

## **Bank SinoPac and Subsidiaries**

**Consolidated Financial Statements as of December 31, 2002 and 2001**

**Together with Independent Auditors' Report**

Readers are advised that the original version of these financial statements is in Chinese. This English translation is solely for the readers' convenience and these financial statements do not include additional disclosures that are required for Chinese-language reports under the Guidelines for Securities Issuers' Financial Reporting promulgated by the Securities and Futures Commission of the Republic of China. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

The Board of Directors and Stockholders  
Bank SinoPac

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac and subsidiaries as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with Guidelines for Securities Issuers' Financial Reporting and accounting principles generally accepted in the Republic of China.

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

January 24, 2003

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2002 and 2001

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Par Value Per Share)

A S S E T S	2002		2001		LIABILITIES AND STOCKHOLDERS' EQUITY	2002		2001	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH (Note 4)	\$ 66,752,359	18	\$ 17,084,251	6	LIABILITIES				
DUE FROM BANKS	11,303,691	3	41,009,253	13	Call loans and due to banks	\$ 55,248,193	15	\$ 27,251,419	9
DUE FROM CENTRAL BANK (Note 5)	11,011,956	3	7,197,683	2	Accounts, interest and other payables (Notes 12 and 21)	7,816,685	2	7,177,294	2
SECURITIES PURCHASED - NET (Notes 2, 6 and 23)	33,093,259	9	30,343,326	10	Acceptances payable	1,375,624	-	199,453	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES - NET (Notes 2, 7 and 23)	13,750,924	4	10,071,316	3	Deposits and remittances (Notes 13 and 23)	277,931,360	74	249,511,223	79
ACCEPTANCES	1,375,624	-	199,453	-	Bank debentures (Note 14)	7,000,000	2	5,000,000	2
PREPAID EXPENSES (Note 2)	213,213	-	219,938	-	Other liabilities (Notes 2, 20 and 21)	2,655,880	-	2,180,547	1
LOANS, DISCOUNTS AND BILLS PURCHASED - NET (Notes 2, 8 and 23)	225,169,615	60	192,230,478	61	Total Liabilities	<u>352,027,742</u>	<u>93</u>	<u>291,319,936</u>	<u>93</u>
LONG-TERM EQUITY INVESTMENTS - NET (Notes 2, 6, 9 and 23)	4,264,206	1	7,338,179	2	STOCKHOLDERS' EQUITY				
LONG-TERM BOND INVESTMENTS (Notes 2 and 9)	346,309	-	-	-	Capital stock, \$10 par value				
PROPERTIES (Notes 2, 10, 23 and 24)					Authorized and issued - 1,944,397,617 shares	19,443,975	5	19,443,975	6
Cost					Capital surplus				
Land	1,875,954	1	1,876,653	1	Additional paid-in capital	125,030	-	125,030	-
Buildings	2,310,456	1	2,080,646	1	Gain on disposal of properties	-	-	19,866	-
Computer equipment	1,260,924	-	1,155,818	-	Donated capital	83	-	83	-
Transportation equipment	54,587	-	59,276	-	Other	95	-	2,984	-
Office and other equipment	1,591,005	-	1,468,852	1	Retained earnings				
Total cost	<u>7,092,926</u>	<u>2</u>	<u>6,641,245</u>	<u>3</u>	Legal reserve	2,997,437	1	2,541,406	1
Accumulated depreciation	<u>2,003,135</u>	<u>1</u>	<u>1,693,918</u>	<u>1</u>	Special reserve	282,977	-	288,227	-
	5,089,791	1	4,947,327	2	Unappropriated	2,246,233	1	1,501,128	-
Advances on acquisitions of equipment and construction in progress	190,954	-	222,154	-	Unrealized loss on long-term equity investments	( 321,428)	-	( 302,530)	-
Net Properties	<u>5,280,745</u>	<u>1</u>	<u>5,169,481</u>	<u>2</u>	Unrealized revaluation loss	-	-	( 35,746)	-
OTHER ASSETS (Notes 2 and 11)	<u>4,461,515</u>	<u>1</u>	<u>3,777,856</u>	<u>1</u>	Cumulative translation adjustment	221,272	-	237,209	-
					Treasury stock, at cost: 40,535,000 shares	-	-	( 500,354)	-
TOTAL ASSETS	<u>\$ 377,023,416</u>	<u>100</u>	<u>\$ 314,641,214</u>	<u>100</u>	Total Stockholders' Equity	<u>24,995,674</u>	<u>7</u>	<u>23,321,278</u>	<u>7</u>
					CONTINGENCIES AND COMMITMENTS (Notes 2, 24 and 28)				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 377,023,416</u>	<u>100</u>	<u>\$ 314,641,214</u>	<u>100</u>

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

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2002 and 2001

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2002		2001	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Interest (Notes 2 and 8)	\$ 13,744,294	77	\$ 15,980,466	82
Service fees (Notes 2, 17 and 23)	1,275,228	7	863,701	4
Income from securities - net (Notes 2 and 18)	2,160,647	12	2,481,005	13
Income from long-term equity investments				
- net (Notes 2, 9 and 23)	168,235	1	-	-
Foreign exchange gain - net (Note 2)	170,425	1	89,301	-
Other (Note 28)	329,622	2	140,397	1
<b>Total Operating Revenues</b>	<b>17,848,451</b>	<b>100</b>	<b>19,554,870</b>	<b>100</b>
<b>OPERATING EXPENSES</b>				
Interest (Note 2)	7,642,473	43	11,009,286	56
Service charges (Note 23)	180,707	1	143,247	1
Provision for trading losses	13,753	-	-	-
Loss from long-term equity investments - net				
(Notes 2 and 9)	-	-	230,526	1
Provision for credit losses (Notes 2, 7 and 8)	1,435,889	8	1,072,380	6
Operating and administrative expenses				
(Notes 2, 19, 20 and 23)	5,585,608	31	4,904,819	25
Other	62,791	-	143,760	1
<b>Total Operating Expenses</b>	<b>14,921,221</b>	<b>83</b>	<b>17,504,018</b>	<b>90</b>
<b>OPERATING INCOME</b>	<b>2,927,230</b>	<b>17</b>	<b>2,050,852</b>	<b>10</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>				
Income (Note 23)	165,793	-	214,224	1
Expenses	( 56,154)	-	( 49,419)	-
<b>Non-Operating Income - Net</b>	<b>109,639</b>	<b>-</b>	<b>164,805</b>	<b>1</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>3,036,869</b>	<b>17</b>	<b>2,215,657</b>	<b>11</b>
<b>INCOME TAX (Notes 2 and 21)</b>	<b>781,820</b>	<b>4</b>	<b>664,531</b>	<b>3</b>
<b>NET INCOME</b>	<b>\$ 2,255,049</b>	<b>13</b>	<b>\$ 1,551,126</b>	<b>8</b>
		After		After
	Pre-tax	Tax	Pre-tax	Tax
<b>EARNINGS PER SHARE (Note 22)</b>				
Basic earnings per share	<u>\$ 1.59</u>	<u>\$ 1.18</u>	<u>\$ 1.15</u>	<u>\$ 0.81</u>

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

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
For the Years Ended December 31, 2002 and 2001  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except Dividends Per Share)

	CAPITAL STOCK (Note 15)		CAPITAL SURPLUS (Notes 2 and 15)					RETAINED EARNINGS (Notes 15 and 21)				UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)	UNREALIZED REVALUATION LOSS (Notes 2 and 9)	CUMULATIVE TRANSLATION ADJUSTMENT (Note 2)	TREASURY STOCK (Notes 2 and 16)	TOTAL STOCKHOLDERS' EQUITY
	Shares	Amount	Additional Paid-in Capital	Gain on Disposal of Properties	Donated Capital	Other	Total	Legal Reserve	Special Reserve	Unappropriated	Total					
BALANCE, JANUARY 1, 2001	1,757,663,890	\$ 17,576,638	\$ 946,145	\$ 16,489	\$ 83	\$ 271	\$ 962,988	\$ 2,034,866	\$ 190,508	\$ 1,688,469	\$ 3,913,843	(\$ 221,716)	\$ -	\$ 115,398	(\$ 195,975)	\$ 22,151,176
Appropriation of 2000 earnings																
Legal reserve	-	-	-	-	-	-	-	506,540	-	( 506,540)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	-	-	97,719	( 97,719)	-	-	-	-	-	-
Stock dividends - \$1 per share, effected on July 23, 2001	174,112,589	1,741,126	( 821,115)	-	-	-	( 821,115)	-	-	( 920,011)	( 920,011)	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	( 21,647)	( 21,647)	-	-	-	-	( 21,647)
Bonus to employees	12,621,138	126,211	-	-	-	-	-	-	-	( 140,708)	( 140,708)	-	-	-	-	( 14,497)
Net income for 2001	-	-	-	-	-	-	-	-	-	1,551,126	1,551,126	-	-	-	-	1,551,126
Reclassification of gain on sale of properties to capital surplus	-	-	-	3,377	-	-	3,377	-	-	( 3,377)	( 3,377)	-	-	-	-	-
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	( 80,814)	-	-	-	( 80,814)
Unrealized revaluation loss recognized from investees under the equity method	-	-	-	-	-	-	-	-	-	-	-	-	( 35,746)	-	-	( 35,746)
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	121,811	-	121,811
Transfer of gain on sale of properties to capital surplus recognized from investees under the equity method	-	-	-	-	-	950	950	-	-	( 950)	( 950)	-	-	-	-	-
Difference adjustment between the equity in net assets for the investments and the book value from long-term equity investments	-	-	-	-	-	1,763	1,763	-	-	( 47,515)	( 47,515)	-	-	-	-	( 45,752)
Treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	( 304,379)	( 304,379)
BALANCE, DECEMBER 31, 2001	1,944,397,617	\$ 19,443,975	\$ 125,030	\$ 19,866	\$ 83	\$ 2,984	\$ 147,963	\$ 2,541,406	\$ 288,227	\$ 1,501,128	\$ 4,330,761	(\$ 302,530)	(\$ 35,746)	\$ 237,209	(\$ 500,354)	\$ 23,321,278
Reversal of capital surplus from gain on sale of properties to retained earnings	-	-	-	( 19,866)	-	-	( 19,866)	-	-	19,866	19,866	-	-	-	-	-
Reversal of capital surplus from gain on sale of properties to retained earnings recognized from investees under the equity method	-	-	-	-	-	( 1,211)	( 1,211)	-	-	1,211	1,211	-	-	-	-	-
Reversal of special reserve appropriated equivalent to the debit balance of accounts in stockholders' equity	-	-	-	-	-	-	-	-	( 5,250)	5,250	-	-	-	-	-	-
Appropriation of 2001 earnings																
Legal reserve	-	-	-	-	-	-	-	456,031	-	( 456,031)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	( 21,423)	( 21,423)	-	-	-	-	( 21,423)
Bonus to employees	-	-	-	-	-	-	-	-	-	( 139,251)	( 139,251)	-	-	-	-	( 139,251)
Cash dividends - \$0.4782 per share	-	-	-	-	-	-	-	-	-	( 910,489)	( 910,489)	-	-	-	-	( 910,489)
Net income for 2002	-	-	-	-	-	-	-	-	-	2,255,049	2,255,049	-	-	-	-	2,255,049
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	( 18,898)	-	-	-	( 18,898)
Reversal of unrealized revaluation loss and capital surplus upon sale of the related long-term equity investment	-	-	-	-	-	( 1,678)	( 1,678)	-	-	-	-	-	35,746	-	-	34,068
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	( 15,937)	-	( 15,937)
Treasury stock	-	-	-	-	-	-	-	-	-	( 9,077)	( 9,077)	-	-	-	500,354	491,277
BALANCE, DECEMBER 31, 2002	1,944,397,617	\$ 19,443,975	\$ 125,030	\$ -	\$ 83	\$ 95	\$ 125,208	\$ 2,997,437	\$ 282,977	\$ 2,246,233	\$ 5,526,647	(\$ 321,428)	\$ -	\$ 221,272	\$ -	\$ 24,995,674

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

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2002 and 2001  
(Amounts Expressed in Thousands of New Taiwan Dollars)

	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,255,049	\$ 1,551,126
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	558,729	431,645
Provisions for credit and trading losses	1,449,642	1,072,380
Reversal of allowance for decline in market value of securities purchased	( 809)	( 10,787)
Loss (gain) on disposal of properties - net	51,595	( 19,490)
Loss (income) from long-term equity investments under equity method - net	( 177,257)	261,340
Cash dividends received from long-term equity investments under equity method	56,496	-
Realized loss on long-term equity investments	10,583	19,774
Loss (gain) on sale of long-term equity investments - net	33,280	( 571)
Accrued pension cost	158,942	138,210
Deferred income taxes	43,184	78,081
Decrease (increase) in securities purchased - for trading purposes	( 192,406)	3,646,339
Increase in accounts, interest and other receivables	( 3,679,608)	( 671,009)
Decrease in prepaid expenses	6,725	54,934
Increase (decrease) in accounts, interest and other payables	<u>639,391</u>	<u>( 262,489)</u>
Net Cash Provided by Operating Activities	<u>1,213,536</u>	<u>6,289,483</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in due from banks	29,705,562	( 22,445,039)
Decrease (increase) in due from Central Bank	( 3,814,273)	366,507
Decrease (increase) in securities purchased - for investing purposes	340,204	( 3,302,973)
Increase in loans, discounts and bills purchased	( 34,375,026)	( 17,603,167)
Increase in long-term equity investments	( 687,563)	( 1,509,485)
Decrease (increase) in long-term bond investments	( 346,309)	1,395,813
Proceeds from sales of long-term equity investments	936,757	80,900
Acquisition of properties	( 639,760)	( 856,501)
Proceeds from sale of properties	69,828	47,463
Increase in other assets	<u>831,329</u>	<u>( 378,923)</u>
Net Cash Used in Investing Activities	<u>( 9,641,909)</u>	<u>( 44,205,405)</u>

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2002</u>	<u>2001</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in call loans and due to banks	\$ 27,996,774	\$ 18,942,903
Increase in deposits and remittances	28,420,137	24,243,036
Increase in bank debentures	2,000,000	5,000,000
Increase in other liabilities	259,456	873,140
Cash dividends paid	( 910,489)	-
Remuneration to directors and supervisors and bonus to employees	( 160,674)	( 36,144)
Decrease (increase) in treasury stock	<u>491,277</u>	<u>( 304,379)</u>
Net Cash Provided by Financing Activities	<u>58,096,481</u>	<u>48,718,556</u>
INCREASE IN CASH	49,668,108	10,802,634
CASH, BEGINNING OF YEAR	<u>17,084,251</u>	<u>6,281,617</u>
CASH, END OF YEAR	<u>\$ 66,752,359</u>	<u>\$ 17,084,251</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 8,174,495</u>	<u>\$ 11,344,925</u>
Income tax paid	<u>\$ 678,279</u>	<u>\$ 772,985</u>
<b>INVESTING ACTIVITIES NOT AFFECTING CASH</b>		
Reclassification from long-term equity investments to securities purchased	<u>\$ 2,896,922</u>	<u>\$ -</u>

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

BANK SINOPAC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

The Bank obtained government approval to incorporate on August 8, 1991, and commenced operations on January 28, 1992. The Bank is engaged in commercial banking, trust, and foreign exchange operations as prescribed by the Banking Law.

As of December 31, 2002, the Bank's operating units include Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), forty-two domestic branches, two overseas branches and one overseas representative office.

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

The Bank, National Securities Co., Ltd. (the "NSC", which has been renamed as SinoPac Securities Corporation on June 9, 2002) and SinoPac Securities Co., Ltd. (the "SPS") have established SinoPac Holdings (the "SPH"), a financial holding company, pursuant to the Financial Holding Company Law, as of May 9, 2002. The parties established the holding company in order to maximize the benefit of their combined capital, pool their business channel, fully harness the synergy of their diversified business operations and establish one of the most competitive organizations in the Pacific Rim. The Bank, the NSC and the SPS exchanged issued shares with SPH at ratios of 1:1.0267130836, 1:1.0098971566 and 1:0.7968960296, respectively, which has been approved both by stockholders on November 19, 2001 and by the Ministry of Finance (MOF) on November 28, 2001. Since May 9, 2002, the effective date of the aforementioned stock exchange, the Bank has become an unlisted wholly-owned subsidiary of SPH which shares are traded on the Taiwan Stock Exchange (TSE).

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

On August 15, 1997, Bank SinoPac acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchase of 100% of its shares. FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. As of December 31, 2002, FENB has 15 branches in Los Angeles and San Francisco areas and one Beijing representative office. It also has four wholly-owned subsidiaries - Far East Capital Corporation, a small business investment bank, FENB Securities Inc., a small securities corporation, FENB Loan Corp., an asset management corporation, and FENB Film Corp., a motion picture asset management corporation.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### Consolidation

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

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

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

### Securities purchased

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

Short-term bills are stated at cost (which approximates market value). Stocks, beneficiary certificates and bonds are stated at the lower of cost or market. Market prices are determined as follows: (a) listed stocks - average daily closing prices for the last month of the accounting period; (b) beneficiary certificates (open-end fund) - net asset values as of the balance sheet dates; and (c) over-the-counter stocks - average daily closing prices for the last month of the accounting period, published by the Republic of China Over the Counter Securities Exchange (the OTC Exchange); and (d) bonds - period-end reference prices published by the OTC Exchange.

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

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

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

### Non-performing loans

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

### Allowance for credit losses and provision for losses on guarantees

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

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

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

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

### Long-term equity investments

Long-term equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Investments accounted for by the equity method are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. Any difference between the acquisition cost and the equity of the investee acquired at the time of investment is amortized over 15 years. Long-term equity investments are accounted for by the cost method if the Bank does not have significant influence over the investees. Stock dividends result only in an increase in number of shares and are not recognized as investment income.

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

For listed and over-the-counter stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying value, an allowance for market value decline is provided and the unrealized loss is charged against stockholders' equity. If a decline in the value of an unlisted stock investment is considered as permanent loss, the decline is charged to current income.

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

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

### Long-term bond investments

Long-term bond investments, comprised of corporate bonds, are recorded at cost and adjusted for amortization of premiums or discounts. Cost of bonds sold is calculated by the moving-average method.

### Properties

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

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

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

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

### Intangible assets

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

### Collaterals assumed

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

### Derivative financial instruments

#### a. Foreign exchange forward contracts

Foreign-currency assets and liabilities arising from forward exchange contracts, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded at the contracted forward rates. Gains or losses arising from the differences between the contracted forward rates and spot rates at settlement are credited or charged to current income. For contracts outstanding as of the balance sheet date, the gains or losses arising from the differences between the contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to current income. Receivables arising from forward exchange contracts are offset against related payables as of the balance sheet dates.

b. Forward rate agreements

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

c. Currency swap contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded at the spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates; with receivables netted against the related payables.

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

d. Cross currency swaps

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

e. Options

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

f. Interest rate swaps

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

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

g. Asset swaps

Asset swaps involve exchanging the fixed rate interest of convertible bonds, bank debentures for floating rate interest; in addition, asset swaps also involve exchanging the fixed or floating interest rate of credit link notes for floating or fixed rate interest. These transactions are recorded by memorandum entries at the contract dates. Asset swaps are entered into for hedging purposes; they are used to hedge interest rate exposure in convertible bonds, bank

debentures and credit link notes denominated in foreign currency. Net interest upon each settlement or balance sheet date is recorded as an adjustment to interest revenue or expenses associated with the bonds or notes being hedged.

#### h. Futures

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

#### Recognition of interest revenue and service fees

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

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

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

#### Pension

Pension expense is determined based on actuarial calculations.

#### Income tax

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

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

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

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

#### Contingencies

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

### Foreign-currency transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. Foreign-currency denominated income and expenses are translated into New Taiwan dollars at month-end spot rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at closing rates as of the balance sheet dates. Realized and unrealized foreign exchange gains or losses are credited or charged to current income. Gains or losses resulting from restatement of year-end foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to "cumulative translation adjustment" under stockholders' equity.

### Treasury stock

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

### 3. ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES

<u>Name of Corporation</u>	<u>Elimination Account</u>	<u>Amount</u>	<u>Counterparties of Transaction</u>
----------------------------	----------------------------	---------------	--------------------------------------

#### 2002

Bank SinoPac	Due from banks	\$ 220,368	SinoPac Bancorp and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	220,368	Bank SinoPac

#### 2001

Bank SinoPac	Due from banks	448,199	SinoPac Bancorp and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	448,199	Bank SinoPac

### 4. CASH

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

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

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

#### 5. DUE FROM CENTRAL BANK

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

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

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

#### 6. SECURITIES PURCHASED

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

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

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

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

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

7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES	December 31	
	2002	2001
Accounts receivable	\$ 11,607,423	\$ 8,236,446
Interest receivable	1,187,759	1,503,292
Accrued revenue	587,722	254,804
Tax refundable	183,456	57,772
Forward exchange receivable - net	149,128	-
Other	<u>148,310</u>	<u>84,145</u>
	13,863,798	10,136,459
Less - allowance for credit losses	<u>112,874</u>	<u>65,143</u>
Net	<u>\$ 13,750,924</u>	<u>\$ 10,071,316</u>

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

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

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

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

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

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

	<u>For the Year Ended December 31, 2002</u>		
	For	For Losses	
	Losses on	on the	
	Particular	Overall Loan	
	Loans	Portfolio	
		(Excluding	
		the	
		Particular	
		Loans)	
			<u>Total</u>
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	<u>68,395</u>	( <u>23,391</u> )	<u>45,004</u>
Balance, end of year	<u>\$ 768,820</u>	<u>\$ 1,154,692</u>	<u>\$ 1,923,512</u>
	<u>For the Year Ended December 31, 2001</u>		
	For	For Losses	
	Losses on	on the	
	Particular	Overall Loan	
	Loans	Portfolio	
		(Excluding	
		the	
		Particular	
		Loans)	
			<u>Total</u>
Balance, beginning of year	\$ 465,606	\$ 1,030,009	\$ 1,495,615
Provision	1,055,853	16,527	1,072,380
Write-off	( 1,150,090)	-	( 1,150,090)
Recovery of written-off credits	55,921	-	55,921
Reclassifications	( <u>17,596</u> )	<u>61,183</u>	<u>43,587</u>
Balance, end of year	<u>\$ 409,694</u>	<u>\$ 1,107,719</u>	<u>\$ 1,517,413</u>

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

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

Against this background, the Bank's financial statements for the year ended December 31, 2002 include provisions for possible losses and guarantee losses based on information available to the Bank, including defaults to the extent they can be determined or estimated. However, these estimates do not include any adjustments that might be required when related contingent liabilities become probable or determinable in the future.

#### 9. LONG-TERM INVESTMENTS

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

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

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

The carrying amounts of the investments accounted for by the equity method as of December 31, 2002 and 2001, and the related investment income of \$177,257 and investment loss of \$261,340, respectively, for the years then ended, were based on the investees' audited financial statements, except for those of Rocorp Holding S.A., SinoPac Financial Consulting Co., Ltd., SinoPac Property Insurance Agent Co., Ltd. which were based on the investees' unaudited financial statements for 2002 and 2001, and SinoPac Life Insurance Agent Co., Ltd. which was based on the unaudited financial statements for 2001. The Bank believes that any adjustments, if any, may have to be made to these investments and investment income is insignificant if such financial statements had been audited.

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

The Bank recognized its equity in the unrealized revaluation loss of Aetna Sinopac Credit Card Co., Ltd., which had been sold to SPH in December 2002, please see Note 23 (f), and renamed as AnShin Card Services Company Limited (AnShin Card Services) on January 3, 2003 totaling \$35,746. Such unrealized revaluation loss resulted from the revaluation of financial instrument contracts.

10. PROPERTIES	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Cost	<u>\$ 7,092,926</u>	<u>\$ 6,641,245</u>
Less - accumulated depreciation		
Buildings	338,881	268,932
Computer equipment	728,600	612,862
Transportation equipment	39,051	35,644
Office and other equipment	<u>896,603</u>	<u>776,480</u>
	<u>2,003,135</u>	<u>1,693,918</u>
	5,089,791	4,947,327
Advances on acquisitions of equipment and construction in progress	<u>190,954</u>	<u>222,154</u>
Net	<u>\$ 5,280,745</u>	<u>\$ 5,169,481</u>
11. OTHER ASSETS	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Value of options purchased	\$ 1,124,421	\$ 780,838
Guarantee deposits	979,952	680,353
Intangible assets	953,180	1,060,392
Collateral assumed	380,460	328,128
Suspense account	323,950	179,196
Computer system software	244,089	249,086
Other	<u>455,463</u>	<u>499,863</u>
	<u>\$ 4,461,515</u>	<u>\$ 3,777,856</u>

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

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

12. ACCOUNTS, INTEREST AND OTHER PAYABLES

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

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

13. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Checking	\$ 6,148,437	\$ 4,432,479
Demand	41,096,274	28,142,566
Savings - demand	50,317,311	46,239,511
Time	120,473,245	111,307,532
Negotiable certificates of deposit	851,600	2,140,900
Savings - time	58,162,492	57,005,091
Inward remittances	818,984	215,710
Outward remittances	<u>63,017</u>	<u>27,434</u>
	<u>\$ 277,931,360</u>	<u>\$ 249,511,223</u>

14. BANK DEBENTURES

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

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

## 15. STOCKHOLDERS' EQUITY

### a. Capital surplus

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

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

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

### b. Retained earnings

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

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

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

In order to comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be major bank in domestic, the Bank has adopted the "Balanced Dividend Policy". Accordingly, dividends available for distribution is determined by reference to its Capital Adequacy Ratio (CAR). Cash dividends declaration may be made if the Bank's CAR is above 12% and stock dividends may be declared if the CAR is equal to or less than 12%. However, the Bank may make a discretionary cash distribution even if the CAR is below 12%, if approved at the stockholders' meeting, for the purpose of maintaining the cash dividend at a certain level in any given years.

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

Under the Company Law, the aforementioned appropriation for legal reserve is made until the reserve equals the aggregate par value of the outstanding capital stock of the Bank. This reserve is only used to offset a deficit, or, when its balance reaches 50% of aggregate par value of the outstanding capital stock of the Bank, up to 50% thereof can be distributed as stock dividends. In addition, the Banking Law provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends, remuneration to directors and supervisors and bonus to employees should not exceed 15% of aggregate par value of the outstanding capital stock of the Bank.

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

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

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

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

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

#### 16. TREASURY STOCK

<u>Reasons of Repurchase</u>	(Shares in Thousands)			
	<u>Beginning of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>End of Year</u>
<u>For the year ended December 31, 2002</u>				
Re-issuance to employees	\$ 40,535	\$ -	\$ 40,535	\$ -
<u>For the year ended December 31, 2001</u>				
Re-issuance to employees	16,538	23,997	-	40,535

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

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

## 17. SERVICE FEES

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

## 18. INCOME FROM SECURITIES - NET

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

## 19. OPERATING AND ADMINISTRATIVE EXPENSES

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

## 20. PENSION

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

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

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

The ending balances consist of:

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

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

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

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

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Benefit obligation		
Vested benefit obligation	\$ 85,950	\$ 63,868
Nonvested benefit obligation	<u>446,564</u>	<u>336,055</u>
Accumulated benefit obligation	532,514	399,923
Additional benefits based on future salaries	<u>376,387</u>	<u>361,884</u>
Projected benefit obligation	908,901	761,807
Fair value of plan assets	( 549,315 )	( 443,607 )
Funded status	359,586	318,200
Unrecognized net transition obligation	( 39,819 )	( 44,796 )
Unrecognized prior service cost	( 812 )	( 940 )
Unrecognized pension loss	<u>( 242,681 )</u>	<u>( 237,882 )</u>
Accrued pension cost	<u>\$ 76,274</u>	<u>\$ 34,582</u>
d. Vested benefit	<u>\$ 180,274</u>	<u>\$ 139,714</u>
e. Actuarial assumptions		
1) Discount rate used in determining present values	4.0%	5.0%
2) Future salary increase rate	4.0%	5.0%
3) Expected rate of return on plan assets	4.0%	5.0%

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

## 21. INCOME TAX

- a. The compositions of income tax are as follows:

	<u>For the Years Ended</u>	
	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Currently payable	\$ 411,820	\$249,408
Separation taxes on short-term bills interest income	242,697	177,042
Foreign income taxes over limitation	27,863	-
Change in deferred income taxes	43,184	120,797
Prior year's adjustment	( 9,620 )	( 27,029 )
Tax on unappropriated earnings (10%)	65,876	28,964
Withholding tax on bonds interest income attributable to period that those bonds were held by other investors	<u>-</u>	<u>115,349</u>
Income tax	<u>\$ 781,820</u>	<u>\$ 664,531</u>

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

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

	<u>For the Years Ended</u> <u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Tax on pretax income at statutory rate	\$ 963,936	\$ 668,913
Deduct tax effects of:		
Tax-exempt income	( 43,499)	( 103,800)
Permanent difference	( 480,714)	( 248,203)
Temporary difference	( 19,992)	( 60,013)
Investment tax credit	( 7,911)	( 7,489)
Currently payable	<u>\$ 411,820</u>	<u>\$ 249,408</u>

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

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
<u>Bank SinoPac</u>		
Investment income under the equity method	(\$ 311,778)	(\$ 228,894)
Unrealized foreign exchange gain	( 6,971)	( 3,554)
Other	<u>373</u>	<u>24,622</u>
Deferred income tax liabilities - net (included in other liabilities)	(\$ <u>318,376</u> )	(\$ <u>207,826</u> )
<u>SinoPac Bancorp</u>		
Goodwill amortization	(\$ 91,608)	(\$ 89,131)
Deferred loan fees	( 150,706)	( 115,972)
Provision for credit losses	258,793	109,515
Other	<u>9,360</u>	<u>54,061</u>
Deferred income tax assets (liabilities) - net	<u>\$ 25,839</u>	<u>(\$ 41,527)</u>

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

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

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

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

The tax credit allocated to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date. Accordingly, 2002 projected tax credit ratio may change because the actual tax credit may differ from the projected tax credit.

- e. Income tax payable (included in other payables) as of December 31, 2002 and 2001 were net of prepayments of \$462,118 and \$271,225, respectively. Income tax returns of up to 2000 had been examined by the tax authorities except 1996 and 1999. As a result of those examination, in the income tax returns for 1994, 1995, 1997, 1998 and 2000 tax returns, the tax authorities had denied the creditability of 10% withholding tax on bonds interest income totaling \$69,766 attributable to period that those bonds were held by other investors. The Bank had appealed the decision of the tax authorities to deny the creditability of those type of withholding taxes. Pursuant to the decision made by the supreme court on the tax controversy, the original reinvestigation result and decision made on the tax controversy regarding the tax return for 1994 shall be rescinded and other proper judgment shall be made by the tax authority. The income tax returns for 1996, 1999 and 2001 also reflected reduction in income tax obligations totaling \$41,443 attributable to similar type of withholding taxes; which returns were not yet examined by the tax authorities. However, the Bank had accrued liabilities and written-off any assets recognized related to the foregoing withholding taxes totaling \$111,209 as a part of income tax expense in 2001.

## 22. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pre-tax</u>	<u>After tax</u>		<u>Pre-tax</u>	<u>After tax</u>
<u>For the year ended December 31, 2002</u>					
Basic EPS					
Net income belongs to stockholders of common stock	<u>\$ 3,036,869</u>	<u>\$ 2,255,049</u>	1,914,968	<u>\$ 1.59</u>	<u>\$ 1.18</u>
<u>For the year ended December 31, 2001</u>					
Basic EPS					
Net income belongs to stockholders of common stock	<u>\$ 2,215,657</u>	<u>\$ 1,551,126</u>	1,919,570	<u>\$ 1.15</u>	<u>\$ 0.81</u>

## 23. RELATED PARTY TRANSACTIONS

Significant transactions with related parties, which include the Bank's parent company, SPH, the other wholly-owned subsidiaries of SPH, SinoPac Securities and SinoPac Call Center Co., Ltd., and the investee of SPH, AnShin Card Services; the Bank's directors, supervisors and their relatives, managers, the investees accounted for by the equity method and the subsidiaries of the Bank, are summarized as follows:

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

	<u>Amount</u>	<u>% of Account Balance</u>	<u>Interest/ Fee Rate (%)</u>
<u>December 31, 2002</u>			
Deposits	\$ 10,553,941	3.8	0-6.95
Loans and discounts	2,135,869	1.0	1.70-12.50
Other receivables	1,371	0.9	-
<u>December 31, 2001</u>			
Deposits	\$ 1,765,249	0.7	0-13.00
Loans and discounts	1,745,723	0.9	2.38-8.30

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

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

	<u>Amount</u>		<u>% of Account Balance</u>	
	<u>For the Years Ended December 31</u>		<u>For the Years Ended December 31</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Fee income	\$ 980	\$ 2,613	0.10	0.30
Service charges	-	1,866	-	1.70
Project popularizing expenses	15,766	-	7.03	-
Outright sales and purchases of bonds and bills - SPH				
Trading amount of outright sales	2,275,381	-	-	-
SinoPac Securities				
Trading amount of outright purchases	1,950,955	14,050,887	-	-
Trading amount of outright sales	3,027,335	13,988,318	-	-
Bills sold under agreements to repurchase - SPH	1,307,750	-	-	-
SinoPac Securities	271,779	-	-	-

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

c. Lease

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

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

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

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

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

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

d. Guarantee and securities purchased

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

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

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

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Properties - carrying value	<u>\$ 1,551,724</u>	<u>\$ 1,142,935</u>

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

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

e. Professional advisory charges

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

f. Due from affiliates

On May 1, 2000, the Bank transferred its credit card business to AnShin Card Services, for a total consideration of \$3,823,798, which had been received as of December 31, 2001. The interest income on the unpaid portion of the aggregate transfer price amounted to \$18,530 for the year ended December 31, 2001.

The compensation received by the Bank for its credit card accounts and the personnel of its credit card business was recognized as income over five years in the case of the credit card accounts and over three years in the case of the transfer price for the related personnel. The related income recognized from the aforementioned transaction amounted to \$91,988 and \$151,911, respectively, for the years ended December 31, 2002 and 2001.

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

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

g. Land and buildings purchase contract

In January 2001, the Bank entered into a contract with Fu-I Co., Ltd. (the chairman of the Company was a director of the Bank before April 18, 2001) to purchase land and a building located in Taipei for business purposes. The purchase cost was \$199,900, of which \$198,830 had already been paid as of December 31, 2002.

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

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

#### 24. CONTINGENCIES AND COMMITMENTS

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

a. Lease contract

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

<u>Year</u>	<u>Amount</u>
2003	\$ 306,388
2004	288,510
2005	195,513
2006	169,770
2007	129,945

Rentals for the years beyond 2007 amount to \$176,764, the present value of which is about \$132,380 as discounted at the Bank's one-year time deposit rate from 1.5% to 5.1% on January 1, 2003.

b. Land and buildings purchase contract

In January 2001, the Bank entered into contracts to purchased land and buildings located in Taipei for business purposes. The purchase cost was \$199,900, of which \$198,830 had already been paid as of December 31, 2002. (Please see Note 23.g)

c. Equipment purchase contract

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

d. Renovation agreement

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

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

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

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

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

- g. Balance sheet and trust property of trust accounts

Balance Sheet of Trust Accounts  
December 31, 2002

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

Trust Property of Trust Accounts  
December 31, 2002

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

## 25. CAPITAL ADEQUACY RATIO

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

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

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

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

	For the Years Ended December 31			
	2002		2001	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash - negotiable certificates of deposit	\$ 38,201,479	1.62	\$ 8,757,933	2.36
Due from banks	1,955,131	1.71	1,489,666	3.24
Call loans (placement)	18,732,491	2.75	30,248,614	4.63
Due from Central Bank	5,254,416	2.47	5,818,604	3.69
Securities purchased	39,548,290	3.94	38,512,552	6.10
Loans, discounts and bills purchased	203,111,439	5.55	180,498,033	7.27
<u>Interest-bearing liabilities</u>				
Due to banks	\$ 5,441	0.69	\$ 7,244	2.01
Call loans (taken)	33,630,163	1.90	22,138,610	3.58
Demand deposits	32,174,743	1.25	21,816,300	2.22
Savings - demand deposits	51,144,928	1.68	39,017,372	3.46
Time deposits	116,911,613	2.26	106,994,232	4.30
Savings - time deposits	57,815,254	2.96	59,009,564	4.74
Negotiable certificates of deposit	949,050	2.13	4,709,635	4.46

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	December 31, 2002			
	Due in One Year	Due between One Year and Five Years	Due after Five Years	Total
<u>Assets</u>				
Cash	\$ 66,752,359	\$ -	\$ -	\$ 66,752,359
Due from banks	11,303,691	-	-	11,303,691
Due from Central Bank	11,011,956	-	-	11,011,956
Securities purchased	33,093,259	-	-	33,093,259
Receivables	15,239,422	-	-	15,239,422
Loans, discounts and bills purchased (excluding non-performing loans)	<u>74,554,355</u>	<u>36,261,881</u>	<u>114,247,583</u>	<u>225,063,819</u>
	<u>\$ 211,955,042</u>	<u>\$ 36,261,881</u>	<u>\$ 114,247,583</u>	<u>\$ 362,464,506</u>
(Forward)				

	December 31, 2002			
	Due in One Year	Due between One Year and Five Years	Due after Five Years	Total
<u>Liabilities</u>				
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
	<u>\$ 333,330,454</u>	<u>\$ 14,017,316</u>	<u>\$ 2,024,092</u>	<u>\$ 349,371,862</u>

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

<u>Liabilities</u>				
Call loans and due to banks	\$ 27,251,419	\$ -	\$ -	\$ 27,251,419
Payables	7,297,678	42,523	36,546	7,376,747
Deposits and remittances	242,715,200	6,796,023	-	249,511,223
Bank debentures	-	5,000,000	-	5,000,000
	<u>\$ 277,264,297</u>	<u>\$ 11,838,546</u>	<u>\$ 36,546</u>	<u>\$ 289,139,389</u>

## 28. FINANCIAL INSTRUMENTS

### a. Derivative financial instruments

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

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

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

Financial Instruments	December 31, 2002			December 31, 2001		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	\$ 1,561,000	\$ -	(\$ 80,826)	\$ -	\$ -	\$ -
Cross currency swap contracts	-	-	-	\$ 2,099,940	14,667	14,667
For the purposes of accommodating customers' needs or managing the Bank's exposure:						
Forward contracts						
- Buy	25,702,349	304,759	232,683	20,023,862	500,093	44,763
- Sell	21,724,333	292,567	61,340	24,009,031	421,850	119,440
Forward rate agreements						
- Buy	63,931,364	-	( 241,496)	16,294,506	2,851	( 8,386)
- Sell	64,931,364	242,187	242,187	15,994,506	19,900	15,932
Currency swap contracts	60,606,619	668,675	( 177,765)	52,436,363	433,394	( 161,912)
Interest rate swap contracts	44,233,503	461,519	( 60,003)	28,560,700	190,068	( 63,936)

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

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

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

The Bank has entered into certain derivative financial contracts in which the notional amounts are used solely as a basis for calculating the amounts receivable and payable under the contracts. Thus, the notional amounts do not represent the actual cash inflows or outflows. The possibility that derivative financial instruments held or issued by the Bank can not be sold at reasonable price is remote; accordingly, no significant cash demand is expected.

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

	Account	For the Years Ended	
		December 31	
		2002	2001
For hedging purposes:			
Cross currency swap contracts	Interest revenue	\$ 31,690	\$ 107,409
- Realized	Interest expense	( 14,425 )	( 94,606 )
For the purposes of accommodating customers' needs or managing the Bank's exposure:			
Forward contracts			
- Realized	Foreign exchange gain	128,377	8,012
- Unrealized	Foreign exchange gain	358,774	73,289
Forward rate agreements			
- Realized	Income from derivative financial transactions	10,033	2,836
- Unrealized	Income (loss) from derivative financial transactions	( 6,855 )	7,546
Currency swap contracts			
- Realized	Interest revenue	368,811	156,442
	Interest expense	( 402,643 )	( 146,167 )
Interest rate swap contracts			
- Realized	Interest revenue	571,601	108,169
	Interest expense	( 627,702 )	( 109,954 )
- Unrealized	Income (loss) from derivative financial transactions	17,263	( 77,266 )
Options contracts			
- Realized	Income from derivative financial transactions	268,438	126,853
	Foreign exchange loss	( 48,152 )	( 11,384 )
- Unrealized	Income from derivative financial transactions	17,007	20,910
Interest rate futures contracts			
- Realized	Loss from derivative financial transactions	( 3,423 )	-
Cross currency swap contracts			
- Realized	Interest revenue	-	2,517
	Interest expense	-	( 3,070 )

The gains and losses on derivative financial instruments from the Bank SinoPac's subsidiary, FENB, for the years ended December 31, 2002 and 2001 were not significant.

b. Fair value of non-derivative financial instruments

	December 31			
	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Assets</u>				
Financial assets - with fair values				
approximating carrying amounts	\$ 104,194,554	\$ 104,194,554	\$ 75,561,956	\$ 75,561,956
Securities purchased	33,093,259	33,491,086	30,343,326	30,625,033
Loans, discounts and bills purchased	225,169,615	225,169,615	192,230,478	192,230,478
Long-term equity investments	4,264,206	4,264,206	7,338,179	7,338,179
Long-term bond investments	346,309	353,647	-	-
Other assets - guarantee deposits	979,952	986,251	680,353	681,148
<u>Liabilities</u>				
Financial liabilities - with fair values				
approximating carrying amounts	64,440,502	64,440,502	34,628,166	34,628,166
Deposits and remittances	277,931,360	277,931,360	249,511,223	249,511,223
Bank debentures	7,000,000	7,000,000	5,000,000	5,000,000
Other liabilities	104,463	104,463	77,178	77,178

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

- 1) The carrying amounts of cash, due from banks, due from Central Bank, acceptances, receivables, call loans and due to banks, acceptances payable and payables approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased, long-term equity investments and long-term bond investments are based on their market prices, if such market prices are available. Otherwise, fair values are estimated at their carrying amounts.
- 3) Loans, discounts and bills purchased, deposits and remittances, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of non-performing loans is based on the carrying amount, which is net of allowance for credit losses.
- 4) The fair values of government bonds and corporate bonds submitted as guarantee deposits are based on market values while those submitted as certificates of deposits are estimated at their carrying amounts. Fair values of other guarantee deposits and guarantee deposits received are estimated at their carrying amount since such deposits do not have specific due dates.

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

c. Off-balance-sheet credit risks

The Bank has significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments are under seven years. For the year ended December 31, 2002, the interest rates of the loans range from 0.38% to 12.75%. The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of customer obligations to a third party. The terms of these guarantees are usually one year, and their maturity dates are not concentrated in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Irrevocable loan commitments	\$ 14,310,438	\$ 10,031,483
Financial guarantees and standby letters of credit	10,113,474	11,379,004
Credit card commitments for credit cards	58,507	53,765

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

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit standing. Based on the result of the credit evaluation, the Bank may require collateral before drawings are made against the credit facilities. As of December 31, 2002 and 2001, secured loans amounted to about 79% and 81%, respectively, of the total loans. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances foreclose the collateral or execute other rights arising out of the guarantees given.

29. INFORMATION ON CONCENTRATIONS OF RISK

The Bank has no credit risk concentration arising from any individual counterparty or groups of counterparties engaged in similar business activities. Industries which account for 5% or more of the outstanding loans as of December 31, 2002 and 2001 are as follows:

	<u>December 31</u>	
	<u>2002</u>	<u>2001</u>
Natural person	\$ 136,867,030	\$ 123,710,167
Foreign corporation	25,639,592	19,091,036
Real estate	23,449,870	16,153,900
Manufacturing	15,510,637	11,489,773

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

### 30. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Please see Table 1;
- 2) Collateral/guarantee provided: Please see Table 2;
- 3) Marketable securities held: Please see Table 3;
- 4) Marketable security acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the issued capital: Please see Table 4;
- 5) Acquisition of individual real estate at cost of at least NT\$100 million or 20% of the issued capital: None;
- 6) Disposal of individual real estates at price of at least NT\$100 million or 20% of the issued capital: None;
- 7) Total purchase from or sales or related parties amounting to at least NT\$100 million or 20% of the issued capital: Not applicable;
- 8) Receivables from related parties amounting to NT\$100 million or 20% of the issued capital: None;
- 9) Names, locations, and other information of investees on which the Bank exercises significant influences: Please see Table 5;
- 10) Derivative instrument transactions: Please see Note 28;

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

### 31. SEGMENT AND GEOGRAPHIC INFORMATION

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

	<u>Domestic</u>	<u>United States</u>	<u>Adjustments and Eliminations</u>	<u>Total</u>
<u>For the year ended December 31, 2002</u>				
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				<u>177,257</u>
Income before income tax				<u>\$ 3,036,869</u>

(Forward)

	<u>Domestic</u>	<u>United States</u>	<u>Adjustments and Eliminations</u>	<u>Total</u>
<u>December 31, 2002</u>				
Identifiable assets	<u>\$ 315,193,433</u>	<u>\$ 59,020,970</u>	<u>(\$ 220,368)</u>	\$ 373,994,035
Long-term equity investments - the equity method				<u>3,029,381</u>
Total assets				<u>\$ 377,023,416</u>
<u>For the year ended December 31, 2001</u>				
Revenues from third parties	<u>\$ 16,106,888</u>	<u>\$ 3,447,982</u>	<u>\$ -</u>	<u>\$ 19,554,870</u>
Segment income	<u>\$ 2,031,117</u>	<u>\$ 445,880</u>	<u>\$ -</u>	\$ 2,476,997
Investment loss under the equity method				<u>( 261,340)</u>
Income before income tax				<u>\$ 2,215,657</u>
<u>December 31, 2001</u>				
Identifiable assets	<u>\$ 262,759,902</u>	<u>\$ 46,365,585</u>	<u>(\$ 448,199)</u>	\$ 308,677,288
Long-term equity investments - the equity method				<u>5,963,926</u>
Total assets				<u>\$ 314,641,214</u>

BANK SINOPAC AND INVESTEES  
 FINANCING PROVIDED  
 December 31, 2002  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

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

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

BANK SINOPAC AND INVESTEES  
 COLLATERAL/GUARANTEE PROVIDED  
 December 31, 2002  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

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

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

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

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

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

BANK SINOPAC AND INVESTEES  
MARKETABLE SECURITIES HELD  
December 31, 2002  
(Amounts Expressed in Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Bank SinoPac	<u>Stock</u>							
	SinoPac Bancorp	Subsidiary	Long-term equity investments	20	\$ 5,033,023	100.00%	\$ 5,033,023	Note 5
	Rocorp Holding S.A.	An investee accounted for by the equity method	Long-term equity investments	0.11	3,531	33.33%	3,531	Note 6
	SinoPac Leasing Corporation	Subsidiary	Long-term equity investments	149,652	2,040,696	99.77%	1,823,674	Note 5
	SinoPac Capital Limited	Subsidiary	Long-term equity investments	229,998	898,618	99.99%	898,618	Note 5
	SinoPac Financial Consulting Co., Ltd.	Subsidiary	Long-term equity investments	194	3,284	97.00%	3,284	Note 4
	SinoPac Life Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	194	79,451	97.00%	79,451	Note 5
	SinoPac Property Insurance Agent Co., Ltd.	Subsidiary	Long-term equity investments	194	3,801	97.00%	3,801	Note 4
	Ruentex Industries Ltd. (formerly Ruentex Textile Co., Ltd.)	Supervisor of the Bank and an investee accounted for by the cost method	Long-term equity investments	11,452	165,486 (Note 3)	1.45%	183,696	Note 2
	Mega Financial Holding Company	An investee accounted for by the cost method	Long-term equity investments	3,998	110,732 (Note 3)	0.07%	65,496	Note 2
	Vate Technology Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	186	6,272 (Note 3)	0.25%	1,339	Note 2
	China Television Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	12,468	364,539 (Note 3)	3.40%	105,977	Note 2
	Global Securities Finance Corp.	An investee accounted for by the cost method	Long-term equity investments	11,719	100,000	1.56%	132,473	Note 4
	Z-Com, Inc.	An investee accounted for by the cost method	Long-term equity investments	1,040	13,230	1.58%	12,031	Note 4
	Taipei Forex Inc.	An investee accounted for by the cost method	Long-term equity investments	80	800	0.40%	1,153	Note 4
	Taiwan Future Exchange Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	899	8,990	0.45%	10,481	Note 4
	Taiwan Leader Advanced Technology Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	1,103	16,554	1.07%	10,968	Note 4
	Apack Technology Inc.	An investee accounted for by the cost method	Long-term equity investments	1,694	14,476	1.31%	13,299	Note 4
	Fuh-Hwa Investment Trust Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	2,400	24,000	7.77%	33,286	Note 4
	Financial Information Services Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	4,550	45,500	1.14%	64,476	Note 4
Taiwan Asset Management Corporation	An investee accounted for by the cost method	Long-term equity investments	5,000	50,000	0.28%	50,899	Note 4	
Taiwan Financial Asset Service Corporation	An investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.94%	50,728	Note 4	
Prudence Venture Investment Corporation	An investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.50%	49,262	Note 4	
Mondex Taiwan Inc.	An investee accounted for by the cost method	Long-term equity investments	2,000	25,000	6.47%	16,148	Note 4	

(Forward)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
SinoPac Bancorp	<u>Stock</u> Far East National Bank	Subsidiary	Long-term equity investments	175	\$ 4,919,206	100.00%	\$ 4,919,206	Note 5
Far East National Bank	<u>Stock</u> Far East Capital Corporation	Subsidiary	Long-term equity investments	350	82,433	100.00%	82,433	Note 5
	FENB Securities, Inc.	Subsidiary	Long-term equity investments	3	13,521	100.00%	13,521	Note 5
	FENB Loan Corp.	Subsidiary	Long-term equity investments	0.1	( 14,046)	100.00%	( 14,046)	Note 5
	FENB Film Corp.	Subsidiary	Long-term equity investments	0.1	( 41,033)	100.00%	( 41,033)	Note 5
	Federal Reserve Bank	An investee accounted for by the cost method	Long-term equity investments	62	112,303	-	112,303	Note 6
	Federal Home Loan Bank	An investee accounted for by the cost method	Long-term equity investments	100	225,895	-	225,895	Note 6
	Southern California Business Development Corporation (SCBDC)	An investee accounted for by the cost method	Long-term equity investments	40	1,390	-	1,390	Note 6
	California Economic Development Lending Initiative (CEDLI)	An investee accounted for by the cost method	Long-term equity investments	50	1,738	-	1,738	Note 6
	<u>Fund</u> Genesis L.A. Real Estate Fund LLC	-	Long-term investments	-	45,802	-	45,802	Note 6
	California Tax Credit Fund LLC	-	Long-term investments	-	28,980	-	28,980	Note 6
Bay Area Smart Growth Fund LLC	-	Long-term investments	-	11,885	-	11,885	Note 6	
Far East Capital Corporation	<u>Stock (common stock)</u> Metropolis Digital	An investee accounted for by the cost method	Long-term equity investments	1,257	8,739	8.00%	8,739	Note 6
	Hollywood International Financial Inc.	An investee accounted for by the cost method	Long-term equity investments	0.3	10	15.10%	10	Note 6
	PCRS Capital Partners, LLC	An investee accounted for by the cost method	Long-term equity investments	-	2,182	4.00%	2,182	Note 6
	TVIA, Inc.	An investee accounted for by the cost method	Long-term equity investments	33	8,688	0.20%	822	Note 7
	<u>Stock (preferred stock)</u> AgraQuest, Inc.	An investee accounted for by the cost method	Long-term equity investments	100	8,167	0.80%	8,167	Note 6
	iPhysician Net, Inc.	An investee accounted for by the cost method	Long-term equity investments	115	14,127	0.30%	14,127	Note 6
	Silicon Motion, Inc.	An investee accounted for by the cost method	Long-term equity investments	61	8,688	0.20%	8,688	Note 6
	Softknot Corporation	An investee accounted for by the cost method	Long-term equity investments	250	6,952	2.00%	6,952	Note 6
	Zone Reactor, Inc.	An investee accounted for by the cost method	Long-term equity investments	300	2,085	1.50%	2,085	Note 6
	SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,347,751	100.00%	1,347,751
Bank of Overseas Chinese		An investee accounted for by the cost method	Long-term equity investments	5,482	39,269	0.33%	15,240	Note 2
					(Note 3)			
Chain Yarn Co., Ltd.		An investee accounted for by the cost method	Long-term equity investments	1,969	38,444	1.90%	23,945	Note 4
Tekcon Electronics Corp.		An investee accounted for by the cost method	Long-term equity investments	832	20,768	1.51%	7,046	Note 4
	Global Securities Finance Corp.	An investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	16,135	Note 4

(Forward)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Grand Capital International Limited	Z-Com, Inc.	An investee accounted for by the cost method	Long-term equity investments	330	\$ 6,600	0.50%	\$ 3,819	Note 4
	Walton Advanced Engineering, Inc. (formerly Walsin Advanced Electronics Ltd.)	An investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.45%	12,874	Note 4
	Telexpress Corp.	An investee accounted for by the cost method	Long-term equity investments	525	7,835	5.00%	5,474	Note 5
	<u>Venture fund</u> World Wide Multimedia L.P.	-	Long-term investments	0.005	86,883	16.67%	85,108	Note 4
	<u>Stock (preferred stock)</u> @Network, Inc.	An investee accounted for by the cost method	Long-term equity investments	106	10,426	0.49%	10,426	Note 6
	Best 3C. Com, Inc.	An investee accounted for by the cost method	Long-term equity investments	600	15,639	1.85%	15,639	Note 6
	e21 Corp.	An investee accounted for by the cost method	Long-term equity investments	200	10,426	0.79%	10,426	Note 6
	Netvista (B.V.I.) Holding Company Ltd.	An investee accounted for by the cost method	Long-term equity investments	600	10,426	3.30%	10,426	Note 6
	<u>Stock (common stock)</u> CIPHERGEN Biosystems, Inc.	An investee accounted for by the cost method	Long-term equity investments	45	9,929	0.17%	9,929	Note 6
	SinoPac Capital Limited	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	148,653	100.00%	148,653
Shanghai Land Holding Ltd.		-	Short-term investments	2,850	10,284	0.09%	8,258	Note 2
ASM Pacific		-	Short-term investments	250	17,622	0.07%	16,711	Note 2
Phoenix TV		-	Short-term investments	5,000	16,866	0.10%	15,336	Note 2
TPV Holdings		-	Short-term investments	160	1,711	0.01%	1,765	Note 2
<u>Fund</u> KCM Asset Management		-	Short-term investments	-	69,517	-	69,538	Note 7
<u>Convertible bill and bond</u> Harbin Brewery Group Limited		-	Short-term investments	34,758	34,758	-	46,233	Note 2
Sinbon Electronics Co., Ltd.		-	Short-term investments	34,758	34,758	-	34,407	Note 2
Micro Star Int'l Co., Ltd.		-	Short-term investments	104,275	104,275	-	104,275	Note 2
SinoPac Capital (B.V.I.) Ltd.		<u>Stock</u> Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	53,228	100.00%	53,228
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	( 135,570)	100.00%	( 135,570)	Note 5
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	33,143	60.00%	23,611	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	4,466	99.9995%	4,467	Note 4
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u> 3V Source One LP	-	Long-term investments	2,000	71,012	71.43%	71,012	Note 6

(Forward)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Allstar Venture Ltd. (B.V.I.)	<u>Stock</u> Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,497	\$ 208,243	99.99%	\$ 202,738	Note 5
	BSP Venture Management (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	50	1,168	100.00%	1,168	Note 4
	Telexpress Corp.	An investee accounted for by the equity method	Long-term equity investments	3,900	51,942	34.21%	35,298	Note 5
	Hollywood International Finance Inc.	An investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	3	Note 4
	<u>Venture fund</u> InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	84,900	6.25%	84,900	Note 6
	UOB	-	Long-term investments	26	77,545	8.62%	77,545	Note 6
	MDS Life Sciences Technology Fund	-	Long-term investments	50	116,343	25.00%	116,343	Note 6
	Bio Asia Investment, LLC/BDF II	-	Long-term investments	-	36,232	2.30%	36,232	Note 6
	NAVF II	-	Long-term investments	-	46,760	2.07%	46,760	Note 6
	<u>Stock (common stock)</u> Ardent Pharmaceutica, Inc.	An investee accounted for by the cost method	Long-term equity investments	143	17,763	0.58%	17,763	Note 6
	TVIA, Inc.	An investee accounted for by the cost method	Long-term equity investments	167	10,206	0.75%	4,112	Note 7
	DiCon Fiberoptics, Inc.	An investee accounted for by the cost method	Long-term equity investments	221	34,747	0.20%	34,747	Note 6
	<u>Stock (preferred stock)</u> Sunol Molecular Corp.	An investee accounted for by the cost method	Long-term equity investments	100	17,540	0.92%	17,540	Note 6
	Phytoceutica, Inc.	An investee accounted for by the cost method	Long-term equity investments	200	17,926	1.10%	17,926	Note 6
	Selective Genetics, Inc.	An investee accounted for by the cost method	Long-term equity investments	50	10,789	0.43%	10,789	Note 6
Immusol, Inc.	An investee accounted for by the cost method	Long-term equity investments	75	10,658	0.16%	10,658	Note 6	
Virtual Silicon Technology, Inc.	An investee accounted for by the cost method	Long-term equity investments	120	10,650	0.31%	10,650	Note 6	
BioAgri Corp.	An investee accounted for by the cost method	Long-term equity investments	63	10,426	1.08%	10,426	Note 6	
Divio, Inc.	An investee accounted for by the cost method	Long-term equity investments	125	17,443	0.64%	17,443	Note 6	
Wal Tech International Corporation	<u>Stock (common stock)</u> Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	244,045	62.58%	120,552	Note 5
	Multiwin Asset Management Co., Ltd.	An investee accounted for by the equity method	Long-term equity investments	1,800	10,292	30.00%	10,292	Note 5
	Monmon Medza Technology Co., Ltd.	An investee accounted for by the equity method	Long-term equity investments	598	3,473	32.39%	3,473	Note 4
	Fu Po Electronics Corporation	An investee accounted for by the cost method	Long-term equity investments	1,650	29,700	1.50%	14,397	Note 4
	Webi & Neti Internet Services Inc.	An investee accounted for by the cost method	Long-term equity investments	63	625	2.63%	397	Note 4
	YesMobile Ltd.	An investee accounted for by the cost method	Long-term equity investments	400	12,000	2.00%	4,453	Note 4
	SynTest Technologies, Inc., Taiwan	An investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	658	Note 4
	Taiwan Leader Advanced Technology Co., Ltd.	An investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.53%	15,693	Note 4
	Ruentex Resources Integration Co., Ltd. (formerly Runhorn Pretech Engineering Co., Ltd.)	A subsidiary of the Bank's supervisor and an investee accounted for by the cost method	Long-term equity investments	2,361	24,114	2.47%	18,681	Note 4

(Forward)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Account of Financial Statement	December 31, 2002				Note
				Shares/Units/ Face Value (In Thousand)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Intellisys Corp.	Media Reality Technologies, Inc.	An investee accounted for by the cost method	Long-term equity investments	800	\$ 13,598	1.78%	\$ 8,124	Note 5
	Advanced Power Electronics Corp.	An investee accounted for by the cost method	Long-term equity investments	660	14,520	1.32%	9,246	Note 4
	Nanya PCB Corporation	An investee accounted for by the cost method	Long-term equity investments	1,519	93,080	0.33%	27,569	Note 4
	ENE Technology Inc.	An investee accounted for by the cost method	Long-term equity investments	765	29,996	3.22%	9,324	Note 5
	SonicEdge Industries Corporation	An investee accounted for by the cost method	Long-term equity investments	580	14,500	3.00%	5,960	Note 4
	Maximum Venture I, Inc., Taiwan	An investee accounted for by the cost method	Long-term equity investments	7,000	70,350	8.33%	70,350	Note 6
	<u>Stock (preferred stock)</u> Silicon Motion Inc.	An investee accounted for by the cost method	Long-term equity investments	90	12,523	0.31%	12,523	Note 6
	<u>Beneficiary certificate</u> KGI Pioneer Fund	-	Short-term investments	200	2,000 (Note 3)	-	1,698	Note 7
	Apollo Nobel Fund	-	Short-term investments	10	100 (Note 3)	-	51	Note 7
	<u>Stock</u> Orion Financial Tech. Ltd.	An investee accounted for by the cost method	Long-term equity investments	81	525	2.31%	402	Note 4
SinoPac Life Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u> Fuh-hwa Yu-Li Fund	-	Short-term investments	1,328	15,000	-	15,295	Note 7
	Fuh-hwa Bond Fund	-	Short-term investments	164	2,000	-	2,035	Note 7
	CP Bond Fund	-	Short-term investments	3,432	50,000	-	50,230	Note 7
SinoPac Property Insurance Agent Co., Ltd.	<u>Beneficiary certificate</u> CP Bond Fund	-	Short-term investments	104	1,500	-	1,526	Note 7
	ABN AMRO Bond Fund Cap	-	Short-term investments	71	1,000	-	1,012	Note 7

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

Note 2: Market prices of listed and over-the-counter stocks were determined by average daily closing prices for December 2002.

Note 3: The amounts were before deducting related unrealized losses.

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

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

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

Note 7: Market prices were determined by the closing prices of December 31, 2002.

## BANK SINOPAC AND INVESTEEES

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

For the Year Ended December 31, 2002

(Amounts Expressed in Thousands of New Taiwan Dollars)

Company Name	Type and Name of Marketable Securities	Account of Financial Statement	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units/ Face Value (In Thousand)	Amount	Shares/ Units/ Face Value (In Thousand)	Amount	Shares/ Units/ Face Value (In Thousand)	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/ Units/ Face Value (In Thousand)	Amount
Bank SinoPac	<u>Stock</u> SinoPac Bancorp	Long-term equity investments	-	-	20	\$ 4,425,056	-	\$ 607,967 (Note 2)	-	\$ -	\$ -	\$ -	20	\$ 5,033,023
	AnShin Card Services Company Limited	Long-term equity investments	SinoPac Holdings	Parent company and subsidiary	81,104	349,264	-	-	81,104	180,695 (Note 3)	349,264	( 38,451)	-	-
SinoPac Bancorp	<u>Stock</u> Far East National Bank	Long-term equity investments	-	-	170	4,367,729	5	551,477 (Note 2)	-	-	-	-	175	4,919,206
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u> Cyberpac Holding Ltd. (B.V.I.)	Long-term equity investments	-	-	0.002	( 38,675)	3,999.998	91,903 (Note 2)	-	-	-	-	4,000	53,228
Cyberpac Holding Ltd. (B.V.I.)	<u>Stock</u> Wal Tech International Corporation	Long-term equity investments	-	-	4,997	30,007	21,500	178,236 (Note 2)	-	-	-	-	26,497	208,243
Wal Tech International Corporation	<u>Stock</u> Intellisys Corp.	Long-term equity investments	Gin An Investment, Ltd., Ruentex Industries Ltd., et al.	Affiliates	2,970	138,027	7,356	106,028 (Note 2)	-	-	-	-	10,326	244,055

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

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

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

BANK SINOPAC AND INVESTEEES  
 NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 For the Year Ended December 31, 2002  
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2002			Net Income (Losses) of the Investee (Note)	Recognized Gains (Losses) on Investment (Note)	Note
				December 31, 2002 (Note)	December 31, 2001 (Note)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Value (Note)			
Bank SinoPac	SinoPac Bancorp	California	Stock holding company	\$ 3,328,915	\$ 2,979,015	20	100.00	\$ 5,033,023	\$ 380,855	\$ 290,205	Subsidiary
	Rocorp Holding S.A.	Luxembourg	Stock holding company	3,531	3,531	0.11	33.33	3,531	-	-	Subsidiary
	SinoPac Leasing Corporation	Taipei	Engaged in leasing of aircraft and machinery equipment	999,940	999,940	149,652	99.77	2,040,696	146,000	143,295	Subsidiary
	SinoPac Capital Limited	Hong Kong	Lending and financing	1,001,108	1,001,108	229,998	99.99	898,618	( 42,758)	( 42,906)	Subsidiary
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	1,940	1,940	194	97.00	3,284	1,304	1,258	Subsidiary
	SinoPac Securities Co., Ltd.	Taipei	Brokerage, dealing, and underwriting of securities	-	2,944,784	-	-	-	149,455	172,386	Subsidiary
	AnShin Card Services Company Limited	Taipei	Credit card business	-	811,037	-	-	-	( 384,746)	( 164,186)	Subsidiary
SinoPac Life Insurance Agent Co., Ltd.	Taipei	Life insurance agent	1,940	1,940	194	97.00	79,451	79,829	77,435	Subsidiary	
SinoPac Property Insurance Agent Co., Ltd.	Taipei	Property insurance agent	1,940	1,940	194	97.00	3,801	1,813	1,751	Subsidiary	
SinoPac Bancorp	Far East National Bank	California	Commercial bank	3,153,965	2,979,015	175	100.00	4,919,206	389,530		Grandson corp.
Far East National Bank	Far East Capital Corporation	California	Investment bank	121,636	121,636	350	100.00	82,433	2,156		Great-grandson corp.
	FENB Securities, Inc.	California	Brokerage of securities	24,368	3,475	3	100.00	13,521	6,782		Great-grandson corp.
	FENB Loan Corp.	California	Asset management corporation	35	35	0.1	100.00	( 14,046)	( 14,005)		Great-grandson corp.
	FENB Film Corp.	California	Motion picture assets management	35	35	0.1	100.00	( 41,033)	( 14,005)		Great-grandson corp.
SinoPac Leasing Corporation	Grand Capital International Limited	British Virgin Islands	Oversea trading, leasing, lending and financing	914,066	914,066	29,900	100.00	1,347,751	124,291		Grandson corp.
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	British Virgin Islands	Financial advisory	154,651	154,651	4,450	100.00	148,653	( 13,890)		Grandson corp.
SinoPac Capital (B.V.I.) Ltd.	Cyberpac Holding Ltd. (B.V.I.)	British Virgin Islands	Investment and advisory business	139,012	0.07	4,000	100.00	53,228	( 45,795)		Great-grandson corp.
	Allstar Venture Ltd. (B.V.I.)	British Virgin Islands	Investment corporation	0.07	0.07	0.002	100.00	( 135,570)	( 35,030)		Great-grandson corp.
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management corporation	44,562	44,562	4,800	60.00	33,143	888		Great-grandson corp.
	Pinnacle Investment Management Ltd.	Hong Kong	Asset management corporation	6,951	6,951	200	99.9995	4,466	( 1,081)		Great-grandson corp.
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	272,160	57,160	26,497	99.99	208,243	( 36,287)		Great-great-grandson corp.
	BSP Venture Management (B.V.I.) Ltd.	British Virgin Islands	Investment management corporation	1,738	1,738	50	100.00	1,168	( 9)		Great-great-grandson corp.
	Telexpress Corp.	Cayman Islands	Investment corporation	54,215	54,215	3,900	34.21	51,942	1,630		Great-great-grandson corp.
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	258,836	148,500	10,326	62.58	244,045	4,236		Great-great-great-grandson corp.
	Multiwin Asset Management Co., Ltd.	Taipei	Asset management corporation	18,000	18,000	1,800	30.00	10,292	1,051		Great-great-great-grandson corp.
	Monmon Medza Technology	Taipei	Software products retail and distribution service	5,980	5,980	598	32.39	3,473	( 7,861)		Great-great-great-grandson corp.

Note: Except for foreign-currency denominated income and expenses were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2002, and foreign-currency denominated original investment amounts that Bank SinoPac and SinoPac Leasing Corporation had invested in were translated to New Taiwan dollars at the historical exchange rate, other foreign-currency amounts were translated at the exchange rate as of the balance sheet date.