


# 遠東

2003 Annual Report

 遠東國際商業銀行 九十二年年報



遠東國際商業銀行  
Far Eastern International Bank

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Financial Highlights

營運績效



# 營運績效

## Financial Highlights

單位：新台幣佰萬元  
In Millions of NT\$ Except Per Share Amounts

項目	Items	2003	2002	2001	2000	1999
資產總額	Total Assets	225,047	201,023	195,026	168,957	168,572
存款餘額	Deposits from Customers	167,522	159,141	149,205	144,847	143,423
放款、貼現及買匯—淨額	Loans, Discounts & Bills Purchased — Net	161,057	136,602	141,651	125,843	116,665
股東權益	Shareholders' Equity	15,768	12,127	17,024	17,269	16,917
實收股本 (每股面額10元)	Paid-in Capital (Par Value NT\$10)	15,248	15,248	15,248	15,248	14,797
稅前利益 (損失)	Pretax Income (Loss)	3,714	(5,567)	477	510	365
純益 (純損)	Net Income (Loss)	3,401	(4,463)	469	469	339
每股盈餘 (損失)	Earnings (Losses) Per Share	2.39	(3.11)	0.32	0.31	0.23
每股股利(元)	Stock or Cash Dividends Declared Per Share	0.395	-	0.20	0.20	0.30
資本適足率(%)	Capital Adequacy Ratio (%)	10.41	11.28	12.48	12.90	12.54

Chairman's Message

董事長嘉言



## 各位女士、先生：

回顧九十二年，國際經濟形勢受到恐怖攻擊事件及美伊戰爭之影響，全球於去（九十二）年第一季成長復甦的步調大幅減緩，儘管美伊戰爭於四月間結束，但接踵而至的東南亞SARS疫情，也連帶地影響了整個亞洲地區。所幸隨著疫情迅速受到控制，加上美國第三季起經濟復甦力道強勁的帶動下，去年全球經濟成長達2.6%，較前（九十一）年2.0%提高。

反觀國內，美伊戰爭對經濟的衝擊儘管有限，但由於台灣為SARS疫區之一，加上整個亞洲的經貿活動明顯下降，以致第二季貿易成長大幅衰減，至第三季才恢復活力，全年輸出、輸入成長分別達到10.5%及7.6%；內需方面，民間消費及投資雖然自下半年起逐漸回溫，但受到上半年負成長之影響，全年僅呈現微幅成長，此外政府雖然積極推動擴大公共建設以刺激內需，但財政擴張的效果無法立即顯現，以致國內需求成長並不明顯。綜合外需及內需，全年經濟成長率達到3.24%。

展望九十三年，各專業研究機構對世界經濟成長多抱持樂觀的看法，雖有不確定因素可能影響成長之幅度，但預期全球經濟成長將較去年為佳。國內景氣方面，隨著全球景氣復甦，以及兩岸產業分工愈益專業化，外銷成長率可望提高，國外需求增長應可預期；國內需求部分，因為景氣回穩促進民間消費，半導體及光電等產業的大型投資，以及擴大公共建設的刺激效果持續顯現，內需應可持續升溫。期盼政府持續推動各項經濟建設，落實金融改革，創造穩定有利的經營投資環境，九十三年經濟成長將更趨樂觀。

過去一年來本行為提升資產品質，致力打銷呆帳及處理不良資產以降低逾放比率的種種努力，已逐步得到成果；加上企業金融、財務金融、消費金融、信用卡等四個事業群分別在盈餘表現方面皆有亮麗的成績，致使本行資產品質及獲利能力較往年有著顯著提升，不但受到專業評鑑機構的肯定，公司整體價值的提升更反映於股價上。新加入的貿易金融（Transactional Banking）與財富管理（Wealth Management）事業群已陸續完成人員及資源的配置，今（九十三）年將可正式運作，為本行創造競爭之優勢與契機，新的

一年裡，我們將以維持高資產品質為基準，持續提升各事業部獲利為目標；同時運用集團資源，建立策略聯盟，強化多元行銷，期能發揮集團綜效；即將成立的香港分行，是本行拓展服務區域一大進程，有鑑於國際經濟及兩岸經貿的互動發展，未來本行將積極佈建兩岸三地的金融網絡，建立服務平台，以提供客戶及本行成長的最大動力，秉持著過去我們戮力耕耘所建立穩健、誠信及創新的形象與信念，遠銀未來仍會像「老朋友」一樣，陪伴您一路成長茁壯，給您最貼心的感受。



董事長 徐旭東

Chairman Mr. Douglas Tong Hsu

# Chairman's Message

Reflecting back on 2003, the world economic scenario adversely affected by the terrorist attack and the forthcoming Iraqi War resulted in a drastic slowdown of recovery during the first quarter of last year. Though the War ended in April, the outbreak and spread of SARS (Severe Acute Respiratory Syndrome) in South East Asia hit the whole region. With timely control of the situation plus a strong revitalization of the U.S. economy in the third quarter, world economy recorded a growth of 2.6%, up from the 2.0% in 2002.

Domestically though the Iraqi War brought limited impact, Taiwan being one of the SARS affected areas and facing with eminent drop of economic and commercial activities in Asia, trade volume in the second quarter diminished drastically and did not regain vitality until the third quarter. Export and import growth for this year reached 10.5% and 7.6% respectively. While private consumption and investment gradually climbed up starting from second half of the year, domestic demand for the year only achieved moderate growth as it was heavily shadowed by the negative growth during the first half-year. Furthermore, the Government actively promoted public construction projects to spur local demand, but failed to bring forth immediate rebound and registered no obvious growth in domestic demand. Yearly domestic and external demand combined only grew 3.24%.

Looking into 2004, most of the financial research institutions have strong hope for prospective world economic recovery. Even with uncertain elements that affect the range of growth, the world economy is expected to perform better than the preceding year. Along with global recovery and more professional outsourcing of the various industries between the two Straits, Taiwan's exports and external demand will continue to grow. In the local market, thanks to steady recovery, higher private consumption, large investments in semiconductors and opto-electronics industries, and the ongoing expansion of public construction, domestic demand will also be increasing. We look forward to seeing Government's promoting various economic construction projects, implementing financial reform, and providing stable and favorable investment environment so as to create higher economic growth in 2004.

During the past year to improve asset quality, Far Eastern International Bank (FEIB) has dedicated its effort to writing off bad debts and resolving bad assets so as to lower non-performing loan ratio and has achieved substantial good result. Furthermore, all of our four Strategic Business Units (SBU) namely Corporate Banking,

Treasury & Investment, Consumer Banking and Credit Card Groups have performed well with remarkable profits. Hence, FEIB's asset quality and profitability have made greater improvement than previous years and gained recognition from renowned professional rating company. The Company's ever-increasingly higher overall corporate value has been reflected on its uprising stock price. With the completion of the newly added Transactional Banking and Wealth Management Groups, which are expected to initiate full operation by the end of 2004, FEIB is sure to enjoy more competitive edge and development opportunity. In the coming year, aside from maintaining high asset quality, the Bank will also continue to aim at increasing each business group's profit. At the same time, strategic alliances will be formed and diversified marketing will be reinforced to enhance Group synergy. By establishing our Hong Kong Branch, we can expand our service area. In view of growing international finance and trade interflows between both sides of the Taiwan Straits, FEIB plans to set up in the near future its financial service network among the region, to build service station, and therefore provide momentum of growth for not only the Bank but also our clients. We are confident that Far Eastern International Bank, just like a stable and sincere "Good Old Friend" will continue to work hard to offer warm, value-added and innovative services to our customers.





# Chairman's Message

## 未來經營方針 >>>>>>

回顧九十二年度，國內及國際景氣雖未見熱絡，但本行秉持著審慎積極的態度持續進行改革與組織調整，在全體員工齊心努力之下，於九十二年度創造了亮麗的獲利佳績，同時在強化資產品質方面也有卓越的表現，在在證明本行的改革已逐漸展現成效。然而面對市場的變化及競爭，我們仍不會掉以輕心，對於九十三年度業務推展，本行擬訂了重點營業計畫包括：

- 一、持續推動消費金融業務，加重高收益商品銷售比例；成立財富管理事業單位，引進多元化的金融商品並提供專業理財規劃服務，提高市場佔有率。
- 二、信用卡業務方面，致力推出各項優惠促銷活動，提高卡友貢獻度；與集團零售策略聯盟，以加深品牌形象；並持續推出多樣化之貸放產品及活化現有的代償方案，以滿足多元性客層之需求。
- 三、在保險業務方面，將致力成為顧客財富管理的優質選擇，提供兼具收益及保障之多樣化產品，以符合不同客層之需求。
- 四、企業金融方面，積極建立高附加價值之客戶關係，推展資金管理及交易型金融業務，以提高收益降低風險；同時佈建兩岸三地金融網絡，開拓客源。
- 五、財務金融業務方面，致力深耕現有客戶，提供專業財務策略及量身訂作產品；提供新產品及開發新客源並加強衍生性商品之風險控管。
- 六、成立貿易金融事業部，加強推展電子金流平台及線上應收帳款融資業務，提昇企業客戶對電子金融商品之應用，促進各產業中衛體系供應鏈之策略合作，建構兩岸三地金融網絡。
- 七、加強推展各項外匯及進出口融資業務，配合香港分行預定於年中正式成立，積極推展兩岸三地業務及資金流動機制，同時規劃申請設立大陸辦事處/分行。
- 八、持續強化各項金融商品之風險管理以提升資產品質，並透過本行新成立之資產管理公司，以專業、高效能的分工方式處理不良資產，開創新財源。

身處瞬息萬變的市場經營環境之中，唯有不斷地自我提升，踏穩步伐勇於迎接挑戰，才能掌握先機，持續開創事業的高峰，本行全體同仁無不以此為共同目標而齊心協力，期盼與各位股東女士先生共創遠銀成功卓越之將來。

董事長

徐旭東

謹啟

## Future Operating Goals >>>>>>

Reflecting on 2003, though domestic and international recovery was not strong, FEIB with prudent and positive attitude continued its modification and restructuring adjustments. The Bank's staff made joint efforts to achieve outstanding performance, excellent profit and better asset quality in 2003. However, facing with market change and keen competition in the industry, we need to focus on the following major operating goals:

1. Continue to promote consumer banking business and expand sale ratio of high-end merchandise, establish Wealth Management Business Group, introduce diversified financial products, provide professional asset management and planning services and increase its market share.
2. As to credit card business, dedicate to launching various sales promotion campaigns, increase cardholders' spending, form strategic alliances with the Group's retail industry to reinforce brand image and awareness. Continue to introduce to the market diversified loan credit products, revitalize existing balance transfer methods to cater to the various needs of different layers of customers.
3. With regard to insurance business, the Bank will work hard to become the best choice for handling our clients' asset management so as to provide diversified high revenue-producing and low-risk products to serve the needs of our different customer groups.
4. Corporate Banking Group will establish high value-added customer relationship, promote capital management and transactional business to improve profit and lower risk, also to set up connecting financial network among Taiwan, Hong Kong and China to expand customer base.
5. Treasury & Investment Group will dedicate to maintaining current customers, providing investment strategy and customized products, offering new service products,


- developing more new clients, and strengthening the risk management of strong derivative financial instruments.
6. Set up Transactional Banking Group, reinforce on the development of e-cash flow work station and on-line factoring, elevate corporate accounts' use of e-banking commodities, promote strategic cooperation among supply chain of each industry, and constitute banking network to connect Taiwan, Hong Kong and China.
7. Strengthen all foreign exchanges plus export/import loan business, comply with the establishment of Hong Kong Branch in mid 2004 to promote financial businesses and capital flow among Taiwan, Hong Kong and China, also to plan for the application process to set up Mainland China Representative Office/Branch.
8. Continue to fortify the risk management of all financial instruments so as to improve asset quality, take care of bad assets professionally and efficiently through the Bank's newly opened Asset Management Company to create new income source.

Facing with rapidly changing operating environment, we have to always improve ourselves, maintain leading position, welcome challenges, grasp chances, and encourage innovation to achieve continuous excellent result. FEIB and its staff will work diligently together with this joint goal and look forward to creating a prosperous and successful future for our valued customers and shareholders.



Chairman Douglas Tong Hsu





遠東企業集團中心  
Taipei Metro, the 41-story  
twin tower and Far Eastern  
Group's Headquarters.

Corporate Profile

# 本行簡介



# 本行簡介



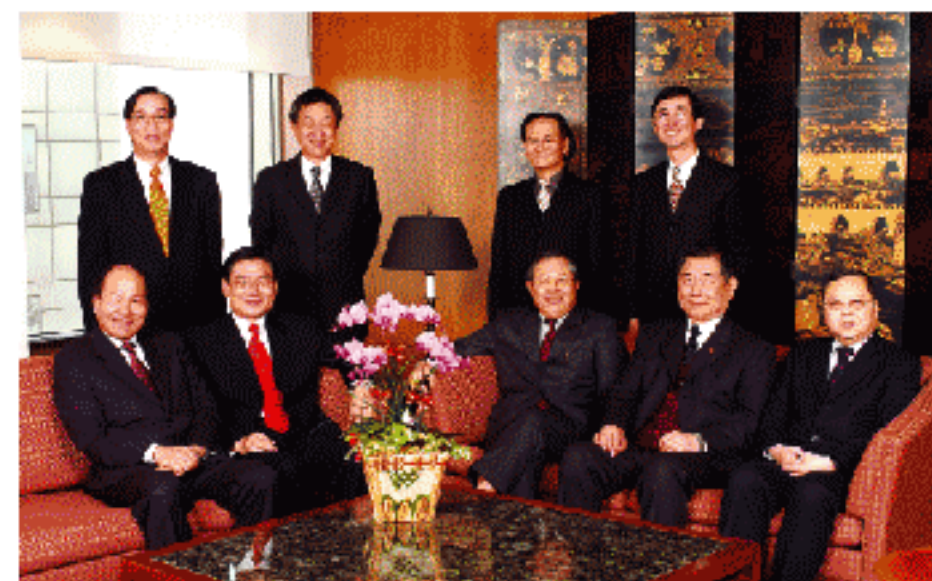
總經理 洪信德  
President Mr. Eli Hong

民國92年12月31日 (December 31, 2003)

公司基本資料		General Corporate Data	
銀行設立日期	民國81年01月11日	Date of establishment	January 11, 1992
股票上市日期	民國87年11月27日	Date of listing on Taiwan Stock Exchange	November 27, 1998
現金增資		Date of shares issued for cash injection	
9917萬股	民國86年12月29日	99.17million shares-	December 29, 1997
1億5千萬股	民國87年11月25日	150million shares-	November 25, 1998
資產總額	NT\$225,047,161,000	Total Assets	NT\$225,047,161,000
股東權益	NT\$15,767,821,000	Total shareholder's equity	NT\$15,767,821,000
發行股數	1,524,815,400	Number of shares issued	1,524,815,400
員工人數	1,826	Number of employees	1,826
營業據點	39	Operating units	39
簽證會計師	勤業眾信會計師事務所	Auditor	Deloitte & Touche
惠譽國際信評公司		Fitch Ratings Limited	
國際長期評等	BBB -	Foreign Currency Long -Term Rating	BBB -
國內長期評等	A - ( twn )	National Long -Term Rating	A - ( twn )

# Corporate Profile

2003 Annual Report  
九十二年年報



總經理暨高階主管合照 President and EVP  
前排由左至右 ( Seated From Left to Right )  
王恒彥 Mr. Heng Yeng Wang  
周添財 Mr. Thomas Chou  
洪信德 Mr. Eli Hong  
孫培琛 Mr. Pei-Chen Sun  
魏國聯 Mr. Julius Chen  
後排由左至右 ( Standing From Left to Right )  
林建忠 Mr. Jiann Jong Lin  
梁培華 Mr. Thomas Liang  
劉遇春 Mr. Spring Lieu  
廖昌斌 Mr. Ben Liao-Ru

民國93年2月16日 (February 16, 2004)

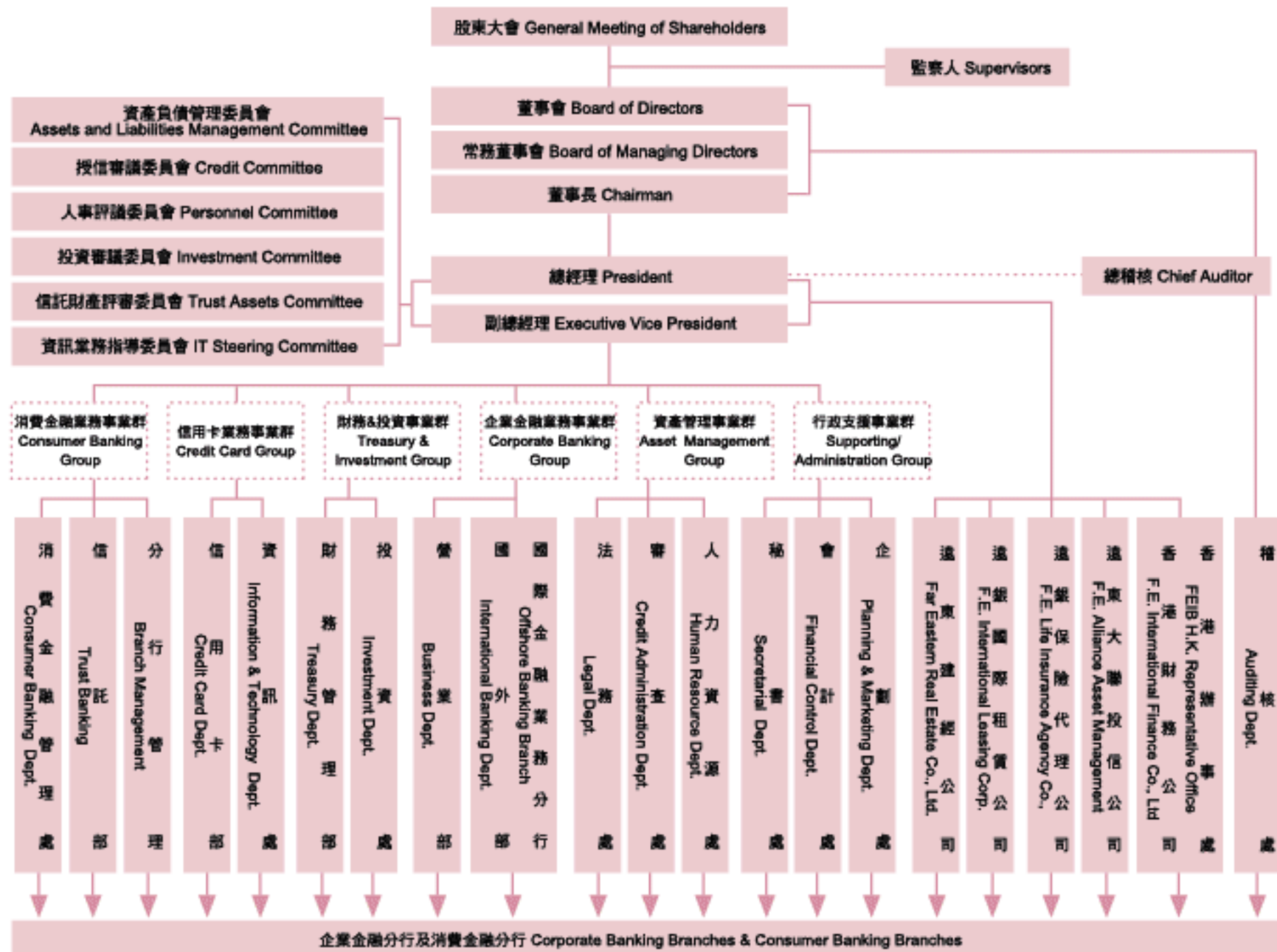
主要股東		Ten Major Shareholders		持有股數Number of Shares	持股比例Percentage%
遠東紡織股份有限公司	Far Eastern Textile Ltd.	65,612,371	4.30		
鼎元國際投資股份有限公司	Ding Yuan International Investment Corp.	43,807,682	2.87		
東聯化學股份有限公司	Orient Union Chemical Corp.	43,624,446	2.86		
亞洲水泥股份有限公司	Asia Cement Corp.	43,623,360	2.86		
國泰人壽保險股份有限公司	Cathay Life Co. Ltd.	43,154,000	2.83		
裕利投資股份有限公司	Yue Li Investment Corp.	43,091,501	2.83		
誠靜投資股份有限公司	Chen Gin Investment Corp.	42,137,595	2.76		
裕元投資股份有限公司	Yu Yuan Investment Corp.	34,131,295	2.24		
王 島 島	Dao Dao Wang	24,220,000	1.59		
亞洲投資股份有限公司	Asia Investment Corp.	23,115,141	1.52		





# 本行簡介

遠東國際商業銀行組織系統簡圖 Far Eastern International Bank Organization Chart



Corporate Governance

# 公司治理



## 公司治理原則

本行已積極落實公司治理制度，透過健全之管理制度與有效之監控機制，達成本行營運目標，進而提升市場競爭力，並確保股東、員工及其他利益相關者之權益，為其創造最大價值及善盡社會責任。茲將本行遵循之公司治理原則分述如下：

1. 遵循法令並健全內部管理
2. 保障股東權益
3. 強化董事會職能
4. 發揮監察人功能
5. 尊重利益相關者權益
6. 提升資訊透明度

在本行公司治理原則之下，首先，本行均確實遵循遵守法令主管制度，建立完備之內部控制制度並有效執行，設有隸屬董事會之稽核處，以獨立超然執行內部稽核任務並定期向董監事報告；

再者，本行亦依法召開股東會，透過公開資訊觀測站公告重要訊息，且與利害關係人及關係企業之業務往來均依規定辦理，以確保股東之權益；此外，董事會成員均有執行職務應具備之能力且符合法定資格條件規範，定期召開董事會，負責銀行整體經營策略與重大決策，有效監督管理階層並對股東負責，並設置各類功能性政策委員會協助各項重大政策之推行，以及選定專業獨立之勤業眾信會計事務所，定期對財務狀況及內部控制實施查核；另依據法定選任程序選任監察人，且符合法定資格條件規範，得獨立行使監察權，有效監督業務執行降低經營風險；同時具備完善妥適之處理機制及溝通管道，尊重與維護員工、消費者及其他利益相關者合法之權益；最後，並設有發言人及代理發言人、建置本行專屬網站、召開法人說明會及揭露公司治理相關資訊，以提高對外資訊之透明度。

## Principles for Corporate Governance

With the implementation of corporate governance, effective auditing system, and sound management, Far Eastern International Bank (FEIB) as a good corporate citizen has achieved its operating goals, enhanced market competitiveness, ensured benefits and created maximum value for its stockholders, staffs and other related parties. FEIB's principles for corporate governance can be summarized as follows:

1. Comply to laws and regulations and establish sound internal management
2. Protect stockholders' benefits
3. Strengthen Board functions
4. Enhance auditors' functions
5. Respect benefits of relevant parties
6. Improve data transparency

Under the principles for corporate governance, FEIB has followed compliance officer system, established the Auditing Dept. under the Board of Directors to effectively implement thorough internal control system and regularly report to Board of Directors and Supervisors. Furthermore, the Bank has convened its stockholders' meetings, released important message and information to the public, maintained open and legal business relations with relevant parties and affiliated companies so as to ensure stockholders' benefits. In addition, all Board Members are qualified professionals and capable of performing their respective duties. Board meetings are held regularly to decide on overall operating strategies,

draw on major policies, and effectively supervise management level and serve shareholders' interests. The Bank has set up several functional Committees to assist in the promotion of major policies. FEIB assigned independent outside auditor Deloitte Touche to audit the Bank's financial status and internal control practice. Independent auditors are also appointed to effectively supervise the Bank's operations and execute risk management. At the same time, we are equipped with proper handling process and communication channel. We also respect and protect the legal rights of our staffs, clients and other relevant parties. Last but not least, we have assigned spokesman as well as acting spokesman, set up exclusive website, convoked investors' forums to disclose relevant data regarding corporate governance and improve the degree of data transparency.



# Corporate Governance



董監事成員 Board of Directors and Supervisors

前排由左至右 (Seated From Left to Right)

董事 武冠雄 Director Mr. K.H. Wu  
董事長 徐旭東 Chairman Mr. Douglas Tong Hsu  
董事 侯金英 Director Ms. Ching-Ing Hou  
常務董事 李仲英 Managing Director Mr. Chung-Ying Lee

後排由左至右 (Standing From Left to Right)

董事 周添財 Director Mr. Thomas Chou  
董事 洪信德 Director Mr. Eli Hong  
常務董事 王孝一 Managing Director Mr. Shaw Y. Wang  
監察人 許士軍 Supervisor Dr. Shi-Chun Hsu  
監察人 俞明德 Supervisor Dr. Min-The Yu  
常駐監察人 鍾聰明 Resident Supervisor Mr. Tsung-Ming Chung

民國92年12月31日 (December 31, 2003)

## 董監事成員 Board of Directors and Supervisors

董事長 Chairman	徐旭東 Mr. Douglas Tong Hsu	現任	遠東關係企業董事長 遠東紡織股份有限公司董事長 亞洲水泥股份有限公司董事長	Chairman & CEO, Far Eastern Group. Chairman, Far Eastern Textile Ltd. Chairman, Asia Cement Corporation.
常務董事 Managing Director	王孝一 Mr. Shaw Y. Wang	現任	安和製衣股份有限公司董事長 私立元智大學董事 遠東紡織股份有限公司首席資深副總	Chairman, An Ho Garment Co., Ltd Director, Yuan Ze University. First Senior Executive Vice President, Far Eastern Textile Ltd.
常務董事 Managing Director	李仲英 Mr. Chung-Ying Lee	曾任	證交所董事長 財政部次長 交通銀行總經理	Former Chairman, Taiwan Stock Exchange Corporation. Former Vice-Minister, Ministry of Finance, Republic of China. Former President, ChiaoTung Bank.
董事 Director	席家宜 Mr. Johnny J. Shih	現任	遠東紡織股份有限公司總經理 東聯化學股份有限公司副董事長 新世紀資通股份有限公司監察人	President, Far Eastern Textile Ltd. Vice Chairman, Oriental Union Chemical Corporation. Supervisor, New Century InfoComm Tech Co., Ltd

## 董監事成員 Board of Directors and Supervisors

董事 Director	洪信德 Mr. Eli Hong	現任	遠東國際商業銀行總經理 遠傳電信股份有限公司監察人 花旗銀行台北分行副總裁 台北國際商銀副總經理	President, Far Eastern International Bank. Supervisor, Far EastOne Telecommunications Ltd. Former Vice President, Citibank N.A, Taipei Branch. Former EVP, International Bank of Taipei.
董事 Director	劉憶如 Dr. Christina Y. Liu	現任	立法委員 行政院財經改革委員會委員	Legislator, Republic of China. Consultant, Commission on Economic Planning and Development, Executive Yuan.
		曾任	臺灣大學財務金融學系所教授	Professor, Department of Finance, National Taiwan University.
董事 Director	周添財 Mr. Thomas Chou	現任	遠東國際商業銀行副總經理 遠東建築經理公司	Executive Vice President, Far Eastern International Bank. Chairman, Far Eastern Real Estate Co., Ltd,
		曾任	荷蘭銀行臺灣區副總裁兼高雄分行經理	Former Vice President, ABN AMRO Bank, Taiwan Branch.
董事 Director	侯金英 Ms. Ching-Ing Hou	現任	台灣金融研訓院董事長 政治大學銀行學系教授	Chairman, Taiwan Academy of Banking and Finance. Professor, Money and Banking Department, National Chengchi University.
		曾任		
董事 Director	武冠雄 Mr. K. H. Wu	現任	海外投資開發公司副董事長 台北世貿中心副董事長	Vice Chairman, Overseas Investment and Development Co., Ltd Former Deputy Chairman, Taipei World Trade Center.
		曾任		
常駐監察人 Resident Supervisor	鍾聰明 Mr. Tsung-Ming Chung	現任	順達科技股份有限公司董事長 台灣大哥大股份有限公司監察人	Chairman, DynaPack International Technology Co., Ltd Supervisor, Taiwan Cellular Corp.
		曾任	會計師	CPA, Taiwan/USA.
監察人 Supervisor	俞明德 Dr. Min-The Yu	現任	私立靜宜大學校長 私立元智大學管理學院院長 中央大學財務管理系系主任暨所長	President, Providence University. Former Dean, College of Management, Yuan Ze University. Former Chairman, Department of Financial Management, National Central University.
		曾任		
監察人 Supervisor	許士軍 Dr. Shi-Chun Hsu	現任	中華民國管理科學學會理事長 台灣大學首任管理學院院長 高雄銀行董事長	President, Chinese Management Association. First Dean, College of Management, National Taiwan University Former Chairman, Bank of Kaohsiung.
		曾任		



# Corporate Governance



總行主管 Managers of FEIB Head Office

前排由左至右 (Seated From Left to Right)  
 蔡玉媛 處長 Senior VP Ms. Yuh Yuann Tsay  
 李其台 經理 Senior VP Mr. Paul Lee  
 後排由左至右 (Standing From Left to Right)  
 楊大衛 處長 Senior VP Mr. David Yang  
 胡贊欽 處長 Senior VP Mr. George Y.V. Hu  
 陸鵬程 協理 Deputy EVP Mr. Roy Lu

民國92年12月31日 (December 31, 2003)

## 國際化/雙文化經營團隊 Bi-Culture Management Team

總經理 President	洪信德 Eli Hong	中興大學經濟系畢業、 花旗銀行台北分行副總裁、 台北國際商銀副總經理、 遠傳電信公司監察人	Dept. of Economics, National Chunghsing University Former VP, Citibank N.A, Taipei Branch. Former EVP, International Bank of Taipei. Supervisor, Far EasTone Telecommunications Co., Ltd.
副總經理 Executive Vice President, Head of Supporting / Administration Group	陳國聯 Julius Chen	美國東德州州立大學資訊科學碩士、 中國農民銀行經理	Master of Computer Science, East Texas State University (USA) Former Head of IT Department, Farmers Bank of China.
副總經理 Executive Vice President, Head of Asset Management Group	周添財 Thomas Chou	政治大學銀行系畢業、 荷蘭銀行台灣區副總裁兼高雄分行經理	Dept. of Banking, National Chengchi University Former VP, ABN AMRO Bank, Taiwan Branch.

## 國際化/雙文化經營團隊 Bi-Culture Management Team

副總經理兼 信用卡部經理 Executive Vice President, Head of the Credit Card Group	梁培華 Thomas Liang	美國凱斯西儲大學作業研究碩士、 花旗銀行台北分行副總裁	M.S., Operations Research, Case Western Reserve University (USA) Former VP, Citibank N.A, Taipei Branch.
總稽核 Chief Auditor, Audit Department	孫培琛 Pei-Chen Sun	政治大學會計系畢業、 交通銀行設計委員兼企劃部副理	Dept. of Accounting & Statistics, National Chengchi University Former Deputy Head of Planning & Marketing Department and Assistant Manager of Auditing Department, Chiao Tung Bank.
協理兼財管部經理兼 投資處處長 Deputy Executive Vice President, Head of the Treasury and Investment Group	廖呂斌 Ben Liao-Ru	美國國際管理學院國際管理碩士、 中國輸出入銀行副科長、 道明銀行台北分行副總經理、 比利時聯合銀行台北分行副總經理	MIM, Thunderbird, American Graduate School of International Management (USA). Former Assistant Division Chief, Export-Import Bank of the Republic of China. Former Head of Treasury Department, Kredietbank N.V., Taipei Branch. Former VP, Toronto Dominion Bank, Taipei Branch.
協理兼消金處處長兼 信託部經理 Deputy Executive Vice President, Head of the Consumer Banking Group	劉遇春 Spring Lieu	美國南卡羅萊納州大學國際企業管理碩士、 花旗銀行台北分行助理副總裁、 台北國際商銀國外部副理	Master of International Business, University of South Carolina (USA) Former AVP, Citibank N.A., Taipei Branch. Former VP of International Banking Department, International Bank of Taipei.
協理兼審查處處長 Deputy Executive Vice President, Head of Credit Administration Department	陸鵬程 Roy Lu	政治大學企業管理碩士、 法商百利銀行副理、 英商渣打銀行經理、 法國里昂信貸銀行副總裁、 中國信託商業銀行副理	MBA, National Chengchi University. Former Vice President of Credit Lyonnais, Taipei Branch. Former Branch Manager of Credit Lyonnais, Tianjin Branch (China). Former Manager of Marketing Department, Grindlays Bank (of ANZ Bank). Former Assistant Manager of Marketing Department, Banque Paribas.



國際化/雙文化經營團隊 Bi-Culture Management Team

協理兼 營業部經理 Deputy Executive Vice President, Head of Corporate Banking Group	林建忠 Jiann Jong Lin	美國路易斯安那州立大學財務管理碩士、 美商花旗銀行副理、 美商第一聯美銀行助理副總裁、 台北國際商銀經理	M.S., Louisiana State University (USA). Former Assistant Manager of Citibank, N.A., Taipei Branch. Former Account Officer of First Interstate Bank of California, Taipei Branch. Former Senior VP, International Bank of Taipei.
會計處處長兼 秘書處處長 Senior Vice President, Head of Financial Control Department & Head of Secretarial Department	楊大衛 David Yang	美國奧克拉荷馬州立大學企業管理碩士、 中國國際商業銀行副科長	MBA, Oklahoma State University. Former Manager of Business Department, International Commercial Bank of China.
法務處處長 Senior Vice President, Head of Legal Department	蔡玉媛 Yuh Yuann Tsay	台灣大學法律系畢業、 中央存款保險公司一等專員	Dept. of Law, National Taiwan University Former Vice President, Central Deposit Insurance Corporation.
資訊處處長 Senior Vice President, Head of the Information Technology Department	胡豐欽 George Y.V. Hu	台灣大學商學系畢業、 慶豐銀行審查部副理及信託部經理	Dept. of Business Administration, National Taiwan University Former Manager of the Credit Administration and Trust Banking Department, Chinfon Commercial Bank.
國外部經理兼國際金融業務分 行經理兼香港分行籌備處經理 及香港代表人辦事處負責人 Senior Vice President, Head of International Department and Offshore Banking Unit	李其台 Paul Lee	東吳大學法律系畢業、 中國信託銀行紐約分行高級行員、 本行企劃處及秘書處處長	Dept. of Law, Soochow University Former Head of Planning & Marketing Department and Secretarial Department, FEIB.

政策委員會 Policy Committees >>>>>>

1. 資產負債管理委員會

本行為強化資產負債管理，健全資產負債結構，特設置資產負債管理委員會，負責審議本行資產負債組合及管理政策，並研判未來利率、匯率及金融情勢之發展趨勢，以決定本行存款、放款、外匯及投資業務之經營策略。

2. 授信審議委員會

本行為拓展業務，提昇授信品質及增進工作效能，特設置授信審議委員會，負責審議全行超過授權經理核定範圍之授信案件。該委員會就授信案件之風險及收益等要素綜合評估並充分討論後，作成適切之結論，以提呈副總經理、總經理或常務董事會作最後之授信決策。

3. 人事評議委員會

本行為建立職員管理之升遷獎懲制度，拔擢優秀人才，增進工作效率，特設置人事評議委員會，負責審議全行人力資源規劃、人事規章、升遷、獎懲情事，作成結論提董事會核定後辦理。

4. 投資審議委員會

本行為訂定投資決策，掌握投資效益，特設置投資審議委員會，負責訂定短期有價證券之投資決策，並審理各項專案投資計劃，作成結論提董事會核定後辦理。

5. 信託財產評審委員會

本行為拓展信託業務，特設置信託財產評審委員會，以評審信託財產為目的，評審範圍包括運用信託資金從事信託財產之交易事項、委託人信託資金所購置各信託戶之財產、其他法令或主管機關規定應評審之事項。

6. 資訊業務指導委員會

本行為建構全方位金融服務需求，特設置資訊業務指導委員會，負責研判資訊系統發展趨勢，審議全行資訊系統架構建置，並配合本行業務發展，提議、監督資訊業務系統開發，作成結論呈董事會核定後辦理。

1. Assets and Liabilities Management Committee

To fortify assets and liabilities management, strengthen assets and liabilities structure, FEIB has set up this Assets and Liabilities Management Committee to review the Bank's assets and liabilities portfolio and management policy, to study trend of future interest rate, exchange rate and the economic situation so as to finalize the Bank's deposits, loans, foreign exchanges, and investment businesses operating strategies.

2. Credit Committee

To expand businesses, improve credit quality and enhance working efficiency, FEIB established the Credit Committee to review the whole Bank's loan cases exceeding authorized amounts. After complete assessing and discussion of the risk and gains of each loan case, this Committee will reach proper conclusions and then report to Executive Vice Presidents, President, or Board of Managing Directors to make the final loan decision.

3. Personnel Committee

In order to establish fair reward and punishment system, promote talented staffs, and improve working efficiency, FEIB has set up Personnel Committee to handle the Bank's human resource planning, personnel regulations, promotion, reward and punishment. Conclusions will be raised to the Board of Directors for final approval and processing.

4. Investment Committee

To map out investment policies and seize investment gains, the Bank established Investment Committee to fix the investment policy for short-term securities, review various investment projects, and raise conclusion for the Board of Director to approve and process.

5. Trust Assets Committee

To expand the Bank's trust business, FEIB established the Trust Assets Committee to mainly review trust assets. Items being reviewed include trust assets dealings by trust funds, trust fund used to purchase the trust account's property, as well as other items that are required to be reviewed.

6. IT Steering Committee

To comply with the need for all-directional financial services, FEIB formed IT Steering Committee to study and judge IT system development trend, review the Bank's IT system setup, propose, supervise the development of IT business and raise conclusion for the Board of Directors to approve and process.





Far Eastern International Bank

# Professional Administrative

 Corporate Profile

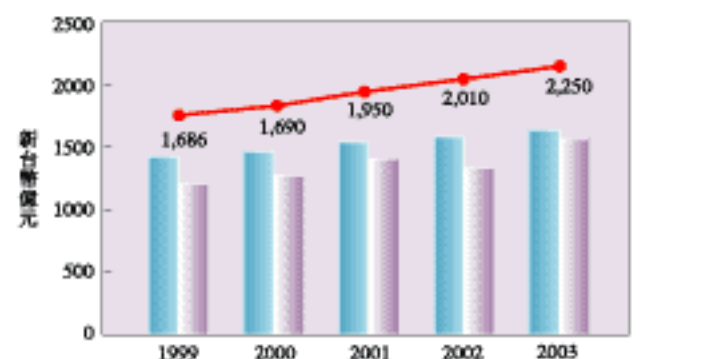
Business Review

# 營運概況



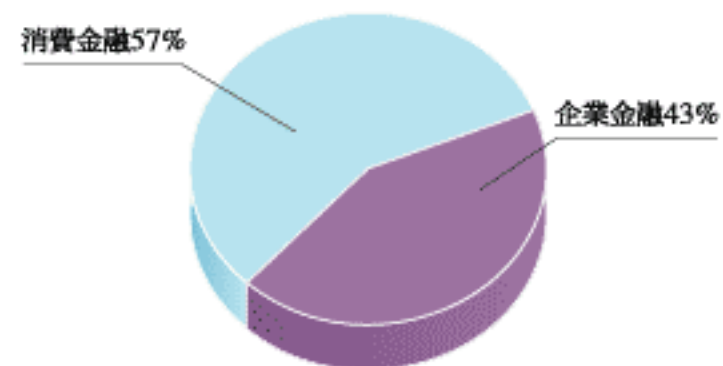
本行截至九十二年底總資產為新台幣二仟二億五十億元，較九十一年度成長約二億三十四億元，成長率為12%。存款餘額為新台幣一仟六億七十五億二仟二佰萬元，與九十一年底相較，共增加新台幣八十三億八仟一佰萬元，成長率為5.27%，其中活期性存款為新台幣三億五十四億四仟一佰萬元，佔總存款21.16%，定期性存款為新台幣一仟三億二十億八仟一佰萬元，佔總存款78.84%。放款餘額為新台幣一仟六億三十一億三仟二佰萬元，與九十一年底相較，共增加新台幣二億四十四億七仟五佰萬元，成長17.65%；授信業務包含放款、保證、承兌及信用狀合計為新台幣一仟七億九十五億六仟八佰萬元，比九十一年底增加三億二十五億七仟一佰萬元，成長22.16%。

存款、放款及總資產



存款餘額 放款、貼現及買匯(淨額) 總資產

授信餘額  
(含保證、承兌餘額)

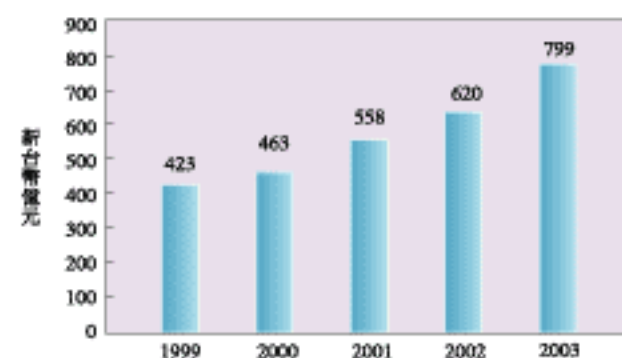


## 1 消費金融

### (1) 放款業務

截至九十二年底，本行消費金融放款餘額(不含信用卡循環信用餘額)為新台幣七億九十九億元，與九十一年底相較，共增加新台幣一億七十九億元，成長29%。

消金放款業務成長圖  
(不含信用卡循環信用餘額)



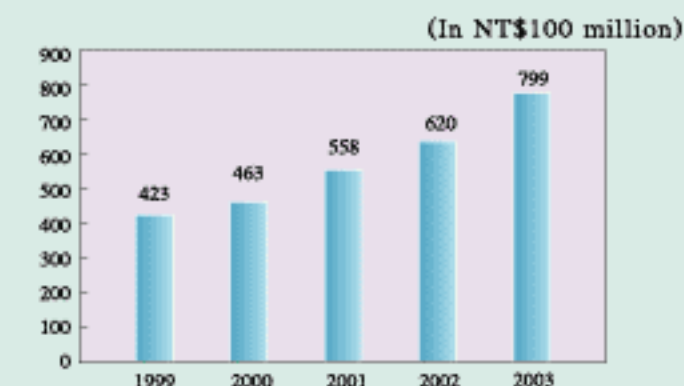
# B Business Review

## 1 Consumer Banking

### (1) Loans

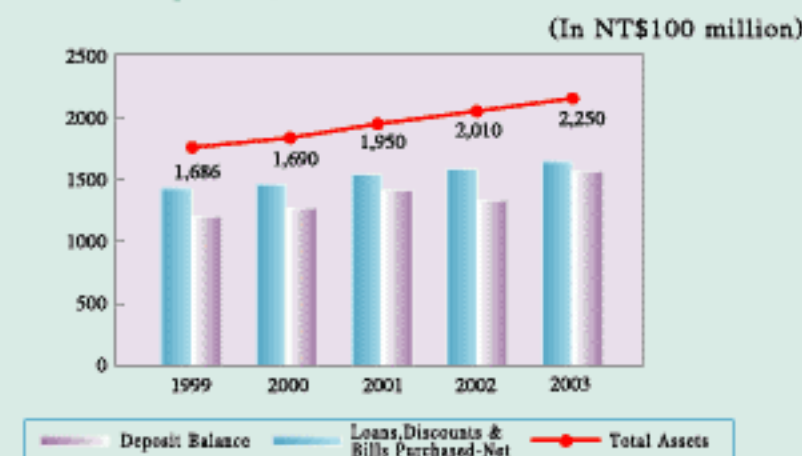
On December 31, 2003, FEIB's outstanding consumer banking loan reached NT\$79.9 billion, increased by NT\$17.9 billion or up 29% from 2002.

Loans of Consumer Banking Business  
(Not including credit card revolving balance)



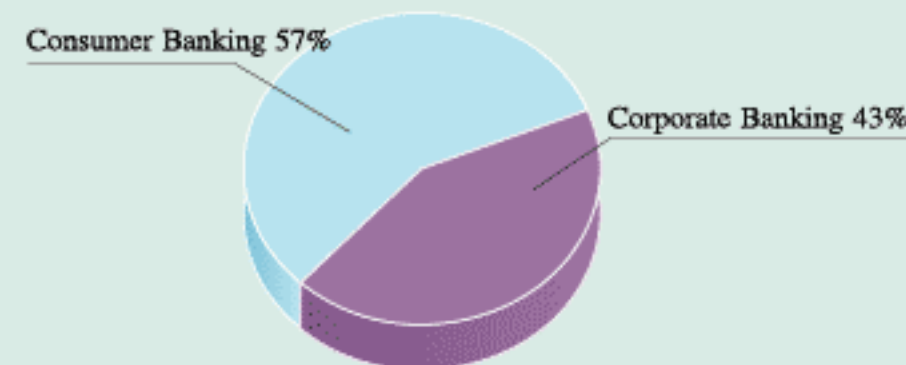
On December 31, 2003, FEIB's total assets stood at NT\$225 billion, up NT\$23.4 billion or 12% year on year. On December 31, 2003, FEIB's outstanding deposit balance reached NT\$167.52 billion, increased by NT\$8.38 billion or up 5.27% from 2002. Among which, demand deposits totaled NT\$35.44 billion and time savings amounted to NT\$132.08 billion, occupying 21.16% and 78.84% of total deposits, respectively. On December 31, 2003, FEIB's outstanding loan was NT\$163.13 billion, which grew NT\$24.47 billion or 17.65% year on year. Total amount of lending business including loans, guaranty, acceptance, and L/C was NT\$179.57 billion, up NT\$32.57 billion or 22.16% from 2002.

Deposits, Loans and Total Assets



Deposit Balance Loans, Discounts & Bills Purchased-Net Total Assets

Lending Balance  
(Including guarantee and acceptance balance)





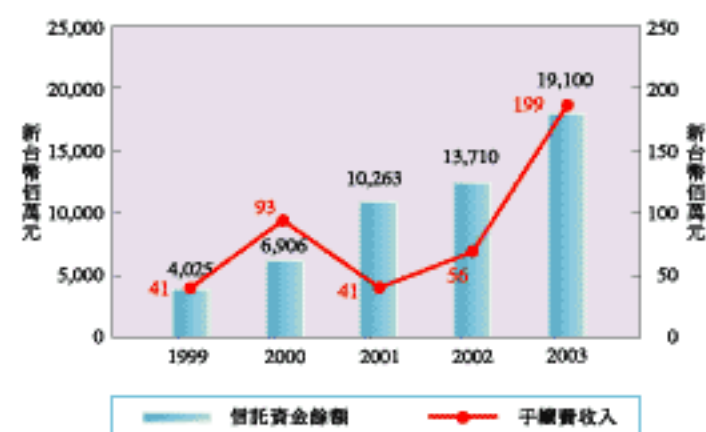
# 營運概況

# Business Review

## (2) 信託業務

九十二年度依指定用途及代收付方式銷售國內外共同基金及連動式債券商品，總計承作金額為新台幣二百六十二億元，年成長率為92.65%，手續費收入較去年度大幅成長255.93%。截至九十二年底本行信託資金餘額為新台幣一百九十一億元，較去年度成長39.31%。

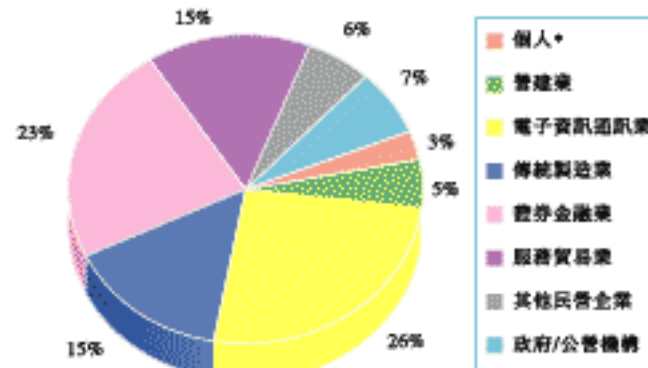
基金業務成長圖



## (2) 外匯業務

九十二年度本行進口、出口、匯兌業務量為一億二千八百八十八萬餘美元，較九十一年度八十七億八千餘萬美元，增加四十億九千餘萬美元，成長率46.56%，其中進口業務量之成長，較九十一年度更有高達80.78%之成長率。外幣授信餘額九十二年度為五億九千七百餘萬美元，較九十一年度三億九千八百餘萬美元，增加一億九千八百餘萬美元，成長率49.87%。

企金授信客戶行業別佔企金授信餘額比重

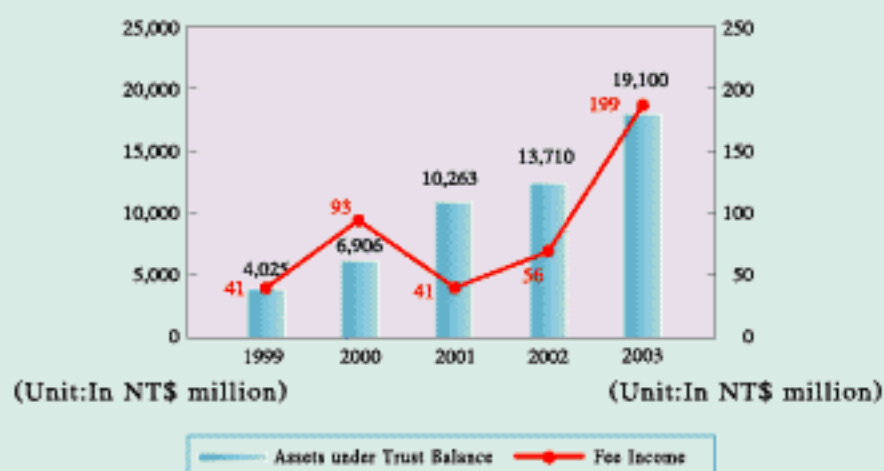


\*：個人股票質押、個人農林漁牧地抵押貸款、個人空地抵押貸款及部分個人土地及建屋融資

## (2) Trust Business

In 2003, FEIB's mutual funds sales, both from non-discretionary trust and acting as agency, totaled NT\$26.2 billion, up 92.65% year on year. Service fees also surged a tremendous 255.93% than a year ago. On December 31, 2003, the Bank's assets under trust totaled NT\$19.1 billion, grew 39.31% than 2002.

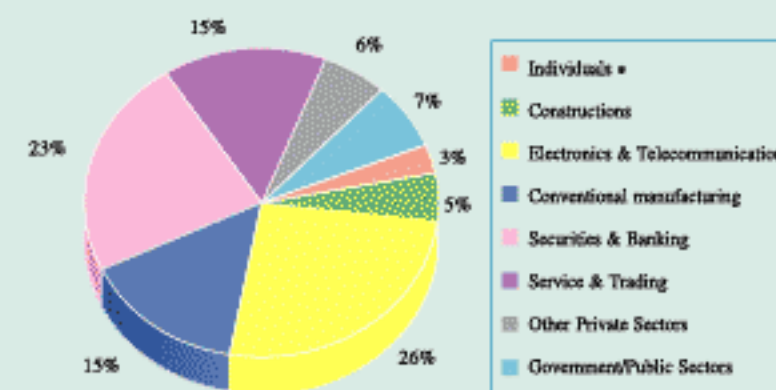
Growth of Mutual Funds Business



## (2) Foreign Exchange

FEIB's foreign exchange volume including import dealings, export dealings and remittances was US\$12.88 billion in 2003, up US\$4.09 billion and a surge of 46.56% year on year, among which import dealing has in particular plummeted 80.78%. Foreign currency loans outstanding were US\$597 million, grew US\$198 million or 49.87% from a year ago.

Credit Exposure of Corporate Banking (Distribution by Industry)



\* Individual stock collateral, individual farm/forest/fishing/pasture land mortgage, individual vacant lot mortgage, and partial individual land and construction loans

## 2 企業金融

### (1) 放款業務

截至九十二年底，本行企業金融放款餘額為新台幣六百一十三億元，與九十一年底相較，共減少新台幣一百五十一億元，衰退24.6%。含保證承兌等授信項目，本行企業金融放款餘額為新台幣七百七十七億元，與九十一年底相較，共減少新台幣七十一億元，衰退9.1%，主要係因減少對政府公營機構之低利放款及降低風險較高之營建業放款，以致企業金融放款業務減少。本行九十二年底股票質押貸款總餘額為新台幣七十七億二千萬，與九十一年底相較，共減少新台幣十八億九千萬，佔全行授信餘額比重由6.74%降至4.4%。

## 2 Corporate Banking

### (1) Loans

Our outstanding corporate banking loan on December 31, 2003 was NT\$61.3 billion, slipped by 24.6% or NT\$15.1 billion as compared to that of the previous year. Combined with guaranty, acceptance and other lending businesses, FEIB's outstanding corporate banking loan stood at NT\$77.7 billion, fell NT\$7.1 billion or 9.1% year on year, mainly due to the decrease of some low-interest loans to the public sectors and the less of loans to the risky construction industry. Stock collateral loans totaled NT\$7.2 billion, down NT\$1.89 billion as compared to the previous year, percentage has decreased from 6.74% to 4.4%.



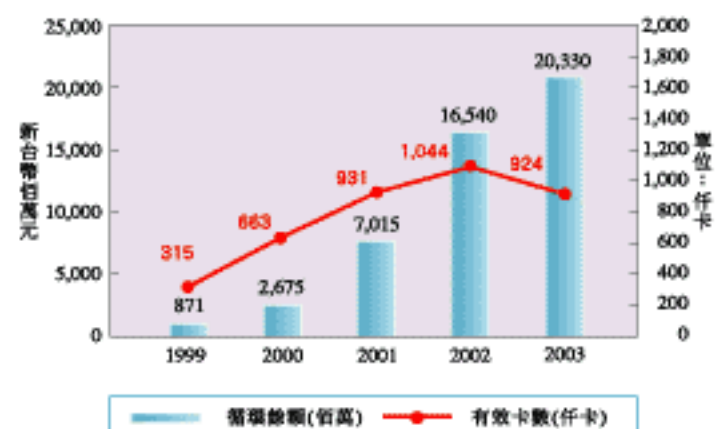


# Business Review

### 3 信用卡

本行在信用卡業務方面，截至九十二年底有效卡達九十二萬三千餘卡。在簽帳金額方面，九十二年全年累計為二百五十四億一仟餘萬元。在循環餘額方面，至九十二年底有二億零三億三仟萬元，較九十一年一億六十五億四仟萬元，增加三十七億九仟萬元，成長率為22.9%。

信用卡業務成長圖

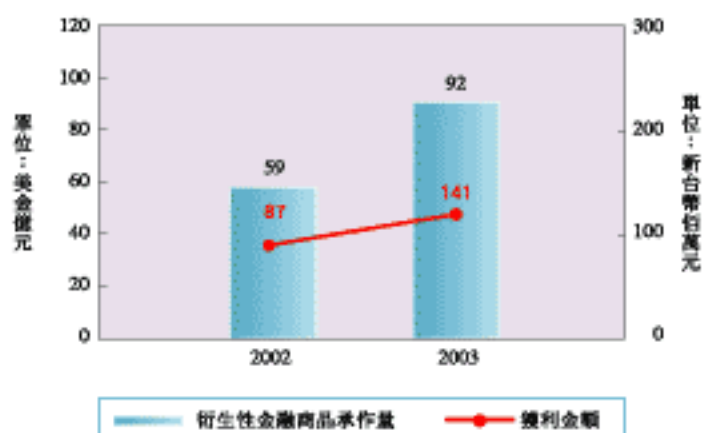


### 4 財務金融

本行九十二年度以預購預售遠匯、換匯及選擇權為主之衍生性金融商品承作量達九十二億六仟萬美元，成長率為五十七·七四%，獲利金額為新台幣一億四仟一佰萬元，成長率為六十一·二三%。

截至九十二年底買入票券餘額為新台幣八十一億三仟二佰萬元，全年買賣票券利益為新台幣九仟九佰萬元。買入公債餘額為新台幣四十億七仟五百萬元，全年買賣公債利益為新台幣一十三億八佰萬元。買入可轉債餘額為新台幣一十五億六仟二佰萬元，全年買賣可轉債利益為新台幣五佰萬元。買入債券型基金餘額為新台幣一十三億七仟萬元，全年買賣受益憑證收益為新台幣五仟六佰萬元。買入股票餘額為新台幣九億三仟七佰萬元，全年買賣股票利益為新台幣一仟九佰萬元。長期股權投資餘額為新台幣二十四億七仟二佰萬元，全年長期股權投資利益為新台幣二億四仟三佰萬元。

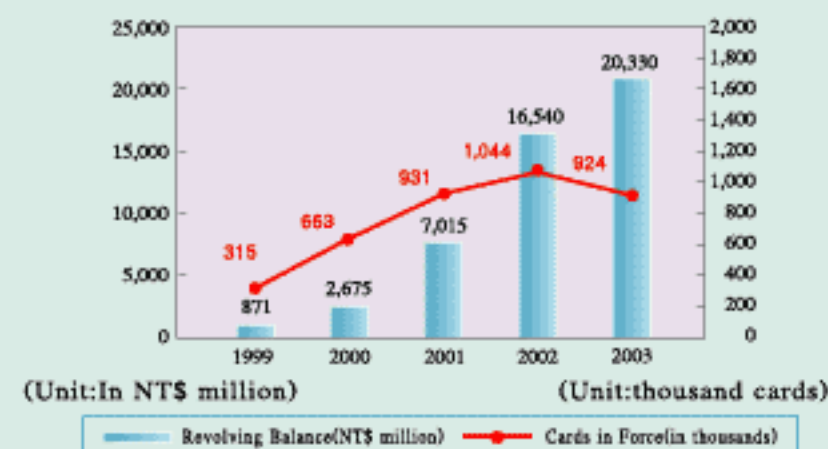
TMU業績成長圖



### 3 Credit Card

At the end of 2003, the number of cards in force issued by FEIB reached more than 923,000 cards. Spending volume for 2003 totaled NT\$25.41 billion and revolving balance at end 2003 was NT\$20.33 billion, grew NT\$3.79 billion or up 22.9% year on year.

Growth of Credit Card Business

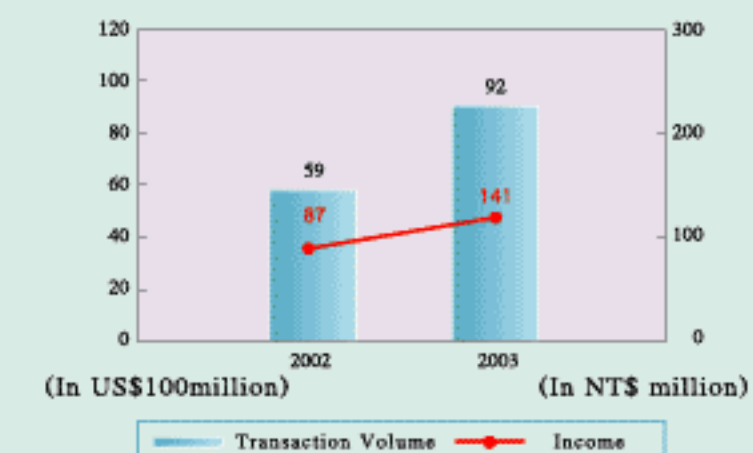


### 4 Treasury

FEIB's derivative transactions including foreign exchange forward contract, SWAP and option reached US\$ 9.26 billion in 2003, up 57.74% year on year. Income from derivatives transaction was NT\$141million, up 61.23 % year on year.

As of end 2003, FEIB's balance of securities purchased was NT\$8.13 billion, income from trade in marketable securities totaled NT\$99 million. Balance of government bonds purchased was NT\$4,075 million and gains on government bonds trading reached NT\$1,308 million. Balance of convertible bonds purchased was NT\$1,562 million, with gains of NT\$5 million. Balance of bond funds purchased was NT\$1.37 billion and gains on beneficiary certificates purchased were NT\$56 million. Balance of stocks purchased was NT\$937 million and gains from trade in stocks reached NT\$19 million. Balance of long-term equity investments stood at NT\$2.47 billion and income from long-term equity investments was NT\$243 million.

Growth of TMU Performance





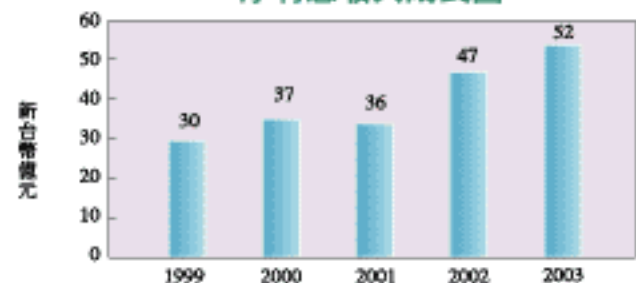
# 營運概況

# Business Review

## 5 損益狀況

九十二年度營業收入為一百二十二億七千六百萬元，其中利息收入為八十六億八千六百萬元；手續費收入為一十七億五千五百萬元，成長率為53.30%；消費金融與企業金融業務之營業收入比例約為63：37，較九十一年度之58：42，整體消費金融業務貢獻度又有明顯提升。全年提存前盈餘為五十億四仟五百萬元，較九十一年度之二十四億八仟三百萬元成長103.18%。年度稅後純益為新台幣三十四億一仟萬元，每股盈餘為2.39元。

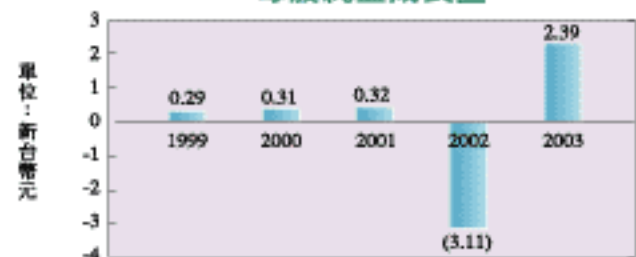
淨利息收入成長圖



手續費收入成長圖



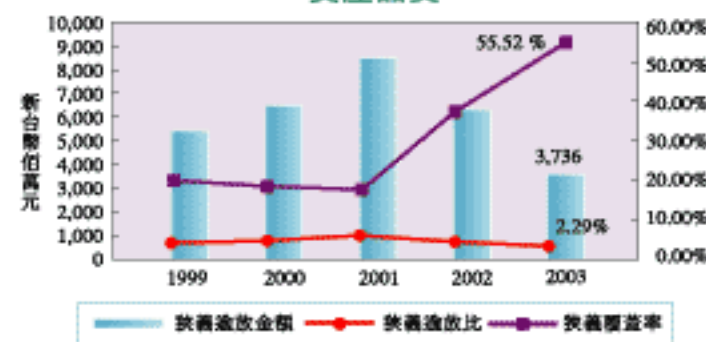
每股純益成長圖



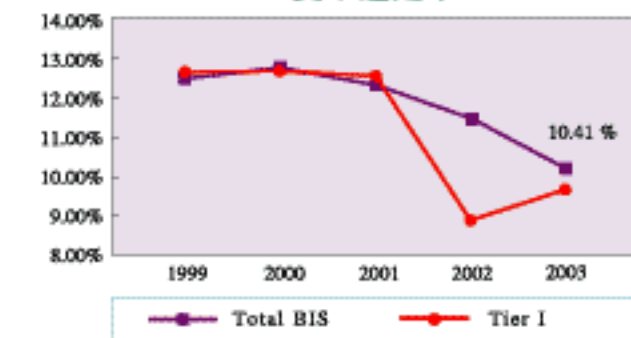
## 6 資產品質

本行為改善資產品質達到財務報表高度透明化之世界潮流，於九十二年度共計轉銷呆帳約三十一億五百萬元，廣義逾放比從九十一年度之5.61%大幅降至2.8%，呆帳覆蓋率從九十一年度之26.4%上升至45.4%，資產品質大幅提昇。本行財務結構健全，九十二年度之自有資本適足率為10.41%，其中主要資本類（TIER I）達9.76%，經國際信用評等公司惠譽（FitchRatings）評等，獲得國際外幣評等之長期評等BBB-、短期評等F3，長期評等展望由穩定（Stable）調升為正向（Positive），個別評等由C/D調升為C；國內評等則分別為長期評等A-(tw)、短期評等F2(tw)，係屬投資等級之穩健金融機構。

資產品質



資本適足率



## 5 Income

FEIB's operating revenues for 2003 were NT\$12.28 billion, among which interest income was NT\$8,686 million. Service fees income was NT\$1,755 million, up 53.3% from a year ago. Consumer banking business has contributed much to the Bank's overall revenues as consumer banking and corporate banking business each occupies 63% and 37% of total operating revenues, as compared to 58% and 42% respectively in 2002. Pre-provision income for the year was NT\$5,045 million, up a remarkable 103.18% from NT\$2,483 million of 2002. The after-tax net income of 2003 was NT\$3,401 million and earnings per share were NT\$2.39.

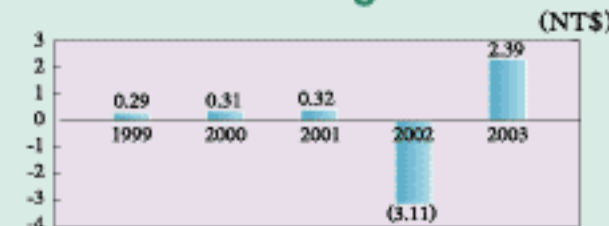
Growth of Net Interest Income



Growth of Service Fees Income



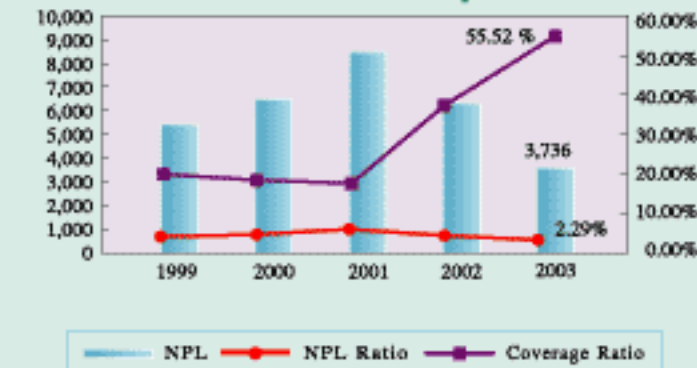
Growth of Earnings Per Share



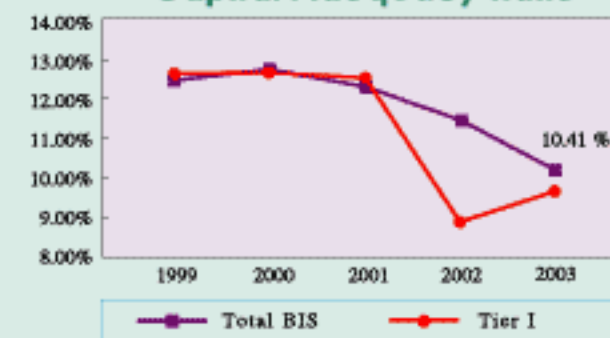
## 6 Asset Quality

To improve asset quality, for 2003 FEIB wrote off bad debts of some NT\$3,105 million and successfully lowered the general non-performing loan ratio from 5.61% in 2002 to 2.8% in 2003. Bad debt coverage raised from 26.4% in 2002 to 45.4% in 2003, greatly upgraded the Bank's asset quality. With sound financial structure, FEIB's BIS ratio for 2003 was 10.41%, among which TIER I reached 9.76%. FEIB gained recognition from renowned professional credit rating company Fitch Ratings to record for 2003 Foreign Currency Long-Term Rating of BBB-, Foreign Currency Short-Term Rating of F3, and Long-Term Rating Outlook "Positive", upgrading from "Stable" in 2002. If viewed from national rating, Long-Term Rating is A-(tw), Short-Term Rating F2(tw), also as a stable financial institution.

Asset Quality



Capital Adequacy Ratio





## 最近五年度財務分析 Financial Ratios for Past Five Years

分析項目 Items	年度 Year	最近五年度財務分析 Five-year Financial Analysis				
		2003	2002	2001	2000	1999
財結構 Financial Structure	負債占資產比率 Ratio of Liabilities to Assets (%)	92.99	93.98	91.27	89.78	89.97
	存款占淨值比率 Ratio of Deposits to Net Worth (%)	1,062.51	1,312.34	876.73	839.15	847.89
	固定資產占淨值比率 Ratio of Fixed Assets to Net Worth (%)	15.18	18.99	13.68	11.18	11.57
償債能力 Solvency	流動比率 Liquidity Ratio (%)	289.90	237.65	152.05	499.94	536.25
	流動準備比率 Liquidity Reserve Ratio (%)	8.21	8.51	11.02	8.76	18.10
經營能力 Operating Efficiency	存放比率 Ratio of Loans to Deposits (%)	97.38	87.13	95.98	87.77	82.14
	逾期比率 Non-performing Loan Ratio (%)	2.290	4.254	5.986	5.233	4.827
	利息支出占平均存款餘額比率 (%) Ratio of Interest Expenses to Annual Average Balance of Deposits	1.51	2.49	4.40	4.93	5.45
	利息收入占平均授信餘額比率 (%) Ratio of Interest Income to Annual Average Loans Outstanding	5.65	5.51	6.99	7.83	8.49
	總資產週轉率 (次) Total Assets Turnover (times)	0.06	0.06	0.07	0.08	0.07
	員工平均營業收入額 (仟元) Average Operating Revenue per Employee (NT \$1,000)	8,472	8,326	10,033	10,981	11,447
	員工平均獲利額 (仟元) Average Profit per Employee (NT \$1,000)	2,347	( 3,333)	379	405	323
	資產報酬率 Return on Assets (%)	1.59	( 2.25)	0.26	0.28	0.21
獲利能力 Profitability	股東權益報酬率 Return on Shareholder's Equity (%)	24.39	( 30.62)	2.74	2.74	2.02
	佔實收資本比率 Ratio to Paid-in Capital (%)	24.54	( 36.42)	2.75	3.17	2.46
	營業利益 Operating Income (%) 稅前純益 Income before Income Tax (%)	24.36	( 36.51)	3.13	3.35	2.47
	純益率 Net Income Ratio (%)	27.71	( 40.04)	3.78	3.68	2.82
	每股盈餘 (元) Earnings per Share (NT \$1)	2.39	( 3.11)	0.32	0.31	0.22



為強化全行風險管理，降低整體營運風險，將擴大審查處職能為全行風險管理單位並更名為「風險管理處」，負責全行風險管理政策，並監管各事業群之整體風險。茲將各項業務風險管理之政策及原則分述如下：

## (一) 企業金融授信風險管理

### 1. 本行企業授信風險政策：

- (1) 維持授信行業別之適當比重以分散風險
- (2) 維持集團企業授信之適當比重以分散風險
- (3) 維持授信產品之適當比重以分散風險：

### 2. 本行企業金融授信風險管理制度：

#### (1) 事前審核：

依業務不同屬性分別授權，授權原則依據被授權主管年度授信績效、風控能力為衡酌標準之「屬人授權」，被授權主管於被授權權限內行使授信案件之准駁職權。

#### (2) 貸放後管理：

- A. 專人執行授信貸放後覆審作業，確保授信流程恪守主管機關各項規定及內部範疇。
- B. 建立預警制度以確實掌握授信戶營運、財務之變化。

#### (3) 教育訓練制度：

定期舉辦徵授信講習及分行授信業務人員調總行審查處受訓，強化風險解析能力。

### 3. 本行徵信風險評估重點均依據授信5P辦理。

## (二) 消費金融授信風險管理

### 1. 風險管理政策

建置授信管理循環機制，有效管理消費金融授信資產組合的風險，依據各種產品收益率、風險程度、作業成本及資金長短期限等面向，事先設定各項產品不良比率可容許指標上限，透過組織專業化、集中化、流程管理制度化及資訊情報統計系統，將授信循環中所面對的風險控制在有限範圍內，以達到穩健成長的目標。

### 2. 評估控制風險之方法

透過下列四種方式以健全整個消金授信組合風險控管：

- (1) 逾期繳款案件分析：可以了解到在迅速成長中的消金授信業務資產組合是否正常的在增加收益並且風險同時遞減。
- (2) 淨流量分析：可以合理的預測呆帳金額/比例，並檢討不正常的趨勢，以做為改變/調整催收策略之參考。
- (3) 年份分層比較分析：以撥款年份作區隔，進一步分析逾期繳款之原因：進件案源因素、催收人員因素、及其它如法律、經濟等因素。
- (4) 授信主管核貸逾放率分析：定期審核授信主管所審核案件貸放後逾期比率是否控制在合理或可容許指標內，以為選任及授權標準依據，俾有效嚴控授信品質。

# Risk management

To fortify the Bank's risk management and lower overall operating risk, FEIB will expand the function of its Credit Administration Dept. and renamed it as "Risk Management Dept." to handle the Bank's risk management policy and supervise overall risk of each business unit. Policies and principles of the risk management of each business unit is summarized as follows:

## I. Corporate Banking Lending Risk Management

### 1. FEIB's corporate banking lending risk management policy:

- (1) Maintain proper lending distribution by industries to disperse risk.
- (2) Maintain proper ratio of corporate banking lending balance to disperse risk.
- (3) Maintain proper ratio of loan products to disperse risk.

### 2. FEIB's corporate banking lending risk management system:

#### (1) Previous review and approval

Separate authorization is given in accordance with the nature of different industries. The "person-oriented" authorization is made on the basis of the annual credit efficiency and risk management ability of the authorized officials. The authorized officials are entitled to execute within the authorized period the approval and rejection of each lending case.

#### (2) Post-loan control and management

A. Special staffs will execute the post-loan review and audit operation to ensure that the lending process conform with all internal rules and regulations made by the ruling authorities.

B. Establish "watch list" system to be on alert of the operating and financial status changes in the lending clients.

#### (3) Educational training system

Organize regularly loan seminars and transfer branch credit staffs to be trained by the Credit Administration Dept. of the Head Office so as to fortify their risk analysis ability.

3. FEIB's risk evaluation is handled in accordance with the lending principle of 5P.

## II. Consumer Banking Lending Risk Management

### 1. Risk management policy

Establish the management mechanism of credit cycle to effectively manage the risk of consumer banking lending asset portfolio. Preset the utmost tolerable bad debt ratio of each product based on the product's return on investment, risk degree, operating cost, long or short term of fund. Control risk of credit cycle within limited range to achieve steady growth.

### 2. Method of evaluating and controlling risk

The following four methods will serve to strengthen the risk management of the whole consumer banking credit portfolio:

- (1) Analysis of overdue payment cases: Can help understand if the rapidly growing consumer banking loan business is normally increasing profit and diminishing risk.
- (2) Analysis of net flow: Can reasonably predict amount / ratio of bad debts, and review abnormal tendency as a reference for necessary change/adjustment in collecting strategies.
- (3) Comparison and analysis of lending years: Analyze reason for overdue payments by lending years to fully understand their causing factors such as case source, collecting personnel, as well as other legal and economic factors.
- (4) Analysis of the overdue payment ratio approved by each lending official: Regularly review if the overdue payment ratio approved by each lending official is controlled under reasonable and allowable range, which will serve as a standard reference basis for appointment and authorization to enable strict control of lending quality.



# Risk management

## (三)外匯及衍生性金融商品風險管理

對所承作之各項外匯業務均訂有相關規範，並以「遠東國際商業銀行股份有限公司取得或處分資產處理準則」做為衍生性金融商品交易風險控管之指導準則。透過各項作業流程之設計及分層負責之控管，已將相關風險降至最低。茲將外匯及衍生性金融商品風險管理政策分述如下：

### 1.信用風險

依「同業外匯交易、外幣拆放、衍生品及債票券交易額度訂定辦法」，視各銀行之世界排名、財務狀況、與本行之業務往來情形及各不同國家之風險等級，分別訂定「金融同業新台幣短期融通及外幣交易額度」及「金融同業國家風險限額」。一般客戶之交易額度則依授信審查程序，由常董會核給「金融交易額度」。交易部門於額度限額內承作交易，並由作業部門負責交易後之控管追蹤。

### 2.市場及流動性風險

從事各項衍生性金融商品交易，均以承作時即軋平部位為原則；未軋平之部位，依「交易室業務授權準則」規範，明確對不同職級人員及交易室訂定各項外匯及衍生性金融商品之部位限額及停損限額，並由作業部門定期追蹤查核。同時明訂利率敏感性及流動性期差限額，並每週編製利率敏感性及流動性期差報表評估，並於資金會議中檢討，透過投資組合及利率敏感性資產負債之管理，有效管理利率風險。

### 3.作業風險

嚴守交易及交割人員不得互相兼任之作業原則，由作業部門負責交易後之相關交割事宜。作業部門依循各項業務之相關規範，並在「Four-Eyes-Principle」下，以達監督及覆核之效。另配合電腦系統記錄、保存及控管交易記錄；並輔以內部控制及稽核之機制，以有效控管相關作業風險。

### 4.法律風險

各項外匯及衍生性商品交易契約均經由專業律師審閱，且與同業或客戶從事衍生性商品交易前，需先徵提交易相關之各類申請書、聲明書及契約書。同時確實執行「遵守法令主管」制度，以確保相關之法律風險

## (四)投資風險管理

本行長、短期投資均設定嚴謹之風險管理機制，並設立投資審議委員會嚴格監督風險管理機制之運作，所有投資交易均須於風險管理規定內從事操作。

## (五)信用卡風險管理

為因應國內外市場的變化，信用卡部之風險管理之重點如下：

- 1.制訂合宜之授信政策：每半年野衡局勢，適時更新徵審標準，定期及隨時藉由卡友行為分析，重新檢討持卡人風險等級、授權核准率、及早期預警等各參數。
- 2.加強催收，控制淨損失率：運用催收系統，加強電催與行政法務之連結；培訓法務人員，強化行政支援功能，控制淨損失率。
- 3.提升風險管理效能：藉由爭議款系統輔助，加強偽冒損失與爭議款之管理，控制偽冒損失率。
- 4.運用資料倉儲系統：增強卡友資料探勘，分析延滯戶型態，進而釐定目標客戶標準，及篩選高貢獻度卡友，以創造更高盈餘。
- 5.加強內部控制、資訊安全管理：落實各部門自行查核制度，建置資訊安全系統，以加強資訊系統安全，確實保護客戶資料。
- 6.委外合作廠商之管理：定期訪視並查核委外廠商，以確認其遵守雙方合約規定，及相關法令之遵循。

III.Risk management of foreign exchanges and derivative financial products  
FEIB has not only stipulated relevant regulations regarding the handling of various foreign exchange businesses, but also followed "Principles for Handling Acquisition and Disposal of Assets" as the ruling guidelines for the risk management of trade in derivatives. We have managed to lower the risk to the minimum by operating process design and managerial control. Risk management policies for foreign exchanges and derivative financial products may be summarized as follows :

### 1. Credit risk

Decide on each bank's world ranking, financial status, business relationship with FEIB, and risk rating in different countries in accordance with "Methods regulating cross-bank foreign exchange trade, foreign currency overnight rate, derivatives, bonds and securities trade volume limit" to stipulate "new Taiwan dollars and foreign currencies trade volume limit among financial institutions" and "national risk limit of financial institutions". Ordinary clients' trade volume can be determined via credit review process and approved "financial trade volume" by the Board of Managing Directors. Trading department will undertake the deal within volume limit and operating department will handle afterwards control and tracking.

### 2. Market and liquidity risk

When dealing with all derivative financial products, the ruling principle will be to maintain balance position. For the unbalanced position, we should specifically stipulate position limit and stop loss limit of foreign exchanges and derivatives for different levels of personnel and trading offices. Then operating department will do the tracking and checking. The sensitivity and liquidity period difference of interest rate should also be stipulated, made into charts and reviewed per week to be discussed and evaluated at the investment fund meetings so as to effectively control interest rate risk by smart portfolio and managing sensitive interest-rate assets and liabilities.

### 3. Operation risk

Follow strictly the operating principle that traders and settlement agents should not be the same. Operating department is responsible for relevant settlement matters after trading. By obeying relevant rules and regulations and under the "Four-Eyes-Principle", we can achieve the effect of supervision and rechecking. In addition, by recording, preserving and controlling the trading records via computer

system coupled with internal control and audit systems, we can effectively control related operating risk.

### 4. Legal risk

Professional attorneys should review all foreign currency and derivative trading contracts. Also before trading derivatives, we should first ask for various application forms, statements, and contracts and reinforce the "compliance officer" system so as to ensure relevant legal risk.

## IV. Investment risk management

FEIB's long-term and short-term investments are being operated under strict risk management system. Therefore, Investment Committee is set up to supervise the operation of our risk management system. All investment transactions should operate in accordance with risk management rules and regulations.

## V. Credit card risk management.

To cope with market change both at home and abroad, Credit Card Dept. will focus on the following risk management measures :

1. Make proper credit policies : Renew approval standard every half year, review cardholder's risk level, authorization approval rate and early warning factors by analyzing cardholder's behavior periodically.
2. Strengthen collection, control net loss rate : Enhance phone collection and administrative connection via collecting system, cultivate and train legal personnel, and fortify administrative support function to control net loss rate.
3. Elevate risk management functions : Strengthen management of falsified card loss and dispute via the assistance of dispute amount system so as to control falsified card loss rate.
4. Use data warehouse system : Enhance data mining, analyze type of delay-in-payment accounts to stipulate standard for target customer, select high-tribute cardholders so as to create higher profits.
5. Enhance internal control and information safety management : Implement each department's audit system and establish information safety system to strengthen information safety and protect customer information.
6. Management of outsourcing partners : Regularly visit and check on outsourcing partners to make sure that they follow both parties' contractual terms as well as relevant laws and regulations.





Far Eastern International Bank

# Professional Administrative Team

Business Plan

經營計劃



## 經營計劃

**本**行秉持著穩健、創新的精神，積極開發新種產品及服務，對於引進新種商品及產品通路的e化更是不遺餘力，FEDI、EOI、網路銀行等服務皆已上線；本行為經濟部C計劃所選定的八家金融機構之一，企業新世紀理財網各項服務功能已建置完成並由專業銷售團隊積極推廣，成效頗豐，足證明本行在研究發展方面的能力卓越並且受到客戶、政府及學術單位的肯定。

未來本行將持續進行組織再造及產品創新，定能提供顧客最好的產品及最貼心的服務。

### 1 消費金融業務方面

- (1) 建立財富管理事業群，強化本行「財富管理品牌形象」，持續提高財富管理商品創新能力，針對各種不同族群財富管理客戶，推出符合客戶屬性的金融商品，進而協助客戶進行資產配置及分散風險。
- (2) 提昇分行銷售產值與作業效率。
- (3) 建置授信管理循環機制，有效管理消費金融授信資產組合的風險，依據各種產品收益率、風險程度、作業成本及資金長短期限等面向，事先設定各項產品不良比率可容許指標上限，透過組織專業化、集中化、流程管理制度化及資訊情報統計系統，將授信循環中所面對的風險控制在有限範圍內，以達到穩健成長的目標。
- (4) 整合集團資源與優勢，有效率發揮交叉行銷功能，拓展人身及產物保代業務收益。
- (5) 提昇高利差產品業務比重以擴大利差，期使獲利持續成長。

### 2 企業金融業務方面

- (1) 依行業風險與展望，調整授信結構並擴大資產規模。
- (2) 建立高附加價值之客戶關係，創造收益風險比極大化。
  - 推展企業資金管理業務，成為客戶資金調度主力之一。
  - 加強推廣應收帳款等交易型業務。
  - 導引客戶運用供應鏈交易平台，提高產品附加價值。
- (3) 建立兩岸三地金融網絡，深度開拓客源。
- (4) 擴大衍生性金融商品客戶數與交易量。
- (5) 積極參與及爭取主辦體質較佳之聯貸案。
- (6) 建構買金組織運作架構。
- (7) 佈署行銷網，快速累積中小企業客戶數。
- (8) 執行C計劃擴散方案，推展B2B線上融資業務。
- (9) 持續教育訓練，提昇企金業務人員專業能力。

## Business Plan

FEIB has been committed to maintaining stable growth and innovative spirit. The Bank has not only been actively developing new financial products and services, but also dedicated to promoting new specialty items and e-banking business to better serve our clients. Our FEDI, EOI and Internet banking systems have been on line. After being granted to join C Project launched by the Ministry of Economic Affairs together with seven other local banks, FEIB has completed the formation of various new century financial management network systems and has set up professional sales teams to begin promotional programs with good results. Therefore, FEIB's outstanding operating performance and R&D capability have won wide recognition from our clients, government authorities, as well as scholastic institutions.

### 1 Consumer Banking Business

- (1) Establish Wealth Management Business Group to enhance FEIB's "wealth management brand image", continue to enrich content and launch innovative wealth management products, and provide customized services to different groups of customers so as to assist clients in smarter handling of assets and risk management.
- (2) Improve FEIB Branch's sales volume and operating efficiency.
- (3) Build up credit management system to effectively manage risk in consumer banking loan/asset combination, preset utmost allowable limit for allowing non-performing product ratio in accordance with each product's profit margin, risk level, operating cost and capital extension period, by way of professional restructuring, centralization, systematic processing, and efficient information data system to control risk within limited range and thus achieve the objective of steady growth.

- (4) Integrate Group resources and competitive advantage, make best use of cross selling and expand income from personal and property insurance agency business.
- (5) Increase ratio of business with high interest difference to extend profit margin and achieve lasting growth.

### 2 Corporate Banking Business

- (1) Comply with each industry's risk and prospect, adjust loan structure and expand asset scale.
- (2) Build up high value-added customer relationship and create maximum profit to risk ratio.
  - Promote corporate capital management business
  - Enhance the promotion of transactional business such as factoring.
  - Lead customers to use supply chain trading workstation and increase products' value.
- (3) Establish banking network among Taiwan, Hong Kong and China to cultivate clients.
- (4) Expand number of clients and trade volume of derivative financial instrument.
- (5) Actively participate in and looking for good syndicated loan opportunity.
- (6) Design organization structure of transactional banking group.
- (7) Set up sales and marketing network to quickly accumulate medium- and small-sized corporate clients.
- (8) Execute Plan C Expansion Project to promote B2B online loan business.
- (9) Continue to hold educational training courses so as to elevate competency of corporate banking staff.



## 經營計劃

# Business Plan

### 3 信用卡業務方面

- (1) 致力於推出各項優惠促銷活動，鞏固既有高貢獻卡友之忠誠度；並加強關係企業促銷合作，發揮集團綜效；其次，亦將持續推出新貸放產品，以滿足多元性客層之資金需求。
- (2) 在風險控管方面，將運用新建置之資料倉儲系統，分析不同族群及產品之獲利能力，研擬最適切之授信政策，以便做市場區隔及風險管理，提供不同族群差異性產品及核准率，在風險有效管理的制度下，使利潤極大化。
- (3) 在客戶服務方面，將導入客服排班系統，提高人員運用效率，並以更精確的人力配置提高服務水準，增強客戶滿意度，並致力於高貢獻度客戶的服務，真正做到與卡友Happy Together！
- (4) 在作業及帳務處理方面，仍將持續透過品管圈活動（QCC）及跨部門品質改善活動（QIT）來改善及簡化作業流程，縮短時程，降低錯誤率及提升效率，並研討以系統化取代人工作業。
- (5) 在資訊技術方面，除繼續致力於各項系統效能提升、監控硬體架構運作及加強促進專案推行順暢外，期使各項系統皆成為促進業務發展之加速器。
- (6) 在內部控制方面，將強化資訊安全之控管，除建置資訊安全管理系統，以提升對客戶資料之保護，並持續加強委外合作廠商之管理，務使卡部之發展能遵循法令並控制得宜。

### 4 財務金融業務方面

- (1) 深耕現有客戶，提供專業之財務策略。
- (2) 增加金融交易客戶，以提高本行之市場佔有率。

- (3) 加強與國際知名銀行往來以獲得最新金融產品訊息，並取得具有競爭性之產品價格。
- (4) 推出結合利率、信用之債券/債權關連衍生金融產品，以提供客戶更多的投資選擇。
- (5) 加強衍生性商品之風險控管。

### 5 員工教育與發展

- (1) 本行九十二年度行員訓練計劃

訓練項目	行內訓練	行外訓練	合計
金額(千元)	10,000	5,000	15,000
人次	5,700	1,500	7,200
班次	260	440	700

- (2) 未來研究發展計劃

九十二年度仍秉持「才能管理」作為本行行員訓練架構，分別包含：「專業才能」、「管理才能」及「商業才能」。訓練資源規劃分配為「專業才能75%」、「管理及商業才能25%」，並以本行業務所需之職能要求(competency)為培訓方向。

### 3 Credit Card Business

- (1) Dedicate to launching various promotional campaigns, fortify loyalty of existing high-spending cardholders, enhance promotion and cooperation among Group companies to achieve Group synergy; also continuously introduce new loan products to satisfy capital needs of diversified customer groups.
- (2) As to risk control and management, with the newly established data warehouse system to analyze the profitability of different customer groups and products, draw up the most adequate loan policy to achieve market differentiation and better risk management, provide diversified products, services and approval rate to different customer groups, and therefore maximize the Bank's profit margin at low and effectively controlled risk.
- (3) Implement customer service shifting system to increase HR efficiency, provide higher service standard via more accurate personnel arrangement and improve customer satisfaction, and focus more attention on serving high-end customers to make it really "Happy Together!" with the Bank's cardholders.
- (4) As to operating and loan process system, continue to execute quality control circle (QCC) and quality improvement technology (QIT) to improve/streamline operating process and shorten leadtime, lower errors and increase efficiency, also study the possibility of replacing manual work with IT operation.
- (5) With regard to information technology (IT), continue to enhance efficiency of each operating system, monitor the operations of hardware structures to ensure smooth running of special projects, so as to accelerate the development and growth of various businesses.
- (6) As to internal control, will fortify the control and management of data safety, aside from establishing data safety management system to elevate clients data protection, will also continue to strengthen the management of outsourcing parties to secure the proper and law-abiding development of credit card business.

### 4 Treasury & Investment Business

- (1) Focus on maintaining existing clients and provide professional financial strategies.
- (2) Increase investment transaction clients to heighten FEIB's market share.
- (3) Reinforce interflow with world-renowned banks to attain latest information on new financial products and obtain competitive price.
- (4) Launch interest / credit linked derivatives to provide clients with more investment options and choices.
- (5) Strengthen risk control and management of derivative financial instruments.

### 5 Staff Training & Development

- (1) FEIB's Staff Training Programs in 2003

Training Item	In-store Training	Off-site Training	Total
Amount (in NT\$ thousands)	10,000	5,000	15,000
Person	5,700	1,500	7,200
Class	260	440	700

- (2) Future Research & Development Programs

The training programs in 2003 continued to aim at "competence management", including "professional competence", "management competency" and "business competency". Training resources allocation is "professional competence 75%" and "management and business competency 25%" in accordance with FEIB's competency needs.





Treasury

Far Eastern International Bank  
Investment Business

Consumer Banking Business

Corporate Banking Business

Staff Training & Development

Significant Events

大事紀要



# Significant Events



遠東國際商銀11週年行慶活動  
To commemorate the Bank's 11th founding anniversary,  
launched a series of celebration activities.



遠銀與伊甸合作之「為遲緩兒加油」公益活動  
FEIB convoked "International Statement for Caring  
Children" at Pacific SOGO Department Store together  
with press conference to launch "Social Welfare Hope  
Deposit" and "Eden Charity Card".

## 遠東商銀九十二年度大事記要 >>>>>>

- 1/1 消金處推出上半年財富管理「朋友還是老的好、揚揚得利圓夢年」行銷活動
- 4/1 慶祝本行11周年行慶，推出「遠銀行慶嘉年華，財富管理圓夢年」系列活動，並邀請關係企業太平洋SOGO百貨公司董事長鍾琴擔任財富管理銀行形象電視廣告代言人
- 4/4 本行贊助伊甸基金會「遲緩兒逛總統府」活動
- 4/12 舉辦「國際關懷兒童宣言」活動，暨「公益希望存款」與「伊甸愛心卡」產品發表會
- 4/19 舉辦「再奏希望樂章」慈善音樂會，並與「周大觀基金會」合作「二手樂器募集」慈善活動
- 4/22 本行與花旗銀行策略聯盟合作開辦外勞匯款

## Significant Events of FEIB in 2003 >>>>>>

- January 1 Consumer Banking Department launched wealth management program "Good Old Friends Are the Best and Prosperous Sweet Dream Year" promotion campaign for the first half year.
- April 1 To commemorate the Bank's 11th founding anniversary, launched a series of "FEIB Anniversary Festival, Wealth Management Dream Come True Year" celebration activities, and invited Pacific SOGO Department Store Chair Lady Chung Chin as spokesperson in TV commercials to promote the bank image.
- April 4 FEIB sponsors "Handicapped Children Visit Presidential Office" held by Eden Social Welfare Foundation.
- April 12 As a good corporate citizen, FEIB convoked "International Statement for Caring Children" at Pacific SOGO Department Store together with press conference to launch "Social Welfare Hope Deposit" and "Eden Charity Card".
- April 19 "Replay Musical Piece of Hope" at Pacific SOGO Department Store: Held FEIB 11th Founding Anniversary celebration "Replay Musical Piece of Hope" benefit concert and jointly sponsored fund raising activity with "Chou Da-Kuan Foundation" to sell second-hand musical instruments.
- April 22 FEIB formed strategic alliance with Citibank to handle foreign workers' remittance business.



# Significant Events



2003年財富管理業務人員訓練活動  
Consumer Banking training seminars



利用遠距視訊會議系統增進總行與分行間溝通之效率  
Enhance efficiency of communications between  
Head Office and each Branch via long-distance  
teleconference system.

## 遠東商銀九十二年度大事記要 >>>>>>

- 5/2 本行外匯指定銀行獲准辦理與大陸地區金融機構有關進口、出口、匯款等金融業務往來
- 5/2 本行三十一家分行獲准兼營信託業務
- 5/15 本行香港代表人辦事處獲准升格為分行
- 5/29 假空軍官兵活動中心介壽堂召開本行九十二年度股東常會，會中改選董事及監察人
- 6/6 本行國際金融業務分行獲准辦理與大陸地區金融機構有關授信及應收帳款收買等金融業務往來
- 7/1 全行票據客製化服務正式上線啟用
- 7/16 本行開辦媒體交換自動轉帳(ACH)代付現金股利業務

## Significant Events of FEIB in 2003 >>>>>>

- May 2 Bureau of Monetary Affairs, Ministry of Finance granted FEIB as foreign exchange appointed bank to handle import, export, remittance as well as other businesses with Mainland China.
- May 2 FEIB's 31 branches granted by the authorities to also handle trust business.
- May 15 Bureau of Monetary Affairs, Ministry of Finance approved to upgrade FEIB Hong Kong Representative Office as Branch Office.
- May 29 FEIB 2003 Stockholders' Meeting held in Taipei to re-elect Board of Directors and Supervisors.
- June 6 Bureau of Monetary Affairs, Ministry of Finance approved FEIB International Banking Office to handle relative loan and factoring businesses with banking institutions in Mainland China.
- July 1 Fully on-line operation throughout FEIB its customized service of negotiable instruments.
- July 16 FEIB begins ACH paying and transfer of cash dividend business.



遠東商銀與伊甸基金會、亞東醫院聯合主辦「伊童阿敦來台圓夢」愛心公益活動  
 FEIB sponsored jointly with Eden Social Welfare Foundation and Far Eastern Memorial Hospital to help Iraqi wounded child Adun fulfill his dream.



## 遠東商銀九十二年度大事記要 >>>>>>

- 7/25-7/31** 本行發行美金一億元海外轉換金融債券 (ECB)，於7/25訂價並於7/31完成交易，為國內非金控商業銀行第一家於海外發行ECB者
- 8/6** 遠銀抵利型房貸產品核准上市
- 8/11** 遠東New Century世界卡、無限卡上市
- 9/12** 遠東New Century MC<sup>2</sup>卡上市
- 10/27-12/8** 贊助伊拉克傷童阿敦來台醫療圓夢公益活動圓滿成功
- 12/18** 本行印鑑系統正式上線

# Significant Events

遠東國際商業銀行發行遠東New Century世界卡、無限卡上市記者會  
 Press conference of FEIB's issuing of New Century World Card and Infinity Card.



## Significant Events of FEIB in 2003 >>>>>>

- July 25-31** FEIB issued US\$100 million of ECB on July 25 and completed transaction on July 31 for a period of 5 years. FEIB is Taiwan's first non-holding commercial bank to issue ECB overseas.
- August 6** FEIB's "interest deductible" house mortgage product approved to market.
- August 11** Launched Far Eastern New Century World Card and Infinity Card.
- September 12** FEIB launched Far Eastern New Century MC<sup>2</sup> Card
- October 27-December 8** Successful sponsorship to help Iraqi wounded boy Adun receive surgical treatment in Taiwan.
- December 18** Formal on-line of FEIB's sealing system.



Events of

FEIB

in 2003

Far Eastern International Bank

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Significant Events

Financial Report

財務報告



# Financial Report

English Translation of a Report Originally Issued in Chinese >>>>>>

## BALANCE SHEETS

DECEMBER 31, 2002 AND 2003 (Amounts Expressed in Thousands of New Taiwan Dollars, Except For Value)

### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Far Eastern International Bank

We have audited the accompanying balance sheets of the Far Eastern International Bank (the "Bank") as of December 31, 2002 and 2003 and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Regulations for Audit of Financial Statements of Financial Institutions by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2002 and 2003 and of the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines for Securities Issuers' Financial Reporting for Public Company and generally accepted accounting principles in the Republic of China.

*Deloitte + Touche*

February 5, 2004

#### 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.

	Notes	2002 NT\$	2003 NT\$	US\$(Note 3)
<b>ASSETS</b>				
CASH		\$ 1,641,460	\$ 2,314,331	\$ 68,113
DUE FROM BANKS	4	6,700,408	19,225,842	565,832
DUE FROM THE CENTRAL BANK OF CHINA	5, 24	7,868,018	7,984,860	235,001
SECURITIES PURCHASED	2, 6	4,417,884	12,274,647	361,253
RECEIVABLES—Net	2, 7, 18, 23	23,555,294	6,705,109	197,337
LOANS, DISCOUNTS AND BILLS PURCHASED—Net	2, 8, 23	136,601,563	161,057,311	4,740,047
LONG-TERM INVESTMENTS	2, 9, 23, 24	13,526,960	7,104,560	209,093
PROPERTIES	2, 10			
Cost				
Land		1,110,801	1,147,982	33,786
Buildings and improvements		787,438	875,990	25,781
Computer equipment		515,905	645,550	18,999
Transportation equipment		37,713	35,286	1,038
Miscellaneous equipment		940,068	916,099	26,962
Total cost		3,391,925	3,620,907	106,566
Less : Accumulated depreciation		1,126,712	1,285,906	37,845
		2,265,213	2,335,001	68,721
Prepayments for properties		37,854	58,014	1,707
Net properties		2,303,067	2,393,015	70,428
OTHER ASSETS	2, 11, 18	4,961,383	5,987,486	176,216
<b>TOTAL ASSETS</b>		<b>\$ 201,576,037</b>	<b>\$ 225,047,161</b>	<b>\$ 6,623,320</b>

The accompanying notes are an integral part of the financial statements.





# Financial Report

## BALANCE SHEETS

DECEMBER 31, 2002 AND 2003 (Amounts Expressed in Thousands of New Taiwan Dollars, Except Par Value)

	Notes	2002		2003	
		NT\$	NT\$	NT\$	US\$(Note 3)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>LIABILITIES</b>					
Bonds sold under repurchase agreement	2, 25	\$ 6,869,852	\$ 2,387,434	\$ 70,264	
Due to banks	12	8,707,281	10,644,837	313,286	
Payables and advances	13	3,312,070	4,916,608	144,700	
Deposits and remittances	14, 23	159,151,544	167,534,950	4,930,689	
Bank debentures	15	10,000,000	17,000,000	500,324	
Convertible bonds	2, 16	-	3,737,580	110,000	
Other liabilities	2, 17	1,407,955	3,057,931	89,997	
Total liabilities		189,448,702	209,279,340	6,159,260	
<b>SHAREHOLDERS' EQUITY</b>					
Capital stock, \$10 par value, authorized and issued—1,524,815 thousand shares		15,248,154	15,248,154	448,765	
Capital surplus					
Additional paid-in capital		204,198	-	-	
From long-term equity investments		19	19	1	
Total capital surplus		204,217	19	1	
Retained earnings (deficit)					
Legal reserve		1,518,440	-	-	
Special reserve		202,445	-	-	
Unappropriated earnings (deficit)		( 4,429,150)	897,399	26,411	
Total retained earnings (deficit)		( 2,708,265)	897,399	26,411	
Cumulative translation adjustments		11,260	10,722	316	
Treasury stock, at cost: 103,334 thousand shares in 2002; 63,334 thousand shares in 2003		( 628,031)	( 388,473)	( 11,433)	
Total shareholders' equity		12,127,335	15,767,821	464,060	
CONTINGENT LIABILITIES AND COMMITMENTS	2, 25, 29				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 201,576,037	\$ 225,047,161	\$ 6,623,320	

The accompanying notes are an integral part of the financial statements.

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	Notes	2002		2003																												
		NT\$	NT\$	NT\$	US\$(Note 3)																											
<b>INCOME AND GAINS</b>																																
Interest	2, 23, 29	\$ 9,790,842	\$ 8,686,426	\$ 255,649																												
Service fees	2	1,144,612	1,754,719	51,643																												
Gains on sale of securities purchased—net	2	-	1,413,771	41,608																												
Income from long-term equity investments—net	2, 9	49,703	243,227	7,158																												
Foreign exchange gains—net	2, 29	162,686	178,317	5,248																												
Total income		11,147,843	12,276,460	361,306																												
<b>EXPENSES AND LOSSES</b>																																
Interest	29	5,076,245	3,482,538	102,494																												
Service charges		570,489	533,706	15,707																												
Losses on sale of securities purchased—net	2	88,779	-	-																												
Provisions for possible losses	2, 8	8,050,066	1,330,472	39,157																												
Total cost and expenses		13,785,579	5,346,716	157,358																												
OPERATING GROSS INCOME (LOSS)		( 2,637,736)	6,929,744	203,948																												
OPERATING AND ADMINISTRATIVE EXPENSES	20, 23, 25	2,916,290	3,187,600	93,814																												
OPERATING INCOME (LOSS)		( 5,554,026)	3,742,144	110,134																												
NONOPERATING INCOME		61,278	51,756	1,523																												
NONOPERATING EXPENSES		( 74,448)	( 79,799)	( 2,348)																												
INCOME (LOSS) BEFORE INCOME TAX		( 5,567,196)	3,714,101	109,309																												
INCOME TAX EXPENSES (BENEFIT)	2, 18	( 1,103,995)	312,635	9,201																												
NET INCOME (LOSS)		(\$ 4,463,201)	\$ 3,401,466	\$ 100,108																												
<table border="1"> <thead> <tr> <th rowspan="2">Notes</th> <th colspan="2">2002(NT\$)</th> <th colspan="2">2003(NT\$)</th> <th colspan="2">2003(US\$(Note 3))</th> </tr> <tr> <th>Before Tax</th> <th>After Tax</th> <th>Before Tax</th> <th>After Tax</th> <th>Before Tax</th> <th>After Tax</th> </tr> </thead> <tbody> <tr> <td>16, 21</td> <td>(\$ 3.87)</td> <td>(\$ 3.11)</td> <td>\$ 2.61</td> <td>\$ 2.39</td> <td>\$ 0.08</td> <td>\$ 0.07</td> </tr> <tr> <td>16, 21</td> <td>(\$ 3.87)</td> <td>(\$ 3.11)</td> <td>\$ 2.46</td> <td>\$ 2.25</td> <td>\$ 0.07</td> <td>\$ 0.07</td> </tr> </tbody> </table>						Notes	2002(NT\$)		2003(NT\$)		2003(US\$(Note 3))		Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax	16, 21	(\$ 3.87)	(\$ 3.11)	\$ 2.61	\$ 2.39	\$ 0.08	\$ 0.07	16, 21	(\$ 3.87)	(\$ 3.11)	\$ 2.46	\$ 2.25	\$ 0.07	\$ 0.07
Notes	2002(NT\$)		2003(NT\$)		2003(US\$(Note 3))																											
	Before Tax	After Tax	Before Tax	After Tax	Before Tax	After Tax																										
16, 21	(\$ 3.87)	(\$ 3.11)	\$ 2.61	\$ 2.39	\$ 0.08	\$ 0.07																										
16, 21	(\$ 3.87)	(\$ 3.11)	\$ 2.46	\$ 2.25	\$ 0.07	\$ 0.07																										
PRIMARY EARNINGS (LOSSES) PER SHARE																																
DILUTED EARNINGS (LOSSES) PER SHARE																																

The accompanying notes are an integral part of the financial statements.





# Financial Report

## STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Capital Stock Authorized and Issued (\$10 Par Value)		Capital Surplus			
	Shares	Amount	Additional paid-in capital (Note 19)	Gain on disposal of properties (Note 19)	From long-term equity investments (Note 2)	Total
BALANCE, JANUARY 1, 2002	1,524,815,400	\$ 15,248,154	\$ 204,198	\$ 1,669	\$ 19	\$ 205,886
Appropriation of prior year's earnings						
Legal reserve	-	-	-	-	-	-
Bonus to employees—cash	-	-	-	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	-
Cash dividends—2%	-	-	-	-	-	-
Balance after the appropriations	1,524,815,400	15,248,154	204,198	1,669	19	205,886
Transfer of capital surplus from gain on disposal of properties to unappropriated earnings	-	-	-	( 1,669)	-	( 1,669)
Net loss in 2002	-	-	-	-	-	-
Translation adjustments—offshore banking unit	-	-	-	-	-	-
Translation adjustments—long-term equity investments	-	-	-	-	-	-
Treasury stock—16,755 thousand shares	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2002	1,524,815,400	15,248,154	204,198	-	19	204,217
Offset of Bank's deficit against capital surplus, legal reserve and special reserve	-	-	( 204,198)	-	-	( 204,198)
	1,524,815,400	15,248,154	-	-	19	19
Transfer of treasury stocks to employees	-	-	-	-	-	-
Net income in 2003	-	-	-	-	-	-
Translation adjustments—offshore banking unit	-	-	-	-	-	-
Translation adjustments—long-term equity investments	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2003	1,524,815,400	\$ 15,248,154	\$ -	\$ -	\$ 19	\$ 19

The accompanying notes are an integral part of the financial statements.

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts Expressed In Thousands of New Taiwan Dollars, Except Par Value)

Legal reserve	Retained Earnings (Deficit) (Note 19)			Cumulative Translation Adjustments (Note 2)	Treasury Stock (Note 22)	Total Shareholders' Equity
	Special reserve	Unappropriated earnings (deficit)	Total			
\$ 1,377,701	\$ 202,445	\$ 485,781	\$ 2,065,927	\$ 11,325	( 507,610)	\$ 17,023,682
140,739	-	( 140,739)	-	-	-	-
-	-	( 18,760)	( 18,760)	-	-	( 18,760)
-	-	( 6,253)	( 6,253)	-	-	( 6,253)
-	-	( 287,647)	( 287,647)	-	-	( 287,647)
1,518,440	202,445	32,382	1,753,267	11,325	( 507,610)	16,711,022
-	-	1,669	1,669	-	-	-
-	-	( 4,463,201)	( 4,463,201)	-	-	( 4,463,201)
-	-	-	-	( 291)	-	( 291)
-	-	-	-	226	-	226
-	-	-	-	-	( 120,421)	( 120,421)
1,518,440	202,445	( 4,429,150)	( 2,708,265)	11,260	( 628,031)	12,127,335
( 1,518,440)	( 202,445)	1,925,083	204,198	-	-	-
-	-	( 2,504,067)	( 2,504,067)	11,260	( 628,031)	12,127,335
-	-	-	-	-	239,558	239,558
-	-	3,401,466	3,401,466	-	-	3,401,466
-	-	-	-	( 515)	-	( 515)
-	-	-	-	( 23)	-	( 23)
\$ -	\$ -	\$ 897,399	\$ 897,399	\$ 10,722	(\$ 388,473)	\$ 15,767,821

The accompanying notes are an integral part of the financial statements.



# Financial Report

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts Expressed in Thousands of New Taiwan Dollars)

	2002		2003	
	NT\$	NT\$	NT\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss)	(\$ 4,463,201)	\$ 3,401,466	\$ 100,108	
Provision for possible losses	8,050,066	1,330,472	39,157	
Depreciation and amortization	194,703	194,624	5,728	
Amortization of premium on bonds	36,748	77,938	2,294	
Recognition of loss on decline in market value of foreign bond investments	64,547	76,156	2,241	
Reversal of loss on decline in value of securities purchased	( 32,675)	-	-	
Net loss on disposal of properties	967	454	13	
Net loss on disposal of collaterals assumed	45,471	28,454	837	
Provision for retirement benefits	44,012	50,280	1,480	
Payment of pension benefits	( 13,883)	( 5,078)	( 149)	
Investment income recognized by the equity method	( 10,122)	( 232,356)	( 6,838)	
Cash dividends from investments accounted for by the equity method	8,379	60,137	1,770	
Decrease (increase) in deferred income tax	( 1,105,993)	283,249	8,336	
Increase in securities purchased—held for trading purposes	( 2,363,976)	( 7,856,763)	( 231,231)	
Increase in other receivables	( 10,033,284)	( 3,721,681)	( 109,532)	
Increase (decrease) in payables and advances	( 490,237)	682,283	20,080	
Net cash used in operating activities	( 10,068,478)	( 5,630,365)	( 165,706)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in due from banks	5,450,324	( 12,525,434)	( 368,633)	
Increase in due from the Central Bank of China	( 1,966,480)	( 116,842)	( 3,439)	
Increase in loans, discounts and bills purchased	( 3,838,850)	( 4,691,002)	( 138,060)	
Acquisition of properties	( 153,792)	( 185,819)	( 5,469)	
Proceeds from disposal of properties	724	135	4	
Proceeds from disposal of collaterals assumed	450,620	215,220	6,334	
Increase in long-term equity investments	( 25,000)	( 819,922)	( 24,131)	
Decrease (increase) in long-term bond investments	( 275,836)	7,513,900	221,140	
Increase in other assets	( 489,812)	( 1,476,360)	( 43,450)	
Net cash used in investing activities	( 848,102)	( 12,086,124)	( 355,704)	

	2002		2003	
	NT\$	NT\$	NT\$	US\$
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase (decrease) in due to banks	(\$ 5,424,074)	\$ 1,937,556	\$ 57,024	
Increase in deposits and remittances	9,899,300	8,383,406	246,730	
Increase (decrease) in bonds sold under repurchase agreement	1,456,834	( 4,482,418)	( 131,921)	
Increase in other liabilities	28,575	1,565,187	46,065	
Issuance of bank debentures	5,000,000	7,000,000	206,016	
Issuance of Europe convertible bond	-	3,737,580	110,000	
Cash dividends	( 287,647)	-	-	
Bonus to directors, supervisors and employees	( 25,013)	-	-	
Disposal of treasury stock (reacquisition of issued stock)	( 120,421)	239,558	7,050	
Net cash provided by financing activities	10,527,554	18,380,869	540,964	
EFFECTS OF EXCHANGE RATE CHANGES	15,794	8,491	250	
NET INCREASE (DECREASE) IN CASH	( 373,232)	672,871	19,804	
CASH, BEGINNING OF YEAR	2,014,692	1,641,460	48,309	
CASH, END OF YEAR	\$ 1,641,460	\$ 2,314,331	\$ 68,113	
<b>SUPPLEMENTAL INFORMATION</b>				
Interest paid	\$ 5,653,738	\$ 3,649,000	\$ 107,393	
Income tax paid	51,403	67,011	1,972	



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in thousands of New Taiwan Dollars, unless otherwise stated)

## 1. ORGANIZATION AND OPERATIONS

Far Eastern International Bank ( "the Bank" ) obtained its license on January 11, 1992 and started business operations on April 11, 1992. The Bank engages in (a) receiving deposits and extending loans and guarantees ; (b) issuing letters of credit and handling remittances ; (c) acting as an agent for transacting government bonds, corporate bonds and bank debentures ; and (d) doing other businesses permitted by the Banking Law and related regulations.

As of December 31, 2003, the Bank operated through a business department, international department, trust department, credit card department, offshore banking unit, and 35 domestic branches, as well as a representative office in Hong Kong.

The operations of the Bank's Trust Department included pecuniary trust, securities trust and the relative operations approved by the Ministry of Finance. These operations are regulated under the Banking Law and Trust Enterprise Law.

The Bank's capital shares are listed on the Taiwan Stock Exchange.

As of December 31, 2002 and 2003, the Bank had 1,665 and 1,827 employees, respectively.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements were prepared in conformity with the Guidelines for Securities Issuers' Financial Reporting and accounting principles generally accepted in the Republic of China (ROC). Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank's financial statements were not classified as current or noncurrent. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 27 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below :

Securities Purchased

Securities purchased are carried at the lower of cost or market. The cost of listed stocks and bonds sold is determined by the moving-average method and others by the specific identification method.

Repurchased and resold bond transactions are recorded as financing transactions. Premiums received from selling resold bonds are recognized as interest income. Premiums paid from buying repurchased bonds are recognized as interest expenses.

Delinquent Accounts

Under guidelines issued by the Ministry of Finance, the balance of loans and other credits extended by the Bank and the related accrued interest thereon which are six months overdue are classified as delinquent accounts upon approval.

Allowance for Possible Losses

In determining the allowance for credit losses and provision for losses on guarantees, the Bank evaluates the losses on particular loans and overall credit portfolio, considering the balances and general collectibility of loans, discounts and bills purchased, accounts, interest and other receivables, and delinquent accounts, as well as guarantees and acceptances as of the balance sheet dates.

The Bank evaluates losses on particular loans on the basis of its borrower'/clients credit limit, collateral provided and estimated level of collectibility in accordance with "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts" (the "Rules" ) issued by the Ministry of Finance. The Rules require that the minimum provision for credit losses should not be less than 50% of the doubtful credits and 100% of the unrecoverable credits.

Write-offs of loans falling under the Ministry of Finance guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses.

Long-term Investments

An investment is accounted for by the equity method when the Bank's equity exceeds 20% of the investee's stockholding and the Bank exercises significant influence over the financial and operating policy decisions of the investee. Under this method, the investment is stated at cost and later adjusted for the Bank's equity in the investee's net earnings (or net losses). Cash dividends received are recognized as a reduction of investment cost.

Other long-term equity investments are accounted for at cost. Cash dividends received are recorded as investment income.

Bond investments are also accounted for at cost. Premiums or discounts on the bonds are amortized by the straight-line method over the remaining maturity periods of the securities. Amortizations are added to or deducted from interest income. The cost of bond investments sold is determined by the moving-average method.

An allowance for possible losses on foreign bond investments is based on the evaluation of the investment risk.



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

Properties

Properties are stated at cost less accumulated depreciation. Improvements and major renewals are capitalized while repairs and maintenance are expensed currently.

Depreciation is computed using the straight-line method over these estimated service lives : buildings and improvements, 5 to 55 years ; computer equipment, 3 to 7 years ; transportation equipment, 3 to 7 years ; and miscellaneous equipment, 3 to 20 years. Properties that have reached their full residual values but are still being used are depreciated over their newly estimated service lives.

Upon sale or disposal of properties, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is credited or charged to nonoperating income.

Collaterals Assumed

Collaterals assumed are initially recorded at cost and revalued at the lower of cost or net realizable value on balance sheet dates.

Convertible Bonds

The bond issue costs are deferred and amortized from the issue date to the final redemption date.

The difference between the net carrying amount of the bonds in excess of the par value of the Bank's stocks and the unamortized bond issue cost are charged to capital surplus when the bonds are converted to the Bank's stock.

Pension Cost

The Bank accrues pension cost based on an actuarial report. Unrecognized net transition obligation and unrecognized prior service cost are amortized over 26 and 23 years, respectively.

Treasury Stock

The reacquisition of issued stock is carried at cost and reflected as a separate deduction from shareholders' equity.

Income Tax

Provision for income tax represents income tax paid and payable for the current year plus the changes in the deferred income tax assets and liabilities during the year. Deferred income taxes are recognized for tax effects of temporary differences, unused tax credits and operating loss carryforwards. A valuation allowance is provided for deferred tax assets that are not certain to be realized.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax expense.

Income taxes (10%) on unappropriated earnings are recorded as expense in the year when the shareholders resolve to retain the earnings.

Income tax credits for certain research and development expenditures, personnel training expenses are recognized in the period when acquisitions or expenses are paid.

Foreign-currency Transactions

The Bank records foreign-currency transactions in their respective currencies. Except the OBU, the gains or losses resulting from the foreign currency of each branch are translated into New Taiwan dollars at exchange date spot rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at month-end spot rates. Realized and unrealized foreign exchange gains or losses are credited or charged to current income.

Gains or losses resulting from the restatement of period-end net assets of the OBU are credited or charged to "cumulative translation adjustment" under shareholders' equity.

Derivative Financial Instruments

a. Forward exchange contracts, which are used for trading purposes, are recorded at the contracted forward rate. Upon settlement, gains or losses resulting from the difference between the spot rate on the settlement date and the contracted forward rate are credited or charged to income. At year-end, gains or losses on outstanding forward contracts arising from the differences between the forward rate available for the remaining period of each contract and the contracted forward rate are credited or charged to income ; also, the balances of receivable and payable accounts are netted out, and the resulting amount is classified as an asset or a liability.

b. Currency swap contracts, which are used for trading purposes, are recorded at spot rates on the transaction dates, and the corresponding forward-position assets or liabilities are recorded at the contracted forward rates. The difference between the spot rate and the forward rate is amortized by the straight-line method over the contract period and recorded as interest income or interest expense. At year-end, the balances of receivables and payables are netted out, and the resulting amount is classified as an asset or a liability.

c. Cross-currency swap (CCS) contracts, which are used for nontrading purposes, are recorded at the contracted forward rates. The related discounts or premiums are amortized over the contract period on the straight-line basis. Net interests upon each settlement are recorded as adjustments to revenue or expense of the items being hedged.

d. Options

Premiums paid and received for options, which are used for trading purposes, are recorded as assets and liabilities, respectively. Gains or losses on the exercise of options are credited or charged to current income. Options outstanding on the balance sheet date are marked to market, and the resulting gains or losses are recognized currently.

e. Interest rate swaps

The interest received or paid on each settlement or interest accrued on the balance sheet date for interest rate swap agreements, which are used to accommodate customers' needs or to manage the Bank's currency positions, is recorded as revenue or expense and assessed by the fair value method.

Recognition of Interest Income and Service Fees

Interest income on loans is recorded on the accrual basis. For delinquent accounts, interest income is recognized only when collection on these obligations is made. Under the regulation of the Ministry of Finance, the interest income on credits covered by agreements that extend their maturity is recorded as deferred income and recognized upon collection.

Service fees are recorded as income upon receipt or when the related services are substantially completed.



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

Contingencies

A loss should be recognized if it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If loss is possible but the amount of loss cannot be reasonably estimated, a footnote disclosure of the situation that might give rise to the loss should be made.

Reclassifications

Certain 2002 accounts have been reclassified to conform to the 2003 financial statement presentation.

3. TRANSLATION OF FINANCIAL STATEMENTS INTO U.S. DOLLARS

The financial statements are stated in New Taiwan dollars, the currency of the country in which the Bank is incorporated and operates. The translation into U.S. dollars of the New Taiwan dollar amounts as and for the year ended December 31, 2003 are included solely for the convenience of the readers and have been made at the buying and selling exchange rates quoted by the Bank of Taiwan prevailing on December 31, 2003, which was NT\$33.978 to US\$1.00. This translation should not be construed as a representation that the New Taiwan dollar amounts could be converted into U.S. dollars at this or any other rate.

4. DUE FROM BANKS

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Due from banks	\$ 709,095	\$ 2,568,856	\$ 75,603
Call loans to banks	5,991,313	16,656,986	490,229
	<u>\$ 6,700,408</u>	<u>\$ 19,225,842</u>	<u>\$ 565,832</u>

5. DUE FROM THE CENTRAL BANK OF CHINA

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
N.T. dollar deposit reserve Type A	\$ 1,468,038	\$ 3,454,794	\$ 101,678
N.T. dollar deposit reserve Type B	3,389,459	3,314,771	97,556
Time deposits	2,800,000	1,000,000	29,431
Financial information system center account	200,095	200,005	5,886
Foreign-currency deposit reserve	10,426	15,290	450
	<u>\$ 7,868,018</u>	<u>\$ 7,984,860</u>	<u>\$ 235,001</u>

The N.T. dollar deposit reserves are required by law and determined at prescribed rates for average deposit balances. The Type B reserve cannot be withdrawn and is adjusted on the monthly basis.

Foreign-currency deposit reserves are required by law and determined at prescribed rates for average deposit balances. The reserve may be withdrawn but earn no interest.

As of December 31, 2002 and 2003, time deposits of \$2,800,000 and \$1,000,000 were provided as collateral for the day-term overdraft required upon joining the Central Bank's clearing system of Real-time Gross Settlement (RTGS). The pledged amount is adjustable according to the overdraft amount.

6. SECURITIES PURCHASED

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Time deposits	\$ 76,643	\$ 5,900,000	\$ 173,642
Commercial paper	14,965	2,232,784	65,713
Convertible corporate bonds	-	1,732,412	50,986
Mutual funds	2,100,000	1,370,000	40,320
Listed and over-the-counter stocks	225,796	936,814	27,571
Government bonds	2,000,480	102,637	3,021
	<u>\$ 4,417,884</u>	<u>\$ 12,274,647</u>	<u>\$ 361,253</u>

As of December 31, 2002 and 2003, the market values of listed and over-the-counter stocks and mutual funds were \$2,318,800 and \$2,282,145, respectively, which were calculated at the average daily closing prices on December 31, 2002 and 2003 or net asset values as of December 31, 2002 and 2003.

As of December 31, 2003, the market value of the convertible corporate bonds was \$1,762,021 in 2003, which was calculated at closing prices as of December 31, 2003.

As of December 31, 2002 and 2003, the market value of the government bonds were \$2,073,013 and \$102,738, respectively, which was calculated at closing prices as of December 31, 2002 and 2003.





NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

7. RECEIVABLES

	December 31		
	2002	2003	
	NT\$	NT\$	US \$
Credit card	\$ 20,276,501	\$ 2,112,904	\$ 62,185
Factoring	926,120	1,677,860	49,381
Acceptances	308,309	1,230,564	36,216
Interest	1,728,633	1,177,941	34,668
Share in foreclosed assets auctioned off	120,678	98,352	2,895
Income tax refund	97,416	67,818	1,996
Stock to settle business transactions	111,278	45,474	1,338
Others	153,923	368,236	10,837
	<u>23,722,858</u>	<u>6,779,149</u>	<u>199,516</u>
Less: Allowance for possible loss	167,564	74,040	2,179
	<u>\$ 23,555,294</u>	<u>\$ 6,705,109</u>	<u>\$ 197,337</u>

Since January 1, 2003, the Bank began to account for credit card revolving balances as loans instead of receivables.

8. LOANS, DISCOUNTS AND BILLS PURCHASED

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Inward/outward documentary bills and bills purchased	\$ 451,851	\$ 489,592	\$ 14,409
Overdraft and discounts	108,457	87,807	2,584
Loans			
Short-term	22,647,600	15,630,127	460,007
Short-term secured	8,620,951	6,769,044	199,219
Medium-term	27,947,570	51,016,283	1,501,450
Medium-term secured	18,113,846	14,023,805	412,732
Long-term	3,614,110	3,519,874	103,593
Long-term secured	52,631,334	67,854,197	1,997,004
Delinquent accounts	4,521,216	3,740,894	110,098
	<u>138,656,935</u>	<u>163,131,623</u>	<u>4,801,096</u>
Less : Allowance for possible losses	2,055,372	2,074,312	61,049
	<u>\$ 136,601,563</u>	<u>\$ 161,057,311</u>	<u>\$ 4,740,047</u>

As of December 31, 2002 and 2003, the balances of loans without accruing interest were \$4,521,216 and \$3,740,894, respectively. For loans that became delinquent accounts, the deferred interest incomes were \$211,004 and \$180,111 for the years ended December 31, 2002 and 2003, respectively.

For the years ended December 31, 2002 and 2003, the Bank had not written off credits without any legal proceedings having been initiated.

The changes in the allowance for possible losses on loans, discounts and bills purchased are summarized below :

	NT\$		
	Specific Risk	General Risk	Total
Balance, January 1, 2002	\$ 1,229,534	\$ 320,475	\$ 1,550,009
Provision	8,305,323	( 218,603)	8,086,720
Write-off	( 7,677,642)	-	( 7,677,642)
Recoveries	96,233	-	96,233
Effects of exchange translation	-	52	52
Balance, December 31, 2002	<u>\$ 1,953,448</u>	<u>\$ 101,924</u>	<u>\$ 2,055,372</u>
Balance, January 1, 2003	\$ 1,953,448	\$ 101,924	\$ 2,055,372
Provision	1,123,648	281,751	1,405,399
Write-off	( 3,105,045)	-	( 3,105,045)
Recoveries	1,722,743	-	1,722,743
Effects of exchange translation	-	( 4,157)	( 4,157)
Balance, December 31, 2003	<u>\$ 1,694,794</u>	<u>\$ 379,518</u>	<u>\$ 2,074,312</u>



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

9. LONG-TERM INVESTMENTS

	December 31				
	2002		2003		
	NT\$	% of Owner ship	NT\$	US\$	% of Owner ship
<u>Equity investments</u>					
Equity method					
Dah Chung Bills Finance Corp.	\$ -	-	\$ 1,137,946	\$ 33,491	22.6
Far Eastern International Leasing Corp.	495,981	39.9	518,437	15,258	39.9
Far Eastern Alliance Asset Management Co., Ltd.	156,799	60.0	188,580	5,550	60.0
Far Eastern Life Insurance Agency Co., Ltd.	18,801	99.0	70,258	2,068	100.0
Far Eastern Technical Consultants Co., Ltd.	11,997	30.0	9,224	271	30.0
Far Eastern Property Insurance Agency Co., Ltd.	-	-	3,106	91	100.0
	683,578		1,927,551	56,729	
Cost method					
Kuei Yi Industrial Co., Ltd.- preferred stock	-	-	266,640	7,847	-
ERA Communications Co., Ltd.	200,000	3.7	200,000	5,886	3.7
Financial Information Service Co., Ltd.	45,500	1.1	45,500	1,339	1.1
Mondex Taiwan Co., Ltd.	25,000	6.5	25,000	736	6.5
An Feng Enterprise Co., Ltd.	3,000	10.0	3,000	88	10.0
Taipei Forex Inc.	800	0.4	800	24	0.4
Dah Chung Bills Finance Corp.	251,854	7.1	-	-	-
	526,154		540,940	15,920	
Prepayments					
Far Eastern International Finance Corp.	3,950		3,950	117	
	1,213,682		2,472,441	72,766	
<u>Bond investments</u>					
Government bonds	11,314,704		3,973,246	116,936	
Floating-interest-rate notes	759,046		521,160	15,338	
Foreign corporate bonds	485,789		271,824	8,000	
	12,559,539		4,766,230	140,274	
Less: Allowance for possible loss on foreign bond investments	246,261		134,111	3,947	
	12,313,278		4,632,119	136,327	
	\$ 13,526,960		\$ 7,104,560	\$ 209,093	

In January 2003, the Bank established a wholly owned subsidiary, Far Eastern Property Insurance Agency Co., Ltd., by \$2,000.

In March 2003, Far Eastern Alliance Asset Management Co., Ltd. decreased its capital to offset the deficit then afterward increased its capital by issuing new shares. The Bank increased its investment for \$43,192, but the remaining shares had decreased in 5,452 thousand shares.

In June 2003, the Bank increased its holding in Dah Chung Bills Finance Corp., by acquiring 15.5% more shareholding from related parties which cost \$774,683. The Bank acquired 22.6% shareholding finally.

In the first half of 2003, the Bank transformed its debt from Kuei Yi Industrial Co., Ltd., into 26,664 thousands shares at face value of preferred stock of Kuei Yi Industrial Co., Ltd.

In May 2002, the Bank acquired 6.9% holding in Mondex Taiwan Co., Ltd. by subscribing for this investee's 2,000 thousand shares for \$25,000.

The carrying value of equity investments as of December 31, 2002 and 2003 was based on audited financial statements of investees for the same period as that of the Bank, except for the 2002 financial figures of Far Eastern Life Insurance Agency Co., Ltd. and 2003 financial figures of Far Eastern Property Insurance Agency Co., Ltd., which were based on unaudited financial statements. However, the 2002 carrying value of equity investments and investment income of Far Eastern Life Insurance Agency Co., Ltd. and 2003 carrying value of equity investments and investment income of Far Eastern Property Insurance Agency Co., Ltd. had no significant influence on the Bank's financial statements.

The total assets and operating income of three investees—Far Eastern Alliance Asset Management Co., Ltd., Far Eastern Life Insurance Agency Co., Ltd. and Far Eastern Property Insurance Agency Co., Ltd.—were individually less than 10% and collectively less than 30% of those of the Bank. Thus, the Bank did not prepare consolidated financial statements.





## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

## 10. PROPERTIES

	December 31		
	2002	2003	
Accumulated depreciation consisted of:	NT\$	NT\$	US\$
Buildings and improvements	\$ 178,723	\$ 216,307	\$ 6,366
Computer equipment	291,697	368,841	10,855
Transportation equipment	29,892	29,962	882
Miscellaneous equipment	626,400	670,796	19,742
	<u>\$ 1,126,712</u>	<u>\$ 1,285,906</u>	<u>\$ 37,845</u>

As of December 31, 2002 and 2003, properties were insured for about \$2,854,208 and \$3,050,148, respectively.

## 11. OTHER ASSETS

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Collaterals assumed—less allowance for possible losses of \$24,000 and \$220,031 as of December 31, 2002 and 2003	\$ 2,100,522	\$ 1,972,273	\$ 58,045
Value of options purchased	553,382	2,065,237	60,782
Deferred income tax (Note 18)	1,292,645	1,009,396	29,707
Refundable deposits	837,600	781,694	23,006
Deferred charges	177,234	158,886	4,676
	<u>\$ 4,961,383</u>	<u>\$ 5,987,486</u>	<u>\$ 176,216</u>

## 12. DUE TO BANKS

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Call loans	\$ 8,187,947	\$ 10,297,706	\$ 303,070
Due to banks	400,010	300,010	8,830
Overdraft	99,544	28,584	841
Due to the Central Bank of China	19,780	18,537	545
	<u>\$ 8,707,281</u>	<u>\$ 10,644,837</u>	<u>\$ 313,286</u>

## 13. PAYABLE AND ADVANCES

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Checks for clearing	\$ 472,898	\$ 1,246,400	\$ 36,683
Acceptance	308,309	1,230,564	36,217
Accrued interest	942,642	778,216	22,904
Factoring	521,310	746,633	21,974
Collections on notes	248,610	115,056	3,386
Advances for loaning client	93,230	71,841	2,114
Accrued advertisement	128,000	67,009	1,972
Temporary receipts	49,206	56,054	1,650
Accrued bonus	142,569	33,007	971
Others	405,296	571,828	16,829
	<u>\$ 3,312,070</u>	<u>\$ 4,916,608</u>	<u>\$ 144,700</u>

## 14. DEPOSITS AND REMITTANCES

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Checking	\$ 1,690,769	\$ 1,672,798	\$ 49,232
Demand	7,572,976	9,745,595	286,821
Time	57,855,068	44,788,112	1,318,150
Negotiable certificates of deposit	17,919,000	33,780,000	994,172
Savings	58,137,945	62,395,558	1,836,352
Due to postal and remittances savings bureau	15,965,382	15,139,679	445,573
Outward remittances	8,691	10,261	302
Inward remittances	1,713	2,947	87
	<u>\$ 159,151,544</u>	<u>\$ 167,534,950</u>	<u>\$ 4,930,689</u>





## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

## 15. BANK DEBENTURES

Item	The Issuing Period	Note	December 31		
			2002	2003	
			NT\$	NT\$	US\$
Senior bank debentures- three-year maturity ; first issue in 2001	2001.08.06 ↓ 2004.08.06	Interest payable on August 6 each year ; 4.03% interest	\$ 5,000,000	\$ 5,000,000	\$ 147,154
Subordinated bank- debentures-five-year maturity ; 1 <sup>st</sup> of first issue in 2002	2002.06.28 ↓ 2007.06.28	Interest payable on June 28 each year ; floating interest rate	2,000,000	2,000,000	58,862
Subordinated bank- debentures-five-year maturity ; 2 <sup>nd</sup> of first issue in 2002	2002.07.31 ↓ 2007.07.31	Interest payable on January 31 and July 31 each year ; floating interest rate	3,000,000	3,000,000	88,292
Senior bank debentures- five-year maturity ; first issue in 2003	2003.02.11 ↓ 2008.02.11	Interest payable on February 11 and August 11 each year ; floating interest rate at 4.6% less 6 months' LIBOR	-	2,000,000	58,862
Senior bank debentures- five-year maturity ; second issue in 2003	2003.07.18 ↓ 2008.07.18	Interest payable on July 18 each year ; 1.42% interest	-	1,500,000	44,146
Senior bank debentures- five-year maturity ; third issue in 2003	2003.09.05 ↓ 2008.09.05	Interest payable on March 5 and September 5 each year ; floating interest rate	-	700,000	20,602
Senior bank debentures- five-year maturity ; fourth issue in 2003	2003.10.17 ↓ 2008.10.17	A.B.D.E.F. coupons : Interest payable on each season ; C.G.H.I. coupon : Interest payable on October 17 each year ; 2.20%-2.25% interest	-	2,100,000	61,804
Senior bank debentures- five and a half-year's maturity ; fourth issue in 2003	2003.10.17 ↓ 2009.04.17	Interest payable on April 17 and October 17 each year ; floating interest rate	-	700,000	20,602
			<u>\$ 10,000,000</u>	<u>\$ 17,000,000</u>	<u>\$ 500,324</u>

## 16. CONVERTIBLE BONDS PAYABLE

As of December 31, 2003, the Bank issued NT\$3,737,580 thousand convertible bonds (US\$110,000,000).

Issue condition of the Bonds is as follows :

**a. Issue size :** US\$110,000 thousand

**b. Issue denomination :** US\$1,000

**c. Issue date :** July 31, 2003

**d. Issue price :** The Bonds are issued at 100% of par in global registered form in denominations.

**e. Issue period :** Five years.

**f. Coupon rate :** The indicative coupon for the Bonds is 0% per annum.

**g. Conversion period :** Except in the event that Bonds are previously redeemed, purchased, converted or cancelled and during the Closed Period (as defined in the trust deed), the holders of the Bond have the right to require the Bank to redeem all or any portion of the Bonds at January 27, 2004 to July 16, 2008.

**h. Conversion securities :** The Bonds will be convertible into newly issued common shares of the Bank.

**i. Conversion price :** At a conversion price per share of NT\$17.52. The number of common shares to be transferred and delivered upon conversion of the Bonds will be determined by dividing the principal amount of the Bonds by the conversion price at the fixed exchange rate of NT\$34.404=US\$1.00 on the pricing date in effect on the conversion date.

**j. Redemption at the option of the Bond's holders :** Holders of the Bonds have the right to require the Bank to redeem all or any portion of the Bonds.

1) On July 25, 2005.

2) If the common shares of the Bank officially cease to be listed on the Taiwan Stock Exchange (TSE) for a period of at least five consecutive trading days.

3) There is a Change of Control (as defined in the trust deed, such as the changes in the majority directors of the Bank) of the Bank.



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

**k.Redemption at the option of the Bank :** The Bank has the right to require the Holders of the Bonds to redeem all or any portion of the Bonds.

1)The Bank may redeem the Bonds at early redemption value in whole or in part, beginning August 15, 2005 to July 30, 2008 after the issue date, provided that the closing price of the common shares on the TSE translated into U.S. dollars at the prevailing rate for a period of 30 consecutive trading days is at least 130% of the conversion price then in effect translated into U.S. dollars at a pre-determined exchange rate set on the pricing date.

2)The Bank may redeem the Bonds at any time in whole but not in part at an early redemption value if at least 90% in principal amount of the Bonds have already been redeemed, converted, or purchased and cancelled.

3)If as a result of changes relating to tax laws in the Republic of China, the Bank becomes obligated to pay any additional amounts

**l.Redemption method :** Unless previously redeemed, purchased and cancelled or converted, the Bonds will be redeemed on the maturity date at 100% of par value.

**m.These bonds were listed on the Luxembourg Stock Exchange.**

17.PENSION PLAN

The Bank has a pension plan for all regular employees. Benefits under the plan are based on length of service and average salary at a specified period before retirement.

Since 1992, the Bank has accrued retirement benefits based on 4% of salaries. In 1996, the Bank started to accrue pension costs based on actuarial reports.

Since July 1998, the Bank has contributed amounts equal to 2% of monthly salaries to a pension fund. This fund is administered by a retirement fund monitoring committee and deposited in the committee's name in the Central Trust of China.

Pension information is summarized as follows :

	The Year Ended December 31		
	2002	2003	
	NT\$	NT\$	US\$
<b>a.Net periodic pension cost</b>			
Service cost	\$ 47,832	\$ 56,591	\$ 1,665
Interest cost	13,633	14,268	420
Amortization of unrecognized benefit obligations at transition and prior service cost	1,174	1,174	35
Projected return on plan assets	( 3,014)	( 3,181)	( 94)
Pension cost	\$ 59,625	\$ 68,852	\$ 2,026

**b.Reconciliation of pension fund contributions and accrued pension liabilities**

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Benefit obligation			
Vested benefit obligation	(\$ 13,416)	\$ -	\$ -
Non-vested benefit obligation	( 211,663)	( 272,640)	( 8,024)
Accumulated benefit obligation	( 225,079)	( 272,640)	( 8,024)
Effects on employees' future salary level	( 131,631)	( 135,591)	( 3,991)
Projected benefits obligation	( 356,710)	( 408,231)	( 12,015)
Fair value of plan assets	70,526	90,046	2,650
Pension fund contribution	( 286,184)	( 318,185)	( 9,365)
Unrecognized net transition obligation	12,912	12,233	360
Unrecognized prior service cost	9,769	9,274	273
Unrecognized net loss	12,306	1,549	46
Accrued pension liabilities	(\$ 251,197)	(\$ 295,129)	(\$ 8,686)
Vested benefit	\$ 14,930	\$ -	\$ -





NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

c. Actuarial assumptions for pension obligation

	2002	2003
Discount rate	4.0%	3.5%
Incremental rate for employees' future salary level	3.0%	2.5%
Expected rate of return on plan asset	4.0%	3.5%

d. Summary of changes in the pension fund

	The Year Ended December 31		
	2002 NT\$	2003 NT\$ US\$	
Balance, beginning of year	\$ 51,678	\$ 70,526	\$ 2,076
Contributions	17,470	19,842	584
Interest income	1,378	1,122	33
Payments	-	( 1,444)	( 43)
Balance, end of year	\$ 70,526	\$ 90,046	\$ 2,650

18. INCOME TAX EXPENSE

a. Reconciliation of income tax based on pretax accounting income at statutory income tax rate and income tax expense is as follows :

	The Year Ended December 31		
	2002 NT\$	2003 NT\$ US\$	
Tax on pretax income (loss) at statutory income tax rate (25%)	(\$ 1,391,799)	\$ 928,525	\$ 27,327
Tax effects of offshore business unit	58,575	( 22,730)	( 669)
Add (deduct) tax effects of :			
Permanent differences	( 1,430)	( 439,072)	( 12,922)
Temporary differences	38,209	( 4,539)	( 134)
Current year's income tax	( 1,296,445)	462,184	13,602
Loss carryforwards	1,298,421	( 436,861)	( 12,857)
Investment tax credit	-	( 5,437)	( 160)
Separate tax on interest of short-term negotiable instruments	( 1,976)	( 19,886)	( 585)
Income tax currently payable	-	-	-
Withholding tax	( 49,427)	( 47,125)	( 1,387)
Refundable income tax	(\$ 49,427)	(\$ 47,125)	(\$ 1,387)

b. Income tax (benefit) consisted of :

	The Year Ended December 31		
	2002 NT\$	2003 NT\$ US\$	
Current year's income tax	(\$ 1,296,445)	\$ 462,184	\$ 13,602
Prior year's adjustments	22	9,501	280
Income tax (10%) on unappropriated earnings	7,007	-	-
Change in deferred income tax	185,421	( 159,050)	( 4,681)
Income tax expenses (benefit)	(\$ 1,103,995)	\$ 312,635	\$ 9,201



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

c. Deferred income tax assets (calculated at 25% rate) consisted of :

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Unused loss carryforwards	\$ 1,608,958	\$ 1,150,226	\$ 33,852
Unrealized loss on decline in value of collaterals assumed	-	55,008	1,619
Over-provision for pension cost	28,702	41,167	1,212
Unused investment tax credits	31,421	36,288	1,068
Over-provision for losses on loans	71,409	-	-
	1,740,490	1,282,689	37,751
Less : Allowance	447,845	273,293	8,044
	\$ 1,292,645	\$ 1,009,396	\$ 29,707

d. Information on the Integrated Income Tax System is as follows:

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Period-end balance of imputed tax credit	\$ 18,176	\$ 43,263	\$ 1,273

The Bank had not appropriated any earnings because the Bank had a net loss in 2002. The estimated creditable tax ratio for the distribution of 2003 earnings is 4.82%.

The tax credits allocated to shareholders are based on the balance of the imputation credit account (ICA) on the dividend distribution date.

e. There is no unappropriated earnings belong to before 1997.

f. As of December 31, 2003, the Bank's unused loss carryforwards was as follows :

Expiry Year	Unused Loss Carryforward	
	NT\$	US\$
2007	\$ 1,150,226 (declared amount)	\$ 33,852 (declared amount)

g. As of December 31, 2003, the Bank's unused investment tax credits were as follows :

Regulation	Items	Expiry Year	Total Creditable		Remaining Creditable	
			NT\$	US\$	NT\$	US\$
Statute for Upgrading Industries	Research and development expenditures, personnel training expenses	2004 (assessed amount)	\$ 5,345	\$ 157	\$ 5,345	\$ 157
		2005 (assessed amount)	10,638	313	10,638	313
		2006 (declared amount)	15,305	451	15,305	451
		2007 (estimated amount)	5,000	147	5,000	147

h. Income tax returns through 2001 had been assessed by the tax authorities. In assessing the 1998, 1999, 2000 and 2001 income tax returns, the tax authorities denied the creditability of 10% taxes, amounting to \$376, \$4,115, \$14,941 and \$8,835, respectively, withheld from interest income on bonds held by other investors in certain periods. The Bank had reconciled with the Taipei National Tax Administration (TNTA) in January 2004. The TNTA agreed that 65% of withholding tax can be refunded, and the other 35% is accounted as income tax expense of 2003.



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

19.SHAREHOLDERS' EQUITY

The Bank's Articles of Incorporation provide that the annual net income (less accumulated losses, if any) must be appropriated as follows :

a.30% as legal reserve;

b.Special reserve at a percentage based on the relevant law or regulations;

c.Portion to be retained on the basis of operational needs; and

d.Any remainder :	%
Bonus to shareholders	92
Bonus to directors and supervisors	2
Bonus to employees	6
	100

The dividend policy of the Bank is to distribute at least 10% of the appropriated earnings as cash dividends. This policy will be evaluated and adjusted in the future after taking into account factors such as the level of its future operations and investment requirement. The Banking Law provides that cash dividends and bonuses may not exceed 15% of paid-in capital if the legal reserve has not equaled the paid-in capital.

On May 29, 2003, the shareholders' meeting approved to use the legal reserve of \$1,518,440, special reserve of \$202,445 and capital surplus of \$204,198 to offset the Bank's deficit. After the offset against reserve and capital surplus, the remaining deficit amounted to \$2,504,067.

On June 5, 2002, the shareholders' meeting, approved the appropriation of prior year's earnings as follows :

	NT\$	US\$
Legal reserve	\$ 140,739	\$ 4,142
Cash dividends - 2%	287,647	8,466
Bonus to directors and supervisors	6,253	184
Bonus to employees - cash	18,760	552

On June 5, 2002, the shareholders' meeting also approved the transfer of gain on disposal of properties amounting to \$1,669 to retained earnings.

Up to the day of issuing the audit report, the appropriation of the 2003 earnings had not been resolved by the board of directors. The resolution on this appropriation will be announced through the market Observation Post System on the Web site of the Taiwan Stock Exchange.

Under the Company Law, the appropriation for legal reserve must be made until the reserve equals paid-in capital. The reserve may be used only to reduce or offset deficit. When legal reserve is capitalized, the amount of the legal reserve shall have aggregated up to 50% of the paid-in capital, and one half of the amount of such legal reserve may be capitalized.

The capitalization of paid-in capital in excess of par value may be made only once a year within a certain prescribed amount. Also, paid-in capital in excess of par value that arises in the current year may only be capitalized in subsequent years.

Under the Integrated Income Tax System, which took effect on January 1, 1998, R.O.C. - resident shareholders will be allocated a tax credit for the income tax paid by the Bank on earnings generated since 1998, which is maintained in the imputation credit account (ICA) and calculated ratio of creditable tax to unappropriated earnings on the dividend distribution date.

The Bank's foreign shareholders are not entitled to the tax credit described above, except those related to 10% income taxes on unappropriated earnings actually paid by the Bank. The foreign shareholders' share in such tax will be used to reduce the final withholding tax on their cash dividends.



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

20. PERSONNEL EXPENSES, DEPRECIATION AND AMORTIZATION

	The Year Ended December 31		
	2002	2003	
	NT\$	NT\$	US\$
Personnel expenses			
Salary and bonus	\$ 1,016,848	\$ 1,084,447	\$ 31,916
Insurance	71,228	85,593	2,519
Pension expense	62,077	70,392	2,072
Others	65,728	97,816	2,879
Subtotal	1,215,881	1,338,248	39,386
Depreciation	194,575	194,601	5,727
Amortization	128	23	1
Total	\$ 1,410,584	\$ 1,532,872	\$ 45,114

21. EARNINGS (LOSS) PER SHARE

The numerators and denominators used in calculating earnings (loss) per share (EPS) were as follows :

	NT\$ (Numerator)		Thousands Shares (Denominator)	EPS (NT Dollars)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<b>For the year ended December 31, 2002</b>					
Primary losses per share	(\$ 5,567,196)	(\$ 4,463,201)	1,436,800	(\$ 3.87)	(\$ 3.11)
<b>For the year ended December 31, 2003</b>					
Primary earnings per share	\$ 3,714,101	\$ 3,401,466	1,424,111	\$ 2.61	\$ 2.39
Diluting earnings per share	\$ 3,718,519	\$ 3,404,780	1,514,114	\$ 2.46	\$ 2.25

22. TREASURY STOCK OF COMMON STOCK

Reason for repurchase

	Changes in Treasury Stock (Thousand Shares)			
	Beginning Balance	Acquisition	Disposal	Ending Balance
Transfer to employees				
For the year ended December 31, 2002	86,579	16,755	-	103,334
For the year ended December 31, 2003	103,334	-	40,000	63,334

In December 2003, treasury stock of 40,000 thousand shares were transferred to employees at cost.

The Securities and Exchange Law states that the treasury stock purchased should not exceed 10% of total shares issued and the purchase cost should not exceed the sum of total retained earnings, additional paid-in capital in excess of par value and realized capital surplus at time of purchase. In addition, treasury stock should not be pledged and the Bank should not exercise shareholders' rights on the stock before it is sold.

23. RELATED-PARTY TRANSACTIONS

The Bank has business transactions with the following related parties :

Related Party	Relationship with the Bank
Far Eastern Textile Ltd.	Common chairman
Asia Cement Corporation	Common chairman
Far Eastern Department Store Corp.	Common chairman
U-Ming Marine Transport Corp.	Common chairman
Yuan-Je University	Common chairman
Yuan Ding Co., Ltd.	Common chairman
Far Eastern Great Company Ltd.	Common chairman
By Ding Investment Co., Ltd.	Common chairman
By-Yang Investment Co., Ltd.	Common chairman
Yuan-Ho Telecommunication Co., Ltd.	Common chairman
Oriental Union Chemical Corporation	Common chairman
Yuan Ding Investment Co.	Far Eastern Textile Co., Ltd.'s investee accounted for by the equity method
Everest Textile Co., Ltd.	Chairman is Bank's director
Far Eastern International Leasing Corp.	Equity-accounted investee
Der - Chin Enterprise Corporation	Asia Cement Corporation's investee accounted for by the equity method
Oriental Securities Corporation	Far Eastern Textile Co., Ltd.'s investee accounted for by the equity method
Other	Bank's supervisors and managers and relatives of the Bank's chairman





NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

Significant transactions and account balances with the above parties are summarized as follows :

a.Loans

	NT\$			
	Year-end Balance	Credit Line	Interest	Interest Rate
<u>2002</u>				
Far Eastern Textile Ltd.	\$ 1,298,647	\$ 1,600,000	\$ 12,608	1.8%-2.484%
Asia Cement Corporation	220,000	500,000	2,323	1.80%
Yuan-Je University	205,147	335,000	10,590	4.60%
Yuan Ding Investment Co.	160,000	500,000	76	1.80%
By Ding Investment Corp.	101,000	200,000	1,567	1.90%
Everest Textile Co., Ltd.	100,000	300,000	5,067	2.30%
Far Eastern International Leasing Corp.	100,000	707,850	705	1.80%
Far Eastern Great Company Ltd.	80,000	200,000	1,525	2.10%
Far Eastern Department Store Corp.	50,000	300,000	344	1.80%
U-Ming Marine Transport Corp.	30,000	98,000	131	1.80%
By-Yang Investment Co., Ltd.	12,000	100,000	234	1.90%
Other (Note)	9,663	10,980	-	3.91%
	<u>\$ 2,366,457</u>			
<u>2003</u>				
Far Eastern Textile Ltd.	\$ 957,574	\$ 1,200,000	\$ 2,331	1.2%-1.823%
Yuan Ding Investment Co.	208,000	500,000	193	1.25%
Yuan-Je University	139,079	335,000	7,623	1.923%-2.80%
By Ding Investment Corp.	111,000	300,000	286	1.25%-1.35%
By-Yang Investment Co., Ltd.	110,000	200,000	233	1.25%-1.40%
Other (Note)	19,328	26,480	-	2.55%-4.01%
	<u>\$ 1,544,981</u>			

Note: Interests from other related parties are minor, with balances not exceeding \$10,000 each.

Under the Banking Law, except for consumer loans, credits extended to any related party should be fully secured, and the terms of credits should not be superior than those extended to third parties.

b.Export bills negotiation

2002

Far Eastern Textile Ltd.  
Everest Textile Co., Ltd.

2003

Everest Textile Co., Ltd.  
Asia Cement Corporation  
Far Eastern Textile Ltd.

c.Guarantees

2002

Far Eastern Textile Ltd.  
By Ding Investment Corp.

2003

By Ding Investment Corp.  
Everest Textile Co., Ltd.

d.Letters of credit issued

2002

Far Eastern Textile Ltd.  
Everest Textile Co., Ltd.  
Asia Cement Corporation

2003

Everest Textile Co., Ltd.  
Far Eastern Textile Ltd.

	NT\$	
	Year-end Balance	Credit Line
<u>2002</u>		
Far Eastern Textile Ltd.	\$ 53,548	\$ 1,600,000
Everest Textile Co., Ltd.	14,616	300,000
	<u>\$ 68,164</u>	
<u>2003</u>		
Everest Textile Co., Ltd.	\$ 40,153	\$ 300,000
Asia Cement Corporation	25,930	500,000
Far Eastern Textile Ltd.	19,002	1,200,000
	<u>\$ 85,085</u>	
<u>2002</u>		
Far Eastern Textile Ltd.	\$ 104,259	\$ 1,600,000
By Ding Investment Corp.	73,000	200,000
	<u>\$ 177,259</u>	
<u>2003</u>		
By Ding Investment Corp.	\$ 189,000	\$ 300,000
Everest Textile Co., Ltd.	100,000	300,000
	<u>\$ 289,000</u>	
<u>2002</u>		
Far Eastern Textile Ltd.	\$ 69,559	\$ 1,600,000
Everest Textile Co., Ltd.	3,358	300,000
Asia Cement Corporation	337	500,000
	<u>\$ 73,254</u>	
<u>2003</u>		
Everest Textile Co., Ltd.	\$ 127,062	\$ 300,000
Far Eastern Textile Ltd.	25,309	1,200,000
	<u>\$ 152,371</u>	





NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

e. Deposits

	December 31				
	2002		2003		
	NT\$	Interest Rate	NT\$	US\$	Interest Rate
Yuan-Ho Telecommunication Co., Ltd.	\$ -	-	\$ 11,698,462	\$ 344,295	0.1-0.85%
Other	4,259,208	0%-7.25%	5,436,526	160,001	0%-7.25%
	<u>\$ 4,259,208</u>		<u>\$ 17,134,988</u>	<u>\$ 504,296</u>	

Other deposits did not exceed 5% of total deposits.

f. Lease

Three branch office premise are leased from Far Eastern Department Store Corp., and the office premise of the head office and business department are leased from Yuan Ding Co., Ltd. The rental expense is as follows :

	The Years Ended December 31				
	2002		2003		
	NT\$	%	NT\$	US\$	%
Yuan Ding Co., Ltd.	\$ 87,054	30	\$ 81,689	\$ 2,404	33
Far Eastern Department Store Corp.	7,443	3	7,178	211	3
	<u>\$ 94,497</u>	<u>33</u>	<u>\$ 88,867</u>	<u>\$ 2,615</u>	<u>36</u>

g. Acquisition of long-term equity investments

The Bank acquired 64,557 thousand shares of Dah Chung Bills Finance Corp., with NT\$12 per share in June 2003 from the following related parties (Note 9) :

	Thousand Shares
Oriental Securities Corporation	29,344
Der-Chin Enterprise Corporation	9,782
By Ding Investment Co., Ltd.	9,782
Oriental Union Chemical Corporation	9,782
Yuan Ding Investment Co., Ltd.	5,857
Others (ten companies)	10
	<u>64,557</u>

24. PLEDGED ASSETS

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Time deposits—due from the Central Bank of China	\$ 2,800,000	\$ 1,000,000	\$ 29,431
Bonds—long-term investment	830,100	410,000	12,067
	<u>\$ 3,630,100</u>	<u>\$ 1,410,000</u>	<u>\$ 41,498</u>

Time deposits have been provided as collateral for the day-term overdraft upon joining the Central Bank's clearing system of Real-time Gross Settlement (RTGS, Note 5). Performance bonds will be used for the provisional seizure of debtors' assets and for credit card transaction reserves, if needed.





# Financial Report

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

### 25. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to Note 29, the Bank's regular contingency liabilities and commitments as of December 31, 2003 are summarized as follows :

a. As of December 31, 2003, short-term bills with a total value of \$1,543,087 was sold under agreements to repurchase for \$1,543,265 by January 6, 2004.

b. As of December 31, 2003, bonds with a total face value of \$2,387,434 was sold under agreements to repurchase for \$2,388,395 by January 29, 2004.

c. The Bank leases all of its office premise, except for the Bank's own locations for its 12 branches, under agreements which will expire between 2004 and 2008.

Minimum rentals for the next five years are summarized as follows, excluding imputed interest :

Year	NT\$	US\$
2004	\$ 176,444	\$ 5,193
2005	142,912	4,206
2006	79,766	2,348
2007	26,081	768
2008	13,282	391

### d. Balance sheet and property of trust accounts

	NT\$	US\$		NT\$	US\$
<u>Assets</u>			<u>Liabilities</u>		
Domestic trust assets	\$ 6,680,777	\$ 196,621	Domestic trust liabilities	\$ 6,680,777	\$ 196,621
Overseas trust assets	12,418,725	365,493	Overseas trust liabilities	12,418,725	365,493
Depository assets	340,701	10,027	Depository liabilities	340,701	10,027
	<u>\$ 19,440,203</u>	<u>\$ 572,141</u>		<u>\$ 19,440,203</u>	<u>\$ 572,141</u>

Investment Portfolio	NT\$	US\$
Domestic trust assets	\$ 6,680,777	\$ 196,621
Overseas trust assets	12,418,725	365,493
Depository assets	340,701	10,027
	<u>\$ 19,440,203</u>	<u>\$ 572,141</u>





NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

26. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

	For the Years Ended December 31				
	2002		2003		
	Average Balance	Average Rate %	Average Balance	Average Balance	Average Rate %
	NT\$	NT\$	US\$		
<b>Interest-earning assets</b>					
Due from banks	\$ 7,811,748	2.02	\$ 4,234,014	\$ 124,610	1.17
Due from the Central Bank of China	8,435,967	1.81	7,720,928	227,233	1.42
Securities purchased	998,877	3.05	8,878,816	261,311	1.43
Loans, discounts and bills purchased	127,144,740	5.52	142,941,866	4,206,895	5.66
Long-term investments-bonds	11,847,436	3.67	7,394,730	217,633	2.74
<b>Interest-bearing liabilities</b>					
Bonds sold under repurchase agreement	6,880,811	1.75	3,661,022	107,747	0.91
Due to banks	4,587,530	1.87	8,906,007	262,111	1.31
Demand deposits	25,879,747	1.59	29,231,471	860,306	0.71
Time deposits	94,514,181	2.82	89,636,925	2,638,087	1.74
Negotiable certificates of deposit	13,065,504	2.45	14,804,598	435,711	1.30
Due to postal and remittance savings bureau	16,278,804	2.86	15,783,007	464,507	1.84
Bank debentures	7,274,731	4.27	13,260,387	390,264	4.01
Convertible bonds payable	-	-	1,567,372	46,129	-

Average balance is calculated by daily average balances of interest-earning assets and interest-bearing liabilities.

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of assets and liabilities of the Bank is based on the remaining maturity period from balance sheet dates to maturity dates specified under agreements or, if there are no specified maturity dates, to expected dates of collection.

	December 31, 2002			
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
	NT\$	NT\$	NT\$	NT\$
<b>Assets</b>				
Cash	\$ 1,641,460	\$ -	\$ -	\$ 1,641,460
Due from banks	6,700,408	-	-	6,700,408
Due from the Central Bank of China	7,868,018	-	-	7,868,018
Securities purchased	4,417,884	-	-	4,417,884
Receivables	23,679,608	43,250	-	23,722,858
Loans, discounts and bills purchased	41,697,422	44,762,716	52,196,797	138,656,935
Long-term investments—bonds	313,873	1,021,098	11,224,568	12,559,539
	<u>\$ 86,318,673</u>	<u>\$ 45,827,064</u>	<u>\$ 63,421,365</u>	<u>\$ 195,567,102</u>

	December 31, 2002			
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total
	NT\$	NT\$	NT\$	NT\$
<b>Liabilities</b>				
Bonds sold under repurchase agreement	\$ 6,869,852	\$ -	\$ -	\$ 6,869,852
Due to banks	8,707,281	-	-	8,707,281
Payables and advances	3,312,070	-	-	3,312,070
Deposits and remittances	155,319,877	3,831,667	-	159,151,544
Bank debentures	-	10,000,000	-	10,000,000
	<u>\$ 174,209,080</u>	<u>\$ 13,831,667</u>	<u>\$ -</u>	<u>\$ 188,040,747</u>

(Continued)



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

	December 31, 2003				
	Due in One Year	Due Between One Year and Seven Years	Due After Seven Years	Total	
	NT\$	NT\$	NT\$	NT\$	US\$
<b>Assets</b>					
Cash	\$ 2,314,331	\$ -	\$ -	\$ 2,314,331	\$ 68,113
Due from banks	19,225,842	-	-	19,225,842	565,832
Due from the Central Bank of China	7,984,860	-	-	7,984,860	235,001
Securities purchased	12,274,647	-	-	12,274,647	361,253
Receivables	6,779,149	-	-	6,779,149	199,516
Loans, discounts and bills purchased	37,518,717	58,844,117	66,768,789	163,131,623	4,801,096
Long-term investments—bonds	494,267	2,741,244	1,530,719	4,766,230	140,274
	<u>\$ 86,591,813</u>	<u>\$ 61,585,361</u>	<u>\$ 68,299,508</u>	<u>\$ 216,476,682</u>	<u>\$ 6,371,085</u>
<b>Liabilities</b>					
Bonds sold under repurchase agreement	\$ 2,387,434	\$ -	\$ -	\$ 2,387,434	\$ 70,264
Due to banks	10,644,837	-	-	10,644,837	313,286
Payables and advances	4,916,608	-	-	4,916,608	144,700
Deposits and remittances	160,650,357	6,884,593	-	167,534,950	4,930,689
Bank debentures	5,000,000	12,000,000	-	17,000,000	500,324
Convertible bonds payable	-	3,737,580	-	3,737,580	110,000
	<u>\$183,599,236</u>	<u>\$ 22,622,173</u>	<u>\$ -</u>	<u>\$ 206,221,409</u>	<u>\$ 6,069,263</u>

28. CAPITAL ADEQUACY RATIO

The Banking Law and related regulations require that the Bank maintain a capital adequacy ratio (CAR) of at least 8%. Thus, if the Bank's CAR falls below 8%, the Ministry of Finance may impose certain restrictions on the level of the cash dividends that the Bank may declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

As of December 31, 2002 and 2003, the Bank's CARs were 11.28% and 10.41%, respectively.

29. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

1) The Bank engages in derivative transactions mainly to accommodate customers' needs and to manage its own exposure positions. It also enters into interest rate swaps, cross-currency swaps, and foreign-currency option contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets, net liabilities or commitments. The Bank's strategy is to hedge most of the market risk through hedging instruments market value fluctuations that have a highly negative correlation with those of the hedged items. The Bank also evaluates the hedging effectiveness of the instruments periodically.

2) As of December 31, 2002 and 2003, the contract amounts (or notional amounts), credit risk and fair values of outstanding contracts are as follows:

Financial Instruments	NT\$					
	December 31					
	2002		2003			
Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value	
For hedging purposes:						
Cross-currency swap contracts	\$ 1,350,000	\$ 11,803	(\$ 36,585)	\$ 702,000	\$ 20,907	\$ 20,907
Interest rate swap contract	3,000,000	109,540	109,217	9,534,000	164,842	99,639
Foreign-currency swap contracts	1,575,087	4,706	4,073	3,082,838	1,852	( 14,894)
For the purpose of accommodating customers' needs or managing Bank's own exposure:						
Foreign forward contracts	10,558,856	177,841	116,088	10,795,712	173,655	116,206
Currency swap contracts	11,019,647	83,474	( 74,515)	5,436,354	38,706	( 53,017)
Foreign-currency options contracts	27,948,082	372,251	39,961	90,423,557	2,094,875	1,809
Convertible bonds options contract	-	-	-	562,200	-	( 5,779)
Interest rate swap contract	-	-	-	339,780	-	( 3,934)





NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

The Bank is exposed to credit risk from counter-parties' default on contracts. The Bank enters into contracts with customers that have satisfied its credit approval process and have provided necessary collaterals. Transactions are made within each customer's credit limit, and guarantee deposits may be required, depending on the customer's credit standing. Transactions with other banks are made within the trading limit set for each bank based on the bank's credit rating and its worldwide ranking. The associated credit risk has been considered in the evaluation of provision for credit losses.

The fair value of each contract is determined using the quotation from Reuters or the Associated Press.

The Bank has entered into certain derivative contracts in which the notional amounts are used solely as a basis for calculating the amounts receivable and payable under the contracts. Thus, the notional amount does not represent actual cash inflows or outflows. The possibility that derivative financial instruments held or issued by the Bank cannot be sold at a reasonable price is minimal; thus, no significant additional cash demand is expected.

3) Gains and losses on derivative transactions were as follows:

	The Year Ended December 31		
	2002	2003	
	NT\$	NT\$	US\$
Cross-currency swap contract			
Interest income	\$ 29,897	\$ 16,983	\$ 500
Interest expense	26,370	16,050	472
Exchange gain	9,023	-	-
Foreign currency swap contract			
Interest income	46,518	9,056	267
Interest expense	46,912	16,826	495
Net gain on foreign currency option contract derivative financial instruments	80,862	136,440	4,016
Net loss on convertible bonds option contract derivative financial instruments	-	( 2,537)	( 75)
Interest rate swap contract			
Interest income	23,389	115,936	3,412
Interest expense	-	453	13
Net gain	-	5,418	159

b. Fair value of nonderivative financial instruments

	December 31					
	2002		2003			
	Carrying Amount	Fair Value	Carrying Amount		Fair Value	
NT\$	NT\$	NT\$	US\$	NT\$	US\$	
<b>Assets</b>						
Financial assets—with fair values approximating carrying amounts	\$ 177,204,343	\$ 177,204,343	\$ 198,069,147	\$ 5,829,335	\$ 198,069,147	\$ 5,829,335
Securities purchased	4,417,884	4,483,477	12,274,647	361,253	12,279,688	361,401
Long-term investments	13,526,960	14,738,342	7,104,560	209,093	7,120,171	209,553
	\$ 195,149,187	\$ 196,426,162	\$ 217,448,354	\$ 6,399,681	\$ 217,469,006	\$ 6,400,289
<b>Liabilities</b>						
Financial liabilities—with fair values approximating carrying amounts	\$ 188,040,747	\$ 188,040,747	\$ 206,221,409	\$ 6,069,263	\$ 206,221,409	\$ 6,069,263

Methods and assumptions applied in estimating the fair values of financial instruments are as follows:

- 1) The carrying amounts of cash, due from banks, due from the Central Bank of China, receivables, refundable deposits, due to banks, and payables and advances approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased and long-term investments are based on their market prices. Otherwise, fair values are estimated at their carrying amounts.
- 3) Loans, discounts and bills purchased, deposits and remittances, bonds sold under repurchase agreement, bank debentures and convertible bonds payable are interest-bearing financial assets and liabilities of a short term nature or the majority bear interest at adjustable rates. Thus, their carrying amount is deemed to represent current fair value.

Certain financial instruments and all nonfinancial instruments are excluded from disclosure of fair value. Thus, the aggregate fair value presented above does not represent the Bank's underlying value.



NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2003 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

c. Financial instruments with off-balance-sheet credit risks

The Bank has significant credit commitments principally relating to customer financing activities. In 2002 and 2003, the interest rates of the loans ranged from 3.98% to 6.86% and from 2.91% to 5.18%, respectively. The highest interest rate for credit cards was 19.70% in both 2002 and 2003. The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of customer obligations to third parties. The maturity dates are not concentrated in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks were as follows :

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
Irrevocable loan commitments	\$ 396,286	\$ 650,000	\$ 19,130
Financial guarantees and standby letters of credit	8,031,740	15,205,468	447,509
Unused portion of credit card limit	82,730,019	88,909,848	2,616,689

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements and credit losses.

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' creditworthiness. Based on the result of the credit evaluation, the Bank may require collaterals before the credit facilities are drawn upon. As of December 31, 2002 and 2003, the Bank had 50.70% and 50.17% of total loans secured by collateral. Collaterals may include real estate property, negotiable certificates of deposit, inventories, marketable securities, and other property. If customers default, the Bank will, as the case may require, foreclose the collaterals or execute other rights on the guarantees given.

The Bank may not require collaterals to grant credit cards but may adjust credit card holders' lines of credit on the basis of the result of periodic credit evaluation.

d. Concentration of credit risk

There is concentration of credit risks when the counter-parties to the financial instruments are only a few customers or when customers engage in commercial activities based on similar economic characteristics that make the customers' ability to fulfill their obligations affected in the same way by the same economic or other events. The Bank has controls in place to ensure that there is no significant concentration of credit risks on individual counter-parties. Industries that account for 10% or more of the outstanding loans as of December 31, 2002 and 2003 are listed below :

	December 31		
	2002	2003	
	NT\$	NT\$	US\$
<b>Domestic</b>			
Private sector			
Manufacturing	\$ 20,420,169	\$ 22,686,873	\$ 667,693
Construction	5,184,686	3,035,005	89,323
General commerce	9,120,610	7,120,351	209,558
Other	13,667,326	12,445,056	366,268
Government	17,115,078	5,000,000	147,154
Individual	63,576,018	102,655,401	3,021,231
Other	2,574,171	2,264,439	66,644
	<u>131,658,058</u>	<u>155,207,125</u>	<u>4,567,871</u>
<b>Foreign</b>			
Financial institution	776,730	1,189,230	35,000
Nonfinancial institution	1,700,931	2,994,374	88,127
	<u>2,477,661</u>	<u>4,183,604</u>	<u>123,127</u>
	<u>\$ 134,135,719</u>	<u>\$ 159,390,729</u>	<u>\$ 4,690,998</u>



NOTES TO FINANCIAL STATEMENTS

The net position on major foreign-currency transactions is as follows :

Currency	December 31	
	2002	2003
US\$ (thousands)	\$ 27,639	\$ 54,160
YEN\$ (thousands)	1,191,842	( 209,679)
THB\$ (thousands)	94,936	( 940)

30.SEGMENT INFORMATION

The Bank engages only in banking activities as prescribed by the Banking Law. The Bank operates entirely in the Republic of China. Thus, no disclosure of geographic area information is required.

Operating Locations

營業據點



# Operating Locations

單位	地址	電話
總行	台北市敦化南路二段207號26, 27樓	(02)2378-6868
營業部	台北市敦化南路二段207號1樓	(02)2378-6868
國外部	台北市重慶北路一段30號2樓	(02)2550-8811
信託部	台北市襄陽路1號5樓	(02)2312-3636
信用卡部	台北縣板橋市文化路二段182巷3弄33號	(02)8073-1166
台北襄陽分行	台北市襄陽路1號1樓	(02)2381-4567
台北逸仙分行	台北市基隆路一段200號之3	(02)2722-9558
台北松江分行	台北市松江路165號	(02)2505-5533
台北民權分行	台北市民權西路104之1號	(02)2553-9966
台北松山分行	台北市南京東路五段171號	(02)8787-6668
台北南門分行	台北市羅斯福路一段40號	(02)2392-6955
台北重慶分行	台北市重慶北路一段30號	(02)2550-6600
台北忠孝分行	台北市忠孝東路一段112號	(02)2327-8898
台北永吉分行	台北市信義區中坡北路7號	(02)8785-5788
板橋南雅分行	台北縣板橋市南雅南路二段172號	(02)2963-3339
板橋文化分行	台北縣板橋市文化路二段1號	(02)2255-6499
三重分行	台北縣三重市福德北路46號	(02)8973-1133
永和分行	台北縣永和市福和路222號	(02)2232-6500
台北新莊分行	台北縣新莊市復興路一段209號	(02)8991-3366
新莊富國分行	台北縣新莊市富國路6號	(02)2901-6868
台北汐止分行	台北縣汐止市新台五路一段88號	(02)2696-4556
桃園分行	桃園市南華街78號	(03)339-6339
桃園大興分行	桃園市大興西路二段6號	(03)301-8966
林口分行	桃園縣龜山鄉復興一路227號	(03)397-3888
中壢分行	中壢市延平路372號	(03)427-9696
新竹林森分行	新竹市林森路216號	(03)524-6668
新竹科園分行	新竹市科學園區園區二路11號3樓	(03)579-8833
竹北分行	新竹縣竹北市光明六路41號	(03)553-6699
台中公益分行	台中市公益路367號	(04)2328-8666
台中文心分行	台中市文心路四段698號	(04)2230-6689
台中自由分行	台中市自由路二段131號	(04)2225-2008
台南分行	台南市東門路二段2號	(06)208-9898
永康分行	台南縣永康市中正北路37號	(06)253-0400
高雄五福分行	高雄市五福四路83號	(07)533-3820
高雄中正分行	高雄市中正四路49號	(07)251-8199
高雄亞企分行	高雄市三多四路21號8樓	(07)338-2833
台北農安簡易型分行	台北市農安街12-1號1樓	(02)2592-2255
台北金湖簡易型分行	台北市民權東路六段495號1樓	(02)2630-5788
板橋四川簡易型分行	台北縣板橋市四川路一段389號1樓	(02)7738-6868
桃園武陵簡易型分行	桃園市中山路939號1樓	(03)392-1218

Operating Units	Address	Telephone Number
Head Office	26 & 27F, No. 207, Tun Hwa S. Rd., Sec. 2, Taipei 106, Taiwan	886-2-2378-6868
Business Department	1F, No. 207, Tun Hwa S. Rd., Sec. 2, Taipei 106, Taiwan	886-2-2378-6868
International Banking Department	2F, No. 30, Chungching N. Rd., Sec. 1, Taipei 103, Taiwan	886-2-2550-8811
Trust Banking Department	5F, No. 1, Shiangyang Rd., Taipei 100, Taiwan	886-2-2312-3636
Credit Card Department	No. 33, Alley 3, Lane 182, Wenhua Rd., Sec. 2, Banchiau City, Taipei County 220, Taiwan	886-2-8073-1166
Taipei Shiangyang Branch	1F, No. 1, Shiangyang Rd., Taipei 100, Taiwan	886-2-2381-4567
Taipei Yihsien Branch	No. 200-3, Keelung Rd., Sec. 1, Taipei 110, Taiwan	886-2-2722-9558
Taipei Sungjiang Branch	No. 165, Sungjiang Rd., Taipei 104, Taiwan	886-2-2505-5533
Taipei Minchiuan Branch	No. 104 -1, Minchiuan W. Rd., Taipei 103, Taiwan	886-2-2553-9966
Taipei Sungshan Branch	No. 171, Nanjing E. Rd., Sec. 5, Taipei 105, Taiwan	886-2-8787-6668
Taipei Nanmen Branch	No. 40, Roosevelt Road, Sec. 1, Taipei 100, Taiwan	886-2-2392-6955
Taipei Chungching Branch	No. 30, Chungching N. Rd., Sec. 1, Taipei 103, Taiwan	886-2-2550-6600
Taipei Jungshiau Branch	No. 112, Jungshiau E. Rd., Sec. 1, Taipei 100, Taiwan	886-2-2327-8898
Taipei Yungli Branch	No. 7, Jungpo N. Rd., Taipei 110, Taiwan	886-2-8785-5788
Banchiau Nanya Branch	No. 172, Nanya S. Rd., Sec. 2, Banchiau City, Taipei County 220, Taiwan	886-2-2963-3339
Banchiau Wenhua Branch	No. 1, Wenhua Rd., Sec. 2, Banchiau City, Taipei County 220, Taiwan	886-2-2255-6499
Sanchung Branch	No. 46, Fude N. Rd., Sanchung City, Taipei County 241, Taiwan	886-2-8973-1133
Yunghe Branch	No. 222, Fuhe Rd., Yunghe City, Taipei County 234, Taiwan	886-2-2232-6500
Taipei Shinjuang Branch	No. 209, Fushing Rd., Shinjuang City, Taipei County 242, Taiwan	886-2-8991-3366
Shinjuang Fu-guo Branch	No. 66, Fuguo Rd., Shinjuang City, Taipei County 242, Taiwan	886-2-2901-6868
Taipei Shijir Branch	No. 88, Shintai 5th Rd., Sec. 1, Shijir City, Taipei County 221, Taiwan	886-2-2696-4556
Taoyuan Branch	No. 78, Nanhua St., Taoyuan City 330, Taiwan	886-3-339-6339
Taoyuan Dashing Branch	No. 6, Dashing W. Rd., Sec. 2, Taoyuan City 330, Taiwan	886-3-301-8966
Linkuo Branch	No. 227, Fushing 1st Rd., Gueishan Shiang, Taoyuan County 333, Taiwan	886-3-397-3888
Jungli Branch	No. 372, Yanping Rd., Jungli City, Taoyuan County 320, Taiwan	886-3-427-9696
Hsinchu Linsen Branch	No. 216, Linsen Rd., Hsinchu City 300, Taiwan	886-3-524-6668
Hsinchu Science Based Industrial Park Branch	3F, No. 11, Yuanchiu 2nd Rd., Hsinchu City 300, Taiwan	886-3-579-8833
Jubei Branch	No. 41, Guangming 6th Rd., Jubei City, Hsinchu County 302, Taiwan	886-3-553-6699
Taichung Gungyi Branch	No. 367, Gungyi Rd., Taichung 403, Taiwan	886-4-2328-8666
Taichung Wenshin Branch	No. 698, Wenshin Rd., Sec. 4, Taichung 404, Taiwan	886-4-2230-6689
Taichung Tzyou Branch	No. 131, Tzyou Rd., Sec. 2, Taichung 400, Taiwan	886-4-2225-2008
Tainan Branch	No. 2, Dungmen Rd., Sec. 2, Tainan 701, Taiwan	886-6-208-9898
Yungkang Branch	No. 37, Jungjeng N. Rd., Yungkang City, Tanan County 710, Taiwan	886-6-253-0400
Kaohsiung Wufu Branch	No. 83, Wufu 4th Rd., Kaohsiung 803, Taiwan	886-7-533-3820
Kaohsiung Jungjeng Branch	No. 49, Jungjeng 4th Rd., Kaohsiung 801, Taiwan	886-7-251-8199
Kaohsiung Asia World Branch	8F, No. 21, Sanduo 4th Rd., Kaohsiung 802, Taiwan	886-7-338-2833
Taipei Nung-an Branch	1F, No. 12-1, Nung-an St., Taipei 104, Taiwan	886-2-2592-2255
Taipei Jinhu Branch	1F, No. 495, Minchiuan E. Rd., Sec. 6, Taipei 114, Taiwan	886-2-2630-5788
Banchiao Sichuan Branch	1F, No. 389, Sichuan Rd., Sec. 1, Banchiau City, Taipei County 220, Taiwan	886-2-7738-6868
Taoyuan Wuling Branch	1F, No. 939, Jungshan Rd., Taoyuan City, Taoyuan City 330, Taiwan	886-3-392-1218

