

Bank SinoPac

**Financial Statements for the Nine Months Ended
September 30, 2004 and 2003
Together with Independent Accountants' Review 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 if there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

October 15, 2004

The Board of Directors and the Stockholders
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of September 30, 2004 and 2003, and the related statements of income, and cash flows for the nine months then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

As stated in Note 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 September 30, 2004 and 2003 amounted to NT\$3,183,743 thousand and NT\$3,143,665 thousand, respectively, the related investment income for the nine months then ended amounted to NT\$124,542 thousand and NT\$266,129 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' unreviewed financial statements.

Based on our reviews, except for the adjustments in the Bank's financial statements that might have been required had the investees' financial statements mentioned in the third paragraph been reviewed by independent accountants, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for 2003) and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the financial statements, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases. 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 review such financial statements are those generally accepted and applied in the Republic of China.

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

BALANCE SHEETS

SEPTEMBER 30, 2004 AND 2003

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

(Reviewed, Not Audited)

ASSETS	2004		2003		LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4 and 23)	\$ 7,746,617	2	\$ 6,990,965	2	LIABILITIES				
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 5 and 23)	27,086,654	6	16,346,766	4	Call loans and due to banks	\$ 31,568,712	7	\$ 32,388,691	8
SECURITIES PURCHASED—Net (Notes 2, 3, 6 and 23)	90,472,414	20	117,560,487	31	Securities sold under agreements to repurchase (Notes 2, 3 and 24)	9,706,643	2	-	-
ACCOUNTS, INTEREST AND OTHER RECEIVABLES—Net (Notes 2, 7 and 23)	27,365,488	6	15,792,862	4	Accounts, interest and other payables (Notes 2, 13 and 21)	12,658,073	3	10,840,049	3
ACCEPTANCES	3,169,819	1	1,323,622	-	Acceptances payable	3,169,819	1	1,323,622	-
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 3 and 24)	15,446,775	4	-	-	Deposits and remittances (Notes 14 and 23)	327,316,658	73	295,353,790	77
PREPAYMENTS	397,743	-	240,974	-	Bank debentures (Note 15)	32,800,000	7	16,200,000	4
LOANS, DISCOUNTS AND BILLS PURCHASED—Net (Notes 2, 8 and 23)	255,220,554	57	208,080,766	54	Other liabilities (Notes 2, 20 and 21)				
LONG-TERM INVESTMENTS (Notes 2, 9, 10 and 23)					Deferred tax liabilities	512,503	-	369,938	-
Long-term equity investments—equity method	8,669,375	2	8,257,872	2	Other	2,262,607	1	2,859,395	1
Long-term equity investments—cost method	1,015,831	-	1,024,832	1	Total other liabilities	2,775,110	1	3,229,333	1
Unrealized loss	(282,100)	-	(315,974)	-	Total liabilities	419,995,015	94	359,335,485	93
Other long-term investments	1,014,300	-	817,718	-	STOCKHOLDERS' EQUITY (Note 16)				
Long-term investments—net	10,417,406	2	9,784,448	3	Capital stock, \$10 par value				
PROPERTIES (Notes 2, 11 and 24)					Authorized and issued: 1,944,397,617 shares	19,443,976	4	19,443,976	5
Cost					Capital surplus (Note 16)				
Land	2,007,731	1	1,929,107	1	Additional paid-in capital	125,030	-	125,030	-
Buildings	2,263,902	1	2,239,267	1	Donated capital	83	-	83	-
Computer equipment	1,323,907	-	1,228,826	-	Other	95	-	95	-
Transportation equipment	49,675	-	50,071	-	Retained earnings (Note 16)				
Office and other equipment	1,343,579	-	1,318,018	-	Legal reserve	4,497,477	1	3,671,307	1
Total cost	6,988,794	2	6,765,289	2	Special reserve	282,976	-	282,977	-
Accumulated depreciation	2,178,559	1	1,874,764	1	Unappropriated	2,960,950	1	2,281,736	1
	4,810,235	1	4,890,525	1	Unrealized loss on long-term equity investments (Notes 2 and 9)	(282,100)	-	(336,340)	-
Advances for acquisition of equipment and construction in progress	21,171	-	103,194	-	Unrealized revaluation loss (Notes 2 and 9)	-	-	(39,113)	-
Net properties	4,831,406	1	4,993,719	1	Cumulative translation adjustment (Note 2)	171,471	-	150,815	-
OTHER ASSETS (Notes 2, 12 and 21)	5,040,097	1	3,801,442	1	Total stockholders' equity	27,199,958	6	25,580,566	7
TOTAL ASSETS	\$ 447,194,973	100	\$ 384,916,051	100	CONTINGENCIES AND COMMITMENTS (Notes 24 and 27)				
					TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 447,194,973	100	\$ 384,916,051	100

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

(See Deloitte & Touche review report dated October 15, 2004)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

**STATEMENTS OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)**

	<u>2004</u>		<u>2003</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES				
Interest (Notes 2, 3, 23 and 27)	\$ 7,694,939	52	\$ 7,268,533	64
Service fees (Notes 2, 17 and 23)	1,688,658	11	969,526	8
Income from securities—net (Notes 2, 3 and 18)	1,458,032	10	1,999,957	17
Income from long-term equity investments under the equity method—net (Notes 2 and 9)	347,512	2	533,300	5
Foreign exchange gain—net (Notes 2 and 27)	3,499,235	24	-	-
Other (Note 27)	<u>94,776</u>	<u>1</u>	<u>657,834</u>	<u>6</u>
Total operating revenues	<u>14,783,152</u>	<u>100</u>	<u>11,429,150</u>	<u>100</u>
OPERATING COSTS AND EXPENSES				
Interest (Notes 2, 3, 23 and 27)	4,128,344	28	3,842,506	34
Service charges (Note 23)	171,896	1	163,711	1
Provision for trading losses	-	-	49,684	-
Foreign exchange loss—net (Notes 2 and 27)	-	-	211,329	2
Provision for credit losses (Notes 2, 7 and 8)	540,000	4	1,090,000	10
Operating and administrative expenses (Notes 2, 19, 20 and 23)	4,127,711	28	3,551,765	31
Other (Note 27)	<u>2,583,848</u>	<u>17</u>	<u>271</u>	<u>-</u>
Total operating costs and expenses	<u>11,551,799</u>	<u>78</u>	<u>8,909,266</u>	<u>78</u>
OPERATING INCOME	3,231,353	22	2,519,884	22
NONOPERATING INCOME AND GAINS (Note 23)	243,582	1	101,836	1
NONOPERATING EXPENSES AND LOSSES	(<u>29,726</u>)	<u>-</u>	(<u>42,684</u>)	<u>-</u>
INCOME BEFORE INCOME TAX	3,445,209	23	2,579,036	23
INCOME TAX (Notes 2 and 21)	<u>484,259</u>	<u>3</u>	<u>297,300</u>	<u>3</u>
NET INCOME	<u>\$ 2,960,950</u>	<u>20</u>	<u>\$ 2,281,736</u>	<u>20</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 22)				
Basic earnings per share	<u>\$ 1.77</u>	<u>\$ 1.52</u>	<u>\$ 1.33</u>	<u>\$ 1.17</u>

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

(See Deloitte & Touche review report dated October 15, 2004)

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

**STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)**

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,960,950	\$ 2,281,736
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	379,610	351,132
Expensed assets	514	-
Provision for credit and trading losses	539,612	1,139,684
Provision of allowance for decline in market value of securities purchased	5,312	-
Amortization on long-term bonds investment	-	6,614
Accrued pension cost	115,951	118,818
Deferred income taxes	40,656	51,562
Cash dividends received from long-term equity investments under the equity method	141,041	24,566
Provision for decline in market value of collaterals assumed	2,469	-
Income from long-term equity investments under the equity method—net	(347,512)	(533,300)
Realized loss on long-term equity investments	-	14,476
Loss (gain) on sale of long-term equity investments	(53,811)	5,465
Loss on disposal of properties—net	8,126	27,406
Decrease (increase) in securities purchased—for trading purposes	24,901,668	(25,662,521)
Decrease (increase) in accounts, interest and other receivables	62,997	(2,227,712)
Increase in prepayments	(229,653)	(71,921)
Increase (decrease) in accounts, interest and other payables	(1,472,333)	4,013,744
Net cash provided by (used in) operating activities	<u>27,055,597</u>	<u>(20,460,251)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in due from the Central Bank and other banks	(2,789,817)	(307,657)
Increase in securities purchased under agreements to resell (Note 3)	(15,446,775)	-
Decrease (increase) in securities purchased—for investing purposes	1,095,442	(3,223,314)
Increase in loans, discounts and bills purchased	(45,178,920)	(22,101,809)
Increase in other long-term investments	(1,014,300)	(824,332)
Proceeds from sale of long-term equity investments	62,811	84,059
Acquisition of properties	(251,662)	(545,561)
Proceeds from sale of properties	1,409	978
Decrease (increase) in other assets	<u>711,415</u>	<u>(945,125)</u>
Net cash used in investing activities	<u>(62,810,397)</u>	<u>(27,862,761)</u>

(Continued)

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	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in call loans and due to banks	(\$ 7,502,398)	(\$ 19,681,897)
Increase in securities sold under agreements to repurchase (Note 3)	9,706,643	-
Increase in deposits and remittances	23,028,859	59,357,087
Increase in bank debentures	11,400,000	9,200,000
Increase (decrease) in other liabilities	(281,143)	449,831
Remuneration to directors and supervisors and bonus to employees	(57,277)	(53,724)
Cash dividends paid	(<u>1,870,452</u>)	(<u>1,518,639</u>)
Net cash provided by financing activities	<u>34,424,232</u>	<u>47,752,658</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,330,568)	(570,354)
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>\$ 7,746,617</u>	<u>\$ 6,990,965</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 3,953,437</u>	<u>\$ 3,841,143</u>
Income tax paid	<u>\$ 154,353</u>	<u>\$ 277,068</u>

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

(See Deloitte & Touche review report dated October 15, 2004)

(Concluded)

BANK SINOPAC

**NOTES TO FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003
(In Thousands of New Taiwan Dollars, Unless Otherwise Stated)
(Reviewed, Not Audited)**

1. ORGANIZATION AND OPERATIONS

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

As of September 30, 2004 and 2003, the Bank had a total of 2,261 and 2,044 employees, respectively.

As of September 30, 2004, the Bank’s operating units included Banking, Trust, International Division of the Head Office, an Offshore Banking Unit, 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 a trust business; and (2) custody of non-discretionary trust funds in domestic and overseas securities and mutual funds. These operations are governed by the Banking Law and the Trust Law.

Under the Financial Holding Company Act, the Bank, National Securities Co., Ltd. (NSC, which was renamed as SinoPac Securities Corporation on June 9, 2002) and SinoPac Securities Co., Ltd. (SPS) established SinoPac Holdings (SPH), a financial holding company on May 9, 2002. The parties established the holding company to maximize the benefit of their combined capital, pool their business channel, fully harness the synergy of their diversified business operations and establish one of the most competitive organizations in the Pacific Rim. The Bank, NSC and 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. The shares of SPH are traded on the Taiwan Stock Exchange (TSE).

SinoPac Securities Corporation (“SinoPac Securities”, formerly NSC) merged with SPS on July 22, 2002 with SinoPac Securities as the surviving entity after a decision reached by the board of directors of the two companies on May 9, 2002. Each common share of SinoPac Securities was swapped for 1.2672884782 of common shares 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 the Criteria Governing the Preparation of Financial Reports by Public Banks (effective January 1, 2004), Criteria Governing the Preparation of Financial Reports by Securities Issuers (applicable for 2003) and accounting principles generally accepted in the Republic of China (ROC). In determining the allowance for credit losses, depreciation, pension, losses upon suspended lawsuit and provision for losses on guarantees, the Bank needs to estimate reasonable amounts. Since the estimates were usually 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 and treasury bills, which is determined by the specific identification method.

Under accounting principles generally accepted in the ROC, the SPH's shares held by the Bank should be evaluated decline in market value separately from the other listed and OTC stocks.

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

If an investee issues new shares and the Bank does not acquire new shares in proportion to its current equity in the investee, the resulting increase in the Bank's equity in the investee's net assets is credited to capital surplus. Any decrease in the Bank's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purpose, the remaining is debited to unappropriated retained earnings.

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

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

Long-term Bond Investments

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

Properties

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

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

Depreciation is calculated by the straight-line method on the basis of service lives initially estimated as follows: buildings, 6 to 55 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; and office and other equipment, 5 to 8 years. For assets still in use beyond their originally 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 swaps

Foreign-currency spot-position assets or liabilities arising from currency swaps, which are mainly for accommodating customers' needs or managing the Bank's currency positions, are recorded at spot rates when the transactions occur; while corresponding forward-position assets or liabilities are recorded at the contracted forward rates, with receivables netted against the related payables. The swap points are amortized during the contract period; for contracts outstanding as of the balance sheet date, the gains or losses arising from the valuation of swap points, which valued at the forward rates available for the remaining period of the contracts are credited or charged to current income.

d. Cross-currency swaps

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

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

Financial Asset Securitization

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

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

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

Recognition of Interest Revenue and Service Fees

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

Under the MOF regulations, the interest revenue on credits 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 decrease of income before income tax for the nine months ended September 30, 2004 by \$92,185.

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>September 30</u>	
	<u>2004</u>	<u>2003</u>
Due from other banks	\$ 5,501,624	\$ 4,890,505
Cash on hand	1,665,348	1,586,737
Notes and checks in clearing	<u>579,645</u>	<u>513,723</u>
	<u>\$ 7,746,617</u>	<u>\$ 6,990,965</u>

5. DUE FROM THE CENTRAL BANK AND OTHER BANKS

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Call loans to banks	\$ 17,240,138	\$ 5,705,137
Due from the Central Bank	<u>9,846,516</u>	<u>10,641,629</u>
	<u>\$ 27,086,654</u>	<u>\$ 16,346,766</u>

Due from the Central Bank consists mainly of New Taiwan Dollar (NTD) and foreign currency deposit reserves.

Under a directive issued by the Central Bank of the ROC, NTD—denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD—denominated deposits. These reserves included \$7,765,469 and \$6,018,722 as of September 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 September 30, 2004 and 2003, the balances of foreign-currency deposit reserves were \$20,390 and \$47,292, respectively.

6. SECURITIES PURCHASED

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Negotiable certificates of deposit	\$ 66,985,000	\$ 84,566,588
Floating rate notes	6,170,468	7,626,574
Commercial papers	5,212,776	10,535,016
Corporate bonds	4,884,000	6,333,044
Listed and OTC stocks	3,433,542	2,897,122
Beneficiary certificates	1,569,619	96,980
Bank debentures	1,124,233	1,944,553
Government bonds	1,098,088	3,184,589
Treasury bills	<u>-</u>	<u>376,021</u>
	90,477,726	117,560,487
Less—allowance for decline in market value	<u>5,312</u>	<u>-</u>
Net	<u>\$ 90,472,414</u>	<u>\$ 117,560,487</u>

As of September 30, 2004 and 2003, negotiable certificates of deposit aggregating \$70,118 and \$10,985,000, respectively, had maturities over one year and may be withdrawn momentarily.

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$18,500,000 and \$15,000,000 had been provided as collateral for the daytime overdraft as of September 30, 2004 and 2003, respectively, with the pledged amount which can be adjusted momentarily.

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

	September 30	
	2004	2003
Floating rate notes	\$ 6,170,468	\$ 7,670,084
Corporate bonds	4,928,782	6,789,655
Listed and OTC stocks	4,442,345	3,165,996
Mutual fund beneficiary certificates	1,576,803	107,529
Bank debentures	1,121,581	1,937,153
Government bonds	1,094,608	3,189,154

As of September 30, 2004 and 2003, the Bank held SPH 226,495,430 shares and 216,542,894 shares, respectively, both with carrying amounts at \$2,896,922 and market values at \$3,956,871 and \$3,165,857, respectively, based on the daily average closing prices in September 2004 and 2003.

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

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.

7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	September 30	
	2004	2003
Accounts receivable	\$24,598,963	\$13,737,882
Interest receivable	838,134	897,538
Accrued revenue	779,969	1,033,010
Forward exchange receivable—net	586,199	-
Tax refundable	249,573	183,456
Other	<u>363,061</u>	<u>21,644</u>
	27,415,899	15,873,530
Less—allowance for credit losses	<u>50,411</u>	<u>80,668</u>
Net	<u>\$27,365,488</u>	<u>\$15,792,862</u>

The balances of the accounts receivable as of September 30, 2004 and 2003 included \$24,343,096 and \$13,207,722, respectively, representing accounts receivable from other parties in the factoring business.

8. LOANS, DISCOUNTS AND BILLS PURCHASED

	September 30	
	2004	2003
Overdraft	\$ 1,692,546	\$ 1,701,831
Short-term loans	69,357,624	52,783,136
Medium-term loans	43,860,588	33,194,545
Long-term loans	136,811,073	117,865,151
Import and export negotiations	2,759,188	1,841,152
Bills purchased	1,463	1,605
Nonperforming loans	<u>2,148,413</u>	<u>2,684,479</u>
	256,630,895	210,071,899
Less—allowance for credit losses	<u>1,410,341</u>	<u>1,991,133</u>
Net	<u>\$ 255,220,554</u>	<u>\$ 208,080,766</u>

As of September 30, 2004 and 2003, the balances of nonaccrual interest loans were \$2,579,591 and \$3,800,311, respectively. The unrecognized interest revenues on nonaccrual interest loans amounted to \$62,750 and \$131,285 for the nine months ended September 30, 2004 and 2003, respectively.

For the nine months ended September 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 nine months ended September 30, 2004 and 2003, respectively, were summarized below:

	For the Nine Months Ended		
	September 30, 2004		
	For Losses on the Overall Loan Portfolio (Excluding Particular Loans)	For Losses on Particular Loans	Total
Balance, January 1	\$ 951,702	\$ 593,239	\$ 1,544,941
Provision	-	540,000	540,000
Write-off	-	(699,726)	(699,726)
Recovery of written-off credits	-	18,409	18,409
Reclassifications	85,628	(85,629)	(1)
Difference on foreign exchange rates	-	(2,800)	(2,800)
Other	-	<u>9,518</u>	<u>9,518</u>
Balance, September 30	<u>\$ 1,037,330</u>	<u>\$ 373,011</u>	<u>\$ 1,410,341</u>

	For the Nine Months Ended September 30, 2003		
	For Losses on the Overall Loan Portfolio		
	For Losses on Particular Loans	(Excluding Particular Loans)	Total
Balance, January 1	\$ 562,318	\$ 888,568	\$ 1,450,886
Provision	825,969	264,031	1,090,000
Write-off	(591,079)	-	(591,079)
Recovery of written-off credits	12,453	-	12,453
Reclassifications	<u>23,054</u>	<u>5,819</u>	<u>28,873</u>
Balance, September 30	<u>\$ 832,715</u>	<u>\$ 1,158,418</u>	<u>\$ 1,991,133</u>

As of September 30, 2004 and 2003, allowances for credit losses and provisions for losses on guarantees of the Bank were \$1,493,808 and \$2,104,834, respectively.

9. LONG-TERM INVESTMENTS

	September 30	
	2004	2003
<u>Long-term equity investments</u>		
Equity method—unlisted stocks	<u>\$ 8,669,375</u>	<u>\$ 8,257,872</u>
Cost method		
Listed and OTC stocks	640,757	640,758
Unlisted stocks	<u>375,074</u>	<u>384,074</u>
	<u>1,015,831</u>	<u>1,024,832</u>
	9,685,206	9,282,704
Less—unrealized losses	<u>282,100</u>	<u>315,974</u>
	9,403,106	8,966,730
<u>Other long-term investments</u>		
Long-term bond investments	-	817,718
Subordinated beneficiary certificates—retained interests of securitization (Note 10)	<u>1,014,300</u>	<u>-</u>
Net	<u>\$ 10,417,406</u>	<u>\$ 9,784,448</u>

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

	September 30	
	2004	2003
Listed and over-the-counter stocks	\$ 358,657	\$ 324,784
Long-term bond investments	-	809,576

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

	For the Nine Months Ended	
	September 30	
	2004	2003
<u>Equity method</u>		
SinoPac Bancorp	\$ 222,970	\$ 267,171
SinoPac Leasing Corporation	149,399	127,649
SinoPac Capital Limited	(25,038)	139,166
SinoPac Financial Consulting Co., Ltd.	<u>181</u>	<u>(686)</u>
Income from long-term equity investments under the equity method	<u>\$ 347,512</u>	<u>\$ 533,300</u>

The net income of SinoPac Bancorp for the nine months ended September 30, 2004 and 2003 amounted to \$284,827 and \$345,814, 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 34, Table 4).

The aforementioned income (loss) from long-term equity investments under the equity method were recognized on the basis of investees' unreviewed financial statements for the same period, except for the investment income of SinoPac Bancorp for the nine months ended September 30, 2004 and 2003. The carrying amounts of the investments accounted for by the equity method as of September 30, 2004 and 2003 totalling \$3,183,743 and \$3,143,665, respectively, and the related investment income \$124,542 and \$266,129, respectively, for the nine months then ended were based on the investees' unreviewed 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 reviewed.

As of September 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 \$16,089. As of September 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 \$20,366.

As of September 30, 2003, the Bank recognized its equity in the unrealized revaluation loss of SinoPac Bancorp and Aetna Sinopac Credit Card Co., Ltd. (which was sold to SPH in December 2002, and renamed as AnShin Card Services Company Limited on January 3, 2003) totaling \$39,113 (included in stockholders' equity as deductions). This loss resulted from the revaluation of financial instrument contracts.

10. SECURITIZATION

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

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

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

<u>Series of certificates</u>	<u>Senior</u>				<u>Subordinated</u>
	<u>First Tranche</u>	<u>Second Tranche</u>	<u>Third Tranche</u>	<u>Fourth Tranche</u>	<u>Fifth Tranche</u>
Principal amount	\$ 2,788,100	\$ 534,100	\$ 441,000	\$ 122,500	\$ 1,014,300
Annual interest	Floating interest rate plus 0.4% (Note)	Floating interest rate plus 0.6% (Note)	Floating interest rate plus 1.0% (Note)	Floating interest rate plus 1.2% (Note)	-
<u>Key assumptions used in measuring retained interests</u>					
Prepayment pace (annual rate)				-	
Expected weighted-average life (in years)				3	
Expected credit losses (annual rate)				-	
Discounted rate for residual cash flows				1.029%	

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

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

b. Sensitivity analysis

As of September 30, 2004, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

	<u>Enterprise Loans</u>
Carrying amount of retained interest	\$ 1,014,300
Weight-average life (in years)	3
Discount rate of residual cash flows (annual rate)	1.029%
Impact on fair value of 10% adverse change	(33)
Impact on fair value of 20% adverse change	(299)

- c. The securitized enterprise loans had not resulted in any credit losses as of September 30, 2004; thus, the expected static pool credit losses (total amount of actual credit losses and expected credit losses divided by securitized enterprise loans) are equal to the expected credit losses. The Bank anticipated that no credit losses came from the securitized enterprise loans since there is no case in default on those loans.

d. Cash flows

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

	For the Nine Months Ended September 30, 2004
Proceeds from new securitizations	\$ 3,885,700
Current cash reserve	16,057

11. PROPERTIES

	September 30	
	2004	2003
Cost	<u>\$ 6,988,794</u>	<u>\$ 6,765,289</u>
Accumulated depreciation		
Buildings	440,315	365,818
Computer equipment	881,148	760,990
Transportation equipment	38,136	39,433
Office and other equipment	<u>818,960</u>	<u>708,523</u>
	<u>2,178,559</u>	<u>1,874,764</u>
	4,810,235	4,890,525
Advances on acquisitions of equipment and construction in progress	<u>21,171</u>	<u>103,194</u>
Net	<u>\$ 4,831,406</u>	<u>\$ 4,993,719</u>

12. OTHER ASSETS

	September 30	
	2004	2003
Value of options purchased	\$ 2,193,915	\$ 2,058,866
Guarantee deposits	1,512,602	675,857
Collateral assumed—net	940,579	737,348
Computer system software	235,130	225,740
Suspense accounts	28,710	63,742
Other	<u>129,161</u>	<u>39,889</u>
	<u>\$ 5,040,097</u>	<u>\$ 3,801,442</u>

As of September 30, 2004 and 2003, guarantee deposits included \$1,009,889 and \$239,619, respectively, which were provided by government bonds and certificates of deposit.

13. ACCOUNTS, INTEREST AND OTHER PAYABLES

	September 30	
	2004	2003
Accounts payable	\$ 9,107,396	\$ 7,761,398
Interest payable	1,214,325	1,166,046
Accrued expenses	722,428	513,648
Tax payable	596,755	262,640
Notes and checks in clearing	579,645	513,723

(Continued)

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Collections payable	\$ 291,246	\$ 328,277
Forward exchange payable—net	-	167,499
Other	<u>146,278</u>	<u>126,818</u>
	<u>\$12,658,073</u>	<u>\$10,840,049</u>

The balances of the accounts payable as of September 30, 2004 and 2003 included \$8,891,214 and \$7,621,960, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

14. DEPOSITS AND REMITTANCES

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Checking	\$ 4,833,268	\$ 3,714,022
Demand	54,574,279	42,390,156
Savings—demand	70,334,121	59,167,485
Time	103,608,822	103,708,275
Negotiable certificates of deposit	27,824,100	25,714,800
Savings—time	65,422,911	59,832,958
Inward remittances	556,993	441,023
Outward remittances	<u>162,164</u>	<u>385,071</u>
	<u>\$327,316,658</u>	<u>\$295,353,790</u>

15. BANK DEBENTURES

	<u>September 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 annually.
First subordinated bank debenture issued in 2002	2,000,000	2,000,000	2002.12.23-2008.03.23 Principal is repayable on maturity date.	Floating interest rate except for the first two years fixed at 2.15%. Interest is paid semiannually.
First dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.02.14-2008.02.14 Principal is repayable on maturity date.	3.65% minus 6-month LIBOR. Interest is paid semiannually.
Second dominant bank debenture issued in 2003	500,000	500,000	2003.03.19-2008.09.19 Principal is repayable on maturity date.	3.48% minus 6-month LIBOR. Interest is paid semiannually.
Third dominant bank debenture issued in 2003	1,500,000	1,500,000	2003.05.09-2008.11.09 Principal is repayable on maturity date.	4.15% minus 6-month LIBOR except for the first year fixed at 2.50%. Interest is paid semiannually.
Fourth dominant bank debenture issued in 2003	400,000	400,000	2003.05.09-2008.11.09 Principal is repayable on maturity date.	2% plus 180-day-NTD CP rate in secondary market and minus 6-month LIBOR. Interest is paid semiannually.
First subordinated bank debenture issued in 2003	2,500,000	2,500,000	2003.06.18-2008.12.18 Principal is repayable on maturity date.	180-day CP rate in secondary market plus 0.3%. Interest is paid semiannually.
Fifth dominant bank debenture issued in 2003	1,000,000	1,000,000	2003.08.11-2010.08.11 Principal is repayable on maturity date.	Floating rate.

(Continued)

	<u>September 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2004</u>	<u>2003</u>		
Sixth dominant bank debenture issued in 2003	\$ 700,000	\$ 700,000	2003.08.20-2009.02.20 Principal is repayable on maturity date.	Floating rate.
Seventh dominant bank debenture issued in 2003	800,000	800,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate.
Eighth dominant bank debenture issued in 2003	500,000	500,000	2003.09.16-2008.09.16 Principal is repayable on maturity date.	Floating rate.
Ninth dominant bank debenture issued in 2003	300,000	300,000	2003.09.22-2008.09.22 Principal is repayable on maturity date.	Floating rate.
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. Interest is paid semiannually.
Second dominant bank debentures issued in 2004	300,000	-	2004.04.28-2009.10.28 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Third dominant bank debentures issued in 2004	500,000	-	2004.04.29-2009.04.29 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourth dominant bank debentures issued in 2004	200,000	-	2004.05.14-2009.05.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifth dominant bank debentures issued in 2004	300,000	-	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Sixth dominant bank debentures issued in 2004	500,000	-	2004.05.17-2009.05.17 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Seventh dominant bank debentures issued in 2004	200,000	-	2004.05.21-2009.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Eighth dominant bank debentures issued in 2004	500,000	-	2004.05.21-2011.05.21 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Ninth dominant bank debentures issued in 2004	300,000	-	2004.06.03-2009.06.03 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Tenth dominant bank debentures issued in 2004	500,000	-	2004.06.07-2009.06.07 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.

(Continued)

	<u>September 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	<u>2004</u>	<u>2003</u>		
Eleventh dominant bank debentures issued in 2004	\$ 200,000	\$ -	2004.06.15-2009.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Twelfth dominant bank debentures issued in 2004	500,000	-	2004.06.15-2010.06.15 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Thirteenth dominant bank debentures issued in 2004	300,000	-	2004.06.30-2009.06.30 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fourteenth dominant bank debentures issued in 2004	500,000	-	2004.07.09-2010.07.09 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Fifteenth dominant bank debentures issued in 2004	500,000	-	2004.07.13-2011.07.13 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
First subordinated bank debentures issued in 2004	1,500,000	-	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Floating rate. Interest is paid semiannually.
Second subordinated bank debentures issued in 2004	500,000	-	2004.09.14-2010.06.14 Principal is repayable on maturity date.	Index rate plus 0.50%. Interest is reset semiannually since the issuance date. Interest is paid semiannually.
	<u>\$ 32,800,000</u>	<u>\$ 16,200,000</u>		

16. 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, renamed Securities and Futures Bureau, Financial Supervisory commission, Executive Yuan, R.O.C. on July 2004).

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

b. Retained earnings and dividend policy

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

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

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

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

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

Under the Financial Holding Company Act, the board of directors is 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 (New Taiwan dollars)</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Legal reserve	\$ 826,170	\$ 673,870		
Remuneration to directors and supervisors	38,000	38,000		
Bonus to employees—cash	19,277	15,724		
Cash dividends	<u>1,870,452</u>	<u>1,518,639</u>	\$0.962	\$0.781
	<u>\$2,753,899</u>	<u>\$2,246,233</u>		

17. SERVICE FEES

	<u>For the Nine Months Ended September 30</u>	
	<u>2004</u>	<u>2003</u>
Structured notes	\$ 291,110	\$ 99,353
Factoring and financing	258,252	215,663
Mutual funds	207,595	128,816
Loan documentation fee	174,917	82,914
Syndicated loans	133,697	21,423
Custody	122,995	124,913
Import and export	100,774	46,069
Other	<u>399,318</u>	<u>250,375</u>
	<u>\$1,688,658</u>	<u>\$ 969,526</u>

18. INCOME FROM SECURITIES—NET

	<u>For the Nine Months Ended September 30</u>	
	<u>2004</u>	<u>2003</u>
Short-term bills		
Interest revenue	\$ 1,143,347	\$ 1,203,298
Capital gain—net	<u>349</u>	<u>18,320</u>
	<u>1,143,696</u>	<u>1,221,618</u>
Bonds		
Capital gain—net	<u>190,322</u>	<u>612,147</u>

(Continued)

	For the Nine Months Ended September 30	
	<u>2004</u>	<u>2003</u>
Stocks and mutual fund beneficiary certificates		
Dividend revenue	\$ 108,163	\$ 140,753
Capital gain—net	20,678	25,439
Coupons received	485	-
Provision of allowance for decline in market value	(5,312)	-
	<u>124,014</u>	<u>166,192</u>
	<u>\$1,458,032</u>	<u>\$1,999,957</u>

19. OPERATING AND ADMINISTRATIVE EXPENSES

	For the Nine Months Ended September 30	
	<u>2004</u>	<u>2003</u>
Personnel expenses		
Salaries and wages	\$2,025,366	\$1,745,455
Pension	115,951	118,818
Labor insurance and national health insurance	84,799	85,824
Other	31,327	17,718
Depreciation	303,940	290,930
Amortization	75,670	60,202
Other	<u>1,490,658</u>	<u>1,232,818</u>
	<u>\$4,127,711</u>	<u>\$3,551,765</u>

20. 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 Nine Months Ended September 30	
	<u>2004</u>	<u>2003</u>
Balance, January 1	\$1,084,416	\$ 894,432
Contributions	160,204	155,536
Benefits paid	(42,090)	(35,716)
Interest revenue	<u>26,007</u>	<u>22,811</u>
Balance, September 30	<u>\$1,228,537</u>	<u>\$1,037,063</u>

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

	September 30	
	2004	2003
Contributions by the Bank	\$ 769,279	\$ 643,073
Contributions by employees	<u>459,258</u>	<u>393,990</u>
	<u>\$1,228,537</u>	<u>\$1,037,063</u>

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

	For the Nine Months Ended September 30	
	2004	2003
Balance, January 1	\$ 101,478	\$ 76,813
Provision	113,520	118,226
Contributions	(<u>101,259</u>)	(<u>98,167</u>)
Balance, September 30	<u>\$ 113,739</u>	<u>\$ 96,872</u>

Pension expenses including domestic and overseas branches amounted to \$115,951 and \$118,818 for the nine months ended September 30, 2004 and 2003, respectively.

21. 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 Nine Months Ended September 30	
	2004	2003
Current income tax payable	\$ 436,378	\$ -
Separation taxes on short-term bills interest revenue	116,107	203,197
Foreign income taxes over limitation	26,272	29,681
Change in deferred income taxes	(27,404)	51,562
Other	(<u>67,094</u>)	<u>12,860</u>
Income tax	<u>\$ 484,259</u>	<u>\$ 297,300</u>

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

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

	For the Nine months Ended September 30	
	<u>2004</u>	<u>2003</u>
Tax on pretax income at 25% statutory rate	\$ 861,292	\$ 644,749
Add (deduct) tax effects of:		
Tax-exempt income	(55,917)	(168,578)
Permanent difference	(407,597)	(448,764)
Temporary difference	42,910	(93,545)
Investment tax credit	(4,310)	(5,119)
Loss carryforward	<u> -</u>	<u> 71,257</u>
Current income tax payable	<u>\$ 436,378</u>	<u>\$ -</u>

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

	September 30	
	<u>2004</u>	<u>2003</u>
Investment income under the equity method	(\$ 505,150)	(\$ 417,563)
Unrealized foreign exchange loss (gain)	4,518	(47,396)
Deferred pension cost	27,628	23,412
Effect of linked tax system	(103,747)	-
Loss carryforward	-	66,128
Investment tax credit	-	5,119
Other	<u>64,248</u>	<u>362</u>
Deferred income tax liability	(<u>\$ 512,503</u>)	(<u>\$ 369,938</u>)
Deferred income tax assets (included in other assets)	<u>\$ 8,768</u>	<u>\$ -</u>

- d. As of September 30, 2004, the estimated receivable from related party—SinoPac Securities by adopting the linked tax system of tax filing amounted to \$175,060.

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

	September 30	
	<u>2004</u>	<u>2003</u>
Balances of imputed tax credit account	<u>\$ 37,719</u>	<u>\$ 168,558</u>

The actual imputed tax ratios for earnings in 2003 and 2002 were 12.82% and 9.11%, 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.

22. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
<u>For the nine months ended September 30, 2004</u>					
Basic EPS					
Net income belongs to common stockholders	<u>\$ 3,445,209</u>	<u>\$ 2,960,950</u>	1,944,398	<u>\$ 1.77</u>	<u>\$ 1.52</u>
<u>For the nine months ended September 30, 2003</u>					
Basic EPS					
Net income belongs to common stockholders	<u>\$ 2,579,036</u>	<u>\$ 2,281,736</u>	1,944,398	<u>\$ 1.33</u>	<u>\$ 1.17</u>

23. 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 nine months ended September 30, 2004	\$ 1,171,642	0.46%	1.31%-12.30%	\$ 13,468	0.18%
For the nine months ended September 30, 2003	1,476,699	0.71%	1.48%-12.30%	50,533	0.70%

2) Deposits

	<u>Ending Balance</u>	<u>% of Total</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>% of Total</u>
For the nine months ended September 30, 2004					
SPH	\$ 2,109,181	0.64%	0%-1.7875%	\$ 26,496	0.64%
Other	6,053,501	1.85%	0%-6.475%	33,181	0.80%
For the nine months ended September 30, 2003					
SPH	5,085,750	1.72%	0%-2.00%	56,931	1.72%
Other	2,885,212	0.98%	0%-6.48%	22,502	0.97%

3) Due from other banks and other receivables

	<u>Ending Balance</u>		<u>% of Total</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Due from other banks—FENB	\$ 62,718	\$ 68,816	0.28%	0.65%
Other receivables	313,196	25,300	1.14%	0.16%

4) Guarantees and securities purchased

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

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Wal Tech International	\$ 146,000	\$ 95,000
SinoPac Securities	35,000	-
Fortune Investment	<u>-</u>	<u>11,000</u>
	<u>\$ 181,000</u>	<u>\$ 106,000</u>

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

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Properties—carrying amount	<u>\$1,529,214</u>	<u>\$1,542,077</u>

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

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Properties and properties held for lease—carrying amount	\$ 1,186,510	\$ 1,196,902
Certificates of deposit	<u>1,260,000</u>	<u>1,130,000</u>
	<u>\$2,446,510</u>	<u>\$2,326,902</u>

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

	<u>September 30</u>	
	<u>2004</u>	<u>2003</u>
Properties—carrying amount	\$ 40,064	\$ -
Stocks—market value	8,371	27,128

5) Revenues and expenses

	<u>Amount</u>		<u>% of Total</u>	
	<u>For the Nine Months</u>		<u>For the Nine</u>	
	<u>Ended September 30</u>		<u>Months Ended</u>	
	<u>2004</u>	<u>2003</u>	<u>September 30</u>	<u>2003</u>
Service fees	\$ 7,163	\$ 3,918	0.42%	0.40%
Service charges	1,595	18,958	0.93%	11.58%
Project popularizing expense	3,983	10,210	3.50%	11.03%

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 Nine</u> <u>Months Ended</u> <u>September 30</u>		<u>Lease Term</u>	<u>Payment Frequency</u>
	<u>2004</u>	<u>2003</u>		
China Television	\$7,463	\$7,463	July 2005	Rentals paid monthly
SinoPac Securities	2,081	10,310	-	Rentals paid monthly
SPL	4,683	4,998	July 2007	Rentals paid monthly
Ruentex Development	2,642	2,556	September 2005	Rentals paid monthly

b) The Bank as a lessor

<u>Lessee</u>	<u>Rental Income</u> <u>For the Nine</u> <u>Months Ended</u> <u>September 30</u>		<u>Lease Term</u>	<u>Payment Frequency</u>
	<u>2004</u>	<u>2003</u>		
SinoPac Marketing Consulting	\$1,925	\$1,236	February 2006	Rentals received monthly
SinoPac Securities	1,928	1,166	July 2006	Rentals received monthly
SinoPac Call Center	1,458	972	December 2005	Rentals received monthly
AnShin Card Services	113	198	December 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 nine months ended September 30, 2004 and 2003 amounted to \$180,048 and \$86,652, respectively.

8) Due from affiliates

As of September 30, 2004 and 2003, the Bank's receivable to AnShin Card Services amounted to \$26,299 and \$23,705, respectively.

As of September 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 September 30, 2003.

For the nine months ended September 30, 2004, the Bank purchased convertible corporate bonds amounting to NT\$247,900, which had been paid before September 30, 2004, from SinoPac Securities.

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

Under the Banking Law, except for government and consumer loans, 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.

24. 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 contracts

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>
October 1 to December 31, 2004	\$ 65,089
2005	170,388
2006	141,429
2007	98,979
2008	47,962

Rentals for the years beyond 2008 amount to \$20,810, the present value of which is about \$19,321 as discounted at the Bank's one-year time deposit rate of 1.45% on October 1, 2004.

b. Equipment purchase contracts

The Bank has entered into contracts to buy computer hardware and software for \$47,442, of which \$19,841 has already been paid as of September 30, 2004.

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

As of September 30, 2004, short-term bills and bonds with a total face amount of \$9,377,606 were sold under agreements to repurchase at \$9,711,141 between October and December 2004.

d. Short-term bills purchased under agreements to resell

As of September 30, 2004, short-term bills with a total face amount of \$15,202,900 were purchased under agreements to resell at \$15,453,133 in October 2004.

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.

	For the Nine Months Ended September 30, 2004		For the Nine Months Ended September 30, 2003	
	Average Balance	Average Rate (%)	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>				
Due from other banks	\$ 4,280,178	0.85	\$ 3,858,893	1.29
Call loans (placement)	10,262,517	1.43	7,342,360	1.18
Due from the Central Bank	7,428,252	1.57	5,667,925	1.89
Securities purchased	134,611,627	1.44	108,322,407	1.32
Securities purchased under agreements to resell	7,523,066	1.05	-	-
Loans, discounts and bills purchased	235,711,489	3.24	192,124,006	4.04
Accounts receivable from factoring	12,334,728	3.08	5,164,384	3.73
Other long-term investments	218,408	-	104,972	7.55

Interest-bearing liabilities

Due to other banks	66,677	0.62	7,275	0.06
Call loans (taken)	44,158,905	1.24	52,054,706	1.19
Demand deposits	74,235,378	0.41	33,085,105	0.63
Savings—demand deposits	68,987,228	0.48	53,188,848	0.71
Time deposits	134,378,679	0.86	107,539,358	1.35
Savings—time deposits	62,081,308	1.52	58,025,046	2.04
Negotiable certificates of deposit	28,415,981	1.00	4,855,478	0.94
Securities sold under agreements to repurchase	11,658,915	0.97	-	-
Bank debentures	26,716,423	2.75	10,544,322	2.59

26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	September 30, 2004			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
<u>Assets</u>				
Cash and cash equivalent	\$ 7,746,617	\$ -	\$ -	\$ 7,746,617
Due from the Central Bank and other banks	27,086,654	-	-	27,086,654
Securities purchased	90,472,414	-	-	90,472,414
Receivables	30,585,718	-	-	30,585,718
Securities purchased under agreements to resell	15,446,775	-	-	15,446,775

(Continued)

	September 30, 2004			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Loans, discounts and bills purchased (excluding nonperforming loans)	\$ 85,227,538	\$ 26,896,944	\$ 142,358,000	\$ 254,482,482
Other long-term investments	-	1,014,300	-	1,014,300
	<u>\$ 256,565,716</u>	<u>\$ 27,911,244</u>	<u>\$ 142,358,000</u>	<u>\$ 426,834,960</u>
Liabilities				
Call loans and due to banks	\$ 31,568,712	\$ -	\$ -	\$ 31,568,712
Securities sold under agreements to repurchase	9,706,643	-	-	9,706,643
Payables	15,827,892	-	-	15,827,892
Deposits and remittances	321,298,674	6,017,984	-	327,316,658
Bank debentures	<u>3,000,000</u>	<u>24,400,000</u>	<u>5,400,000</u>	<u>32,800,000</u>
	<u>\$ 381,401,921</u>	<u>\$ 30,417,984</u>	<u>\$ 5,400,000</u>	<u>\$ 417,219,905</u>
	September 30, 2003			
	Due in One Year	Due Between One Year and Five Years	Due After Five Years	Total
Assets				
Cash and cash equivalent	\$ 6,990,965	\$ -	\$ -	\$ 6,990,965
Due from the Central Bank and other banks	16,346,766	-	-	16,346,766
Securities purchased	117,560,487	-	-	117,560,487
Receivables	17,197,152	-	-	17,197,152
Loans, discounts and bills purchased (excluding nonperforming loans)	54,279,040	29,939,420	123,168,960	207,387,420
Other long-term investments	-	817,718	-	817,718
	<u>\$ 212,374,410</u>	<u>\$ 30,757,138</u>	<u>\$ 123,168,960</u>	<u>\$ 366,300,508</u>
Liabilities				
Call loans and due to banks	\$ 32,388,691	\$ -	\$ -	\$ 32,388,691
Payables	12,163,671	-	-	12,163,671
Deposits and remittances	238,669,190	56,684,600	-	295,353,790
Bank debentures	-	9,600,000	6,600,000	16,200,000
	<u>\$ 283,221,552</u>	<u>\$ 66,284,600</u>	<u>\$ 6,600,000</u>	<u>\$ 356,106,152</u>

27. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank enters into contracts with customers that have satisfied the credit approval process and have provided the necessary collateral. The transactions are then made within each customer's credit limit, and guarantee deposits may be required, depending on the 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:

Financial Instruments	September 30, 2004			September 30, 2003		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	\$ 14,800,195	\$ 157,808	\$ 114,817	\$ 5,661,000	\$ 27,164	(\$ 70,634)
Cross-currency swap contracts	28,698,651	306,401	44,482	3,300,000	62,306	62,306
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Forward contracts						
—Buy	100,032,303	796,107	773,241	59,875,904	137,357	(551,369)
—Sell	91,256,829	39,285	(720,033)	47,779,788	808,708	800,836
Forward rate agreements						
—Buy	1,900,000	-	(286)	30,132,195	15,087	5,840
—Sell	-	-	-	30,132,195	10,684	698
Currency swap contracts	160,685,709	164,486	(834)	94,880,006	421,785	(419,097)
Interest rate swap contracts	47,790,178	855,494	(23,826)	50,702,022	309,669	(37,054)
Cross-currency swap contracts	673,080	5,059	457	1,427,240	20,911	5,008
Interest rate futures contracts						
—Long position	6,797	6	6	135,120	116	116
—Short position	126,952	398	358	-	-	-

Financial Instruments	September 30, 2004			September 30, 2003		
	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written	Contract (Notional) Amount	Credit Risk	Value of Options Purchased/ Written
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Foreign currency options contracts						
—Long position	\$ 166,829,508	\$ 454,058	\$ 2,222,748	\$ 79,535,727	\$ 1,081,170	\$ 2,058,866
—Short position	142,454,945	-	1,176,585	76,075,197	-	1,785,837

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 on the balance sheet date.

As of September 30, 2004 and 2003, the Bank entered into asset swap contracts for hedging purposes, with notional amounts at \$594,720 and \$3,738,164, 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 September 30, 2004, the Bank entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$379,321. 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 nine months ended September 30, 2004 and 2003 were as follows:

	<u>Account</u>	<u>For the Nine Months Ended September 30</u>	
		<u>2004</u>	<u>2003</u>
For hedging purposes:			
Cross-currency swap contracts			
—Realized	Interest revenue	\$ 201,854	\$ 7,004
	Interest expense	(121,908)	(3,755)
Interest rate swap contracts			
—Realized	Interest revenue	108,786	26,570
	Interest expense	(20,667)	(9,445)
—Realized	Income from derivative financial transactions	-	14,158
Futures contracts			
—Realized	Loss on derivative financial transactions	(7,639)	(1,139)
Options contracts			
—Realized	Income from derivative financial transactions	21,100	894
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
—Realized	Interest revenue	18,302	-
	Interest expense	(2,138)	-
—Realized	Foreign exchange gain	227,967	7,140
—Unrealized	Foreign exchange loss	(168,989)	(45,394)
—Unrealized	Income from derivative financial transactions	42,390	-
Forward rate agreements			
—Realized	Loss on derivative financial transactions	(3,513)	(3,437)
—Unrealized	Income from derivative financial transactions	3,525	5,848
Currency swap contracts			
—Realized	Interest revenue	482,380	260,327
	Interest expense	(447,659)	(219,257)
—Unrealized	Income from derivative financial transactions	9	-
Interest rate swap contracts			
—Realized	Interest revenue	175,408	454,909
	Interest expense	(216,236)	(500,094)
—Realized	Income from derivative financial transactions	57,432	157
—Unrealized	Income from (loss on) derivative financial transactions	18,811	(19,510)
Options contracts			
—Realized	Income from (loss on) derivative financial transactions	(2,670,114)	389,816
	Foreign exchange gain (loss)	2,927,253	(13,307)

(Continued)

	<u>Account</u>	<u>For the Nine Months Ended September 30</u>	
		<u>2004</u>	<u>2003</u>
—Unrealized	Income from (loss on) derivative financial transactions	(\$ 7,058)	\$ 212,921
Interest rate futures contracts			
—Realized	Loss on derivative financial transactions	(40,683)	(879)
—Unrealized	Income from (loss on) derivative financial transactions	977	(905)
Cross-currency swap contracts			
—Realized	Interest revenue	6,584	1,170
	Interest expense	(5,392)	(809)
—Unrealized	Income from (loss on) derivative financial transactions	(3,056)	5,008
Credit default swap contracts			
—Realized	Income from derivative financial transactions	4,013	-

Loss on derivative financial transactions—net (included in other operating costs) for the nine months ended September 30, 2004 was \$2,583,806, and income from derivative financial transactions—net (included in other operating revenue) for the nine months ended September 30, 2003 was \$641,951.

b. Fair value of nonderivative financial instruments

	<u>September 30, 2004</u>		<u>September 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	\$ 80,565,780	\$ 80,565,780	\$ 40,270,759	\$ 40,270,759
Securities purchased	90,472,414	91,532,363	117,560,487	118,337,196
Loans, discounts and bills purchased	255,220,554	255,220,554	208,080,766	208,080,766
Long-term equity investments	9,403,106	9,403,106	8,966,730	8,966,730
Other long-term investments	1,014,300	1,014,300	817,718	809,576
Refundable guarantee deposits	1,512,602	1,514,743	675,857	680,783
<u>Liabilities</u>				
Financial liabilities—with fair values approximating carrying amounts	56,798,305	56,798,305	44,659,862	44,659,862
Deposits and remittances	327,316,658	327,316,658	295,353,790	295,353,790
Bank debentures	32,800,000	32,800,000	16,200,000	16,200,000
Other liabilities	54,759	54,759	47,302	47,032

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

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

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

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

The Bank had significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments were under seven years. (For the nine months ended September 30, 2004 and 2003, the interest rates of the loans both ranged from 0.01% to 20.00%. The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of a customer obligations to a third party. The term of these guarantees were usually less than one year, and their maturity dates are not concentrated in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risk as of September 30, 2004 and 2003 were as follows:

	September 30	
	2004	2003
Financial guarantees and standby letters of credit	\$ 16,647,411	\$ 12,204,290
Undrawn loan commitments	4,146,895	3,458,051

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 September 30, 2004 and 2003, ratios of secured loans to total loans were about 70% and 74%, 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 September 30, 2004 and 2003 were as follows:

	September 30			
	2004		2003	
	Amount	%	Amount	%
Natural person	\$ 164,409,304	64	\$ 150,147,303	71
Manufacturing	45,074,657	18	29,507,029	14

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

	September 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	61,383	\$	2,086,043
	JPY	1,551,475		475,372
	EUR	10,785		451,659
	AUD	14,739		358,006
	CAD	12,491		333,888
	USD	17,541	\$	592,546
	CHF	13,847		354,911
	THB	396,923		335,678
	KRW	9,405,408		276,519
	HKD	31,042		135,397

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	September 30, 2004	September 30, 2003
Overdue loans (including nonperforming loans) (Note 1)	2,200,681	4,235,083
Nonperforming loans	2,148,413	2,684,479
Overdue loans ratio (Note 2)	0.86	2.02
Classified loans (Note 3)	871,990	1,072,091
Ratios of classified loans to total loans	0.34	0.51
Allowance for credit losses	1,410,341	1,991,133
Write-off amounts of credits (Note 4)	699,726	591,079

Note 1: Overdue 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 September 30, 2004 and 2003 were 0.71% and 1.71%, 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 nine months ended September 30, 2004 and 2003.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	September 30, 2004		September 30, 2003	
Credit extensions to interested parties	3,459,481		4,200,322	
Ratios of credit extensions to interested parties	1.35		1.91	
Ratios of credit extensions secured by pledged stocks	1.58		0.33	
Industry concentration (the prior three industries of percentage)	Industry	Percentage	Industry	Percentage
	Natural person	77.19	Natural person	79.22
	Manufacturing	9.42	Manufacturing	7.67
	Wholesaling and retail	4.84	Wholesaling and retail	3.17

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) Interest-rate sensitivity information

Item	September 30, 2004	September 30, 2003
Ratio of interest-rate sensitive assets to liabilities	86.22	89.96
Ratio of interest-rate sensitive gap to net worth	(134.46)	(91.51)

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 Nine Months Ended September 30, 2004	For the Nine Months Ended September 30, 2003
Return on total assets	1.07	0.96
Return on net worth	17.22	13.60
Profit margin	20.03	19.96

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 before income tax represents income for the nine months ended September 30, 2004 and 2003.

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

2) Maturity analysis of assets and liabilities

September 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	\$417,550	\$115,301	\$62,352	\$20,877	\$22,721	\$196,299
Liabilities	417,624	169,040	60,417	60,271	57,777	70,119
Gap	(74)	(53,739)	1,935	(39,394)	(35,056)	126,180
Accumulated gap	(74)	(53,739)	(51,804)	(91,198)	(126,254)	(74)

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
September 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 Banking 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 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 Bureau or Department of Insurance.

30. STATEMENT OF CAPITAL ADEQUACY

Item	September 30, 2004	September 30, 2003
Capital adequacy ratios (Note)	11.13%	13.05%
Ratios of debt to net worth	1,544.10%	1,404.72%

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, thus the aforementioned figures were the capital adequacy ratios as of June 30, 2004 and 2003.

**31. INFORMATION RELATED TO THE TRUST
BUSINESS UNDER THE TRUST LAW**

a. Balance sheets and trust properties of trust accounts

**Balance Sheets of Trust Accounts
September 30, 2004**

<u>Trust Assets</u>		<u>Trust Liabilities and Equities</u>	
Bank deposits	\$ 1,474,122	Payables	\$ 3,107
Short-term investments	53,504,271	Trust capital	56,147,360
Receivables	3,946	Cumulative earnings	<u>1,364,909</u>
Prepayments	35		
Properties	1,281,896		
Net asset value of collective investment trust fund	<u>1,251,106</u>		
 Total trust assets	 <u>\$57,515,376</u>	 Total trust liabilities and equities	 <u>\$57,515,376</u>

**Trust Properties of Trust Accounts
September 30, 2004**

Investment Portfolio

Bank deposits	<u>\$ 1,474,122</u>
Short-term investments	
Bonds	10,467,189
Common stock	4,198,706
Funds	<u>38,838,376</u>
	<u>53,504,271</u>
Receivables	<u>3,946</u>
Prepayments	<u>35</u>
Properties	
Land	969,688
Construction in process	<u>312,208</u>
	<u>1,281,896</u>
Net asset value of collective investment trust fund	<u>1,251,106</u>
 Total	 <u>\$57,515,376</u>

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

**32. INFORMATION RELATED TO BORROWERS,
GUARANTORS AND COLLATERAL
PROVIDERS AS INTEREST PARTIES**

Category	Account Volume	September 30, 2004	Possibility of Loss (Note 3)
Consumer loans (Note 1)	400	\$ 253,662	-
Loans for employees' family mortgage	268	679,867	-
Other borrowers (Note 2)	605	2,749,800	-
Guarantees	459	2,077,726	-
Collateral providers	1,171	5,035,796	-

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 part 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>
For the nine months ended <u>September 30,2004</u>				
Rentals	\$10,051	\$ -	\$10,051	On the basis of actual square measures used.
For the nine months ended <u>September 30,2003</u>				
Rentals	3,909	-	3,909	On the basis of actual square measures used.

34. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: None;
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: None;
- 7) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
- 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: None;

- 9) Sale of nonperforming loans amounting to at least NT\$5 billion: None;
- 10) Other significant transactions which may affect the decisions of users of financial reports: None;
- 11) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4;
- 12) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 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.

As of September 30, 2004, FENB does not engage in derivative transactions. As of September 30, 2003, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

<u>Financial Instruments</u>	<u>September 30, 2003</u>		
	<u>Contract (Notional) Amount</u>	<u>Credit Risk</u>	<u>Fair Value</u>
For hedging purposes:			
Futures contracts	\$ 1,689,000	\$ -	(\$ 38,266)
For the purpose of accommodating customers’ needs or managing FENB’s exposures:			
Foreign currency options contracts			
—Long	8,276,100	-	\$ -
—Short	8,276,100	-	-

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 nine months ended September 30, 2004 and 2003 were insignificant.

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

BANK SINOPAC AND INVESTEES

**FINANCING PROVIDED
FOR THE NINE MONTHS ENDED SEPTEMBER 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	\$ 197,261 (Note 1)	\$ 197,014 (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 NINE MONTHS ENDED SEPTEMBER 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)	\$4,290,931 (Note 1)	\$4,290,931 (Note 1)	-	228%	(Note 3)
		Wal Tech International Corporation	Affiliate	(Note 2)	392,000	223,000	-	11%	(Note 3)

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

Note 2: The limit on individual endorsement or guarantee amount is up to 200% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of September 30, 2004, the limit was \$3,954,521.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of September 30, 2004, the maximum allowance was \$9,886,301.

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

TABLE 3

BANK SINOPAC AND INVESTEES

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2004

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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	\$ 5,520,768	100.00%	\$ 5,520,768	Note 3	
	SinoPac Financial Services (USA) Ltd.	Subsidiary	Long-term equity investments	2.5	38,765	100.00%	38,765	Note 3	
Far East Capital Corporation	<u>Stock (common stock)</u> Hollywood International Financial, 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	-	1,604	4.00%	1,604	Note 5	
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	33	1,699	0.20%	1,699	Note 6	
	<u>Stock (preferred stock)</u> AgraQuest, Inc.	-	Long-term equity investments	100	7,986	0.80%	7,986	Note 5	
	Silicon Motion, Inc.	-	Long-term equity investments	61	8,496	0.20%	8,496	Note 5	
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,145	1.50%	1,145	Note 5	
	Epana Networks, Inc.	-	Long-term equity investments	568	8,496	0.90%	8,496	Note 5	
	Straszheim Global Advisors, LLC	-	Long-term equity investments	0.14	9,346	6.00%	9,346	Note 5	
	SinoPac Leasing Corporation	<u>Stock</u> Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,567,410	100.00%	1,567,410	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%	4,619	Note 3	
Global Securities Finance Corp.		Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	16,352	Note 3	
Z-Com, Inc.		Investee accounted for by the cost method	Long-term equity investments	317	6,340	0.48%	3,490	Note 4	
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%	5,912	Note 3	
Grand Capital International Limited	<u>Venture fund</u> World Wide Multimedia L.P.	-	Long-term investments	0.005	33,248	16.67%	47,884	Note 3	
	<u>Stock (preferred stock)</u> Best 3C. Com, Inc.	-	Long-term equity investments	600	15,293	1.85%	15,293	Note 5	
	e21 Corp.	-	Long-term equity investments	200	10,195	0.79%	10,195	Note 5	
SinoPac Capital Limited	<u>Stock</u> SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	86,459	100.00%	422,175	Note 3	
	SinoPac Insurance Brokers Ltd.	Subsidiary	Long-term equity investments	100	1,307	100.00%	1,307	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	3,400	60,981	0.24%	73,224	Note 2	
	Sino Golf	-	Short-term investments	5,100	19,795	1.65%	31,361	Note 2	
	HC	-	Short-term investments	7,998	54,731	1.93%	55,621	Note 2	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2004				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Comba	-	Short-term investments	3,064	\$ 44,291	0.37%	\$ 51,999	Note 2
	Suga International	-	Short-term investments	7,080	44,654	3.13%	37,923	Note 2
	Haitian	-	Short-term investments	10,932	35,728	6.76%	21,553	Note 2
	Sun East	-	Short-term investments	10,650	62,151	3.04%	26,677	Note 2
	Dongjiang	-	Short-term investments	7,320	16,076	4.11%	13,421	Note 2
	Shougang	-	Short-term investments	14,892	52,661	1.46%	55,135	Note 2
	SMIC	-	Short-term investments	9,800	107,346	0.06%	67,909	Note 2
	Wong's	-	Short-term investments	11,208	25,762	1.62%	25,528	Note 2
	Everskill	-	Short-term investments	574	26,958	0.34%	25,402	Note 2
	IC Media	-	Short-term investments	800	67,968	-	67,968	Note 2
	Group Plan (Macau)	-	Short-term investments	US\$ 26	895	40.00%	895	Note 2
	Kanssen	-	Short-term investments	29	17,408	-	17,408	Note 2
	SCMP	-	Short-term investments	1,938	28,598	0.12%	27,892	Note 2
	Midland	-	Short-term investments	7,460	60,701	1.06%	88,092	Note 2
	QPL	-	Short-term investments	4,100	33,880	0.64%	31,380	Note 2
	Solomon	-	Short-term investments	8,150	66,865	0.33%	65,499	Note 2
	Sino Forest	-	Short-term investments	1,128	103,235	0.83%	89,286	Note 2
	<u>Fund</u>							
	China Enterprise Capital	-	Short-term investments	US\$ 1,000	33,984	-	33,984	Note 5
	<u>Bond</u>							
	Chiam International	-	Short-term investments	US\$ 2,000	67,968	-	67,968	Note 5
	InvestLink International	-	Short-term investments	US\$ 1,410	47,917	-	47,917	Note 5
	<u>Convertible bill and bond</u>							
	Sinbon Electronics Co., Ltd.	-	Short-term investments	US\$ 1,000	33,984	-	38,062	Note 2
	Micro-Star Int'l Co., Ltd.	-	Short-term investments	US\$ 2,000	67,968	-	70,007	Note 2
	Asia Optical	-	Short-term investments	US\$ 500	16,992	-	18,266	Note 2
	Yue Yuen Industrial	-	Short-term investments	US\$ 1,000	33,984	-	32,880	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	6,753	100.00%	6,212	Note 3
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	(193,253)	100.00%	(193,253)	Note 3
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	28,905	60.00%	25,081	Note 3
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	200	3,989	99.9995%	3,987	Note 3
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u>							
	3V Source One LP	-	Long-term investments	2,000	69,441	71.43%	49,470	Note 3
	<u>Stock</u>							
	Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	162,646	100.00%	141,353	Note 3
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999.999	1,799	99.9999%	1,799	Note 3
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	54,119	34.21%	40,448	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

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 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>Venture fund</u>								
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	\$ 59,544	6.25%	\$ 59,544	Note 5	
	UOB Venture Technology Investments Limited	-	Long-term investments	26	75,830	8.62%	75,830	Note 5	
	MDS Life Sciences Technology Fund—Barbados	-	Long-term investments	50	119,996	25.00%	84,862	Note 3	
	Biotechnology Development Fund II, L.P.	-	Long-term investments	-	22,264	2.30%	42,014	Note 3	
	North America Venture Fund II, L.P.	-	Long-term investments	-	15,140	2.07%	28,992	Note 3	
	<u>Stock (common stock)</u>								
	Ardent Pharmaceuticals, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	17,371	0.58%	372	Note 3	
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	167	9,980	0.75%	8,496	Note 6	
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	33,978	0.20%	4,308	Note 3	
	<u>Stock (preferred stock)</u>								
	Sunol Molecular Corp.	-	Long-term equity investments	100	17,152	0.92%	17,046	Note 5	
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,530	1.10%	17,422	Note 5	
	Immusol, Inc.	-	Long-term equity investments	75	10,422	0.16%	10,358	Note 5	
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,414	0.31%	10,350	Note 5	
	BioAgri Corp.	-	Long-term equity investments	375	10,195	2.34%	10,133	Note 5	
	Wal Tech International Corporation	<u>Stock</u>							
		Intellisys Corp.	Subsidiary	Long-term equity investments	10,326	235,324	62.58%	126,963	Note 3
		Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	9,030	30.00%	8,976	Note 3
Fu Po Electronics Corporation		Investee accounted for by the cost method	Long-term equity investments	1,295	23,315	1.50%	12,992	Note 4	
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%	1,894	Note 3	
SynTest Technologies, Inc., Taiwan		Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	450	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%	14,353	Note 4	
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	4,079	0.60%	1,725	Note 4	
Advanced Power Electronics Corp.		Investee accounted for by the cost method	Long-term equity investments	759	13,698	1.18%	10,810	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	1,035	29,996	3.07%	12,902	Note 2	
SonicEdge Industries Corporation		Investee accounted for by the cost method	Long-term equity investments	580	14,500	2.29%	4,980	Note 3	
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%	1,661	Note 4		
Intellisys Corp.	<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 September 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 September 30, 2004.

BANK SINOPAC AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2004			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss)	Note
				September 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	\$ 5,485,632	\$ 284,827	\$ 222,970	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	2,189,919	162,039	
	SinoPac Capital Limited	Hong Kong	Lending and financing	HK\$ 229,998	HK\$ 229,998	229,998	99.9991	991,466	6,022	(25,038)	Subsidiary
	SinoPac Financial Consulting Co., Ltd.	Taipei	Investment advisory and business management advisory	\$ 1,940	\$ 1,940	194	97.00	2,358	206	181	Subsidiary
SinoPac Bancorp	Far East National Bank SinoPac Financial Services (USA) Ltd.	California	Commercial bank	US\$ 107,306	US\$ 107,306	175	100.00	5,520,768	298,918		Affiliate
		California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	38,765	2,331		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	64,009	(4,392)		Affiliate
		California	Asset management	US\$ 1	US\$ 1	0.1	100.00	(40,064)	(4,586)		Affiliate
		California	Motion picture asset management	US\$ 1	US\$ 1	0.1	100.00	(84,476)	(4,177)		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	1,567,410	148,738		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	86,459	17,047		Affiliate
		Hong Kong	Insurance brokerage	HK\$ 300	-	100	100.00	1,307	-		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.)	British Virgin Islands	Investment and advisory	US\$ 4,000	US\$ 4,000	4,000	100.00	6,753	(37,724)		Affiliate
		British Virgin Islands	Investment	US\$ 0.002	US\$ 0.002	0.002	100.00	(193,253)	(9,964)		Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd. Pinnacle Investment Management Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	28,905	2,401		Affiliate
		Hong Kong	Asset management, trust and consulting	US\$ 200	US\$ 200	200	99.9995	3,989	(126)		Affiliate
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	\$ 272,182	\$ 272,182	26,500	100.00	162,646	(31,781)		Affiliate
		Hong Kong	General trading and providing internet-based service	HK\$ 999,999	HK\$ 999,999	999,999	99.9999	1,799	(1,566)		Affiliate
	Telexpress Corp.	Cayman Islands	Investment	US\$ 1,560	US\$ 1,560	3,900	34.21	54,119	12,503		Investee under significant influence held by the Bank's affiliate
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	258,836	258,836	10,326	62.58	235,324	1,745		Affiliate
	Multiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00	9,030	(15,094)		Investee under significant influence held by the Bank's affiliate

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

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

Note 3: The amounts were after deducting realized losses.