCE	EXPLANATION
<b>1. DISTRIBUTION STATUS</b>				
A. Employee bonus distributed in the form of cash	NT\$520,000	NT\$520,000	-	-
B. Employee bonus distributed in the form of stock				
- shares	-	-	-	-
- amount	-	-	-	-
- % of outstanding shares of the year	-	-	-	-
C. Remuneration to directors and supervisors	-	-	-	-
<b>2. EPS*</b>				
A. Original EPS	NT\$1.36	NT\$1.36	-	-
B. Pro Forma EPS	NT\$1.36	NT\$1.36	-	-

\* The original and pro forma data stated above were not retroactively adjusted.

#### **3. The proposal for the appropriation of employee bonus and remuneration to directors and supervisors for 2003 has been approved by the Board of Directors, the details are as following:**

- Employee bonus distributed in the form of cash: NT\$3,161,000; in the form of stock: NT\$0.  
Remuneration to directors and supervisors: NT\$252,878,000
- Employee bonus distributed in the form of stock: 0 share.
- Pro forma EPS after taking employee bonus and remuneration to directors and supervisors into consideration: NT\$1.37 per share.

**4. The influence of the current uncompensated distribution of shares on the company's performance, earnings per share, and return on shareholder investment**

	YEAR 2003 PRO FORMA DATA	YEAR 2003	YEAR 2004
	EXCLUDING GRAND COMMERCIAL BANK DISTRIBUTION OF EARNINGS OF YEAR 2002	DISTRIBUTION OF EARNINGS OF YEAR 2002	DISTRIBUTION OF EARNINGS OF YEAR 2003
Paid-in capital, beginning of the year – NT\$ in thousands	48,554,268	48,554,268	67,617,429
<b>Stock and cash dividends paid</b>			
Cash Dividend Per Share	1.00	1.00	1.10
Stock dividend per share from capitalization of retained earnings	0.01	0.01	–
Stock dividend per share from additional capital surplus	0.10	0.10	0.06
<b>Change of operational performance</b>			
Operating income – NT\$ in thousands	15,739,726	8,243,936	17,381,549
Percentage growth in operating income	–	–	110.84%
Net income – NT\$ in thousands	15,211,890	7,716,100	17,185,052
Percentage growth in net income	–	--	122.72%
Earnings per share	2.99	1.42	3.00
Percentage growth in earnings per share	–	–	111.27%
Average annual return on investment – the reciprocal of average annual P/E ratio	10.10%	4.80%	7.78%
<b>Pro forma EPS and P/E ratio</b>			
<i>If stock dividends from capitalization of retained earnings were all replaced by cash dividends</i>			
Pro forma EPS – NT\$	3.02	1.44	3.00
Pro forma average annual return	10.19%	4.85%	7.77%
<i>Had there been no capitalization of capital surplus</i>			
Pro forma EPS – NT\$	3.29	1.56	3.07
Pro forma average annual return	11.09%	5.27%	7.97%
<i>Had there been no capitalization of capital surplus and stock dividends from capitalization of retained earnings been replaced by cash dividends</i>			
Pro forma EPS – NT\$	3.32	1.58	3.07
Pro forma average annual return	11.20%	5.32%	7.97%

Note: 1. The pro forma data stated above were not retroactively adjusted.

2. Interest expenses on the cash dividend in the above pro forma calculation are assumed at 1.25% and 1.41% in 2003 and 2004, respectively. The effective tax rate is assumed at 25% throughout the years.

3. When calculating the average annual return on investment, the full year average daily closing prices were applied in 2003, while in 2004 the calculation only up to April 16, 2004

4. Except for the distribution of earnings, assumptions used in 2004 financial forecasts have been reviewed by Independent Auditor and a Independent Auditor's report has been issued. The distribution of earnings was according to the proposal approved by the Board of Directors on April 20, 2004.

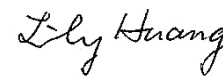
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Manager:



Staff:



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