

**CATHAY UNITED BANK
(FORMERLY UNITED WORLD
CHIENSE COMMERCIAL BANK)
FINANCIAL STATEMENTS WITH
REVIEW REPORT FOR THE
THREE-MONTH PERIODS ENDED
MARCH 31, 2004 AND 2003**

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosures information that are required for Chinese-language reports under the Regulations Governing the Preparation of Financial Statements of Public Banks by the Securities and Futures Commission and Bureau of Monetary Administration of the Republic of China. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language statements shall prevail.

English Translation of Report Originally Issued in Chinese

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Cathay United Bank

We have reviewed the accompanying balance sheets of Cathay United Bank (formerly United World Chinese Commercial Bank) as of March 31, 2004 and 2003, and the related statements of income and cash flows for each of the three-month periods ended March 31, 2004 and 2003. All information included in these financial statements is the representation of the Bank's management. Our responsibility is to issue a review report on these financial statements based on our review.

Our review was made in accordance with the statements for auditing standards No. 36 "Review of Financial Statements" generally accepted in the Republic of China, which consist principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Statements of Public Banks" and accounting principles generally accepted in the Republic of China.

As described in Note III to the financial statements, the Bank adopted the new "Regulations Governing the Preparation of Financial Statements of Public Banks" to account for its bills transactions related to resell or repurchase agreement using the financing method.

We have also reviewed the translations of New Taiwan dollar financial statements as of March 31, 2004 and 2003 into U.S. dollars on the basis stated in Note II to the financial statements and in our opinion, the U.S. dollars statements have been properly translated on such basis. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been or could in the future be, converted into U.S. dollars at this or any other exchange rate.

DIWAN, ERNST & YOUNG
Taipei, Taiwan
The Republic of China
April 14, 2004

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY UNITED BANK(FORMERLY UNITED WORLD CHINESE COMMERCIAL BANK)
UNAUDITED BALANCE SHEETS
MARCH 31, 2004 AND 2003
(Expressed in thousands of dollars)

ASSETS	NOTES	March 31,2004		March 31,2003	
		NT\$	US\$	NT\$	US\$
Cash and cash equivalents	IV	\$23,618,773	\$715,720	\$11,980,035	\$344,750
Due from Central Bank and call loans to banks	IV,VI and X	71,182,900	2,157,057	58,831,303	1,692,987
Securities purchased-net	II, IV, VI and X	196,870,084	5,965,760	136,999,285	3,942,425
Receivables-net	II, IV, and X	59,837,285	1,813,251	20,260,840	583,045
Prepayments	IV	1,635,869	49,572	1,065,509	30,662
Bills and loans-net	II, IV, V and X	530,642,552	16,080,077	386,177,770	11,113,029
Long-term investments	II, IV, X and XI				
Equity method		4,955,466	150,166	6,049,790	174,095
Cost method		5,758,356	174,496	6,167,554	177,484
Others		17,452,630	528,868	400,000	11,511
Premises and equipment	II, V, VII, X and XI				
Cost					
Land		14,846,798	449,903	14,226,550	409,397
Building		9,057,825	274,480	8,656,567	249,110
Furniture and fixtures		3,685,834	111,692	2,699,320	77,678
Transportation equipment		84,983	2,575	70,438	2,027
Miscellaneous equipment		3,555,363	107,738	2,513,917	72,343
Total Cost		31,230,803	946,388	28,166,792	810,555
Less:Accumulated depreciation		(6,620,205)	(200,613)	(5,493,684)	(158,091)
Construction in progress and procurement		857,727	25,992	477,539	13,742
Premises and Equipment-net		25,468,325	771,767	23,150,647	666,206
Other assets	II and IV	7,215,019	218,637	8,905,507	256,273
TOTAL ASSETS		\$944,637,259	\$28,625,371	\$659,988,240	\$18,992,467

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY UNITED BANK(FORMERLY UNITED WORLD CHINESE COMMERCIAL BANK)
UNAUDITED BALANCE SHEETS
MARCH 31, 2004 AND 2003
(Expressed in thousands of dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	March 31,2004		March 31,2003	
		NT\$	US\$	NT\$	US\$
Due to Central Bank and commercial banks	IV, V and X	\$77,624,169	\$2,352,248	\$46,038,866	\$1,324,860
Payables	IV and V	18,414,706	558,021	11,592,177	333,587
Advances		1,193,679	36,172	809,673	23,300
Deposits and remittances	IV, V and X	718,191,648	21,763,383	515,764,640	14,842,148
Banker's debenture payable	IV and X	27,050,000	819,697	10,000,000	287,770
Bankers acceptances and funds borrowed	IV and X	2,027,403	61,436	2,544,822	73,232
Other liabilities	IV	26,934,406	816,194	17,343,700	499,099
TOTAL LIABILITIES		871,436,011	26,407,151	604,093,878	17,383,996
Capital stock	IV	43,182,407	1,308,558	39,715,627	1,142,895
Capital reserves					
Additional paid-in capital	II and IV	13,449,023	407,546	4,249,096	122,276
Others		12,609	382	846,502	24,360
Retained earnings					
Legal reserve		9,122,517	276,440	17,447,928	502,099
Special reserve		-	-	257,487	7,410
Unappropriated earnings		7,413,114	224,640	(6,713,174)	(193,185)
Unrealized losses on long-term investments	IV	(93,835)	(2,843)	(79,482)	(2,287)
Conversion adjustments	II	115,413	3,497	170,378	4,903
TOTAL SHAREHOLDERS' EQUITY		73,201,248	2,218,220	55,894,362	1,608,471
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$944,637,259	\$28,625,371	\$659,988,240	\$18,992,467

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY UNITED BANK(FORMERLY UNITED WORLD CHINESE COMMERCIAL BANK)
UNAUDITED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(Expressed in thousands of dollars)

ITEMS	NOTES	January 1- March 31, 2004		January 1- March 31, 2003	
		NT\$	US\$	NT\$	US\$
OPERATING INCOME:					
Interest revenue	V	\$7,631,707	\$231,264	\$6,078,655	\$174,925
Commission and handling fees	V	1,499,918	45,452	584,169	16,810
Gains on sales of securities-net	II	593,137	17,974	225,565	6,491
Investment income-net	II, IV and XI	164,002	4,970	196,071	5,642
Profit on exchange-net	II	50,282	1,523	42,720	1,230
Other operating income	V	1,758,992	53,303	852,703	24,539
Total operating income		<u>11,698,038</u>	<u>354,486</u>	<u>7,979,883</u>	<u>229,637</u>
OPERATING COST:					
Interest expense	V	1,898,233	57,522	1,789,076	51,484
Commissions and handling charges		299,547	9,077	74,711	2,150
Provisions for possible losses		2,372,402	71,891	1,565,782	45,058
Operating expenses		2,711,916	82,179	1,893,797	54,498
Other operating expenses	II	68,139	2,065	211,784	6,095
Total operating cost		<u>7,350,237</u>	<u>222,734</u>	<u>5,535,150</u>	<u>159,285</u>
NET OPERATING INCOME		<u>4,347,801</u>	<u>131,752</u>	<u>2,444,733</u>	<u>70,352</u>
NON-OPERATING INCOME:					
Gains on disposal of premises and equipment	II	1,167,121	35,367	694	20
Others		35,337	1,071	7,843	225
Total non-operating income		<u>1,202,458</u>	<u>36,438</u>	<u>8,537</u>	<u>245</u>
NON-OPERATING EXPENSE:					
Losses on disposal of premises and equipment	II	31,930	968	25,458	733
Others		40,956	1,241	8,088	232
Total non-operating expense		<u>72,886</u>	<u>2,209</u>	<u>33,546</u>	<u>965</u>
INCOME BEFORE INCOME TAX		<u>5,477,373</u>	<u>165,981</u>	<u>2,419,724</u>	<u>69,632</u>
INCOME TAX EXPENSES	II and IV	<u>(828,000)</u>	<u>(25,091)</u>	<u>(550,000)</u>	<u>(15,827)</u>
NET INCOME		<u>\$4,649,373</u>	<u>\$140,890</u>	<u>\$1,869,724</u>	<u>\$53,805</u>
EARNING PER SHARE (In Dollars)					
INCOME BEFORE INCOME TAX	IV	\$1.27	\$0.039	\$0.61	\$0.018
INCOME TAX EXPENSES		(0.19)	(0.006)	(0.14)	(0.004)
NET INCOME		<u>\$1.08</u>	<u>\$0.033</u>	<u>\$0.47</u>	<u>\$0.014</u>

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

English Translation of Financial Statements Originally Issued in Chinese
CATHAY UNITED BANK (FORMERLY UNITED WORLD CHINESE COMMERCIAL BANK)
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2004 AND 2003
(Expressed in thousands of dollars)

ITEMS	NOTES	January 1- March 31, 2004		January 1- March 31, 2003	
		NT\$	US\$	NT\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income		\$4,649,373	\$140,890	\$1,869,724	\$53,805
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	II	270,001	8,182	170,222	4,898
Provisions for possible losses	II	2,372,402	71,891	1,565,782	45,058
Loss (gain) on disposal of premises and equipment and non-operating assets	II	(1,135,191)	(34,400)	24,764	713
Investment income recognized by the equity method	II, IV and XI	(104,710)	(3,173)	(117,737)	(3,388)
Gain on long-term investments		(59,292)	(1,796)	(71,912)	(2,069)
Adjustment of changes in exchange rates		21,221	643	(1,774)	(51)
Increase in receivables		(4,385,132)	(132,883)	(2,093,784)	(60,253)
Decrease in prepayments		156,163	4,732	347,827	10,009
Increase in securities purchased for trading purposes		(2,858,488)	(86,621)	(3,450,059)	(99,282)
Increase in payables		1,004,617	30,443	1,035,291	29,793
Decrease in advances		(483,120)	(14,640)	(216,052)	(6,217)
Increase (decrease) in other liabilities		(75,861)	(2,299)	1,519,874	43,737
Net cash provided by (used in) operating activities		(628,017)	(19,031)	582,166	16,753
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from disposal of premises and equipment and non-operating assets		1,756,305	53,221	27,344	787
Addition in premises and equipment		(254,535)	(7,713)	(116,555)	(3,354)
Increase in long-term investment in bond		(5,260,105)	(159,397)	-	-
Proceeds from disposal of investments		4,111,017	124,576	125,732	3,618
Increase in securities purchased for non-trading purposes		(15,577,219)	(472,037)	(11,006,284)	(316,728)
Net (increase) decrease in bills and loans		(20,560,869)	(623,056)	7,190,099	206,909
(Increase) decrease in other assets		1,085,454	32,893	(280,831)	(8,081)
(Increase) decrease in due from Central Bank and call loans to banks		(16,878,527)	(511,471)	219,340	6,312
Increase in deferred charges		(3,404)	(103)	(7,067)	(203)
Net cash used in investing activities		(51,581,883)	(1,563,087)	(3,848,222)	(110,740)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Increase (decrease) in due to Central Bank and commercial banks		(3,368,524)	(102,077)	1,829,224	52,640
Increase in deposits and remittances		58,234,728	1,764,689	1,089,282	31,346
Increase in banker's debenture payable		2,000,000	60,606	-	-
Increase in banker's acceptances and funds borrowed		273,879	8,299	338,237	9,733
Decrease in guaranty and marginal deposits		(928)	(28)	(10,004)	(288)
Net cash provided by financing activities		57,139,155	1,731,489	3,246,739	93,431
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES					
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(65,373)	(1,981)	(14,547)	(419)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		4,863,882	147,390	(33,864)	(975)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	X	18,754,891	568,330	12,013,899	345,724
SUPPLEMENT DISCLOSURES OF CASH FLOWS INFORMATION:		\$23,618,773	\$715,720	\$11,980,035	\$344,749
Interest expenses paid		\$1,869,540	\$56,653	\$1,839,206	\$52,927
Income tax paid		\$84,414	\$2,558	\$82,012	\$2,360

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

English Translation of Financial Statements Originally Issued in Chinese

CATHAY UNITED BANK

(FORMERLY UNITED WORLD CHINESE COMMERCIAL BANK)

NOTES TO UNAUDITED FINANCIAL STATEMENTS

MARCH 31, 2004 AND 2003

(In thousands of dollars unless others stated)

I. BUSINESS

Cathay United Bank (the “Bank”) was formerly United World Chinese Commercial Bank (UWCCB) and was enfranchised by the government of the Republic of China (“ROC”) in January 1975. The Bank started its operations on May 20, 1975 and engaged in the following operations: (1)All commercial banking operations authorized by the ROC Banking Law (“Banking Law”);(2)International banking business and related operations; (3)Trust and stockbrokerage business; (4)Off-shore banking business; (5)Other financial operations related to the promotion of investments of Overseas Chinese.

The Bank’s capital stock was traded on the Taiwan Stock Exchange (TSE) until December 18, 2002. Starting from December 18, 2002, the Bank became an unlisted wholly owned subsidiary of Cathay Financial Holding Co., Ltd. through a share swap transaction.

On April 21, 2003, under the Financial Institution Merger Law, the Bank decide to merger with formerly Cathay United Bank, which is the wholly-owned subsidiary of Cathay Financial Holding Company. After the merger on October 27, 2003, formerly Cathay United Bank is a merged bank (“Merged Bank”), while UWCCB is the surviving bank and change its name as Cathay United Bank.

As of March 31, 2004 and 2003, the Bank employed 3,558 and 2,520 employees, respectively.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with “Regulations Governing the Preparation of Financial Statements of Public Banks” and accounting principles generally accepted in the ROC. The significant accounting policies are summarized as follows:

English Translation of Financial Statements Originally Issued in Chinese

1. Basis for Preparation of Financial Statements

The accompanying financial statements include the accounts of the domestic head office branches and foreign branches and representative office. All inter-branch and inter-office account balances and transactions have been eliminated when the financial statements were prepared.

2. Foreign-currencies Transactions

Foreign-currencies transactions of the head office and domestic branches are recorded in the respective currencies in which they are transacted. At the end of each month, foreign currencies denominated assets and liabilities, other than those using forward contracts, are converted into New Taiwan Dollars (“NT dollars”) at the closing rates as at the balance-sheet date. Foreign currencies income and expenses are converted into NT dollars monthly based on the month-end exchange rates. The resulting exchange gains or losses are credited to or charged against current income.

Assets and liabilities of foreign branches, which are denominated in their respective local currencies, are converted into NT dollars using the method described in the preceding paragraph. Local currencies denominated income and expenses of such branches are translated at weighted-average rate. Gains or losses resulting from the translation are treated as “Conversion adjustments” account under shareholders’ equity.

3. Derivative Financial Instruments

Forward Contracts

When the Bank enters into forward foreign exchange contracts for trading purposes, the Bank will record a receivable and a corresponding payable based on the contracted foreign exchange amount at the contracted forward rate. At each financial reporting date, the Bank will adjust the receivable amount based on the spot rate and recognized the differences as gains or losses in the statement of income. Upon settlement, gains or losses resulting from the difference between the foreign exchange amount at the spot rate and the carrying amount of the receivable are credited or charged to statement of income. In addition, for financial presentation purposes, balances of these receivable and payable are netted.

Interest Rate Swaps

Interest rate swaps transactions may involve the exchange of fixed-rate interest payment for the market floating-rate interest payment obligation based on a notional principal amount. For interest rate swaps transactions undertaken for trading purposes, income and expenses arises upon settlement are netted off and recognized in the statement of income.

Cross-currency Interest Rate Swaps

For cross-currency swap contracts undertaken for non-trading purposes, amounts to be exchanged on settlement dates are recorded at the contracted forward rate. Interest income or expenses arise during the contract period are recognized as an adjustment to the revenue or expense of the hedged items.

Option

The Bank enters into foreign-currency option contracts. Premiums paid or received or options purchased or sold are recorded as assets or liabilities, respectively. Gains or losses on exercise of options are recognized in the statement of income.

Forward Rate Agreements (FRA)

Only memo entries of notional principals are made on the contract date for forward rate agreements. For trading FRA, differences in the present value of interest revenue or expense on the balance sheet date are reported as exchange gains or losses. For non-trading FRA, interest receivables or payables accrued per contract rates and the hedged positions are reported as current interest revenue or expense.

4. Securities Purchased

Securities purchased are carried at the lower of cost and market value. Except for the parent company's equity shares held by the Bank, the lower of cost and market value is determined based on a portfolio basis with similar securities. A provision is made when the market value is lower than the cost. When the market value rises, the gain is set off against the provision to the extent of the amount made previously.

When stocks and mutual funds are sold, the cost is calculated based on the weighted-average method. For other securities, the cost is calculated based on the cost of each related individual security.

Securities purchased under resell agreements are presented in the balance sheets as part of "Securities purchased" and securities sold under repurchase agreements are presented as part of "Securities sold under agreements to repurchase." The difference between the selling or purchase price and the contracted repurchase or resale price is accounted for as interest

expense or interest income, respectively.

5. Allowances for Doubtful Accounts

Allowance for doubtful accounts on receivables, bills and loans are provided based on the results of review of the collectibility of accounts balances and the guideline issued by the relevant regulations. Whenever the management of the Bank deems the receivables to be uncollectible, a charge-off that conforms to the Bank's relevant regulations is recommended to and approved by the Bank's Board of Directors.

6. Long-Term Investments

(i) Investments In Equity Securities

Investments in other companies with voting rights of at least 20% but no more than 50%, or less than 20% but the Bank and related parties totally hold over 20% of the common stock and have significant influence over the investee are accounted for under the equity method; however, when the company has not received the audited financial statements of the equity method investee company in time to recognize its equity in the investee company's income (loss), the Bank may delay the recognition of its equity in the investee company's income (loss) until the subsequent year. The difference between the cost of investment and the company's share of the investee company's equity at acquisition is deferred and amortized over five years.

Other long-term equity investments are accounted for by the cost method. For investments in listed stocks, an allowance for decline in market value is made when the carrying amounts of the investments is below the market value, with the same amount debited to shareholders' equity. For investments in unlisted stocks, provisions are made and recognized immediately as an expense when the carrying amounts are not expected to be fully recovered.

(ii) Investments In Debt Securities

Long-term investments in Debt Securities represent investments in government bonds, financial debentures, first to default credit linked note and callable corridor note linked to USD Libor issued by the international reputable financial institutions. Investments in Debt Securities are stated at cost adjusted for the amortization of premiums or discounts arising on acquisition over the periods to maturity on a straight-line basis. The amortization of premiums or discounts is included as part of interest income or interest expense. Costs of bonds upon maturity or disposal are determined by the specification method.

7. Premises and equipment

(i) Premises and equipment are stated at cost. Improvements, additions, and major renewals that extend the life of an asset are capitalized, while repairs and maintenance are expensed as incurred. Upon disposal of premises and equipment, the related cost and accumulated depreciation are removed from the account. Any gain or losses thereafter are charged to non-operating income or expenses.

(ii) Depreciation is provided by the straight-line method over the following estimated useful lives:

Building	8~60	years
Furniture and fixtures	2~ 6	years
Transportation equipment	3~ 6	years
Miscellaneous equipment	2~10	years

The residual value of a property that is still in use at the end of the original service life is depreciated using the straight-line method over its newly estimated service life.

8. Deferred Charges

Computer software and electric wiring costs are amortized by the straight-line method over three to five years.

SOGO affinity credit cards business cost is amortized on a straight-line basis over estimated economic lives of 48 months.

9. Foreclosed Properties

Foreclosed properties represent assets acquired by repossession of collateral for realization and are stated at the lower of cost or net realizable value on the balance sheet date.

10. Reserves for Losses on Guarantees

Reserves for losses on guarantees are computed at the maximum limit allowed by the relevant laws and regulations pertaining to guarantees provided for custom duties, commodity taxes and contracts performance obligations.

11. Reserves for Losses on Stock Brokerage Transactions

Pursuant to ROC Ministry of Finance (“MOF”) regulations, a reserve for possible losses is provided based on 0.0028% of the amount of total stock brokerage transactions each month until such reserve has reached the amount of NT\$200 million.

12. Reserves for Losses on Trading Securities

Pursuant to the MOF regulations, a reserve for possible losses on trading securities is provided based on 10% of the gain derived from trading securities each month until such reserve has reached the amount of NT\$200 million. The reserve cannot be used for other purposes except to offset trading losses.

13. Pension Plans

The Bank has a pension plan covering all regular employees. Pension benefits payments under the plan are based on years of service and final average compensation of the employees. The Bank has established an employees retirement fund committee and a committee to supervise the employees retirement fund based on the regulations of the employee retirement plan. Contribution to the pension fund is made to the separate accounts of the above two committees monthly. The Bank makes contributions to the pension funds, which is administered and operated by an independent employee retirement fund committee. Therefore, the pension fund is not reflected in the above-mentioned financial statements.

The Bank adopted SFAS No. 18 “Accounting for pensions”, which requires the actuarial determination of pension assets or obligations. The unrecognized assets or obligations at transition are amortized by the straight-line method over 15 years-the average remaining service period of employees.

14. Recognition of Interest Revenue and Service Fees

Interest income is recognized on an accrual basis. The loans for which interests have been discontinued to accrue are credited to income when received.

Service fees are recognized when earned.

15. Income Tax

The Bank adopted the SFAS No. 22 “Accounting for income taxes” for interperiod and intraperiod income tax allocation. Deferred income taxes are recognized for tax effects of temporary differences. Tax effects on deductible temporary differences, operating loss carryforwards and investment tax credits are recognized as deferred tax assets. Valuation allowance is provided for deferred tax assets when their realization is in doubt.

The adjustments of prior years’ income tax are included in the current year’s income tax calculation.

The Bank’s tax credits are recognized in the current period according to the ROC SFAS No.12 “Tax Credits”.

Income tax at a rate of 10% on undistributed earnings is assessed if the Bank does not distribute all its current year profits. Taxes on undistributed earnings are recorded as expense in the year shareholders approve the retention of earnings.

16. Contingencies

A loss is recognized if it is probable that an asset will be impaired or a liability might be incurred and the amount of loss can be reasonably estimated. If the amount of loss cannot be reasonably estimated and the loss is possible, the obligation is disclosed as contingent liabilities in the footnotes to the financial statements.

17. The interim financial statement

The Bank’s interim financial statements are recorded and disclosed according to the ROC SFAS No.23 “Interim Financial Report and Disclosures”.

18. Basis for Converting Financial Statements

The Bank’s financial statements are stated in NT dollars (“NT\$”). Conversion of the March 31, 2004 and 2003 NT dollar amounts into US dollar amounts is provided solely for the convenience of the readers, using the noon buying rate of NT\$33 and NT\$34.75 to US\$1.00 on March 31, 2004 and 2003, respectively, as provided by the Federal Reserve Bank of New York. The convenience conversion should not be construed as representations that the NT dollar amounts have been, could have been, or could in the future be, converted into U.S. dollars at this rate or any other rate of exchange.

III. ACCOUNTING CHANGES

Effective January 1, 2004, the Bank adopted the new “Regulations Governing the Preparation of Financial Statements of Public Banks” to account for its bills transactions related to resell or repurchase agreement using the financing method which resulted in an increase of NT\$51 thousand in net income for the first quarter of 2004.

IV. BREAKDOWN OF SIGNIFICANT ACCOUNTS

1. CASH AND CASH EQUIVALENTS

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Cash on hand	\$8,182,184	\$247,945	\$6,628,933	\$190,761
Checks for clearance	5,780,333	175,161	3,694,477	106,316
Due from commercial banks	9,656,256	292,614	1,656,625	47,673
Total	\$23,618,773	\$715,720	\$11,980,035	\$344,750

2. DUE FROM CENTRAL BANK AND CALL LOANS TO BANKS

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Deposit reserve	\$19,718,820	\$597,540	\$14,241,393	\$409,824
General account	15,496,870	469,602	3,572,007	102,792
Deposit in Central Bank	6,536,000	198,060	6,236,000	179,453
Call loans to banks	29,431,210	891,855	34,781,903	1,000,918
Total	\$71,182,900	\$2,157,057	\$58,831,303	\$1,692,987

3. SECURITIES PURCHASED-NET

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Stock	\$4,085,784	\$123,812	\$4,603,562	\$132,476
Mutual funds	3,220,156	97,580	2,507,805	72,167
Government and corporate bonds	51,104,726	1,548,628	71,564,761	2,059,417
Certificates of deposit	129,659,249	3,929,068	44,718,261	1,286,856
Commercial papers	7,065,919	214,119	11,531,691	331,848
Securities purchased under agreements to resell	1,751,222	53,067	2,637,446	75,898
Others	101,047	3,062	47,564	1,369
Total	196,988,103	5,969,336	137,611,090	3,960,031

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Less: Allowance for decline in market price of securities	(118,019)	(3,576)	(611,805)	(17,606)
Net	<u>\$196,870,084</u>	<u>\$5,965,760</u>	<u>\$136,999,285</u>	<u>\$3,942,425</u>

(1) Securities purchased of NT\$16,793,507 thousand and NT\$16,543,031 thousand at March 31, 2004 and 2003, respectively, were pledged to other parties as collateral for business reserves and guarantees.

(2) Securities sold under agreements to repurchase were NT\$25,503,721 thousand and NT\$15,264,700 thousand at March 31, 2004 and 2003, respectively.

4. RECEIVABLES-NET

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Accounts receivable	\$53,046,264	\$1,607,462	\$14,739,096	\$424,147
Accrued interest receivable	3,461,494	104,894	3,073,835	88,455
Customers' liabilities under acceptances	655,092	19,851	339,629	9,773
Tax refund receivable	772,792	23,418	371,809	10,699
Others	2,799,150	84,823	2,360,945	67,941
Total	<u>60,734,792</u>	<u>1,840,448</u>	<u>20,885,314</u>	<u>601,015</u>
Less: Allowance for doubtful accounts	(897,507)	(27,197)	(624,474)	(17,970)
Net	<u>\$59,837,285</u>	<u>\$1,813,251</u>	<u>\$20,260,840</u>	<u>\$583,045</u>

Please refer to note IV.6 for details of the allowance for doubtful accounts.

5. PREPAYMENTS

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Inter-bank clearing funds	\$930,483	\$28,196	\$801,682	\$23,070
Others	705,386	21,376	263,827	7,592
Total	<u>\$1,635,869</u>	<u>\$49,572</u>	<u>\$1,065,509</u>	<u>\$30,662</u>

6. BILLS AND LOANS

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Inward-outward documentary bills purchased	\$754,832	\$22,874	\$866,842	\$24,945
Discount	100,000	3,030	-	-
Loans	532,759,088	16,144,215	377,356,301	10,859,174
Overdrafts	563,033	17,061	946,109	27,226
Delinquent accounts	4,019,698	121,809	12,719,815	366,038
Total	<u>538,196,651</u>	<u>16,308,989</u>	<u>391,889,067</u>	<u>11,277,383</u>

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Less: Allowance for doubtful accounts	(7,554,099)	(228,912)	(5,711,297)	(164,354)
Net	<u>\$530,642,552</u>	<u>\$16,080,077</u>	<u>\$386,177,770</u>	<u>\$11,113,029</u>

- (1) Non-accrual accounts amounted to NT\$10,874,401 thousand and NT\$12,719,815 thousand at March 31, 2004 and 2003, respectively. The unrecognized interests on the non-accrual accounts amounted to NT\$114,075 thousand and NT\$205,311 thousand for the three-month periods ended March 31, 2004 and 2003, respectively.
- (2) The additional information of bills and loans by type of industry and geographic region is shown as Note X.
- (3) The following is a summary of the activity in the allowance for doubtful accounts (including receivables, bills and loans) for the three-month periods ended March 31, 2004 and 2003 respectively.

	Jan. 1 ~Mar. 31, 2004					
	Allocated allowance		Unallocated portion		Total	
	NT	US	NT	US	NT	US
Balance, beginning of the period	\$4,012,984	\$121,606	\$3,518,370	\$106,617	\$7,531,354	\$228,223
Provision of doubtful account	2,363,983	71,636	-	-	2,363,983	71,636
Write-off	(1,438,926)	(43,604)	-	-	(1,438,926)	(43,604)
Reclassification	(457,841)	(13,874)	457,841	13,874	-	-
Effects of exchange rates change	-	-	(4,805)	(146)	(4,805)	(146)
Balance, end of the period	<u>\$4,480,200</u>	<u>\$135,764</u>	<u>\$3,971,406</u>	<u>\$120,345</u>	<u>\$8,451,606</u>	<u>\$256,109</u>

	Jan. 1 ~Mar. 31, 2003					
	Allocated allowance		Unallocated portion		Total	
	NT	US	NT	US	NT	US
Balance, beginning of the period	\$6,624,009	\$190,619	\$236,724	\$6,812	\$6,860,733	\$197,431
Provision of doubtful account	1,522,329	43,808	-	-	1,522,329	43,808
Write-off	(2,047,391)	(58,918)	-	-	(2,047,391)	(58,918)
Reclassification	(377,943)	(10,876)	377,943	10,876	-	-
Effects of exchange rates change	1	-	99	3	100	3
Balance, end of the period	<u>\$5,721,005</u>	<u>\$164,633</u>	<u>\$614,766</u>	<u>\$17,691</u>	<u>\$6,335,771</u>	<u>\$182,324</u>

In recent years, the growth in domestic economy and financial markets has been sluggish as a result of the various local and global negative factors. The financial positions of certain corporations have deteriorated which has led to their failures to meet obligations when they fall due. The government has taken several measures to stabilize the economy and financial markets. The Bank's financial statements included provisions for possible credit losses and guarantee losses based on information available to the Bank, including defaults to the extent they can be determined or estimated. Changes in the operating and financial performance of customers and general economic conditions of the market may have an impact on the debtor's ability to repay their loans, and uncertainty related to the

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future realizable value of collaterals might result in amounts different from those amounts presently estimated and provided.

7. LONG-TERM INVESTMENTS

	Mar. 31,					
	2004			2003		
	NT	US	% of ownership	NT	US	% of ownership
(i) Investments in Equity Securities:						
Cathay Futures Corp. (formerly Seaward Futures Corp.)	\$730,065	\$22,123	99.82	\$1,672,355	\$48,125	99.82
Seaward Leasing Ltd.	2,316,052	70,183	99.97	2,157,637	62,090	99.97
Huong Yee Co., Ltd.	-	-	-	614,003	17,669	99.99
Seaward Insurance Agent Corp.	-	-	-	50,665	1,458	99.99
Seaward Card Co., Ltd.	46,760	1,417	99.99	36,948	1,063	99.99
Indovina Bank	439,039	13,304	50.00	451,751	13,000	50.00
Taiwan Real-estate Management Corp.	54,162	1,641	30.15	54,162	1,559	30.15
Taiwan Finance Corp.	1,244,395	37,709	24.57	1,098,095	31,600	24.57
Seaward Property Insurance Agent Corp.	-	-	-	2,000	58	99.99
Cathay Bank Property Agency of Association	8,073	245	99.80	-	-	-
Cathay Bank Life Insurance Agency of Association	105,663	3,202	99.90	-	-	-
Cathay Venture Capital Corp.	29,471	894	3.33	-	-	-
Vista Technology Venture Capital Corp.	13,636	413	5.00	-	-	-
Subtotal	4,987,316	151,131		6,137,616	176,622	
Less: Unrealized gain from intercompany transactions	(31,850)	(965)		(87,826)	(2,527)	
Investment in equity method	4,955,466	150,166		6,049,790	174,095	
Pan Overseas Corp.	-	-	-	7,525	217	0.61
China Bills Finance Corp.	14,097	427	0.18	170,688	4,912	2.72
Taiwan Fertilizer Co., Ltd.	-	-	-	104,173	2,998	0.58
Chunghwa Telecom Co., Ltd.	438,037	13,274	0.09	541,097	15,571	0.11
International Securities Investment Trust Co., Ltd.	4,900	149	4.74	4,900	141	4.74
Wallant International Trade Inc.	-	-	2.51	-	-	2.51
Central Deposit Insurance Corp.	10	-	-	10	-	-
Chinese Products Promotion Center	1,850	56	4.87	1,850	53	4.87
Han Tech Venture Capital Corp.	154,927	4,695	8.03	154,927	4,458	7.93
Taiwan Securities Central Depository Co., Ltd.	1,850	56	0.18	1,850	53	0.18
Taipei Forex Inc.	8,000	242	4.04	8,000	230	4.04
Global Securities Finance Corp.	161,930	4,907	2.45	161,930	4,660	2.45
An Feng Enterprise Co., Ltd.	4,500	136	15.00	4,500	129	15.00
Euroc II Venture Capital Corp.	40,000	1,212	5.00	40,000	1,151	5.00
Taiwan International Merchandise Exchange Corp.	12,500	379	0.63	12,500	360	0.63
Strategic Value Fund, Limited Partnership	165,170	5,005	-	170,019	4,893	-
Chan Sheng Investment Development Co., Ltd.	7,400	224	4.90	127,400	3,666	4.90
CDIB & Partners Investment Holding Corp.	500,000	15,152	4.95	500,000	14,389	4.95

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	Mar. 31,					
	2004			2003		
	NT	US	% of ownership	NT	US	% of ownership
Financial Information Service Co., Ltd.	45,500	1,379	1.14	45,500	1,309	1.14
Sheng-Hua Venture Capital Corp. (To be continued) (Continued)	50,000	1,515	2.50	50,000	1,439	2.50
IBU Securities Co., Ltd.						
Latin America Development Co., Ltd.	6,250	190	1.79	6,250	180	1.79
Capital Venture Fund II Corp.	30,000	909	5.00	30,000	864	5.00
ProTec Capital Corp.	-	-	-	8,000	230	4.88
Fu Yu Venture Capital Investment Corp.	50,000	1,515	3.70	50,000	1,439	3.70
Taipei Smart Card Corp.	25,000	758	5.00	25,000	719	5.00
New Century InfoComm Co., Ltd.	864,000	26,182	1.68	864,000	24,863	1.68
Harbinger Venture Capital Corp.	67,000	2,030	3.35	67,000	1,928	3.35
United Venture Capital Corp.	40,000	1,212	4.52	40,000	1,151	4.52
Centillion Venture Capital Corp.	60,000	1,818	5.00	60,000	1,727	5.00
Taiwan Asset Management Corp.	1,020,000	30,909	5.79	1,000,000	28,777	5.68
Taipei Financial Center Corp.	400,000	12,121	2.35	400,000	11,511	2.35
Taiwan Financial Asset Service Corp.	100,000	3,030	5.88	50,000	1,439	2.94
Kaohsiung Rapid Transit corp.	299,000	9,061	2.99	299,000	8,604	2.99
Taiwan Cooperative Bank	116,435	3,528	0.21	116,435	3,351	0.21
Mondex Taiwan Inc.	25,000	758	6.47	-	-	-
Investment in cost method	<u>5,758,356</u>	<u>174,496</u>		<u>6,167,554</u>	<u>177,484</u>	
Total	10,713,822	324,662		12,217,344	351,579	
(ii) Others	<u>17,452,630</u>	<u>528,868</u>		<u>400,000</u>	<u>11,511</u>	
Total	<u>\$28,166,452</u>	<u>\$853,530</u>		<u>\$12,617,344</u>	<u>\$363,090</u>	

- (1) Due to the losses incurred by its investee companies, Wallant International Trade Inc. and Chan Sheng Investment Development Co., Ltd, the Bank has recognized the losses of the investees and declined its carrying value to investee's net worth.
- (2) On December 24, 2003, the shareholders of Seaward Futures Corp. has determined to reduce its capital stock for NT\$950,000 thousand, which is equal to 95,000 thousand shares and change its name as Cathay Futures Corp. The reduction of the capital has been approved by the authority-in-charge on January 16, 2004, and effective date will be on February 16, 2004.
- (3) According to the board of director's meeting, Seaward Insurance Agent Corp. has scheduled to merge with Cathay Bank Life Insurance Agency of Association on February 5, 2004. Cathay Bank Life Insurance Agency of Association is the Surviving Company. The merger has been resolved by the shareholder's meeting of Seaward Insurance Agent Corp. on November 28, 2003.
- (4) In 2003, the liquidation process of Huong Yee Co., Ltd, Pro Tec Capital Corp. and

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Seaward Property Insurance Agent Corp. has been completed.

- (5) After the merger with former Cathay United Bank, the Bank increases its investments from the merged bank in Cathay Bank Life Insurance Agency of Association, Cathay Bank Property Agency of Association, Cathay Venture Capital Corp., and Vista Technology Venture Capital Corp. Equity method was applied for these investees, whose common stocks were held by the Bank and/or its related parties over 20%, based on un-audited financial statements of investees. However, the Bank defers the recognition of its investment income(loss) of Vista Technology Venture Capital Corp. until the subsequent year.
- (6) The long-term investments and related investment gains accounted for by the equity method for the three-month periods ended March 31, 2004 and 2003 were recognized in accordance with the financial statements prepared by the investee companies. No material adjustments are anticipated, if the Bank recognized gains or losses by the audited or reviewed reports of the investee companies.
- (7) As of March 31, 2004 and 2003, the Bank has unrealized losses on long-term investment of Seaward Leasing Ltd. of NT\$93,835 thousand and NT\$79,482 thousand, respectively.

8. OTHER ASSETS

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Refundable deposits	\$848,346	\$25,708	\$646,962	\$18,618
Foreclosed properties-net	2,141,180	64,884	4,328,501	124,561
Deferred tax assets-net	3,031,446	91,862	3,055,303	87,922
Non-operating assets	701,440	21,256	703,983	20,258
Deferred charges	492,094	14,912	170,758	4,914
Others	513	15	-	-
Total	<u>\$7,215,019</u>	<u>\$218,637</u>	<u>\$8,905,507</u>	<u>\$256,273</u>

9. DUE TO CENTRAL BANK AND COMMERCIAL BANKS

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Due to central bank	\$159,278	\$4,827	\$261,764	\$7,533
Due to commercial banks	41,441,655	1,255,808	24,751,779	712,282

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Overdrafts from banks	703,180	21,308	1,150,760	33,115
Call loans from banks	35,320,056	1,070,305	19,874,563	571,930
Total	<u>\$77,624,169</u>	<u>\$2,352,248</u>	<u>\$46,038,866</u>	<u>\$1,324,860</u>

10. PAYABLES

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Accounts payable	\$10,555,963	\$319,877	\$4,402,877	\$126,701
Accrued interest	2,396,496	72,621	2,139,492	61,568
Accrued expenses	539,837	16,359	346,825	9,981
Income tax payable	87,746	2,659	81,187	2,336
Acceptances	660,259	20,008	349,139	10,047
Collection for customers	439,569	13,320	87,131	2,507
Others	3,734,836	113,177	4,185,526	120,447
Total	<u>\$18,414,706</u>	<u>\$558,021</u>	<u>\$11,592,177</u>	<u>\$333,587</u>

11. DEPOSITS AND REMITTANCES

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Check deposits	\$13,590,091	\$411,821	\$10,242,084	\$294,736
Demand deposits	83,324,917	2,524,997	46,596,146	1,340,896
Certified deposits	130,941,422	3,967,922	128,861,776	3,708,253
Saving deposits	450,553,233	13,653,128	290,197,599	8,351,010
Foreign currencies deposits	39,560,512	1,198,803	39,771,044	1,144,490
Outward remittances	2,690	82	1,209	35
Remittances payable	218,783	6,630	94,782	2,728
Total	<u>\$718,191,648</u>	<u>\$21,763,383</u>	<u>\$515,764,640</u>	<u>\$14,842,148</u>

12. BANKER'S DEBENTURE PAYABLE

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Banker's debenture	\$14,700,000	\$445,455	\$-	\$-
Subordinate Banker's debenture	12,350,000	374,242	10,000,000	287,770
Total	<u>\$27,050,000</u>	<u>\$819,697</u>	<u>\$10,000,000</u>	<u>\$287,770</u>

On May 23, 2002, the Bank issued five-year subordinate banker's debenture amounting to NT\$5,000,000 thousand with a stated interest rate of 4.15%. On September 10, 2002, the Bank issued another five-year and six-month subordinate banker's debenture amounting to

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NT\$5,000,000 thousand with a stated interest rate of 5.9% minus the six-month LIBOR rate. The subordinate banker's debenture are repayable at maturity, and the interests are payable annually and semiannually, respectively.

On April 28, 2003, the Bank issued five-year subordinate banker's debenture amounting to NT\$2,350,000 thousand with a stated interest rate of 2%. The subordinate banker's debenture are repayable at maturity, and the interests are payable annually.

Each subordinate Banker's debenture has lower priority claim on assets and income than other debt. That is, its principal and interests are repayable only after more senior debt with higher priority has been satisfied. Subordinate Banker's debenture is senior to common stock.

On June 20, 2003, the Bank issued five-year and six month banker's debenture amounting to NT\$5,000,000 thousand with a stated interest rate of 3.019%. On December 4, 2003, December 10, 2003, and December 11, 2003, the Bank issued five-year banker's debenture amounting to NT\$3,200,000 thousand, NT\$2,700,000 thousand, and NT\$1,800,000 thousand, respectively, with floating interest rate; thereafter, a six-year banker's debenture amounting to NT\$2,000,000 thousand was issued with floating interest rate on March 29, 2004. The banker's debentures are repayable at maturity, and the interests are payable quarterly or semiannually. The priority claim of Banker's debentures, including principles and interests, mentioned above is equal to other debts of the Bank, while that is senior to common stock.

13. BANKER'S ACCEPTANCES AND FUNDS BORROWED

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Borrowed funds-Central Bank	\$1,327,558	\$40,229	\$2,033,332	\$58,513
Borrowed funds-Others	699,845	21,207	511,490	14,719
Total	<u>\$2,027,403</u>	<u>\$61,436</u>	<u>\$2,544,822</u>	<u>\$73,232</u>

14. OTHER LIABILITIES

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Reserve for losses on guarantees	\$28,723	\$870	\$38,913	\$1,120
Reserve for losses on stock brokerage transactions	41,628	1,262	36,432	1,048
Reserve for losses on trading securities	130,981	3,969	8,843	254

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Securities sold under agreements to repurchase	25,993,975	787,696	16,599,868	477,695
Guarantee and margin deposits	698,255	21,159	625,211	17,991
Others	40,844	1,238	34,433	991
Total	<u>\$26,934,406</u>	<u>\$816,194</u>	<u>\$17,343,700</u>	<u>\$499,099</u>

15. CAPITAL STOCK

At the beginning of the year 2003, the Bank has authorized capital stock amounting to NT\$39,715,627 thousand. There were 3,971,563 thousand shares issued at par value of NT\$10.

On October 27, 2003, the Bank has merged with Cathay United Bank through a share swap transaction. The ratio for exchange of shares is 0.2808 the Bank's share for one share of Cathay United Bank. After the exchange, capital stock of the Bank increased 346,678 thousand shares. As the result, the total issued capital stock is amounting to NT\$43,182,407 thousand, while 4,318,241 thousand shares are issued.

16. CAPITAL RESERVES

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Capital reserves from the merged Bank	\$9,199,928	\$278,786	\$-	\$-
Additional paid-in capital	4,249,096	128,760	4,249,096	122,276
Capital reserves from merger of investee companies	-	-	773,348	22,255
Capital reserves from investee companies of which recognized by the equity method, and etc.	2,211	67	62,757	1,806
Capital reserves from treasury stock	10,397	315	10,397	299
Total	<u>\$13,461,632</u>	<u>\$407,928</u>	<u>\$5,095,598</u>	<u>\$146,636</u>

17. RETAINED EARNINGS

(1) The Bank's articles of incorporation provide that its annual net income shall be appropriated and distributed in the following order:

- (a) 30% thereof shall be set aside as legal reserve;

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- (b) Special reserve to be distributed after deliberation;
 - (c) Regular dividends; and
 - (d) The remainder, if any, shall be distributed and appropriated as follows: extra dividends 80%, compensation to directors and supervisors 5%, employees' special bonus 10%, and contribution to welfare fund 5%.
- (2) The government's regulations stipulates that the Bank must retain part of its annual net income as legal reserve, and cash dividend declaration, if any, should not exceed the limit of 15% of paid-in capital, until such retention of legal reserve reached the amount of paid-in capital. The legal reserve may be used at any time to offset the accumulated deficit, if any, once the legal reserve reached one-half of the paid-in capital, up to 50% thereof may be transferred to capital stock.

In order to prevent an impairment of working capital, the ROC regulations require that a portion of the retained earnings equal to the deduction account of shareholders' equity, if any, becomes unavailable for dividend distribution.

- (3) The Bank's directors determined the following resolution on February 6, 2004, and January 29, 2003, respectively. The information is as follows:

- (a) Make up deficit in 2002:

- 1) NT\$ 8,325,411 thousand as legal reserve;
- 2) NT\$ 257,487 thousand as special reserve;
- 3) NT\$ 224,412 thousand from un-appropriated earnings.

- (b) The appropriation and distribution of earnings in 2003:

- 1) NT\$ 829,123 thousand from legal reserve;
- 2) NT\$ 1,934,619 thousand as dividends to shareholders.

The Bank's directors have approved the appropriation and distribution stated above on April 23, 2004.

18. PENSION

The Bank has adopted SFAS No.18 "Accounting for pensions", which requires actuarial determination of pension assets or obligations.

19. OPERATING EXPENSES

	Jan. 1~Mar. 31,			
	2004		2003	
	NT	US	NT	US
Personnel expenses				

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Salary expenses	\$895,766	\$27,144	\$681,398	\$19,609
Insurance expenses	69,411	2,103	60,347	1,737
Pension expenses	89,522	2,713	82,936	2,386
Others	267,786	8,115	165,931	4,775
Depreciation expenses	214,694	6,506	154,855	4,456
Amortization expenses	55,307	1,676	15,367	442

20. INCOME TAX

(1) The reconciliation between income tax payable and income tax expense for the three-month periods ended March 31, 2004 and 2003 are as follows:

	Jan. 1~Mar. 31,			
	2004		2003	
	NT	US	NT	US
Income tax payable:				
Domestic income tax:				
General (tax rate 25%)	\$-	\$-	\$-	\$-
Interest on short-term negotiable instruments (tax rate 20%)	2,187	66	54,485	1,568
Foreign branches' income tax	8,283	251	13,617	392
Deferred tax (benefit) expenses:				
Allowance for bad debt	(177,674)	(5,384)	109,552	3,152
Allowance for pledged assets taken-over	15,083	457	(55,517)	(1,598)
Provisions for possible losses	(545)	(17)	(155)	(4)
Foreign investment income recognized by the equity method	3,160	96	4,069	117
Operating loss carryforwards	991,868	30,057	415,925	11,969
Others	(1,360)	(41)	38	1
Adjustment of prior period's income tax	(13,002)	(394)	7,986	230
Income tax (benefit) expenses	<u>\$828,000</u>	<u>\$25,091</u>	<u>\$550,000</u>	<u>\$15,827</u>

(2) Deferred tax liabilities and assets resulting from the following timing differences:

Taxable temporary differences:				
Unrealized losses from intercompany transactions	\$24,392	\$739	\$24,999	\$719
Others	98,840	2,995	61,624	1,773
Deductible temporary differences:				
Allowance for bad debts	2,541,081	77,002	2,124,032	61,123
Allowance for pledged assets taken-over	2,001,890	60,663	2,049,219	58,970
Unrealized gain from intercompany transactions	19,544	592	20,154	580
Pension expenses exceed the limit of tax law	75,809	2,297	75,809	2,182
Provisions for possible losses	59,122	1,792	53,926	1,552

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Others	127,176	3,854	104,807	3,016
Operating loss carryforwards	7,216,861	218,693	7,705,227	221,733
Investment Credit	\$10,942	\$332	\$-	\$-
Deferred income tax assets of foreign branches	\$40,941	\$1,241	\$43,665	\$1,256

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
(3) Deferred tax assets	\$3,062,254	\$92,796	\$3,076,959	\$88,545
Deferred tax liabilities	(30,808)	(934)	(21,656)	(623)
Net deferred tax assets	<u>\$3,031,446</u>	<u>\$91,862</u>	<u>\$3,055,303</u>	<u>\$87,922</u>

- (4) A valuation allowance has been established for the Bank's income tax returns assessment for the years from 1995 to 1998. However, the Bank disagreed with the assessment and appealed to the tax authorities. After taking the further review of the claim, the tax authority has reversed its previous decision and re-determined the income tax obligation of the Bank for the year 1996 on February 20, 2004.
- (5) Except for 1999, the tax authority has examined and assessed the formerly Cathay United Bank's income tax returns through 2001. In connection with such examinations, withholding taxes on the interest income from bonds pertaining to periods when those bonds were held by other investors (the "bond withholding taxes") amounting to of NT\$46,298 thousand, NT\$37,542 thousand and NT\$4,658 thousand, in 1994, 1995 and 2001 respectively were disallowed by the tax authorities as deduction against the Bank's income tax obligations. The Bank is contesting the decisions made by the tax authorities and the amounts related to the disallowed bond withholding taxes have been accrued as taxes payable and tax expense for financial reporting purposes. On February 13, March 2, and March 5, 2004, the tax authority has reversed its original decision and has allowed the partial reduction amount on the income tax obligation of the Bank for the years 1994, 1995 and 2001.
- (6) Except for the assessments mentioned above, the Bank's income tax returns for the year 1998 and the years prior to the 1998 had determined by the tax authority.
- (7) The Bank's income tax returns for the years from 1999 to 2003 are being examined by the tax authority.
- (8) The related information of shareholders' deductible income tax is as follows:

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Shareholders' deductible income tax account	\$292,355	\$8,859	\$37,542	\$1,080
Un-appropriated earnings (accumulated deficit)	7,413,114	224,640	(6,713,174)	(193,185)

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21. EARNINGS PER SHARE

(1) The computations of earning per share are as follows:

	Jan. 1~Mar. 31,			
	2004	2003		
Weighted-averaged number of shares (in thousand shares)	4,318,241	3,971,563		
	Jan. 1~Mar. 31,			
	2004	2003		
	NT	US	NT	US
Income before income tax	\$5,477,373	\$165,981	\$2,419,724	\$69,932
Income tax expense	(828,000)	(25,091)	(550,000)	(15,827)
Net income	\$4,649,373	\$140,890	\$1,869,724	\$53,805
Earning per share (Expressed in dollars)				
Income before income tax	\$1.27	\$0.039	\$0.61	\$0.018
Income tax expense	(0.19)	0.006	(0.14)	(0.004)
Net income	\$1.08	\$0.033	\$0.47	\$0.014

(2) The pro forma earning per share information request by Securities and Futures Commission if the dividends are assumed to distribute to employees, directors and supervisors. :

No earning distributions of the Bank were appropriated to employees, directors and supervisors for the year 2003 and 2002.

V. RELATED PARTIES TRANSACTIONS

1. Name and relation of related parties are as follows:

<u>Name of related parties</u>	<u>Relationship</u>
Cathay Financial Holding Co., Ltd.	Parent Company
Cathay Life Insurance Co., Ltd. and etc.	Subsidiaries of Cathay Financial Holding Co. Ltd.
Formerly Cathay United Bank	Subsidiaries of Cathay Financial Holding Co. Ltd.(Note1)
Sanching Engineering Corp. and etc.	Related parties of Cathay Financial Group
Cathay Futures Corp. (formerly Seaward Futures Corp.)	Investee company in equity method
Seaward Leasing Ltd.	Investee company in equity method
Seaward Insurance Agent Corp.	Investee company in equity method (Note2)
Huong Yee Co., Ltd.	Investee company in equity method (has been liquidated in July, 2003)
Taiwan Real-estate Management Corp.	Investee company in equity Method
Taiwan Finance Corp.	Investee company in equity Method
Seaward Card Co., Ltd.	Investee company in equity method
Seaward Property Insurance Agent Corp.	Investee company in equity method (has been liquidated in October, 2003)
Indovina Bank	Investee company in equity method
Cathay Bank Life Insurance Agency of Association	Investee company in equity method
Cathay Bank Property Agency of Association	Investee company in equity method

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Cathay Venture capital Corp.	Investee company in equity method
Vista Technology Venture Capital Corp.	Investee company in equity method
Gemfor Tech. Co.	The Bank's Chairman of the Board is the director of the investee
Taipei Smart Card Corp.	Investee company
China England Company Ltd. and etc.	Investee company of the Bank's subsidiaries
Culture and Charity Foundation of the UWCCB	The Bank is the major sponsor of the Foundation

Note1: UWCCB has merged with formerly Cathay United Bank on October 27, 2003. After the merger, UWCCB is the Surviving Bank.

Note2: Seaward Insurance Agent Corp. has merged with Cathay Bank Life Insurance Agency of Association on February 5, 2004. After the merger, Cathay Bank Life Insurance Agency of Association is the Surviving Company.

2. Significant transactions with the related parties are summarized as follows:

(1) Account balances

Account/Related Parties	Mar. 31,						% of account
	2004		2003		NT	US	
	NT	US	NT	US			
Bills and loans	\$5,215,715	158,052	0.97%	\$3,032,580	\$87,268	0.77%	
Deposits	29,179,431	884,225	4.06%	30,991,662	891,846	6.01%	

Account/Related Parties	Maximum balance		Mar. 31 balance		Interest revenue (expense)		Interest rate
	NT	US	NT	US	NT	US	
	<u>Call Loans to Banks</u>						
<u>Jan. 1~Mar. 31, 2003</u>							
Formerly Cathay United Bank	\$695,400	\$20,012	\$695,400	\$20,012	\$2,239	\$64	1.4%-1.54%
<u>Call Loans from Banks</u>							
<u>Jan. 1~Mar. 31, 2003</u>							
Formerly Cathay United Bank	\$417,240	\$12,007	\$417,240	\$12,007	\$(1,168)	\$(33)	1.4%

Transactions with related parties are similar to those with third parties dealt with in the ordinary course of business.

(2) Lease

Jan. 1~ Mar. 31,			
2004		2003	
NT	US	NT	US

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	Mar. 31,			
	2004		2003	
<u>Rental Income</u>	NT	US	NT	US
Seaward Leasing Ltd.	\$471	\$14	\$499	\$14
Taipei Smart Card Corp.	1,427	43	1,556	45
Culture and Charity Foundation of the UWCCB	250	8	125	4
<u>Rental Expense</u>				
Seaward Leasing Ltd.	\$-	\$-	\$171	\$5
Cathay Life Insurance Co., Ltd	57,347	1,738	-	-
<u>Refundable Deposits</u>				
Seaward Leasing Ltd. (Note 3)	\$42,000	\$1,273	\$42,180	\$1,214
Cathay Life Insurance Co., Ltd	66,389	2,012	-	-

Note 3: The Bank regards interest from refundable deposits as rental expense to Seaward Leasing Ltd.

	Jan. 1~ Mar. 31,			
	2004		2003	
Related Parties	NT	US	NT	US
(3) <u>Insurance Expense</u>				
Cathay Life Insurance Co., Ltd.	\$52,554	\$1,593	\$29,992	\$863
Cathay Century Insurance Co., Ltd	7,842	238	-	-
(4) <u>Credit Card Processing Charges</u>				
Seaward Card Co., Ltd.	\$126,111	\$3,822	\$74,728	\$2,150
(5) <u>Commissions and Handling Fees</u>				
Cathay Futures Corp.	\$870	\$26	\$592	\$17
Related Parties	Mar. 31,			
	2004		2003	
Related Parties	NT	US	NT	US
(6) <u>Accrued Expenses</u>				
Seaward Card Co., Ltd.	\$35,076	\$1,063	\$18,494	\$532
(7) <u>Prepaid Rental Expense</u>				
Cathay Life Insurance Co., Ltd.	\$302	\$9	\$-	\$-
(8) <u>Account Receivables</u>				

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Cathay Futures Corp.	\$387	\$12	\$-	\$-
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(9) Others

- a. The Bank has paid the project and construction management services fee to Taiwan Real-estate Management Corp. for NT\$56 thousand and NT\$213 thousand during the first quarter of 2004 and 2003, respectively.
- b. The Bank has paid NT\$330 thousand and NT\$792 thousand for the web design service provided by Gemfor Tech Co. during the first quarter of 2004 and 2003, respectively.
- c. During the first quarter of 2004 and 2003, the Bank has purchased equipment amounting to NT\$136 thousand and NT\$32,917 thousand, respectively, from Gemfor Tech Co.
- d. The Bank has paid the typing system for 24-hour self-service banking center to Sanching Engineering Corp. for NT\$ 52,625 thousand during the first quarter of 2004.
- e. As of March 31, 2004, the Bank has entered into Forward contract and Cross-currency Interest Rate Swaps with Cathay Life Insurance Co., Ltd. with the nominal price amounted to US\$570,000 thousand.

The Bank presents its transaction or account balance with related parties, in the aggregate, except for which represents the amount over certain percentage of account balance.

VI. ASSETS PLEDGED OR MORTGAGED

See Note IV

VII. COMMITMENTS AND CONTINGENT LIABILITIES

As of March 31, 2004, the Bank had the following commitments and contingent liabilities, which are not, reflected in the abovementioned financial statements:

	<u>NT\$</u>	<u>US\$</u>
1. Entrusted Items and Guarantees:		
Trust and security held for safe keeping	\$520,659,747	\$15,777,568
Guarantees on duties and contracts	16,162,473	489,772
Unused commercial letters of credit	2,770,032	83,940
Loan commitments	21,823,573	661,320
Credit card lines	223,516,819	6,773,237

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Travelers checks for sale	726,015	22,000
Bills for collection	73,550,598	2,228,806
Stamp tax, securities and memorial currency consignments in	2,583	78

2. As of March 31, 2004, the Bank had various lawsuits, claims and proceedings considered normal to its operations are pending against the Bank, the most significant ones are described below:

(1) In 1997, the certificate of certified deposit in the amount of NT\$600 million with Chung Shing Bank requested by Polaris International Securities Investment Trust Co., Ltd. (formerly Chronicle Securities Investment Trust Co., Ltd.) was found to be a forgery made by Mr. Chung-For Su. The Bank has filed a suit in the higher court claiming the NT\$600 million.

(2) In 1996, the clients claimed that the bank was responsible for making restitution for the amount of approximately NT\$24,000 thousand because safe deposits were stolen at Chung-Li Branch. The higher court held the bank responsible for making restitution. However, the Bank has filed an appeal and the highest Court is being processed the claim. The Bank also has filed insurance claims against Taiwan Secom Co., Ltd. related to the loss mentioned above.

(3) In 2001 unauthorized transactions were made by the Bank's employees for the amount of approximately NT\$60,204 thousand and NT\$89,307 thousand, respectively. The Bank has held the employee's personal properties or related deposits by court order or as collateral which maybe sold to cover the loss.

The management believes that the amount of contingent liability, if any, after deducting appropriate reserve with respect to these actions will not materially affect the financial statements of the Bank.

3. As of March 31, 2004, the Bank has entered into certain contracts to purchase premises and equipments totaling NT\$1,040,589 thousand with prepayments of NT\$857,727 thousand.

4. Derivative Financial Instruments

In the normal course of business, the Bank entered into various derivative contracts, including forward exchange contracts, interest rate swaps, and cross-currency interest rate swaps, and options. These financial instruments involve varying degrees of risks. These transactions are typically customer-driven and are not for trading purpose. The related information is as follows:

(1) The contract (nominal) amounts, credit risks, and fair values of derivative transactions were as follows(In thousands of US Dollars)

Mar. 31, 2004

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Derivative Financial Instruments	Notional Amount	Credit Risk	Fair Market Value
For Trading Purpose			
Forward Contracts	\$3,679,985	\$61,779	\$145,644
Interest rate swaps	60,368	869	-
Options	47,665	8	(49)
For Non-trading Purpose			
Interest rate swaps	805,960	8,276	19,297
Cross-currency interest rate swaps	354,067	6,604	12,010
		Mar. 31, 2003	
Derivative Financial Instruments	Notional Amount	Credit Risk	Fair Market Value
For Trading Purpose			
Forward Contracts	\$910,355	\$3,657	\$8,227
For Non-trading Purpose			
Options	4,820	5	-
Interest rate swaps	212,316	8,485	(10,316)
Cross-currency interest rate swaps	96,780	628	1,511

Credit risk is the possibility of loss if counter-party fails to perform its contractual obligations under the terms of a derivative financial instrument, and credits risk for different counter-party cannot be netted.

Foreign exchange contracts constitute agreements to exchange designated currencies at a specified date at a predetermined price. The Bank enters into foreign exchange contracts to provide foreign exchange to its clients as hedging instruments. All client positions are entered into under the approved credit limits and under the similar policies and procedures used for lending activities to ensure that exposure to all clients is actively monitored and controlled. Certain clients are required to provide collateral, generally cash, before entering into these transactions. Such collateral is generally deemed necessary over the life of the contract to reduce the Bank's credit exposure in foreign exchange contracts.

Interest rate swaps entered into by the Bank with remaining maturities ranging from three months to six years on March 31, 2004, represent agreements between two parties to exchange periodic interest payments, most often fixed versus floating, based on a notional principal amount.

Cross-currency interest rate swaps entered into by the Bank, which have remaining maturities from one year and ten months to six years on March 31, 2004 involve an exchange of principal balance denominated in two different currencies at the inception of the contract, exchange of interest payments during the life of the contract, and re-exchange of the principal balance at a specified future date. The above non-trading swap transactions are used to hedge the Bank's foreign marketable securities, foreign certificates of deposit and foreign liquidity gap, since the swap

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contracts entered into by the Bank are made with major international financial institutions only within approved credit limits based on each financial institution's world ranking and credit rating. Therefore, the risks associated with these swap contracts are limited to some extent.

To limit the credit exposure arising from option transactions, the Bank maintains its transactions with major financial institutions or parties who have deposits in the Bank. Consequently, the Bank does not anticipate significant loss due to credit risk.

(2) Market risk

Market risk is the potential loss arising from adverse future changes in market rates and prices, such as interest rate, foreign currency exchange rate, and price of equity securities. Market risk includes interest rate risk, equity price risk and foreign exchange rate risk. The related risks for the Bank's derivative financial instruments are as follows: (In thousands of US Dollars)

Items	Mar. 31,	
	2004	2003
Interest rate risk	\$246,524	\$73,508
Foreign exchange risk	205,692	226,218

The overall market risk of the Bank's derivative financial instruments is less than the aggregate market risk of individual instruments mentioned above.

(3) Liquidity risk, cash flow risk and the uncertainty of amount and period of future cash flow

The table below summarizes the expected cash outflow for the Bank's derivative financial instrument activities: (In thousands of US Dollars)

Period	Mar. 31,	
	2004	2003
0-1 year	\$2,134	\$1,374
1-2 year	2,834	1,619
2-3 year	2,409	1,619
3-4 year	1,272	1,402
4 year	964	1,360

The uncertainty in future interest rate and foreign exchange rate fluctuations will affect the above expected cash outflow. The longer the time frame, the more uncertainty there will be.

The liquidity of forward exchange contracts, which are entered into by the Bank with customers, could be low. However, when the Bank provides these financial

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instruments to its customers as a hedging instrument, it requires customers to provide related trading documents for approval. Since the Bank and customers both commit to perform according to the terms of forward exchange contracts, the liquidity risk of forward exchange contracts should be immaterial. In the meantime, the Bank also enters into forward exchange contracts with international financial institutions. The liquidity risk of this type of transaction is very low because it could buy or sell forward exchange contracts at any time on secondary market. Though the liquidity of interest rate swaps and cross-currency interest rate swaps is not high, the liquidity risk associated with these financial instruments should be limited to a lesser extent because most of the trading participants will hold these financial statements to maturity.

A summary of the notional amount of the Bank's liquidity risk related to outstanding derivative financial instruments appears in the table below: (In thousands of US Dollars)

Items	Notional Amount	
	Mar. 31, 2004	Mar. 31, 2003
Interest rate swaps	\$866,328	\$212,316
Cross-currency interest rate swaps	354,067	96,780

(4) The policies for disclosed gains or losses of derivative financial instruments on financial statements are summarized as follows:

When the Bank entered into forward foreign exchange contracts for trading purposes, the Bank will record a receivable and a corresponding payable based on the contracted foreign exchange amount at the contracted forward rate. At each financial reporting date, the Bank will adjust the receivable amount based on the spot rate and recognize the differences as gains or losses in the statements of income. Upon settlement, gains or losses resulting from the difference between the foreign exchange amount at the spot rate and the carrying amount of the receivable are credited or charged to statement of income. In addition, for financial presentation purposes, balances of these receivable and payable are netted.

The notional amount is not recorded for interest rate swaps. In the meantime, the differential to be received or paid which was calculated by fixed vs. floating is recorded as adjustment of interest income(expense).

Assets and liabilities caused by cross-currency interest rate swaps are recorded at the agree-upon forward rate. The differential to be received or paid is recorded as an adjustment of interest income(expense).

For options contracts only memorandum entries of notional principal are made on the contract date. Premiums paid or received for options purchased or sold are recorded

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as asset or liabilities. As of the balance sheet date, options are marked to market and the resulting gains and losses are recognized in earnings. Gain and losses on the exercise of options are recognized in the statement of income.

Only memo entries of notional principals are made on the contract date for forward rate agreements. For trading FRA, differences in the present value of interest revenue or expense on the balance sheet date are reported as exchange gains or losses. For non-trading FRA, interest receivables or payables accrued per contract rates and the hedged positions are reported as current interest revenue or expense.

(5) Off-Balance-Sheet Credit Risk

The Bank entered into certain transaction with customers to repurchase or resell securities or short-term notes for business purpose. The Bank also provides various types of loans and credit card services. The term for the related loans varies and depends on the credit status of the borrowers. The interest rate for credit card loans are in 19.7%. The Bank also provides guarantees for loans and commercial letters of credit services. These guarantees represent an irrecoverable obligation to pay a third-party beneficiary in the event that a customer fails to meet a financial or performance obligation and the dates of guarantees for maturity are not in one particular period.

(6) A summary of the contract amount of each significant class of off-balance-sheet credit related financial instruments outstanding appear in the table below:

	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Securities purchase under agreements to resell	\$(Note)	\$(Note)	\$10,777,701	\$310,150
Securities sold under agreements to repurchase	-(Note)	-(Note)	18,476,801	531,707
Loan commitments	21,823,573	661,320	18,866,616	542,924
Credit card lines	223,516,819	6,773,237	38,288,342	1,101,823
Guaranty and Commercial letters of credit	18,932,505	573,712	14,583,875	419,680

Note: The Bank has adopted the law to account for its bills transactions related to resell or repurchase agreement since January 1, 2004.

These financial instruments may not be fully paid before or at maturity. Therefore, the total amount of these contracts does not necessarily represent future cash requirement. The maximum amount of possible losses for the above off-balance-sheet credit related financial instruments is approximately equal to the contractual amount if borrowers failed to perform according to the terms of the contract, causing the existing collateral to become worthless.

The Bank maintains a strict policy to evaluate customers' credit rating when providing securities sold under agreements to repurchase, securities purchased under agreements

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to resell, loan commitments, and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans, and the Bank retains the legal right to foreclose or liquidated the collateral. Generally, the collateral includes cash, real estate, securities, or other properties. Credit card lines are not secured and may be cancelled by the Bank following periodic review of the customers' credit status.

VIII. SIGNIFICANT DISASTER LOSSES

There had been no material significant disaster losses occurred during the first quarter of 2004.

IX. SIGNIFICANT SUBSEQUENT EVENT

There have been no material post-balance sheet events which require disclosure or adjustments to the 31 March 2004 financial statements.

X. OTHERS

1. Fair value of non-derivative financial instruments

As of March 31, 2004 and 2003, except for the table summarize below, the carrying amounts of financial assets and liabilities reported on the balance sheets are approximate their carrying values:

Financial Assets	Mar. 31,							
	2004				2003			
	Carrying Value		Fair Value		Carrying Value		Fair Value	
	NT	US	NT	US	NT	US	NT	US
Securities purchased	\$196,870,084	\$5,965,760	\$197,976,514	5,999,288	\$136,999,285	\$3,942,425	\$137,791,644	\$3,965,227
Long-term Investments	28,166,452	853,530	28,223,940	855,271	12,617,344	363,090	12,756,622	367,097

Fair value amounts of securities purchased and long-term investments were based on quoted market price, if available. If quoted market prices did not exist, fair values were estimated according to book value or other financial resources.

2. Others

(1) Information on concentrations of credit risk

The concentrations of credit risk exist when the counter-party to financial instrument transactions are either concentrated in certain individuals or group of individuals engaged in similar activities or having activities in the same region, which would impair their ability to meet contractual obligations under negative economic or other conditions. The Bank has not transacted with one single customer or entered into one single transaction which would expose the Bank into concentration risk. However, the Bank is likely exposed to industry concentration risk. The Bank's information on concentration of credit risk is as follows:

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	Mar. 31,			
	2004		2003	
	NT	US	NT	US
Bills and loans, customers' liabilities under acceptances and guarantees account				
Geographic Region				
Domestic	\$532,724,220	\$16,143,158	\$381,659,476	\$10,983,007
South East Asia	10,541,787	319,448	9,546,840	274,729
North East Asia	255,957	7,757	513,516	14,777
North America	6,511,565	197,320	6,536,199	188,092
Others	4,980,687	150,930	6,253,882	179,968
Total	<u>\$555,014,216</u>	<u>\$16,818,613</u>	<u>\$404,509,913</u>	<u>\$11,640,573</u>
Industry type				
Manufacturing	\$67,950,717	\$2,059,113	\$49,996,189	\$1,438,739
Financial institutions and insurance	34,594,127	1,048,307	25,936,378	746,371
Leasing and real estate	70,716,975	2,142,939	65,378,482	1,881,395
Individuals	268,874,077	8,147,699	163,498,547	4,704,994
Others	112,878,320	3,420,555	99,700,317	2,869,074
Total	<u>\$555,014,216</u>	<u>\$16,818,613</u>	<u>\$404,509,913</u>	<u>\$11,640,573</u>
Credit Card				
Global Card	\$3,809	\$115	\$-	\$-
Platinum Card	2,475,449	75,014	41	1
Gold card	3,971,751	120,356	8,882,998	255,626
Regular card	2,072,415	62,800	2,566,384	73,853
Others	55,926	1,695	-	-
Advance	6,830	207	2,884	83
Total	<u>\$8,586,180</u>	<u>\$260,187</u>	<u>\$11,452,307</u>	<u>\$329,563</u>

The amount of possible losses for the above credit-related loan approximated to notional amounts if borrowers failed to perform according to the terms of the contract, causing the existing collateral become worthless

(2) AVERAGE BALANCES AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

	Jan. 1~ Mar. 31, 2004		
	Average balance		Average rate
	NT	US	(%)
Assets			
Due from Central Bank	\$34,043,796	\$1,031,630	1.26%
Time certificate, accepted bills... etc.	125,219,129	3,794,519	1.31%
Call loans to banks	27,360,238	829,098	1.18%
Bills and loans	524,906,903	15,906,270	3.52%
Government and corporate bonds	68,685,910	2,081,391	3.44%
Receivables-credit card	38,196,293	1,157,463	14.92%

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	Jan. 1~ Mar. 31, 2004		
	Average balance		Average rate
	NT	US	(%)
Liabilities			
Due to banks	\$76,661,084	\$2,323,063	1.02%
Demand deposits	89,201,833	2,703,086	0.17%
Saving deposits	426,620,249	12,927,886	0.76%
Certified deposits	146,541,076	4,440,639	1.06%
Negotiable certificates of certified deposits	11,862,091	359,457	1.14%
Banker's debenture	25,115,934	761,089	3.59%
Bank's acceptances and fund borrowed	1,850,907	56,088	1.81%
	Jan. 1~ Mar. 31, 2003		
	Average balance		Average rate
	NT	US	(%)
Assets			
Due from Central Bank	\$25,373,101	\$730,161	1.73%
Time certificate, accepted bills... etc.	71,968,615	2,071,039	1.92%
Call loans to banks	30,702,253	883,518	1.56%
Bills and Loans	378,446,342	10,890,542	4.71%
Government and corporate bonds	74,368,119	2,140,090	3.76%
Receivables-credit card	10,150,831	292,110	11.84%
Liabilities			
Due to banks	\$44,197,675	\$1,271,876	1.24%
Demand deposits	58,514,267	1,683,864	0.24%
Saving deposits	290,325,517	8,354,691	1.04%
Certified deposits	153,894,598	4,428,622	1.65%
Negotiable certificates of certified deposits	5,034,328	145	1.57%
Banker's debenture	10,000,000	287,770	4.23%
Bank's acceptances and fund borrowed	2,216,380	63,781	1.83%

(3) Regulatory capital ratio

Pursuant to the regulations of Banking Law, the ratio of bank's shareholders' equity to its risk weighted assets shall not be less than 8%; if the said ratio is less than the prescribed ratio, the Bank's power to distribute surplus profits may be restricted by the authority in charge.

As of December 31, 2003 and 2002, the ratios (included subsidiaries) of the Bank's shareholders' equity to its risk-weighted assets were 11.15% (11.58%) and 10.79% (11.44%), respectively.

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- (4) As of March 31, 2004 and 2003, the insurance coverage of the Bank's premises and equipments are NT\$8,205,531 thousand and NT\$6,213,488 thousand, respectively.
- (5) Certain accounts for the financial statements of the periods ended March 31, 2003 have been reclassified to conform to the current presentation.