

Annual Report 2004



with care

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anywhere

you

-serving

Chinatrust Commercial Bank

Chinatrust Commercial Bank

Address: No. 3, Songshou Road, Sinyi District, Taipei

Tel: (02)2722-2002

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

Spokesman

Name: Lin, Hsiao-Pin

Position: Executive Vice President

Tel:(02)2722-2002

Email address : shiawpin.lin@email.chinatrust.com.tw

Acting Spokesman

Name: Chang, Perry

Position: Executive Vice President

Tel: (02)2722-2002

Email address : perry.chang@email.chinatrust.com.tw

Stock transfer agency

Agency: Corporate Trust Operation and Service Department, Chinatrust Commercial Bank

Address: 5th Floor, No. 83, Sec. 1, Chungking South Road, Taipei

Tel : (02)2361-3033

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

The notarization CPA of last few years

Name: Lin, Shien-Long, Lin, Wan-Wan

Business office: KPMG Certified Public Accountants

Address: 6th Floor, No. 156, Sec. 3, Minsheng East Road, Taipei

Tel : (02)2715-9999

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

Credit rating institution

Titles: Taiwan Ratings Co., Ltd.

Address: 23rd Floor, No. 100, Sec. 2, Roosevelt Road, Taipei

Tel: (02)2368-8277

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

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<Appendix 1> Annual financial reports for 2003

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I. To Our Shareholders

We are honored to present our fruitful financial results for the year 2004. Amid severe competitions, Chinatrust Commercial Bank (the Bank) not only achieved outstanding performance, but also rode the wave of industry consolidation through acquisition of Kaohsiung's Fengshan Credit Cooperative to further augment its presence in the market.

Implementation of “Bank-centric strategy” to explore merger and acquisition opportunities

With the rebound of world economy in 2004, a global wave of bank consolidation followed. Most noticeable examples are the consolidation of Japan's financial industry, the restructuring of Korea's financial framework, and the banking reform of Mainland China through luring international strategy investors. The trend brings attention to Taiwan banks' major drawbacks of lacking economies of scale. In pursuing international competitiveness for local financial institutions, the Government declared the new objective of financial reform to urge domestic banks to speed up industry consolidation. As most banks just had their bad debts restructured, their profitability had largely improved. Hence, the competition level of the industry was greatly intensified for the year 2004.

Since the establishment of its parent company, Chinatrust Financial Holding Company (CFHC), the Bank has been a key component of CFHC's “bank-centric strategy” and is committed to expanding its banking platform and to seeking merger and acquisition opportunities. Following its acquisition of the Grand Commercial Bank, the Bank has been focusing on post-merger integration to apply existing operation models to the newly acquired branches and improve efficiency and sales effectiveness. The acquisition of Fengshan Credit Cooperative in 2004 increased the Bank's branches from 101 to 111, further optimizing its network coverage to achieve its target market share.

Outstanding results gaining international recognition

The Bank posted a consolidated pre-tax profit of NT\$18.2 billion in 2004. The Consumer Business Unit maintained its leading positions in the market, recording a strong growth of 22%. The Corporate Business Unit recorded an astonishing growth of 57%, surpassing the NT\$10 billion mark in 2004. The brilliant performances of both units make the Bank the first among peers to have equal substantial retail and corporate businesses at the same time. The total revenue for the year was NT\$72 billion, with expenses of NT\$58 billion and after-tax profits of NT\$14 billion. The Bank's efforts in increasing fee income also attained outstanding achievements, resulting in a fee income ratio of 28%, the highest among peers.

Over the past thirty-nine years, the Bank has devoted itself to financial innovations and has continued to promote industry developments. As a result, the Bank has not only created substantial shareholders' value but also received plaudits from the market. In 2004, it received various international awards, including “Best Consumer Finance Bank,” “Best Foreign Exchange Bank,” “Best Cash Management Bank,” “Best Trade Finance Bank,” and “Top Bookrunners of Taiwan Syndicated Loans.” They all manifest its leading services and excellent performances.

Emphasis on risk management to pursue sustainable earning growth

In risk management, the Bank has always placed substantial emphasis on asset quality. For the year 2004, the bank’s NPL ratio was maintained at 1.71%, among the lowest in the industry. To further surpass the industry standard, the Bank is the first player to set up a risk management system according to the New Basel Capital Accord. The system will lead the way in risk forecasting and management, enabling the Bank to achieve sustainable earnings while pursuing aggressive business growth.

In 2004, the Bank’s ratings were upgraded by Moody’s, Standard & Poor’s and Fitch. The results are as follows:

Type	Name	Credit Rating		Outlook	Additional Notes	Effective Date
		Long Term	Short Term			
International	Moody’s	A3	Prime-1	Stable	BFSR rate: C- (No.1)	2004.9.1
	Standard & Poor’s	BBB+	A-2	Stable	-	2004.11.17
	Fitch	A	F1	Stable	Individual: B Support:3	2004.10.06
Domestic	Taiwan Ratings	twAA	twA-1	Stable	Debt capability: Very Strong	2004.12.24
	Fitch (tw)	AA+(tw)	F1+(tw)	Stable	Individual: B	2005.02.24

No.1: Bank Financial Strength Rating

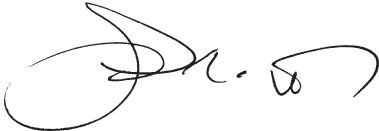
All our customers as members of a big family

The Bank’s outstanding performance is attributable to each of its devoted employees. As our motto is “We are Family,” we have built our core value to treat our customers as members of a big family. The core value has served as our momentum to maintain our focus on innovation and continuous improvements. This dedication results from our strong team spirit, which allows each employee to exert his own potential and thus create the highest value for customers and shareholders.

Looking forward, the Bank will continue to follow CFHC’s “bank-centric strategy.” Its business plans for 2004 are as follows:

- 1.Develop best practice for channel operation to enhance sales ability
- 2.Enhance segment-oriented management and expand target market
- 3.Improve operation process to create service differentiation
- 4.Upgrade risk management mechanism to maintain high asset quality
- 5.Explore merger and acquisition opportunities and gain presence in the Greater China Region

Based on its business plans, the Bank will not only focus on organic growth but also seek for merger & acquisition opportunities to establish an active presence in the Greater China region. By providing the best financial services and creating maximum value for the shareholders, we aim to create a world-class name that all Chinese people can be proud of.



Jeffrey J. L. Koo, Jr.
Chairman

II. Corporate Profile

1. Introduction

(1) Date of establishment: 14 March 1966

(2) History of Development

Established in 1966, Chinatrust Commercial Bank was originally known as the China Securities and Investment Corporation. During its 39 years of operation, the Bank has undergone two reorganization schemes: changing its name to Chinatrust Investment Co., Ltd. in 1971 and later, transforming its operations to become the Chinatrust Commercial Bank in 1992. The growth of the Bank coincided with Taiwan's economic developments and historical trends, having experienced the formation and development of the country's financial market and is closely related to it.

Chinatrust merged with Grand Commercial Bank in December 2003 and acquired Fengshan Credit Cooperative in July 2004. As at end-2004, it had a total of 111 branches around the country and 2,500 ATMs; 2,000 of which are located in various 7-ELEVEN outlets. Its total number of ATMs more than double those of other industry players, while total deposits amounted to NT\$1 trillion, with a total asset base exceeding NT\$1.3 trillion, the highest among all private domestic financial institutions in Taiwan.

(3) Scope of Business

Currently, services provided by Chinatrust include savings deposits, guarantees, foreign exchange, OBU, trusts, credit cards, cash cards, securities, bonds, financial derivatives, purchases of accounts receivables, deposit boxes, and electronic banking. Chinatrust has specially introduced its "Third Generation Financial Management" concept for its retail finance business, which involves the 3Bs rationale – "Best People, Best Product, and Best Solutions"; providing a complete range of financial planning tools to satisfy every customer's needs, working closely with customers to develop a quality financial lifestyle.

With regard to its corporate finance business, Chinatrust plans to support a sustainable business platform and growth through its distribution network in over 100 countries, and with the competitive advantage of a total of 847 banking institutions, the Bank's "Taiwan Joint Business Account" multinational platform provides customers with inter-bank enquiry, cross-border lending, multinational syndicated loans, and other multi-currency services to enable more dynamic and beneficial applications for small- and medium-sized businesses in Taiwan.

(4) Awards and Recognition

Chinatrust's product development initiatives, strong performance, profitability, and other outstanding achievements, have credited the Bank with various awards from polls conducted by international organizations and industry publications to become the Taiwanese Bank which has received the most awards and acknowledgements. A record of the main awards garnered is listed below:

- “2004 Taiwan’s Best Foreign Exchange Bank”, “2004 Taiwan’s Best Corporate Internet Bank”, and “2004 Taiwan’s Best Retail Finance Internet Bank” by Global Finance;
- “2004 Taiwan’s Best Domestic Commercial Bank”, “2004 Taiwan’s Best Corporate Cash Management Bank”, “2004 Taiwan’s Best Foreign Exchange Bank”, and “2004 Taiwan’s Best Trade Finance Bank” by Asiamoney;
- “2004 Taiwan’s Best Bank” by Euromoney;
- “2004 Taiwan’s Best Bank” by The Asian Banker Journal;
- “2004 Taiwan’s Best Derivative Products and Financial Risk Management Institution” by the Asian Risk Magazine;
- “2004 Taiwan’s Best Domestic Investment Bank” by The Asset.

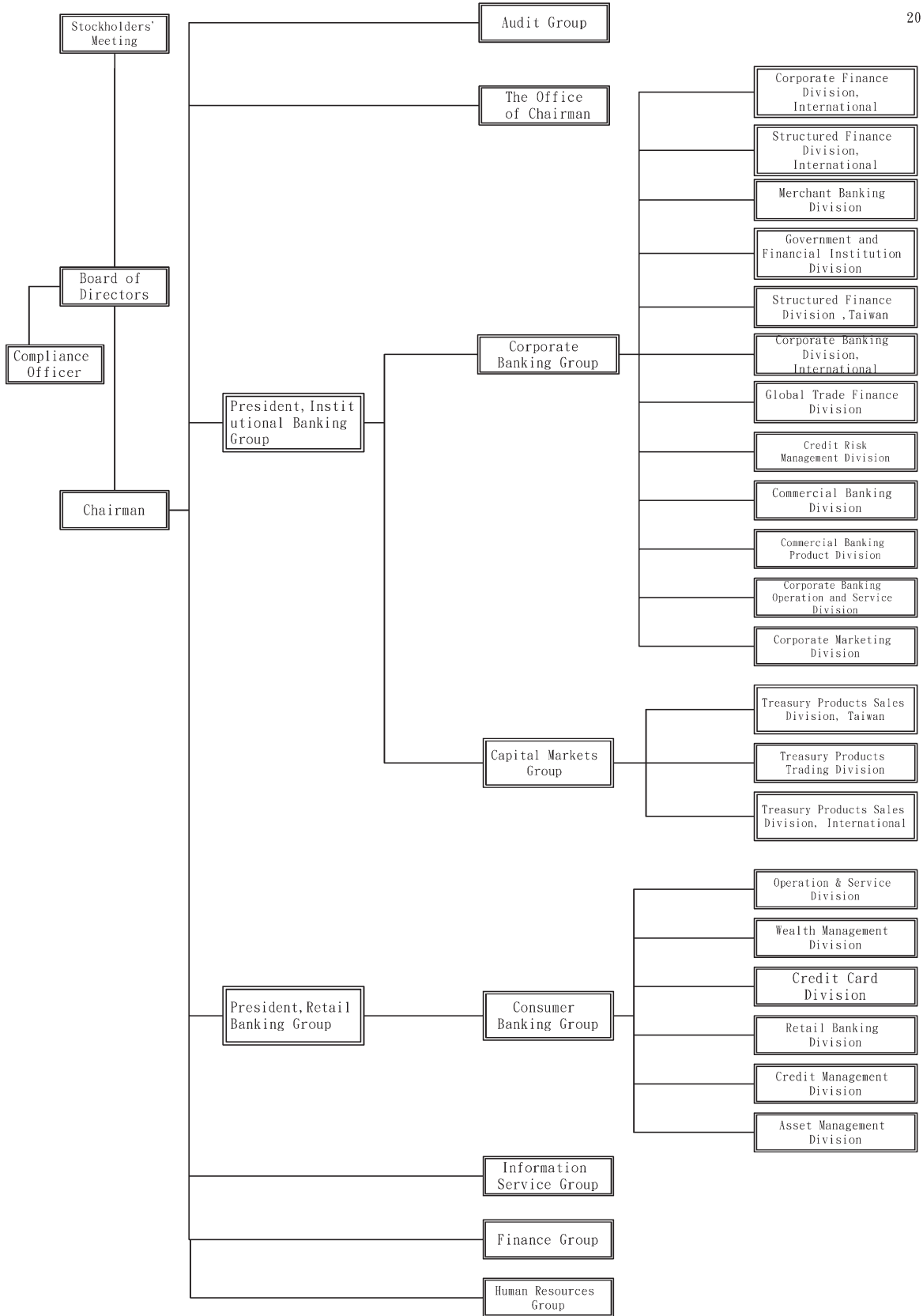
(5) Global Network

To coincide with the continuous trend towards liberalization and globalization, Chinatrust endeavors to expand its international presence, by setting up more and more domestic and foreign branch offices. As at end-2004, a total of 109 domestic branches, 59 international branches (representative offices, branch offices, subsidiaries, and subsidiary branches) in locations such as London (UK), Jakarta (Indonesia), Manila (Philippines), Bangkok (Thailand), Hanoi (Vietnam); Representative Offices in Beijing, Hong Kong, Tokyo, New Delhi, Ho-Chi-Minh City, New York, and Asuncion; and subsidiary banks in the Philippines, Indonesia, Canada, and the US have been set up. In line with Government policy, Chinatrust’s intends to initiate its international expansion plan through mergers and joint ventures; and actively position its presence in the Mainland China market while integrating its existing distribution channels in Southeast Asia, North America, South America, Europe, and other major regions to provide an international network coverage and offer a global and comprehensive range of financial services to its customers.

2. Organization

(1) Organization chart

2005. 04. 30



(2) Directors, supervisors, and major managers

i. Directors and supervisors

(Founder and Honorary Chairman of CTCB, Koo, Chen-Fu)

April 30, 2005

Title	Name	Date of assignment	Office term	Significant experience	Education
Chairman	Jeffrey J. L. Koo, Jr.	May 17, 2002	3	Chairman of CTCB	MBA, Wharton Graduate Division of the University of Pennsylvania
Managing Director	Cheng Kang Wang			President of Taiwan Polypropylene Co., Ltd.	B.E., Department of Chemical Engineering, National Chiao Tung University
Managing Director	Charles L. F. Lo			President of CFHC	Department of Economics, National Chung Hsing University
Director	Jeffrey L. S. Koo			Chairman of CFHC	Honorary Ph.D., De La Salle University MBA, New York University
Director	Wen-Long Yen			Chairman of United Real Estate Management Co., Ltd.	Department of Economics, Soochow University
Director	Michael L.C. Jong			Chairman of Chinatrust Securities Company	Department of Business Administration Tamkang University
Director	Ming-Shan Shaw			Chairman of Ta-Ho Maritime Corp.	Special Commerce Program, College of Law, National Taiwan University
Director	Kuo-Tsai Lin			President of Taiwan Transport & Storage Corp.	Department of Agricultural Economics, National Chung Hsing University
Director	James J. Sheu			SEVP of CTCB	MBA, Wharton Graduate Division of the University of Pennsylvania
Resident Supervisor	Shih-Chuan Lin			Chinatrust of Ho-Yeh Investment Co., Ltd.	Department of Economics, National Taiwan University
Supervisor	T. C. Tsai	Vice President of Taiwan Fuji Xerox Corp.	Department of Finance and Tax, National Cheng Chi University		

Note: All directors and supervisors are legal representatives of Chinatrust Financial Holding Co., Ltd. which owns 5,065,969,466 shares of common stocks and 100% of ownership.

(3) Top 10 shareholders or shareholders owning over 10%

April 30, 2005

Institutional shareholder	Shareholders of major institutional shareholders
Chinatrust Financial Holding Co., Ltd.	<ol style="list-style-type: none"> 1. Jeffrey L. S. Koo (7.73%) 2. Government of Singapore (1.71%) 3. EuroPacific Growth Fund (1.64%) 4. Emerging Markets Growth Fund, Inc. (1.53%) 5. Abudhabi Investment Authority (1.38%) 6. HI Investment, Ltd. (1.32%) 7. Aranda Investments (mauritius) Pte Ltd. (1.13%) 8. CTCB Employee Stock Ownership Trust Account (1.11%) 9. Wen-Long Yen (1.07%) 10. Government of Singapore Investment Corporation Pte Ltd-Monetary Authority of Singapore (1.05%)

(4) Major managers

April 30,2005

Title	Name	Employment date	Education	Significant experience
President,Institutional Banking Group	Steven Cheng	94.03.28	MBA, Wharton Graduate Division of the University of Pennsylvania, USA	President, Chinatrust Securities
President,Retail Banking Group	Steve Chou	94.03.28	Bachelor of Business Administration, Tamkang University	SVP of Chinatrust Commercial Bank
Deputy President	James J. Sheu	90.02.01	MBA, Wharton Graduate Division of the University of Pennsylvania, USA	SVP of Chinatrust Commercial Bank
Executive Vice President	Ruu-Tian Chang	91.02.01	MBA, Minnesota University, USA	SVP of Chinatrust Commercial Bank
Executive Vice President	Thomas K. S. Chen	84.01.01	Bachelor of Public Finance, National Cnengchi University	SVP of Chinatrust Commercial Bank
Executive Vice President	Jerry Harn	92.04.07	MBA, Ohio State University (Columbia), USA.	VP of Citibank Taipei
Executive Vice President	John Li	92.04.07	MBA, George Washington University, USA & MS, John Hopkins University, USA	VP of Citibank Taipei
Executive Vice President	Thomas F. S. Chen	92.02.01	MBA, South Australia University	SVP of Chinatrust Commercial Bank
Executive Vice President	Su-Kuo Huang	93.02.01	MBA, Takushoku University, Japan	SVP of Chinatrust Commercial Bank
Executive Vice President	Jack T.K. Cheng	90.02.01	Bachelor of Business Administration, National Taiwan University	SVP of Chinatrust Commercial Bank
Executive Vice President	Webster Kiang	89.11.01	Ph.D. in Material Engineering, Washington University, USA	Vice Chairman of Research Development and Evaluation Council, Executive Yuan, R.O.C.
Executive Vice President	Jack W. Lee	91.02.01	MBA, California State University, USA	SVP of Chinatrust Commercial Bank
Executive Vice President	James Chen	92.02.01	MBA, City University of New York, USA	SVP of Chinatrust Commercial Bank
Executive Vice President	Oliver Shang	92.02.01	MBA, University of Delaware, USA	SVP of Chinatrust Commercial Bank
Executive Vice President	Peter Liu	92.02.10	MBA, National Taiwan University of Science & Technology	VP of Ta Chong Commercial Bank
Executive Vice President	Dennis Chan	92.04.07	MBA, Georgetown University, USA	VP of Citibank Taipei
Executive Vice President	Larry Hsu	92.04.07	Bachelor of Business Administration, National Taiwan University	VP of Citibank Taipei
Executive Vice President	Roman Cheng	92.04.08	MBA, National Cnengchi University	VP of Citibank Taipei
Executive Vice President	Stephen Chan	92.08.15	MBA, Bath University	VP of Taiwan Highspeed Rail Corporation

Title	Name	Employment date	Education	Significant experience
Executive Vice President	Chingyuan Hsueh	92.12.01	Bachelor of Accounting, National Cnengchi University	VP of Grand Commercial Bank
Executive Vice President	Tony Mei	93.02.01	Bachelor of Business Administration, Fu Jen Catholic University	VP of Citibank Taipei
Executive Vice President	Tim T. Chiu	93.02.01	Bachelor of Economics, Soochow University	SVP of Chinatrust Commercial Bank
Executive Vice President	Michael Chang	93.02.01	MBA, University of Hartford	SVP of Chinatrust Commercial Bank
Executive Vice President	Perry Chang	93.02.01	MBA, Tunghai University	SVP of Chinatrust Commercial Bank
Executive Vice President	Y. D. Deng	93.05.10	Bachelor of Law, National Taiwan University	Consultant of Lee and Li Law Firm
Executive Vice President	John Teng	94.01.01	MBA, Tennessee State University	SVP of Chinatrust Commercial Bank

III. Business Overview

1. Scope of Business

(1) Scope of Business

The Bank has set up Consumer Banking Group and Corporate Banking Group to manage its core businesses:

1. Consumer Banking Group is responsible for the following three main businesses:

- **Retail banking services:** Aiming at serving customers' loan and deposit needs, including mortgage, auto loan, consumer finance and so on. The Bank's goal is to enlarge customer base and increase product-holding ratio in order to increase profitability.
- **Credit card services:** Aiming at satisfying payment requirements of customers. The Bank has long been the leader in the credit card business. Going forward, the Bank's goal is to vigorously strengthen the functionality of existing products and develop more diversified payment options.
- **Wealth management business:** Aiming at satisfying personal investment needs, the Bank's goal is to provide best-of-breed products and services by employing the "open-platform" strategy. Through strategic alliance with global financial institutions, the Bank will increase product diversification and strengthen the development of personal trust services and overseas commodities.

2. Corporate Banking Group

Apart from traditional loan business, the Bank offers capital market and investment banking services. Capital market services covers various financial products such as futures, options and exchange. Going forward, the Bank will devote itself to financial innovation corresponding to environment changes to better serve customer needs. Investment banking services aim at serving funding and financial consultation needs of corporates. The Bank provides customized trading and financing products to deepen customer relationship in anticipate of becoming customers' main bank.

The following table shows the Bank's revenue breakdown by different businesses:

Types of Business	2004	2003
Retail Business	60%	65%
Consumer finance business	20%	20%
Credit card business	26%	29%
Wealth management business	14%	16%
Corporate business	40%	35%
Total	100%	100%

(2) Business plan for the fiscal year of 2005

In 2005, the Bank will persist to CFHC's "bank-centric strategy". To elevate overall sales capability, it will strengthen its sales platform and develop best practice for channel operation. To improve cost income ratio, the bank will improve its operation process while creating service differentiation. At the same time, it will emphasize on segment-oriented management and further expand target market to enlarge revenue source. In the long run, the Bank aims at becoming the leading bank in servicing the global Chinese community. Detailed business plans are as follows:

1. Develop best practice for channel operation to enhance sales ability

As the most important cross-sell platform of CFHC, the Bank will increase its channel management ability and develop best practice for channel operation in the aspects of sales approach, branch network deployment and so forth. With sound software infrastructure including Customer Relations Management (CRM) and Financial Management Planning System, the Bank will upgrade its overall marketing capability to accelerate profit growth.

2. Enhance segment-oriented management and expand target markets

The Bank's organization structure is designed to execute total relationship management concept in anticipating the needs of different customer segments. In addition, the Bank will expand its target markets to leverage its core competence to other domains and bring forth profit potentials.

3. Continue to improve operation process to create service differentiation

Although its re-engineering results have set new benchmark for the industry, the Bank continues to improve its operation process. While its usage rate of automatic devices has reached international standard, it sustained its leadership in exploring new business model, especially by piloting the first “Counterless Branch-Air-tube Delivery System” in the world. In the future, the Bank promises to continue bringing about service differentiation to further enhance customer satisfaction.

4. Upgrade risk management mechanism to maintain good asset quality

The risk management system with the New Basel Capital Accord is expected to be compliant by 2006. The system will further upgrade the Bank’s risk forecasting and management capabilities to a new milestone, ensuring best asset quality and sustaining profit while pursuing aggressive growth.

5. Explore merger and acquisition opportunities and gain presence in Greater China Region

During the current wave of bank consolidation led by the government, the Bank will continue to explore merger and acquisition opportunities to expand its sales platform and asset size. The Bank will manage to enlarge its market share by strengthening the functionality of its trading and financing platform, opening up business opportunities for Taiwanese overseas entrepreneurs, and transplanting its business models to overseas branches and subsidiaries. At the same time, it will follow the footsteps of the relaxation of government policies to grasp the huge business opportunities in greater China market.

(3) Overview on financial product research and business development

The Bank has always been devoted to financial innovations. Since issuing the first domestic credit card, the Bank has been unceasingly led the industry to develop and progress. As a result, the Bank has been highly recognized by the market and has created handsome shareholder value.

In corporate business, there are numerous deliverables from research and development in recent years. The Bank has been greatly increases its service level and

gained customers trust by developing diversified products, and integrating operating systems. As a result, the Bank has not only led the industry in its profitability but also obtained high recognitions from domestic and overseas organizations. In 2005, the Bank won a series of international awards in various business fields. In 2004, the Bank was named the “ Best Foreign Exchange Banks in Taiwan” by Global Finance; the “Best Cash Management Bank in Taiwan” and the “Best Trade Finance Bank” by Asiamoney; and the “Derivatives and Risk Management House in Taiwan” by Asia Risk. In future research and development, the Bank will continue to roll out innovative services and lower operating cost corresponding to market requirements and further strengthen profitability.

In retail businesses, the diversified and innovative services launched in 2004 not only greatly improved revenue, and solidified the Bank’s established leadership position, but also earn the title “Best Retail Bank In Taiwan” from the Asian Banker Journal. At end of 2004, in order to accelerate business development, the Bank re-arranged its organizations by customer segmentation to get closer to customer needs and market trends. Looking ahead, the Bank aim to better commanding consumer behavior and financial needs through its three main customer management systems -- Sales Automation System, Financial Planning System and Sales Performance Management System, and will further enhance its finance planning capability and sales performance.

In Internet banking, the Bank also led the industry and was recognized by professional organizations over the years. In 2004, the Bank was awarded the honor of “Best Corporate / Institutional Internet Bank in Taiwan” and “Best Consumer Internet Bank in Taiwan” by Global Finance.

In risk management, the project team of the New Basel Capital Accord has developed and implemented the IRB(Internal Rating Based) approach in 2004. The approach can better assess credit risk and provide a solid foundation to adjust pricing, credit, and bad-debt provision policies. In future research, the Bank will focus on improving overall management efficiency, managing mid-term risks and detecting warning signals.The Bank is entering into a new era of risk management development, pursuing stable and sustainable profit growth.

2. Employees

Year		December 31, 2003		December 31, 2004	
Number of employees		6,854		6,944	
Average age		32.74 years old		32.45years old	
Average number of years of employment		6 years		6.2 years	
Education level		Employee count	Percentage	Employee count	Percentage
	Graduate school or higher	710	10.4%	925	13.3%
	University and college	5,569	81.3%	5,545	79.9%
	Senior high school	553	8.1%	458	6.6%
	Below senior high school	22	0.3%	16	0.2%

3. Supervisors' review report of the financial statements of the last year

Independent Supervisors' Report

In accordance with Article 219 of the Company Law, the undersigned, have duly examined and accepted as correct the financial report (unconsolidated and consolidated) for the year 2003 submitted by the Board of Directors of Chinatrust Commercial Bank, which included the operating report, balance sheets, statements of income, statements of cash flows, statements of changes in stockholder's equity, and summary of properties.



Shih-Chuan Lin
Resident Supervisor



T.C. Tsai
Supervisor

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

I. Special Notes

1. Dividend policy and status of execution

- (1) Dividend policy: Please refer to Appendix 1, P.35, the appropriation of earnings of 2002 had been executed according to the dividend policy of article of incorporation, and the status of execution was good.

- (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:
 - i. Preferred stock dividends: NT\$612,000,000
 - ii. Common stock dividends: NT\$8,796,202,556, which shall be distributed according to the record shown in the shareholder book on the distribution record date (Record Date). The dividends are NT\$1.45 per share in cash and NT\$0.30 per share in stock , total Common Stock dividends are NT\$1.75 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 Article of Corporation :
The employee bonuses allocation range is between 0.01%~0.05%. However, the compensation to directors and supervisors of the Board is not mentioned in the Article of Corporation.
- (2) The original assumptive resolution of dividend distribution approved by the Board is as follows:
 - i. Distribution of employee cash bonus NT\$4,413 thousand, stock bonus NT\$0, compensation to directors and supervisors NT\$0 thousand.
 - ii. Employee bonus distributed in the form of stock: 0 share.
 - iii. The assumptive earnings per share after allocation of employee bonuses and compensation to directors and supervisors of the Board will be NT\$2.65.

(3) Information relating to the allocation of employee bonuses and compensation to directors and supervisors of the Board from earnings in the year 2003 is shown below:

	Last year (2003)			
	Real distribution approved by the Stockholders' Meeting	The original assumptive distribution approved by the Board	Difference	Cause of difference
(1) Status of distribution :				
1. Employee cash bonus	NT\$3,149 thousand	NT\$3,149 thousand	-	
2. Employee stock bonus				
1) Shares	-	-	-	
2) Amount	-	-	-	
3) Ratio to the outstanding shares this year	-	-	-	
3. Compensation to directors and supervisors	NT\$0 thousand	NT\$0 thousand		
(2) Related data about earnings per share: (Note)				
1. Original earnings per share	NT\$1.37	NT\$1.37	-	
2. Assumptive earnings per share	NT\$1.37	NT\$1.37	-	

Note: Retroactively unadjusted net earning per share

2. Internal Control

Financial Supervisory Commission

Internal Control Representations

Dear Sirs:

On behalf of Chinatrust Commercial Bank 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 so as to comply with " Banks' Internal Control and Internal Audit Rules", and the internal audit reports are periodically presented to the company's board of directors and supervisors.

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

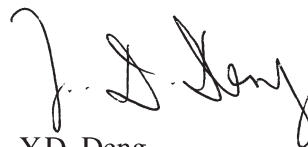
Sincerely yours,



Eric Chen
President



Jack W. Lee
General Auditor



Y.D. Deng
Compliance officer

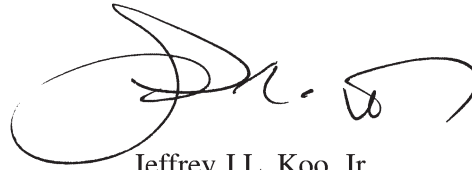
Chinatrust Commercial Bank, Ltd.
Internal Control Representations

Date: Mar. 28, 2005

According to our self inspection over the execution of the internal control system for the year ended Dec.31, 2004, Chinatrust Commercial Bank (hereinafter referred to as “CTCB”) represents the following:

1. CTCB acknowledges that the Board of Directors and Managers are responsible for the establishment, execution, and maintenance of the internal control system. CTCB has already established such a system in order to provide reasonable assurance with respect to the achievement of the following targets: (1) the effectiveness and efficiency of the business operation (including profit, performance, safeguarding of assets, etc.), (2) the credibility of financial reports, (3) the compliance with all applicable laws, regulations, rulings and orders.
2. The internal control system has its limitation in nature. No matter how perfectly it is designed, the efficient internal control system can only provide reasonable assurance with respect to achievement of the above three targets. Furthermore, since the environment and circumstances are changeable, the effectiveness of the internal control system may also vary from time to time. However, the Internal Control System of CTCB is equipped with the self inspection mechanism. Once a deficiency is identified, CTCB will correct it as soon as possible.
3. Pursuant to the “Criteria for Establishment of Internal Control System in Securities and Futures Service Enterprises” (hereinafter referred to as “Criteria”) announced by Securities and Futures Commission, Ministry of Finance, CTCB exercises its own judgement on efficiency of the internal control system in order to see whether or not the design and execution of internal control system is effective. According to the “Criteria”, the internal control system consists of the following subjects: (1). Control Environment. (2). Risk assessment. (3). Control Activities. (4). Information and Communication. (5). Monitoring. Each subject includes many items as specified in the “Criteria .”
4. In order to inspect the efficiency of the design and execution of our internal control system, CTCB has adopted the above mentioned criteria of internal control system.
5. According to the above inspection result, CTCB considers that the design and execution of CTCB’s internal control system(including the supervision to the subsidiaries), including effectiveness and efficiency of the business operation, credibility of financial reports, and compliance with applicable laws, regulations, rulings are valid and can reasonably assure the achievement of the above mentioned targets.

6. These "Representations" will be a major part of CTCB's Annual Report and Prospectus, and will also be published for public information. If the above mentioned public information has misrepresentations, frauds, intentional omissions, or any other acts which are sufficient to mislead other persons, such illegal deeds shall entail liabilities specified in Article 20, 32, 171, and 174 under the Securities and Exchange Law.
7. The Board of Directors of CTCB unanimously passed these "Representations" on Mar. 28, 2005.



Jeffrey J.L. Koo, Jr.
Chairman



Eric Chen
President

Head Office and Domestic Branches

Branch Office	Address	Tel
Head Office (Banking Department)	1F., No.3, Songshou Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 27222002
Dunbei Branch	1F., No.122, Dunhua N. Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02) 27133322
Chengdong Branch	1F., No.88, Sec. 2, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25677377
Jhungleun Branch	1F., No.85, Sec. 4, Bade Rd., Songshan District, Taipei City 105, Taiwan (R.O.C.)	(02) 27672669
Chengjhong Branch	1F., No.83, Sec. 1, Chongcing S. Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	(02) 23818740
Jhongshan Branch	1F., No.106-2, Sec. 2, Jhongshan N. Rd., Taipei City 104, Taiwan (R.O.C.)	(02) 25235222
Ren-ai Branch	1F., No.341, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27754600
Dunnan Branch	1F., No.68, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 23253616
Jhongsiao Branch	1F., No.71, Sec. 4, Jhongsiao E. Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27520310
Nanjing East Road Branch	1F., No.16, Sec. 1, Nanjing E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25232238
Songshan Branch	1F., No.550, Sec. 5, Jhongsiao E. Rd., Sinyi District, Taipei City 106, Taiwan (R.O.C.)	(02) 23466711
Gung-guan Branch	1F., No.281, Sec. 3, Roosevelt Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 23623377
Tianmu Branch	1F., No.90, Sec. 6, Jhongshan N. Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02) 28322888
Neihu Branch	1F., No.358, Sec. 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02) 27938668
Yongji Branch	1F., No.18, Yongji Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 27617999
Gangcian Branch	1F., No.200, Gangcian Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02) 26599798
Dayeh Takashimaya Mini Branch	12F, No.55, Sec.2, Jhongcheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02) 88661847
Da-an Branch	1F., No.102, Sec. 2, Roosevelt Rd., Jhongjheng District, Taipei City 100, Taiwan (R.O.C.)	(02) 33651988
Chengde Branch	1F., No.17, Sec. 1, Chengde Rd., Datong District, Taipei City 103, Taiwan (R.O.C.)	(02) 25562088
Fusing Branch	1F., No.1, Sec. 4, Ren-ai Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27521818
ongjiang Branch	1F., No.122, Songjiang Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25677822
Changchun Branch	1F., No.328, Changchun Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25468989
Shihlin Branch	1F., No.307, Jhongjheng Rd., Shihlin District, Taipei City 111, Taiwan (R.O.C.)	(02) 28748989
Sisong Branch	1F, No.161, Sec.4, Nanjing E. Rd., Songshan District, Taipei, 105, Taiwan, R.O.C.	(02) 27177100
Shihmao Branch	2F., No.560, Sec. 4, Jhongsiao E. Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 23454000
Anhe Branch	1F., No.195, Sec. 2, Anhe Rd., Da-an District, Taipei City 106, Taiwan (R.O.C.)	(02) 27386171
Taipei 101 Mini Branch	5F., No.45, Shihfu Rd., Sinyi District, Taipei City 110, Taiwan (R.O.C.)	(02) 81017888
Rueiguang Branch	1F., No.32, Lane 513, Rueiguang Rd., Neihu District, Taipei City 114, Taiwan (R.O.C.)	(02) 27985600
Minsheng Branch	1F., No.58, Sec. 1, Minsheng E. Rd., Jhongshan District, Taipei City 104, Taiwan (R.O.C.)	(02) 25641818
Shuanghe Branch	1F., No.588, Jhongjheng Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02) 29233333
Yonghe Mini Branch	1F., No.242, Sec. 1, Jhongshan Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02) 82315696
Nashihjiao Mini Branch	1F., No.65, Jhongjheng Rd., Yonghe City, Taipei County 234, Taiwan (R.O.C.)	(02) 29498838
Jhonghe Branch	1F., No.66, Liancheng Rd., Jhonghe City, Taipei County 235, Taiwan (R.O.C.)	(02) 22452277
Sinjhuang Branch	1F., No.320, Jhongjheng Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02) 29929696

Branch Office	Address	Tel
North Sinjhuang Branch	1F., No.57, Sec. 2, Jhonghua Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02) 22776789
Danfong Branch	1F., No.881-7, Jhongjheng Rd., Sinjhuang City, Taipei County 242, Taiwan (R.O.C.)	(02) 29066888
Banciao Branch	1F., No.187, Sec. 1, Wunhua Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02) 29606600
Bansin Branch	1F., No.293-1, Sec. 1, Jhongshan Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02) 89611500
Banciao Chengpin Mini Branch	2F., No.46, Sec. 1, Jhongshan Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02) 89532188
Pucian Mini Branch	1F., No.101, Sec. 2, Jhongshan Rd., Banciao City, Taipei County 220, Taiwan (R.O.C.)	(02) 89510099
Lujhou Branch	1F., No.211, Jhongshan 1st Rd., Lujhou City, Taipei County 247, Taiwan (R.O.C.)	(02) 28482008
Sijhih Branch	1F., No.306, Sec. 1, Datong Rd., Sijhih City, Taipei County 221, Taiwan (R.O.C.)	(02) 26489699
Jhengyi Branch	1F., No.68, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02) 29846633
Sanchong Branch	1F., No.208, Jhengyi N. Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02) 29828121
Jisian Branch	1F., No.222-6, Jisian Rd., Lujhou City, Taipei County 247, Taiwan (R.O.C.)	(02) 82832626
Sindian Branch	1F., No.6, Sec. 2, Beisin Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	(02) 29129988
North Sindian Branch	1F., No.2, Sanmin Rd., Sindian City, Taipei County 231, Taiwan (R.O.C.)	(02) 29135000
Tucheng Branch	1F., No.304, Sec. 2, Jhongyang Rd., Tucheng City, Taipei County 236, Taiwan (R.O.C.)	(02) 22630888
Chongyang Branch	1F., No.66, Sec. 1, Chongyang Rd., Sanchong City, Taipei County 241, Taiwan (R.O.C.)	(02) 89881199
Linkou Mini Branch	1F., No.38, Wunhua 2nd Rd., Gueishan Township, Taoyuan County 333, Taiwan (R.O.C.)	(03) 3962777
Jhongli Branch	1F., No.500, Yanping Rd., Zhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03) 4223131
Sinsheng Mini Branch	1F., No.239, Sinsheng Rd., Zhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03) 4266646
Yanping Branch	1F., No.326, Yanping Rd., Zhongli City, Taoyuan County 320, Taiwan (R.O.C.)	(03) 4271122
Taoyuan Branch	1F., No.32, Sec. 1, Chenggong Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03) 3373266
South Taoyuan Branch	1F., No.389, Fusing Rd., Taoyuan City, Taoyuan County 330, Taiwan (R.O.C.)	(03) 3388866
Nankan Branch	1F., No.257, Jhongjheng Rd., Lujhu Township, Taoyuan County 338, Taiwan (R.O.C.)	(03) 3212211
Hsinchu Branch	1F., No.158, Jhongjheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03) 5222687
Jhancian Mini Branch	1F., No.22, Jhongjheng Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03) 5233566
Jingguo Branch	1F., No.62, Sec. 2, Jingguo Rd., Hsinchu City 300, Taiwan (R.O.C.)	(03) 5336699
Jhupei Branch	1F., No.49, Guangming 6th Rd., Jhubei City, Hsinchu County 302, Taiwan (R.O.C.)	(03) 6560222
Taichung Branch	1F., No.50, Minzu Rd., Central District, Taichung City 400, Taiwan (R.O.C.)	(04) 22292161
Gongyi Branch	1F., No.53, Sec. 2, Gongyi Rd., Nantun District, Taichung City 408, Taiwan (R.O.C.)	(04) 23291111
Dali Branch	1F., No.267, Sec. 1, Jhongsing Rd., Dali City, Taichung County 412, Taiwan (R.O.C.)	(04) 24923222
Chunggang Branch	1F., No.400, Sec. 1, Taichung Harbor Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04) 23149999
West Taichung Branch	1F., No.179, Sec. 1, Jhonggang Rd., West District, Taichung City 403, Taiwan (R.O.C.)	(04) 23269111
Fongyuan Branch	1F., No.341, Jhongshan Rd., Fongyuan City, Taichung County 420, Taiwan (R.O.C.)	(04) 25201010
North Fongyuan Branch	1F., No.412, Jhongshan Rd., Fongyuan City, Taichung County 420, Taiwan (R.O.C.)	(04) 25278050
Yuanlin Branch	1F., No.372, Jhongjheng Rd., Yuanlin Township, Changhua County 510, Taiwan (R.O.C.)	(04) 8368676
Nantou Branch	1F., No.220, Jhongshan St., Nantou City, Nantou County 540, Taiwan (R.O.C.)	(049)2207711
Changhua Branch	1F., No.76, Siaoyang Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	(04) 7279933

Branch Office	Address	Tel
Siaoyang Mini Branch	1F., No.267, Minzu Rd., Changhua City, Changhua County 500, Taiwan (R.O.C.)	(04) 7257889
Wunsin Branch	1F., No.875, Sec. 4, Wunsin Rd., Beitun District, Taichung City 406, Taiwan (R.O.C.)	(04) 22469988
Situn Mini Branch	1F., No.111, Sec. 3, Taichung Port Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04) 23551000
Shueinan Branch	1F., No.361, Sec.3, Wunsin Rd., Situn District, Taichung City 407, Taiwan (R.O.C.)	(04) 22960988
Douliou Branch	1F., No.2, Singhua St., Douliou City, Yunlin County 640, Taiwan (R.O.C.)	(05) 5360099
Chiayi Branch	1F., No.241, Minsheng N. Rd., Chiayi City 600, Taiwan (R.O.C.)	(05) 2286600
East Chiayi Branch	1F., No.513, Jhongsiao Rd., Chiayi City 600, Taiwan (R.O.C.)	(05) 2773455
Tainan Branch	1F., No.31, Jhongjheng Rd., Central District, Tainan City 700, Taiwan (R.O.C.)	(06) 2295151
Central Tainan Branch	1F., No.167, Sec. 1, Minsheng Rd., Central District, Tainan City 700, Taiwan (R.O.C.)	(06) 2412318
North Tainan Mini Branch	1F., No.184, Sec. 1, Beimen Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06) 2288222
West Tainan Branch	1F., No.212, Sec. 4, Jinhua Rd., West District, Tainan City 703, Taiwan (R.O.C.)	(06) 2263636
East Tainan Branch	1F., No.22, Sec. 1, Jhonghua E. Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06) 2085522
Jhonghua Branch	1F., No.195, Sec. 2, Jhonghua E. Rd., East District, Tainan City 701, Taiwan (R.O.C.)	(06) 3353535
Yongkang Branch	1F., No.425, Jhonghua Rd., Yongkang City, Tainan County 710, Taiwan (R.O.C.)	(06) 2025787
Sinying Branch	1F., No.137, Jhongshan Rd., Sinying City, Tainan County 730, Taiwan (R.O.C.)	(06) 6336789
Kaohsiung Branch	1F., No.168, Jhongjheng 4th Rd., Cianjin District, Kaohsiung City 801, Taiwan (R.O.C.)	(07) 2318141
Sanmin Branch	1F., No.366, Jiouru 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07) 3161155
Sinsing Branch	1F., No.206, Minsheng 1st Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	(07) 2262325
East Kaohsiung Branch	1F., No.29, Cingnian 1st Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07) 5351885
North Kaohsiung Branch	1F., No.52, Mingcheng 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07) 3461199
Minzu Branch	1F., No.97, Minzu 2nd Rd., Sinsing District, Kaohsiung City 800, Taiwan (R.O.C.)	(07) 2386567
South Kaohsiung Branch	1F., No.21, Yisin 2nd Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	(07) 3366768
Cianjhen Mini Branch	1F., No.480, Rueilong Rd., Cianjhen District, Kaohsiung City 806, Taiwan (R.O.C.)	(07) 7261066
Sanduo Mini Branch	1F., No.274, Jhongshan 2nd Rd., Lingya District, Kaohsiung City 802, Taiwan (R.O.C.)	(07) 3341199
Shihcyuan Mini Branch	1F., No.2, Shihcyuan 2nd Rd., Sanmin District, Kaohsiung City 807, Taiwan (R.O.C.)	(07) 3218377
Fongshan Branch	1F., No.85-1, Jhongshan Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07) 7451199
North Fongshan Branch	No. 101, Jhongshan Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07) 7462105
Wujia Branch	No. 699, Wujia 2nd Rd., Fongshan City, Kaohsiung County 830, Taiwan (R.O.C.)	(07) 8215101
Daliao Branch	No. 575, Fonglin 3th Rd., Daliao Township, Kaohsiung County 831, Taiwan (R.O.C.)	(07) 7834006
Pingtung Branch	1F., No.450, Zihyou Rd., Pingtung City, Pingtung County 900, Taiwan (R.O.C.)	(08) 7383000
Hualien Branch	1F., No.376, Jhongshan Rd., Hualien City, Hualien County 970, Taiwan (R.O.C.)	(03) 8340566
Yilan Branch	1F., No.152, Jhongshan Rd., Yilan City, Yilan County 260, Taiwan (R.O.C.)	(03) 9351122
Keelung Branch	1F., No.150, Sinyi Rd., Sinyi District, Keelung City 201, Taiwan (R.O.C.)	(02) 24221166

Overseas subsidiaries

Branch	Address	Tel	Fax
Hong Kong Branch	Suite 2801, 28/F, Two International Finance Centre , 8 Finance street, Central, Hong Kong	852-2916-1888	852-2810-9742
New Delhi Branch	21A Janpath New Delhi 110001, India	91-11-2335-6001	91-11-2373-1815
Ho Chi Minh City Branch	Suite 116, Saigon Trade Center Building 37 Ton Duc Thang St., Dist. 1 , Ho Chi Minh City, Vietnam	84-8-910-1888	84-8-910-1999
Tokyo Branch	7F, AIG Building, 1-3, Marunouchi, 1-chome Chiyoda-Ku, Tokyo 100-0005, Japan	813-3216-1108	813-3216-1090
New York Branch	3F,366 Madison Ave. NY,U.S.A.	1-212-457-8888	1-212-949-4774
Asuncion Branch	Avenida Republica Argentina 1381 Asuncion, Paraguay South America	595-21-610800	595-21-603442
London Rep. Office	7F, Aldermay House 10-15 Queen Street London EC4N 1TX , England	44-207-329-0033	44-207-329-0828
Jakarta Rep. Office	WismaTamara 16F. Jl Jenderal Sudirman Kav. 24 Jakarta 12920 ,Indonesia	62-21-520-7878	62-21-520-6278
Manila Rep. Office	3F, Tower One, Ayala Triangle, Ayala Avenue cor Paseo de Roxas, Metro Manila, Makati, Philippines	632-848-5519	632-759-4982
Bangkok Rep. Office	Diethelm Tower A, Suite 803 93/1 Wireless Road Bangkok 10330, Thailand	662-254-3139	662-256-6480
Hanoi Rep. Office	4th Floor, 41B Ly Thai To Street Hanoi, Vietnam	844-824-9088	844-824-9099
Beijing Rep. Office	B-111, The Grand Pacific Building, 8a, Guanghua rd., Chao Yang District, Beijing, P.R.C.100026	8610-6581-3700	8610-65816-5701
Chinatrust (Philippines) Commercial Bank Corp	3F, Tower One, Ayala Triangle, Ayala Avenue cor. Paseo de Roxas, Metro Malina, Makati , Philippines	632-848-5519	632-759-4983
Bank Chinatrust Indonesia	Wisma Tamara, 16th Fl.,Jl Jenderal Sudirman Kav.24 Jakarta 12920, Indonesia	62-21-520-7878	62-21-520-6278
CTC Bank of Canada	1518 West Broadway Vancouver, B.C. Canada ,V6J 1W8	1-604-683-3882	1-604-683-3723
Chinatrust Bank (U.S.A)	22939 Hawthorne Boulevard, 2F,Torrance, CA 90505 ,U.S.A.	1-310-791-8003	1-310-791-2877

Automation Service Outside Bank

Name of the Service	Address
Metro Taipei Tienmu Stop	B1, 32-1, Baoching Rd., Taipei, Taiwan, R.O.C.
Min-Sheng business area	200, Section 5, Min-Sheng East Rd., Taipei, Taiwan, R.O.C.
Tung-Hwa business circle	49, Tunghwa Street, Taipei, Taiwan, R.O.C.
Wenhwa University	56, Hwa-kang Rd., Peitou area , Taipei, Taiwan, R.O.C.
Tienmu business circle	28-1, Tienmu Weasr Rd., Taipei, Taiwan, R.O.C.
Neihu DeAn business circle	59-1, Section 4, Chenggong Rd., Neihu District, Taipei City 114, Taiwan R.O.C.
Shi-jhi business circle	96, Section 1, Hsin-tai 5 th Rd., Shi-jhi City, Taipei County, Taiwan, R.O.C.
Building Breeze in Four Seasons	67, Changlung Street, Hsinchuang City, Taipei County, Taiwan, R.O.C.
Luchou Automation Service	251, San-ming Rd., Luchou City, Taipei County, Taiwan, R.O.C.
Taiwan Semiconductor Manufacturing co.,Ltd(Hsin-Chu)	121, Park Avenue III , Science-Based Industrial Park Hsin-Chu, Taiwan 300, R.O.C.
AU Optronics Corporation	1, Hsin-hi Rd., Aspire Park Area, Long-tan, Taoyuan County , Taiwan, R.O.C.
Chung-Shan Institute of Science and Technology	481, Cha-an Section, Chung-cheng Rd., Long-tan, Taoyuan County , Taiwan, R.O.C.
HannStar Display Corporatino(Yangmei)	580,Kao Shi Rd., Yangmei,Taoyuan County , Taiwan, R.O.C.
Quanta Computer Inc.	188,Wen Hwa 2nd Rd.,Kuei Shan Hsiang, Taoyuan County , Taiwan, R.O.C.
Taiwan Semiconductor Manufacturing co.,Ltd(Shan-Hwa)	1, Nan-Ke North Rd., Science-Based Industrial Park Shan-Hwa, Tainan, Taiwan, R.O.C.
Imperial VIP	63, Cheng-ho Rd., Chien-Jen Rd., Kaoshiung , Taiwan, R.O.C.
HannStar Display Corporatino(Kaoshiung)	28,North 1th Rd.,K.E.P.Z. Taiwan, R.O.C.

Appendix 1

Annual Financial Report 2004

CHINATRUST COMMERCIAL BANK CO., LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
AND
INDEPENDENT AUDITORS' REPORT

ADDRESS : No. 3 SUNG-SHOU ROAD, TAIPEI, TAIWAN, R.O.C.
TELEPHONE NUMBER: 886-2-2722-2002



安侯建業會計師事務所

KPMG Certified Public Accountants

台北市松山區 105 民生東路三段 156 號 6 樓
6F, No. 156, Sec. 3, Min-Sheng East Road,
Taipei, 105, Taiwan, R.O.C

Telephone 電話 + 886 (2) 2715 9999
Fax 傳真 + 886 (2) 2715 9888
Internet 網址 www.kpmg.com.tw

Independent Auditors' Report

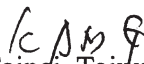
The Board of Directors
Chinatrust Commercial Bank Co., Ltd.

We have audited the accompanying balance sheets of Chinatrust Commercial Bank Co., Ltd. as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended expressed in New Taiwan dollars. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 financial statements referred to above present fairly, in all material respects, the financial position of Chinatrust Commercial Bank Co., Ltd. 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 3, effective from January 1, 2004, the Bank 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.


KPMG
Taipei, Taiwan, ROC
March 4, 2005

Notice to Readers

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

CHINATRUST COMMERCIAL BANK CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004 AND 2003
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	December 31, 2004		December 31, 2003	
	Amount	%	Amount	%
ASSETS				
Cash (Notes 2 and 4(a))	\$ 17,171,780	1	\$ 15,538,886	1
Due from Central Bank and other banks (Note 4(b) and 5)	88,544,938	8	75,386,814	7
Bills and securities purchased (Notes 2, 3, 4(c) and 6)	151,529,467	12	167,767,019	15
Less: Allowance for market value decline	(368,275)	-	(692,901)	-
	<u>151,161,192</u>	<u>12</u>	<u>167,074,118</u>	<u>15</u>
Receivables (Notes 2 and 4(d))	142,943,939	11	123,212,176	11
Less: Allowance for credit losses	(2,569,795)	-	(2,026,678)	-
	<u>140,374,144</u>	<u>11</u>	<u>121,185,498</u>	<u>11</u>
Loans (Notes 2, 4(e) and 5)	763,397,805	61	638,759,027	59
Less: Allowance for loan losses	(11,336,580)	(1)	(7,927,745)	(1)
	<u>752,061,225</u>	<u>60</u>	<u>630,831,282</u>	<u>58</u>
Long-term investments (Notes 2, 4(f), 4(g) and 6)				
Accounted for under the equity method	13,906,352	1	19,838,707	2
Accounted for under the cost method	4,778,341	-	5,572,161	1
Less: Allowance for market value decline	(943,028)	-	(970,608)	-
Long-term bond investments	39,041,843	3	-	-
Real estate investments	1,400	-	1,400	-
	<u>56,784,908</u>	<u>4</u>	<u>24,441,660</u>	<u>3</u>
Other financial assets (Notes 2, 4(h) and 6)	<u>10,587,936</u>	<u>1</u>	<u>11,218,606</u>	<u>1</u>
Premises and equipment (Notes 2 and 4(i))				
Land and buildings, net	28,764,568	3	28,621,932	3
Equipment and other properties, net	5,213,675	-	4,802,667	-
	<u>33,978,243</u>	<u>3</u>	<u>33,424,599</u>	<u>3</u>
Intangible assets (Notes 2 and 4(j))	5,406,959	-	4,635,441	-
Other assets (Notes 2, 4(k) and 4(r))	6,611,592	-	8,688,052	1
TOTAL ASSETS	<u>\$ 1,262,682,917</u>	<u>100</u>	<u>\$ 1,092,424,956</u>	<u>100</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Bills and bonds sold under repurchase agreements (Notes 2, 3 and 4(c))	\$ 59,944,252	5	\$ -	-
Due to Central Bank and other banks	67,970,322	6	62,809,176	6
Payables (Notes 4(l))	30,202,429	2	26,869,928	2
Deposits and remittances (Notes 4(m) and 5)	972,488,961	77	881,376,453	80
Financial debentures (Note 4(n))	21,300,000	2	21,300,000	2
Financing from Central Bank and other banks (Note 4(o))	6,815,824	-	6,795,600	-
Other liabilities (Notes 2, 4(p) and 4(r))	12,557,944	1	9,450,494	1
Total liabilities	<u>1,171,279,732</u>	<u>93</u>	<u>1,008,601,651</u>	<u>91</u>
Stockholders' equity				
Common stock (Notes 4(t))	50,264,015	3	50,659,695	5
Preferred stock - (Notes 4(u))	2,500,000	-	2,500,000	-
Capital surplus				
Paid-in capital in excess of par - common stock	519,764	-	523,855	-
Paid-in capital in excess of par - preferred stock	7,500,000	1	7,500,000	1
Other additional paid-in capital	36,025	-	35,465	-
Retained earnings				
Legal reserve	21,300,848	2	19,118,188	2
Special reserve	-	-	1,816,240	-
Undistributed earnings (Note 4(w))	13,363,103	1	7,337,673	1
Other adjustments to stockholders' equity:				
Unrealized losses on long-term equity investments (Note 4(f))	(943,028)	-	(970,608)	-
Cumulative translation adjustments	(1,816,818)	-	(808,718)	-
Treasury stock (Notes 2 and 4(v))	(1,320,724)	-	(3,888,485)	-
Total Stockholders' Equity	<u>91,403,185</u>	<u>7</u>	<u>83,823,305</u>	<u>9</u>
Commitments and Contingencies (Notes 2 and 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,262,682,917</u>	<u>100</u>	<u>\$ 1,092,424,956</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

CHINATRUST COMMERCIAL BANK CO., LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in Thousands of New Taiwan Dollars , Except For Per Share Data)

	Year Ended		Year Ended	
	December 31, 2004		December 31, 2003	
	Amount	%	Amount	%
Operating Revenues				
Interest income	\$ 42,336,462	63	\$ 37,894,072	68
Commissions and fees income	16,377,634	24	10,858,361	20
Net gains on Bills and securities purchased	842,277	1	1,750,832	3
Investment income accounted for under the equity method (Note 4(f))	1,256,597	2	2,259,207	4
Net gains on foreign exchange	-	-	293,320	1
Net gains on derivative instruments	5,650,879	9	2,262,326	4
Other operating revenues	467,468	1	198,626	-
Total Operating Revenues	66,931,317	100	55,516,744	100
Operating Costs				
Interest expense	(10,600,696)	(16)	(9,572,246)	(17)
Commissions and fees paid	(555,258)	(1)	(909,687)	(2)
Net loss on foreign exchange	(965,662)	(1)	-	-
Provisions for allowances and reserves	(11,062,223)	(17)	(12,474,684)	(22)
Total Operating Costs	(23,183,839)	(35)	(22,956,617)	(41)
Gross Margin	43,747,478	65	32,560,127	59
Operating Expenses	(25,871,029)	(39)	(20,968,328)	(38)
Operating taxes	(1,158,119)	(2)	(988,790)	(2)
Operating Income	16,718,330	24	10,603,009	19
Non-Operating Revenues	850,241	1	274,133	-
Non-Operating Expenses (Note 4(j))	(299,691)	-	(3,143,504)	(6)
Income before Income Tax	17,268,880	25	7,733,638	13
Income Tax Expense (Notes 2 and 4(r))	(3,251,210)	(5)	(458,107)	(1)
Net Income	\$ 14,017,670	20	\$ 7,275,531	12
	Before Tax	After income tax	Before Tax	After income tax
Basic Earnings Per Share (EPS) (Notes 2 and 4(x))	\$ 3.29	\$ 2.65	\$ 1.41	\$ 1.32

The accompanying notes are an integral part of the financial statements.

CHINATRUST COMMERCIAL BANK CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

Retained Earnings

	Common stock	Preferred stock	Capital surplus	Legal reserve	Special reserve	Undistributed retained earnings	Unrealized losses on long-term equity investments	Cumulative translation adjustments	Treasury stock	Total
Beginning Balance - January 1, 2003	\$ 46,054,268	\$ 2,500,000	\$ 8,059,635	\$ 15,508,624	\$ 1,816,240	\$ 12,604,471	\$ (1,270,188)	\$ (604,964)	\$ (4,774,086)	\$ 79,894,000
Appropriation and distribution of 2002 earnings	-	-	-	3,609,564	-	(3,609,564)	-	-	-	-
Legal reserve	-	-	-	-	-	(312,413)	-	-	-	(312,413)
Remuneration to directors and supervisors	-	-	-	-	-	(156,206)	-	-	-	(156,206)
Employee bonuses	-	-	-	-	-	(2,763,256)	-	-	-	(2,763,256)
Cash dividends - common stock	-	-	-	-	-	(4,605,427)	-	-	-	-
Stock dividends - common stock	4,605,427	-	-	-	-	(612,000)	-	-	-	(612,000)
Dividends - preferred stock	-	-	-	-	-	7,275,531	-	-	-	7,275,531
Net income for 2003	-	-	-	-	-	(151,803)	-	-	-	(151,803)
Effect of restructuring on long-term investments (Note 4(f))	-	-	-	-	-	-	299,580	-	-	299,580
Reversal of unrealized losses on long-term equity investments	-	-	(2,594)	-	-	-	-	-	-	(2,594)
Recognition of capital surplus of subsidiaries	-	-	-	-	-	-	-	(203,754)	-	(203,754)
Cumulative translation adjustments	-	-	-	-	-	(331,660)	-	-	891,620	559,960
Treasury stock transferred to employees	-	-	-	-	-	-	-	-	(6,019)	(6,019)
Recognition of treasury stock of subsidiaries	-	-	-	-	-	-	-	-	-	-
Paraguay branch assets revaluation appreciation	-	-	-	-	-	-	-	-	-	-
Ending Balance - December 31, 2003	\$ 50,659,695	\$ 2,500,000	\$ 8,059,320	\$ 19,118,188	\$ 1,816,240	\$ 7,337,673	\$ (970,608)	\$ (808,718)	\$ (3,888,485)	\$ 83,823,305
Appropriation and distribution of 2003 earnings	-	-	-	2,182,660	-	(2,182,660)	-	-	-	-
Legal reserve	-	-	-	-	-	1,816,240	-	-	-	1,816,240
Reversal of special reserve to undistributed retained earnings	-	-	-	-	(1,816,240)	-	-	-	-	-
Employee bonuses	-	-	-	-	-	(3,149)	-	-	-	(3,149)
Cash dividends - common stock	-	-	-	-	-	(6,079,163)	-	-	-	(6,079,163)
Cash dividends - preferred stock	-	-	-	-	-	(612,000)	-	-	-	(612,000)
Net income for 2004	-	-	-	-	-	14,017,670	-	-	-	14,017,670
Effect of restructuring on long-term investments (Note 4(f))	-	-	-	-	-	(163,923)	-	-	-	(163,923)
Reversal of unrealized losses on long-term equity investments	-	-	-	-	-	-	27,580	-	-	27,580
Cumulative translation adjustments	-	-	-	-	-	-	-	(1,008,100)	-	(1,008,100)
Treasury stock transferred to employees	-	-	-	-	-	(475,904)	-	-	1,870,290	1,394,386
Cancellation of treasury stock	(395,680)	-	(4,091)	-	-	(291,681)	-	-	691,452	-
Recognition of treasury stock of subsidiaries	-	-	-	-	-	-	-	-	6,019	6,019
Paraguay branch assets revaluation appreciation	-	-	-	-	-	-	-	-	-	-
Ending Balance - December 31, 2004	\$ 50,264,015	\$ 2,500,000	\$ 8,055,789	\$ 21,300,848	\$ -	\$ 13,563,103	\$ (943,028)	\$ (1,816,818)	\$ (1,320,724)	\$ 91,403,185

The accompanying notes are an integral part of the financial statements.

CHINATRUST COMMERCIAL BANK CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	Year Ended December 31, 2004	Year Ended December 31, 2003
	Amount	Amount
Cash flows from operating activities:		
Net income	\$ 14,017,670	\$ 7,275,531
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,381,293	1,918,897
Intangible assets charge-off	-	3,000,000
Investment income recognized under the equity method over cash dividends received	(1,084,999)	(1,904,213)
Gain on disposition of long-term equity investments	(238,730)	-
Gain on disposition of real estate investments	-	(11,322)
Gain on loans securitization	(50,288)	-
Losses on dispositions of premises and equipment and foreclosed properties	580,476	292,278
Losses on scrapping of premises and equipment	86,697	16,721
Provision for loan losses	13,654,451	14,355,270
Provision for (reversal of) unrealized losses in marketable securities	(347,200)	667,247
Provision for (reversal of) guarantee reserve	28,459	(7,540)
Reversal of securities trading loss reserve	-	(30,764)
Provision for (reversal of) unrealized losses on foreclosed properties	(247,416)	408,926
Foreign exchange	4,947	258,315
Other	5,023	(4,548)
Net change in:		
Receivables	5,027,162	(7,219,423)
Bills and securities purchased	(21,975,356)	(37,563,044)
Payables	(655,243)	1,220,602
Trading derivative instruments, net	1,683,883	(369,085)
Net cash provided by (used in) operating activities	<u>13,870,829</u>	<u>(17,696,152)</u>
Cash flows from investing activities:		
Increase in deposits with Central Bank and other banks (excluding cash equivalents)	(8,217,061)	(10,551,637)
Increase in receivables	(28,370,446)	(26,559,763)
Decrease (increase) in loans	(128,943,519)	944,441
Increase in long-term equity investments	(240,277)	-
Proceeds from disposal of long-term equity investments	7,155,952	18,023
Proceeds from loans securitization	4,855,000	-
Proceeds from disposition of premises and equipment and foreclosed properties	1,880,220	6,124,752
Purchase of premises and equipment	(2,075,861)	(1,712,952)
Decrease in other financial assets	1,066,910	5,370,017
Decrease in other assets	466,834	3,374,587
Non-trading derivative instruments, net	(3,447)	(237,549)
Cash paid to acquire Grand Commercial Bank, net	-	(15,905,305)
Cash received from acquisition of Feng-Shan Credit Cooperative, net	2,946,370	-
Net cash used in investing activities	<u>(149,479,325)</u>	<u>(39,135,386)</u>
Cash flows from financing activities:		
Increase in bills and bonds sold under repurchase agreements	59,944,252	-
Increase in due to Central Bank and other banks	5,161,146	16,826,460
Increase in payables	4,024,967	1,186,780
Increase in financial debentures	-	9,300,000
Increase in deposits and remittances	78,289,848	54,310,040
Increase (decrease) in financing from Central Bank and other banks	20,224	(5,124,679)
Increase (decrease) in other liabilities	607,650	(315,003)
Cash dividends - common stock	(6,079,163)	(2,763,256)
Cash dividends - preferred stock	(612,000)	(612,000)
Remuneration to directors and supervisors	-	(312,413)
Employee bonuses	(3,149)	(156,206)
Proceeds from sale of treasury stock	1,394,386	559,960
Net cash provided by financing activities	<u>142,748,161</u>	<u>72,899,683</u>
Effect of exchange rate changes on cash and cash equivalents	(4,947)	(258,315)
Net increase in cash and cash equivalents	7,134,718	15,809,830
Cash and cash equivalents, at beginning of year	<u>62,348,548</u>	<u>46,538,718</u>
Cash and cash equivalents, at end of year	<u>\$ 69,483,266</u>	<u>\$ 62,348,548</u>
Cash and cash equivalents:		
Cash	\$ 17,171,780	\$ 15,538,886
Call loans to banks	17,957,759	5,639,657
Due from Central Bank	13,515,247	20,892,286
Bills and securities purchased (cash equivalents)	20,838,480	20,277,719
	<u>\$ 69,483,266</u>	<u>\$ 62,348,548</u>
Supplemental disclosures of cash flows information:		
Cash paid during the period for:		
Interest	\$ 11,169,417	\$ 9,837,648
Guaranteed interest on trust funds	\$ -	\$ 28,541
Income tax	<u>\$ 949,513</u>	<u>\$ 2,134,660</u>

The accompanying notes are an integral part of the financial statements.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. Overview

Chinatrust Commercial Bank Co., Ltd. (the “Bank”) was incorporated in March 1966 originally as “China Securities Investment Corporation.” In December 1970, the Bank changed its organization and was renamed China Trust Co., Ltd. 21 years later, on July 2, 1992, it was approved to conduct commercial banking business and changed its name to Chinatrust Commercial Bank Co., Ltd.

In order to restructure overall resources, lower costs, expand business scope, enhance competitiveness, and improve the quality of financial services and operating efficiency, on September 30, 2003, the Bank’s Board of Directors resolved to acquire Grand Commercial Bank, a wholly-owned subsidiary of Chinatrust Financial Holding Company, Ltd. and to merge it with the Bank, with the Bank as the surviving entity. The acquisition recording a date was December 1, 2003.

On August 1, 1991, Grand Commercial Bank was approved to conduct commercial banking businesses and began operations on December 30, 1991. As of November 30, 2003, Grand Commercial Bank had 42 domestic branches.

In order to develop the business units, enhance competitiveness, and provide customers with more convenient and multiple financial services, the Bank assumed the outstanding assets, liabilities and operations of Fengshan Credit Cooperative (FSCC) on October 1, 2004. Please refer to Note 10 for information regarding acquisition of FSCC.

The Bank has been approved to conduct business in the following areas:

- (a) Checking accounts;
- (b) Savings accounts;
- (c) Time deposits;
- (d) Short, medium, and long-term loans;
- (e) Note discounting;
- (f) Investment in marketable securities;
- (g) Domestic foreign exchange business;
- (h) Banker’s acceptances;
- (i) Issuance of domestic standby letters of credit;
- (j) Domestic endorsement guarantee business;
- (k) Collection and payment agency;
- (l) Agency for government and corporate bonds, Treasury bills, and securities transactions;

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (m) Agency transactions and proprietary trading of short-term bills;
- (n) Credit card-related products;
- (o) Agency for sale of gold nuggets, gold coins and silver coins;
- (p) Financial derivative businesses as approved by the Ministry of Finance (“MOF”);
- (q) Custody and warehouse services;
- (r) Renting of safe-deposit boxes;
- (s) Financial advisory services on corporate banking;
- (t) Foreign exchange business in connection with exports and imports, fund remittance and repatriation, foreign currency deposits and loans; guarantee for secured repayment, and attestation on exports and imports;
- (u) Non-discretionary trust funds for investment in foreign and domestic marketable securities;
- (v) Account receivable factoring business as approved by the MOF;
- (w) Endorsement and issuance of corporate bonds;
- (x) Issuance of financial debentures;
- (y) Underwriting, agency transactions, and proprietary trading of marketable securities;
- (z) Proprietary trading of government bonds;
- (aa) All businesses related thereto as specified in the license or other agency services as approved by the MOF;
- (bb) Trust and fiduciary services;
- (cc) Margins on foreign currency transactions;
- (dd) Issuance of cash value cards; and
- (ee) Other businesses as approved by the MOF.

The Bank’s headquarters coordinate corporate-wide operations and establish domestic and overseas banking units to expand business. As of December 31, 2004, the Bank had 109 domestic branches and held licenses to open 2 additional branches, 6 foreign branches and 6 overseas representative offices.

The Bank’s parent company is Chinatrust Financial Holding Company, Ltd.

As of December 31, 2004, the total number of employees was 7,202.

2. Summary of significant accounting policies

The Bank's financial statements were prepared in accordance with generally accepted accounting principles of the Republic of China. The significant accounting policies and bases of measurement adopted in preparing these financial statements are summarized as follows:

(a) Basis of compilation for statements of cash flows

Compilation of statements of cash flows is based upon cash and cash equivalents. Cash equivalents consist of short-term and highly liquid investments that are readily convertible to known amounts of cash and will mature on short notice so that the interest rate fluctuations have little effect on their values.

(b) Accounts receivable

Consumer loans to credit card holders are reflected by the amounts reported by merchants, excluding unearned interest. Interest thereon is recognized on an accrual basis using the interest method.

Credit card loan or accrued interest that is over 150 days past due is reclassified to a non-accrual account. Interest collected thereafter is included in earnings only to the extent of cash actually received.

The Bank engages in factoring and management of accounts receivable. The interest and transaction fee from factoring and management of such accounts are treated as current income. An allowance for credit losses is provided by reviewing the balance of accounts at period-end. Unpaid accounts receivables purchased from companies that sell receivables are accounted for under "payables."

(c) Loans

Loans are carried at principal amounts outstanding, net of unearned income and amounts charged off. Interest is recognized on an accrual basis using the interest method.

If either of the following conditions occurs, interest accrual is suspended and the loan is reclassified to a non-accrual account:

- (i) Collection of principal or interest accrued is considered highly unlikely; or
- (ii) Principal or interest accrued is 180 days past due.

Interest collected thereafter is included in earnings only to the extent of cash actually received.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(d) Allowance for credit losses

Allowance for credit losses is a significant estimate regularly evaluated by management for adequacy and is established through a charge to provision for credit losses. This evaluation considers the quality of the overall portfolio, which comprises of loans, accounts receivable, receivable-non-accrual accounts, outstanding guarantees, and a review of specific delinquent claims.

The risk on specific delinquent claims refers to the likelihood of default and is subject to a review using the internal risk ratings. The risk of overall claims is reviewed based on past experiences. Accounts receivable-non-accrual accounts deemed as uncollectible are written off upon approval of the board of directors.

(e) Bills and securities purchased

Under Article 74-1 of the Banking Law, bills and securities, whether listed or traded OTC, are valued at the lower of total cost or market, a practice commonly adopted in the banking industry. In accordance with the regulations of the Securities & Futures Bureau (“SFB”), market values are determined by the average closing prices of the last month of the period.

Government and corporate bonds are valued at the lower of total cost or market if market quotes are available; otherwise bonds are carried at face value and adjusted by the accumulated unamortized discount or premium. Financial debentures, banker’s acceptances, commercial paper, treasury bills and negotiable certificates of time deposits purchased are carried at cost. Overseas debt securities are valued at the lower of total cost or market, and redeemable value is adopted if it is lower than market price.

Loss due to market value decline or gain on recovery in market value arising from valuation of bills and securities at the lower of total cost or market is classified as unrealized gain or loss on marketable securities. Gain on short-term notes transactions is accounted for as interest income.

Bills and securities sold under repurchase agreements or restricted are disclosed.

(f) Long-term investments

Long-term equity investments are carried at cost. Investments in listed companies where the Bank has less than 20% equity ownership are valued at the lower of total cost or market value. The unrealized loss from the decline in market value below cost is charged against stockholders’ equity. Investments in non-listed companies are carried at cost. If the impairment in the value of investment is other than temporary and the recovery of the carrying amount is deemed unlikely, loss on investment is recognized in the current period.

Investments in twenty-to-fifty-percent-owned affiliates are accounted for under the equity method. For majority-owned affiliates, consolidated financial statements are prepared at year-end in accordance with the Statement of Financial Accounting Standards (“SFAS”) and SFB rulings. If the total assets and operating revenues of a subsidiary (excluding subsidiary banks and those required by MOF) do not exceed 10% of the Bank’s respective accounts, and if the combined assets or operating revenues of all such subsidiaries do not exceed 30% of the Bank’s respective accounts, consolidated statements are not required.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The moving-average method is adopted in calculating the cost upon the sale of long-term equity investments carried at cost, with gains or losses included in current earnings.

Bond investments are classified as long-term bond investments if the Bank intends to hold on to these investments until they mature. Such investments are reported on the financial statements at cost. The difference between the bond's face value and cost is amortized over the period when the bond is outstanding using the effective interest method. Upon disposal, the weighted-average method is used to calculate gain or loss.

Real estate investments are carried at cost. If the impairment in value is other than temporary such that the recovery of the carrying amount is unlikely, investment loss is recognized currently.

(g) Financial assets securitization

Under the Regulations for Financial Assets Securitization, the Bank, with the assistance of a trustee, securitized its mortgage loans for the purpose of offering asset-backed securities in the form of related beneficiary certificates through a special-purpose trust. Because the Bank surrendered its rights and control on these securitized mortgage loans, such loans are derecognized from the Bank's accounts, and the gain or loss from securitization is recognized thereon, except for the retained interests in the form of subordinated seller certificates necessary for credit enhancement, which are classified as other long-term bond investments because those certificates do not have quoted market prices.

The gain or loss from securitization of the loans is determined based on the difference between the proceeds from securitization and the carrying value of the securitized loans. The cost of each class of asset-backed securities was determined based on the previous carrying value of the securitized loans, which was allocated in proportion to the fair value of each class of the asset-backed securities and the retained interests on the date of transfer. Because the securitized loan assets have no quoted market price, the fair value of each class of the asset-backed securities and the retained interests is evaluated based on the present value of future cash flows considering the expected credit loss rate, prepayment rate and discount rate on the loans.

The cash receipts of subordinated seller certificates received from the trustee are accounted for using the cost recovery method. On the balance sheet date, the fair value of these certificates is evaluated based on the present value of expected future cash flows, and the resulting losses (if any) are recognized as current losses.

(h) Premises, equipment and depreciation

Premises and equipment are stated at cost or cost plus incremental value from revaluation. The carrying value of land is adjusted using the Government Announced Price. Major additions, improvements, and replacements are capitalized, while maintenance and repairs are charged to current earnings. Interest incurred in the acquisition of premises and until they are ready for their intended use are capitalized as part of the acquisition costs. Pursuant to the regulations set forth by the Paraguay government, the local branch revalues its assets monthly based on the government announced revaluation ratio, effective from the second year of the branch's operation.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Depreciation is computed using the straight-line method over the government prescribed useful lives. Premises and equipment still in use after their original estimated useful lives may be depreciated continuously over their estimated remaining useful lives. Useful lives of major premises and equipment are as follows:

Buildings and premises	10 to 56 years
Transportation equipment	3 to 6 years
Miscellaneous equipment	3 to 10 years

(i) Amortization

Capitalized software expenses are amortized over a period of 5 to 10 years.

(j) Intangible assets

Goodwill resulting from merger is amortized over 5 years using the straight-line method. If goodwill is impaired or its future economic benefit is deemed unlikely, the remaining unamortized balance is written down to its devalued amount and such write-down is recognized as non-operating expense.

(k) Foreclosed properties

Foreclosed properties received are stated at estimated net realizable value, and any difference from the nominal value of original claim is reflected as credit loss. On the balance sheet date, if the foreclosed properties are still unsold, their net realizable values are reassessed. If there is sufficient evidence indicating that market value is lower than book value, the difference is recognized as current loss. Gain or loss on disposal of foreclosed properties is treated as a recovery of doubtful accounts or as an expense item by charging it to current earnings, particularly under the provision for allowances and reserves.

(l) Retirement plan

The Bank maintains and funds a retirement plan covering all regular employees and recognizes pension expense based on the actuarial report. Annual contribution to this interest-bearing pension fund is made at rates ranging up to 15% of gross salaries paid. This pension fund is not reflected in the financial statements.

(m) Bills and bonds sold under repurchase agreements

If bills and bonds are sold under repurchase agreements in which beneficial interests and risks are not transferred within the transaction period, the transactions are treated as financing transactions. When such bills and bonds are sold, sales prices are recognized as "bills and bonds sold under repurchase agreements." The difference between the sales price and repurchase price is recognized as interest expense.

(n) Guarantee reserve

Guarantee reserve is provided by evaluating the status of collectibility of the accounts after reviewing the balances of guarantees issued and acceptances receivable at year-end.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(o) Securities trading loss reserve

In compliance with the Rules Governing Securities Firms, the Bank provides securities trading loss reserve at the rate of 10% of net gain from proprietary trading of securities when gain exceeds loss. This reserve is reversed in the month when the loss is realized. Provision or reversal of such reserve is charged to current earnings particularly under the loss or gain on marketable securities. An allowance is provided until the balance of the reserve reaches \$200,000.

(p) Derivatives instruments

(i) Forward contracts

Foreign-currency-denominated assets and liabilities of foreign exchange forward contracts are recorded in New Taiwan Dollars and translated at exchange rates in effect when the transactions occur. Gains or losses due to exchange rate differences at maturity are included in current earnings. On the balance sheet date, unsettled positions are adjusted at forward exchange rate, with differences reflected as current gains or losses.

Accounts receivables and payables from forward contracts are offset on the balance sheet date, with the balance reflected either as an asset or a liability.

(ii) Non-delivery forward contracts (NDF)

Because there is no physical transfer of principal in non-delivery forward transactions, only memo entries of notional principals are made on the contract date. On settlement, gains and losses from differences between the spot and contract rates are included in current earnings. Unsettled positions on the balance sheet date are adjusted at forward rates for the remaining contract period, with differences recognized as gains or losses.

(iii) Foreign currency swaps

Memorandum entries of notional principals are made on the contract date for foreign currency swaps. On the balance sheet date, forward accounts receivables are offset against payables, with the difference reflected either as an asset or a liability. Unrealized gains and losses from unsettled positions are computed based on differences between contract and prevailing rates. On settlement, gains and losses due to the differences between spot and contract rates are charged to current earnings.

(iv) Cross-currency swaps

Memo entries of notional principals are made on the contract date for cross-currency swaps. Forward accounts receivables are offset against payables on the balance sheet date, with the difference reflected either as an asset or a liability. For trading swaps, gains or losses on the differences between the present and market value of principal and interests in New Taiwan dollars, are recognized as unrealized gains or losses. For non-trading swaps, interest is accrued based on contract terms and principal repayment period, with interest revenue and expense recognized in the same period that the hedged items affect earnings.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(v) Interest rate swaps

Because there is no physical transfer of principal, only memo entries of notional principals are made for interest rate swaps. For trading swaps, the differences between the present and market values of interest receivables or payables arising thereon are reported as unrealized gains or losses on derivative instruments. For non-trading swaps, interest is accrued based on contract terms with interest revenue and expense recognized in the same period that the hedged items affect earnings.

(vi) Options

Only memo entries of notional principals are made on the contract date for options. Premium collected or paid is reflected as other asset or other liability. Differences between the market and book value of premium on the balance sheet date are stated as unrealized gain or loss. Gain or loss resulting from the exercise of options is recognized currently as transaction gain or loss.

(vii) Forward interest rate agreements (FRA)

Only memo entries of notional principals are made on the contract date for forward interest rate agreements. For trading FRA, differences in the present value of interest revenue or expense between market interest rate and contract interest rate on the balance sheet date are reported as gains or losses on derivative instruments. For non-trading FRA, interest is accrued based on contract terms with interest revenue and expense recognized in the same period that the hedged items affect earnings.

(viii) Asset swaps

An asset swap is an agreement with a convertible bond as its underlying asset. It involves not only the swap of fixed interest rate and bond redemption premium with market floating rate or fixed interest rate, but also convertible bond call option during the contract period. For trading purpose transactions, revaluation profit/loss is recognized using the mark-to-market method ; for non-trading purpose transactions, interest receivable and payable are accrued.

(ix) Credit default swaps

A credit default swap is an agreement whereby the credit protection buyer transfers credit risk of the underlying debt to the credit protection seller through a periodic premium payment to the protection seller. Memo entries of nominal amounts are made on transaction day. During the contract period, not only premium paid/received but also revaluation profit/loss (MTM) are recorded.

(x) Interest rate futures

An interest rate future is a futures contract with short-term interest or government bonds as underlying. Memo entries of nominal amounts are made on transaction day. Revaluation profit/loss is recognized using the mark-to-market method. Initial margin requirements are recorded as "Refundable Deposits," which thereafter is adjusted according to the amount of margin deposit or withdrawal.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(q) Foreign currency translation

Foreign currency transactions are recorded in their original currency. Foreign exchange gains and losses arising from settlement of foreign-currency-denominated assets and liabilities and adjustments from translating such assets and liabilities at spot rates on the balance sheet date are included in current earnings.

Foreign currency-denominated assets and liabilities of overseas subsidiaries are translated at spot rate on the balance sheet date; the components of their stockholders' equity is translated at the historical rate except for the beginning balance of retained earnings, for which the spot rate at the beginning of the year is used. Dividends are translated at the exchange rate on the date of declaration. Income statement accounts are translated at the weighted-average rate of the year, with difference reflected as translation adjustments to stockholders' equity.

(r) Commitments and contingencies

If losses from commitments and contingencies are deemed probable and the amount can be reasonably estimated, such losses are recorded currently; otherwise only the nature of commitments and contingencies are disclosed in the notes to financial statements.

(s) Income taxes

The Bank adopts the Statement of Financial Accounting Standards ("SFAS") No. 22 "Accounting for Income Taxes" for purposes of making inter- and intra-period income tax allocation, in addition to calculating the current income tax expense (benefit). Accordingly, the income tax effects from taxable temporary differences are recognized as deferred tax liability, while those deductible temporary differences, prior years' loss carry forward benefits, and investment tax credits are accounted for as deferred tax assets but subject to management's judgment that realization is more likely than not. Adjustments to prior year's income tax expenses are charged against current income tax expense. Investment tax credits are recognized currently. Income taxes separately levied on interest revenue from short-term bills are reported as current income tax expense.

The 10% surtax on undistributed earnings is recorded as current expense on the date when the stockholders met and resolved not to distribute the earnings.

As a subsidiary of Chinatrust Financial Holding Company, the Bank files a consolidated corporate income tax return with its parent company. The difference between the consolidated income tax and the Bank's ordinary income tax treatment as described above is adjusted in the parent company level and the Bank recognizes such difference as a payable or receivable.

(t) Treasury stock

The Bank adopts SFAS No. 30 "Accounting for Treasury Stock" to account for repurchase of its outstanding shares, carried at cost. Upon disposal, the excess of selling price over book value is recorded as "capital surplus-treasury stock transaction." If the selling price is lower than book value, the difference is charged against capital surplus from treasury stock, and any deficit is debited against retained earnings. The book value of purchased treasury stock is separately calculated using the weighted-average method.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Upon retirement, the “capital surplus—paid-in capital in excess of par” is debited on a pro rata basis. If the book value exceeds the premium on issuance of capital stock, the difference is offset against “capital surplus—treasury stock” in the same classification, and any deficit is charge against retained earnings. If the book value of treasury stock is lower than the total of capital stock and premium on stock issuance, the difference is credited to “capital surplus—treasury stock.”

On May 17, 2002, Chinatrust Financial Holding Company, Ltd. received treasury stock originally held by the Bank and shares of the Bank were delisted. Chinatrust Financial Holding Company, Ltd. became the Bank’s parent company, owning 100% of the Bank’s equity. Treasury stock originally held by the Bank was converted to shares of Chinatrust Financial Holding Company, Ltd. Under the SFB Letter Ruling No. (6) 111467, a financial institution which purchases its treasury stock pursuant to Article 28-2, Paragraph 1 of Securities and Exchange Law, and subsequently becomes a subsidiary of a financial holding company through a stock conversion, its treasury stock should be converted to shares of the financial holding company in accordance to Article 31 of the Financial Holding Company Law, and the financial institution should continue to treat the converted shares as treasury stock and as a deduction from its stockholders’ equity. The financial holding company shall treat these converted shares as treasury stock.

(u) Earnings per share (EPS)

EPS is calculated by dividing the net income, net of preferred stock dividends, by the weighted-average shares outstanding during the period. In the case of capital increase through capitalization of retained earnings, capital surplus, or employee bonuses, EPS is retroactively adjusted, regardless of the period when such incremental shares remain outstanding.

3. Reasons for and effect of accounting changes

Effective January 1, 2004, the Bank adopted SFAS No. 33 “Accounting for Transfers of Financial Assets and Extinguishments of Liabilities,” under which bills and bonds under repurchase agreements in which control is not surrendered, are treated as financing transactions instead of as sale transactions. Prior to January 1, 2004, no retroactive adjustments are required on recognition and measurement of transfers of financial assets and extinguishments of liabilities.

4. Summary of major accounts

(a) Cash

	December 31, 2004	December 31, 2003
Cash on hand	\$ 8,041,267	\$ 7,188,328
Petty cash and revolving fund	8,358	9,348
Checks awaiting clearance	3,623,400	3,480,366
Cash in transit	2,242,325	1,267,555
Gold and silver	751	751
Due from other banks	3,255,679	3,592,538
Total	\$ 17,171,780	\$ 15,538,886

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Due from Central Bank and other banks

	December 31, 2004	December 31, 2003
Required reserve - Account A	\$ 13,276,667	\$ 9,648,887
Required reserve - Account B	22,529,477	19,676,181
Required reserve - Foreign currency	138,480	19,282
Deposits with the Central Bank	100,100	11,224,117
Banks' overdrafts	-	36,295
Call loans to other banks	52,500,214	34,782,052
Total	\$ 88,544,938	\$ 75,386,814

Based on the required ratio for reserve on the average monthly balances of various deposits, the Bank appropriates funds and deposits them with the Central Bank of China. Deposits in "Required reserve - Account A" are interest-free and can be withdrawn any time; interest is accrued on "Required reserve - Account B," which cannot be withdrawn except for the monthly adjustment to the required reserve.

(c) Bills and securities purchased

	December 31, 2004	December 31, 2003
Commercial paper	\$ 2,191,784	\$ 9,864,817
Negotiable certificates of deposits	79,300,000	85,612,891
Treasury bills	208,378	2,402,444
Government bonds	35,191,676	32,741,006
Corporate bonds	11,168,222	6,751,739
Financial debentures	3,276,000	191,519
Convertible bonds	8,573,529	7,738,218
Bonds purchased under resale agreements	1,246,696	-
Other bonds	4,221,599	7,473,737
Debt securities	145,377,884	152,776,371
Listed securities	4,525,733	5,819,245
Beneficiary certificates	30,000	1,430,055
Foreign currency funds	1,595,850	7,741,348
Subtotal	151,529,467	167,767,019
Less: Allowance for market value decline	(368,275)	(692,901)
Total	\$ 151,161,192	\$ 167,074,118

As of December 31, 2004 and 2003, negotiable certificates of time deposits purchased, government and corporate bonds (include long-term bonds investment), financial debentures, other bonds provided by the Bank as deposits to the National Credit Card Center of R.O.C. and the courts for provincial seizures and daytime overdrafts amounted to \$17,832,000 and \$17,718,000, respectively.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In accordance with the Banking Law and Trust Enterprise Act, the Bank sets aside 15% to 20% of the average daily balance of the trust funds and deposits it with the Central Bank of China as reserve for indemnity obligation, in the event of non-compliance with the regulations or breach of fiduciary interest. As of December 31, 2004 and 2003, government and corporate bonds (include long-term bonds investment) provided by the Bank as reserve amounted to \$50,000.

For the year ended, December 31, 2004, the Bank sold \$54,187,660 corporate bonds and government bonds under repurchase agreements with face value totaling \$59,944,252. These bonds sold (reflected under bills and bonds sold under repurchase agreements) have an agreed repurchase amount of \$59,987,182 with maturity dates prior to September 12, 2005.

(d) Receivables

	December 31, 2004	December 31, 2003
Notes receivable	\$ 28,581	\$ 618,109
Accounts receivable	127,722,637	104,331,298
Interest receivable	4,247,544	3,904,288
Acceptances receivable	3,138,007	2,599,724
Accrued income	681,619	445,527
Tax refund receivable	569,265	917,334
Other receivables	5,568,730	9,357,033
Accounts receivable-non-accrual account	987,556	1,038,863
Subtotal	<u>142,943,939</u>	<u>123,212,176</u>
Less: Allowance for credit losses	<u>(2,569,795)</u>	<u>(2,026,678)</u>
Total	<u>\$ 140,374,144</u>	<u>\$ 121,185,498</u>

As of December 31, 2004 and 2003, accounts receivable included accounts receivable factoring of \$36,657,207 and \$28,366,137, respectively.

The movements in allowance for credit losses were as follows:

Year Ended, 2004	Inherent risk of overall claims	Default risk of specific claims	Total
Beginning balance	\$ 1,460,882	\$ 565,796	\$ 2,026,678
Current provisions	633,779	3,544,526	4,178,305
Current charge-off	(183,738)	(3,447,679)	(3,631,417)
Transferred due to categorically assume	3,313	-	3,313
Exchange rate effects	(7,084)	-	(7,084)
Ending balance	<u>\$ 1,907,152</u>	<u>\$ 662,643</u>	<u>\$ 2,569,795</u>

Year Ended, 2003	Inherent risk of overall claims	Default risk of specific claims	Total
Beginning balance	\$ 1,325,805	\$ 670,483	\$ 1,996,288
Current provisions	178,408	2,921,009	3,099,417
Current charge-off	(188,510)	(3,025,696)	(3,214,206)
Transferred due to merger	145,214	-	145,214
Exchange rate effects	(35)	-	(35)
Ending balance	<u>\$ 1,460,882</u>	<u>\$ 565,796</u>	<u>\$ 2,026,678</u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(e) Loans

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Bills purchased	\$ 23,541	\$ 5,153
Corporate loans	271,803,104	255,240,429
Mortgage loans	266,186,798	217,284,780
Automobile loans	15,947,540	9,209,939
Consumer loans	90,991,599	68,194,893
Other loans	1,713,133	2,014,442
NT dollar loans	646,665,715	551,949,636
Foreign currency loans	104,489,581	74,448,799
Non-accrual loans	12,242,509	12,360,592
Subtotal	763,397,805	638,759,027
Less: Allowance for loan losses	(11,336,580)	(7,927,745)
Total	<u>\$ 752,061,225</u>	<u>\$ 630,831,282</u>

Please refer to Note 4(y) for the industry information.

As of December 31, 2004 and 2003, non-performing loans amounted to \$12,659,129 and \$10,525,314, respectively.

As of December 31, 2004 and 2003, suspended accrual of interest for non-accrual accounts amounted to \$315,422 and \$767,950, respectively.

As of December 31, 2004 and 2003, there were no loans written-off without prior recourse. The movements in allowance for loan losses for the years ended December 31, 2004 and 2003 were as follows:

<u>Year Ended, 2004</u>	<u>Inherent risk of overall claims</u>	<u>Default risk of specific claims</u>	<u>Total</u>
Beginning balance	\$ 4,684,786	\$ 3,242,959	\$ 7,927,745
Current provisions	785,704	8,690,442	9,476,146
Current charge-off	(123,773)	(9,700,276)	(9,824,049)
Transferred due to assumption	66,972	3,738,039	3,805,011
Exchange rate effects	(46,094)	(2,179)	(48,273)
Ending balance	<u>\$ 5,367,595</u>	<u>\$ 5,968,985</u>	<u>\$ 11,336,580</u>

<u>Year Ended, 2003</u>	<u>Inherent risk of overall claims</u>	<u>Default risk of specific claims</u>	<u>Total</u>
Beginning balance	\$ 5,153,657	\$ 3,465,252	\$ 8,618,909
Current provision (reversal)	(220,748)	11,476,601	11,255,853
Current charge-off	(238,053)	(13,177,476)	(13,415,529)
Transferred due to merger	55,823	1,498,545	1,554,368
Exchange rate effects	(65,893)	(19,963)	(85,856)
Ending balance	<u>\$ 4,684,786</u>	<u>\$ 3,242,959</u>	<u>\$ 7,927,745</u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(f) LONG-TERM INVESTMENTS

	December 31, 2004		December 31, 2003	
	Shareholding Ratio	Book value	Shareholding Ratio	Book Value
<i>Accounted for under the cost method</i>				
Listed securities (Market value at \$644,302 and \$1,413,137 as of December 31, 2004 and 2003, respectively)		\$ 1,585,098		\$ 2,383,745
Less: Allowance for market value decline		(943,028)		(970,608)
		<u>642,070</u>		<u>1,413,137</u>
Taipei Forex Inc.	3.43	6,800	3.43	6,800
Asian Finance and Investment Corp.	8.66	461,037	8.66	461,037
Taiwan Aerospace Corp.	5.00	262,113	5.00	262,113
Pacific Venture Corp.	5.00	30,000	5.00	30,000
Taiwan Futures Exchange Corp.	1.20	24,000	1.20	24,000
Union Service Corp.	5.00	1,250	5.00	1,250
Jupiter Venture Capital Co., Ltd.	5.00	30,000	5.00	30,000
Venus Venture Capital Co., Ltd.	4.72	25,000	4.72	25,000
Mercury Venture Capital Co., Ltd.	5.00	30,000	5.00	30,000
Fu Yu Venture Capital Investment Corp.	3.70	50,000	3.70	50,000
Financial Information Service Co., Ltd.	2.28	91,000	2.28	91,000
Taipei Financial Center Corp.	3.06	785,438	4.41	785,438
KGEx. Com. Corp., Ltd.	5.00	175,000	5.00	175,000
KG Ventures Corp.	5.00	260,000	5.00	260,000
Overseas Investment & Development Corp.	14.90	133,074	14.90	133,074
Taipei Smart Card Corp.	2.25	12,256	2.25	12,256
BsnkPro E-service Technology Co., Ltd.	3.33	2,952	3.33	2,952
WinPlus Venture Capital Corp.	5.00	25,000	5.00	25,000
Investar Capital Corp.	5.00	60,000	5.00	60,000
Global Securities Finance Corp.	2.63	173,496	2.63	173,496
Taiwan Asset Management Corp.	2.27	400,000	2.35	400,000
Taiwan Financial Asset Service Corp.	2.94	50,000	2.94	50,000
Debt Instruments Depository and Clearing Co, Taiwan	4.99	100,000	4.99	100,000
The national federation of credit cooperatives	3.21	4,825	-	-
The federation of Kaohsiung County cooperatives	0.98	2	-	-
Sub-total		<u>3,835,313</u>		<u>4,601,553</u>
<i>Accounted for under the equity method</i>				
Chinatrust (Philippines) Commercial Bank Corp. (original investment at PHP 2,695,137)	99.41	2,593,607	99.41	2,569,877
Chinatrust Bills Finance Corp. (original investment at \$0 and \$2,829,523 as of December 31, 2004 and 2003, respectively)	-	-	99.998	5,890,780
PT Bank Chinatrust Indonesia (original investment at Rupiah 191,000,000)	99.00	2,060,713	99.00	2,147,063
Chinatrust Forex Corp. (original investment at PHP 31,045)	60.00	18,672	60.00	21,874
CTC Bank of Canada (original investment at CAD 15,000)	100.00	397,789	100.00	348,824
Chinatrust Securities Investment Consultancy Co., Ltd. (original investment at \$9,940)	99.40	12,364	99.40	11,865
KGI Securities Investment Trust Co., Ltd. (original investment at \$120,000)	40.00	113,411	40.00	101,728
China Trust Holdings Corp. (original investment at \$4,842,782)	100.00	6,752,665	100.00	6,815,645
Grand Bills Finance Corp.(original investment at \$1,010,880)	21.15	1,625,072	21.15	1,571,536
GCB Finance (HK) Limited (original investment at \$223,050)	100.00	332,059	100.00	336,910
Grand Life Insurance Agent Co., Ltd. (original investment at \$0 and \$2,590 as of December 31, 2004 and 2003, respectively)	-	-	99.62	20,637
Gand General Insurance Agent Co., Ltd. (original investment at \$0 and \$2,590 as of December 31, 2004 and 2003, respectively)	-	-	99.62	1,968
Sub-total		<u>13,906,352</u>		<u>19,838,707</u>
Long-term bond investments		39,041,843		-
Real Estate - Land to be levied by the Government		1,400		1,400
Total		<u>\$ 56,784,908</u>		<u>\$ 24,441,660</u>

Note: Please refer to Note 4(c) for a further description of our long-term bond investments.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Investment income or loss recognized under the equity method for the years ended December 31, 2004 and 2003 were as follows:

	Years Ended December 31	
	2004	2003
Chinatrust (Philippines) Commercial Bank Corp.	\$ 195,192	\$ 300,986
Chinatrust Bills Finance Corp.	150,640	963,299
PT Bank Chinatrust Indonesia	255,609	238,293
Chinatrust Forex Corp.	457	614
CTC Bank of Canada	43,397	33,387
Chinatrust Securities Investment Consultancy Corp.	499	974
KGI Securities Investment Trust Corp., Ltd.	11,683	1,860
China Trust Capital AS.	-	37,539
China Trust Holdings Corp.	358,942	596,124
Grand Bills Finance Corp.	225,135	49,949
GCB Finance (HK) Limited	16,521	28,834
Grand Life Insurance Agent Co., Ltd.	(1,062)	7,278
Grand General Insurance Agent Co., Ltd.	(416)	70
Total	\$ 1,256,597	\$ 2,259,207

In March 2003, the Bank liquidated China Trust Capital AS and China Trust Capital BV (CTBV) in order to comply with requirements of the authority in-charge and to simplify investment structure. CTBV's 33.38% equity ownership in China Trust Holdings Corp. was transferred to the Bank. As of December 31, 2003, the Bank's ownership in China Trust Holdings Corp. increased to 100%.

On September 30, 2003, Grand Commercial Bank became a wholly owned subsidiary of Chinatrust Financial Holding Company Ltd. through a stock swap arrangement, under which Chinatrust Financial Holding Company Ltd. issued its common and preferred shares to the shareholders of Grand Commercial Bank in exchange for the entire equity ownership of Grand Commercial Bank. At the same time, the Bank's Board of Directors approved a resolution, which allowed the Bank to acquire Grand Commercial Bank (with December 1, 2003 as the record date). The acquisition by the Bank of Grand Commercial Bank was accounted for under the purchase method. The original price of \$20,182,512 adopted in the stock swap arrangement between Chinatrust Financial Holding Company Ltd. and Grand Commercial Bank was also the same price used in the acquisition of Grand Commercial Bank by the Bank. The difference between the price of shares issued and book value of Grand Commercial Bank's net assets on record date was accounted for as undistributed earnings. Also, due to the corporate restructuring nature of these transactions, a debit was made to retained earnings to recognize in the Bank's accounts the difference between the book value of long-term investment of Chinatrust Financial Holding Company in Grand Commercial Bank as of December 1, 2003 and the price paid by the Bank to acquire Grand Commercial Bank. Such difference represented the results of operation of Grand Commercial Bank for the period from September 30, 2003 to November 30, 2003.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Because of the Bank's acquisition of Grand Commercial Bank, the Bank also acquired the equity investments of Grand Commercial Bank, which are accounted for using the cost or equity method. The equity investments accounted for under the cost method were those of President Securities Corp., BankPro E-service Technology Co., Ltd., WinPlus Venture Capital Corp., Investar Capital Corp., Global Securities Finance Corp., Taiwan Asset Management Corp., Taiwan Financial Asset Service Corp., and Debt Instruments Depository and Clearing Co, Taiwan. The equity investments accounted for under the equity method were those of Grand Bills Finance Corp., GCB Finance (HK) Limited, Grand Life Insurance Agent Co., Ltd., and Grand General Insurance Agent Co., Ltd. The equity investment in President Securities Co., Ltd., was sold and those with Grand Life Insurance Agent Co., Ltd. and Grand General Insurance Agent Co., Ltd., were written-off when these investees were liquidated in 2004.

In March 2004, the Bank sold for cash its long-term investments in Chinatrust Bills Finance Corp. to Chinatrust Financial Holding Company, Ltd. to achieve cross selling and increase profits. As the nature of this transaction is that of a corporate restructuring, the difference between the price and original book value of investments sold is reflected in undistributed earnings.

As part of the assets assumed from Fengshan Credit Cooperative (FSCC) on October 1, 2004, the Bank also acquired equity investments in Taiwan Cooperative Bank, the National Federation of Credit Cooperatives and the Federation of Kaohsiung County Cooperatives, each of which is accounted for under the cost method.

(g) Financial assets securitization

During the third quarter of 2004, the Bank securitized its mortgage loans with a carrying value of \$5,031,192 with Deutsche Bank AG, Taipei Branch (Deutsche Bank), as Trustee, and offered the securities in the form of beneficiary certificates. These beneficiary certificates have a redemption period from August 10, 2004 to August 25, 2024. The other terms of these beneficiary certificates are as follows:

Class of beneficiary certificates issued	Order of principal repayment	Issue amount	Interest rate	Payment frequency
Class A	1st	\$4,325,000	the index rate +0.25%	once a month
Class B	2nd	250,000	the index rate +0.55%	once a month
Class C	3rd	150,000	the index rate +0.80%	once a month
Class D	4th	130,000	the index rate +1.25%	once a month
Class E	5th	176,192	-	once a month

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The Bank holds the Class E beneficiary certificates for which the Bank retains the right on interests in excess of the amount paid to the holders of class A, B, C and D beneficiary certificates. If the loan debtors default, neither the investor nor Deutsche Bank has a right of recourse to the Bank. The repayment of the principal of Class E beneficiary certificates is subordinate to the investors' certificates and their value is affected by the credit risk, prepayment rate and change in interest rate of the securitized loans. For the year ended December 31, 2004, the Bank recognized a gain on securitized loans of \$50,288, which was reflected under non-operating income.

(i) Key assumptions used in measuring retained interests

The key economic assumptions used in measuring the subordinated seller certificates arising from the loans securitization at loans securitization date during the year were as follows:

	Mortgage Loan Securitization	
	August 10, 2004	December 31, 2004
Prepayment rate (annual rate)		
Adjustable Rate Mortgage	17.50%	17.50%
Government Subsidized Mortgage	7.00%	7.00%
Weighted-average life (in years)	17.36	14.58
Expected credit losses rate (annual rate)	3.01%	2.98%
Discounting rate for residual cash flows (annual rate)		
- principal	5.70%	5.70%
- interest	2.34%	2.34%

(ii) Sensitivity analysis

As of December 31, 2004, the key economic assumptions and sensitivity of the current fair value of residual cash flows with immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

	Mortgage Loan Securitization
Carrying amount of retained interests	\$295,186
Weighted-average life (in years)	14.58
Prepayment rate (annual rate)	
Adjustable Rate Mortgage	17.50%
Government Subsidized Mortgage	7.00%
Impact on fair value with 10% adverse change	(11,430)
Impact on fair value with 20% adverse change	(21,707)
Expected credit losses (annual rate)	2.98%
Impact on fair value with 10% adverse change	(4,378)
Impact on fair value with 20% adverse change	(8,755)

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(iii) Expected static pool credit losses

As the securitized mortgage loans do not have actual credit losses as of the balance sheet date, the expected static pool credit losses are, therefore, equal to the expected credit losses.

(iv) Cash flows

The cash flows received from and paid to securitization trusts were summarized as follows:

	From August 10 to December 31, 2004	
Proceeds from securitizations	\$	4,855,000
Servicing fees received		4,451
Other cash flows received on retained interests		17,549
Cash reserve (part of refundable deposits)		33,052
Repayments of cash reserve		1,666
Servicing advances		6,306
Repayments of servicing advances		253

(h) Other financial assets

	December 31, 2004	December 31, 2003
Short-term advances	\$ 414,891	\$ 351,504
Refundable deposits	3,277,376	4,396,927
Pledged certificates of time deposits	120,000	120,000
Derivative financial instruments	6,775,669	6,350,175
	\$ 10,587,936	\$ 11,218,606

Certificates of time deposits above were used as guarantee with bond dealers and underwriters.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(i) **PREMISES AND EQUIPMENT**

	Cost	Revaluation Appreciation	Total	Accumulated Depreciation	Net
December 31, 2004					
Land	\$ 18,722,296	\$ 68,096	\$ 18,790,392	\$ -	\$ 18,790,392
Buldings	13,371,065	38,937	13,410,002	3,435,826	9,974,176
Transportation equipment	68,865	755	69,620	39,498	30,122
Miscellaneous equipment	9,179,355	9,261	9,188,616	5,224,964	3,963,652
Construction in progress	1,217,301	-	1,217,301	-	1,217,301
Prepayment for equipment	2,600	-	2,600	-	2,600
Total	\$ 42,561,482	\$ 117,049	\$ 42,678,531	\$ 8,700,288	\$ 33,978,243
December 31, 2003					
Land	\$ 18,472,722	\$ 67,938	\$ 18,540,660	\$ -	\$ 18,540,660
Buldings	13,221,269	38,642	13,259,911	3,178,639	10,081,272
Transportation equipment	94,718	732	95,450	70,233	25,217
Miscellaneous equipment	9,211,018	9,032	9,220,050	5,083,250	4,136,800
Construction in progress	593,973	-	593,973	-	593,973
Prepayment for equipment	46,677	-	46,677	-	46,677
Total	\$ 41,640,377	\$ 116,344	\$ 41,756,721	\$ 8,332,122	\$ 33,424,599

As of December 31, 2004 and 2003, insurance coverage for the premises and equipment referred to above amounted to \$20,007,566 and \$14,381,588, respectively.

The depreciable assets were revalued on December 31, 1974 and December 31, 1980, resulting in total appreciation of \$13,510 and \$53,123, respectively. In addition, land was revalued on September 30, 1987 based on government announced value, resulting in land appreciation of \$77,519. Pursuant to the regulations set forth by the Paraguay government, the local branch revalues its assets monthly based on the government announced revaluation ratio. As of December 31, 2003 and 2004, the reserve for asset revaluation appreciation amounted to PYG 2,710,686 and PYG 3,041,843 (approximately \$23,077 and \$22,516), respectively.

(j) **Intangible assets**

Based on the results of its evaluation of the fair value of the assets (including goodwill) and liabilities acquired from Grand Commercial Bank in 2003, the Bank recognized goodwill amounting to \$4,635,441 and written-off to non-operating expenses a portion of this goodwill amounting to \$3,000,000 believed to have no future economic benefit.

Based on the results of its evaluation of the fair value of the assets acquired and liabilities assumed from FengShan Credit Cooperative (FSCC) in 2004, the Bank recognized goodwill amounting to \$1,821,658. As of December 31, 2004 and 2003, the balance of goodwill amounted to \$5,406,959 and \$4,635,441, respectively.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(k) Other assets

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Prepayments	\$ 1,847,753	\$ 2,355,029
Deferred charges	1,620,662	1,716,998
Foreclosed properties received	3,897,125	5,292,481
Allowance for decline in market value of foreclosed properties received	(921,420)	(1,142,422)
Deferred income tax assets, net	151,534	448,862
Temporary debits	15,938	17,104
Total	<u>\$ 6,611,592</u>	<u>\$ 8,688,052</u>

(l) Payables

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Accounts payable	\$ 10,828,660	\$ 7,144,590
Accrued expense	5,217,575	5,354,774
Income tax payable	1,990,104	197,790
Interest payable	2,960,431	3,529,152
Draft acceptance	3,173,800	2,712,305
Collection payable	889,152	781,225
Other tax payables	288,518	248,373
Dividend and bonus payable	38,512	47,611
Other payable	4,815,677	6,854,108
Total	<u>\$ 30,202,429</u>	<u>\$ 26,869,928</u>

As of December 31, 2004 and 2003, accounts payable included accounts receivable factoring were \$9,926,290 and \$6,622,049 respectively.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(m) Deposits and remittances

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
NT\$ Deposits		
Checking accounts	\$ 7,011,143	\$ 7,176,473
Demand deposits		
Demand deposits	61,348,411	69,455,721
Demand savings deposits	234,998,381	211,578,656
Others	1,135,580	1,049,271
Subtotal	<u>297,482,372</u>	<u>282,083,648</u>
Time deposits		
Time deposits	200,253,282	149,125,963
Time savings deposits	240,042,663	245,212,992
Negotiable certificates of time deposits	43,170,300	27,881,500
Deposits at interest from postal deposits	39,828,926	47,719,978
Others	9,433,663	7,225,057
Subtotal	<u>532,728,834</u>	<u>477,165,490</u>
Total NT\$ Deposits	837,222,349	766,425,611
Foreign currency deposits	134,947,362	114,603,611
Remittances under custody	43,541	112,143
Remittances outstanding	275,709	235,088
Total	<u><u>\$ 972,488,961</u></u>	<u><u>\$ 881,376,453</u></u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(n) Financial debentures

December 31, 2004 and 2003					
Bonds	Terms of Transactions			Bond Issued	
	Issue date	Maturity date	Interest Rate	Type	Amount
2001-1	09/24/2001	09/24/2011	Interest is 3.85% compounding semi-annually for the first 5 years and 4.6% from the 6th year to maturity.	Unsecured subordinated financial debentures	\$ 10,000,000
2003-1	09/12/2003	09/12/2010	The single coupon rate is Bank of Taiwan's board floating interest rate for 2-year time deposit plus 80 basis points.	"	5,000,000
2003-2	10/13/2003	10/13/2010	The single coupon rate is Bank of Taiwan's board floating interest rate for 2-year time deposit plus 80 basis points.	"	2,000,000
2003-3	10/13/2003	10/13/2010	The floating interest rate is the prime rate (Note1) plus 100 basis points.		2,000,000
2003-4	10/28/2003	10/28/2008	The 1 st year : 5% ; The 2 nd ~5 th years : if 6M LIBOR < 0.9%, the coupon rate will be 6M LIBOR. If 6M LIBOR ≥ 0.9%, the coupon rate will be 5%-6M LIBOR.	"	300,000
2003-5 (Note2)	06/12/2003	06/12/2008	2.5%	"	2,000,000
					<u><u>\$ 21,300,000</u></u>

(Note1) The prime rate is based on the page code 6165 of the Associated Press, the fixed interest rate of 90-day CP/BA at 11 : 00am.

(Note2) Due to the Bank's acquisition of Grand Commercial Bank, the Bank assumed the subordinated financial debentures previously issued by Grand Commercial Bank.

(o) Financing from Central Bank and other banks

	December 31, 2004	December 31, 2003
Financing from Central Bank	\$ 6,177,484	\$ 6,795,600
Financing from other banks	638,340	-
Total	<u><u>\$ 6,815,824</u></u>	<u><u>\$ 6,795,600</u></u>

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(i) Financing from Central Bank

As of December 31, 2004, the Bank borrowed US\$193,548 thousand from the Central Bank in order to facilitate business expansion of its overseas subsidiaries. This loan bears interest ranging from 1.17~1.98% annually. Interest is payable semi-annually or on maturity date of July 26, 2019.

(ii) Financing from other banks

As of December 31, 2004, the Bank borrowed US\$20,000 thousand from other banks with annual rates of 3.47% to 3.83%. Interest is payable on maturity date of March 14, 2005.

(p) Retirement plan

The Bank maintains a retirement plan covering all regular employees. Payments of lump-sum pension benefits are calculated based on the number of employee's years of service and salary of the last month prior to approved retirement, with a maximum benefit of 61 months' salary. The Bank contributes 2% of gross salary to pension fund on a monthly basis. Furthermore, the Bank established a Workers' Retirement Reserve Fund Supervisory Committee on May 31, 2000 upon approval of the authority-in-charge and contributes 15% of paid total monthly salary to a designated depository account with the Central Trust of China.

As of December 31, 2004 and 2003, the balance of this pension fund account amounted to \$3,691,566 and \$3,639,997, respectively.

As of December 31, 2004 and 2003, the funding status was reconciled with accrued pension liabilities per books as follows:

	For the years ended December 31	
	2004	2003
Benefit obligation:		
Vested benefit obligation	\$ (734,265)	\$ (593,148)
Non-vested benefit obligation	(3,192,320)	(3,504,146)
Accumulated benefit obligation	(3,926,585)	(4,097,294)
Additional benefit based on future salaries	(703,822)	(1,408,392)
Projected benefit obligation	(4,630,407)	(5,505,686)
Fair value of pension plan assets	3,691,566	3,639,997
Funding status	(938,841)	(1,865,689)
Unrecognized net transition obligation	226,847	264,655
Unrecognized loss on pension fund	652,805	1,572,334
Unrecognized prior service cost	(84,773)	(89,760)
Accrued pension liabilities	\$ (143,962)	\$ (118,460)

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Actuarial assumptions used in the pension costs calculation were as follows:

	For the years ended December 31	
	2004	2003
Discount rate	2.50%	4.00%
Rate of increase in future compensation levels	3.00%	3.00%
Expected long-term rate of return on plan assets	2.50%	4.00%

	For the years ended December 31	
	2004	2003
Service cost	\$ 559,297	\$ 369,111
Interest cost	137,642	154,109
Expected return on plan assets	(91,000)	(110,614)
Amortization and deferred amount	89,586	54,260
Net periodic pension cost	\$ 695,525	\$ 466,866

As of December 31, 2004 and 2003, vested benefits obligations amounted to \$770,978 and \$622,805, respectively.

(q) Stock option plan

On September 4, 2001, the ROC SFB approved the Bank's issuance of employee stock options of 100,000 units. Each unit of the stock options was endowed with the right to purchase 1,000 common shares of the Bank at exercise price equal to the closing price on the issuance date of the employee stock options. On January 3, 2002, the Bank, granted 65,000 units of stock option to its employees. The stock options are valid and cannot be transferred for 2 years and 8 months from issuance date. After the 2nd anniversary of option grant, the holder of such option may exercise the right to purchase the Bank's shares at \$21.1 per share. As ownership of shares of the Bank was transferred to Chinatrust Financial Holding Company, Ltd., each option is endowed with the right to purchase 1,000 common shares of Chinatrust Financial Holding Company. If there is any change in the structure of Chinatrust Financial Holding Company common stock, the exercise price will change accordingly. The exercise price after adjustment was \$15.29 dollars per share.

The changes in the stock option plan were as follows:

	Year ended December 31, 2004
Options outstanding, beginning of the period	65,000
Options granted	-
Options exercised	(47,852)
Options expired	(17,148)
Options outstanding, end of the period	-

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(r) Income taxes

The income tax expense and related accounts for the years ended December 31, 2004 and 2003 were as follows:

	Years Ended December 31	
	2004	2003
Current income tax payable	\$ 2,429,507	\$ 549,148
Add (less): Tax effect of temporary differences		
Allowance for credit losses in excess of tax-allowable limit	-	204,699
Difference in pension provision for financial and tax purpose	(6,376)	29,612
Net unrealized gain on foreign exchange and derivative instruments	311,405	457,540
Allowance for market value decline on foreclosed properties received	56,846	(100,831)
Amortization of goodwill	142,008	(718,186)
Others	5,500	10,239
Income tax separately levied	213,948	214,136
Under-accrual of prior year's income tax	98,372	98,420
Reversal of prior years' recognition of bond prehand interest	-	(286,670)
Income tax expense	\$ 3,251,210	\$ 458,107

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	Years Ended December 31	
	2004	2003
Temporary differences which resulted in deferred income tax assets or liabilities		
· Deductible temporary difference due to provision for cumulative translation adjustments	\$ 2,271,435	\$ 1,325,652
· Taxable temporary difference due to investment income recognized under the equity method	(3,040,128)	(3,040,128)
· Taxable temporary difference due to unrealized gain on foreign exchange and derivative instruments	(2,036,730)	(791,110)
· Deductible temporary difference due to allowance for market value decline on foreclosed properties received	906,325	1,133,708
· Deductible temporary difference due to amortization of goodwill	2,304,711	2,872,743
· Deductible temporary differences for other reasons	200,527	294,580
Total	\$ 606,140	\$ 1,795,445

	December 31	
	2004	2003
Deferred income tax assets	\$ 1,420,749	\$ 509,678
Deferred income tax liabilities	(1,269,215)	(60,816)
Deferred income tax assets	\$ 151,534	\$ 448,862

The Bank's income tax returns through 2001 were assessed by the Tax Authority. These assessments disclosed that the Tax Authority disallows the tax credit being claimed by the Bank on taxes withheld from its bond interest income totaling \$697,840 for the years from 1994 through 2001. The Bank disagreed with such assessment and filed for administrative relief. The Bank was eventually allowed to receive a refund equal to 65% of these withholding taxes in accordance with the agreement between the Bank and the National Tax Administration. The Bank's receivable from such income tax refund had been accounted for accordingly. Furthermore, the remaining 35% of the withholding tax on the Banks's bond interest income, which was disallowed by the Tax Authority as tax credit by the Bank for the year 2002, had been estimated and recognized as tax expense.

(s) Imputation credit account and deductible ratio

As of December 31, 2004, the balance of stockholders' imputed credit account amounted to \$209,955. The Bank estimated that the tax-deductible ratio to 2004 earning distribution for ROC residents/shareholders was approximately 1.93%. The tax-deductible ratio to 2003 earnings distribution for ROC residents/shareholders was approximately 10.59%. The ending balance of undistributed earnings all arose from 1998 and thereafter.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(t) Common stock

On March 12, 2003, the Board of Directors resolved to capitalize the undistributed earnings of \$4,605,427 with July 21, 2003 as the record date. The capital increase was approved by the SFB under its Letter Ruling No. (1) 0920127925 and the Bank had completed the relevant registration process.

On October 11, 2004, the treasury stock 39,568 thousand share was cancelled. Please refer to Note 4(v) for related information.

As of December 31, 2004 and 2003, the common shares authorized and issued aggregated to 5,026,401 and 5,065,969 thousand shares with par value of \$10 per share.

(u) Preferred stock

In August 2000, the Bank issued 250,000 thousand preferred shares with issue price of \$40 per share, totaling \$10,000,000, with a term of 6 years. Preferred cash dividend is payable on a lump sum basis at 6.12% per annum. If there are no earnings or insufficient earnings, distribution of dividends is postponed and made later when there are sufficient earnings. Preferred stock cannot participate in the distribution of earnings and capital surplus in the form of cash and stocks that are specific to common stock.

During the common shareholders' meetings, preferred shareholders are not granted the right to vote on issues nor the right to vote for elected officers but are granted the right to be elected as members of the board of directors and supervisors. During the preferred shareholders' meetings, preferred shareholders are granted the right to vote on issues.

As of December 31, 2004, the preferred shares authorized and issued aggregated to 250,000 thousand shares with par value of \$10 per share.

(v) Treasury stock

(a)
(in thousand shares)

<u>Reason for repurchase</u>	<u>Number of Shares, Beginning of the period</u>	<u>Current Increase</u>	<u>Current Decrease</u>	<u>Number of Shares, End of the period</u>
Transfer to employees	94,504	-	(41,500)	53,004
Issuance of employee stock options	87,420	-	(87,420)	-
Total	181,924	-	(128,920)	53,004

(b) The Bank's treasury stock that were converted to shares of Chinatrust Financial Holding Company, Ltd. cannot be pledged. Furthermore, these shares are not granted with shareholders' rights prior to transfer.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(c) The Bank owns shares of Chinatrust Financial Holding Company, Ltd. amounting to \$2,012,176. Pursuant to SFB Letter Ruling No. 0920004165, shares that are not disposed within 3 years are considered as non-issued shares and should be cancelled. In consideration of the expiration of the employee stock options issued, on September 24, 2004, the board of directors resolved to cancel 39,568 thousand shares to conform with the regulation. The measurement date was October 11, 2004. The Bank had already completed filing for the registration changes thereon with the Ministry of Economic Affairs.

(w) Earnings distribution and dividend policy

As a subsidiary of Chinatrust Financial Holding Company, Ltd., the Bank is required to fulfill the operating fund demands of the parent company and to maintain the Bank's capital adequacy ratio. Therefore, common stock dividends and bonuses are generally distributed as cash dividends, while preferred stock dividends and bonuses are distributed in accordance with their respective issue terms and conditions. The Bank adopts a constant and balanced dividend policy through annual common stock dividends and bonuses distribution.

The above-mentioned methodology is merely a guideline used to select an appropriate dividend policy. In consideration of current operations and capital budget planning for the next year, an appropriate dividend distribution ratio is selected.

Annual earnings, if any, are used to pay for taxes and offset cumulative losses, then 30% of the remaining earnings are appropriated as legal reserve. Before the legal reserve balance reaches an amount equal to total paid-in capital, cash dividends are limited to 15% of total paid-in capital. When the legal reserve balance reaches an amount equal to total paid-in capital, the above restriction no longer applies.

After the appropriation of legal reserve, the Bank may then declare preferred stock cash dividends and bonuses. The total amount of employee bonuses is based on rates ranging from 0.01% and 0.05% of the remaining balance. Earnings distribution of any remaining balance will be proposed by the board of directors with resolution approved by the shareholders during their meeting.

In the years when the Bank makes a profit, and without violating Article 50 of the Banking Law, at least 10% of dividends are distributed in cash.

Distributions of employee bonuses within the scope described above are subject to the resolutions by the board of directors.

The proposal for the distribution of earnings for 2003 was resolved by the Board of Directors during their meeting on April 20, 2004.

Please refer to Note 4(f) and 5 for information regarding adjustments to undistributed retained earnings resulting from the restructuring of long-term investments.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

The distribution of the Bank's 2003 earnings for remuneration to directors and supervisors and employee bonuses was as follows:

	Amount
	2003
Employee bonuses - cash	\$ 3,149
Remuneration to directors and supervisors	-
	\$ 3,149

If the above employee bonuses and remuneration to directors and supervisors were included in current expenses, then the basic earnings for 2003 per share (after tax) would be \$1.32 . According to the regulation of Securities and Futures Bureau, the Bank's proposal for the distribution of employee bonuses and remuneration to directors and supervisors in 2004 has yet to be presented in the Board of Directors' meeting. The information regarding earnings distribution can be found on the market observation post system after holding such meeting.

(x) Earnings per share

EPS is calculated by dividing net income, net of preferred stock dividends, by the weighted-average shares outstanding during the period. For the years ended December 31, 2004 and 2003, the weighted-average number of shares outstanding was 5,057,105 thousand and 5,065,969 thousand shares, respectively.

(y) Financial instruments

(i) Financial derivatives

a) Contract amount or notional principal and credit risk

	December 31, 2004	
Financial Instruments	Contract Amount (Notional Principal)	Credit Risk
Trading purpose		
Forward contracts	\$70,252,082	\$ 1,204,619
Forward interest rate agreements	1,500,000	-
Non-delivery forward contracts	123,816,933	2,531,683
Currency swaps	705,675,861	782,130
Cross-currency swaps	91,919,308	509,445
Interest rate swaps	735,674,013	7,208,551
Options	587,276,744	4,925,315
Asset swaps	12,683,999	152,185
Credit default swaps	14,516,008	1,293,148
Interest rate futures	1,149,012	200,494
Non-trading purpose		
Forward contracts	63,834	12,767
Non-delivery forward contracts	1,352,400	37,830
Cross-currency swaps	1,366,580	-
Interest rate swaps	5,570,549	-
Asset swaps	8,382,611	363,326

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial Instruments	December 31, 2003	
	Contract Amount (Notional Principal)	Credit Risk
Trading purpose		
Forward contracts	\$ 28,504,711	\$ 412,505
Forward interest rate agreements	2,538,680	-
Non-delivery forward contracts	39,258,683	72,220
Currency swaps	349,458,866	405,677
Cross-currency swaps	86,905,510	638,631
Interest rate swaps	355,279,529	3,400,215
Options	321,954,979	4,133,677
Asset swaps	8,192,096	305,310
Credit default swaps	3,750,000	611,050
Non-trading purpose		
Non-delivery forward contracts	342,300	6,812
Cross currency swaps	2,866,580	24,088
Interest rate swaps	27,045,104	3,046
Asset swaps	13,231,587	282,778

Amount of credit risk refers to contracts with positive fair value on the balance sheet date, representing the Bank's possible loss in the event of non-performance by counterparties to contracts of financial instruments. However, if a party to a transaction is a client of the Bank, the procedures for credit evaluation and authorization are performed and transactions are confined within lines of credit granted. If deemed necessary, the Bank requests sufficient collaterals from counterparties. If a party to the transaction is a financial institution, credit lines are provided according to its worldwide ranking and credit rating, and transactions are limited thereto. Therefore, the Bank deems the likelihood of default as fairly remote.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

b) Market Risk

	Currency	December 31	
		2004	2003
<u>FX factor sensitivity (FX Delta)</u>			
	EUR	\$ 6,707	\$ 3,231
	JPY	7,048	8,458
	NTD	9,817	(3,107)
	Others	(531)	9,594
<u>Interest rate factor sensitivity (PVBP)</u>			
Forward curve			
	EUR	(18)	(79)
	JPY	77	(115)
	NTD	(1,680)	(128)
	USD	3	100
	Others	(8)	-
Cross currency swaps curve			
	EUR	4	18
	NTD	1,945	(40)
Interest-rate swaps curve			
	EUR	(2)	(15)
	NTD	4,109	963
	USD	669	71
Bonds curve			
	NTD	303	112
	USD	(776)	-
<u>Equity factor sensitivity (Equity Delta)</u>			
	NTD	900	(492)
	USD	6,623	5,626

The Bank enters into a variety of derivatives transactions for both trading and non-trading purposes. The Bank's objectives in using derivative instruments are to meet customers' needs, to manage the Bank's exposure to risks and to generate revenues through trading activities. The Bank trades derivative instruments on behalf of customers and for its own positions. The Bank transacts derivative contracts to address customer demands in structuring tailored derivatives for customers. The Bank also takes proprietary positions for its own accounts.

The Bank utilizes market risk factor sensitivities as the tools to manage our market risk. Market risk factor sensitivities of a position is defined as the change in the value of the position caused by a unit shift in a given market factor. Market risk factor sensitivities include interest rate, foreign exchange & equity factor sensitivities. The calculation of the factor sensitivities is obtained by valuing various product types using the current interest rate, foreign exchange rates, equity prices or volatilities increased by 1 unit, and then calculating the resultant change in value by subtracting the initial valuation from the final valuation.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Foreign exchange factor sensitivities (FX Delta) represent the change in the net present value of the foreign exchange portfolios caused by a unit shift by 1% of the underlying currency's exchange rate. The FX delta risk comes from the FX exposure of derivatives, the hedging purpose foreign exchange position and the foreign currency cash position. FX delta reported in the financial report as of December 31, 2003 presented the factor sensitivities generated from various derivatives products only and were calculated by moving the USD/NTD exchange rate for 0.001. This FX delta is adjusted using the same methodology described earlier in this paragraph to generate a consistent comparison basis.

Interest rate factor sensitivities (PVBP, present value of one basis point) represent the change in the net present value of the interest rate derivatives portfolios caused by a parallel unit shift by 0.01% (1bp) in a term structure of interest rates in various evaluating yield curves. Interest rate derivatives include interest rate swaps, cross currency swaps, FRA, caps/floors, bond options, and the structured products composed by the above derivatives. Bond curve interest rate factor sensitivity represents the interest rate risk generated from bond derivatives transactions, i.e., bond options. The factor sensitivities shown in the report as of December 31, 2003 are re-categorized from by product types to risk types.

Equity factor sensitivities (Equity Delta) represent the change in the net present value of the equity derivatives portfolios caused by a unit shift by 1% of the underlying stock or indices prices. The Bank have been involved in the equity derivatives market for equity index options and equity options.

The Bank sets the market risk limits by considering the prediction of market movement, capital and annual budgets to estimate our risk appetite in market risk taking. We also analyse the correlation coefficients among different market risk factors to estimate the potential loss using Value-at-Risk approach and also analyse if this potential loss is appropriate by comparing to the annual budget. The market risk limits are determined based on the above analysis by considering the experience of the risk-taking units and risk appetites of the Bank.

c) Liquidity risk and cash flow risk

Since notional principals of financial derivatives are used mainly to calculate payables or receivables of parties to transactions, rather than the amounts actually paid or cash demand, amounts settled are generally lower than notional principals. Since financial derivatives held by the Bank are denominated in major currencies with active trading and reverse transactions are readily available to offset positions, liquidity risk is deemed low. The Bank manages future cash demand by monitoring market prices periodically, and therefore cash flow risk is also considered low.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

d) Net gains or losses from current trading

Net gains or losses from current trading activities reported as net gain or loss on financial derivatives and net gain or loss on foreign exchange were as follows:

	For the years ended December 31	
	2004	2003
Interest rate contracts	\$ 2,849,136	\$ 1,678,720
Foreign exchange contracts	1,502,153	895,302
Equity contracts	3,701	41,339
Net gain (loss)	\$ 4,354,990	\$ 2,615,361

Because exchange rate derivatives are hedged by spot exchange contracts, net exchange gain or loss for all contracts includes gain and loss on spot positions.

e) Non-trading financial derivatives

Non-trading financial derivatives are applied primarily to hedge against exchange and interest rate risks from the Bank's foreign-currency-denominated assets and liabilities.

Interest income on receivables and interest expense on payables arising from non-trading financial derivatives held or issued by the Bank are accounted on accrual basis.

The Bank does not have any committed or uncommitted forecasted transactions.

Valuation methods to establish fair value of trading or non-trading financial derivatives held or issued by the Bank are the same, except that market prices of non-trading derivatives are for reference purpose only and are not recorded.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(ii) Fair value of financial instruments

Financial Assets	December 31, 2004	
	Book Value	Fair Value
Financial assets: trading purpose		
Interest rate swaps	\$ 810,278	\$ 810,278
Currency swaps	(1,139)	(1,139)
Cross-currency swaps	(289,857)	(289,857)
Forward interest rate agreements	(3,129)	(3,129)
Non-delivery forward contracts	431,040	431,040
Forward contracts	509,419	509,419
Options	(1,962,996)	(1,962,996)
Asset swaps	(292,883)	(292,883)
Credit default swaps	1,292,904	1,292,904
Interest rate futures	200,494	200,494
Financial assets: non-trading purpose		
Interest rate swaps	162,852	(243,155)
Cross-currency swaps	1,775	(4,863)
Asset swaps	4,944	217,191
Forward contracts	283	12,767
Non-delivery forward contracts	37,830	37,830
Financial assets with book value equal to fair value	288,944,972	288,944,972
Long-term equity investments	17,741,665	16,936,792
Bills and securities purchased	151,161,192	151,161,192
Loans	752,061,225	752,061,225
Financial Liabilities		
Financial liabilities with book value equal to fair value	\$ 1,161,682,770	\$ 1,161,682,770

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Financial Assets	December 31, 2003	
	Book Value	Fair Value
Financial assets: trading purpose		
Interest rate swaps	\$ 451,992	\$ 451,992
Currency swaps	(30,348)	(30,348)
Cross-currency swaps	(969,083)	(969,083)
Forward interest rate agreements	(1,909)	(1,909)
Non-delivery forward contracts	(29,868)	(29,868)
Forward contracts	(2,381)	(2,381)
Options	(89,160)	(89,160)
Asset swaps	(121,244)	(121,244)
Credit default swaps	611,050	611,050
Financial assets: non-trading purpose		
Interest rate swaps	223,986	(519,129)
Cross-currency swaps	(52,471)	(95,735)
Non-delivery forward contracts	6,812	6,812
Asset swaps	18,233	-
Financial Assets with book value equal to fair value	211,027,704	211,027,704
Long-term equity investments	24,440,260	23,823,250
Bills and securities purchased	167,074,118	167,074,118
Loans	630,831,282	630,831,282
Financial Liabilities		
Financial liabilities with book value equal to fair value	\$ 1,000,835,598	\$ 1,000,835,598

Method and assumptions used to evaluate financial instruments are the following:

- a) Fair value of short-term financial instruments is estimated by their face value on the balance sheet date. Because the maturity period for this type of financial instrument is short, its face value serves as a reasonable basis for estimating its fair value. Such instruments include cash and cash equivalents, notes and accounts receivable, notes and accounts payable, and call loans from and due to banks.
- b) For marketable securities, market prices are the fair value if available. If market prices are unavailable, financial or other information is used to estimate the fair value.
- c) Fair value of long-term liabilities is estimated by the present value of expected cash flows. Discount rate is based on rates of equivalent loans available elsewhere; that is, loans with similar maturity date and terms.
- d) Fair value of financial derivatives is estimated by the amount of cash to be paid or to be received, assuming that the contract will be terminated on the balance sheet date. In general, it includes unrealized gain or loss on outstanding contracts of the current period. There are reference reports from financial institutions for most of the Bank's financial derivatives.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(iii) Financial instruments with off-balance-sheet credit risk

Because the Bank provides loans and issues credit cards, it has substantial credit commitments with most of the credit commitments confined within one year. Furthermore, the Bank provides guarantee endorsements and commercial letters of credit as guarantee for clients' obligations to third parties (included in loan commitments).

Contract amount of financial instruments with off-balance-sheet credit risk were as follows:

	December 31	
	2004	2003
Unused lines of credit	\$ 296,047,591	\$ 856,893,963
Credit card commitments	419,370,700	404,239,802
	\$ 715,418,291	\$ 1,261,133,765

As of December 31, 2004 and 2003, non-cancelable credit limit of unused credit facilities were \$47,000,388 and \$30,782,616, respectively.

Because such financial instruments are not settled prior to maturity, contract amount does not represent cash outflow in the future; that is, demand for cash in the future is lower than the contract amount. If lines of credit are reached and collateral or other guarantees are completely worthless, credit risk is equivalent to the contract amount, which is the maximum possible loss to the Bank. However, prior to providing loans, guarantee endorsements, and commercial letters of credit, the Bank performs strict credit review and grants appropriate lines of credit based upon review results.

Collateral is not required in credit card commitments. Nonetheless, the Bank periodically evaluates credit ratings of cardholders and adjusts cardholders' credit limits if necessary.

(iv) Information on concentrations of credit risk

Concentrations of credit risk exist when counterparties to financial instrument transactions are individuals or groups engaged in similar activities or have activities in the same region, which would impair their ability to meet contractual obligations under negative economic or other conditions.

There is no concentration of credit risk in terms of a single client, a party to a transaction, or clients being in one single industry, except for clients located in nearby regions with similar economic characteristics. Contracts with concentration of credit risk were as follows:

By Industry	December 31	
	2004	2003
Individual Clients	\$ 388,666,969	\$ 306,636,725
Manufacturing Sector	115,132,606	100,535,881
Public Sector	40,883,554	39,228,266
Financial Industry	48,505,410	40,501,265
Construction Industry	23,072,628	24,536,977

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. Related-party transactions

(a) Names of the related parties and relationship with the Bank

Names of Related Parties	Relationship with the Bank
Chinatrust Financial Holding Company, Ltd.	Parent company of the Bank
Chinatrust (Philippines) Commercial Bank Corp.	An investee company carried under the equity method.
PT Bank Chinatrust Indonesia	"
Chinatrust Forex Corp.	"
CTC Bank of Canada	"
China Trust Holding Corp.	"
Chinatrust Securities Investment Consultancy Corp., Ltd.	"
KGI Securities Investment Trust Corp. Ltd.	"
Grand Bills Finance Corp.	"
GCB Finance (HK) Limited	"
Grand Life Insurance Agent Co., Ltd.	" (Liquated in 2004)
Grand General Insurance Agent Co., Ltd.	" (Liquated in 2004)
Chinatrust Charitable Foundation	The Chairman of the Bank is its director
Taipei Financial Center Corp.	The Chairman of the Bank is its director (Resigned in 2004)
National Credit Card Center of R.O.C.	An immediate family member of the Chairman of the Bank is its Chairman
Chinatrust Cultural Foundation	"
Taipei International Community Culture Foundation	"
Overseas Investment & Development Co., Ltd.	"
Rong-Shing Cultural Foundation	"
Taiwan Institute of Economic Research	"
Lukang Folk Arts Museum	"
China Development Financial Holding Corporation	An immediate family member of the Chairman of the Bank is its President
China Development Industrial Bank	An immediate family member of the Chairman of the Bank is its Chairman
KGI Securities Co., Ltd.	An Affiliate
China Life Insurance Co., Ltd.	An immediate family member of the Chairman of the Bank is its honorary Chairman
Chinatrust Securities Corp., Ltd.	Controlled by the same Company which controls the Bank
Chinatrust Insurance Brokers Co., Ltd.	"
Chinatrust Venture Capital Corp., Ltd.	"
Chinatrust Asset Management Co., Ltd.	"
Chinatrust Bills Finance Corp.	"
CT Opportunity Investment Company	"
Tuo Yu Asset Management Servicing Co., Ltd.	"
Chung Shin-I Asset Management Co., Ltd.	"
Taifex Taiwan Futures Exchange	An immediate family member of the Chairman of the Bank is its director (Resigned in 2004)
Taiwan Polypropylene Co., Ltd.	"
Koo Foundation, Sun Yat-Sen Cancer Center	An immediate family member of the Chairman of the Bank is its director
Chinatrust Investment Co., Ltd.	"
Sunghung Investment Co., Ltd.	"
Chailease Finance Co., Ltd.	"
Taiwan Asset Management Corporation	"
United Advertising Co.	An immediate family member of the President of the Bank is its director
United Design & Publications Inc.	An immediate family member of the President of the Bank is its director (Resigned in 2004)
Other related parties	Including supervisors, managers and their spouses and immediate family members

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Significant transactions with related parties

(i) Lease

Rental income from buildings and parking spaces leased to related parties for the years ended December 31, 2004 and 2003, amounted to \$52,673 and \$71,996 which represented 38.75%, and 41.99% respectively, of total annual rental income.

(ii) Commissions and service fees

For the years ended December 31, 2004 and 2003, commissions and service fees paid to the National Credit Card Center of the Republic of China amounted to \$153,984 and \$139,690, which represented 27.73% and 15.36%, respectively, of total commissions and service fees.

(iii) Site usage fee

For the years ended December 31, 2004 and 2003, the Bank paid KGI Securities Co., Ltd. site usage fee and other related expenses for operations amounting to \$160,011 and \$138,110, respectively.

For the years ended December 31, 2004 and 2003, the Bank paid Chinatrust Securities Corp. Ltd. site usage fee and other related expenses for operations amounting to \$16,856 and \$10,207, respectively.

(iv) Donations

	Years Ended December 31	
	2004	2003
Chinatrust Cultural Foundation	\$ 38,000	\$ 31,500
Rong-Shing Cultural Foundation	3,500	3,500
Chinatrust Charitable Foundation	37,000	-
Lukang Folk Arts Museum	600	-
	\$ 79,100	\$ 35,000

(v) Property Transactions

On December 1, 2003, the Bank acquired Grand Commercial Bank. For related information, refer to Notes 1, 4(f) and 4(j).

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

In March 2004, in order to increase the profits of the Bank and Chinatrust Financial Holding Company, Ltd., the Bank undertook a joint cross-selling plan with Chinatrust Financial Holding Company, Ltd. and sold common shares of Chinatrust Bills Finance Corp. to Chinatrust Financial Holding Company, Ltd. The details of the transaction are shown below:

<u>Name</u>	<u>Shares (in thousands)</u>	<u>%</u>	<u>Price</u>	<u>Difference between price and cost (Note)</u>
Chinatrust Bills	407,994	99.998%	\$ 5,877,497	\$ (163,923)

Note: Reflected as an adjustment to undistributed earnings.

In 2004, the Bank sold overdue loans to Chung Shin-1 Asset Management Co., Ltd., a subsidiary of Chinatrust Asset Management Co., Ltd. for \$2,497,447 which were reflected under receivables. As the total carrying value of these loans is equal to selling price, no disposal gain or loss was recognized thereon.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(vi) Guarantees

	For the year ended December 31, 2004			
	Maximum Balance	Ending Balance	Charge Rate	Commission Revenues
PT Bank Chinatrust Indonesia	\$ 235,001	\$ 191,133	0.25%	\$ 14
Chinatrust Securities Co., Ltd.	188,640	-	0.60%	109
China Life Insurance Co., Ltd.	19,000	-	0.00%	-
Total	\$ 442,641	\$ 191,133		\$ 123

	For the year ended December 31, 2003			
	Maximum Balance	Ending Balance	Charge Rate	Commission Revenues
PT Bank Chinatrust Indonesia	\$ 1,563,750	\$ 246,652	0.25~1.00%	\$ 1,432
Chinatrust Securities Co., Ltd.	523,200	188,640	0.6~0.75%	1,927
Others	29,515	-		-
Total	\$ 2,116,465	\$ 435,292		\$ 3,359

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(vii) Loans

	For the year ended December 31, 2004			
	Maximum Balance	Ending Balance	Range of Interest Rate	Interest Income
Koo Foundation Sun Yat-Sen Cancer Center	\$ 1,615,400	\$ 1,420,000	1.85~3.73%	\$ 35,892
United Advertising Co.	318,890	108,000	1.93~4.75%	3,840
Taipei Financial Center Corp.	774,090	765,930	2.5~5.77%	27,078
KGI Securities Co., Ltd.	250,000	-	1.4~8.08%	988
Chinatrust Investment Co., Ltd.	447,000	90,000	2.75~3.5%	6,811
United Design & Publications Inc.	173,631	73,902	1.97~4.9%	18,228
Sunghung Investment Co., Ltd.	200,000	200,000	3.28~3.64%	6,911
Taiwan Asset Management Co., Ltd.	1,150,000	950,000	0~1.3%	7,742
Others	651,236	503,744		12,290
Total	\$ 5,580,247	\$ 4,111,576		\$ 119,780

	For the year ended December 31, 2003			
	Maximum Balance	Ending Balance	Range of Interest Rate	Interest Income
Koo Foundation Sun Yat-Sen Cancer Center	\$ 1,662,000	\$ 926,981	3.70~5.25%	\$ 56,573
Chinatrust (Philippines) Commercial Bank Corp.	464,380	-	1.05~1.06%	1,142
PT Bank Chinatrust Indonesia	6,675	-	2.31~2.51%	50
Chinatrust securities Co., Ltd.	214,873	-	2.25~3.75%	34
United Advertising Co.	641,890	318,890	3.5~6.875%	25,287
China Life Insurance Co., Ltd.	768,406	-	0~2.35%	50
Others	496,241	369,688		7,456
Total	\$ 4,254,465	\$ 1,615,559		\$ 90,592

The interest rates of loans to related parties are the same as those with other parties.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the year ended December 31, 2004		
	Maximum Balance	Ending Balance	Interest Rate
(viii) Deposits			Interest Expense
Koo Foundation Sun Yat-Sen Cancer Center	\$ 126,352	\$ 23,954	0~1.35% \$ 57
National Credit Card Center of R.O.C.	993,750	395,468	0~1.05% 4,241
China Life Insurance Co., Ltd.	2,567,664	936,416	0~1.40% 6,524
Taiwan Institute of Economic Research	124,896	114,190	0~1.45% 379
Taiwan Polypropylene Co., Ltd.	657,503	554,436	0~1.85% 3,155
Taifex Taiwan Futures Exchange	1,112,523	1,010,447	0~1.53% 12,251
KGI Securities Co., Ltd.	4,979,098	1,115,784	0~1.53% 12,626
Chinatrust Securities Co., Ltd.	2,632,993	2,632,993	0~1.60% 5,394
Chailease Finance Co., Ltd	108,922	63,087	0~1.16% 903
Chung Shin- I Asset Management Co., Ltd.	1,300,000	677,357	0.10% 281
KGI Securities Investment Trust Corp. Ltd.	173,227	164,262	0~1.35% 1,767
Chinatrust Asset Management Co., Ltd	10,026,813	5,122,359	0.10~2.55% 22,094
Chinatrust Financial Holding Company, Ltd.	20,608,515	5,007,358	0.10~1.74% 51,117
Chinatrust Venture Capital Corp.	640,349	368,042	0~2.71% 3,534
Grand Bills Finance Corp.	2,322,245	2,259,280	0~1.00% 16,708
Overseas Investment and Development Co., Ltd.	133,905	129,171	0~2.4% 1,615
Chinatrust Insurance Brokers Co.,Ltd.	4,521,695	2,518,893	0.10~1.15% 1,986
Chinatrust Bills Finance Corp.	450,334	159,674	0~1.00% 665
CT Opprtunity Investment Company	5,045,076	1,671,029	0.10~2.23% 15,453
Others	5,376,169	1,476,111	14,678
Total	<u>\$ 63,902,029</u>	<u>\$ 26,400,311</u>	<u>\$ 175,428</u>

The interest rates of deposits from related parties are the same as those with other parties.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

	For the year ended December 31, 2003			
	Maximum Balance	Ending Balance	Interest Rate	Interest Expense
Chinatrust Financial Holding Company, Ltd.	\$ 13,114,956	\$ 13,114,956	0.10~1.45%	\$ 39,473
China Life Insurance Co., Ltd.	10,821,727	749,932	0~1.55%	48,454
Overseas Investment and Development Co., Ltd.	263,159	101,238	0~1.30%	2,575
National Credit Card Center of R.O.C.	983,505	579,171	0~2.35%	7,520
KGI Securities Co., Ltd.	1,302,704	1,051,093	0~1.95%	13,769
Chinatrust Bills Finance Corp.	5,333,081	166,049	0~2.48%	16,452
Chinatrust Insurance Brokers Co., Ltd.	1,353,871	1,315,623	0~0.10%	1,038
Chinatrust Securities Co., Ltd.	3,114,331	929,622	0~3.85%	8,083
Chinatrust Venture Capital Corp.	1,950,573	3,279	0.10~1.38%	4,127
Chinatrust Asset Management Co., Ltd.	8,018,804	32,508	0.10~0.15%	15,729
CT Oppprtnuity Investment Company	3,363,616	3,363,572	0.15%	253
KGI Securities Investment Trust Co., Ltd.	120,203	107,084	0~3.8%	1,682
Taiwan Institute of Economic Research	136,583	117,061	0~2.25%	484
Others	2,687,460	1,163,091		15,923
Total	<u>\$ 52,564,573</u>	<u>\$ 22,794,279</u>		<u>\$ 175,562</u>

The interest rates of deposits from related parties are the same as those with other parties.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

- (ix) Call loans to and due from banks

Name of Related Party	For the year ended December 31, 2004		
	Ending Balance	Interest Rate	Interest Income
PT Bank Chinatrust in Indonesia	USD 6,000	2.58%	USD 2

- (x) Derivative instruments

	December 31, 2004	
	Currency	Notional principal
Chinatrust Financial Holding Company, Ltd.		
— Cross-currency swaps	TWD	\$ 1,829,150
Grand Bills Finance Corp. — Interest rate swaps	TWD	5,300,000
Grand Bills Finance Corp. — Options	TWD	1,200,000
Taiwan Polypropylene Co., Ltd. — Interest rate swaps	USD	3,000
PT Bank Chinatrust Indonesia — Foreign currency swaps	USD	100

- (xi) Trade of bills and bonds

	For the year ended December 31, 2004	
	Bills and bonds purchased	Bills and bonds sold
Chinatrust Securities Corp., Ltd.	\$ 4,405,402	\$ 1,205,613
Chinatrust Bills Finance Corp.	36,307,583	38,631,000
Grand Bills Finance Corp.	23,226,678	22,965,692
China Development Industrial Bank	3,799,972	4,105,100
KGI Securities Co., Ltd.	8,204,428	12,838,217

	For the year ended December 31, 2003	
	Bills and bonds purchased	Bills and bonds sold
KGI Securities Co., Ltd.	\$ 7,447,954	\$ 9,888,250
Chinatrust Securities Corp., Ltd.	-	762,603
Chinatrust Bills Finance Corp.	28,138,923	30,989,196

- (xii) Other

For the years ended December 31, 2004 and 2003, the Bank traded securities through KGI Securities Co., Ltd. and commissions paid amounted to \$276 and \$380, respectively.

For the years ended December 31, 2004 and 2003, the Bank traded securities through Chinatrust Securities Co., Ltd. and commissions paid amounted to \$32,371 and \$52,808, respectively.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

For the year ended December 31, 2004 and 2003, the Bank sold 89,352 thousand shares and 35,783 thousand shares of treasury stock to its employees for \$1,394,386 and \$559,960 with a cost of \$1,870,290 and \$891,620, respectively. The difference between the selling price and cost of \$475,904 and \$331,660, respectively, was reflected under undistributed earnings.

For the year ended December 31, 2004, the Bank received income of \$48,484 from stock agency and corporate bonds issuance fees from Chinatrust Financial Holding Company, Ltd.

(c) Transactions in which related parties act as borrower, guarantor, and collateral provider

December 31, 2004			
Category	Number of clients	Ending Balance	Possible losses
Consumer loans	971	\$ 297,800	None
Employee mortgage loans	1,448	2,707,739	None
Credit transactions in which related parties act as borrower	3,229	9,340,292	None
Credit transactions in which related parties act as guarantor	1	5,563	None
Credit transactions in which related parties act as collateral provider	3,377	9,581,217	None

December 31, 2003			
Category	Number of clients	Ending Balance	Possible losses
Consumer loans	716	\$ 241,029	None
Employee mortgage loans	1,128	2,180,798	None
Credit transactions in which related parties act as borrower	3,034	9,132,533	None
Credit transactions in which related parties act as guarantor	2	254,744	None
Credit transactions in which related parties act as collateral provider	2,718	8,924,911	None

6. Pledged assets: Please refer to Notes 4(c), 4(f) and 4(h)

CHINATRUST COMMERCIAL BANK CO., LTD.
 NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. Significant commitments and contingencies

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Contigent liabilities from guarantees and letters of credit business	\$ 90,630,312	\$ 81,192,497
Commercial paper to the Central Bank for banks' clearance	6,815,100	6,872,100
Client notes in custody	130,120,897	106,460,593
Receivables for other banks from syndicated loans	39,507,916	38,834,356
Marketable securities in custody	712,971,217	711,671,438
Travellers' cheques in custody available for sale	539,954	711,237
Special - purpose trust accounts	428,276,088	196,681,195
Total	<u>\$ 1,408,861,484</u>	<u>\$ 1,142,423,416</u>

8. Significant catastrophic loss : None.

9. Significant subsequent events : None.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

10. Others

(a) The Bank acquired the operations of Fengshan Credit Cooperative (FSCC) and according to SFB Letter Ruling No. (6) 0930004183, September 3, 2004, the disclosures were as follows:

(i) Description of FSCC: FSCC was established on March 11, 1957, and had been established for more than 40 years. FSCC's operating activities included deposits, loans, collection and payment agency, and renting of safe-deposit boxes and had 10 branches.

(ii) Acquisition objective and law accordance:

a) Objective: improve operation efficiency generated from the 10 branches acquired.

b) Law accordance: Section 18 of Law Governing Merger of Financial Institutions.

(iii) Acquisition date: October 1, 2004.

(iv) Marketable securities issued due to the acquisition: none.

(v) Accounting treatment for the acquisition:

a) Acquisition accounting policies: the Bank acquired the assets and assumed the liabilities of FSCC. The difference between fair value of net liabilities assumed and cash subsidy received from Resolution Trust Corporation (the "RTC") was accounted as goodwill, which will be amortized on a straight-line basis over five years.

b) Acquisition assets and liabilities:

	Amount
Total assets	\$ 10,294,283
Total liabilities	13,224,486
Net liabilities assumed	2,930,203
Less: cash subsidy received from RTC	(1,108,545)
Goodwill	\$ 1,821,658

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(b) Maturity periods of the assets and liabilities of the Bank were analyzed as follows:

	December 31, 2004			
	Within 6 months	Between 6 months and 1 year	Over 1 year	Total
Assets				
Due from banks	\$ 3,187,425	\$ -	\$ 68,254	\$ 3,255,679
Call loans to banks and deposits with the Central Bank	33,879,658	-	54,665,280	88,544,938
Bills and securities purchased (Note 1)	101,156,715	17,071,125	27,150,044	145,377,884
Loans (Note 2)	227,806,738	79,910,083	443,438,475	751,155,296
Long-term bonds investment	4,406,304	2,650,964	31,984,575	39,041,843
Liabilities				
Due to Central Bank and other banks	\$ 63,912,764	\$ 34,586	\$ 4,022,972	\$67,970,322
Bills and bonds sold under repurchase agreements	59,931,486	12,766	-	59,944,252
Deposits and remittances	404,523,522	173,776,864	394,188,575	972,488,961
Financing from Central Bank and other banks	844,256	205,916	5,765,652	6,815,824
Financial debentures	-	-	21,300,000	21,300,000
December 31, 2003				
	Within 6 months	Between 6 months and 1 year	Over 1 year	Total
Assets				
Due from banks	\$ 3,592,538	\$ -	\$ -	\$ 3,592,538
Call loans to banks and deposits with the Central Bank	23,224,189	7,097,580	45,065,045	75,386,814
Bills and securities purchased (Note 1)	86,996,116	25,912,398	39,867,857	152,776,371
Loans (Note 2)	182,250,178	74,615,678	369,532,579	626,398,435
Liabilities				
Due to Central Bank and other banks	\$ 58,583,380	\$ 33,223	\$ 4,192,573	\$62,809,176
Deposits and remittances	345,004,917	180,593,352	355,778,184	881,376,453
Financing from Central Bank and other banks	-	-	6,795,600	6,795,600
Financial debentures	-	-	21,300,000	21,300,000

Note 1: Only debt securities are included.

Note 2 :Non-accrual accounts are excluded.

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

(c) Personnel, Depreciation and Amortization Expense

<u>Nature</u>	<u>For the years ended December 31</u>	
	<u>2004</u>	<u>2003</u>
Personnel expense		
Salary expense	\$ 7,802,306	\$ 7,559,205
Labor and health insurance	454,553	384,939
Pension expense	689,491	472,813
Other personnel expenses	1,070,698	1,067,296
Sub-total	10,017,048	9,484,253
Depreciation expense	1,766,619	1,430,731
Amortization expense	1,614,674	488,166
	<u>\$ 13,398,341</u>	<u>\$ 11,403,150</u>

(d) Average value of the Bank's interest bearing (or yield) assets and liabilities and average interest rates were as follows:

<u>Nature</u>	<u>For the year ended December 31, 2004</u>	
	<u>Average Value</u>	<u>Average Interest</u>
Assets		
Due from Central Bank	\$ 37,928,694	1.09
Call loans to and due from banks	53,919,555	1.15
Bills and securities purchased – bonds(Note)	225,133,235	1.56
Loans – NT\$	587,623,452	4.14
Loans – Foreign currency	94,039,021	2.75
Credit card receivable	52,909,192	19.28
Liabilities		
Deposits – NT\$	794,792,769	0.92
Deposits – Foreign currency	131,478,846	0.97
Call loans from banks	73,091,516	0.92
Financing from Central Bank and other banks	90,739,471	1.43

CHINATRUST COMMERCIAL BANK CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

Nature	For the year ended December 31, 2003	
	Average Value	Average Interest
Assets		
Due from Central Bank	\$ 26,865,768	1.24
Call loans to and due from banks	29,397,438	1.14
Bills and securities purchased – bonds(Note)	118,483,780	1.84
Loans – NT\$	467,729,348	4.82
Loans – Foreign currency	70,164,945	2.73
Credit card receivable	49,032,700	20.61
Liabilities		
Deposits – NT\$	590,140,884	1.25
Deposits – Foreign currency	110,269,348	1.04
Call loans from banks	48,200,703	1.11
Financing from Central Bank and other banks	21,779,596	2.33

Note: Long-term bond investments are included

- (e) Significant net positions of foreign currency

December 31, 2004				December 31, 2003			
Foreign Currency		NT\$		Foreign Currency		NT\$	
Amount		Amount		Amount		Amount	
USD	\$ 130,436		4,163,127	JPY	\$ 8,554,782		2,720,421
GBP	(21,396)		(1,312,828)	USD	(51,015)		(1,733,389)
JPY	(514,702)		(160,124)	EUR	(10,101)		(432,823)
AUD	(2,666)		(66,320)	CNY	89,830		368,753
NZD	(2,466)		(56,589)	AUD	(2,235)		(57,080)

- (f) Significant contract

The Bank signed a five-year "Information Processing Equipment leasing, maintenance, software-usage and services" contract with IBM Taiwan Corporation on June 30, 2004. The total contract price was \$2,840,000. Following the signing of the contract, the Bank changed the payment terms from leasing payment terms to one time payment term at purchase, which has been approved by the Bank's Board of Directors.

- (g) Account Reclassification

Under the regulations of SFB, certain accounts in prior year's financial statements were reclassified to conform to the presentation adopted in the current year's financial statements.

Appendix 2

Consolidated Financial Report 2004

**CHINATRUST COMMERCIAL BANK CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
AND
INDEPENDENT AUDITORS' REPORT**

**ADDRESS : No. 3 SUNG-SHOU ROAD, TAIPEI, TAIWAN, R.O.C.
TELEPHONE NUMBER: 886-2-2722-2002**



安侯建業會計師事務所

KPMG Certified Public Accountants

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Independent Auditors' Report

The Board of Directors
Chinatrust Commercial Bank Co., Ltd.

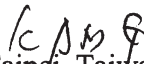
We have audited the accompanying consolidated balance sheets of Chinatrust Commercial Bank Co., Ltd. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank'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 Commercial Bank Co., 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, in March 2004, the Bank sold 407,994 thousand shares of common stock of Chinatrust Bills Finance Corp. to Chinatrust Financial Holding Company, Ltd., and restated prior year's consolidated financial statements according to Statement of Financial Accounting Standards ("SFAS") No.7.

As described in Note 3, effective from January 1, 2004, the Bank 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.


KPMG
Taipei, Taiwan, ROC
March 4, 2005

Notice to Readers

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

CHINATRUST COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004 AND 2003
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

	December 31, 2004		December 31, 2003	
	Amount	%	Amount	%
ASSETS				
Cash (Notes 2 and 4(a))	\$ 18,164,471	1	\$ 16,748,766	1
Due from Central Bank and other banks (Note 4(b))	89,816,427	7	77,551,424	7
Bills and securities purchased (Notes 2, 3, 4(c),5 and 6)	181,076,723	14	194,974,661	17
Less: Allowance for market value decline	(467,608)	-	(690,019)	-
	<u>180,609,115</u>	<u>14</u>	<u>194,284,642</u>	<u>17</u>
Receivables (Notes 2 and 4(d))	144,295,676	11	124,490,276	11
Less: Allowance for credit losses	(2,590,794)	-	(2,111,609)	-
	<u>141,704,882</u>	<u>11</u>	<u>122,378,667</u>	<u>11</u>
Loans (Notes 2, 4(e) and 5)	812,198,784	61	691,044,458	59
Less: Allowance for loan losses	(12,511,972)	(1)	(9,222,782)	(1)
	<u>799,686,812</u>	<u>60</u>	<u>681,821,676</u>	<u>58</u>
Long-term investments (Notes 2, 4(f), 4(g) and 6)				
Accounted for under the equity method	2,115,417	-	7,971,881	1
Accounted for under the cost method	4,785,432	-	5,579,788	-
Less: Allowance for market value decline	(943,028)	-	(970,608)	-
Long-term bond investments	39,041,843	3	-	-
Real estate investments	1,400	-	1,400	-
	<u>45,001,064</u>	<u>3</u>	<u>12,582,461</u>	<u>1</u>
Other financial assets (Notes 2, 4(h) and 6)	10,604,628	1	11,218,606	1
Premises and equipment (Notes 2 and 4(i))				
Land and buildings, net	29,272,691	2	29,195,866	3
Equipment and other properties, net	5,390,420	-	4,965,402	-
	<u>34,663,111</u>	<u>2</u>	<u>34,161,268</u>	<u>3</u>
Intangible assets (Notes 2, 4(j) and 10)	5,406,959	-	4,635,441	-
Other assets (Notes 2, 4(k) and 4(r))	9,180,298	1	11,337,784	1
TOTAL ASSETS	\$ 1,334,837,767	100	\$ 1,166,720,735	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				
Bills and bonds sold under repurchase agreements (Notes 2, 3 and 4(c))	\$ 61,220,932	5	\$ -	-
Due to Central Bank and other banks	71,598,017	5	65,983,541	6
Payables (Note 4(l))	31,634,546	2	27,998,122	2
Deposits and remittances (Notes 4(m) and 5)	1,034,285,876	77	944,256,460	81
Financial debentures (Note 4(n))	22,097,925	2	22,149,450	2
Financing from Central Bank and other banks (Note 4(o))	9,520,843	1	11,239,412	1
Other liabilities (Notes 2 and 4(p))	13,042,127	1	11,235,094	1
Total liabilities	1,243,400,266	93	1,082,862,079	93
Minority interests	34,316	-	35,351	-
Stockholders' equity				
Common stock (Note 4(t))	50,264,015	4	50,659,695	4
Preferred stock (Note 4(u))	2,500,000	-	2,500,000	-
Capital surplus				
Paid-in capital in excess of par - common stock	519,764	-	523,855	-
Paid-in capital in excess of par - preferred stock	7,500,000	-	7,500,000	1
Other additional paid-in capital	36,025	-	35,465	-
Retained earnings				
Legal reserve	21,300,848	2	19,118,188	2
Special reserve	-	-	1,816,240	-
Undistributed earnings (Note 4(w))	13,363,103	1	7,337,673	-
Other adjustments to stockholders' equity:				
Unrealized losses on long-term equity investments (Note 4(f))	(943,028)	-	(970,608)	-
Cumulative translation adjustments	(1,816,818)	-	(808,718)	-
Treasury stock (Notes 2 and 4(v))	(1,320,724)	-	(3,888,485)	-
Total Stockholders' Equity	91,403,185	7	83,823,305	7
Commitments and Contingencies (Notes 2 and 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,334,837,767	100	\$ 1,166,720,735	100

The accompanying notes are an integral part of the financial statements.

CHINATRUST COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in thousands of New Taiwan dollars , except for per share data)

	Year Ended		Year Ended	
	December 31, 2004		December 31, 2003	
	Amount	%	Amount	%
Operating Revenues				
Interest income	\$ 46,869,462	66	\$ 42,362,106	71
Commissions and fees income	16,576,315	23	11,160,682	19
Net gains on bills and securities purchased	950,583	1	2,034,096	3
Investment income accounted for under the equity method (Note 4(f))	403,758	1	1,053,287	2
Net gains on foreign exchange	-	-	315,681	1
Net gains on derivative instruments	5,650,879	8	2,262,326	4
Other operating revenues	727,425	1	197,932	-
Total Operating Revenues	71,178,422	100	59,386,110	100
Operating Costs				
Interest expense	(11,931,329)	(17)	(10,877,181)	(18)
Commissions and fees paid	(555,244)	(1)	(920,226)	(2)
Net loss on foreign exchange	(937,764)	(1)	-	-
Provisions for allowances and reserves	(11,237,973)	(16)	(12,806,301)	(22)
Total Operating Costs	(24,662,310)	(35)	(24,603,708)	(42)
Gross Margin	46,516,112	65	34,782,402	58
Operating Expenses	(27,655,148)	(39)	(22,618,763)	(38)
Operating taxes	(1,201,222)	(1)	(1,010,987)	(2)
Operating Income	17,659,742	25	11,152,652	18
Non-Operating Revenues	850,341	1	275,771	-
Non-Operating Expenses (Notes 2 and 4(j))	(314,429)	-	(3,147,008)	(5)
Income before Income Tax	18,195,654	26	8,281,415	13
Income Tax Expense (Notes 2 and 4(r))	(4,174,557)	(6)	(1,001,562)	(2)
Combined Net Income	14,021,097	20	7,279,853	11
Less: Minority interest income	(3,427)	-	(4,322)	-
Consolidated Net Income	\$ 14,017,670	20	\$ 7,275,531	11
	Before Tax	After Tax	Before Tax	After Tax
Basic Earnings Per Share (EPS) (Notes 2 and 4(x))	\$ 3.48	\$ 2.65	\$ 1.51	\$ 1.32

The accompanying notes are an integral part of the financial statements.

CHINATRUST COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

	Common stock	Preferred stock	Capital surplus	Retained Earnings			Unrealized losses on long-term equity investments	Cumulative translation adjustments	Treasury stock	Total
				Legal reserve	Special reserve	Undistributed retained earnings				
Beginning Balance - January 1, 2003	\$ 46,054,268	\$ 2,500,000	\$ 8,059,635	\$ 15,508,624	\$ 1,816,240	\$ 12,604,471	\$ (1,270,188)	\$ (604,964)	\$ (4,774,086)	\$ 79,894,000
Appropriation and distribution of 2002 earnings	-	-	-	-	-	(3,609,564)	-	-	-	-
Legal reserve	-	-	-	3,609,564	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	(312,413)	-	-	-	(312,413)
Employee bonuses	-	-	-	-	-	(156,206)	-	-	-	(156,206)
Cash dividends - common stock	-	-	-	-	-	(2,763,256)	-	-	-	(2,763,256)
Stock dividends - common stock	4,605,427	-	-	-	-	(4,605,427)	-	-	-	-
Cash dividends - preferred stock	-	-	-	-	-	(612,000)	-	-	-	(612,000)
Net income for 2003	-	-	-	-	-	7,275,531	-	-	-	7,275,531
Effect of restructuring on long-term investments	-	-	-	-	-	(151,803)	-	-	-	(151,803)
Reversal of unrealized losses on long-term equity investments	-	-	(2,594)	-	-	-	299,580	-	-	299,580
Recognition of capital surplus of subsidiaries	-	-	-	-	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	(331,660)	-	(203,754)	-	(203,754)
Treasury stock transferred to employees	-	-	-	-	-	-	-	-	891,620	891,620
Recognition of treasury stock of subsidiaries	-	-	-	-	-	-	-	-	(6,019)	(6,019)
Paraguay branch assets revaluation appreciation	-	-	-	-	-	-	-	-	-	-
Ending Balance - December 31, 2003	50,659,695	2,500,000	8,059,320	19,118,188	1,816,240	7,337,673	(970,608)	(808,718)	(3,888,485)	83,823,305
Appropriation and distribution of 2003 earnings	-	-	-	-	-	(2,182,660)	-	-	-	-
Legal reserve	-	-	-	2,182,660	-	-	-	-	-	-
Reversal of special reserve to undistributed retained earnings	-	-	-	-	(1,816,240)	-	-	-	-	-
Employee bonuses	-	-	-	-	-	(3,149)	-	-	-	(3,149)
Cash dividends - common stock	-	-	-	-	-	(6,079,163)	-	-	-	(6,079,163)
Cash dividends - preferred stock	-	-	-	-	-	(612,000)	-	-	-	(612,000)
Net income for 2004	-	-	-	-	-	14,017,670	-	-	-	14,017,670
Effect of restructuring on long-term investments	-	-	-	-	-	(163,923)	-	-	-	(163,923)
Reversal of unrealized losses on long-term equity investments	-	-	-	-	-	-	27,580	-	-	27,580
Cumulative translation adjustments	-	-	-	-	-	-	-	(1,008,100)	-	(1,008,100)
Treasury stock transferred to employees	-	-	-	-	-	(475,904)	-	-	1,870,290	1,394,386
Cancellation of treasury stock	(395,680)	-	(4,091)	-	-	(291,681)	-	-	691,452	-
Recognition of treasury stock of subsidiaries	-	-	-	-	-	-	-	-	6,019	6,019
Paraguay branch assets revaluation appreciation	-	-	-	-	-	-	-	-	-	-
Ending Balance - December 31, 2004	\$ 50,264,015	\$ 2,500,000	\$ 8,055,789	\$ 21,300,848	\$ -	\$ 13,363,103	\$ (943,028)	\$ (1,816,818)	\$ (1,320,724)	\$ 91,403,185

The accompanying notes are an integral part of the financial statements.

CHINATRUST COMMERCIAL BANK CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

	Year Ended December 31, 2004	Year Ended December 31, 2003
	Amount	Amount
Cash flows from operating activities:		
Consolidated Net income	\$ 14,017,670	\$ 7,275,531
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority interest income	3,427	4,322
Intangible assets charge-off	-	3,000,000
Depreciation and amortization	3,522,780	2,056,213
Investment income recognized under the equity method over cash dividends received	(232,160)	(698,292)
Gains on disposition of long-term equity investments	(238,730)	(11,322)
Gains on loans securitization	(50,288)	-
Losses on dispositions of premises and equipment and foreclosed properties	580,476	295,915
Losses on scrapping of premises and equipment	86,697	16,721
Provision for loan losses	13,838,343	14,640,417
Provision for (reversal of) unrealized losses in marketable securities	(240,495)	669,345
Provision for (reversal of) guarantee reserve	28,459	(6,938)
Provision for securities trading loss reserve	-	22,600
Provision for (reversal of) unrealized losses on foreclosed properties	(247,416)	408,926
Losses on foreign exchange	6,666	251,592
Other	(56,203)	(100,212)
Net change in:		
Receivables	4,484,811	(7,332,441)
Bills and securities purchased	(26,865,441)	(47,993,167)
Payables	(218,584)	1,224,335
Trading derivative instruments, net	1,683,883	(368,929)
Net cash provided by (used in) operating activities	<u>10,103,895</u>	<u>(26,645,384)</u>
Cash flows from investing activities:		
Increase in deposits with Central Bank and other banks (excluding cash equivalents)	(7,747,578)	(10,447,073)
Increase in receivables	(28,370,446)	(26,559,763)
Decrease (increase) in loans	(129,331,973)	5,636,982
Increase in long-term equity investments	(240,277)	-
Proceeds from disposal of long-term equity investments	7,155,952	18,023
Proceeds from loans securitization	4,855,000	-
Proceeds from disposition of premises and equipment and foreclosed properties	1,880,220	6,345,336
Purchase of premises and equipment	(2,165,559)	(1,801,602)
Decrease in other financial assets	1,062,980	5,370,017
Decrease in other assets	564,014	3,935,614
Non-trading derivative instruments, net	(3,447)	(237,549)
Cash paid to acquire Grand Commercial Bank, net	-	(15,905,305)
Cash received from acquisition of Fengshan Credit Cooperative, net	2,946,370	-
Net cash used in investing activities	<u>(149,394,744)</u>	<u>(33,645,320)</u>
Cash flows from financing activities:		
Increase in bills and bonds sold under repurchase agreements	59,760,004	-
Issuance of financial debentures	-	9,300,000
Increase in due to Central Bank and other banks	6,049,254	17,212,979
Increase in payables	4,024,967	1,186,780
Increase in deposits and remittances	81,702,153	57,025,553
Decrease in financing from Central Bank and other banks	(1,418,083)	(2,007,804)
Increase (Decrease) in other liabilities	820,836	(1,678,122)
Remuneration to directors and supervisors	-	(312,413)
Employee bonuses	(3,149)	(156,206)
Proceeds from sale of treasury stock	1,394,386	559,960
Cash dividends - preferred stock	(612,000)	(612,000)
Cash dividends - common stock	(6,079,163)	(2,763,256)
Net cash provided by financing activities	<u>145,639,205</u>	<u>77,755,471</u>
Effect of exchange rate changes on cash and cash equivalents	(241,909)	(361,985)
Net increase in cash and cash equivalents	6,106,447	17,102,782
Cash and cash equivalents, beginning of the year	<u>65,838,308</u>	<u>48,735,526</u>
Cash and cash equivalents, end of the year	<u>\$ 71,944,755</u>	<u>\$ 65,838,308</u>
Cash and cash equivalents:		
Cash	\$ 18,164,471	\$ 16,748,766
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
	<u>\$ 71,944,755</u>	<u>\$ 65,838,308</u>
Supplemental disclosures of cash flows information:		
Cash paid during the period for:		
Interest	<u>\$ 12,286,301</u>	<u>\$ 10,417,633</u>
Guaranteed interest on trust funds	<u>\$ -</u>	<u>\$ 28,541</u>
Income tax	<u>\$ 1,155,091</u>	<u>\$ 2,771,879</u>

The accompanying notes are an integral part of the financial statements.



Chinatrust Commercial Bank