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# 2001 ANNUAL REPORT

**CONCERN EFFICIENCY INNOVATION SOUNDNESS** 

#### **BOT Spokesperson**

Name: William J.W. Teng Title: Executive Vice President Tel: (02)2331-8040 (02)2349-3020 Fax: (02)2382-0315

#### Head Office

No. 120, Sec. 1, Chungching South Road, Taipei, Taiwan 100, R.O.C. Te1: (02)2349-3456 Fax: (02)2331-5840 SWIFT: BKTWTWTP Web Site: www.bot.com.tw

#### Stock Registration Agent

(None)

#### **Credit Rating Agencies**

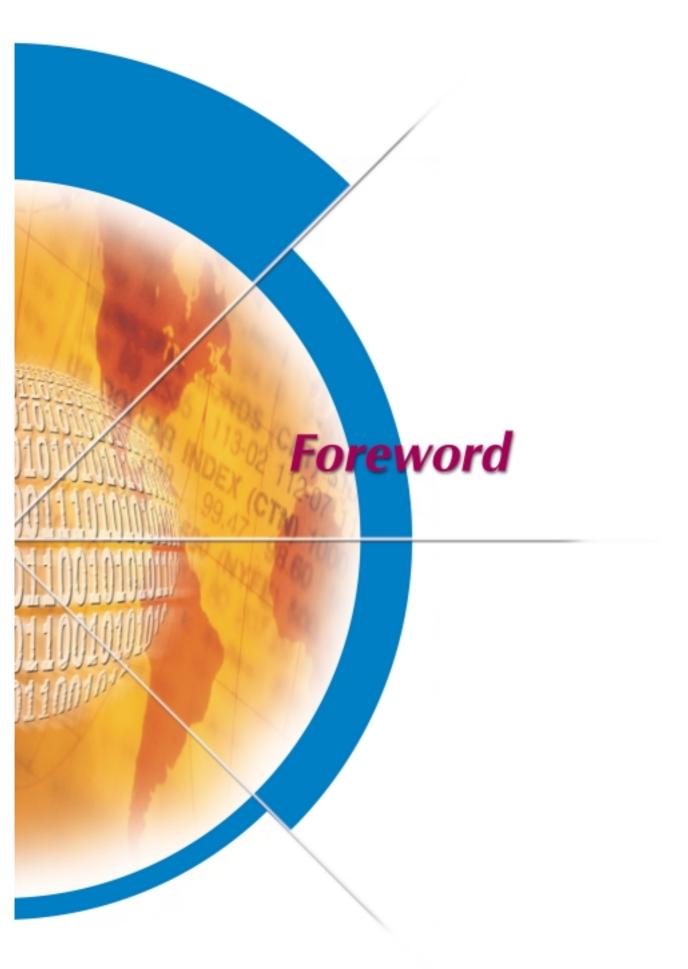
 Moody's Investors Service
 99 Church Street, New York N.Y. 10007 U.S.A. Te1: 212-553-1698
 Fax: 212-553-3846
 Standard & Poor's
 36/F, Edinburgh Tower, The Landmark
 15 Queen's Road Central, Hong Kong
 Te1: (852)2533-3500
 Fax: (852)2533-3577
 Taiwan Ratings Corporation
 23rd Floor, No.100, Sec. 2, Roosevelt Road, Taipei, Taiwan 100, R.O.C. Te1: (02)2368-8277
 Fax: (02)2368-9169

#### The CPA-Auditor of the Financial Report

Name: David Ding, Yen-Ling Fang CPA Firm: KPMG Certified Public Accountants 6th Floor, No.156, Sec. 3, Min-Sheng East Road, Taipei, Taiwan 105, R.O.C. Te1: (02)2715-9999 Fax: (02)2715-9888

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Mu-Tsai Chen, Chairman

Taiwan's domestic economy slumped rapidly along with the international economy in 2001. The performance of the stock market also took a downturn in the middle of the year and the wealth of people shrank; this caused a slump in consumption, and domestic and external demand went into a state of recession. The Central Bank of China moved to help revitalize the domestic economy by following up cuts in the discount rate and the interest rate on accommodations with collateral instituted at the end of 2000 and 11 more reductions in 2001 in order to continue its loose-money policy. At the same time, the Central Bank also lowered the ratio of required reserves, relaxed regulations on the inward remittance of foreign capital, and reduced the percentage of banks' reserves in the B account with the Central Bank in order to increase the energy of capital in the market. The effects of these measures were becoming clearly apparent in the fourth quarter of 2001.

Despite the poor economic performance in 2001, Taiwan's financial reforms continued apace. The Ministry of Finance carried out a major revision of the Banking Law in 2000 and implemented the Trust Enterprises Act and the Financial Institution Merger Act, and the Legislative Yuan followed up in 2001 by passing six financial reform bills, including the Financial Holding Company Act. In addition, the establishment of asset management companies was promoted in order to clear up financial institutions' bad debts, the Financial Restructuring Fund was used in a vigorous effort to rectify community financial institutions, and financial relations across the Taiwan Straits were loosened up. All of these measures will have a far-reaching effect on Taiwan's financial market and will help bring legal order to the financial environment as well as strengthen the constitutions of financial institutions.

Looking back on the more than half-century of Taiwan's economic development since the Bank of Taiwan was established on May 20, 1946, we see that the Bank has constantly pursued its goals of regulating finance, supporting economic construction, and developing industrial and commercial enterprises, exerting its full efforts to coordinate with government policy during the different stages of development in order to fulfill the mission imposed upon it by the government. Over the years, we



Sheng-Yann Lii, President

have relied on the excellent leadership of the government, the long-term support and care of our customers, and the concerted efforts of all our staff to realize the outstanding performance that we have enjoyed. According to the ranking of the world's top 1,000 banks by Tier 1 capital by *The Banker* magazine in its July 2001 issue, the BOT stood in 102nd place; in terms of total assets, we were 101st. The ranking by shareholders' equity as reported in the June 2001 issue of *Euromoney* magazine put the BOT 85th in the world. In all of these rankings, we were first among all Taiwan banks.

The domestic and international financial environments have undergone drastic change in recent years, and competition in the banking industry has become more intense than ever. The BOT's past niche in the operation of policy-type businesses has been eroding steadily, and over the past year the Bank has responded to violently changing domestic and overseas economic and financial conditions, as well as to the new environment resulting from Taiwan's entry into the WTO, by devoting its efforts to the following reform measures: 1. Reinforcement of law-based operations and overall revision of business rules, 2. Carrying out of organizational re-engineering so as to enhance management efficiency, 3. Strengthening of risk management and establishment of a crisis management mechanism, 4. Strengthening of the personnel evaluation system to stimulate staff potential and morale, and 5. Elevation of the e-cultivation of Bank employees and overall promotion of e-businesses.

Through all of these measures the BOT will continue holding to its operating principles of "concern, efficiency, innovation, and soundness" as we step up our pace of transition, and we will make full use of information technology to meet market needs and provide our customers with diversified services to assure that the BOT will truly become a full-service commercial bank in all respects and maintain its leading position in Taiwan's financial industry.

# **Gene**ral Status of the **B**ank

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#### I. Introduction

The Bank of Taiwan (BOT) was established on May 20, 1946 and first operated under the administration of the Taiwan Provincial Government. Following the phase out of the Taiwan Provincial Government on Dec. 21, 1998, the Bank was taken over by the central government of the Republic of China and placed under the administration of the Ministry of Finance (MOF) in accordance with the regulations on government-owned financial institutions. The Bank is headquartered in Taipei and has branch organizations located throughout Taiwan and in major international financial centers. Its total staff, both in Taiwan and overseas, numbers more than 7,000 persons.

Since its establishment, the BOT has undertaken as primary missions the regulating of finance, the supporting for economic construction, and the development of industry and commerce. In addition to carrying out general banking business in accordance with the stipulations of the Banking Law, the BOT also manages the subsidiary business of issuance of New Taiwan Dollar currency under authorization from the Central Bank of China; acts as agent for government treasuries outside the areas of Taipei and Kaohsiung cities; handles the sale of government bonds, as well as the repayment of their principal and interest; takes deposits from the pension of veterans', civil servants', and teachers' at preferential interest rates; and acts as agency for check clearance outside the area of Taipei city. All of these activities reflect the vital position that the BOT holds within the banking system in Taiwan.

In line with the government's efforts to rectify poorly operating community financial institutions and guarantee the interests of depositors so as to maintain financial order, the BOT received permission from the Ministry of Finance to take over, on Sept. 15, 2001, the credit departments of the Hsinyuan Township Farmers' Association in Pingtung County, the Pingtung County Farmers' Association, and the Taiwan Provincial Farmers' Association. The MOF previously commissioned the Central Deposit Insurance Corp., under the provisions of the Financial Institutions Merger Act and the Statute for the Establishment and Administration of the Executive Yuan Financial Restructuring Fund to convert those credit departments and their 13 business units into branches of the BOT on that day. The related rights and obligations of depositors and borrowers are being handled in accordance with relevant laws and regulations.

#### II. Organization

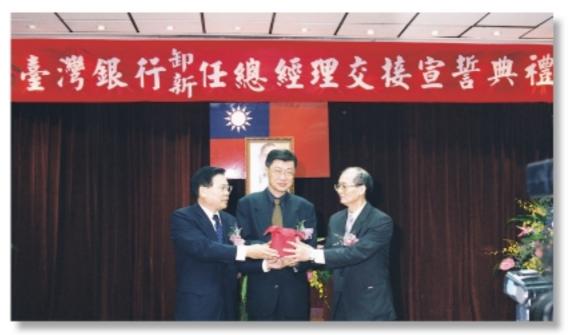
At the end of December 2001 the BOT's organization consists of a headquarters with 24 departments and offices, 129 domestic business units (including six mini-branches), and 17 subbranches, as well as an Offshore Banking Branch and nine overseas business locations.





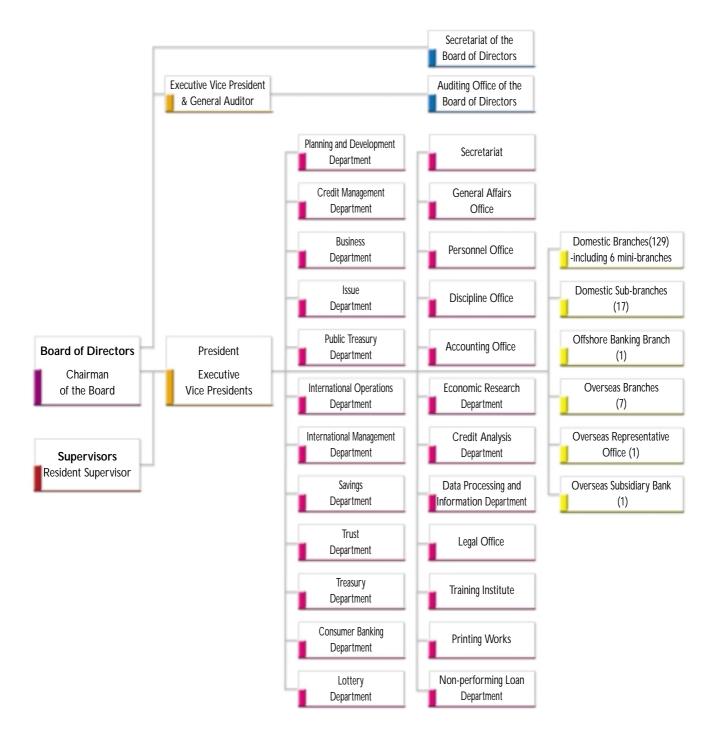
(From left)

Executive VP & General Auditor, Teh-Chien Su; Executive VP, William J.W. Teng; Chairman, Mu-Tsai Chen; President, Sheng-Yann Lii; Executive VP, K.C. Wang and Executive VP, Wu-Shiung Chou.



The transfer of the office of BOT president took place on September 3, 2001, with then Political Vice-Minister, Ministry of Finance witnessing the event. (Political Vice-Minister, Chung Chen, standing center; President Sheng-Yann Lii, standing right; former President Kuo-Hwa Ho, standing left.)

#### **ORGANIZATION CHART**



Notes: (1) Information in this Organization Chart was as of the end of December 2001.

- (2) The Securities Department began operating on January 23, 2002.
- (3) The names of the Business Department and Savings Department were changed to Business Department I and Business Department II, respectively, on March 1, 2002.

#### DIRECTORS, SUPERVISORS AND TOP MANAGERS

(As of Dec. 31, 2001)

Title	Title Name Date o Appointm		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
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, Directorate General of Budget, Accounting and Statistics, Executive Yuan; Director, Dept. of Budget, Accounting and Statistics of Kaohsiung Municipal Government
Managing Director	Chau-Nan Chen	June 22, 2000	Ph. D. in Economics, University of Chicago	Professor, Dept. of Economics, National Taiwan University; Academician, Academic Sinica
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
Director	Jai-Chien Wang	April 22, 1993	B. A. in Sociology, National Chunghsing University	Chairman, Supervisory Commission of Labor Insurance for Taiwan-Fukien Area; Consultant, Taiwan Provincial Government
Director	Pao-Fa Yang	Sept. 4, 1993	B. A. in Political Science, National Taiwan University	Political Vice Minister, Ministry of the Interior
Director	Shyh-Yong Chen	April 25, 1995	S. J. D. Harvard University	Legislator, Legislative Yuan; Magistrate, Chia-Yi Hsien
Director	Chiug-Hwa Chang	June 6, 1996	B. A. in Public Administration, National Chunghsing University	Magistrate, Miao-Li Hsien
Director	Hung-I Chien	July 23, 1998	Diploma, Taipei Municipal Chien-Kuo Senior High School	Executive Vice President, Bank of Taiwan
Director	Shih-Pu Lee	Aug. 6, 1998	Diploma, The Private Kainan Commercial and Technical School	Secretary-General of Secretariat, Land Bank of Taiwan
Director	Fa-Chin Liang	Dec. 16, 2000	Ph. D. in Economics, Washington University in St. Louis	Professor, National Chunghsing University; Chairman, Dept. of Public Finance, National Chunghsing University
Director	Jih-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	Secretary-General, Council for Economic Planning and Development, Executive Yuan; Vice Chairman, Council for Economic Planning and Development, Executive Yuan; Deputy Secretary-General, Executive Yuan
Supervisor	Chi-Wei Lin	April 29, 1993	B. A. in Economics, National Taiwan University	Director, Taiwan Business Bank; Supervisor, Taiwan Business Bank; Supervisor, Taiwan Cooperative Bank
Supervisor	Shen-I Wang	Jan. 26, 2000	B. A. in Economics, National Taiwan University	Executive Vice President and General Auditor, Bank of Taiwan
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 Special 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, with capital provided by the government treasury. Following numerous capital injection, its capital stood at NT\$32 billion at the end of December 2001.

#### 2. Financial Debentures

In December 1996 the BOT issued US\$200 million in floating rate notes, which reached maturity in December 2001. The Bank has moved to make up the medium- and long-term foreign currency gap by raising US\$210 million through medium-term foreign currency loans and relatively low-cost cross currency swaps.

## 3. Participation in the Issuance of Global Depository Receipts (None)

#### IV. Business Report for 2001

#### 1. Results from Implementation of Business Plan

- (1) Six mini-branches were established during this year and additional automated service centers as well as ATMs were installed in order to provide 24-hour automated services and reinforce competitiveness, as well as upgrade operating efficiency.
- (2) Three main branches, Taichung, Tainan, and Kaohsiung were transformed into regional foreign
  - currency centers, so as to reduce risk associated with the shipment of foreign cash and so as also to upgrade management performance.
- (3) A Southern Loan Collection Task Force was set up and given the task of taking care of major non-performing loan cases in southern Taiwan, which will aid in the resolution of problem loans there.
- (4) Preparations were made for an e-banking center



that will integrate the BOT's existing electronic channels such as ATMs, EDI funds transfer, telebanking, Internet banking, and mobile banking; thus providing customers with a more nimble operating environment.

- (5) In line with changes in the domestic and overseas financial environments and with the reinforcement of internal controls, an overall revision of the Bank's business regulations was carried out to make them clearer, more systematic, standardized and complete.
- (6) Establishment of the Bank's Internet banking system was completed, thus giving the public online access to the Bank's financial information and providing personal money management services, as well as online transfers of funds (by prior arrangement) between accounts under the same name or to pre-designated accounts, or to carry out small amount low-risk transactions.
- (7) In coordination with government policy and to give expression to the Bank's humanitarian operating principles, the BOT extended emergency preferential home-rebuilding loans to victims of the Sept. 21 (1999) earthquake and handled extensions and takeover of original loans to help victims carry out reconstruction work as quickly as possible.

(8) To help small and mediumsized enterprises (SMEs) reduce their capital costs and improve their operating structure, the Bank continued to extend Small and Medium Business Development Fund Ioans, Executive Yuan Development Fund Ioans for the upgrading of SMEs, and Council for Economic Planning and Development medium- and Iong-term financing to help SMEs take root in Taiwan. The performance of this



operation has been outstanding and has won the affirmation and praise of the authorities.

(9) The Bank participated actively in capital financing for domestic public construction and major investment projects. The Bank closed seven syndicated loans (including the Kaohsiung MRT) as lead arrangers bank with total value of NT\$60.15 billion during this year. This has been instrumental in fostering a good corporate image for the BOT. It also achieved the goal of diversifying credit risk.

#### 2. Budget Implementation

The average level of deposits in the Bank during 2001 was NT\$1,845,913 million, representing a target achievement ratio of 110.50%. The average amount of loans outstanding was NT\$1,330,144 million, for a target achievement ratio of 96.24%. Foreign exchange transactions carried out during the year amounted to US\$37,086 million, reaching 115.46% of the target.

#### 3. Revenues, Expenditures, and Profitability

Operating revenue for the year amounted to NT\$125,415 million and operating expenses were NT\$108,136 million; operating income was NT\$17,279 million and net non-operating income (expenditure) amounted to a negative NT\$183 million. Income before income tax was NT\$17,096 million and income tax amounted to NT\$3,393 million, leaving an net income of NT\$13,703 million.

The NT\$17,096 million in before-tax net income for the year was NT\$9,454 million less than the budgeted income of NT\$26,550 million. The main reason for this shortfall was that stock market trading during this year was weak and stock prices were depressed, so that the release of shares was temporarily postponed in order to avoid selling public assets cheaply and having an unfavorable impact on the stock market. This delay was reported to, and approved by, the Ministry of Finance. If the NT\$15,266 million in income from the sale of shares is subtracted from income before income tax, the actual amount of general income in the final budget is NT\$5,812 million, or 51.51% more than the budgeted NT\$11,284 million.

Return on assets: The net income for the year was NT\$13,703 million, equal to 0.60% of the NT\$2,274,083 million in average total assets.

Return on shareholder equity: The net income for the year was NT\$13,703 million, equal to 7.06% of the average total shareholder equity of NT\$194,228 million.

#### 4. Research and Development

The Bank's R&D work includes the regular study and analysis of economic and financial conditions and industrial developments at home and abroad; the assessment of interest and exchange rate movements; the overall analysis of the major business of financial institutions; and the implementation of an employee suggestion and self-improvement system. The overall digitalization of operations has also been carried out over the past two years; the establishment of various related systems has been completed, including a third-generation high-speed network, broadband high-speed internal information network, network banking system, and mobile banking system. Now, such operations as the transfer of funds between accounts as well as the payment of various kinds of taxes, tuition fees, credit card bills, telecommunications fees, and insurance premiums can all be handled over the Internet.

#### V. Business Plans for 2002

In the face of the drastic changes that have taken place in the financial environment, and in addition to continuing to reduce operating costs, strengthening the loan business, and developing new financial products, the Bank will work even harder this year to integrate businesses related to the flow of funds, such as trust, investment, securities, mutual funds, and insurance, so as to provide integrated, full-dimensional, and high-value-added services that will attract general corporate and individual customers. In this way the Bank will succeed in transforming itself into a full-service commercial bank. In regard to the problem of increasing non-performing loans, the Bank will actively work to write these off, and will also attack the problem at its foundation by helping companies to restructure, return to profitability, and recover their ability to repay their debts.

The BOT's operating directions and major operational policies are as follows:

- 1. A timely increase in paid-in capital in line with the growth in major areas of business, so as to augment capital, maintain an appropriate capital adequacy ratio, and strengthen the Bank's financial structure.
- 2. Active absorption of demand deposits, so as to strengthen the Bank's funding sources and structure.
- 3. Establishment of a "Policies on liquidity risk management and interest rate sensitivity" in order to reinforce liquidity and risk management, enhance the efficiency of funds utilization, and strengthen the Bank's business operations.
- 4. Strengthening of the securities, bonds, and bills business so as to ensure the full participation of the Bank in the securities and money markets.
- 5. Active development and promotion of the trust business, so as to increase fee income and strengthen profitability.
- 6. Efficient use of information technology in the active promotion of business automation and diversification, so as to shorten operating processes, heighten service quality, reduce costs, and upgrade business competitiveness.
- 7. Espousal of a customer orientation, enhancement of service quality, and active development of new financial products and channels to satisfy customer needs and manifest an integrated operating performance.
- 8. Strengthening of the internal management and control system, as well as the auditing system, so as to reinforce the self-discipline function and upgrade operating performance while, at the same time, seeking stable growth and a reasonable level of profits.
- 9. Strengthening of the risk management mechanism and reinforcement of risk management, so as to maintain operational security and upgrade overall operating performance.
- 10. Reinforcement of human resources cultivation and development, so as to upgrade the efficiency of manpower utilization.



#### I. General Banking Operations

#### 1. Deposits and Agency Business

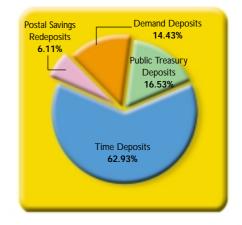
Deposits in the Bank at the end of December 2001 (excluding those due to the Central Bank and other banks) totaled NT\$1,915,772 million; compared with the NT\$1,810,011 million in deposits at the end of December 2000, and represented an increase of NT\$105,761 million for a growth of 5.84%.

(1) General Deposits

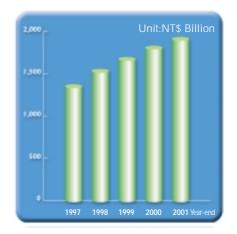
The Bank's basic operating principle is to attract greater amounts of demand deposits, so as to strengthen its capital sources and structure. In addition to the establishment of more service locations to expand business and the continued strengthening of visits to customers in order to solicit interest-free and low-interest deposits, the Bank also constantly develops new financial products and provides telephone banking, internet banking, mobile banking, and other diversified services in order to improve the deposit structure and to reduce capital costs. With the concerted efforts of all of BOT's staff, deposits in the Bank have shown remarkably steady growth.

(2) Savings Deposits

Savings deposits include demand savings deposits, time savings deposits, company staff salary deposits, agency and group employee savings deposits, retirement savings fund deposits for employees of government agencies and schools, preferential rate savings deposits for criminal injury compensation, savings deposits for civil servants and teachers, and preferential rate retirement fund **Structure of Deposits** 



Changes in Deposits



deposits for veterans, civil servants, and teachers. The total amount of savings deposits in the Bank at the end of December 2001 stood at NT\$1,158,353 million.

(3) Public Treasury Deposits

Having served as agent for public treasuries for more than 50 years, the BOT has built up a complete treasury system, developing into a truly professional treasury agent. At the end of December 2001 the Bank was operating 91 national treasury units, 22 county and city treasury units, 313 subcounty treasury units, 243 town and township treasury units, and 3,658 tax collection stations, forming a widespread public treasury network that facilitates the collection, payment, and transfer of funds. The total amount of public treasury deposits in the Bank at the end of December 2001 stood at NT\$316,630 million, a 53.66% share of the total market for public treasury deposits, making the BOT the nation's most important treasury agent.

(4) Remittances, Collections, and Payments

Domestic remittances (including check collection) handled by the Bank in 2001 amounted to 9,836,468 cases with a total value of NT\$30,900,731 million. This was an increase of 204,440 cases or 2.12%, and NT\$145,252 million or 0.47%, over the year before.

In the area of agency collections and payments, in addition to handling general banking operations, serving as agency for the national and local treasuries, handling payment of principal and interest on government bonds, and acting as a clearing bank for Central Bank registered

government bonds, the BOT also serves as agent for collections and payments of items including taxes, harbor service fees, customs tariff fees, traffic fines, automobile fuel taxes, auto license fees, utilities fees (including water, electricity, gas, and telephone fees), tuition and miscellaneous school fees, credit card payments for other banks, the collection of civil servant retirement funds, the payment of unified invoice lottery winners, and the payment of corporate stock dividends, so as to fulfill its objective of serving the public.

#### 2. Loans

The amount of loans outstanding from the Bank at the end of December 2001 (including general loans, import and export financing, overdrafts, discounts, and clean bills purchased) totaled NT\$1,279,852 million, a decrease of NT\$77,008 million or 5.68% from the end of December 2000.

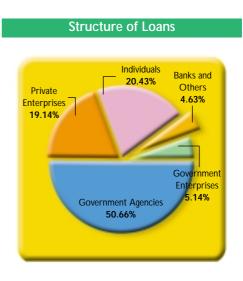
(1) General Loans

With the continuing situation of idle-fund in the financial market, competition among financial institutions became increasingly intense; and, since there has yet to be an economic recovery, private investment has remained stagnant, making it difficult to expand the loan business. This has since led to a steady contraction in the BOT's outstanding loan amount and has made it impossible to reach the operating volume set by the competent authority. The most urgent tasks for the Bank at this time are expanding the corporate loan business, reducing excessive dependence on government enterprises, improving the loan structure, reducing operating costs,

strengthening loan services, and maintaining relations with existing customers. Policy-type loans undertaken by the BOT in 2001 included NT\$600 billion in loans by financial institutions to traditional industries, special bank loans to productive enterprises (including construction companies) using redeposited postal savings funds appropriated by the Central Bank for the procurement of equipment and facilities or for working capital, health care development fund loans, Executive Yuan Development Fund pollution-control equipment loans to private enterprises (fifth term), preferential loans for the procurement of automated equipment (eighth and ninth terms), and loans for the revitalization of traditional industries.

(2) Loans to Small and Medium-Sized Enterprises

In line with the government's economic development policies, the BOT has continuously provided a variety of preferential loans to small and mediumsized enterprises in recent years. These loans are used, for example, to provide the funds needed to finance plant construction, improve production equipment, develop new products, strengthen operations and management, and implement structural transition and upgrading. The Bank lists loans to small and medium-sized enterprises as one of its key areas of business targeted for constant effort. At the end of December 2001, the amount of the Bank's loans to small and medium-sized enterprises stood at NT\$101,026 million.





#### Changes in Loans

#### (3) Consumer Loans

The Bank provides a variety of preferential interest home mortgage loans in line with government policy in order to help those who would like to purchase their first houses. In addition, the Bank has strengthened its promotion of home mortgage loans, home renovation loans, consumer loans, personal working capital and family growth loans, and has undertaken collective consumer loans for employees of organizations. At the end of December 2001 the outstanding amount of consumer loans from the Bank totaled NT\$208,943 million, of which home mortgage loans accounted for NT\$142,491 million, home renovation loans for NT\$41,464

million, welfare loans for the employees of organizations for NT\$5,072 million, and other personal consumer loans for NT\$19,916 million.

(4) Syndicated Loans

The Bank serves as lead arranger for a wide range of syndicated loans encompassing loans for major domestic infrastructure projects, loans for emerging major strategic industries for which the government provides incentives, and loans for major overseas investment projects of domestic



enterprises. In 2001 the Bank served as lead arranger for eight syndicated facilities with a total facility amount of NT\$54,550 million and US\$331 million. Syndicated facility agreements have already been signed for seven of these projects, providing a total of NT\$48,550 million and US\$331 million.

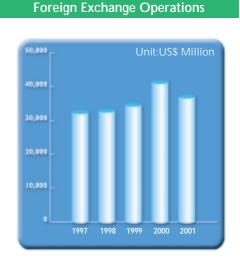
In 2002 the Bank plans to inaugurate Factoring, including financing receivables produced by the exports of domestic enterprises and handling their related account management, credit investigation, analysis, and other tasks, as well as handling credit investigation of and collection from domestic importers on behalf of foreign factors.

#### 3. International Operations and Offshore Banking

(1) International Operations

International transactions undertaken by the Bank in 2001 totaled US\$37.086 billion, of which purchases accounted for US\$17.436 billion and sales accounted for US\$19.650 billion.

The BOT was the first bank in Taiwan to inaugurate international operations; it has built up a rich store of experience and established a correspondent



banking network that covers the globe. At the end of 2001 this network encompassed 2,778 banks (including headquarters and branches) in 131 countries. The Bank's international operations include export financing, import financing, outward and inward remittances, foreign currency deposits, foreign currency loans, foreign currency guaranteed payment, and other foreign exchange businesses designated or commissioned by the Central Bank of China.

#### (2) Overseas Branches

Under the influence of the continuing worldwide economic slump and the related slowdown of economic growth in major countries, expansion of overseas branches in 2001 was quite difficult. The business volume of such branches contracted, and some of them suffered poor performances and were unable to meet their business targets. In the future, overseas branches will hold to the principle of stable operation in promoting their business. They will also participate in high-quality international syndicated loans, credit extension, and investment in securities, and will work hard to upgrade their service efficiency in order to expand the scale of their business operations.

Overseas Unit	Currency	Loans Outstanding	Securities Investment
New York Agency	USD	339,017	110,775
Los Angeles Branch	USD	294,928	56,559
Amsterdam Branch	EUR	51,125	79,967
Bank of Taiwan (Europe) N.V.	EUR	1,023	19,932
South Africa Branch	ZAR	951,746	13,119
Hong Kong Branch	HKD	819,895	483,405
Singapore Branch	SGD	368,344	104,532
Tokyo Branch	JPY	22,033,646	14,245,067
Offshore Banking Branch	USD	332,943	97,326

#### Loans and securities investment by BOT overseas branches and OBU, at the end of December 2001

Unit: Local Currency \$1,000

#### (3) Offshore Banking

The OBU participates in international syndicated loans in line with the BOT's loan policy, carefully assessing the global politico-economic situation and cooperating closely with reputable domestic and overseas banks in order to reinforce its competitive niche. It handled 21 syndicated loan projects in 2001 with a total value of US\$44 million.

The Ministry of Finance and the Central Bank of China have approved authorized banks, including the BOT, to handle import/export related business, as well as outward remittance, of their offshore banking branches. This enables the BOT to make full use of the advantage offered by its network of foreign exchange units throughout Taiwan in vigorously soliciting customer sources and encouraging Taiwanese companies operating abroad to maintain their roots in Taiwan. The use of the BOT's OBU as a capital deployment center not only strengthens the absorption of capital from offshore companies that originally deposited their funds abroad, but also facilitates the vigorous pursuit of the remittances and import and export financing businesses. At the end of December 2001 the amount of foreign currency demand and time deposits in OBU totaled US\$188 million. A total of 9,362 cases of outward remittances worth a total of US\$958 million were handled during the year; inward remittances totaled 10,200 cases with a value of US\$188 million; export-related totaled 3,442 cases with a value of US\$188 million; and import-related cases totaled 155 with a value of US\$18 million.

#### 4. Trust and Securities Business

Trust and securities operations undertaken by the BOT in 2001 are described briefly below: (1) Investment of Non-discretionary Trust Funds in Overseas Mutual Funds

As of the end of December 2001, the Bank had sold a total of NT\$3,875 million worth of investments in 131 different funds managed by six companies, including Invesco, Fidelity, and Franklin.

(2) Retirement Trust Funds

As of the end of December 2001 the Bank was managing a total of NT\$8,926 million in retirement trust funds on behalf of six clients without a guarantee the principal or a minimum rate of return (the Bureau of Labor Insurance, Private Chung-Hsin High School in Hsinchu, Taiwan Stock Exchange Corp., Taiwan Textile Federation, Li & Fung (Taiwan) Ltd., and the BOT employee retirement fund). One client (the Taiwan Sugar Corp.) had a guaranteed principal and a minimum rate of return.

(3) Custodial Banking

The Bank acts as custodian of five stock funds: the Steady Growth Fund of the Capital Investment Trust Corp., the Asia Pacific Fund of the Asia Pacific Securities Investment Trust Co., the Jih Sun High Tech Fund of the Jih Sun Securities Investment Trust Co., the Transcend High-Tech Fund of the Transcend Securities Investment Trust Co., and the Duo Li/2 Bond Fund of the First Global Investment Trust Co. The total net asset value of the funds under custodianship at the end of 2001 stood at NT\$30,016 million.

(4) Securities Custody

Operating bonds from securities and futures commission agents under custody by the Bank at the end of December 2001 stood at NT\$4,011 million.

(5) Securities Certification

The Bank handles certification for the issuance of stocks, capital increment stocks, and complete reissuance of shares; and for the issuance of corporate bonds, beneficial certificates, call warrants, and stock payment certificates. Certification for a total of NT\$1,254,373 million worth of instruments was undertaken in 2001.

(6) Securities Brokerage

Investors turned conservative in response to changes in the domestic and overseas politicoeconomic situations, and the amount of securities brokerage undertaken by the Bank in 2001 amounted to only NT\$54,100 million.

(7) Proprietary Dealing in Government Bonds

In addition to extensively cultivating its customer base and establishing long-term ongoing business relations, the Bank moved to expand its operating performance in the secondary market by strengthening the establishment of complete trading and back-office computer systems. Outright purchasing of government bonds in 2001 amounted to NT\$14,272 million, outright selling amounted to NT\$5,315 million, repurchase agreements handled totaled NT\$219,580 million, and reverse repurchase agreements handled amounted to NT\$156,336 million.

#### 5. Credit Cards, Bank Cards, and IC Cards

To meet the needs of consumption and contemporary trends, and to provide customers with diversified financial services, the Bank began issuing international Visa and MasterCard credit cards on Aug. 29, 1997. By the end of December 2001, 187,387 credit cards, 2,271,099 bank cards, and 138,736 IC cards had been issued. To continue expanding this business the Bank has entered into strategic alliances with various trades, used various incentive promotional programs, and heightened the value-added of its cards in order to satisfy the needs of customers; it has also constantly strengthened management of the quality of credit card customers and control of credit card risk in the pursuit of growth with stability.

#### 6. Bills Finance

The total amount of short-term bills certification and underwriting undertaken in 2001 was NT\$68,251 million, an increase of NT\$22,602 million over the year before. In the proprietary trading and brokerage of short-term bills, because of their relatively high liquidity ratio the Bank's purchases of short-term bills in 2001 amounted to NT\$2,279,250 million, up by NT\$559,564 million over 2000.

Because of the continuous slide in interest rates in the money market, as well as the fierce competition in the primary bills market, competitors adopted a low-price business promotion strategy in 2001 and caused the BOT's underwriting commissions and discount interest income on this business to decline by 21.34% despite a 49.51% growth in the certification and underwriting of short-term bills. With the prospect of a reinvigoration of the domestic stock market in 2002, and with the economy expected to begin recovering in the second quarter, the Bank's short-term bills certification and underwriting business should remain stable.

#### 7. Electronic Banking

The development of information technology has brought about changes in models of corporate operation and human communication.

Responding to this change in the operating environment by integrating financial business with the Internet is a clear trend for new-age commercial activity. Under a secure and comprehensive electronic trading mechanism, the use of electronic banking can save on manpower, greatly reduce costs, and upgrade operating efficiency and customer satisfaction.

To respond to the trends and market needs of this new era, the BOT is using its existing e-banking center preparatory office to combine the authority and the needs of various related business units and, with group techniques of professional information and financial capability, is devoting full effort to carrying out strategic planning, marketing, and promotion for e-banking.



To reinforce network trading security and assure the privacy of customer information, the Bank will apply e-commerce to its various banking businesses so as to provide complete capital-flow services. This includes such things as the integration of already existing electronic channels such as telephone banking, Internet banking, EDI funds transfer, mobile banking, and other electronic financial information systems so as to provide customers with a nimble operating environment and to encourage them to "use the information highway instead of the vehicular highway."

#### 8. The Lottery

The BOT has been designated by the Ministry of Finance as an issuance, sales, and promotion institution for the public interest lottery, and for lottery prize redemption, management, and other related matters. Tickets for the first lottery drawing were issued on Dec. 1, 1999, and to date 24 issues in 186 groups have been completed. Profit earned through the 24th issue amounted to approximately NT\$7.8 billion.

Following the conclusion of each issue of the lottery, the profit is calculated and various charts are produced and submitted to the Ministry of Finance. The profit is then distributed, in accordance with distribution standards, to 27 different agencies including the Ministry of the Interior, Central Health Insurance Bureau, and county and city governments. Twenty-four issues of the lottery were accomplished by Oct. 29, 2001, and the Bank successfully completed its mission given it by the Ministry of Finance.

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

The BOT is responsible for business related to the issue of New Taiwan Dollars, including distribution, shipment, adjustment of supply and demand, and sorting bank notes for re-circulation, according to the "Regulation 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 2001 was NT\$726,251 million, a reduction of 1.37% from the previous year. The peak amount for the year, NT\$1,033,999 million, was on Jan. 20, 2001, the eve of the Chinese New Year; this too was a reduction, of 0.07%, from the previous year's peak. The amount in circulation at the end of the year was NT\$692,912 million, a reduction of 2.21% from the end of 2000.

#### II. Market and Business Conditions

#### 1. Economic Conditions

(1) Weakness in Economic Growth Because of International Economic Slump

Taiwan's domestic economy slumped rapidly along with the international economy in 2001, and the island's trade suffered a severe impact from the terrorist attacks of Sept. 11. At the same time, the number of unemployed in Taiwan climbed steadily higher and the unemployment rate repeatedly reached new record highs. The performance of the stock market also took a downturn in the middle of the year and the wealth of people shrank; this caused a slump in consumption, and domestic and external demand went into a state of recession. In the fourth quarter, fortunately, the war situation in Afghanistan gradually cleared up and, under the low-interest policy in the United States, economic activity there became more active and stimulated the force of activity in the international economy; as a result, there was a lessening of the extent of economic contraction in that quarter. According to preliminary statistics from the Directorate General of Budget, Accounting and Statistics, Taiwan's economic growth for all of 2001 registered a negative 1.91%; with the exception of a positive expansion of 0.91% in the first quarter, growth in the other three quarters was -2.35%, -4.21%, and -1.87%, respectively.



Notes: p=Preliminary Estimate; f=Forecasted Value

#### (2) A Simultaneous Decline in Imports and Exports, A New High in the Trade Surplus

With the global economy in a slump, world trade suffered a large decline in 2001, with an especially great slide in electronic, information, and communication products. This resulted in poor trade performance for Taiwan. Exports for the year reached only US\$122.87 billion, a drop

of 17.2% compared with 2000; imports were affected by the weakness in global trade, a reduction in export-led demand, and a rapid decline of high-tech industries, so that shipments slipped to US\$107.24 billion, a fall of 23.4% compared with the previous year. The trade surplus for the year reached US\$15.63 billion, an increase of 88.1% over 2000.

(3) Low Trend in Consumer Prices

Although international crude oil prices soared several times during the year because of unexpected incidents, they followed a general declining trend, and most commodity prices declined because of fierce competition in the domestic market. In addition, the depressed level of the stock market led to a large contraction in private wealth and a weakness in the propensity to consume, leaving little room for price rises. The annual change in consumer price index dropped from 0.6% in the first quarter to a negative 0.6% in the fourth quarter, resulting in a marginal fall of 0.01% for the year as a whole.

(4) Continuing High Rate of Unemployment

The domestic labor market turned sharply downward in 2001 and the unemployment rate rose secularly. The average unemployment rate for the year reached a high 4.57%, an increase of 1.58 percentage points over the year before and the highest level since 1967. The number of unemployed during the year averaged 450,000, an increase of 157,000 over 2000. The main reasons for this were an increase in structural unemployment caused by the readjustment of Taiwan's industrial structure, and greatly increased cyclical unemployment related to economic trends (that is, unemployment resulting from plant closures). In addition, the impact of internationalization and liberalization on Taiwan's labor market intensified, and frequent movement in and out of the labor market by the island's workers also created a severe rise in frictional unemployment.

#### 2. Finance

#### (1) Central Bank Maintains Loose Monetary Policy

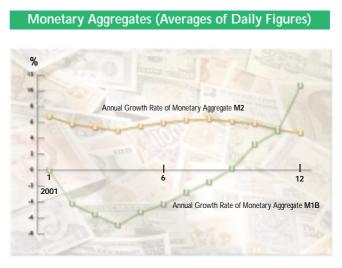
In the absence of a general inflationary threat, the Central Bank of China responded to the rise in the domestic unemployment rate, stagnant private investment and consumption, and a slowdown in bank lending and money supply growth by taking steps to revitalize the economy. Following a 0.125 percentage point cut of the discount rate on Dec. 29, 2000, the Central Bank reduced the discount rate a further 11 times in 2001 and was still maintaining a loose monetary policy by the end of February 2002. The 12 cuts in the discount rate brought the rate down from 4.75% to a historic low of 2.125%.

When the Central Bank lowered the discount rate on Oct. 4, 2001, it concomitantly reduced the required reserve ratios for various kinds of deposits, bringing the overall weighted average deposit reserve ratios down from 6.22% to 5.00%. The Central Bank also decreed that beginning

Nov. 1 the percentage of B account reserves deposited with the Central Bank would be reduced from 60% to 55%. All of these steps had a cumulative effect of releasing funds and boosting the mobility of NT dollar capital.

(2) Monetary Aggregates Growth Rate Seems to Have Bottomed Out

Because of weak external demand and the ongoing economic slump, and because of reduced private investment and conservative lending by banks, the annual



growth rate for the average daily figures of M1B in Taiwan turned negative in February 2001 and in April reached its most negative rate for the year of -6.84%. After that the Central Bank's loose monetary policy gradually took effect and the stock market turned upward; the rate of decline slowed month by month, and in September the growth rate turned positive again. In December the annual growth rate hit 10.72%, the



highest figure in 19 months, indicating a substantial increase in liquidity.

#### (3)Continued Decline in Interest Rates

Guided downward by repeated reductions in the discount rate instituted by the Central Bank and designed to revitalize the economy, domestic interest rates went into a continued downward trend in 2001. No signs of a rebound were evident by the end of the year. One reason for this was a slump in industrial operations, making it difficult for banks to achieve growth in their lending; the surfeit of funds could not be completely utilized, and the market remained troubled by an excess of funds. Another reason is that whether the stock market rose or fell, foreign investors viewed it favorably and continuously remitted funds to the island, thus providing upward pressure on the supply of NT dollar funds. A third reason was that the Central Bank maintained a loose-money policy, augmenting corporate operating funds and adjusting the amount of issuance and terms of negotiable certificates of deposit so that there would be no tightness of funds in the market. A fourth reason was that with the U.S. and Taiwan's central banks engaging in a continuous downward adjustment of discount rates, banks, companies, and the general public held to a psychological expectation of continued reductions. A fifth reason was that with extremely small rises in commodity prices, interest rates remained at a relatively low level with little room for a rise. Thus the interbank overnight call loan rate experienced a monthly decline, from a weighted average of 4.66% in January to 2.73% in October--the first time ever it had fallen below 3.0%--and on to 2.39% in December. The deposit and loan interest rates of the various banks also declined substantially; in the five leading banks, the average interest on one-year time deposits fell from 5.00% in January 2001 to just 2.41% in December. The average prime rate declined from 7.711% to 7.377% over the same period.

#### (4) NT Dollar Hovers Following Depreciation

The New Taiwan dollar experienced a temporary appreciation against the U.S. dollar at the beginning of 2001 under the influence of the Central Bank's upward adjustment of the reserve ratio for foreign currency deposits to 10% plus the reduction in American interest rates and a consequent expansion of the gap between domestic and overseas interest rates, as well as an influx of foreign investment to the Taiwan stock market following the Lunar New Year holiday in January. The close of the interbank exchange rate for forex transactions rose from over NT\$33 to the U.S. dollar at the start of the year to NT\$32.271 on Feb. 20. Subsequently the exchange rate of the NT dollar generally rose and fell in accordance with three factors: the movement of the Japanese yen, the inflow and outflow of foreign capital, and domestic economic fundamentals. After three relatively large-scale depreciations on May 21, May 28, and July 11, the value of the

#### NT fell to 35.05 to the U.S. dollar.

The strength of the U.S. dollar disappeared with the Sept. 11 incidents, and the currencies of different countries began appreciating against the greenback. The NT dollar was no exception to this trend. In addition, the Taiwan stock market rebounded beginning in October and foreign investment flowed in constantly; cancellations of foreign currency deposits increased steadily, and with Taiwan's smooth entry to the WTO, pent-up market energy caused the NT to rise above 34.5 to the greenback on Nov. 14. However, because the U.S. war in Afghanistan progressed smoothly and the Japanese economy deteriorated further, dragging down the value of the yen, the NT dollar hovered around the 34.5 level before falling to an annual low point of 35.127 on Dec. 27--the lowest level in 15 years. The NT dollar closed out the year at 34.999 to the greenback, representing a depreciation of 5.73% from the NT\$32.992 registered at the end of 2000.

#### 3. Future Prospects

#### (1) Economic Conditions

The world's economy is showing signs of heating up again in 2002. This will no doubt promote a gradual recovery in Taiwan's external trade. Furthermore, the high-speed railway, privately owned power plants, fourth nuclear power plant, and other major ongoing projects will help to improve investor confidence, which has been in a slump since 2001, and will have a strong stimulative effect on overall economic growth. The Directorate General of Budget, Accounting and Statistics forecasts the economic growth rate for 2002 at 2.55%, with growth initially at 0.89% in the first quarter and rising along with the international economic recovery to 3.89% in the fourth quarter.

#### (2)Financial Conditions

The interest rate on overnight call loans since early January 2002 has hovered around 2.3%. In January the weighted average rate was 2.299%; during Chinese New Year in mid-February money was not as tight as in past years, and after the New Year season the market continued to be in a loose-money situation. Although the Central Bank will keep holding to its stimulative monetary policy, the U.S. economy seems to have bottomed out, the Fed has not instituted further cuts in the federal funds rate, and signs of recovery are appearing in Taiwan as well, with the overall effect that interest rates have no room for any more large declines.

With regard to foreign exchange rates, since the beginning of 2002, the value of the New Taiwan dollar has fluctuated along with the Japanese yen generally hovering around NT\$35.00 to the U.S. dollar. In the future, movements in the New Taiwan dollar will continue to be influenced by the speeds of recovery of US and Japanese economies relative to the Taiwan economy, as well as by international capital flows.

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

#### (1) Deposits

Unit: NT\$1,000

Date	Dec. 31, 2001		Dec. 31, 2000	C
Items	Amount	%	Amount	%
Due to Central Bank	7,165,522	0.35	16,946,961	0.87
Due to banks	110,725,979	5.44	112,868,454	5.82
Checking account	337,906,764	16.62	367,846,807	18.96
Demand deposits	71,019,995	3.49	62,439,103	3.22
Time deposits	348,491,607	17.14	344,463,392	17.76
Savings account	1,158,353,212	56.96	1,035,261,420	53.37
Total	2,033,663,079	100.00	1,939,826,137	100.00

Unit: NT\$1,000

Date	Dec. 31, 200	1	Dec. 31, 2000		
Items	Amount	%	Amount	%	
Discounts, bills purchased	224,696	0.02	908,238	0.07	
Short-term loans and overdrafts	147,100,429	10.93	128,697,559	9.02	
Short-term secured loans and overdrafts	80,358,475	5.97	83,828,075	5.88	
Medium-term loans	195,675,239	14.53	195,327,247	13.69	
Medium-term secured loans	92,265,371	6.85	94,179,345	6.60	
Long-term loans	522,472,234	38.81	603,316,452	42.29	
Long-term secured loans	238,547,106	17.72	246,267,205	17.26	
Import bills negotiation	3,517	0.00	19,559	0.00	
Export bills negotiation	3,205,289	0.24	4,316,784	0.30	
Receivables from securities financing	103,372	0.01	109,819	0.01	
Acceptance notes receivables	1,201,885	0.09	1,746,636	0.12	
Receivables from guarantees	47,420,840	3.52	44,252,190	3.10	
Receivables from letters of credit	17,674,148	1.31	23,681,464	1.66	
Total	1,346,252,601	100.00	1,426,650,573	100.00	

Note: Gross amounts without consideration of provisions.

(3) Investments

(2) Loans

Unit: NT\$ 1,000

Date	Dec. 31, 2001	Dec. 31, 2000
Long-term equity investment	42,208,326	36,700,567
Short-term investment	11,187,065	13,379,017

#### (4) Foreign exchange

Unit: US\$1,000

Year Items	2001	2000
Export	2,261,931	2,850,575
Import	2,294,689	4,615,646
Remittances	32,528,893	33,916,345
Total	37,085,513	41,382,566

(5) Transactions in bills and commercial paper underwriting

Unit: NT\$ 1,000

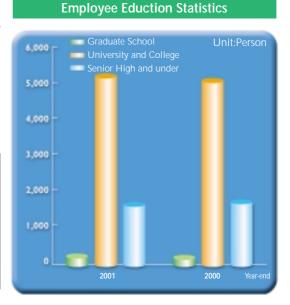
Year Items	2001	2000
Transactions in bills	2,279,250,078	1,719,686,458
Commercial paper underwriting	68,250,800	45,648,600

#### III. Human Resources

In addition to making fundamental changes in operating strategies and business methods, the key to coping with heightened competition in the banking industry lies in the upgrade of staff productivity. The BOT has always placed strong emphasis on the planning and management of human resources, organizing all sorts of professional training courses; promoting lifetime learning; carrying through with a personnel promotion evaluation system and performance bonus mechanism; and also demanding that its entire staff of employees respect the law and work pragmatically, thus holding firmly to

professionalism and undertaking their tasks boldly so as to effect an overall upgrade of service quality, winning the affirmation and trust of customers. At the end of December 2001 the number of BOT employees stood at 7,182, with an average age of 42.06 years.

Items	Date	Dec. 31, 2001	Dec. 31, 2000
No. of E	mployees	7,182	7,103
Average Age		42.06	41.69
Average	Seniority	16.01	15.65
	Graduate School	194	176
Education	University and College	5,302	5,170
	Senior High and Under	1,686	1,757



#### BOT Employee Statistics for the Past Two Years

#### **IV. Labor-Management Relations**

The BOT has suffered no disruptions from outbreaks of labor-management disputes during the past two years.

#### V. Fixed Assets and Other Real Estate

The BOT's real estate consists of Japanese properties acquired in 1946, housing for American military and their dependents built pursuant to the command issued by the Executive Yuan in 1954, and banking premises procured over the years. All is wholly owned, unencumbered, and without any restriction on rights. As of Dec. 31, 2001 this real estate consisted of 5,146 plots of land with a total area of 299.26 hectares and the current assessed land value of approximately NT\$101.358 billion, and buildings with an area of approximately 148,000 ping (488,400 square meters) and a book value of NT\$9.095 billion.

For further information, please refer to Notes 9 and 10 to Financial Statements.

#### VI. Reinvested Enterprises

Please refer to Note 9 to Financial Statements.

#### VII. Risk Management

Risk management is one of the core competitive factors for a modern bank, and is a task which the BOT has devoted strenuous efforts in recent years. The Bank has set up an Assets and Liabilities Management Committee, chaired by the president, under which there are three subcommittees: Overall Management Planning, Economic and Financial Analysis, and Funds. These units are responsible for bank-wide market risk monitoring indexes and risk limits, liquidity position and its risk management and analysis, interest rate risk analysis, and loan-deposit structure review. To ensure a

healthy financial structure, capital will be increased when necessary and operating strategy will be adjusted in accordance with the growth of major areas of business; the capital adequacy ratio is maintained at an appropriate level. The Bank's risk management policies and methods are described briefly below:

#### 1. Liquidity Risk Management

The Bank's computer system analyzes its assets and liabilities maturity gap on a periodic basis and monitors changes in the assets and liabilities maturity structure, periodically analyzing the actual recovery and payment of funds and the fund gap for each month of the coming year, so as to maintain a grasp of the capital situation. The Bank also carries out appropriate capital allocation and utilization in order to adjust its capital structure and reduce liquidity risk.

#### 2. Credit Risk Management

To control credit limits and diversify credit risk, the BOT has established graded authorization rules for the review of loan cases, with graded degrees of authorization for loans to natural persons, juridical persons, and total related groups. Limits are controlled, in accordance with these rules, for loans to single individuals, single business conglomerates, and single business conglomerate plus related persons. There are also rules governing the concentration of loans, with stipulations regarding the control of loan risk for conglomerates and for separate industries. With regard to the quality of loan assets, control is exerted via credit ratings, loan examination and review, and the allocation bad-debt reserves for different categories of loan assets.

#### 3. Market Risk Management

The Bank has an assets and liabilities management computer system that compiles monthly analytical charts for the sensitivity of various interest rates, and has established ratio of interest ratesensitive assets to liabilities and the ratio of interest rate sensitivity gap to shareholder equity. Rules have also been set up for authorization limits, categories of trading, objects of investment, and investment and stop-loss limits with respect to dealing in bonds and bills, investment in securities and beneficial certifications, forex position management, and trading in financial derivatives, for the purpose of controlling market risk.

#### 4. Operating Risk Management

In accordance with the Ministry of Finance's Implementation Methods for Banks' Internal Control and Auditing Systems, the BOT has revised its Banking Operations Auditing Standards and Guidelines for Self-Auditing by Business Units to serve as standards for internal control and auditing work. The Bank is also setting up a laws and regulations retrieval system, now being tested, which employees will be able to use to make inquiries about regulations via their computer terminals. In addition, protective mechanisms have been set up for information management, system management, and legal compliance, so that controls can be carried out strictly and operating risk reduced.

#### 5. Derivatives Trading

The nominal amount of dealing in foreign currency derivative financial products in 2001 amounted to US\$3,534 million, and such dealing in NT dollar derivatives totaled NT\$154,058 million. For further information, please refer to Note 21 to Financial Statements.

#### 6. Non-performing Loans

At the end of December 2001 the Bank's listed non-performing loans stood at NT\$44,224 million, giving a non-performing loan ratio of 3.34%. Compared with the same time a year earlier this was an increase of NT\$6,070 million or the ratio by 0.6 percentage points.

#### VIII. Major Contracts

(None)

#### IX. Court Cases Pending

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

# **Operating and Fund Utilization Plans**

#### I. Operating Plans for 2002

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 have been established, and major budget volume goals for different areas of business (which, however, have not yet completely passed legally required procedures) are given below:

- (1)Deposits: The average amount of total deposits in the Bank is projected at NT\$1,809,100 million, an increase of NT\$138,620 million over the budgeted amount for the previous year.
- (2)Loans: The average amount of loans outstanding during this year is projected at NT\$1,386,171 million, an increase of NT\$3,672 million over the previous year.
- (3)Guarantees: The total amount of guarantees undertaken during this year is projected to be NT\$30,293 million, for an increase of NT\$5,869 million over the year before.
- (4)Foreign exchange: The volume of foreign exchange transactions undertaken during this year is projected at US\$41,717 million, up US\$9,597 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\$40,000 million, for an increase of NT\$8,570 million over the previous year.

# II. Real Estate Disposition and Procurement, and Long-term Investment Plans for 2002

#### 1. Real Estate Disposition and Procurement Plans

Real estate sold in 2001 with budget entry in 2002: Land Sold

Land	Area	Selling Price	Land Increment Tax	Book Value	Gain from Transaction
	(sq. m.)	(NT\$1,000)	(NT\$1,000)	(NT\$1,000)	(NT\$1,000)
Four plots in Tacheng Sec., Kaohsiung City	3,417	326,504	75,940	153,765	96,798

#### Land and Buildings Requisitioned by County and City Governments

Requisitioned Real Estate	Area (sq. m.)	Compensation (NT\$1,000)	Book Value/ Residual Value (NT\$1,000)	Gain from Transaction (NT\$1,000)
Three plots in Shuanglien Sec., Taipei City	19	1,776	351	1,425
One plot in Wanhsing Sec., Changhua County	57	127	0	127
Six buildings on Chungching Rd., Taichung City		10,998	401	10,597

#### 2. Long-term Investment Plans

The release of shares in 21 invested enterprises was budgeted for 2001, with a projected recovery of NT\$4,239 million in investment; because of changes in the objective environment, however, there was no suitable opportunity for the release of the shares and the plan was rescheduled for implementation in 2002.

#### III. Research and Development

#### 1. Research and Development Spending

R&D spending during the latter half of 1999 and 2000 amounted to NT\$25 million and spending for 2001 totaled NT\$13 million.

#### 2. Results of Research and Development

(1)Establishment of a credit information inquiry system

To help the BOT's various business units obtain a real-time grasp of the latest market information, the Bank has completed the establishment of a credit information inquiry system that gives its personnel access to information from the BOT's databank and other databanks through Internet systems. The databanks now accessible through this system include those of the Joint Credit Information Center, Financial Information Service Co., Infotimes Co., Taiwan Institute of Economic Research, and Ibisworld. This information can be used as a reference in undertaking the extension of credit, thus reducing loan risk.

(2)Establishment of a bank-wide online agency collection system

The collection of school tuition and fees has been computerized. The BOT has taken the lead in collecting tuition by using a single two-copy receipt, so as to reduce work load and increase the efficiency of schools in balancing their accounts. The Bank has also designed a tuition/fees and cashier system for schools so as to help BOT branches solicit school funds.

(3)Completion of an Internet funds transfer payment system

To meet the advent of the Internet age, the Bank has successively inaugurated Internet transfer of funds and Internet and telephone securities trading. The SSL network banking system was completed in May 2000, providing the public with online retrieval of public BOT information and small low-risk transactions. In addition, the Bank completed the establishment of a WAP mobile banking system in February 2001, allowing customers to access information through cell phones with Internet access.

#### (4)Completion of a portal site for school tuition and fees

This is the most professional portal site for handling school tuition and fees that is currently in operation. Schools do not need to spend money on setting up their own tuition and fees operating systems; all they need is to connect with this portal site via a personal computer with Internet access and make use of the full range of services that it offers, including the printing of fee invoices, collection of funds, and reconciliation of accounts.

- (5)Regular analysis of domestic and overseas economic and financial conditions as well as of the state of industries, and assessment of interest rate and exchange rate movements, for the Bank to use as a decision-making reference for the extension of credit, the formation of marketing strategies, and the development of new financial products.
- (6)Regular publication of the "Quarterly Review of the Bank of Taiwan" and the "Taiwan Economic and Financial Monthly," both of which are used as important reference materials in domestic and foreign academic circles.
- (7)Four research reports were submitted during this year: "The Impact of the Entry of Taiwan and Mainland China into the WTO on Taiwan's Financial Industry," "Analysis of America's Longest Period of Economic Expansion," "The Argentine Financial Crisis," and "Current Status and Future Prospects of Taiwan's Real Estate Industry."
- (8)BOT personnel themselves completed 16 research and development papers during this year, all focused on reform of the Bank's business and development, or on the financial business.

#### 3. Future R&D Plans

The BOT has always emphasized and encouraged R&D in past years, and under the "Guidelines for BOT R&D Incentives" passed during a meeting of the standing board of directors on Sept. 21, 2001, the Bank will continue carrying out regular research on domestic and overseas economic and financial conditions as well as the state of industries, assessing interest and exchange rate movements, and analyzing business in the financial industry as a whole. The BOT itself will carry out 16 research projects in 2002, including "Models for Handling Bad Loans in the U.S., Japan, and Taiwan," "Bank Management and Development Strategies in the New Economic Era," "Country Risk Assessment and Bank Loans," and "Interest Rate Forecasting."



#### **IV. Fund Utilization Plans**

1. The contents, fund sources, budget utilization, and potential results of the Bank's plans for business expansion, acquisition of other financial institutions or reinvestment in other companies, and expansion or construction of fixed assets are as follows:

Fixed asset construction, improvement, and expansion plans (including on-plan and off-plan portions) for 2002 call for total capital spending in the amount of NT\$994 million (which, however, has not yet been approved via the legally required procedure), which will be appropriated from operating capital.

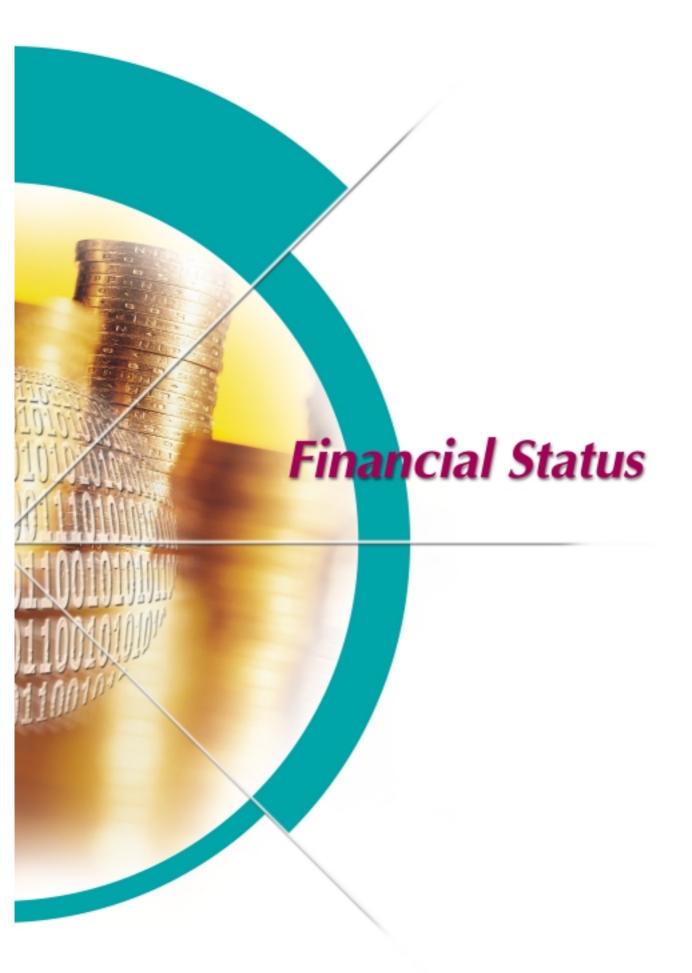
(1)On-plan portion, requiring NT\$71 million in capital:

For the construction of premises for the Chiabei Branch, the Bank proposes to build its own structure on its own land, with the construction work being carried out over three years beginning in latter half 1999 and 2000. The spending on this project will amount to NT\$85 million including NT\$6.5 million in latter half 1999 and 2000, NT\$7.5 million in 2001, and NT\$71 million in 2002. After this project is completed, it will meet the needs of business development and increase business income.

(2)Off-plan portion, requiring capital of NT\$923 million:

This includes NT\$182 million for housing and buildings, NT\$521 million for machinery and equipment, NT\$67 million for transportation and shipping equipment, NT\$45 million for miscellaneous expenditures, and NT\$108 million for leasehold improvements.

 Previous capital increase via cash injection, financial debentures issuance project, and uncompleted previous capital increases via cash injection or financial debenture issuance projects, and unrealized results of capital utilization plans for the most recent two years (None)



#### I. Balance Sheets and Income Statements for Past Five Years

#### **Five-Year Balance Sheets**

Unit: NT\$1,000

Items	FY2001	Latter-half 1999 & FY2000	FY1999	FY1998	FY1997
Assets					
Liquid assets	864,451,272	705,801,122	551,257,901	409,107,500	415,492,399
Bills purchased & discounts and loans	1,267,059,822	1,343,582,727	1,314,402,694	1,248,469,231	1,184,415,140
Long-term fund investments and receivables	87,543,761	81,546,740	79,639,142	69,539,518	72,814,275
Property and equipment	52,565,476	52,083,948	50,994,201	49,457,037	49,008,381
Intangibles and other assets	47,092,092	36,693,789	28,698,240	26,740,920	24,024,050
Total assets	2,318,712,423	2,219,708,326	2,024,992,178	1,803,314,206	1,745,754,245
Liabilities					
Liquid liabilities	176,806,843	197,272,128	201,488,345	230,497,176	280,588,382
Deposits accepted, remittances and bank bonds payable	1,916,188,139	1,817,235,953	1,631,828,769	1,381,654,620	1,283,782,054
Financing from Central Bank and other banks	9,765,523	10,330,894	6,518,533	9,027,584	7,063,115
Long-term debt	15,856,247	8,093,806	7,368,215	6,798,797	6,110,089
Other liabilities	1,921,231	1,819,933	2,024,952	4,325,895	7,283,029
Total liabilities	2,120,537,983	2,034,752,714	1,849,228,814	1,632,304,072	1,584,826,669
Stockholders' equity					
Capital	32,000,000	32,000,000	32,000,000	22,000,000	22,000,000
Capital surplus and retained earnings	166,076,190	152,779,103	143,584,860	148,681,699	139,051,532
Equity adjustment	98,250	176,509	178,504	328,435	-123,956
Total stockholders' equity	198,174,440	184,955,612	175,763,364	171,010,134	160,927,576
Total liabilities & stockholders' equity	2,318,712,423	2,219,708,326	2,024,992,178	1,803,314,206	1,745,754,245

Notes: 1.For the periods FY1997 to the latter half of 1999 and FY2000, all figures approved by the Ministry of Audit; whereas for the FY2001, all figures CPA approved.

2. From FY1997 to FY1999, 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	FY2001	Latter-half 1999 & FY2000	FY1999	FY1998	FY1997
Revenues					
Operating revenues	125,415,261	192,414,753	123,547,626	141,844,033	98,039,030
Non-operating income	742,545	522,299	362,302	570,528	1,508,407
Total revenues	126,157,806	192,937,052	123,909,928	142,414,561	99,547,437
Expenses					
Operating costs	93,101,955	151,580,228	93,480,464	83,590,247	73,943,015
Operating expenses	15,033,683	22,224,563	17,144,381	15,804,551	14,657,866
Non-operating expenses	925,530	2,243,597	486,452	422,918	311,982
Income tax expense	3,393,382	2,381,703	2,646,069	2,291,602	2,430,670
Total expenses	112,454,550	178,430,091	113,757,366	102,109,318	91,343,533
Net income (Net loss-)	13,703,256	14,506,961	10,152,562	40,305,243	8,203,904

Notes: Same as the above table.

#### II. Financial Ratios for Past Five Years

Items		Five-year Financial Analysis					
		FY2001	Latter-half 1999 & FY2000	FY1999	FY1998	FY1997	
Financial Structure	Ratio of Liabilities to Assets (%)		91.45	91.67	91.32	90.57	90.78
	Ratio of Deposits to Net Worth (%)		966.71	978.62	924.49	803.10	793.79
	Ratio of Fixed Assets to Net Worth (%)		26.52	28.16	29.01	28.92	30.45
Solvency	Liquidity Ratio (%)		488.92	357.78	273.59	177.49	148.08
	Liquidity Reserve Ratio (%)		36.70	28.56	18.21	10.00	18.45
Operating Ability	Ratio of Deposits to Loans (%)		72.30	76.97	84.84	89.12	81.91
	Non-performing Loan Ratio (%)		3.34	2.74	2.11	1.88	1.39
	Ratio of Interest Costs to Annual Average Amount of Deposits (%)		4.14	4.79	5.32	5.31	5.39
	Ratio of Interest Income to Annual Average Loans Outstanding (%)		6.55	7.36	7.71	7.66	7.70
	Total Assets Turnover (times)		0.06	0.06	0.06	0.08	0.06
	Average Operating Revenue per Employee (NT\$1,000)		17,772	17,848	17,916	20,383	14,539
	Average Profit per Employee	(NT\$1,000)	1,942	1,346	1,472	0.06         0.08           ,916         20,383           ,472         5,792           0.53         2.27	1,217
	Return on Assets (%)		0.60	0.46	0.53	2.27	0.49
	Return on Shareholders' Equity (%)		7.06	5.36	5.86	24.28	5.17
Profitability	Ratio to Paid-in Capital (%)	Operating Income (%)	54.00	38.77	40.38	192.95	42.90
	Ralio lo Palu-III Capilai (%)	Income before Income Tax (%)	53.43	35.18	40.00	193.56	48.26
	Net Income Ratio (%)		10.93	7.54	8.22	28.42	8.37
	Earnings per Share (NT\$1)		-	-	-	-	-
Cash Flow	Cash Flow Ratio (%)		-1.46	16.90	-7.28	9.88	1.14
	Cash Flow Adequacy Ratio (%)		75.17	73.46	24.77	95.27	245.70
	Cash Reinvestment Ratio (%)		-0.90	4.39	-3.88	-2.40	-0.03
	ltomo		Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
Items		2001	2000	1999	1998	1997	

	Items	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,	Dec. 31,
	Items	2001	2000	1999	Dec. 31, 1998 25.10 1.67	1997
BIS Ra	atio of Capital to Risk-based Assets	16.33	16.09	18.92	25.10	23.54
Ratio o	f Loans to Parties with Material Relationship with the Bank to Total Loans (%)	1.45	1.53	1.50	1.67	1.76

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. Liquid reserves ratio = Central Bank-stipulated liquid assets/Reserves appropriated for various types of deposits
- (3) Operating ability
  - a. Deposit to Ioan ratio = Annual average Ioans 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 Year (None)

### 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, 2001 and 2000, 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 at December 31, 2001, were NT (thousand) \$27,723,862, which was 1.20% of total assets, and its equity in earnings was NT (thousand) \$6,502,463 for the year 2001, which was 38% 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, 2001, and the results of its operations and cash flows for the year then ended, in conformity with the related laws and generally accepted accounting principles of the Republic of China.

As stated in second paragraph, the accompanying 2000 financial statements (from July 1, 1999, to December 31, 2000), which were approved by the Ministry of Audit, were compiled by us, and our report thereon for comparison stated we did not audit those financial statements. Certain 2000 amounts have been reclassified with the 2001 presentation.

## KSWA

#### March 29, 2002

The accompanying financial satements 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.



CPUC Certified Public Accountance, a CPA firm progenized under the RGC CPA Law, is a member of CPMC international, a Swiss association.

## Balance Sheets

December 31, 2001 and 2000

	December 31, 2001	December 31, 200
	Amount	Amount
Assets		
Cash (note 4)	\$ 191,693,336	193,467,737
Due from banks (notes 4 and 22)	140,433,420	106,044,482
Due from Central Bank (note 5)	188,120,078	126,588,512
Marketable securities, net (notes 6 and 17)	235,211,253	185,131,669
Account receivables, net (notes 7 and 26)	49,082,162	50,913,517
Prepaid expenses (note 26)	59,911,023	50,751,551
Bills purchased & discounts and loans, net (notes 8 and 26)	1,267,059,822	1,343,291,860
Long-term investments (note 9)		
Long-term equity investments	42,208,326	36,700,567
Investments in real estate, net	45,335,435	45,488,551
Property and equipment (note 10)		
Costs:		
Land (appreciation from revaluation included)	42,576,732	42,452,558
Buildings and structures	8,838,150	7,808,927
Machinery and equipment	3,223,263	3,008,084
Transportation equipment	844,799	806,528
Miscellaneous equipment	690,497	699,370
Leasehold improvement	230,270	202,953
Cost and appreciation from revaluation	56,403,711	54,978,420
Less: accumulated depreciation	(5,161,213)	(4,629,185)
Construction in progress	1,322,978	1,734,713
Property and equipment, net	52,565,476	52,083,948
Intangible assets	47,875	10,320
Other assets (notes 11 and 26)	47,044,217	38,981,590
Total assets	\$2,318,712,423	2,229,454,304

	December 31, 2001	December 31, 200
	Amount	Amount
Liabilities and Stockholders' Equity		
Due to Central Bank (note 12)	\$ 7,165,522	16,946,961
Due to banks (notes 12 and 22)	110,725,979	112,713,127
Bonds sold under repurchase agreements (note 6)	3,342,660	4,508,991
Accounts payable (note 4)	54,349,478	65,753,479
Advance collections	1,223,204	1,770,974
Deposits accepted, remittances and	1,916,188,139	1,817,235,845
bank bonds payable (notes 15 and 22)		
Financing from Central Bank and other banks (note 13)	9,765,523	10,330,894
Long-term debt (notes 16 and 18)	15,856,247	8,093,806
Other liabilities (note 17)	1,921,231	1,818,699
Total liabilities	2,120,537,983	2,039,172,776
Stockholders' equity (note 19):		
Capital	32,000,000	32,000,000
Capital surplus	77,894,524	77,892,941
Retained earnings:		
Legal reserve	41,336,263	36,988,616
Special reserve	31,387,815	28,491,727
Unappropriated retained earnings (note 26)	15,457,588	14,731,735
	88,181,666	80,212,078
Cumulative translation adjustments	170,114	176,509
Unrealized valuation losses on long-term equity		
investment (note 9)	(71,864)	_
Total stockholders' equity	198,174,440	190,281,528
Commitments and contingent liabilities (notes 6 and 24)		
Total liabilities and stockholders' equity	\$2,318,712,423	2,229,454,304

See accompanying notes to financial statements.

## **Income Statements**

#### (expressed in thousands of New Taiwan dollars)

For the years ended December 31, 2001 and 2000

	Jan. 1, 2001~Dec. 31, 2001	July 1, 1999~Dec. 31, 2000
	Amount	Amount
Operating revenues:		
Interest income (note 22)	\$100,960,301	158,557,614
Service income	1,940,446	3,250,649
Gain on sale of marketable securities, net	254,273	63,565
Gain on increases in fair market value of marketable securities	1,617,154	-
Brokerage and underwriting income	68,079	150,555
Gain on sale of marketable securities, net	11,249,549	18,425,086
Gain on long-term equity investments, net (note 8)	7,997,045	4,981,490
Foreign exchange gain, net (note 21)	858,217	1,319,812
Other operating revenues	470,197	684,122
Total operating revenues	125,415,261	187,432,893
Operating costs:		
Interest expenses (note 22)	81,254,186	131,199,392
Service charges	522,664	690,039
Brokerage and underwriting charge	8,693	18,796
Provisions	10,849,531	13,838,211
Cash transmitted fee	16,700	32,098
Other operating costs	450,181	896,467
Total operating costs	93,101,955	146,675,003
Gross operating profits	32,313,306	40,757,890
Operating expenses		
Business expenses	14,164,895	20,893,518
Administrative expenses	806,736	1,161,935
Other operating expenses	62,052	97,727
Total operating expenses	15,033,683	22,153,180
Operating income	17,279,623	18,604,710
Non-operating income	742,545	520,700
Non-operating expenses	925,530	2,243,597
Income before income tax	17,096,638	16,881,813
Income tax expense (note 20)	3,393,382	2,374,852
Net income	\$ 13,703,256	14,506,961

See accompanying notes to financial statements.

## Statements of Cash Flow

(expressed in thousands of New Taiwan dollars)

For the years ended December 31, 2001 and 2000

	Jan. 1, 20	01~Dec. 31, 2001	July 1, 1999~Dec. 31, 2000
Cash flows from operating activities:			
Net income	\$	13,703,256	14,506,961
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		719,346	975,715
Amortization		11,870	12,831
Provision for allowance for doubtful accounts		10,822,833	13,726,085
Change in allowance for decline in fair market value of marketable securities		(1,933,038)	3,148,339
Depreciation of investments in real estate		8,598	10,573
Provision for various reserves		8,914	118,799
Loss on sale and disposal of property and equipment		(184,974)	45,732
Investment gain from equity investment exceeding cash dividend rece	eived	(5,223,757)	(1,949,240)
Gain on sale of long-term investment		-	(14,306)
Other noncash losses		1,231	1,966
Unpaid pension cost recognized		-	790,567
Decrease in account receivables		1,385,729	4,306,428
Decrease (increase) in prepaid expenses and temporary advances		(6,930,627)	15,976,670
Increase (decrease) in accounts payable		(11,333,553)	9,595,986
Increase (decrease) in advance collections		(547,770)	493,635
Increase in bonds sold under repurchase agreements		(1,166,332)	4,508,991
Increase in deferred tax assets, net		(1,914,728)	(16,162)
Net cash provided by (used in) operating activities		(2,573,002)	66,239,570
Cash flows from investing activities:			
Increase in due from Central Bank		(12,890,647)	(14,648,349)
Increase in marketable securities		(20,134,777)	(32,521,777)
Increase (decrease) in bills purchased, discounts and loans		77,095,559	(30,028,863)
Proceeds from sale of long-term investments			52,861
Increse in long-term investments		(770,640)	(51,315)
Proceeds received from long-term investments			325,533
Proceeds from sale of property and equipment and other assets		370,282	61,576
Increase in equipment		(10,179)	(7,976)
Increase in property and equipment		(1,227,015)	(2,234,075)
Increase in intangible assets		(42,187)	(8,391)
Increase in other assets		(19,557,069)	(19,388,999)
Net cash provided by (used in) investing activities		22,833,327	(98,449,775)
Cash flows from financing activities:		1 1	
Increase (decrease) in financing from Central Bank and other banks		(565,371)	3,812,362
Increase (decrease) in due to Central Bank		(9,781,440)	11,112,370
Decrease in due to banks		(1,987,148)	(23,462,941)
Increase in deposits accepted, remittances and bank bonds payable		98,952,294	185,562,408
Increase in long-term debt		7,624,028	1,272,931
Increase (decrease) in other liabilities		88,244	(1,374,927)
Payment of cash dividend and bonus		(5,325,916)	(30,675,082)
Net cash provided by financing activities		89,004,691	146,247,121
Effect on exchange rate changes		2,208	101,768
с с			
Net increase in cash and cash equivalents		109,267,224	114,138,684
Cash and cash equivalents, at beginning of year		444,340,394	330,201,710
Cash and cash equivalents, at end of year (note 4)	\$	553,607,618	444,340,394
Supplemental information on cash flow:			
Interest paid	\$	88,046,298	125,650,127
Income tax paid	\$	3,023,449	4,586,078
Other investing and financing activities not affecting cash flow:			
Unrealized valuation losses on equity investment	\$	71,864	_
· · · · · · · · · · · · · · · · · · ·		.,	

## Statements of Changes in Stockholders' Equity

For the years ended December 31, 2001 and 2000

	Common stock	Capital surplus
Balance as of July 1, 1999	\$32,000,000	77,541,230
Appropriation of retained earnings (note 19):		
Legal reserve	-	-
Special reserve	-	-
Cash dividend and bonus	-	-
Net income for year 2000	-	-
Gain on sale of property and equipment transferred to capital surplus	-	338,512
Capital surplus from long-term equity investment	-	13,199
Adjustments of cumulative foreign currency translation	-	-
Balance as of December 31, 2000	32,000,000	77,892,941
Appropriation of retained earnings (note 19):		
Legal reserve	-	-
Special reserve	-	-
Cash dividend and bonus	-	-
Gain on sale of property and equipment transferred to capital surplus	-	14,804
Net income for year 2001	-	-
Adjustment of capital surplus from long-term equity investment	-	(13,221)
Adjustment of accumulated earnings from long-term equity investment	-	-
Change in cumulative foreign currency translation adjustment	-	-
Unrealized valuation losses on equity investments	-	-
Balance as of December 31, 2001	\$32,000,000	77,894,524

	Retained earnings		Cumulative foreign currency	Unrealized valuation losses on	
Legal reserve	Special reserve	Undistributed earnings	translation adjustments	equity	Total
24,998,597	27,202,845	44,517,269	178,504	-	206,438,445
11,990,019	-	(11,990,019)	_	-	_
-	1,288,882	(1,288,882)	-	-	-
-	-	(30,675,082)	-	-	(30,675,082)
-	-	14,506,961	-	-	14,506,961
-	-	(338,512)	-	-	-
-	-	-	-	-	13,199
-	-	-	(1,995)	-	(1,995)
36,988,616	28,491,727	14,731,735	176,509	-	190,281,528
4,347,647	-	(4,347,647)	_	-	-
-	2,896,088	(2,896,088)	-	-	-
-	-	(5,325,916)	-	-	(5,325,916)
_	-	(14,804)	-	-	-
-	-	13,703,256	-	-	13,703,256
-	-	-	-	-	(13,221)
_	-	(392,948)	-	-	(392,948)
-	-	-	(6,395)	-	(6,395)
-	-	-	-	(71,864)	(71,864)
41,336,263	31,387,815	15,457,588	170,114	(71,864)	198,174,440

See accompanying notes to financial statements.

## **Notes to Financial Statements**

December 31, 2001 and 2000

(expressed in thousands of New Taiwan dollars except as otherwise indicated)

#### (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 55 years, much of the time under the administration of the Taiwan Provincial Government. Following the phase out 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, 2001, in addition to the business, international operations, savings, trust, public treasury, treasury and lottery departments at the Bank's headquarters, there were 129 domestic branches, 1 offshore banking branch, and 7 overseas branches.

The trust department of the Bank plans, manages and operates trust investments as well as foreign securities and funds.

#### (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, 2000, the financial statements of 2000 (from July 1, 1999, to December 31, 2000) had been approved by Ministry of Audit, and the opening balances in 2001 were the same as the approved closing balances in 2000.

#### (b) Fiscal year

In accordance with amended Budget Law, the bank changed its fiscal year to calendar year, effective July 1, 1999. The period from July 1, 1999, to December 31, 2000, is considered as fiscal year 2000, in conformity with government accounting.

#### (c) 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.

#### (d) Compilation for the statements of cash flows

The preparation of the statements of cash flows is based upon cash and cash equivalents, with the latter referring to short-term investments readily convertible into fixed amounts of cash, where interest rate fluctuations have little effect on their value. These include due from banks with maturity within three months or less, treasury bills, commercial paper, and bank acceptances.

#### (e) Revenue recognition

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

#### (f) 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.

#### (g) Marketable securities

Marketable securities, including short-term bills, listed stocks, 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.

#### (h) Loans and overdrafts

Loans and overdrafts are recorded by the amount of outstanding principal, with unearned revenue excluded. Interest income is recognized on an accrued basis using the interest method.

Recording of interest receivables of loans and overdrafts would be suspended if either of the following conditions is met:

- i) Payment of principal or interest is highly improbable;
- ii) Principal or interest is overdue over 6 months or the value of the collateral is less than the principal or interest.

Interest revenue is recognized upon receipt of interest for the period when recording of accrued interest in suspended.

The allowance is determined by the potential risk of uncollectible loans, country risk and overall combination of loans, accounts receivable, delinquent receivables and guarantees.

The risk of uncollectible is loans evaluated by considering the possible default loans. The country risk is evaluated by considering the economy, politics and geographic conditions when loans are made to foreigners.

The potential risk of overall combination of loans is evaluted by considering historical experience. Doubtful accounts are written off when it is certain that recovery is impossible and it is approved by the board of directors.

#### (i) Long-term investment

i) Long-term equity investment

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. In 2000, the accounting method changed from cost method to equity method. However, due to the difficulty of providing the same period's financial statements of the investee, the Bank recognized its investment gain or loss based on that year's income by equivalent ownership, when the percentage of ownership 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.

Long-term investments of less than 20% in an investee's common stock are accounted for under the cost method. 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 occured.

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.

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 others were historical calculated using the exchange rate. 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.

#### (j) Property and equipment

Property and equipment 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 continuously uses property and equipment 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 on the disposal of property and equipment before 2001 are recorded as non-operating income and transferred from unappropriated earnings to capital surplus, net of applicable income tax. Disposal of capital gain is no longer transferred to capital surplus.

#### (k) Collateral and residuals taken over

Collateral and residuals taken over are recorded at cost booked as other assets, and stated at the lower of cost or fair market value on the balance sheet date.

#### (I) Intangible assets

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

#### (m) Deposits by banks, deposits 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.

#### (n) Allowance for losses on guarantee

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

#### (o) Reserve for accidental losses

By order of Ministry of Finance Order No. (63) Taiwan Finance Money 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.

#### (p) 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\$200,000. Such reserve can only be used to offset default losses or other purposes as approved by the SFC.

#### (q) 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\$200,000. Such reserve can only be used to offset actual losses.

#### (r) 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 Labor Standards Law 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, the monthly contribution which equaled 4%–8.5% of salaries had been made by the Bank as prior service costs.

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.

The Bank changed its confirmed retirement benefits calculations, effective on the beginning of fiscal year 1997, in accordance with Statement of Financial Accounting Standards No. 18 using December 31, 2000, as the assessment date on which to proceed with actuarial evaluation.

#### (s) 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.

The Company charges the 10% surtax on unappropriated retained earnings to current income tax expense following a resolution at the shareholders' meeting.

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

#### (t) 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, income and expenses denominated in foreign currencies not yet related to forward contracts, accounts will be translated to New Taiwan dollars at the month-end rate announced by the Central Bank of China (CBC closing rates). If assets and liabilities of overseas branches are not denominated in local currencies, accounts will first be translated using the year-end local spot rate into local currencies, 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 local spot rate. Income and expenses are recorded in local currency.

#### (u) 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 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 rate swaps

Provided that there is no transfer of notional principals for trading-purpose interest rate swaps, only a memo entry is made upon signing of contracts. For non-trading-purpose interest rate 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.

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

In conformity with the government policy of restructuring of fundamental financial institutions, the Bank had taken over the assets and liabilities of 13 farming credit unions, including Hsinyuan, Housheng, Defang, Chienkuo, etc. on September 14, 2001. The difference between assets and liabilities has been paid off by the reconstruction funds. As of December 31, 2001, 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.

#### (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) Reasons for and Effect of Accounting Changes

In conformity with newly amended Budget Law, the Bank changed its fiscal year to the calendar year. In the transition period, the period from July 1, 1999, to December 31, 2000 (18 months) is considered as fiscal year 2000.

The Bank converted investments from the cost method to the equity method in 2000 when the ownership exceeded 20% of the investee and the Bank had a significant influence over the investee. The change increased the income before income tax in 2000 by \$3,062,068.

The difference between the opening balance of the investment account in 2000 and the Bank's proportionate share of the investee is amortized over 5 years. The investment gain from the amortization in 2001 was \$4,873,458.

## (4) Cash

(5)

) Cash	December 31, 2001	December 31, 2000
Negotiable certificates of deposit purchased	\$177,973,008	172,595,113
Cash on hand	7,081,590	7,388,628
Cash in-transfer	_	10,091
Foreign currency on hand	2,024,767	1,840,779
Notes and checks for clearing	4,613,971	11,633,126
	\$191,693,336	193,467,737
Balances of cash and cash equivalents were as follows:	December 31, 2001	December 31, 2000
Cash	\$191,693,336	193,467,738
Due from banks	114,071,159	106,044,482
Due from Central Bank, excluding deposit A and foreign currency res	erve 41,799,108	56,724,348
Deposit transfer to Central Bank, excluding the Military Deposit	96,655,354	6,726,934
Short-term bills within 90 days	109,388,661	81,376,892
Total	\$553,607,618	444,340,394
) Due from Central Bank	December 31, 2001	December 31, 2000
Due from Central Bank – deposit reserve B	\$ 26,362,261	32,758,406
Due from Central Bank – deposit reserve A and foreign currency reser	rve 41,799,108	56,724,348
Deposit transferred to Central Bank	119,958,709	37,105,758
Due from Central Bank-reserve for trust funds Compensations	50,000	-
Due from Central Bank-reserve for trust funds	1,096,000	2,380,501
Less: due to Central Bank-reserve for trust funds	(1,146,000)	(2,380,501)
	\$188,120,078	126,588,512

In compliance with the regulations, the Bank has an outstanding deposit reserve in the Central Bank as reserve B. The reserve was adjusted based on the average monthly deposits at the legal reserve rate. As of December 31, 2001 and 2000, the deposit reserve in the Central Bank amounted to \$48,615,011 and \$55,894,843, respectively. Reserve B is restricted only to adjust 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 2000, additional reserve for foreign currency deposits was made. As of December 31, 2001 and 2000, deposit reserve in the Central Bank amounted to \$1,492,993 and \$1,402,940, respectively. Its use is not restricted.

Additionally, as of December 31, 2001 and 2000, deposits collected on behalf of the Military amounted to \$23,303,355 and \$30,378,824, respectively, and its use therefore 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, 2001 and 2000, the Bank has deposited marketable securities valued at \$1,146,000 and \$2,380,501, respectively, in lieu of trust fund reserve.

#### (6) Marketable Securities

(6)	Marketable Securities	December 31, 2001	December 31, 2000
	Commercial paper	\$109,301,144	81,205,622
	Banker's acceptances	87,518	171,270
	Treasury bills	19,639,500	9,598,110
	Government bonds	76,141,982	59,964,932
	Foreign securities	19,674,326	21,238,416
	Bank bonds	1,300,000	200,000
	Company bonds	100,000	200,000
	Listed stocks and beneficiary certificates	11,187,065	16,706,640
	Less: allowance for market decline	(2,220,282)	(4,153,321)
		\$235,211,253	185,131,669
	Securities with repurchase/resale agreement:	December 31, 2001	December 31, 2000
	Resale agreement:		
	Commercial paper	\$ 64,059,671	42,028,894
	Government bonds	5,886,382	7,146,615
	Subtotal	69,946,053	49,175,509
	Repurchase agreement:	<u> </u>	
	Government bonds	3,342,660	4,508,991
	Total	\$ 66,603,394	44,666,518
	Short-term bills within 90 days:	December 31, 2001	December 31, 2000
	Banker's acceptances	\$ 87,518	171,270
	Commercial paper	109,301,143	81,205,622
	Total	\$109,388,661	81,376,892
(7)	Account Receivables		
(.)		December 31, 2001	December 31, 2000
	Account receivables	\$ 2,933,737	2,623,416
	Income tax receivables	356,258	-
	Interest receivables	2,397,681	3,193,218
	Accrued interest receivables	28,277,217	30,689,733
	Acceptance notes receivables	1,201,885	1,746,636
	Forward contract receivables – foreign currency denominated	40,610,089	18,790,983
	Forward contract payables in foreign currency	(27,017,302)	(5,819,663)
	Receivables from securities financing	103,372	109,819
	Other receivables	3,420,680	2,341,650
	Subtotal	52,283,617	53,675,792
	Less: allowance for doubtful accounts	(3,201,455)	(2,762,275)

#### (8) Loans, Discounts and Bills Purchased

	December 3 2001	31, December 31, 2000
Discounted	\$ 37,1	40 406,996
Overdrafts	61,966,5	27 35,481,789
Secured overdrafts	1,417,8	62 3,373,901
Bill purchased, export/import bills negotiation	3,396,3	62 4,837,585
Short-term loans	85,133,9	02 93,215,770
Short-term secured loans	78,940,6	13 80,454,174
Medium-term loans	195,675,2	39 195,327,247
Medium-term secured loans	92,265,3	71 94,179,346
Long-term loans	522,472,2	34 603,316,452
Long-term secured loans	238,547,1	06 246,267,205
	1,279,852,3	56 1,356,860,465
Less: allowance for doubtful accounts	(12,792,5	34) (13,568,605)
	\$1,267,059,8	1,343,291,860

Movements of allowance for bad and doubtful debts in years 2001 and 2000 were as follows:

		2001		
	Risk of certain uncollectable debts	Potential risk of total debts	Total	
Opening balance	\$16,702,070	2,669,463	19,371,533	
Add: provision increase in 2001	9,976,586	846,247	10,822,833	
Add: credit unions' provision	6,087,806	_	6,087,806	
Less: write - off of bad debts	(16,623,154)	_	(16,623,154)	
Add: exchange gain	-	81,003	81,003	
Ending balance	\$16,143,308	3,596,713	19,740,021	
		2000		
	Risk of certain uncollectable debts	Potential risk of total debts	Total	
Opening balance	\$11,692,945	2,260,013	13,952,958	
Add: provision increase in 2000	13,385,225	340,860	13,726,085	
Add: credit unions' provision	2,014,897	_	2,014,897	
Add: transfer from South Africa Branch	-	20,119	20,119	
Less: write-off of bad debts	(10,390,997)	_	(10,390,997)	
Add: exchange gain	-	48,471	48,471	
Ending balance	\$16,702,070	2,669,463	19,371,533	
Details of allowance for bad and doubtful debts are	e as follows:	December 31, 2001	December 31, 2000	
Loans and advances		\$ 12,792,534	13,568,605	
Default accounts		3,746,032	3,040,653	
Interest receivable		3,201,455	2,762,275	
		\$ 19,740,021	19,371,533	

The amount of loans with non-accumulating interest was \$42,290,490 as of December 31, 2001, which was booked as other assets. The estimation of non-accumulating interest was \$6,221,318 and \$3,686,594 as of December 31, 2001 and 2000, respectively. As of December 31, 2001 and 2000, the Bank did not write-off any loans without litigation.

## (9) Long-term Investments

(a) Long-term equity investments

cembe 2001	er 31, I	Decemb 200	er 31, 0
F	Percentage of		Percentage o
unt	Ownership (%)	Amount	Ownership (%)
,653	34.78	8,813,820	34.78
),173	28.60	7,452,131	28.16
),817	26.52	939,558	25.43
5,286	21.13	334,193	20.81
8,398	44.00	3,080,170	44.00
3,082	91.86	1,377,870	91.86
	30.00	40,457	30.00
9,453	100.00	642,378	100.00
3,862		22,680,577	
,931	0.75	71,931	0.75
5,290	12.32	3,466,290	12.35
3,367	0.22	58,367	0.22
2,290	0.19	22,290	0.19
),395	5.88	380,395	5.90
,500	9.27	211,500	9.27
1,345	11.23	474,345	11.23
5,858	0.32	5,858	0.32
,270	13.38	401,270	13.38
5,263	1.86	385,263	1.83
3,820	12.76	828,820	12.76
5,329		6,306,329	
),674	0.30	50,674	0.30
5,780	2.62	6,805,780	2.62
.,,00	1.60	102,130	1.60
0,132	5.01	120,132	5.01
5,150			14.37
.,100			9.54
			9.54 0.23
501			1.91
5,		150 14.37 9.54 0.23	150         14.37         155,150           9.54         200,382           0.23         3,550

		December 31, 2001		December 31, 2000	
		F	Percentage of Ownership		Percentage of Ownership
Name of Investee		Amount	(%)	Amount	(%)
China Daily News	\$	10,320	10.32	10,320	10.32
China Shipbuilding Corp.		44,021	0.40	44,021	0.40
Central Motion Picture Corp.		30,000	15.15	30,000	15.15
Taiwan Motor Transport Co., Ltd.		-	0.001	100	0.001
International Investment Trust Co., Ltd.		20,000	7.74	20,000	7.74
United Taiwan Bank S.A.		125,921	10.00	125,921	10.00
Taipei Forex Inc.		7,000	3.53	7,000	3.53
Taiwan Futures Exchange		26,000	1.30	26,000	1.30
Taiwan Assets Management Corp.		700,000	3.97	-	-
Bankpro E-service Technology Co., Ltd.		4,500	5.00	-	_
Taiwan Financial Assets Service Corp.		50,000	2.94	-	_
Financial Information Service Co., Ltd.		860	0.02	-	_
Taiwan Cooperative Bank		15,276	0.08	-	-
		8,178,135		7,713,661	
Total	\$4	2,208,326		36,700,567	

The Bank recognized unrealized loss on market decline of long-term investment amounting to \$71,864 and \$0 on December 31, 2001 and 2000, respectively, as a reduction in stockholders' equity; the accumulated translation adjustments recognized amounted to \$5,928 and \$0 on December 31, 2001 and 2000, respectively.

i) 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; Taiwan Financial Assets Service Corp. by \$50,000, which was 2.94% ownership of the investee; and Bankpro e-service Technology 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.

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

Name of Investee	Investment cost	2001	2000
Hua Nan Financial Holdings Co.	\$8,105,279	4,955,082	1,809,616
Taiwan Business Bank	6,394,860	2,137,602	1,055,830
Taiwan Life Insurance Co.	812,325	244,693	127,233
Taiwan Fire & Marine Insurance Co.	302,549	126,535	31,644
Kaohsiung Ammonium Sulfate Corp.	1,377,870	155,319	-
Tong-Eng Iron Works Co., Ltd.	3,080,170	(1,136,841)	-
United Taiwan Bank S.A.	_	-	24,017
Bank of Taiwan (Europe) N.V.	560,000	20,073	13,447
Tai Yi Real Estate Management Co.	15,000	-	116,894

The gains and losses of the investee were recognized by proportionate share based on investees' audited financial statements, which were not audited by us.

iii) 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 to the investees, the bank recognized the gains and losses of the investees in the prior year in conformity with the Standards of Issuing Financial Reports No. 8. The Bank recognized the investment gain or loss in 2000 based on the 1999 reports of the investees, and recognized gains and losses based on the prior year's report after that.

#### (b) Real estate investments

Real estate investments	December 31, 2001	December 31, 2000
Cost:		
Land	\$45,276,085	45,425,537
Buildings	256,637	258,291
Subtotal	45,532,722	45,683,828
Accumulated depreciation:		
Buildings	(197,287)	(195,277)
Total, net	\$45,335,435	45,488,551

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

	Real estate investments consist of faild of buildings for rein	ital of fulle assets. Detail are sho	
i)	Rental investments	December 31, 2001	December 31, 2000
	Land	\$33,997,763	33,586,354
	Buildings	256,637	258,291
	Subtotal	34,254,400	33,844,645
	Accumulated depreciation	(197,287)	(195,277)
	Total, net	\$34,057,113	33,649,368
ii)	Idle investments	December 31, 2001	December 31, 2000
	Land	\$ 9,039,319	9,600,235
	ty and Equipment	December 31, 2001	December 31, 2000
Cost:		¢ 40 F74 700	
Land	ing and structures	\$42,576,732	42,452,558
	ings and structures	8,838,150	7,808,927
	inery and equipment	3,223,263	3,008,084
	portation equipment ellaneous equipment	844,799 690,497	806,528 699,370
	improvement	230,270	202,953
	•		
Subto	truction in progress and prepayments for equipment	1,322,978	1,734,713 56,713,133
	ulated depreciation:		
Buildi		(2,280,613)	(2,046,953)
	inery and equipment	(1,769,761)	(1,554,496)
	portation equipment	(529,389)	(1,334,470)
	ellaneous equipment	(437,615)	(439,712)
	improvement	(143,835)	(110,897)
	ptotal	(5,161,213)	(4,629,185)
	y and equipment, net	\$ 52,565,476	52,083,948
Moveme	ent of accumulated depreciation:	December 31, 2001	December 31, 2000
Opening	g balance	\$ 4,629,185	4,006,770
Add: inc	crease of the year	719,346	975,715
Less: dis	sposal of the year	187,318	353,300
Ending I	balance	\$ 5,161,213	4,629,185

With many revaluations of land and buildings, as of December 31, 2001, the total increment, including land and buildings, was \$70,080,080, and the estimated tax of increment was \$2,799,776, booked in long-term liabilities. The net of increment is treated as capital surplus.

As of December 31, 2001, property and equipment did not serve as guarantee, or collateral, nor were they pledged.

The usage conditions were as follows:

i) Rental investments

')		December 31, 2001	December 31, 2000
	Cost:		
	Land (including revaluation increments)	\$ 3,179,158	3,120,319
ii)	Idle investments	December 31, 2001	December 31, 2000
	Land	\$ 2,811,182	2,712,927

As of December 31, 2001 and 2000, the land mentioned above amounting to \$34,551 had been seized, and the Bank has requested the occupying party to rent, purchase or bid for this property.

(11) Other Assets:	December 31, 2001	December 31, 2000
Collateral assets received, net	\$ 1,179,610	1,077,000
Operating and settlement deposits	24,857	27,297
Refundable deposits	201,997	379,643
Overdue loans (net of allowance)	42,417,689	34,526,375
Temporary payables/receivables and waiting-to-be-transferred	690,961	198,881
Deferred tax assets	1,992,806	2,377,727
Deferred pension costs	517,270	378,856
Others	19,027	15,811
Total	\$ 47,044,217	38,981,590
(a) Collateral and residuals received, net	December 31, 2001	December 31, 2000
Collateral and residuals received	\$ 1,179,610	1,077,000
Less: allowance for decline in market value	_	-
	\$ 1,179,610	1,077,000
(b) Overdue loans		
	December 31, 2001	December 31, 2000
Overdue loans	\$ 46,163,721	37,567,028
Less: allowance for doubtful accounts	(3,746,032)	(3,040,653)
	\$ 42,417,689	34,526,375
(12) Due to Central Bank and Other Banks	December 31, 2001	December 31, 2000
Due to Central Bank	\$ 7,165,522	16,946,961
Due to banks	36,459,037	36,432,469
Bank overdrafts	905,849	277,201
Call loans from bank	73,361,093	76,003,457
Total	\$117,891,501	129,660,088
(13) Financing from Central Bank and Other Banks	December 31, 2001	December 31, 2000
Bills rediscounted with Central Bank	\$ 95,864	233,740
Funds borrowed from banks	9,669,659	10,097,154
Total	\$ 9,765,523	10,330,894
(14) Account Payables	December 31, 2001	December 31, 2000
Accounts payable	\$ 4,678,366	11,631,766
Customers' receivable payables	1,379,793	1,906,002
Expenses payable	2,555,986	3,591,946
Tax payable	155,311	70,447
Interest payable Pankar's Acceptances payable	21,626,828	28,642,016
Banker's Acceptances payable	1,222,993 491	1,771,154
Financing bills guarantees Bills payable gurantees	543	-
Forward settlement payable – foreign currencies	75,468,908	_ 21,786,210
Less: forward proceeds receivable	(61,969,969)	(8,669,840)
Other payables	9,230,228	5,023,778
Total	\$ 54,349,478	65,753,479

#### (15) Deposits, Remittances and Bank Bonds Payable

b) Deposits, Remittances and Bank Bonds Payable	December 31, 2001	December 31, 2000	
Checking account	\$ 337,906,764	367,846,807	
Demand deposits	71,019,995	62,438,995	
Time deposits	348,491,607	344,463,392	
Remittances	416,561	629,397	
Savings account:			
Demand deposits	172,096,509	130,698,923	
Staff accounts	12,118,558	14,442,425	
Installment savings	1,101,136	933,194	
Time savings deposits	351,902,350	332,043,844	
Annuity savings deposits	900	190	
Interest-drawing savings	270,908,494	234,180,908	
Premium interest-drawing savings	350,225,265	322,961,935	
Bank bonds payable	_	6,595,835	
Total	\$1,916,188,139	1,817,235,845	

As of December 31, 2001 and 2000, the period of maturity for the above deposit accounts, except for demand deposits, was between one month and three years.

#### (16) Long-term Liabilities

5) Long-term Liabilities	Decembe 200	
Appropriated loan funds	\$ 3,539	9,445 4,063,415
Long-term borrowings	8,74	ō,532 –
Estimated tax payable land increment	2,79	9,776 2,799,776
Accrued pension liabilities	77	1,494 1,230,615
Total	\$ 15,850	6,247 8,093,806

#### (17) Other Liabilities

2001	2000
\$ 455,617	297,177
718,657	785,417
628,107	649,011
1,154	134
8,701	7,193
6,106	50,234
72,119	-
30,526	29,289
244	244
\$ 1,921,231	1,818,699
	\$ 455,617 718,657 628,107 1,154 8,701 6,106 72,119 30,526 244

December 31,

December 31,

#### (18) Pension

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

	December 3	31, 2001	December 3	1, 2000
	Regular	Regular	Regular	Regular
	Employees	Labor	Employees	Labor
Benefit obligation:				
Vested benefit obligation	\$(1,956,945)	(220,753)	(1,567,753)	(172,383)
Non-vested benefit obligation	(953,075)	(144,601)	(507,163)	(102,833)
Accumulated benefit obligation	(2,910,020)	(365,354)	(2,074,916)	(275,216)
Additional benefits based on future salaries	(1,115,276)	(127,311)	(1,037,278)	(138,668)
Projected benefit obligation (PBO)	(4,025,296)	(492,665)	(3,112,194)	(413,884)
Fair value of plan assets	2,255,561	248,319	480,116	199,607
Funding status	(1,769,735)	(244,346)	(2,632,078)	(214,277)
Unrecognized net transition obligation (assets)	935,023	229,613	1,024,073	249,580
Unrecognized prior year service cost	358,385	(49,251)	378,864	(52,899)
Unrecognized loss (gain)	310,474	(24,387)	13,197	(70,518)
Accrued pension liabilities	(488,606)	(28,664)	(378,856)	-
Prepaid (accrued) pension cost	\$ (654,459)	(117,035)	(1,594,800)	(88,114)
Vested benefit	\$(2,630,718)	(293,615)	(2,375,782)	(268,184)

The components of net pension cost for the years 2001 and 2000 were as follows:

	2001		2000		
	E	Regular Employees	Regular Labor	Regular Employees	Regular Labor
Service cost	\$	494,370	32,199	772,253	66,618
Interest cost		188,212	24,969	241,670	39,970
Actual return on plan assets		(32,145)	(13,421)	(106,418)	(18,349)
Amortization and deferred cost		109,529	14,377	164,294	24,479
Net pension cost	\$	759,966	58,124	1,071,799	112,718
Actuarial assumptions:				2001	2000
Discount rate				4.00%	6.25%
Rate of increase in future compensation				2.75%	4.00%
Rate of projected return on plan assets				4.00%	6.25%

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, 2001 and 2000, the cumulative balance of the fund amounted to \$2,503,880 and \$679,723, respectively.

#### (19) Stockholders' Equity

#### (a) The composition of capital surplus was as follows:

	December 31, 2001	December 31, 2000
Returned surplus	\$10,614,220	10,599,417
Revaluation increment on land	67,280,304	67,280,303
Capital surplus from investee		13,221
	\$77,894,524	77,892,941

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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.

#### (b) 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 20% special reserve;
- v) to repay dividend
  - 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.

#### (c) Imputation credit account information

As of December 31, 2001 and 2000, the balance of the ICA (imputation credit account) was as follows:

	December 31, 2001	December 31, 2000
Balance of ICA	\$ 3,779,744	4,159,296

The imputation tax credit ratio for 2001 and 2000 was approximately 25.46% and 33.55%, respectively. As of December 31, 2001 and 2000, unappropriated retained earnings were as follows:

	December 31, 2001	December 31, 2000
1997 and before	\$ -	
1998 and after	15,457,588	14,731,735
	\$ 15,457,588	14,731,735

#### (20) Income Tax

The Bank is subject to ROC income tax at a maximum rate of 25%. The income tax expense and (benefit) for 2001 and 2000 is summarized below:

	2001	2000
Current income tax	\$ 3,201,838	\$4,459,132
Deferred tax benefit (expense)	191,544	(2,084,280)
Income tax expense (benefit)	\$ 3,393,382	2,374,852

For the years ended December 31, 2001 and 2000, the differences between "expected" income tax at the statutory income tax rate and the income tax expense (benefit) in the accompanying financial statements were as follows:

	2001	2000
Expected income tax expense	\$ 4,274,159	4,220,453
Tax effect of interest income from short-term notes separately taxed	2,489,127	3,951,644
Securities trading gain	(2,777,157)	(5,578,827)
10% unappropriated retained earnings	525,954	319,110
Tax-free earnings from OBU	(120,551)	(125,557)
Investment income recognized under equity method	(1,538,880)	(765,110)
Gain on sale of land	(92,477)	(3,701)
Adjustments regulated by income tax laws	(287,733)	(25,099)
Unrealized exchange gain	920,940	381,939
Income tax expense (benefit)	\$ 3,393,382	2,374,852
The deferred income tax expense (benefit) were as follows:	2001	2000
Pension costs disallowed per tax regulation	\$ (50,959)	(11,245)
Unrealized exchange gain	_	(16,363)
Allowance for loss on decline in market value of marketable securities	208,336	(787,087)
Allowance for bad debt disallowed per tax regulation	50,215	(1,265,168)
Prior years' deferred income tax assets adjustment	120,629	-
Overseas branches	(120,628)	-
Others	(16,049)	(4,417)
	\$ 191,544	(2,084,280)
The deferred income tax assets were as follows:		
	December 31, 2001	December 31, 2000
Deferred income tax asset	\$ 1,992,806	2,377,727
Valuation allowance for deferred tax assets	\$	-

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

	December 31, 2001		December	31, 2000
	Amount	Income tax effect	Amount	Income tax effect
Deferred income tax asset:				
Pension costs disallowed per tax regulation	\$ 442,896	110,725	239,063	59,766
Allowance for bad debt disallowed per tax regulation	4,860,237	1,215,059	5,061,097	1,265,274
Allowance for loss on decline in market value of marketable securities	2,098,652	524,663	4,153,320	1,038,330
Others	569,437	142,359	57,426	14,357
	\$7,971,222	1,992,806	9,510,906	2,377,727

For the years ended December 31, 2001 and 2000, the components of income tax payable were as follows:

	December 31, 2001	December 31, 2000
Current income tax expense	\$ 3,201,838	4,459,132
Income tax on separately taxed short-term bills	(2,489,127)	(3,951,644)
Income tax paid by overseas branches	(186,758)	(188,378)
With holding income tax	(370,642)	(446,056)
Income tax payable	\$ 155,311	(126,946)

The ROC income tax authorities have examined and assessed the Bank's income tax returns filed before reincorporation for all years through December 31, 2000.

#### (21) Disclosure of Financial Instruments

#### (a) Financial derivatives

The bank has entered interest rate 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, they also include making interest rate 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, 2001 and 2000, and their contract amount, credit risk and fair market value were as follows:

Item		December 31, 2001	
Financial instrument Non-trading purpose	Contract amount	Credit risk	Fair value
Interest rate swap	\$14,290,371	276,891	13,829,801
Cross-currency swap	5,584,839	66,686	5,113,493
Forward-agreement	89,362,005	1,880,861	90,973,353
		December 31, 2000	
Non-trading purpose	Contract amount	Credit risk	Fair value
Interest rate swap	\$ 8,762,665	76,786	8,947,801
Cross-currency swap	4,324,371	126,418	6,363,719
Forward-agreement	46,331,329	140,683	46,418,709

Credit risk indicates the Bank's possible loss in the event of contract default by the counter-party. However, before the Bank makes 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 of forward contracts and transactions with clients are credit - authorized import and export clients, and the Bank would collect a proper guarantee deposit depending on the condition of 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 instant and forward contracts are designed to have a balanced position for 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 international currencies for which liquidity risk is very low.

The expected cash for various financial derivatives:

December 31, 2001		December 31, 2000			
Period	Am	nount	Period	Am	nount
Within a year	USD	1,055,824	Within a year	USD	279,814
"	HKD	51,020	"	HKD	30,000
11	GBP	5,060	"	GBP	3,868
"	AUD	8,198	"	AUD	29,195
"	CAD	3,000	"	FRF	700
"	SGD	19,293	"	DEM	9,328
"	CHF	8,000	"	ITL	175,658
"	JPY	9,013,325	"	SGD	64,358
"	ZAR	238,646	"	CHF	5,860
"	SEK	21,032	"	JPY	2,378,034
"	NZD	3,000	"	NLG	110
"	THB	20,000	"	ZAR	56,315
"	EUR	39,896	"	SEK	46,022

The net exchange gains and losses from the Bank's derivative transactions recorded in the income statements as of December 31, 2001 and 2000, were \$229 and \$10,441, respectively.

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

	December 31, 2001		December 31, 2000	
	Book value	Fair market value	Book value	Fair market value
Financial asset				
Book value equivalent to				
fair market value	\$2,166,708,039	2,166,708,039	2,082,608,966	2,082,608,966
Long-term equity investments	42,208,326	69,567,305	36,700,567	36,700,567
	\$2,208,916,365	2,236,275,344	2,119,309,533	2,119,309,533
Financial liability				
Book value equivalent to				
fair market value	\$2,115,768,047	2,115,768,047	2,033,865,921	2,033,865,921

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 by 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 risks

As of December 31, 2001 and 2000, the contract amounts of financial instruments with off-balance-sheet credit risks held by the Bank were as follows:

December 31, 2001	December 31, 2000
\$ 65,094,988	67,933,654
8,166,223	7,406,870
213,687,086	235,255,880
\$286,948,297	310,596,404
	2001 \$ 65,094,988 8,166,223 213,687,086

It is applicable to cash and cash equivalents, notes since these financial instruments will not be settled prior to their due dates, 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 and advances

Concentration of credit risk arises as 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.

	December 31, 2001	December 31, 2000
Loan – by region		
Domestic	\$1,229,229,293	1,303,926,869
Overseas	47,226,701	48,096,011
Total	\$1,276,455,994	1,352,022,880
	December 31, 2001	December 31, 2000
Loan – by clients:		
Government	\$ 648,327,234	698,887,365
Individuals	261,460,972	257,575,909
Manufacturing	172,378,923	180,548,393
Overseas	47,226,701	48,096,011
Telecommunication and transportation	40,200,324	38,219,054
Retailing	28,412,062	31,122,578
Utilities	24,451,577	45,642,325
Construction	15,743,050	19,947,024
Services	15,390,399	20,032,338
Real estate and rental	7,242,414	4,992,959
Food and restaurants	2,499,835	904,909
Nonprofit	2,114,093	3,976,501
Farming, forestry and fishing	951,490	1,087,230
Insurance	9,448,000	_
Others	608,920	990,284
Total	\$1,276,455,994	1,352,022,880

#### (22) Related-party Transactions

#### (a) Names of related parties and their relationships with Bank

Name	Relationship
Hua Nan Financial Holdings Company	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.	Investee Company of the Bank under the equity method
Taiwan Fire & Marine Insurance Co.	Investee Company of the Bank under the equity method
Tai Yi Real-Estate Management Co.	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 Corp.	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 b	anks
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1)	Due from banks	Decembe	December 31, 2001		December 31, 2000	
		Amount	Percentage of due from banks	Amount	Percentage of due from banks	
	Hua Nan Commercial Bank	\$ -	-	104,289	0.1	
ii)	Due to banks	Decembe	December 31, 2001		December 31, 2000	
		Amount	Percentage of due to banks	Amount	Percentage of due to banks	
	Hua Nan Commercial Bank	\$622,893	0.56	165,078	0.15	
	Taiwan Business Bank	81,248	0.07	69,652	0.06	
		\$704,141	0.63	234,730	0.21	
iii)	Call loans to banks					

		January 1 to Dece	ember 31, 200	1
	Highest balance	Ending balance	Interest income	Annual interest rate
Taiwan Business Bank	\$381,206	140,028	4,557	1.92%~5.29%

	January 1 to December 31, 2000			
	Highest balance	Ending balance	Interest income	Annual interest rate
Hua Nan Commercial Bank	\$11,290,604	5,200,224	82,760	4.6%~7.871%
Taiwan Business Bank	1,979,520	164,960	5,806	4.75%~6.64%
	\$13,270,124	5,365,184	88,566	

#### iv) Call loans from banks

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

	January 1 to December 31, 2000			
	Highest balance	Ending balance	Interest expense	Annual interest rate
Hua Nan Commercial Bank	\$4,520,088		49,393	4.6%~6.91%

v) Loans

December 31, 2000 December 31, 2001 Percentage Percentage of Loans of Loans Amount Amount Tang-Eng Iron Works Co., Ltd. \$3,130,786 0.25 3,512,514 0.26 Others 1,154,599 0.09 1,216,266 0.09 \$4,285,385 0.34 4,728,780 0.35 vi) Deposits accepted December 31, 2000 December 31, 2001 Percentage Percentage Amount of Deposits Amount of Deposits Taiwan Life Insurance Co. \$489,025 0.03 200,014 0.01 Taiwan Fire & Marine Insurance Co. 474,209 0.02 464,501 0.03

\$963,234

0.05

664,515

0.04

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

vii) Insurance expense

,	December 31, 2		r 31, 2001	December 31, 2000	
		Amount	Percentage of Insurance Expense	Amount	Percentage of Insurance Expense
	Taiwan Fire & Marine Insurance Co.	\$19,757	3.81	48,163	17.36

#### (23) Pledged Assets

Pledged assets	Pledged for	C	December 31, 2001	December 31, 2000
Trading securities bonds	Guarantee in court	\$	1,487,600	1,116,900
	Operating and settlement deposits		24,857	27,297
	Default reserve		1,146,000	2,380,501
		\$	2,658,457	3,524,698

#### (24) Commitments

#### (a) Construction in progress and significant purchase agreements

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

	Decemb	per 31, 2001
Construction contract:	Contract price	Unpaid portion of contract price
Construction of Taichung Harbor Branch	\$ 376,847	49,390
Construction of Toufen Branch	217,329	1,244
Construction of Hsinyin Branch	255,847	3,723
Consruction 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

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	December 31, 2000		
Construction contract:	Contract price	Unpaid portion of contract price	
Construction of Taichung Harbor Branch	\$ 376,847	268,204	
Construction of Toufen Branch	217,329	42,315	
Construction of Hsinyin Branch	255,847	33,210	
Consruction of Yuanshan Branch	234,018	141,584	
Warehouse construction in northern area	126,092	86,389	
Warehouse construction in Tainan	145,382	142,034	
Total	\$1,355,515	713,736	

#### (b) Operating leases

The Bank has entered into certain operating leases for its branches. As of December 31, 2001, estimated future lease contract commitments for rent were as follows:

Fiscal Year	Amount			
2002	\$312,418			
2003	231,806			
2004	127,295			
2005	52,873			
2006	18,963			
	\$743,355			

#### (c) Others

	December 31, 2001	December 31, 2000
Bank for collection	\$119,980,050	115,761,482
Contract guarantee on behalf of counter-parties	50,202	1,065
Travelers checks held on consignment	1,548,608	1,618,514
Marketable securities held as custodian	703,888,009	641,584,057
	\$825,466,869	758,965,118
Short-term bills under resale agreement	\$ 69,992,883	49,213,924
Short-term bills and government bonds under repurchase agreement	\$ 3,346,846	4,531,572

#### (25) Others

#### (a) Capital adequacy ratio

According to the Banking Law and related regulations to establish a sound baking 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 cumulated earnings. As of December 31, 2001 and 2000, the capital adequacy ratio of the Bank was 16.33% and 16.09%, respectively.

#### (b) Average amount of assets and liabilities as well as current rate, are disclosed as follows:

	December 31, 2001		December	31, 2000
	Average value	Average rate (%)	Average value	Average rate (%)
Assets				
Call loans to banks	\$117,783,960	4.66	99,562,879	5.36
Due from Central Bank	56,805,822	2.42	55,752,587	2.60
Marketable securities	213,256,704	5.93	186,160,002	5.82
Loans and advances	750,481,174	7.00	1,343,715,698	7.17
Liabilities				
Due to Central Bank	\$ 11,164,700	-	10,397,989	-
Due to banks	101,219,547	4.18	107,789,601	4.11
Savings deposits	59,584,998	1.65	59,268,603	2.00
Demand savings deposits	148,746,471	3.25	130,375,434	3.73
Time savings deposits	950,938,156	4.00	900,841,704	5.10
Time deposits	346,737,068	3.78	339,334,742	4.80
Financing from Central Bank and other banks	10,249,416	4.64	10,410,622	4.97

(c) Maturity analysis of assets and liabilities:

The maturity period is recognized as the remaining period to maturity from the balance sheet date. With the specific period, the assets and liabilities were analyzed by the 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.

		December 31, 2001	
	Within a year	Over a year	Total
Assets			
Cash	\$191,693	-	191,693
Due from banks	135,919	4,514	140,433
Due from Central bank	161,758	26,362	188,120
Marketable securities	136,907	98,304	235,211
Account receivables	46,728	2,354	49,082
Bills purchased, discounts and loans, net	387,289	879,771	1,267,060
Liabilities			
Due to Central Bank	\$ -	7,166	7,166
Due to banks	75,427	35,298	110,725
Accounts payable	54,349	-	54,349
Bonds sold under repurchase agreements	3,343	-	3,343
Deposits accepted remittances and bank bonds payable	1,146,517	769,671	1,916,188
Financing from Central Bank and other banks	_	9,765	9,765
		December 31, 2000	
	Within a year	Over a year	Total
Assets			
Cash	\$193,468	_	193,468
Due from banks	105,976	68	106,044
Due from Central bank	38,508	88,080	126,588
Marketable securities	125,179	59,953	185,132
Account receivables	48,493	2,420	50,913
Bills purchased, discounts and loans, net	361,615	981,677	1,343,292
Liabilities			
Due to Central Bank	\$ -	16,947	16,947
Due to banks	78,364	34,349	112,713
Accounts payables	65,753	_	65,753
Bonds sold under repurchase agreements			4 500
	4,509	-	4,509
Deposits accepted remittances and bank bonds payable	4,509 1,170,781	- 646,455	4,509 1,817,236

#### (expressed as millions of New Taiwan Dollars)

#### (26) Account Reclassification

Certain amounts in the 2000 financial statements have been reclassified in conformity with the 2001 presentation. All reclassifications have no significant effect on the financial report presentation.

	Before the reclassification		After the reclassification	
Deferred income tax assets	\$	66,427	2,377,727	
Prepaid taxes	4,8	399,355	2,588,055	
Deferred income tax liabilities		1,641	-	
Account receivables, net	50,8	304,798	50,913,517	
Bills purchased, discounts and loans, net	1,343,4	100,579	1,343,291,860	
Unappropriated retained earnings	17,1	106,587	14,731,735	
Marketable securities	180,6	522,678	185,131,669	
Bonds sold under repurchase agreements	-		4,508,991	

## VI. CPA-Audited Consolidated Financial Statements for Past Year (None)

#### VII. Review and Analysis of Financial Status and Operating Results for Past Year 1. Analysis of Financial Status

The Bank's total assets for this year amounted to NT\$2,318,712 million of which liquid assets accounted for NT\$864,451 million or 37.28% of the total; loans, and exchange bills negotiated and discounted accounted for NT\$1,267,060 million or 54.64%; long-term fund investment and receivables accounted for NT\$87,544 million or 3.78%; fixed assets made up NT\$52,565 million or 2.27%; and intangibles and other assets accounted for NT\$47,092 million or 2.03%. Liabilities totaled NT\$2,120,538 million amounting to 91.45% of all assets; of this total, liquid liabilities made up NT\$176,807 million or 7.63% of the overall amount; deposits, remittances, and financial debentures accounted for NT\$1,916,188 million or 82.64%; funds due to the Central Bank and other banks accounted for NT\$9,766 million or 0.42%; long-term liabilities accounted for NT\$15,856 million or 0.68%; and other liabilities accounted for NT\$1,921 million or 0.08%. Owners' equity amounted to NT\$198,174 million equal to 8.55% of total assets; of the total, capital amounted to NT\$32,000 million or 1.38%; capital surplus and earnings amounted to NT\$166,076 million or 7.16% of total assets; and the amount of equity adjustment was NT\$98 million or 0.01%.

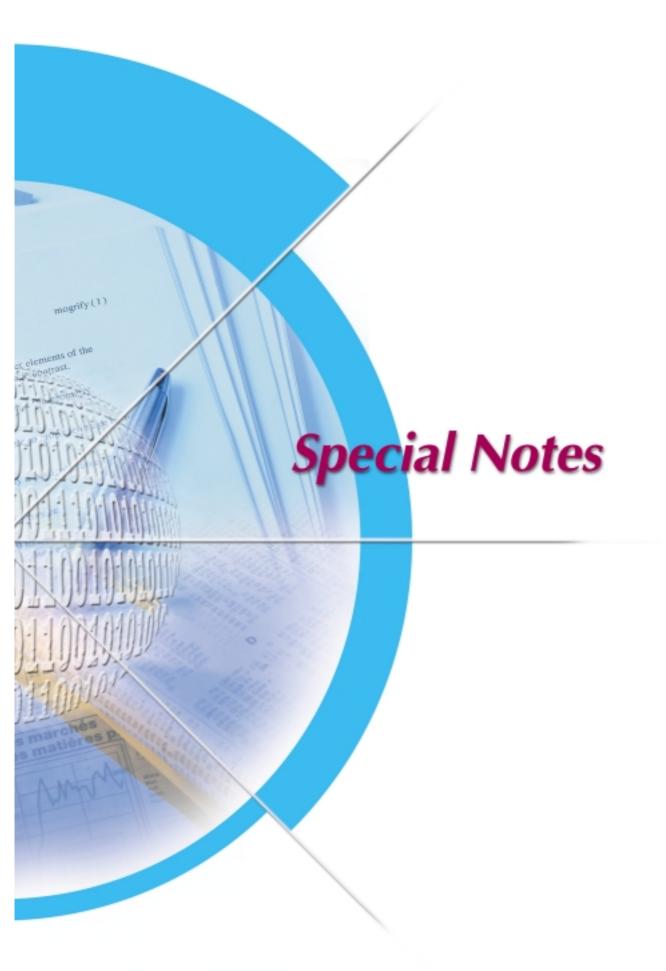
#### 2. Operating Results

Year Items	Jan. 1 - Dec. 31, 2001	July 1, 1999 - Dec. 31, 2000 equated to 1-year amounts	Increase or Decrease	Rate of Change (%)
Revenues				
Operating revenues	125,415,261	128,276,502	-2,861,241	-2.23
Non-operating income	742,545	348,199	394,346	113.25
Total revenues	126,157,806	128,624,701	-2,466,895	-1.92
Expenses				
Operating costs	93,101,955	101,053,486	-7,951,531	-7.87
Operating expenses	15,033,683	14,816,375	217,308	1.47
Non-operating expenses	925,530	1,495,731	-570,201	-38.12
Income tax expense	3,393,382	1,587,802	1,805,580	113.72
Total expenses	112,454,550	118,953,394	-6,498,844	-5.46
Net income (or Net loss - )	13,703,256	9,671,307	4,031,949	41.69

Notes: 1. The reduction in operating revenues was caused mainly by a decline in interest income and gains from bills dealing.

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.



#### I. Information on Related Enterprises (None)

#### II. Dividend Policy and Status of Implementation

- 1. The BOT's distribution of income includes appropriations for capital reserves, legal reserves, and special reserves, and appropriations for the central government's stock dividends and bonus, as well as undistributed surplus.
- According to the provisions of Article 50 of the Banking Law, until legal reserves reach the amount of capital, the maximum amount of cash income distribution 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 Internal Control System**

#### 1. Implementation of the Internal Control System

The Bank has established operating regulations and manuals for each area of its business, and those regulations and manuals are revised whenever necessary to meet actual operating needs. Computer operation and security controls as well as internal auditing and self-investigation regulations have also been established in order to control the compliance with laws and regulations as well as operating risks.

To make certain that the internal controls are carried out thoroughly, not only are the different business, finance safekeeping, and information units asked to designate a deputy unit head to be responsible for supervising a self-investigation each month, but during 2001 each business unit was also asked to list the compliance with laws and regulations as a separate item for investigation, with the Auditing Office of the Board of Directors continuously and closely carrying out reviews of reports. When anything abnormal is discovered, a special person is designated to carry out an immediate and thorough investigation.

During 2001 the Auditing Office of the Board of Directors dispatched auditors on an irregular basis to carry out at least two audits of each domestic business unit; it also sent auditors to investigate all of the overseas business units, with the exception of the New York Agency. Whenever deficiencies were found the units involved were asked to make improvements within a set time limit, and a thorough implementation of internal controls was assured through application of regulations governing internal control rewards and punishments.



#### 2. Statement of Internal Controls

## Statement to the Ministry of Finance

On behalf of the Bank of Taiwan we declare that during the period of Jan. 1, 2001 through Dec. 31, 2001 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: Mu-Tsai Chen President: Sheng-Yann Lii Legal Compliance Official: Wu-Shiung Chou Auditing Unit Official: Teh-Chien Su January 15, 2002

- IV. Legal Violations Resulting in Punishment and Major Deficiencies of the Past Two Years, and Status of Improvement
- 1. Officials and employees indicted for crimes committed in the performance of their duties during the past two years
  - (1)In the case of theft and sale of government bonds by an employee of the Sungchiang Branch, the employee involved has been dismissed in accordance with the law and all units have been requested to assure the handing over of property when personnel are transferred.
  - (2)In the case of the illegal manipulation of foreign exchange to gain illegal profits by using Bank funds with same-day write-off by two staff members of the Lotung Branch, the two staff members involved have been dismissed and turned over for prosecution in accordance with the law; the two are under indictment by the public prosecutor, and the case is still in the court.
  - (3)In the case of crime committed by an employee of the Tainan Branch during his service with the Taipei World Trade Center Branch, the employee involved was suspended and turned over for prosecution in accordance with the law, and given two demerits by the committee for the punishment of civil servants. A sentence of imprisonment given in this fraud case was affirmed by the Taiwan High Court, the payment of the imposed fine has been completed, and the person involved has resumed service.
  - (4)In the attempt by an employee of the Shuinan Branch to use his position to steal interest receivable, the person involved was suspended and turned over for prosecution, and was relieved from his post for six months by the committee for the punishment of civil servants. The person has been indicted by the public prosecutor, and the case is still in the court.
- Violations of the Banking Law resulting in fines during the past two years (None)
- 3. Deficiencies resulting in strict 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 robbery, 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 years (None)
- 5. Other matters which the Ministry of Finance has instructed should be disclosed (None)

#### V. Major Resolutions

Coordination with the government's promotion of the establishment of a financial holding company by three financial institutions

On July 20, 2001 the Bank submitted a request to the Ministry of Finance for the establishment of a financial holding company by three financial institutions, through the transfer of shares, and was approved by the Ministry. A formal application for the establishment was submitted to the Ministry on Dec. 28, 2001.

According to the plan for the establishment of a financial holding company by three financial institutions, during the short term the three institutions will continue operating under current conditions while medium- and long-term plans for actual merger are carried out following the establishment of the financial holding company.

## VI. Other Matters for Supplementary Explanation

(None)

# Directory of Head Office and Branches

## I. DOMESTIC BUSINESS UNITS

120, SEC. 1, CHUNGCHING SOUTH ROAD, (P.O. BOX 5 or 305) TAIPEI, TAIWAN, REPUBLIC OF CHINA TELEX: 11201 TAIWANBK FAX: (02)2331-5840 • (02)2361-3203 CABLE ADDRESS: TAIWAN BANK,TAIPEI SWIFT: BKTWTWTP http://www.bot.com.tw

OFFICE	SWIFT	ADDRESS	TELEPHONE	FAX
Head Office	BKTWTWTP	120, Sec. 1, Chungching South Road, Taipei	02-23493456	02-23315840
<ul> <li>Business Dept.( 1 )</li> </ul>	BKTWTWTP	120, Sec. 1, Chungching South Road, Taipei	02-23493456	02-23315840
* Business Dept.( II )	BKTWTWTP007	49, Kuanchien Road, Taipei	02-23812949	02-23753800
Public Treasury Dept.	BKTWTWTP	120, Sec. 1, Kueiyang Street, Taipei	02-23615420	02-23751125
International Management Dept.	BKTWTWTP	120, Sec. 1, Chungching South Road, Taipei	02-23493456	02-23884315
* International Operations Dept.	BKTWTWTP	120, Sec. 1, Chungching South Road, Taipei	02-23493456	02-23613203
Trust Dept.	BKTWTWTP	58, Sec. 1, Chungching South Road, Taipei	02-23618030	02-23712171
Securities Dept.	BKTWTWTP	58, Sec. 1, Chungching South Road, Taipei	02-23882188	02-23716159
Offshore Banking Branch	BKTWTWTP069	1st Fl., 3, Paoching Road, Taipei	02-23493456	02-23894500
♦ * Keelung Branch	BKTWTWTP012	16, Yee 1st Road, Keelung	02-24247113	02-24275377
Yenping Branch	BKTWTWTP019	406, Nanking West Road, Taipei	02-25522859	02-25522011
* Chungshan Branch	BKTWTWTP020	150, Sec. 1, Chungshan North Road, Taipei	02-25423434	02-25710210
* Nanmen Branch	BKTWTWTP033	120, Sec. 1, Nanchang Road, Taipei	02-23512121	02-23964281
* Kungkuan Branch	BKTWTWTP034	120, Sec. 4 Roosevelt Road, Taipei	02-23672581	02-23656810
* Peitou Branch	BKTWTWTP036	152, Sec. 1, Chungyang South Road, Peitou, Taipei	02-28951200	02-28912473
<ul> <li>* Chengchung Branch</li> </ul>	BKTWTWTP045	47, Chingtao East Road, Taipei	02-23218934	02-23912473
* Minchuan Branch	BKTWTWTP045	239, Sec. 2, Chenteh Road, Taipei	02-25530121	02-25534253
* Sungchiang Branch	BKTWTWTP040 BKTWTWTP050			02-25034255
	BKTWTWTP050 BKTWTWTP052	115, Sungchiang Road, Taipei	02-25069421	02-23079097
Lungshan Branch		380, Kangting Road, Taipei	02-23088110	
* Chunghsiao Branch	BKTWTWTP053	202, Sec. 1, Tunhwa South Road, Taipei	02-27516091	02-27411704
* Hsinyi Branch	BKTWTWTP054	88, Sec. 2, Hsinyi Road, Taipei	02-23515486	02-23973887
* Sungshan Branch	BKTWTWTP064	560, Sec. 4, Chungshiao East Road, Taipei	02-27293111	02-27299925
* Shihlin Branch	BKTWTWTP070	197, Sec. 6, Chungshan North Road, Taipei	02-28367080	02-28362523
* Minsheng Branch	BKTWTWTP080	167, Fuhsing North Road, Taipei	02-27192081	02-27188897
* Taipei World Trade Center Branch	BKTWTWTP085	3rd F1., 333, Sec. 1, Keelung Road, Taipei	02-27200315	02-27576156
* Taan Branch	BKTWTWTP086	165, Sec. 4, Hsinyi Road, Taipei	02-27553121	02-27093243
* Tunhwa Branch	BKTWTWTP106	1st FI., 205, Tunhwa North Road, Taipei	02-25455110	02-25450913
* Nankang Branch	BKTWTWTP107	1st FI., 95, Sec. 2, Nankang Road, Taipei	02-26516706	02-27839049
🔶 🛊 Hoping Branch	BKTWTWTP108	180, Sec. 1, Hoping East Road, Taipei	02-23687027	02-23626987
* Chunglun Branch	BKTWTWTP110	108, Sec. 5, Nanking East Road, Taipei	02-27698618	02-27603224
* Jenai Branch	BKTWTWTP122	99, Sec. 2, Jenai Road, Taipei	02-23975936	02-23975927
¥ Yuanshan Branch	BKTWTWTP124	31, Sec. 3, Chungshan North Road, Taipei	02-25976699	02-25932760
🔶 🛊 Tienmou Branch	BKTWTWTP142	18, Sec. 7, Chungshan North Road, Taipei	02-28755222	02-28755219
★ Chunhsien Branch	BKTWTWTP	1, Chungshan South Road, Taipei	02-23411001	02-23578831
* Neihu Branch	BKTWTWTP153	396, Sec. 1, Neihu Road, Taipei	02-87977933	02-87977956
🛨 Wenshan Mini-Branch	BKTWTWTP	218, Sec. 6, Roosevelt Road, Taipei	02-86633456	02-86635656
* Tamsui Branch	BKTWTWTP148	93, Chungshan Road, Tamsui, Taipei Hsien	02-26281111	02-26281122
* Panchiao Branch	BKTWTWTP027	21, Fuchung Road, Panchiao, Taipei Hsien	02-29680172	02-29676416
* Sanchung Branch	BKTWTWTP042	39, Sec. 4, Chunghsin Road, Sanchung, Taipei Hsien	02-29719621	02-29719736
* Yungho Branch	BKTWTWTP048	97, Sec. 1, Yungho Road, Yungho, Taipei Hsien	02-29216611	02-29233793
* Chungho Branch	BKTWTWTP066	253, Sec. 2, Chungshan Road, Chungho, Taipei Hsien	02-22488980	02-22490344
♦ * Hsinchuang Branch	BKTWTWTP071	85, Hsintai Road, Hsinchuang, Taipei Hsien	02-22056699	02-22031524
* Shulin Branch	BKTWTWTP074	29, Wen Hua St., Su Lin City, Taipei Hsien	02-26866511	02-26861307
<ul> <li>* Hsintien Branch</li> </ul>	BKTWTWTP075	45, Paochung Road, Hsintien, Taipei Hsien	02-29180795	02-29151012
<ul> <li>* Huachiang Branch</li> </ul>	BKTWTWTP087	293-2. Sec. 1, Chungshan Road, Panchiao, Taipei Hsien	02-29610101	02-29638280
* Tucheng Branch	BKTWTWTP111	344, Sec. 2, Chungyuan Road, Tucheng, Taipei Hsien	02-22703791	02-22603314
* Wuku Branch	BKTWTWTP135	42, Sec. 4, Chunghsin Road, Wuku Hsiang, Taipei Hsien	02-22936699	02-22930304
* Hsichih Branch	BKTWTWTP156	175, Ta Tung Road, Sec. 2, Hsi Chih City, Taipei Hsien	02-22 730077	02-22930304
<ul> <li>Taoyuan Branch</li> </ul>	BKTWTWTP150 BKTWTWTP026	46, Chungcheng Road, Taoyuan, Taoyuan Hsien	02-80920822	02-80920828
* Taoyuan Branch     * Chungli Branch	BKTWTWTP020 BKTWTWTP041	580, Yenping Road, Chungli, Taoyuan Hsien	03-4252160	03-3322007
	BKTWTWTP041	1 Chuwei Village, Tayuan Township, Taoyuan Hsien,	03-3982166	03-3834834
	DVIANIA	i chuwei village, tayuan lownship, taoyuan Hsien,	03-3762100	03-3034034

OFFICE	SWIFT	ADDRESS	TELEPHONE	FAX
* Pingchen Branch	BKTWTWTP121	11, Sec. 2, Huannan Road, Pingchen, Taoyuan Hsien	03-4945688	03-4945699
* Nankan Branch	BKTWTWTP123	81, Sec. 1, Nankan Road, Luchu Hsiang, Taoyuan Hsien	03-3529191	03-3520916
* Neili Branch	BKTWTWTP144	125, Hsingnong Road, Chungli, Taoyuan Hsien	03-4618519	03-4519650
Chienkuo Branch	BKTWTWTP	35, Chlen Kuo Rd., Chung-Li City, Taoyuan Hsien	03-4225166	03-4255271
Talun Branch	BKTWTWTP	312, Sec. 3, Chungcheng Road, Chung-Li City, Taoyuan Hsien	03-4983620	
Hsingnung Branch	BKTWTWTP	56, Hsing-Nung Rd., Chung-Li City, Taoyuan Hsien	03-4550885	
Jenmei Branch	BKTWTWTP	33, Sec. 4, Chung-Shan E. Road., Chung-Li City, Taoyuan Hsien	03-4663768	
* Hsinchu Branch	BKTWTWTP015	29, Linsen Road, Hsinchu	03-5266161	03-5266446
★ Peitalu Branch	BKTWTWTP	68 Pei Ta Road, Hsin Chu	03-5354381	03-5354380
* Science-Based Industrial	BKTWTWTP073	2nd Fl., 5, Industry E. 6th Rd., Science-Based Indsutrial	03-5770050	03-5777936
Park Branch		Park Hsinchu		
★ Chupei Branch	BKTWTWTP	16, Kuangming 6th Road, Chupei, Hsinchu Hsien	03-5513111	03-5517322
* Miaoli Branch	BKTWTWTP029	510, Chungcheng Road, Miaoli, Miaoli Hsien	037-326791	037-337885
* Toufen Branch	BKTWTWTP043	65, Chungcheng Road, Toufen, Miaoli Hsien	037-663451	037-672213
* Taichung Branch	BKTWTWTP010	140, Sec. 1, Tzuyu Road, Taichung	04-22224001	04-2225454
* Fuhsing Branch	BKTWTWTP055	102, Sec. 4, Fuhsing Road, Taichung	04-2224001	04-2205856
* Chienhsing Branch	BKTWTWTP055 BKTWTWTP065		04-22244181	04-2203830
0	BKTWTWTP005 BKTWTWTP079	144, Chungcheng Road, Taichung		
* Liming Branch		6-1, No. 37, Liming Road, Taichung	04-22551178	04-2252482
* Taichung Industrial Park Branch	BKTWTWTP092	196, 1st Road, Taichung Industrial Park, Taichung	04-23597850	
* Shuinan Banch	BKTWTWTP109	416, Sec. 2, Chungder Road, Taichung	04-22468130	04-2246685
* Hsitwun Branch	BKTWTWTP141	41, Sec. 2, Chinghai Road, Taichung	04-23128528	04-2311710
* Fengyuan Branch	BKTWTWTP030	302, Chungcheng Road, Fengyuan, Taichung Hsien	04-25278686	04-2525698
* Wufeng Branch	BKTWTWTP037	838, Chungcheng Road, Wufeng Hsiang, Taichung Hsien	04-23302216	04-2332710
* Tantzu Branch	BKTWTWTP047	1, Chinkuo Road, Tantzu Hsiang, Taichung Hsien	04-25323133	04-2533907
* Taichung Harbor Branch	BKTWTWTP057	47, Wuchi Road, Wuchi Cheng, Taichung Hsien	04-26562311	04-2657177
* Tachia Branch	BKTWTWTP072	61, Minshen Road, Tachia Cheng, Taichung Shien	04-26868111	04-2686522
* Taya Branch	BKTWTWTP090	210, Minsheng Road, Taya Hsiang, Taichung Hsien	04-25683330	04-2568016
* Tali Branch	BKTWTWTP136	520, Sec. 2, Kuokuang Road, Tali, Taichung Hsien	04-24812211	04-2481844
Defang Branch	BKTWTWTP	63, Sec 1, De Fang Road, Tali, Taichung Hsien	04-24853280	04-2482666
★ Wuchi Branch	BKTWTWTP	2, Chien 5th Road, Chung-Kang Export Processing Zone, Wuchi Cheng, Taichung Hsien	04-26565111	04-2657015
* Chunghsin New Village Branch	BKTWTWTP013	11, Kuanghua Road, Chunghsin New Village, Nantou, Nantou Hsien	049-2332101	049-235045
🕨 🛪 Nantou Branch	BKTWTWTP032	101, Fushing Road, Nantou, Nantou Hsien	049-2232121	049-222984
🛨 Puli Branch	BKTWTWTP	112, Tungjung Road, Puli, Nantou Hsien	049-2983991	049-299594
🕨 🗱 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
* Touliu Branch	BKTWTWTP031	27, Wunghwa Road, Touliu, 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

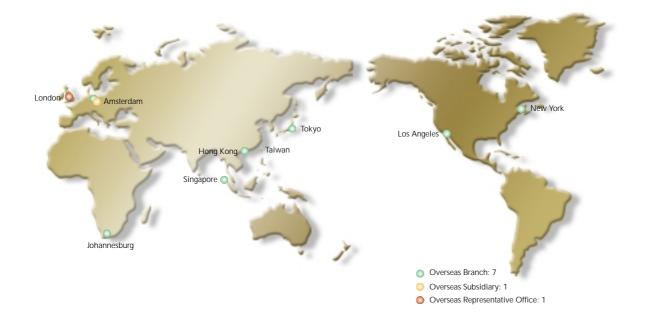
OFFICE	SWIFT	ADDRESS	TELEPHONE	FAX
🔶 🛊 Hsinying Branch	BKTWTWTP028	10, Chungcheng Road, Hsinying, Tainan Hsien	06-6351111	06-6321843
* Yungkang Branch	BKTWTWTP081	513, Hsiaotung Road, Yungkang, Tainan Hsien	06-3125411	06-3138709
* Tainan Science-Based Industrial	BKTWTWTP146	15, Nan Ko 3rd Road, 2nd Fl., Hsin Shih Hsiang, Tainan Hsien	06-5051701	06-5051709
Park Branch				
* 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	07-2265821	07-2264854
* Lingya Branch	BKTWTWTP062	261, Chinnien 1st Road, Lingya District, Kaohsiung	07-3358700	07-3327904
* Sandou Branch	BKTWTWTP082	142, Hsinguang Road, Lingya District, Kaohsiung	07-3349341	07-3336835
★Nantze Branch	BKTWTWTP	166, Chiennan Road, Nantze District, Kaohsiung	07-3532115	07-3531484
* 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	07-3457690	07-3452138
* 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
* Chungchuang Branch	BKTWTWTP120	339, Fengping 1st Road, Taliao Hsiang, Kaohsiung Hsien	07-7038838	07-7038964
* Chungping Branch	BKTWTWTP160	9, Chunghwa 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
★ Tungkang Branch	BKTWTWTP	114, Chungcheng Road, Tungkang, Pingtung Hsien	08-8323131	08-8352545
Hsinyuan 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	
Chenhsing Branch	BKTWTWTP	60-4, Poai Road, Yenpu Hsiang, Pingtung Hsien	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, Taitung, 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	03-9560622
* Suao Branch	BKTWTWTP089	97, Chungshan Road, Suao, Ilan 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

3.  $\star$  Branch dealing in foreign currency and traveler's checks

2. \*Foreign exchange unit

4. Data to April 26, 2002

## II. Overseas Units



Branch	Address	Telephone	SWIFT	FAX	TLX
New York Agency	The Crown Building Center 730 5 <sup>th</sup> Avenue 9 <sup>th</sup> FI., Suite 907 New York, NY 10019 U.S.A.	1-212-333-8613	BKTWUS33	1-212-333-8670	49604214 BOTNY
Amsterdam Branch	World Trade Center, Strawinskylaan 655 1077 XX Amsterdam, The Netherlands	31-20-671-3399	BKTWNL2A	31-20-671-1031	14090 BOTNL
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	6732637 BOTLA
Hong Kong Branch	4 <sup>th</sup> FI., 9 Queen's Road Central, Hong Kong	8522-521-0567	вктwнкнн	8522-869-4957	87791 BTWHK
Singapore Branch	80 Raffles Place #28–20 UOB Plaza 2, Singapore 048624	002-65-5365536	BKTWSGSG	002-65-536-8203	24835 BOTSIN
Tokyo Branch	7F Fukoku Seimei Bldg., 2–2 Uchisaiwaicho 2-Chome Chiyoda-Ku, Tokyo 100, Japan	813-3504-8881 813-3506-8356	BKTWJPJT	813-3504-8880	J26595 BOTTY
South Africa Branch	No.11,Cradock Ave. Rosebank 2196 Johannesburg, South Africa	27-11-880-8008	BKTWZAJJ	27-11-447-1868	4-20092 BOTAI SA

Subsidiary Bank	Address	Telephone	SWIFT	FAX	TLX
Bank of Taiwan	World Trade Center, Strawinskylaan 655	31-20-671-3399	BKTWNL2A	31-20-671-1031	14090
(Europe) N.V.	1077XX Amsterdam, The Netherlands	31-20-071-3399	BRIWINLZA	31-20-071-1031	BOTNL

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

Registered NO.

2004200003



No. 120, Sec. 1, Chungching South Road, Taipei, Taiwan 100, R.O.C. Tel: (02)2349-3456 Fax: (02)2331-5840 SWIFT:BKTWTWTP Web Site:www.bot.com.tw

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