

Bank SinoPac

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FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

(NT\$ in millions, except per share data)	1999	1998	1997	1996	1995
For the Year					
Pretax income	2,020	1,311	1,544	1,037	807
Net income	1,791	1,005	1,237	848	695
At the Year End					
Deposits and remittances	164,109	160,701	138,175	98,553	75,626
Loans	133,818	119,033	12,769	86,772	67,397
Securities purchased	22,285	27,441	17,863	10,961	12,371
Total assets	204,129	191,603	171,740	121,880	98,474
Shareholders' equity	20,802	19,479	15,685	12,367	11,518
Per Share					
Earnings per share	1.13	0.73	1.08	0.79	0.67
Shareholders' equity per share	13.13	12.82	12.82	11.51	11.15
Dividends declared per share**					
_ Cash dividend	-	0.393	-	-	-
_ Stock dividend	1.00	0.407	0.77	0.47	0.40
Capital Adequacy					
Risk-based capital ratio (BIS Ratio)*	12.59%	13.21%	15.21	16.12%	18.04%

* New regulation since December 31, 1998.

**Earnings are distributed in the following year.

A MESSAGE FROM THE CHAIRMAN

AND THE PRESIDENT

**A MESSAGE FROM
THE CHAIRMAN AND
THE PRESIDENT**

The domestic economy began to stabilize and recover in 1999. Bank SinoPac's total revenue for 1999 was NT\$15,240,000,000, an increase of 7.2% over the previous year. Costs and operating expenses for 1999 were NT\$13,200,000,000, an increase of 2.3% over the previous year. Earnings before and after taxation were NT\$2,020,000,000 and NT\$1,790,000,000 respectively, and the annual growth rate was 54.2% and 78.1%, respectively. With ROE of 8.8%, these achievements actually exceeded the expected goals. The increased profits were due to increased profit margin, growth in loan operations, and increased returns from both long and short-term investments. At the same time, deposits grew by 2.1%, while loan growth was 11.7%. Overdue loans and non-performing loans were 0.99% of our total credit exposure. Our asset quality is still the best in the industry.

In 1999, we concentrated on the training of personnel, cultivating relationships with major customers, integrating our subsidiaries, and improving our transaction-related and self-liquidating businesses. In addition, we aimed to increase the margin on profits from our treasury, investment, trust and foreign exchange businesses. We also streamlined our operation procedures, cut our operating costs, strengthened our integration with Far East National Bank (our subsidiary), moved into electronic business, and established a lifetime customer base. The details are as follows:

Training of personnel

The theme for 1999 was to bring aboard more competent personnel and to educate our existing staff through intensified training and job rotation. As human resources are vital in order to compete effectively in fast changed environment, we expect to build a solid foundation from which to expand our business. Throughout the year, we recruited 506 employees. Among them, 316 have a bachelor's degree and 75 have a master's degree. At the end of 1999, we had a total of 1,641 employees. We organized 81,249 hours of training sessions in the bank, and 6,669 hours of sessions outside the bank. Furthermore, we plan to launch an education program through the bank's computer network so that our employees can be more innovative, control necessary information technology, improve the quality of their work and work more effectively and efficiently.

Present new products and cultivate relations with major customers

We focused on developing our relationships with our major individual as well as

institutional customers so that we could become their core bank. In the area of consumer banking, we integrated our products and services within our group. The products are now tailored for personal financial management so that customers can enjoy “one-stop shopping.” The MMA (Money Management Account) unveiled formally on January 6, 2000 is a foremost service for our customers which allows them to enjoy savings, automated services, flexible home mortgages, securities and mutual fund investments, and credit card services, all in a single bank account. Similar to inter-continental financial service, the MMA provides integrated financial service and will be one of our core businesses in 2000.

In the area of corporate banking, we presented the Financial Electronic Data Interchange (FEDI) service via Financial Information Services Co. This product assists customers with their cash management, allowing them to save on human resources and operating costs. By offering this service, we hope to become their core bank. We received approval to conduct factoring business by the end of 1998, which made us the first domestic bank to provide this service. In the first year of operation, we generated NT\$22 billion worth of business. Our growth target for 2000 is double this figure.

Streamlining operating procedures and cutting operating costs

We condensed our operating procedures, which improved the efficiency of our operations center. Beginning with the Northern Operations Center, we centralized our operations, condensed the procedures, and increased our efficiency. This has allowed us to control costs regardless of the expansion of operations, and has allowed us to allocate our resources more effectively to render a higher yield in shareholders' equity. We will expand this mode of operation to the south after the Northern Operations Center has gained momentum.

The Y2K computer problem

We conducted contingency planning and testing throughout 1999. We met the challenge and succeeded in our commitment to our customers that “we try as hard we can to preserve their privileges.” We are also prepared for a few additional critical dates in 2000, and are continuing to take necessary measures to cope with contingencies.

Electronic banking

Bank SinoPac signed agreements with HEWLETT PACKARD and UNISYS for the establishment of our **Data Warehousing System**. This is still in the experimental stage, and will be in service later in 2000. This data warehousing system will allow us to further understand the attributes of our client base and provide precise, quality service.

In the wave of the Internet and electronic business, we established the electronic banking division in August 1999 to back up the MMA. After reaching an agreement with a renowned cellular phone company, we are now in the process of starting a mobile banking business to provide more convenient services to our customers.

In addition, we are also assisting our corporate customers in cash management, with the objective of providing them with **Online Payment Solutions** as the demand for business-to-business online service surges. The former is precisely what FEDI purported to do, while the latter will include an online factoring service.

Our subsidiaries and overseas locations

SinoPac Capital (HK) and SinoPac Financial Consulting were established in June 1999. Our Hong Kong representative office and Los Angeles branch were also opened that same month. This has brought us closer to the completion of a five-hub financial network around the Pacific Rim and will allow us to extend our services to the entire Chinese community in the Greater China Area. In terms of our holdings, SinoPac Leasing increased its stake in SinoPac Securities during 1999. By the end of that year, it held 70% of SinoPac Securities, which enabled the whole group to provide a more diverse portfolio of services.

In addition, we have already obtained approval from the Ministry of Finance to jointly establish a credit card company with a subsidiary of Aetna Life Insurance Co. The new company, Aetna SinoPac Credit Card, is the first operation in Taiwan formed under a strategic partnership between a bank and a life insurance company. We hope our combined resources will help this joint venture to expand the credit card market.

The outlook for the year 2000

We are optimistic on the prospects for 2000 following the economic turmoil and financial collapse from 1997 to 1999. However, we have too many banks in the domestic financial sector and as such, the market share of each is spread thinly, and services tend to overlap. Over the past few years, we have cautiously preserved our asset quality and developed innovative products which have differentiated us from our competitors and established a solid foundation. We intend to shed the “traditional commercial banking” image to embrace a full range of banking services, including assets management and value added financial services.

For 2000, we will work on: 1) Strengthening the capacity of our human resources. 2) Making use of the full-fledged MMA to integrate related businesses to increase our profit

margin over 30%. 3) Promoting e-business to strengthen our core competence. 4) Speeding up the establishment of our Data Warehousing System. 5) Enhancing our service effectiveness for our target customers. 6) Persisting in the application of capital, risk and comprehensive performance assessment so as to utilize capital effectively. 7) Expanding international banking business. 8) Engaging in investment banking, trust and asset management in order to enhance profits. 9) Introducing an automated operating system to share resources, condense operating procedures, control service quality and save costs. 10) Preserving the high quality of our assets. 11) Ascertaining the business goals and management of the businesses that we hold in order to upgrade the overall performance and competitiveness of the group. 12) Seeking opportunities in investment, strategic alliances, or mergers and acquisitions in order to broaden our operation base and achieve comprehensive effectiveness.

Among the above-mentioned work, we are aware that e-business, strengthening of our core competence, as well as seeking opportunities for investment, strategic alliances, or mergers and acquisitions are capital-intensive activities. Therefore, we decided at a special shareholders meeting in 1999 to issue 220,000,000 new shares of stock in the form of Global Depositary Receipts to raise the capital for our expansion. At the same time, we set a goal of 34% growth for pre-tax earnings in order that our shareholders, employees and customers can all be winners.

CORPORATE PROFILE

CORPORATE PROFILE

Corporate Mission

Our mission is to operate as a highly professional, full-service bank throughout the Pacific Rim. We have several focuses toward achieving that aim:

- To provide an increasing range of services to an increasing variety of customers.
- To render service in the friendliest, most responsive and effective ways.
- To enlarge our business territory to include most areas around the Pacific Rim, starting in the US, Hong Kong and other Asian countries.

Business Philosophy

These are our guiding principles:

- Customer focus
- Prudence and precision
- Unity and harmony
- Creation of profit
- Contribution to society

New Branches and a Representative Office Opened

In 1999, Bank SinoPac Group opened the following new branches and a representative office:

In Taiwan-

- Tien Mou Branch (in Taipei)
- East Panchiao Branch (in Taipei)
- East Tainan Branch (in Tainan City)
- Keelung Branch (in Keelung City)
- East Taipei Branch (in Taipei)
- South Taichung Branch (in Taichung City)

In U. S. A.

- Los Angeles Branch
- Beverly Hills Branch (**through Far East National Bank**)

In Hong Kong

- Hong Kong Representative Office
- SinoPac Capital Limited

General Corporate Data

(December 31, 1999)

Date of establishment :	January 28, 1992
Date of listing in Taiwan Stock Exchange:	June 29, 1998
Date of new right issue for cash injections:	
99 million shares--	October 9, 1997
200 million shares--	September 19, 1998
Paid-in capital :	NT\$ 15,846,060,400
Total shareholders' equity:	NT\$ 20,801,973,000
Number of shares issued :	1,584,606,040
Number of shareholders : (March 21, 2000)	90,512
Number of employees :	1,641
Auditor :	T.N. Soong & Co.
Moody's Long-term bank deposit rating:	Baa 3

Ten Major Shareholders

(March 21, 2000)	No. of Shares	Percentage
Kin On Investment, Ltd.	73,802,794	4.65
Ruentex Industrial, Ltd.	50,747,926	3.20
QFII A	49,690,000	3.13
Reuntex Construction & Development Co., Ltd.	49,671,807	3.13
QFII B	29,327,686	1.85
Fuh Hua Real Estate Management Co., Ltd.	27,018,506	1.70
SinoPac Leasing Co., Ltd.	24,915,448	1.57
Southeast Soda Manufacturing Co., Ltd.	24,435,052	1.54
QFII C	14,933,249	0.94
Fu I Industrial Co.	14,708,431	0.92

As of March 21, 2000, total holdings of qualified foreign institutional investors (QFII) on Bank SinoPac were 32.04%.

Human Resources

Staff Education Level					Position and Seniority				
At Dec. 31	1999		1998			1999		1998	
	No.	%	No.	%		No.	%	No.	%
Postgraduate	238	15	195	15	Officer	436	27	377	29
University	971	59	741	58	Clerk	1,205	73	904	71
Junior college	379	23	296	23					
High School	51	3	47	4	Avg. age	30.58		30.8	
Other	2	-	2	-	Avg. Seniority	2.95		3.08	
Total	1,641	100	1,281	100					

Training Persons Hours Persons Hours

In-house	7,157	81,249	5,903	63,956
Outsides	394	6,669	344	7,294

Board of Directors

(December 31, 1999)

In the development of human resources, we provide domestic and international trainings for both clerical staff and executives. The programs covered a variety of subjects at different levels. During 1999, we also provide programs that help employees to plan their career development. The programs were optional and made basic training universal. In the training of leadership and management, we arranged a series of curricula and job rotation. Foreign languages and computer programs were also provided. Furthermore, we organized the SinoPac Life Symposium to enriching the professional as well as the social skills of our staff. We have our own facilities, and are currently developing programs in computer applications via multimedia education to make the class environment lively. Our employees are our vital assets that need to be cultivated. Our goal in human resources is to yield results that are satisfactory to the employees, shareholders, and the company.

Executive Officers

(December 31, 1999)

Paul C. Lo

President and Chief Executive Officer

Chi Chien (James Chi)

Senior Executive Vice President and General Manager, International Banking Sector

Chen Pou-tsang (Angus Chen)

Senior Executive Vice President

Chia Chen-I (C. I. Chia)

Senior Executive Vice President and General Manager, Individual Banking Sector

Chen Pi-yuin (Nancy Chen Lee)

Executive Vice President and Chief Auditor

Chen Chien-jung (C. J. Chen)

Executive Vice President and General Manager, Personal Finance and Investment Center

Fang Nai-chen (Joan N. Fang)

Executive Vice President and General Manager, Information Technology Division

Wholly Owned Subsidiaries

Robert Oehler

President, Far East National Bank (Los Angeles, USA)

Liu I-chen (I. C. Liu)

President, SinoPac Leasing Corporation

Peng Kong-hsiung (Kevin Peng)

President, SinoPac Security Investment Advisory

Chou Chi-lai

President, SinoPac Capital Limited

Lei Yuan-lai

President, SinoPac Financial Consulting

ECONOMIC AND MONETARY REVIEW

ECONOMIC AND MONETARY REVIEW

Economic Situation

The impact of the economic storm in Southeast Asia caused the economy to remain as sluggish in 1999 as it was in 1998. As the storm abated during the second quarter, the economic indicator turned from blue to green. However, the devastating Sept. 21 earthquake interrupted the recovery. Electricity rationing led to a drop in economic productivity, and the economy in the disaster zone was severely hampered. Because of this, domestic recovery remained stagnant for a while. Fortunately, however, most of the island's production capacity resumed very quickly, and the recovery returned to normal in November and December.

As a result of the government's expansionist financial measures, Taiwan's total economic growth in 1998 was 4.57%. This was broken down to 4.17% in the first quarter, 6.55% in the second, down to 5.14% during the third as a result of the earthquake, and back up to 6.05% in the last. The growth came principally from exports, which constituted 4.8% of the growth in the first quarter and 5.9% in the second. In that period of stagnant growth, this export surge provided a vital driving force. The total export value enjoyed a surplus of US\$109.4 billion, which was US\$5.92 billion more than the surplus of the previous year. Also, the export value gained another 10.0% over the year-earlier level. Imports increased by 5.8%, which also represented substantial growth.

Compared to global trade figures, domestic investment was less vigorous during the first three quarters. The growth rates were only -6.51%, -6.94%, and -4.2%, respectively. As the recovery was more certain, a growth rate of 13.54% in the fourth quarter came up to an annual growth rate of 0.19%. The growth for next year was targeted at 11.54%. Investment made by the government and state-owned companies increased to a large extent, and they were 6.51% and -0.8% in the first quarter, 9.58% and 17.44% in the second, 3.97% and 24.27% in the third, and 6.0% and 4.10% in the fourth. The growth rates for macro fixed investment were -2.21% in the first quarter, 1.23% in the second, 0.04% in the third, and 10.20% in the fourth. Hence, we can witness the effect of the increase in domestic demand.

In the employment market, the annual average rate of unemployment was 2.92%. Although the economy was heating up, prices remained stable. The annual average CPI was 0.20%. It is expected that the rate next year will be 0.22%. In an effort to heal the wounds of banking industry in order to stabilize the macro economic environment, the Executive

Yuan amended the Sales Tax Law in June. The amendment, which went into effect on July 1, allowed banking industry to enjoy a lower tax rate of 2% instead of the previous 5%. Under the terms of this mandatory action, banks had to use the resulting tax surplus to charge off bad debts or reserve loan loss provisions for a period of four years. This move was expected to improve overall asset quality of banks.

Continuous recovery is expected in the future. Although the earthquake caused a huge amount of damage, government spending on reconstruction ameliorated the effect of declined domestic spending brought by the loss of wealth during the quake. Hence, according to the Council for Economic Development, the economic growth rate could reach 5.48%, while the estimate from the Statistics Office was 6.04%.

Financial Situation

As most countries in Southeast Asia were recovering from the financial crisis, international capital poured back into the region. Amid a surplus in exports and huge investment of foreign capital into the stock market, the NT dollar appreciated from 32.216 in January to 31.395 at the year-end. This was the currency's highest level in twenty-five months. In the future, the strengthening of the yen and the euro is likely to cause a softening of the US dollar, which in turn will increase the inflow of foreign currency into Taiwan, causing the NT dollar to appreciate further. An increase in exports will augment this development. If the Americans raise their interest rates, if there is a surge in international oil prices, or if there is political uncertainty between Taiwan and mainland China, the Central Bank of China will probably put the brakes on any further appreciation of the local unit.

Because of the inflow of foreign capital and export surplus, the M2 money supply exhibited a rate which fluctuated between 7.31% and 9.69%, with an annual average of 8.33%. Compared to the 8.5% target set by the Central Bank, we are near sufficiency in terms of money supply, and this would stimulate economic growth. In addition, the inter-bank overnight rate lowered from 4.95% at year-end of 1998 to 4.73% at the year-end of 1999.

Various Financial Indicators In 1999

Items	1999											
	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec
Economic growth		4.17%			6.55%			5.14%			6.05%	
Rate at close USD	32.2980	33.0550	33.1430	32.6880	32.7290	32.3040	32.1450	31.8430	31.8010	31.7360	31.6720	31.395
M2 (daily average)	7.37%	7.85%	8.57%	9.09%	9.32%	9.64%	9.69%	9.05%	8.14%	7.63%	6.65%	7.1%
MB (daily average)	-0.33%	3.04%	4.02%	7.41%	9.23%	11.35%	12.82%	13.89%	15.49%	15.37%	13.15%	14.08%
Rediscount rate Inter-bank	4.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Overnight rate	4.85%	4.75%	4.73%	4.72%	4.70%	4.74%	4.83%	4.84%	4.84%	4.82%	4.82%	4.73%

Note: 1.Source: Executive Yuan Statistical Office, Central Bank.

2.The exchange rate and rediscount rate are figures at month end. M1B and M2 are monthly average. Inter-bank overnight rate is daily weighted average.

Money supply annual growth rate

OPERATING REPORT

OPERATING REPORT

Corporate Banking

With a cautious policy of granting credits in 1998 and 1999, corporate credit exposure until the end of 1999 was approximately 35.4% of the total credit exposure of the entire bank, which represents an increase of 11.3% over the prior year. Overdue loans and non-performing loans were 0.99%, still maintaining its leading place in the banking industry. In 2000, we will continue our long-practiced credit policy by not dodging the risks of credit operation. Under the premises of acknowledging and controlling the risks of credit operation and assuring the source of loan repayment, we will pursue the goal of becoming a Core Bank for the corporate clients so as to provide full-scale credit services to domestic and foreign companies.

Further, active moves are now being taken by our Credit Division to set up an in-house corporate evaluation system which will facilitate faster investigation and objective pricing. In this way, we may follow the approach of calculating capital adequacy set by Bank of International Settlement (BIS) to adjust the direction of our future development.

Since our business opened in 1992, the development approach of "The Banking Group Around the Pacific Rim" has been providing credit for Chinese people as the mainstream of service. Following the buyout of Far East National Bank in 1997, the Vietnam Representative Office was opened in 1998. Since June 1999, the business operations of our Los Angeles Branch, Hong Kong Representative Office and SinoPac Capital Ltd. (HK) have also commenced. The initial servicing network of "Around the Pacific Rim" was completed with an ability to aggressively coordinate with domestic companies in providing speedier and more convenient financing services for their trading activities on both sides of the Pacific Ocean.

In 1999, "Bank SinoPac Group" increased its shareholding of SinoPac Securities to 70%. While providing credit services as a commercial bank, this group may undertake further lease and fund-raising businesses in the capital markets for providing a wider range of services to the corporate clients so as to establish long-term service relationships. In the fourth quarter of 1998, we participated in Factors Chain International (FCI) and an active move was taken in undertaking factoring business in 1999, and in the first year, this undertaking has exceeded NT\$22 billion. In addition to increasing fee income, a new service channel was also provided in offering credit for medium-sized businesses.

Currently, aggressive efforts are being taken by us to develop factoring operations on the Internet so as to meet the demand of our corporate clients for e-commerce.

Financial Electronic Data Interchange System (FEDI) is a financial service system implemented by Financial Information Services Co., which serves as a verification unit, under an authorization of Ministry of Finance. It is designed to assist corporations in completing remittance, account transfer and fund implementation within their own offices and it will significantly save labor and time cost. In the future, it will be consolidated with the existing bank system to provide comprehensive value-added banking services and take the place of traditional remittance operations. Until now, approximately 1,400 companies are using this system in which more than 20 banks are involved. The SinoPac banking network was already put on-line for service in April 1999 with more than 100 companies being solicited. We estimate that the number of clients could double in 2000. By the end of the year, there were 1,061 clients with lines of credit totaling NT\$128,207,183,000, of which NT\$58,227,000,000 had already been utilized. Bad debts are 0.163 % of the total credit exposure and represents 0.293% of total outstanding loans. The overdue amount is 0.209% of the total credit exposure and 0.376% of the total outstanding loans.

Retail Banking

The effect of the economic recession and global financial downturn from the fourth quarter of 1998 carried forward to the first half of 1999. Enterprises suffered from payment delinquency and many closed down. Banks that specialized in the financing of enterprises suffered as well. As such, they turned to consumer banking. Indeed, this area of business had become a common undertaking of the banking business. Most banks engaged in low cost competition in order to get a larger share of the market. We used a new market strategy with an innovative portfolio to maintain our leading position in domestic personal financial service. In addition, we clearly positioned ourselves in “Consumer Banking Driven by Investment Service” as our future for personal financial service with a view to setting up a complete financial service system.

In addition to this objective, we unveiled a new product in conjunction with the Fuh-Hwa Investment Trust, and our subsidiary SinoPac Securities. This product, the MMA (Money Management Account), is the foremost financial product of its kind ever presented in the country. With this product, it is possible through integration of the resources of different groups to combine the function of automatic transactions and merge different kinds of financial services. By doing so, the customers could enjoy the service of routine

financial management and investment service in one bank account. This is the function of “one stop shopping” . In addition, we enhanced our media marketing and project marketing services and presented our targeted customers with services matched with the MMA to incorporate various activities. We intend to make use of this approach to expand our business through different channels to widen our competitive edge over our competitors.

In developing new products and expanding our business, we never cease to attend to the international financial situation and the changes in the financial market. We believe that electronic banking will replace 50% or more of the traditional channels and modes of service. As such, we established electronic banking division last September to get into the domain of Internet and electronic business. With their no-boundary integrative power, we could integrate electronic banking, securities service, mutual funds, credit cards, insurance, investment consultation and news data bank. Hence, we could provide our customers with individualized service and could expand our market.

By the end of 1999, the total balance of individual loans amounted to NT\$101,708,000,000. Among them, 7,528 are prestige banking accounts with a savings amount of NT\$42,253,000,000. The total number of accounts financed is 3,170 with outstanding loans of NT\$11,976,000,000. Accumulated profit was NT\$623,000,000. For the same year, there was a gain of NT\$111,000,000 from the sales of mutual funds and processing fees for flexible home mortgages. Bad debts charged off were NT\$149,000,000 in the same year, approximately 0.15% of the year end individual loan balance. As a whole, we are a leader among the new banks (excluding credit card business), and are a better performer among private banks.

International Banking

Economic recovery occurred in 1999 with export trade bouncing back. This allowed for an increase in trade finance and foreign exchange over the previous year. In addition to hiring experts in international banking, we visited good standing manufacturers and traders, as well as worked in conjunction with the US Far East National Bank in order to expand the business of trade finance and foreign exchange.

Hence, we enjoyed a sizable growth in international banking in 1999. The total amount of foreign exchange handled was US\$6,805,313,000, a growth of 61.92% over the previous year. Among the exchange volume, outward remittances amounted US\$3,202,018,000 and inward remittances amounted US\$2,820,505,000. These remained the largest portions in our exchange business. Issuing Letters of Credit for import were worth US\$414,841,000.

Export negotiations and collections together were worth US\$264,929,000.

Trust Business

Our trust business is represented by a combination of trust and entrustment of the customers. We focused on our business philosophy, expertise and advanced information technology to provide reliable and professional services to our customers. After 7 years of development, we have significant expertise in financial entrustment and asset management. We are indeed highly acclaimed by the customers. In addition to complying with relevant laws and regulations, we will actively develop new products in our trust business to meet the demands of the society and the market.

The goal of the trust division is to become a center for financial trust and asset management. The major involvement will be trust, asset management, and financial consultation. Strategically, we will first integrate the functions within our group in the areas of credit granting, foreign exchange, financial operation, and investment consultation. We will further develop strategic partnerships with foreign institutions in presenting core products of high effectiveness and high efficiency in terms of added value. The investment management account is a product of this cooperation.

Within the year of 1999, our sales of overseas mutual funds valued NT\$2,216,000,000, with 77.8% growth over the previous year. The balance of such funds was NT\$3,004,000,000. The value of certifying securities like stocks and corporate debts was NT\$15,372,000,000. Acting as the custodian bank for domestic mutual funds for the securities investment trust companies, we maintained fund assets valued at NT\$34,279,000,000 by the end of 1999, an increase of 229% over the previous year. As the underwriter for corporate bonds, we issued a total amount of NT\$41,830,000,000 worth of corporate bonds. Asset management, which includes the safekeeping of securities for foreign institutions, guarantee deposits, corporate employees benefits, saving trust, and corporate pension funds, had a total value of NT\$6,030,000,000, with a growth of 21.1% over the previous year.

Investment Banking

Our investment business unit became an independent Investment Division in the latter half of 1998. It handles the investment of equity-related investments, such as stocks listed in the TSE and the OTC, foreign and domestic convertible corporate bonds and mutual funds, in favor of the bank. In serving the customers, the department assists them in planning their financial needs and hence secures every opportunity for our direct or

indirect investment in their businesses. As the investment portfolio of our bank expands, the department acts as the intermediary between subsidiaries and the administration of the bank.

With our lucrative investment in stocks listed in the TSE and the OTC, particularly high-tech stocks, and convertible corporate bonds, we enjoyed good performance in the stock market. In 1999, we held securities which include stocks and mutual funds valued at NT\$1,611,000,000, and convertible corporate bonds valued at NT\$3,089,921,000. In direct investment, we invested in SinoPac Capital (H.K.) with a value of NT\$128,100,000, SinoPac Financial Consulting with NT\$1,900,000, and Aetna SinoPac Credit Cards (at NT\$500,970,000). Others in process include SinoPac Life Insurance Brokerage (NT\$1,900,000), and SinoPac Property Insurance Brokerage Company (NT\$1,900,000). In addition, we are in the process of leading syndicated loans to SinoPac Securities and Grand Cathay Securities and will conclude them by the first quarter of 2000.

Treasury Operation

Since 1996, we have began reorganizing and expanding treasury division, which is now functioning at international standard. We now provide a full range of financial products for our customers such as bills and bonds, sight and usance foreign currencies, Forward Rate Agreements, Interest Rate Options, Interest Rate Swaps, Cross Currency Swaps, FX Swaps, FX Options, and NDF. In order to control the risk that may arise from the above businesses, we introduced the Kondor+ risk management system. Treasury division continuously upgrades the system in order to yield the best effect of risk control for the customers.

The international economic situation in 1999 was largely a result of continued US prosperity. Japan, Europe and Southeast Asia had emerged from the haze of recession, and consumer prices were stabilized. The global economy recovered under low inflation. Despite the impact of the September earthquake, the domestic economy still enjoyed a sizable growth. The interest rates of major currencies remained low, but there was a slight volatility in the interest rate market. In addition to assisting our customers in financial management, the treasury division also helps them avoid risk and ascertain profits successfully. There was an annual accumulated value of NT\$860,603,000,000 in the transactions of bills and bonds, with a growth of 10% over the previous year. The total annual value of foreign exchange reached US\$6,805,000,000, with a 62% growth compared to 1998.

Capital Adequacy

(In NT\$ millions)	1999/12/31		1998/12/31	
	Bank SinoPac	Consolidated with FENB	Bank SinoPac	Consolidated with FENB
Capital (In NT\$ millions)				
Tier I	20,816	19,686	19,479	18,227
Tier II	1,201	1,361	790	922
Tier III	82	82	-	-
Ratio				
Tier I	14.78%	12.91%	15.68%	13.41%
Tier II	0.85%	0.89%	0.64%	0.68%
Tier III	0.06%	0.05%	-	-
Deduction of long-term investment	-1.25%	-1.26%	-0.85%	-0.88%
Total	14.44%	12.59%	15.47%	13.21%

In 1998, the Ministry of Finance amended banking regulation on coverage of capital and risk assets used to calculate Capital Adequacy Ratio. Major changes included adding market risk to risk-assets, deducting long term investments from capital, deducting special reserves for bad debt from Tier II capital, and adding net unrealized gain on equity securities to Tier III. By this new method, Bank SinoPac's Capital Adequacy ratio was **14.44%**, and FENB consolidated ratio was **12.59%**, well above MOF's 8% minimum requirement. Bank SinoPac's target is to maintain a Tier I ratio not below 10%.

Summary of Credits

Breakdown by Business Segment

(In NT\$ millions)	1999/12/31		1998/12/31	
	Amount	%	Amount	%
Corporate	58,227	35.4	52,31	35.3
Loans	32,403	19.7	26,796	18.1
Bills & Bonds	3,907	2.4	5,510	3.7
Guarantees & Acceptances	17,310	10.5	19,952	13.5
Factoring	3,892	2.4	-	-
Derivatives	715	0.4	43	-
Individual	106,052	64.6	95,812	64.7
Loans	102,645	62.5	93,259	63.0
Credit Card-Receiveable	3,407	2.1	2,553	1.7
Total Credit Exposures	164,279	100.0	148,113	100.0
Growth Rate	10.9%		7.2%	

Loans figures include non-performing loans.

Bills are short-term papers which we buy in OBU operations through the credit approving process. Bonds mean corporate bonds which we undertake credit risk through outright-buy or asset swap.

Corporate Credit Exposure - Distribution by Industry

Breakdown by Business Segment

(In NT\$ millions)	1999/12/31		1998/12/31	
	Amount	%	Amount	%
Manufacturing	16,381	10.0	15,265	10.3
State-owned Company	3,742	2.3	3,864	2.6
Construction	8,970	5.5	9,438	6.4
Installment & Leasing	3,103	1.9	3,729	2.5
Import / Export Trading	1,361	0.8	1,416	1.0
Investment Company	2,492	1.4	2,625	1.8
Financial Inst.	5,679	3.5	4,453	3.0
Security House				
Transportation	1,124	0.7	1,410	1.0
Others	15,375	9.3	10,101	6.8
Total	58,227	35.4	52,301	35.3

Total credit exposures include all credit facilities: loans, bills & bonds, guarantees & acceptances, factoring and derivatives.

Corporate Credit Exposure - Manufacturing Industry Breakdown

(In NT\$ millions)	1999/12/31		1998/12/31	
	Amount	%	Amount	%
Iron & Steel	2,802	1.7	3,849	2.6
Textile	1,310	0.8	1,359	0.9
Electronics	7,702	4.7	6,609	4.5
Chemical	1,907	1.2	1,778	1.2
Food	306	0.2	915	0.6
Electric Appliances	1,338	0.8	-	-
Others	1,016	0.6	755	0.5
Total	16,381	10.0	15,265	10.3

Individual Credit Exposure

(In NT\$ millions)	1999/12/31		1998/12/31	
	Amount	%	Amount	%
Mortgage Loans	91,754	55.9	81,804	55.2
Short Term Secured Loans	6,409	3.9	9,652	6.5
Car Loans	667	0.4	1,049	0.7
Others (Credit Cards etc.)	7,222	4.4	3,307	2.2
Total	106,052	64.6	95,812	64.7

Breakdown by Tenor and Security

(In NT\$ millions)	1999/12/31		1998/12/31	
	Amount	%	Amount	%
1 year or less	45,638	27.8	46,773	31.6
Over 1 year to 7 years	59,438	36.2	53,341	36.0
Over 7 years	59,203	36.0	48,000	32.4
Total	164,279	100.0	148,113	100.0
Secured	123,828	75.4	109,632	74.0
Unsecured	40,451	24.6	38,481	26.0
Total	164,279	100.0	148,113	100.0

Summary of Overdue Credits

(In NT\$ millions)	1999/12/31	1998/12/31
	Amount	Amount
Overdue Credits	471	235
Non-Performing Loans	1,156	806
Total Overdue Credits	1,627	1,041
Total Overdue / Total Credits	0.99%	0.70%
Total Overdue / Total Loans	1.21%	0.84%
Provision for Credit Losses	744	288
Charge-Off	764	104
Other Real Estate Owned	167	233
Bad Debt Reserve-Loans	1,195	1,249
-Guarantee	103	145
Contingent Liabilities		
-Credit Card Receivable	145	96
-Other Receivables	100	-
Total Bad Debt Reserve	1,543	1,490
Bad Debt Reserve/Non-Performing Loans	134%	185%

Overdue credits, according to MOF's definition, include (1) principal past due more than 3 months, (2) interest past due more than 6 months if principal payment is not past due, and (3) monthly installment of mortgage past due more than 3 months, etc.

Summary of Deposits

(In NT\$ millions)	1999/12/31		1998/12/31	
	Amount	%	Amount	%
Checking Deposits	1,689	1	1,434	1
Demand Deposits	7,094	4	5,403	3
Foreign Currency Demand Deposits	3,542	2	3,022	2
Savings-Demand Deposits	28,317	18	24,520	15
Subtotal	40,642	25	34,379	21
Time Deposits	58,740	36	73,695	47
Foreign Currency Time Deposits	15,092	9	8,610	5
Savings-Time Deposits	49,586	30	43,982	27
Subtotal	123,418	75	126,287	79
Total Deposits	164,060	100	160,666	100
Loan to Deposit Ratio	82%		75%	

Summary of Deposits

At the end of 1999, local currency time deposits were 66% of total deposits, of which 69% were fixed rates. The percentage distribution of various durations of local currency time deposits is shown in the table below, and deposit rate adjustments in 1999 are shown in the chart below.

1999/12/31	1~3 months	4~6 months	7~12 months	Over 13 months
Time Deposits	25%	22%	44%	9%

Quasi Liquid Assets

As of December 31	1999	1998
(In NT\$ millions)		
Cash & Near Cash	5,247	4,353
Inter-bank Assets	15,332	26,372
Security Investments	22,285	27,441
Total	42,864	58,166
Quasi Liquid Ratio	21.0%	30.4%

Security Investments

As of December 31	1999	1998
(In NT\$ millions)		
Commercial Papers	14,004	19,023
Bank Acceptances	98	542
Government & Corporate Bonds	6,571	6,944
Beneficiary Certificates	1,045	140
Listed Stocks	567	934
Price Decline Reserve	-	(141)
Total	22,285	27,441

Summary of Income and Expenses

(In NT\$ millions)	1999		1998	
	Amount	%	Amount	%
Interest Income	12,613		12,603	
Interest on Money Market Instruments	1,023		959	
Interest Expense	9,145		9,721	
Net Interest Income	4,491	87	3,841	95
Provision for Credit Loss	744	14	288	7
Net Interest Income After Provision for Credit Loss	3,747	73	3,553	90
Fee Income (Net)	525	10	423	10
Capital Gain on Short Term Papers etc. (Net)	48	1	10	-
Capital Gain on Stocks Trading (Net)	233	5	(140)	(3)
Gain on Long Term Investment (Net)	491	9	107	3
Foreign Exchange Gain (Net)	51	1	71	2
Other Operating Income	47	1	36	-
Operating Income	5,142	100	4,060	100
Operating and Administrative Expenses	3,122	61	2,761	68
Operating Profit	2,020	39	1,299	32
Non-operating Income (Net)	-	-	12	-
Net Profit Before Income Tax	2,020	39	1,311	32
Income Tax	229	4	305	9
Net Profit	1,791	35	1,005	25

Service fee of credit card business was NT\$ 321 million, weighting 44% of the bank's NT\$733 million total gross fee income.

Gains on Long Term Investments

(In NT\$ millions)	1999/12/31			1998/12/31		
	Amount	Holding%	Gain	Amount	Holding%	Gain
Equity Method						
SinoPac Bancorp	3,461.1	100.00	104.7	3,124.9	100.00	120.1
SinoPac Leasing	1,367.7	99.99	381.7	782.9	99.99	(19.5)
ROCORG Holding	3.5	33.33	-	3.5	33.33	-
SinoPac Securities	11.1	99.40	1.1	9.9	99.99	-
Investment Advisory						
SinoPac Capital Ltd.	124.5	99.99	3.4	-	-	-
SinoPac Financial Consulting	1.9	97.00	-	-	-	-
Sub-total	4,969.8		490.9	3,921.3		100.6
Cost Method	619.8		0.2	254.8		6.0
Total	5,589.6	491.1		4,176.1		106.6

In May 1999, Bank SinoPac injected US\$ 10 million cash into SinoPac Bancorp to expand FENB's capital stock to US\$ 102 million. In June 1999, SinoPac Capital Ltd., in Hong Kong, started operations with an injected capital of HK\$30 million. SinoPac Financial Consulting also incorporated to operate with an injected capital of NT\$2 million .

Our shareholding in the security subsidiary, SinoPac Securities, held through SLC, has increased to 70.16%. Aetna SinoPac Credit Card Co. Ltd. is scheduled to operate in the second quarter of 2000 with a planned capital of NT\$ 1,700 million.

Foreign Exchange Business

(In US\$ thousands)	1999	1998
Export Negotiation & Collection	264,929	244,630
Letters of Credit & D/P, D/A	414,841	354,523
Inward Remittances	2,820,505	1,579,921
Outward Remittances	3,202,018	1,946,931
Bills Collection & Purchases	43,115	22,604
Cash & Travelers' Checks	59,905	54,334
Total	6,805,313	4,202,943

Consolidated Balance Sheets of SinoPac Bancorp

(In US\$ thousands)	1999/12/31		1998/12/31	
	Amount	%	Amount	%
ASSETS				
Cash & Due From Banks	10,864	1%	11,941	2%
Federal Funds Sold	84,380	10%	102,000	13%
Sub-total	95,244	11%	113,941	15%
Investments:				
- U.S. Securities	48,234	5%	42,488	5%
- Municipal Securities	964	0%	977	0%
- Commercial Papers etc.	134,295	16%	152,586	20%
Total Investment Securities	183,493	21%	196,051	25%
Loans:				
Real Estate Loans	321,065	38%	249,514	32%
Commercial Loans	164,768	19%	166,089	21%
Installment Loans & Others	41,768	5%	3,228	0%
Total Loans	527,601	62%	418,832	54%
Less :Reserve for	(4,339)	-1%	(5,896)	-1%
Loan Losses				
Less : Deferred Loan Fees	(2,728)	0%	(2,487)	0%
Net Loans	520,534	61%	410,449	53%
Bank Premises & Equipment	9,731	1%	9,294	1%
Other Real Estate Owned	1,228	0%	1,694	0%
Other Assets	10,774	1%	7,406	1%
Acquisition Premium	36,001	4%	38,852	5%
& Goodwill				
Total Assets	857,005	100%	777,687	100%
LIABILITIES				
Deposits:				
- Demand Deposits	98,556	12%	99,650	13%
- DDA Money Markets	59,623	7%	43,869	6%
- NOWs	27,884	3%	27,842	4%
- Savings Deposits	34,535	4%	34,943	5%
- Public Funds	2,664	0%	3,111	0%
- TCD's	412,318	48%	344,984	45%
Total Deposits	635,580	74%	554,400	71%
Total Liabilities	744,907	87%	679,520	87%
Limited Life Preferred Stock	1,000	0%	1,000	0%
Equity	111,098	13%	97,167	13%
Liabilities & Equity	857,005	100%	777,687	100%

Consolidated Income Statements of SinoPac Bancorp

(In US\$ thousands)	1999	1998	+/-	Change %
Interest Revenues	60,049	49,029	+11,020	22%
Interest Expenses	25,700	21,027	+4,673	22%
Other Operating Revenues	2,672	5,026	-2,354	-47%
Operating Expenses	23,403	21,089	+2,314	11%
Operating Income	13,618	11,930	+1,688	14%
Goodwill Amortization	3,485	3,574	-89	-2%
Provision for Income Tax	5,220	4,363	+857	18%
Net Income	4,913	3,993	+920	23%

Significant Events in 1999

February 1	Central Bank of China lowered rediscount rate and secured borrowing rate by 0.25 percent.
February 19	Central Bank of China lowered deposit reserve requirement by 35~0.75 percent. Ministry of Finance announced the lowering of sales tax on banks to 2 percent.
February 20	Ministry of Finance withheld taxation on bond sales.
March 15	Corporate Banking Division was formed.
April 26	Tien Mou Branch in Taipei was opened.
April 30	Signed joint development contract on Data Warehousing system. Northern Operations Center was opened.
June 12	Hong Kong Representative Office and SinoPac Capital Limited in Hong Kong were opened.
June 14	Business Week magazine voted President Paul C. Lo as the "Star of Asia."
June 23	Obtained approval to establish SinoPac Financial Consulting, a subsidiary of Bank SinoPac.
June 24	East Panchiao Branch was opened.
June 25	The Los Angeles Branch and the East Tainan Branch were opened.
July 21	EUROMONEY magazine rated Bank SinoPac as the best bank in Taiwan.
July 24	Keelung Branch was opened.
August 1	Electronic Banking Division was formed.
August 27	Obtained approval to raise authorized capital to 65,706,040 shares, which in turn increased total amount of issued capital to NT\$15,846,060,400.
September 13	Issuance of 220 million shares in form of Global Depositary Receipts was passed in Shareholders' Meeting.
September 21	An earthquake occurred in central western Taiwan which registered 7.3 on the Richter Scale.
October 1	Legal Division was formed.
October 15	East Taipei Branch was opened.
November 17	South Taichung Branch was opened.
November 19	Ministry of Finance doubled the cap on the amount of investment by a single qualified foreign institutional investor (QFII) to US\$1.2 billion.
December 1	asiamoney rated Bank SinoPac as the 1999 best new bank in Taiwan. asiamoney awarded Bank SinoPac as one of the overall best-managed company in Taiwan, the only bank to be recognized in this way.

FINANCIAL REPORT

FINANCIAL REPORT

Condensed Six-year Financial Statements

Balance Sheets

At December 31 (In NT\$ thousands)	1999	1998	1997	1996	1995	1994
Cash and due from banks	20,578,125	30,725,644	24,143,589	13,494,770	9,873,246	9,145,817
Loans, discounts and bills purchased, net	133,817,521	119,033,207	112,769,398	86,771,878	67,397,217	50,241,754
Securities purchased, net	22,284,561	27,441,343	17,863,310	10,961,482	2,371,377	5,851,682
Long-term equity investments	6,090,555	4,176,118	3,799,334	148,562	100,800	16,800
Properties, net	4,332,500	3,823,821	2,507,947	2,421,432	2,223,679	724,704
Nonperforming loans, net	958,182	577,326	357,924	311,360	148,747	162,147
Other assets	15,407,820	4,884,138	4,989,915	2,054,717	1,471,964	1,148,326
Acceptances	659,638	941,695	5,308,381	5,715,376	4,887,141	3,807,468
Deposits and remittances	164,108,727	160,700,916	138,174,952	98,553,220	75,626,389	53,324,297
Call loans and due to banks	9,874,841	3,621,987	6,234,900	2,678,476	3,616,772	1,078,046
Short-term borrowings	-	-	300,000	-	-	-
Other liabilities	8,683,723	6,860,181	6,036,639	2,565,995	2,825,795	2,065,411
Acceptances payable	659,638	941,695	5,308,381	5,715,376	4,887,141	3,807,468
Capital stocks	15,846,060	15,189,000	12,238,130	10,743,200	10,330,000	10,000,000
Capital surplus	1,487,201	2,104,784	1,103,828	9,054	18	-
Retained earnings	3,477,311	2,389,584	2,340,414	1,614,256	1,188,056	823,476
Unrealized loss on long-term investments	-	(202,148)	-	-	-	-
Translation adjustment	(8,599)	(2,707)	2,554	-	-	-
Total assets	204,128,902	191,603,292	171,739,798	121,879,577	98,474,171	71,098,698
Total liabilities	183,326,929	172,124,779	156,054,872	109,513,067	86,956,097	60,275,222
Total stockholders' equity	20,801,973	19,478,513	15,684,926	12,366,510	11,518,074	10,823,476

Statements of Income

Years ended December 31	1999	1998	1997	1996	1995	1994
(In NT\$ thousands, except earnings per share)						
Operating revenues	15,240,200	14,216,206	11,608,807	8,798,508	6,889,571	4,773,799
Operating expenses	13,220,033	12,917,520	10,089,585	7,780,871	6,091,256	4,122,788
Operating income	2,020,167	1,298,686	1,519,222	1,017,637	798,315	651,011
Nonoperating income, net	(32)	11,829	24,843	19,615	8,712	296
Pretax income	2,020,135	1,310,515	1,544,065	1,037,252	807,027	651,307
Net income	1,790,521	1,005,308	1,236,862	848,436	694,598	545,912
Earnings per share	1.13	0.70	0.96	0.67	0.56	0.43

Independent Auditors' Report

The Board of Directors and Stockholders

Bank SinoPac

We have audited the balance sheets of Bank SinoPac as of December 31, 1999 and 1998 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

For your information, we have audited the consolidated financial statements of Bank SinoPac as of and for the years ended December 31, 1999 and 1998, and issued an unqualified opinion thereon.

February 3, 2000

Notice to Readers

The accompanying financial statements are intended only to present the financial position, 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 practices to audit such financial statements are those generally accepted and applied in the Republic of China.

BANK SINOPAC
BALANCE SHEETS

December 31, 1999 and 1998(Expressed				
	1999		1998	
in Thousands of New Taiwan Dollars, Except Par Value of Capital Stock)				
ASSETS	Amount	%	Amount	%
CASH (Note 3)	\$ 5,246,527	3	\$ 4,353,393	2
DUE FROM BANKS (Note 18)	8,482,452	4	15,969,529	8
DUE FROM CENTRAL BANK (Note 4)	6,849,146	3	10,402,722	6
SECURITIES PURCHASED - NET (Notes 2, 5,10 and 18)	22,284,561	11	27,441,343	14
ACCEPTANCES	659,638	-	941,695	1
ACCOUNTS, INTEREST AND OTHER				
RECEIVABLES - NET (Notes 2, 6 and 18)	13,810,252	7	3,543,639	2
PREPAYMENTS (Notes 2 and 17)	137,448	-	113,011	-
LOANS, DISCOUNTS AND BILLS PURCHASED- NET (Notes 2, 7 and 18)	133,817,521	66	119,033,207	62
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 8)	6,090,555	3	4,176,118	2
PROPERTIES (Notes 2, 9 and 19)				
Cost				
Land	1,638,633	1	1,638,633	1
Buildings	1,671,009	1	1,317,101	1
Computer equipment	874,486	1	549,936	-
Transportation equipment	60,583	-	48,563	-
Office and other equipment	<u>948,021</u>	<u>-</u>	<u>757,391</u>	<u>-</u>
Total cost	5,192,732	3	4,311,624	2
Accumulated depreciation	<u>901,005</u>	<u>1</u>	<u>710,959</u>	<u>-</u>
	4,291,727	2	3,600,665	2
Prepayments for equipment and construction in				
Progress	<u>40,773</u>	<u>-</u>	<u>223,156</u>	<u>-</u>
Net Properties	<u>4,332,500</u>	<u>2</u>	<u>3,823,821</u>	<u>2</u>
OTHER ASSETS (Notes 2, 10 and 19)	<u>2,418,302</u>	<u>1</u>	<u>1,804,814</u>	<u>1</u>
 TOTAL ASSETS	 <u>\$ 204,128,902</u>	 <u>100</u>	 <u>\$ 191,603,292</u>	 <u>100</u>

BANK SINOPAC

STATEMENTS OF INCOME

For the Years Ended December 31, 1999 and 1998

	1999		1998	
	(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)			
	Amount	%	Amount	%
OPERATING REVENUES				
Interest (Note 2)	\$ 12,613,336	83	\$ 12,602,725	89
Service fees (Note 18)	733,424	5	570,774	4
Income from securities - net (Notes 2 and 14)	1,303,881	9	829,111	6
Income from long-term equity investments - net (Notes 2 and 8)	491,107	3	106,565	1
Foreign exchange gain - net (Note 2)	51,290	-	70,967	-
Other (Note 18)	<u>47,162</u>	<u>-</u>	<u>36,064</u>	<u>-</u>
Total Operating Revenues	<u>15,240,200</u>	<u>100</u>	<u>14,216,206</u>	<u>100</u>
OPERATING EXPENSES				
Interest (Note 2)	9,145,501	60	9,721,144	69
Service charges	208,545	2	148,116	1
Provision for credit losses (Note 2)	743,975	5	287,603	2
Operating and administrative expenses (Notes 15, 16 and 18)	3,089,730	20	2,733,989	19
Other	<u>32,282</u>	<u>-</u>	<u>26,668</u>	<u>-</u>
Total Operating Expenses	<u>13,220,033</u>	<u>87</u>	<u>12,917,520</u>	<u>91</u>
OPERATING INCOME	2,020,167	13	1,298,686	9
NON-OPERATING INCOME (EXPENSES)				
Non-operating income	28,290	-	18,914	-
Non-operating expenses	<u>(28,322)</u>	<u>-</u>	<u>(7,085)</u>	<u>-</u>
Non-operating Income (Expenses) - Net	<u>(32)</u>	<u>-</u>	<u>11,829</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,020,135	13	1,310,515	9
INCOME TAX (Notes 2 and 17)	<u>229,614</u>	<u>1</u>	<u>305,207</u>	<u>2</u>
NET INCOME	<u>\$ 1,790,521</u>	<u>12</u>	<u>\$ 1,005,308</u>	<u>7</u>
EARNINGS PER SHARE				
Based on weighted average shares				
outstanding: 1,582,327,198 shares in 1999 and				
	1,375,276,094 shares in 1998	\$ 1.13	\$ 0.73	
Based on 1,431,249,831 shares - after retroactive				
adjustment for 1999 stock dividends				
			\$ 0.70	

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1999 and 1998 (Expressed in Thousands of New Taiwan Dollars, Except Dividend and Stock Issue Price Per Share)

	CAPITAL STOCK		CAPITAL SURPLUS			
	(Note 15)		Additional	Gain on		
	Shares (In Thousands)	Amount	Paid-in Capital	Disposal of Properties	Donated Capital	Total
BALANCE, JANUARY 1, 1998	1,223,813	\$ 12,238,130	\$ 1,089,000	\$ 14,828	\$ -	\$1,103,828
Appropriation of 1997 earnings						
Legal reserve	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-
Stock dividends - \$0.77 per share	94,234	942,336	-	-	-	-
Rewards to directors and supervisors	-	-	-	-	-	-
Bonus to employees	853	8,534	-	-	-	-
Net income for 1998	-	-	-	-	-	-
Issuance of capital stock for cash -\$15 per share, effected on September 19, 1998	200,000	2,000,000	1,000,000	-	-	1,000,000
Transfer of gain on sale of properties to capital surplus	-	-	-	956	-	956
Unrealized loss on long - term equity investments recognized from investee under the equity method	-	-	-	-	-	-
Change in translation adjustment on long - term equity investments	-	-	-	-	-	-
BALANCE, DECEMBER 31, 1998	1,518,900	15,189,000	2,089,000	15,784	-	2,104,784
Appropriation of 1998 earnings						
Legal reserve	-	-	-	-	-	-
Stock dividends - \$0.407 per share	61,819	618,192	(618,192)	-	-	(618,192)
Cash dividends - \$0.393 per share	-	-	-	-	-	-
Rewards to directors and supervisors	-	-	-	-	-	-
Bonus to employees	3,887	38,868	-	-	-	-
Net income for 1999	-	-	-	-	-	-
Transfer of gain on sale of properties to capital surplus	-	-	-	526	-	526
Reversal of unrealized loss on long - term equity investments recognized from investee under the equity method	-	-	-	-	-	-
Change in translation adjustment on long - term equity investments	-	-	-	-	-	-
Donated dividends	-	-	-	-	83	83
BALANCE, DECEMBER 31, 1999	<u>1,584,606</u>	<u>\$ 15,846,060</u>	<u>\$ 1,470,808</u>	<u>\$ 16,310</u>	<u>\$ 83</u>	<u>\$1,487,201</u>

RETAINED EARNINGS				UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 8)	TRANSLATION ADJUSTMENT (Note 2)	TOTAL STOCKHOLDERS' EQUITY
Legal Reserve	Special Reserve	Unappropriated	Total			
\$ 827,237	\$ 275,746	\$ 1,237,431	\$ 2,340,414	\$ -	\$ 2,554	\$ 15,684,926
369,326	-	(369,326)	-	-	-	-
-	161,909	(161,909)	-	-	-	-
-	(255,746)	(686,590)	(942,336)	-	-	(4,282)
-	-	(4,282)	(4,282)	-	-	(30)
-	-	(8,564)	(8,564)	-	-	1,005,308
-	-	1,005,308	1,005,308	-	-	1,005,308
-	-	-	-	-	-	3,000,000
-	-	(956)	(956)	-	-	-
-	-	-	-	(202,148)	-	(202,148)
-	-	-	-	-	(5,261)	(5,261)
1,196,563	181,909	1,011,112	2,389,584	(202,148)	(2,707)	19,478,513
301,305	-	(301,305)	-	-	-	-
-	-	-	-	-	-	-
-	-	(596,928)	(596,928)	-	-	(592,928)
-	-	(14,045)	(14,045)	-	-	(14,045)
-	-	(91,295)	(91,295)	-	-	(52,427)
-	-	1,790,521	(526)	-	-	-
-	-	(526)	(526)	-	-	-
-	-	-	-	202,148	-	202,148
-	-	-	-	-	(5,892)	(5,892)
-	-	-	-	-	-	83
<u>\$ 1,497,868</u>	<u>\$ 181,909</u>	<u>\$ 1,797,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 8,599)</u>	<u>\$ 20,801,973</u>

BANK SINOPAC

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1999 and 1998

	1999	1998
(Expressed in Thousands of New Taiwan Dollars)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,790,521	\$ 1,005,308
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	261,676	211,439
Provision for credit losses	743,975	287,603
Provision for (reversal of) market value decline of securities purchased	(107,930)	85,200
Loss on disposal of properties - net	11,704	5,300
Investment income under the equity method	(490,976)	(100,206)
Gain on sale of long-term equity investments	-	(6,359)
Accrued pension cost	(12,401)	(9,997)
Deferred income tax	29,454	(9,870)
Changes in operating assets and liabilities		
Accounts, interest and other receivables	(10,416,099)	(1,077,802)
Prepayments	(24,437)	(46,835)
Accounts, interest and other payables	<u>2,219,368</u>	<u>2,245,757</u>
Net Cash Provided by (Used in) Operating Activities	<u>(5,995,145)</u>	<u>2,589,538</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in loans, discounts and bills purchased	(14,670,785)	(6,155,756)
Decrease (increase) in securities purchased	5,132,764	(9,663,233)
Acquisition of properties	(756,394)	(1,511,090)
Decrease (increase) in other assets	(1,422,020)	627,821
Increase in long-term equity investments	(1,061,719)	(566,541)
Proceeds from sale of long-term equity investments	-	52,892
Proceeds from sale of properties	<u>1,311</u>	<u>1,740</u>
Net Cash Used in Investing Activities	<u>(12,776,843)</u>	<u>(17,214,167)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits and remittances	3,407,811	22,525,964
Decrease in short-term borrowings	-	(300,000)
Increase (decrease) in call loans and due to banks	6,252,854	(2,612,913)
Decrease in other liabilities	(376,739)	(1,402,055)
Rewards to directors, supervisors and bonus to employees	(62,612)	(4,312)
Cash dividends	(596,928)	-
Donated dividends	83	-
Issuance of capital stock for cash	<u>-</u>	<u>3,000,000</u>
Net Cash Provided by Financing Activities	<u>8,624,469</u>	<u>21,206,684</u>
INCREASE (DECREASE) IN CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS	(\$ 10,147,519)	\$ 6,582,055
CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS, BEGINNING OF YEAR	<u>30,725,644</u>	<u>24,143,589</u>
CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS, END OF YEAR	<u>\$ 20,578,125</u>	<u>\$ 30,725,644</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 9,392,753</u>	<u>\$ 9,275,942</u>
Income tax paid	<u>\$ 315,865</u>	<u>\$ 360,575</u>

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

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998 (Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

The Bank obtained government approval to incorporate on August 8, 1991, and commenced operations on January 28, 1992. The Bank is engaged in commercial banking, savings, trust, and foreign exchange operations as prescribed by the Banking Law.

As of December 31, 1999, the Bank's operating units include Banking, Savings, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU) and thirty-four domestic branches, one overseas branch and two overseas representative offices. The Bank's shares of stock had been traded on the R.O.C. Over-the-counter Securities Exchange (the OTC Exchange) until June 29, 1998 when the shares were listed on the Taiwan Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statement preparation

The accompanying financial statements include the accounts of the Head Office, OBU, all branches and representative offices. All inter-office transactions and balances have been eliminated.

Securities purchased

Securities purchased include short-term bills, stocks, beneficiary certificates and bonds.

Short-term bills are stated at cost (which approximates market value). Stocks, beneficiary certificates and bonds are stated at the lower of moving-average cost or market. Market prices are determined as follows: (a) listed stocks and beneficiary certificates (close-end fund) - average daily closing prices for the last month of the accounting period; (b) beneficiary certificates (open-end fund) - net asset values at the balance sheet date; and (c) over-the-counter stocks and bonds - year-end reference prices published by the OTC Exchange.

Cost of securities sold is determined by the moving-average cost except that of short-term bills, which is determined by the specific identification method.

In compliance with a directive of the Ministry of Finance, sales and purchases of bonds and short-term bills under agreements to repurchase or resell are treated as

outright sales and purchases.

Allowance for credit losses

Allowances for losses on loans, discounts, bills purchased, accounts, interest and other receivables, and non-performing loans are provided based on a review of their collectibility.

Long-term equity investments

Long-term equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Investments accounted for by the equity method are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. Any difference between the acquisition cost and the equity of the investee acquired at the time of investment is amortized over 15 years. Long-term equity investments are accounted for by the cost method if the Bank does not have significant influence over the investees. Stock dividends result only in an increase in the number of shares and are not recognized as investment income.

For listed stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying value, an allowance for market value decline is provided and the unrealized loss is charged against stockholders' equity.

Cost of equity investments sold is determined by the weighted-average method.

Properties

Properties are stated at cost less accumulated depreciation. Major renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred.

Upon sale or disposal of properties, their cost and related accumulated depreciation are removed from the respective accounts. Any resulting gain is credited to current income and then transferred to capital surplus after deducting applicable income tax. Any resulting loss is charged to current income.

Depreciation is calculated by the straight-line method based on estimated service lives which range as follows: buildings, 8 to 55 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; office and other equipment, 5 to 8 years. For assets which have reached their original estimated service lives but remain in use, further depreciation is calculated based on the estimated additional service

lives.

Provisions for losses on guarantees

Provisions for losses on guarantees and acceptances (included in other liabilities) are provided based on their estimated collectibility.

Foreign-currency transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. Foreign-currency denominated income and expenses are translated into New Taiwan dollars at month end based on spot exchange rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at closing rates at the balance sheet date. Realized and unrealized foreign exchange gains or losses are credited or charged to current income. Gains or losses resulting from restatement of year-end foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to “translation adjustment” under stockholders' equity.

Derivative financial instruments

a. Foreign exchange forward contracts

Foreign-currency assets and liabilities arising from forward exchange contracts, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded at the contracted forward rates. Gains or losses arising from the differences between the contracted forward rates and spot rates at settlement are credited or charged to current income. For contracts outstanding at the balance sheet date, the gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to current income. Receivables arising from forward exchange contracts are offset against the related payables at the balance sheet date.

b. Currency swap contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded at the spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates; with receivables netted against the related payables. Gains or losses arising from the differences between the contracted forward rates and the spot rates at settlement are credited or charged to current income. For contracts

outstanding at the balance sheet date, the gains or losses arising from the differences between contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to current income.

c. Cross currency swap

Cross currency swap (CCS) contracts, which are intended for hedging purposes, are recorded at the contracted forward rates as off-balance sheet items. The related discounts or premiums are amortized over the respective contract periods on a straight-line basis. The net interest upon each settlement is recorded as an adjustment to the revenue or expense associated with the item being hedged.

d. Options

Premiums paid or received for options, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded as assets and liabilities, respectively, and are amortized over the respective contract periods on a straight-line basis. Gains or losses on exercise of options are credited or charged to current income. Options outstanding at the balance sheet date are revalued at market value and the resulting gains or losses are recognized currently.

Premiums paid or received for options, which are intended for hedging purposes, are recorded as assets and liabilities, respectively, and are amortized over the respective contract periods on a straight-line basis. Gains or losses on exercise of options are recorded as adjustments to the revenue, cost or expenses associated the items being hedged.

e. Interest rate swaps

Interest rate swaps do not involve exchanges of principals, which are recorded by memorandum entries at the contract dates. For such swaps entered into to accommodate customers' needs or to manage the Bank's interest rate positions, the interest differentials to be received or paid at settlement are recognized as interest income or expense. For swaps entered into for hedging purposes, the net interest upon each settlement is recorded as an adjustment to interest income or expense associated with the item being hedged.

Pension

Under R.O.C. Statement of Financial Accounting Standards ("SFAS") No. 18, "Accounting for Pensions," pension expense is determined based on actuarial calculations (Note 16).

Income tax

Under SFAS No. 22, "Accounting for Income Tax," interperiod income tax allocation is applied, whereby tax effects of deductible temporary differences. And unused investment tax credits are recognized as deferred income tax assets and those of taxable temporary differences are recognized as deferred income tax liabilities; a valuation allowance is provided for deferred income tax assets that are not certain to be realized. Adjustments of prior years' tax liabilities are included in the current year's tax provision. Income tax (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve that the earnings shall be retained.

3. CASH

	1999	1998
Notes and checks in clearing	\$ 1,015,254	\$ 1,361,230
Cash	1,504,800	1,002,203
Negotiable certificates of deposit	<u>2,726,473</u>	<u>1,989,960</u>
	<u>\$ 5,246,527</u>	<u>\$ 4,353,393</u>

As of December 31, 1999, negotiable certificates of deposit aggregating \$31,395 have maturities over one year.

4. DUE FROM CENTRAL BANK

This consists mainly of deposit reserves required by law, which are determined monthly at prescribed rates on average balances of customers' deposits. These reserves include \$5,041,416 and \$5,852,848 as of December 31, 1999 and 1998, respectively, of which withdrawal is restricted.

5. SECURITIES PURCHASED

	1999	1998
Commercial paper	\$ 3,870,208	\$18,015,920
Bonds and bank debentures	6,570,777	6,944,017
Beneficiary certificates	1,044,851	140,000
Listed and over-the-counter stocks	566,511	933,814
Floating rate notes	133,820	1,006,922
Bank acceptances	<u>98,394</u>	<u>542,138</u>
	22,284,561	27,582,811
Less: Allowance for market value decline	<u>-</u>	<u>141,468</u>
Net	<u>\$ 22,284,561</u>	<u>\$27,441,343</u>

The aggregate market value or reference price of bonds and bank debentures, stocks and beneficiary certificates are as follows:

	1999	1998
Bonds and bank debentures	\$ 6,614,460	\$ 6,988,218
Beneficiary certificates	1,044,471	96,770
Listed and over-the-counter stocks	540,795	876,666

As of December 31, 1999 and 1998, government bonds, corporate bonds and bank debentures totaling \$54,800 and \$31,700, respectively, have been provided to courts as performance bonds for provisional seizure of debtors' properties.

6. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	1999	1998
Accounts receivable	\$ 12,211,290	\$ 2,618,619
Interest receivable	836,197	750,826
Other receivable	351,160	-
Accrued revenue	349,644	235,128
Forward receivable - net	164,038	-
Due from affiliates	82,914	-
Refundable tax	22,753	-
Other	<u>37,601</u>	<u>34,925</u>
	14,055,597	3,639,498
Less: Allowance for losses	<u>245,345</u>	<u>95,859</u>
Net	<u>\$ 13,810,252</u>	<u>\$ 3,543,639</u>

As of December 31, 1999, accounts receivable includes \$8,889,436 which were generated from factoring business.

The investments in corporate bonds issued by Tong Lung Metal Industry Co., floating rate notes issued by C. P. POKPHAND and convertible corporate bonds issued by TECHNOLOGY RESOURCES INDUSTRIES BERHAD amounted to \$100,000, \$156,975 and \$94,185, respectively, were reclassified in 1999 from securities purchased to other receivables. An additional provision for losses were provided on the investments based on a review of their collectibility.

7. LOANS, DISCOUNTS AND BILLS PURCHASED

	1999	1998
Overdrafts	\$ 3,393,314	\$ 3,981,305
Short-term loans	28,357,079	24,300,194
Mid-term loans	43,523,689	47,056,695
Long-term loans	58,715,532	43,958,312
Import and export negotiations	812,746	756,004
Bills purchased	<u>12,619</u>	<u>804</u>
	134,814,979	120,053,314
Less: Allowance for credit losses	<u>997,458</u>	<u>1,020,107</u>
Net	<u>\$133,817,521</u>	<u>\$119,033,207</u>

8. LONG-TERM EQUITY INVESTMENTS

	1999		1998	
	Amount	% of Shareholding	Amount	% of Shareholding
Cost method				
Listed				
Ruentex Textile Co., Ltd.	\$ 165,486	1.45	\$ -	-
Chiao Tung Bank Co., Ltd.	199,465	0.26	-	-
Vate Technology Co., Ltd.	<u>11,467</u>	0.61	<u>11,467</u>	0.61
	<u>376,418</u>		<u>11,467</u>	
Unlisted				
Global Securities Finance Corp.	100,000	1.56	100,000	1.56
Z-Com, Inc.	16,800	3.43	16,800	3.43
Taipei Forex Inc.	800	0.40	800	0.40
Taiwan International				
Mercantile Exchange Corp.	9,000	0.45	9,000	0.45
Taiwan Leader Copper Clad				
Laminate Co., Ltd.	16,554	1.35	16,554	1.91
APack Technologies Inc.	30,709	1.60	30,709	2.03
Fuh-Hwa Securities Investment Trust Co., Ltd.	24,000	8.00	24,000	8.00
Financial Information Service Co., Ltd.				
	<u>45,500</u>	1.14	<u>45,500</u>	1.14
	<u>243,363</u>		<u>243,363</u>	
	<u>619,781</u>		<u>254,830</u>	
Equity method				
Rocorp Holding S.A.	\$ 3,531	33.33	\$ 3,531	33.33
SinoPac Bancorp	3,461,107	100.00	3,124,944	100.00
SinoPac Leasing Corporation	1,367,669	99.99	782,873	99.99
SinoPac Securities Investment Advisory Corp.				
	11,082	99.40	9,940	99.40
SinoPac Capital Ltd.	124,475	99.99	-	-
Bank SinoPac Financial Consulting Co., Ltd.				
	<u>1,940</u>	97.00	<u>-</u>	-
	<u>4,969,804</u>		<u>3,921,288</u>	
Prepayments for capital subscription Aetna SinoPac Credit Card Co.,Ltd.,				
Preparatory office	<u>500,970</u>	-	<u>-</u>	-
	<u>\$ 6,090,555</u>		<u>\$ 4,176,118</u>	

The total market value of the listed stocks is \$411,815 and \$17,000 as of December 31, 1999 and 1998, respectively. The investment in Ruentex Textile Co., Ltd. was reclassified in September 1999 from securities purchased (short-term) to long-term equity investments.

SinoPac Bancorp is a holding company established by the Bank in the United States to acquire and hold a 100% equity interest in Far East National Bank ("FENB"), Los Angeles, California, USA.

Except SinoPac Bancorp and SinoPac Leasing Corporation, the operating revenues and total assets of the other three subsidiaries - SinoPac Securities Investment Advisory Corp., SinoPac Capital Ltd., and Bank SinoPac Financial Consulting Co., Ltd. - are individually less than 10%, and are in aggregate less than 30%, of those of the Bank. Accordingly, only SinoPac Bancorp and SinoPac Leasing Corporation are consolidating subsidiaries in the Bank's consolidated financial statements.

The carrying amounts of the investments accounted for by the equity method as of December 31, 1999 and 1998, and the related investment income of \$490,976 and \$100,206, respectively, for the years then ended, were based on the investees' audited financial statements, except for those of Rocorp Holding S.A. and Bank SinoPac Financial Consulting Co., Ltd. which were based on the investees' unaudited financial statements. If the investees' unaudited financial statements mentioned above were audited, the effect of adjustments, if any, is not expected to be significant.

In 1998, the Bank recorded, in stockholders' equity, \$202,148 of unrealized loss, which was reversed in 1999, on long-term equity investments resulting from market value decline of listed stocks held by an investee accounted for by the equity method.

9. PROPERTIES

	1999	1998
Cost	\$ 5,192,732	\$ 4,311,624
Accumulated depreciation		
Buildings	143,750	100,356
Computer equipment	325,955	282,324
Transportation equipment	24,260	16,891
Office and other equipment	<u>407,040</u>	<u>311,388</u>
	<u>901,005</u>	<u>710,959</u>
	4,291,727	3,600,665
Prepayments for equipment and construction in progress	<u>40,773</u>	<u>223,156</u>
Net	<u>\$ 4,332,500</u>	<u>\$ 3,823,821</u>

10. OTHER ASSETS

	1999	1998
Non-performing loans	\$ 1,156,005	\$ 805,714
Less: Allowance for credit losses	<u>197,823</u>	<u>228,388</u>
	958,182	577,326
Guarantee deposits	1,120,773	885,712
Collateral assumed	167,282	233,365
Computer system software	110,156	67,506
Other	<u>61,909</u>	<u>40,905</u>
	<u>\$ 2,418,302</u>	<u>\$ 1,804,814</u>

As of December 31, 1999 and 1998, bank debentures, government and corporate bonds totaling \$727,865 and \$609,100, respectively, have been submitted as guarantee deposits.

11.DEPOSITS AND REMITTANCES

	1999	1998
Savings	\$ 77,903,739	\$ 68,502,079
Time	71,702,772	76,197,152
Demand	10,635,720	8,425,126
Negotiable certificates of deposit	2,128,600	6,107,400
Checking	1,688,974	1,433,902
Outward remittances	29,649	18,801
Inward remittances	<u>19,273</u>	<u>16,456</u>
	<u>\$ 164,108,727</u>	<u>\$ 160,700,916</u>

12.ACCOUNTS, INTEREST AND OTHER PAYABLES

	1999	1998
Accounts payable	\$ 5,002,670	\$ 21,519
Interest payable	1,682,463	2,002,462
Notes and checks in clearing	1,015,254	1,361,230
Accrued expenses	181,249	185,972
Tax payable	43,487	72,423
Collections payable	26,415	2,221,284
Other	<u>342,550</u>	<u>205,970</u>
	<u>\$ 8,294,088</u>	<u>\$ 6,070,860</u>

As of December 31, 1999, accounts payable include \$5,001,871 which were generated from factoring business.

13.STOCKHOLDERS' EQUITY

a.Capital stock

On September 13, 1999, the stockholders resolved to increase the Bank's capital from \$15,846,060 to \$18,046,060, divided into 1,804,606,040 shares at a par value of 10 New Taiwan dollars. 220,000,000 shares will be increased in form of Global Depository Receipts. The capital increase has been submitted to the competent authorities for approval.

On April 15, 1999, the stockholders resolved to increase the Bank's capital from \$15,189,000 to \$15,846,060, divided into 1,584,606,040 shares at the same par value,

through: (1) stock dividends of \$618,192 declared from additional paid-in capital, and (2) issuance of shares to employees in lieu of cash bonus of \$38,868. The capital increase was effected on August 3, 1999.

On March 23, 1998, the stockholders resolved to increase the Bank's capital from \$12,238,130 to \$15,189,000, divided into 1,518,900,000 shares at the same par value, through: 1) stock dividends of \$255,746 and \$686,590 declared from special reserve and unappropriated earnings, respectively; 2) issuance of shares to employees in lieu of cash bonus of \$8,534; and 3) issuance of 200,000,000 shares by cash contribution at 15 New Taiwan dollars per share. The capital increase was effected on September 19, 1998.

b.Capital surplus

According to the Securities and Futures Commission (the "SFC") regulations, capital surplus arising from issuance of shares in excess of par value can be transferred to capital only once a year, excluding the year in which it arises, and within the specified limits.

c.Retained earnings

The Bank's Articles of Incorporation provide that the following shall be appropriated from the annual net income, less any deficit:

- 1)30% as legal reserve;
- 2)Special reserve or an amount to be retained; and
- 3)Dividends to stockholders, rewards to directors and supervisors and bonus to employees at 85%, 2% and 13%,
respectively, of the remainder.

These appropriations and the disposition of the remaining net income, as well as other allocations of earnings, shall be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

Under the Company Law, the aforementioned appropriation for legal reserve shall be made until the reserve equals the paid-in capital. This reserve shall only be used to offset a deficit, or, when reaching 50% of capital, up to 50% thereof can be transferred to capital. In addition, the Banking Law provides that, before the reserve equals the paid-in capital, annual cash dividends, rewards and bonus shall not exceed 15% of the

capital.

On January 28, 2000, the board of directors proposed to amend the Articles of Incorporation with respect to appropriation of earnings as follows:

- (1) To comply with a directive issued by the SFC, whenever the stockholders' equity contains components showing debit balances, such as unrealized loss on long-term equity investments and translation adjustment, a special reserve equal to the total debit balance shall be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. The special reserve so appropriated, except the amount that is reversable due to the reduction in the total debit balance, shall not be available for appropriation.
- (2) The type and amount of dividends and bonus to employees shall be determined by the board of directors after taking into account prevailing financial market environment, market trend and the Bank's development plan. Except that during the Bank's growth period dividends and bonus to employees shall in principle be paid in stock, the board of directors shall determine the respective percentages of dividends to be paid in cash or stock and then submit them to the stockholders for resolution. Cash dividends shall be paid after they are resolved by the stockholders, while stock dividends shall be distributed after they are approved by the competent authorities.

The aforementioned amendments shall be submitted to the annual stockholders' meeting for resolution.

Under the Integrated Income Tax System, non-corporate stockholders are allowed a tax credit for the income tax paid or payable by the Bank on earnings generated in 1998 and onwards.

14. INCOME FROM SECURITIES - NET

	1999	1998
Short-term bills	\$ 1,022,860	\$ 960,497
Stocks	233,063	(139,586)
Bonds	<u>47,958</u>	<u>8,200</u>
	<u>\$ 1,303,881</u>	<u>\$ 829,111</u>

Income from short-term bills mainly consists of interest earned during the holding period.

15. OPERATING AND ADMINISTRATIVE EXPENSES

	1999	1998
Payroll	\$ 1,194,081	\$ 988,660
Taxes other than income tax	500,214	671,931
Depreciation and amortization	261,676	211,439
Rental	248,847	220,532
Postage	100,369	76,600
Insurance	100,049	74,377
Promotions	91,550	38,134
Stationery	64,515	44,426
Repairs and maintenance	56,247	46,936
Other	<u>472,182</u>	<u>360,954</u>
	<u>\$ 3,089,730</u>	<u>\$ 2,733,989</u>

16. PENSION

The Bank has a pension plan covering all regular employees. The Bank makes monthly contributions, equal to 7% of employee salaries, to a pension fund. Non-management employees, in addition, contribute 4% of their salaries to the fund. A retiring employee will receive: (a) pension benefits from the Bank-contributed fund based on length of service and average monthly salary upon retirement; and (b) the cumulative self-contributions plus interest thereon.

1) The changes in the pension fund and the pension reserve are summarized below:

Pension Fund		
	1999	1998
Balance, January 1	\$ 259,310	\$ 166,051
Contributions	117,491	143,177
Benefits paid	(13,728)	(69,037)
Interest income	<u>26,491</u>	<u>19,119</u>
Balance, December 31	<u>\$ 389,564</u>	<u>\$ 259,310</u>

The ending balances consist of :

	1999	1998
Contributions by the Bank	\$ 233,505	\$ 152,298
Contributions by employees	<u>156,059</u>	<u>107,012</u>
	<u>\$ 389,564</u>	<u>\$ 259,310</u>

Pension Reserve

	1999	1998
Balance, January 1	\$ 17,810	\$ 27,807
Provisions	62,313	47,688
Benefits paid	<u>(74,714)</u>	<u>(57,685)</u>
Balance, December 31	<u>\$ 5,409</u>	<u>\$ 17,810</u>

(Forward)

2) Net pension costs for the years ended December 31, 1999 and 1998 are summarized below:

	1999	1998
Service cost	\$ 53,331	\$ 39,466
Interest cost	6,551	11,973
Actual return on plan assets	(\$ 11,512)	(\$ 8,786)
Deferred assets (gain) loss	<u>(1,162)</u>	<u>(57)</u>
Expected return on plan assets	(12,674)	(8,843)
Net amortization and deferral	<u>5,105</u>	<u>5,092</u>
Net pension cost	<u>\$ 62,313</u>	<u>\$ 47,688</u>

3) The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 1999 and 1998 are as follows:

	1999	1998
Benefit obligation		
Vested benefit obligation	\$ 32,554	\$ 26,521
Nonvested benefit obligation	<u>184,231</u>	<u>113,812</u>
Accumulated benefit obligation	216,785	140,333
Additional benefits based on future salaries	<u>155,053</u>	<u>99,050</u>
Projected benefit obligation	371,838	239,383
Fair value of plan assets	<u>(235,431)</u>	<u>(152,298)</u>
Funded status	136,407	87,085
Unrecognized net transitional obligation		
	(54,750)	(59,727)
Unrecognized prior service cost	(1,196)	(1,324)
Unrecognized pension (gain) loss	(75,172)	(8,261)
Additional liabilities	<u>-</u>	<u>-</u>
Accrued pension cost	<u>\$ 5,289</u>	<u>\$ 17,773</u>
4) Vested benefit	<u>\$ 71,163</u>	<u>\$ 41,874</u>

5) Actuarial assumptions

a. Discount rate used in determining present values

6.5%

7.0%

b. Future salary increase rate

5.5%

5.5%

c. Expected rate of return on plan assets

6.5%

7.0%

17. INCOME TAX

	1999	1998
Tax on pretax financial statements		
income at statutory rate (25%)	\$ 505,034	\$ 327,629
Add (deduct) tax effects of:		
Interest income on short-term bills	(253,649)	(240,591)
Tax-exempt gain on sale of securities and cash dividends	(54,218)	(1,246)
Deferral of provision for (reversal of) market value decline of securities purchased	(26,983)	25,778
Net loss (income) of OBU	(30,443)	5,194
Changes in unrealized foreign exchange loss	4,685	8,268
Tax on unappropriated earnings (10%)	10,449	-
Investment income under equity method	(122,744)	(25,052)
Investment tax credits	(58,585)	(12,342)
Other	<u>(667)</u>	<u>2,695</u>
Income tax currently payable	-	130,333
Tax on interest income of short-term bills levied separately	202,917	192,511
Change in deferred income tax	29,454	(9,870)
Other	<u>(2,757)</u>	<u>(7,767)</u>
Income tax expense	<u>\$ 229,614</u>	<u>\$ 305,207</u>

Net deferred income tax assets (liabilities) as of December 31, 1999 and 1998 consist of the tax effects of the following:

	1999	1998
Contribution to employees welfare fund	\$ 1,702	\$ 2,820
Investment income under equity method	(80,655)	(47,635)
Unrealized foreign exchange loss	<u>6,713</u>	<u>2,029</u>
	<u>(\$ 72,240)</u>	<u>(\$ 42,786)</u>

The related information under the Integrated Income Tax System is as follows:

	1999	1998
Year-end balance of imputed tax credit	<u>\$ 152,882</u>	<u>\$ 266,628</u>

The 1999 projected and 1998 actual ratios of imputed tax credit to earnings are 8.50% and 33.33%, respectively. The tax credit allocable to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date.

Accordingly, the 1999 projected tax credit ratio may change because the actual tax credit may differ from the projected tax credit.

The unappropriated earnings as of December 31, 1999 and 1998 consist of earnings of \$6,760 which were generated before January 1, 1998.

Income tax payable (included in interest and other payables) as of December 31, 1998 are net of prepayments of \$96,592. Income tax returns of up to 1995 and of 1997 have been examined and approved by the tax authorities.

18. RELATED PARTY TRANSACTIONS

Significant transactions with related parties, which include directors, supervisors, managers and their relatives, are summarized as follows:

a. Credit extended, deposits taken and placed

	<u>Amount</u>	<u>% of Account Balance</u>	<u>Interest/Fee Rate</u>
<u>December 31, 1999</u>			
Deposits	\$ 3,004,262	1.8	0.01%-13.56%
Loans and discounts	630,719	0.5	5.075%-8.88%
Due from banks	117,677	1.4	-
 <u>December 31, 1998</u>			
Deposits	\$ 1,858,751	1.1	0%-13%
Loans and discounts	487,142	0.4	5.075%-12.75%
Due from banks	27,018	0.2	-

None of the related parties individually accounts for 10% or more of the respective account balances.

b. Lease

The Bank leases certain office premises from KMT Central Committee (the major stockholder of the Bank's supervisors and directors before March 23, 1998) for a seven-year period ending March 2003. Rentals for the years ended December 31, 1999 and 1998 are \$44,842 and \$53,824, respectively.

In December 1996, the Bank entered into a lease contract (as leasee) with Central Investment Holding Co., Ltd. (a major stockholder of the Bank) for certain office premises for a seven-year period ending December 2003. Rentals for the years ended December 31, 1999 and 1998 are \$8,716 and \$8,352, respectively.

The Bank leases certain office premises from Su Kwang Hui (son of a director) for a five-year period ending December 2003. Rentals for the year ended December 31, 1999 amounted to \$5,563.

The Bank leases certain office premises to SinoPac Securities Corporation (a subsidiary of SinoPac Leasing Corporation, which is a subsidiary of the Bank) for a seven-year period ending July 2006. Rentals received for the year ended December 31, 1999 amounted to \$777.

c. Fee income and charges

In the years ended December 31, 1999 and 1998, syndication fees and management fees for loans extended to Runtex Textile Co. (parent company of Kin On Investment Ltd., which is the Bank's director) amounted to \$540 and \$2,535, respectively, and certification fees received from other related parties aggregated to \$429 and \$1,890 respectively.

In 1999 and 1998, syndication fees and management fees on the loan to Grand Capital International Limited (a subsidiary of SinoPac Leasing Corporation, which is a subsidiary of the Bank) amounted to US\$133 and US\$72, respectively.

In December 1999, L.A. Branch of the Bank purchased loans from Far East National Bank (a subsidiary of SinoPac Bancorp, which is a subsidiary of the Bank) amounted to US\$11,892 and the related service charge is US\$119.

d. Guarantee and securities purchased

As of December 31, 1999 and 1998, the Bank has provided guarantees on \$1,107,000 and \$853,000 of commercial paper issued by SinoPac Leasing Corporation (a subsidiary of the Bank). As of December 31, 1999 and 1998, the guarantees are collateralized by the following:

	1999	1998
Stocks - at par value	\$ 1,403,143	\$ 600,000
Post- dated checks	449,615	690,317
Certificates of deposits	<u>-</u>	<u>452,797</u>
	<u>\$ 1,852,758</u>	<u>\$ 1,743,114</u>

As of December 31, 1999 and 1998, the Bank holds \$20,000 and \$863,000, respectively, of the aforementioned commercial paper, which is recorded under securities purchased.

e. Professional advisory fees

The Bank has entered into an investment advisory contract with SinoPac Securities Investment Advisory Corp. (a subsidiary of the Bank). The contract matures on December 31, 2000 and is renewable. The advisory fees paid for the year ended December 31, 1999 are \$22,785.

f. Accounts receivable and due from affiliates

In April 1999, the Bank purchased an account receivable of Chuntex Electronic Co., Ltd. amounted to \$79,102 from SinoPac Leasing Corporation (a subsidiary of the Bank). And the account receivable was extinguished as of December 31, 1999.

The Bank is one of the incorporators of Aetna SinoPac Credit Card Co., Ltd. As of December 31, 1999, the Bank has paid preparatory expenses of \$82,872 on behalf of the Company.

The terms of the transactions with related parties are similar to those with non-related parties except the preferential interest rates made available to employees for savings and loans of up to prescribed limits.

19. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 1999, contingencies and commitments in the ordinary course of business are as follows:

Securities held for safekeeping	\$41,910,389
Guarantees	12,969,811
Bills for collection	11,306,918
Short-term bills and bonds sold under agreements to repurchase	5,634,403
Short-term bills and bonds purchased under agreements to resell	5,066,600
Trust assets	7,161,867
Letters of credit payable	2,856,232
Guarantee notes payable	810,800
Travellers checks	191,799

b. Lease contract

The Bank leases certain office premises under several contracts for various periods ranging from one to seven years, with rentals paid monthly, quarterly or semiannually. Future rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2000	\$186,659
2001	174,484
2002	121,063
2003	98,833
2004	97,665

Rentals for the years beyond 2004 amount to \$24,756, the present value of which is about \$19,904 as discounted at the Bank's one-year time deposit rate of 5.1%.

c. Equipment purchase contract

The Bank has entered into contracts to purchase computer hardware and software for \$371,187 and has paid \$307,338 as of December 31, 1999.

d. Renovation agreement

The Bank has entered into contracts to renovate office premises for \$349,204 and has paid \$326,773 as of December 31, 1999.

e. Short-term bills and bonds sold under agreements to repurchase

As of December 31, 1999, short-term bills and bonds with a total face value of \$5,641,700 were sold under agreements to repurchase at \$5,634,403 in January to June 2000.

f. Short-term bills and bonds purchased under agreements to resell

As of December 31, 1999, short-term bills and bonds with a total face value of \$5,097,960 were purchased under agreements to resell at \$5,066,600 in January to June 2000.

20.FINANCIAL INSTRUMENTS

a. Derivative financial instruments

The Bank is engaged in derivative transactions mainly to accommodate customers' needs and to manage its exposure positions. It also enters into interest rate swap, cross currency swap, and option contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets, net liabilities or commitments. The Bank's strategy is to hedge most of the market risk the Bank is exposed through hedging instruments whose changes in market value have a highly negative correlation with those of the hedged items; the Bank also assess hedge effectiveness of the instruments periodically.

The Bank is exposed to credit risk in the event of nonperformance by the counterparties to the contracts on maturity. The Bank enters into contracts with customers that have satisfied the credit approval process and have provided necessary collateral. Transactions are made within each customer's credit lines; guarantee deposits may be required, depending on the customer's credit standing. Transactions with other banks are made within the trading limit set for each bank based on the bank's credit rating and its worldwide ranking. The associated credit risk has been considered in the evaluation of provision for credit losses.

The contract amounts (or notional amounts), credit risk and market values of outstanding contracts are as follows:

Financial Instruments	December 31, 1999			December 31, 1998		
	Contract (Notional)	Credit	Fair	Contract (Notional)	Credit	Fair
	Amount	Risk	Value	Amount	Risk	Value
For hedging purposes:						
Interest rate swap						
contracts	\$ 1,024,067	\$ 4,184	(\$ 4,497)	\$ 2,582,960	\$ 2,504	(\$ 5,260)
Cross currency swap						
contracts	2,624,770	3,450	(39,888)	2,416,200	43,516	36,872
Options - As seller	156,975	1,022	1,022	-	-	-
For the purpose of						
accommodating customers'						
needs or managing its exposure:						
Forward contracts - Buy	2,038,292	379	(9,460)	410,960	1,454	(27,996)
- Sell	2,183,144	37,873	37,684	383,435	27,216	27,216
Currency swap contracts	5,206,750	45,477	26,099	6,424,541	68,431	66,215
Interest rate swap						
contracts	4,000,000	33,239	12,216	-	-	-
Options - As buyer	2,072,274	809	(5,581)	322,160	2,426	80
- As seller	2,072,274	7,882	7,139	322,160	2,036	(314)

The fair value of each contract is determined using the quotation from Reuters or Telerate Information System.

The Bank has entered into certain derivative contracts in which the notional amounts are used solely as a basis for calculating the amounts receivable and payable under the contracts. Thus, the notional amount does not represent actual cash inflows or outflows. The possibility that derivative financial instruments held or issued by the Bank can not be sold with reasonable prices is minimal; accordingly, no significant cash requirement is expected.

The gains and losses on derivative financial instruments for the years ended December 31, 1999 and 1998 are not significant.

b. Fair value of non-derivative financial instruments

<u>ASSETS</u>	December 31, 1999		December 31, 1998	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets - with fair values				
approximating carrying amounts	\$ 34,388,377	\$ 34,388,377	\$ 34,269,283	\$ 34,269,283
Securities purchased	22,284,561	22,302,148	27,441,343	27,441,343
Loans, discounts and bills purchased	133,817,521	133,817,521	119,033,207	119,033,207
Long-term equity investments	6,090,555	6,125,952	4,176,118	4,181,651
Other assets - refundable deposits	1,120,773	1,122,385	885,712	910,390
 <u>LIABILITIES</u>				
Financial liabilities - with fair values				
approximating carrying amounts	\$ 18,168,929	\$ 18,168,929	\$ 9,692,847	\$ 9,692,847
Deposits and remittances	164,108,727	164,108,727	160,700,916	160,700,916
Other liabilities - guarantee deposits				
received	20,000	20,000	244,578	244,578

Methods and assumptions applied in estimating fair values of non-derivative financial instruments are as follows:

- 1) The carrying amounts of cash, due from banks, due from Central Bank, receivables, due to banks and payables approximate their fair values because of the short maturities of these instruments.
- 2) If market prices for securities purchased and long-term equity investment are available, the fair values of these financial instruments are based on such market prices. If such market prices are unavailable, fair values are estimated based on their carrying amounts.
- 3) Loans, discounts and bills purchased, and deposits are financial assets and liabilities bearing interest. Thus, their carrying amounts represent fair values.
- 4) For government and corporate bonds submitted as guarantee deposits, fair values are based on market values. Fair values of other guarantee deposits are estimated at their carrying amounts as such deposits do not have specific due dates.

Certain financial instruments and all nonfinancial instruments are excluded from

disclosure of fair value. Accordingly, the aggregate fair value presented does not represent the underlying value of the Bank.

c. Off-balance-sheet credit risks

The Bank extends loans and issues credit cards; thus, it has significant credit commitments. Most of the credit commitments are for one to seven years. The interest rates of loans range from 4.5% to 12% and the interest rates of credit card loans can be as high as 18.9%. The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of a customer to a third party. The terms of these guarantees are usually one year, and their maturity dates do not concentrate in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risk as of December 31, 1999 and 1998 are as follows:

	<u>1999</u>	<u>1998</u>
Irrevocable loan commitments	\$ 400,867	\$ 172,000
Credit card commitments	22,190,000	19,668,000
Financial guarantees and standby letters of credit	14,358,477	18,500,089

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. If the total commitments were fully drawn upon and the collateral or other security obtained therefore proved to be of no value, the Bank's credit risk will equal to the total commitments, which also represent the maximum loss the Bank may incur.

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' creditworthiness. Based on the result of the credit evaluation, the Bank may require collateral before the credit facilities are drawn upon. Collateralized loans amounted to about 85.08% of the total loans. Collateral held varies but may include cash, inventories, marketable securities, and other property. When the customers default, the Bank will, as the case may be, foreclose the collateral or execute other rights arising out of the guarantees given.

The Bank does not require collateral for credit card commitments. However, the creditworthiness of card holders is reviewed periodically and the commitments are

revised if deemed necessary.

d. Information on concentrations of credit risk

Credit risk concentrations exist when the counterparties in financial instrument transactions are individuals or groups who are engaged in similar activities, which would cause their ability to meet contractual obligations to be subject to the same changes in economic or other conditions. The Bank has no credit risk concentration arising from any individual counterparty or groups of counterparties engaged in similar business activities.

21.SEGMENT AND GEOGRAPHIC INFORMATION

The Bank is engaged only in banking activities as prescribed by the Banking Law and has no single customer that accounts for 10% or more of the Bank's operating revenues. All overseas units individually represent less than 10% of the Bank's operating revenues and 10% of its total assets. Accordingly, no segment and geographic information is required to be disclosed.

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 1999 and 1998 (Expressed in Thousands of New Taiwan Dollars, Except Par Value of Capital Stock)		1999		1998	
ASSETS		Amount	%	Amount	%
CASH		\$ 5,328,794	2	\$ 4,427,148	2
DUE FROM BANKS		8,656,945	4	16,357,184	7
DUE FROM CENTRAL BANK		6,849,146	3	10,747,803	5
SECURITIES PURCHASED - NET		30,916,413	13	36,575,890	17
SECURITIES - DEALING AND UNDERWRITING		7,526,070	3	610,239	-
ACCEPTANCES		790,106	-	997,668	-
-ACCOUNTS, INTEREST AND OTHER					
RECEIVABLES - NET		15,658,320	6	5,029,401	2
PREPAYMENTS		187,183	-	149,308	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL		430,621	-	60,398	-
LOANS, DISCOUNTS AND BILLS PURCHASED - NET		150,093,203	63	132,019,010	61
LONG - TERM EQUITY INVESTMENTS		2,371,048	1	1,889,057	1
PROPERTIES					
Land		1,706,138	1	1,707,903	1
Buildings		1,751,484	1	1,399,680	1
Computer equipment		914,275	-	585,415	-
Transportation equipment		208,199	-	50,935	-
Office and other equipment		1,226,452	-	1,038,497	-
Equipment for lease		<u>1,366,063</u>	<u>1</u>	<u>1,343,737</u>	<u>1</u>
Total Cost		7,172,611	3	6,126,167	3
Accumulated depreciation		<u>1,280,377</u>	-	<u>942,579</u>	-
		5,892,234	3	5,183,588	3
Prepayments for equipment and construction in progress		<u>101,933</u>	-	<u>269,758</u>	-
Net Properties		<u>5,994,167</u>	<u>3</u>	<u>5,453,346</u>	<u>3</u>
OTHER ASSETS		<u>4,552,163</u>	<u>2</u>	<u>3,565,498</u>	<u>2</u>
TOTAL ASSETS		<u>\$ 239,354,179</u>	<u>100</u>	<u>\$ 217,881,950</u>	<u>100</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Borrowings from other banks		\$ 3,881,585	2	\$ 4,695,986	2
Call loans and due to banks		12,003,431	5	3,646,345	2
Acceptances payable		790,106	-	997,668	1
Accounts, interest and other payables		11,532,944	5	9,277,416	4
Securities sold under agreements to repurchase		6,306,550	2	430,507	-
Deposits and remittances		182,835,969	76	177,016,007	81
Other liabilities		535,937	-	896,887	-
Minority equity		<u>665,684</u>	-	<u>1,442,621</u>	<u>1</u>
Total Liabilities		<u>218,552,206</u>	<u>90</u>	<u>198,403,437</u>	<u>91</u>
STOCKHOLDERS' EQUITY					
Capital stock, \$10 par value					
Authorized: 1,804,606,040 shares in 1999 and 1,518,900,000 shares in 1998					
Issued: 1,584,606,040 shares in 1999 and 1,518,900,000 shares in 1998		15,846,060	7	15,189,000	7
Capital surplus					
Additional paid-in capital		1,470,808	1	2,089,000	1
Gain on disposal of properties		16,310	-	15,784	-
Donated capital		83	-	-	-
Retained earnings					
Legal reserve		1,497,868	1	1,196,563	1
Special reserve		181,909	-	181,909	-
Unappropriated		1,797,534	1	1,011,112	-
Unrealized loss on long-term equity investments		-	-	(202,148)	-
Translation adjustment		(8,599)	-	(2,707)	-
Total Stockholders' Equity		<u>20,801,973</u>	<u>10</u>	<u>19,478,153</u>	<u>9</u>
CONTINGENCIES AND COMMITMENTS					
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		<u>\$ 239,354,179</u>	<u>100</u>	<u>\$ 217,881,950</u>	<u>100</u>

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the years Ended December 31, 1999 and 1998
(Expressed in Thousands of New Taiwan Dollars,
Except Earnings Per Share

	1999		1998	
	Amount	%	Amount	%
OPERATING REVENUES				
Interest (Note 2 and 9)	\$ 14,470,293	79	\$ 13,839,559	85
Service fees (Note 20)	1,059,175	6	821,352	5
Income from securities - net (Notes 2 and 16)	2,074,024	13	1,316,540	8
Income from long-term equity investments - net (Notes 2 and 10)	345,346	-	41,016	-
Foreign exchange gain - net (Note 2 and 22)	55,745	-	98,606	1
Other (Note 2)	<u>263,255</u>	<u>2</u>	<u>199,726</u>	<u>1</u>
Total Operating Revenues	<u>18,267,838</u>	<u>100</u>	<u>16,316,799</u>	<u>100</u>
OPERATING EXPENSES				
Interest (Note 2)	10,366,322	57	10,509,818	65
Service charges	243,389	1	175,416	1
Provision for credit losses and loss reserve	853,753	5	404,748	2
Operating and administrative expenses (Notes 17 and 18)	4,317,216	24	3,572,782	22
Other	<u>175,748</u>	<u>1</u>	<u>176,983</u>	<u>1</u>
Total Operating Expenses	<u>15,956,428</u>	<u>88</u>	<u>14,839,747</u>	<u>91</u>
OPERATING INCOME	<u>2,311,410</u>	<u>12</u>	<u>1,477,052</u>	<u>9</u>
NON-OPERATING INCOME (EXPENSES)				
Non-operating income	60,235	-	32,454	-
Non-operating expenses	<u>(106,324)</u>	<u>-</u>	<u>(27,377)</u>	<u>-</u>
Non-operating Income (Expenses) - Net	<u>(46,089)</u>	<u>-</u>	<u>5,077</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,265,321	12	1,482,129	9
MINORITY INCOME	(63,725)	-	(23,286)	-
INCOME TAX (Notes 2 and 19)	<u>411,075</u>	<u>2</u>	<u>453,535</u>	<u>3</u>
NET INCOME	<u>\$ 1,790,521</u>	<u>10</u>	<u>\$ 1,005,308</u>	<u>6</u>
EARNINGS PER SHARE				
Based on weighted average shares				
outstanding: 1,582,327,198 shares				
in 1999 and 1,375,276,094 shares				
in 1998	<u>\$ 1.13</u>		<u>\$ 0.73</u>	
Based on 1,431,249,831 shares - after retroactive adjustment for stock dividends				
			<u>\$ 0.70</u>	

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1999 and 1998 (Expressed in Thousands of New Taiwan Dollars, Except Dividend and Stock Issue Price Per Share)

	CAPITAL STOCK		CAPITAL SURPLUS			
	(Note 15)		Additional	Gain on		
	Shares (In Thousands)	Amount	Paid-in Capital	Disposal of Properties	Donated Capital	Total
BALANCE, JANUARY 1, 1998	1,223,813	\$ 12,238,130	\$ 1,089,000	\$ 14,828	\$ -	\$1,103,828
Appropriation of 1997 earnings						
Legal reserve	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-
Stock dividends - \$0.77 per share	94,234	942,336	-	-	-	-
Rewards to directors and supervisors	-	-	-	-	-	-
Bonus to employees	853	8,534	-	-	-	-
Net income for 1998	-	-	-	-	-	-
Issuance of capital stock for cash -\$15 per share, effected on September 19, 1998	200,000	2,000,000	1,000,000	-	-	1,000,000
Transfer of gain on sale of properties to capital surplus	-	-	-	956	-	956
Unrealized loss on long - term equity investments recognized from investee under the equity method	-	-	-	-	-	-
Change in translation adjustment on long - term equity investments	-	-	-	-	-	-
BALANCE, DECEMBER 31, 1998	1,518,900	15,189,000	2,089,000	15,784	-	2,104,784
Appropriation of 1998 earnings						
Legal reserve	-	-	-	-	-	-
Stock dividends - \$0.407 per share	61,819	618,192	(618,192)	-	-	(618,192)
Cash dividends - \$0.393 per share	-	-	-	-	-	-
Rewards to directors and supervisors	-	-	-	-	-	-
Bonus to employees	3,887	38,868	-	-	-	-
Net income for 1999	-	-	-	-	-	-
Transfer of gain on sale of properties to capital surplus	-	-	-	526	-	526
Reversal of unrealized loss on long - term equity investments recognized from investee under the equity method	-	-	-	-	-	-
Change in translation adjustment on long - term equity investments	-	-	-	-	-	-
Donated dividends	-	-	-	-	83	83
BALANCE, DECEMBER 31, 1999	<u>1,584,606</u>	<u>\$ 15,846,060</u>	<u>\$ 1,470,808</u>	<u>\$ 16,310</u>	<u>\$ 83</u>	<u>\$1,487,201</u>

RETAINED EARNINGS				UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 8)	TRANSLATION ADJUSTMENT (Note 2)	TOTAL STOCKHOLDERS' EQUITY
Legal Reserve	Special Reserve	Unappropriated	Total			
\$ 827,237	\$ 275,746	\$ 1,237,431	\$ 2,340,414	\$ -	\$ 2,554	\$ 15,684,926
369,326	-	(369,326)	-	-	-	-
-	161,909	(161,909)	-	-	-	-
-	(255,746)	(686,590)	(942,336)	-	-	(4,282)
-	-	(4,282)	(4,282)	-	-	(30)
-	-	(8,564)	(8,564)	-	-	1,005,308
-	-	1,005,308	1,005,308	-	-	1,005,308
-	-	-	-	-	-	3,000,000
-	-	(956)	(956)	-	-	-
-	-	-	-	(202,148)	-	(202,148)
-	-	-	-	-	(5,261)	(5,261)
1,196,563	181,909	1,011,112	2,389,584	(202,148)	(2,707)	19,478,513
301,305	-	(301,305)	-	-	-	-
-	-	-	-	-	-	-
-	-	(596,928)	(596,928)	-	-	(592,928)
-	-	(14,045)	(14,045)	-	-	(14,045)
-	-	(91,295)	(91,295)	-	-	(52,427)
-	-	1,790,521	(526)	-	-	-
-	-	(526)	(526)	-	-	-
-	-	-	-	202,148	-	202,148
-	-	-	-	-	(5,892)	(5,892)
-	-	-	-	-	-	83
<u>\$ 1,497,868</u>	<u>\$ 181,909</u>	<u>\$ 1,797,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 8,599)</u>	<u>\$ 20,801,973</u>

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1999 and 1998

	1999	1998
(Expressed in Thousands of New Taiwan Dollars)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,790,521	\$ 1,005,308
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Minority income	63,725	23,286
Depreciation and amortization	433,188	434,720
Provision for credit losses and loss reserve	853,753	404,748
Provision for (reversal of) market value decline of securities purchased	(32,427)	98,256
Loss (gain) on disposal of properties - net	7,828	(79,538)
Investment loss under the equity method	1,658	4,316
Gain on sale of long-term equity investments	(337,536)	(45,332)
Deferred income tax	(88)	(44,197)
Changes in operating assets and liabilities		
Securities-dealing and underwriting	(6,915,831)	(610,240)
Accounts, interest and other receivables	(10,865,395)	(2,552,077)
Prepayments	(37,875)	(106,461)
Securities purchased under agreements to resell	(370,223)	(60,398)
Accounts, interest and other payables	2,251,668	4,919,191
Securities sold under agreements to repurchase	5,876,043	430,507
Net Cash Provided by (Used in) Operating Activities	<u>(7,280,991)</u>	<u>3,822,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in loans, discounts and bills purchased	(18,006,934)	(10,257,130)
Decrease (increase) in securities purchased	5,559,955	(13,545,990)
Acquisition of properties	(964,149)	(5,919,605)
Increase in long-term equity investments	(1,250,419)	(1,983,212)
Proceeds from sale of long-term equity investments	1,472,021	336,644
Proceeds from sale of properties	29,352	3,026,306
Decrease (increase) in other assets	(1,745,990)	609,721
Net Cash Used in Investing Activities	<u>(14,906,164)</u>	<u>(27,733,266)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits and remittances	5,819,962	25,759,088
Increase (decrease) in borrowings from other banks	(814,401)	4,395,986
Increase (decrease) in call loans and due to banks	8,357,086	(2,595,274)
Decrease in other liabilities	(372,623)	(1,364,904)
Rewards to directors, supervisors and bonus to employees	(62,612)	(4,312)
Cash dividends	(596,928)	-
Donated dividends	83	-
Issuance of capital stock for cash	-	3,000,000
Increase (decrease) in minority, equity	(840,662)	1,081,687
Net Cash Provided by Financing Activities	<u>11,489,905</u>	<u>30,272,271</u>
INCREASE (DECREASE) IN CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS	(\$ 10,697,250)	\$ 6,361,094
CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS, BEGINNING OF YEAR	<u>31,532,135</u>	<u>25,171,041</u>
CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS, END OF YEAR	<u>\$ 20,834,885</u>	<u>\$ 31,532,135</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 10,629,233</u>	<u>\$ 10,048,716</u>
Income tax paid	<u>\$ 412,754</u>	<u>\$ 497,580</u>

Six-year Financial Ratios of Bank SinoPac

Item / year	1999	1998	1997	1996	1995	1994
Total Liabilities / Total Assets	89.81%	89.83%	90.87%	89.85%	88.30%	84.78%
Deposits / Equity	788.67%	824.84%	880.75%	796.94%	656.59%	492.67%
Fixed Assets / Equity	20.83%	19.63%	15.99%	19.58%	19.31%	6.70%
Liquidity Reserve Ratio	13.78%	20.45%	13.08%	10.97%	17.90%	17.71%
Loans / Deposits	82.38%	75.22%	82.72%	89.25%	90.22%	95.48%
Past Due Ratio	0.99%	0.70%	0.61%	0.62%	0.50%	0.61%
Interest Expenses / Average Deposits	5.34%	6.17%	5.79%	6.15%	6.55%	6.64%
Interest Revenues / Average Loans	8.29%	8.90%	8.83%	9.17%	9.39%	9.62%
Turnover of Total Assets	0.08	0.08	0.08	0.08	0.08	0.08
Revenues Per Employee (In NT\$ thousands)	9,287	11,098	11,437	10,474	9,542	8,105
Net Profit Per Employee (In NT\$ thousands)	1,091	785	1,219	1,010	962	927
Return on Total Assets	0.9%	0.55%	0.84%	0.77%	0.82%	0.94%
Return on Equity	8.89%	5.72%	8.82%	7.10%	6.22%	5.08%
Operating Revenues / Capital Stock	12.75%	8.55%	12.41%	9.47%	7.73%	6.51%
Net Profit Before Tax / Capital Stock	12.75%	8.63%	12.62%	9.65%	7.81%	6.51%
Net Profit Rate	11.75%	7.07%	10.65%	9.64%	10.07%	11.44%
Earnings Per Share	1.13	0.70	0.96	0.67	0.56	0.43

Note: Based on financials of Bank SinoPac only, not consolidated figures.

OFFICE LOCATIONS

OFFICE LOCATIONS

Headquarters

9-1 Chien Kuo North Road, Section 2, Taipei 104, Taiwan, ROC
Tel: (02) 2508-2288 Fax: (02) 2508-3456

Northern Operations Center

66 Lane 9, Sung Shan Road, Taipei 105
Tel: (02) 8761-2288 Fax: (02) 8761-2211

Banking Division

4 Chung Hsiao West Road, Section 1, Taipei 100
Tel: (02) 2388-1111 Fax: (02) 2381-0224

Savings Division

209 Tun Hua North Road, Taipei 105
Tel: (02) 2712-7899 Fax: (02) 2719-8708

Trust Division and Investment Division

3Fl., 9-1 Chien Kuo North Road, Section 2, Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2517-3475

International Division and offshore Banking Unit

2Fl., 9-1 Chien Kuo North Road, Section 2, Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2517-3473

Taipei Branch

9-1 Chien Kuo North Road, Section 2, Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2517-2962

Chunghsiao Branch

1 Lane 236, Tun Hua South Road, Section 1, Taipei 106
Tel: (02) 2778-8811 Fax: (02) 2778-1189

Sungshan Branch

92 Nanking E. Road, Section 5, Taipei 105
Tel: (02) 2746-9888 Fax: (02) 2768-5999

Hsinyi Branch

185 An Ho Road, Section 2, Taipei 106
Tel: (02) 2378-0707 Fax: (02) 2378-3030

Tungmen Branch

189, Hsin Yi Road Section 2, Taipei 100
Tel: (02) 2392-6611 Fax: (02) 2397-2211

Chungshan Branch

192 Sung Chiang Road, Taipei 104
Tel: (02) 2567-9911 Fax: (02) 2563-7047

Chunglun Branch and Personal Finance and Investment Center

232 Pa Te Road, Section 2, Taipei 104
Tel: (02) 2771-1199 Fax: (02) 2771-1155

Panchiao Branch

186, Min Chuan Road, Panchiao 220
Tel: (02) 2968-1616 Fax: (02) 2965-4977

Hsinchuang Branch

165 Hsin Tai Road, Hsinchuang 242
Tel: (02) 2992-9898 Fax: (02) 2991-1805

Sanchung Branch

80 Chung Hsiao Road, Section 2, Sanchung 241
Tel: (02) 2983-3008 Fax: (02) 2984-0520

Shuangho Branch

188 Chung Shan Road, Section 1, Yungho 234
Tel: (02) 2232-9988 Fax: (02) 2232-9977

Hsintien Branch

260 Peh Hsin Road, Section 2, Hsintien 231
Tel: (02) 2912-7799 Fax: (02) 2911-1622

Tucheng Branch

124 Hsueh Fu Road, Section 1, Tucheng 236
Tel: (02) 2266-2000 Fax: (02) 2266-5000

Tien Mou Branch

249 Chung Cheng Road, Section 2, Taipei 111
Tel: (02) 2872-1177 Fax: (02) 2872-2277

East Taipei Branch

66, Lane a, Sung Shan Road, Taipei 105
Tel: (02) 2528-9999 Fax: (02) 8761-2201

East Panchiao Branch

147 Chung Shan Road, Section 2, Panchiao 220
Tel: (02) 8952-2200 Fax: (02) 8952-2211

Keelung Branch

48 Hsin Er Road, Keelung 201
Tel: (02) 2423-2323 Fax: (02) 2422-9955

Taoyuan Branch

51 Fu Hsing Road, Taoyuan 330
Tel: (03) 333-9000 Fax: (03) 332-5266

Chungli Branch

160 Tzu Hui 3rd Street, Changli 320
Tel: (03) 427-8988 Fax: (03) 427-8958

Nankan Branch

308 Chung Cheng Road, Luchu 338
Tel: (03) 321-7700 Fax: (03) 321-7918

Hsinchu Branch

295 Kuang Fu Road, Section 2, Hsinchu 300
Tel: (03) 572-8866 Fax: (03) 572-5125

Guanghua Branch

35, Tien Mei 3rd Street, Hsinchu 300
Tel: (03) 535-6688 Fax: (03) 535-5000

Taichung Branch

101 Tzu Yu Road, Section 1, Taichung 403
Tel: (04) 220-5766 Fax: (04) 223-3275

North Taichung Branch

1027 Wen Hsin Road, Section 3, Taichung 406
Tel: (04) 293-8101 Fax: (04) 293-8102

South Taichung Branch

66 Kung I Road, Section 2, Taichung 408
Tel: (04) 323-2468 Fax: (04) 320-4726

Changhua Branch

317 Min Tsu Road, Changhua 500
Tel: (04) 726-3111 Fax: (04) 726-3065

Chiayi Branch

338 Hsing Yeh West Road, Chiayi 600
Tel: (05) 235-7888 Fax: (05) 235-9888

Tainan Branch

114 Chien Kang Road, Section 2, Tainan 702
Tel: (06) 223-2888 Fax: (06) 223-2822

East Tainan Branch

163 Chang Ron Road, Section 2, Tainan 701
Tel: (06) 200-5566 Fax: (06) 200-5577

Kaohsiung Branch

143 Chung Cheng 2nd Road, Kaohsiung 802
Tel: (07) 224-3733 Fax: (07) 224-5973

Sanmin Branch

78 Min Tsu 1st Road, Kaohsiung 807
Tel: (07) 392-8988 Fax: (07) 392-8977

South Kaohsiung Branch

100, Jong Hwa 4th Road, Kaohsiung 802
Tel: (07) 535-1111 Fax: (07) 535-1234

Fengshan Branch

366 Kuang Yuan Road, Fengshan 830
Tel: (07) 710-8866 Fax: (07) 710-2860

Pingtung Branch
88-2 Jen Ai Road, Pingtung 900
Tel: (08) 732-3322 Fax: (08) 732-8701

Los Angeles Branch
Two California Plaza, 350 South Grand Avenue, Suite 3070,
Los Angeles, CA 90071, U. S. A.
Tel: (213) 437-4800 Fax: (213) 437-4848

Vietnam Representative Office
OSIC Building 11 Floor, Unit A No. 8, Nguyen Hue Blvd., Dist. 1, HCMC
Tel: (848) 825-7612-3 Fax: (848) 825-7676

Hong Kong Representaive Office
18F, Golden Center, 188 Des Voeux Road Central, Hong Kong
Tel: 852-2801-2801~2 Fax: 852-2801-2800

SUBSIDIARY LOCATIONS

SinoPac Leasing Co, Ltd.
7 Floor, 132&136, Nanking East Road, Section 3, Taipei 104
Tel: (02) 2778-7988 Fax: (02) 2778-7989

SinoPac Securities
3, 8, 9 Floor, 136, Nanking East Road, Section 3, Taipei 104
Tel: (02) 2777-8954 Fax: (02) 2711-7072

SinoPac Financial Consulting
6 Floor, 9-1 Chien Kuo North Road, Section 2, Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2517-3042

SinoPac Securities Investment Advisory Corp.
7 Floor, 132 Nanking East Road, Section 3, Taipei 104
Tel: (02) 2781-2883 Fax: (02) 8773-7405

SinoPac Capital Limited
18 F, Golden Center, 188 Des Voeux Road Central, Hong Kong
Tel: 852-2801-2828~33 Fax: 852-2801-2838

Aetna SinoPac Credit Card Co.
12, 13 Floor, 760 Pa Te Road, Section 4, Taipei 105
Tel: (02) 2528-7776 Fax: (02) 8761-3645

FAR EAST NATIONAL BANK LOCATIONS

Corporate Headquarters
Two California Plaza, 350 S. Grand Avenue, 41st F
Los Angeles, CA 90071
Tel: (213) 687-1200 Fax: (213) 687-8511

SOUTHERN CALIFORNIA

L. A. Main Office

Two California Plaza, 350 S. Grand Avenue
Los Angeles, CA 90071
Tel: (213) 687-1260 Fax: (213) 613-1193

Alhambra Office

105 E. Valley Blvd. Alhambra, CA 91801
Tel: (626) 293-3100 Fax: (626) 284-7636

City of Industry Office

17870 Castleton Street, #100, City of Industry, CA 91748
Tel: (626) 854-2820 Fax: (626) 854-2824

Irvine Office

15333 Culver Drive, #100, Irvine, CA 92604
Tel: (714) 262-7266 Fax: (714) 262-0905

L. A. Chinatown Office

977 N. Broadway, Los Angeles, CA 90012
Tel: (213) 687-1300 Fax: (213) 680-1535

Monterey Park Office

1995 S. Atlantic Blvd.
Monterey Park, CA 91754
Tel: (213) 881-3100 Fax: (213) 266-2634

Newport Beach Office

4699 Jamboree Road, Newport Beach, CA 92660
Tel: (714) 442-3200 Fax: (714) 263-0418

Pasadena Office

301 N. Lake Avenue, Pasadena, CA 91101
Tel: (626) 397-6300 Fax: (626) 577-5526
Beverly Hills Regional Office
9777 Wilshire Boulevard, Suite 915,
Beverly Hills, CA 90212
Tel: (310) 550-5665 Fax: (310) 550-5679

NORTHERN CALIFORNIA

San Francisco Main Office

Transamerica Pyramid Building
600 Montgomery Street, San Francisco, CA 94111
Tel: (415) 986-2300 Fax: (415) 986-8839

San Francisco Chinatown Office

711 Sacramento Street, San Francisco, CA 94108
Tel: (415) 677-8538 Fax: (415) 677-8533

San Jose Office
2001 Gateway Circle, Suite 101, East San Jose, CA 95110
Tel: (408) 487-0320 Fax: (408) 487-0733

CHINA

Beijing Representative Office
Rm. 911 Scitech Tower
No. 22, Jianguo Men Wai Ave.,
Beijing, P. R. China 100004
Tel: (10) 6512-2288 Fax: (10) 6515-9117

KEY Economic Indicators in Taiwan Area, R.O.C.

Item	Unit	1999	1998	1997	1996	1995	1994	1993
Economic Growth								
1.Economic Growth Rate	%	5.67	4.75	6.68	6.10	6.42	7.1	7.0
2.GNP	Billion US\$	290.8	262.6	292.6	282.9	268.4	274.8	228.4
3.Per capita GNP	US\$	13,248	12,333	13,559	13,225	12,653	11,781	10,956
4.Structure of domestic production								
Agriculture	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industries	%	2.6	2.5	2.6	3.2	3.5	3.5	3.6
Services	%	33.1	34.50	35.3	35.7	36.4	37.7	39.4
5.Gross national savings/GNP	%	64.3	63.0	62.1	61.1	60.1	58.8	57.0
26.2		26.1	26.5	26.8	27.1	27.1	28.8	
Prices (annual changes)								
1.Consumer price index	%	0.2	1.7	0.9	3.1	3.7	4.1	2.9
2.Wholesale price index	%	-4.5	0.6	-0.5	-1.0	7.4	2.2	2.5
3.Import price index	%	-4.1	0.7	-1.4	-2.5	10.2	5.1	4.7
4.Export price index	%	-8.5	5.6	2.1	1.7	6.9	0.6	5.2
Production (annual changes)								
1.Industrial production	%	7.5	2.6	7.4	2.0	4.7	6.6	3.9
2.Manufacturing production	%	7.9	2.4	8.7	2.9	5.2	5.7	2.3
Heavy industry	%	10.7	4.6	13.1	4.8	9.6	8.4	7.2
Light industry	%	0.5	-3.1	-0.7	-0.8	-2.7	1.4	-4.3
3.Floor Areas of applying construction permit	%	-13.2	-5.9	21.5	-17.5	-25.4	-15.6	-5.2
Expenditure (growth rate)								
1.Private consumption expenditure	%	5.7	6.5	7.3	6.5	5.6	8.5	8.1
2.Outbound departure of nationals	%	10.9	-4.0	7.9	10.1	9.4	1.9	10.4
Investment								
1.Growth rate of fixed capital formation	%	2.2	8.0	10.7	1.7	7.3	7.4	12.0
2.Growth rate of private fixed capital formation	%	-0.6	11.8	18.6	3.4	11.4	10.3	16.7
3.Annual changes of approved foreign investment	%	13.2	-12.4	72.7	-15.9	79.4	34.4	-17.0
4.Increase rate of capital goods import	%	20.3	11.9	18.5	8.8	24.0	4.7	1.1
Trade (annual changes)								
1.Imports on customs basis	%	5.8	-8.5	11.8	-1.1	21.3	10.8	7
2.Exports on customs basis	%	10.0	-9.4	5.3	3.8	20.0	9.4	4.4
3.Export orders received	%	7.3	-4.0	4.1	4.8	20.1	10.1	6.1
Finance (fiscal year)								
1.Central government expenditures/GNP	%	14.3	13.2	15.9	15.1	16.6	16.6	19.6
2.Central government balance								
% of GNP	%	-0.5	-1.2	2.4	1.7	2.9	2.3	4.8
% of expenditures	%	-3.4	-9.3	15.2	11.3	17.4	14.0	24.4
3.Central Government debts	Billion NT\$	1,051.8	1,104.9	1,152.6	1,035.2	951.6	782.0	705.3
% of GNP	%	(f)14.7	16.0	17.3	16.6	16.3	14.6	13.9
4.Annual changes in tax revenue	%	-2.8	9.9	6.1	-2.8	9.3	7.8	8.0
5.Tax revenue/GNP	%	14.7	16.0	15.8	16.1	18.1	17.9	18.2
Banking								
1.Foreign reserves	Billion US\$	10.62	90.34	83.50	88.04	90.31	92.45	83.57
2.Government foreign debt(June 30)								
	Billion NT\$	1.06	1.88	2.48	3.92	5.58	6.28	7.45
3.Stock price index	1966=100	7,427	7,714	8,411	6,004	5,544	6,253	4,215
4.Annual changes of (M2)	%	8.3	8.8	8.3	9.2	11.6	16.3	16.4
5.Rediscount rate	%	4.5	4.75	5.25	5.00	5.50	5.50	5.50
6.Foreign exchange	NT\$/US\$	31.4	33.44	32.64	27.49	27.27	26.24	26.63
Labor force								
1.Unemployment rate	%	2.92	2.69	2.72	2.60	1.79	1.56	1.45

Explanation:

* (f): forecast.

* Data of Finance refer to fiscal year, starting from July 1 through June 30.

* Data Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C..