

2002 ANNUAL REPORT

FINANCIAL REPORTS

Bank SinoPac

- **Condensed Six-year Financial Statements**

Financial Report of Bank SinoPac*

Consolidated Financial Statement of Bank SinoPac
And Subsidiaries*

Six-year Financial Ratios of Bank SinoPac

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< [Investor Relations](#) \ [Financial Statements](#) >



FINANCIAL REPORT OF BANK SINOPAC

■ Independent Auditors' Report

The Board of Directors and Stockholders Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of December 31, 2002 and 2001, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 positions of Bank SinoPac as of December 31, 2002 and 2001, 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.

We have also audited the consolidated financial statements of Bank SinoPac as of and for the years ended December 31, 2002 and 2001, on which we have issued an unqualified opinion thereon.

T N Soong & Co
An Associate Member Firm of Deloitte Touche Tohmatsu
Taipei, Taiwan
The Republic of China

January 24, 2003

■ Notice to Readers

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

BANK SINOPAC
Balance Sheets

December 31, 2002 and 2001 (Amounts Expressed in Thousands of New Taiwan Dollars, Except Par Value of Per Share)	2002		2001	
	Amount	%	Amount	%
ASSETS				
CASH (Note 3)	\$ 66,128,225	20	\$ 16,997,156	6
DUE FROM BANKS (Note 22)	10,583,049	3	41,073,412	15
DUE FROM CENTRAL BANK (Note 4)	11,011,956	3	7,197,683	2
SECURITIES PURCHASED (Notes 2, 5 and 22)	24,551,850	7	17,549,790	6
ACCOUNTS, INTEREST AND OTHER RECEIVABLES - NET (Notes 2, 6 and 22)	13,565,150	4	9,885,758	4
ACCEPTANCES	1,253,326	1	159,748	-
PREPAID EXPENSES	169,053	-	201,023	-
LOANS, DISCOUNTS AND BILLS PURCHASED-NET (Notes 2, 7 and 22)	187,068,957	57	167,149,766	60
LONG-TERM EQUITY INVESTMENTS-NET (Notes 2, 5, 8 and 22)	8,817,462	3	11,196,238	4
PROPERTIES (Notes 2, 9, 22 and 23)				
Cost				
Land	1,777,147	1	1,777,147	1
Buildings	2,152,831	1	1,921,906	1
Computer equipment	1,157,299	-	1,056,054	-
Transportation equipment	54,587	-	59,276	-
Office and other equipment	1,211,209	-	1,127,507	-
Total cost	6,353,073	2	5,941,890	2
Accumulated depreciation	1,681,967	1	1,426,885	-
	4,671,106	1	4,515,005	2
Advances on acquisitions of equipment and construction in progress	122,010	-	216,957	-
Net Properties	4,793,116	1	4,731,962	2
OTHER ASSETS (Notes 2 and 10)	2,760,263	1	2,286,171	1
TOTAL ASSETS	330,702,407	100	278,428,707	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Call loans and due to banks	52,070,588	16	24,083,700	9
Accounts, interest and other payables (Notes 11 and 20)	6,826,305	2	6,270,349	2
Acceptances payable	1,253,326	-	159,748	-
Deposits and remittances (Notes 12 and 22)	235,996,703	71	217,610,049	78
Bank debentures (Note 13)	7,000,000	2	5,000,000	2
Other liabilities (Notes 2, 19 and 20)	2,559,811	1	1,983,583	1
Total Liabilities	305,706,733	92	255,107,429	92
STOCKHOLDERS' EQUITY				
Capital stock, \$10 par value				
Authorized and issued- 1,944,397,617 shares	19,443,975	6	19,443,975	7
Capital surplus				
Additional paid-in capital	125,030	-	125,030	-
Gain on disposal of properties	-	-	19,866	-
Donated capital	83	-	83	-
Other	95	-	2,984	-
Retained earnings				
Legal reserve	2,997,437	1	2,541,406	1
Special reserve	282,977	-	288,227	-
Unappropriated	2,246,233	1	1,501,128	-
Unrealized loss on long-term equity investments	(321,428)	-	(302,530)	-
Unrealized revaluation loss	-	-	(35,746)	-
Cumulative translation adjustment	221,272	-	237,209	-
Treasury stock, at cost: 40,535,000 shares	-	-	(500,354)	-
Total Stockholders' Equity	24,995,674	8	23,321,278	8
CONTINGENCIES AND COMMITMENTS (Notes 2, 23 and 27)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 330,702,407	100	\$ 278,428,707	100

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



BANK SINOPAC

Statements Of Income

For the Years Ended December 31, 2002 and 2001 (Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)	2002		2001	
	Amount	%	Amount	%
OPERATING REVENUES				
Interest (Note 2)	\$ 11,820,136	78	\$ 14,149,533	86
Service fees (Notes 2, 16 and 22)	954,605	6	691,706	4
Income from securities - net (Notes 2 and 17)	1,471,900	10	1,291,937	8
Income from long-term equity investments-net (Notes 2, 8 and 22)	446,957	3	-	-
Foreign exchange gain - net (Note 2)	126,161	1	89,301	1
Other (Note 27)	324,990	2	138,845	1
Total Operating Revenues	<u>15,144,749</u>	<u>100</u>	<u>16,361,322</u>	<u>100</u>
OPERATING EXPENSES				
Interest (Note 2)	6,747,246	45	9,389,245	58
Service charges (Note 22)	138,652	1	107,479	1
Provision for trading losses	13,753	-	-	-
Loss from long-term equity investments -net (Notes 2 and 8)	-	-	42,247	-
Provision for credit losses (Notes 2, 6 and 7)	1,200,202	8	1,000,000	6
Operating and administrative expenses (Notes 2, 18, 19 and 22)	4,394,121	29	3,971,216	24
Other	191	-	617	-
Total Operating Expenses	<u>12,494,165</u>	<u>83</u>	<u>14,510,804</u>	<u>89</u>
OPERATING INCOME	<u>2,650,584</u>	<u>17</u>	<u>1,850,518</u>	<u>11</u>
NON-OPERATING INCOME (EXPENSES)				
Income (Note 22)	165,472	1	214,122	1
Expenses	(55,663)	-	(48,825)	-
Non-operating Income - Net	<u>109,809</u>	<u>1</u>	<u>165,297</u>	<u>1</u>
INCOME BEFORE INCOME TAX	<u>2,760,393</u>	<u>18</u>	<u>2,015,815</u>	<u>12</u>
INCOME TAX (Notes 2 and 20)	<u>505,344</u>	<u>3</u>	<u>464,689</u>	<u>3</u>
NET INCOME	<u>\$ 2,255,049</u>	<u>15</u>	<u>\$ 1,551,126</u>	<u>9</u>
EARNINGS PER SHARE (Note 21)				
Based earnings per share	<u>\$ 1.44</u>	<u>After Tax</u>	<u>\$ 1.05</u>	<u>After Tax</u>
		<u>\$1.18</u>		<u>\$0.81</u>

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



◆ For the Years Ended December 31, 2002 and 2001 (Amounts Expressed in Thousands of New Taiwan Dollars, Except Dividends Per Share)

RETAINED EARNINGS (Notes 14 and 20)				UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 8)	UNREALIZED REVALUATION LOSS (Notes 2 and 8)	CUMULATIVE TRANSLATION ADJUSTMENT (Note 2)	TREASURY STOCK (Notes 2 and 15)	TOTAL STOCKHOLDERS' EQUITY
Legal Reserve	Special Reserve	Unappropriated	Total					
\$ 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
-	-	19,866	19,866	-	-	-	-	-
-	-	1,211	1,211	-	-	-	-	-
-	(5,250)	5,250	-	-	-	-	-	-
456,031	-	(456,031)	-	-	-	-	-	-
-	-	(21,423)	(21,423)	-	-	-	-	(21,423)
-	-	(139,251)	(139,251)	-	-	-	-	(139,251)
-	-	(910,489)	(910,489)	-	-	-	-	(910,489)
-	-	2,255,049	2,255,049	-	-	-	-	2,255,049
-	-	-	-	(18,898)	-	-	-	(18,898)
-	-	-	-	-	35,746	-	-	34,068
-	-	-	-	-	-	(15,937)	-	(15,937)
-	-	(9,077)	(9,077)	-	-	-	500,354	491,277
<u>\$ 2,997,437</u>	<u>\$ 282,977</u>	<u>\$ 2,246,233</u>	<u>\$ 5,526,647</u>	<u>(\$ 321,428)</u>	<u>\$ -</u>	<u>\$ 221,272</u>	<u>\$ -</u>	<u>\$ 24,995,674</u>

BANK SINOPAC

Statements Of Cash Flows

For the Years Ended December 31, 2002 and 2001 (Amounts Expressed in Thousands of New Taiwan Dollars)	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,255,049	\$ 1,551,126
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	416,717	377,658
Provision for credit and trading losses	1,213,955	1,000,000
Reversal of allowance for decline in market value of securities purchased	-	(10,339)
Loss on disposal of properties - net	11,883	9,882
Loss (income) from long-term equity investments under equity method-net	(479,238)	72,695
Cash dividends received from long-term equity investments under equity method	56,496	-
Realized loss on long-term equity investments	10,583	-
Loss (gain) on sale of long-term equity investments - net	33,280	(571)
Accrued pension cost	158,942	138,210
Deferred income taxes	110,550	64,986
Increase in securities purchased - for trading purposes	(192,406)	(37,368)
Increase in accounts, interest and other receivables	(3,679,392)	(669,742)
Decrease in prepaid expenses	31,970	48,589
Increase (decrease) in accounts, interest and other payables	555,956	(650,782)
Net Cash Provided by Operating Activities	<u>504,345</u>	<u>1,894,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from banks	30,490,363	(22,422,020)
Decrease (increase) in due from Central Banks	(3,814,273)	366,507
Decrease (increase) in securities purchased - for investing purposes	(3,912,732)	3,564,177
Increase in loans, discounts and bills purchased	(21,119,393)	(12,855,139)
Increase in long-term equity investments	(374,900)	(1,364,109)
Proceeds from sale of long-term equity investments	199,946	2,656
Acquisition of properties	(462,514)	(744,731)
Proceeds from sales of properties	1,477	1,731
Increase in other assets	(467,889)	(100,010)
Net Cash Provided by (Used in) Investing Activities	<u>540,085</u>	<u>(33,550,938)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans and due to banks	27,986,888	18,530,140
Increase in deposits and remittances	18,386,654	18,475,464
Increase in bank debentures	2,000,000	5,000,000
Increase in other liabilities	292,983	798,933
Cash dividends paid	(910,489)	-
Remuneration to directors and supervisors and bonus to employees	(160,674)	(36,144)
Decrease (increase) in treasury stock	491,277	(304,379)
Net Cash Provided by Financing Activities	<u>48,086,639</u>	<u>42,464,014</u>
INCREASE IN CASH	<u>49,131,069</u>	<u>10,807,420</u>
CASH, BEGINNING OF YEAR	<u>16,997,156</u>	<u>6,189,736</u>
CASH, END OF YEAR	<u>\$ 66,128,225</u>	<u>\$ 16,997,156</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 7,314,970</u>	<u>\$ 9,768,073</u>
Income tax paid	<u>\$ 343,874</u>	<u>\$ 581,128</u>
INVESTING ACTIVITIES NOT AFFECTING CASH		
Reclassification from long-terms equity investments to securities purchased	<u>\$ 2,896,922</u>	<u>\$ -</u>

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



BANK SINOPAC

NOTES TO 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, 2002, the Bank's operating units include Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), forty-two domestic branches, two overseas branches and one overseas representative office.

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, National Securities Co., Ltd. (the "NSC", which has been renamed as SinoPac Securities Corporation on June 9, 2002) and SinoPac Securities Co., Ltd. (the "SPS") have established SinoPac Holdings (the "SPH"), a financial holding company, pursuant to the Financial Holding Company Law, as of May 9, 2002. The parties established the holding company in order to maximize the benefit of their combined capital, pool their business channel, fully harness the synergy of their diversified business operations and establish one of the most competitive organizations in the Pacific Rim. The Bank, the NSC and the SPS exchanged issued shares with SPH 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. Since May 9, 2002, the effective date of the aforementioned stock exchange, the Bank has become an unlisted wholly-owned subsidiary of SPH which shares are traded on the Taiwan Stock Exchange (TSE).

SinoPac Securities Corporation (the "SinoPac Securities", formerly NSC) merged with SPS on July 22, 2002 with SinoPac Securities as the surviving entity after a decision reached by the board of directors of the two companies on May 9, 2002. 1.2672884782 shares of common stock of SPS were exchanged for each share of common stock of SinoPac Securities.

2. SIGNIFICANT ACCOUNTING POLICIES

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

◆ Basis of financial statement preparation

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

◆ Securities purchased

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

Short-term bills are stated at cost (which approximates market value). Stocks, beneficiary certificates and bonds are stated at the lower of 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 as of the balance sheet dates; and (c) over-the-counter stocks - average daily closing prices for the last month of the accounting period, published by the Republic of China 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 by the moving-average method, except that of short-term bills, which is determined by the specific identification method.

For applying the lower of cost or market method, the SPH's shares held by the Bank should be evaluated separately from the other listed and over-the-counter stocks held by the Bank pursuant to the accounting principles generally accepted in the ROC.

Sales and purchases of bonds and short-term bills under agreements to repurchase or to resell are, pursuant to a directive issued by the MOF, treated as outright sales or purchase.

◆ **Non-performing loans**

The balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as non-performing when the loan is six months overdue pursuant to guidelines issued by the MOF and, upon approval by the board of directors, those loans which are less than six months overdue will also be classified as non-performing.

◆ **Allowance for credit losses and provision for losses on guarantees**

In determining the allowance for credit losses and provision for losses on guarantees, the Bank evaluates the losses on particular loans and overall credit portfolio considering the balances of loans, discounts and bills purchased, accounts, interest and other receivables, non-performing loans, as well as guarantees and acceptances as of the balance sheet dates.

Losses on overall credit portfolio are assessed on the basis of the Bank's prior experiences.

The Bank evaluates losses on particular loans based on its borrowers'/clients' credit limit, collateral provided and estimated level of collectibility in accordance with "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts" (the "Rules") issued by the MOF. The Rules provide that the minimum amount requirement of provision for credit losses shall be equal to the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits.

Write-offs of specific loans under the MOF guidelines, upon approved by the board of directors, are offset against the recorded allowance for loan losses.

◆ **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 carrying 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. If a decline in the value of an unlisted stock investment is considered as permanent loss, the decline is charged to current income.

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

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

◆ **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 (loss) is credited (charged) to current income.

The gain on disposal of properties is not required to be transferred to capital surplus any more starting the year of 2001 according to the amendment of Company Law. The gain on disposal of properties for the year 2001 occurred before such amendment, has been transferred to capital surplus at the end of year, net of the applicable income tax. In compliance with related regulations, the aforementioned capital surplus has been reversed to retained earnings before December 31, 2002.

Depreciation is calculated by the straight-line method based on estimated service lives which range as follows: Buildings, 8 to 55 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; office and other equipment, 5 to 8 years. For assets still in use beyond their original estimated service lives, further depreciation is calculated on the basis of any remaining salvage value and the estimated additional service lives.

◆ **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.

◆ **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 position, 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 dates, 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.

b. **Forward rate agreements**

Forward rate agreements, which are mainly to accommodate customers' needs or to manage the Bank's interest rate 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 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 swaps

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.

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 current 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 is recognized as interest income or expense. The instruments are marked to market as of the balance sheet dates.

For swaps entered into for hedging purposes, the net interest upon each settlement is recorded as an adjustment to interest income or expense associated with the item being hedged.

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 is recorded as an adjustment to interest revenue or expenses associated with the bonds or notes being hedged.

h. Futures

Premiums paid by the Bank related to interest rate futures contracts entered into for trading purposes are recognized as assets. Gains or losses as result of marking to market value of the interest rate futures contracts as of the balance sheet dates are recognized as current income. Gains or losses arising from the settlement of the interest rate 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 maturities 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.

◆ **Income tax**

Interperiod income tax allocation is applied, whereby tax effects of deductible temporary differences and unused investment tax credits are recognized as deferred income tax assets and those of taxable temporary differences are recognized as deferred income tax liabilities. A valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Adjustments of prior years' tax liabilities are included in the current year's tax provision.

Tax credits, generated from acquisitions of equipment or technology, research and development expenditure, personnel training expenditure and equity investments acquisition, are accounted for by the flow-through method.

Income tax (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve the appropriation of the 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 or 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 spot rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at closing rates as of the 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 period-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.

◆ **Treasury stock**

Capital stock acquired is carried at cost and presented as a separate deduction from stockholders' equity. The treasury stocks acquired are to be reissued to employees. The reissuance of the treasury stocks are accounted for as follows: (a) reissue price higher than the acquisition cost - the excess is credited to paid-in capital on treasury stock; and (b) reissue price less than the acquisition cost - initially charged to paid-in capital on treasury stock with any remaining deficiency charged to retained earnings.

3.CASH

	December 31	
	2002	2001
Negotiable certificates of deposit	\$ 64,122,802	\$ 15,247,337
Cash	1,554,109	1,360,096
Notes and checks in clearing	451,314	389,723
	<u>\$ 66,128,225</u>	<u>\$ 16,997,156</u>



The Bank, NSC and SPS, have established SPH through stock conversion as of May 9, 2002. Accordingly, shares of SPS held by the Bank have been converted to shares of SPH and the Bank has reclassified such shares (the market value exceeds carrying value) from long-term equity investment to securities purchased based on its intention for holding.

As of December 31, 2002, 216,542,894 shares of SPH were held by the Bank with carrying value at \$2,896,922 and market value at \$3,040,262 based on the daily average closing price in December 2002.

6.ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	December 31	
	2002	2001
Accounts receivable	\$ 11,607,423	\$ 8,236,446
Interest receivable	1,002,525	1,317,970
Accrued revenue	587,722	254,804
Tax refundable	183,456	57,772
Forward exchange receivable - net	149,128	-
Other	147,770	83,909
	<u>13,678,024</u>	<u>9,950,901</u>
Less - allowance for credit losses	112,874	65,143
Net	<u>\$ 13,565,150</u>	<u>\$ 9,885,758</u>

The balance of the accounts receivable as of December 31, 2002 and 2001 included \$11,200,653 and \$8,060,950, respectively, representing accounts receivable acquired from other parties in the factoring business.

7.LOANS, DISCOUNTS AND BILLS PURCHASED

	December 31	
	2002	2001
Overdrafts	\$ 2,798,774	\$ 2,917,759
Short-term loans	42,215,040	35,016,458
Mid-term loans	37,191,085	40,793,583
Long-term loans	102,965,116	87,387,440
Import and export negotiations	1,320,750	407,653
Bills purchased	1,712	518
Non-performing loans	2,027,366	1,894,363
	<u>188,519,843</u>	<u>168,417,774</u>
Less - allowance for credit losses	1,450,886	1,268,008
Net	<u>\$ 187,068,957</u>	<u>\$ 167,149,766</u>

As of December 31, 2002 and 2001, the balances of non-accrual loans were \$3,586,993 and \$3,342,460, respectively. The unrecognized interest revenue on non-accrual loans amounted to \$161,773 and \$176,104 for the years ended December 31, 2002 and 2001, respectively.

For the years ended December 31, 2002 and 2001, the Bank had not written off credits for which legal proceedings had not been initiated.

The details and changes in allowance for credit losses of loans, discounts and bills purchased for the years ended December 31, 2002 and 2001, respectively, are summarized below:



The total market values of listed and over-the-counter stocks were \$356,508 and \$419,553 as of December 31, 2002 and 2001, respectively.

SinoPac Bancorp, a holding company established by the Bank in the United States, acquired and held a 100% equity interest in Far East National Bank (“FENB”), Los Angeles, California, USA.

Except SinoPac Bancorp, the operating revenues and total assets of other subsidiaries - SinoPac Leasing Corporation, 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, only the accounts of SinoPac Bancorp are included in the Bank’s consolidated financial statements.

Income (loss) from long-term equity investments for the years ended December 31, 2002 and 2001, respectively, are summarized as follows:

	For the Years Ended	
	December 31	
	2002	2001
Equity method		
SinoPac Bancorp	\$ 290,205	\$ 188,645
SinoPac Leasing Corporation	143,295	50,467
SinoPac Securities Co., Ltd.	172,386	20,733
SinoPac Securities Investment Advisory Corp.	-	316
SinoPac Capital Limited	(42,906)	(106,167)
SinoPac Financial Consulting Co., Ltd.	1,258	722
Aetna Sinopac Credit Card Co., Ltd.	(164,186)	(228,775)
SinoPac Life Insurance Agent Co., Ltd.	77,435	606
SinoPac Property Insurance Agent Co., Ltd.	1,751	758
Income (loss) from long-term equity investments under equity method	479,238	(72,695)
Income from long-term equity investments under cost method	999	29,877
Gain (loss) on sale of long-term equity investments	(33,280)	571
Net	\$ 446,957	(\$ 42,247)

The carrying amounts of the investments accounted for by the equity method as of December 31, 2002 and 2001, and the aforementioned investment income (loss) 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. and SinoPac Property Insurance Agent Co., Ltd. which were based on the investees’ unaudited financial statements for 2002 and 2001 and SinoPac Life Insurance Agent Co., Ltd. which was based on the unaudited financial statements for 2001. The Bank believes that any adjustments, if any, may have to be made to these investments and investment income is insignificant if such financial statements had been audited.

As of December 31, 2002 and 2001, the unrealized loss on long-term equity investments resulted from market value decline of over-the-counter stocks held by an investee accounted for by the equity method amounted to \$30,907 and \$75,054, respectively.

The Bank recognized its equity in the unrealized revaluation loss of Aetna Sinopac Credit Card Co., Ltd., which had been sold to SPH in December 2002, please see Note 22 (f), and renamed as AnShin Card Services Company



12. DEPOSITS AND REMITTANCES

	December 31	
	2002	2001
Checking	\$ 1,587,375	\$ 1,328,843
Demand	29,162,073	19,315,693
Savings - demand	48,815,626	44,983,013
Time	96,535,536	92,593,365
Negotiable certificates of deposit	851,600	2,140,900
Savings - time	58,162,492	57,005,091
Inward remittances	818,984	215,710
Outward remittances	63,017	27,434
	<u>\$ 235,996,703</u>	<u>\$ 217,610,049</u>

13. 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.

In addition, the Bank issued the first 5-year and 3-month subordinated bank debentures with total face amount \$2,000,000 on December 23, 2002. For the first two years, this instrument bears fixed annual interest rate of 2.15% and interest payment shall be paid semiannually. For the remaining duration, this instrument bears floating interest rate determined by the average secondary money market rate on 6-month commercial paper with a 0.4% mark-up, as of two days prior to the interest calculation date every half year, quoted in the Telerate information system (page 6165, 11:00 am). The principal will be repaid at the maturity date.

14. STOCKHOLDERS' EQUITY

a. 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.

b. Retained earnings

The Bank's Articles of Incorporation provide that the Bank may declare dividends or make other distributions from earnings after it has:

- 1) Applied such earnings to deficit suffered in previous years, if any;
- 2) Paid all outstanding taxes;
- 3) Set aside 30% of such earnings as legal reserve;
- 4) Set aside any special reserve or retained earnings allocated at its option
- 5) Allocated at least 1% of the remaining earnings as employee bonus.

Distribution of such earnings shall be proposed by the board of directors and approved by the shareholders.

In order to comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be major bank in domestic, the Bank has adopted the "Balanced Dividend



Treasury stock of 40,535,000 shares repurchased by the Bank before the date of record for stock conversion had been transferred to SPH's stock with 41,617,816 shares. As of September 23, 2002, the aforementioned treasury stock had been transferred to employees at \$11.84 dollars per share.

16.SERVICE FEES

	For the Years Ended	
	December 31	
	2002	2001
Factoring and financing	\$ 260,717	\$ 191,500
Mutual funds and structured notes	164,557	147,392
Custody	139,491	70,226
Loan documentation fee	56,382	43,343
Index linked mortgage conversion	41,253	-
ATM service charge	39,070	35,579
Guarantees	31,249	45,779
Other	221,886	157,887
	<u>\$ 954,605</u>	<u>\$ 691,706</u>

17.INCOME FROM SECURITIES - NET

	For the Years Ended	
	December 31	
	2002	2001
Short-term bills		
Capital gain - net	\$ 16,188	\$ 3,780
Interest revenue	1,254,317	844,655
	<u>1,270,505</u>	<u>848,435</u>
Bond		
Capital gain - net	206,815	468,837
Stocks and beneficiary certificates		
Capital loss - net	(5,420)	(26,255)
Dividends	-	920
	<u>(5,420)</u>	<u>(25,335)</u>
	<u>\$ 1,471,900</u>	<u>\$ 1,291,937</u>

18.OPERATING AND ADMINISTRATIVE EXPENSES

	For the Years Ended	
	December 31	
	2002	2001
Salaries and wages	\$ 2,160,835	\$ 1,747,678
Depreciation and amortization	416,717	377,658
Rental	331,619	295,856
Taxes other than income tax	295,772	334,942
Professional service charges	248,937	227,652
Insurance	165,038	145,858
Postage	93,656	102,412
Other	681,547	739,160
	<u>\$ 4,394,121</u>	<u>\$ 3,971,216</u>



	December 31	
	2002	2001
d. Vested benefit	\$ 180,274	\$ 139,714
e. Actuarial assumptions		
1) Discount rate used in determining present values	4.0%	5.0%
2) Future salary increase rate	4.0%	5.0%
3) Expected rate of return on plan assets	4.0%	5.0%

20. INCOME TAX

a. The compositions of income tax are as follows:

	For the Years Ended December 31	
	2002	2001
Currently payable	\$ 67,087	\$ 64,275
Separation taxes on short-term bills interest income	242,697	177,042
Foreign income taxes over limitation	27,863	-
Change in deferred income taxes	110,550	64,986
Prior year's adjustment	(8,729)	14,073
Tax on unappropriated earnings (10%)	65,876	28,964
Withholding tax on bonds interest income attributable to period that those bonds were held by other investors	-	115,349
Income tax	\$ 505,344	\$ 464,689

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. Reconciliations of tax on pretax income at statutory rate and currently income tax payable are as follows:

	For the Years Ended December 31	
	2002	2001
Tax on pretax income at 25% statutory rate	\$ 690,088	\$ 503,944
Deduct tax effects of:		
Tax-exempt income	(43,499)	(103,800)
Permanent difference	(483,342)	(283,076)
Temporary difference	(88,249)	(45,304)
Investment tax credit	(7,911)	(7,489)
Currently payable	\$ 67,087	\$ 64,275

c. Deferred income tax assets (liabilities) as of December 31, 2002 and 2001 consist of the tax effects of the following:

	December 31	
	2002	2001
Investment income under the equity method	(\$ 311,778)	(\$ 228,894)
Unrealized foreign exchange gain	(6,971)	(3,554)
Other	373	24,622
Deferred income tax - liabilities - net (included in other liabilities)	(\$ 318,376)	(\$ 207,826)

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

	December 31	
	2002	2001
Balances of imputed tax credit account	\$ 191,766	\$ 142,411

The projected ratio of imputed tax credit to earnings for 2002 is 10.55%, which is based on projected imputed tax credit before dividend distribution in 2003.



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

b. Fee income, service charges, project popularizing expenses, outright sales and purchases of bonds and bills, and bills sold under agreements to repurchase

	Amount		% of Account Balance	
	For the Years Ended		For the Years Ended	
	December 31		December 31	
	2002	2001	2002	2001
Fee income	\$ 980	\$ 2,613	0.10	0.38
Service charges	-	1,866	-	1.74
Project popularizing expense	15,766	-	7.63	-
Outright sales and purchases of bonds and bills - SPH				
Trading amount of outright sales	2,275,381	-	-	-
SinoPac Securities				
Trading amount of outright purchases	1,950,955	14,050,887	-	-
Trading amount of outright sales	3,027,335	13,988,318	-	-
Bills sold under agreements to repurchase - SPH	1,307,750	-	-	-
SinoPac Securities	271,779	-	-	-

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

c. Lease

The Bank leases certain office premises from China Television Co., Ltd. (the Bank is a director of China Television Co., Ltd.) with rental paid monthly for a three-year period ending July 2004. Rentals for the years ended December 31, 2002 and 2001 were \$9,950 and \$4,422, respectively.

The Bank leases certain office premises from Su Kwang Hui (son of a director of the Bank before April 18, 2001) with rental paid monthly for a five-year period ending December 2003. Rentals for the years ended December 31, 2002 and 2001 were \$6,476 and \$6,286, respectively.

The Bank leases certain office premises from SinoPac Securities for the year ended December 31, 2002. Rentals were paid at the end of the year. Rentals for the year ended December 31, 2002 was \$8,291.

The Bank leases certain office premises to SinoPac Securities Co., Ltd. (formerly SPS) with rental paid monthly for a seven-year period ending July 2006. Rentals received for the years ended December 31, 2002 and 2001 were \$1,554 and \$1,684, respectively.

The Bank leases certain office premises from Ruentex Construction & Development Co., Ltd. (an affiliate) with rental paid monthly for a five-year period ending September 2005. Rentals for the years ended December 31, 2002 and 2001 were \$3,196 and \$3,842, respectively.

The Bank leases an office premise from Hung-Guan Real Estate Development Corporation. Since the said property had been purchased by SinoPac Leasing Corporation (SPL, a subsidiary of the Bank), rights on the remaining term of the related lease agreement was assigned to SPL until July 2002. Rentals paid monthly to SPL for the years ended December 31, 2002 and 2001 were \$6,664 and \$4,060, respectively.

d. Guarantee and securities purchased

As of December 31, 2002 and 2001, the Bank had provided guarantees on commercial papers issued by Wal Tech International Corporation (an affiliate), SinoPac Securities and Fortune Investment Co., Ltd. (a substance related party). The aggregate face values are as follows:

	December 31	
	2002	2001
Wal Tech International	\$ 168,000	\$ 35,000
SinoPac Securities	48,000	-
Fortune Investment	19,000	-
	<u>\$ 235,000</u>	<u>\$ 35,000</u>



a. Lease contract

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

<u>Year</u>	<u>Amount</u>
2003	\$ 226,666
2004	211,267
2005	118,694
2006	103,934
2007	66,471

Rentals for the years beyond 2007 amount to \$19,414, the present value of which is about \$17,990 as discounted at the Bank's one-year time deposit rate of 1.5% on January 1, 2003.

b. Land and buildings purchase contract

In January 2001, the Bank entered into contracts to purchased land and buildings located in Taipei for business purposes. The purchase cost was \$199,900, of which \$198,830 had already been paid as of December 31, 2002. (Please see Note 22.g)

c. Equipment purchase contract

The Bank entered into contracts to purchase computer hardware and software for \$115,910, of which \$66,882 had already been paid as of December 31, 2002.

d. Renovation agreement

The Bank entered into contracts to renovate office premises for \$66,626, of which \$54,964 has already been paid as of December 31, 2002.

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

As of December 31, 2002, short-term bills and bonds with a total face value of \$12,292,400 were sold under agreements to repurchase at \$12,590,329 between January and April 2003.

f. Short-term bills purchased under agreements to resell

As of December 31, 2002, short-term bills with a total face value of \$285,000 were purchased under agreements to resell at \$284,014 between January and February 2003.

g. Balance sheet and trust property of trust accounts

BALANCE SHEET OF TRUST ACCOUNTS

December 31, 2002

<u>Trust Assets</u>	<u>Trust Liabilities</u>
<u>\$ 40,808,630</u>	<u>\$ 40,808,630</u>

TRUST PROPERTY OF TRUST ACCOUNTS

December 31, 2002

<u>Investment Portfolio</u>	<u>Amount</u>
Demand deposits	\$ 69,903
Certificate of deposits	215,688
Beneficiary certificates	3,338,492
Trust certificates	283,076
Overseas mutual funds and bonds	11,996,216
Domestic mutual funds	22,103,387
Domestic stocks	314,480
Domestic and overseas bonds	2,491,080
Other	16
Unrealized loss	(3,708)
	<u>\$ 40,808,630</u>



	December 31, 2002			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Liabilities				
Call loans and due to banks	\$ 52,070,588	\$ -	\$ -	\$ 52,070,588
Payables	8,079,631	-	-	8,079,631
Deposits and remittances	227,636,526	8,360,177	-	235,996,703
Bank debentures	-	5,000,000	2,000,000	7,000,000
	<u>\$ 287,786,745</u>	<u>\$ 13,360,177</u>	<u>\$ 2,000,000</u>	<u>\$303,146,922</u>
	December 31, 2001			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash	\$ 16,997,156	\$ -	\$ -	\$ 16,997,156
Due from banks	41,073,412	-	-	41,073,412
Due from Central Bank	7,197,683	-	-	7,197,683
Securities purchased	17,549,790	-	-	17,549,790
Receivables	10,110,649	-	-	10,110,649
Loans, discounts and bills purchased (excluding non-performing loans)	49,409,411	25,699,000	91,415,000	166,523,411
	<u>\$ 142,338,101</u>	<u>\$ 25,699,000</u>	<u>\$ 91,415,000</u>	<u>\$259,452,101</u>
Liabilities				
Call loans and due to banks	\$ 24,083,700	\$ -	\$ -	\$ 24,083,700
Payables	6,430,097	-	-	6,430,097
Deposits and remittances	211,175,049	6,435,000	-	217,610,049
Bank debentures	-	5,000,000	-	5,000,000
	<u>\$ 241,688,846</u>	<u>\$ 11,435,000</u>	<u>\$ -</u>	<u>\$253,123,846</u>

27. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

The Bank is engaged in derivative transactions mainly to accommodate customers' needs and to manage its exposure positions. It also enters into cross currency swap, interest rate swap and asset swap 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 the 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 assesses 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 the necessary collateral. The transactions are then made within each customer's credit limits and guarantee deposits 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 contract amounts (or notional amounts), credit risks and fair values of outstanding contracts are as follows:



	Account	For the Years Ended December 31	
		2002	2001
For the purposes of accommodating customers' needs or managing the Bank's exposure:			
Forward contracts			
- Realized	Foreign exchange gain	\$ 128,377	\$ 8,012
- Unrealized	Foreign exchange gain	358,774	73,289
Forward rate agreements			
- Realized	Income from derivative financial transactions	10,033	2,836
- Unrealized	Income (loss) from derivative financial transactions	(6,855)	7,546
Currency swap contracts			
- Realized	Interest revenue	368,811	156,442
	Interest expense	(402,643)	(146,167)
Interest rate swap contracts			
- Realized	Interest revenue	571,601	108,169
	Interest expense	(627,702)	(109,954)
- Unrealized	Income (loss) from derivative financial transactions	17,263	(77,266)
Options contracts			
- Realized	Income from derivative financial transactions	268,438	126,853
	Foreign exchange loss	(48,152)	(11,384)
- Unrealized	Income from derivative financial transactions	17,007	20,910
Interest rate futures contracts			
- Realized	Loss from derivative financial transactions	(3,423)	-
Cross currency swap contracts			
- Realized	Interest revenue	-	2,517
	Interest expense	-	(3,070)

Income from derivative financial transactions - net (included in other operating revenue) for the years ended December 31, 2002 and 2001 were \$302,463 and \$80,879, respectively.

b. Fair value of non-derivative financial instruments

	December 31			
	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 102,541,706	\$102,541,706	\$ 75,313,757	\$ 75,313,757
Securities purchased	24,551,850	24,887,177	17,549,790	17,831,497
Loans, discounts and bills purchased	187,068,957	187,068,957	167,149,766	167,149,766
Long-term equity investments	8,817,462	8,817,462	11,196,238	11,196,238
Other assets - guarantee deposits	589,717	595,362	677,699	678,494

	December 31			
	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Liabilities</u>				
Financial liabilities - with fair values				
approximating carrying amounts	\$ 60,150,219	\$ 60,150,219	\$ 30,513,797	\$ 30,513,797
Deposits and remittances	236,996,703	236,996,703	217,610,049	217,610,049
Bank debentures	7,000,000	7,000,000	5,000,000	5,000,000
Other liabilities	104,463	104,463	77,178	77,178

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, receivables, call loans and due to banks, acceptances payable and payables approximate their fair values because of the short maturities of these instruments.
- 2)The fair values of securities purchased and long-term equity 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 credit losses.
- 4)The fair values of government bonds submitted as guarantee deposits are based on market values while those submitted as certificates of deposits are estimated at their carrying amounts. Fair values of other guarantee deposits and guarantee deposits received are estimated at their carrying amount since 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 values 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, 2002, the interest rates of the loans range from 0.38% to 12.75%. The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of 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 of financial instruments with off-balance-sheet credit risks as of December 31, 2002 and 2001 are as follows:

	December 31	
	2002	2001
Financial guarantees and standby letters of credit	\$ 9,755,797	\$ 11,071,599
Irrevocable loan commitments	1,193,526	913,317

Since most of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash demands. 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 other 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' credit standing. 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, 2002 and 2001, secured loans amounted to about 76% and 79%, respectively, of the total loans. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances foreclose the collateral or execute other rights arising out of the guarantees given.

28. 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, 2002 and 2001 are as follows:

	December 31	
	2002	2001
Natural person	\$ 136,837,518	\$ 123,678,448
Manufacturing	15,510,637	11,489,773
Foreign corporation	14,985,057	11,642,783

The net positions on foreign-currency transactions as of December 31, 2002 and 2001 are insignificant.

29. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Please see Table 1;
- 2) Collateral/guarantee provided: Please see Table 2;
- 3) Marketable securities held: Please see Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the issued capital: Please see Table 4;
- 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the issued capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$100 million or 20% of the issued capital: None;
- 7) Total purchase from or sales to related parties amounting to at least NT\$100 million or 20% of the issued capital: Not applicable;
- 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;
- 10) Derivative instrument transactions: The derivative financial instruments of the Bank are disclosed in Note 27, and the derivative financial instrument of Far East National Bank ("FENB", a wholly-owned subsidiary of SinoPac Bancorp, which is a wholly-owned subsidiary of the Bank) are summarized below:

FENB is engaged in derivative transactions mainly to accommodate customers' needs and to manage its exposure positions.

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

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

	December 31, 2002			December 31, 2001		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
<u>Financial Instruments</u>						
For the purpose of accommodating customers' needs or managing its exposure:						
Forward contracts						
- Buy	\$ 834,072	\$ 39,966	\$ 54,440	\$ 5,257,114	\$ 373,271	(\$ 42,774)
- Sell	834,072	39,966	(55,277)	5,253,051	373,169	32,011
Options						
- As buyer	2,085,180	166,814	90,649	-	-	-
- As seller	2,085,180	-	90,649	-	-	-

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

FENB 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 amounts do not represent the actual cash inflows or outflows. The possibility that derivative financial instruments held or issued by FENB can not be sold at reasonable price is remote; accordingly, no significant cash demand is expected.

The gains and losses on derivative transactions for the years ended December 31, 2002 and 2001 were not significant.

b.Information related to investment in Mainland China: None.

30.SEGMENT AND GEOGRAPHIC INFORMATION

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



BANK SINOPAC AND INVESTEEES

TABLE 1 • FINANCING PROVIDED

December 31, 2002 (Amounts Expressed in Thousands of New Taiwan Dollars)

No.	Financing Name	Counterparty	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
5	Intellisys Corp.	Intellisoft Corporation	Temporary Payments	\$ 5,106	\$ -	-	Short-term financing	-	Working capital	-	-	\$ -	\$ 20,000 (Note)	\$ 57,791 (Note)
		Intellisys Shanghai Corporation	Temporary Payments	313	-	-	Short-term financing	-	Working capital	-	-	-	20,000 (Note)	57,791 (Note)

Note: The stockholders of Intellisys Corp. have approved that the limit on total financing amounts is up to 30% of the net asset value of Intellisys corp., and the limit on individual financing amounts is up to \$20,000

BANK SINOPAC AND INVESTEEES

TABLE 2 • COLLATERAL/GUARANTEE PROVIDED

December 31, 2002 (Amounts Expressed in Thousands of New Taiwan Dollars)

No.	Collaterals/ Guarantees Provider	Counterparty		Limits on Individual Collateral or Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Carrying Value (As of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Guarantee to Net Asset Value of the Latest Financial Statement (Note 4)	Maximum Collateral/Guarantee Amounts Allowable
		Name	Nature of Relationship						
1	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	(Note 2)	\$ 2,372,048	\$ 2,372,048	\$ -	130%	(Note 3)
		Wal Tech International Corporation	Affiliate Company	(Note 2)	522,500	409,000	-	22%	(Note 3)

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

Note 2: Except for no limitation applied on any subsidiaries of the Corporation, the limit on individual collateral or guarantee amounts is up to 200% of the net asset value (Note 4) of the Corporation. As of December 31, 2002, the limit amounts was \$3,655,818.

Note 3: Except for no limitation applied on any subsidiaries of the Corporation, the maximum amount of collateral or guarantee amounts allowance is up to 500% of the net asset value (Note 4) of the Corporation. As of December 31, 2002, the maximum allowance was \$9,139,546.

Note 4: The net asset value of SinoPac Leasing Corporation was based on the audited financial statements as of December 31, 2002.

BANK SINOPAC AND INVESTEEES

TABLE 3 • MARKETABLE SECURITIES HELD

December 31, 2002 (Amounts Expressed in Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Bank SinoPac	Stock							
	SinoPac Bancorp	Subsidiary	Long-term equity investments	20	\$ 5,033,023	100.00%	\$ 5,033,023	Note 5
	Rocorp Holdings S.A.	An investee accounted for by the equity method	Long-term equity investments	0.11	3,531	33.33%	3,531	Note 6
	SinoPac Leasing Corporation	Subsidiary	Long-term equity investments	149,652	2,040,696	99.77%	1,823,674	Note 5
	SinoPac Capital Limited	Subsidiary	Long-term equity investments	229,998	898,618	99.99%	898,618	Note 5
	SinoPac Financial Consulting Co., Ltd.	Subsidiary	Long-term equity investments	194	3,284	97.00%	3,284	Note 4
	SinoPac Life Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	194	79,451	97.00%	79,451	Note 5
	SinoPac Property Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	194	3,801	97.00%	3,801	Note 4
	Ruentex Industries Ltd. (formerly Ruentex Textile Co., Ltd.)	Supervisor of the Bank and an investee accounted for by the cost method	Long-term equity investments	11,452	165,486 (Note 3)	1.45%	183,696	Note 2
	Mega Financial Holding Company	An investee accounted for by the cost method	Long-term equity investments	3,998	110,732 (Note 3)	0.07%	65,496	Note 2



Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Chain Yarn Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	1,969	\$ 38,444	1.90%	\$ 23,945	Note 4
	Tekcon Electronics Corp.	An investee accounted for by the cost method	Long-term equity investments	832	20,768	1.51%	7,046	Note 4
	Global Securities Finance Corp.	An investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	16,135	Note 4
	Z-Com, Inc.	An investee accounted for by the cost method	Long-term equity investments	330	6,600	0.50%	3,819	Note 4
	Walsin Advanced Engineering, Inc. (formerly Walsin Advanced Electronics Ltd.)	An investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.45%	12,874	Note 4
	Telexpress Corp.	An investee accounted for by the cost method	Long-term equity investments	525	7,835	5.00%	5,474	Note 5
Grand Capital International Limited	Venture fund World Wide Multimedia L.P.	-	Long-term investments	0.005	86,883	16.67%	85,108	Note 4
	Stock (preferred stock) @Network, Inc.	An investee accounted for by the cost method	Long-term equity investments	106	10,426	0.49%	10,426	Note 6
	Best 3C. Com, Inc.	An investee accounted for by the cost method	Long-term equity investments	600	15,639	1.85%	15,639	Note 6
	e21 Corp.	An investee accounted for by the cost method	Long-term equity investments	200	10,426	0.79%	10,426	Note 6
	Netvista (B.V.I.) Holding Company Ltd.	An investee accounted for by the cost method	Long-term equity investments	600	10,426	3.30%	10,426	Note 6
	Stock (common stock) CIPHERGEN Biosystems Inc.	An investee accounted for by the cost method	Long-term equity investments	45	9,929	0.17%	9,929	Note 6
SinoPac Capital Limited	Stock SinoPac Capital (B.V.I.) Ltd. Shanghai Land Holding Ltd. ASM Pacific Phoenix TV TPV Holdings	Subsidiary - - - -	Long-term equity investments Short-term investments Short-term investments Short-term investments Short-term investments	4,450 2,850 250 5,000 160	148,653 10,284 17,622 16,866 1,711	100.00% 0.09% 0.07% 0.10% 0.01%	148,653 8,258 16,711 15,336 1,765	Note 5 Note 2 Note 2 Note 2 Note 2
	Fund KCM Asset Management	-	Short-term investments	-	69,517	-	69,538	Note 7
	Convertible bill and bond Harbin Brewery Group Limited	-	Short-term investments	34,758	34,758	-	46,233	Note 2
	Sinbon Electronics Co., Ltd.	-	Short-term investments	34,758	34,758	-	34,407	Note 2
	Micro Star Int'l Co., Ltd.	-	Short-term investments	104,275	104,275	-	104,275	Note 2
SinoPac Capital (B.V.I.) Ltd.	Stock Cyberpac Holding Ltd. (B.V.I.) Allstar Venture Ltd. (B.V.I.) Shanghai International Asset Management (Hong Kong) Co., Ltd. Pinnacle Investment Management Ltd.	Subsidiary Subsidiary Subsidiary Subsidiary	Long-term equity investments Long-term equity investments Long-term equity investments Long-term equity investments	4,000 0.002 4,800 200	53,228 (135,570) 33,143 4,466	100.00% 100.00% 60.00% 99.9995%	53,228 (135,570) 23,611 4,467	Note 5 Note 5 Note 4 Note 4
Cyberpac Holding Ltd. (B.V.I.)	Venture fund 3V Source One LP	-	Long-term investments	2,000	71,012	71.43%	71,012	Note 6
	Stock Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,497	208,243	99.99%	202,738	Note 5
	BSP Venture Management (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	50	1,168	100.00%	1,168	Note 4
	Telexpress Corp.	An investee accounted for by the equity method	Long-term equity investments	3,900	51,942	34.21%	35,298	Note 5
	Hollywood International Finance Inc.	An investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	3	Note 4
Allstar Venture Ltd. (B.V.I.)	Venture fund InveStar Excelsus Venture Capital (Int'l) Inc., LDC UOB MDS Life Sciences Technology Fund Bio Asia Investment, LLC/BDF II NAVF II	- - - - -	Long-term investments Long-term investments Long-term investments Long-term investments Long-term investments	2,220 26 50 - -	84,900 77,545 116,343 36,232 46,760	6.25% 8.62% 25.00% 2.30% 2.07%	84,900 77,545 116,343 36,232 46,760	Note 6 Note 6 Note 6 Note 6 Note 6
	Stock (common stock) Ardent Pharmaceutica, Inc.	An investee accounted for by the cost method	Long-term equity investments	143	17,763	0.58%	17,763	Note 6
	TVIA, Inc.	An investee accounted for by the cost method	Long-term equity investments	167	10,206	0.75%	4,112	Note 7
	Dicon Fiberoptics, Inc.	An investee accounted for by the cost method	Long-term equity investments	221	34,747	0.20%	34,747	Note 6
	Stock (preferred stock) Sunol Molecular Corp.	An investee accounted for by the cost method	Long-term equity investments	100	17,540	0.92%	17,540	Note 6



BANK SINOPAC AND INVESTEEES

TABLE 4 • MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL

• For the Year Ended December 31, 2002 (Amounts Expressed in Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Account of Financial Statement	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares/Units/ Face Value (In Thousand)	Amount	Shares/Units/ Face Value (In Thousand)	Amount	Shares/Units/ Face Value (In Thousand)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Units/ Face Value (In Thousand)	Amount	
Bank SinoPac	Stock SinoPac Bancorp	Long-term equity investments	-	-	20	\$ 4,425,056	-	\$ 607,967 (Note 2)	-	\$ -	\$ -	\$ -	-	20	\$ 5,033,023
	AnShin Card Services Company Limited	Long-term equity investments	SinoPac Holdings	Parent company and subsidiary	81,104	349,264	-	-	81,104	180,695 (Note 3)	349,264	(38,451)	-	-	-
SinoPac Bancorp	Stock Far East National Bank	Long-term equity investments	-	-	170	4,367,729	5	551,477 (Note 2)	-	-	-	-	-	175	4,919,206
SinoPac Capital (B.V.I.) Ltd.	Stock Cyberpac Holding Ltd.(B.V.I.)	Long-term equity investments	-	-	0.002	(38,675)	3,999,998	91,903 (Note 2)	-	-	-	-	-	4,000	53,228
Cyberpac Holding Ltd.(B.V.I.)	Stock Wal Tech International Corporation	Long-term equity investments	-	-	4,997	30,007	21,500	178,236 (Note 2)	-	-	-	-	-	26,497	208,243
Wal Tech International Corporation	Stock Intellisys Corp.	Long-term equity investments	Gin An Investment, Ltd., Ruentex Industries Ltd., et al.	Affiliates	2,970	138,027	7,356	106,028 (Note 2)	-	-	-	-	-	10,326	244,055

Note 1: Foreign-currency amounts were translated to New Taiwan dollars at the exchange rate as of the balance sheet date.

Note 2: Consist of acquisition costs, investment income(loss) recognized under the equity method and cumulative translation adjustment for the year ended December 31, 2002.

Note 3: Consist of investment loss recognized under the equity method, unamortized portion of compensation for the transfer of the credit card accounts and personnel, adjustments to additional paid-in capital and unrealized revaluation loss.

BANK SINOPAC AND INVESTEEES

TABLE 5 • NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

• For The Year Ended December 31, 2002 (Amounts Expressed in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2002			Net Income (Losses) of the Investee (Note)	Recognized Gains (Losses) on Investment (Note)	Note
				December 31, 2002 (Note)	December 31, 2001 (Note)	Shares (Thousand)	Percentage of Ownership(%)	Carrying Value (Note)			
Bank SinoPac	SinoPac Bancorp	California	Stock holding Company	\$ 3,328,915	\$ 2,979,015	20	100.00	\$ 5,033,023	\$ 380,855	\$ 290,205	Subsidiary
	Rocorp Holding S.A.	Luxembourg	Stock holding Company	3,531	3,531	0.11	33.33	3,531	-	-	Subsidiary
	SinoPac Leasing Corporation	Taipei	Engaged in leasing of aircraft and machinery equipment	999,940	999,940	149,652	99.77	2,040,696	146,000	143,295	Subsidiary
	SinoPac Capital Limited	Hong Kong	Lending and financing	1,001,108	1,001,108	229,998	99.99	898,618	(42,758)	(42,906)	Subsidiary
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	1,940	1,940	194	97.00	3,284	1,304	1,258	Subsidiary
	SinoPac Securities Co., Ltd.	Taipei	Brokerage, dealing, and underwriting of securities	-	2,944,784	-	-	-	149,455	172,386	Subsidiary
	AnShin Card Services Company Limited	Taipei	Credit card business	-	811,037	-	-	-	(384,746)	(164,186)	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	1,940	1,940	194	97.00	79,451	79,829	77,435	Subsidiary	

