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Highlights

| (In millions) | 12.31.2003 NTD | 12.31.2002 NTD | 12.31.2003 USD |
|---|-------------------------------|-------------------------------|-------------------|
| Major financial data at year end | | | |
| Total assets | 1,445,688 | 1,309,866 | 42,523 |
| Loans, bills purchased and discounted | 853,012 | 815,405 | 25,090 |
| Deposits and remittances | 1,137,152 | 1,082,496 | 33,448 |
| Common stock | 46,216 | 38,216 | 1,359 |
| Stockholders' equity | 57,901 | 57,285 | 1,703 |
| Operating results | | | |
| Total revenue | 48,259 | 54,032 | 1,420 |
| Total expenses | 67,144 | 86,533 | 1,975 |
| Pre-tax loss | (18,885) | (32,501) | (555) |
| Income tax benefit | 5,578 | 7,777 | 164 |
| Net loss | (13,307) | (24,724) | (391) |
| Capital adequacy ratio | | | |
| BIS capital ratio | 8.96% | 8.99% | |
| World rank | | | |
| The Banker - by tier 1 capital (12/02) | 214 | 147 | |
| The Banker - by total assets (12/02) | 183 | 169 | |
| Distribution network | | | |
| Domestic full/mini/sub-branches | 173/6/13 | 170/6/13 | |
| Domestic securities brokerages | 0 | 16 | |
| Overseas branches/rep. offices/OBU | 12/3/1 | 12/2/1 | |
| First Commercial Bank (USA) | 1 main office & 3 branches | 1 main office & 3 branches | |
| Number of employees | 6,742 | 6,732 | |

*NT\$33.998: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 Hsin-Kao 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 Company established

Message to Our Shareholders

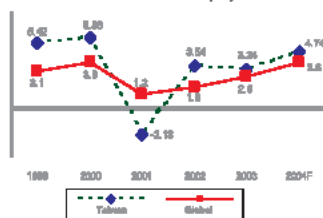


Steve S.F. Shieh
Chairman of the Board

***"Managing productive change,
so as to establish
unique market strength"***

Looking back over the first half of 2003, economic performance in Taiwan and throughout the world was generally subjected to restraining pressure by the impact of the SARS epidemic and the U.S.-Iraq war. However, thanks to the leading resurgence of the American economy in the second half of 2003, global economic recovery strengthened which brought on a boom in Taiwan's exports, the main force in the island's economic rebound.

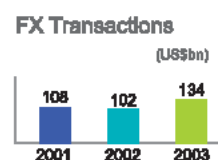
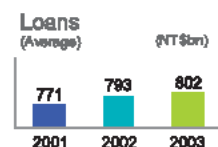
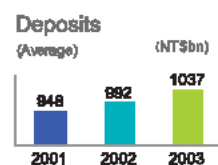
Economic Growth Rate (%)



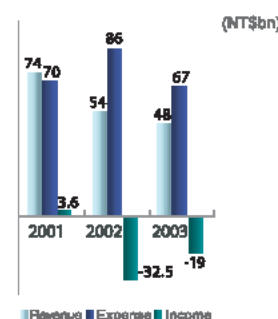
The recovery of the global economy continued into 2004, and Taiwan's exports kept on booming. This factor, plus a robust domestic demand, a upturn in the stock and real estate markets, and a steady improvement in employment, contributed to a rise in the domestic economic growth rate. According to preliminary statistics from the Executive Yuan's Directorate General of Budget, Accounting and Statistics, economic growth for 2004 will reach 4.74%, an improvement over the 3.24% expansion achieved in 2003.

Thanks to the support and care of you, our shareholders and customers, plus the concerted efforts of all our staff, the Bank has maintained appropriate achievements in all businesses in 2003. With the domestic economic environment bottoming out and turning upward again, we look forward to positive operating prospects. The Bank's operating conditions and major business measures for 2003, and business plans for 2004, are briefly described below.

- The average amount of deposits throughout 2003 was NT\$1,036,500 million, for a target achievement ratio of 101.12%, and an increase of NT\$44,000 million or 4.43% over 2002.
- The average amount of loans outstanding during the year was NT\$801,700 million, amounting to 95.44% of the target; this was an increase of NT\$8,900 million over 2002, for a growth of 1.13%.
- Foreign exchange transactions carried out during 2003 totaled US\$133,700 million, for a target achievement ratio of 118.12%; this was an improvement of US\$31,800 million over the previous year, for a growth of 31.26%.
- The sales of mutual funds, including domestic and off-shore funds, as well as foreign securities, totaled NT\$207,700 million, achieving 120.76% of the year's target. It was an increase of NT\$54,800 million or a growth of 35.84% over previous year.
- At the end of 2003, the custodian funds (including discretionary investment services custody) recorded a balance of NT\$418,000 million, achieving a target ratio of 104.48%. This represented an increase of NT\$80,400 million or a growth of 23.80% over 2002.
- Handling of securities brokerage in 2003 amounted to NT\$190,300 million, which represented 67.96% of the year's target, and a decrease of NT\$28,400 million or a decline of 13.00% over 2002.
- Total revenue and expenses for 2003 amounted to NT\$48,200 million and NT\$67,100 million respectively, leaving a pre-tax loss of NT\$18,900 million. With an income tax benefit of NT\$5,600 million, the Bank was left with a post-tax loss of NT\$13,300 million or NT\$3.32 per share.



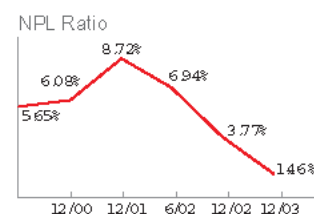
**Total Revenue and Expenses
Pre-tax Income / Loss**



Reducing NPL Ratio and Strengthening Risk Management

In order to speed up disposal of non-performing loans and reinforce the Bank's operating structure for a better loans quality, the allocation of reserves for bad loans and the writing-off of bad loans were increased in 2003. This led to a loss in the Bank's operations for the year, but NPL ratio was therefore reduced from 3.77% at the end of 2002 to just 1.46% at the end of 2003, far below the industry's average NPL ratio of 4.33% published by the Ministry of Finance.

The Bank worked vigorously to build up an overall risk management system and established a Risk Management Department and Risk Management Committee with the aim of assuring the quality of assets while pursuing business and profit growth, thereby creating even better operating results and advancing the interests of shareholders.



Capital Increase and Issuance of Debentures

To reinforce its financial structure, enhance its capital adequacy ratio, and build up its operating funds, the Bank carried out a capital increase via cash injection of NT\$14,000 million (with 800 million new shares, a par value of NT\$10 each, issued at a premium price of NT\$17.5). This boosted the Bank's capital from NT\$38,216 million to NT\$46,216 million. The Bank issued NT\$6,500 million worth of subordinate debentures during 2003. To upgrade the performance of its financial operations, the Bank also issued NT\$18,300 million worth of senior debentures. The total of these issuances reached to NT\$24,800 million. As of the end of 2003, the outstanding senior and subordinate debentures in accumulation amounted to NT\$55,300 million.

Establishing and Relocating Branch Network

In Taiwan, during 2003 the Bank moved and re-established the Pei-Dou, Lin-Yuan, Nan-Yang, and Wu-Ku Industrial Zone branches. On December 1, 2003 the business of sixteen securities brokerages was turned over to a sister company--First Taisec Securities Inc. Overseas, Ho Chi Minh City Branch, Shanghai Representative Office, and Hanoi Representative Office were established successively.

Research and Development

In the area of business performance, the Bank inaugurated "ChIn Hao Yung time, fixed amount account transfer", "B2B online receivables financing", "supplier loans", "home stay loans", "micro-business financing", "Lady First cash cards", "loans for court-auctioned houses", "regular savings plan with variable amount", and "deposit linked products". It also introduced "First Class Platinum Card" and "I-First Card"; issued "Shiseido co-branded card", "Chengchi University affinity card", and "First Financial Group employees' card"; and completed installation of a wealth management banking system to provide exclusive services for VIP customers.



Launching a number of new products for Consumer Banking

Business Plans for 2004

We aim to achieve a budget target as follows for the year ahead:

- Deposits: NT\$1,085 billion
- Loans: NT\$865 billion
- Foreign exchange transactions: US\$125 billion
- Revenues: NT\$51 billion
- Expenses: NT\$40 billion
- Pre-tax income: NT\$11 billion

In view of the intense market competition and the risk environment, we realize more than ever the importance of connecting the organization structure with marketing strategies. We are engaged in the mapping out of an organizational structure characterized by a "clients first" culture. This business foundation intends to be customer oriented and professional marketing focused. We are planning to establish six business groups, like Wealth Management and Corporate Finance, etc., based on a comprehensive sales and service network. The front- and back-office operations will be clearly delineated in order to provide customers with a full range of financial services that are fast, convenient, and tailored to meet the need, thereby building up a good reputation of "clients first" for the Bank.

We believe that the organizational reshaping, still undergoing, will better form a solid foundation for the future business management. The marketing professionals can focus more on some high-value-added activities, like sales promotion and maintaining of customer relations, etc., so that the Bank will become the most competitive financial institution in Taiwan, strong holding the leading position in the financial market, and provide successful models of organizational restructuring and outstanding customer service in Taiwan's financial industry.



Market Analysis



Long-I Liao
President

***"Approaching new tasks with new ideas"
and
"Asking how to add value for our clients
to keep ahead of the competition"***

Overall Economy

The global economy resumed a slow growth in the first half of 2003 under the impact of the war in Iraq and the outbreak of SARS, which also affected Taiwan's economy. Domestic demand weakened and manufacturing production was reduced, resulting in a less than satisfactory GDP. In the second half of the year, however, the two unfavorable factors dissipated. In addition, the world countries kept interest rates at low levels and adopted expansionary fiscal policies. This led the global economy toward a gradual but steady recovery. In the third and fourth quarters, Taiwan's economic growth climbed up to 4.18% and 5.17% respectively and the year's growth rate reached 3.24%, thanks to surges in exports, the main force in the country's economy. The Directorate General of Budget, Accounting and Statistics predicts that Taiwan's economic performance for 2004 will turn from last year's "externally hot, internally cold" situation toward "externally hot, internally warm", and that economic growth for the year will reach 4.74%.

Commodity prices were kept down in 2003 by intense competition in the domestic retail market and by a continued slide in rental prices. As a result, there was a 0.28% decline in the consumer price index (CPI) for the year. The prices of international raw materials stayed firm from the beginning of 2004; however, because of the domestic market situation and the difficulties of passing on cost increases, CPI growth for the year is expected to be a marginal 0.48%.

Finance

Growth of the M2 money supply was slow in the early part of 2003, because Taiwan's people increased their investments in overseas financial products. Starting from May, the economy warmed up and bank credits grew. This combined with an influx of foreign investment and an increased accumulation of trade surplus resulted in M2 growth rising and eventually breaking through 5% by October. The average annual growth rate through the year was 3.77%, which ranged within the target (1.5% to 5.5%) set by the Central Bank. In terms of M2 plus bond funds, the average annual growth was 5.25%. This was also within the Central Bank's target range (3% to 7%).

Interest Rates

Because of abundant funds in the banking system, the overnight call rate fell from 1.515% at the beginning of 2003 to 1.160% on June 26. Following rate cutting by the U.S. Federal Reserve, the Central Bank reduced the rediscount rate and secured loan rate to 1.375% and 1.75%, respectively, on June 27, with an aim to revitalize the domestic economy and guard against credit crunch. The domestic economy began an upturn along with the recovery of the international economy at the beginning of the second half; however, due to weak private consumption and investment, there was no substantial growth in the demand for funds. With an overabundance of supply in the capital market, the overnight call rate hovered at a low level and by the end of December had fallen to 1.022%.

Foreign Exchange Rates

Despite the weakness of the US dollar since 2002, the Central Bank of China moved to stabilize the FX rate in order to maintain the export competitiveness of domestic manufacturers. In consideration of the fact that trade is an important pillar of Taiwan's economy.

The Central Bank intervened for corrections in a timely fashion, keeping the FX rate of US Dollar against NT Dollar generally within the range of NT\$34.5 to NT\$35.0 during the first half of the year. At the end of the second quarter, however, the US dollar depreciated rapidly against the Euro, the Japanese yen, and other major currencies. In addition, foreign capital began flowing into Taiwan stock market, in which the investments by foreign investors continued to increase following apparent economic prospects in both domestic and international markets. This became another source of upward pressure on the NT Dollar. In October, the NT Dollar rose to NT\$33.7 against the US Dollar, and at the end of 2003 it stood at NT\$33.978.

The Deposit Market

The annual growth rate of deposits in major domestic financial institutions hit a historic single-month low of 1.55% at the end of March 2003, but turned upward the following month. The impact of SARS was lighter than expected, and Asian economies quickly returned to their original

path of growth. Further, large amounts of foreign investment were attracted to domestic stock market, and domestic investors responded to the prosperity of stock market by reducing the ratio of their overseas investment. Demand deposits grew rapidly in the second half of the year, boosting the annual growth of deposits in major financial institutions to 5.58% at the end of December. At that time, total deposits stood at NT\$21,759.2 billion.

The Loan Market

The shrinkage of loans by major domestic financial institutions moderated at the beginning of 2003, thanks to successful efforts by bankers to develop consumer banking. By the end of May, the shadows of negative growth had been left behind. From summer season, the domestic economy threw off its sluggishness, as the demand for stock financing rose in response to increasingly lively stock market activity, and the demand for private corporate investment also strengthened. Financial institutions instituted more vigorous loan policies as the external operating environment stabilized and internal conditions improved, and they focused their aim on the development of new products and the boosting of performance. Both demand for and supply of capital rose in step, prompting a strong growth in loans. Loans outstanding at the end of December stood at NT \$15,924.8 billion, for a growth of 4.25% over a year earlier. This represented the best performance of the past three years.

Overview of Taiwan's Banking Sector

| End of December, 2003 | | |
|--|--------|---------------|
| Type of Bank | Number | Branch / Unit |
| General Banks (Domestic only) | 50 | 3,173 |
| Foreign Banks | 36 | 69 |
| Community Financial Institutions, Farmers & Fishermen Associations | 313 | 1,209 |
| Overseas units operated by local banks of Taiwan | — | 184 |
| — Branches | — | 80 |
| — Rep. Offices | — | 31 |
| — Affiliates | — | 73 |

Source: Monthly Reports of Central Bank of China and the Ministry of Finance

In view of the gradual improvement in the loan situation of domestic banks in the third quarter of 2003, the Taiwan Ratings Co. changed the outlook for the island's overall financial industry from negative to stable; and in December 2003, Moody's rated the country's financial outlook stable. For Taiwan's banking industry, 2004 is a brand-new year that is full of hope. In the following paragraphs, we explain and analyze the factors, favorable and unfavorable, regarding the future operations of the Bank.

Prospects - Favorable Factors

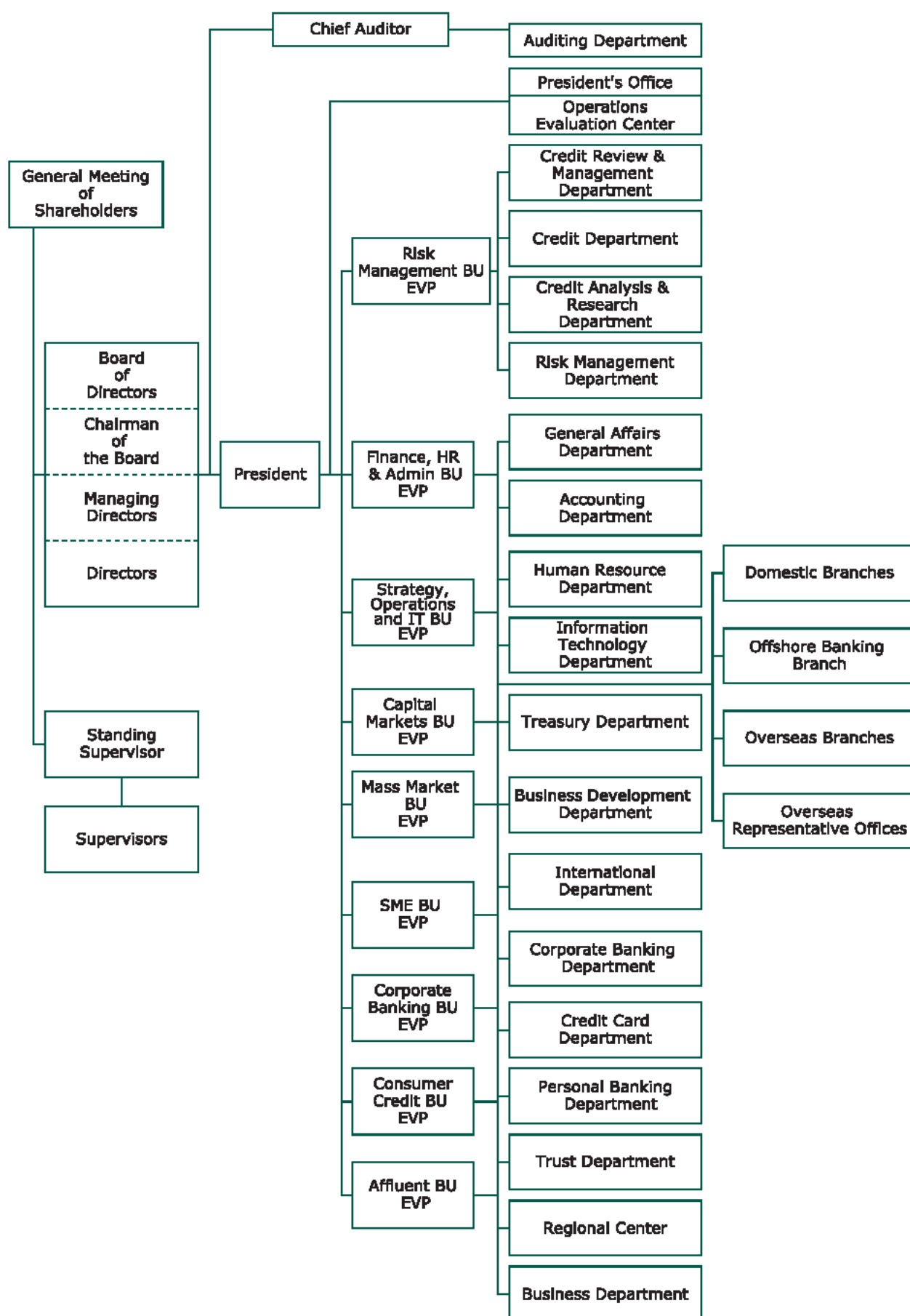
- **A Solid Pace of Economy Recovery** Domestic and international economies continue to expand at a solid pace and the Central Bank has made it clear that it will continue holding to a loose monetary policy; this should heighten private willingness to consume and to invest, and lead to an expansion of bank loans and investments. The positive factors will allow the Bank to increase revenue and to generate more profit.
 - **Cross-selling** As a main business entity of the First Financial Holding Co., the Bank will provide all kinds of banking, securities, insurance, and trust services to its customers through the business integration of its affiliated companies, thus satisfying customers' needs for one-stop financial shopping and enhancing the Bank's operating performance by the synergy effect of cross-selling.
 - **Clearing up Impaired Loans** The Bank, following up its large-scale write-off of problem loans in 2002, continued to clear up the remaining accounts in 2003. Although this act again caused an operating loss, it brought narrowly defined non-performing loans down to less than 2%. With great reduction of the pressure on the allocation of reserves against bad debts, the efficiency of funds utilization can be improved and the enhancement of asset quality will increase the Bank's profitability.
 - **Reshaping Organization and Centralizing Operation Process** The Bank inaugurated the regional center system in mid-2003 in order to shorten business operating processes to enhance the efficiency of manpower utilization.
- The preliminary planning for a customer-oriented organizational framework that emphasizes a professional division of labor was completed in early 2004. These reforms will boost the Bank's professionalism and efficiency.
- **Diversifying Loan Portfolio** The Bank will continue to develop good-quality loans and to readjust its loan structure in order to maintain the quality of credit business and of credit risk control. In consideration of the strong potential of the domestic consumer banking, the Bank will invest more resources in the development and promotion of that business. In addition, in view of profit shrinkage by the narrow spread of the interest rate, the Bank will heighten the ratio of its commission income and create another profit channel by boosting service revenues.
 - **Improving Efficiency and Productivity through IT** To break through the limitations of operating time and space, the Bank has successively set up operating frameworks for ATMs, Internet banking, telephone banking, and e-commerce. The aim is to enhance its functions so as to provide customers with diversified services as well as to contain costs and strengthen competitiveness.

Prospects - Unfavorable Factors

- **Highly Competitive Environment** Following accession to the WTO, the liberation of Taiwan's financial market has accelerated and domestic banks are faced with strong competition from large international banks that are entering the market with the advantages of cross-sector and trans-national operation, financial innovation, and technological integration.
- **Booming Direct Financing** The raising of funds by companies directly in the capital and money markets has become increasingly popular, and this trend will have the effect of squeezing out the bank loan business.



Organization Chart



Backgrounds of Directors and Supervisors

| Title | Name | Date of Appointment | Educational Background | Career Background |
|-----------------------|------------------|---------------------|---|---|
| Chairman of the Board | Steve S.F. Shieh | July 8'03 | B.A., National Cheng Kung University | President, Taishin International Bank and Taishin Financial Holding Co., Ltd; Chairman, First Financial Holding Co., Ltd. ("FFHC") |
| Managing Director | Jer-Shyong Tsai | July 8'03 | B.A., National Chengchi University | EVP and President of FCB; Director and President, FFHC |
| Managing Director | Fan-Chih Wu | July 8'03 | B.A., Chinese Cultural University | SVP & General Manager, Issuance Dept. of Bank of Taiwan; SVP & Chief Secretary, Secretariat Dept. of Bank of Taiwan; Director, FFHC |
| Managing Director | Tien-Yuan Chen | July 8'03 | B.A., Tamkang University | Chairman, Golden Gate Motor Co., Ltd.; Director, FFHC |
| Managing Director | Jing-Twen Chen | July 8'03 | Ph.D., National Taiwan University of Science and Technology | Professor and Dean of General Affairs, Dept. of Finance of National Central University |
| Director | Chung-Hui Tu | July 8'03 | MBA., National Chengchi University | Professor, Soochow University; Chairman, Lianshan Investment Corp.; Director, FFHC |
| Director | Tsing-Yuan Hwang | July 8'03 | M.A. & Ph.D., Candidate, Nihon University | Director, Taiwan Stock Exchange Co.; Head of Asia & Oceania, Daiwa Securities SMBC Co., Ltd.; Director, FFHC |
| Director | Chau-Wang Yao | July 8'03 | M.A., National Chengchi University | Comptroller, Directorate General of Budget, Accounting and Statistics, Executive Yuan; Director, FFHC |
| Director | Chau-Jung Kuo | July 8'03 | Ph.D., National Chengchi University | Chair and Professor, Dept. of Finance of National Sun Yat-Sen University |
| Director | To-Far Wang | July 8'03 | Ph.D., University of California | Professor, Dept. of Economics of National Taipei University ; Managing Director, Taiwan Power Co., Ltd.; Director, FFHC |
| Director | Yih-Cheng Yang | July 8'03 | M.A., National Taiwan University | Managing Director, Chung-Hua Bills Finance Corp.; President, Small & Medium Business Integrated Assistance Center |
| Director | Jou-Che Kao | July 8'03 | B.A., Feng Chia University | SVP & General Manager, Credit Review and Management Dept. of Hua Nan Commercial Bank; Director, FFHC |
| Director | Jen-Hui Hsu | July 8'03 | Ph.D. University of Southern California | Professor, Dept. of Public Policy and Management and Dean, Office of Research & Development, Shih Hsin University |
| Director | Yen Tai | July 8'03 | Shanghai College of Law | Chief Secretary, Ministry of Finance and Ministry of Economic Affairs; SVP of FCB; Director, FFHC |
| Director | Ruey-Chun Chang | July 8'03 | Ph.D., National Chiao Tung University | Professor, Dept. of Computer & Information Science of National Chiao Tung University |
| Standing Supervisor | Chao-Shun Chang | July 8'03 | M.S., National Chengchi University | CPA; Director and Supervisor, Share Long Securities Co., Ltd.; Chairman, Franklin Templeton First Taiwan Securities Investment Trust Enterprise; Supervisor, FFHC |
| Supervisor | Shiow-Ru Ma | July 8'03 | Ph.D., University of Alabama | Professor, Dept. of Accounting of National Chengchi University |
| Supervisor | Lung-Cheng Pan | July 8'03 | M.A., Tamkang University | EVP, Central Deposits Insurance Corp. |
| Supervisor | Sheng-Hsiung Wu | July 8'03 | Open Business Junior College Affiliated National Taipei College of Business | SVP & General Manager, Business and Savings Dept. of Bank of Taiwan; Supervisor, FFHC |
| Supervisor | Wei-Sheng Huang | July 8'03 | M.A., National Taipei University | President, Wei Fang Lon Co., Ltd.; President, Youn Son Knitting Co., Ltd.; Supervisor, FFHC |

Management Superiors and Department Heads

| Name | Title |
|------------------|---|
| Long-I Liao | President |
| Shiu-Nan Huang | Executive Vice President |
| Che-San Tsai | Executive Vice President & General Manager of Accounting Department |
| Ying-Hslung Lin | Executive Vice President & General Manager of Business Development Department |
| Chin-Yun Wu | Executive Vice President |
| Jin-Der Chiang | Executive Vice President |
| Ming-Ren Chien | Executive Vice President |
| Tzuoo-Yau Lin | Executive Vice President |
| Phillip M.S. Yu | Executive Vice President |
| Hsien-Chung Tsai | Chief Auditor |
| Ding-Yuan Yeh | Senior Vice President & General Manager of Auditing Department |
| Monte B. Liu | Senior Vice President & General Manager of Business Department |
| Wen-Chang Tu | Senior Vice President & General Manager of Credit Department |
| Jung-Yang Hsu | Vice President & General Manager of Corporate Banking Department |
| Fu-Sun Liao | Vice President & General Manager of Credit Analysis and Research Department |
| Chin-Torng Hsu | Vice President & General Manager of Credit Card Department |
| Steve H.T. Chen | SVP & General Manager of Credit Review & Management Department |
| Pao-Chiao Chou | Vice President & General Manager of General Affairs Department |
| Mu-Chuan Lan | Vice President & General Manager of Human Resource Department |
| Nancy Huang | Vice President & General Manager of Information Technology Department |
| Hann-Chyi Lin | Senior Vice President & General Manager of International Department |
| Tsang-Zong Linn | Vice President & General Manager of Personal Banking Department |
| Wu-Chin Lin | Vice President & General Manager of Risk Management Department |
| Shin-Shyh Horng | Vice President & General Manager of Treasury Department |
| Dar Liu | Vice President & General Manager of Trust Department |

Banking Operations

Scope of Operations

■ Banking Department

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 authority.
17. Engage in derivative financial products business approved by the central competent authority.
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 authority.
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.

■ Trust Department

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 Operation Figures for Trust Department

| NT\$,000 | 2003 | 2002 |
|--------------------------------------|-------------|---------------|
| Mutual funds | 207,728,391 | 152,893,406 |
| Registrar for issuance of securities | 992,383,932 | 3,306,176,075 |
| Custodian funds | 417,999,000 | 337,625,000 |
| Domestic trust assets | 90,440,573 | 59,361,313 |
| Foreign trust assets | 68,925,484 | 49,966,215 |
| Family wealth trust | 715,143 | 25,000 |

Main Operation Figures for Banking Department

| | | 2003 | | 2002 | |
|--|-------------------------------------|----------------------|---------------|----------------------|---------------|
| | | \$,000 | % | \$,000 | % |
| Deposits at year end | | | | | |
| Current Deposits | Checking deposits | NT\$36,543,876 | 2.9 | NT\$31,487,700 | 2.7 |
| | Demand deposits | 199,727,734 | 15.9 | 150,320,627 | 12.9 |
| | Savings deposits | 284,720,154 | 22.6 | 241,512,141 | 20.8 |
| | Sub-total | 520,991,764 | 41.4 | 423,320,468 | 36.4 |
| Time Deposits | Time deposits | 220,409,873 | 17.5 | 234,057,661 | 20.2 |
| | Time savings deposits | 345,169,882 | 27.4 | 373,827,306 | 32.2 |
| | Sub-total | 565,579,755 | 44.9 | 607,884,967 | 52.4 |
| Others | Due to banks | 50,714,260 | 4.0 | 51,924,687 | 4.5 |
| | overdraft on banks | 1,402,114 | 0.1 | 1,678,778 | 0.1 |
| | Call loans from banks | 121,224,921 | 9.6 | 76,657,431 | 6.6 |
| | Sub-total | 173,341,295 | 13.7 | 130,260,896 | 11.2 |
| Total | | 1,259,912,814 | 100.0 | 1,161,466,331 | 100.0 |
| Loans at year end | | | | | |
| Short-term loans and overdrafts | | NT\$276,422,430 | 29.2 | NT\$274,826,789 | 29.7 |
| Medium-term loans | | 252,650,220 | 26.7 | 236,016,332 | 25.5 |
| Long-term loans | | 313,251,688 | 33.1 | 295,533,928 | 32.0 |
| Bills Discounted | | 7,731,046 | 0.8 | 4,932,333 | 0.5 |
| Due from banks | | 96,652,035 | 10.2 | 113,549,269 | 12.3 |
| Total | | 946,707,419 | 100.0 | 924,858,651 | 100.0 |
| Foreign exchange transactions | | | | | |
| Purchase | Export negotiations and collections | US\$6,463,196 | 4.8 | US\$5,611,594 | 5.5 |
| | Inward remittances | 63,912,355 | 47.8 | 48,600,687 | 47.7 |
| | Sub-total | 70,375,551 | 52.6 | 54,212,281 | 53.2 |
| Sale | Import L/Cs and collections | 5,174,965 | 3.9 | 4,407,094 | 4.3 |
| | Outward remittances | 58,156,584 | 43.5 | 43,244,898 | 42.5 |
| | Sub-total | 63,331,549 | 47.4 | 47,651,992 | 46.8 |
| Total | | 133,707,100 | 100.00 | 101,864,273 | 100.00 |
| Total revenue | | | | | |
| Interest Income | | NT\$37,099,908 | 76.9 | NT\$47,647,938 | 88.2 |
| Service income | | 3,462,206 | 7.2 | 3,066,368 | 5.7 |
| Revenue from brokerage operations and underwriting | | 228,246 | 0.5 | 268,492 | 0.5 |
| Gain on securities | | 4,795,778 | 9.9 | 943,369 | 1.7 |
| Gain on long-term equity investments | | 121,358 | 0.2 | — | — |
| Foreign exchange gain | | 881,489 | 1.8 | 1,048,840 | 1.9 |
| Other operating revenue | | 140,404 | 0.3 | 211,649 | 0.4 |
| Non-operating income | | 1,529,461 | 3.2 | 845,133 | 1.6 |
| Total | | 48,258,850 | 100.0 | 54,031,789 | 100.0 |
| Total Expenses | | | | | |
| Operating costs | | NT\$53,776,284 | 80.1 | NT\$71,084,249 | 82.2 |
| Operating expenses | | 12,951,871 | 19.3 | 12,842,841 | 14.8 |
| Non-operating expenses | | 415,578 | 0.6 | 2,605,568 | 3.0 |
| Total | | 67,143,733 | 100.0 | 86,532,658 | 100.0 |

Business Plans for 2004

Heightening of the ratio of non-over-counter business, acceleration of branch channel conversion, reinforcement of marketing and promotion, and provision of comprehensive financial services to customers.

- Reinforcement of automated service efficiency and heightening of the ratio of non-over-counter businesses, so as to lower operating costs.
- Implementing regional operating center system and carrying out conversion of branch channels into sales points to strengthen product sales performance and customer service quality.
- Deploying marketing teams made up of branch marketing officers, wealth management specialists, and account managers to strengthen customer relations management and sales promotion as well as to gain a timely grasp of market needs.

Consistent with the government's policy for the promotion of industry, it has been encouraging corporate globalization and upgrades to infrastructure; to deal with the trend of financial development of cross-straits, to play the role as a priority bank in trade finance for Taiwan-related businesses around the world, and to satisfy industrial and commercial enterprises with various funds need.

- Readjustment of the loan structure and promotion strategy, vigorous undertaking of trade and self-liquidating financing, and helping companies promote international trade business.
- Introduction of an on-line trade finance system for industry groups so as to satisfy the financing needs of parent companies and their global business bases following the migration of companies offshore.
- Planning for the establishment of a corporate fund management system and enlarging the application scope of commercial settlements by Internet Banking, so as to provide customers with more flexible fund management and to lower their operating costs.

- Exploiting opportunities created by the government's opening-up policy for cross-straits financial and trade market and taking advantage of the geographical convenience by consolidating overseas offices of Shanghai Representative Office, Ho Chi Minh City, Hong Kong branches and OBU, to vigorously promote core businesses of cross-straits through the scheme of overseas account officers in place.

Actively developing and improving personal banking products to heighten the ratio of the personal banking business, so as to catch up the trend toward asset diversification by household.

- Continued development of customized financial products expansion of the wealth management business through the Personal Finance Service Center and delivery of consultancy services, like wealth management and asset planning, etc.
- Active development and improvement of small loan products in line with the needs of the personal loan market, so as to attract customers and expand profit streams.
- Use of media advertising and event marketing activities to strengthen business promotion and establish a market-leading brand.
- Upgrading of bank and credit cards to IC cards in line with the development pace of IC bank cards, and development of IC value-stored cards along with other new types of business in order to meet the needs of diversified customer groups.



Shanghai Representative Office



Ho Chi Minh City Branch

Utilization of the power of information technology to develop business promotion capability and strengthen the risk management function, and thus enhance overall competitiveness.

- Establishing a new core banking system, a system with higher flexibility and stronger integration capabilities, in order to improve operating processes, accelerate new product developments and provide management with key operating and management information.
- Developing the Overseas Branch Banking System Global Online Version to build a real-time online framework for all overseas branches, so as to provide customers with a complete online mechanism for cash management and reinforce the Bank's global competitiveness.
- Establishment of an integrated risk management platform, development and utilization of quantitative methods and models of risk management in order to strengthen risk oversight and management for various product types.

Cultivation of the professional abilities of staff members, establishment of a bank-wide marketing culture, reduction of the non-performing loan ratio, and effective development and use of vacant premises and land.

- Intensifying training programs for product specialists in line with business development needs, including corporate finance, wealth management, international foreign exchange, management of marketing and distribution, financial trading activities, so as to enhance employee expertise and service quality.
- Planning and establishing a reasonable bonus system, which is performance oriented, so as to stimulate sales promotion morale and build up a bank-wide marketing culture.
- Widely implementing the policy of centralized processes for collection of non-performing loans and conducting write-offs of bad loans, so as to reduce the NPL ratio.
- Facilitating disposition of vacant premises and real estate collaterals taken over, through channels of sale, rental or co-development models, so as to increase asset returns and reduce tax expenditures.



Signing MOU for the business cooperation in the Greater China Area, with Wing Hang Bank and with Commerzbank AG

Risk Management

Risk Management Policy

The Bank's risk management policy is to develop an operating mode which is risk-focus oriented and to build up an integrated risk management system so as to achieve operating targets and increase shareholder value. The scope of the risk management mechanism includes risk identification, evaluation, oversight, and control.

The Bank has currently established risk control system and business handling standards for credit, market, operating, liquidity, and off-book risks arising from various products. In addition, the Bank has worked closely in line with the progress of the New Basel Capital Accord to develop more advanced and sensitive procedures and rules for risk oversight, evaluation and control so as to establish an operating model consistent with the goals of safety, efficiency and economy.

The main risk control methods include establishing sector limits and enterprise group limits for loan and investment, management of limits centralized processes, setting limits of trading, setting stop-loss limits, and management of interest rate sensitivity and of country risk.

Risk Exposure

Concentration of Credit Risk

NT\$,000

| | | December 31, 2003 | December 31, 2002 |
|--------------------------------|--|-------------------|-------------------|
| Loans to related parties | | 28,785,531 | 36,465,110 |
| Loans to related parties ratio | | 3.19% | 4.26% |
| Loan ratio of pledged stocks | | 1.38% | 1.43% |
| Industry Concentration | Industry | % | % |
| | Agricultural/Fishermen | 0.05 | 0.07 |
| | Mining | 0.04 | 0.06 |
| | Manufacturing | 27.05 | 27.66 |
| | Water and Electricity | 1.43 | 1.87 |
| | Construction | 2.72 | 2.66 |
| | Wholesale/Retail/Restaurant | 10.22 | 9.27 |
| | Transportation/Warehouse/ Communication | 3.28 | 2.74 |
| | Banking/Insurance | 4.60 | 5.45 |
| | Services | 1.57 | 1.43 |
| | Individuals | 31.19 | 30.60 |
| | Others | 17.58 | 18.19 |
| | Total | 100.00 | 100.00 |

Concentration of Sovereign Risk as of December 31, 2003

US\$mlo

| Country | Loans and bills purchased | % | Country | Loans and bills purchased | % |
|-------------|---------------------------|-------|-------------|---------------------------|-----|
| U.S.A. | 2,358.28 | 42.2 | Italy | 89.40 | 1.6 |
| Japan | 572.30 | 10.3 | Indonesia | 68.72 | 1.2 |
| South Korea | 514.20 | 9.2 | Switzerland | 66.15 | 1.2 |
| U.K. | 338.85 | 6.1 | Australia | 61.67 | 1.1 |
| Germany | 278.85 | 5.0 | Netherlands | 56.68 | 1.0 |
| Singapore | 248.57 | 4.5 | Thailand | 40.94 | 0.7 |
| Hong Kong | 168.25 | 3.0 | Denmark | 33.88 | 0.6 |
| Canada | 163.59 | 2.9 | Philippines | 33.80 | 0.6 |
| France | 124.56 | 2.2 | Austria | 29.50 | 0.5 |
| Vietnam | 96.48 | 1.7 | Others | 238.09 | 4.4 |
| Total | 5,582.76 | 100.0 | | | |

Financial Report

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Financial Summary 1999-2003

Concise Balance Sheet

| NT\$,000 | 12.31.2003 | 12.31.2002 | 12.31.2001 | 12.31.2000 | 12.31.1999 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Cash, due from Central Bank and other banks | 361,052,133 | 292,773,112 | 223,951,760 | 188,497,570 | 159,404,521 |
| Marketable and trading securities | 73,736,804 | 78,964,504 | 85,619,705 | 94,256,332 | 118,670,305 |
| Reelvables-net | 38,410,907 | 23,953,418 | 25,069,745 | 33,454,727 | 32,542,049 |
| Prepayments | 2,327,707 | 2,181,002 | 3,467,679 | 2,948,746 | 3,456,281 |
| Loans, bills purchased and discounted | 853,011,903 | 815,405,255 | 811,146,219 | 806,428,970 | 762,732,830 |
| Long-term investments | 56,974,837 | 17,916,921 | 14,387,205 | 10,695,045 | 11,453,422 |
| Property and equipment | 25,427,654 | 26,901,248 | 27,622,713 | 26,489,427 | 27,027,049 |
| Other assets | 34,746,186 | 51,770,713 | 84,878,104 | 67,368,646 | 63,394,881 |
| Total Assets | 1,445,688,131 | 1,309,866,173 | 1,276,143,130 | 1,230,139,463 | 1,178,681,338 |
| Due to Central Bank and other banks | 124,149,358 | 79,954,611 | 75,279,486 | 92,078,408 | 121,429,994 |
| Payables | 56,267,605 | 45,134,269 | 45,994,320 | 60,201,489 | 58,171,859 |
| Collections in advance | 1,688,745 | 1,206,598 | 1,062,891 | 1,400,636 | 1,221,208 |
| Deposits and remittances | 1,137,152,238 | 1,082,496,151 | 1,046,123,627 | 980,038,014 | 901,924,666 |
| Financial bonds payable | 55,300,000 | 30,500,000 | 10,000,000 | — | — |
| Funds borrowed from Central Bank and other banks | 176,965 | 299,378 | 556,187 | 929,898 | 1,194,481 |
| Long-term liabilities and other liabilities | 13,052,025 | 12,990,420 | 12,983,679 | 12,649,052 | 12,501,135 |
| Total Liabilities | 1,387,786,936 | 1,252,581,427 | 1,192,000,190 | 1,147,297,497 | 1,096,443,343 |
| Common stock | 46,216,000 | 38,216,000 | 38,216,000 | 36,284,855 | 32,745,867 |
| Capital reserve | 24,683,945 | 22,896,897 | 22,950,160 | 23,876,696 | 24,531,613 |
| Retained earnings | (13,306,619) | (4,075,242) | 22,758,358 | 22,591,322 | 24,918,407 |
| Cumulative translation adjustment | 307,869 | 247,091 | 218,422 | 89,093 | 42,108 |
| Total Stockholders' Equity | 57,901,195 | 57,284,746 | 84,142,940 | 82,841,966 | 82,237,995 |
| Total Liabilities and Stockholders' Equity | 1,445,688,131 | 1,309,866,173 | 1,276,143,130 | 1,230,139,463 | 1,178,681,338 |

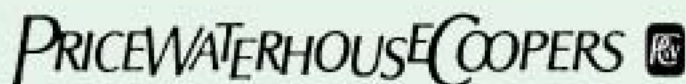
Concise Statement of Operations

| NT\$,000 | 2003 | 2002 | 2001 | 2000 | 1999 |
|---------------------------------|--------------|--------------|------------|------------|------------|
| Operating revenue | 46,729,389 | 53,186,656 | 73,347,720 | 81,381,266 | 80,714,132 |
| Operating costs | 53,776,284 | 71,084,249 | 54,586,107 | 61,666,575 | 58,683,282 |
| Gross (loss) profit | (7,046,895) | (17,897,593) | 18,761,613 | 19,714,691 | 22,030,850 |
| Operating expenses | 12,951,871 | 12,842,841 | 13,530,767 | 13,312,847 | 13,820,418 |
| Operating (loss) income | (19,998,766) | (30,740,434) | 5,230,846 | 6,401,844 | 8,210,432 |
| Non-operating income | 1,529,461 | 845,133 | 598,755 | 730,572 | 663,803 |
| Non-operating expenses | 415,578 | 2,605,568 | 2,262,106 | 2,115,043 | 2,175,565 |
| (Loss) income before income tax | (18,884,883) | (32,500,869) | 3,567,495 | 5,017,373 | 6,698,670 |
| Income tax benefit (expense) | 5,578,264 | 7,776,558 | (416,885) | (855,301) | (574,725) |
| Net (loss) income | (13,306,619) | (24,724,311) | 3,150,610 | 4,162,072 | 6,123,945 |
| (Losses) earnings per share(\$) | (3.32) | (6.47) | 0.82 | 1.15 | 1.87 |

Key Ratios (%)

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---------|----------|----------|----------|----------|
| Stabilities ratios | | | | | |
| Debt ratio (total liabilities / total assets) | 95.99 | 95.63 | 93.41 | 93.27 | 93.02 |
| Deposits / Net worth | 1876.60 | 1,800.14 | 1,242.26 | 1,181.67 | 1,095.59 |
| Fixed assets / Net worth | 43.92 | 46.96 | 32.83 | 31.98 | 32.86 |
| Liquidity | | | | | |
| Liquidity reserve ratio | 28.13 | 19.11 | 13.09 | 11.11 | 15.24 |
| Profitability ratios | | | | | |
| ROA (net income / average total assets) | (0.97) | (1.91) | 0.25 | 0.35 | 0.54 |
| ROE (net income / average stockholders' equity) | (23.10) | (34.96) | 3.77 | 5.04 | 7.72 |
| Operating Income / Common stock | (43.27) | (80.44) | 13.69 | 17.64 | 24.72 |
| (Loss) income before income tax / Common stock | (40.86) | (85.05) | 9.34 | 13.83 | 20.46 |
| Net (loss) income / Operating revenue | (28.48) | (46.49) | 4.30 | 5.12 | 7.60 |
| Solidity capital adequacy | | | | | |
| Total capital ratio | 8.96 | 8.99 | 9.28 | 9.18 | 9.80 |

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, 2003 and 2002, 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 Examination 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 the Bank as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with the "Guidelines Governing Preparation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

February 27, 2004

Balance Sheet

as of December 31, 2003 and 2002

| | | 2003 | | 2002 | |
|--|------------|-----------------|-----|-----------------|-----|
| | Note | NT\$,000 | % | NT\$,000 | % |
| Assets | | | | | |
| Cash and cash equivalents | 3(1) | \$ 215,174,168 | 15 | \$ 109,377,448 | 8 |
| Due from banks | 3(2),4 | 96,652,035 | 7 | 113,549,269 | 9 |
| Due from Central Bank | 3(3) | 49,225,930 | 3 | 69,846,395 | 5 |
| Marketable securities | 3(4),5 | 60,304,326 | 4 | 63,418,448 | 5 |
| Trading securities | 3(5) | 13,432,478 | 1 | 15,546,056 | 1 |
| Receivables | 3(6),(25) | 38,410,907 | 3 | 23,953,418 | 2 |
| Prepayments | | 2,327,707 | — | 2,181,002 | — |
| Loans, bills purchased and discounted-net | 3(7),4 | 853,011,903 | 59 | 815,405,255 | 62 |
| Long-term investments | 3(8) | 56,974,837 | 4 | 17,916,921 | 2 |
| Property and equipment | 3(9),(21) | | | | |
| Cost | | | | | |
| Land | | 7,080,871 | — | 7,280,363 | 1 |
| Buildings | | 7,947,064 | 1 | 8,496,579 | 1 |
| Machinery and equipment | | 2,985,183 | — | 2,743,776 | — |
| Transportation equipment | | 801,730 | — | 823,330 | — |
| Other equipment | | 1,944,477 | — | 2,066,868 | — |
| Leasehold improvements | | 617,480 | — | 536,367 | — |
| Sub-total | | 21,376,805 | 1 | 21,947,283 | 2 |
| Appraisal increments | | 10,442,170 | 1 | 11,278,948 | 1 |
| Less: Accumulated depreciation | | (6,465,252) | — | (6,384,257) | (1) |
| Construction in progress and prepayments for equipment | | 73,931 | — | 59,274 | — |
| Property and equipment-net | | 25,427,654 | 2 | 26,901,248 | 2 |
| Intangible assets | 3(10) | 183,375 | — | 220,587 | — |
| Non-operating assets | 3(10) | 7,485,957 | — | 6,361,315 | — |
| Other assets | 3(10),5 | 11,520,087 | 1 | 35,217,710 | 3 |
| Deferred expenses | 3(10),(25) | 15,556,767 | 1 | 9,971,101 | 1 |
| Total other assets | | 34,746,186 | 2 | 51,770,713 | 4 |
| Total assets | | \$1,445,688,131 | 100 | \$1,309,866,173 | 100 |
| Liabilities and Stockholders' Equity | | | | | |
| Liabilities | | | | | |
| Due to Central Bank | | \$ 185,514 | — | \$ 174,490 | — |
| Due to banks | 3(11),4 | 123,963,844 | 8 | 79,780,121 | 6 |
| Payables | 3(12),(25) | 56,267,605 | 4 | 45,134,269 | 4 |
| Collections In advance | | 1,688,745 | — | 1,206,598 | — |
| Deposits and remittances | 3(13),4 | 1,137,152,238 | 79 | 1,082,496,151 | 83 |
| Financial bonds payable | 3(14) | 55,300,000 | 4 | 30,500,000 | 2 |
| Funds borrowed from Central Bank and other banks | | 176,965 | — | 299,378 | — |
| Appropriation for loan funds | | 614,160 | — | 731,342 | — |
| Reserve for land appraisal incremental tax | | 9,035,983 | 1 | 9,221,718 | 1 |
| Accrued pension liabilities | 3(19) | 934,664 | — | 776,496 | — |
| Other liabilities | 3(15) | 2,467,218 | — | 2,260,864 | — |
| Total liabilities | | 1,387,786,936 | 96 | 1,252,581,427 | 96 |
| Stockholders' Equity | | | | | |
| Common stock | 3(20) | 46,216,000 | 3 | 38,216,000 | 3 |
| Capital reserve | 3(21) | 24,683,945 | 2 | 22,896,897 | 2 |
| Retained earnings | | | | | |
| Legal reserve | 3(22) | — | — | 15,268,422 | 1 |
| Special reserve | 3(22) | — | — | 3,695,364 | — |
| Accumulated deficits | 3(23),(25) | (13,306,619) | (1) | (23,039,028) | (2) |
| Cumulative translation adjustment | 3(8) | 307,869 | — | 247,091 | — |
| Total stockholders' equity | | 57,901,195 | 4 | 57,284,746 | 4 |
| Total liabilities and stockholders' equity | | \$1,445,688,131 | 100 | \$1,309,866,173 | 100 |

*NT\$33.998:US\$1.00

Statements of Operations

for the years ended December 31, 2003 and 2002

| | Note | 2003 | | 2002 | |
|--|--------------------|-----------------------|------------------|-----------------------|------------------|
| | | NT\$,000 | % | NT\$,000 | % |
| Operating revenue | 3(8),4 | | | | |
| Interest income | | \$ 37,099,908 | 79 | \$ 47,647,938 | 90 |
| Service income | | 3,462,206 | 8 | 3,066,368 | 6 |
| Revenue from brokerage operations and underwriting | | 228,246 | 1 | 268,492 | — |
| Gain on securities-net | | 4,795,778 | 10 | 943,369 | 2 |
| Gain on long-term equity investments-net | 3(8) | 121,358 | — | — | — |
| Foreign exchange gain-net | | 881,489 | 2 | 1,048,840 | 2 |
| Others | | 140,404 | — | 211,649 | — |
| Total operating revenue | | 46,729,389 | 100 | 53,186,656 | 100 |
| Operating costs | 3(7),8), (12),1 | | | | |
| Interest expenses | | 15,747,804 | 34 | 23,513,708 | 44 |
| Service charges | | 594,189 | 1 | 522,669 | 1 |
| Loss on long-term equity investments-net | 3(8) | — | — | 1,220,071 | 3 |
| Provisions | 3(7) | 37,116,048 | 79 | 12,192,382 | 23 |
| Loss on sales of non-performing loans | 3(17) | — | — | 33,580,452 | 63 |
| Others | 3(8) | 318,243 | 1 | 54,967 | — |
| Total operating costs | | 53,776,284 | 115 | 71,084,249 | 134 |
| Gross loss | | (7,046,895) | (15) | (17,897,593) | (34) |
| Operating expenses | 3(19),(24) | | | | |
| General expenses | | 12,884,149 | 28 | 12,772,606 | 24 |
| Administrative expenses | | 18,689 | — | 16,580 | — |
| Others | | 49,033 | — | 53,655 | — |
| Total operating expenses | | 12,951,871 | 28 | 12,842,841 | 24 |
| Operating loss | | (19,998,766) | (43) | (30,740,434) | (58) |
| Non-operating income | | | | | |
| Gain on disposal of assets | | 261,175 | 1 | 147,825 | — |
| Rental income | | 225,423 | 1 | 163,243 | 1 |
| Others | 3(16) | 1,042,863 | 2 | 534,065 | 1 |
| Total non-operating income | | 1,529,461 | 4 | 845,133 | 2 |
| Non-operating expenses | | | | | |
| Loss on disposal of property and equipment | | 46,608 | — | 55,338 | — |
| Others | 3(18) | 368,970 | 1 | 2,550,230 | 5 |
| Total non-operating expenses | | 415,578 | 1 | 2,605,568 | 5 |
| Loss before income tax | | (18,884,883) | (40) | (32,500,869) | (61) |
| Income tax benefit | 3(25) | 5,578,264 | 12 | 7,776,558 | 15 |
| Net loss | | \$(13,306,619) | (28) | \$(24,724,311) | (46) |
| | | Before tax | After tax | Before tax | After tax |
| Losses per share—basic and diluted | 3(26) | \$(4.71) | \$(3.32) | \$(8.50) | \$(6.47) |

Statements of Changes in Stockholders' Equity

for the years ended December 31, 2003 and 2002

| NT\$,000 | Common stock | Capital reserve | Retained earnings | | | Cumulative translation adjustment | Total |
|--|---------------------|---------------------|---------------------|--------------------|-----------------------|-----------------------------------|---------------------|
| | | | Legal reserve | Special reserve | Accumulated deficits | | |
| Balance at January 1, 2002 | \$38,216,000 | \$22,950,160 | \$14,323,239 | \$3,695,364 | \$4,739,755 | \$218,422 | \$84,142,940 |
| Legal reserve | — | — | 945,183 | — | (945,183) | — | — |
| Bonus to employees | — | — | — | — | (176,434) | — | (176,434) |
| Cash dividends declared | — | 43 | — | — | (1,910,800) | — | (1,910,757) |
| Remunerations to directors and supervisors | — | — | — | — | (22,055) | — | (22,055) |
| Net loss for 2002 | — | — | — | — | (24,724,311) | — | (24,724,311) |
| Appraisal increments write-off due to disposal of land | — | (53,306) | — | — | — | — | (53,306) |
| Cumulative translation adjustment | — | — | — | — | — | 28,669 | 28,669 |
| Balance at December 31, 2002 | <u>\$38,216,000</u> | <u>\$22,896,897</u> | <u>\$15,268,422</u> | <u>\$3,695,364</u> | <u>\$(23,039,028)</u> | <u>\$247,091</u> | <u>\$57,284,746</u> |
| 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 deficits covered by the balance of: | | | | | | | |
| 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 write-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> |

Statements of Cash Flows

for the years ended December 31, 2003 and 2002

| NT\$,000 | 2003 | 2002 |
|--|---------------------|--------------------|
| Cash flows from operating activities | | |
| Net loss | \$(13,306,619) | \$(24,724,311) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation (Including non-operating assets) | 828,068 | 844,806 |
| Expenses on suspending construction in progress | 10,258 | — |
| Amortization | 115,287 | 1,897,161 |
| Loss on sales of non-performing loans | — | 33,580,452 |
| Provision for doubtful accounts | 37,116,048 | 12,192,382 |
| Provision (reversion) of reserve for default and trading losses | 32 | (7,668) |
| Reversion of reserve for default | (40,948) | — |
| Recovery of market value of short-term investments | — | (448,533) |
| (Income) loss on long-term investments accounted for under equity method | (121,358) | 1,220,071 |
| Loss on long-term investments accounted for under cost method | 266,140 | — |
| Cash dividends of investee companies accounted for under equity method | 8,268 | — |
| Loss on sales of long-term investments | — | 2,750 |
| Gain on disposal of property and equipment | (211,798) | (87,582) |
| Gain on sales of intangible assets | (3,096) | — |
| Loss on devaluation of foreclosed assets | 22,177 | 437,525 |
| Loss on sales of foreclosed assets | 70,844 | 8,960 |
| Reversion of reserve for guarantee | (50,000) | — |
| Changes in assets and liabilities | | |
| Trading securities | 2,113,578 | (1,468,563) |
| Receivables | (14,237,908) | 545,266 |
| Prepayments | (146,705) | 1,286,677 |
| Deferred income tax assets | (5,591,481) | (7,929,965) |
| Payables | 11,133,336 | (860,008) |
| Collections in advance | 482,147 | 143,707 |
| Accrued pension liabilities | 158,168 | (62,697) |
| Revaluation of financial derivatives | (7,741) | — |
| Net cash provided by operating activities | 18,606,697 | 16,570,430 |
| Cash flows from investing activities | | |
| (Decrease) increase in marketable securities | (3,308,799) | 8,572,296 |
| Increase in loans, bills purchased and discounted-net | (51,955,425) | (26,538,964) |
| Proceeds from sales of non-performing loans | — | 16,746,946 |
| Increase in long-term equity investments | — | (149,999) |
| Increase in long-term bond investments | (32,816,559) | (4,544,034) |
| Proceeds from liquidation of long-term investments accounted for under cost method | 1,143 | — |
| Proceeds from sales of long-term equity investments | — | 8,952 |
| Purchase of property and equipment | (911,527) | (1,024,840) |
| Proceeds from sales of property and equipment | 369,522 | 152,345 |
| Proceeds from sales of intangible assets | 3,728 | — |
| Increase in foreclosed assets | (1,110) | — |
| Proceeds from sales of foreclosed assets | 498,549 | 76,985 |
| Decrease (increase) in refundable deposits | 321,523 | (161,124) |
| Increase in intangible assets | (68,605) | (207,107) |
| (Decrease) increase in deferred expenses | (4,502) | 43,123 |
| Net cash used in investing activities | (87,872,062) | (7,025,421) |

| | 2003 | 2002 |
|--|----------------------|----------------------|
| Cash flows from financing activities | | |
| Increase In due to banks | 44,183,723 | 5,188,175 |
| Increase (decrease) in due to Central Bank | 11,024 | (513,050) |
| Increase in deposits and remittances | 54,656,087 | 36,372,524 |
| Decrease In funds borrowed from Central Bank and other banks | (122,413) | (256,809) |
| Increase in financial bonds payable | 24,800,000 | 20,500,000 |
| Cash dividends paid | — | (1,910,800) |
| Remunerations to directors and supervisors and bonuses to employees | — | (198,489) |
| Increase in guarantees and margin deposits | 158,277 | 153,540 |
| Decrease in appropriation for loan funds | (117,182) | (80,430) |
| Decrease In other liabilities | (67,835) | (46,298) |
| Proceeds from issuance of common stock | 14,000,000 | — |
| Net cash flows from financing activities | 137,501,681 | 59,208,363 |
| Net effect of foreign exchange rate changes on cash | 42,705 | 67,980 |
| Net Increase In cash and cash equivalents, due from Central Bank and other banks | 68,279,021 | 68,821,352 |
| Cash and cash equivalents, due from Central Bank and other banks at beginning of period | 292,773,112 | 223,951,760 |
| Cash and cash equivalents, due from Central Bank and other banks at end of period | \$361,052,133 | \$292,773,112 |
| Supplemental disclosure cash flows information: | | |
| Cash paid for Interest during the period | <u>\$ 16,847,091</u> | <u>\$ 25,867,647</u> |
| Cash paid for income taxes during the period | <u>\$ 237,180</u> | <u>\$ 255,214</u> |

Notes to Financial Statements

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

1. Summary of Significant Accounting Policies

(1) Principles for preparation of the financial statements

The accompanying financial statements include head office account, branch account and offshore banking branch account, whereby, all significant intercompany accounts have been eliminated.

The Bank adopts the Statement of Financial Accounting Standards 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) Short-term investments-marketable securities and trading securities

Short-term investments are stated at the lower of cost or market value. Cost of equity securities is calculated based on the moving-average method, and whereas, cost of non-equity securities is calculated based on the specific identification method. The market values of trading securities are determined based on the closing prices at the balance sheet date, the market values of all other listed and OTC securities and closed-end mutual funds are determined by the average closing prices during the last month of the fiscal year. The market values of open-end 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 weighted average prices as stipulated by the OTC, are stated at par values, netting amortization of premiums or discounts.

(3) Investments with repurchase or resale agreements

Investments in bonds and short-term bills under resale and repurchase agreements are accounted for using the sale/purchase method, and are booked under the relevant memo accounts.

(4) Allowance for doubtful accounts

The allowance is determined by evaluating the recoverability of the outstanding balances of various loans and receivables at the balance sheet date. Loan assets are classified into four categories; (1) pass (2) substandard (3) doubtful and (4) loss. Allowance for bad loans is provided

at 0.04%, 1%, 50%, and 100% on loans classified under categories 1, 2, 3, and 4, respectively.

Further 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

Investments of listed company in which the Bank owns less than 20% of the 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 company are initially stated at cost. In the event of a permanent diminution in value of the investment, the book value of the investment is written down to its new value 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. For long-term equity investments of holding less than 50% of ownership, the equity method is not adopted for the presentation of the first quarter financial statements, however, for the presentation of the third quarter financial statements, the long-term equity investment income or losses is recognized based on these investees' audited or unaudited financial statements for six months ended June 30. In addition, the cumulative translation adjustment resulted from the evaluation of the investee's foreign investments 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 is charged to current 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.

- * The total assets or operating revenue of a subsidiary constitute 10% of the Bank's non-consolidated total assets or operating revenue.
- * When the combined total assets or operating revenues 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 revenue constituting greater than 3% of the respective ones of the Bank (non-consolidated) shall be consolidated until the combined total assets or operating revenues of the all non-consolidated subsidiaries fall below 20% of the respective ones of the Bank (non-consolidated).

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

(6) Property and equipment/Non-operating assets

Property and equipment 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 property and equipment are between 3 to 55 years.

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

Rental assets or idle assets are classified under other non-operating assets and valued at the lower of book values or net realizable values at the balance sheet date.

(7) Foreclosed assets

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

(8) Deferred expenses

Deferred expenses primarily consist of deferred tax assets (see Note 1(18)), the funds due to

employees as a result of the Bank's privatization on January 22, 1998, and the costs of issuing subordinate financial bonds. In accordance with the Ministry of Finance ("MOF") Tai-Tsai-Jen Ruling No. 830112111, the funds due to employees are amortized over 5 years under the straight-line method. The costs of issuing subordinate 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 costs 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

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

(11) Reserve for land appraisal incremental tax

The reserve for land appraisal incremental tax will be written off when the land is sold and the actual incremental tax is settled.

(12) Reserve for default

Reserve for losses from defaults is provided based on 0.0028% of the monthly brokerage volume. This reserve shall be used for the purpose of covering the losses caused by defaults of customers or for other uses as approved by the Securities and Futures Commission ("SFC"). When the accumulated reserve balance reaches NT\$200 million, no further reserve is required. In 2003, sixteen securities brokerages were transferred to First Tasec Security Co., Ltd. ("FTS"), a subsidiary of FFHC. Accordingly, the reserve for default was in full written off by the Bank in 2003.

(13) Reserve for securities trading losses

For Trust Department trading securities for its own account, 10% of the monthly net gains is provided as reserve until the balance of provisions reaches NT\$200 million. Such reserve can only be used to offset losses arising from securities trading in accordance with the "Rules Governing Securities Firms".

(14) Pension plan

The Bank adopts the provisions of Statement of Financial Accounting Standards No. 18, "Accounting for Pensions" and recognizes the excess of accumulated benefit obligation over the fair value of plan asset as minimum pension liability. When preparing interim financial statements, the 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.

(15) Foreign currency transactions and translations of financial statements

Foreign currency transactions are recorded in New Taiwan dollars at exchange rates prevailing at 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 at 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 NT dollars, all assets and liabilities accounts are translated at exchange rates prevailing at the balance sheet date. The accumulated earnings at beginning of year is carried over from the translated balance at end of last year, balances of all other accounts of stockholders' equity are translated using historical exchange rates. The differences resulting from translation are recorded as cumulative translation adjustment, an adjustment account of stockholders' equity.

(16) Derivative financial instruments

- 1) Derivative financial instruments for trading purposes

Assets or liabilities resulting from derivative financial instruments for trading purpose

are valued at the fair values at 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 for hedging purposes

For derivative financial instruments used to hedge risks associated with existing assets or liabilities, 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.

(17) Recognition of interest income

Interest income on loans is recognized on an accrual basis. However, when the management believes that the principal or interest payments of a loan are unlikely to be received, or where interest or principal payments are more than 180 days overdue, interest income is recognized only when cash is received and the loans are reclassified as non-performing loans. The interest income on accounts with loan extension agreements is not recognized until cash is received in accordance with the regulations of the MOF.

(18) 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 were recorded as deferred tax assets whose realization is valued at the balance sheet date and any portion not realizable

would be accounted for as an allowance. Over or under provision of previous year's income tax is included in current year's income tax.

The Bank has adopted the Statements of Financial Accounting Standards No. 12, "Accounting for Income Tax Credits", whereby income tax credits from purchase of equipment, research and development, employee training expenditures, and investments in equity stock are recognized as incurred.

The 10% surtax on the Bank's undistributed current earnings, on the tax basis, is recorded as income tax expense in the year when earnings appropriation is approved by the shareholders' meeting.

2. Accounting Changes

The Bank carefully examined loan accounts to measure the estimated realizable loans' value and to reclassify the loans' grade in accordance of "The Guideline for Evaluating Loans' Recoverability" and "The Guideline for Loans' Classification". An addition loan loss provision of \$27.43 billion was made for doubtful accounts, which was approved by the Board of Directors on October 30, 2003.

3. Summary of Significant Accounts

(1) Cash and Cash Equivalents

| | December 31, 2003 | December 31, 2002 |
|-------------------------|-----------------------|-----------------------|
| Cash in vault | \$ 8,952,912 | \$ 9,273,867 |
| Checks for clearance | 8,404,628 | 9,630,419 |
| Certificates of deposit | 197,816,628 | 90,473,162 |
| Total | <u>\$ 215,174,168</u> | <u>\$ 109,377,448</u> |

(2) Due from Banks

| | December 31, 2003 | December 31, 2002 |
|----------------------|----------------------|-----------------------|
| Due from other banks | \$ 3,814,678 | \$ 5,063,463 |
| Bank overdrafts | 26 | 610 |
| Call loans to banks | 92,837,331 | 108,485,196 |
| Total | <u>\$ 96,652,035</u> | <u>\$ 113,549,269</u> |

(3) Due from Central Bank

| | December 31, 2003 | December 31, 2002 |
|--|----------------------|----------------------|
| Reserve for deposits-account A | \$ 20,985,132 | \$ 43,739,348 |
| Reserve for deposits-account B | 27,316,060 | 24,916,723 |
| Reserve for deposits-foreign currency | — | 65,352 |
| Deposit of foreign branches with foreign Central Banks | 403,580 | 495,607 |
| Deposit of Treasury Account | 521,158 | 629,365 |
| Total | <u>\$ 49,225,930</u> | <u>\$ 69,846,395</u> |

(4) Marketable Securities

| | December 31, 2003 | December 31, 2002 |
|-----------------------|----------------------|----------------------|
| Marketable securities | \$ 56,349,669 | \$ 61,798,433 |
| Bank acceptances | 7,046 | 78,489 |
| Commercial papers | 3,947,611 | 1,541,526 |
| Total | <u>\$ 60,304,326</u> | <u>\$ 63,418,448</u> |

(19) The statement of cash flows

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

(20) 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, and of revenues, costs of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(5) Trading Securities

| | December 31, 2003 | December 31, 2002 |
|---------------------------------|----------------------|----------------------|
| Trading securities-dealing | \$ 13,432,478 | \$ 15,496,718 |
| Trading securities-underwriting | — | 49,338 |
| Total | <u>\$ 13,432,478</u> | <u>\$ 15,546,056</u> |

(6) Receivables

| | December 31, 2003 | December 31, 2002 |
|---------------------------------------|----------------------|----------------------|
| Interest receivable | \$ 4,823,679 | \$ 5,161,465 |
| Acceptances receivable | 10,724,831 | 7,128,119 |
| Forward exchange contracts receivable | 19,229,983 | 9,147,351 |
| Accounts receivable | 1,987,380 | 1,643,924 |
| Refundable tax | 1,052,182 | 875,671 |
| Accrued income | 709,854 | 192,177 |
| Other receivable | 673,639 | 814,933 |
| Sub-total | 39,201,548 | 24,963,640 |
| Less: Allowance for doubtful accounts | (790,641) | (1,010,222) |
| Net | <u>\$ 38,410,907</u> | <u>\$ 23,953,418</u> |

As of December 31, 2003 and 2002, the reserve for guarantees, including acceptances receivable, was \$450,518 and \$500,518, respectively and was recorded under "other liabilities".

(7) Loans, Bill Purchased and Discounted-net

| | December 31, 2003 | December 31, 2002 |
|---------------------------------------|-----------------------|-----------------------|
| Bills discounted | \$ 7,731,046 | \$ 4,932,333 |
| Overdrafts | 2,379,822 | 2,166,159 |
| Short-term loans | 274,042,608 | 272,660,630 |
| Medium-term loans | 252,650,220 | 236,016,332 |
| Long-term loans | 313,251,688 | 295,533,928 |
| Margin loan receivable (note) | — | 1,448,853 |
| Exchange and export-import bills | 4,083,282 | 3,717,448 |
| Sub-total | 854,138,666 | 816,475,683 |
| Less: Allowance for doubtful accounts | (1,126,763) | (1,070,428) |
| Net | <u>\$ 853,011,903</u> | <u>\$ 815,405,255</u> |

note: In 2003, sixteen securities brokerages were transferred to FTS, a subsidiary of FFHC. The related business was therefore closed and the balance of margin loan receivable was liquidated.

As of December 31, 2003 and 2002, non-interest accrued overdue loans and other outstanding loans totaled \$13,580,677 and \$38,035,481, respectively. Interest that was not accrued during the years of 2003 and 2002 totaled NT\$1,234,341 and \$2,992,742, respectively.

Proper course of claims against the debtors have been made before any loans were written off for 2003 and 2002.

The Bank has evaluated the allowance for doubtful receivables, exchange bills negotiated and discounted, loans and overdues, by considering unrecoverable risk for specific loans and inherent risk for total loan portfolio. Movements in allowance for doubtful accounts for 2003 and 2002, are as follows:

| January 1, 2003 to December 31, 2003 | | | |
|--------------------------------------|--|---|---------------------|
| | Unrecoverable risk for specific loans | Inherent risk for total loan portfolio | Total |
| Beginning balance | \$ 7,050,735 | \$ 995,209 | \$ 8,045,944 |
| Provision | 34,761,083 | 2,354,965 | 37,116,048 |
| Write-off | (39,387,379) | — | (39,387,379) |
| Transfer | (92,919) | 92,919 | — |
| Exchange difference | — | (44,318) | (44,318) |
| Ending balance | <u>\$ 2,331,520</u> | <u>\$ 3,398,775</u> | <u>\$ 5,730,295</u> |

| January 1, 2002 to December 31, 2002 | | | |
|--------------------------------------|--|---|---------------------|
| | Unrecoverable risk for specific loans | Inherent risk for total loan portfolio | Total |
| Beginning balance | \$ 11,251,606 | \$ 3,174,567 | \$ 14,426,173 |
| Provision | 12,092,382 | — | 12,092,382 |
| Write-off | (18,505,075) | — | (18,505,075) |
| Transfer | 2,211,822 | (2,211,822) | — |
| Exchange difference | — | 32,464 | 32,464 |
| Ending balance | <u>\$ 7,050,735</u> | <u>\$ 995,209</u> | <u>\$ 8,045,944</u> |

(8) Long-term Investments

1) The details:

| | December 31, 2003 | December 31, 2002 |
|------------------------------|----------------------|----------------------|
| Long-term equity investments | \$ 12,138,194 | \$ 12,319,758 |
| Long-term bond investments | 44,836,643 | 5,597,163 |
| Total | <u>\$ 56,974,837</u> | <u>\$ 17,916,921</u> |

2) Long-term equity investments:

| | December 31, 2003 | | December 31, 2002 | |
|--|---------------------|----------------------------|---------------------|----------------------------|
| | Amount | Percentage of ownership | Amount | Percentage of ownership |
| Equity method | | | | |
| First Commercial Bank (USA) | \$ 1,119,418 | 100.00 | \$ 1,108,644 | 100.00 |
| East Asia Real Estate Management Co., Ltd. | 8,327 | 30.00 | 7,987 | 30.00 |
| FCB Leasing Co., Ltd. | 563,617 | 99.97 | 511,225 | 99.97 |
| First Insurance Agency Co., Ltd. | 87,851 | 99.99 | 59,236 | 99.99 |
| Franklin Templeton First Taiwan Securities Investment Trust Enterprise | 121,813 | 49.99 | 128,215 | 49.99 |
| Sub-total | <u>1,901,026</u> | | <u>1,815,307</u> | |
| Cost method | | | | |
| Taiwan Power Company | \$ 2,187,531 | 0.84 | \$ 2,187,531 | 0.84 |
| Tang Eng Iron Works Co., Ltd. | 492,680 | 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 | 528,798 | | 796,081 | |
| Sub-total | <u>6,609,009</u> | | <u>6,876,292</u> | |
| The lower of cost or market value method | | | | |
| Chang Hwa Commercial Bank | \$ 1,283,366 | 3.41 | \$ 1,283,366 | 4.68 |
| Taiwan Business Bank | 1,469,878 | 6.51 | 1,469,878 | 6.51 |
| Hua Nan Financial Holding Co., Ltd. | 701,235 | 2.53 | 701,235 | 2.68 |
| Taiwan Development & Trust Corp. | 173,680 | 5.79 | 173,680 | 5.79 |
| Sub-total | <u>3,628,159</u> | | <u>3,628,159</u> | |
| Total | <u>\$12,138,194</u> | | <u>\$12,319,758</u> | |

- 3) The investment gains (losses), cumulative translation adjustment and amortization of the difference between cost and net worth recognized under the equity method of accounting are as follows:

| | From January 1 to December 31 | |
|---|-------------------------------|----------------|
| | 2003 | 2002 |
| Investment gains (losses) | \$ 121,358 | \$ (1,136,871) |
| Cumulative translation adjustment | (27,372) | (8,239) |
| Amortization of the difference between cost and net worth | — | (83,200) |

- 4) The Bank recognized total losses of \$266,140 during the year ended December 31, 2003, which were caused by the decline in value of equity, by liquidation or capital decrease of the individual investee company.
- 5) In September 2002, Central Bills Financial Corporation resolved to increase its capital after executing a capital reduction. The Bank did not subscribe any shares of the capital increase in accordance with the resolution of the Board of Directors. As a result of the capital reduction of the investee, the evaluation of this investment was changed from the equity method to the cost method. During the year ended December 31, 2002, the investment loss accounted for under the equity method was \$1,230,524. As of December 31, 2002, the Bank owned 0.01% of the outstanding common stock of this investee and the balance of this investment was \$249.
- 6) The Bank owns more than 50% of the common stock of First Commercial Bank (USA), FCB Leasing Co., Ltd. and First Insurance Agency Co., Ltd. as of December 31, 2003. However, as the total assets or operating revenues of these investee companies constituted less than 10% of the respective totals of the Bank, such investee companies are only accounted for using the equity method and no consolidated financial statements were prepared.

(9) Property and Equipment-net

| | 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 |
| Machinery and equipment | 2,985,183 | — | (1,994,660) | 990,523 |
| Transportation equipment | 801,730 | — | (412,547) | 389,183 |
| Other equipment | 1,944,477 | — | (1,390,787) | 553,690 |
| Leasehold improvements | 617,480 | — | (423,785) | 193,695 |
| Construction in progress and prepayments for equipment | 73,931 | — | — | 73,931 |
| | <u>\$ 21,450,736</u> | <u>\$ 10,442,170</u> | <u>\$ (6,465,252)</u> | <u>\$ 25,427,654</u> |
| | December 31, 2002 | | | |
| | Cost | Appraisal increments | Accumulated depreciation | Book value |
| Land | \$ 7,280,363 | \$ 11,215,489 | \$ (468) | \$ 18,495,384 |
| Buildings | 8,496,579 | 63,459 | (2,268,613) | 6,291,425 |
| Machinery and equipment | 2,743,776 | — | (1,782,519) | 961,257 |
| Transportation equipment | 823,330 | — | (456,828) | 366,502 |
| Other equipment | 2,066,868 | — | (1,485,122) | 581,746 |
| Leasehold improvements | 536,367 | — | (390,707) | 145,660 |
| Construction in progress and prepayments for equipment | 59,274 | — | — | 59,274 |
| | <u>\$ 22,006,557</u> | <u>\$ 11,278,948</u> | <u>\$ (6,384,257)</u> | <u>\$ 26,901,248</u> |

The Bank revalued its land and buildings in accordance with the relevant regulations. As of December 31, 2003 and 2002, the balances of the appraisal increments amounted to \$16,641,453 and \$16,966,339 (including non-operating assets), respectively, and the relevant reserve for land appraisal incremental tax was \$9,035,983 and \$9,221,718 respectively.

There was no interest capitalized on property and equipment purchased for the years ended December 31, 2003 and 2002.

(10) Other Assets

| | December 31, 2003 | December 31, 2002 |
|---|-------------------|-------------------|
| Intangible assets | \$ 183,375 | \$ 220,587 |
| Non-operating assets | | |
| Cost | | |
| Land | 440,439 | 176,976 |
| Buildings | 1,178,730 | 710,982 |
| Others | 11,840 | 11,446 |
| Sub-total | 1,631,009 | 899,404 |
| Appraisal Increments | 6,199,283 | 5,687,391 |
| Total cost and appraisal increments | 7,830,292 | 6,586,795 |
| Less: accumulated depreciation | (344,335) | (225,480) |
| Net non-operating assets | 7,485,957 | 6,361,315 |
| Other assets | | |
| Overdue loans | | |
| Gross amount of overdue loans | 13,759,455 | 38,854,392 |
| Less: allowance for doubtful accounts | (3,812,891) | (5,965,294) |
| Net overdue loans | 9,946,564 | 32,889,098 |
| Foreclosed assets | | |
| Cost | 623,427 | 1,532,949 |
| Less: allowance for loss on foreclosed assets | (347,820) | (586,594) |
| Net foreclosed assets | 275,607 | 946,355 |
| Refundable deposits | 899,984 | 1,221,507 |
| Other assets to be adjusted | 160,750 | 160,750 |
| Revaluation of financial derivatives | 237,182 | — |
| | 11,520,087 | 35,217,710 |
| Deferred expenses | | |
| Other deferred expenses | 33,492 | 39,307 |
| Deferred income tax assets-net | 15,523,275 | 9,931,794 |
| | 15,556,767 | 9,971,101 |
| Total | \$ 34,746,186 | \$ 51,770,713 |

The MOF approved the Bank's takeover of five credit departments of Farmers' and Fishermen's Associations in Tainan and other counties effective September 14, 2001. The acquired assets together with the indebtedness were transferred to the Bank. The RTC Fund has partially reimbursed the losses suffered by the Bank. The remaining portion of the disputed assets and liabilities, currently under investigation, have been temporarily booked 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 RTC fund.

As of December 31, 2002, the balance of deferred expense for employee compensation due to privatization was \$0. For the year ended December 31, 2002, the amortization was \$1,844,972 and was charged to other non-operating expenses.

(11) Due to Banks

| | December 31, 2003 | December 31, 2002 |
|-----------------------|-------------------|-------------------|
| Due to other banks | \$ 1,336,809 | \$ 1,443,912 |
| Overdraft on banks | 1,402,114 | 1,678,778 |
| Call loans from banks | 121,224,921 | 76,657,431 |
| Total | \$ 123,963,844 | \$ 79,780,121 |

(12) Payables

| | December 31, 2003 | December 31, 2002 |
|------------------------------------|----------------------|----------------------|
| Accounts payable | \$ 14,734,156 | \$ 15,695,873 |
| Interest payable | 3,103,444 | 4,202,731 |
| Forward exchange contracts payable | 19,199,936 | 9,154,017 |
| Bank acceptances | 10,949,377 | 7,444,115 |
| Collections for customers | 1,229,711 | 675,670 |
| Accrued expenses | 1,848,119 | 1,907,827 |
| Dividends payable | 223,645 | 224,487 |
| Other payables | 4,979,217 | 5,829,549 |
| Total | <u>\$ 56,267,605</u> | <u>\$ 45,134,269</u> |

(13) Deposits and Remittances

| | December 31, 2003 | December 31, 2002 |
|------------------------------------|-------------------------|-------------------------|
| Checking account deposits | \$ 36,543,876 | \$ 31,487,700 |
| Demand account deposits | 199,727,734 | 150,320,627 |
| Time deposits | 210,231,673 | 219,209,261 |
| Negotiable certificates of deposit | 10,178,200 | 14,848,400 |
| Savings account deposits | 679,267,487 | 665,820,222 |
| Remittances and drafts issued | 94,743 | 86,342 |
| Remittances outstanding | 1,108,525 | 723,599 |
| Total | <u>\$ 1,137,152,238</u> | <u>\$ 1,082,496,151</u> |

(14) Financial Bonds Payable

The Board of Directors' meetings of June 22, 2001, October 3, 2002 and November 14, 2003 resolved to issue senior and subordinate financial bonds for NT\$50, \$30 and \$20 billion, respectively to strengthen the Bank's capital adequacy ratio and to finance long-term operating capital. The proposed amounts were all approved by MOF. The investors' claims of subordinate bonds are subordinate to the creditors' but take precedence over shareholders' in the event of liquidation. The detailed terms of each issue are as follows:

| First issue, 2001 | |
|-----------------------------|--|
| Issuance date | September 12, 2001 |
| Amount | NT\$10 billion |
| Price | At par |
| Coupon rate | 4% |
| Interest and repayment term | Interest paid annually and principal repaid 20%, 30%, 50% at the 5th, 6th, 7th year, respectively. |
| Maturity | 7 years |
| First to Fifth Issue, 2002 | |
| Issuance date | March 4, July 9, December 10, December 19, 2002 |
| Amount | NT\$20.5 billion |
| Price | At par |
| Coupon rate | Part of them have fixed interest rate, 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. |
| Interest and repayment term | For fixed interest rate, interest paid annually. For floating interest rate, interest paid either quarterly, semi-annually, or annually. Principal is due at maturity. |
| Maturity | 5 years to 5 years and 7 months |

| | First to Ninth issue, 2003 |
|-----------------------------|--|
| Issuance date | 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 have fixed interest rate, 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, 90 days commercial paper interest rate or IRS rate. |
| Interest and repayment term | For fixed interest rate, interest paid annually. For floating interest rate, interest paid either quarterly, or semi-annually. Principal is due at maturity. |
| Maturity | 4 years to 8 years |

As of December 31, 2003, interest rates of the above financial bonds are between 1.332% and 6.12%.

(15) Other Liabilities

| | December 31, 2003 | December 31, 2002 |
|---------------------------------------|---------------------|---------------------|
| Reserve for losses on guarantee | \$ 450,518 | \$ 500,518 |
| Reserve for securities trading losses | 200,000 | 200,000 |
| Reserve for default losses | — | 40,948 |
| Guarantees and margin deposits | 1,434,753 | 1,276,476 |
| Other liabilities to be adjusted | 57,446 | 87,047 |
| Revaluation of financial derivatives | 229,440 | — |
| Others | 95,061 | 155,875 |
| Total | <u>\$ 2,467,218</u> | <u>\$ 2,260,864</u> |

Please refer to note 3(10) for the details of "other liabilities to be adjusted".

(16) Other Non-operating Income

| | 2003 | 2002 |
|---|---------------------|-------------------|
| Recovery of bad debts | \$ 529,639 | \$ 432,555 |
| Reversal of over-accrued bonus in previous year | 170,674 | 51,484 |
| Reserve for guarantee | 50,000 | — |
| Income from use of employee dormitory | 6,030 | 5,952 |
| Income from overdue accounts | 64,267 | 1,499 |
| Others | 222,253 | 42,575 |
| | <u>\$ 1,042,863</u> | <u>\$ 534,065</u> |

(17) Losses on Sales of Non-performing Loans

The Bank didn't deal with sales of non-performing loans for the year ended December 31, 2003. During 2002, the Bank had signed agreements with Cerberus Asia Capital Management L.L.C., Lehman Brothers Commercial Corporation Asia Limited and Lone Star Asia-Pacific Ltd., and GE Capital Commercial Finance Inc. and Taiwan Asset Management Corporation to sell its non-performing loans with book value of \$10,936,988, \$4,058,482 and \$35,331,928 respectively, resulting in a loss of \$33,580,452 (the net loss was \$25,185,339 after income tax benefit). As of December 31, 2003, the end of redemption period, there was no material redemptions from the sales of non-performing loans.

(18) Other Non-operating Expenses

| | 2003 | 2002 |
|---|-------------------|---------------------|
| Employees compensation from denationalization | \$ — | \$ 1,844,972 |
| Losses on decline in value of foreclosed assets | 22,177 | 437,526 |
| Losses on sales of foreclosed assets | 70,172 | 8,960 |
| Others | 276,621 | 258,772 |
| Total | <u>\$ 368,970</u> | <u>\$ 2,550,230</u> |

(19) Pension Plan

1) The Bank has a non-contributory and funded defined benefit pension plan covering all regular employees with the following provisions:

- * Base units: each employee accrues two units for every year of service over the first 15 years and one unit for every year of service afterwards, 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 with an additional 20% in pension benefit.
- * Qualifying service: in calculating the length of qualifying service, fraction of a year less than six months is treated as a completed one half year and whereas more than six months is treated as one full year.

2) Actuarial assumptions used:

| | 2003 | 2002 |
|--|-------|-------|
| Discount rate | 3.00% | 3.50% |
| Expected rate of return on plan assets | 3.00% | 3.50% |
| 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, 2003 | December 31, 2002 |
|--|---------------------|---------------------|
| Benefit obligation: | | |
| Vested benefit obligation | \$ 1,581,826 | \$ 1,105,489 |
| Non-vested benefit obligation | 1,265,411 | 869,515 |
| Accumulated benefit obligation | 2,847,237 | 1,975,004 |
| Additional benefits based on future salaries | 717,271 | 492,563 |
| Projected benefit obligation | 3,564,508 | 2,467,567 |
| Fair value of plan assets | (2,008,849) | (1,594,105) |
| Funded status | 1,555,659 | 873,462 |
| Unrecognized pension loss | (660,389) | (135,395) |
| Accrued pension cost | \$ 895,270 | \$ 738,067 |
| Vested benefit | <u>\$ 1,863,378</u> | <u>\$ 1,443,084</u> |

4) Net periodic pension costs

| | 2003 | 2002 |
|---|-------------------|-------------------|
| Service cost | \$ 540,914 | \$ 494,754 |
| Interest cost | 86,050 | 88,204 |
| Actual return on plan assets | (24,931) | (30,880) |
| Amortization of unrecognized pension loss | (36,716) | (37,509) |
| Net periodic pension costs | <u>\$ 565,317</u> | <u>\$ 514,569</u> |

(20) Capital Stock

Originally, the Bank's share capital totaled \$38,216,000. On August 15, 2003, the Board of Directors resolved to raise capital by issuing 800 million shares of common stock, a par value of NT\$10 (dollars) each, issued at a premium price of NT\$17.5 (dollars) per share, with the effective date October 7, 2003. After the capital increase, total issued capital amounted to \$46,216,000. This issuance has been approved by MOF according to MOF Tai-Tsal-Jen Ruling No. 0920040630 and was registered on October 29, 2003 with the approval of Ministry of Economic Affairs.

(21) Capital Reserve

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

The Company Law and the Securities & Exchange Law require that capital reserve resulting from value received in excess of par value of the issuance of stock and donation income received to be used exclusively to cover losses or to increase annually the capital of the Company subject to a maximum limit of 10% of total capital. The capital reserve can only be used to cover losses after the retained earnings, if any, are fully utilized to cover the losses.

(22) Legal Reserve and Special Reserve**1) Legal reserve**

According to the Company Law, legal reserve can only be used to offset accumulated deficits 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 under a resolution from a shareholders' meeting.

2) Special reserve

Pursuant to the regulations of the Securities & Futures Commission of the Ministry of Finance, 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 years. Such special reserve is not available for dividend distribution. In the subsequent year(s), if the year-end balances of such items no longer result in a reduction in stockholders' equity, the special reserve previously set aside will then be available for distribution.

(23) Retained Earnings (Accumulated Deficits)

1) As stipulated in the Bank's Articles of Incorporation, the annual net income (after income tax) should be first used to offset accumulated deficits, 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: (a) 1% to 8% as bonuses to employees (b) 1% as remunerations to directors and supervisors, and (c) dividends and bonuses to shareholders as proposed by the Board of Directors were in consideration of the capital adequacy ratio and the need for business development, and approved by the shareholders' meeting.

2) Dividend policies 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 policies 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 set ratio regulated by the Banking Law, the maximum amount of cash dividend distribution has to be subject to the stipulations set by the Banking Law and the governing authorities.

3) Deficits reimbursement

On June 20, 2003, the Board of Directors has adopted the resolution to cover the accumulated deficits by appropriating the Legal Reserve, Special Reserve and Capital Surplus in the amount of \$15,268,422, \$3,695,364, and \$4,075,242, respectively.

(24) Personnel, Depreciation and Amortization Expense

| | Operating expenses | |
|----------------------------|--------------------|--------------|
| | 2003 | 2002 |
| Personnel | \$ 7,980,225 | \$ 7,943,394 |
| Salaries | 7,046,556 | 6,984,048 |
| Labor and health insurance | 273,058 | 252,314 |
| Pension | 570,651 | 494,753 |
| Others | 89,960 | 212,279 |
| Depreciation | 795,978 | 830,976 |
| Amortization | 115,287 | 52,189 |

(25) Income Tax

1) Income tax reconciliation:

| | December 31, 2003 | December 31, 2002 |
|---|-----------------------|-----------------------|
| Income tax refund | \$ (467,365) | \$ (517,472) |
| Income tax payable-foreign branches | 16,539 | 60,232 |
| Increase in deferred income tax assets | (5,591,481) | (7,929,965) |
| Income tax adjustment-foreign branches | — | 1,573 |
| Over-provision of income tax in prior year | (180,677) | (23,923) |
| Tax on separately taxed interest income | 30,196 | 28,806 |
| Prepaid income tax | 613,802 | 421,894 |
| Others | 722 | — |
| Income tax benefit in current year | (5,578,264) | (7,958,855) |
| 10% income tax levied on unappropriated retained earnings | — | 182,297 |
| Income tax benefit | <u>\$ (5,578,264)</u> | <u>\$ (7,776,558)</u> |

2) Deferred income tax assets (net):

As of December 31, 2003 and 2002, the income tax effects of temporary differences, that gave rise to the deferred tax assets and liabilities are as follows:

| | December 31, 2003 | | December 31, 2002 | |
|--|----------------------|----------------------|----------------------|----------------------|
| | Amount | Income tax effects | Amount | Income tax effects |
| Temporary differences | | | | |
| Allowance for doubtful accounts | \$ 2,783,987 | \$ 695,997 | \$ 2,783,987 | \$ 695,997 |
| Loss carryforwards (expiring in 2008) | 63,624,223 | 15,906,056 | 38,313,613 | 9,578,403 |
| Others | 672,080 | 168,020 | 1,187,468 | 296,867 |
| | <u>\$ 67,080,290</u> | <u>\$ 16,770,073</u> | <u>\$ 42,285,068</u> | <u>\$ 10,571,267</u> |
| Investment tax credits | | 118,715 | | 176,696 |
| Offshore entities | | 143,507 | | 191,403 |
| Deferred income tax assets | | 17,032,295 | | 10,939,366 |
| Allowance for deferred income tax assets | | (1,509,020) | | (1,007,572) |
| Deferred income tax assets-net | | <u>\$ 15,523,275</u> | | <u>\$ 9,931,794</u> |

3) As of December 31, 2003, the details of tax credits are as follows:

| | Amount | Available period (year) |
|--|-------------------|-------------------------|
| Research & development | \$ 57,931 | 2002~2007 |
| Training costs | 41,133 | 2002~2007 |
| Investment tax credit from investment in Taiwan Cement Corporation | 19,651 | 2002~2005 |
| | <u>\$ 118,715</u> | |

4) Imputed tax system and related information

| | December 31, 2003 | December 31, 2002 |
|--|-------------------|-------------------|
| Imputed tax credits for shareholders | \$ 123,693 | \$ 24,534 |
| Imputed tax credit rate of estimated (actual) earnings appropriation | — | — |

5) The balance of accumulated deficits

| | December 31, 2003 | December 31, 2002 |
|----------------------|------------------------|------------------------|
| before June 30, 1998 | \$ — | \$ 1,538,423 |
| after June 30, 1998 | (13,306,619) | (24,577,451) |
| | <u>\$ (13,306,619)</u> | <u>\$ (23,039,028)</u> |

6) The tax authorities have examined and approved the Bank's Income tax returns for all years through 2001.

7) The tax authorities have examined and assessed the withholding tax on bond interest income disallowed as credit for the years ended December 31, 1999, 2000 and 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.

(26) Losses Per Share

| January 1 to December 31, 2003 | | | | | |
|--------------------------------|-----------------------|-----------------------|--|------------------|-----------------|
| | Amount | | Adjusted weighted average outstanding common stock | Losses per share | |
| | Before tax | After tax | | Before tax | After tax |
| | | | (in thousand shares) | (in dollars) | |
| 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> |

| January 1 to December 31, 2002 | | | | | |
|--------------------------------|-----------------------|-----------------------|--|------------------|-----------------|
| | Amount | | Adjusted weighted average outstanding common stock | Losses per share | |
| | Before tax | After tax | | Before tax | After tax |
| | | | (in thousand shares) | (in dollars) | |
| Net loss | <u>\$(32,500,869)</u> | <u>\$(24,724,311)</u> | <u>3,821,600</u> | <u>\$(8.50)</u> | <u>\$(6.47)</u> |

The weighted-average common stock outstanding has been retroactively adjusted in accordance with the issuance of common stock for cash on October 7, 2003.

(27) Capital Adequacy Ratio

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 8.96% and 8.99% as at December 31, 2003 and 2002, respectively.

4. Related Party Transactions**(1) Details of the related parties**

| Names of related parties | Nature of relationship |
|--|---|
| First Financial Holding Co., Ltd. ("FFHC") | Parent company |
| Bank of Taiwan | The company's representative is a director of the FFHC (note 1) |
| Hua Nan Commercial Bank, Ltd. | The company's representative is a director of the FFHC |
| Golden Garden Investment Co. | The company's representative is a director of the FFHC |
| First Commercial Bank (USA) | Subsidiary of the Bank |
| FCB Leasing Co., Ltd. ("FCBL") | Subsidiary of the Bank |

| Names of related parties | Nature of relationship |
|---|---|
| First Insurance Agency Co., Ltd. | Subsidiary of the Bank |
| Central Bills Finance Corporation ("CBFC") | Investee accounted for under the equity method (note 2) |
| East-Asia Real Estate Management Co., Ltd. ("EAREM") | Investee accounted for under the equity method |
| Franklin Templeton First Taiwan Securities Investment Trust Enterprise ("FTFT") | Investee accounted for under the equity method |
| The Grand Hotel | Its chairman is the spouse of the Bank's former chairman (note 3) |
| The First Education Foundation | Donation from the Bank exceeded one third of its fund balance |
| First Taisec Securities Inc. ("FTS") | Subsidiary of FFHC |
| Mingtai Fire & Marine Insurance Co., Ltd ("MFMI") | Subsidiary of FFHC |
| National Investment Trust Co., Ltd ("NITC") | Subsidiary of FFHC |
| Steve S.F. Shieh.... etc., 14 people | The Bank's directors |
| Chao-Shun Chang.... etc., 5 people | The Bank's supervisors |
| Long-I Liao.... etc., 223 people | The Bank's managers |
| Erh-Jung Hsieh.... etc., 1,865 people | Spouses of the Bank's directors, supervisors, managers, president, general managers and relatives within second degree of kinship of the aforementioned parties |

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.

note 2: Relationship terminated on December 26, 2002.

note 3: Relationship terminated on August 15, 2003.

(2) Major transactions with the related parties

1) Due from banks

| As of and for 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 | 4,015,339 | 1,714,725 | 20,448 | 0.050~5.230 |
| | | <u>\$ 2,740,142</u> | <u>\$ 47,603</u> | |
| As of and for year ended December 31, 2002 | | | | |
| | Highest balance | Ending balance | Interest income | Interest rate (%) |
| Bank of Taiwan | \$ 9,000,000 | \$ 1,391,200 | \$ 17,896 | 1.410~2.195 |
| Hua Nan Commercial Bank | 7,000,000 | 521,700 | 29,564 | 1.410~2.305 |
| Central Bills Finance Corp. | 200,000 | — | 45 | 1.935~2.150 |
| | | <u>\$ 1,912,900</u> | <u>\$ 47,505</u> | |

2) Due to banks

| As of and for 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 | 5,700,000 | 341,806 | 4,222 | 0.720~5.060 |
| | | <u>\$ 1,541,806</u> | <u>\$ 16,466</u> | |
| As of and for year ended December 31, 2002 | | | | |
| | Highest balance | Ending balance | Interest expense | Interest rate (%) |
| Bank of Taiwan | \$ 5,000,000 | \$ — | \$ 4,369 | 1.650~2.300 |
| Hua Nan Commercial Bank | 2,500,000 | — | 5,101 | 1.450~2.300 |
| | | <u>\$ —</u> | <u>\$ 9,470</u> | |

3) Deposits

| | December 31, 2003 | | December 31, 2002 | |
|--------|---------------------|------------|---------------------|------------|
| | Ending balance | Percentage | Ending balance | Percentage |
| EAREM | \$ 585,191 | — | \$ 696,780 | — |
| FFHC | 2,133,090 | — | — | — |
| Others | 5,731,670 | 1 | 6,678,529 | 1 |
| | <u>\$ 8,449,951</u> | <u>1</u> | <u>\$ 7,375,309</u> | <u>1</u> |

None of the transactions with the related parties amounted to more than 10% of each respective account. Hence the transactions are not listed individually in details. The interest rates of deposits applied to the related parties were the same as those offered to other customers.

4) Loans

| | December 31, 2003 | | December 31, 2002 | |
|-----------------------|----------------------|------------|----------------------|------------|
| | Ending balance | Percentage | Ending balance | Percentage |
| FCB Leasing Co., Ltd. | \$ 6,952,800 | 1 | \$ 7,921,400 | 1 |
| Others | 7,623,405 | 1 | 15,146,121 | 2 |
| | <u>\$ 14,576,205</u> | <u>2</u> | <u>\$ 23,067,521</u> | <u>3</u> |

None of the transactions with the related parties amounted to more than 10% of each respective account. Hence the transactions are not listed individually in details. The interest rates of loans extended to the related parties were the same as those offered to other customers.

5) 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, business contracts and related computer software of sixteen securities brokerages to FTS with an effective date of December 1, 2003, for a total amount of \$127,044. The Bank recognized a gain of \$7,872 on the disposal of property and equipment, and \$3,373 as other income. In addition, the securities financing business was transferred at the book value of \$1,545,077 on the first day after the effective date. Accordingly, no gain or loss was recognized. The amount was received in full as of December 31, 2003.

5. Pledged Assets

The balances of assets with restrictions on use as of December 31, 2003 and 2002 are as follows:

| | December 31, 2003 | December 31, 2002 | Pledged purpose |
|-----------------------|---------------------|---------------------|--|
| Marketable securities | \$ 2,591,900 | \$ 2,812,800 | Guarantees for court and trust fund reserves |
| Refundable deposits | 899,984 | 1,221,507 | Guarantees for court and rental deposits |
| Total | <u>\$ 3,491,884</u> | <u>\$ 4,034,307</u> | |

6. Commitments and Contingent Liabilities

As of December 31, 2003 and 2002, the Bank has the following commitments and contingent liabilities:

(1) Major commitment and contingent liabilities

| | December 31, 2003 | December 31, 2002 |
|--|-------------------|-------------------|
| Unused loan commitments | \$ 23,616,229 | \$ 22,783,481 |
| Unused credit commitments for credit cards | 67,065,833 | 61,762,747 |
| Unused letters of credit issued | 34,448,737 | 24,860,274 |
| Guarantees | 36,809,890 | 33,961,090 |
| Collections receivables for customers | 152,354,593 | 150,053,573 |
| Collections payables for customers | 10,294,063 | 10,122,225 |
| Travelers' checks consignment-in | 788,948 | 762,999 |
| Payables on bills guaranteed | 31,960,658 | 28,938,103 |
| Trust assets | 187,063,769 | 137,326,669 |
| Customers' securities under custody | 663,053,881 | 516,671,143 |
| Government bonds under management | 91,166,100 | 53,085,700 |
| Repurchase commitments | 25,586,918 | 28,133,182 |
| Resale commitments | — | 308,666 |

- (2) The Trust Department 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, 2003 and 2002, the investment details of trust assets are listed as follows:

Balance Sheet of Trust Account as of December 31, 2003

| Trust assets | | Trust liabilities | |
|------------------------|-----------------------|--------------------------|-----------------------|
| Cash and bank deposits | \$ 1,202,043 | Payables | \$ 833 |
| Short-term investments | 183,704,866 | Other liabilities | 2,059,412 |
| Receivables | 2,113,575 | Trust capital | 185,003,524 |
| Real estate | 43,285 | | |
| Total | \$ 187,063,769 | Total | \$ 187,063,769 |

Property List of Trust Account as of December 31, 2003

| Trust assets | |
|------------------------|-----------------------|
| Cash and bank deposits | \$ 1,202,043 |
| Short-term investments | |
| Common stocks | 3,066,836 |
| Bonds | 24,850,534 |
| Mutual funds | 155,787,496 |
| Real estate | 43,285 |
| Total | \$ 184,950,194 |

Balance Sheet of Trust Account as of December 31, 2002

| Trust assets | | Trust liabilities | |
|------------------------|-----------------------|--------------------------|-----------------------|
| Cash and bank deposits | \$ 666,966 | Payables | \$ 1,460 |
| Short-term investments | 133,816,490 | Other liabilities | 2,409,866 |
| Receivables | 2,843,213 | Trust capital | 134,915,343 |
| Total | \$ 137,326,669 | Total | \$ 137,326,669 |

Property List of Trust Account as of December 31, 2002

| Trust assets | |
|------------------------|-----------------------|
| Cash and bank deposits | \$ 666,966 |
| Short-term investments | |
| Common stocks | 4,486,492 |
| Bonds | 20,836,635 |
| Mutual funds | 108,493,363 |
| Total | \$ 134,483,456 |

- (3) Due to the collapse of the Tung Xin building caused by a major earthquake on September 21, 1999, the residents filed a legal claim of 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, 2003, 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, 2003, the estimated future minimum lease commitments are as follows:

| Fiscal year | Amount |
|--------------------|---------------------|
| 2004 | \$ 499,426 |
| 2005 | 405,994 |
| 2006 | 315,093 |
| 2007 | 221,831 |
| 2008 and after | 225,431 |
| | \$ 1,667,775 |

(5) Others

- 1) As of December 31, 2003, the Bank has signed construction contracts in the amount of \$115,586 of which \$63,851 was paid. It is listed under "construction in progress and prepayments for equipment" account.
- 2) After the share exchange completed on January 2, 2003, the Bank becomes a wholly-owned subsidiary of FFHC. FTS, NITC and MFMI have also become subsidiaries of FFHC after the completion of share exchange on July 31, 2003.
- 3) In order to take advantage of the synergy effect of a financial holding company, the Board of Directors of the Bank resolved to transfer sixteen securities brokerages to FTS. Please refer to Note 4.(2) 5) "Transfer of business operating" for details.
- 4) The Bank is currently dedicated to organizational restructuring, under a new organization chart adopted by the Board of Directors. The goal is to build up a "clients first" business operating management, and develop a performance oriented culture so as to found a new business model to meet market challenges.

7. Significant Losses From Natural Disasters: None.**8. Significant Subsequent Events: None.****9. Others****(1) Fair value of financial instruments**

| | December 31, 2003 | |
|--|-------------------|-----------------|
| | Book value | Fair value |
| Financial assets | | |
| Financial assets with book value equal to fair value | \$1,224,659,122 | \$1,224,659,122 |
| Marketable and trading securities | 73,736,804 | 75,134,587 |
| Long-term investments | 56,974,837 | 66,701,084 |
| Trading purpose | | |
| FX contracts (forward and swap) | 15,919,249 | 15,919,249 |
| FX margin trading | 1,801,714 | 1,801,714 |
| Non-delivery forward | 1,509,020 | 1,509,020 |
| Options held | 234,375 | 234,375 |
| Non-trading purpose | | |
| Interest rate related contracts (interest rate swap and assets swap excluding the principal) | 197,090 | (1,202,955) |
| Cross currency swap contracts | 1,674 | 19,929 |
| Financial liabilities | | |
| Financial liabilities with book value equal to fair value | \$1,334,636,147 | \$1,334,636,147 |
| Accrued pension liabilities | 934,664 | 1,555,659 |
| Trading purpose | | |
| FX contracts (forward and swap) | 16,021,446 | 16,021,446 |
| FX margin trading | 1,670,455 | 1,670,455 |
| Non-delivery forward | 1,508,035 | 1,508,035 |
| Options written | 229,440 | 229,440 |
| Non-trading purpose | | |
| Interest rate related contracts (Interest rate swap and assets swap excluding the principal) | 6,508 | 46,486 |

| | December 31, 2002 | |
|--|-------------------|-----------------|
| | Book value | Fair value |
| Financial assets | | |
| Financial assets with book value equal to fair value | \$1,147,833,685 | \$1,147,833,685 |
| Marketable and trading securities | 78,964,504 | 81,404,234 |
| Long-term investments | 17,916,921 | 26,827,840 |
| Trading purpose | | |
| FX contracts (forward and swap) | 8,237,074 | 8,237,074 |
| FX margin trading | 910,277 | 910,277 |
| Options held | 241,116 | 251,975 |
| Non-trading purpose | | |
| Interest rate related contracts (interest rate swap and assets swap excluding the principal) | 56,882 | 684,101 |
| Financial liabilities | | |
| Financial liabilities with book value equal to fair value | \$1,219,899,731 | \$1,219,899,731 |
| Accrued pension liabilities | 776,496 | 873,462 |
| Trading purpose | | |
| FX contracts (forward and swap) | 8,243,268 | 8,243,268 |
| FX margin trading | 910,749 | 910,749 |
| Options written | 241,116 | 241,116 |
| Non-trading purpose | | |
| Interest rate related contracts (Interest rate swap and assets swap excluding the principal) | 119,523 | 1,040,706 |

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 (deducting allowance for doubtful accounts) as stated on the balance sheet. This method is applicable to all financial instruments except for the items listed in the next paragraph.
- 2) Majority of the medium- and long-term loans have floating interest rates. The future discounted cash flow is estimated based upon the actual current rate. The fair value is approximately equal to the carrying value.
- 3) Short-term investments are valued at market prices when readily available, otherwise fair value is estimated based on financial or other information.
- 4) Long-term investments are valued at market prices when readily available, otherwise fair value is estimated based on financial or other information.
- 5) The 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, 2003 and 2002.
- 6) Assuming that contract terminates at balance sheet date, the fair value of derivative financial instruments is estimated based on the amount 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

| Financial instruments | December 31, 2003 | | December 31, 2002 | |
|--|-------------------------------|-------------|-------------------------------|-------------|
| | Contract (notional) principal | Credit risk | Contract (notional) principal | Credit risk |
| Trading Purpose | | | | |
| FX swap contracts | \$ 49,940,288 | \$ 307,768 | \$ 43,488,150 | \$ 170,146 |
| Forward contracts | 19,909,031 | 172,578 | 24,989,913 | 231,343 |
| FX margin trading | 1,801,714 | 134,760 | 910,277 | 47,371 |
| Options written | 8,980,549 | — | 4,794,641 | — |
| Options held | 8,915,805 | 72,077 | 4,794,641 | 91,460 |
| Non-trading Purpose | | | | |
| Interest rate swaps | 40,038,954 | 660,300 | 17,634,496 | 693,476 |
| Cross currency swaps | 339,980 | 19,929 | 1,004,446 | 11,773 |
| Assets swaps (credit risk excluding the principal) | 10,748,015 | 35,194 | 4,739,682 | 38,468 |

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 over-seas convertible bonds. The structured swap contracts were made to swap the fixed rates of bonds into the 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 securities", "loans, bills purchased and discounted" and "long-term Investments" and totaled \$788,652, \$543,968, \$9,417,446 and \$500,000, \$243,460, \$3,999,700, respectively as of December 31, 2003 and 2002.

The payable and receivable 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 receivable" or "accounts payable."

(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 fluctuations in market prices. The Bank has established specific detailed policies to control the market risks of interest and foreign exchange rates. Options are dealt on 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 high market liquidity instruments 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 dispose at a reasonable market price is moderately low.

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

The Bank acts in accordance with the square-off principle for deals of fund borrowing. 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. 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) The purpose of holding derivative financial instruments

The Bank holds or issues financial instruments for the purpose of trading and non-trading. 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, forwards, swaps, currency options and margin trading. The currency options are conducted on 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 hold 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 exchange gain or loss, interest income or interest expense, and derivatives gain are summarized as follows:

| | January 1, 2003 to December 31, 2003 | January 1, 2002 to December 31, 2002 |
|------------------|---|---|
| Interest Income | \$ 618,835 | \$ 184,941 |
| Interest expense | (82,594) | (103,289) |
| Exchange gain | 652,803 | 835,378 |
| Derivatives gain | 69,133 | 159,039 |
| | <u>\$ 1,258,177</u> | <u>\$ 1,076,069</u> |

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

- 1) The Bank has a great number of credit commitments originated from the credit business and issuance of credit cards. The terms for most of the credits fall within a year with interest rate ranging from 2.3% to 13%. However, the highest interest rate charged for the credit card receivables is 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:

| | December 31, 2003 | December 31, 2002 |
|--|-------------------|-------------------|
| Financial guarantees and letters of credit | \$ 71,258,627 | \$ 58,821,364 |
| Unused loan commitments | 23,616,229 | 22,783,481 |
| Unused credit card commitments | 67,065,833 | 61,762,747 |

- 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 outflows, 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 credits accounted for 54.34% of its total credits. Most collateral is in the form of land, buildings, cash, securities or other assets. The Bank has the right to dispose the collateral in case of default.

Credit card commitments 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) Financial instruments with significant concentration of credit risk

- 1) The concentration of credit risk 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 counterparties. However, the credit extended to counterparties that represent more than 5% of the Bank's total loans, bills purchased, discounted, and receivables are classified below.

2) Credit risk-by counter party

| | December 31, 2003 | December 31, 2002 |
|------------------------------|-----------------------|-----------------------|
| Loans by counterparty | | |
| Non-state-owned corporations | \$ 403,942,682 | \$ 398,758,243 |
| Individuals | 286,695,478 | 277,099,525 |
| Government organizations | 56,599,094 | 68,643,165 |
| State-owned corporations | 22,774,032 | 24,568,388 |
| Non-profit organizations | 4,931,270 | 5,916,533 |
| Others | 2,185,000 | 6,793,963 |
| Offshore entities | 90,770,565 | 73,550,258 |
| | <u>\$ 867,898,121</u> | <u>\$ 855,330,075</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) There is no significant net position for foreign currency transactions, as December 31, 2003 and 2002.

(5) Average value and average interest rates of interest-earning assets and interest-bearing liabilities

| | January 1, 2003 to December 31, 2003 | | January 1, 2002 to December 31, 2002 | |
|---------------------------------------|---|------------------------------|---|------------------------------|
| | Average value (note) | Average interest rate (%) | Average value (note) | Average interest rate (%) |
| Assets | | | | |
| Certificates of deposit | \$ 154,247,373 | 1.42 | \$ 81,037,728 | 2.25 |
| Due from banks | 110,746,041 | 1.22 | 109,722,496 | 1.91 |
| Due from Central Bank | 40,094,203 | 1.58 | 37,461,291 | 2.25 |
| Marketable securities | 51,270,724 | 3.61 | 63,096,329 | 4.71 |
| Loans, bills purchased and discounted | 805,366,450 | 3.70 | 796,288,146 | 4.98 |
| Liabilities | | | | |
| Due to Central Bank | \$ 247,025 | — | \$ 290,123 | 0.62 |
| Due to banks | 162,926,708 | 1.19 | 146,469,784 | 1.94 |
| Deposits and remittances | 996,015,870 | 1.18 | 954,306,665 | 2.03 |
| Negotiable certificates of deposit | 13,095,347 | 1.16 | 13,093,382 | 2.26 |
| Other borrowings | 216,362 | 0.85 | 406,391 | 0.97 |
| Financial bonds payable | 42,730,411 | 3.82 | 20,520,548 | 4.01 |

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

(6) Duration Analysis of assets and liabilities

| | December 31, 2003 | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| | 1~90 days | 91~180 days | 181~365 days | Over 1 year | Total |
| Assets | | | | | |
| Certificates of deposit | \$ 48,851,000 | \$ 53,859,000 | \$ 70,306,000 | \$ 24,800,628 | \$ 197,816,628 |
| Due from banks | 75,165,299 | 20,602,788 | 237,986 | 645,962 | 96,652,035 |
| Due from Central Bank | 21,909,930 | 27,316,000 | — | — | 49,225,930 |
| Marketable and trading securities | 6,888,051 | 4,044,828 | 5,514,572 | 57,289,353 | 73,736,804 |
| Loans, bills purchased and discounted | 243,592,885 | 78,209,104 | 82,106,444 | 450,230,233 | 854,138,666 |
| Long-term bond investments | — | 172,188 | — | 44,664,455 | 44,836,643 |
| Total | <u>\$ 396,407,165</u> | <u>\$ 184,203,908</u> | <u>\$ 158,165,002</u> | <u>\$ 577,630,631</u> | <u>\$ 1,316,406,706</u> |
| Liabilities | | | | | |
| 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> |

| | December 31, 2002 | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------|
| | 1~90 days | 91~180 days | 181~365 days | Over 1 year | Total |
| Assets | | | | | |
| Certificates of deposit | \$ 39,700,000 | \$ 17,800,000 | \$ 21,456,000 | \$ 11,517,162 | \$ 90,473,162 |
| Due from banks | 100,526,149 | 9,703,620 | 834,720 | 2,484,780 | 113,549,269 |
| Due from Central Bank | 44,929,395 | 24,917,000 | — | — | 69,846,395 |
| Marketable and trading securities | 16,085,655 | 5,348,932 | 3,824,560 | 53,705,357 | 78,964,504 |
| Loans, bills purchased and discounted-net | 222,165,163 | 75,873,460 | 94,897,680 | 423,539,380 | 816,475,683 |
| Long-term bond Investments | — | 281,266 | 278,240 | 5,037,657 | 5,597,163 |
| Total | <u>\$ 423,406,362</u> | <u>\$ 133,924,278</u> | <u>\$ 121,291,200</u> | <u>\$ 496,284,336</u> | <u>\$ 1,174,906,176</u> |
| Liabilities | | | | | |
| Due to Central Bank | \$ 174,490 | \$ — | \$ — | \$ — | \$ 174,490 |
| Due to banks | 74,006,641 | 5,147,440 | 626,040 | — | 79,780,121 |
| Deposits and remittances | 378,167,571 | 187,306,480 | 316,997,020 | 185,176,680 | 1,067,647,751 |
| Negotiable certificates of deposit | 6,603,400 | 2,487,000 | 5,150,000 | 608,000 | 14,848,400 |
| Financial bonds payable | — | — | — | 30,500,000 | 30,500,000 |
| Funds borrowed from Central Bank and other banks | 299,378 | — | — | — | 299,378 |
| Total | <u>\$ 459,251,480</u> | <u>\$ 194,940,920</u> | <u>\$ 322,773,060</u> | <u>\$ 216,284,680</u> | <u>\$ 1,193,250,140</u> |

(7) Reclassifications

Certain accounts of the 2002 financial statements have been reclassified to conform to the presentation of the 2003 financial statements. For example, loss on sales of non-performing loans was reclassified from non-operating expenses to operating costs, loss (gain) on long-term equity investments-net was reclassified to loss on long-term equity Investments-net or other operating revenue in accordance with "Guidelines Governing Preparation of Financial Statements by Securities Issuers," and certificates of deposit was reclassified from short-term investments to due from banks, etc.

10. Supplementary Disclosures

Information regarding significant transactions

(1) Funds lent to others

The Bank and its subsidiary - First Commercial Bank (USA) only engage in financial activities prescribed under the Banking Law; therefore, disclosure is not required. There are no other such transactions for the other subsidiaries.

(2) Acting as guarantor for others

The Bank and its subsidiary - First Commercial Bank (USA) only engage in financial activities prescribed under the Banking Law; therefore, disclosure is not required. There are no other such transactions for the other subsidiaries.

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

11. Segmental Financial Information

(1) Industrial information

The Bank is solely engaged in the banking business. Therefore, it is not required to provide industrial information.

(2) Geographical information

The Bank is not required to disclose geographical information as the revenues and tangible assets of foreign branches as of and for the year ended December 31, 2003 and 2002 were less than 10% of the Bank's total revenues and assets, respectively.

(3) Revenue from exporting

The export revenue dealt with customers by domestic operating units accounted for less than 10% of the Bank's operating revenue in 2003 and 2002.

(4) Major customer information

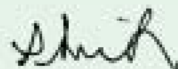
None of any customer contribution to the revenue accounted for more than 10% of the Bank's total operating revenue in 2003 and 2002.

Statement of Internal Control System

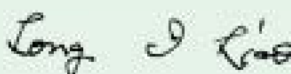
According to our evaluation of the Internal Control System from January 1, 2003 to December 31, 2003, First Commercial Bank (hereinafter referred to as "FCB") Issues the following statement:

1. FCB acknowledges that FCB's Board of Directors and Management are responsible for the establishment, implementation, and maintenance of the Internal Control System. FCB has already established such a system in order to provide reasonable assurance with respect to the achievement of the following targets: (1) the effectiveness and efficiency of business operation (including profit, performance, protection of assets, etc.). (2) the credibility of financial reports, (3) the compliance with all applicable laws, regulations, rulings and orders.
2. The Internal Control System has its limitation in nature. No matter how perfectly it is designed, the efficient Internal Control System can only provide reasonable assurance with respect to achievement of the above three targets. Furthermore, since the environment and circumstances are changeable, the effectiveness of the Internal Control System may also vary from time to time. However, the Internal Control System of FCB is managed with self-auditing mechanisms. Once a deficiency is identified, FCB will correct it as soon as possible.
3. Pursuant to the "Guidelines for Public Companies to establish Internal Control System" (hereinafter referred to as "Guidelines") announced by Securities and Futures Commission of the Ministry of Finance, FCB exercises its own judgment on efficiency of the Internal Control System in order to see whether or not the design and execution of Internal Control is effective. According to the "Guidelines", the Internal Control consists of the following subjects: (1) Environment Control. (2) Risk Evaluation. (3) Control Operation. (4) Information & Communication. (5) Supervision (or Audit). Each subject includes many items as specified in the "Guidelines".
4. In order to evaluate the efficiency of the design and execution of our Internal Control System, FCB has adopted the above mentioned criteria of Internal Control.
5. According to the above evaluation result, FCB considers that the design and execution of FCB's Internal Control System (subsidiary's governance covered), including effectiveness and efficiency of business operation, credibility of financial reports, and compliance with applicable laws, regulations, rulings are valid and can reasonably assure the achievement of the above mentioned targets.
6. The "Statement" will be a major part of FCB's Annual Report and Prospectus, and will also be published for public information. If the above mentioned public information has misrepresentations, frauds, intentional omissions, or any other acts which are sufficient to mislead other persons, such illegal deeds shall entail liabilities specified in Article 20, 32, 171 and 174 under the Securities and Exchange Law.
7. This statement was approved by the Board of Directors Meeting of FCB on March 12, 2004 and the thirteen attending members of the Board of Directors unanimously agreed to the content of this declaration.

First Commercial Bank



Steve S.F. Shieh
Chairman
March 15, 2004



Long-I Liao
President

Overseas Correspondent Banks



| Total Correspondent Banks: 1582 | |
|---------------------------------|------------------------------|
| Europe : 523 | North America : 254 |
| Asia : 588 | Central & South America : 48 |
| Middle & Near East : 65 | Oceania : 64 |
| Africa : 40 | |



Domestic Offices Appointed to Conduct International Business

International Department

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

Offshore Banking Branch

5Fl. 30, Chung King S. Rd., Sec. 1, Taipei 100-05, Taiwan
 TEL: (02)2348-1111
 SWIFT: FCBKWTWPBU
 TLX: 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 241, Taiwan
 TEL: (04)723-2161

Chang-Tai Branch

99, Chung Hsin Rd., Sec. 2, San Chung,
 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-Hslao-Road Branch

94, Chung Hslao 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
 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
 TLX: 33583 FCB HC

Hsin-Chuang Branch

316, Chung Cheng Rd., Hsin Chuang City,
 Taipei Hsien 242, 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,
 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 Chyuan 1st Rd., Kaohsiung 802
 P.O.Box 16, Kaohsiung, Taiwan
 TEL: (07)335-0811
 SWIFT: FCBKWTWP701
 TLX: 81936, 72470 FBTKAO

Keelung Branch

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

Ku-Ting Branch

50, 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 Hwa S. Rd., Sec. 1, Taipei 105, Taiwan
TEL: (02)2579-3616

Pan-Chiao Branch

107, Szu Chuan Rd., Sec. 1, Pan Chiao,
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

309, Chung Cheng Rd., Taipei 111, Taiwan
TEL: (02)2882-1211

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: FCBKTWTP401
TLX: 51172 FIRST

Tainan Branch

82, Chung Yi Rd., Sec. 2, Tainan 700
P.O.Box 10, Tainan, Taiwan
TEL: (06)222-4131
SWIFT: FCBKTWTP601
TLX: 71362 FIRSTBK

Tao-Yuan Branch

55, Min Tz Wu 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 Road, 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-Ya | Taipei |
| * Hsin-Wei..... | 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 |
| Pel-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..... | Hsi-chih, 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 |
| Pel-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-Pel | Hsinchu |
| Chu-Tung..... | Hsinchu |
| * Hsin-Chu | Hsinchu |
| Kuan-Hsi..... | Hsinchu |
| * Tung-Men..... | Hsinchu |
| Chu-Nan | Miaoli |
| Miao-Li | Miaoli |
| Tou-Fen | Miaoli |
| Ching-Shul | Taichung |
| * Chung-Kang | Taichung |
| * Feng-Yuan..... | Taichung |
| * Nan-Taichung | Taichung |
| Nan-Yang..... | Taichung |
| Pel-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 |
| Pel-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-Shul | 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 |

★Offices appointed to conduct international business

Business Netowrk

Taipei County

- Chung-Ho
- Lien-Cheng
- Hsi-Chih
- Dan-Feng
- Hsin-Chuang
- Tou-Chien
- Chi-Cheng
- Hsin-Tien
- Lu-Chou
- Hua-Chiang
- Pan-Chiao
- Pu-Chain
- Chang-Tai
- Chung-Yang
- San-Chung-Pu
- Shu-Lin
- Tai-San
- Tu-Cheng
- Wu-Ku
- Wu-Ku Ind. Zone
- Ying-Ko
- Shuang-Ho
- Yung-Ho

Chung-Li

- Chung-Li
- Hsi-Li
- Nei-Li
- Ping-Cheng

Hsin-Chu

- Chu-Ko
- Hsin-Chu
- Tung-Men

Taichung

- Chung-Kang
- Nan-Taichung
- Pei-Taichung
- Pei-Tun
- Taichung

Chia-Yi

- Chia-Yi
- Hsin-Hai
- Hsing-Chia

Tainan

- An-Nan
- Chih-Kan
- Chih-Cheng
- Chu-Hai
- Fu-Chiang
- Tainan
- Yun-Ho

Kaohsiung

- Chi-Hsien
- Chien-Cheng
- Ding-Tai
- Hsiao-Kang
- Hsin-Hsing
- Kaohsiung
- Ling-Ya
- Nan-Tzu
- Shih-Chuan
- Po-Ai
- San-Min
- Tso-Ying
- Wan-Nei
- Wu-Fu
- Yen-Cheng

Taipei

- Head Office (including Business Department)

- OBU
- An-Ho
- Chang-An
- Chang-Chun
- Cheng-Tung
- Chien-Cheng
- Chien-Kuo
- Chi-Lin
- Ching-Mei
- Chung-Hakao-Road
- Chung-Lun
- Chung-Shan
- Fu-Hsing
- Hsi-Men
- Hsin-Ya
- Hsin-Wei
- Hsin-Yi
- Jen-Ai
- Jen-Ho
- Kang-Chian
- Ku-Ting
- Kwang-Fu
- Li-Shan
- Min-Chuan
- Min-Sheng
- Mu-Cha
- Nan-Kang
- Nanking-East-Road
- Nan-Men
- Nei-Hu
- Pa-Teh
- Pei-Tou
- Shih-Lin
- Shih-Mao
- Shuang-Yuan
- Sung-Chiang
- Sung-Shan
- Sung-Mao
- Ta-An
- Ta-Chih
- Ta-Tao-Cheng
- Ta-Tung
- Tien-Mu
- Tun-Hua
- Tung-Hu
- Wan-Hua
- Wan-Lung
- Yen-Chi
- Yuan-Shan
- Yung-Chun



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 Avenue
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 Wilton 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

ONG Building #01-02
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 Zul 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