

Bank SinoPac and Subsidiaries

Consolidated Financial Statements as of December 31, 1999 and 1998

Together with Independent Auditors' Report

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

The Board of Directors and Stockholders
Bank SinoPac

We have audited the consolidated balance sheets of Bank SinoPac and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all materials respects, the financial position of Bank SinoPac and subsidiaries as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of China.

February 3, 2000

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 1999 and 1998

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

	<u>1999</u>		<u>1998</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
OPERATING REVENUES				
Interest (Notes 2 and 9)	\$14,470,293	79	\$13,839,559	85
Service fees (Note 20)	1,059,175	6	821,352	5
Income from securities - net (Notes 2, 6 and 16)	2,074,024	13	1,316,540	8
Income from long-term equity investments - net (Notes 2 and 10)	345,346	-	41,016	-
Foreign exchange gain - net (Notes 2 and 22)	55,745	-	98,606	1
Other	<u>263,255</u>	<u>2</u>	<u>199,726</u>	<u>1</u>
Total Operating Revenues	<u>18,267,838</u>	<u>100</u>	<u>16,316,799</u>	<u>100</u>
OPERATING EXPENSES				
Interest (Note 2)	10,366,322	57	10,509,818	65
Service charges	243,389	1	175,416	1
Provision for credit losses and loss reserve (Notes 2, 8, 9, and 12)	853,753	5	404,748	2
Operating and administrative expenses (Notes 17 and 18)	4,317,216	24	3,572,782	22
Other	<u>175,748</u>	<u>1</u>	<u>176,983</u>	<u>1</u>
Total Operating Expenses	<u>15,956,428</u>	<u>88</u>	<u>14,839,747</u>	<u>91</u>
OPERATING INCOME	<u>2,311,410</u>	<u>12</u>	<u>1,477,052</u>	<u>9</u>
NON-OPERATING INCOME (EXPENSES)				
Non-operating income	60,235	-	32,454	-
Non-operating expenses	(<u>106,324</u>)	-	(<u>27,377</u>)	-
Non-Operating Income (Expenses) - Net	(<u>46,089</u>)	-	<u>5,077</u>	-
INCOME BEFORE INCOME TAX	2,265,321	12	1,482,129	9
MINORITY INCOME	(63,725)	-	(23,286)	-
INCOME TAX (Notes 2 and 19)	<u>411,075</u>	<u>2</u>	<u>453,535</u>	<u>3</u>
NET INCOME	<u>\$ 1,790,521</u>	<u>10</u>	<u>\$ 1,005,308</u>	<u>6</u>
EARNINGS PER SHARE				
Based on weighted average shares				
outstanding: 1,582,327,198 shares in 1999				
and 1,375,276,094 shares in 1998	<u>\$1.13</u>		<u>\$0.73</u>	
Based on 1,431,249,831 shares - after retroactive adjustment for stock dividends			<u>\$0.70</u>	

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 1999 and 1998

(Expressed in Thousands of New Taiwan Dollars, Except Dividend and Stock Issue Price Per Share)

	CAPITAL STOCK (Note 15)		CAPITAL SURPLUS (Notes 2 and 15)			RETAINED EARNINGS (Note 15)			UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 10)	TRANSLATION ADJUSTMENT (Note 2)	TOTAL STOCKHOLDERS' EQUITY		
	Shares (in Thousands)	Amount	Additional Paid-in Capital	Gain on Disposal of Properties	Donated Capital	Total	Legal Reserve	Special Reserve				Unappropriated	Total
BALANCE, JANUARY 1, 1998	1,223,813	\$ 12,238,130	\$ 1,089,000	\$ 14,828	\$ -	\$ 1,103,828	\$ 827,237	\$ 275,746	\$ 1,237,431	\$ 2,340,414	\$ -	\$ 2,554	\$ 15,684,926
Appropriation of 1997 earnings	-	-	-	-	-	-	369,326	-	(369,326)	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	161,909	(161,909)	-	-	-	-
Special reserve	-	-	-	-	-	-	-	(255,746)	(686,590)	(942,336)	-	-	-
Stock dividends - \$0.77 per share	94,234	942,336	-	-	-	-	-	-	-	(4,282)	-	-	(4,282)
Rewards to directors and supervisors	-	-	-	-	-	-	-	-	(8,564)	(8,564)	-	-	(8,564)
Bonus to employees	853	8,534	-	-	-	-	-	-	1,005,308	1,005,308	-	-	1,005,308
Net income for 1998	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of capital stock for cash - \$15 per share, effected on September 19, 1998	200,000	2,000,000	1,000,000	-	-	1,000,000	-	-	-	-	-	-	3,000,000
Transfer of gain on sale of properties to capital surplus	-	-	-	956	-	956	-	-	(956)	(956)	-	-	-
Unrealized loss on long-term equity investments recognized from investee under the equity method	-	-	-	-	-	-	-	-	-	-	(202,148)	-	(202,148)
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(5,261)	(5,261)
BALANCE, DECEMBER 31, 1998	1,518,900	15,189,000	2,089,000	15,784	-	2,104,784	1,196,563	181,909	1,011,112	2,389,584	(202,148)	(2,707)	19,478,513
Appropriation of 1998 earnings	-	-	-	-	-	-	301,305	-	(301,305)	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock dividends - \$0.407 per share	61,819	618,192	(618,192)	-	-	(618,192)	-	-	-	(596,928)	-	-	(596,928)
Cash dividends - \$0.393 per share	-	-	-	-	-	-	-	-	(14,045)	(14,045)	-	-	(14,045)
Rewards to directors and supervisors	-	-	-	-	-	-	-	-	(91,295)	(91,295)	-	-	(91,295)
Bonus to employees	3,887	38,868	-	-	-	-	-	-	1,790,521	1,790,521	-	-	1,790,521
Net income for 1999	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of gain on sale of properties to capital surplus	-	-	-	526	-	526	-	-	(526)	(526)	-	-	-
Reversal of unrealized loss on long-term equity investments recognized from investee under the equity method	-	-	-	-	-	-	-	-	-	-	202,148	-	202,148
Change in translation adjustment on long-term equity investments	-	-	-	-	-	-	-	-	-	-	-	(5,892)	(5,892)
Donated dividends	-	-	-	-	83	83	-	-	-	-	-	-	83
BALANCE, DECEMBER 31, 1999	1,584,606	\$ 15,846,060	\$ 1,470,808	\$ 16,310	\$ 83	\$ 1,487,201	\$ 1,497,868	\$ 181,909	\$ 1,797,534	\$ 3,477,311	\$ -	(\$ 8,599)	\$ 20,801,973

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1999 and 1998

(Expressed in Thousands of New Taiwan Dollars)

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,790,521	\$ 1,005,308
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Minority income	63,725	23,286
Depreciation and amortization	433,188	434,720
Provision for credit losses and loss reserve	853,753	404,748
Provision for (reversal of) market value decline of securities purchased	(32,427)	98,256
Loss (gain) on disposal of properties - net	7,828	(79,538)
Investment loss under the equity method	1,658	4,316
Gain on sale of long-term equity investments	(337,536)	(45,332)
Deferred income tax	(88)	(44,197)
Changes in operating assets and liabilities		
Securities - dealing and underwriting	(6,915,831)	(610,240)
Accounts, interest and other receivables	(10,865,395)	(2,552,077)
Prepayments	(37,875)	(106,461)
Securities purchased under agreements to resell	(370,223)	(60,398)
Accounts, interest and other payables	2,251,668	4,919,191
Securities sold under agreements to repurchase	<u>5,876,043</u>	<u>430,507</u>
Net Cash Provided by (Used in) Operating Activities	<u>(7,280,991)</u>	<u>3,822,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in loans, discounts and bills purchased	(18,006,934)	(10,257,130)
Decrease (increase) in securities purchased	5,559,955	(13,545,990)
Acquisition of properties	(964,149)	(5,919,605)
Increase in long-term equity investments	(1,250,419)	(1,983,212)
Proceeds from sale of long-term equity investments	1,472,021	336,644
Proceeds from sale of properties	29,352	3,026,306
Decrease (increase) in other assets	<u>(1,745,990)</u>	<u>609,721</u>
Net Cash Used in Investing Activities	<u>(14,906,164)</u>	<u>(27,733,266)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits and remittances	5,819,962	25,759,088
Increase (decrease) in borrowings from other banks	(814,401)	4,395,986
Increase (decrease) in call loans and due to banks	8,357,086	(2,595,274)
Decrease in other liabilities	(372,623)	(1,364,904)
Rewards to directors, supervisors and bonus to employees	(62,612)	(4,312)
Cash dividends	(596,928)	-
Donated dividends	83	-
Issuance of capital stock for cash	-	3,000,000
Increase (decrease) in minority equity	<u>(840,662)</u>	<u>1,081,687</u>
Net Cash Provided by Financing Activities	<u>11,489,905</u>	<u>30,272,271</u>

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

INCREASE (DECREASE) IN CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS	(\$10,697,250)	\$ 6,361,094
CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS, BEGINNING OF YEAR	<u>31,532,135</u>	<u>25,171,041</u>
CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS, END OF YEAR	<u>\$20,834,885</u>	<u>\$31,532,135</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$10,629,233</u>	<u>\$10,048,716</u>
Income tax paid	<u>\$ 412,754</u>	<u>\$ 497,580</u>

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

BANK SINOPAC AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

December 31, 1999 and 1998

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 1999, the Bank's operating units include Banking, Savings, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU) and thirty-four domestic branches, one overseas branch and two overseas representative offices. The Bank's shares of stock had been traded on the R.O.C. Over-the-counter Securities Exchange (the "OTC Exchange") until June 29, 1998 when the shares were listed on the Taiwan Stock Exchange.

SinoPac Bancorp is a wholly-owned subsidiary of the Bank which was established in July 1997 in the United States to acquire and hold 100% share of Far East National Bank ("FENB"), Los Angeles, California, USA.

FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. On August 15, 1997, Bank SinoPac acquired FENB, through SinoPac Bancorp, by purchase of 100% of its shares. As of December 31, 1999, FENB has 12 branches in Los Angeles and San Francisco areas and one Beijing representative office. It also has a wholly-owned subsidiary - Far East Capital Corporation, a small business investment bank.

SinoPac Leasing Corporation ("SPL") was incorporated on September 2, 1997 and commenced operations on March 9, 1998. It is engaged mainly in leasing, sub-leasing, re-leasing and conditional sales (installment sales) of aircraft, transportation equipment, machinery and equipment.

Grand Capital International Limited ("Grand Capital Ltd."), a wholly-owned subsidiary of SPL, was incorporated in the British Virgin Islands on January 2, 1998. It is mainly engaged in leasing and trading activities.

SPL acquired 30% shares of SinoPac Securities Corporation ("SPS") in September 1998. As of December 31, 1999, SPL owns 70.16% of shares of SPS with additional acquisition of shares in 1999.

SPS was established in December 1996, and commenced operation of brokerage of marketable equity securities. In December 1998, SPS obtained government approval to be engaged in underwriting and dealing.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Bank and its subsidiaries (the Bank, thereafter), SinoPac Bancorp, as consolidated with FENB, and SPL, as consolidated with SPS and Grand Capital Ltd. All significant inter-company accounts and transactions have been eliminated in consolidation.

The operating revenues and total assets of the other three subsidiaries - SinoPac Securities Investment Advisory Corp., SinoPac Capital Ltd., and Bank SinoPac Financial Consulting Co., Ltd. - are individually less than 10%, and are in aggregate less than 30%, of those of the Bank. Accordingly, their accounts were not consolidated.

Securities purchased

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

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

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

Securities - dealing and underwriting

Securities for dealing and underwriting are carried at the lower of cost or market. Market prices are determined as follows: (a) listed securities - the closing prices at the balance sheet dates; and (b) over-the-counter securities - reference prices published by the OTC Exchange at the balance sheet dates. Allowance for losses is provided for the excess of the total cost of the securities over their market value. The allowance is adjusted when the market value subsequently recovers. Cost of these securities sold is determined by the moving average method.

Securities purchased under agreements to resell and securities sold under agreements to repurchase

In compliance with a directive of the Ministry of Finance, sales and purchases of bonds and short-term bills under agreements to repurchase or resell are treated as outright sales and purchases for the Bank except for SPS.

For SPS, securities purchased under agreements to resell and securities sold under agreements to repurchase are recorded as separate accounts at cost. The difference between the original purchase cost (or sale price) and the contracted resale (or repurchase) amount is recognized as interest income (or interest expense).

Allowance for credit losses

Allowances for losses on loans, discounts, bills purchased, accounts receivables, lease receivables, non-performing loans and other receivables are provided based on a review of their collectibility.

Long-term equity investments

Long-term equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Investments accounted for by the equity method are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. Any difference between the acquisition cost and the equity of the investee acquired at the time of investment 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 the number of shares and are not recognized as investment income. For listed stocks (including shares of Bank SinoPac held by SPL as long-term equity investments) accounted for by the cost method, if the aggregate market value is lower than the total carrying value, an allowance for market value decline is provided and the unrealized loss is charged against stockholders' equity. Cost of investment (including shares of Bank SinoPac held by SPL as long-term equity investments) sold is determined by the weighted-average method and the related gain or loss on sale of long-term equity investment is recognized in the statement of income.

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 respective accounts. Any resulting gain is credited to current income and then transferred to capital surplus after deducting applicable income tax. Any resulting loss is charged to current income.

Depreciation is calculated by the straight-line method based on estimated service lives which range as follows: buildings, 8 to 55 years; computer equipment, 3 to 5 years; transportation equipment, 5 years; office and other equipment, 5 to 8 years; equipment for lease, 5 to 18 years. For assets which have reached their original estimated service lives but remain in use, further depreciation is calculated based on the estimated additional service lives.

Intangible assets

Intangible assets (included in other assets), mainly comprised of goodwill, are amortized on the straight-line basis over 15 years.

Provisions losses on guaranties

Provisions for losses on guarantees and acceptances (included in other liabilities) are provided based on their estimated collectibility.

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 based on spot exchange rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at closing rates at the balance sheet date. Realized and unrealized foreign exchange gains or losses are credited or charged to current income. Gains or losses resulting from restatement of year-end foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to "translation adjustment" under stockholders' equity.

Derivative financial instruments

a. Foreign exchange forward contracts

Foreign-currency assets and liabilities arising from forward exchange contracts, which are mainly to accommodate customers' needs or to manage 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 at settlement are credited or charged to current income. For contracts outstanding at the balance sheet date, 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 the related payables at the balance sheet date.

b. Currency swap contracts

Foreign-currency spot-position assets or liabilities arising from currency swap contracts, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded at the spot rates when the transactions occur, while the corresponding forward-position assets or liabilities are recorded at the contracted forward rates; with receivables netted against the related payables. Gains or losses arising from the differences between the contracted forward rates and the spot rates at settlement are credited or charged to current income. For contracts outstanding at the balance sheet date, the gains or losses arising from the differences between contracted forward rates and the forward rates available for the remaining maturities of the contracts are credited or charged to current income.

c. Cross currency swap

Cross currency swap (CCS) contracts, which are intended for hedging purposes, are recorded at the contracted forward rates as off-balance sheet items. The related discounts or premiums are amortized over the respective contract periods on a straight-line basis. The net interest upon each settlement is recorded as an adjustment to the revenue or expense associated with the item being hedged.

d. Options

Premiums paid or received for options, which are mainly to accommodate customers' needs or to manage the Bank's currency positions, are recorded as assets and liabilities, respectively, and are amortized over the respective contract periods on a straight-line basis. Gains or losses on exercise of options are credited or charged to current income. Options outstanding at the balance sheet date are revalued at market value and the resulting gains or losses are recognized currently.

Premiums paid or received for options, which are intended for hedging purposes, are recorded as assets and liabilities, respectively, and are amortized over the respective contract periods on a straight-line basis. Gains or losses on exercise of options are recorded as adjustments to the revenue, cost or expenses associated the items being hedged.

e. Interest rate swaps

Interest rate swaps do not involve exchanges of principals, which are recorded by memorandum entries at the contract dates. For such swaps entered into to accommodate customers' needs or to manage the Bank's interest rate positions, the interest differentials to be received or paid at settlement are recognized as interest income or expense. For swaps entered into for hedging purposes, the net interest upon each settlement is recorded as an adjustment to interest income or expense associated with the item being hedged.

f. Futures

Deposit paid for futures contracts entered into for purposes other than trading are recognized as assets. Gains or losses arising from the changes in the market value of the futures contracts at the balance sheet date are recognized as income for the period. Gains or losses determined at the settlement of the futures contracts are also recognized as current income.

Pension

Under R.O.C. Statement of Financial Accounting Standards ("SFAS") No. 18, "Accounting for Pensions," pension expense is determined based on actuarial calculations (Note 18).

Accounting for leases and installment sales

For capital leases, the costs of leased equipment and the interest imputed thereon are treated as lease receivables (included in accounts, interest and other receivables). The interest is initially treated as unearned interest income, then transferred periodically to income when earned.

For operating leases, the contracted rentals are recognized as income periodically.

Income tax

Under SFAS No. 22, "Accounting for Income Tax," interperiod income tax allocation is applied, whereby tax effects of deductible temporary differences. And unused investment tax credits are recognized as deferred income tax assets and those of taxable temporary differences are recognized as deferred income tax liabilities; a valuation allowance is provided for deferred income tax assets that are not certain to be realized.

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

Income taxes (10%) on unappropriated earnings is recorded as income tax in the year when the shareholders resolve that the earnings shall be retained.

3. ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN AFFILIATES IN 1999

<u>Name of Corporation</u>	<u>Elimination Account</u>	<u>Amount</u>	<u>Counterparties of Transaction</u>
Bank SinoPac	Due from banks	\$ 115,592	SinoPac Bancorp and subsidiaries
	Deposits and remittances	977,922	SinoPac Leasing Corporation and subsidiaries
	Loans, discounts and bills purchased	158,173	SinoPac Leasing Corporation and subsidiaries
	Interest expenses	49,599	SinoPac Leasing Corporation and subsidiaries
	Interest revenue	10,462	SinoPac Leasing Corporation and subsidiaries
	Securities purchased	19,689	SinoPac Leasing Corporation and subsidiaries

(Forward)

SinoPac Bancorp and subsidiaries	Call loans and due to banks	\$ 115,592	Bank SinoPac
	Pledged time deposits	547,054	Bank SinoPac
	Short-term borrowings	23,000	Bank SinoPac
	Long-term borrowings	135,173	Bank SinoPac
	Interest revenues	49,599	Bank SinoPac
	Interest expenses	10,462	Bank SinoPac
	Commercial paper payable	19,822	Bank SinoPac

4. CASH		<u>1999</u>	<u>1998</u>
Notes and checks in clearing		\$ 1,015,254	\$ 1,361,230
Cash		1,587,067	1,075,958
Negotiable certificates of deposit		<u>2,726,473</u>	<u>1,989,960</u>
		<u>\$ 5,328,794</u>	<u>\$ 4,427,148</u>

As of December 31, 1999, negotiable certificates of deposit aggregating \$31,395 have maturities over one year.

5. DUE FROM CENTRAL BANK

This consists mainly of deposit reserves required by law, which are determined monthly at prescribed rates on average balances of customers' deposits. These reserves include \$5,041,416 and \$5,852,848 as of December 31, 1999 and 1998, respectively, of which withdrawal is restricted.

6. SECURITIES PURCHASED		<u>1999</u>	<u>1998</u>
Commercial paper		\$ 16,864,889	\$ 20,877,998
Bonds and bank debentures		11,995,624	12,948,344
Beneficiary certificates		1,322,303	417,747
Listed and over-the-counter stocks		566,511	937,265
Floating rate notes		133,820	1,006,922
Bank acceptances		<u>98,394</u>	<u>542,138</u>
		30,981,541	36,730,414
Less: Allowance for market value decline		<u>65,128</u>	<u>154,524</u>
Net		<u>\$ 30,916,413</u>	<u>\$ 36,575,890</u>

The aggregate market value of bonds and bank debentures, beneficiary certificates and stocks are as follows:

	<u>1999</u>	<u>1998</u>
Bonds and bank debentures	\$11,973,882	\$12,986,043
Beneficiary certificates	1,330,293	375,525
Stocks	540,975	880,106

As of December 31, 1999 and 1998, government bonds, corporate bonds and bank debentures totaling \$54,800 and \$31,700, respectively, have been provided to courts as performance bonds for provisional seizure of debtors' properties.

7. SECURITIES - DEALING AND UNDERWRITING

	<u>December 31</u>	
	<u>1999</u>	<u>1998</u>
<u>Dealing Department</u>		
Listed stocks	\$ 967,289	\$ 246,116
Over-the-counter stocks	23,106	-
Convertible corporate bonds	777,782	116
Government and corporate bonds	4,228,471	113,474
Bank debentures	<u>1,359,039</u>	<u>250,533</u>
	7,355,687	610,239
Less: Allowance for decline in market value	<u>-</u>	<u>-</u>
Net	<u>7,355,687</u>	<u>610,239</u>
<u>Underwriting Department</u>		
Listed stocks	69,836	-
Over-the-counter stocks	15,747	-
Convertible corporate bonds	<u>84,800</u>	<u>-</u>
	170,383	-
Less: Allowance for decline in market value	<u>-</u>	<u>-</u>
Net	<u>170,383</u>	<u>-</u>
	<u>\$7,526,070</u>	<u>\$ 610,239</u>

The aggregate market value of securities are as follows:

	<u>December 31</u>	
	<u>1999</u>	<u>1998</u>
Dealing department	<u>\$7,479,629</u>	<u>\$ 611,151</u>
Underwriting department	<u>\$ 209,272</u>	<u>\$ -</u>

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES	<u>1999</u>	<u>1998</u>
Accounts receivable	\$12,478,555	\$ 2,941,264
Lease receivable - net of unearned interest income	1,260,359	1,015,587
Interest receivable	1,039,655	862,966
Other receivable	351,160	-
Accrued revenue	349,551	233,074
Other	<u>456,786</u>	<u>132,069</u>
	15,936,066	5,184,960
Less: Allowance for losses	<u>277,746</u>	<u>155,559</u>
Net	<u>\$15,658,320</u>	<u>\$ 5,029,401</u>

As of December 31, 1999, accounts receivable includes \$9,162,195 which were generated from factoring business.

The Bank collected respective notes for lease receivable. As of December 31, 1999, notes amounted to \$721,862 have been provided as collateral for borrowing from other banks and credit line for issuance of short-term bills.

The investments in corporate bonds issued by Tong Lung Metal Industry Co., floating rate notes issued by C. P. POKPHAND and convertible corporate bonds issued by TECHNOLOGY RESOURCES INDUSTRIES BERHAD amounted to \$100,000, \$156,975 and \$94,185, respectively, were reclassified in 1999 from securities purchased to other receivables. An additional provision for losses were provided on the investments based on a review of their collectibility.

9. LOANS, DISCOUNTS AND BILLS PURCHASED	<u>1999</u>	<u>1998</u>
Overdrafts	\$ 3,405,131	\$ 3,989,529
Short-term loans	32,986,897	28,362,712
Mid-term loans	51,939,508	53,551,430
Long-term loans	62,156,782	46,647,791
Import and export negotiations	812,746	756,004
Bills purchased	<u>12,619</u>	<u>804</u>
	151,313,683	133,308,270
Less: Allowance for credit losses	1,134,827	1,209,139
Unearned loan fees	<u>85,653</u>	<u>80,121</u>
Net	<u>\$150,093,203</u>	<u>\$132,019,010</u>

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

10. LONG-TERM EQUITY INVESTMENTS	<u>1999</u>	<u>1998</u>
Cost method		
Listed and over-the-counter stocks	\$ 824,987	\$ 1,178,585
Unlistd stocks	784,933	899,149
Venture funds	<u>69,160</u>	<u>-</u>
	<u>1,679,080</u>	<u>2,077,734</u>
Equity method		
Unlisted stocks	<u>182,883</u>	<u>11,329</u>
Prepayments for capital subscription	<u>500,970</u>	<u>-</u>
	2,362,933	2,089,063
Less: Unrealized loss on long-term equity investments	<u>-</u>	<u>202,148</u>
Net	2,362,933	1,886,915
Transfer to other liabilities	<u>8,115</u>	<u>2,142</u>
Total	<u>\$2,371,048</u>	<u>\$1,889,057</u>

The total market value of the listed and over-the-counter stocks are \$907,187 and \$981,970 as of December 31, 1999 and 1998, respectively. The investment in Ruentex Textile Co., Ltd. was reclassified in September 1999 from securities purchased (short-term) to long-term equity investments.

The carrying amounts of the investments accounted for by the equity method as of December 31, 1999 and 1998, and the related investment loss of \$1,658 and \$4,316, respectively, for the years then ended, were based on the investees' audited financial statements, except for those of Rocorp Holding S.A., Bank SinoPac Financial Consulting Co., Ltd., Asian Glory International Limited and Wal Tech International Corporation, which were based on the investees' unaudited financial statements. If the investees' unaudited financial statements mentioned above were audited, the effect of adjustments, if any, is not expected to be significant.

11. PROPERTIES	<u>1999</u>	<u>1998</u>
Cost	<u>\$7,172,611</u>	<u>\$6,126,167</u>
Accumulated depreciation		
Buildings	156,891	110,520
Computer equipment	351,789	305,686
Transportation equipment	25,059	17,234
Office and other equipment	574,190	433,172
Equipment for lease	<u>172,448</u>	<u>75,967</u>
	<u>1,280,377</u>	<u>942,579</u>
	5,892,234	5,183,588
Prepayments for equipment and construction in progress (Note 21)	<u>101,933</u>	<u>269,758</u>
Net	<u>\$5,994,167</u>	<u>\$5,453,346</u>

The Bank bought two aircrafts at \$1,343,737 (US\$41,300) from Far East Airline Co., Ltd. ("FAT") and entered into an operating lease contract with FAT for two years. The monthly rental amounted to US\$508 with refundable deposits of US\$1,524. These aircrafts have been provided as collateral of the syndication loan.

12. OTHER ASSETS	<u>1999</u>	<u>1998</u>
Non-performing loans	\$1,405,646	\$ 945,970
Less: Allowance for credit losses	<u>280,342</u>	<u>230,269</u>
	1,125,304	715,701
Guarantee deposits	1,384,777	1,078,429
Intangible assets	1,130,242	1,251,662
Collaterals assumed	205,849	287,924
Other	<u>705,991</u>	<u>231,782</u>
	<u>\$4,552,163</u>	<u>\$3,565,498</u>

As of December 31, 1999 and 1998, bank debentures, government and corporate bonds totaling \$727,865 and \$609,100, respectively, have been submitted as guarantee deposits.

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

13. DEPOSITS AND REMITTANCES	<u>1999</u>	<u>1998</u>
Time	\$ 83,848,556	\$ 86,136,637
Savings	78,638,740	69,330,910
Demand	13,637,957	11,015,331
Checking	4,533,194	4,390,472
Negotiable certificates of deposit	2,128,600	6,107,400
Outward remittances	29,649	18,801
Inward remittances	<u>19,273</u>	<u>16,456</u>
	<u>\$182,835,969</u>	<u>\$177,016,007</u>

14. ACCOUNTS, INTEREST AND OTHER PAYABLES	<u>1999</u>	<u>1998</u>
Accounts payable	\$ 5,162,431	\$ 386,679
Commercial paper payable - net	2,587,303	2,339,020
Interest payable	1,801,082	2,076,266

(Forward)

Notes and checks in clearing	\$ 1,143,789	\$ 1,593,236
Collections payable	28,214	2,221,739
Other	<u>810,125</u>	<u>660,476</u>
	<u>\$ 11,532,944</u>	<u>\$ 9,277,416</u>

As of December 31, 1999, accounts payable include \$5,061,333 which were generated from factoring business.

The balance of commercial paper payable as of December 31, 1999 and 1998 is net of unamortized discount \$25,875 and \$25,972, respectively.

15. STOCKHOLDERS' EQUITY

a. Capital stock

On September 13, 1999, the stockholders resolved to increase the Bank's capital from \$15,846,060 to \$18,046,060, divided into 1,804,606,040 shares at a par value of 10 New Taiwan dollars. 220,000,000 shares will be increased in form of Global Depositary Receipts. The capital increase has been submitted to the competent authorities for approval.

On April 15, 1999, the stockholders resolved to increase the Bank's capital from \$15,189,000 to \$15,846,060, divided into 1,584,606,040 shares at the same par value, through: 1) stock dividends of \$618,192 declared from additional paid-in capital, and 2) issuance of shares to employees in lieu of cash bonus of \$38,868. The capital increase was effected on August 3, 1999.

On March 23, 1998, the stockholders resolved to increase the Bank's capital from \$12,238,130 to \$15,189,000, divided into 1,518,900,000 shares at the same par value, through: 1) stock dividends of \$255,746 and \$686,590 declared from special reserve and unappropriated earnings, respectively; 2) issuance of shares to employees in lieu of cash bonus of \$8,534; and 3) issuance of 200,000,000 shares by cash contribution at 15 New Taiwan dollars per share. The capital increase was effected on September 19, 1998.

b. Capital surplus

According to the Securities and Futures Commission (the "SFC") regulations, capital surplus arising from issuance of shares in excess of par value can be transferred to capital only once a year, excluding the year in which it arises, and within the specified limits.

c. Retained earnings

The Bank's Articles of Incorporation provide that the following shall be appropriated from annual net income, less any deficit:

- 1) 30% as legal reserve;
- 2) Special reserve or an amount to be retained; and

- 3) Dividends to stockholders, rewards to directors and supervisors and bonus to employees at 85%, 2% and 13%, respectively, of the remainder.

These appropriations and the disposition of the remaining net income, as well as other allocations of earnings shall be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

Under the Company Law, the aforementioned appropriation for legal reserve shall be made until the reserve equals the paid-in capital. This reserve shall only be used to offset a deficit, or, when reaching 50% of capital, up to 50% thereof can be transferred to capital. In addition, the Banking Law provides that, before the reserve equals the paid-in capital, annual cash dividends, rewards and bonus shall not exceed 15% of capital.

On January 28, 2000, the board of directors proposed to amend the Articles of Incorporation with respect to appropriation of earnings as follows:

- (1) To comply with a directive issued by the SFC, whenever the stockholders' equity contains components showing debit balances, such as unrealized loss on long-term equity investments and translation adjustment, a special reserve equal to the total debit balance shall be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. The special reserve so appropriated, except the amount that is reversible due to the reduction in the total debit balance, shall not be available for appropriation.
- (2) The type and amount of dividends and bonus to employees shall be determined by the board of directors after taking into account prevailing financial market environment, market trend and the Bank's development plan. Except that during the Bank's growth period dividends and bonus to employees shall in principle be paid in stock, the board of directors shall determine the respective percentages of dividends to be paid in cash or stock and then submit them to the stockholders for resolution. Cash dividends shall be paid after they are resolved by the stockholders, while stock dividends shall be distributed after they are approved by the competent authorities.

The aforementioned amendments shall be submitted to the annual stockholders' meeting for resolution.

Under the Integrated Income Tax System, non-corporate shareholders are allowed a tax credit for the income tax paid or payable by the Bank on earnings generated in 1998 and onwards.

16. INCOME (LOSS) FROM SECURITIES - NET	<u>1999</u>	<u>1998</u>
Short-term bills	\$1,099,965	\$1,047,083
Stocks	509,834	(148,131)
Bonds	445,477	426,483
Beneficiary certificates	<u>18,748</u>	<u>(8,895)</u>
	<u>\$2,074,024</u>	<u>\$1,316,540</u>

Income from on short-term bills mainly consists of interest earned during the holding period.

17. OPERATING AND ADMINISTRATIVE EXPENSES	<u>1999</u>	<u>1998</u>
Payroll	\$1,742,283	\$1,394,845
Taxes other than income tax	564,598	700,785
Depreciation and amortization	433,188	434,720
Rental	356,609	297,493
Insurance	116,282	83,164
Postage	114,217	83,586
Other	<u>990,039</u>	<u>578,189</u>
	<u>\$4,317,216</u>	<u>\$3,572,782</u>

18. PENSION

The Bank has a pension plan covering all regular employees. The Bank makes monthly contributions, equal to 7% of employee salaries, to a pension fund. Non-management employees, in addition, contribute 4% of their salaries to the fund. A retiring employee will receive: (a) pension benefits from the Bank-contributed fund based on length of service and average monthly salary upon retirement; and (b) the cumulative self-contributions plus interest thereon.

SPL has a pension plan covering all regular employees which provides benefits based on length of service and average monthly pay before retirement. SPL makes monthly contribution, equal to 7% of employee salaries, to a pension fund.

SPS also has a pension plan covering all regular employees which provides benefits based on length of service and average monthly pay before retirement. Starting 1999, SPS makes monthly contribution, equal to 2% of employee salaries, to a pension fund.

- 1) The changes in the pension fund and the pension reserve are summarized below:

<u>Pension Fund</u>	<u>1999</u>	<u>1998</u>
Balance, January 1	\$259,310	\$166,051
Contributions	121,677	143,177
Benefits paid	(13,728)	(69,037)
Interest income	<u>26,504</u>	<u>19,119</u>
Balance, December 31	<u>\$393,763</u>	<u>\$259,310</u>

Year-end balances consist of:

	<u>1999</u>	<u>1998</u>
Contributions by the Bank	\$ 237,704	\$ 152,298
Contributions by employees	<u>156,059</u>	<u>107,012</u>
	<u>\$ 393,763</u>	<u>\$ 259,310</u>
<u>Pension Reserve</u>	<u>1999</u>	<u>1998</u>
Balance, January 1	\$ 21,181	\$ 27,807
Provisions	68,424	51,059
Benefits paid	(<u>78,899</u>)	(<u>57,685</u>)
Balance, December 31	<u>\$ 10,706</u>	<u>\$ 21,181</u>

- 2) Net pension costs for the years ended December 31, 1999 and 1998 are summarized below:

	<u>1999</u>	<u>1998</u>
Service cost	\$ 59,070	\$ 42,720
Interest cost	16,875	12,061
Actual return on plan assets	(\$11,512)	(\$ 8,786)
Deferred assets (gain) loss	(<u>1,186</u>)	(<u>57</u>)
Expected return on plan assets	(12,698)	(8,843)
Net amortization and deferral	<u>5,177</u>	<u>5,157</u>
Net pension cost	<u>\$ 68,424</u>	<u>\$ 51,095</u>

- 3) The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 1999 and 1998 are as follows:

	<u>1999</u>	<u>1998</u>
Benefit obligation		
Vested benefit obligation	\$ 33,818	\$ 27,129
Nonvested benefit obligation	<u>189,111</u>	<u>115,606</u>
Accumulated benefit obligation	222,929	142,735
Additional benefits based on future salaries	<u>161,293</u>	<u>101,267</u>
Projected benefit obligation	384,222	244,002
Fair value of plan assets	(<u>239,666</u>)	(<u>152,298</u>)
Funded status	144,556	91,704
Unrecognized net transitional obligation	(56,116)	(61,171)
Unrecognized prior service cost	(1,196)	(1,324)
Unrecognized pension (gain) loss	(76,623)	(8,029)
Additional liabilities	<u>-</u>	<u>-</u>
Accrued pension cost	<u>\$ 10,621</u>	<u>\$ 21,180</u>
4) Vested benefit obligation	<u>\$ 72,642</u>	<u>\$ 42,588</u>

(Forward)

5) Actuarial assumptions

Discount rate used in determining present values	6.5%	7.0%
Future salary increase rate	5.5%	5.5%
Expected rate of return on plan assets	6.5%	7.0%

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

19. INCOME TAX	<u>1999</u>	<u>1998</u>
Tax on pretax financial statements income at statutory rate	\$ 619,995	\$ 425,491
Add (deduct) tax effects of:		
Interest income on short-term bills	(254,082)	(242,716)
Tax exempt gain on sale of securities and cash dividends	(200,922)	(9,137)
Deferral of provision for (reversal of) market value decline of securities purchased	(20,360)	38,030
Net loss (income) of OBU	(30,443)	5,194
Other	<u>83,587</u>	<u>94,429</u>
Income tax currently payable	197,775	311,291
Tax on interest income of short-term bills levied separately	203,262	194,214
Prior year's adjustments	7,881	(7,773)
Other	<u>2,157</u>	<u>(44,197)</u>
Income tax expense	<u>\$ 411,075</u>	<u>\$ 453,535</u>

Net deferred income tax assets (liabilities) as of December 31, 1999 and 1998 consist of the tax effects of the following:

	<u>1999</u>	<u>1998</u>
Acquisition premium	(\$ 94,335)	(\$ 114,647)
Provision for credit losses	28,308	58,656
Investment income under equity method	(80,655)	(47,635)
Deferred loan fees	(65,997)	(50,687)
Other	<u>106,497</u>	<u>48,043</u>
Deferred tax liabilities - net	<u>(\$ 106,182)</u>	<u>(\$ 106,270)</u>

The related information under the Integrated Income Tax System is as follows:

	<u>1999</u>	<u>1998</u>
Year-end balance of imputed tax credit	<u>\$ 152,882</u>	<u>\$ 266,628</u>

The 1999 projected and 1998 actual ratios of imputed tax credit to earnings are 8.50% and 33.33%, respectively. The tax credit allocable to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date. Accordingly, the 1999 projected tax credit ratio may change because the actual tax credit may differ from the projected tax credit.

The unappropriated earnings as of December 31, 1999 and 1998 consist of earnings of \$6,760 which were generated before January 1, 1998.

Income tax returns of up to 1995 and of 1997 have been examined and approved by the tax authorities.

20. RELATED PARTY TRANSACTIONS

Significant transactions with related parties, which include investees accounted for by equity method, directors, supervisors, managers and their relatives, are summarized as follows:

a) Credit extended and deposits

	<u>Amount</u>	<u>% of Account Balance</u>	<u>Interest/Fee Rate</u>
<u>December 31, 1999</u>			
Deposits	\$2,171,782	1.2	0.01%-13.56%
Loans and discounts	473,030	0.3	5.075%-8.88%
<u>December 31, 1998</u>			
Deposits	993,037	0.6	0%-13%
Loans and discounts	471,174	0.4	5.075%-12.75%

None of the related parties individually accounts for 10% or more of the respective account balances.

b. Lease

The Bank leases certain office premises from KMT Central Committee (the major stockholder of the Bank's supervisors and directors before March 23, 1998) for a seven-year period ending March 2003. Rentals for the years ended December 31, 1999 and 1998 are \$44,842 and \$53,824, respectively.

In December 1996, the Bank entered into a lease contract (as lease) with Central Investment Holding Co., Ltd. (a major stockholder of the Bank) for certain office premises for a seven-year period ending December 2003. Rentals for the years ended December 31, 1999 and 1998 are \$8,716 and \$8,352, respectively.

The Bank leases certain office premises from Su Kwang Hui (son of a director) for a five-year period ending December 2003. Rentals for the year ended December 31, 1999 amounted to \$5,563.

c. Fee income and charges

In the years ended December 31, 1999 and 1998, syndication fees and management fees for loans extended to Runtex Textile Co. (parent company of Kin On Investment Ltd., which is the Bank's director) amounted to \$540 and \$2,535, respectively, and certification fees received from other related parties aggregated to \$429 and \$1,890 respectively.

d. Professional advisory fees

The Bank has entered into an investment advisory contract with SinoPac Securities Investment Advisory Corp. (a subsidiary of the Bank). The contract matures on December 31, 2000 and is renewable. The advisory fees paid for the year ended December 31, 1999 are \$22,785.

e. Accounts receivable and due from affiliates

The Bank is one of the incorporators of Aetna SinoPac Credit Card Co., Ltd. As of December 31, 1999, the Bank has paid preparatory expenses of \$82,872 on behalf of the Company.

The terms of the transactions with related parties are similar to those with non-related parties except the preferential interest rates made available to employees for savings and loans of up to prescribed limits.

21. CONTINGENCIES AND COMMITMENTS

a. As of December 31, 1999, contingencies and commitments in the ordinary course of business are as follows:

Securities held for safekeeping	\$41,910,389
Guarantees	12,969,811
Short-term bills and bonds sold under agreements to repurchase	11,994,725
Bills for collection	11,307,029
Trust assets	7,161,867
Short-term bills and bonds purchased under agreements to resell	5,498,219
Letters of credit payable	3,351,868
Guarantee notes payable	810,800
Travellers checks	206,895

b. Lease contract

The Bank leases certain office premises under several contracts with rentals paid monthly, quarterly or semi-annually. Future rentals for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2000	\$ 314,007
2001	298,954
2002	248,241
2003	203,364
2004	157,128

Rentals for the years beyond 2004 amount to \$226,899, the present value of which is about \$161,490 as discounted at the Bank's one-year time deposit rate of 5.1%.

c. Equipment purchase contract

The Bank has entered into contracts to purchase computer hardware and software for \$374,257 and has paid \$308,873 as of December 31, 1999.

d. Renovation agreement

The Bank has entered into contracts to renovate office premises for \$371,097 and has paid \$346,477 as of December 31, 1999.

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

As of December 31, 1999, short-term bills and bonds with a total face value of \$11,474,300 were sold under agreements to repurchase at \$11,994,725 in January to December 2000.

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

As of December 31, 1999, short-term bills and bonds with a total face value of \$5,513,560 were purchased under agreements to resell at \$5,498,219 in January to June 2000.

22. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

The Bank is engaged in derivative transactions mainly to accommodate customers' needs and to manage its exposure positions. It also enters into interest rate swap, cross currency swap, option and future contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets, net liabilities or commitments and the effect of market price fluctuations on its securities from dealing activities. The Bank's strategy is to hedge most of the market risk the Bank is exposed through hedging instruments whose changes in market value have a highly negative correlation with those of the hedged items; the Bank also assess hedge effectiveness of the instruments periodically.

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

The contract amounts (or notional amounts), credit risk and market values of outstanding contracts are as follows:

Financial Instruments	December 31, 1999			December 31, 1998		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	\$ 1,024,067	\$ 4,184	(\$ 4,497)	\$ 2,582,960	\$ 2,504	(\$ 5,260)
Cross currency swap contracts	2,624,770	3,450	(39,888)	2,416,200	43,516	36,872
Options - As seller	156,975	1,022	1,022	-	-	-
For the purpose of accommodating customers' needs or managing its exposure:						
Forward contracts - Buy	2,038,292	379	(9,460)	410,960	1,454	(27,996)
- Sell	2,183,144	37,873	37,684	383,435	27,216	27,216
Currency swap contracts	5,206,750	45,477	26,099	6,424,541	68,431	66,215
Interest rate swap contracts	4,000,000	33,239	12,216	-	-	-
Options - As buyer	2,072,274	809	(5,581)	322,160	2,426	80
- As seller	2,072,274	7,882	7,139	322,160	2,036	(314)

The fair value of each contract is determined using the quotation from Reuters or Telerate Information System.

The Bank has entered into certain derivative contracts in which the notional amounts are used solely as a basis for calculating the amounts receivable and payable under the contracts. Thus, the notional amount does not represent actual cash inflows or outflows. The possibility that derivative financial instruments held or issued by the Bank can not be sold with reasonable prices is minimal; accordingly, no significant cash requirement is expected.

The gains and losses on derivative financial instruments for the years ended December 31, 1999 and 1998 are not significant.

b. Fair value of non-derivative financial instruments

	December 31, 1999		December 31, 1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>ASSETS</u>				
Financial assets - with fair values approximating carrying amounts	\$ 36,923,826	\$ 36,923,826	\$ 36,621,934	\$ 36,621,934
Securities purchased	30,916,413	30,916,413	36,575,890	36,575,890
Securities - dealing and underwriting	7,526,070	7,688,901	610,239	611,151

(Forward)

Loans, discounts and bills purchased	\$ 150,093,203	\$ 150,093,203	\$ 132,019,010	\$ 132,019,010
Long-term equity investments	2,371,048	2,453,248	1,889,057	1,894,590
Other assets - refundable deposits	1,384,777	1,386,389	1,078,429	1,103,108

LIABILITIES

Financial liabilities - with fair values approximating carrying amounts	33,724,510	33,724,510	18,050,254	18,050,254
Deposits and remittances	182,835,969	182,835,969	177,016,007	177,016,007
Other liabilities - guarantee deposits received	76,522	76,522	293,679	293,679

Methods and assumptions applied in estimating fair values of non-derivative financial instruments are as follows:

- 1) The carrying amounts of cash, due from banks, due from Central Bank, receivables, securities purchased under agreements to resell, due to banks, payables and securities sold under agreements to repurchase approximate their fair values because of the short maturities of these instruments.
- 2) If market prices for securities purchased, securities - dealing and underwriting, and long-term equity investment are available, the fair values of these financial instruments are based on such market prices. If such market prices are unavailable, fair values are estimated based on their carrying amounts.
- 3) Loans, discounts and bills purchased, and deposits are financial assets and liabilities bearing interest. Thus, their carrying amounts represent fair values.
- 4) For bank debentures, government and corporate bonds submitted as guarantee deposits, fair values are based on market values. Fair values of other guarantee deposits are estimated at their carrying amounts as such deposits do not have specific due dates.

Certain financial instruments and all nonfinancial instruments are excluded from disclosure of fair value. Accordingly, the aggregate fair value presented does not represent the underlying value of the Bank.

c. Off-balance-sheet credit risks

The Bank extends loans and issues credit cards; thus, it has significant credit commitments. Most of the credit commitments are for one to seven years. The interest rates of loans range from 4.5% to 12% and the interest rates of credit card loans can be as high as 18.9%. The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of a customer to a third party. The terms of these guarantees are usually one year, and their maturity dates do not concentrate in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risk as of December 31, 1999 and 1998 are as follows:

	<u>1999</u>	<u>1998</u>
Irrevocable loan commitments	\$ 400,867	\$ 172,000
Credit card commitments	22,190,000	19,668,000
Financial guarantees and standby letters of credit	14,854,113	18,745,731

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. If the total commitments were fully drawn upon and the collateral or other security obtained therefore proved to be of no value, the Bank's credit risk will equal to the total commitments, which also represent the maximum loss the Bank may incur.

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' creditworthiness. Based on the result of the credit evaluation, the Bank may require collateral before the credit facilities are drawn upon. Collateralized loans amounted to about 85.08% of the total loans. Collateral held varies but may include cash, inventories, marketable securities, and other property. When the customers default, the Bank will, as the case may be, foreclose the collateral or execute other rights arising out of the guarantees given.

The Bank does not require collateral for credit card commitments. However, the creditworthiness of card holders is reviewed periodically and the commitments are revised if deemed necessary.

d. Information on concentrations of credit risk

Credit risk concentrations exist when the counterparties in financial instrument transactions are individuals or groups who are engaged in similar activities, which would cause their ability to meet contractual obligations to be subject to the same changes in economic or other conditions. The Bank has no credit risk concentration arising from any individual counterparty or groups of counterparties engaged in similar business activities.

23. SEGMENT AND GEOGRAPHIC INFORMATION

The Bank is engaged only in banking activities as prescribed by the Banking Law. The Bank has no single customer that accounts for 10% or more of the operating revenue. Geographic information are as follow:

	<u>Domestic</u>	<u>United States</u>	<u>Other Overseas Operating Segments</u>	<u>Adjustments and Eliminations</u>	<u>Total</u>
<u>1999</u>					
Revenues from third parties	\$ 16,189,331	\$ 2,059,489	\$ 19,018	\$ -	\$ 18,267,838
Revenues from the Bank and subsidiaries	<u>658,546</u>	<u>3,838</u>	<u>41,005</u>	(<u>703,389</u>)	<u>-</u>
Total revenues (Forward)	<u>\$ 16,847,877</u>	<u>\$ 2,063,327</u>	<u>\$ 60,023</u>	(<u>\$ 703,389</u>)	<u>\$ 18,267,838</u>

Segment income	<u>\$ 2,612,966</u>	<u>\$ 312,540</u>	<u>(\$ 30,374)</u>	<u>(\$ 629,811)</u>	\$ 2,265,321
General expenses					<u>-</u>
Income before income tax					<u>\$ 2,265,321</u>
Identifiable assets	<u>\$210,943,693</u>	<u>\$ 28,778,525</u>	<u>\$ 1,106,256</u>	<u>(\$ 1,657,178)</u>	\$239,171,296
General assets					<u>182,883</u>
Total assets					<u>\$239,354,179</u>
<u>1998</u>					
Revenues from third parties	\$ 14,468,859	\$ 1,799,789	\$ 48,151	\$ -	\$ 16,316,799
Revenues from the Bank and subsidiaries	<u>144,339</u>	<u>-</u>	<u>-</u>	<u>(144,339)</u>	<u>-</u>
Total revenues	<u>\$ 14,613,198</u>	<u>\$ 1,799,789</u>	<u>\$ 48,151</u>	<u>(\$ 144,339)</u>	<u>\$ 16,316,799</u>
Segment income	<u>\$ 1,319,792</u>	<u>\$ 266,127</u>	<u>\$ 4,936</u>	<u>(\$ 108,726)</u>	\$ 1,482,129
General expenses					<u>-</u>
Income before income tax					<u>\$ 1,482,129</u>
Identifiable assets	<u>\$194,738,982</u>	<u>\$ 25,053,950</u>	<u>\$ 1,239,492</u>	<u>(\$ 3,161,803)</u>	\$217,870,621
General assets					<u>11,329</u>
Total assets					<u>\$217,881,950</u>