

## **Bank SinoPac and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2004 and 2003 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Stockholders  
Bank SinoPac

We have audited the accompanying consolidated balance sheets of Bank SinoPac and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac and subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for 2003) and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases until 2003. However, pursuant to the Criteria Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions were treated as financing.

January 28, 2005

Notice to Readers

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

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.*

## BANK SINOPAC AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

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

ASSETS	2004		2003		LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 2 and 5)	\$ 9,247,320	2	\$ 10,207,023	2	LIABILITIES				
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 2 and 6)	35,964,349	7	24,186,691	5	Call loans and due to banks	\$ 43,190,326	8	\$ 41,257,886	9
SECURITIES PURCHASED (Notes 2, 7 and 24)	95,918,174	18	117,052,462	25	Securities sold under agreements to repurchase (Notes 2, 3 and 25)	18,274,839	4	-	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 8, 22 and 24)	29,193,335	6	27,585,802	6	Accounts, interest and other payables (Notes 14 and 22)	17,422,531	3	15,332,763	3
ACCEPTANCES	3,045,568	-	2,253,521	1	Acceptances payable	3,045,568	1	2,253,521	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 24 and 25)	19,423,913	4	-	-	Deposits and remittances (Notes 15 and 24)	372,113,019	72	350,494,170	76
PREPAYMENTS	457,881	-	200,458	-	Bank debentures (Note 16)	33,278,755	6	21,909,670	5
LOANS, DISCOUNTS AND BILLS PURCHASED, NET (Notes 2, 9 and 24)	297,654,033	57	253,474,008	55	Other liabilities (Notes 2, 21 and 22)				
LONG-TERM INVESTMENTS (Notes 2, 7, 10, 11 and 24)					Deferred tax liabilities	572,510	-	493,352	-
Long-term equity investments - equity method	2,982,716	1	3,186,772	1	Other	3,627,914	1	2,513,968	1
Long-term equity investments - cost method	1,521,373	-	1,502,255	-	Total other liabilities	4,200,424	1	3,007,320	1
Unrealized loss	4,504,089	1	4,689,027	1	Total liabilities	491,525,462	95	434,255,330	94
Other long-term investments	10,152,941	2	7,182,534	2	STOCKHOLDERS' EQUITY				
Long-term investments, net	14,409,548	3	11,590,083	3	Capital stock, \$10 par value				
PROPERTIES (Notes 2, 12, 24 and 25)					Authorized and issued (shares in thousands) - 1,944,398 shares	19,443,976	4	19,443,976	4
Cost					Capital surplus				
Land	2,098,476	1	2,025,711	1	Additional paid-in capital	125,030	-	125,030	-
Buildings	2,410,520	1	2,394,423	1	Donated capital	83	-	83	-
Computer equipment	1,458,303	-	1,330,332	-	Other	95	-	95	-
Transportation equipment	48,216	-	50,083	-	Retained earnings				
Office and other equipment	1,815,184	-	1,746,360	-	Legal reserve	4,497,477	1	3,671,307	1
Total cost	7,830,699	2	7,546,909	2	Special reserve	282,977	-	282,977	-
Accumulated depreciation	2,623,377	1	2,273,532	1	Unappropriated	4,180,069	-	2,753,899	1
Advances on acquisitions of equipment and construction in progress	5,207,322	1	5,273,377	1	Unrealized loss on long-term equity investments	(264,260)	-	(297,567)	-
Net properties	5,282,518	1	5,402,919	1	Cumulative translation adjustment	(31,850)	-	166,872	-
OTHER ASSETS (Notes 2, 13 and 22)	9,162,420	2	8,449,035	2	Total stockholders' equity	28,233,597	5	26,146,672	6
TOTAL	\$ 519,759,059	100	\$ 460,402,002	100	CONTINGENCIES AND COMMITMENTS (Notes 2, 25 and 29)				
					TOTAL	\$ 519,759,059	100	\$ 460,402,002	100

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

(With Deloitte & Touche audit report dated January 28, 2005)

## BANK SINOPAC AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004		2003	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Interest (Notes 2, 9 and 29)	\$ 13,367,615	59	\$ 12,261,810	68
Service fees (Notes 2, 18 and 24)	2,354,614	10	1,758,971	10
Income from securities, net (Notes 2 and 19)	2,218,602	10	2,466,718	14
Income from long-term equity investments under the equity method, net (Notes 2, 10 and 24)	200,815	1	297,081	2
Foreign exchange gain, net (Notes 2 and 29)	4,172,359	19	-	-
Income from derivative financial instruments transaction (Notes 2 and 29)	-	-	1,057,264	6
Other	138,703	1	55,776	-
Total operating revenues	<u>22,452,708</u>	<u>100</u>	<u>17,897,620</u>	<u>100</u>
<b>OPERATING COSTS AND EXPENSES</b>				
Interest (Notes 2 and 29)	6,493,767	29	5,899,428	33
Service charges (Note 24)	277,791	1	289,657	2
Provision for trading losses	3,132	-	-	-
Provision for credit losses (Notes 2 and 9)	666,784	3	1,717,167	10
Foreign exchange loss, net (Notes 2 and 29)	-	-	511,631	3
Operating and administrative expenses (Notes 2, 20, 21 and 24)	7,097,523	32	6,181,594	34
Loss on derivative financial instruments transaction (Notes 2 and 29)	2,872,713	13	-	-
Other	80,286	-	86,682	-
Total operating costs and expenses	<u>17,491,996</u>	<u>78</u>	<u>14,686,159</u>	<u>82</u>
OPERATING INCOME	4,960,712	22	3,211,461	18
NONOPERATING INCOME AND GAINS (Notes 2 and 24)	284,100	1	164,856	1
NONOPERATING EXPENSES AND LOSSES	<u>(55,651)</u>	<u>-</u>	<u>(97,190)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX	5,189,161	23	3,279,127	18
INCOME TAX (Notes 2 and 22)	<u>904,346</u>	<u>4</u>	<u>525,228</u>	<u>3</u>
NET INCOME	<u>\$ 4,284,815</u>	<u>19</u>	<u>\$ 2,753,899</u>	<u>15</u>
	<b>Pre-tax</b>	<b>After Tax</b>	<b>Pre-tax</b>	<b>After Tax</b>
EARNINGS PER SHARE (Note 23)				
Basic earnings per share	<u>\$ 2.67</u>	<u>\$ 2.20</u>	<u>\$ 1.69</u>	<u>\$ 1.42</u>

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

(With Deloitte & Touche audit report dated January 28, 2005)

## BANK SINOPAC AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	Capital Stock		Capital Surplus (Notes 2 and 17)	Retained Earnings (Note 17)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 10)	Cumulative Translation Adjustment (Note 2)	Total Stockholders' Equity
	Shares in Thousands	Amount		Legal Reserve	Special Reserve	Unappropriated	Total			
BALANCE, JANUARY 1, 2003	1,944,398	\$ 19,443,976	\$ 125,208	\$ 2,997,437	\$ 282,977	\$ 2,246,233	\$ 5,526,647	\$ (321,428)	\$ 221,271	\$ 24,995,674
Appropriation of 2002 earnings										
Legal reserve	-	-	-	673,870	-	(673,870)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	(38,000)	(38,000)	-	-	(38,000)
Bonus to employees	-	-	-	-	-	(15,724)	(15,724)	-	-	(15,724)
Cash dividends - \$0.781 per share	-	-	-	-	-	(1,518,639)	(1,518,639)	-	-	(1,518,639)
Net income for the year ended December 31, 2003	-	-	-	-	-	2,753,899	2,753,899	-	-	2,753,899
Recovery of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	23,861	-	23,861
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	(54,399)	(54,399)
BALANCE, DECEMBER 31, 2003	1,944,938	19,443,976	125,208	3,671,307	282,977	2,753,899	6,708,183	(297,567)	166,872	26,146,672
Appropriation of 2003 earnings										
Legal reserve	-	-	-	826,170	-	(826,170)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	(38,000)	(38,000)	-	-	(38,000)
Bonus to employees	-	-	-	-	-	(19,277)	(19,277)	-	-	(19,277)
Cash dividends - \$0.962 per share	-	-	-	-	-	(1,870,452)	(1,870,452)	-	-	(1,870,452)
Net income for the year ended December 31, 2004	-	-	-	-	-	4,284,815	4,284,815	-	-	4,284,815
Recovery of unrealized loss on long-term equity investments	-	-	-	-	-	-	-	33,307	-	33,307
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	(198,722)	(198,722)
Realized deferred loss on upstream transaction of long-term equity investments	-	-	-	-	-	(104,746)	(104,746)	-	-	(104,746)
BALANCE, DECEMBER 31, 2004	<u>1,944,938</u>	<u>\$ 19,443,976</u>	<u>\$ 125,208</u>	<u>\$ 4,497,477</u>	<u>\$ 282,977</u>	<u>\$ 4,180,069</u>	<u>\$ 8,960,523</u>	<u>\$ (264,260)</u>	<u>\$ (31,850)</u>	<u>\$ 28,233,597</u>

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

(With Deloitte & Touche audit report dated January 28, 2005)

## BANK SINOPAC AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars)

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 4,284,815	\$ 2,753,899
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	660,988	629,230
Expensed assets	488	-
Premium amortization and discount accretion	75,360	-
Provision for credit and trading losses	666,784	1,717,167
Reversal of allowance for decline in market value of securities purchased	(635)	(13,364)
Provision for allowance for decline in market value of collateral assumed	3,206	-
Loss on disposal of properties, net	22,456	37,368
Gain on sale of collateral assumed, net	(78,515)	(24,650)
Income from long-term equity investments under the equity method, net	(200,815)	( 297,081)
Cash dividends received from long-term equity investments under the equity method	141,041	24,566
Loss (gain) on sale of long-term equity investments	(47,050)	5,465
Realized loss on long-term equity investments, net	-	18,006
Accrued pension cost	167,657	165,682
Deferred income taxes	(59,930)	130,197
Decrease (increase) in securities purchased - for trading purposes	19,799,893	(19,714,097)
Increase in accounts, interest and other receivables	(1,700,322)	(13,897,341)
Decrease (increase) in prepayments	(257,423)	12,755
Increase in accounts, interest and other payables	<u>2,182,557</u>	<u>7,516,078</u>
Net cash provided by (used in) operating activities	<u>25,660,555</u>	<u>(20,936,120)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in due from the Central Bank and other banks	(11,777,658)	(8,367,951)
Decrease (increase) in securities purchased - for investing purposes	1,331,898	(7,868,485)
Increase in loans, discounts and bills purchased	(44,835,338)	(29,957,900)
Increase in long-term equity investments	(634,937)	(560,091)
Decrease (increase) in long-term bond investments	(3,045,767)	1,431,251
Increase in securities purchased under agreements to resell (Note 3)	(19,423,913)	-
Proceeds from sale of long-term equity investments	328,496	529,979
Acquisition of properties	(416,081)	(693,687)
Proceeds from sale of properties	1,597	3,729
Acquisition of collateral assumed	(195,265)	(1,262,064)

(Continued)

	2004	2003
Proceeds from sale of collateral assumed	\$ 710,947	\$ 329,860
Increase in other assets	<u>(928,323)</u>	<u>(2,924,362)</u>
Net cash used in investing activities	<u>(78,884,344)</u>	<u>(49,339,721)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in securities sold under agreements to repurchase	18,274,839	-
Increase (decrease) in call loans and due to banks	1,932,440	(13,990,307)
Increase in deposits and remittances	21,618,849	72,562,810
Increase in bank debentures	11,369,085	14,909,670
Increase (decrease) in other liabilities	1,009,668	(39,044)
Cash dividends paid	(1,870,452)	(1,518,639)
Remuneration to directors and supervisors and bonus to employees	<u>(57,277)</u>	<u>(53,724)</u>
Net cash provided by financing activities	<u>52,277,152</u>	<u>71,870,766</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(946,637)	1,594,925
EFFECTS OF CHANGES IN EXCHANGE RATE	(13,066)	6,930
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>10,207,023</u>	<u>8,605,168</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 9,247,320</u>	<u>\$ 10,207,023</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 6,597,829</u>	<u>\$ 6,063,052</u>
Income tax paid	<u>\$ 330,100</u>	<u>\$ 684,486</u>

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

(With Deloitte & Touche audit report dated January 28, 2005)

(Concluded)

# **BANK SINOPAC AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

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### **1. ORGANIZATION AND OPERATIONS**

Bank SinoPac (the "Bank") obtained government approval to incorporate on August 8, 1991, and started operations on January 28, 1992. The Bank engages in commercial banking, trust, and established International Division and Offshore Banking Unit (OBU) to manage foreign exchange operations as allowed under the Banking Law.

As of December 31, 2004 and 2003, the Bank had a total of 2,242 and 2,026 employees, respectively.

As of December 31, 2004, the Bank's operating units included Banking, Trust, International Division of the Head Office, an OBU, 44 domestic branches, 2 overseas branches and 1 overseas representative office.

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

Under the Financial Holding Company Act, the Bank, National Securities Co., Ltd. (the "NSC", which was renamed as SinoPac Securities Corporation on June 9, 2002) and SinoPac Securities Co., Ltd. (the "SPS") established SinoPac Holdings (the "SPH"), a financial holding company on 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. Since May 9, 2002, the effective date of the shares swap, the Bank has become an unlisted wholly owned subsidiary of SPH. The shares of SPH are traded on the Taiwan Stock Exchange (TSE). SinoPac Securities Corporation ("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.

On August 15, 1997, the Bank acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchase of 100% of its shares. FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. As of December 31, 2003, FENB has 15 branches in Los Angeles and San Francisco areas and 1 Beijing representative office. It also has 5 wholly-owned subsidiaries - Far East Capital Corporation, FENB Securities Inc., FENB Loan Corp., FENB Film Corp. and Film Service Management Corp.

As of December 31, 2004 and 2003, SinoPac Bancorp and FENB had a total of 386 and 373 employees, respectively.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Consolidation**

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

The operating revenues and total assets of the other 3 subsidiaries - SinoPac Leasing Corporation, SinoPac Capital Limited and SinoPac Financial Consulting Co., Ltd. - are individually less than 10%, and are in aggregate less than 30%, of those of the Bank. Accordingly, their accounts were not included in the consolidated financial statements.

The Bank and its subsidiaries' consolidated financial statements were prepared in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for 2003) and accounting principles generally accepted in the Republic of China (ROC). In determining the allowance for credit losses, depreciation, pension, losses upon suspended lawsuit and provision for losses on guarantees, the Bank needs to estimate reasonable amounts. Since the estimates were usually made under uncertain conditions, the estimates may vary from the actual amounts. Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank and its subsidiaries' consolidated financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 28 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank and its subsidiaries are summarized below:

### **Securities Purchased**

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

Short-term bills and treasury bills are stated at cost, which approximates market value. Stocks, beneficiary certificates and bonds are stated at the lower of cost or market value. 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 and treasury 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 for separately from the other listed and OTC stocks.

Pursuant to the directive issued by the Ministry of Finance (the "MOF"), sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases until 2003. However, pursuant to the Criteria Governing the Preparation of Financial Reports by Public Banks, which was effective since January 1, 2004, the sales and purchases of securities under agreements to repurchase/resell are treated as financing.

## **Nonperforming Loans**

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

## **Allowance for Credit Losses and Provision for Losses on Guarantees**

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

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

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

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

## **Long-term Equity Investments**

Long-term equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in the investees’ net worth. 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 acquire new shares in proportion to its current equity in the investee, the resulting increase in the Bank’s equity in the investee’s net assets is credited to capital surplus. Any decrease in the Bank’s equity in the investee’s net assets is debited to capital surplus. If capital surplus is not enough for debiting purpose, the remaining is debited to unappropriated retained earnings.

For listed and OTC stocks accounted for by the cost method, when the aggregate market value is lower than the total carrying amount, an allowance for decline in market value 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.

## **Long-term Bond Investments**

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

## **Properties**

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

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

Depreciation is calculated by the straight-line method on the basis of service lives initially 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.

## **Collaterals Assumed**

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

## **Derivative Financial Instruments**

### a. Foreign exchange forward

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 on 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 on 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 on the balance sheet dates are credited or charged to current income.

### c. Currency swaps

Foreign-currency spot-position assets or liabilities arising from currency swaps, 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 interest part of swap points is amortized during the contract period; for contracts outstanding on the balance sheet date, the gains or losses arising from the valuation of swap points, which are valued at the forward rates available for the remaining period of the contracts are credited or charged to current income.

### d. Cross-currency swaps

Cross-currency swaps, which are for the purposes of accommodating customers' needs or managing the Bank's exposures, are marked to market on the balance sheet dates. The interest received or paid at each settlement date or balance sheet date is recognized as interest income or expense, which is credited or charged to current income.

Cross-currency swaps, which are for hedging purposes, are recorded at spot rates 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 recorded 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 on the balance sheet dates.

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

g. Asset swaps

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

h. Futures

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

i. Credit default swaps

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

### **Financial Asset Securitization**

Under the "Regulations for Financial Asset Securitization", the Bank securitized part of its enterprise loans and entrusted those loans to the commissioned organization for the issuance of the related beneficiary certificates. Thus, the Bank derecognizes the loans and records gain or loss because the control of contractual rights - except for subordinated retained interests for credit enhancement, which were reclassified as long-term investments - on the loans has been surrendered and transferred to a special purpose trustee.

The gain or loss on the sale of the loans is the difference between the proceeds and carrying amount of the loans. The previous carrying amount of the loans should be allocated by applying the ratios of the part retained and the part sold to their fair values on the date of sale. Because quotes are not available for loans and retained interests, the Bank estimates fair value at the present value of expected future cash flows, using management's key assumptions on credit losses and discount rates commensurate to the risks involved.

Subordinate certificates and retained interests, for which quotes are not available, are accounted for as other long-term investments. Interest revenue is recorded when received. The Bank evaluates retained interests by estimating present value of expected future cash flows, with losses recorded as operating cost; gains are not recognized.

### **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 in 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, except for FENB.

### **Income Tax**

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

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

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

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

SPH adopted the linked tax system for income tax filings with its qualified subsidiaries, including the Bank, since 2003.

### **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 on 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.

### Reclassifications

Certain 2003 accounts have been reclassified to conform to the 2004 consolidated financial statements presentation.

### 3. ACCOUNTING CHANGES

Under a directive issued by the MOF, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases until 2003. However, under the Criteria Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions are treated as financing. The effect of this accounting change resulted in a decrease of income before income tax for the year ended December 31, 2004 by \$496,910.

The repurchase/resell transactions of the Bank are for daily trading purpose. Since the trading volume is high and the accounting systems for such transactions had been revised for several times, it is hard to trace the historical data and causing the difficulty on calculating the cumulative effect of changes in accounting principles. Thus, the Bank cannot calculate the cumulative effect of the change in accounting principle, and the pro forma information cannot be disclosed either.

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

Name of Corporation	Elimination Account	Amount	Counterparties of Transaction
<u>For the year ended December 31, 2004</u>			
Bank SinoPac	Due from other banks	\$ 44,283	SinoPac Bancorp and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	44,283	Bank SinoPac
<u>For the year ended December 31, 2003</u>			
Bank SinoPac	Due from other banks	\$ 110,145	SinoPac Bancorp and subsidiaries
SinoPac Bancorp and subsidiaries	Call loans and due to banks	110,145	Bank SinoPac

## 5. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Due from other banks	\$ 4,656,032	\$ 6,939,434
Notes and checks in clearing	2,778,026	1,570,821
Cash on hand	<u>1,813,262</u>	<u>1,696,768</u>
	<u>\$ 9,247,320</u>	<u>\$ 10,207,023</u>

## 6. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Call loans to banks	\$ 20,843,771	\$ 12,777,100
Due from the Central Bank	<u>15,120,578</u>	<u>11,409,591</u>
	<u>\$ 35,964,349</u>	<u>\$ 24,186,691</u>

Due from the Central Bank 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 \$7,225,313 and \$6,506,839 as of December 31, 2004 and 2003, 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 earning. As of December 31, 2004 and 2003, the balances of foreign-currency deposit reserves were \$86,176 and \$50,967, respectively.

## 7. SECURITIES PURCHASED

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Negotiable certificates of deposit	\$ 71,196,283	\$ 88,234,898
Commercial papers	7,176,112	8,722,955
Corporate bonds	5,258,751	4,954,186
Floating rate notes	3,718,142	8,275,813
Government bonds	3,269,457	601,763
Beneficiary certificates	1,733,617	613,895
Listed and OTC stocks	1,602,026	2,897,122
Bank debentures	1,057,994	2,032,613
Treasury bills	<u>908,289</u>	<u>719,217</u>
	95,920,671	117,052,462
Less allowance for decline in market value	<u>2,497</u>	<u>-</u>
	<u>\$ 95,918,174</u>	<u>\$ 117,052,462</u>

As of December 31, 2003, negotiable certificates of deposit aggregating \$800,000, 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 \$18,500,000 and \$15,000,000 had been provided as collateral for the day time overdrafts as of December 31, 2004 and 2003, respectively, with the pledged amount which can be adjusted momentarily.

As of December 31, 2004 and 2003, the aggregate market values or reference prices of corporate bonds, floating rate notes, government bonds, mutual fund beneficiary certificates, listed and OTC stocks and bank debentures were as follows:

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Corporate bonds	\$ 5,505,232	\$ 5,345,631
Floating rate notes	3,719,933	8,268,004
Government bonds	3,283,653	610,492
Beneficiary certificates	1,750,534	631,912
Listed and OTC stocks	2,205,949	3,945,581
Bank debentures	1,060,705	2,017,249

The Bank held 216,542,894 shares of SPH. In the stockholders' meeting of SPH on June 11, 2004, the appropriation of 2003 earnings was resolved and the Bank got appropriation for cash dividend of \$108,163, and stock dividend of \$99,523. The Bank held 226,495,205 shares of SPH after the appropriation.

As of December 31, 2004 and 2003, the Bank held 116,565,240 and 216,542,894 shares of SPH, with carrying amounts of \$1,490,918 and \$2,896,922 and market values of \$2,117,990 and \$3,945,412, respectively, based on the daily average closing prices in December 2004 and 2003.

To deal with SPH's shares held by the Bank, the board of directors (hereinafter the "Board") of SPH resolved to sell **two thirds of these shares**, a total of 144,361,929 **shares**, on the securities exchange market on October 22, 2003. As of December 31, 2004, the Bank sold 109,929,965 shares of SPH on the securities exchange market.

**To inspire the employees, the Board also decided to transfer** the remaining one third of **the** shares held by the Bank to its employees. On August 27, 2004, the Board of SPH resolved the transfer method and authorized the chairperson of SPH to transfer the remaining shares before May 8, 2005. The transfer price has been set as the closing price of SPH shares on August 27, 2004. The chairperson may adjust the transfer method based on actual circumstances.

## 8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Accounts receivable	\$ 27,033,063	\$ 25,112,100
Interest receivable	904,982	998,716
Forward exchange receivable, net	623,536	67,638
Accrued revenue	395,676	1,059,901
Tax refundable	125,972	183,456

(Continued)

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Receivable from related party for allocation of linked tax system	\$ 96,582	\$ 175,060
Other	<u>63,935</u>	<u>39,342</u>
	29,243,746	27,636,213
Less allowance for credit losses	<u>50,411</u>	<u>50,411</u>
	<u>\$ 29,193,335</u>	<u>\$ 27,585,802</u>

The balances of the accounts receivable as of December 31, 2004 and 2003 included \$26,586,160 and \$25,065,780, respectively, representing accounts receivable from other parties in the factoring business.

## 9. LOANS, DISCOUNTS AND BILLS PURCHASED

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Overdrafts	\$ 1,445,809	\$ 2,087,651
Short-term loans	79,327,957	67,472,357
Medium-term loans	64,390,422	56,106,300
Long-term loans	149,710,802	124,371,432
Import and export negotiations	2,546,397	2,735,187
Bills purchased	273	398
Non-performing loans	<u>2,045,304</u>	<u>2,938,747</u>
	299,466,964	255,712,072
Less allowance for credit losses	1,703,829	2,094,102
Less unearned loan fees	<u>109,102</u>	<u>143,962</u>
	<u>\$ 297,654,033</u>	<u>\$ 253,474,008</u>

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

As of December 31, 2004 and 2003, the balances of nonaccrual interest loans were \$2,222,687 and \$3,235,343, respectively. The unrecognized interest revenue on nonaccrual interest loans amounted to \$88,294 and \$145,854 for the years ended December 31, 2004 and 2003, respectively.

For the years ended December 31, 2004 and 2003, the Bank had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of loans, discounts and bills purchased for the years ended December 31, 2004 and 2003, respectively, were summarized below:

	<b><u>For the Year Ended December 31, 2004</u></b>		
	<b>For Losses on Particular Loans</b>	<b>For Losses on the Overall Loan Portfolio (Excluding Particular Loans)</b>	<b>Total</b>
Balance, January 1	\$ 750,600	\$ 1,343,502	\$ 2,094,102
Provision	643,708	23,076	666,784
Write-off	(1,101,581)	-	(1,101,581)
Recovery of written-off credits	86,477	-	86,477
Reclassifications	108,670	(108,429)	241
Result from change of foreign exchange rate	(25,900)	(25,812)	(51,712)
Other	9,518	-	9,518
Balance, December 31	<u>\$ 471,492</u>	<u>\$ 1,232,337</u>	<u>\$ 1,703,829</u>
	<b><u>For the Year Ended December 31, 2003</u></b>		
	<b>For Losses on Particular Loans</b>	<b>For Losses on the Overall Loan Portfolio (Excluding Particular Loans)</b>	<b>Total</b>
Balance, January 1	\$ 768,820	\$ 1,154,692	\$ 1,923,512
Provision	1,556,813	160,354	1,717,167
Write-off	(1,655,115)	-	(1,655,115)
Recovery of written-off credits	60,279	-	60,279
Reclassifications	26,500	36,054	62,554
Result from change of foreign exchange rate	(6,697)	(7,598)	(14,295)
Balance, December 31	<u>\$ 750,600</u>	<u>\$ 1,343,502</u>	<u>\$ 2,094,102</u>

As of December 31, 2004 and 2003, allowances for credit losses and provisions for losses on guarantees of the Bank were \$1,787,054 and \$2,177,568, respectively.

## 10. LONG-TERM INVESTMENTS

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
<u>Long-term equity investments</u>		
Equity method - unlisted stocks	\$ 2,982,716	\$ 3,186,772
Cost method		
Listed and OTC stocks	641,854	641,925
Unlisted stocks	809,368	740,639
Venture fund	70,151	119,691
	<u>1,521,373</u>	<u>1,502,255</u>
	4,504,089	4,689,027
Less unrealized losses	<u>247,482</u>	<u>281,478</u>
	4,256,607	4,407,549
<u>Other long-term investments</u>		
Long-term bond investments	9,138,641	7,182,534
Subordinated beneficiary certificates - retained interest of securitization	<u>1,014,300</u>	<u>-</u>
	<u>10,152,941</u>	<u>7,182,534</u>
	<u>\$ 14,409,548</u>	<u>\$ 11,590,083</u>

The market values of listed, OTC stocks and long-term bond investments were summarized as follows:

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Long-term bond investments	\$ 9,301,127	\$ 7,068,957
Listed and OTC stocks	395,436	362,044

The income from long-term equity investments, which amounted to \$200,815 and \$297,081 for the years ended December 31, 2004 and 2003, respectively, were recognized on the basis of investees' audited financial statements for the same periods, which were based on unaudited financial statements.

As of December 31, 2004 and 2003, part of the unrealized loss on long-term equity investments (included in stockholders' equity as deductions) resulting from market value decline of OTC stocks held by an investee accounted for by the equity method amounted to \$16,778 and \$16,089, respectively.

## 11. SECURITIZATION

- a. Characteristic, gain (loss) recognized and key economic assumptions used in measuring retained interests

In August 2004, the Bank sold part of its enterprise loans under securitization transactions. The Bank entrusted these loans to Fuhwa Bank for issuing beneficiary certificates. The terms and key economic assumptions used in measuring retained interests were as follows:

Terms	Enterprise Loans under Securitization
Date of issuance	August 3, 2004
Carrying amount of enterprise loans	\$ 4,900,000
Gain (loss) on securitization	-

Series of Certificates	Senior				Subordinated
	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche
Principal amount	\$ 2,788,100	\$ 534,100	\$ 441,000	\$ 122,500	\$ 1,014,300
Annual interest	Floating interest rate plus 0.4% (Note)	Floating interest rate plus 0.6% (Note)	Floating interest rate plus 1.0% (Note)	Floating interest rate plus 1.2% (Note)	-

Key assumptions used in measuring retained interests

Expected weighted-average life (in years)	3
Expected credit losses (annual rate)	0%
Discounted rate for residual cash flows	1.029%

Note: Floating rate is the average rate of the 90-day short-term bills in the secondary market of Telerate Information Inc., at 11:00 a.m. of Taipei time two working days prior to the first day of interest period of financial assets (shown on page 6165).

The investors of the subordinated certificates have a right over any remaining interest paid after fixed interest has been paid to the holders of the senior certificates in accordance with the principal amount. Any prepayment of principal shall be paid to the tranche in the order mentioned above. When the debtors fail to pay on schedule, the investors and Fuhwa Bank have no recourse to the other assets of the Bank. The Bank has a right over the subordinated certificates. The value of the subordinated certificates is subject to credit and interest rate risks on the transferred financial assets.

b. Sensitivity analysis

As of December 31, 2004, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

	Enterprise Loans
Carrying amount of retained interest	\$ 1,014,300
Weighted-average life (in years)	3 years
Discount rate of residual cash flows (annual rate)	1.175%
Impact on fair value of 10% adverse change	(55)
Impact on fair value of 20% adverse change	(171)

c. The securitized enterprise loans had not resulted in any credit losses as of December 31, 2004; thus, the expected static pool credit losses (total amount of actual credit losses and expected credit losses divided by securitized enterprise loans) are equal to the expected credit losses. The Bank anticipates that no credit losses would result from the securitized enterprise loans since there has been no default on those loans.

d. Cash flows

The table below summarizes certain cash receipts and payments on the securitization trust:

	<b>For the Year Ended December 31, 2004</b>
Proceeds from new securitizations	\$ 3,595,309
Current cash reserve	18,531

**12. PROPERTIES**

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Cost	<u>\$ 7,830,699</u>	<u>\$ 7,546,909</u>
Accumulated depreciation		
Buildings	493,483	416,137
Computer equipment	971,174	849,087
Transportation equipment	37,654	40,490
Office and other equipment	<u>1,121,066</u>	<u>967,818</u>
	<u>2,623,377</u>	<u>2,273,532</u>
	5,207,322	5,273,377
Advances on acquisitions of equipment and construction in progress	<u>75,196</u>	<u>129,542</u>
	<u>\$ 5,282,518</u>	<u>\$ 5,402,919</u>

**13. OTHER ASSETS**

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Premiums paid for option contracts	\$ 3,910,028	\$ 2,623,035
Guarantee deposits	1,860,318	2,732,341
Cash surrender value - officer life insurance	1,018,252	-
Collateral assumed, net	909,067	1,356,227
Intangible assets	704,312	847,325
Computer system software	243,857	270,404
Other	<u>516,586</u>	<u>619,703</u>
	<u>\$ 9,162,420</u>	<u>\$ 8,449,035</u>

As of December 31, 2004 and 2003, guarantee deposits included \$1,317,664 and \$2,273,810, respectively, which consisted of government bonds, corporate bonds and certificates of deposit.

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

#### 14. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<u>December 31</u>	
	2004	2003
Accounts payable	\$ 10,601,110	\$ 10,402,322
Notes and checks in clearing	3,402,246	2,413,115
Accrued expenses	1,245,896	897,847
Interest payable	1,208,426	1,106,583
Payable to related-party	358,168	-
Tax payable	101,489	284,831
Other	<u>505,196</u>	<u>228,065</u>
	<u>\$ 17,422,531</u>	<u>\$ 15,332,763</u>

The balances of the accounts payable as of December 31, 2004 and 2003 included \$10,399,058 and \$10,359,428, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

#### 15. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	2004	2003
Checking	\$ 11,559,672	\$ 10,616,321
Demand	67,885,998	64,417,013
Savings - demand	76,290,371	62,315,667
Time	124,538,616	126,979,975
Negotiable certificates of deposit	25,782,900	25,505,900
Savings - time	65,594,035	60,330,947
Inward remittances	222,410	219,625
Outward remittances	<u>239,017</u>	<u>108,722</u>
	<u>\$ 372,113,019</u>	<u>\$ 350,494,170</u>

#### 16. BANK DEBENTURES

	<u>December 31</u>		Maturity Date	Terms
	2004	2003		
First dominant bank debenture issued in 2001	\$ 5,000,000	\$ 5,000,000	2001.12.20-2006.12.20 Principal is repayable on maturity date.	Fixed interest rate of 3.08%. Interest is paid annually.
First subordinated bank debenture issued in 2002	2,000,000	2,000,000	2002.12.23-2008.03.23 Principal is repayable on maturity date.	Floating interest rate except for the first two years fixed at 2.15%. Interest is paid semiannually.
First dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.02.14-2008.02.14 Principal is repayable on maturity date.	3.65% minus 6-month LIBOR. Interest is paid semiannually.
Second dominant bank debenture issued in 2003	500,000	500,000	2003.03.19-2008.09.19 Principal is repayable on maturity date.	3.48% minus 6-month LIBOR. Interest is paid semiannually.
Third dominant bank debenture issued in 2003	1,500,000	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.

(Continued)

	<u>December 31</u>		<b>Maturity Date</b>	<b>Terms</b>
	<b>2004</b>	<b>2003</b>		
Fourth dominant bank debenture issued in 2003	\$ 400,000	\$ 400,000	2003.05.09-2008.11.09 Principal is repayable on maturity date.	2% plus 180-day-NTD CP rate in secondary market and minus 6-month LIBOR. Interest is paid semiannually.
First subordinated bank debenture issued in 2003	2,500,000	2,500,000	2003.06.18-2008.12.18 Principal is repayable on maturity date.	180-day CP rate in secondary market plus 0.3%. Interest is paid semiannually.
Fifth dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debenture issued in 2003	700,000	700,000	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debenture issued in 2003	800,000	800,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debenture issued in 2003	500,000	500,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debenture issued in 2003	300,000	300,000	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.11.05-2008.11.05 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.11.14-2008.11.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debenture issued in 2003	500,000	500,000	2003.11.21-2008.11.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debenture issued in 2003	500,000	500,000	2003.11.28-2008.11.28 Principal is repayable on maturity date.	Floating rate except for the first year fixed at 4%. Interest is paid semiannually.
Fourteenth dominant bank debenture issued in 2003	2,200,000	2,200,000	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2003	3,600,000	-	2004.03.18-2009.09.18 Principal is repayable on maturity date.	Fixed interest rate of 2.3%, interest is paid semiannually.
First dominant bank debentures issued in 2004	500,000	-	2004.04.26-2009.10.26 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second dominant bank debentures issued in 2004	300,000	-	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2004	500,000	-	2004.04.29-2009.04.29 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourth dominant bank debentures issued in 2004	200,000	-	2004.05.14-2009.05.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2004	300,000	-	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debentures issued in 2004	500,000	-	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debentures issued in 2004	200,000	-	2004.05.21-2009.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

(Continued)

	<u>December 31</u>		<b>Maturity Date</b>	<b>Terms</b>
	<b>2004</b>	<b>2003</b>		
Eighth dominant bank debentures issued in 2004	\$ 500,000	\$ -	- 2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debentures issued in 2004	300,000	-	- 2004.06.03-2009.06.03 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debentures issued in 2004	500,000	-	- 2004.06.07-2009.06.07 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debentures issued in 2004	200,000	-	- 2004.06.15-2009.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debentures issued in 2004	500,000	-	- 2004.06.15-2010.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debentures issued in 2004	300,000	-	- 2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourteenth dominant bank debentures issued in 2004	500,000	-	- 2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifteenth dominant bank debentures issued in 2004	500,000	-	- 2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First subordinated bank debentures issued in 2004	1,500,000	-	- 2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2004	500,000	-	- 2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest is reset semiannually since the issuance date. Interest is paid semiannually.
FENB second subordinated bank debentures issued in 2003	319,170	339,780	2003.06.26-2013.06.26 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
FENB second subordinated bank debentures issued in 2003	159,585	169,890	2003.09.17-2013.09.17 Principal is repayable on maturity date.	Floating rate. Interest is paid quarterly.
	<u>\$ 33,278,755</u>	<u>\$ 21,909,670</u>		

## 17. STOCKHOLDERS' EQUITY

### a. Capital surplus

Under the Company Law, the component of capital surplus arising from issuance of shares in excess of par value and donation can, except in the year it arises, be transferred to common stock, if approved by stockholders. This distribution can be made only within specified limits. These restrictions are in accordance with regulations issued by Securities and Futures Commission (renamed Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, ROC since July 1, 2004).

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

b. Retained earnings and dividend policy

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

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

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

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

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

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

On April 14, 2004 and March 21, 2003, the board of directors resolved the appropriation of 2003 and 2002 earnings, respectively, as follows:

	<u>Earnings Appropriation</u>		<u>Dividends Per Share (New Taiwan Dollars)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Legal reserve	\$ 826,170	\$ 673,870		
Remuneration to directors and supervisors	38,000	38,000		
Bonus to employees - cash	19,277	15,724		
Cash dividends	<u>1,870,452</u>	<u>1,518,639</u>	\$0.962	\$0.781
	<u>\$ 2,753,899</u>	<u>\$ 2,246,233</u>		

The appropriation of 2004 earnings has not yet been resolved by the board of directors by January 28, 2005, the date of auditors' report. The related information regarding the proposed and resolved earnings appropriation can be found at the SEC Market Observation Post System (M.O.P.S.) website.

In addition, had the aforementioned remuneration to directors and supervisors and bonus to employees (included in the appropriation of 2003 and 2002 earnings) been recognized as expenses, the basic EPS (after tax) for 2003 would have decreased from NT\$1.42 to NT\$1.39 per share, and the basic EPS (after tax) for 2002 would have decreased from NT\$1.18 to NT\$1.13 per share.

## 18. SERVICE FEES

	For the Years Ended	
	December 31	
	2004	2003
Mutual funds	\$ 396,770	\$ 324,611
Factoring and financing	342,936	293,761
Structured notes	313,384	115,656
Loan documentation fee	205,093	100,919
Custody	155,959	170,172
Syndicated loans	135,059	82,713
Import and export	132,935	67,656
Other	672,478	603,483
	<u>\$ 2,354,614</u>	<u>\$ 1,758,971</u>

## 19. INCOME FROM SECURITIES, NET

	For the Years Ended	
	December 31	
	2004	2003
Short-term bills		
Interest revenue	\$ 1,350,036	\$ 1,556,204
Capital gain, net	2,259	43,712
	<u>1,352,295</u>	<u>1,599,916</u>
Bonds		
Capital gain, net	195,692	645,780
Interest revenue	31,588	51,000
	<u>227,280</u>	<u>696,780</u>
Stocks and beneficiary certificates		
Dividend revenue	108,163	140,753
Capital gain (loss), net	529,482	29,269
Warrants	897	-
Coupons received	485	-
	<u>639,027</u>	<u>170,022</u>
	<u>\$ 2,218,602</u>	<u>\$ 2,466,718</u>

## 20. OPERATING AND ADMINISTRATIVE EXPENSES

	For the Years Ended	
	December 31	
	2004	2003
Personnel expenses		
Salaries and wages	\$ 3,448,268	\$ 3,017,361
Pension	167,657	165,682
Labor insurance and national health insurance	159,876	156,388
Other	40,566	25,204
Depreciation	477,732	461,523
Amortization	185,229	167,707
Other	2,618,195	2,187,729
	<u>\$ 7,097,523</u>	<u>\$ 6,181,594</u>

## 21. 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:

	<b>For the Years Ended December 31</b>	
	<b>2004</b>	<b>2003</b>
Balance, January 1	\$ 1,084,416	\$ 894,432
Contributions	207,428	199,663
Benefits paid	(49,817)	(43,134)
Interest income	<u>38,022</u>	<u>33,455</u>
Balance, December 31	<u>\$ 1,280,049</u>	<u>\$ 1,084,416</u>

The ending balances as of December 31, 2004 and 2003 consist of:

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Contributions by the Bank	\$ 802,255	\$ 674,060
Contributions by employees	<u>477,794</u>	<u>410,356</u>
	<u>\$ 1,280,049</u>	<u>\$ 1,084,416</u>

b. Net pension costs for the years ended December 31, 2004 and 2003 were summarized below:

	<b>For the Years Ended December 31</b>	
	<b>2004</b>	<b>2003</b>
Service cost	\$ 133,236	\$ 126,969
Interest cost	35,611	35,682
Expected return on plan assets	(27,164)	(23,871)
Net amortization and deferral	<u>9,743</u>	<u>12,005</u>
Net pension cost	<u>\$ 151,426</u>	<u>\$ 150,785</u>

- c. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2004 and 2003 were as follows:

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Benefit obligation		
Vested benefit obligation	\$ 124,258	\$ 105,193
Nonvested benefit obligation	<u>674,572</u>	<u>581,087</u>
Accumulated benefit obligation	798,830	686,280
Additional benefit based on future salaries	<u>299,250</u>	<u>331,183</u>
Projected benefit obligation	1,098,080	1,017,463
Fair value of plan assets	<u>(802,204)</u>	<u>(674,060)</u>
Funded status	295,876	343,403
Unrecognized net transition obligation	(29,865)	(34,842)
Unrecognized prior service cost	(556)	(684)
Unrecognized pension loss	<u>(146,898)</u>	<u>(208,413)</u>
Accrued pension cost	<u>\$ 118,557</u>	<u>\$ 99,464</u>
d. Vested benefit	<u>\$ 259,289</u>	<u>\$ 34,109</u>
e. Actuarial assumptions		
1) Discount rate used in determining present values	3.5%	3.5%
2) Expected rate of return on plan assets	3.5%	3.5%
3) Future salary increase rate	2.5%	2.5%

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

## 22. INCOME TAX

Under a directive issued by the MOF, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year, may choose to adopt the linked tax system for income tax filings. SinoPac Holdings adopted the linked tax system for income tax filings with its qualified subsidiaries since 2003.

The principle adopted by the Bank, SPH and its subsidiaries (collectively, the "Group") for the allocation of linked tax system is to reduce the income tax liabilities of the Group and to maximize the synergy of the Group.

The accounting treatment applied by the Group to the income tax is to adjust in SPH's book the difference between the combined current/deferred taxes and the total of each Group member's current/deferred taxes. Related payables and receivables were recorded in each of the Group members' books.

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

	<b>For the Years Ended December 31</b>	
	<b>2004</b>	<b>2003</b>
Current income tax payable	\$ 905,508	\$ 282,112
Separate taxes on short-term bills interest revenue	74,089	275,118
Foreign income taxes over limitation	58,563	-
Change in deferred income taxes	(59,930)	130,197
Prior year's adjustment	(73,884)	12,861
Effects upon linked tax system	<u>-</u>	<u>(175,060)</u>
Income tax	<u>\$ 904,346</u>	<u>\$ 525,228</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:

	<b>For the Years Ended December 31</b>	
	<b>2004</b>	<b>2003</b>
Tax on pretax income at statutory rate	\$ 1,504,479	\$ 1,043,456
Add (deduct) tax effects of:		
Tax-exempt income	(182,210)	(174,991)
Permanent difference	(429,980)	(588,622)
Temporary difference	26,799	(101,487)
Investment tax credit	(13,580)	(7,055)
Loss carryforward	<u>-</u>	<u>110,811</u>
Current income tax payable	<u>\$ 905,508</u>	<u>\$ 282,112</u>

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

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
<u>Bank SinoPac</u>		
Investment income under the equity method	\$ (541,076)	\$ (440,160)
Unrealized foreign exchange gain	(14,472)	(84,811)
Loss carryforward	-	175,060
Deferred pension cost	29,593	24,564
Investment tax credit	-	7,055
Effects upon linked tax system	-	(175,060)
Other	<u>(46,555)</u>	<u>-</u>
Deferred income tax liabilities, net	<u>\$ (572,510)</u>	<u>\$ (493,352)</u>
Deferred income tax assets (included in other assets)	<u>\$ 5,587</u>	<u>\$ 30,273</u>

(Continued)

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
<u>SinoPac Bancorp</u>		
Goodwill amortization	\$ (54,174)	\$ (90,634)
Deferred loan fees	(173,277)	(177,107)
Provision for credit losses	253,837	254,472
Other	<u>49,382</u>	<u>53,615</u>
Deferred income tax assets, net	<u>\$ 75,768</u>	<u>\$ 40,346</u>

- d. The estimated receivables and payables resulting from the adoption of linked tax system was as follows:

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Receivable from related party	<u>\$ 96,582</u>	<u>\$ 175,060</u>
Payable from related party	<u>\$ 358,168</u>	<u>\$ -</u>

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

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Balances of imputed tax credit account	<u>\$ 95,182</u>	<u>\$ 234,739</u>

The projected creditable tax ratio for earnings in 2004 is 2.22%, which is based on the estimated balance of Imputation Credit Account on the dividend distribution date. The actual imputed tax ratio for earnings in 2003 was 13.0084%.

The tax credits allocable to shareholders are based on the balance of Imputation Credit Account on the dividend distribution date. Thus, the 2004 projected creditable tax ratio may vary from the actual ratio.

- f. Income tax returns through 2000, except those for 1996, had been examined by the tax authorities. On the income tax returns for the aforementioned years, the tax authorities denied the creditability of 10% withholding tax on interest income on bonds pertaining to the period when those bonds were held by other investors. The Bank appealed the decision of the tax authorities. Nevertheless, on the basis of conservative principles, in 2001, the Bank recognized \$111,209 as part of income tax expenses to reflect accrued liabilities and any assets written off in relation to the foregoing withholding taxes.

In January 2004, the Bank reached an agreement with the Taipei National Tax Administration (TNTA) on the above appealing cases, in which TNTA would refund 65% of the withholding tax denied on the interest income on bonds to the Bank. Consequently, the Bank accrued 35% of the withholding tax denied on the interest income on bonds as income tax expenses for 2003 and 2002, which were not refunded by tax authorities. The Bank reversed the accrued income tax expenses on interest income on bonds amounting to \$74,022.

## 23. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pre-tax</u>	<u>After tax</u>		<u>Pre-tax</u>	<u>After tax</u>
<u>For the year ended December 31, 2004</u>					
Basic EPS					
Net income to common stockholders	<u>\$ 5,189,161</u>	<u>\$ 4,284,815</u>	1,944,398	<u>\$ 2.67</u>	<u>\$ 2.20</u>
<u>For the year ended December 31, 2003</u>					
Basic EPS					
Net income to common stockholders	<u>\$ 3,279,127</u>	<u>\$ 2,753,899</u>	1,944,398	<u>\$ 1.69</u>	<u>\$ 1.42</u>

## 24. 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
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 unconsolidated subsidiaries of the Bank, etc.
Other	Related parties under the control of the Bank but with no transactions, please see Table 4.

b. Significant transactions between the Bank and related parties

1) Loans

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate</b>	<b>Interest Revenue</b>	<b>% of Total</b>
For the year ended December 31, 2004	\$ 2,060,926	0.69%	1.31%-12.30%	\$ 42,270	0.32%
For the year ended December 31, 2003	2,191,729	0.86%	1.30%-11.66%	54,404	0.44%

2) Deposits

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate</b>	<b>Interest Expense</b>	<b>% of Total</b>
For the year ended December 31, 2004					
SPH	\$ 3,004,989	0.81%	0%-2.60%	\$ 59,215	0.91%
Other	4,899,574	1.32%	0%-6.475%	46,679	0.72%
For the year ended December 31, 2003					
SPH	6,802,454	1.94%	0%-1.19%	97,610	1.65%
Other	5,063,240	1.44%	0%-6.475%	35,411	0.60%

3) Other receivables

	<u>Amount</u>		<u>% of Total</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Other receivables	\$ 218,413	\$ 26,196	0.75%	0.09%

4) Guarantees and securities purchased

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

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Wal Tech International	\$ 140,000	\$ 146,000
SinoPac Securities	<u>35,000</u>	<u>45,000</u>
	<u>\$ 175,000</u>	<u>\$ 191,000</u>

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

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Properties - carrying amount	<u>\$ 1,114,160</u>	<u>\$ 1,461,650</u>

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

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Properties and leased assets - carrying amount	\$ 1,183,912	\$ 1,194,304
Certificates of deposit	<u>1,160,000</u>	<u>1,130,000</u>
	<u>\$ 2,343,912</u>	<u>\$ 2,324,304</u>

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

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
Properties - carrying amount	\$ 40,064	\$ 40,064
Stocks - market value	8,010	28,807

5) Revenues and expenses

	<u>Amount</u>		<u>% of Total</u>	
	<u>For the Years Ended</u>		<u>For the Years</u>	
	<u>December 31</u>		<u>Ended</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Service fees	\$ 7,163	\$ 4,743	0.30%	0.27%
Service charges	1,595	23,998	0.57%	8.28%
Project popularizing expense	4,152	24,396	2.21%	17.52%

6) Short-term bills and bonds sold under agreements to repurchase

	<u>Face Amount</u>		<u>Cost</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
SPH				
Short-term bills and bonds sold under agreements to repurchase	\$ 630,000	\$ 355,700	\$ 700,000	\$ 380,000
Other				
Short-term bills and bonds sold under agreements to repurchase	1,000	900	1,011	1,003

7) Lease

a) The Bank as a lessee

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

Lessor	<u>Rental Expenses</u>		Lease Term	Payment Frequency
	<u>For the Years Ended</u>			
	<u>December 31</u>			
	2004	2003		
China Television	\$ 9,950	\$ 9,950	July 2005	Rentals paid monthly
SPL	6,191	6,664	July 2007	Rentals paid monthly
Ruentex Development	3,566	3,437	September 2005	Rentals paid monthly
SinoPac Securities	2,085	16,269	-	Rentals paid monthly

b) The Bank as a lessor

Lessee	<u>Rental Income</u>		Lease Term	Payment Frequency
	<u>For the Years Ended</u>			
	<u>December 31</u>			
	2004	2003		
SinoPac Securities	\$ 2,545	\$ 1,554	July 2006	Rentals received monthly
SinoPac Marketing Consulting	2,387	1,236	February 2006	Rentals received monthly
SinoPac Call Center	2,160	1,404	December 2005	Rentals received monthly
AnShin Card Services	180	265	December 2005	Rentals received monthly

8) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the years ended December 31, 2004 and 2003 amounted to \$231,020 and \$114,607, respectively.

9) Due from/to affiliates

As of December 31, 2004 and 2003, the Bank's receivable from AnShin Card Services amounted to \$25,725 and \$25,686, respectively.

As of December 31, 2004 and 2003, the Bank's estimated receivable resulting from the adoption of the linked tax system for 2004 and 2003 tax filing amounted to \$96,582 and \$175,060, respectively.

As of December 31, 2004, the Bank's estimated payable to SPH and subsidiaries resulting from the adoption of linked tax system amounted to \$358,168.

10) Asset transactions

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

For the year ended December 31, 2004, the Bank purchased convertible corporate bonds amounting to \$247,900, which had been paid before December 31, 2004, from SinoPac Securities.

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 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.

## 25. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 29, 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:

<b>Year</b>	<b>Amount</b>
2005	\$ 271,299
2006	224,554
2007	174,216
2008	119,015
2009	79,055

Rentals for the years beyond 2010 amount to \$40,659, the present value of which is about \$32,260 as discounted at the Bank and FENB's one-year time deposit rate ranging from 1.575% to 3.000% on January 1, 2005.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer hardware and software for \$163,278, of which \$42,041 had already been paid as of December 31, 2004.

c. Interior decoration contract

The Bank had entered into interior decoration contracts for \$25,790, of which \$15,291 had already been paid as of December 31, 2004.

The Bank's parent company, SPH, represented some of its subsidiaries, including the Bank, and entered into interior design contracts of Zhonglun buildings. According to the contracts, the Bank should pay for \$203,450.

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

As of December 31, 2004, short-term bills and bonds with a total face amount of \$18,274,839 were sold under agreements to repurchase at \$18,289,911 between January and March 2005.

e. Short-term bills and bonds purchased under agreements to resell

As of December 31, 2004, short-term bills and bonds with a total face amount of \$19,423,913 were purchased under agreements to resell at \$19,435,340 between January and March 2005.

- f. The Securities and Futures Investors Protection Center (SFIPC) is believed by investors to be filing a lawsuit against the Bank for helping Procomp Informatics Ltd. to window dress its financial statements. The SFIPC claims for compensation in the amount of \$630,562 and provisional seizure against the Bank, but the Bank has not received any prosecutions yet. As a matter of fact, the Bank did not help Procomp Informatics Ltd. to window dress the financial statements and replied honestly the confirmation to the certified public accountants. According to the Bank attorney's opinion, the Bank does not need to compensate the investors for the damage.

## 26. CAPITAL ADEQUACY RATIO

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

As of December 31, 2004 and 2003, the Bank's non-consolidated capital adequacy ratios were 12.64% and 12.39%, respectively, and the consolidated capital adequacy ratios were 11.25% and 10.50%, respectively.

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

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

	<b>For the Years Ended December 31</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-earning assets</u>				
Due from other banks	\$ 6,616,313	1.18	\$ 7,553,937	1.35
Call loans (placement)	12,399,828	1.63	7,994,742	1.09
Due from the Central Bank	7,417,488	1.56	5,882,812	1.85
Securities purchased	132,850,420	1.53	111,609,453	2.56
Securities purchased under agreements to resell	9,475,174	1.07	-	-
Loans, discounts and bills purchased	282,081,089	3.61	237,561,871	4.20
Accounts receivable from factoring	12,467,985	3.84	5,913,668	3.65
Other long-term investments	8,501,252	2.48	3,707,038	2.86
<u>Interest-bearing liabilities</u>				
Due to other banks	65,130	1.18	9,211	0.03
Call loans (taken)	46,093,003	1.34	55,256,266	1.17
Demand deposits	91,873,698	0.58	49,140,921	0.86
Savings - demand deposits	71,878,779	0.49	57,042,729	0.68
Time deposits	124,835,619	1.25	131,965,732	1.41
Savings - time deposits	62,923,792	1.51	58,570,590	1.94
Negotiable certificates of deposit	27,718,490	1.01	10,064,964	0.97
Securities sold under agreements to repurchase	12,344,902	1.01	-	-
Bank debentures	28,724,383	2.69	12,860,526	2.64

## 28. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	<b>December 31, 2004</b>			
	<b>Due in One Year</b>	<b>Due Between One Year and Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and cash equivalent	\$ 9,247,320	\$ -	\$ -	\$ 9,247,320
Due from the Central Bank and other banks	35,964,349	-	-	35,964,349
Securities purchased	95,920,671	-	-	95,920,671
Receivables	32,289,314	-	-	32,289,314
Securities purchased under agreements to resell	19,423,913	-	-	19,423,913
Loans, discounts and bills purchased (excluding nonperforming loans)	95,767,251	43,358,785	158,295,624	297,421,660
Other long-term investments	-	9,577,759	575,182	10,152,941
	<u>\$ 288,612,818</u>	<u>\$ 52,936,544</u>	<u>\$ 158,870,806</u>	<u>\$ 500,420,168</u>
<b><u>Liabilities</u></b>				
Call loans and due to banks	\$ 43,190,326	\$ -	\$ -	\$ 43,190,326
Securities sold under agreements to repurchase	18,274,839	-	-	18,274,839
Payables	20,422,294	45,551	254	20,468,099
Deposits and remittances	362,366,191	9,746,828	-	372,113,019
Bank debentures	-	23,900,000	9,378,755	33,278,755
	<u>\$ 444,253,650</u>	<u>\$ 33,692,379</u>	<u>\$ 9,379,009</u>	<u>\$ 487,325,038</u>
<b>December 31, 2003</b>				
	<b>Due in One Year</b>	<b>Due Between One Year and Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<b><u>Assets</u></b>				
Cash and cash equivalent	\$ 10,207,023	\$ -	\$ -	\$ 10,207,023
Due from the Central Bank and other banks	24,186,691	-	-	24,186,691
Securities purchased	117,052,462	-	-	117,052,462
Receivables	29,889,734	-	-	29,889,734
Loans, discounts and bills purchased (excluding nonperforming loans)	85,706,180	34,804,808	132,262,337	252,773,325
Other long-term investments	-	6,198,398	984,136	7,182,534
	<u>\$ 267,042,090</u>	<u>\$ 41,003,206</u>	<u>\$ 133,246,473</u>	<u>\$ 441,291,769</u>
<b><u>Liabilities</u></b>				
Call loans and due to banks	\$ 41,257,886	\$ -	\$ -	\$ 41,257,886
Payables	17,525,368	49,790	11,126	17,586,284
Deposits and remittances	340,341,357	10,152,813	-	350,494,170
Bank debentures	-	17,500,000	4,409,670	21,909,670
	<u>\$ 399,124,611</u>	<u>\$ 27,702,603</u>	<u>\$ 4,420,796</u>	<u>\$ 431,248,010</u>

## 29. 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, foreign currency options 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 these 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 international futures and options exchanges, and therefore, no significant credit risk is expected.

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

Financial Instruments	December 31					
	2004			2003		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	\$ 16,084,437	\$ 279,484	\$ 279,484	\$ 9,861,000	\$ 186,149	\$ 105,994
Cross-currency swap contracts	14,300,000	1,195,636	1,190,878	8,500,000	70,031	(53,693)
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Forward contracts						
- Buy	98,072,598	737,577	(1,545,844)	90,962,643	568,992	416,042
- Sell	97,424,835	1,720,574	1,682,115	67,245,886	272,535	(150,726)
Forward rate agreements						
- Buy	1,900,000	-	(486)	10,193,400	-	(4,443)
- Sell	-	-	-	10,193,400	1,862	918
Currency swap contracts	171,481,336	1,809,323	(134,723)	121,291,215	439,216	(282,064)
Interest rate swap contracts	69,916,423	921,464	(19,206)	41,193,742	231,480	(33,528)
Cross-currency swap contracts	13,675,871	80,880	3,288	1,427,240	14,300	3,513
Interest rate futures contracts						
- Long position	-	-	-	135,912	-	(478)
- Short position	95,751	501	501	203,868	-	(3,674)

Financial Instruments	December 31				
	2004		Value of Options Purchased/ Written	2003	
	Contract (Notional) Amount	Credit Risk		Contract (Notional) Amount	Credit Risk
For the purposes of accommodating customers' needs or managing the Bank's exposures:					
Foreign-currency options contracts					
- Long position	\$149,271,260	\$ 150,288	\$ 3,910,028	\$104,990,464	\$ 943,796
- Short position	133,169,281	-	2,551,603	101,671,063	-

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

As of December 31, 2004 and 2003, the Bank entered into asset swap contracts for hedging purposes, with notional amounts at \$2,102,502 and \$2,552,493, respectively. Since the Bank entered into these contracts with counter-parties with high worldwide ranking and credit rating, no significant credit risk is expected.

As of December 31, 2004 and 2003, the Bank entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$377,132 and \$384,130. Since the Bank entered into these contracts with counter-parties with high 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 contract-parties. Thus, the notional amounts does 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 (losses) on derivative financial instruments from Bank SinoPac for the years ended December 31, 2004 and 2003 were as follows:

	Account	For the Years Ended	
		December 31	
		2004	2003
For hedging purposes:			
Cross-currency swap contracts			
- Realized	Interest revenue	\$ 286,447	\$ 37,516
	Interest expense	(192,934)	(22,123)
Interest rate swap contracts			
- Realized	Interest revenue	133,063	60,919
	Interest expense	(26,397)	(28,381)
- Realized	Income from derivative financial instruments transactions	-	14,207
Interest rate futures contracts			
- Realized	Income from (loss on) derivative financial instruments transactions	(7,195)	789
Options contracts			
- Realized	Income from derivative financial instruments transactions	20,101	6,512
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
- Realized	Interest revenue	71,640	-
	Interest expense	(14,463)	-
- Realized	Foreign exchange gain (loss)	(7,209)	113,675
- Unrealized	Foreign exchange loss	(580,888)	(72,664)
- Unrealized	Income from derivative financial instruments transactions	30,474	-
Forward rate agreements			
- Realized	Income from (loss on) derivative financial instruments transactions	(3,513)	6,789
- Unrealized	Income from (loss on) derivative financial instruments transactions	3,039	(4,216)

(Continued)

		<b>For the Years Ended</b>	
		<b>December 31</b>	
<b>Account</b>		<b>2004</b>	<b>2003</b>
Currency swap contracts			
- Realized	Interest revenue	\$ 778,153	\$ 363,384
	Interest expense	(728,396)	(302,807)
- Unrealized	Loss on derivative financial instruments transactions	(9,014)	-
Interest rate swap contracts			
- Realized	Interest revenue	230,603	577,879
	Interest expense	(285,815)	(641,179)
- Realized	Income from (loss on) derivative financial instruments transactions	78,746	(473)
- Unrealized	Income from derivative financial instruments transactions	22,662	17,585
Options contracts			
- Realized	Income from (loss on) derivative financial instruments transactions	(3,245,220)	723,051
	Foreign exchange gain (loss)	3,675,154	(97,712)
- Unrealized	Income from (loss on) derivative financial instruments transactions	271,918	289,773
Interest rate futures contracts			
- Realized	Income from (loss on) derivative financial instruments transactions	(40,710)	1,012
- Unrealized	Income from (loss on) derivative financial instruments transactions	949	(478)
Cross-currency swap contracts			
- Realized	Interest revenue	33,199	2,779
	Interest expense	(31,715)	(1,936)
- Unrealized	Income from (loss on) derivative financial instruments transactions	(224)	3,512
Credit default swap contracts			
- Realized	Income from derivative financial instruments transactions	5,274	201

b. Fair value of nonderivative financial instruments

	<b>December 31</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 96,748,514	\$ 96,748,514	\$ 64,049,581	\$ 64,049,581
Securities purchased	95,918,174	96,806,690	117,052,462	118,495,939
Loans, discounts and bills purchased	297,654,033	297,654,033	253,474,008	253,474,008
Long-term equity investments	4,256,607	4,256,607	4,407,549	4,407,549
Other long-term investments	10,152,941	10,315,427	7,182,534	7,068,957
Guarantee deposits	1,860,318	1,860,693	2,732,341	2,704,136

(Continued)

	<b>December 31</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	\$ 81,831,775	\$ 81,831,775	\$ 58,559,339	\$ 58,559,339
Deposits and remittances	372,113,019	372,113,019	350,494,170	350,494,170
Bank debentures	33,278,755	33,278,755	21,909,670	21,909,670
Other liabilities	134,782	134,782	160,605	160,605

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

- 1) The carrying amounts of cash and cash equivalent, due from the Central Bank and other banks, acceptances, receivables, securities purchased under agreements to resell, call loans and due to banks, securities sold under agreements to repurchase, payables, acceptances payable and remittances, approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased, long-term equity investments and other long-term 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 guarantee deposits are based on market values while those of certificates of deposit are estimated at their carrying amounts. Fair values of other guarantee deposits and guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.

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

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

The Bank had significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments were under seven years. (For the years ended December 31, 2004 and 2003, the interest rates of the loans both ranged from 0.01% to 20.00%.) The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of a customer obligations to a third party. The term of these guarantees were usually less than one year, and their maturity dates are not concentrated in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of December 31, 2004 and 2003 were as follows:

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
Undrawn loan commitments	\$ 19,310,260	\$ 17,504,577
Financial guarantees and standby letters of credit	15,767,734	13,504,666
Credit card commitments for credit cards	75,133	68,296

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

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' creditworthiness. On the basis of the result of the credit evaluation, the Bank may require collateral before drawings are made against the credit facilities. As of December 31, 2004 and 2003, ratios of secured loans to total loans were about 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.

The commitment of credit cards does not require collateral, but needs to be evaluated for credit standing during the period and if necessary, to modify credit amount.

### 30. INFORMATION ON CONCENTRATIONS OF RISK

The Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. Industries that accounted for 5% or more of the outstanding loans as of December 31, 2004 and 2003 were as follows:

	<b>December 31</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Natural person	\$ 170,908,585	57	\$ 149,858,452	59
Manufacturing	46,467,640	16	31,367,544	12
Properties	26,391,937	9	29,828,556	12
Foreign corporation	7,713,248	3	8,799,697	3

The net positions of Bank SinoPac on foreign-currency transactions as of December 31, 2004 and 2003 were as follows:

	<b>December 31</b>			
	<b>2004</b>		<b>2003</b>	
	<b>Foreign-currency Amounts (in Thousand)</b>	<b>New Taiwan Dollar Amounts (in Thousand)</b>	<b>Foreign-currency Amounts (in Thousand)</b>	<b>New Taiwan Dollar Amounts (in Thousand)</b>
Net positions of major foreign-currency with market risk	MYR 108,238	\$ 909,116	JPY 11,904,313	\$ 3,783,191
	JPY 2,872,678	893,404	US\$ 108,837	3,698,052
	US\$ 25,064	799,961	DEM 74,935	670,036
	THB 638,683	523,911	EUR 13,401	574,210
	EUR 10,114	440,071	RMB 9,736	80,807

### 31. MAJOR RISK EXPOSURE SITUATIONS, MANAGEMENT POLICY AND PRACTICE OF CREDIT RISK, MARKET RISK, LIQUIDITY RISK, OPERATING RISK AND LEGAL RISK

#### a. Credit risks

##### 1) Assets quality

(In Thousands of New Taiwan Dollars, %)

Item	December 31, 2004	December 31, 2003
Overdue loans (including nonperforming loans) (Note 1)	\$1,942,504	\$3,722,533
Nonperforming loans	1,880,686	2,840,297
Overdue loans ratio (Note 2)	0.74%	1.75%
Classified loans (Note 3)	820,014	832,027
Ratios of classified loans to total loans	0.31%	0.39%
Allowance for credit losses	1,174,898	1,544,941
Write-off amounts of credits (Note 4)	932,811	1,504,618

Note 1: Overdue loans (including non-accrual loans) represent the amounts of reported overdue loans as required by the MOF letters dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

Note 2: Overdue loans ratio = Overdue loans (including nonperforming loans)/(Outstanding loan balance + Nonperforming loans). If overdue loans (including nonperforming loans)/Total credits, the overdue loans ratio as of December 31, 2004 and 2003 were 0.62% and 1.43%, respectively.

Note 3: Loans subject to observation are mid-term and long-term loans repayable in installments repayment on which is delinquent for more than three months but less than six months; other loans (the repayment of) principal on which is overdue by less than three months and interest thereon is overdue by more than three months but less than six months that would normally be required to be reported as an overdue loan but for having been exempted from such reporting (including loans for which an agreement has been reached to repay such loan in installments, loans for which a credit insurance fund will cover such repayment (as evidenced by) a sufficient certificate of deposit or reserve, loans for which repayment has, by agreement, been extended due to the September 21, 1999 earthquake, loans for which the collateral has been sold at auction and the proceeds of such auction are yet to be distributed, and loans extended under other approved exempt loan programs.

Note 4: Write-off amounts of credits = Accumulated write-off amounts of credits for the years ended December 31, 2004 and 2003.

##### 2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	December 31, 2004		December 31, 2003	
Credit extensions to interested parties	\$4,065,567		\$4,531,615	
Ratios of credit extensions to interested parties	1.30		2.04	
Ratios of credit extensions secured by pledged stocks	1.25		0.36	
Industry concentration	Industry	Percentage	Industry	Percentage
	Natural person	77.47	Natural person	79.49
	Manufacturing	9.00	Manufacturing	6.91
	Wholesaling and retail	3.96	Wholesaling and retail	3.72

Note 1: Consist of loans, discounts and bills purchased (including import and export bill negotiations), acceptances and guarantees.

Note 2: Ratio of credit extensions to interested parties = Credit extensions to interested parties/Total credit extensions.

Note 3: Ratio of credit extensions secured by pledged stocks = Credit extensions secured by pledged stocks/Total credit extensions.

Note 4: The amounts of credit extensions to interested parties are required to be computed pursuant to the Banking Law.

3) Policy of provision on credit losses: Please refer to Note 2.

4) Concentrations of risk: Please refer to Note 30.

b. Market risk

1) Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Please refer to Note 27.

2) Interest rate sensitivity

Item	December 31, 2004	December 31, 2003
Ratio of interest rate-sensitive assets to liabilities	86.02%	90.89%
Ratio of interest rate-sensitive gap to net worth	(143.04%)	(81.79%)

Note 1: Interest-rate sensitive assets and liabilities mean the revenues or costs of interest-earning assets and interest-bearing liabilities are affected by changes of interest rates.

Note 2: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (with maturities of less than one year in New Taiwan dollars).

Note 3: Interest rate-sensitive gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities

3) Net positions of the major foreign-currency: Please refer to Note 30.

c. Liquidity risk

1) Profitability

Item	For the Year Ended December 31, 2004	For the Year Ended December 31, 2003
Return on total assets	1.11%	0.81%
Return on net worth	18.03%	11.78%
Profit margin	21.74%	18.27%

Note 1: Return on total assets = Income before income tax/Average total assets

Note 2: Return on net worth = Income before income tax/Average net worth

Note 3: Profit margin = Income after income tax/Total operating revenues

Note 4: Income after income tax represents income for the years ended December 31, 2004 and 2003.

2) Maturity analysis of assets and liabilities

**December 31, 2004**

**(In Millions of New Taiwan Dollars)**

	Total	Amount for the Remaining Period Prior to the Maturity Date				
		0-30 Days	31-90 Days	91-180 Days	181 Days to One Year	Over One Year
Assets	\$ 444,532	\$ 135,552	\$ 55,111	\$ 28,210	\$ 18,321	\$ 207,338
Liabilities	450,772	105,014	87,612	51,912	52,405	153,829
Gap	(6,240)	30,538	(32,501)	(23,702)	(34,084)	53,509
Accumulated gap	(6,240)	30,538	(1,963)	(25,665)	(59,749)	(6,240)

Note: The above amounts include only New Taiwan Dollar amounts held by the onshore branches of the Bank (i.e. excludes foreign currency).

d. Operating risk and litigation risk

**Matters Requiring Special Notation  
December 31, 2004**

Causes (Note)	Summary and Amount
Within the past one year, a responsible person or professional employee, in the course of business, violated the law, resulting in an indictment by a prosecutor.	None
Within the past one year, a fine was levied on the Bank for violations of the related regulations.	None
Within the past one year, misconduct occurred that resulted in the Financial Supervisory Commission imposing strict corrective measures.	The Bank's affiliate company, Grand Capital International Limited (Grand Capital), had granted short-term loans to Addie International Limited. On October 26, 2004, the Financial Supervisory Commission imposed strict corrective measure on the significant weakness of Grand Capital's related controls. Some employees involved in the significant weakness of the aforementioned loans had been punished, and the Bank had followed the FSC's instructions to strengthen plan on the investees' management.
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars.	None
Other	None

Note: The term "within the past one year" means one year prior to the balance sheet date.

### 32. STATEMENT OF CAPITAL ADEQUACY

Item	December 31, 2004	December 31, 2003
Capital adequacy ratios	12.64%	12.39%
Ratios of debt to net worth	1,569.79%	1,468.06%

Note: Capital adequacy ratio = Eligible capital/Risk-based assets. Pursuant to the Banking Law and related regulations, the capital adequacy ratio should be computed at the end of June and December, respectively.

### 33. INFORMATION RELATED TO THE TRUST BUSINESS UNDER THE TRUST LAW

#### a. Balance sheets and trust properties of trust accounts

#### Balance Sheets of Trust Accounts December 31, 2004 and 2003

Trust Assets	2004	2003	Trust Liabilities and Equities	2004	2003
Bank deposits	\$ 1,526,957	\$ 457,501	Payables	\$ 597	\$ -
Short-term investments	53,750,053	46,294,619	Trust capital	57,312,037	47,884,858
Receivables	24,006	8,554	Cumulative earnings	<u>1,331,519</u>	<u>1,203,238</u>
Prepayments	51	-			
Properties	2,584,352	406,709			
Net asset value of collective investment trust fund	<u>758,734</u>	<u>1,920,713</u>			
Total trust assets	<u>\$58,644,153</u>	<u>\$49,088,096</u>	Total trust liabilities and equities	<u>\$58,644,153</u>	<u>\$49,088,096</u>

#### Trust Properties of Trust Accounts December 31, 2004 and 2003

Investment Portfolio	December 31	
	2004	2003
Bank deposits	\$ <u>1,526,957</u>	\$ <u>457,501</u>
Short-term investments		
Bonds	9,567,983	7,066,381
Common stock	4,102,773	451,954
Funds	40,079,297	38,715,629
Short-term bills or investments sold under agreements to repurchase	-	60,655
	<u>53,750,053</u>	<u>46,294,619</u>
Receivables	<u>24,006</u>	<u>8,554</u>
Prepayments	<u>51</u>	<u>-</u>
Properties		
Land	2,103,676	406,398
Buildings	6,677	-
Construction in process	<u>473,999</u>	<u>311</u>
	<u>2,584,352</u>	<u>406,709</u>
Net asset value of collective investment trust fund	<u>758,734</u>	<u>1,920,713</u>
Total	<u>\$ 58,644,153</u>	<u>\$ 49,088,096</u>

#### b. The contents of operations of the trust business under the Trust Law: Please refer to Note 1.

### 34. INFORMATION RELATED TO BORROWERS, GUARANTORS AND COLLATERAL PROVIDERS AS INTEREST PARTIES

Category	Account Volume	December 31, 2004	Possibility of Loss (Note 3)
Consumer loans (Note 1)	499	\$ 304,697	-
Loans for employees' family mortgage	264	658,353	-
Other borrowers (Note 2)	621	2,862,331	-
Guarantees	491	2,331,963	-
Collateral providers	1,274	5,316,600	-

Note 1: Consumer loans were regulated in the Banking Law Article 32.

Note 2: Except for consumer loans and loans for employees' family mortgage, the credits that borrowers are interest parties.

Note 3: The estimated amount of loss is required for disclosure, if any.

Note 4: The interest parties mentioned above are defined in the Banking Law Article 33-1.

### 35. CROSS SELLING INFORMATION

The Bank has contracted with SinoPac Securities for the sharing of operating equipment and premises, and the allocation of expenses. The related information were summarized as follows:

Item	The Bank	SinoPac Securities	Total	Terms of Allocation
<u>For the year ended December 31, 2004</u>				
Rentals	\$ 13,098	\$ -	\$ 13,098	On the basis of actual square measures used.
<u>For the year ended December 31, 2003</u>				
Rentals	17,916	-	17,916	On the basis of actual square measures used.

### 36. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the SFB 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\$300 million or 10% of the issued capital: None;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None;
- 7) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
- 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: None;
- 9) Sale of nonperforming loans amounting to at least NT\$5 billion: None;
- 10) Other significant transactions which may affect the decisions of users of financial reports: None;
- 11) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4;
- 12) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 29.
- b. Information related to investment in Mainland China: None.

### 37. SEGMENT AND GEOGRAPHIC INFORMATION

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

	Domestic	United States	Adjustments and Eliminations	Total
<u>For the year ended December 31, 2004</u>				
Revenues from third parties	<u>\$ 18,569,637</u>	<u>\$ 3,682,256</u>	<u>\$ -</u>	<u>\$ 22,251,893</u>
Segment income	<u>\$ 4,020,303</u>	<u>\$ 968,268</u>	<u>\$ (225)</u>	<u>\$ 4,988,346</u>
Investment income under the equity method				<u>200,815</u>
Income before income tax				<u>\$ 5,189,161</u>
<u>December 31, 2004</u>				
Identifiable assets	<u>\$ 449,494,041</u>	<u>\$ 67,574,067</u>	<u>\$ (44,283)</u>	<u>\$ 517,023,825</u>
Long-term equity investments under the equity method				<u>2,735,234</u>
Total assets				<u>\$ 519,759,059</u>
<u>For the year ended December 31, 2003</u>				
Revenues from third parties	<u>\$ 14,176,698</u>	<u>\$ 3,480,597</u>	<u>\$ (56,756)</u>	<u>\$ 17,600,539</u>
Segment income	<u>\$ 2,560,429</u>	<u>\$ 438,174</u>	<u>\$ (16,557)</u>	<u>\$ 2,982,046</u>
Investment income under the equity method				<u>297,081</u>
Income before income tax				<u>\$ 3,279,127</u>
<u>December 31, 2003</u>				
Identifiable assets	<u>\$ 392,706,237</u>	<u>\$ 64,619,138</u>	<u>\$ (110,145)</u>	<u>\$ 457,215,230</u>
Long-term equity investments under the equity method				<u>3,186,772</u>
Total assets				<u>\$ 460,402,002</u>

## BANK SINOPAC AND INVESTEES

FINANCING PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate (%)	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
1	SinoPac Capital (B.V.I.) Ltd.	SinoPac Capital Ltd.	Short-term borrowings	\$ 185,101 (Note 1)	\$ 177,944 (Note 1)	0.71-2.77	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ -	\$ -

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

**BANK SINOPAC AND INVESTEEES**

**ENDORSEMENT/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2004**

(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)	\$ 4,290,931 (Note 1)	\$ 3,589,762 (Note 1)	-	189%	(Note 3)
		Wal Tech International Corporation	Affiliate	(Note 2)	392,000	363,000	-	19%	(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 December 31, 2004, the limit was \$3,787,894.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of December 31, 2004, the maximum allowance was \$9,469,735.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its audited financial statements as of December 31, 2004.

## BANK SINOPAC AND INVESTEES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2004

(In Thousands of New Taiwan Dollars)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2004				Note	
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)		
SinoPac Bancorp	<u>Stock</u> Far East National Bank	Subsidiary	Long-term equity investments	175	\$ 5,282,119	100.0000%	\$ 5,282,119	Note 4	
	SinoPac Financial Services (USA) Ltd.	Subsidiary	Long-term equity investments	2.5	40,422	100.0000%	40,422	Note 4	
Far East Capital Corporation	<u>Stock (common stock)</u> Hollywood International Finance, Inc.	Investee accounted for by the cost method	Long-term equity investments	0.3	10	15.1000%	(18)	Note 3	
	PCRS Capital Partners, LLC	Investee accounted for by the cost method	Long-term equity investments	-	1,506	4.0000%	1,506	Note 5	
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	2,160	0.2000%	2,160	Note 6	
	<u>Stock (preferred stock)</u> AgraQuest, Inc.	-	Long-term equity investments	100	7,500	0.8000%	7,500	Note 5	
	Silicon Motion, Inc.	-	Long-term equity investments	61	3,511	0.2000%	3,511	Note 5	
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,075	1.5000%	1,075	Note 5	
	Epana Networks, Inc.	-	Long-term equity investments	568	7,979	0.9000%	7,979	Note 5	
	Straszheim Global Advisors, LLC	-	Long-term equity investments	0.14	8,777	6.0000%	8,777	Note 5	
	SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,518,422	100.0000%	1,518,422	Note 4
		Chain Yarn Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,067	38,444	1.7300%	29,069	Note 3
Tekcon Electronics Corp.		Investee accounted for by the cost method	Long-term equity investments	832	20,768	1.5100%	3,862	Note 3	
Global Securities Finance Corp.		Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.1900%	15,880	Note 4	
Z-Com, Inc.		Investee accounted for by the cost method	Long-term equity investments	365	6,340	0.4700%	3,361	Note 3	
Walton Advanced Engineering, Inc.		Investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.3400%	13,558	Note 3	
Telexpress Corp.		Investee accounted for by the cost method	Long-term equity investments	525	7,835	4.7000%	6,313	Note 3	
Grand Capital International Limited	<u>Venture fund</u> World Wide Multimedia L.P.	-	Long-term investments	0.005	31,672	16.6700%	44,971	Note 3	
	<u>Stock (preferred stock)</u> Best 3C. Com, Inc.	-	Long-term equity investments	600	14,363	1.8500%	14,363	Note 5	
	e21 Corp.	-	Long-term equity investments	200	9,575	0.7900%	9,575	Note 5	
SinoPac Capital Limited	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	86,351	100.0000%	400,229	Note 3	
	SinoPac Insurance Brokers Ltd.	Subsidiary	Long-term equity investments	100	1,231	100.0000%	1,231	Note 3	
	SinoPac (Hong Kong) Nominees Ltd.	Subsidiary	Long-term equity investments	0.001	0.004	100.0000%	0.004	Note 3	
	TPV Technology	-	Short-term investments	3,400	57,436	0.2400%	64,897	Note 2	
	Sino Golf	-	Short-term investments	4,548	16,626	1.5100%	20,909	Note 2	

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	HC	-	Short-term investments	7,998	\$ 51,550	1.7600%	\$ 59,095	Note 2
	Comba	-	Short-term investments	3,064	41,717	0.3700%	43,391	Note 2
	Suga International	-	Short-term investments	7,080	42,058	3.1100%	37,199	Note 2
	Sun East	-	Short-term investments	10,650	58,538	3.0400%	27,541	Note 2
	Dongjiang	-	Short-term investments	4,800	9,929	2.7000%	8,669	Note 2
	China-Metal	-	Short-term investments	300	1,749	0.0300%	1,749	Note 2
	SMIC	-	Short-term investments	5,000	47,513	0.0300%	34,686	Note 2
	Wong's	-	Short-term investments	10,896	23,589	1.5700%	27,283	Note 2
	IC Media	-	Short-term investments	800	63,834	-	63,834	Note 2
	Group Plan (Macau)	-	Short-term investments	US\$ 25	797	40.0000%	797	Note 2
	Kanssen	-	Short-term investments	29	16,928	-	16,928	Note 2
	Midland	-	Short-term investments	718	5,503	0.1000%	12,968	Note 2
	QPL	-	Short-term investments	4,920	31,910	0.6400%	27,348	Note 2
	Solomon	-	Short-term investments	6,050	46,751	0.2400%	47,682	Note 2
	Sino Forest	-	Short-term investments	1,128	97,234	0.8300%	93,380	Note 2
	Shougang	-	Short-term investments	14,892	49,600	1.4600%	45,847	Note 2
	Vision Grande	-	Short-term investments	2,444	21,349	0.6100%	30,096	Note 2
	ZZNode	-	Short-term investments	15,804	38,233	3.9500%	38,923	Note 2
	Sau San Tong	-	Short-term investments	3,000	8,472	0.4700%	9,852	Note 2
	Fu Ji Food	-	Short-term investments	2,380	32,047	0.6000%	36,880	Note 2
	Shougang International	-	Short-term investments	3,000	5,820	0.0600%	6,096	Note 2
	Everskill	-	Short-term investments	574	25,391	0.3400%	17,894	Note 2
	<u>Fund</u>							
	China Enterprise Capital	-	Short-term investments	US\$ 1,000	31,917	-	31,917	Note 5
	<u>Bond</u>							
	Chiam International	-	Short-term investments	US\$ 2,000	63,834	-	63,834	Note 5
	InvestLink International	-	Short-term investments	US\$ 1,200	38,300	-	38,300	Note 5
	<u>Convertible bills and bonds</u>							
	Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	31,917	-	35,747	Note 2
	Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 2,000	63,834	-	65,988	Note 2
	Asia Optical	-	Short-term investments	US\$ 525	16,750	-	17,185	Note 2
	Yue Yuen Industrial	-	Short-term investments	US\$ 991	31,638	-	31,498	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	(3,908)	100.0000%	(8,106)	Note 4
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	(185,664)	100.0000%	(185,664)	Note 4
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	25,620	60.0000%	22,838	Note 3
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	199.999	3,827	99.9995%	3,735	Note 3
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u> 3V Source One LP	-	Long-term investments	3,600	116,284	71.4300%	46,461	Note 3

(Continued)

Name of Holding Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	December 31, 2004				Note	
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)		
Allstar Venture Ltd. (B.V.I.)	<u>Stock</u> Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	\$ 143,470	100.0000%	\$ 139,480	Note 4	
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999,999	2,017	99.9999%	2,017	Note 4	
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	54,708	34.2100%	42,091	Note 3	
	Hollywood International Finance Inc.	Investee accounted for by the cost method	Long-term equity investments	0.098	3	4.9000%	(6)	Note 3	
	<u>Venture fund</u> InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	55,922	6.2500%	55,922	Note 5	
	UOB Venture Technology Investments Limited	-	Long-term investments	26	71,217	8.6200%	71,217	Note 5	
	MDS Life Sciences Technology Fund - Barbados	-	Long-term investments	50	112,698	25.0000%	62,067	Note 3	
	Biotechnology Development Fund II, L.P.	-	Long-term investments	-	17,790	2.3000%	36,149	Note 3	
	North America Venture Fund II, L.P.O.	-	Long-term investments	-	13,097	2.0700%	19,495	Note 3	
	<u>Stock (common stock)</u> Ardent Pharmaceuticals, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	16,314	0.5800%	22	Note 3	
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	9,373	0.7500%	10,799	Note 6	
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	31,911	0.2000%	4,046	Note 3	
	<u>Stock (preferred stock)</u> Sunol Molecular Corp.	-	Long-term equity investments	100	16,109	0.9200%	16,109	Note 5	
	Phytoceutica, Inc.	-	Long-term equity investments	200	16,464	1.1000%	16,464	Note 5	
	Immusol, Inc.	-	Long-term equity investments	25	9,789	0.0500%	9,789	Note 5	
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	9,781	0.3100%	9,781	Note 5	
	BioAgri Corp.	-	Long-term equity investments	375	9,575	2.3400%	9,575	Note 5	
	Wal Tech International Corporation	<u>Stock</u> Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	235,276	62.5800%	129,034	Note 4
		Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	9,674	30.0000%	9,355	Note 4
Webi & Neti Internet Services Inc.		Investee accounted for by the cost method	Long-term equity investments	63	625	2.6300%	352	Note 3	
YesMobile Holdings Company Limited		Investee accounted for by the cost method	Long-term equity investments	294	12,000	0.7500%	622	Note 3	
SynTest Technologies, Inc., Taiwan		Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.3500%	403	Note 3	
Taiwan Leader Advanced Technology Co., Ltd.		Investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.5300%	17,000	Note 3	
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	2.4700%	26,215	Note 3	
Media Reality Technologies, Inc.		Investee accounted for by the cost method	Long-term equity investments	6	102	0.6000%	1,806	Note 3	
Advanced Power Electronics Corp.		Investee accounted for by the cost method	Long-term equity investments	759	13,698	1.1800%	15,142	Note 2	
Nanya PCB Corporation		Investee accounted for by the cost method	Long-term equity investments	1,534	93,080	0.3200%	29,657	Note 3	
ENE Technology Inc.		Investee accounted for by the cost method	Long-term equity investments	1,035	29,996	3.0700%	11,691	Note 2	
SonicEdge Industries Corporation		Investee accounted for by the cost method	Long-term equity investments	580	14,500	2.2900%	(1,329)	Note 3	
Maximum Venture I, Inc., Taiwan		Investee accounted for by the cost method	Long-term equity investments	12,250	122,850	6.5800%	77,612	Note 3	
SinoPac Financial Consulting Co., Ltd.		Affiliate and investee accounted for by the cost method	Long-term equity investments	6	57	3.0000%	76	Note 4	
Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	93	12,523	0.1000%	1,901	Note 3		
Intellisys Corp.	<u>Stock</u> Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	122	2.3100%	38	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: Market prices of listed and over-the-counter stocks were determined by average daily closing prices in December 2004.

Note 3: Net asset values were based on the investees' unaudited or unreviewed financial statements for the latest period.

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

Note 5: Net asset values were based on the carrying amounts.

Note 6: Market prices were determined at the closing prices on December 31, 2004.

## BANK SINOPAC AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2004			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss)	Note
				December 31, 2004 (Note 1)	December 31, 2003 (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	100.0000	\$ 5,239,717	\$ 395,632	\$ 313,658	Subsidiary Investee under significant influence held by the Bank
		Luxembourg	Stock holding	\$ 3,531	\$ 3,531	0.11	33.3300	-	-	-	
	SinoPac Leasing Corporation	Taipei	Leasing aircraft and machinery equipment	\$ 999,940	\$ 999,940	159,629	99.7683	1,988,931	192,276	179,566	Subsidiary
	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	991,336	59,405	22,314	Subsidiary
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.0000	2,448	300	271	Subsidiary
SinoPac Bancorp	Far East National Bank SinoPac Financial Services (USA) Ltd.	California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.0000	5,282,119	408,151		Affiliate
		California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.0000	40,422	6,522		Affiliate
Far East National Bank	Far East Capital Corporation FENB Loan Corp. FENB Film Corp. Film Service Management Corp.	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.0000	57,401	(7,219)		Affiliate
		California	Asset management	US\$ 1	US\$ 1	0.1	100.0000	(37,627)	(4,562)		Affiliate
		California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.0000	(78,982)	(4,157)		Affiliate
		California	Film management and advisory	US\$ 0.1	US\$ 0.1	0.1	100.0000	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	100.0000	1,518,422	196,484		Affiliate
SinoPac Capital Limited	SinoPac Capital (B.V.I.) Ltd. SinoPac Insurance Brokers Ltd. SinoPac (Hong Kong) Nominees Ltd.	British Virgin Islands	Financial advisory	US\$ 4,450	US\$ 4,450	4,450	100.0000	86,351	20,865		Affiliate
		Hong Kong	Insurance brokerage	HK\$ 300	-	100	100.0000	1,231	(453)		Affiliate
		Hong Kong	Custody securities	HK\$ 0.001	-	0.001	100.0000	0.004	-		Affiliate
SinoPac Capital (B.V.I.) Ltd.	Cyberpac Holding Ltd. (B.V.I.) Allstar Venture Ltd. (B.V.I.) Shanghai International Asset Management (Hong Kong) Co., Ltd. Pinnacle Investment Management Ltd.	British Virgin Islands	Investment and advisory	US\$ 4,000	US\$ 4,000	4,000	100.0000	(3,908)	(47,668)		Affiliate
		British Virgin Islands	Investment	US\$ 0.002	US\$ 0.002	0.002	100.0000	(185,664)	(14,273)		Affiliate
		Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.0000	25,620	1,021		Affiliate
		Hong Kong	Asset management, trust and consulting	US\$ 200	US\$ 200	199.999	99.9995	3,827	(41)		Affiliate
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation RSP Information Service Company Limited Telexpress Corp.	Taipei	Leasing, international trading, and sale of machinery equipment	\$ 272,182	\$ 272,182	26,500	100.0000	143,470	(34,520)		Affiliate
		Hong Kong	General trading and providing internet - based service	HK\$ 999.999	HK\$ 999.999	999.999	99.9999	2,017	(285)		Affiliate
		Cayman Islands	Investment	US\$ 1,560	US\$ 1,560	3,900	34.2100	54,708	17,645		Investee under significant influence held by the Bank's affiliate
Wal Tech International Corporation	Intellisys Corp. Multiwin Asset Management Co., Ltd.	Taipei	Computer and peripheral system integration engineering, software development and design	\$ 258,836	\$ 258,836	10,326	62.5800	235,276	5,055		Affiliate
		Taipei	Asset management	\$ 18,000	\$ 18,000	1,800	30.0000	9,674	(13,830)		Investee under significant influence held by the Bank's affiliate

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

Note 2: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2004.

Note 3: The amounts were after deducting realized losses.