

Bank SinoPac

Financial Statements for the Nine Months Ended September 30, 2003 and 2002 (Unaudited) Together with Independent Accountants' 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 ACCOUNTANTS' REPORT

The Board of Directors and the Stockholders
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of September 30, 2003 and 2002, and the related statements of income, and cash flows for the nine months then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" in the Republic of China except that described in the next paragraph. A review of interim financial statements consists primarily of applying analytical procedures, comparisons and making inquiries. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As stated in Note 8 to the financial statements, the calculation of the carrying value of the long-term equity investments accounted for by the equity method as of September 30, 2003 and 2002 amounted to NT\$3,143,665 thousand and NT\$3,205,274 thousand, respectively, the related investment income for the nine months then ended amounted to NT\$266,129 thousand and NT\$44,401 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' unreviewed financial statements.

Based on our review, except for the adjustments in the Bank's financial statements that might have been required had the investees' financial statements mentioned in the third paragraph been reviewed by independent accountants, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with the Criteria Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

October 17, 2003

Notice to Readers

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

SEPTEMBER 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)	\$ 86,667,048	22	\$ 43,589,663	14	LIABILITIES				
DUE FROM BANKS (Note 22)	10,595,642	3	18,147,285	6	Call loans and due to banks	\$ 32,388,691	8	\$ 44,674,486	14
DUE FROM CENTRAL BANK (Note 4)	10,641,629	3	8,775,912	3	Accounts, interest and other payables (Note 11)	10,840,049	3	6,848,919	2
SECURITIES PURCHASED—Net (Notes 2, 5, 22 and 24)	32,993,899	9	32,593,735	10	Acceptances payable	1,323,622	-	706,175	1
ACCOUNTS, INTEREST AND OTHER RECEIVABLES—Net (Notes 2, 6 and 22)	15,792,862	4	10,909,562	4	Deposits and remittances (Notes 12 and 22)	295,353,790	77	228,797,568	73
ACCEPTANCES	1,323,622	-	706,175	-	Bank debentures (Note 13)	16,200,000	4	5,000,000	1
PREPAYMENTS	240,974	-	241,538	-	Other liabilities (Notes 2, 19 and 20)				
LOANS, DISCOUNTS AND BILLS PURCHASED—Net (Note 2, 7 and 22)	208,080,766	54	182,400,531	58	Deferred tax liabilities	369,938	-	264,482	-
LONG-TERM INVESTMENTS (Notes 2, 5 and 8)					Other	2,859,395	1	2,938,995	1
Equity method	8,257,872	2	8,127,374	3	Total other liabilities	3,229,333	1	3,203,477	1
Cost method	1,024,832	1	1,045,579	-	Total liabilities	359,335,485	93	289,230,625	92
Long-term equity investments	9,282,704	3	9,172,953	3	STOCKHOLDERS' EQUITY (Note 14)				
Less: Unrealized loss	315,974	-	325,397	-	Capital stock, \$10 par value				
	8,966,730	3	8,847,556	3	Authorized and issued: 1,944,397,617 shares	19,443,976	5	19,443,976	6
Long-term bond investments	817,718	-	-	-	Capital surplus (Notes 2 and 14)				
Long-term investments—net	9,784,448	3	8,847,556	3	Additional paid-in capital	125,030	-	125,030	-
PROPERTIES (Notes 2, 9 and 23)					Donated capital	83	-	83	-
Cost					Other	95	-	1,773	-
Land	1,929,107	1	1,777,147	1	Retained earnings (Note 14)				
Buildings	2,239,267	1	2,061,333	1	Legal reserve	3,671,307	1	2,997,437	1
Computer equipment	1,228,826	-	1,094,628	-	Special reserve	282,977	-	282,977	-
Transportation equipment	50,071	-	54,927	-	Unappropriated	2,281,736	1	1,814,648	1
Office and other equipment	1,318,018	-	1,182,465	-	Unrealized loss on long-term equity investments (Notes 2 and 8)	(336,340)	-	(398,029)	-
Total cost	6,765,289	2	6,170,500	2	Unrealized revaluation loss (Notes 2 and 8)	(39,113)	-	(42,676)	-
Accumulated depreciation	1,874,764	1	1,612,393	1	Cumulative translation adjustment (Note 2)	150,815	-	232,206	-
	4,890,525	1	4,558,107	1	Total stockholders' equity	25,580,566	7	24,457,425	8
Advances on acquisitions of equipment and construction in progress	103,194	-	172,433	-	CONTINGENCIES AND COMMITMENTS (Notes 23 and 27)				
Net properties	4,993,719	1	4,730,540	1					
OTHER ASSETS (Notes 2, 10 and 20)	3,801,442	1	2,745,553	1					
TOTAL ASSETS	\$ 384,916,051	100	\$ 313,688,050	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 384,916,051	100	\$ 313,688,050	100

These financial statements had been reviewed only and not audited according to ROC GAAS. The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche report dated October 17, 2003)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 (UNAUDITED)

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

	2003		2002	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES				
Interest (Notes 2, 22 and 27)	\$ 7,268,533	64	\$ 9,104,298	79
Service fees (Notes 2, 16 and 22)	969,526	8	689,799	6
Income from securities—net (Notes 2 and 17)	1,999,957	17	963,870	9
Income from long-term equity investments under the equity method—net (Notes 2 and 8)	533,300	5	372,856	3
Foreign exchange gain—net (Notes 2 and 27)	-	-	222,434	2
Other (Note 27)	<u>657,834</u>	<u>6</u>	<u>130,625</u>	<u>1</u>
Total operating revenues	<u>11,429,150</u>	<u>100</u>	<u>11,483,882</u>	<u>100</u>
OPERATING COSTS AND EXPENSES				
Interest (Notes 2, 22 and 27)	3,842,506	34	5,192,250	45
Service charges (Note 22)	163,711	1	99,469	1
Provision for trading losses	49,684	-	-	-
Foreign exchange loss—net (Notes 2 and 27)	211,329	2	-	-
Provision for credit losses (Notes 2, 6 and 7)	1,090,000	10	757,702	7
Operating and administrative expenses (Notes 2, 18, 19 and 22)	3,551,765	31	3,198,493	28
Other	<u>271</u>	<u>-</u>	<u>139</u>	<u>-</u>
Total operating costs and expenses	<u>8,909,266</u>	<u>78</u>	<u>9,248,053</u>	<u>81</u>
OPERATING INCOME	2,519,884	22	2,235,829	19
NONOPERATING INCOME AND GAINS (Note 22)	101,836	1	58,793	1
NONOPERATING EXPENSES AND LOSSES	(<u>42,684</u>)	<u>-</u>	(<u>30,529</u>)	<u>-</u>
INCOME BEFORE INCOME TAX	2,579,036	23	2,264,093	20
INCOME TAX (Notes 2 and 20)	<u>297,300</u>	<u>3</u>	<u>440,629</u>	<u>4</u>
NET INCOME	<u>\$ 2,281,736</u>	<u>20</u>	<u>\$ 1,823,464</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>\$ 1.33</u>	<u>\$ 1.17</u>	<u>\$ 1.19</u>	<u>\$ 0.96</u>

These financial statements had been reviewed only and not audited according to ROC GAAS. The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche report dated October 17, 2003)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

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

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,281,736	\$ 1,823,464
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	351,132	308,780
Provision for credit and trading losses	1,139,684	757,702
Amortization on long-term bonds investment	6,614	-
Accrued pension cost	118,818	118,774
Deferred income taxes	51,562	54,787
Cash dividends received from long-term equity investments under the equity method	24,566	55,792
Income from long-term equity investments under the equity method—net	(533,300)	(372,856)
Realized loss on long-term equity investments	14,476	10,583
Loss (gain) on sale of long-term equity investments	5,465	(5,171)
Loss on disposal of properties—net	27,406	7,734
Increase in securities purchased—for trading purposes	(5,218,735)	(7,880,218)
Increase in accounts, interest and other receivables	(2,227,712)	(1,023,803)
Increase in prepaid expenses	(71,921)	(40,515)
Increase in accounts, interest and other payables	<u>4,013,744</u>	<u>578,570</u>
Net cash used in operating activities	<u>(16,465)</u>	<u>(5,606,377)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in due from banks	(12,593)	22,926,127
Decrease (increase) in due from Central Bank	370,327	(1,578,229)
Increase in securities purchased—for investing purposes	(3,223,314)	(4,266,805)
Increase in loans, discounts and bills purchased	(22,101,809)	(16,008,467)
Increase in long-term equity investments	-	(374,900)
Increase in long-term bond investments	(824,332)	-
Proceeds from sale of long-term equity investments	84,059	19,251
Acquisition of properties	(545,561)	(294,308)
Proceeds from sale of properties	978	1,404
Increase in other assets	<u>(945,125)</u>	<u>(469,687)</u>
Net cash used in investing activities	<u>(27,197,370)</u>	<u>(45,614)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in call loans and due to banks	(19,681,897)	20,590,786
Increase in deposits and remittances	59,357,087	11,187,519
Increase in bank debentures	9,200,000	-
Increase in other liabilities	449,831	1,046,079
Remuneration to directors and supervisors and bonus to employees	(53,724)	(160,674)
Cash dividends paid	(1,518,639)	(910,489)
Proceeds from transferring treasury stock to employees	<u>-</u>	<u>491,277</u>
Net cash provided by financing activities	<u>47,752,658</u>	<u>32,244,498</u>

(Continued)

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	<u>2003</u>	<u>2002</u>
INCREASE IN CASH	\$ 20,538,823	\$ 26,592,507
CASH, BEGINNING OF PERIOD	<u>66,128,225</u>	<u>16,997,156</u>
CASH, END OF PERIOD	<u>\$ 86,667,048</u>	<u>\$ 43,589,663</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 3,841,143</u>	<u>\$ 5,603,357</u>
Income tax paid	<u>\$ 277,068</u>	<u>\$ 272,730</u>
NON-CASH INVESTING ACTIVITIES		
Reclassification from long-term equity investments to securities purchased (Note 5)	<u>\$ -</u>	<u>\$ 2,896,922</u>

These financial statements had been reviewed only and not audited according to ROC GAAS.
The accompanying notes are an integral part of the financial statements.

(With Deloitte & Touche report dated October 17, 2003)

(Concluded)

BANK SINOPAC

**NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002 (UNAUDITED)
(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 September 30, 2003 and 2002, the Bank had a total of 2,044 and 1,901 employees, respectively.

As of September 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.

(See the accountant's report)

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.

Long-term Bond Investments

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

Properties

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

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

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

Depreciation is calculated by the straight-line method on the basis of service lives estimated as follows: buildings, 6 to 55 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; and office and other equipment, 5 to 8 years. For assets still in use beyond their original estimated service lives, further depreciation is calculated on the basis of any remaining salvage value and the estimated additional service lives.

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. Valuation allowance is provided for deferred income tax assets that are not certain to be realized.

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

Tax credits—generated from acquisitions of equipment or technology, research and development 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 2002 accounts have been reclassified to conform to the 2003 financial statements presentation.

3. CASH

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Negotiable certificates of deposit	\$84,566,588	\$41,106,931
Cash	1,586,737	1,579,654
Notes and checks in clearing	<u>513,723</u>	<u>903,078</u>
	<u>\$86,667,048</u>	<u>\$43,589,663</u>

As of September 30, 2003 and 2002, negotiable certificates of deposit aggregating \$10,985,000 and \$13,415,000, respectively, had maturities over one year and may be withdrawn momentarily.

To comply with the Central Bank’s clearing system of Real-Time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$15,000,000 and \$13,800,000 had been provided as collateral for the daytime overdraft as of September 30, 2003 and 2002, respectively, with the pledged amount which can be adjusted momentarily.

4. DUE FROM CENTRAL BANK

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

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included \$6,018,722 and \$5,453,000 as of September 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 September 30, 2003 and 2002, the balances of foreign-currency deposit reserves were \$47,292 and \$20,951, respectively.

5. SECURITIES PURCHASED

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Commercial papers	\$ 10,535,016	\$ 17,892,487
Floating rate notes	7,626,574	3,114,201
Corporate bonds	6,333,044	4,995,991
Government bonds	3,184,589	3,449,481
Listed and over-the-counter stocks	2,897,122	2,897,122
Bank debentures	1,944,553	214,453
Treasury bills	376,021	-
Mutual fund beneficiary certificates	<u>96,980</u>	<u>30,000</u>
	<u>\$ 32,993,899</u>	<u>\$ 32,593,735</u>

As of September 30, 2003 and 2002, the aggregate market values or reference prices of floating rate notes, corporate bonds, government bonds, listed and over-the-counter stocks, bank debentures, and mutual fund beneficiary certificates were as follows:

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Floating rate notes	\$ 7,670,084	\$ 3,193,587
Corporate bonds	6,789,655	4,976,296
Government bonds	3,189,154	3,480,092
Listed and over-the-counter stocks	3,165,996	3,101,455
Bank debentures	1,937,153	210,557
Mutual fund beneficiary certificates	107,529	28,850

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

As of September 30, 2003 and 2002, the Bank held SPH 216,542,894 shares, both with carrying amount at \$2,896,922 and market value at \$3,165,857 and \$3,101,327, respectively, based on the daily average closing prices in September 2003 and 2002.

6. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Accounts receivable	\$ 13,737,882	\$ 8,755,272
Accrued revenue	1,033,010	480,542
Interest receivable	897,538	1,433,569
Tax refundable	183,456	183,456
Other	<u>21,644</u>	<u>117,609</u>
	15,873,530	10,970,448
Less—allowance for credit losses	<u>80,668</u>	<u>60,886</u>
Net	<u>\$ 15,792,862</u>	<u>\$ 10,909,562</u>

The balances of the accounts receivable as of September 30, 2003 and 2002 included \$13,207,722 and \$8,559,732, respectively, representing accounts receivable from other parties in the factoring business.

7. LOANS, DISCOUNTS AND BILLS PURCHASED

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Overdraft	\$ 1,701,831	\$ 2,183,485
Short-term loans	52,783,136	41,699,384
Mid-term loans	33,194,545	39,387,676
Long-term loans	117,865,151	97,887,957
Import and export negotiations	1,841,152	635,491
Bills purchased	1,605	5,027
Nonperforming loans	<u>2,684,479</u>	<u>1,864,306</u>
	210,071,899	183,663,326
Less—allowance for credit losses	<u>1,991,133</u>	<u>1,262,795</u>
Net	<u>\$ 208,080,766</u>	<u>\$ 182,400,531</u>

As of September 30, 2003 and 2002, the balances of nonaccrual loans were \$3,800,311 and \$3,456,612, respectively. The unrecognized interest revenues on nonaccrual loans amounted to \$131,285 and \$122,089 for the nine months ended September 30, 2003 and 2002, respectively.

For the nine months ended September 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 nine months ended September 30, 2003 and 2002, respectively, were summarized below:

	For the Nine Months Ended September 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	825,969	264,031	1,090,000
Write-off	(591,079)	-	(591,079)
Recovery of written-off credits	12,453	-	12,453
Reclassifications	<u>23,054</u>	<u>5,819</u>	<u>28,873</u>
Balance, September 30	<u>\$ 832,715</u>	<u>\$ 1,158,418</u>	<u>\$ 1,991,133</u>

	For the Nine Months Ended September 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	757,702	-	757,702
Write-off	(771,760)	-	(771,760)
Recovery of written-off credits	6,019	-	6,019
Reclassifications	<u>(1,430)</u>	<u>4,256</u>	<u>2,826</u>
Balance, September 30	<u>\$ 322,240</u>	<u>\$ 940,555</u>	<u>\$ 1,262,795</u>

As of September 30, 2003 and 2002, allowances for credit losses and provisions for losses on guarantees of the Bank were \$2,104,834 and \$1,426,847, 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 financial obligations. To stabilize the situation, the government has taken various measures to boost economy.

With this background, the Bank's financial statements for the nine months ended September 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 INVESTMENTS

	September 30	
	2003	2002
<u>Long-term equity investments</u>		
Equity method		
Unlisted stocks	\$ 8,257,872	\$ 8,127,374
Cost method		
Listed and over-the-counter stocks	640,758	647,029
Unlisted stocks	384,074	398,550
	<u>1,024,832</u>	<u>1,045,579</u>
	9,282,704	9,172,953
Less—unrealized losses	315,974	325,397
	<u>8,966,730</u>	<u>8,847,556</u>
<u>Long-term bond investments</u>		
Government bonds	817,718	-
Net	<u>\$ 9,784,448</u>	<u>\$ 8,847,556</u>

The market values of listed and over-the-counter stocks and long-term bond investments described above were summarized as follows:

	September 30	
	2003	2002
Listed and over-the-counter stocks	\$ 324,784	\$ 321,632
Long-term bond investments	809,576	-

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

	For the Nine Months Ended September 30	
	2003	2002
<u>Equity method</u>		
SinoPac Bancorp (Note)	\$ 267,171	\$ 156,069
SinoPac Leasing Corporation	127,649	133,912
SinoPac Securities Co., Ltd. (please see Note 5)	-	172,386
SinoPac Capital Limited	139,166	(1,768)
SinoPac Financial Consulting Co., Ltd.	(686)	848
AnShin Card Services Company Limited	-	(142,323)
SinoPac Life Insurance Agent Co., Ltd.	-	52,409
SinoPac Property Insurance Agent Co., Ltd.	-	1,323
	<u>\$ 533,300</u>	<u>\$ 372,856</u>

Note: The net income of SinoPac Bancorp for the nine months ended September 30, 2003 and 2002 amounted to \$345,814 and \$228,969, 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 6).

The aforementioned income (loss) from long-term equity investments were recognized on the basis of investees' unreviewed financial statements for the same periods, except for the investment income of SinoPac Bancorp for the nine months ended September 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 September 30, 2003 and 2002 amounted to \$3,143,665 and \$3,205,274, respectively, and the related investment income for the nine months then ended amounted to \$266,129 and \$44,401, respectively, are based on the investees' unreviewed 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 reviewed.

As of September 30, 2003 and 2002, part of the unrealized loss on long-term equity investments (included in stockholders' equity as deductions) resulting from market value decline of over-the-counter stocks held by an investee accounted for by the equity method amounted to \$20,366 and \$72,632, respectively.

As of September 30, 2003 and 2002, the Bank recognized its equity in the unrealized revaluation loss of SinoPac Bancorp and 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 \$39,113 and \$42,676, respectively (included in stockholders' equity as deductions). This loss resulted from the revaluation of financial instrument contracts.

9. PROPERTIES

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Cost	\$6,765,289	\$6,170,500
Accumulated depreciation		
Buildings	365,818	293,692
Computer equipment	760,990	622,102
Transportation equipment	39,433	37,626
Office and other equipment	<u>708,523</u>	<u>658,973</u>
	<u>1,874,764</u>	<u>1,612,393</u>
	4,890,525	4,558,107
Advances on acquisitions of equipment and construction in progress	<u>103,194</u>	<u>172,433</u>
Net	<u>\$4,993,719</u>	<u>\$4,730,540</u>

10. OTHER ASSETS

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Value of options purchased	\$2,058,866	\$1,449,724
Collateral assumed	737,348	265,657
Refundable guarantee deposits	675,857	584,616
Computer system software	225,740	244,843
Suspense account	63,742	160,736
Other	<u>39,889</u>	<u>39,977</u>
	<u>\$3,801,442</u>	<u>\$2,745,553</u>

As of September 30, 2003 and 2002, refundable guarantee deposits included \$239,619 and \$215,055, respectively, which were provided by government bonds and certificates of deposit.

11. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Accounts payable	\$ 7,761,398	\$ 3,142,718
Interest payable	1,166,046	1,396,919
Accrued expenses	513,648	413,979
Notes and checks in clearing	513,723	903,078
Collections payable	328,277	302,534
Tax payable	262,640	238,613
Forward exchange payable—net	167,499	207,134
Other	<u>126,818</u>	<u>243,944</u>
	<u>\$10,840,049</u>	<u>\$ 6,848,919</u>

The balances of the accounts payable as of September 30, 2003 and 2002 included \$7,621,960 and \$3,113,445, respectively, representing costs of accounts receivable from other parties in the factoring business.

12. DEPOSITS AND REMITTANCES

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Checking	\$ 3,714,022	\$ 1,550,919
Demand	42,390,156	23,303,361
Savings—demand	59,167,485	48,626,247
Time	103,708,275	96,968,747
Negotiable certificates of deposit	25,714,800	831,400
Savings—time	59,832,958	57,287,579
Inward remittances	441,023	208,479
Outward remittances	<u>385,071</u>	<u>20,836</u>
	<u>\$295,353,790</u>	<u>\$228,797,568</u>

13. BANK DEBENTURES

	<u>September 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.

(Continued)

	<u>September 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2003</u>	<u>2002</u>		
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.
Fifth dominant bank debentures issued in 2003	1,000,000	-	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate
Sixth dominant bank debenture issued in 2003	700,000	-	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate
Seventh dominant bank debenture issued in 2003	800,000	-	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate
Eighth dominant bank debenture issued in 2003	500,000	-	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate
Ninth dominant bank debenture issued in 2003	300,000	-	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Floating rate
	<u>\$ 16,200,000</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)

<u>Reasons of Repurchase</u>	<u>Shares at Beginning of the Period</u>	<u>Shares Increased During the Period</u>	<u>Shares Decreased During the Period</u>	<u>Shares at Ending of the Period</u>
<u>For the nine months ended September 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 Nine Months Ended September 30	
	2003	2002
Accounts receivable factoring and financing	\$ 215,663	\$ 187,542
Mutual funds	128,816	96,952
Custody	124,913	103,609
Structured notes	99,353	32,911
Loan documentation fee	82,914	44,972
Import and export service fee	46,069	24,903
ATM service fee	30,620	28,884
Guarantees	20,651	23,507
Index linked mortgage conversion	19,440	20,666
Other	<u>201,087</u>	<u>125,853</u>
	<u>\$ 969,526</u>	<u>\$ 689,799</u>

17. INCOME FROM SECURITIES—NET

	For the Nine Months Ended September 30	
	2003	2002
Short-term bills		
Capital gain—net	\$ 18,320	\$ 15,986
Interest revenue	<u>1,203,298</u>	<u>885,359</u>
	<u>1,221,618</u>	<u>901,345</u>
Bonds		
Capital gain—net	<u>612,147</u>	<u>67,556</u>
Stocks and mutual fund beneficiary certificates		
Capital gain (loss)—net	25,439	(5,031)
Dividend revenue	<u>140,753</u>	<u>-</u>
	<u>166,192</u>	<u>(5,031)</u>
	<u>\$ 1,999,957</u>	<u>\$ 963,870</u>

18. OPERATING AND ADMINISTRATIVE EXPENSES

	For the Nine Months Ended September 30	
	2003	2002
Personnel expenses		
Salaries and wages	\$ 1,167,607	\$ 1,025,215
Bonus and rewards	577,848	447,092
Pension	118,818	118,774
Labor insurance and national health insurance	85,824	67,424
Other	17,718	22,131
Depreciation	290,930	256,614
Amortization	60,202	52,166
Rental	268,165	237,858
Taxes other than income tax	202,509	224,738
Professional service charges	165,128	173,514
Postage	69,099	67,890
Promotion charges	66,471	49,082
Insurance	55,807	50,549
Other	<u>405,639</u>	<u>405,446</u>
	<u>\$ 3,551,765</u>	<u>\$ 3,198,493</u>

19. PENSION

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

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

	For the Nine Months Ended September 30	
	2003	2002
Balance, January 1	\$ 894,432	\$ 733,237
Contributions	155,536	138,174
Benefits paid	(35,716)	(47,646)
Interest revenue	<u>22,811</u>	<u>24,567</u>
Balance, September 30	<u>\$ 1,037,063</u>	<u>\$ 848,332</u>

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

	September 30	
	2003	2002
Contributions by the Bank	\$ 643,073	\$ 518,592
Contributions by employees	<u>393,990</u>	<u>329,740</u>
	<u>\$ 1,037,063</u>	<u>\$ 848,332</u>

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

	For the Nine Months Ended September 30	
	2003	2002
Balance, January 1	\$ 76,813	\$ 34,582
Provision	118,818	118,774
Contributions	(<u>98,759</u>)	(<u>88,410</u>)
Balance, September 30	<u>\$ 96,872</u>	<u>\$ 64,946</u>

Pension expenses amounted to \$118,818 and \$118,774 for the nine months ended September 30, 2003 and 2002, respectively.

20. INCOME TAX

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

	For the Nine Months Ended September 30	
	<u>2003</u>	<u>2002</u>
Current income tax payable	\$ -	\$ 130,856
Separation taxes on short-term bills interest revenue	203,197	169,058
Tax on unappropriated earnings (10%)	-	65,876
Change in deferred income taxes	51,562	54,787
Foreign income taxes	29,681	25,957
Prior year's adjustment	<u>12,860</u>	<u>(5,905)</u>
Income tax	<u>\$ 297,300</u>	<u>\$ 440,629</u>

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

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

	For the Nine Months Ended September 30	
	<u>2003</u>	<u>2002</u>
Tax on pretax income at 25% statutory rate	\$ 644,749	\$ 566,013
Add (deduct) tax effects of:		
Tax-exempt income	(168,578)	(20,952)
Permanent difference	(448,764)	(362,864)
Temporary difference	(93,545)	(45,527)
Investment tax credit	(5,119)	(5,814)
Loss carryforward	<u>71,257</u>	<u>-</u>
Current income tax payable	<u>\$ -</u>	<u>\$ 130,856</u>

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

	September 30	
	<u>2003</u>	<u>2002</u>
Investment income under the equity method	(\$ 417,563)	(\$ 276,983)
Loss carryforward	66,128	-
Deferred pension cost	23,412	-
Unrealized foreign exchange gain	(47,396)	(5,193)
Investment tax credit	5,119	-
Other	<u>362</u>	<u>17,694</u>
Deferred income tax liability	<u>(\$ 369,938)</u>	<u>(\$ 264,482)</u>
Deferred income tax assets	<u>\$ -</u>	<u>\$ 1,869</u>

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

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Balances of imputed tax credit account	<u>\$ 292,420</u>	<u>\$ 100,725</u>

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

e. Tax payable as of September 30, 2002 which include in other payable account was after deducting prepaid tax \$100,975. Income tax returns through 2001, except those for 1996 and 2001, had been examined by the tax authorities. On the income tax returns for 1994, 1995 and 1997 to 2000, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds totaling \$73,952, which pertained to the period those bonds were held by other investors. The Bank had appealed the decision of the tax authorities.

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

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>
<u>For the nine months ended September 30, 2003</u>					
Basic EPS					
Net income belongs to common stockholders	<u>\$ 2,579,036</u>	<u>\$ 2,281,736</u>	1,944,398	<u>\$ 1.33</u>	<u>\$ 1.17</u>
<u>For the nine months ended September 30, 2002</u>					
Basic EPS					
Net income belongs to common stockholders	<u>\$ 2,264,093</u>	<u>\$ 1,823,464</u>	1,905,050	<u>\$ 1.19</u>	<u>\$ 0.96</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)	Subsidiary of SPH
SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of SPH
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of SPH
AnShin Card Services Company Limited (AnShin Card Services)	Subsidiary of SPH
Far East National Bank (FENB)	Overseas affiliate of the Bank
SinoPac Leasing Corporation (SPL)	Subsidiary
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Fortune Investment Co., Ltd. (Fortune Investment)	Director of the Bank
China Television Co., Ltd. (China Television)	The Bank is a director of the company
Ruentex Development Co., Ltd. (Ruentex Development)	Related party in substance
Wal Tech International Corporation (Wal Tech International)	Affiliate
Other	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and subsidiaries of the Bank, etc.
Other	Related parties under the control of the Bank but with no transactions, please see Table 6.

b. Significant transactions between the Bank and related parties

1) Loans

	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>	<u>% of Total</u>
For the nine months ended September 30, 2003	\$ 1,476,699	0.71%	1.48%-12.30%	\$50,533	0.70%
For the nine months ended September 30, 2002	1,093,257	0.60%	2.05%-12.75%	59,806	0.66%

2) Deposits

	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>% of Total</u>
For the nine months ended September 30, 2003					
SPH	\$ 5,085,750	1.72%	0%-2.00%	\$ 56,931	1.72%
Other	2,885,212	0.98%	0%-6.48%	22,502	0.97%
For the nine months ended September 30, 2002	7,207,054	3.15%	0%-7.35%	59,495	2.44%

3) Due from banks and other receivables

	<u>Amount</u>		<u>% of Total For the Nine Months Ended September 30</u>	
	<u>September 30</u>		<u>2003</u>	<u>2002</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Due from banks—FENB	\$ 68,816	\$ 89,682	0.65%	0.49%
Other receivables	25,300	34,778	0.16%	0.32%

4) Guarantees and securities purchased

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

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Wal Tech International	\$ 95,000	\$ 246,500
Fortune Investment	11,000	-
	<u>\$ 106,000</u>	<u>\$ 246,500</u>

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

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Properties—carrying amount	<u>\$ 1,542,077</u>	<u>\$ 1,135,742</u>

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

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
SinoPac Security		
Properties and properties held for lease—carrying amount	\$ 1,196,902	\$ 1,136,114
Certificates of deposit	<u>1,130,000</u>	<u>880,000</u>
	<u>\$ 2,326,902</u>	<u>\$ 2,016,114</u>

Guarantees and credits on Fortune Investment were collateralized by the stocks with market value amounted to \$27,128 as of September 30, 2003.

5) Revenues and expenses

	<u>Amount</u>		<u>% of Total</u>	
	<u>For the Nine Months</u>		<u>For the Nine</u>	
	<u>Ended September 30</u>		<u>Months Ended</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Service fees	\$ 3,918	\$ 7,353	0.40%	1.07%
Service charges	18,958	-	11.58%	-
Project popularizing expense	10,210	-	11.03%	-

6) Outright sales/purchases of bills and bonds

SinoPac Securities				
Trading amount of outright purchases	-	1,950,955	-	-
Trading amount of outright sales	-	3,027,335	-	-
SPH				
Trading amount of outright purchases	124,879	893,993	-	-
Trading amount of outright sales	124,856	2,275,381	-	-

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

	<u>For the Nine Months</u>	
	<u>Ended September 30</u>	
	<u>2003</u>	<u>2002</u>
SinoPac Securities		
Bills sold under agreement to repurchase	\$ -	\$ 271,779
SPH		
Bills sold under agreement to repurchase	2,145,904	771,444
Bonds sold under agreement to repurchase	1,170,014	-

8) Lease

a) The Bank as a lessee

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

<u>Lessor</u>	<u>Rental Expenses</u>		<u>Lease Term</u>	<u>Payment Frequency</u>
	<u>For the Nine</u>			
	<u>Months Ended</u>			
	<u>2003</u>	<u>2002</u>		
SinoPac Securities	\$10,310	\$ 9,975	-	-
China Television	7,463	7,463	July 2004	Rentals paid monthly
SPL	4,998	5,553	July 2007	Rentals paid monthly
Ruentex development	2,556	2,397	September 2005	Rentals paid monthly

b) The Bank as a lessor

<u>Lessee</u>	<u>Rental Income</u> <u>For the Nine</u> <u>Months Ended</u> <u>September 30</u>		<u>Lease Term</u>	<u>Payment Frequency</u>
	<u>2003</u>	<u>2002</u>		
SinoPac Marketing Consulting	\$ 1,236	\$ -	February 2006	Rentals received monthly
SinoPac Securities	1,166	1,166	July 2006	Rentals received monthly
SinoPac Call Center	972	-	December 2005	Rentals received monthly
AnShin Card Services	198	-	December 2005	Rentals received monthly

9) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the nine months ended September 30, 2003 and 2002 amounted to \$86,652 and \$68,762, respectively.

10) Due from affiliates

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

The compensation received by the Bank for its credit card accounts and the personnel of its credit card business was recognized as income over five years in the case of the credit card accounts and over three years in the case of the transfer price for the related personnel. The related income recognized from this transaction amounted to \$21,252 for the nine months ended September 30, 2002.

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

As of September 30, 2003 and 2002, the Bank's receivable to AnShin Card Services amounted to \$23,705 and \$33,540, respectively.

11) Asset transactions

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

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

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

23. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

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

a. Lease contract

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

<u>Year</u>	<u>Amount</u>
October 1 to December 31, 2003	\$ 57,834
2004	215,883
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 \$33,249 as discounted at the Bank's one-year time deposit rate of 1.35% on October 1, 2003.

b. Land and buildings purchase contract

In January 2001, the Bank had entered into contracts to buy land and buildings located in Taipei for business purposes. The purchase cost was \$199,900, of which \$198,830 had already been paid as of September 30, 2003.

c. Equipment purchase contract

The Bank had entered into contracts to buy computer hardware and software for \$141,441, of which \$99,901 had already been paid as of September 30, 2003.

d. Interior decoration contract

The Bank had entered into contracts to do interior decoration of its premises for \$2,804, of which \$1,283 had already been paid as of September 30, 2003.

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

As of September 30, 2003, short-term bills and bonds with a total face amount of \$8,296,228 were sold under agreements to repurchase at \$8,324,288 between October and December 2003.

f. Short-term bills purchased under agreements to resell

As of September 30, 2003, short-term bills with a total face amount of \$5,705,200 were purchased under agreements to resell at \$5,692,911 between October and November 2003.

24. SIGNIFICANT SUBSEQUENT EVENTS

To deal with SPH's shares held by the Bank, the board of directors (hereinafter "the Board") of SPH resolved to sell two-thirds with a total of 144,361,929 shares on the securities exchange market as of October 22, 2003. Moreover, under the Financial Holding company Act and related Bureau of Monetary Affairs (BOMA) directives, in order to inspire the employees, the Board also passed the transferring method for the remaining one-third of shares held by the Bank to employees. Related terms and conditions of the share transferring method are as follows:

a. Type of shares transferred:

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

b. Terms of transferring:

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

c. Qualification of transferee:

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

d. Standards and procedures of transferring:

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

e. Transferring price:

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

f. Rights and obligations after transferring:

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

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

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

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

	For the Nine Months Ended September 30			
	2003		2002	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Cash—negotiable certificates of deposit	\$ 76,437,694	0.90	\$ 32,106,320	2.18
Due from banks	3,858,893	1.29	1,879,401	1.75
Call loans (placement)	7,342,360	1.18	22,966,085	2.80
Due from Central Bank	5,667,925	1.89	5,204,952	2.51
Securities purchased	108,322,407	1.32	26,551,880	3.37
Long-term bond investments	104,972	7.55	-	-
Loans, discounts and bills purchased	192,124,006	4.04	169,619,031	5.75
Accounts receivable factoring	5,164,384	3.73	146,350	3.74
<u>Interest-bearing liabilities</u>				
Due to banks	7,275	0.06	5,516	0.76
Call loans (taken)	52,054,706	1.19	30,775,086	1.98
Demand deposits	33,085,105	0.63	20,756,878	1.03
Savings—demand deposits	53,188,848	0.71	49,382,386	1.88
Time deposits	107,539,358	1.35	95,651,522	2.28
Savings—time deposits	58,025,046	2.04	57,713,841	3.13
Negotiable certificates of deposit	4,855,478	0.94	977,822	2.28

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	September 30, 2003			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
<u>Assets</u>				
Cash	\$ 86,667,048	\$ -	\$ -	\$ 86,667,048
Due from banks	10,595,642	-	-	10,595,642
Due from Central Bank	10,641,629	-	-	10,641,629
Securities purchased	32,993,899	-	-	32,993,899
Receivables	17,197,152	-	-	17,197,152
Loans, discounts and bills purchased (excluding nonperforming loans)	54,279,040	29,939,420	123,168,960	207,387,420
Long-term bond investments	-	817,718	-	817,718
	<u>\$ 212,374,410</u>	<u>\$ 30,757,138</u>	<u>\$ 123,168,960</u>	<u>\$ 366,300,508</u>

(Continued)

	September 30, 2003			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Liabilities				
	\$ 32,388,691	\$ -	\$ -	\$ 32,388,691
Call loans and due to banks	12,163,671	-	-	12,163,671
Payables	238,669,190	56,684,600	-	295,353,790
Deposits and remittances	-	9,600,000	6,600,000	16,200,000
Bank debentures	-	-	-	-
	<u>\$ 283,221,552</u>	<u>\$ 66,284,600</u>	<u>\$ 6,600,000</u>	<u>\$ 356,106,152</u>
	September 30, 2002			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash	\$ 43,589,663	\$ -	\$ -	\$ 43,589,663
Due from banks	18,147,285	-	-	18,147,285
Due from Central Bank	8,775,912	-	-	8,775,912
Securities purchased	32,593,735	-	-	32,593,735
Receivables	11,676,623	-	-	11,676,623
Loans, discounts and bills purchased (excluding nonperforming loans)	56,740,852	24,189,531	100,868,637	181,799,020
	<u>\$ 171,524,070</u>	<u>\$ 24,189,531</u>	<u>\$ 100,868,637</u>	<u>\$ 296,582,238</u>
Liabilities				
Call loans and due to banks	\$ 44,674,486	\$ -	\$ -	\$ 44,674,486
Payables	7,555,094	-	-	7,555,094
Deposits and remittances	221,374,238	7,423,330	-	228,797,568
Bank debentures	-	5,000,000	-	5,000,000
	<u>\$ 273,603,818</u>	<u>\$ 12,423,330</u>	<u>\$ -</u>	<u>\$ 286,027,148</u>

27. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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

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

<u>Financial Instruments</u>	<u>September 30</u>					
	<u>2003</u>			<u>2002</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For hedging purposes:						
Interest rate swap contracts	\$ 5,661,000	\$ 27,164	(\$ 70,634)	\$ 1,561,000	\$ -	\$ -
Cross-currency swap contracts	3,300,000	62,306	62,306	-	-	-
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Forward contracts						
—Buy	59,875,904	137,357	(551,369)	16,159,537	235,968	205,446
—Sell	47,779,788	808,708	800,836	24,084,228	454,237	324,404
Forward rate agreements						
—Buy	30,132,195	15,087	5,840	89,255,047	-	(376,483)
—Sell	30,132,195	10,684	698	91,000,947	381,055	381,055
Currency swap contracts	94,880,006	421,785	(419,097)	95,621,757	1,270,066	(866,201)
Interest rate swap contracts	50,702,022	309,669	(37,054)	44,323,015	428,866	(69,449)
Interest rate futures contracts						
—Long position	135,120	116	116	-	-	-
Cross-currency swap contracts	1,427,240	20,911	5,008	-	-	-

<u>Financial Instruments</u>	<u>September 30</u>					
	<u>2003</u>			<u>2002</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Options						
—As buyer	\$79,535,727	\$ 1,081,170	\$ 2,058,866	\$75,595,649	\$ 785,500	\$ 1,449,724
—As seller	76,075,197	181,898	1,785,837	74,975,558	-	1,522,206

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

As of September 30, 2003 and 2002, the Bank entered into asset swap contracts for hedging purposes, with notional amounts at \$3,738,164 and \$4,656,615, respectively. Since the Bank entered into these contracts with counter-parties with good splendid worldwide ranking and credit rating, no significant credit risk is expected.

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 nine months ended September 30, 2003 and 2002 were as follows:

	<u>Account</u>	<u>For the Nine Months Ended September 30</u>	
		<u>2003</u>	<u>2002</u>
For hedging purposes:			
Cross-currency swap contracts			
—Realized	Interest revenue	\$ 7,004	\$ 31,690
	Interest expense	(3,755)	(14,425)
Interest rate swap contracts			
—Realized	Interest revenue	26,570	-
	Interest expense	(9,445)	-
—Realized	Income from derivative financial transactions	14,158	-
Interest rate futures contracts			
—Realized	Loss from derivative financial transactions	(1,139)	-
Options contracts			
—Realized	Income from derivative financial transactions	894	-
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
—Realized	Foreign exchange gain	7,140	73,219
—Unrealized	Foreign exchange gain (loss)	(45,394)	593,764
Forward rate agreements			
—Realized	Income (loss) from derivative financial transactions	(3,437)	3,887
—Unrealized	Income (loss) from derivative financial transactions	5,848	(2,974)
Currency swap contracts			
—Realized	Interest revenue	260,327	273,447
	Interest expense	(219,257)	(296,678)
Interest rate swap contracts			
—Realized	Interest revenue	454,909	423,949
	Interest expense	(500,094)	(459,747)
—Realized	Income from derivative financial transaction	157	-
—Unrealized	Income (loss) from derivative financial transactions	(19,510)	7,817
Options contracts			
—Realized	Income from derivative financial transactions	389,816	166,955
	Foreign exchange loss	(13,307)	(46,611)
—Unrealized	Income (loss) from derivative financial transactions	212,921	(63,766)
Interest rate futures contracts			
—Realized	Loss from derivative financial transactions	(879)	(2,988)
—Unrealized	Loss from derivative financial transactions	(905)	-

(Continued)

	<u>Account</u>	<u>For the Nine Months Ended September 30</u>	
		<u>2003</u>	<u>2002</u>
Cross-currency swap contracts			
—Realized	Interest revenue	\$ 1,170	\$ -
	Interest expense	(809)	-
—Unrealized	Income from derivative financial transactions	5,008	-

b. Fair value of nonderivative financial instruments

	<u>September 30</u>			
	<u>2003</u>		<u>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	\$ 125,020,803	\$ 125,020,803	\$ 82,128,597	\$ 82,128,597
Securities purchased	32,993,899	33,770,608	32,593,735	32,803,938
Loans, discounts and bills purchased	208,080,766	208,080,766	\$ 182,400,531	\$ 182,400,531
Long-term equity investments	8,966,730	8,966,730	8,847,556	8,847,556
Long-term bond investments	817,718	809,576	-	-
Refundable guarantee deposits	675,857	680,783	584,616	584,943
<u>Liabilities</u>				
Financial liabilities—with fair values approximating carrying amounts	44,552,361	44,552,361	52,229,580	52,229,580
Deposits and remittances	295,353,790	295,353,790	228,797,568	228,797,568
Bank debentures	16,200,000	16,200,000	5,000,000	5,000,000
Other liabilities	154,802	154,802	85,623	85,623

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

- 1) The carrying amounts of cash, due from banks, due from Central Bank, acceptances, receivables, call loans and due to banks, acceptances payable, remittances and payables approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased, long-term equity investments and long-term bond investments are based on their market prices if these market prices are available. Otherwise, fair values are estimated at their carrying amounts.
- 3) Loans, discounts and bills purchased, deposits, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair 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 above do not necessarily represent the total values of the Bank.

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

The Bank had significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments were under seven years. For the nine months ended September 30, 2003 and 2002, the loan interest rates ranged from 0.01% to 20.00%, and from 0.38% to 12.75%, respectively. The Bank also issued financial guarantees and standby letters of credit to guarantee the performance of a customer obligated to a third party. These guarantees were usually with terms of less than one year and with maturity dates not in any particular period.

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

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Financial guarantees and standby letters of credit	\$ 12,204,290	\$ 10,519,852
Undrawn loan commitments	3,458,051	927,238

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

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after evaluation of customers' credit standings. Based on the result of the credit evaluation, the Bank may require collateral before draw down against the credit facilities. As of September 30, 2003 and 2002, ratios of secured loans to total loans were 74% and 77%, respectively. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given.

28. INFORMATION ON CONCENTRATIONS OF RISK

The Bank has no concentrated credit risk in any industry, any individual counter-party or group who engaged in similar business activities. Industries with 5% or more of the outstanding loans as of September 30, 2003 and 2002 were as follows:

	<u>September 30</u>	
	<u>2003</u>	<u>2002</u>
Natural person	\$ 150,147,303	\$ 132,305,553
Manufacturing	29,507,029	23,390,243

The net positions on foreign-currency transactions as of September 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: None.
 - 9) Names, locations, and other information of investees on which the Company exercises significant influence: Table 6;
 - 10) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 27, and the derivative transactions of Far East National Bank (“FENB”, a wholly-owned subsidiary of SinoPac Bancorp, which is a wholly-owned subsidiary of the Bank) are summarized below:

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

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

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

September 30, 2003			
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes			
Futures contracts	\$ 1,689,000	\$ -	(\$ 38,266)
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Options			
—Buy	8,276,100	-	\$ -
—Sell	8,276,100	-	-
September 30, 2002			
Financial Instruments	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
—Buy	\$ 3,945,734	\$ 184,716	\$ 86,800
—Sell	3,945,734	184,716	(79,623)
Options			
—As buyer	2,095,080	15,509	59,102
—As seller	2,095,080	-	59,102

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 nine months ended September 30, 2003 and 2002 were insignificant.

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

BANK SINOPAC AND INVESTEES

**FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 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		
2	SinoPac Capital (B.V.I.) Ltd.	SinoPac Capital Ltd.	Short-term borrowings	\$ 137,375	\$ 127,996	-	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ -	\$ -
5	Intellisys Corp.	Intellisoft Corporation	Temporary payments	563	-	-	Short-term financing	-	Working capital	-	-	-	20,000 (Note 1)	49,500 (Note 1)
		Intellisys Shanghai Corporation	Temporary payments	387	-	-	Short-term financing	-	Working capital	-	-	-	20,000 (Note 1)	49,500 (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 unreviewed financial statements as of September 30, 2003.

BANK SINOPAC AND INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 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						
1	SinoPac Leasing Corporation	Grand Capital International Limited	Subsidiary	(Note 2)	\$ 4,442,961 (Note 1)	\$4,835,987 (Note 1)	-	254%	(Note 3)
		Wal Tech International Corporation	Affiliate	(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 September 30, 2003, the limit was \$3,806,440.

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 September 30, 2003, the maximum allowance was \$9,516,101.

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

TABLE 3

BANK SINOPAC AND INVESTEES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2003

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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	\$ 5,114,207	100.00%	\$ 5,114,207	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	159,629	2,116,051	99.7683%	1,898,810	Note 4
	SinoPac Capital Limited	Subsidiary	Long-term equity investments	229,998	1,022,590	99.9991%	1,022,872	Note 4
	SinoPac Financial Consulting Co., Ltd.	Subsidiary	Long-term equity investments	194	1,493	97.00%	1,493	Note 4
	Ruentex Industries Ltd.	Supervisor of Bank SinoPac and an investee accounted for by the cost method	Long-term equity investments	11,452	165,487 (Note 3)	1.45%	157,275	Note 2
	Mega Financial Holding Company	Investee accounted for by the cost method	Long-term equity investments	4,158	110,732 (Note 3)	0.04%	69,399	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%	98,110	Note 2
	Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	11,719	100,000	1.56%	133,012	Note 4
	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%	1,209	Note 4
	Taiwan Future Exchange Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	899	8,990	0.45%	13,158	Note 4
	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	7.61%	33,383	Note 4
	Financial Information Services Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	4,550	45,500	1.14%	67,147	Note 4
	Taiwan Asset Management Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	0.28%	51,613	Note 4
	Taiwan Financial Asset Service Corporation	Investee accounted for by the cost method	Long-term equity investments	5,000	50,000	2.94%	50,781	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%	11,851	Note 4	
SinoPac Bancorp	<u>Stock</u>							
Far East National Bank	Subsidiary	Long-term equity investments	175	5,178,791	100.00%	5,178,791	Note 5	
Far East National Bank	<u>Stock</u>							
	Far East Capital Corporation	Subsidiary	Long-term equity investments	350	68,169	100.00%	68,169	Note 5
	FENB Securities, Inc.	Subsidiary	Long-term equity investments	2.5	30,609	100.00%	30,609	Note 5
	FENB Loan Corp.	Subsidiary	Long-term equity investments	0.1	(13,963)	100.00%	(13,963)	Note 5
	FENB Film Corp.	Subsidiary	Long-term equity investments	0.1	(55,962)	100.00%	(55,962)	Note 5
	FENB Services, Inc.	Subsidiary	Long-term equity investments	0.1	33	100.00%	33	Note 5
	Film Service Management Corp.	Subsidiary	Long-term equity investments	0.1	3	100.00%	3	Note 5
Federal Reserve Bank	Investee accounted for by the cost method	Long-term equity investments	68	114,225	-	114,225	Note 6	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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	40	\$ 134,863	-	\$ 134,863	Note 6
	Southern California Business Development Corporation (SCBDC)	Investee accounted for by the cost method	Long-term equity investments	40	1,351	-	1,351	Note 6
	California Economic Development Lending Initiative (CEDLI)	Investee accounted for by the cost method	Long-term equity investments	50	1,689	-	1,689	Note 6
	<u>Fund</u>							
	Genesis L.A. Real Estate Fund LLC	-	Long-term investments	-	61,984	-	61,984	Note 6
	California Tax Credit Fund LLC	-	Long-term investments	-	26,831	-	26,831	Note 6
	Bay Area Equity Fund I	-	Long-term investments	-	1,689	-	1,689	Note 6
	Bay Area Smart Growth Fund LLC	-	Long-term investments	-	29,226	-	29,226	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%	(19)	Note 4
	PCRS Capital Partners, LLC	Investee accounted for by the cost method	Long-term equity investments	-	1,808	4.00%	1,808	Note 6
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	1,858	0.20%	1,858	Note 7
	<u>Stock (preferred stock)</u>							
AgraQuest, Inc.	-	Long-term equity investments	100	7,938	0.80%	7,938	Note 6	
Silicon Motion, Inc.	-	Long-term equity investments	61	8,445	0.20%	8,445	Note 6	
Softknot Corporation	-	Long-term equity investments	250	6,758	2.00%	6,758	Note 6	
Zone Reactor, Inc.	-	Long-term equity investments	300	1,138	1.50%	1,138	Note 6	
SinoPac Leasing Corporation	<u>Stock</u>							
	Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,386,629	100.00%	1,386,629	Note 4
	Bank of Overseas Chinese	Investee accounted for by the cost method	Long-term equity investments	2,088	29,914 (Note 3)	0.125%	25,854	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%	16,174	Note 4
	Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	317	6,340	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%	5,146	Note 4
	Grand Capital International Limited	<u>Venture fund</u>						
World Wide Multimedia L.P.		-	Long-term investments	0.005	58,956	16.67%	47,596	Note 4
<u>Stock (preferred stock)</u>								
SinoPac Capital Limited	Best 3C. Com, Inc.	-	Long-term equity investments	600	15,201	1.85%	15,201	Note 6
	e21 Corp.	-	Long-term equity investments	200	10,134	0.79%	10,134	Note 6
SinoPac Capital Limited	<u>Stock</u>							
	SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	114,952	100.00%	393,904	Note 4
	TPV Technology	-	Short-term investments	1,110	12,189	0.08%	18,888	Note 2

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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	\$ 38,710	3.30%	\$ 63,893	Note 2
	BEP International Holding	-	Short-term investments	3,380	10,389	1.41%	9,438	Note 2
	SEEC Media	-	Short-term investments	16,106	16,484	1.15%	18,973	Note 2
	Suga International	-	Short-term investments	7,080	44,704	3.20%	45,718	Note 2
	OOIL	-	Short-term investments	400	26,150	0.09%	30,541	Note 2
	Shougan	-	Short-term investments	14,660	40,359	1.53%	47,972	Note 2
	<u>Bond</u>							
	Chiam International	-	Short-term investments	US\$ 5,000	168,900	-	168,900	Note 6
	<u>Convertible bill and bond</u>							
	Sino-Wood Partners	-	Short-term investments	US\$ 1,000	33,780	-	33,780	Note 2
	Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	33,780	-	35,300	Note 2
	Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 2,000	67,560	-	78,177	Note 2
	Siliconware Precision	-	Short-term investments	US\$ 1,000	33,780	-	37,519	Note 2
	Chunghwa Pictures Tubes	-	Short-term investments	US\$ 1,000	33,780	-	38,098	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	36,440	100.00%	36,012	Note 4
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	(172,056)	100.00%	(172,056)	Note 4
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	30,384	60.00%	23,623	Note 4
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	4,158	99.9995%	4,188	Note 4
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u>							
	3V Source One LP	-	Long-term investments	2,000	69,024	71.43%	49,173	Note 4
	<u>Stock</u>							
	Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	197,073	100.00%	192,033	Note 4
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999.999	3,861	99.9999%	3,861	Note 4
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	48,027	34.21%	33,277	Note 4
	Hollywood International Finance, Inc.	Investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	(6)	Note 4
Allstar Venture Ltd. (B.V.I.)	<u>Venture fund</u>							
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	82,523	6.25%	82,523	Note 6
	UOB	-	Long-term investments	26	75,374	8.62%	43,858	Note 5
	MDS Life Sciences Technology Fund	-	Long-term investments	50	116,626	25.00%	79,769	Note 4
	Biotechnology Development Fund II LP	-	Long-term investments	-	32,895	2.30%	41,762	Note 4
	NAVF II	-	Long-term investments	-	28,561	2.07%	28,818	Note 4
	<u>Stock (common stock)</u>							
	Ardent Pharmaceutica, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	17,266	0.58%	370	Note 4
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	9,920	0.75%	9,289	Note 7
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	33,774	0.20%	4,282	Note 4

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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	\$ 17,049	0.92%	\$ 17,049	Note 6
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,425	1.10%	17,425	Note 6
	Immusol, Inc.	-	Long-term equity investments	75	10,360	0.16%	10,360	Note 6
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,351	0.31%	10,351	Note 6
	BioAgri Corp.	-	Long-term equity investments	375	10,134	2.34%	10,134	Note 6
	Divio, Inc.	-	Long-term equity investments	125	16,955	0.64%	16,955	Note 6
Wal Tech International Corporation	<u>Stock</u>							
	Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	242,133	62.58%	124,563	Note 4
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	9,827	30.00%	11,728	Note 4
	Monmon Medza Technology Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	598	2,361	32.39%	2,251	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%	482	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%	9,850	Note 5
	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	861	29,996	3.15%	34,126	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	-	2,404	Note 7
	Apollo Fund	-	Short-term investments	15	100	-	93	Note 7
					(Note 3)			
	<u>Stock</u>							
	Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	525	2.31%	222	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 September 2003.

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

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

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

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

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

Note 8: The amounts were after deducting realized losses.

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 NINE MONTHS ENDED SEPTEMBER 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	\$ 101,340	US\$ 3,000	\$ 103,507	\$ 101,340	\$ 2,167	\$ -	\$ -
	Bond Chiam International	Short-term investments	-	-	-	-	5,000	168,900	-	-	-	-	5,000	168,900

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 NINE MONTHS ENDED SEPTEMBER 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	None
SinoPac Leasing Corporation	Office buildings and superficies	August 21, 2003	1,748,000	\$349,600 of the transaction amount had been paid	Li-Seng Develop Company	Related party in substance	Ruentex Development Co., Ltd.	Related party in substance	December 24, 2002	1,428,571	Honda Property Appraisal & Consulting and China Credit Information Service, Ltd.	For rent and for operating use	None

TABLE 6

BANK SINOPAC AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 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 September 30, 2003			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss)	Note
				September 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	\$ 5,114,207	\$ 345,814	\$ 267,171	Subsidiary Investee under significant influence held by the Bank
		Luxembourg	Stock holding	3,531	3,531	0.11	33.33	3,531	-	-	
	SinoPac Leasing Corporation	Taipei	Leasing aircraft and machinery equipment	999,940	999,940	159,629	99.7683	2,116,051	135,649	127,649	
SinoPac Bancorp	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	1,022,590	171,585	139,166	Subsidiary
		Taipei	Investment advisory and business management advisory	1,940	1,940	194	97.00	1,493	(670)	(686)	Subsidiary
	Far East National Bank	California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.00	5,178,791	357,469		Affiliate
Far East National Bank	Far East Capital Corporation FENB Securities, Inc. FENB Loan Corp. FENB Film Corp. FENB Service, Inc. Film Service Management Corp.	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	68,169	(16,146)		Affiliate
		California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	30,609	17,865		Affiliate
		California	Asset management brokerage	US\$ 1	US\$ 1	0.1	100.00	(13,963)	(317)		Affiliate
		California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.00	(55,962)	(125)		Affiliate
		California	Investment Corporation	US\$ 1	US\$ -	0.1	100.00	33	(1)		Affiliate
		California	Film management and advisory	US\$ 0.1	US\$ -	0.1	100.00	3	-		Affiliate
SinoPac Leasing Corporation	Grand Capital International Limited	British Virgin Islands	Oversea trading, leasing, lending and financing	US\$ 29,900	US\$ 29,900	29,900	100.00	1,386,629	74,189		Affiliate
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd.	British Virgin Islands	Financial advisory	US\$ 4,450	US\$ 4,450	4,450	100.00	114,952	32,032		Affiliate
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	36,440	(22,240)		Affiliate
		British Virgin Islands	Investment	US\$ 0.002	US\$ 0.002	0.002	100.00	(172,056)	(41,200)		Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	30,384	867		Affiliate
	Pinnacle Investment Management Ltd.	Hong Kong	Asset management	US\$ 200	US\$ 200	200	99.9995	4,158	(187)		Affiliate
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	272,182	272,160	26,500	100.00	197,073	(10,728)		Affiliate
		Hong Kong	General trading and providing internet—based service	HK\$ 999,999	HK\$ -	999,999	99.9999	3,861	(509)		Affiliate
	Telexpress Corp.	Cayman Islands	Investment	US\$ 1,560	US\$ 1,560	3,900	34.21	48,027	(6,169)		Investee under significant influence held by the Bank's affiliate
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	258,836	258,836	10,326	62.58	242,133	6,409		Affiliate
	Multiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00	9,827	4,788		Investee under significant influence held by the Bank's affiliate
	Monmon Medza Technology Co., Ltd.	Taipei	Software products retail and distribution	5,980	5,980	598	32.39	2,361	(3,649)		Investee under significant influence held by the Bank's affiliate

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

Note 2: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the nine months ended September 30, 2003.