



Foreword



Mu-Tsai Chen, Chairman

There was a substantial upturn in the international economy at the beginning of 2002, but the pace of the recovery slowed beginning in the second quarter of the year. In addition, the impact of repeated corporate accounting scandals plus tensions in U.S.-Iraqi relations intensified fluctuations in global financial markets. In Taiwan, domestic demand was relatively weak because of such factors as rising unemployment, a downward adjustment of the stock market, inadequate investment willingness, and a tightness in government finance. With lively exports stimulating a recovery in industrial production, however, the economy shook off its negative growth of 2.18% in 2001 to expand by a positive 3.54% in 2002. The Central Bank of China held to an unchanging expansionary monetary policy in order to revitalize economic activity, following up a total of 12 cuts in the discount rate in 2000 and 2001 by carrying out two more reductions in 2002. The results of these moves have made themselves apparent.

The government has exerted strenuous efforts toward financial reform in the past two years in order to help the financial industry resolve the problems it has faced recently, and to seek fundamental solutions and responses to those problems. In 2002 the government continued working toward the administrative target of reform, establishing the "Two-Five-Eight Financial Reform Plan" to reinforce the financial system. In addition, the Ministry of Finance completed the legislative process for the "Statute for Financial Asset Securitization" and worked vigorously to carry through a revision of the "Statute for the Establishment and Management of the Executive Yuan's Financial Restructuring Fund". It also proposed and revised other major measures and bills related to bills finance, financial holding companies, the trust business, and financial business relations between Taiwan and mainland China. These measures have a substantial effect in strengthening the structures of domestic financial organizations, giving expression to the intermediary function for financial institutions, and providing a good regulatory system for the financial environment.

The Bank of Taiwan was founded on May 20, 1946, and has been in business now for 56 years. Over the years, we have relied on the outstanding leadership of the government, the long-term support and care of our customers, and the concerted efforts of all our staff, all of which have



Sheng-Yann Lii, President

contributed to our excellent performance. At the end of 2002 our shares of the domestic deposit and loan markets were 11.42% and 8.72%, respectively, putting us in first place among all Taiwan banks in both categories. According to *The Banker* magazine's ranking of the world's top 1,000 banks by Tier 1 capital in its July 2002 issue, the BOT stood in 108th place; and in terms of total assets, we were 107th. In the ranking by shareholders' equity as published in the June 2002 issue of *Euromoney* magazine, the BOT was in 82nd place. In all three of these rankings, the BOT was first among all Taiwan banks.

Throughout its notable past, the BOT has made vital contributions to Taiwan's economic and financial development. With the drastic changes that have taken place in the domestic and overseas financial environments in recent years, competition in the financial industry has intensified and our past niche in policy-type business operations has gradually eroded. To break out of the ensuing difficult situation and assure our leading position in the financial industry, over the next year we will continue directing our efforts toward carrying out the following enhancement measures in order to heighten our competitiveness and lay down an operating foundation of high efficiency and high profitability: (1) Vigorous completion of corporatization and stable implementation of privatization; (2) Active business expansion and creation of profits; (3) Appropriate and efficient handling of the real estate development business; (4) Resolution of difficulties and active training of personnel; (5) Implementation of risk management and strengthening of internal controls; (6) Reinforcement of the functions of overseas branches; and (7) Continued development and promotion of new financial products. In addition to these efforts, the Bank will continue carrying through with its operating principles of "concern, efficiency, innovation, and soundness" as we step up the pace of our transition. We will also make efficient use of information technology to meet market needs and provide our customers with diversified services, assuring that the BOT becomes a true full-service commercial bank.



General Status of the Bank



(From left)
Executive VP & General Auditor, Teh-Chien Su; Executive VP, William J.W. Teng;
Executive VP, K.C. Wang and Executive VP, Wu-Shiung Chou.

I. Introduction

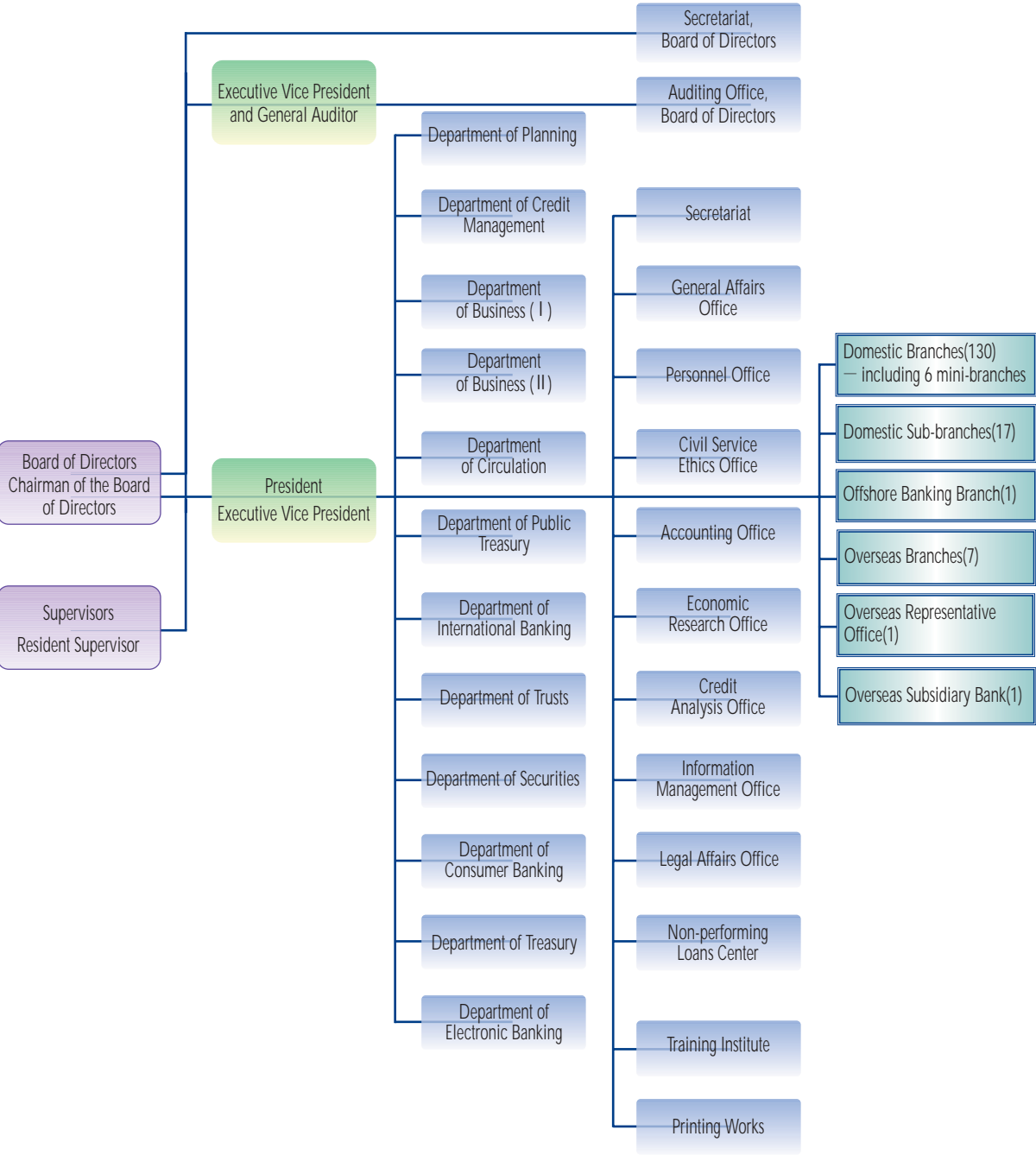
The Bank of Taiwan was established on May 20, 1946, and has now been in business for 56 years. It first operated under the administration of the Taiwan Provincial Government; however, with the downsizing of the provincial government on Dec. 21, 1998, the Bank was taken over by the Central Government of the Republic of China, placed under the administration of the Ministry of Finance, and operated in accordance with the regulations governing government-owned financial institutions. The Bank is headquartered in Taipei and has branch organizations located throughout Taiwan and in major international financial centers. Its staff, both at home and overseas, currently totals almost 7,000.

The objectives of the BOT are to operate the banking business, regulate finance, serve the people of society, support economic construction, and develop industrial and commercial businesses. In addition to engaging in the general banking business in accordance with the stipulations of the Banking Law, the BOT also carries out various policy missions in coordination with the government. These missions include managing the subsidiary business of the issuance of the New Taiwan dollar currency under authorization from the Central Bank of China; handling the sale of government bonds as well as the repayment of principal and interest; receiving preferential-interest deposits from veteran, civil servant, and teacher retirement funds; and acting as agency for check clearance outside the area of Taipei City. These operations reflect the special operating position and business nature of the BOT.

II. Organization

To reinforce its organizational structure and to continue its organizational re-engineering, the BOT established Department of Securities and Department of Electronic Banking in 2002, merged the International Operations and International Management departments into a single Department of International Banking, and set up a Foreign Exchange Operations Section, First Northern Region Consumer Banking Center, and Kaohsiung Region Corporate Banking Center. At the end of December 2002 the Bank's management organization consisted of a headquarters with 24 departments and offices, 130 domestic branches (including six mini-branches), and 17 sub-branches (expected to be converted in 2003 into regular branch banks or mini-branches), as well as an Offshore Banking branch and 9 overseas business locations.

ORGANIZATION CHART



Note : Information in this Organization Chart was as of the end of December 2002.

DIRECTORS, SUPERVISORS AND TOP MANAGERS

(As of Dec. 31, 2002)

Title	Name	Date of Appointment	Education	Career
Chairman	Mu-Tsai Chen	June 19,2000	M.A. in Economics, National Taiwan University	Administrative Vice Minister, Ministry of Finance; Chairman, The Farmers Bank of China; Chairman, The Bankers Association of the Republic of China
President	Sheng-Yann Lii	Sept. 3, 2001	Ph.D. in Economics, University of Pittsburgh	Director General, Economic Research Dept., The Central Bank of China; Director General, Banking Dept., The Central Bank of China
Managing Director	Chih-Hung Chang	March 2, 1996	MBA in Statistics, National Chengchi University	Director, Dept. of Budget, Accounting and Statistics of Kaohsiung Municipal Government; Director of Statistic Dept. of Judicial Yuan
Managing Director	Syue-Ming Yu	Sept.13, 2001	J.S.D. University of California, Berkeley	Counsel, Asian Development Bank; Executive Vice President, Export-Import Bank of the Republic of China; Professor of Law, National Taiwan University
Managing Director	Der-Shan Wang	June 7, 2002	M.A. in Finance, National Chengchi University	Commissioner, National Tax Administration of Taipei; Director General, Dept. of Taxation, Ministry of Finance; Political Vice Minister, Ministry of Finance
Director	Chiug-Hwa Chang	June 6, 1996	B.A. in Public Administration, National Chunghsing University	Magistrate, of Miaoli County
Director	Jin-Tung Lee	Dec. 26, 2000	M.A. in Public Finance, National Chengchi University	Chairman, Chung Kuo Insurance Co., Ltd.; Professor, National Chengchi University
Director	Yuh-San Liu	Sept. 13, 2001	Ph.D. in Civil Engineering, National Cheng Kung University	Vice Chairman, Council for Economic Planning and Development, Executive Yuan; Deputy Secretary-General, Executive Yuan,
Director	Ruey-Tsang Lee	April 30, 2002	M.A. in Land Economics, National Chengchi University	Director of District Office, Secretary General, Deputy Director General, Director General of National Property Bureau
Director	Chia-Cheng Lin	May 8, 2002	Ph.D. in Political Science, National Taiwan University	Deputy Mayor of Taipei City Government; Chairman of Research, Development and Evaluation Commission of the Executive Yuan
Director	Hsiu-Hua Rau	June 26, 2002	Ph.D. in Economics, Yale University, U.S.A.	Assistant Professor, Rice University, U.S.A.; Associate Professor, Department of International Trade National Chengchi University
Supervisor	Chan-Jane Lin	May 24, 2002	Ph.D. in Accounting, University of Maryland, U.S.A.	Assistant Professor, George Washington University; Professor and Chairman, Department of Accounting, National Taiwan University
Supervisor	Fu-Deng Hsieh	June 5, 2002	M.A. in Accounting, National Chengchi University	Chief in Department of Accounting, Ministry of Economic Affairs ; Chief in Department of Accounting, Ministry of Finance
Supervisor	Tzer-Ming Chu	July 4, 2002	M.D. in Law (Public Finance) National Chengchi University, Institute of Public Finance	Vice President & Chief Financial Officer, Bureau of National Health Insurance, Department of Health, Executive Yuan; Associate Professor, Department of Public Finance and Tax Administration, National Taipei College of Business
Executive Vice President	William J.W. Teng	Oct. 14, 1996	B.B.A., National Taiwan University	SVP & GM of International Operations Dept., SVP & GM of Medium & Small Business Finance Dept., Bank of Taiwan
Executive Vice President	K.C. Wang	July 16, 1997	Master of Science, North Dakota State University	SVP & GM of Los Angeles Branch, SVP & GM of New York Agency, Bank of Taiwan
Executive Vice President	Wu-Shiung Chou	Oct. 28, 1998	M.A. in Industrial Engineering and Management, Chung Hua University	SVP & GM of Personnel Office, SVP & GM of Savings Dept., Bank of Taiwan
Executive Vice President and General Auditor	Teh-Chien Su	Feb. 2, 2000	B.A. in Economics, National Taiwan University	SVP & GM of Savings Dept., SVP & GM of Business Dept., Bank of Taiwan

III. Capital and Shares (Including Preferred Shares), Financial Debentures (Including Overseas Financial Debentures), and Participation in the Issuance of Global Depository Receipts

1. Capital and Shares

The BOT is a government enterprise, and its capital is allocated from the government treasury. To reinforce the capital structure and meet business development needs, NT\$8.0 billion was appropriated each from legal reserves and special reserves in 2002 for a capital increase that brought the Bank's total capital to NT\$48.0 billion.

2. Financial Debentures

(None)

3. Participation in the Issuance of Global Depository Receipts

(None)

IV. Business Report for 2002

1. Results of Implementation of Business Plan

- (1) An ISO-9002 international quality certification was once again awarded the Bank for 2002. In addition, the Bank participated in the First Taiwan Outstanding Financial Business "Elite Business Awards"; of five areas of competition the Bank was a finalist in three areas, winning the approbation of the organizer.



- (2) The new Taiping Branch was set up in Taiping City, Taichung County, and automated service centers with ATMs were installed in Fongyuan, Douliou, and Liming in order to expand the number of BOT business locations and provide 24-hour services.
- (3) A Department of Electronic Banking was established to undertake planning, integration, promotion, supervision, and evaluation in regard to the e-banking business.
- (4) The International Operations Department and International Management Department were merged into the single Department of International Banking and a Foreign Exchange Operations Section was set up in order to centralize operations.
- (5) An enquiry system for laws and regulations was set up so that the units in charge can carry out real-time online updating whenever changes in rules are made, and so that bank staff can enquire about the latest operating rules at all times.
- (6) An e-banking zone was established on the Bank's internal information network to provide BOT staff with the latest information on e-commerce, business conditions in other banks, and business promotion performance.
- (7) Plans were made to establish a mobile stock brokerage to give the BOT the lead in inaugurating Chunghwa Telecom's mobile stock brokerage service; in addition, preparations for online ordering operations were completed.
- (8) The Bank introduced Euro/USD exchange at pre-designated exchange rates for the linked sale of Euro/USD put options, with a per-annum profit ratio of 4%. During the first week of business, the rate of exchange between the euro and the U.S. dollar reached the set target, making the operation a success.

- (9) South African rand and New Zealand dollar foreign currency savings accounts were introduced in order to meet customers' money-management needs and strengthen the attraction of foreign currency deposits. Dealing in South Korean won currency was also inaugurated.
- (10) A "bosom friend service movement" was carried out with the aim of conveying the value which customers are held by the BOT, giving them a feeling of being at home while at the Bank.
- (11) Each unit held brainstorming sessions at least once a month to give Bank employees an appropriate channel for the expression of their ideas.

2. Budget Implementation

The average level of deposits in the Bank during 2002 was NT\$1,921,655 million, representing a target achievement ratio of 106.22%. The average amount of loans outstanding was NT\$1,205,417 million, for a target achievement ratio of 84.53%. Foreign exchange transactions carried out during the year amounted to US\$38,735 million, reaching 92.85% of the target.

3. Revenues, Expenditures, and Profitability

Operating revenue for the year amounted to NT\$89,739 million and operating expenses were NT\$85,036 million; operating income was NT\$4,703 million and net non-operating income (expenditure) amounted to NT\$81 million. Income before income tax was NT\$4,784 million and income tax amounted to NT\$3,679 million, leaving a net income of NT\$1,105 million.

The NT\$4,784 million in before-tax net income for the year was NT\$7,768 million less than the budgeted income of NT\$12,552 million. The main reason for this was the vigorous efforts undertaken during the year to write off bad loans and improve the Bank's asset structure, plus a reduction in profit from long-term equity investment resulting from the poor economy.

Return on assets: The net income for the year was NT\$1,105 million, equal to 0.05% of the NT\$2,319,505 million in average total assets.

Return on shareholder equity: The net income for the year was NT\$1,105 million, equal to 0.59% of the average total shareholder equity of NT\$187,721 million.

V. Business Plans for 2003

The BOT's business plans for 2003 have been formulated in accordance with plans approved by the Ministry of Finance, and in consideration of annual performance in past years as well as future development trends:



- 1. In line with the development of e-banking, an on-line banking platform will be established in order to solicit the collections business. In addition, tax, commerce, and banking EDI; Internet banking; mobile banking; and automated telephone service systems will be developed in order to strengthen the absorption of low-interest deposits and increase commission income.
- 2. Maintenance of and solicitation for the BOT's position as agency for government treasuries, an increase in tax-collection points and the collection of taxes for governments at different levels, and strengthening of peripheral financial services for government treasury depositors.
- 3. The handling of policy-type loans in line with government policy, active development of loans to private enterprises and of syndicated loans, and strengthening of consumer loans and full use of the credit guarantee fund mechanism to help small and medium-size enterprises obtain operating capital.

4. Strengthened loan review and implementation of follow-up evaluation so as to give full expression to the post-loan management function, and vigorous clearing up of non-performing loans and writing off of bad debt so as to maintain a good asset quality.
5. Development of the foreign exchange business in line with the promotion of the deposit and loan businesses, and continued strengthening of liaison and business support between domestic and overseas branches in order to enhance the operating performance of overseas units.
6. Establishment of a representative office in Shanghai to strengthen services to Taiwanese companies and expand the Bank's scope of operations, and active expansion of financial business relations between the BOT's foreign exchange units and the branches of foreign banks in mainland China as well as mainland Chinese banks and their overseas branches.
7. Strengthening of the securities certification business, retirement fund business, and investment of non-discretionary trust funds in domestic and foreign securities; and, in line with the trust regulatory system, carrying out of planning for new types of trust products.
8. Implementation of risk management, enhancement of operating performance and asset quality, and strengthening of capital investment management so as to upgrade the efficiency of capital utilization.
9. Implementation of the operating principle of care for customers, espousal of service to customers as a major core value, and expansion of the domestic service network.
10. Strengthened management of existing real estate and development of idle and underutilized land in line with business development needs in order to heighten the efficiency of utilization of the Bank's real estate.
11. Strengthened professional training for BOT employees, promotion of lifetime learning, carrying out of job rotation, and enhancement of staff welfare measures.
12. Continued implementation of organizational re-engineering, active completion of corporatization, and stable implementation of privatization in order to enhance operating performance.



A collage of business-related images. In the upper left, a small, textured globe sits on a surface. To its right, a calculator is partially visible with the word 'MONITOR' printed on its display area. Further right, a pocket watch with a white face and black numerals is shown. A film strip with a black and white patterned border curves across the lower half of the image. Inside the film strip, there is a smaller image of a blue pocket watch with a white face and black numerals, resting on a blue surface next to a blue pen. The background of the entire collage is a light, textured surface.

General Operating Conditions

I. General Banking Operations

1. Deposits

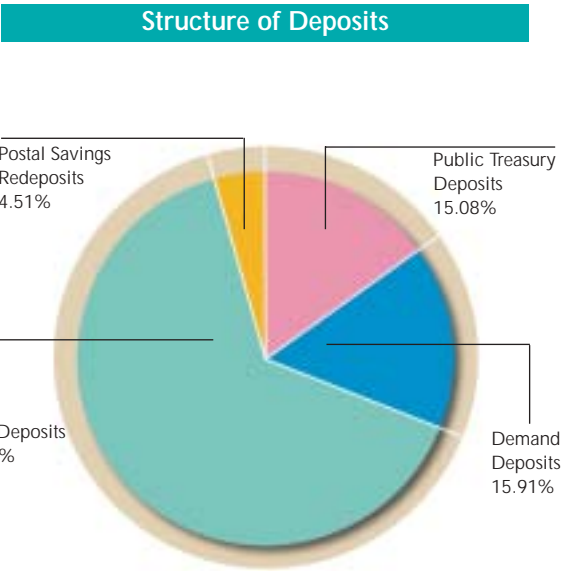
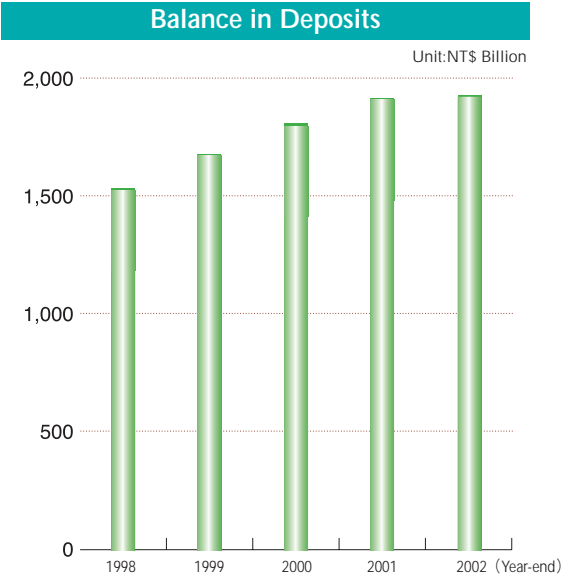
The BOT's deposit business consists of general deposits (demand, time, and checking deposits), savings deposits (demand and time deposits), consolidated deposits, preferential deposits, public treasury deposits, and foreign-currency deposits. To carry through with its objective of service, the Bank also serves as agency for collections and payments, including harbor fees, tax payments, utilities fees, traffic fines, auto fuel taxes, auto license fees, credit card payments, school tuition and miscellaneous expenses, labor insurance premiums, health insurance premiums, labor retirement funds, unified invoice lottery payments, and payment of corporate stock dividends.

The Bank handles the collection and distribution, custodianship, and transfer of cash, checks, and securities, as well as the custodianship of property deeds, for government agencies in accordance with the provisions of the Public Treasury Law, Government Treasury Law, Local Systems Law, and related contracts. It serves as agency for deposits from the central government treasury, county and city treasuries, and town and township treasuries, providing business items that include the payment of government treasury checks, the transfer of public treasury funds, remittances, collection and payment of court allocations, custodianship of property for public treasury agencies, payment of principal and interest on government bonds, and collection of taxes and fees. The BOT holds a 51.04% of the share of the market for this kind of agency business, making it the most important treasury agent in Taiwan.

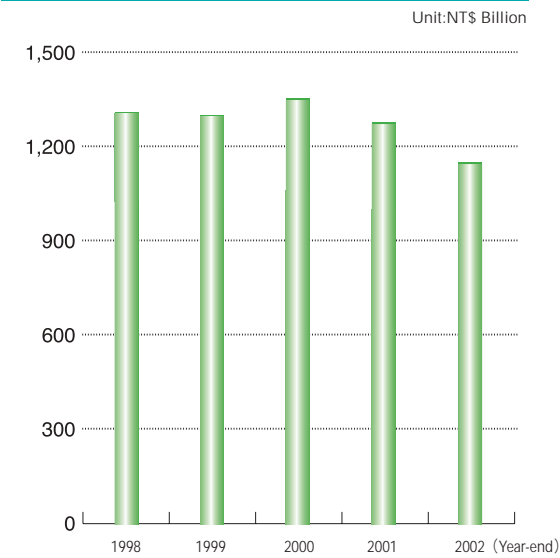
At the end of 2002 the Bank's share of the deposit market stood at 11.42%, ranking first in Taiwan. The Bank's handling of civil servant, veteran, and teacher retirement fund deposits at preferential rates over the years in line with its policy mission, however, has increased its burden of operating cost; to improve the deposit structure and reduce the cost of operating capital, the Bank will strive to develop the demand deposit business and its customer base as one of its main operating directions in the future.

2. Loans

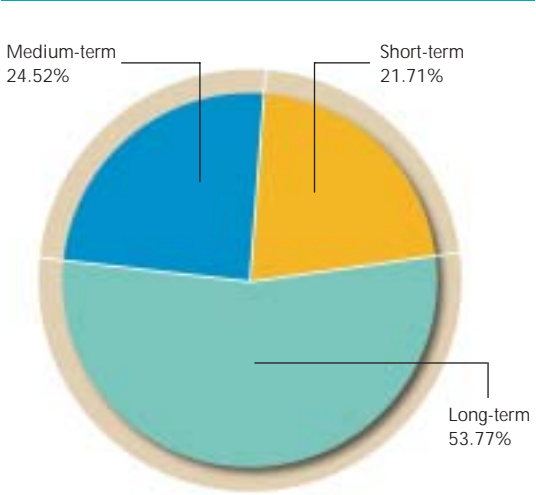
Besides coordinating with the government's economic revitalization program by actively extending policy-type loans and providing consumer loans, as well as preferential loans to small and medium enterprises, the BOT pursues the development of its loan business by offering financial services to assist with corporate financing. In response to the trend toward the digitalization and development of online financial services, the Bank will reinforce its electronic financing service functions and provide a complete range of funds-flow services so as to boost loan growth and adjust the loan structure. Besides working vigorously to develop factoring services and other new types of business, the Bank will also formulate plans to provide even faster services through the computerization of credit investigation and credit extension services.



Balance in Loans



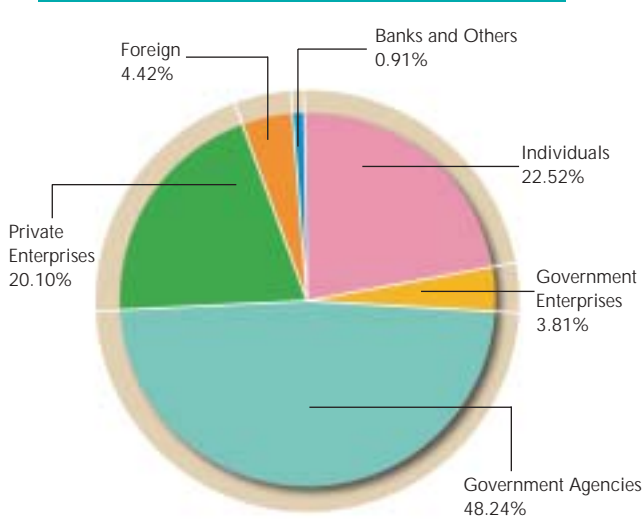
Structure of Loans (by term)



The Bank coordinated with the various financial policies implemented by the government in 2002 by helping with the disposition of problem community financial institutions and handling policy-type loans such as the NT\$600 billion in preferential home loans, loans for first-time home buyers, loans for reconstruction following the Sept. 21, 1999 earthquake, student loans, NT\$900 billion in loans for traditional industries, loans to private enterprises for the procurement of pollution-control equipment, and preferential loans for the revitalization of traditional industries, achieving an outstanding record in this respect.

In order to supply the funding needs of numerous government BOT (Build-Operate-Transfer) projects and private investment in public construction projects, and with consideration given to both diversifying loan risk and increasing management fee income, the Bank has always participated actively in the domestic syndicated loan market. In 2002 the Bank and other financial institutions jointly organized a total of 15 syndicated loans totaling NT\$147,892

Structure of Loans (by borrower)



million in value, with the Bank's participation amounting to NT\$16,800 million. The Bank of Taiwan also participated in 21 syndicated loans organized by other financial institutions, with its participation amounting to NT\$5,503 million.

In the area of small and medium enterprise financing, in recent years the BOT has undertaken guidance loans for the upgrading of small and medium enterprises (8th phase), small working capital loans for SMEs, and loans for the rooting of SMEs. The Bank has continuously provided preferential financing services to domestic SMEs to support them fully in the establishment of factories, improvement of production facilities, product development, and transformation and upgrading, and has listed SME financing as one of its key businesses.

In the area of consumer financing, the Bank has worked in line with socioeconomic development to heighten the living quality of Taiwan's people and improve their welfare by providing consumer loans of various kinds, and has coordinated with government policy-type loans by offering all kinds of preferential home loans, consumer loans, and student loans. Loans with interest rates indexed to the time savings interest rate were introduced in 2002, thereby making interest rates on home loans more transparent and flexible.

3. International Operations and Offshore Banking

At the end of December 2002 the BOT had 102 designated foreign exchange branches, 18 more branches authorized to handle simple foreign exchange dealings such as the sale of cash and travelers' checks, and a correspondent banking network covering 2,734 banks in 130 countries.

At the end of 2002 the BOT controlled a 2.09% share by volume of the foreign exchange market, ranking 8th in Taiwan. To strengthen the promotion of its foreign exchange business and to increase the Bank's share of the market, in December 2002, the Bank inaugurated South African rand and New Zealand dollar deposits; to meet the needs of customers for money management and boost its absorption of foreign currency deposits. In February 2003, the Bank added South Korean won cash to its foreign exchange dealings. New types of business introduced during this year include the exchange of Euro/USD when the exchange rate reaches a predetermined value, and linked Euro/USD put options with an annual benefit rate of 4%; during the week in which this business was introduced the exchange rate of the euro in relation to the dollar reached the set target, making the business a success. In the future, foreign currency-linked premium deposit, consolidated foreign currency deposit, international factoring, foreign exchange Internet banking, and forfaiting will be introduced.

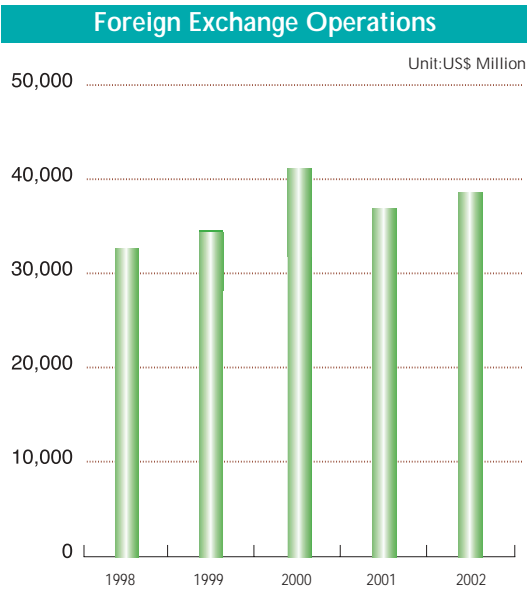
In response to the global liberalization of finance, the BOT's Offshore Banking Branch will provide funds deployment and investment management services to companies investing abroad and to offshore companies, and will handle, in coordination with its different business units, export, import, and loan services to offshore clients, and will heighten its position in foreign currency bond investment as well as its participation in convertible corporate bonds, securitization products, and investment in other financial products. To provide a greater diversity of service channels and develop business relations with Mainland China, the Bank has, within the scope permitted by the government and in accordance with the "Regulations Governing Permission for the Conduct of Financial Business between Taiwan and Mainland China," applied to the Ministry of Finance to carry out business across the Taiwan Straits and has already received permission to engage in business with financial institutions in the mainland. In addition, the OBU has exchanged SWIFT codes with the Bank of China, Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Xiamen International Bank, and Shanghai Pudong Development Bank to facilitate financial operations between the two sides of the Taiwan Straits.

4. Trust and Securities

In accordance with the Trust Business Law, the BOT's Department of Trusts completed its business readjustment plan on Jan. 23, 2002 and registered with the Trust Association of the R.O.C. those personnel from the different business units who had obtained qualification as trust professionals. In addition, bank-wide online operations for the investment of non-discretionary trust funds in overseas mutual funds was completed, facilitating the provision of more satisfactory trust services to clients in the future.

The Bank undertook the following trust and securities businesses in 2002:

- (1) Investment of non-discretionary trust funds in overseas mutual funds:
The outstanding amount of this business at the end of December 2002 was NT\$4,244 million, consisting of the sale of 117 different funds managed by six companies: Jardine Fleming, Fidelity, Dresdner, Invesco, Franklin Templeton, and Alliance.
- (2) Retirement trust funds:
The Bank manages retirement trust funds, without guaranteed principal or rate of return, for seven clients: the private Chung-Hsin High School in Hsinchu, Bureau of Labor Insurance, Taiwan Stock



Exchange Corp., Taiwan Textile Federation, Li & Fung (Taiwan) Ltd., Taiwan Sugar Corp., and the BOT employee retirement fund. The amount of these funds under management at the end of December 2002 stood at NT\$8,858 million.

(3) **Custodial banking:**

The Bank serves as custodian for five funds: the Steady Growth Fund of the Capital Investment Trust Corp., Asia Pacific Fund of the Asia Pacific Securities Investment Trust Co., Jih Sun High Tech Fund of the Jih Sun Securities Investment Trust Co., Transcend High-Tech Fund of the Transcend Securities Investment Trust Co., and Duo Li/2 Bond Fund of the First Global Investment Trust Co. The total net asset value of these funds under custodianship at the end of 2002 stood at NT\$23,108 million.

(4) **Securities custody:**

The total amount of operating bonds from stock brokers, futures brokers, and the discretionary investment business at the end of 2002 stood at NT\$3,826 million.

(5) **Sale of domestic funds:**

A total of NT\$1,171 million worth of funds managed by 43 different companies were sold in 2002.

(6) **Payment of principal and interest on government and corporate bonds:**

The volume of this business in 2002 amounted to a total of NT\$3,351 million.

(7) **Trusteeship:**

At the end of 2002 the Bank was serving as trustee for six companies: Evergreen Marine, Yangming Marine, Solomon Co., Taiyuan Textile Co., Paolyta Co., and Taiwan Power Co. The total value of this business was NT\$66,460 million.

(8) **Securities certification:**

The Bank handles certification for the issuance of stock, issuance of capital increment stock, and complete reissuance of shares, as well as for the issuance of corporate bonds, beneficiary certificates, call warrants, and stock payment certificates. Certification for a total of NT\$1,907,233 million worth of instruments was undertaken in 2002.

(9) **Securities brokerage:**

In addition to utilizing the existing Internet and telephone placement of orders, the Bank moved to provide a diversified range of stock brokerage services by developing stock dealing via mobile phone in line with the Bank's Department of Electronic Banking in mid-November 2002, and also worked actively to pay calls on investment trust concerns. The total volume of securities brokerage undertaken in 2002 amounted to NT\$59,586 million.

(10) **Proprietary dealing in government bonds:**

In addition to extensively cultivating its customer base and establishing long-term ongoing business relationships, the Bank worked to strengthen its operating performance in the secondary market by participating actively in the proprietary trading of bonds on the OTC-EBTS as a means of increasing profits. The outright purchasing of government bonds in 2002 amounted to NT\$6,075 million and the outright sale of government bonds totaled NT\$8,175 million; repurchase agreements handled during the year totaled NT\$242,345 million, and reverse repurchase agreements handled amounted to NT\$238,941 million.

5. Consumer Banking

The Bank introduced variable-rate home loans, reduced the interest rate on credit-card revolving credit, increased cash bonuses, heightened the amount of coverage for travel insurance for cardholders, and promoted campus IC bank cards, international affinity cards, and co-branded cards in 2002—all of which were concrete measures that strengthened consumer financial services. At the end of December 2002, the number of BOT-issued credit cards in circulation numbered 201,936, its bank cards totaled 2,501,663, and its IC cards amounted to 160,300.

A money management account system currently under planning will integrate savings, loans, stocks, funds, and insurance, thus



satisfying the needs of customers for one-stop shopping. In the future, the BOT will adopt a cross-industry operations method to facilitate the becoming of a consolidated bank, making use of the synergies of cross-selling.

6. Bills Finance

The sources of bills contracted due to the continuous decline in interest rates on short-term instruments in the money market, plus a major reduction in the amount of coverage by guaranteeing agencies. Competition in the primary market for bills was also intense as bills finance companies adopted a low-price strategy to attract business. As a result of these factors, the amount of bills underwriting undertaken by the Bank in 2002 declined 23.4%, and income from certification and underwriting commissions and discount interest dropped 44.92%. With the domestic economy expected to recover in 2003, however, the BOT should be able to maintain a steady growth in its short-term bills certification and underwriting business during this year.

7. Electronic Banking

With the current rapid development of digitalization, the BOT has moved to provide all kinds of real-time financial services by setting up a Department of Electronic Banking charged with carrying out planning, integration, and promotion work with regard to the electronic banking business, devoting its full energies to the development of new electronic products. Operations that have been inaugurated in the customer banking business area include Internet banking, phone banking, mobile banking, and Internet stock brokerage; more operations will be introduced in the future, such as Internet foreign exchange transactions and Internet funds trading, and the Bank's service content will be enriched by the addition of such services as prearranged funds transfer and the payment of fees and taxes. In November 2002 the Bank integrated online with Chunghwa Telecom's "emome" money management card, Taiwan's largest distribution company, thus becoming the first bank to institute mobile securities brokerage with Chunghwa Telecom and completing Internet order-taking operations. In the area of cooperate banking business, the Bank has offered a CMS (cash management system) to help small and medium enterprises in developing electronic financial management and has set up an e-Comb Internet Portal to provide companies with online financing services. Other functions to be introduced in the future include corporate account receivables and account payables management (e-Billing), foreign exchange business, global collections and payments, and account aggregation services.

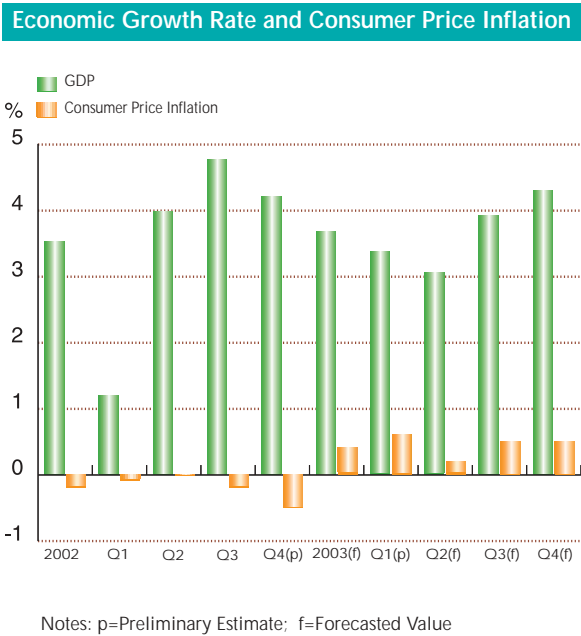
8. Business Pertaining to the Issue of New Taiwan Dollars Delegated by the Central Bank of China

The BOT is responsible for operations related to the issuance of New Taiwan dollars, including distribution, shipment, adjustment of supply and demand, and sorting of banknotes for re-circulation, in accordance with the "Regulations Governing the Delegation by the Central Bank of China of Business Pertaining to the Issue of New Taiwan Dollars to the Bank of Taiwan." The average amount of currency in circulation in 2002 was NT\$724,977 million, a reduction of 0.18% from the year before. The peak amount in circulation during the year was NT\$1,016,223 million on Feb. 8, the eve of the Chinese New Year; this also represented a decline, of 1.72%, from the previous year's peak. The amount of currency in circulation at the end of the year totaled NT\$698,460 million, which was 0.80% more than at the end of 2001.

II. Market and Business Conditions

1. Economic Conditions

- (1) Resumption of Moderate Economic Growth
- Taiwan's economy was stimulated by strong Asian demand for its products and



experienced a turnaround in 2002, with export trade and the manufacturing industry heating up simultaneously; but unemployment remained at a high level and the stock market was weak, investment momentum was inadequate, and government finances were in a state of difficulty. Domestic demand was relatively weak and the domestic financial environment and industrial structure were still in a period of adjustment, so that the economy as a whole experienced only a moderate recovery with growth for the year reaching 3.54%. This recovery meant that the economy had shaken off the negative growth rate of 2.18% that was recorded in 2001.

(2) **Warming Up of Industrial and Commercial Activity**

The industrial production index, stimulated by an increase in export demand which in turn led to an upturn in manufacturing output, rose by 6.39% in 2002. Business revenues resumed positive growth in 2002, thanks to the slump in consumption during the previous year, the warming up of the overall economy during the current year, and vigorous marketing activities designed to promote buying. Business revenues rose by a moderate 5.4% for the year.

(3) **Simultaneous Upturn in Imports and Exports**

Under the influence of the slow recovery of the international economy and a large increase in demand for Taiwan products in the Asian region, the island's external trade resumed positive growth in 2002. Exports for the year reached US\$130.60 billion, for a growth of 6.3% over 2001. Imports were stimulated by the opening of the domestic market to consumer products following accession to the WTO, and by a large increase in imports of agricultural and industrial raw materials stimulated by export-led demand. Imports for the year amounted to NT\$112.53 billion, up 4.9% over the previous year. The annual trade surplus reached US\$18.07 billion, an increase of 15.6% over 2001 and a new post-1988 high.

(4) **Stable Prices at a Continuing Low Level**

The trend in product prices for various industries was generally downward in 2002 because of intense competition in the domestic market. House rentals fell because of the ongoing adjustment of the real estate market, so that pressure for consumer price rises was weak. The consumer price index declined by 0.20% during the year; whereas wholesale prices rose by 0.05%, because of an increase in import costs.

(5) **Continued High Level of Unemployment**

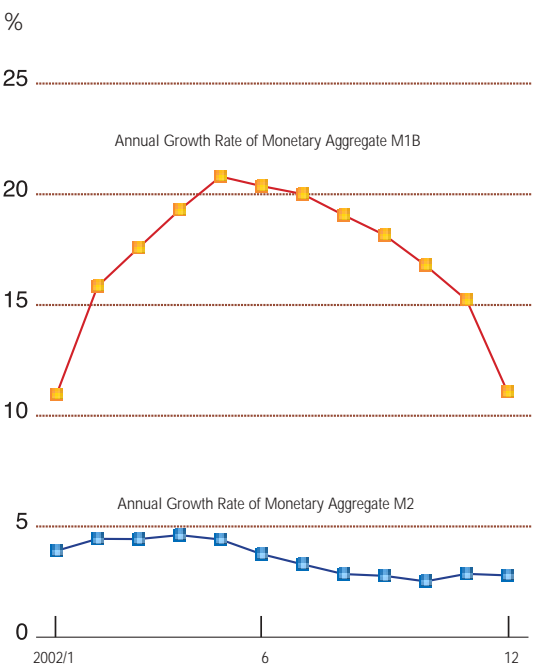
The average unemployment rate for all of 2002 was 5.17%, the highest level since the Directorate General of Budget, Accounting and Statistics started conducting surveys. In contrast to the continuous deterioration in the unemployment rate in 2001, the jobless rate began stabilizing in the fourth quarter of 2002.

2. Finance

(1) **Continued Adoption of a Relaxed Monetary Policy by the Central Bank**

With the disappointing recovery of the international economy, the U.S. Federal Reserve moved to avoid ongoing weakness in the economy by cutting the interest rate on Fed funds by half a percentage point, to 1.25%, in November 2002. Within Taiwan, demand for funds was weak, funds in the banking system continued to be loose, and interest rates in the domestic market continued at a low level; to revitalize the domestic economy and reflect interest-rate trends in the market, while also taking into consideration the stability in the financial market, the Central Bank lowered the discount rate by a quarter of a percentage point on June 28 and again on Nov. 12, 2002. The discount rate dropped from 2.125% at the end of 2001 to 1.625% at the end of 2002, setting a new historic low.

Monetary Aggregates (Averages of Daily Figures)



(2) A New Low for Annual M2 Money Supply Growth

The Central Bank continuously lowered interest rates throughout 2001 and 2002 in order to guide bank interest rates to a low level; the drop in interest rates for time deposits was greater than that for demand deposits, leading to the switching of some time deposits to demand deposits. In addition, the warming up of the stock market again pushed the annual growth in the average daily M1B money supply back into the positive range, so that it achieved an average expansion for the year of 17.01%.

With regard to growth in the M2 money supply, the economy experienced only a moderate recovery in 2002, and thus the corporate demand for funds was not very strong. The rate of growth in loans and investments by major financial institutions continued at a negative rate. This factor, plus the suppression of bank credit creation by the rapid growth of bond funds, led to a continued slowdown in the annual growth of the M2 average daily money supply. The average growth rate for the year set a new historic low of 3.55%.

(3) Slow Increase in Deposits and Continuing Slump in Loans

Because of the continuous reduction in domestic deposit interest rates plus the obvious trend toward the substitution of deposits with increasingly popular bond funds, annual deposit growth in Taiwan experienced an ongoing shrinkage in 2002. The annual rate of deposit growth for major financial institutions declined from 4.41% at the end of 2001 to 2.23% at the end of 2002.

In the area of loans, the continuous replacement of indirect financing by direct financing, plus insufficient investment confidence in the private sector, resulted in weak corporate demand for funds. In addition, banks became more cautious in extending loans to private enterprises because of credit risk concerns. The annual increase in loans and investments outstanding by major financial institutions contracted for 16 months in a row. However, the size of the contraction, began to moderate by the end of the year. At the end of December 2002, the rate of growth was a negative 3.30%. For loans outstanding by major financial institutions alone, the growth rate at the same date was a negative 2.54%.

(4) Continuing Low Level of Interest Rates

Influenced by weak domestic demand for funds and guided downward by two cuts carried out by the Central Bank during the year, interest rates in Taiwan experienced a continuous downward trend in 2002 and repeatedly set new historic lows on their way down.

a. Substantial Drop in Money Market Interest Rates

The interbank overnight call-loan rate went into a general monthly decline; for the year as a whole it averaged 2.05%, a historic low and 1.64 percentage points under the average of 3.69% recorded in 2001.

The trend for short-term bills was also downward. The interest rate on the secondary market for commercial paper with a 31-90 day term averaged 2.03% in 2002, a drop of 1.66 percentage points from the 2001 average of 3.69%. The average interest rate on same-day commercial paper issued on the primary market in 2002 was 2.49%, down 1.56 percentage points from the 4.05% average of the previous year.

b. Continued Fall in Bank Deposit and Loan Interest Rates

Interest rates on bank deposits and loans continued the downward trend of the previous three years in 2002, with the average rate on one-year time deposits for five major banks (Bank of Taiwan, Taiwan Cooperative Bank, First Commercial Bank, Hua Nan Commercial Bank, and Chang Hwa Bank) declining from 2.3% in January to 1.86% in December. The average prime loan rate for the five banks dropped from 7.325% in January to 7.10% in December. The weighted average interest rate on new loans extended by the five banks fell from 4.557% to 3.486% over the same period.

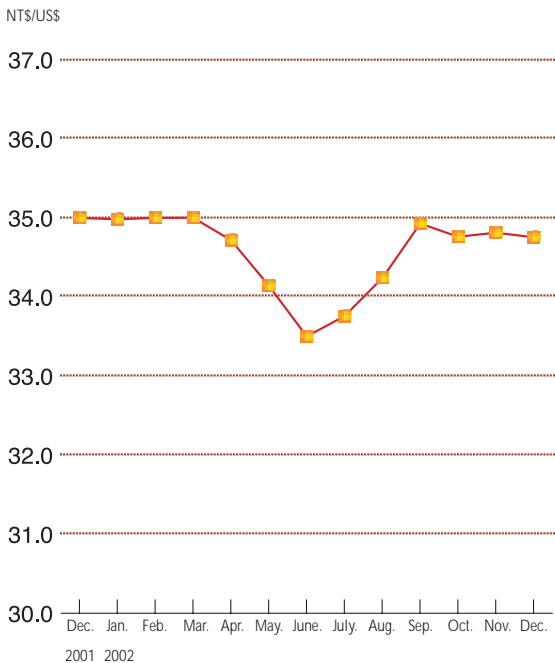
c. Bond Yields Rise, then Fall

Because of the relatively loose capital situation in the banking system in 2002, plus weakness in the stock market, the conservatism of banks in extending loans, and the commissioning of financial institutions by life insurance companies to purchase massive amounts of government bonds, such bonds continued to be the object of pursuit by funds during the year.



The average weighted interest rate on new government bonds issued in 2002 declined; the average rate on new 10-year government bonds, for example, was 3.30%, representing a drop of 1.69 percentage points from the 4.99% average of 2001. The Yields on 10-year central government bonds fell to 2.48% in December 2002, down by 1.33 percentage points compared with 3.81% for the same month a year earlier.

New Taiwan Dollar Spot Exchange Rates (End of Month)



(5) Fluctuating Exchange Rate of the New Taiwan Dollar

The international value of the U.S. dollar weakened in the first half of 2002 because of the aftereffects of the expansion of America's current account deficit, repeated warning signals about corporate profitability, and the outbreak of accounting scandals one after another, among other factors. In Taiwan, rising prices on the stock market and an increased inflow of foreign funds in the first half of the year gave rise to a psychological expectation of NT dollar appreciation and the value of the currency rose steadily, reaching a level of NT\$32.999 to the U.S. dollar on July 17. Subsequently, because the domestic stock market fell back again and foreign funds flowed out of the island, the NT dollar depreciated to a ratio of NT\$35 to one U.S. dollar in the first half of October. With the conflict between the U.S. and Iraqi heating up, however, the U.S. dollar depreciated once again and the value of the NT dollar rose slowly, closing at NT\$34.753 to the U.S. dollar on Dec. 31. Compared with the NT\$34.999:US\$1 exchange rate at the end of 2001, this represented an appreciation of 0.71%.

(6) Falling Amounts and Ratios of Non-Performing Loans

Taiwan's domestic banks moved to improve their operating structures in 2002 by writing off bad debt on a massive scale; preliminary results were also achieved from the "Two-Five-Eight Financial Reform Plan" implemented by the Ministry of Finance, providing a catalyst for the acceleration of the write-offs. With these factors, plus the gradual upturn of the economy, corporate defaults on checks stopped deteriorating. In addition, following the nightmarish increase in non-performing loans during the past several years, the island's bankers became stricter with their credit risk controls and this, too, favored a reduction in NPLs. By the end of the first quarter of 2002, the total amount of NPLs in Taiwan's banking system had risen to a historic high of NT\$1,147.6 billion, for a ratio of 8.04%. In the second quarter, however, the NPL ratio began a quarter-by-quarter decline and the situation improved appreciably. The total amount of bad loans written off by Taiwan's banks in 2002 reached NT\$410.794 billion, bringing the NPL ratio down to 6.12% at the end of the year; compared with the 7.48% ratio at the end of the previous year, this was a reduction of 1.36 percentage points. The total amount of NPLs at year-end was NT\$864.4 billion, a reduction of NT\$222.6 billion compared with the NT\$1,087.0 billion in NPLs at the end of 2001.

3. Future Prospects

(1) Economic Outlook

According to an assessment by the Directorate-General of Budget, Accounting and Statistics (DGBAS), with the settling of the U.S.-Iraqi conflict the international economy can be expected to gain in energy and grow stronger in 2003; this will benefit Taiwan's external trade, and extend its expansion. Further, with the government's continued implementation of the "expansion



of public services" employment program and expansion of public construction program, plus its adoption of a variety of incentive measures to encourage private investment, an ongoing growth in domestic demand can be expected. The growth of internal and external demand together will continue to stimulate stable economic growth in Taiwan. According to the DGBAS forecast, the island's economy will grow 3.68% in 2003 and domestic prices will continue steady, with the consumer price index (CPI) rising by a moderate 0.44%. The growth of the economy will be negatively affected, however, by the SARS epidemic.

(2) Financial Outlook

With domestic commodity price trends remaining stable in 2003 and the domestic economy in a state of gradual recovery, the Central Bank is expected to hold to a easy-money policy and to supply the funds needed for normal corporate operations, thus energizing the force for economic growth. Interest rates will continue at a low level.

In the area of foreign exchange rates, since the beginning of 2003, thanks to the interlocking influences of changes in the U.S.-Iraqi conflict and the North Korean problem the international value of the U.S. dollar fluctuated and the value of the New Taiwan dollar in relation to the greenback hovered around NT\$34.70. Until the uncertainties in the U.S.-Iraqi war, oil price changes, and the performance of the international economy clear up, the trend in the value of the NT dollar will be determined by domestic and external economic and financial conditions as well as the movement of the U.S. dollar.

4.Amounts and Ratios of Deposits, Loans, Investments, Foreign Exchange, Bills Transactions, and Commercial Paper Underwriting for the Past Two Years

(1) Deposits

Unit: NT\$ million

Date Items	Dec. 31, 2002		Dec. 31, 2001	
	Amount	%	Amount	%
Due to Central Bank	15,750	0.76	7,165	0.35
Due to banks	117,599	5.70	119,472	5.85
Checking account	310,505	15.05	337,907	16.54
Demand deposits	72,759	3.53	71,012	3.48
Time deposits	291,300	14.12	348,492	17.06
Savings account	1,255,247	60.84	1,158,353	56.72
Total	2,063,160	100.00	2,042,401	100.00

(2) Loans

Unit: NT\$ million

Date Items	Dec. 31, 2002		Dec. 31, 2001	
	Amount	%	Amount	%
Discounted	16	0.00	37	0.00
Overdrafts	55,372	4.55	61,967	4.60
Secured overdrafts	1,892	0.16	1,418	0.11
Bills purchased, export/import bills negotiation	3,503	0.29	3,396	0.25
Short-term loans	124,073	10.20	85,134	6.33
Short-term secured loans	65,044	5.35	78,941	5.86
Receivables from securities refinance	108	0.01	104	0.01
Medium-term loans	197,034	16.21	195,675	14.54
Medium-term secured loans	85,166	7.00	92,265	6.85
Long-term loans	395,007	32.49	522,472	38.81
Long-term secured loans	223,659	18.40	238,547	17.72
Acceptance notes receivables	1,251	0.10	1,202	0.09
Receivables from guarantees	45,281	3.72	47,421	3.52
Receivables from letters of credit	18,441	1.52	17,674	1.31
Total	1,215,847	100.00	1,346,253	100.00

Note: The above are gross amounts before provision for bad loans.

(3) Investments

Unit: NT\$ million

Items	Date		
		Dec. 31, 2002	Dec. 31, 2001
Long-term equity investment		42,553	40,832
Short-term investment		260,028	235,211
Total		302,581	276,043

(4) Foreign Exchange

Unit: US\$ million

Items	Year		
		2002	2001
Foreign exchange purchases		18,432	17,436
Foreign exchange sales		20,303	19,649
Total		38,735	37,085

(5) Bills Transactions and Commercial Paper Underwriting

Unit: NT\$ million

Items	Year		
		2002	2001
Short-term bills purchasing		1,907,522	2,279,250
Commercial paper underwriting		55,307	68,251

III. Human Resources

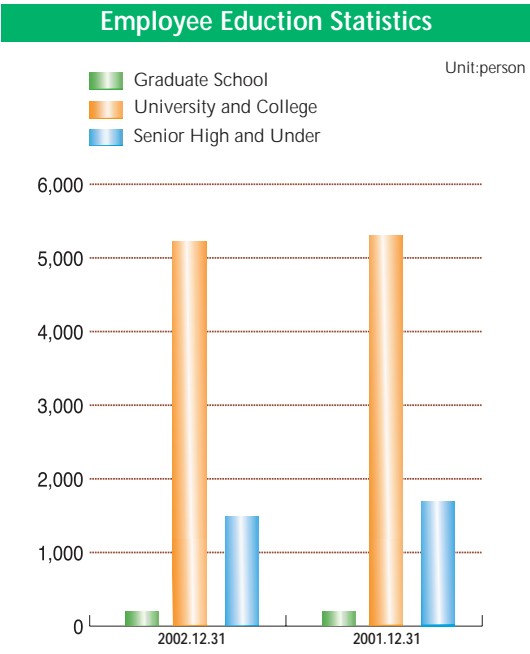
The BOT has always placed great emphasis on the planning and management of human resources with the aim of upgrading the efficiency of manpower utilization. Besides strengthening training, instilling concepts of marketing services, upgrading staff know-how, and carrying out the planned training of bank officers, the BOT also promotes lifetime learning, carries out a personnel promotion evaluation system, and works to reinforce the issuance of performance bonuses and other incentive mechanisms.

To make it easier for employees to collect and share information, and to upgrade their professional know-how, an e-banking zone to provide information on economic and financial movements, training, business questions and answers, and a laws and regulations enquiry system has been set up on the internal information network. This gives BOT employees access to the latest information on e-commerce, other financial institutions, results of business promotion, domestic and foreign economic and financial conditions, and business rules and working regulations.

Employee Statistics for the Past Two Years

Unit: person

Items		Date	Dec. 31, 2002	Dec. 31, 2001
No. of Employees			6,921	7,182
Average Age			42.17	42.06
Average Seniority			16.01	16.01
Edu- cation	Graduate School		203	194
	University and College		5,226	5,302
	Senior High and Under		1,492	1,686



To carry through with the readjustment of the manpower structure and enhance staff efficiency, in 2002 the BOT carried out a personnel downsizing program. A total of 191 employees were downsized through retirement (with preferential conditions offered for retirement from Dec. 16, 2002 to Mar. 16, 2003). At the end of December 2002 the Bank had a total of 6,921 employees with an average age of 42.17 years.

IV. Labor-Management Relations

The BOT has suffered no losses resulting from labor-management disputes during the past two years.

V. Fixed Assets and Other Real Estate

1. Self-Owned Land and Buildings

The BOT's real estate consists of Japanese properties received in 1946, American military housing built pursuant to instructions from the Executive Yuan in 1954, and banking premises procured over the years. All of these properties are wholly owned, unencumbered, and without any restriction on rights. As of Dec. 31, 2002 this real estate consisted of 5,060 plots of land with a total area of 287.97 hectares, a publicly assessed value of approximately NT\$89.762 billion, and a book value of NT\$80.829 billion, and buildings with an area of approximately 159,000 pings and a book value of NT\$9.693 billion. For further details, please refer to Notes 8 and 9 to the Financial Statements.

2.Disposition or Acquisition of Fixed Assets with a Value of over NT\$50 Million During the Past Two Years

Disposition of Land

Name of Asset	Date of Disposition	Price of Disposition (NT\$1,000)	Profit from Disposition (NT\$1,000)
Four plots of land in Tacheng Section, Kaohsiung City	June 2001	326,504	96,798
Two plots of land in Huahsing Section, Subsection 2, Taipei City	Dec. 2001	103,402	102,200

Acquisition of Real Estate

Name of Asset	Date of Acquisition	Area (sq. m.)	Cost of Acquisition (NT\$1,000)	Book Value (NT\$1,000)
Plot 491 in Huakang Section, Subsection 1, Taipei City (land)	May 2002	841.24	53,400	53,400
15, Hoping Road, Shihlin District, Taipei City (building)	May 2002	413.78	3,610	3,779

VI. Reinvested Enterprises

Long-term Equity Investment
Dec. 31, 2002

Unit: NT\$1,000

Reinvested Enterprise		Cost of Investment	Book Value	BOT Share Ownership		Assessed Value of Investment (see notes)	Current Year Return on Investment
Name	Main Business			No. Shares	% Ownership		
TAIWAN SUGAR CORP.	Sugar manufacturing	50,673	50,673	23,137,489	0.30	1,136,513	
TAIWAN POWER COMPANY	Power generation and distribution	6,805,780	6,805,780	865,191,972	2.62	13,964,198	432,596
TAIWAN MACHINERY MANUFACTURING CORP.	Machinery manufacturing	102,130	0	10,253,459	1.60	0	
TAIWAN STOCK EXCHANGE	Stock trading	120,132	120,132	23,993	5.01	1,138,468	17,144
CHINA PETROCHEMICAL DEVELOPMENT CORP.	Petrochemicals	71,931	71,931	11,082,891	0.75	53,087	
FIRST COMMERCIAL BANK CO., LTD.	Finance	3,466,290	3,466,290	470,631,825	12.32	10,612,748	235,316
HUA NAN FINANCIAL HOLDINGS CO., LTD.	Finance	8,105,279	16,292,064	1,388,452,271	31.00	16,292,064	3,680,898
CHANG HWA COMMERCIAL BANK LTD.	Finance	58,367	58,367	7,705,433	0.21	129,837	1,511
TAIWAN BUSINESS BANK	Finance	6,323,648	7,244,621	888,002,495	27.92	7,244,621	(2,156,117)
BANK OF OVERSEAS CHINESE	Finance	16,033	16,033	1,603,300	0.14	4,457	(6,257)
CATHAY FINANCIAL HOLDING CO., LTD.	Finance	380,395	380,395	138,181,492	1.63	4,977,297	110,861
TAIWAN NAVIGATION CO., LTD.	Shipping	211,500	211,500	27,302,096	9.27	387,690	12,939
MEGA FINANCIAL HOLDING COMPANY	Finance	474,345	474,345	227,097,584	2.06	3,719,858	239,906
TAIWAN TEA CORP.	Tea production	5,858	5,858	3,753,726	0.32	13,176	
TAIWAN TELEVISION ENTERPRISE, LTD.	TV broadcasting	155,150	155,150	40,316,161	14.37	579,343	
TAIWAN LIFE INSURANCE CO., LTD.	Life insurance	812,325	1,248,990	90,740,540	25.85	1,248,990	418,648
TAIWAN FIRE & MARINE INSURANCE CO., LTD.	Property insurance	302,549	520,798	56,111,607	21.09	520,798	125,364
TANG-ENG IRON WORKS CO., LTD.	Steel manufacturing	3,080,170	0	308,017,022	44.00	0	(568,157)
TAIWAN DEVELOPMENT & TRUST CORP.	Land development	401,270	401,270	40,127,000	13.38	103,528	
CHINA DEVELOPMENT FINANCIAL HOLDING CORP.	Finance	385,263	385,263	178,798,666	1.57	2,335,110	
KAOHSIUNG AMMONIUM SULFATE CO., LTD.	Fertilizer manufacturing	1,377,870	1,905,607	303,131,312	91.86	1,905,607	346,887
TAIWAN CHUNG HSING PAPER CORP.	Paper manufacturing	200,386	0	25,035,822	9.54	0	
TAIWAN SHIN-SHENG PRESS ENTERPRISE COMPANY	News publishing	3,550	0	355,005	0.23	0	
CHINA TRADE & DEVELOPMENT CORP.	Trade	12,501	12,501	1,250,110	1.91	22,702	
CHINA DAILY NEWS	News publishing	10,320	10,320	3,477,600	10.32	58,598	
CHINA SHIP BUILDING CORP.	Shipbuilding	44,021	44,021	4,402,106	0.40	1,277	
CENTRAL MOTION PICTURE CORP.	Movie production	30,000	30,000	8,913,458	15.16	598,271	1,800
FUHWA FINANCIAL HOLDING CO., LTD.	Finance	828,820	828,820	190,762,124	6.75	1,819,870	
TAIWAN MOTOR TRANSPORT CO., LTD.	Bus transportation	100	0	10,000	0.001	0	
INTERNATIONAL INVESTMENT TRUST CO., LTD.	Investment	20,000	20,000	4,762,959	7.74	77,970	8,573
TAI YI REAL ESTATE MANAGEMENT CO., LTD.	Construction	15,000	0	3,450,000	30.00	0	
UNITED TAIWAN BANK S.A.	Finance	125,921	125,921	146,250	10.00	128,204	
TAIWAN FOREX INC.	Finance	7,000	7,000	700,000	3.53	10,689	1,199
TAIWAN FUTURES EXCHANGE CORP.	Future trading	26,000	26,000	2,600,000	1.30	30,030	
BANKPRO E-SERVICE TECHNOLOGY CO., LTD.	Financial services	4,500	4,500	450,000	5.00	2,705	
TAIWAN ASSET MANAGEMENT CORP.	Assets Management	700,000	700,000	70,000,000	3.97	719,600	
TAIWAN FINANCIAL ASSET SERVICE CORP.	Assets management	50,000	50,000	5,000,000	2.94	50,750	
FINANCIAL INFORMATION SERVICE CO., LTD.	Financial services	65,092	65,092	6,115,000	1.53	88,729	2,207
TAIWAN COOPERATIVE BANK	Finance	23,417	23,417	1,999,040	0.09	56,393	660
FINANCIAL eSOLUTION CO., LTD.	Financial services	10,000	10,000	1,000,000	8.33	11,590	
BANK OF TAIWAN (EUROPE) N.V.	Finance	560,000	779,889	40,000	100.00	779,889	1,339
Total		35,443,586	42,552,549			70,824,657	2,907,317

Notes: 1. Value of shares of companies listed on the TSE or OTC markets calculated at average closing price in December 2002.
2. Value of unlisted companies is calculated at net value at end of November 2002.
3. For shareholdings that reach 20%, assessment is based on the equity method.

VII. Risk Management

In response to the New Basel Capital Accord announced by the Bank for International Settlements, the BOT has set up a BIS task force to study the contents of the new accord and its auxiliary documents, and sends its personnel to participate in the study activities of the Bankers Association's BIS task force in order to make sound preparations to meet BIS requirements and upgrade the Bank's risk management capability.

The measures that the Bank has adopted to reinforce its risk management in recent years include the review and revision of loan criteria, rules for the delegation of layered authority for loan applications, risk control regulations for loans to business groups and risk ratios for different industries, and the establishment of a "Liquidity and Interest Rate Risk Management Policy," "Liquidity Risk Management Criteria," "Quota Management Criteria for Country Risk," "Operating Criteria for Trading in Derivative Financial Products," and "Criteria for the Layered Delegation of Authority for the Review of International Financial Operations." These regulations set standards for position quotas and delegation of authority quotas, and call for the strict implementation of the regular assessment and internal auditing mechanisms in order to control potential risk within the established limits.

1. Concentration of Credit Risk

Unit: NT\$1,000; %

	Dec. 31, 2002	Dec. 31, 2001
Amount of Loans to Materially Related Parties	18,745,379	21,032,036
Ratio of Loans to Materially Related Parties	1.54	1.56
Ratio of Loans Secured by Stocks	0.05	0.06
Concentration of Loans by Industry	%	%
1. Agriculture, Forestry, Fishing and Animal Husbandry	0.09	0.08
2. Mining and Quarrying	0.04	0.03
3. Manufacturing	13.86	13.60
4. Electricity, Gas and Water	1.43	1.91
5. Construction	1.32	1.23
6. Trade	2.70	2.31
7. Accommodation and Eating-Drinking Places	0.25	0.20
8. Transportation, Storage and Communication	4.68	3.14
9. Finance and Insurance	0.06	0.02
10. Real Estate and Rental and Leasing	0.59	0.57
11. Services	0.94	1.20
12. Government Agencies	48.98	50.66
13. Private Persons	23.88	20.43
14. Others	1.18	4.62
Total	100.00	100.00

2. Asset Quality

Unit: NT\$1,000; %

	Dec. 31, 2002	Dec. 31, 2001
Non-performing Loans (including Loans for Collection)	34,412,960	47,551,108
Loans for Collection	34,409,483	46,163,721
NPL Ratio	2.90	3.59
Loans Subject to Observation	8,427,371	12,557,893
Loans Subject to Observation in Proportion to Total Amount of Outstanding Loans	0.71	0.95
Book Loan and Loan for Collection Reserves	11,687,596	20,483,300

3. Market Risk Sensitivity

Unit: %

	Dec. 31, 2002	Dec. 31, 2001
Ratio of Interest Rate-Sensitive Assets to Liabilities	62.05	57.06
Ratio of Interest Rate-Sensitive Gap to Net Worth	286.30	299.29

Notes: 1. Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets divided by interest rate-sensitive liabilities (referring to assets and liabilities sensitive to New Taiwan Dollar interest rates during the year)
2. Interest rate-sensitive gap = Interest rate-sensitive assets — Interest rate-sensitive liabilities

4. Assets and Liabilities Maturity Analysis

Dec. 31, 2002

Unit: NT\$1,000

	Total	Amounts by Time Remaining Before Maturity				
		0-30 days	31-90 days	91-180 days	181 days-one year	Over one year
Assets	2,138,309,000	313,542,000	188,945,000	215,986,000	213,054,000	1,206,782,000
Liabilities	2,141,779,000	436,768,000	211,690,000	259,549,000	523,197,000	710,575,000
Gap	3,470,000	123,226,000	22,745,000	43,563,000	310,143,000	-496,207,000
Accumulated Gap		123,226,000	145,971,000	189,534,000	499,677,000	3,470,000

5.Derivatives Trading

The nominal amount of dealing in foreign currency derivative financial products in 2002 amounted to US\$1,411 million, and such dealing in NT dollar derivatives totaled NT\$144,273 million. For further information, please refer to Note 20 to Financial Statements.

VIII. Major Contracts

(None)

IX. Court Cases Pending

The BOT has been involved in no important court cases or administrative disputes with a potentially major influence on the interests of depositors or shareholders during the most recent two years.

The image is a conceptual composition. In the upper left, a small, dark, textured globe with visible grid lines sits on a light-colored surface. A film strip with black sprocket holes curves from the bottom left towards the right. A rectangular frame is superimposed on the film strip, showing a close-up of a traditional Chinese abacus with golden beads. The background is a light, hazy blue with faint, overlapping patterns of a grid and a globe. A teal rectangular box with white text is positioned in the center-right.

Operating and Fund Utilization Plans

I. Operating Plans for 2003

Business plans for this year have been set in accordance with plans approved by the Ministry of Finance, with reference to business performance in previous years, current operating conditions, and future development trends. The budgeted volume for major areas of business items are given below:

1. Deposits: The average amount of total deposits in the Bank is projected at NT\$1,860,627 million, an increase of NT\$51,528 million over the budgeted amount for the previous year.
2. Loans: The average amount of loans outstanding during this year is projected at NT\$1,410,000 million, a decrease of NT\$16,000 million over the previous year.
3. Guarantees: The total amount of guarantees undertaken during this year is projected to be NT\$51,688 million, for an increase of NT\$21,395 million over the previous year.
4. Foreign exchange: The volume of foreign exchange transactions undertaken during this year is projected at US\$39,000 million, down US\$2,717 million from the budget for the previous year.
5. Securities brokerage: The amount of securities brokerage business undertaken during the year is projected at NT\$50,000 million, for an increase of NT\$10,000 million over the previous year.

II. Real Estate Disposition and Procurement, and Long-term Investment Plans for 2003

1. Real Estate Disposition and Procurement Plans

To upgrade the utilization rate of Bank of Taiwan real estate and expedite the disposition of its real property, the Bank screened out 55 plots of land at 23 locations in Taipei with a book value of NT\$4,645.26 million, as well as 14 structures with a book value of NT\$5.02 million, giving a total value of NT\$4,650.28 million of property for sale. Budget procedures require the sale to be reported to the Ministry of Finance for approval and then for the property to be sold first and budget entries to be made later, with the estimation of selling price and the execution matters related to open bidding in accordance with the stipulated procedures.

2. Long-term Investment Plans

The Bank will move to lower the ratio of equity investment to paid-in capital and heighten the overall performance of investment by planning actively for the disposition of securities that have a poor performance, the investment goal of that have been achieved, or that are not related to the Bank's business. The sale of all shareholding in nine invested enterprises, and of partial shareholding in 11 invested enterprises, is projected for 2003.

III. Research and Development

1. Research and Development Spending

R&D spending during 2001 amounted to NT\$13 million and spending for 2002 totaled NT\$12 million.

2. Results of Research and Development

The Bank has set up a committee for the implementation of business R&D, and has formulated incentive measures for R&D in new types of business, in order to stimulate business innovation and arouse the full potential of BOT employees. A total of 28 innovations were proposed throughout the Bank in 2002; with the exception of package forex products, which have already been introduced, the factoring and single investment portfolio accounts businesses will soon be inaugurated. Products that are currently being planned include the issuance of mutual funds through strategic alliances, asset securitization products, and forfaiting.

Other R&D results achieved in 2002 include the following:

- (1) Publication of 13 reports on domestic and overseas developments in major industries, with contents including the results of surveys and industry developments for domestic industrial performance.
- (2) Publication of two volumes of "Recent Conditions Regarding Country Risk Ratings of Different Countries and Movements of Major Economic and Financial Indexes" to give the Bank's forex units and the Offshore Banking Unit an appropriate grasp of Country risk for use as a reference in their business operations.

(3)Monthly publication of the "Domestic Economic and Financial Conditions," "International Economic and Financial Conditions," and "Changes in Major Business and Structural Ratios of Domestic Financial Institutions," assessing interest rate and foreign exchange rate movements and analyzing changes in the market shares of financial institutions in major businesses as well as changes in their structural ratios for use as a reference by the Bank in the making of decisions regarding loan extension, marketing strategies, and the development of new financial products.



(4)Publication of four issues of the Quarterly Review of the Bank of Taiwan and 12 issues of the Taiwan Economic and Financial Monthly for use as a reference by the banking industry as well as domestic and foreign academics.

(5)Compilation of the following eight special reports: "Taiwan's Connector Industry," "Taiwan's Biotechnology Services Industry," "The Influence of the Emergence of Nanotechnology on Taiwan's Industries," "Prospects for the TFT-LCD Industry," "Current Status and Future Prospects of Taiwan's Medical Equipment Industry," "Impact of the Enron Case on the Banking Industry," and "Analysis of Global Bank Ranking Statistics."

(6)Research projects carried out by BOT employees on their own initiative this year include "Influence of the WTO Entry of Both Sides of the Taiwan Straits on Taiwan and mainland China," "Integration of Traditional and New Financial Businesses-Focus on Foreign Currency Deposits," and 14 others, all of which focused on the BOT's business renewal and development, or on topics related to the financial industry.

(7)BOT employees who went on study trips overseas submitted 16 reports, including "Establishment of a Financial Model for Planned Financing" and "Participation in the 2002 GARP Operating Risk Seminar."

3. Future R&D Plans

Over the past years the BOT has always emphasized and encouraged R&D, and in the future it will continue to carry out analysis of major business areas, implement the employee suggestion program, carry out the self-research system, and submit reports from overseas study trips. Twenty-four self-initiated research reports are to be completed in 2003, including "The Factoring," "Disposition of Real Estate by the BOT," and "Digital Marketing of e-Banking Products"; of these research reports, five are listed for monitoring by the Ministry of Finance: "Application to Risk Management by Banks of Risk Value (VaR) Under the New Basel Agreement," "A Study of the Development of Private Banking in Taiwan," "The Clearing Up of Non-Performing Loans by Banks Through the Asset Management Company Mechanism," "Planning and Establishment of Integrated Online Corporate Financing Services," and "The Development of Technology Industries and Responsive Strategies by the Financial Industry in Taiwan."

IV. Fund Utilization Plans

1. The contents, sources of funding, budget utilization, and potential results of the Bank's plans for business expansion, acquisition of other financial institutions or long-term reinvestment in other companies, and expansion or construction of fixed assets during this fiscal year are as follows:

Construction, improvement, and expansion plans for fixed assets for 2003 include NT\$83 million for housing and buildings, NT\$378 million for machinery and equipment, NT\$80 million for transportation and shipping equipment, NT\$63 million for miscellaneous expenditures, and NT\$46 million for leasehold improvements. The total amount of capital expenditures for the plan is NT\$650 million, which will be financed by operating capital.

2. Previous capital increase via cash injection, financial debenture issuances, and uncompleted previous capital increases via cash injection or the issuance of financial debentures, and unrealized results of capital utilization plans for the most recent two years.

(None)

The image is a conceptual composition. In the upper left, a small, dark, textured globe sits on a light-colored surface. A film strip, with its characteristic sprocket holes, curves from the bottom left towards the right side of the frame. Scattered across the background are various international banknotes, including US dollars, Japanese yen, and Chinese yuan. The entire scene is set against a light, neutral background with a soft, warm glow.

Financial Status

I. Balance Sheets and Income Statements for Past Five Years

Five-Year Balance Sheets

Unit: NT\$1,000

Items	FY2002	FY2001	Latter-half 1999 &FY2000	FY1999	FY1998
Assets					
Liquid assets	1,011,358,572	867,165,387	705,801,122	551,257,901	409,107,500
Bills purchased & discounts and loans	1,139,934,122	1,267,162,160	1,343,582,727	1,314,402,694	1,248,469,231
Long-term fund investments and receivables	80,804,299	86,163,846	81,546,740	79,639,142	69,539,518
Fixed assets	52,896,415	52,569,218	52,083,948	50,994,201	49,457,037
Intangibles and other assets	36,456,869	44,498,330	36,693,789	28,698,240	26,740,920
Total assets	2,321,450,277	2,317,558,941	2,219,708,326	2,024,992,178	1,803,314,206
Liabilities					
Liquid liabilities	189,756,312	188,858,215	197,272,128	201,488,345	230,497,176
Deposits accepted,remittances and bank bonds payable	1,931,276,252	1,916,180,389	1,817,235,953	1,631,828,769	1,381,654,620
Financing from Central Bank and other banks	10,035,819	9,765,523	10,330,894	6,518,533	9,027,584
Long-term debt	6,690,946	7,110,715	8,093,806	7,368,215	6,798,797
Other liabilities	1,964,796	1,927,377	1,819,933	2,024,952	4,325,895
Total liabilities	2,139,724,125	2,123,842,217	2,034,752,714	1,849,228,814	1,632,304,072
Stockholders' equity					
Capital	48,000,000	32,000,000	32,000,000	32,000,000	22,000,000
Capital surplus and retained earnings	133,301,838	161,618,473	152,779,103	143,584,860	148,681,699
Equity adjustment	424,314	98,249	176,509	178,504	328,435
Total stockholders' equity	181,726,152	198,716,722	184,955,612	175,763,364	171,010,134
Total liabilities & stockholders' equity	2,321,450,277	2,317,558,941	2,219,708,326	2,024,992,178	1,803,314,206

Notes:1. For the periods FY1998 through FY2000, all figures are approved by the Ministry of Audit; figures for FY2001 are pre-profit distribution figures readjusted by the CPA in accordance with figures approved by the Ministry of Audit ; figures for FY2002 are CPA approved.
2. From FY1998 to FY 1999, a fiscal year system for accounting periods is used. The accounting year begins on July 1st ending the next June 30th.
3. In line with regulations mandated by the revised Budget Law, requiring a change from fiscal to calendar year accounting periods, the combined latter half of 1999 and FY2000 period above has an accounting period beginning July 1, 1999 and ending December 31, 2000.

Five-Year Income Statements

Unit: NT\$1,000

Items	FY2002	FY2001	Latter-half 1999 &FY2000	FY1999	FY1998
Revenues					
Operating revenues	89,739,166	123,322,795	192,414,753	123,547,626	141,844,033
Non-operating income	662,547	748,427	522,299	362,302	570,528
Total revenues	90,401,713	124,071,222	192,937,052	123,909,928	142,414,561
Expenses					
Operating costs	70,418,670	96,782,631	151,580,228	93,480,464	83,590,247
Operating expenses	14,617,383	15,025,663	22,224,563	17,144,381	15,804,551
Non-operating expenses	581,300	926,885	2,243,597	486,452	422,918
Income tax expense	3,679,298	2,483,452	2,381,703	2,646,069	2,291,602
Total expenses	89,296,651	115,218,631	178,430,091	113,757,366	102,109,318
Net income (Net loss-)	1,105,062	8,852,591	14,506,961	10,152,562	40,305,243

Note : Same as the above table.

II. Financial Ratios for Past Five Years

Items		Five-year Financial Analysis				
		FY2002	FY2001	Latter-half 1999 & FY2000	FY1999	FY1998
Financial Structure	Ratio of Liabilities to Assets(%)	92.17	91.64	91.67	91.32	90.57
	Ratio of Deposits to Net Worth(%)	1,061.93	988.95	978.62	924.49	803.10
	Ratio of Fixed Assets to Net Worth(%)	29.11	27.14	28.16	29.01	28.92
Solvency	Liquidity Ratio (%)	532.98	459.16	357.78	273.59	177.49
	Liquidity Reserve Ratio (%)	48.22	36.70	28.56	18.21	10.00
Operating Ability	Ratio of Deposits to Loans(%)	62.73	72.06	76.97	84.84	89.12
	Non-performing Loan Ratio(%)	2.99	3.72	2.74	2.11	1.88
	Ratio of Interest Costs to Annual Average Amount of Deposits(%)	2.72	4.14	4.79	5.32	5.31
	Ratio of Interest Income to Annual Average Loans Outstanding(%)	5.16	6.57	7.36	7.71	7.66
	Total Assets Turnover (times)	0.04	0.05	0.06	0.06	0.08
	Average Operating Revenue per Employee(NT\$1,000)	12,586	16,947	17,848	17,916	20,383
	Average Profit per Employee(NT\$1,000)	155	1,217	1,346	1,472	5,792
Profitability	Return on Assets(%)	0.05	0.39	0.46	0.53	2.27
	Return on Shareholders' Equity(%)	0.59	4.68	5.36	5.86	24.28
	Ratio to Paid-in Capital(%)	Operating Income(%)	40.25	82.94	38.77	40.38
		Income before Income Tax(%)	9.97	35.43	35.18	40.00
	Net Income Ratio (%)	1.23	7.18	7.54	8.22	28.42
	Earnings per Share(NT\$1)	-	-	-	-	-
Cash Flow	Cash Flow Ratio (%)	3.82	-0.90	16.90	-7.28	9.88
	Cash Flow Adequacy Ratio (%)	94.83	-26.93	73.46	24.77	95.27
	Cash Reinvestment Ratio(%)	0.07	-0.79	4.39	-3.88	-2.40

Items	2002	2001	2000	1999	1998
	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
BIS Ratio of Capital to Risk-based Assets	15.56	16.33	16.09	18.92	25.10
Ratio of Loans to Parties with Material Relationship with the Bank to Total Loans(%)	1.45	1.45	1.53	1.50	1.67

Notes: Formulae used in calculations:

(1) Financial structure

- a. Ratio of liabilities to assets = Liabilities/Assets
- b. Ratio of deposits to net worth = Deposits/Net Worth
- c. Ratio of fixed assets to net worth = Fixed Assets/Net Worth

(2) Solvency

- a. Liquidity ratio = Liquid Assets/Liquid Liabilities
- b. Liquidity reserves ratio = Central Bank -stipulated liquid assets/Reserves appropriated for various types of deposits

(3) Operating ability

- a. Deposit to loan ratio = Annual average loans outstanding/Annual average deposits
- b. Non-performing loan ratio = (Loans for collection + Non-performing loans)/Total loans outstanding
- c. Ratio of interest costs to annual average amount of deposits = Interest expenditures related to deposits/Annual average amount of deposits
- d. Ratio of interest income to annual average loans outstanding = Interest income related to loans/Annual average amount of loans outstanding
- e. Ratio of turnover of total assets = Operating Income/Average Total Assets
- f. Average operating revenues per employee = Operating Revenues/Annual average total number of employees
- g. Average profit per employee = Net Income/Total number of employees at year-end

(4) Profitability

- a. Return on assets = Net Income/Average Total Assets
- b. Return on shareholders' equity = Net Income/Average net shareholders' equity
- c. Ratio of operating income to paid-in capital = Operating Income/Paid-in capital
- d. Ratio of before-tax net income to paid-in capital = Income before income tax/Paid-in capital
- e. Net income ratio = Net Income/Total Operating Revenues
- f. Earnings per share = Income before income tax/Weighted average number of shares issued

(5) Cash flow

- a. Cash flow ratio = Net cash flow for business activities/Liquid Liabilities
- b. Cash flow adequacy ratio = Net cash flow for business activities during most recent fiscal year / Most recent fiscal year (Capital spending + Cash dividend)
- c. Cash reinvestment ratio = (Net cash flow for business activities - Cash dividend) / (Gross value of fixed assets + Long-term investments + Other assets + Operating capital)

(6) Capital adequacy ratio (BIS)

Ratio of capital to risk-based assets = Net capital/Total risk-based assets

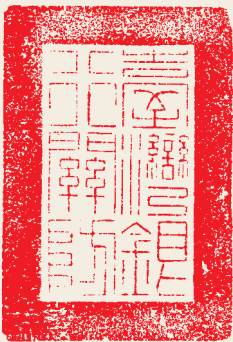
III. Net Worth, Earnings, Dividends, and Market Value Per Share for Most Recent Two Years

(None)

IV. Supervisors' Report on Financial Statements for Most Recent Years

Supervisors' Report

We hereby certify that the Bank of Taiwan's Panel of Supervisors have examined, at their 182nd meeting on Apr. 29, 2003, the Balance Sheets, Statements of Income, Statements of Changes in Shareholders' Equity, and Statements of Cash Flows of the Bank of Taiwan for fiscal year 2002 (Jan. 1, 2002 — Dec.31, 2002) as submitted by the Bank's Board of Directors and audited and certified by Yen-ling Fang and David Ding, CPAs of KPMG, and have found no discrepancies.



Supervisors: Chan-Jane Lin

Fu-Deng Hsieh

Tzer-Ming Chu

V. Financial Statements for Past Year



KPMG Certified Public Accountants

Independent Auditors' Report

The Board of Directors
Bank of Taiwan

We have audited the accompanying balance sheets of Bank of Taiwan (the Bank) as of December 31, 2002 and 2001, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the investee companies, which are long-term investments accounted for under the equity method. The Company's investments in these companies on December 31, 2002 and 2001, were NT (thousand) \$27,991,969 and \$26,347,360, respectively, which was 1.21% and 1.14%, respectively, of total assets, and the gain on long-term equity investment was NT (thousand) \$1,868,036 and \$4,679,012 for the years 2002 and 2001, which was 39.04% and 41.28%, respectively, of income before income tax. Other auditors, whose reports have been furnished to us, audited the financial statement of these companies, and our opinion, insofar as it relates to the amounts included for these companies, is based solely on the reports of the other auditors.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank of Taiwan as of December 31, 2002 and 2001, and the results of its operations and cash flows for the years then ended, in conformity with the related laws and generally accepted accounting principles of the Republic of China.

As stated in note 25, in accordance with Ministry of Audit Ruling Tai-Sun-No. 910992 issued on June 6, 2002, we were directed to modify and restate the financial statements as of December 31, 2001.

KPMG

March 30, 2003

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



KPMG Certified Public Accountants, a CPA firm organized under the ROC CPA Law, is a member of KPMG International, a Swiss association.

Balance Sheets

December 31, 2002 and 2001

	2002	2001
	Amount	Amount
Assets		
Cash (notes 3 and 25)	\$ 252,544,208	191,685,586
Due from banks (notes 3 and 21)	97,922,338	140,433,420
Due from Central Bank (notes 3 and 4)	288,622,270	188,120,078
Marketable securities, net (notes 3, 5, 16 and 22)	260,028,155	235,211,252
Account receivables, net (notes 6, 7, 19 and 25)	44,715,294	48,930,363
Prepaid expenses (note 25)	8,047,295	11,017,749
Temporary advances	59,479,012	51,766,939
Loans, discounts and bills purchased, net (notes 7, 20, 21 and 25)	1,139,934,122	1,267,162,160
Long-term investments (notes 8 and 25)		
Long-term equity investments	42,552,549	40,831,824
Investments in real estate, net	38,251,750	45,332,022
Fixed assets, net (notes 9, 15, 18 and 25)		
Costs:		
Land (appreciation from revaluation included)	42,633,576	42,580,144
Buildings and structures	9,434,698	9,105,631
Machinery and equipment	3,617,529	3,201,682
Transportation equipment	891,087	841,708
Miscellaneous equipment	740,152	715,497
Leasehold improvement	287,180	230,270
Cost and appreciation from revaluation	57,604,222	56,674,932
Less: accumulated depreciation	(5,748,002)	(5,161,212)
Construction in progress	1,040,195	1,055,498
Fixed assets, net	52,896,415	52,569,218
Intangible assets (note 25)	212,558	47,548
Other assets (notes 7, 10, 17, 19, 21 and 25)	36,244,311	44,450,782
Total assets	\$ 2,321,450,277	2,317,558,941

	(expressed in thousands of New Taiwan dollars)	
	2002	2001
	Amount	Amount
Liabilities and Stockholders' Equity		
Due to Central Bank	\$ 15,750,047	7,165,522
Due to banks (notes 11, 21 and 25)	117,599,098	119,471,511
Bonds sold under agreements to repurchase	3,320,796	3,342,659
Accounts payable (notes 13, 19 and 25)	50,677,651	57,658,823
Advance collections (note 25)	2,048,720	1,219,700
Deposits accepted and remittances (notes 14, 21 and 25)	1,931,276,252	1,916,180,389
Financing from Central Bank and other banks (note 12)	10,035,819	9,765,523
Long-term debt (notes 9, 15, 17 and 25)	6,690,946	7,110,715
Other liabilities (notes 16, 17 and 25)	1,964,796	1,927,377
Total liabilities	<u>2,139,724,125</u>	<u>2,123,842,219</u>
Stockholders' equity (notes 18 and 25):		
Capital	48,000,000	32,000,000
Capital surplus (note 8)	60,432,181	77,894,524
Retained earnings:		
Legal reserve	39,176,307	41,336,263
Special reserve	27,281,178	31,387,815
Unappropriated retained earnings	6,412,172	10,999,871
	<u>72,869,657</u>	<u>83,723,949</u>
Accumulated translation adjustments (notes 8 and 25)	445,841	170,113
Unrealized loss on market decline of long-term equity investments (notes 8 and 25)	(21,527)	(71,864)
Total stockholders' equity	<u>181,726,152</u>	<u>193,716,722</u>
Commitments and contingent liabilities (notes 5 and 23)		
Total liabilities and stockholders' equity	<u><u>\$ 2,321,450,277</u></u>	<u><u>2,317,558,941</u></u>

See accompanying notes to financial statements.

Statements of Income

For the years ended December 31, 2002 and 2001

(expressed in thousands of New Taiwan dollars)

	2002	2001
	Amount	Amount
Operating revenues:		
Interest income (notes 21 and 25)	\$ 74,212,200	100,948,990
Service income	1,683,970	1,940,446
Gain on sale of marketable securities, net	-	254,273
Gain on increases in fair market value of marketable securities (note 25)	1,946,422	1,727,502
Brokerage and underwriting income	75,057	68,079
Gain on sale of marketable securities, net (note 25)	8,009,912	11,139,202
Gain on long-term equity investments, net (notes 8 and 25)	2,907,317	6,227,595
Foreign exchange gain, net (note 20)	772,421	858,217
Other operating revenues (note 25)	131,867	158,491
Total operating revenues	89,739,166	123,322,795
Operating costs:		
Interest expenses (note 21)	54,845,163	81,254,186
Service charges	361,084	522,665
Loss on sale of marketable securities, net	292	-
Brokerage and underwriting charge	10,026	8,693
Loss on investments in real estate, net	115,384	130,092
Provisions (note 25)	15,060,498	14,843,315
Cash transmitted fee	19,097	16,700
Other operating costs (note 25)	7,126	6,980
Total operating costs	70,418,670	96,782,631
Gross operating profits	19,320,496	26,540,164
Operating expenses (notes 21 and 25)		
Business expenses	13,782,562	14,157,750
Administrative expenses	770,932	805,861
Other operating expenses	63,889	62,052
Total operating expenses	14,617,383	15,025,663
Operating income	4,703,113	11,514,501
Non-operating income	662,547	748,427
Non-operating expenses (note 25)	581,300	926,885
Income before income tax	4,784,360	11,336,043
Income tax expense (notes 19 and 25)	3,679,298	2,483,452
Net income	\$ 1,105,062	8,852,591

See accompanying notes to financial statements.

Statements of Cash Flows

For the years ended December 31, 2002 and 2001

(expressed in thousands of New Taiwan dollars)

	2002	2001
Cash flows from operating activities:		
Net income	\$ 1,105,062	8,852,591
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	729,327	719,346
Amortization	21,848	11,870
Provision for allowance for doubtful accounts	15,045,504	14,816,617
Change in allowance for decline in fair market value of marketable securities	(1,859,104)	(1,933,038)
Depreciation of investments in real estate	5,739	8,598
Provision for various reserves	1,964	8,914
Loss (gain) on sale and disposal of fixed assets	72,089	(353,455)
Investment gain from equity investment exceeding cash dividend received	(1,403,832)	(3,454,307)
Gain on sale of long-term investment	25,430	-
Other noncash losses	2,090	356
Unpaid pension cost recognized	152,262	-
Decrease in account receivables	1,742,792	2,645,338
Decrease (increase) in deferred tax assets, net	2,168,838	(3,264,205)
Increase in prepaid expenses and temporary advances	(4,744,170)	(10,022,726)
Decrease in bonds sold under agreements to repurchase	(21,863)	(1,166,332)
Decrease in accounts payable	(6,981,172)	(8,024,208)
Increase (decrease) in advance collections	1,189,020	(551,274)
Net cash provided by (used in) operating activities	<u>7,251,824</u>	<u>(1,705,915)</u>
Cash flow from investing activities:		
Increase in due from Central Bank	(87,931,879)	(76,456,806)
Increase in marketable securities, net	(47,177,074)	(21,395,009)
Decrease in bills purchased, discounts and loans	129,078,282	77,095,559
Proceeds from sale of long-term equity investments	61,149	-
Increase in long-term equity investments	(82,373)	(770,640)
Proceeds from sale of fixed assets and other assets	30,141	539,637
Increase in non-operating equipment	(3,099)	(10,179)
Increase in fixed assets	(1,073,028)	(1,227,015)
Increase in intangible assets	(179,936)	(42,187)
Increase in other assets	(12,704,462)	(19,557,069)
Net cash used in investing activities	<u>(19,982,279)</u>	<u>(41,823,709)</u>
Cash flow from financing activities:		
Increase (decrease) in Due to Central Bank	8,584,525	(9,781,440)
Increase (decrease) in due to banks	(1,872,414)	6,758,384
Increase in deposits accepted and remittances	15,095,863	98,944,544
Increase (decrease) in financing from Central Bank and other banks	270,296	(565,371)
Decrease in long-term debt	(578,752)	(1,121,505)
Increase in other liabilities	35,456	94,390
Payment of cash dividend and bonus, net	(6,573,079)	(5,108,271)
Net cash flow provided by financing activities	<u>14,961,895</u>	<u>89,220,731</u>
Effect on exchange rate changes	<u>148,322</u>	<u>2,208</u>
Net increase in cash and cash equivalents	<u>2,379,762</u>	<u>45,693,315</u>
Cash and cash equivalents, beginning of year	<u>483,306,775</u>	<u>437,613,460</u>
Cash and cash equivalents, end of year (notes 4 and 25)	<u>\$ 485,686,537</u>	<u>483,306,775</u>
Supplemental information on cash flow:		
Interest paid	<u>\$ 59,631,608</u>	<u>88,269,375</u>
Income tax paid	<u>\$ 1,768,835</u>	<u>3,641,386</u>
Investing and financing activities not affecting cash flow:		
Unrealized loss on market decline of long-term equity investments	<u>\$ 50,337</u>	<u>71,864</u>
Accumulated translation adjustments	<u>\$ 275,728</u>	<u>(6,396)</u>
Capitalization of retained earnings	<u>\$ 16,000,000</u>	<u>-</u>

See accompanying notes to financial statements.

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2002 and 2001

	Common stock	Capital surplus
Balance on January 1, 2001	\$32,000,000	77,892,942
Appropriation of retained earnings (notes 18 and 25)		
Legal reserve	–	–
Special reserve	–	–
Cash dividend and bonus	–	–
Net income for the year ended December 31, 2001	–	–
Gain on sale of property and equipment transferred to capital surplus	–	14,804
Adjustment of capital surplus from long-term equity investment (notes 8 and 25)	–	(13,222)
Accumulated translation adjustments (notes 8 and 25)	–	–
Unrealized loss on market decline of long-term equity investments (notes 8 and 25)	–	–
Balance on December 31, 2001	32,000,000	77,894,524
Appropriation of retained earnings (note 18):		
Legal reserve	–	–
Special reserve	–	–
Cash dividends and bonus	–	–
Capitalization of retained earnings	16,000,000	–
Gain on sale of property and equipment of prior year transferred to retained earnings	–	(10,614,220)
Net income for the year ended December 31, 2002	–	–
Adjustment of capital surplus from long-term equity investment (note 8)	–	143,357
Accumulated translation adjustments (note 8)	–	–
Unrealized loss on market decline of long-term equity investments (note 8)	–	–
Land transferred to the National Property Bureau and write-off revaluation appreciation (note 18)	–	(6,991,480)
Balance on December 31, 2002	\$ 48,000,000	60,432,181

(expressed in thousands of New Taiwan dollars)

Retained earnings			Accumulated translation adjustments	Unrealized loss on market decline of long- term equity investments	Total
Legal reserve	Special reserve	Unappropriated retained earnings			
36,988,616	28,491,727	14,731,735	176,509	–	190,281,529
4,347,647	–	(4,347,647)	–	–	–
–	2,896,088	(2,896,088)	–	–	–
–	–	(5,325,916)	–	–	(5,325,916)
–	–	8,852,591	–	–	8,852,591
–	–	(14,804)	–	–	–
–	–	–	–	–	(13,222)
–	–	–	(6,396)	–	(6,396)
–	–	–	–	(71,864)	(71,864)
41,336,263	31,387,815	10,999,871	170,113	(71,864)	193,716,722
2,655,778	–	(2,655,778)	–	–	–
–	1,770,519	(1,770,519)	–	–	–
–	–	(6,573,574)	–	–	(6,573,574)
(8,000,000)	(8,000,000)	–	–	–	–
3,184,266	2,122,844	5,307,110	–	–	–
–	–	1,105,062	–	–	1,105,062
–	–	–	–	–	143,357
–	–	–	275,728	–	275,728
–	–	–	–	50,337	50,337
–	–	–	–	–	(6,991,480)
39,176,307	27,281,178	6,412,172	445,841	(21,527)	181,726,152

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2002 and 2001

(All amounts expressed in thousands of New Taiwan dollars unless otherwise specified)

(1) History & Business Scope

The Bank of Taiwan (the Bank) was established on May 20, 1946, as the first government-owned bank following the island's restoration to the Republic of China in 1945. It has now been operating for 56 years, much of the time under the administration of the Taiwan Provincial Government. Following the phaseout of the Taiwan Provincial Government on Dec. 21, 1998, the Bank was subsequently directed by the central government of the Republic of China and placed under the administration of the Ministry of Finance, in accordance with the regulations on government-owned financial institutions.

The Bank's headquarters is responsible for all business activities, and the Bank has established domestic and worldwide branch offices for expansion of various banking services. As of December 31, 2002, in addition to 24 departments and offices at the Bank's headquarters, there were 130 domestic branches, 1 offshore banking branch, and 7 overseas branches.

(2) Summary of Significant Accounting Policies

(a) General accounting policies

The Bank of Taiwan is a government-owned enterprise, and its accounting system is based primarily on the Budget Law, the Account Settlement Law, and the Uniform Regulations of Accounting System for Banks and Other Financial Institutions as approved by the Directorate General of Budget, Accounting and Statistics, Executive Yuan. Annual financial statements prepared by the Bank are examined and confirmed by the Legislative Yuan after being inspected and audited by the Ministry of Finance and the audit authority.

As of December 31, 2001, the financial statements of 2001 had been approved by Ministry of Audit, and the beginning balances in 2002 were the same as the approved closing balances in 2001.

(b) Basis of financial statements

The financial statements include accounts of the headquarters, domestic branches, overseas branches, and overseas representative offices. All inter-office account balances and transactions have been eliminated while consolidating the financial statements.

(c) Cash and cash equivalents

The Bank considers cash, due from banks, deposits with the Central Bank of China (CBC) (excluding deposit reserve-demand account), and marketable securities with a maturity of three months or less to be cash equivalents.

(d) Revenue recognition

Revenue is recognized when realized or realizable; related costs and expenses are recorded when revenue is recognized.

(e) Foreign currency transactions

Foreign currency transactions are recorded in corresponding currencies. For income and expenses of domestic branches, the bank translates those accounts into New Taiwan dollars as transactions occur. For overseas branches, if income and expense are not denominated in local currencies, such accounts are translated at the prevailing rate of the local market and recognized accordingly. For domestic branches, accounts will be translated to New Taiwan dollars at the month-end rate announced by the Central Bank (CBC closing rates). If assets and liabilities of overseas branches are not denominated in local currencies, accounts will first be translated into local currencies using the year-end local spot rate, then into New Taiwan dollars using the CBC closing rate at the end of the accounting period. For overseas branches, income and expenses are denominated in local currencies. If assets and liabilities are recorded in non-local currencies, the local currency journal will be made by translating using the local spot rate. Income and expenses are recorded in local currency.

(f) Deposit reserve

Deposit reserve is calculated based on the monthly average balance of the various deposit accounts, by using specific reserve ratios as promulgated by the CBC. The deposit reserve-demand account is placed with the CBC and is subject to change only when the monthly reserve requirement is adjusted.

(g) Trust business

As required by the Banking Law and the Rules Governing Trust and Investment Companies and for the purpose of internal management, the Bank maintains separate accounts and prepares separate sets of financial statements for its own funds and for the funds it administers on behalf of trustors. All the entrusted assets are booked to the memo account.

(h) Marketable securities

Marketable securities, including short-term bills, listed stocks, government and corporate bonds and beneficiary certificates, held for trading or non-trading purposes are stated at cost and are evaluated by the lower-of-total-cost-or-market value method. The market prices of listed stocks are the average closing prices for the last month of the reported accounting period. Market prices for open-end mutual funds are determined by the net worth on the balance sheet date. On disposition, the cost of marketable securities sold is determined by the weighted-average method.

Bonds under resale or repurchase agreements are accounted for by the financing method. Short-term notes under such agreements are recorded by the purchase-sale method.

(i) Loans and related allowance for doubtful accounts

Credit terms are decided by the term to maturity of loans. The loan period of short-term loans is within one year, the loan period of medium-term loans is one to seven years, and the loan period of long-term loans is more than seven years. Loans with pledged assets are recorded as secured loans.

All loans are recorded initially as the actual amount lent out and reported at their outstanding principal balances net of any provisions for doubtful accounts. An allowance for doubtful accounts is determined by an evaluation of the collectibility of loans, receivables, and advance accounts. Doubtful accounts are written off when the recovery possibility is remote.

Accrued interest which is overdue by three months is categorized as delinquent accounts. Principal which is overdue over three months or interest which is overdue over six months is categorized as overdue accounts. When principal or interest has not been paid for over six months, the said principal and interest is transferred to the non-performing loans. When this occurs, interest will only be calculated and booked to the memo account accordingly.

In accordance with Bureau of Monetary Affairs, Ministry of Finance, Ruling Tai-Tsai-Rong No. 88733168, banks should provide 3% of operating revenue as allowance for bad debt with a view to writing off the default accounts from July 1, 1999, and for the following four years.

The aforementioned allowance is recognized as operating cost and charged to current operations.

(j) Long-term investment

i) Long-term equity investment

Long-term investments of less than 20% in an investee's common stock are accounted for under the cost method, except for listed or OTC stocks, which are valued at the lower of cost or market value. When the book value of listed investments exceeds the fair value, the difference is credited to allowance for long-term investment loss as a reduction of long-term equity investments, and debited to unrealized loss from long-term equity investments as a reduction of stockholders' equity; however, if a decline in the unlisted investment's value is considered irrecoverable, the investment is written down to reflect such a decline and the resulting loss is recognized in the period it occurred.

If impairment in value is other than temporary such that recovery of the carrying amount is deemed unlikely, loss on investment is recognized currently.

When an investee issues stock dividends, the stock is not recognized as revenue, but should be recorded in a notation in the investment accounts, and the cost per share and book value should be recalculated.

Long-term investments are accounted for under the equity method when the percentage of ownership exceeds 20%, or is less than 20% but the Bank has significant influence over the investee. Due to the difficulty of providing the same period's financial statements of the investee, the Bank

recognizes its investment gain or loss based on that year's income by equivalent ownership when the percentage of ownership is less than 50%. The difference between investment cost and the investee's net equity, in conformity with Financial Accounting Standards No. 5, is amortized on the straight-line basis over a period of five years.

When the equity of an investee exceeds carrying value accounted for by the equity method, the Bank recognizes the investment loss by reducing the balance of the investment to zero. But if the Bank intends to hold the stock of an investee and the investee can not make a profit in the short term, then the Bank should recognize the loss by equivalent ownership.

Upon sale of such investments, costs are computed by the weighted-average method. If the fiscal year of the investee is different from that of the Bank, investment income or loss will be recognized by equivalent ownership at the end of the accounting period of the investee company.

Financial statements of the foreign investee were calculated using the exchange rate on the balance sheet date. Except for the opening balance of retained earnings in stockholders' equity being the same as that of the prior year, the other stockholders' equity accounts are translated at historical rates. The balances in the income statement were calculated at the weighted-average exchange rate. The differences were recorded as change in cumulative foreign currency exchange translation adjustment.

ii) Real estate investments

Real estate investments are booked at acquired cost and depreciated over the average estimated useful years. If the book value exceeds the net realizable value, the difference is recorded as non-operating expenses.

(k) Fixed assets

Fixed assets are stated at acquisition cost plus a revaluation increment. Major renewals, additions and improvements are capitalized, while maintenance and repairs are expensed.

Depreciation is provided on the straight-line basis over the estimated useful lives of the respective assets. Revaluation increments are depreciated on the same basis over the remaining useful lives at the revaluation dates. When the Bank uses fixed assets beyond their estimated useful lives, the depreciation for such assets is calculated by writing off the residual value of the asset using the straight-line method over the remaining estimated useful life of the asset.

Gains or losses on the disposal of fixed assets are recorded as non-operating income or loss.

(l) Other assets-collateral and assets received

Collateral and assets received are stated at the net realizable value, the amount the Bank receives when debtors cannot meet obligations and the collaterals and residuals are auctioned off. Any discrepancy from the initial claim will be reflected as credit loss. Gains or losses on disposition are included in current earnings.

(m) Intangible assets

Intangible assets are computer software, which is amortized over a period of 5 years.

(n) Deposits by banks, deposits accepted and remittances

Deposits are recorded at the contracted principal amount or the expected maturity value. Negotiable certificates of deposit are issued at face value, and principal and accrued interest are paid on the maturity date.

(o) Reserve for losses on guarantee

The reserve for losses on guarantee is determined by evaluating the potential losses of acceptances, guarantees and letters of credit.

(p) Reserve for losses on trading securities

According to the "Rules Governing the Administration of Securities Firms" , 10% of the excess of monthly gains on trading securities over monthly losses should be set aside as a reserve until the balance of the provision equals NT\$200 million. Such reserve can only be used to offset actual losses.

(q) Reserve for default losses

According to the "Rules Governing the Administration of Securities Firms" , 0.0028% of monthly brokerage income must be provided as a reserve for defaults until the balance of the provision equals NT\$200 million. Such reserve can only be used to offset default losses or for other purposes as approved by the SFC.

(r) Reserve for accidental losses

By order of Ministry of Finance Order No. (63) Tai-tsai-chien 16677 issued on October 29, 1974, reserve for accidental losses is provided based on 2% of monthly brokerage income to cover the possible losses arising from mistakes in securities processing. The provision for accidental loss will be adjusted based on actual incurred losses.

(s) Temporary paid/received and waiting-to-be-transferred accounts

In conformity with the government policy of restructuring of fundamental financial institutions, the Bank took over 4 farming credit unions' assets and liabilities on September 4, 2001. The difference between assets and liabilities has been paid off with the reconstruction funds. As of December 31, 2002, most of the credit unions' assets and liabilities had been included in the Bank's financial statements, but some were still waiting to be reorganized. As a result, the remaining part was booked as temporary paid/received and waiting-to-be-transferred accounts.

(t) Pension

Employees' retirement, relief and severance are dealt with according to "The Regulations of Employee's Retirement, Relief and Severance for State-run Financial and Insurance Enterprises Owned by the Ministry of Finance". According to Article 41.1 of the regulations, the length of service with the Bank is calculated in accordance with the formula of benefit payments set forth in the Labor Standards Laws and contributions have been made to a fund for future pension benefits after implementation of the Labor Standards Law. The Bank contributes 3% of total monthly salaries of employees to a pension fund each month. Before implementation of the Labor Standards Law, a monthly contribution equaling 4%-8.5% of salaries had been made by the Bank as prior service cost.

All contributions made by the Bank are administered by "The Committee of Pension Fund Management and Operation", which is responsible for accumulating assets of the pension fund and for making payments to the employees when retiring. For cleaning and maintenance workers, service costs equivalent to 8% of total monthly salaries for those workers are accrued over the workers' careers based on plan benefit formulas according to Article 73 of the Labor Standards Law and "Guidelines for Contribution to and Management of Labor Pension Fund" proposed by the Executive Yuan. The workers' pension fund is deposited in a trust account with the Central Trust of China for the purpose of paying pension benefits to the workers when retiring.

(u) Income tax

"Expected" income tax expense is based on accounting income. Deferred income tax is determined based on differences between the financial statements and tax bases of assets and liabilities, using enacted tax rates in effect during the years in which the differences are expected to be reversed. The income tax effects due to taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects due to deductible temporary differences, utilization of loss carryforwards, and income tax assets is evaluated, and a valuation allowance is recognized accordingly.

Since the Bank is a government-owned enterprise, income tax should be determined by the Ministry of Audit.

(v) Financial derivatives

i) Forward contracts

Forward contracts for trading purposes with assets and liabilities denominated in foreign currency are recorded at the exchange rate specified in the contracts, and income/loss resulting from discrepancies between prevailing and contract rates is recognized at the settlement date. At year-end, for contracts yet to mature, adjustments would be made using the forward exchange rate for the remaining period, and any difference resulting thereby will be charged as current income/loss. Receivables and payables arising from forward contracts referred to above shall be offset with differences, if any, and recorded as an asset or liability.

ii) Interest swaps

Provided that there is no transfer of notional principals for trading-purpose interest swaps, only a memo entry is made upon signing of contracts. For non-trading-purpose interest swaps, the difference in interest is recorded as hedge-related interest revenue or expense adjustment.

iii) Cross currency swaps

If cross currency swaps are for hedging, principals are recorded using the forward contract exchange rate at the contracting date with discount or premium amortized through the period. Interest receivables or payables, calculated based upon the difference between contract and settlement rates in accordance with contract terms, will be classified as adjustments to the income or expense of the hedged items.

iv) Options

For option contracts, the premium collected from put options is recognized as advance receipts, and the premium paid for call options is recognized as prepaid expenses. The values of the option contracts are evaluated every month according to the market prices, and the differences are recognized as current period revenues or expenses.

v) Asset-backed swaps

Convertible bonds are the underlying assets of non-trading asset-backed swaps. The Bank swaps fixed interest rates and differences in the redemption value of the bonds for floating rates with counterparties. Interest computed by floating rates is reported as interest revenue.

(w) Significant commitments and contingencies

If loss from commitments and contingencies is considered highly likely and the amount can be reasonably estimated, then the loss is recognized currently. Otherwise, commitments and contingencies are only disclosed in the notes to the financial statements.

(3) Cash

	December 31, 2002	December 31, 2001
Negotiable certificates of deposit purchased	\$237,202,682	177,973,008
Cash on hand	7,422,701	7,073,840
Foreign currency on hand	2,363,750	2,024,767
Notes and checks for clearing	5,555,075	4,613,971
	<u>\$252,544,208</u>	<u>191,685,586</u>

Balances of cash and cash equivalents were as follows:

	December 31, 2002	December 31, 2001
Cash	\$252,544,208	191,685,586
Due from banks	97,922,338	140,433,420
Due from Central Bank, including deposit A and foreign currency reserve	54,369,421	41,799,108
Short-term bills within 90 days	80,850,570	109,388,661
Total	<u>\$485,686,537</u>	<u>483,306,775</u>

(4) Due from Central Bank

	December 31, 2002	December 31, 2001
Due from Central Bank — deposit reserve B	\$ 28,414,367	26,362,261
Due from Central Bank — deposit reserve A and foreign currency reserve	54,369,421	41,799,108
Deposit transferred to Central Bank	205,838,482	119,958,709
Due from Central Bank — reserve for trust fund Compensation	50,000	50,000
Due from Central Bank — reserve for trust funds	-	1,096,000
Less: due to Central Bank — reserve for trust funds	(50,000)	(1,146,000)
	<u>\$288,622,270</u>	<u>188,120,078</u>

In compliance with the regulations, the Bank has an outstanding deposit reserve at the Central Bank. The reserve was adjusted based on the average monthly deposits at the legal reserve rate. As of December 31, 2002 and 2001, the deposit reserve at the Central Bank amounted to \$82,783,788 and \$68,161,369, respectively. Reserve B is restricted to adjusting the reserve.

In compliance with the revised "Rules Governing Adjustments to and Review of Deposits in Financial Institutions and Reserve for Other Liabilities", in December 2001 an the additional reserve for foreign currency deposit was made. As of December 31, 2002 and 2001, deposit reserve at the Central Bank amounted to \$66,793 and \$1,492,993, respectively. Its use is not restricted.

Additionally, as of December 31, 2002 and 2001, 60% of the reserve deposits collected on behalf of a government institutions amounted to \$20,672,309 and \$23,303,355, respectively, and its use is restricted according to the regulations.

In accordance with the regulations of the Bureau of Monetary Affairs, a reserve fund is provided for overseas mutual funds under the Bank's custody at the rate of 15.125%. As of December 31, 2002 and 2001, the Bank has deposited marketable securities valued at \$50,000 and \$1,146,000, respectively, in lieu of a trust fund reserve.

(5) Marketable Securities

	December 31, 2002	December 31, 2001
Commercial paper	\$ 80,763,620	109,301,143
Banker's acceptances	86,950	87,518
Treasury bills	40,258,241	19,639,500
Government bonds	102,658,072	76,141,983
Foreign securities	24,848,419	19,674,326
Bank bonds	4,628,741	1,300,000
Company bonds	100,000	100,000
Listed stocks and beneficiary certificates	7,045,291	11,187,065
Less: allowance for loss on decline in market value	(361,179)	(2,220,283)
	<u>\$260,028,155</u>	<u>235,211,252</u>

Securities with repurchase/resale agreement:

	December 31, 2002	December 31, 2001
Resale agreement:		
Commercial paper	\$ 58,760,740	64,059,672
Government bonds	10,205,198	5,886,382
Subtotal	<u>68,965,938</u>	<u>69,946,054</u>
Repurchase agreement:		
Commercial paper	3,320,797	3,342,660
Total	<u>\$ 65,645,141</u>	<u>66,603,394</u>

Detail of short-term bills maturing within 90 days were as follows:

	December 31, 2002	December 31, 2001
Banker's acceptances	\$ 86,950	87,518
Commercial paper	80,763,620	109,301,143
	<u>\$ 80,850,570</u>	<u>109,388,661</u>

(6) Account Receivables

	December 31, 2002	December 31, 2001
Account receivables	\$ 1,357,961	2,933,737
Income tax receivables	478,088	356,258
Revenue receivables	2,997,992	2,398,231
Accrued interest receivables	21,283,218	28,277,331
Acceptance note receivables	1,251,000	1,201,885
Forward contract receivables — foreign currency denominated	31,385,084	35,948,182
Forward contract payables in foreign currency	(15,556,311)	(22,355,394)
Other receivables	2,922,586	3,420,638
Subtotal	46,119,618	52,180,868
Less: allowance for doubtful accounts	(1,404,324)	(3,250,505)
Total	<u>\$ 44,715,294</u>	<u>48,930,363</u>

(7) Loans, Discounts and Bills Purchased

	December 31, 2002	December 31, 2001
Discounted	\$ 15,930	37,140
Overdrafts	55,371,672	61,966,526
Secured overdrafts	1,892,586	1,417,862
Bills purchased, export/import bills negotiation	3,503,255	3,396,362
Short-term loans	124,073,527	85,133,902
Short-term secured loans	65,043,851	78,940,613
Receivables from securities refinance	107,629	103,372
Medium-term loans	197,033,808	195,675,239
Medium-term secured loans	85,165,690	92,265,371
Long-term loans	395,007,052	522,472,234
Long-term secured loans	223,659,152	238,547,106
	1,150,874,152	1,279,955,727
Less: allowance for bad and doubtful accounts	(10,940,030)	(12,793,567)
	<u>\$1,139,934,122</u>	<u>1,267,162,160</u>

Movements of allowance for bad and doubtful accounts in years 2002 and 2001 were as follows:

	2002			
	Risk of certain uncollectable debts	Country risk	Potential risk of total debts	Total
Beginning balance	\$ 18,876,583	1,606,717	3,250,505	23,733,805
Add: provision for doubtful accounts	16,217,770	673,915	(1,846,181)	15,045,504
Credit union provision	2,316	-	-	2,316
Less: write-off	(23,293,886)	(947,241)	-	(24,241,127)
Foreign exchange translation adjustment	-	(3,293)	-	(3,293)
Ending balance	<u>\$ 11,802,783</u>	<u>1,330,098</u>	<u>1,404,324</u>	<u>14,537,205</u>

	2001			
	Risk of certain uncollectable debts	Country risk	Potential risk of total debts	Total
Beginning balance	\$ 14,542,177	2,068,179	2,761,177	19,371,533
Add: provision for doubtful accounts	14,165,765	161,524	489,328	14,816,617
Credit union provision	6,087,806	-	-	6,087,806
Less: write-off	(15,919,165)	(703,989)	-	(16,623,154)
Foreign exchange translation adjustment	-	81,003	-	81,003
Ending balance	<u>\$ 18,876,583</u>	<u>1,606,717</u>	<u>3,250,505</u>	<u>23,733,805</u>

Details of allowance for bad and doubtful debts were as follows:

	December 31, 2002	December 31, 2001
Loans and advances	\$ 10,940,030	12,793,567
Overdue loans	2,192,851	7,689,733
Receivable	1,404,324	3,250,505
Accounts	<u>\$ 14,537,205</u>	<u>23,733,805</u>

As of December 31, 2002 and 2001 the amount of loans with non-accumulating interest was \$32,639,151 and \$42,290,490 respectively, which was booked as other assets. As of December 31, 2002 and 2001, the estimation of non-accumulating interest was \$4,720,382 and \$6,221,318, respectively. As of December 31, 2002 and 2001, the Bank had not written off any loans under litigation.

For years 2002 and 2001, the amount of allowance for bad and doubtful amounts generated from 3% of operating revenue was \$2,153,506 and \$2,706,911, respectively.

(8) Long-term Investments

(a) Long-term equity investments

	2002		2001	
Name of Investee	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Equity method:				
Hua Nan Financial Holdings Co., Ltd.	31.00	\$ 16,292,064	31.00	12,861,653
Taiwan Business Bank	27.92	7,244,621	28.23	9,350,173
Taiwan Life Insurance Co., Ltd.	25.85	1,248,990	25.61	960,816
Taiwan Fire & Marine Insurance Co., Ltd.	21.09	520,798	20.95	435,286
Tang-Eng Iron Works Co., Ltd.	44.00	-	44.00	568,157
Kaohsiung Ammonium Sulfate Co., Ltd.	91.86	1,905,607	91.86	1,511,822
Tai Yi Real Estate Management Co., Ltd.	30.00	-	30.00	-
Bank of Taiwan (Europe) N.V.	100.00	779,889	100.00	659,453
		<u>27,991,969</u>		<u>26,347,360</u>
Cost method:				
China Petrochemical Development Corp.	0.75	71,931	0.75	71,931

Name of Investee	2002		2001	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Fair value as of Dec. 31, 2002 and 2001, was \$53,120 and \$31,143, respectively.				
First Commercial Bank Co., Ltd.	12.32	\$ 3,466,290	12.32	3,466,290
Fair value as of Dec. 31, 2002 and 2001, was \$10,612,748 and \$9,751,143, respectively.				
Chang Hwa Commercial Bank Ltd.	0.21	58,367	0.22	58,367
Fair value as of Dec. 31, 2002 and 2001, was \$129,873 and \$106,139, respectively.				
Bank of Overseas Chinese	0.14	16,033	0.19	22,290
Fair value as of Dec. 31, 2002 and 2001, was \$4,457 and \$6,028, respectively.				
Cathay Financial Holding Co., Ltd. (Formerly United World Chinese Commercial Bank Co., Ltd.)	1.63	380,395	5.88	380,395
Fair value as of Dec. 31, 2002 and 2001, was \$4,977,547 and \$4,578,561, respectively.				
Taiwan Navigation Co., Ltd.	9.27	211,500	9.27	211,500
Fair value as of Dec. 31, 2002 and 2001, was \$387,690 and \$239,637, respectively.				
Mega Financial Holding Company (Formerly Central Bills Finance Co., Ltd.)	2.06	474,345	11.23	474,345
Fair value as of Dec. 31, 2002 and 2001, was \$3,720,086 and \$3,150,343, respectively.				
Taiwan Tea Corp.	0.32	5,858	0.32	5,858
Fair value as of Dec. 31, 2002 and 2001, was \$13,176 and \$16,854, respectively.				
Taiwan Development & Trust Corp.	13.38	401,270	13.38	401,270
Fair value as of Dec. 31, 2002 and 2001, was \$103,327 and \$112,757, respectively.				
China Development Financial Holding Corp.	1.57	385,263	1.86	385,263
Fair value as of Dec. 31, 2002 and 2001, was \$2,334,932 and \$336,657, respectively.				

Name of Investee	2002		2001	
	Percentage of Ownership (%)	Amount	Percentage of Ownership (%)	Amount
Fuh wa Financial Holding Co., Ltd. (Formerly Fuh-Hwa Securities Finance Co., Ltd.) Fair value as of Dec. 31, 2002 and 2001, was \$1,819,489 and \$2,600,855, respectively.	6.75	\$ 828,820	12.76	828,820
		6,300,073		6,306,329
Taiwan Sugar Corp.	0.30	50,673	0.30	50,674
Taiwan Power Company	2.62	6,805,780	2.62	6,805,780
Taiwan Machinery Manufacturing Corp.	1.60	-	1.60	-
Taiwan Stock Exchange	5.01	120,132	5.01	120,132
Taiwan Television Enterprise, Ltd.	14.37	155,150	14.37	155,150
Taiwan Chung Hsing Paper Corp.	9.54	-	9.54	-
Taiwan Shin-sheng Press Enterprise Company	0.23	-	0.23	-
China Trade & Development Corp.	1.91	12,501	1.91	12,501
China Daily News	10.32	10,320	10.32	10,320
Taiwan Motor Transport Co., Ltd.	0.001	-	0.001	-
China Ship Building Corp.	0.40	44,021	0.40	44,021
Central Motion Picture Corp.	15.16	30,000	15.15	30,000
International Investment Trust Co., Ltd.	7.74	20,000	7.74	20,000
United Taiwan Bank S.A.	10.00	125,921	10.00	125,921
Taipei Forex Inc.	3.53	7,000	3.53	7,000
Taiwan Futures Exchange Corp.	1.30	26,000	1.30	26,000
Taiwan Assets Management Corp.	3.97	700,000	3.97	700,000
Bankpro e-service Technology Co., Ltd.	5.00	4,500	5.00	4,500
Taiwan Financial Assets Service Corp.	2.94	50,000	2.94	50,000
Financial Information Service Co., Ltd.	1.53	65,092	0.02	860
Taiwan Cooperative Bank	0.09	23,417	0.08	15,276
Financial eSolution Co., Ltd.	8.33	10,000	-	-
		8,260,507		8,178,135
		\$ 42,552,549		40,831,824

- i) In September 2002, the Bank increased its long-term investment in Financial Information Service Co., Ltd. by \$18,732 and Taiwan Cooperative Bank by \$8,141, which were booked in the farming credit union's accounts taken over in 2001. The Bank increased its long-term investment in Financial Information Service Co., Ltd., which was 1.53% ownership of the investee, and in Financial eSolution Co., Ltd. by \$10,000, which was 8.33% ownership of the investee, in November and May 2002, respectively.

- ii) In May 2001, the Bank increased its long-term investment in Financial Information Service Co., Ltd. by \$700,000, which was 3.97% ownership of the investee; in Taiwan Financial Assets Service Corp. by \$50,000, which was 2.94% ownership of the investee; and in Bankpro e-service Technology Co., Ltd. by \$4,500, which was 5.00% ownership of the investee. In November 2001, the Bank increased the investment in Taiwan Cooperative Bank by \$15,276 and in Financial Information Service Co., Ltd. by \$860 as the Bank took over the farming credit unions.
- iii) In December 23, 2002, the investee of Bank of Overseas Chinese decreased its capital to make up a deficit. Under the plan, each 1,000 shares was decreased to 500 shares. Therefore the shares owned by the Bank decreased from 3,206,600 shares to 1,603,000 shares, the book value of the investment decreased from \$22,290 to \$16,033 and loss of \$6,257 on long-term investment was recognized.
- iv) In December 2002, the Bank sold 10,000 thousand shares of the investee Taiwan Business Bank evaluated under the equity method. The sale resulted in \$61,149 and a write-off of book value \$81,583, capital surplus \$1,243, cumulative foreign currency translation adjustments \$18, and recognized loss \$19,173 on long-term investment.
- v) The Bank recognized adjustment on capital surplus amounting to \$143,357 and \$13,222 under the equity method on December 31, 2002 and 2001, respectively, booked as long-term investment and gain on long-term investment.
- vi) The Cash dividends received from the investee under the equity method were as follows:

Name of Investee	2002	2001
Hua Nan Financial Holdings Co., Ltd.	\$ 257,834	612,056
Taiwan Business Bank	-	166,060
Taiwan Life Insurance Co., Ltd.	164,983	153,645
Taiwan Fire & Marine Insurance Co., Ltd.	41,387	-
	<u>\$ 464,204</u>	<u>931,761</u>

The cash dividends received from the investee under the lower-of-cost-or-market-value method were \$1,064,711 and \$1,841,527 as of December 31, 2002 and 2001, respectively.

- vii) In 2001, there was a perpetual depreciation on the long-term investments in Taiwan Machinery Manufacturing Corp., Taiwan Chung Hsing Paper Corp., Taiwan Shin-sheng Press Enterprise Company, and Taiwan Motor Transport Co., Ltd. under the cost method, resulting in a decrease of \$306,166 in long-term investment, and recognized realized loss on long-term investment.
- viii) The cumulative foreign currency translation adjustments from long-term investment under the equity method were as follows:

	December 31, 2002	December 31, 2001
Hua Nan Financial Holdings Co., Ltd.	\$ 743	(6,605)
Taiwan Business Bank	1,637	676
	<u>\$ 2,380</u>	<u>(5,929)</u>

- ix) The unrealized valuation losses on equity investment from long-term investment under equity method were as follows:

Name of Investee	December 31, 2002	December 31, 2001
Taiwan Life Insurance Co., Ltd.	\$ -	34,509
Taiwan Fire & Marine Insurance Co., Ltd.	21,527	17,249
Kaohsiung Ammonium Sulfate Co., Ltd.	-	20,106
	<u>\$ 21,527</u>	<u>71,864</u>

x) The original cost of long-term equity investment under the equity method was as follows:

Name of Investee	December 31,	December 31,
	2002	2001
Hua Nan Financial Holdings Co., Ltd.	\$ 8,105,279	8,105,279
Taiwan Business Bank	6,323,648	6,394,860
Taiwan Life Insurance Co., Ltd.	812,325	812,325
Taiwan Fire & Marine Insurance Co., Ltd.	302,549	302,549
Kaohsiung Ammonium Sulfate Co., Ltd.	1,377,870	1,377,870
Tang-Eng Iron Works Co., Ltd.	3,080,170	3,080,170
Bank of Taiwan (Europe) N.V.	560,000	560,000
Tai Yi Real Estate Management Co., Ltd.	15,000	15,000
	<u>\$ 20,576,841</u>	<u>20,648,053</u>

xi) The gains and losses from long-term equity investment under the equity method were as follows:

	2002	2001
Hua Nan Financial Holdings Co., Ltd.	\$ 3,680,898	4,666,493
Taiwan Business Bank	(2,136,944)	2,063,427
Taiwan Life Insurance Co., Ltd.	418,648	209,411
Taiwan Fire & Marine Insurance Co., Ltd.	125,364	118,342
Kaohsiung Ammonium Sulfate Co., Ltd.	346,887	154,059
Tong-Eng Iron Works Co., Ltd.	(568,157)	(2,512,014)
Bank of Taiwan (Europe) N.V.	1,340	19,750
Tai Yi Real Estate Management Co., Ltd.	-	(40,456)
	<u>\$ 1,868,036</u>	<u>4,679,012</u>

The gains above included the amortization of the difference between investment cost and the investee's net equity, due to the accounting method changing from the cost method to the equity method. The amount was \$5,271,118 and \$5,242,806 on December 31, 2002 and 2001, respectively.

The gains and losses of the investee were recognized by proportionate share based on the investee's financial statements audited by other auditors. Excluding Tong-Eng Iron Works Co., Ltd. and Kaohsiung Ammonium Sulfate Co., Ltd., a government-owned enterprise, their financial statements have been examined by the Ministry of Audit.

xii) The Bank is a government-owned enterprise and changed its fiscal year to the calendar year. Because of transition to a new accounting year and encountering difficulty in acquiring the same year's financial reports of the investees, the Bank recognized the gains and losses of the investees in the prior year in conformity with the Standard for Issuing Financial Reports No. 8. The Bank recognized the investment gain or loss in 2002 based on the 2001 reports of the investees, and recognized gains and losses based on the prior year's report.

(b) Investments in real estate

	December 31,	December 31,
	2002	2001
Cost:		
Land	\$ 38,196,346	45,272,672
Buildings and structures	258,430	256,637
Subtotal	<u>38,454,776</u>	<u>45,529,309</u>
Accumulated depreciation:		
Buildings and structures	<u>(203,026)</u>	<u>(197,287)</u>
	<u>\$ 38,251,750</u>	<u>45,332,022</u>

Real estate investments consist of land or buildings for rental or idle assets. Details are shown below:

i) Rental investments		
	December 31,	December 31,
	2002	2001
Land	\$ 26,911,489	33,997,763
Buildings and structures	258,430	256,637
Subtotal	27,169,919	34,254,400
Accumulated depreciation	(203,026)	(197,287)
	\$ 26,966,893	34,057,113
ii) Idle investments		
	December 31,	December 31,
	2002	2001
Land	\$ 1,688,960	9,039,319
iii) Others		
	December 31,	December 31,
	2002	2001
Land	\$ 9,595,897	2,235,590

(9) Fixed Assets

	December 31,	December 31,
	2002	2001
Cost:		
Land (appreciation from revaluation included)	\$ 42,633,576	42,580,144
Buildings and structures	9,434,698	9,105,631
Machinery and equipment	3,617,529	3,201,682
Transportation equipment	891,087	841,708
Miscellaneous equipment	740,152	715,497
Leasehold improvement	287,180	230,270
Construction in progress	1,040,195	1,055,498
Subtotal	\$ 58,644,417	57,730,430
Accumulative depreciation:		
Buildings and structures	\$ (2,513,885)	(2,280,613)
Machinery and equipment	(1,988,388)	(1,748,542)
Transportation equipment	(576,939)	(526,298)
Miscellaneous equipment	(491,896)	(461,924)
Leasehold improvement	(176,894)	(143,835)
Subtotal	(5,748,002)	(5,161,212)
Fixed assets, net	\$ 52,896,415	52,569,218

As of December 31, 2002 and 2001, the land mentioned above amounting to \$1,631,760 and \$1,661,976 had been seized, and the Bank has requested the occupying party to rent, purchase or bid for this property.

Movement of accumulated depreciation:

	December 31,	December 31,
	2002	2001
Beginning balance	\$ 5,161,212	4,629,185
Add: depreciation for the period	729,327	719,346
Less: disposal for the period	150,682	182,912
Foreign exchange translation adjustment	8,145	(4,407)
Ending balance	\$ 5,748,002	5,161,212

There have been many revaluations of land and buildings, with the latest in 1996. As of December 31, 2002 and 2001, the total increment, including land and buildings, was \$63,088,600 and 70,080,080, respectively, and the estimated tax on the increment was \$2,799,776, booked in long-term liabilities. The net increment is treated as capital surplus.

As of December 31, 2002, property and equipment did not serve as guarantee, or collateral, nor were they pledged.

The usage conditions were as follows:

(a) Rental investments

	December 31, 2002	December 31, 2001
Cost:		
Land (including revaluation increments)	\$ 2,967,247	3,179,158

(b) Idle investments

	December 31, 2002	December 31, 2001
Land (including revaluation increments)	\$ 190,343	2,811,182

(10) Other Assets:

	December 31, 2002	December 31, 2001
Collateral assets received, net	\$1,202,304	1,179,610
Operating and settlement deposits	236,103	24,857
Refundable deposits	204,364	201,997
Overdue loans (net of allowance)	32,216,632	38,473,988
Customer advance and accounts awaiting clearance	306,978	322,326
Deferred tax assets	1,173,445	3,342,283
Deferred pension costs	523,991	517,270
Assets waiting-to-be-arranged	364,211	368,706
Others	16,283	19,745
	\$36,244,311	44,450,782

(a) Collateral assets received, net

	December 31, 2002	December 31, 2001
Collateral and residuals received	\$ 1,202,304	1,179,610
Less: allowance for decline in market value	-	-
	\$ 1,202,304	1,179,610

(b) Overdue loans

	December 31, 2002	December 31, 2001
Overdue loans	\$ 34,409,483	46,163,721
Less: allowance for bad and doubtful accounts	(2,192,851)	(7,689,733)
	\$ 32,216,632	38,473,988

(11) Due to Banks

	December 31, 2002	December 31, 2001
Due to banks	\$ 27,866,295	36,459,037
Bank overdrafts	1,554,005	905,849
Call loans from bank	88,178,798	82,106,625
	\$117,599,098	119,471,511

(12) Financing from Central Bank and Other Banks

	December 31, 2002	December 31, 2001
Bills rediscounted with Central Bank	\$ -	95,864
Funds borrowed from banks	10,035,819	9,669,659
Total	<u>\$ 10,035,819</u>	<u>9,765,523</u>

(13) Account Payables

	December 31, 2002	December 31, 2001
Accounts payable	\$ 5,599,880	4,677,861
Advance receipts	1,578,615	1,379,793
Accrued expense	2,411,655	2,548,833
Income tax payable	2,687	3,472,785
Interest payable	16,840,383	21,626,828
Banker's acceptances payable	1,287,941	1,222,993
Financing bill guarantees	133	491
Bills payable guarantees	147	543
Forward settlement payable — foreign currencies	39,707,801	75,468,908
Less: forward proceeds receivable	(23,983,872)	(61,969,969)
Other payables	7,232,281	9,229,757
Total	<u>\$ 50,677,651</u>	<u>57,658,823</u>

(14) Deposits Accepted and Remittances

	December 31, 2002	December 31, 2001
Checking account	\$ 19,481,179	21,276,778
Government deposits	291,024,053	316,629,985
Demand deposits	72,758,698	71,012,246
Time deposits	204,251,358	231,361,338
Postal deposits transferred	87,048,139	117,130,269
Remittances	1,465,450	416,561
Savings account:		
Demand deposits	200,993,401	172,096,509
Staff accounts	13,874,072	12,118,558
Installment savings	1,055,202	1,101,136
Time savings deposits	370,937,669	351,902,350
Annuity savings deposits	666	900
Interest-drawing savings	293,819,912	270,908,494
Premium interest-drawing savings	374,566,453	350,225,265
	<u>\$1,931,276,252</u>	<u>1,916,180,389</u>

As of December 31, 2002 and 2001, the period of maturity for the above deposit accounts, except for demand deposits, was between one month and three years.

(15) Long-term Liabilities

	December 31, 2002	December 31, 2001
Appropriated loan funds	\$ 2,960,694	3,539,446
Estimated tax payable land increment	2,799,775	2,799,775
Accrued pension liabilities	930,477	771,494
Total	<u>\$ 6,690,946</u>	<u>7,110,715</u>

(16) Other Liabilities

	December 31, 2002	December 31, 2001
Reserve for guarantees	\$ 612,526	628,107
Reserve for foreign exchange losses	654	1,154
Reserve for losses on trading securities	87,113	72,119
Reserve for default losses	10,369	8,700
Reserve for accidental losses	7,063	6,106
Guarantee deposits received	934,988	718,648
Temporary received and waiting-to-be-transferred	211,782	174,825
Reserve for interest and principal repayment	29,903	30,526
Other liabilities	70,398	287,192
Total	<u>\$ 1,964,796</u>	<u>1,927,377</u>

(17) Pension

The reconciliation of the plan's funded status and accrued pension liabilities was as follows:

	December 31, 2002		December 31, 2001	
	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Benefit obligation:				
Vested benefit obligation	\$ (1,963,923)	(208,485)	(1,956,945)	(220,753)
Non-vested benefit obligation	(1,224,441)	(173,382)	(953,075)	(144,601)
Accumulated benefit obligation	(3,188,364)	(381,867)	(2,910,020)	(365,354)
Additional benefits based on future salaries	(1,052,323)	(110,376)	(1,115,276)	(127,311)
Projected benefit obligation (PBO)	(4,240,687)	(492,243)	(4,025,296)	(492,665)
Fair value of plan assets	2,357,048	282,706	2,255,561	248,319
Funding status	(1,883,639)	(209,537)	(1,769,735)	(244,346)
Unrecognized net transition obligation (assets)	845,973	209,646	935,023	229,613
Unrecognized prior year service cost	337,906	(45,603)	358,385	(49,251)
Unrecognized loss (gain)	354,050	(15,282)	310,474	(24,387)
Accrued pension liabilities	(485,606)	(38,385)	(488,606)	(28,664)
Prepaid (accrued) pension cost	<u>\$ (831,316)</u>	<u>(99,161)</u>	<u>(654,459)</u>	<u>(117,035)</u>
Vested benefit	<u>\$ (2,602,559)</u>	<u>(267,110)</u>	<u>(2,630,718)</u>	<u>(293,615)</u>

The components of net pension cost for the years 2002 and 2001 were as follows:

	2002		2001	
	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Service cost	\$ 589,419	37,561	494,370	32,199
Interest cost	156,257	18,782	188,212	24,969
Actual return on plan assets	(91,068)	(10,540)	(32,145)	(13,421)
Amortization and deferred cost	109,529	16,319	109,529	14,377
Net pension cost	<u>\$ 764,137</u>	<u>62,122</u>	<u>759,966</u>	<u>58,124</u>

Actuarial assumptions:

	2002	2001
Discount rate	4.00%	4.00%
Rate of increase in future compensation	2.75%	2.75%
Rate of projected return on plan assets	4.00%	4.00%

Contributions to the Bank's pension plan are deposited in an account of the Trust Department and the Central Trust of the China. As of December 31, 2002 and 2001, the cumulative balance of the fund amounted to \$2,639,754 and \$2,503,880 respectively. For the years ended December 31, 2002 and 2001, the pension cost amounted to \$826,259 and \$818,090, respectively.

As of December 31, 2002 and 2001, deferred pension cost amounted to \$523,991 and \$517,270 respectively (recorded as other assets). And accrued pension liabilities amounted to \$930,477 and \$771,494 respectively, (recorded as other liabilities).

(18) Stockholders' Equity

- (a) It was resolved in the stockholders' meeting to increase capital from \$32,000,000 to \$48,000,000. The increment was appropriated from legal reserve in the amount of \$8,000,000 and special reserve in the amount of \$8,000,000.

The application for capital increase was approved by the Ministry of Finance on April 3, 2001, and the budget was approved by the Legislative Yuan.

- (b) The composition of capital surplus was as follows:

	December 31, 2002	December 31, 2001
Returned surplus	\$ -	10,614,220
Revaluation increment on land	60,288,824	67,280,304
Capital surplus from investee	143,357	-
	<u>\$ 60,432,181</u>	<u>77,894,524</u>

According to the ROC Company Law, capital surplus can only be used to offset an accumulated deficit or to increase share capital, and cannot be distributed as cash dividends.

In 2001, the Bank transferred capital surplus from disposal of capital gain to undistributed earnings in the amount of \$5,307,110, with legal reserve in the amount of \$3,184,266 and special reserve in the amount of \$2,122,844. The Bank also transferred land in the Tien-Mu district, previously rented to the Taipei American School, to the National Property Management Bureau. Consequently the Bank wrote off the revaluation increment on land amounting to \$6,991,480.

- (c) Legal reserve and appropriation of earnings

The Articles of Incorporation of the Bank stipulate that net income should be distributed as follows:

- i) to pay income tax;

- ii) to offset prior years' deficit;
- iii) to appropriate 30% as legal reserve;
- iv) to appropriate 40% special reserve

The remaining balance is retained or appropriated upon approval of the Bank's stockholders.

According to the Banking Law, before the legal reserve balance reaches the total amount of capital, cash dividends are limited to 15% of total capital.

(d) Imputation credit account information

As of December 31, 2002 and 2001, the balance of the ICA (imputation credit account) was as follows:

	December 31, 2002 (Expected)	December 31, 2001 (Actual)
Balance of ICA	\$ 2,759,781	3,782,435

The imputation tax credit ratio for 2002 and 2001 was approximately 33.33% and 33.55%, respectively.

As of December 31, 2002 and 2001, unappropriated retained earnings were as follows:

	December 31, 2002	December 31, 2001
1997 and before	\$ -	-
1998 and after	6,412,172	10,999,871
	<u>\$ 6,412,172</u>	<u>10,999,871</u>

(19) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. The income tax expense for 2002 and 2001 is summarized below:

	2002	2001
Current income tax	\$ 1,510,460	3,641,385
Deferred tax (expense) benefit	2,168,838	(1,157,933)
Income tax expense	<u>\$ 3,679,298</u>	<u>2,483,452</u>

For the years ended December 31, 2002 and 2001, the differences between "expected" income tax at the statutory income tax rate and the income tax expense in the accompanying financial statements were as follows:

	2002	2001
Expected income tax expense	\$ 1,196,090	2,834,011
Tax effect of interest income from short-term notes separately taxed	(568,631)	(407,950)
Securities trading loss	178,698	119,920
10% Tax on unappropriated retained earnings	-	983,658
Tax-free earnings from OBU	(48,017)	(123,252)
Investment income recognized under equity method	(467,009)	(1,096,517)
Gain on sale of land	(4,192)	(92,477)
Unrealized exchange loss (gain)	17,171	(287,733)
Dividend gain	(302,487)	(525,957)
Amount not deductible	3,677,675	1,079,749
Income tax expense	<u>\$ 3,679,298</u>	<u>2,483,452</u>

For the years ended December 31, 2002, and 2001, the major components of deferred income tax expense (benefit) were as follows:

	<u>2002</u>	<u>2001</u>
Pension costs disallowed per tax regulation	\$ (38,066)	(50,959)
Allowance for bad and doubtful accounts in excess of legal limitation	1,927,136	(1,268,855)
Reserve for losses on trading bills and securities	(3,748)	(6,674)
Allowance for loss on decline in market value of marketable securities	464,776	483,259
Others	(181,260)	(314,704)
	<u><u>\$ 2,168,838</u></u>	<u><u>(1,157,933)</u></u>

The temporary differences, investment deductions, and tax effects relating to deferred income tax assets were as follows:

	<u>December 31, 2002</u>		<u>December 31, 2001</u>	
	<u>Amount</u>	<u>Income tax effect</u>	<u>Amount</u>	<u>Income tax effect</u>
Deferred income tax asset:				
Pension costs disallowed per tax regulation	\$ 595,159	148,790	442,897	110,724
Allowance for bad and doubtful accounts in excess of legal limitation	2,427,977	606,994	10,136,518	2,534,130
Reserve for losses on trading bills and securities	87,113	21,778	72,120	18,030
Allowance for loss on decline in market value of marketable securities	361,179	90,295	2,220,283	555,071
Others	1,222,352	305,588	497,312	124,328
	<u><u>\$ 4,693,780</u></u>	<u><u>1,173,445</u></u>	<u><u>13,369,130</u></u>	<u><u>3,342,283</u></u>

For the years ended December 31, 2002 and 2001, the components of income tax payable were as follows:

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
Current income tax expense	\$ 1,329,857	3,641,385
Income tax on separately taxed short-term bills	(1,334,170)	(2,489,127)
Income tax paid by overseas branches	4,313	(168,601)
With holding income tax	(434,665)	-
Income tax payable (receivable)	<u><u>\$ (434,665)</u></u>	<u><u>983,657</u></u>

Income tax payable and receivable was recorded as accounts payable and receivable, respectively.

The ROC income tax authorities have examined and assessed the Bank's income tax returns filed before re-incorporation for all years through December 31, 2001.

(20) Disclosure of Financial Instruments

(a) Financial derivatives

The Bank has entered into interest and cross-currency swap contracts for non-trading purposes to avoid interest and exchange rate risk of foreign currency liabilities and assets. The hedging strategies are intended to avoid most market price fluctuation risk. In addition to mainly borrowing US dollars at floating interest rates from overseas banks to make loans of US dollars at fixed interest rates or purchasing US dollar or other currency securities at fixed interest rates in the international financial market, these strategies also include making interest or cross-currency swap contracts with overseas financial institutions to avoid the risk of unsteady interest and exchange rates and to fix interest revenue on loans and gains on securities purchased.

The financial derivatives of the Bank on December 31, 2002 and 2001, and their contract amount, credit risk and fair market value were as follows:

Item	December 31, 2002			December 31, 2001		
	Contract amount	Credit risk	Fair value	Contract amount	Credit risk	Fair value
Non-trading purpose						
Interest-rate swap	10,207,322	1,322,041	10,052,617	14,290,371	276,891	13,829,801
Cross-currency swap	5,840,007	455,625	5,651,115	5,584,839	66,686	5,113,493
Forward-agreement	47,823,215	1,564,492	49,927,141	89,362,005	1,880,861	90,973,353
Option	31	-	31	-	-	-
Swap	347,800	-	340,218	-	-	-

Credit risk indicates the Bank's possible loss in the event of contract default by the counter-party. However, before the Bank enters forward contracts with clients, the clients must go through the credit authorization process of the Bank and provide enough pledged properties. Subsequent to granting a line of credit, transactions would be limited thereto. The other parties to forward contracts and transactions with clients are credit-authorized import and export clients, and the Bank would collect a proper guarantee deposit depending on their credit authorization. If the counter-party is another bank, it is evaluated based upon worldwide ranking and credit valuation. After a line of credit is granted, transactions are limited thereto. Consequently, credit risk is limited. In addition, the forward contracts are designed to have a balanced position and the risk of interest and exchange rate fluctuation is not supposed to exist. In addition, there is no significant demand on cash, and forward contracts are mainly in international currencies for which liquidity risk is very low.

The Bank's various financial derivatives to meet future cash demand were as follows:

91.12.31			90.12.31		
Period	Amount		Period	Amount	
Within a year	USD	688,149	Within a year	USD	1,055,824
"	HKD	45,000	"	HKD	51,020
"	THB	50,000	"	GBP	5,060
"	ZAR	209,452	"	AUD	8,198
"	NZD	2,000	"	CAD	3,000
"	SGD	62,483	"	JPY	9,013,325
"	CHF	7,000	"	ZAR	238,646
"	JPY	5,556,170	"	SEK	21,032
"	EUR	63,862	"	THB	20,000
			"	SGD	19,293
			"	CHF	8,000
			"	EUR	39,896

The gains and losses from the Bank's derivative transactions recorded in the income statements as of December 31, 2002 and 2001, were gains of \$70,521 and losses of \$1,579,423, respectively.

(b) Fair market value of non-derivative financial instruments

	December 31, 2002		December 31, 2001	
	Book value	Fair market value	Book value	Fair market value
Financial asset				
Book value equivalent to				
fair market value	\$2,084,206,855	2,084,206,855	2,071,769,713	2,071,769,713
Long-term equity				
investments	42,552,549	60,408,948	40,831,824	54,081,427
	<u>\$2,126,759,404</u>	<u>2,144,615,803</u>	<u>2,112,601,537</u>	<u>2,125,851,140</u>

	December 31, 2002		December 31, 2001	
	Book value	Fair market value	Book value	Fair market value
Financial liability				
Book value equivalent				
to fair market value	\$2,132,555,345	2,132,555,345	2,117,842,520	2,117,842,520

Methods and assumptions used by the Bank in estimating the fair value of financial instruments were as follows:

- i) The face value of short-term financial instruments is used to estimate the fair value as stated on the balance sheets. Since these instruments will become due shortly, the face value serves as a reasonable basis to estimate fair value. It is applicable to cash, due from and placement to other banks, due from Central Bank, interest receivable, accounts receivable and others, other assets, deposits by banks, securities sold under repurchase agreements, interest payable, and accounts payable.
 - ii) If market prices of marketable securities are available, then market prices are used as fair value. If there is no market price available for reference, then fair value is estimated from financial or other information.
 - iii) Loans and advances are valued by using the floating rate, and book value serves as fair value.
 - iv) Deposits and remittances mainly mature within one year. The book value is used as fair value plus interest when the maturity period is over a year.
 - v) Other assets-collateral and residuals taken over have been revalued at the balance sheet date to their net realizable value, and the book value was used as fair value.
- (c) Financial instruments with off-balance-sheet credit risk

As of December 31, 2002 and 2001, the contract amounts of financial instruments with off-balance-sheet credit risk held by the Bank were as follows:

	December 31, 2002	December 31, 2001
Commitments for guarantees and letters of credit	\$ 63,721,832	65,094,988
Commitments for credit cards	10,340,776	8,166,223
Irrevocable loan commitments	193,000,963	213,687,086
Total	\$ 267,063,571	286,948,297

The above is applicable to cash and cash equivalents since these financial instruments will not be settled prior to their due dates. The contract amount is not representative of future cash outflows, indicating that future cash demand is less than the contract amount.

The contract amount is equivalent to the fair value for the above guarantees and letters of credit.

- (d) Concentration of credit risk-loans

Concentration of credit risk arises if there is only one party in financial instrument transactions, or if there are a number of parties yet all are engaged in similar businesses or share similar features resulting in their ability to meet contractual obligations to be collectively affected by changes in economic or other conditions. Financial instrument transactions of the Bank do not appear to concentrate on one client, one counter-party, or a single industry, yet they do seem to concentrate within a confined geographic region with counter-parties exhibiting similar industry patterns.

- i) Loans classified by geographical region

	December 31, 2002	December 31, 2001
Domestic	\$1,135,152,343	1,278,892,747
Overseas	50,131,292	47,226,701
Total	\$1,185,283,635	1,326,119,448

ii) Loans classified by industry

	December 31, 2002	December 31, 2001
Government	\$ 552,134,889	648,327,234
Individuals	259,130,740	261,460,972
Manufacturing	144,072,558	172,378,923
Overseas	50,131,292	47,226,701
Telecommunication and transportation	53,745,183	40,200,324
Retailing	25,598,975	28,412,062
Utilities	15,957,715	24,451,577
Construction	13,581,838	15,743,050
Services	9,135,546	15,390,399
Real estate and rental	6,127,727	7,242,414
Food and restaurants	2,434,830	2,499,835
Nonprofit	1,889,689	2,114,093
Farming, forestry and fishing	837,682	951,490
Insurance	7,053,000	9,448,000
Others	43,451,971	50,272,374
Total	<u><u>\$1,185,283,635</u></u>	<u><u>1,326,119,448</u></u>

(21) Related-party Transactions

(a) Names and relationship of related parties

Name	Relationship
Hua Nan Financial Holdings Co., Ltd.	Investee Company of the Bank under the equity method
Taiwan Business Bank	Investee Company of the Bank under the equity method
Taiwan Life Insurance Co., Ltd.	Investee Company of the Bank under the equity method
Taiwan Fire & Marine Insurance Co., Ltd.	Investee Company of the Bank under the equity method
Tang-Eng Iron Works Co., Ltd.	Investee Company of the Bank under the equity method
Kaohsiung Ammonium Sulfate Co., Ltd.	Investee Company of the Bank under the equity method
Others	Major stockholders, supervisors, directors, managers and their relatives

(b) Significant related-party transactions

i) Due from banks

Name	January 1 to December 31, 2002			
	Highest balance	Ending balance	Interest income	Annual interest rate
Hua Nan Financial Holdings Co., Ltd.	\$ 13,755,940	2,086,800	38,064	1.20%~2.32%
Taiwan Business Bank	699,812	173,900	60	1.72%~1.75%
	<u><u>\$ 14,455,752</u></u>	<u><u>2,260,700</u></u>	<u><u>38,124</u></u>	

Name	January 1 to December 31, 2001			
	Highest balance	Ending balance	Interest income	Annual interest rate
Taiwan Business Bank	<u><u>\$ 381,206</u></u>	<u><u>140,028</u></u>	<u><u>4,557</u></u>	1.92%~5.29%

Interest rates of related-party transactions are the same as those with other banks.

ii) Due to banks

Name	December 31, 2002		December 31, 2001	
	Amount	Percentage of due to banks	Amount	Percentage of due to banks
Hua Nan Financial Holdings Co., Ltd.	\$ 294,911	0.25	622,893	0.52
Taiwan Business Bank	68,054	0.06	81,248	0.07
	<u>\$ 362,965</u>	<u>0.31</u>	<u>704,141</u>	<u>0.59</u>

Interest rates of related-party transactions are the same as those with other banks.

iii) Call loans from banks

Name	January 1 to December 31, 2002			
	Highest balance	Ending balance	Interest expense	Annual interest rate
Hua Nan Financial Holdings Co., Ltd.	\$ 12,582,040	2,191,140	49,519	1.28%~2.19%
Taiwan Business Bank	3,376,978	3,376,978	28,225	1.21%~1.97%
	<u>\$ 15,959,018</u>	<u>5,568,118</u>	<u>77,744</u>	

Name	January 1 to December 31, 2001			
	Highest balance	Ending balance	Interest expense	Annual interest rate
Taiwan Business Bank	<u>\$ 612,623</u>	<u>350,070</u>	<u>10,251</u>	2.13%~5.51%

Apart from an interest rate limit on staff saving deposits, Interest rates of related-party transactions are the same as those with other banks.

iv) Loans

Name	December 31, 2002		December 31, 2001	
	Amount	Percentage of loans	Amount	Percentage of loans
Tang-Eng Iron Works Co., Ltd.	\$ 1,487,735	0.13	3,130,786	0.24
Others	1,148,616	0.10	1,154,599	0.09
	<u>\$ 2,636,351</u>	<u>0.23</u>	<u>4,285,385</u>	<u>0.33</u>

v) Deposits

Name	December 31, 2002		December 31, 2001	
	Amount	Percentage of deposits	Amount	Percentage of deposits
Taiwan Life Insurance Co., Ltd.	\$ 10,031	-	489,025	0.03
Kaohsiung Ammonium Sulfate Co., Ltd.	272,040	0.01	-	-
Taiwan Fire & Marine Insurance Co., Ltd.	348,000	0.02	474,209	0.02
	<u>\$ 630,071</u>	<u>0.03</u>	<u>963,234</u>	<u>0.05</u>

Interest rates of related-party transactions are the same as those with other banks.

vi) Insurance expense

Name	January 1 to December 31, 2002		January 1 to December 31, 2001	
	Amount	Percentage of insurance expense	Amount	Percentage of insurance expense
Taiwan Fire & Marine Insurance Co., Ltd.	\$ 45,509	0.31	19,757	0.13

(22) Pledged Assets

Pledged assets	Pledged for	December 31, 2002	December 31, 2001
Trading securities — bonds	Guarantee in court	\$ 1,788,800	1,487,600
	Operating and settlement deposits	213,888	24,857
	Default reserve	50,000	1,146,000
		\$ 2,052,688	2,658,457

(23) Commitments

(a) Construction in progress and significant purchase agreements

The details of construction in progress and significant purchase agreements are as follows:

	December 31, 2002	
	Contract price	Unpaid portion of contract price
Construction contract:		
Construction of Taichung Harbor Branch	\$ 376,847	-
Construction of Yuanshan Branch	234,018	4,763
Warehouse construction in northern area	125,085	1,188
Warehouse construction in Tainan	143,257	-
Construction of information building	34,265	30,130
Construction of Chiabei Branch	85,000	6,164
Construction of Wuchi Branch	46,239	-
Total	\$ 1,044,711	42,245

	December 31, 2001	
	Contract price	Unpaid portion of contract price
Construction contract:		
Construction of Taichung Harbor Branch	\$ 376,847	49,390
Construction of Toufen Branch	217,329	1,244
Construction of Hsinying Branch	255,847	3,723
Construction of Yuanshan Branch	234,018	28,664
Warehouse construction in northern area	126,092	20,397
Warehouse construction in Tainan	145,382	79,730
Total	\$ 1,355,515	183,148

(b) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2002, estimated future lease contract commitments for rent were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2003	\$ 246,683
2004	124,275
2005	69,416
2006	46,840
2007	23,748
	<u><u>\$ 510,962</u></u>

(c) Others

	<u>December 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
Bank for collection	\$ 119,236,974	119,980,050
Contract guarantee on behalf of counter-parties	84,853	50,202
Travelers checks held on consignment	1,205,961	1,548,608
Marketable securities held as custodian	663,140,972	703,888,009
	<u><u>\$ 783,668,760</u></u>	<u><u>825,466,869</u></u>
Short-term bills under resale agreement	<u><u>\$ 68,978,982</u></u>	<u><u>69,992,883</u></u>
Short-term bills and government bonds under repurchase agreement	<u><u>\$ 3,497,382</u></u>	<u><u>3,346,846</u></u>

(d) Balance sheet and details of trust

<u>Trust assets</u>	
Short-term investment	
Investment in funds	\$ 4,241,785
Investment in bonds	78,364
Deposits	
Deposits in the Bank	8,792,433
Receivables	
Interest receivable	34,528
Interest on securities receivable	1,959
Prepaid expenses	5,186
Other assets	74,699
Total	<u><u>\$ 13,228,954</u></u>
Trust liabilities	
Trust capital	<u><u>\$ 13,228,954</u></u>
<u>Details of trust</u>	
Short-term investment	
Investment in funds	\$ 4,241,785
Investment in bonds	78,364
Deposits	
Deposits in the Bank	8,792,433
Accounts receivable	
Interest receivable	34,528
Interest on securities receivable	1,959
Prepaid expenses	5,186
Other assets	74,699
Trust capital	<u><u>\$ 13,228,954</u></u>

(24) Others

(a) Capital adequacy ratio

According to the Banking Law and related regulations, to establish a sound financial basis, the capital adequacy ratio must be no less than 8%. If the actual ratio is below the required standards, the related authority would restrict the use of accumulated earnings. As of December 31, 2002 and 2001, the capital adequacy ratio of the Bank was 15.56% and 16.33%, respectively.

(b) The average amount of assets and liabilities, as well as the current rate, is disclosed as follows:

	December 31, 2002		December 31, 2001	
	Average value	Average rate (%)	Average value	Average rate (%)
Assets				
Call loans to banks	\$ 110,258,972	2.62	117,783,960	4.66
Due from Central Bank	46,106,231	2.25	56,805,822	2.42
Marketable securities	248,092,664	2.97	213,256,704	5.93
Loans, discounts and bills purchased	1,208,617,355	6.64	750,481,174	7.00
Liabilities				
Due to Central Bank	10,687,149	-	11,164,700	-
Due to banks	109,474,379	1.93	101,219,547	4.18
Savings deposits	65,992,830	0.99	59,584,998	1.65
Demand savings deposits	204,454,735	1.78	148,746,471	3.25
Time savings deposits	1,011,121,111	2.24	950,938,156	4.00
Time deposits	330,836,257	2.07	346,737,068	3.78
Financing from Central Bank and other banks	9,849,696	2.15	10,249,416	4.64

(c) Maturity analysis of assets and liabilities:

The maturity period is recognized as the remaining period to maturity from the balance sheet date. The assets and liabilities were analyzed by the specific period; if there was no specific period to maturity, the assets and liabilities were analyzed based on the net realizable value or on the expected maturity date.

(expressed in millions of New Taiwan dollars)

	December 31, 2002		
	Within a year	Over a year	Total
Assets			
Cash	\$ 252,544	-	252,544
Due from banks	94,880	3,042	97,922
Due from Central Bank	205,905	82,717	288,622
Marketable securities	107,561	152,828	260,389
Account receivables	22,202	23,918	46,120
Loans, discounts and bills purchased	413,830	737,044	1,150,874
Liabilities			
Due to Central Bank	\$ -	15,750	15,750
Due to banks	91,052	26,547	117,599
Accounts payable	35,793	14,885	50,678
Deposits accepted, remittances and bank bonds payable	1,215,281	715,995	1,931,276
Financing from Central Bank and other banks	10,036	-	10,036

		December 31, 2001		
		Within a year	Over a year	Total
Assets				
Cash	\$	191,686	-	191,686
Due from banks		135,919	4,514	140,433
Due from Central Bank		161,758	26,362	188,120
Marketable securities		139,127	98,304	237,431
Account receivables		49,827	2,354	52,181
Loans, discounts and bills purchased		400,185	879,771	1,279,956
Liabilities				
Due to Central Bank	\$	-	7,166	7,166
Due to banks		84,174	35,298	119,472
Accounts payable		57,659	-	57,659
Deposits accepted, remittances and Bank bonds payable		1,146,509	769,671	1,916,180
Financing from Central Bank and other banks		-	9,765	9,765

- (d) Account reclassification
 Certain amounts in the 2001 financial statements have been reclassified in conformity with the 2002 presentation. All reclassifications have no significant effect on the financial report presentation.

(25) Restatement

- (a) The Bank of Taiwan is a government-owned enterprise. In accordance with Ministry of Audit Ruling Tai-Sun-No. 910992 issued on June 6, 2002, the Bank was directed to modify and restate its financial statements as of December 31, 2001.
- (b) As described above, the influence of balance sheets and income statements was as follows:

	Increase (Decrease)
Assets:	
Cash	\$ (7,750)
Account receivables, net	(151,799)
Prepaid expenses	2,873,665
Loans, discounts and bills purchased, net	102,338
Long-term equity investments	(1,376,502)
Investments in real estate, net	(3,413)
Fixed assets, net	3,742
Intangible assets	(327)
Other assets, net	(2,593,435)
Liabilities:	
Due to banks	8,745,532
Accounts payable	3,309,345
Advance collections	(3,504)
Deposits accepted and remittances	(7,750)
Long-term debt	(8,745,532)
Other liabilities	6,146
Stockholder's equity	
retained earnings	392,948
Income/expense:	
Interest income	(11,311)
Gain on increase in fair market value of marketable securities	110,348
Gain on sale of marketable securities, net	(110,347)
Gain on long-term equity investments, net	(1,769,450)
Other operating revenues	(311,706)
Provisions	3,993,784
Other operating costs	(313,109)
Business expenses	(7,145)
Administrative expenses	(875)
Non-operating income	5,882
Non-operating expenses	1,355
Income tax expenses	(909,930)

As describe above, after recompiling the report the net income decreased by \$4,850,665.

VI. CPA-Audited Consolidated Financial Statements for 2002

(None)

VII. Review and Analysis of Financial Status and Operating Results for 2002

1. Analysis of Financial Status

The Bank's total assets for this year amounted to NT\$2,321,450 million of which liquid assets accounted for NT\$1,011,359 million or 43.57% of the total; loans, and exchange bills negotiated and discounted accounted for NT\$1,139,934 million or 49.10%; long-term fund investment and receivables accounted for NT\$80,804 million or 3.48%; fixed assets made up NT\$52,896 million or 2.28%; and intangibles and other assets accounted for NT\$36,457 million or 1.57%. Liabilities totaled NT\$2,139,724 million amounting to 92.17% of all assets; of this total, liquid liabilities made up NT\$189,756 million or 8.17% of the overall amount; deposits, remittances, and financial debentures accounted for NT\$1,931,276 million or 83.19%; funds due to the Central Bank and other banks accounted for NT\$10,036 million or 0.43%; long-term liabilities accounted for NT\$6,691 million or 0.29%; and other liabilities accounted for NT\$1,965 million or 0.09%. Owners' equity amounted to NT\$181,726 million equal to 7.83% of total assets; of the total, capital amounted to NT\$48,000 million or 2.07%; capital surplus and earnings amounted to NT\$133,302 million or 5.74% of total assets; and the amount of equity adjustment was NT\$424 million or 0.02%.

2. Operating Results

Unit: NT\$1,000

Year Items	FY 2002	FY 2001	Increase or Decrease	Rate of Change (%)
Revenues				
Operating revenues	89,739,166	123,322,795	-33,583,629	-27.23
Non-operating income	662,547	748,427	-85,880	-11.47
Total revenues	90,401,713	124,071,222	-33,669,509	-27.14
Expenses				
Operating costs	70,418,670	96,782,631	-26,363,961	-27.24
Operating expenses	14,617,383	15,025,663	-408,280	-2.72
Non-operating expenses	581,300	926,885	-345,585	-37.28
Income tax expense	3,679,298	2,483,452	1,195,846	48.15
Total expenses	89,296,651	115,218,631	-25,921,980	-22.50
Net income (or Net loss -)	1,105,062	8,852,591	-7,747,529	-87.52

Notes: 1. The reduction in operating revenues was caused mainly by a decline in interest income , gains from bills dealing and long-term equity investments.
2. The reduction in operating costs was caused mainly by a large decline in deposit interest rates.
3. The increase in income tax expense was the result of reversing the deferred income tax assets this year.



Special Notes

I. Information on Affiliated Enterprises

In accordance with Article 2 of the Regulations Governing the Compilation of Consolidated Business Reports, Financial Statements, and Affiliated Reports of Business Groups, publicly issued companies that conform to the description of controlling companies as contained in the chapter on affiliated enterprises of the Regulations must, at the conclusion of each business year, compile consolidated business reports and consolidated financial statements for the business group. Since the Bank of Taiwan is not a publicly issued company, it is not required to compile such a consolidated business report and consolidated financial statement.

II. Stock Dividend Policy and Status of Implementation

- 1.The Bank's policy on the distribution of profits is, first, the allocation of 30% as legal reserve and then 40% as special reserve, then the allocation of dividend and bonus to the central government, with the remainder being treated as undistributed income.
- 2.According to the provisions of Article 50 of the Banking Law, until the legal reserve reaches the amount of paid-in capital, the amount of earnings distributed as cash may not exceed 15% of total capital. The law also stipulates that when legal reserves reach the amount of capital, this restriction does not apply.

III. Implementation of the Internal Controls System

1. Implementation of the Internal Controls System

The BOT has compiled operating rules and manuals for each of its areas of business, and the rules and manuals are continuously amended in line with actual business needs so that they can serve as a basis for carrying out the different areas of business. A computer checking system has also been established, along with internal auditing criteria and internal self-auditing methods, so as to control operating risk and regulatory compliance.

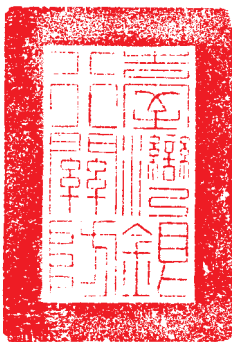
To assure the effective implementation of internal controls, each business, financial custodianship, and information unit designates a deputy head of unit to be charged with the self-auditing of internal controls. In addition, in 2002 the Auditing Office of the Board of Directors sent auditors to the units mentioned above on an unscheduled basis to carry out at least one full-scope examination and one special-scope examination per year. Auditors are also sent to examine overseas business units every year. When an examination uncovers a deficiency, the unit concerned is requested to make improvements within a designated time limit. Moreover, the self-examination performance of each unit is inspected in accordance with the "Regulations Governing Internal Self-Investigation and Auditing, and Rewards and Punishments" in order to achieve the goal of effective internal control.

2. Statements of Internal Controls

(1) To the Ministry of Finance

Statement of Internal Controls

On behalf of the Bank of Taiwan we declare that during the period of Jan. 1, 2002 through Dec. 31, 2002 the Bank of Taiwan did conform to the provisions of the "Implementation Rules for Banks' Internal Control and Auditing Systems" by establishing an internal controls system and carrying out risk management, and by having auditing carried out by an impartial and independent auditing unit, with reports submitted on a regular basis to the Boards of Directors and Supervisors. Careful assessment shows that with the exception of items listed in the attached chart, the internal control systems of and compliance with laws and regulations by the different units were all implemented effectively.



Attestor

President: Sheng-Yann Lii

Executive Vice President and General Auditor: Teh-Chien Su

Headquarters Legal Compliance Official: Wu-Shiung Chou

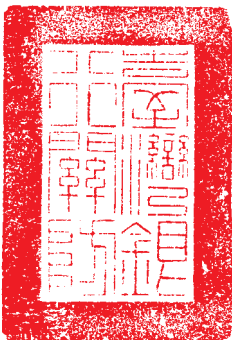
January 27, 2003

Statement of Internal Controls of the Bank of Taiwan

Data: Apr. 18, 2003

The results of a self-investigation of internal controls for the Bank of Taiwan covering the period of Jan.1 — Dec. 31, 2002 are as follows:

1. The Bank fully realizes that the establishment, implementation, and maintenance of a system of internal controls is the responsibility of its Board of Directors and management-level staff, and such a system has in fact been established. The goal of this system is to provide reasonable assurance of the achievement of targets in the areas of operating effectiveness and efficiency (including profits, performance, and protection of asset security), the reliability of financial reports, and compliance with relevant laws.
2. An internal control system has inherent limitations; and however comprehensive its planning may be, an effective internal control system can provide only reasonable assurance that the three targets listed above will be achieved. In addition, the effectiveness of an internal control system may change along with changes in the environment or other conditions. The Bank's internal control system has a self-supervisory function, however, and as soon as deficiencies are recognized the Bank takes action to rectify them.
3. The Bank judges the effectiveness of the design and implementation of its internal control system in accordance with the stipulations of the internal control judgment items contained in the "Criteria Governing Handling of Establishment of Internal Control Systems in Securities and Futures Service Enterprises" (hereinafter referred to as "the Criteria") promulgated by the Securities and Futures Commission of the Ministry of Finance. The internal control judgment items contained in the Criteria divide internal controls into five constituent elements according to the management control process: (1) the control environment, (2) evaluation of risk, (3) control operations, (4) information and communication, and (5) Supervision. Each of these constituent items itself contains a number of items. For details regarding the items listed above, please refer to the stipulations of the Criteria.
4. The Bank uses the internal control judgment items listed above evaluate the effectiveness of the design and implementation of its internal control system.
5. Based on the results of the evaluation described in the previous paragraph, the Banks is conscious that during the period given above its internal control system, (including supervision of the Fengshan, Anping and Minchuan branches), including the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with related laws and orders, were effective and able to reasonably assure the attainment of the above-listed targets
6. This Statement will become a major content of the Bank's Annual Report. Any falsehood, omission, or other illegality will incur legal responsibility under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. This Statement was passed by the Board of Directors of the Bank of Taiwan on Apr. 18, 2003, with the 11 directors present approving its contents unanimously.



Bank of Taiwan

Chairman: Mu-Tsai Chen

President: Sheng-Yann Lii

IV. Legal Violations Resulting in Punishment and Major Deficiencies of the Past Two Years, and Status of Improvement

1. Indictment of officials and employees for crimes committed in the performance of their duties during the past two years

- (1) In the case of the behavior of an employee of the Tainan Branch during his service with the Taipei World Trade Center Branch, since the case involved a crime, the employee was suspended from duty and turned over for prosecution in accordance with the law, and was given two demerits by the committee for the punishment of civil servants. A sentence of imprisonment given in this fraud case was confirmed by the Taiwan High Court, the payment of the imposed fine has been completed, and the person involved has returned to service.
- (2) In the case of the unsuccessful attempt by an employee of the Shuinan Branch to use his position to embezzle interest receivable, the person involved was relieved of duty and turned over for prosecution in accordance with the law; in addition, he was suspended from his post for six months by the committee for the punishment of civil servants. The sentence of imprisonment imposed in this case has been confirmed by the Taichung Branch of the Taiwan High Court.

2. Violations of the Banking Law resulting in fines during the past two years

(None)

3. Deficiencies resulting in severe disciplinary action by the Ministry of Finance during the past two years

(None)

4. Major security incidents occurring during the past two years as a result of staff malpractice, major unexpected incidents (such as armed robber, major theft, fire, or violence), or of failure to observe the Guidelines for the Maintenance of Security in Financial Institutions, the actual losses from which exceed NT\$50 million during one or both of the years

(None)

5. Other matters which should be disclosed under instructions from the Ministry of Finance

(None)

V. Major Resolutions

- 1. To reinforce its financial structure, the Bank amended, with the permission of the Ministry of Finance, Article 26 of its Statutes to increase the special reserve allocation from 20% to 40%.
- 2. According to a resolution passed by the Financial Reform Task Force of the Executive Yuan on Sept. 10, 2002, the BOT is to reorganize itself into a corporate entity before the end of June 2003 and complete its privatization by the end of 2006. Also, in accordance with a resolution of the 1328th meeting of the BOT Board of Standing Directors on Jan. 24, 2003, the Bank is to be reorganized into the Bank of Taiwan Co., Ltd. on July 1, 2003.

VI. Other Matters for Supplementary Explanation

(None)

The image is a conceptual composition. In the upper left, a small, dark, textured globe sits on a light-colored surface. To its right, a document is partially visible, showing a world map and some text, including "INDEX (CTM)" and "113-02". In the lower half, a film strip curves across the frame. The film strip has a black and white sprocket edge. On one of the frames, there is a vibrant, stylized world map with a color gradient from yellow to red. The background is a light, neutral color.

Directory of Head Office and Branches

I. DOMESTIC BUSINESS UNITS

120, SEC. 1, CHUNGCHING SOUTH ROAD, (P.O. BOX 5 or 305)
TAIPEI, TAIWAN 100, REPUBLIC OF CHINA
TELEX: 11201 TAIWANBK FAX : (02)2331-5840 · (02)2361-3203

SWIFT:BKTWWTWP
http://www.bot.com.tw

OFFICE	SWIFT	ADDRESS	TELEPHONE	FAX
Head Office	BKTWWTWP	120, Sec. 1, Chungching South Road, Taipei	02-23493456	02-23315840
◆ Department of Business (I)	BKTWWTWP	120, Sec. 1, Chungching South Road, Taipei	02-23493456	02-23315840
◆ Department of Business (II)	BKTWWTWP007	49, Kuanchien Road, Taipei	02-23812949	02-23753800
Department of Public Treasury	BKTWWTWP	120, Sec. 1, Kueiyang Street, Taipei	02-23615420	02-23751125
Department of International Banking	BKTWWTWP	120, Sec. 1, Chungching South Road, Taipei	02-23493456	02-23617647
Department of Trusts	BKTWWTWP	58, Sec. 1, Chungching South Road, Taipei	02-23618030	02-23821846
Department of Securities	BKTWWTWP	58, Sec. 1, Chungching South Road, Taipei	02-23882188	02-23716159
Offshore Banking Branch	BKTWWTWP069	1st Fl., 3, Paoching Road, Taipei	02-23493456	02-23894500
◆ Keelung Branch	BKTWWTWP012	16, Yee 1st Road, Keelung	02-24247113	02-24275377
◆ Yenping Branch	BKTWWTWP019	406, Nanking West Road, Taipei	02-25522859	02-25522011
◆ Chungshan Branch	BKTWWTWP020	150, Sec. 1, Chungshan North Road, Taipei	02-25423434	02-25710210
◆ Nanmen Branch	BKTWWTWP033	120, Sec. 1, Nanchang Road, Taipei	02-23512121	02-23964281
◆ Kungkuan Branch	BKTWWTWP034	120, Sec. 4 Roosevelt Road, Taipei	02-23672581	02-23656810
◆ Peitou Branch	BKTWWTWP036	152, Sec. 1, Chungyang South Road, Peitou, Taipei	02-28951200	02-28912473
◆ Chengchung Branch	BKTWWTWP045	47, Chingtao East Road, Taipei	02-23218934	02-23918761
◆ Minchuan Branch	BKTWWTWP046	239, Sec. 2, Chenteh Road, Taipei	02-25530121	02-25534253
◆ Sungchiang Branch	BKTWWTWP050	115, Sungchiang Road, Taipei	02-25069421	02-25079097
◆ Lungshan Branch	BKTWWTWP052	380, Kangling Road, Taipei	02-23088111	02-23087744
◆ Chunghsiao Branch	BKTWWTWP053	202, Sec. 1, Tunhwa South Road, Taipei	02-27516091	02-27411704
◆ Hsinyi Branch	BKTWWTWP054	88, Sec. 2, Hsinyi Road, Taipei	02-23515486	02-23973887
◆ Sungshan Branch	BKTWWTWP064	560, Sec. 4, Chungshiao East Road, Taipei	02-27293111	02-27299925
◆ Shihlin Branch	BKTWWTWP070	197, Sec. 6, Chungshan North Road, Taipei	02-28367080	02-28362523
◆ Minsheng Branch	BKTWWTWP080	167, Fuhsing North Road, Taipei	02-27192081	02-27188897
◆ Taipei World Trade Center Branch	BKTWWTWP085	3rd Fl., 333, Sec. 1, Keelung Road, Taipei	02-27200315	02-27576156
◆ Taan Branch	BKTWWTWP086	165, Sec. 4, Hsinyi Road, Taipei	02-27553121	02-27093243
◆ Tunhwa Branch	BKTWWTWP106	1st Fl., 205, Tunhwa North Road, Taipei	02-25455111	02-25450913
◆ Nankang Branch	BKTWWTWP107	1st Fl., 95, Sec. 2, Nankang Road, Taipei	02-26516706	02-27839049
◆ Hoping Branch	BKTWWTWP108	180, Sec. 1, Hoping East Road, Taipei	02-23687027	02-23626987
◆ Chunglun Branch	BKTWWTWP110	108, Sec. 5, Nanking East Road, Taipei	02-27698618	02-27603224
◆ Jenai Branch	BKTWWTWP122	99, Sec. 2, Jenai Road, Taipei	02-23975936	02-23975927
◆ Yuanshan Branch	BKTWWTWP124	577, Linsen North Road, Taipei	02-25976699	02-25932760
◆ Tienmou Branch	BKTWWTWP142	18, Sec. 7, Chungshan North Road, Taipei	02-28755222	02-28755219
◆ Chunhsien Branch	BKTWWTWP	1, Chungshan South Road, Taipei	02-23411001	02-23578831
◆ Neihsu Branch	BKTWWTWP153	396, Sec. 1, Neihsu Road, Taipei	02-87977933	02-87977956
◆ Wenshan Mini-Branch	BKTWWTWP	218, Sec. 6, Roosevelt Road, Taipei	02-86633456	02-86635656
◆ Tamsui Branch	BKTWWTWP148	93, Chungshan Road, Tamsui, Taipei Hsien	02-26281111	02-26281122
◆ Panchiao Branch	BKTWWTWP027	21, Fuchung Road, Panchiao, Taipei Hsien	02-29680172	02-29676416
◆ Sanchung Branch	BKTWWTWP042	39, Sec. 4, Chungshin Road, Sanchung, Taipei Hsien	02-29719621	02-29719736
◆ Yungko Branch	BKTWWTWP048	97, Sec. 1, Yungko Road, Yungko, Taipei Hsien	02-29216611	02-29233793
◆ Chungko Branch	BKTWWTWP066	253, Sec. 2, Chungshan Road, Chungko, Taipei Hsien	02-22488980	02-22490344
◆ Hsinchuang Branch	BKTWWTWP071	85, Hsintai Road, Hsinchuang, Taipei Hsien	02-22056699	02-22031524
◆ Shulin Branch	BKTWWTWP074	29, Wen Hua St., Su Lin City, Taipei Hsien	02-26866511	02-26861307
◆ Hsintien Branch	BKTWWTWP075	45, Paochung Road, Hsintien, Taipei Hsien	02-29180795	02-29151012
◆ Huachiang Branch	BKTWWTWP087	293-2, Sec. 1, Chungshan Road, Panchiao, Taipei Hsien	02-29610101	02-29638280
◆ Tucheng Branch	BKTWWTWP111	344, Sec. 2, Chungyuan Road, Tucheng, Taipei Hsien	02-22703791	02-22603314
◆ Wuku Branch	BKTWWTWP135	42, Sec. 4, Chungshin Road, Wuku Hsiang, Taipei Hsien	02-22936699	02-22930304
◆ Hsichih Branch	BKTWWTWP156	175, Ta Tung Road, Sec. 2, Hsi Chih City, Taipei Hsien	02-86926822	02-86926828
◆ Lujou Branch	BKTWWTWP	50, Sanmin Road, Lu Jou City, Taipei Hsien	02-82868686	02-82868989
◆ Peifu Mini-Branch	BKTWWTWP	B1, 161, Sec.1, Chungshan Road, Panchiao, Taipei Hsien	02-89535968	02-89535268
◆ Taoyuan Branch	BKTWWTWP026	46, Chungcheng Road, Taoyuan, Taoyuan Hsien	03-3352801	03-3322007
◆ East Taoyuan Branch	BKTWWTWP	300, Chingkuo Road, Taoyuan, Taoyuan Hsien	03-3263888	03-3265666
◆ Chungli Branch	BKTWWTWP041	580, Yenping Road, Chungli, Taoyuan Hsien	03-4252160	03-4258751
◆ CKS Airport Branch	BKTWWTWP	1 Chuwei Village, Tayuan Township, Taoyuan Hsien	03-3982166	03-3834834
◆ Pingchen Branch	BKTWWTWP121	11, Sec. 2, Huannan Road, Pingchen, Taoyuan Hsien	03-4945688	03-4945699
◆ Nankan Branch	BKTWWTWP123	81, Sec. 1, Nankan Road, Luchu Hsiang, Taoyuan Hsien	03-3529191	03-3520916
◆ Neili Branch	BKTWWTWP144	125, Hsingnong Road, Chungli, Taoyuan Hsien	03-4618519	03-4519650
◆ Chienkuo Branch	BKTWWTWP	35, Chlen Kuo Rd., Chung-Li City, Taoyuan Hsien	03-4225166	03-4255271
◆ Talun Branch	BKTWWTWP	312, Sec. 3, Chungcheng Road, Chung-Li City, Taoyuan Hsien	03-4983620	03-4984417
◆ Hsingnong Branch	BKTWWTWP	56, Hsing-Nung Rd., Chung-Li City, Taoyuan Hsien	03-4550885	03-4550885
◆ Jenmei Branch	BKTWWTWP	33, Sec. 4, Chung-Shan E. Road., Chung-Li City, Taoyuan Hsien	03-4663768	03-4663767
◆ Hsinchu Branch	BKTWWTWP015	29, Linsen Road, Hsinchu	03-5266161	03-5266444
◆ Peitalu Branch	BKTWWTWP	68 Pei Ta Road, Hsin Chu	03-5354381	03-5354380
◆ Science-Based Industrial Park Branch	BKTWWTWP073	2nd Fl., 5, Industry E. 6th Rd., Science-Based Industrial Park Hsinchu	03-5770050	03-5777936
◆ Chupei Branch	BKTWWTWP	16, Kuangming 6th Road, Chupei, Hsinchu Hsien	03-5513111	03-5517322
◆ Miaoili Branch	BKTWWTWP029	510, Chungcheng Road, Miaoili Miaoili Hsien	037-326791	037-337885
◆ Toufen Branch	BKTWWTWP043	65, Chungcheng Road, Toufen, Miaoili Hsien	037-663451	037-672213
◆ Taichung Branch	BKTWWTWP010	140, Sec. 1, Tzuyu Road, Taichung	04-22224001	04-22254546
◆ Fuhsing Branch	BKTWWTWP055	102, Sec. 4, Fuhsing Road, Taichung	04-22244181	04-22205856
◆ Chienhsing Branch	BKTWWTWP065	144, Chungcheng Road, Taichung	04-22242141	04-22273142
◆ Liming Branch	BKTWWTWP079	6-1, No. 37, Liming Road, Taichung	04-22551178	04-22524822

OFFICE	SWIFT	ADDRESS	TELEPHONE	FAX
◆ * Taichung Industrial Park Branch	BKTWTWTP092	196, 1st Road, Taichung Industrial Park, Taichung	04-23597850	04-23592798
◆ Shuinan Banch	BKTWTWTP109	416, Sec. 2, Chungder Road, Taichung	04-22468130	04-22466855
◆ Hsitwun Branch	BKTWTWTP141	41, Sec. 2, Chinghai Road, Taichung	04-23128528	04-23117106
◆ Fongyuan Branch	BKTWTWTP030	302, Chungcheng Road, Fongyuan, Taichung Hsien	04-25278688	04-25256981
◆ Wufeng Branch	BKTWTWTP037	838, Chungcheng Road, Wufeng Hsiang, Taichung Hsien	04-23302216	04-23327104
◆ Tantz Branch	BKTWTWTP047	1, Chinkuo Road, Tantz Hsiang, Taichung Hsien	04-25323133	04-25339071
◆ Taichung Harbor Branch	BKTWTWTP057	2, Szuwei Road, Wuchi Cheng, Taichung Hsien	04-26562311	04-26571772
◆ Tachia Branch	BKTWTWTP072	61, Minshen Road, Tachia Cheng, Taichung Shien	04-26868111	04-26865224
◆ Taya Branch	BKTWTWTP090	210, Minsheng Road, Taya Hsiang, Taichung Hsien	04-25683330	04-25680164
◆ Tali Branch	BKTWTWTP136	520, Sec. 2, Kuokuang Road, Tali, Taichung Hsien	04-24812211	04-24818448
◆ Defang Branch	BKTWTWTP	63, Sec 1, De Fang Road, Tali, Taichung Hsien	04-24853280	04-24826661
◆ Wuchi Branch	BKTWTWTP157	2, Chien 5th Road, Chung-Kang Export Processing Zone, Wuchi Cheng, Taichung Hsien	04-26565111	04-26570157
◆ Taiping Branch	BKTWTWTP	146, Chung Hsin East Road, Taiping City, Taichung Hsien	04-22736666	04-22736120
◆ Chungshin New Village Branch	BKTWTWTP013	11, Kuanghua Road, Chungshin New Village, Nantou, Nantou Hsien	049-2332101	049-2350457
◆ Nantou Branch	BKTWTWTP032	101, Fushing Road, Nantou, Nantou Hsien	049-2232121	049-2229845
◆ Puli Branch	BKTWTWTP	112, Tungjung Road, Puli, Nantou Hsien	049-2983991	049-2983949
◆ Changhua Branch	BKTWTWTP016	130, Chengkung Road, Changhua, Changhua Hsien	04-7225191	04-7257871
◆ Yuanlin Branch	BKTWTWTP049	63, Minsheng Road, Yuanlin, Changhua Hsien	04-8323191	04-8330663
◆ Lukang Branch	BKTWTWTP143	2, Lukang Road, Lukang, Changhua Hsien	04-7810168	04-7810268
◆ Nankuo Mini-Branch	BKTWTWTP	326, Sec. 2, Chungshan Road, Changhua Hsien	04-7272123	04-7272190
◆ Douliou Branch	BKTWTWTP031	27, Wunghwa Road, Douliou, Yunlin Hsien	05-5324155	05-5338309
◆ Huwei Branch	BKTWTWTP	369, Sec. 2, Linsen Road, Huwei, Yunlin Hsien	05-6337367	05-6321611
◆ Chiayi Branch	BKTWTWTP014	306, Chungshan Road, Chiayi	05-2224471	05-2258400
◆ Chiabei Branch	BKTWTWTP	211-3, Minkuo Road, Chiayi	05-2718911	05-2718922
◆ Taipao Branch	BKTWTWTP	2, Hsiangho 1st Road, Hsiangho New Village, Taipao, Chiayi Hsien	05-3620016	05-3620021
◆ Putz Mini-Branch	BKTWTWTP	35-1, Santung Road, Putz, Chiayi Hsien	05-3701100	05-3708877
◆ Tainan Branch	BKTWTWTP009	155, Sec. 1, Fuchien Road, Tainan	06-2160168	06-2160188
◆ Anping Branch	BKTWTWTP040	240, Chungcheng Road, Tainan	06-2292181	06-2241520
◆ Annan Branch	BKTWTWTP137	316, Sec. 4, Anher Road, Annan District, Tainan	06-3555111	06-3565881
◆ Fucheng Mini-Branch	BKTWTWTP	254, Sec. 2, Minchuan Road, Central Area, Tainan	06-2252168	06-2250936
◆ Hsiinying Branch	BKTWTWTP028	10, Chungcheng Road, Hsiinying, Tainan Hsien	06-6351111	06-6321843
◆ Yungkuang Branch	BKTWTWTP081	513, Hsiaotung Road, Yungkuang, Tainan Hsien	06-3125411	06-3138709
◆ Tainan Science-Based Industrial Park Branch	BKTWTWTP146	15, Nan Ko 3rd Road, 2nd Fl., Hsin Shih Hsiang, Tainan Hsien	06-5051701	06-5051709
◆ Kaohsiung Branch	BKTWTWTP011	264, Chungcheng 4th Road, Kaohsiung	07-2515130	07-2211257
◆ Kaohsiung Export Processing Zone Branch	BKTWTWTP021	1, Central 1st Road, Export Processing Zone, Kaohsiung	07-8215141	07-8210848
◆ Tzoyin Branch	BKTWTWTP035	19, Tzoyin Ta Road, Kaohsiung	07-5819141	07-5850051
◆ Chienchen Branch	BKTWTWTP044	1-3, Kuochien Road, Chienchen District, Kaohsiung	07-8115171	07-8413413
◆ Kusan Branch	BKTWTWTP051	23, Linhai 1st Road, Kaohsiung	07-5218291	07-5315544
◆ Sanming Branch	BKTWTWTP056	567, Jeouru 2nd Road, Kaohsiung	07-3127143	07-3215350
◆ Hsingsing Branch	BKTWTWTP061	133, Mintzu 2nd Road, Hsingsing District, Kaohsiung	07-2384611	07-2387374
◆ Lingya Branch	BKTWTWTP062	261, Chinnien 1st Road, Lingya District, Kaohsiung	07-3358700	07-3327904
◆ Sandou Branch	BKTWTWTP082	142, Hsiungang Road, Lingya District, Kaohsiung	07-3349341	07-3336835
◆ Nantze Branch	BKTWTWTP091	166, Chiennan Road, Nantze District, Kaohsiung	07-3532115	07-3314884
◆ Tachang Branch	BKTWTWTP116	540, Jeouru 1st Road, Sanming District, Kaohsiung	07-3891036	07-3806046
◆ Hsiaokang Mini-Branch	BKTWTWTP	410, Hungping Road, Kaohsiung	07-8010399	07-8066029
◆ Poai Branch	BKTWTWTP119	394, Yucheng Road, Tzoying District, Kaohsiung	07-5567690	07-5562138
◆ Fengshan Branch	BKTWTWTP025	20, Chaokung Road, Fengshan, Kaohsiung Hsien	07-7416131	07-7433478
◆ Kangshan Branch	BKTWTWTP060	16, Shoutien Road, Kangshan, Kaohsiung Hsien	07-6216141	07-6214853
◆ Wuchia Branch	BKTWTWTP118	168, Wuchia 2nd Road, Fengshan, Kaohsiung Hsien	07-7170730	07-7233469
◆ Chungchung Branch	BKTWTWTP120	339, Fengping 1st Road, Taliuo Hsiang, Kaohsiung Hsien	07-7038838	07-7038964
◆ Chungping Branch	BKTWTWTP160	9, Chungghwa Road, Pingtung, Pingtung Hsien	08-7677001	08-7320199
◆ Pingtung Branch	BKTWTWTP017	43, Chungshan Road, Pingtung, Pingtung Hsien	08-7328141	08-7322309
◆ Chaochou Branch	BKTWTWTP088	13-2, Hsinsheng Road, Chaochou, Pingtung Hsien	08-7883084	08-7883614
◆ Tungkuang Branch	BKTWTWTP	114, Chungcheng Road, Tungkuang, Pingtung Hsien	08-8323131	08-8352545
◆ Hsiinyuan Branch	BKTWTWTP	65, Shianji Road, Shianji Village, Shinyuan Hsiang, Pingtung Hsien	08-8687705	08-8687505
◆ Housheng Branch	BKTWTWTP	4-10, Minsheng Road, Pingtung, Pingtung Hsien	08-7210168	08-7210173
◆ Hsinwei Branch	BKTWTWTP	55, Pengchu Road, Yenpu Hsiang, Pingtung Hsien	08-7932037	08-7935976
◆ Chenhsing Branch	BKTWTWTP	60-4, Poai Road, Yenpu Hsiang, Pingtung Hsien	08-7021421	08-7021421
◆ Nanshin Branch	BKTWTWTP	301, Nanshin Road, Shinlong Village, Shinyuan Hsiang, Pingtung Hsien	08-8352600	08-8352606
◆ Yinglong Branch	BKTWTWTP	187, Yinglong Road, Yingpu Village, Shinyuan Hsiang, Pingtung Hsien	08-8335869	08-8335867
◆ Shintong Branch	BKTWTWTP	230, Pingho Road, Shintong Village, Shinyuan Hsiang, Pingtung Hsien	08-8686307	08-8686309
◆ Yenpu Branch	BKTWTWTP	37, Shengli Road, Yenpu Hsiang, Pingtung Hsien	08-7932111	08-7932091
◆ Taitung Branch	BKTWTWTP023	313, Chungshan Road, Lotung, Taitung Hsien	089-324201	089-311608
◆ Hualien Branch	BKTWTWTP018	3, Park Road, Hualien, Hualien Hsien	03-8322151	03-8322404
◆ Jian Mini-Branch	BKTWTWTP	139, Chien Kuo Road, Sec. 1, Pei Chun Village, Jian Country, Hualien	03-8576000	03-8565495
◆ Ilan Branch	BKTWTWTP022	1, Chungshan Road, Ilan, Ilan Hsien	03-9355121	03-9355822
◆ Lotung Branch	BKTWTWTP058	93, Kungcheng Road, Lotung, Ilan Hsien	03-9576866	03-9576862
◆ Suao Branch	BKTWTWTP089	97, Chungshan Road, Suao, I-Lan Hsien	03-9962566	03-9963370
◆ Penghu Branch	BKTWTWTP024	24, Jenai Road, Makung, Penghu Hsien	06-9279935	06-9272347
◆ Kinmen Branch	BKTWTWTP038	4, Fuhsing Road, Kinhu, Kinmen Hsien, Fukien Province	082-333711	082-333719
◆ Matsu Branch	BKTWTWTP	257, Wenhua Road, Chiehshou Vil., Nankan, Matsu, Lienkiang Hsien, Fukien Province	0836-25490	0836-25801

Notes : 1. ◆ Safety deposit box business unit

2. * Foreign exchange unit

3. ★ Branch dealing in foreign currency and traveler's checks

4. Data to May 15, 2003

II. Overseas Units



Branch	Address	Telephone	SWIFT	FAX
New York Agency	100 Wall Street, 11th Floor New York, NY 10005 U.S.A.	1-212-968-8128	BKTWUS33	1-212-968-8370
Amsterdam Branch	World Trade Center, Strawinskylaan 655 1077 XX Amsterdam, The Netherlands	31-20-671-3399	BKTWNL2A	31-20-671-1031
Los Angeles Branch	Sanwa Bank Plaza, Figueroa at Wilshire 601 S. Figueroa Street, Suite 4525 Los Angeles, CA 90017 U.S.A.	1-213-629-6600	BKTWUS6L	1-213-629-6610
Hong Kong Branch	4th Fl., 9 Queen's Road Central, Hong Kong	852-2521-0567	BKTWHKHH	852-2869-4957
Singapore Branch	80 Raffles Place #28-20 UOB Plaza 2, Singapore 048624	65-65365536	BKTWSGSG	65-6536-8203
Tokyo Branch	7F Fukoku Seimei Bldg., 2-2 Uchisaiwaicho 2-Chome Chiyoda-Ku, Tokyo 100, Japan	813-3504-8881	BKTWJPJT	813-3504-8880
South Africa Branch	No.11, Cradock Ave. Rosebank 2196 Johannesburg, South Africa	27-11-880-8008	BKTWZAJJ	27-11-447-1868

Subsidiary Bank	Address	Telephone	SWIFT	FAX
Bank of Taiwan (Europe) N.V.	World Trade Center, Strawinskylaan 655 1077XX Amsterdam, The Netherlands	31-20-671-3399	BKTWNL2A	31-20-671-1031

Representative Office	Address	Telephone	FAX
London Representative Office	Evergreen House, 160 Euston Road London, NW1 2DT U.K.	44-20-7388-3800	44-20-7388-0338