BANK OF KAOHSIUNG

Business Highlights

1. Business Services

Scope of Services

Banking Services

- Offer treasury services;
- Raise bonds and its repay capital with interest;
- Receive checking account deposits & various deposits;
- Extend short and medium term loans;
- Extend discounts negotiable instruments;
- Invest in government bonds, short term bills;
- Engage in guarantying issuance corporate bonds;
- Engage in domestic remittances;
- Engage in acceptance of commercial drafts;
- Issue domestic and foreign letters of credit;
- Engage in domestic guarantee business;
- Act as collecting and paying agent;
- Underwrite government bonds, treasury bills, corporate bonds and company stocks;
- Engage in credit card business;
- Act as broker and dealer for short term bills;
- Offer custodial and warehousing services;
- Render safe deposit box rental services;
- Perform commissioned services related to services items listed on the bank business license or authorized by the relevant central government authorities;
- Business of investing Non-Discretionary trust capital in domestic securities investment trust funds and foreign securities;
- Engage in foreign exchange business, including export, import, remittance, Deposit and guarantee;
- Foreign exchange guarantee business;
- Financial derivatives transaction business authorized by central government authorities ;
- Engage in trust business under subordinate Trust Department;
- Perform commissioned services for the government or autonomous groups;
- Engage in public welfare lottery business authorized by central government authorities;
- Undertake brokerage underwriting and trading of negotiable securities on its own behalf;
- Engage in purchasing and sale of government bonds.

Trust Services

Trust Business

- Money Trust
- Real Estate Trust

Affiliated Business

- Act as a broker for issuance, registration, transfer of negotiable securities and for distribution/payment of dividends and bonuses;
- Provide consulting services for security issuance and subscription;
- Act as a certifier for issuance of bonds and securities;
- Offer custodial services;
- Safekeeping under commissioned securities investment trust funds;
- Render safe deposit box rental services.

Business services focus on deposits and loans business of conventional commercial bank. To follow promulgation of the Trust Business Act, bank of Kaohsiung will develop new trust financial products, synchronize up-to-fashion trends, enhance information automation and offer new e-commerce products to provide customers " buy out for once" – department store style services.

Business Status and Statistic Diagram in Recent Five Years

1. Deposits

Balance of Deposits from FY 1997 to FY 2001

Unit : NTD million

Date / Types of Deposits	June 30,1997		June 30,1998		June 30,1999		Dec.31,2000		Dec. 31,2001	
	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%
Total Deposits	110,099	100	115,223	100.00	125,558	100.00	163,771	100.00	183,502	100.00
Treasury Deposits	7,502	6.81	7,533	6.54	8,165	6.50	11,114	6.79	10,430	5.68
General Deposits	102,002	92.65	100,715	87.41	104,414	83.16	133,981	81.81	152,732	83.23
Cheque Deposits	938	0.85	1,096	0.95	821	0.65	862	0.53	1,032	0.56
Demand Deposits	3,919	3.56	3,837	3.33	4,167	3.32	5,241	3.20	5,986	3.26
Demand Savings	13,129	11.92	12,663	10.99	15,727	12.53	16,363	9.99	20,812	11.34
Time Deposits	43,400	39.43	56,002	48.61	33,259	26.49	55,061	33.62	66,869	36.44
Time Savings	40,616	36.89	27,117	23.53	50,440	40.17	56,454	34.47	58,033	31.63
Due to Banks	595	0.54	6,975	6.05	12,979	10.34	18,676	11.40	20,340	11.09

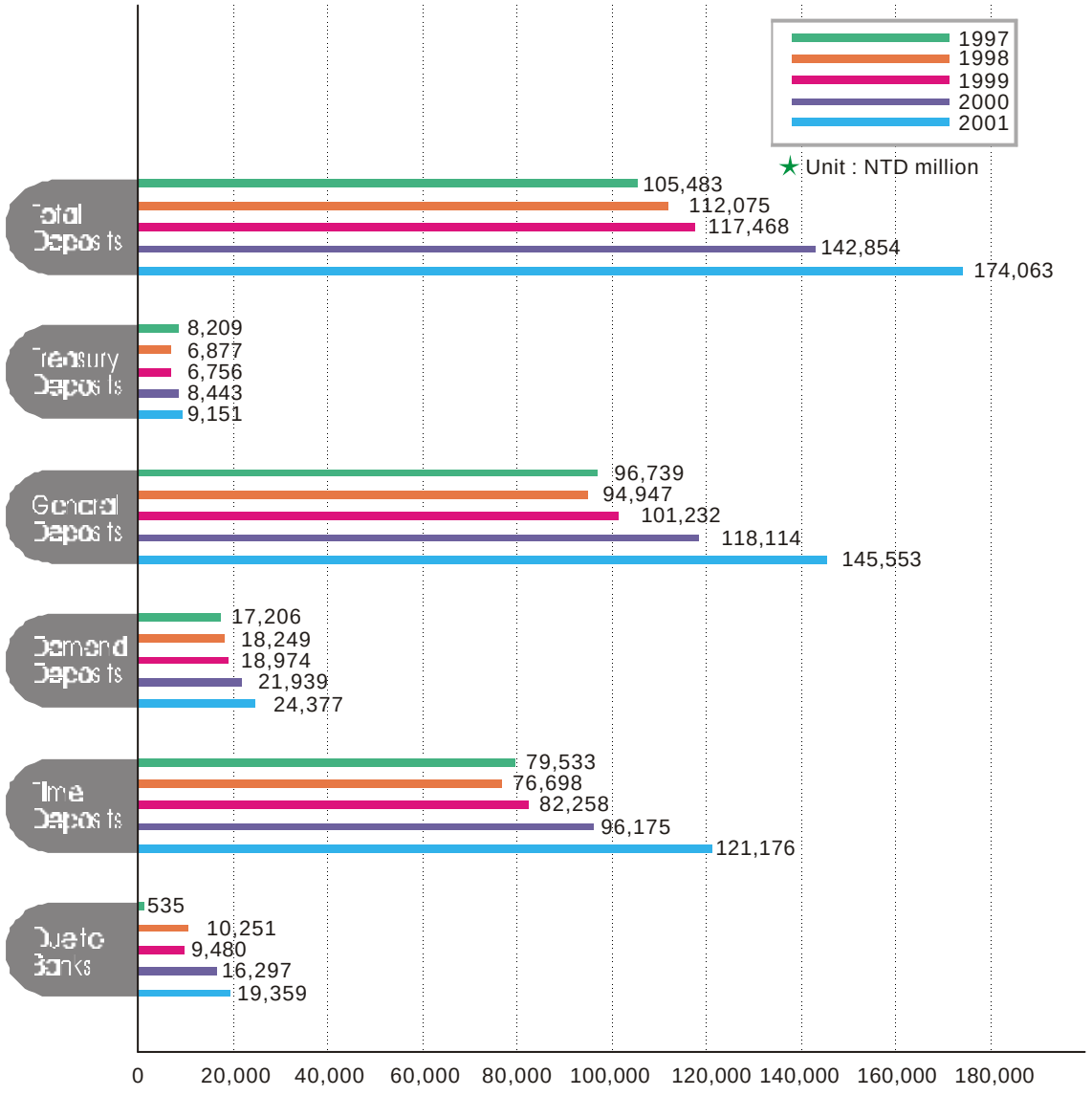
Note:1. Demand deposits include local and foreign currency demand deposits.2.Time deposits incl ude local and foreign currency emand deposits.

AVERAGE BALANCE OF DEPOSITS FROM FY 1997 TO FY 2001

Unit : NTD million

Types of Deposits \ Fiscal Year	1997	1998	1999	2000	2001
	Average Bal.	Average Bal.	Average Bal.	Average Bal.	Average Bal.
Total Deposits	105,483	112,075	117,468	142,854	174,063
Treasury Deposits	8,209	6,877	6,756	8,443	9,151
General Deposits	96,739	94,947	101,232	118,114	145,553
Demand Deposits	17,206	18,249	18,974	21,939	24,377
Time Deposits	79,533	76,698	82,258	96,175	121,176
Due to Banks	535	10,251	9,480	16,297	19,359

AVERAGE BALANCE OF DEPOSITS FROM FY 1997 TO FY 2001



2. Loans

COMPARISON OF LOANS FROM FY 1997 TO FY 2001

Unit : NTD million

Type of Loans \ Date	June 30,1997		June 30,1998		June 30,1999		Dec. 31,2000		Dec. 31,2001	
	Balance	%	Balance	%	Balance	%	Balance	%	Balance	%
Discount	94	0.10	43	0.04	13	0.01	13	0.01	10	0.01
Overdraft	18,030	18.64	22,960	20.83	22,179	19.76	39,246	26.64	48,707	31.33
General Loans	78,594	81.26	87,194	79.13	90,062	80.23	108,069	73.35	106,739	68.66
Total	96,718	100.00	110,197	100.00	112,254	100.00	147,328	100.00	155,456	100.00

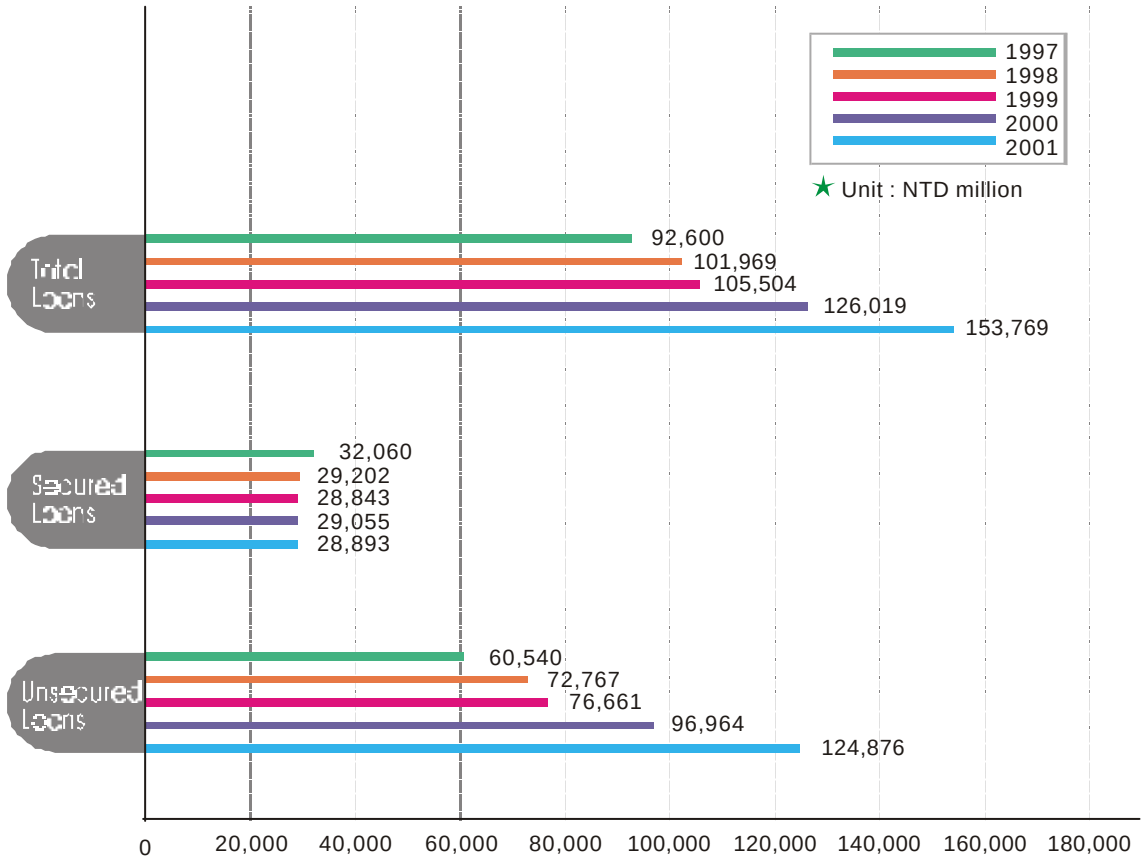
Note: Balance of general loans include import negotiation.

AVERAGE BALANCE OF LOANS FROM FY 1997 TO FY 2001

Unit : NTD million

Type of Loans \ Fiscal Year	1997	1998	1999	2000	2001
	Average Balance	Average Balance	Average Balance	Average Balance	Average Balance
Total Loans	92,600	101,969	105,504	126,019	153,769
Secured Loans	32,060	29,202	28,843	29,055	28,893
Unsecured Loans	60,540	72,767	76,661	96,964	124,876

AVERAGE BALANCE OF LOANS FROM FY 1997 TO FY 2001



3. Foreign Exchange Transactions

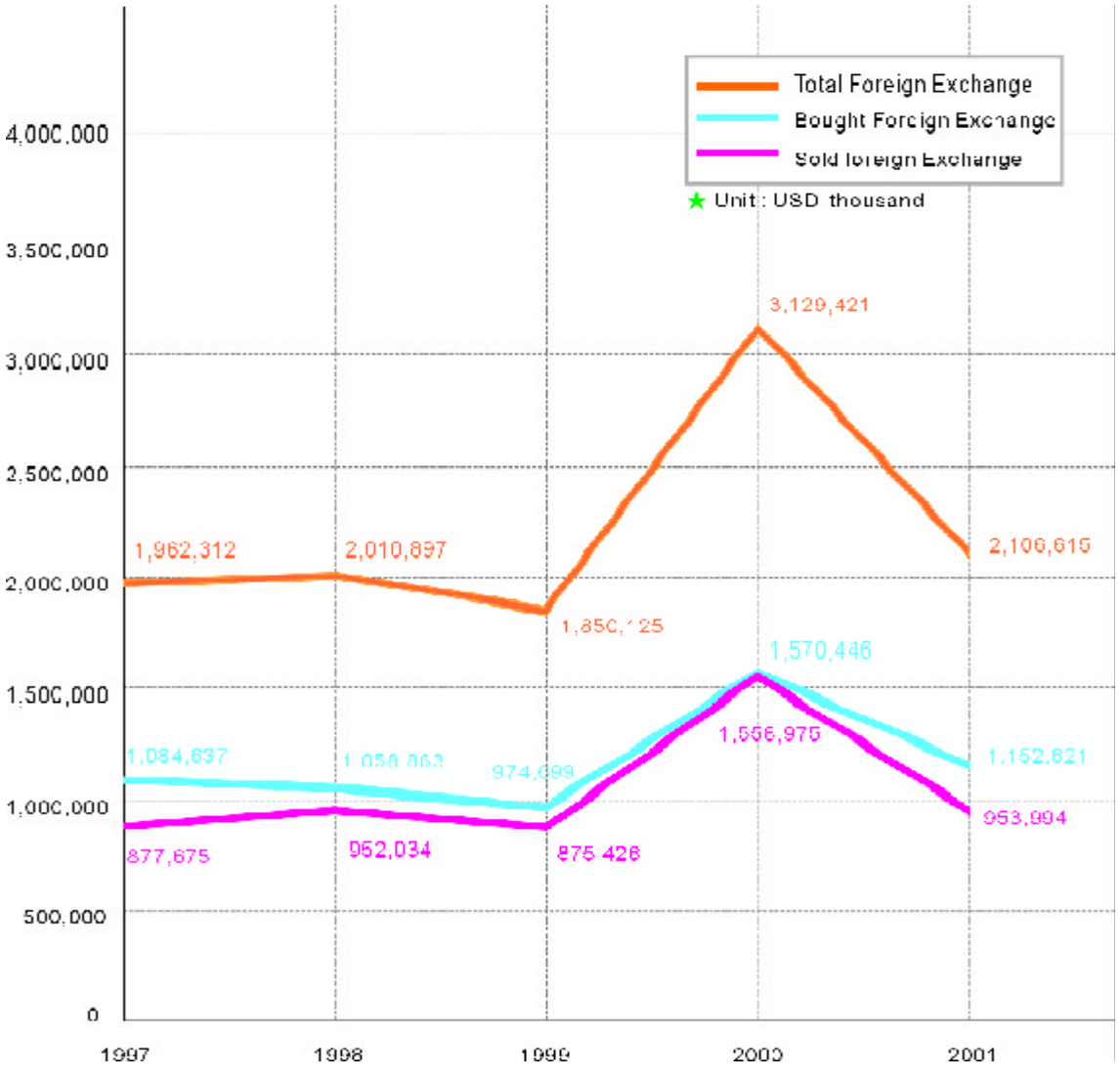
ANALYSIS OF HANDLED VOLUME IN FOREIGN EXCHANGE BUSINESS FROM FY 1997 TO FY 2001

Unit : USD thousand

Types of Foreign Exchange \ Period	July 1, 1996~ June 30, 1997		July 1, 1997~ June 30, 1998		July 1, 1998~ June 30, 1999		July 1, 1999~ Dec. 31, 2000		Jan. 1, 2001~ Dec. 31, 2001	
	Piece	Amount	Piece	Amount	Piece	Amount	Piece	Amount	Piece	Amount
Exports	2,724	144,233	2,101	162,665	1,655	99,936	2,326	136,282	1,077	91,151
Inward Remittance And Others	15,987	940,404	15,327	896,198	16,145	874,763	27,472	1,434,164	18,818	1,061,470
Imports	3,228	339,151	2,782	265,645	2,662	232,906	3,379	314,594	1,430	137,287
Outward Remittance And Others	29,681	538,524	34,267	686,389	38,397	642,520	68,447	1,244,381	51,243	816,707
Total	51,620	1,962,312	54,477	2,010,897	58,859	1,850,125	101,624	3,129,421	72,568	2,106,615

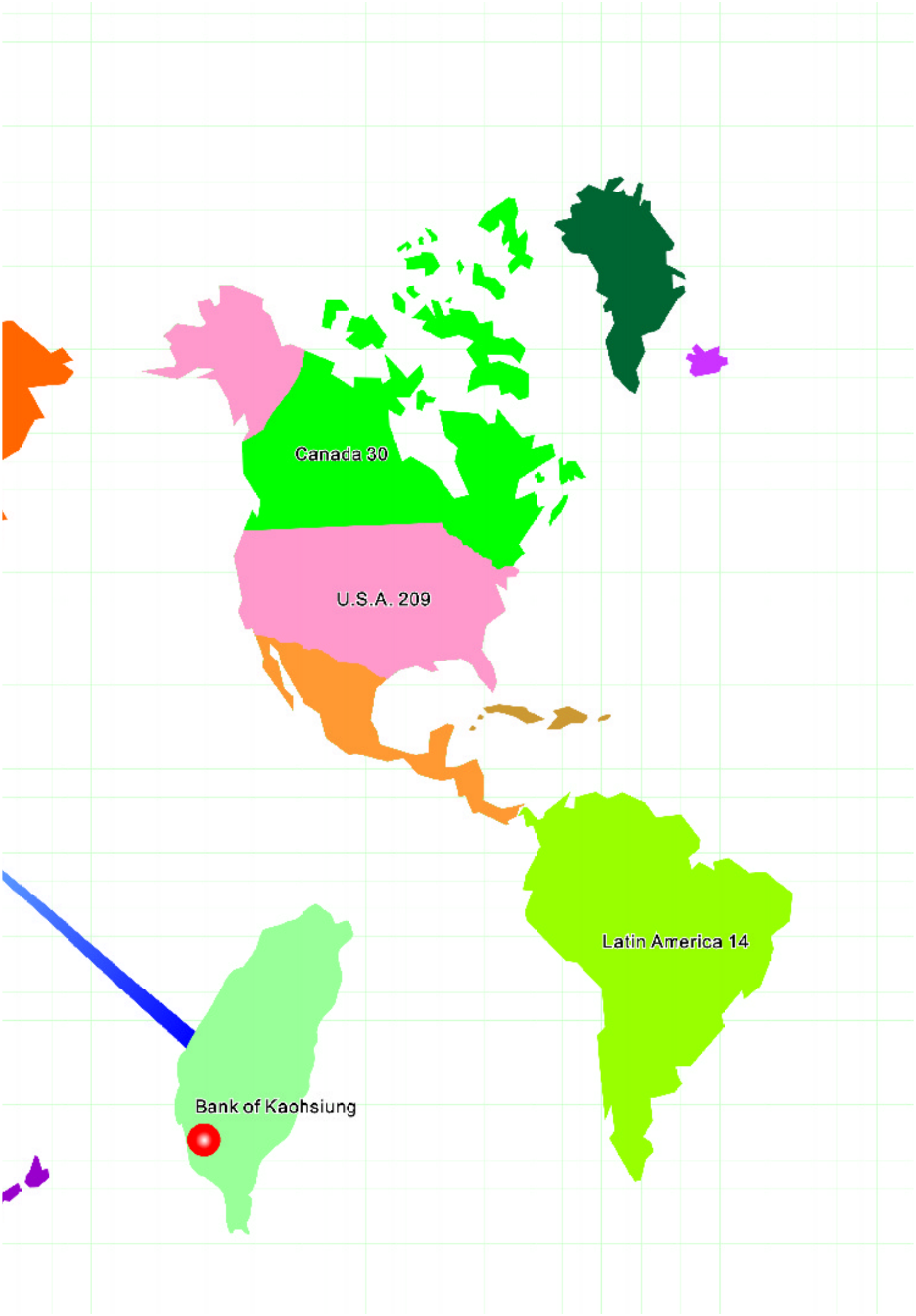
Note: All business refer to actual handled volumes

TRADING VOLUME OF FOREIGN EXCHANGE BUSINESS FROM FY 1997 TO FY 2001



CORRESPONDENT BANKS ABROAD

Total:905


Canada 30
U.S.A. 209
Latin America 14
Bank of Kaohsiung

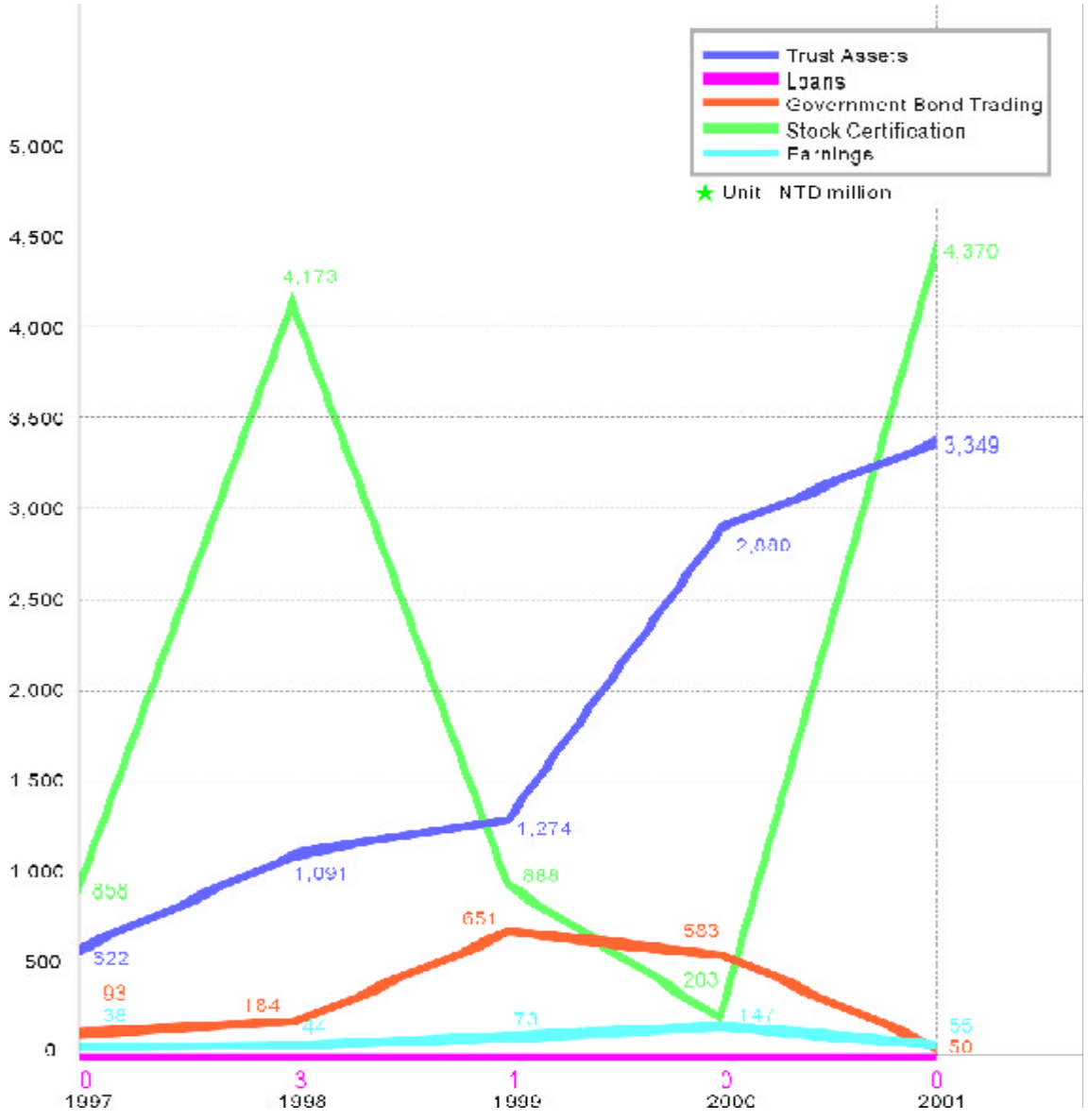
4. Trust

ANALYSIS OF TRUST SERVICES FROM FY 1997 TO FY 2001

Unit : NTD million

Type \ Date	June 30,1997	June 30,1998	June 30,1999	Dec 31,2000	Dec. 31,2001
Trust Assets	662	1,091	1,274	2,880	3,349
Loans	0	3	1	0	0
Government Bond Trading	93	184	651	583	50
Stock Certification	858	4,173	888	203	4,370
Earnings	38	44	73	147	55

STATISTICS OF TRUST SERVICEWS FROM FY 1997 TO FY 2001



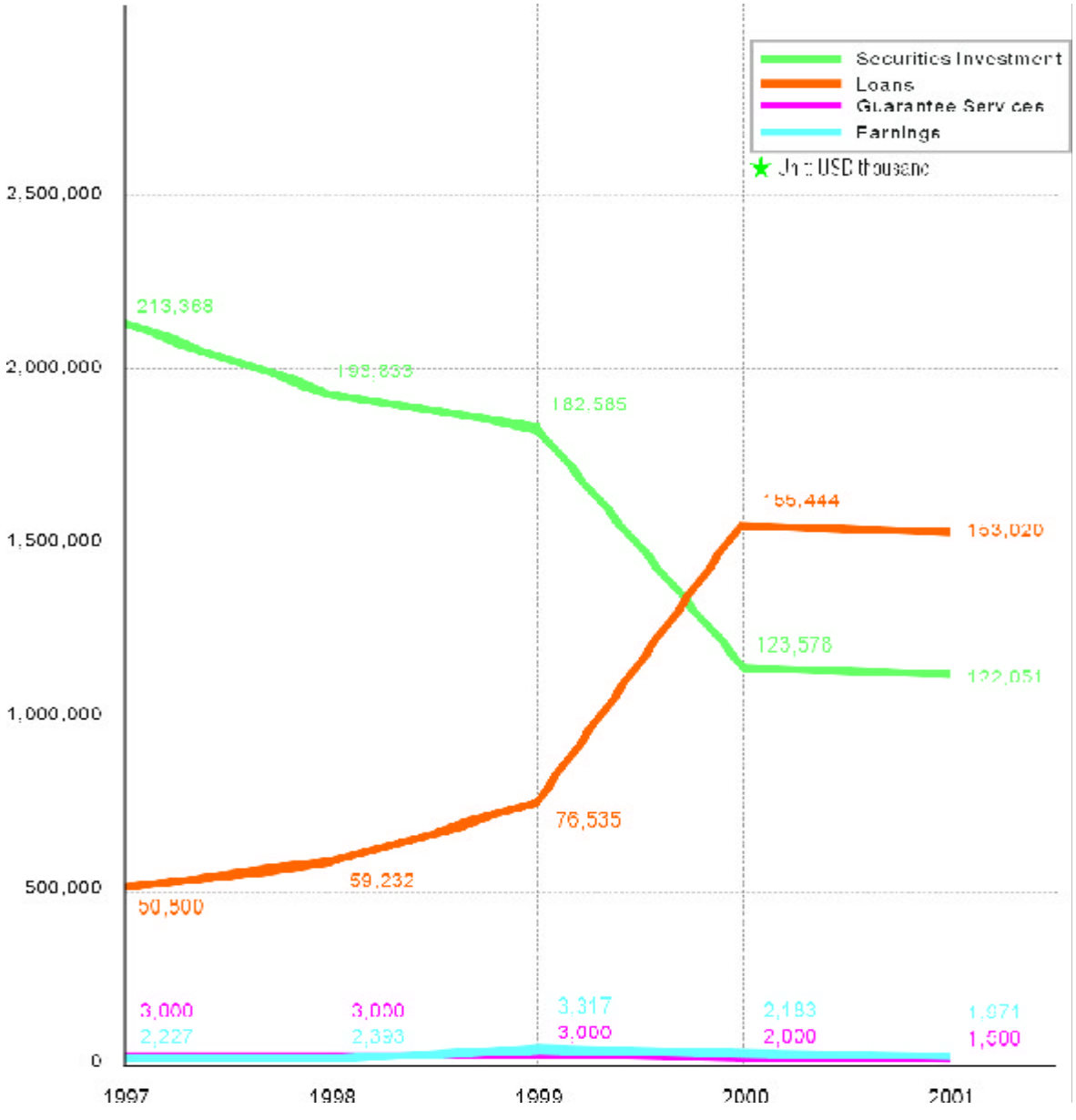
5. Offshore Banking Services

ANALYSIS OF OFFSHORE BANKING SERVICES FROM FY 1997 TO FY 2001

Unit : USD thousand

Type \ Date	June 30,1997	June 30,1998	June 30,1999	Dec. 31,2000	Dec. 31,2001
Securities Investment	213,368	193,833	182,585	123,578	122,051
Loans	50,800	59,232	76,535	155,444	153,020
Guarantee Services	3,000	3,000	3,000	2,000	1,500
Earnings	2,227	2,393	3,317	2,183	1,971

STATISTICS DIAGRAM OF OFFSHORE BANKING SERVICES FROM FY 1997 TO FY 2001



6.Operating Revenue

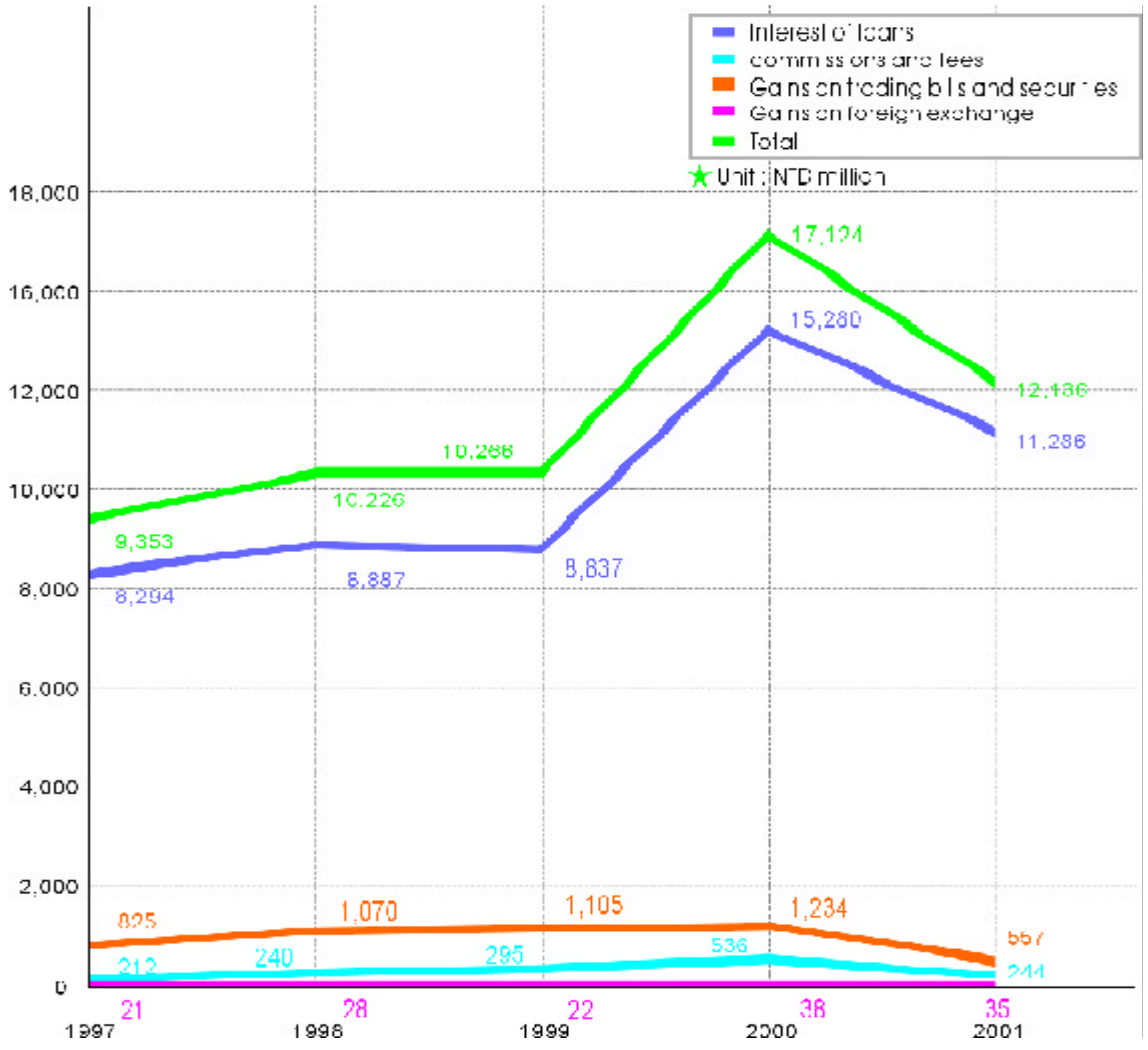
COMPARISON OF OPERATING REVENUE FROM FY 1997 TO FY 2001

Unit : NTD million

Period / Types of Operating Revenue	July 1, 1996~ June 30, 1997	July 1, 1997~ June 30, 1998	July 1, 1998~ June 30, 1999	July 1, 1999~ Dec. 31, 2000	Jan. 1, 2001~ Dec. 31, 2001
Interest of Loans	8,294	8,887	8,837	15,280	11,286
Commissions and Fees	212	240	295	536	244
Securities Brokerage Commissions	-	-	6	35	0
Gains on Trading Bills and Securities	825	1,070	1,105	1,234	557
Gains on Long Term Investment	1	1	1	1	14
Gains on Foreign Exchange	21	28	22	38	35
Total	9,353	10,226	10,266	17,124	12,136

Note: Numbers presented from FY 1997 to FY 2001 were examined and audited by CPA. Financial Statements of FY 1998 and FY 1999 were re-listed according to data audited by Audit Office at Kaohsiung, Ministry of Audit.

OPERATING REVENUE FROM FY 1997 TO FY 2001

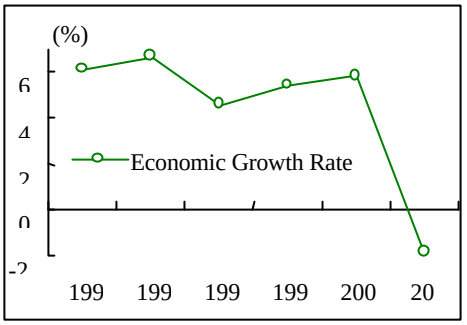


2.Market Condition

A.Status Highlights

1. Economic Growth Rate

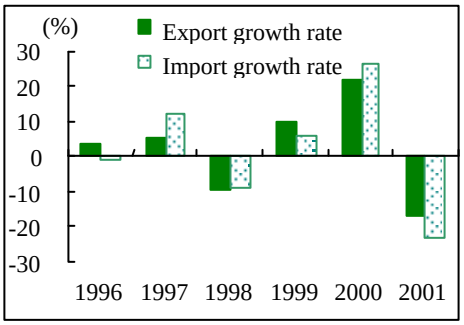
In 2001, Taiwan domestic economy was continuously hit by global depression. Information techonology industries began to lose its advantage. Bad debts of financial institutions were deteriorated. Export trade was heavily wounded by international recession. Economic growth rate was turning negative figure since second quarter. Especially aftermath of Sept. 11th Incident, global economy was plunged into the bottom. Taiwan economic growth rate of third quarter appeared 4.21%. Annual economic growth rate was reduced to -1.91% sharply. It's the first time to have negative growth since Directorate-General of Budget, Accounting and statistics executive yuan publicized this statistic report in 1951.



Outlook 2002, due to factor of continuous reduced interest rate by Central Bank of China together with adverse factors fade away, stock market is going upward since the fourth quarter of 2001. Several economic index also began to recover mildly, domestic economic situation is expected to rebound from the shadow of 2001 recession. However, international economic recovery was not clear and domestic civilian investments were not seen any significant increase. Economic performance forcast is estimated to be only a mild growth in 2002.

2.Import and Export Trade

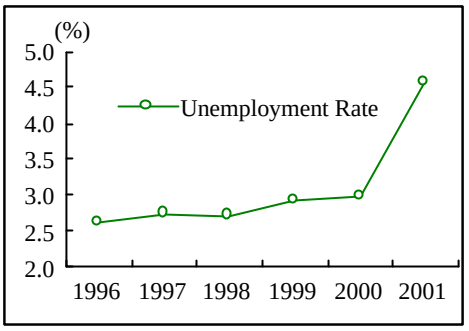
Due to 2001 international economic recession, import & export trade became relatively lower than expected. Except that Lunar New Year holiday in Feburary. Every month's annual growth rate of import and export was negative. The third quarter even showed more than 30% decay. Although international economy of the fourth quarter appeared to stop falling and decay rate of import and export value began to decrease. Overall annual export amount was only 122.9 billion USD, 17.1% less than that of 2000. Import amount suffering from weak domestic demand was only 107.2 billion USD. Annual growth rate was -23.4%. Because decay rate of import was higher than that of export. Annual trade surplus still reached 15.6 billion USD.



Looking forward to 2002, Although global economic recovery still faced many uncertainties, At least September 11th Panic was taken away. Besides, import and export trade growth of 2002 was expected to reach positive value comparing to the worst reference of 2001. But how much degree can be achieved still depends on strength of international economic recovery.

3. Unemployment Rate

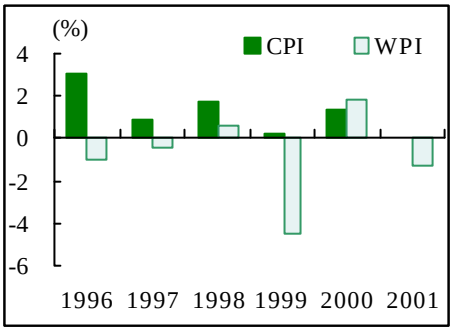
Due to 2001 domestic economic recession, employment market which was already threatened by industrial structure variation encountered another harsh impact. Following by increased shut-down and suspension of plants, unemployment rate increased month by month and reached the peak of 5.33% in October. Annual unemployment number was 450,000 jobs, 15,000 jobs higher than those of 2000. Average unemployment rate increased to 4.57%, 1.58% higher than 2.99% of 2000. Looking upon to 2002, Owing to stream of going-westbound investment & industrial structure remodel, unemployment situation was difficult to restore. However, under motivation of domestic economic recovery, unemployment rate was assured to be no longer deteriorated.



4. Consumer Price

In 2001, domestic consumer price was keeping steady, merchandise price can not go up (down 0.98%) because of economic recession and sluggish consumption. However increased rate of service price was still on a mild range (up 1.17%) and raised merchandise price a little.

Thus consumer price index would drop by 0.01% lower than that of 2001. This was the first time that consumer price appeared negative growth since 1984. Looking forward to 2002, economic recovery is under way. tobacco and wine prices is going up on tariff duty after entering WTO. But market is going to open wider for competition. The pressure of falling wage and rental still exists. Consumer prices is expected to back to positive growth. But rising rate remains limited.

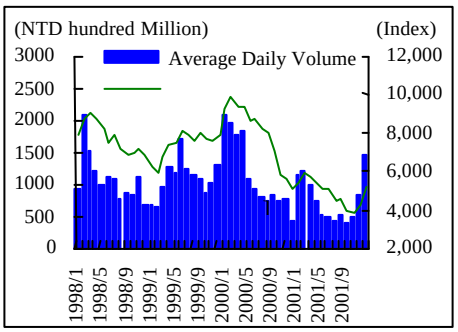


(2) Financial Highlights

1. Stock Market

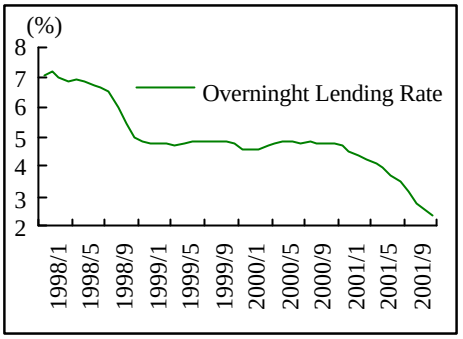
Domestic stock market of 2001 was surrounded by bearish atmosphere. Except for interruption of political conflicting, getting-worse business profitability, September 11th terrorist attack event and the following Anti-Terrorism war made weighted stock index slump gradually. At the beginning of October, stock index plummeted to 3,500 points. Due to terrorist attack event was under control, CBC reduced significant interest rate and market confidence recaptured slowly, stock index bounced back to 5,551.24 points at the end of 2001, 17.14 % higher than that of 2000.

Looking forward to 2002, although low interest rate policy for booming Taipei market, business profitability won' t see any improvement. Despite information & electronic



industries have already been recovered. But degree of rising was unclear. Therefore, there is no chance for upturn of Taipei market. Probably only keep pace with mild recovery and matains reasonable rate of return.

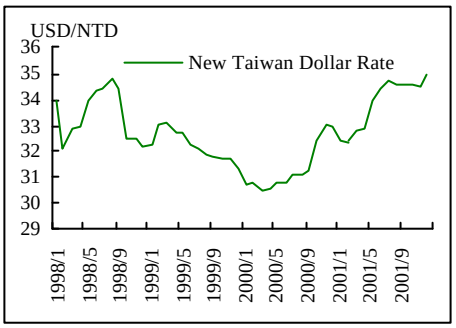
2.Interest Rate



In 2001, international and domestic econmoy was still slow. CBC continously maintained flexible money policy. Especially after September 11th event, US took the lead to push on. Total number of CBC lowering interest rate for one year was 11 times. Rediscount rate 4.625% at the beginning of year was lowered to 2.125%. Therefore, guarantee rate was lowered from 4.7% to 2.4% that was the lowest level in history.

Looking forward to 2002, followed by economic recovery, stable consumer price, the space for lowering domestic interest rate was limited. Together with prevailing opinions of no more low-rate policy in US, domestic interest rate is supposed to be raised steadily with the pace of economic recovery.

3. Foreign Exchange Rate



In 2001, NTD continued to depreciation followed last year's trend. In spite of increased trade surplus, foreign exchange deposits continued to make record high due to hedge demand with impact of slump stock market. With huge depriciation of Japaness Yen in second half year, put heavy pressure on NTD depriciation. Exchange rate of NTD was closed up at 34.999 to one USD at the end of year. Annual depreciation rate was 5.73%. True effective exchange rate index of NTD has already fallen to record low level. It showed that NTD exchange rate was seriously underevaluated. Looking forward to 2002, Taiwan trade surplus was expected to incerease due to international economic recovery. With continuous inflow of foreign capital into Taiwan stock market, NTD was supposed to have opportunities to appreciate.

3. Employment in Recent Three Years

Item \ Date		Jun. 30, 1999	Dec. 31, 2000	Dec. 31, 2001
Number of Employees (%)	Staff	917	812	816
	Security Guards	30	0	0
	Office Help	90	0	0
	Total	1,037	812	816
Average Service Tenure (years)		9.60	10.67	11.33
Average Age (years old)		37.10	38.00	38.83
Distribution Ratios of Educational Qualifications (%)	Ph.D.	0.00	0.12	0.12
	Master Degree	2.03	1.85	2.21
	Bachelor Degree & Junior College	77.53	77.83	78.68
	Senior High School	18.51	19.09	17.89
	Less than Senior High School	1.93	1.11	1.10

4. Management-Labor Relationship:

(1) No cost has been incurred due to management-labor dispute.

(2) Resolving alternatives for present and future possible disputes:

11 quitted staffs submitted civil action in confirming existence of employment relationship to the court. Taiwan Kaohsiung district court cited FY2000 Chung-Lau-Su-Tse No. 6 civil judgment and sentenced this bank existing the employment relationship with these 11 staffs for the reason “mistake in declaration of intention”. This bank should pay these 11 staffs’ salary starting from May 1, 2000 until reinstatement.

However, this bank considered these 11 staffs declaration of intention to apply for premium retirement was categorized to “mistake in motivation”, not “mistake in declaration of intention”. These 11 staffs should not be able to revoke declaration of intention for retirement that already came into effect. Therefore, this bank appealed to Taiwan Supreme Court Kaohsiung branch in Jan., 2001. This appealing case is still pending in Supreme Court until Dec. 31, 2001.

5. Fixed Assets and Other Real Estate

(1) Fixed Assets and Other Real Estate whose settled cost is over 1% of current capitals or 50 million NTD

Fixed Assets	Amount	Date of ownership	Settled cost (NTD)	Status	Guarante or Liabilities
Liu Ho Branch Office	1	78.03.23	103,459,910	For Business	None
Hsinhsing Branch Office	1	79.05.04	165,165,481	For Business	None
San Min Branch Office	1	80.01.10	133,882,039	For Business	None
San To Branch Office	1	80.06.12	172,244,945	For Business	None
Chi Hsien Branch Office	1	80.08.30	128,786,051	For Business	None
Tsao Ya Branch Office	1	82.04.29	83,342,736	For Business	None
Ta Chang Branch Office	1	82.05.25	98,980,357	For Business	None
Nan Kaohsiung Branch Office	1	82.07.28	240,045,982	For Business	None
Hsiin Chuang Branch Office	1	82.11.10	94,029,050	For Business	None
Wen Hua Center Branch Office	1	83.01.26	158,642,103	For Business	None
Head Office	1	85.04.01	369,443,360	For Business	None
Information Building	1	88.10.02	224,958,641	For Business	None
Min Cheng Branch Office	1	89.07.07	56,650,000	For Business	None
Wu Fu Section Land	1	84.06.26	807,607,120	Not Planned	None
Ling Chou Section Land	1	86.06.04	176,853,800	Not Planned	None
Chiao Tou Section Land	1	90.10.26	144,095,863	Planning	None
Host Computer System	1 set	88.09.08	75,900,000	Normal Use	None

(2) Major Real Estate trade whose settled cost is over 1% of current capitals or 50 million NTD in recent two years.

Assets	Trading Cost	Profit & Loss	Buyer	Relation with bank	Remark
Bou Chen Enterprise Building	NTD 59,000,000	Loss NTD 186,154.00	Eastern Hua-Jung Broadcasting Business Co.	No	

6. Reinvestment Business

(1) Reinvestment Business Status

As of Dec. 31, 2001
Unit : NTD million/shares/%

Reinvestment Business	Types of Business	Investing Status on Dec. 31, 2001					
		Investing Capital	Par Value	Market Value	Holding Share	Holding Share Ratio	Investing in BOK
Taipei Forex Inc.	Forex. Foreign currency place/ borrow, other forex business under licency	7	7	9.52	700,000	3.53%	—
Taiwan Futures Exchange Inc	Futures exchange, Futures liquidation	6	6	6.43	600,000	0.30%	—
Taiwan Finance Corp.	Short-term financing, consultancy of finance	516	516	548.17	51,616,500	10.00%	—
IBU Securities Co., Ltd.	Sell/buy of negotiable securities, agent of share sales	500	500	455.50	50,000,000	7.14%	—
Taiwan Assets Management Co.	Assets Management	100	100	101.80	10,000,000	0.57%	—
Taiwan Financial Assets Service Co.	Assets Service	50	50	50.45	5,000,000	2.94%	—
International Bills Finance Co.	Invest securities trust	60	60	60.00	6,000,000	20.00%	—

Note：Above investments are evaluated by Cost Method.

(2) Listed Loss and Profitability for long term equities investment in FY 2001: NTD thirteen million nine hundred and ninety six thousand dollars (excluded remunerations to directors and supervisors).

(3) Status of cash dividend appropriated by reinvestment business in FY 2000:

Unit : NTD million/share

Reinvestment Business	Date of appropriation	Shareholding by BOK	Cash Dividend	Remark
Taipei Froex Inc	90.06.27	700,000	1.092	
Taiwan Futures Exchange	—	600,000	—	
Taiwan Finance Corp.	90.06.20	51,616,500	12.904	
IBU Securities Co., Ltd.	—	50,000,000	—	
Taiwan Assets Management Co.	—	10,000,000	—	Investing on May 08, 2001
Taiwan Financial Assets Service Co.	—	5,000,000	—	Investing on May 18, 2001
International Bills Finance Co.	—	6,000,000	—	Investing on Dec. 26, 2001

7. Risk Management:

(1) Risk Management policy:

Based on "Risk Management Rules", bank of Kaohsiung, committee of assets liabilities management is responsible scope of business responsibilities for each unit, set up relevant management methods and take responsibilities of risk control for individual duty.

(2) Assessing Risk-Control method:

Each relevant unit should submit risk control report at least every three months to committee of assets and liabilities management and board of directors. Auditing dept. of board of directors should make non-regular inspection on various risk control to make sure whether various risk control is executed based on "Risk Management Rules" and other relevant rules.

(3) Various Risk Statuses:

1. Credit Risk Concentricity: Please refer to p.68 "Information on Concentricity of Credit Risk.
2. Past-Due Loans Amount: Until Dec. 31, 2001, Past-Due Loans Amount (included accounts default) was four billion five hundred seventy million seventy-two thousand NT dollars.
3. Information on Sensitivity of Interest Rate: "Sensitivity of Interest Rate for Assets-Liabilities Ratio" was 0.96, complying with Bank of Kaohsiung's management index 0.8-2.0.
4. Concentration Status of Forex Risk: Management and Control of Forex Dept. were in accordance with relevant management and control rules of forex risk for Bank of Kaohsiung and within the reasonable risk-acceptance boundary.
5. Due Analysis of Assets and Liabilities: Please refer to page 69 "Due Analysis of Assets and Liabilities for Bank of Kaohsiung".
6. Financial Derivative Products: Please refer to trading of page 62 "Items of Financial Products (1) Financial Derivative Products".

8. Significant Contracts: Omitted.

9. Lawsuits and Non-Legal matters: none.