

CONTENTS



KEY FIGURES

03

BUSINESS SUMMARY

- I. Mission
- II. Strategies
- III. Performance Highlights

04

OVERVIEW OF THE BANK

- I. Profile
- II. Organizational Structure
- III. Funding Sources

14

BUSINESS PERFORMANCE

- I. Operating Result
- II. Business Performance
- III. Market Review

20

FINANCIAL STATEMENTS

- I. Brief Balance Sheets of Recent Five Years
- II. Brief Income Statements of Recent Five Years
- III. Financial Analysis
- IV. Balance Sheet
- V. Income Statement
- VI. Cash Flow Statement
- VII. Statement on changes in Equity
- VIII. Notes on Financial Statements

26

HEADQUARTER AND BRANCHES

40



Key Figures

(in millions of NT dollar)

| FY | 2002 | 2001 | 2000* | annualized |
|-----------------------------------|---------------|---------------|---------------|------------|
| | | | | |
| Operating Revenue | 4,951 | 7,311 | 11,354 | 7,570 |
| Operating Costs | 3,524 | 5,820 | 9,164 | 6,109 |
| Net Income Before Taxes | 952 | 962 | 1,407 | 938 |
| Revenue Per Employee | 23 | 35 | 56 | 37 |
| Loans (Average Outstanding) | 109,595 | 113,691 | 106,859 | 106,859 |
| Guarantees (Total Amount) | 3,047 | 4,219 | 3,795 | 2,530 |
| Export Insurance (Insured Amount) | 13,053 | 11,541 | 16,431 | 10,954 |
| | Dec. 31, 2002 | Dec. 31, 2001 | Dec. 31, 2000 | |
| Total Assets | 117,540 | 122,670 | 119,069 | |
| Net Worth | 17,053 | 16,495 | 15,578 | |
| Capital Adequacy Ratio | 44.51% | 40.46% | 39.47% | |

* In coordination with the revision of the fiscal year from July/June to coincide with the calendar year, Fiscal year 2000 covers the period of July 1, 1999 through Dec. 31, 2000.

Business Summary

I. Mission

The Export-Import Bank of the Republic of China (Eximbank) was established in accordance with the Export-Import Bank of the Republic of China Act. Its mission is to act in accordance with the government's trade and monetary policies by providing financial services to domestic manufacturers in expanding foreign trade with an aim to create employment and sustain economic development. Eximbank's main businesses are to offer various medium- and long-term financing and guarantee services to assist in the export of capital goods such as turn-key plants and machinery; to help winning bids for overseas construction projects; to aid in the import of sophisticated equipment, essential industrial raw materials and foreign technology in order to upgrade the industrialization of Taiwan sectors. Eximbank also provides a wide range of export insurance services to protect Taiwan exporters from the risk of non-payment by foreign buyers for political and commercial reasons.



| Pauline Fu, Chairperson |



II. Strategies

I. Making loans more available to promote the exports of capital goods

In 2002, Eximbank assisted the export of Taiwan-made machinery and other capital equipment as a means of stimulating domestic industries and coordinating with the government's Global Export Promotion Program by participating actively in the trade promotion activities of economic and trade organizations. It also called on financial institutions and trade organizations in emerging markets in order to increase opportunities for cooperation and strengthen bilateral trade and economic relations.

The Bank's efforts to help domestic manufacturers develop emerging markets for machinery and other capital equipment have borne fruit, with the areas of development covering Southeast Asia and extending to Eastern Europe, Southern Europe, Russia, the Middle East, and Africa. Areas encompassed by the Bank's extension of loans include Asia, Europe, Africa, North America, Australia, New Zealand, and Latin America. New countries that were added to the export financing list in 2002 included Sri Lanka, India, Iran, Qatar, Belarus, Algeria, Egypt, Kenya, Sierra Leone, the Sudan, and the Dominican Republic.

2. Wider coverage of export insurance to help exporters avoid risk

Eximbank has extended various kinds of export credit insurance for many years to help exporters develop overseas markets by assuming trade credit risk and political risk. This export insurance business covers the globe, with these countries newly added in 2002: Brunei, Cambodia, Laos, Bahrain, Bosnia, Russia, Slovakia, Romania, Belarus, Uzbekistan, Senegal, the Sudan, Zimbabwe, Paraguay, Fiji, and Nicaragua.

The most rapid growth in export insurance coverage in 2002 was achieved in the Middle East, with an increase of 64% compared with the previous year. Northeast Asia followed with an expansion of 44%, Oceania with 38%, and Europe with 33%, showing the excellent results that have been achieved in helping exporters avoid risk.



| **Herbert S.S. Chung, President** |

3. Deployment of more relending banks

The Bank established relending cooperation with five Russian banks, taking the lead in setting up financial relations with Russia and helping Russian companies buy Taiwan-made manufacturing machinery. The Bank not only visited financial, trade, and commercial organizations there but also organized "Seminars on the Current Status and Prospects of Russian Banks, and the Use of Financial Tools for Market Development in Middle and Eastern Europe as well as the Council of Independent States."

In addition, the Bank moved to boost the overall effect of export development for machinery and other capital equipment through continued efforts to establish relending cooperation with financial institutions in the Southeast Asian area as a means of creating trade opportunities. Relending agreements have been signed with banks in Thailand and Indonesia, among other countries, and the deployment of relending bases in Vietnam, the Philippines, and Malaysia has been strengthened.



4. Promotion of economic and trade relations with Southeast Asian Countries

Eximbank provided equity financing to companies for their investment in Southeast Asian countries which had been approved by or reported to the Investment Commission of the Ministry of Economic Affairs. Eximbank also provided overseas construction financing and guarantees to companies which were engaged in industrial zone construction projects.

The Small and Medium Enterprise Development Fund agreed to increase its lending limit in support of Eximbank's financing for exports by SMEs, and for overseas investment and construction, in order to help SMEs in their development of Southeast Asian markets. The maximum amount of loans to each borrower had also been raised.

5. Cooperation with international credit insurance and financial institutions

To expand its capacity to provide export insurance and thus lower operating risk, in addition to renewing export credit reinsurance contracts with the Munich Reinsurance Co. and Gerling Namur — Assurances de Credit, the Bank also signed cooperation contracts with several insurance brokers such as Marsh, AON, Willis (Taiwan), and Alexander Leed Risk Services—with the aim of promoting Export Credit Insurance for Accounts Receivables.

The Bank moved to strengthen its grasp of the credit conditions of foreign importers this year by cooperating with the French export credit insurance agency, Coface, and making use of the @rating Solution online credit assessment service, to obtain real-time information on credit ratings and suggested insurance quotas. This cooperative project hopefully could shorten the insurance approval process and help exporters gain a better grasp of the credit conditions of foreign clients; it also allowed exporters to take immediate advantage of Eximbank's export insurance to avoid credit risk in international trade.



Ms. Shu-Ying Chen (left), Executive Vice President, and Mr. Eleazar de Carvalho Filho (right), President of BNCES of Brazil, executed a memorandum of understanding on cooperation.



Mr. Charles C.C. Wang (second left), Executive Vice President, represented Eximbank at Asian Pacific Economic Cooperation (APEC) seminar for ranking officials of export credit agencies.

6. Development of new services to respond to the trend of international trade

To cope with the rapid decline in using letters of credit as the international trade payment term, the Ministry of Finance approved the Eximbank's inauguration of factoring and export credit insurance for accounts receivables businesses. These two businesses entailed Eximbank's cooperation with international credit insurance agencies in insuring credit risk for foreign importers, and Eximbank's purchase of insured accounts receivables. This service allows domestic exporters to better use the Bank's "one-stop service".

To coordinate with the government's improvement of the investment environment and efforts to carry out construction plans and infrastructure projects in order to boost domestic demand, Eximbank inaugurated the "Major Domestic Engineering and Construction Loans and Guarantees Business." This new business allowed the Bank to provide active assistance to all levels of government in expanding public spending and creating jobs, and to help domestic enterprises in introducing key technologies from abroad, thus upgrading international competitiveness.



7. Strengthening services to small and medium enterprises

During this year the Bank set up a "Special SME Service Window" to strengthen services to small and medium enterprises. Senior account officers were assigned to provide clients with consultative services.

In addition, the Bank offered SMEs export financing and overseas investment financing at preferential interest rates, and also provides "SME Export Insurance" under preferential conditions. However, there are SMEs which were very cost-conscious and hesitated to buy export credit insurance coverage. Eximbank realized that with the rapid changes that are taking place in the international political and economic situations, trade risk is increasing by the day and investigation of the credit of foreign buyers is of foremost importance, therefore, the Bank cooperated with international credit investigation companies having them carry out credit investigations of foreign buyers; the credit investigation reports were then analyzed carefully by experienced credit officers to help SMEs to avoid risks.

8. Re-engineering organization to reinforce the Bank's efficiency

To adapt to the more and more volatile economic and financial climates, Eximbank carried out organizational re-engineering to strengthen its operating base, reorganizing the Department of Economic Research into the Department of Risk Management in March 2002 so as to continue to maintain the Bank's good asset quality.

The Department of Risk Management places the emphasis of its work on the evaluation of corporate, industrial, financial, and country risks associated with business operations. Through the professional analysis of credit examinations, post-loan management, and an efficient export insurance approval process, the Bank has established credit and export insurance early-warning mechanisms that carry out concrete and effective prior assessment of business risks, post-loan monitoring, and stable control.

At the same time, the Bank established a human resources training sub-committee to carry out the unified planning of human resources training and advanced education so as to better equip Eximbank personnel with new know-how and skills, and strengthen their professional capability in risk control.

In addition, in response to the rapid development of information technology and e-commerce, as well as to strengthen the handling of international legal affairs, the Bank delayed its decision-making process this year by reorganizing the Information Management Section of the Department of Accounting and the Legal Affairs Section of the Department of Administrative management into independent units.

III. Performance Highlights



President Herbert S.S. Chung (rear row, second right), Mr. George P. Tseng (rear row, right), Assistant Vice President and Chief Representative of Eximbank's Representative Office in Warsaw, and Ms. Ih-Li Peng (front row, right), Vice President, represented Eximbank at a meeting of the Berne Union. With Ms. Kimberly Wielh (front row, left), Secretary General of the Berne Union; Mr. Lennart Skarp (rear row, left), Deputy Secretary General; and Mr. Vivian Brown (rear row, second left), Chief Executive of Export Credits Guarantee Department (ECGD) and President of the Berne Union.

I. Loans

Total loans outstanding at the end of 2002 amounted to NT\$109,595 million.

Most of the expansion of volume in this year's loan business was contributed by the growth of international syndicated loans, with a 50.89% increase over 2001. Both medium- and long-term export financing and medium- and long-term import financing also recorded growth. A major factor in business growth was the diversification of credit risk through active participation in the international syndicated loan market; the Bank also worked vigorously to expand export financing.

Some parts of the loan business declined in comparison with 2001, with the greatest drop of 41.88% being experienced by relending. This was followed by declines of 30.83% for overseas investment financing and 25.19% for overseas construction financing. The main reasons for the reductions in loan volumes were the impact of the economic slowdown, a conservative corporate investment willingness and capital spending, a drop in financing willingness, and the steady paying off of loans as they became due.

2. Guarantees

The value of guarantees extended during this year amounted to NT\$3,047 million, down 27.78% from the previous year. Among total guarantees, the volume of import guarantees and other guarantees rose by 2.94% and 20.53%, respectively, while export guarantees and overseas construction guarantees dropped by 37.90% and 36.81%. The main reason for the declines were the restrictions imposed on the Bank's guarantee business by regulation.



3. Export Insurance

The volume of export insurance underwritten during this year amounted to NT\$13,053 million, an increase of 13.10% over 2001. Of the total amount, medium- and long-term deferred payment export insurance increased by 157.47% compared with the previous year, mainly because of expansion by exporters into new markets. Exporters also made greater use of letter of credit export insurance and comprehensive O/A export insurance, thanks to vigorous promotion and the introduction of preferential export insurance premiums, so that their business volumes grew by 75.40% and 81.98%, respectively, in 2002.

Overseas investment credit insurance, and D/P and D/A export insurance, suffered declines during the year, however, amounting to 54.48% and 8.07%, respectively. The former was affected by a shift in outward investment to mainland China, where Eximbank is constrained by policy restrictions from extending insurance coverage for investment projects, while the latter was influenced by the global economic slump and a consequent cautiousness among exporters in accepting orders so that some of them changed to the use of L/Cs as the trade payment term.

4. Professional functions

- (a) Eximbank worked to improve Taiwan's bilateral economic and trade cooperation with other countries in line with the "Global Export Promotion Program," "Working Guidelines for the Strengthening of Economics and Trade with the Southeast Asian and Australia-New Zealand Areas," "Action Plan for the Strengthening of Economic and Trade Cooperation with Southeast Asia," and other government measures. The Bank also cooperated with the Small and Medium Business Development Fund and Small and Medium Business Credit Guarantee Fund to provide financial support and insurance services to domestic enterprises engaging in investment and trade activities in the relevant areas.
- (b) Eximbank as a member of the Union of Credit and Investment Insurers (also known as the Berne Union); participated actively in the activities of the Union to exchange experiences with more than 40 other counterparts. The Bank has strengthened its collection of information related to international export credit insurance with the aim of understanding the trends of international development in different areas of business so as to provide new services in a timely fashion and increase its business efficiency.



Mr. Tony M.H. Yeh (second left), Assistant Vice President & Chief Representative of Eximbank's Representative Office in Sao Paulo, Brazil, visited relending bank, Banco de Credito del Peru. With Mr. Gonzalo Alvarez-Calderón (Second right), Vice President of Banco de Credito del Peru; Mr. Ernesto Vidal B. (right), the bank's Manager, and Ms. Lily Valdez de Trazeqnies (left).

- (c) Underwriting conditions and operating methods were discussed and revised whenever necessary, loan processes have been simplified, and related operating rules revised. Regulations that were formulated or revised in 2002 include "Guidelines for the Accounts Receivable Purchasing Business," "Guidelines for Major Domestic Engineering and Construction Project Loans and Guarantees," "Operating Guidelines for the Allocation of Loss Reserves for Assessed Asset," "Operating Guidelines for the Collection of Non-performing Loans and the Disposition of Bad Debts," and "Operating Guidelines for Post-Loan Follow-up Analysis."





(d) The Bank helps exporters monitor the credit status of their overseas importers by consigning more than 30 international credit-investigation institutions around the world to provide credit reports on companies in over 70 countries. A total of 1,815 overseas credit investigations were carried out in 2002.

Under Eximbank's professional loan services and insurance protection, exporters have been able to manage trade risks and deploy their funds nimbly. This has a substantive effect in promoting exports, and in facilitating the development and upgrading of Taiwan's economy. In the future, Eximbank will work actively to carry out research and development, establish appropriate operating strategies, and respond to the needs of manufacturers in providing credit and insurance services. The Bank will hold on firmly to its operating principles of "Professionalism, Enthusiasm, and Efficiency" and strive to support Taiwan's enterprises.



Mr. Charles C.C. Day, Manager and Chief Representative of the Eximbank's Representative Office in Jakarta visited the PT. Fujisei Plastik Seitek factory in Indonesia.



Overview of the Bank

I. Profile

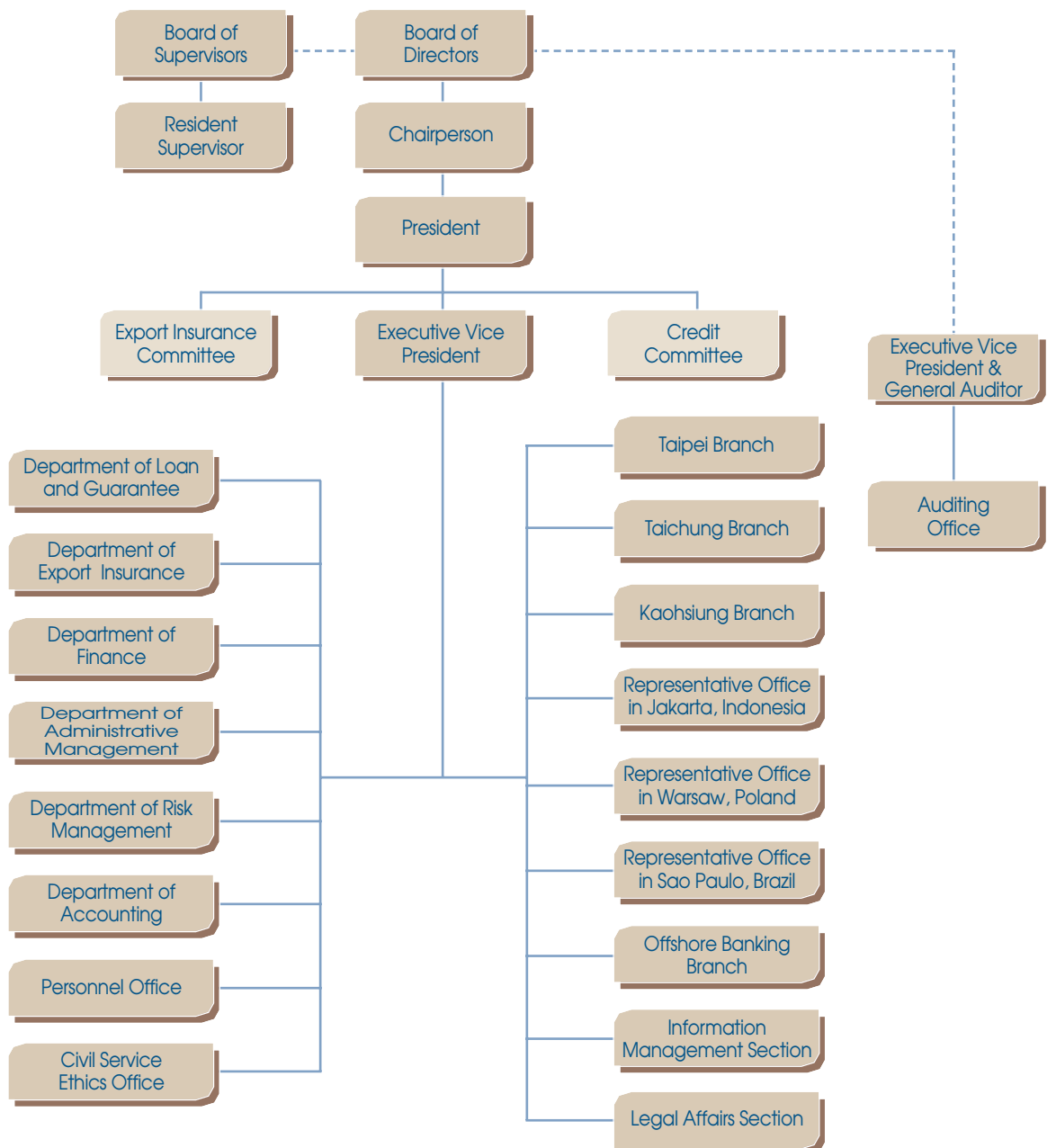
The Export-Import Bank of the Republic of China was founded on Jan. 11, 1979, under the provisions of the Export-Import Bank of the Republic of China Act, as a state-owned specialized bank for export and import credit. It operates under the supervision of the Ministry of Finance in pursuing its founding goals: "to promote export trade and develop the economy." The Bank handles specialized medium- and long-term export and import loans and guarantees, as well as export insurance, in accordance with the stipulations of the Banking Law's Article 94: "The primary mission of the export-import bank is to extend medium- and long-term credit to assist in the expansion of exports and the import of equipment and raw materials needed by domestic industries," and Article 95: "The export-import bank facilitates the supply of important raw materials needed by domestic industries, and, with the approval of the competent central government authority, provides enterprises with the credit they need for overseas investment in the important raw materials they need to engage in production." The major mission of the Bank is to cope with the government's economic and trade policies in providing financial services to help companies expand external trade and overseas investment, and to advance international cooperation, so as to carry on with Taiwan's economic stability and development.

To serve companies and provide them with the Bank's products and services, 3 domestic branches have been established in Kaohsiung, Taichung, and Taipei, and 3 overseas representative offices have been set up in Jakarta, Indonesia; Warsaw, Poland; and Sao Paulo, Brazil, respectively.



II. Organization Structure

Organization Chart



Board of Directors & Supervisors

| Board of Directors | | Board of Supervisors | |
|--------------------|-------------------|----------------------|---------------------|
| Pauline Fu | Chairperson | Chih-Chang Hsu | Resident Supervisor |
| Jaw-Chyuan Chu | Managing Director | Tseng-Chi Lin | Supervisor |
| Herbert S.S. Chung | Managing Director | Huo-Cheng Chung | Supervisor |
| Chii-Ming Yiin | Director | | |
| Chintan Huang | Director | | |
| Chung-Hsu Yu | Director | | |
| Tzyy Jau Chen | Director | | |

Note: Current as of March 2003

Management Team

| Name | Title | Name | Title |
|--------------------|---|-------------------|--|
| Herbert S.S. Chung | President | Kuo-Dah Lih | Senior Vice President & General Manager Department of Finance & Offshore Banking Branch |
| Shu-Ying Chen | Executive Vice President | Robert C.F. Young | Senior Vice President & General Manager Department of Administrative Management |
| Charles C.C. Wang | Executive Vice President | C. F. Chien | Senior Vice President & General Manager Department of Risk Management |
| Chien-Ho Sha | Executive Vice President & General Auditor | H. K. Liu | Senior Vice President & General Manager Department of Accounting |
| Chung-Hsu Yu | Senior Vice President & General Manager Department of Loan & Guarantee | Dor-Jeng Chen | Senior Vice President & General Manager Personnel Office |
| Mark P.S. Tai | Senior Vice President & General Manager Department of Export Insurance | Yeh-Liang Hu | Senior Vice President & General Manager Civil Service Ethics Office |

Note: Current as of March 2003



Pauline Fu,
Chairperson



Jaw-Chyuan Chu,
Managing Director



Herbert S.S. Chung,
Managing Director



Chii-Ming Yiin
Director



Chintan Huang
Director



Chung-Hsu Yu,
Director



Tzzy Jau Chen,
Director



Chih-Chang Hsu
Resident Supervisor



Tseng-Chi Lin,
Supervisor



Huo-Cheng Chung
Supervisor



III. Funding Sources

As a state-owned bank, the Eximbank's funding comes mainly from capital allocated from the National Treasury, retained earnings and capital surplus, the Executive Yuan Development Fund, and the Small and Medium Business Development Fund, as well as borrowings from both domestic and foreign financial institutions or the issuance of bank debentures and commercial paper in the domestic market.

The Eximbank's paid-in capital currently stands at NT\$10 billion. Including accumulated capital surplus, retained earnings, and equity adjustments in the amount of NT\$7.1 billion, at the end of December 2002 the Bank's net worth was approximately NT\$17.1 billion. Borrowed funds totaled NT\$96.2 billion, including appropriations from the Executive Yuan Development Fund and the Small and Medium Business Development Fund, borrowings from domestic and overseas banks, and the issuance of bank debentures. The total amount of net worth and borrowed funds amounted to NT\$113.3 billion.





Major Sources of Funding

December 31, 2002

(in millions of NT dollar)

| Source of Funding | Amount | % |
|--|----------------|--------------|
| Capital | 10,000 | 8.8 |
| Retained Earnings, Capital Surplus and Equity Adjustments | 7,053 | 6.2 |
| Appropriations from Special Funds | 2,759 | 2.5 |
| Borrowings from Financial Institutions | 77,933 | 68.8 |
| Issuance of Financial Debentures | 15,510 | 13.7 |
| Total | 113,255 | 100.0 |

Funding Sources



Business Performance

I. Operating Result

I. Key Business Figures

The average amount of loans outstanding during 2002 was NT\$109,595 million; this was down 3.60% from the previous year. The amount of guarantees undertaken totaled NT\$3,047 million, 27.78% less than the 2001 figure. The total insured amount of export insurance extended during the year was NT\$13,053 million, an increase of 13.10% over 2001.

(in millions of NT dollar)

| FY | 2002 | 2001 | Growth Ratio |
|--|---------|---------|--------------|
| Loans (Average Outstanding) | 109,595 | 113,691 | -3.60% |
| Guarantees (Total Amount) | 3,047 | 4,219 | -27.78% |
| Export Insurance (Total Insured Amount) | 13,053 | 11,541 | 13.10% |



2. Capital Adequacy

At the end of December 2002 the Bank's Capital Adequacy Ratio was 44.51%, which conformed to the stipulation in Section I, Article 44 of the Banking Law that the ratio must not be under 8%. It also represented an improvement over the 40.46% recorded at the end of 2001.

3. Operating Performance

Net income to operating revenue for the year was 17.82%, an increase over the 10.42% achieved in 2001. The amount of loans per employee was NT\$515 million, down from the previous year's NT\$539 million. The Bank's net worth at the end of 2002 stood at NT\$17,053 million; compared with the end of 2001, this was an increase of NT\$558 million for a growth of 3.38%.



Taichung Branch organized a seminar on Financial Tools for Global Marketing under the WTO Framework.





II. Business Performance



Kaohsiung Branch organized a "Turn-key and Machinery Export Financing Forum."

I. Loans

The main types of loans extended by the Eximbank include medium- and long-term export financing, medium- and long-term import financing, overseas investment loans, overseas construction loans, shipbuilding loans, short-term export loans, international syndicated loans, and relending facilities. The focus was on the medium- and long-term financing business; the average amount of medium- and long-term loans outstanding in 2002 was NT\$108,145 million, accounting for 98.68% of all loans.

2. Guarantees

The guarantees undertaken during this year included import guarantees, overseas construction guarantees, export guarantees, and other guarantees.

3. Export Insurance

The Bank's export insurance business consists mainly of D/P and D/A export insurance, medium- and long-term deferred payment export insurance, overseas investment insurance, O/A export insurance, Safety export insurance for small and medium enterprises, L/C export insurance, and export credit insurance for accounts receivable. In 2002, D/P and D/A export insurance made up the largest portion, with 38.10%, followed by L/C export insurance with 29.14%, O/A export insurance with 9.87%, overseas investment insurance with 8.81%, medium- and long-term deferred payment export insurance with 7.70%, Safety export insurance for small and medium enterprises with 3.21%, and export credit insurance for accounts receivable with 3.17%.



III. Market Review

I. The Loan Market

Global economy showed signs of recovery in 2002; but investment and consumption activity remained conservative under the influence of tension in the Middle East and the shadows of terrorist attacks, and the pace of economic growth slowed down. The strength of recovery in the United States remained weak due to poor corporate profitability and lack of noticeable improvement in the job market; Japan, stuck in a morass of deflation and the problem of bad debt in financial institutions, was unable to break away from its long-term economic difficulties; and while the European Union countries adopted stimulative measures, the results were limited. Taiwan's economy continued to be affected by a deterioration of domestic investment, an ongoing rise in the unemployment rate, sluggish consumption, and other negative factors, which shrouded the island's economic growth force with uncertainties.

With the international situation remaining unclear; with an excess of capacity in the machinery industry, which has a relatively strong linkage to the Eximbank's loan business; and with no appreciable upturn in the willingness of companies to make long-term investments, the demand for capital in Taiwan was weak and the development of the Bank's loan business was deeply affected. In addition, the level of interest rates in the market was very low and declining, and this had a severe impact on the Bank's operating revenues.

In the face of the intensely competitive domestic financial environment, Eximbank worked in coordination with the government's Global Export Promotion Program by helping domestic companies to diversify their markets and developed new kinds of business such as factoring to help local companies to obtain export proceeds quickly and easily.

Eximbank's OBU helps companies expand their markets by providing medium- and long-term credits directly to foreign buyers for purchasing Taiwan-made products thus stimulating exports of capital equipment from Taiwan.



Taipei Branch held a seminar on Risk Management of Factoring.

2. The Export Insurance Market

In the past, export insurance in Taiwan was provided exclusively by Eximbank; now, however, general property insurers, with the permission of the government, may also extend this kind of insurance. With the opening of the domestic insurance market following Taiwan's accession to the WTO, especially, large international credit insurance institutions have deployed their operations in Taiwan and competition in the export insurance business is becoming more and more intense.

Faced with this challenge, Eximbank worked hard for innovation and development, implementing an account officer system and offering a full range of professional export insurance services, as well as reviewing and adjusting export insurance operating rules and conditions whenever necessary and simplifying insurance procedures so as to broaden the scope of services. In October 2001 the Bank expanded its export insurance to trade involving the taking of orders in Taiwan for exports from mainland China; this year, the Bank also moved to meet the needs of enterprises by again relaxing its Rules for the Undertaking of Offshore Trade Insurance with the aim of assisting companies in avoiding trade credit risk and setting up global logistics on Taiwan.





To upgrade the level of professionalism in the export insurance business, the Bank strengthened its strategic alliance relations with prominent international credit insurance institutions and, through such means as reinsurance, increased its capacity to provide insurance. The bank utilized e-commerce to upgrade the quality of its services and, this year, it instituted Internet insurance services so as to shorten the process for insured companies and raise the efficiency of policy approval.

Furthermore, in view of the unstable situation in international affairs, the Bank helps to alleviate the worries of companies about risk when they explore emerging markets by using opportunities such as corporate visits and participation in seminars and symposiums to strengthen education about the concept of risk transference so that companies will be able to recognize the importance of risk management and learn how to use export insurance to avoid risk. The scope of the Bank's insurance coverage has also been expanded to promising emerging markets in Central and Eastern Europe, Russia, the Middle East, Southeast Asia, South Asia, Latin America, and Africa so as to help exporters avoid risks and devote their efforts to the expansion of exports.



Mr. Fu-Sheng Huang (second left), Assistant Vice President and Manager of the Department of Finance represented Eximbank at a syndicated loan agreement signing ceremony.

BUSINESS
MARKET

Financial Statements

Brief Balance Sheets of Recent Five Years

(in thousands of NT dollar)

| | Dec. 31, 2002 | Dec. 31, 2001 | Dec. 31, 2000 | June. 30, 1999 | June. 30, 1998 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Assets | | | | | |
| Current Assets | 12,662,168 | 10,783,255 | 4,927,637 | 9,295,898 | 5,400,878 |
| Bills Purchased and Loans | 104,109,023 | 110,736,632 | 113,268,843 | 100,925,001 | 108,402,578 |
| Long-term Investments | 102,500 | 57,000 | 7,000 | 7,000 | 7,000 |
| Fixed Assets | 521,410 | 525,713 | 509,972 | 511,499 | 510,996 |
| Amortization and Intangible Assets | 145,253 | 567,145 | 355,902 | 34,882 | 41,005 |
| Total Assets | 117,540,354 | 122,669,745 | 119,069,354 | 110,774,280 | 114,362,457 |
| Liabilities | | | | | |
| Current Liabilities | 6,538,147 | 9,947,719 | 5,453,451 | 3,797,930 | 4,569,787 |
| Bank Debentures | 15,510,000 | 11,250,000 | 10,875,000 | 5,600,000 | 6,327,000 |
| Borrowing from Banks | 74,174,445 | 80,730,939 | 82,454,488 | 82,609,776 | 84,301,437 |
| Long-term Liabilities | 2,850,532 | 2,723,361 | 3,309,163 | 3,742,345 | 4,920,238 |
| Other Liabilities | 1,413,947 | 1,522,361 | 1,399,220 | 649,282 | 276,749 |
| Total Liabilities | 100,487,071 | 106,174,380 | 103,491,322 | 96,399,333 | 100,395,211 |
| Equity | | | | | |
| Capital | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Surplus and Retained Earnings | 6,217,148 | 5,657,124 | 4,958,011 | 3,836,421 | 3,224,573 |
| Equity Adjustment | 836,135 | 838,241 | 620,021 | 538,526 | 742,673 |
| Total Equity | 17,053,283 | 16,495,365 | 15,578,032 | 14,374,947 | 13,967,246 |
| Liability and Equity | 117,540,354 | 122,669,745 | 119,069,354 | 110,774,280 | 114,362,457 |



Brief Income Statements of Recent Five Years

(in thousands of NT dollar)

| | 2002 | 2001 | 2000 (July 1, 1999 to Dec. 31, 2000) annualized | 1999 | 1998 |
|------------------------|------------------|------------------|---|------------------|------------------|
| Income | | | | | |
| Operating Revenues | 4,951,125 | 7,310,551 | 11,354,268 | 7,569,512 | 7,382,988 |
| Non-operating Income | 32,939 | 24,449 | 1,938 | 1,292 | 38,456 |
| Total Income | 4,984,064 | 7,335,000 | 11,356,206 | 7,570,804 | 7,421,444 |
| Expenses | | | | | |
| Operating Costs | 3,524,394 | 5,820,191 | 9,164,317 | 6,109,544 | 5,815,644 |
| Operating Expenses | 503,569 | 551,061 | 777,761 | 518,507 | 642,341 |
| Non-operating Expenses | 3,875 | 2,209 | 6,900 | 4,600 | 4,847 |
| Income Tax | 69,909 | 199,522 | 272,132 | 181,421 | 201,349 |
| Total Expenses | 4,101,747 | 6,572,983 | 10,221,110 | 6,814,072 | 6,664,181 |
| Net Income | 882,317 | 762,017 | 1,135,096 | 756,732 | 757,263 |

Financial Analysis

| | | 2002 | 2001 | 2000 (July 1, 1999 to Dec. 31, 2000) (annualized) | 1999 | 1998 |
|------------------------|--|---------|---------|--|---------|---------|
| Financial Structure | Liabilities to Assets Ratio | 85.49% | 86.55% | 86.92% | 87.02% | 87.79% |
| | Fixed Assets to Net Worth Ratio | 3.06% | 3.19% | 3.27% | 3.56% | 3.66% |
| Solvency | Current Ratio | 193.67% | 108.40% | 90.36% | 244.76% | 118.19% |
| Operating Ability | Interest Income to Average Outstanding Loans | 4.15% | 6.09% | 6.78% | 6.71% | 7.10% |
| | Average Profit per Employee (NT\$1000) | 4,152 | 3,611 | 3,728 | 3,825 | 3,783 |
| Profitability | Return on Total Assets | 2.61% | 3.90% | 4.39% | 4.35% | 4.67% |
| | Return on Equity | 5.26% | 4.75% | 5.05% | 5.34% | 5.67% |
| | Operating Income to Operating Revenue | 18.65% | 12.85% | 12.44% | 12.53% | 12.89% |
| | Net Income to Operating Revenue | 17.82% | 10.42% | 10.00% | 10.26% | 10.09% |
| Cash Flow | Cash Flow Ratio | 17.25% | 12.60% | 22.65%* | 17.46% | 18.23% |
| | Cash Flow Adequacy Ratio | 850.10% | 667.76% | 443.36%* | 323.69% | 268.06% |
| | Cash Reinvestment Ratio | 12.18% | 55.40% | 223.42%* | 10.74% | 53.55% |
| Capital Adequacy Ratio | | 44.51% | 40.46% | 39.47% | 46.12% | 43.36% |

* The Cash Flow for FY 2000 is calculated from July 1, 1999 to December 31, 2000.



Formulas of financial analysis

I. Financial Structure

- (a) Liabilities to Assets Ratio = Liabilities / Assets
- (b) Fixed Assets to Net Worth Ratio = Fixed Assets / Equity

2. Solvency

Current Ratio = Current Assets / Current Liabilities

3. Operating Ability

- (a) Interest Income to Average Outstanding Loan Ratio = Total Interest Income / Average Outstanding Loans
- (b) Average Profit per Employee = Net Income After Tax / Number of Employees

4. Profitability

- (a) Return on Total Assets = (Net Income + Interest Expenses (1-Income Tax Rate)) / Average Assets
- (b) Return on Equity = Net Income / Average Equity
- (c) Operating Income to Operating Revenue = Operating Income / Operating Revenues
- (d) Net Income to Operating Revenue = Net Income / Operating Revenues

5. Cash Flow (**)

- (a) Cash Flow Ratio = Cash Flow from Operating Activities / Current Liabilities
- (b) Cash Flow Adequacy Ratio = Cash Flow from Operating Activities in the recent 5 years / Sum of (Capital Expenditure + Cash Dividend) in the recent 5 years
- (c) Cash Reinvestment Ratio = (Cash Flow from Operating Activities - Cash Dividend) / Gross Fixed Assets + Long-term Investment + Other Assets + Operating Fund)

** Notes on Cash Flow Analysis

1. Net Cash Flow from Operating Activities is the cash Inflow from Operating Activities in the Cash Flow Statement.
2. Capital Expenditure is Cash Outflow as a result of total annual capital investment (fixed assets).
3. Gross Fixed Asset is total fixed asset before depreciation.

Balance Sheet

(in thousands of NT dollar)

| | Dec. 31, 2002 | | Dec. 31, 2001 | |
|-------------------------------------|---------------|--------|---------------|--------|
| | Amount | % | Amount | % |
| Assets | 117,540,354 | 100.00 | 122,669,745 | 100.00 |
| Current Assets | 12,662,168 | 10.78 | 10,783,255 | 8.79 |
| Cash and Due from Banks | 9,134,851 | 7.77 | 6,667,274 | 5.44 |
| Marketable Securities - net | 1,027,261 | 0.88 | 1,571,164 | 1.27 |
| Receivables - net | 2,486,418 | 2.12 | 2,537,027 | 2.07 |
| Other Current Assets | 13,638 | 0.01 | 7,790 | 0.01 |
| Bills purchased and Loans - net | 104,109,023 | 88.57 | 110,736,632 | 90.27 |
| Long-term Investments | 102,500 | 0.09 | 57,000 | 0.05 |
| Fixed Assets | 521,410 | 0.44 | 525,713 | 0.43 |
| Intangible Assets | 22,651 | 0.02 | 10,644 | 0.01 |
| Other Assets | 122,602 | 0.10 | 556,501 | 0.45 |
| Total Assets | 117,540,354 | 100.00 | 122,669,745 | 100.00 |
| Liability and Equity | 117,540,354 | 100.00 | 122,669,745 | 100.00 |
| Current Liabilities | 6,538,146 | 5.56 | 9,947,719 | 8.11 |
| Short-term Liabilities - net | | 0.00 | 3,589,984 | 2.93 |
| Due to Banks | 3,758,151 | 3.20 | 3,014,526 | 2.46 |
| Payables | 2,777,310 | 2.36 | 3,339,323 | 2.72 |
| Advance Receipts | 2,685 | 0.00 | 3,886 | 0.00 |
| Debentures | 15,510,000 | 13.20 | 11,250,000 | 9.17 |
| Borrowed from Banks | 74,174,445 | 63.11 | 80,730,939 | 65.81 |
| Long-term Liabilities | 2,850,532 | 2.43 | 2,723,361 | 2.22 |
| Other Liabilities | 1,413,949 | 1.20 | 1,522,361 | 1.24 |
| Capital | 10,000,000 | 8.51 | 10,000,000 | 8.15 |
| Capital Surplus | 92,619 | 0.08 | 93,392 | 0.08 |
| Retained Earnings | 6,124,528 | 5.21 | 5,563,732 | 4.54 |
| Equity Adjustments | 836,135 | 0.70 | 838,241 | 0.68 |
| Total Liabilities and Equity | 117,540,354 | 100.00 | 122,669,745 | 100.00 |

Income Statement

(in thousands of NT dollar)

| | Jan. 1, 2002 to Dec. 31, 2002 | | Jan. 1, 2001 to Dec. 31, 2001 | |
|--|-------------------------------|--------|-------------------------------|--------|
| | Amount | % | Amount | % |
| Operating Revenue | 4,951,125 | 100.00 | 7,310,551 | 100.00 |
| Interest Income | 4,548,495 | 91.64 | 6,925,831 | 94.74 |
| Insurance Premium | 42,238 | 0.85 | 33,947 | 0.46 |
| Reinsurance Commissions | 6,027 | 0.12 | 2,664 | 0.04 |
| Claims Recovered from Reinsurers | 38,876 | 0.78 | 8,517 | 0.12 |
| Export Insurance Reserves Released | 76,188 | 1.78 | 69,061 | 0.94 |
| Commissions and Fees | 18,325 | 0.37 | 20,166 | 0.28 |
| Gains from Investments | 501 | 0.01 | | |
| Gains from fair market value of Short-term Investments | 2,948 | 0.06 | 33,768 | 0.46 |
| Gains from Securities Trading | 193,026 | 3.89 | 147,713 | 2.02 |
| Gains from Long-term Investments | 1,199 | 0.02 | 1,092 | 0.01 |
| Gains from Foreign Exchange | 23,302 | 0.48 | 67,792 | 0.93 |
| Operating Costs | 3,524,394 | 71.25 | 5,820,191 | 79.61 |
| Interest Expenses | 3,010,948 | 60.66 | 5,263,001 | 71.99 |
| Reinsurance Premium | 24,626 | 0.50 | 13,916 | 0.19 |
| Brokerage Expenses | 2 | 0.00 | | |
| Insurance Claims and Payments | 80,223 | 1.62 | 49,336 | 0.67 |
| Provision for Various Export Insurance Reserves | 89,258 | 2.04 | 95,180 | 1.30 |
| Commissions and Fees | 16,940 | 0.34 | 32,952 | 0.45 |
| Losses from Investment | 242 | 0.00 | | |
| Losses from Securities Trading | | | 25,856 | 0.35 |
| Losses on Foreign Exchange | 56,373 | 1.14 | 25,877 | 0.35 |
| Appropriation for Reserve Account | 245,782 | 4.95 | 314,073 | 4.31 |
| Gross Operating Income | 1,426,731 | 28.75 | 1,490,360 | 20.39 |
| Operating Expenses | 503,569 | 10.15 | 551,061 | 7.54 |
| Business Expenses | 426,355 | 8.59 | 471,403 | 6.45 |
| Administrative Expenses | 71,505 | 1.45 | 72,680 | 0.99 |
| Other Operating Expenses | 5,709 | 0.11 | 6,978 | 0.10 |
| Operating Income (Losses) | 923,162 | 18.60 | 939,299 | 12.85 |
| Non-operating Income | 32,939 | 0.66 | 24,449 | 0.33 |
| Miscellaneous Income | 32,939 | 0.66 | 24,449 | 0.33 |
| Non-operating Expenses | 3,875 | 0.08 | 2,209 | 0.03 |
| Loss from Asset Disposal | 826 | 0.02 | 462 | 0.01 |
| Miscellaneous Expenses | 3,049 | 0.06 | 1,747 | 0.02 |
| Non-operating Gain (Losses) | 29,064 | 0.58 | 22,240 | 0.30 |
| Net Income Before Tax | 952,226 | 19.18 | 961,539 | 13.15 |
| Income Tax | 69,909 | 1.41 | 199,522 | 2.73 |
| Net Income After Tax | 882,317 | 17.77 | 762,017 | 10.42 |

Cash Flow Statement

(in thousands of NT dollar)

| | Jan. 1, 2002 to Dec. 31, 2002 | Jan. 1, 2001 to Dec. 31, 2001 |
|---|----------------------------------|----------------------------------|
| Cash Flows from Operating Activities | 1,128,082 | 1,253,182 |
| Net Income (Losses) | 882,317 | 762,017 |
| Non-cash Items Adjustment | 245,765 | 491,165 |
| Net Cash Provided by Operating Activities | 1,128,082 | 1,253,182 |
| Cash Flows from Investing Activities | 5,853,446 | 2,934,711 |
| Decrease (Increase) in Short-term investments | -343,867 | |
| Decrease (Increase) in Bills Purchased and Loans | 6,269,709 | 3,006,252 |
| Decrease in Fixed Assets and Amortized Assets | 15 | 13 |
| Decrease (Increase) in Intangible Assets and Other Assets | -16,339 | -12,526 |
| Increase in Long-term Investment | -45,500 | -50,000 |
| Increase in Fixed Assets and Amortized Assets | -10,572 | -9,028 |
| Net Cash used in Investing Activities | 5,853,446 | 2,934,711 |
| Cash Flows from Financing Activities | -5,394,393 | 1,028,659 |
| Increase (Decrease) in Short-term Liabilities | -3,589,984 | 3,092,405 |
| Increase (Decrease) in Bank Debentures | 5,003,626 | 189,630 |
| Increase (Decrease) in Financing Loans due to Banks | -6,556,494 | -1,723,549 |
| Increase in Long-term Liabilities | 1,271,978 | 643,242 |
| Increase (Decrease) in Other Liabilities | -111,051 | 93,187 |
| Decrease in Long-term Liabilities | -1,140,808 | -1,266,256 |
| Cash Dividends | -271,660 | |
| Net Cash Provided by Financing Activities | -5,394,393 | 1,028,659 |
| Foreign Exchange Adjustments | -7,328 | -1,784 |
| Cash and Cash Equivalents Net Increase (Decrease) | 1,579,807 | 5,214,768 |
| Cash and Cash Equivalents, at Beginning of Year | 7,555,044 | 3,023,670 |
| Cash and Cash Equivalents, at End of Year | 9,134,851 | 8,238,438 |

- (1) Cash and Cash Equivalents included cash, deposits at Banks, deposits at Central Bank and Short-term Investments with duration of 3 months or shorter. In 2002, the amount for Cash and Cash Equivalents at Beginning of Year includes that of short term investments due within three months of investment date, therefore, the total amount after re-classification is NT\$ 7,555 million, which is NT\$683 million less than 2001's audited amount of NT\$ 8,238 million at year end.
- (2) Adjustments of Non-cash Items include loss from bad loan reserves, reserves, depreciation and amortization, exchange (loss) and gains, gain or loss from disposal of assets and net increase (decrease) in other current assets and net decrease (increase) in current assets and decrease (increase) in current liabilities as well as deferred income tax.

Statement on Changes in Equity

(in thousands of NT dollar)

| | Jan. 1, 2002 to Dec. 31, 2002 | Jan. 1, 2001 to Dec. 31, 2001 |
|----------------------------------|----------------------------------|----------------------------------|
| Earnings | 885,675 | 764,602 |
| Net Income After Tax | 882,317 | 762,017 |
| Accumulated Earnings | 2,585 | 2,585 |
| Transfer from Surplus | 773 | |
| Total | 885,675 | 764,602 |
| Appropriation of Earnings | 885,675 | 764,602 |
| Central Government Income | 322,293 | 74,894 |
| Cash and Stock Dividends | 322,293 | 74,894 |
| Retained Earnings | 563,382 | 689,708 |
| Legal Surplus | 353,236 | 304,807 |
| Special Surplus | 209,682 | 382,316 |
| Unappropriated Earnings | 464 | 2,585 |
| Total | 885,675 | 764,602 |

In 2002:

- (1) Legal Surplus: Other than the proportioning 40% of this year's net income, or NT\$352.93 million, as legal surplus, due to the previous year's unappropriated accumulated net assets amounted to NT\$ 0.77 million, an additional 40% of this amount, or NT\$0.31 million was proportioned in 2002, totaling NT\$353.24 million legal surplus in year 2002.
- (2) Special Surplus: NT\$209.68million.
- (3) Unappropriated earnings: NT\$0.46 million of appropriated earnings will be paid to Treasury in 2003.
- (4) Cash and Stock Dividends: Retained earnings amounted NT\$885.68 million, after proportioning the above (1), (2) and (3) items, the remaining NT\$322.29 million will be paid to the Treasury.

Notes on Financial Statements



Ms. Pei-Ying Chang (speaking), Deputy Banking Officer of Eximbank's Department of Export Insurance, participated in APEC Capacity Building Program for Trade and Investment Insurance Practitioners.

Note 1: Significant Accounting Policies

1. Foreign Exchange Administration Policy and Foreign Exchange Conversion Methods Used in Financial Statements

- (a) Foreign exchange gains or losses on Eximbank's assets or liabilities denominated in foreign currencies are accounted for when realized or when deemed practical. For long-term capital loans to offshore branches, for which gains/losses will not be exchanged/realized in the foreseeable future, however, such gains/losses are accounted for in the "accumulated adjustment" item as the adjustment of owners' equity item.
- (b) The conversion of foreign exchange into local currency for use in the Financial Statements is based on the rate stipulated in the foreign exchange rate schedule released by the Central Bank of China.
- (c) The exchange rate for US\$ to NT\$ used in the Financial Statements is based on the domestic interbank spot rate as of 10:00 a.m. on Dec. 31, 2002. The exchange rates for the Japanese yen and four other foreign currencies are based on the US\$ buying rate of the respective currencies in the international market at 10:00 a.m. pm Dec. 31, 2002, translated into NT\$ equivalents using the US\$ to NT\$ exchange rate described above.
- (d) The conversion rates for all other foreign currencies are based on the most recent exchange rates in the international markets as quoted in Bloomberg, and are converted by using the US\$-NT\$ exchange rate.



2. Taxes

In accordance with the stipulations of Ministry of Finance as per its letter No. (68) Tai-Tsai-Shui- 37537, Eximbank's income from the export insurance business is exempt from the corporate income tax, gross business revenue tax, and stamp tax.

3. Short-term Investment Valuation

Eximbank's short-term investments include the purchase of marketable securities and commercial papers, which are carried on the accounts at cost. Because of differences in the form of investment, later valuation is calculated as the lower of combined cost or market value. If the combined cost is higher than total market value, the difference is listed under the "Reserve for Losses from Securities Trading" item as a loss on short-term investment; then, when the market value rises, it is deducted from the outstanding amount of the credit side under the valuation item. Generally, however, the market value of purchased commercial paper remains very stable and above the level of cost; the valuation of such monetary investment, therefore, is carried at cost. Interest income from this kind of investment is entered into the accounts as "Gains from Securities Trading". Interest income from government and corporate bonds is listed as "Interest on Securities".

4. Long-term Investment Valuation

Eximbank's long-term investment includes NT\$7 million in the unlisted Taipei Forex Inc., NT\$50 million in the Taiwan Asset Management Co., and NT\$45.5 million in the Financial Information Service Co., which is carried at cost. Since the ratio of Eximbank shareholding does not exceed 20% in any of these companies, valuation is by the cost method. Gains are listed in accordance with the actual amount of dividends received from the invested companies.

5. Fixed Asset Valuation and Depreciation

Eximbank's fixed assets consist of land, buildings, premises, machinery and equipment, transportation vehicles, miscellaneous facilities, and leasehold improvements. With the exception of land belonging to the head office, which was revalued on Oct. 17, 2001, the land is carried at cost. All other fixed assets are carried at the original cost less accumulated depreciation, with depreciation being calculated using the averaging method.

6. Valuation of Intangible Assets

Intangible assets owned by Eximbank consist of computer software, which is amortized over its useful life using the averaging method.



Mr. Hwan-Min Chen (left), Deputy Banking Officer of Department of Loan and Guarantee, participated the tour for marketing in Europe.

7. Retirement Plan and Retirement Fund Cost

The finance industry was taken into the compass of the Labor Standards Law in May 1997. In accordance with the stipulations of the "Regulations Governing the Allocation and Management of Labor Retirement Funds," and with the approval of the Bureau of Labor Affairs, Taipei Municipal Government, an amount equal to 15% of total headquarters and domestic branch staff salaries is allocated annually for the Retirement and Employment Termination Fund (with the allocation for staff in overseas branches being allocated according to the domestic salary standards). Contributions for staff are utilized by the Retirement Fund Supervisory Committee; contributions for service and security employees are deposited in a special Eximbank Labor Retirement Fund Supervisory Committee account with the Central Trust of China. For its local hires the Jakarta Representative Office allocates an amount equal to 2.5% of annual salaries, which is carried in the Bank's Financial Statements under the "Accrued Pension Liabilities" item.

8. Listing of Income

The Bank's income is recognized on accrual basis.

9. Capital Expenditure and Operating Expenses

All expenditures that exceed NT\$0.01 million and have an economic life of two years or longer are capitalized as assets, and other expenditures are entered as expenses.

10. Disposal of Fixed Assets

Losses from the disposal of fixed assets are losses from the retirement of assets, and are treated as non-operating expenses.



11. Allowances for Bad Debts

Loan assets are divided into four categories in accordance with borrower creditworthiness, status of loan collateral, and probability of collection (the first category is normal loans, the second category is loans that may be fully collected, the third category is loans that will be difficult to collect, and the fourth category is loans with no hope of collection), and the ratio of allowances for bad debts is determined according to the status of collateral for the different categories of loans and the probability of collection. The minimum allowance for the third category is 50%, and for the fourth category is 100%.

12. Operating and Contingent Liability Reserves

- (a) The allowance for the guarantee liability reserve is 1% of total guarantees outstanding.
- (b) Among the different insurance reserves, allocations for the pending claims reserve are based on assessment of the potential amount of claims for export loan insurance, while allocations for the special claim reserve, unearned premium reserve, and export insurance reserve are made in accordance with relevant regulations. For this fiscal year, the export insurance reserve includes allocations from the Ministry of Finance, Executive Yuan Development Fund, and Board of Foreign Trade of the Ministry of Economic Affairs.

13. Trading in Derivative Financial Products

Eximbank engages in the trading of derivative financial products in order to carry out assets and liabilities management and minimize the cost of funds as well as control risk. Trading is currently carried out in two derivative products, interest rate swaps and cross currency swaps, both of which are hedging instruments. Since there is yet no consistent accounting method in Taiwan for dealing with transactions in derivatives, Eximbank's present method is to follow draft rules currently being formulated by the ROC Bankers' Association with evaluation twice a month.

(a) Interest Rate Swaps

The nominal amount is entered in a memorandum account on the date of transaction. During the life of the contract, net interest income or expenses are calculated in accordance with the terms of the contract; it is entered into the account on the actual date of settlement. Upon maturity, the deal record in the aforementioned memorandum is deleted.

(b) Cross Currency Swaps

The contract value is registered into the account on the date of contract, and the currencies used in the transaction are listed in the form of a memorandum. During the life of the contract, interest is calculated separately. On the date of settlement, gains or losses are credited or charged to income account. Upon maturity, the deal record in the memorandum is written off.



Note 2. Important Commitments and Contingent Liabilities

1. In FY2002 Eximbank had off-balance-sheet and guarantee assets (or liabilities) amounting to NT\$7,644.80 million, including guarantee receivables totaling NT\$1,785.20 million, receivables to be collected amounting to NT\$4,332.00 million, loan account receivables in the amount of NT\$1,526.13 million, and certified notes totaling NT\$1.47 million. These amounts are not entered on the balance sheets but are covered in off-book explanatory notes.

2. Non-disbursed loan commitments amounted to NT\$3,479.49 million.

3. Derivative transactions as of Dec. 31, 2002:

(a) Interest-rate-related contracts totaled NT\$4 billion.

Type of transaction: Interest rate swaps involving the collection of fixed and the payment of floating interest rates, or the collection and payment of different floating interest rates.

Purpose of transaction: Conversion of the funding cost of financial debentures issued with fixed or floating interest rates into floating interest rates or different floating interest rates in order to meet the demand for floating-interest-rate loans.

Nominal amount: NT\$4 billion (Department of Finance).

Credit risk: Eximbank's transactions are carried out with financial institutions having good international creditworthiness, so no credit risk is anticipated.

Market risk: This is purely a hedging operation and is not affected by fluctuations in market interest rates.

Cash demand: Eximbank's operating capital is adequate to cover cash demand, so there is no liquidity or cash-flow risk.



- (b) Exchange-rate-related contracts totaled NT\$8,853.26 million.

Type of transaction: Cross currency swaps

Purpose of transaction: To lower the cost of raising funds in line with the needs of the loan business in different currencies under the precondition of maintaining a timely grasp of optimal conditions in different currencies and using cross currency swaps to avoid exchange-rate risk.

Nominal amount:

- (i) Exchange for US\$212.27 million (Department of Finance issued NT\$7 billion worth of financial debentures and used the proceeds to exchange for US\$ to meet lending needs.)
- (ii) Exchange for Yen 602.61 million (The Offshore Banking Branch exchanged US\$5.56 million for Japanese yen to meet lending needs.)
- (iii) Exchange for US\$48.20 million (The Offshore Banking Branch borrowed yen in the amount of Yen 5 billion to exchange for US\$ to meet lending needs.)

Credit risk: Eximbank's trading is with financial institutions of good international credit-worthiness, so no credit risk is anticipated.

Market risk: This is a hedging operation that should entail no market risk.

Cash demand: The Bank has corresponding cash inflow or cash outflow to cover each transaction, so there is no cash-flow or liquidity risk.

Note 3. Sectoral Financial Information

According to provision 20 of the statement on financial accounting principles, the statement is applicable only to the financial reports of publicly issued companies. Since Eximbank is not a publicly issued company, there is no need to disclose sectoral financial information.

| 幣別 | 活期 | 一個月 | 二個月 | 三個月 | 六個月 | 一年期 |
|-----------|--------|--------|--------|--------|--------|--------|
| 美元 USD | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 日圓 JPY | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 港幣 HKD | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 英鎊 GBP | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 瑞士法郎 CHF | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 澳洲元 AUD | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 加拿大幣 CAD | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 新加坡幣 SGD | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 歐元 EUR | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 馬克 DEM | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 法國法郎 FRF | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 荷蘭幣 NLG | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |
| 比利時法郎 BEF | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0000 |

Headquarter and Branches

Head Office

8th Floor, 3, Nanhai Road,
Taipei, Taiwan
Republic of China
Tel : (02)2321-0511
Fax : (02)2394-0630
[http : //www.eximbank.com.tw](http://www.eximbank.com.tw)

Taipei Branch

2A15 2nd Floor, 5,
Hsin-Yi Road, Sec. 5,
Taipei, Taiwan
Republic of China
Tel : (02) 8780-0181
Fax : (02) 2723-5131

Representative Office in Jakarta, Indonesia

Wisma Dharmala Sakti 11th Fl.,
Jl. Jendral, Sudirman 32,
Jakarta 10220, Indonesia
Tel : 6221-570-4320
Fax : 6221-570-4321

Offshore Banking Branch

7th Floor, 3, Nanhai Road,
Taipei, Taiwan
Republic of China
Tel : (02)2321-0511
Fax : (02)2341-2517

Kaohsiung Branch

8th Floor, 74, Chung Cheng 2nd
Road,
Kaohsiung, Taiwan
Republic of China
Tel : (07)224-1921
Fax : (07)224-1928

Representative Office in Warsaw, Poland

Neptune Building,
Taiwan Trade Center
ul. Domaniewska 41
02-672 Warsaw, Poland
Tel : 4822-874-3582
Fax : 4822-874-3583

Taichung Branch

5th Floor, 1-18,
Tai Chung Kan Road, Sec. 2,
Taichung, Taiwan
Republic of China
Tel : (04)2322-5756
Fax : (04)2322-5755

Representative Office in Sao Paulo, Brazil

Alameda Santos, 234, 6 Andar,
CEP 01418-000,
Sao Paulo-SP, Brazil
Tel : 5511-3283-3392
Fax : 5511- 3253-4802