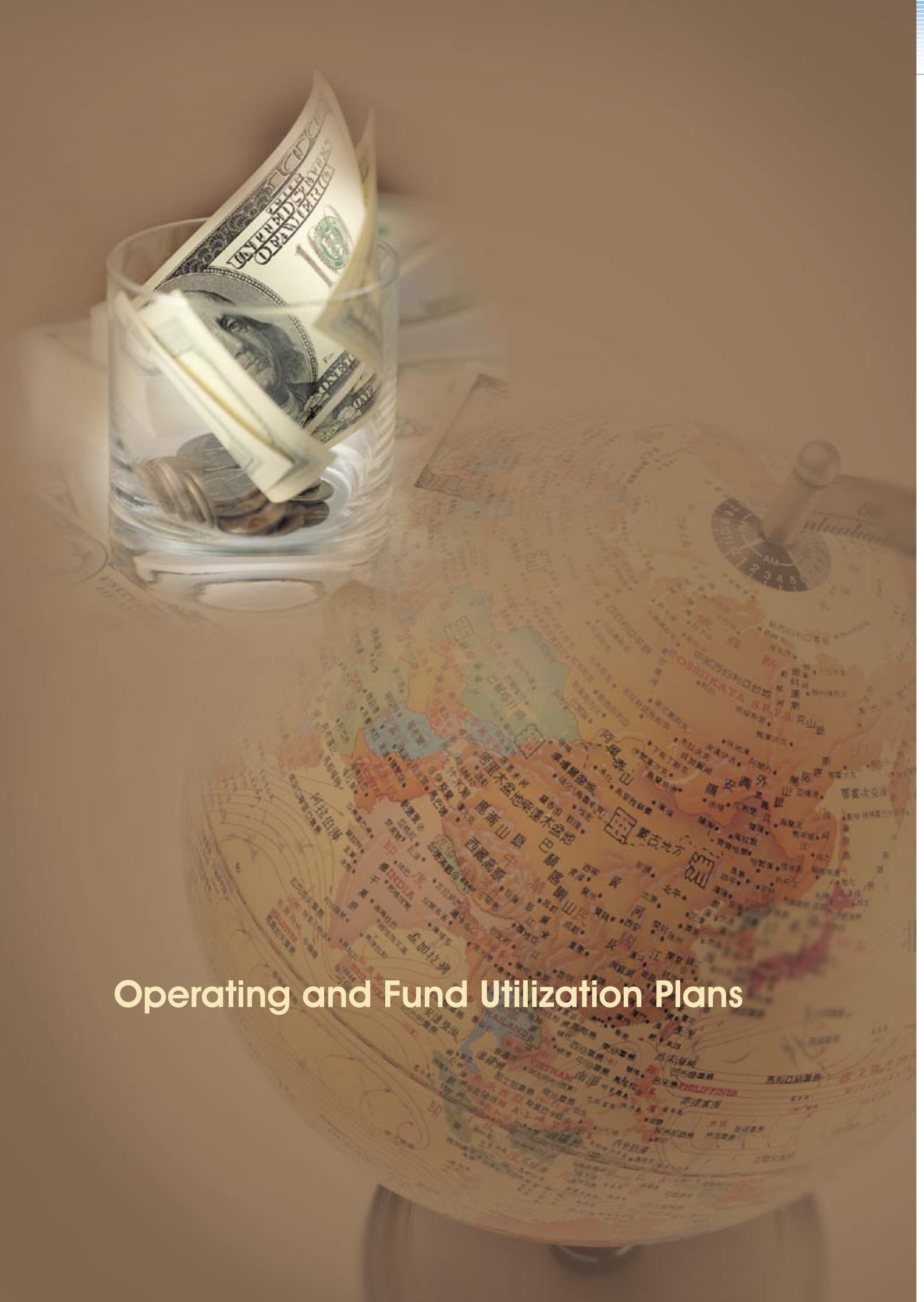

Operating and Fund Utilization Plans

1.Business Plan for 2004

Operating Item	Unit	2004 Targe	2003 Target	Comparison to the Previous Year（%）
Deposits	NT Million Dollars	124,500	135,500	-8.12
Loans	NT Million Dollars	120,000	135,000	-11.11
Foreign Exchange	US Thousand Dollars	2,500,000	2,373,297	5.34

Note: Each amount listed above is the daily average balance each day except the foreign exchange business.

2.Disposal or Acquisition of Real Estate or Long-Term Investment Plans for 2004:

The Bank will dispose or acquire real estate or make long-term investments in accordance with the approved scope of laws and regulations after discreetly evaluating the effectiveness.

3.Research and Development

(I) Future Plans of R&D:

The Bank will be engaged in developing new types of financial business, positively expanding E-Commerce business, developing potential trust business and promoting business of wealth management.

1.Positively develop new financial business

With liberalization and internationalization of financial circumstance and for offering customers various and comprehensive financial services, the Bank will continuously exert its efforts in developing new businesses and new financial products, such as Local Factoring, Interest Rate Option, Interest Rate Futures, Forward Rate Agreement, to improve the Bank's competitiveness and profitability.

2.Expand E-Commerce business

With the rapid development of E-Commerce business, the Bank will continuously promote various relevant businesses and offer a much more complete environment for E-Commerce by way of integration of cash and information. In addition, the Bank actively participates in the electronic payment system of Kaohsiung Municipal Treasury promoted by Kaohsiung City Government, which is enhancing an interacting relationship with Kaohsiung City Government. This can not only stabilize the base on behalf of the treasury but also increase customers for the Bank.

3.Positively develop potential trust business

In addition to enhancing the sales of current trust products (ex. Non-discretionary trust investing in domestic and overseas marketable securities, insurance trust and Gogiai Financial Management), the Bank engages in developing new trust products, such as Real Estate Investment Trust, Education and Venture Investment Trust, Pension Trust, Testamentary Trust, and Real Estate Securitization to improve the competitiveness of the Bank in trust business.

4.Improve wealth management business

The Bank has established an additional 17 VIP Wealth Management Center as of the end of 2003, which brought significant risk-free commission revenue for the bank. In the new year, the Bank will expand the extent and the depth of the business based on the present niche to offer diversified financial products and professional service for meeting customer's needs, for creating a win-win situation for the Bank and customers.

(II) Expenditure of R&D in the recent three years

Unit: NT Million Dollars

Year	90	91	92
Amount	7.93	7.11	9.65

(III) Results of R&D:

Deposits	Preferential Deposit for Disabled and Minorities, such as preferential current deposit for physically and mentally disabled citizens, planning deposit for foreign study for students in university and college, preferential current deposit for single-parent families, and preferential current deposit for Aborigines.
E-Commerce	Chip Combo Card
Foreign Exchange	1. Deposits in various foreign currencies integrated in one passbook. 2. Foreign Currency Structured Products
Trust business	1. Invest in "Non-discretionary trust investing domestic and Overseas marketable securities" in foreign currencies. 2. Insurance trust business 3. Gogiai Financial Management 4. Trust of Independent management and use of money on a non-discretionary basis. 5. Trust of Independent management and use of money on a discretionary basis. 6. Trust of special independent management and use of money.
Loan	Index Credit Loan, Medium and Small Business Small-Sum Easy Loan, Car Insurance loan, Adjustable Rate Credit Loan

4.Fund Utilization Plans:

(I) Financial Use Plans:

With the recovery of prosperity and each economic index presenting an optimistic trend, the Bank is planning to increase commercial and consumer loans by 20% for 2004 to balance the weight of loans to Kaohsiung City Government. Furthermore, the Bank will increase investments in various financial products, including stocks in domestic and foreign markets, bonds and short-term notes.

(II)Plans for branch expansion for 2004:

1.In order to avoid damaging the constitution of the Bank by significant increase of branch establishment, the Bank applies to the Ministry of Finance for setting up "Ta Chih Branch" by business location change for 2004.

2.There are 40 business units at present, of which 34 units are located in southern Taiwan, which means over concentration and business overlapping. For adjusting the distribution of branches, improving operating performance and strengthen the competitiveness, the Bank is positively expanding distribution in northern Taiwan. This year, the Bank is planning to apply to Ministry of Finance for setting up "Shih Lin Branch" and "Pan Chiao Branch".

(III)Plans for previous cash recapitalization, issuing company bonds or analysis of unfinished fund allocation plan without significance in the recent two years:

The Bank was approved by the Ministry of Finance to issue financial bonds for NT$ 10 billion on Sep. 27, 2001. It issued general financial bonds NT$ 1.05 billion on Nov. 26, 2002 and secondary priority financial bonds NT$ 2 billion on Aug. 19, 2002. The remaining un-issued amount has been expired. Since the capital adequacy ratio was increased to 12.65% as of Dec. 2003, the Bank has no plan of applying issuance at present.