

Achieve the Best with All Our Hearts



國泰金融控股公司
Cathay Financial Holdings

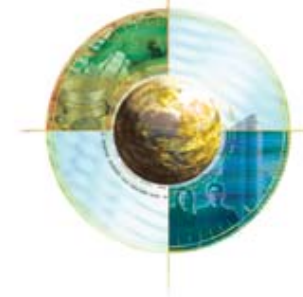
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Cathay Financial Holdings

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I. Message to Shareholders



Year 2002 was a difficult year for many industries in Taiwan and overseas. However, despite the unfavorable economic climate, Cathay was able to achieve steady growth through the diligence of our coworkers.

During the last year, Cathay United Bank, Cathay Century Insurance Company and United World Chinese Commercial Bank joined Cathay Financial Holdings making it the largest financial group in Taiwan. At the end of 2002, total accumulated capital was NT\$84.53 billion, and total assets exceeded NT\$2 trillion. Our customer base reached 10 million customers, and a total of 579 service centers had been established. Cathay Financial Holdings also successfully concluded a US\$700 million ECB issuance last year.

Cathay Life continuously encourages its employees to obtain multi-disciplinary training and certification, while Cathay Financial Holdings moves toward a more comprehensive financial platform to offer a more robust selection of financial solutions including insurance, banking and other services. By combining the customers,

resources and sales channels of the entire group, Cathay Financial Holdings aims to leverage its advantages to provide faster and more responsive services to its customers and greater profits for its shareholders.

Looking forward to 2003, most research institutions predict a turnaround in the global economy, and the forecast for Taiwan is similarly optimistic. As the international economy recovers, Taiwan's economic growth can also expect to see improvement. The focus of Cathay Financial Holdings' future development will continue to be on maintaining its advantages in assets, personnel and distribution channels while at the same time actively promoting integration in all areas. Specifically, the integration of United World Chinese Commercial Bank and Cathay United Bank, coupled with the mutual support of the banking and insurance businesses, will serve to increase marketing effectiveness. To respond to revisions in insurance legislation, the proportion of overseas investment will increase, and loan business will continue to be promoted. With regard to the China market, Cathay Life established a China market development office in 1996, and we aim to submit applications to begin business this year and officially enter the China market as soon as possible.

I hope that in the coming year, with the guidance of our shareholders, our entire team will maintain sound business operations with dedication, working together to provide our customers with the best services possible and to achieve maximum business success.

Sincerely,

Hong-tu Tsai, Chairman

Cathay Financial Holdings

II. Cathay Financial Holding Co., Ltd. Overview



A. Company Profile

The Cathay Financial Holdings was formally established on December 31, 2001 with a registered capital of NT\$120 billion. Cathay Financial Holdings was established in order to strengthen competitiveness and improve business performance along with increasing diversification and globalization in the financial industry, the progressive consolidation of Taiwan's financial institutions and the enactment of Financial Holding Company Act.

With personnel located at service outlets throughout Taiwan, the Cathay Financial Holdings will work to develop a "cross-selling" strategy to provide customers with one-stop shopping services.

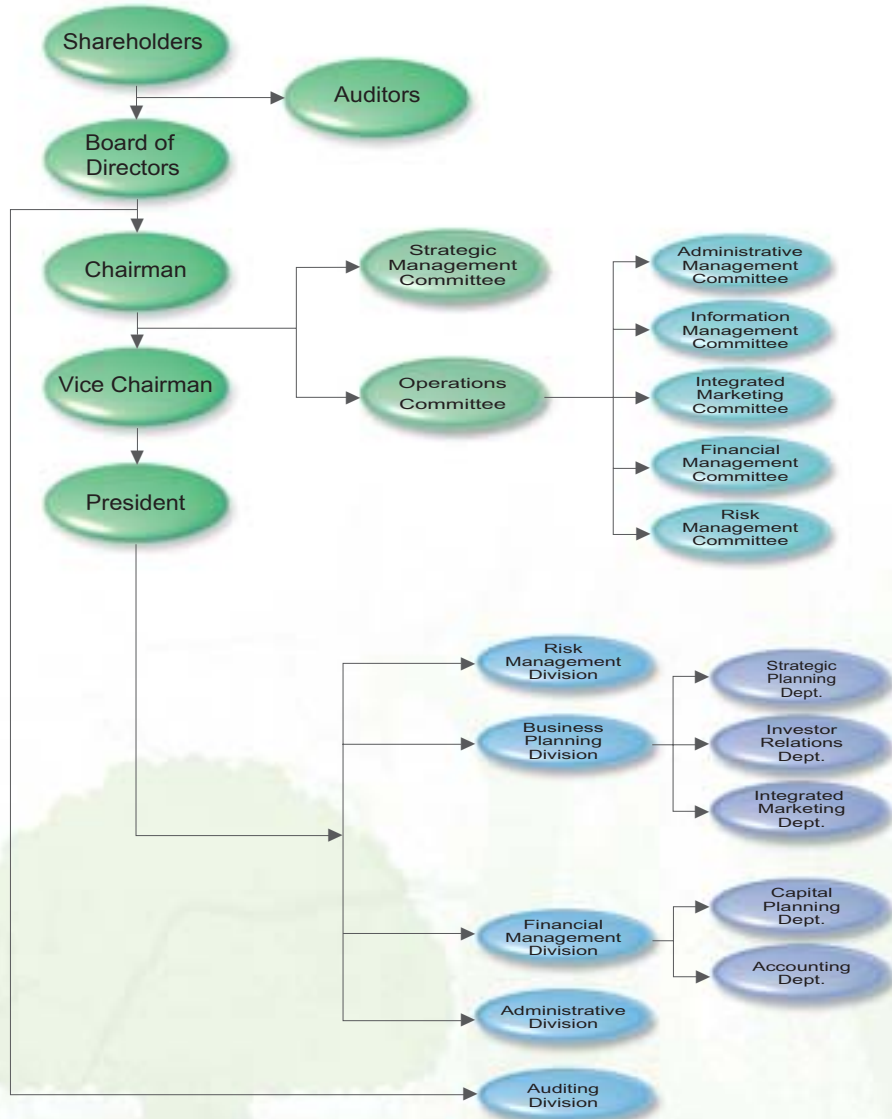
- Assets: NT\$2,086 billion
- Revenue: NT\$506.3 billion
- Operations Centers: 579
- Customer base: 10 million
- Workforce: 36,600



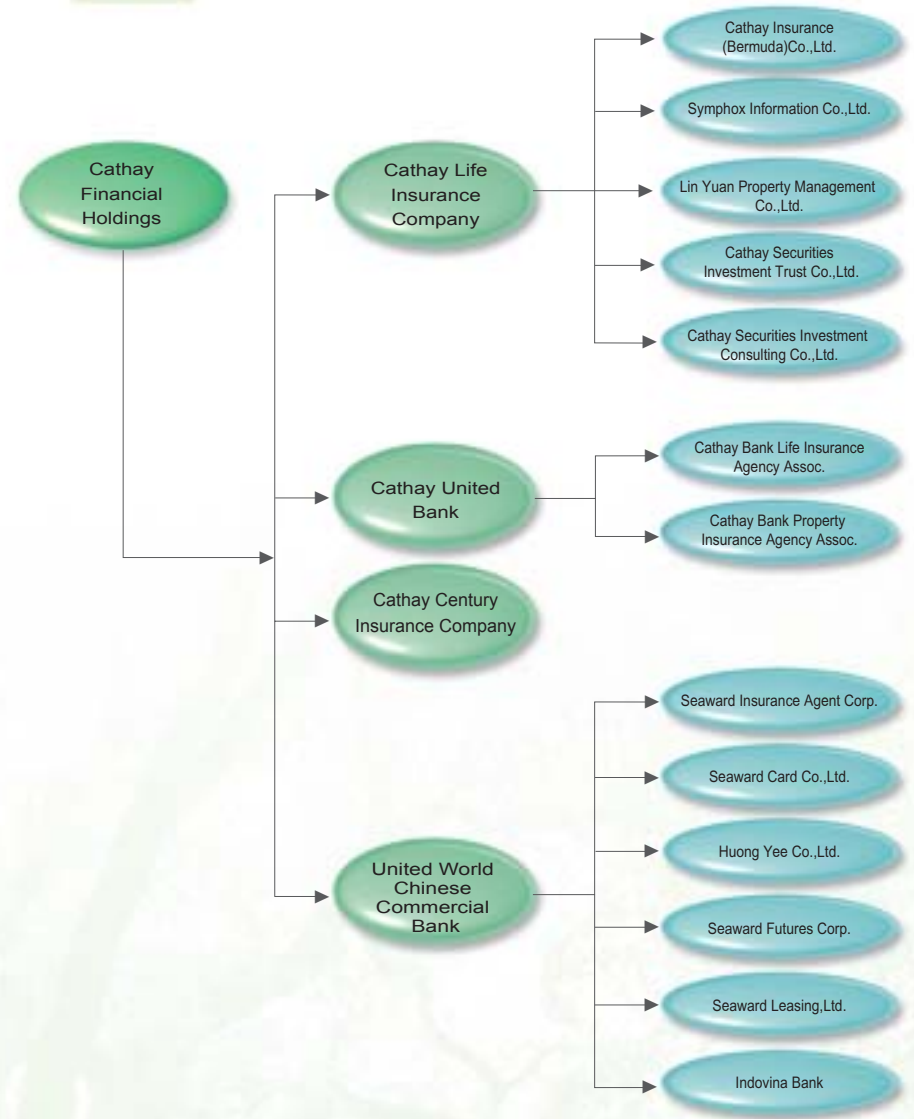
Cathay
Financial
Holdings

The members of Strategic Management Committee include Chairman Hong-Tu Tsai (upper left), Honorary Vice Chairman Tseng-yun Tsai (upper right), Vice Chairman Gregory K.H. Wang (lower middle), President Cheng-cheng Tung (lower right), and President of Cathay Life Tiao-kuei Huang (lower left).

B. Organizational Chart



C. Parent and Subsidiary Structure Chart



Cathay Financial Holding Co., Ltd. Overview

D. Directors, Auditors and Key Management

Directors

Name	Education	Experience
Hong-tu Tsai	Southern Methodist University, J.D.	Current Cathay Life Chairman
Tseng-yun Tsai	Tokai University(Japan), School of Political Science & Economics, Dept. of Business Administration	Current Cathay Financial Holding Co., Ltd Honorary Vice Chairman
Gregory K.H. Wang	Tamkang University	Current United World Chinese Commercial Bank Chairman
Liang Chang	New York University, Ph.D.	Current Jardine Matheson Group Taiwan Regional Chairman
Shiou-ling Lin	National Taiwan University	Current Legal Consultant, Lee and Li, Attorneys at Law
Cheng-cheng Tung	National Chengchi University	Current Cathay Financial Holding Co., Ltd. President
Roger M.H. Lee	National Chengchi University	Current Cathay United Bank Chairman
Tiao-kuei Huang	National Tsing Hua University, M.A.	Current Cathay Life President
Wan-chie Mar	Tamkang University, M.A.	Current Cathay Century Insurance Company President

Auditors

Name	Education	Experience
Wan-teh Tsai	Tokyo Liberal Arts University	Current Cathay Life Permanent Auditor
Ruey-yun Lee	Lincoln University (US), Master's degree	Current Cathay Life Executive Vice President

Executive Officers

Position	Name	Education
Chairman	Hong-tu Tsai	Southern Methodist University, J.D.

Key Managers

Position	Name	Education
President	Cheng-cheng Tung	National Chengchi University
Chief Auditor	Jinn-shing Leou	Iowa University, MA
Executive Vice President	Fa-te Chang	National Chung Hsing University
Executive Vice President	Chang-ken Lee	University of Pennsylvania, MBA
Chief Financial Officer	Vivian Hsu	University of New South Wales, MBA

E. Capitalization and Shares

Share Type	Shares	Value
Common Shares	8,453,163,100	84,531,631,000

F. Year 2003 Operational Objectives

In 2003, Cathay Financial Holdings and its subsidiaries will work toward the following objectives to maximize profitability:

1. Utilize the advantages of the financial holding company to expand the operational scale:

Integrate the resources of the subsidiaries to provide comprehensive financial services, allow customers to enjoy "one-stop shopping," and meet the trend of product development by developing a full range of financial services.

2. Engineering synergy realization:

Integrate the United World Chinese Commercial Bank with Cathay United Bank, as well as banking and insurance services. Cathay Financial Holdings will begin the integration process with its subsidiary companies, and then move forward with integration of administration, capital management, risk management and other functions in order to decrease operating costs and strengthen integrated efficiency.

3. Improve the quality of financial services and establish comprehensive financial services platform:

Establish financial services platform by providing more complete services to customers, and introduce advanced financial products and know-how.

4. Become the best overall financial services company in Taiwan:

Continuously upgrade professionalism of personnel and sales management through all types of education and training programs in order to succeed in providing superior service quality in addition to a comprehensive product line. Establish superior brand loyalty to make Cathay Financial Holdings the most trusted name in the financial services industry.

G. Capital Utilization Plan

1. Strengthen business structure

To establish a comprehensive financial services system, Cathay Financial Holdings will consider options such as acquiring securities companies, developing its own securities business or forming strategic partnerships with existing securities companies to leverage its advantages and to provide customers with a more comprehensive financial service product line. Cathay Financial Holdings will use the most effective capital utilization methods to expand into related financial fields.

2. Support reorganization and integration projects for subsidiaries

The reorganization and integration of subsidiaries include transformation of subordinate companies into subsidiaries, re-division, expansion and integration of departments, etc. The parent company will provide financial support to ensure a smooth transition and effective project implementation.

3. Improve capital utilization of subsidiaries

The overseas capital investment of Cathay Life will be raised to 35%. The functionality of the financial affairs department will be strengthened, and loans and all types of consumer financial services will be expanded.

4. Reinforce risk management control systems

Improve effectiveness of capital utilization through active risk diversification.

III. Subsidiary Overviews



Cathay Life won the National Quality Award with its unsurpassed performance of quality control. Vice Premier Hsin-i Lin honored Cathay Life President Tiao-kuei Huang with the trophy, which stands for the highest honor at Corporate Taiwan.



A. Cathay Life Insurance Company

● President's Message

Looking back on the year 2002, the entire insurance industry suffered from a sluggish economy, interest rates were low and there were drastic changes in the investment environment. To increase stability in the insurance industry, the oversight authorities adjusted rates for premium reserves, compelling companies to lower product interest rates, to adjust product inspection systems, to encourage companies to develop investment-type products and variable-interest annuities and to develop floating dividend policies and no-dividend policies. At the same time, the "Modified 20 year payment term whole life reserve" was extended to reduce the lower interest rate burden on insurance companies, and restrictions on foreign investment were relaxed to improve capital utilization efficiency.



To respond to rapid changes in the economic and industrial environment, Cathay Life has adopted strategies to raise competitiveness and increase market share. Strategies include adoption of a CRM system, promotion of a series of special project marketing campaigns, development of strategic products to satisfy customers' specific financial needs, recruiting of high-calibre marketing personnel, organizational restructuring, integrated marketing and cross-industry alliances. The first year premium income from this year reached NT\$84.49 billion, a 124.4% increase over the same period last year. Total premiums income was NT\$280.6 billion, a 27% increase over last year, and the number of standard term life insurance policies reached 778 million policies, a 4.7% increase over last year, all despite the sluggish economy.

As for customer services, the functionality of customer service centers has been gradually expanded and additional administration centers were established in Taipei and Taoyuan/Hsinchu to improve customer satisfaction. As for contributing the community, we established the "Cathay Life Women's Table Tennis Team" to promote fitness and table tennis in Taiwan, and continued to sponsor the "Cathay Life Arts Festival" to promote cultural activities and fulfill the objectives of corporate responsibilities. Also in 2002, the company was awarded the National Quality Award from the Executive Yuan.

Over the next year, as the financial market remains slow and competition among financial companies continues to increase, we will continue to implement policies based on "Customer-focused universal financial services." In sales, we will focus on strengthening product and distribution channels development, and will strive to make the most of the integrated resources of subsidiaries in order to achieve outstanding sales records. In financial affairs, we will strengthen risk management and increase the efficiency of capital utilization. In administration, we will continue to implement organizational reform and digitization. Additionally, in the China market, the Beijing Representative Office has been opened for two years and has begun to progress in establishing a foothold in mainland China. Cathay Life will avidly strive to seize the opportunity in developing the China market and will implement business strategies accordingly.

We are dedicated to the continuous improvement of our managers at all levels and are indebted to them for their strong support and contributions. Cathay Life will continuously strive for self-improvement and will do its utmost to meet the expectations of its shareholders and customers. Thank you for your support.

Tiao-kuei Huang
President

Subsidiary Overviews

● Company Overview

Cathay Life Insurance Co., Ltd. was established in August 1962 and was listed on the Taiwan Stock Exchange in November 1964. At the time, Cathay was Taiwan's only publicly-traded finance and insurance corporation. Through forty-one years of concerted efforts by the entire staff and the support of our shareholders, we have consistently developed professional staff and constantly develop new and innovative products and services, firmly establishing Cathay Life's position in the market. In recent years, Cathay has been avidly working to build a digital environment based on emerging information and Internet technologies, to increase operational efficiency and improve customer service quality. In addition, Cathay has established a distance-learning station via satellite (CSN) and an online university to provide real-time on-the-job training for our employees. Because of our outstanding achievements and the affirmation of the public, Cathay was awarded the National Quality Award in 2002, proving that Cathay maintains the highest standards of quality in the insurance industry.

● Personnel:

31,745; average age: 38.3; average years in service: 6.3

● Executive Officers

Position	Name	Education
Chairman	Hong-tu Tsai	Southern Methodist University, J.D.

● Key Managers

Position	Name	Education
President	Tiao-kuei Huang	National Tsing Hua University, MA
Executive Vice President	Fa-te Chang	National Chung Hsing University
Executive Vice President	Wen-jui Hsiao	National Sun Yat-sen University, MA
Executive Vice President	Ruey-yun Lee	Lincoln University (USA), MA
Chief Auditor	Jinn-shing Leou	University of Iowa (USA), MA
Executive Vice President	Young-jann Lee	National Taiwan University, MA
Chief Information Officer	Chia-sheng Chang	Case Western Reserve University (USA), Ph.D.
Executive Vice President	Ming-ho Hsiung	University of Iowa (USA), MA
Executive Vice President	Li-san Ho	Northeastern University (USA), MA

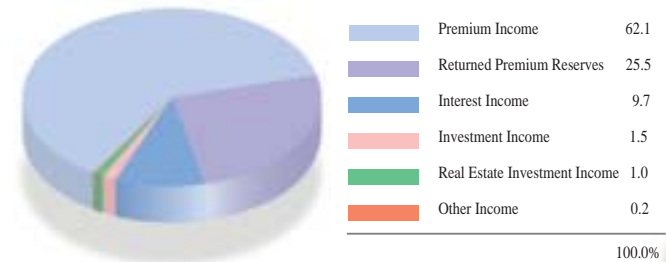
● Business Scope

Personal insurance sales and related business.

● Business Proportion

Units: NTS million

Item	Value	Proportion (%)
Premium Income	280,634	62.1
Returned Premium Reserves	115,140	25.5
Interest Income	43,940	9.7
Investment Income	6,887	1.5
Real Estate Investment Income	4,484	1.0
Other Income	773	0.2
Total	451,858	100.0



Subsidiary Overviews

● Year 2003 Operational Objectives

1. Products

- (1) Respond to the environment of low interest rates and customer investment diversification, release new products at both the medium and low-risk market segments to ensure competitiveness.
- (2) Continue promoting integrated marketing products to improve effectiveness of overlapping company marketing strategies.

2. Channels

- (1) Assist the financial holding company in supplying experienced, professional financial planner, continue recruiting high-calibre talent, promote personnel training and certification to improve employees' multi-platform sales capabilities and effectiveness.
- (2) Assist the financial management company with joint marketing campaigns, continue working to integrate marketing locations to leverage the efficiency of integrated marketing.

3. Customers

- (1) Continue to promote CRM application, open up new customer bases and improve marketing efficiency.
- (2) Form cross-industry alliances, utilize outside capital, create marketing topics, raise customer satisfaction.

4. Operations

- (1) Continue developing diverse marketing assistance media, raise marketing effectiveness.
- (2) Strengthen online education promotion to raise operational effectiveness.
- (3) Integrate CRM system and promote integrated marketing campaigns.

● Year 2003 Operational Targets

Units: NT\$ million

Item	Target
New Policy Coverage	291,835
Effective Policy Coverage	6,613,241
Total Premium Income	241,446



B. Cathay United Bank

● Chairman's Message

On April 22, 2002, Cathay United Bank(CUB) joined the Cathay Financial Holdings family. We hope that through integrated Group resources, overall product recognition will be elevated and financial services will gain an increased status in the market. Because of the merger, CUB's evaluation by Taiwan Ratings Corporation has been upgraded to "twBBB+", and the 2002 outlook was upgraded from "stable" to "positive." This kind of accomplishment is not only uncommon in Taiwan, it also illustrates the general approval of the merger with Cathay Financial Holdings, and the Group's affirmation of the efforts of all the employees of Cathay United Bank.



Looking at last year overall, one can see the fruits of our efforts. CUB's consumer financial services began to grow rapidly last year, while the credit card and auto loan business held strongly among the top five banks in Taiwan. In home loans, CUB led the industry both in terms of growth rates and net increase in loan values. To provide a broader platform of options for our customers and to meet our customers' diverse money management demands, CUB released a number of new products including the U-Life Cash Card, index-type home loans and wealth management services.

Cathay Financial Holdings has the ability to become the most successful financial group in the Chinese world. After the addition of United World Chinese Commercial Bank, it will be even stronger. We are sincerely pleased to have this new member of our group, and this means that our bank has another high-quality partner to learn with, because the operational efficiency and production capacity of United World Chinese Commercial Bank's staff have long been at the top of the industry. Hereafter, during the integration of the banking industry, we will see a first-rate banking management style and operational philosophy, and from this we will gain valuable experience.

Looking to the year ahead, Cathay United Bank personnel will aspire to an attitude of constant improvement, and under the general guidance of the Group, will rapidly achieve the integration of United World Chinese Commercial Bank's operations, and fully exploit its income-generating potential. Also, we will endeavor to effectively utilize our close relationship with Cathay Life to achieve record-breaking sales with an even more diversified money management product line. Currently, Cathay United Bank stands among the top of the industry in this field, and we will work hand-in-hand with United World Chinese Commercial Bank to link the two together for the benefit of the Group. We hope to achieve even greater accomplishments for even more consumers in the future.

Roger M.H. Lee
Chairman

Subsidiary Overviews

● Company Profile

Cathay United Bank(CUB), originally called "Taiwan First Investment and Trust Co., Ltd.(TFIT)," was established in June, 1971, and was the first incorporated trust company established in Taiwan. The bank went public in March 1998, and renamed Cathay United Bank in November of that year. After Cathay United Bank joined the Cathay Financial Holdings on July 3, 2002, its consumer banking services have seen respectable growth in recent years, and last year credit card sales passed 1.8 million cards, ranking CUB among the country's top three credit card issuers. Additionally, auto loans have had rapid growth and the company's credit quality has improved dramatically. To expand the scope of business, in 2002, five "flagship" service centers were established to fully exploit the consumer banking sector in cooperation with the wealth management department and to fulfill all our customers' needs.

● Personnel

1,499; average age: 30.9; average years in service: 4.0 years.

● Executive Officers

Position	Name	Education
Chairman	Roger M.H. Lee	National Chengchi University

● Key Managers

Position	Name	Education
President	J.H. Chen	Fu Jen Catholic University
Chief Auditor	Grace Chen	National Chengchi University, Master's degree
Executive Vice President	Emily Chou	National Taiwan University
Executive Vice President	Daniel Tung	University of Indiana (USA), Master's degree
Executive Vice President	L.C. Huang	Feng Chia University



The flagship service center of Cathay Financial Holdings, equipped with the state-of-the-art facility, provides customers with red carpet VIP services.



Cathay United Bank, joined Cathay Financial Holdings with an ambition to establish the benchmark of full-scope services for Taiwan's banking industry.

● Business Scope

1. Checking deposits
2. Savings deposits
3. Integrated accounts
4. Time deposits
5. Negotiable certificate of deposit
6. Business loans
7. Guarantor business
8. Personal loans
9. Consumer credit loans
10. Domestic bank transfer
11. Safe box leasing
12. Payment and collection services
13. Direct deposit, cash dividends, and batch check collection
14. Visa service
15. Fund sales
16. Asset custody service
17. Benefits credit service
18. Employee savings and credit service
19. Credit card services
20. Inbound and outbound general remittances, foreign deposits, foreign currency payments, foreign currency guarantor service, foreign currency savings accounts and OBU services
21. Trading of derivatives approved by the central competent authority
22. Investment in government bonds, short-term bills, corporate bonds, financial instruments and corporate shares

● Business Proportion

Units: NTS million

Item	Value	Proportion (%)
Interest	8,838	84.1
Service fees	1,319	12.5
Gain on trading of securities	227	2.2
Long-term investment returns	71	0.7
Other revenue	49	0.5
Total	10,504	100.0



Interest	84.1%
Service fees	12.5%
Gain on trading of securities	2.2%
Long-term investment returns	0.7%
Other revenue	0.5%
100.0%	

Subsidiary Overviews

● Year 2003 Operational Objectives

1. Deposit Services

- (1) Develop a more complete range of savings account products, strengthen integrated marketing, provide personal money management services.
- (2) Adjust deposit structures to raise the ratio of current deposits, while lowering capital costs.
- (3) Strive to maintain appropriate loan-to-deposit ratio, cash flow and profitability.

2. Loans

- (1) Design various loan products to meet different customer needs, while also planning the most suitable products.
- (2) Implement self-auditing internal controls to ensure healthy banking operations.
- (3) Enhance industry analysis and asset collateral risk management, actively clear overdue loans.
- (4) Actively promote the establishment of simplified bank branches to raise competitiveness.



3. Credit card

- (1) Promote consumer loans and profits; maintain high growth levels.
- (2) Strengthen cooperation with other industries in promotional activities to increase the value-added features of credit cards.
- (3) Combine banking products and promote cross-selling opportunities.
- (4) Increase cross-promotion activities between affiliated enterprises.
- (5) Improve customer service and customer satisfaction.
- (6) Promote the internationalized development of credit card services and extend cooperation with well-known international banks to enhance cardholder services.

4. Foreign exchange

- (1) Establish foreign exchange online banking and telephone-activated service systems to provide faster, more well-rounded foreign exchange services.
- (2) Strengthen interaction with customers to vastly increase foreign exchange deposits.
- (3) Actively participate in overseas financial markets, expand the proportion of overseas assets.
- (4) Increase return on overseas investments.

5. Other

(1) Establish centralized "flagship" offices

- At the beginning of the year, CUB will establish three "flagship" branch offices at the business department office, Taichung branch office and Szwei branch office to provide all-in-one financial services to consumers.
- To provide more comprehensive financial services to consumers, the administrative office will be moved to the Hsin Yi Planned District, and renamed the Cathay Financial Center, while the original sales office will become the Jen Ai branch office.

(2) Strengthen wealth management service

- Establish Wealth Management Department.
- Establish "flagship" offices at the business department office, Taichung branch office and Kaohsiung branch office.
- Establish priority wealth management centers at the business department office and Taichung branch office.
- Provide valuable storage services to VIP customers, including upscale amenities and privacy protection.
- Increase wealth management specialist personnel to 130 employees throughout Taiwan.

(3) Exert full efforts to increase foreign currency assets. The scale of foreign currency assets is estimated to reach NT\$20 billion.

● Year 2003 Operational Targets

Item	Units: NT\$ million	
		Target
Deposits		172,200
Loans (including guarantees)		148,000
Credit Cards in Circulation		2,500,000 cards

Following the entrance into the Cathay Financial Holdings, CUB will strive to complete the task of marketing integration to maintain competitiveness, design integrated products to meet customers' requirements, and upgrade information systems to improve service quality. Additionally, we will place greater emphasis on wealth management product design, establish a wealth management department to satisfy customers' various requirements and make Cathay United Bank into a comprehensive, integrated banking service provider and accomplish our operational goals.



Cathay Financial Holdings

C. Cathay Century Insurance Company

● Chairman's Message

Tong Tai Insurance joined the Cathay Financial Holdings on April 22, 2002. On August 2, Tong Tai Insurance was renamed "Cathay Century Insurance," which not only has helped to reinforce the company's image, but also has extended the customer base of all of Cathay Financial Holdings' subsidiaries and expanded available distribution channels. With this merger, we will be working to implement integrated marketing, realize collective efficiency, hasten market opening and increase competitiveness.

For many years, the company has always held to the business policy of "steadiness and dependability, an equal emphasis on quantity and quality" throughout its operations. In 2002, the company was awarded the "twAA" evaluation by the Taiwan Ratings Corporation, and an "A-" rating from the world's credit ratings company Standard & Poor's. This is a considerable accomplishment compared to many industry competitors who have been in the business for far longer. Additionally, the company has had outstanding performance in the loss prevention and motor insurance fields, and has received ISO 9002 certification.

On April 1, 2002, Taiwan enacted a "deregulation" program. In the first phase of the implementation, the rate for non-life insurance products was given more flexibility. Under the supervision of the authorities, "expense ratio" were curbed and the cut-throat competition in the industry began to subside. After September 11, international reinsurance markets began to slow down while rates increased, and the industry's growth in insurance premiums was 11.6% over the previous year. Despite this, Cathay Century achieved 23.2% growth. The 921 Earthquake brought more government attention to the influence of natural disasters on people, and after over two years of research and planning, Cathay Century has now launched a home earthquake basic insurance plan to provide greater protection from similar disasters in the future.

Since July, 2001, when the Insurance Law was revised, non-life insurance companies have been allowed to write personal accident business, and Cathay Century has launched a number of new insurance products: "Cathay Personal Accident Insurance," "Cathay Group Accident Insurance" and "Cathay Personal Accident Comprehensive Insurance." These products have been enthusiastically received by the market. Hereafter, we will continue to release new high quality products and pay close attention to market fluctuations in developing differentiated and competitive products.

As to the China market, the Shanghai Representative Office has been approved by the China Insurance Regulatory Commission on December 11, 2002 and was formally established on January 9, 2003. In addition to actively recruiting personnel, we are also interviewing local companies to gain a better understanding of the market and to serve as a foundation for future China services.

Over the last few years, Cathay Century has continuously raised the standards of its computerized operations, established company websites, developed e-commerce, and applied the benefits of automation and simplification to internal procedures to increase administrative efficiency and improve decision-making capabilities. As we enter the age of the "Knowledge Economy," we will encourage our employees to innovate and apply their intellect to the fullest—they must not only be able to do their work, but they must also be able to do the right work. Only in this way can we achieve the optimum results within limited time constraints.

As we near a decade of operations, we are indebted to our officials at all levels, our compatriots in affiliate companies, and our friends in Taiwan and abroad for their continued support and encouragement. As the Year 2002 Cathay Financial Holdings Annual Report goes to print, I'd like to offer my sincerest appreciation to all of you. Thank you.



C.Y. Lee

Chairman

Subsidiary Overviews

● Overview

Since its inception in 1993, Cathay Century Insurance (originally Tong Tai Insurance) has consistently held to the business philosophy of "steadiness and dependability, an equal emphasis on quantity and quality" in providing comprehensive non-life insurance services. Cathay Century is now the sixth largest non-life insurance company in Taiwan. In addition to receiving ISO9002 quality certification, Cathay Century is also honored to have been awarded a "twAA" rating from the Taiwan Ratings Corporation for long-term credit, and an "A-" rating from Standard & Poor's. Additionally, the company joined the Cathay Financial Holdings in April, 2002, and was renamed Cathay Century Insurance Company in August. We hope that with the resources currently available through the integration with the Group, we will continue to provide more comprehensive, more professional services to our customers.

● Personnel:

799; average age: 32.2; average years in service: 5.8

● Executive Officers

Position	Name	Education
Chairman	C.Y. Lee	National Chung Hsing University
Vice Chairman	Cheng-Chiu Tsai	Keio University, Japan, Master's degree

● Key Managers

Position	Name	Education
President	Wan-Chie Mar	Tamkang University, Master's degree
Executive Vice President	Y.F. Wu	Tamkang University

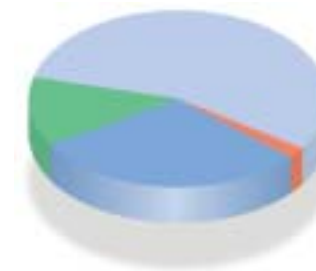
● Business Scope

All types of insurance (including motor, fire, marine, engineering) and related business.

● Business Proportion

Units: NT\$ million

Item	Value	Proportion (%)
Premium Income	6,184	55.5
Interests	227	2.0
Recovered Premium Reserves	3,337	29.9
Other income	1,403	12.6
Total	11,151	100.0



Premium Income	55.5%
Recovered Premium Reserves	29.9%
Other income	12.6%
Interests	2.0%
	100.0%

● Year 2003 Operational Objectives

1. Sales channels diversification, product innovation and differentiation

- (1) Implement cross-selling through other subsidiaries' channels, provide "one-stop shopping" to meet all our customers' needs.
- (2) Design competitive, integrated products according to customers' needs and according to different marketing channels.
- (3) Carry out complementary product marketing to expand sales scope through cooperation with other financial institutions (i.e., securities, credit, banks).
- (4) Share resources with other subsidiaries to lower operating costs and increase profits.
- (5) Work to expand the scale of the company's operations, establish an integrated resource control platform and fully exploit the benefits of mutual cooperation and support.

2. Implement data digitization, improve customer service efficiency.

- (1) Continue implementation of company digitization, reduce redundant procedures, hasten information exchange between different parts of the organization.
- (2) Fully utilize computer resources to simplify underwriting and claims procedures, build company's reputation for customer service.
- (3) Continue to strengthen the functionality of telephone customer service center through application of the most advanced technology, and move toward telephone direct sales.
- (4) Apply data warehouse and data mining technologies for more in-depth analysis of customer information, to deepen understanding of consumer characteristics. Establish expansive customer and consumer information databases, implement customer-driven cross-sales.
- (5) Integrate information platforms of all affiliated subsidiaries, establish advanced customer relations management systems, improve company's overall financial service quality.

Subsidiary Overviews

3. Implement phased personnel training programs and more rapid organizational education.

- (1) Develop the company's personnel base to meet demands at all levels of the company, and for the company's future expansion including expansion into mainland China.
- (2) Continue to develop professionalism training and cultivate finance and foreign language skills for all personnel.
- (3) Move toward creation of a "learning" organization. Through team learning, consistently exceed our own standards and increase overall competitiveness.
- (4) Implement organizational restructuring and reform according to market environment changes, to ensure sustained development for the company.
- (5) Establish a communal vision, encourage employees to aspire to continuous learning, constant growth and awareness of the company's long-term goals.

4. Increase flexibility of financial asset utilization, reform business operations systems.

- (1) Strengthen effectiveness of capital utilization and establish comprehensive evaluation systems, develop new investment channels in accord with international market trends.
- (2) Establish financial information channel system, integrate asset management databases, improve efficiency of asset management.
- (3) Establish more stringent risk management systems in response to increasing size of specific business and the difficulty of arranging reinsurance to maintain a stable capital infrastructure.

- (4) Advance a culture of innovation throughout the company, encourage employees to innovate, reform business practices and explore ways to increase revenues while decreasing expenditures.
- (5) Evaluate existing policies on implementation and effectiveness, carry out reforms and revisions of existing policies to improve overall operational efficiency and employees' capacity to contribute to the betterment of the company.

● Year 2003 Operational Targets

Units: NT\$ million	
Item	Target
Motor Insurance	3,383
Fire Insurance	1,618
Marine Insurance	286
Engineering Insurance	350
Other	719
Total	6,356



Cathay Financial Holdings

D. United World Chinese Commercial Bank

● Chairman's Message

The global economic and political unrest as well as keen competition made 2002 a difficult year for Taiwan financial industry. Fortunately, under the leadership of the Board, the staff made the best efforts to weather the challenge. As of December 31, 2002, deposits, loans and foreign exchange volume still reached NT\$558.5 billion, 384.9 billion and 13.4 billion respectively.

To further enhance financial transparency and asset quality, the Bank charged off and liquidated accumulated non-performing assets for NT\$26 billion which led to the first deficit in its 27 year history. The move, however, drastically cut down the NPL ratio to 3.04% and will ensure the foundation for earnings in 2003. The paid-in capital stocks accumulated to NT\$39,715,626,680 after a capital increment of NT\$1,998,982,160. Meanwhile, the Bank issued NT\$10 billion subordinate debts to further improve its capital adequacy ratio to 11.44% as of the end of 2002.



In 2002, the Bank established Nankang branch and relocated four branches taken over from the Pingtung City Farmers Association to establish Ilan, Hsinshu, Taitung and Chingmei branches respectively. As a whole, the Bank operates 84 offices, including Offshore Bank Unit, throughout Taiwan. With regard to offshore operations, the Bank operates three branches and four representative offices. It is worthwhile mentioning that the Bank's Shanghai Representative Office was set up on May 15, 2002. The establishment was ahead of any other Taiwanese competitors. If the office can be upgraded to a branch within a period of two years, it may offer a tremendous opportunity for the Bank in the future.

To strengthen its competitive edge, the Bank has taken steps in organizational reform. In May 2002, the Credit Card Division was expanded into Consumer Banking Division. Besides, the Corporate Banking Division and the Private Banking Division were established on January 2, 2003. From then on, corporate banking, consumer banking and private banking have become three major business territories in the Bank. The insurance agency operations cover only life insurance for the time being. The Bank plans to step into the business of property insurance in the first quarter of 2003. Therefore, the Bank will offer full-scaled financial products and provide its customers with "one-stop" shopping services.

After Taiwan joining the World Trade Organization (WTO) in 2002, the competition in the banking industry became keener than ever. As for economic scale and consolidation among related industries being prevailing, 14 financial holding companies in Taiwan were established to achieve the purpose. The Bank took part in Cathay Financial Holdings on December 18, 2002 and has become the 4th largest financial institution in Asia (excluding Japan and Australia). The Bank has close business tie with Cathay Life Insurance, the most important member in the financial holdings, for over 20 years and shares the similar philosophy and corporate culture. With limited overlap in different business areas, substantial synergy is expected in lifting the group's competitiveness and its position in the international financial arena.

Thanks to long term support from shareholders and customers, the Bank may successfully establish a unique corporate image characterized by the combination of technology and fine arts. A progressive strategy will be taken in the future to explore business opportunities with a goal of being the most outstanding member in Cathay Financial group. Through integration with the group, consolidation with other group members and cross selling of different products will be the vehicle to a better tomorrow. I would appreciate very much for your continuous support and patronage.

Gregory K.H. Wang

Chairman

Subsidiary Overviews

● Company Overview

United World Chinese Commercial Bank was established in May, 1975. In April, 1995, the bank merged with Overseas Trust Company, which was the first banking merger in Taiwan. In November, 1996, United World Chinese Commercial Bank went public on the stock exchange.

Since its inception, United World Chinese Commercial Bank has had steady business growth, and is currently the 10th largest bank in Taiwan. In addition, due to constant attention to effective and convenient automation in financial services and a strong emphasis on current accounts, the Bank leads the industry in the securities settlement accounts business. Moody's Investors Service ranked the Bank with "A3" and "P-2" evaluations for long-term and short-term debt, respectively, and a "C-" for financial soundness for the year 2002. According to "The Banker" magazine, the Bank ranked 215th in terms of tier-one capital and 272nd in terms of total assets among worldwide banks in 2001, 8th in terms of net worth and 10th in terms of total assets among Taiwan banks.

● **Personnel:** 2,536; average age: 34.8; average years in service: 9.9 years

● Executive Officers

Position	Name	Education
Chairman	Gregory K.H. Wang	Tamkang University

● Key Managers

Position	Name	Education
President	Roger H.L. Wu	National Chengchi University
General Auditor	Peggy Wang	National Taiwan University
Executive Vice President	C.T. Chen	Soochow University
Executive Vice President	Tsu-pei Chen	National Chengchi University
Executive Vice President	S. Joseph Jao	University of Missouri (USA), MBA
Director	Henry C. Chow	Soochow University

● Business Scope

1. Checking deposits
2. Savings deposits
3. Time deposits
4. Short, medium and long-term loans
5. Bill discounting
6. Negotiable securities investment
7. Domestic remittances
8. Acceptance of commercial bills of exchange
9. Domestic L/C issuance
10. Domestic guarantor services
11. Payment and collection services
12. Underwriting government bonds, treasury bills, and corporate bonds and shares
13. Trading gold bullion, gold coins and silver coins
14. Credit card services
15. Short-term certification, consignment, agency and independent sales services
16. Secure storage services
17. Safe deposit box rental
18. Agency services as listed on business license and permitted by the central competent authority
19. Overseas Chinese investment services
20. Foreign exchange, in-bound and out-bound general remittances, foreign deposits, foreign currency payments and collateral guarantor services
21. Trust fund business for specified investment in foreign negotiable securities
22. Guarantee and issue of corporate bonds
23. Sales, resales and consignment purchase and sale of negotiable securities
24. Trading in government bonds
25. Financing for negotiable securities investment, purchase and sales
26. Futures trading consultancy service
27. Operations allowed under the Trust Law
28. Accounts receivable agency services as permitted by the central competent authority
29. Trading of derivatives approved by the central competent authority



Cathay Financial Holdings acquired United World Chinese Commercial Bank and became the largest financial holding Company in Taiwan. Cathay Financial Holdings also ranked No.4 largest listed financial institutions (on market-cap basis) in Southeast Asia. The photo was taken after the press conference.

Subsidiary Overviews

● Business Proportion

Units: NT\$ million

Item	Value	Proportion (%)
Interest	29,256	89.1
Service Charges	1,925	5.9
Stock Brokerage	106	0.3
Stock Sales	1,203	3.6
Exchange Profits	232	0.7
Other Income	125	0.4
Total	32,847	100.0



■	Interest	89.1%
■	Service Charges	5.9%
■	Stock Brokerage	0.3%
■	Stock Sales	3.6%
■	Exchange Profits	0.7%
■	Other Income	0.4%
		100.0%

● Year 2003 Operational Objectives

1. Deposit services

- (1) Expand all areas of deposits, strengthen operational bases, expand financial information technology services, lower capital costs.
- (2) Actively integrate all types of financial products and sales channels, strengthen personal asset management services.

2. Credit services

- (1) Conform with government financial policies, conduct all types of credit services, strengthen business expansion and personal loans business.
- (2) Respond to the growth of enterprise financial services, strengthen implementation of joint credit cases, provide enterprise financing and capital management services.

3. Foreign exchange

Actively seek out all types of foreign currency, international finance business, conform with government business and trade development policies, strengthen cross-strait financial services, expand business scope.

4. Consumer financial services

Continue expanding credit card and consumer financial services, actively develop new products, strengthen customer service, advance business growth.

● Year 2003 Operational Targets

Units: NT\$ million

Item	Target
Deposits	580,000
Loans	410,000
Credit Cards in Circulation	1,450,000 cards

IV. The Year-End Review

The Year -End Review

January

- Mr. Tiao-kuei Huang assumes position as President of Cathay Life

February

- Cathay Life launches CRM system and promotes short message services

March

- Cathay Life receives "Second Women's Human Resources Development Award" from the Executive Yuan

April

- Cathay Life holds Third Overseas Summit in Thailand - 2141 Cathay employees participate
- Standard & Poor's gives Cathay Life an "AA-", Cathay Century Insurance an "A-"
- Cathay Life is listed number one among public and private financial companies by Commonwealth Magazine in its "Top 100 Financial Companies in Taiwan"
- Cathay Financial Holdings formally acquires Tong Tai (Cathay Century) Insurance Co. and Cathay United Bank; credit cards issued passes 1.5 million
- Cathay Life sponsors the Cloud Gate Dance Theater of Taiwan's public performance for the 7th year

May

- Taiwan Ratings Corporation awards Cathay Life with a "twAAA" rating; Cathay Century Insurance with a "twAA+"
- Cathay Life invests over 100 million for "US" financial department campaign
- Cathay Life issues first world event multi-purpose insurance

June

- C.Y. Lee assumes office as Chairman of Tong Tai(Cathay Century) Insurance, Cheng-Chiu Tsai as Vice Chairman

July

- Cathay Life releases index-type mortgage product, "Advance Mortgage"
- Cathay United Bank formally changes its Chinese name, releases "U-Life Cash Card" and "Wan Fu Money Management Program"
- Executive Yuan sends personnel to Cathay Life for training for second year

August

- Tong Tai Insurance formally changes name to "Cathay Century Insurance Company"
- Cathay Financial Holdings announces merger with United World Chinese Commercial Bank
- Lin-Yuan Group CI completely upgraded

September

- Cathay Financial Holdings establishes first "flagship" branch office on Nanjing East Road in Taipei
- Cathay Life ATM policy loans go online
- Cathay Life and EMC establish the longest distance multi-location support center in Taiwan
- Cathay Life awarded Wen Hsin Award from Executive Yuan fifth year running
- IT offices of subsidiaries moved to Neihu IT Building, IT departments of entire Group integrated

October

- United World Chinese Bank and Cathay United Bank cooperatively issue bond products
- Mr. Gregory K.H. Wang assumes office as Cathay Financial Holdings Vice Chairman; Mr. Cheng-cheng Tung as President
- Cathay Life awarded 13th National Quality Award

November**December**

- Cathay Financial Holdings formally merged with United World Chinese Commercial Bank
- Cathay Life given permission to establish Chengdu Representative Office by the China Insurance Regulatory Commission
- Cathay Century given permission to establish Shanghai Representative Office by the China Insurance Regulatory Commission
- Cathay Life given permission to establish subsidiaries in China by Taiwan's Ministry of Economics Investment Evaluation Commission
- Cathay Financial Holdings awarded tender to purchase 650 million shares of Chunghwa Telecom
- Cathay Financial Holdings named "number one in financial soundness" among Taiwan financial companies by the Far Eastern Economic Review.



V. Subsidiaries and Overseas Branch Offices



Cathay Life Insurance

● Hong Kong Office

Rm. 1504, 15FL., Shui-on Centre, No. 6-8, Harbour Rd.,
Wanchai, Hong Kong
Tel: 852-2824-1399 852-2808-7726
Fax: 852-2824-9277
E-mail: hongkong.rep@cathlife.com.tw

● Tokyo Office

2F, 3-2-8 Kyobashi, Chuo-Ku, 104 Tokyo, Japan
Tel& Fax: 81-3-3271-7599
E-mail: cathaylife-tokyo@hi-ho.ne.jp

● Beijing Representative Office

Room 1008, Capital Times Square, #88 West Changan Avenue,
Beijing, China
Tel: 86-10-8391-3426 ext. 102
Fax: 86-10-8391-3427
E-mail: beijing.rep@cathlife.com.tw

● Chengdu Representative Office

Room 2301, 23F Minxing Financial Tower, #88, Tidu Street,
Chengdu, Sichuan 610016, China
Tel: 86-28-86766498-9 Fax: 86-28-86766500
E-mail: chengdu.rep@cathlife.com.tw

Cathay Century Insurance

● Shanghai Representative Office

Room 2106, 21st Floor, Marine Tower, #1 Pudong Avenue,
Shanghai 200120, China
Tel: 86-21-68860929 Fax: 86-21-68861829
E-mail: 01a1206@cathay-ins.com.tw

United World Chinese Commercial Bank

● Los Angeles Agency

555, W. 5th Street, Suite 3850 The Gas Company Tower,
Los Angeles, CA 90013 U. S. A.
Tel: 1-213-243-1234 Fax: 1-213-627-6817

● Hong Kong Branch

Suite 4704-06, 47th Floor, Central Plaza 18 Harbour Road,
Wanchai, Hong Kong
Tel: 852-2877-5488 Fax: 852-2527-0966

● Singapore Representative Office

6 Battery Road #16-06/07 Singapore 049909
Tel: 65-6324-1958 Fax: 65-6324-1959

● Philippines Representative Office

Unit 5A, 5/F, Citibank Center 8741 Paseo de Roxas,
Makati City 1200, Metro Manila Philippines
Tel: 63-2-751-1161 Fax: 63-2-751-1163

● Labuan Branch

Level 3(C), Main office Tower, Financial Park Labuan Complex
Jalan Merdeka, 87000, Labuan F.T, Malaysia
Tel: 60-87-452168 Fax: 60-87-453678

● Kuala Lumpur Marketing Office

Lot 13A, 13th Floor, UBN Tower 10, Jalan P. Ramlee,
50250 Kuala Lumpur, Malaysia
Tel: 60-3-2070-6729 Fax: 60-3-2078-9057

● Bangkok Representative Office

13 Fl. Sathorn City Tower 175, South Sathorn Rd. Tungmahamek,
Sathorn Bangkok 10120, Thailand
Tel: 66-2-679-5316-7 Fax: 66-2-679-5318

● Shanghai Representative Office

18G, New Shanghai International Tower 360 Pudong South Rd.,
Pudong New Area, Shanghai 200120, China
Tel: 86-21-6886-3785 Fax: 86-21-6886-3787

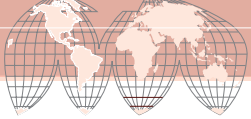
VI. Financial Overview

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Cathay Financial Holding Co., Ltd.

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**



INDEPENDENT AUDITOR'S REPORT

To: Board of Directors
Cathay Financial Holding Co., Ltd.

We have audited the accompanying balance sheets of Cathay Financial Holding Co., Ltd. as of December 31, 2002 and 2001, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements for the year ended December 31, 2002 of Cathay United Bank Co., Ltd., and United World Chinese Commercial Bank Co., Ltd., a wholly owned subsidiaries. The total investment for the subsidiaries is NT\$ 65,382 millions (US\$ 1,844 millions) which represent 47.96% of total assets as of December 31, 2002. Related investment gain is NT\$ 524 millions (US\$ 15 millions) which represent 4.07% of income before taxes for the year ended December 31, 2002. The statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts, is based solely on the report of the other auditors.

We conducted our audits in accordance with 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 audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Cathay Financial Holding Co., Ltd. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the year ended December 31, 2002 in conformity with generally accepted accounting principles in the Republic of China.

Cathay Financial Holding Co., Ltd. has prepared the consolidated financial statements as of December 31, 2002 and 2001 accompany with unqualified opinion issued by our auditors furnished upon request.

BDO Taiwan Union & Co.
Taipei, Taiwan
Republic of China
January 24, 2003

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

CATHAY FINANCIAL HOLDING CO.,LTD. BALANCE SHEETS

(Expressed in thousands of dollars)
As of December 31, 2002 and 2001

Assets	2002			2001		
	NT \$	US \$	%	NT \$	US \$	%
Current assets:						
Cash and cash equivalents(Notes2,5)	\$11,336,312	\$326,695	8.32	\$0	\$0	0.00
Short-term investments(Notes2,6)	450,255	12,976	0.33	0	0	0.00
Interest receivable	44,206	1,274	0.03	0	0	0.00
Other receivable	108,424	3,124	0.08	0	0	0.00
Prepayments	4,075	117	0.00	0	0	0.00
Sub-total	11,943,272	344,186	8.76	0	0	0.00
Funds, Long-term investments and Receivable						
Long-term investments in stocks (Notes 2,7)	123,840,475	3,568,890	90.84	74,846,501	2,138,471	99.89
Sub-total	123,840,475	3,568,890	90.84	74,846,501	2,138,471	99.89
Property and equipment (Note 2)						
Other equipment	2,648	76	0.00	0	0	0.00
Less: Accumulated depreciation	(347)	(10)	0.00	0	0	0.00
Sub-total	2,301	66	0.00	0	0	0.00
Other assets						
Temporary payments and suspense accounts	628	18	0.00	0	0	0.00
Deferred charges	536,378	15,458	0.40	81,378	2,325	0.11
Sub-total	537,006	15,476	0.40	81,378	2,325	0.11
Total assets	\$136,323,054	\$3,928,618	100.00	\$74,927,879	\$2,140,796	100.00
Liabilities & Stockholders' Equity						
Current liabilities						
Collections for others	\$505	\$15	0.00	\$0	\$0	0.00
Accrued expenses	405,050	11,673	0.30	81,378	2,325	0.11
Dividends payable	962	28	0.00	0	0	0.00
Sub-total	406,517	11,716	0.30	81,378	2,325	0.11
Long-term liabilities						
Bonds payable (Notes 2,8,20)	25,016,479	720,936	18.35	0	0	0.00
Sub-total	25,016,479	720,936	18.35	0	0	0.00
Other liabilities						
Temporary receipts and suspense accounts	708	20	0.00	0	0	0.00
Sub-total	708	20	0.00	0	0	0.00
Total liabilities	25,423,704	732,672	18.65	81,378	2,325	0.11
Stockholders' Equity						
Capital stock						
Common stock(Note9)	84,531,631	2,436,070	62.01	58,386,158	1,668,175	77.92
Capital surplus(Note10)						
Net assets from merger	56,807,974	1,637,117	41.67	23,650,414	675,726	31.57
Retained earnings(Note11)						
Legal reserve	13,713	395	0.01	0	0	0.00
Unappropriated retained earnings	13,085,153	377,094	9.60	137,135	3,918	0.18
Equity adjustments(Notes2,7)						
Unrealized valuation losses on long term equity investments	(1,032,426)	(29,753)	(0.76)	0	0	0.00
Cumulative translation adjustments	199,570	5,751	0.15	6,657	190	0.01
Treasury stock (Notes 2,11,12)	(42,706,265)	(1,230,728)	(31.33)	(7,333,863)	(209,538)	(9.79)
Total stockholders' equity	110,899,350	3,195,946	81.35	74,846,501	2,138,471	99.89
Total liabilities and stockholders' equity	\$136,323,054	\$3,928,618	100.00	\$74,927,879	\$2,140,796	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NTS34.70 and NTS35.00 to US\$1.00)

The accompanying notes are an integral part of these consolidated financial statements.
(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)



CATHAY FINANCIAL HOLDING CO.,LTD STATEMENTS OF INCOME

(Expressed in thousands of dollars, except earning per share)
For the Years Ended December 31, 2002 and 2001

	2002			2001		
	NT \$	US \$	%	NT \$	US \$	%
Operating revenues (Note2)						
Interest income	\$442,773	\$12,760	3.14	\$0	\$0	0
Gain on disposal of investments	101,498	2,925	0.72	0	0	0
Gain on long-term investments	13,575,839	391,235	96.14	137,135	3,918	100.00
Sub-total	14,120,110	406,920	100.00	137,135	3,918	100.00
Operating costs (Note 2)						
Interest expenses	(516,479)	(14,884)	(3.66)	0	0	0
Loss on foreign exchange	(10,420)	(300)	(0.07)	0	0	0
Sub-total	(526,899)	(15,184)	(3.73)	0	0	0
Operating gross profit	13,593,211	391,736	96.27	137,135	3,918	100.00
Operating expenses						
Administrative and general expenses	(726,891)	(20,948)	(5.15)	0	0	0
Operating income	12,866,320	370,788	91.12	137,135	3,918	100.00
Non-operating revenues						
Miscellaneous income	8,100	233	0.06	0	0	0.00
Sub-total	8,100	233	0.06	0	0	0.00
Income from continuing operations before income taxes	12,874,420	371,021	91.18	137,135	3,918	100.00
Income taxes(Notes 2, 13)	210,733	6,073	1.49	0	0	0
Net income	\$13,085,153	\$377,094	92.67	\$137,135	\$3,918	100.00
Earnings per share(expressed in dollars)						
Primary earnings per share:						
Before income tax earnings per share	\$2.19	\$0.06		\$0.02	\$0.00	
After income tax earnings per share	\$2.23	\$0.06		\$0.02	\$0.00	
Fully-diluted earnings per share:						
Before income tax earnings per share	\$2.19	\$0.06				
After income tax earnings per share	\$2.20	\$0.06				
Pro-forma as if amounts, assuming subsidiaries' shareholdings of the Company were not treated as treasury stock:						
Income from continuing operations	\$12,590,158	\$362,829				
before income taxes	\$12,800,891	\$368,902				
Net income						
Earnings per share(expressed in dollars)(Note14)						
Primary earnings per share:						
Before income tax earnings per share	\$2.13	\$0.06				
After income tax earnings per share	\$2.17	\$0.06				
Fully-diluted earnings per share:						
Before income tax earnings per share	\$2.13	\$0.06				
After income tax earnings per share	\$2.14	\$0.06				

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

The accompanying notes are an integral part of these financial statements.
(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)



CATHAY FINANCIAL HOLDING CO.,LTD STATEMENTS OF CASH FLOWS

(Expressed in thousands of dollars)
For the Years Ended December 31, 2002 and 2001

	2002		2001	
	NT\$	US\$	NT\$	US\$
Cash flows from operating activities				
Net income	\$13,085,153	377,094	\$137,135	3,918
Adjustments:				
Amortizations	166,175	4,789	0	0
Depreciation	347	10	0	0
Cash dividends received in excess of unrealized gain on long-term investments	(2,998,434)	(86,410)	(137,135)	(3,918)
Increase(decrease) in bonds payable redemption premium	516,479	14,884	0	0
Decrease (increase) in short-term investments	(450,255)	(12,976)	0	0
Decrease (increase) in interest receivable	(44,206)	(1,274)	0	0
Decrease (increase) in other receivable	(108,424)	(3,125)	0	0
Decrease (increase) in prepayments	(6)	0	0	0
Decrease (increase) in deferred income tax assets-current	(4,069)	(117)	0	0
Decrease (increase) in deferred income tax assets-noncurrent	(141,326)	(4,073)	0	0
Decrease (increase) in temporary payments and suspense accounts	(628)	(18)	0	0
Increase (decrease) in collections for others	505	15	0	0
Increase (decrease) in accrued expenses	323,672	9,328	81,378	2,325
Increase (decrease) in dividends payable	962	28	0	0
Increase (decrease) in temporary receipts and suspense accounts	708	20	0	0
Net cash provided by (used in) operating activities	10,346,653	298,175	81,378	2,325
Cash flows from investing activities				
Acquisition of long-term investments in stocks	(15,690,915)	(452,188)	0	0
Disinvestments of the subsidiaries	7,700,000	221,902	0	0
Acquisition of property and equipment	(2,648)	(76)	0	0
Decrease (increase) in deferred charges	(479,849)	(13,829)	(81,378)	(2,325)
Net cash provided by (used in) investing activities	(8,473,412)	(244,191)	(81,378)	(2,325)
Cash flows from financing activities				
Increase (decrease) in bonds payable	24,500,000	706,052	0	0
Remuneration paid to directors and supervisors	(4,800)	(138)	0	0
Bonus paid to employees	(13)	(1)	0	0
Cash dividends	(8,908,418)	(256,727)	0	0
Acquisition of treasury stock	(6,123,698)	(176,475)	0	0
Net cash provided by (used in) financing activities	9,463,071	272,711	0	0
Increase (decrease) in cash and cash equivalents	11,336,312	326,695	0	0
Cash and cash equivalents at the beginning of period	0	0	0	0
Cash and cash equivalents at the end of period	\$11,336,312	\$326,695	\$0	\$0
Supplemental disclosure of cash flows information				
Income tax paid	\$43,086	\$1,242	\$0	\$0
Acquisition of subsidiaries by stock conversion method	\$68,092,842	\$1,962,330	\$74,702,709	\$2,134,363
Shares of the mutual holdings are treated as treasury stocks	\$29,248,704	\$842,902	\$0	\$0
Subsidiaries are holding treasury stocks	\$0	\$0	\$7,333,863	\$209,539

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NTS\$34.70 and NTS\$35.00 to US\$1.00)

The accompanying notes are an integral part of these financial statements.
(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)

CATHAY FINANCIAL HOLDING CO.,LTD NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)
As of December 31, 2002 and 2001

1. Organization of Business Scope

Cathay Financial Holding Co., Ltd. (the "Company") was incorporated in Taiwan on December 31, 2001 from Cathay Life Insurance Co., Ltd. (Cathay Life) by stock conversion method. Pursuant to the provisions of the Financial Holding Company Law of the Republic of China ("R.O.C."). On April 22, 2002, Cathay Century Insurance Co., Ltd. (Cathay Century) and Cathay United Bank Co., Ltd. (Cathay Bank) joined Cathay Financial Holding Co. as two subsidiaries of the Company by stock conversion method. On December 18, 2002, United World Chinese Commercial Bank Co., Ltd. (UWCCB) also merged into the Company by stock conversion method. The Company mainly engages in the financial holding business activities.

2. Summary of Significant Accounting Policies

(1) Cash and Cash Equivalents

Cash includes cash on hand, unrestricted bank deposits, and all highly liquid investments with a maturity of less than three months.

(2) Short-term Investments

When market value is obtainable, short-term notes are stated at the lower of cost or market value. The cost of these notes, interest income, and gain or loss due to maturity or as a result of sales of notes are determined by the specific identification method.

(3) Long - Term Investments in stocks

Long-term investments in listed companies for which the Company's ownership interest is less than 20% of the voting stock, and over which the Company lacks significant operational influence, are stated at the lower of cost or market value. Unrealized loss thereon is reflected as a reduction of shareholders' equity. Long-term investments in unlisted companies, in which the Company's ownership interest accounted for less than 20% of the common stock, are stated at cost. However, when there is evidence showing that a decline in market value of such investment is not temporary and is already less than cost, the market value becomes the new cost basis and the difference is accounted for as if it were a realized loss, and included in the determination of net income. Stock dividends are not recognized as income but treated as an increase in the number of shares held. Upon sales of long-term equity investments (accounted for under cost method), the difference between the weighted-average cost and sales price is used to compute the resulting gain or loss.

Investments in equity securities are accounted for under the equity method where the Company's ownership interest is 20% or more of the voting shares and the Company has significant operational influence.

If changes occur in the capital structure of the invested companies causing an increase or decrease of the value of the stock, and the Company can no longer maintain its original shares of interest, adjustments will be dealt with in the capital surplus and long-term equity investments accounts. If there is any deficiency in the capital surplus account, the difference will be debited to the retained earnings account.

The cost of the disposal of an investment is determined by the weighted-average method.

Transactions with affiliated companies: Unrealized intercompany gains or losses are eliminated under the equity method. Gains or losses from sales of depreciable assets between the subsidiary and the Parent Company are amortized to income over the assets, economic service lives. Gains or losses from other types of inter-company transactions are recognized when realized.

(4) Property and Equipment

Property and equipment are carried at cost. Improvements and major renovation of properties are capitalized, while repairs and

maintenance are expensed immediately. Upon disposal of an item of property and equipment, the related cost and accumulated depreciation are removed from the accounts.

Depreciation on depreciable assets is recognized on a straight-line method, based on the useful lives prescribed by the Government of R.O.C. When the economic useful lives are expired, property and equipment, still in use are depreciated based on the residual value.

(5) Deferred Charges

Deferred Charges are amortized over the economic useful life by straight-line method.

(6) Convertible Bonds Payable

A. The difference between the redemption price and face value of a convertible bond is amortized by the effective interest method and is credited to the reserve for bonds redemption accounts. In addition, this amortization is treated as interest expense.

B. The book value approach is adopted when the conversion privilege of a convertible bond is exercised. In addition, the accounts of convertible bonds payable and reserve for bonds redemption are transferred to the accounts of capital stock and capital surplus, accordingly, no gain or loss is recognized upon conversion.

(7) Foreign-currency Transactions

Foreign-currency transactions should be accounted for a cost and that was recognized on a straight-line method recorded in New Taiwan Dollars at the spot rates when the transactions occur. Gains or losses resulting from adjustments or settlements of foreign currency assets and liabilities are credited or charged to income. Year-end foreign currency assets and liabilities are translated at the exchange rate on the balance sheet date, and any gains or losses resulting from the transaction are credited or charged to current income.

(8) Derivative Financial Products Transaction

Transactions on forward exchange contracts are translated into New Taiwan Dollars based on the spot rate at the contract date. The difference between the spot rate and the agreed forward rate is amortized over the contract period. At year-end, the assets and liabilities of the forward exchange contracts are restated at the prevailing exchange rate, and resulting gains or losses are credited or charged to current income. The net value of receivables and payables of the forward exchange contracts is represented as an asset or a liability in the balance sheet. The exchange gains or losses resulting from the settlement of forward contracts are credited or charged to current income in the year of settlement.

Premium for an options contract is recorded at cost. Premium for the purpose of hedging is accounted for as an asset and amortized over the contract period, and is adjusted by market value as of the balance sheet date. Any gain or loss from hedging the exposed asset or liability position is recognized as a current period gain or loss.

Gains or losses arising from hedging an identifiable commitment are deferred and recognized as an adjustment of the transaction price on the transaction date. Any gain or loss resulting from the premium for the purpose of speculation is included in the current earnings.

(9) Income Taxes

The Company adopted SFAS No. 22, "Accounting for Income Taxes", which requires inter-period and intra-period taxes allocations in addition to computing current period income tax payable (refund). Furthermore, it requires recognition of temporary differences on deferred income tax liabilities, and deferred income tax assets, as well as prior year's loss carry-

forwards and investment tax credits. The realization of deferred income tax assets should be further assessed and estimate valuation allowance, if needed. Prior year's income tax expense adjustment should be recorded as current period income tax expense in the year of adjustment.

Deferred income tax assets and liabilities are classified as current or noncurrent in depending on the underlying assets or liabilities. Deferred income taxes not relating to assets or liabilities are classified as current or noncurrent based on the length of the expected realizable or reversible period.

As per Article 49 of Financial Holding Company Law, in the case of the company holding the exceeding of 90% of issued shares of its native subsidiaries, the company can be selected as the taxpayer as the shareholding is over 12 months within a taxable year and files the income tax returns with 10% tax of undistributed retained earnings to the Tax Authority under the Income Tax Law.

The additional 10% income tax on undistributed earnings is recognized as expenses on the date of the stockholders' meeting.

(10) Capital Expenditure Expenses

Expenditure is capitalized and amortized over its useful life if it involves a significant amount and benefits future periods. Otherwise, it is expensed in the year of expenditure.

(11) Treasury Stock

The Company uses the cost method to account for treasury stock. Under the cost method, the treasury stock account is debited for the cost of the shares purchased. When the disposal price of treasury stock is greater than the cost, the difference is credited to capital surplus-treasury stock. If the disposal price is lower than cost, the difference is debited to capital surplus from similar treasury stock. If the capital surplus-treasury stock account is insufficient to cover the excess of the cost over the price, retained earnings should be debited for the remaining amount. The book value of each share of treasury stock is equal to its weighted-average value and is calculated according to its reason for purchase.

When treasury stock is retired, capital surplus and common stock are debited according to the ratio of retiring treasury stock to total issued stock. When the book value of the retiring treasury stock is higher than the sum of its par value and capital surplus, the difference is debited to capital surplus-treasury stock. If the capital surplus-treasury stock account is insufficient to cover the difference, retained earnings should be debited for the remaining amount. When the book value of the retiring treasury stock is lower than the sum of its par value and capital surplus, the difference is credited to capital surplus-treasury stock.

As per Article 31 of Financial Holding Company Law, as the financial institution transformed into the Financial Holding Company, the company will adopt Article 24 to 28 in dealing with the adjustment of the organization and shareholding of its original investment. In the preceding paragraph as referred, the shareholder of the Financial Holding Company can transfer its shares to the employees of Financial Holding Company or those of its subsidiaries within three years; or treat its shares as the equity transferred in accordance with Paragraph 1, Item 2 of Article 28-2 of Securities and Exchange Law hereof; or sell its shares in Security Market or Stock Exchange Market which excluded from the restriction of Article 38. The Shares that are not transferred or unsold will be treated as the unissued shares of the Financial Holding Company and report the changes to government.

Treasury stock of subsidiary was converted into common stock of the Company on December 31 2001; the basis of conservative principle and the R.O.C. GAAP No.30, par value of these converted stocks is equal to that of the issued common stocks of the Company. These common stocks are under the guidance of the "Financial Holding Company Law" of the R.O.C. article 31

CATHAY FINANCIAL HOLDING CO., LTD. NOTES TO FINANCIAL STATEMENTS

(Expressed in thousands of dollars unless otherwise stated)
As of December 31, 2002 and 2001

(1) Changes in long-term investments under the equity method are summarized as follows:

	For the year ended December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Balance at the beginning of year	\$74,846,501	\$2,156,960	\$0	\$0
Add (Less):				
Investment gains under equity method recognized	13,575,839	391,235	137,135	3,918
Add: Increment of investment by stock conversion method	68,197,980	1,965,359	74,709,366	2,134,553
Add: Increment of investment	15,690,915	452,188	-	-
Add: Cumulative translation adjustments under equity method recognized	9,454	272	-	-
Less: Holding company stocks that the subsidiaries held as investments were treated as treasury stocks	(13,576,114)	(391,243)	-	-
Less: Holding subsidiaries stocks by stock conversion were treated as treasury stocks	(15,672,590)	(451,660)	-	-
Less: Cash dividends received	(10,577,405)	(304,824)	-	-
Less: Disinvestments of the subsidiaries	(7,700,000)	(221,902)	-	-
Less: Unrealized valuation loss on long-term equity investments under equity method recognized	(952,944)	(27,462)	-	-
Less: Disposal of holding company stocks that the subsidiaries held as investments were treated as treasury stocks	(1,161)	(33)	-	-
Balance on December 31	\$123,840,475	\$3,568,890	\$74,846,501	\$2,138,471

(2) The investment gains (losses) recognized by the equity method for the years ended December 31, 2002 and 2001 are listed below:

	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Cathay Life Insurance Co., Ltd.	\$12,848,385	\$370,270	\$137,135	\$3,918
Cathay Century Insurance Co., Ltd.	203,445	5,863	-	-
Cathay United Bank Co., Ltd.	433,213	12,485	-	-
United World Chinese Commercial Bank Co., Ltd.	90,796	2,617	-	-
Total	\$13,575,839	\$391,235	\$137,135	\$3,918

A. The investment gains (losses) which were recognized based on the audited financial statements of the Cathay Life and Cathay Century in the same current periods for the years ended December 31, 2002 and 2001

B. We did not audit the financial statements for the year ended December 31, 2002 of Cathay Bank a subsidiary of Cathay Financial Holding Co., Ltd. (holding company) were audited by other auditors with qualified opinions which complied with the R.O.C. Financial Institution Merger Law amortizing the losses of disposing of delinquent assets. On April 11, 2002, Cathay Bank had transferred its delinquent assets to Taiwan Asset Management Corporation, and the related losses amounted to NT\$ 1,894,609 (US\$54,600). According to Article 15 of the R.O.C. Financial Institution Merger Law, the losses on the transaction will be amortized over five years from April 2002. As of December 31, 2002, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$ 1,610,418 (US\$ 46,410) and should be recognized as current expenses. The investment gains (losses) of parent company accounted for under equity method of the losses were recognized as current expenses, provision for credit losses of its subsidiary (Cathay Bank) increased by NT\$ 1,610,418 (US\$46,410), the income before tax of its subsidiary decreased by NT\$ 1,610,418 (US\$46,410), the income tax benefit from its subsidiary increased by NT\$ 402,605 (US\$ 11,603) and the net income after tax of the subsidiary decreased by NT\$ 1,207,813 (US\$34,807) for the year ended December 31, 2002. The investment losses of parent company accounted for under equity method recognized increased by NT\$ 379,968 (US\$ 10,950), the net asset from merger of additional paid-in capital decreased by NT\$ 827,845 (US\$ 23,857) for the year ended December 31, 2002.

C. We did not audit the financial statements of UWCCB for the years ended December 31, 2002 and 2001. UWCCB were audited by other CPAs with unqualified opinion with modification due to the potential adjustments of the long-term investments in the amount of NT\$2,073,365(US\$59,751) and NT\$2,474,162 (US\$70,690) under the equity method, which represent 0.32% and 0.35% of total assets, and investment losses in the amount of NT\$ 375,074 (US\$10,809) and investment gains in the amount of NT\$65,874(US\$1,882) which represent 3.14% and 1.04% in accordance with other auditors report of its investee, it recognized its gain/loss on investments in accordance with the statements audited by other auditors.

D. The consolidated financial statements of the Company for year 2001 and 2002 include the Company, and its subsidiaries, which include Cathay Life Insurance Co., Ltd., Cathay Century Insurance Co., Ltd., Cathay United Bank Co., Ltd. and United World Chinese Commercial Bank. In 2001, the consolidated financial statements contained only two entities as the Company and Cathay Life Insurance Co., Ltd.. However, due to more enterprises joined the holding company in the year of 2002, we are required to restate the consolidated financial statement for the year of 2001.

(3) As of December 31, 2002 and 2001, the Company didn't provide collateral or guarantee on long-term investments.

8. Long-Term Liabilities

	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Zero Coupon Convertible Notes	\$24,500,000	\$706,052	\$0	\$0
Redemption premium payable	516,479	14,884	0	0
Total	\$25,016,479	\$720,936	\$0	\$0

Please see note 20, "Zero Coupon Notes Related Information" for details.

9. Common Stock

As of December 31, 2002 and 2001, the numbers of issued shares were 8,453,163,100 and 5,838,615,765, respectively, with par value of 10 dollars.

The stockholder's meeting of the company resolved on June 27, 2002 declared cash dividends NT\$1.5 dollars each stock and bonus from retained earnings of NT\$137,135(US\$3,918) in 2001 and capital surplus of NT\$10,278,928 (US\$293,684), which belongs to the subsidiary before conversion. The date of issuing cash dividends was on July 26, 2002.

10. Capital Surplus

- (1) The Capital Surplus is the net asset from merger of stock conversion (the net asset from merger) and the sum is NT\$56,807,974(US\$1,637,117) and NT\$23,650,414 (US\$675,726) in December 31, 2002 and 2001. Before converting, there are NT\$1,917,548 (US\$55,261) and NT\$10,278,928 (US\$293,684) is belong to the subsidiaries retained earnings.
- (2) The additional paid-in capital of par value through exchange of shares was generated from the transfer of the shares of subsidiaries to the Company. In compliance with was Item 4 of Article 47 of the Financial Holding Company Law, the portion of additional paid-in capital from the share exchange which comes from the original financial institution's unappropriated retained earnings is allowed to be distributed as cash dividends.
- (3) Beside the above-mentioned, pursuant to the R.O.C. Company Law, capital surplus can only be used to offset a deficit or to increase share capital. Capital surplus cannot be distributed as cash dividends. Issuance of new stock from capital surplus can be made only once per year. In addition, the amount to be capitalized should not exceed the specific percentage of capital surplus set by the SFC.

11. Retained Earnings

(1) Legal Reserve

Pursuant to the Company Law, 10% of the Company's annual after-tax net income must be allocated as legal reserve until the total amount of the legal reserve equals the issued share capital. This legal reserve only can be used to offset deficits and not for cash dividends distributions. However, if the total accumulated legal reserve is greater than 50% of the issued share capital, up to 50% of such excess can be capitalized if agreed by its stockholders.

(2) Unappropriated Retained Earnings

According to the Company Law of the Republic of China and the Company's Articles of Incorporations, 10% of the Company's annual earnings, after paying tax and offsetting deficits, if any, should first be distributed as legal reserve. In addition to distributing stock interest and 0.01%~0.05% as bonus for employees, the remainder shall be allocated in accordance with the resolution in the stockholders' meeting.

After converting, the subsidiary's treasury stock had treat as the Company's treasury stock and it doesn't carry any stockholder rights.

- (3) In 2002, pursuant to ROC SFC, the information regarding the appropriation of employees, directors and supervisors, and estimate earnings per share will be available on the website of "Market Observation Post System" immediately after the meeting of directors.

According to the regulations issued by Securities and Futures Commission, the Company should assume that the dividends of year 2001 would be appropriated to the employees, directors and supervisors, and pro forma earnings per share for the current year.

	For the year ended December 31,	
	2001(NT\$)	2001(US\$)
A. Distributions		
Bonus paid to employees-cash	\$13	\$1
Bonus paid to employees-stock	0	0
Remuneration paid to directors and supervisors	4,800	138
B. After income taxes earnings per share:		
(expressed in dollars)	\$0.02	\$0.00
Pro forma earnings per share	\$0.02	\$0.00
	$\frac{\text{Net income—Bonus paid to employees—Remuneration paid to directors and supervisors}}{\text{Weighted average outstanding number of shares}}$	
Pro forma earnings per share=		

- (4) According to the revised tax law of 1998, the Company is required to pay an extra 10% income tax on all undistributed retained earnings generated during the year. The regulation above is no longer in effect.
- (5) According to related regulations if any undistributed retained earnings of the Company assessed by the tax authority exceed 100% of its paid-in capital, the Company must distribute cash dividends or stock dividends following the year of the assessment. Otherwise, income tax will be levied on each shareholder's proportion of the total undistributed retained earnings; or the Company may pay an extra 10% income tax on the excess undistributed retained earnings for the year.
- (6) In accordance with SFC regulations, subsidiaries of financial holding companies that hold shares of their parent company should treat those shares as treasury stock as of January 1, 2002. And the cost of these shares cannot be distributed as special reserve.
- (7) Dividends Policy

According to the operating program, stock dividends are for the purpose of retaining operating capital. The remainder is distributed in cash, but cash dividends are a minimum of 10% of the dividends declared.

12. Treasury Stock

A. The following is a summary of the movement of treasury stock.

Unit: in thousands of shares

Reason for Transfer	Jan. 1, 2002	Increase	Decrease	Dec. 31, 2002	Book Value	Book Value	Per Share	Per Share	Per Share	Per Share
					(in NT thousands of dollars)	(in US thousands of dollars)	Book Value (in NT dollars)	Book Value (in US dollars)	Market Value (in NT dollars)	Market Value (in US dollars)
For the purpose to conserve the credit and stockholders' equity of Cathay Financial Holding Co., Ltd.	0	145,674	0	145,674	\$6,123,698	\$176,475	\$42.04	\$1.21	\$36.02	\$1.04
Subsidiaries translated it to employees	156,927	0	0	156,927	7,333,863	211,351	46.73	1.35	36.02	1.04
Parent's stock that the subsidiaries held were treated as treasury stock	0	369,490	0	369,490	13,576,114	391,242	36.74	1.06	36.02	1.04
Holding subsidiaries stocks by conversion were treated as treasury stock	0	348,897	0	348,897	15,672,590	451,660	44.92	1.29	36.02	1.04
Total	156,927	864,061	0	1,020,988	\$42,706,265	\$1,230,728				

B. The Companies' stocks held by subsidiaries are illustrated as follows:

Name	Holding share	Amount (in NT thousands of dollars)	Amount (in US thousands of dollars)	Cause	About retained earnings limit	Legal time limit	Pro forma way by the board of directors determine
Cathay Life Insurance Co., Ltd.	156,927	7,333,863	\$211,351	Subsidiaries purchased share were translated	Treasury stock doesn't carry any stockholder rights	Within three years	None
Cathay Life Insurance Co., Ltd.	354,514	12,769,613	368,000	Holding other subsidiaries stock by conversion	None	"	None
Cathay Century Insurance Co., Ltd.	3,397	122,365	3,526	None	None	"	None
Cathay United Bank Co., Ltd.	1,209	43,534	1,255	None	None	"	None
United World Chinese Commercial Bank Co., Ltd.	7,099	255,723	7,370	None	None	"	None
Seaward Leasing Ltd.	3,271	117,821	3,395	None	None	"	None
Total	526,417	\$20,642,919	\$594,897				

13. Estimated Income Taxes

(1) Income tax expenses for the years ended December 31, 2002 and 2001 is estimated as follows:

	For the year ended December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Income before taxes	\$12,874,420	\$371,021	\$137,135	\$3,918
Adjustments:				
Exemption from income tax on securities trade gain	(101,498)	(2,925)	0	0
Interest income of tax on a separate basis	(200,060)	(5,765)	0	0
Investment gains recognized by equity method	(13,575,839)	(391,235)	(137,135)	(3,918)
Unrealized bonds payable redemption premium	516,479	14,884	0	0
Others	65,102	1,876	0	0
Taxable income	(421,396)	(12,144)	0	0
Times: Taxes rate	25%	-	25%	-
Sub-Total	(105,349)	(3,036)	0	0
Add: Tax on a separate basis	40,012	1,153	0	0
Deferred income tax expense (benefit)	(145,396)	(4,190)	0	0
Income taxes expense (benefit)	(\$210,733)	(\$6,073)	\$0	\$0

(2) Deferred income tax liabilities and assets are as follows:

	For the year ended December 31,			
	2001(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
A. Total deferred income tax liabilities	\$0	\$0	\$0	\$0
B. Total deferred tax assets	\$145,396	\$4,190	\$0	\$0
C. Temporary differences from resulting deferred tax assets or liabilities:				
a. Deductible temporary difference from Unrealized bonds payable redemption premium	\$516,479	\$14,884	\$0	\$0
b. Deductible temporary difference from organization costs amortization into 5 years	65,102	1,876	0	0
Sub-total	\$581,581	\$16,760	\$0	\$0
D. Deferred income tax assets-current	\$4,069	\$117	\$0	\$0
Deferred income tax liabilities-current	0	0	0	0
Net offset balance of deferred income tax assets (liabilities)-current	\$4,069	\$117	\$0	\$0
E. Deferred income tax assets-noncurrent	\$141,327	\$4,073	\$0	\$0
Deferred income tax Liabilities- noncurrent	0	0	0	0
Net offset balance of deferred income tax assets (liabilities) - noncurrent	\$141,327	\$4,073	\$0	\$0

(3) The Company's income tax returns have been unapproved by the Tax Authorities.

(4) As per Article 49 of Financial Holding Company Law, the Company selected as the taxpayer as the shareholding is over 12 months within a taxable year of Cathay Life Insurance Co., Ltd. native subsidiaries and files the income tax returns with 10% tax of undistributed retained earnings to the Tax Authority under the Income Tax Law.

(5) Information related tax imputation:

	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Balance of imputation credit account	\$1,958,610	\$56,444	\$0	\$0
	December 31, 2002(Estimate)		December 31, 2001(Actual)	
Imputation credit account ratio	28.31%		30.71%	

(6) Information relating of undistributed earnings:

Year	December 31,			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
After 1998	\$15,002,701	\$432,355	\$10,416,063	\$297,602

The undistributed earnings includes additional paid-in capital from the share exchange which comes from the original financial institution's unappropriated retained earnings is allowed to be distributed as cash dividends.

14. Earnings Per Share

	For the year ended December 31, 2002								
	Before income taxes		After income taxes		Shares	Before income tax EPS		After income tax EPS	
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$
Net Income	\$12,874,420	\$371,021	\$13,085,153	\$377,094					
Primary earnings per share									
Net income for common stock holder	\$12,874,420	\$371,021	\$13,085,153	\$377,094	5,865,793,845	\$2.19	\$0.06	\$2.23	\$0.06
Effect of potentially dilutive common stock									
Convertible bonds payable	\$516,479	\$14,884	\$387,359	\$11,163	249,797,077				
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	\$13,390,899	\$385,905	\$13,472,512	\$388,257	6,115,590,922	\$2.19	\$0.06	\$2.20	\$0.06

	For the year ended December 31, 2001								
	Before income taxes		After income taxes		Shares	Before income tax EPS		After income tax EPS	
	NT\$	US\$	NT\$	US\$		NT\$	US\$	NT\$	US\$
Net Income	\$137,135	\$3,918	\$137,135	\$3,918					
Primary earnings per share									
Net income for common stock holder	\$137,135	\$3,918	\$137,135	\$3,918	5,681,688,765	\$0.02	\$0.00	\$0.02	\$0.00
Effect of potentially dilutive common stock									
Convertible bonds payable	-	-	-	-	-	-	-	-	-
Fully-diluted earnings per share									
Net income for common stock holder & effect of potentially common stock	-	-	-	-	-	-	-	-	-

The changes of the above weighted-average outstanding number of shares are shown below:

(Shares)	December 31,	
	2002	2001
Shares at the beginning of year	5,838,615,765	0
Add: Capital stock was issued by stock conversion method	269,439,330	5,838,615,765
Less: Treasury stock	(203,216,123)	(156,927,000)
The Company that the subsidiaries held were treated as treasury stock	(39,045,127)	0
Total	5,865,793,845	5,681,688,765

The pro forma earnings per shares of the Company that the subsidiaries held as short-term investments were not treated as treasury stock:

	For the year ended December 31.			
	2002(NT\$)	2002(US\$)	2001(NT\$)	2001(US\$)
Income before income taxes	\$12,590,158	\$362,829	\$137,135	\$3,918
Net income after income taxes	\$12,800,891	\$368,902	\$137,135	\$3,918
Before income taxes primary earnings per share (expressed in dollars)	\$2.13	\$0.06	-	-
After income taxes primary earnings per share (expressed in dollars)	\$2.17	\$0.06	-	-
Before income taxes fully - diluted earnings per share (expressed in dollars)	\$2.13	\$0.06	-	-
After income taxes fully - diluted earnings per share (expressed in dollars)	\$2.14	\$0.06	-	-

The Company was incorporated on December 31, 2001, shares of the holding company were not held by its subsidiaries for the year ended December 31, 2001.

15. Related Party Transactions

(1) Related parties

Name	Relationship
Cathay Life Insurance Co., Ltd.	Subsidiary of the Company
Cathay Century Insurance Co., Ltd.	Subsidiary of the Company
Cathay United Bank Co., Ltd.	Subsidiary of the Company
United World Chinese Commercial Bank Co., Ltd.	Subsidiary of the Company
Cathay Securities Investment Co., Ltd.	Affiliate

(2) Significant transactions with related parties:

A. Real-Estate Rental Expense

Name	For the year ended December 31.	
	2002(NT\$)	2002(US\$)
Cathay Life Insurance Co., Ltd.	\$8,207	\$237

B. Cash in Bank

Name	Item	For the year ended December 31, 2002			
		Maximum Amount (NT\$)	Ending Balance (NT\$)	Rate	Interest Income (NT\$)
Cathay United Bank	Certificate Deposits	\$1,539,862	\$1,400,000	1.28% ~ 2.5%	\$16,730
	Cash In Bank	99,354	773	0.5% ~ 1.15%	413
United World Chinese Commercial Bank	Cash In Bank	10,673,341	0	1.75%	428
			\$1,400,773		

Name	Item	For the year ended December 31, 2002			
		Maximum Amount (US\$)	Ending Balance (US\$)	Rate	Interest Income (US\$)
Cathay United Bank	Certificate Deposits	\$44,376	\$40,346	1.28% ~ 2.5%	\$482
	Cash In Bank	2,863	22	0.5% ~ 1.15%	12
United World Chinese Commercial Bank	Cash In Bank	307,589	0	1.75%	12
			\$40,368		

C. Interest Receivable

Name	For the year ended December 31.	
	2002(NT\$)	2002(US\$)
Cathay United Bank	\$435	\$13

D. Temporary Payments and Suspense accounts

Name	For the year ended December 31.	
	2002(NT\$)	2002(US\$)
Cathay Securities Investment Co., Ltd.	\$616	\$18

16. Pledged Assets: None.

17. Other Important Matters and Contingent Liabilities: None.

18. Serious Damages: None.

19. Subsequent Events

The Company was discharged 145,674,000 shares and decreased NT\$1,456,740 of capital stock on January 13, 2003, pursuant to the provisions of the Stock Exchange Law of R.O.C., appropriate to the inscription of the MOEA brief introduction on January 24, 2003.

20. Other Important Events

(1) Pension Related Information

According to the R.O.C. SFAS No.18 "Accounting for Pensions", according to the actuarial report disclosure of pension information for the years ended December 31, 2002 and 2001, was as follows:

1. Pension funded status

	Year ended December 31.			
	2002(NTS)	2002(US\$)	2001(NTS)	2001(US\$)
(1) Vested benefit obligation	(378)	(11)	\$0	\$0
(2) Non-vested benefit obligation	(394)	(11)	0	0
(3) Accumulated benefit obligation	(772)	(22)	0	0
(4) Additions benefits based on future salaries	(277)	(8)	0	0
(5) Projected benefit obligation	(1,049)	(30)	0	0
(6) Fair value of plan assets	0	0	0	0
(7) Vested benefit	480	14	0	0
(8) Funded status = (5) + (6)	(1,049)	(30)	0	0
(9) Unrecognized transitional net benefit obligation (net assets)	0	0	0	0
(10) Unrecognized prior service cost	0	0	0	0
(11) Unrecognized pension gain and loss	614	18	0	0
(12) Additional accrued pension liability	(337)	(10)	0	0
(13) (Accrued pension liability) /prepaid pension cost = (8)+(9)+(10)+(11)+(12)	(\$772)	(\$22)	\$0	\$0

2. Actuarial Assumptions

	Year ended December 31.	
	2002	2001
(1) Discount rate	4.00%	4.50%
(2) Expected rate of increase in salaries	3.00%	3.00%
(3) Expected long-term rate of return on plan assets	4.00%	4.50%

(2) Financial Instruments Related Information

(a) Derivative Financial Instruments:

1. Credit and Market Risk

The Company entered into forward contract with financial institution, with good credit. Losses incurred from exchange rate fluctuations can be offset by forward hedging contracts.

2. Cash Flow and Demand

As there will be cash inflow and cash outflow on the expiration date of a forward contract, no demand for substantial cash flow is expected.

3. Forward Contract

(1) Receivables and payables resulting from forward contract are offset. The differences between receivables and payables should be listed as assets or liabilities.

(2) As of December 31, 2002, the Company has forward exchange contract (the contract) of approximately US\$700,000. And the forward exchange contract period is from May 20, 2002 to May 20, 2007.

(3) As of December 31, 2002, the exchange rate of the contract is over and the foreign exchange loss is NT\$54,309 thousands dollars. It will be amortized by three years.

4. Foreign Currency Options

As of December 31, 2002:

Counterpart	Effective Date	Put Date	Amount (in thousands of dollars)
Goldman Sachs	2002.5.20	2005.5.20;	US\$700,000
International		2007.5.20	

(b) Non Derivative Financial Instruments Related Information:

Except for the item listed in the following table, the book value of Non Derivative Financial Instruments as of December 31, 2002, is the same as the estimated fair market value.

(3) Zero Coupon Convertible Notes Related Information:

Issuer: Cathay Financial Holding Co., Ltd., a financial holding company organized under the R.O.C. Financial Holding Company Act and the R.O.C. Company Law. Cathay Financial Holdings' registration number issued by the R.O.C. Ministry of Economic Affairs is 118958.

Offering: the Purchaser outside the United States is offering The International Notes in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). Goldman Sachs International is offering the Rule 144A Notes concurrently in the United States through its selling agent, only to institutions that are qualified institutional buyers or QIBs (as defined in Rule 144A).

Issue Price: 100%.

Maturity Date: May 20, 2007.

Over-allotment Option:

Cathay Financial Holdings has granted to the Purchaser an option exercisable within 30 days from May 20, 2002 to purchase up to an additional US\$150,000 aggregate principal amount of Notes, solely to cover over-allotments, if any, please refer to "Plan of Distribution". In the event that the Purchaser exercises the over-allotment option, Cathay Financial Holdings will promptly inform the Luxembourg Stock Exchange.

Interest:

The Notes will not bear interest except in the limited circumstances set out under "Description of the Notes-Default Interest".

Conversion Rights:

Subject to certain conditions, each holder of the Notes (the "Holder") will have the right during the Conversion Period (as defined herein) to convert its Notes (or any portion thereof being US\$1,000 dollars in principal amount or an integral multiple thereof) into Common Shares and, upon conversion may, subject to compliance with the terms and conditions of the applicable Deposit Agreement, direct that the Common Shares deliverable upon conversion be deposited with the Depository (as defined herein) for issuance of GDSs, *provided, however*, that the Conversion Right during any Closed Period (as defined herein) shall be suspended and the Conversion Period shall not include any such Closed Period. See

Description of the Notes –Conversion" and "Risk Factors–Risks Relating to the Notes–There are limitations on your ability to exercise conversion rights". Cathay Financial Holdings shall as soon as practicable but in no event more than five Trading Days (as defined herein) from the Conversion Date (as defined herein) deliver Common Shares to the converting Holders or the Depository, as the case may be.

Repurchase at the Option of the Holder:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof of which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes, on May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium. "Redemption Premium" means an amount payable pursuant to the Notes with respect to a repurchase or redemption of a Note that will provide a Note holder who purchased such Note at the Issue Price on the Original Issue Date (as defined herein) a compound yield of 2.75% per annum (computed on a semi-annual note equivalent basis). See "Description of the Notes–Repurchase of the Notes".

Repurchase in the Event of Desisting:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, in the event that the Common Shares cease to be listed or admitted to trading on the Taiwan Stock Exchange, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium. See "Description of the Notes–Repurchase of the Notes".

Repurchase in the Event of Change of Control:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, each Holder shall have the right, at such Holder's option, to require Cathay Financial Holdings to repurchase all (or any portion of the principal amount thereof which is US\$1,000 dollars or any integral multiple thereof) of such Holder's Notes at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium, upon the occurrence of a Change of Control (as defined herein). See "Description of the Notes–Repurchase of the Notes".

Redemption at the Option of Cathay Financial Holdings:

The Notes may be redeemed at the option of Cathay Financial Holdings, in whole but not in part, at any time on or after May 20, 2005 at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium on the Redemption Date (as defined herein); *provided* that (a) the Closing Price (translated into US dollars at the prevailing rate) of the Common Shares for a period of 30 consecutive Trading Days (including Trading Days that fall within a Closed Period), the last of which occurs not more than five days prior to the date on which notice of such redemption is given, is at least 130% of the Conversion Price (translated into US dollars at the Exchange Rate, as defined herein) and (b) the applicable Redemption Date does not fall within a Closed Period. Notwithstanding the foregoing, Cathay Financial Holdings may redeem, in whole but not in part, the Notes at any time, on not less than 30 nor more than 60 days' notice, if at least 90% in principal amount of the Notes originally outstanding have been redeemed, repurchased and cancelled, or converted, at a redemption price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium on the Redemption Date; *provided* that the applicable Redemption Date does not fall within a Closed Period.

Tax Redemption:

If, as a result of certain changes relating to the tax laws in the R.O.C. or such other jurisdiction in which Cathay Financial Holdings is then organized, Cathay Financial Holdings becomes obligated to pay certain Additional Amounts (as defined herein), the Notes may be redeemed at the option of Cathay Financial Holdings, in whole but not in part, at a price equal to 100% of the outstanding principal amount thereof plus the Redemption Premium on such Redemption Date.

Redemption Amount at Maturity:

Unless the Notes have been previously redeemed, repurchased and cancelled, or converted, Cathay Financial Holdings will redeem the Notes on the Maturity Date (as defined herein) at a price equal to 100% of the outstanding principal amount thereof plus the redemption premium.

Negative Pledge:

Subject to certain exceptions, Cathay Financial Holdings will not, and will procure that none of its Principal Subsidiaries (as defined herein) will, create or permit to subsist any Lien (as defined herein) to secure for the benefit of the holders of any International Investment Securities (as defined herein) any sum owing in respect thereof or any guarantee or indemnity thereof without making effective provision to secure the Notes (a) equally and ratably with such International Investment Securities with a similar Lien or (b) with such other security as shall be approved by Holders of not less than a majority in aggregate principal amount of the outstanding Notes. See "Description of the Notes–Certain Covenants–Negative Pledge".

Further Issues:

Cathay Financial Holdings may from time to time without the consent of the Holders of the Notes create and issue further securities having the same terms and conditions as the Notes in all respects so that such further issue shall be consolidated and form a single series with the respective Notes.

Governing Law:

The Indenture, the Notes and the Deposit Agreements will be governed by, and construed in accordance with, the laws of the State of New York.

Listing:

Application has been made to list the International Notes on the Luxembourg Stock Exchange and to designate the Rule 144A Notes for trading on PORTAL in the United States. Application has been made to have the International GDSs issuable upon conversion of the Notes listed on the Luxembourg Stock Exchange.

Trading Market for the Common Shares:

The only trading market for the Common Shares is the Taiwan Stock Exchange. The Common Shares have been listed on the Taiwan Stock Exchange since December 31, 2001.

(4) As of December 31, 2002 the consolidated capital adequacy ratio was 190.08%.

(5) Material Contract: None.

21. Information for Investment in Mainland China: None

22. Segment Information: None

**CATHAY FINANCIAL
NOTES TO FINANCIAL**(Expressed in thousands of
As of December 31,**HOLDING CO.,LTD.
STATEMENTS**dollars unless otherwise stated)
2002 and 2001**23. The Subsidiaries' Concise Balance Sheets and Statements of Income**

(a) Concise balance sheets:

Items/Period	CATHAY LIFE INSURANCE CO., LTD.				CATHAY CENTURY INSURANCE CO., LTD.				CATHAY UNITED BANK CO., LTD.				UNITED WORLD CHINESE COMMERCIAL BANK CO., LTD.			
	December 31,2002		December 31,2001		December 31,2002		December 31,2001		December 31,2002		December 31,2001		December 31,2002		December 31,2001	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Current assets	\$465,127,273	13,404,244	\$434,824,661	\$12,423,561	\$7,317,042	\$210,867	\$6,725,995	\$192,173	\$48,805,967	\$1,406,512	\$38,800,431	\$1,108,583	\$213,899,803	\$6,164,259	\$239,637,698	\$6,846,791
Exchange bills negotiated, discounted, and loans	488,113,293	14,066,666	481,306,746	13,751,622	942,396	27,158	1,101,444	31,469	110,364,439	3,180,531	106,276,766	3,036,479	394,578,267	11,371,132	427,930,788	12,226,594
Funds and long-term investments	307,847,291	8,871,680	190,329,029	5,437,972	1,029,427	29,666	928,747	26,536	5,303,964	152,852	3,376,762	96,479	12,153,144	350,235	12,577,702	359,363
Property and equipment	15,967,119	460,147	14,347,035	\$409,915	67,526	1,946	46,206	1,321	1,470,615	42,381	1,230,738	35,164	23,240,572	669,757	22,941,184	655,462
Other assets (including intangible assets)	8,503,594	245,060	10,285,106	293,860	97,868	2,820	64,890	1,853	11,155,416	321,482	5,667,297	161,923	8,675,240	250,007	4,176,251	119,322
Current liabilities	10,690,988	308,098	6,844,439	195,555	769,330	22,170	549,462	15,699	165,148,632	4,759,326	143,358,147	4,095,946	597,754,504	17,226,355	641,210,391	18,320,297
Long-term liabilities	3,726	107	3,726	106	7,668	221	1,733	50	0	0	0	0	34,119	983	34,119	975
Other liabilities	1,206,205,109	34,760,954	1,049,397,911	29,982,797	5,985,555	172,495	5,532,018	158,057	193,511	5,577	145,409	4,155	717,575	20,679	864,242	24,692
Capital stocks	50,686,158	1,460,696	58,386,158	1,668,176	2,317,006	66,773	2,317,006	66,200	12,346,083	355,795	12,346,083	352,745	39,715,627	1,144,543	37,716,644	1,077,618
Capital surplus	3,048	88	130,494	3,729	0	0	724	21	0	0	88,315	2,523	5,095,598	146,847	5,870,989	167,743
Retained earnings	26,228,308	755,859	23,657,055	675,916	372,528	10,736	464,077	13,260	(587,825)	(16,940)	(585,960)	(16,741)	9,122,517	262,897	21,363,930	610,398
Equity adjustments	(924,904)	(26,654)	6,657	190	2,172	62	2,262	65	0	0	0	0	107,088	3,086	203,308	5,809
Treasury stocks	(7,333,863)	(211,351)	(7,333,863)	(209,539)	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	\$1,285,558,570	\$37,047,797	\$1,131,092,577	\$32,316,930	\$9,454,259	\$272,457	\$8,867,282	\$253,352	\$177,100,401	\$5,103,758	\$155,351,994	\$4,438,628	\$652,547,026	\$18,805,390	\$707,263,623	\$20,207,532
Total liabilities	\$1,216,899,823	\$35,069,159	\$1,056,246,076	\$30,178,458	\$6,762,553	\$194,886	\$6,083,213	\$173,806	\$165,342,143	\$4,764,903	\$143,503,556	\$4,100,101	\$598,506,198	\$17,248,017	\$642,108,752	\$18,345,964
Total stockholder' equity	\$68,658,747	\$1,978,638	\$74,846,501	\$2,138,472	\$2,691,706	\$77,571	\$2,784,069	\$79,546	\$11,758,258	\$338,855	\$11,848,438	\$338,527	\$54,040,828	\$1,557,373	\$65,154,871	\$1,861,568

**CATHAY FINANCIAL
NOTES TO FINANCIAL**(Expressed in thousands of
As of December 31,**HOLDING CO., LTD.
STATEMENTS**dollars unless otherwise stated)
2002 and 2001

(b) Concise statements of income:

Items/Period	CATHAY LIFE INSURANCE CO., LTD.				CATHAY CENTURY INSURANCE CO., LTD.				CATHAY UNITED BANK CO., LTD.				UNITED WORLD CHINESE COMMERCIAL BANK CO., LTD.			
	For the year ended Dec. 31,2002		For the year ended Dec. 31,2001		For the year ended Dec. 31,2002		For the year ended Dec. 31,2001		For the year ended Dec. 31,2002		For the year ended Dec. 31,2001		For the year ended Dec. 31,2002		For the year ended Dec. 31,2001	
	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$	NT\$	US\$
Operating revenues	\$451,858,334	\$13,021,854	\$391,361,364	\$11,181,753	\$11,150,975	\$321,354	\$10,750,267	\$307,151	\$10,503,809	\$302,704	\$10,516,538	\$300,472	\$32,847,130	\$946,603	\$40,963,392	\$1,170,383
Operating costs & expenses	(436,287,547)	(12,573,128)	(377,186,156)	(10,776,748)	(10,803,696)	(311,346)	(10,305,355)	(294,438)	(10,759,231)	(310,064)	(9,341,143)	(266,889)	(43,615,548)	(1,256,932)	(34,463,833)	(984,681)
Operating income	15,570,787	448,726	14,175,208	405,005	347,279	10,008	444,912	12,713	(255,422)	(7,360)	1,175,395	33,583	(10,768,418)	(310,329)	6,499,559	185,702
Non-operating revenues	527,593	15,204	349,079	9,973	4,773	137	2,538	72	31,979	922	25,481	728	316,279	9,115	79,324	2,207
Non-operating expenses	(39,291)	(1,132)	(65,010)	(1,856)	(1,369)	(39)	(1,098)	(32)	(26,395)	(761)	(21,494)	(614)	(1,475,171)	(42,512)	(265,311)	(7,521)
Operating income before taxes	16,059,089	462,798	14,459,277	413,122	350,683	10,106	446,352	12,753	(249,838)	(7,199)	1,179,382	33,697	(11,927,310)	(343,726)	6,313,572	180,388
Net income	12,846,157	370,206	10,599,467	302,842	234,503	6,758	358,523	10,244	(90,180)	(2,599)	1,088,946	31,113	(8,807,310)	(253,813)	5,258,372	150,239
Before income tax earnings per share (in dollars)	\$2.98	\$0.09	\$2.48	\$0.07	\$1.51	\$0.04	\$1.93	\$0.06	(\$0.20)	(\$0.01)	\$0.96	\$0.03	(\$3.00)	(\$0.09)	\$1.59	\$0.05
After income tax earnings per share (in dollars)	\$2.39	\$0.07	\$1.81	\$0.05	\$1.01	\$0.03	\$1.55	\$0.04	(\$0.07)	(\$0.00)	\$0.88	\$0.03	(\$2.22)	(\$0.06)	\$1.32	\$0.04

Annotation: On April 11, 2002, Cathay United Bank Co., Ltd. had transferred its delinquent assets to Taiwan Asset Management Corporation, and the related losses amounted to NT\$1,894,609(US\$54,256). According to Article 15 of the R.O.C. Financial Institution Merger Law, the losses on the transaction will be amortized over five years from April 2002. As of December 31, 2002, the unamortized losses on the transfer of delinquent assets accounted for as other assets amounted to NT\$1,610,418(US\$46,410)

and should be recognized as current expenses, provision for credit losses of its subsidiary (Cathay United Bank Co., Ltd.) increased by NT\$1,610,418 (US\$46,410), the net income before tax of its subsidiary decreased by NT\$1,610,418(US\$46,410), the income tax benefit of its subsidiary increased by NT\$402,605(US\$11,603) and the net income after tax of its subsidiary decreased by NT\$1,207,813 (US\$34,807) for the year ended December 31, 2002.

CATHAY FINANCIAL HOLDING CO.,LTD. AND SUBSIDIARIES CONSOLIDATED

FINANCIAL STATEMENTS

CATHAY FINANCIAL HOLDING CO.,LTD AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(Expressed in thousands of dollars)
As of December 31, 2002 and 2001

Assets	2002			2001(Restated)		
	NT\$	US\$	%	NT\$	US\$	%
Current assets:						
Cash and cash equivalents	\$149,809,144	\$4,317,266	7.18	\$243,589,939	\$6,959,713	12.32
Due from banks	31,096,014	896,139	1.49	21,148,831	604,252	1.07
Due from central bank	40,810,508	1,176,095	1.96	45,818,263	1,309,093	2.32
Short-term investments	393,921,916	11,352,217	18.88	304,698,615	8,705,675	15.40
Receivables	77,818,271	2,242,602	3.73	65,526,494	1,872,186	3.31
Prepayments	1,840,326	53,036	0.09	1,672,077	47,773	0.08
Premiums paid for others	13,582,195	391,418	0.65	13,117,896	374,797	0.66
Sub-total	708,878,374	20,428,773	33.98	695,572,115	19,873,489	35.16
Exchange bills negotiated discounted and loans	978,856,391	28,209,118	46.92	1,016,615,744	29,046,164	51.39
Long-term investments in stock 、 bonds and real estate	313,934,763	9,047,111	15.05	207,212,240	5,920,350	10.48
Property and equipment						
Land	20,043,032	577,609	0.96	19,273,421	550,669	0.97
Buildings and structures	20,118,240	579,776	0.96	19,276,256	550,750	0.98
Furniture and fixtures	2,595,945	74,811	0.12	2,364,799	67,566	0.12
Transportation and communication equipment	224,258	6,463	0.01	220,982	6,314	0.01
Other equipment	7,375,708	212,556	0.35	6,415,863	183,311	0.32
Sub-total	50,357,183	1,451,215	2.40	47,551,321	1,358,610	2.40
Less: Accumulated depreciation	(11,169,332)	(321,883)	(0.54)	(9,956,091)	(284,460)	(0.50)
Construmulated in progress and prepayment for equipment	1,560,283	44,965	0.08	969,932	27,712	0.05
Sub-total	40,748,134	1,174,297	1.94	38,565,162	1,101,862	1.95
Intangible assets	6,142	177	0.00	7,536	215	0.00
Other assets	44,053,626	1,269,557	2.11	20,161,064	576,030	1.02
Total assets	\$2,086,477,430	\$60,129,033	100.00	\$1,978,133,861	\$56,518,110	100.00
Liabilities & Stockholders' Equity						
Current liabilities						
Due to Central Bank	\$167,129	\$4,816	0.01	\$344,441	\$9,841	0.02
Due to banks	45,757,684	1,318,665	2.19	35,701,234	1,020,035	1.80
Payables	40,758,625	1,174,600	1.95	32,884,540	939,558	1.66
Deposits and remittances payable	636,052,762	18,330,051	30.48	693,213,627	19,806,104	35.04
Accounts collected in advance	2,441,376	70,357	0.12	2,101,514	60,043	0.11
Banker's debenture	10,000,000	288,184	0.48	0	0	0.00
Bankers acceptances and funds borrowed	2,206,585	63,591	0.11	3,270,359	93,439	0.17
Sub-total	737,384,161	21,250,264	35.34	767,515,715	21,929,020	38.80

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Expressed in thousands of dollars ,except earning per share)
For the Year Ended December 31, 2002 and 2001

	2002			2001(Restated)		
	NTS	US\$	%	NTS	US\$	%
Long-term liabilities						
Bonds payable	25,016,479	720,936	1.20	0	0	0.00
Reserve for land revaluation increment tax	37,845	1,091	0.00	37,845	1,081	0.00
Accrued pension liabilities	7,669	221	0.00	1,733	50	0.00
Sub-total	25,061,993	722,248	1.20	39,578	1,131	0.00
Other liabilities						
Reserve for operations and liabilities	1,210,546,078	34,886,054	58.02	1,053,333,188	30,095,234	53.25
Other liabilities	2,585,848	74,520	0.12	2,611,501	74,614	0.13
Minority interest	0	0	0.00	79,787,378	2,279,640	4.03
Sub-total	1,213,131,926	34,960,574	58.14	1,135,732,067	32,449,488	57.41
Total liabilities	1,975,578,080	56,933,086	94.68	1,903,287,360	54,379,639	96.21
Stockholders' Equity						
Capital stock						
Common stock	84,531,631	2,436,070	4.05	58,386,158	1,668,175	2.95
Capital surplus						
Net assets from merger	56,807,974	1,637,117	2.72	23,650,414	675,726	1.20
Retained earnings						
Legal reserve	13,713	395	0.00	0	0	0.00
Unappropriated retained earnings	13,085,153	377,094	0.63	137,135	3,918	0.01
Equity adjustments						
Unrealized valuation losses on long term equity investments	(1,032,426)	(29,753)	(0.05)	0	0	0.00
Cumulative translation adjustments	199,570	5,751	0.01	6,657	190	0.00
Treasury stock	(42,706,265)	(1,230,728)	(2.04)	(7,333,863)	(209,538)	(0.37)
Total stockholders' equity	110,899,350	3,195,946	5.32	74,846,501	2,138,471	3.79
Total liabilities and stockholders' equity	\$2,086,477,430	\$60,129,032	100.00	\$1,978,133,861	\$56,518,110	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)

	2002			2001(Restated)		
	NTS	US\$	%	NTS	US\$	%
Operating revenues						
Interest income	\$82,270,949	\$2,370,921	16.25	\$92,530,402	\$2,643,726	20.49
Premiums income	286,665,918	8,261,266	56.62	225,993,812	6,456,966	50.03
Claims recovered from reinsures	1,774,184	51,129	0.35	1,610,902	46,026	0.36
Recovered premiums reserve	113,097,853	3,259,304	22.34	103,670,845	2,962,024	22.95
Recovered special claims reserves	5,074,941	146,252	1.00	99,978	2,856	0.02
Recovered claims reserve	304,628	8,779	0.06	262,457	7,499	0.06
Commission and handing fee earned	3,645,211	105,049	0.72	2,636,932	75,341	0.58
Commission income of stock brokerage	106,427	3,067	0.02	71,189	2,034	0.02
Gain on disposal of investments	6,325,053	182,278	1.25	0	0	0.00
Gain on long-term investments	213,193	6,144	0.04	1,014,791	28,994	0.22
Gain on investments-real estate	4,484,011	129,222	0.89	5,249,807	149,994	1.16
Gain on foreign exchange	415,171	11,965	0.08	2,155,298	61,580	0.48
Other operating income	1,909,012	55,015	0.38	16,374,430	467,841	3.63
Sub-total	506,286,551	14,590,391	100.00	451,670,843	12,904,881	100.00
Operating costs						
Interest expenses	(15,108,499)	(435,404)	(2.98)	(26,588,453)	(759,670)	(5.89)
Insurance expenses	(24,216,118)	(697,871)	(4.78)	(25,097,002)	(717,057)	(5.56)
Commission expenses	(470,682)	(13,564)	(0.09)	(249,969)	(7,142)	(0.06)
Insurance claims payment	(125,916,015)	(3,628,704)	(24.87)	(118,548,141)	(3,387,090)	(26.25)
Provision for premiums reserve	(274,975,197)	(7,924,357)	(54.31)	(204,209,821)	(5,834,566)	(45.21)
Provision for special claim reserve	(339,038)	(9,771)	(0.07)	(2,262,593)	(64,645)	(0.50)
Contribution to the stabilization funds	(292,217)	(8,421)	(0.06)	(230,637)	(6,590)	(0.05)
Provision for claims reserve	(314,691)	(9,069)	(0.06)	(304,628)	(8,704)	(0.07)
Handling fee paid	(2,603,858)	(75,039)	(0.51)	(1,947,293)	(55,637)	(0.43)
Commission charges of stock brokerage	(6,254)	(180)	0.00	(3,880)	(111)	0.00
Losses on disposal of investments	0	0	0.00	(14,591,880)	(416,911)	(3.23)
Losses on long-term equity investments	(214,143)	(6,171)	(0.04)	(1,286)	(37)	0.00
Provision for possible losses	(29,386,174)	(846,864)	(5.80)	(9,223,831)	(263,538)	(2.04)
Other operating cost	(550,981)	(15,878)	(0.11)	(214,850)	(6,138)	(0.05)
Sub-total	(474,393,867)	(13,671,293)	(93.68)	(403,474,264)	(11,527,836)	(89.34)

CATHAY FINANCIAL HOLDING CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME-(Continued)

(Expressed in thousands of dollars ,except earning per share)
 For the Year Ended December 31, 2002 and 2001

	2002			2001(Restated)		
	NT\$	US\$	%	NT\$	US\$	%
Operating gross profit	31,892,684	919,098	6.32	48,196,579	1,377,045	10.66
Operating expenses	(27,582,853)	(794,895)	(5.45)	(25,888,404)	(739,669)	(5.73)
Operating income	4,309,831	124,203	0.87	22,308,175	637,376	4.93
Non-operating revenues	878,977	25,331	0.17	441,251	12,607	0.10
Non-operating expenses	(1,542,226)	(44,445)	(0.30)	(350,844)	(10,024)	(0.08)
Income from continuing operations before income taxes	3,646,582	105,089	0.74	22,398,582	639,959	4.95
Income taxes	161,278	4,648	0.03	(5,093,274)	(145,522)	(1.13)
Net income	3,807,860	109,737	0.77	17,305,308	494,437	3.82
Minority interest income	0	0	0.00	(6,705,841)	(191,595)	(1.48)
Net loss (income) before acquisitions of the subsidiaries	9,277,293	267,357	1.83	(10,462,332)	(298,924)	(2.32)
Consolidated net income	\$13,085,153	\$377,094	2.60	\$137,135	\$3,918	0.02

Earnings per share(expressed in dollars)

Primary earnings per share:

Income from continuing operations before income taxes	\$0.62	\$0.02	\$3.84	\$0.11
Net income	\$0.65	\$0.02	\$2.96	\$0.08
Consolidated net income	\$2.23	\$0.06	\$0.02	\$0.00

Fully-diluted earnings per share:

Income from continuing operations before income taxes	\$0.68	\$0.02
Net income	\$0.69	\$0.02
Consolidated net income	\$2.20	\$0.06

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

(Cathay Financial Holding Co., Ltd. was incorporated on December 31, 2001)

Cathay Life Insurance Co., Ltd.

FINANCIAL STATEMENTS

CATHAY LIFE INSURANCE CO., LTD. STATEMENTS OF INCOME

(Expressed in thousands of dollars, except earning per share)
For the Years Ended December 31, 2002 and 2001

	2002			2001(Restated)		
	NTS	US\$	%	NTS	US\$	%
Operating Revenues						
Premiums income	\$280,634,243	\$8,087,442	62.11	\$221,005,179	\$6,314,434	56.47
Reinsurance commission earned	130,526	3,762	0.03	181,908	5,197	0.05
Claims recovered from reinsures	632,365	18,224	0.14	278,913	7,969	0.07
Recovered premiums reserve	109,911,316	3,167,473	24.33	100,085,518	2,859,586	25.57
Recovered special claim reserve	4,962,327	143,006	1.10	0	0	0.00
Recovered claims reserve	266,322	7,675	0.06	229,805	6,566	0.06
Handling fee earned	10,209	294	0.00	9,279	265	0.00
Interest Income	43,939,665	1,266,273	9.72	46,578,346	1,330,810	11.90
Gain on disposal of investments	4,657,874	134,233	1.03	0	0	0.00
Gain on long-term investments	101,627	2,929	0.02	255,273	7,294	0.07
Gain on investments-real estate	4,484,010	129,222	0.99	5,249,807	149,994	1.34
Gain on foreign exchange	193,634	5,580	0.04	1,816,429	51,898	0.46
Other operating Income	1,934,216	55,741	0.43	15,670,907	447,740	4.01
Sub-total	451,858,334	13,021,854	100.00	391,361,364	11,181,753	100.00
Operating Costs						
Insurance expenses	(723,807)	(20,859)	(0.16)	(594,783)	(16,994)	(0.15)
Brokerage expenses	(21,218,707)	(611,490)	(4.70)	(22,775,442)	(650,727)	(5.82)
Commissions expenses	(275,438)	(7,938)	(0.06)	(48,674)	(1,391)	(0.01)
Insurance claims payment	(122,859,639)	(3,540,623)	(27.19)	(115,296,796)	(3,294,194)	(29.46)
Provision for premiums reserve	(271,622,530)	(7,827,739)	(60.11)	(201,023,285)	(5,743,522)	(51.36)
Provision for special claim reserve	0	0	0.00	(1,519,423)	(43,412)	(0.39)
Contribution to the stabilization funds	(280,404)	(8,081)	(0.06)	(220,848)	(6,310)	(0.06)
Provision for claims reserve	(278,080)	(8,014)	(0.06)	(266,322)	(7,609)	(0.07)
Handling fee paid	(2,163,984)	(62,363)	(0.48)	(1,572,218)	(44,921)	(0.40)
Interest expenses	(24,136)	(695)	0.00	(69,169)	(1,976)	(0.02)
Loss on disposal of investments	0	0	0.00	(16,512,600)	(471,789)	(4.22)
Provisions expenses	(2,608,957)	(75,186)	(0.58)	(2,019,870)	(57,711)	(0.52)
Sub-total	(422,055,682)	(12,162,988)	(93.40)	(361,919,430)	(10,340,556)	(92.48)
Operating Gross Profit	29,802,652	858,866	6.60	29,441,934	841,197	7.52
Operating Expenses						
Marketing expenses	(5,549,132)	(159,917)	(1.23)	(7,847,697)	(224,220)	(2.00)
Administrative and general expenses	(8,682,733)	(250,223)	(1.93)	(7,419,029)	(211,972)	(1.90)
Operating Income	15,570,787	448,726	3.44	14,175,208	405,005	3.62
Non-Operating Revenues						
Gain on disposal of property and equipment	3,404	98	0.00	5,299	151	0.00
Miscellaneous income	524,189	15,106	0.12	343,780	9,822	0.09
Sub-total	527,593	15,204	0.12	349,079	9,973	0.09
Non-Operating Expenses						
Loss on disposal of property and equipment	(6,075)	(175)	0.00	(2,661)	(76)	0.00
Miscellaneous expenses	(33,216)	(957)	(0.01)	(62,349)	(1,780)	(0.02)
Sub-total	(39,291)	(1,132)	(0.01)	(65,010)	(1,856)	(0.02)
Income from Continuing Operations before income taxes	16,059,089	462,798	3.55	14,459,277	413,122	3.69
Income Taxes	(3,212,932)	(92,592)	(0.71)	(3,859,810)	(110,280)	(0.98)
Net Income	\$12,846,157	\$370,206	2.84	\$10,599,467	\$302,842	2.71
Before income taxes Earnings Per Share (expressed in dollars)	\$2.98	\$0.09		\$2.48	\$0.07	
After income taxes Earnings Per Share (expressed in dollars)	\$2.39	\$0.07		\$1.81	\$0.05	

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NTS\$34.7 and NTS\$35.00 to US\$1.00)

Cathay Century Insurance Co., Ltd.

FINANCIAL STATEMENTS



CATHAY CENTURY INSURANCE CO., LTD. BALANCE SHEETS

(Expressed in thousands of dollars)
As of December 31, 2002 and 2001

Assets	2002			2001(Restated)		
	NTS	US\$	%	NTS	US\$	%
Current Assets						
Cash and cash equivalents	\$4,156,774	\$119,792	43.97	\$3,439,314	\$98,266	38.79
Short-term investments	2,063,054	59,454	21.82	2,185,214	62,435	24.64
Notes receivable	170,988	4,928	1.81	175,720	5,021	1.98
Interest receivable	31,352	904	0.33	37,962	1,085	0.43
Premiums receivable	425,789	12,271	4.50	445,653	12,733	5.03
Claims recoverable from reinsurers	235,541	6,788	2.49	175,311	5,009	1.98
Due from reinsurers and ceding companies	168,817	4,865	1.79	180,389	5,154	2.03
Other accounts receivable	16,951	489	0.18	50,708	1,449	0.57
Prepayments	47,776	1,377	0.50	35,724	1,021	0.40
Sub-total	7,317,042	210,868	77.39	6,725,995	192,173	75.85
Exchange Bills Negotiated, Discounted and Loans						
Short-term secured loans	18,908	545	0.20	19,719	563	0.22
Medium-term secured loans	484,906	13,974	5.13	595,921	17,026	6.72
Long-term secured loans	438,582	12,639	4.64	485,804	13,880	5.48
Sub-total	942,396	27,158	9.97	1,101,444	31,469	12.42
Funds, Long-term Investments, and Receivable						
Long-term Investments in stocks	383,893	11,063	4.06	558,632	15,961	6.30
Long-term Investments in bonds	645,534	18,603	6.83	370,115	10,575	4.17
Sub-total	1,029,427	29,666	10.89	928,747	26,536	10.47
Property and Equipment						
Communication and transportation equipment	14,308	412	0.15	16,790	480	0.19
Other equipment	140,432	4,047	1.49	102,050	2,916	1.15
Sub-total	154,740	4,459	1.64	118,840	3,396	1.34
Less: Accumulated depreciation	(87,214)	(2,513)	(0.93)	(72,634)	(2,075)	(0.82)
Sub-total	67,526	1,946	0.71	46,206	1,321	0.52
Intangible Assets						
Computer software cost	6,143	177	0.07	7,536	215	0.09
Sub-total	6,143	177	0.07	7,536	215	0.09
Other Assets						
Guarantee deposits paid	14,468	417	0.15	11,422	326	0.13
Overdue receivables	57,168	1,647	0.61	31,767	908	0.36
Temporary payments and suspense accounts	14,354	414	0.15	12,182	348	0.14
Funds held by ceding companies	145	4	0.00	119	3	0.00
Deferred charges	5,590	161	0.06	1,864	53	0.02
Sub-total	91,725	2,643	0.97	57,354	1,638	0.65
Total Assets	\$9,454,259	\$272,458	100.00	\$8,867,282	\$253,352	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

CATHAY CENTURY INSURANCE CO., LTD. BALANCE SHEETS-(Continued)

(Expressed in thousands of dollars)
As of December 31, 2002 and 2001

Liabilities & Stockholders' Equity	2002			2001(Restated)		
	NTS	US\$	%	NTS	US\$	%
Current Liabilities						
Collections for others	12,601	363	0.13	10,298	\$294	0.11
Accrued expenses	172,020	4,957	1.82	168,620	4,818	1.90
Income taxes payable	65,579	1,890	0.69	14,090	403	0.16
Commissions payable	8,377	241	0.09	13,031	372	0.15
Dividends payable	3,755	108	0.04	1,655	47	0.02
Claims outstanding	68,002	1,960	0.72	502	15	0.00
Due to reinsurers and ceding companies	99,008	2,853	1.05	74,384	2,125	0.84
Other payable	339,988	9,798	3.60	266,882	7,625	3.01
Sub-total	769,330	22,170	8.14	549,462	15,699	6.19
Long-term Liabilities						
Accrued pension liabilities	7,668	221	0.08	1,733	50	0.02
Sub-total	7,668	221	0.08	1,733	50	0.02
Other Liabilities						
Unearned premiums reserve	3,352,667	96,619	35.46	3,186,537	91,044	35.94
Special claim reserve	2,037,684	58,723	21.55	1,811,260	51,750	20.43
Claims reserve	530,815	15,297	5.62	499,492	14,271	5.63
Temporary receipts and suspense accounts	63,696	1,836	0.67	32,973	942	0.37
Funds held for reinsurers	693	21	0.01	1,756	50	0.02
Sub-total	5,985,555	172,496	63.31	5,532,018	158,057	62.39
Total Liabilities	6,762,553	194,887	71.53	6,083,213	173,806	68.60
Stockholders' Equity						
Capital stock						
Common stock	2,317,006	66,773	24.51	2,317,006	66,200	26.13
Capital surplus						
Gains on disposal of property and equipment	0	0	0.00	724	21	0.01
Retained earnings						
Legal reserve	138,025	3,978	1.46	102,100	2,917	1.15
Unappropriated retained earnings	234,503	6,758	2.48	361,977	10,343	4.08
Equity adjustment						
Cumulative translation adjustments	2,172	62	0.02	2,262	65	0.03
Total Stockholders' Equity	2,691,706	77,571	28.47	2,784,069	79,546	31.40
Total Liabilities and Stockholders' Equity	\$9,454,259	\$272,458	100.00	\$8,867,282	\$253,352	100.00

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

CATHAY CENTURY INSURANCE CO., LTD. STATEMENTS OF INCOME

(Expressed in thousands of dollars.)
For the Years Ended December 31, 2002 and 2001

	2002			2001(Restated)		
	NT\$	US\$	%	NT\$	US\$	%
Operating Revenues						
Premiums income	\$6,183,557	\$178,200	55.45	\$4,988,633	\$142,532	46.40
Reinsurance commission earned	260,928	7,520	2.34	284,583	8,131	2.65
Claims recovered from reinsurers	1,141,819	32,906	10.24	1,331,989	38,057	12.39
Recovered unearned premium reserve	3,186,537	91,831	28.58	3,585,327	102,438	33.35
Recovered special claim reserve	112,615	3,245	1.01	99,977	2,856	0.93
Recovered claims reserve	38,306	1,104	0.34	32,652	933	0.30
Handling fee earned	49	1	0.00	169	5	0.01
Interest income	227,164	6,547	2.04	316,311	9,038	2.94
Gain on trading bills and securities	0	0	0.00	110,626	3,161	1.03
Sub-total	11,150,975	321,354	100.00	10,750,267	307,151	100.00
Operating Costs						
Reinsurance premiums ceded	(2,425,485)	(69,899)	(21.75)	(1,726,777)	(49,336)	(16.06)
Commissions expenses	(195,244)	(5,626)	(1.75)	(201,294)	(5,751)	(1.87)
Insurance claims payment	(3,056,376)	(88,080)	(27.41)	(3,264,447)	(93,270)	(30.37)
Provision for unearned premiums reserve	(3,352,667)	(96,619)	(30.07)	(3,186,537)	(91,044)	(29.64)
Provision for special claim reserve	(339,038)	(9,771)	(3.04)	(743,169)	(21,233)	(6.91)
Contribution to the stabilization funds	(11,814)	(340)	(0.11)	(9,789)	(280)	(0.09)
Provision for claims reserve	(36,610)	(1,055)	(0.33)	(38,306)	(1,094)	(0.36)
Handling fee paid	(140,811)	(4,058)	(1.26)	(113,714)	(3,249)	(1.06)
Interest expenses	(70)	(2)	0.00	(455)	(13)	(0.01)
Loss on trading bills and securities	(89,828)	(2,589)	(0.80)	0	0	0.00
Loss on Long-term investments in stocks	(11,993)	(345)	(0.11)	(1,286)	(37)	(0.01)
Agent expenses	(1,621)	(47)	(0.01)	(1,365)	(39)	(0.01)
Sub-total	(9,661,557)	(278,431)	(86.64)	(9,287,139)	(265,346)	(86.39)
Operating Gross Profit	1,489,418	42,923	13.36	1,463,128	41,805	13.61
Operating Expenses						
Marketing expenses	(890,951)	(25,676)	(7.99)	(789,849)	(22,567)	(7.35)
Administrative and general expenses	(251,188)	(7,239)	(2.26)	(228,367)	(6,525)	(2.12)
Operating Income	347,279	10,008	3.11	444,912	12,713	4.14
Non-operating Revenues						
Gain on foreign exchange	1,886	54	0.02	1,516	43	0.01
Gain on disposal of property and equipment	593	17	0.00	0	0	0.00
Miscellaneous income	2,294	66	0.02	1,022	29	0.01
Sub-total	4,773	137	0.04	2,538	72	0.02
Non-operating Expenses						
Loss on foreign exchange	(1,353)	(39)	(0.01)	(1,045)	(30)	(0.01)
Loss on disposal of property and equipment	(16)	0	0.00	(53)	(2)	0.00
Sub-total	(1,369)	(39)	(0.01)	(1,098)	(32)	(0.01)
Income from Continuing Operations						
before income taxes	350,683	10,106	3.14	446,352	12,753	4.15
Income Taxes	(116,180)	(3,348)	(1.04)	(87,829)	(2,509)	(0.81)
Net Income	\$234,503	\$6,758	2.10	\$358,523	\$10,244	3.34
Earnings Per Share before tax (expressed in dollars)	\$1.51	\$0.04		\$1.93	\$0.06	
Earnings Per Share after tax (expressed in dollars)	\$1.01	\$0.03		\$1.55	\$0.04	

(The exchange rates provided by the Federal Reserve Bank of New York on December 31, 2002 and 2001 were NT\$34.70 and NT\$35.00 to US\$1.00)

Cathay United Bank Co., Ltd.

FINANCIAL STATEMENTS

CATHAY UNITED BANK CO., LTD. BALANCE SHEETS

(Expressed in thousands of dollars.)
As of December 31, 2002 and 2001

Assets	2002			2001		
	NT\$	US\$	%	NT\$	US\$	%
Cash and due from banks	\$9,189,451	264,826	5	14,019,120	400,546	9
Due from Central Bank	11,645,740	335,612	6	9,386,515	268,186	6
Bills and securities purchased, net	6,698,083	193,028	4	2,888,419	82,526	2
Receivables, net	21,199,574	610,939	12	12,465,738	356,164	8
Prepaid expenses	73,119	2,107	-	40,639	1,161	-
Loans and exchange bills negotiated and discounted, net	110,364,439	3,180,531	62	106,276,766	3,036,479	69
Long-term investments, net	5,303,964	152,852	3	3,376,762	96,479	2
Premises and equipment, net	1,470,615	42,381	1	1,230,738	35,164	1
Operating deposits	4,104,772	118,293	2	491,021	14,029	-
Other assets	8,258,457	237,996	5	5,176,276	147,894	3
Total assets	\$178,308,214	5,138,565	100	155,351,994	4,438,628	100
Liabilities and Stockholders' Equity						
Due to banks	\$1,715,172	49,428	1	782,953	22,370	1
Payables	4,730,370	136,322	3	3,451,505	98,614	2
Deposits and remittances payable	158,622,263	4,571,247	89	139,073,795	3,973,537	89
Provision for losses on guarantees and trading securities	80,827	2,329	-	49,894	1,425	-
Other liabilities	193,511	5,577	-	145,409	4,155	-
Total liabilities	165,342,143	4,764,903	93	143,503,556	4,100,101	92
Stockholders' equity:						
Common stock	12,346,083	355,795	7	12,346,083	352,745	8
Capital surplus	-	-	-	88,315	2,523	-
Accumulated earnings (deficits)	619,988	17,867	-	(585,960)	(16,741)	-
Total stockholders' equity	12,966,071	373,662	7	11,848,438	338,527	8
Commitments and contingencies						
Total liabilities and stockholders' equity	\$178,308,214	5,138,565	100	155,351,994	4,438,628	100

See accompanying notes to financial statements.

CATHAY UNITED BANK CO., LTD. INCOME STATEMENTS

(Expressed in thousands of dollars.)
For the Years Ended December 31, 2002 and 2001

	2002			2001		
	NT\$	US\$	%	NT\$	US\$	%
Operating revenues:						
Interest income	\$8,838,501	254,712	84	8,388,206	239,663	80
Commission and service fees	1,318,657	38,002	13	689,555	19,701	6
Gain on trading of bills and securities, net	226,684	6,533	2	605,201	17,291	6
Investment gains	70,804	2,040	1	609,935	17,427	6
Others	49,163	1,417	-	223,641	6,390	2
	10,503,809	302,704	100	10,516,538	300,472	100
Operating costs:						
Interest expenses	3,877,461	111,742	37	5,309,611	151,703	51
Provision for credit losses	2,041,191	58,824	19	1,389,200	39,691	13
Others	549,360	15,832	5	213,486	6,100	2
	6,468,012	186,398	61	6,912,297	197,494	66
Gross profit	4,035,797	116,306	39	3,604,241	102,978	34
Operating expenses:						
Advertising and promotion expenses	428,566	12,351	4	499,849	14,281	5
Business expenses	1,886,611	54,369	18	1,550,008	44,286	15
Administrative expenses	365,624	10,537	3	378,989	10,828	3
Total expenses	2,680,801	77,257	25	2,428,846	69,395	23
Operating income	1,354,996	39,049	14	1,175,395	33,583	11
Non-operating income	31,979	922	-	25,481	728	-
Non-operating expenses	26,395	761	-	21,494	614	-
Net income before tax	1,360,580	39,210	14	1,179,382	33,697	11
Income tax expense	242,947	7,002	2	90,436	2,584	1
Net income	\$1,117,633	32,208	12	1,088,946	31,113	10
Earnings per share						
	Before	After	Before	After	Before	After
	income tax	income tax	income tax	income tax	income tax	income tax
	NT\$	US\$	NT\$	US\$	NT\$	US\$
	\$ 1.10	0.03	0.91	0.03	0.96	0.03
					0.88	0.03

United World Chinese Commercial Bank Co., Ltd.

FINANCIAL STATEMENTS

UNITED WORLD CHINESE COMMERCIAL BANK
BALANCE SHEETS(In thousands of New Taiwan dollars)
As of December 31, 2002 and 2001

Assets	2002	2001
Cash	\$10,803,760	\$11,947,694
Due from Central Bank	29,164,768	36,431,748
Due from other banks	31,096,014	21,148,831
Marketable securities-net	119,821,935	149,006,489
Receivables-net	21,599,990	19,883,172
Prepayments	1,413,336	1,219,764
Loans, discounts and bills purchased-net	394,578,267	427,930,788
Long-term investments-net	12,153,144	12,577,702
Premises and equipment		
Cost:		
Land	14,274,047	13,995,709
Building	8,662,279	8,438,321
Furniture and fixtures	2,595,945	2,364,799
Transportation equipment	70,900	68,346
Miscellaneous equipment	2,439,744	2,306,757
Total Cost	28,042,915	27,173,932
Less: Accumulated depreciation	(5,361,393)	(4,855,480)
Construction in progress and procurement	559,050	622,732
Premises and Equipment-net	23,240,572	22,941,184
Non-operating assets	704,619	759,334
Other assets	7,791,564	3,306,348
Deferred charges	179,057	110,569
Total Assets	\$652,547,026	\$707,263,623
Liabilities and Shareholders' Equity		
Due to Central Bank	\$167,129	\$344,442
Due to other banks	44,042,513	34,918,280
Payables	25,637,194	23,376,521
Advances from customers	1,025,725	766,930
Deposits and remittances	514,675,358	578,533,859
Banker's debenture	10,000,000	—
Bankers acceptances and funds borrowed	2,206,585	3,270,359
Long-term liabilities	34,119	34,119
Reserve for possible losses	82,360	84,925
Other Liabilities	635,215	779,317
Total Liabilities	598,506,198	642,108,752
Capital stock	39,715,627	37,716,644
Capital reserve	5,095,598	5,870,989
Retained earnings		
Legal reserve	17,447,928	15,870,416
Special reserve	257,487	235,142
Unappropriated earnings	(8,582,898)	5,258,372
Unrealized losses on long-term investments	(79,482)	—
Translation adjustments	186,568	203,308
Total Shareholders' Equity	54,040,828	65,154,871
Total Liabilities and Shareholders' Equity	\$652,547,026	\$707,263,623

UNITED WORLD CHINESE COMMERCIAL BANK STATEMENTS OF INCOME

(In thousands of New Taiwan dollars, except earnings per share amounts)
For the Years Ended December 31, 2002 and 2001

ITEMS	2002	2001
OPERATING INCOME:		
Interest revenue	\$29,255,994	\$37,247,539
Commission and handling fees	1,924,842	1,471,438
Commission income of stock brokerage	106,427	71,189
Gains on sales of securities-net	1,202,487	1,192,973
Investment income-net	-	149,583
Profit on exchange-net	231,956	284,263
Other operating income	125,424	546,407
Total	32,847,130	40,963,392
OPERATING COST:		
Interest expense	11,123,501	21,209,219
Commissions and handling charges	299,064	261,360
Commission charges of stock brokerage	6,254	3,880
Loss from investment - net	202,150	
Provisions for possible losses	24,736,026	5,814,760
Operating expenses	7,243,388	7,167,896
Administration expenses	5,165	6,718
Total	43,615,548	34,463,833
NET OPERATING INCOME (LOSS)	(10,768,418)	6,499,559
NON-OPERATING INCOME:		
Gain on disposal of premises and equipment	-	2,070
Others	316,279	77,254
Total	316,279	79,324
NON-OPERATING EXPENSE:		
Miscellaneous expenses	1,475,171	265,311
INCOME (LOSS) BEFORE INCOME TAX	(11,927,310)	6,313,572
INCOME TAX BENEFIT (EXPENSE)	3,120,000	(1,055,200)
NET INCOME (LOSS)	\$(8,807,310)	\$5,258,372
EARNING (LOSS) PER SHARE (In New Taiwan Dollars)		
INCOME (LOSS) BEFORE INCOME TAX	\$(3.00)	\$1.59
INCOME TAX BENEFIT (EXPENSES)	0.78	(0.27)
NET INCOME (LOSS)	\$(2.22)	\$1.32
PRO FORMA INFORMATION		
(If subsidiaries' investment in UWCCB is not treated as treasury stock)		
NET LOSS	\$(8,749,594)	
LOSS PER SHARE (In New Taiwan Dollars)	\$(2.20)	