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Highlights

(in millions)	12.31.2002 NTD	12.31.2001 NTD	12.31.2002 USD
Major financial data at year end			
Total assets	1,309,866	1,276,143	37,661
Loans, bills purchased and discounted	815,405	811,146	23,445
Deposits and remittances	1,082,496	1,046,124	31,124
Capital stock	38,216	38,216	1,099
Stockholders' equity	57,285	84,143	1,647
Operating results			
Total revenue	53,822	73,946	1,547
Total expenses	86,323	70,379	2,482
Pre-tax (loss) income	(32,501)	3,567	(935)
Income tax benefit (expense)	7,777	(416)	224
Net (loss) income	(24,724)	3,151	(711)
Capital adequacy ratio			
BIS capital ratio	8.99%	9.28%	
World rank			
The Banker - by tier 1 capital (12/01)	147	140	
The Banker - by total assets (12/01)	169	166	
Distribution network			
Domestic full / mini / sub-branches	170 / 6 / 13	166 / 6 / 14	
Domestic securities brokerages	16	16	
Overseas branches / Rep. Offices / OBU	12 / 2 / 1	12 / 2 / 1	
First Commercial Bank (USA)	1 main office & 3 branches	1 main office & 3 branches	
Number of employees	6,732	6,539	

*NT\$34.78: US\$1.00

History

First Commercial Bank is one of the largest and oldest financial institutions in Taiwan. The Bank celebrated its 100th anniversary on November 26, 1999. In coordination with the government's financial liberalization policy, the Bank was privatized on January 22, 1998, making it the biggest private bank in Taiwan.

- 1899 Savings Bank of Taiwan established
- 1912 Merged with Commercial and Industrial Bank of Taiwan (est. 1910)
- 1923 Merged with Chia-I Bank (est. 1905) and Hsin-Kao Bank (est. 1916)
- 1945 Reversion of Taiwan from Japanese Governance
- 1949 The Bank was renamed First Commercial Bank of Taiwan
- 1967 The Bank started international business
- 1976 The Bank's name was shortened to First Commercial Bank
- 1998 The Bank was privatized
- 1999 Centennial Anniversary
- 2003 Financial Holding Company established



Message to Our Shareholders



“ 103 Glorious Years of History and Brand Recognition ”

Jerome J. Chen
Chairman of the Board



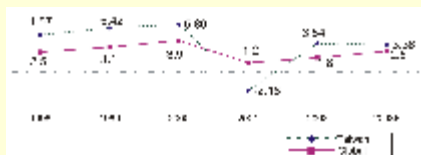
A Fresh Identity

First Financial Holding Company was established on January 2, 2003 with First Commercial Bank as its core business entity. The corporate identity logo of the financial holding group was inaugurated at the same time. It uses the image of an ancient round Chinese bronze coin to signify the round heavens and the square earth, not only carrying on the Bank's glorious historical tradition, but also endowing First Financial Holding Company with a brand-new modernized image and a sense of the times.

First Taisec Securities Inc., National Investment Trust Co., and Mingtai Fire & Marine Insurance Co. agreed to join the group. By consolidating these entities, the Bank will be able to integrate business lines to provide customers with banking, securities, trust, insurance, and other financial products and services, thereby meeting the need for one-stop shopping. This will make the Bank into a more professional organization, grasping trends in the financial industry. Further, the Bank, supported by its long history and rich assets, will adhere to the principle of "Customers First, Service Foremost" in actively seeking progress and innovation, and pursuing the greatest profits for our shareholders.



Economic Growth Rate (%)



Economic Environment

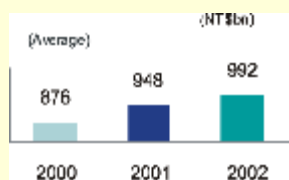
Looking back over 2002, we see that the global economy, stimulated by strong American economic growth at the beginning of the year, turned upward. In the second quarter, however, corporate and consumer confidence suffered under the influence of such factors as the outbreak of a series of accounting scandals in the United States, a worse-than-expected corporate profit performance, the dark clouds of terrorism, and the tension resulting from the possible U.S.-Iraq war. The pace of economic growth consequently slowed down. In Taiwan, domestic investment, affected by the unclear economic outlook and the outward migration of industries, was anemic and the unemployment rate climbed higher. The fiscal pressure has constrained the investment of state-owned entities. Nevertheless, the net external demand was strengthened by vigorous trade activity within the Asian region, boosting the country's economic growth. According to preliminary statistics from the Directorate General of Budget, Accounting and Statistics, economic growth for 2002 reached 3.54%--substantially higher than -2.18% recorded the year before.

As we entered 2003, the rising tensions between the U.S. and Iraq causing international crude oil prices to soar and plus the increased tension in Northeast Asia owing to the North Korean missile tests, have caused harm to global economic performance. However, countries all over the world are adopting easing liquidity policies to boost their economies, which may hasten the economic recovery, stimulate the continued growth of Taiwan's external trade and benefit the domestic economy. In Taiwan, the Statute for Upgrading Industries offers manufacturing companies a five-year tax holiday on new investment and the tariff-free import of machinery, equipment, and materials by technology-intensive industries. The Provisional Statute for the Expansion of Employment Through Public Services and other measures have been installed. All these measures are expected to heighten the domestic willingness to invest in facilities and to create 70,000 to 80,000 jobs. This will stimulate private consumption spending and have the immediate effect of revitalizing domestic demand.

Business Results and Achievements

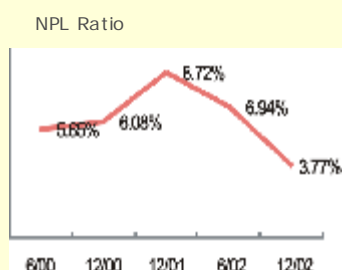
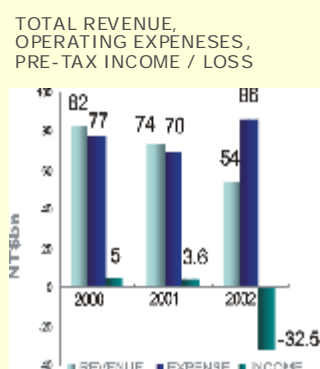
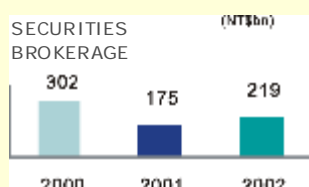
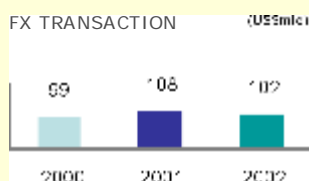
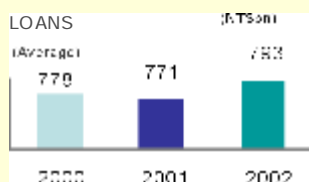
Thanks to the support and care of you, our shareholders and customers, plus the concerted efforts of our staff, the Bank has been able to maintain a suitable level of achievement in all of our areas of business. The Bank's business results for 2002 and major operating measures and business plans for 2003 are briefly described below:

DEPOSITS



- The average amount of deposits in the Bank throughout 2002 was NT\$992,467 million, representing a target achievement ratio of 101.27% and an increase of NT\$44,144 million over 2001, for a growth of 4.65%.





- The average amount of loans outstanding during 2002 was NT\$792,769 million, representing an achievement of 96.68% of the target and an increase of NT\$21,514 million over 2001, for a growth of 2.79%.
- The foreign exchange transactions undertaken during the year (including those by overseas branches) was US\$101,864 million, being US\$6,452 million less than the year before and a reduction of 5.96%.
- The securities brokerage volume in 2002 amounted to NT\$218,723 million, for an increase of NT\$43,669 million and a growth of 24.95% over 2001.
- Total revenue and expenses for 2002 amounted to NT\$53,822 million and NT\$86,323 million respectively, leaving a pre-tax loss of NT\$32,501 million. With an income tax benefit of NT\$7,777 million, the Bank was left with a post-tax loss of NT\$24,724 million or NT\$6.47 per share.
- The Bank made strenuous efforts to dispose non-performing loans in 2002, causing a loss for that year. However, the non-performing loan ratio was reduced to 3.77% at year end and the pressure for allocating reserves for bad debts has been greatly alleviated to heighten the efficiency of capital utilization in the future. In addition, asset quality has been improved and the profitability will be increased.

Ratings

On July 31, 2002, the Taiwan Ratings Corp. affirmed the Bank's long-term credit rating of twAA- (representing a fairly strong capability to carry out financial commitments), short-term credit rating of twA-1 and changed its outlook from negative to stable because of the expected release of asset quality pressure. This outlook upgrade reflected the opinion that the Bank's position of leadership in the domestic market is well recognized and that the Bank has strong potential for brand recognition in the coming operation, with the advantages of widely deployed network and long-established glorious history.

Branch Network

In Taiwan, during 2002 the Bank opened a new An-Nan Branch, moved and re-established the Lien-Cheng and Kang-Chien branches, and moved the premises of the Chang-Hua, Ta-Yuan, Po-Ai, and Peng-Hu branches. At the end of March 2003 the Bank had 190 business units and 16 securities brokerages, as well as several automatic service areas at numerous locations in the underground market of the Nankang MRT line. For overseas, Vancouver branch was established, Ho Chi Minh City branch started to operate and Shanghai representative office was set up by the approval of People's Bank of China. The total number of overseas offices (including the Offshore Banking Branch) stands at 19.



Research and Development

In the area of business innovation, the Bank participates in the Economic Ministry's IT Applications Promotion Project--Project C and has inaugurated "aggregate management accounts", "adjustable rate mortgages", "three-in-one trust" (including mutual funds, insurance, and trust), "personal trust", "family wealth trust", "small and medium enterprise loans", "agricultural and fishery loans", "variable rate US dollar and euro deposits", and provide products of "enhanced interest-rate swaps and interest-rate options (IRS+IRO)". We have introduced second-generation credit cards, the "Your Needs Card" and the "Somebody Cash Card", and have issued MOLIFE and Nissan co-branded cards. We were pioneers in Taiwan in the handling of letters of credit confirmed by the European Bank for Reconstruction and Development's (EBRD's) under Trade Facilitation Program. Furthermore, we were granted the exclusivity to deal with "Central Subsidized Home Loans for Civil Servants and Educators".

Business plans for 2003

In order to provide high-quality financial services to satisfy the different needs of customers, the Bank continues to focus on:

- striving for the development of new business and financial products,
- streamlining over-the-counter services of branches,
- physicalizing the concept of "customer satisfaction services",
- adjusting credit structure and promotion policy to be in line with the government's industrial policy, and introducing online financing systems to provide customers with real-time financing,
- enhancing customer relations management, developing data storage system and reinforcing marketing and management capabilities,

● Operating Targets

Deposits: NT\$1,025 billion

Loans: NT\$840 billion

Foreign exchange business: US\$113.2 billion

Securities brokerage: NT\$280 billion

Revenue: NT\$51.9 billion

Expenses: NT\$44.2 billion

Pre-tax income: NT\$7.7 billion

With the ongoing support and care of you, our shareholders, the Bank will be able to continue growing at a steady pace and generating the best profits for you. We would like to express our appreciation for this and hope to receive your continued encouragement and support in the years ahead.



Market Analysis



Jer-Shyong Tsai
President

“ Customers First,
Service Foremost ”

Overall Economy

1.2% GDP Growth for the 1st Quarter of 2002

In the first quarter of 2002, signs of an upturn in the international economy appeared and the global semiconductor industry warmed up. Along with this trend, Taiwan's international trade and manufacturing production gradually stabilized and active trading on the stock market and the effect of the election campaigns boosted economic performance. Nevertheless, because of the unfavorable factors such as the perilous employment situation and sluggish private investment, the growth rate of economy was up by only 1.20% in the first quarter of the year. However, this meager growth imparted the happy news that Taiwan's domestic economy had broken away from the negative growth of 2001.

3.98% GDP Growth for the 2nd Quarter of 2002

But even as the rest of the countries of the world were advancing toward economic prosperity, the United States was wracked by a series of corporate scandals and both the investor and consumer

confidence labored under the impact of worse-than-expected corporate profits and the lingering shadows of the terrorist attacks, creating violent fluctuations in the stock and foreign exchange markets. Consequently, the global economy recovered at a slow pace. However, global demand remained strong for information and communications products, accelerating the expansion of Taiwan's trade. Private consumption increased slowly as well. The growth in the second quarter climbed to 3.98%.

4.77% GDP Growth for the 3rd Quarter of 2002

In the third quarter, thanks to the relatively lower base as well as an influx of orders from large foreign companies since the beginning of the year, resulting from the specialized international division of production, Taiwan's commodity exports and industrial production performed better than expected and the economic growth rate accelerated to 4.77%.



4.22% GDP Growth for the 4th Quarter of 2002

In the fourth quarter, the domestic economy continued in a "sluggish domestic demand, stable export growth" situation, with domestic demand remaining flat because of the influence of such factors as the rise in the unemployment rate, the downturn of the stock market, insufficient industrial investment, and increased pressure from the government's fiscal shortfall. Stimulated by the continuous strengthening of trade within the Asian region, however, the force of net external demand increased to become the primary energy driving domestic economic expansion, and the growth rate for the quarter reached 4.22%. As estimated by the Directorate General of Budget, Accounting and Statistics (DGBAS), the economic growth rate for 2002 would rebound to 3.54%. Under the influence of such mixed factors as clearer prospects for the international economy, continued expansion of foreign trade, ongoing conservatism in private consumption, and a gradual upward of private investment, Taiwan's economic growth rate is expected to reach 3.68% in 2003.

Indicators of CPI and WPI

As to price movements, despite a significant increase in the prices of tobacco and alcoholic products following Taiwan's accession to the WTO and the rise in import prices caused by the depreciation of the New Taiwan Dollar in 2002, downward pressure on prices, resulting from intense competition in the domestic market and a drop in the housing rental index, pushed the consumer price index (CPI) down 0.20% for the year, while the wholesale price index (WPI) rose only by a tiny 0.05%. Under the influence of a rise in the international prices of crude oil, petrochemical products, steel, and other materials, along with a relax of tax pressure on the prices of tobacco and alcoholic products, plus marginal rental increase, commodity prices are expected to remain generally stable in 2003. The DGBAS predicts that the CPI and WPI will grow by 0.44% and 2.52%, respectively, during the year.

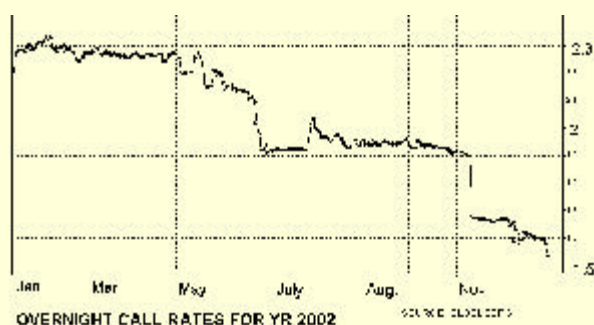
Finance

The Central Bank of China moved to moderate the effect of international economic slowdown on Taiwan's domestic economy by creating an enormous liquidity environment to revitalize industrial performance. The Central Bank lowered the discount rate twice, in June and November, allowing domestic interest rates to slide to their lowest level in 50 years. Under the pressure of high non-performing-loan ratios, however, the island's banks maintained an attitude of cautious conservatism in regard to the extension of loans. This factor, plus the popularity of direct financing and the preference of high-tech enterprises for raising funds on the capital market or overseas markets, led to a situation in which the demand for capital declined and there were excessive liquidity in the banking system. The annual average rate of growth in the broadly defined M2 money supply (calculated on the daily average) in 2002 basically continued at a low level. After hitting a high for the year of 4.61% in April, however, starting in May it went into a monthly decline. Besides, this was caused by a flow of capital toward bond funds, with their relatively high rate of return, in response to the decline in interest rates and the slump in the stock market. The M2 growth rate dropped to a historic low of 2.52% in October, despite a slight upturn in November and December. The growth in the M2 money supply for the year as a whole was just 3.55%, only slightly higher than the bottom of the target range of 3.5% to 8.5% set for 2002 by the Central Bank.



Interest Rates

Because of the strong performance of the U.S. economy in the first quarter of 2002, with signs of rebound, the Federal Reserve Board (the Fed) of the U.S. switched its monetary policy stance from easing to neutral and kept the Fed interest rate at the level set in November 2001. Taiwan's Central Bank of China adopted a similar stance, keeping domestic interest rates steady at a low level. During this time, the overnight call rate in Taiwan's financial industry generally hovered around 2.2%. Starting from the second quarter, the recovery of the island's economy was weaker than expected. At the end of June, the Central Bank lowered its rediscount rate by 0.25 percentage points, to 1.875%. The average overnight call rate in the financial industry moved constantly lower because of excessive funds in the market and hit a low of 1.913% at the end of October.



The outbreak of corporate financial scandals in the U.S. beginning in the spring struck a heavy blow at market confidence, and the escalation of geopolitical risk clouded the U.S. economic outlook once again. To stimulate the economy, the Fed dropped interest rates by another half point in November. Taiwan's Central Bank followed quickly by cutting the rediscount rate to 1.625%. Overnight call rates slipped lower in line with these movements. During the year as a whole, Taiwan's average overnight call rate declined from 2.389% in December 2001 to 1.614% in December 2002, setting a new historic low.

Foreign Exchange Rates

Despite the instability of the Japanese yen, the pressure for depreciation lightened from the beginning of 2002, and with the net inflow of foreign capital in response to the stock market rise stimulated by the improvement of the domestic economy, the value of the New Taiwan dollar was maintained at approximately NT\$35 to the U.S. dollar in the first three months of the year. The U.S. dollar began weakening in the middle of April because of the grave injury done to investor confidence by suspicions over the financial statements of American companies, plus the lingering shadows of the terrorist attacks. In addition, the relative clarity of the Asian economic recovery brought a flow of international capital into the region once again and numerous Asian currencies, including the NT dollar, grew stronger. By July the NT dollar had risen to 33.404 to the U.S. dollar.



In the second half of the year, however, international investors boosted their holding of US dollar assets in response to doubts in the market about Japanese determination to carry out financial reform and to the strength of the U.S. economic performance relative to that of Japan. This caused the Japanese yen to depreciate again. Because of the high correlation between of the Japanese yen and the NT dollar, plus the tendency of the Central Bank toward a weak NT dollar in order to maintain export competitiveness, the mass exodus of foreign capital due to the fall of the Taiwan stock market, and other factors, the value of the NT dollar fell to NT\$34.951 to the greenback in October. After that, the U.S. dollar weakened under the threat of possible war with Iraq, and the value of the NT dollar climbed to an average of 34.848 to one in December.



The Deposit Market

The annual growth rate of deposits (including all monetary institutions plus the postal savings system) in Taiwan amounted to 4.41% in December 2001, but the interest rate began declining in the second quarter of 2002 because of domestic economic weakness and the excessive funds in the market. In the search for a higher return, people switched from bank savings to investment in bond funds and other financial assets that offered better profits, which led to a flow of some funds out of the banking system. The attractive force of mainland China led to a decline in foreign investment in Taiwan as well as an outflow of domestic funds from the island. In addition, there was no improvement in the profitability of domestic enterprises. This situation not only led to a slump in the stock market so that it was difficult to attract the investment from qualified foreign investment institutions (QFII), but also brought about a contraction in personal incomes due to the impact of such problems as salary cuts and rising unemployment. As a result, the annual average rate of growth in deposits went into a monthly decline that pushed it down to 3.59% in June and 2.23% in December.

The Loan Market

As to credit business, we noted that numerous investment projects were either delayed or cancelled because of conservative tendency for corporation investment and the uncertainties of domestic economic prospects. In addition, in the quest for global deployment, manufacturers reduced their production lines in Taiwan or closed down their domestic factories entirely, and switched their investment overseas. Many of the larger manufacturers chose to raise funds abroad, and their demand for domestic funds declined appreciably. Furthermore, in response to the interest rate cut, the number of companies raising funds through the issuance of corporate bonds increased, creating a substitution of direct financing for bank loans. In addition, with the slumping stock market and the contraction of personal wealth, the demand for personal investment and capital financing weakened. At the same time, financial

institutions had adopted a cautious loan policy, because of the continuing difficult environment for corporate operations and the high NPL ratio. Under this simultaneous decline in both the demand for and supply of funds, the growth rate of loans inevitably subdued. Loans by major financial institutions experienced a continuing slump in 2002. In the first half of the year, the loans outstanding dropped by 3% to 4%, but since the beginning in August the rate of decline was reduced to about 2.5%.

Distribution of Taiwan's Bank Sector

End of December, 2002

Type of Bank	Number	Branch / Unit
Domestic Banks	47	2,781
Small & Medium Business Banks	5	287
Foreign Banks	36	68
Community Financial Institutions Farmers & Fishermen Associations	315	403
Overseas units operated by local banks of Taiwan	-	178
- Branches	-	78
- Rep. Offices	-	30
- Affiliates	-	70

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

Prospects - Favorable Factors

NPL Ratio and Asset Quality The Bank has aggressively cleared up problem loans, resulting in an operating loss for 2002. Nevertheless, the reduction of the NPL ratio to 3.77% by the end of the year will greatly alleviate pressure on the allocation of reserves for bad debts, enhance the efficiency of funds utilization, improve the quality of assets, and facilitate the improvement of the Bank's profitability.

Directions from the financial authorities stipulate a NPL ratio lower than 5% by the end of 2003. According to the statistics, domestic banks wrote off NPLs of NT\$413.9 billion in 2002, bringing the ratio of NPLs for all banks down to 6.12% at the end of the year. Almost 40 of the 52 domestic banks have reduced the ratio down to lower than 5%, showing some improvement in the quality of bank assets.



Cross-selling First Financial Holding Co. Ltd. was established on January 2, 2003. The Bank, as the main entity in the Group, will integrate businesses of the individual subsidiaries to provide customers with a full range of banking, securities, insurance, trust, and other financial products and services, thus satisfying the need for one-stop shopping. This will expand the Bank's operating scope and enhance its operating efficiency.

● **IT Enhancement** The Bank has engaged actively in business innovation and financial automation in recent years, and is currently carrying out the renovation and establishment of its core banking system, data storage system, risk management system, customer relations management system, and financial and management accounting systems. In addition to reinforcing internal management, this will also help to enhance service quality and the value-added of financial products.

● **Diversifying Revenue Source** To maintain loan quality and control credit risk, the Bank will continue promoting high-quality loans and adjusting its portfolio structure. At the same time, in recognition of strong potential of domestic consumer banking market, the Bank will invest more resources in the development and promotion of this business. In addition, in view of the profit shrinkage caused by the narrower spread of the interest-rate, the Bank will boost its commission income by increasing service revenues, thus opening up an additional profit channel.

● **Actively Capturing the Greater China Market** The needs of Taiwanese companies for cross-straits financial services are growing rapidly in line with the intensification of economic and trade relations between Taiwan and mainland China. The Bank's Shanghai Representative Office was set up in March 2003, to explore the business opportunities offered by recent market trends.

● **Pursuing Global Banking Network to Serve Chinese Community** As one of the most internationalized banks in Taiwan, the Bank has many branch offices in major financial centers, spread over four continents throughout the world. The Bank will focus on building itself

into a global bank serving the entire Chinese community throughout the world.

● **Innovative E-Operation** The Bank has moved to break through the limitations of operating time and space through the continuous establishment of more ATMs, Internet banking, telephone banking, and e-commerce, striving to enhance the functions of these operations with the aim of providing customers with more diversified services. This will also help to reduce the Bank's operating costs and strengthen its competitiveness.

Prospects - Unfavorable Factors

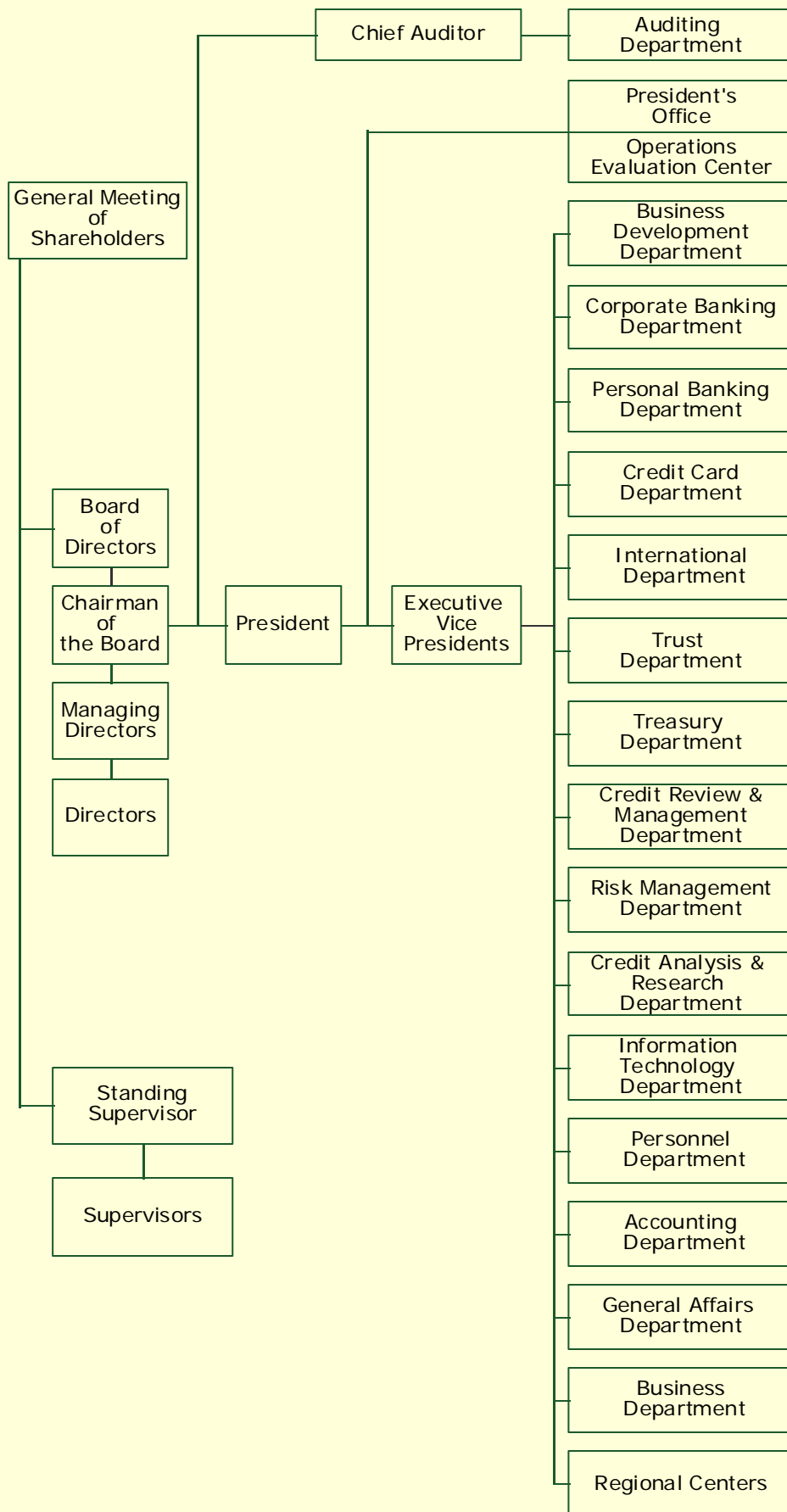
● **Corporate Loans Capped** We are aware that the Central Bank continues implementing loose monetary policy, the government engages in constant revision of laws and regulations to stimulate capital and property markets, and the cross-straits relations is apparently improved, which may lead to a steady improvement in the domestic investment environment. However, the continuing uncertainty of the domestic and international economic outlook will influence the corporate willingness to invest. The recovery of domestic private investment may still remain weak in 2003, leading to the unfavorable condition for loan promotion and investment willingness.

● **Highly Competitive Industry** Following accession to the WTO, the liberating of Taiwan's financial market will speed up and domestic banks will face strong competition from large international banks that will come in with the advantages of cross-industry and transnational management experience, financial innovation, and technological integration.

● **Booming Direct Financing** The raising of funds directly in the capital and money markets will gradually become more popular among companies and, especially with the advent of the low-interest era, the scale of issuance of corporate bonds will greatly increase. This rise of direct financing will be unfavorable to traditional banking businesses.



Organization Chart



Backgrounds of Directors, Supervisors and Top Executive Officers

Title	Name	Date of Appointment	Educational Background	Career Background
Chairman of the Board	Jerome, J. Chen	Oct. 22'00	M.S., University of Illinois	Chairman, Bank of Kaohsiung
Managing Director	Ray-Beam Dawn	Oct. 22'00	Ph. D., Vanderbilt University	Director, Research Division VI of Taiwan Institute of Economic Research; Chairman, Bank of Kaohsiung; President, Taiwan Sugar Corp.
Managing Director	Jer-Shyong Tsai	Oct. 22'00	B.A., National Chengchi University	SVP & General Manager, Finance & Investment Department of FCB; EVP of FCB; President of FCB
Managing Director	Fan-Chih Wu	Oct. 22'00	B.A., Chinese Cultural University	SVP & General Manager, Issuance Department of Bank of Taiwan
Managing Director	Tien-Yuan Chen	Oct. 22'00	B.A., Tamkang University	Chairman, Golden Gate Motor Co., Ltd
Director	Chung-Hui Tu	Oct. 22'00	MBA., National Chengchi University	Professor of Soochow University ; Chairman, Lianshan Investment Corp.
Director	Tsing-Yuan Hwang	Oct. 22'00	M.A. & Ph.D., Candidate, Japan University	Director, Taiwan Stock Exchange Co.; Representative, Yamato Research Institute Taipei Representative Office
Director	Chau-Wang Yao	Oct. 22'00	M.A., National Chengchi University	Comptroller, Directorate General of Budget, Accounting and Statistics, Executive Yuan
Director	Chau-Jung Kuo	Oct. 22'00	Ph. D., National Chengchi University	Chair and Professor, Dept. of Finance, National Sun Yat-Sen University
Director	Yih-Cherng Yang	Oct. 22'00	M.A., National Taiwan University	Managing Director, Chung-Hua Bills Finance Corp. ; President, Small & Medium Business Integrated Assistance Center
Director	To-Far Wang	Oct. 22'00	Ph. D., University of California	Professor, Dept. of Economics, National Taipei University
Director	Jou-Che Kao	Oct. 22'00	B.A., Feng Chia University	SVP & General Manager, Credit Review and Management of Hua Nan Commercial Bank
Director	An-Chyr Chen	Oct. 22'00	M.A., National Taiwan University	President and Chairman of FCB; Chairman, Joint Credit Information Center
Director	Yen Tai	Oct. 22'00	Shanghai College of Law	Chief Secretary, Ministry of Finance and Ministry of Economic Affairs; SVP of FCB
Director	Hern-Rong Chen	Oct. 22'00	B.A., National Taiwan University	SVP & General Manager of Business Dept. of FCB; EVP of FCB
Standing Supervisor	Chao-Shun Chang	Oct. 22'00	M.S., National Chengchi University	CPA; Director and Supervisor, Share Long Securities Co., Ltd.
Supervisor	Shiow-Ru Ma	Oct. 22'00	Ph.D., University of Alabama	Professor, Dept. of Accounting, National Chengchi University
Supervisor	Lung-Cheng Pan	Oct. 22'00	M.A., Tamkang University	EVP, Central Deposits Insurance Corp.
Supervisor	Sheng-Hsiung Wu	Oct. 22'00	Open Business Junior College Affiliated National Taipei College of Business	SVP & General Manager, Business and Savings Dept. of Bank of Taiwan
Supervisor	Wei-Sheng Huang	Oct. 22'00	M.A., National Taipei University	President, Wei Fang Lon Co., Ltd.; President, Youn Son Knitting Co., Ltd.
President	Jer-Shyong Tsai	Aug. 27'01	B.A., National Chengchi University	SVP & General Manager, Finance & Investment Dept. of FCB; EVP of FCB
Executive Vice President	Long-I Liao	Jun. 7'97	B.A., National Taiwan University	SVP & General Manager, Business Development Dept. of FCB
Executive Vice President	Shiu-Nan Huang	Aug. 27'01	B.A., National Chengchi University	SVP & General Manager, Business Department of FCB
Executive Vice President	Yi-Hsiung Chang	May 13'02	B.A., Tamkang University	SVP & General Manager, Business Development Dept. of FCB



Management Superiors and Department Heads

Name	Title
Jer-Shyong Tsai	President
Long-I Liao	Executive Vice President
Shiu-Nan Huang	Executive Vice President
Yi-Hsiung Chang	Executive Vice President
Hsian-Chung Tsai	Chief Auditor
Ding-Yuan Yeh	Senior Vice President & General Manager of Auditing Department
Po-Chiao Chou	Vice President & General Manager of Accounting Department
Tzeng-Huei Lin	Advisor & General Manager of Business Department
Ying-Hsiung Lin	Senior Vice President & General Manager of Business Development Department
Wen-Chang Tu	Senior Vice President & General Manager of Corporate Banking Department
Fu-Sun Liao	Vice President & General Manager of Credit Analysis and Research Department
Chan-Tsung Tseng	Senior Vice President & General Manager of Credit Card Department
Lien-Ting Huang	Senior Vice President & General Manager of Credit Review & Management Dept.
Hui-Meng Tseng	Senior Vice President & General Manager of General Affairs Department
Hui-Ching Huang	Vice President & General Manager of Information Technology Department
Hann-Chyi Lin	Senior Vice President & General Manager of International Department
Shwu-Mei Shiue	Senior Vice President & General Manager of Personal Banking Department
Chia-Mao Chen	Advisor & General Manager of Personnel Department
Yi-Long Lee	Senior Vice President & General Manager of Risk Management Department
Hsin-Shih Hung	Vice President & General Manager of Treasury Department
Dar Liu	Vice President & General Manager of Trust Department



Risk Management

Risk Management Policy

The principal goal of the Bank's risk management policy is to secure its management operation. The Bank has set standards on limits of authorities, limits of trading, limits of asset holding, stop loss, risk index and diversification of asset portfolio to undertake market appraisal, gap analysis of liquidity assets over liabilities, and gap analysis of interest-sensitive assets over liabilities in order to better monitor and manage credit risk, market risk, liquidity risk and interest risk, respectively. The Bank's Asset and Liability Management Committee is responsible for overlooking risk policies so as to effectively control various risks. Risk Management Department was established in December 2002, and at its initial stage, the main focus is to structure an effective control mechanism of credit risk and market risk.

Risk Exposure

Concentration of Credit Risk

NT\$,000

		December 31, 2002	December 31, 2001
Loans to related parties		36,465,110	38,399,217
Loans to related parties ratio		4.26%	4.51%
Loan ratio of pledged stocks		1.43%	0.91%
Industry Concentration	Industry	%	%
	Agricultural / Fishermen	0.07	0.05
	Mining	0.06	0.07
	Manufacturing	29.75	30.77
	Water and Electricity	1.97	2.51
	Construction / Building	2.17	2.13
	Wholesale / Retail	10.08	11.62
	Transportation/Warehouse/ Communication	2.50	4.25
	Banking/Insurance/Real Estates	3.37	2.14
	Individuals	1.57	1.56
	Others	48.46	44.90
	Total	100.00	100.00

Concentration of Foreign Exchange Risk as of December 31, 2002

US\$mio

Country	Loans and bills purchased	%	Country	Loans and bills purchased	%
U.S.A.	1,051.58	28.3	France	65.14	1.8
Japan	710.59	19.1	Thailand	61.81	1.7
South Korea	464.67	12.5	Australia	60.36	1.6
Singapore	206.93	5.6	Sweden	56.78	1.5
U.K.	161.18	4.3	Denmark	53.80	1.4
Germany	150.28	4.0	Netherlands	48.94	1.3
Italy	118.41	3.2	Norway	48.35	1.3
Hong Kong	103.49	2.8	Malaysia	48.21	1.3
Indonesia	80.32	2.2	Canada	41.08	1.1
Vietnam	66.83	1.8	Others	122.09	3.2
Total	3,720.84	100.0			



Banking Operations

Scope of Operations

Banking Department

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

26. Act as sales broker of gold bars, gold and silver coins.
27. Guarantee the issuance of corporate bonds and securities.
28. Issue financial bonds.
29. Engage in factoring business.

Trust Department

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

Main Operation Figures for Trust Department

NT\$,000	12.31.2002	12.31.2001
Mutual funds	152,893,406	91,632,492
Family wealth trust	25,000	0
Securities investment trust fund under custody (average balance)	307,625,917	202,248,834
Brokerage on securities	218,722,651	175,053,368
Financing on securities (average balance)	1,493,574	1,207,785
Securities underwriting	119,500	300,000
Registrar for issuance of securities	3,306,176,075	3,220,865,156



Main Operation Figures for Banking Department

		12.31.2002		12.31.2001	
		NT\$,000	%	NT\$,000	%
Deposits					
Current deposits	Checking deposits	31,487,700	2.59	30,292,617	2.71
	Treasury deposits	17,367,381	1.43	15,844,059	1.42
	Demand deposits	144,186,145	11.89	131,731,367	11.78
	Savings deposits	241,512,141	19.92	222,958,891	19.94
	Sub-total	434,553,367	35.83	400,826,934	35.85
Time deposits	Time deposits	222,824,762	18.37	229,594,615	20.54
	Time savings deposits	373,827,305	30.83	362,448,368	32.42
	Sub-total	596,652,067	49.20	592,042,983	52.96
Others	Due to banks	53,670,501	4.43	55,106,090	4.93
	Call loans from banks	127,794,993	10.54	70,033,857	6.26
	Sub-total	181,465,494	14.97	125,139,947	11.19
Total		1,212,670,928	100.00	1,118,009,864	100.00
Loans					
	Short-term loans and overdrafts	276,275,642	28.06	294,470,781	32.51
	Medium-term loans	236,016,332	23.97	216,348,295	23.88
	Long-term loans	295,533,928	30.02	293,910,678	32.45
	Discounts	4,932,333	0.50	4,140,711	0.46
	Due from banks	171,819,433	17.45	96,910,212	10.70
Total		984,577,668	100.00	905,780,677	100.00
Foreign exchange business					
Purchase	Export negotiations	5,209,843	5.12	4,961,113	4.58
	Export collections	401,751	0.39	366,849	0.34
	Inward remittances	48,600,687	47.71	51,419,805	47.47
	Sub-total	54,212,281	53.22	56,747,767	52.39
Sale	Import L/Cs	4,208,323	4.13	4,094,231	3.78
	Import collections	198,771	0.20	214,298	0.20
	Outward remittances	43,244,898	42.45	47,259,632	43.63
	Sub-total	47,651,992	46.78	51,568,161	47.61
Total		101,864,273	100.00	108,315,928	100.00
Total revenue					
	Interest income	47,647,938	88.53	62,705,679	84.80
	Service income	3,066,368	5.70	2,409,850	3.26
	Revenue from brokerage operations and underwriting	268,492	0.50	221,324	0.30
	Gain on trading bills and securities	943,369	1.75	6,477,163	8.76
	Gain on long-term equity investments	-	-	619,319	0.84
	Foreign exchange gain	1,048,840	1.95	905,788	1.22
	Other operating revenue	2,068	0.00	8,597	0.01
	Non-operating income	845,133	1.57	598,755	0.81
Total		53,822,208	100.00	73,946,475	100.00



Business Plans for 2003

Enhancement of the Bank's profitability through expansion of commission income sources, acceleration of branch channel transformation, and reinforcement of customer services

- The cost of various services will be reviewed and the "user pays" concept will be introduced in order to charge service commissions that reflect the real cost of the services and increase commission income.
- Improvement of the branch operating system will be continued, the integration of business processes with equal emphasis on internal controls will be accelerated, the branch channel business marketing mechanism will be reinforced, and the centralized regional center back-office processing function will be strengthened.
- The spirit of graded customer services will be fully implemented, customer loyalty will be consolidated, and the Bank's marketing promotion efficiency will be enhanced through personalized service by account officers and investment specialists.

Formation of the Bank into a leading trade financing bank for global Taiwan-related companies by satisfying the different financing needs of industry and commerce in line with the government's promotion of industrial development, corporate internationalization, and the development of financial services across the Taiwan Straits

- The loan structure and promotional strategies will be readjusted, and trade financing as well as self-compensating financing will be undertaken actively, so as to help companies with the expansion of international trade.
- An on-line trade finance system will be developed to fill the funding needs of domestic head companies and global bases of firms that have migrated offshore.
- In response to the government policy of helping small and medium enterprises obtain financing, and to alleviate the interest burden of SMEs, the Bank will actively promote Small SME Revolving Capital Loans.

- Opportunities arising from the government's steady liberalization of policies regarding finance and trade among Taiwan, mainland China, and Hong Kong will be grasped, the mechanism for introducing business between domestic and overseas business units will be strengthened, and financial operations among Taiwan, mainland China, and Hong Kong will be actively promoted.

Development of personal financing products and service channels in line with the trend toward diversified personal portfolio management so as to heighten the ratio of personal financing and lay a strong base of operations

- The wealth management business will be developed and customized trust and insurance products will be offered, along with portfolio management, asset planning, and other consultation services.
- The consumer banking will be promoted and small-loan products will be developed and improved so as to satisfy the needs of the market and enhance profit sources.
- Online marketing and Internet services mechanisms will be expanded and the online loan business will be developed to satisfy the need for real-time service in personal financing, reinforce sales channels, and enhance the efficiency of customer services.
- Co-branded credit cards will be issued through cross-industry cooperation, the added value of credit cards will be heightened, and the Bank will strive to become the leading brand in the credit card market while advancing toward the goal of having one million cards in circulation.
- IC bank cards will be promoted, and both actual and virtual channels will be used, to provide customers with a full range of financial transaction services.



Use of the power of information technology to strengthen customer relations management, business marketing, product and channel network planning, thereby upgrading the Bank's overall competitiveness

- A data storage system will be developed and the ability of business units to analyze customer consumption and investment behaviors will be enhanced; in addition, the market segmentation method will be used to plan appropriate products and marketing programs, improve the service model, and reinforce business promotion capability.
- New core systems will be installed so that information systems strengthened by the integration of capabilities will enable the Bank to gain an immediate grasp of overall operating performance and service efficiency, effectively integrate banking resources, and carry out the centralized development of the most advantageous core businesses.
- Automatic service networks and functions will be expanded to increase the frequency of customer usage and maintain the highest possible degree of customer satisfaction.

Upgrading of the professional know-how of Bank staff, implementation of the pre-loan credit investigation mechanism, strengthening of risk management, and maintenance of the quality of loan assets

- The Credit and Research Inquiry System database will be expanded and its functions strengthened so as to provide the Bank's personnel with professional industrial information and to reinforce the prevention and control of industry risk.
- Account officers for overseas affairs will be placed for business promotions and on-site visits in order to gain a deep understanding of the clients' overseas operations, so as to upgrade loan quality and reduce operating risk.
- Limits of authorization will be revised when necessary and bank-wide liquidity as well as real-time capital gap management will be strengthened in line with the implementation by the Central Bank of a real-time gross settlement system.
- An independent unit will be set up to be responsible for the management of risk policy, and risk will be quantified and reflected in product pricing.



Privilege and Comfort

WEALTH MANAGEMENT CENTER



Financial Report

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Financial Summary 1998-2002

Concise Balance Sheet

NT\$,000	12.31.2002	12.31.2001	12.31.2000	12.31.1999	12.31.1998
Cash, due from Central Bank and banks	\$ 290,323,112	\$ 223,951,760	\$ 188,497,570	\$ 159,404,521	\$ 146,509,384
Short-term investments	81,414,504	85,619,705	94,256,332	118,670,305	106,129,650
Receivables-net	23,953,418	25,069,745	33,454,727	32,542,049	28,289,157
Prepayments	2,181,002	3,467,679	2,948,746	3,456,281	2,831,998
Loans, bills purchased and discounted	815,405,255	811,146,219	806,428,970	762,732,830	726,681,685
Long-term investments	17,916,921	14,387,205	10,695,045	11,453,422	10,667,048
Property and equipment	26,901,248	27,622,713	26,489,427	27,027,049	26,747,713
Others assets	51,770,713	84,878,104	67,368,646	63,394,881	52,675,529
Total assets	1,309,866,173	1,276,143,130	1,230,139,463	1,178,681,338	1,100,532,164
Due to Central Bank and Banks	79,954,611	75,279,486	92,078,408	121,429,994	108,537,000
Payables	45,134,269	45,994,320	60,201,489	58,171,859	49,315,929
Collections in advance	1,206,598	1,062,891	1,400,636	1,221,208	1,596,754
Deposits and remittances	1,082,496,151	1,046,123,627	980,038,014	901,924,666	850,809,726
Financial bonds payable	30,500,000	10,000,000	–	–	–
Funds borrowed from Central Bank and banks	299,378	556,187	929,898	1,194,481	1,278,983
Long-term liabilities and other liabilities	12,990,420	12,983,679	12,649,052	12,501,135	12,662,885
Total liabilities	1,252,581,427	1,192,000,190	1,147,297,497	1,096,443,343	1,024,201,277
Capital stock	38,216,000	38,216,000	36,284,855	32,745,867	31,472,106
Additional paid-in capital	22,896,897	22,950,160	23,876,696	24,531,613	25,135,966
Retained earnings (Accumulated deficits)	(4,075,242)	22,758,358	22,591,322	24,918,407	19,484,966
Cumulative translation adjustment	247,091	218,422	89,093	42,108	237,849
Total stockholders' equity	57,284,746	84,142,940	82,841,966	82,237,995	76,330,887

Concise Statement of Operations

NT\$,000	2002	2001	2000	1999	1998
Operating revenue	\$ 52,977,075	\$ 73,347,720	\$ 81,381,266	\$ 80,714,132	\$ 77,594,150
Operating costs	37,294,216	54,586,107	61,666,575	58,683,282	52,777,679
Gross profit	15,682,859	18,761,613	19,714,691	22,030,850	24,816,471
Operating expenses	12,697,550	13,530,767	13,312,847	13,820,418	14,652,519
Operating income	2,985,309	5,230,846	6,401,844	8,210,432	10,163,952
Non-operating income	845,133	598,755	730,572	663,803	446,377
Non-operating expenses	36,331,311	2,262,106	2,115,043	2,175,565	2,124,818
(Loss) income before income tax	(32,500,869)	3,567,495	5,017,373	6,698,670	8,485,511
Income tax benefit (expense)	7,776,558	(416,885)	(855,301)	(574,725)	(1,262,573)
Net (loss) income	(24,724,311)	3,150,610	4,162,072	6,123,945	7,222,938
(Loss) earnings per share(\$)	(6.47)	0.82	1.15	1.87	2.32

Key Ratios (%)

	2002	2001	2000	1999	1998
Stabilities ratios					
Debt ratio (total liabilities / total assets)	95.63	93.41	93.27	93.02	93.06
Deposits / Net worth	1,800.14	1,242.26	1,181.67	1,095.59	1,114.63
Fixed assets / Net worth	46.96	32.83	31.98	32.86	35.04
Liquidity					
Liquidity reserve ratio	19.11	13.09	11.11	15.24	9.47
Profitability ratios					
ROA (net income / average total assets)	(1.91)	0.25	0.35	0.54	0.63
ROE (net income / average stockholders' equity)	(34.96)	3.77	5.04	7.72	9.11
Operating income / Capital stock	7.81	13.69	17.64	24.72	32.30
(Loss) income before income tax / Capital stock	(85.05)	9.34	13.83	20.46	26.96
Net (loss) income / Operating revenue	(46.67)	4.30	5.12	7.60	9.31
Solvency capital adequacy					
Total capital ratio	8.99	9.28	9.18	9.80	9.74

Report of Independent Accountants



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

We have audited the accompanying balance sheet of First Commercial Bank Co., Ltd. (the "Bank") as of December 31, 2002, and the related statements of operations, of changes in stockholders' equity and of cash flows for the year 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 audit. The financial statements of the Bank as of and for the year ended December 31, 2001 were audited by other auditors whose report, dated March 1, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the "Rules Governing Examination of Financial Statements 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Commercial Bank Co., Ltd. as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with the "Rules Governing Compilation of Financial Statements by Securities Issuers" and generally accepted accounting principles in the Republic of China.

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

March 6, 2003

Balance Sheets

as of December 31, 2002 and 2001

	Note	2002		2001	
		NT\$,000	%	NT\$,000	%
Assets					
Cash and cash equivalents	3(1)	\$ 109,377,448	8	\$ 74,781,200	6
Due from banks	3(2),4	111,099,269	9	100,020,608	8
Due from Central Bank	3(3)	69,846,395	5	49,149,952	4
Short-term investments	3(4),5	81,414,504	6	85,619,705	7
Receivables	3(5),(6),(23)	23,953,418	2	25,069,745	2
Prepayments and other current assets		2,181,002	-	3,467,679	-
Loans, bills purchased and discounted-net	3(6),4	815,405,255	62	811,146,219	63
Long-term investments	3(7)	17,916,921	2	14,387,205	1
Property and equipment	3(8),(20)				
Cost					
Land		7,280,363	1	7,297,227	1
Buildings		8,496,579	1	7,262,756	1
Machinery and equipment		2,743,776	-	2,650,604	-
Transportation equipment		823,330	-	688,080	-
Other equipment and leasehold improvements		2,603,235	-	2,468,843	-
Cost of property and equipment		21,947,283	2	20,367,510	2
Appraisal increments		11,278,948	1	11,987,465	1
Less: Accumulated depreciation		(6,384,257)	(1)	(5,938,603)	(1)
Construction in progress and prepayments for equipment		59,274	-	1,206,341	-
Property and equipment-net		26,901,248	2	27,622,713	2
Intangible assets		220,587	-	56,640	-
Other assets	3(9),(23),5	51,550,126	4	84,821,464	7
Total other assets		51,770,713	4	84,878,104	7
Total assets		\$ 1,309,866,173	100	\$ 1,276,143,130	100
Liabilities and Stockholders' Equity					
Liabilities					
Due to Central Bank		\$ 174,490	-	\$ 687,540	-
Due to banks	3(10),4	79,780,121	6	74,591,946	6
Payables	3(11),(23)	45,134,269	4	45,994,320	3
Collections in advance		1,206,598	-	1,062,891	-
Deposits and remittances	3(12),4	1,082,496,151	83	1,046,123,627	82
Financial bonds payable	3(13)	30,500,000	2	10,000,000	1
Funds borrowed from Central Bank and other banks		299,378	-	556,187	-
Long-term liabilities	3(14),(18)	10,729,556	1	10,936,967	1
Other liabilities	3(15)	2,260,864	-	2,046,712	-
Total liabilities		1,252,581,427	96	1,192,000,190	93
Stockholders' equity					
Capital stock	3(19)	38,216,000	3	38,216,000	3
Additional paid-in capital	3(20)	22,896,897	2	22,950,160	2
Retained earnings					
Legal reserve	3(21)	15,268,422	1	14,323,239	1
Special reserve		3,695,364	-	3,695,364	-
(Accumulated deficits) unappropriated earnings	3(22),(23)	(23,039,028)	(2)	4,739,755	1
Cumulative translation adjustment	3(7)	247,091	-	218,422	-
Total stockholders' equity		57,284,746	4	84,142,940	7
Total liabilities and stockholders' equity		\$ 1,309,866,173	100	\$ 1,276,143,130	100

* NT\$34.78: US\$1.00

Statements of Operations

for the years ended December 31, 2002 and 2001

	Note	2002		2001	
		NT\$,000	%	NT\$,000	%
Operating revenue	4				
Interest income		\$ 47,647,938	90	\$ 62,705,679	86
Service income		3,066,368	6	2,409,850	3
Revenue from brokerage operations and underwriting		268,492	-	221,324	-
Gain on trading bills and securities-net		943,369	2	6,477,163	9
Gain on long-term equity investments-net		-	-	619,319	1
Foreign exchange gain-net		1,048,840	2	905,788	1
Others		2,068	-	8,597	-
Total operating revenue		52,977,075	100	73,347,720	100
Operating costs	3(6),4				
Interest expenses		23,513,708	44	40,228,837	55
Service charges		522,669	1	405,313	-
Loss on long-term equity investments-net	3(7)	1,010,491	2	-	-
Provisions	3(6)	12,192,382	23	13,811,780	19
Others		54,966	-	140,177	-
Total operating costs		37,294,216	70	54,586,107	74
Gross profit		15,682,859	30	18,761,613	26
Operating expenses					
General expenses		11,799,476	22	12,620,274	18
Administrative expenses		844,419	2	868,946	1
Others		53,655	-	41,547	-
Total operating expenses		12,697,550	24	13,530,767	19
Operating income		2,985,309	6	5,230,846	7
Non-operating income					
Gain on disposal of assets		147,825	-	66,625	-
Rental income		163,243	-	137,177	-
Others		534,065	1	394,953	1
Total non-operating income		845,133	1	598,755	1
Non-operating expenses					
Loss on disposal of property and equipment		54,005	-	58,896	-
Loss on sales of non-performing loans	3(16)	33,580,452	64	-	-
Others	3(17)	2,696,854	5	2,203,210	3
Total non-operating expenses		36,331,311	69	2,262,106	3
(Loss) income before income tax		(32,500,869)	(62)	3,567,495	5
Income tax benefit (expense)	3(23)	7,776,558	15	(416,885)	(1)
Net (loss) income		\$ (24,724,311)	(47)	\$ 3,150,610	4

		Before tax	After tax	Before tax	After tax
(Loss) earnings per share -basic and diluted	3(24)	(\$ 8.50)	(\$ 6.47)	\$ 0.93	\$ 0.82

* NT\$34.78: US\$1.00

Statements of Cash Flows

for the years ended December 31, 2002 and 2001

NT\$,000	2002	2001
Cash flows from operating activities		
Net (loss) income	(\$24,724,311)	\$ 3,150,610
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	844,806	1,004,772
Amortization (Note 3(17))	1,897,161	1,902,681
Loss on sales of non-performing loans	33,580,452	-
Provision for doubtful accounts	12,192,382	13,811,780
(Reversal of) provision for default and trading losses	(7,668)	8,269
Recovery of allowance for decline in market value of short-term investments	(448,533)	(580,378)
Loss from long-term investments accounted for under equity method	1,220,071	51,074
Loss (gain) on disposal of long-term equity investments	2,750	(172,990)
Gain on disposal of fixed assets	(87,582)	(4,183)
Loss on devaluation of foreclosed assets	437,525	-
Loss on disposal of foreclosed assets	8,960	-
Changes in assets and liabilities		
Trading securities	(1,468,563)	(6,657,296)
Receivables	545,266	8,384,982
Prepayments	1,286,677	(518,933)
Deferred income tax assets	(7,929,965)	15,846
Payables	(860,008)	(14,239,254)
Collections in advance	143,707	(337,744)
Accrued pension liabilities	(62,697)	182,932
Net cash provided by operating activities	16,570,430	6,002,168
Cash flows from investing activities		
Decrease in short-term investments	6,122,296	15,874,301
Increase in loans, bills purchased and discounted	(26,538,964)	(41,652,196)
Proceeds from sales of non-performing loans	16,746,946	-
Increase in long-term equity investments	(149,999)	(3,099,699)
Increase in long-term bond investments	(4,544,034)	(895,515)
Proceeds from sales of long-term equity investments	8,952	495,510
Purchase of property and equipment	(1,024,840)	(2,207,305)
Proceeds from sales of property and equipment	152,345	304,555
Proceeds from sales of foreclosed assets	76,985	-
Increase in refundable deposits	(161,124)	(215,373)
Increase in intangible assets	(207,107)	(29,610)
Decrease in other assets	43,123	3,689,589
Net cash used in investing activities	(9,475,421)	(27,735,743)
Cash flows from financing activities		
Increase (decrease) in due to banks	5,188,175	(14,551,204)
Decrease in due to Central Bank	(513,050)	(2,247,718)
Increase in deposits and remittances	36,372,524	66,085,613
Decrease in funds borrowed from Central Bank and other banks	(256,809)	(373,712)
Increase in financial bonds payable	20,500,000	10,000,000
Cash dividends paid	(1,910,800)	(1,782,124)
Remunerations to directors and supervisors and bonuses paid to employees	(198,489)	(145,308)
Increase (decrease) in guarantee and margin deposits	153,540	(82,595)
Decrease in long-term liabilities	(80,430)	(90,022)
(Decrease) increase in other liabilities	(46,298)	316,044
Net cash provided by financing activities	59,208,363	57,128,974
Net effect of foreign exchange rate changes on cash	67,980	58,791
Net increase in cash and cash equivalents, due from Central Bank and other banks	66,371,352	35,454,190
Cash and cash equivalents, due from Central Bank and other banks at beginning of year	223,951,760	188,497,570
Cash and cash equivalents, due from Central Bank and other banks at end of year	\$ 290,323,112	\$ 223,951,760
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 25,867,647	\$ 42,884,303
Cash paid during the year for income taxes	\$ 255,214	\$ 1,347,605

* NT\$34.78: US\$1.00

Statements of Changes in Stockholders' Equity

for the years ended December 31, 2002 and 2001

NT\$,000	Retained earnings					Unappropriated earnings (accumulated deficits)	Cumulative translation adjustment	Total
	Common stock	Additional paid-in capital	Legal reserve	Special reserve				
Balance, January 1, 2001	\$36,284,855	\$23,876,696	\$13,074,617	\$3,695,364	\$5,821,341	\$89,093	\$82,841,966	
Appropriation of 2000 earnings:								
Legal reserve	-	-	1,248,622	-	(1,248,622)	-	-	
Bonus to employees-cash	-	-	-	-	(116,174)	-	(116,174)	
Bonus to employees-stock	116,902	-	-	-	(116,902)	-	-	
Remunerations to directors and supervisors	-	-	-	-	(29,134)	-	(29,134)	
Cash dividends declared	-	36	-	-	(1,814,242)	-	(1,814,206)	
Stock dividends declared	1,814,243	(907,121)	-	-	(907,122)	-	-	
Net income for 2001	-	-	-	-	3,150,610	-	3,150,610	
Appraisal increments write-off due to disposal of land	-	(19,451)	-	-	-	-	(19,451)	
Translation adjustment	-	-	-	-	-	129,329	129,329	
Balance, January 1, 2002	\$38,216,000	\$22,950,160	\$14,323,239	\$3,695,364	\$4,739,755	\$218,422	\$84,142,940	
Appropriation of 2001 earnings:								
Legal reserve	-	-	945,183	-	(945,183)	-	-	
Bonus to employees	-	-	-	-	(176,434)	-	(176,434)	
Cash dividends declared	-	43	-	-	(1,910,800)	-	(1,910,757)	
Remunerations to directors and supervisors	-	-	-	-	(22,055)	-	(22,055)	
Net loss for 2002	-	-	-	-	(24,724,311)	-	(24,724,311)	
Appraisal increments write-off due to disposal of land	-	(53,306)	-	-	-	-	(53,306)	
Translation adjustment	-	-	-	-	-	28,669	28,669	
Balance, December 31, 2002	\$38,216,000	\$22,896,897	15,268,422	\$3,695,364	(\$23,039,028)	\$247,091	\$57,284,746	

* NT\$34.78: US\$1.00

Notes to Financial Statements

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

1. Summary of significant accounting policies

(1) Principles of compilation of financial statements

The accompanying financial statements include the accounts of the head office and all of its branch offices. All inter-branch accounts and transactions between the head office and branches have been eliminated.

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

(2) Short-term investments

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

Trading bonds, except for those purchased in the OTC exchange market, which are determined by the closing price at the balance sheet date or the average price as stipulated by the OTC, are stated at par value, netting amortization of discount or premium.

(3) Investments with repurchase or resale agreements

Investments in bonds and commercial papers under resale and repurchase agreements are accounted for using the sale/purchase method, and are booked under the relevant memo accounts.

(4) Allowance for doubtful accounts

The allowance is determined by evaluating the recoverability of the outstanding balances of various loans and receivables at the balance sheet date. Loan assets are classified into four categories; (1) pass (2) substandard (3) doubtful and (4) loss. Allowance for bad loans is provided at 0.04%, 1%, 50%, and 100% on loans classified

under categories 1, 2, 3, and 4, respectively. Further allowance is provided for specific loans on an as-needed basis.

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

(5) Long-term investments

When the Bank owns less than 20% of the common stock of a listed company and has no ability to exercise significant influence over the investee, the investment is stated at the lower of cost or market value. Any unrealized loss is recorded as a reduction in stockholders' equity. Where the stock of an investee company is not listed, the investment is valued at cost. For unlisted investment, when a permanent diminution in value is identified, the book value of the investment is written down to its new value and a loss is recognized in the current year's statement of operations.

For investee companies where the Bank owns more than 20% of the common stock or has the ability to exercise significant influence, the investment is accounted for using the equity method and the difference between cost and net asset book value is amortized over five years. For investee companies where the Bank owns less than 50% of the voting stock, no long-term investment income or loss is recognized in the Bank's first quarter financial statements. The long-term equity investment income or loss recognized in the Bank's third quarter financial statements is based on the investees' audited financial statements for the six-month period ended on June 30. In addition, the translation adjustment resulting from the translation of the investee's foreign investments accounted for under the equity method is recognized in proportion to the Bank's equity holding percentage in stockholders' equity.

When disposing long-term equity investments, the cost is calculated under the weighted-average method and any gain or loss is charged to current operations.

The Bank prepares consolidated financial statements which include all majority owned subsidiaries, except for those subsidiaries with total assets and operating revenues of less than 10% of the Bank's non-consolidated total assets and operating revenues. However, if the combined total assets or revenues of all such non-consolidated subsidiaries exceed 30% of the Bank's non-consolidated total assets or operating revenues, then each individual subsidiary with total assets or operating revenues greater than 3% of the Bank's respective non-consolidated amounts is consolidated.

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

(6) Property and equipment/Non-operating assets

Property and equipment are stated at cost except as permitted under relevant regulation. Depreciation is provided on the straight-line basis using the estimated useful lives of the assets plus an additional year as salvage value. The useful lives of major property and equipment are 3-55 years except for leasehold improvements, of which useful lives are over the shorter of 5 years or the lease term.

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

When assets are sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resultant gain or loss is included in current operating results. Prior to 2001, gain on disposal of property and equipment was transferred to capital reserve in the current period after deducting the relevant income tax.

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

(7) Foreclosed assets

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

(8) Deferred expenses

Deferred expenses primarily consist of the funds due to employees as a result of the Bank's denationalization on January 22, 1998 and the costs of issuing subordinate financial bonds. In accordance with the Ministry of Finance Tai-Tsai-Jen Ruling No. 830112111, the funds due to employees are amortized over 5 years under the straight-line method. The costs of issuing subordinate financial bonds are amortized under the straight-line method over the issuing periods. Other deferred expenses aside from those listed above are stated at acquisition cost and amortized under the straight-line method over 5 years.

(9) Intangible assets

Computer software is stated at cost and amortized over 3 years under the straight-line method.

(10) Reserve for guarantees

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

(11) Reserve for land appraisal incremental tax

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

(12) Reserve for default

A securities firm trading securities for customers' accounts shall allocate 0.0028% of the transaction price of traded securities on a monthly basis as reserve for losses from defaults. This reserve shall be used for the purpose of covering the losses caused by defaults for trading on customers' accounts or for other uses as approved by the Securities and Futures Commission ("SFC"). When the accumulated reserve balance reaches NT\$200 million, no further reserve is required.

(13) Reserve for securities trading losses

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

(14) Pension plan

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

(15) Foreign currency transactions and translations of financial statements

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

When the financial statements of overseas operating units are translated into NT dollars, all assets, liabilities and profit and loss accounts are translated at exchange rates prevailing at the balance sheet date. The accumulated earnings at beginning of year is carried over from the translated balance at end of last year, balances of all other accounts of stockholders' equity are translated using historical exchange rates. The differences resulting from translation are recorded as cumulative translation adjustment, an adjustment account of stockholders' equity.

(16) Derivative financial instruments

1) Derivative financial instruments for trading purposes

Assets or liabilities resulting from derivative financial instruments for trading purpose are

valued at the fair value at the balance sheet date. Both realized and unrealized changes in fair value are recognized as trading profit or loss in the current period.

2) Derivative financial instruments for hedging purposes

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

(17) Recognition of interest income

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

(18) Income tax

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

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

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

2. Changes in accounting principles : None.

3. Summary of significant accounts

(1) Cash

	December 31, 2002	December 31, 2001
Cash in vault	\$ 9,273,867	\$ 9,596,988
Checks for clearance	9,630,419	10,476,976
Certificates of deposit	90,473,162	54,707,236
Total	<u>\$ 109,377,448</u>	<u>\$ 74,781,200</u>

(2) Due from Banks

	December 31, 2002	December 31, 2001
Due from other banks	\$ 2,613,463	\$ 4,035,429
Bank overdrafts	610	1,069
Call loans to banks	108,485,196	95,984,110
Total	<u>\$ 111,099,269</u>	<u>\$ 100,020,608</u>

(3) Due from Central Bank

	December 31, 2002	December 31, 2001
Reserve for deposits-account A	\$ 43,739,348	\$ 24,655,267
Reserve for deposits-account B	24,916,723	22,969,620
Reserve for deposits-foreign currency	65,352	448,090
Deposit of foreign branches with foreign Central Banks	495,607	380,084
Deposit of Treasury account	629,365	696,891
Total	<u>\$ 69,846,395</u>	<u>\$ 49,149,952</u>

(4) Short-term Investments

	December 31, 2002	December 31, 2001
Marketable securities	\$ 64,248,433	\$ 70,344,595
Trading securities	15,546,056	14,077,493
Bank acceptances	78,489	53,885
Commercial papers	1,541,526	1,592,265
Sub-total	<u>81,414,504</u>	<u>86,068,238</u>
Less: Allowance for decline in market value	-	(448,533)
Total	<u>\$ 81,414,504</u>	<u>\$ 85,619,705</u>

(19) The statement of cash flows

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

(20) Use of estimates

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

(5) Receivables

	December 31, 2002	December 31, 2001
Interest receivable	\$ 5,161,465	\$ 6,705,337
Acceptances receivable	7,128,119	5,961,339
Forward exchange contracts receivable	9,147,351	8,306,554
Accounts receivable	1,643,924	3,462,312
Refundable tax	517,472	196,165
Accrued income	192,177	291,757
Other receivable	1,173,132	585,442
Sub-total	<u>24,963,640</u>	<u>25,508,906</u>
Less: Allowance for doubtful accounts	<u>(1,010,222)</u>	<u>(439,161)</u>
Net	<u>\$ 23,953,418</u>	<u>\$ 25,069,745</u>

As of December 31, 2002 and 2001, the reserve for guarantees, including acceptances receivable, was \$500,518 and \$401,103, respectively, and was recorded under "other liabilities".

(6) Loans, Bill Purchased and Discounted-net

	December 31, 2002	December 31, 2001
Bills discounted	\$ 4,932,333	\$ 4,140,711
Overdrafts	2,166,159	4,000,427
Short-term loans	272,660,630	289,171,008
Medium-term loans	236,016,332	216,348,295
Long-term loans	295,533,928	293,910,678
Margin loan receivables	1,448,853	1,299,346
Exchange and export-import bills	3,717,448	3,545,201
Sub-total	<u>816,475,683</u>	<u>812,415,666</u>
Less: Allowance for doubtful accounts	<u>(1,070,428)</u>	<u>(1,269,447)</u>
Net	<u>\$ 815,405,255</u>	<u>\$ 811,146,219</u>

The Bank does not accrue interest revenue if either the repayment of the principal or interest is 180 days overdue. As of December 31, 2002 and 2001, overdue loans and other outstanding credit on which interest accruals had been suspended totaled NT\$38,035,481 and \$78,674,110, respectively. Interest that was not accrued during 2002 and 2001 totaled NT\$2,992,742 and \$5,354,560, respectively.

Proper course of claims against the debtors have been made before any credits were written off for 2002 and 2001.

The Bank has evaluated the allowance for doubtful receivables, exchange bills negotiated and discounted, loans and overdues, by considering unrecoverable risk for specific loans and inherent risk for total loan portfolio. Changes in allowance for doubtful accounts between January 1 and December 31, 2002 and 2001, are as follows:

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

January 1, 2001 to December 31, 2001

	Unrecoverable risk for specific loans	Inherent risk for total loan portfolio	Total
Beginning balance	\$ 10,316,108	\$ 1,380,390	\$ 11,696,498
Provision	13,811,780	-	13,811,780
Write-off	(14,715,307)	-	(14,715,307)
Other	1,839,025	1,794,177	3,633,202
Ending balance	\$ 11,251,606	\$ 3,174,567	\$ 14,426,173

(7) Long-term Investments

1) The details:

	December 31, 2002	December 31, 2001
Long-term equity investments	\$ 12,319,758	\$ 13,334,077
Long-term bond investments	5,597,163	1,053,128
Total	\$ 17,916,921	\$ 14,387,205

2) Long-term equity investments:

	December 31, 2002		December 31, 2001	
	Amount	Percentage of ownership	Amount	Percentage of ownership
Equity method				
First Commercial Bank (USA)	\$ 1,108,644	100.00	\$ 1,100,522	100.00
East Asia Real Estate Management Co., Ltd.	7,987	30.00	16,027	30.00
FCB Leasing Co., Ltd.	511,225	99.97	496,545	99.97
Central Bills Financial Corp.	-	-	1,230,773	24.88
First Insurance Agency Co., Ltd.	59,236	100.00	50,000	100.00
Franklin Templeton First Taiwan Securities Investment Trust Enterprise	128,215	49.99	-	-
Sub-total	<u>1,815,307</u>		<u>2,893,867</u>	
Cost method				
Taiwan Power Company	\$ 2,187,531	0.84	\$ 2,187,531	0.84
Tang Eng Iron Works Co., Ltd.	492,680	7.04	492,680	7.04
CDIB & Partners Investment Holding Corp.	400,000	3.96	400,000	3.96
Taiwan Assets Management Co., Ltd.	3,000,000	17.03	3,000,000	17.03
Others	796,081	-	720,144	-
Sub-total	<u>6,876,292</u>		<u>6,800,355</u>	
The lower of cost or market value method				
Chang Hwa Commercial Bank	\$ 1,283,366	4.68	\$ 1,283,366	4.68
Taiwan Business Bank	1,469,878	6.51	1,481,573	6.51
Hua Nan Financial Holding Co., Ltd.	701,235	2.68	701,235	2.68
Taiwan Development & Trust Corp.	173,680	5.79	173,680	5.79
Others	-	-	1	-
Sub-total	<u>3,628,159</u>		<u>3,639,855</u>	
Total	<u>\$12,319,758</u>		<u>\$13,334,077</u>	

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

	December 31, 2002	December 31, 2001
Investment (losses) gains	(\$ 1,136,871)	\$ 73,726
Translation adjustment	(8,239)	70,539
Amortization of the difference between cost and net worth	(83,200)	(124,800)

- 4) In September 2002, Central Bills Financial Corporation resolved to increase its capital after executing a capital reduction. The Bank did not subscribe any shares of the capital increase in accordance with the resolution of the Board of Directors. As a result of the capital reduction of the investee, the Bank accounted for this investment changed from the equity method to the cost method. During the year ended December 31, 2002, the investment loss accounted for under the equity method recorded by the Bank was \$1,230,524. As of December 31, 2002, the Bank owns 0.01% of the common stock of the investee and the balance of this investment was \$249.
- 5) The Bank owns more than 50% of the common stock of First Commercial Bank (USA), FCB Leasing Co., Ltd. and First Insurance Agency Co., Ltd. as of December 31, 2002 and 2001. However, as the total assets or operating revenues of these investee companies are less than 10% of the relevant balances of the Bank, such investee companies are only accounted for using the equity method and the consolidated financial statements are not prepared.

(8) Property and Equipment-net

	December 31, 2002			
	Cost	Appraisal increments	Accumulated depreciation	Book value
Land	\$ 7,280,363	\$ 11,215,489	\$ (468)	\$ 18,495,384
Buildings	8,496,579	63,459	(2,268,613)	6,291,425
Machinery and equipment	2,743,776	-	(1,782,519)	961,257
Transportation equipment	823,330	-	(456,828)	366,502
Other equipment	2,066,868	-	(1,485,122)	581,746
Leasehold improvements	536,367	-	(390,707)	145,660
Construction in process and prepayments for equipment	59,274	-	-	59,274
	<u>\$ 22,006,557</u>	<u>\$ 11,278,948</u>	<u>\$ (6,384,257)</u>	<u>\$ 26,901,248</u>

	December 31, 2001			
	Cost	Appraisal increments	Accumulated depreciation	Book value
Land	\$ 7,297,227	\$ 11,922,134	\$ (238)	\$ 19,219,123
Buildings	7,262,756	65,331	(2,072,030)	5,256,057
Machinery and equipment	2,650,604	-	(1,706,072)	944,532
Transportation equipment	688,080	-	(412,742)	275,338
Other equipment	1,977,066	-	(1,383,037)	594,029
Leasehold improvements	491,777	-	(364,484)	127,293
Construction in process and prepayments for equipment	1,206,341	-	-	1,206,341
	<u>\$ 21,573,851</u>	<u>\$ 11,987,465</u>	<u>\$ (5,938,603)</u>	<u>\$ 27,622,713</u>

The Bank revalued its land and buildings in accordance with the relevant regulations. As of December 31, 2002 and 2001, the balances of the appraisal increments amounted to \$16,966,339 and \$17,070,366 (including non-operating assets), respectively, and the relevant reserve for tax on the appraisal increments was \$9,221,717 and \$9,271,190, respectively.

There was no interest capitalized on property and equipment purchased for the years ended December 31, 2002 and 2001.

(9) Other Assets

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Overdue loans		
Gross amount of overdue loans	\$ 38,854,392	\$ 85,208,503
Less: allowance for doubtful accounts	(5,965,294)	(12,717,565)
Net overdue loans	<u>32,889,098</u>	<u>72,490,938</u>
Non-operating assets		
Cost		
Land	176,976	145,289
Buildings	710,982	736,466
Others	11,446	8,996
Sub-total	<u>899,404</u>	<u>890,751</u>
Appraisal increments	5,687,391	5,082,901
Total cost and appraisal increments	<u>6,586,795</u>	<u>5,973,652</u>
Less: accumulated depreciation	(225,480)	(198,693)
Net non-operating assets	<u>6,361,315</u>	<u>5,774,959</u>
Foreclosed assets		
Cost	1,532,949	1,578,635
Less: allowance for loss on foreclosed assets	(586,594)	(222,258)
Net foreclosed assets	<u>946,355</u>	<u>1,356,377</u>
Other deferred expenses	39,307	1,846,946
Deferred income tax assets-net	9,931,794	2,001,829
Refundable deposits	1,221,507	1,060,383
Other assets to be adjusted	160,750	197,417
Miscellaneous assets	-	92,615
Total	<u>\$ 51,550,126</u>	<u>\$ 84,821,464</u>

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

The Bank was denationalized on January 22, 1998 and booked deferred expense for employee compensation totaling \$9,262,431. In accordance with the Ministry of Finance Tai-Tsai-Jeng Ruling No. 830112111, the deferred expense is amortized over 5 years under the straight-line method. For the years ended December 31, 2002 and 2001, the amortization was \$1,844,972 and \$1,860,000, respectively, and was charged to other non-operating expenses. As of December 31, 2002 and 2001, the deferred expense balance was \$0 and \$1,844,972, respectively.

(10) Due to Banks

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Due to other banks	\$ 1,443,912	\$ 2,017,120
Overdraft on banks	1,678,778	2,540,969
Call loans from banks	76,657,431	70,033,857
Total	<u>\$ 79,780,121</u>	<u>\$ 74,591,946</u>

(11) Payables

	December 31, 2002	December 31, 2001
Accounts payable	\$ 15,695,873	\$ 15,252,637
Interest payable	4,202,731	6,556,670
Forward exchange contracts payable	9,154,017	8,220,364
Bank acceptances	7,444,115	6,126,750
Collections for customers	675,670	607,743
Accrued expenses	1,907,827	2,357,658
Dividends payable	224,487	233,719
Other payables	5,829,549	6,638,779
Total	<u>\$ 45,134,269</u>	<u>\$ 45,994,320</u>

(12) Deposits and Remittances

	December 31, 2002	December 31, 2001
Checking account deposits	\$ 48,855,081	\$ 46,136,676
Demand account deposits	144,186,145	131,731,367
Time deposits	258,457,137	270,070,445
Negotiable certificates of deposit	14,848,400	11,925,600
Savings account deposits	615,339,447	585,407,259
Remittances and drafts issued	86,342	76,201
Remittances outstanding	723,599	776,079
Total	<u>\$ 1,082,496,151</u>	<u>\$ 1,046,123,627</u>

(13) Financial Bonds Payable

The Board of Directors' meeting on June 22, 2001 and October 3, 2002 resolved on the issuance of subordinated financial bonds of NT\$50 and \$30 billion to strengthen the Bank's capital adequacy ratio and to finance long-term operating capital. The issuance of the financial bonds was in accordance with the Ministry of Finance Tai-Tsai-Jung Ruling No. 90277627 on July 10, 2001 and No. 0910052763 on November 19, 2002. The repayments of those instruments issued rank behind the claims of other creditors but takes precedence over shareholders in the event of liquidation. The details of issue provision are as follows:

	First issue, 2001
Issuance date	September 12, 2001
Amount	NT\$10 billion
Price	At par
Coupon rate	4%
Interest and repayment term	Interest paid annually and principal paid 20%, 30%, 50% at the 5th, 6th, 7th year, respectively.
Maturity	7 years
	First issue, 2002
Issuance date	March 4, 2002
Amount	NT\$5 billion
Price	At par
Coupon rate	3.2%
Interest and repayment term	Interest paid annually and principal paid at maturity.
Maturity	5 years

Second issue, 2002																					
Issuance date	July 9, 2002																				
Amount	NT\$13 billion																				
Price	At par																				
Coupon rate	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">Bond A~M</th> <th style="width: 50%; text-align: center;">Bond N~X</th> </tr> </thead> <tbody> <tr> <td>Year 1: 7.1%-90 days CP</td> <td style="text-align: center;">3.90%</td> </tr> <tr> <td>Year 2: 7.0%-90 days CP</td> <td></td> </tr> <tr> <td>Year 3~5: 6.9%-90 days CP</td> <td></td> </tr> <tr> <td>Minimum yield rate: 0%</td> <td></td> </tr> <tr> <th style="text-align: center;">Bond Y</th> <th style="text-align: center;">Bond Z</th> </tr> <tr> <td>Year 1: 7.12%-90 days CP</td> <td>Year 1~2: 5.0%</td> </tr> <tr> <td>Year 2: 7.02%-90 days CP</td> <td>Year 3~5: 6.4%-90 days CP</td> </tr> <tr> <td>Year 3~5: 6.92%-90 days CP</td> <td>Minimum yield rate: 0%</td> </tr> <tr> <td>Minimum yield rate: 0%</td> <td></td> </tr> </tbody> </table>	Bond A~M	Bond N~X	Year 1: 7.1%-90 days CP	3.90%	Year 2: 7.0%-90 days CP		Year 3~5: 6.9%-90 days CP		Minimum yield rate: 0%		Bond Y	Bond Z	Year 1: 7.12%-90 days CP	Year 1~2: 5.0%	Year 2: 7.02%-90 days CP	Year 3~5: 6.4%-90 days CP	Year 3~5: 6.92%-90 days CP	Minimum yield rate: 0%	Minimum yield rate: 0%	
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Minimum yield rate: 0%																					
Interest and repayment terms	Bond A~M and Y: Interest paid quarterly Bond N~X: Interest paid annually Bond Z: Interest paid annually for the first two years and then paid quarterly up to maturity. Repayment of principal at maturity.																				
Maturity	Bond A~M, Y and Z: 5 years Bond N~X: 5 years and 6 months																				
Third issue, 2002																					
Issuance date	December 10, 2002																				
Amount	NT\$0.5 billion																				
Price	At par																				
Coupon rate	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">Bond A</th> <th style="width: 50%; text-align: center;">Bond B</th> </tr> </thead> <tbody> <tr> <td>5.5%-USD 6M LIBOR</td> <td>Year 1: 7%-USD 6M LIBOR</td> </tr> <tr> <td>Minimum yield rate: 0%</td> <td>Year 2 to maturity: 5%-USD 6M LIBOR</td> </tr> <tr> <td></td> <td>Minimum yield rate: 0%</td> </tr> </tbody> </table>	Bond A	Bond B	5.5%-USD 6M LIBOR	Year 1: 7%-USD 6M LIBOR	Minimum yield rate: 0%	Year 2 to maturity: 5%-USD 6M LIBOR		Minimum yield rate: 0%												
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Interest and repayment terms	Interest paid semi-annually and principal paid at maturity.																				
Maturity	5 years and 1 month																				
Fourth issue, 2002																					
Issuance date	December 19, 2002																				
Amount	NT\$2 billion																				
Price	At par																				
Coupon rate	90 days CP+0.75%																				
Interest and repayment terms	Interest accrued quarterly and paid annually. Principal paid at maturity.																				
Maturity	5 years and 7 months																				

(14) Long-term Liabilities

	December 31, 2002	December 31, 2001
Reserve for land appraisal incremental tax	\$ 9,221,718	\$ 9,271,190
Appropriation for loan funds	731,342	826,584
Accrued pension liabilities	776,496	839,193
Total	<u>\$ 10,729,556</u>	<u>\$ 10,936,967</u>

(15) Other Liabilities

	December 31, 2002	December 31, 2001
Reserve for losses on guarantees	\$ 500,518	\$ 401,103
Reserve for securities trading losses	200,000	200,000
Reserve for default losses	40,948	34,824
Guarantee and margin deposits	1,276,476	1,122,936
Other liabilities to be adjusted	87,047	171,731
Others	155,875	116,118
Total	<u>\$ 2,260,864</u>	<u>\$ 2,046,712</u>

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

(16) Losses on Sales of Non-performing Loans

The Bank signed agreements with Cerberus Asia Capital Management LLC., Lehman Brothers Commercial Corporation Asia Limited, Lone Star Asia Pacific Ltd., GE Capital Commercial Finance Inc, and Taiwan Assets Management Corporation to sell its non-performing loans with book value of \$10,936,988, \$4,058,482 and \$35,331,928, respectively. As a result, the Bank realized a loss of \$33,580,452 after the disposal of non-performing loans, and posted a net loss of \$25,185,339 after income tax benefit in 2002.

- 1) The major provisions of the agreement with Cerberus Asia Capital Management LLC. are as follows:
 - * Contract date: March 29, 2002. The buyer paid 20% of the contract price to the escrow account.
 - * Cut off date: December 31, 2001.
 - * Closing date: Within 60 days after and including the contract date and may be extended to 90 days. As of December 31, 2002, the contract price was paid in full.
 - * Mechanism of redemption: Within 180 days after and including the closing date, if the seller materially breaches the contract on individual non-performing loan, the buyer can request the seller to redeem it. As of December 31, 2002, there were no material redemptions.
- 2) The major provisions of the agreement with Lehman Brothers Commercial Corporation Asia Limited are as follow:
 - * Contract date: April 26, 2002. The buyer paid \$114,567 to the escrow account.
 - * Cut off date: February 28, 2002.
 - * Closing date: Within 60 days after the contract date. As of December 31, 2002, the contract price was paid in full.
 - * Mechanism of redemption: Within 180 days after and including the closing date. If the seller materially breaches the contract on individual non-performing loan, the buyer can request the seller to redeem it. As of December 31, 2002, there were no material redemptions.
- 3) The major provisions of the agreement with Lone Star Asia Pacific Ltd., GE Capital Commercial Finance Inc. and Taiwan Asset Management Corporation are as follows:
 - * Contract Date: August 2, 2002. The buyer paid 20 percent of contract price to the escrow account.
 - * Cut off Date: March 31, 2002.
 - * Closing Date: Between and including 90 to 120 days after contract date. As of December 31, 2002, the contract price was paid in full.
 - * Mechanism of redemption: Within 360 days after and including the closing date, if the seller materially breaches the contract on individual non-performing loan, the buyer can request the seller to redeem it. As of December 31, 2002, there were no material redemptions.

(17) Other Non-operating Expenses

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Employees compensation from denationalization	\$ 1,844,972	\$ 1,860,000
Losses on decline in value of foreclosed assets	437,526	-
Others	414,356	343,210
Total	<u>\$ 2,696,854</u>	<u>\$ 2,203,210</u>

(18) Pension Plan

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

- * Basic point: each employee gaining two points for every one year service over the first 15 years and one point for every one year service afterwards, up to a maximum of 45 points.
- * 20% additional benefit: each employee, retired due to mental disorder or physical disability, arising from employment, entitles an additional 20% in pension benefit.
- * Qualifying service: in calculating the length of qualifying service, fraction of a year less than six months is treated as a completed one half year and whereas more than six months is then treated as one full year.

2) Actuarial assumptions used:

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Discount rate	3.50%	5.00%
Expected rate of return on plan assets	3.50%	5.00%
Rate of increase in salaries	2.00%	3.00%

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

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Benefit obligation:		
Vested benefit obligation	\$ 1,105,489	\$ 777,715
Non-vested benefit obligation	869,515	567,064
Accumulated benefit obligation	1,975,004	1,344,779
Additional benefits based on future salaries	492,563	515,462
Projected benefit obligation	2,467,567	1,860,241
Fair value of plan assets	(1,594,105)	(1,222,062)
Funded status	873,462	638,179
Unrecognized pension loss (gain)	(135,395)	175,361
Accrued pension cost	<u>\$ 738,067</u>	<u>\$ 813,540</u>
Vested benefit	<u>\$ 1,443,084</u>	<u>\$ 1,111,738</u>

4) Net periodic pension costs

	<u>2002</u>	<u>2001</u>
Service cost	\$ 494,754	\$ 571,072
Interest cost	88,204	94,893
Actual return on plan assets	(30,880)	(40,971)
Amortization of unrecognized pension loss	(37,509)	(21,271)
Net periodic pension costs	<u>\$ 514,569</u>	<u>\$ 603,723</u>

(19) Capital Stock

As of June 30, 2001, the issued capital was \$36,284,855. On May 18, 2001, the shareholders' meeting resolved to increase issued capital by issuing 193,115,000 shares with par value of NT\$10 dollars per share through transfers of retained earnings and additional paid-in capital amounting to \$1,024,024 (including employee bonus \$116,902) and \$907,121, respectively. After the capital increase, total issued capital amounted to \$38,216,000. This issuance of additional shares has been approved by the Securities & Futures Commission of the Ministry of Finance on June 8, 2001 and was registered on August 21, 2001 with the approval of Ministry of Economic Affairs. There was no change of capital stock in 2002.

(20) Additional Paid-in Capital

Additional paid-in capital formerly included gains on disposal of property and equipment, appraisal increments and paid-in capital in excess of par value from the issuance of stock. However, after the amendment of Company Law in 2001, additional paid-in capital includes only paid-in capital in excess of par value from the issuance of stock and donation.

The Company Law requires that additional paid-in capital resulting from paid-in capital in excess of par value from the issuance of stock for cash and donation income be used exclusively to cover losses, if legal reserve is insufficient to cover such losses, or to increase capital within the allowed limit of 10% of total capital.

(21) Legal Reserve and Special Reserve

1) Legal reserve

According to the Company Law, legal reserve can only be used to offset accumulated deficits. However, when the accumulated reserves have exceeded 50% of share capital, up to 50% of legal reserve can be capitalized under a resolution from a shareholders' meeting.

2) Special reserve

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

(22) Retained Earnings (Accumulated Deficits)

- 1) As stipulated in the Bank's Articles of Incorporation, the annual net income (after income tax) should be first used to offset accumulated deficits, then a provision of 30% of it should be set aside as legal reserve, the Bank can also set aside a special reserve for specific business purposes. The remaining earnings are to be distributed as follows: (a) 1% to 8% as bonuses to employees (b) 1% as remunerations to directors and supervisors, and (c) dividends and bonuses to shareholders as proposed by the Board of Directors and approved by the shareholders' meeting.
- 2) Up to the date of this financial statements, the Board of Directors has not approved the resolution of the deficit reimbursement as yet. Its relevant information is available on "Market Observation Post System" of Taiwan Stock Exchange.

The details of earnings to employees and remunerations to directors and supervisors for 2001 are as follows:

(a) Appropriations:

	Amount resolved by annual shareholders' meeting	Amount resolved by the Board of Directors
Bonuses to employees-cash	\$ 176,434	\$ 176,434
Remunerations to directors and supervisors	22,055	22,055
(b) Earnings per share		
Original earnings per share	0.82	0.82
Reappraised earnings per share	0.77	0.77

3) Dividend policies for the next three years

In order to increase the capital adequacy ratio and enhance the Bank's competition, the dividend policies for the Bank are as follows:

- (a) If the Bank's capital adequacy ratio falls below 10%, the cash dividends should not exceed \$0.6 dollars per share and the balance will be distributed via stock dividends.
- (b) If the Bank's capital adequacy ratio exceeds 10%, distribution of dividends will be 50% by way of cash dividends and 50% by way of stock dividends.

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

(23) Income Tax

1) Income tax reconciliation:

	December 31, 2002	December 31, 2001
Income tax refundable	\$ (517,472)	\$ (196,165)
Income tax payable-foreign branches	60,232	-
(Decrease) increase in deferred income tax assets	(7,929,965)	15,846
Income tax adjustment-foreign branches	1,573	-
Over-provision of income tax in prior year	(23,923)	(326,268)
Tax for interest income separately taxed	28,806	335,121
Prepaid income tax	421,894	188,314
Withholding tax on bond interest income	-	388,464
Others	-	3,722
Income tax (benefit) expense in current year	(7,958,855)	409,034
10% income tax levied on unappropriated retained earnings	182,297	7,851
Income tax (benefit) expense	<u>\$ (7,776,558)</u>	<u>\$ 416,885</u>

2) Deferred income tax assets (net):

As of December 31, 2002 and 2001, the income tax effects of temporary differences, that gave rise to the deferred tax assets and liabilities are as follows:

	December 31, 2002		December 31, 2001	
	Amount	Income tax effects	Amount	Income tax effects
Temporary differences				
Allowance for doubtful accounts	\$ 2,783,987	\$ 695,997	\$ 472,612	\$ 118,153
Allowance for decline in market value of securities	-	-	257,356	64,339
Losses carryforward (available until year 2007)	38,313,613	9,578,403	10,634,852	2,658,713
Others	1,187,468	296,867	157,424	39,356
	<u>\$ 42,285,068</u>	<u>10,571,267</u>	<u>\$ 11,522,244</u>	<u>2,880,561</u>
Investment tax credits		176,696		141,254
Offshore entities		191,403		141,594
Deferred income tax assets		10,939,366		3,163,409
Allowance for deferred income tax assets		(1,007,572)		(1,161,580)
Deferred income tax assets-net		<u>\$ 9,931,794</u>		<u>\$ 2,001,829</u>

3) As of December 31, 2002, the details of investment tax credits are as follows:

	Amount	Available period (year)
Research & development	\$ 70,140	2001 ~ 2007
Training Costs	86,905	2001 ~ 2007
Investment tax credit from investment in Taiwan Cement Corporation	19,651	2001 ~ 2005
	<u>\$ 176,696</u>	

4) Imputed tax system and related information

	December 31, 2002	December 31, 2001
Imputed tax credits for shareholders	<u>\$ 24,534</u>	<u>\$ 199,097</u>
Imputed tax credit rate of actual (estimated) earnings appropriation	<u>-</u>	<u>6.22%</u>

5) The balance of retained earnings (accumulated deficits)

	December 31, 2002	December 31, 2001
before June 30, 1998	\$ 1,538,423	\$ 1,538,423
after July 1, 1998	(24,577,451)	3,201,332
	<u>\$ (23,039,028)</u>	<u>\$ 4,739,755</u>

6) The tax authorities have examined and approved the Bank's income tax returns for all years through 2000.

7) The tax authorities have examined and assessed a withholding tax on bond interest income disallowed as credits for the years ended December 31, 1999 and 2000 and for the period from July 1, 1998 to December 31, 1998, in the amount of \$280,527. The Bank is appealing the assessments, but has booked a tax liability provision in the accompanying financial statements to be conservative. The appeal for the period from July 1, 1998 to December 31, 1998 was heard on October 15, 2002. The Bank won the suit and, according to the decision, the tax authorities should re-examine the case and make a proper assessment.

(24) (Loss) Earnings Per Share

	2002				
	Amount		Retroactively adjusted weighted-average outstanding common stock	Loss per share	
	Before tax	After tax		Before tax	After tax
			(in thousand shares)		(in dollars)
Net loss	<u>(\$32,500,869)</u>	<u>(\$24,724,311)</u>	<u>3,821,600</u>	<u>(\$ 8.50)</u>	<u>(\$ 6.47)</u>

	2001				
	Amount		Retroactively adjusted weighted-average outstanding common stock	Earnings per share	
	Before tax	After tax		Before tax	After tax
			(in thousand shares)		(in dollars)
Net income	<u>\$ 3,567,495</u>	<u>\$ 3,150,610</u>	<u>3,821,600</u>	<u>\$ 0.93</u>	<u>\$ 0.82</u>

The weighted-average common stock outstanding has been retroactively adjusted in accordance with the unappropriated retained earnings and additional paid-in capital capitalized.

(25) Capital Adequacy Ratio

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

The capital adequacy ratio of the Bank was 8.99% and 9.28% as at December 31, 2002 and 2001, respectively.

4. Related party transactions**(1) Details of the related parties:**

Names of related parties	Nature of relationship
Bank of Taiwan	The company's representative is a director of the Bank
Hua Nan Commercial Bank	The company's representative is a director of the Bank
Golden Garden Investment Co.	The company's representative is a director of the Bank
First Commercial Bank (USA)	Subsidiary of the Bank
FCB Leasing Co., Ltd	Subsidiary of the Bank
First Insurance Agency Co., Ltd.	Subsidiary of the Bank
Central Bills Finance Corp.	Investee accounted for under the equity method (note)
East-Asia Real Estate Management Co., Ltd (EAREM)	Investee accounted for under the equity method
Franklin Templeton First Taiwan Securities Investment Trust Enterprise (FTFT)	Investee accounted for under the equity method
Others	The Bank's directors, supervisors, president, executive vice presidents, general managers, relatives within second degree of kinship and the aforementioned parties, etc.

note: The company is no longer a related party to the Bank since December 26, 2002.

(2) Major transactions with the related parties

1) Due from banks

	As of and for year ended December 31, 2002			
	Highest balance	Ending balance	Interest income	Interest rate (%)
Bank of Taiwan	\$ 9,000,000	\$1,391,200	\$ 17,896	1.410~2.195
Hua Nan Commercial Bank	7,000,000	521,700	29,564	1.410~2.305
Central Bills Finance Corp.	200,000	-	45	1.935~2.150
		<u>\$1,912,900</u>	<u>\$ 47,505</u>	
	As of and for year ended December 31, 2001			
	Highest balance	Ending balance	Interest income	Interest rate (%)
Bank of Taiwan	\$ 2,000,000	\$ -	\$ 535	2.100~4.625
Hua Nan Commercial Bank	2,000,000	-	4,826	2.675~4.650
Central Bills Finance Corp.	2,000,000	-	9,930	2.415~5.000
		<u>\$ -</u>	<u>\$ 15,291</u>	

2) Due to banks

	As of and for year ended December 31, 2002			
	Highest balance	Ending balance	Interest expense	Interest rate (%)
Bank of Taiwan	\$ 5,000,000	\$ -	\$ 4,369	1.650~2.300
Hua Nan Commercial Bank	2,500,000	-	5,101	1.450~2.300
		<u>\$ -</u>	<u>\$ 9,470</u>	
	As of and for year ended December 31, 2001			
	Highest balance	Ending balance	Interest expense	Interest rate (%)
Bank of Taiwan	\$ 6,000,000	\$ -	\$ 4,196	2.400~4.650
Hua Nan Commercial Bank	3,200,000	-	1,107	2.630~3.650
		<u>\$ -</u>	<u>\$ 5,303</u>	

3) Deposits

	December 31, 2002		December 31, 2001	
	Ending balance	Percentage	Ending balance	Percentage
EAREM	\$ 696,780	-	\$ 17,085	-
Others	6,678,529	1	8,193,126	1
	<u>\$ 7,375,309</u>	<u>1</u>	<u>\$ 8,210,211</u>	<u>1</u>

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

4) Loans

	December 31, 2002		December 31, 2001	
	Ending balance	Percentage	Ending balance	Percentage
FCB Leasing Co., Ltd.	\$ 7,921,400	1	\$ 7,449,000	1
Others	15,146,121	2	18,416,458	2
	<u>\$ 23,067,521</u>	<u>3</u>	<u>\$ 25,865,458</u>	<u>3</u>

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

5) Securities and bond transactions (annual accumulated transaction amount based on face value)

	Transaction Type	2002	2001
Central Bills Finance Corp.	Outright purchase	\$ -	\$ 3,462,100
	Commercial papers or bonds purchased under resale agreements	-	2,936,000

5. Pledged assets

The balances of assets with restrictions on use as of December 31, 2002 and 2001 are as follows:

	December 31, 2002	December 31, 2001	Pledged purpose
Short-term investments	\$ 2,812,800	\$ 2,778,701	Guarantees for the court and trust fund reserves
Refundable deposits	1,221,507	1,060,383	Guarantees for the court and rental deposits
Total	<u>\$ 4,034,307</u>	<u>\$ 3,839,084</u>	

6. Commitments and contingent liabilities

As of December 31, 2002 and 2001, the Bank has the following commitments and contingent liabilities:

(1) Major commitment and contingent liabilities

	December 31, 2002	December 31, 2001
Unused loan commitments	\$ 22,783,481	\$ 29,132,090
Unused credit card credit commitments	61,762,747	70,192,830
Unused letters of credit issuance	24,860,274	17,807,396
Guarantees	33,961,090	33,258,191
Collections payable for customers	150,053,573	149,356,954
Liabilities on joint loans	10,122,225	10,714,505
Travelers' checks consignment-in	762,999	952,601
Payables on bills guaranteed	28,938,103	9,779,852
Trust assets	137,326,669	88,192,312
Securities under custody for customer payable	516,671,143	451,180,314
Management of book-entry for government bonds	53,085,700	53,818,800
Repurchase commitments	28,133,182	28,683,957
Resale commitments	308,666	740,463

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

As of December 31, 2002, the investment details of trust assets are listed as follows:

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

Property List of Trust Account

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

(3) Given the collapse of the Tung Xin building caused by the earthquake disaster on September 21, 1999, the residents filed a legal claim of loss of personal properties against Hong Cheng Construction Co., Ltd., Hong Ku Building Co. Ltd., (including its directors and supervisors), Dah Lin Architec Co. and the Bank. As of the December 31, 2002, the case is still on going under the Taiwan Taipei District Court. However, the Bank's attorney believes that, the Bank will prevail in the case because there was no evidence found between the cause of collapse and the maintenance construction, and no any maliciously misconducts or negligence made by the Bank spotted. Therefore, no provision was made in the financial statements.

(4) As of December 31, 2002, the estimated future minimum lease commitments are as follows:

Fiscal year	Amount
2003	\$ 361,252
2004	359,580
2005	249,402
2006	185,292
After 2007	266,142
	<u>\$ 1,421,668</u>

(5) Others

- 1) As of December 31, 2002, the Bank has signed construction contracts in the amount of \$297,397, of which \$52,544 was paid. It was recorded in "construction in process and prepayments for equipment" account.
- 2) The Bank submitted an application for the establishment of a financial holding company under the Financial Holding Company Law in 2001. While submitting the application, the applicant must either already have undertaken the cross-industry operation or have confirmed counterparty in the business proposal in accordance with the requirements set forth by the Ministry of Finance. In line with the government strategy and policy, an extraordinary shareholders' meeting was held on November 27, 2001 and a resolution was passed for the acquisition of Taisec Security Co., Ltd. and Mingtai Fire & Marine Insurance Co., Ltd. as subsidiaries of the First Financial Holding Company. The establishment of First Financial Holding Company was approved by the Ministry of Finance on December 31, 2001. After the share exchange completed on January 2, 2003, the Bank becomes a wholly-owned subsidiary of First Financial Holding Co., Ltd.

7. Significant losses from natural disasters: None.

8. Significant subsequent events

- (1) The Bank carried out the exchange of shares with First Financial Holding Co., Ltd. on January 2, 2003, and became a wholly owned subsidiary of First Financial Holding Co., Ltd. After the share swap, the Bank ceased being listed on the Taiwan Stock Exchange but remained as a company subject to the regulations set forth by the Securities and Futures Commission.
- (2) According to the resolution of the Board of Directors on January 10, 2003, the Bank purchased the convertible preferred stock of Taiwan High Speed Rail Corporation, amounting to \$2,000,000 on January 27, 2003, which was recorded under "Long-term investments".

9. Others

(1) Fair value of financial instruments

	December 31, 2002	
	Book value	Fair value
Financial assets		
Financial assets equal to book value	\$1,145,383,685	\$1,145,383,685
Trading securities-net	81,414,504	83,854,234
Long-term investments	17,916,921	26,827,840
Trading purpose		
FX contracts (forwards and swaps)	8,237,074	8,237,074
FX margin trading	910,277	910,277
Options held	241,116	251,975
Non-trading purpose		
Interest rate related contracts (interest rate swaps and assets swaps excluding the principal)	56,882	684,101
Financial liabilities		
Financial assets equal to book value	\$1,219,899,731	\$1,219,899,731
Accrued pension liabilities	776,496	873,462
Trading purpose		
FX contracts (forwards and swaps)	8,243,268	8,243,268
FX margin trading	910,749	910,749
Options written	241,116	241,116
Non-trading purpose		
Interest rate related contracts (interest rate swaps and assets swaps excluding the principal)	119,523	1,040,706
	December 31, 2001	
	Book value	Fair value
Financial assets		
Financial assets equal to book value	\$1,125,412,491	\$1,125,412,491
Trading securities-net	85,619,705	85,619,705
Long-term investments	13,334,077	20,598,062
Financial liabilities		
Financial assets equal to book value	\$1,170,016,999	\$1,170,016,999
Accrued pension liabilities	839,193	638,179

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

- 1) As the instruments are close to maturity, the fair values of short-term financial instruments are approximately equal to their carrying values (deducting allowance for doubtful accounts) as stated on the balance sheet. This method is applicable to all financial instruments except the following items.
- 2) Majority of the medium- and long-term loans have floating interest rates. The future discounted cash flow is estimated based upon the actual current rate. The fair value is approximately equal to the carrying value.
- 3) Short- and long-term investments are valued at market prices when readily available, otherwise fair value is estimated based on financial or other information.
- 4) The fair value of accrued pension liability is estimated based on the amount of pension plan funded status to be provided as defined in the relevant actuarial report.
- 5) Assuming that contract terminates at balance sheet date, the fair value of derivative financial instruments is estimated based on the amount receivable or payable. In general, it includes unrealized gain or loss on outstanding contracts.

(2) Derivative financial instruments

1) Contracted amounts or notional principal and credit risk.

Financial Instruments	December 31, 2002		December 31, 2001	
	Contract (notional) principal	Credit risk	Contract (notional) principal	Credit risk
Trading Purpose:				
FX swap contracts	\$ 43,488,150	\$ 170,146	\$ 20,325,767	\$ 202,889
Forward contracts	24,989,913	231,343	22,949,397	145,589
FX margin trading	910,277	47,371	-	-
Options written	4,794,641	-	3,400,153	-
Options held	4,794,641	91,460	-	-
Non-trading Purpose:				
Interest rate swaps	17,634,496	693,476	2,356,871	7,342
Cross currency swaps	1,004,446	11,773	3,474,187	-
Assets swaps (credit risk excluding the principal)	4,739,682	38,468	-	-

2) Types and conditions of derivative financial instruments

(a) Trading conditions

The Bank has entered into asset-backed swap contracts, while conducting the deals of overseas convertible bonds. The structured swap contracts were made to swap the fixed rates of bonds into floating-rates. Under this arrangement, the Bank have an interest income stream, however, it also takes on credit risks of both the bond issuers and the swap counterparties. The counterparties of the bond deals retain the right to repurchase the convertible bonds based on conditions of the relevant contracts. Convertible bonds in asset swap transactions were recorded as "short-term investments" and "loans, bills purchased and discounted" and "long-term investments" and totaled \$500,000, \$243,460 and \$3,999,700, respectively as of December 31, 2002.

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

(b) Credit risk

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

For FX margin trading, the client has to open a margin account and deposit a minimum fund as margin for the operation. After the deposit, the Bank is able to perform spot or forward foreign exchange transactions with the clients up to defined leverage level. Clients undertake such transactions to hedge foreign exchange risk or achieve greater gains on investments. The Bank, operating the foreign exchange transactions, would input the exchange rate according to New York closing exchange rate every business day and also evaluate clients' gains or losses by using spot foreign exchange rate whenever the fluctuation is greater. If the loss reaches 25% of the margin deposit, the Bank would execute margin call and oblige the clients to deposit more funds or to reduce the amount of open interest. If the clients do not effectively react and the loss has reached up to 50 percent of the margin deposit, the Bank has the right to either partially or completely clear the open interest. In addition, the clients are required to set stop-loss mechanisms to control the risk.

The worst-case loss scenario might be that the client's loss exceeds a certain defined amount level resulting from a sudden adverse fluctuation of foreign exchange rate and the Bank is unable to compel the client to add funds to maintain the deposit. Consequently the client breaches the contract. However, with the above mentioned well-established monitoring policy, the Bank believes that the credit risk can be well managed.

(c) Market Risk

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

(d) Liquidity Risk

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

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

The Bank acts in accordance with the square-off principle for deals of fund borrowing. The use of derivative financial instruments was mainly driven by customer's demand and as well as the Bank's needs for fund management or hedge purposes. They did not involve any contracts of high leverage.

As to the asset-backed swap contracts, the cash flow is determined by the amount against the difference between fixed and floating interest rate. As a result, the effect on cash flow is relatively minor.

3) The purpose of holding derivative financial instruments

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

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

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

	January 1, 2002 to December 31, 2002	January 1, 2001 to December 31, 2001
Interest income	\$ 184,941	\$ 89,213
Interest expense	(103,289)	(62,183)
Derivatives gain	159,039	4,999
Exchange (loss) gain-net	(64,098)	51,879
	<u>\$ 176,593</u>	<u>\$ 83,908</u>

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

- 1) The Bank has a great number of credit commitments originated from the credit business and issuance of credit cards. The terms for most of the credits fall within a year with interest rate ranging from 2% to 14%. However, the highest interest rate charged for the credit card receivables is 18.25%. In addition, the Bank provides financial guarantees and commercial guarantees, which guarantee performance to the third parties, and their maturity term varies.
- 2) The contract amounts of financial instruments held by the Bank with off-balance sheet credit risk are as follows:

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Financial guarantees and letters of credit	\$ 58,821,364	\$ 51,065,587
Unused loan commitments	22,783,481	29,132,090
Unused credit card commitments	61,762,747	70,192,830

- 3) As a guarantor, the Bank's commitments will not be utilized, only if the customers fail to honor the obligations. Hence, the contract amount does not represent future cash outflows, which means that the future cash demand may be less than the contract amount. Assuming that the credit has fully been used and the value of the collateral or other guarantee has impaired, the credit risk is the same as the contract amount, which represents the maximum possible loss to the Bank.
- 4) However, prior to providing loan commitments, financial guarantees and commercial letters of credit, the Bank performs strict credit evaluation. Any draw down of the credit is made on the basis of the evaluation results and proper collateral is required according to the Bank's policy.

The bank's collateralized credits accounted for 54.1% of its total credits. Most collateral is in the form of land, buildings, cash, securities or other assets. The Bank has the right to dispose the collateral in case of default.

Credit card commitments do not require collateral, but the Bank regularly evaluates the cardholder's credit status, and if necessary, will adjust the cardholder's credit limit.

(4) Financial instruments with significant concentration of credit risk

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

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Loans by counterparty		
Non-state-owned corporation	\$ 398,928,129	\$ 440,902,353
Personal	276,864,073	288,078,220
Government organizations	68,643,165	33,706,259
State-owned corporations	24,568,388	43,370,994
Non-profit organizations	5,902,533	6,647,263
Others	6,800,557	9,654,244
Offshore entities	73,623,230	75,264,836
Total	<u>\$ 855,330,075</u>	<u>\$ 897,624,169</u>

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

- 3) There is no significant net position for foreign currency transactions, as December 31, 2002 and 2001.

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

	January 1, 2002 to December 31, 2002		January 1, 2001 to December 31, 2001	
	Average value (note)	Average interest rate (%)	Average value (note)	Average interest rate (%)
Assets				
Certificates of deposit	\$ 81,037,728	2.25	\$ 37,619,308	3.71
Due from banks	160,612,566	1.31	166,041,565	3.83
Due from Central Bank	37,461,291	2.25	45,791,387	2.49
Trading securities	88,407,089	3.59	131,619,573	7.77
Loans, bills purchased and discounted	796,288,146	4.98	775,345,168	6.81
Liabilities				
Due to Central Bank	\$ 290,123	0.62	\$ 2,631,585	3.12
Due to banks	197,339,854	1.44	191,114,459	3.82
Deposits and remittances	979,373,422	2.01	934,626,718	3.60
Negotiable certificates of deposit	13,093,382	2.23	13,696,026	4.01
Other borrowings	406,391	0.97	744,134	1.24
Financial bonds payable	20,520,548	4.01	3,002,740	4.00

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

(6) Duration analysis of assets and liabilities

	December 31, 2002				
	1~90 days	91~180 days	181~365 days	Over 1 year	Total
Assets					
Due from banks	\$ 100,526,149	\$ 9,703,620	\$ 834,720	\$ 34,780	\$ 111,099,269
Due from Central Bank	44,929,395	24,917,000	-	-	69,846,395
Short-term investments	16,085,655	5,348,932	3,824,560	56,155,357	81,414,504
Loans, bills purchased and discounted-net	222,165,163	75,873,460	94,897,680	423,539,380	816,475,683
Long-term bond investments	-	281,266	278,240	5,037,657	5,597,163
Total	\$ 383,706,362	\$ 116,124,278	\$ 99,835,200	\$ 484,767,174	\$ 1,084,433,014
Liabilities					
Due to Central Bank	174,490	-	-	-	174,490
Due to banks	74,006,641	5,147,440	626,040	-	79,780,121
Deposits and remittances	378,167,571	187,306,480	316,997,020	185,176,680	1,067,647,751
Negotiable certificates of deposit	6,603,400	2,487,000	5,150,000	608,000	14,848,400
Financial bonds payable	-	-	-	30,500,000	30,500,000
Funds borrowed from Central Bank and banks	299,378	-	-	-	299,378
Total	\$ 459,251,480	\$ 194,940,920	\$ 322,773,060	\$ 216,284,680	\$ 1,193,250,140

	December 31, 2001				
	1~90 days	91~180 days	181~365 days	Over 1 year	Total
Assets					
Due from banks	\$ 78,701,345	\$ 17,503,500	\$ 3,185,637	\$ 630,126	\$ 100,020,608
Due from Central Bank	26,179,952	22,970,000	-	-	49,149,952
Short-term investments	11,091,566	6,721,427	3,612,035	64,643,210	86,068,238
Loans, bills purchased and discounted-net	249,012,296	78,454,607	100,675,301	384,273,462	812,415,666
Total	\$ 364,985,159	\$ 125,649,534	\$ 107,472,973	\$ 449,546,798	\$ 1,047,654,464
Liabilities					
Due to Central Bank	308,284	379,256	-	-	687,540
Due to banks	60,834,195	11,202,240	1,925,385	630,126	74,591,946
Deposits and remittances	374,347,071	185,528,353	305,126,077	169,197,126	1,034,198,627
Negotiable certificates of deposit	4,569,000	3,021,000	3,859,000	476,000	11,925,000
Financial bonds payable	-	-	-	10,000,000	10,000,000
Funds borrowed from Central Bank and banks	556,187	-	-	-	556,187
Total	\$ 440,614,737	\$ 200,130,849	\$ 310,910,462	\$ 180,303,252	\$ 1,131,959,300

(7) Reclassifications

Certain accounts of the 2001 financial statements have been reclassified to conform to the presentation of the 2002 financial statements.

10. Segmental financial information

(1) Industrial information

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

(2) Geographical information

The Bank is not required to disclose geographical information as the revenues and tangible assets of foreign branches as of and for the year ended December 31, 2002 were less than 10% of the Bank's total revenues and assets, respectively. However, the geographical information for 2001 is as follows:

	January 1, 2001 to December 31, 2001			Total
	Domestic	Foreign branches	Adjustments & write-off	
Revenue				
External	\$ 63,680,133	\$ 10,266,342	\$ -	\$ 73,946,475
Internal (note 1)	1,826,827	640,972	(2,467,799)	-
Total	<u>\$ 65,506,960</u>	<u>\$ 10,907,314</u>	<u>\$ (2,467,799)</u>	<u>\$ 73,946,475</u>
Segmental gain	\$ 4,198,372	\$ 212,259	\$ -	\$ 4,410,631
Gain from investments				619,319
General incomes				2,643,421
General expenses (note 2)				<u>(4,105,876)</u>
Net income before tax				<u>\$ 3,567,495</u>
Assets				
Tangible assets (note 3)	<u>\$1,028,456,332</u>	<u>\$ 148,087,253</u>	<u>\$ (68,383,685)</u>	\$1,108,159,900
Long-term investments				14,387,205
General assets				<u>153,596,025</u>
Total assets				<u>\$1,276,143,130</u>

note 1: Indicating the interest income from internal placing.

note 2: Indicating the management fee and other general expenses of head office.

note 3: Indicating the assets which can be identified to individual branch or unit.

(3) Revenue from exporting

The export revenue dealt with customers by domestic operating units accounted for less than 10% of the Bank's operating revenue in 2002 and 2001.

(4) Major customer Information

None of any customer contribution to the revenue accounted for more than 10% of the Bank's total operating revenue in 2002 and 2001.

Statement of Internal Control System

According to our evaluation of the Internal Control System from January 1, 2002 to December 31, 2002, First Commercial Bank (hereinafter referred to as "FCB") issues the following statement:

1. FCB acknowledges that FCB's Board of Directors and Management are responsible for the establishment, implementation, and maintenance of the Internal Control System. FCB has already established such a system in order to provide reasonable assurance with respect to the achievement of the following targets: (1) the effectiveness and efficiency of business operation (including profit, performance, protection of assets, etc.). (2) the credibility of financial reports, (3) the compliance with all applicable laws, regulations, rulings and orders.
2. The Internal Control System has its limitation in nature. No matter how perfectly it is designed, the efficient Internal Control System can only provide reasonable assurance with respect to achievement of the above three targets. Furthermore, since the environment and circumstances are changeable, the effectiveness of the Internal Control System may also vary from time to time. However, the Internal Control System of FCB is managed with self-auditing mechanisms. Once a deficiency is identified, FCB will correct it as soon as possible.
3. Pursuant to the "Guidelines for Public Companies to establish Internal Control System" (hereinafter referred to as "Guidelines") announced by Securities and Futures Commission of the Ministry of Finance, FCB exercises its own judgment on efficiency of the Internal Control System in order to see whether or not the design and execution of Internal Control is effective. According to the "Guidelines", the Internal Control consists of the following subjects: (1) Environment Control. (2) Risk Evaluation. (3) Control Operation. (4) Information & Communication. (5) Supervision (or Audit). Each subject includes many items as specified in the "Guidelines".
4. In order to evaluate the efficiency of the design and execution of our Internal Control System, FCB has adopted the above mentioned criteria of Internal Control.
5. According to the above evaluation result, FCB considers that the design and execution of FCB's Internal Control System (subsidiary's governance covered), including effectiveness and efficiency of business operation, credibility of financial reports, and compliance with applicable laws, regulations, rulings are valid and can reasonably assure the achievement of the above mentioned targets.
6. The "Statement" will be a major part of FCB's Annual Report and Prospectus, and will also be published for public information. If the above mentioned public information has misrepresentations, frauds, intentional omissions, or any other acts which are sufficient to mislead other persons, such illegal deeds shall entail liabilities specified in Article 20, 32, 171 and 174 under the Securities and Exchange Law.
7. This statement was approved by the Board of Directors Meeting of FCB on April 18, 2003 and the fifteen attending members of the Board of Directors unanimously agreed to the content of this declaration.

First Commercial Bank



Jerome J. Chen
Chairman
April 18, 2003



Jer-Shyong Tsai
President

Domestic Offices Appointed to Conduct International Business

International Department

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TLX: 11310 FIRSTBK

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Chien-Kuo Branch

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Chung-Kang Branch

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Tao Yuan Hsien 320, Taiwan
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Chung-Lun Branch

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Chung-Shan Branch

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Feng-Yuan Branch

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Fu-Hsing Branch

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Hsi-Nei-Hu Branch

388, Nei-Hu Rd., Sec. 1, Taipei 114, Taiwan
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Hsi-Tainan Branch

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

Hsin-Chu Branch

3, Ing Ming St., Hsin Chu 300
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TLX: 33583 FCB HC

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Hsin-Hsing Branch

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Hsin-Tien Branch

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Hsin-Yi Branch

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Kwang-Fu Branch

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Ling-Ya Branch

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Lu-Kang Branch

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Min-Chuan Branch

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TEL: (02)2719-2009

Min-Sheng Branch

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

Nan-San-Chung Branch

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

Nan-Taichung Branch

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

Nan-Taipei Branch

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

Nanking-East-Road Branch

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

Nei-Hu Branch

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

Pa-Teh Branch

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

Pan-Chiao Branch

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

Pei-Taipei Branch

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

Pei-Tun Branch

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

Ping-Tung Branch

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

Sha-Lu Branch

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

Shih-Lin Branch

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

Shih-Mao Branch

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

Sung-Chiang Branch

309, Sung Kiang Rd., Taipei 104, Taiwan
TEL: (02)2501-7171

Sung-Shan Branch

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

Ta-An Branch

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

Ta-Chia Branch

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

Ta-Tao-Cheng Branch

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

Ta-Tung Branch

56, Chung King N. Rd., Sec. 3, Taipei 103, Taiwan
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Taichung Branch

144, Tzu Yu Rd., Sec. 1, Taichung 400
P.O.Box 7, Taichung, Taiwan
TEL: (04)2223-3611
SWIFT: FCBK T W T P 401
TLX: 51172 FIRST

Tainan Branch

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P.O.Box 10, Tainan, Taiwan
TEL: (06)222-4131
SWIFT: FCBK T W T P 601
TLX: 71362 FIRSTBK

Tao-Yuan Branch

55, Min Tz Wu Rd., Tao Yuan City, Tao Yuan Hsien 330, Taiwan
TEL: (03)332-6111

Tun-Hua Branch

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

Tung-Men Branch

216, Tung Men Road, Hsin Chu 300, Taiwan
TEL: (03)524-9211

Tung-Taipei Branch

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

Yuan-Lin Branch

26, Yu-Ying Rd., Sec. 1, Yuan Lin, Chang Hua Hsien 510, Taiwan
TEL: (04)832-8811

Yung-Chun Branch

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

Domestic Offices and Locations

Name of Office	Location	Name of Office	Location	Name of Office	Location
* Business Department	Taipei	* Nan-San-Chung	Sanchung, Taipei	Hsi-Lo	Yunlin
* OBU	Taipei	San-Chung-Pu	Sanchung, Taipei	Hu-Wei	Yunlin
* An-Ho	Taipei	Shu-Lin	Shulin, Taipei	Pei-Kang	Yunlin
Chang-An	Taipei	Tai-San	Taisan, Taipei	Tou-Liu	Yunlin
* Chang-Chun	Taipei	Tu-Cheng	Tucheng, Taipei	An-Nan	Tainan
* Cheng-Tung	Taipei	Wu-Ku	Wuku, Taipei	Chi-Ku	Tainan
* Chien-Cheng	Taipei	Ying-Ko	Yingko, Taipei	Chia-Li	Tainan
* Chien-Kuo	Taipei	Shuang-Ho	Yungho, Taipei	Fu-Chiang	Tainan
Chi-Lin	Taipei	Yung-Ho	Yungho, Taipei	* Hsi-Tainan	Tainan
Ching-Mei	Taipei	* Keelung	Keelung	Hsin-Hua	Tainan
* Chung-Hsiao-Road	Taipei	Sao-Chuan-Tou	Keelung	Hsin-Ying	Tainan
* Chung-Lun	Taipei	Tsao-Tien-Wei	Keelung	Kuei-Jen	Tainan
* Chung-Shan	Taipei	I-Lan	I Lan	Ma-Tou	Tainan
* Fu-Hsing	Taipei	Lo-Tung	Lotung, I Lan	Nan-Hsi	Tainan
Hsi-Men	Taipei	Su-Ao	Suao, I Lan	Nan-Science Park	Tainan
Hsi-Nei-Hu	Taipei	Pei-Tao-Yuan	Taoyuan	Nan-Tainan	Tainan
Hsin-Ya	Taipei	* Tao-Yuan	Taoyuan	Pei-Tainan	Tainan
* Hsin-Yi	Taipei	* Chung-Li	Chungli, Taoyuan	Shan-Hua	Tainan
Jen-Ai	Taipei	Hsi-Li	Chungli, Taoyuan	Shyue-Chia	Tainan
* Jen-Ho	Taipei	Nei-Li	Chungli, Taoyuan	* Tainan	Tainan
Kang-Chian	Taipei	Ping-Cheng	Chungli, Taoyuan	Ta-Wan	Tainan
* Ku-Ting	Taipei	Nan-Kan	Luchu, Taoyuan	Tung-Tainan	Tainan
* Kwang-Fu	Taipei	Lung-Tan	Lungtan, Taoyuan	Yen-Shui	Tainan
* Min-Chuan	Taipei	Ta-Nan	Pateh, Taoyuan	Chi-Hsien	Kaohsiung
* Min-Sheng	Taipei	Ta-Hsi	Tahsi, Taoyuan	Chi-Shan	Kaohsiung
Mu-Cha	Taipei	Ta-Yuan	Tayuan, Taoyuan	Chen-Cheng	Kaohsiung
Nan-Kang	Taipei	Chu-Ko	Hsinchu	Ching-Lien	Kaohsiung
* Nanking-East Road	Taipei	Chu-Pei	Hsinchu	Feng-Shan	Kaohsiung
Nan-Men	Taipei	Chu-Tung	Hsinchu	Hsiao-Kang	Kaohsiung
* Nan-Taipei	Taipei	* Hsin-Chu	Hsinchu	* Hsin-Hsing	Kaohsiung
* Nei-Hu	Taipei	Kuan-Hsi	Hsinchu	Kang-Shan	Kaohsiung
* Pa-Teh	Taipei	* Tung-Men	Hsinchu	* Kaohsiung	Kaohsiung
* Pei-Taipei	Taipei	Chu-Nan	Miaoli	* Ling-Ya	Kaohsiung
Pei-Tou	Taipei	Miao-Li	Miaoli	Lu-Chu	Kaohsiung
* Shih-Lin	Taipei	Tou-Fen	Miaoli	Nan-Tzu	Kaohsiung
* Shih-Mao	Taipei	Ching-Shui	Taichung	Pei-Kaohsiung	Kaohsiung
Shuang-Yuan	Taipei	* Chung-Kang	Taichung	Po-Ai	Kaohsiung
* Sung-Chiang	Taipei	* Feng-Yuan	Taichung	San-Min	Kaohsiung
* Sung-Shan	Taipei	* Nan-Taichung	Taichung	Tso-Ying	Kaohsiung
Sung-Mao	Taipei	Pei-Taichung	Taichung	Tung-Kaohsiung	Kaohsiung
* Ta-An	Taipei	* Pei-Tun	Taichung	Tz-Beng	Kaohsiung
Ta-Chih	Taipei	* Sha-Lu	Taichung	Wan-Nei	Kaohsiung
* Ta-Tao-Cheng	Taipei	* Ta-Chia	Taichung	Wu-Chia	Kaohsiung
* Ta-Tung	Taipei	Ta-Li	Taichung	Yen-Cheng	Kaohsiung
Tien-Mu	Taipei	Ta-Ya	Taichung	Chao-Chou	Pingtung
* Tun-Hua	Taipei	* Taichung	Taichung	Chang-Chih	Pingtung
Tung-Hu	Taipei	Tai-Ping	Taichung	Heng-Chun	Pingtung
* Tung-Taipei	Taipei	Tung-Shih	Taichung	* Ping-Tung	Pingtung
Wan-Hua	Taipei	Nan-Tou	Nantou	Wan-Luan	Pingtung
Wan-Lung	Taipei	Pu-Li	Nantou	Tung-Kang	Pingtung
* Yung-Chun	Taipei	Tsao-Tun	Nantou	Hua-Lien	Hualien
* Chung-Ho	Chungho, Taipei	* Chang-Hua	Changhua	Tai-Tung	Taitung
Lien-Cheng	Chungho, Taipei	Ho-Mei	Changhua	Peng-Hu	Penghu
* Hsi-Chih	Hsichih, Taipei	Hsi-Hu	Changhua		
Dan-Feng	Hsinchuang, Taipei	* Lu-Kang	Changhua		
* Hsin-Chuang	Hsinchuang, Taipei	Pei-Tou	Changhua		
Pei-Hsin-Chuang	Hsinchuang, Taipei	* Yuan-Lin	Changhua		
* Chi-Cheng	Hsintien, Taipei	* Chia-Yi	Chiayi		
* Hsin-Tien	Hsintien, Taipei	Hsin-Hsi	Chiayi		
Lu-Chou	Luchou, Taipei	Hsing-Chia	Chiayi		
Hua-Chiang	Panchiao, Taipei	Pu-Tzu	Chiayi		
* Pan-Chiao	Panchiao, Taipei				
Pu-Chain	Panchiao, Taipei				
Hsi-San-Chung	Sanchung, Taipei				

*Offices appointed to conduct international business

Business Network

Overseas Branches

El Salvador Branch

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Agana, Guam 96910 U.S.A.
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Fax: 855-23-210-029

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Fax: 65-6225-1905

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Fax: 1-604-207-9638

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Subsidiary

First Commercial Bank (USA)

Main Office

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Fax: 1-626-300-5972

City of Industry Branch

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Fax: 1-626-964-0066

Silicon Valley Branch

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Fax: 1-408-253-4672

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Fax: 1-949-654-2899