

The Master and the Student

But it's Jeffrey Koo Jr. who taught his father the virtues of Internet banking. Now he must prove that he's right.

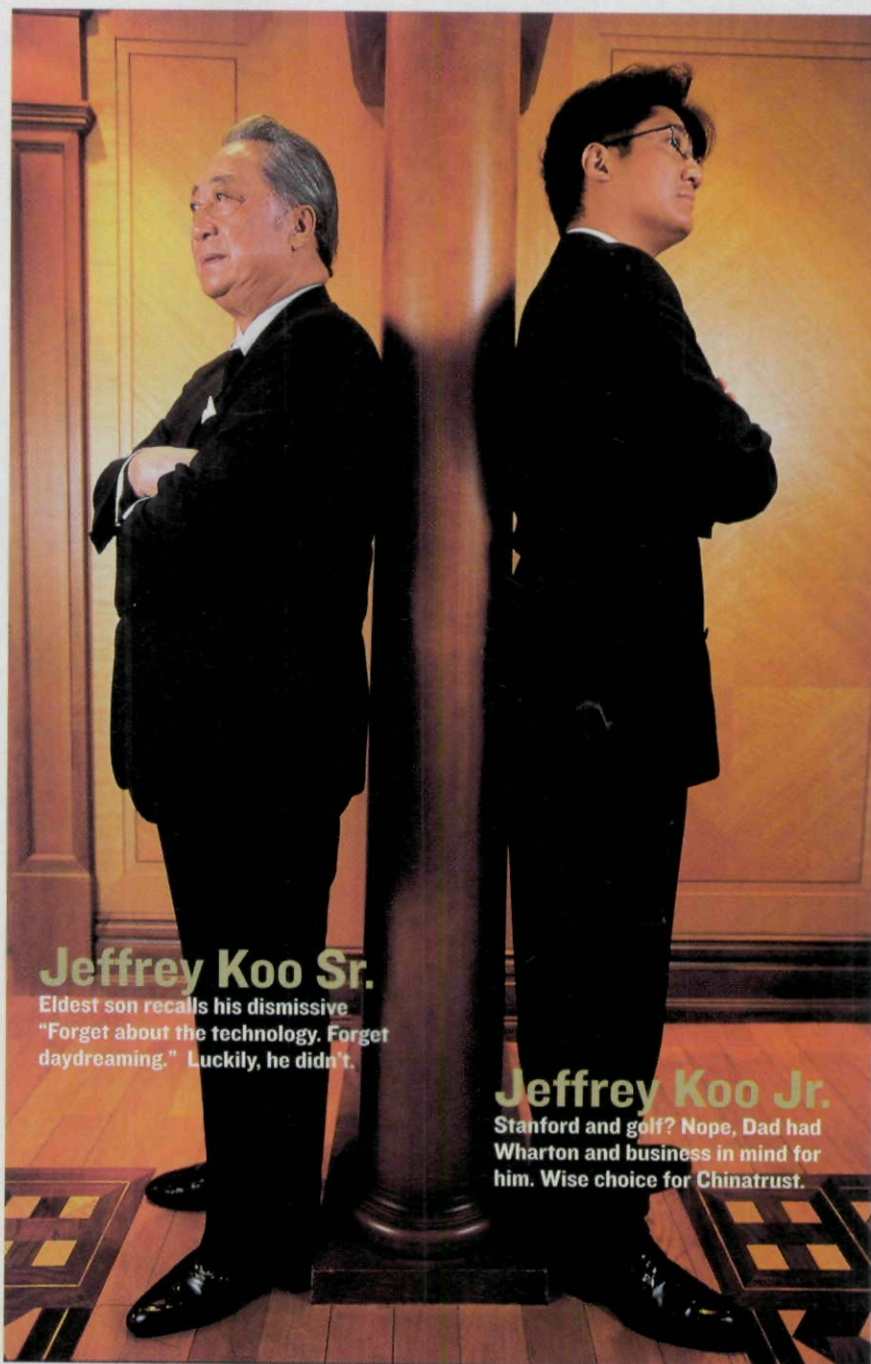
BY MICHAEL FREEDMAN

IN HIS TEENS JEFFREY KOO JR. HAD his sights set on playing golf on scholarship at Stanford University. A member of the fourth generation of a Taiwanese family that turned investments in land, salt and cement into a multibillion-dollar empire that includes the island nation's largest private-sector bank, Koo might have expected the latitude to pursue his sporting quest. But his pragmatic father had other plans.

So the dutiful eldest son headed instead to Soochow University in Taipei, then to Wharton for an M.B.A. Better preparation to follow the path his great-grandfather had forged long before Chiang Kai-shek's forces made it to Taiwan in 1949.

These days Koo Jr., 35, is finally doing things his own way in trying to establish family-controlled Chinatrust Commercial Bank as one of the largest 100 banks worldwide. His first order of business was convincing his father that he knew what he was doing. "The Chinese father always has his doubts about his own son," says Koo.

Since Jeffrey Koo Sr., 66, who chairs Chinatrust Commercial, cofounded the bank 34 years ago, assets have grown at an average of close to 35% a



Jeffrey Koo Sr.

Eldest son recalls his dismissive "Forget about the technology. Forget daydreaming." Luckily, he didn't.

Jeffrey Koo Jr.

Stanford and golf? Nope, Dad had Wharton and business in mind for him. Wise choice for Chinatrust.

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year to \$20 billion in 1999. But in a nation dominated by government-owned banks, Chinatrust is lucky to get a 4% share in an overcrowded market. While the bank boasts 44 overseas subsidiaries and branches, including New York and Silicon Valley, it has yet to

"Things changed so much it scared us. We had to make him president."



From cement to savings.

establish itself as a global brand.

"We like to consider that we're international," admits the younger Koo, who with his family owns 40% of the publicly traded bank. "But compared to the global banks, we're still quite behind. To get to that level you need time. But we can't wait."

Indeed. The board has tasked management with increasing the bank's net profit to \$1 billion by 2004 from last year's \$155 million. Koo's solution: Internet banking.

Koo first recognized the business potential in 1997, when Asia was in financial turmoil. He was back and forth to Silicon Valley to make investments for

Crimson Capital, the \$430 million private equity fund he founded. There he grew convinced the likes of Yahoo's Jerry Yang and Softbank founder Masayoshi Son (with a big Yahoo stake) were revolutionizing business. But when he returned home to Taipei, his father dismissed such ideas. "He said, 'Forget about the technology. Forget daydreaming,'" Koo Jr. recalls.

He persisted. He met with new Internet entrepreneurs, studied their business plans, even invested in some. Chinatrust's directors were skeptical about making the Web part of the bank's ambitious plans—until they saw what their bank's global competitors were up to. "Things changed so much it scared us," acknowledges the elder Koo. "That's why we were more or less forced to make him president."

Now the hard part: turning a concept into a business plan. The family's connections should help. A decade ago the then-ruling Kuomintang party encouraged the Koos Group to invest in Taiwan's telecom and cable industries. Now, in addition to banking, cement and petrochemical holdings worth at least \$3.2 billion, it also controls KG Telecommunications, the island's number two private cell phone operator, as well as Taiwan's largest cable network, with 1.5 million subscribers and access to 2.8 million households.

The Koos Group is using its telecom and cable arms as a platform for GigaMedia, an Internet portal that is chaired by Jeffrey Jr.'s uncle, Chester Koo, and was listed on Nasdaq in February. By the end of the year, Koo Jr. says, Taiwanese will turn on their TVs and, much as on a hotel room TV, see an interactive menu with options including news, movies and shopping. Chinatrust will secure the online transactions.

Between GigaMedia, which is 8% owned by Microsoft, and the bank's own Web site, Koo predicts that in four years almost a third of Chinatrust transactions will be done via Internet, cutting the bank's costs by 20%. That would put Chinatrust up with techno-savvy Wells

Fargo in the U.S.: It expects 30% of consumer checking accounts to be online within three years.

While Chinese-language GigaMedia helps establish Chinatrust as a pan-Asian brand, the Koos Group also has a 10% stake in Bex.com, a Singapore-based holding company that enables and secures large commercial transactions online. This, Koo hopes, will allow Chinatrust to expand its customer base globally.

It's an ambitious plan. Obstacles abound, including competition from established players like Yahoo, which has a Chinese-language portal. Giga-



Hotel TVs are the model.

"We're an international bank. But we're still quite behind."

Media, once valued by Wall Street as high as \$4.5 billion, is down 80%. But Koo Jr. is confident. And for now father appears willing to let son take the lead. "This e-business is something I don't understand," he concedes. "And I have to swallow my pride to learn from these young teachers."

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