

Bank SinoPac

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 balance sheets of Bank SinoPac as of December 31, 1999 and 1998 and the related 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 material respects, the financial position of Bank SinoPac 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.

For your information, we have audited the consolidated financial statements of Bank SinoPac as of and for the years ended December 31, 1999 and 1998, and issued an unqualified opinion thereon.

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

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 (Note 2)	\$12,613,336	83	\$12,602,725	89
Service fees (Note 18)	733,424	5	570,774	4
Income from securities - net (Notes 2 and 14)	1,303,881	9	829,111	6
Income from long-term equity investments - net (Notes 2 and 8)	491,107	3	106,565	1
Foreign exchange gain - net (Note 2)	51,290	-	70,967	-
Other (Note 18)	<u>47,162</u>	<u>-</u>	<u>36,064</u>	<u>-</u>
Total Operating Revenues	<u>15,240,200</u>	<u>100</u>	<u>14,216,206</u>	<u>100</u>
OPERATING EXPENSES				
Interest (Note 2)	9,145,501	60	9,721,144	69
Service charges	208,545	2	148,116	1
Provision for credit losses (Note 2)	743,975	5	287,603	2
Operating and administrative expenses (Notes 15, 16 and 18)	3,089,730	20	2,733,989	19
Other	<u>32,282</u>	<u>-</u>	<u>26,668</u>	<u>-</u>
Total Operating Expenses	<u>13,220,033</u>	<u>87</u>	<u>12,917,520</u>	<u>91</u>
OPERATING INCOME	<u>2,020,167</u>	<u>13</u>	<u>1,298,686</u>	<u>9</u>
NON-OPERATING INCOME (EXPENSES)				
Non-operating income	28,290	-	18,914	-
Non-operating expenses	<u>(28,322)</u>	<u>-</u>	<u>(7,085)</u>	<u>-</u>
Non-operating Income (Expenses) - Net	<u>(32)</u>	<u>-</u>	<u>11,829</u>	<u>-</u>
INCOME BEFORE INCOME TAX	2,020,135	13	1,310,515	9
INCOME TAX (Notes 2 and 17)	<u>229,614</u>	<u>1</u>	<u>305,207</u>	<u>2</u>
NET INCOME	<u>\$ 1,790,521</u>	<u>12</u>	<u>\$ 1,005,308</u>	<u>7</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 1999 stock dividends			<u>\$0.70</u>	

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

English Translation of Financial Statements Originally Issued in Chinese

BANK SINOPAC

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 13)		CAPITAL SURPLUS (Notes 2 and 13)			RETAINED EARNINGS (Notes 13 and 17)			UNREALIZED LOSS ON LONG-TERM EQUITY INVESTMENTS (Notes 2 and 8)	TRANSLATION ADJUSTMENT (Note 2)	TOTAL STOCKHOLDERS' EQUITY		
	Shares (in Thousands)	Amount	Additional Paid-in Capital	Gain on Disposal of Properties	Donated Capital	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													
Legal reserve	-	-	-	-	-	-	369,326	-	(369,326)	-	-	-	-
Special reserve	-	-	-	-	-	-	161,909	161,909	(161,909)	-	-	-	-
Stock dividends - \$0.77 per share	94,234	942,336	-	-	-	-	(255,746)	(686,590)	(942,336)	-	-	-	-
Rewards to directors and supervisors	-	-	-	-	-	-	-	(4,282)	(4,282)	-	-	-	(4,282)
Bonus to employees	853	8,534	-	-	-	-	-	(8,564)	(8,564)	-	-	-	(30)
Net income for 1998	-	-	-	-	-	-	-	1,005,308	1,005,308	-	-	-	1,005,308
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													
Legal reserve	-	-	-	-	-	-	301,305	-	(301,305)	-	-	-	-
Stock dividends - \$0.407 per share	61,819	618,192	(618,192)	-	-	(618,192)	-	-	-	-	-	-	-
Cash dividends - \$0.393 per share	-	-	-	-	-	-	-	(596,928)	(596,928)	-	-	-	(596,928)
Rewards to directors and supervisors	-	-	-	-	-	-	-	(14,045)	(14,045)	-	-	-	(14,045)
Bonus to employees	3,887	38,868	-	-	-	-	-	(91,295)	(91,295)	-	-	-	(52,427)
Net income for 1999	-	-	-	-	-	-	-	1,790,521	1,790,521	-	-	-	1,790,521
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

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		
Depreciation and amortization	261,676	211,439
Provision for credit losses	743,975	287,603
Provision for (reversal of) market value decline of securities purchased	(107,930)	85,200
Loss on disposal of properties - net	11,704	5,300
Investment income under the equity method	(490,976)	(100,206)
Gain on sale of long-term equity investments	-	(6,359)
Accrued pension cost	(12,401)	(9,997)
Deferred income tax	29,454	(9,870)
Changes in operating assets and liabilities		
Accounts, interest and other receivables	(10,416,099)	(1,077,802)
Prepayments	(24,437)	(46,835)
Accounts, interest and other payables	<u>2,219,368</u>	<u>2,245,757</u>
Net Cash Provided by (Used in) Operating Activities	<u>(5,995,145)</u>	<u>2,589,538</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in loans, discounts and bills purchased	(14,670,785)	(6,155,756)
Decrease (increase) in securities purchased	5,132,764	(9,663,233)
Acquisition of properties	(756,394)	(1,511,090)
Decrease (increase) in other assets	(1,422,020)	627,821
Increase in long-term equity investments	(1,061,719)	(566,541)
Proceeds from sale of long-term equity investments	-	52,892
Proceeds from sale of properties	<u>1,311</u>	<u>1,740</u>
Net Cash Used in Investing Activities	<u>(12,776,843)</u>	<u>(17,214,167)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits and remittances	3,407,811	22,525,964
Decrease in short-term borrowings	-	(300,000)
Increase (decrease) in call loans and due to banks	6,252,854	(2,612,913)
Decrease in other liabilities	(376,739)	(1,402,055)
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	<u>-</u>	<u>3,000,000</u>
Net Cash Provided by Financing Activities	<u>8,624,469</u>	<u>21,206,684</u>

(Forward)

English Translation of Financial Statements Originally Issued in Chinese

INCREASE (DECREASE) IN CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS	(\$10,147,519)	\$ 6,582,055
CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS, BEGINNING OF YEAR	<u>30,725,644</u>	<u>24,143,589</u>
CASH, DUE FROM CENTRAL BANK AND DUE FROM BANKS, END OF YEAR	<u>\$20,578,125</u>	<u>\$30,725,644</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 9,392,753</u>	<u>\$ 9,275,942</u>
Income tax paid	<u>\$ 315,865</u>	<u>\$ 360,575</u>

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

BANK SINOPAC

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statement preparation

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

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) beneficiary certificates (open-end fund) - net asset values at the balance sheet date; and (c) over-the-counter stocks and 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.

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.

Allowance for credit losses

Allowances for losses on loans, discounts, bills purchased, accounts, interest and other receivables, and non-performing loans 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 accounted for by the cost method, when 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 equity investments sold is determined by the weighted-average method.

Properties

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

Upon sale or disposal of properties, their cost and related accumulated depreciation are removed from the 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. 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.

Provisions for losses on guarantees

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.

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 16).

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

3. CASH	<u>1999</u>	<u>1998</u>
Notes and checks in clearing	\$1,015,254	\$1,361,230
Cash	1,504,800	1,002,203
Negotiable certificates of deposit	<u>2,726,473</u>	<u>1,989,960</u>
	<u>\$5,246,527</u>	<u>\$4,353,393</u>

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

4. 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.

5. SECURITIES PURCHASED	<u>1999</u>	<u>1998</u>
Commercial paper	\$13,870,208	\$18,015,920
Bonds and bank debentures	6,570,777	6,944,017
Beneficiary certificates	1,044,851	140,000
Listed and over-the-counter stocks	566,511	933,814
Floating rate notes	133,820	1,006,922
Bank acceptances	<u>98,394</u>	<u>542,138</u>
	22,284,561	27,582,811
Less: Allowance for market value decline	<u>-</u>	<u>141,468</u>
Net	<u>\$22,284,561</u>	<u>\$27,441,343</u>

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

	<u>1999</u>	<u>1998</u>
Bonds and bank debentures	\$6,614,460	\$6,988,218
Beneficiary certificates	1,044,471	96,770
Listed and over-the-counter stocks	540,795	876,666

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.

6. ACCOUNTS, INTEREST AND OTHER RECEIVABLES	<u>1999</u>	<u>1998</u>
Accounts receivable	\$12,211,290	\$ 2,618,619
Interest receivable	836,197	750,826
Other receivable	351,160	-
Accrued revenue	349,644	235,128
Forward receivable - net	164,038	-
Due from affiliates	82,914	-
Refundable tax	22,753	-
Other	<u>37,601</u>	<u>34,925</u>
	14,055,597	3,639,498
Less: Allowance for losses	<u>245,345</u>	<u>95,859</u>
Net	<u>\$13,810,252</u>	<u>\$ 3,543,639</u>

As of December 31, 1999, accounts receivable includes \$8,889,436 which were generated from factoring business.

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.

7. LOANS, DISCOUNTS AND BILLS PURCHASED	<u>1999</u>	<u>1998</u>
Overdrafts	\$ 3,393,314	\$ 3,981,305
Short-term loans	28,357,079	24,300,194
Mid-term loans	43,523,689	47,056,695
Long-term loans	58,715,532	43,958,312
Import and export negotiations	812,746	756,004
Bills purchased	<u>12,619</u>	<u>804</u>
	134,814,979	120,053,314
Less: Allowance for credit losses	<u>997,458</u>	<u>1,020,107</u>
Net	<u>\$133,817,521</u>	<u>\$119,033,207</u>

8. LONG-TERM EQUITY INVESTMENTS	<u>1999</u>		<u>1998</u>	
	<u>Amount</u>	<u>% of Share-holding</u>	<u>Amount</u>	<u>% of Share-holding</u>
Cost method				
Listed				
Ruentex Textile Co., Ltd.	\$ 165,486	1.45	\$ -	-
Chiao Tung Bank Co., Ltd.	199,465	0.26	-	-
Vate Technology Co., Ltd.	<u>11,467</u>	0.61	<u>11,467</u>	0.61
	<u>376,418</u>		<u>11,467</u>	
Unlisted				
Global Securities Finance Corp.	100,000	1.56	100,000	1.56
Z-Com, Inc.	16,800	3.43	16,800	3.43
Taipei Forex Inc.	800	0.40	800	0.40
Taiwan International Mercantile Exchange Corp.	9,000	0.45	9,000	0.45
Taiwan Leader Copper Clad Laminate Co., Ltd.	16,554	1.35	16,554	1.91
APack Technologies Inc.	30,709	1.60	30,709	2.03
Fuh-Hwa Securities Investment Trust Co., Ltd.	24,000	8.00	24,000	8.00
Financial Information Service Co., Ltd.	<u>45,500</u>	1.14	<u>45,500</u>	1.14
	<u>243,363</u>		<u>243,363</u>	
	<u>619,781</u>		<u>254,830</u>	

(Forward)

Equity method				
Rocorp Holding S.A.	\$ 3,531	33.33	\$ 3,531	33.33
SinoPac Bancorp	3,461,107	100.00	3,124,944	100.00
SinoPac Leasing Corporation	1,367,669	99.99	782,873	99.99
SinoPac Securities Investment Advisory Corp.	11,082	99.40	9,940	99.40
SinoPac Capital Ltd.	124,475	99.99	-	-
Bank SinoPac Financial Consulting Co., Ltd.	<u>1,940</u>	97.00	<u>-</u>	-
	<u>4,969,804</u>		<u>3,921,288</u>	
Prepayments for capital subscription				
Aetna SinoPac Credit Card Co., Ltd., Preparatory office	<u>500,970</u>	-	<u>-</u>	-
	<u>\$6,090,555</u>		<u>\$4,176,118</u>	

The total market value of the listed stocks is \$411,815 and \$17,000 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.

SinoPac Bancorp is a holding company established by the Bank in the United States to acquire and hold a 100% equity interest in Far East National Bank ("FENB"), Los Angeles, California, USA.

Except SinoPac Bancorp and SinoPac Leasing Corporation, 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, only SinoPac Bancorp and SinoPac Leasing Corporation are consolidating subsidiaries in the Bank's consolidated financial statements.

The carrying amounts of the investments accounted for by the equity method as of December 31, 1999 and 1998, and the related investment income of \$490,976 and \$100,206, respectively, for the years then ended, were based on the investees' audited financial statements, except for those of Rocorp Holding S.A. and Bank SinoPac Financial Consulting Co., Ltd. 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.

In 1998, the Bank recorded, in stockholders' equity, \$202,148 of unrealized loss, which was reversed in 1999, on long-term equity investments resulting from market value decline of listed stocks held by an investee accounted for by the equity method.

9. PROPERTIES	<u>1999</u>	<u>1998</u>
Cost	<u>\$5,192,732</u>	<u>\$4,311,624</u>
Accumulated depreciation		
Buildings	143,750	100,356
Computer equipment	325,955	282,324
Transportation equipment	24,260	16,891
Office and other equipment	<u>407,040</u>	<u>311,388</u>
	<u>901,005</u>	<u>710,959</u>
	4,291,727	3,600,665
Prepayments for equipment and construction in progress	<u>40,773</u>	<u>223,156</u>
Net	<u>\$4,332,500</u>	<u>\$3,823,821</u>

10. OTHER ASSETS	<u>1999</u>	<u>1998</u>
Non-performing loans	\$1,156,005	\$ 805,714
Less: Allowance for credit losses	<u>197,823</u>	<u>228,388</u>
	958,182	577,326
Guarantee deposits	1,120,773	885,712
Collateral assumed	167,282	233,365
Computer system software	110,156	67,506
Other	<u>61,909</u>	<u>40,905</u>
	<u>\$2,418,302</u>	<u>\$1,804,814</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.

11. DEPOSITS AND REMITTANCES	<u>1999</u>	<u>1998</u>
Savings	\$ 77,903,739	\$ 68,502,079
Time	71,702,772	76,197,152
Demand	10,635,720	8,425,126
Negotiable certificates of deposit	2,128,600	6,107,400
Checking	1,688,974	1,433,902
Outward remittances	29,649	18,801
Inward remittances	<u>19,273</u>	<u>16,456</u>
	<u>\$164,108,727</u>	<u>\$160,700,916</u>

12. ACCOUNTS, INTEREST AND OTHER PAYABLES	<u>1999</u>	<u>1998</u>
Accounts payable	\$ 5,002,670	\$ 21,519
Interest payable	1,682,463	2,002,462
Notes and checks in clearing	1,015,254	1,361,230
Accrued expenses	181,249	185,972
Tax payable	43,487	72,423
Collections payable	26,415	2,221,284
Other	<u>342,550</u>	<u>205,970</u>
	<u>\$ 8,294,088</u>	<u>\$ 6,070,860</u>

As of December 31, 1999, accounts payable include \$5,001,871 which were generated from factoring business.

13. 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 Depository 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 the 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 the 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 reversable 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 stockholders are allowed a tax credit for the income tax paid or payable by the Bank on earnings generated in 1998 and onwards.

14. INCOME FROM SECURITIES - NET	<u>1999</u>	<u>1998</u>
Short-term bills	\$ 1,022,860	\$ 960,497
Stocks	233,063	(139,586)
Bonds	<u>47,958</u>	<u>8,200</u>
	<u>\$1,303,881</u>	<u>\$ 829,111</u>

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

15. OPERATING AND ADMINISTRATIVE EXPENSES	<u>1999</u>	<u>1998</u>
Payroll	\$ 1,194,081	\$ 988,660
Taxes other than income tax	500,214	671,931
Depreciation and amortization	261,676	211,439
Rental	248,847	220,532
Postage	100,369	76,600
Insurance	100,049	74,377
Promotions	91,550	38,134
Stationery	64,515	44,426
Repairs and maintenance	56,247	46,936
Other	<u>472,182</u>	<u>360,954</u>
	<u>\$3,089,730</u>	<u>\$2,733,989</u>

16. 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.

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

Pension Fund

	<u>1999</u>	<u>1998</u>
Balance, January 1	\$ 259,310	\$ 166,051
Contributions	117,491	143,177
Benefits paid	(13,728)	(69,037)
Interest income	<u>26,491</u>	<u>19,119</u>
Balance, December 31	<u>\$ 389,564</u>	<u>\$ 259,310</u>

The ending balances consist of:

	<u>1999</u>	<u>1998</u>
Contributions by the Bank	\$ 233,505	\$ 152,298
Contributions by employees	<u>156,059</u>	<u>107,012</u>
	<u>\$ 389,564</u>	<u>\$ 259,310</u>

Pension Reserve

	<u>1999</u>	<u>1998</u>
Balance, January 1	\$ 17,810	\$ 27,807
Provisions	62,313	47,688
Benefits paid	(<u>74,714</u>)	(<u>57,685</u>)
Balance, December 31	<u>\$ 5,409</u>	<u>\$ 17,810</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	\$ 53,331	\$ 39,466
Interest cost	16,551	11,973
Actual return on plan assets	(\$ 11,512)	(\$ 8,786)
Deferred assets (gain) loss	(<u>1,162</u>)	(<u>57</u>)
Expected return on plan assets	(12,674)	(8,843)
Net amortization and deferral	<u>5,105</u>	<u>5,092</u>
Net pension cost	<u>\$ 62,313</u>	<u>\$ 47,688</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	\$ 32,554	\$ 26,521
Nonvested benefit obligation	<u>184,231</u>	<u>113,812</u>
Accumulated benefit obligation	216,785	140,333
Additional benefits based on future salaries	<u>155,053</u>	<u>99,050</u>
Projected benefit obligation	371,838	239,383
Fair value of plan assets	(<u>235,431</u>)	(<u>152,298</u>)
Funded status	136,407	87,085
Unrecognized net transitional obligation	(54,750)	(59,727)
Unrecognized prior service cost	(1,196)	(1,324)
Unrecognized pension (gain) loss	(75,172)	(8,261)
Additional liabilities	<u>-</u>	<u>-</u>
Accrued pension cost	<u>\$ 5,289</u>	<u>\$ 17,773</u>
4) Vested benefit	<u>\$ 71,163</u>	<u>\$ 41,874</u>

(Forward)

5) Actuarial assumptions

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

17. INCOME TAX	<u>1999</u>	<u>1998</u>
Tax on pretax financial statements income at statutory rate (25%)	\$ 505,034	\$ 327,629
Add (deduct) tax effects of:		
Interest income on short-term bills	(253,649)	(240,591)
Tax-exempt gain on sale of securities and cash dividends	(54,218)	(1,246)
Deferral of provision for (reversal of) market value decline of securities purchased	(26,983)	25,778
Net loss (income) of OBU	(30,443)	5,194
Changes in unrealized foreign exchange loss	4,685	48,268
Tax on unappropriated earnings (10%)	10,449	-
Investment income under equity method	(122,744)	(25,052)
Investment tax credits	(58,585)	(12,342)
Other	(<u>667</u>)	<u>2,695</u>
Income tax currently payable	-	130,333
Tax on interest income of short-term bills levied separately	202,917	192,511
Change in deferred income tax	29,454	(9,870)
Other	(<u>2,757</u>)	(<u>7,767</u>)
Income tax expense	<u>\$ 229,614</u>	<u>\$ 305,207</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>
Contribution to employees welfare fund	\$ 1,702	\$ 2,820
Investment income under equity method	(80,655)	(47,635)
Unrealized foreign exchange loss	<u>6,713</u>	<u>2,029</u>
	(<u>\$ 72,240</u>)	(<u>\$ 42,786</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 payable (included in interest and other payables) as of December 31, 1998 are net of prepayments of \$96,592. Income tax returns of up to 1995 and of 1997 have been examined and approved by the tax authorities.

18. RELATED PARTY TRANSACTIONS

Significant transactions with related parties, which include directors, supervisors, managers and their relatives, are summarized as follows:

a. Credit extended, deposits taken and placed

	<u>Amount</u>	<u>% of Account Balance</u>	<u>Interest/Fee Rate</u>
<u>December 31, 1999</u>			
Deposits	\$3,004,262	1.8	0.01%-13.56%
Loans and discounts	630,719	0.5	5.075%-8.88%
Due from banks	117,677	1.4	-
<u>December 31, 1998</u>			
Deposits	\$1,858,751	1.1	0%-13%
Loans and discounts	487,142	0.4	5.075%-12.75%
Due from banks	27,018	0.2	-

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 lessee) 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.

The Bank leases certain office premises to SinoPac Securities Corporation (a subsidiary of SinoPac Leasing Corporation, which is a subsidiary of the Bank) for a seven-year period ending July 2006. Rentals received for the year ended December 31, 1999 amounted to \$777.

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.

In 1999 and 1998, syndication fees and management fees on the loan to Grand Capital International Limited (a subsidiary of SinoPac Leasing Corporation, which is a subsidiary of the Bank) amounted to US\$133 and US\$72, respectively.

In December 1999, L.A. Branch of the Bank purchased loans from Far East National Bank (a subsidiary of SinoPac Bancorp, which is a subsidiary of the Bank) amounted to US\$11,892 and the related service charge is US\$119.

d. Guarantee and securities purchased

As of December 31, 1999 and 1998, the Bank has provided guarantees on \$1,107,000 and \$853,000 of commercial paper issued by SinoPac Leasing Corporation (a subsidiary of the Bank). As of December 31, 1999 and 1998, the guarantees are collateralized by the following:

	<u>1999</u>	<u>1998</u>
Stocks - at par value	\$1,403,143	\$ 600,000
Post- dated checks	449,615	690,317
Certificates of deposits	<u>-</u>	<u>452,797</u>
	<u>\$1,852,758</u>	<u>\$1,743,114</u>

As of December 31, 1999 and 1998, the Bank holds \$20,000 and \$863,000, respectively, of the aforementioned commercial paper, which is recorded under securities purchased.

e. 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.

f. Accounts receivable and due from affiliates

In April 1999, the Bank purchased an account receivable of Chuntex Electronic Co., Ltd. amounted to \$79,102 from SinoPac Leasing Corporation (a subsidiary of the Bank). And the account receivable was extinguished as of December 31, 1999.

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.

19. 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
Bills for collection	11,306,918
Short-term bills and bonds sold under agreements to repurchase	5,634,403
Short-term bills and bonds purchased under agreements to resell	5,066,600
Trust assets	7,161,867
Letters of credit payable	2,856,232
Guarantee notes payable	810,800
Travellers checks	191,799

- b. Lease contract

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

<u>Year</u>	<u>Amount</u>
2000	\$ 186,659
2001	174,484
2002	121,063
2003	98,833
2004	97,665

Rentals for the years beyond 2004 amount to \$24,756, the present value of which is about \$19,904 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 \$371,187 and has paid \$307,338 as of December 31, 1999.

- d. Renovation agreement

The Bank has entered into contracts to renovate office premises for \$349,204 and has paid \$326,773 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 \$5,641,700 were sold under agreements to repurchase at \$5,634,403 in January to June 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 \$5,097,960 were purchased under agreements to resell at \$5,066,600 in January to June 2000.

20. 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, and option contracts to hedge the effects of foreign exchange or interest rate fluctuations on its foreign-currency net assets, net liabilities or commitments. 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

<u>ASSETS</u>	<u>December 31, 1999</u>		<u>December 31, 1998</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets - with fair values approximating carrying amounts	\$ 34,388,377	\$ 34,388,377	\$ 34,269,283	\$ 34,269,283
Securities purchased	22,284,561	22,302,148	27,441,343	27,441,343
Loans, discounts and bills purchased	133,817,521	133,817,521	119,033,207	119,033,207
Long-term equity investments	6,090,555	6,125,952	4,176,118	4,181,651
Other assets - refundable deposits	1,120,773	1,122,385	885,712	910,390
<u>LIABILITIES</u>				
Financial liabilities - with fair values approximating carrying amounts	\$ 18,168,929	\$ 18,168,929	\$ 9,692,847	\$ 9,692,847
Deposits and remittances	164,108,727	164,108,727	160,700,916	160,700,916
Other liabilities - guarantee deposits received	20,000	20,000	244,578	244,578

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, due to banks and payables approximate their fair values because of the short maturities of these instruments.
- 2) If market prices for securities purchased 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 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	14,358,477	18,500,089

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.

21. SEGMENT AND GEOGRAPHIC INFORMATION

The Bank is engaged only in banking activities as prescribed by the Banking Law and has no single customer that accounts for 10% or more of the Bank's operating revenues. All overseas units individually represent less than 10% of the Bank's operating revenues and 10% of its total assets. Accordingly, no segment and geographic information is required to be disclosed.