CONSOLIDATED FINANCIAL STATEMENT OF BANK SINOPAC AND SUBSIDIARIES

Independent Auditors' Report

The Board of Directors and Stockholders
Bank SinoPac

We have audited the consolidated balance sheets of Bank SinoPac and subsidiaries as of December 31, 2001 and 2000, and the related consolidated 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 Regulations for Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 and subsidiaries as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with Guidelines for Securities Issuers' Financial Reporting and accounting principles generally accepted in the Republic of China.

T N Soong & Co

February 5, 2002

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 AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2001 and 2000(Amounts Expressed in Thousands of New Taiwan Dollars, Except Par Value of Capital Stock)	2001		2000	
ASSETS	Amount	%	Amount	%
CASH (Note 4)	$ 17,087,108	5	$ 6,392,747	2
DUE FROM BANKS	41,160,880	13	18,680,989	7
DUE FROM CENTRAL BANK (Note 5)	7,197,683	2	7,564,190	3
SECURITIES PURCHASED - NET (Notes 2 and 6)	30,606,088	9	31,403,339	11
SECURITIES-DEALING AND UNDERWRITING (Notes 2, 7 and 27)	6,214,769	2	9,763,613	4
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Note 2)	3,151,609	1	311,837	-
ACCEPTANCES	199,453	-	448,395	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES - NET (Notes 2, 8 and 26)	15,761,471	5	12,328,022	5
PREPAID EXPENSES (Note 2)	252,948	-	379,271	-
LOANS, DISCOUNTS AND BILLS PURCHASED-NET (Notes 2, 9 and 26)	192,896,604	58	176,297,918	63
LONG-TERM EQUITY INVESTMENTS-NET (Notes 2 and 10)	3,161,660	1	2,167,809	1
LONG-TERM BOND INVESTMENTS (Notes 2 and 10)	-	-	1,395,813	-
PROPERTIES (Notes 2, 11, 26 and 28)				
Cost				
Land	1,876,653	1	1,756,472	1
Buildings	2,080,646	1	1,880,552	1
Computer equipment	1,403,588	-	1,182,631	-
Transportation equipment	68,831	-	74,117	-
Office and other equipment	1,820,522	1	686,273	-
Property held for lease	1,602,427	-	1,439,145	1
Total cost	8,852,667	3	7,019,190	3
Accumulated depreciation	1,875,419	1	1,431,601	1
	6,977,248	2	5,587,589	2
Advances on acquisitions of equipment and construction in progress (Note 28)	223,099	-	158,859	-
Net Properties	7,200,347	2	5,746,448	2
OTHER ASSETS (Notes 2, 12 and 28)	5,953,072	2	5,635,250	2
TOTAL ASSETS	$ 330,843,692	100	$278,515,641	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Short-term borrowings (Note 13)	5,525,899	2	4,623,591	2
Call loans and due to banks	27,251,419	8	8,308,516	3
Securities sold under agreements to repurchase (Note 2)	7,689,791	2	8,315,254	3
Liabilities for stock warrants issued (Notes 2 and 14)	68,000	-	-	-
Repurchased stock warrants (Notes 2 and 15)	(27,125)	-	-	-
Acceptances payable	199,453	-	448,395	-
Accounts, interest and other payables (Note 16)	7,998,236	3	7,912,709	3
Deposits and remittances (Notes 17 and 26)	248,274,182	75	223,922,360	81
Bank debentures (Note 18)	5,000,000	2	-	-
Other liabilities (Notes 2, 24 and 25)	4,881,207	1	2,622,777	-
Minority equity	661,352	-	210,863	-
Total Liabilities	307,522,414	93	256,364,465	92
STOCKHOLDERS' EQUITY				
Capital stock, $10 par value				
Authorized- 1,944,397,617 shares in 2001 and 1,977,663,890 shares in 2000				
Issued- 1,944,397,617 shares in 2001 and 1,757,663,890 shares in 2000	19,443,975	6	17,576,638	6
Capital surplus:				
Additional paid-in capital	125,030	-	946,145	-
Gain on disposal of properties	19,866	-	16,489	-
Donated capital	83	-	83	-
Other	2,984	-	271	-
Retained earnings:				
Legal reserve	2,541,406	1	2,034,866	1
Special reserve	288,227	-	190,508	-
Unappropriated	1,501,128	-	1,688,469	1
Unrealized loss on long-term equity investments	(302,530)	-	(221,716)	-
Unrealized revaluation loss	(35,746)	-	-	-
Cumulative translation adjustment	237,209	-	115,398	-
Treasury stock-at cost: 40,535,000 shares in 2001 and 16,538,000 shares in 2000	(500,354)	-	(195,975)	-
Total Stockholders' Equity	23,321,278	7	22,151,176	8
CONTINGENCIES AND COMMITMENTS (Notes 28 and 32)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$330,843,692	100	$278,515,641	100

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

BANK SINOPAC AND SUBSIDIARIES

Consolidated Statements Of Income

For the Years Ended December 31, 2001 and 2000 (Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)	2001		2000	
	Amount	%	Amount	%
OPERATING REVENUES				
Interest (Notes 2 and 9)	$ 16,733,485	79	$ 16,770,669	82
Service fees (Notes 2 and 21)	1,295,969	6	1,420,291	7
Income from securities - net (Notes 2 and 22)	2,829,731	13	1,785,826	9
Equity in net income of investee companies - net (Notes 2 and 10)	-	-	258,943	1
Foreign exchange gain - net (Notes 2 and 32)	91,844	-	100,283	-
Other	327,516	2	160,351	1
Total Operating Revenues	21,278,545	100	20,496,363	100
OPERATING EXPENSES				
Interest (Note 2)	11,502,953	54	11,770,859	57
Service charges	184,634	1	200,051	1
Equity in net loss of investee companies-net (Notes 2 and 10)	326,855	2	-	-
Provision for credit losses (Notes 2, 8 and 9)	1,160,146	5	630,664	3
Operating and administrative expenses (Notes 2, 23, 24 and 26)	5,849,601	27	5,119,395	25
Other	171,353	1	153,977	1
Total Operating Expenses	19,195,542	90	17,874,946	87
OPERATING INCOME	2,083,003	10	2,621,417	13
NON-OPERATING INCOME (EXPENSES)				
Income (Note 26)	219,021	-	108,599	1
Expenses	(73,706)	-	(127,670)	(1)
Non-operating Income (Expenses) - Net	145,315	-	(19,071)	-
INCOME BEFORE INCOME TAX	2,228,318	10	2,602,346	13
MINCORITY INCOME	(1,177)	-	(83,655)	-
INCOME TAX (Notes 2 and 25)	676,015	3	816,998	4
NET INCOME	$ 1,551,126	7	$ 1,701,693	9
EARNINGS PER SHARE				
Based on weighted average shares outstanding: 1,919,569,570 shares in 2001 and 1,755,892,445 shares in 2000	$ 0.81		$ 0.97	
Based on 1,944,397,617 shares - after retroactive adjustment for 2000 stock dividends			$ 0.88	

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

BANK SINOPAC AND SUBSIDIARIES

Consolidated Statements Of Changes In Stockholders' Equity

	CAPITAL STOCK (Note 19)		CAPITAL SURPLUS (Notes 2 and 19)				
	Shares (In Thousands)	Amount	Additional Paid-in Capital	Gain on Disposal of Properties	Donated Capital	Other	Total
BALANCE, JANUARY 1, 2000	1.584,606	$15,846,060	$ 1,470,808	$ 16,310	$ 83	$ -	$ 1,487,201
Appropriation of 1999 earnings:							
Legal reserve	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-
Stock dividends - $1 per share,effected on July 23, 2000	158,461	1,584,606	(524,663)	-	-	-	(524,663)
Remuneration to directors and supervisors	-	-	-	-	-	-	-
Bonus to employees	14,597	145,972	-	-	-	-	-
Net income for 2000	-	-	-	-	-	-	-
Reclassification of gain on sale of properties to capital surplus	-	-	-	179	-	-	179
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-
Transfer of gain on sale of properties to capital surplus recognized from investees under the equity method	-	-	-	-	-	271	271
Difference adjustment between the equity in net assets for the investments and the book value from long-term equity investments	-	-	-	-	-	-	-
Treasury stock	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2000	1,757,664	17,576,638	946,145	16,489	83	271	962,988
Appropriation of 2000 earnings:							
Legal reserve	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-
Stock dividends - $1 per share, effected on July 23,2001	174,113	1,741,126	(821,115)	-	-	-	(821,115)
Remuneration to directors and supervisors	-	-	-	-	-	-	-
Bonus to employees	12,621	126,211	-	-	-	-	-
Net income for 2001	-	-	-	-	-	-	-
Reclassification of gain on sale of properties to capital surplus	-	-	-	3,377	-	-	3,377
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-
Unrealized revaluation loss recognized from investees under the equity method	-	-	-	-	-	-	-
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-
Transfer of gain on sale of properties to capital surplus recognized from investees under the equity method	-	-	-	-	-	950	950
Difference adjustment between the equity in net assets for the investments and the book value from long-term equity investments	-	-	-	-	-	1,763	1,763
Treasury stock	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2001	1,944,398	$ 19,443,975	$ 125,030	$ 19,866	$ 83	$ 2,984	$ 147,963

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

For the Years Ended December 31, 2001 and 2000 (Amounts Expressed in Thousands of New Taiwan Dollars, Except Dividends Per Share)

RETAINED EARNINGS (Notes 19 and 25) Legal Reserve	Special Reserve	Unappropriated	Total	UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 10)	UNREALIZED REVALUATION LOSS (Notes 2 and 10)	CUMULATIVE TRANSLATION ADJUSTMENT (Note 2)	TREASURY STOCK (Notes 2 and 20)	TOTAL STOCKHOLDERS' EQUITY
$ 1,497,868	$ 181,909	$ 1,797,534	$ 3,477,311	$ -	$ -	($ 8,599)	$ -	$20,801,973
536,998	-	(536,998)	-	-	-	-	-	-
-	8,599	(8,599)	-	-	-	-	-	-
-	-	(1,059,943)	(1,059,943)	-	-	-	-	-
-	-	(24,940)	(24,940)	-	-	-	-	(24,940)
-	-	(162,109)	(162,109)	-	-	-	-	(16,137)
-	-	1,701,693	1,701,693	-	-	-	-	1,701,693
-	-	(179)	(179)	-	-	-	-	-
-	-	-	-	(221,716)	-	-	-	(221,716)
-	-	-	-	-	-	123,997	-	123,997
-	-	(271)	(271)	-	-	-	-	-
-	-	(17,719)	(17,719)	-	-	-	-	(17,719)
-	-	-	-	-	-	-	(195,975)	(195,975)
2,034,866	190,508	1,688,469	3,913,843	(221,716)	-	115,398	(195,975)	22,151,176
506,540	-	(506,540)	-	-	-	-	-	-
-	97,719	(97,719)	-	-	-	-	-	-
-	-	(920,011)	(920,011)	-	-	-	-	-
-	-	(21,647)	(21,647)	-	-	-	-	(21,647)
-	-	(140,708)	(140,708)	-	-	-	-	(14,497)
-	-	1,551,126	1,551,126	-	-	-	-	1,551,126
-	-	(3,377)	(3,377)	-	-	-	-	-
-	-	-	-	(80,814)	-	-	-	(80,814)
-	-	-	-	-	(35,746)	-	-	(35,746)
-	-	-	-	-	-	121.811	-	121,811
-	-	(950)	(950)	-	-	-	-	-
-	-	(47,515)	(47,515)	-	-	-	-	(45,752)
-	-	-	-	-	-	-	(304,379)	(304,379)
$ 2,541,406	$ 288,227	$ 1,501,128	$ 4,330,761	($ 302,530)	($ 35,746)	$ 237,209	($ 500,354)	$23,321,278

BANK SINOPAC AND SUBSIDIARIES

Consolidated Statements Of Cash Flows

For the Years Ended December 31, 2001 and 2000 (Amounts Expressed in Thousands of New Taiwan Dollars)	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,551,126	$ 1,701,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority income	1,177	83,655
Depreciation and amortization	562,543	473,820
Provision for credit losses	1,160,146	630,664
Reversal of allowance for decline in market value of securities purchased	(13,962)	(79,899)
Provision for (reversal of allowance for) decline in market value of securities-dealing and underwriting	(26,425)	32,764
Realized loss on long-term equity investment	46,459	-
Loss (gain)on disposal of properties - net	(11,131)	73,865
Equity in net loss of investee companies - net	331,838	170,682
Gain on sale of long-term equity investments	(9,102)	(270,018)
Accrued pension cost	142,341	100,759
Deferred income taxes	53,358	22,374
Decrease (increase) in securities purchased - for trading purposes	4,114,186	(120,449)
Decrease (increase) in securities-dealing and underwriting	3,575,269	(2,270,307)
Decrease (increase) in securities purchased under agreements to resell	(2,839,772)	118,784
Decrease (increase) in accounts, interest and other receivables	(3,389,678)	3,318,965
Decrease (increase) in prepaid expenses	126,323	(191,836)
Decrease (increase) in securities sold under agreements to repurchase	(625,463)	2,008,704
Increase in liabilities for stock warrants issued - net	40,875	-
Increase (decrease) in accounts, interest and other payables	99,480	(3,621,994)
Net Cash Provided by Operating Activities	4,889,588	2,182,226
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from banks	(22,479,891)	(10,024,044)
Decrease (increase) in due from Central Bank	366,507	(715,044)
Increase in loans, discounts and bills purchased	(17,718,370)	(25,679,171)
Increase in securities purchased - for investing purposes	(3,302,973)	(706,708)
Acquisition of porperties	(2,047,160)	(1,573,833)
Increase in long-term equity investments	(1,370,227)	(525,901)
Decrease (increase) in long-term bond investments	1,395,813	(1,340,222)
Proceeds from sales of long-term equity investments	205,507	1,245,871
Proceeds from sale of properties	47,463	1,140,190
Increase in other assets	(656,595)	(2,246,465)
Net Cash Used in Investing Activities	(45,559,926)	(40,425,327)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits and remittances	24,351,822	41,086,391
Increase in bank debentures	5,000,000	-
Increase in short-term borrowings	902,308	2,367,710
Increase (decrease) in call loans and due to banks	18,942,903	(2,421,739)
Increase (decrease) in other liabilities	2,058,877	(949,779)
Remuneration to directors, supervisors and bonus to employees	(36,144)	(41,077)
Acquisition of treasury stock	(304,379)	(195,975)
Increase (decrease) in minority equity	449,312	(538,477)
Net Cash Provided by Financing Activities	51,364,699	39,307,054
INCREASE IN CASH	10,694,361	1,063,953
CASH, BEGINNING OF YEAR	6,392,747	5,328,794
CASH, END OF YEAR	$ 17,087,108	$ 6,392,747
SUPPLEMENTAL INFORMATION		
Interest paid	$ 11,949,968	$ 11,263,314
Income tax paid	$ 773,178	$ 704,090
NON-CASH INVESTING ACTIVITIES		
Reclassification of stock investment from securities purchased to long-term equity investments	$ -	$ 364,539

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

BANK SINOPAC AND SUBSIDIARIES

Notes To Consolidated Financial Statements

(Amounts 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, trust, and foreign exchange operations as prescribed by the Banking Law.

As of December 31, 2001, the Bank's operating units include Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), forty domestic branches, one overseas branch and two overseas representative offices.

The operations of the Bank's Trust Department consist of: (1) planning, managing and operating of trust business; (2) custodianship of non-discretionary trust fund in domestic and overseas securities and mutual funds. The foregoing operations are regulated under the Banking Law and Trust Law.

The Bank's shares of stock are traded on the Taiwan Stock Exchange.

The Bank, National Securities Co., Ltd. (the "NSC") and SinoPac Securities Co., Ltd. (the"SPS") planned, pursuant to the Financial Holding Company Law, to establish a financial holding company (the "Holding Co."). The parties planned to establish the Holding Co. in order to maximize the benefit of their combined capital, pool their business channel, fully harness the synergy of their diversified business operations and in order to establish one of the most competitive organization in the Pacific Rim. The Bank, the NSC and the SPS will exchange stocks with the Holding Co. at ratios of 1:1.0267130836, 1:1.0098971566 and 1:0.7968960296, respectively, which has been approved both by stockholders on November 19, 2001 and by the Ministry of Finance (MOF) on November 28, 2001.

On August 15, 1997, Bank SinoPac acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchase of 100% of its shares. FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. As of December 31, 2001, FENB has 14 branches in Los Angeles and San Francisco areas and one Beijing representative office. It also has four wholly-owned subsidiaries - Far East Capital Corporation, a small business investment bank, FENB Securities Inc., a small securities corporation, FENB Loan Corp., an asset management corporation, and FENB Film Corp., a motion picture asset management corporation.

SinoPac Leasing Corporation (the "SPL") was incorporated on September 2, 1997 and commenced operations on March 9, 1998. It is engaged mainly in leasing, sub-leasing, re-leasing and conditional sales (installment sales) of property, aircraft, transportation equipment, machinery and equipment and factoring. As of December 31, 2001, the Bank owns 99.77% of shares of SPL.

Grand Capital International Limited (the "Grand Capital Ltd."), a wholly-owned subsidiary of SPL, was incorporated in the British Virgin Islands on January 2, 1998. It is mainly engaged in leasing, trading and financing activities.

SPL acquired 30% of the issued capital of SPS in September 1998. As of December 31, 1999, SPL owns 70.16% of the issued capital of SPS in view of additional shares acquired in 1999. SPL acquired 9.15% and 12.97% of the issued capital of SPS with additional shares acquired in February 2000 and May 2000, respectively, and sold all of shares held to the Bank in September 2000. As of December 31, 2001, the Bank owns 80.56% of shares of SPS.

SPS was established in December 1996, and commenced its operation on March 28, 1997. SPS is primarily engaged in the brokerage, underwriting, dealing of marketable securities, stock loans, financing purchases of securities, brokerage of foreign marketable securities and issuing stock warrants. As of December 31, 2001, SPS has six branches.

SinoPac Asset Management Corp. (B.V.I.) (the "SinoPac AMC"), a wholly-owned subsidiary of SPS, was incorporated in the British Virgin Islands in March 2000. It is mainly engaged in securities brokerage, investment advisory, fund management and security business.

SinoPac Securities (H.K.) Limited (the "SPS HK') and SP Asset Management Co., Ltd. (the "SP AMC"), two wholly-owned subsidiaries of SinoPac AMC, were incorporated in Hong Kong and the British Virgin Islands in March 2000 and June 2001, respectively. SPS HK and SP AMC are mainly engaged in securities brokerage, investment advisory, fund management, security and consulting business.

2.SIGNIFICANT ACCOUNTING POLICIES

The Bank's significant accounting policies, which conform to accounting principles generally accepted in the Republic of China (the ROC), are summarized below:

Consolidation

The consolidated financial statements include the accounts of the Bank and its subsidiaries, SinoPac Bancorp, as consolidated with FENB, SPL, as consolidated with Grand Capital Ltd. and SPS, as consolidated with SinoPac AMC and its subsidiaries, SPS HK and SP AMC, (the Bank, thereafter). All significant inter-company accounts and transactions have been eliminated in consolidation.

The operating revenues and total assets of the other five subsidiaries - SinoPac Securities Investment Advisory Corp., SinoPac Capital Limited, SinoPac Financial Consulting Co., Ltd., SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. - are individually less than 10%, and are in aggregate less than 30%, of those of the Bank. Accordingly, their accounts were not included in consolidation.

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 cost or market. Market prices are determined as follows: (a) listed stocks - 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 dates; (c) over-the-counter stocks - average daily closing prices for the last month of the accounting period, published by the ROC Over the Counter Securities Exchange (the OTC Exchange); and (d) bonds - period-end reference prices published by the OTC Exchange.

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

Securities - dealing and underwriting

Securities are carried at the lower of cost or market. Market prices are determined as follows: (a) listed stocks and corporate bonds - the closing prices at the balance sheet dates; (b) over-the-counter securities - period-end reference prices published by the OTC

Exchange; and (c) foreign over-the-counter securities-reference prices using the quotation from CEDEL Information System at the balance sheet dates. Allowance for decline in market value is provided for the excess of the total cost of the securities over their market value. The allowance can be reversed within the allowance had been provided when the market value subsequently recovers. Cost of these securities sold is determined by the moving-average method.

Securities - hedge positions for stock warrants

Securities held for the hedging of stock warrants issued are recorded at purchase cost or, if such securities for hedging are transferred from other account, at lower of cost or market value upon transfer. Allowance for decline in market value is provided for the excess of total cost of the securities over their market value. Any recovery of the market value of the securities to the extent of their original carrying value is recognized as income. The allowance can be reversed within the allowance had been provided when the market value subsequently recovers. Cost of these securities sold is determined by the moving-average method.

Liabilities for stock warrants issued

When warrants are issued, the aggregate issue prices of warrants are recognized as "Liabilities for stock warrants issued". When warrants are repurchased from the market, the aggregate cost of repurchase is accounted for as "Repurchased stock warrants", a contra-account of "Liabilities for stock warrants issued". As of the balance sheet dates, the carrying amounts of the foregoing accounts are stated as market values. When the carrying value differs from the market value for both foregoing account, the resulting gain or loss is accounted for as "gain (or loss) on revaluation of liabilities for stock warrants issued" and "gain (or loss) on revaluation of repurchased stock warrants," respectively. However, loss on revaluation of liabilities for stock warrants issued is deferred to the over loss which is less than the unrealized gain on the related hedging securities; the excess of revaluation loss unrealized gain on hedging securities is charged to current income. Cost of stock warrants resold is determined by the moving-average method; any resulting gain or loss is credited or charged to "gain (or loss) on revaluation of repurchased stock warrants".

When the warrants are exercised, the gains or losses resulting from difference between the market value of underlying stock and the sum of the total of exercise price and market value of warrant are recognized as "gain or losses on warrant exercised". The delivery underlying stock is accounted for as outright sale with the market values recorded as proceeds and costs determined using the moving-average method.

Securities purchased under agreements to resell and securities sold under agreements to repurchase

Sales and purchases of bonds and short-term bills under agreements to repurchase or resell are treated as outright sales and purchases for the Bank pursuant to a directive issued by the Ministry of Finance (MOF) except for the SPS.

For the SPS, securities purchased under agreements to resell and securities sold under agreements to repurchase are stated at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense).

Non-performing loans

The balance of overdue loans and other credits extended by the Bank and the related accrued interest are classified as non-performing loans in accordance with guidelines issued by the MOF.

Allowance for credit losses

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

Balances of uncollectible accounts are written-off against allowance for credit losses upon approval of such write-offs by the board of directors.

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 number of shares and are not recognized as investment income.

If an investee issues new shares and the Bank does not purchase new shares proportionately, then the investment percentage, and therefore the equity in net assets for the investment, will be changed. Such difference shall be used to adjust the additional paid-in capital and the long-term equity investment. If the book value of additional paid-in capital from long-term equity investment is not enough to be offset, then the difference shall be debited to the retained earnings.

For listed and over-the-counter 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 investment sold is determined by the weighted-average method. If a decline in the value of an investment in unlisted stock is considered as permanent loss, the decline is charged to current income.

For the listed stock investments reclassified from securities purchased to long-term equity investments, when the market value is lower than the carrying value, a realized loss for market value decline is recognized and recorded at market value.

Long-term bond investments

These consist of corporate bonds and government bonds, which are recorded at cost and adjusted for amortization of premiums or discounts. Cost of bonds sold is calculated by the moving-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 at the end of the year, net of the applicable income tax. The gain on disposal of properties is not required to transfer to capital surplus since November 12, 2001, the date of the announcement of Amendment of Company Law. 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, 3 to 8 years; property for lease, 2 to 48 years. For assets still in use beyond their original estimated service lives, further depreciation is calculated on the basis of the estimated additional service lives.

Intangible assets

Intangible assets (included in other assets), mainly comprised of goodwill, are amortized on the straight-line basis over 15 years.

Collaterals assumed

Collaterals assumed are recorded at cost (included in other assets) and revalued by the lower of cost or net realizable value as of the balance sheet dates.

Provision for losses on guarantees

Provisions for losses on guarantees and acceptances (included in other liabilities) are provided based on a review of their collectiblity.

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 as of 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 related payables as of the balance sheet dates.

Foreign-currency assets and liabilities arising from forward exchange contracts, which are intended for hedging purposes, are recorded on contract dates at spot rates and the premiums or discounts on the contracts arising from the differences between the spot rates and the contracted forward rates are amortized on a straight-line basis over the contracts. For contracts outstanding at the balance sheet dates, the related foreign-currency assets and liabilities are revalued at closing rates at the balance sheet dates. Gains or losses resulting from aforementioned restatement are credited or charged to current income.

b.Forward rate agreements

Forward rate agreements, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded by memorandum entries at the contract dates. Gains or losses arising from the differences between the contracted interest rates and actual interest rates upon settlement or as of the balance sheet dates are credited or charged to current income.

c.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.

The related discount or premium is amortized by the straight-line basis over the contract period.

d.Cross currency swap

Cross Currency Swap contracts, which are intended for hedging purpose, are recorded at spot rates of the contract dates. The net interest upon each settlement is recorded as adjustment to the revenue or expense associated with the item being hedged.

Cross currency swaps contracts 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 and are marked to market as of the balance sheet dates.

e.Options

Options bought and/or held and options written, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded as assets and liabilities when the transactions occur. These instruments are marked to market as of the balance sheet dates. The carrying values of the instruments, which are recovered either as assets or liabilities, are charged to income when they are not exercised. Gains or losses on the exercise of options are also included in income.

f.Interest rate swaps

Interest rate swaps, which do not involve exchanges of the notional principals, are not recognized as either assets and/or liabilities on the contract dates. The swaps were entered into to accommodate customers' needs or to manage the Bank's interest rate positions. The interest received or paid at each settlement date are recognized as interest income or expense. The instruments are marked to market as of the balance sheet dates.

g.Asset swaps

Asset swaps involve exchanging the fixed rate interest of convertible bonds, bank debentures for floating rate interest; in addition, asset swaps also involve exchanging the fixed or floating interest rate of credit link notes for floating or fixed rate interest. These transactions are recorded by memorandum entries at the contract dates. Asset swaps are entered into for hedging purposes; they are used to hedge interest rate exposure in convertible bonds, bank debentures and credit link notes denominated in foreign currency. Net interest upon each settlement or balance sheet date are recorded as adjustments to interest revenue or expenses associated with the bonds or notes being hedged.

h.Futures

Amounts paid by the Bank related to futures contracts entered into for hedging purposes are recognized as assets. Gains or losses arising from the changes in the market value of the futures contracts as of the balance sheet dates are credited or charged to current income. Gains or losses determined at the settlement of the futures contracts are also recognized as current income.

Recognition of interest revenue and service fees

Interest revenue on loans is recorded using the accrual method. No interest revenue is recognized in the accompanying financial statements on loans and other credits extended by the Bank that are classified as non-performing loans. The interest revenue on those loans/credits is recognized upon collection.

Pursuant to the regulations of the MOF, the interest revenue on credits covered by agreements that extend their maturity is recognized upon collection.

Service fees are recorded as income upon receipt and substantial completion of activities involved in the earnings process.

Pension

Pension expense is determined based on actuarial calculations.

Accounting for leases and installment sales

For capital leases, the costs of leased equipment and the interest imputed thereon are treated as lease receivables (included in accounts, interest and other receivables). The interest is initially treated as unearned interest income, then transferred periodically to income when earned.

For operating leases, the contracted rentals are recognized as income periodically.

Income tax

Interperiod income tax allocation is applied, whereby tax effects of deductible temporary differences. Unused investment tax credits are recognized as deferred income tax assets and these 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 taxes (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve the appropriation of earnings.

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. If the amount of the loss cannot be reasonably estimated and the loss is possible and remote, the related information is disclosed in the financial statements.

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 at spot rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at closing rates as of balance sheet dates. 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 "cumulative translation adjustment" under stockholders' equity. For long-term equity investments accounted for by the cost method - unrealized loss offset the balance of long-term equity investments and credited to "cumulative translation adjustment" under stockholders' equity.

Treasury stock

Capital stock acquired is carried at cost and reflected as a separate deduction from stockholders' equity.

Reclassifications

Certain accounts of 2000 have been reclassified to conform to 2001 classification. In addition, pursuant to a directive issued by the Accounting Research and Development Foundation of ROC, the cash flows in due from Central Bank and due from banks of 2000 have been reclassified to investing activities to conform to 2001 classification.

3.ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN AFFILIATES IN 2001

Name of Corporation	Elimination Account	Amount	Counterparties of Transaction
Bank SinoPac	Due from banks	$ 448,199	SinoPac Bancorp and subsidiaries
	Deposits and remittances	1,201,097	SinoPac Securities Co., Ltd. and subsidiaries
	Deposits and remittances	35,944	SinoPac Leasing Corporation and subsidiaries
	Loans, discounts and bills purchased	300,000	SinoPac Securities Co., Ltd. and subsidiaries
	Loans, discounts and bills purchased	1,410,155	SinoPac Leasing Corporation and subsidiaries
	Interest expense	42,013	SinoPac Securities Co., Ltd. and subsidiaries
	Interest expense	17,246	SinoPac Leasing Corporation and subsidiaries
	Interest revenue	52,400	SinoPac Leasing Corporation and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	448,199	Bank SinoPac

SinoPac Leasing Corporation and subsidiaries	Cash and cash equivalent	24,844	Bank SinoPac
	Guarantee deposits	11,100	Bank SinoPac
	Short-term borrowings	277,122	Bank SinoPac
	Long-term borrowings	1,133,033	Bank SinoPac
	Interest revenue	17,246	Bank SinoPac
	Interest expense	52,400	Bank SinoPac
SinoPac Securities Co., Ltd. and subsidiaries	Cash	61,097	Bank SinoPac
	Pledged time deposits	1,140,000	Bank SinoPac
	Short-term borrowings	300,000	Bank SinoPac
	Interest revenue	42,013	Bank SinoPac

4.CASH

	December 31	
	2001	2000
Negotiable certificates of deposit	$ 15,249,645	$ 3,502,162
Cash	1,447,740	1,446,241
Notes and checks in clearing	389,723	1,444,344
	$ 17,087,108	$ 6,392,747

As of December 31, 2001 and 2000, negotiable certificates of deposit aggregating $3,500,000 and $500,000, respectively, have maturities over one year and may be withdrawn momentarily.

5.DUE FROM CENTRAL BANK

This account consists mainly of New Taiwan dollar - denominated deposit reserves required by law, which are determined monthly at prescribed rates on average balances of customers' New Taiwan dollar - denominated deposits. These reserves include $4,726,084 and $5,883,216 as of December 31, 2001 and 2000, respectively, which are subject to withdrawal restrictions.

Pursuant to a directive issued by the Central Bank of ROC, the foreign-currency denominated deposit reserves are required, which are determined at prescribed rates on balances of additional foreign-currency denominated deposit starting December 8, 2000. These reserves amounted to $428,738 as of December 31, 2001, may be withdrawn momentarily and are non-interest earning.

6.SECURITIES PURCHASED

	December 31	
	2001	2000
Corporate bonds	$ 14,447,667	$ 9,687,023
Commercial paper	11,647,048	16,618,203
Floating rate notes	1,507,699	326,482
Government bonds	1,289,969	3,360,677
Beneficiary certificates	893,535	1,308,876
Bank debentures	810,380	38,034
Bank acceptances	10,399	9,865
Listed and over-the-counter stocks	200	68,950
	30,606,897	31,418,110
Less - allowance for decline in market value	809	14,771
Net	$ 30,606,088	$ 31,403,339

The aggregate market values or reference prices of corporate bonds, government bonds, beneficiary certificates, bank debentures and listed and over-the-counter stocks, are as follows:

	December 31	
	2001	2000
Corporate bonds	$ 14,613,189	$ 9,800,276
Government bonds	1,313,207	3,414,511
Beneficiary certificates	908,596	1,250,470
Bank debentures	830,476	39,159
Listed and over-the-counter stocks	99	48,656

7.SECURITIES - DEALING AND UNDERWRITING

	December 31	
	2001	2000
Dealing department		
Listed stocks	$ 515,648	$ 314,011
Over-the-counter stocks	6,722	969
Convertible corporate bonds	1,958,918	951,401
Government bonds and over-the-counter corporate bonds	2,874,915	7,029,946
Bank debentures	503,034	1,265,862
	5,859,237	9,562,189
Less - allowance for decline in market value	-	24,254
Net	5,859,237	9,537,935
Underwriting department		
Listed stocks	-	19,063
Over-the-counter stocks	33,924	59,428
Convertible corporate bonds	271,000	160,000
	304,924	238,491
Less - allowance for decline in market value	10,642	12,813
Net	294,282	225,678
Hedge positions for stock warrants		
Listed stocks	61,250	-
	$ 6,214,769	$ 9,763,613

The aggregate market values are as follows:

	December 31	
	2001	2000
Dealing department	$ 6,001,945	$ 9,537,935
Underwriting department	$ 294,282	$ 225,678
Hedge positions for stock warrants	$ 65,101	$ -

Market prices are determined by the closing prices as of December 31, 2001 and 2000, respectively.

8.ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	December 31	
	2001	2000
Accounts receivable	$ 8,976,625	$ 7,528,085
Stock loans receivable from customers	2,641,950	954,993
Interest receivable	1,608,433	1,555,277
Lease receivable - net of unearned interest income	1,261,755	1,381,054
Accrued revenue	254,804	345,934
Refundable tax receivable	57,772	112,227
Other	1,053,642	575,262
	15,854,981	12,452,832
Less - allowance for credit losses	93,510	124,810
Net	$ 15,761,471	$ 12,328,022

The balance of the accounts receivable as of December 31, 2001 and 2000 included $8,410,742 and $6,544,669, respectively, representing costs of accounts receivable acquired from other parties in the normal course of business. Also, as of December 31, 2000, the balance of accounts receivable included $758,477 that arose from the transfer of the Bank's credit card business to Aetna Sinopac Credit Card Co., Ltd.

The Bank collected respective notes for lease receivable. As of December 31, 2001 and 2000, notes amounted to $576,887 and $672,594 have been provided as collateral for borrowing from other banks and credit line for issuance of short-term bills, respectively.

Stock loans receivable from customers for margin transactions are collateralized by the underlying securities and bear interest rates of 8.35%-9.75% and 9.75% for the years ended December 31, 2001 and 2000, respectively.

9.LOANS, DISCOUNTS AND BILLS PURCHASED

	December 31	
	2001	2000
Overdrafts	$ 2,952,876	$ 3,007,601
Short-term loans	47,467,199	48,926,449
Mid-term loans	51,469,855	49,275,876
Long-term loans	90,180,726	75,162,967
Import and export negotiations	407,653	696,091
Bills purchased	518	2,629
Non-performing loans	2,094,681	843,101
	194,573,508	177,914,714
Less-allowance for credit losses	1,599,283	1,525,320
-unearned loan fees	77,621	91,476
Net	$192,896,604	$ 176,297,918

Unearned loan fees pertain to nonrefundable loan fees and certain direct costs associated with originating and acquiring loans. The fees collected are not recognized at the time of origination but are deferred and amortized using the effective interest method over the life of the loan as an adjustment of the yield on the related loan.

The balance of loans as of December 31, 2001 and 2000 where accrual of interest revenues were discontinued amounted to $2,752,742 and $843,101, respectively. The unrecognized interest revenue on these loans amounted to $214,105 and $91,874 for the years ended December 31, 2001 and 2000, respectively.

For the years ended December 31, 2001 and 2000, the Bank had not written off credits without any legal proceedings having been initiated.

The detail and changes in allowance for credit losses of loans, discounts and bills purchased are summarized below:

	For the Year Ended December 31, 2001		
	Specific Risk	General Risk	Total
Balance, beginning of year	$ 553,083	$ 972,237	$ 1,525,320
Provision	1,085,085	34,599	1,119,684
Write-off	(1,172,850)	-	(1,172,850)
Recovery of written-off credits	55,921	-	55,921
Reclassifications	(64,070)	135,278	71,208
Balance, end of year	$ 457,169	$ 1,142,144	$ 1,599,283

	For the Year Ended December 31, 2000		
	Specific Risk	General Risk	Total
Balance, beginning of year	$ 573,283	$ 856,566	$ 1,429,849
Provision	368,957	264,936	633,893
Write-off	(487,542)	(39,776)	(527,318)
Recovery of written-off credits	17,709	-	17,709
Reclassifications	80,676	(109,489)	(28,813)
Balance, end of year	$ 553,083	$ 972,237	$ 1,525,320

As of December 31, 2001 and 2000, allowance for credit losses of the Bank was $1,795,968 and $1,753,070, respectively.

Since the third quarter of 2000, the economic and financial environment has been beset by many economic and noneconomic difficulties from inside and outside Taiwan. Thus, the country's economic growth has decelerated, investment is reduced, unemployment has risen, the stock market is bearish, and the New Taiwan dollar devaluated. Certain business enterprises, including conglomerates and listed companies, failed to meet their obligations when these obligations became due. To stabilize the situation, the government has taken various economy-boosting measures.

Against this background, the Bank's financial statements for the year ended December 31, 2001 include provisions for possible losses and guarantee losses based on information available to the Bank, including defaults to the extent they can be determined or estimated. However, these estimates do not include any adjustments that might be required when related contingent liabilities become probable or determinable in the future.

10.LONG-TERM INVESTMENTS

Long-term equity investments

	December 31 2001	December 31 2000
Cost method		
Listed and over-the-counter stocks	$ 734,317	$ 740,188
Unlisted stocks	1,125,510	833,207
Venture funds	87,498	-
	1,947,325	1,573,395
Equity method		
Unlisted stocks	1,523,760	820,065
	3,471,085	2,393,460
Less - unrealized losses	309,425	225,651
Net	$ 3,161,660	$ 2,167,809

Long-term bond investments

	2001	2000
Corporate bonds	$ -	$ 1,393,377
Government bonds	-	12,372
	-	1,405,749
Less - unamortized discounts	-	9,936
Net	$ -	$ 1,395,813

The total market values of listed and over-the-counter stocks, corporate bonds and government bonds are as follows:

	December 31 2001	December 31 2000
Listed and over-the-counter stocks	$ 431,892	$ 514,537
Corporate bonds	-	1,379,324
Government bonds	-	12,511

The investment in China Television Co., Ltd. was reclassified in September 2000 from securities purchased (short-term) to long-term equity investments.

The carrying amounts of the investments accounted for using the equity method as of December 31, 2001 and 2000, and the related investment loss of $331,838 and $170,682, respectively, for the years then ended, were based on the investees' audited financial statements, except for those of Rocorp Holding S.A., SinoPac Financial Consulting Co., Ltd., SinoPac Life Insurance Agent Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd. which were based on the investees' unaudited financial statements. Management believes that any adjustments, if any, may have to be made to these investments and investment income if such financial statements had been audited is not material.

The Bank recognized its equity in the unrealized revaluation loss of Aetna Sinopac Credit Card Co., Ltd. totaling $35,746. Such unrealized revaluation loss results from the revaluation of financial instrument contracts.

11.PROPERTIES

	December 31	
	2001	2000
Cost	$ 8,852,667	$ 7,019,190
Accumulated depreciation		
Buildings	268,932	213,630
Computer equipment	691,642	499,413
Transportation equipment	39,811	34,074
Office and other equipment	819,553	672,097
Property held for lease	55,481	12,387
	1,875,419	1,431,601
	6,977,248	5,587,589
Advances on acquisitions of equipment and construction in progress (Note 28)	223,099	158,859
Net	$ 7,200,347	$ 5,746,448

The Bank acquired two aircrafts for $1,343,737 (US$41,300 thousand) from Far East Airline Co., Ltd. ("FAT") and simultaneously entered into an operating lease contract with FAT for two years.

In March 2000, the Bank sold the aforementioned aircrafts to Win-Wing Corporation for $1,093,045 (US$35,500 thousand) and recognized loss on disposal of $58,776.

12.OTHER ASSETS

	December 31	
	2001	2000
Pledged time deposits	$ 1,387,575	$ 1,196,385
Guarantee deposits	1,123,043	2,237,513
Intangible assets	1,060,392	1,093,659
Value of option purchased	780,838	-
Collaterals assumed	328,128	261,813
Computer system software	249,086	104,583
Suspense account	179,196	114,727
Miscellaneous	844,814	626,570
	$ 5,953,072	$ 5,635,250

Guarantee deposits included, as of December 31, 2001 and 2000, $465,280 and $1,581,620, which were in the form of government bonds and bank debentures instead of cash.

On August 15, 1997, the Bank acquired FENB through SinoPac Bancorp and the acquisition was accounted for using the purchase method of accounting. The assets and liabilities of FENB were revalued to reflect the estimated fair market value as of the date of acquisition. The excess of purchase price over the fair market value of the net tangible assets acquired was recorded as intangible assets.

13.SHORT-TERM BORROWINGS

	December 31 2001	December 31 2000
Short-term borrowings - 2001: Due from January to May 2002, at 1.20%-4.15% interest; 2000: Due from January to April 2001, at 5.50%-8.25% interest	$ 2,453,028	$ 956,505
Commercial paper payables - 2001: Due from January to June 2002, at 0.70%-2.50% interest; 2000: Due from January to June 2001, at 3.68%-5.80% interest	3,076,500	3,689,000
Less - unamortized discounts	3,629	21,914
Net	3,072,871	3,667,086
	$ 5,525,899	$ 4,623,591

As of December 31, 2001 and 2000, certificates of deposit amounted to $1,125,700 and $1,155,032, respectively, have been provided as collaterals for short-term borrowings, overdrafts and commercial paper issued.

14.LIABILITIES FOR STOCK WARRANTS ISSUED

The Bank had commenced operations on stock warrants issuance since June 2001. The Bank issued American stock warrants and the stock warrants are effective within one year since the trading date. The stock warrants are exercised either by delivering the underlying securities or cash clearing payments. As of December 31, 2001, the liabilities for stock warrants issued by the Bank are as follows:

2001

Warrant Name	Issue Date	Underlying Security	Units Issued	Issue Price (NT$)	Amount	Exercise Price (NT$)	Leverage Ratio at Issuance
SinoPac No. 1	June 18, 2001	YAGEO	20,000,000	$ 8.36	$ 167,200	$ 35.97	3.91
Less - gain on revaluation of liabilities for stock warrants issued					(99,200)		
					$ 68,000		
Market value					$ 68,000		

The market value is based on the closing price at the last trading date in December 2001.

15.REPURCHASED STOCK WARRANTS

The repurchased stock warrants are as follows:

Warrant Name	December 31, 2001 Units	December 31, 2001 Amount
SinoPac No.1	7,978,000	$ 41,528
Less - loss on revaluation of repurchased stock warrants		14,403
		$ 27,125
Market value		$ 27,125

The market values is based on the closing price at the last trading date in December 2001.

16.ACCOUNTS, INTEREST AND OTHER PAYABLES

	December 31	
	2001	2000
Accounts payable	$ 3,570,933	$ 2,935,356
Interest payable	1,771,373	2,249,853
Notes and checks in clearing	1,026,253	1,641,236
Accrued expenses	478,691	332,206
Short sale proceeds payable	430,208	138,569
Forward exchange payable - net	300,443	-
Tax payable	211,796	297,969
Other	208,539	317,520
	$ 7,998,236	$ 7,912,709

The balance of the accounts payable as of December 31, 2001 and 2000 included $3,381,661 and $2,707,888, respectively, representing costs of accounts receivable acquired from other parties in the normal course of business.

17.DEPOSITS AND REMITTANCES

	December 31	
	2001	2000
Checking	$ 4,430,675	$ 4,596,391
Demand	28,058,429	18,919,958
Savings - demand	46,239,511	34,918,149
Time	110,156,432	103,936,017
Negotiable certificates of deposit	2,140,900	5,558,200
Savings - time	57,005,091	55,922,867
Inward remittances	215,710	48,848
Outward remittances	27,434	21,930
	$248,274,182	$ 223,922,360

18.BANK DEBENTURES

The Bank issued the first 5-year bank debentures with total face amount $5,000,000 on December 20, 2001. This instrument bears fixed annual interest rate of 3.08%. The annual interest payment will be paid in the end of every year and the principal will be repaid at the maturity date.

19.STOCKHOLDERS' EQUITY

a.Capital stock

On September 13, 1999, the stockholders approved the issuance of 220,000,000 shares at the par value of $10 in the form of Global Depositary Receipts (GDR). The issuance of the GDR was approved by the Securities and Futures Commission (the "SFC"). However, the Bank decided to withdraw the issuance plan of the GDR and also obtained the SFC's approval on August 2, 2001.

b.Capital surplus

According to the Company Law, the component of capital surplus arising from issuance of shares in excess of par value and donation can be appropriated transfer to the common stock with the approval of stockholders.

The component of capital surplus arising from issuance of shares in excess of par value can, except in the year it arises, be distributed as stock dividends. Such distribution can be made only once a year and within other specified limits. The foregoing restrictions are in accordance with regulations issued by the SFC.

The component of capital surplus arising from equity-accounted long-term equity investment can not be distributed for any purpose.

c.Retained earnings

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

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

A special reserve is appropriated from the balance of the retained earnings at an amount that is equivalent to the debit balance of accounts in the stockholders' equity section (such as cumulative translations adjustment account and unrealized loss of long-term equity investments but excluding the balance of treasury stocks) pursuant to a directive issued by the SFC. The balance of the special reserve is adjusted to reflect the balance of the related accounts at the balance sheet dates.

The dividend policy of the Bank is influenced by its strategy to be player in the global marketplace and its pursuit of growth, and, therefore, needs substantial capital to support those strategies. Thus, the type and percentage of dividends are determined as follows:

1)Where the Bank's capital is less than $30,000,000, only stock dividends are distributed; and
2)Where the Bank's capital reaches $30,000,000, it will only distribute stock dividends if its capital adequacy ratio (the "CAR") is less than 12%. The Bank may pay cash dividends when its CAR is at least 12% but only to the extent that such declaration will not reduce the CAR to less than 12%. Stock dividends are distributed in lieu of cash dividends when the equivalent cash dividend is less than NT$1 per share.

The type of bonus to employees should be determined as regulated by the Bank.

Cash dividends and cash bonus are paid when approved by the stockholders, while the distribution of stock dividends requires the approval of the authorities (in addition to the approval of the stockholders).

The appropriations and the disposition of the remaining net income, as well as other allocations of earnings, are approved 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 is made until the reserve equals the aggregate par value of the outstanding capital stock of the Bank. This reserve is only used to offset a deficit, or, when its balance reaches 50% of aggregate par value of the outstanding capital stock of the Bank, up to 50% thereof can be distributed as stock dividends. In addition, the Banking Law provides that, when the balance of the reserve, annual cash dividends, compensation to directors and supervisors and bonus to employees should not exceed 15% of aggregate par value of the outstanding capital stock of the Bank.

Under the Integrated Income Tax System, non-corporate and ROC-resident stockholders are allowed tax credits for the income tax paid by the Bank on earnings generated in 1998 and onwards.

20.TREASURY STOCK

(Shares in thousands)

Reasons of Redeem	Beginning of Year	Increase	Decrease	End of Year
2001				
Re-issuance to employees	16,538	23,997	-	40,535
2000				
Re-issuance to employees	-	16,538	-	16,538

The Bank is prohibited under the Securities and Exchange Law to acquire treasury stock in excess of 10% of the total shares issued and limited the purchase cost not to exceed the combined total of the retained earnings, additional paid-in capital in excess of par value, capital surplus arising from gains on disposal of properties and donated capital. In addition, the Bank is prohibited from using the treasury stock to secure any of its obligations and to exercise the rights of a stockholder in respect to those treasury stock.

For the years ended December 31, 2001 and 2000, the highest number of shares of treasury stock held by the Bank were 40,535,000 shares and 16,538,000 shares, respectively, and the highest balance of treasury stock were $500,467 and $195,975, respectively.

21.SERVICE FEES

	For the Years Ended December 31	
	2001	2000
Brokerage	$ 376,661	$ 482,110
Factoring and financing	222,989	222,599
Mutual funds	117,048	129,923
Guarantees	104,715	91,330
Custody	70,226	50,213
Loan documentation fee	43,343	47,119
Structured Notes	31,334	-
Other	329,653	396,997
	$ 1,295,969	$ 1,420,291

22.INCOME FROM SECURITIES - NET

	For the Years Ended December 31	
	2001	2000
Short-term bills		
Capital gain - net	$ 363,647	$ 178,550
Interest revenue	844,655	1,097,171
Provision for decline in market value	-	(6)
	1,208,302	1,275,715
Bonds		
Capital gain - net	1,506,879	752,055
Interest revenue	186,292	354,287
Reversal for decline in market value	70,161	119,261
	1,763,332	1,225,603

Beneficiary certificates		
Capital gain - net	$ 6,540	$ 8,619
Reversal of (provision for) decline in market value	3,175	(3,175)
	9,715	5,444
Stock		
Capital loss - net	(105,150)	(678,312)
Dividends	4,417	24,060
Provision for decline in market value	(50,885)	(66,684)
	(151,618)	(720,936)
	$ 2,829,731	$ 1,785,826

23.OPERATING AND ADMINISTRATIVE EXPENSES

	For the Years Ended December 31	
	2001	2000
Salaries and wages	$ 2,699,012	$ 2,307,930
Depreciation and amortization	562,543	473,820
Taxes other than income tax	419,592	427,685
Rental	437,242	388,271
Professional service charges	276,843	140,939
Insurance	185,778	161,653
Postage	148,586	146,984
Other	1,120,005	1,073,212
	$ 5,849,601	$ 5,120,494

24.PENSION

The Bank has a defined benefit noncontributory pension plan covering all regular employees. The Bank makes monthly contributions, equal to 7% of employee salaries, to the pension fund. In addition, non-management employees also contribute a compulsory amount equivalent to 4% of their salaries to the fund. The employees will receive benefits upon retirement computed based on length of services and average monthly salary upon retirement. Also, the employees will receive their cumulative contributions, if any, and the interest thereon.

SPL has a pension plan covering all regular employees which provides benefits based on length of service and average monthly pay before retirement. SPL makes monthly contribution, equal to 7% of employee salaries, to a pension fund.

SPS also has a pension plan covering all regular employees which provides benefits based on length of service and average monthly pay before retirement. SPS makes monthly contributions, equal to 2% of employee salaries, to a pension fund.

a.The changes in the pension fund are summarized below:

	For the Years Ended December 31	
	2001	2000
Balance, January 1	$ 560,921	$ 393,763
Contributions	174,539	155,402
Benefits paid	(39,021)	(22,735)
Interest income	54,993	34,491
Balance, December 31	$ 751,432	$ 560,921

The ending balances consist of:

	December 31	
	2001	2000
Contributions by the bank	$ 461,802	$ 344,267
Contributions by employees	289,630	216,654
	$ 751,432	$ 560,921

b.Net pension costs are summarized below:

	For the Years Ended December 31	
	2001	2000
Service cost	$ 134,873	$ 86,487
Interest cost	31,904	24,591
Expected return on plan assets	(23,657)	(18,367)
Net amortization and deferral	6,702	8,025
Net pension cost	$ 149,822	$ 100,736

c.The reconciliations of the funded status of the plan and accrued pension cost are as follows:

	December 31	
	2001	2000
Benefit obligation		
Vested benefit obligation	$ 67,122	$ 41,114
Nonvested benefit obligation	354,337	248,313
Accumulated benefit obligation	421,459	289,427
Additional benefits based on future salaries	377,130	196,473
Projected benefit obligation	798,589	485,900
Fair value of plan assets	(462,194)	(345,801)
Funded status	336,395	140,099
Unrecognized net transitional obligation	(46,006)	(51,061)
Unrecognized prior service cost	(4,546)	(4,932)
Unrecognized pension loss	(237,738)	(72,035)
Additional liabilities	2,240	1,860
Accrued pension cost	$ 50,345	$ 13,931

d.Vested benefit obligation	$ 143,386	$ 86,345

e.Actuarial assumptions

Discount rate used in determining present values	5.0%	6.0%-6.5%
Future salary increase rate	4.0%-5.0%	5.0%-5.5%
Expected rate of return on plan assets	5.0%	6.0%-6.5%

FENB has a pension plan, for regular employees who have been employed for at least one year. Under this plan, employees may contribute up to 15% of their annual salary with FENB matching up to 3% of the employee's contribution.

25.INCOME TAX

a.The compositions of income tax are as follows:

	For the Years Ended December 31	
	2001	2000
Income tax expense - current	$ 436,879	$ 805,259
Foreign income taxes over limitation	-	2,839
Income tax expense - deferred	53,358	22,374
Prior year's adjustment	40,543	(17,478)
Tax on unappropriated earnings (10%)	29,886	4,004
Withholding tax on interest income on bonds attributable to period that those bonds were held by other investors	115,349	-
Income tax	$ 676,015	$ 816,998

Income tax is based on taxable income from all sources. Foreign income taxes paid are creditable against the domestic income tax obligations to the extent of domestic income tax applicable to the foreign-source income.

b.Reconciliation of tax on income before income tax at statutory rate and income tax expense-current:

	For the Years Ended December 31	
	2001	2000
Income tax expense on income before income tax at 25% statutory rate	$ 689,859	$ 882,438
Add (deduct) tax effects of:		
Tax-exempt income	(158,092)	143,747
Permanent difference	(55,290)	(181,440)
Temporary difference	(42,345)	5,812
Investment tax credit	(8,027)	(45,298)
Other	10,774	-
Income tax expense - current	$ 436,879	$ 805,259

c.Net deferred income tax assets (liabilities) as of December 31, 2001 and 2000 consist of the tax effects of the following:

	December 31	
	2001	2000
Acquisition premium	($ 89,131)	($ 85,574)
Deferred loan fees	(115,972)	(93,084)
Loss carryforward	72,543	51,653
Provision for credit losses	110,575	84,468
Contribution to employees welfare fund	3,278	4,131
Investment income under the equity method	(265,887)	(217,364)
Unrealized foreign exchange gain	(3,554)	(8,951)
Other	106,234	136,165
	($ 181,914)	($ 128,556)

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

	December 31	
	2001	2000
Balances of imputed tax credit account	$ 142,411	$ 118,069

The projected ratio for 2001 of imputed tax credit to earnings is 14.14%, which is based on projected imputed tax credit before dividend distribution in 2002.

The actual ratio for 2000 of imputed tax credit to earnings was 24.79%.

The tax credit allocated to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date. Accordingly, 2001 projected tax credit ratio may change because the actual tax credit may differ from the projected tax credit.

e.Income tax payable (included in other payables) as of December 31, 2001 and 2000 were net of prepayments of $270,841 and $379,983, respectively. Income tax returns of up to 1998 had been examined by the tax authorities except 1996. As a result of those examination, in the income tax returns for 1994, 1995, 1997 and 1998 tax returns, the tax authorities had denied the creditability of 10% withholding tax on interest income on bonds totaling $57,721 that is attributable to period those bonds were held by other investors. The income tax returns for 1996, 1999 and 2000 also reflected reduction in income tax obligations totaling $32,813 attributable to similar type of withholding taxes; which returns were not yet examined by the tax authorities. The Bank has similar withholding tax amounting to $24,815 in 2001. The Bank has appealed the decision of the tax authorities to deny the creditability of those type of withholding taxes. However, the Bank has accrued liabilities and has written -off any assets recognized related to the foregoing withholding taxes as part of income tax expense in 2001.

The SPS has written off prior years prepayments related to withholding tax on interest income on bonds totaling $49,312 as part of income tax expense in 2001.

26.RELATED PARTY TRANSACTIONS

Significant transactions with related parties, which include directors, supervisors and their relatives, managers, and the investees accounted for by the equity method and the subsidiaries of the Bank, are summarized as follows:

a.Credit extended, deposits taken and placed and due from affiliates

	Amount	% to Total	Interest/Fee Rate (%)
December 31, 2001			
Deposits	$ 512,726	0.21	0-13.00
Loans and discounts	31,281	0.02	2.38-8.30
December 31, 2000			
Deposits	$ 448,058	0.20	0-13.00
Loans and discounts	627,942	0.30	5-11
Due from affiliates	799	-	-

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 China Television Co., Ltd. (the Bank is a director of the company) for a three-year period ending July 2004. Rentals for the nine months ended December 31, 2001 was $4,422.

The Bank leases certain office premises from Su Kwang Hui (son of a director of the Bank before April 18, 2001) for a five-year period ending December 2003. Rentals for the years ended December 31, 2001 and 2000 were $6,286 and $6,114, respectively.

The Bank leases certain office premises from Ruentex Construction & Development Co., Ltd. (an affiliate) for a five-year period ending September 2005. Rental for the years ended December 31, 2001 and 2000 were $3,842 and $761, respectively.

c.Professional advisory charges

The Bank has entered into an investment advisory contract with SinoPac Securities Investment Advisory Corp. (a subsidiary of the Bank). The contract expired on December 31, 2001 and is renewable. The advisory charges paid for the years ended December 31, 2001 and 2000 were $22,050 and $31,500, respectively.

The Bank paid SinoPac Capital Limited professional advisory fees amounting to $4,867 for the year ended December 31, 2001.

d.Due from affiliates

On May 1, 2000, the Bank transferred its credit card business to Aetna Sinopac Credit Card Co., Ltd., for a total consideration of $3,823,798, which consideration had been received as of December 31, 2001.

The compensation received by the Bank for its credit card accounts and the personnel of its credit card business was recognized as income over five years in the case of the credit card accounts and over three years in the case of the transfer price for the related personnel. The interest income on the unpaid portion of the aggregate transfer price amounted to $18,530 and $82,055 for the years ended December 31, 2001 and 2000, respectively. For the years ended December 31, 2001 and 2000, the amortization of the compensation for the transfer of the credit card accounts and personnel amounted to $151,911 and $41,640, respectively.

e.In December 2000, the Bank sold 4,997,000 shares of Wal Tech International Corporation (an affiliate) to Cyberpac Holding Ltd. (formerly SinoCap Partners Ltd.), (an affiliate) for $53,812 and recognized a gain on disposal of $5,898.

f.In 2000, the Bank sold long-term investments to Cyberpac Holding Ltd. and Allstar Venture Ltd. (an affiliate) for $67,414 and $170,833, respectively, and recognized gains on disposal of $1,354 and $10,833, respectively.

g.Land and buildings purchase contract

In January 2001, the Bank entered into a contract with Fu-I Co., Ltd. (the chairman of the company was a director of the Bank before April 18, 2001) to purchase land and a building located in Taipei for business purposes. The purchase cost was $199,900, of which $44,990 has already been paid as of December 31, 2001.

To expand leasing business, the Bank entered into a contract with Ruentex Construction & Development Co., Ltd. (an affiliate) to purchase land and a building in May 2001 for lease. The purchase cost was $344,355.

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

In compliance with the Banking Law, except for customer loans, credits extended by the Bank to any related party should be fully secured, and the terms of credits extended to related parties should be similar to those extended to non-related parties.

27.PLEDGED ASSETS

As of December 31, 2001 and 2000, the following assets have been pledged to financial institutes as guarantees and collateral for issuance of commercial paper, short-term borrowings, long-term borrowings, overdrafts from other banks and bond transactions.

	December 31	
	2001	2000
Time deposits and restricted demand deposits	$ 1,387,309	$ 1,198,271
Pledged notes		
Securities - dealing and underwriting	576,887	672,594
Convertible corporate bonds and over-the-counter corporate bonds	487,500	254,000
Securities purchased	32,057	-
	$ 2,483,753	$ 2,124,865

28.CONTINGENCIES AND COMMITMENTS

Financial instruments, contingencies and commitments of the Bank, in addition to those disclosed in Note 32 are summarized as follows:

a.Lease contract

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

Year	Amount
2002	$ 336,864
2003	291,869
2004	238,811
2005	135,598
2006	109,851

Rentals for the years beyond 2006 amount to $228,273, the present value of which is about $162,542 as discounted at the Bank's one-year time deposit rate of 2.7%-5.1% on January 1, 2002.

b.Land and buildings purchase contract

In January 2001, the Bank entered into contract to purchase land and buildings located in Taipei for business purposes. The purchase cost was $199,900, of which $44,990 has already been paid as of December 31, 2001. (Please see Note 26.g.)

c.Equipment purchase contract

The Bank entered into contracts to purchase computer hardware and software for $123,521, of which $81,463 has already been paid as of December 31, 2001.

d.Renovation agreement

The Bank entered into contracts to renovate office premises for $156,797, of which $135,494 has already been paid as of December 31, 2001.

e.Short-term bills and bonds sold under agreements to repurchase - treated as outright sales

As of December 31, 2001, short-term bills and bonds with a total face amount of $12,925,400 were sold under agreements to repurchase at $13,633,926 between January and March 2002.

f.Short-term bills purchased under agreements to resell - treated as outright purchases

As of December 31, 2001, short-term bills with a total face amount of $1,770,000 were purchased under agreements to resell at $1,762,019 between January and July 2002.

29.CAPITAL ADEQUACY RATIO

The Banking Law and related regulations require that the Bank maintain a capital adequacy ratio of at least 8%. Pursuant to such law and regulations, if the Bank's capital adequacy ratio falls below 8%, the MOF may impose certain restrictions on the level of the cash dividends that the Bank can declare or, in certain conditions, totally prohibits the Bank from declaring cash dividends.

As of December 31, 2001 and 2000, the Bank's capital adequacy ratio were 10.47% and 11.25%, respectively.

30.AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average balance is calculated by daily average balance of interest earning assets and interest bearing liabilities.

	For the Years Ended December 31			
	2001		2000	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash - negotiable certificates of deposit	$ 8,757,933	2.36	$ 5,958,860	5.14
Due from banks	1,489,666	3.24	1,021,017	5.38
Call loans (placement)	30,248,614	4.63	7,981,135	6.72
Due from Central Bank	5,818,604	3.69	5,698,888	3.60
Securities purchased	38,512,552	6.10	27,839,911	6.25
Loans, discounts and bills purchased	180,498,033	7.27	166,827,115	8.22
Interest-bearing liabilities				
Due to banks	$ 7,244	2.01	$ 13,407	4.42
Call loans (borrow)	22,138,610	3.58	9,692,637	5.66
Demand	21,816,300	2.22	16,072,171	3.10
Savings	39,017,372	3.46	34,352,735	4.16
Time	106,994,232	4.30	92,666,664	5.34
Time-savings	59,009,564	4.74	51,416,972	5.26
Negotiable certificates of deposit	4,709,635	4.46	5,305,015	5.12

31.MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of assets and liabilities of the Bank is based on the remaining period from balance sheet dates. The remaining period to maturity is based on maturity dates specified under agreements, and, if cases where there are no specified maturity dates, based on expected dates of collection.

	December 31, 2001			
	Due in One Year	Due between One Year and Five Years	Due after Five Years	Total
Assets				
Cash	$ 17,087,108	$ -	$ -	$ 17,087,108
Due from banks	41,160,880	-	-	41,160,880
Due from Central Bank	7,197,683	-	-	7,197,683
Securities purchased	30,606,897	-	-	30,606,897
Securities - dealing and underwriting	6,225,411	-	-	6,225,411
Securities purchased under agreements to resell	3,151,609	-	-	3,151,609
Receivables	16,054,434	-	-	16,054,434
Loans, discounts and bills purchased (excluding non-performing loans)	60,919,868	35,877,981	95,680,978	192,478,827
	$ 182,403,890	$ 35,877,981	$ 95,680,978	$ 313,962,849
Liabilities				
Short-term borrowings	$ 5,525,899	$ -	$ -	$ 5,525,899
Call loans and due to banks	27,251,419	-	-	27,251,419
Securities sold under agreements to repurchase	7,689,791	-	-	7,689,791
Payables	8,118,620	42,523	36,546	8,197,689
Deposits and remittances	241,478,159	6,796,023	-	248,274,182
Bank debentures	-	5,000,000	-	5,000,000
	$ 290,063,888	$ 11,838,546	$ 36,546	$ 301,938,980

	December 31, 2000			
	Due in One Year	Due between One Year and Five Years	Due after Five Years	Total
Assets				
Cash	$ 6,392,747	$ -	$ -	$ 6,392,747
Due from banks	18,680,989	-	-	18,680,989
Due from Central Bank	7,564,190	-	-	7,564,190
Securities purchased	31,418,110	-	-	31,418,110
Securities-dealing and underwriting	9,800,680	-	-	9,800,680
Securities purchased under agreements to resell	311,837	-	-	311,837
Receivables	12,901,227	-	-	12,901,227
Loans, discounts and bills purchased (excluding non-performing loans)	56,841,701	38,011,704	82,218,208	177,071,613
	$ 143,911,481	$ 38,011,704	$ 82,218,208	$ 264,141,393

Liabilities				
Short-term borrowings	$ 4,623,591	$ -	$ -	$ 4,623,591
Call loans and due to banks	8,308,516	-	-	8,308,516
Securities sold under agreements to repurchase	8,315,254	-	-	8,315,254
Payables	8,327,117	33,987	-	8,361,104
Deposits and remittances	218,311,574	5,610,786	-	223,922,360
	$ 247,886,052	$ 5,644,773	$ -	$ 253,530,825

32.FINANCIAL INSTRUMENTS

a.Derivative financial instruments

The Bank is engaged in derivative transactions mainly to accommodate customers' needs and to manage its exposures/positions. It also enters into cross currency swap, asset swaps and forward contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets. The Bank's strategy is to hedge most of its market risk exposures using hedging instruments whose changes in market value have a highly negative correlation with the changes in the market of the exposures being hedged. The Bank also assess the hedge effectiveness of the instruments periodically.

The objective of possessing stock index future contracts is to hedge the market risk of listed securities held for dealing. The Bank's strategy is to hedge most of its market risk exposures using the derivative instruments whose changes in market value have a highly negative correlation in price with the changes in the market of the exposures being hedged. The Bank also assess the hedge effectiveness of the instruments periodically.

The Bank is exposed to credit risk in the event of nonperformance of the counterparties to the contracts. The Bank enters into contracts with customers that have satisfied the credit approval process and have provided necessary collateral. The transactions are then made within each customer's credit limits and guarantees deposit may be required, depending on the customers' 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 Bank has entered into stock index future contracts with Taiwan Futures Exchange and therefore is not exposed to significant credit risks.

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

	December 31					
	2001			2000		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Cross currency swap contracts	$ 2,099,940	$ 14,667	$ 14,667	$ 1,979,520	$ 4,181	($ 136)
Forward contracts Sell	-	-	-	11,217	316	316
Futures contracts - Buy	-	-	-	4,781	-	4,770
- Sell	-	-	-	12,176	-	12,328
For the purpose of accommodating customers' needs or managing its exposure:						

Forward contracts - Buy	$ 20,023,862	$ 500,093	$ 44,763	$ 1,393,324	$ 49,845	$ 36,650
- Sell	24,009,031	421,850	119,440	5,960,901	19,310	192,920
Forward rate agreements - Buy	16,294,506	2,851	(8,386)	700,000	132	87
- Sell	15,994,506	19,900	15,932	1,900,000	52	(217)
Currency swap contracts	52,436,363	433,394	(161,912)	18,007,385	465,828	240,825
Interest rate swap contracts	28,560,700	190,068	(63,936)	8,410,074	82,732	37,118
Options - As buyer	30,632,833	369,608	276,526	9,014,232	55,754	(26,595)
- As seller	29,782,357	-	(255,616)	9,287,736	-	31,976

Except for the fair value of each stock index futures contract, which refers to the closing price published by Taiwan Futures Exchange as of the balance sheet dates, the fair value of each contract is determined using the quotation from Reuters or Telerate Information System.

As of December 31, 2001 and 2000, the Bank entered into asset swap contracts for hedging purpose in which the notional amounts were $1,572,855 and $2,733,387, respectively.

The Bank entered into these contracts with counterparties which have splendid worldwide ranking and credit rating, thus, no significant credit risk is expected.

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 working capital of the Bank is sufficient to fulfill the contracts. Furthermore, since the futures contracts are used to hedge the risk of listed securities held for dealing, the demand of cash will be offset by the proceeds from the sales of hedged securities. Therefore, there is no significant cash demand in the future. The possibility that derivative financial instruments held or issued by the Bank can not be sold with reasonable price is minimal; accordingly, no significant cash demand is expected.

The gains and losses on derivative financial instruments for the years ended December 31, 2001 and 2000 were not significant.

b.Fair value of non-derivative financial instruments

	December 31			
	2001		2000	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Financial assets - with fair values approximating carrying amounts	$ 84,558,204	$ 84,558,204	$ 45,726,180	$ 45,726,108
Securities purchased	30,606,088	30,830,713	31,403,339	31,507,622
Securities-dealing and underwriting	6,214,769	6,361,328	9,763,613	9,763,613
Loans, discounts and bills purchased	192,896,604	192,896,604	176,297,918	176,297,918
Long-term equity investments	3,161,660	3,161,660	2,167,809	2,167,809
Long-term bond investments	-	-	1,395,813	1,391,835
Other assets - guarantee deposits	873,043	1,150,176	2,048,357	2,053,894

Liabilities				
Financial liabilities - with fair values approximating carrying amounts	$ 48,664,798	$ 48,664,798	$ 29,608,465	$ 29,608,465
Deposits and remittances	248,274,182	248,274,182	223,922,360	223,922,360
Bank debentures	5,000,000	5,000,000	-	-
Other liabilities	317,343	317,343	285,254	285,254

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

1)The carrying amounts of cash, due from banks, due from Central Bank, acceptances, accounts, interests and other receivables, securities purchased under agreements to resell, short-term borrowings, call loans and due to banks, acceptances payable, accounts, interests and other payables and securities sold under agreements to repurchase approximate their fair values because of the short maturities of these instruments.

2)The fair values of securities purchased, securities - dealing and underwriting, long-term equity investments and long-term bond investments are based on their market prices, if such market prices are available. Otherwise, fair values are estimated at their carrying amounts.

3)Loans, discounts and bills purchased, deposits and remittances, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of non-performing loans is based on the carrying amount, which is net of allowance for bad debt.

4)The fair values of government bonds and bank debentures submitted as guarantee deposits 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 values presented above do not represent the underlying value of the Bank.

c.Off-balance-sheet credit risks

The Bank has significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments are under seven years. For the year ended December 31, 2001, the interest rates of the loans range from 0.63% to 14.00%. The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of a customer obligations to a third party. The terms of these guarantees are usually one year, and their maturity dates are not concentrated in any particular period.

The contract amounts for financial instruments with off-balance-sheet credit risks as of December 31, 2001 and 2000 are as follows:

	2001	2000
Financial guarantees and standby letters of credit	$ 11,379,004	$ 12,232,499
Irrevocable loan commitments	10,031,483	8,308,289
Credit card commitments for credit cards	53,765	38,985

Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent cash demands in the future. The Bank's maximum credit risk relative to these commitments is the amount of the commitment assuming that the customer uses the full amount of the commitment and the related collateral or the security turn out to be worthless.

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 drawings are made against the credit facilities. As of December 31, 2001 and 2000, secured loans both amounted to about 81% of the total loans. Collaterals held vary but may include cash, inventories, marketable securities, and other property. When the customers default, the Bank will, as required by circumstances foreclose the collateral or execute other rights arising out of the guarantees given.

33.INFORMATION ON CONCENTRATIONS OF RISK

The Bank has no credit risk concentration arising from any individual counterparty or groups of counterparties engaged in similar business activities. Industries which account for 5% or more of the outstanding loans as of December 31, 2001 and 2000 are as follows:

	2001	2000
Natural person		
Real estate	$123,710,167	$115,262,003
Manufacturing	16,153,900	13,534,978
Foreign corporation	11,489,773	12,586,331
	11,642,783	9,138,384

The net positions on foreign-currency transactions as of December 31, 2001 and 2000 are not significant.

34.ADDITIONAL DISCLOSURES

a.Following are the additional disclosures required by the SFC for the Bank and affiliates:

1)Financing provided: None;

2)Collateral/guarantees provided: Please see Table 1; (Please see Financial Report of Bank SinoPac's Table 1)

3)Marketable securities held: Please see Table 2; (Please see Financial Report of Bank SinoPac's Table 2)

4)Marketable security acquired and disposed of, at costs or prices of at least NT$100 million or 20% of the issued capital: Please see Table 3;(Please see Financial Report of Bank SinoPac's Table 3)

5)Acquisition of individual real estate at cost of at least NT$100 million or 20% of the issued capital: Please see Table 4; (Please see Financial Report of Bank SinoPac's Table 4)

6)Disposal of individual real estates at price of at least NT$100 million or 20% of the issued capital: None;

7)Total purchase from or sales or related parties amounting to at least NT$100 million or 20% of the issued capital: None;

8)Receivables from related parties amounting to NT$100 million or 20% of the issued capital: None;

9)Names, locations, and other information of investees on which the Bank exercises significant influences: Please see Table 5; (Please see Financial Report of Bank SinoPac's Table 5)

10)Derivative financial transactions: Please see Note 32;

b.Information Related to Investment in Mainland China: None.

35.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. Geographic information is as follows:

	Domestic	United States	Other Overseas Operating Segments	Adjustments and Eliminations	Total
2001					
Revenues from third parties	$ 17,642,487	$ 3,447,982	$ 220,460	($ 32,384)	$ 21,278,545
Revenues from the Bank and subsidiaries	123,865	-	466	(124,331)	-
Total revenues	$ 17,766,352	$ 3,447,982	$ 220,926	($ 156,715)	$ 21,278,545
Segment income	$ 1,752,185	$ 445,880	$ 30,253	$ -	$ 2,228,318
General expenses					-
Income before income tax					$ 2,228,318
Identifiable assets	$279,760,728	$ 45,798,588	$ 5,358,216	($ 3,479,927)	$327,437,605
Long-term equity investments					3,161,660
General assets					244,427
Total assets					$330,843,692
2000					
Revenues from third parties	$ 17,105,460	$ 3,204,861	$ 191,727	($ 5,685)	$ 20,496,363
Revenues from the Bank and subsidiaries	65,024	-	7,654	(72,678)	-
Total revenues	$ 17,170,484	$ 3,204,861	$ 199,381	($ 78,363)	$ 20,496,363
Segment income	$ 1,842,612	$ 642,015	$ 117,719	$ -	$ 2,602,346
General expenses					-
Income before income tax					$ 2,602,346
Identifiable assets	$237,645,347	$ 38,663,911	$ 2,497,360	($ 2,530,991)	$276,275,627
Long-term equity investments					2,167,809
General assets					72,205
Total assets					$278,515,641

Six-year Financial Ratios of Bank SinoPac

Item / year	2001	2000	1999	1998	1997	1996
Total Liabilities / Total Assets	**91.62%**	90.58%	89.81%	89.83%	90.87%	89.85%
Deposits / Equity	**932.05%**	898.66%	788.67%	824.84%	880.75%	796.94%
Fixed Assets / Equity	**20.29%**	19.78%	20.83%	19.63%	15.99%	19.58%
Liquidity Reserve Ratio	**15.03%**	12.46%	13.10%	20.45%	13.08%	10.97%
Loans / Deposits	**77.48%**	78.65%	82.38%	75.22%	82.72%	89.25%
Past Due Ratio	**1.80%**	1.04%	0.99%	0.70%	0.61%	0.62%
Interest Expenses / Average Deposits	**4.01%**	4.90%	5.34%	6.17%	5.79%	6.15%
Interest Revenues / Average Loans	**7.13%**	8.00%	8.29%	8.90%	8.83%	9.17%
Turnover of Total Assets	**0.06**	0.07	0.08	0.08	0.08	0.08
Revenues Per Employee (In NT$ thousands)	**9,161**	9,272	9,268	11,098	11,437	10,474
Net Profit Per Employee (In NT$ thousands)	**868**	980	1,091	785	1,219	1,010
Return on Total Assets	**0.60%**	0.77%	0.90%	0.55%	0.84%	0.77%
Return on Equity	**6.82%**	7.92%	8.89%	5.72%	8.82%	7.10%
Operating Revenues / Capital Stock	**9.52%**	12.60%	12.75%	8.55%	12.41%	9.47%
Net Profit Before Tax / Capital Stock	**10.37%**	12.84%	12.75%	8.63%	12.62%	9.65%
Net Profit Rate	**9.48%**	10.75%	11.77%	7.07%	10.65%	9.64%
Earnings Per Share	**0.81**	0.88	0.92	0.52	0.64	0.44

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

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• SinoPac e-Plaza


• Hsinchu Branch

Key Economic Indicators

Item	Unit	2001	2000	1999	1998	1997	1996	1995
Economic Growth								
1.Economic Growth Rate	%	-1.91	5.86	5.42	4.57	6.68	6.10	6.42
2.GNP	Billion US$	288.3	313.9	290.5	269.2	293.3	283.6	269.1
3.Per capital GNP	US$	12,941	14,188	13,235	12,360	13,592	12,260	12,686
4.Structure of domestic production	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	%	1.9	2.1	2.6	2.5	2.6	3.2	3.5
Industries	%	30.9	32.4	33.2	34.50	35.3	35.7	36.4
Services	%	67.2	65.5	64.2	63.0	62.1	61.1	60.1
5.Gross national savings/GNP	%	24.0	25.4	26.1	26.0	26.4	26.7	27.0
Prices (annual changes)								
1.Consumer price index	%	-0.01	1.3	0.2	1.7	0.9	3.1	3.7
2.Wholesale price index	%	-1.3	1.8	-4.5	0.6	-0.5	-1.0	7.4
3.Import price index	%	-1.2	4.6	-4.1	0.7	-1.4	-2.5	10.2
4.Export price index	%	0.3	-0.9	-8.5	5.6	2.1	1.7	6.9
Production (annual changes)								
1.Industrial production	%	-7.3	7.4	7.7	2.6	7.4	2.0	4.7
2.Manufacturing production	%	-8.0	8.0	8.1	2.4	8.7	2.9	5.2
Heavy industry	%	-7.6	11.1	11.1	4.6	13.1	4.8	9.6
Light industry	%	-9.4	-1.0	0.4	-3.1	-0.7	-0.8	-2.7
3.Floor Areas of applying construction permit	%	-11	-15.1	6.6	-0.6	-15.9	-17.3	-5.0
Expenditure (growth rate)								
1.Private consumption expenditure	%	1.4	4.9	5.4	6.5	7.3	6.5	5.6
2.Outbound departure of nationals	%	-1.9	11.7	10.9	-4.0	7.9	10.1	9.4
Investment								
1.Growth rate of fixed capital formation	%	-18.2	8.6	1.8	8.0	10.7	1.7	7.3
2.Growth rate of private fixed catpial formation	%	-26.7	15.7	-0.7	11.8	18.6	3.4	11.4
3.Annual changes of approved foreign investment	%	-32.6	79.8	13.2	-12.4	72.7	-15.9	79.4
4.Increase rate of capital goods import	%	-31.6	34.3	20.3	11.9	18.5	8.8	24.0
Trade (annual changes)								
1.Imports on customs basis	%	-23.4	26.5	5.8	-8.5	11.8	-1.1	21.3
2.Exports on customs basis	%	-17.1	22.0	10.0	-9.4	5.3	3.8	20.0
3.Export orders received	%	-11.5	20.4	7.3	-4.0	4.1	4.8	20.1
Finance (fiscal year) *								
1.Central government expenditures/GNP	%	18.3	16.3	14.3	13.2	15.9	15.1	16.6
2.Central government balance								
% of GNP	%	3.5	1.3	-0.5	-1.2	2.4	1.7	2.9
% of expenditures	%	19.2	7.7	-3.4	-9.3	15.2	11.3	17.4
3.Central Government debts	Billion NT$	1,507	1,348	1,051.8	1,104.9	1,152.6	1,035.2	951.6
% of GNP	%	28.5	25.3	14.6	16.0	17.3	16.6	16.2
4.Annual changes in tax revenue	%	-6.7	1.8	-3.2	9.9	6.1	-2.8	9.3
5.Tax revenue/GNP	%	12.9	13.3	14.7	16.0	15.7	16.1	18.1
Banking								
1.Foreign reserves	Billion US$	122.2	106.7	106.2	90.34	83.50	88.04	90.31
2.Government foreign debt(June 30)	Billion NT$	0.56	0.75	1.06	1.88	2.48	3.92	5.58
3.Stock price index	1966=100	4,907	7,847	7,427	7,714	8,411	6,004	5,544
4.Annual changes of (M2)	%	5.8	7.0	8.3	8.8	8.3	9.2	11.6
5.Rediscount rate	%	2.125	4.625	4.5	4.75	5.25	5.00	5.50
6.Forign exchange	NT$/US$	34.999	32.99	31.4	33.44	32.64	27.49	27.27
Labor force								
1.Unemployment rate	%	5.22	2.99	2.92	2.69	2.72	2.60	1.79
export :	Billion US$	122.9	148.32	121.59	110.58	122.08	115.94	111.65
import :	Billion US$	107.24	140.01	110.69	114.66	114.42	102.37	103.55

Explanation:
* 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..

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