



FINANCIAL REPORTS

▶ Condensed Six-year Financial Statements

Financial Report of Bank SinoPac*

Consolidated Financial Statement of Bank SinoPac
And Subsidiaries*

Six-year Financial Ratios of Bank SinoPac

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<Investor Relations \ Financial Statements>



CONDENSED SIX-YEAR FINANCIAL STATEMENTS

Balance Sheets		• In NT\$ Thousands					
December 31	2003	2002	2001	2000	1999	1998	
Cash and due from banks	121,031,294	87,723,230	65,268,251	32,405,318	20,578,125	30,725,644	
Loans, discounts and bills purchased, net	210,581,634	187,068,957	167,149,766	155,294,627	134,775,703	119,610,533	
Securities purchased, net	28,817,564	24,551,850	17,549,790	21,066,260	22,284,561	27,441,343	
Long-term equity investments	9,189,220	8,817,462	11,196,238	9,708,583	6,090,555	4,176,118	
Properties, net	4,929,506	4,793,116	4,731,962	4,381,585	4,332,500	3,823,821	
Other assets	33,408,308	16,494,466	12,372,952	11,897,872	15,407,820	4,884,138	
Acceptances	2,036,733	1,253,326	159,748	302,670	659,638	941,695	
Deposits and remittances	304,287,799	235,996,703	217,610,049	199,134,585	164,108,727	160,700,916	
Call loans and due to banks	39,071,110	52,070,588	24,083,700	5,553,560	9,874,841	3,621,987	
Bank debentures	21,400,000	7,000,000	5,000,000	-	-	-	
Other liabilities	17,051,945	9,386,116	8,253,932	7,914,924	8,683,723	6,860,181	
Acceptances payable	2,036,733	1,253,326	159,748	302,670	659,638	941,695	
Capital stocks	19,443,976	19,443,976	19,443,975	17,576,638	15,846,060	15,189,000	
Capital surplus	125,208	125,208	147,963	962,988	1,487,201	2,104,784	
Retained earnings	6,708,183	5,526,647	4,330,761	3,913,843	3,477,311	2,389,584	
Unrealized loss on long-term investments	(297,567)	(321,428)	(302,530)	(221,716)	-	(202,148)	
Unrealized revaluation loss	-	-	(35,746)	-	-	-	
Translation adjustment	166,872	221,272	237,209	115,398	(8,599)	(2,707)	
Treasury stock	-	-	(500,354)	(195,975)	-	-	
Total assets	409,994,259	330,702,407	278,428,707	235,056,915	204,128,902	191,603,292	
Total liabilities	383,847,587	305,706,733	255,107,429	212,905,739	183,326,929	172,124,779	
Total stockholders' equity	26,146,672	24,995,674	23,321,278	22,151,176	20,801,973	19,478,513	

Statements of Income		• In NT\$ Thousands, except earnings per share					
Years ended December 31	2003	2002	2001	2000	1999	1998	
Operating revenues	15,077,357	15,144,749	16,361,322	16,095,633	15,208,370	14,216,206	
Operating expenses	12,187,321	12,494,165	14,510,804	13,880,797	13,188,203	12,917,520	
Operating income	2,890,036	2,650,584	1,850,518	2,214,836	2,020,167	1,298,686	
Nonoperating income, net	121,485	109,809	165,297	42,432	(32)	11,829	
Pretax income	3,011,521	2,760,393	2,015,815	2,257,268	2,020,135	1,310,515	
Net income	2,753,899	2,255,049	1,551,126	1,701,693	1,790,521	1,005,308	
Earnings per share	1.42	1.18	0.81	0.88	0.92	0.52	

FINANCIAL REPORT OF BANK SINOPAC

Independent Auditors' Report

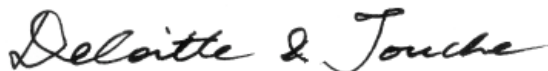
The Board of Directors and Stockholders Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of December 31, 2003 and 2002, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Bank SinoPac as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

We have also audited the consolidated financial statements of Bank SinoPac as of and for the years ended December 31, 2003 and 2002, on which we have issued an unqualified opinion thereon.



January 29, 2004

Notice to Readers

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



BANK SINOPAC

Balance Sheets

• DECEMBER 31, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Par Value)	2003		2002	
	Amount	%	Amount	%
ASSETS				
CASH (Note 3)	\$ 90,824,235	22	\$ 66,128,225	20
DUE FROM BANKS (Note 22)	18,797,468	5	10,583,049	3
DUE FROM CENTRAL BANK (Note 4)	11,409,591	3	11,011,956	3
SECURITIES PURCHASED (Notes 2, 5 and 22)	28,817,564	7	24,551,850	7
ACCOUNTS, INTEREST AND OTHER RECEIVABLES - Net (Notes 2, 6, 20 and 22)	27,428,485	7	13,565,150	4
ACCEPTANCES	2,036,733	-	1,253,326	1
PREPAYMENTS	168,090	-	169,053	-
LOANS, DISCOUNTS AND BILLS PURCHASED-Net (Notes 2, 7 and 22)	210,581,634	51	187,068,957	57
LONG-TERM EQUITY INVESTMENTS (Notes 2, 5, 8 and 22)				
Equity method	8,445,866	2	8,062,404	3
Cost method	1,024,832	-	1,045,579	-
Long-term equity investments	9,470,698	2	9,107,983	3
Less: Unrealized loss	281,478	-	290,521	-
Long-term equity investments-net	9,189,220	2	8,817,462	3
PROPERTIES (Notes 2, 9, and 23)				
Cost				
Land	1,929,107	1	1,777,147	1
Buildings	2,240,313	1	2,152,831	1
Computer equipment	1,262,189	-	1,157,299	-
Transportation equipment	50,083	-	54,587	-
Office and other equipment	1,292,788	-	1,211,209	-
Total cost	6,774,480	2	6,353,073	2
Accumulated depreciation	1,931,920	1	1,681,967	1
	4,842,560	1	4,671,106	1
Advances on acquisitions of equipment and construction in progress	86,946	-	122,010	-
Net properties	4,929,506	1	4,793,116	1
OTHER ASSETS (Notes 2,10 and 20)	5,811,733	2	2,760,263	1
TOTAL ASSETS	409,994,259	100	330,702,407	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Call loans and due to banks	39,071,110	10	52,070,588	16
Accounts, interest and other payables (Notes 11 and 20)	14,130,406	3	6,826,305	2
Acceptances payable	2,036,733	1	1,253,326	-
Deposits and remittances (Notes 12 and 22)	304,287,799	74	235,996,703	71
Bank debentures (Note 13)	21,400,000	5	7,000,000	2
Other liabilities (Notes 2, 19 and 20)				
Deferred tax liabilities	493,352	-	318,749	-
Other	2,428,187	1	2,241,062	1
Total other Liabilities	2,921,539	1	2,559,811	1
Total liabilities	383,847,587	94	305,706,733	92
STOCKHOLDERS' EQUITY				
Capital stock, \$10 par value				
Authorized and issued: 1,944,397,617 shares	19,443,976	5	19,443,976	6
Capital surplus				
Additional paid-in capital	125,030	-	125,030	-
Donated capital	83	-	83	-
Other	95	-	95	-
Retained earnings				
Legal reserve	3,671,307	1	2,997,437	1
Special reserve	282,977	-	282,977	-
Unappropriated	2,753,899	-	2,246,233	1
Unrealized loss on long-term equity investments	(297,567)	-	(321,428)	-
Cumulative translation adjustment	166,872	-	221,271	-
Total stockholders' equity	26,146,672	6	24,995,674	8
CONTINGENCIES AND COMMITMENTS (Notes 23 and 27)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 409,994,259	100	\$ 330,702,407	100

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

BANK SINOPAC
Statements of Income

• FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)	2003		2002	
	Amount	%	Amount	%
OPERATING REVENUES				
Interest (Notes 2, 22 and 27)	\$ 9,628,861	64	\$ 11,218,205	74
Service fees (Notes 2, 16 and 22)	1,383,273	9	954,605	6
Income from securities - net (Notes 2 and 17)	2,337,074	16	2,073,831	14
Income from long-term equity investments under the equity method-net (Notes 2 and 8)	639,668	4	479,238	3
Foreign exchange gain - net (Notes 2 and 27)	-	-	126,161	1
Other (Note 27)	1,088,481	7	292,709	2
Total operating revenues	15,077,357	100	15,144,749	100
OPERATING COSTS AND EXPENSES				
Interest (Notes 2, 22 and 27)	5,091,052	34	6,747,246	45
Service charges (Note 22)	236,478	1	138,652	1
Provision for trading losses	-	-	13,753	-
Foreign exchange loss - net (Notes 2 and 27)	568,387	4	-	-
Provision for credit losses (Notes 2 and 7)	1,505,000	10	1,200,202	8
Operating and administrative expenses (Notes 2, 18, 19 and 22)	4,786,124	32	4,394,121	29
Other	280	-	191	-
Total operating costs and expenses	12,187,321	81	12,494,165	83
OPERATING INCOME	2,890,036	19	2,650,584	17
NONOPERATING INCOME AND GAINS (Notes 2 and 22)	181,106	1	165,472	1
NONOPERATING EXPENSES AND LOSSES	(59,621)	-	(55,663)	-
INCOME BEFORE INCOME TAX	3,011,521	20	2,760,393	18
INCOME TAX (Notes 2 and 20)	257,622	2	505,344	3
NET INCOME	\$ 2,753,899	18	\$ 2,255,049	15
		After		After
	Pre-tax	Tax	Pre-tax	Tax
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	\$ 1.55	\$1.42	\$ 1.44	\$1.18

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



BANK SINOPAC

Statements of Changes in Stockholders' Equity

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)	Capital Stock		Capital Surplus (Notes 2 and 14)
	Shares (in thousands)	Amount	
BALANCE, JANUARY 1, 2002	1,944,398	\$ 19,443,976	\$ 147,963
Reversal of capital surplus from gain on sale of properties to retained earnings	-	-	(19,866)
Reversal of capital surplus from gain on sale of properties to retained earnings recognized from investees under the equity method	-	-	(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)
Change in translation adjustment on long-term equity investments	-	-	-
Treasury stock	-	-	-
BALANCE, DECEMBER 31, 2002	1,944,398	19,443,976	125,208
Appropriation of 2002 earnings			
Legal reserve	-	-	-
Remuneration to directors and supervisors	-	-	-
Bonus to employees	-	-	-
Cash dividends – \$0.781 per share	-	-	-
Net income for 2003	-	-	-
Unrealized loss on long-term equity investments	-	-	-
Change in translation adjustment on long-term equity investments	-	-	-
BALANCE, DECEMBER 31, 2003	1,944,398	\$ 19,443,976	\$ 125,208

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



• FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Retained Earnings (Note 14)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 8)	Unrealized Revaluation Loss (Note 2)	Cumulative Translation Adjustment (Note 2)	Treasury Stock (Notes 2 and 15)	Total Stockholders' Equity
	Legal reserve	Special reserve	Unappropriated	Total					
\$ 2,541,406	\$ 288,227	\$ 1,501,128	\$4,330,761	(\$ 302,530)	(\$ 35,746)	\$ 237,209	(\$ 500,354)	\$ 23,321,279	
-	-	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	
-	-	-	-	-	-	(15,938)	-	(15,938)	
-	-	(9,077)	(9,077)	-	-	-	500,354	491,277	
2,997,437	282,977	2,246,233	5,526,647	(321,428)	-	221,271	-	24,995,674	
673,870	-	(673,870)	-	-	-	-	-	-	
-	-	(38,000)	(38,000)	-	-	-	-	(38,000)	
-	-	(15,724)	(15,724)	-	-	-	-	(15,724)	
-	-	(1,518,639)	(1,518,639)	-	-	-	-	(1,518,639)	
-	-	2,753,899	2,753,899	-	-	-	-	2,753,899	
-	-	-	-	23,861	-	-	-	23,861	
-	-	-	-	-	-	(54,399)	-	(54,399)	
\$ 3,671,307	\$ 282,977	\$ 2,753,899	\$6,708,183	(\$ 297,567)	\$ -	\$ 166,872	\$ -	\$ 26,146,672	



BANK SINOPAC

Statements of Cash Flows

• FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Thousands of New Taiwan Dollars)	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,753,899	\$ 2,255,049
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	472,959	416,717
Provision for credit losses	1,505,000	1,200,202
Provision for (reversal of) trading losses	(13,364)	13,753
Accrued pension cost	152,115	158,942
Deferred income taxes	144,703	110,550
Cash dividends received from long-term equity investments under the equity method	24,566	56,496
Income from long-term equity investments under the equity method-net	(639,668)	(479,238)
Realized loss on long-term equity investments	18,006	10,583
Loss on sale of long-term equity investments - net	5,465	33,280
Loss on disposal of properties-net	37,072	11,883
Decrease (increase) in securities purchased - for trading purposes	86,984	(192,406)
Increase in accounts, interest and other receivables	(13,863,335)	(3,679,392)
Decrease in prepayments	963	31,970
Increase in accounts, interest and other payables	7,304,101	555,956
Net cash provided by (used in) operating activities	(2,010,534)	504,345
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from banks	(8,214,419)	30,490,363
Increase in due from Central Bank	(397,635)	(3,814,273)
Increase in securities purchased-for investing purposes	(4,352,698)	(3,912,732)
Increase in loans, discounts and bills purchased	(25,017,677)	(21,119,393)
Increase in long-term equity investments	-	(374,900)
Proceeds from sale of long-term equity investments	84,059	199,946
Acquisition of properties	(619,360)	(462,514)
Proceeds from sales of properties	3,729	1,477
Increase in other assets	(3,082,315)	(467,889)
Net cash provided by (used in) investing activities	(41,596,316)	540,085
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in call loans and due to banks	(12,999,478)	27,986,888
Increase in deposits and remittances	68,291,096	18,386,654
Increase in bank debentures	14,400,000	2,000,000
Increase in other liabilities	183,605	292,983
Remuneration to directors and supervisors and bonus to employees	(53,724)	(160,674)
Cash dividends paid	(1,518,639)	(910,489)
Proceeds from transferring treasury stock to employees	-	491,277
Net cash provided by financing activities	68,302,860	48,086,639
INCREASE IN CASH	24,696,010	49,131,069
CASH, BEGINNING OF YEAR	66,128,225	16,997,156
CASH, END OF YEAR	\$ 90,824,235	\$ 66,128,225
SUPPLEMENTAL INFORMATION		
Interest paid	\$ 5,236,450	\$ 7,314,970
Income tax paid	\$ 351,502	\$ 343,874
NON-CASH INVESTING ACTIVITIES		
Reclassification from long-terms equity investments to securities purchased (Note 5)	\$ -	\$ 2,896,922

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

BANK SINOPAC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002
(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 started 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, 2003 and 2002, the Bank had a total of 2,026 and 2,135 employees, respectively.

As of December 31, 2003, the Bank's operating units included Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), 44 domestic branches, 2 overseas branches and 1 overseas representative office.

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

Under the Financial Holding Company Act, the Bank, National Securities Co., Ltd. (the "NSC", which was renamed as SinoPac Securities Corporation on June 9, 2002) and SinoPac Securities Co., Ltd. (the "SPS") established SinoPac Holdings (the "SPH"), a financial holding company as of May 9, 2002. The parties established the holding company 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 swapped issued shares with SPH at ratios of 1:1.0267130836, 1:1.0098971566 and 1:0.7968960296, respectively, which had been approved by the stockholders on November 19, 2001. Since May 9, 2002, the effective date of the shares swap, 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. Each share of common stock of SinoPac Securities was swapped for 1.2672884782 shares of common stock of SPS, resulting in 250,863,205 shares of common stock issued by SinoPac Securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). In determining the allowance for credit losses, depreciation, pension, losses upon suspended lawsuit and provision for losses on guarantees, the Bank needs to estimate reasonable amounts. Since the estimates were usually judged and made under the uncertain conditions, thus, the estimates may vary from the actual amounts. Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank's financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 26 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below:

● Basis of Financial Statement Preparation

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

● Securities Purchased

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

Short-term bills are stated at cost (which approximates market value), as well as treasury bills. 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 GreTai Securities Market (the "OTC"); and (d) bonds-period-end reference prices published by the OTC.

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



Under accounting principles generally accepted in the ROC, 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.

Pursuant to the directive issued by the Ministry of Finance (the "MOF"), sales and purchases of bonds and short-term bills under agreements to repurchase or to resell are treated as outright sales or purchases. However, pursuant to the "Criteria Governing the Preparation of Financial Reports by Public Banks" effected since January 1, 2004, the repurchase/resell transactions will be treated as financing.

● **Nonperforming Loans**

Under guidelines issued by the MOF, the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as nonperforming when the loan is six months overdue. In addition, upon approval by the board of directors, those loans which are less than six months overdue will also be classified as nonperforming.

● **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 assesses the collectibility on the balances of loans, discounts and bills purchased, accounts, interest and other receivables, and nonperforming loans, as well as guarantees and acceptances as of the balance sheet dates.

Pursuant to "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts" (the "Rules") issued by the MOF, the Bank evaluates credit losses on the basis of its borrowers'/clients' financial positions, the Bank's prior experiences, repayments for principal and interest by borrowers/clients, collateral provided, and estimated collectibility.

The Bank assesses losses on particular loans in accordance with the Rules stated above. The Rules provide that the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits.

Write-offs of loans falling under the MOF guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit 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. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. On the acquisition date, any difference between the acquisition cost and the equity in the investee 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 buy new shares in proportion to its equity in the investee, then the Bank's equity in net assets of the investee will be changed. This difference will 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 will 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 amount, 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 a 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 amount, a realized loss for market value decline is recognized and the related cost is recorded at market value.

● **Properties**

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

Upon sale or disposal of properties, their cost and related accumulated depreciation are removed from the accounts. Any resulting gain (loss) is credited (charged) to current income.

Under an amendment of the Company Law, starting in 2001, the gain on disposal of properties is no longer required to be transferred to capital surplus. The gain on disposal of properties obtained before this amendment had been transferred to capital surplus at the end of year, net of the applicable income tax. In compliance with related regulations, this capital surplus was reversed to retained earnings before December 31, 2002.

Depreciation is calculated by the straight-line method on the basis of service lives estimated as follows: buildings, 6 to 55 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; and 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.

● **Collateral Assumed**

Collateral assumed are recorded at cost (included in other assets) and revalued at 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 for accommodating customers' needs or managing 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 on settlement are credited or charged to current income. For contracts outstanding as of the balance sheet dates, the gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to current income. Receivables arising from forward exchange contracts are offset against related payables as of the balance sheet dates.

b. Forward rate agreements

Forward rate agreements, which are mainly for accommodating customers' needs or managing 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 for accommodating customers' needs or managing the Bank's currency positions, are recorded at spot rates when the transactions occur; while 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 for hedging purposes, are recorded at rates prevailing on the contract dates. The net interest upon each settlement is recorded as an adjustment to interest revenue or expense associated with the item being hedged.

Cross-currency swap contracts, which are for the purposes of accommodating customers' needs or managing the Bank's exposures, are marked to market as of the balance sheet dates.

The interest received or paid at each settlement date or balance sheet date are recognized as interest income or expense, which are credited or charged to current income.

e. Options

Options bought and/or held and options written, which are mainly for accommodating customers' needs or managing 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 amounts 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 are entered into for accommodating customers' needs or managing the Bank's interest rate positions. The interest received or paid at each settlement date is recognized as interest income or expense. These instruments are marked to market as of the balance sheet dates.

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

g. Asset swaps

Asset swaps involve exchanging the fixed interest of convertible bonds or fixed rate notes for floating interest. In addition, asset swaps involve exchanging the fixed or floating interest of credit link notes for floating or fixed 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, fixed rate notes and credit link notes denominated in foreign currency. Net interest on each settlement or balance sheet date is recorded as an adjustment to interest revenue or expense associated with the bonds or notes being hedged.

h. Futures

Margin deposits paid by the Bank for interest rate futures contracts entered into for trading or hedging purpose are recognized as assets. Gains or losses resulting from marking to market and from the settlement of the interest rate futures contracts are classified as hedging or non-hedging depending on its purposes, and also classified as realized and or unrealized gains or losses depending on whether the gains or losses had been realized.

i. Credit default swaps

Credit default swaps involve receiving premium by taking credit risk of denominated entities. Such transactions are recorded by memorandum entries at the contract dates. The premium received by the Bank for a credit default swap contract on each settlement or balance sheet date is recorded as current income.

● Recognition of Interest Revenue and Service Fees

Interest revenue on loans is recorded by 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 nonperforming loans. The interest revenue on those loans/credits is recognized upon collection.

Under the MOF regulations, the interest revenue on credits which agreements have been reached to extend their maturities is recognized upon collection.

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

● Pension

Pension expense is determined on the basis of actuarial calculations.

● Income Tax

Inter-period income tax allocation is applied, in which tax effects of deductible temporary differences unused loss carryforward 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. Valuation allowance is provided for deferred income tax assets that are not certain to be realized.

Tax credits for acquisitions of equipment or technology, research and development expenditures, personnel training expenditures and acquisition of equity investments are recognized as reduction of current income tax.

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

Income tax (10%) on unappropriated earnings after January 1, 1998 is recorded as income tax in the year when the stockholders resolve the appropriation of the earnings.

The accounting applied by the Bank for linked tax system of income tax filing adopted by the Bank, SinoPac Holdings, SinoPac Securities and SinoPac Call Center Co., Ltd. since 2003 is upon to a directive issued by Accounting Research and Development Foundation.

● 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, 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 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 at period-end of 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 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 additional paid-in capital on treasury stock; and (b) reissue price less than the acquisition cost-initially charged to additional paid-in capital on treasury stock with any remaining deficiency charged to retained earnings.

● Reclassifications

Certain 2002 accounts have been reclassified to conform to the 2003 financial statements presentation.

3.CASH

	December 31	
	2003	2002
Negotiable certificates of deposit	\$ 87,657,272	\$ 64,122,802
Cash	1,596,142	1,554,109
Notes and checks in clearing	1,570,821	451,314
	<u>\$ 90,824,235</u>	<u>\$ 66,128,225</u>

As of December 31, 2003 and 2002, negotiable certificates of deposit aggregating \$800,000 and \$23,600,000, respectively, had 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 \$15,000,000 and \$13,800,000 had been provided as collateral for the daytime overdraft as of December 31, 2003 and 2002, respectively, with the pledged amount which can be adjusted momentarily.

4.DUE FROM CENTRAL BANK

This account consists mainly of New Taiwan Dollar (NTD) and foreign currency deposit reserves.

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included \$6,506,839 and \$5,437,730 as of December 31, 2003 and 2002, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily and are noninterest earnings. As of December 31, 2003 and 2002, the balances of foreign-currency deposit reserves were \$50,967 and \$45,179, respectively.



5. SECURITIES PURCHASED

	December 31	
	2003	2002
Commercial papers	\$ 8,722,955	\$ 5,589,107
Floating rate notes	8,275,813	3,789,720
Corporate bonds	4,954,186	5,811,212
Listed and over-the-counter stocks	2,897,122	2,897,122
Bank debentures	2,032,613	583,584
Treasury bills	719,217	3,940,049
Mutual fund beneficiary certificates	613,895	152,000
Government bonds	601,763	1,789,056
	<u>\$ 28,817,564</u>	<u>\$ 24,551,850</u>

As of December 31, 2003 and 2002, the aggregate market values or reference prices of floating rate notes, corporate bonds, listed and over-the-counter stocks, bank debentures, mutual fund beneficiary certificates, and government bonds, were as follows:

	December 31	
	2003	2002
Floating rate notes	\$ 8,268,004	\$ 3,889,345
Corporate bonds	5,345,631	5,863,528
Listed and over-the-counter stocks	3,945,581	3,040,401
Bank debentures	2,017,249	593,128
Mutual fund beneficiary certificates	631,912	151,082
Government bonds	610,492	1,820,537

On May 9, 2002, the Bank, NSC and SPS had established SPH through shares swap. Therefore, shares of SPS held by the Bank were converted to the shares of SPH, and the Bank reclassified these shares (their market value exceeded carrying amount) from long-term equity investments to securities purchased based on its intention for holding.

As of December 31, 2003 and 2002, the Bank held SPH 216,542,894 shares, both with carrying amount at \$2,896,922 and market value at \$3,945,412 and \$3,040,262, respectively, based on the daily average closing prices in December 2003 and 2002.

To deal with SPH's shares held by the Bank, the board of directors (hereinafter "the Board") of SPH resolved to sell two-thirds with a total of 144,361,929 shares on the securities exchange market as of October 22, 2003.

Moreover, in order to inspire the employees, the Board also decided the transferring method for the remaining one-third of shares held by the Bank to employees. Related terms and conditions of the share transferring method are as follows:

a. Type of shares transferred:

One-third of SPH's common shares held by the Bank with a total of 72,180,965 shares.

b. Terms of transferring:

The shares should be transferred once or several times prior to April 21, 2004 upon the authorization of SPH's chairman.

c. Qualification of transferee:

The general principle for qualification of the transferee is set by presidents of SPH, the Bank and SinoPac Securities, respectively. The chairman of SPH and the Board of the Bank and SinoPac Securities are authorized to ratify the principle. Nevertheless, the definition of employees includes the full-time employees of SPH and its subsidiaries.

d. Standards and procedures of transferring:

- 1) The proportion of transferable shares to employees of SPH, the Bank and SinoPac Securities is 1:3:2.
- 2) For those qualified employees, the shares granted will be based on considerations of the individual's grade, performance, special contribution, etc.
- 3) The president of SPH is authorized to determine the term of payment, the contents of rights, and the restricted conditions.
- 4) The chairman of SPH and the Board of the Bank and SinoPac Securities are authorized to ratify the resolution of the remaining unsubscribed shares.
- 5) Registration of transferring shares will be processed after calculating the actual shares subscribed.

e. Transferring price:

The transferring price of each share is NT\$17.9, which was based on the market closing price of SPH's common shares on October 22, 2003, when the share transferring method was passed by the Board.

f. Rights and obligations after transferring:

Registered transferring shares will bear the same rights and obligations as SPH's common shares, except for the prescriptions otherwise stated.

The aforesaid percentages of shares, two-thirds traded on the securities exchange market and one-third transferred to employees, are still remained to be resolved by the Board of the Bank.

6. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	December 31	
	2003	2002
Accounts receivable	\$ 25,112,100	\$ 11,607,423
Accrued revenue	1,059,901	587,722
Interest receivable	843,009	1,002,525
Tax refundable	183,456	183,456
Receivable from related party for allocation of linked tax system	175,060	-
Forward exchange receivable-net	67,638	149,128
Other	37,732	147,770
	<u>27,478,896</u>	<u>13,678,024</u>
Less-allowance for credit losses	50,411	112,874
Net	<u>\$ 27,428,485</u>	<u>\$ 13,565,150</u>

The balances of the accounts receivable as of December 31, 2003 and 2002 included \$25,065,780 and \$11,200,653, respectively, representing accounts receivable from other parties in the factoring business.

7. LOANS, DISCOUNTS AND BILLS PURCHASED

	December 31	
	2003	2002
Overdraft	\$ 1,889,952	\$ 2,798,774
Short-term loans	51,987,473	42,215,040
Mid-term loans	34,991,628	37,191,085
Long-term loans	117,681,640	102,965,116
Import and export negotiations	2,735,187	1,320,750
Bills purchased	398	1,712
Nonperforming loans	2,840,297	2,027,366
	<u>212,126,575</u>	<u>188,519,843</u>
Less-allowance for credit losses	1,544,941	1,450,886
Net	<u>\$ 210,581,634</u>	<u>\$ 187,068,957</u>



As of December 31, 2003 and 2002, the balances of nonaccrual loans were \$3,136,893 and \$3,586,993, respectively. The unrecognized interest revenues on nonaccrual loans amounted to \$138,399 and \$161,773 for the years ended December 31, 2003 and 2002, respectively.

For the years ended December 31, 2003 and 2002, the Bank had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of loans, discounts and bills purchased for the years ended December 31, 2003 and 2002, respectively, were summarized below:

	For the Year Ended December 31, 2003		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance, January 1	\$ 562,318	\$ 888,568	\$ 1,450,886
Provision	1,477,920	27,080	1,505,000
Write-off	(1,504,618)	-	(1,504,618)
Recovery of written-off credits	32,225	-	32,225
Reclassifications	25,394	36,054	61,448
Balance, December 31	\$ 593,239	\$ 951,702	\$ 1,544,941

	For the Year Ended December 31, 2002		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance, January 1	\$ 331,709	\$ 936,299	\$ 1,268,008
Provision	1,200,202	-	1,200,202
Write-off	(1,048,362)	-	(1,048,362)
Recovery of written-off credits	10,733	-	10,733
Reclassifications	68,036	(47,731)	20,305
Balance, December 31	\$ 562,318	\$ 888,568	\$ 1,450,886

As of December 31, 2003 and 2002, allowances for credit losses and provisions for losses on guarantees of the Bank were \$1,628,407 and \$1,596,906, respectively.

8. LONG-TERM INVESTMENTS

	December 31	
	2003	2002
Equity method		
Unlisted stocks	\$ 8,445,866	\$ 8,062,404
Cost method		
Listed and over-the-counter stocks	640,758	647,029
Unlisted stocks	384,074	398,550
	1,024,832	1,045,579
	9,470,698	9,107,983
Less-unrealized losses	281,478	290,521
Net	\$ 9,189,220	\$ 8,817,462

The total market values of listed and over-the-counter stocks described above were \$359,280 and \$356,508 as of December 31, 2003 and 2002, respectively.

Income (loss) from long-term equity investments under the equity method for the years ended December 31, 2003 and 2002, respectively, were summarized as follows:

	For the Years Ended December 31	
	2003	2002
<u>Equity method</u>		
SinoPac Bancorp (Note)	\$ 342,587	\$ 290,205
SinoPac Leasing Corporation	162,655	143,295
SinoPac Securities Co., Ltd. (please see Note 5)	-	172,386
SinoPac Capital Limited (H.K.)	134,429	(42,906)
SinoPac Financial Consulting Co., Ltd.	(3)	1,258
AnShin Card Services Company Limited	-	(164,186)
SinoPac Life Insurance Agent Co., Ltd.	-	77,435
SinoPac Property Insurance Agent Co., Ltd.	-	1,751
	<u>\$ 639,668</u>	<u>\$ 479,238</u>

Note : The net income of SinoPac Bancorp for the years ended December 31, 2003 and 2002 amounted to \$441,950 and \$380,855, respectively, were translated into New Taiwan Dollars at the average exchange rates for the respective periods. The difference between the translated net income of SinoPac Bancorp and the one recognized by the Bank was generated from some different accounting treatments between ROC GAAP and US GAAP (please see Note 29, Table 7).

The aforementioned income (loss) from long-term equity investments were recognized on the basis of investees' audited financial statements for the same period, except for the investment income of SinoPac Financial Consulting Co., Ltd. and SinoPac Property Insurance Agent Co., Ltd., recognized in 2002, which were based on unaudited financial statements.

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

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

As of December 31, 2003 and 2002, part of the unrealized loss on long-term equity investments (included in stockholders' equity as deductions) resulting from market value decline of over-the-counter stocks held by an investee accounted for by the equity method amounted to \$16,089 and \$30,907, respectively.

9.PROPERTIES

	December 31	
	2003	2002
Cost	<u>\$ 6,774,480</u>	<u>\$ 6,353,073</u>
Accumulated depreciation		
Buildings	384,391	311,428
Computer equipment	795,230	653,664
Transportation equipment	40,490	39,051
Office and other equipment	711,809	677,824
	<u>1,931,920</u>	<u>1,681,967</u>
	4,842,560	4,671,106
Advances on acquisitions of equipment and construction in progress	86,946	122,010
Net	<u>\$ 4,929,506</u>	<u>\$ 4,793,116</u>



10. OTHER ASSETS

	December 31	
	2003	2002
Value of options purchased	\$ 2,578,357	\$ 1,124,421
Refundable guarantee deposits	1,504,770	589,717
Collateral assumed	1,337,314	380,460
Computer system software	252,581	244,089
Suspense account	46,007	323,950
Other	92,704	97,626
	<u>\$ 5,811,733</u>	<u>\$ 2,760,263</u>

As of December 31, 2003 and 2002, refundable guarantee deposits included \$1,051,044 and \$244,871, respectively, which were provided by government bonds and certificates of deposit.

11. ACCOUNTS, INTEREST AND OTHER PAYABLES

	December 31	
	2003	2002
Accounts payable	\$ 10,402,322	\$ 4,313,727
Notes and checks in clearing	1,570,821	451,314
Interest payable	1,006,795	1,168,855
Accrued expenses	681,814	530,159
Tax payable	241,081	179,740
Other	227,573	182,510
	<u>\$ 14,130,406</u>	<u>\$ 6,826,305</u>

The balances of the accounts payable as of December 31, 2003 and 2002 included \$10,359,428 and \$4,242,009, respectively, representing costs of accounts receivable from other parties in the factoring business.

12. DEPOSITS AND REMITTANCES

	December 31	
	2003	2002
Checking	\$ 4,413,419	\$ 1,587,375
Demand	48,528,899	29,162,073
Savings-demand	60,674,585	48,815,626
Time	104,505,702	96,535,536
Negotiable certificates of deposit	25,505,900	851,600
Savings-time	60,330,947	58,162,492
Inward remittances	219,625	818,984
Outward remittances	108,722	63,017
	<u>\$ 304,287,799</u>	<u>\$ 235,996,703</u>

13. BANK DEBENTURES

	December 31		Maturity Date	Terms
	2003	2002		
First dominant bank debenture issued in 2001	\$ 5,000,000	\$ 5,000,000	2001.12.20-2006.12.20 Principal is repayable on maturity date.	Fixed interest rate of 3.08%. Interest is paid at the end of each year.
First subordinated bank debenture issued in 2002	2,000,000	2,000,000	2002.12.23-2008.03.23 Principal is repayable on maturity date.	Floating interest rate except for the first two years fixed at 2.15%. Interest is paid semiannually.

	December 31		Maturity Date	Terms
	2003	2002		
First dominant bank debenture issued in 2003	\$ 1,000,000	\$ -	2003.02.14-2008.02.14 Principal is repayable on maturity date.	3.65% minus 6-month LIBOR. Interest is paid semiannually.
Second dominant bank debenture issued in 2003	500,000	-	2003.03.19-2008.09.19 Principal is repayable on maturity date.	3.48% minus 6-month LIBOR. Interest is paid semiannually.
Third dominant bank debenture issued in 2003	1,500,000	-	2003.05.09-2008.11.09 Principal is repayable on maturity date.	4.15% minus 6-month LIBOR except for the first year fixed at 2.50%. Interest is paid semiannually.
Fourth dominant bank debenture issued in 2003	400,000	-	2003.05.09-2008.11.09 Principal is repayable on maturity date.	2% plus 180-day CP rate in secondary market and minus 6-month LIBOR. Interest is paid semiannually.
First subordinated bank debenture issued in 2003	2,500,000	-	2003.06.18-2008.12.18 Principal is repayable on maturity date.	180-day CP rate in secondary market plus 0.3%. Interest is paid semiannually.
Fifth dominant bank debenture issued in 2003	1,000,000	-	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debenture issued in 2003	700,000	-	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debenture issued in 2003	800,000	-	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debenture issued in 2003	500,000	-	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debenture issued in 2003	300,000	-	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debenture issued in 2003	1,000,000	-	2003.11.05-2008.11.05 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debenture issued in 2003	1,000,000	-	2003.11.14-2008.11.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debenture issued in 2003	500,000	-	2003.11.21-2008.11.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debenture issued in 2003	500,000	-	2003.11.28-2008.11.28 Principal is repayable on maturity date.	Floating rate except for the first year fixed at 4%. Interest is paid semiannually.
Fourteenth dominant bank debenture issued in 2003	2,200,000	-	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
	<u>\$ 21,400,000</u>	<u>\$ 7,000,000</u>		



14. STOCKHOLDERS' EQUITY

a. Capital surplus

Under the Company Law, the component of capital surplus arising from issuance of shares in excess of par value and donation can, except in the year it arises, be transferred to common stock, if approved by stockholders.

This distribution can be made only within specified limits. These restrictions are in accordance with regulations issued by Securities and Futures Commission (the SFC).

Capital surplus arising from equity-accounted long-term equity investment cannot be distributed for any purpose.

b. Retained earnings and dividend policy

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

- 1) Deducted any deficit of prior years;
- 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.

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy". Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared 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 dividends at a certain level in any given year.

Cash dividends and cash bonus are paid when approved by the stockholders, while the distribution of stock dividends requires the additional approval of the authorities.

Under the Company Law, the 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.

Under the Financial Holding Company Act, 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.

On March 21, 2003 and May 9, 2002, the board of directors resolved the appropriation of 2002 and 2001 earnings, respectively, as follows:

	2002	2001
Legal reserve	\$ 673,870	\$ 456,031
Remuneration to directors and supervisors	38,000	21,423
Bonus to employees-cash	15,724	139,251
Cash dividends-NT\$0.781 per share for 2002 and NT\$0.4782 per share for 2001	1,518,639	910,489
	\$ 2,246,233	\$ 1,527,194

The appropriation of 2003 earnings has not yet been resolved by the board of directors by January 29, 2004 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.

In addition, had aforementioned remuneration to directors and supervisors and bonus to employees (included in the appropriation of 2002 and 2001 earnings) been recognized as expenses, the basic EPS (after tax) for 2002 would have been decreased from NT\$1.18 to NT\$1.16 per share, and the basic EPS (after tax) for 2001 would have been decreased from NT\$0.81 to NT\$0.75 per share.

15. TREASURY STOCK

Reasons of Repurchase	(Shares in Thousands)			
	Shares at Beginning of Year	Shares Increased During the Year	Share Decreased During the Year	Shares at Ending of Year
<u>For the year ended December 31, 2002</u>				
Reissuance to employees	40,535	-	40,535	-

Under the Securities and Exchange Law, the Bank is prohibited from acquiring treasury stock in excess of 10% of the total shares issued and from incurring a purchase cost exceeding the total of the retained earnings and capital surplus (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 shares swap had been transferred to SPH's stock with 41,617,816 shares. On September 23, 2002, the treasury stock had been transferred to employees at NT\$11.84 per share.

16. SERVICE FEES

	For the Years Ended December 31	
	2003	2002
Factoring and financing	\$ 293,761	\$ 260,717
Mutual funds	201,312	125,424
Custody	170,172	142,141
Structured notes	115,656	39,133
Loan documentation fee	100,919	56,382
Syndicated loans	82,713	9,495
Import and export service fee	67,656	37,580
ATM service fee	40,677	39,070
Postage fee	34,252	21,609
Guarantees	27,394	31,249
Index linked mortgage conversion	20,917	41,253
Other	227,844	150,552
	<u>\$ 1,383,273</u>	<u>\$ 954,605</u>

17. INCOME FROM SECURITIES-NET

	For the Years Ended December 31	
	2003	2002
Short-term bills		
Capital gain-net	\$ 25,841	\$ 16,188
Interest revenue	1,556,204	1,856,248
	<u>1,582,045</u>	<u>1,872,436</u>
Bonds		
Capital gain-net	585,007	206,815



	For the Years Ended December 31	
	2003	2002
Stocks and mutual fund beneficiary certificates		
Capital gain (loss)-net	\$ 29,269	(\$ 5,420)
Dividend revenue	140,753	-
	<u>170,022</u>	<u>(5,420)</u>
	<u>\$ 2,337,074</u>	<u>\$ 2,073,831</u>

18. OPERATING AND ADMINISTRATIVE EXPENSES

	For the Years Ended December 31	
	2003	2002
Personnel expenses		
Salaries and wages	\$ 2,272,793	\$ 1,973,755
Pension	152,115	158,942
Labor insurance and national health insurance	114,907	96,867
Other	24,564	28,138
Depreciation	390,828	346,285
Amortization	82,131	70,432
Other	1,748,786	1,719,702
	<u>\$ 4,786,124</u>	<u>\$ 4,394,121</u>

19. PENSION

The Bank has a defined benefit 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. Benefits are based on length of service 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 were summarized below:

	For the Years Ended December 31	
	2003	2002
Balance, January 1	\$ 894,432	\$ 733,237
Contributions	199,663	81,944
Benefits paid	(43,134)	(56,772)
Interest income	33,455	36,023
Balance, December 31	<u>\$ 1,084,416</u>	<u>\$ 894,432</u>

The ending balances as of December 31, 2003 and 2002 consisted of:

	December 31	
	2003	2002
Contributions by the Bank	\$ 674,060	\$ 549,315
Contributions by employees	410,356	345,117
	<u>\$ 1,084,416</u>	<u>\$ 894,432</u>

b. Net pension costs for the years ended December 31, 2003 and 2002 were summarized below:

	For the Years Ended December 31	
	2003	2002
Service cost	\$ 126,969	\$ 132,201
Interest cost	35,682	37,690
Expected return on plan assets	(23,871)	(24,689)
Net amortization and deferral	12,005	12,455
Net pension cost	<u>\$ 150,785</u>	<u>\$ 157,657</u>

c. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2003 and 2002 were as follows:

	December 31	
	2003	2002
Benefit obligation		
Vested benefit obligation	\$ 105,193	\$ 85,950
Nonvested benefit obligation	581,087	446,564
Accumulated benefit obligation	686,280	532,514
Additional benefit based on future salaries	331,183	376,387
Projected benefit obligation	1,017,463	908,901
Fair value of plan assets	(674,060)	(549,315)
Funded status	343,403	359,586
Unrecognized net transition obligation	(34,842)	(39,819)
Unrecognized prior service cost	(684)	(812)
Unrecognized pension loss	(208,413)	(242,681)
Accrued pension cost	\$ 99,464	\$ 76,274
<u>d. Vested benefit</u>	<u>\$ 34,109</u>	<u>\$ 180,274</u>

e. Actuarial assumptions

1) Discount rate used in determining present value	3.5%	4.0%
2) Expected rate of return on plan assets	3.5%	4.0%
3) Future salary increase rate	2.5%	4.0%

20. INCOME TAX

Under a directives issued by the Ministry of Finance (MOF), a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year, may choose to adopt the linked tax system for income tax filings. SinoPac Holdings intended to adopt the linked tax system for income tax filings with its qualified subsidiaries, including the Bank, SinoPac Securities and SinoPac Call Center Co., Ltd. in 2003.

The principle adopted by Bank, SinoPac Holdings, SinoPac Securities and SinoPac Call Center Co., Ltd. (collectively, the Group) for the allocation of linked tax system is to reduce the income tax liabilities of the Group to maximize the synergy of the Group. However, as of December 31, 2003, the Bank has not reached an agreement with all involved companies on the details of the adoption of the linked tax system.

a. The components of income tax were as follows:

	For the Years Ended December 31	
	2003	2002
Current income tax payable	\$ -	\$ 67,087
Separation taxes on short-term bills interest revenue	275,118	242,697
Change in deferred income taxes	144,703	110,550
Prior year's adjustment	12,861	(8,729)
Effects upon linked tax system	(175,060)	-
Foreign income taxes	-	27,863
Tax on unappropriated earnings (10%)	-	65,876
Income tax	\$ 257,622	\$ 505,344

Income tax was based on taxable income from all sources. Foreign income taxes paid can be used as credits against the domestic income tax obligations to the extent of domestic income tax applicable to the foreign-source income.



b. Reconciliation of tax on pretax income at statutory rate and current income tax payable:

	For the Years Ended December 31	
	2003	2002
Tax on pretax income at 25% statutory rate	\$ 752,870	\$ 690,088
Add (deduct) tax effects of:		
Tax-exempt income	(174,991)	(43,499)
Permanent difference	(565,641)	(483,342)
Temporary difference	(115,994)	(88,249)
Investment tax credit	(7,055)	(7,911)
Loss carryforward	110,811	-
Current income tax payable	\$ -	\$ 67,087

c. Deferred income tax assets (liabilities) consisted of the tax effects of the following:

	December 31	
	2003	2002
Investment income under the equity method	(\$ 440,160)	(\$ 311,778)
Loss carryforward	175,060	-
Deferred pension cost	24,564	-
Unrealized foreign exchange gain	(84,811)	(6,971)
Effects upon linked tax system	(175,060)	-
Investment tax credit	7,055	-
Deferred income tax liability	(\$ 493,352)	(\$ 318,749)
Deferred income tax assets (included in other assets)	\$ 30,273	\$ 373

d. The receivable resulting from the adoption of linked tax system was as follows:

	December 31, 2003
Receivable from related party-SinoPac Securities	\$ 175,060

e. Tax payable as of December 31, 2002 which include in other payable account was after deducting prepaid tax \$127,713. Income tax returns through 2001, except those for 1996 and 2001, had been examined by the tax authorities. On the income tax returns for 1994, 1995 and 1997 to 2000, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds totaling \$73,952, which pertained to the period those bonds were held by other investors. The Bank had appealed the decision of the tax authorities.

A reinvestigation was made, resulting in the rescinding of a decision on the tax return for 1994, 1995 and 1997. Income tax returns for 1996 and 2001 reflected reduction in income tax obligations were reduced to \$37,257 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 expenses.

f. The related information under the Integrated Income Tax System was as follows:

	December 31	
	2003	2002
Balances of imputed tax credit account	\$ 411,060	\$ 191,766

The projected creditable tax ratio for earnings in 2003 is 15.52%, which is based on the estimated balance of Imputation Credit Account on the dividend distribution date. The actual imputed tax ratio for earnings in 2002 was 9.60%.

The tax credits allocable to shareholders are based on the balance of Imputation Credit Account on the dividend distribution date. Thus, the 2003 projected creditable tax ratio may vary from the actual ratio.

21.EARNINGS PER SHARE

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

	Numerator (Amounts)		Denominator (Shares in Thousands)	EPS (NT\$)	
	Pretax	After Tax		Pretax	After Tax
<u>For the year ended December 31, 2003</u>					
Basic EPS					
Net income belongs to common stockholders	\$ 3,011,521	\$ 2,753,899	1,944,398	\$ 1.55	\$ 1.42
<u>For the year ended December 31, 2002</u>					
Basic EPS					
Net income belongs to common stockholders	\$ 2,760,393	\$ 2,255,049	1,914,968	\$ 1.44	\$ 1.18

22.RELATED-PARTY TRANSACTIONS

Relationship with the Bank and significant transactions between the Bank and related parties were summarized as follows:

a. Related parties

Name	Relationship with the Bank
SinoPac Holdings (SPH)	Parent company
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of SPH
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of SPH
AnShin Card Services Company Limited (AnShin Card Services)	Subsidiary of SPH
Far East National Bank (FENB)	Overseas affiliate of the Bank
SinoPac Leasing Corporation (SPL)	Subsidiary
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Fortune Investment Co., Ltd. (Fortune Investment)	Director of the Bank
China Television Co., Ltd. (China Television)	The Bank is a director of the company
Ruentex Development Co., Ltd. (Ruentex Development)	Related party in substance
Wal Tech International Corporation (Wal Tech International)	Affiliate
Other	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and subsidiaries of the Bank, etc.
Other	Related parties under the control of the Bank but with no transactions, please see Table 7.

b. Significant transactions between the Bank and related parties

1) Loans

	Ending Balance	% of Total	Interest Rate	Interest Revenue	% of Total
For the year ended December 31, 2003	\$ 2,191,729	1.04%	1.30%-11.66%	\$ 54,404	0.57%
For the year ended December 31, 2002	2,123,235	1.14%	1.70%-12.50%	63,523	0.54%



2)Deposits

	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>% of Total</u>
For the year ended December 31, 2003					
SPH	\$ 5,226,530	1.72%	0%-1.190%	\$ 67,013	1.32%
Other	4,999,548	1.64%	0%-6.475%	35,411	0.70%
For the year ended December 31, 2002					
SPH	5,906,212	2.50%	0%-2.000%	46,028	0.67%
Other	869,364	0.37%	0%-6.950%	50,401	0.74%

3)Due from banks and other receivables

	<u>Amount</u>		<u>% of Total</u>	
	<u>December 31</u>		<u>For the Years Ended December 31</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Due from banks-FENB	\$ 110,146	\$ 220,368	0.59%	2.08%
Other receivables	26,196	799	0.10%	0.54%

4)Guarantees and securities purchased

The Bank had provided guarantees on commercial papers issued by Wal Tech International, SinoPac Securities and Fortune Investment. The aggregate face amounts of commercial papers were as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Wal Tech International	\$ 146,000	\$ 168,000
SinoPac Securities	45,000	48,000
Fortune Investment	-	19,000
	<u>\$ 191,000</u>	<u>\$ 235,000</u>

Guarantees and credits on Wal Tech International were collateralized by the following assets provided by SPL, Wal Tech International and Grand Capital:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Properties-carrying amount	<u>\$ 1,461,650</u>	<u>\$ 1,551,724</u>

In addition, guarantees and credits on SinoPac Securities were collateralized as follows:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Properties and properties held for lease-carrying amount	\$ 1,194,304	\$ 134,579
Certificates of deposit	1,130,000	1,130,000
	<u>\$ 2,324,304</u>	<u>\$ 1,264,579</u>

Guarantees and credits on Fortune Investment were collateralized by the following assets provided by Fortune Investment:

	<u>December 31</u>	
	<u>2003</u>	<u>2002</u>
Properties-carrying amount	\$ 40,064	\$ 57,896
Stocks-market value	28,807	38,028
	<u>\$ 68,871</u>	<u>\$ 95,924</u>

5) Revenues and expenses

	Amount		% of Total	
	For the Years Ended December 31		For the Years Ended December 31	
	2003	2002	2003	2002
Service fees	\$ 4,743	\$ 980	0.37%	0.1%
Service charges	23,998	-	10.15%	-
Project popularizing expense	24,396	15,766	19.92%	7.63%

6) Outright sales/purchases of bills and bonds (in cumulative transaction amounts)

	For the Years Ended December 31	
	2003	2002
SPH		
Trading amount of outright purchases	\$ 124,879	\$ 1,310,696
Trading amount of outright sales	124,856	2,275,381
SinoPac Securities		
Trading amount of outright purchases	-	1,950,955
Trading amount of outright sales	-	3,027,335

7) Bills and bonds transactions under repurchase/resale agreements (in cumulative transaction amounts)

	For the Years Ended December 31	
	2003	2002
SPH		
Bills sold under agreements to repurchase	\$ 2,145,904	\$ 1,307,750
Bonds sold under agreements to repurchase	1,925,014	-
SinoPac Securities		
Bills sold under agreements to repurchase	-	271,779

8) Lease

a) The Bank as a lessee

The Bank had leased certain office premises from related parties under several contracts for various periods ranging from one to six years, with rentals paid monthly. The related information was summarized as follows:

Lessor	Rental Expenses		Lease Term	Payment Frequency
	For the Years Ended			
	2003	2002		
SinoPac Securities	\$ 16,269	\$ 8,291	December 2003	Rentals paid monthly
China Television	9,950	9,950	July 2004	Rentals paid monthly
SPL	6,664	6,664	July 2007	Rentals paid monthly
Ruentex Development	3,437	3,196	September 2005	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	For the Years Ended			
	2003	2002		
SinoPac Marketing Consulting	\$ 1,236	\$ -	February 2006	Rentals received monthly
SinoPac Securities	1,554	1,554	July 2006	Rentals received monthly
SinoPac Call Center	1,404	-	December 2005	Rentals received monthly
AnShin Card Services	265	-	December 2005	Rentals received monthly



9) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the years ended December 31, 2003 and 2002 amounted to \$114,607 and \$97,173, respectively.

10) Due from affiliates

On May 1, 2000, the Bank had 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 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 this transaction amounted to \$91,988 for the year ended December 31, 2002.

In December 2002, the Bank had sold its shares of AnShin Card Services to SPH for a total consideration of \$181,238, which had been received before December 31, 2002. The related deferred income had been also written off fully upon shares transferring.

As of December 31, 2003 and 2002, the Bank's receivables to AnShin Card Services amounted to \$25,686 and \$18,579, respectively.

As of December 31, 2003, the Bank's estimated receivable to SinoPac Securities resulting from the adoption of the linked tax system for 2003 tax filing amounted to \$175,060.

11) Asset transactions

In January 2003, the Bank sold its shares in SPLIA and SPPIA to SPH for considerations of \$79,452 and \$3,801, respectively, which had been received before December 31, 2003.

For transactions between the Bank and related parties, the terms are similar to those transacted with unrelated parties except for the preferential interest rates offered to employees for savings up to prescribed limits.

Under the Banking Law, except for government and consumer loans, credits extended by the Bank to any related party should be fully secured, and the credit terms for related parties should be similar to those for unrelated parties.

23. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 27, financial instruments, significant contingencies and commitments of the Bank, are summarized as follows:

a. Lease contract

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

Year	Amount
2004	\$ 230,165
2005	137,028
2006	119,320
2007	80,657
2008	30,173

Rentals for the years beyond 2008 amount to \$12,207, the present value of which is about \$11,223 as discounted at the Bank's one-year time deposit rate of 1.35% on January 1, 2004.

b.Land and buildings purchase contract

In January 2001, the Bank had entered into contracts to buy 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, 2003.

c.Equipment purchase contract

The Bank had entered into contracts to buy computer hardware and software for \$112,093, of which \$75,179 had already been paid as of December 31, 2003.

d.Interior decoration contract

The Bank had entered into contracts to do interior decoration of its premises for \$12,500, of which \$11,250 had already been paid as of December 31, 2003.

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

As of December 31, 2003, short-term bills and bonds with a total face amount of \$9,802,848 were sold under agreements to repurchase at \$10,227,503 between January and March 2004.

f.Short-term bills purchased under agreements to resell

As of December 31, 2003, short-term bills with a total face amount of \$6,662,900 were purchased under agreements to resell at \$6,654,294 in January 2004.

g. Balance sheet and trust property of trust accounts

Balance Sheet of Trust Accounts December 31, 2003			
<u>Trust Assets</u>		<u>Trust Liabilities and Equities</u>	
Bank deposits	\$ 457,501	Trust capital	\$ 47,884,858
Short-term investments	46,294,619	Cumulative earnings	<u>1,203,238</u>
Receivables	8,554		
Properties	406,709		
Collective investment trust fund-net	<u>1,920,713</u>		
Total trust assets	<u>\$ 49,088,096</u>	Total trust liabilities and equities	<u>\$ 49,088,096</u>

Trust Property of Trust Accounts December 31, 2003		
<u>Investment Portfolio</u>		<u>Amount</u>
Bank deposits		<u>\$ 457,501</u>
Short-term investments		
Bonds		7,066,381
Common stock		451,954
Funds		38,715,629
Short-term bills or investments sold under agreements to repurchase		<u>60,655</u>
		<u>46,294,619</u>
Receivables		<u>8,554</u>
Properties		
Land		406,398
Construction in process		<u>311</u>
		<u>406,709</u>
Collective investment trust fund-net		<u>1,920,713</u>
Total		<u>\$ 49,088,096</u>



24. CAPITAL ADEQUACY RATIO

The Banking Law and Regulations Governing Capital Adequacy of Banking Enterprises require the Bank to 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 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, 2003 and 2002, the Bank's standalone capital adequacy ratios were 12.39% and 12.85%, respectively, and the consolidated capital adequacy ratios were 10.50% and 10.76%, respectively.

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

Average balances are calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

	For the Years Ended December 31			
	2003		2002	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash-negotiable certificates of deposit	\$ 79,571,156	1.01	\$ 38,201,479	1.62
Due from banks	3,871,717	1.32	1,943,357	1.70
Call loans (placement)	7,994,742	1.09	18,732,491	2.75
Due from Central Bank	5,882,812	1.85	5,254,416	2.47
Securities purchased	31,475,938	6.52	26,129,637	3.99
Loans, discounts and bills purchased	195,533,730	3.90	172,342,097	5.53
Accounts receivable from factoring	5,913,668	3.65	4,589,239	4.90
<u>Interest-bearing liabilities</u>				
Due to banks	9,211	0.03	5,441	0.69
Call loans (taken)	49,212,529	1.16	33,630,163	1.90
Demand deposits	35,436,955	0.63	21,579,614	0.96
Savings-demand deposits	54,893,986	0.67	49,263,426	1.71
Time deposits	105,804,037	1.28	96,322,075	2.21
Savings-time deposits	58,570,590	1.94	57,815,254	2.96
Negotiable certificates of deposit	10,064,964	0.97	949,050	2.13

26. 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, in cases where there are no specific maturity dates, based on expected dates of collection or settlement.

	December 31, 2003			
	Due in One Year	Due Between One Year and Five Years		Total
		Due after Five Years		
<u>Assets</u>				
Cash	\$ 90,824,235	\$ -	\$ -	\$ 90,824,235
Due from banks	18,797,468	-	-	18,797,468
Due from Central Bank	11,409,591	-	-	11,409,591
Securities purchased	28,817,564	-	-	28,817,564

December 31, 2003

	Due in One Year	Due Between One Year and Five Years	Due after Five Years	Total
Receivables	\$ 29,515,629	\$ -	\$ -	\$ 29,515,629
Loans, discounts and bills purchased (excluding nonperforming loans)	69,646,356	17,197,922	122,442,000	209,286,278
	<u>\$ 249,010,843</u>	<u>\$ 17,197,922</u>	<u>\$ 122,442,000</u>	<u>\$ 388,650,765</u>
<u>Liabilities</u>				
Call loans and due to banks	\$ 39,071,110	\$ -	\$ -	\$ 39,071,110
Payables	16,167,139	-	-	16,167,139
Deposits and remittances	294,677,799	9,610,000	-	304,287,799
Bank debentures	-	17,500,000	3,900,000	21,400,000
	<u>\$ 349,916,048</u>	<u>\$ 27,110,000</u>	<u>\$ 3,900,000</u>	<u>\$ 380,926,048</u>

December 31, 2002

	Due in One Year	Due Between One Year and Five Years	Due after Five Years	Total
<u>Assets</u>				
Cash	\$ 66,128,225	\$ -	\$ -	\$ 66,128,225
Due from banks	10,583,049	-	-	10,583,049
Due from Central Bank	11,011,956	-	-	11,011,956
Securities purchased	24,551,850	-	-	24,551,850
Receivables	14,931,350	-	-	14,931,350
Loans, discounts and bills purchased (excluding nonperforming loans)	58,864,677	21,854,250	105,773,550	186,492,477
	<u>\$ 186,071,107</u>	<u>\$ 21,854,250</u>	<u>\$ 105,773,550</u>	<u>\$ 313,698,907</u>
<u>Liabilities</u>				
Call loans and due to banks	\$ 52,070,588	\$ -	\$ -	\$ 52,070,588
Payables	8,079,631	-	-	8,079,631
Deposits and remittances	227,636,526	8,360,177	-	235,996,703
Bank debentures	-	5,000,000	2,000,000	7,000,000
	<u>\$ 287,786,745</u>	<u>\$ 13,360,177</u>	<u>\$ 2,000,000</u>	<u>\$ 303,146,922</u>

27. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

The Bank engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. It also enters into cross-currency swaps, interest rate swaps, futures and asset swaps 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 with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged. The Bank also reassesses the hedge effectiveness of the instruments periodically.

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. 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 limit, 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 on the basis of 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 were as follows:

	December 31					
	2003			2002		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
Financial Instruments						
For hedging purposes:						
Interest rate swap contracts	\$ 9,861,000	\$ 186,149	\$ 105,994	\$ 1,561,000	\$ -	(\$ 80,826)
Cross-currency swap contracts	8,500,000	70,031	(53,693)	-	-	-
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Forward contracts						
-Buy	90,962,643	568,992	416,042	24,868,277	264,793	178,243
-Sell	67,245,886	272,535	(150,726)	20,890,261	252,601	116,617
Forward rate agreements						
-Buy	10,193,400	-	(4,443)	63,931,364	-	(241,496)
-Sell	10,193,400	1,862	918	64,931,364	242,187	242,187
Currency swap contracts	121,291,615	439,216	(282,064)	60,606,619	668,675	(177,765)
Interest rate swap contracts	41,193,742	231,480	(33,528)	44,233,503	461,519	(60,003)
Cross-currency swap contracts	1,427,240	14,300	3,513	-	-	-
Interest rate futures contracts						
-Long position	135,912	-	(478)	-	-	-
-Short position	203,868	-	(3,674)	-	-	-

	December 31					
	2003			2002		
	Contract (Notional) Amount	Credit Risk	Value of Options Purchased / Written	Contract (Notional) Amount	Credit Risk	Value of Options Purchased / Written
Financial Instruments						
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Options						
-As buyer	\$ 98,806,468	\$ 920,136	\$ 2,578,357	\$ 47,935,279	\$ 531,332	\$ 1,124,421
-As seller	95,487,067	-	1,485,029	48,700,237	-	1,119,744

The fair value of each contract is determined using the quotations from Reuters Information System. The fair value of each futures contract refers to the closing price published by LIFFE as of the balance sheet date.

As of December 31, 2003 and 2002, the Bank entered into asset swap contracts for hedging purposes, with notional amounts at \$2,552,493 and \$4,830,283, respectively. Since the Bank entered into these contracts with counter-parties with good splendid worldwide ranking and credit rating, no significant credit risk is expected.

As of December 31, 2003, the Bank entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$384,130. Since the Bank entered into these contracts with counter-parties with good splendid worldwide ranking and credit rating, no significant credit risk is expected.

The notional amounts of derivative contracts are used solely for the purpose of calculating receivables and payables to all counter-parties. 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 cannot be sold at reasonable prices is remote; thus, no significant cash demand is expected.

The gains and losses on derivative financial instruments for the years ended December 31, 2003 and 2002 were as follows:

	Account	For the Years Ended	
		December 31	
		2003	2002
<u>For hedging purposes:</u>			
Cross-currency swap contracts			
-Realized	Interest revenue	\$ 37,516	\$ 31,690
	Interest expense	(22,123)	(14,425)
Interest rate swap contracts			
-Realized	Interest revenue	60,919	-
	Interest expense	(28,381)	-
-Realized	Income from derivative financial transactions	14,207	-
Interest rate futures contracts			
-Realized	gain from derivative financial transactions	789	-
<u>For the purposes of accommodating customers' needs or managing the Bank's exposures:</u>			
Forward contracts			
-Realized	Foreign exchange gain	113,675	128,377
-Unrealized	Foreign exchange gain (loss)	(72,664)	358,774
Forward rate agreements			
-Realized	Income from derivative financial transactions	6,789	10,033
-Unrealized	Loss from derivative financial transactions	(4,216)	(6,855)
Currency swap contracts			
-Realized	Interest revenue	363,384	368,811
	Interest expense	(302,807)	(402,643)
Interest rate swap contracts			
-Realized	Interest revenue	577,879	571,601
	Interest expense	(641,179)	(627,702)
-Realized	Loss from derivative financial transactions	(473)	-
-Unrealized	Income from derivative financial transactions	17,585	17,263
Options contracts			
-Realized	Income from derivative financial transactions	729,563	268,438
	Foreign exchange loss	(97,712)	(48,152)
-Unrealized	Income from derivative financial transactions	289,773	17,007
Interest rate futures contracts			
-Realized	Income (loss) from derivative financial transactions	1,012	(3,423)
-Unrealized	Loss from derivative financial transactions	(478)	-



	Account	For the Years Ended December 31	
		2003	2002
Cross-currency swap contracts			
-Realized	Interest revenue	\$ 2,779	\$ -
	Interest expense	(1,936)	-
-Unrealized	Income from derivative financial transactions	3,512	-
Credit default swap contracts			
-Realized	Income from derivative financial transactions	201	-

Income from derivative financial transactions-net (included in other operating revenue) for the years ended December 31, 2003 and 2002 were \$1,058,264 and \$302,463, respectively.

b. Fair value of nonderivative financial instruments

	December 31			
	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets-with fair values				
approximating carrying amounts	\$ 150,456,682	\$ 150,456,682	\$ 102,541,706	\$ 102,541,706
Securities purchased	28,817,564	30,261,041	24,551,850	24,887,177
Loans, discounts and bills purchased	210,581,634	210,581,634	187,068,957	187,068,957
Long-term equity investments	9,189,220	9,189,220	8,817,462	8,817,462
Refundable guarantee deposits	1,504,770	1,500,812	589,717	595,362
<u>Liabilities</u>				
Financial liabilities-with fair values				
approximating carrying amounts	55,238,249	55,238,249	60,150,219	60,150,219
Deposits and remittances	304,287,799	304,287,799	235,996,703	235,996,703
Bank debentures	21,400,000	21,400,000	7,000,000	7,000,000
Other liabilities	160,605	160,605	104,463	104,463

Methods and assumptions applied in estimating the fair values of nonderivative 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, remittances and payables approximate their fair values because of the short maturities of these instruments.
- 2)The fair values of securities purchased and long-term equity investments are based on their market prices if these market prices are available. Otherwise, fair values are estimated at their carrying amounts.
- 3)Loans, discounts and bills purchased, deposits, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair values of nonperforming loans are based on the carrying amounts, which are net of allowance for credit losses.

4) The fair values of government bonds submitted as refundable guarantee deposits are based on market values while those of certificates of deposit are estimated at their carrying amounts. Fair values of other refundable guarantee deposits and guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.

Certain financial instruments and all nonfinancial instruments are excluded from disclosure requirement. Accordingly, the aggregate fair values presented above do not necessarily represent the total values of the Bank.

c. Financial instruments with off-balance-sheet credit risks

The Bank had significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments were under seven years. (For the years ended December 31, 2003 and 2002, the loan interest rates ranged from 0.01% to 20.00%, and from 0.38% to 12.75%, respectively.) The Bank also issued financial guarantees and standby letters of credit to guarantee the performance of a customer obligated to a third party. These guarantees were usually with terms of less than one year and with maturity dates not in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of December 31, 2003 and 2002 were as follows:

	December 31	
	2003	2002
Financial guarantees and standby letters of credit	\$ 12,716,018	\$ 9,755,797
Undrawn loan commitments	3,021,726	1,193,526

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

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after evaluation of customers' credit standings. Based on the result of the credit evaluation, the Bank may require collateral before draw down against the credit facilities. As of December 31, 2003 and 2002, ratios of secured loans to total loans were 74% and 76%, respectively. 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 collaterals or execute other rights arising out of the guarantees given.

28. INFORMATION ON CONCENTRATIONS OF RISK

The Bank has no concentrated credit risk in any industry, individual counter-party or group who engaged in similar business activities. Industries with 5% or more of the outstanding loans as of December 31, 2003 and 2002 were as follows:

	December 31	
	2003	2002
Natural person	\$ 149,834,963	\$ 136,846,675
Manufacturing	31,367,544	24,529,963



The net positions resulting from major foreign-currency transactions as of December 31, 2003 and 2002 were as follows:

	December 31			
	2003		2002	
	Foreign-currency Amounts (in Thousand)	New Taiwan Dollars Amounts (in Thousand)	Foreign-currency Amounts (in Thousand)	New Taiwan Dollars Amounts (in Thousand)
Net positions of major foreign-currency with market risk	JPY 11,904,313	\$ 3,783,191	US 38,766	\$ 1,347,236
	US 108,837	3,698,052	EUR 10,049	365,538
	DEM 74,935	670,036	JPY 858,414	251,258
	EUR 13,401	574,210	NZ 9,897	180,968
	RMB 9,736	80,807	CHF 6,943	173,550

29.ADDITIONAL DISCLOSURES

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

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

FENB engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions. It also enters into futures contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency assets or liabilities. FENB's strategy is to hedge most of the market risk exposures using hedging instruments with market value changes that have a highly negative correlation with the changes in the market of the exposures being hedged. FENB also reassesses the hedge effectiveness of the instruments periodically.

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

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



December 31, 2003			
<u>Financial Instruments</u>	<u>Contract (Notional)</u>		<u>Value of Options</u>
	<u>Amount</u>	<u>Credit Risk</u>	<u>Purchased/Written</u>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Options			
-As buyer	\$ 6,183,996	\$ 23,660	\$ 44,678
-As seller	6,183,996	-	46,944
December 31, 2002			
<u>Financial Instruments</u>	<u>Contract (Notional)</u>		<u>Fair Value</u>
	<u>Amount</u>	<u>Credit Risk</u>	
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
-Buy	\$ 834,072	\$ 39,966	\$ 54,440
-Sell	834,072	39,966	(55,277)
December 31, 2002			
<u>Financial Instruments</u>	<u>Contract (Notional)</u>		<u>Value of Options</u>
	<u>Amount</u>	<u>Credit Risk</u>	<u>Purchased/Written</u>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Options			
-As buyer	\$ 2,085,180	\$ 166,814	\$ 43,387
-As seller	2,085,180	-	46,969

The fair value of each contract is determined on the basis of quotations from Reuters or the Telerate Information System.

The notional amounts of derivative contracts are used solely for the purpose of calculating receivables and payables to all contract parties. Thus, the notional amounts do not represent the actual cash inflows or outflows. The possibility that derivative financial instruments held or issued by FENB cannot be sold at reasonable prices is remote; thus, no significant cash demand is expected.

The gains and losses on derivative transactions for the years ended December 31, 2003 and 2002 were insignificant.

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

30.SEGMENT AND GEOGRAPHIC INFORMATION

The Bank engages only in investing and managing the business related to financial institutions activities as prescribed by the authorities. No single customer and overseas unit individually represent more than 10% of the Bank's operating revenue or its total assets. Thus, no segment and geographical information is required to be disclosed.



BANK SINOPAC AND INVESTEES • FOR THE YEAR ENDED DECEMBER 31, 2003

TABLE1 FINANCING PROVIDED • In Thousands of New Taiwan Dollars

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
1	SinoPac Capital (B.V.I.) Ltd.	SinoPac Capital Ltd.	Short-term borrowings	\$ 138,180	\$ 105,332	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ -	\$ -

BANK SINOPAC AND INVESTEES • FOR THE YEAR ENDED DECEMBER 31, 2003

TABLE2 ENDORSEMENT/GUARANTEE PROVIDED • In Thousands of New Taiwan Dollars

No.	Endorsement/ Guarantee Provider	Counter-party		Limits on Individual Endorsement/ Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Endorsement/ Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/Guarantee to Net Asset Value of the Latest Financial Statement (Note 4)	Maximum Endorsement/Guarantee Amounts Allowable
		Name	Nature of Relationship						
1	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	(Note 2)	\$ 4,442,961 (Note 1)	\$ 4,265,554 (Note 1)	-	219%	(Note 3)
		Wal Tech International Corporation	Affiliate	(Note 2)	530,000	530,000	-	27%	(Note 3)

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

Note 2: The limit on individual endorsement or guarantee amounts is up to 200% of the net asset value (Note 4) of the Corporation.

But no limit applied on any subsidiary of the Corporation. As of December 31, 2003, the limit was \$3,901,499.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation.

But no limit applied on any subsidiary of the Corporation. As of December 31, 2003, the maximum allowance was \$9,753,748.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its audited financial statements as of December 31, 2003.

BANK SINOPAC AND INVESTEES • DECEMBER 31, 2003

TABLE3 MARKETABLE SECURITIES HELD • In Thousands of New Taiwan Dollars

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Bank SinoPac	<u>Stock</u>							
	SinoPac Bancorp	Subsidiary	Long-term equity investments	20	\$ 5,259,093	100.00%	\$ 5,259,093	Note 5
	Rocorp Holding S.A.	Investee accounted for by the equity method	Long-term equity investments	0.11	-	33.33%	3,531	Note 4
					(Note 8)			
	SinoPac Leasing Corporation	Subsidiary	Long-term equity investments	159,629	2,163,470	99.77%	1,946,230	Note 5
	SinoPac Capital Limited	Subsidiary	Long-term equity investments	229,998	1,021,126	99.9991%	1,021,126	Note 5
	SinoPac Financial Consulting Co., Ltd.	Subsidiary	Long-term equity investments	194	2,177	97.00%	2,117	Note 5



Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Units/Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Ruentex Industries Ltd.	Supervisor of Bank SinoPac and investee accounted for by the cost method	Long-term equity investments	11,452	\$ 165,486 (Note 3)	1.45%	\$ 174,248	Note 2
	Mega Financial Holding Company	Investee accounted for by the cost method	Long-term equity investments	4,158	110,732 (Note 3)	0.04%	81,910	Note 2
	China Television Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	12,468	364,539 (Note 3)	3.42%	103,122	Note 2
	Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	11,719	100,000	1.56%	134,093	Note 5
	Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,040	13,230	1.58%	13,024	Note 4
	Taipei Forex Inc.	Investee accounted for by the cost method	Long-term equity investments	80	800	0.40%	1,226	Note 4
	Taiwan Future Exchange Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	899	8,990	0.45%	13,745	Note 5
	Taiwan Leader Advanced Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,103	16,554	1.07%	8,991	Note 4
	Apack Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	1,694	- (Note 8)	1.31%	12,717	Note 4
	Fuh-Hwa Investment Trust Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,400	24,000	7.61%	37,164	Note 4
	Financial Information Services Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	4,550	45,500	1.14%	67,081	Note 4
	Taiwan Asset Management Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	0.28%	53,411	Note 4
	Taiwan Financial Asset Service Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.94%	50,788	Note 4
	Prudence Venture Investment Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.50%	49,620	Note 4
	Mondex Taiwan Inc.	Investee accounted for by the cost method	Long-term equity investments	2,000	25,000	6.47%	10,967	Note 4
SinoPac Bancorp	Stock							
	Far East National Bank	Subsidiary	Long-term equity investments	175	5,268,641	100.00%	5,268,641	Note 5
Far East National Bank	Stock							
	Far East Capital Corporation	Subsidiary	Long-term equity investments	350	70,078	100.00%	70,078	Note 5
	FENB Securities, Inc.	Subsidiary	Long-term equity investments	2.5	34,448	100.00%	34,448	Note 5
	FENB Loan Corp.	Subsidiary	Long-term equity investments	0.1	(35,418)	100.00%	(35,418)	Note 5
	FENB Film Corp.	Subsidiary	Long-term equity investments	0.1	(79,750)	100.00%	(79,750)	Note 5
	FENB Services, Inc.	Subsidiary	Long-term equity investments	0.1	33	100.00%	33	Note 5
	Film Service Management Corp.	Subsidiary	Long-term equity investments	0.1	3	100.00%	3	Note 5
	Federal Reserve Bank	Investee accounted for by the cost method	Long-term equity investments	68	114,895	-	114,895	Note 6
	Federal Home Loan Bank	Investee accounted for by the cost method	Long-term equity investments	63	212,363	-	212,363	Note 6
	Southern California Business Development Corporation (SCBDC)	Investee accounted for by the cost method	Long-term equity investments	40	1,359	-	1,359	Note 6
	California Economic Development Lending Initiative (CEDLI)	Investee accounted for by the cost method	Long-term equity investments	50	1,699	-	1,699	Note 6
	Fund							
	Genesis L.A. Real Estate Fund LLC	-	Long-term investments	-	65,176	-	65,176	Note 6
	California Tax Credit Fund LLC	-	Long-term investments	-	23,842	-	23,842	Note 6
	Bay Area Equity Fund I	-	Long-term investments	-	1,699	-	1,699	Note 6
	Bay Area Smart Growth Fund LLC	-	Long-term investments	-	28,974	-	28,974	Note 6
Far East Capital Corporation	Stock (common stock)							
	Hollywood International Finance Inc.	Investee accounted for by the cost method	Long-term equity investments	0.3	10	15.10%	(19)	Note 4



Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	PCRS Capital Partners, LLC	Investee accounted for by the cost method	Long-term equity investments	-	\$ 1,819	4.00%	\$ 1,819	Note 6
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	2,764	0.20%	2,764	Note 7
	<u>Stock (preferred stock)</u>							
	AgraQuest, Inc.	-	Long-term equity investments	100	7,985	0.80%	7,985	Note 6
	Silicon Motion, Inc.	-	Long-term equity investments	61	8,495	0.20%	8,495	Note 6
	Softknot Corporation	-	Long-term equity investments	250	6,797	2.00%	6,797	Note 6
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,144	1.50%	1,144	Note 6
SinoPac Leasing Corporation	<u>Stock</u>							
	Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,416,664	100.00%	1,416,664	Note 5
	Bank of Overseas Chinese	Investee accounted for by the cost method	Long-term equity investments	1,718	24,613	0.103%	8,487	Note 3
	Chain Yarn Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,969	38,444	1.90%	26,709	Note 4
	Tekcon Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	832	20,768	1.51%	5,507	Note 4
	Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	16,306	Note 5
	Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	317	6,340	0.48%	3,967	Note 4
	Walton Advanced Engineering, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.34%	11,944	Note 4
	Telexpress Corp.	Investee accounted for by the cost method	Long-term equity investments	525	7,835	5.00%	5,277	Note 5
Grand Capital International Limited	<u>Venture fund</u>							
	World Wide Multimedia L.P.	-	Long-term investments	0.005	33,242	16.67%	47,875	Note 4
	<u>Stock (preferred stock)</u>							
	Best 3C. Com, Inc.	-	Long-term equity investments	600	15,290	1.85%	15,290	Note 6
	e2i Corp.	-	Long-term equity investments	200	10,193	0.79%	10,193	Note 6
SinoPac Capital Limited	<u>Stock</u>							
	SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	119,743	100.00%	404,855	Note 4
	TPV Technology	-	Short-term investments	3,000	53,447	0.22%	53,507	Note 2
	Sino Golf	-	Short-term investments	9,962	38,833	3.30%	65,839	Note 2
	HC	-	Short-term investments	5,284	28,307	1.27%	50,302	Note 2
	Combe	-	Short-term investments	3,064	44,482	0.37%	50,961	Note 2
	Suga International	-	Short-term investments	7,080	44,845	3.17%	45,862	Note 2
	Haitian	-	Short-term investments	11,448	37,575	7.08%	36,077	Note 2
	Sun East	-	Short-term investments	10,000	60,432	2.86%	54,711	Note 2
	Kanssen	-	Short-term investments	29	17,303	-	17,303	Note 2
	<u>Bond</u>							
	Chiam International	-	Short-term investments	US\$ 5,000	169,890	-	169,890	Note 6
	Investlink International	-	Short-term investments	US\$ 1,410	47,909	-	47,909	Note 6
	<u>Convertible bill and bond</u>							
	Sino-Wood Partners	-	Short-term investments	US\$ 1,000	33,978	-	33,978	Note 2
	Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	33,978	-	35,592	Note 2
	Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 2,000	67,956	-	74,794	Note 2
	Asia Optical	-	Short-term investments	US\$ 500	16,989	-	18,702	Note 2
	Yue Yuen Industrial	-	Short-term investments	US\$ 1,000	33,978	-	34,097	Note 2
	Ritek	-	Short-term investments	US\$ 1,000	33,978	-	36,108	Note 2
	Powerchip	-	Short-term investments	US\$ 2,000	67,956	-	74,876	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	44,314	100.00%	44,323	Note 5
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	(183,139)	100.00%	(183,139)	Note 5
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	29,796	60.00%	23,726	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	4,116	99.9995%	4,104	Note 4



Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Units/Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u>							
	3V Source One LP	-	Long-term investments	2,000	\$ 69,428	71.43%	\$ 49,461	Note 4
	<u>Stock</u>							
	Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	195,153	100.00%	190,232	Note 5
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999,999	3,396	99.9999%	3,396	Note 5
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	51,079	34.21%	36,102	Note 5
	Hollywood International Finance, Inc.	Investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	(6)	Note 4
Allstar Venture Ltd. (B.V.I.)	<u>Venture fund</u>							
	Investar Excelsus Venture Capital (Inf'l) Inc., LDC	-	Long-term investments	2,220	83,007	6.25%	83,007	Note 6
	UOB Venture Technology Investment Limited	-	Long-term investments	26	75,816	8.62%	75,816	Note 6
	MDS Life Sciences Technology Fund Barbados	-	Long-term investments	50	119,975	25.00%	83,355	Note 4
	Biotechnology Development Fund II LP	-	Long-term investments	-	24,155	2.30%	42,007	Note 4
	North America Venture Fund II, L.P.O.	-	Long-term investments	-	15,137	2.07%	28,987	Note 4
	<u>Stock (common stock)</u>							
	Ardent Pharmaceuticals, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	17,368	0.58%	372	Note 4
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	9,978	0.75%	13,818	Note 7
	Dicon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	33,972	0.20%	4,307	Note 4
	<u>Stock (preferred stock)</u>							
	Sunol Molecular Corp.	-	Long-term equity investments	100	17,149	0.92%	17,149	Note 6
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,527	1.10%	17,527	Note 6
	Immusol, Inc.	-	Long-term equity investments	75	10,421	0.15%	10,421	Note 6
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,412	0.31%	10,412	Note 6
BioAgri Corp.	-	Long-term equity investments	375	10,193	2.34%	10,193	Note 6	
Wal Tech International Corporation	<u>Stock</u>							
	Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	241,667	62.58%	125,870	Note 5
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	12,828	30.00%	13,504	Note 5
	Monmon Medza Technology Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	598	2,174	32.39%	2,144	Note 4
	Fu Po Electronics Corporation	Investee accounted for by the cost method	Long-term equity investments	1,650	29,700	1.50%	11,649	Note 4
	Webi & Neti Internet Services Inc.	Investee accounted for by the cost method	Long-term equity investments	63	625	2.63%	268	Note 4
	YesMobile Holdings Company Limited.	Investee accounted for by the cost method	Long-term equity investments	294	12,000	0.75%	1,893	Note 4
	SynTest Technologies, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	485	Note 4
	Taiwan Leader Advanced Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.53%	12,847	Note 4
	Ruentex Resources Integration Co., Ltd.	A subsidiary of Bank SinoPac's supervisor and investee accounted for by the cost method	Long-term equity investments	2,361	24,114	2.47%	20,631	Note 4
	Media Reality Technologies, Inc.	Investee accounted for by the cost method	Long-term equity investments	800	13,598	1.78%	8,775	Note 5
	Advanced Power Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	660	14,520	1.32%	9,850	Note 5



Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Nanya PCB Corporation	Investee accounted for by the cost method	Long-term equity investments	1,519	\$ 93,080	0.32%	\$ 26,685	Note 4
	ENE Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	861	29,996	3.15%	35,994	Note 2
	SonicEdge Industries Corporation	Investee accounted for by the cost method	Long-term equity investments	580	14,500	2.99%	4,549	Note 4
	Maximum Venture I, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	7,000	70,350	9.39%	67,668	Note 5
	SinoPac Financial Consulting Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	6	91	3.00%	67	Note 5
	Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	90	12,523	0.10%	1,409	Note 4
Intellisys Corp.	<u>Beneficiary certificate</u>							
	Collective Investment Fund-SinoPac Global Constant I	-	Short-term investments	1,000	10,000	-	10,390	Note 7
	Apollo Fund	-	Short-term investments	15	100 (Note 3)	-	106	Note 7
	<u>Stock</u>							
	Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	525	2.31%	237	Note 4

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

Note 2: Market prices of listed and over-the-counter stocks were determined by average daily closing prices in December 2003.

Note 3: The amounts are before deducting related unrealized losses under the method of lower of aggregate cost or market.

Note 4: Net asset values were based on the investees' unaudited or unreviewed financial statements for the latest period.

Note 5: Net asset values were based on the investees' audited or reviewed financial statements for the latest period.

Note 6: Net asset values were based on the carrying amounts.

Note 7: Market prices were determined at the closing prices on December 31, 2003.

Note 8: The amounts were after deducting realized losses.

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

• In Thousands of New Taiwan Dollars, Unless Otherwise Specified

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance		
					Shares/Units/ Face Amount (In Thousand)	Amount	Shares/Units/ Face Amount (In Thousand)	Amount (Note)	Shares/Units/ Face Amount (In Thousand)	Amount (Note)	Carrying Amount (Note)	Gain(Loss) on Disposal (Note)	Shares/Units/ Face Amount (In Thousand)	Amount (Note)	
SinoPac Capital Limited.	<u>Convertible bond</u>														
	Hannstar Display	Short-term investments	Transacted at exchange market	-	-	\$ -	US\$ 3,000	\$ 101,934	US\$ 3,000	\$ 104,114	\$ 101,934	\$ 2,180	\$ -	\$ -	\$ -
	<u>Bond</u>														
	Chiam International	Short-term investments	Transacted at exchange market	-	-	-	US\$ 5,000	169,890	-	-	-	-	-	US\$ 5,000	169,890

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



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TABLE5 ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL • In Thousand of New Taiwan Dollars

Company Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Bank SinoPac	Collateral assumed Lands in South Area, Taichung	April 15, 2003	\$ 197,680	Offset in nonperforming loan	Tong Long Industrial Corp.	The debtor of Bank SinoPac	-	-	-	\$ -	Court auction price: \$197,680	For sale	None
	Collateral assumed Buildings and land in Banchiau City, Taipei	October 16, 2003	535,740	Offset in nonperforming loan	Pacific Dingho Development Corp.	The debtor of Bank SinoPac	-	-	-	-	Court auction price: \$490,810	For sale	None
SinoPac Leasing Corporation	Office buildings and superficies	August 21, 2003	1,748,000	\$349,600 of the transaction amount had been paid	Li-Seng Develop Company	Related party in substance	Ruentex Development Co., Ltd.	Related party in substance	December 24, 2002	1,428,571	Honda Property Appraisal & Consulting and China Credit Information Service, Ltd.	For rent and for operating use	None

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TABLE6 RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL • In Thousand of New Taiwan Dollars

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Securities	Wholly owned subsidiary of SinoPac Holdings	\$ 175,060	-	\$ -	-	\$ -	\$ -

Note: The receivable comes from the adoption of the linked tax system for 2003 tax filing.



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TABLE 7 NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE

• In Thousands of New Taiwan Dollars, Unless Otherwise Specified

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2003			Net Income (Loss) of the Investee (Note2)	Investment Gains (Loss)	Note
				December 31, 2003 (Note 1)	December 31, 2002 (Note 1)	Shares (Thousand)	Percentage of Ownership(%)	Carrying Amount (Note2)			
Bank SinoPac	SinoPac Bancorp	California	Stock holding	US\$ 112,306	US\$ 112,306	20	100.00	\$ 5,259,093	\$ 441,950	\$ 342,587	Subsidiary
	Rocorp Holding S.A.	Luxembourg	Stock holding	3,531	3,531	0.11	33.33	-	-	-	Investee under significant influence held by the Bank
	SinoPac Leasing Corporation	Taipei	Leasing aircraft and machinery equipment	999,940	999,940	159,629	99.7683	2,163,470	170,735	162,655	Subsidiary
	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	1,021,126	161,066	134,429	Subsidiary
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	1,940	1,940	194	97.00	2,177	35	(3)	Subsidiary
SinoPac Bancorp	Far East National Bank	California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.00	5,268,641	456,540		Affiliate
Far East National Bank	Far East Capital Corporation	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	70,078	(14,730)		Affiliate
	FENB Securities, Inc.	California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	34,448	21,497		Affiliate
	FENB Loan Corp.	California	Asset management brokerage	US\$ 1	US\$ 1	0.1	100.00	(35,418)	(21,959)		Affiliate
	FENB Film Corp.	California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.00	(79,950)	(21,787)		Affiliate
	FENB Service, Inc.	California	Investment Corporation	US\$ 1	US\$ -	0.1	100.00	33	(1)		Affiliate
	Film Service Management Corp.	California	Film management and advisory	US\$ 0.1	US\$ -	0.1	100.00	3	-		Affiliate
SinoPac Leasing Corporation	Grand Capital International Limited.	British Virgin Islands	Oversea trading leasing, lending and financing	US\$ 29,900	US\$ 29,900	29,900	100.00	1,416,664	96,067		Affiliate
SinoPac Capital Limited	SinoPac Capital (B.V.I) Ltd.	British Virgin Islands	Financial advisory	US\$ 4,450	US\$ 4,450	4,450	100.00	119,743	40,652		Affiliate
SinoPac Capital (B.V.I) Ltd.	Cyberpac Holding Ltd. (B.V.I)	British Virgin Islands	Investment and advisory	US\$ 4,000	US\$ 4,000	4,000	100.00	44,314	(13,161)		Affiliate
	Allstar Venture Ltd. (B.V.I)	British Virgin Islands	Investment	US\$ 0.002	US\$ 0.002	0.002	100.00	(183,139)	(51,232)		Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	29,796	901		Affiliate
	Pinnacle Investment Management Ltd.	Hong Kong	Asset management	US\$ 200	US\$ 200	200	99.9995	4,116	(254)		Affiliate
Cyberpac Holding Ltd.(B.V.I)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	272,182	272,160	26,500	100.00	195,153	(12,574)		Affiliate
	RSP Infomation Service Comparty Limited	Hong Kong	General trading and providing internet based service	HK\$ 999.999	HK\$ -	999.999	99.9999	3,396	(990)		Affiliate
	Telexpress Corp.	Cayman Islands	Investment	US\$ 1,560	US\$ 1,560	3,900	34.21	51,079	2,051		Investee under significant influence held by the Bank's affiliate
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	258,836	258,836	10,326	62.58	241,667	8,499		Affiliate
	Multiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00	12,828	10,707		Investee under significant influence held by the Bank's affiliate
	Monnon Medza Technology Co., Ltd.	Taipei	Software products retail, distribution and information software service	5,980	5,980	598	32.39	2,174	(3,979)		Investee under significant influence held by the Bank's affiliate

Note 1: The original investment amounts were expressed in respective foreign currencies denominated.

Note 2: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2003.

Note 3: The amounts were after deducting realized losses.