

Bank SinoPac

Financial Statements for the Six Months Ended June 30, 2004 and 2003 Together with Independent Auditors' Report

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

English Translation of a Report Originally Issued in Chinese

INDEPENDENT AUDITORS' REPORT

July 30, 2004

The Board of Directors and Stockholders
Bank SinoPac

We have audited the accompanying balance sheets of Bank SinoPac as of June 30, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the six months then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As stated in Note 9 to the financial statements, the calculation of the carrying value of the long-term equity investments accounted for by the equity method as of June 30, 2004 and 2003 amounted to NT\$3,159,023 thousand and NT\$3,111,162 thousand, respectively, the related investment income for the six months then ended amounted to NT\$113,415 thousand and NT\$186,066 thousand, respectively, and additional disclosure of the Bank and part of its investees stated in Note 34 to the financial statements are based on the investees' unaudited financial statements.

In our opinion, except for the adjustments in the Bank's financial statements that might have been required had the investees' financial statements mentioned in the third paragraph been audited by independent accountants, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bank SinoPac as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the six months then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Bank (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. However, pursuant to the Criteria Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions will be treated as financing.

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

BALANCE SHEETS

JUNE 30, 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 (Note 4)	\$ 7,053,582	2	\$ 6,837,754	2	LIABILITIES				
DUE FROM CENTRAL BANK AND BANKS (Notes 5 and 22)	24,389,790	5	18,833,788	5	Call loans and due to banks	\$ 41,756,298	9	\$ 66,500,806	18
SECURITIES PURCHASED—Net (Notes 2, 6 and 22)	129,035,558	27	111,774,184	30	Securities sold under agreements to repurchase (Notes 2, 3, 22 and 23)	12,123,883	2	-	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES—Net (Notes 2, 7 and 22)	35,000,895	7	16,017,706	4	Accounts, interest and other payables (Notes 12 and 20)	19,707,112	4	8,001,514	2
ACCEPTANCES	3,305,042	1	1,214,863	-	Acceptances payable	3,305,042	1	1,214,863	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 3 and 23)	8,174,713	2	-	-	Deposits and remittances (Notes 13 and 22)	338,855,120	71	256,157,260	69
PREPAYMENTS	252,787	-	150,347	-	Bank debentures (Note 14)	29,800,000	6	12,900,000	3
LOANS, DISCOUNTS AND BILLS PURCHASED—Net (Notes 2, 8 and 22)	248,381,709	52	200,358,239	54	Other liabilities (Notes 2, 19 and 20)				
LONG-TERM EQUITY INVESTMENTS (Notes 2 and 9)					Deferred tax liabilities	436,351	-	296,351	-
Equity method	8,521,223	2	8,287,906	2	Other	2,777,425	1	2,633,876	1
Cost method	1,024,832	-	1,024,832	1	Total other liabilities	3,213,776	1	2,930,227	1
Less: Unrealized loss	(278,325)	-	(303,737)	-	Total liabilities	448,761,231	94	347,704,670	93
Long-term equity investments—net	9,267,730	2	9,009,001	3	STOCKHOLDERS' EQUITY				
PROPERTIES (Notes 2, 10, 22 and 23)					Capital stock, \$10 par value				
Cost					Authorized and issued: 1,944,397,617 shares	19,443,976	4	19,443,976	5
Land	2,007,731	-	1,788,247	1	Capital surplus				
Buildings	2,260,189	1	2,168,329	1	Additional paid-in capital	125,030	-	125,030	-
Computer equipment	1,283,378	-	1,221,550	-	Donated capital	83	-	83	-
Transportation equipment	52,214	-	52,592	-	Other	95	-	95	-
Office and other equipment	1,322,988	-	1,245,796	-	Retained earnings				
Total cost	6,926,500	1	6,476,514	2	Legal reserve	4,497,477	1	3,671,307	1
Accumulated depreciation	2,085,118	-	1,782,992	1	Special reserve	282,977	-	282,977	-
	4,841,382	1	4,693,522	1	Unappropriated	2,079,084	1	1,433,573	1
Advances on acquisitions of equipment and construction in progress	34,448	-	120,747	-	Unrealized loss on long-term equity investments	(278,325)	-	(322,427)	-
Net properties	4,875,830	1	4,814,269	1	Cumulative translation adjustment	154,323	-	211,649	-
OTHER ASSETS (Notes 2, 11 and 20)	5,328,315	1	3,540,782	1	Total stockholders' equity	26,304,720	6	24,846,263	7
TOTAL ASSETS	\$ 475,065,951	100	\$ 372,550,933	100	CONTINGENCIES AND COMMITMENTS (Notes 23 and 27)				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 475,065,951	100	\$ 372,550,933	100

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

(With Deloitte & Touche auditors' report dated July 30, 2004)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

**STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2004		2003	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES				
Interest (Notes 2, 3, 22 and 27)	\$ 4,885,483	49	\$ 4,904,141	66
Service fees (Notes 2, 16 and 22)	1,197,276	12	590,359	8
Income from securities—net (Notes 2, 3 and 17)	1,124,678	11	1,355,463	18
Income from long-term equity investments under the equity method—net (Notes 2 and 9)	246,375	2	350,678	5
Foreign exchange gain—net (Notes 2 and 27)	2,555,861	26	-	-
Other (Note 27)	<u>11,407</u>	<u>-</u>	<u>258,943</u>	<u>3</u>
Total operating revenues	<u>10,021,080</u>	<u>100</u>	<u>7,459,584</u>	<u>100</u>
OPERATING COSTS AND EXPENSES				
Interest (Notes 2, 3, 22 and 27)	2,628,918	26	2,625,817	35
Service charges (Note 22)	125,412	1	101,705	1
Provision for trading losses	-	-	49,514	1
Loss from long-term equity investment	-	-	19,941	-
Foreign exchange loss—net (Notes 2 and 27)	-	-	40,533	1
Provision for credit losses (Notes 2, 7 and 8)	540,000	6	700,000	9
Operating and administrative expenses (Notes 2, 18, 19 and 22)	2,642,665	27	2,358,076	32
Other (Note 27)	<u>1,931,436</u>	<u>19</u>	<u>247</u>	<u>-</u>
Total operating costs and expenses	<u>7,868,431</u>	<u>79</u>	<u>5,895,833</u>	<u>79</u>
OPERATING INCOME	2,152,649	21	1,563,751	21
NONOPERATING INCOME AND GAINS (Note 22)	198,633	2	69,630	1
NONOPERATING EXPENSES AND LOSSES	<u>22,963</u>	<u>-</u>	<u>39,213</u>	<u>1</u>
INCOME BEFORE INCOME TAX	2,328,319	23	1,594,168	21
INCOME TAX (Notes 2 and 20)	<u>249,235</u>	<u>2</u>	<u>160,595</u>	<u>2</u>
NET INCOME	<u>\$ 2,079,084</u>	<u>21</u>	<u>\$ 1,433,573</u>	<u>19</u>
	<u>2004</u>		<u>2003</u>	
	<u>Pretax</u>	<u>After Tax</u>	<u>Pretax</u>	<u>After Tax</u>
EARNINGS PER SHARE (Note 21)				
Basic earnings per share	<u>\$ 1.20</u>	<u>\$ 1.07</u>	<u>\$ 0.82</u>	<u>\$ 0.74</u>

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

(With Deloitte & Touche auditors' report dated July 30, 2004)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock		Capital Surplus (Notes 2 and 15)	Retained Earnings (Note 15)				Unrealized Loss on Long-term Equity Investments (Notes 2 and 9)	Cumulative Translation Adjustment (Note 2)	Total Stockholders' Equity
	Shares	Amount		Legal reserve	Special reserve	Unappropriated	Total			
BALANCE, JANUARY 1, 2004	1,944,397,617	\$ 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 six months ended June 30, 2004	-	-	-	-	-	2,079,084	2,079,084	-	-	2,079,084
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	19,242	-	19,242
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	(12,549)	(12,549)
BALANCE, JUNE 30, 2004	1,944,397,617	\$ 19,443,976	\$ 125,208	\$ 4,497,477	\$ 282,977	\$ 2,079,084	\$ 6,859,538	(\$ 278,325)	\$ 154,323	\$ 26,304,720
BALANCE, JANUARY 1, 2003	1,944,397,617	\$ 19,443,976	\$ 125,208	\$ 2,997,437	\$ 282,977	\$ 2,246,233	\$ 5,526,647	(\$ 321,428)	\$ 221,272	\$ 24,995,675
Appropriation of 2002 earnings										
Legal reserve	-	-	-	673,870	-	(673,870)	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	(38,000)	(38,000)	-	-	(38,000)
Bonus to employees	-	-	-	-	-	(15,724)	(15,724)	-	-	(15,724)
Cash dividends—\$0.781 per share	-	-	-	-	-	(1,518,639)	(1,518,639)	-	-	(1,518,639)
Net income for the six months ended June 30, 2003	-	-	-	-	-	1,433,573	1,433,573	-	-	1,433,573
Unrealized loss on long-term equity investments	-	-	-	-	-	-	-	(999)	-	(999)
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	(9,623)	(9,623)
BALANCE, JUNE 30, 2003	1,944,397,617	\$ 19,443,976	\$ 125,208	\$ 3,671,307	\$ 282,977	\$ 1,433,573	\$ 5,387,857	(\$ 322,427)	\$ 211,649	\$ 24,846,263

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

(With Deloitte & Touche auditors' report dated July 30, 2004)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

**STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars)**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,079,084	\$ 1,433,573
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	250,038	232,062
Expensed assets	511	-
Provision for allowance for decline in market value of securities purchased	-	141,413
Provision for credit and trading losses	539,612	700,000
Provision for allowance for decline in market value of collateral assumed	2,469	-
Accrued pension cost	77,243	86,176
Income from long-term equity investments under the equity method—net	(246,375)	(350,678)
Cash dividends received from long-term equity investments under the equity method	141,041	-
Realized loss on long-term equity investments	-	14,476
Loss on sale of long-term equity investments	-	5,465
Loss on disposal of properties—net	6,781	27,285
Deferred income taxes	(35,442)	(22,025)
Increase in securities purchased—for trading purposes	(10,461,598)	(17,869,549)
Increase in accounts, interest and other receivables	(7,572,410)	(2,427,990)
Decrease (increase) in prepayments	(84,697)	18,706
Increase in accounts, interest and other payables	<u>3,687,993</u>	<u>1,159,485</u>
Net cash used in operating activities	(<u>11,615,750</u>)	(<u>16,851,601</u>)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from Central Bank and banks	(92,953)	(2,794,679)
Increase in securities purchased under agreements to resell (Note 3)	(8,174,713)	-
Increase in securities purchased—for investing purposes	(2,099,124)	(5,371,396)
Increase in loans, discounts and bills purchased	(38,340,075)	(13,989,282)
Proceeds from sale of long-term equity investments	-	84,059
Acquisition of properties	(187,979)	(261,504)
Proceeds from sale of properties	875	579
Decrease (increase) in other assets	<u>476,357</u>	(<u>780,515</u>)
Net cash used in investing activities	(<u>48,417,612</u>)	(<u>23,112,738</u>)

(Continued)

English Translation of Financial Statements Originally Issued in Chinese

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in call loans and due to banks	\$ 2,685,188	\$ 14,430,218
Increase in securities sold under agreements to repurchase (Note 3)	12,123,883	-
Increase in deposits and remittances	34,567,321	20,160,557
Increase in bank debentures	8,400,000	5,900,000
Increase in other liabilities	272,383	306,638
Remuneration to directors and supervisors and bonus to employees	(39,016)	(38,000)
Cash dividends paid	<u>-</u>	<u>(1,518,639)</u>
Net cash provided by financing activities	<u>58,009,759</u>	<u>39,240,774</u>
DECREASE IN CASH	(2,023,603)	(723,565)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>9,077,185</u>	<u>7,561,319</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 7,053,582</u>	<u>\$ 6,837,754</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 2,568,230</u>	<u>\$ 2,678,376</u>
Income tax paid	<u>\$ 154,353</u>	<u>\$ 239,805</u>

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

(With Deloitte & Touche auditors' report dated July 30, 2004)

(Concluded)

BANK SINOPAC

**NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)**

1. ORGANIZATION AND OPERATIONS

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

As of June 30, 2004 and 2003, the Bank had a total of 2,156 and 2,089 employees, respectively.

As of June 30, 2004, the Bank's operating units included Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), 44 domestic branches, 2 overseas branches and 1 overseas representative office.

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

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

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

**2. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by 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 judged and made under the uncertain conditions, thus, the estimates may vary from the actual amounts. Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank's financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 26 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below:

Basis of Financial Statement Preparation

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

Securities Purchased

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

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

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

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

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. 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 net worth of the investees. On the acquisition date, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Long-term equity investments are accounted for by the cost method if the Bank does not have significant influence over the investees. Stock dividends result only in an increase in number of shares and are not recognized as investment income.

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

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

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

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

Collateral Assumed

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

Derivative Financial Instruments

a. Foreign exchange forward contracts

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

b. Forward rate agreements

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

c. Currency swap contracts

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

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

d. Cross-currency swaps

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

Cross-currency swap contracts, which are for the purposes of accommodating customers' needs or managing the Bank's exposures, are marked to market as of the balance sheet dates.

The interest received or paid at each settlement date or balance sheet date is recognized as interest income or expense, which is credited or charged to current income.

e. Options

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

f. Interest rate swaps

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

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

g. Asset swaps

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

Recognition of Interest Revenue and Service Fees

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

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

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

Pension

Pension expense is determined on the basis of actuarial calculations.

Income Tax

Inter-period income tax allocation is applied, in which tax effects of deductible temporary differences 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 acquisition 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 provision.

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

SinoPac Holdings 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 as of the balance sheet dates. Realized and unrealized foreign exchange gains or losses are credited or charged to current income. Gains or losses resulting from restatement at period-end of foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to “cumulative translation adjustment” under stockholders’ equity.

Reclassifications

Certain 2003 accounts have been reclassified to conform to the 2004 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. 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 an increase of income before income tax for the six months ended June 30, 2004 by \$152,344.

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 change in accounting principles, and the pro forma information cannot be disclosed neither.

4. CASH AND CASH EQUIVALENTS

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Due from banks	\$ 4,847,854	\$ 4,729,760
Cash on hand	1,660,664	1,561,864
Notes and checks in clearing	<u>545,064</u>	<u>546,130</u>
	<u>\$ 7,053,582</u>	<u>\$ 6,837,754</u>

5. DUE FROM CENTRAL BANK AND BANKS

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Call loans to banks	\$ 12,284,467	\$ 8,874,910
Due from Central Bank	<u>12,105,323</u>	<u>9,958,878</u>
	<u>\$ 24,389,790</u>	<u>\$ 18,833,788</u>

Due from 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 \$7,899,881 and \$5,765,327 as of June 30, 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 reserve may be withdrawn momentarily and are noninterest earnings. As of June 30, 2004 and 2003, the balances of foreign-currency deposit reserves were \$43,908 and \$34,612, respectively.

6. SECURITIES PURCHASED

	June 30	
	2004	2003
Negotiable certificates of deposit	\$ 93,806,266	\$ 73,753,311
Commercial papers	12,835,634	11,100,366
Floating rate notes	9,049,707	6,949,256
Corporate bonds	5,522,983	9,592,728
Listed and over-the-counter stocks	3,453,873	2,897,122
Mutual fund beneficiary certificates	1,361,752	154,612
Bank debentures	1,332,904	1,693,779
Treasury bills	919,143	3,508,294
Government bonds	<u>753,296</u>	<u>2,266,129</u>
	129,035,558	111,915,597
Less—allowance for decline in market value	<u>-</u>	<u>141,413</u>
Net	<u>\$ 129,035,558</u>	<u>\$ 111,774,184</u>

As of June 30, 2003, negotiable certificates of deposit aggregating \$22,740,202 had maturities over one year and may be withdrawn momentarily.

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$15,000,000 and \$13,800,000 had been provided as collateral for the daytime overdraft as of June 30, 2004 and 2003, respectively, with the pledged amount which can be adjusted momentarily.

As of June 30, 2004 and 2003, the aggregate market values or reference prices of floating rate notes, corporate bonds, listed and over-the-counter stocks, mutual fund beneficiary certificates, bank debentures and government bonds were as follows:

	June 30	
	2004	2003
Floating rate notes	\$ 9,043,294	\$ 6,955,825
Corporate bonds	5,782,046	9,986,208
Listed and over-the-counter stocks	4,258,221	2,755,635
Mutual fund beneficiary certificates	1,357,172	162,836
Bank debentures	1,324,142	1,707,056
Government bonds	752,061	2,273,521

As of June 30, 2004 and 2003, the Bank held SPH 216,542,894 shares, both with carrying amounts at \$2,896,922 and market values at \$3,478,357 and \$2,755,509, respectively, based on the daily average closing prices in June 2004 and 2003. Accordingly, allowance for decline in market value amounting to \$141,413 had been provided as of June 30, 2003. In addition, under the Statement of Financial Accounting Standards No. 30, "Accounting for Treasury Stock", when SPH recognizes the long-term equity investment income of the Bank, such provision should be adjusted to increase the investment income by \$141,413.

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.

To inspire the employees, the Board also decided to apply the transfer method to the remaining one third of the shares held by the Bank. However, on May 19, 2004, the Board of SPH resolved to revoke the transfer method because it thought it would be better to wait for the time when SPH's stock price recovers before discussing the transfer plan.

The stockholders' meeting of SPH resolved the appropriation of 2003 earnings on June 11, 2004. The Bank got appropriation of the cash dividend by \$108,163, and the stock dividend by \$99,523. The Bank held SPH amounting to 226,495,205 shares after the appropriation.

7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	June 30	
	2004	2003
Accounts receivable	\$ 31,673,611	\$ 13,735,073
Accrued revenue	1,224,837	1,142,649
Interest receivable	729,496	804,376
Forward exchange receivable—net	707,235	-
Tax refundable	249,188	183,456
Other	<u>466,939</u>	<u>202,563</u>
	35,051,306	16,068,117
Less—allowance for credit losses	<u>50,411</u>	<u>50,411</u>
Net	<u>\$ 35,000,895</u>	<u>\$ 16,017,706</u>

The balances of the accounts receivable as of June 30, 2004 and 2003 included \$31,574,420 and \$13,317,243, respectively, representing accounts receivable from other parties in the factoring business.

8. LOANS, DISCOUNTS AND BILLS PURCHASED

	June 30	
	2004	2003
Overdraft	\$ 1,637,882	\$ 1,874,396
Short-term loans	70,394,588	49,597,132
Medium-term loans	45,216,173	31,737,613
Long-term loans	127,189,897	114,563,443
Import and export negotiations	3,428,900	1,613,227
Bills purchased	352	1,106
Nonperforming loans	<u>2,091,849</u>	<u>2,655,805</u>
	249,959,641	202,042,722
Less—allowance for credit losses	<u>1,577,932</u>	<u>1,684,483</u>
Net	<u>\$ 248,381,709</u>	<u>\$ 200,358,239</u>

As of June 30, 2004 and 2003, the balances of nonaccrual loans were \$2,478,836 and \$3,771,638, respectively. The unrecognized interest revenues on nonaccrual loans amounted to \$48,160 and \$89,700 for the six months ended June 30, 2004 and 2003, respectively.

For the six months ended June 30, 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 six months ended June 30, 2004 and 2003, respectively, were summarized below:

	<u>For the Six Months Ended June 30, 2004</u>		
	<u>For Losses on Particular Loans</u>	<u>For Losses on the Overall Loan Portfolio (Excluding Particular Loans)</u>	<u>Total</u>
Balance, January 1	\$ 593,239	\$ 951,702	\$ 1,544,941
Provision	540,000	-	540,000
Write-off	(521,797)	-	(521,797)
Recovery of written-off credits	8,948	-	8,948
Reclassifications	(280,162)	276,484	(3,678)
Other	9,518	-	9,518
	<u>\$ 349,746</u>	<u>\$ 1,228,186</u>	<u>\$ 1,577,932</u>
Balance, June 30			
	<u>For the Six Months Ended June 30, 2003</u>		
	<u>For Losses on Particular Loans</u>	<u>For Losses on the Overall Loan Portfolio (Excluding Particular Loans)</u>	<u>Total</u>
Balance, January 1	\$ 562,318	\$ 888,568	\$ 1,450,886
Provision	700,000	-	700,000
Write-off	(535,094)	-	(535,094)
Recovery of written-off credits	6,708	-	6,708
Reclassifications	7,069	55,397	62,466
Other	(300)	(183)	(483)
	<u>\$ 740,701</u>	<u>\$ 943,782</u>	<u>\$ 1,684,483</u>
Balance, June 30			

As of June 30, 2004 and 2003, allowances for credit losses and provisions for losses on guarantees of the Bank were \$1,661,375 and \$1,768,024, respectively.

9. LONG-TERM EQUITY INVESTMENTS

	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Equity method—unlisted stocks	\$ 8,521,223	\$ 8,287,906
Cost method		
Listed and over-the-counter stocks	640,758	640,758
Unlisted stocks	384,074	384,074
	<u>1,024,832</u>	<u>1,024,832</u>
Less—unrealized losses	9,546,055	9,312,738
	<u>278,325</u>	<u>303,737</u>
Net	<u>\$ 9,267,730</u>	<u>\$ 9,009,001</u>

The total market values of listed and over-the-counter stocks were \$362,433 and \$337,021 as of June 30, 2004 and 2003, respectively.

Income (loss) from long-term equity investments for the six months ended June 30, 2004 and 2003, respectively, were summarized as follows:

	For the Six Months Ended June 30	
	<u>2004</u>	<u>2003</u>
<u>Equity method</u>		
SinoPac Bancorp	\$ 132,960	\$ 164,612
SinoPac Leasing Corporation	95,233	76,875
SinoPac Capital Limited	18,001	109,872
SinoPac Financial Consulting Co., Ltd.	<u>181</u>	<u>(681)</u>
Income from long-term equity investments under the equity method	<u>\$ 246,375</u>	<u>\$ 350,678</u>

The net income of SinoPac Bancorp for the six months ended June 30, 2004 and 2003 amounted to \$174,023 and \$222,389, respectively, were translated into NTD at the average exchange rate for the respective periods. The difference between the translated net income of SinoPac Bancorp and the one recognized by the Bank was generated from some different accounting treatments between ROC GAAP and US GAAP (please see Note 33, Table 4).

The aforementioned income (loss) from long-term equity investments under the equity method were recognized on the basis of investees' unaudited financial statements for the same period, except for the investment income of SinoPac Bancorp for the six months ended June 30, 2004 and 2003. The carrying amounts of the investments accounted for by the equity method as of June 30, 2004 and 2003 totalling \$3,159,023 and \$3,111,162, respectively, and the related investment income \$113,415 and \$186,066, respectively, for the six months then ended were based on the investees' unaudited financial statements for the same period. The Bank believes that any adjustments that may have to be made to these investments and investment income if such financial statements had been audited.

As of June 30, 2004, the unrealized loss on long-term equity investments (included in stockholders' equity as deductions) resulting from the reversal of unrealized loss on long-term equity investments accounted for by the equity method amounted to \$19,242. As of June 30, 2003, the unrealized loss on long-term equity investments (included in stockholders' equity as deductions) resulting from market value decline of over-the-counter stocks held by an investee accounted for by the equity method amounted to \$18,690.

10. PROPERTIES

	June 30	
	<u>2004</u>	<u>2003</u>
Cost	<u>\$6,926,500</u>	<u>\$6,476,514</u>
Accumulated depreciation		
Buildings	421,604	347,438
Computer equipment	842,291	720,488
Transportation equipment	39,537	40,487
Office and other equipment	<u>781,686</u>	<u>674,579</u>
	<u>2,085,118</u>	<u>1,782,992</u>
Advances on acquisitions of equipment and construction in progress	<u>34,448</u>	<u>120,747</u>
Net	<u>\$4,875,830</u>	<u>\$4,814,269</u>

11. OTHER ASSETS

	June 30	
	2004	2003
Value of options purchased	\$ 2,484,847	\$ 1,564,569
Guarantee deposits	1,519,880	621,106
Collateral assumed—net	965,404	685,465
Computer system software	248,169	236,262
Suspense account	42,131	278,331
Other	<u>67,884</u>	<u>155,049</u>
	<u>\$ 5,328,315</u>	<u>\$ 3,540,782</u>

As of June 30, 2004 and 2003, guarantee deposits included \$1,008,529 and \$245,215, respectively, which were provided by government bonds and certificates of deposit.

12. ACCOUNTS, INTEREST AND OTHER PAYABLES

	June 30	
	2004	2003
Accounts payable	\$ 14,813,752	\$ 5,507,190
Dividend payable	1,870,452	-
Interest payable	1,140,533	1,078,558
Notes and checks in clearing	545,064	546,130
Tax payable	501,626	252,119
Accrued expenses	495,560	389,095
Collections payable	47,920	36,874
Employee bonus payable	18,261	15,724
Other	<u>273,944</u>	<u>175,824</u>
	<u>\$ 19,707,112</u>	<u>\$ 8,001,514</u>

The balances of the accounts payable as of June 30, 2004 and 2003 included \$14,726,579 and \$5,446,615, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

13. DEPOSITS AND REMITTANCES

	June 30	
	2004	2003
Checking	\$ 4,755,438	\$ 2,275,085
Demand	65,210,705	35,601,496
Savings—demand	67,879,767	53,138,637
Time	103,960,894	106,024,143
Negotiable certificates of deposit	34,607,800	842,600
Savings—time	61,826,837	57,842,397
Inward remittances	514,736	373,819
Outward remittances	<u>98,943</u>	<u>59,083</u>
	<u>\$ 338,855,120</u>	<u>\$ 256,157,260</u>

14. BANK DEBENTURES

	<u>June 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2004</u>	<u>2003</u>		
First dominant bank debenture issued in 2001	\$ 5,000,000	\$ 5,000,000	2001.12.20-2006.12.20 Principal is repayable on maturity date.	Fixed interest rate of 3.08%. Interest is paid at the end of each year.
First subordinated bank debenture issued in 2002	2,000,000	2,000,000	2002.12.23-2008.03.23 Principal is repayable on maturity date.	Floating interest rate except for the first two years fixed at 2.15%. Interest is paid semiannually.
First dominant bank debenture issued in 2003	1,000,000	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.
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	-	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debenture issued in 2003	700,000	-	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debenture issued in 2003	800,000	-	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debenture issued in 2003	500,000	-	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debenture issued in 2003	300,000	-	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debenture issued in 2003	1,000,000	-	2003.11.05-2008.11.05 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eleventh dominant bank debenture issued in 2003	1,000,000	-	2003.11.14-2008.11.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debenture issued in 2003	500,000	-	2003.11.21-2008.11.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debenture issued in 2003	500,000	-	2003.11.28-2008.11.28 Principal is repayable on maturity date.	Floating rate except for the first year fixed at 4%. Interest is paid semiannually.
Fourteenth dominant bank debenture issued in 2003	2,200,000	-	2003.12.02-2009.06.02 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
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. Simple interest is paid on actual days 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.

	June 30		Maturity Date	Terms
	2004	2003		
Third dominant bank debentures issued in 2004	\$ 500,000	\$ -	2004.04.29-2009.04.29 Principal is repayable on maturity date.	Floating rate. Simple interest is paid on actual days 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.
Eighth dominant bank debentures issued in 2004	500,000	-	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Simple interest is paid on actual days 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. Simple interest is paid on actual days semiannually.
Eleventh dominant bank debentures issued in 2004	200,000	-	2004.06.15-2009.06.15 Principal is repayable on maturity date.	Floating rate. Simple interest is paid on actual days semiannually.
Twelfth dominant bank debentures issued in 2004	500,000	-	2004.06.15-2010.06.15 Principal is repayable on maturity date.	Floating rate. Simple interest is paid on actual days semiannually.
Thirteenth dominant bank debentures issued in 2004	300,000	-	2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Simple interest is paid on actual days semiannually.
	<u>\$ 29,800,000</u>	<u>\$ 12,900,000</u>		

15. STOCKHOLDERS' EQUITY

a. Capital surplus

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

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

b. Retained earnings and dividend policy

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

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

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

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

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

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

On 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</u> (NT\$)	
	<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>		

16. SERVICE FEES

	<u>For the Six Months Ended</u> <u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Structured notes	\$ 224,071	\$ 26,344
Factoring and financing	184,670	149,579
Mutual funds	167,405	74,225
Loan documentation fee	116,839	57,884
Syndicated loans	92,992	12,778
Custody	85,489	80,935
Import and export	65,236	28,272
Other	<u>260,574</u>	<u>160,342</u>
	<u>\$1,197,276</u>	<u>\$ 590,359</u>

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

	<u>2004</u>	<u>2003</u>
Short-term bills		
Interest revenue	\$ 827,426	\$ 820,189
Capital gain—net	<u>5,461</u>	<u>10,076</u>
	<u>832,887</u>	<u>830,265</u>
Bonds		
Capital gain—net	<u>162,804</u>	<u>525,763</u>
Stocks and mutual fund beneficiary certificates		
Dividend revenue	108,163	140,753
Capital gain—net	20,339	95
Coupons received	485	-
Provision for allowance for decline in market value	<u>-</u>	<u>(141,413)</u>
	<u>128,987</u>	<u>(565)</u>
	<u>\$1,124,678</u>	<u>\$1,355,463</u>

18. OPERATING AND ADMINISTRATIVE EXPENSES**For the Six Months Ended
June 30**

	<u>2004</u>	<u>2003</u>
Personnel expenses		
Salaries and wages	\$ 1,301,061	\$ 1,140,983
Pension	77,243	86,176
Labor insurance and national health insurance	54,734	57,527
Other	20,414	12,029
Depreciation	203,248	192,427
Amortization	46,790	39,635
Other	<u>939,175</u>	<u>829,299</u>
	<u>\$2,642,665</u>	<u>\$2,358,076</u>

19. PENSION

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

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

**For the Six Months Ended
June 30**

	<u>2004</u>	<u>2003</u>
Balance, January 1	\$ 1,084,416	\$ 894,432
Contributions	112,609	111,082
Benefits paid	(28,569)	(22,623)
Interest revenue	<u>16,974</u>	<u>15,221</u>
Balance, June 30	<u>\$1,185,430</u>	<u>\$ 998,112</u>

The ending balances as of June 30, 2004 and 2003 consisted of:

	June 30	
	2004	2003
Contributions by the Bank	\$ 741,003	\$ 618,178
Contributions by employees	<u>444,427</u>	<u>379,934</u>
	<u>\$1,185,430</u>	<u>\$ 998,112</u>

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

	For the Six Months Ended June 30	
	2004	2003
Balance, January 1	\$ 101,478	\$ 76,813
Provision	75,609	85,672
Contributions	(<u>71,142</u>)	(<u>70,092</u>)
Balance, June 30	<u>\$ 105,945</u>	<u>\$ 92,393</u>

Pension expenses including domestic and overseas branches amounted to \$77,243 and \$86,176 for the six months ended June 30, 2004 and 2003, respectively.

20. 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, SinoPac Holdings 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 SinoPac Holding's book the difference between the combined current/deferred taxes and the total of each Group member's current/deferred. Related payables and receivables were recorded in each of the Group members' books.

a. The components of income tax were as follows:

	For the Six Months Ended June 30	
	2004	2003
Current income tax payable	\$ 256,151	\$ -
Separation taxes on short-term bills interest revenue	148,693	169,760
Foreign income taxes over limitation	21,872	-
Change in deferred income taxes	(103,557)	(22,025)
Prior year's adjustment	(<u>73,924</u>)	<u>12,860</u>
Income tax	<u>\$ 249,235</u>	<u>\$ 160,595</u>

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

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

	For the Six Months Ended June 30	
	<u>2004</u>	<u>2003</u>
Tax on pretax income at 25% statutory rate	\$ 582,070	\$ 398,542
Add (deduct) tax effects of:		
Tax-exempt income	(34,757)	(107,292)
Permanent difference	(399,066)	(295,727)
Temporary difference	110,004	(57,801)
Investment tax credit	(2,100)	(3,309)
Loss carryforward	<u> -</u>	<u> 65,587</u>
Current income tax payable	<u>\$ 256,151</u>	<u>\$ -</u>

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

	June 30	
	<u>2004</u>	<u>2003</u>
Investment income under the equity method	(\$ 484,349)	(\$ 380,936)
Deferred pension cost	7,283	22,292
Unrealized foreign exchange loss (gain)	61,818	(3,665)
Other	<u>(21,103)</u>	<u> 65,958</u>
Deferred income tax liability (included in other liabilities)	<u>(\$ 436,351)</u>	<u>(\$ 296,351)</u>
Deferred income tax assets (included in other assets)	<u>\$ 8,714</u>	<u>\$ -</u>

- d. The estimated receivable from adopting the linked tax system of income tax filing was as follows:

	June 30, <u>2004</u>
Receivable from related party—SinoPac Securities	<u>\$ 175,060</u>

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

	June 30	
	<u>2004</u>	<u>2003</u>
Balances of imputed tax credit account	<u>\$ 455,082</u>	<u>\$ 142,199</u>

The actual imputed tax ratios for earnings in 2003 and 2002 were 17.29% and 9.60%, respectively.

- f. Income tax returns through 2001, 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 \$74,063.

21. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS (NT\$)</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>For the six months ended June 30, 2004</u>					
Basic EPS					
Net income belongs to common stockholders	<u>\$2,328,319</u>	<u>\$2,079,084</u>	1,944,398	<u>\$ 1.20</u>	<u>\$ 1.07</u>
<u>For the six months ended June 30, 2003</u>					
Basic EPS					
Net income belongs to common stockholders	<u>\$1,594,168</u>	<u>\$1,433,573</u>	1,944,398	<u>\$ 0.82</u>	<u>\$ 0.74</u>

22. RELATED-PARTY TRANSACTIONS

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

a. Related parties

<u>Name</u>	<u>Relationship with the Bank</u>
SinoPac Holdings (SPH)	Parent company
SinoPac Securities Corporation (SinoPac Securities)	Subsidiary of SPH
SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting)	Subsidiary of SPH
SinoPac Call Center Co., Ltd. (SinoPac Call Center)	Subsidiary of SPH
SinoPac Life Insurance Agent Co., Ltd. (SPLIA)	Subsidiary of SPH
SinoPac Property Insurance Agent Co., Ltd. (SPPIA)	Subsidiary of SPH
AnShin Card Services Company Limited (AnShin Card Services)	Subsidiary of SPH
Far East National Bank (FENB)	Overseas affiliate of the Bank
SinoPac Leasing Corporation (SPL)	Subsidiary
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Fortune Investment Co., Ltd. (Fortune Investment)	Director of the Bank

(Continued)

<u>Name</u>	<u>Relationship with the Bank</u>
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 the 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 and discounts

	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Revenue</u>	<u>% of Total</u>
For the six months ended June 30, 2004	\$ 1,730,092	0.70%	1.31%-12.30%	\$25,275	0.52%
For the six months ended June 30, 2003	2,312,156	1.15%	1.48%-12.35%	28,875	0.59%

2) Deposits

	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>% of Total</u>
For the six months ended June 30, 2004					
SPH	\$ 2,405,619	0.71%	0%-1.17%	\$ 16,671	0.63%
Other	7,466,121	2.20%	0%-6.475%	26,659	1.01%
For the six months ended June 30, 2003					
SPH	8,350,891	3.26%	0%-2.00%	39,862	1.52%
Other	2,486,246	0.97%	0%-6.575%	15,797	0.60%

3) Due from banks and other receivables

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Due from banks—FENB	\$ 47,247	\$ 246,519	0.28%	1.81%
Other receivables	314,970	165,319	0.90%	0.89%

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:

	June 30	
	2004	2003
Wal Tech International	\$ 146,000	\$ 108,000
SinoPac Securities	<u>35,000</u>	<u>60,000</u>
	<u>\$ 181,000</u>	<u>\$ 168,000</u>

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

	June 30	
	2004	2003
Properties—carrying amount	<u>\$1,532,430</u>	<u>\$1,545,292</u>

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

	June 30	
	2004	2003
Properties and properties held for lease—carrying amount	\$ 1,189,108	\$ 1,199,499
Certificates of deposit	<u>1,260,000</u>	<u>1,130,000</u>
	<u>\$ 2,449,108</u>	<u>\$ 2,329,499</u>

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

	June 30, 2004
Properties—carrying amount	\$ 40,064
Stocks—market value	<u>8,678</u>
	<u>\$ 48,742</u>

5) Revenues and expenses

	Amount		% of Total	
	For the Six Months		For the	
	Ended June 30		Six Months	
	2004	2003	Ended June 30	2003
Service fees	\$ 7,163	\$ 3,521	0.60%	0.60%
Service charges	1,595	12,489	1.27%	12.28%
Project popularizing expense	2,497	62,369	3.96%	9.78%

6) Lease

a) The Bank as a lessee

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

<u>Lessor</u>	<u>Rental Expenses</u> <u>For the Six Months</u> <u>Ended June 30</u>		<u>Lease Term</u>	<u>Payment Frequency</u>
	<u>2004</u>	<u>2003</u>		
China Television	\$4,975	\$4,975	July 2004	Rentals paid monthly
SPL	3,174	3,332	July 2007	Rentals paid monthly
SinoPac Securities	2,081	6,129	-	Rentals paid monthly
Ruentex Development	1,762	1,718	September 2005	Rentals paid monthly

b) The Bank as a lessor

<u>Lessee</u>	<u>Rental Income</u> <u>For the Six Months</u> <u>Ended June 30</u>		<u>Lease Term</u>	<u>Payment Frequency</u>
	<u>2004</u>	<u>2003</u>		
SinoPac Marketing Consulting	\$1,437	\$ 987	May 2007	Rentals received monthly
SinoPac Securities	1,311	777	November 2008	Rentals received monthly
SinoPac Call Center	972	648	October 2006	Rentals received monthly
AnShin Card Services	72	132	November 2005	Rentals received monthly

7) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the six months ended June 30, 2004 and 2003 amounted to \$122,181 and \$64,166, respectively.

8) Due from affiliates

As of June 30, 2004 and 2003, the Bank's receivable to AnShin Card Services amounted to \$28,150 and \$24,657, respectively.

As of June 30, 2004, the Bank's estimated receivable to SinoPac Securities resulting from the adoption of the linked tax system for 2003 tax filing amounted to \$175,060.

9) 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 June 30, 2003.

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

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

23. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

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

a. Lease contract

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

<u>Year</u>	<u>Amount</u>
July 1 to December 31, 2004	\$ 125,820
2005	162,784
2006	139,629
2007	97,179
2008	46,162

Rentals for the years beyond 2009 amount to \$19,535, the present value of which is about \$18,227 as discounted at the Bank's one-year time deposit rate of 1.35% on July 1, 2004.

b. Equipment purchase contract

The Bank has entered into contracts to buy computer hardware and software for \$76,228, of which \$32,447 has already been paid as of June 30, 2004.

c. Interior decoration contract

The Bank has entered into contracts to do interior decoration of its premises for \$2,500, of which \$2,000 has already been paid as of June 30, 2004.

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

As of June 30, 2004, short-term bills and bonds with a total face amount of \$12,089,780 were sold under agreements to repurchase at \$12,128,907 between July and September 2004.

e. Short-term bills purchased under agreements to resell

As of June 30, 2004, short-term bills with a total face amount of \$8,193,200 were purchased under agreements to resell at \$8,178,589 between July 2004 and June 2005.

24. 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 June 30, 2004 and 2003, the Bank's standalone capital adequacy ratios were 11.13% and 13.05%, respectively, and the consolidated capital adequacy ratios were 10.10% and 10.83%, respectively.

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

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

	<u>For the Six Months Ended June 30, 2004</u>		<u>For the Six Months Ended June 30, 2003</u>	
	<u>Average Balance</u>	<u>Average Rate (%)</u>	<u>Average Balance</u>	<u>Average Rate (%)</u>
<u>Interest-earning assets</u>				
Due from banks	\$ 4,019,372	0.68	\$ 3,748,363	1.22
Call loans (placement)	9,951,635	1.17	5,712,888	1.28
Due from Central Bank	7,209,337	1.61	5,616,295	1.96
Securities purchased	149,658,501	1.41	107,181,273	2.01
Securities purchased under agreement to resell	4,891,485	1.10	-	-
Loans, discounts and bills purchased	225,187,262	3.27	187,591,389	4.25
Accounts receivable from factoring	11,663,586	4.03	5,103,730	3.88
<u>Interest-bearing liabilities</u>				
Due to banks	70,467	0.48	1,198	0.53
Call loans (taken)	45,452,641	1.14	55,118,429	1.26
Demand deposits	69,018,406	0.42	30,393,453	0.62
Savings—demand deposits	68,849,430	0.50	51,693,818	0.78
Time deposits	135,234,826	0.84	107,317,944	1.45
Savings—time deposits	61,404,319	1.54	57,809,887	2.14
Negotiable certificates of deposit	28,375,387	1.01	856,520	0.94
Bank debentures	24,520,330	2.74	8,780,110	2.70
Securities sold under agreement to repurchase	12,455,173	0.96	-	-

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	June 30, 2004			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash and cash equivalent	\$ 7,053,582	\$ -	\$ -	\$ 7,053,582
Due from Central Bank and banks	24,389,790	-	-	24,389,790
Securities purchased	129,035,558	-	-	129,035,558
Receivables	38,356,348	-	-	38,356,348
Securities purchased under agreements to resell	8,174,713	-	-	8,174,713
Loans, discounts and bills purchased (excluding nonperforming loans)	<u>89,485,117</u>	<u>24,828,675</u>	<u>133,554,000</u>	<u>247,867,792</u>
	<u>\$ 296,495,108</u>	<u>\$ 24,828,675</u>	<u>\$ 133,554,000</u>	<u>\$ 454,877,783</u>
Liabilities				
Call loans and due to banks	\$ 41,756,298	\$ -	\$ -	\$ 41,756,298
Securities sold under agreements to repurchase	12,123,883	-	-	12,123,883
Payables	23,012,154	-	-	23,012,154
Deposits and remittances	332,244,120	6,611,000	-	338,855,120
Bank debentures	<u>-</u>	<u>24,400,000</u>	<u>5,400,000</u>	<u>29,800,000</u>
	<u>\$ 409,136,455</u>	<u>\$ 31,011,000</u>	<u>\$ 5,400,000</u>	<u>\$ 445,547,455</u>
	June 30, 2003			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash and cash equivalent	\$ 6,837,754	\$ -	\$ -	\$ 6,837,754
Due from Central Bank and banks	18,833,788	-	-	18,833,788
Securities purchased	111,915,597	-	-	111,915,597
Receivables	17,282,980	-	-	17,282,980
Loans, discounts and bills purchased (excluding nonperforming loans)	<u>65,238,393</u>	<u>16,471,524</u>	<u>117,677,000</u>	<u>199,386,917</u>
	<u>\$ 220,108,512</u>	<u>\$ 16,471,524</u>	<u>\$ 117,677,000</u>	<u>\$ 354,257,036</u>
Liabilities				
Call loans and due to banks	\$ 66,500,806	\$ -	\$ -	\$ 66,500,806
Payables	9,216,377	-	-	9,216,377
Deposits and remittances	246,029,260	10,128,000	-	256,157,260
Bank debentures	<u>-</u>	<u>8,000,000</u>	<u>4,900,000</u>	<u>12,900,000</u>
	<u>\$ 321,746,443</u>	<u>\$ 18,128,000</u>	<u>\$ 4,900,000</u>	<u>\$ 344,774,443</u>

27. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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

<u>Financial Instruments</u>	<u>June 30, 2004</u>			<u>June 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For hedging purposes:						
Interest rate swap contracts	\$ 13,587,150	\$ 177,572	\$ 59,955	\$ 4,961,000	\$ 125,452	\$ 31,042
Cross-currency swap contracts	14,300,000	379,704	64,690	-	-	-
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Forward contracts						
—Buy	122,174,755	1,028,150	991,733	31,171,745	81,353	(14,461)
—Sell	179,136,770	48,508	(796,564)	27,495,482	235,585	183,300
Forward rate agreements						
—Buy	-	-	-	28,734,009	5,982	(22,173)
—Sell	-	-	-	32,698,299	29,740	26,527
Currency swap contracts	159,460,449	678,004	(223,775)	61,482,145	236,071	(191,460)
Interest rate swap contracts	33,637,223	227,326	(21,816)	45,751,939	431,933	(36,308)
Cross-currency swap contracts	1,893,920	18,386	669	-	-	-
Interest rate futures contracts						
—Long position	400,000	-	(12)	3,964,290	-	(448)
—Short position	500,000	-	6	-	-	-

<u>Financial Instruments</u>	<u>June 30, 2004</u>			<u>June 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Options						
—As buyer	\$ 165,538,652	\$ 653,016	\$ 2,484,847	\$ 86,103,629	\$ 679,043	\$ 1,564,569
—As seller	155,524,196	-	1,600,005	80,344,204	274,439	1,548,323

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 June 30, 2004 and 2003, the Bank entered into asset swap contracts for hedging purposes, with notional amounts at \$2,802,020 and \$5,798,660, respectively. Since the Bank entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, no significant credit risk is expected.

As of June 30, 2004, the Bank entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$542,173. Since the Bank entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, no significant credit risk is expected.

The notional amounts of derivative contracts are used solely for the purpose of calculating receivables and payables to all 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 and losses on derivative financial instruments for the six months ended June 30, 2004 and 2003 were as follows:

	<u>Account</u>	<u>For the Six Months Ended</u>	
		<u>June 30</u>	
		<u>2004</u>	<u>2003</u>
For hedging purposes:			
Cross-currency swap contracts			
—Realized	Interest revenue	\$ 110,783	\$ -
	Interest expense	(63,740)	-
Interest rate swap contracts			
—Realized	Interest revenue	67,782	9,149
	Interest expense	(9,711)	(241)
Interest rate futures contracts	Loss from derivative financial transactions	(7,590)	-
Options contracts	Income from derivative financial transactions	17,123	-
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
—Realized	Foreign exchange gain (loss)	(50,284)	13,056
—Unrealized	Foreign exchange loss	(27,026)	(126,021)
Forward rate agreements			
—Realized	Income (loss) from derivative financial transactions	(3,504)	1,806
—Unrealized	Income from derivative financial transactions	3,525	3,663
Currency swap contracts			
—Realized	Interest revenue	272,359	177,336
	Interest expense	(240,937)	(155,813)
Interest rate swap contracts			
—Realized	Interest revenue	138,288	297,739
	Interest expense	(163,652)	(326,097)
	Income from derivative financial transactions	1,419	-
—Unrealized	Income from derivative financial transactions	20,508	23,695
Options contracts			
—Realized	Income (loss) from derivative financial transactions	(1,713,789)	199,950
	Foreign exchange gain	346,812	24,039
—Unrealized	Income (loss) from derivative financial transactions	(209,204)	7,213
Interest rate futures contracts			
—Realized	Income (loss) from derivative financial transactions	(40,156)	1,510

(Continued)

	<u>Account</u>	For the Six Months Ended	
		June 30	
		<u>2004</u>	<u>2003</u>
—Unrealized	Income (loss) from derivative financial transactions	\$ 438	(\$ 956)
Cross-currency swap contracts			
—Realized	Interest revenue	4,443	-
	Interest expense	(3,458)	-
—Unrealized	Loss from derivative financial transactions	(2,844)	-
Credit default swap contracts			
—Realized	Income from derivative financial transactions	2,675	-

Loss from derivative financial transactions—net (included in other operating cost) for the six months ended June 30, 2004 was \$1,931,399, and income from derivative financial transactions—net (included in other operating revenue) for the six months ended June 30, 2003 was \$236,881.

b. Fair value of nonderivative financial instruments

	<u>June 30, 2004</u>		<u>June 30, 2003</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets</u>				
Financial assets—with fair values approximating carrying amounts	\$ 77,924,022	\$ 77,924,022	\$ 42,904,111	\$ 42,904,111
Securities purchased	129,035,558	130,252,462	111,774,184	112,203,052
Loans, discounts and bills purchased	248,381,709	248,381,709	200,358,239	200,358,239
Long-term equity investments	9,267,730	9,267,730	9,009,001	9,009,001
Refundable guarantee deposits	1,519,880	1,519,916	621,106	629,435
<u>Liabilities</u>				
Financial liabilities—with fair values approximating carrying amounts	76,663,475	76,663,475	75,717,183	75,717,183
Deposits and remittances	338,855,120	338,855,120	256,157,260	256,157,260
Bank debentures	29,800,000	29,800,000	12,900,000	12,900,000
Other liabilities	147,507	147,507	129,596	129,596

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 Central Bank 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 and long-term equity investments are based on their market prices if these market prices are available. Otherwise, fair values are estimated at their carrying amounts.

- 3) Loans, discounts and bills purchased, deposits, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.
- 4) The fair values of government bonds submitted as refundable guarantee deposits are based on market values while those of certificates of deposit are estimated at their carrying amounts. Fair values of other refundable guarantee deposits and guarantee deposits received are estimated at their carrying amounts since such deposits do not have specific due dates.

Certain financial instruments and all nonfinancial instruments are excluded from disclosure requirement. Accordingly, the aggregate fair values presented 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 six months ended June 30, 2004 and 2003, the interest rates of the loans ranged from 0.01% to 20.00% and from 0.05% to 20.00%, respectively.) 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 risk as of June 30, 2004 and 2003 were as follows:

	June 30	
	2004	2003
Financial guarantees and standby letters of credit	\$ 15,562,487	\$ 10,231,450
Undrawn loan commitments	3,624,664	3,492,793

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' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collateral before drawings are made against the credit facilities. As of June 30, 2004 and 2003, ratios of secured loans to total loans were about 70% and 76%, respectively. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given.

28. INFORMATION ON CONCENTRATIONS OF RISK

The Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. Industries that accounted for 5% or more of the outstanding loans as of June 30, 2004 and 2003 were as follows:

	June 30			
	2004		2003	
	Amount	%	Amount	%
Natural person	\$ 157,969,312	63	\$ 147,149,717	73
Manufacturing	46,461,167	19	26,432,261	13

The net positions on foreign-currency transactions as of June 30, 2004 and 2003 were as follows:

	June 30			
	2004		2003	
	Foreign-currency Amounts (in Thousand)	New Taiwan Dollar Amounts (in Thousand)	Foreign-currency Amounts (in Thousand)	New Taiwan Dollar Amounts (in Thousand)
Net positions of major foreign-currency with market risk	USD	55,455	\$	1,872,992
	JPY	3,764,532		1,169,640
	MYR	103,465		919,617
	EUR	17,266		705,909
	AUD	4,824		112,411
	USD	67,127	\$	2,323,383
	HKD	80,096		355,490
	CHF	12,900		329,499
	EUR	7,088		280,994
	JPY	741,606		214,250

29. 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	June 30, 2004	June 30, 2003
Overdue loans (including nonperforming loans) (Note 1)	2,589,581	4,394,324
Nonperforming loans	2,091,849	2,655,805
Overdue loans ratio (Note 2)	1.04	2.17
Classified loans (Note 3)	790,429	1,202,883
Ratios of classified loans to total loans	0.32	0.60
Allowance for credit losses	1,577,932	1,684,483
Write-off amounts of credits (Note 4)	521,797	535,094

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 June 30, 2004 and 2003 were 0.83% and 1.83%, 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 six months ended June 30, 2004 and 2003.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	June 30, 2004		June 30, 2003	
Credit extensions to interested parties	3,704,784		4,087,158	
Ratios of credit extensions to interested parties	1.19		1.71	
Ratios of credit extensions secured by pledged stocks	0.98		0.40	
Industry concentration	Industry	Percentage	Industry	Percentage
	Natural person	76.06	Natural person	79.43
	Manufacturing	9.96	Manufacturing	9.20
	Wholesaling	4.30	Wholesaling	2.68

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 28.

b. Market risk

1) Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Please refer to Note 25.

2) Market risk sensitivity

Item	June 30, 2004	June 30, 2003
Ratio of interest-rate sensitive assets to liabilities	88.00%	84.61%
Ratio of interest-rate sensitive gap to net worth	134.10%	71.56%

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 28.

c. Liquidity risk

1) Profitability

Item	For the Six Months Ended June 30, 2004	For the Six Months Ended June 30, 2003
Return on total assets	1.05%	0.91%
Return on net worth	17.76%	12.79%
Profit margin	20.75%	19.22%

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 six months ended June 30, 2004 and 2003.

Note 5: The profitability data listed above is expressed on an annual basis.

2) Maturity analysis of assets and liabilities

June 30, 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	\$ 442,990	\$ 89,857	\$ 69,431	\$ 54,878	\$ 43,724	\$ 185,100
Liabilities	441,893	187,600	67,950	49,048	70,985	66,310
Gap	1,097	(97,743)	1,481	5,830	(27,261)	118,790
Accumulated gap	1,097	(97,743)	(96,262)	(90,432)	(117,693)	1,097

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
June 30, 2004**

Causes (Note 1)	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.	In 2002, a former employee, Mr. Wang, who was sued by the Bank for violating the Bank Law, was prosecuted by the District Attorney. Mr. Wang was sentenced to limited imprisonment on April 7, 2004 and his appeal to the Supreme Court to reverse this sentence was rejected on June 17, 2004.
Within the past one year, a fine was levied on the Bank for violations of the related regulations (Note 2).	None
Within the past one year, misconduct occurred that resulted in the Ministry of Finance imposing strict corrective measures.	None
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 1: The term "within the past one year" means the one year prior to the balance sheet date.

Note 2: The term "a fine levied on the Bank for violations of the related regulations within the past one year" means a fine levied by Bureau of Monetary Affairs, Securities and Futures Commission or Department of Insurance.

30. STATEMENT OF CAPITAL ADEQUACY

Item	June 30, 2004	June 30, 2003
Capital adequacy ratios (Note)	11.13%	13.05%
Ratios of debt to net worth	1,706.01%	1,399.42%

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.

**31. INFORMATION REGARDING THE TRUST
BUSINESS UNDER THE TRUST LAW**

a. Balance sheets and trust properties of trust accounts

**Balance Sheets of Trust Accounts
June 30, 2004 and 2003**

<u>Trust Assets</u>	<u>2004</u>	<u>2003</u>	<u>Trust Liabilities and Equities</u>	<u>2004</u>	<u>2003</u>
Bank deposits	\$ 717,303	\$ 369,729	Payables	\$ 11,240	\$ -
Short-term investments	55,139,492	42,497,979	Trust capital	57,004,615	41,735,104
Receivables	14,036	7	Cumulative earnings	<u>1,192,586</u>	<u>1,132,611</u>
Prepayments	18	-			
Properties	656,766	-			
Net asset value of collective investment trust fund	<u>1,680,826</u>	<u>-</u>			
Total trust assets	<u>\$58,208,441</u>	<u>\$42,867,715</u>	Total trust liabilities and equities	<u>\$58,208,441</u>	<u>\$42,867,715</u>

**Trust Properties of Trust Accounts
June 30, 2004 and 2003**

<u>Investment Portfolio</u>	<u>June 30</u>	
	<u>2004</u>	<u>2003</u>
Bank deposits	\$ 717,303	\$ 369,729
Short-term investments		
Bonds	9,977,393	6,339,525
Common stock	2,436,148	346,694
Funds	<u>42,725,951</u>	<u>35,811,760</u>
	<u>55,139,492</u>	<u>42,497,979</u>
Receivables	<u>14,036</u>	<u>7</u>
Prepayments	<u>18</u>	<u>-</u>
Properties		
Land	528,493	-
Construction in process	<u>128,273</u>	<u>-</u>
	<u>656,766</u>	<u>-</u>
Net asset value of collective investment trust fund	<u>1,680,826</u>	<u>-</u>
Total	<u>\$58,208,441</u>	<u>\$42,867,715</u>

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

**32. INFORMATION REGARDING BORROWERS
GUARANTORS AND COLLATERAL
PROVIDERS AS INTEREST PARTIES**

<u>Category</u>	<u>Account Volume</u>	<u>June 30, 2004</u>	<u>Possibility of Loss (Note 3)</u>
Consumer loans (Note 1)	410	\$ 261,721	-
Loans for employees' family mortgage	279	730,147	-
Other borrowers (Note 2)	614	2,711,865	-
Guarantees	468	2,136,130	-
Collateral providers	1,189	4,033,059	-

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 as interest parties.

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

Note 4: The interest parties mentioned above is regulated in the banking Law Article 33-1.

33. 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:

<u>Item</u>	<u>The Bank</u>	<u>SinoPac Securities</u>	<u>Total</u>	<u>Terms of Allocation</u>
<u>For the six months ended June 30,2004</u>				
Rentals	\$ 815	\$ 94	\$ 909	On the basis of actual square measures used.
Utilities	60	177	237	On the basis of actual measures used.
Other	119	164	283	All expenses are allocated on the basis of actual measures used except for administrative expenses.
	<u>\$ 994</u>	<u>\$ 435</u>	<u>\$1,429</u>	

34. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$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 Company exercises significant influence: Table 4;
- 12) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 27, and the derivative transactions of Far East National Bank (“FENB”, a wholly owned subsidiary of SinoPac Bancorp, which is a wholly owned subsidiary of the Bank) are summarized below:

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

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

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

<u>Financial Instruments</u>	<u>June 30, 2004</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For the purpose of accommodating customers’ needs or managing FENB’s exposures:			
Forward contracts			
—Sell	\$ 33,775	\$ 2,533	\$ 2,533
<u>Financial Instruments</u>	<u>June 30, 2004</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>
For the purpose of accommodating customers’ needs or managing FENB’s exposures:			
Options			
—As buyer	\$ 1,621,200	\$ 924	\$ 9,457
—As seller	135,100	-	-

<u>Financial Instruments</u>	<u>June 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Value of Options Purchased/ Written</u>
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
—As buyer	\$ 415,344	\$ 105	(\$ 2,546)
—As seller	415,344	2,651	2,546

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

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

The gains and losses on derivative transactions for the six months ended June 30, 2004 and 2003 were insignificant.

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

BANK SINOPAC AND INVESTEES

**FINANCING PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 2004
(In Thousands of New Taiwan Dollars)**

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
1	SinoPac Capital (B.V.I.) Ltd.	SinoPac Capital Ltd.	Short-term borrowings	\$ 196,048 (Note 1)	\$ 196,048 (Note 1)	-	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 INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE SIX MONTHS ENDED JUNE 30, 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)	\$ 5,774,633 (Note 1)	\$5,774,633 (Note 1)	-	302%	(Note 3)
		Wal Tech International Corporation	Affiliate	(Note 2)	530,000	530,000	-	28%	(Note 3)

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

Note 2: The limit on individual endorsement or guarantee amount is up to 200% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of June 30, 2004, the limit was \$3,827,314.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of June 30, 2004, the maximum allowance was \$9,568,284.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its unaudited financial statements as of June 30, 2004.

TABLE 3

BANK SINOPAC AND INVESTEES

MARKETABLE SECURITIES HELD

JUNE 30, 2004

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 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	\$ 5,313,194	100.00%	\$ 5,313,194	Note 4
	FENB Securities, Inc.	Subsidiary	Long-term equity investments	2.5	36,526	100.00%	36,526	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	15.10%	(19)	Note 3
	PCRS Capital Partners, LLC	Investee accounted for by the cost method	Long-term equity investments	-	1,594	4.00%	1,594	Note 5
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	2,195	0.20%	2,195	Note 6
	<u>Stock (preferred stock)</u>							
	AgraQuest, Inc.	-	Long-term equity investments	100	7,937	0.80%	7,937	Note 5
	Silicon Motion, Inc.	-	Long-term equity investments	61	8,444	0.20%	8,444	Note 5
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,138	1.50%	1,138	Note 5
	Epana Networks, Inc.	-	Long-term equity investments	568	8,444	0.90%	8,444	Note 5
	Straszheim Global Advisors, LLC	-	Long-term equity investments	0.14	9,288	6.00%	9,288	Note 5
SinoPac Leasing Corporation	<u>Stock</u>							
	Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,508,164	100.00%	1,508,164	Note 3
	Chain Yarn Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,969	38,444	1.90%	26,709	Note 3
	Tekcon Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	832	20,768	1.51%	5,507	Note 3
	Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	16,120	Note 4
	Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	317	6,340	0.48%	3,894	Note 3
	Walton Advanced Engineering, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.34%	12,360	Note 4
	Telexpress Corp.	Investee accounted for by the cost method	Long-term equity investments	525	7,835	5.00%	5,653	Note 3
Grand Capital International Limited	<u>Venture fund</u>							
	World Wide Multimedia L.P.	-	Long-term investments	0.005	33,043	16.67%	47,589	Note 3
	<u>Stock (preferred stock)</u>							
	Best 3C. Com, Inc.	-	Long-term equity investments	600	15,199	1.85%	15,199	Note 5
	e21 Corp.	-	Long-term equity investments	200	10,133	0.79%	10,133	Note 5
SinoPac Capital Limited	<u>Stock</u>							
	SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	123,013	100.00%	416,125	Note 3
	SinoPac Insurance Brokers Ltd.	Subsidiary	Long-term equity investments	100	1,299	100.00%	1,299	Note 3
	SinoPac (Hong Kong) Nominees Ltd.	Subsidiary	Long-term equity investments	0.001	0.004	100.00%	0.004	Note 3
	TPV Technology	-	Short-term investments	3,000	52,878	0.22%	72,749	Note 2
	Sino Golf	-	Short-term investments	8,992	34,679	2.98%	56,460	Note 2

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 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	7,938	\$ 53,974	1.91%	\$ 61,186	Note 2
	Comba	-	Short-term investments	3,064	44,008	0.37%	60,701	Note 2
	Suga International	-	Short-term investments	7,080	44,368	3.13%	40,012	Note 2
	Haitian	-	Short-term investments	11,032	35,825	6.82%	24,841	Note 2
	Sun East	-	Short-term investments	10,650	61,754	3.04%	30,899	Note 2
	Dongjiang	-	Short-term investments	8,760	19,116	4.92%	14,604	Note 2
	China Telecom	-	Short-term investments	2,500	24,719	0.02%	29,500	Note 2
	SMIC	-	Short-term investments	14,800	165,551	0.08%	108,950	Note 2
	Wong's	-	Short-term investments	11,208	25,597	1.62%	16,502	Note 2
	UTStarcom	-	Short-term investments	50	50,327	0.04%	51,085	Note 2
	IC Media	-	Short-term investments	800	67,550	-	67,550	Note 2
	Group Plan (Macau)	-	Short-term investments	US\$ 26	891	40.00%	891	Note 2
	Kanssen	-	Short-term investments	29	17,449	-	17,449	Note 2
	Li Ning	-	Short-term investments	400	3,724	0.04%	4,114	Note 2
	Midland	-	Short-term investments	3,994	30,556	0.57%	28,883	Note 2
	QPL	-	Short-term investments	3,600	29,879	0.56%	28,060	Note 2
	Solomon	-	Short-term investments	8,150	66,438	0.33%	68,113	Note 2
	Tungda	-	Short-term investments	11,220	19,324	1.01%	15,790	Note 2
	Ping An	-	Short-term investments	400	17,893	0.02%	18,360	Note 2
	Sino Forest	-	Short-term investments	1,128	102,525	0.83%	70,207	Note 2
	<u>Fund</u>							
	China Enterprise Capital	-	Short-term investments	US\$ 1,000	33,775	-	33,775	Note 5
	<u>Bond</u>							
	Chiam International	-	Short-term investments	US\$ 2,000	67,550	-	67,550	Note 5
	InvestLink International	-	Short-term investments	US\$ 1,410	47,623	-	47,623	Note 5
	<u>Convertible bill and bond</u>							
	Sino-Wood Partners	-	Short-term investments	US\$ 1,000	33,775	-	33,775	Note 2
	Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	33,775	-	37,828	Note 2
	Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 2,000	67,550	-	70,928	Note 2
	Asia Optical	-	Short-term investments	US\$ 500	16,888	-	17,922	Note 2
	Yue Yuen Industrial	-	Short-term investments	US\$ 1,000	33,775	-	33,156	Note 2
	Everskill Technology	-	Short-term investments	US\$ 500	16,888	-	24,547	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	40,813	100.00%	41,083	Note 3
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	(188,576)	100.00%	(188,576)	Note 3
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	29,601	60.00%	25,015	Note 3
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	3,990	99.9995%	3,990	Note 3
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u>							
	3V Source One LP	-	Long-term investments	2,000	69,014	71.43%	49,165	Note 3

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 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	\$ 182,141	100.00%	\$ 167,828	Note 3
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999,999	1,936	99.9999%	1,936	Note 3
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	53,016	34.21%	38,675	Note 3
	Hollywood International Finance Inc.	Investee accounted for by the cost method	Long-term equity investments	0.098	3	4.90%	(6)	Note 3
	<u>Venture fund</u>							
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	59,178	6.25%	59,178	Note 5
	UOB Venture Technology Investments Limited	-	Long-term investments	26	75,363	8.62%	75,363	Note 5
	MDS Life Sciences Technology Fund—Barbados	-	Long-term investments	50	119,258	25.00%	79,651	Note 3
	Biotechnology Development Fund II, L.P.	-	Long-term investments	-	22,625	2.30%	41,756	Note 3
	North America Venture Fund II, L.P.O.	-	Long-term investments	-	15,047	2.07%	28,814	Note 3
	<u>Stock (common stock)</u>							
	Ardent Pharmaceuticals, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	17,264	0.58%	370	Note 3
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	9,919	0.75%	10,977	Note 6
DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	33,769	0.20%	4,281	Note 3	
<u>Stock (preferred stock)</u>								
Sunol Molecular Corp.	-	Long-term equity investments	100	17,046	0.92%	17,046	Note 5	
Phytoceutica, Inc.	-	Long-term equity investments	200	17,422	1.10%	17,422	Note 5	
Immusol, Inc.	-	Long-term equity investments	75	10,358	0.15%	10,358	Note 5	
Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,350	0.31%	10,350	Note 5	
BioAgri Corp.	-	Long-term equity investments	375	10,133	2.34%	10,133	Note 5	
Wal Tech International Corporation	<u>Stock</u>							
	Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	236,767	62.58%	126,616	Note 3
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	9,496	30.00%	10,210	Note 3
	Monmon Medza Technology Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	598	1,935	32.39%	1,935	Note 3
	Fu Po Electronics Corporation	Investee accounted for by the cost method	Long-term equity investments	1,295	29,700	1.50%	13,111	Note 3
	Webi & Neti Internet Services Inc.	Investee accounted for by the cost method	Long-term equity investments	63	625	2.63%	268	Note 3
	YesMobile Holdings Company Limited	Investee accounted for by the cost method	Long-term equity investments	294	12,000	0.75%	1,882	Note 3
	SynTest Technologies, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	448	Note 3
	Taiwan Leader Advanced Technology Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	1,575	15,000	1.53%	14,463	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	2.47%	20,631	Note 3
	Media Reality Technologies, Inc.	Investee accounted for by the cost method	Long-term equity investments	240	13,598	0.60%	1,725	Note 4
	Advanced Power Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	660	13,698	1.23%	10,753	Note 4
	Nanya PCB Corporation	Investee accounted for by the cost method	Long-term equity investments	1,519	93,080	0.32%	28,405	Note 3
ENE Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	861	29,996	3.15%	20,570	Note 2	
SonicEdge Industries Corporation	Investee accounted for by the cost method	Long-term equity investments	580	14,550	2.29%	4,980	Note 3	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	June 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
Intellisys Corp.	Maximum Venture I, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	12,250	\$ 122,850	6.58%	\$ 47,369	Note 4
	SinoPac Financial Consulting Co., Ltd.	Affiliate and investee accounted for by the cost method	Long-term equity investments	6	57	3.00%	73	Note 3
	Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	90	12,523	0.10%	1,409	Note 3
	<u>Stock</u> Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	237	2.31%	55	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 June 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 June 30, 2004.

TABLE 4

BANK SINOPAC AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2004			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss)	Note
				June 30, 2004 (Note 1)	(Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
Bank SinoPac	SinoPac Bancorp Rocorp Holding S.A.	California	Stock holding	US\$ 112,306	US\$ 112,306	20	100.00	\$ 5,362,201	\$ 174,023	\$ 132,960	Subsidiary Investee under significant influence held by the Bank
		Luxembourg	Stock holding	\$ 3,531	\$ 3,531	0.11	33.33	-	-	-	
		SinoPac Leasing Corporation	Taipei	Leasing aircraft and machinery equipment	\$ 999,940	\$ 999,940	159,629	99.7683	2,126,463	107,747	
	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	1,030,202	14,244	18,001	Subsidiary
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.00	2,358	207	181	Subsidiary
SinoPac Bancorp	Far East National Bank FENB Securities, Inc.	California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.00	5,313,194	187,447		Affiliate
		California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	36,526	339		Affiliate
Far East National Bank	Far East Capital Corporation FENB Loan Corp. FENB Film Corp. Trade Factors, Inc. Film Service Management Corp.	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	63,825	(4,782)		Affiliate
		California	Asset management	US\$ 1	US\$ 1	0.1	100.00	(39,818)	(4,558)		Affiliate
		California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.00	(83,908)	(4,104)		Affiliate
		California	Investment Corporation	US\$ 1	US\$ 1	0.1	100.00	33	-		Affiliate
		California	Film management and advisory	US\$ 0.1	US\$ 0.1	0.1	100.00	3	-		Affiliate
SinoPac Leasing Corporation	Grand Capital International Limited	British Virgin Islands	Oversea trading, leasing, lending and financing	US\$ 29,900	US\$ 29,900	29,900	100.00	1,508,164	98,804		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	100.00	123,013	13,530		Affiliate
		Hong Kong	Insurance brokerage	HK\$ 300	-	100	100.00	1,299	-		Affiliate
		Hong Kong	Custody securities	HK\$ 0.001	-	0.001	100.00	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	100.00	40,813	(4,693)		Affiliate
		British Virgin Islands	Investment	US\$ 0.002	US\$ 0.002	0.002	100.00	(188,576)	(6,456)		Affiliate
		Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	29,601	2,543		Affiliate
		Hong Kong	Asset management, trust and consulting	US\$ 200	US\$ 200	200	99.9995	3,990	(100)		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	100.00	182,141	(12,744)		Affiliate
		Hong Kong	General trading and providing internet-based service	HK\$ 999,999	HK\$ 999,999	999,999	99.9999	1,936	(1,409)		Affiliate
		Cayman Islands	Investment	US\$ 1,560	US\$ 1,560	3,900	34.21	53,016	7,537		Investee under significant influence held by the Bank's affiliate
Wal Tech International Corporation	Intellisys Corp. Multiwin Asset Management Co., Ltd. Monmon Medza Technology Co., Ltd.	Taipei	Computer and peripheral system integration engineering, software development and design	\$ 258,836	\$ 258,836	10,326	62.58	236,767	1,191		Affiliate
		Taipei	Asset management	18,000	18,000	1,800	30.00	9,496	(10,979)		Investee under significant influence held by the Bank's affiliate
		Taipei	Software products retail and distribution	5,980	5,980	598	32.39	1,935	(649)		Investee under significant influence held by the Bank's affiliate

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

Note 2: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the six months ended June 30, 2004.

Note 3: The amounts were after deducting realized losses.