CONSOLIDATED FINANCIAL STATEMENT OF BANK SINOPAC AND SUBSIDIARIES

Independent Auditors' Report

The Board of Directors and Stockholders
Bank SinoPac

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

We conducted our audits in accordance with 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Deloitte & Touche

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 AND SUBSIDIARIES

Consolidated Balance Sheets

DECEMBER 31, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Par Value)	2003		2002	
ASSETS	**Amount**	**%**	Amount	%
CASH (Note 4)	**$ 91,502,487**	**20**	$ 66,752,359	18
DUE FROM BANKS (Note 3)	**19,716,534**	**4**	11,303,691	3
DUE FROM CENTRAL BANK (Note 5)	**11,409,591**	**2**	11,011,956	3
SECURITIES PURCHASED (Notes 2, 6 and 23)	**28,817,564**	**6**	33,093,259	9
ACCOUNTS, INTEREST AND OTHER RECEIVABLES-Net (Notes 2, 7 , 21 and 23)	**27,585,802**	**6**	13,750,924	4
ACCEPTANCES	**2,253,521**	**1**	1,375,624	-
PREPAYMENTS (Note 2)	**200,458**	**-**	213,213	-
LOANS, DISCOUNTS AND BILLS PURCHASED-Net (Notes 2, 8 and 23)	**253,474,008**	**55**	225,169,615	60
LONG-TERM INVESTMENTS (Notes 2 , 6, 9 and 23)				
Long-term equity investments under the equity method	**3,186,772**	**1**	3,029,381	1
Long-term equity investments under the cost method	**1,502,255**	**-**	1,533,212	-
	4,689,027	**1**	4,562,593	1
Less: Unrealized loss	**281,478**	**-**	298,387	-
Long-term equity investments-net	**4,407,549**	**1**	4,264,206	1
Long-term bond investments	**7,182,534**	**2**	346,309	-
Long-term investments-net	**11,590,083**	**3**	4,610,515	1
PROPERTIES (Notes 2, 10, 23 and 24)				
Cost				
Land	**2,025,711**	**1**	1,875,954	1
Buildings	**2,394,423**	**1**	2,310,456	1
Computer equipment	**1,330,332**	**-**	1,260,924	-
Transportation equipment	**50,083**	**-**	54,587	-
Office and other equipment	**1,746,360**	**-**	1,591,005	-
Total cost	**7,546,909**	**2**	7,092,926	2
Accumulated depreciation	**2,273,532**	**1**	2,003,135	1
	5,273,377	**1**	5,089,791	1
Advances on acquisitions of equipment and construction in progress	**129,542**	**-**	190,954	-
Net properties	**5,402,919**	**1**	5,280,745	1
OTHER ASSETS (Notes 2, 11 and 21)	**8,449,035**	**2**	4,461,515	1
TOTAL ASSETS	**460,402,002**	**100**	377,023,416	100
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Call loans and due to banks	**41,257,886**	**9**	55,248,193	15
Accounts, interest and other payables (Notes 12 and 21)	**15,332,763**	**3**	7,816,685	2
Acceptances payable	**2,253,521**	**1**	1,375,624	-
Deposits and remittances (Notes 13 and 23)	**350,494,170**	**76**	277,931,360	73
Bank debentures (Note 14)	**21,909,670**	**5**	7,000,000	2
Other liabilities (Notes 2, 20 and 21)				
Deferred tax liabilities	**493,352**	**-**	318,749	-
Other	**2,513,968**	**-**	2,337,131	1
Total other liabilities	**3,007,320**	**-**	2,655,880	1
Total liabilities	**434,255,330**	**94**	352,027,742	93
STOCKHOLDERS' EQUITY				
Capital stock, $10 par value				
Authorized and issued - 1,944,397,617 shares	**19,443,976**	**4**	19,443,976	5
Capital surplus				
Additional paid-in capital	**125,030**	**-**	125,030	-
Donated capital	**83**	**-**	83	-
Other	**95**	**-**	95	-
Retained earnings				
Legal reserve	**3,671,307**	**1**	2,997,437	1
Special reserve	**282,977**	**-**	282,977	-
Unappropriated	**2,753,899**	**1**	2,246,233	1
Unrealized loss on long-term equity investments	**(297,567)**	**-**	(321,428)	-
Cumulative translation adjustment	**166,872**	**-**	221,271	-
Total stockholders' equity	**26,146,672**	**6**	24,995,674	7
CONTINGENCIES AND COMMITMENTS (Notes 2, 24 and 28)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 460,402,002**	**100**	$ 377,023,416	100

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

BANK SINOPAC AND SUBSIDIARIES

Consolidated Statements of Income

•FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)	2003		2002	
OPERATING REVENUES	Amount	%	Amount	%
Interest (Notes 2 and 8)	$ 12,261,810	68	$ 13,142,363	74
Service fees (Notes 2, 17 and 23)	1,758,971	10	1,275,228	7
Income from securities - net (Notes 2 and 18)	2,466,718	14	2,762,578	15
Income from long-term equity investments under the equity method-net (Notes 2, 9 and 23)	297,081	2	177,257	1
Foreign exchange gain - net (Notes 2 and 28)	-	-	170,425	1
Other (Note 28)	1,113,040	6	320,600	2
Total operating revenues	17,897,620	100	17,848,451	100
OPERATING COSTS AND EXPENSES				
Interest (Note 2)	5,899,428	33	7,642,473	43
Service charges (Note 23)	289,657	2	180,707	1
Provision for trading losses	-	-	13,753	-
Provision for credit losses (Notes 2 and 8)	1,717,167	10	1,435,889	8
Foreign exchange loss-net (Notes 2 and 28)	511,631	3	-	-
Operating and administrative expenses (Notes 2, 19, 20 and 23)	6,181,594	34	5,585,608	31
Other	86,682	-	62,791	1
Total operating costs and expenses	14,686,159	82	14,921,221	84
OPERATING INCOME	3,211,461	18	2,927,230	16
NONOPERATING INCOME AND GAINS (Notes 2 and 23)	164,856	1	165,793	1
NONOPERATING EXPENSES AND LOSSES	(97,190)	(1)	(56,154)	-
INCOME BEFORE INCOME TAX	3,279,127	18	3,036,869	17
INCOME TAX (Notes 2 and 21)	525,228	3	781,820	4
NET INCOME	$ 2,753,899	15	$ 2,255,049	13
	Pre-tax	After Tax	Pre-tax	After Tax
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	$ 1.69	$1.42	$ 1.59	$1.18

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

BANK SINOPAC AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)	Capital Stock		Capital Surplus (Notes 2 and 15)
	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 consolidated financial statements.

• FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Retained Earnings (Note 15)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 9)	Unrealized Revaluation Loss (Note 2)	Cumulative Translation Adjustment (Note 2)	Treasury Stock (Notes 2 and 16)	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 AND SUBSIDIARIES

Consolidated 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 operating activities		
Depreciation and amortization	628,958	558,729
Provision for credit losses	1,717,167	1,435,889
Provision for (reversal of) trading losses	(13,364)	13,753
Reversal of allowance for decline in market value of securities purchased	-	(809)
Loss on disposal of properties - net	37,368	51,595
Income from long-term equity investments under the equity method-net	(297,081)	(177,257)
Cash dividends received from long-term equity investments under the equity method	24,566	56,496
Realized loss on long-term equity investments	18,006	10,583
Loss on sale of long-term equity investments-net	5,465	33,280
Accrued pension cost	152,115	158,942
Deferred income taxes	130,196	43,184
Decrease (increase) in securities purchased - for trading purposes	3,876,704	(192,406)
Increase in accounts, interest and other receivables	(13,834,878)	(3,679,608)
Decrease in prepayments	12,755	6,725
Increase in accounts, interest and other payables	7,516,078	639,391
Net cash provided by operating activities	2,727,954	1,213,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from banks	(8,412,843)	29,705,562
Increase in due from Centeral Bank	(397,635)	(3,814,273)
Decrease (increase) in securities purchased - for investing purposes	(7,868,485)	340,204
Increase in loans, discounts and bills purchased	(30,021,560)	(34,375,026)
Increase in long - term equity investments	(560,091)	(687,563)
Decrease (increase) in long - term bond investments	1,431,251	(346,309)
Proceeds from sale of long - term equity investments	529,979	936,757
Acquisition of properties	(693,687)	(639,760)
Proceeds from sales of properties	3,729	69,828
Increase in other assets	(3,872,908)	(831,329)
Net cash used in investing activities	(49,862,250)	(9,641,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in call loans and due to banks	(13,990,307)	27,996,774
Increase in deposits and remittances	72,562,810	28,420,137
Increase in bank debentures	14,909,670	2,000,000
Increase (decrease) in other liabilities	(25,386)	259,456
Cash dividends paid	(1,518,639)	(910,489)
Remuneration to directors and supervisors and bonus to employees	(53,724)	(160,674)
Decrease in treasury stock	-	491,277
Net cash provided by financing activities	71,884,424	58,096,481
INCREASE IN CASH	24,750,128	49,668,108
CASH, BEGINNING OF YEAR	66,752,359	17,084,251
CASH, END OF YEAR	$ 91,502,487	$ 66,752,359
SUPPLEMENTAL INFORMATION		
Interest paid	$ 6,063,052	$ 8,174,495
Income tax paid	$ 684,486	$ 678,279
NON-CASH INVESTING ACTIVITIES		
Reclassification from long-term equity investments to securities purchased	$ -	$ 2,896,922
Reclassification from securities purchased to long-term bond investments	$ 8,267,476	$ -

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

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 include 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 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.

On August 15, 1997, the Bank acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchase of 100% of its shares. FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. As of December 31, 2003, FENB has 15 branches in Los Angeles and San Francisco areas and 1 Beijing representative office. It also has 6 wholly-owned subsidiaries-Far East Capital Corporation, FENB Securities Inc., FENB Loan Corp., FENB Film Corp., FENB Service, Inc., and Film Service Management Corp.

As of December 31, 2003 and 2002, SinoPac Bancorp and FENB had a total of 373 and 339 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's consolidated 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 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 consolidated 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 27 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below:

Consolidation

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

The operating revenues and total assets of the other 3 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, their accounts were not included in consolidated financial statements.

● **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 using 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.

Long-term Bond Investments

Long-term bond investments are recorded at cost and adjusted for amortization of premiums or discounts as the adjustment of interest revenue. Cost of bonds sold is calculated by the specified identification method.

Properties

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

Upon sale or disposal of properties, their cost and related accumulated depreciation are removed from the 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.

Intangible Assets

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

Collaterals Assumed

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

Derivative Financial Instruments

a. Foreign exchange forward contracts

Foreign-currency assets and liabilities arising from forward exchange contracts, which are mainly 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 are classified as realized 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 based on actuarial calculations, except for FENB.

Income Tax

Interperiod income tax allocation is applied, whereby tax effects of deductible temporary differences and unused investement 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.

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

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

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

The accounting method applied by the Bank to linked tax system of income tax filing adopted in 2003 by the Bank, SinoPac Holdings, SinoPac Securities and SinoPac Call Center Co., Ltd. is based on a directive issued by the 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 and remote, the related information is disclosed in the financial statements.

Foreign-currency Transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. Foreign-currency denominated income and expenses are translated into New Taiwan dollars at month-end 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 consolidated financial statements presentation.

3.ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES

Name of Corporation	Elimination Account	Amount	Counterparties of Transaction
For the year ended December 31, 2003			
Bank SinoPac	Due from banks	$ 110,145	SinoPac Bancorp and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	110,145	Bank SinoPac
For the year ended December 31, 2002			
Bank SinoPac	Due from banks	$ 220,368	SinoPac Bancorp and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	220,368	Bank SinoPac

4.CASH

	December 31	
	2003	2002
Negotiable certificates of deposit	$ 88,234,898	$ 64,644,097
Cash	1,696,768	1,656,948
Notes and checks in clearing	1,570,821	451,314
	$ 91,502,487	$ 66,752,359

As of December 31, 2003 and 2002, negotiable certificates of deposit aggregating $800,000 and $23,600,000, respectively, have maturities over one year and may be withdrawn momentarily.

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating $15,000,000 and $13,800,000 had been provided as collateral for the day time overdrafts as of December 31, 2003 and 2002, respectively, with the pledged amount which can be adjusted momentarily.

5.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.

6.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	14,343,933
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	1,797,744
	$ 28,817,564	$ 33,093,259

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	14,458,525
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	1,829,449

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.

7.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	998,716	1,187,759
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	39,342	148,310
	27,636,213	13,863,798
Less-allowance for credit losses	50,411	112,874
Net	$ 27,585,802	$ 13,750,924

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.

8.LOANS, DISCOUNTS AND BILLS PURCHASED

	December 31 2003	December 31 2002
Overdraft	$ 2,087,651	$ 2,834,970
Short-term loans	67,472,357	52,844,007
Mid-term loans	56,106,300	58,389,464
Long-term loans	124,371,432	109,672,916
Import and export negotiations	2,735,187	1,320,750
Bills purchased	398	1,712
Non-performing loans	2,938,747	2,150,299
	255,712,072	227,214,118
Less-allowance for credit losses	2,094,102	1,923,512
-unearned loan fees	143,962	120,991
Net	$ 253,474,008	$ 225,169,615

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

As of December 31, 2003 and 2002, the balances of non-accrual loans were $3,235,343 and $3,709,926, respectively. The unrecognized interest revenue on non-accrual loans amounted to $145,854 and $187,803 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 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, beginning of year	$ 768,820	$ 1,154,692	$ 1,923,512
Provision	1,556,813	160,354	1,717,167
Write-off	(1,655,115)	-	(1,655,115)
Recovery of written-off credits	60,279	-	60,279
Reclassifications	19,803	28,456	48,259
Balance, end of year	$ 750,600	$ 1,343,502	$ 2,094,102

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

As of December 31, 2003 and 2002, allowances for credit losses and provisions for losses on guarantees of the Bank were $2,177,568 and $2,069,532, respectively.

9.LONG-TERM INVESTMENTS

	December 31	
	2003	2002
Long-term equity investments		
Equity method		
Unlisted stocks	$ 3,186,772	$ 3,029,381
Cost method		
Listed and over-the-counter stocks	641,925	655,717
Unlisted stocks	740,639	877,495
Venture fund	119,691	-
	1,502,255	1,533,212
	4,689,027	4,562,593
Less-unrealized losses	281,478	298,387
	4,407,549	4,264,206
Long-term bond investments		
Corporate bonds	7,182,534	346,309
Net	$ 11,590,083	$ 4,610,515

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

	December 31	
	2003	2002
Listed and over-the-counter stocks	$ 362,044	$ 357,330
Corporate bonds	7,068,957	353,647

The income from long-term equity investments, which amounted to $297,081 and $177,257 for the years ended December 31, 2003 and 2002, respectively, were recognized on the basis of investees' audited financial statements for the same periods, 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.

As of December 31, 2003 and 2002, part of the unrealized loss on long-term equity investments 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.

10.PROPERTIES

	December 31	
	2003	2002
Cost	$ 7,546,909	$ 7,092,926
Less-accumulated depreciation		
Buildings	416,137	338,881
Computer equipment	849,087	728,600
Transportation equipment	40,490	39,051
Office and other equipment	967,818	896,603
	2,273,532	2,003,135
	5,273,377	5,089,791
Advances on acquisitions of equipment and construction in progress	129,542	190,954
Net	$ 5,402,919	$ 5,280,745

11.OTHER ASSETS

	December 31	
	2003	2002
Refundable guarantee deposits	$ 2,732,341	$ 979,952
Value of options purchased	2,623,035	1,167,808
Collateral assumed	1,356,227	380,460
Intangible assets	847,325	953,180
Computer system software	270,404	244,089
Other	619,703	736,026
	$ 8,449,035	$ 4,461,515

As of December 31, 2003 and 2002, refundable guarantee deposits included $2,273,810 and $640,121, respectively, which were provided by government bonds, corporate bonds and certificate of deposits.

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

12.ACCOUNTS, INTEREST AND OTHER PAYABLES

	December 31	
	2003	2002
Accounts payable	$ 10,402,322	$ 4,313,727
Notes and checks in clearing	2,413,115	1,150,541
Interest payable	1,106,583	1,298,824
Accrued expenses	897,847	691,343
Tax payable	284,831	179,740
Other	228,065	182,510
	$ 15,332,763	$ 7,816,685

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.

13.DEPOSITS AND REMITTANCES

	December 31	
	2003	2002
Checking	$ 10,616,321	$ 6,148,437
Demand	64,417,013	41,096,274
Savings-demand	62,315,667	50,317,311
Time	126,979,975	120,473,245
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
	$ 350,494,170	$ 277,931,360

14.BANK DEBENTURES

	December 31			
	2003	2002	Maturity Date	Terms
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.
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.

	December 31		Maturity Date	Terms
	2003	2002		
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.
FENB subordinated bank debenture	339,780	-	2003.06.26-2013.06.26 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
FENB subordinated bank debenture	169,890	-	2003.09.17-2013.09.17 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
	$ 21,909,670	$ 7,000,000		

15.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.

16.TREASURY STOCK

(Shares in Thousands)

Reasons of Repurchase	Shares at Beginning or Year	Shares Increased During the Yaer	Shares Decreased During the Yaer	Shares at Ending or Year
For the year ended December 31, 2002				
Re-issuance 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.

17.SERVICE FEES

	For the Years Ended December 31	
	2003	2002
Mutual funds and structured notes	$ 440,267	$ 231,922
Factoring and financing	293,761	260,717
Custody	170,172	139,491
Loan documentation fee	100,919	56,382
Other	753,852	586,716
	$ 1,758,971	$ 1,275,228

18.INCOME FROM SECURITIES-NET

	For the Years Ended December 31	
	2003	2002
Short-term bills		
Capital gain-net	$ 43,712	$ 105,340
Interest revenue	1,556,204	1,856,248
	1,599,916	1,961,588
Bonds		
Capital gain-net	645,780	723,622
Interest revenue	51,000	82,788
	696,780	806,410
Stocks and mutual fund beneficiary certificates		
Capital gain (loss)-net	29,269	(5,420)
Dividends revenue	140,753	-
	170,022	(5,420)
	$ 2,466,718	$ 2,762,578

19.OPERATING AND ADMINISTRATIVE EXPENSES

	For the Years Ended December 31	
	2003	2002
Personnel expenses		
Salaries and wages	$ 3,017,361	$ 2,610,699
Pension	165,682	169,045
Labor insurance and national health insurance	156,388	133,765
Other	25,204	28,883
Depreciation	461,252	407,072
Amortization	167,706	151,657
Other	2,188,001	2,084,487
	$ 6,181,594	$ 5,585,608

20.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, beginning of year	$ 894,432	$ 733,237
Contributions	199,663	181,944
Benefits paid	(43,134)	(56,772)
Interest revenue	33,455	36,023
Balance, end of year	$ 1,084,416	$ 894,432

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
	$ 1,084,416	$ 894,432

b.Net pension costs for the years ended December 31, 2003 and 2002 are 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	$ 150,785	$ 157,657

c.The reconciliation of the funded status of the plan and accrued pension cost as of December 31, 2003 and 2002 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

	2003	2002
d.Vested benefit	$ 34,109	$ 180,274

e.Actuarial assumptions	2003	2002
1) Discount rate used in determining present values	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%

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

21.INCOME TAX

Under a directive issued by 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 the 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	$ 282,112	$ 411,820
Separation taxes on short-term bills interest revenue	275,118	242,697
Foreign income taxes over limitation	-	27,863
Change in deferred income taxes	130,197	43,184
Prior year's adjustment	12,861	(9,620)
Effects upon linked tax system	(175,060)	-
Tax on unappropriated earnings (10%)	-	65,876
Income tax	$ 525,228	$ 781,820

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

	For the Years Ended December 31	
	2003	2002
Tax on pretax income at statutory rate	$ 1,043,456	$ 963,936
Add (deduct) tax effects of:		
Tax-exempt income	(174,991)	(43,499)
Permanent difference	(588,622)	(480,714)
Temporary difference	(101,487)	(19,992)
Investment tax credit	(7,055)	(7,911)
Loss carryforward	110,811	-
Current income tax payable	$ 282,112	$ 411,820

c.Net deferred income tax assets (liabilities) of Bank SinoPac and SinoPac Bancorp consisted of the tax effects of the following:

	December 31	
	2003	2002
Bank SinoPac		
Investment income under the equity method	($ 440,160)	($ 311,778)
Unrealized foreign exchange gain	(84,811)	(6,971)
Loss carryforward	175,060	-
Deferred pension cost	24,564	-
Investment tax credit	7,055	-
Effects upon linked tax system	(175,060)	-
Deferred income tax liabilities	($ 493,352)	($ 318,749)
Deferred income tax assets (included in other assets)	$ 30,273	$ 373
SinoPac Bancorp		
Goodwill amortization	($ 90,634)	($ 91,608)
Deferred loan fees	(177,107)	(150,706)
Provision for credit losses	254,472	258,793
Other	53,615	9,360
Deferred income tax assets-net	$ 40,346	$ 25,839

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.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.

f.Tax payable as of December 31, 2003 and 2002 which included in other payable account were after deducting prepaid tax $332,984 and $462,118, respectively. 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.

22.EARNINGS PER SHARE

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

	Numerator (Amounts)		Denominator	EPS (NT$)	
	Pretax	After Tax	(Shares in Thousands)	Pretax	After Tax
For the year ended December 31, 2003					
Basic EPS					
Net income belongs to common stockholders	$ 3,279,127	$ 2,753,899	1,944,398	$ 1.69	$ 1.42
For the year ended December 31, 2002					
Basic EPS					
Net income belongs to common stockholders	$ 3,036,869	$ 2,255,049	1,914,968	$ 1.59	$ 1.18

23.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
SinoPac Leasing Corporation (SPL)	Subsidiary of the Bank
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Fortune Investment Co., Ltd. (Fortune Investment)	Director of the Bank

Name	Relationship with 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	0.86%	1.30%-11.66%	$ 54,404	0.44%
For the year ended December 31, 2002	2,123,235	0.94%	1.70%-12.50%	63,523	0.48%

2) Deposits

	Ending Balance	% of Total	Interest Rate	Interest Expense	% of Total
For the year ended December 31, 2003					
SPH	$ 6,802,454	1.94%	0%-1.19%	$ 97,610	1.65%
Other	5,063,240	1.44%	0%-6.475%	35,411	0.60%
For the year ended December 31, 2002					
SPH	8,528,634	3.07%	0%-2.00%	71,646	0.94%
Other	927,059	0.33%	0%-6.95%	50,401	0.66%

3) Other receivables

	Amount		% of Total	
	December 31		For the Years Ended December 31	
	2003	2002	2003	2002
Other receivables	$ 26,196	$ 799	0.09%	0.01%

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:

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

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

	December 31	
	2003	2002
Properties-carrying amount	$ 1,461,650	$ 1,551,724

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

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

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

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

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	0.27%	0.08%
Service charges	23,998	-	8.28%	-
Project popularizing expense	24,396	15,766	17.52%	7.03%

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 1 to 6 years, with rentals paid monthly. The related information was summarized as follows:

	Rental Expenses For the Years Ended December 31			
Lessor	2003	2002	Lease Term	Payment Frequency
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 For the Years Ended December 31 2003	2002	Lease Term	Payment Frequency
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 5 years in the case of the credit card accounts and over 3 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 receivable 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.

24.SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 28, 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 1 to 7 years, with rentals paid monthly, quarterly or semiannually. Rentals for the next 5 years are as follows:

Year	Amount
2004	$ 315,514
2005	224,323
2006	195,937
2007	155,026
2008	103,623

Rentals for the years beyond 2008 amounting to $113,747, the present value of which is about $104,832 as discounted at the Bank's one-year time deposit rate from 1.35% to 1.70% 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 $7,683,684 were purchased under agreements to resell at $7,675,078 in January 2004.

g.Balance sheet and trust property of trust accounts

Balance Sheet of Trust Accounts

December 31, 2003

Trust Assets		Trust Liabilities and Equities	
Bank deposits	$ 457,501	Trust capital	$ 47,884,858
Short-term investments	46,294,619	Cumulative earnings	1,203,238
Receivables	8,554		
Properties	406,709		
Collective investment trust fund-net	1,920,713		
Total trust assets	$ 49,088,096	Total trust liabilities and equities	$ 49,088,096

Trust Property of Trust Accounts
December 31, 2003

Investment Portfolio	Amount
Bank deposits	$ 457,501
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	60,655
	46,294,619
Receivables	8,554
Properties	
Land	406,398
Construction in process	311
	406,709
Collective investment trust fund-net	1,920,713
Total	$ 49,088,096

25.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.

26.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 (%)
Interest-earning assets				
Cash-negotiable certificates of deposit	$ 80,133,515	1.01	$ 38,201,479	1.62
Due from banks	7,553,937	1.35	1,955,131	1.71
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	39,548,290	3.94
Loans, discounts and bills purchased	237,561,871	4.20	203,111,439	5.55
Accounts receivable from factoring	5,913,668	3.65	4,589,239	4.90
Interest-bearing liabilities				
Due to banks	9,211	0.03	5,441	0.69
Call loans (taken)	55,256,266	1.17	33,630,163	1.90
Demand deposits	49,140,621	0.86	32,174,743	1.25
Savings-demand deposits	57,042,729	0.68	51,144,928	1.68
Time deposits	131,965,732	1.41	116,911,613	2.26
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

27.MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity of assets and liabilities of the Bank is based on the remaining period from balance sheet dates. The remaining period to maturity is based on maturity dates specified under agreements, and, 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	Due after Five Years	Total
Assets				
Cash	$ 91,502,487	$ -	$ -	$ 91,502,487
Due from banks	19,716,534	-	-	19,716,534
Due from Central Bank	11,409,591	-	-	11,409,591
Securities purchased	28,817,564	-	-	28,817,564
Receivables	29,889,734	-	-	29,889,734
Loans, discounts and bills purchased (excluding nonperforming loans)	85,706,180	34,804,808	132,262,337	252,773,325
	$ 267,042,090	$ 34,804,808	$ 132,262,337	$ 434,109,235
Liabilities				
Call loans and due to banks	$ 41,257,886	$ -	$ -	$ 41,257,886
Payables	17,525,368	49,790	11,126	17,586,284
Deposits and remittances	340,341,357	10,152,813	-	350,494,170
Bank debentures	-	17,500,000	4,409,670	21,909,670
	$ 399,124,611	$ 27,702,603	$ 4,420,796	$ 431,248,010

	December 31, 2002			
	Due in One Year	Due between One Year and Five Years	Due after Five Years	Total
Assets				
Cash	$ 66,752,359	$ -	$ -	$ 66,752,359
Due from banks	11,303,691	-	-	11,303,691
Due from Central Bank	11,011,956	-	-	11,011,956
Securities purchased	33,093,259	-	-	33,093,259
Receivables	15,239,422	-	-	15,239,422
Loans, discounts and bills purchased (excluding nonperforming loans)	74,554,355	36,261,881	114,247,583	225,063,819
	$ 211,955,042	$ 36,261,881	$ 114,247,583	$ 362,464,506
Liabilities				
Call loans and due to banks	$ 55,248,193	$ -	$ -	$ 55,248,193
Payables	9,121,705	46,512	24,092	9,192,309
Deposits and remittances	268,960,556	8,970,804	-	277,931,360
Bank debentures	-	5,000,000	2,000,000	7,000,000
	$ 333,330,454	$ 14,017,316	$ 2,024,092	$ 349,371,862

28.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		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
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	25,702,349	304,759	232,683
-Sell	67,245,886	272,535	(150,726)	21,724,333	292,567	61,340
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	121,291,215	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		
Financial Instruments	Contract (Notional) Amount	Credit Risk	Value of Options Purchased / Written	Contract (Notional) Amount	Credit Risk	Value of Options Purchased / Written
Options						
-As buyer	$104,990,468	$ 943,796	$ 2,623,035	$ 50,020,459	$ 578,594	$1,167,808
-As seller	101,671,063	-	1,531,973	50,785,417	-	1,166,713

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

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 from Bank SinoPac for the years ended December 31, 2003 and 2002 were as follows:

		For the Years Ended December 31	
	Account	2003	2002
For hedging purposes:			
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	-
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
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	3,513	-
Credit default swap contracts			
-Realized	Income from derivative financial transactions	201	-

The gains and losses on derivative financial instruments from the Bank's subsidiary, FENB, for the years ended December 31, 2003 and 2002 were not significant.

b.Fair value of nonderivative financial instruments

	December 31 2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Financial assets-with fair values approximating carrying amounts	$ 152,467,935	$ 152,467,935	$ 104,194,554	$ 104,194,554
Securities purchased	28,817,564	30,261,041	33,093,259	33,491,086
Loans, discounts and bills purchased	253,474,008	253,474,008	225,169,615	225,169,615
Long-term equity investments	4,407,549	4,407,549	4,264,206	4,264,206
Long-term bond investments	7,182,534	7,068,957	346,309	353,647
Other assets-refundable guarantee deposits	2,732,341	2,704,136	979,952	986,251
Liabilities				
Financial liabilities-with fair values approximating carrying amounts	58,844,170	58,844,170	64,440,502	64,440,502
Deposits and remittances	350,494,170	350,494,170	277,931,360	277,931,360
Bank debentures	21,909,670	21,909,670	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, long-term equity investments and long-term bond 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 and corporate bonds submitted as refundable guarantee deposits are based on market values while those of certificates of deposits 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 1 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:

	2003	2002
Undrawn loan commitments	$ 17,504,577	$ 14,310,438
Financial guarantees and standby letters of credit	13,504,666	10,113,474
Credit card commitments for credit cards	68,296	58,507

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 77% and 79%, 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.

The commitment of credit cards don't require collateral, but need to evaluate credibility for period. In case, it is necessary to modify credit amount.

29.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	$ 148,858,452	$ 136,867,030
Manufacturing	31,367,544	15,510,637
Properties	29,828,556	23,449,870
Foreign corporation	8,799,697	25,639,592

The net positions of Bank SinoPac 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

30.ADDITIONAL DISCLOSURES

a.Following are the additional disclosures required by the SFC for the Bank and investees:(Please see Financial Report of Bank SinoPac's Table 1~Table 7).

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: Please see Note 28;

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

31.SEGMENT AND GEOGRAPHIC INFORMATION

The Bank is engaged only in banking activities as prescribed by the Banking Law and has no single customer that accounts for 10% or more of the Bank's operating revenues. Geographic information is as follows:

	Domestic	United States	Adjustments and Eliminations	Total
For the year ended December 31, 2003				
Revenues from third parties	$ 14,176,698	$ 3,480,597	($ 56,756)	$ 17,600,539
Segment income	$ 2,560,429	$ 438,174	($ 16,557)	$ 2,982,046
Investment income under theequity method				297,081
Income before income tax				$ 3,279,127
December 31, 2003				
Identifiable assets	$ 392,706,237	$ 64,619,138	($ 110,145)	$ 457,215,230
Long-term equity investments under the equity method				3,186,772
Total assets				$ 460,402,002
For the year ended December 31, 2002				
Revenues from third parties	$ 14,323,107	$ 3,348,087	$ -	$ 17,671,194
Segment income	$ 2,101,047	$ 758,565	$ -	$ 2,859,612
Investment income under the equity method				177,257
Income before income tax				$ 3,036,869
December 31, 2002				
Identifiable assets	$ 315,193,433	$ 59,020,970	($ 220,368)	$ 373,994,035
Long-term equity investments under the equity method				3,029,381
Total assets				$ 377,023,416

Six-year Financial Ratios of Bank SinoPac

Item / Year	2003	2002	2001	2000	1999	1998
Total Liabilities / Total Assets	93.62%	92.44%	91.62%	90.58%	89.81%	89.83%
Deposits / Equity	1,162.52%	940.62%	932.05%	898.66%	788.67%	824.84%
Fixed Assets / Equity	18.85%	19.18%	20.29%	19.78%	20.83%	19.63%
Liquidity Reserve Ratio	39.37%	32.17%	15.03%	12.46%	13.10%	20.45%
Loans / Deposits	69.79%	80.18%	77.48%	78.65%	82.38%	75.22%
Past Due Ratio	1.43%	1.73%	1.80%	1.04%	0.99%	0.70%
Interest Expenses / Average Deposits	1.20%	2.16%	4.01%	4.90%	5.34%	6.17%
Interest Revenues / Average Loans	3.97%	5.53%	7.13%	8.00%	8.29%	8.90%
Turnover of Total Assets	0.04	0.05	0.06	0.07	0.08	0.08
Revenues Per Employee (In NT$ thousands)	7,442	7,144	9,161	9,272	9,268	11,098
Net Profit Per Employee (In NT$ thousands)	1,359	1,064	868	980	1,091	785
Return on Total Assets	0.74%	0.74%	0.60%	0.77%	0.90%	0.55%
Return on Equity	10.77%	9.33%	6.82%	7.92%	8.89%	5.72%
Operating Revenues / Capital Stock	14.86%	13.63%	9.52%	12.60%	12.75%	8.55%
Net Profit Before Tax / Capital Stock	15.49%	14.20%	10.37%	12.84%	12.75%	8.63%
Net Profit Rate	18.27%	14.89%	9.48%	10.75%	11.77%	7.07%
Earnings Per Share	1.42	1.18	0.81	0.88	0.92	0.52

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

Key Economic Indicators

Item	Unit	2003	2002	2001	2000	1999	1998	1997
Economic Growth								
1.Economic Growth Rate	%	**3.24**	3.59	-2.18	5.86	5.42	4.57	6.68
2.GNP	Billion US$	**295.9**	289.3	286.8	313.9	290.5	269.2	293.3
3.Per capital GNP	US$	**13,157**	12,916	12,876	14,188	13,235	12,360	13,592
4.Structure of domestic production	%	**100.0**	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	%	**1.6**	1.9	2.0	2.1	2.6	2.5	2.6
Industries	%	**31.4**	31.0	31.0	32.4	33.2	34.50	35.3
Services	%	**67**	67.1	67.0	65.5	64.2	63.0	62.1
5.Gross national savings/GNP	%	**26**	25.3	24.0	25.4	26.1	26.0	26.4
Prices (annual changes)								
1.Consumer price index	%	**-0.3**	-0.2	-0.01	1.3	0.2	1.7	0.9
2.Wholesale price index	%	**2.5**	0.1	-1.3	1.8	-4.5	0.6	-0.5
3.Import price index	%	**5.2**	0.4	-1.3	4.6	-4.1	0.7	-1.4
4.Export price index	%	**-1.5**	-1.5	0.3	-0.9	-8.5	5.6	2.1
Production (annual changes)								
1.Industrial production	%	**5.5**	6.4	-7.3	7.4	7.7	2.6	7.4
2.Manufacturing production	%	**5.4**	7.5	-8.0	8.0	8.1	2.4	8.7
Heavy industry	%	**7.1**	10	-7.6	11.1	11.1	4.6	13.1
Light industry	%	**-0.8**	-1.2	-9.4	-1.0	0.4	-3.1	-0.7
3.Floor Areas of applying construction permit	%	**8.3**	-21.8	-11	-15.1	6.6	-0.6	-15.9
Expenditure (growth rate)								
1.Private consumption expenditure	%	**0.8**	2.0	1.0	4.9	5.4	6.5	7.3
2.Outbound departure of nationals	%	**-19.1**	4.4	-1.9	11.7	10.9	-4.0	7.9
Investment								
1.Growth rate of fixed capital formation	%	**-1.6**	-2.1	-20.6	8.6	1.8	8.0	10.7
2.Growth rate of private fixed catpial formation	%	**-0.7**	2.5	-29.2	15.7	-0.7	11.8	18.6
3.Annual changes of approved foreign investment	%	**9.3**	-36.2	-32.6	79.8	13.2	-12.4	72.7
4.Increase rate of capital goods import	%	**0.4**	-3.5	-31.6	34.3	20.3	11.9	18.5
Trade (annual changes)								
1.Imports on customs basis	%	**13.1**	4.9	-23.4	26.5	5.8	-8.5	11.8
2.Exports on customs basis	%	**10.4**	6.3	-17.2	22.0	10.0	-9.4	5.3
3.Export orders received	%	**12.6**	11.2	-11.5	20.4	7.3	-4.0	4.1
Finance (fiscal year) *								
1.Central government expenditures/GNP	%	**17.2**	16.0	17.6	16.3	14.2	13.2	15.9
2.Central government balance								
% of GNP	%	**3.5**	2.5	2.5	1.3	-0.5	-1.2	2.4
% of expenditures	%	**20.2**	15.7	14.1	7.7	-3.4	-9.3	15.2
3.Central Government debts								
% of GNP	%	**31.5**	29	27.9	24	13.2	15.8	17.3
4.Annual changes in tax revenue	%	**1.6**	-2.6	-6.7	1.4	-3.0	9.9	6.1
5.Tax revenue/GNP	%	**13.4**	12.3	13	13.2	14.7	16.0	15.7
Banking								
1.Foreign reserves	Billion US$	**206.6**	161.7	122.2	106.7	106.2	90.34	83.50
2.Government foreign debt(June 30)	Billion NT$	**-**	0.33	0.56	0.75	1.06	1.88	2.48
3.Stock price index	1966=100	**5,162**	5,226	4,907	7,847	7,427	7,714	8,411
4.Annual changes of (M2)	%	**3.8**	3.6	5.8	7.0	8.3	8.8	8.3
5.Rediscount rate	%	**1,375**	1.625	2.125	4.625	4.5	4.75	5.25
6.Foreign exchange	NT$/US$	**33.978**	34.753	34.999	32.99	31.4	33.44	32.64
Labor force								
1.Unemployment rate	%	**4.99**	5.17	4.57	2.99	2.92	2.69	2.72
export :	Billion US$	**144.2**	130.6	122.9	148.32	121.59	110.58	122.08
import :	Billion US$	**127.3**	112.6	107.24	140.01	110.69	114.66	114.42

Explanation : * Data of Finance refer to fiscal year, starting from July 1 through June 30.
** Data Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.

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