

Chinatrust Financial Holding Company

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

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

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

2. Enhance competitiveness through alliances with domestic and foreign partners

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

3. Strengthen CFHC brand strategy and value

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

4. Expand the presence in Mainland China and overseas markets

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

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

Chinatrust Commercial Bank

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

1. Focus on customer-oriented organization

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

2. Strengthen banking channel performance and sales capabilities

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

3. Enhance the process and operations efficiencies

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

4. Cultivate global talents and develop international capacities

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



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5. Benchmark financial structure to ensure profit generation

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

Chinatrust Securities Company

Brokerage

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

Proprietary Trading

Equity

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

Fixed Income

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

Financial Derivatives

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

Futures

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

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

Underwriting

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

Chinatrust Bills Finance Corporation

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

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

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

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

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

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

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

Chinatrust Insurance Brokers Company

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

Chinatrust Venture Capital Corp.

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

1. Introducing international cooperation opportunities

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

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

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

Chinatrust Asset Management Company

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

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

2. Continuously looking for profitable investment opportunity in Asia

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

The Family of Chinatrust Financial Holding Company

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