

Financial Report

Independent Supervisors' Report

To:

Chinatrust Financial Holding Company, Ltd.

In accordance with Article 219 of the Company Law, the undersigned, have duly examined and accepted as correct the financial reports (unconsolidated and consolidated) for the year 2004 submitted by the Board of Directors of Chinatrust Financial Holding Co., Ltd., which included the operating report, distribution of earnings.



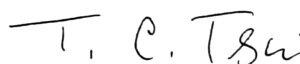
Shih-Chuan Lin

Supervisor



Ming-Shan Shaw

Supervisor



T.C. Tsai

Supervisor

Taipei, Taiwan, R.O.C.

April 29, 2005

Independent Auditor's Report

The Board of Directors

Chinatrust Financial Holding Company, Ltd.:

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

We conducted our audits in accordance with generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

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

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

Taipei, Taiwan, ROC

March 28, 2005



The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

Consolidated Balance Sheets

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Expressed in Thousands of New Taiwan Dollars,

December 31

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

Expressed in Thousands of New Taiwan Dollars,

December 31

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

Consolidated Statements of Income

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Expressed in Thousands of New Taiwan Dollars, Except for EPS

For the Year Ended December 31

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

Expressed in Thousands of New Taiwan Dollars, Except for EPS

For the Year Ended December 31

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

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

Consolidated Net Income	\$ 15,385,736	\$ 7,716,100
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	Before income tax	After income tax	Before income tax	After income tax
Basic EPS	\$ 3.35	\$ 2.54	\$ 1.54	\$ 1.29
Diluted EPS	\$ 3.19	\$ 2.42	\$ 1.51	\$ 1.26

Consolidated Statements of Changes in Stockholders' Equity

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Expressed in Thousands of New Taiwan Dollars

	Common stock	Preferred stock	Capital surplus
Beginning Balance – January 1, 2003	\$ 46,054,268	\$ 2,500,000	\$ 30,902,024
Appropriation and distribution of 2002 earnings			
Legal reserve	-	-	-
Special reserve	-	-	-
Employee bonuses	-	-	-
Cash dividends – common stock	-	-	-
Stock dividends – common stock	439,338	-	-
Cash dividends – preferred stock	-	-	-
Capitalization of capital surplus	4,393,387	-	(4,393,387)
Stock Converted – Acquisition of Grand Commercial Bank	4,075,007	10,155,429	5,952,076
Recognition of capital surplus of subsidiaries	-	-	(370,930)
Recognition of translation adjustment of subsidiaries	-	-	-
Recognition of unrealized loss on long-term equity investments	-	-	-
Recognition of undistributed earnings of subsidiaries	-	-	-
Recognition of treasury stock of subsidiaries	-	-	-
Effect of restructuring on long term investments	-	-	-
Decrease in undistributed earnings due to non-subscription of newly issued investee shares according to ownership	-	-	-
Purchase of treasury stock	-	-	-
Net income for the year ended December 31, 2003	-	-	-
Ending Balance – December 31, 2003	\$ 54,962,000	\$ 12,655,429	\$ 32,089,783
Appropriation and distribution of 2003 earnings			
Legal reserve	-	-	-
Special reserve	-	-	-
Employee bonuses	-	-	-
Remuneration to directors and supervisors	-	-	-
Cash dividends – common stock	-	-	-
Cash dividends – preferred stock	-	-	-
Capitalization of capital surplus	3,213,715	-	(3,213,715)
Convertible Bonds transfer into common stocks	18,960	-	43,257
Recognition of capital surplus of subsidiaries	-	-	561
Recognition of translation adjustment of subsidiaries	-	-	-
Recognition of unrealized loss on long-term equity investments	-	-	-
Recognition of undistributed earnings of subsidiaries	-	-	-
Recognition of treasury stock of subsidiaries	-	-	-
Disposal of treasury stock	-	-	-
Purchase of treasury stock	-	-	-
Retired of treasury stock – preferred stock (Note 4(t))	-	(10,155,429)	-
Retired of treasury stock – common stock (Note 4(t))	(395,680)	-	(145,497)
Effect of hedging against fluctuations in exchange rates of foreign investments	-	-	-
Net income for the year ended December 31, 2004	-	-	-
Ending Balance – December 31, 2004	\$ 57,798,995	\$ 2,500,000	\$ 28,774,389

For The Year Ended December 31, 2004 and 2003

Retained earnings		Undistributed retained earnings	Unrealized losses on long-term equity investments	Cumulative translation adjustments	Treasury stock-common stock	Treasury stock-preferred stock	Total
Legal reserve	Special reserve						
\$ -	\$ -	\$ 6,577,241	\$ (1,270,188)	\$ (604,964)	\$ (5,011,963)	\$ -	\$ 79,146,418
657,724	-	(657,724)	-	-	-	-	-
-	110,852	(110,852)	-	-	-	-	-
-	-	(520)	-	-	-	-	(520)
-	-	(4,393,387)	-	-	-	-	(4,393,387)
-	-	(439,338)	-	-	-	-	-
-	-	(612,000)	-	-	-	-	(612,000)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	20,182,512
-	-	-	-	-	-	-	(370,930)
-	-	-	-	(214,401)	-	-	(214,401)
-	-	-	299,580	-	-	-	299,580
-	-	(483,463)	-	-	-	-	(483,463)
-	-	-	-	-	885,602	-	885,602
-	-	151,803	-	-	-	-	151,803
-	-	(1,251)	-	-	-	-	(1,251)
-	-	-	-	-	(319,197)	(8,037,316)	(8,356,513)
-	-	7,716,100	-	-	-	-	7,716,100
\$ 657,724	\$ 110,852	\$ 7,746,609	\$ (970,608)	\$ (819,365)	\$ (4,445,558)	\$ (8,037,316)	\$ 93,949,550
771,610	-	(771,610)	-	-	-	-	-
-	30,510	(30,510)	-	-	-	-	-
-	-	(3,161)	-	-	-	-	(3,161)
-	-	(252,878)	-	-	-	-	(252,878)
-	-	(5,891,810)	-	-	-	-	(5,891,810)
-	-	(622,540)	-	-	-	-	(622,540)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	62,217
-	-	-	-	-	-	-	561
-	-	-	-	(1,465,079)	-	-	(1,465,079)
-	-	-	27,580	-	-	-	27,580
-	-	(475,903)	-	-	-	-	(475,903)
-	-	-	-	-	1,876,309	-	1,876,309
-	-	(58,895)	-	-	214,490	-	155,595
-	-	-	-	-	-	(2,118,113)	(2,118,113)
-	-	-	-	-	-	10,155,429	-
-	-	(150,276)	-	-	691,453	-	-
-	-	-	-	244,304	-	-	244,304
-	-	15,385,736	-	-	-	-	15,385,736
\$ 1,429,334	\$ 141,362	\$ 14,874,762	\$ (943,028)	\$ (2,040,140)	\$ (1,663,306)	\$ -	\$ 100,872,368

Consolidated Statements of Cash Flows

CHINATRUST FINANCIAL HOLDING COMPANY, LTD. AND SUBSIDIARIES

Expressed in Thousands of New Taiwan Dollars

For the Year Ended December 31

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

Expressed in Thousands of New Taiwan Dollars

For the Year Ended December 31

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