BANK OF KAOHSIUNG

Financial Status

1. Balance sheets and income statements in recent 5 years.

(1) 5-years Balance Sheets

Unit : NT$ million

Items \ Date		Jun. 30, 1998	Jun. 30, 1999	Dec. 31, 1999	Dec. 31, 2000	Dec. 31, 2001	Dec. 31, 2002
Cash		8,499	13,068	14,889	5,337	6,198	9,663
Due from Banks		3,274	4,077	1,997	8,807	7,568	3,685
Due from Central Bank of China		6,462	5,157	6,587	6,293	10,186	6,559
Bills & Securities purchased - net		8,252	9,956	8,354	7,659	8,064	14,808
Accounts Receivable		1,169	1,179	1,213	1,314	1,528	1,005
Prepaid Expenses		16	15	233	211	245	96
Loans & Discounts - net		110,062	112,222	121,468	152,794	165,047	136,437
Long-term Investments		13	13	529	1,029	1,239	1,343
Properties and Equipments - net		3,184	3,208	3,317	3,577	2,636	2,606
Other Assets		4,430	6,524	5,834	1,691	1,984	1,881
Deposits and Remittances		108,255	112,580	123,903	145,097	163,164	126,527
Due to the Central Bank & other banks		18,832	24,704	25,694	26,651	25,850	30,913
Accounts Payable	Before Distribution	4,850	4,555	3,858	5,238	3,527	2,632
	After Distribution	5,082	4,555	3,858	5,986	4,185	—
Other Liabilities		2,477	2,656	877	1,370	1,767	8,120
Capital	Before Distribution	3,868	4,487	4,487	4,487	4,487	4,577
	After Distribution	3,868	4,487	4,487	4,487	4,577	—
Capital Reserve		3,000	3,000	3,000	3,001	3,001	3,001
Retained Earnings	Before Distribution	4,079	3,438	2,602	2,868	2,899	2,314
	After Distribution	3,847	3,438	2,602	2,120	2,151	—
Total Assets		145,361	155,419	164,421	188,712	204,695	178,083
Total Liabilities	Before Distribution	134,414	144,494	154,332	178,356	194,308	168,192
	After Distribution	134,646	144,494	154,332	179,104	194,966	—
Total Shareholders' Equities	Before Distribution	10,947	10,925	10,089	10,356	10,387	9,891
	After Distribution	10,715	10,925	10,089	9,608	9,729	—

Note：
1. Capital listed above including pre-received capital.
2. All figures have been approved by CPA. For the periods 1998 and 1999, all figures approved by the Ministry of Audit.
3. Certificated Public Accountants：Ping-Chang Su, Ren-Yau Shie.
4. Audit Comments：Unqualified opinions.

(2) 5-years Income Statements

Unit : NT$ million

Items \ Period		Jul. 1, 1997~ Jun. 30, 1998	Jul. 1, 1998~ Jun. 30, 1999	Jul. 1, 1999~ Dec. 31, 1999	Jan. 1, 2000~ Dec. 31, 2000	Jan. 1, 2001~ Dec. 31, 2001	Jan. 1, 2002~ Dec. 31, 2002
Operating Revenue		10,226	10,266	5,678	11,445	12,136	9,004
Operating Cost & Expenses		9,534	9,930	6,976	11,093	11,149	8,757
Gross Profit		692	336	(1,298)	352	987	247
Non-operating Revenue		17	34	27	25	49	20
Non-operating Expenses		17	17	11	24	25	36
Net Income before taxes		692	353	(1,282)	353	1,011	231
Net Income		547	210	(835)	266	779	163
Earnings per share (NT$)	Before Retroaction	1.40	0.47	(1.86)	0.59	1.74	0.36
	After Retroaction	1.19	0.46	(1.82)	0.58	1.70	0.36

Note: 1. All figures have been approved by CPA. All figures of 1998 and 1999 were re-listed according to data audited by audit office at Kaohsiung, ministry of audit.
2. Above FY2000 data was listed based on estimated financial data.
3. Certificated Public Accountants：Ping-Chang Su, Ren-Yau Shie.
4. Audited Comments：Unqualified opinions.

2. Financial Analysis in recent 5 years

Items \ Year			1998	1999	2000		2001	2002
					Jul. 1, 1999~ Dec. 31, 1999	Jan. 1, 2000~ Dec. 31, 2000		
Financial Structure	Ratio of Liabilities to Assets(%)		92.47	92.97	93.86	94.51	94.92	94.44
	Ratio of Deposits to Shareholders' Equity (%)		988.90	1,030.50	1,228.06	1,401.14	1,570.89	1,279.16
	Ratio of Fixed Assets to Shareholders' Equity (%)		29.08	29.36	32.88	34.54	25.38	26,35
Loan Repayment Capabilities	Liquidity Reserve Ratio (%)		9.96	13.37	12.75	8.85	11.87	12.70
Operating Ability	Loans to Deposits Ratio		99.76	95.28	101.12	92.25	87.26	95.20
	Non performing Loan Ratio (%)		3.99	5.84	2.76	2.26	2.86	2.38
	Total Assets Turnover (times)		0.07	0.07	0.07	0.06	0.06	0.05
	Average Operating Revenues per employee (NT$ million)		9.92	9.90	11.44(Note2)	14.10	14.87	10.63
	Average Profit per employee (NT$ million)		0.53	0.20	(0.84) (Note2)	0.33	0.95	0.19
Profitability	Return on Total Assets (%)		0.38	0.14	(0.52)	0.15	0.40	0.09
	Ratio of Return on Shareholders' Equity (%)		6.43	1.92	(7.95)	2.60	7.51	1.61
	Profit Margin Ratio (%)		5.35	2.04	(14.72)	2.32	6.42	1.81
	Earnings per shares (NT$)	Before Retroaction	1.40	0.47	(1.86)	0.59	1.74	0.36
		After Retroaction	1.19	0.46	(1.82)	0.58	1.70	0.36
Cash Flow	Cash Flow Ratio (%)		1.58	2.01	1.52	11.95	0.86	(11.80)
	Cash Flow Adequacy Ratio(%)		217.21	256.68	227.73	262.51	251.21	56.36
	Cash Re-investment Ratio (%)		4.26	4.00	3.23	112.05	(3.89)	(52.96)
BIS Ratio			18.21	17.36	14.05	11.43	11.63	12.99
Ratio of Guaranty Loans Balance for Related Beneficiary to Total Guaranty Loans Balance			1.73	1.56	1.23	0.81	0.65	0.68

Note：1.All figures from FY1998-FY2002 have been approved by CPA.
2.Estimated annual amount is 2 times of revenues or profitability during this period for comparison.
3. Standard BIS Ratio is 8%.

Formulas used in calculations:

(1) Financial Structure

A. Liabilities to Assets Ratio=Total Liabilities/Total Assets

B. Deposits to Shareholders' Equity Ratio=Deposits/Shareholders' Equity

C. Fixed Assets to Shareholders' Equity Ratio=Fixed Assets/Shareholders' Equity

(2) Loan Repayment Capabilities

Current Reserves Ratio=Current Assets as prescribed by the CBC/Deposits for which are required to provide Current Reserves.

(3) Operation Ability

A. Loans to Deposits Ratio=Total Loans/Total Deposits

B. Overdue Loans Ratio=(Non-Performing Loans+Overdue Loans)/Total Loans

C. Turnover Rate of Total Assets=Operating Revenues/Average Total Assets

D. Average Operating Revenues per employee=Operating Revenues /Number of Employees

E. Average Profit per employee=Net Income after Tax/Number of Employees

(4) Profitability

A. Return on Assets Ratio=Net Income after Tax/Total Average Assets

B. Return on Shareholder' Equity Ratio=Net Income after Tax/Average Shareholder' Equity

C. Profit Margin Ratio=Net Income after Tax/Total Operating Revenues

D. Earnings per share=Net Income after Tax/Weighted Average Number of Shares Outstanding

(5) Cash Flow

A. Cash Flow Ratio=Net Cash Flow for operating activities/Liabilities

B. Cash Flow Adequacy Ratio=Net Cash Flow for operating activities in recent 5 years/(Capital Expenditure in recent 5 years +Cash Dividend in recent 5 years)

C. Cash R-investment Ratio=(Net Cash Flow for operating activities－Cash Dividend)/(Gross Fixed Assets+Long-term Investments+Other Assets+Operating Capital)

(6) BIS Ratio=Net capital/Total risk-based Assets

Previous calculation formulas for earnings per shares based on the following notes:

(1) Based on weighted average number of common shares outstanding , not ended year released shares outstanding.

(2) Trading of cash recapitalization or deposited stocks should consider its circulation period and calculated weighted average common shares outstanding.

(3) Transferring to capital from earnings or from capital reserve, calculation of earnings per share for previous fiscal year is adjusted retroactively according to recapitalization ratio, not consider issued date of recapitalization.

Cash Flow analysis was measured by the following special notes:

(1) Net operation Cash Flow represents Net Cash in amount for operating activities in Cash Flow table.

(2) Capital Expenditure represents annual cash out amount for Capital Investment.

(3) Cash Dividend represents Cash Dividend of Nominal Stocks (no special stocks issued by Bank of Kaohsiung).

(4) Gross Fixed Assets represents Total Fixed Assets before deducting accumulated amortization.

(5) Cash Flow analysis applied from 1989.

3. Owners ' Equities, Earnings, Dividends & Market Value per share in recent 3 years.

Unit : NT$

Items \ Year			2000	2001	2002
Equities per share	Before Distribution		23.08	23.15	21.61
	After Distribution		21.41	21.26	—
Earnings per share	Weight Average no. of shares		448,684,318 (share)	448,684,318 (share)	457,658,004 (share)
	Earnings per share	Before Retroaction	(1.27)	1.74	0.36
		After Retroaction	(1.24)	1.70	0.36
Dividends per share	Cash Dividend		1.50	1.30	—
	Stock Dividend		—	0.20	—
Market Value per share	Highest		19.90	18.50	19.70
	Lowest		6.10	9.65	13.00
	Average		13.21	13.80	16.42

Note: 1. Earnings Appropriation and Distribution for FY2002 are still upon resolution from meeting of shareholders.
2. Earnings Per Share after retroaction are calculated as per weighted average shares outstanding for given fiscal year after prior period adjustment.

4. SUPERVISORS ' REPORT

To: The Regular Meeting of Stockholders of the Bank of Kaohsiung

Apr. 10,2003

The board of directors have compiled and submitted the Bank of Kaohsiung FY 2002 financial statements, audited by Horwath Chien Hsing Certified Public Accountant. We have completed our examinations and found them to meet the requirements of applicable laws and regulations. In accordance with Article 219 of Company Law, we hereby presented the subject financial statements for your review and approval.

Supervisor: Chang, Fan

Supervisor: Chin-Shou, Kuo

Supervisor: Yu-Hin Su

5. FINANCIAL STATEMENTS FOR 2002

HORWATH CHIEN HSING

Certified Public Accountants

A member of Horwath International

12F, 21 Linshen 2 nd Road,
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TEL:(07)3312133
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Independent Auditors' Report

The Board of Directors and Shareholders
Bank of Kaohsiung

We have audited the accompanying balance sheets of Bank of Kaohsiung as of Dec. 31,2002 and 2001, and the related statements of income statements, changes in shareholders' equities, and cash flows from Jan. 1 to Dec. 31, 2002 and from Jan. 1 to Dec. 31, 2001. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards of the Republic of China and Guidelines for Certified Public Accountants' Examinations and Reports on Financial Statements. 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 statements 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 Bank of Kaohsiung as of Dec. 31,2002 and 2001, and the results of its operations and its cash flows from Jan. 1 to Dec. 31,2002 and from Jan. 1 to Dec. 31,2001, in conformity with generally accepted accounting principles of the Republic of China.

Horwath Chien Hsing

HORWATH CHIEN HSING
Kaohsiung, Republic of China
Mar. 7,2003
Approval Notai-tsai-cheng(six)NO.168354

Bank of Kaohsiung
Balance Sheets
Dec. 31,2002 and 2001

Unit:NT$ in thousands

	Dec. 31,2002		Dec. 31,2001	
Assets	Amount	%	Amount	%
Cash	$9,662,537	5.43	$6,198,278	3.03
Due from banks	3,685,453	2.06	7,567,890	3.70
Due from Central Bank of China	6,559,129	3.68	10,185,596	4.98
Bills and securities purchased (net)	14,807,741	8.32	8,063,519	3.94
Receivables (net)	1,005,438	0.56	1,528,219	0.75
Prepayments	95,795	0.05	244,544	0.12
Loans & Discounts (net)	136,437,110	76.61	165,047,414	80.63
Long-term stock investment	1,342,586	0.75	1,239,165	0.61
Property and Equipment				
Land	$1,302,310	0.73	$1,302,310	0.64
Buildings	1,153,807	0.65	1,153,807	0.56
Machinery and equipments	529,044	0.30	534,249	0.26
Transportation facilities	42,665	0.03	41,156	0.02
Miscellaneous equipments	159,622	0.09	257,322	0.13
Leasehold improvements	143,592	0.08	94,913	0.05
Total cost	$3,331,040	1.88	$3,383,757	1.65
Less: Accumulates depreciation	(725,169)	(0.41)	(747,376)	(0.37)
Construction work in progress	34	0.00	-	0.00
Net Property and Equipment	$2,605,905	1.47	$2,636,381	1.29
Other assets (net)	$1,881,967	1.06	$1,983,958	0.97
Total assets	$178,083,661	100.00	$204,694,964	100.00

Please refer to 2002 Independent Auditors' Report & Financial Statements.

Bank of Kaohsiung

Balance Sheets

Dec. 31,2002 and 2001

Unit:NT$ in thousands

Liabilities and Shareholders' equities	Dec. 31,2002 Amount	%	Dec. 31,2001 Amount	%
Liabilities				
Due to Central bank	167,333	0.09	$ 156,190	0.08
Due to banks	30,745,708	17.26	25,694,288	12.55
Payables	2,631,634	1.48	3,527,052	1.72
Accounts collected in advance	41,353	0.02	39,649	0.02
Deposits & remittances	126,526,569	71.05	163,164,225	79.71
Bank notes payable	3,050,000	1.71	1,050,000	0.51
Due to Central Bank and other banks	4,531,562	2.54	232,873	0.11
Other liabilities	498,124	0.28	443,972	0.22
Total liabilities	168,192,283	94.44	$194,308,249	94.92
Shareholders' Equities				
Common stock	$4,576,580	2.57	$4,486,843	2.19
Capital reserve	3,000,830	1.69	3,000,830	1.47
Retained earnings				
Legal reserve	1,819,237	1.02	1,585,553	0.77
Special reserve	331,998	0.19	534,544	0.27
Non distributions	162,733	0.09	778,945	0.38
Total Retained earnings	$2,313,968	1.30	$2,899,042	1.42
	$9,891,378	5.56	$10,386,715	5.08
Total Liabilities and Shareholders' Equities	$178,083,661	100.00	$204,694,964	100.00

Please refer to 2002 Independent Auditors' Report & Financial Statements.

Bank of Kaohsiung
Statements of Income
From Jan. 1 to Dec. 31, 2002 and 2001

Unit: NT$ in thousands

	Jan. 1~Dec. 31, 2002		Jan. 1~Dec. 31, 2001	
Accounts	Amount	%	Amount	%
Operating revenue				
Interest income	7,811,315	86.75	$11,286,139	93.00
Commission and service fees	238,726	2.65	244,330	2.01
Gain on trading bills and securities,net	943,250	10.48	556,416	4.58
Gain on long-term stock Investment	4,226	0.05	14,334	0.12
Gain on foreign exchange	6,653	0.07	34,923	0.29
Total operating revenue	$9,004,170	100.00	$12,136,142	100.00
Operating cost				
Interest expense	$4,387,772	48.73	$7,744,185	63.81
Commission and service charges expense	23,632	0.26	16,486	0.14
Provision expense	2,369,792	26.32	1,444,584	11.90
Total operating expense	$6,781,196	75.31	$9,205,255	75.85
Gross profit	$2,222,974	24.69	$2,930,887	24.15
Operating expense				
Business expenses	$1,774,097	19.70	$ 1,764,869	14.54
Administrative expenses	181,869	2.02	156,112	1.29
Other operating expenses	19,460	0.22	23,263	0.19
Total operating expense	$1,975,426	21.94	$1,944,244	16.02
Operating income	$247,548	2.75	$986,643	8.13
Non-operating revenue	19,717	0.22	48,584	0.40
Non-operating expense	36,275	0.40	24,684	0.20
Net income before income tax	$230,990	2.57	$1,010,543	8.33
Income tax expense	68,257	0.76	231,598	1.91
Net income after income tax	$162,733	1.81	$778,945	6.42
Basic earnings per share (NT$1)	Before Tax	After Tax	Before Tax	After Tax
Before Retroaction	$0.50	$0.36	$2.25	$1.74
After Retroaction	$0.50	$0.36	$2.21	$1.70

Please refer to 2002 Independent Auditors' Report & Financial Statements.

Bank of Kaohsiung
Statements of Changes in Shareholders' Equities
From Jan. 1 to Dec. 31, 2002 and 2001

Unit: NT$ in thousands

Description	Common stock	Advance Receipts for Capital stock	Capital reserve	Legal reserve	Special reserve	Undistributed retained earnings
Balance, Jan. 1, 2001	$4,486,843	$ -	$3,000,830	$1,585,553	$1,354,840	($72,490)
Return of Special reserve	-	-	-	-	(820,296)	820,296
Appropriation & distribution of earnings						
Cash dividends	-	-	-	-	-	(673,026)
Directors & supervisors' Remunerations	-	-	-	-	-	(14,956)
Employees' bonus	-	-	-	-	-	(59,824)
Net income after income tax	-	-	-	-	-	778,945
Balance, Dec. 31, 2001	$4,486,843	$ -	$3,000,830	$1,585,553	$534,544	$778,945
Return of Special reserve	-	-	-	-	(202,546)	202,546
Appropriation & distribution of earnings						
Provision for legal reserve	-	-	-	233,684	-	(233,684)
Cash dividends	-	-	-	-	-	(583,290)
Stock dividends	89,737	-	-	-	-	(89,737)
Directors & supervisors' Remunerations	-	-	-	-	-	(14,956)
Employees' bonus	-	-	-	-	-	(59,824)
Net income after income tax	-	-	-	-	-	162,733
Balance, Dec. 31, 2002	$4,576,580	$ -	$3,000,830	$1,819,237	$331,998	$162,733

Please refer to 2002 Independent Auditors' Report & Financial Statements.

Bank of Kaohsiung
Statements of Cash Flows
From Jan. 1 to Dec. 31, 2002 and 2001

Unit: NT$ in thousands

Description	Jan. 1-Dec. 31,2002	Jan. 1-Dec. 31,2001
Cash flows from operating activities		
Net income after income tax	$162,733	$778,945
Adjustments to reconcile net income to net cash provided by operating activities		
Provision expense	2,367,926	1,436,377
Depreciation and amortization	359,773	345,493
Appropriation for retirement and separation reserves	8,631	12,959
Current Pension Payment	(1,036)	-
Recognized investment loss (gain) by equity method	(2,921)	-
Decrease (increase) in bills & securities	(6,347,690)	25,936
Guarantee responsibility reverse	(3,140)	(1,560)
Recovered off-set bad debt	82,339	60,588
Provision for Securities trading losses reserve	(396,532)	(430,934)
Losses on sale and disposal of fix assets	9,663	2,600
Losses on transfered of fixed assets	-	1,337
Reserve for extraordinary losses (return)	1,866	8,207
Decrease (increase) in accounts receivable	540,818	(236,966)
Decrease (increase) in prepayments	148,749	(33,760)
Increase (decrease) in payable	(895,418)	(1,711,402)
Increase (decrease) in advanced receivable	1,704	(3,508)
Net cash provided by (used in) operating activities	($3,962,535)	$254,312
Cash flows from investing activities：		
Decrease (increase) in due to banks	$3,882,437	$1,239,398
Decrease (increase) in due to Central Bank	3,626,467	(3,892,337)
Increase in Long-term investments	(100,500)	(210,000)
Decrease (increase) in loans and financing	26,142,002	(13,727,654)
Income from sale of fixed assets	335	61,331
Increase in fixed assets	(101,737)	(47,337)
Decrease (increase) in other assets	(135,567)	284,443
Net cash provided by (used in) investing activities	$33,313,437	($16,292,156)
Cash flows from financing activities：		
Increase (decrease) in due to Central Bank	$11,143	$43,361
Increase (decrease) in due to banks	5,051,420	(844,112)
Increase (decrease) in deposits and remittance	(36,637,656)	18,067,618
Increase (decrease) in bank notes payable	2,000,000	1,050,000
Increase (decrease) in funds borrowed from Central Bank and other banks	4,298,689	(462,179)
Increase (decrease) in other liabilities	47,831	(207,507)
Cash dividends	(583,290)	(673,026)
Directors & supervisors' remunerations	(14,956)	(14,956)
Bonus to employees	(59,824)	(59,824)
Net cash provided by (used in) financing activities	($25,886,643)	$16,899,375
Increase (decrease) in cash in the current period	$3,464,259	$861,531
Cash at beginning of the year	6,198,278	5,336,747
Cash at end of the year	$9,662,537	$6,198,278
Supplemental disclosures of cash flow information：		
Interest paid	$5,474,735	$8,286,701
Deduction of capitalized interest	-	-
Excluding capitalized interest expenditure	$5,474,735	$8,286,701
Income tax paid	$77,988	$47,264

Bank of Kaohsiung

Notes to Financial Statements

Dec. 31, 2002 and Dec. 31, 2001

(Except as specifically noted, all amounts are stated in New Taiwan Dollar thousands)

1. Organization and the Scope of Business

This institution was established in Jan. 1982 with publicly-issued stock in accordance with R.O.C's Banking Law, the primary business services include:

(1) Entrusted Kaohsiung city treasury services.
(2) An agent for Kaohsiung city bonds;
(3) Services that a commercial bank must offer in accordance with the Banking Law;
(4) Various types of savings and trust services;
(5) Other related services with the permission of concerned central government authorities.

In addition to Business Department, Municipal Treasury Department, Savings Department, International Banking Department and Trust Department, the institution also had 35 mini-branches as well as 1 offshore banking unit.

After receiving the approval of Taiwan Stock Exchange based on document no. tai-cheng(87) shan 11281 dated Apr. 27, 1998; the Bank's stocks were formally listed on May 18, 1998.

The privatization implementation program of this Bank has been approved in the 16th meeting of privatization task force, meanwhile the privatization implementation has been approved based on document No. Kao-shih-tsai shan 23963 dated Aug. 3, 1999 of Kaohsiung Municipal government. On Sep. 6, 1999, this Bank acquired the letter of authorization from Kaohsiung Municipal government to handle the stock issuing of public underwriting after privatization and inked underwriting contract with underwriter. The initial public offering of privatization from this Bank has been applied to Securities and Futures Commission, Ministry of Finance for approval. The Bank privatization was officiated on Sep. 27, 1999.

2. Summary of Significant Accounting Policies:

(1) Preparation Principles of Financial Statements

When preparing the financial statements, all interbank transactions between this institution's head office, branches and offshore banking unit are eliminated.

(2) Transaction Items of Foreign Currency

The Bank maintains its accounts in the respective currencies in which transactions are denominated. Revenues and expenses denominated in foreign currency are recorded in NT$ at the spot exchange rates in effect when the transactions occur. Balances of foreign-currency assets and liabilities (except those related to forward exchange contracts) at the end of each month are included in the financial statements at equivalent NTD based on the month-end

exchange rates; the resulting exchange gains or losses are charged or credited to current income or expense.

Foreign exchange trading positions in forward and swap contracts are accounted as follows:

A. Foreign exchange forwards-on contract date, foreign-currency assets and liabilities are recorded at forward rates. Gains or losses, resulting from application of different foreign exchange rates when forward contracts are settled, charged or credited to income account in the period of settlement. At year-end, the foreign-currency assets and liabilities of outstanding forward contracts are translated based on forward rates for the remaining contract period and resulting differences are recorded as current income or expense.

B. Foreign exchange swaps-foreign-currency assets and liabilities arising from spot swap transactions are recorded at spot rates on contract dates while those arising from forward swap transactions are recorded at forward rates. Premiums of discounts resulting from difference in spot and forward rates are deferred and amortized over the lives of contracts on the straight-line method as adjustment to interest income or expense.

(3) Bills and Securities Purchased

Bills and securities purchased include government bonds, short-terms bills & notes, financial bond, stocks and mutual funds(excluding cash equivalent) and are entered on the basis of the acquistion cost and appraised at the end of the month according to the lowest of either cost or market value. The comparison between cost and market value adopts their total amount. While the sale of stock is calculated the on cost according to weighted averaged method, sale of bonds and bills & notes is calculated on specification method.

The bonds with repurchase or resale as transaction conditions are handled according to "Accounting Guidelines for short-Term Bills & Notes Business" issued by Bureau of Monetary Affairs, Ministry of Finance.

(4) Loans, Financing, Gains Credited and Allowance for Bad Debt

A. Loans and Financing

The loans and financing was entered on the basis of outstanding capitals excluding the gains to be accrued. The interest income was appropriated account receivable.

As the loans and financing meet one of the following conditions, the interest receivable should be ceased to appropriate:

a. the management bureau realizes that the capital or interest could not be settled or paid according to commitment.

b. the settlement already expires for 6 months.

The interest in the period of ceasing to appropriate interest receivable was credited to income at cash in.

B. Allowance and Offset for Bad Debt

We evaluated the proper allowance for possible losses on uncollectible risk of specific claim and potential risk of total claim portfolio in offering loans and financing.

The uncollectible risk of claim was evaluated on the possibility of estimated default of

claim according to regulations of this institution.

The potential risk of total claim portfolio was evaluated based on past experience.

In terms of unpaid interest exceeding 6 months, we usually evaluated the claim of loans and financing that couldn't be collected and offset after approval.

(5) Long-term Stock Investment

The shares held by long-term investment have tremendous impact on the invested company is appraised by equity method. Holding the voting ratio is under 20% which was regarded as no significant influence on invested company if the invested company was classified as stock transaction in the public market, the appraisal was according to the lowers of either cost or market value. The comparison between cost and market value adopts their total amount. The "unrealized losses" was credited or charged as less accounts of shareholder's equities. While the stock was not transacted in the public market, the appraisal is based on cost. The sale or transfer of long-term investment is calculated on weighted average method.

Holding the voting ratio is over or doesn't reach 20%, but the long-term stock investment has significant influence on invested company, which is appraised by equity method. If the net value has difference between investment cost and calculating shares ratio of invested company, it is allocated for 5 years, and listed investment gain and loss. The gain or loss with invested company holding shares,calculated by treasury stock method.

The subsidiary company of our bank holds the majority voting ratio which is over 50% of invested company. Except appraised by equity method, preparing the consolidated financial statements for the end of the accounting year. If total assets and operation revenue not yet reach 10% of our bank'seach amounts, and total assets and operation revenue not yet reached 30% of non-listed consolidated financial statements, it is not listed in the consolidated financial statements.

(6) Property and Equipment

Property and Equipment are stated at cost during the construction period. The major renewals and betterments are capitalized, while repairs and maintenance are expensed currently.

The accumulated depreciation of fixed assets is calculated according to the straight-line method employing service life of Income Tax Law. Yet the leasehold improvement is accrued based on 5 years or shortest lease, while the rest is calculated on cost and reserves 1 year of residue. When a fixed asset reaches its service life but still in use, its residue value shall be further depreciated over new estimated service life. Those fixed assets cannot no longer be used, will be appraised the lowest either net realizable value or book value and will be transferred to appropriate accounts. Upon disposal of fixed assets, the related cost and accumulated depreciation will be removed from the accounts. Any gains or loss upon sale of fixed assets is charged or credited to income. Any such gain, less applicable income tax, is transferred to capital surplus at the end of year. In order to the adjustment of the principles to deal with the Financial Accounting from FY2001, gain or loss upon disposed assets transter accumulated gain or loss, no longer at current year, net balance after income tax is tranferred to capital surplus.

(7) Pension Fund

Since 1998 the Bank has adopted financial Accounting Standard Bulletin No. 18 "Accounting Principles for Pensions" to credit the pension cost.

Besides the institution was privatized on Sep. 27, 1999 and granted pension and severance payment as well as service year settlement of retained personnel before the privatization date. In the meanwhile this institution could amortize the increased compensation of pension and right & interests by five years starting from Oct. 1, 1999 based on instruction of Ministry of Finance. The service year of retained employees started to calculate and was applicable to Pension regulations of Labor Stadards Law. The re-calculation results were credited or charged as pension expenses.

(8) Reserve for Losses on Guarantees

In terms of end balance of accounts receivable on guarantee, L/C and banks' acceptances, the Bank evaluates the possibility of becoming credit losses and appropriate reserve for losses on guarantees.

(9) Income Tax

Adopting no.22 "Accounting Principles of Income Tax" of FASB, the income tax of inter-periods and intra-period are amortized. The tax effects of taxable temporary difference are recognized as deferred tax liabilities along with the tax effects of deductible temporary difference, unused tax credit and operation loss carry forwards are recognized deferred tax assets. Valuation allowance for deferred tax assets will be set up for their realizability. According to accounts characteristics of balance sheet or expected realization period, the deferred income tax assets or liabilities are credited as current or non-current accounts.

The income tax of overestimate and underestimate in the previous fiscal year is credited to income tax expense for adjustment of each fiscal year.

The Bank's unused tax credit was adopting no.12 "Accounting Principles of Unused Tax Credit"of FASB. If due to purchase equipment or technology, research development, trained staffs and invest stock option, unused tax credit was recording by authrized at the current period method.

Since Jul. 1, 1998, the Bank is applicable to intergrated income tax system. The earnings after income tax of current fiscal year aren't appropriated and distributed in the shareholders' meeting of next year should be imposed on 10% of general business revenue tax and listed as income tax expenses of finalized fiscal year by shareholders' meeting.

(10) Legal Reserve and Capital Surplus

A. According to Bank's regulations, the net earning after incom tax should be appropriated 30% as legal reserve till reaching the amount of paid-in capital. Within this limited amount, the legal reserve is provided for offsetting losses and increasing capital, but cannot be distributed as cash dividend.

B. According to the Coporate Law, capital reserve should first compensate, and then transferred from accomplished capital reserve to capital. The accomplished capital reserve, included

injection price from issuing stocks over book value and received donation earning. According to the Securities Exchange Act Detail, the capital reserve listed by increaseing capital premium of increasing capital cannot be over 10% of the amount of paid-in capital. From among issuing stock injection transferred to the capital reserve of increasing capital, the capital reserve from increasing capital or other reasons audited by government authorities after one year, the capital reserve could be listed by capital injection premium.

3. Cash

Accounts	Dec. 31,2002	Dec. 31,2001
1. Cash		
Cash on hand	$978,183	$896,103
Foreign currency	91,933	82,793
Total amount	$1,070,116	$978,896
2. Checks for clearing	267,421	219,382
3. Certificates of deposits purchased	8,325,000	5,000,000
Total Amount	$9,662,537	$6,198,278

4. Due from Central Bank of China

Accounts	Dec. 31,2002	Dec. 31,2001
Due from Central Bank of China	$3,326,575	$6,165,892
Due from Central Bank of China- deposit reserve	3,100,540	3,889,048
Due from Financial Information Service	132,014	130,656
Total amount	$6,559,129	$10,185,596

According to Banking Law and Regulations of Central Bank of China, this Bank appropriates average balance of various deposits to the deposit reserve in the Central Bank of China based on legal reserve rate per month. As of Dec. 31, 2002 and Dec. 31, 2001, the amount of deposit reserve, deposited in the Central Bank of China was NT$3,100,540 and NT$3,889,048 respectively. In accordance with regulations, the reserve cannot be used except the reserve adjustment.

5. Bills and Securities Purchased-Net

Accounts	Dec. 31,2002	Dec. 31,2001
Stocks, bonds and mutual funds	$12,099,714	$8,165,043
Securities purchased	220,138	109,044
Commercial papers	2,487,889	185,964
Total amount	$14,807,741	$8,460,051
Less: allowance for losses	-	(396,532)
Net	$14,807,741	$8,063,519

6. Accounts Receivable-Net

Accounts	Dec. 31,2002	Dec. 31,2001
Accrued account	$89,637	$88,070
Accrued income	196,285	150,347
Acceptances	148,994	85,797
Accrued interests	550,441	971,245
Forward exchange-net	10,011	15,066
Guarantee of CP discounts and paymants	-	220,000
Other	17,029	22,690
Total amount	$1,012,397	$1,553,215
Less: Allowance for possible losses	(6,959)	(24,996)
Accounts receivable-net	$1,005,438	$1,528,219

7. Loans and Financing-Net

Accounts	Dec. 31,2002	Dec. 31,2001
Bills purchase and discount	$10,429	$23,811
Short-term loans and overdrafts	59,862,168	72,273,200
Short-term secured loans and overdrafts	4,529,608	5,109,147
Medium-term loans	9,755,586	10,473,045
Medium-term secured loans	3,429,265	2,415,720
Long-term loans	37,208,107	50,257,786
Long-term secured loans	19,629,368	20,765,072
Delinquent accounts	3,258,386	4,557,442
Short-term bills	43,111	44,677
Total amount	$137,726,028	$165,919,900
Less: Allowance for possible losses	(1,288,918)	(872,486)
Net	$136,437,110	$165,047,414

(1) The loans and financing are listed as follows according to credit approved targets:

Accounts	Dec. 31,2002	Dec. 31,2001
Domestic loans and financing		
Private enterprises	$24,339,261	$21,387,850
Public enterprises	6,333,252	3,182,773
Govermment agencies	72,539,961	102,670,886
Non-profit organizations	3,878	125,357
Individuals	31,397,861	34,690,572
Others	194,334	139,078
Total Amount	$134,808,547	$162,196,516
Foreign loans and financing		
Financial institutions	$695,800	$1,363,830
Non-financial institutions	2,221,681	2,359,554
Total Amount	$2,917,481	$3,723,384
Total Amount	$137,726,028	$165,919,900

The amounts that accrued interests of loans and financing were stopped to appropriate as of Dec. 31, 2002 and Dec. 31, 2001 were NT$3,301,497 and NT$4,602,119 respectively. The accrued interests without appropriation for the Year 2002 and 2001 were NT$196,823 and 292,615 respectively.

(2) Allowance for Credit Losses

	Jan. 1~Dec. 31,2002		
	Risk of uncollectible Specific claim	Potential risk of total claim portfolio	Total Amount
Beginning balance of period	$843,006	$54,476	$897,482
Current allowance expenses for possible losses	2,359,691	8,235	2,367,926
Offset amount of loans and financing	(2,051,870)	-	(2,051,870)
Collected offset amount of loans and financing	82,339	-	82,339
Ending balance	$1,233,166	$62,711	$1,295,877

	Jan. 1~Dec. 31,2001		
	Risk of uncollectible Specific claim	Potential risk of total claim portfolio	Total Amount
Beginning balance of period	$312,571	$118,846	$431,417
Appropriation current allowance expenses for possible losses	1,500,748	(64,370)	1,436,378
Offset amount of loans and financing	(1,030,901)	-	(1,030,901)
Collected offset amount of loans and financing	60,588	-	60,588
Ending balance	$843,006	$54,476	$897,482

8. Long-term Stock Investment

	Dec. 31,2002		
Name of invested companies	Shares	Carrying value	% of ownership
Equity Method			
Kaohsiung Bank General Insurance Agency Co. Ltd.	300,000	$3,179	60.00%
IBU Securities Co. Ltd.	6,000,000	61,055	20.00%
Kaohsiung Bank Insurance Agency Co. Ltd.	200,000	3,687	100.00%
Total Amount		$67,921	

Cost Method			
Taipei Foreign Exchange Inc.	700,000	$7,000	3.53%
Taiwan Futures Exchange	600,000	6,000	0.30%
Taiwan Finance Corporation	51,616,500	516,165	10.00%
Waterland Securities Co., Ltd. (as IBU Securities Co., Ltd.)	50,000,000	500,000	4.93%
Taiwan Assets Management Co.	10,000,000	100,000	0.57%
Taiwan Financial Assets Service Co. Ltd	5,000,000	50,000	2.94%
Kaohsiung Rapid Transit Co.	5,000,000	50,000	0.50%
Financial Information Co.	4,550,000	45,500	1.14%
Total Amount		$1,274,665	
Total Amount of long-term investment		$1,342,586	

	Dec. 31,2001		
Name of invested companies	Shares	Carrying value	% of ownership
Cost Method			
Taipei Foreign Exchange Inc.	700,000	$7,000	3.53%
Taiwan Futures Exchange	600,000	6,000	0.30%
Taiwan Finance Corporation	51,616,500	516,165	10.00%
IBU Securities Co. Ltd.	50,000,000	500,000	7.14%
Taiwan Assets Management Co.	10,000,000	100,000	0.57%
Taiwan Financial Assets Service Co. Ltd	5,000,000	50,000	2.94%
Prepaid stock capital			
International Bills Finance Co.	-	60,000	-
Total Amount of long-term investment		$1,239,165	

(1) Long-term stock investment and investment gain(loss)are authorized by equity method:

	Dec. 31,2002	
Items	Long-term stock investment	Investment gain (loss)
Intraperiod financial statesments had been audited	$61,055	$1,055
Intraperiod financial statesments had not been audited (note)	6,866	1,866
Total	$67,921	$2,921

Dec. 31,2001：None

Note：The above invested companies－Kaohsiung Bank General Insurance Agency Co. Ltd. and Kaohsiung Bank Insurance Agency Co. Ltd. These bank's amount of capital and operation did't reach NTD$30 million and NTD$50 million, and not yet reach 10% of our bank's operation profit. Therefore, the financial statements could not be examined and audited by CPA.

(2) FY2002 long-term stock investment ratio was over 50% and information about compilation the consolidated financial statements or not are listed as follows:

Name of invested companies	% of ownership	Compilation/ non-compilation	Declaration
Kaohsiung Bank General Insurance Agency Co. Ltd.	60%	non-compilation	Operation revenue and total assets had not over 10% of each amount of Kaohsiung Bank.
Kaohsiung Bank Insurance Agency Co. Ltd.	100%	non-compilation	Operation revenue and total assets had not over 10% of each amount of Kaohsiung Bank.

9. Property and Equipment

(1) The property and equipment details of Dec. 31, 2002 were as follows:

Accounts	Cost	Accumulated Depreciation	Balance
Land	$1,302,310	$ -	$1,302,310
Buildings and improvements	1,153,807	177,695	976,112
Machinary and equipment	529,044	345,025	184,019
Transportation equipment	42,665	30,088	12,577
Miscellaneous equipment	159,622	120,137	39,485
Leasehold improvements	143,592	52,224	91,368
Constructions in progress	34	-	34
Total amount	$3,331,074	$725,169	$2,605,905

(2) The property and equipment details of Dec. 31, 2001were as follows:

Accounts	Cost	Accumulated Depreciation	Balance
Land	$1,302,310	$ -	$1,302,310
Buildings and improvements	1,153,807	157,129	996,678
Machinary and equipment	534,249	320,232	214,017
Transportation equipment	41,156	29,374	11,782
Miscellaneous equipment	257,322	212,929	44,393
Leasehold improvements	94,913	27,712	67,201
Total amount	$3,383,757	$747,376	$2,636,381

(3) The insurance of property and equipment of Dec. 31,2002 and Dec. 31,2001 were NT$1,028,761 and NT$1,458,241 respectively.

(4) As of Dec. 31, 2002, the fixed assets have not been appraised.

(5) As of Dec. 31, 2002, the fixed assets have not been mortgaged.

10. Other Assets

Accounts	Dec. 31,2002	Dec. 31,2001
Deposit out	$225,737	$259,331
Deferred expenses	30,467	37,413
Non-operating assets	951,703	951,703
Compensation for pension and rights & interests	394,797	616,537
Deferred income tax assets	259,620	114,090
Other	19,643	4,884
Total amount	$1,881,967	$1,983,958

(1) Please refer to note 19 of explanation for Deferred income tax assets.

(2) Please refer to note 16 for compensation accounting handing of pension and rights & interests.

11. Accounts Payable

Accounts	Dec. 31,2002	Dec. 31,2001
Collection payable	$119,416	$82,615
Expenses payable	106,850	122,206
Interests payable	845,056	1,932,142
Bank's acceptances	150,090	86,058
Clearing Checks	267,421	219,382
Forward payable	30,918	8,908
Income tax payable	11,084	9,878
Other payable	1,100,799	1,065,863
Total amount	$2,631,634	$3,527,052

Please refer to note 19 of accounting of Income tax payable

12. Deposits and Remittances

Accounts	Dec. 31,2002	Dec. 31,2001
Check deposit	$912,165	$1,032,020
Treasury deposit	8,154,452	10,429,645
Demand deposit	6,632,888	5,986,035
Demand saving deposit	23,762,232	20,812,103
Time deposit	31,465,614	50,698,547
Time saving deposit	54,199,793	58,032,942
Transferred time saving bills	1,398,800	16,170,600
Remittance payable & outward remittance	625	2,333
Total amount	$126,526,569	$163,164,225

13. Financial Bonds

Accounts	Issue period / Ratio	Dec. 31,2002	Dec. 31,2001
First period of FY2001 the first financial bonds	Nov. 26,2001~Nov. 26,2006 3%	$1,050,000	$1,050,000
First period of FY2001 the secordary priority financial bonds	Aug. 19,2002~Aug. 19,2007 3.43%	2,000,000	-
Total		$3,050,000	$1,050,000

14. Funds Borrowed from Central Bank of China and Other Banks

Accounts	Dec. 31,2002	Dec. 31,2001
Funds borrowed from other banks	$8,862	$181,736
Funds borrowed from Central Bank of China	4,522,700	51,137
Total amount	$4,531,562	$232,873

On Dec. 31,2002, the loan rates of JPY for funds borrowed from other banks were 0.060%, the others were 1.58%-3.065%, and the Funds borrowed from Central Bank of China were1.41%-1.815%.

On Dec. 31,2001, the loan rate of JPY was 0.0900%-0.12%, the others were 1.90%-2%, Funds borrowed from Central Bank of China 2.625%.

15. Other Liabilities

Accounts	Dec. 31,2002	Dec. 31,2001
Allowance for guarantee liability	$17,649	$20,789
Allowance for accidental losses	10,073	8,207
Reserve for pension and severance payment	61,524	53,929
Appropriation for fund and loans	376,644	337,674
Deposit in	26,622	20,926
Others	5,612	2,447
Total amount	$498,124	$443,972

The above appropriation for fund and loans is jointly managed by Small & Medium Enterprises Development Fund Administration Committee, National Youth Commission, Develop Fund, The Executive Yuan and the Bank for various project loans, the committee entrusts the Bank as the fund for project loans.

16. Employee Retirement and Severance Fund

(1) Employee Retirement and Compensation of Rights & Interests

Based on regulations on Privatization Statutes of Public Enterprises, the institution was privatized on Sep. 27, 1999 and granted pension and compensation of rights & interests (granted calculation on service years of retained personnel, compensation of rights & interests and severance payment) about NT$1,635,996. The balance was about NT$1,109,358 after deducting appropriated pension fund and credited pension liabilities. In the meanwhile this institution could amortize the increased compensation of pension and right & interests by five years starting from Oct. 1, 1999 according to instruction of Ministry of Finance.

The service year of retained employees started to calculate after receiving granted calculation of service year and was applicable to Pension Regulations of Labor Standards Law.

(2) Pension

A. This institution was privatized since Sep. 27, 1999, the pension reserve is appropriated according to Labor Standards Law and deposited at Central Trust of China. The change status is as follows:

Accounts	Jan. 1~Dec.31,2002	Jan. 1~Dec. 31,2001
Balance beginning of period	$64,188	$23,425
Add: Current appropriation	39,795	38,980
Interests income	1,930	1,783
Less: Current payment	-	-
End balance	$105,913	$64,188

B. The confirmed pension payment

a. Funded status:

	Dec. 31,2002	Dec. 31,2001
Benefit obligation		
Vested benefit obligation	($43,933)	($27,827)
Nonvested benefit obligation	(120,566)	(84,867)
Accumulated benefit obligation	(164,499)	(112,694)
Projected benefit obligation	(181,055)	(127,121)
Funded status		
Fair value of plan	105,913	64,188
Funded status	(75,142)	(62,933)
Unrecognized net transitional obligation (net assets)	-	-
Unrecognized loss	13,618	9,004
Additional accured liability	-	-
End(accured liability) /pension prepayment	(61,524)	(53,929)

b. The components of pension cost

	FY 2002	FY 2001
a. Service cost	$46,014	$49,484
b. Interests cost	6,356	3,860
c. Projected return on plan assets	(3,209)	(1,405)
d. Amortization of unrecognized net transitional obligation (net assets)	-	-
e. Amortization of unrecognized prior service cost	-	-
f. Amortization of unrecognized net	-	-
g. Net pension cost=a+b+c+d+e+f	$49,161	$51,939
c. Vested benefit	$48,604	$30,755

d. Actuarial assumptions:

	FY 2002	FY 2001
a. Discount rate	5.0%	6.0%
b. Future salary increase rate	2.0%	3.0%
c. Expected rate of return plan on assets	5.0%	6.0%

17. Capital

Accounts	Dec. 31,2002	Dec. 31,2001
Authorized capital	$4,576,580	$4,486,843
Paid-in capital	4,576,580	4,486,843
Common stock issued(thousand shares)	457,658	448,684
Par value per share(NT$1)	10	10

18. Earnings Appropriation & Distribution

(1) In accordance with the Bank's regulation, the earnings listed on final statement should offset accumulated losses after income tax, then appropriated 30% as legal reserve, afterwards appropriated special reserve according to regulations of laws & decrees and operational needs. If there was balance, the distribution was made according to the following percentage:

A. Compensation to directors and supervisors 2%.

B. Bonus to employees 8%.

C. Dividend to shareholders 90%.

The distribution of shareholders' dividend was dependent on earnings status of current fiscal year and operational needs. The board of directors proposed the earnings distribution adjustment of ratio between cash dividend and stock dividend, however; the cash dividend could not lower than 5% of stock dividend issued in the current fiscal year.

(2) Information of employees' bonus and directors' compensation:

A.The Bank's earnings distributions is approved from the shareholders' meeting on Jun. 20,2002, the employee's bonus and directors' compensation as follow:

	Amount
Employee's bonus－payout for cash	$59,824
Directors' compensation－payout for cash	14,956
Total	$74,780

The above distribution situation is not different from the approval of non-regular directors' meeting on Mar. 29, 2002.

B. Up to Mar. 7, 2003, the bank's shareholders meeting had not approved the earnings appropriation & distribution FY2002.

C. The above relevant information of employee's bonus and directors' compensation information could refer from Market Observation Post System.

D. Calculate basic earnings per share after tax:

If all above A accounts payout for cash FY2001 as well as listed for expense, the earnings per share:

		Amount
FY2001 gains and losses after tax in the current	A	778,945
FY 2001 all of employee's bonus and directors' compensation payout for cash	B	74,780
FY 2001 weighted average number of common stock shares outstabding(in thousand)	C	457,658
Calculation basic earnings per share after tax(NT$1)	(A-B)/C	1.54

19. Income Tax

(1) Deferred income tax assets (liabilities)net

Accounts	Dec. 31,2002	Dec. 31,2001
Temporary difference:		
Unpaid pension	$15,627	$13,469
Allowance for accidental losses	2,518	2,053
Investment, deductible	-	4,450
Non-used losses tax credit	241,475	94,118
Total amount	259,620	$114,090
Less:Allowance	-	-
Net	$259,620	$114,090

(2) Income tax expense (benefit)

Accounts	Jan.1~Dec.31,2002	Jan.1~Dec.31,2001
Current income tax expense	$ -	$ -
Separate tax bills	42,303	15,480
Undistributed earnings and assessed a tax at 10%	20,330	
Deferred income tax expense	4,470	221,470
Tax adjustment for prior year	1,154	(5,352)
Income tax expense (benefit)	$68,257	$231,598

(3) Income tax payable

A. Income tax payable (returnable) in the current period

Accounts	Dec. 31,2002	Dec. 31,2001
Current income tax expense	$ -	$ -
Undistributed earnings and assessed a tax at 10%	20,330	-
Less:Temporary income tax and interests tax-deductible	(35,685)	(31,784)
Income tax payable (returnable) in the current period	($15,355)	($31,784)

B. Income tax payable

Accounts	Dec. 31,2002	Dec. 31,2001
Income tax payable in the current period	$ -	$ -
Income tax balance of prior fiscal year	11,084	9,878
Income tax payable (returnable) end of period	$11,084	$9,878

(4) The income tax expense on net profit in the income statement being levied according to tax rate was different from the tax expense in accordance with tax law regulations, the explanations were as follows:

Accounts	Dec. 31,2002	Dec. 31,2001
Income tax payable	$57,747	$252,636
Temporary difference:		
Reserve of unrealized extraordinary losses	465	2,053
Unrealized pension expense	2,158	3,227
Loss net profit saving income tax in the current period	(2,643)	(231,200)
Permanent difference:		
Loss (gain) for unrealized bills purchased	(99,133)	(107,733)
Interests income for short-term bills	(53,946)	(7,338)
Earnings tax exemption for securities transactions	48,813	(13,905)
Cash dividends	(5,562)	(12,535)
Loss on securities transactions (gain)	52,553	114,753
Adjustment of other taxes	(452)	42
Income expense in the current period	$ -	$ -

(5) Tax filing before FY 1999 has been approved and audited by National Tax Administration of Kaohsiung, Ministry of Finance and Kaohsiung Audit Division, National Audit Office, R. O. C., while the tax filing from Jul. 1,1996 to Jun. 30, 1997 has not been approved by National Tax Administration of Kaohsiung, the Ministry of Finance, audited by National Tax Administration of Kaohsiung, the Ministry of Finance, we need to compensate NT$1,206. The bank didn't agree with the result, the case is under the investigation. In addition to conservatism, our bank already recorded the increase tax amount

(6) The relevant information of integrated income tax:

Accounts	Dec. 31,2002	Dec. 31,2001
Account balance of shareholders' tax deductible	$20,360	$212,404
Undistributed earnings on and before FY 1998	-	-
Undistributed earnings on and after FY 1999	162,733	778,945

Accounts	FY 2002	FY 2001
Tax deductible ratio of earnings distribution	12.51% (estimate)	33.33% (actual)

Since the tax deductible distributed to shareholders is calculated based on account balance of shareholders' tax deductible at the date of dividend distribution, the tax deductible ratio of estimated earnings distribution for FY 2002 could be adjusted as the estimated tax deductibles to be possibly accrued were different from the actual deductibles.

20. Basic Earnings Per Share

Accounts	Jan.1~Dec.31,2002	Jan.1~Dec.31,2001
Profit before income tax(A)	$230,990	$1,010,543
Net profit in the current period (B)	162,733	778,945
Average share outstanding in the current period (in thousand) (C)	457,658	448,684
Weighted average shares after retroaction (in thousand) (D)	457,658	457,658
Earnings per share before income tax (before retroaction) ($) (A/C)	0.50	2.25
Earnings per share before income tax (after retroaction) ($) (A/D)	0.50	2.21
Earnings per share after income tax (before retroaction) ($) (B/C)	0.36	1.74
Earnings per share before income tax (after retroaction) ($) (B/D)	0.36	1.70

The bank was passed by regular meetings of shareholders on Jun. 20,2002 to issue new 8,973,686 shares with earnings transferred increasing capital, and adjusted earnings per share retroaction FY2001.

21. Related Party Transactions

The Bank significant transactions with related parties were compiled as follows:

(1) Names of the related prties and relationships

Name	Relationship
Kaohsiung Municipal Government	Bank's main shareholder
Other related parties	Bank's main shareholder, Directors, supervisors managers, their relatives and affiliates as well as related parties

(2) Significant transactions with related parties (Unit:NT$ in thousand)

A. Credit approval

	Jan. 1, 2002~Dec. 31, 2002	
Name	Ending Balance	Rate Range
Kaohsiung Municipal Government	$72,109,067	2.58%-5.555%
Other related parties	87,092	2.20%-7.975%

	Jan. 1, 2001~Dec. 31, 2001	
Name	Ending Balance	Rate Range
Kaohsiung Municipal Government	$102,315,156	3.85%-7.38%
Other related parties	88,452	3.15%-7.71%

a. The credit approval on the above related parties for Jan. 1~Dec. 31,2002 and Jan. 1~Dec. 31,2001 depending on characteristics and usage of loans, the rate range was indicated as above, while that of unrelated parties , 2.0%-14.00% and 1.57%-13.50%.

b. The interests, commissions and fees of credit approval on Kaohsiung Municipal Government for Jan. 1~Dec. 31,2002 and Jan. 1~Dec. 31,2001 were NT$4,322,813 and NT$6,713,790.

B. Deposits

	Jan. 1, 2002~Dec. 31, 2002	
Name	Ending Balance	Rate Range
Kaohsiung Municipal Government	$8,154,452	0%-5.50%
Other related parties	127,996	0%-13%

	Jan. 1, 2001~Dec. 31, 2001	
Name	Ending Balance	Rate Range
Kaohsiung Municipal Government	$10,429,646	0%-5.5%
Other related parties	124,336	0%-13%

a. The rate range of deposits for above related parties was indicated as above, while that of irrelevant parties, 0%-13%.

b. Deposit rate of employees (irrelevant parties) could reach13%, while that of other related parties depended on characteristics of deposits, the highest could refer to that of employees.

C. Lease

The Kaohsiung Municipal Government leases places to Bank as operation sites as follows:

a. Jan. 1, 2002~Dec. 31, 2002

Lease assets	Lease period	Way of payment	Rental payment
Hsiao Kang Branch	Jan. 1, 2002~ Dec. 31, 2003	Rental payment per half year	$231
Yen Cheng Mini Branch	Jan. 1, 2002~ Dec. 31, 2003	Rental payment per half year	735
Wan Nei Branch	Jan. 1, 2002~ Dec. 31, 2003	Rental payment per half year	869
Shih Fu Branch	Jan. 1, 2002~ Dec. 31, 2003	Rental payment per half year	256
Tso Ying Branch	Jan. 1, 2002~ Dec. 31, 2003	Rental payment per half year	713
Kwei Lin Branch	Oct. 21, 2001 ~Dec. 31, 2002	Rental payment per half year	285
		Total	$3,089

b. Jan. 1, 2001~Dec. 31, 2001

Lease assets	Lease period	Way of payment	Rental payment
Hsiao Kang Branch	Jul. 1, 1999~ Dec. 31, 2001	Rental payment per half year	$225
Yen Cheng Branch	Jul. 1, 1999~ Dec. 31, 2001	Rental payment per half year	610
Wan Nei Branch	Jul. 1, 1999~ Dec. 31, 2001	Rental payment per half year	709
Shih Fu Branch	Jul. 1, 1999~ Dec. 31, 2001	Rental payment per half year	201
Tso Ying Branch	Jul. 1, 1999~ Dec. 31, 2001	Rental payment per half year	579
Kwei Lin Branch	Oct. 20, 2000 ~Oct. 21, 2001	Rental payment per half year	240
	Oct. 21, 2001 ~Dec. 31, 2002		
		Total	$2,564

c. Lease type:operating lease

d. The above rental was dependent on adjustment of appraised value as published by government and house taxable value.

22. Significant commitments and contingencies Significant commitments and contingencies

As of Dec. 31,2002,Bank's significant commitments were as follows:

(1) Due receivable, due payable, collection of guarantee and custody for another agencies

Guarantees Issued	$7,755,189
L/C Issued	1,006,667
Custody of marketable securities	27,078,269
Payables on travelers' checks consigned-in	182,445
Collection receivable for another agencies	7,219,735
Payables on join loans	20,132,016
Revenue stamps consigned-in	418,744
Entrusted assets	4,315,686
Payables on Marketable Securities	120,000
Stamp prepared for sale	77,737
Secured bills payable sale of repo bills & bonds	1,063,302
Secured bills receivable purchase of repo bills & bonds	2,344,403
Agreed loan quota	2,813,437

(2) Lease Contracts

Our bank leased operation sites by operation lease. As of Dec. 31,2002, the amount of deposit out was NT$188,671, including NT$178,000 leased by mortage. Except the part of mortage lease, rental payable in the upcoming five years will be:

FY	Total amount
2,003	$52,411
2,004	46,528
2,005	37,916
2,006	13,482
2,007	3,481

(3) 21 former employees filed a lawsuit to the court. They deeply believe they are still employees of the Bank. Taiwan Kaohsiung Civil Court gave a verdict based on the labor law, that there was a "misunderstanding", there were eighteen of them that should still be employees, and the Bank should reimburse their salary starting from May 1, 2000 until reinstatement. For the rest of 3 former employees, our bank had a win.

However, the bank considered those 18 former employees applied for a generous severance package that was not a "misunderstanding" should be the "wrong motived". By law, those 18 former employees should be able to revoke the effective early retirement. Therefore, our bank appealed to the Taiwan Supreme Court of Kaohsiung Branch in Jan. of 2001, Jan. of 2002, and Jul. of 2002. Those 3 former employees who had lost the lawsuit also appealed to the Supreme Court in Aug. of 2002. By Dec. 31, 2002, these cases with the 21 former employees were still under the investigation by the Supreme Court.

(4) According to “Trust Company administration detail No.17”, notes disclose Trust accounting Balance Sheets and Trust accounting property items as follows:

Trust accounting Balance Sheets

Dec. 31,2002

Trust assets	Dec. 31,2002	Trust liabilities	Dec. 31,2002
Short-term Investment		Trust capital	
Fund investment	$4,315,686	Cash Trust	4,315,686
Total Trust Assets	$4,315,686	Total Trust liabilities	4,315,686

Trust accounting property items

Dec. 31,2002

vesting items	Amounts
ıort-term investments	
ınd	$4,315,686
ɔtal	$4,315,686

23. Pledged Assets

Our bank offered assets of deposit out were:

	Dec. 31,2002	Dec. 31,2001
Investment in bills and bonds- net	$358,700	$420,100
Periodic deposits purchased	5,280,000	-
Total	$5,638,700	$420,100

Bills & Securities were mainly for all business of deposits and reserved for the court to execute assumed levy for obligor assets. Besides, periodic deposits purchased is day overdraft guaranty for Central Bank of China.

24. Others

(1) The average value of assets accrued interests and liabilities paid interests as well as average interest rate in the current period are disclosed as follows:

	Jan.1~Dec.31,2002	
	Average value	Average rate
Assets		
Due from Central Bank of China	$7,168,187	1.74
Bills & notes purchased-acceptances	4,751,909	2.38
Bills and commercial papers, bills & Securities purchased	9,956,423	3.75
Due from banks & call loans from banks	9,122,737	1.91
Loans and financing	134,911,619	5.52
Liabilities		
Due from banks	30,952,485	2.46
Due from Treasury	9,752,261	1.69
Demand deposits	29,896,384	1.79
Time deposits	97,522,677	2.72
Negotiable certificates of deposit	7,137,107	3.48
Bank notes payable	1,789,724	3.17
Others	2,876,606	0.72

	Jan.1~Dec.31,2001	
	Average value	Average rate
Assets		
Due from Central Bank of China	$7,786,874	2.35
Bills & notes purchased-acceptances	329,959	5.62
Bills and commercial papers, bills & Securities purchased	6,864,332	5.99
Due from banks & call loans from banks	12,935,779	3.70
Loans and financing	153,769,010	6.93
Liabilities		
Due from banks	28,951,022	4.44
Due from Treasury	9,150,669	2.29
Demand deposits	24,376,844	3.22
Time deposits	100,354,645	4.51
Negotiable certificates of deposit	20,821,539	4.91
Bank notes payable	103,561	3.00
Others	671,626	2.51

(2) Due Analysis of Assets and Liabilities for B.O.K. is as follows:

The maturity of assets and liabilities is recognized based on remaining period from date of balance sheet to maturity date. If the assets and liabilities have the committed maturity date, the analysis is conducted according to committed maturity date. If not, the date for assets to be estimated cashed in or liabilities to be reimbursed is served as the maturity date and the analysis is conducted.

	Dec. 31,2002			
	Within 6 months	6 months to 1 year	Over 1 year	Total
	Amount	Amount	Amount	Amount
Assets				
Cash	$9,062,537	$ 600,000	$ -	$9,662,537
Bills & notes, securities Purchased	3,690,022	834,311	10,283,408	14,807,741
Due from banks	3,566,690	118,763	-	3,685,453
Loans & financing	59,153,002	10,937,013	67,636,013	137,726,028
Total amount	$75,472,251	$12,490,087	$77,919,421	$165,881,759
Liabilities				
Due to banks	$19,564,997	$11,180,711	$ -	$30,745,708
Due from Treasury	6,856,368	1,298,084	-	8,154,452
Time deposits	41,824,294	38,700,424	5,140,689	85,665,407
Negotiable certificates of deposits	533,200	865,600	-	1,398,800
Financial bonds	-	-	3,050,000	3,050,000
Others	4,531,562	-	-	4,531,562
Total Amount	$73,310,421	$52,044,819	$8,190,689	$133,545,929

	Dec. 31,2001			
	Within 6 months	6 months to 1 year	Over 1 year	Total
	Amount	Amount	Amount	Amount
Assets				
Cash	$6,198,278	$ -	$ -	$6,198,278
Bills & notes, securities Purchased	2,166,156	553,374	5,740,521	8,460,051
Due from banks	7,567,890	-	-	7,567,890
Loans & financing	71,198,740	9,095,680	85,625,480	165,919,900
Total amount	$87,131,064	$9,649,054	$91,366,001	$188,146,119
Liabilities				
Due to banks	$11,176,288	$14,518,000	$ -	$25,694,288
Due from Treasury	9,252,580	1,177,065	-	10,429,645
Time deposits	54,493,142	45,422,460	8,815,887	108,731,489
Negotiable certificates of deposits	11,719,200	4,451,400	-	16,170,600
Financial bonds	-	-	1,050,000	1,050,000
Others	232,873	-	-	232,873
Total Amount	$86,874,083	$65,568,925	$9,865,887	$162,308,895

25. Notes Disclosure

(1) Relevant information of significant transactions

A. Capital loaned to other parties:It is not applicable to financial sector.

B. Endorsement for other parties:It is not applicable to financial sector.

C. Marketable securities held end of period: According to clauses 13-1, article 1 regulation of revised code based on securities issuer's financial report, this bank is permitted to immune from disclosure of purchased bills and securities. Please refer to attachment 1 regarding long-term investment of bank.

D. The same marketable securities of accumulated purchase & sale over NT$100,000 or paid-in capital over 20%:None

E. The acquired premises over NT$100,000 or paid-in capital over 20%:None.

F. The disposed premises over NT$100,000 or paid-in capital over 20%:None.

G. The purchase and sale amount with related parties over NT$100,000 or paid-in capital was above 20%: It is not applicable to financial sector.

H. The amount of accounts receivable from related parties over NT$100,000 or paid-in capital over 20%: Please refer to Sheet-2 for detail

I. Please refer to explanation of note 23 for relevant information of derivative transactions.

(2) The relevant information of trans-invested enterprises:Please refer to Sheet-3 for detail

(3) Information of investment in Mainland China:None

26. Reclassification

In line with classification of financial statements of FY2002, some accounts of FY2001 had been reclassified.

Bank of Kaohsiung
Securities holder as of year ended(sheet-1)
Dec. 31, 2002

Types of securities	Relationship with stock issue	Accounts	As of year ended				Remark
			Shares	Amount	Shareholding (%)	Market value	
Stocks-Kaohsiung Bank General Insurance Agency Co. Ltd.	Invested company authorized by equity method	Long-term Investment	300,000	3,179	60%	3,179	
Stocks-IBU Securities Co., Ltd.	Invested company authorized by equity method	Long-term Investment	6,000,000	61,055	20%	61,055	
Stocks-Taipei Foreign Exchange Inc.	Bank's coporation director	Long-term Imvestment	700,000	7,000	3.53%	10,178	
Stocks-Taiwan Futures Exchange	None	Long-term Investment	600,000	6,000	0.30%	6,960	
Stocks-Taiwan Bills Finance Corp.	Bank's coporation director	Long-term Investment	51,616,500	516,165	10.00%	413,448	
Stocks-Walterland Securities Co., Ltd	Bank's coporation director	Long-term Investment	50,000,000	500,000	4.93%	430,000	
Stocks-Taiwan Assets Management Co., Ltd	None	Long-term Investment	10,000,000	100,000	0.57%	103,200	
Stocks-Taiwan Financial Assets Service Co., Ltd.	None	Long-term Investment	5,000,000	50,000	2.94%	50,750	
Stocks-Kaohsiung Rapid Transit Co	Bank's coporation director	Long-term Investment	5,000,000	50,000	0.5%	50,150	
Stocks-Kaohsiung Bank Insurance Agency Co. Ltd.	Invested company authorized by equity method	Long-term Investment	200,000	3,687	100%	3,687	
Stocks-Financial Information Co.	None	Long-term Investment	4,550,000	45,500	1.14%	64,337	

Bank of Kaohsiung
Amounts of Receivables from Related Parties over NT$100,000
or paid in capital over 20%(sheet-2)
Dec. 31, 2002

Companies of accounts receivable		Bank of Kaohsiung
Trading party		Kaohsiung Municipal Government
Relationship		Bank's main shareholder
Balance of accounts receivable from related party		72,109,067
Turnover rate		Not applicable to financial sector
Past due accounts receivable amounts from related party	Total amount	None
	Handled method	Not applicable to financial sector
Received amount of accounts receivable from related party after maturity		As of Mar. 7, 2003, the received amount was NT$33,016,067 the rest was not matured.
Allowance for possible losses		None

Bank of Kaohsiung
Reinvestment Business (sheet-3)
Dec. 31, 2002

Name of investing company		Bank of Kaohsiung	Bank of Kaohsiung	Bank of Kaohsiung
Name of invested company		Kaohsiung Bank General Insurance Agency Co. Ltd.	International Bills Finance Co.	Kaohsiung Bank Insurance Agency Co. Ltd.
Residence		Kaohsiung City	Taipei City	Kaohsiung City
Business item		Property Insurance Agent	Invest securities trust	Insurance Agent
Original invest amounts	Ending in the current period	3,000	60,000	2,000
	Ending in the previous period	—	60,000	—
Holding in the end	Share	300,000	6,000,000	200,000
	Ratio	60%	20%	100%
	Book value	3,179	61,055	3,687
Gain (loss) on invested company		298	5,274	1,687
Gain (loss) on authorized investment in the current period		179	1,055	1,687
Notes		Intraperiod financial statesments had not been audited	Intraperiod financial statesments had been audited by other accountants	Intraperiod financial statesments had not been audited

27. Disclosure of financial products

(1) Items of Financial Products

A. Financial Derivative Products

This Bank enters into the transaction of foreign exchange forwards and swaps for the purpose of:

Category	Purpose
Foreign exchange forwards Foreign exchange swaps	To meet the financial and hedging purposes of its customers for imports & exports as well as foreign currency positions.

The information regarding category, contract amount of the outstanding contracts were as follows:

a. Foreign exchange forwards:

a) Transaction risk

i. Credit risk-the customers must go through credit analysis & approval, provide appropriate & sufficient pledge and be granted credit line before entering transaction which is limited within the credit line. Besides the Bank charges appropriate guarantee dependent on customer's credit. As to transactions with other banks, it depends on bank's worldwide raking, credit rating and trading line of foreign exchange; the transaction is entered within the trading line.

ii. Market risk-Since positions are hedged through spot foreign exchange, foreign exchange forwards & swaps, the fluctuations of exchange rate and rate won't result in significant losses.

b) Cash flow requirement

Since the positions of foreign exchange forwards entered by this Bank are always hedged, the balance of payment between this Bank and customers or other banks are offset, no extra cash requirement being expected.

c) Accounting principles - Please refer to note 2 for details.

d) Ending balance

As of Dec. 31,2002, the contract amount of outstanding forward exchange contracts were:

Unit : NTD thousands

	Currency	Amount
Sell out	JPY	$ 30,000
	EUR	8,500
Buy in	USD	23,024
	JPY	30,255
	EUR	1,000

As of Dec. 31,2002, the contract amount of outstanding forward exchange contracts were:

Unit : NT$ thousands

	Currency	Amount
Sell out	USD	$ 20,759
	EUR	2,460
	JPY	639,157
	SGD	208
Buy in	USD	18,454
	JPY	240,520
	EUR	2,460

e) Fair value and relevant book value

Since forward exchange rate is determined by the spot rate and foreign exchange swaps rate, the Bank calculates forward exchange rate for each maturing period based on the foreign exchange swaps rate indicated in foreign currency quotation system at the end of each month. Therefore the Bank calculates their fair value for each forward contracts based on the above mentioned forward exchange rates and the resulting difference is charged or credited to current income.

Exchange balance on Dec.31, 2002 and 2001 as well as Exchange income from Jan. 1 to Dec. 31, 2001 and 2002 are as follows:

Accounts	Dec. 31,2002	Dec. 31,2001
Balance sheet		
Remittance receivable-Foreign currency	$ 2,345	$12,632
Sold remittance receivable	-	1,023
Remittance payable-Foreign currency	18,897	7,515
Purchased remittance payable	238	437

Accounts	Jan. 1~Dec. 31,2002	Jan. 1~Dec. 31,2001
Income statement:		
Exchange gain (loss)	$892	$16,140

b. Foreign excahange swaps:

The information regarding category, contract amount of outstanding contracts were as follows:

a) Transaction risk

i. Credit risk-this Bank enters into foreign exchange swaps only with international reputable banks. The transaction is entered within the trading line, which dependes on the worldwide ranking, credit rating and trading line of foreign exchange swaps.

ii. Market risk-Since positions are hedged through foreign exchange swaps, the fluctuations of exchange rate and rate won't result in significant losses.

b) Cash flow requirement

Since the positions of foreign exchange swaps entered by this Bank are always hedged, the balance of payment on foreign exchange business and foreign exchange swaps are offset, no extra cash requirement is expected.

c) Accounting principles-Please refer to note 2 for details.

d) Ending balance amount

As of Dec. 31, 2002, the contract amounts of outstanding forward exchange swaps contract were:

Unit : NT$ thousands

	Currency	Amount
Buy in	USD	$28,405
	GBP	750
	EUR	2,000
Sell out	EUR	4750
	SGD	882
	JPY	604,610
	CHF	287
	USD	3,080

As of Dec. 31, 2001, the contract amounts of outstanding forward exchange swaps contract were:

Unit : NT$ thousands

	Currency	Amount
Buy in	USD	$5,010
	GBP	1,100
	AUD	300
Sell out	USD	1,755
	SGD	275
	ZAR	490
	SEK	1,067
	NJD	250
	JPY	85,149
	HKD	3,510

e) Fair value and relevant book value

Since forward exchange swapes rate is determined by difference of foreign exchange swaps market and rates of each currency, the foreign exchange swaps contracts stipulating the difference between spot rate and forward exchange is evenly amortized during contract period and is charged or credited to interest income or expenses in the balance sheet.

Exchange balance on Dec.31, 2001 and 2002 as well as Exchange income from Jan. 1 to Dec. 31, 2001 and 2002 are as follows:

Items	Dec. 31,2002	Dec. 31,2001
Accounts of Balance sheet:		
Remittance receivable-foreign currency	$7,512	$1,236
Sold remittance receivable	-	-
Remittance payable-foreign currency	11,655	13
Purchased remittance payable	48	480

Items	Jan.1~Dec.31,2002	Jan.1~Dec.31,2001
Accounts of income statement:		
Interest revenue	$6,178	$1,567
Interest expenses	3,107	2,006

B. Financial derivatives for trading purpose

Interest rate swap and assets swap of convertible bonds

a. Trading purpose

The bonds with fixed rate of this Bank were swapped into floating rate to hedge the market risk.

b. Credit and market risks

The transaction is entered within the trading line which is dependent on the worldwide ranking credit rating and trading line of foreign exchange.

c. Ending balance amount

As of Dec. 31, 2002, the outstanding contracts of this Bank were:

a) Rates exchange contract

Contract Amounts	Accured floating rate	Payment Rates
US$ 5,000,000	6Libor+0.70%	6.875%
US$ 5,000,000	3Libor+1.00%	6.625%
US$ 3,000,000	6Libor+1.55%	6.450%
US$ 3,000,000	3Libor+1.70%	5.75%

b) Assets exchange contract

Contract Amounts	Accured floating rate	Payment Rates
US$ 3,000,000	3Libor+4.25%	3Libor
US$ 3,000,000	3Libor+4.50%	3Libor
US$ 3,000,000	3Libor+1.35%	3Libor
US$ 3,000,000	3Libor+1.25%	3Libor
US$ 5,000,000	3Libor+1.10%	3Libor
US$ 5,000,000	3Libor+0.80%	3Libor
US$ 5,000,000	3Libor+1.50%	3Libor
US$ 5,000,000	3Libor+1.10%	3Libor

d. Market to market value

The market value provided by securities brokers or custody institstions in the middle and end of mouth is served as reference for this bank. The U.S. dollars of market to market value in Dec. 31,2002 was US$48,000,000.

e. The bank entered into above-mentioned swap transaction in FY 2002 and transferred assets of fixed rate benefit to floating rate benefit. The fixed capital cost and fluctuations on bonds prices were hedged the bank's market risk exposure. The amount on hedged capital was US$1,370,000.

(2) Fair value of non-derivative financial products

	Dec. 31,2002	
Assets	Book Value	Fair Value
Cash	$9,662,537	$9,662,537
Due from banks	3,685,453	3,685,453
Due from Central Bank of China	6,559,129	6,559,129
Bills & bonds purchased－net	14,807,741	14,854,060
Accounts receivable－net	1,005,438	1,005,438
Loans & delinquent－net	136,437,110	136,437,110
Long-term investment	1,342,586	1,196,944
Liabilities		
Due from Central Bank of China	167,333	167,333
Due from banks	30,745,708	30,745,708
Accounts payable	2,631,634	2,631,634
Deposits and remittances	126,526,569	126,526,569
Bank notes payable	3,050,000	3,050,000
Funds borrowed from Central Bank of China and other banks	4,531,562	4,531,562

	Dec. 31,2001	
Assets	Book Value	Fair Value
Cash	$6,198,278	$6,198,278
Due from banks	7,567,890	7,567,890
Due from Central Bank of China	10,185,596	10,185,596
Bills & bonds purchased－net	8,063,519	8,063,519
Accounts receivable－net	1,528,219	1,528,219
Loans & delinquent－net	165,047,414	165,047,414
Long-term investment	1,239,165	1,231,863
Liabilities		
Due from Central Bank of China	156,190	156,190
Due from banks	25,694,288	25,694,288
Accounts payable	3,527,052	3,527,052
Deposits and remittances	163,164,225	163,164,225
Bank notes payable	1,050,000	1,050,000
Funds borrowed from Central Bank of China and other banks	232,873	232,873

The methods and assumption to appraise fair value of financial derivatives adopted by this Bank are as follows:

A. The book value in the balance sheet is used to calculate its fair value on short-term financial dervatives. Since the maturity or price receivable & payable of this category is close to book value, its book value thus serves as a reasonable basis to appraise fair value. This method applies to categories of cash, due to bank, due to Central Bank of China, accounts receivable, due from Central Bank of China, Due from banks, accounts payable deposits and remittances.

B. If bills & bonds purchased and long-term investment can refer to market value, the market value is regarded as fair value. If not, the fair value is appraised by other financial information.

C. Since foreign exchange purchase, discounts, loans, delinquent accounts and deposits are financial assets and liabilities with interests as well as floating rate, their book values are close to current fair values.

D. Funds borrowed from Central Bank of China and banks notes payable are classified as liabilities with floating rate, the book values are fair values.

(3) Financial products with credit risk off balance sheet

As this Bank offers loans, there are plenty of credit commitments, most of them is one year. Rate range for credit loans is from2.0%~14.00%. The Bank also provides guarantees for loans and commercial letters of credit services. These guanartee represent an irrevocable obligation to pay a third party benegiciary in the event of a customer fails to meet a financial or performance obligation and the dates of guarantee for maturity are not in one particular period.

As of Dec. 31,2002 the contract amounts of financial products with credit risk beyond balance sheet were:

	Dec. 31,2002
Loan commitments	$2,813,437
Guarantee & issuance of L/C	8,761,856

The above financial products are not realized before maturity,thus the contract amounts don't necessarily represent future cash flows.That is amount of future cash requirement is lower than contract amount. If the credit line is used up and guarantee or other guarantee lost their value, credit risk amount matches contract amount. That is the biggest loss could be possibly resulted in.

This Bank goes through severe credit evaluation upon providing loan commitment, guarantee or issuance of L/C. Certain customers are required to provide appropriate collateral for the related loan and the Bank retains the legal right to foreclose or liquidate the collateral.

Generally, these collateral include cash, real estate, securities, or other properties.

(4) Information on centralization of Credit Risk.

When counter party on transaction of financial products is concentrated on one person, or the counter parties on transaction of financial products are engaged in similar business activities with similar financial characteristics, the ability of contract fulfillment affected by financial or other situations is also similar. As a result credit risk is obviously concentrated. Yet this Bank doesn't obviously concentrated. The only credit approval of Kaohsiung Municipal Government from this Bank is in the transaction of financial products, the credit risk is obviously concentrated. The credit approval balance and percentage of total credit approval balance on Dec. 31, 2002 and Dec. 31, 2001 was NT$72,109,067; 52% and NT$102,315,156; 62% respectively. However, Kaohsiung Municipal Government has deposits in this Bank, the deposit balance on Dec. 31, 2002 and Dec. 31, 2001 was NT$8,154,452 and NT$10,429,646 separately. This Bank thinks the credit approval to Kaohsiung Municipal Government is unlikely to generate the credit risk.

28. Segment financial information

(1) Industry information

Based on Article 3 of Banking Law, the Bank is engaged in business of deposits, loans, guarantee, foreign exchange transactions, savings, and trust and is classified as signal industry.

(2) Area information: None.

(3) Export sale information: None.

(4) Sigificant customers information:

FY 2002:

Customer	Total amounts (Please refer to note for details)	% of revenue
Kaohsiung Municipal Government	$4,322,813	48.01%

FY 2001:

Customer	Total amounts (Please refer to note for details)	% of revenue
Kaohsiung Municipal Government	$6,713,790	55.32%

Note: Income from interests, commission and fees.

6. CPA-Audited Consolidate Financial Statement for 2002: None.

7. Review and analysis of financial status & operating Result for 2002

(1) Analysis of Financial Status

In the aspect of assets

Cash was NT$9,662,537,000; Due from banks was NT$3,685,453,000; Due from Central Bank of China was NT$6,559,129,000; Bills and securities purchased net was NT$14,807,741,000; Accounts Receivable net was NT$ 1,005,438,000; Prepaid Expense was NT$95,795,000; Loans and Discount net was NT$136,437,110,000; Long-term Investment was NT$1,342,586,000; Properties and Equipment net was NT$2,605,905,000; Other Assets net was NT$1,881,967,000; Total Assets was NT$178,083,661,000. Compared to Dec. 31, 2001, Total Assets decreased NT$26,611,303,000.

In the aspect of liabilities and shareholders' Equity:

Due to Central Bank of China was NT$167,333,000; Due to Banks was NT$30,745,708,000; Accounts Payable was NT$2,631,634,000; Advance Received Accounts was NT$41,353,000; Deposits and Remittance was NT$126,526,569,000; Financial Bonds was NT$3,050,000,000; Funds Borrowed from Central Bank and other banks was NT$4,531,562,000; Other Liabilities was NT$498,124,000; Total Liabilities was NT$168,192,283,000. Compared to Dec. 31, 2001, Total Liabilities decreased NT$26,115,966.000.

Total capital was NT$4,576,580,040; Capital Reserve was NT$3,000,830,000; Retained Earnings was NT$ 2,313,968,000; Total Shareholders' equity was NT$9,891,378,000. Compared to that of Dec. 31, 2001, Shareholders' Equity decreased NT$495,337,000.

(2) Income Status of Final Statements for FY 2002

Revenue was NT$ 9,004,170,000; Operation Cost was NT$6,781,196,000; Gross Profit was NT$2,222,974,000; Operating Expenses was NT$1,975,426,000; Operating Profit was NT$247,548,000; Non-Operating Income was NT$19,717,000; Non-Operating Expenditure was NT$36,275,000; Net Income before tax was NT$230,990,000.