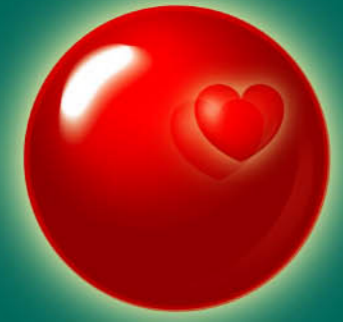




Chinatrust Financial Holding Co., Ltd.

Chinatrust Financial Holding Co., Ltd. Annual Report 2004



*with care*

*anytime*

*anywhere*

*you*

*serving*

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### **Chinatrust Financial Holding Company**

18F, No. 3, Sung Shou Road, Taipei, Taiwan, R.O.C.  
+886-2-2722-2002

<http://www.chinatrustgroup.com.tw>

### **Chinatrust Commercial Bank**

No. 3, Sung Shou Road, Taipei, Taiwan, R.O.C.  
+886-2-2722-2002

<http://www.chinatrust.com.tw>

### **Chinatrust Securities Company**

10F, No. 3, Sung Shou Road, Taipei, Taiwan, R.O.C.  
+886-2-8780-8867

<http://www.win168.com.tw>

### **Chinatrust Insurance Brokers Company**

10F, No. 18, Young-Ji Road, Taipei, Taiwan, R.O.C.  
+886-2-2768-0505

<http://www.ctbrokerage.com.tw>

### **Chinatrust Venture Capital Corp.**

3F, No. 3, Sung Shou Road, Taipei, Taiwan, R.O.C.  
+886-2-2345-5777

<http://www.chinatrustgroup.com.tw>

### **Chinatrust Asset Management Company**

17F, No. 3, Sung Shou Road, Taipei, Taiwan, R.O.C.  
+886-2-2722-2002

<http://www.chinatrustgroup.com.tw>

### **Chinatrust Bills Finance Corporation**

11-1F, No. 98, Sec 2, Nanking E. Road, Taipei, Taiwan, R.O.C.  
+886-2-2522-2222

<http://www.ctbf.com.tw>

# Financial Highlights

In million, except per share data

Item	2004 Consolidated		2003 Consolidated	
	NTD	USD <sup>2</sup>	NTD	USD <sup>1</sup>
<b>For the Year</b>				
Income before Income Tax	20,059	628	9,098	268
Net Income	15,386	482	7,716	227
<b>At the Year End</b>				
Total Assets	1,428,979	44,772	1,213,213	35,706
Stockholders' Equity	100,872	3,160	93,950	2,765
<b>Per Share</b>				
Earnings per share – before income tax	3.42	0.11	1.60	0.05
Earnings per share – after income tax	2.60	0.08	1.34	0.04
Stockholders' Equity per Share – common stock	15.62	0.49	13.31	0.39
Group Capital Adequacy Ratio	119.72%		124.73%	
Return on Equity – after income tax	17.23%		9.47%	
Return on Assets – after income tax	1.16%		0.72%	

1. U.S. Dollars amounts are converted at the prevailing exchange rate on Dec. 31, 2003 of NT \$33.978=US\$1

2. U.S. Dollars amounts are converted at the prevailing exchange rate on Dec. 31, 2004 of NT \$31.917=US\$1

## To Our Shareholders



### Taiwan's economy rebounded swiftly in 2004

as global recovery gathered pace. The global economy — despite lingering concerns in the second half on higher oil prices and the economic slowdown in Mainland China — had remained robust throughout the year. Taiwan, with its export-orientated economy, benefited from this trend and had maintained a strong growth path.

On the financial industry front, consolidation trend remained unabated. At the global level, financial institutions were eager to achieve scale economy through active M&A strategies. At the regional front, Japan's financial restructuring effort created banking giants through consolidation; Korea facilitated the formation of leading financial companies by introducing foreign participation. These examples contrasted with Taiwan's slow progress in financial reform and its lack of dominant players. Nevertheless, with intensified competition and the government's support, financial reform in Taiwan should speed up and go forward.

Despite the competitive business landscape, Chinatrust Financial Holding Company (CFHC) was able to deliver another year of strong performance. Having successfully implemented the "bank-centric" strategy and having fully integrated the subsidiaries to create synergy, the management team had once again demonstrated the capability to meet the expectations and challenges entrusted to them by the shareholders.

### Outstanding Financial Results with Effective Integration of Expanded Network

2004 was an excellent year for the CFHC. Compared to 2003, our earnings grew from NT\$ 7.7 billion to NT\$ 15.4 billion, an increase of 99%. Chinatrust Commercial

Bank, our flagship company, with its total assets at NT\$1.3 trillion, total loans at NT\$0.8 trillion, total deposits at NT\$1.0 trillion, and pretax profit at a record NT\$18.2 billion, maintained its position as the largest private and most profitable bank in Taiwan.

The success of our "bank-centric" strategy is built on our ability to fulfill the financial needs of our customers through an extensive network and an "open architecture" that provides "best-of-breed" products and services. Since the completion of system integration with Grand Commercial Bank in January 2004, the CFHC has begun to introduce our business model to the newly acquired branches. Strong earnings and growth momentum achieved at these branches demonstrated our effective approach and outstanding execution capability.

As part of our strategy to extend our network, we have also participated in the auctioning processes of troubled financial institutions held by Central Deposit Insurance Corporation during 2004. The successful acquisition of Fengshan Credit Cooperative in October further increased the number of our bank branches from 101 to 111, allowing us to provide greater access and better service to a broader customer base.

### Subsidiaries Combined to Provide an Integrated and Comprehensive Service

Through effective integration of the subsidiaries' resources, such as human resources, IT, customers, products, and channels, the CFHC has strengthened its ability to provide an integrated and comprehensive financial service to our customers. We are constantly improving our skills and capabilities by adding new subsidiaries to the family. Chinatrust Bills Finance Corporation, our latest member company, joined the CFHC in March 2004 and increased the total number of CFHC's subsidiaries to



six. While the new member would bring additional product capabilities to the CFHC, it should also benefit from the resources available at the CFHC.

All CFHC's subsidiaries had an outstanding performance in 2004. Chinatrust Insurance Brokers Company now offers a wide range of insurance products and services. Not surprisingly, it recorded a pretax profit growth of 22% in comparison to 2003. Likewise, in just over a year, Chinatrust Asset Management Company — established to explore opportunities in the restructuring of non-performing assets — recorded a significant growth in pretax profits. Chinatrust Venture Capital Corp. focuses on investment and provides financial and management consultation for corporations. Its business scope covers both foreign and local venture capital

markets. Despite the sluggish stock market, Chinatrust Securities Company also posted an outstanding result in 2004, particularly in warrants and futures trading.

### Strong Growth in both Retail and Corporate Businesses

We have placed strong emphasis on both retail and corporate businesses and witnessed solid results in both areas in 2004. Compared to 2003, the income before tax for our retail and corporate businesses grew by 30% and 51% respectively, as we benefited significantly from increased cooperation between the subsidiaries. Fee income remained a key management focus and reached NT\$18.9 billion, a remarkable 44% growth. Wealth management business and new corporate products again provided the primary sources of our fee-income growth.

The outstanding business performance has not gone unnoticed. *Global Finance* named us the “Best Foreign Exchange Bank in Taiwan,” and *Asiamoney* called us “The Best Cash Management Bank in Taiwan” and “The Best Trade Finance Bank.” The *IRF* awarded Chinatrust the title “Top Bookrunners for Taiwan Syndicated Loans.” The *Asian Banker Journal* selected Chinatrust as the “Best Retail Bank in Taiwan.”

#### Professional Management Earning Recognition by Domestic and Foreign Institutions

CFHC’s management capability has long been recognized domestically and internationally. *FinanceAsia* named us one of the “Top 10 Asia’s Best Companies.” Our top position in the five main categories — Best Managed Company, Best Corporate Governance, Best Investor Relations, Most Committed to Strong Dividend Policy, and Best IR Representative — is a proof of our leading position in the Taiwan financial industry.

The management has placed great emphasis on operational improvements and risk management. CFHC’s cost-income ratio improved by 7% in 2004, a proof of the success of our recent operations. In asset quality, we maintained a narrow-based NPL ratio of 1.71% and a broad-based NPL ratio of 1.90%, in-line with international standards. Our coverage ratio of 83.72% was far above the industry standard. We have already begun preparations for implementation of the Basel II Capital Accord, and are currently in the process of restructuring our credit risk management systems. We believe that proactive risk management is an essential part of our growth strategy, and we aspire to develop a world-class risk management system at the CFHC.

Our prudent business approach is also reflected in our ratings results. The latest review conducted by Taiwan Ratings (S&P) on December 24, 2004 and other recent rating results confirmed a sound and stable outlook for the CFHC:

Type	Name	Credit Rating		Outlook	Additional Notes	Effective Date
		Long Term	Short Term			
International	Moody’s	-	-	Stable	Issuer Rate: Baa 1	2004.9.1
	Fitch	A-	F2	Stable	Individual: B/C Support: 5	2004.10.6
	Standard & Poor’s	BBB	A-3	Stable	-	2004.11.17
Domestic	Fitch (tw)	AA-(tw)	F1(tw)	Stable	-	2004.10.6
	Taiwan Ratings (S&P)	twAA-	twA-1	Stable	Debt Capability: Very Strong	2004.12.24

# Recognition

#### Our Commitment to be a “Caring, Professional, and Trustworthy” Organization

As competition intensifies, our commitment to being a “caring, professional, and trustworthy” organization has become even stronger. Our belief in the “We are Family” motto encourages us to proactively identify the needs of our customers and provide the right products and services. Satisfied and loyal customers are central to our long-term success.

The CFHC makes every effort to win the trust and satisfaction of the customers, as well as that of our employees. Professional and skilled employees are critical to fulfilling the needs of our customers. That is why we actively exhort our employees to help pave the way to a long-lasting customer relationship with Chinatrust. We continue working on building team spirit, trust, and confidence among our employees.

Chinatrust remains committed to social responsibility. This is evident in our regular contribution to charity and social work, which has increased every year. In addition to collaborating with Taiwan Fund for Children and Families to hold the annual “Light Up a Life” campaign, Chinatrust Commercial Bank has also set up a separate Chinatrust Charity Fund to take care of disabled and underprivileged children. Our employees act as volunteers to these activities.

#### A Strong Growth Momentum to Deliver Sustainable Shareholder Value

In 2005, we will continue to build up our competitive advantages, focus on both increased productivity and revenue growth. Chinatrust will continue to explore the

market in the Greater China region and develop a brand that can effectively compete in the global arena. In brief, our plan for this year includes:

- Identify merger and acquisition opportunities to reach economy of scale
- Improve competitiveness through domestic and foreign alliances
- Strengthen overall brand value
- Develop Mainland China and other overseas markets

With the dedication and commitment of the company, and the support of our shareholders, we are well positioned to create and deliver a sustainable shareholder value.



**Jeffrey L.S. Koo**  
Chairman



Establishment date: May 17, 2002

## History

### Chinatrust Financial Holding Company

The Chinatrust Financial Holding Company (hereafter the Company or CFHC) was founded on May 17, 2002 to provide integrated services to its customers and to establish an international and multi-faceted financial entity. With Chinatrust Commercial Bank (CTCB) as the flagship organization, Chinatrust Securities Company (Chinatrust Securities) and Chinatrust Insurance Brokers Company (Chinatrust Insurance) were amalgamated into one new organization in the first phase. Thereafter, subsidiaries of CFHC, Chinatrust Venture Capital Corp. (Chinatrust VC) and Chinatrust Asset Management Company (Chinatrust Asset) and Chinatrust Bills Finance Corporation were also included in the Company. The business activities of member companies are divided into two categories based on the types of clients: consumer banking and corporate banking. This integrated matrix structure comprising of both divisions and subsidiaries will enable resource-sharing and cross-selling among each unit. It will also ensure the provision of multi-faceted financial services to customers.

The main objectives of CFHC are:

- To establish Chinatrust Financial Holding Company as a trustworthy financial institution.

### Credit Ratings

Items	Agency	Credit Rating		Outlook	Additional Notes	Effective Date
		Long Term	Short Term			
International	Moody's	-	-	Stable	Issuer Rate: Baa 1	2004.9.1
	Standard & Poor's	BBB	A-3	Stable	-	2004.11.17
	Fitch	A-	F2	Stable	Individual: B/C Support: 5	2004.10.6
Domestic	Taiwan Rating	twAA-	twA-1	Stable	Credit Worthiness: Very Strong	2004.12.24
	Fitch	AA-(twn)	F1 (twn)	Stable	-	2004.10.6

- To provide one-stop, comprehensive, 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.

In order to expand its channels and operational scale in banking, CFHC acquired Grand Commercial Bank in December 2003. The swiftness of the integration was unprecedented in the country's financial history: the merger was completed in December 2003 and the acquired bank was fully integrated into CFHC. In July 2004, CTCB, a subsidiary of CFHC, acquired Fengshan Credit Cooperative, successfully laying foundation for the expansion of domestic banking channels. In order to put synergies into effect more rapidly, staff members of Grand Commercial Bank and Fengshan Credit Cooperative, went through intensive in-service training to adapt to the new corporate culture and new business environment.

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

### Honors Received

Best investor relations by industry among Asian Financial Services Industry	<i>Institutional Investor</i> , June 2004
Top bookrunners of Taiwan syndicated loans	<i>IFR</i> , July 2004

### Chinatrust Commercial Bank

The predecessor of Chinatrust Commercial Bank was China Securities Investment Corporation founded in 1966. Business scope covers deposit, loan, guarantee, foreign exchange, OBU, trust, credit card, debit card, securities, bonds, derivative products, receivable factoring, cash safe, electronic banking etc.

To expand its operating scale, CFHC merged with Grand Commercial Bank in December 2003 and

acquired Fengshan Credit Cooperative in October 2004. Till the end of 2004, CTCB has 111 domestic outlets and 58 overseas outlets, 2,669 domestic ATMs (among them 2,000 are installed in 7-11s). The number of ATMs it owns is much more than the next competitors. Deposit balance reached NTD1.0 trillion and total assets have exceeded NTD1.3 trillion, topping the list of private banks in Taiwan.

### Credit Ratings

Taiwan Ratings	Long Term twAA	Short Term twA-1	Outlook Stable
Moody's	Long Term A3	Short Term Prime-1	Outlook Stable
Fitch Ratings Ltd.	Long Term A	Short Term F1	Outlook Stable
Standard & Poor's	Long Term BBB+	Short Term A-2	Outlook Stable

### Honors Received

Best Foreign Exchange Bank in Taiwan Best Corporate/Institutional Internet Bank in Taiwan Best Consumer Internet Bank in Taiwan	<i>Global Finance</i> , 2004
Best Domestic Commercial Bank in Taiwan The Best Cash Management Bank in Taiwan The Best Domestic FX Bank in Taiwan Best Trade Finance Bank in Taiwan	<i>Asiamoney</i> , 2004
Awards for Excellence 2004 — Best Bank in Taiwan	<i>Euromoney</i>
Bank of the Year 2004 in Taiwan	<i>The Banker</i>
Derivatives and Risk Management House in Taiwan 2004	<i>AsiaRisk</i>
Best Domestic Investment Bank 2004, Taiwan	<i>The Asset</i>



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### 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. Insurance products cover property and casualty insurance and life insurance. Scope of property and casualty insurance includes fire insurance, employer's liability insurance, engineering insurance, motor insurance, fidelity insurance and marine cargo insurance. Scope of life insurance includes group and individual life insurance, injury insurance, health insurance, whole life insurance, endowment insurance, principal amortization 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, integrating and improving 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, bills and securities trading, to fulfill the company's obligation in offering the best finance management services to the customers.

### Chinatrust Securities Company

Chinatrust Securities Company is a comprehensive securities company. Besides assisting institutional clients in raising funds from the capital markets, Chinatrust Securities is also 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) trading, and the other is corporate finance services to OTC companies 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 governance structure 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 including cash capital financing of common and preferred stocks, secondary public offering of shares, issuing of convertible corporate bonds or corporate bonds with warrants according to the investment plan or capital requirements of the listed companies.

On its own operational front, Chinatrust Securities is actively engaged in various trading businesses relating to warrants and derivative products besides operations concerning stocks, bonds and futures products. The company also expects to provide customized derivative products of well-rounded financial services.

In addition to the headquarters, the company currently has 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 May 2003, Chinatrust Securities officially began its electronic trading services. It is the company's hope that through various channels including Internet and telephone, clients would be able to place orders in a safer and more comfortable trading environment.

### Honors Received

Top bookrunners of NTD bonds	<i>IFR</i> , July 2004
2004 Taiwan Bond House	<i>IFR</i>

### Chinatrust Venture Capital Corp.

Founded in March, 2003, Chinatrust Venture Capital Corp. is CFHC's first venture capital investment company. Its investment mainly goes to industries such as information technology, telecommunications, biochemistry and healthcare. Special emphasis has been placed on high payback and high risk start-up enterprise investments. Leveraging on Chinatrust's vast client base and marketing professionals, Chinatrust Venture Capital Corp. aims to provide corporate customers with a total solution for company development and be their valued partner for venture capital at the same time.

### 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 bad debts from financial institutions as well as management and processing of financial debt assets for financial institutions. With its expertise in credit granting and 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.

In 2005, in addition to committing more investment in restructuring NPL related businesses in collabo-

ration with various high-profile foreign business institutions, Chinatrust Asset will participate in handling NPLs and to proactively help the disposal of the bad assets of the group. 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 participate in NPL restructuring projects both domestically and offshore in 2005. Apart from conforming to domestic financial reform policies, Chinatrust Asset Management Company also expects to acquire additional expertise in managing NPL from its global counterparts in order to enhance its business acumen and professionalism.

### Chinatrust Bills Finance Corporation

Chinatrust Bills Finance Corporation was founded in 1995 to cooperate with the government in energizing the market, assist enterprises, and help the public with use of short-term funding. Its main categories of business include brokerage and proprietary trading of short-term bills, underwriting, certification, guarantee and endorsement of commercial paper, and proprietary trading of government bonds. In March 2004, Chinatrust Bills Finance became a member of Chinatrust Financial Holding Company. In the future, Chinatrust Bills Finance will do its best to expand customer base of bill trading and launch various new types of business in order to achieve the goals of operating as a whole and sustainable operation as well as becoming a professional bill trading house.

### Credit Ratings

Fitch Ratings Ltd.	Long Term BBB+	Short Term F2	Outlook Stable
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### Credit Ratings

Fitch Ratings Ltd.	Long Term A-	Short Term F2	Outlook Stable
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# The Organization *professionalism*



## Organization Chart

Stockholders' Meeting

Supervisors

Board of Directors

Compliance Officer

Office of General Auditor

Head of Audit

Management Committee

Risk & Capital Management Committee

Chairman, Vice Chairman

Office of Chairman

President Office of Retail Group

President Office of Institutional Group

Office of Chief Risk Officer

President

Office of Chief Financial Officer

Financial Controller

Office of Chief Information Officer

Office of Chief Administrative Officer

Office of Chief Strategy Officer

## Directors and Supervisors

April 30, 2005

Title	Name	Representative	Date of Assignment	Office Term	Owned Shares Upon Assignment		Presently Owned Shares		Shares Owned by the Shareholders, Spouse and Children Under the Legal Ages		Significant Experience	Education	
					No. of Shares	%	No. of Shares	%	No. of Shares	%			
Chairman	Jeffrey L. S. Koo		Jun 29, 2001	3	360,387,440	8.14		456,054,706	7.73	456,054,706	7.73	Chairman of Chinese International Economic Cooperation Association	Honorary Ph.D., De La Salle University, Philippines MBA, New York University, USA
Vice Chairman	Jeffrey J. L. Koo, Jr.	Representative of Kuan Ho Construction & Development Co., Ltd.	Jun 29, 2001	3	54,590,260	1.23		44,525,717	0.75	14,422,000	0.24	Chairman of CTCB	MBA, Wharton Graduate Division of the University of Pennsylvania, USA
Director	Michael L.C. Jong	Representative of Chung Cheng Investment Ltd.	Jun 29, 2001	3	4,575,040	0.10		5,598,676	0.09	2,863,800	0.05	Deputy President of CTCB	Department of Business Administration, Tamkang University, Taiwan
Director	Charles L. F. Lo	Representative of Asia Livestock Co., Ltd.	Jun 29, 2001	3	672,800	0.02		823,333	0.01	1,280,536	0.02	Deputy President of CTCB	Department of Economics, National Chung Hsing University, Taiwan
Director	James J. Sheu	Representative of HI Investment Ltd.	Jun 29, 2001	3	104,079,296	2.35		78,050,024	1.32	1,109,741	0.02	Deputy President of CTCB	MBA, Wharton Graduate Division of the University of Pennsylvania, USA
Director	Wen-Long Yen		Jun 29, 2001	3	51,670,563	1.17		63,231,537	1.07	63,244,617	1.07	Chairman of United Real Estate Management Corp.	Department of Economics, Soochow University, Taiwan
Director	Gwo-Yeu Tsai		Jun 29, 2001	3	67,773	0.00		256,604	0.00	256,604	0.00	Chief, Secretariat, Board of Directors Taiwan Cement Corp.	Department of Law, Soochow University, Taiwan
Supervisor	Ming-Shan Shaw	Representative of HI Investment Ltd.	Jun 29, 2001	3	104,079,296	2.35		78,050,024	1.32	0	0.00	Chairman of Ta-Ho Maritime Corp.	Special Commerce Program, College of Law, National Taiwan University, Taiwan
Supervisor	Shih-Chuan Lin	Representative of HI Investment Ltd.	Jun 29, 2001	3	104,079,296	2.35		78,050,024	1.32	316,423	0.01	Chairman of Ho-Yeh Investment Co., Ltd.	Department of Economics, National Taiwan University, Taiwan
Supervisor	T. C. Tsai	Representative of Kuan Ho Construction & Development Co., Ltd.	Jun 29, 2001	3	54,590,260	1.23		44,525,717	0.75	1,003,528	0.02	Vice President of Taiwan Fuji Xerox Corp.	Department of Finance and Tax, National Chengchi University, Taiwan

## Significant Shareholders of Legal Entities

April 30, 2005

Name of Legal Entity	HI Investment Ltd.	Kuan Ho Construction & Development Co., Ltd.	Chung Cheng Investment Ltd.	Asia Livestock Co., Ltd.
Main Legal Person	Robert Simon Fraser	Wen-Long Yen, 30%	Jeffrey L.S. Koo, 44%	Wen-Shi Yen, 15%
		Mizue Hayashi, 30%	Chung Kwan Investment Co., Ltd., 49%	Chung Kwan Investment Co., Ltd., 15%
		Wen-Shi Yen, 10%		Tsai Ming Jih, 15%
		Wen-Tse Yen, 10%		Shou-Shih Chen, 15%
		Wen-Hui Yen, 10%		Wen-Long Yen, 15%
				Wen-Tse Yen, 12.5%
				Mizue Hayashi, 12.5%

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



**The  
Management  
Team**

*servicing*

*our*

*customers*

*with*

*care*



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

*Current Position*

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

*Significant Experience*

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

*Education*

**MBA, Wharton Graduate Division of the University of Pennsylvania, USA**



**Michael L.C. Jong**

*Current Position*

**Chairman, Chinatrust Securities Company  
Managing Director, Chinese Securities Association R.O.C.  
Director, Over-The-Counter Securities Exchange R.O.C.**

*Significant Experience*

**Vice Chairman, Chinatrust Financial Holding Company**

*Education*

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



**Eric Chen**

*Current Position*

**President, Chinatrust Financial Holding Company**

*Significant Experience*

**President of Institutional Group, Chinatrust Financial Holding Company  
President, Chinatrust Commercial Bank  
Country Officer and Country Head of Corporate Bank in Taiwan, Citigroup**

*Education*

**MBA, the University of Missouri, USA**



**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*

**President, Chinatrust Financial Holding Company  
President of Retail Group, Chinatrust Financial Holding Company**

*Education*

**B.S. in Economics, National Chung-Hsing University, Taiwan**



**The  
Management  
Team**



**Steve R.S. Chou**

*Current Position*

**President of Retail Group, Chinatrust Financial Holding Company  
President, Retail Banking Group, Chinatrust Commercial Bank**

*Significant Experience*

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

**VP of Retail Banking Group, Westpac Bank – Taipei Branch**

*Education*

**Bachelor of Business Administration, Tamkang University, Taiwan**



**Steven C.Z. Cheng**

*Current Position*

**President of Institutional Group, Chinatrust Financial Holding Company  
President, Institutional Banking Group, Chinatrust Commercial Bank**

*Significant Experience*

**Chief Financial Officer, Chinatrust Financial Holding Company**

**President, Chinatrust Securities Company**

**Vice President of Fixed Income, Currency and Commodities Division,  
Goldman Sachs (Japan) Ltd.**

*Education*

**MBA, Wharton Graduate Division of the University of Pennsylvania, USA**



**James J. Sheu**

*Current Position*

**Chief Risk Officer, Chinatrust Financial Holding Company  
Deputy President, Chinatrust Commercial Bank**

*Significant Experience*

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

*Education*

**MBA, Wharton Graduate Division of the 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*

**Executive Vice President & Managing Director of Information Services Group,  
Chinatrust Commercial Bank**

**Information Center & Resource Manager, First Bank Systems in Minnesota, USA**

*Education*

**MBA, University of Minnesota, USA**

*servicing*

*our*

*customers*

*with*

*care*



The  
Management  
Team

*servicing*

*our*

*customers*

*with*

*care*



**Thomas K.S. Chen**

*Current Position*

**General Auditor, Chinatrust Financial Holding Company**

*Significant Experience*

**Vice Chairman, Chinatrust (Philippines) Commercial Bank**

**Senior Executive Vice President & Secretary Department Manager of Office of Chairman, Chinatrust Commercial Bank**

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

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

*Education*

**National Chengchi University, Taiwan**



**Oliver Shang**

*Current Position*

**Chief Administrative Officer, Chinatrust Financial Holding Company**

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

**Chinatrust Commercial Bank**

*Significant Experience*

**Deputy Managing Director of Human Resources Group, Chinatrust Commercial Bank**

**Chairman of Taiwan Relo Club, Ltd.**

*Education*

**MBA, University of Delaware, U.S.A.**



**Shiawpin Lin**

*Current Position*

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

*Significant Experience*

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

**Director of Financial Consulting Center, Grand Pacific Securities Investment Trust Company**

*Education*

**MBA, University of Columbia, USA**



**Perry Chang**

*Current Position*

**Chief Financial Officer, Chinatrust Financial Holding Company**

**Executive Vice President & Managing Director of Finance Group, Chinatrust Commercial Bank**

**Chinatrust Commercial Bank**

*Significant Experience*

**Financial Controller, Chinatrust Financial Holding Company**

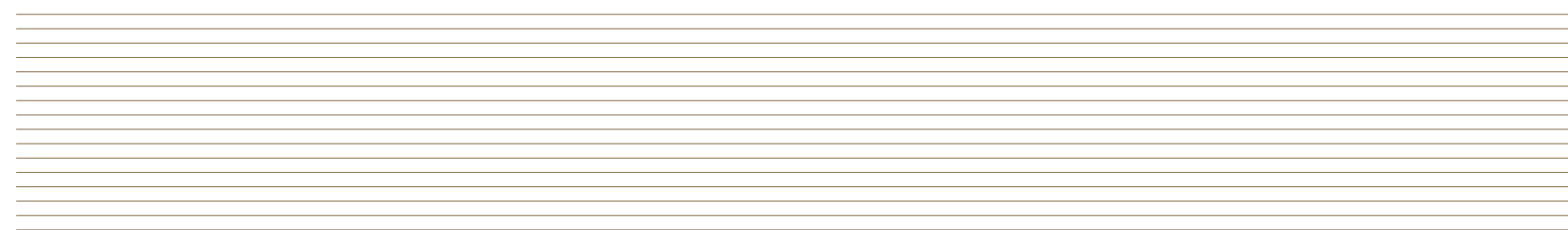
**Deputy Managing Director of Finance Group, Chinatrust Commercial Bank**

*Education*

**MBA, Tunghai University, Taiwan**



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## Chinatrust Financial Holding Company (CFHC)

### 1. Business

As a holding company, CFHC is financial institution engaging in investment banking, securities, bills, insurance, venture capital, and asset management sectors.

### 2. Main Subsidiaries:

Chinatrust Commercial Bank, Chinatrust Securities Company, Chinatrust Bills Finance Corporation, Chinatrust Insurance Brokers Company, Chinatrust Venture Capital Corporation, and Chinatrust Asset Management Company.

## Chinatrust Commercial Bank (CTCB)

### 1. Business:

#### Corporate Banking Business

As the industry's development brings new improvements to the country's social dynamics, CTCB continues to uphold its spirit of serving and fulfilling the needs of corporations as well as the industries by providing a comprehensive range of financial services to support and actively participate in the growth and development of the financial market. CTCB endeavors to "pursue dynamic innovation", "superior risk management", "top-quality, competitive human resources", "prudent cost management & controls", and "a spirit of teamwork to achieve common goals" in its quest to provide the best corporate banking services, to become the chosen financial partner in the business world, and to generate the highest value for its shareholders.

With the increasing maturity and sophistication of the domestic financial market as well as growing diversity of corporate financing services brought by the rapid advancement of globalization and cross-border businesses, CTCB's corporate finance segment has also made the necessary adjustments to accommodate changing market

requirements. Under a customer-oriented policy, CTCB provides a comprehensive range of products and services covering four main areas: Corporate Lending, Investment, Cash Management, and Risk Management.

Under the Corporate Lending business segment, CTCB not only provides loans to corporations to ensure both short-term and long-term financial and operational assistance for their cash flow needs, but in line with the trend towards large-scale financing, it is also the major player in the syndicated loans market. Its success in leading and completing various important loan syndications has led to its recognition as the "Best Domestic Investment Bank in Taiwan" by the Asset, an authoritative publication in financing. The award was presented to CTCB in recognition of its success in raising funds amounting to NT\$156.8 billion, which is also a reflection of the Bank's capabilities in the realm of international corporate finance. Under a thriving domestic capital market, CTCB has also consolidated its financial resources in order to offer a diverse range of financing structures. Aside from integrating Chinatrust Securities' resources in helping customers raise capital through initial public offerings (IPOs) on the Taiwan Stock Exchange, OTC market, and GTSM (GreTai Securities Market), secondary public offerings, and even share agency services, the Bank also collaborates with its network of distribution channels to facilitate the issuance of various corporate bonds as well as developing other financing methods which best suit the capital structures and allocation requirements of their institutional clients. Besides, CTCB offers convenient and attractive trade financing services through joint efforts with corporate supply chains to ensure efficient Accounts Receivables (AR) collections. Its high degree of customer confidence is well-reflected in its No. 1 position in the market.

In the Institutional Investments segment, CTCB is the largest bond trading house in the country, and it endeavors to maintain the most circulating and transparent trading platform to meet liquidity and investment

requirements of its customers' short-term financing needs. Together with its experienced and qualified financial engineering team, CTCB aims to grow with their corporate clients in a mutually beneficial partnership by offering a variety of structured products combining different investment features to improve returns on investments for their customers, while reducing the Bank's funding costs.

In terms of Cash Management, CTCB consolidates its fund and foreign exchange settlement mechanisms to integrate with its branches in Hong Kong and Internet banking channels, in response to the fast moving and the more globalize and e-evolutionary flow of funds, and to ensure convenient and more timely services for fund transfers or exchanges, collections, and payments. In particular, the rapid growth of cross-border financing has also led the Bank to offer a complete range of trade financing services, including lending, collection/payment controls.

In the Risk Management segment, CTCB has been recognized as second to none among the financial institutions involved in derivatives trading in the country. Whether the risks involve exchange rates, interest rates, or exposures to index movements, CTCB has the competence to provide tailor-made products to satisfy their customers' specific hedging requirements, offering Forwards, Options, Swaps, or combinations of these derivative instruments to assist customers in optimizing their risk management at minimum cost.

The economy in the first half of 2004 was driven by the boom in the second half of 2003 with ongoing expansion in institutional investments. CTCB's corporate banking business actively supported customers' financing needs in the capital market, providing both long-term and short-term working capital to bolster enterprises' operational and business growth, with outstanding results. During the second half of 2004, CTCB's corpo-

rate banking business continued to push ahead with profitable results despite the economic slowdown during that period, recording a dramatic 51% increase in its annual surplus from 2003. Based on such a solid foundation, it expects 2005 to be another positive year for locking in targeted customers, and implementing related analysis and management controls; breaking higher ground and attaining even better results.

#### Consumer Banking Business

The 2004 Taiwan economy benefited from the strong rebound in the global economy, which drove substantial exports and production, giving rise to a significant investment expansion that resulted in a robust domestic growth during the first half of the year. Subsequently, the substantial increase in international crude oil prices caused many Central Banks in countries around the world to raise interest rates one after another while restraining credit growth. This put the brakes on global economic growth, which in turn, leading to a slowdown in the Taiwanese economy. Nonetheless, the overall domestic economy still performed admirably in 2004, with a corresponding growth in CTCB's consumer banking business. CTCB's strong understanding of customer requirements and serious commitment to customer relationships helped realize its aim of providing better products and more personalized services. This approach drove the success of our Consumer Banking business pass the NT10 billion milestone set in 2003, surpassing its target by 105%.

Along with the popularization of internet transaction, CTCB's Consumer Internet Bank has been ranked No.1 in market share for four consecutive years and the internet acquiring business went up to the first in 2004 with a leap. In addition, CTCB's Consumer Internet Bank has been elected as the "The Best Consumer Internet Bank in Taiwan" by international financial journal, Global Finance for two consecutive years since 2003. We are also the only banking website in Taiwan to win "Click!



Awards”, recognized as “Best Online Customer Service Website” among the 500 intercoastal websites

In the area of Consumer lending, the amount of new loans as well as net increases in loans both reached new historical highs, bringing about outstanding results and earnings in 2004. Total loans increased significantly by 28%, from 2003’s NT\$288.7 billion to NT\$369.4 billion in 2004. Unsecured loans, which comprised 16.4% of total assets in 2003, increased to 20.0% of total assets in 2004; while the quality of loans represented by the NPL Ratio continued to improve from 1.31% to 1.07%, with corresponding improvements in profit margins. In the market, brand awareness and customer preferences for its loan products ranked first and second respectively.

CTCB’s cash card business also grew quickly, reaching 18 billion, the market share of outstanding balance moving up from the seventh place in the market last year to No. 4 in 2004, while being acknowledged as the most preferred brand among consumers. Re-launch cash card named “Wish Cash Card” in July 2004, CTCB also signed a three-year exclusive partnership deal with Japan’s largest financing Company, Acom, in December 2004 to study and develop Taiwan’s cash card market.

CTCB’s unsecured personal loan business offers a simple and easy application process, providing a diverse range of products and prices to suit different customer needs. Assets under this category officially broke through the 55 billion mark this year-end, with an annual growth rate of 43%, once gain confirming its status as the customer’s most preferred financial institution for personal loan business.

In view of rising interest rates and to accommodate individual housing needs, CTCB launched two new products in Mortgage business, “fixed rate mortgage” and “high loan to value mortgage”. As a result, new loans increased by 122% compare to the previous year, while others increased by 22% over the same period. At the

same time, CTCB set up a retention team of property experts to maintain existing customers, securing its position as the third largest mortgage provider in the domestic mortgage market.

In the area of wealth management business, CTCB focused on the Three-Bs strategy concept —“Best People, Best Product, Best Solution”, to bring customers more value-added products, which better suit their financial needs. With a team of wealth management experts and through an “open platform of product sourcing”, global investment management concepts and products were introduced, together with a complete range of financial planning system, so called Advisory Services, bringing the best investment alternatives to customers in meeting the demands of sustainable financial growth. CTCB’s 2004 annual sales volume for its structured products exceeded NT\$50.3 billion, a 43% increase compared to 2003. Its “Funds” (including domestic and foreign funds as well as Collective Investment Accounts) rose further to reach NT\$96.4 billion. Similarly, its premium income from “new Life Insurance policies” also surpassed the NT\$26.5 billion mark, recording a 47% increase from 2003. It is ranked sixth in terms of new premium revenue among other Life Insurance players, and holds the leading position on Bancassurance business

In order to provide customers with convenient and timely financial services, as of end-2004, CTCB has set up a total of 2,669 ATMs at strategic locations including 7-Eleven convenience stores, capturing some 12.5% market share — a close second to the 14.8% share held by those at Chunghwa Post outlets and about 700 more ATMs than the bank ranking the third. CTCB ATMs aim to provide customers with convenient, secure, and readily available services, guaranteeing round-the-clock, 24-hour financial assistance. According to Financial Information Service Co., Ltd. in December 2004, cross-banking transaction volumes have already exceeded those done through postal outlets, taking up more than 16% of the transaction market. Likewise, related processing fees

recorded a new high, with revenue from ATM processing fees reaching around NT\$683 million in December 2004, a whopping 173% increase from the corresponding period in 2003. In keeping with its continued customer-orientation in development of ATM features, up to 90% of its transaction channels have been automated since December 2004, with the objective of achieving a “one-stop shopping” function to provide online purchases, enquiries, and applications for various products. This will enable customers to receive convenient services without visiting bank branches in person, while maximizing ATMs’ profitability and lowering the serving cost to improve its competitive strengths.

Due to the rapid growth of the Bank’s wealth management business, CTCB had converted all Grand Commercial Bank branches into consumer finance platforms to offer a comprehensive range of products by the end of the first quarter in 2004, after the completion of our integration process. On top of this, at least a third of the branches on the entire island have already been remodeled to provide a more secure, private, and comfortable VIP centers for the customers of wealth management. CTCB also aims to introduce “Counterless Branch Air-tube Delivery System” in Chengtung and Taipei Downtown branches, as well as Taoyuan branch, to provide customers with international standard financial services. In the fourth quarter, the completion of the acquisition of the Fengshan Credit Cooperative increased our total branches from 101 to 111 branches. At the moment, CTCB is actively setting up new branches and relocating existing ones so that in time, there will be at least one branch in every major city in every county, over the entire Taiwan, to accommodate the rapid expansion and development of its consumer finance business.

In the area of Credit Cards, CTCB has adopted a customer and service management, and has successively

introduced innovative products and services to satisfy a variety of demands from customers. With the support of its credit card customers, it not only managed to secure 15.6% of the overall credit card market, but also captured up to 20.1% of the retail spending market. CTCB also holds a 15% market share in cash advance, and a 12.4% share of the country’s revolving balance, holding the lead position in every market segment.

Income from Credit Card acquiring business also displayed an exceptional performance, accumulating a total balance of NT\$246.2 billion, an increase of NT\$48.4 billion from 2003, leading to a 23.7% market share. The total volume of installments for the year reached NT\$14 billion, a 180% increase, or NT\$5 billion up from the previous year.

#### **Trust Banking Business**

Aside from the continued development and expansion of its existing scope and quality of services, CTCB’s Trust segment aims to introduce popular new products to target individuals, families, as well as corporate clients in areas such as investment management, tax-savings planning, asset transfers, and wealth protection. Since 2004, CTCB’s assets under management reached NT\$1,408.5 billion, a 42% increase, of NT\$418.1 billion up from 2003.

CTCB’s total trust investments in both domestic and foreign marketable securities amounted to NT\$257.4 billion as at end-2004, one of the highest figures in Taiwan. Furthermore, the launch of its “Collective Investment Account of Trust Funds”, followed by August 2004 re-launch of its “Collective Investment Account-Taiwan Selective” secured its position as the first financial institution to have a trust structure with two collective investment accounts.

In terms of Custodial business, CTCB was the industry leader during the year, and the first company to offer custodial services to OTC and Listed corporations for “Employee Stock Option Certificates of Overseas



Foreign Employees”. As at end-2004, the total balance under its management amounted to NT\$997 billion, recording a 26% increase from 2003.

In the Corporate and Personal Trust segment, the total amount of marketable securities held as at end-2004 was NT\$32.2 billion, an increase of NT\$27.4 billion from 2003. This phenomenal 563% growth propelled it to the forefront of the overall financial institutions in Taiwan. Where “Employee Stock Ownership Trusts” are concerned, CTCB holds the leading position with a 48% share of the market, after the launch of two new products, the “Employee Profit-Sharing Unit Trust” and the “Treasury Shares Trust”.

## 2. Segmentation by Business

Unit: NT\$1,000,000

Business Segment	Amount	Ratio %
Retail Banking	42,592	60%
Consumer Banking	18,728	20%
Credit Cards	14,216	26%
Wealth Management	9,648	14%
Corporate Banking	28,586	40%
Total	71,178	100%

## Chinatrust Securities Company (CTSC)

### 1. Business Overview

#### Brokerage Services

CTSC operates in the securities market where it receives orders from clients to trade securities in the TSE and OTC markets. It also accepts customers’ trading directives for the Taiwan Futures Exchange, including domestic indexed futures, electronic indexed futures, financial insurance indexed futures, Taiwan-50 indexed futures,

Through a comprehensive sales approach as well as authorization and transfer agent services, CTCB’s Transfer Agent business held the top position in the market, posting excellent results as the country’s largest transfer agent institution. With respect to ESOP services, it pioneered an Internet registration process to provide a more convenient channel which not only improves its services and competitive advantage, but also provides added value to customers. A total of 1,073 companies now provide certification services for CTCB’s unit trusts. The management scope of its discretionary trust business also ranked top among the 12 licensed banks in the industry.

interest rate futures, small-cap indexed futures, indexed options, stock options, and other approved futures or new derivative products, offering investors the opportunity to hedge their risks or exposures to the spot market. In 2004, the total completed transaction volume for exchange and OTC market trades amounted to NT\$27627.8 billion, where CTSC’s trading volume accounted to NT\$240.9 billion.

### Proprietary Trading

#### Equity

CTSC trades on its own behalf for securities listed in the stock exchange and the OTC market.

#### Fixed Income

CTSC uses its expertise to conduct balanced proprietary trades for various government bonds, corporate bonds, and bank debentures. Its bond trading activities include outright purchasing and selling, re-purchase and re-sell.

In order to realize the Government’s goal of more wide-ranging and developed securities markets through its financial restructuring scheme, CTSC continues to increase when-issue trades, bond trading under borrowing & lending, treasury futures, and other similar instruments to fulfill the need for a more diverse securities market.

Also, CTSC is actively developing cross-industry sales channels and integrated financial products and services in order to realize synergies through its plan to develop various financial products and distribution of these products through effective sales channels to promote the consolidation of its resources. These include appropriate bundling, customized products and a complete range of one-stop services.

#### Financial Derivatives

The main aim of CTSC’s Derivative Product Division is to conduct innovative analysis and carry out actual trades on new financial products in the domestic and foreign markets. The main products consist of warrants, structured products, and other derivative instruments.

In the warrants market, the main focus is on the issuance of call-warrants in the domestic exchange and OTC markets, and conducting hedging trades through these markets while meeting customer requirements by restructuring and engineering various warrant products.

The market’s resistance to the attempted inclusion of warrant issues into the securities market in July caused a major shrinkage to the primary warrant market, with

almost zero new issues from July to November.

Nonetheless, since its re-launch, the warrant market has shown a healthy growth with over 360 new issues during the year. Of this, CTSC handled 15 issues, representing 4% of the market.

In 2004, CTSC’s Structured Products Division did not participate actively in the market due to tax-related reasons. However, it expects to play an aggressive role in the coming year.

#### Futures

CTSC’s Futures Proprietary Trading Division is mainly involved in futures and options trading, as well as carrying out research and analysis of trading strategies.

### Underwriting Business

CTSC offers planning and consulting services of mergers and Initial Public Offering (IPOs) on TSE and OTC markets. It also assists public companies to raise needed capital, thereby stimulating the capital market and facilitating economic development.

Aside from continuing to direct high-quality companies towards the capital market in 2004, it also provided support to many corporations in arranging for cash injections and the issuance of convertible debt to raise required capital, such as Yeun Chyang Industrial Co., Aurotek Corporation, Well Communication Corp., L&K Precision Technology, ITEQ Corporation, Lipers Enterprise Co., PRO-NETS Technology Corporation, Taiwan Chinsan Electronic, Mirle Automation Technology, Powertip Technology Corporation, Leofoo Development Co., Shanloong Transportation Co., Prime View International Co., Kuen Ling Machinery Refrigerating Co., and Yulon Motor Co. In addition, it provides consultation services to the issuer regarding securities issuance and related trading activities, and provides assistance to the issuer for the issuance of corporate bonds, financial bonds, as well as international financial bonds, promoting liquidity in the capital market while ensuring sustainable development for corporations and the economy.



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## 2. Revenue Breakdown

Item	2004	
	Amount	%
Income from Brokerage Fees	263	20
Income from Underwriting	96	7
Net Profit from Sale of Securities – Underwriting	38	3
Interest Income	109	8
Net Profit from warrants issued	531	41
Net Profit from Futures Contracts	109	8
Net Profit from Options Contracts	79	6
Gain on reversal of market decline of securities	45	4
Other Income from other Operations	40	3
Total	1,310	100

### Chinatrust Bills Finance Corp.

#### 1. Business

- Brokerage and proprietary trading for short-term bills
- Certification of bills
- Underwriting of bills
- Guarantor for Notes/Debt
- Providing financial consulting services to financial enterprises
- Authorized dealer, underwriter, broker, and proprietary trader for Financial Bonds
- Brokerage and proprietary trading on Government Bonds
- Proprietary Trading on Corporate Bonds
- Related advisory services and consultation
- Derivative instruments approved by the Ministry of Finance.

## 2. Segmentation by Business

### Main Business

#### 1. New Purchases

Item	2004	
	Amount	%
Commercial Papers	129,901	85.10
Bankers Acceptances	-	-
Negotiable Certificates of Deposits	22,238	14.57
Treasury Securities	500	0.33
Total	152,639	100.00

#### 2. Bonds/Debentures Underwriting

##### (a) Segmentation by Guarantor

Item	2004	
	Amount	%
Bank	21,355	16.44
Unit Trust/Mutual Fund	-	-
Other Bills Companies	226	0.17
The Company	93,170	71.73
Unsecured Debt	15,150	11.66
Total	129,901	100.00

##### (b) Segmentation by Tenure

Item	2004	
	Amount	%
1-30 days	41,353	31.83
31-90 days	66,948	51.54
91-180 days	17,715	13.64
181 days	3,885	2.99
Total	129,901	100.00

### 3. Trading of Notes and Bonds

#### (a) Segmentation by Trading Instruments

Item	2004	
	Amount	%
Promissory Notes	1,199,373	13.36
Bankers Acceptances	36	0.00
Negotiable Certificates of Deposits	237,115	2.64
Treasury Securities	17,030	0.19
Government Bonds	7,517,657	83.73
Financial Bonds/Bank Debentures	7,103	0.08
Corporate Bonds	426	0.00
Total	8,978,740	100.00

#### (b) Segmentation by Counterparties to Transactions

Counterparty	2004	
	Amount	%
Bank	1,165,625	12.98
Securities Companies	2,763,611	30.78
Trust Companies	16,419	0.18
Insurance Companies	315,491	3.51
Government Agencies	7,315	0.08
Private Enterprises	4,611,397	51.36
Institutional Groups	12,437	0.14
Funded Agencies	31,887	0.36
Others	54,558	0.61
Total	8,978,740	100.00

### Chinatrust Insurance Brokers Company

#### 1. Business

The company is involved in general and life insurance businesses as listed below:

General Insurance	Corporate	Marine Insurance, Fire Insurance, Liability Protection, Engineering Insurance, and Fidelity Insurance.
	Personal	Fire Insurance, Fidelity Insurance, Auto/Car Insurance, Unemployment Insurance, and Group Accident Insurance.
Life Insurance	Corporate	Group Fixed Life Insurance, Group Health and Accident Insurance.
	Personal	Personal Injury Insurance, Health Insurance, Whole-Life Insurance, Endowment Insurance, Investment-linked Insurance, and Annuity Insurance.

#### 2. Segmentation by Business

A breakdown of commissions-based income received in 2004 is listed in the table below:

Product	Income from Commissions	% Contribution
General Insurance	91	4.5%
Life Insurance	1,910	95.5%
Total	2,001	100.00%

The company was mainly involved in the Life Insurance business during the year.



### Chinatrust Venture Capital Corp. (CTVC)

#### 1. Business: Venture Capital Investments

#### 2. Segmentation by Business

CTVC's major business involves direct investments in non-listed companies. In 2004, the company invested in a total of three new projects, and two capital increment by cash in two of its existing projects; and all of which are

domestic investments. As of Dec 31 2004, total combined domestic investments amounted to NT\$440 million or 56% of the company, while foreign investments made up the remaining 44% with US\$10.85 million, with investments largely allocated in telecommunications, technology, computing hardware, and software sectors.

The following table shows a breakdown of investee companies, amounts invested, and % contributions:

Unit: NT\$1,000,000

	Amount Invested	% Contribution to Total
Telecommunications, Technology, Computing Hardware and Software Industries.	339	43%
Biotechnology Industry	197	25%
Semiconductor and Fiber-optics Industries	152	20%
Other Industries	92	12%
Total	780	100%

### Chinatrust Asset Management Company (CTAM)

#### 1. Business

- Purchase of Non-performing Loans (NPLs) from financial institutions
- Manage the NPLs auction process for financial institutions
- NPLs management services for financial institutions
- Credit valuation of NPLs
- Related businesses to investments in NPLs.

#### 2. Segmentation by Business

Unit: NT\$1,000,000

	Invested Amounts	%
Purchase of Non-Performing Loans	11,271	100

### Chinatrust Financial Holding Company

Based on its "bank-centric" business strategy, CFHC will continue to strengthen its banking platform for cross-selling and integrate the resources of its subsidiaries, so as to provide customers with an all encompassing and one-stop financial service. This will allow CFHC to maintain its strong organic growth momentum, and prepare it for future M&As and overseas expansion. The specific business plan is as follows:

#### 1. Grasp M&A opportunities and improve economies of scale

As Taiwan's financial institutions undergo the current wave of consolidations, CFHC will stay the course of its existing strategy in seeking suitable merger and acquisition opportunities to expand its scale of economy and bolster its core competencies.

#### 2. Enhance competitiveness through alliances with domestic and foreign partners

Besides domestic M&As, CFHC will also enhance its competitiveness by introducing new technology and improving its innovation capability through industry and cross-industry strategic alliances, with domestic and foreign partners.

#### 3. Strengthen CFHC brand strategy and value

CFHC ranked top in brand recognition and was found by customers as the "most preferred bank", based on 2004 survey results. Striving to gain full confidence of both its customers and employees, CFHC aims to create the leading brand among all financial institutions.

#### 4. Expand the presence in Mainland China and overseas markets

In view of new trends of liberalization and globalization in the financial world, CFHC has actively engaged in expanding its domestic and overseas network. With increasing numbers of Taiwanese businesses moving to Mainland China, CFHC is committed to expand its presence there in 2005. In addition, CFHC will further

extend into other overseas regions, an important part of its business strategy to complement the Taiwan franchise, in order to be the best Chinese financial institutions in the world.

### Chinatrust Commercial Bank

In addition to strengthening cross-selling platform, Chinatrust continues to focus on a customer-oriented organization in 2005, providing customers total solutions to fulfill their needs. The detail business plan includes:

#### 1. Focus on customer-oriented organization

Business organization design and planning will center on total relationship management so as to satisfy customers' needs with customized financial planning and solutions. Chinatrust will continue to introduce innovative fee income based products and further enhance customers' satisfaction and loyalty.

#### 2. Strengthen banking channel performance and sales capabilities

In order to improve its channel performance and financial planning capability, Chinatrust will enhance infrastructures such as customer relationship management (CRM) platform and financial planning systems to develop database-driven marketing and customer management programs.

#### 3. Enhance the process and operations efficiencies

In its quest for operation excellences and maintain the market leading position, Chinatrust will continue to improve the operation and process efficiencies, and establish best practices in the market.

#### 4. Cultivate global talents and develop international capacities

To meet the needs of its local and international strategy, Chinatrust plans to improve the training program and performance management system to enhance its employee's professionalism and cultivate global talents.



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## 5. Benchmark financial structure to ensure profit generation

Chinatrust continues to place heavy emphasis on risk management and aims to complete a new system in compliance with the New Basel Capital Accord by 2006. This system will provide a more comprehensive risk management mechanism, improve the efficiency of asset appraisal and provide a more accurate advanced warning system to strengthen the overall risk management capability.

### Chinatrust Securities Company

#### Brokerage

- To provide quality customized services to niche market customers with customized products together with banking products. To promote securities related businesses by fully leveraging on Chinatrust's resources. To create value added and profits by seeking sales of relevant financial products through the existing channels and personnel assistance between subsidiaries of Chinatrust.
- To conduct successive training to enhance employees' professional knowledge and skills and to provide better servicing customers in order to accommodate new product launches. To provide alternatives for customers with the two-fold development of Internet ordering and brokering services to increase trading volume.
- All business staff shall be able to provide top quality service by customizing products for niche market customers.

#### Proprietary Trading

##### Equity

Improve professional skills of proprietary trading staff, actively communicate with fund managers of investment trustees and other proprietary businesses to obtain real-time information concerning market, industry and individual stocks.

##### Fixed Income

Under the anticipation of possible interest rate increases in the US in 2005 and the expectation of Central Bank gradually raise the interest rates, there are still comparatively abundant funds available in the market. The bond market is expected to flourish, that the company hopes to reach an optimal balance between profit maximization and risk control based on judgment on the overall economic situation.

##### Financial Derivatives

Financial Derivatives business in 2005 will be focused on the following aspects: in warrant trading, the main target will be to increase the issuance of warrants to boost market share and create more profit opportunity for the company. Another focus will be structured products, which will be sold through the current channels of the company and will mainly comprise Equity Link Note (ELN) and Principal Guarantee Note (PGN). A variety of financial products targeting at different customer base will be designed to provide one-stop service in all perspectives. The company will actively launch relevant structured products, with the aim to rank among the top three in terms of the amount of outstanding nominal principal. Moreover, with the on-going deregulation, brokers may conduct strategic transactions to hedge against risks. Enhancing shorting capabilities will therefore become a major concern. With the gradual opening-up to new financial products by regulatory authorities, the company will continue to play an active role by participating in market trading.

##### Futures

Under the trend of financial innovation, Taiwan Futures Exchange has constantly launched new commodities futures, including treasury bond futures which hit the market in 2004, and other new products which are to be introduced subsequently. Chinatrust Securities will continue its study on trading strategies on new futures products and will actively participate in futures market trading

with strict risk control measures. The company expects to create earnings with high leveraging trait unique to futures trading.

#### Underwriting

- Strategically select underwriting target customers with special attention to the quality of all cases, set profit earning as final target, and try to increase the revenue from financial consulting business.
- Actively develop fixed-income products, e.g., securitization of financial assets and real estates and debt structuring, to increase business depth and width.
- Set up functional placement channels, develop differentiated integrated products using Chinatrust's current resources, and provide all-inclusive services.

### Chinatrust Bills Finance Corporation

Mergers and acquisitions among financial institutions has become a trend lately as means to accommodate the ever-changing financial environment and to strengthen the competitiveness of the Taiwanese financial industry. After being consolidated into Chinatrust, the company will stick to its prudent operation philosophy and strengthen its growth potential to enhance its competitiveness, to target at further improvement and sustainable operation, and to integrate with the international trend of the financial markets. The future operating guideline is stated below:

1. To continue actively expanding the customer base of bill trading, and to provide diversified services to improve competitive edges by targeting the different requirements of clients.
2. To actively launch new types of businesses in answer to the opening-up policy of the government to increase revenue generating capability.

3. To strengthen fund utilization planning and management, handle transactions more flexibly, increase capital use efficiency, reduce operating expenses and stress liquidity risk control.

4. To follow real-time industry trend, pay special attention to industry trend and changes, continue the integration of credit granting policy and procedures, and maintain prudent credit management.

5. To set up an asset evaluation model of Internal Ratings Based (IRB) to adapt the requirements of the New Basel Capital Accord.

6. To carry out risk management and internal control measures, and to strictly comply with the primary principle of long-term prudent operation.

7. To conduct staff training, implement successive training programs for trading professionals, and to enhance knowledge and expertise of staff members.

### Chinatrust Insurance Brokers Company

When interest rates are low, insurance products tend to become closer in nature to savings. They will emphasize more on investment and wealth management in order to increase earning capabilities. On the other hand, with the integration of all financial products, the one-stop service using insurance as the basis stresses on preservation of the principal with due protection for returns on investment. To meet the needs of various customers, we have investment type of insurance, savings type of insurance, health protection insurance, accident insurance, fire insurance, car insurance, and many others. Insurance will provide customers not only with personal and property protection but also with the benefits of savings, investment, reductions in tax payments, and better planning for retirement. Because of all these functions, it is expected that there will be substantial growths in incomes from all these products.





**Chinatrust Venture Capital Corp.**

Leveraging Chinatrust's vast client base, marketing network and professionals, the company aims to provide customers with a total capital solution together with other subsidiaries by tapping into the resources of the Group. The future business plan of Chinatrust Venture Capital is:

**1. Introducing international cooperation opportunities**

To introduce strategic partnerships and advanced technology transfer opportunities in due time with the help of long-established relationship between Chinatrust and international investment community to bring about more competitive edges to Taiwan businesses.

**2. Better allocation of Chinatrust's resources to service high priority clients**

To seek out emerging industries and companies with high growth potentials by leveraging on Chinatrust's extensive bank service coverage and comprehensive financial service resources, and to provide enterprise investment, management and financial consulting service in early start-up periods supplemented by strict risk control system.

**Chinatrust Asset Management Company**

**1. Actively dealing with existing NPLs and participating in various public auctions**

The company will be actively managing its own NPLs and be continuously participating in domestic auctions through open bidding market. With participation in NPLs auctions, we wish to discover reasonable pricing in NPLs market, and enhance the profitability of the company.

**2. Continuously looking for profitable investment opportunity in Asia**

Under the requirements of the Ministry of Finance (MOF) to lower the NPL ratio, the overall NPL ratio as defined by MOF of all banks has brought down to 2.8% at the end of 2004. Under the circumstances, besides capturing the residual local business opportunities, the company has to expand into Asia region other than Taiwan, with the hope to enhance its capacity to deal with NPLs and to increase profitability.

**The Family of Chinatrust Financial Holding Company**

Year	2004		2003		
Number of employees	7,301		7,184		
Average age	32.59 years old		32.79 years old		
Average number of years of employment	6.09 years		5.90 years		
Education level		Employee count	Percentage	Employee count	Percentage
	Graduate school or higher	969	13.27%	758	10.55%
	University and college	5,789	79.30%	5,772	80.35%
	Senior high school	526	7.20%	630	8.77%
	Below senior high school	17	0.23%	24	0.33%

Apart from adhering to high professional standards and striving to be the leading innovator in the financial industry, Chinatrust Financial Holding Company also endeavors to be an exemplary corporate citizen, with a strong commitment to make the following contributions:

**Establishing the "Chinatrust Foundation"**

This foundation was established on 2 November 2004, with the main target of providing financial assistance and support to underprivileged or disabled children. Through the whole year's volunteer activities, Chinatrust Financial Holding Company cultivates the corporate benevolent culture and achieves the "Love for kids" objective in the company.

**Holding the "Light up a Life" fundraising campaign**

This event was held since 1985, and was the first fundraiser in aid of underprivileged children organized by a local enterprise. In the last two decades, it has accumulated a total fund of around NT\$300 million, helping 48,766 children, through a total of 28 charitable organizations.

**Financial aid for victims of natural disasters**

Donation of NT\$10 million in July 2004 in aid of those who suffered from damages and injuries caused by typhoon Mindulle in July 2004. Contributing NT\$10 million in January 2005 to victims of the disastrous tsunami which struck South Asia.

**Sponsoring developments in arts and culture**

Sponsoring more than 20 Arts & Cultural events from 2001 to 2004, including exclusive exhibitions such as the "Ancient Egyptian Art of the Louvre", "A Century of German Genius", to promote the standard and development of arts in the country, and to contribute to people's overall quality of life.

**Adopt-a-garden project at "Chiang Kai-shek Memorial Hall"**

From October 2001 to September 2006, this project will provide the public with a comfortable and relaxing "green" surrounding while beautifying and effectively preserving the environment around the city.



*serving you anywhere anytime* *with care*



# *Financial Review*

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# 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 2004 submitted by the Board of Directors of Chinatrust Financial Holding Co., Ltd., which included the operating report, distribution of earnings.



**Shih-Chuan Lin**  
Supervisor



**Ming-Shan Shaw**  
Supervisor



**T.C. Tsai**  
Supervisor

Taipei, Taiwan, R.O.C.  
April 29, 2005

## Independent Auditor's 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, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. 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.

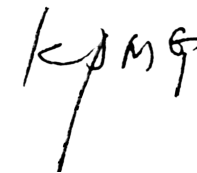
We conducted our audits in accordance with generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chinatrust Financial Holding Company, Ltd. and subsidiaries as of December 31, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with generally accepted accounting principles in the Republic of China.

As described in Note 1, the accounts of the investee companies, CTCB (Mauritius) Holding Company Ltd. and Chinatrust Securities (Hong Kong) Limited were added to the consolidated financial statements of the company as of December 31, 2004. To facilitate comparison, the 2003 consolidated financial statements were restated accordingly.

As described in Note 3, effective January 1, 2004, the Company's subsidiaries, Chinatrust Commercial Bank, Ltd. and Chinatrust Bills Finance Corp. adopted SFAS No. 33 "Accounting for Transfers of Financial Assets and Extinguishments of Liabilities" to account for bills and bonds sold under repurchase agreements in which control is not surrendered as financing transactions instead of as sale transactions.

Taipei, Taiwan, ROC  
March 28, 2005



*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.*

## Consolidated Balance Sheets

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

	December 31			
	2004		2003	
	Amount	%	Amount	%
Expressed in Thousands of New Taiwan Dollars,				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 27,778,875	2	\$ 27,943,316	2
Due from Central Bank and call loans to banks	89,816,427	6	77,551,424	6
Bills and securities purchased	218,738,403	15	224,234,700	18
Less: Allowance for market value decline	(591,695)	-	(1,041,502)	-
	218,146,708	15	223,193,198	18
Receivables	146,556,544	10	125,402,075	10
Less: Allowance for credit losses	(2,747,777)	-	(2,315,120)	-
	143,808,767	10	123,086,955	10
Loans	812,198,784	57	691,044,458	57
Less: Allowance for loan losses	(12,511,972)	(1)	(9,222,782)	(1)
	799,686,812	56	681,821,676	56
Long-term investments				
Accounted for under the equity method	2,115,417	-	2,081,101	-
Accounted for under the cost method	14,116,718	1	8,720,029	1
Less: Allowance for market value decline	(943,028)	-	(970,608)	-
Long-term bond investments	61,416,067	4	259,652	-
Real estate investments	1,400	-	1,400	-
	76,706,574	5	10,091,574	1
Other financial assets	22,555,305	2	18,622,305	2
Premises and equipment				
Land and buildings, net	29,541,567	3	29,523,599	3
Equipment and other properties, net	5,461,156	-	5,059,866	1
	35,002,723	3	34,583,465	4
Intangible assets	5,406,959	-	4,635,441	-
Other assets	10,070,207	1	11,683,203	1
<b>TOTAL ASSETS</b>	<b>\$ 1,428,979,357</b>	<b>100</b>	<b>\$ 1,213,212,557</b>	<b>100</b>

	December 31			
	2004		2003	
	Amount	%	Amount	%
Expressed in Thousands of New Taiwan Dollars,				
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Bills and bonds sold under repurchase agreements	\$ 112,366,519	8	\$ 2,737,615	-
Due to Central Bank and other banks	74,728,017	5	77,063,541	6
Payables	32,978,429	3	28,806,965	2
Deposits and remittances	1,016,124,555	71	927,670,478	77
Corporate bonds and financial debentures	61,682,437	4	56,600,483	5
Financing from Central Bank and others	12,969,611	1	13,786,167	1
Other liabilities	17,204,370	1	12,543,544	1
<b>Total liabilities</b>	<b>1,328,053,938</b>	<b>93</b>	<b>1,119,208,793</b>	<b>92</b>
Minority interest	53,051	-	54,214	-
<b>Stockholders' equity</b>				
<b>Capital stock</b>				
Common stock	57,798,995	4	54,962,000	5
Preferred stock	2,500,000	-	12,655,429	1
<b>Capital surplus</b>	<b>28,774,389</b>	<b>2</b>	<b>32,089,783</b>	<b>3</b>
<b>Retained earnings</b>				
Legal reserve	1,429,334	-	657,724	-
Special reserve	141,362	-	110,852	-
Undistributed retained earnings	14,874,762	1	7,746,609	1
<b>Other adjustments to stockholders' equity:</b>				
Unrealized losses on long-term equity investments	(943,028)	-	(970,608)	-
Cumulative translation adjustments	(2,040,140)	-	(819,365)	-
Treasury stock – common stock	(1,663,306)	-	(4,445,558)	(1)
Treasury stock – preferred stock	-	-	(8,037,316)	(1)
<b>Total Stockholders' Equity</b>	<b>100,872,368</b>	<b>7</b>	<b>93,949,550</b>	<b>8</b>
Commitments and contingencies				
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,428,979,357</b>	<b>100</b>	<b>\$ 1,213,212,557</b>	<b>100</b>

## Consolidated Statements of Income

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Expressed in Thousands of New Taiwan Dollars, Except for EPS

For the Year Ended December 31

	2004		2003	
	Amount	%	Amount	%
<b>Operating Revenues:</b>				
Interest income	\$ 48,882,381	62	\$ 43,284,323	69
Commissions and fees income	18,904,853	25	13,204,022	21
Net gains on bills and securities purchased	1,217,526	3	3,711,093	6
Investment income accounted for under the equity method, net	253,118	-	61,375	-
Net gains on foreign exchange	-	-	345,744	-
Net gains on derivative instruments	6,234,097	8	2,275,518	4
Other operating revenues	1,667,017	2	251,936	-
<b>Total Operating Revenues</b>	<b>77,158,992</b>	<b>100</b>	<b>63,134,011</b>	<b>100</b>
<b>Operating Costs:</b>				
Interest expense	(13,912,393)	(18)	(11,686,251)	(19)
Commissions and fees paid	(569,268)	(1)	(895,218)	(1)
Net losses on foreign exchange	(872,930)	(1)	-	-
Provisions for allowances and reserves	(11,530,641)	(15)	(12,988,212)	(21)
Other operating costs	(570,736)	(1)	(79,742)	-
<b>Total Operating Costs</b>	<b>(27,455,968)</b>	<b>(36)</b>	<b>(25,649,423)</b>	<b>(41)</b>
Gross Margin	49,703,024	64	37,484,588	59
Operating Expenses	(28,979,819)	(37)	(24,142,067)	(38)
Operating Taxes	(1,201,222)	(2)	(1,010,987)	(2)
Operating Income	19,521,983	25	12,331,534	19
Non-Operating Revenues	837,134	1	163,094	-
Non-Operating Expenses	(300,053)	-	(3,396,822)	(5)
Income Before Income Tax	20,059,064	26	9,097,806	14
Income Tax Expense	(4,669,844)	(6)	(1,376,711)	(2)
Less: Minority interest income	(3,484)	-	(4,995)	-
<b>Consolidated Net Income</b>	<b>\$ 15,385,736</b>	<b>20</b>	<b>\$ 7,716,100</b>	<b>12</b>

Expressed in Thousands of New Taiwan Dollars, Except for EPS

For the Year Ended December 31

	2004		2003	
	Before income tax	After income tax	Before income tax	After income tax
Basic EPS	\$ 3.42	\$ 2.60	\$ 1.70	\$ 1.42
Basic EPS – retroactively adjusted			\$ 1.60	\$ 1.34
Diluted EPS	\$ 3.26	\$ 2.47	\$ 1.67	\$ 1.39
Diluted EPS – retroactively adjusted			\$ 1.57	\$ 1.31

**Pro forma data assuming Company shares held by subsidiaries not considered as treasury stock:**

<b>Consolidated Net Income</b>	<b>\$ 15,385,736</b>	<b>\$ 7,716,100</b>
--------------------------------	----------------------	---------------------

	Before income tax	After income tax	Before income tax	After income tax
Basic EPS	\$ 3.35	\$ 2.54	\$ 1.54	\$ 1.29
Diluted EPS	\$ 3.19	\$ 2.42	\$ 1.51	\$ 1.26



## Consolidated Statements of Changes in Stockholders' Equity

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Expressed in Thousands of New Taiwan Dollars

For The Year Ended December 31, 2004 and 2003

	Common stock	Preferred stock	Capital surplus	Retained earnings			Unrealized losses on long-term equity investments	Cumulative translation adjustments	Treasury stock-common stock	Treasury stock-preferred stock	Total
				Legal reserve	Special reserve	Undistributed retained earnings					
<b>Beginning Balance – January 1, 2003</b>	\$ 46,054,268	\$ 2,500,000	\$ 30,902,024	\$ -	\$ -	\$ 6,577,241	\$ (1,270,188)	\$ (604,964)	\$ (5,011,963)	\$ -	\$ 79,146,418
<b>Appropriation and distribution of 2002 earnings</b>											
Legal reserve	-	-	-	657,724	-	(657,724)	-	-	-	-	-
Special reserve	-	-	-	-	110,852	(110,852)	-	-	-	-	-
Employee bonuses	-	-	-	-	-	(520)	-	-	-	-	(520)
Cash dividends – common stock	-	-	-	-	-	(4,393,387)	-	-	-	-	(4,393,387)
Stock dividends – common stock	439,338	-	-	-	-	(439,338)	-	-	-	-	-
Cash dividends – preferred stock	-	-	-	-	-	(612,000)	-	-	-	-	(612,000)
Capitalization of capital surplus	4,393,387	-	(4,393,387)	-	-	-	-	-	-	-	-
Stock Converted – Acquisition of Grand Commercial Bank	4,075,007	10,155,429	5,952,076	-	-	-	-	-	-	-	20,182,512
Recognition of capital surplus of subsidiaries	-	-	(370,930)	-	-	-	-	-	-	-	(370,930)
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	-	-	(214,401)	-	-	(214,401)
Recognition of unrealized loss on long-term equity investments	-	-	-	-	-	-	299,580	-	-	-	299,580
Recognition of undistributed earnings of subsidiaries	-	-	-	-	-	(483,463)	-	-	-	-	(483,463)
Recognition of treasury stock of subsidiaries	-	-	-	-	-	-	-	-	885,602	-	885,602
Effect of restructuring on long term investments	-	-	-	-	-	151,803	-	-	-	-	151,803
Decrease in undistributed earnings due to non-subscription of newly issued investee shares according to ownership	-	-	-	-	-	(1,251)	-	-	-	-	(1,251)
Purchase of treasury stock	-	-	-	-	-	-	-	-	(319,197)	(8,037,316)	(8,356,513)
Net income for the year ended December 31, 2003	-	-	-	-	-	7,716,100	-	-	-	-	7,716,100
<b>Ending Balance – December 31, 2003</b>	\$ 54,962,000	\$ 12,655,429	\$ 32,089,783	\$ 657,724	\$ 110,852	\$ 7,746,609	\$ (970,608)	\$ (819,365)	\$ (4,445,558)	\$ (8,037,316)	\$ 93,949,550
<b>Appropriation and distribution of 2003 earnings</b>											
Legal reserve	-	-	-	771,610	-	(771,610)	-	-	-	-	-
Special reserve	-	-	-	-	30,510	(30,510)	-	-	-	-	-
Employee bonuses	-	-	-	-	-	(3,161)	-	-	-	-	(3,161)
Remuneration to directors and supervisors	-	-	-	-	-	(252,878)	-	-	-	-	(252,878)
Cash dividends – common stock	-	-	-	-	-	(5,891,810)	-	-	-	-	(5,891,810)
Cash dividends – preferred stock	-	-	-	-	-	(622,540)	-	-	-	-	(622,540)
Capitalization of capital surplus	3,213,715	-	(3,213,715)	-	-	-	-	-	-	-	-
Convertible Bonds transfer into common stocks	18,960	-	43,257	-	-	-	-	-	-	-	62,217
Recognition of capital surplus of subsidiaries	-	-	561	-	-	-	-	-	-	-	561
Recognition of translation adjustment of subsidiaries	-	-	-	-	-	-	-	(1,465,079)	-	-	(1,465,079)
Recognition of unrealized loss on long-term equity investments	-	-	-	-	-	-	27,580	-	-	-	27,580
Recognition of undistributed earnings of subsidiaries	-	-	-	-	-	(475,903)	-	-	-	-	(475,903)
Recognition of treasury stock of subsidiaries	-	-	-	-	-	-	-	-	1,876,309	-	1,876,309
Disposal of treasury stock	-	-	-	-	-	(58,895)	-	-	214,490	-	155,595
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	(2,118,113)	(2,118,113)
Retired of treasury stock – preferred stock (Note 4(t))	-	(10,155,429)	-	-	-	-	-	-	-	10,155,429	-
Retired of treasury stock – common stock (Note 4(t))	(395,680)	-	(145,497)	-	-	(150,276)	-	-	691,453	-	-
Effect of hedging against fluctuations in exchange rates of foreign investments	-	-	-	-	-	-	-	244,304	-	-	244,304
Net income for the year ended December 31, 2004	-	-	-	-	-	15,385,736	-	-	-	-	15,385,736
<b>Ending Balance – December 31, 2004</b>	\$ 57,798,995	\$ 2,500,000	\$ 28,774,389	\$ 1,429,334	\$ 141,362	\$ 14,874,762	\$ (943,028)	\$ (2,040,140)	\$ (1,663,306)	\$ -	\$ 100,872,368

## Consolidated Statements of Cash Flows

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Expressed in Thousands of New Taiwan Dollars

For the Year Ended December 31

	2004	2003
<b>Cash flows from operating activities:</b>		
<b>Consolidated net income</b>	\$ 15,385,736	\$ 7,716,100
<b>Adjustments to reconcile net income to net cash provided by (used in) operating activities:</b>		
Minority interest income	3,484	4,995
Depreciation and amortization	3,657,122	2,180,656
Intangible assets charge-off	-	3,000,000
Investment income accounted for under the equity method over cash dividends received	(81,520)	(61,375)
Amortization of bonds premium	85,439	5,635
Losses (gains) on dispositions of long-term investments	108,556	(11,322)
Gains on loans securitization	(50,288)	-
Losses on dispositions of premises, equipment and foreclosed properties	580,333	300,378
Losses on scrapping of premises and equipment	88,715	16,723
Provision for loan losses	13,881,242	14,640,417
Provision for (reversal of) unrealized losses on bills and securities purchased	(440,225)	14,493
Provision for (reversal of) guarantee reserve	28,459	(29,258)
Provision for (reversal of) securities trading losses reserve	(103,146)	177,810
Provision for (reversal of) unrealized losses on foreclosed properties	(247,416)	408,926
Foreign exchange losses	30,005	266,282
Others	103,897	(100,212)
Net changes in:		
Redemption premium on convertible bonds and exchange gain or loss	21,737	267,991
Receivables	8,087,750	(7,358,867)
Bills and securities purchased	(67,217,671)	(70,940,455)
Payables	271,960	1,020,171
Trading derivative instruments, net	1,742,845	(368,929)
<b>Net cash used in operating activities</b>	<b>(24,062,986)</b>	<b>(48,849,841)</b>
<b>Cash flows from investing activities:</b>		
Increase in due from Central Bank and call loans to banks (excluding cash equivalents)	(7,747,578)	(10,447,073)
Increase in receivables	(28,370,446)	(26,559,763)
Decrease (increase) in loans	(131,606,739)	5,636,982
Purchase of long-term investments	(8,212,757)	(3,396,561)
Proceeds from disposition of long-term investments	9,294,925	4,295,830
Proceeds from loans securitization	4,855,000	-
Proceeds from disposition of premises, equipment and foreclosed properties	1,880,377	6,345,336
Purchase of premises and equipment	(2,205,270)	(1,858,815)
Decrease (increase) in other financial assets	(3,481,044)	4,855,585
Decrease in other assets	321,314	4,044,279
Non-trading derivative instruments, net	(3,447)	(237,549)
Cash received from acquisition of Feng-Shan Credit Cooperative, net	2,946,370	-
<b>Net cash used in investing activities</b>	<b>(162,329,295)</b>	<b>(17,321,749)</b>

Expressed in Thousands of New Taiwan Dollars

For the Year Ended December 31

	2004	2003
<b>Cash flows from financing activities:</b>		
Increase in bills and bonds sold under repurchase agreements	\$ 108,167,976	\$ 899,096
Issuance of corporate bonds and financial debentures	5,500,000	28,300,000
Increase (decrease) in due to Central Bank and other banks	(1,900,746)	20,182,979
Increase in payables	4,024,967	1,186,780
Increase in deposits and remittances	80,126,814	51,060,350
Decrease in financing from Central Bank and others	(516,070)	(1,040,964)
Increase (decrease) in other liabilities	3,333,660	(1,479,847)
Increase (decrease) in minority interest	(31)	376
Remuneration to directors and supervisors	(252,878)	(312,413)
Employee bonuses	(30,454)	(178,950)
Cash dividends paid		
Preferred stock	(622,540)	(612,000)
Common stock	(5,892,152)	(4,393,392)
Treasury stock purchased	(2,118,113)	(8,356,513)
Disposal of treasury stock to employee	1,549,981	559,960
<b>Net cash provided by financing activities</b>	<b>191,370,414</b>	<b>85,815,462</b>
<b>Effect of exchange rate changes</b>	<b>(451,832)</b>	<b>(355,761)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>4,526,301</b>	<b>19,288,111</b>
<b>Cash and cash equivalents, at beginning of the period</b>	<b>77,032,858</b>	<b>57,744,747</b>
<b>Cash and cash equivalents, at end of the period</b>	<b>\$ 81,559,159</b>	<b>\$ 77,032,858</b>
<b>Cash and cash equivalents:</b>		
Cash	\$ 27,778,875	\$ 27,943,316
Call loans to banks	18,609,281	6,485,257
Due from Central Bank	14,326,524	21,808,549
Bills and securities purchased (cash equivalents)	20,844,479	20,795,736
	<b>\$ 81,559,159</b>	<b>\$ 77,032,858</b>
<b>Supplemental disclosures of cash flows information:</b>		
Cash paid during the period for:		
Interest	\$ 13,070,775	\$ 10,867,030
Guaranteed interest on trust funds	\$ -	\$ 28,541
Income taxes	\$ 1,763,390	\$ 3,145,831
<b>Investing and financing activities not affecting cash flows:</b>		
Convertible corporate bonds payable converted to common stocks	\$ 62,521	\$ -
Increase in long-term investments due to stock conversion	\$ -	\$ 20,182,512

# Special Notes

Financial Supervisory Commission

## Internal Control Representation

### Dear Sirs:

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 2004 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. This representation is part of the annual report and publicly disclosed.

We understand that we are legally bound to SEC ordinance #20, 32, 171 & 174.

Sincerely yours,



**Jeffrey L.S. Koo**  
Chairman



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



**Thomas K.S. Chen**  
General Auditor



**Y.D. Deng**  
Compliance Officer

## Dividend Policy and Earnings Distribution

### 1. Dividend policy and status of execution

#### (1) Dividend policy:

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 Board has approved the earnings appropriation proposal for 2004. The original assumptive resolution of dividend distribution approved by the Board is as follows:

- Preferred stock dividends: NT\$612,000,000
- Common stock dividends: It is proposed that NT\$10,598,497,556 from retained earnings of Year 2004 and NT\$ 7,065,665,040 from capital surplus will be distributed according to the record shown in the shareholder book on the distribution record date (Record Date). The dividends are NT\$1.0 per share in cash and NT\$2.0 per share in stock, total Common Stock' dividends are NT\$3.0 per share.

### 2. The influence of dividend allocation this time to the operation performance, earnings per share and investment return rate for the stockholders: There was no announced financial forecast for the company in 2005, therefore no disclosure of such information is needed.

### 3. Information relating to employee bonuses and compensation to directors and supervisors of the Board:

- (1) The allocation percentage or range of employee bonuses and compensation to directors and supervisors of the Board mentioned in the Articles of Incorporation: The employee bonuses allocation range is between 0.01%~0.05%, and the compensation to directors and supervisors of the Board is 4%.



(2) The original assumptive resolution of dividend distribution for 2004 approved by the Board is as follows:

- Distribution of employee cash bonus NT\$5,713 thousand, stock bonus NT\$0, compensation to directors and supervisors NT\$457,016 thousand.
- Employee bonus distributed in the form of stock: 0 share.
- The assumptive earnings per share after allocation of employee bonuses and compensation to directors and supervisors of the Board will be NT\$2.52.

(3) The appropriation of employee bonus and remuneration to directors and supervisors for 2003

	Year 2003			
	Distributed with the resolution from the Annual General 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\$3,160,974	NT\$3,160,974	-	-
B. Employee bonus distributed in the form of stock				
(1) shares	-	-	-	-
(2) amount	-	-	-	-
(3) % of outstanding shares of the Year	-	-	-	-
C. Remuneration to Directors and Supervisors	NT\$252,877,995	NT\$252,877,995	-	-
<b>2. EPS:<sup>□</sup></b>				
A. Original EPS	NT\$1.42	NT\$1.42	-	-
B. Pro forma EPS	NT\$1.37	NT\$1.37	-	-

<sup>□</sup> The original and pro forma data stated above were not retroactively adjusted.

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