

Bank SinoPac

Financial Statements for the Six Months Ended June 30, 2003 and 2002 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 Criteria Governing the Preparation of Financial Reports by Securities Issuers 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

July 31, 2003

The Board of Directors and Stockholders
Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of June 30, 2003 and 2002, and the related statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As stated in Note 8 to the financial statements, the carrying amounts of the long-term equity investments accounted for by the equity method as of June 30, 2003 and 2002 amounted to NT\$3,111,162 thousand and NT\$3,098,359 thousand, respectively, the related investment income for the six months then ended amounted to NT\$186,066 thousand and NT\$15,734 thousand, respectively, and additional disclosure of the Bank and part of its investees stated in Note 29 to the financial statements are based on the investees' unaudited financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been disclosed had we applied auditing procedures to the financial statements of the investees as explained in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank SinoPac as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the six months then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

Deloitte & Touche
(T N Soong & Co and Deloitte & Touche (Taiwan)
Established Deloitte & Touche Effective June 1, 2003)
Taipei, Taiwan
The Republic of China

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

BALANCE SHEETS

JUNE 30, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2003		2002		LIABILITIES AND STOCKHOLDERS' EQUITY	2003		2002	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH (Note 3)	\$ 75,861,305	20	\$ 53,743,468	17	LIABILITIES				
DUE FROM BANKS (Note 22)	13,604,670	4	22,236,444	7	Call loans and due to banks	\$ 66,500,806	18	\$ 48,644,129	15
DUE FROM CENTRAL BANK (Note 4)	9,958,878	3	9,461,956	3	Accounts, interest and other payables (Note 11)	8,001,514	2	7,581,705	3
SECURITIES PURCHASED—Net (Notes 2, 5 and 22)	38,020,873	10	27,071,393	8	Acceptances payable	1,214,863	-	674,383	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES—Net (Notes 2, 6 and 22)	16,017,706	4	10,606,619	4	Deposits and remittances (Notes 12 and 22)	256,157,260	69	230,418,699	72
ACCEPTANCES	1,214,863	1	674,383	-	Bank debentures (Note 13)	12,900,000	3	5,000,000	2
PREPAYMENTS	150,347	-	288,763	-	Other liabilities (Notes 2, 19 and 20)				
LOANS, DISCOUNTS AND BILLS PURCHASED—Net (Note 2, 7 and 22)	200,358,239	54	178,485,709	56	Deferred tax liabilities	296,351	-	225,344	-
LONG-TERM EQUITY INVESTMENTS (Notes 2, 5 and 8)					Other	2,633,876	1	2,868,876	1
Equity method	8,287,906	2	7,424,764	3	Total other liabilities	2,930,227	1	3,094,220	1
Cost method	1,024,831	-	1,056,162	-	Total liabilities	347,704,670	93	295,413,136	93
Unrealized loss	(303,736)	-	(256,460)	-	STOCKHOLDERS' EQUITY				
Long-term equity investments—net	9,009,001	2	8,224,466	3	Capital stock, \$10 par value				
PROPERTIES (Notes 2, 9, 22 and 23)					Authorized and issued: 1,944,397,617 shares	19,443,975	5	19,443,975	6
Cost					Capital surplus				
Land	1,788,247	1	1,777,147	1	Additional paid-in capital	125,030	-	125,030	-
Buildings	2,168,329	1	2,060,185	1	Donated capital	83	-	83	-
Computer equipment	1,221,550	-	1,086,767	-	Other	95	-	2,034	-
Transportation equipment	52,592	-	57,294	-	Retained earnings				
Office and other equipment	1,245,796	-	1,183,254	-	Legal reserve	3,671,307	1	2,997,437	1
Total cost	6,476,514	2	6,164,647	2	Special reserve	282,977	-	282,977	-
Accumulated depreciation	1,782,992	1	1,540,309	1	Unappropriated	1,433,573	1	1,233,586	-
	4,693,522	1	4,624,338	1	Unrealized loss on long-term equity investments	(322,426)	-	(324,396)	-
Advances on acquisitions of equipment and construction in progress	120,747	-	115,476	-	Unrealized revaluation loss	-	-	(41,544)	-
Net properties	4,814,269	1	4,739,814	1	Cumulative translation adjustment	211,649	-	149,586	-
OTHER ASSETS (Notes 2, 10 and 20)	3,540,782	1	3,248,535	1	Treasury stock, at cost: 40,535,000 shares	-	-	(500,354)	-
TOTAL ASSETS	\$ 372,550,933	100	\$ 318,781,550	100	Total stockholders' equity	24,846,263	7	23,368,414	7
					CONTINGENCIES AND COMMITMENTS (Notes 23 and 27)				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 372,550,933	100	\$ 318,781,550	100

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

(With Deloitte & Touche report dated July 31, 2003)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES				
Interest (Notes 2, 22 and 27)	\$ 4,904,141	66	\$ 6,139,644	80
Service fees (Notes 2, 16 and 22)	590,359	8	436,780	6
Income from securities—net (Notes 2 and 17)	1,355,463	18	560,550	7
Income from long-term equity investments under the equity method—net (Notes 2 and 8)	350,678	5	274,918	4
Foreign exchange gain—net (Notes 2 and 27)	-	-	138,962	2
Other (Note 27)	<u>258,943</u>	<u>3</u>	<u>113,924</u>	<u>1</u>
Total operating revenues	<u>7,459,584</u>	<u>100</u>	<u>7,664,778</u>	<u>100</u>
OPERATING COSTS AND EXPENSES				
Interest (Notes 2, 22 and 27)	2,625,817	35	3,490,161	46
Service charges (Note 22)	101,705	1	64,298	1
Provision for trading losses	49,514	1	-	-
Loss from long-term equity investment	19,941	-	-	-
Foreign exchange loss—net	40,533	1	-	-
Provision for credit losses (Notes 2, 6 and 7)	700,000	9	525,203	7
Operating and administrative expenses (Notes 2, 18, 19 and 22)	2,358,076	32	2,033,536	26
Other	<u>247</u>	<u>-</u>	<u>67</u>	<u>-</u>
Total operating costs and expenses	<u>5,895,833</u>	<u>79</u>	<u>6,113,265</u>	<u>80</u>
OPERATING INCOME	<u>1,563,751</u>	<u>21</u>	<u>1,551,513</u>	<u>20</u>
NONOPERATING INCOME AND GAINS (Note 22)	69,630	1	39,795	-
NONOPERATING EXPENSES AND LOSSES	<u>39,213</u>	<u>1</u>	<u>17,760</u>	<u>-</u>
INCOME BEFORE INCOME TAX	1,594,168	21	1,573,548	20
INCOME TAX (Notes 2 and 20)	<u>160,595</u>	<u>2</u>	<u>339,962</u>	<u>4</u>
NET INCOME	<u>\$ 1,433,573</u>	<u>19</u>	<u>\$ 1,233,586</u>	<u>16</u>
	<u>Pre-tax</u>	<u>After Tax</u>	<u>Pre-tax</u>	<u>After Tax</u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 0.82</u>	<u>\$ 0.74</u>	<u>\$ 0.83</u>	<u>\$ 0.65</u>

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

(With Deloitte & Touche report dated July 31, 2003)

BANK SINOPAC

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock		Capital Surplus (Notes 2 and 14)				Retained Earnings (Note 14)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 8)	Unrealized Revaluation Loss (Notes 2 and 8)	Cumulative Translation Adjustment (Note 2)	Treasury Stock (Notes 2 and 15)	Total Stockholders' Equity	
	Shares	Amount	Additional paid-in capital	Gain on disposal of properties	Donated capital	Other	Total	Legal reserve	Special reserve	Unappropriated						Total
BALANCE, JANUARY 1, 2003	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
Appropriation of 2002 earnings																
Legal reserve	-	-	-	-	-	-	-	673,870	-	(673,870)	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	(38,000)	(38,000)	-	-	-	-	(38,000)
Bonus to employees	-	-	-	-	-	-	-	-	-	(15,724)	(15,724)	-	-	-	-	(15,724)
Cash dividends—\$0.781 per share	-	-	-	-	-	-	-	-	-	(1,518,639)	(1,518,639)	-	-	-	-	(1,518,639)
Net income for the six months ended June 30, 2003	-	-	-	-	-	-	-	-	-	1,433,573	1,433,573	-	-	-	-	1,433,573
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(998)	-	-	-	(998)
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,623)	-	(9,623)
BALANCE, JUNE 30, 2003	<u>1,944,397,617</u>	<u>\$19,443,975</u>	<u>\$125,030</u>	<u>\$ -</u>	<u>\$ 83</u>	<u>\$ 95</u>	<u>\$125,208</u>	<u>\$ 3,671,307</u>	<u>\$282,977</u>	<u>\$ 1,433,573</u>	<u>\$ 5,387,857</u>	<u>(\$ 322,426)</u>	<u>\$ -</u>	<u>\$211,649</u>	<u>\$ -</u>	<u>\$24,846,263</u>
BALANCE, JANUARY 1, 2002	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	-	-	-	-	-	(950)	(950)	-	-	950	950	-	-	-	-	-
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 the six months ended June 30, 2002	-	-	-	-	-	-	-	-	-	1,233,586	1,233,586	-	-	-	-	1,233,586
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(21,866)	-	-	-	(21,866)
Unrealized revaluation loss recognized from investees under the equity method	-	-	-	-	-	-	-	-	-	-	-	-	(5,798)	-	-	(5,798)
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	-	-	(87,623)	-	(87,623)
BALANCE, JUNE 30, 2002	<u>1,944,397,617</u>	<u>\$19,443,975</u>	<u>\$125,030</u>	<u>\$ -</u>	<u>\$ 83</u>	<u>\$ 2,034</u>	<u>\$127,147</u>	<u>\$ 2,997,437</u>	<u>\$282,977</u>	<u>\$ 1,233,586</u>	<u>\$ 4,514,000</u>	<u>(\$ 324,396)</u>	<u>(\$ 41,544)</u>	<u>\$149,586</u>	<u>(\$ 500,354)</u>	<u>\$23,368,414</u>

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

(With Deloitte & Touche report dated July 31, 2003)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

**STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
(In Thousands of New Taiwan Dollars)**

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,433,573	\$ 1,233,586
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	232,062	203,960
Provision for allowance for decline in market value of securities purchased	141,413	-
Provision for credit and trading losses	700,000	525,203
Accrued pension cost	86,176	79,255
Income from long-term equity investments under the equity method—net	(350,678)	(274,918)
Realized loss on long-term equity investments	14,476	-
Loss (gain) on sale of long-term equity investments	5,465	(5,171)
Loss on disposal of properties—net	27,285	7,278
Deferred income taxes	(22,025)	15,721
Increase in securities purchased—for trading purposes	(8,239,040)	(5,152,635)
Increase in accounts, interest and other receivables	(2,427,990)	(666,994)
Decrease (increase) in prepayments	18,706	(87,740)
Increase in accounts, interest and other payables	<u>1,159,485</u>	<u>1,311,356</u>
Net cash used in operating activities	<u>(7,221,092)</u>	<u>(2,811,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from banks	(3,021,621)	18,836,968
Decrease (increase) in due from Central Bank	1,053,078	(2,264,273)
Increase in securities purchased—for investing purposes	(5,371,396)	(1,472,046)
Increase in loans, discounts and bills purchased	(13,989,282)	(11,860,541)
Increase in long-term equity investments	-	(24,321)
Proceeds from sale of long-term equity investments	84,059	19,251
Acquisition of properties	(261,504)	(215,263)
Proceeds from sale of properties	579	185
Increase in other assets	<u>(780,515)</u>	<u>(775,943)</u>
Net cash provided by (used in) investing activities	<u>(22,286,602)</u>	<u>2,244,017</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans and due to banks	14,430,218	24,560,429
Increase in deposits and remittances	20,160,557	12,808,650
Increase in bank debentures	5,900,000	-
Increase in other liabilities	306,638	1,015,478
Remuneration to directors and supervisors and bonus to employees	(38,000)	(160,674)
Cash dividends paid	<u>(1,518,639)</u>	<u>(910,489)</u>
Net cash provided by financing activities	<u>39,240,774</u>	<u>37,313,394</u>

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2003</u>	<u>2002</u>
INCREASE IN CASH	\$ 9,733,080	\$36,746,312
CASH, BEGINNING OF PERIOD	<u>66,128,225</u>	<u>16,997,156</u>
CASH, END OF PERIOD	<u>\$75,861,305</u>	<u>\$53,743,468</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 2,678,376</u>	<u>\$ 3,958,573</u>
Income tax paid	<u>\$ 239,805</u>	<u>\$ 109,135</u>
NON-CASH INVESTING ACTIVITIES		
Reclassification from long-term equity investments to securities purchased (Note 5)	<u>\$ -</u>	<u>\$ 2,896,922</u>

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

(With Deloitte & Touche report dated July 31, 2003)

(Concluded)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

**NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

1. ORGANIZATION AND OPERATIONS

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

As of June 30, 2003 and 2002, the Bank had a total of 2,089 and 1,727 employees, respectively.

As of June 30, 2003, the Bank's operating units included Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), 42 domestic branches, 2 overseas branches and 1 overseas representative office.

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

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

SinoPac Securities Corporation (the "SinoPac Securities", formerly NSC) merged with SPS on July 22, 2002 with SinoPac Securities as the surviving entity after a decision reached by the board of directors of the two companies on May 9, 2002. Each share of common stock of SinoPac Securities was swapped for 1.2672884782 shares of common stock of SPS, resulting in 250,863,205 shares of common stock issued by SinoPac Securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank's financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 26 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below:

Basis of Financial Statement Preparation

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

Securities Purchased

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

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

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

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

Under a directive issued by the Ministry of Finance (the “MOF”), sales and purchases of bonds and short-term bills under agreements to repurchase or to resell are treated as outright sales or purchases.

Nonperforming Loans

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

Allowance for Credit Losses and Provision for Losses on Guarantees

In determining the allowance for credit losses and provision for losses on guarantees, the Bank assesses the collectibility on the balances of loans, discounts and bills purchased, accounts, interest and other receivables, and nonperforming loans, as well as guarantees and acceptances as of the balance sheet dates.

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

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

Write-offs of loans falling under the MOF guidelines, upon approval by the board of directors, are offset against the recorded allowance for credit losses.

Long-term Equity Investments

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

If an investee issues new shares and the Bank does not buy new shares in proportion to its equity in the investee, then the Bank's equity in net assets of the investee will be changed. This difference will be used to adjust the additional paid-in capital and the long-term equity investment. If the carrying value of additional paid-in capital from long-term equity investment is not enough to be offset, then the difference will be debited to the retained earnings.

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

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

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

Properties

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

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

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

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

Collateral Assumed

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

Derivative Financial Instruments

a. Foreign exchange forward contracts

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

b. Forward rate agreements

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

c. Currency swap contracts

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

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

d. Cross-currency swaps

Cross-currency swap contracts, which are for hedging purposes, are recorded at rates prevailing on the contract dates. The net interest upon each settlement is recorded as an adjustment to interest revenue or expense associated with the item being hedged.

e. Options

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

f. Interest rate swaps

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

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

g. Asset swaps

Asset swaps involve exchanging the fixed interest of convertible bonds or fixed rate notes for floating interest. In addition, asset swaps involve exchanging the fixed or floating interest of credit link notes for floating or fixed interest. These transactions are recorded by memorandum entries at the contract dates. Asset swaps are entered into for hedging purposes; they are used to hedge interest rate exposure in convertible bonds, fixed rate notes and credit link notes denominated in foreign currency. Net interest on each settlement or balance sheet date is recorded as an adjustment to interest revenue or expense associated with the bonds or notes being hedged.

h. Futures

Margin deposits paid by the Bank for interest rate futures contracts entered into for trading purposes are recognized as assets. Gains or losses resulting from marking to market and from the settlement of the interest rate futures contracts are recognized as current income.

Recognition of Interest Revenue and Service Fees

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

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

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

Pension

Pension expense is determined on the basis of actuarial calculations.

Income Tax

Inter-period income tax allocation is applied, in which tax effects of deductible temporary differences 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 technologies, research and development expenditures, personnel training expenditures and equity investments acquisition—are recognized as reduction of current income tax.

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

Contingencies

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

Foreign-currency Transactions

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

Treasury Stock

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

Reclassifications

Certain accounts for the six months ended June 30, 2002 have been reclassified to conform to the comparative period of 2003 classifications.

3. CASH

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Negotiable certificates of deposit	\$73,753,311	\$50,503,562
Cash	1,561,864	1,551,153
Notes and checks in clearing	<u>546,130</u>	<u>1,688,753</u>
	<u>\$75,861,305</u>	<u>\$53,743,468</u>

As of June 30, 2003 and 2002, negotiable certificates of deposit aggregating \$22,740,202 and \$5,500,000, 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 had been provided as collateral for the daytime overdraft as of June 30, 2003, with the pledged amount which can be adjusted momentarily.

4. DUE FROM CENTRAL BANK

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

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers’ NTD-denominated deposits. These reserves included \$5,765,327 and \$5,329,145 as of June 30, 2003 and 2002, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily and are noninterest earnings. As of June 30, 2003 and 2002, the balances of foreign-currency deposit reserves were \$34,612 and \$503,370, respectively.

5. SECURITIES PURCHASED

	June 30	
	2003	2002
Commercial papers	\$ 11,100,366	\$ 15,171,615
Corporate bonds	9,592,728	1,837,213
Floating rate notes	6,949,256	3,007,837
Treasury bills	3,508,294	-
Listed and over-the-counter stocks	2,897,122	2,897,122
Government bonds	2,266,129	3,414,663
Bank debentures	1,693,779	383,290
Mutual fund beneficiary certificates	154,612	260,000
Bank acceptances	-	99,653
	<u>38,162,286</u>	<u>27,071,393</u>
Less—allowance for decline in market value	<u>141,413</u>	<u>-</u>
	<u>\$38,020,873</u>	<u>\$27,071,393</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 mutual fund beneficiary certificates were as follows:

	June 30	
	2003	2002
Corporate bonds	\$ 9,986,208	\$ 1,864,662
Floating rate notes	6,955,825	3,069,202
Listed and over-the-counter stocks	2,755,635	3,068,257
Government bonds	2,273,521	3,437,811
Bank debentures	1,707,056	384,530
Mutual fund beneficiary certificates	162,836	252,070

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

As of June 30, 2003 and 2002, the Bank held SPH 216,542,894 and 204,106,675 shares, both with carrying amount at \$2,896,922 and market values at \$2,755,509 and \$3,068,131, respectively, based on the daily average closing prices in June 2003 and 2002. Accordingly, allowance for decline in market value amounting to \$141,413 had been provided on June 30, 2003. In addition, under Statement of Financial Accounting Standards No. 30, "Accounting for Treasury Stock", when SPH recognizes the long-term equity investment income on the Bank, such provision should be adjusted to increase the investment income by \$141,413.

6. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Accounts receivable	\$ 13,735,073	\$ 8,342,488
Accrued revenue	1,142,649	544,236
Interest receivable	804,376	1,459,052
Tax refundable	183,456	183,456
Other	<u>202,563</u>	<u>141,924</u>
	16,068,117	10,671,156
Less—allowance for credit losses	<u>50,411</u>	<u>64,537</u>
Net	<u>\$ 16,017,706</u>	<u>\$ 10,606,619</u>

The balances of the accounts receivable as of June 30, 2003 and 2002 included \$13,317,243 and \$8,142,109, respectively, representing accounts receivable from other parties in the factoring business.

7. LOANS, DISCOUNTS AND BILLS PURCHASED

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Overdraft	\$ 1,874,396	\$ 2,862,935
Short-term loans	49,597,132	44,661,164
Mid-term loans	31,737,613	38,416,398
Long-term loans	114,563,443	91,559,096
Import and export negotiations	1,613,227	663,967
Bills purchased	1,106	390
Nonperforming loans	<u>2,655,805</u>	<u>1,654,112</u>
	202,042,722	179,818,062
Less—allowance for credit losses	<u>1,684,483</u>	<u>1,332,353</u>
Net	<u>\$ 200,358,239</u>	<u>\$ 178,485,709</u>

As of June 30, 2003 and 2002, the balances of nonaccrual loans were \$3,771,638 and \$2,489,173, respectively. The unrecognized interest revenues on nonaccrual loans amounted to \$89,700 and \$69,304 for the six months ended June 30, 2003 and 2002, respectively.

For the six months ended June 30, 2003 and 2002, the Bank had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of loans, discounts and bills purchased for the six months ended June 30, 2003 and 2002, respectively, were summarized below:

	For the Six Months Ended June 30, 2003		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance, January 1	\$ 562,318	\$ 888,568	\$ 1,450,886
Provision	700,000	-	700,000
Write-off	(535,094)	-	(535,094)
Recovery of written-off credits	6,708	-	6,708
Reclassifications	<u>6,769</u>	<u>55,214</u>	<u>61,983</u>
Balance, June 30	<u>\$ 740,701</u>	<u>\$ 943,782</u>	<u>\$ 1,684,483</u>

	For the Six Months Ended June 30, 2002		
	For Losses on Particular Loans	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	Total
Balance, January 1	\$ 331,709	\$ 936,299	\$ 1,268,008
Provision	498,802	26,401	525,203
Write-off	(457,430)	-	(457,430)
Recovery of written-off credits	1,785	-	1,785
Reclassifications	(<u>5,819</u>)	<u>606</u>	(<u>5,213</u>)
Balance, June 30	<u>\$ 369,047</u>	<u>\$ 963,306</u>	<u>\$ 1,332,353</u>

As of June 30, 2003 and 2002, allowances for credit losses and provisions for losses on guarantees of the Bank were \$1,768,024 and \$1,499,896, respectively.

Since the second half of 2000, the economic and financial environment has been beset by many economic and non-economic difficulties from inside and outside Taiwan. As a result, the country's economic growth decelerated, investment decreased, unemployment rose, the stock market slumped, and the New Taiwan dollar depreciated in value, which in turn caused many business enterprises, including conglomerates and listed companies, failed to meet their obligations. To stabilize the situation, the government has taken various measures to boost economy.

With this background, the Bank's financial statements for the six months ended June 30, 2003 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.

8. LONG-TERM EQUITY INVESTMENTS

	June 30	
	2003	2002
Equity method—unlisted stocks	\$ 8,287,906	\$ 7,424,764
Cost method		
Listed and over-the-counter stocks	640,757	647,029
Unlisted stocks	384,074	409,133
	<u>1,024,831</u>	<u>1,056,162</u>
Less—unrealized losses	9,312,737	8,480,926
	<u>303,736</u>	<u>256,460</u>
Net	<u>\$ 9,009,001</u>	<u>\$ 8,224,466</u>

The total market values of listed and over-the-counter stocks were \$337,021 and \$390,569 as of June 30, 2003 and 2002, respectively.

Income (loss) from long-term equity investments for the six months ended June 30, 2003 and 2002, respectively, were summarized as follows:

	For the Six Months Ended	
	June 30	
	2003	2002
<u>Equity method</u>		
SinoPac Bancorp (Note)	\$ 164,612	\$ 86,799
SinoPac Leasing Corporation	76,875	86,239
SinoPac Securities Co., Ltd. (please see Note 5)	-	172,385
SinoPac Capital Limited	109,872	8,291
SinoPac Financial Consulting Co., Ltd.	(681)	373
AnShin Card Services Company Limited	-	(101,529)
SinoPac Life Insurance Agent Co., Ltd.	-	21,461
SinoPac Property Insurance Agent Co., Ltd.	-	899
Income from long-term equity investments under the equity method	<u>\$ 350,678</u>	<u>\$ 274,918</u>

Note: The net income of SinoPac Bancorp for the six months ended June 30, 2003 and 2002 amounted to \$222,389 and \$136,342, respectively, were translated into New Taiwan Dollars at the average exchange rates for the respective periods. The difference between the translated net income of SinoPac Bancorp and the one recognized by the Bank was generated from some different accounting treatments between ROC GAAP and US GAAP (please see Note 29, Table 7).

The aforementioned income (loss) from long-term equity investments were recognized on the basis of investees' unaudited financial statements for the same periods, except for the investment income of SinoPac Bancorp for the six months ended June 30, 2003 and 2002 and that of SPS for the period from January 1 to May 8, 2002. The carrying amounts of the long-term equity investments accounted for by the equity method as of June 30, 2003 and 2002 amounted to \$3,111,162 and \$3,098,359, respectively, and the related investment income for the six months then ended amounted to \$186,066 and \$15,734, respectively, are based on the investees' unaudited financial statements for the same period. The Bank believes that any adjustment that may have to be made to these investments and investment income if such financial statements had been audited.

As of June 30, 2003 and 2002, the unrealized loss on long-term equity investments (included in stockholders' equity as deductions) resulting from market value decline of over-the-counter stocks held by an investee accounted for by the equity method amounted to \$18,690 and \$67,936, respectively.

As of June 30, 2002, the Bank recognized its equity in the unrealized revaluation loss of Aetna Sinopac Credit Card Co., Ltd. (which was sold to SPH in December 2002, and renamed as AnShin Card Services Company Limited on January 3, 2003) totaling \$41,544 (included in stockholders' equity as deductions). This loss resulted from the revaluation of financial instrument contracts.

9. PROPERTIES

	June 30	
	2003	2002
Cost	<u>\$ 6,476,514</u>	<u>\$ 6,164,647</u>
Accumulated depreciation		
Buildings	347,438	277,226
Computer equipment	720,488	591,262
Transportation equipment	40,487	37,960
Office and other equipment	<u>674,579</u>	<u>633,861</u>
	<u>1,782,992</u>	<u>1,540,309</u>
	4,693,522	4,624,338
Advances on acquisitions of equipment and construction in progress	<u>120,747</u>	<u>115,476</u>
Net	<u>\$ 4,814,269</u>	<u>\$ 4,739,814</u>

10. OTHER ASSETS

	June 30	
	2003	2002
Value of options purchased	\$ 1,564,569	\$ 1,880,632
Collateral assumed	685,465	299,528
Guarantee deposits	621,106	622,619
Suspense account	278,331	138,599
Computer system software	236,262	260,322
Other	<u>155,049</u>	<u>46,835</u>
	<u>\$ 3,540,782</u>	<u>\$ 3,248,535</u>

As of June 30, 2003 and 2002, guarantee deposits included \$245,215 and \$252,977, respectively, which were provided by government bonds and certificates of deposit.

11. ACCOUNTS, INTEREST AND OTHER PAYABLES

	June 30	
	2003	2002
Accounts payable	\$ 5,507,190	\$ 3,361,209
Interest payable	1,078,558	1,377,868
Notes and checks in clearing	546,130	1,688,753
Accrued expenses	389,095	306,286
Tax payable	252,119	340,606
Collections payable	36,874	62,563
Other	<u>191,548</u>	<u>444,420</u>
	<u>\$ 8,001,514</u>	<u>\$ 7,581,705</u>

The balances of the accounts payable as of June 30, 2003 and 2002 included \$5,446,615 and \$3,312,038, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

12. DEPOSITS AND REMITTANCES

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Checking	\$ 2,275,085	\$ 1,759,800
Demand	35,601,496	23,085,911
Savings—demand	53,138,637	49,266,783
Time	106,024,143	97,540,089
Negotiable certificates of deposit	842,600	975,200
Savings—time	57,842,397	57,591,506
Inward remittances	373,819	171,171
Outward remittances	59,083	28,239
	<u>\$ 256,157,260</u>	<u>\$ 230,418,699</u>

13. BANK DEBENTURES

	<u>June 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2003</u>	<u>2002</u>		
First dominant bank debentures issued in 2001	\$ 5,000,000	\$ 5,000,000	2001.12.20-2006.12.20 Principal is repayable on maturity date.	Fixed interest rate of 3.08%. Interest is paid at the end of each year.
First subordinated bank debentures issued in 2002	2,000,000	-	2002.12.23-2008.03.23 Principal is repayable on maturity date.	Floating interest rate except for the first two years fixed at 2.15%. Interest is paid semiannually.
First dominant bank debentures issued in 2003	1,000,000	-	2003.02.14-2008.02.14 Principal is repayable on maturity date.	3.65% minus 6-month LIBOR. Interest is paid semiannually.
Second dominant bank debentures issued in 2003	500,000	-	2003.03.19-2008.09.19 Principal is repayable on maturity date.	3.48% minus 6-month LIBOR. Interest is paid semiannually.
Third dominant bank debentures issued in 2003	1,500,000	-	2003.05.09-2008.11.09 Principal is repayable on maturity date.	4.15% minus 6-month LIBOR except for the first year fixed at 2.50%. Interest is paid semiannually.
Fourth dominant bank debentures issued in 2003	400,000	-	2003.05.09-2008.11.09 Principal is repayable on maturity date.	2% plus 180-day CP rate in secondary market and minus 6-month LIBOR. Interest is paid semiannually.
First subordinated bank debentures issued in 2003	2,500,000	-	2003.06.18-2008.12.18 Principal is repayable on maturity date.	180-day CP rate in secondary market plus 0.3%. Interest is paid semiannually.
	<u>\$12,900,000</u>	<u>\$ 5,000,000</u>		

14. STOCKHOLDERS' EQUITY

a. Capital surplus

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

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

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

b. Retained earnings and dividend policy

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

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

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

To comply with the Bank's globalization strategy, strengthen its market position, integrate its diversified business operation and be a major local bank, the Bank has adopted the "Balanced Dividend Policy". Under this policy, dividends available for distribution are determined by referring to its capital adequacy ratio (CAR). Cash dividends may be declared if the Bank's CAR is above 12% and stock dividends may be declared if the CAR is equal to or less than 12%. However, the Bank may make a discretionary cash distribution even if the CAR is below 12%, if approved at the stockholders' meeting, for the purpose of maintaining the cash dividends at a certain level in any given year.

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

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

On April 7, 2003 and May 9, 2002, the board of directors resolved the appropriation of 2002 and 2001 earnings, respectively, as follows:

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

15. TREASURY STOCK

(Shares in Thousands)

Reasons of Repurchase	Shares at Beginning of the Period	Shares Increased During the Period	Shares Decreased During the Period	Shares at Ending of the Period
<u>For the six months ended June 30, 2002</u>				
Reissuance to employees	40,535	-	-	40,535

Under the Securities and Exchange Law, the Bank is prohibited from acquiring treasury stock in excess of 10% of the total shares issued and from incurring a purchase cost exceeding the total of the retained earnings and capital surplus (additional paid-in capital in excess of par value, capital surplus arising from gains on disposal of properties and donated capital). In addition, the Bank is prohibited from using the treasury stock to secure any of its obligations and to exercise the rights of a stockholder in respect to those treasury stock.

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

16. SERVICE FEES**For the Six Months
Ended June 30**

	2003	2002
Factoring and financing	\$ 149,579	\$ 126,627
Custody	80,935	65,968
Mutual funds	74,225	68,072
Loan documentation fee	57,884	22,576
Import and export service fee	28,272	14,992
Structured notes	26,344	9,832
ATM service fee	19,941	18,735
Index linked mortgage conversion	16,271	-
Other	<u>136,908</u>	<u>109,978</u>
	<u>\$ 590,359</u>	<u>\$ 436,780</u>

17. INCOME FROM SECURITIES—NET**For the Six Months
Ended June 30**

	2003	2002
Short-term bills		
Capital gain—net	\$ 10,076	\$ 12,388
Interest revenue	<u>820,189</u>	<u>531,235</u>
	<u>830,265</u>	<u>543,623</u>
Bonds		
Capital gain—net	<u>525,763</u>	<u>121</u>

(Continued)

	For the Six Months Ended June 30	
	<u>2003</u>	<u>2002</u>
Stocks and mutual fund beneficiary certificates		
Capital gain—net	\$ 95	\$ 16,806
Provision for allowance for decline in market value	(141,413)	-
Dividend revenue	<u>140,753</u>	<u>-</u>
	<u>(565)</u>	<u>16,806</u>
	<u>\$1,355,463</u>	<u>\$ 560,550</u>

18. OPERATING AND ADMINISTRATIVE EXPENSES

	For the Six Months Ended June 30	
	<u>2003</u>	<u>2002</u>
Personnel expenses		
Salaries and wages	\$ 774,831	\$ 665,100
Bonus and rewards	366,152	275,661
Pension	86,176	79,255
Labor insurance and national health insurance	57,527	44,420
Other	12,029	12,768
Depreciation	192,427	169,884
Rental	179,934	156,447
Taxes other than income tax	136,504	150,921
Professional service charges	110,021	93,631
Postage	48,090	44,980
Insurance	36,732	33,560
Amortization	39,635	34,076
Other	<u>318,018</u>	<u>272,833</u>
	<u>\$ 2,358,076</u>	<u>\$ 2,033,536</u>

19. PENSION

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

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

	For the Six Months Ended June 30	
	<u>2003</u>	<u>2002</u>
Balance, January 1	\$ 894,432	\$ 733,237
Contributions	111,082	97,101
Benefits paid	(22,623)	(34,070)
Interest revenue	<u>15,221</u>	<u>16,585</u>
Balance, June 30	<u>\$ 998,112</u>	<u>\$ 812,853</u>

The ending balances as of June 30, 2003 and 2002 consisted of:

	June 30	
	2003	2002
Contributions by the Bank	\$ 618,178	\$ 493,944
Contributions by employees	<u>379,934</u>	<u>318,909</u>
	<u>\$ 998,112</u>	<u>\$ 812,853</u>

b. The changes in the accrued pension cost (included in other liabilities) were summarized below:

	For the Six Months Ended June 30	
	2003	2002
Balance, January 1	\$ 76,813	\$ 34,582
Provision	86,176	79,255
Contributions	(<u>70,596</u>)	(<u>62,250</u>)
Balance, June 30	<u>\$ 92,393</u>	<u>\$ 51,587</u>

Pension expenses amounted to \$86,176 and \$79,255 for the six months ended June 30, 2003 and 2002, respectively.

20. INCOME TAX

a. The compositions of income tax were as follows:

	For the Six Months Ended June 30	
	2003	2002
Current income tax payable	\$ -	\$ 124,078
Separation taxes on short-term bills interest revenue	169,760	106,431
Tax on unappropriated earnings (10%)	-	65,876
Foreign income taxes over limitation	-	29,620
Change in deferred income taxes	(22,025)	15,721
Prior year's adjustment	<u>12,860</u>	(<u>1,764</u>)
Income tax	<u>\$ 160,595</u>	<u>\$ 339,962</u>

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

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

	For the Six Months Ended June 30	
	2003	2002
Tax on pretax income at 25% statutory rate	\$ 398,542	\$ 393,377
Add (deduct) tax effects of:		
Tax-exempt income	(107,292)	(9,745)
Permanent difference	(295,727)	(244,943)
Temporary difference	(57,801)	(11,400)
Investment tax credit	(3,309)	(3,211)
Loss carryforward	<u>65,587</u>	<u>-</u>
Current income tax payable	<u>\$ -</u>	<u>\$ 124,078</u>

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

	June 30	
	2003	2002
Investment income under the equity method	(\$ 380,936)	(\$ 257,170)
Loss carryforward	62,278	-
Deferred pension cost	22,292	-
Unrealized foreign exchange loss (gain)	(3,665)	12,360
Investment tax credit	3,309	3,211
Other	<u>371</u>	<u>16,255</u>
Deferred income tax liability	<u>(\$ 296,351)</u>	<u>(\$ 225,344)</u>
Deferred income tax assets	<u>\$ -</u>	<u>\$ 1,797</u>

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

	June 30	
	2003	2002
Balances of imputed tax credit account	<u>\$ 142,199</u>	<u>\$ 12,012</u>

The actual creditable tax ratios for earnings in 2002 and 2001 were 9.60% and 12.67%, respectively.

e. Income tax returns through 2001, except those for 1996 and 2001, had been examined by the tax authorities. On the income tax returns for 1994, 1995 and 1997 to 2000, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds totaling \$73,952, which pertained to the period those bonds were held by other investors. The Bank had appealed the decision of the tax authorities.

A reinvestigation was made, resulting in the rescinding of a decision on the tax return for 1994, 1995 and 1997. Income tax returns for 1996 and 2001 also reflected reduction in income tax obligations were reduced to \$37,257 attributable to similar type of withholding taxes; which returns were not yet examined by the tax authorities. However, the Bank had accrued liabilities and written-off any assets recognized related to the foregoing withholding taxes totaling \$111,209 as a part of income tax expense in 2001.

21. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
For the six months ended June 30, 2003					
Basic EPS					
Net income belongs to common stockholders	<u>\$1,594,168</u>	<u>\$1,433,573</u>	1,944,398	<u>\$ 0.82</u>	<u>\$ 0.74</u>
For the six months ended June 30, 2002					
Basic EPS					
Net income belongs to common stockholders	<u>\$1,573,548</u>	<u>\$1,233,586</u>	1,903,863	<u>\$ 0.83</u>	<u>\$ 0.65</u>

22. RELATED-PARTY TRANSACTIONS

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

a. Related parties

<u>Name</u>	<u>Relationship with the Bank</u>
SinoPac Holdings (SPH)	Parent company
SinoPac Securities Corporation (SinoPac Securities)	Wholly owned subsidiary of SPH
SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting)	Wholly owned subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Wholly owned subsidiary of SPH
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Wholly owned subsidiary of SPH
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Wholly owned subsidiary of SPH
AnShin Card Services Company Limited (AnShin Card Services)	Investee accounted for by the equity method of SPH
Far East National Bank (FENB)	Overseas grandson company of the Bank
SinoPac Leasing Corporation (SPL)	Subsidiary
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Fortune Investment Co., Ltd. (Fortune Investment)	Director of the Bank
China Television Co., Ltd. (China Television)	The Bank is a director of the company
Ruentex Development Co., Ltd. (Ruentex Development)	Related party in substance
Wal Tech International Corporation (Wal Tech International)	Affiliate
Other	The Bank's directors, supervisors, managers and their relatives, development chiefs, the investees accounted for by the equity method and the subsidiaries of the Bank, etc.

b. Significant transactions between the Bank and related parties

1) Loans

	<u>Ending Balance of the Period</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>	<u>% of Total</u>
For the six months ended June 30, 2003	\$ 2,312,156	1.15%	1.48%-12.35%	\$ 28,875	0.59%
For the six months ended June 30, 2002	2,878,124	1.61%	2.10%-12.90%	51,815	0.84%

2) Deposits

	<u>Ending Balance of the Period</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>% of Total</u>
For the six months ended June 30, 2003					
SPH	\$ 8,350,891	3.26%	0%-2.00%	\$ 39,862	1.52%
Other	2,486,246	0.97%	0%-6.575%	15,797	0.60%
For the six months ended June 30, 2002	3,258,600	1.41%	0%-7.55%	34,368	0.98%

3) Due from banks and other receivables

	<u>Amount</u>		<u>% of Total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Due from banks—FENB	\$ 246,519	\$ 51,471	1.81%	2.23%
Other receivables	165,319	-	0.89%	-

4) Guarantees and securities purchased

As of June 30, 2003 and 2002, the Bank had provided guarantees on commercial papers issued by Wal Tech International, SinoPac Securities and Fortune Investment. The aggregate face amounts were as follows:

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Wal Tech International	\$ 108,000	\$ 34,000
SinoPac Securities	60,000	-
Fortune Investment	-	31,000
	<u>\$ 168,000</u>	<u>\$ 65,000</u>

As of June 30, 2002, the Bank held \$10,000 of the aforementioned commercial papers issued by Fortune Investment, which were included in securities purchased.

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

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Properties—carrying amount	<u>\$1,545,292</u>	<u>\$1,478,886</u>

Guarantees and credits on SinoPac Securities were collateralized by the following:

	<u>June 30, 2003</u>
Properties and leased assets—carrying amount	\$ 1,199,499
Certificates of deposit	<u>1,130,000</u>
	<u>\$ 2,329,499</u>

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

	<u>June 30, 2002</u>
Properties and stocks	<u>\$ 36,000</u>

5) Revenues, expenses and outright sales/purchases of bonds and bills

	<u>Amount</u>		<u>% of Total</u>	
	<u>For the Six Months</u>		<u>For the</u>	
	<u>Ended June 30</u>		<u>Six Months</u>	
	<u>2003</u>	<u>2002</u>	<u>Ended June 30</u>	<u>2002</u>
Service fees	\$ 3,521	\$ 980	0.60%	0.22%
Service charges	12,489	-	12.28%	-
Project popularizing expense	62,369	-	9.78%	-
Outright sales/purchases of bonds and bills				
SinoPac Securities				
Trading amount of outright purchases	-	1,950,955	-	-
Trading amount of outright sales	-	2,693,661	-	-
SPH				
Trading amount of outright purchases	124,879	893,993	-	-
Trading amount of outright sales	124,856	2,106,729	-	-

6) Bills sold under agreements to repurchase (in cumulative transaction amounts)

	<u>Amount</u>	
	<u>For the Six Months</u>	
	<u>Ended June 30</u>	
	<u>2003</u>	<u>2002</u>
Sold to SPH	\$ 330,000	\$ 300,000
Repurchased from SPH	330,000	25,000

7) Lease

a) The Bank as a lessee

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

<u>Lessor</u>	<u>Rental Expenses</u>		<u>% of Total</u>		<u>Tenancy</u>	<u>Lease Terms</u>
	<u>For the Six Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>			
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>		
SinoPac Securities	\$6,129	\$ -	3.41%	-	-	Rentals paid monthly
China Television	4,975	4,975	2.76%	3.18%	2001.07-2004.07	Rentals paid monthly
SPL	3,332	3,332	1.85%	2.13%	2002.08-2007.07	Rentals paid monthly
Ruentex development	1,718	1,598	0.95%	1.02%	2000.10-2005.09	Rentals paid monthly

b) The Bank as a lessor

<u>Lessee</u>	<u>Rental Income</u>		<u>% of Total</u>		<u>Tenancy</u>	<u>Lease Terms</u>
	<u>For the Six Months Ended June 30</u>		<u>For the Six Months Ended June 30</u>			
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>		
SinoPac Marketing Consulting	\$ 987	\$ -	23.88%	-	2003.03-2006.02	Rentals received monthly
SinoPac Securities	777	777	18.80%	63.07%	1999.07-2006.07	Rentals received monthly
SinoPac Call Center	648	-	15.67%	-	2003.01-2005.12	Rentals received monthly
AnShin Card Services	132	-	3.19%	-	2003.01-2005.12	Rentals received monthly

8) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the six months ended June 30, 2003 and 2002 amounted to \$64,166 and \$37,954, respectively.

9) Due from affiliates

On May 1, 2000, the Bank had transferred its credit card business to AnShin Card Services for a total consideration of \$3,823,798, which had been received as of December 31, 2001.

The compensation received by the Bank for its credit card accounts and the personnel of its credit card business was recognized as income over five years in the case of the credit card accounts and over three years in the case of the transfer price for the related personnel. The related income recognized from this transaction amounted to \$14,168 for the six months ended June 30, 2002.

As of June 30, 2003 and 2002, the Bank's receivable to AnShin Card Services amounted to \$24,657 and \$39,901, respectively.

10) Asset transactions

In January 2001, the Bank had 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 June 30, 2003.

In January 2003, the Bank sold its shares in SPLIA and SPPIA to SPH for considerations of \$79,452 and \$3,801, respectively, which had been received before June 30, 2003.

The terms of the transactions with related parties are similar to those with unrelated parties, except for the preferential interest rates offered to employees for savings and loans of up to prescribed limits.

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

23. CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 27, financial instruments, 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 to seven years, with rentals paid monthly, quarterly or semiannually. Rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2003	\$ 117,064
2004	215,891
2005	122,942
2006	109,637
2007	73,124

Rentals for the years beyond 2007 amount to \$35,881, the present value of which is about \$30,540 as discounted at the Bank's one-year time deposit rate of 1.35% on July 1, 2003.

b. Land and buildings purchase contract

In January 2001, the Bank has entered into contracts to buy land and buildings located in Taipei for business purposes. The purchase cost was \$199,900, of which \$198,830 has already been paid as of June 30, 2003. (Please see Note 22.b.10).

c. Equipment purchase contract

The Bank has entered into contracts to buy computer hardware and software for \$121,111, of which \$73,843 has already been paid as of June 30, 2003.

d. Interior decoration contract

The Bank has entered into contracts to do interior decoration of its premises for \$52,880, of which \$44,844 has already been paid as of June 30, 2003.

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

As of June 30, 2003, short-term bills and bonds with a total face amount of \$19,594,100 were sold under agreements to repurchase at \$20,268,168 between July and November 2003.

f. Short-term bills purchased under agreements to resell

As of June 30, 2003, short-term bills with a total face amount of \$2,403,000 were purchased under agreements to resell at \$2,395,048 between July and September 2003.

g. Balance sheet and trust property of trust accounts

**Balance Sheet of Trust Accounts
June 30, 2003**

<u>Trust Assets</u>		<u>Trust Liabilities and Equities</u>	
Bank deposits	\$ 369,729	Trust capital	\$41,735,104
Short-term investments	42,497,979	Cumulative earnings	<u>1,132,611</u>
Receivables	<u>7</u>		
Total trust assets	<u>\$42,867,715</u>	Total trust liabilities and equities	<u>\$42,867,715</u>

**Trust Property of Trust Accounts
June 30, 2003**

<u>Investment Portfolio</u>	<u>Amount</u>
Bank deposits	<u>\$ 369,729</u>
Short-term investments	
Bonds	6,339,525
Common stock	346,694
Funds	<u>35,811,760</u>
	<u>42,497,979</u>
Receivables	<u>7</u>
Total	<u>\$42,867,715</u>

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

As of June 30, 2003 and 2002, the capital adequacy ratios of the Bank were 13.05% and 11.41%, respectively.

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

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

	For the Six Months Ended June 30, 2003		For the Six Months Ended June 30, 2002	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash—negotiable certificates of deposit	\$ 74,541,650	1.11	\$ 26,096,342	2.22
Due from banks	3,748,363	1.22	1,889,586	1.73
Call loans (placement)	5,712,888	1.28	26,344,242	2.82
Due from Central Bank	5,616,295	1.96	5,123,698	2.50
Securities purchased	32,639,624	4.11	25,270,928	3.33
Loans, discounts and bills purchased	187,591,389	4.25	167,058,000	5.96
<u>Interest-bearing liabilities</u>				
Due to banks	1,198	0.53	4,910	0.89
Call loans (taken)	55,118,429	1.26	26,198,516	2.01
Demand deposits	30,393,453	0.62	20,091,927	1.11
Savings—demand deposits	51,693,818	0.78	49,617,208	2.10
Time deposits	107,317,944	1.45	94,112,474	2.36
Savings—time deposits	57,809,887	2.14	57,918,658	3.34
Negotiable certificates of deposit	856,520	0.94	1,013,351	2.53

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	June 30, 2003			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
<u>Assets</u>				
Cash	\$ 75,861,305	\$ -	\$ -	\$ 75,861,305
Due from banks	13,604,670	-	-	13,604,670
Due from Central Bank	9,958,878	-	-	9,958,878
Securities purchased	38,162,286	-	-	38,162,286
Receivables	17,282,980	-	-	17,282,980
Loans, discounts and bills purchased (excluding nonperforming loans)	65,238,393	16,471,524	117,677,000	199,386,917
	<u>\$ 220,108,512</u>	<u>\$ 16,471,524</u>	<u>\$ 117,677,000</u>	<u>\$ 354,257,036</u>
<u>Liabilities</u>				
Call loans and due to banks	\$ 66,500,806	\$ -	\$ -	\$ 66,500,806
Payables	9,216,377	-	-	9,216,377
Deposits and remittances	246,029,260	10,128,000	-	256,157,260
Bank debentures	-	8,000,000	4,900,000	12,900,000
	<u>\$ 321,746,443</u>	<u>\$ 18,128,000</u>	<u>\$ 4,900,000</u>	<u>\$ 344,774,443</u>

	June 30, 2002			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash	\$ 53,743,468	\$ -	\$ -	\$ 53,743,468
Due from banks	22,236,444	-	-	22,236,444
Due from Central Bank	9,461,956	-	-	9,461,956
Securities purchased	27,071,393	-	-	27,071,393
Receivables	11,345,539	-	-	11,345,539
Loans, discounts and bills purchased (excluding nonperforming loans)	<u>59,800,262</u>	<u>24,991,822</u>	<u>93,371,866</u>	<u>178,163,950</u>
	<u>\$ 183,659,062</u>	<u>\$ 24,991,822</u>	<u>\$ 93,371,866</u>	<u>\$ 302,022,750</u>
Liabilities				
Call loans and due to banks	\$ 48,644,129	\$ -	\$ -	\$ 48,644,129
Payables	8,256,088	-	-	8,256,088
Deposits and remittances	223,570,968	6,847,731	-	230,418,699
Bank debentures	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>
	<u>\$ 280,471,185</u>	<u>\$ 11,847,731</u>	<u>\$ -</u>	<u>\$ 292,318,916</u>

27. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank enters into contracts with customers that have satisfied the credit approval process and have provided the necessary collateral. The transactions are then made within each customer's credit limit, and guarantee deposits may be required, depending on the customer's credit standing. Transactions with other banks are made within the trading limit set for each bank on the basis of the bank's credit rating and its worldwide ranking. The associated credit risk has been considered in the evaluation of provision for credit losses. In addition, the Bank has entered into futures contracts with London International Financial Futures and Options Exchange (LIFFE) and therefore, no significant credit risk is expected.

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

Financial Instruments	June 30, 2003			June 30, 2002		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	\$ 4,961,000	\$ 125,452	\$ 31,042	\$ -	\$ -	\$ -
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Forward contracts						
—Buy	31,171,745	81,353	(14,461)	25,080,290	190,978	(555,799)
—Sell	27,495,482	235,585	183,300	40,795,346	960,045	631,117
Forward rate agreements						
—Buy	28,734,009	5,982	(22,173)	39,285,966	-	(137,537)
—Sell	32,698,299	29,740	26,527	42,641,766	141,107	141,107
Currency swap contracts	61,482,145	236,071	(191,460)	91,967,108	1,735,593	(247,197)
Interest rate swap contracts	45,751,939	431,933	(36,308)	47,691,160	278,845	(69,462)
Interest rate futures contracts						
—Long position	3,964,290	-	(448)	-	-	-

Financial Instruments	June 30, 2003			June 30, 2002		
	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 exposures:						
Options						
—As buyer	\$86,103,629	\$ 679,043	\$ 1,564,569	\$51,830,540	\$ 1,464,561	\$ 1,880,632
—As seller	80,344,204	274,439	1,548,323	51,899,698	-	1,881,371

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

As of June 30, 2003 and 2002, the Bank entered into asset swap contracts for hedging purposes, with notional amounts at \$5,798,660 and \$1,459,773, respectively. The Bank entered into these contracts with counter-parties with good splendid worldwide ranking and credit rating, thus, no significant credit risk is expected.

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

The gains and losses on derivative financial instruments for the six months ended June 30, 2003 and 2002 were as follows:

Account	For the Six Months Ended June 30	
	2003	2002
For hedging purposes:		
Cross-currency swap contracts		
—Realized	Interest revenue	\$ - \$ 31,690
	Interest expense	- (14,425)

(Continued)

	<u>Account</u>	<u>Six Months Ended</u>	
		<u>June 30</u>	
		<u>2003</u>	<u>2002</u>
Interest rate swap contracts			
—Realized	Interest revenue	\$ 9,149	\$ -
	Interest expense	(241)	-
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
—Realized	Foreign exchange gain	13,056	7,432
—Unrealized	Foreign exchange gain (loss)	(126,021)	139,232
Forward rate agreements			
—Realized	Income from derivative financial transactions	1,806	5,403
—Unrealized	Income (loss) from derivative financial transactions	3,663	(3,976)
Currency swap contracts			
—Realized	Interest revenue	177,336	161,904
	Interest expense	(155,813)	(155,911)
Interest rate swap contracts			
—Realized	Interest revenue	297,739	257,387
	Interest expense	(326,097)	(280,611)
—Unrealized	Income from derivative financial transactions	23,695	7,804
Options contracts			
—Realized	Income from derivative financial transactions	199,950	76,142
	Foreign exchange gain (loss)	24,039	(12,622)
—Unrealized	Income from derivative financial transactions	7,213	1,492
Interest rate futures contracts			
—Realized	Income (loss) from derivative financial transactions	1,510	(92)
—Unrealized	Loss from derivative financial transactions	(956)	-

Income from derivative financial transactions - net (included in other operating revenue) for the six months ended June 30, 2003 and 2002 were \$236,881 and \$86,773, respectively.

b. Fair value of nonderivative financial instruments

	<u>June 30, 2003</u>		<u>June 30, 2002</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets—with fair values approximating carrying amounts	\$ 116,657,422	\$ 116,657,422	\$ 96,722,870	\$ 96,722,870
Securities purchased	38,020,873	38,449,741	27,071,393	27,347,800
Loans, discounts and bills purchased	200,358,239	200,358,239	178,485,709	178,485,709

(Continued)

	<u>June 30, 2003</u>		<u>June 30, 2002</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Long-term equity investments	\$ 9,009,001	\$ 9,009,001	\$ 8,224,466	\$ 8,224,466
Guarantee deposits	621,106	629,435	622,619	611,588

Liabilities

Financial liabilities—with fair values approximating carrying amounts	75,717,183	75,717,183	56,900,217	56,900,217
Deposits and remittances	256,157,260	256,157,260	230,418,699	230,418,699
Bank debentures	12,900,000	12,900,000	5,000,000	5,000,000
Other liabilities	129,596	129,596	78,887	78,887

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

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

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

c. Off-balance-sheet credit risks

The Bank had significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments were under seven years. For the six months ended June 30, 2003 and 2002, the interest rates of the loans ranged from 0.05% to 20.00%, and from 0.38% to 12.75%, respectively. The Bank also issued financial guarantees and standby letters of credit to guarantee the performance of a customer obligated to a third party. These guarantees were usually with terms of less than one year, and with maturity dates not in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of June 30, 2003 and 2002 were as follows:

	<u>June 30</u>	
	<u>2003</u>	<u>2002</u>
Financial guarantees and standby letters of credit	\$ 10,231,450	\$ 11,125,147
Undrawn loan commitments	3,492,793	787,593

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

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after evaluation of customers' credit standings. On the basis of the result of the credit evaluation, the Bank may require collateral before drawings are made against the credit facilities. As of June 30, 2003 and 2002, ratios of secured loans to total loans were both about 76%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given.

28. INFORMATION ON CONCENTRATIONS OF RISK

The Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. Industries that accounted for 5% or more of the outstanding loans as of June 30, 2003 and 2002 were as follows:

	<u>June 30</u>			
	<u>2003</u>		<u>2002</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Natural person	\$ 147,149,717	73	\$ 126,467,282	70
Manufacturing	26,432,261	13	24,125,927	13

The net positions on foreign-currency transactions as of June 30, 2003 and 2002 were insignificant.

29. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$100 million or 20% of the issued capital: Table 4;
- 5) Acquisition of individual real estate at costs of at least NT\$100 million or 20% of the issued capital: Table 5;

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

FENB engages in derivative transactions mainly for accommodating customers' needs and managing its exposure positions.

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

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

<u>Financial Instruments</u>	<u>June 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
—Buy	\$ 415,344	\$ 105	(\$ 2,546)
—Sell	415,344	2,651	2,546
<u>Financial Instruments</u>	<u>June 30, 2002</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
—Buy	\$10,537,212	\$ 344,473	\$ 244,783
—Sell	10,542,393	324,649	(259,563)
Options			
—As buyer	4,026,960	-	-
—As seller	4,026,960	-	-

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

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

The gains and losses on derivative transactions for the six months ended June 30, 2003 and 2002 were insignificant.

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

BANK SINOPAC AND INVESTEES

**FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(In Thousands of New Taiwan Dollars)**

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
5	Intellisys Corp.	Intellisoft Corporation	Temporary payments	\$ 563	\$ -	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 20,000 (Note 1)	\$ 59,575 (Note 1)
		Intellisys Shanghai Corporation	Temporary payments	387	-	-	Short-term financing	-	Working capital	-	-	-	20,000 (Note 1)	59,575 (Note 1)

Note 1: The stockholders of Intellisys Corp. approved the limit on total financing amounts up to 30% of the net asset value (Note 2) of Intellisys Corp., and the limit on individual financing amounts is up to \$20,000.

Note 2: The net asset value of Intellisys Corp. was based on its unaudited financial statements as of June 30, 2003.

BANK SINOPAC AND INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(In Thousands of New Taiwan Dollars)**

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Individual Endorsement/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Endorsement/Guarantee Amount Collateralized by Properties	Ratio of Accumulated Amount of Endorsement/Guarantee to Net Asset Value of the Latest Financial Statement (Note 4)	Maximum Endorsement/Guarantee Amounts Allowable
		Name	Nature of Relationship						
2	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	(Note 2)	\$ 4,442,961 (Note 1)	\$4,442,961 (Note 1)	-	235%	(Note 3)
		Wal Tech International Corporation	Affiliate company	(Note 2)	530,000	530,000	-	28%	(Note 3)

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

Note 2: The limit on individual endorsement or guarantee amount is up to 200% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of June 30, 2003, the limit was \$3,775,831.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of June 30, 2003, the maximum allowance was \$9,439,578.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its unaudited financial statements as of June 30, 2003.

TABLE 3

BANK SINOPAC AND INVESTEES

MARKETABLE SECURITIES HELD

JUNE 30, 2003

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Bank SinoPac	<u>Stock</u>							
	SinoPac Bancorp	Subsidiary	Long-term equity investments	20	\$ 5,176,744	100.00%	\$ 5,336,814	Note 5
	Rocorp Holding S.A.	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	2,100,781	99.7683%	1,883,541	Note 4
	SinoPac Capital Limited	Subsidiary	Long-term equity investments	229,998	1,005,352	99.9991%	1,005,858	Note 4
	SinoPac Financial Consulting Co., Ltd.	Subsidiary	Long-term equity investments	194	1,498	97.00%	1,498	Note 4
	Ruentex Industries Ltd.	Supervisor of Bank SinoPac and an investee accounted for by the cost method	Long-term equity investments	11,452	165,486 (Note 3)	1.45%	168,292	Note 2
	Mega Financial Holding Company	Investee accounted for by the cost method	Long-term equity investments	3,998	110,732 (Note 3)	0.04%	66,492	Note 2
	China Television Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	12,468	364,539 (Note 3)	3.42%	102,237	Note 2
	Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	11,719	100,000	1.56%	130,567	Note 5
	Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,040	13,230	1.58%	11,302	Note 4
	Taipei Forex Inc.	Investee accounted for by the cost method	Long-term equity investments	80	800	0.40%	1,103	Note 4
	Taiwan Future Exchange Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	899	8,990	0.45%	11,189	Note 5
	Taiwan Leader Advanced Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,103	16,554	1.07%	9,229	Note 4
	Apack Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	1,694	- (Note 8)	1.31%	12,717	Note 4
	Fuh-Hwa Investment Trust Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,400	24,000	7.77%	31,964	Note 4
	Financial Information Services Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	4,550	45,500	1.14%	63,895	Note 4
	Taiwan Asset Management Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	0.28%	51,543	Note 4
	Taiwan Financial Asset Service Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.94%	50,790	Note 4
	Prudence Venture Investment Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.50%	49,620	Note 4
Mondex Taiwan Inc.	Investee accounted for by the cost method	Long-term equity investments	2,000	25,000	6.47%	14,410	Note 4	
SinoPac Bancorp	<u>Stock</u>							
	Far East National Bank	Subsidiary	Long-term equity investments	175	5,251,337	100.00%	5,251,337	Note 5
Far East National Bank	<u>Stock</u>							
	Far East Capital Corporation	Subsidiary	Long-term equity investments	350	78,253	100.00%	78,253	Note 5
	FENB Securities, Inc.	Subsidiary	Long-term equity investments	2.5	21,655	100.00%	21,655	Note 5
	FENB Loan Corp.	Subsidiary	Long-term equity investments	0.1	(13,989)	100.00%	(13,989)	Note 5
	FENB Film Corp.	Subsidiary	Long-term equity investments	0.1	(55,352)	100.00%	(55,352)	Note 5
	FENB Services, Inc.	Subsidiary	Long-term equity investments	0.1	34	100.00%	34	Note 5
Federal Reserve Bank	Investee accounted for by the cost method	Long-term equity investments	65	117,039	-	117,039	Note 6	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Far East Capital Corporation	Federal Home Loan Bank	Investee accounted for by the cost method	Long-term equity investments	76	\$ 262,508	-	\$ 262,508	Note 6
	Southern California Business Development Corporation (SCBDC)	Investee accounted for by the cost method	Long-term equity investments	40	1,384	-	1,384	Note 6
	California Economic Development Lending Initiative (CEDLI)	Investee accounted for by the cost method	Long-term equity investments	50	1,731	-	1,731	Note 6
	<u>Fund</u>							
	Genesis L.A. Real Estate Fund LLC	-	Long-term investments	-	67,117	-	67,117	Note 6
	California Tax Credit Fund LLC	-	Long-term investments	-	27,947	-	27,947	Note 6
	Bay Area Smart Growth Fund LLC	-	Long-term investments	-	22,895	-	22,895	Note 6
	<u>Stock (common stock)</u>							
	Hollywood International Finance, Inc.	Investee accounted for by the cost method	Long-term equity investments	0.3	10	15.10%	117	Note 4
	PCRS Capital Partners, LLC	Investee accounted for by the cost method	Long-term equity investments	-	1,853	4.00%	1,853	Note 6
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	1,188	0.20%	1,188	Note 7
	<u>Stock (preferred stock)</u>							
	AgraQuest, Inc.	-	Long-term equity investments	100	8,134	0.80%	8,134	Note 6
iPhysician Net, Inc.	-	Long-term equity investments	115	14,070	0.30%	14,070	Note 6	
Silicon Motion, Inc.	-	Long-term equity investments	61	8,653	0.20%	8,653	Note 6	
Softknot Corporation	-	Long-term equity investments	250	6,924	2.00%	6,924	Note 6	
Zone Reactor, Inc.	-	Long-term equity investments	300	1,166	1.50%	1,166	Note 6	
SinoPac Leasing Corporation	<u>Stock</u>							
Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,388,143	100.00%	1,388,143	Note 4	
Bank of Overseas Chinese	Investee accounted for by the cost method	Long-term equity investments	4,829	29,914 (Note 3)	0.29%	25,835	Note 2	
Chain Yarn Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,969	38,444	1.90%	26,655	Note 4	
Tekcon Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	832	20,768	1.51%	6,269	Note 4	
Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	15,877	Note 5	
Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	330	6,600	0.50%	3,577	Note 4	
Walton Advanced Engineering, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.34%	11,757	Note 4	
Telexpress Corp.	Investee accounted for by the cost method	Long-term equity investments	525	7,835	5.00%	5,162	Note 4	
Grand Capital International Limited	<u>Venture fund</u>							
World Wide Multimedia L.P.	-	Long-term investments	0.005	58,956	16.67%	47,979	Note 4	
	<u>Stock (preferred stock)</u>							
Best 3C. Com, Inc.	-	Long-term equity investments	600	15,575	1.85%	15,575	Note 6	
e21 Corp.	-	Long-term equity investments	200	10,384	0.79%	10,384	Note 6	
	<u>Stock (common stock)</u>							
Ciphergen Biosystems, Inc.	Investee accounted for by the cost method	Long-term equity investments	37	8,206	0.14%	8,206	Note 7	
SinoPac Capital Limited	<u>Stock</u>							
SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	127,991	100.00%	396,409	Note 4	
TPV Technology	-	Short-term investments	1,110	12,397	0.08%	13,422	Note 2	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Sino Golf	-	Short-term investments	9,962	\$ 39,370	3.30%	\$ 48,626	Note 2
	BEP International Holding	-	Short-term investments	3,380	10,566	1.41%	10,031	Note 2
	Haier-CCT	-	Short-term investments	40,000	35,332	0.40%	50,587	Note 2
	Suga International	-	Short-term investments	5,754	36,572	2.88%	39,576	Note 2
	Sino Info Tech	-	Short-term investments	16,106	16,765	1.15%	14,866	Note 2
	<u>Bond</u>							
	Chiam International	-	Short-term investments	US\$ 1,000	34,612	-	34,612	Note 7
	<u>Convertible bill and bond</u>							
	Sino-Wood Partners	-	Short-term investments	US\$ 1,000	34,612	-	34,612	Note 2
	Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	34,612	-	35,261	Note 2
	Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 3,000	103,836	-	121,618	Note 2
	Siliconware Precision	-	Short-term investments	US\$ 1,000	34,612	-	36,348	Note 2
	Hannstar Display	-	Short-term investments	US\$ 2,000	69,224	-	73,291	Note 2
	Chunghwa Pictures Tubes	-	Short-term investments	US\$ 2,009	69,528	-	73,103	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	41,225	100.00%	33,889	Note 4
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	(155,322)	100.00%	(155,322)	Note 4
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	31,990	60.00%	24,096	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	4,241	99.9995%	4,241	Note 4
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u>							
	3V Source One LP	-	Long-term investments	2,000	70,724	71.43%	45,797	Note 4
	<u>Stock</u>							
	Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	197,989	100.00%	192,719	Note 4
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999.999	4,299	99.9999%	4,299	Note 4
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	49,066	34.21%	33,582	Note 4
	Hollywood International Finance, Inc.	Investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	38	Note 4
Allstar Venture Ltd. (B.V.I.)	<u>Venture fund</u>							
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	84,556	6.25%	84,556	Note 6
	UOB	-	Long-term investments	26	77,231	8.62%	48,811	Note 4
	MDS Life Sciences Technology Fund	-	Long-term investments	50	118,269	25.00%	81,498	Note 4
	Biotechnology Development Fund II LP (Formerly Bio Asia Investment, LLC/BDF II)	-	Long-term investments	-	36,085	2.30%	42,791	Note 4
	NAVF II	-	Long-term investments	-	46,570	2.07%	29,528	Note 4
	<u>Stock (common stock)</u>							
	Ardent Pharmaceutica, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	17,692	0.58%	377	Note 4
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	10,165	0.75%	5,942	Note 7
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	34,606	0.20%	4,387	Note 4

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2003				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	<u>Stock (preferred stock)</u>							
	Sunol Molecular Corp.	-	Long-term equity investments	100	\$ 17,469	0.92%	\$ 17,469	Note 6
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,854	1.10%	17,854	Note 6
	Immusol, Inc.	-	Long-term equity investments	75	10,615	0.16%	10,615	Note 6
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,606	0.31%	10,606	Note 6
	BioAgri Corp.	-	Long-term equity investments	375	10,384	2.42%	10,384	Note 6
	Divio, Inc.	-	Long-term equity investments	125	17,373	0.64%	17,373	Note 6
Wal Tech International Corporation	<u>Stock</u>							
	Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	241,335	62.58%	124,273	Note 4
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	8,326	30.00%	9,121	Note 4
	Monmon Medza Technology Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	598	2,757	32.39%	2,631	Note 4
	Fu Po Electronics Corporation	Investee accounted for by the cost method	Long-term equity investments	1,650	29,700	1.50%	13,768	Note 4
	Webi & Neti Internet Services Inc.	Investee accounted for by the cost method	Long-term equity investments	63	625	2.63%	312	Note 4
	YesMobile Holdings Company Limited	Investee accounted for by the cost method	Long-term equity investments	294	12,000	0.75%	2,238	Note 4
	SynTest Technologies, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	480	Note 4
	Taiwan Leader Advanced Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.53%	13,729	Note 5
	Ruentex Resources Integration Co., Ltd.	A subsidiary of Bank SinoPac's supervisor and Investee accounted for by the cost method	Long-term equity investments	2,361	24,114	2.47%	20,631	Note 4
	Media Reality Technologies, Inc.	Investee accounted for by the cost method	Long-term equity investments	800	13,598	1.78%	8,775	Note 5
	Advanced Power Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	660	14,520	1.32%	9,661	Note 4
	Nanya PCB Corporation	Investee accounted for by the cost method	Long-term equity investments	1,519	93,080	0.32%	26,292	Note 4
	ENE Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	765	29,996	3.22%	32,056	Note 2
	SonicEdge Industries Corporation	Investee accounted for by the cost method	Long-term equity investments	580	14,500	2.99%	5,133	Note 4
	Maximum Venture I, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	7,000	70,350	9.39%	67,668	Note 5
	SinoPac Financial Consulting Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	6	91	3.00%	46	Note 4
	Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	90	12,523	0.10%	1,099	Note 4
Intellisys Corp.	<u>Beneficiary certificate</u>							
	KGI Pioneer Fund	-	Short-term investments	200	2,000	-	1,862	Note 7
	Apollo Fund	-	Short-term investments	15	100	-	81	Note 7
	<u>Stock</u>							
	Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	525	2.31%	203	Note 4

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

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

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 amounts.

Note 7: Market prices were determined at the closing prices on June 30, 2003.

Note 8: The amounts were after deducting realized losses.

TABLE 4

BANK SINOPAC AND INVESTEES

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counter-party	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units/ Face Amount (in Thousand)	Amount	Shares/ Units/ Face Amount (in Thousand)	Amount (Note)	Shares/ Units/ Face Amount (in Thousand)	Amount (Note)	Carrying Amount (Note)	Gain (Loss) on Disposal (Note)	Shares/ Units/ Face Amount (in Thousand)	Amount (Note)
SinoPac Capital Limited	Convertible bond Hannstar Display	Short-term investments	-	-	-	\$ -	US\$ 3,000	\$ 102,153	US\$ 1,000	\$ 33,460	\$ 32,929	\$ 531	US\$ 2,000	\$ 69,224

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

BANK SINOPAC AND INVESTEES

**ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(In Thousand New Taiwan Dollars)**

Company Name	Property	Transaction Date	Transaction Amount	Payment Term	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose of Acquisition	Other Terms
							Owner	Relationship	Transfer Date	Amount			
Bank SinoPac	Collateral assumed 2 Lands in South Area, Taichung	April 15, 2003	\$197,680	Offset in nonperforming loan	Tong Long Industrial Corp.	The debtor of Bank SinoPac	-	-	-	-	Court auction price: \$197,680	For sale	-

BANK SINOPAC AND INVESTEES

RECEIVABLES FROM RELATED-PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE ISSUED CAPITAL

JUNE 30, 2003

(In Thousand New Taiwan Dollars)

Company Name	Related-Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Bank SinoPac	SinoPac Holdings	Parent company of the Bank	\$ 140,753 (Note)	-	\$ -	-	\$ -	\$ -

Note: Cash dividends receivable.

BANK SINOPAC AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 2003
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of June 30, 2003			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss)	Note
				June 30, 2003 (Note 1)	December 31, 2002 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
Bank SinoPac	SinoPac Bancorp Rocorp Holding S.A.	California	Stock holding	US\$ 112,306	US\$ 112,306	20	100.00	\$ 5,176,744	\$ 222,389	\$ 164,612	Subsidiary Investee under significant influence held by the Bank
		Luxembourg	Stock holding	\$ 3,531	\$ 3,531	0.11	33.33	3,531	-	-	
	Taipei	Leasing aircraft and machinery equipment	\$ 999,940	\$ 999,940	149,652	99.7683	2,100,781	84,757	76,875	Subsidiary	
	Hong Kong	Lending and financing	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	1,005,352	110,276	109,872	Subsidiary	
SinoPac Bancorp	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.00	1,498	(665)	(681)	Subsidiary
		California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.00	5,251,337	231,195		Subsidiary
		California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	78,253	(7,720)		Subsidiary
Far East National Bank	Far East Capital Corporation FENB Securities, Inc. FENB Loan Corp. FENB Film Corp. FENB Service, Inc.	California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	21,655	8,213		Subsidiary
		California	Asset management brokerage	US\$ 1	US\$ 1	0.1	100.00	(13,989)	-		Subsidiary
		California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.00	(55,352)	-		Subsidiary
		California	Investment Corporation	US\$ 1	-	0.1	100.00	34	(1)		Subsidiary
		British Virgin Islands	Oversea trading, leasing, lending and financing	US\$ 29,900	US\$ 29,900	29,900	100.00	1,388,143	41,801		Subsidiary
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	British Virgin Islands	Financial advisory	US\$ 4,450	US\$ 4,450	4,450	100.00	127,991	(13,830)		Subsidiary
SinoPac Capital (B.V.I.) Ltd.	Cyberpac Holding Ltd. (B.V.I.) Allstar Venture Ltd. (B.V.I.)	British Virgin Islands	Investment and advisory	US\$ 4,000	US\$ 4,000	4,000	100.00	41,225	(20,019)		Subsidiary
		British Virgin Islands	Investment	US\$ 0.002	US\$ 0.002	0.002	100.00	(155,322)	(20,360)		Subsidiary
	Shanghai International Asset Management (Hong Kong) Co., Ltd. Pinnacle Investment Management Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	31,990	969		Subsidiary
		Hong Kong	Asset management	US\$ 200	US\$ 200	200	99.9995	4,241	(208)		Subsidiary
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	\$ 272,182	\$ 272,160	26,500	100.00	197,989	(10,042)		Subsidiary
		Hong Kong	General trading and providing internet - based service	HK\$999,999	HK\$ -	999,999	99.9999	4,299	(140)		Subsidiary
	Telexpress Corp.	Investment	US\$ 1,560	US\$ 1,560	3,900	34.21	49,066	(5,313)		Investee under significant influence held by the Bank's subsidiary	
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	\$ 258,836	\$ 258,836	10,326	62.58	241,335	5,946		Subsidiary
		Taipei	Asset management	18,000	18,000	1,800	30.00	8,326	(3,902)		Investee under significant influence held by the Bank's subsidiary
	Monmon Medza Technology	Software products retail and distribution	5,980	5,980	598	32.39	2,757	(2,476)		Investee under significant influence held by the Bank's subsidiary	

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

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