

BANK OF OVERSEAS CHINESE
Annual Report 2003

BANK OF OVERSEAS CHINESE Annual Report 2003

Vision

◎ A small but excellent bank

◎ A friendly and considerate bank

◎ An information-intensive and efficient bank



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Financial Highlights

Unit:NT\$1,000

Item	2003	2002	2001
Net Income			
Operating Income	10,240,442	11,728,951	16,517,047
Pre-provisioning Income	3,159,282	2,273,808	2,278,884
Income(Losses) Before Income Tax	(1,399,109)	(620,774)	(3,065,385)
Earnings(Losses) Per Share(In New Taiwan Dollars)	(1.23)	(0.37)	(1.83)
Assets and Liabilities			
Total Assets	266,582,555	265,913,993	263,467,580
Total Loans	176,990,406	175,585,964	170,916,669
Total Deposits	236,144,158	235,693,954	236,503,848
Total Shareholders' Equity	9,370,276	10,765,209	9,589,139
Financial Norm			
BIS	8.04%	5.53%	5.05%
NPL Ratio(%)	10.15%	13.98%	17.80%
Net Value(in New Taiwan Dollars)	8.24	9.46	5.72

MESSAGE TO SHAREHOLDERS

The operating environment for bankers in Taiwan posed huge challenges over the past year because of the impact of the U.S.-Iraq war, the SARS epidemic, and the emergence of financial holding companies, as well as the strong demands of financial reform. The Bank of Overseas Chinese held a re-election of its Board of Directors in late April 2003, resulting in a nearly complete change of directors and supervisors; the new Board of Directors and Panel of Supervisors are made up primarily of experts and scholars who are familiar with corporate governance, giving the Bank a strong team line-up.

Since taking office on Apr. 26, the new directors and supervisors have devoted their efforts toward improving asset quality and enhancing operating efficiency. An NT\$4.5 billion subordinated bank debentures bond issue and the sale of NT\$10 billion worth of bad debt through asset management companies were completed in early October 2003, raising the Bank's capital adequacy ratio to above 8% by the end of the year, thereby conforming to the legal requirement; at the same time, the non-performing-loan ratio was reduced to 10.15%. Besides improving asset quality, these two measures have also strengthened competitiveness and made it easier for the Bank to gain permission to deal in new types of financial products.

Thanks to the support of the Board of Directors and the strenuous efforts of the entire staff, the Bank's operating performance in 2003 was substantially better than the year before. The US\$32,318 million in foreign exchange transactions that were handled during the year represented a major increase of 17.65% over 2002. Income before allocations amounted to NT\$3.2 billion, a five-year high and a growth of 38.98% over 2002. The additional allocation of NT\$4.6 billion for reserves, however, resulted in a before-tax loss of NT\$1.4 billion for the year.

The Board of Directors approved a revision of the Bank's organizational regulations and a readjustment of its organizational structure in October 2003, thus beginning the work of organizational re-engineering aimed at enhancing competitiveness. A Re-engineering Working Group was formed, and under it a Re-engineering Task Force with 11 working teams was set up to carry out intensive studies of improvements in regard to different products, procedures, and administrative operations. In addition, the KPMG Consulting Co. was brought in to implement the Bank's organizational re-engineering. The new organizational structure entailed the establishment of divisions in five "virtual business groups": Corporate Banking, Consumer Banking, Wealth Management, Operating Management, and Administration Management. Six regional business centers were also established to facilitate centralized management and the professional division of labor. Each regional business center is charged with four functions so as to provide complete and high-quality back-office support and management: risk management, business management, debt management, and foreign exchange.

In the development of new areas of business, during the past year the BOOC has inaugurated online securities dealing, SME Easy Loans, direct cross-straits corresponding banking by its OBU, MoneyGram International Money Transfer, US Dollar-Renminbi non-delivery options (NDO) and non-delivery forward (NDF), STK mobile banking, virtual account collection, corporate banking, platinum credit cards, and ACH (Automated Clearing Houses). The Bank was also authorized by American Express International (Taiwan) to become Taiwan's first refund center for lost Amex traveler's checks. Also, in compliance with the policy of the financial authorities, the BOOC is actively engaged in planning for the "C-Plan" payment system for online transactions with the aim of providing enterprises with a more convenient financing channel. All ATMs are to be replaced by the middle of June 2004, and all bank cards are to be switched to IC Combo cards by the end of the year so that customers will be able to use a single card for multiple functions. In addition, planning was completed for our international and domestic factoring business, which was introduced in mid-April 2004.



Chairman of the Board
Mr. Herbert S.S. Chung



President
Mr. Wen-Long Lin

In the year 2004, Taiwan's trade can be expected to continue expanding along with the strengthening force for international economic recovery, the growing rate of trade growth, and the continuous deepening of the division of labor across the Taiwan Straits. In the area of domestic demand, the stimulative force of the wealth effect resulting from stock-market warming and real-estate market recovery, plus ongoing implementation of the expansion of public construction and the expansion of employment through public services programs, will help to revitalize consumption willingness. The BOOC's main operating targets for 2004 are to break away from our five years of losses, cut our NPL ratio to under 8.5%, and maintain our capital adequacy ratio above 8%. To reach these targets we must carry through with our organizational re-engineering and heighten our competitiveness so as to create value and increase income.

In addition, as part of the readjustment of our organizational framework we have set up two new divisions, Risk Management and Debt Asset Management. On the one hand, these new units will institute a risk management and early warning mechanism to upgrade loan quality and keep down the occurrence of NPLs; on the other hand, they will carry out the centralized management of existing bad debt and implement an account officer system so as to speed up the disposition of bad debt.

To enhance our competitiveness, our business development in the future will be focused equally on corporate finance and personal finance. In the area of corporate finance, besides concentrating our efforts on cooperating with the Small and Medium Enterprise Credit Guarantee Fund, vigorously promoting SME Easy Loans, establishing strategic alliances and cooperative relations with foreign financial institutions, and participating in international syndicated loans we will also build on our existing foundation of foreign-exchange expertise to develop the international factoring business so as to fortify our competitive niche and increase our operating income. We will so set up a forex business center and advance in the direction of streamlining and centralizing our forex operations, and making them more efficient and information-intensive. In the area of personal finance, we will vigorously promote small secured loans (such as money-management home loans) and consumer loans. In the area of wealth management we have already set up an Insurance Brokerage Company, established strategic alliance and cooperative relations with life and non-life insurance companies, and instituted the bank insurance business. We have also established a Wealth Management Center to provide our customers with comprehensive wealth management planning services.

We would like to extend our utmost gratitude to you, our shareholders, for the care and support with which you have favored us over the years. In the future our entire staff will work harder than ever, holding firmly to the service attitude of "speed, accuracy, friendliness, and completeness" and the spirit of "a strong and well-trained staff with unconquerable unity of purpose" in the hope of becoming a "small but excellent, friendly and considerate, information-intensive and efficient" bank. We are full of confidence and determination that our organizational re-engineering will succeed and that we will continue strengthening our competitiveness, creating corporate value, and increasing income as we provide the corporate sector and society at large with a full spectrum of financial services and record ever-better business performances. In this effort, we beg the continued direction and support of you, our shareholders and all sectors of society.

, Chairman , President



From left to right:
Managing Director Mr. James C. Ho
Chairman of the Board Mr. Herbert S.S. Chung
Managing Director Mr. Edward C. W. Lai
Managing Director Mr. Thomas K.H. Wu
Managing Director Mr. Ching-Sung Wu
Resident Supervisor Mr. Shih Chiao-Hsin



From left to right:
President of San Shing Fastech Corp. Mr. Shunsheng Wu
Minister of Ministry of Finance Mr. Chuan Lin
Chairman of the Board Mr. Chung
President Mr. Lin
A photo taken before their speeches .

MANAGEMENT REPORT

I. Company Introduction

The Bank of Overseas Chinese was established with funds from overseas Chinese and domestic investors in response to the government's appeal for overseas Chinese to return and invest in financial institutions in Taiwan, and thereby help develop business and industry in general and overseas Chinese-invested enterprises in particular. The BOOC was the first private commercial bank to be established after the government of the Republic of China moved to Taiwan; its preparatory office was set up in 1959, and the Bank opened its doors for business on Mar. 1, 1961. From a single Business Division in the beginning, the Bank has expanded to a total of 59 business units with 1,866 employees as of March 2004.

From only NT\$100 million at first, the Bank's capitalization expanded through successive capital increases and stood at a registered NT\$16.752 billion when the Company was listed on the over-the-counter market on Dec. 21, 1998. Subsequently, the Bank moved to strengthen its operating system, reinforce its capital structure and make up accumulated losses by carrying out capital restructuring; a capital reduction was completed in December 2002, followed by a capital-increase project involving the issuance of 300 million new shares. Today, stock equity stands at NT\$11.376 billion. The Bank's business has grown steadily over the past 43 years, with a business scope that encompasses deposits, loans, trust operations, foreign exchange, and securities, as well as financing services for overseas Chinese and participation in international financial operations.

The BOOC engages in the following major financial businesses:

1. Corporate finance: SME Easy Loans for small businesses (including stores) general corporate loans, domestic and international factoring, domestic and overseas syndicated loans, C-Plan funds-flow services.
2. Personal finance: Policy-type home loans, general home loans, money-management home loans, professional elite loans, welfare fund (group loans), and other general small credit loans.
3. Foreign exchange: Foreign-currency cash dealing, foreign-currency demand deposits, collections and payments for other branches, proceeds assignment of export negotiation, import financing, outward remittances, inward remittances, factoring, and forfaiting.
4. Credit cards: Zodiac cards, Chen Pao cards, Diamond Gold Cards, Platinum Cards, affinity cards, and RT Mart and other co-branded cards.
5. Bank cards: Zodiac Cards, My Cards, international bank cards, etc.
6. Wealth management: Structure bonds, investment of non-discretionary trust funds in domestic securities trust funds, bank insurance.

To help Taiwanese businesses expand exports to and imports from Hong Kong and mainland China, and to expand its overseas correspondent banking network, the BOOC established a Hong Kong subsidiary—Overseas Chinese Finance Ltd.—in 1999. To strengthen business operations and provide asset utilization services to corporate clients, in that same year the Bank set up the BOOC International Leasing Co. In October 2003, with the approval of the Ministry of Finance, the Bank established the Overseas Chinese Insurance Broker Co., Ltd. in order to offer its customers broader and deeper bank insurance services.

In view of the increasingly fierce competition in today's financial market, the BOOC has moved to enhance the efficiency of its organizational operation by building up a management

framework with a professional division of labor and clearly defined areas of responsibility so that each division will be able to express its function to the fullest extent. To this end, a readjustment of management units was completed in 2001. Also, to conform to the provisions of the Banking Law, the Savings Division was reorganized into the Fu Hsing Branch in 2002 and, in line with the revision of Banking Law provisions, a Securities Division was set up in 2003.

The BOOC completed the second stage of establishment of its Internet banking in 2001, allowing customers to apply for the capability of retrieving information about designated accounts online, and to engage in the transfer of funds, at any time. This gives them the latest information on their accounts and provides them access to convenient, 24-hour banking services. Foreign exchange services were added to the online system in 2003, and mobile banking services that permit online account transfer enquiry and the payment of fees online using mobile phones followed in the same year.

The BOOC Shareholders' Meeting carried out a re-election of directors and supervisors in 2003, and with the support of the government reorganized to form a new operating team. To make the Bank's financial status more transparent and conform to the "Measures to Accelerate the Reduction of NPLs in Taiwan Banks" as announced by the Ministry of Finance, the BOOC wrote off large amounts of bad debt and allocated additional reserves against bad debt so as to strengthen its financial structure. Also, in October 2003 it sold NT\$10 billion in bad debt, bringing the NPL ratio down to 10.15% at the end of the year. In addition, the Bank moved to reinforce its financial structure and improve its insufficiency of capital adequacy by issuing NT\$4.5 billion in long-term subordinated bank debentures in early October, greatly boosting the capital adequacy ratio to above 8% in 2003 and thus meeting the legal standard.

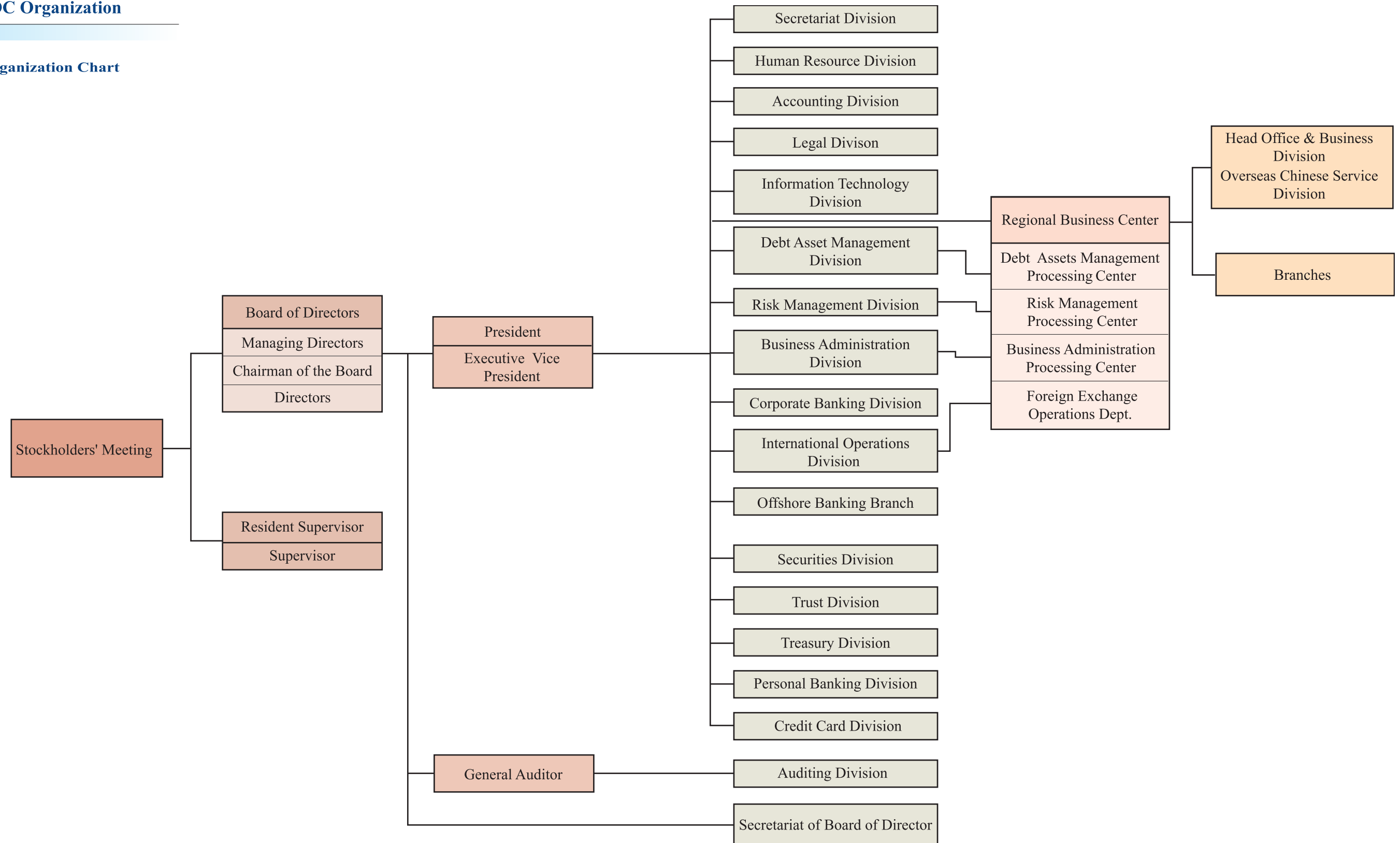


The front row from left :
Managing Director Mr. Edward C. W. Lai
Chairman of the Board Mr. Herbert S.S. Chung
Managing Director Mr. James C. Ho

The rear row from left :
Managing Director Mr. Thomas K.H. Wu
Managing Director Mr. Ching-Sung Wu
Resident Supervisor Mr. Shih Chiao-Hsin

II .BOOC Organization

1. Organization Chart



Professional Team



From left to right:

Executive Vice President	Mr. Huei Hsiung Huang
Senior Deputy Executive Vice President	Mr. Cheng Teh Chang
President	Mr. Wen-Long Lin
Senior Deputy Executive Vice President	Mr. Shin-Sheng Shieh
General Auditor	Mr. Chung Hsu Yu
Senior Deputy Executive Vice President	Mr. Shaing Hai Tseng
Senior Deputy Executive Vice President	Mr. Jey F.N. Lee

2. Board of Directors, Supervisors and Executives

Title	Name	Elected Date	Tenor	Holding Shares (Elected Day)		Holding Shares	
				Shares	%	Shares	%
Chairman of the board	Herbert S.S. Chung	Apr. 26,03	3 years	140,756,274(1/7)	12.37%	227,520,000(1/7)	20%
Managing Director	Edward C.W. Lai	Apr. 26,03	3 years	140,756,274(1/7)	12.37%	227,520,000(1/7)	20%
Managing Director	James C. Ho	Apr. 01,04	3 years	140,756,274(1/7)	12.37%	227,520,000(1/7)	20%
Managing Director	Ching-Sung Wu	Apr. 26,03	3 years	2,500,000(1/2)	0.22%	2,500,000(1/2)	0.22%
Managing Director	Thomas K.H. Wu	Apr. 26,03	3 years	83,907,057(1/2)	7.37%	83,907,057(1/2)	7.37%
Director	Ho-Mou Wu	Apr. 26,03 (June 1,03)	3 years	140,756,274(1/7)	12.37%	227,520,000(1/7)	20%
Director	Gwoduan-David Jou	Apr. 26,03	3 years	140,756,274(1/7)	12.37%	227,520,000(1/7)	20%
Director	Wen-Long Lin	Apr. 26,03	3 years	140,756,274(1/7)	12.37%	227,520,000(1/7)	20%
Director	Lin Hsiou-wei W.	Apr. 26,03 (Jun. 1,03)	3 years	2,500,000(1/2)	0.22%	2,500,000(1/2)	0.22%
Director	Ker Liang-Chun	Apr. 26,03 (Oct. 28,03)	3 years	19,258,500(1/2)	1.69%	18,360,500(1/2)	1.61%
Director	William T. Lin	Apr. 26,03 (Apr. 20,04)	3 years	83,907,057(1/2)	7.37%	83,907,057(1/2)	7.37%
Director	Long S-H Tsai	Apr. 26,03	3 years	301,354	0.03%	301,354	0.03%
Director	Lily y. Hwang	Apr. 26,03	3 years	98	0%	98	0%
Director	Kung Nina	Apr. 26,03	3 years	17,047,080	1.50%	17,047,080	1.50%
Director	Sen-Sen Chai	Apr. 26,03 (June 19,03)	3 years	30,348	0.002%	30,348	0.002%
Resident Supervisor	Shih Chiao-Hsin	Apr. 26,03	3 years	2,000,000	0.18%	2,000,000	0.18%
Supervisor	Sanrong Lii	Apr. 26,03	3 years	140,756,274(1/7)	12.37%	227,520,000(1/7)	20%
Supervisor	Chin, Chang-Ming	Apr. 26,04	3 years	19,258,500(1/2)	1.69%	18,360,500(1/2)	1.61%

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

1. The Bank's paid-in capital totals NT\$11.376 billion, divided into 1.1376 billion shares with a par value of NT\$10 each. All of the shares have been issued.
2. In October 28 2003, the Bank issued subordinate banker's debenture amounting to NT\$4.5 billion.

STATUS OF OPERATIONS

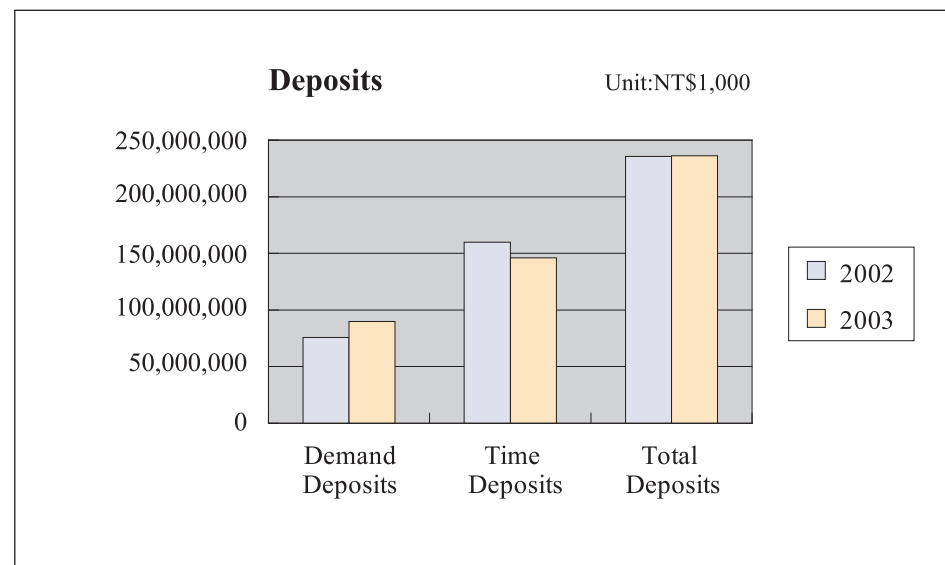
I. Business Content

● Business Scope

- | | |
|---|--|
| 1. Checking deposits | 20. Dealing in financial derivatives approved by the central government authorities |
| 2. Demand deposits | 21. Investment of non-discretionary trust funds in domestic and foreign securities |
| 3. Time deposits | 22. Businesses approved by the Trust Business Law |
| 4. Short-, medium-, and long-term loans | 23. Securities underwriting, proprietary dealing, and dealing on behalf of customers |
| 5. Investment in government bonds, treasury bills, corporate bonds, bank debentures, and corporate stocks | 24. Proprietary dealing in government bonds |
| 6. Discounting of negotiable instruments | 25. Financing of margin trading in securities |
| 7. Domestic and overseas remittances | 26. Introducing broker for futures transactions |
| 8. Commercial paper acceptances | 27. Sale of commemorative coins |
| 9. Issuance of domestic and overseas letters of credit | 28. Agency businesses related to items listed on the business license or approved by the central government authority |
| 10. Domestic and overseas guarantees | 29. Agency for the issuance, transfer, and registration of securities, and payment of dividends and bonuses for securities |
| 11. Agency for collections and payments | 30. Consulting services for the issuance and sale of stocks |
| 12. Sale of government bonds, treasury bills, corporate bonds, and corporate stocks | 31. Certification of securities |
| 13. Proprietary trading in government bonds | 32. Trusteeship for the issuance of bonds |
| 14. Brokering and proprietary dealing in short-term bills | 33. Offshore banking |
| 15. Credit cards | 34. Domestic factoring |
| 16. Custodianship and warehousing services | |
| 17. Rental of safe deposit boxes | |
| 18. Guarantees for the issuance of corporate bonds | |
| 19. Import and export financing, general outward and inward remittances, foreign-currency deposits, foreign-currency loans, foreign-currency payment guarantees, and international factoring services | |

II. Market and Business Conditions

■ Deposits, Loans, Investment, Foreign Exchange, Securities Dealing, and Underwriting of Commercial Paper



◎ Deposits

Deposits, 2002-2003 Unit: NT\$1,000

Type of Deposit	2003	2002	Growth (%)
Demand Deposits	89,988,892	75,732,110	18.83
Time Deposits	146,155,266	159,961,843	(8.63)
Total Deposits	236,144,158	235,693,954	0.19

To improve its deposit structure and reduce its funds costs, the BOOC worked in 2003 to lower high-cost time deposits and boost low-cost demand deposits. Deposits in the Bank at the end of the year totaled NT\$236,144,158 thousand up a marginal 0.19% over the NT\$235,693,954 thousand in deposits at the end of 2002. In the total amount, demand deposits accounted for NT\$89,988,892 thousand up a substantial 18.83% over the NT\$75,732,110 thousand recorded at the end of 2002; time deposits made up NT\$146,155,266 thousand down 8.63% from the year-earlier amount of NT\$159,961,843 thousand. This improvement in the deposit structure was helpful in reducing the Bank's funds costs and upgrading its competitiveness.

◎ Loans

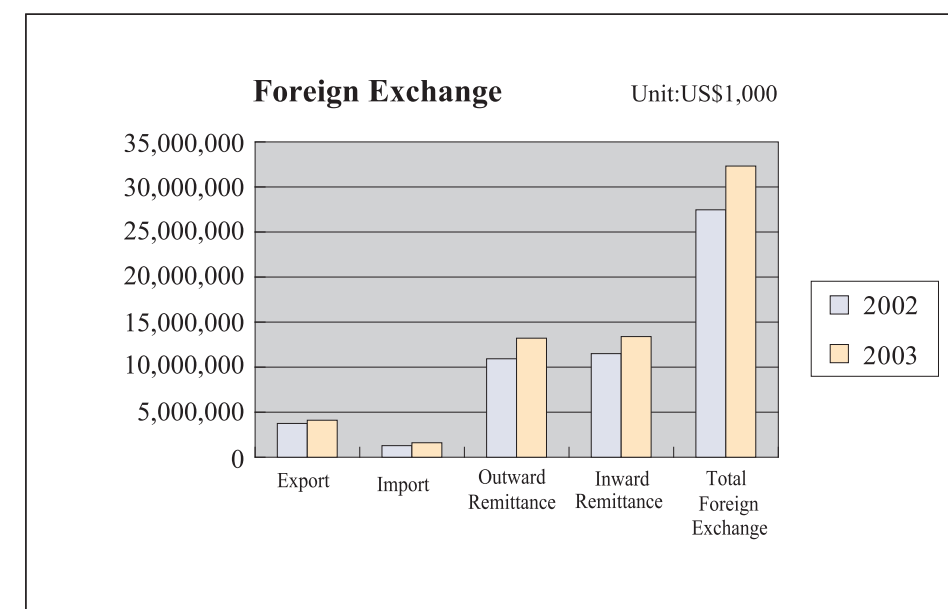
The BOOC has always placed stress on loans to small and medium businesses. In 2003 it strengthened the extension of loans guaranteed by the Small and Medium Enterprise Credit Guarantee Fund and those under other special loan programs. Loans extended during the year totaled NT\$10.82 billion and numbered 12,394 cases; these figures represented large improvements in the NT\$7.649 billion and 9,150 cases recorded during 2002. On Apr. 12, 2004 the Minister of the Ministry of Economic Affairs awarded the Bank an outstanding business performance, which was accepted by BOOC President Lin. In 2003 the Bank revised to get its stable and solid risk management policy and risk control methods, and laid down appropriate limits for the concentration of risk. Total loans outstanding from the Bank at the end of 2003 (including loans, overdrafts, discounts, and loans for collection) stood at NT\$176,990,406 thousand, an increase of 0.80% over the NT\$175,585,964 thousand in loans outstanding at the end of the previous year.

◎ Foreign Exchange

Foreign Exchange Transactions in 2002-2003 Unit: US\$ 1,000

Type of Transaction	2003	2002	Growth (%)
Export Financing	4,122,473	3,742,769	10.15
Import Financing	1,596,023	1,278,653	24.82
Outward Remittances	13,196,931	10,943,339	20.59
Inward Remittances	13,402,549	11,504,402	16.50
Total	32,317,976	27,469,163	17.65

The Bank worked vigorously in 2003 to express its advantage as a specialized foreign exchange bank and to promote its foreign exchange business. Foreign exchange transactions undertaken during the year totaled US\$32,317,976 thousand, for a growth of 17.65% over the US\$27,469,163 thousand in forex transactions carried out in 2002.



Minister of Ministry of Economic Affairs personally awarded President Mr. Wen-Long Lin a superior medal for financing small and medium enterprises by SMEG.

◎Securities and Trust Agency Businesses

1. Securities

Securities Transactions in 2002-2003

Unit: NT\$ 1,000

Type of Transaction	2003	2002	Growth (%)
Securities Brokerage (transaction amount)	22,589,904	24,422,623	(7.50)
Margin Financing (amount outstanding)	295,722	232,375	27.26
Underwriting (No. of cases)	31	28	10.71
Underwriting (value of transactions)	2,164,200	324,800	566.32
Bonds Dealing (average daily average of RP and RS transactions)	6,144,544	7,083,339	(13.25)
Bonds Dealing (profit on buying and selling)	1,314,796	113,822	1,055.13

The securities brokerage business was affected by the slight contraction in transaction value in the market in 2003, so that the Bank's transaction value was down 7.5% from 2002 to NT\$22,589,904 thousand. The total amount of margin financing outstanding at the end of 2003 was NT\$295,722 thousand. In the underwriting business, the Bank carried out the underwriting of convertible bonds for the Yieh Phui Enterprise Co. and other cases in the total amount of NT\$2,164,200 thousand, for an increase of 566.32% over 2002. The downward adjustment of interest rates in the first half of 2003 favored the sale of some of the Bank's position in bonds; the profit on the buying and selling of bonds during the year amounted to NT\$1,314,796 thousand, for a huge increase of 1,055.13% over the previous year. Because of the sale of bonds as mentioned above, the average daily amount of RP and RS transactions was NT\$6,144,544 thousand, a reduction of 13.25% from 2002.

2. Trust Agency

The Bank began stressing commission income and the wealth management business in 2003, and this gave a strong boost to its agency business. The Bank handled securities certification with a total value of NT\$40,617,379 thousand for 153 companies and served as proxy producer for 73 companies during the year, yielding commission income in the amount of NT\$9,115 thousand. In the investment of non-discretionary trust funds in domestic and overseas securities, the Bank's New Taiwan Dollar assets rose by NT\$232,166 thousand or 15.68% to reach NT\$1,712,848 thousand. In its foreign-currency trust business the Bank promoted structure bonds in 2003, boosting trust assets to the equivalent of NT\$2,137,544 thousand; this was an increase of NT\$2,074,214 thousand over 2002, for a 32.7-fold growth.

◎Personal Banking

The Bank moved to improve its deposit structure in 2003 by vigorously developing the consumer loan business. In the promotion of home loans, besides working in line with the government's "NT\$1.08 Trillion Preferential Home Loan Program" the Bank also introduced index-linked mortgage loans. The total value of this business in 2003 reached NT\$12,113,154 thousand, an increase of NT\$3,308,859 thousand over the NT\$8,804,295 thousand recorded in 2002 for a growth of 37.58%.

In building up the small credit loan business, in addition to vigorously developing new products the Bank also strengthened the review of its existing products, and revised and repackaged them. These products include professional elite loans and welfare fund (group) loans, among others, that are designed to meet market demand and thereby expand the loan

business. The amount of these loans extended in 2003 totaled NT\$1,233,845 thousand; this was an increase of NT\$440,492 thousand over the NT\$793,353 thousand extended in 2002, for a growth of 55.52%.

The number of BOOC-issued credit cards in circulation at the end of 2003 was 606,738, and consumption using the cards during the year topped NT\$22.5 billion. Ordinary credit cards, gold cards, and platinum cards are issued to different customer groups, and the cards are deeply popular in the market because they are packaged with the function of cash rebates. Statistics compiled by the United Credit Card Center show that the per-card consumption for BOOC cards is higher than the average of cards issued by other banks, and these cards have established a solid position in Taiwan's fiercely competitive credit card market.

◎Clearing of Non-Performing Loans

The Ministry of Finance vigorously implemented the "Two-Five-Eight" financial reform program in 2002 and asked financial institutions to lower their NPL ratios to under 5% within two years. The BOOC moved to clear up its NPLs in 2003 by selling bad debt, recovering loans, and converting them into normal loans in the total amount of NT\$10,344,591 thousand. The Bank also speeded up the writing off of bad loans, to a total of NT\$6.15 billion by the end of the year. This cut the Bank's NPL ratio by 3.83 percentage points, from 13.98% at the beginning of the year to 10.15% at the end of December. The ratio has continued falling, reaching 9.93% in March 2004 and 9.8% in April. The effort to reduce NPLs goes on, and target is to drop the ratio below 8.5% by the end of 2004.

◎Services to Overseas Chinese

The provision of services to overseas Chinese is one of the objectives for which the BOOC was founded, and there is a specific unit charged with the provision of a full spectrum of services to overseas Chinese. The Bank has always maintained a high degree of coordination with and support for the government's policies regarding overseas Chinese. For example, it donates to the Overseas Chinese Loan Guarantee Fund to help overseas Chinese raise start-up capital, participates actively in the organizing of large meetings and other activities, provides needed services in a timely fashion, and offers various kinds of financial services to overseas Chinese-invested enterprises in Taiwan.

■Operating Income Ratios

Unit: NT\$ 1,000

Item	2003		2002	
	Amount	Ratio (%)	Amount	Ratio (%)
Interest Income	7,566,206	73.89	10,209,999	87.05
Commission Income	1,050,043	10.26	984,644	8.39
Profit from Bills Trading	1,371,999	13.40	277,423	2.37
Profit from Sale of Long-term Equity and Investment	48,574	0.47	53,639	0.46
Profit on Currency Exchange	167,343	1.63	180,454	1.54
Other Operating Income	36,277	0.35	22,792	0.19
Total	10,240,442	100.00	11,728,951	100.00

The ratio of interest income in total operating income in 2003 was 73.89%, a reduction of 13.16 percentage points from 2002. The ratio of commission income, at 10.26%, was 1.87 percentage points higher than in 2002. The ratio of income from bills trading in 2003 was 13.40%, an increase of 11.03 percentage points over the year before.



Chairman of the Board Mr. Herbert S.S. Chung and President Mr. Wen-Long Lin joint-presiding the presentation of BOOC IC Chip Combo cards .

■Product Development Plans for 2004

1. Consumer Banking

Wealth management, Combo IC card, consolidated money-management home loans, offset mortgage loans, bank insurance products

2. Corporate Banking

- (1) Policy-type loans in coordination with the government
- (2) All-out promotion of loans with guarantees from the Small and Medium Enterprise Credit Guarantee Fund
- (3) Promotion of small loans for SMEs, franchise stores, and vendors
- (4) Domestic factoring
- (5) Development of "corporate account management system" and "online application for receivables financing" products

3. Foreign Exchange

- (1) Strengthening of foreign-exchange transactions for Internet banking
- (2) Consolidated foreign-currency deposits
- (3) Telephone funds transfer for foreign-currency demand deposit accounts
- (4) International factoring

4. Trust Business

- (1) Domestic and overseas ETF investment of non-discretionary trust funds
- (2) Sale of foreign B-share funds
- (3) OBU foreign-currency trust investment in overseas funds
- (4) Investment of designated money trust funds in domestic structure products

5. E-Banking

- (1) Strengthening of Internet banking, corporate banking, and mobile banking functions
- (2) Planning and establishment in line with the C-Plan policy

6. Building of Strategic Business Alliances

Consolidated Bank-centered funds-flow service entities for e-commerce and marketing networks:



From left:

President Mr. Wen-Long Lin
Executive Vice President Mr. Huei Hsiung Huang
General Auditor Mr. Chung Hsu Yu

- (1) Investment banking strategic alliance: Dealing in government bonds, domestic and foreign derivative products, dealing in overseas bonds and stocks, and development of marketing networks for new financial products
- (2) Affinity credit card strategic alliance: Development of all kinds of affinity cards and upgrading of their added value
- (3) Sales finance strategic marketing alliance: Integrated production, sales, and time payment business
- (4) Value-added services strategic alliance: Integrated marketing business alliance program
- (5) Insurance brokerage strategic alliance: Marketing of bank insurance and collection of insurance premiums

■Operating Targets

The BOOC's operating targets for 2004 are as follows:

1. Deposits: Average deposits for the year of NT\$244,120 million, for a growth of 3.38% over 2003. The increase will be the result of improvement in the deposit/loan ratio and the strategic control of outstanding deposits with the aim of changing the deposit structure and reducing capital costs.
2. Loans: Average loans outstanding for the year of NT\$171,052 million, for a growth of 17.21% over 2003. The emphasis of the Bank's loan business this year will be on adjusting and controlling loan quality, and increasing profits.
3. Foreign exchange: Total foreign exchange transactions for the year of US\$35,938 million, for a growth of 11.2% over 2003

■Operating Targets for 2004

Item	2004 Target	2003 Performance	Growth (%)
Deposits (NT\$ million)	244,120	236,144	3.38
Loans (NT\$ million; not including loans for collection)	171,052	145,938	17.21
Foreign Exchange (US\$ million)	35,938	32,318	11.2

III. Employee Structure

Year		Mar. 31, 2004		2003		2002	
No. of Employees	Staff	1,747		1,783		1,730	
	Guards, Janitors, Technicians	119		123		135	
	Total	1,866		1,906		1,865	
Average Age (years)		36.96		36.65		36.42	
Average Seniority (years)		11.8		11.5		11.35	
Education	Master's	53	2.84%	55	2.88%	51	2.73%
	Bachelor's	696	37.30%	708	37.15%	641	34.37%
	Junior College	686	36.76%	697	36.57%	701	37.59%
	Senior High	410	21.97%	423	22.19%	440	23.59%
	Junior High & Under	21	1.13%	23	1.21%	32	1.72%
	Total	1,866	100%	1,906	100%	1,865	100%

IV. Labor-Management Relations and Training

The BOOC has always placed strong emphasis on employee welfare and stressed harmony in relations between labor and ownership while observing the stipulations of the Labor Standards Law. Annual plans are formulated for employee education and training, and there are also Incentive Regulations for Employee Training and Professional Licensing. A total of 417 participants took part in 225 outside courses in 2003, at a total cost of NT\$2,405 thousand. In addition, 24 courses were offered within the bank, with 2,579 participants; the total cost was NT\$1,440 thousand. An estimated 22 in-house courses will be organized in the first half of 2004, and staff members will be sent to participate in training at the Taiwan Academy of Banking and Finance and other outside institutions on a regular basis. Total spending on this training is projected at NT\$11,000 thousand for the year. All employees carry out their jobs in accordance with the Bank's work rules, and observe the criteria stipulated in those rules.



Staffs' mountain climbing for celebrating the 43rd anniversary of the Bank.

V. Reinvested Enterprises

Reinvested Company	Face Value (NT\$)	Number of Shares Originally Subscribed	Shares Distributed for Capital Increase Via Profit or Capital Surplus	Number of Shares Held on Dec.31, 2003	Ratio of share-Holding(%)	Notes
Chinatrust Financial Holding Co.	10	9,584	6,664	16,248	0.0004%	1) At end of 1997 the BOOC held 35,409 shares. 2) 8,865 shares distributed for profit and capital surplus in 1999. 3) 10,283 shares distributed from profit and capital surplus for 2000; 3,016 shares distributed from profit and capitalsurplus for 2001. 4) NT\$78,527 received as cash dividends in 2002; Chinatrust Commercial Bank changed its name to Chinatrust Financial Holding Co. on May 17, 2002 (stock No. 2891) 5) NT\$15,199 in cash dividend and 1,611 shares in stock dividend received in 2003.
Chinese Products Promotion Center	100	9,250		9,250	2.4342%	
Chiao-Fu Real Estate Management Ent. Corp.	10	1,750,000		1,750,000	35.0000%	
China trust Investment Co.	10	92,737	1,994,727	2,087,464	0.6612%	1) 1,407,418 shares distributed through the years for capital increment via profit and capital surplus. 2) 225,023 shares received for capital increment via retained earnings in 1998. 3) 172,517 shares received for capital increment via retained earnings in 1999. 4) 189,769 shares received for capital increment via retained earnings in 2000. 5) NT\$708,485 in cash dividend received in 2003.
Taiwan Securities Central Depository Co.	10	185,000	273,185	458,185	0.1922%	1) 48,655 shares received over the years for capital increase via retained earnings and capital surplus. 2) 64,255 shares received for capital increment via retained earnings in 1998. 3) 66,731 shares received for capital increment via retained earnings in 1999. 4) 45,580 shares received for capital increment via retained earnings in 2000. 5) 30,766 shares received for capital increment via retained earnings in 2001. 6) NT\$358,660 in cash dividend and 17,198 shares in stock dividend received in 2002. 7) NT\$671,989 in cash dividend received in 2003.
Taipei Forex Inc.	10	600,000		600,000	3.0272%	Cash dividend of NT\$1,369,688 received in 2002. Cash dividend of NT\$1,830,349 received in 2003.
Dah Chin Bills Finance Corp.	10	30,000,000	2,911,125	32,911,125	10.0000%	1) 615,000 shares for capital increment via retained earnings, and NT\$494,944 in cash dividend, received in 1998. 2) 2,296,125 shares received for capital increment via retained earnings in 2000. 3) NT\$41,506,004 in cash dividend received in 1998-2001. 4) NT\$32,911,125 in cash dividend received in 2003.

Reinvested Company	Face Value (NT\$)	Number of Shares Originally Subscribed	Shares Distributed for Capital Increase Via Profit or Capital Surplus	Number of Shares Held on Dec.31, 2003	Ratio of share-Holding(%)	Notes
Taiwan Futures Exchange	10	1,400,000		1,400,000	0.7000%	
Concord IV Venture Capital Co.	10	7,500,000		7,500,000	4.9342%	Cash dividend of NT\$6,255,413 received in 2002. Cash dividend of NT\$7,192,500 received in 2003.
Core Pacific World Co.	10	10,000,000		10,000,000	5.0000%	
Euroc III Venture Capital Corp.	10	3,000,000		3,000,000	5.0000%	Cash dividend of NT\$1,881,363 received in 2002.
Taiwan Cooperative Bank	10	120,960	55,722	176,682	0.0085%	1) Shares taken back for takeover of Peikang Credit Cooperative on Aug. 6,1998. 2) 30,240 shares received for capital increment via retained earnings in 1999. 3) 9,072 shares received for capital increment via retained earnings in 2000. 4) 6,410 shares received for capital increment via retained earnings in 2001. 5) Cash dividend of NT\$77,782 and stock dividend of 10,000 shares received in 2002. 6) Cash dividend of NT\$25,924 received in 2003.
Financial Information Service Co.	10	4,550,000		4,550,000	1.1375%	Cash dividend of NT\$8,557,635 received in 2002. Cash dividend of NT\$9,039,107 received in 2003.
BOOC Leasing International Co.	10	19,999,400		19,999,400	99.9970%	
Overseas Chinese Finance Ltd.	HK\$1	30,000,000		30,000,000	100.0000%	
Landmark Venture Capital Corp.	10	2,500,000		2,500,000	5.0000%	
Overseas Chinese Insurance Broker Co. Ltd.	10	200,000		200,000	100.0000%	Non issued stock.
Debt Instruments Depository and Clearing Co. Ltd. Taiwan	10	2,000,000		2,000,000	1.0000%	
Yunlin Credit Cooperative	10	360		360		Shares taken back for takeover of Peikang Credit Cooperative. Stocks kept in Peikang Branch.

VI. Risk Management

■ Risk Management Policy

With the rapid changes that are taking place in the financial market, competition in the banking industry is becoming more intense by the day and innovative financial products and businesses are being introduced one after the other; and this, in turn, is forcing financial operators to bear more complex risks than ever before. Good risk management can lower to a minimum the impact of the risk that a bank will face in the intensely competitive environment of the future, while improper risk management might threaten a bank's very existence. The BOOC has always observed the regulations of the Ministry of Finance and the Bank for International Settlements, carefully evaluating and establishing risk quotas that the Bank can bear in its different areas of business. It also urges management units to carry out the following essential measures:

1. Establish quotas for loans to major industries
2. Control loans to related parties
3. Diversify large-loan risk
4. Set loan limits for different categories of industry
5. Set limits on the use of stocks and vacant land for loan collateral
6. Use of credit rating as a major consideration in extending loans
7. Attention to follow-up management during and after the terms of loans

■ Methods of Risk Assessment and Control

To assure the effective implementation of risk management policies, the BOOC adopts the following risk management measures so that the effectiveness of risk management may be ascertained and risk management strategies may be adjusted whenever necessary:

1. Loan Examination Committee meetings are called once a week, with a vice president presiding, to formulate loan policy directions and assess the credit risk of large loan cases.
2. Meetings of the Past-Due Loan Examination Committee are held weekly, with a vice president presiding, to assess overdue loans and loans for collection, to formulate policies for the handling of overdue loans, and to take care of other matters as directed by higher authorities.
3. Meetings of the Investment Examination Committee are held on an unscheduled basis, with the president presiding, to carry out assessment of credit risk, market risk, and interest rate risk in regard to investment in other companies and in securities.
4. With changes in the Bank's organizational regulations, meetings of the Operations and Risk Management Committees are held on a quarterly basis, with the president presiding, with the aim of strengthening the management of risk in the different areas of BOOC business and readjusting operating and management strategies when necessary.
5. Meetings of the Assets and Liabilities Management Committee are held every month, with the president presiding, for the following purposes:
 - (1) Review programs for readjustment of the Bank's assets and liabilities structure and pricing strategy, and analyze interest rate, foreign exchange rate, and term sensitivity.
 - (2) Formulate short-, medium-, and long-term programs for the raising and utilization of funds.
 - (3) Plan an appropriate degree of liquidity, and its structure, for the Bank to maintain.
 - (4) Formulate effective coordinating and utilization measures for New Taiwan Dollar and foreign-currency funds.

- (5) Assess the appropriation of reserves and analyze the adequacy of the Bank's ratio of capital to risk-based assets.
- (6) Analyze and compare capital costs and the efficiency of utilization, and coordinate major business operating strategies.
- (7) Give direction to the Bank's funds deployment units in their financial market operations.
- (8) Plan for the establishment of four major centers—risk management, debt asset management, business management, and foreign exchange—so as to provide centralized management, at regional centers, of risk in surrounding areas.
- (9) Thoroughly implement the compliance officer system.

■ Status of Risk Exposure

1. Concentration of Credit Risk

- (1) Risk quotas for groups (corporate groups and associated companies)
Separate ceilings are placed on total loans and unsecured loans to groups with loan quotas that reach NT\$1 billion, with consideration given to the group's net shareholder equity. Investment in long-term bonds and sales projects of the Trust Division are included in risk limits. No quota violations had occurred as of Dec. 31, 2003.
- (2) Industry limits
Quota ratios are established for major borrowing industries in consideration of banking industry loan quotas for those industries as well as the room left for the growth of BOOC loans to the individual industries, and their credit risk. No quota violations had occurred as of Dec. 31, 2003. Conditions are also established to limit loans to industries with unpromising futures and high risks, such as construction and land loans.
- (3) Restrictions on loans secured by stocks
Bank-wide control is imposed on the use of stocks as collateral by individual stock-issuing companies, with the ceiling fixed at 10% of total issued shares, and stocks are accepted in accordance with the BOOC Rules for the Use of Stocks as Collateral. No quota violations had occurred as of Dec. 31, 2003.
- (4) Country risk management
The BOOC has established Country Risk Ratings and Quotas in accordance with the country credit ratings published by international rating institutions such as Standard & Poor's and Moody's. The Bank's Country Risk Ratings and Quotas divide countries into five classes, and total exposure to all classes of countries must not exceed 40% of the Bank's total assets. No quota violations had occurred as of Dec. 31, 2003.

2. Amount of non-performing loans

The Bank's NPLs totaled NT\$18,387,235 thousand on Dec. 31, 2003; compared with the NT\$25,070,675 thousand in NPLs recorded a year earlier, this was a reduction of NT\$6,683,440 thousand. This brought the NPL ratio down by 3.83 percentage points, to 10.15% at the end of the year.

3. Concentration of Foreign Exchange Risk (base date: Dec. 31, 2003)

Unit: by currency(1,000)

Net Forex Position	End of 2003	End of 2002
US Dollar	(18,477)	(20,550)
Japanese Yen	(212,702)	(305,943)
Euro	(1,958)	(553)

4. Interest Rate Sensitivity Data

Unit: NT\$ million

Code	Item	0-90 days	91-180 days	181 days - 1 year	Over 1 year	Total
1000	I. Assets					223,256
1100	1. Interest-rate-sensitive assets	89,738	12,833	14,952	58,871	176,394
1110	(1) Due from banks / call loans to bank	4,053	2,008	0	7,739	13,800
1120	(2) Bills and bonds purchased	7,237	6,700	9,524	7,475	30,936
1130	(3) Loans	78,401	4,125	5,428	43,608	131,562
1140	(4) Others	47	0	0	49	96
1200	2. Non-interest assets					46,861
2000	II. Liabilities					214,238
2100	1. Interest-rate-sensitive liabilities	68,591	81,648	40,497	10,563	201,299
2110	(1) Deposits	40,895	81,496	35,997	10,563	168,951
2120	(2) Borrowings (including postal redeposits)	27,492	52	4,500	0	32,044
2130	(3) Others	204	100	0	0	304
2200	2. Non-interest liabilities					12,939
3000	III. Net Worth					9,018

Note: This chart includes only NT Dollar amounts in BOOC headquarters and domestic branches.

5. Assets and Liabilities Maturity Analysis

Unit: NT\$1,000

	Total	Amount Remaining to Maturity				
		0-30 days	31-90 days	91-180 days	181 days- 1 year	Over 1 year
Assets	223,256,196	72,006,805	17,730,947	12,833,024	14,952,136	105,733,284
Liabilities	214,238,107	49,293,396	19,298,094	81,647,975	40,496,668	23,501,974
Gap	9,018,089	22,713,409	(1,567,147)	(68,814,951)	(25,544,532)	82,231,310
Accumulated Gap	9,018,089	22,713,409	21,146,262	(47,668,689)	(73,213,221)	9,018,089

Note: This chart includes only NT Dollar amounts in BOOC headquarters and domestic branches.

6. Trading in Financial Derivatives

Expected Cash Flow of Financial Derivatives

Unit: NT\$1,000

Term	Inward Cash Flow	Outward Cash Flow	Net Inward(Outward) Flow
Within 1 year	721,828	2,000,485	(1,278,658)
1-2 years	1,393,050	0	1,393,050
2-3 years	169,990	0	169,990

By using appropriate risk management policies along with risk assessment and control methods, the BOOC conformed to control and management regulations in regard to non-performing loans, foreign exchange risk, interest-rate sensitivity risk, assets and liabilities maturity analysis, and risk management for financial derivative products during the past year.

BUSINESS AND FUNDS UTILIZATION PLANS

I. Business Plans for 2004

■ Corporate Banking

1. Specialized foreign exchange bank – establishment of forex operations center
 - (1) Maintenance of the BOOC's advantage in forex specialization
 - (2) Reinforcement of service channels and creation of added value
 - (3) Advancement toward streamlining, centralization, and orientation toward efficiency and information
2. Specialized SME financing bank
 - (1) Strengthening of cooperation with the Small and Medium Enterprise Credit Guarantee Fund
 - (2) Strengthened promotion of SME Easy Loans to small businesses (including stores)
3. Establishment of strategic alliances and cooperative relations with foreign financial institutions
 - (1) Assisting of Taiwanese enterprises in export trade and overseas investment
 - (2) Serving as a catalyst for globalization by Taiwanese enterprises
 - (3) Participation in international syndicated loans
 - (4) Provision of financial services to overseas Chinese and their enterprises
4. Strengthening of financial operations, and development and promotion of all kinds of financial products
 - (1) Strengthening of margin trading and assisting of clients in hedging foreign exchange risk
 - (2) Provision of exchange rate, interest rate, and bond consulting services to help customers in their wealth management planning
 - (3) Strengthened development of new types of products (such as the domestic and overseas factoring business)
 - (4) Strengthening of liaison with other domestic banks so as to choose outstanding syndicated loans to undertake, and vigorous solicitation of the right to act as lead bank in domestic loan syndications

■ Personal Banking

1. Vigorous promotion of small secured loans (such as money-management home loans)
2. Vigorous promotion of credit-card and consumer loans

■ Wealth Management

1. Promotion of the bonds, funds, and bank insurance businesses
Vigorous promotion of the bonds and funds businesses and establishment of an insurance brokerage company as well as the setting up of strategic alliance and cooperative relations with life and non-life insurance companies

2. Establishment of a wealth management center
 - (1) Training of a pool of wealth management specialists
 - (2) Implementation of the account officer system
 - (3) Establishment of a wealth management center

■ Establishment of Regional Business Management, Risk Management, Debt Management, and Foreign Exchange Operations Centers

1. Formation of a professional division of labor, and enhancement of service quality and reduction of risk
2. Streamlining of processes to improve service efficiency
3. Integration of resources to manifest organizational synergies
4. Implementation of standardization, elimination of obstacles to communication, and assurance of consistent quality
5. Release of manpower to carry out business promotion and marketing
6. Enhancement of employee productivity and reduction of transaction costs

■ Overall Development Strategies and Action Directions

1. Development into a "small but excellent" bank
The BOOC will develop into a specialized foreign exchange bank with special business characteristics and business niches, striving to enter the ranks of the five largest forex banks within the next few years. In addition, the Bank's existing service channels will be repositioned, their functions reinforced, and the competitiveness of their products and services enhanced so as to create added value and increase income. With its special characteristics and service channels, the Bank will provide outstanding corporate financing, consumer financing, and wealth management services, creating bank corporate value and upgrading profitability.
2. Development into a considerate and friendly bank
 - (1) A customer-oriented bank that has an accurate understanding of customer needs and weighs the economic effect of its businesses in helping customers solve their problems professionally and speedily.
 - (2) A meticulous, caring, and careful bank that creates close cooperative relations with and loyalty among customers through initiative and friendly service, and that operates and serves its customers with care.
3. Development into an information-oriented and efficient bank
 - (1) Upgrading of service standards: Provision of all kinds of service channels for fast and efficient customer services.
 - (2) Streamlining of operating procedures: Use of the digitization and rationalization of internal operating processes, and the appropriate deployment of administrative and business personnel, to upgrade overall operating efficiency.
 - (3) Strengthening of internal controls: To enhance working efficiency, the internal controls system has been strengthened so as to prevent the occurrence of unexpected incidents.
 - (4) Reinforcement of risk management: Effective operation in the banking business requires effective understanding and management of the credit, market, operating, exchange rate, interest rate, information system, legal, and other risks that arise in banking.



President Mr. Lin presided over the conference of management affairs.

- (5) Enhancement of marketing capabilities: Heightening of the ratio of business personnel and strengthening of professional training, and aggressive selling of the Bank's products through their repackaging.

II. Plans for the Disposal and Acquisition of Real Estate, and for Long-term Investment, in 2004

Planning is under way for the appropriate disposition of the Bank's old Nanjing West Road premises.

III. Research and Development

1. Strengthening of the transition function of Internet banking and continued development of an e-commerce platform integration mechanism
2. Strengthening of the establishment of strategic alliances with securities, insurance, real estate brokerage, and other peripheral financial enterprises
3. Development of specific consumer durables financing markets in coordination with the marketing channels of franchise stores
4. Planning for guaranteed-principal investment products and the offering to customers of new options, through the combination of fixed-income products and derivative financial products, that balance risk and return on investment
5. Planning of trust products, design of securitized asset products, and development of customer-oriented product packages
6. Planning of a customer relations management system so as to enhance service quality, and reinforcement of information management systems so as to upgrade management performance

IV. Funds Utilization Plans

1. Contents, sources of funds, utilization budget, and possible results of BOOC plans for the expansion of business, merger with or acquisition of other financial institutions or reinvestment in other companies, expansion or construction of fixed assets during this fiscal year:

This year the Bank will implement factoring and wealth management, and establish a wealth management center; the different business plans are under active implementation.

2. Uncompleted previous capital increase through cash injection or issuance of bank debentures, uncompleted former plans for capital increase through cash injection or the issuance of bank debentures, and analysis of unrealized results of capital utilizations plans for the past two fiscal years:

To heighten the Bank's capital adequacy ratio, NT\$4.5 billion worth of subordinated bank debentures were successfully issued in October 2003, boosting the Bank's capital adequacy ratio to above 8%. This will facilitate the expansion of business and the strengthening of competitiveness.



FINANCIAL HIGHLIGHTS

I. Five-year Summary of Statements of Condition

Unit:NT\$1,000

Item	Year	Five-year Statements of Finance				
		2003	2002	2001	2000	1999
Cash. due from central bank and due from banks		45,418,847	43,722,660	40,058,717	29,059,093	40,776,818
Marketable securities		10,561,901	21,751,240	27,381,930	12,801,836	17,161,690
Receiveable and prepayments		10,306,113	10,095,132	11,513,590	10,055,971	11,900,562
Fund and investments		3,837,275	4,386,891	2,751,448	2,001,979	1,799,251
Loans. discounts and bills purchases-net		176,734,779	172,459,646	167,287,082	191,595,903	207,391,840
Premises and equipment		8,480,530	8,655,421	8,844,447	9,086,327	9,202,957
Other assets		11,243,110	4,843,003	5,630,366	5,678,335	4,177,922
Due to central bank and due to other banks		1,639,393	2,026,676	1,462,216	2,682,878	3,226,747
Deposits. drafts and remittances		236,339,614	235,849,367	236,663,225	226,458,875	254,238,917
Bank debenture		4,500,000	-	-	-	-
Borrowed funds		862,874	1,688,281	1,151,247	895,141	2,781,266
Payables		11,271,014	13,494,002	12,532,498	16,510,942	15,780,438
Guaranty and marginal deposits		539,166	404,419	443,171	522,474	538,878
Reserves for accrued expenses and possible loss(Note 2)		676,679	497,193	599,147	557,397	567,137
Capital stock		11,376,000	11,376,000	16,752,000	16,752,000	16,752,000
Retained earnings	Before appropriation	(2,187,463)	(788,354)	(7,350,830)	(4,285,445)	(1,656,517)
	After appropriation	(Note 1)	(788,354)	(7,350,830)	(4,285,445)	(1,656,517)
Total assets		266,582,555	265,913,993	263,467,580	260,279,444	292,411,040
Total liabilities	Before appropriation	257,212,279	255,148,784	253,878,441	247,627,707	277,133,383
	After appropriation	(Note 1)	255,148,784	253,878,441	247,627,707	277,133,383
Total shareholders' equity	Before appropriation	9,370,276	10,765,209	9,589,139	12,651,737	15,277,657
	After appropriation	(Note 1)	10,765,209	9,589,139	12,651,737	15,277,657

(Note 1): Regarding the distribution of profit for fiscal year 2003, since shareholder's meeting has not yet been held, no postdistribution figures are given.

(Note 2): Includes reserve for land value increment tax.

Five-year Summary of Statements of Income

Unit:NT\$1,000

Item	Year	Five-year Statements of Finance				
		2003	2002	2001	2000	1999
Operating income		10,240,442	11,728,951	16,517,047	19,043,195	19,756,498
Operating expenses		11,679,391	12,322,053	19,539,627	21,624,252	21,429,400
Net operating income(losses)		(1,438,949)	(593,102)	(3,022,580)	(2,581,057)	(1,672,902)
Non-operating income		209,339	70,367	74,943	64,188	45,667
Non-operating expenses		169,499	98,039	117,748	111,844	82,003
Net non-operating income		(39,840)	(27,672)	(42,805)	(47,656)	(36,336)
Income(losses)before income tax		(1,399,109)	(620,774)	(3,065,385)	(2,628,713)	(1,709,238)
Income tax		-	-	-	-	(55,624)
Net income(losses)		(1,399,109)	(620,774)	(3,065,385)	(2,628,713)	(1,764,862)
Earnings Per Share		(1.23)	(0.37)	(1.83)	(1.57)	(1.05)

Note: Profit(loss)per share is calculated in accordance with the weighted average number of shares in circulation during the current fiscal year.

II. Five-year Comparison of Financial Indicators

Item	Year	Five-year Comparison of Financial Indicators					
		2003	2002	2001	2000	1999	
Financial structure(%)	Debt ratio	96.49	95.94	96.36	95.14	94.78	
	Deposit over equity ratio	2,539.72	2,209.67	2,483.28	1,811.15	1,685.24	
	Fixed assets over equity ratio	90.50	80.40	92.23	71.82	60.24	
Liquidity ratios(%)	Current ratio	481.27	439.13	521.29	271.58	334.95	
	Current reserve ratio	16.52	15.14	18.14	7.64	11.95	
Activity ratios	Loans over deposits ratio(%)	74.78	73.12	70.69	84.61	81.57	
	Overdue ratio(%)	10.15	13.98	17.80	13.41	9.90	
	Interest expense over yearly average deposit ratio(%)	1.43	2.44	4.34	4.77	4.98	
	Interest revenue over yearly average loan ratio(%)	3.22	5.09	7.18	7.89	7.97	
	Total assets turnover(times)	0.04	0.04	0.06	0.07	0.07	
	Average operating revenue per employee(in thousands of New Taiwan dollars)	5,369.92	6,242.12	8,367.30	9,423.45	9,691.68	
	Average net income per employee(in thousands of New Taiwan dollars)	(733.67)	(330.37)	(1,552.88)	(1,300.81)	(865.76)	
Profitability ratios	Return on total assets(%)	(0.53)	(0.23)	(1.17)	(0.95)	(0.62)	
	Return on stockholders' equity(%)	(13.90)	(6.10)	(27.56)	(18.82)	(10.92)	
	% of share capital	Operating income(losses)	(12.65)	(5.21)	(18.04)	(15.41)	(9.99)
		Income(losses) before tax	(12.30)	(5.46)	(18.30)	(15.69)	(10.20)
	Net profit(losses) margin(%)	(13.66)	(5.30)	(18.56)	(13.80)	(8.93)	
	Earnings(losses) per share(in Net Taiwan dollars)	(1.23)	(0.37)	(1.83)	(1.57)	(1.05)	
Cash flows(%)	Cash flow ratio	6.27	34.53	(17.47)	26.71	13.56	
	Cash flow adequacy ratio	1,324.57	504.36	495.85	323.49	87.31	
	Cash reinvested ratio	1.19	7.64	(3.21)	10.05	4.34	
Leverage	Operating leverage	(4.19)	(8.65)	(1.74)	(2.28)	(3.55)	
	Financial leverage	0.99	0.96	0.97	0.89	0.89	

III. Net Value, Profit, Dividend, and Market Price Per Share for 2002~2003

Unit : NT\$1,000

Item	Year	2003	2002	
		Net Value	Before Distribution	8.24
	After Distribution	8.24	9.46	
Profit	Weighted Average(Shares)	1,136,740,000	1,659,251,000	
	Earnings Per Share	Pre-Adjustment	(1.23)	(0.37)
		Post-Adjustment	(1.23)	(0.37)
Dividend	Cash Dividend	-	-	
	Stock Dividend	-	-	
Market Price	Highest	7.95	4.72	
	Lowest	3.19	1.80	




IV. Supervisors' Report to Shareholders of Bank of Overseas Chinese


In accordance with Article 219 of the ROC Company Law, we hereby certify that the 2003 financial reports submitted by the Board of Directors of Bank which have been examined by Diwan, Ernst & Young and that together with the Report of Business and Statement of covering for loss have been duly examined and accepted by us.

Resident Supervisor:


Shih Chiao-Hsin

Supervisor:


Sanrong Lii


Chin, Chang-Ming

April 28, 2004

V. Auditors' Report on Review of Financial Statements for the Past Year

9th Floor
International Trade Bldg
Taipei World Trade Center
333 Keelung Rd., Sec. 1
Taipei 110, Taiwan, R.O.C.
Phone: 886-2-2720-4000
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 **DIWAN, ERNST & YOUNG**

REPORT OF INDEPENDENT AUDITORS


The Board of Directors and Shareholders
Bank of Overseas Chinese

We have audited the accompanying balance sheets of Bank of Overseas Chinese (The Bank) as of December 31, 2003 and 2002, and the related statements of income, change in shareholders' 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 audit. We did not audit the financial statements of the equity-basis investee as of and for the years ended December 31, 2003 and 2002. The long-term investment accounted for by the equity method amounted to NT\$113,327 thousand and NT\$112,502 thousand as of December 31, 2003 and 2002, respectively, and related investment income of NT\$2,949 thousand and NT\$587 thousand recognized for the years then ended. Those statements audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for such said investee, is based on the report of the other auditors.

We conducted our audit in accordance with the "Guidelines for Certified Public Accountants' Examination and Reporting on Financial Statements" and auditing standards generally accepted in the Republic of China. 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 audit and the report of other auditors provide a reasonable basis for our opinion.

As described in Note IV to the financial statements, the Bank entered into a contract to sell non-performing loans to assets management company on October 23, 2003. According to Financial Institutions Merger Act, the related loss amounted to NT\$5,142,510 thousand will be amortized for five years started from November 2003. As of December 31, 2003, the balance of unamortized loss was NT\$4,942,510 thousand and listed as other assets. According to general accepted accounting principle in the Republic of China, loss occurred in selling non-performing loans should be recognized as an expense in the corresponding period. If the Bank recognizes NT\$4,942,510 thousand loss in 2003, other assets will decrease, while other operating expense and the net loss before taxes will then both increases by the same amount.

In our opinion, except for the effect of not recognizing loss in selling of non-performing loan as an expense in the corresponding period as discussed in the preceding paragraph, based on our examinations and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Bank of Overseas Chinese as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles and "Regulations Governing the Preparation of Financial Statements of Public Companies" in the Republic of China.


February 23, 2004
Taipei, Taiwan
Republic of China

Notice to Readers

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

VI. Financial Statements for the Past Year

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002 (Expressed in Thousands of Dollars)

ASSETS	New Taiwan dollars		US dollars (Note II)
	December 31		
	2003	2002	2003
Cash (Notes II and IV)	\$4,019,658	\$3,491,969	\$115,574
Due from Central Bank (Notes II and IV)	31,413,962	27,059,954	903,219
Due from other banks (Notes II, IV and X)	9,985,227	13,170,737	287,097
Securities Purchased-net (Notes II, IV, VI and X)	10,561,901	21,751,240	303,677
Receivables-net (Notes II and IV)	8,941,255	8,658,941	257,080
Prepayments (Notes II and IV)	1,364,858	1,436,191	39,243
Bills and loans-net (Notes II, IV, V and X)	176,734,779	172,459,646	5,081,506
Long-term investments-net (Notes II, III, IV, VI and X)	3,837,275	4,386,891	110,330
Premises and equipment (Notes II, IV, V and VII)			
Cost:			
Land	4,521,581	4,521,581	130,005
Building	3,820,165	3,840,736	109,838
Furniture and fixtures	1,060,203	1,098,588	30,483
Transportation equipment	23,339	20,620	671
Miscellaneous equipment	454,861	466,017	13,078
Revaluation increment	745,491	745,491	21,434
Subtotal	10,625,640	10,693,033	305,509
Less: Accumulated depreciation	(2,152,497)	(2,046,394)	(61,889)
Construction in progress and procurement	7,387	8,782	212
Premises and Equipment-net	8,480,530	8,655,421	243,832
Unamortized expenses (Note II)	110,730	163,732	3,184
Deferred pension cost (Notes II and IV)	545,500	479,715	15,684
Other assets (Notes II and IV)	10,586,880	4,199,556	304,397
TOTAL ASSETS	\$266,582,555	\$265,913,993	\$7,664,823

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	New Taiwan dollars		US dollars (Note II)
	December 31		
	2003	2002	2003
LIABILITIES:			
Due to Central Bank	\$11,532	\$13,001	\$332
Due to other banks (Notes IV and X)	1,627,861	2,013,675	46,805
Payables (Note IV)	11,152,848	13,360,975	320,668
Advances from customers	118,166	133,027	3,398
Deposits and remittances (Notes IV, V and X)	236,339,614	235,849,367	6,795,274
Banker's debenture (Note IV)	4,500,000	-	129,385
Bankers acceptances and funds borrowed (Notes IV and X)	862,874	1,688,281	24,809
Reserve for estimated land increment tax (Note IV)	383,142	383,142	11,016
Accrued pension liability (Notes II and IV)	1,383,539	1,188,846	39,780
Reserve for possible losses (Notes II and IV)	293,537	114,051	8,440
Guaranty and marginal deposits (Note V)	539,166	404,419	15,500
Total Liabilities	257,212,279	255,148,784	7,395,407
SHAREHOLDERS' EQUITY:			
Capital stock (Note IV)	11,376,000	11,376,000	327,085
Capital reserve (Notes II and IV)	178,440	178,440	5,131
Retained earnings (Note IV)			
Legal reserve	20,920	20,920	601
Special reserve	-	-	-
Accumulated deficit (Note VI)	(2,208,383)	(809,274)	(63,496)
Unrealized loss on long-term investments (Notes II and IV)	(2,528)	(8,890)	(73)
Translation adjustments (Notes II and IV)	7,408	9,594	213
Treasury stock (Notes II and IV)	(1,581)	(1,581)	(45)
Total Shareholders' Equity	9,370,276	10,765,209	269,416
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$266,582,555	\$265,913,993	\$7,664,823

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (Expressed in Thousands of Dollars, Except Per Share Amounts)

Items	New Taiwan dollars		US dollars(Note II)
	2003	2002	2003
OPERATING INCOME:			
Interest	\$7,566,206	\$10,209,999	\$217,545
Commissions and handling fees	1,050,043	984,644	30,191
Gains on securities transactions	1,371,999	277,423	39,448
Investment income (Note II)	48,574	53,639	1,397
Profit on exchange-net (Note II)	167,343	180,454	4,811
Other operating income	36,277	22,792	1,043
Total	10,240,442	11,728,951	294,435
OPERATING COST:			
Interest	3,481,153	5,827,145	100,091
Commissions and handling charges	385,534	426,774	11,085
Provisions for possible losses (Note II)	4,558,391	2,894,582	131,064
Operating expenses (Note IV)	2,836,258	2,959,371	81,549
Administration expenses	208,943	214,181	6,008
Other expenses	209,112	-	6,013
Total	11,679,391	12,322,053	335,810
NET OPERATING LOSS	(1,438,949)	(593,102)	(41,375)
NON-OPERATING INCOME:			
Gains on disposal of premises and equipment (Note II)	61	143	2
Reversal of provision for losses on guarantees (Note II)	217	30,246	6
Others	209,061	39,978	6,011
Total	209,339	70,367	6,019
NON-OPERATING EXPENSES:			
Loss on disposal of premises and equipment (Note II)	562	15,242	16
Others	168,937	82,797	4,857
Total	169,499	98,039	4,873
LOSS BEFORE INCOME TAX	(1,399,109)	(620,774)	(40,229)
INCOME TAX (Notes II and IV)	-	-	-
NET LOSS	(\$1,399,109)	(\$620,774)	(\$40,229)
LOSS PER SHARE (Note IV) (In New Taiwan Dollars)			
LOSS BEFORE INCOME TAX	(\$1.23)	(\$0.37)	(\$0.04)
INCOME TAX	-	-	-
NET LOSS	(\$1.23)	(\$0.37)	(\$0.04)
PRO FORMA INFORMATION ON EARNINGS AS IF UNCONSOLIDATED SUBSIDIARIES' INVESTMENT IN THE BANK IS NOT TREATED AS TREASURY STOCK			
NET LOSS	(\$1,397,252)	(\$621,548)	(\$40,174)
LOSS PER SHARE (Note IV) (In New Taiwan Dollars)	(\$1.23)	(\$0.37)	

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In thousands of New Taiwan Dollars)

Items	Capital Stock	Capital Reserve	Retained Earnings			Unrealized Loss on Long-Term Investments	Translation Adjustments	Treasury Stock	Total
			Legal Reserve	Special Reserve	Accumulated Deficit				
Balance, January 1, 2002	\$16,752,000	\$185,690	\$33,270	\$4,044	(\$7,388,144)	(\$7,977)	\$10,256	\$-	\$9,589,139
Net loss from January 1 to June 30, 2002	-	-	-	-	(1,011,500)	-	-	-	(1,011,500)
Make up the accumulated loss (Note IV)	(8,376,000)	(7,250)	(12,350)	(4,044)	8,399,644	-	-	-	-
Issuance of common stock by cash at discount (Note IV)	3,000,000	-	-	-	(1,200,000)	-	-	-	1,800,000
Net income from July 1 to December 31, 2002	-	-	-	-	390,726	-	-	-	390,726
Unrealized loss on long-term investments (Notes II and IV)	-	-	-	-	-	(913)	-	-	(913)
Translation adjustments (Note II)	-	-	-	-	-	-	(662)	-	(662)
Treasury stock held by the subsidiaries	-	-	-	-	-	-	-	(1,581)	(1,581)
Balance, December 31, 2002	11,376,000	178,440	20,920	-	(809,274)	(8,890)	9,594	(1,581)	10,765,209
Net loss for 2003	-	-	-	-	(1,399,109)	-	-	-	(1,399,109)
Unrealized loss on long-term investments (Notes II and IV)	-	-	-	-	-	6,362	-	-	6,362
Translation adjustments (Note II)	-	-	-	-	-	-	(2,186)	-	(2,186)
Balance, December 31, 2003	\$11,376,000	\$178,440	\$20,920	\$-	(\$2,208,383)	(\$2,528)	\$7,408	(\$1,581)	\$9,370,276

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002(In thousands of New Taiwan Dollars)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(\$1,399,109)	(\$620,774)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for possible losses	4,558,391	2,894,582
Depreciation	207,631	229,370
Amortization	61,931	63,082
Loss on disposal of premises and equipment	501	15,099
Gain on disposal of long-term investment-bond	-	(3,563)
Investment loss recognized by the equity method	805	1,305
(Increase) decrease in receivables	(282,314)	1,339,631
Decrease in prepayments	71,333	77,903
(Increase) decrease in securities purchased for trading purposes	(283,718)	982,473
Increase in accrued pension liability	128,908	91,995
Decrease in reserves for possible losses	(263)	(102,638)
Increase (decrease) in payables	(2,208,127)	984,668
Decrease in advances from customers	(14,861)	(23,164)
Adjustment of changes in exchange rates	22,786	13,024
Net cash provided by operating activities	863,894	5,942,993
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in due from Central Bank	(4,354,008)	(11,379,022)
Decrease in due from other banks	3,185,510	7,907,206
Decrease in securities purchased for non-trading purposes	11,522,581	4,648,217
Proceeds from disposal of long-term investments	3,852,760	1,354,738
Increase in long-term investments	(3,349,297)	(2,991,080)
Increase in loans, discounts, and bills purchased	(8,095,399)	(7,729,212)
Proceeds from disposal of premises and equipment	63	360
Acquisition of premises and equipment	(33,569)	(56,357)
(Increase) decrease in refundable deposits	(144,842)	228,614
Increase in unamortized expenses	(8,664)	(73,060)
(Increase) decrease in other assets	(6,800,858)	302,870
Net cash used in investing activities	(4,225,723)	(7,786,726)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stocks by cash at discount	-	1,800,000
Decrease in due to Central Bank	(1,469)	(21,935)
Increase (decrease) in due to other banks	(385,814)	586,395
Increase (decrease) in deposits and remittances	490,247	(813,858)
Increase in Banker's debenture	4,500,000	-
Increase (decrease) in funds borrowed	(825,407)	537,034
Increase (decrease) in guaranty and marginal deposits	134,747	(38,752)
Net cash provided by financing activities	3,912,304	2,048,884
EFFECT OF CHANGES IN EXCHANGE RATE	(22,786)	(13,024)
NET INCREASE IN CASH AND CASH EQUIVALENTS	527,689	192,127
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,491,969	3,299,842
CASH AND CASH EQUIVALENTS, END OF THE YEAR	\$4,019,658	\$3,491,969
SUPPLEMENT DISCLOSURES OF CASH FLOWS INFORMATION:		
Interest expenses paid	\$3,916,379	\$6,923,313

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

(In thousands of New Taiwan Dollars unless otherwise stated)

I. ORGANIZATION AND OPERATIONS

Overseas Chinese founded the Bank in line with the Government's policy of encouraging investments in financial institutions. In 1959, a preparatory committee was established and the Bank commenced its operations in March 1961. In order to avoid difficulties arising from similarly named banks overseas, the Bank changed its English name from Overseas Chinese Commercial Banking Corporation to Bank of Overseas Chinese in 1997.

It is engaged mainly in the following operations:

1. Accepting deposits;
2. Extending loans and discount;
3. Investing in funds and securities;
4. Handling remittances and providing guarantee service;
5. Acting as a trustee or an agent;
6. Other related financial operations authorized by the Banking Law.

The Bank has a trust department whose trust investment business is regulated under the Republic of China (R.O.C.) Banking Law.

The Bank's stock was traded in the R.O.C. GreTai Securities Market since December 1998.

As of December 31, 2003 and 2002, the Bank employed 1,907 and 1,854 employees, respectively.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in conformity with "Regulations Governing the Preparation of Financial Statements of Public Companies" and accounting principles generally accepted in the Republic of China. The significant accounting policies are summarized as follows:

1. Basis for Preparation of Financial Statements

The accompanying financial statements include the accounts of the head office and all of the branches. All inter-branch transactions and balances have been eliminated.

Under R.O.C. GAAP, a company / Bank is required to include in its annual consolidated financial statements only those subsidiaries, which are directly or in-directly owned by the company / Bank for over 50% of the ownership. For directly owned subsidiaries with total assets and total net sales less than 10% of the parent's unconsolidated total assets and total net sales may be exempt from preparing consolidated statements

2. Cash Equivalents

The Bank considers all highly liquid debt instruments with maturity of three months or less to be cash equivalents.

3. Securities Purchased

Securities purchased are carried at the lower of cost and market value on a portfolio basis. When market value is lower than the cost, a provision is made for the impairment loss. The reversal of unrealized losses on investments in future periods would be recognized within the limit of the unrealized loss. When stocks are sold, the cost is calculated based on the weighted-average method for equity securities. Other securities are based on individual assessment.

4. Long-term Investments

(1) Investments In Equity Securities

The equity method is used for long-term equity investment where the Bank has control, joint control or significant influence over the investee enterprises; however, when the Bank has not received the audited financial statements of the equity method investee company in time to recognize its equity in the investee company's income (loss), the Bank may delay the recognition of its equity in the investee company's income (loss) until the subsequent year. The difference between the cost of investment and the Bank's share of the investee company's equity at acquisition is deferred and amortized over five years.

Investments in other companies with voting rights less than 20% of the common shares of investee are stated at cost, except for investment in listed companies, which are stated at lower of cost or market value. The lower of cost or market value method compares aggregate cost with aggregate market price. The loss should be recognized in the period when the carrying amount is not expected to recover permanently, and the declined value should be carried as new cost of the investment.

(2) Investments In Debt Securities

Investments in bonds are stated at cost adjusted for the amortization of premiums or discounts arising on acquisition over the periods to maturity on a straight-line basis. The amortization of premiums or discounts is included as part of interest income or interest expense. Investments in debt securities are evidence indicating a decline in the value of an investment is not temporary, and the possibility of recovery is considered remote, the investment is devalued to reflect the market, and the resulting loss is recognized in the period incurred. Cost of bonds upon maturity or disposal is determined by the specification method.

5. Allowances for Doubtful Accounts on Receivables

Allowance for doubtful accounts on receivables are provided based on the results of review of the collectibles of accounts balances and the rates adopted by the relevant regulations. Whenever the management of the Bank determines the receivables are deemed uncollectible, a charge-off that conforms to the Bank's relevant regulations is recommended to and approved by the Bank's Board of Directors.

6. Bills and Loans

Bills and Loans are stated at the principal amount outstanding, interest on loans, discounts and bills purchased are accrued as earned, based upon the principal amount outstanding.

Loans, discounts and bills purchased are placed on overdue loans when payments of principal or interest are 180 days past due or if, have performed the relevant legal proceeding, when they are placed on overdue loans the accrual of income is discontinued, subsequent interest payments are credited to income when received.

The allowances for probable losses are provided for due from loans, discounts and bills based on collectability review and the rates adopted by the relevant regulations. Balances of uncollectible accounts are written off against allowance for probable losses only upon the approval by the board of directors.

7. Premises and Equipment

Premises and equipment are stated at cost plus a revaluation increment less accumulated depreciation. Major improvements and renewals are capitalized as cost, and repairs and maintenance are expensed as incurred. Upon sale or disposal of property and equipment, the related cost, revaluation increment and accumulated depreciation are written off from the books, and any gain or losses thereafter are charged to non-operating income or expenses.

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

Building and improvements	5 - 60 Years
Furniture and fixtures	5 - 15 Years
Transportation equipment	3 - 5 Years
Miscellaneous equipment	3 - 5 Years

8. Unamortized expenses

Unamortized expenses are amortized by the straight-line method over five years.

9. Pledged assets taken-over

Pledged assets taken-over are stated at cost. However, when a decline in value of pledged assets taken-over is considered not recoverable, the allowance for the decline in net realizable value is provided.

10. Employees Pension Plan

The Bank has pension plans for all regular employees under the relevant and foreign government regulations. The Bank makes monthly contributions to a pension fund, which is administered by the workers' fund administration committee, at amounts up to 8% of the employees' salaries for employees. Effective May 1997, according to the Labor Standard Law, the Bank also makes contributions to the external retirement fund which is administered by a separate committee to supervise the employees retirement fund and is deposited and withdrawn under the committee's name. The Bank makes monthly contributions to the fund at amounts up to 2% of the employees' salaries for employees. Because the pension fund are not under the administration of the Bank, such funds are not reflected in the above-mentioned financial statements.

The Bank adopted the Statement of Financial Accounting Standards (SFAS) No.18 "Accounting for pensions", which requires actuarial determination of pension assets or obligations. The unrecognized net obligation at transition is amortized by the straight-line method over twenty years.

11. Reserves for Possible Losses

Reserve for losses on stock brokerage transactions:

Pursuant to the regulations issued by the Ministry of Finance, a reserve for possible losses on stock brokerage transactions is based on 0.0028% of the amount of total stock traded derived from stock brokerage business until such reserve reached the amount of NT\$200,000 thousand.

Reserve for losses on guarantees:

A reserve is computed within the limit allowed by the relevant laws and regulations based on the balance of guarantees. The reserve is used to cover possible losses on such business.

Reserve for losses on trading securities:

Pursuant to the regulations, 10% of the gain derived from trading securities is reserved for possible loss on trading securities. The reserve cannot be used except to offset trading losses.

12. Treasury Stock

The treasury stock is stated at the acquisition cost except for the donated treasury stock, which is stated at market value. When the treasury stock is sold, the cost is computed by weighted-average-method, while gain or loss of selling treasury stock is credited to or charged against Capital Reserve. Cost of treasury stock is shown as a deduction to shareholders' equity on the balance sheets.

Since 2002, the Bank accounts for the stocks held by subsidiary companies as treasury stocks.

13. Recognition of Interest Revenue and Service Fees Income

Interest income for loans is recognized on an accrual basis except for loans classified as non-accrual loans. The accrual of income from non-accrual loans is discontinued; subsequent interest payments are credited to income upon collection.

Under the regulations of the Ministry of Finance, the interest income on credits covered by agreements that extend their maturity is recognized upon collection.

Service fees income is recognized when the services are rendered.

14. Income Tax

The Bank adopted the SFAS No. 22 "Accounting for income taxes" for interperiod and intra period income tax allocation. Tax effects on taxable temporary differences are recognized as deferred tax liabilities. Tax effects on deductible temporary differences, operating loss carry forward and investment tax credits are recognized as deferred tax assets. Valuation allowance for deferred tax assets will be set up for their reliability.

The Bank's tax credits are recognized in the current period according to the R.O.C. SFAS No.12 "Tax Credits".

If the Bank does not distribute all its current year profits as calculated on a tax basis, an additional 10% income tax will be levied on the portion of undistributed profits.

15. Foreign-currency Transactions

The Bank maintains its accounts at the currencies in which transactions are denominated. Foreign currencies revenues and expenses are recorded in New Taiwan Dollars at the exchange rates prevailing on the transaction dates. At the end of each month, those foreign-currency denominated assets and liabilities other than those using forward foreign exchange contracts to hedge the exposure, are restated at the prevailing exchange rates and the resulting differences are recorded as follows: 1) For long-term equity investments - as cumulative translation adjustment in the shareholders' equity; 2) For other long-term investments - as cumulative translation adjustments in the shareholders' equity if restated New Taiwan dollar amounts are lower than the carrying amount. Otherwise, no adjustment is made; 3) For other assets and liabilities - credited or charged to current income.

16. Derivative Financial Instruments

Forward Contracts

Assets and liabilities arising from trading forward contracts are recorded at the contracted forward rate. Upon settlement, gains or losses caused by the difference between the spot rate at the settlement date and the contracted forward rate are credited to or charged against income. At balance sheet date, the gains or losses on outstanding forward contracts arising from the differences between the forward rate available for the remaining period of each contract and the contracted forward rate are credited to or charged against income. The balances of accounts receivable and payables caused by forward contracts are netted on the balance sheet date, and the differences are treated as an asset or liability.

Currency Swaps

Currency swap for not-trading purpose is by nature a money market instrument. It represents two foreign exchange transactions dealt simultaneously, that is, one spot transaction and a forward transaction with same amount but opposite direction. The difference between spot and forward exchange rates are recorded as prepayment or receive-in-advance on trade date, and amortized into revenue or expense as time decay.

Interest Rate Swaps

Interest rate swaps represents agreements between two parties to exchange periodic interest payments, most often fixed vs. floating, are based on a notional principal amount. The differential to be received or paid is recorded as an adjustment of income.

17. Commitments and Contingent Liabilities

A loss is recognized if it is probable that an asset will be impaired or a liability will be incurred and the amount of loss can be reasonably estimated. Where it is possible that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability in the footnotes to the financial statements.

III. ACCOUNTING CHANGES

Nil.

IV. BREAKDOWN OF SIGNIFICANT ACCOUNTS

1. CASH

	December 31, 2003	December 31, 2002
Cash	\$3,037,602	\$2,870,848
Post-dated checks for clearance	982,056	621,121
Total	\$4,019,658	\$3,491,969

2. DUE FROM CENTRAL BANK

	December 31, 2003	December 31, 2002
Deposit reserve account	\$3,048,687	\$2,030,496
General account	4,707,275	4,621,458
Time deposit account	23,658,000	20,408,000
Total	\$31,413,962	\$27,059,954

Time deposit account of NT\$3,900,000 thousand and NT\$2,100,000 thousand at December 31, 2003 and 2002 respectively was pledged to Central Bank as deposit for transactions reserve.

3. DUE FROM OTHER BANKS

	December 31, 2003	December 31, 2002
Due from banks	\$1,703,856	\$1,580,973
Call loans to banks	8,281,371	11,589,764
Total	\$9,985,227	\$13,170,737

Due from banks account of NT\$271,984 thousand and NT\$278,240 thousand at December 31, 2003 and 2002 respectively was pledged to other bank as deposit for transactions reserve.

4. SECURITIES PURCHASED-NET

	December 31, 2003	December 31, 2002
Government and corporate bonds	\$10,140,815	\$21,695,072
Stocks of listed companies and mutual funds	449,788	85,677
Total	10,590,603	21,780,749
Less:		
Allowance for decline in market price of securities	(28,702)	(29,509)
Net	\$10,561,901	\$21,751,240

Securities purchased of NT\$831,300 thousand and NT\$1,161,400 thousand at December 31, 2003 and 2002, respectively, were placed with other parties as collateral for business reserve and guarantees.

5. RECEIVABLES-NET

	December 31, 2003	December 31, 2002
Accounts receivable	\$5,512,268	\$5,317,147
Accrued interest receivable	867,416	1,376,306
Customers' liabilities under acceptances	2,087,415	1,714,350
Others	688,054	414,541
Total	9,155,153	8,822,344
Less: Allowance for doubtful accounts	(213,898)	(163,403)
Net	\$8,941,255	\$8,658,941

6. PREPAYMENTS

	December 31, 2003	December 31, 2002
Prepaid expenses	\$27,824	\$29,832
Inter-bank clearing funds	308,647	305,414
Deferred income tax assets-net	821,298	821,298
Advances	173,229	269,903
Others	33,860	9,744
Total	\$1,364,858	\$1,436,191

7. BILLS AND LOANS-NET

	December 31, 2003	December 31, 2002
Inward-outward documentary bills purchased	\$4,096,542	\$3,724,296
Discounts	4,413	17,339
Loans	157,127,782	146,381,402
Overdrafts	501,689	228,231
Overdue Loans	19,356,521	28,958,992
Total	181,086,947	179,310,260
Less: Allowance for doubtful accounts	(4,352,168)	(6,850,614)
Net	\$176,734,779	\$172,459,646

(1) Overdue loans, where the accrual of interest ceased, amounted to NT\$19,356,521 thousand and NT\$28,958,992 thousand at December 31, 2003 and 2002, respectively. Unrecognized interests are NT\$1,009,348 thousand and NT\$1,407,407 thousand for the years ended December 31, 2003 and 2002, respectively.

(2) The additional information of loans, discounts, and bills purchased by type of industry and geographic region is shown as note X.

(3) The following are summaries of the changes in the allowance for doubtful accounts for the years ended December 31, 2003 and 2002, respectively.

	Allocated allowance	Unallocated portion	Total
2003			
Balance, beginning of the year	\$6,587,051	\$263,563	\$6,850,614
Provision for doubtful account	3,652,084	-	3,652,084
Write-off	(6,214,906)	(85,963)	(6,300,869)
Recoveries	150,339	-	150,339
Balance, end of the year	\$4,174,568	\$177,600	\$4,352,168
2002			
Balance, beginning of the year	\$5,583,680	\$264,246	\$5,847,926
Provision for doubtful account	2,384,214	-	2,384,214
Write-off	(1,468,237)	(683)	(1,468,920)
Recoveries	87,394	-	87,394
Balance, end of the year	\$6,587,051	\$263,563	\$6,850,614

In recent years, the local economic and financial environment has been affected by several factors, including the country's economic growth has decelerated, investment is reduced, the stock market is bearish, and the New Taiwan dollar depreciated. Certain business enterprises, failed to meet its contractual obligations. To deal with the difficult situation, the government has taken various economy-boosting policies.

The Bank's financial statements include allowance for doubtful accounts based on information available to the Bank, including defaults to the extent of which can be determined or estimated. However, any adjustments that might be required when related contingent liabilities become probable or determinable in the future are not included.

8. LONG-TERM INVESTMENTS-NET

Investees	December 31, 2003		December 31, 2002		Basis for valuation
	Book Value	Percentage of ownership	Book Value	Percentage of ownership	
BOOC Leasing International Co., Ltd.	\$161,942	99.997	\$162,811	99.997	Equity method
Chiao-Fu Real Estate Management Ent. Corp.	4,282	35.00	7,263	35.00	Equity method
Overseas Chinese Finance Limited.	113,327	100.00	112,502	100.00	Equity method
Overseas Chinese Insurance Broker Co., Ltd.	2,034	100.00	-	-	Equity method
China-Trust Commercial Bank	211	-	211	-	Lower of cost or market
Chinese Products Promotion Center	925	2.43	925	2.43	Cost method
China Trust Investment Co., Ltd.	927	0.66	927	0.66	Cost method
Taiwan Securities Central Depository Co., Ltd.	1,850	0.19	1,850	0.19	Cost method
Dah Chin Bills Finance Corp.	300,000	10.00	300,000	10.00	Cost method
Taipei Forex Inc.	6,000	3.03	6,000	3.03	Cost method
Wallant International Trade Inc.	-	2.50	-	2.50	Cost method
Taiwan International Merchandise Exchange Corporation	14,000	0.70	14,000	0.70	Cost method
Taiwan Cooperative Bank	1,008	-	1,008	-	Cost method
Yun Ling Cooperative Union	4	-	4	-	Cost method
Concord IV Venture Capital Co., Ltd.	75,000	4.93	75,000	4.93	Cost method
Core Pacific World Co., Ltd.	100,000	5.00	100,000	5.00	Cost method
Euroc III Venture Capital Corp.	30,000	5.00	30,000	5.00	Cost method
Financial Information Service Co., Ltd.	45,500	1.14	45,500	1.14	Cost method
Landmark Venture Capital Corp.	25,000	5.00	25,000	5.00	Cost method
Debt Instruments Depository and Clearing Co., Ltd. Taiwan	20,000	1.00	-	-	Cost method
Subtotal	902,010		883,001		
Long-term Investment Bond	2,937,793		3,512,780		
Total	3,839,803		4,395,781		
Less: Unrealized losses on long-term investments	(2,528)		(8,890)		
Net	\$3,837,275		\$4,386,891		

- (1) In April 1999, the Bank set up BOOC Leasing International Co., Ltd., which the authorized capital was NT\$200,000 thousand. The Bank invested NT\$199,994 thousand and held 99.997% ownership in BOOC Leasing International Co., Ltd.
- (2) Since August 1988, the Bank has 35% of equity interest in Chiao-Fu Real Estate Management Ent. Corp., which accounted for by the equity method.
- (3) During 1999, the Bank set up a 100% owned subsidiary, Overseas Chinese Finance Limited. The authorized capital of the subsidiary was HKD\$30,000 thousand, which is accounted for by the equity method.
- (4) In July 2003, the Bank set up a 100% owned subsidiary, Overseas Chinese Insurance Broker Co., Ltd. The authorized capital of the subsidiary was NT\$2,000 thousand, which is accounted for by the equity method.
- (5) The bank is not required by the regulation to prepare consolidated financial statements to incorporate the Overseas Chinese Financial Limited, BOOC Leasing International Co. Ltd., and Overseas Chinese Insurance Broker Co., Ltd. because neither the total assets nor the total operating revenue of those subsidiaries are greater than 10% of the Bank's total assets or total operating revenue.
- (6) As of December 31, 2003 and 2002, long-term investment bond of NT\$2,597,812 thousand and NT\$3,251,930 thousand, respectively, was placed with counter parties as collateral for trading guarantees.

9. PREMISES AND EQUIPMENT

The Bank revalued certain of its premises and equipment in 1976, 1981 and 1994. The revaluation was based on prescribed price indices and multiples in accordance with government regulations. Changes in the revaluation increment up to December 31, 2003 are summarized as follows:

	Gross Revaluation Increment	Estimated Land Increment Tax	Capital Reserve
Revaluation increment in 1976	\$30,313	\$10,451	\$19,862
Revaluation increment in 1981	216,454	55,716	160,738
Revaluation increment in 1994	510,841	318,663	192,178
Capital increase from capital reserve in 1977	-	-	(18,741)
Capital increase from capital reserve in 1982	-	-	(158,928)
Write-off from disposal	(12,117)	(1,688)	-
Reserve for capital increase from capital reserve	-	-	(17,390)
Balance at December 31, 2003	\$745,491	\$383,142	\$177,719

No mortgage was made on the Bank's premises and equipment.

As of December 31, 2003 and 2002, the insurance coverage of above-mentioned premises and equipment are NT\$3,992,071 thousand and NT\$4,209,364 thousand, respectively.

10. OTHER ASSETS

	December 31, 2003	December 31, 2002
Pledged assets taken-over-net	\$4,613,457	\$3,313,686
Refundable deposits	1,030,712	885,870
Loss on disposal of non-performing loans	4,942,510	-
Others	201	-
Total	\$10,586,880	\$4,199,556

In order to mitigate future delinquencies, the bank entered into a contract and sold non-performing loans to COLONY CAPITAL ASIA PACIFIC LTD on October 15, 2003. According to Financial Institutions Merger Act, article 15, the related loss amounted to NT\$5,142,510 thousand will be amortized by month for five years. As of December 31, 2003, the balance of unamortized loss was NT\$4,942,510 thousand and the amortized loss totaled NT\$209,112 thousand was recorded as other operating expense during 2003.

11. DUE TO OTHER BANKS

	December 31, 2003	December 31, 2002
Due to banks	\$304,642	\$565,999
Overdrafts from banks	1,323,219	447,676
Call loans from banks	-	1,000,000
Total	\$1,627,861	\$2,013,675

12. PAYABLES

	December 31, 2003	December 31, 2002
Accounts payable	\$2,578,912	\$2,117,078
Accrued expenses	222,201	312,471
Accrued interest	862,156	1,297,382
Acceptances	2,106,758	1,748,417
Collection for customers	230,757	71,765
Securities sold under agreements to repurchase	4,897,069	7,649,272
Others	254,995	164,590
Total	\$11,152,848	\$13,360,975

13. DEPOSITS AND REMITTANCES

	December 31, 2003	December 31, 2002
Deposits from the Directorate General of Postal Remittances and Saving Banks	\$20,906,033	\$24,902,342
Check deposits	4,762,059	3,906,696
Demand deposits	41,900,426	34,725,684
Time deposits	47,970,691	50,134,802
Savings deposits	120,604,949	122,024,430
Outward remittances	72,664	73,533
Remittances payable	122,792	81,880
Total	\$236,339,614	\$235,849,367

14. BANKER'S DEBENTURE

	December 31, 2003	December 31, 2002
Subordinate Banker's debenture	\$4,500,000	\$-

In September 2003, the Bank issued six-year subordinate banker's debenture amounting to NT\$4,500,000 thousand with a floating interest rate of 1.25% plus the average floating interest rate for one-year time saving deposit of Chunghwa Post Co., Ltd. and Bank of Taiwan. The subordinate banker's debenture are repayable at maturity, and the interests are payable semiannually.

Each subordinate Banker's debenture has lower priority claim on assets and income than other debt. That is, its principal and interests are repayable only after more senior debt with higher priority has been satisfied. Subordinate Banker's debenture is senior to common stock.

15. BANKERS' ACCEPTANCES AND BORROWED FUNDS

	December 31, 2003	December 31, 2002
Borrowed Funds-Central Bank	\$294,012	\$292,736
Borrowed Funds-other banks	568,862	1,395,545
Total	\$862,874	\$1,688,281

16. RESERVES FOR POSSIBLE LOSSES

	December 31, 2003	December 31, 2002
Reserve for losses on guarantees	\$119,251	\$71,838
Reserve for losses on stock brokerage transactions	21,792	21,165
Reserve for losses on trading securities	152,494	21,048
Total	\$293,537	\$114,051

17. PENSION

(1) The Bank adopted the SFAS No. 18 "Accounting for pensions" which requires actuarial determination of pension assets or obligations. The following is the reconciliation between the funded status and amounts recognized:

	December 31, 2003	December 31, 2002
Pension benefit obligation		
Vested	\$(739,201)	\$(339,668)
Non-vested	(655,115)	(868,865)
Accumulated benefit obligation	(1,394,316)	(1,208,533)
Value of future salary projections	(313,832)	(383,190)
Projected benefit obligation	(1,708,148)	(1,591,723)
Fair value of plan assets	10,777	19,687
Projected benefit obligation in excess of plan assets	(1,697,371)	(1,572,036)
Unrecognized net obligation at transition	737,494	794,224
Unrecognized prior service cost	113,141	122,315
Unrecognized pension (benefit) loss	8,697	(53,634)
Additional minimum pension liability	(545,500)	(479,715)
Accrued pension liability	\$(1,383,539)	\$(1,188,846)

(2) As of December 31, 2003 and 2002, the vested benefit, based on the Bank's pension plan, amounted to NT\$739,201 thousand and NT\$504,464 thousand.

(3) The major actuarial assumptions used were:

	2003	2002
Discount rate	3.50%	4.00%
Growth rate in compensation levels	2.00%	2.00%
Expected long-term rate of return on plan assets	3.50%	4.00%

(4) The following is a summary of the components of net pension expenses for 2003 and 2002:

	2003	2002
Service cost	\$90,583	\$95,334
Interest cost	61,889	75,454
Expected return on plan assets	(787)	(570)
Amortization of net obligation at transition	65,904	65,904
Net pension expenses	\$217,589	\$236,122

18. CAPITAL STOCK

On January 1, 2002, the Bank's capital stock amounted to NT\$16,752,000 thousand, divided into 1,675,200 thousand shares at \$10 par value.

According to the resolution made by the shareholders' annual meeting on September 28, 2002, the Bank offset its accumulated deficit as of June 30, 2003 totaled NT\$8,399,644 thousand by using NT\$12,350 thousand of legal reserve, NT\$4,044 thousand of special reserve, NT\$7,250 thousand of capital reserve and reducing NT\$8,376,000 thousand of capital stock. Also, the shareholders resolved to increase the Bank's capital stock to NT\$16,752,000 thousand after the reduction of capital stock as of the preceding resolution. The new stocks were issued in installments and the first 300,000 thousand shares issued in discount, \$6 per share, have been approved by authority-in-charge. According to the related regulations, the insufficient part of issuing new stock in discount should be offset by the additional paid in capital derived from issuing the same category of stock in premium, retained earnings can then be used if the premium is not enough. After issuing the new stocks, the Bank's outstanding capital stock is amounted to NT\$11,376,000 thousand as of December 31, 2003.

The shareholders resolved on April 26, 2003 to increase the Bank's capital stock to NT\$5,000,000 thousand by issuing 0.5 billion preferred shares in private auction, \$10 per share. The board of directors was authorized to decide the issuing terms by shareholders' meeting.

19. DISTRIBUTION OF RETAINED EARNINGS

The Bank's Articles of Incorporation provides that its annual net income shall be distributed, first, to make up for prior years' losses, if any; and then 30% of the remainder shall be set aside as legal reserve. A special reserve and a dividend may be appropriated, if necessary. If there is any remainder, the following distribution shall apply: extra bonus to shareholders 85%, compensation to directors and supervisors 5%, and bonus to employees 10%, and cash dividends declaration, if any, should not exceed the limit of 15% of paid-in capital, until such retention of legal reserve reached the amount of paid-in capital.

The shareholders of the Bank resolved at their meeting on April 26, 2003 to amend the Articles of Incorporation. "A special reserve and a dividend may be appropriated, if necessary." was then amended as "A special reserve may be

appropriated and then the preferred stock dividends for the rest of the non-distributed annual net income, if necessary. " Also, "total or part of the bonus distributable to the employees under the articles of incorporation may be paid in the form of shares newly issued for such purpose" is added to the Bank's article.

The appropriations of earnings shall be resolved by the shareholders at their annual meeting to be held in the following year and given effect to in the financial statements of that year.

The government's regulations stipulate that the Bank must retain part of its annual net income as legal reserve and cash dividends declared, if any, should not exceed the limit of 15% of paid-in capital, until such retention of legal reserve reached the amount of paid-in capital. The legal reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reached one-half of the paid-in capital, up to 50% there of may be transferred to capital stock.

In order to prevent an impairment of working capital, based on the regulations of authority-in-charge, a portion of the retained earnings equal to the deduction account of shareholders' equity, if any, becomes unavailable for dividend distribution.

The motion to make up accumulated deficit has not been resolved by the Board of Directors as of the report date. Details of the motion can be inquired on the Market Observation Post System Website.

Information regarding the employee bonus and composition to directors is stated in Note IV 22.

20. TREASURY STOCK

Since January 1, 2002, the Bank's own stocks held by subsidiary companies are treated as treasury stock in accordance with SFAS No.30. As of December 31, 2003 and 2002, the Bank's own stocks held by BOOC Leasing International Co., Ltd. totaled 860 thousand shares with a carrying value of NT\$4,246 thousand and NT\$2,389 thousand, respectively and market value of \$4.94 and \$2.78 per share.

21. INCOME TAX

(1) The income tax returns for the years prior to 1998 have been finalized by the tax authorities. The tax authorities assessed the Bank additional income tax for 1994 and 1995 in the amount of NT\$432 thousand and NT\$4,131 thousand, respectively. The Bank did not agree with the assessment and appealed to the tax authorities. The claim is in the process by the tax authority. The additional tax liability of NT\$4,563 thousand has been charged into income tax adjustments in 2002.

(2) The reconciliation between income tax payable and income tax expense are as follows:

	2003	2002
Income tax payable	\$-	\$-
Prior year income tax adjustments	-	2,440
Adjustment on tax on undistributed retained earnings	-	-
Deferred income tax benefit (expenses):		
Allowance for bad debts	(609,770)	241,426
Operating loss carry forward	1,240,898	(79,845)
Other income tax benefit	(45,954)	72,493
Valuation allowance	(585,174)	(236,514)
Income tax expenses	\$-	\$-

(3) Deferred tax liabilities and assets resulting from the following timing differences:

	2003	2002
① Deductible temporary differences:		
Allowance for bad debts	\$2,731,009	\$5,170,087
Others	323,663	296,600
Operating loss carry forwards	\$12,474,647	\$7,511,055
Income tax credit	\$10,595	\$63,315
	December 31, 2003	December 31, 2002
② Deferred tax assets	\$3,892,925	\$3,307,751
Less: Valuation allowance	(3,071,627)	(2,486,453)
Net	\$821,298	\$821,298

(4) As of December 31, 2003 and 2002, the related information of shareholders' deductible income tax is as follows:

	December 31, 2003	December 31, 2002
Shareholders' deductible income tax account	\$56,562	\$50,482
Accumulated deficit after 1998	\$(2,208,383)	\$(809,274)

22. LOSS PER SHARE

(1) The computation of loss per share is as follows:

	2003	2002
Weighted-average shares(In thousand shares)	1,136,740	1,659,251
Loss before income tax	\$(1,399,109)	\$(620,774)
Income tax	-	-
Net loss	\$(1,399,109)	\$(620,774)
Loss per share: (In New Taiwan Dollars)		
Loss before income tax	\$(1.23)	\$(0.37)
Income tax	-	-
Net loss	\$(1.23)	\$(0.37)

Pro forma information on earnings is set out as follows: (If subsidiaries' investment in Bank is not treated as treasury stock)

	2003	2002
Net Loss	\$(1,397,252)	\$(621,548)
Loss per share (In New Taiwan Dollars)	\$(1.23)	\$(0.37)

(2) Estimated earnings per share after consideration of distribution of employee bonus and compensation to Directors as required by the Securities and Futures Commission:
None. (For the Bank has accumulated deficit in recent two years)

14. BANKER'S DEBENTURE

	December 31, 2003	December 31, 2002
Subordinate Banker's debenture	\$4,500,000	\$-

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Projected benefit obligation	(1,708,148)	(1,591,723)
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Projected benefit obligation in excess of plan assets	(1,697,371)	(1,572,036)
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Expected long-term rate of return on plan assets	3.50%	4.00%

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19. DISTRIBUTION OF RETAINED EARNINGS

The Bank's Articles of Incorporation provides that its annual net income shall be distributed, first, to make up for prior years' losses, if any; and then 30% of the remainder shall be set aside as legal reserve. A special reserve and a dividend may be appropriated, if necessary. If there is any remainder, the following distribution shall apply: extra bonus to shareholders 85%, compensation to directors and supervisors 5%, and bonus to employees 10%, and cash dividends declaration, if any, should not exceed the limit of 15% of paid-in capital, until such retention of legal reserve reached the amount of paid-in capital.

The shareholders of the Bank resolved at their meeting on April 26, 2003 to amend the Articles of Incorporation. "A special reserve and a dividend may be appropriated, if necessary." was then amended as "A special reserve may be

appropriated and then the preferred stock dividends for the rest of the non-distributed annual net income, if necessary. " Also, "total or part of the bonus distributable to the employees under the articles of incorporation may be paid in the form of shares newly issued for such purpose" is added to the Bank's article.

The appropriations of earnings shall be resolved by the shareholders at their annual meeting to be held in the following year and given effect to in the financial statements of that year.

The government's regulations stipulate that the Bank must retain part of its annual net income as legal reserve and cash dividends declared, if any, should not exceed the limit of 15% of paid-in capital, until such retention of legal reserve reached the amount of paid-in capital. The legal reserve may be used at any time to offset the accumulated deficit, if any. Once the legal reserve reached one-half of the paid-in capital, up to 50% there of may be transferred to capital stock.

In order to prevent an impairment of working capital, based on the regulations of authority-in-charge, a portion of the retained earnings equal to the deduction account of shareholders' equity, if any, becomes unavailable for dividend distribution.

The motion to make up accumulated deficit has not been resolved by the Board of Directors as of the report date. Details of the motion can be inquired on the Market Observation Post System Website.

Information regarding the employee bonus and composition to directors is stated in Note IV 21.

20. TREASURY STOCK

Since January 1, 2002, the Bank's own stocks held by subsidiary companies are treated as treasury stock in accordance with SFAS No.30. As of December 31, 2003 and 2002, the Bank's own stocks held by BOOC Leasing International Co., Ltd. totaled 860 thousand shares with a carrying value of NT\$4,246 thousand and NT\$2,389 thousand, respectively and market value of \$4.94 and \$2.78 per share.

21. INCOME TAX

(1) The income tax returns for the years prior to 1998 have been finalized by the tax authorities. The tax authorities assessed the Bank additional income tax for 1994 and 1995 in the amount of NT\$432 thousand and NT\$4,131 thousand, respectively. The Bank did not agree with the assessment and appealed to the tax authorities. The claim is in the process by the tax authority. The additional tax liability of NT\$4,563 thousand has been charged into income tax adjustments in 2002.

(2) The reconciliation between income tax payable and income tax expense are as follows:

	2003	2002
Income tax payable	\$-	\$-
Prior year income tax adjustments	-	2,440
Adjustment on tax on undistributed retained earnings	-	-
Deferred income tax benefit (expenses):		
Allowance for bad debts	(609,770)	241,426
Operating loss carry forward	1,240,898	(79,845)
Other income tax benefit	(45,954)	72,493
Valuation allowance	(585,174)	(236,514)
Income tax expenses	\$-	\$-

(3) Deferred tax liabilities and assets resulting from the following timing differences:

	2003	2002
① Deductible temporary differences:		
Allowance for bad debts	\$2,731,009	\$5,170,087
Others	323,663	296,600
Operating loss carry forwards	\$12,474,647	\$7,511,055
Income tax credit	\$10,595	\$63,315
	December 31, 2003	December 31, 2002
② Deferred tax assets	\$3,892,925	\$3,307,751
Less: Valuation allowance	(3,071,627)	(2,486,453)
Net	\$821,298	\$821,298

(4) As of December 31, 2003 and 2002, the related information of shareholders' deductible income tax is as follows:

	December 31, 2003	December 31, 2002
Shareholders' deductible income tax account	\$56,562	\$50,482
Accumulated deficit after 1998	\$(2,208,383)	\$(809,274)

22. LOSS PER SHARE

(1) The computation of loss per share is as follows:

	2003	2002
Weighted-average shares(In thousand shares)	1,136,740	1,659,251
Loss before income tax	\$(1,399,109)	\$(620,774)
Income tax	-	-
Net loss	\$(1,399,109)	\$(620,774)
Loss per share: (In New Taiwan Dollars)		
Loss before income tax	\$(1.23)	\$(0.37)
Income tax	-	-
Net loss	\$(1.23)	\$(0.37)

Pro forma information on earnings is set out as follows: (If subsidiaries' investment in Bank is not treated as treasury stock)

	2003	2002
Net Loss	\$(1,397,252)	\$(621,548)
Loss per share (In New Taiwan Dollars)	\$(1.23)	\$(0.37)

(2) Estimated earnings per share after consideration of distribution of employee bonus and compensation to Directors as required by the Securities and Futures Commission:

None. (For the Bank has accumulated deficit in recent two years)

23. OPERATING EXPENSES

	December 31, 2003		December 31, 2002	
	Operating Cost	Operating Expense	Operating Cost	Operating Expense
Personnel expenses		\$1,828,568		\$1,890,942
Salary expenses	-	1,498,607	-	1,543,378
Insurance expenses	-	95,374	-	92,713
Pension expenses	-	217,589	-	236,122
Others	-	16,998	-	18,729
Depreciation expenses	-	207,631	-	229,370
Amortization expenses	-	61,931	-	63,082

V. RELATED PARTIES TRANSACTIONS

1. Name and relation of related parties are as follows:

Name of related parties	Relationship
Chiao-Fu Real Estate Management Ent. Corp	Investee company in equity method
BOOC Leasing International Co., Ltd.	Investee company in equity method
Overseas Chinese Finance Limited.	Investee company in equity method
BOOC's Employee Welfare Committee	The association is the Chairman of the Board
Taiwan UFT Co., Ltd.	Investee company of the Bank's subsidiaries (has been liquidated in October, 2002)
Herbert S.S. Chung	Director of the Bank
Wen-Long Lin	General Manager
Edward C.W. LAI	Managing Director
Felice Chen	Managing Director
Ching-Sung Wu	Managing Director
Thomas K.H. Wu	Managing Director
Shih Chie Tsai	Managing Director
Gwoduan-David Jou	Director
Ho-Mou Wu	Director
LONG S-H TSAI	Director
Tony K.A. Lyou	Director
Lin Hsiou-wei W.	Director
Ker Liang-Chun	Director
Development Fund, Executive Yuan	Corporation Director
Union Wealth Holdings Ltd.	Corporation Director
Polaris Securities Co., Ltd.	Corporation Director
New-Fortune Development Co. Ltd.	Corporation Director
Paohong Investment Co., Ltd.	Corporation Director
Others	

2. Significant account balances and transactions with the related parties are summarized as follows:

(1) Loans and deposits

Account/Related Parties	December 31, 2003		December 31, 2002	
	Amount	Percentage	Amount	Percentage
Loans	\$135,207	0.09%	\$156,495	0.11%
Deposits	1,661,925	0.77%	396,039	0.19%

Transactions with related parties are similar to those with third parties dealt with in the ordinary course of business, except for employees have bargain rate for saving accounts and housing loans.

(2) Directors and supervisors as guarantees are summarized as follows:

Name	Debtor	Category	Balance
2003			
Shih Chie Tsai	Fooder Int'l Co., Ltd.	Overdue Loan	\$28,279
Tony K. A. Lyou	Ho Chuan Chang	Medium-term Loan	3,851
Sen-Sen Chai	Tiang Kuo Chiang	Long-term Secured Loan	7,541
2002			
Shih Chie Tsai	Fooder Int'l Co., Ltd.	Medium-term Secured Loan	\$8,983
Shih Chie Tsai	Fooder Int'l Co., Ltd.	Long-term Secured Loan	18,974
Sen-Sen Chai	Tiang Kuo Chiang	Long-term Secured Loan	7,644

VI. ASSETS PLEDGED OR MORTGAGED

See note IV.

VII. CONTINGENT LIABILITIES AND COMMITMENTS

As of December 31, 2003, the Bank had the following contingent liabilities and commitments, which are not included in the above-mentioned financial statements:

1. Trust, collection and guarantee:

Items	Amount
Securities purchased under agreement to resell	\$1,447,701
Securities sold under agreement to repurchase	6,349,659
Bills for collection	125,887,771
Commitments to syndicated loan	752,517
Guarantees on duties and contracts	10,728,646
Unused commercial letters of credit	6,682,332
Travelers' checks for sale	605,412
Entrusted Assets	3,850,392
Items held for safekeeping	718,306
Loan commitments	4,493,166
Credit card lines	66,477,487
Total	\$227,993,389

2. The trust balance sheet and details of trust properties are as follows:

Trust Balance Sheet					
Trust Assets	December 31, 2003	December 31, 2002	Trust Liabilities	December 31, 2003	December 31, 2002
Trust Funds	\$3,850,392	\$1,545,441	Trust Liabilities	\$3,850,392	\$1,545,441
Total Assets	\$3,850,392	\$1,545,441	Total Liabilities	\$3,850,392	\$1,545,441

Details of Trust Properties				
Item	December 31, 2003		December 31, 2002	
	Amount		Amount	
Trust funds	\$3,850,392		\$1,545,441	
Total	\$3,850,392		\$1,545,441	

3. The Bank has entered into certain contracts to purchase premises and equipment totaling \$57,060 thousand of which prepayments of \$19,875 thousand were made.

4. The Bank is a lessee under certain operating lease agreements covering premises and equipment. The future minimum lease payments, for the years subsequent to December 31, 2003 are as follows:

Year	Amount
2004	\$107,690
2005	54,376
2006	21,097
2007	10,045
2008	5,340
Total	\$198,548

5. Derivative Financial Instruments

In a normal course of business, the Bank is a party to a variety of off-balance-sheet and derivative instruments including forward exchange contracts, currency swaps, and interest rate swaps. These financial instruments involve to varying degrees of risks. These transactions are typically customer-driven and are not for trading purpose. The related information is as follows:

A. Notional and Credit Risk Amounts for Derivative Financial Instruments

Derivative Financial Instruments	December 31, 2003		December 31, 2002	
	Notional Amount	Credit Risk	Notional Amount	Credit Risk
Foreign Exchange Contracts				
Commitments to purchase	\$2,000,485	\$16,926	\$1,330,455	\$12,101
Commitments to sell	126,863	90	447,041	527
Currency swaps	4,132,388	-	1,805,180	-
Interest rate swaps	2,937,792	37,622	3,234,540	12,865

Credit risk is the possibility of loss from the failure of counterparty to fully perform under the term of a derivative financial instrument.

Foreign exchange contracts constitute agreements to exchange designated currencies at a specified date at a predetermined price. The Bank enters into foreign exchange contracts to provide foreign exchange to its clients as hedging instruments. All client positions are entered into under the approved credit limits and under the similar policies and procedures used for lending activities to ensure that exposure to all clients is actively monitored and controlled. Certain clients are required to provide collateral, generally cash, before entering into these transactions and as deemed necessary over the lives of the contract to reduce the Bank's credit exposure on these positions.

As of December 31, 2003 and 2002, the maturity dates of outstanding currency swap contacts ranged from one day to three months and from two days to twenty-one days, respectively. The purpose that the Bank deals in currency swap transactions is for managing cash flow. The counterparties that the Bank dealt with are all prestige international banks and all under the credit limits the Bank grant to every counter party. So, the Bank assumes very little credit risks.

Interest rate swaps represent agreements between two parties for the exchange of periodic interest payments, mostly for the fixed vs. floating rate by based on a notional principal amount. As of December 31, 2003 and 2002, the maturity dates of the outstanding interest rate swaps ranged from one and half months to five years and two months and from three months to two years and ten months, respectively. The interest rates swaps are the combination of Assets Swaps and Euro Convertible Bonds. As a consequence, the Bank assumes both credit risks of bond issuers and counterparties. The measure of bond issuers' credit risk is the maximum losses, i.e. the principal amount and the put premium; the Bank would suffer if the bond issuers default. However, public-listed companies issue all the Euro Convertible Bonds the Bank purchased and the principal amounts are also under the control of credit limits used in lending activities. For the counterparties' credit risks, the counterparties the Bank dealt with are all rated at least 'A' class by S&P and also approved by the Board of Director. So, the Bank assumes very limited credit risks in doing interest rate swaps.

B. Market Risk

Market risk is the potential loss arising from adverse future changes in market rates and prices, such as interest rate, foreign currency exchange rate, and price of equity securities. As of December 31, 2003 and 2002, the related risk for the Bank's derivative financial instruments is limited to a less extent.

C. Liquidity Risk, Cash Flow Risk and the Uncertainty of the future cash flow as to the Amount and Period.

The net expected cash flow generated from engaging in varieties of derivative products was mainly from forward and interest rate swap contracts. The expected cash flow from forward contracts might be affected by exchange rates; however, the expected cash flow from other products was by netting settlement, so the Bank assumed very limited cash flow risk. Besides, the above-mentioned cash flow was uncertain and would be highly affected by the changes of foreign exchange rate and interest rate. The longer the time horizontalizes, the higher the uncertainty it has.

The liquidity of forward exchange contracts that are entered by the Bank with customers could be low. However, the Bank provides this financial instrument to its customers as a hedge instrument and also requires customers to provide the related trading documents to execute the trade. Since the Bank and customers both commit to perform according to the term of forward exchange contract, the liquidity risk of the forward exchange contract would be immaterial. In the meantime, the Bank also enters forward exchange contracts with international financial institutions. The liquidity risk of this type of transaction is very low because it could buy or sell forward exchange contracts at any time on secondary market. There are no liquid secondary market for currency swap and interest rate swap markets; however, transactions that the Bank entered are for hedging purpose, so the Bank assumed very little liquidity risks.

D. The policies for disclosed gains or losses of derivative financial instruments on financial statements are summarized as follows:

Assets and liabilities arising from trading forward contracts are recorded at the contract forward rate. Upon settlement, gains or losses caused by the difference between the spot rate at the settlement date and the contracted forward rate are credited or charged to income. At balance-sheet date, the gains or losses on outstanding forward contracts arising from the differences between the forward rate available for the remaining period of each contract and the contracted forward rate are credited or charged to income. The balances of account receivable and payable caused by forward contracts are netted on the balance-sheet date, and the difference are treated as an asset or liability.

The assets and liabilities denominated in foreign currency aroused from spot transaction part of currency swaps are recorded as spot exchange rate, and the forward part of currency swap transactions are recorded as forward exchange rate. The differences between spot and forward exchange rates are amortized over the contract period by straight-line method as addition interest income or expenses.

The notional amount is not recorded for interest rate swaps. In the meantime, the differential to be received or paid which was calculated by fixed vs. floating is recorded as adjustment of interest income.

E. Off-Balance-Sheet Credit Risk

The Bank entered into certain transactions with customers to repurchase or resell securities or short-term notes for business purpose. The Bank also provides a various type of loans and credit card services. The term for the related loans is various and depends on the credit status of the borrowers. In 2003 and 2002, the interest rates for credit card loans are 14.27%-19.76% and 19.71%, respectively.

The Bank also provides guarantees for loans and commercial letters of credit services. These guarantees represent an irrevocable obligation to pay a third-party beneficiary in the event a customer fails to meet a financial or performance obligation and the dates of guarantees for maturity are not in one particular period.

A summary of the contract amount of each significant class of off-balance-sheet credit related financial instruments outstanding appear in the table below.

Items	December 31, 2003	December 31, 2002
Securities purchased under agreement to resell	\$ 1,447,701	\$-
Securities sold under agreements to repurchase	6,349,659	7,659,332
Loan commitments	4,493,166	6,840,549
Credit card lines	66,477,487	60,684,594
Guarantees and commercial letters of credit	17,410,978	19,816,816

These financial instruments will not fully pay before maturity. Therefore, the total contractual amounts of these contracts does not necessarily represent future cash requirement. The maximum amount of possible losses for the above off-balance-sheet credit related financial instruments approximate to those contractual amounts if borrowers failed to perform according to the terms of the contract and the value of existing collateral became worthless.

The Bank will evaluate customers' credit status when provided securities sold under agreement to repurchase, securities purchased under agreement to resell, loan commitments, and commercial letters of credit transactions. Certain customers are required to provide appropriate collateral for the related loans and the Bank retains the legal right to foreclose or liquidate the collateral. Generally, these collateral include cash, real estate, securities, or other properties. Credit card lines are not secured and may be cancelled by the Bank after periodically reviewed customers' credit status.

6. As of December 31, 2003, the significant pending legal issue arising from normal business is as followed:

The Bank bought NT\$215,442 thousand of Government Bonds from third party; while Bank of Taiwan claimed that its

employees stole those Bonds and then sold to the Bank. In April 2002, Bank of Taiwan submitted a petition to Taipei District Court to claim for the return of NT\$215,442 thousand plus interest derived. And the court has not yet decided this case. The Bank considers the possibility of winning this case is high and there will be no negative affect on the financial statements.

VIII. SIGNIFICANT DISASTER LOSS

None.

IX. SIGNIFICANT SUBSEQUENT EVENT

None.

X. OTHERS

1. Fair Value of Financial Instruments

As of December 31, 2003 and 2002, except for the table summarized below, the carrying amounts of financial assets and liabilities reported on the balance sheets are approximately equal to their carrying values.

Financial Asset	December 31, 2003		December 31, 2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Marketable securities	\$10,561,901	\$11,515,173	\$ 21,751,240	\$24,089,848
Long-term investments	3,837,275	3,837,623	4,386,891	4,388,245

Fair value amounts of marketable securities and long-term investment were based on quoted market prices, if available. If quoted market prices did not exist, fair values were estimated using book or other financial resources.

2. Concentration Aggregation of Credit Risk

(1) When counterparties of financial instrument transactions are significantly concentrated in one particular person or most of the counterparties perform the similar business or have the similar business characteristic, the Bank is exposed to credit risk while counterparties fail to live up the terms of the contract under certain economic circumstance. The Bank mitigates the above risk by diversifying counterparties and customers. The below table summarizes the above risk by type of industry and geographic region.

Item	December 31, 2003	December 31, 2002
Loan (exclude discount, bill purchase and overdue loans)		
Geographic Region		
Domestic	\$145,422,858	\$143,189,070
South East Asia	2,138,882	2,419,249
North America	231,220	41,397
Others	9,840,924	977,256
Total	\$157,633,884	\$146,626,972
Industry type		
Electronics	\$13,963,322	\$10,507,846
Construction	6,105,135	11,597,471
Others	137,565,427	124,521,655
Total	\$157,633,884	\$146,626,972
Credit card		
Gold card	\$2,247,750	\$2,171,216
Regular card	2,575,360	2,627,776
Business card	5,250	6,622
Total	\$4,828,360	\$4,805,614

The amount of possible losses for the above credit related loans approximate to those notional amounts if borrowers failed to perform in accordance with the terms of the contract and the value of existing collateral became worthless.

(2) Assets and liabilities-average balance and average rate

	2003		2002	
	Average balance	Average rate	Average balance	Average rate
Assets				
Due from banks	\$2,125,437	0.80%	\$1,170,976	1.69%
Call loans to banks	11,026,319	1.56%	15,222,454	2.09%
Due from Central Bank	27,740,198	1.45%	6,084,040	1.86%
Marketable securities-bonds	12,887,261	4.43%	25,374,327	4.03%
Loans	145,915,114	3.85%	140,157,532	5.38%
Long-term investments-bonds	3,067,387	2.92%	2,656,747	4.30%
Liabilities				
Due to banks	348,726	1.65%	646,418	3.29%
Overdrafts from banks	691,096	0.04%	680,364	0.03%
Call loans from banks	334,681	1.12%	61,927	1.47%
Demand deposits	73,639,696	0.77%	65,053,202	1.59%
Time deposits(including negotiable certificates of time deposits)	129,029,093	1.83%	137,143,355	2.00%
Deposits from the Directorate General of Postal Remittances and Savings Banks	23,564,636	1.88%	26,638,440	2.74%
Bankers' acceptances and funds borrowed	848,407	0.20%	621,856	0.60%

(3) Regulatory capital ratio

Pursuant to the regulations of Banking Law, the ratio of bank's shareholders' equity to its risk weighted assets shall not be less than 8%; if the said ratio is less than the prescribed ratio, the Bank's power to distribute surplus profits may be restricted by the authority in charge.

The ratio of Bank's shareholders' equity to its risk weighted assets as of December 31, 2003 and 2002 are 8.04% and 5.53%, respectively. The equation to calculate such ratios are listed below:

Eligible capital-Deduction item

$$\text{Weighted risk assets} + \text{Capital charges for market risk positions} \times 12.5$$

VII. Review and Analysis of Financial Conditions and Operating Results

I .Application and Funding Sources of Material Capital Expenditures : None

II .Liquidity Analysis

1.Liquidity Analysis for 2002 & 2003

Item	Year	2003	2002	Percentage Increase(Decrease)
Cash Flow Ratio		6.27	34.53	(81.84)%
Cash Flow Adequacy Ratio		1,324.57	504.36	162.62%
Cash Reinvestment Ratio		1.19	7.64	(84.42)%

Analysis of changes in increase/decrease ratios:

There was a decrease in net cash inflow from business activity compared with the previous period because of such factors as interest rate change, reduced liabilities on securities sold under agreement to repurchase, and reduced payables, resulting in decreases in ratios of cash flow volume, and cash reinvestment compared with the previous period. Because of the continuing decline in capital expenditures within recent five years, there is an increase in cash flow adequacy compared with the previous period.

2.Cash Liquidity Analysis for 2004

Beginning Cash Balance	Estimated Net Operating Cash Flow	Estimated Cash Outflow	Estimated Cash Balance/Shortage	Remedy for Estimated Cash Shortage	
				Investment Project	Financing Project
①	②	③	①+②-③		
4,019,658	1,202,875	1,109,457	4,113,076	-	-

III .Operational Results Analysis

Item	Year	2003	2002	Amount Increase(Decrease)	Percentage Increase (Decrease)
Operating Income		\$10,240,442	\$11,728,951	\$(1,488,509)	(12.69)%
Operating Cost		11,679,391	12,322,053	(642,662)	(5.22)%
Net Operating Loss		(1,438,949)	(593,102)	(845,847)	(142.61)%
Non-Operating Income		209,339	70,367	138,972	197.50%
Non-Operating Cost		169,499	98,039	71,460	72.89%
Income before Income Tax		(1,399,109)	(620,774)	(778,335)	(125.38)%
Income Tax		-	-	-	-
Net Income(or Net loss-)		\$(1,399,109)	\$(620,744)	(778,335)	(125.38)%

Analysis of changes in increase/decrease ratios:

The net income loss for 2003 was NT\$1,399,109 thousand, an increase of NT\$778,335 thousand compared with that of 2002. The reasons are recession, the continuing decline in interest rates and coping with the government's policy of writing off bad debt by the Bank, resulting in net operating loss of NT\$845,847 thousand which increased substantially compared with that of 2002.

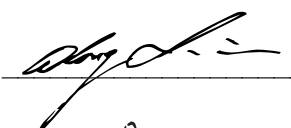
SPECIAL NOTES


I. Statement of Internal Controls

Statement of Implementation of the Internal Controls System Bank of Overseas Chinese

On behalf of the Bank of Overseas Chinese, we declare that during the period of Jan. 1 – Dec. 31, 2003 the Bank did, in fact, comply with 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 Board of Directors and Supervisors. Careful assessment shows that with the exception of items listed in the attached chart, the compliance of the different units with the internal control system, and with laws and regulations, was implemented effectively.

Attestor: Bank of Overseas Chinese

 , President

 , General Auditor

 , Headquarters Legal Compliance Officer

April 15, 2004

Points for Strengthening, and Planned Improvements (Base date: Dec. 31, 2003)

Points for Strengthening	Improvement Measures	Scheduled Date of Completion
1. Clearing up of bad loans and lowering of the NPL ratio	<ol style="list-style-type: none"> 1. Carrying out of organizational re-engineering and establishment of a Debt Management Center in accordance with suggestions by the KPMG Consulting Co. for the regional centralization of loan-clearance work, improvement of the loan-clearance process, readjustment and expansion of delegation of authority, and increased flexibility so as to speed up the loan-clearance process and enhance the clearing up of non-performing loans. 2. Early entry into the overdue-loan collection process through the Debt Management Center; close coordination with branches in the initial period of non-performance so as to assure the timeliness of disposition by reaching agreement with debtors at an early stage and restoring loans to normal payment. 3. Increased exposure to court-auctioned real estate through the Internet to boost the chance of sale and speed the recovery of bad loans. 4. Strengthening of cooperation with asset management companies and brokers to speed up the disposal of bad-loan collateral. 5. Setting of loan-clearance targets and charging of the Debt Collection Team with all-out efforts to reach the targets. 	NPL ratio hoped to be lowered to the target zone by the end of 2004. (Note: NPL ratio reduced from 13.98 at the beginning of 2003 to 10.15% at year-end.)
2. Disposal of assumed collateral	<ol style="list-style-type: none"> 1. Centralized disposition of assumed collateral in different regions by the Debt Management Center so as to add to the force of disposition. 2. Listing of goods that have reached or are about to reach the disposition deadline as key items, and strengthening of disposal measures. 3. Addition of channels for the disposal of assumed collateral, and selection of suitable opportunities to participate in bank sales of real estate. 4. Listing of the follow-up conditions of assumed collateral on a monthly basis, and review and revision of disposition plans. 	Hope to achieve reduction of the value of assumed collateral to the target range by the end of 2004

Statement of Internal Controls
BOOC Affiliated Security


Apr. 26, 2004

The results of a self-inspection of the BOOC Affiliated Security covering the period of Jan. 1 – Dec. 31, 2003, are as follows:

1. The BOOC Affiliated Security Co. fully realizes that the establishment, implementation, and maintenance of a system of internal controls is the responsibility of its Board of Directors and managers, and such a system has been established for the securities business that it operates. The goals of this system are to provide reasonable assurance of the achievement of the goals of operating effectiveness and efficiency (including profitability, performance, and the protection of asset security), the reliability of financial reports, and compliance with relevant laws.
2. An internal control system has inherent limitations; and however comprehensive its design may be, an effective internal control system can provide only reasonable assurance that the three goals listed above will be achieved. Furthermore, the effectiveness of an internal control system may change along with changes in the environment and other conditions. The internal control system of the BOOC Affiliated Security Co. incorporates a self-oversight function, however, and as soon as deficiencies are discovered action is taken to rectify them.
3. The BOOC Affiliated Security Co. judges the effectiveness of the design and implementation of the internal control system in accordance with the stipulations of the internal control judgment items contained in the "Guidelines for Implementation of Internal Control Systems Established by Publicly Listed Companies" (hereinafter referred to as "the Guidelines") promulgated by the Securities and Futures Commission of the Ministry of Finance. The internal control judgment items contained in the Guidelines divide internal controls into five constituent elements according to the control management process: 1) the control environment, 2) risk assessment, 3) control operations, 4) information and communications, and 5) oversight. Each of these constituent elements itself contains a number of items. For details regarding the items mentioned above, please refer to the stipulations of the Guidelines.
4. The BOOC Affiliated Security Co. has adopted the internal control judgment items listed above to assess the effectiveness of the design and implementation of their internal control system.
5. Based on the results of the previously mentioned assessment, the BOOC Affiliated Security Co. feels that during the period stipulated above their internal control system, including design and implementation related to the effectiveness and efficiency of operations, the reliability of financial reports, and compliance with related laws, was effective and able to reasonably assure the attainment of the goals listed above.
6. This Statement will become a major content of the BOOC Affiliated Security Co.'s Annual Report and public explanations, and will be made available to the public. Any falsehood, omission, or other illegality in content that is made public will incur legal responsibility under Articles 20, 32, 171, and 174 of the Securities Transaction Law.
7. This Statement was passed by the Board of Directors of the BOOC Affiliated Security Co. on Apr. 20, 2004, with the unanimous approval of its contents by all of the 12 directors and one proxy attending.

BOOC Affiliated Security.

 , Chairman

 , President

II. Legal Punishments and Major Deficiencies of the Past Two Years, and Improvements Made

Unit: NT\$1,000

Item	Case and Amount
Indictment of officials and employees for crimes committed in the performance of their duties during the past two years	None
Violations of the Banking Law resulting in the assessment of fines during the past two years	None
Deficiencies resulting in severe disciplinary action by the Ministry of Finance during the past two years	None
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 failure to observe the Guidelines for the Maintenance of Security in Financial Institutions, the actual losses from which exceeded NT\$50 million during one or both of the years	None
Other matters which should be disclosed under instructions from the Ministry of Finance	None



BOOC HEADQUARTERS OFFICES AND BRANCHES NETWORK

NAME	ADDRESS	TELNO.	FAXNO.
Offshore Banking Branch	7F,#8, Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C.	+886-2-23715181	+886-2-23895073
Head Office & Business Division	#8 Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C.	+886-2-23715181	+886-2-23814056
Overseas Chinese Service Division	2F,#8, Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C.	+886-2-23715181	+886-2-23814056
Securities Division	2F,#102, Heng Yang Rd. Taipei, Taiwan 100 R.O.C.	+886-2-23113348	+886-2-23112961
Credit Card Division	15F,#228, Sec.2, Chung Shan Road, Chung Ho City,Taipei Hsien, Taiwan 235 R.O.C.	+886-2-82411166	+886-2-82411260
Fu Hsing Branch	#1 Fu Hsing North Rd., Taipei, Taiwan 100 R.O.C.	+886-2-27514092	+886-2-27752584
Trust Division	4F,#102, Heng Yang Rd., Taipei, Taiwan 100 R.O.C.	+886-2-23113348	+886-2-23112961
International Operations Division	8F, #8, Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C.	+886-2-23715181	+886-2-23832248
Keelung Branch	#132, Hsin-1 Rd., Keelung, Taiwan 201 R.O.C.	+886-2-24241231-5	+886-2-24274623
Lo Tung Branch	#42, Chung Cheng North Rd., Lo Tung Chen, I-Lan Hsien, Taiwan 265 R.O.C.	+886-3-9566166	+886-3-9566128
Taipei Branch	#67, Sec.1, Chung Ching North Rd., Taipei, Taiwan 103 R.O.C.	+886-2-25558566-7	+886-2-25588421
Chung Shan Branch	#27, Sec.1, Chung Shan North Rd., Taipei, Taiwan 104 R.O.C.	+886-2-25316331-4	+886-2-25631402
Shyh Lin Branch	#281, Sec.4, Cheng Te Rd., Taipei, Taiwan 111 R.O.C.	+886-2-28823720	+886-2-28823729
East District Branch	#24, Chi Lin Rd., Taipei Taiwan 104 R.O.C.	+886-2-2521-9950-9	+886-2-25511509
Sung Shan Branch	#3, Sec.5, Nanking East Rd., Taipei, Taiwan 105 R.O.C.	+886-2-27530321	+886-2-27530320
Ta An Branch	#333, Sec.2, Tun Hwa South Rd., Taipei, Taiwan 106 R.O.C.	+886-2-27323188	+886-2-27380146
Min Shen Branch	#142, Sec.3, Min Chuan East Rd., Taipei, Taiwan 105 R.O.C.	+886-2-27150800	+886-2-27195190
Chung Hsiao Branch	#61, Sun Teh Rd., Taipei, Taiwan 110 R.O.C.	+886-2-27591616	+886-2-27274718
Chung Cheng Branch	#158, Sec.1, Hsin Sheng South Rd., Taipei, Taiwan 100 R.O.C.	+886-2-23975726	+886-2-23576720
Tun Hwa Branch	#376, Sec.1, Tun Hwa South Rd., Taipei, Taiwan 106 R.O.C.	+886-2-27007799	+886-2-27047579
Neihu Branch	#143, Sec.3, Cheng Kong Rd., Taipei, Taiwan 114 R.O.C.	+886-2-27954880	+886-2-27954873
Nan Kang Branch	#29-3, Hsing Tung St., Taipei, Taiwan 115 R.O.C.	+886-2-26537890	+886-2-26536213
Yung Ho Branch	#252, Fu Ho Rd., Yung Ho City, Taipei Hsien, Taiwan 234 R.O.C.	+886-2-29239222	+886-2-29239134
Chung Ho Branch	#172, Jian-I Rd., Chung Ho City, Taipei Hsien, Taiwan 235 R.O.C.	+886-2-82265698	+886-2-82265695
Hua Chung Branch	1F-3, #228, Sec.2, Chung Shan Rd., Chung Ho City, Taipei Hsien, Taiwan 235 R.O.C.	+886-2-82411166	+886-2-82411244
Pan Chiao Branch	#26, Chu Yung Rd., Pan Chiao City, Taipei Hsien, Taiwan 220 R.O.C.	+886-2-29561188	+886-2-29614552
Shu Lin Branch	#153, Sec.1, Chung Shan Rd., Shu Lin, Taipei Hsien, Taiwan 238 R.O.C.	+886-2-26759668	+886-2-26759633
Hsin Tien Branch	#527, Chung Cheng Rd., Hsin Tien City, Taipei Hsien, Taiwan 231 R.O.C.	+886-2-22189866	+886-2-22189870
San Chorng Branch	#173, Cheng Kong Rd., San Chung City, Taipei Hsien, Taiwan 241 R.O.C.	+886-2-29726199	+886-2-29726266
Hsin Chuang Branch	#67, Sec. 1, Chung Shan Rd., Hsin Chuang City, Taipei Hsien, Taiwan 242 R.O.C.	+886-2-85221188	+886-2-85221688
Tao Yuan Branch	#288, Sec.3, San Min Rd., Tao Yuan, Taiwan 330 R.O.C.	+886-3-3339213-7	+886-3-3344242
Chung Li Branch	#48, Chien Hsyng Rd., Chung Li City, Tao Yuan Hsien, Taiwan 320 R.O.C.	+886-3-4591431	+886-3-4591437
Hsin Chu Branch	#321, Pei Ta Rd., Hsin Chu, Taiwan 30020 R.O.C.	+886-3-5226617	+886-3-5226590
Hsin Chu Science-Based Industrial Park Branch	#647, Sec.1, Kwang Fu Rd., Hsin Chu, Taiwan 300 R.O.C.	+886-3-5633600	+886-3-5633030

NAME	ADDRESS	TELNO.	FAXNO.
Feng Yuan Branch	#13, Feng Chung Rd., Feng Chung City, Taichung Hsien, Taiwan 420 R.O.C.	+886-4-25276111	+886-4-25276306
Taichung Branch	#428, Sec.1, Taichung Kang Rd., Taichung, Taiwan 403 R.O.C.	+886-4-23131861	+886-4-23139410
North-Taichung Branch	#339, Sec.4, Wen Hsin Rd., Taichung, Taiwan 406 R.O.C.	+886-4-22425811	+886-4-22423992
Min Chuan Branch	#102, Min Chuan Rd., Taichung, Taiwan 400 R.O.C.	+886-4-22214181	+886-4-22214189
Ching Shui Branch	#243-3, Chung Shan Rd., Ching Shui Chen, Taichung Hsien, Taiwan 436 R.O.C.	+886-4-26225991	+886-4-26225992
Tali Branch	#35,Sec.2, Yimin Rd., Tali City, Taichung Hsien, Taiwan 412 R.O.C.	+886-4-24832288	+886-4-24832206
Chang Hua Branch	2F,#280, Sec.2, Chung Cheng Rd., Chang Hua, Taiwan 500 R.O.C.	+886-4-7266266	+886-4-7265885
Yuan Lin Branch	#410, Sec.2, Yuan Dong Rd., Yuan Lin Chen, Chang Hwa Hsien, Taiwan 510 R.O.C.	+886-4-8347711	+886-4-8345680
Pei Kang Branch	#95, Chung Chen Rd., Peikang Chen, Yunlin Hsien, Taiwan 651 R.O.C.	+886-5-7836171	+886-5-7834913
Jhong Ming Mini-Branch	1F, #303 Chung Min S. Rd., Taichung City, R.O.C.	+886-4-23053333	+886-4-23053322
Putz Mini-Branch	#59 Shang Tung Rd., Putz City Chiai Hsien, Taiwan 613 R.O.C.	+886-5-3709491	+886-5-3709495
Tainan Science-Based Industrial Park Branch	2F,#15 Nan Ke 3rd Rd., Hsin Shih Hsiang, Tainan Hsien, Taiwan 744 R.O.C.	+886-6-5051717	+886-6-5051719
Tou Liu Branch	#211, Sec.2, Yun Lin Rd., Tou Liu City, Yunlin Hsien, Taiwan 640 R.O.C.	+886-5-5360866	+886-5-5360858
Me Liao Branch	#74, Chung Hsing Rd., Me Liao Shiang, Yunlin Hsien, Taiwan 638 R.O.C.	+886-5-6938168	+886-5-6938268
Chia Yi Branch	#320, Chui Yang Rd., Chia Yi, Taiwan 600 R.O.C.	+886-5-2275100	+886-5-2237810
Tainan Branch	#97,Sec.2, Min Chuan Rd., Tainan, Taiwan 700 R.O.C.	+886-6-2231181	+886-6-2268890
Jen Der Branch	#1036, Sec.2, Chung Cheng Rd., Jen Yi Village, Jen Der Shiang, Tainan Hsien, Taiwan 717 R.O.C.	+886-6-2702211	+886-6-2706350
Fu Cheng Branch	#374, Sec.4, Shi Men Rd., Tainan, Taiwan 704 R.O.C.	+886-6-2523011	+886-6-2814941
Yung Kang Branch	#112, Chung Cheng North Rd., Yung Kang City, Tainan Hsien, Taiwan 710 R.O.C.	+886-6-2538383	+886-6-2539323
Kaohsiung Branch	#111, Wu Fu 4th Rd., Kaohsiung, Taiwan 803 R.O.C.	+886-7-5510361-8	+886-7-5311960
Ling Ya Branch	#472, Chung Shan 2nd Rd., Kaohsiung, Taiwan 800 R.O.C.	+886-7-2618141-5	+886-7-2618146
San Min Branch	#55, Po Ai 1st Rd., Kaohsiung, Taiwan 807 R.O.C.	+886-7-3121618	+886-7-3116484
Hsin Shing Branch	#45, Chung Cheng 3rd Rd., Kaohsiung, Taiwan 800 R.O.C.	+886-7-2267191	+886-7-2262492
Chien Chen Branch	#239, Yi-Hsin I Rd., Kaohsiung, Taiwan 806 R.O.C.	+886-7-3369801	+886-7-3369908
Kang Shan Branch	#172, Kang Shan Rd., Kang Shan Chen, Kaohsiung Hsien, Taiwan 820 R.O.C.	+886-7-6228812	+886-7-6228810
Feng Shan Branch	#85-20, Ching Wu Rd., Feng Shan City, Kaohsiung Hsien, Taiwan 830 R.O.C.	+886-7-7480101	+886-7-7481717
Ping Tung Branch	#188, Tzu You Rd., Ping Tung, Taiwan 900 R.O.C.	+886-7-7666531	+886-7-7656736
Voice Mail	+886-2-82411099 +886-4-23139817 +886-7-5328732	Complaints:	+886-800-000-886
Credit card service line	+886-2-82411234 +886-800-022866	Internet website	http://www.booc.com.tw
BOOC Leasing International Co.	8F, #78, Huai Ning St. Taipei, Taiwan 100 R.O.C.	+886-2-23317200	+886-2-23116433
Overseas Chinese Finace Ltd.	Suite 37, 3rd Floor, New Henry House NO. 10 Ice House Street, central Hong Kong	+852-25015757	+852-25015391
Overseas Chinese Insurance Broker Co., Ltd	5F, #8, Hsiang Yang Rd., Taipei, Taiwan 100 R.O.C.	+886-2-23113348	+886-2-66320990

*A strong and well-trained staff with
unconquerable unity of purpose.*

