



第一金融集團

第一銀行

First Commercial Bank

## 2004 ANNUAL REPORT

第一銀行 · First Bank

第一銀行 · First Bank



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### □ Head Office

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Taipei 100-05, Taiwan  
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SWIFT: FCBKTWTP  
<http://www.firstbank.com.tw>  
e-mail: [fcb@mail.firstbank.com.tw](mailto:fcb@mail.firstbank.com.tw)

### □ Spokesperson

Mr. Po-Chiao Chou  
Executive Vice President  
Tel: 886-2-2348-1111

### □ Auditor Report

PricewaterhouseCoopers  
Tel: 886-2-2729-6666

### □ Rating Agency

Taiwan Ratings Corp.  
Tel: 886-2-2368-8277

## Highlights

(in millions)	12.31.2004 NTD	12.31.2003 NTD	12.31.2004 USD
<b>Major financial data at year end</b>			
Total assets	1,462,211	1,442,507	46,028
Loans, bills purchased and discounted	841,739	860,016	26,496
Deposits and remittances	1,152,808	1,137,152	36,288
Common stock	46,216	46,216	1,455
Stockholders' equity	67,618	57,901	2,128
<b>Operating results</b>			
Total revenue	48,456	48,259	1,525
Total expenses	36,454	67,144	1,147
Pre-tax income (loss)	12,002	18,885	378
Income tax (expense) benefit	(2,035)	5,578	(64)
Net income (loss)	9,967	13,307	314
<b>Capital adequacy ratio</b>			
BIS capital ratio	10.37%	8.96%	
<b>World rank</b>			
The Banker - by tier 1 capital (12/03)	248	214	
The Banker - by total assets (12/03)	189	183	
<b>Distribution network</b>			
Domestic full/mini/sub-branches	173/6/13	173/6/13	
Overseas branches/rep. offices/OBU	12/3/1	12/3/1	
First Commercial Bank (USA)	1 main office & 4 branches	1 main office & 3 branches	
<b>Number of employees</b>	<b>6,916</b>	<b>6,742</b>	

\*NT\$31.768:US\$1.00

## History

First Commercial Bank is one of the largest and oldest financial institutions in Taiwan. The Bank celebrated its 100th anniversary on November 26, 1999.

In coordination with the government's financial liberalization policy, the Bank was privatized on January 22, 1998, making it the biggest private bank in Taiwan.

- 1899 Savings Bank of Taiwan established
- 1912 merged with Commercial and Industrial Bank of Taiwan (est. 1910)
- 1923 merged with Chia-I Bank (est. 1905) and Shin-ao Bank (est. 1916)
- 1945 reversion of Taiwan from Japanese governance
- 1949 The Bank was renamed First Commercial Bank of Taiwan
- 1967 The Bank started international business
- 1976 The Bank's name was shortened to First Commercial Bank
- 1998 The Bank was privatized
- 1999 Centennial Anniversary
- 2003 First Financial Holding Co. established  
The Bank transformed to be a wholly owned subsidiary of FFIC
- 2004 A new corporate structure created due to the organizational reshaping



## Message to Our Shareholders



*"The organizational reshaping has created a new management team committed to generating the best returns for our shareholders."*

### Business Report for 2004

#### *Overview of Financial Industry of Taiwan*

Taiwan's economy performed strongly in the global economic recovery of 2004. The island's banks improved their business performance as a result of this trend. As a result, total outstanding loans by major financial institutions increased by 10.72% over 2003. In another area, thanks to the continuous efforts of domestic banks to clear up bad assets throughout the past year, and due to strict credit risk controls, the quality of bank assets improved steadily and the non-performing loan ratio was brought down to 2.78% and 3.80% by the narrow and broad definitions respectively at the end of the year.

Despite the rise in international interest rates under the influence of the upturn in economic fundamentals, the increase in NT dollar interest rates was relatively slow because of the continuing abundance of the domestic money supply. Further, competition among banks grew even more intense, leading to shrinkage of the spread. Fortunately, banks generally became aware at an early date of the difficulty of increasing interest income and worked vigorously to develop businesses that yield non-interest income; and since a framework for cross-industry marketing by the financial industry had already been set up, banks were able to use joint marketing or cooperative promotion to offer



products such as securities and insurance. This presented a good opportunity for banks to develop the wealth management business, which has become a new market for banks. Based on the contributions of loan business expansion and increased fee income, plus the reduced pressure for the writing off of bad debts, bank profits last year exhibited a better performance than previous years. According to data released by the Financial Supervisory Commission, total before-tax profits in the banking industry soared from a mere NT\$50,451 million in 2003 to a record of NT\$155,348 million in 2004. Return on net worth rocketed from 3.52% in 2003 to 10.30% in 2004.

Thanks to the support and cooperation of our shareholders, our customers and our entire staff, and to the steady recovery of the economy as well as the accelerated clearing up of non-performing loans in 2003, the Bank's performance in 2004 exceeded projected targets and, due to the efforts exerted by all of our operating teams and employees, our operating growth and profits in 2005 should be even better. The Bank's organizational re-engineering, results of business operation, budget implementation, and profitability for 2004, and its operating strategies and working plans for 2005, are described below.

## ***Performance of the Bank***

### **Organizational Reshaping**

Confronting the intensely competitive financial environment, the Bank carried out an overall organizational restructure with the support of its Board of Directors, the participation of all of its employees, and the assistance of consulting companies. After a three-month transitional period beginning on July 1, 2004, the new system was completely online by October 1, 2004 with six major customer-oriented business groups and five major functional centers. The new organizational framework clearly delineated front- and back-office functions. The two types of office engage in a division of labor, with the front office concentrating on carrying out product marketing and the rear office on operational centralization and the field of risk management. The objective is to revitalize the Bank's overall competitiveness.

### **Implementation of Operating Strategies**

The new products such as "Collective Management Account for Trust Funds", "I-First IC Card" and "RMBS" have been developed; online services of "Corporate Cash Management" and "Family Wealth Trust Operations" have been piloted; and "Online Account Receivables Financing" and "Trustee Service for Buying and Selling Real Estate" have been launched; actively

## ***Development of New Products***

pursuing the opportunity to be a lead arranger for syndicated loans. Of those accomplishments, "RMBS" and the Eastern MultiMedia syndicated loan were awarded by Asiamoney as "**Best Deal of the Year 2004**" and "**Loan Deal of the Year 2004**" in Taiwan, respectively.

## ***Expansion of Cross-Straits Trade Finance***

In response to the growth of economic and trade relations across the Taiwan Straits, the Bank has established correspondent relations with four government-owned banks, ten incorporated banks, and six city commercial banks, providing a total of 775 correspondent banking locations. We have also entered into a memorandum of understanding for business cooperation in the Greater China area with the Wing Hang Bank, Hong Kong, and with the Commerzbank AG, Hong Kong Branch, with the aim of providing more comprehensive and efficient services to Taiwanese companies operating in Taiwan, Hong Kong, and mainland China.

## ***Centralization of Back-Office Operations***

The Bank has promoted the centralization of such operations as check collections and remittances at regional centers, introduced the online collection of tuition and school fees, set up a centralized Customer Service Department, and established a Management Information System (MIS) in order to enhance the Bank's operating efficiency.

## ***Risk Management***

In line with the Basel II agenda, the Bank has set up an integrated risk management platform, developed a quantitative model and method for the assessment of risk, and further strengthened the monitoring and management of various categories of risk.

## **Growth and Profitability**

- Average deposits were NT\$1,072,506 million, a target of 98.8% and an increase of NT\$36,034 million over 2003 or a growth of 3.5%.
- The average loans was NT\$836,918 million, a target of 96.8% and an increase of NT\$35,213 million or by 4.4% over 2003.
- The foreign exchange transactions totaled US\$149,725 million, an achievement of 119.8%; relative to the year before, this amount was up US\$16,018 million, a growth rate of 12.0%.
- The sale of funds (including domestic and offshore funds, plus overseas securities) reached NT\$214,624 million, an increase of NT\$6,896 million or 3.3% over 2003, and an achievement of 97.5%; custodian funds amounted to NT\$410,295 million, an achievement of 95.4% and a reduction of NT\$7,704 million from 2003 or a decline of 1.8%.



- Revenue and expenses totaled respectively NT\$48,456 million and NT\$36,453 million, yielding a pre-tax income of NT\$12,003 million.

## Business Plans for 2005

In the aftermath of global economic expansion in 2004, rising oil prices plus interest rate rises in various countries (to prevent inflation) have increased the probability of a worldwide economic slowdown this year. According to a forecast by the Directorate General of Budget, Accounting and Statistics, due to global growth pace moderated, Taiwan's economy will revert from strong recovery to the path of normal growth, bringing the growth rate down from 5.7% in 2004 to 4.2% in 2005. In face of this macroeconomic change, the Bank is dedicated for organizational re-engineering, and continues the establishment of a culture of marketing, performance-oriented responsibility and service excellence with the aim of satisfying the needs of our customers. We also keep on developing new financial products in order to provide our customers with a full range of advice and services, considerate and value-added, to achieve the goals below:

- Deposits: NT\$1,104,560 million
- Loans: NT\$895,475 million
- Foreign exchange transactions: US\$149,190 million
- Revenues: NT\$56,827 million
- Expenses: NT\$43,322 million
- Pre-tax income: NT\$13,505 million

## *Economic Outlook and Business Targets*

## Operating Strategies and Directions

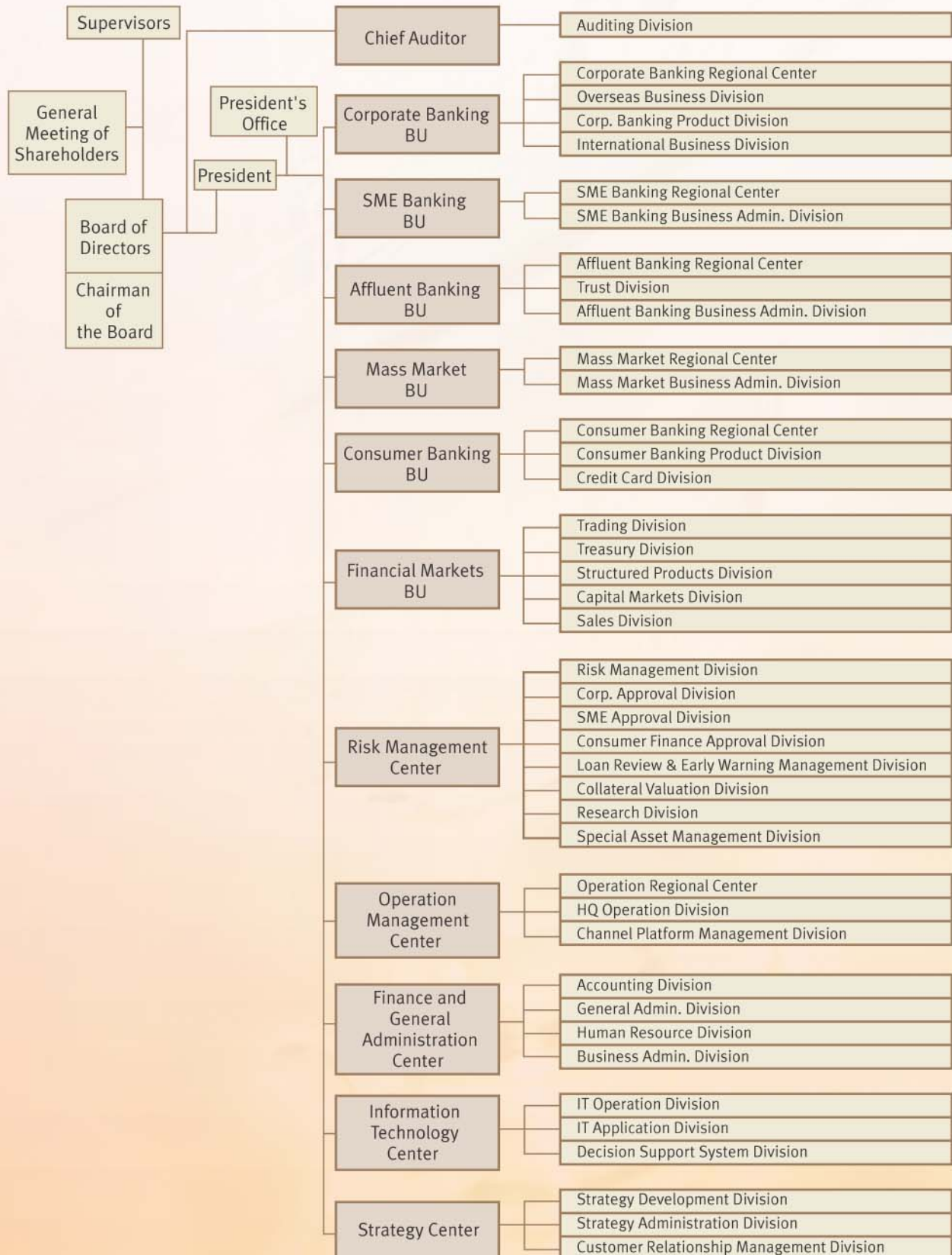
- Under the new organizational framework of business groups and functional centers, a customer-oriented service mechanism will be established to build deeper customer relationship, and the Bank's niche products will be promoted vigorously so as to maximize benefit.
- A performance-oriented bonus system will be planned and implemented in order to strengthen morale, enhance business development capability, and build a bank-wide marketing culture. In addition, the training programs for product specialists in corporate banking, wealth management, financial trading and risk management, will be intensified in order to enhance employees' expertise and improve service quality.
- The corporate banking business is expected to maintain a steady growth, and the ratio of consumer loans will be heightened so as to improve the Bank's profitability.



- Through the resources sharing with the First Financial Holding Company and with the service channel advantage, we focus on intruding a range of product packages linked with insurance, securities or fund, etc., addressing customers' needs to increase non-interest revenue.
- Risk management capabilities will be strengthened, and quantitative risk assessment models and methods will be developed in accordance to the implementation agenda of the Basel II; and the loans' default rate will be strictly monitored to control assets quality to meet international banking standards.
- The centralized operations system will continue to be promoted, and operating processes optimized. Operations characterized by a high degree of routine, large volume, and skills will be processed by back offices in the regional centers. Automated process will be used to improve efficiency and productivity. Thus some of the manpower will be moved to the area of customer service and marketing.
- The customer relationship management (CRM) system will be used to carry out various marketing activities and transform the Bank into an outstanding financial agency, which is "century-old classic with brand-new services".

In this new year, we strive to achieve our budget targets and advance toward even more lofty ideals with the aim of ascending into the ranks of Taiwan's top five banks and Asia's top 20 banks by 2007, making the Bank into an international bank that truly conforms to world standards and creates sustainable value for our shareholders, our customers, and our employees.

## Organization Chart



## Board of Directors and Supervisors

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
Chairman of the Board	Steve S.F. Shieh	Aug. 15'03	● B.A., National Cheng Kung University President, Taishin International Bank; President, Taishin Financial Holding Co., Ltd.	Chairman, First Financial Holding Co., Ltd. ("FFHC") ; Chairman, First Commercial Bank (USA)
Managing Director	Fan-Chih Wu	May 16'00	● B.A., Chinese Cultural University SVP & General Manager of Dept. of Planning, and Dept. of Circulation, Bank of Taiwan; SVP & Chief Secretary of Secretariat Office, Bank of Taiwan	Director, FFHC; General Auditor, Bank of Taiwan
Managing Director	Tien-Yuan Chen	Oct. 22'97	● B.A., Tamkang University Chairman, Taiwan Coca-Cola Co., Ltd.	Director, FFHC; Chairman, Golden Garden Investment Co., Ltd.; Chairman, Golden Gate Motor Co., Ltd.
Managing Director	Yuan-Chi Chao	Aug. 26'04	● Master of Banking and Finance, New York University President, Dah An Commercial Bank; President, China Development Holding Co. and China Development Industrial Bank	Director and President, FFHC; Director, First Commercial Bank (USA)
Managing Director	Charlie Chen	Dec. 24'04	● B.A., National Taiwan University VP and EVP, ABN AMRO Bank N.V. Taipei Branch	Advisor, FFHC; Advisor, Wistron Corp.; Advisor, Kenmos Technology Co., Ltd.
Director	Long-I Liao	Oct. 14'04	● B.A., National Taiwan University SVP & General Manager of Business Development Dept., FCB; EVP, FCB; Director, Chang Hwa Commercial Bank	Director, Taiwan Assets Management Co., Ltd.; President, FCB
Director	Tsing-Yuan Hwang	July 19'00	● M.A. & Ph.D., Candidate, Nihon University Director, Taiwan Stock Exchange Co.; Representative, Daiwa Securities Co., Ltd. Taipei Office	Director, FFHC; Head, Asia & Oceania, Daiwa Securities SMBC Co., Ltd.; Director, UMC; Director, Hon Hai Precision Industry Co., Ltd.; Director, President Chain Store Corp.
Director	Chau-Jung Kuo	June 21'02	● Ph.D., in Economics, National Chengchi University Chair and Professor of Dept. of Finance, National Sun Yat-Sen University	Professor of Dept. of Finance, National Sun Yat-Sen University
Director	Yih-Cherng Yang	July 19'00	● MBA, National Taiwan University Managing Director and Standing Supervisor, Chung-Hua Bills Finance Corp.	President, Small & Medium Business Integrated Assistance Center
Director	Jou-Che Kao	June 30'00	● B.A., Feng Chia University SVP & Chief Secretary of the Board of Directors, Hua Nan Commercial Bank	Director, FFHC; SVP & General Manager of Credit Review and Management Dept., Hua Nan Commercial Bank
Director	Yen Tai	Oct. 22'94	● Shanghai College of Law Chief Secretary, Ministry of Finance; Chief Secretary, Ministry of Economic Affairs; SVP, FCB	Director, FFHC
Director	Jen-Hui Hsu	July 8'03	● Ph.D. University of Southern California Commissioner of National Treasury Agency; Associate professor and Chair of Dept. of Economics, Shih Hsin University	Dean of Office of Research & Development, Shih Hsin University
Director	Ruei-Chun Chang	Feb. 12'04	● Ph. D., National Chiao Tung University Deputy Director, Microelectronics and Information Systems Research Center	Chief Technology Auditor, Acer Production Value Lab; Professor of Dept. of Computer & Information Science, National Chiao Tung University
Director	Jui-Yu Lu	Feb. 17'05	● National Taipei University Senior AVP & Deputy General Manager and VP & General Manager, FCB	VP & Department Manager of Mass Market BU, FCB
Standing Supervisor	Yung-Sun Wu	Sep. 16'04	● B.A., Soochow University Professor, Soochow University ; Professor and Head of the Management Science Graduate Institute, National Chiao Tung University; Supervisor, China United Trust & Investment Corp.	Supervisor, FFHC; Advisor, Fuhbic Corp. (Taiwan)
Supervisor	Lung-Cheng Pan	July 19'00	● MBA, the Graduate Institute of Management Sciences, Tamkang University Director, Bureau of Monetary Affairs, MOF	EVP, Central Deposits Insurance Corp.
Supervisor	Fu-Chi Tsai	Apr. 16'04	● B.A., Feng Chia University VP & General Manager of Chung Hsiao and Chia Yi Branches, Bank of Taiwan	Supervisor, FFHC; SVP & General Manager of Dept. of Planning, Bank of Taiwan
Supervisor	Wei-Sheng Huang	Oct. 22'00	● Southern Taiwan University of Technology President, Rotary Club Pei-Men; Chairman, Wei Fang Lon Co., Ltd.; Chairman, Youn Son Knitting Co., Ltd.	Supervisor, FFHC; Chairman, Small and Medium Business Credit Guarantee Fund

note Yuan-Chi Chao, Managing Director, has been elected to serve as Acting Chairman of the Board, after Steve, S.F. Shieh, the former Chairman, resigned on April 11, 2005.



## Executive Officers

Title	Name	Date of First Appointment	Education and Career Background	Other Current Position
President	Long-I Liao	Dec. 19'03	● B.A., National Taiwan University EVP, FCB	Director, Taiwan Assets Management Co., Ltd.; Chairman, First Insurance Agency Co., Ltd.
EVP of SME Banking BU	Ming-Ren Chien	Jan. 8'04	● B.A., National Chengchi University SVP & General Manager of Personal Banking Dept.	Director, FCB Leasing Co. Ltd.; Director, Mingtai Fire & Marine Insurance Co. Ltd.
EVP of Affluent Banking BU	Philip Yu	Mar. 18'04	● B.A., Taichung Teacher's College SVP & Chief Representative of Shanghai Representative Office, FCB	Advisor & General Manager, FFHC; Director, First Taisec Securities Inc.
EVP of Consumer Finance BU	Brenda Wong	Sep. 23'04	● B.A., Newport University EVP, Ta Chong Commercial Bank; EVP, ABN AMRO Bank N.V. Taipei Branch	Advisor & Head of Personal Finance Dept., FFHC
EVP of Mass Market BU	Jin-Der Chiang	Jan. 8'04	● M.A., Tamkang University VP & General Manager of Singapore Branch, FCB; SVP & General Manager of Information Technology Dept., FCB	Supervisor, Taipei Forex Incorp.; Director, National Investment Trust Co., Ltd.
EVP of Risk Management Center	Chin-Yun Wu	Jan. 8'04	● Tatung Junior College SVP & General Manager of Corporate Banking Dept. and Regional Center, FCB	Advisor & Head of Risk Management Dept., FFHC; Director, CDIB & Partners Investment Holding Corp. Director, First Taisec Securities Inc.
EVP of Operation Management Center	Tzuoo-Yau Lin	Mar. 18'04	● B.A., Tamkang University VP & Deputy General Manager of Intl Administration Dept., FCB; SVP & General Manager of Los Angeles Branch, FCB	Director, Mingtai Fire & Marine Insurance Co., Ltd.
EVP of Finance and General Adm. Center	Po-Chiao Chou	Sep. 16'04	● B.A., National Cheng Kung University VP & General Manager of Accounting Dept. and General Affair Dept., FCB	Supervisor, National Investment Trust Co., Ltd.
EVP of Financial Markets BU	Jeson Liu	July 1'04	● M.A., University of Chicago Director, ING Bank N.V. Taipei Branch	Advisor & General Manager, FFHC; Director, First Taisec Securities Inc.
EVP of Information Technology Center	Jason Ko	Sep. 16'04	● M.A., George Washington University VP & General Manager, Macoto Bank; SVP & General Manager, Information Technology Division, FCB	Advisor & Head of Information Technology Dept., FFHC
EVP of Strategy Center	Ying-Hsiung Lin	Jan. 8'04	● B.A., National Taiwan University SVP & General Manager of Business Development Dept. and Personal Banking Dept., FCB	Director, Chang Hwa Commercial Bank; Director, Mingtai Fire & Marine Insurance Co., Ltd.
EVP of Corporate Banking BU	Abel Liu	Mar. 16'05	● Indiana University, Bloomington, Indiana EVP, Hsinchu International Bank; SVP & General Manager, Taishin International Bank	

## Banking Operations

### Scope of Operations

#### ■ Banking Business Line

1. Receive checking deposits.
2. Receive demand deposits.
3. Receive time deposits.
4. Extend short-, medium- and long-term loans.
5. Extend discount negotiable instruments.
6. Invest in securities.
7. Engage in domestic remittances.
8. Engage in acceptance of commercial drafts.
9. Issue local letters of credit.
10. Engage in domestic guarantee business.
11. Act as collecting and paying agent.
12. Underwrite government bonds, treasury bills, corporate bonds, and company stocks.
13. Engage in credit card business.
14. Engage in custodies and warehousing services.
15. Engage in safe-deposit box rental service.
16. Engage in agency services business related to those permitted business items listed on business license or approved by the central competent authorities.
17. Engage in derivative financial products business approved by the central competent authorities.
18. Engage in import and export foreign exchange operations, overseas outward and inward remittances, foreign currency deposits, foreign currency loans and guarantee business of foreign currency secured payment.
19. Engage in financing related advisor business.
20. Engage in trust businesses regulated by the related laws.
21. Engage in agency business of charity lottery tickets approved by the central competent authorities.
22. Undertake underwriting and trading of securities on its own behalf.

23. Purchase and sell of government bonds.
24. Act as broker, dealer, registrar, and underwriter for short-term debt instruments.
25. Act as sales broker of gold bullions, gold and silver coins.
26. Guarantee the issuance of corporate bonds and securities.
27. Issue financial bonds.
28. Engage in factoring business approved by the central competent authorities.
29. Other related business approved by the central competent authorities.

#### ■ Trust Business Line

1. Engage in trust businesses approved by the central competent authority:
  - money trust
  - trust of loans and related security interests
  - trust of securities
  - trust of real estate
2. Affiliated businesses
  - act as agent for issuance, transfer, registration of securities, and for distribution and payment of dividends and bonuses.
  - provide consultation services for securities issuance and subscription.
  - act as a registrar for issuance of bonds and securities.
  - provide custody services.
  - act as custodian of domestic security investment trust fund.
  - client full discretionary investment business.
  - provide registration for securities.
  - provide consultation services in connection with investments, financial management and real estate development.



## Main Figures for Business Operations

		2004		2003	
		NT\$,000	%	NT\$,000	%
<b>Deposits at year end</b>					
Current Deposits	Checking deposits	34,408,858	2.7	36,543,876	2.9
	Demand deposits	210,542,125	16.8	199,727,734	15.9
	Savings deposits	316,425,163	25.2	284,720,154	22.6
	Sub-total	561,376,146	44.8	520,991,764	41.4
Time Deposits	Time deposits	222,036,093	17.7	220,409,873	17.5
	Time savings deposits	319,329,004	25.5	345,169,882	27.4
	Sub-total	541,365,097	43.2	565,579,755	44.9
Others	Due to banks	49,662,448	4.0	50,714,260	4.0
	Overdraft on banks	1,275,379	0.1	1,402,114	0.1
	Call loans from banks	99,969,261	8.0	121,224,921	9.6
	Sub-total	150,907,088	12.0	173,341,295	13.7
<b>Total</b>		<b>1,253,648,331</b>	<b>100.0</b>	<b>1,259,912,814</b>	<b>100.0</b>
<b>Loans at year end</b>					
Corporate		443,063,069	53.0	470,151,333	55.2
Consumer		251,132,939	30.0	234,396,972	27.5
In foreign currencies by domestic branches		48,237,709	5.8	53,561,893	6.3
By foreign branches		90,236,757	10.8	89,002,472	10.5
Bills purchased and export-import negotiations		3,464,729	0.4	4,083,282	0.5
<b>Total</b>		<b>836,135,203</b>	<b>100.0</b>	<b>851,195,952</b>	<b>100.0</b>
<b>Foreign Trade and Payment (\$,000)</b>					
FX buy	Export negotiations and collections	US\$ 6,976,426	4.7	US\$ 6,463,196	4.8
	Inward remittances	70,394,545	47.0	63,912,355	47.8
	Sub-total	77,370,971	51.7	70,375,551	52.6
FX sell	Import L/Cs and collections	6,779,194	4.5	5,174,965	3.9
	Outward remittances	65,575,134	43.8	58,156,584	43.5
	Sub-total	72,354,328	48.3	63,331,549	47.4
<b>Total</b>		<b>US\$149,725,299</b>	<b>100.0</b>	<b>US\$133,707,100</b>	<b>100.0</b>
<b>Total Revenue</b>					
Interest income		35,916,077	74.1	37,099,908	76.9
Service income		4,407,425	9.1	3,462,206	7.2
Revenue from brokerage operations and underwriting		-	-	228,246	0.5
Gain on trading of marketable and trading securities-net		1,262,288	2.6	4,935,137	10.2
Gain on long-term equity investments valued at the equity method-net		270,657	0.6	121,358	0.3
Foreign exchange gain-net		897,022	1.9	881,489	1.8
Other operating income		4,884,537	10.1	530,684	1.1
Non-operating income and gain		818,251	1.7	999,823	2.1
<b>Total</b>		<b>48,456,257</b>	<b>100.0</b>	<b>48,258,851</b>	<b>100.0</b>
<b>Total Expenses</b>					
Interest expenses		14,630,001	40.1	15,747,804	23.5
Service charges		771,217	2.1	594,190	0.9
Provisions		7,109,469	19.5	37,116,048	55.3
Business and administrative expenses		13,201,246	36.2	12,951,871	19.3
Other operating expenses and losses		426,101	1.2	396,866	0.6
Non-operating expenses and losses		315,682	0.9	336,955	0.5
<b>Total</b>		<b>36,453,716</b>	<b>100.0</b>	<b>67,143,734</b>	<b>100.0</b>



NT\$,000		2004	2003
<b>Trust Business</b>			
Transaction Volume	Domestic mutual funds	174,300,599	172,921,861
	Foreign mutual funds	40,323,359	34,806,530
	Registrar for issuance of securities	755,587,670	992,383,932
Balance at year end	Custodian funds	410,294,902	417,999,000
	Domestic trust assets	89,836,274	90,440,573
	Foreign trust assets	74,891,458	68,925,484
	Family wealth trust assets	1,026,642	715,143
	Corporate employees' saving plan trust assets	849,955	287,212
	Real estate trust assets	580,972	127,901
	Securities trust assets	7,068,626	60,520
	Project trust assets	522,675	1,297,755
	Trustee accounts	29,494,000	22,241,216
<b>Investment Business</b>			
Outright buy and sell (OB/OS)		25,688,885	33,079,214
Bonds and securities under repurchase/resale agreements (RP/RS)		136,383,554	75,018,904
Securities underwriting		4,476,000	5,227,806
<b>Credit Card Business</b>			
Number of cards outstanding		896,437	872,127
Transaction volume		21,779,000	17,182,000
Revolving credit card debt		3,022,000	2,943,000

## Business Plans for 2005

- Corporate Banking BU**
- We continue delivering a full spectrum of customized services to meet the financial needs of corporate clients, increasing fee income.
  - Through joint marketing and the arrangement of structured derivatives in NT dollars and foreign currency, we capitalize on opportunities to operate as a lead arranger for syndicated loans.
  - Working with "Project-C" implemented by the Ministry of Economic Affairs for facilitating loans of account receivables, we continue to provide supply chain finance in cooperation with solid major manufacturers to actively promote e-financing.
  - Overseas account officers have been dispatched to serve Taiwanese companies operating in Hong Kong and mainland China. Strategic alliances with foreign or mainland Chinese banks will be sought so as to deliver full-service products to clients.
  - In trade finance, the Bank will cooperate with the government's promotion of industrial upgrading, corporate internationalization, and the trend of cross-straits financial development to become the preferred bank of Taiwan-related companies all over the world.

## ***SME Banking BU***

- We continue providing professional and efficient financing services to SMEs, small business, and small office & home office (SOHO) to serve the needs of different customer groups.
- The ratio of fee income will be increased, the degree of product penetration will be heightened, and value-added services that benefit customers will be provided.
- Through widespread branch networks, we will provide professional and instant funding services to satisfy clients' needs in different operating cycle, and to further enhance long-term and reliable business relations.

## ***Financial Markets BU***

- With a broad corporate customer base, we continue to leverage marketing and focus on the development of customized derivative products, so as to heighten the ratio of non-interest income.
- We are building up a complete treasury transaction system, integrated with the operational processes of front-, middle-, and back-office floors, so as to increase revenue by cost savings.
- We are rigorously establishing ALM and FTP systems, which will enable us to work out the most appropriate management policy by the use of broad information gathering and data analysis capabilities.
- To lower funding costs and optimize funding allocation, we continue the expansion of deposits to maximize returns and increase income. The FTP mechanism will be set up for product pricing to enhance performance of the ALM policy.

## ***Affluent Banking BU***

- A flagship VIP financial planning store and VIP financial planning center will be set up with the aim of enhancing the Bank's brand image as well as customer satisfaction and loyalty, so as to develop new customer sources.
- Overseas bond funds custodian, family wealth trust, and other new products will be actively promoted so as to make our wealth management business distinctive from rivals, boost customer acceptance of products, and maintain market position.
- We will launch a composite account dubbed "VIP Fulfillment Accounts" for wealth management customers. This account is specifically designed to integrate existing Gold Fulfillment Accounts with credit lines and other services while maintaining market strength and seeking new affluent clients through multi-value added services.
- The financial planning capability of sales personnel will be improved, the resources of the financial holding company will be integrated, and the products of insurance, securities, fund, etc. offered by each subsidiary will be promoted by co-marketing, thus enhancing efficiency of resource and boosting productivity.

## ***Consumer Banking BU***

- We continue to recruit direct sales and tele-marketing personnel and will join with Affluent Banking BU and Mass Market BU for cross selling to drive sales growth and reinforce marketing performance.



# First Bank

- New products will be vigorously developed to safeguard our market position and meet the market's needs. We are making efforts to exploit shares of second mortgage, full-financing mortgage, and insurance-linked home loans, etc. to generate income.
- In credit cards, we continue arranging refinancing and credit card advance loans. Direct sales, tele-banking will be leveraged and databank analysis will be accessed, to carry out client segmentation and boost marketing activities, thus increasing product exposure and penetration.

## ***Mass Market BU***

- Cross-industry alliance and marketing will be expanded; customers will be provided with simple financial planning models; after-sales services and follow-up management will be reinforced with the aim of molding a brand-new marketing culture.
- High-potential customer groups will be pinpointed for sales activities through the customer relationship management program.
- Customers will be encouraged to use low-cost service channels; transaction fees will be charged to reflect the differentiation of banking services, thus increasing fee income and reducing service costs.
- A flagship financial planning store will be established in cooperation with the Affluent Banking BU, in order to highlight the Bank's professional service brand image.





## Macro Overview

### Economic Growth

The global economic expansion of 2004 was the strongest in recent years. There is an increased probability of a slowdown in global growth in 2005 because of climbing oil prices and the upward adjustment of interest rates in certain countries to prevent inflation. American economic growth may experience a small slackening. The mainland Chinese economy is falling back somewhat under the impact of the macroeconomic controls imposed, but growth remains strong. With the cooling of major markets, the export-driven economic growth of Taiwan will inevitably weaken. According to the forecast published by Global Insight Inc., global economic growth in 2005 will fall to 3.3%, down from 4.2% in 2004, and growth of world trade is predicted to drop from 8.9% in 2004 to 8.0%.

According to a forecast by the Directorate General of Budget, Accounting and Statistics, despite a rollback in export growth that will begin in 2005 in consequence of the growth slowdown in the international environment, Taiwan's exports will still increase by 7.4% this year. The increased private investment was a major factor in the substantial economic growth in 2004, and is expected to continue in 2005. However, with the influence of a relatively high base period, declining export growth and other factors, the rate of private investment growth is expected to drop from 24.9% in 2004 to 9.3% in 2005. Private consumption, driven by the job market improvement since 2004, will continue growing through 2005 but is predicted to grow at a mere 2.6%, slightly below 2.9% recorded in 2004 by the impact of the downside factors such as the moderation of global economic growth, high oil prices and rising interest rates. To sum up, as the international economy gradually cools down in 2005, the growth trend line in Taiwan will diminish from a strong rebound to a more sluggish pace.

### Interest Rates

With the weakening of inflationary expectations and the slowdown of economic pickup, the pressure on the Central Bank to boost interest rates will lighten. Despite this, commodity price levels experienced a one-time jump due to hikes in utility fees; and the Central Bank may respond by adopting interest rate increases in 2005 in order to boost the public's interest income. In addition, if the United States continues to raise interest rates in 2005 to stabilize capital flows, then the Central Bank will also follow this step in order to maintain an interest rate gap with the U.S. However the consumer demand will remain weak and this will damp the rise of interest rate. The predicted rate hikes in 2005 will be in a range of 25 to 50 bps.

## Foreign Exchange Rates

The US dollar faces deflationary pressure because of the current account deficit, and its development continues to be the major concerns in the foreign exchange market in 2005. Among Asian currencies, the expectation of the RMB's fluctuation will continue to put upward pressure on the NT dollar.

## Uncertainties

Tense relations between Taiwan and mainland China have added uncertainty to Taiwan's economy. Other variable factors affecting Taiwan's economy in 2005 include the following: whether or not bird flu and other diseases might become epidemic in Asia, the possibility of oil price rises because of geopolitical risks, and an unexpected setback or uncontrollable fall of the US dollar. This could boost inflation in a time of cooling economic growth and prompt the U.S. to raise interest rates, putting pressure on Asian nations to follow with their own interest hikes to avoid capital outflow. Rising interest rates will cause a rise in the cost of financing, putting a damper on economic vitality and striking a blow at export-oriented Asian economies.





## Prospects and Challenges of Taiwan's Financial Industry

### Success of Financial Reform

Under the government's policy of financial reform, the non-performing loan ratio in Taiwan's banking industry was brought down from 8.09% in 2000 to 2.78% at the end of 2004, showing marked improvement in NPLs and a stronger risk management capability.

The average return on assets (ROA) of Taiwan's banks was 0.21% in 2003 and 0.4% in 2004, compared with the international standard of about 1%. At its worst, the average return on equity (ROE) in Taiwan was -7.35%; now it has improved to about 8.27%, but the international standard is around 15% to 20%.

### The Coming Financial Sector Consolidation

The Financial Supervisory Commission of the Executive Yuan points out that Taiwan's financial market structure is suffering from fragmentation and weak competitiveness. Still, there are too many banks, and the top five, with assets of only US\$30 billion to US\$60 billion each, occupy a combined market share of just 38%. This ratio is far below that of Singapore, Hong Kong, and South Korea, with 93%, 76%, and 89%, respectively. The island's financial industry will face these challenges in the future: insufficient internationalization, small market scale, being outside the English-language system, and lacking in exemplary large banks.

To meet these challenges, Taiwan needs to undergo a consolidation that will produce one to three competitive "national champion" banks. In October of 2004 the President disclosed four major objectives of consolidation among financial institutions:

- three financial institutions with a market share of at least 10% each by the end of 2005,
- the reduction of 12 state-run banks to just six by the end of 2005,
- the halving of the current 14 financial holding companies before the end of 2006,
- at least one financial institution that is operated by foreign investors or that is listed overseas.

From this we can foresee that Taiwan's banking industry will develop in the direction of polarization, with the big always getting bigger and the strong constantly growing stronger, in other words, the industry will develop toward large regional financial institutions. Banks that do not develop in the direction of enlargement will have to remain small and adopt a niche orientation. This by no means implies that all of Taiwan's banks need to become larger--small banks have the advantages of nimbleness and flexibility, among others--but they will have to find their special areas and form their own characters.

In the face of the emergence of the Chinese financial market, while human resource and market system of Taiwan's financial industry are far superior to China's, the Financial Supervisory Commission believes that the island will have only three to five years of competitive advantage over the mainland. After that, the island will have to further remove inappropriate regulatory restrictions, nurture regional "super banks", and attract foreign capital into the industry, if it wants to avoid being marginalized.

At the present time, as much as 78% of the operating revenue of Taiwan's banks comes from loans. Under the intense price-slashing competition in the industry, the interest spread has been cut to just 229 bps and there has been no significant improvement in fee income. A transformation of the operations of domestic financial institutions is urgently needed, and 2005 will be a critical year for the island's financial institutions. Faced with the trend of financial internationalization and competition from large foreign financial institutions, Taiwan's own financial institutions will be able to heighten their international position and competitiveness only by undergoing another stage of consolidation and, through mergers and acquisitions, creating exemplary large banks.

## Business Operating Strategy of the Bank

### *Reinforcement of Advantages*

- Through its widespread network and huge customer base, the Bank continues to carry out joint marketing with the products and sales points offered by the financial group.
- Trade finance products are being vigorously developed in line with the opening-up policy of business relations across the Taiwan Straits, so as to maintain the Bank's leadership position in the market.
- To maintain a steady growth of fee income, the Bank's leading market share in domestic funds custodian and sales of mutual funds will be further expanded.
- Appreciable results have been achieved in the improvement of asset quality, bringing the Bank's NPL ratio down to 2.19% at the end of 2004.
- The Bank will continue cooperating with world-class consulting firms such as McKinsey and Mercer Human Resources in order to enhance capabilities and resources.

### *Working on Weak Spots*

- In the face of intense market competition and the shrinking interest spread, the Bank will explore businesses with wider spreads such as consumer financing and tap into fee-based products to generate revenue.
- International financial personnel will be developed to facilitate products transformation, innovation and enhance competitiveness.
- A performance-oriented remuneration system will be established to mobilize our sales team for business expansion. The integration of financial trading platforms will be implemented in collaboration with a professional team so as to lower trading costs.



## ***Grasping of Opportunities***

- With cross-straits business restrictions being gradually relaxed, the Bank will capitalize on the opportunities to serve Taiwanese companies operating in the Greater China area.
- The Bank works toward the establishment of the management information system to facilitate strategy mapping and product planning.
- Benefited by the continuously upward trend of interest rates, the Bank will heighten income from capital utilization.
- The Bank's international vision and operating performance will be improved through foreign investors' equity participation, M&A, or strategic alliances with other financial institutions.

## ***Dealing with Potential Threats***

- Reinforcing risk management, enhancing operating structure and competitive edge, and moving toward internationalization.
- Strengthening customer relationship management, enhancing professional financial skills, developing new financial products, and creating greater value-added service.
- Introducing advanced systems, re-engineering operational process and installing large scale of software and hardware technology.

## **Corporate Responsibility and Ethical Behavior**

The operating team realizes that besides donating to charity, the Bank's social responsibility encompasses influencing social values and improving environmental protection. To fulfill its corporate social responsibility and expand its participation in society, in 2004 the Bank donated books, sponsored cultural and sports activities, provided large-value scholarships for students, joined in First Financial Holding's charity garden party, and organized numerous high-quality art performances. In addition, the Bank donated to relief efforts for area typhoon victims and tsunami victims in South Asia, thoroughly manifesting the spirit expressed in the maxim: "When others are hungry, I am hungry; when others are drowning, I am drowning."

## Corporate Governance

Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
<b>A. Ownership Structure and Shareholders' Equity</b>		
1. the handling of shareholders' suggestions and disputes 2. updating the details of major shareholders of controlling stake in the company 3. risk assessment and firewalls established against the operations with the affiliates	1. The Bank's sole shareholder is First Financial Holding Co.; communication channels are open. 2. The company is owned by a single shareholder, and the structure is quite simple. 3. The subject matters are governed by "The Rule for Personnel, Information and Business Exchanges between First Commercial Bank and its Investee Companies".	fully compliant for 1, 2 and 3
<b>B. Organization and Responsibilities of the Board of Directors</b>		
1. establishing independent director(s) 2. evaluating the independence of the CPAs periodically	1. None 2. When the Bank employs CPAs to audit financial condition and tax filing each year, it will seek independent statement from the auditor and submit the commissioning of the auditor to the Board of Directors for approval.	1. The planning of establishing independent directors, supervisors and audit committee could be flexibly dealt with in accordance with the meeting minutes of the announcement of "The Corporate Governance Best-Practice Principles for Banks (a Draft) and Related Matters in the Disclosure" by the Document (One) No. 0921001066, Bureau of Monetary Affairs, MOF, dated Jan. 2, 2004. Accordingly, the Bank proposes to wait until the Bankers Association revises this stipulation and then discuss the matter again. 2. fully compliant
<b>C. Organization and Responsibilities of Supervisors</b>		
1. establishing independent supervisors 2. communications with supervisors by bank employees, and by shareholders	1. None 2. The standing supervisor's door is always open, and the Bank's website contains a standing supervisor's mailbox, allowing for free communication with the standing supervisors or other supervisors by employees, and by the interested parties.	1. see above B-1 2. fully compliant
<b>D. Communications with Interested Parties</b>		
	The Bank's internal website contains a discussion forum and president's mailbox; and bank-wide videoconferences are held regularly, providing for open communication with employees. To protect the interests of customers, the Bank has established "The Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" and has set up a customer feedback hotline, providing for open communication with customers.	fully compliant



Item	Operation	Deficiency with the Corporate Governance Best-Practice Principles for Banks, and the Reasons
<b>E. Disclosure of Information</b>		
1. setting up a website	1. Annual Report and quarterly financial statements are available on the Bank's website.	1 and 2, fully compliant
2. use of other methods	2. The Bank has set up an English website, where Annual Report, monthly income information and asset quality are available. A spokesperson system has also been established. Currently Mr. Po-Chiao Chou, EVP is appointed spokesperson and Mr. Tzuoo-Yau Lin, EVP and Mr. Chin-Yun Wu, EVP are acting spokespersons.	
<b>F. Establishment of Audit Committee and Other Special Committees</b>	None	see above B-1
<b>G. Description of the Bank's Corporate Governance (including its deficiency with the Corporate Governance Best-Practice Principles for Banks, and the reasons):</b> Answer: All are disclosed as above.		
<b>H. Other Information</b>		
<ul style="list-style-type: none"> <li>continuing education of directors and supervisors: In addition to offering opportunities of advanced education in accordance with the individual wishes of directors, the Bank also provides the relevant information of continuing education programs for their reference.</li> <li>attendance of directors and supervisors at the Board meetings: They prepared well to attend the meetings, and provided sufficient and valuable opinions at appropriate times.</li> <li>abstaining from the meetings involving director's or supervisor's own interest: They exercised a high degree of self-discipline to withdraw from the proposal discussion, which risked the involvement of their own interest as regulated by "The Guideline for the Board of Directors Meetings of First Commercial Bank".</li> <li>risk control policy and implementation: The Bank has established a risk management policy and has set up a mechanism for risk identification, risk assessment, risk oversight and risk control via a management system with an integrated framework. The Risk Management Committee is in charge of risk review, risk oversight and coordination of all risk related business activities. The risk governance includes risk identification, risk assessment, risk monitor and risk control. The primary goal of a consolidated risk management system, adopting a risk-centric approach business operating policy, is to achieve business targets in order to maximize shareholder returns.</li> <li>consumer-protection policy: The Bank has set up "The Consumer Protection Principles and Implementation Guidelines for First Commercial Bank" to assure that consumer interests are protected.</li> </ul>		

## Risk Management Overview

### Risk Governance

"The First Commercial Bank Risk Management Policy" has been established in accordance with the governance structure of "The Risk Management Policy and Guiding Principles for the First Financial Holding Company", the operating strategies of the Bank, and the relevant laws and regulations of the competent authorities.

**The Board of Directors:** the highest level of risk management oversight.

**The Risk Management Committee:** reviews risk-related proposals bank-wide, the risk management system, risk exposures and limits of authorization, etc.

**The Risk Management Center:** consists of eight divisions, seven regional centers and a risk management department.

### Risk Measurement, Control and Disclosure

#### Credit Risk

#### Strategy and Process

Various internal and external modeling techniques for the scoring and rating of credit risk are gradually being introduced in order to quantify credit risk within the Banks' risk tolerance, and establish objective review standards that conform to the implementation of Basel II.

#### Risk Assessment and Reporting

In making credit decisions, a number of factors are considered. We set concentration limits for "a person", "a related person" and "a related enterprise", and the guidelines for "loans by borrower", "loans by conglomerate", "loans by country" and "loans by stocks", etc. The relevant credit risk analysis reports have to be submitted to the Risk Management Committee and the Board of Directors for their reviews regularly.

**Risk assets of on-balance sheet**  
December 31, 2004

Loans by counterparty	Risk weight	NT\$,000
Central government	0%	0
Local governments	10%	2,567,933
Domestic banks	20%	27,726,651
Residential mortgages	50%	120,905,566
Others	100%	587,610,890
Total		738,811,040

**Risk assets of off-balance sheet**  
December 31, 2004

Item	NT\$,000
Off-balance sheet transactions	52,003,154
Derivative financial instruments	1,802,123
Bonds and securities sold under repurchase agreements (RP)	103,798
Bonds and securities purchased under resale agreements (RS)	0
Total	53,909,075



## Market Risk

### Strategy and Process

- ▶ Risk management units and business operating lines maintain independence.
- ▶ Various market indices are established, and are updated subject to market changes.
- ▶ Management methods and monitoring procedures are established in accordance with the nature and characteristics of each specific product.
- ▶ The market risk reports are regularly reviewed by the Board of Directors or high-level managers to effectively control risk and adjust risk management policy at any time.
- ▶ Risk-hedging: The excessive concentration of transactions in similar trading products and with the same counterparty is avoided. Trading positions must be squared or hedged by derivative deals to minimize risk exposures.

### Risk Assessment and Reporting

- ▶ Assets and derivative products on or off the balance sheet are at risk of potential losses caused by unfavorable changes in market prices. The "market price" referred to encompasses interest rates, equities, foreign exchange rates, and commodity prices, etc.
- ▶ The risk-measuring tools of VAR and DVOI are employed to evaluate and control risk.
- ▶ The reports on market risk will be provided to the management executives used as references for policy making, process managing and risk tolerance.

### The market risk exposures, and the capital charges measured by standardized approach as of December 31, 2004

Risk type	Capital charges (in NT\$,000)	Risk assets (in NT\$,000)
Interest rate risk	1,144,455	14,305,687
Equity position risk	1,400,787	17,509,837
Foreign exchange risk	326,865	4,085,812
Commodity risk	0	0
Treatment of option	253	3,162
Total	2,872,361	35,904,506

## Operational Risk

### Strategy and Process

- ▶ Predictable and unpredictable operating losses are differentiated and established.
- ▶ When errors occur, improvements should be made immediately so that the errors will not be repeated or enlarged.
- ▶ A good risk management culture and environment will be built up.
- ▶ The scope of operational risk under control includes:
  - (a) Establishment of risk control points and monitoring processes for business procedures
  - (b) Implementation of internal controls and auditing
  - (c) Automated trading systems
  - (d) Outsourced operations
  - (e) Daily operational tracks of different business lines
  - (f) Records of fines or compensation levied by the supervisory agencies, and of amicable settlements

- (g) Risk-hedging: Preparation of the emergency back-up facilities and a business continuity planning process. Submission of crisis management reports to the Risk Management Committee on a scheduled and unscheduled basis.

## is ssesment and e orting

- Identification and evaluation of the categories, causes, and forms of potential losses by products, activities, process and operational system.
- Identification of operating risk by following the standard operating methods.
- Continued follow-up and improvement carried out for different links in the chain of risk.
- Risk control reports are submitted to management levels on a scheduled basis.
- Appointment by each unit by an executive charged with risk reporting and policy guidance.

## i uidity anagement

To protect the interests of customers and maintain an appropriate level of liquidity, the Bank has appropriated deposit reserves and liquidity reserves in accordance with the rules established by the Central Bank. Sources and allocation of capital are handled on the principles of diversification and stability. In the utilization of capital excessive concentration is avoided, and the principles in holding assets have to meet the nature of liquidity and profits-generating. When necessary, the Bank may use such liabilities management tools as call loans from other banks, bonds and securities sold under repurchase agreements, the issuance of negotiable certificates of deposit or applying for financing from the Central Bank.

## is osure

### Duration analysis of assets and liabilities - by New Taiwan dollars December 31, 2004

	Total	Time band and amount (in NT\$millions)				
		0-30 days	31-90 days	91-180 days	181-365 days	over 1 year
Assets	1,221,768	264,086	162,988	111,260	76,086	607,348
Liabilities	1,293,257	198,365	196,937	184,946	297,121	415,888
Gap	(71,489)	65,721	(33,949)	(73,686)	(221,035)	191,460
Accumulated gap	(71,489)	65,721	31,772	(41,914)	(262,949)	(71,489)

note: This table represents the assets and liabilities denominated in New Taiwan dollars and hold by the head office and local branches. Those denominated in foreign currencies are not included.

### Duration analysis of assets and liabilities - by foreign currency December 31, 2004

	Total	Time band and amount (in US\$thousands)				
		0-30 days	31-90 days	91-180 days	181-365 days	over 1 year
Assets	8,123,000	3,161,000	2,994,000	1,498,000	370,000	100,000
Liabilities	7,824,000	3,962,000	2,857,000	566,000	410,000	29,000
Gap	299,000	(801,000)	137,000	932,000	(40,000)	71,000
Accumulated gap	299,000	(801,000)	(664,000)	268,000	228,000	299,000

note: This table represents the assets and liabilities denominated in foreign currencies and stated in equivalent US dollars.



# Financial Report

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# Significant Financial Information

## Condensed balance sheet

NT\$,000	12.31.2004	12.31.2003	12.31.2002	12.31.2001	12.31.2000
Cash and cash equivalents, due from Central Bank and other banks	164,558,112	164,451,494	202,299,950	169,244,524	168,811,832
Marketable and trading securities	312,279,207	271,553,432	169,437,666	140,326,941	113,942,070
Loans, bills purchased and discounted-net	841,739,112	860,015,753	845,690,454	881,813,772	858,248,314
Prepayments	1,158,571	1,111,718	2,181,002	3,467,679	2,948,746
Accounts receivables-net	31,078,586	38,172,807	26,557,317	26,893,130	34,626,929
Long-term investments	63,322,645	56,974,837	17,916,921	14,387,205	10,695,045
Properties and equipments	24,136,348	25,427,654	26,901,248	27,622,713	26,489,427
Others assets	23,938,845	24,799,622	18,881,615	12,387,166	14,377,100
<b>Total assets</b>	<b>1,462,211,426</b>	<b>1,442,507,317</b>	<b>1,309,866,173</b>	<b>1,276,143,130</b>	<b>1,230,139,463</b>
Due to Central Bank and other banks	102,129,745	124,149,358	79,954,611	75,279,486	92,078,408
Payables on bonds and securities under repurchase agreements	18,397,061	-	-	-	-
Deposits and remittances	1,152,808,272	1,137,152,238	1,082,496,151	1,046,123,627	980,038,014
Payables-net	47,410,489	53,086,792	45,134,269	45,994,320	60,201,489
Collections in advance	1,335,792	1,688,744	1,206,598	1,062,891	1,400,636
Financial bonds payable, funds borrowed from Central Bank and other banks	59,494,541	55,476,965	30,799,378	10,556,187	929,898
Other liabilities	13,017,620	13,052,025	12,990,420	12,983,679	12,649,052
<b>Total liabilities</b>	<b>1,394,593,520</b>	<b>1,384,606,122</b>	<b>1,252,581,427</b>	<b>1,192,000,190</b>	<b>1,147,297,497</b>
Common stock	46,216,000	46,216,000	38,216,000	38,216,000	36,284,855
Capital reserve	11,256,164	24,683,945	22,896,897	22,950,160	23,876,696
Retained earnings	9,967,095	(13,306,619)	(4,075,242)	22,758,358	22,591,322
Cumulative translation adjustment	178,647	307,869	247,091	218,422	89,093
<b>Total stockholders' equity</b>	<b>67,617,906</b>	<b>57,901,195</b>	<b>57,284,746</b>	<b>84,142,940</b>	<b>82,841,966</b>
<b>Total liabilities and stockholders' equity</b>	<b>1,462,211,426</b>	<b>1,442,507,317</b>	<b>1,309,866,173</b>	<b>1,276,143,130</b>	<b>1,230,139,463</b>

## Condensed statement of operations

NT\$,000	2004	2003	2002	2001	2000
Operating income	47,638,006	47,259,028	53,619,211	73,553,538	81,663,630
Operating expenses	36,138,034	66,806,779	83,940,525	68,131,742	74,984,815
Operating profit (loss)	11,499,972	(19,547,751)	(30,321,314)	5,421,796	6,678,815
Non-operating income (loss)	502,569	662,868	(2,179,555)	(1,854,301)	(1,661,172)
Income (loss) before income tax	12,002,541	(18,884,883)	(32,500,869)	3,567,495	5,017,643
Net income (loss)	9,967,095	(13,306,619)	(24,724,311)	3,150,610	4,162,072
Earnings (losses) per share (\$)	2.16	(3.32)	(6.47)	0.82	1.15



## Financial Ratios (%)

	2004	2003	2002	2001	2000
<b>Financial structure</b>					
Debt ratio (total liabilities to total assets )	95.38	95.99	95.63	93.41	93.27
Deposits to net worth	1,704.89	1,963.95	1,800.14	1,242.26	1,181.67
Fixed assets to net worth	35.70	43.92	46.96	32.83	31.98
<b>Solvency</b>					
Liquidity reserve ratio	30.50	28.13	19.11	13.09	11.11
<b>Operating performance</b>					
Loans to deposits	73.02	75.63	78.12	84.29	87.57
NPL ratio	1.27	1.46	3.77	8.72	6.08
Total assets turnover (times)	0.03	0.03	0.04	0.06	0.07
<b>Profitability</b>					
ROA (net income to average total assets)	0.69	(0.97)	(1.89)	0.25	0.35
ROE (net income to average shareholders' equity )	15.88	(23.10)	(34.96)	3.77	5.04
Profit margin ratio (net income to operating revenues)	20.92	(28.16)	(46.11)	4.28	5.10
<b>Cash flows</b>					
Cash flow adequacy ratio	589.01	516.64	377.89	303.21	251.67
<b>Capital adequacy ratio</b>	10.37	8.96	8.99	9.28	9.18
<b>Leverage ratio</b>	4.48	4.01	4.21	6.48	6.61
<b>Market share</b>					
Assets	6.04	6.30	6.18	6.19	6.31
Net worth	4.43	3.63	3.45	5.28	5.21
Deposits	6.00	6.34	6.39	6.28	6.26
Loans	5.55	6.16	6.19	6.07	5.93

## Report of Independent Accountants



To: The Board of Directors and Stockholders of First Commercial Bank Co., Ltd.

We have audited the accompanying balance sheet of First Commercial Bank Co., Ltd. (the "Bank") as of December 31, 2004 and 2003, and the related statements of operations, changes in stockholders' equity and cash flows for the years ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with "The Rules Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants" and 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 financial statements referred to above present fairly, in all material respects, the financial position of First Commercial Bank Co., Ltd. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years ended in conformity with "The Guidelines Governing the Preparation of Financial Reports by Public Banks", "The Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and generally accepted accounting principles in the Republic of China.

A handwritten signature in dark ink that reads 'PricewaterhouseCoopers'. The signature is written in a cursive, flowing style.

February 4, 2005



# Balance Sheet

as of December 31, 2004 and 2003

		2004		2003	
	Note	NT\$,000	%	NT\$,000	%
Assets					
Cash and cash equivalents	3(1)	\$ 23,668,827	2	\$ 21,172,218	1
Amounts due from Central Bank and other banks	3(2), 4	140,889,285	10	143,279,276	10
Marketable and trading securities	3(3), 5	312,279,207	21	271,553,432	19
Accounts receivables	3(4),9(2)	31,078,586	2	38,172,807	3
Prepayments		1,158,571	-	1,111,718	-
Loans, bills purchased and discounted-net	3(5),4	841,739,112	58	860,015,753	59
Long-term equity investments	3(6)	11,856,536	1	12,138,194	1
Other long-term investments	3(7)	51,466,109	3	44,836,643	3
Properties and equipments	3(8),3(18)				
Cost					
Land		6,982,855	-	7,080,871	-
Buildings		7,685,319	1	7,947,064	1
Machinery and equipments		3,140,659	-	2,985,183	-
Transportation equipments		782,469	-	801,730	-
Other equipments		1,846,339	-	1,944,477	-
Leasehold improvements		599,889	-	617,480	-
Sub-total		21,037,530	1	21,376,805	1
Appraisal increments		9,656,690	1	10,442,170	1
Less: Accumulated depreciation		(6,647,436)	-	(6,465,252)	-
Construction in progress and prepayments for equipments		89,564	-	73,931	-
Properties and equipments-net		24,136,348	2	25,427,654	2
Intangible assets	3(9)	164,952	-	183,375	-
Non-operating assets	3(9)	8,311,220	-	7,485,957	1
Other assets	3(9),3(25),5,9(2)	1,766,777	-	1,573,523	-
Deferred expenses	3(9),3(22)	13,695,896	1	15,556,767	1
Total other assets		23,938,845	1	24,799,622	2
Total assets		\$1,462,211,426	100	\$1,442,507,317	100
Liabilities and Stockholders' Equity					
Liabilities					
Amounts due to Central Bank and other banks	3(10),4	\$ 102,129,745	7	\$ 124,149,358	8
Payables on bonds and securities under repurchase agreements	3(11)	18,397,061	1	-	-
Payables	3(12),3(22),9(2)	47,410,489	3	53,086,792	4
Collections in advance		1,335,792	-	1,688,744	-
Deposits and remittances	3(13),4	1,152,808,272	79	1,137,152,238	79
Financial bonds payable	3(14)	59,300,000	4	55,300,000	4
Funds borrowed from Central Bank and other banks		194,541	-	176,965	-
Other liabilities	3(15),3(16),9(2)	13,017,620	1	13,052,025	1
Total liabilities		1,394,593,520	95	1,384,606,122	96
Stockholders' Equity					
Common stock	3(17)	46,216,000	3	46,216,000	3
Capital reserve	3(18)	11,256,164	1	24,683,945	2
Retained earnings (Accumulated losses)	3(20),3(22)	9,967,095	1	(13,306,619)	(1)
Cumulative translation adjustment	3(6)	178,647	-	307,869	-
Total stockholders' equity		67,617,906	5	57,901,195	4
Total liabilities and stockholders' equity		\$1,462,211,426	100	\$1,442,507,317	100

\*NT\$31.768:US\$1.00

# Statement of Operations

for the years ended December 31, 2004 and 2003

	Note	2004		2003	
		NT\$,000	%	NT\$,000	%
<b>Operating income</b>	3(6),4				
Interest income	9(2)	\$35,916,077	75	\$ 37,099,908	79
Service income		4,407,425	9	3,462,206	7
Revenue from brokerage operations and underwriting		-	-	228,246	1
Gain on trading of marketable and trading securities-net		1,262,288	3	4,935,137	10
Gain on long-term equity investments valued at the equity method-net	3(6)	270,657	1	121,358	-
Foreign exchange gain-net	9(2)	897,022	2	881,489	2
Others operating income	3(26)	4,884,537	10	530,684	1
<b>Total operating income</b>		<b>47,638,006</b>	<b>100</b>	<b>47,259,028</b>	<b>100</b>
<b>Operating expenses</b>	3(5),3(6),4				
Interest expenses	9(2)	14,630,001	31	15,747,804	33
Service charges		771,217	1	594,190	1
Provisions	3(5)	7,109,469	15	37,116,048	79
Business and administrative expenses	3(16),3(21)	13,201,246	28	12,951,871	27
Others operating expenses and losses	3(6)	426,101	1	396,866	1
<b>Total operating expenses</b>		<b>36,138,034</b>	<b>76</b>	<b>66,806,779</b>	<b>141</b>
<b>Operating profit (loss)</b>		<b>11,499,972</b>	<b>24</b>	<b>(19,547,751)</b>	<b>(41)</b>
<b>Non-operating income and gain</b>					
Gain on disposal of assets		350,591	1	261,175	1
Rental income		210,733	-	225,423	-
Others non-operating income		256,927	1	513,225	1
<b>Total non-operating income and gain</b>		<b>818,251</b>	<b>2</b>	<b>999,823</b>	<b>2</b>
<b>Non-operating expenses and losses</b>					
Loss on disposal of properties and equipments		64,363	-	46,608	-
Others non-operating expenses and losses		251,319	1	290,347	1
<b>Total non-operating expenses and losses</b>		<b>315,682</b>	<b>1</b>	<b>336,955</b>	<b>1</b>
<b>Income (loss) before income tax</b>		<b>12,002,541</b>	<b>25</b>	<b>(18,884,883)</b>	<b>(40)</b>
Income tax (expense) benefit	3(22)	(2,035,446)	(4)	5,578,264	12
<b>Net income (loss)</b>		<b>\$ 9,967,095</b>	<b>21</b>	<b>\$(13,306,619)</b>	<b>(28)</b>
		Before tax	After tax	Before tax	After tax
<b>Earnings (losses) per share</b>	3(23)	<b>\$2.60</b>	<b>\$2.16</b>	<b>\$(4.71)</b>	<b>\$(3.32)</b>



## Statement of Changes in Stockholders' Equity

for the years ended December 31, 2004 and 2003

NT\$,000	Common stock	Capital reserve	Retained earnings			Unappropriated earnings (deficit)	Cumulative translation adjustment	Total
			Legal reserve	Special reserve				
Balance at January 1, 2003	\$38,216,000	\$22,896,897	\$15,268,422	\$3,695,364		\$(23,039,028)	\$247,091	\$57,284,746
Issuance of common stock	8,000,000	6,000,000	-	-		-	-	14,000,000
Accumulated losses covered by:								-
Capital reserve	-	(4,075,242)	-	-		4,075,242	-	-
Legal reserve	-	-	(15,268,422)	-		15,268,422	-	-
Special reserve	-	-	-	(3,695,364)		3,695,364	-	-
Net loss for 2003	-	-	-	-		(13,306,619)	-	(13,306,619)
Appraisal increments written-off								
due to disposal of land	-	(137,710)	-	-		-	-	(137,710)
Cumulative translation adjustment	-	-	-	-		-	60,778	60,778
Balance at December 31, 2003	<u>\$46,216,000</u>	<u>\$24,683,945</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$(13,306,619)</u>	<u>\$307,869</u>	<u>\$57,901,195</u>
Balance at January 1, 2004	\$46,216,000	\$24,683,945	\$ -	\$ -		\$(13,306,619)	\$307,869	\$57,901,195
Accumulated losses covered by:								-
Capital reserve	-	(13,306,619)	-	-		13,306,619	-	-
Appraisal increments written-off								
due to disposal of land	-	(121,162)	-	-		-	-	(121,162)
Net income for 2004	-	-	-	-		9,967,095	-	9,967,095
Cumulative translation adjustment	-	-	-	-		-	(129,222)	(129,222)
Balance at December 31, 2004	<u>\$46,216,000</u>	<u>\$11,256,164</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 9,967,095</u>	<u>\$178,647</u>	<u>\$67,617,906</u>

# Statement of Cash Flows

for the years ended December 31, 2004 and 2003

NT\$,000	2004	2003
<b>Cash flow from operating activities</b>		
Net operating income (loss)	\$9,967,095	\$(13,306,619)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation - fixed assets	786,417	795,978
Depreciation - non-operating assets	45,878	32,090
Loss on suspending construction in process	-	10,258
Amortization	115,349	115,287
Provision for doubtful accounts	7,109,469	37,116,048
Provision for default and trading losses	-	32
Reversion of reserve for default	-	(40,948)
Gain on disposal of mortgage-backed securities	(5,203)	-
Gain on disposal of long-term investments	(23,679)	-
Loss on impairment-long term investments	385,284	266,140
Gain from long-term investments accounted for under equity method	(270,657)	(121,358)
Cash dividend from long-term equity investments under equity method	37,568	8,268
Gain on disposal of assets	(281,119)	(211,798)
Gain on disposal of intangible assets	-	(3,096)
Loss on devaluation of foreclosed assets	-	22,177
(Gain) loss on disposal of foreclosed assets	(1,112)	70,844
Reversion of reserve for guarantees	-	(50,000)
Changes in assets and liabilities		
Decrease (increase) in accounts receivables	7,558,606	(13,999,808)
(Increase) decrease in prepayments	(46,853)	1,069,284
(Increase) decrease in collections in advance	(352,952)	482,146
Increase in other assets	(312,827)	(4,502)
Decrease (increase) in deferred income tax assets	1,850,623	(5,591,481)
(Decrease) increase in payables	(5,676,303)	7,952,523
(Decrease) increase in other liabilities	(281,540)	161,605
Increase in accrued pension liabilities	264,148	158,168
Re-valuation of derivative financial instruments-net	58,039	7,741
Net cash provided by operating activities	<b>20,926,231</b>	<b>14,938,979</b>
<b>Cash flow from investing activities</b>		
Increase in marketable and trading securities	(40,725,775)	(108,538,687)
Decrease (increase) in loans, bills purchased and discounted	6,241,988	(49,257,596)
Proceeds from sales of mortgage-backed securities	4,572,697	-
Proceeds from sales of long-term investments	135,492	-
Increase in long-term bond investments	(6,629,466)	(32,816,559)
Liquidation value of long-term investments valued at cost method	-	1,143
Purchase of properties and equipments	(734,341)	(911,527)
Proceeds from disposals of properties and equipments	350,287	369,522
Proceeds from sales of foreclosed assets	32,703	498,549
Purchase of foreclosed assets	(821)	(1,110)
Decrease in refundable deposits	28,873	321,523
Increase in intangible assets	(86,163)	(68,605)
Proceeds from sales of intangible assets	-	3,728
Net cash used in investing activities	<b>(36,814,526)</b>	<b>(190,399,619)</b>

	2004	2003
<b>Cash flow from financing activities</b>		
(Decrease) increase in amounts due to Central Bank and other banks	\$ (22,019,613)	\$ 44,194,747
Increase in payables on bonds and securities under repurchase agreements	18,397,061	-
Increase in deposits and remittances	15,656,034	54,656,087
Increase (decrease) in funds borrowed from Central Bank and other banks	17,576	(122,413)
Increase in financial bonds payable	4,000,000	24,800,000
Proceeds from issuance of common stock	-	14,000,000
(Decrease) increase in guarantees and margin deposits	(102,388)	158,277
Appropriated loan fund	(169,736)	(117,182)
Net cash provided by financing activities	<b>15,778,934</b>	<b>137,569,516</b>
Net effect of foreign exchange rate changes on cash	<b>215,979</b>	<b>42,668</b>
Net increase (decrease) in cash and cash equivalents, amounts due from Central Bank and other banks	<b>106,618</b>	<b>(37,848,456)</b>
Cash and cash equivalents, amounts due from Central Bank and other banks at beginning of year	<b>164,451,494</b>	<b>202,299,950</b>
Cash and cash equivalents, amounts due from Central Bank and other banks at ending of year	<b>\$164,558,112</b>	<b>\$164,451,494</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	\$ 14,681,368	\$ 16,847,091
Cash paid for income taxes during the year	\$ 967,685	\$ 237,180



# Notes to Financial Statements

(Expressed in thousands of New Taiwan dollars, except otherwise stated)

## 1. Significant Accounting Policy

### (1) Preparation of financial statements

The accompanying financial statements include head office account, branch account and offshore banking unit account, and, all inter-office accounts have been eliminated.

The Bank adopts the Statement of Financial Accounting Standard No. 28, "Financial Statement Disclosure Standards for Banks", whereby assets and liabilities are not required to be classified under current or non-current categories.

### (2) Marketable and trading securities

Marketable and trading securities are stated at the lower of cost or market value. Cost of securities is calculated based on the moving-average method. Market value of trading securities is determined based on the closing price as of the balance sheet date. Market values of all other listed and OTC securities and closed-ended mutual funds are determined by the weighted average closing prices during the last month of the fiscal year. Market values of open-ended mutual funds are stated at the funds' net asset values as of the balance sheet date.

Trading bonds, except for those purchased in the OTC exchange market, which are determined by the closing prices at the balance sheet date or the average prices as stipulated by the OTC, are stated at par values, net of amortization of discounts or premiums.

### (3) Investments under repurchase or resale agreements

Investments in bonds and short-term bills under resale or repurchase agreements are accounted for using the purchase/sale method, and are booked under the relevant memo accounts. Effective from January 1, 2004, under "The Guidelines Governing the Preparation of Financial Reports by Public Banks", these securities are accounted for under the financing method. Upon settlement under the repurchase

agreements, the difference between the selling price and the repurchase price is recognised as interest expense. Upon settlement under the resale agreements, the difference between the purchase cost and the resale price is recorded as interest income.

### (4) Allowance for doubtful accounts

Allowance for doubtful accounts is determined by evaluating the recoverability of the outstanding balances of various loans and receivables at the balance sheet date in accordance with "The Guideline for Evaluating Credit Risk" and "The Guideline for Credit Portfolio Classification". Loan assets are classified into four categories:

(1) pass (2) substandard (3) doubtful and (4) loss. Allowance for doubtful accounts is provided at 0.04%, 1%, 2% (2% for the receivables of credit cards), 50%, and 100% on loans classified under category 1, 2, 3, and 4, respectively. Additional allowance is provided for specific loans on an as-needed basis.

Upon the approval of the Board of Directors, the overdue loans are written off in accordance with the guideline of "The Procedure for Handling Non-Performing Loans, Overdue Receivables, and Bad Debts".

### (5) Long-term investments

Long-term investments are initially recorded at cost. Investments of listed company in which the Bank owns less than 20% of common stock and has no ability to exercise significant influence over the investee, are stated at the lower of cost or market value. Any unrealized loss is recorded as a contra account of stockholders' equity. Investments of unlisted securities are initially stated at cost. In case of any permanent diminution in value of investment, book value of investment is written down to its revalued amount and a loss is recognized in the current period.

Investments in which the Bank owns at least 20% of common stock or has the ability to exercise significant influence are accounted for using the equity



method and the difference between the investment cost and net book value is amortized over five years. In addition, the cumulative translation adjustment resulted from evaluation of investee's foreign investments are accounted for under the equity method is recognized proportionally in the stockholders' equity based on the Bank's percentage of ownership.

When disposing long-term equity investments, the cost is calculated under the weighted average method and any gain or loss so arising is recognized in that year's statement of operations.

For investee companies where the Bank owns more than 50% of the common stock and the following criteria is met, the Bank is required to prepare the consolidated financial statements. (Interim financial statements are not required to prepare).

- \* The total assets or operating income of a subsidiary constitute 10% of the Bank's nonconsolidated total assets or operating income.
- \* When the combined total assets or operating income of all non-consolidated subsidiaries constituting more than 30% of the respective ones of the Bank (non-consolidated) are tabulated, the financial statements of each subsidiary with total assets or operating income constituting greater than 3% of the respective ones of the Bank (non-consolidated) shall be consolidated until the combined total assets or operating income of all non-consolidated subsidiaries fall below 20% of the respective ones of the Bank (non-consolidated).
- \* The Bank prepared the consolidated financial statements to include its foreign banking subsidiary even though it did not meet the consolidation criteria.

Long-term bond are stated at cost. Any premium or discount on bond is amortized under the straight-line method and recognized as an adjustment to interest income. Upon maturity or disposal of long-term bond, cost is calculated under the moving-average method.

#### **(6) Properties and equipments/non-operating assets**

Properties and equipments are initially recorded at cost except for appraisal incremental as permitted under relevant regulation. Depreciation is provided on the straight-line basis using the estimated useful lives of the assets plus an additional year as salvage value except for leasehold improvements which is depreciated over the term of the lease agreement or 5 years, whichever is shorter. The useful lives of major properties and equipments are between 3 to 55 years.

Major renewals and improvements are capitalized and depreciated while maintenance and repairs are expensed as incurred.

Rental assets or idle assets are classified under other non-operating assets. Depreciation for current period is recognized as "non-operating expenses and losses" and valued at the lower of book values or net realizable values as of the balance sheet date.

#### **(7) Foreclosed assets**

Foreclosed assets are valued at the lower of cost or net realizable values at the balance sheet date.

#### **(8) Deferred expenses**

Deferred expenses primarily consist of deferred tax assets (see Note 3(22)). The cost of issuing financial bonds are amortized under the straight-line method over the lives of the bonds. Other deferred expenses aside from those listed above are stated at acquisition cost and amortized under the straight-line method over 5 years.

#### **(9) Intangible assets**

Intangible assets comprise computer software and are initially recorded at cost and amortized over 3 years under the straight-line method.

#### **(10) Reserve for guarantees**

Reserve for guarantees is provided based on the net amount, netting guarantees and margin deposits, of an evaluation of the expected payments due to guarantees, acceptances and letters of credit.



#### **(11) Reserve for losses in securities trading**

For trading securities for its own account, 10% of the excess of monthly gains over losses must be reserved until the balance of provisions reaches NT\$200 million. Such reserve can only be used to offset losses over gains arising from securities trading in accordance with "The rules Governing Securities Firms".

#### **(12) Pension plan**

The Bank adopts the provisions of Statement of Financial Accounting Standard No.18, "Accounting for Pensions" and recognizes the excess of accumulated benefit obligation over the fair value of plan asset as minimum pension liability. In interim financial statements, minimum pension liability is adjusted for the difference between net periodic pension costs and appropriated funds. The net periodic pension costs, which include service cost, interest cost, expected return on plan assets, amortization of unrecognized net transition obligation, amortization of gains or losses of pension and amortization of prior period service cost, are recognized based on an actuarial report.

#### **(13) Foreign currency transactions and translations of financial statements**

Foreign currency transactions are recorded in New Taiwan dollars at exchange rates prevailing on the transaction dates. Differences between actual payments or receipts and recorded transaction amounts are recognized as foreign exchange gains or losses in the current period. Assets and liabilities denominated in foreign currencies are revalued using the spot exchange rates notified by the Central Bank of China on the balance sheet date. Foreign exchange gains or losses are either included in the current year statement of operations, or for long-term investments, recognized as cumulative translation adjustment of the stockholders' equity.

When the financial statements of overseas operating units are translated into New Taiwan dollars, all assets and liabilities accounts are translated at exchange rates prevailing on the

balance sheet date. Retained earnings at beginning of year is carried forward from last year, balances of all other accounts of stockholders' equity are translated using historical exchange rates. Any differences resulting from translation are recorded as cumulative translation adjustment, an adjustment account of stockholders' equity.

#### **(14) Derivative financial instruments**

- 1) Derivative financial instruments held for trading purposes

Assets or liabilities resulting from derivative financial instruments held for trading purpose are valued at fair values on the balance sheet date. Both realized and unrealized changes in fair values are recognized as trading profit or loss in the current period.

- 2) Derivative financial instruments held for hedging purposes

For derivative financial instruments held for hedging purposes, profit or loss is recognized in the current period and the carrying value of the hedged assets or liabilities is adjusted accordingly. When a derivative financial product is used to hedge risks associated with commitments or forecasted transactions, gain or loss arising from the derivative financial instrument is deferred until the gain or loss from the transaction being hedged is realized. When a derivative financial instrument contract is unwound prior to expiry, the realized profit or loss is deferred and amortized over the remaining period until profit or loss relating to the hedged assets or liabilities is realized.

#### **(15) Recognition of interest income**

Interest income on loans is recognized on an accrual basis. However, recognition of interest ceases until cash is received, if any of the following situation is met. They are:

- \* Loans are reclassified as overdue loans; or
- \* The interests are noted on reference books as agreed upon by bail-out projects, and by extension of maturities.



#### **(16) Income tax**

The Bank adopted the Statement of Financial Accounting Standards No. 22, "Accounting for Income Tax," whereby tax is provided based on accounting income after adjusting for permanent differences and inter- and intra-period allocations. The income tax effect of taxable temporary differences was recorded as a deferred tax liability. The income tax effect of deductible temporary differences, losses available for carry-forward and income tax credits are recorded as deferred tax assets whose realization is valued at the balance sheet date and any portion not realizable shall be accounted for as an allowance. Over or under provision of previous year's income tax is included in current year's income tax.

According to "The Guideline for a Consolidated Tax Filing by a Profit Seeking Entity as Stipulated by the Financial Holding Company Act, No. 49 and the Law of Merger and Acquisition, No. 40" in Tai-Tsai-Tax Ruling No. 910458039 Ministry of Finance dated February 12, 2003, if a financial holding company holds over 90% shares in a subsidiary for 12 consecutive months in a fiscal year, it can choose to adopt a linked tax system of income tax filing starting from the next year. Accordingly, consolidated with the Bank and the associated entities including First Taisec Securities Inc., Mingtai Fire & Marine Insurance Co., Ltd. ("MFMI") and National Investment Trust Co., Ltd. ("NITC"), the parent company, First Financial Holding Co. decided to take a linked system to file income tax of 2004 and undistributed earnings of 2003.

The accounting policy adopted by the Bank for linked tax system of income tax filing is complied with the rules stipulated by the ARDF of the ROC on October 3, 2003.

#### **(17) The statement of cash flows**

The cash in the statement of cash flows consists of cash and cash equivalents, and due from Central Bank and other banks.

#### **(18) Financial assets securitization transaction**

According to "Financial Asset Securitization Act" and "Trust Law", the Bank transferred its residential mortgage loans and the accompanying obligations to Deutsche Bank AG, Taipei Branch (hereunder called "the Trustee") for a special purpose trust. The Trustee raised funds by issuing trust certificates for the Bank. Under this arrangement, the Bank lost control of the transferred assets, which were removed from the credits portfolio, and the net amount of service assets and recourse liabilities was realized in the statement of operations. The portion of subordinate trust certificates held for credit enhancement was recorded in other long-term investments.

There is no market price referred to as a fair value for the subordinate trust certificates. Hence its fair value is estimated based on the following factors, expected prepayment rate, expected weighted average lives, expected default rate and discount rate of residual cash flows. Interests on subordinate trust certificates received from the Trustee are recorded as interest income. The certificates' value is assessed on future discounted cash flows, and the difference arising from valuation is recognized as valuation loss.

Service assets are recorded as other assets and amortized under the straight-line method over the set service lives.

#### **(19) Use of estimates**

In preparing the financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of financial statements. Actual results could differ from those estimates.

## 2. Change in Accounting Policy and its Impact

According to "The guidelines Governing the Preparation of Financial Reports by Public Banks", investments in bonds and commercial papers under resale or repurchase agreements are accounted for by using financing method effective from January 1, 2004. These deals conducted before 2003 are in a huge volume, and are hold for a long-term period. It is difficult to fully state the possible impact arising from the changes. Nevertheless, starting from 2003, the Bank has adopted two different accounting methods for recording, and due to the changes, there was a decrease of \$299,129 in net income after income tax for the year ended December 31, 2004. As described by the Accounting Research and Development Foundation No. 039, the market value is so far never lower than repurchase price, when financing method is used.

## 3. Summary of Significant Accounts

### (1) Cash and cash equivalent

	December 31, 2004	December 31, 2003
Cash in vault	\$ 9,028,210	\$ 8,952,912
Checks for clearance	10,036,998	8,404,628
Due from other banks	4,603,619	3,814,678
Total	<u>\$ 23,668,827</u>	<u>\$ 21,172,218</u>

### (2) Due from Central Bank and other banks

	December 31, 2004	December 31, 2003
Reserve for deposits maintained with Central Bank - account A	\$ 22,862,553	\$ 22,201,121
Reserve for deposits maintained with Central Bank - account B	28,444,022	27,316,060
Reserve for deposits - foreign currency	107,249	-
Deposits from foreign branches maintained with foreign Central Banks	636,713	403,580
Deposits of national treasury account	999,505	521,158
Call loans to banks and bank overdrafts	87,839,243	92,837,357
Total	<u>\$ 140,889,285</u>	<u>\$ 143,279,276</u>

According to law, provision on reserve for deposits maintained with the Central Bank are accrued in accordance with average deposit amount for each month multiplied by legal reserve ratio. No withdraw from this reserve is allowed except where there is any adjustment required.

### (3) Marketable and trading securities

	December 31, 2004	December 31, 2003
Certificates of deposit	\$ 241,009,960	\$ 197,816,628
Marketable securities	48,034,144	56,349,669
Bank acceptances	-	7,046
Commercial papers (note 1)	1,520,421	3,947,611
Trading securities-dealing (note 2)	21,714,682	13,432,478
Total	<u>\$ 312,279,207</u>	<u>\$ 271,553,432</u>

note 1: Total amount for repurchase agreement as at December 31, 2004 was \$940,184.

note 2: Total amount for repurchase agreement as at December 31, 2004 was \$17,456,877.



#### (4) Accounts receivables

	December 31, 2004	December 31, 2003
Interest receivable	\$ 5,338,653	\$ 5,389,968
Acceptances receivable	6,874,933	10,724,831
Credit card consumption advanced receivable	4,306,937	4,375,548
Forward exchange contracts receivable-net	12,315,682	16,049,169
Accounts receivables	69,626	554,546
Income tax refundable	1,716,431	1,052,182
Accrued income	184,061	143,565
Other receivables	598,519	673,639
	<u>31,404,842</u>	<u>38,963,448</u>
Less: Allowance for doubtful accounts	(326,256)	(790,641)
Net	<u>\$ 31,078,586</u>	<u>\$ 38,172,807</u>

As of December 31, 2004 and 2003, the reserve for losses on the acceptances receivable was included in the reserve for losses on guarantees, which amounted to \$450,518 for both years and was recorded in "other liabilities".

#### (5) Loans, bills purchased and discounted

	December 31, 2004	December 31, 2003
Bills discounted	\$ 5,068,000	\$ 7,731,046
Overdrafts	1,557,715	2,379,822
Short-term loans	250,567,964	271,099,894
Medium-term loans	250,106,988	252,650,220
Long-term loans	325,369,807	313,251,688
Bills purchased and import-export negotiations	3,464,729	4,083,282
Overdue loans	<u>13,641,944</u>	<u>13,759,455</u>
Sub-total	849,777,147	864,955,407
Less: Allowance for doubtful accounts	(8,038,035)	(4,939,654)
Net	<u>\$ 841,739,112</u>	<u>\$ 860,015,753</u>

As of December 31, 2004 and 2003, the loans and overdue loans without interest recorded totaled \$13,498,762 and \$13,580,677, respectively. The interests accruable not recorded in 2004 and 2003 amounted to \$427,916 and \$1,316,328, respectively.

Proper legal claims against debtors have been filed, before any written-offs were conducted in years of 2004 and 2003.

The Bank has assessed the adequacy of allowance for doubtful accounts by considering specific doubtful loan risk and loan portfolio risk. The details and movements in allowance for doubtful accounts, including accounts receivables, other receivables, bills purchased and discounted, loans and overdue loans, are as follows:

	December 31, 2004		
	recovery of irrecoverable risks for specific loans	Inherent risks for overall loan portfolio	Total
Beginning balance	\$ 2,331,520	\$ 3,398,775	\$ 5,730,295
Provision for the year	4,213,028	2,896,441	7,109,469
Written-offs	(4,369,671)	-	(4,369,671)
Translation difference and others	(105,802)	-	(105,802)
Ending balance	<u>\$ 2,069,075</u>	<u>\$ 6,295,216</u>	<u>\$ 8,364,291</u>



	For the year ended December 31, 2003		
	Unrecoverable risks for specific loans	Inherent risks for overall loan portfolio	Total
Beginning balance	\$ 7,050,735	\$ 995,209	\$ 8,045,944
Provision for the year	34,668,164	2,447,884	37,116,048
Written-offs	(39,387,379)	-	(39,387,379)
Translation difference and others	-	(44,318)	(44,318)
Ending balance	\$ 2,331,520	\$ 3,398,775	\$ 5,730,295

## (6) Long-term equity investments

### 1) Long-term equity investments:

	December 31, 2004		December 31, 2003	
	Amount	Percentage of ownership	Amount	Percentage of ownership
<b>Equity method</b>				
First Commercial Bank (USA)	\$ 1,193,733	100.00	\$ 1,119,418	100.00
East Asia Real Estate Management Co., Ltd.	8,740	30.00	8,327	30.00
FCB Leasing Co., Ltd.	604,209	99.97	563,617	99.97
First Insurance Agency Co., Ltd.	197,970	99.99	87,851	99.99
Franklin Templeton First Taiwan Securities Investment Trust Enterprise	-	-	121,813	49.99
Sub-total	2,004,652		1,901,026	
<b>Cost method</b>				
Taiwan Power Company	\$ 2,187,531	0.84	\$ 2,187,531	0.84
Tang Eng Iron Works Co., Ltd.	246,340	7.04	492,680	7.04
CDIB & Partners Investment Holding Corp.	400,000	3.96	400,000	3.96
Taiwan Assets Management Co., Ltd.	3,000,000	17.03	3,000,000	17.03
Others	454,104	-	528,798	-
Sub-total	6,287,975		6,609,009	
<b>The lower of cost or market value method</b>				
Chang Hwa Commercial Bank	\$ 1,283,366	3.41	\$ 1,283,366	3.41
Taiwan Business Bank	1,469,878	5.62	1,469,878	6.51
Hua Nan Financial Holding Co., Ltd.	701,235	2.15	701,235	2.53
Taiwan Development & Trust Corp.	34,736	5.79	173,680	5.79
Taiwan Cooperative Bank	74,694	0.14	-	-
Sub-total	3,563,909		3,628,159	
Total	\$11,856,536		\$12,138,194	

### 2) Investment income and translation adjustment under equity method are as follows:

	From January 1 to December 31,	
	2004	2003
Investment income	\$ 270,657	\$ 121,358
Cumulative translation adjustment	(17,650)	(27,372)

- 3) The investments of Liang Li Co., Ltd., Portal of University Resources, Inc. and Chunghwa Chemical Synthesis & Biotech Co., Ltd. were carried at a cost method in 2003. For the year ended December 31, 2003, the Banks realized total losses of \$266,140, recorded in "other operating expenses and losses", which were incurred by the decline in net worth of each company, due to drops of share price, liquidation or capital decrease.
- 4) The investee company of Taiwan Development & Trust Corp. conducted capital reduction to cover its losses by the approval of the meeting of shareholders; thus, the Bank realized losses of \$138,944, a permanent diminution in investment value, recognized under "other operating expenses and losses".

- 5 The investee company of Tang ng ron orks Co Ltd conducted capital decrease to cover losses by the approval of the meeting of shareholders. The Bank's losses arising from the permanent diminution in investment value totaled 246,340 which were recognized under other operating expenses and losses.
- 6 The Bank disposed its equity participation in Franklin Templeton First Taiwan Securities Investment Trust Enterprise in November 2004. The investment cost was 111,813 and the sale price was 135,492. The gain of 23,679 was recorded as other operating income.

## 7

	December 31, 2004	December 31, 2003
Bonds	\$ 27,577,136	\$ 22,021,645
Corporate bonds	5,563,185	9,320,201
Financial bonds payable	12,199,225	11,502,460
Subordinate trust certificates	292,697	-
Convertible preferred stock	2,000,000	2,000,000
Trust certificates	3,835,733	-
Sub-total	51,467,976	44,844,306
Discount for amortization-net	(1,867)	(7,663)
Net	\$ 51,466,109	\$ 44,836,643

## 8

	December 31, 2004			
	Cost	Appraisal increments	Accumulated depreciation	Book value
Land	\$ 6,982,855	\$9,599,540	\$ (1,211)	\$16,581,184
Buildings	7,685,319	57,150	(2,362,521)	5,379,948
Machineries and equipments	3,140,659	-	(2,073,740)	1,066,919
Transportation equipments	782,469	-	(420,396)	362,073
Other equipments	1,846,339	-	(1,340,952)	505,387
Leasehold improvements	599,889	-	(448,616)	151,273
Construction in progress and prepayments for equipments	89,564	-	-	89,564
	<u>\$21,127,094</u>	<u>\$9,656,690</u>	<u>\$(6,647,436)</u>	<u>\$24,136,348</u>
	December 31, 2003			
	Cost	Appraisal increments	Accumulated depreciation	Book value
Land	\$ 7,080,871	\$10,381,138	\$ (1,263)	\$17,460,746
Buildings	7,947,064	61,032	(2,242,210)	5,765,886
Machineries and equipments	2,985,183	-	(1,994,660)	990,523
Transportation equipments	801,730	-	(412,547)	389,183
Other equipments	1,944,477	-	(1,390,787)	553,690
Leasehold improvements	617,480	-	(423,785)	193,695
Construction in progress and prepayments for equipments	73,931	-	-	73,931
	<u>\$21,450,736</u>	<u>\$10,442,170</u>	<u>\$(6,465,252)</u>	<u>\$25,427,654</u>

The Bank revalued its land and buildings in accordance with the relevant regulations. As of December 31, 2004 and 2003, the appraisal increments totaled 16,346,552 and 16,641,453, including non-operating assets, respectively, and the reserve for land appraisal increments were 8,862,243 and 9,035,983, respectively. The netting amounts were recorded under capital reserve.

There was no interest capitalized on property and equipment purchased for the years ended December 31, 2004 and 2003.

Total non-operating assets as of December 31, 2004 and 2003 were 8,801,651 and 7,818,452, respectively, and were reclassified to other assets.



## 9

	December 31, 2004	December 31, 2003
Intangible assets	\$ 164,952	\$ 183,375
Non-operating assets		
At cost		
Land	532,056	440,439
Buildings	1,579,733	1,178,730
Others	11,793	11,840
Sub-total	2,123,582	1,631,009
Appraisal increments	6,689,861	6,199,283
Total cost and appraisal increments	8,813,443	7,830,292
Less: accumulated depreciation	(502,223)	(344,335)
Net book value for non-operating assets	8,311,220	7,485,957
Other non-operating assets		
Foreclosed assets		
At cost	546,468	623,427
Less: allowance for loss on foreclosed assets	(302,524)	(347,820)
Net book value for foreclosed assets	243,944	275,607
Refundable deposits	871,111	899,984
Other assets to be adjusted	160,750	160,750
Derivative financial instruments revaluation	486,630	237,182
Service assets	4,342	-
	1,766,777	1,573,523
Deferred expenses		
Other deferred expenses	23,244	33,492
Deferred income tax assets-net	13,672,652	15,523,275
	13,695,896	15,556,767
Total	\$ 23,938,845	\$ 24,799,622

The Ministry of Finance approved the Bank's takeover of five credit departments of Farmers' and Fishermen's Associations in Taiwan effective from September 14, 2001. The acquired assets together with the indebtedness were transferred to the Bank. The RT Fund has partially reimbursed the losses suffered by the Bank. The remaining portions of disputed assets and liabilities under current investigation have been temporarily recorded in other assets to be adjusted and other liabilities to be adjusted respectively. Upon settlement, the balance will be transferred to appropriate accounts and any deficiency will be compensated by the RT fund.

## 10

	December 31, 2004	December 31, 2003
Due to Central Bank	\$ 187,913	\$ 185,514
Due to other banks	697,192	1,336,809
Overdraft on banks	1,275,379	1,402,114
All loans from banks	99,969,261	121,224,921
Total	\$ 102,129,745	\$ 124,149,358



**(11) Payables on bonds and securities under repurchase agreements**

	December 31, 2004	December 31, 2003
Bonds under repurchase agreements	\$ 17,456,877	\$ -
Securities under repurchase agreements	940,184	-
Total	<u>\$ 18,397,061</u>	<u>\$ -</u>

Based on the repurchase agreements as of December 31 2004 the Bank is obliged to repurchase the above bonds and securities at selling price plus mark-up and the repurchase amount was 17 495 808 and 940 391 respectively

**(12) Payables**

	December 31, 2004	December 31, 2003
Accounts payable	\$ 16,120,205	\$ 14,734,156
Interest payable	3,036,970	3,103,444
Forward exchange contracts payable- net	12,089,888	16,019,121
Bank acceptances	7,137,593	10,949,377
Collections for customers	1,019,004	1,229,711
Accrued expenses	2,221,580	1,848,119
Dividends payable	220,359	223,645
Other payables	5,564,890	4,979,219
Total	<u>\$ 47,410,489</u>	<u>\$ 53,086,792</u>

**(13) Deposits and remittances**

	December 31, 2004	December 31, 2003
Checking account deposits	\$ 34,408,858	\$ 36,543,876
Demand account deposits	210,542,125	199,727,734
Time deposits	212,464,993	210,231,673
Negotiable certificates of deposit	9,571,100	10,178,200
Savings account deposits	684,719,423	679,267,487
Remittances and drafts issued	87,150	94,743
Remittances outstanding	1,014,623	1,108,525
Total	<u>\$ 1,152,808,272</u>	<u>\$ 1,137,152,238</u>

**(14) Financial bonds payable**

The issuances of senior and subordinated financial bonds were approved by the meetings of the Board of Directors respectively on June 22 2001 October 3 2002 and November 14 2003 with a purpose to improve the Bank's capital adequacy ratio and finance medium- and long-term operating capital. The projected placements were NT 50 NT 30 and NT 20 billion each which were approved by OF. The investors' claims of subordinated bonds are subordinate to the creditors but take precedence over shareholders in case of liquidation. The details of each issue are as follows

	First issue, 2001
Issue date	September 12, 2001
Amount	NT\$10 billion
Price	At par
Coupon rate	4%
Interest and repayment term	Interest is paid annually and principal is paid 20%, 30%, 50% on the 5th, 6th, 7th year, respectively.
Maturity	7 years

	<b>First to Fourth issue, 2002</b>
Issue dates	March 4, July 9, December 10, December 19, 2002
Amount	NT\$20.5 billion
Price	At par
Coupon rate	Part of them are at fixed interest rates of 3.2%~3.9%, the rest either at floating interest rate or reverse floating rate, with minimum yield rate of 0%.
Interest and repayment term	For fixed interest rate, interest is paid annually. For floating interest rate, interest is paid either quarterly, or semi-annually. Principal is repaid on maturity date.
Maturity	5 years to 5 years and 7 months
	<b>First to Ninth issue, 2003</b>
Issue dates	January 20, February 25, May 2, September 10, October 27, November 13, 2003
Amount	NT\$24.8 billion
Price	At par
Coupon rate	Part of them are at fixed interest rates of 2.9%~3.0%, the rest with either floating interest rate or reverse floating interest rate, and minimum yield rate is 0%. Interest rate indicator is USD 6M LIBOR or 90 days commercial paper interest rate or IRS rate.
Interest and repayment term	For fixed interest rate, interest is paid annually. For floating interest rate interest is paid either quarterly, or semi-annually. Principal is repaid on maturity date.
Maturity	4 years to 8 years
	<b>First issue, 2004</b>
Issue date	May 25, 2004
Amount	NT\$4 billion
Price	At par
Coupon rate	Part of them are at fixed interest rate of 4%, the rest with floating interest rate, and minimum yield rate is 0.5%. Interest rate indicator is USD 6M LIBOR.
Interest and repayment term	Interest is paid semi-annually and the principal is repaid on maturity date.
Maturity	7 years

As of December 31, 2004, interest rates of the above financial bonds are between 0% and 5.744%.

## 15 Other liabilities

	December 31, 2004	December 31, 2003
Reserve for land appraisal incremental tax	\$ 2,243	9,035,983
Guarantees and margin deposits	1,332,312	1,434,753
Accrued pension liabilities	444,424	934,664
Appropriated loan fund	4,011	450,518
Reserve for losses on guarantees	200,000	200,000
Reserve for securities trading losses	42,100	229,440
Revaluation of derivative financial instruments		57,446
Other liabilities to be adjusted		2,041
Recourse liabilities		95,061
Others	42,410	
Total	\$ 13,012,205	13,052,025

Please refer to note 3(9) for the details of "other liabilities to be adjusted."

## (16) Pension plan

1) The Bank as a non-contributor and funded defined benefit pension plan covering all regular employees is subject to the following provisions:

- Base units: each employee accrues two units for every year of service for the first 15 years and one unit for every year of service thereafter, up to a maximum of 45 units
- 20 additional benefit: each employee retired due to mental disorder or physical disability arising from employment is entitled to an additional 20 of pension benefit
- Qualifying service: For service period less than six months, it will be treated as half year case. For service period of more than six months, it will then be treated as a full year case

2) Actuarial assumptions used:

	2004	2003
Discount rate	3.00%	3.00%
Expected rate of return on plan assets	3.00%	3.00%
Rate of increase in salaries	2.00%	2.00%

3) The reconciliation of the plan's status to balance sheet amounts is shown below:

	December 31, 2004	December 31, 2003
Benefit obligation:		
Vested benefit obligation	\$ 2,492,997	\$ 1,581,826
Non-vested benefit obligation	1,029,806	1,265,411
Accumulated benefit obligation	3,522,803	2,847,237
Additional benefits based on future salaries	838,704	717,271
Projected benefit obligation	4,361,507	3,564,508
Fair value of plan assets	(2,429,289)	(2,008,849)
Funded status	1,932,218	1,555,659
Unrecognized pension gain	(779,426)	(660,389)
Accrued pension cost	\$ 1,152,792	\$ 895,270
Vested benefit	\$ 3,022,132	\$ 1,863,378

4) Net periodic pension costs

	2004	2003
Service cost	\$ 634,925	\$ 540,914
Interest cost	106,564	86,050
Actual return on plan assets	(65,965)	(24,931)
Amortization of unrecognized pension gain (loss)	17,816	(36,716)
Net periodic pension costs	\$ 693,340	\$ 565,317

## (17) Capital stock

The Bank's capital was 38,216,000 before the capital increase. The plan of capital increase, issuing 800 million shares of common stock at par value of N 10, issued at a premium of N 17.5, was approved by the Board of Directors on August 15, 2003. The Bank's capital grew to 46,216,000 as of October 7, 2003. It was resolved by the Board of Directors on October 17, 2003 and also approved by the Financial Supervision Ruling No 0920040630, and the update of the Bank's capital registered with the Ministry of Economic Affairs was completed on October 29, 2003.

## (18) Capital reserve

Capital reserves mainly include appraisal increments, paid-in capital in excess of par value from the issuance of stock, and donation income.

As stipulated, if there are not any losses recorded, the capital reserve resulting from value received in excess of par value of the issuance of stock and donation income can be appropriated for capital.



increase, limited to a maximum of 10% of the paid up capital. However, the other accounts under the capital reserve will be appropriated and used to cover the losses only.

The revaluation of land will be recorded in original subject asset accounts for adjusting and in other liabilities - reserve for land appraisal incremental tax and capital reserve - reserve for land appraisal increments. The gains or losses on disposal will be recognized, and the subject accounts of other liabilities and capital reserve will be settled off as well.

#### **(19) Legal reserve and special reserve**

##### **1) Legal reserve**

Accordingly to Company Law, legal reserve can only be used to offset accumulated losses and be capitalized. However, when the accumulated reserves have reached or exceeded 50% of share capital, up to 50% of legal reserve can be capitalized.

##### **2) Special reserve**

Pursuant to the regulations of the Securities & Futures Bureau, Financial Supervisory Commission, Executive Yuan, except for setting aside legal reserve, the Bank is required to set aside a special reserve in an amount equal to the net change in the reduction of stockholders' equity in the current year from its annual net income and undistributed earnings of prior year. Such special reserve is not available for dividend distribution. In subsequent year(s), if the year-end balances of such items are no longer resulted in a reduction in stockholders' equity, the special reserve previously set aside will then be available for distribution.

#### **(20) Retained earnings**

1) As stipulated by the Bank's Articles of Incorporation, the annual net income after income tax should be first used to offset accumulated losses, then a provision of 30% of it should be set aside as legal reserve, the Bank can also set aside a special reserve for specific business purposes. The remaining earnings are to be distributed as follows:

- 1% to 8% as bonus to employees.
- 1% as remuneration to directors and supervisors.
- Dividend and bonus to shareholders as proposed by the Board of Directors after considering the capital adequacy ratio and the need for business development, and approved by the shareholders' meeting. (The Board of Directors function in an acting capacity of the meeting of stockholders)

##### **2) Dividend policy for the next three years**

Banking is a fully developed industry and the Bank, operating under a solid financial base, has maintained a secured income. The Bank has set up its dividend policy based on capital adequacy ratio so as to build up its capital adequacy ratio and to enhance its competitiveness. In principle, dividend will be paid in the form of cash.

If the legal reserve is less than the capital or the capital adequacy ratio is below the statutory ratio stipulated by the Banking Law, the maximum amount of cash dividend distribution has to be subject to the stipulations set out by the Banking Law and the governing authorities.

##### **3) Deficit reimbursement**

On June 18, 2004, the Board of Directors (The Board of Directors function in an acting capacity of the meeting of stockholders) has adopted a resolution to cover the accumulated losses by appropriating the capital reserve in the amount of \$13,306,619.

## 21

	2004	2003
Personnel	\$ 8,459,393	\$ 7,980,225
Salaries	7,342,803	7,046,556
Labor and health insurances	280,137	273,058
Pension	700,985	570,651
Others	135,468	89,960
Depreciation	786,417	795,978
Amortization	115,349	115,287

## 22

### 1) Income tax reconciliation

	December 31, 2004	December 31, 2003
Income tax refund	\$ (827,258)	\$ (467,365)
Linked tax system of income tax filing receivable from parent company	(5,638)	-
Income tax payable-foreign branches	130,852	16,539
Increase (decrease) in deferred income tax assets	1,850,623	(5,591,481)
Income tax adjustment - foreign branches	132,102	-
Over-provision of income tax in prior year	(84,094)	(180,677)
Tax on interest income separately taxed	11,601	30,196
Prepaid income tax	827,258	613,802
Others	-	722
Income tax expense (benefit) in current year	2,035,446	(5,578,264)
10% income tax levied on unappropriated earnings	-	-
Income tax expense (benefit)	\$ 2,035,446	\$ (5,578,264)

### 2) Deferred income tax assets-net

As of December 31 2004 and 2003 the income tax effects of temporary differences that gave rise to the deferred tax assets and liabilities are as follows

	December 31, 2004		December 31, 2003	
	Amount	Income tax effects	Amount	Income tax effects
Temporary differences				
Allowance for doubtful accounts	\$ 2,783,987	\$ 695,997	\$ 2,783,987	\$ 695,997
Losses carried forward (expiring in 2009)	51,920,056	12,980,014	63,624,223	15,906,056
Allowance for decline in market value of foreclosed assets	452,526	113,132	324,918	81,230
Others	977,491	244,372	347,162	86,790
	<u>\$ 56,134,060</u>	<u>14,033,515</u>	<u>\$ 67,080,290</u>	<u>16,770,073</u>
Investment tax credits		55,761		118,715
Offshore entities		129,040		143,507
Deferred income tax assets		14,218,316		17,032,295
Allowance for deferred income tax assets		(545,664)		(1,509,020)
Deferred income tax assets-net		<u>\$ 13,672,652</u>		<u>\$ 15,523,275</u>

### 3) As of December 31 2004 details of tax credits are as follows

	Amount	Available period (year)
Training costs	\$ 41,747	2004 2008
Investment tax credit from investment in Taiwan Investment Corporation	19,651	2004 2005
Total	<u>\$ 61,398</u>	



#### 4) Imputed tax system and related information

	December 31, 2004	December 31, 2003
Imputed tax credits for shareholders	\$ 316,137	\$ 123,693
Imputed tax credit rate of estimated (actual) earnings appropriation	-	-

#### 5) Retained earnings were as follows

	December 31, 2004	December 31, 2003
Before June 30, 1998	\$ -	\$ -
After June 30, 1998	9,967,095	(13,306,619)
	<u>\$ 9,967,095</u>	<u>\$ (13,306,619)</u>

6) The tax authorities have examined and approved the Bank's income tax filings for all years through 2001

7) The tax authorities have examined and assessed a withholding tax on bond interest income disallowed as credits for the years ended December 31 1999 and 2000 2001 and for the period from July 1 1998 to December 31 1998 in the amount of 388 464. The Bank disagreed with the assessment and has filed for an appeal. Under the principle of conservatism the Bank has booked the tax liability in the accompanying financial statements of 2001. On December 3 2003 the Bank applied for a tax refund of 65 of the disputed amount and agreed to withdraw the appeal. The tax refund of 252 501 was recognized as tax refund receivable and income tax benefit. The remaining 35 of the withholding tax on bond interest income was recognized as tax expense in 2003.

### 23

January 1 to December 31, 2004					
	Amount		Adjusted weighted average outstanding common stock (in thousand shares)	Earnings per share (note)	
	Before tax	After tax		Before tax	After tax
Net income	<u>\$12,002,541</u>	<u>\$9,967,095</u>	<u>4,621,600</u>	<u>\$2.60</u>	<u>\$2.16</u>

January 1 to December 31, 2003					
	Amount		Adjusted weighted average outstanding common stock (in thousand shares)	Losses per share (note)	
	Before tax	After tax		Before tax	After tax
Net loss	<u>\$(18,884,883)</u>	<u>\$(13,306,619)</u>	<u>4,010,093</u>	<u>\$(4.71)</u>	<u>\$(3.32)</u>

note: The weighted average common stock outstanding has been retroactively adjusted in accordance with the issue of common stock for cash on October 7 2003.

### 24

The minimum capital adequacy ratio – a measure of the amount of a bank's capital expressed as a percentage of its risk weighted credit exposures – is 8% as required by the Banking Law and other relevant rules and regulations in order to ensure a sound financial standing for banks. If the said ratio is less than the prescribed ratio the bank's ability to distribute surplus profits may be restricted by the central competent authority.

The capital adequacy ratio of the Bank was 10.37% and 8.96% as of December 31, 2004 and 2003, respectively.

## (25) Asset securitization transactions

In March 2, 2004, the carrying value for residential mortgage backed securitization was 4,200,000 and the loans were accordingly transferred to a special purpose trust. The issuance of senior trust certificates in three classes totaled 4,200,000. The details are as follows:

- Class A: par value of 3,100,000 and the coupon rate is AR index plus 0.2%
- Class B: par value of 220,000 and the coupon rate is AR index plus 0.1%
- Class C: par value of 1,000,000 and the coupon rate is AR index plus 0.1%

Note: The AR index is the one-year average fixed savings deposit rate of seven major banks in Taiwan.

Furthermore, the bank purchased the non-coupon bearing subordinate trust certificates of 200,000 for credit enhancement purpose. If debtors fail to fulfill the principal repayments or the interest payments at maturity, investors and the trustee have no right of recourse to the bank with respect to the retained interest of principle. The holders of subordinate trust certificates are subordinate to the investors of trust certificates of Class A and C. The value of the subordinate trust certificates will fluctuate subject to the effects of credit risk, prepayment rate and interest risk. As of December 31, 2004, the bank recognized a gain of 203 on this securitization transaction, and the interests received from investment in subordinate trust certificates amounted to 4,444.

### 1) Major assumptions in measuring retained interests

	December 31, 2004 (annual rate)
Expected prepayment rate	45%
Expected weighted average lives (in years)	7
Expected default rate	0.021%
Discount rate for residual cash flows	3.6%

### 2) Sensitivity analysis

As of December 31, 2004, if there are adverse changes of 10%–20% in the major assumptions, the sensitivity of the fair values for the residual cash flows are as follows:

	December 31, 2004 (annual rate)
Carrying value of retained interests	\$ 292,697
Expected weighted average life (in years)	7
Expected prepayment rate (%)	45%
Impact on fair value of a 10% adverse change	(11,233)
Impact on fair value of a 20% adverse change	(21,306)
Expected default rate (%)	0.021%
Impact on fair value of a 10% adverse change	(533)
Impact on fair value of a 20% adverse change	(1,066)
Discount rate of residual cash flows (%)	3.60%
Impact on fair value of a 10% adverse change	(565)
Impact on fair value of a 20% adverse change	(1,125)

### 3) Expected loss rate for static group

	Actual Default rate	Expected default rate
Residential mortgages backed securitization (January 1, 2004~December 31, 2004)	0.00%	0.021%



#### 4) Cash flows

Cash flows from securitization in (out)	2004
Proceeds from loans securitization	\$ 4,572,697
Service income	11,831
Other cash flows received on retained interests	56,558
Required reserves (part of refundable deposits)	(98,939)
Reserve allocated by the service agency	(5,968)

#### 5) Recognizing and measurement of service asset

As of December 31, 2004, the service asset amounted to 5,463, recorded under other assets, and the amortized amount was 1,121.

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	December 31, 2004	December 31, 2003
Bad debts recoverable amount	\$ 4,839,783	\$ 529,639
Gain on disposal of long-term investments	23,679	-
Others	21,075	1,045
Total	\$ 4,884,537	\$ 530,684

## 4

### 1

Name of related party	Nature of relationship
First Financial Holding Co., Ltd. (FFHC)	Parent company
Bank of Taiwan	The company's representative is a director of FFHC(note 1)
Hua Nan Commercial Bank, Ltd.	The company's representative is a director of FFHC(note 1)
Golden Garden Investment Co., Ltd.	The company's representative is a director of FFHC(note 1)
First Commercial Bank (USA)	Subsidiary of the Bank
FCB Leasing Co., Ltd	Subsidiary of the Bank
First Insurance Agency Co., Ltd.	Subsidiary of the Bank
East-Asia Real Estate Management Co., Ltd. (EAREM)	Investee accounted for under equity method
Franklin Templeton First Taiwan Securities Investment Trust Enterprise (FTFT)	Investee accounted for under equity method (note 2)
The Grand Hotel	The chairman is the spouse of the Bank's former chairman (note 3)
The First Education Foundation	The Bank is the major contributor of the Foundation (over one third of the Foundation's receipts)
First Taisec Securities Inc.	Subsidiary of FFHC
Mingtai Fire & Marine Insurance Co., Ltd. (MFMI)	Subsidiary of FFHC
National Investment Trust Co., Ltd. (NITC)	Subsidiary of FFHC
First Financial Asset Management Co. Ltd.	Subsidiary of FFHC
First Venture Capital Co., Ltd.	Subsidiary of FFHC
First Financial Management Consulting Co., Ltd.	Subsidiary of FFHC
13 people including Steve S.F. Shieh, etc.	The Bank's directors
292 people including Long-I Liao, etc.	The Bank's managers
5 people including Yung-Sun Wu, etc.	The Bank's supervisors
45 people including Erh-Jung Hsieh, etc.	Spouses of the Bank's directors, supervisors, chairman and president, and relatives within second degree of kinship of the Bank's chairman and president.

note 1. The Bank became a subsidiary of FFHC through an exchange of shares. After the share swap, the Bank was unlisted and the Bank's shareholders were transferred to be the shareholders of FFHC.

2. The relationship of related party has ceased since November 2, 2004.

3. The relationship of related party has ceased since August 15, 2003.

## (2) Major transactions with related parties

### 1) Due from banks

As of and for the year ended December 31, 2004				
	Highest balance	Ending balance	Interest income	Interest rate (%)
Bank of Taiwan	\$8,200,000	\$1,000,000	\$ 7,392	0.950~1.210
Hua Nan Commercial Bank, Ltd	6,000,000	-	3,550	0.925~1.150
		<u>\$1,000,000</u>	<u>\$ 10,942</u>	

As of and for the year ended December 31, 2003				
	Highest balance	Ending balance	Interest income	Interest rate (%)
Bank of Taiwan	\$10,644,120	\$1,025,417	\$ 27,155	0.040~1.410
Hua Nan Commercial Bank, Ltd	4,015,339	1,714,725	20,448	0.050~5.230
		<u>\$2,740,142</u>	<u>\$ 47,603</u>	

### 2) Due to banks

As of and for the year ended December 31, 2004				
	Highest balance	Ending balance	Interest expense	Interest rate (%)
Bank of Taiwan	\$11,500,000	\$1,000,000	\$ 6,758	0.950~1.210
Hua Nan Commercial Bank, Ltd	4,000,000	1,000,000	1,576	0.975~1.210
		<u>\$2,000,000</u>	<u>\$ 8,334</u>	

As of and for the year ended December 31, 2003				
	Highest balance	Ending balance	Interest expense	Interest rate (%)
Bank of Taiwan	\$ 7,600,000	\$1,200,000	\$ 12,244	0.950~1.300
Hua Nan Commercial Bank, Ltd.	5,700,000	341,806	4,222	0.720~5.060
		<u>\$1,541,806</u>	<u>\$ 16,466</u>	

### 3) Deposits

	December 31, 2004		December 31, 2003	
	Ending balance	Percentage	Ending balance	Percentage
EAREM	\$ 486,202	-	\$ 585,191	-
FFHC	5,198,167	-	2,133,090	-
Others	9,765,091	1	5,731,670	1
	<u>\$ 15,449,460</u>	<u>1</u>	<u>\$ 8,449,951</u>	<u>1</u>

The deal details by each related party were not specifically prepared because none of them accounted for more than 10% of each respective account. The Bank provides staff savings account service for the directors, supervisors and managers. The interest rate at 13% p.a. is applied for this account, but limited to \$480 in deposit; deposit exceeding \$480 are paid at a rate same to the normal clients.

### 4) Loans

	December 31, 2004		December 31, 2003	
	Ending balance	Percentage	Ending balance	Percentage
FCB Leasing Co., Ltd.	\$ 4,855,000	1	\$ 6,952,800	1
Others	4,947,773	1	7,623,405	1
	<u>\$ 9,802,773</u>	<u>2</u>	<u>\$ 14,576,205</u>	<u>2</u>

The deal details by each related party were not specifically prepared because none of them accounted for more than 10% of each respective account. Interest rates applied for loans were same as those offered to the clients.



5) Other receivables

	December 31, 2004		December 31, 2003	
	Ending balance	Percentage	Ending balance	Percentage
FFHC	\$ 5,638	-	\$ -	-

This is the receivables of a linked tax system of income tax filing from the parent company.

6) Asset securitization

As of December 31, 2004, Mingtai Fire & Marine Insurance Co., Ltd. purchased the trust certificates \$138,648, which were issued by a deal of asset securitization for a special purpose trust.

7) Information about related parties as debtors and guarantors

	December 31, 2004		
	Accounts	Balance	Estimated loss amount
Consumer loans (note 1)	-	\$ 2,841,218	None
Mortgage for employees	-	4,288,605	None
Other loans (note 2)	-	16,887,797	None
Credit secured by related parties as guarantors	-	5,248,668	105,071

The definition of the related parties is subject to the Banking Law, No 33-1.

note 1: "Consumer loans" are defined by the Banking Law, No. 32.

note 2: "Other loans" represent the credits granted to the related parties excluding consumer loans and mortgages for employees.

8) Transfer of business operating

On August 18, 2003, the Bank and FTS signed a business transfer agreement. Under the agreement, the Bank sold its fixed assets, business license and business contracts and related computer software of its securities brokerages to FTS with an effective date of December 1, 2003, with selling price of \$127,044. The Bank recognized a gain of \$7,872 and \$3,373 respectively on disposal of properties and equipments, and other fixed assets. In addition, the margin loan business is transferred at the book value of \$1,545,077 on the first business date after the effective date. Accordingly, no gain or loss from disposal was recognized. The selling amount was received in full as of December 31, 2003.

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Total assets with restrictions on use as of December 31, 2004 and 2003 are as follows:

	December 31, 2004	December 31, 2003	Pledged Purpose
Marketable and trading securities	\$ 1,312,200	\$ 2,591,900	Guarantees for the court and trust fund reserves
Refundable deposits	871,111	899,984	Guarantees for the court and rental deposits
Total	\$ 2,183,311	\$ 3,491,884	

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(1)The outstanding commitments and contingent liabilities of the Bank as of December 31, 2004 and 2003 are as follows:

	December 31, 2004	December 31, 2003
Unused loan commitments	\$ 35,309,108	\$ 23,616,229
Credit commitments for credit cards	80,175,126	67,065,833
Unused letters of credit issuance	31,296,852	34,448,737
Guarantees	34,401,906	36,809,890
Collections receivables from customers	151,860,152	152,354,593
Collections payables to customers	10,590,461	10,294,063
Travelers' checks consignment-in	653,476	788,948

	December 31, 2004	December 31, 2003
Payables on bills guaranteed	7,178,962	31,960,658
Trust assets	204,782,223	187,063,769
Customers' securities under custody	670,998,877	663,053,881
Book-entry for government bonds under management	86,191,600	91,166,100
Depository for short-term marketable securities under management	39,773,575	-
Repurchase commitments	18,397,061	25,586,918

- (2) The Trust Division of the Bank engages in planning and management of all trust businesses under the Banking Law and Trust Business Law. In addition, it provides customers with the investments of domestic and overseas mutual funds and custodian service.

As of December 31, 2004 and 2003, investment details of trust assets are listed as follows:

Balance Sheet of Trust Account as of December 31, 2004

Trust assets		Trust liabilities	
Bank deposits	\$ 1,237,194	Payables	\$ 300
Short-term investments	202,942,993	Other liabilities	-
Accounts receivables	21,064	Trust capital	204,781,923
Real estate	580,972		
Total	<u>\$204,782,223</u>	Total	<u>\$204,782,223</u>

Property List of Trust Account as of December 31, 2004

Trust assets	
Bank deposits	\$ 1,237,194
Short-term investments	
Common stocks	8,019,373
Bonds	28,762,513
Mutual funds	166,098,795
Discretionary mandates	52,312
Trust certificates	10,000
Real estate	580,972
Total	<u>\$204,761,159</u>

Balance Sheet of Trust Account as of December 31, 2003

Trust assets		Trust liabilities	
Bank deposits	\$ 1,200,748	Payables	\$ 833
Short-term investments	183,706,161	Other liabilities	2,059,412
Accounts receivables	2,113,575	Trust capital	185,003,524
Real estate	43,285		
Total	<u>\$187,063,769</u>	Total	<u>\$187,063,769</u>

Property List of Trust Account as of December 31, 2003

Trust assets	
Bank deposits	\$ 1,200,748
Short-term investments	
Common stocks	3,066,836
Bonds	24,850,534
Mutual funds	155,717,619
Discretionary mandates	33,860
Trust certificates	37,312
Real estate	43,285
Total	<u>\$184,950,194</u>



(3) Due to the collapse of Tung Xin building caused by an earthquake on September 21, 1999, the residents filed a legal claim for loss of personal properties against Hong Cheng Building Co., Ltd., Hong Ku Construction Co., Ltd., (including its directors and supervisors), Dah Lin Architect Co., and the Bank. As of December 31, 2004, the case was still pending under the Taipei District Court. However, the Bank's attorney believes that, the Bank will prevail in this case because there was no evidence found between the cause of collapse and the Bank's maintenance construction work, and because of the lack of malicious misconduct or negligence on the part of the Bank. Accordingly, no provision was made for the contingent liability in the financial statements.

(4) As of December 31, 2004, the estimated future minimum lease commitments are as follows:

Fiscal year	Amount
2005	\$ 471,248
2006	389,852
2007	287,536
2008	188,440
2009 and after	127,187
	<u>\$ 1,464,263</u>

(5) Others

As of December 31, 2004, the Bank has signed construction contracts totally amounting to \$69,467, of which \$58,857 was paid. It was recorded in "construction in progress and prepayments for equipments."

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1

	December 31, 2004	
	Book value	Fair value
Financial assets with book value equal to fair value	\$1,025,625,905	\$1,025,625,905
Marketable and trading securities	312,279,207	313,978,853
Long-term equity investments	11,856,536	24,343,896
Other long-term investments	51,466,109	52,321,646
Trading purpose		
FX contracts (forward and swap)	12,293,426	12,293,426
FX margin trading	1,526	1,526
Non-delivery forward	20,730	20,730
Options contracts-long positions	191,430	191,430
Cross currency swap contracts (excluding the notional principle)	295,199	295,199
Non-trading purpose		
Interest rate related contracts (interest rate swap and assets swap excluding the bond principal)	137,823	(964,134)
( to be continued )		

	December 31, 2004	
	Book value	Fair value
<b>Financial liabilities</b>		
Financial liabilities with book value equal to fair value	\$1,369,447,065	\$1,369,447,065
Accrued pension liabilities	1,198,812	1,932,218
Trading purpose		
FX contracts (forward and swap)	11,866,440	11,866,440
FX margin trading	203,583	203,583
Non-delivery forward	19,865	19,865
Options contracts-short positions	191,511	191,511
Cross currency swap contracts (excluding the notional principle)	237,080	237,080
Non-trading purpose		
Interest rate related contracts (interest rate swap and assets swap excluding the bond principal)	35,520	(118,957)
	December	
	Book value	Fair value
<b>Financial assets</b>		
Financial assets with book value equal to fair value	\$1,047,292,105	\$1,047,292,105
Marketable and trading securities	271,553,432	279,220,862
Long-term equity investments	12,138,194	21,476,918
Other long-term investments	44,836,643	45,224,166
Trading purpose		
FX contracts (forward and swap)	15,914,724	15,914,724
FX margin trading	132,966	132,966
Non-delivery forward	1,479	1,479
Options contracts-long positions	237,812	234,375
Non-trading purpose		
Interest rate related contracts (interest rate swap and assets swap excluding the bond principal)	197,090	(1,202,955)
Cross currency swap contracts (excluding the notional principle)	1,674	19,929
<b>Financial liabilities</b>		
Financial liabilities with book value equal to fair value	\$1,355,274,474	\$1,355,274,474
Accrued pension liabilities	934,664	1,555,659
Trading purpose		
FX contracts (forward and swap)	16,017,414	16,017,414
FX margin trading	1,707	1,707
Options contracts-short positions	229,440	229,440
Non-trading purpose		
Interest rate related contracts (interest rate swap and assets swap excluding the bond principal)	6,508	46,486

The methods and assumptions used in calculation of the fair value of financial instruments are summarized as follows:

- 1) As the instruments are close to maturity, the fair values of short-term financial instruments are approximately equal to their carrying values (after deducting allowance for doubtful accounts) as stated on the balance sheet date. This method is applicable to all financial instruments except for the items listed in the following paragraphs.
- 2) Interest rates for most of the medium and long-term loans are floating. Discount rate of future cash flow is based on the actual current rate. The fair value is approximately equal to its carrying value (after deducting allowance for doubtful accounts).



- 3) Marketable and trading securities are valued at market prices when the market prices are readily available; otherwise fair value is estimated based on financial or other information.
- 4) Long-term investments are valued at market prices when the market prices are readily available; otherwise fair value is estimated based on financial or other information.
- 5) Fair value of accrued pension liability is estimated based on the amount of pension plan funded status to be provided as defined in the relevant actuarial reports on December 31, 2004 and 2003.
- 6) Assuming that contract terminates on balance sheet date, fair value of derivative financial instruments is estimated based on the amount of receivable or payable. In general, it includes unrealized gain or loss on outstanding contracts.

## 2 derivative financial instruments

- 1) Contracted amounts or notional principal and credit risk (expressed in thousands).

	December 31, 2004		December 31, 2003	
	Notional principal	Credit risk	Notional principal	Credit risk
<b>Financial Instruments</b>				
<b>Trading purpose</b>				
FX swap contracts	\$ 71,574,761	\$ 1,042,853	\$ 49,940,288	\$ 307,768
Forward contracts	17,136,154	145,777	19,909,031	172,578
FX margin trading	2,468,963	209,921	1,801,714	134,760
Non-delivery forward	1,136,491	7,507	-	-
Options-short position	3,501,165	-	8,980,549	-
Options-long position	3,498,054	191,430	8,915,805	72,077
Cross currency swap contracts	8,492,703	295,199	339,980	19,929
<b>Non-trading purpose</b>				
Interest rate swap	45,453,891	668,659	40,038,954	660,300
Assets swap				
(credit risk amount, not including principal)	5,654,704	1,549	10,748,015	35,194

- 2) Types and conditions of derivative financial instruments

### (a) Trading conditions

The Bank has entered into asset-backed swap contracts, while conducting the deals of overseas convertible bonds. The structured swap contracts were made to swap the fixed rates of bonds into floating rates of bonds. The counterparties of the bond deals retain the right to repurchase the convertible bonds based on conditions of the relevant contracts. Under this arrangement, the Bank has an interest income stream, however, it also takes on credit risks of both the bond issuers and the swap counterparties. Convertible bonds in asset swap transactions were recorded as "marketable and trading securities", "loans, bills purchased and discounted" and "other long-term investments" and totaled \$0, \$0, \$5,654,704 and \$788,652, \$543,968, \$9,417,446, respectively as of December 31, 2004 and 2003.

The accounts receivables and payable balances arising from foreign exchange forward contracts, non-delivery forward contracts, FX margin trading and foreign exchange swap contracts are netted and accounted for as "accounts receivables" or "payables."

### (b) Credit risk

The Bank's exposure from financial instruments is measured at fair value of contracted instruments with a positive position at the balance sheet date. Credit risk is the risk that counterparties of any financial instruments may not be able to fulfill their obligations at the due date. With proper credit risk evaluation and control in place, the Bank anticipates a relatively low risk of non-performance by those counterparties for the reason that they are either internationally recognized financial institutions or companies in compliance with the credit requirements.

(c) Market Risk

Market risks are related to the probability of variations in the value of a financial instrument because of fluctuation in market prices. The Bank has established specific detailed policy to control the market risk on interest rates and foreign exchange rates. Options are dealt on a back-to-back basis in order to lower the market risk.

(d) Liquidity Risk

The liquidity risk will have an impact on the potential changes in market value of an instrument. If there is insufficient market activity, the Bank may not be able to timely unwind its position to avoid serious loss. The Bank mainly holds instruments with high liquidity and has also established appropriate risk exposure limits for such transactions. Therefore, the Bank has effectively managed its liquidity risk in view of the fact that the possibilities of those derivative financial instruments that may not be able to be disposed at a reasonable market price is moderately low.

(e) The uncertainty of the amount and period of future cash flow

The use of derivative financial instruments was mainly driven by customer's demand and as well as the Bank's needs for fund management or hedge purposes. Funding borrowed from money market is principally for the purpose to square the position. They did not involve any contracts of high leverage. As to the asset-backed swap contracts, the cash flow is determined by the amount against the difference between fixed and floating interest rate. As a result, the effect on cash flow is relatively minor.

3) Purpose of holding derivative financial instruments

The Bank holds or issues financial instruments for both trading and non-trading purposes. The foreign exchange swap contracts for non-trading purpose were used to hedge against exchange rate resulting from the Bank's assets and liabilities, whereas the asset-backed swaps contracts were to hedge against interest rate risk of the Bank's assets (net). The Bank's FX businesses mainly include spots, forward, swap, currency options and margin trading. The currency options are conducted on a back-to-back basis in order to hedge the market risk. The Bank aims to mitigate the losses of potential market fluctuations to a minimum. The financial instruments held or issued by the Bank have highly negative correlation to the fair value fluctuation of hedged products and the effectiveness of hedging is reviewed on a regular basis.

4) Disclosure of net gains (losses) from the transactions

Transaction gains and losses from the derivative transactions are recorded as interest income or expenses, foreign exchange gain or loss and derivatives gain are summarized as follows:

	2004	2003
Interest income	\$ 1,093,459	\$ 618,835
Interest expense	(298,275)	(82,594)
Exchange gain-net	801,461	69,133
Derivative gain-net	95,562	652,803
	<u>\$ 1,692,207</u>	<u>\$ 1,258,177</u>

**(3) Financial instruments with off-balance sheet credit risk**

- 1) The Bank has a large number of credit commitments originated from the loan business and issuance of credit cards. The terms for most of the loans fall within a year with interest rate ranging from 2.375%~ to 12.9%. However, the highest interest rate charged for the credit card receivables is up to 18.25%. In addition, the Bank provides financial guarantees and commercial guarantees, which guarantee performance to the third parties, and their maturity term varies.



- 2) The contract amounts of financial instruments held by the Bank with off-balance sheet credit risk are as follows:

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Financial guarantees and letters of credit	\$ 65,698,758	\$ 71,258,627
Unused loan commitments	35,309,108	23,616,229
Credit commitments for credit cards	80,175,126	67,065,833

- 3) As a guarantor, the Bank's commitments will not be utilized, unless the customers fail to honor the obligations. Hence, the contract amount does not represent future cash outflow, which means that the future cash demand may be less than the contract amount. Assuming that the credit has fully been used and the value of the collateral or other guarantee has impaired, the credit risk is the same as the contract amount, which represents the maximum possible loss to the Bank.
- 4) Prior to providing loan commitments, financial guarantees and commercial letters of credit, the Bank performs strict credit evaluation. Any draw down of the credit is made on the basis of the evaluation results and proper collateral is required according to the Bank's policy. The Bank's collateralized loans accounted for 55.78% of its total loans. Most collateral is in the form of real estate, cash, securities or other assets. The Bank has the right to dispose the collateral in case of default. Credit commitments for credit cards do not require collateral, but the Bank regularly evaluates the cardholder's credit status, and if necessary, will adjust the cardholder's credit limit.

#### 4

- 1) Concentration risk on credits is caused by the financial instruments being significantly exposed to any single customer or a group of counterparties that engage in business activities of similar commercial and economic nature, since the inability to fulfill their contractual obligation during market downturn or other unanticipated situations is also similar. The Bank does not engage in activities that are significantly exposed to any individual customer or counterparty. However, the credit extended to counterparties that represent more than 5% of the Bank's total loans, bills purchased and discounted, and overdue loans are classified below.
- 2) Credit risk-by sector

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Loans (including overdue loans) by sector		
Private enterprises	\$ 383,151,644	\$ 403,942,682
Personal	292,329,405	283,752,764
Government organizations	52,245,867	56,599,094
State-owned corporations	25,088,558	22,774,032
Non-profit organizations	4,227,923	4,931,270
Others	980,000	2,185,000
Offshore entities	91,753,750	90,770,565
	<u>\$ 849,777,147</u>	<u>\$ 864,955,407</u>

	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Loans (including overdue loans) by geographical region		
Asia	\$ 825,672,763	\$ 844,762,282
Europe	384,001	421,315
North America	17,972,356	12,649,221
Central America	5,477,751	6,818,527
Oceania	270,276	304,062
	<u>\$ 849,777,147</u>	<u>\$ 864,955,407</u>

Please refer to Note 9(3) for the Bank's collateral policy. If the counterparty fails to honor the commitments and the collateral is completely worthless, the possible loss incurred is equal to the contract value.

### 3) Assets quality of loans

	December 31, 2004	December 31, 2003
Non-performing loans	\$ 10,759,402	\$ 12,666,724
Overdue loans	13,641,944	13,759,455
Non-performing loan ratio (%)	1.27	1.46
Loans under surveillance	7,837,665	8,623,020
Loans under surveillance/gross loans (%)	0.92	0.99
Reserve for loans and overdue loans	8,038,035	4,939,654
Written-offs for doubtful accounts	4,369,671	39,387,379

note 1: The amount of non-performing loans is calculated in accordance with the stipulations by Tai-Tsai-Jung Ruling No.832292834 dated February 16, 1994 and Tai-Tsai-Jung Ruling No.86656564 dated December 1, 1997.

note 2: Non-performing loans ratio = non-performing loans / (gross loans + overdue loans)

note 3: Loans under surveillance are as follows:

- Middle- and long-term installment loans, where the repayments are more than three months (inclusive) but less than six months overdue;
- Other loans, where principal repayments are less than three months overdue and the interests are more than three months (inclusive) but less than six months overdue; or
- Loans, which meet the criteria of NPLs, but are exempt from the reporting to MOF. This includes:
  - Loans repaid in installments as agreed upon;
  - Loans, which are indemnified by the Credit Guarantee Funds, or secured by sufficient deposits;
  - Loans, related to the rescue program for victims in the earthquake on September 21, 1999 in Taiwan with maturities extended;
  - Loans, of which collaterals have been auctioned and proceeds from the auctions are not yet distributed; and
  - Loans, which are specifically approved by the MOF.

note 4: Written-offs amounts for doubtful account = Accumulated written-offs amounts for doubtful accounts during the period from January 1 to December 31 for the respective year.

### 4) Profile of concentration risk on credits

	December 31, 2004	December 31, 2003
Amounts of credits to related parties	\$ 24,017,620	\$ 28,785,531
Ratio of credits to related parties	2.74%	3.19%
Ratio of credits secured by stock	0.44%	1.38%
Industry concentration (Top 3 industries)		
Manufacturing	24.40%	26.07%
Commerce	17.52%	18.13%
Finance, insurance and real estate	4.08%	4.80%

note : The total credits include bills purchased and import-export negotiations, loans, bills discounted, acceptances receivables and guarantees.

## 5

There is no significant net position in foreign currency transactions as of December 31, 2004 and 2003.



## 6 Assets and liabilities as of January 1, 2004 and January 1, 2003

	January 1, 2004 to December 31, 2004		January 1, 2003 to December 31, 2003	
	Average value (note 1)	Average rate of return (%)	Average value (note 1)	Average rate of return (%)
<b>Assets</b>				
Certificates of deposit	\$ 215,331,161	1.22	\$ 154,247,373	1.42
Due from banks (note 2)	77,511,358	1.49	109,973,438	1.23
Due from Central Bank	45,452,786	1.19	41,254,417	1.54
Marketable and Trading securities	73,309,524	3.26	66,719,978	3.83
Loans, bills purchased and discounted	838,881,748	3.18	802,599,859	3.65
Credit card revolving consumption loans	3,039,566	16.90	2,766,591	18.03
Bonds and securities purchased under resale agreements	61,970	1.10	-	-
Long-term bond investments	49,186,934	1.39	26,864,558	1.24
<b>Liabilities</b>				
Due to Central Bank	\$ 282,513	-	\$ 247,025	-
Due to banks	160,510,487	1.43	162,154,105	1.19
Deposits	1,062,412,455	0.92	1,023,376,891	1.16
Negotiable certificates of deposit	10,093,783	0.91	13,095,347	1.16
Funds borrowed from banks	181,888	0.53	216,362	0.85
Financial bonds payable	57,715,301	3.49	42,730,411	3.82
Payables on bonds and securities under repurchase agreements	24,309,319	0.72	-	-

note 1: The average value of these assets and liabilities is calculated on a daily basis.

note 2: This represents due from banks under "cash and cash equivalents", and call loans to banks under "due from Central Bank and other banks".

## 7 Interest rate sensitivity

	December 31, 2004	December 31, 2003
Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities (%)	88.98	92.57
Ratio of interest-rate-sensitive gap to net worth (%)	(157)	(129.75)

note 1: Interest-rate-sensitive assets and liabilities represent interest-earning assets and interest-bearing liabilities, of which the earnings and costs will fluctuate by the effect of rate changes in the market.

note 2: Ratio of interest-rate-sensitive assets to interest-rate-sensitive liabilities = Interest-rate-sensitive assets / interest-rate-sensitive liabilities (with maturity less than one year)

note 3: Interest-rate-sensitive gap = Interest-rate-sensitive assets – interest-rate-sensitive liabilities

## 8 Net position in major foreign currencies

	December 31, 2004		December 31, 2003	
	Currency (in thousands)	NTD	Currency (in thousands)	NTD
Net position in major foreign currency transactions (Market risk)	USD	\$ 20,245	\$ 59,527	\$ 1,189,213
	CAD	14,315	242,926	1,063,797
	JPY	1,245,704	13,050	342,711
	HKD	83,449	7,331	313,269
	SGD	8,767	7,186	244,310

note 1: The major foreign currencies are the top 5 currencies by position, which is expressed in New Taiwan dollars after exchange rate conversion.

note 2: Net position represents an absolute value of each currency.

## (9) Analysis on profitability and duration of assets and liabilities

### 1) Profitability

	December 31, 2004	December 31, 2003
Return on total assets (%)	0.83	(1.37)
Return on stockholders' equity (%)	19.12	(32.79)
Profit margin ratio (%)	25.19	(40.41)

### 2) Liquidity analysis of assets and liabilities (expressed in thousands of New Taiwan Dollars)

	December 31, 2004					
	Total	0~30 days	31~90 days	91~180 days	181days~1year	Over 1 year
Assets	1,221,768,000	264,086,000	162,988,000	111,260,000	76,086,000	607,348,000
Liabilities	1,293,257,000	198,365,000	196,937,000	184,946,000	297,121,000	415,888,000
Gap	(71,489,000)	65,721,000	(33,949,000)	(73,686,000)	(221,035,000)	191,460,000
Cumulative gap	(71,489,000)	65,721,000	31,772,000	(41,914,000)	(262,949,000)	( 71,489,000)

note: This table represents the assets and liabilities denominated in New Taiwan Dollars and hold by the head office and local branches. Those denominated in foreign currencies are not included.

## (10) Extraordinary items

Director or employee is facing charges brought by prosecutors for violating laws or regulations in business operation in recent year. (note 1)	The employees of Pei Taichung Branch, Mr. Luo, Mr. Huang and Ms. Lee, were convicted of breach of trust in handling 10 credit accounts of Mr. Chen, etc, and sentenced of a specific period in prison. The verdict was confirmed after the appeal was turned down by the Taichung District of Taiwan High Court on November 22, 2004.
A civil fine was imposed by the Financial Supervisory Commission, Executive Yuan, for violating regulations in recent year. (note 2)	None
An instruction for corrective action was issued by the Financial Supervisory Commission, Executive Yuan, for acts of business negligence in recent year.	None
Losses incurred over NT\$50 million individually or in aggregate due to employee fraud, major incident, or damage by the neglect of "Safety Standards set forth in Financial Institutions" in recent year.	None
Others	None

note 1: "Recent year" means the fiscal year audited.

note 2: It represents that the fine is imposed by the Bureau of Monetary Affairs, the Securities and Futures Bureau or the Insurance Bureau, Financial Supervisory Commission, Executive Yuan.

## (11) Capital adequacy ratio (expressed in thousands of New Taiwan dollars, %)

	December 31, 2004	December 31, 2003
1. Tier one capital	65,022,068	55,184,195
2. Tier two capital	31,101,798	35,513,190
3. Tier three capital	-	
4. Subtraction of capital	(10,182,592)	(11,239,278)
Net eligible capital (1 2 3 4)	85,941,274	79,458,107
Total risk-weighted assets	828,624,622	886,846,219
Capital adequacy ratio (%)	10.37	8.96
Ratio of debt to net worth (%)	2,062.46	2,396.82

note: Capital adequacy ratio = net eligible capital / total risk-weighted assets. Capital adequacy ratio is computed at end of June and of December, respectively in accordance with the Banking Law, No. 44, and the regulation of Tai-Tsai-Jung Ruling No.0090345106 dated Oct. 16, 2001. In disclosure of the 1st or 3rd quarter financial report, the capital adequacy ratio applied is the latest one computed in June or in December. A note to it is needed.



## 12      ati      a al sis      assets a      liabilities

	December 31, 2004				
	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
<b>Assets</b>					
Certificates of deposit	\$201,800,119	\$ 37,051,008	\$ 2,000,000	\$ 158,833	\$ 241,009,960
Due from banks (note)	78,051,958	13,564,936	825,968	-	92,442,862
Marketable and trading securities	6,771,519	4,687,063	8,483,280	51,327,385	71,269,247
Due from Central Bank	22,806,042	28,444,000	-	1,800,000	53,050,042
Loans, bills purchased and discounted, and overdue-net	227,161,898	71,571,976	75,879,912	475,163,361	849,777,147
Long-term bond investments	130,806	288,283	3,077,968	47,969,052	51,466,109
Total	<u>\$536,722,342</u>	<u>\$155,607,266</u>	<u>\$ 90,267,128</u>	<u>\$576,418,631</u>	<u>\$1,359,015,367</u>
<b>Liabilities</b>					
Due to Central Bank	\$ 187,913	\$ -	\$ -	\$ -	\$ 187,913
Due to banks	91,299,552	8,259,680	2,001,384	381,216	101,941,832
Deposits and remittances	421,862,524	185,115,008	302,310,728	233,948,912	1,143,237,172
Negotiable certificates of deposit	3,432,100	2,126,000	3,389,000	624,000	9,571,100
Financial bonds payable	-	-	-	59,300,000	59,300,000
Funds borrowed from Central Bank and other banks	194,541	-	-	-	194,541
Payables on bonds and securities under repurchase agreements	14,823,882	2,222,387	1,350,792	-	18,397,061
Total	<u>\$531,800,512</u>	<u>\$197,723,075</u>	<u>\$ 309,051,904</u>	<u>\$294,254,128</u>	<u>\$1,332,829,619</u>
	December 31, 2003				
	1~90 days	91~180 days	181 days~1 year	Over 1 year	Total
<b>Assets</b>					
Certificates of deposit	\$ 48,851,000	\$ 53,859,000	\$ 70,306,000	\$ 24,800,628	\$ 197,816,628
Due from banks (note)	75,165,299	20,602,788	237,986	645,962	96,652,035
Marketable and trading securities	6,888,051	4,044,828	5,514,572	57,289,353	73,736,804
Due from Central Bank	21,925,919	27,316,000	-	1,200,000	50,441,919
Loans, bills purchased and discounted, and overdue-net	240,650,172	78,209,104	82,106,444	463,989,687	864,955,407
Long-term bond investments	-	172,188	-	44,664,455	44,836,643
Total	<u>\$393,480,441</u>	<u>\$184,203,908</u>	<u>\$ 158,165,002</u>	<u>\$592,590,085</u>	<u>\$1,328,439,436</u>
<b>Liabilities</b>					
Due to Central Bank	\$ 185,514	\$ -	\$ -	\$ -	\$ 185,514
Due to banks	106,964,844	16,387,036	-	611,964	123,963,844
Deposits and remittances	402,466,394	188,713,302	308,486,390	227,307,952	1,126,974,038
Negotiable certificates of deposit	3,730,200	2,191,000	3,590,000	667,000	10,178,200
Financial bonds payable	-	-	-	55,300,000	55,300,000
Funds borrowed from Central Bank and other banks	176,965	-	-	-	176,965
Total	<u>\$513,523,917</u>	<u>\$207,291,338</u>	<u>\$ 312,076,390</u>	<u>\$283,886,916</u>	<u>\$1,316,778,561</u>

note The amount includes due from other banks under cash and cash equivalents and call loans to banks under due from Central Bank and banks

## 10. Supplementary Disclosures

### (1) Significant transactions

- 1) Buying or selling stocks of a single investee company in the aggregate amount of exceeding NT\$300 million or over 10% of the Bank's paid up capital: None.
- 2) Acquiring real estate with the value of exceeding NT\$300 million or over 10% of the Bank's paid up capital: None.
- 3) Disposing real estate with the value of exceeding NT\$300 million or over 10% of the Bank's paid up capital: None.
- 4) More than NT\$5 million of brokerage fees discounted on the transactions with the related parties: None.
- 5) Accounts receivable of exceeding NT\$300 million or over 10% of the Bank's paid up capital, resulting from the deals with the related parties: Except those mentioned in Note4, no subject transaction was found.
- 6) Disposing non-performing loans for more than NT\$5 billion: None.
- 7) Other significant transactions that may affect the users of the financial reports to make a decision: None.

### (2) Supplementary disclosures regarding investee companies

- 1) Information on investee companies:

Investees	The investment cost		At period-end			Net income of the investees	Investment gain (loss)
	Ending bal.	Opening bal.	Shares (in thousands)	% of holding	Book value		
First Commercial Bank (USA)	\$810,000	\$810,000	3,000	100.00	\$1,193,733	\$88,774	\$88,774
First Insurance Agency Co., Ltd.	50,000	50,000	5,000	99.99	197,970	142,690	142,690
FCB Leasing Co., Ltd.	499,850	499,850	49,985	99.97	604,209	48,795	48,781
East-Asia Real Estate Management Co., Ltd.	15,000	15,000	1,500	30.00	8,740	1,373	412
Franklin Templeton First Taiwan Securities Investment Trust Ent.	-	150,000	-	-	-	-	(10,000)

note: None of the above investee companies have more than 10% of the Bank's assets and revenues.

- 2) Funds to others:

- First Commercial Bank (USA): It belongs to the banking sector and the business operating is governed by the Banking Law.
- The remaining investees: None.

- 3) Acting as guarantor for others:

- First Commercial Bank (USA): It belongs to the banking sector and the business operating is governed by the Banking Law.
- The remaining investees: None.

- 4) Securities held at period-end:

- First Commercial Bank (USA): It belongs to the banking sector and the business operating is governed by the Banking Law.
- The remaining investees: See the details below.

Investor	Investee company	Type of securities	Relationship	Account recognized	Shares	Book value	% of holding	Market value
FCB Leasing Co., Ltd.	FCBL Capital Int'l (B.V.I.) Ltd.	Stock	An investee under equity method	Long-term investment	50,000	49,724	100	-

note 1: The market value is unavailable because the shares invested are not publicly traded.

note 2: The shares invested are not pledged or offered as collaterals.



5) Buying or selling stocks of a single investee company in the aggregate amount of exceeding NT\$ 300 million or over 10% of the Bank's paid up capital:

- First Commercial Bank (USA): It belongs to the banking sector and the business operating is governed by the Banking Law.
- The remaining investees: None.

6) Information on derivatives: None.

**(3) Investment in People's Republic of China: None.**

## **11. Segmental financial information**

### **(1) Industrial information**

The Bank engages in banking business only. The disclosure of industrial information is not required.

### **(2) Geographical information**

The revenues and tangible assets of the Bank's foreign branches represented less than 10% of those of the Bank's for the years ended December 31, 2004 and 2003 respectively. The disclosure of geographical information is not required.

### **(3) Revenue from exporting**

Revenue from transactions in exports handled by domestic operating units with customers accounted for less than 10% of the Bank's total operating revenue in 2004 and 2003, respectively.

### **(4) Major customer Information**

The Bank doesn't have any single customer, which contributes to the Bank's revenues of more than 10% in 2004 and 2003, respectively.

# Domestic Offices Appointed to Conduct International Business

## International Business Division

3&4 Fl. 30, Chung King S. Rd., Sec. 1, Taipei 100-05, Taiwan  
Tel: (02)2348-1111  
SWIFT: FCBKWTWP  
Telex: 11310 FIRSTBK

## Offshore Banking Branch

5Fl. 30, Chung King S. Rd., Sec. 1, Taipei 100-05, Taiwan  
Tel: (02)2348-1111  
SWIFT: FCBKWTPOBU  
Telex: 24472 FIRSTBK

## Business Department

1&2 Fl. 30, Chung King S. Rd., Sec. 1, Taipei 100-05, Taiwan  
Tel: (02)2348-1111

## An-Ho Branch

184, Hsin-Yi Rd., Sec.4, Taipei 106, Taiwan  
Tel:(02)2325-6000

## Chang-Chun Branch

169, Fu Hsin N. Rd., Taipei 105, Taiwan  
Tel: (02)2719-2132

## Chang-Hua Branch

48, Ho-Ping Rd., Chang Hua City, Chang Hua Hsien 500, Taiwan  
Tel: (04)723-2161

## Chang-Tai Branch

99, Chung Hsin Rd., Sec.2, San Chung City,  
Taipei Hsien 241, Taiwan  
Tel: (02)2988-4433

## Cheng-Tung Branch

103, Nanking E. Rd., Sec. 3, Taipei 104, Taiwan  
Tel: (02)2506-2881

## Chi-Cheng Branch

508, Chung Cheng Rd., Hsin Tien City 231, Taiwan  
Tel: (02)2218-4651

## Chia-Yi Branch

307, Chung Shan Rd., Chia Yi City 600, Taiwan  
Tel: (05)227-2110

## Chien-Cheng Branch

40, Cheng Teh Rd., Sec. 1, Taipei 102, Taiwan  
Tel: (02)2555-6231

## Chien-Kuo Branch

161, Min Sheng E. Rd., Sec. 2, Taipei 104, Taiwan  
Tel: (02)2506-0110

## Chu-Ko Branch

273, Kwang Fu Rd., Sec. 1, Hsin-Chu 300, Taiwan  
Tel: (03)563-7111

## Chung-Ho Branch

152, Chung Shan Rd., Sec. 2, Chung Ho City,  
Taipei Hsien 235, Taiwan  
Tel: (02)2249-5011

## Chung-Hsiao-Road Branch

94, Chung Hsiao E. Rd., Sec. 2, Taipei 100, Taiwan  
Tel: (02)2341-6111

## Chung-Kang Branch

60-7, Taichung Kang Rd., Sec. 2. Taichung 407, Taiwan  
Tel: (04)2313-6111

## Chung-Li Branch

146, Chung Cheng Rd., Chung Li City, Tao Yuan Hsien 320,  
Taiwan  
Tel: (03)422-5111

## Chung-Lun Branch

188, Nanking E. Rd., Sec. 5, Taipei 105, Taiwan  
Tel: (02)2760-6969

## Chung-Shan Branch

61, Chung Shan N. Rd., Sec. 2, Taipei 104, Taiwan  
Tel: (02)2521-1111

## Feng-Yuan Branch

423, Chung Shan Rd., Feng Yuan City, Taichung Hsien 420,  
Taiwan  
Tel: (04)2522-5111

## Fu-Hsing Branch

36-10, Fu Hsing S. Rd., Sec. 1, Taipei 104, Taiwan  
Tel: (02)2772-2345

## Hsi-Chih Branch

280, Ta Tung Rd., Sec. 1, Hsi Chih City,  
Taipei Hsien 221, Taiwan  
Tel:(02)2647-1688

## Hsin-Chu Branch

3, Ing Ming St., Hsin Chu 300  
P.O. Box 30, Hsin Chu, Taiwan  
Tel: (03)522-6111  
SWIFT: FCBKWTWP301

## Hsin-Chuang Branch

316, Chung Cheng Rd., Hsin Chuang City, Taipei Hsien 243,  
Taiwan  
Tel: (02)2992-9001

## Hsin-Hsing Branch

17, Chung Cheng 4th Rd., Kaohsiung 800, Taiwan  
Tel: (07)271-9111

## Hsin-Tien Branch

134, Chung Hsing Rd., Sec. 3, Hsin-Tien City, Taipei Hsien 231,  
Taiwan  
Tel: (02)2918-1835

## Hsin-Wei Branch

368, Fu Hsin S. Rd., Sec. 1, Taipei 106, Taiwan  
Tel: (02)2755-7241

## Hsin-Yi Branch

168-170, Hsin Yi Rd., Sec. 2, Taipei 106, Taiwan  
Tel: (02)2321-6811

## Jen-Ho Branch

376, Jen Ai Rd., Sec. 4, Taipei 106, Taiwan  
Tel: (02)2755-6556

## Kaohsiung Branch

28, Min Chuan 1st Rd., Kaohsiung 802  
P.O.Box 16, Kaohsiung, Taiwan  
Tel: (07)335-0811  
SWIFT: FCBKWTWP701  
Telex: 81936, 72470 FBTKAO

## Keelung Branch

103, Hsiao 3rd Rd., Keelung 200, Taiwan  
Tel: (02)2427-9121



**Ku-Ting Branch**

95, Roosevelt Rd., Sec. 2, Taipei 106, Taiwan  
Tel: (02)2369-5222

**Kwang-Fu Branch**

16, Kwang Fu N. Rd., Taipei 105, Taiwan  
Tel: (02)2577-3323

**Li-Shan Branch**

388, Nei-Hu Rd., Sec. 1, Taipei 114, Taiwan  
Tel: (02)8797-8711

**Ling-Ya Branch**

61, Wu Fu 3rd Rd., Kaohsiung 801, Taiwan  
Tel: (07)282-2111

**Lu-Kang Branch**

301, Chung Shan Rd., Lu-Kang, Chang Hua Hsien 505, Taiwan  
Tel: (04)777-2111

**Min-Chuan Branch**

365, Fu Hsin N. Rd., Taipei 105, Taiwan  
Tel: (02)2719-2009

**Min-Sheng Branch**

134, Min Sheng E. Rd., Sec. 3, Taipei 105, Taiwan  
Tel: (02)2713-8512

**Nan-Taichung Branch**

35, Fu Hsin Rd., Sec. 4, Taichung 401, Taiwan  
Tel: (04)2223-1111

**Nanking-East-Road Branch**

125, Nanking E. Rd., Sec. 2, Taipei 104, Taiwan  
Tel: (02)2506-2111

**Nei-Hu Branch**

183, Cheng Kung Rd., Sec. 3, Taipei 114, Taiwan  
Tel: (02)2793-2311

**Pa-Teh Branch**

3, Tun Hua S. Rd., Sec. 1, Taipei 105, Taiwan  
Tel: (02)2579-3616

**Pan-Chiao Branch**

107, Szu Chuan Rd., Sec. 1, Pan Chiao City, Taipei Hsien 220, Taiwan  
Tel: (02)2961-5171

**Pei-Tun Branch**

696, Wen Hsin Rd., Sec. 4, Taichung 406, Taiwan  
Tel: (04)2236-6111

**Ping-Tung Branch**

308, Ming Sheng Rd., Ping Tung City, Ping Tung Hsien 900, Taiwan  
Tel: (08)732-5111

**Sha-Lu Branch**

355, Chung Shan Rd., Sha Lu, Taichung Hsien 433, Taiwan  
Tel: (04)2662-1331

**Shih-Lin Branch**

458, Chung Cheng Rd., Taipei 111, Taiwan  
Tel: (02)2837-0011

**Shih-Mao Branch**

65, Tun Hua S. Rd., Sec. 2, Taipei 106, Taiwan  
Tel: (02)2784-9811

**Sung-Chiang Branch**

309, Sung Chiang Rd., Taipei 104, Taiwan  
Tel: (02)2501-7171

**Sung-Shan Branch**

760, Pa-Teh Road, Sec. 4, Taipei 105, Taiwan  
Tel: (02)2767-4111

**Ta-An Branch**

390, Hsin Yi Rd., Sec. 4, Taipei 106, Taiwan  
Tel: (02)2703-6111

**Ta-Chia Branch**

363, Shun Tien Rd., Ta Chia, Taichung Hsien 437, Taiwan  
Tel: (04)2688-2981

**Ta-Tao-Cheng Branch**

63, Ti Hua St., Sec. 1, Taipei 103, Taiwan  
Tel: (02)2555-3711

**Ta-Tung Branch**

56, Chung King N. Rd., Sec. 3, Taipei 103, Taiwan  
Tel: (02)2591-3251

**Taichung Branch**

144, Tzu Yu Rd., Sec. 1, Taichung 403  
P.O.Box 7, Taichung, Taiwan  
Tel: (04)2223-3611  
SWIFT: FCBKWTWP401  
Telex: 51172 FIRST

**Tainan Branch**

82, Chung Yi Rd., Sec. 2, Tainan 700  
P.O.Box 10, Tainan, Taiwan  
Tel: (06)222-4131  
SWIFT: FCBKWTWP601  
Telex: 71362 FIRSTBK

**Tao-Yuan Branch**

55, Min Tsu Rd., Tao Yuan City, Tao Yuan Hsien 330, Taiwan  
Tel: (03)332-6111

**Tun-Hua Branch**

267, Tun Hua S. Rd., Sec. 2, Taipei 106, Taiwan  
Tel: (02)2736-2711

**Tung-Men Branch**

216, Tung Men St., Hsin Chu 300, Taiwan  
Tel: (03)524-9211

**Yen-Chi Branch**

289, Chung Hsiao E. Rd., Sec. 4, Taipei 106, Taiwan  
Tel: (02)2731-5741

**Yuan-Lin Branch**

26, Yu-Ying Rd., Yuan Lin, Chang Hua Hsien 510, Taiwan  
Tel: (04)832-8811

**Yuan-Shan Branch**

53, Min Chuan W. Rd., Taipei 104, Taiwan  
Tel: (02)2597-9234

**Yun-Ho Branch**

161, Chung Cheng Rd., Tainan 700, Taiwan  
Tel: (06)223-1141

**Yung-Chun Branch**

400, Chung Hsiao E. Rd., Sec. 5, Taipei 110, Taiwan  
Tel: (02)2720-8696

## Domestic Offices and Locations

Name of office	Location
* Business Department.....	Taipei
* OBU.....	Taipei
* An-Ho.....	Taipei
Chang-An.....	Taipei
* Chang-Chun.....	Taipei
* Cheng-Tung.....	Taipei
* Chien-Cheng.....	Taipei
* Chien-Kuo.....	Taipei
Chi-Lin.....	Taipei
Ching-Mei.....	Taipei
* Chung-Hsiao-Road.....	Taipei
* Chung-Lun.....	Taipei
* Chung-Shan.....	Taipei
* Fu-Hsing.....	Taipei
Hsi-Men.....	Taipei
* Hsin-Wei.....	Taipei
Hsin-Ya.....	Taipei
* Hsin-Yi.....	Taipei
Jen-Ai.....	Taipei
* Jen-Ho.....	Taipei
Kang-Chian.....	Taipei
* Ku-Ting.....	Taipei
* Kwang-Fu.....	Taipei
* Li-Shan.....	Taipei
* Min-Chuan.....	Taipei
* Min-Sheng.....	Taipei
Mu-Cha.....	Taipei
Nan-Kang.....	Taipei
* Nanking-East-Road.....	Taipei
Nan-Men.....	Taipei
* Nei-Hu.....	Taipei
* Pa-Teh.....	Taipei
Pei-Tou.....	Taipei
* Shih-Lin.....	Taipei
* Shih-Mao.....	Taipei
Shuang-Yuan.....	Taipei
* Sung-Chiang.....	Taipei
* Sung-Shan.....	Taipei
Sung-Mao.....	Taipei
* Ta-An.....	Taipei
Ta-Chih.....	Taipei
* Ta-Tao-Cheng.....	Taipei
* Ta-Tung.....	Taipei
Tien-Mu.....	Taipei
* Tun-Hua.....	Taipei
Tung-Hu.....	Taipei
Wan-Hua.....	Taipei
Wan-Lung.....	Taipei
* Yen-Chi.....	Taipei
* Yuan-Shan.....	Taipei
* Yung-Chun.....	Taipei
* Chung-Ho.....	Chungho, Taipei
Lien-Cheng.....	Chungho, Taipei
* Hsi-Chih.....	Hsichih, Taipei
Dan-Feng.....	Hsinchuang, Taipei
* Hsin-Chuang.....	Hsinchuang, Taipei
Tou-Chien.....	Hsinchuang, Taipei
* Chi-Cheng.....	Hsintien, Taipei
* Hsin-Tien.....	Hsintien, Taipei
Lu-Chou.....	Luchou, Taipei
Hua-Chiang.....	Panchiao, Taipei
* Pan-Chiao.....	Panchiao, Taipei

Name of office	Location
Pu-Chain.....	Panchiao, Taipei
* Chang-Tai.....	Sanchung, Taipei
Chung-Yang.....	Sanchung, Taipei
San-Chung-Pu.....	Sanchung, Taipei
Shu-Lin.....	Shulin, Taipei
Tai-San.....	Taisan, Taipei
Tu-Cheng.....	Tucheng, Taipei
Wu-Ku.....	Wuku, Taipei
Wu-Ku Ind. Zone.....	Wuku, Taipei
Ying-Ko.....	Yingko, Taipei
Shuang-Ho.....	Yunggho, Taipei
Yung-Ho.....	Yunggho, Taipei
* Keelung.....	Keelung
Sao-Chuan-Tou.....	Keelung
Tsao-Tien-Wei.....	Keelung
I-Lan.....	I Lan
Lo-Tung.....	Lotung, I Lan
Su-Ao.....	Suao, I Lan
Pei-Tao.....	Taoyuan
* Tao-Yuan.....	Taoyuan
* Chung-Li.....	Chungli, Taoyuan
Hsi-Li.....	Chungli, Taoyuan
Nei-Li.....	Chungli, Taoyuan
Ping-Cheng.....	Chungli, Taoyuan
Nan-Kan.....	Luchu, Taoyuan
Lung-Tan.....	Lungtan, Taoyuan
Ta-Nan.....	Pateh, Taoyuan
Ta-Hsi.....	Tahsi, Taoyuan
Ta-Yuan.....	Tayuan, Taoyuan
* Chu-Ko.....	Hsinchu
Chu-Pei.....	Hsinchu
Chu-Tung.....	Hsinchu
* Hsin-Chu.....	Hsinchu
Kuan-Hsi.....	Hsinchu
* Tung-Men.....	Hsinchu
Chu-Nan.....	Miaoli
Miao-Li.....	Miaoli
Tou-Fen.....	Miaoli
Ching-Shui.....	Taichung
* Chung-Kang.....	Taichung
* Feng-Yuan.....	Taichung
* Nan-Taichung.....	Taichung
Nan-Yang.....	Taichung
Pei-Taichung.....	Taichung
* Pei-Tun.....	Taichung
* Sha-Lu.....	Taichung
* Ta-Chia.....	Taichung
Ta-Li.....	Taichung
Ta-Ya.....	Taichung
* Taichung.....	Taichung
Tai-Ping.....	Taichung
Tung-Shih.....	Taichung
Nan-Tou.....	Nantou
Pu-Li.....	Nantou
Tsao-Tun.....	Nantou
* Chang-Hua.....	Changhua
Ho-Mei.....	Changhua
Hsi-Hu.....	Changhua
* Lu-Kang.....	Changhua
Pei-Dou.....	Changhua
* Yuan-Lin.....	Changhua
* Chia-Yi.....	Chiayi

Name of office	Location
Hsin-Hsi.....	Chiayi
Hsing-Chia.....	Chiayi
Pu-Tzu.....	Chiayi
Hsi-Lo.....	Yunlin
Hu-Wei.....	Yunlin
Dou-Liu.....	Yunlin
Dou-Nan.....	Yunlin
Pei-Kang.....	Yunlin
An-Nan.....	Tainan
Chi-Ku.....	Tainan
Chia-Li.....	Tainan
Chih-Kan.....	Tainan
Chin-Cheng.....	Tainan
Chu-Hsi.....	Tainan
Fu-Chiang.....	Tainan
Hsin-Hua.....	Tainan
Hsin-Ying.....	Tainan
Kuei-Jen.....	Tainan
Ma-Tou.....	Tainan
Nan-Hsi.....	Tainan
Nan-Science-Park.....	Tainan
Shan-Hua.....	Tainan
Shyue-Chia.....	Tainan
* Tainan.....	Tainan
Ta-Wan.....	Tainan
Yen-Shui.....	Tainan
* Yun-Ho.....	Tainan
Chi-Hsien.....	Kaohsiung
Chi-Shan.....	Kaohsiung
Chien-Cheng.....	Kaohsiung
Ching-Lien.....	Kaohsiung
Ding-Tai.....	Kaohsiung
Feng-Shan.....	Kaohsiung
Hsiao-Kang.....	Kaohsiung
* Hsin-Hsing.....	Kaohsiung
Kang-Shan.....	Kaohsiung
* Kaohsiung.....	Kaohsiung
Lin-Yuan.....	Kaohsiung
* Ling-Ya.....	Kaohsiung
Lu-Chu.....	Kaohsiung
Nan-Tzu.....	Kaohsiung
Shih-Chuan.....	Kaohsiung
Po-Ai.....	Kaohsiung
San-Min.....	Kaohsiung
Tso-Ying.....	Kaohsiung
Tz-Beng.....	Kaohsiung
Wan-Nei.....	Kaohsiung
Wu-Chia.....	Kaohsiung
Wu-Fu.....	Kaohsiung
Yen-Cheng.....	Kaohsiung
Chao-Chou.....	Pingtung
Chang-Chih.....	Pingtung
Heng-Chun.....	Pingtung
* Ping-Tung.....	Pingtung
Wan-Luan.....	Pingtung
Tung-Kang.....	Pingtung
Hua-Lien.....	Hualien
Tai-Tung.....	Taitung
Peng-Hu.....	Penghu

\* Office appointed to conduct international business



# Business Network



## Overseas Branches

### ■ El Salvador Branch

63a Av. Sur Y Alameda Roosevelt  
Lobby 2-3 CTRO Financiero Gigante  
San Salvador, El Salvador, C.A.  
Tel: 503-211-2121  
Fax: 503-211-2130

### ■ Guam Branch

330, Hernan Cortes Ave.  
Hagatna, Guam 96910 U.S.A.  
P.O.Box 2461, Hagatna 96932, Guam  
Tel: 1-671-472-6864/5  
Fax: 1-671-477-8921

### ■ Ho Chi Minh City Branch

2 Fl., 88, Dong Khoi Street, District 1  
Ho Chi Minh City, Vietnam  
Tel: 84-8-823-8111  
Fax: 84-8-822-1747

### ■ Hong Kong Branch

The Hong Kong Club Building, 7/F  
3A, Chater Road, Central, Hong Kong  
Tel: 852-2868-9008  
Fax: 852-2526-2900

### ■ London Branch

Bowman House, 29, Wilson Street  
London EC2M 2SJ, U.K.  
Tel: 44-20-7417-0000  
Fax: 44-20-7417-0011

### ■ Los Angeles Branch

515, South Flower St., Suite 1050  
Los Angeles, CA 90071, U.S.A.  
Tel: 1-213-362-0200  
Fax: 1-213-362-0244

### ■ New York Agency

750, Third Avenue, 34 Floor  
New York, N.Y. 10017, U.S.A.  
Tel: 1-212-599-6868  
Fax: 1-212-599-6133

### ■ Palau Branch

P.O.Box 1605, P.D.C. Building,  
MADALAI  
Koror, Palau 96940  
Tel: 680-488-6297  
Fax: 680-488-6295

### ■ Phnom Penh Branch

263, Ang Duong Street  
Phnom Penh, Cambodia  
Tel: 855-23-210-026  
Fax: 855-23-210-029

### ■ Singapore Branch

#01-02 ONG Building  
76, Shenton Way  
Singapore 079119  
Tel: 65-6221-5755  
Fax: 65-6225-1905

### ■ Tokyo Branch

AIG Building, 13 Floor  
1-3 Marunouchi, 1-Chome, Chiyoda-Ku  
Tokyo 100-0005, Japan  
Tel: 81-3-3213-2588  
Fax: 81-3-3213-5377

### ■ Vancouver Branch

Suite 100-5611, Cooney Road  
Richmond, B.C. V6X 3J6, Canada  
Tel: 1-604-207-9600  
Fax: 1-604-207-9638

## Overseas Representative Offices

### ■ Bangkok Representative Office

Sathorn City Tower, 9 Floor  
175, South Sathorn Road  
Tungmahamek, Sathorn  
Bangkok 10120, Thailand  
Tel: 66-2-679-5291  
Fax: 66-2-679-5295

### ■ Hanoi Representative Office

198, Tran Quang Khai, 15 Fl., Suite 1507  
Hanoi, Vietnam  
Tel: 84-4-936-2111  
Fax: 84-4-936-2112

### ■ Shanghai Representative Office

Jhong Bao Building, 11 Fl., Unit 05-07  
166, Pudong Lu Jia Zui East Road  
Shanghai 200120, China  
Tel: 86-21-6888-6868  
Fax: 86-21-6888-6363

## Subsidiary

### First Commercial Bank (USA)

#### ■ Main Office

200 E. Main Street  
Alhambra, CA 91801, U.S.A.  
Tel: 1-626-300-6000  
Fax: 1-626-300-5972

#### ■ City of Industry Branch

18725 E. Gale Ave. #150  
City of Industry, CA 91748, U.S.A.  
Tel: 1-626-964-1888  
Fax: 1-626-964-0066

#### ■ Silicon Valley Branch

1141 S. De Anza Blvd.  
San Jose, CA 95129, U.S.A.  
Tel: 1-408-253-4666  
Fax: 1-408-253-4672

#### ■ Irvine Branch

4250, Barranca Parkway, Suite E  
Irvine, CA 92604, U.S.A.  
Tel: 1-949-654-2888  
Fax: 1-949-654-2899

#### ■ Arcadia Branch

1309 S. Baldwin Ave.  
Arcadia, CA 91007, U.S.A.  
Tel: 1-626-254-1828  
Fax: 1-626-254-1883

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