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, 2002 and 2001, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac and subsidiaries 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.

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

T N Soong & Co

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 AND SUBSIDIARIES
Consolidated Balance Sheets

December 31, 2002 and 2001 (Amounts Expressed in Thousands of New Taiwan Dollars, Except Par Value of Per Share)	2002		2001	
ASSETS	Amount	%	Amount	%
CASH (Note 4)	$ 66,752,359	18	$ 17,084,251	6
DUE FROM BANKS	11,303,691	3	41,009,253	13
DUE FROM CENTRAL BANK (Note 5)	11,011,956	3	7,197,683	2
SECURITIES PURCHASED-NET (Notes 2, 6 and 23)	33,093,259	9	30,343,326	10
ACCOUNTS, INTEREST AND OTHER RECEIVABLES-NET	13,750,924	4	10,071,316	3
(Notes 2, 7 and 23)				
ACCEPTANCES	1,375,624	-	199,453	-
PREPAID EXPENSES (Note 2)	213,213	-	219,938	-
LOANS, DISCOUNTS AND BILLS PURCHASED-NET (Notes 2, 8 and 23)	225,169,615	60	192,230,478	61
LONG-TERM EQUITY INVESTMENTS-NET (Notes 2, 6, 9 and 23)	4,264,206	1	7,338,179	2
LONG-TERM BOND INVESTMENTS (Notes 2 and 9)	346,309	-	-	-
PROPERTIES (Notes 2, 10, 23 and 24)				
Cost				
Land	1,875,954	1	1,876,653	1
Buildings	2,310,456	1	2,080,646	1
Computer equipment	1,260,924	-	1,155,818	-
Transportation equipment	54,587	-	59,276	-
Office and other equipment	1,591,005	-	1,468,852	1
Total cost	7,092,926	2	6,641,245	3
Accumulated depreciation	2,003,135	1	1,693,918	1
	5,089,791	1	4,947,327	2
Advances on acquisitions of equipment and construction in progress	190,954	-	222,154	-
Net Properties	5,280,745	1	5,169,481	2
OTHER ASSETS (Notes 2 and 11)	4,461,515	1	3,777,856	1
TOTAL ASSETS	377,023,416	100	314,641,214	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES	55,248,193	15	27,251,419	9
Call loans and due to banks	7,816,685	2	7,177,294	2
Accounts, interest and other payables (Notes 12 and 21)	1,375,624	-	199,453	-
Acceptances payable	277,931,360	74	249,511,223	79
Deposits and remittances (Notes 13 and 23)	7,000,000	2	5,000,000	2
Bank debentures (Note 14)	2,655,880	-	2,180,547	1
Other liabilities (Notes 2, 20 and 21)	352,027,742	93	291,319,936	93
Total Liabilities				
STOCKHOLDERS' EQUITY				
Capital stock, $10 par value				
Authorized and issued - 1,944,397,617 shares	19,443,975	5	19,443,975	6
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	7	23,321,278	7
CONTINGENCIES AND COMMITMENTS (Notes 2, 24 and 28)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 377,023,416	100	$ 314,641,214	100

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

BANK SINOPAC AND SUBSIDIARIES

Consolidated 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 and 8)	$ 13,744,294	77	$ 15,980,466	82
Service fees (Notes 2, 17 and 23)	1,275,228	7	863,701	4
Income from securities - net (Notes 2 and 18)	2,160,647	12	2,481,005	13
Income from long-term equity investments-net (Notes 2, 9 and 23)	168,235	1	-	-
Foreign exchange gain - net (Note 2)	170,425	1	89,301	-
Other (Note 28)	329,622	2	140,397	1
Total Operating Revenues	17,848,451	100	19,554,870	100
OPERATING EXPENSES				
Interest (Note 2)	7,642,473	43	11,009,286	56
Service charges (Note 23)	180,707	1	143,247	1
Provision for trading losses	13,753	-	-	-
Loss from long-term equity investments -net (Notes 2 and 9)	-	-	230,526	1
Provision for credit losses (Notes 2, 7 and 8)	1,435,889	8	1,072,380	6
Operating and administrative expenses (Notes 2, 19, 20 and 23)	5,585,608	31	4,904,819	25
Other	62,791	-	143,760	1
Total Operating Expenses	14,921,221	83	17,504,018	90
OPERATING INCOME	2,927,230	17	2,050,852	10
NON-OPERATING INCOME (EXPENSES)				
Income (Note 23)	165,790	-	214,224	1
Expenses	(56,154)	-	(49,419)	-
Non-Operating Income - Net	109,639	-	164,805	1
INCOME BEFORE INCOME TAX	3,036,869	17	2,215,657	11
INCOME TAX (Notes 2 and 21)	781,820	4	664,531	3
NET INCOME	$ 2,255,049	13	$ 1,551,126	8
EARNINGS PER SHARE (Note 22)	Pre-tax	After Tax	Pre-tax	After Tax
Based earnings per share	$ 1.59	$1.18	$ 1.15	$0.81

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

BANK SINOPAC AND SUBSIDIARIES

Consolidated Statements Of Changes In Stockholders' Equity

	CAPITAL STOCK (Note 15)		CAPITAL SURPLUS (Notes 2 and 15)				
	Shares	Amount	Additional Paid-in Capital	Gain on Disposal of Properties	Donated Capital	Other	Total
BALANCE, JANUARY 1, 2001	1,757,663,890	$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	174,112,589	1,741,126	(821,115)	-	-	-	(821,115)
Remuneration to directors and supervisors	-	-	-	-	-	-	-
Bonus to employees	12,621,138	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	1,944,397,617	19,443,975	125,030	19,866	83	2,984	147,963
Reversal of capital surplus from gain on sale of properties to retained earnings	-	-	-	(19,866)	-	-	(19,866)
Reversal of capital surplus from gain on sale of properties to retained earnings	-	-	-	-	-	(1,211)	(1,211)
Reversal of special reserve appropriated equivalent to the debit balance of accounts in stockholders' equity	-	-	-	-	-	-	-
Appropriation of 2001 earnings:							
Legal reserve	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	-	-
Cash dividends - $0.4782 per share	-	-	-	-	-	-	-
Net income for 2002	-	-	-	-	-	-	-
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-
Reversal of unrealized revaluation loss and capital surplus upon sale of the related long-term equity investment	-	-	-	-	-	(1,678)	(1,678)
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-
Treasury stock	-	-	-	-	-	-	-
BALANCE, DECEMBER 31, 2002	1,944,397,617	$ 19,443,975	$ 125,030	$ -	$ 83	$ 95	$ 125,208

The accompanying notes are an integral part of the consolidated 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 15 and 21)				UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	UNREALIZED REVALUATION LOSS (Notes 2 and 9)	CUMULATIVE TRANSLATION ADJUSTMENT (Note 2)	TREASURY STOCK (Notes 2 and 16)	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
$ 2,997,437	$ 282,977	$ 2,246,233	$ 5,526,647	($ 321,428)	$ -	$ 221,272	$ -	$ 24,995,674

BANK SINOPAC AND SUBSIDIARIES
Consolidated 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	558,729	431,645
Provision for credit and trading losses	1,449,642	1,072,380
Reversal of allowance for decline in market value of securities purchased	(809)	(10,787)
Loss (gain) on disposal of properties - net	51,595	(19,490)
Loss (income) from long - term equity investments under equity method - net	(177,257)	261,340
Cash dividends received from long - term equity investments under equity method	56,496	-
Realized loss on long-term equity investments	10,583	19,774
Loss (gain) on sale of long - term equity investments - net	33,280	(571)
Accrued pension cost	158,942	138,210
Deferred income taxes	43,184	78,081
Decrease (increase) in securities purchased - for trading purposes	(192,406)	3,646,339
Increase in accounts, interest and other receivables	(3,679,608)	(671,009)
Decrease in prepaid expenses	6,725	54,934
Increase (decrease) in accounts, interest and other payables	639,391	(262,489)
Net Cash Provided by Operating Activities	1,213,536	6,289,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from banks	29,705,562	(22,445,039)
Decrease (increase) in due from Central Banks	(3,814,273)	366,507
Decrease (increase) in securities purchased - for investing purposes	340,204	(3,302,973)
Increase in loans, discounts and bills purchased	(34,375,026)	(17,603,167)
Increase in long - term equity investments	(687,563)	(1,509,485)
Decrease (increase) in long - term bond investments	(346,309)	1,395,813
Proceeds from sale of long - term equity investments	936,757	80,900
Acquisition of properties	(639,760)	(856,501)
Proceeds from sales of properties	69,828	47,463
Increase in other assets	(831,329)	(378,923)
Net Cash Used in Investing Activities	(9,641,909)	(44,205,405)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans and due to banks	27,996,774	18,942,903
Increase in deposits and remittances	28,420,137	24,243,036
Increase in bank debentures	2,000,000	5,000,000
Increase in other liabilities	259,456	873,140
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	58,096,481	48,718,556
INCREASE IN CASH	49,668,108	10,802,634
CASH, BEGINNING OF YEAR	17,084,251	6,281,617
CASH, END OF YEAR	$ 66,752,359	$ 17,084,251
SUPPLEMENTAL INFORMATION		
Interest paid	$ 8,174,495	$ 11,344,925
Income tax paid	$ 678,279	$ 772,985
INVESTING ACTIVITIES NOT AFFECTING CASH		
Reclassification from long-term equity investments to securities purchased	$ 2,896,922	$ -

The accompanying notes are an integral part of the 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, 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.

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, 2002, FENB has 15 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.

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:

◆**Consolidation**

The consolidated financial statements include the accounts of the Bank and its subsidiary, SinoPac Bancorp, as consolidated with FENB. All significant inter-company transactions and balances have been eliminated for consolidation purpose.

The operating revenues and total assets of the other five 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, their accounts were not included in consolidated financial statements.

The consolidated balance sheet of Bank SinoPac and subsidiaries as of December 31, 2001 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended have been recompiled to reflect the change in the consolidated entities, although the effect of the change upon the consolidated financial statements is insignificant.

◆**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 using 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.

◆**Long-term bond investments**

Long-term bond investments, comprised of corporate bonds, 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 (loss) is credited (charged) to current income.

The gain on disposal of properties is not required to be transferred to capital surplus anymore 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.

◆**Intangible assets**

Intangible assets (included in other assets), 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.

◆**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.

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 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 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 are 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 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 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 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.

◆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.ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES

Name of Corporation	Elimination Account	Amount	Counterparties of Transaction
2002			
Bank SinoPac	Due from banks	$ 220,368	SinoPac Bancorp and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	220,368	Bank SinoPac
2001			
Bank SinoPac	Due from banks	$ 448,199	SinoPac Bancorp and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	448,199	Bank SinoPac

4.CASH

	December 31	
	2002	2001
Negotiable certificates of deposit	$ 64,644,097	$ 15,247,337
Cash	1,656,948	1,447,191
Notes and checks in clearing	451,314	389,723
	$ 66,752,359	$ 17,084,251

As of December 31, 2002 and 2001, negotiable certificates of deposit aggregating $23,600,000 and $3,500,000, respectively, have maturities over one year and may be withdrawn momentarily.

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating $13,800,000 has been provided as collateral for the day-time overdrafts as of December 31, 2002, with the pledged amount which can be adjusted momentarily.

5.DUE FROM CENTRAL BANK

This account consists mainly of New Taiwan dollar and foreign currency denominated deposit reserves.

Pursuant to a directive issued by the Central Bank of the ROC, New Taiwan dollar denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' New Taiwan dollar - denominated deposits. These reserves include $5,437,730 and $4,726,084 as of December 31, 2002 and 2001, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency denominated deposit reserves are determined at prescribed rates on balances of additional foreign-currency denominated deposits. These reserves may be withdrawn momentarily and are non-interest earnings. As of December 31, 2002 and 2001, the balances of foreign-currency denominated deposit reserves were $45,179 and $428,738, respectively.

6.SECURITIES PURCHASED

	December 31	
	2002	2001
Corporate bonds	$ 14,343,933	$ 14,430,116
Commercial papers	5,589,107	11,608,372
Treasury bills	3,940,049	-
Floating rate notes	3,789,720	1,507,699
Listed and over-the-counter stocks	2,897,122	200
Government bonds	1,797,744	1,289,969
Bank debentures	583,584	810,380
Beneficiary certificates	152,000	687,000
Bank acceptances	-	10,399
	33,093,259	30,344,135
Less - allowance for decline in market value	-	809
Net	$ 33,093,259	$ 30,343,326

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

	December 31	
	2002	2001
Corporate bonds	$ 14,458,525	$ 14,592,711
Floating rate notes	3,889,345	1,567,854
Listed and over-the-counter stocks	3,040,401	99
Government bonds	1,829,449	1,313,207
Bank debentures	593,128	830,476
Beneficiary certificates	151,082	701,915

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.

7.ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	December 31	
	2002	2001
Accounts receivable	$ 11,607,423	$ 8,236,446
Interest receivable	1,187,759	1,503,292
Accrued revenue	587,722	254,804
Tax refundable	183,456	57,772
Forward exchange receivable - net	149,128	-
Other	148,310	84,145
	13,863,798	10,136,459

	December 31	
	2002	2001
Less - allowance for credit losses	112,874	65,143
Net	$ 13,750,924	$ 10,071,316

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.

8.LOANS, DISCOUNTS AND BILLS PURCHASED

	December 31	
	2002	2001
Overdrafts	$ 2,834,970	$ 2,952,876
Short-term loans	52,844,007	46,564,173
Mid-term loans	58,389,464	51,693,517
Long-term loans	109,672,916	90,180,726
Import and export negotiations	1,320,750	407,653
Bills purchased	1,712	518
Non-performing loans	2,150,299	2,026,049
	227,214,118	193,825,512
Less - allowance for credit losses	1,923,512	1,517,413
- unearned loan fees	120,991	77,621
Net	$ 225,169,615	$ 192,230,478

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.

As of December 31, 2002 and 2001, the balances of non-accrual loans were $3,709,926 and $3,474,146, respectively. The unrecognized interest revenue on non-accrual loans amounted to $187,803 and $212,377 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:

	For the Years Ended December 31, 2002		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding the Particular Loans)	Total
Balance, beginning of year	$ 409,694	$ 1,107,719	$ 1,517,413
Provision	1,365,525	70,364	1,435,889
Write-off	(1,181,091)	-	(1,181,091)
Recovery of written-off credits	106,297	-	106,297
Reclassifications	68,395	(23,391)	45,004
Balance, end of year	$ 768,820	$ 1,154,692	$ 1,923,512

	For the Years Ended December 31, 2001		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding the Particular Loans)	Total
Balance, beginning of year	$ 465,606	$ 1,030,009	$ 1,495,615
Provision	1,055,853	16,527	1,072,380
Write-off	(1,150,090)	-	(1,150,090)
Recovery of written-off credits	55,921	-	55,921
Reclassifications	(17,596)	61,183	43,587
Balance, end of year	$ 409,694	$ 1,107,719	$ 1,517,413

As of December 31, 2002 and 2001, allowances for credit losses and provisions for losses on guarantees of the Bank were $2,069,532 and $1,685,731, 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, 2002 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.

9.LONG-TERM INVESTMENTS

	December 31	
	2002	2001
Long-term equity investments		
Cost method		
Listed and over-the-counter stocks	$ 655,717	$ 655,779
Unlisted stocks	877,495	952,670
	1,533,212	1,608,449
Equity method		
Unlisted stocks	3,029,381	5,963,926
	4,562,593	7,572,375
Less - unrealized losses on long-term equity investments	298,387	234,196
Net	$ 4,264,206	$ 7,338,179
Long-term bond investments		
Corporate bonds	$ 346,309	$ -

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

	December 31	
	2002	2001
Listed and over-the-counter stocks	$ 357,330	$ 421,583
Corporate bonds	353,647	-

The carrying amounts of the investments accounted for by the equity method as of December 31, 2002 and 2001, and the related investment income of $177,257 and investment loss of $261,340, 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 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 23 (f), and renamed as AnShin Card Services Company Limited (AnShin Card Services) on January 3, 2003 totaling $35,746. Such unrealized revaluation loss resulted from the revaluation of financial instrument contracts.

10.PROPERTIES

	December 31	
	2002	2001
Cost	$ 7,092,926	$ 6,641,245
Less - accumulated depreciation		
Buildings	338,881	268,932
Computer equipment	728,600	612,862
Transportation equipment	39,051	35,644
Office and other equipment	896,603	776,480
	2,003,135	1,693,918
	5,089,791	4,947,327
Advances on acquisitions of equipment and construction in progress	190,954	222,154
Net	$ 5,280,745	$ 5,169,481

11.OTHER ASSETS

	December 31	
	2002	2001
Value of options purchased	$ 1,124,421	$ 780,838
Guarantee deposits	979,952	680,353
Intangible assets	953,180	1,060,392
Collateral assumed	380,460	328,128
Suspense account	323,950	179,196
Computer system software	244,089	249,086
Other	455,463	499,863
	$ 4,461,515	$ 3,777,856

As of December 31, 2002 and 2001, guarantee deposits included $640,121 and $240,280, respectively, which were provided by government bonds, corporate bonds and certificate of deposits.

On August 15, 1997, the Bank acquired FENB through SinoPac Bancorp and the acquisition was accounted for by 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.

12.ACCOUNTS, INTEREST AND OTHER PAYABLES

	December 31	
	2002	2001
Accounts payable	$ 4,313,727	$ 3,315,855
Interest payable	1,298,824	1,771,371
Notes and checks in clearing	1,150,541	1,026,253
Accrued expense	691,343	385,737
Tax payable	179,740	169,096
Other	182,510	508,982
	$ 7,816,685	$ 7,177,294

The balances of the accounts payable as of December 31, 2002 and 2001 included $4,242,009 and $3,292,308, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

13.DEPOSITS AND REMITTANCES

	December 31	
	2002	2001
Checking	$ 6,148,437	$ 4,432,479
Demand	41,096,274	28,142,566
Savings - demand	50,317,311	46,239,511
Time	120,473,245	111,307,532
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
	$ 277,931,360	$ 249,511,223

14.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.

15.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 Policy". Accordingly, dividends available for distribution is determined by reference to its Capital Adequacy Ratio (CAR). Cash dividends declaration may be made if the Bank's CAR is above 12% and stock dividends may be declared if the CAR is equal to or less than 12%. However, the Bank may make a discretionary cash distribution even if the CAR is below 12%, if approved at the stockholders' meeting, for the purpose of maintaining the cash dividend at a certain level in any given years.

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).

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, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends, remuneration to directors and supervisors and bonus to employees should not exceed 15% of aggregate par value of the outstanding capital stock of the Bank.

Pursuant to the Financial Holding Company Law, the board of directors is entitled to execute the authority of stockholders' meeting, which is under no jurisdiction of the related regulations in the Company Law.

The appropriation of 2002 earnings has not yet been resolved by the board of directors by January 24, 2003 on which the date of auditors' report. The related information regarding the proposed and resolved earnings appropriation can be referred from the SEC Market Observation Post System (M.O.P.S.) website.

On May 9, 2002, the board of directors resolved the appropriation of 2001 earnings as follows:

Legal reserve	$ 456,031
Remuneration to directors and supervisors	21,423
Bonus to employees	139,251
Cash dividends - NT$0.4782 per share	910,489
	$ 1,527,194

In addition, had aforementioned remuneration to directors and supervisors and bonus to employees (included in the appropriation of 2001 earnings) been recognized as expenses, the basic EPS (after tax) for 2001 would have been decreased from NT$0.81 to NT$0.72 per share.

16.TREASURY STOCK

(Shares in Thousands)

Reasons of Repurchase	Beginning of Year	Increase	Decrease	End of Year
For the year ended December 31, 2002				
Re-issuance to employees	40,535	-	40,535	-
For the year ended December 31, 2001				
Re-issuance to employees	16,538	23,997	-	40,535

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.

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.

17.SERVICE FEES

	For the Years Ended December 31	
	2002	2001
Factoring and financing	$ 260,717	$ 191,500
Mutual funds and structured notes	231,922	148,382
Custody	139,491	70,226
Guarantees	94,406	104,715
Loan documentation fee	56,382	43,343
Index linked mortgage conversion	41,253	-
Other	451,057	305,535
	$ 1,275,228	$ 863,701

18.INCOME FROM SECURITIES - NET

	For the Years Ended December 31	
	2002	2001
Short-term bills		
Capital gain - net	$ 105,340	$ 363,519
Interest revenue	1,254,317	844,655
	1,359,657	1,208,174
Bonds		
Capital gain - net	723,622	1,119,368
Interest revenue	82,788	186,292
Provision for decline in market value	-	(5,923)
	806,410	1,299,737
Stocks and beneficiary certificates		
Capital loss - net	(5,420)	(27,826)
Dividends	-	920
	(5,420)	(26,906)
	$ 2,160,647	$ 2,481,005

19.OPERATING AND ADMINISTRATIVE EXPENSES

	For the Years Ended December 31	
	2002	2001
Salaries and wages	$ 2,797,031	$ 2,270,616
Depreciation and amortization	558,729	431,645
Rental	414,177	367,137
Taxes other than income tax	345,668	376,876
Professional service charges	278,165	271,604
Insurance	173,438	155,305
Postage	100,065	109,619
Other	918,335	922,017
	$ 5,585,608	$ 4,904,819

20.PENSION

The Bank has a defined benefit contributory 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.

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

	For the Years Ended December 31	
	2002	2001
Balance, January 1	$ 733,237	$ 550,471
Contributions	181,944	167,207
Benefits paid	(56,772)	(39,021)
Interest income	36,023	54,580
Balance, December 31	$ 894,432	$ 733,237

The ending balances consist of:

	December 31	
	2002	2001
Contributions by the Bank	$ 549,315	$ 443,607
Contributions by employees	345,117	289,630
	$ 894,432	$ 733,237

b.Net pension costs for the years ended December 31, 2002 and 2001 are summarized below:

	For the Years Ended December 31	
	2002	2001
Service cost	$ 132,201	$ 124,170
Interest cost	37,690	30,448
Expected return on plan assets	(24,689)	(22,774)
Net amortization and deferral	12,455	6,366
Net pension cost	$ 157,657	$ 138,210

c.The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2002 and 2001 are as follows:

	December 31	
	2002	2001
Benefit obligation		
Vested benefit obligation	$ 85,950	$ 63,868
Nonvested benefit obligation	446,564	336,055
Accumulated benefit obligation	532,514	399,923
Additional benefits based on future salaries	376,387	361,884
Projected benefit obligation	908,901	761,807
Fair value of plan assets	(549,315)	(443,607)
Funded status	359,586	318,200
Unrecognized net transition obligation	(39,819)	(44,796)
Unrecognized prior service cost	(812)	(940)
Unrecognized pension loss	(242,681)	(237,882)
Accrued pension cost	$ 76,274	$ 34,582
d.Vested benefit	$ 180,274	$ 139,714

e.Actuarial assumptions

	2002	2001
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%

FENB has a pension plan for regular employees who have been employed for at least one year. According to this plan, employees may contribute up to 15% of their annual salary with FENB matching up to 3% of the employee's contribution. Management of the Bank believes that there would be no significant adjustments that have to be made to the consolidated financial statements if FENB accrued its pension liability and pension cost according to the actuary's report.

21.INCOME TAX

a.The compositions of income tax are as follows:

	For the Years Ended December 31	
	2002	2001
Currently payable	$ 411,820	$ 249,408
Seperation taxes on short-term bills interest income	242,697	177,042
Foreign income taxes over limitation	27,863	-
Change in deferred income taxes	43,184	120,797
Prior year's adjustment	(9,620)	(27,029)
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	$ 781,820	$ 664,531

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 statutory rate	$ 963,936	$ 668,913
Deduct tax effects of:		
Tax-exempt income	(43,499)	(103,800)
Permanent difference	(480,714)	(248,203)
Temporary difference	(19,992)	(60,013)
Investment tax credit	(7,911)	(7,489)
Currently payable	$ 411,820	$ 249,408

c.Net deferred income tax assets (liabilities) of Bank SinoPac and SinoPac Bancorp as of December 31, 2002 and 2001 consist of the tax effects of the following:

	December 31	
	2002	2001
Bank SinoPac		
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)
SinoPac Bancorp		
Goodwill amortization	($ 91,608)	($ 89,131)
Deferred loan fees	(150,706)	(115,972)
Provision for credit losses	258,793	109,515
Other	9,360	54,061
Deferred income tax assets (liabilities) - net	$ 25,839	($ 41,527)

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.

The actual ratio of imputed tax credit to earnings for 2001 was 12.67%.

The tax credit allocated to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date. Accordingly, 2002 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, 2002 and 2001 were net of prepayments of $462,118 and $271,225, respectively. Income tax returns of up to 2000 had been examined by the tax authorities except 1996 and 1999. As a result of those examination, in the income tax returns for 1994, 1995, 1997, 1998 and 2000 tax returns, the tax authorities had denied the creditability of 10% withholding tax on bonds interest income totaling $69,766 attributable to period that those bonds were held by other investors. The Bank had appealed the decision of the tax authorities to deny the creditability of those type of withholding taxes. Pursuant to the decision made by the supreme court on the tax controversy, the original reinvestigation result and decision made on the tax controversy regarding the tax return for 1994 shall be rescinded and other proper judgment shall be made by the tax authority. The income tax returns for 1996, 1999 and 2001 also reflected reduction in income tax obligations totaling $41,443 attributable to similar type of withholding taxes; which returns were not yet examined by the tax authorities. However, the Bank had accrued liabilities and written-off any assets recognized related to the foregoing withholding taxes totaling $111,209 as a part of income tax expense in 2001.

22.EARNINGS PER SHARE

The numerators and denominators used in computing earnings per share (EPS) are summarized as follows:

	Numerator (Amounts)		Denominator	EPS (NT$)	
	Pre-tax	After tax	(Shares in Thousands)	Pre-tax	After tax
For the year ended December 31, 2002					
Basic EPS					
Net income belongs to stockholders of common stock	$ 3,036,869	$ 2,255,049	1,914,968	$ 1.59	$ 1.18
For the year ended December 31, 2001					
Basic EPS					
Net income belongs to stockholders of common stock	$ 2,215,657	$ 1,551,126	1,919,570	$ 1.05	$ 0.81

23.RELATED PARTY TRANSACTIONS

Significant transactions with related parties, which include the Bank's parent company, SPH, the other wholly-owned subsidiaries of SPH, SinoPac Securities and SinoPac Call Center Co., Ltd., and the investee of SPH, AnShin Card Services; the Bank's directors, supervisors and their relatives, managers, 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	% of Account Balanc	Interest/ Fee Rate(%)
December 31, 2002			
Deposits	$ 10,553,941	3.8	0-6.95
Loans and discounts	2,135,869	1.0	1.70-12.50
Other receivables	1,371	0.9	-
December 31, 2001			
Deposits	$ 1,765,249	0.7	0-13.00
Loans and discounts	1,745,723	0.9	2.38-8.30

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 December 31		For the Years Ended December 31	
	2002	2001	2002	2001
Fee income	$ 980	$ 2,613	0.10	0.38
Service charges	-	1,866	-	1.70
Project popularizing expenses	15,766	-	7.03	-
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 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 value are as follows:

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

Guarantees on Wal Tech International are collateralized by the following assets provided by SPL, Wal Tech International Corporation and Grand Capital International Limited:

	December 31	
	2002	2001
Properties - carrying value	$ 1,551,724	$ 1,142,935

Guarantees on SinoPac Securities and Fortune Investment Co., Ltd. are collateralized by the followings:

	December 31, 2002
SinoPac Securities	
Properties - carrying value	$ 134,579
Certificates of deposit	1,130,000
	$ 1,264,579
Fortune Investment	
Properties - carrying value	$ 57,896
Stocks - fair value	38,028
	$ 95,924

e.Professional advisory charges

The Bank has entered into several professional advisory contracts with its investees. The professional advisory charges paid for the years ended December 31, 2002 and 2001 amounted to $97,173 and $26,917, respectively.

f.Due from affiliates

On May 1, 2000, the Bank transferred its credit card business to AnShin Card Services, for a total consideration of $3,823,798, which had been received as of December 31, 2001. The interest income on the unpaid portion of the aggregate transfer price amounted to $18,530 for the year ended 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 related income recognized from the aforementioned transaction amounted to $91,988 and $151,911, respectively, for the years ended December 31, 2002 and 2001.

In December 2002, the Bank sold its shares in AnShin Card Services to SPH for a total consideration of $181,238, which had been received before December 31, 2002. The Bank had recognized a loss on sale of long-term equity investments totaling $38,451 and recognized the aforesaid deferred income fully upon shares transferring.

As of December 31, 2002, the Bank had made receivable due from AnShin Card Services amounted to $18,579.

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 $198,830 had already been paid as of December 31, 2002.

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.

24.CONTINGENCIES AND COMMITMENTS

In addition to financial instruments disclosed in Note 28, contingencies and commitments of the Bank are summarized as follows:

a.Lease contract

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

Year	Amount
2003	$ 306,388
2004	288,510
2005	195,513
2006	169,770
2007	129,945

Rentals for the years beyond 2007 amount to $176,764, the present value of which is about $132,380 as discounted at the Bank's one-year time deposit rate from 1.5% to 5.1% 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 23.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 - treated as outright sales

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 - treated as outright purchases

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

Trust Assets	Trust Liabilities
$ 40,808,630	$ 40,808,630

TRUST PROPERTY OF TRUST ACCOUNTS

December 31, 2002

Investment Portfolio	Amount
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)
	$ 40,808,630

25.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 cash dividends that the Bank can declare or, in certain conditions, totally prohibit the Bank from declaring cash dividends.

As of December 31, 2002 and 2001, the Bank's consolidated capital adequacy ratio were 10.76% and 10.47%, respectively.

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

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

	For the Years Ended December 31			
	2002		2001	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-earning assets				
Cash - negotiable certificates of deposit	$ 38,201,479	1.62	$ 8,757,933	2.36
Due from banks	1,955,131	1.71	1,489,666	3.24
Call loans (placement)	18,732,491	2.75	30,248,614	4.63
Due from Central Bank	5,254,416	2.47	5,818,604	3.69
Securities purchased	39,548,290	3.94	38,512,552	6.10
Loans, discounts and bills purchased	203,111,439	5.55	180,498,033	7.27

	For the Years Ended December 31			
	2002		2001	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
Interest-bearing liabilities				
Due to banks	$ 5,441	0.69	$ 7,244	2.01
Call loans (taken)	33,630,163	1.90	22,138,610	3.58
Demand deposits	32,174,743	1.25	21,816,300	2.22
Savings-demand deposits	51,144,928	1.68	39,017,372	3.46
Time deposits	116,911,613	2.26	106,994,232	4.30
Savings-time deposits	57,815,254	2.96	59,009,564	4.74
Negotiable certificates of deposit	949,050	2.13	4,709,635	4.46

27.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, 2002			
	Due in One Year	Due between One Year and Five Years	Due after Five Years	Total
Assets				
Cash	$ 66,752,359	$ -	$ -	$ 66,752,359
Due from banks	11,303,691	-	-	11,303,691
Due from Central Bank	11,011,956	-	-	11,011,956
Securities purchased	33,093,259	-	-	33,093,259
Receivables	15,239,422	-	-	15,239,422
Loans, discounts and bills purchased (excluding non-performing loans)	74,554,355	36,261,881	114,247,583	225,063,819
	$ 211,955,042	$ 36,261,881	$114,247,583	$362,464,506
Liabilities				
Call loans and due to banks	$ 55,248,193	$ -	$ -	$ 55,248,193
Payables	9,121,705	46,512	24,092	9,192,309
Deposits and remittances	268,960,556	8,970,804	-	277,931,360
Bank debentures	-	5,000,000	2,000,000	7,000,000
	$ 333,330,454	$ 14,017,316	$ 2,024,092	$349,371,862

	December 31, 2001			
	Due in One Year	Due between One Year and Five Years	Due after Five Years	Total
Assets				
Cash	$ 17,084,251	$ -	$ -	$ 17,084,251
Due from banks	41,009,253	-	-	41,009,253
Due from Central Bank	7,197,683	-	-	7,197,683
Securities purchased	30,344,135	-	-	30,344,135
Receivables	10,335,912	-	-	10,335,912
Loans, discounts and bills purchased (excluding non-performing loans)	61,258,917	34,859,568	95,680,978	191,799,463
	$ 167,230,151	$ 34,859,568	$ 95,680,978	$297,770,697

	December 31, 2001			
	Due in One Year	Due between One Year and Five Years	Due after Five Years	Total
Liabilities				
Call loans and due to banks	$ 27,251,419	$ -	$ -	$ 27,251,419
Payables	7,297,678	42,523	36,546	7,376,747
Deposits and remittances	242,715,200	6,796,023	-	249,511,223
Bank debentures	-	5,000,000	-	5,000,000
	$277,264,297	$ 11,838,546	$ 36,546	$289,139,389

28.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 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		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	$ 1,561,000	$ -	($ 80,826)	$ -	$ -	$ -
Cross currency swap contracts	-	-	-	2,099,940	14,667	14,667
For the purposes of accommodating customers' needs or managing the Bank's exposure:						
Forward contracts						
- Buy	25,702,349	304,759	232,683	20,023,862	500,093	44,763
- Sell	21,724,333	292,567	61,340	24,009,031	421,850	119,440
Forward rate agreements						
- Buy	63,931,364	-	(241,496)	16,294,506	2,851	(8,386)
- Sell	64,931,364	242,187	242,187	15,994,506	19,900	15,932
Currency swap contracts	60,606,619	668,675	(177,765)	52,436,363	433,394	(161,912)
Interest rate swap contracts	44,233,503	461,519	(60,003)	28,560,700	190,068	(63,936)

Financial Instrument	December 31, 2002 Contract (Notional) Amount	December 31, 2002 Credit Risk	December 31, 2002 Value of Options Purchased / Written	December 31, 2001 Contract (Notional) Amount	December 31, 2001 Credit Risk	December 31, 2001 Value of Options Purchased / Written
For the purposes of accommodating customers' needs or managing the Bank's exposure:						
Options						
- As buyer	$ 50,020,459	$ 578,594	$1,215,070	$30,632,833	$369,608	$780,838
- As seller	50,785,417	-	1,210,393	29,782,357	-	777,766

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

As of December 31, 2002 and 2001, the Bank entered into asset swap contracts for hedging purpose in which the notional amounts were $4,830,283 and $1,572,855, respectively. The Bank entered into these contracts with counterparties that have splendid worldwide ranking and credit rating, thus, no significant credit risk is expected.

The Bank has entered into certain derivative financial 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 the Bank can not be sold at reasonable price is remote; accordingly, no significant cash demand is expected.

The gains and losses on derivative financial instruments for the years ended December 31, 2002 and 2001 are as follows:

	Account	For the Years Ended December 31 2002	For the Years Ended December 31 2001
For hedging purposes:			
Cross currency swap contracts	Interest revenue	$ 31,690	$ 107,409
- Realized	Interest expense	(14,425)	(94,606)
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

	Account	For the Years Ended December 31 2002	2001
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)

b.Fair value of non-derivative financial instruments

	December 31 2002 Carrying Amount	Fair Value	2001 Carrying Amount	Fair Value
Assets				
Financial assets - with fair values approximating carrying amounts	$ 104,194,554	$104,194,554	$ 75,561,956	$ 75,561,956
Securities purchased	33,093,259	33,491,086	30,343,326	30,625,033
Loans, discounts and bills purchased	225,169,615	225,169,615	192,230,478	192,230,478
Long-term equity investments	4,264,206	4,264,206	7,338,179	7,338,179
Long-term bond investments	346,309	353,647	-	-
Other assets - guarantee deposits	979,952	986,251	680,353	681,148

	December 31			
	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Liabilities				
Financial liabilities - with fair values approximating carrying amounts	$ 64,440,502	$ 64,440,502	$ 34,628,166	$ 34,628,166
Deposits and remittances	277,931,360	277,931,360	249,511,223	249,511,223
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, 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 credit losses.

4)The fair values of government bonds and corporate 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
Irrevocable loan commitments	$ 14,310,438	$ 10,031,483
Financial guarantees and standby letters of credit	10,113,474	11,379,004
Credit card commitments for credit cards	58,507	53,765

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 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' 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 79% and 81%, 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.

29.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	$ 136,867,030	$ 123,710,167
Foreign corporation	25,639,592	19,091,036
Real estate	23,449,870	16,153,900
Manufacturing	15,510,637	11,489,773

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

30.ADDITIONAL DISCLOSURES

a.Following are the additional disclosures required by the SFC for the Bank and affiliates:(Please see Financial Report of Bank SinoPac's Table l~Table 5).

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 security 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 cost of at least NT$100 million or 20% of the issued capital: None;

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: 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: Please see Note 28;

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

31.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	Adjustments and Eliminations	Total
For the year ended December 31, 2002				
Revenues from third parties	$ 14,323,107	$ 3,348,087	$ -	$ 17,671,194
Segment income	$ 2,101,047	$ 758,565	$ -	$ 2,859,612
Investment income under the equity method				177,257
Income before income tax				$ 3,036,869
December 31, 2002				
Identifiable assets	$315,193,433	$ 59,020,970	($ 220,368)	$373,994,035
Long-term equity investments - the equity method				3,029,381
Total assets				$377,023,416
For the year ended December 31, 2001				
Revenues from third parties	$ 16,106,888	$ 3,447,982	$ -	$ 19,554,870
Segment income	$ 2,031,117	$ 445,880	$ -	$ 2,476,997
Investment loss under the equity method				(261,340)
Income before income tax				$ 2,215,657
December 31, 2001				
Identifiable assets	$262,759,902	$ 46,365,585	($ 448,199)	$308,677,288
Long-term equity investments - the equity method				5,963,926
Total assets				$ 314,641,214

Six-year Financial Ratios of Bank SinoPac

Item / year	2002	2001	2000	1999	1998	1997
Total Liabilities / Total Assets	92.44%	91.62%	90.58%	89.81%	89.83%	90.87%
Deposits / Equity	940.62%	932.05%	898.66%	788.67%	824.84%	880.75%
Fixed Assets / Equity	19.18%	20.29%	19.78%	20.83%	19.63%	15.99%
Liquidity Reserve Ratio	32.17%	15.03%	12.46%	13.10%	20.45%	13.08%
Loans / Deposits	80.18%	77.48%	78.65%	82.38%	75.22%	82.72%
Past Due Ratio	1.73%	1.80%	1.04%	0.99%	0.70%	0.61%
Interest Expenses / Average Deposits	2.16%	4.01%	4.90%	5.34%	6.17%	5.79%
Interest Revenues / Average Loans	5.53%	7.13%	8.00%	8.29%	8.90%	8.83%
Turnover of Total Assets	0.05	0.06	0.07	0.08	0.08	0.08
Revenues Per Employee (In NT$ thousands)	7,144	9,161	9,272	9,268	11,098	11,437
Net Profit Per Employee (In NT$ thousands)	1,064	868	980	1,091	785	1,219
Return on Total Assets	0.74%	0.60%	0.77%	0.90%	0.55%	0.84%
Return on Equity	9.33%	6.82%	7.92%	8.89%	5.72%	8.82%
Operating Revenues / Capital Stock	13.63%	9.52%	12.60%	12.75%	8.55%	12.41%
Net Profit Before Tax / Capital Stock	14.20%	10.37%	12.84%	12.75%	8.63%	12.62%
Net Profit Rate	14.89%	9.48%	10.75%	11.77%	7.07%	10.65%
Earnings Per Share	1.18	0.81	0.88	0.92	0.52	0.64

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

OFFICE LOCATIONS

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

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

Southern Operations Center
441 Yu Chen Road, Jwojin, Kaohsiung 813
Tel: (07) 557-5888 Fax: (07) 557-4777

Banking Division
B1-3F, 45 Han Ko Street, Section 1, Taipei 100
Tel: (02) 2388-1111 Fax: (02) 2381-0225

Trust Division
19F, 4 Chung Hsiao West Road, Section 1,
Taipei 100
Tel: (02) 2371-9998 Fax: (02) 2311-7777

International Division
10F, 9-1 Chien Kuo North Road, Section 2,
Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2517-3473

Offshore Banking Unit
2F, 9-1 Chien Kuo North Road, Section 2,
Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2515-5181

Investment Division
3F, 9-1 Chien Kuo North Road, Section 2,
Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2508-3456

Treasury Division
11F, 9-1 Chien Kuo North Road, Section 2,
Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2508-3456

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

Taipei Branch
9-1 Chien Kuo North Road, Section 2,
Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2517-2761

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

Sungshan Branch
12 Tung Hsing Road, Taipei 105
Tel: (02) 2746-9888 Fax: (02) 8761-2259

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

● Southern Operations Center

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

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

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

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

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

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

North Sanchung Branch
55 Cheng Yi N, Road, San-Chung 241,Taipei
Tel: (02) 8985-2888 Fax: (02) 8985-2999

Luchou Branch
160 Chung Shan 1st Road, Luchou 247
Tel: (02) 8285-0088 Fax: (02) 8285-1188

Shuangho Branch
253 Chung Cheng Road, Yungho 234
Tel: (02) 2232-9988 Fax: (02) 2232-9977

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

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

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

East Taipei Branch
66 Lane 9, Sung Shan Road, Taipei 105
Tel: (02) 2528-9999 Fax: (02) 8761-2201

Ta An Branch
46 Hsin Yi Road, Section 4, Taipei 106
Tel: (02) 2704-9911 Fax: (02) 2784-9955

Kuting Branch
172 Roosevolt Road, Section 2, Taipei 100
Tel: (02) 2367-2888 Fax: (02) 2369-8886

Nei Hu Branch
244 Nei Hu Road, Section 1, Taipei 114
Tel: (02) 8797-6633 Fax: (02) 8797-6655

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

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

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

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

North Taoyuan Branch
656 Chun Ji Road, Taoyuan 330
Tel: (03) 317-8889 Fax: (03) 317-9989

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

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

Taichung Branch
101 Tzu Yu Road, Section 1, Taichung 403
Tel: (04) 2220-5766 Fax: (04) 2223-3275

North Taichung Branch
1027 Wen Hsin Road, Section 3, Taichung 406
Tel: (04) 2293-8101 Fax: (04) 2293-8102

South Taichung Branch
66 Kung I Road, Section 2, Taichung 408
Tel: (04) 2323-2468 Fax: (04) 2320-4726

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

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

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

East Tainan Branch
163 Chang Ron Road, Section 2, Tainan 701
Tel: (06) 200-5566 Fax: (06) 200-5599

Yungkang Branch
725 Chung Hua Road, Yung Kang, Tainan 710
Tel: (06) 202-8599 Fax: (06) 202-8598

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

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

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

North Kaohsiung Branch
1-2F 441 Yu Chen Road, Jwojin,
Kaohsiung 813
Tel: (07) 557-5888 Fax: (07) 557-4777

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

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

Hong Kong Branch
Suite 1109, Cosco Tower, Grand Millennium
Plaza, 183 Queen's Road, Central, Hong Kong
Tel: 852-2801-2801 Fax: 852-2851-3918

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

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

SUBSIDIARY LOCATIONS

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

SinoPac Financial Consulting Co, Ltd.
3F, 9-1 Chien Kuo North Road, Section 2,
Taipei 104
Tel: (02) 2508-2288 Fax: (02) 2517-3042

SinoPac Capital Limited
Suite 1108, Cosco Tower, Grand Millennium Plaza,
183 Queen's Road, Central, Hong Kong
Tel: 852-2801-2828 Fax: 852-2851-3918

SinoPac Life Insurance Agent
B1, 187 An Ho Road, Section 2, Taipei 106
Tel: (02) 8732-6888 Fax: (02) 8732-5666

SinoPac Property Insurance Agent
3F, 9-1 Chien Kuo North Road, Section 2,
Taipei 104
Tel: (02)2508-8823 Fax: (02) 2517-4788

FAR EAST NATIONAL BANK LOCATIONS

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

SOUTHERN CALIFORNIA

L. A. Main Office
Two California Plaza, 350 S. Grand Avenue
Los Angeles, CA 90071 U.S.A.
Tel: (213) 687-1260 Fax: (213) 613-3884

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

City of Industry Office
17870 Castleton Street,#100, City of
Industry, CA 91748 U.S.A.
Tel: (626) 854-8450 Fax: (626) 854-2824

Irvine Office
15333 Culver Drive,#640, Irvine, CA 92604 U.S.A.
Tel: (949) 936-1100 Fax: (949) 262-0905

L. A. Chinatown Office
977 N. Broadway, Los Angeles, CA 90012 U.S.A.
Tel: (213) 687-1300 Fax: (213) 680-1535

Monterey Park Office
809 S. Atlantic Blvd. #101 Monterey Park,
CA 91754 U.S.A.
Tel: (626) 293-5100 Fax: (626) 284-1077

Newport Beach Office
4699 Jamboree Road, Newport Beach,
CA 92660 U.S.A.
Tel: (949) 442-3200 Fax: (949) 263-0418

Pasadena Office
301 N. Lake Avenue, Pasadena, CA 91101 U.S.A.
Tel: (626) 397-6300 Fax: (626) 577-5526

NORTHERN CALIFORNIA

San Franciscon Main Office
500 Montgomery Street, San Francisco,
CA 94111 U.S.A.
Tel: (415) 986-2300 Fax: (415) 986-8839

San Franciscon Chinatown Office
711 Sacramento Street, San Francisco,
CA 94108 U.S.A.
Tel: (415) 677-8540 Fax: (415) 677-8533

Silicon Valley Office
2001 Gateway Place, Suite 101-E, San Jose,
CA 95110 U.S.A.
Tel: (408) 487-0320 Fax: (408) 487-0333

Fremont Office
4095 Mowry Avenue Fremont, CA 94538
Tel: (510) 790-8500 Fax: (510) 713-1325

Cupertino Office
10465 South De Anza Boulevard Cupertino,
CA 95014 U.S.A.
Tel: (408) 342-8000 Fax: (408) 342-8001

Oakland Office
1423 Broadway Oakland, CA 94612 U.S.A.
Tel: (510) 267-6800 Fax: (510) 267-6801

CHINA

Beijing Representative Office
Rm. 911 Scitech Tower
No. 22, Gianguo Men Wai Ave.,
Beijing 10000, P. R. China
Tel: (10) 6515-9118 Fax: (10) 6515-9117

● Taipei Branch

● Nei Hu Branch


● Sungshan Branch

Key Economic Indicators

Item	Unit	2002	2001	2000	1999	1998	1997	1996
Economic Growth								
1.Economic Growth Rate	%	3.54	-2.18	5.86	5.42	4.57	6.68	6.10
2.GNP	Billion US$	288.9	286.8	313.9	290.5	269.2	293.3	283.6
3.Per capital GNP	US$	12,900	12,876	14,188	13,235	12,360	13,592	12,260
4.Structure of domestic production	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	%	1.9	2.0	2.1	2.6	2.5	2.6	3.2
Industries	%	31.0	31.0	32.4	33.2	34.50	35.3	35.7
Services	%	67.1	67.0	65.5	64.2	63.0	62.1	61.1
5.Gross national savings/GNP	%	25.4	24.0	25.4	26.1	26.0	26.4	26.7
Prices (annual changes)								
1.Consumer price index	%	-0.2	-0.01	1.3	0.2	1.7	0.9	3.1
2.Wholesale price index	%	0.1	-1.3	1.8	-4.5	0.6	-0.5	-1.0
3.Import price index	%	0.4	-1.3	4.6	-4.1	0.7	-1.4	-2.5
4.Export price index	%	-1.5	0.3	-0.9	-8.5	5.6	2.1	1.7
Production (annual changes)								
1.Industrial production	%	6.9	-7.3	7.4	7.7	2.6	7.4	2.0
2.Manufacturing production	%	8.1	-8.0	8.0	8.1	2.4	8.7	2.9
Heavy industry	%	10.9	-7.6	11.1	11.1	4.6	13.1	4.8
Light industry	%	-1.2	-9.4	-1.0	0.4	-3.1	-0.7	-0.8
3.Floor Areas of applying construction permit	%	-24	-11	-15.1	6.6	-0.6	-15.9	-17.3
Expenditure (growth rate)								
1.Private consumption expenditure	%	1.9	1.0	4.9	5.4	6.5	7.3	6.5
2.Outbound departure of nationals	%	4.4	-1.9	11.7	10.9	-4.0	7.9	10.1
Investment								
1.Growth rate of fixed capital formation	%	-2	-20.6	8.6	1.8	8.0	10.7	1.7
2.Growth rate of private fixed catpial formation	%	1.6	-29.2	15.7	-0.7	11.8	18.6	3.4
3.Annual changes of approved foreign investment	%	-36.2	-32.6	79.8	13.2	-12.4	72.7	-15.9
4.Increase rate of capital goods import	%	-3.5	-31.6	34.3	20.3	11.9	18.5	8.8
Trade (annual changes)								
1.Imports on customs basis	%	5	-23.4	26.5	5.8	-8.5	11.8	-1.1
2.Exports on customs basis	%	6.3	-17.2	22.0	10.0	-9.4	5.3	3.8
3.Export orders received	%	11.2	-11.5	20.4	7.3	-4.0	4.1	4.8
Finance (fiscal year) *								
1.Central government expenditures/GNP	%	16.4	17.6	16.3	14.2	13.2	15.9	15.1
2.Central government balance								
% of GNP	%	2.9	2.5	1.3	-0.5	-1.2	2.4	1.7
% of expenditures	%	17.9	14.1	7.7	-3.4	-9.3	15.2	11.3
3.Central Government debts								
% of GNP	%	2.9	27.9	24	13.2	15.8	17.3	16.6
4.Annual changes in tax revenue	%	-3.1	-6.7	1.4	-3.0	9.9	6.1	-2.8
5.Tax revenue/GNP	%	12.3	13	13.2	14.7	16.0	15.7	16.1
Banking								
1.Foreign reserves	Billion US$	161.7	122.2	106.7	106.2	90.34	83.50	88.04
2.Government foreign debt(June 30)	Billion NT$	0.33	0.56	0.75	1.06	1.88	2.48	3.92
3.Stock price index	1966=100	5,226	4,907	7,847	7,427	7,714	8,411	6,004
4.Annual changes of (M2)	%	3.6	5.8	7.0	8.3	8.8	8.3	9.2
5.Rediscount rate	%	1.625	2.125	4.625	4.5	4.75	5.25	5.00
6.Foreign exchange	NT$/US$	34.753	34.999	32.99	31.4	33.44	32.64	27.49
Labor force								
1.Unemployment rate	%	5.17	4.57	2.99	2.92	2.69	2.72	2.60
export :	Billion US$	130.6	122.9	148.32	121.59	110.58	122.08	115.94
import :	Billion US$	112.6	107.24	140.01	110.69	114.66	114.42	102.37

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.

Executive Offices

9-1 Chien Kuo North Road, Section 2
Taipei 104, Taiwan, ROC
Telephone:(886)(2)2508-2288
FAX:(886)(2)2508-3456
http://www.banksinopac.com.tw
www.mma.com.tw
www.MMAb2b.com
Telex:26334
Answerback:SINOPAC
SWIFT Address:SINOTWTP

SinoPac 建華銀行
Bank SinoPac