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## Highlights

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

\*NT\$33.998:US\$1.00

## History

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



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

## Message to Our Shareholders



**Steve S.F. Shieh**  
Chairman of the Board

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

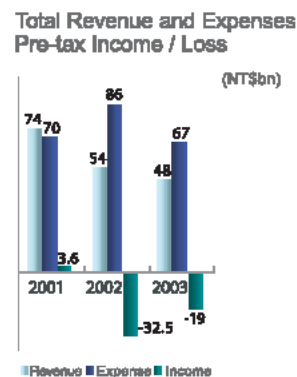
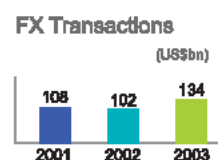
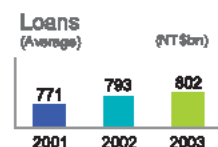
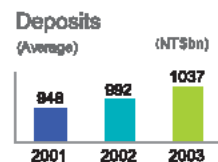
Looking back over the first half of 2003, economic performance in Taiwan and throughout the world was generally subjected to restraining pressure by the impact of the SARS epidemic and the U.S.-Iraq war. However, thanks to the leading resurgence of the American economy in the second half of 2003, global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



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

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

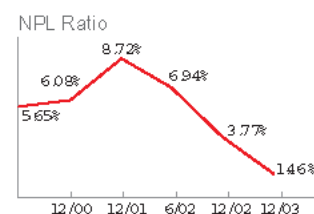
- The average amount of deposits throughout 2003 was NT\$1,036,500 million, for a target achievement ratio of 101.12%, and an increase of NT\$44,000 million or 4.43% over 2002.
- The average amount of loans outstanding during the year was NT\$801,700 million, amounting to 95.44% of the target; this was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



### Reducing NPL Ratio and Strengthening Risk Management

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

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



### Capital Increase and Issuance of Debentures

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

### Establishing and Relocating Branch Network

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

### Research and Development

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



Launching a number of new products for Consumer Banking

### Business Plans for 2004

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

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

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

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



## Market Analysis



Long-I Liao  
President

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

### Overall Economy

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

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

### Finance

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

### Interest Rates

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

### Foreign Exchange Rates

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

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

### The Deposit Market

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

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

### The Loan Market

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

### Overview of Taiwan's Banking Sector

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

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



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

### Prospects - Favorable Factors

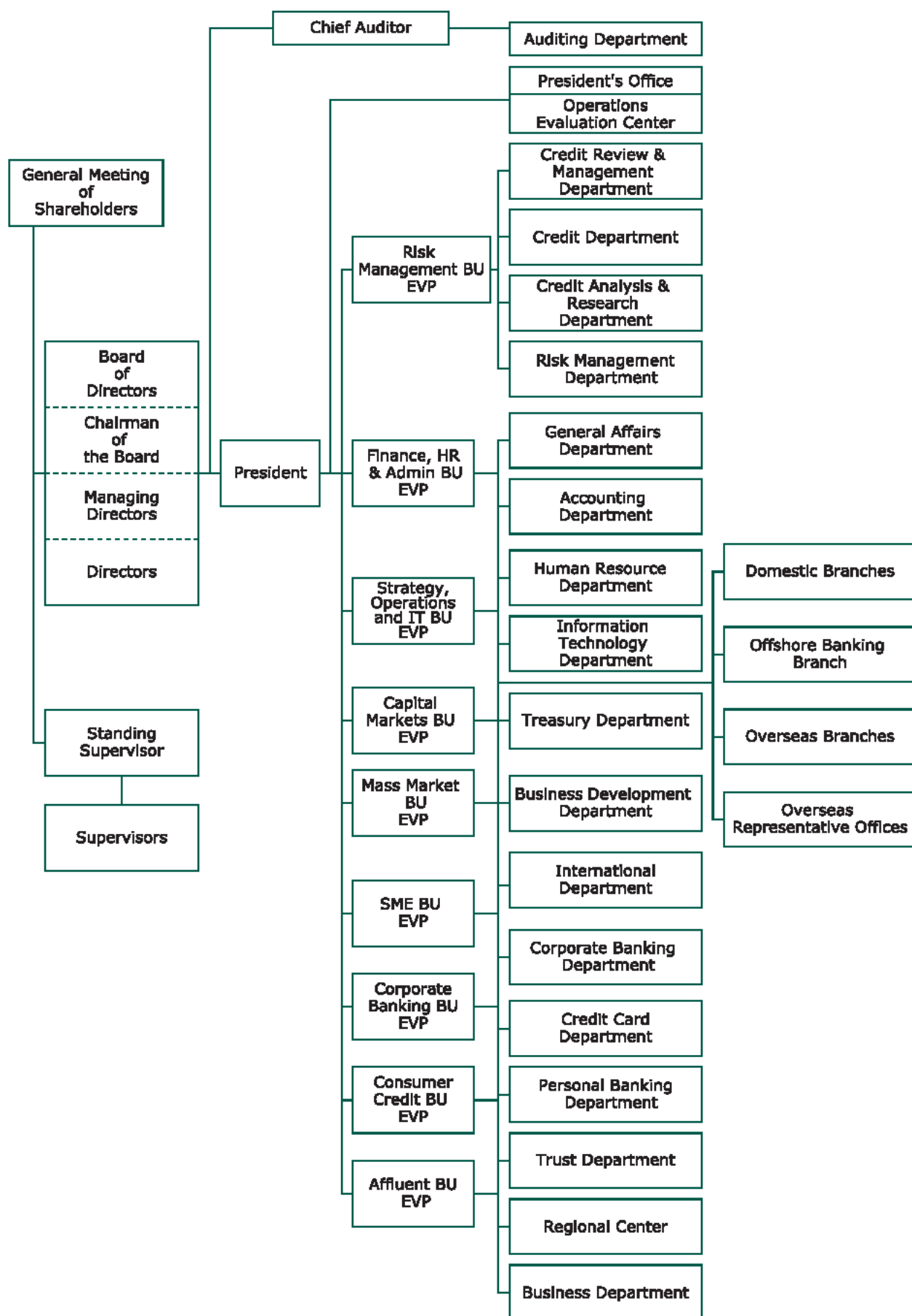
- **A Solid Pace of Economy Recovery** Domestic and international economies continue to expand at a solid pace and the Central Bank has made it clear that it will continue holding to a loose monetary policy; this should heighten private willingness to consume and to invest, and lead to an expansion of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

### Prospects - Unfavorable Factors

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



# Organization Chart



## Backgrounds of Directors and Supervisors

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

## Management Superiors and Department Heads

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

## Banking Operations

### Scope of Operations

#### ■ Banking Department

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

26. Guarantee the issuance of corporate bonds and securities.
27. Issue financial bonds.

#### ■ Trust Department

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

#### Main Operation Figures for Trust Department

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

## Main Operation Figures for Banking Department

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

## Business Plans for 2004

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

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

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

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

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

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

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



Shanghai Representative Office



Ho Chi Minh City Branch



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

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

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

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



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





## Risk Management

### Risk Management Policy

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

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

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

### Risk Exposure

#### Concentration of Credit Risk

NT\$,000

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

#### Concentration of Sovereign Risk as of December 31, 2003

US\$mlo

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

# **Financial Report**

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## Financial Summary 1999-2003

### Concise Balance Sheet

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

### Concise Statement of Operations

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

### Key Ratios (%)

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

## Report of Independent Accountants



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

We have audited the accompanying balance sheet of First Commercial Bank Co., Ltd. (the "Bank") as of December 31, 2003 and 2002, and the related statements of operations, changes in stockholders' equity and cash flows for the years ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

*PricewaterhouseCoopers*

February 27, 2004

## Balance Sheet

as of December 31, 2003 and 2002

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

\*NT\$33.998:US\$1.00

## Statements of Operations

for the years ended December 31, 2003 and 2002

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

## Statements of Changes in Stockholders' Equity

for the years ended December 31, 2003 and 2002

NT\$,000	Retained earnings					Cumulative translation adjustment	Total
	Common stock	Capital reserve	Legal reserve	Special reserve	Accumulated deficits		
Balance at January 1, 2002	\$38,216,000	\$22,950,160	\$14,323,239	\$3,695,364	\$4,739,755	\$218,422	\$84,142,940
Legal reserve	—	—	945,183	—	(945,183)	—	—
Bonus to employees	—	—	—	—	(176,434)	—	(176,434)
Cash dividends declared	—	43	—	—	(1,910,800)	—	(1,910,757)
Remunerations to directors and supervisors	—	—	—	—	(22,055)	—	(22,055)
Net loss for 2002	—	—	—	—	(24,724,311)	—	(24,724,311)
Appraisal increments write-off due to disposal of land	—	(53,306)	—	—	—	—	(53,306)
Cumulative translation adjustment	—	—	—	—	—	28,669	28,669
Balance at December 31, 2002	<u>\$38,216,000</u>	<u>\$22,896,897</u>	<u>\$15,268,422</u>	<u>\$3,695,364</u>	<u>\$(23,039,028)</u>	<u>\$247,091</u>	<u>\$57,284,746</u>
Balance at January 1, 2003	\$38,216,000	\$22,896,897	\$15,268,422	\$3,695,364	\$(23,039,028)	\$247,091	\$57,284,746
Issuance of common stock	8,000,000	6,000,000	—	—	—	—	14,000,000
Accumulated deficits covered by the balance of:							
Capital reserve	—	(4,075,242)	—	—	4,075,242	—	—
Legal reserve	—	—	(15,268,422)	—	15,268,422	—	—
Special reserve	—	—	—	(3,695,364)	3,695,364	—	—
Net loss for 2003	—	—	—	—	(13,306,619)	—	(13,306,619)
Appraisal increments write-off due to disposal of land	—	(137,710)	—	—	—	—	(137,710)
Cumulative translation adjustment	—	—	—	—	—	60,778	60,778
Balance at December 31, 2003	<u>\$46,216,000</u>	<u>\$24,683,945</u>	<u>\$</u>	<u>\$</u>	<u>\$(13,306,619)</u>	<u>\$307,869</u>	<u>\$57,901,195</u>



## Statements of Cash Flows

for the years ended December 31, 2003 and 2002

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

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

## Notes to Financial Statements

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

### 1. Summary of Significant Accounting Policies

#### (1) Principles for preparation of the financial statements

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

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

#### (2) Short-term investments—marketable securities and trading securities

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

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

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

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

#### (4) Allowance for doubtful accounts

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

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

Further allowance is provided for specific loans on an as-needed basis.

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

#### (5) Long-term Investments

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

Investments in which the Bank owns at least 20% of common stock or has the ability to exercise significant influence are accounted for using the equity method and the difference between the investment cost and net book value is amortized over five years. For long-term equity investments of holding less than 50% of ownership, the equity method is not adopted for the presentation of the first quarter financial statements, however, for the presentation of the third quarter financial statements, the long-term equity investment income or losses is recognized based on these investees' audited or unaudited financial statements for six months ended June 30. In addition, the cumulative translation adjustment resulted from the evaluation of the investee's foreign investments accounted for under the equity method is recognized proportionally in the stockholders' equity based on the Bank's percentage of ownership.

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

For investee companies where the Bank owns more than 50% of the common stock and the following criteria is met, the Bank is required to prepare the consolidated financial statements.

- \* The total assets or operating revenue of a subsidiary constitute 10% of the Bank's non-consolidated total assets or operating revenue.
- \* When the combined total assets or operating revenues of all non-consolidated subsidiaries constituting more than 30% of the respective ones of the Bank (non-consolidated) are tabulated, the financial statements of each subsidiary with total assets or operating revenue constituting greater than 3% of the respective ones of the Bank (non-consolidated) shall be consolidated until the combined total assets or operating revenues of the all non-consolidated subsidiaries fall below 20% of the respective ones of the Bank (non-consolidated).

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

#### **(6) Property and equipment/Non-operating assets**

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

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

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

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

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

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

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

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

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

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

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

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

#### **(11) Reserve for land appraisal incremental tax**

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

#### **(12) Reserve for default**

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

#### **(13) Reserve for securities trading losses**

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

**(14) Pension plan**

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

**(15) Foreign currency transactions and translations of financial statements**

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

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

**(16) Derivative financial instruments**

- 1) Derivative financial instruments for trading purposes  
Assets or liabilities resulting from derivative financial instruments for trading purpose

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

- 2) Derivative financial instruments for hedging purposes

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

**(17) Recognition of interest income**

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

**(18) Income tax**

The Bank adopted the Statement of Financial Accounting Standards No. 22, "Accounting for Income Tax," whereby tax is provided based on accounting income after adjusting for permanent differences and inter- and intra-period allocations. The income tax effect of taxable temporary differences was recorded as a deferred tax liability. The income tax effect of deductible temporary differences, losses available for carry-forward and income tax credits were recorded as deferred tax assets whose realization is valued at the balance sheet date and any portion not realizable

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

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

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

## 2. Accounting Changes

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

## 3. Summary of Significant Accounts

### (1) Cash and Cash Equivalents

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

### (2) Due from Banks

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

### (3) Due from Central Bank

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

### (4) Marketable Securities

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

### (19) The statement of cash flows

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

### (20) Use of estimates

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

**(5) Trading Securities**

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

**(6) Receivables**

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

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

**(7) Loans, Bill Purchased and Discounted-net**

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

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

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

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

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

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

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

**(8) Long-term Investments**

1) The details:

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

2) Long-term equity investments:

	December 31, 2003		December 31, 2002	
	Amount	Percentage of ownership	Amount	Percentage of ownership
<b>Equity method</b>				
First Commercial Bank (USA)	\$ 1,119,418	100.00	\$ 1,108,644	100.00
East Asia Real Estate Management Co., Ltd.	8,327	30.00	7,987	30.00
FCB Leasing Co., Ltd.	563,617	99.97	511,225	99.97
First Insurance Agency Co., Ltd.	87,851	99.99	59,236	99.99
Franklin Templeton First Taiwan Securities Investment Trust Enterprise	121,813	49.99	128,215	49.99
Sub-total	1,901,026		1,815,307	
<b>Cost method</b>				
Taiwan Power Company	\$ 2,187,531	0.84	\$ 2,187,531	0.84
Tang Eng Iron Works Co., Ltd.	492,680	7.04	492,680	7.04
CDIB & Partners Investment Holding Corp.	400,000	3.96	400,000	3.96
Taiwan Assets Management Co., Ltd.	3,000,000	17.03	3,000,000	17.03
Others	528,798		796,081	
Sub-total	6,609,009		6,876,292	
<b>The lower of cost or market value method</b>				
Chang Hwa Commercial Bank	\$ 1,283,366	3.41	\$ 1,283,366	4.68
Taiwan Business Bank	1,469,878	6.51	1,469,878	6.51
Hua Nan Financial Holding Co., Ltd.	701,235	2.53	701,235	2.68
Taiwan Development & Trust Corp.	173,680	5.79	173,680	5.79
Sub-total	3,628,159		3,628,159	
Total	\$12,138,194		\$12,319,758	



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

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

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

### (9) Property and Equipment-net

	December 31, 2003			
	Cost	Appraisal increments	Accumulated depreciation	Book value
Land	\$ 7,080,871	\$ 10,381,138	\$ (1,263)	\$ 17,460,746
Buildings	7,947,064	61,032	(2,242,210)	5,765,886
Machinery and equipment	2,985,183	—	(1,994,660)	990,523
Transportation equipment	801,730	—	(412,547)	389,183
Other equipment	1,944,477	—	(1,390,787)	553,690
Leasehold improvements	617,480	—	(423,785)	193,695
Construction in progress and prepayments for equipment	73,931	—	—	73,931
	<u>\$ 21,450,736</u>	<u>\$ 10,442,170</u>	<u>\$ (6,465,252)</u>	<u>\$ 25,427,654</u>
	December 31, 2002			
	Cost	Appraisal increments	Accumulated depreciation	Book value
Land	\$ 7,280,363	\$ 11,215,489	\$ (468)	\$ 18,495,384
Buildings	8,496,579	63,459	(2,268,613)	6,291,425
Machinery and equipment	2,743,776	—	(1,782,519)	961,257
Transportation equipment	823,330	—	(456,828)	366,502
Other equipment	2,066,868	—	(1,485,122)	581,746
Leasehold improvements	536,367	—	(390,707)	145,660
Construction in progress and prepayments for equipment	59,274	—	—	59,274
	<u>\$ 22,006,557</u>	<u>\$ 11,278,948</u>	<u>\$ (6,384,257)</u>	<u>\$ 26,901,248</u>

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

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

**(10) Other Assets**

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

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

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

**(11) Due to Banks**

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

**(12) Payables**

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

**(13) Deposits and Remittances**

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

**(14) Financial Bonds Payable**

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

	First issue, 2001
Issuance date	September 12, 2001
Amount	NT\$10 billion
Price	At par
Coupon rate	4%
Interest and repayment term	Interest paid annually and principal repaid 20%, 30%, 50% at the 5th, 6th, 7th year, respectively.
Maturity	7 years
	First to Fifth Issue, 2002
Issuance date	March 4, July 9, December 10, December 19, 2002
Amount	NT\$20.5 billion
Price	At par
Coupon rate	Part of them have fixed interest rate, the rest with either floating interest rate or reverse floating interest rate, and minimum yield rate is 0%. Interest rate indicator is USD 6M LIBOR or 90 days commercial paper interest rate.
Interest and repayment term	For fixed interest rate, interest paid annually. For floating interest rate, interest paid either quarterly, semi-annually, or annually. Principal is due at maturity.
Maturity	5 years to 5 years and 7 months

	First to Ninth issue, 2003
Issuance date	January 20, February 25, May 2, September 10, October 27, November 13, 2003
Amount	NT\$24.8 billion
Price	At par
Coupon rate	Part of them have fixed interest rate, the rest with either floating interest rate or reverse floating interest rate, and minimum yield rate is 0%. Interest rate indicator is USD 6M LIBOR, 90 days commercial paper interest rate or IRS rate.
Interest and repayment term	For fixed interest rate, interest paid annually. For floating interest rate, interest paid either quarterly, or semi-annually. Principal is due at maturity.
Maturity	4 years to 8 years

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

### (15) Other Liabilities

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

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

### (16) Other Non-operating Income

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

### (17) Losses on Sales of Non-performing Loans

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

**(18) Other Non-operating Expenses**

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

**(19) Pension Plan**

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

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

2) Actuarial assumptions used:

	2003	2002
Discount rate	3.00%	3.50%
Expected rate of return on plan assets	3.00%	3.50%
Rate of Increase In salaries	2.00%	2.00%

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

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

4) Net periodic pension costs

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

**(20) Capital Stock**

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

**(21) Capital Reserve**

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

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

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

## 1) Legal reserve

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

## 2) Special reserve

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

**(23) Retained Earnings (Accumulated Deficits)**

1) As stipulated in the Bank's Articles of Incorporation, the annual net income (after income tax) should be first used to offset accumulated deficits, then a provision of 30% of it should be set aside as legal reserve, the Bank can also set aside a special reserve for specific business purposes. The remaining earnings are to be distributed as follows: (a) 1% to 8% as bonuses to employees (b) 1% as remunerations to directors and supervisors, and (c) dividends and bonuses to shareholders as proposed by the Board of Directors were in consideration of the capital adequacy ratio and the need for business development, and approved by the shareholders' meeting.

## 2) Dividend policies for the next three years

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

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

## 3) Deficits reimbursement

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

**(24) Personnel, Depreciation and Amortization Expense**

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

**(25) Income Tax**

## 1) Income tax reconciliation:

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

## 2) Deferred income tax assets (net):

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

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

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

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

## 4) Imputed tax system and related information

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

## 5) The balance of accumulated deficits

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

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

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

**(26) Losses Per Share**

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

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

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

**(27) Capital Adequacy Ratio**

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

The capital adequacy ratio of the Bank was 8.96% and 8.99% as at December 31, 2003 and 2002, respectively.

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

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



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

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

note 2: Relationship terminated on December 26, 2002.

note 3: Relationship terminated on August 15, 2003.

## (2) Major transactions with the related parties

### 1) Due from banks

	As of and for year ended December 31, 2003			
	Highest balance	Ending balance	Interest Income	Interest rate (%)
Bank of Taiwan	\$ 10,644,120	\$ 1,025,417	\$ 27,155	0.040~1.410
Hua Nan Commercial Bank	4,015,339	1,714,725	20,448	0.050~5.230
		<u>\$ 2,740,142</u>	<u>\$ 47,603</u>	
	As of and for year ended December 31, 2002			
	Highest balance	Ending balance	Interest income	Interest rate (%)
Bank of Taiwan	\$ 9,000,000	\$ 1,391,200	\$ 17,896	1.410~2.195
Hua Nan Commercial Bank	7,000,000	521,700	29,564	1.410~2.305
Central Bills Finance Corp.	200,000	—	45	1.935~2.150
		<u>\$ 1,912,900</u>	<u>\$ 47,505</u>	

### 2) Due to banks

	As of and for year ended December 31, 2003			
	Highest balance	Ending balance	Interest expense	Interest rate (%)
Bank of Taiwan	\$ 7,600,000	\$ 1,200,000	\$ 12,244	0.950~1.300
Hua Nan Commercial Bank	5,700,000	341,806	4,222	0.720~5.060
		<u>\$ 1,541,806</u>	<u>\$ 16,466</u>	
	As of and for year ended December 31, 2002			
	Highest balance	Ending balance	Interest expense	Interest rate (%)
Bank of Taiwan	\$ 5,000,000	\$ —	\$ 4,369	1.650~2.300
Hua Nan Commercial Bank	2,500,000	—	5,101	1.450~2.300
		<u>\$ —</u>	<u>\$ 9,470</u>	

## 3) Deposits

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

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

## 4) Loans

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

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

## 5) Transfer of business operating

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

## 5. Pledged Assets

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

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

## 6. Commitments and Contingent Liabilities

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

## (1) Major commitment and contingent liabilities

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

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

As of December 31, 2003 and 2002, the investment details of trust assets are listed as follows:

Balance Sheet of Trust Account as of December 31, 2003

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

Property List of Trust Account as of December 31, 2003

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

Balance Sheet of Trust Account as of December 31, 2002

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

Property List of Trust Account as of December 31, 2002

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

- (3) Due to the collapse of the Tung Xin building caused by a major earthquake on September 21, 1999, the residents filed a legal claim of loss of personal properties against Hong Cheng Building Co., Ltd., Hong Ku Construction Co. Ltd., (including its directors and supervisors), Dah Lin Architect Co. and the Bank. As of December 31, 2003, the case was still pending under the Taipei District Court. However, the Bank's attorney believes that, the Bank will prevail in this case because there was no evidence found between the cause of collapse and the Bank's maintenance construction work, and because of the lack of malicious misconduct or negligence on the part of the Bank. Accordingly, no provision was made for the contingent liability in the financial statements.

- (4) As of December 31, 2003, the estimated future minimum lease commitments are as follows:

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

**(5) Others**

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

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

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

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

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

- 1) As the instruments are close to maturity, the fair values of short-term financial instruments are approximately equal to their carrying values (deducting allowance for doubtful accounts) as stated on the balance sheet. This method is applicable to all financial instruments except for the items listed in the next paragraph.
- 2) Majority of the medium- and long-term loans have floating interest rates. The future discounted cash flow is estimated based upon the actual current rate. The fair value is approximately equal to the carrying value.
- 3) Short-term investments are valued at market prices when readily available, otherwise fair value is estimated based on financial or other information.
- 4) Long-term investments are valued at market prices when readily available, otherwise fair value is estimated based on financial or other information.
- 5) The fair value of accrued pension liability is estimated based on the amount of pension plan funded status to be provided as defined in the relevant actuarial reports on December 31, 2003 and 2002.
- 6) Assuming that contract terminates at balance sheet date, the fair value of derivative financial instruments is estimated based on the amount receivable or payable. In general, it includes unrealized gain or loss on outstanding contracts.

## (2) Derivative financial instruments

- 1) Contracted amounts or notional principal and credit risk

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

## 2) Types and conditions of derivative financial instruments

### (a) Trading conditions

The Bank has entered into asset-backed swap contracts, while conducting the deals of over-seas convertible bonds. The structured swap contracts were made to swap the fixed rates of bonds into the floating rates of bonds. The counterparties of the bond deals retain the right to repurchase the convertible bonds based on conditions of the relevant contracts. Under this arrangement, the Bank has an Interest Income stream, however, it also takes on credit risks of both the bond issuers and the swap counterparties. Convertible bonds in asset swap transactions were recorded as "marketable securities", "loans, bills purchased and discounted" and "long-term Investments" and totaled \$788,652, \$543,968, \$9,417,446 and \$500,000, \$243,460, \$3,999,700, respectively as of December 31, 2003 and 2002.

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

### (b) Credit risk

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

### (c) Market Risk

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

### (d) Liquidity Risk

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

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

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

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

## 3) The purpose of holding derivative financial instruments

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

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

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

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

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

- 1) The Bank has a great number of credit commitments originated from the credit business and issuance of credit cards. The terms for most of the credits fall within a year with interest rate ranging from 2.3% to 13%. However, the highest interest rate charged for the credit card receivables is 18.25%. In addition, the Bank provides financial guarantees and commercial guarantees, which guarantee performance to the third parties, and their maturity term varies.
- 2) The contract amounts of financial instruments held by the Bank with off-balance sheet credit risk are as follows:

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

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

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

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

**(4) Financial instruments with significant concentration of credit risk**

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

## 2) Credit risk-by counter party

	December 31, 2003	December 31, 2002
Loans by counterparty		
Non-state-owned corporations	\$ 403,942,682	\$ 398,758,243
Individuals	286,695,478	277,099,525
Government organizations	56,599,094	68,643,165
State-owned corporations	22,774,032	24,568,388
Non-profit organizations	4,931,270	5,916,533
Others	2,185,000	6,793,963
Offshore entities	90,770,565	73,550,258
	<u>\$ 867,898,121</u>	<u>\$ 855,330,075</u>

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

3) There is no significant net position for foreign currency transactions, as December 31, 2003 and 2002.

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

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

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

**(6) Duration Analysis of assets and liabilities**

	December 31, 2003				
	1~90 days	91~180 days	181~365 days	Over 1 year	Total
<b>Assets</b>					
Certificates of deposit	\$ 48,851,000	\$ 53,859,000	\$ 70,306,000	\$ 24,800,628	\$ 197,816,628
Due from banks	75,165,299	20,602,788	237,986	645,962	96,652,035
Due from Central Bank	21,909,930	27,316,000	—	—	49,225,930
Marketable and trading securities	6,888,051	4,044,828	5,514,572	57,289,353	73,736,804
Loans, bills purchased and discounted	243,592,885	78,209,104	82,106,444	450,230,233	854,138,666
Long-term bond investments	—	172,188	—	44,664,455	44,836,643
Total	<u>\$ 396,407,165</u>	<u>\$ 184,203,908</u>	<u>\$ 158,165,002</u>	<u>\$ 577,630,631</u>	<u>\$ 1,316,406,706</u>
<b>Liabilities</b>					
Due to Central Bank	\$ 185,514	\$ —	\$ —	\$ —	\$ 185,514
Due to banks	106,964,844	16,387,036	—	611,964	123,963,844
Deposits and remittances	402,466,394	188,713,302	308,486,390	227,307,952	1,126,974,038
Negotiable certificates of deposit	3,730,200	2,191,000	3,590,000	667,000	10,178,200
Financial bonds payable	—	—	—	55,300,000	55,300,000
Funds borrowed from Central Bank and other banks	176,965	—	—	—	176,965
Total	<u>\$ 513,523,917</u>	<u>\$ 207,291,338</u>	<u>\$ 312,076,390</u>	<u>\$ 283,886,916</u>	<u>\$ 1,316,778,561</u>



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

### (7) Reclassifications

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

### 10. Supplementary Disclosures

Information regarding significant transactions

#### (1) Funds lent to others

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

#### (2) Acting as guarantor for others

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

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

### 11. Segmental Financial Information

#### (1) Industrial information

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

#### (2) Geographical information

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

#### (3) Revenue from exporting

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

#### (4) Major customer information

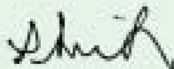
None of any customer contribution to the revenue accounted for more than 10% of the Bank's total operating revenue in 2003 and 2002.

## Statement of Internal Control System

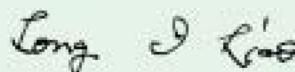
According to our evaluation of the Internal Control System from January 1, 2003 to December 31, 2003, First Commercial Bank (hereinafter referred to as "FCB") Issues the following statement:

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

First Commercial Bank



Steve S.F. Shleh  
Chairman  
March 15, 2004



Long-I Liao  
President

## Overseas Correspondent Banks



### Total Correspondent Banks: 1582

Europe : 523	North America : 254
Asia : 588	Central & South America : 48
Middle & Near East : 65	Oceania : 64
Africa : 40	



## Domestic Offices Appointed to Conduct International Business

### International Department

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

### Offshore Banking Branch

5Fl. 30, Chung King S. Rd., Sec. 1, Taipei 100-05, Taiwan  
 TEL: (02)2348-1111  
 SWIFT: FCBKTWTP0BU  
 TLX: 24472 FIRSTBK

### Business Department

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

### An-Ho Branch

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

### Chang-Chun Branch

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

### Chang-Hua Branch

48, Ho-Ping Rd., Chang Hua City  
 Chang Hua Hsien 241, Taiwan  
 TEL: (04)723-2161

### Chang-Tai Branch

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

### Cheng-Tung Branch

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

### Chi-Cheng Branch

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

### Chia-Yi Branch

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

### Chien-Cheng Branch

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

### Chien-Kuo Branch

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

### Chu-Ko Branch

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

### Chung-Ho Branch

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

### Chung-Hslao-Road Branch

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

### Chung-Kang Branch

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

### Chung-Li Branch

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

### Chung-Lun Branch

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

### Chung-Shan Branch

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

### Feng-Yuan Branch

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

### Fu-Hsing Branch

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

### Hsi-Chih Branch

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

### Hsin-Chu Branch

3, Ing Ming St., Hsin Chu 300  
 P.O.Box 30, Hsin Chu, Taiwan  
 TEL: (03)522-6111  
 SWIFT: FCBKTWTP301  
 TLX: 33583 FCB HC

### Hsin-Chuang Branch

316, Chung Cheng Rd., Hsin Chuang City,  
 Taipei Hsien 242, Taiwan  
 TEL: (02)2992-9001

### Hsin-Hsing Branch

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

### Hsin-Tien Branch

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

### Hsin-Wei Branch

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

### Hsin-Yi Branch

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

### Jen-Ho Branch

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

### Kaohsiung Branch

28, Min Chyuan 1st Rd., Kaohsiung 802  
 P.O.Box 16, Kaohsiung, Taiwan  
 TEL: (07)335-0811  
 SWIFT: FCBKTWTP701  
 TLX: 81936, 72470 FBTKAO

### Keelung Branch

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

**Ku-Ting Branch**

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

**Kwang-Fu Branch**

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

**Li-Shan Branch**

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

**Ling-Ya Branch**

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

**Lu-Kang Branch**

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

**Min-Chuan Branch**

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

**Min-Sheng Branch**

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

**Nan-Taichung Branch**

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

**Nanking-East-Road Branch**

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

**Nei-Hu Branch**

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

**Pa-Teh Branch**

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

**Pan-Chiao Branch**

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

**Pei-Tun Branch**

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

**Ping-Tung Branch**

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

**Sha-Lu Branch**

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

**Shih-Lin Branch**

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

**Shih-Mao Branch**

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

**Sung-Chiang Branch**

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

**Sung-Shan Branch**

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

**Ta-An Branch**

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

**Ta-Chia Branch**

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

**Ta-Tao-Cheng Branch**

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

**Ta-Tung Branch**

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

**Taichung Branch**

144, Tzu Yu Rd., Sec. 1, Taichung 403  
P.O.Box 7, Taichung, Taiwan  
TEL: (04)2223-3611  
SWIFT: FCBKTWTP401  
TLX: 51172 FIRST

**Tainan Branch**

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

**Tao-Yuan Branch**

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

**Tun-Hua Branch**

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

**Tung-Men Branch**

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

**Yen-Chi Branch**

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

**Yuan-Lin Branch**

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

**Yuan-Shan Branch**

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

**Yun-Ho Branch**

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

**Yung-Chun Branch**

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

## Domestic Offices and Locations

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

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

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

\*Offices appointed to conduct international business

# Business Network

## Taipei County

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

## Chung-Li

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

## Hsin-Chu

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

## Taichung

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

## Chia-Yi

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

## Tainan

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

## Kaohsiung

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

## Taipei

● Head Office (including Business Department)

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





## Business Network



### Overseas Branches

#### ■ El Salvador Branch

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

#### ■ Guam Branch

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

#### ■ Ho Chi Minh City Branch

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

#### ■ Hong Kong Branch

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

#### ■ London Branch

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

#### ■ Los Angeles Branch

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

#### ■ New York Agency

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

#### ■ Palau Branch

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

#### ■ Phnom Penh Branch

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

#### ■ Singapore Branch

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

#### ■ Tokyo Branch

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

#### ■ Vancouver Branch

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

### Overseas Representative Offices

#### ■ Bangkok Representative Office

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

#### ■ Hanoi Representative Office

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

#### ■ Shanghai Representative Office

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

### Subsidiary

#### First Commercial Bank (USA)

##### ■ Main Office

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

##### ■ City of Industry Branch

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

##### ■ Silicon Valley Branch

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

##### ■ Irvine Branch

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