

## **1. To Our Shareholders**

In retrospect of 2004, the national economy revival in United States and Japan, and the strong regional economic activities cross Asian area contributed to the notable growth of world economy. But the surge in international oil price, the rebound in interest rate, and the enforcement of strengthened macroeconomic adjustment on Mainland-China damped international financial market, corporate and consumer's confidence, and then once slowed the growth of world economy in second quarter of 2004. Nevertheless, the increase volume of production, investment, and consumer spending supported by continued mighty demands of global markets kept world economy maintaining its steady prosperity in third quarter of 2004. Taiwan's domestic economy, accompanied with the strong recovered pace of world economy and led by government's structured policies of stimulation, presented a large-scale expansion for export, production and investment simultaneously in the first half of 2004. However, along with the recovery of world economy turned to a mild pace in the second half of 2004, Taiwan's domestic economy was backed to an ordinary position as well.

Constant financial market reforms implemented by Taiwan government in 2004 to deal with the deterioration of entire financial market environment has reached its remarkable accomplishments in aspects of decreasing NPLs ratio, improving asset quality, and strengthening financial health of entire banks. Furthermore, in order to maintain the soundness of the banking system with liberal and predictable legal environment, develop the banking sector and enhance its market competitiveness, and establish a financial management system in line with international norms and standards, 'Financial Supervisory Commission, ROC (FSC),' was set up by Taiwan government in July of 2004. The objective of FSC to carry out supervisory and examination of financial market by one consolidated agency could be expected to introduce a brand-new phenomenon of Taiwan financial market environment.

In prospect of 2005, world economy, still affected by the high price of international oil, rising rate of Federal fund and stringent macroeconomic adjustment of Mainland-China, will slow down the pace in developing. Taiwan's domestic economy, relied on export as its major capacity, is expected to be corresponding with the slow-down developing pace of world economy. On the other hand, Taiwan government is aggressive to propose several programs to add employment in order to encourage consumer spending and market demand. Also, benefited from large-scale constructions launched both in public and private sectors, local demand will maintain

a steady growth. Recently, owing to series of financial market reforms, merge and acquisition become bright to financial institutions among which competition, hence, become intense more than ever. Under such circumstances, COTA Bank will consistently upgrade its performance, develop its core-competition, and create its lasting competition-edge to face the coming year filled up with hopes and challenges.

In 2004, COTA Bank contributed its main achievements to (I) organized specialist function of wealth management, consumer banking, and corporate banking to endeavor the development of consumer banking and wealth management; (II) relocated and set up Panchiao Branch to extend service area; (III) established consumer banking northern area center to accelerate the expansion of northern island's consumer banking market; (IV) accomplished remarkable FX transaction volume cooperated with correspondent banks to gain the authority's permission to set up international banking department. For 2005, COTA Bank will commit itself to (I) set up international banking department, strive to develop FX business and apply for permission of setting up Offshore Banking Unit; (II) apply for opening new product items and improve the product design for trust and wealth management; (III) constantly proceed internal training for sale specialist to enhance the capacity of product selling; (IV) expand number of branches and business service areas to reach economic scale. In addition, COTA Bank will sustain to reinforce human capital, streamline administrative renovation, execute centralization, simplify operation flow, amplify IT application, and reduce operation cost, in order to provide our customers with full-array of products and satisfied service quality and then furnish our shareholders with extreme value.

For our major business operations as of Dec.31, 2004, we brought in deposits balance with sum of TWD73.5 billion (excluding deposits from banks ) increased by TWD8.5 billion from 2003; loans balance with sum of TWD61.5 billion increased by TWD4.7 billion from 2003. For fiscal year 2004, our profit after tax with record to TWD240 million contributed an earning of TWD0.74 per share. The profitability is obvious improved. Capital adequate ratio (BIS) was maintained at a high level of 11.05% also. Meanwhile, our efforts on beefing up healthy organization, upgrading operating performance, and strengthening risk management acquired decent revaluation. Taiwan Ratings Corporation adjusted our rating to 'twBBB+' for long-term counterparty credit and 'twA-2' for short-term credit with outlook 'stable' on their press releases of Dec. 22, 2004. Moody's Taiwan Corporation adjusted our rating to 'A3.tw' for long-term deposit and 'tw-2' for short-term deposit on their Global Credit research released on Oct. 26, 2004.

Outlook for 2005, COTA Bank will be constantly strived for enhancing conventional deposit business, consumer banking, trust banking and wealth management, and foreign exchange business as well. Moreover, with respect to supporting customer's demands in era of information technology, we will dedicate ourselves to widen the functions of phone banking and internet banking so that enable us to provide our customer with high-efficient e-services. For middle- and long-term prospect, we place our strategies to keep developing operation automation and financial information service, and to provide full-range of asset management products to meet customer's requirements.

Overall, we would like to express our cordial appreciation to all our shareholders, directors, supervisor, and elite in full fields. To realize our aim to offer satisfied financial services to our customers, we along with all COTA Bank's staff would sustain the philosophy of hard working attitude and service driving spirit inherited from our founder and ever since. In the moment to head toward brilliant future, we truthfully look forward to having your continual supports, comments and advices.

**Chairman *Chun-Tse Liao***