

Bank SinoPac and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2005 and 2004 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Bank SinoPac

We have audited the accompanying consolidated balance sheets of Bank SinoPac and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank SinoPac and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended, in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

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

As stated in Note 2 to the consolidated financial statements, Bank SinoPac adopted the amendment of the Statement of Financial Accounting Standards No. 7 “Consolidated Financial Statements” of the Republic of China effective January 1, 2005, to change the consolidated entities. Thus, the consolidated financial statements for the year ended December 31, 2004 have been restated to make the consolidated entities the same as those in the consolidated financial statements for the year ended December 31, 2005, to enhance the comparability of the consolidated financial statements for the two years.

February 21, 2006

Notice to Readers

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

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

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Except Par Value)

| | 2005 | | 2004 (Restated - Note 2) | | | 2005 | | 2004 (Restated - Note 2) | |
|---|----------------|-----|-----------------------------|-----|--|----------------|-----|-----------------------------|-----|
| | Amount | % | Amount | % | | Amount | % | Amount | % |
| CASH AND CASH EQUIVALENTS (Note 5) | \$ 9,951,164 | 2 | \$ 9,621,731 | 2 | CALL LOANS AND DUE TO BANKS | \$ 37,077,346 | 6 | \$ 43,190,326 | 8 |
| DUE FROM THE CENTRAL BANK AND OTHER BANKS (Notes 6 and 28) | 76,475,234 | 13 | 35,964,349 | 7 | SHORT-TERM BORROWINGS (Notes 15 and 20) | 8,159,231 | 1 | 10,538,606 | 2 |
| SECURITIES PURCHASED, NET (Notes 2, 7 and 28) | 86,672,846 | 15 | 96,998,680 | 18 | COMMERCIAL PAPER PAYABLE (note 16) | 1,124,529 | - | 1,038,191 | - |
| ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2, 8 and 28) | 30,488,183 | 5 | 33,935,771 | 6 | SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE (Notes 2, 3, 28 and 29) | 9,440,268 | 2 | 18,274,840 | 3 |
| ACCEPTANCES | 2,062,098 | - | 3,045,568 | 1 | ACCOUNTS, INTEREST AND OTHER PAYABLES (Notes 17 and 26) | 14,809,966 | 3 | 18,516,215 | 4 |
| SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2, 3, 28 and 29) | 8,143,070 | 1 | 19,505,472 | 4 | ACCEPTANCES PAYABLE | 2,062,098 | - | 3,045,568 | 1 |
| PREPAYMENTS | 335,637 | - | 695,713 | - | DEPOSITS AND REMITTANCES (Notes 18 and 28) | 441,116,333 | 75 | 372,029,054 | 70 |
| LOANS, DISCOUNTS AND BILLS PURCHASED, NET (Notes 2, 9 and 28) | 343,677,495 | 58 | 302,716,687 | 57 | BANK DEBENTURES (Note 19) | 36,292,750 | 6 | 33,278,755 | 6 |
| LONG-TERM INVESTMENTS (Notes 2, 10, 11 and 28) | | | | | LONG-TERM BORROWINGS (Notes 15, 20 and 28) | 2,373,125 | 1 | 631,669 | - |
| Long-term equity investments - equity method | 2,255 | - | 81,763 | - | DEFERRED TAX LIABILITIES (Note 26) | 593,768 | - | 719,967 | - |
| Long-term equity investments - cost method | 952,166 | - | 2,528,930 | - | OTHER (Note 25) | 7,947,945 | 1 | 4,691,974 | 1 |
| Unrealized loss | - | - | (264,299) | - | Total liabilities | 560,997,359 | 95 | 505,955,165 | 95 |
| Other long-term investments | 9,444,093 | 2 | 8,219,971 | 2 | STOCKHOLDERS' EQUITY | | | | |
| Long-term investments, net | 10,398,514 | 2 | 10,566,365 | 2 | Capital stock, \$10 par value | | | | |
| PROPERTIES (Notes 2, 12, 28 and 29) | | | | | Authorized and issued (shares in thousands) - 1,972,807 and 1,944,398 as of December 31, 2005 and 2004, respectively | 19,728,068 | 4 | 19,443,976 | 3 |
| Cost | | | | | Capital surplus | | | | |
| Land | 2,065,015 | - | 2,098,476 | - | Additional paid-in capital | 118,226 | - | 125,030 | - |
| Buildings | 2,373,480 | 1 | 2,410,520 | 1 | Donated capital | 83 | - | 83 | - |
| Computer equipment | 1,527,361 | - | 1,458,303 | - | Other | 95 | - | 95 | - |
| Transportation equipment | 52,506 | - | 57,388 | - | Retained earnings | | | | |
| Office and other equipment | 2,153,398 | - | 1,845,486 | - | Legal reserve | 5,782,921 | 1 | 4,497,477 | 1 |
| Leasehold improvement | 9,176 | - | 14,827 | - | Special reserve | 282,977 | - | 282,977 | - |
| Total cost | 8,180,936 | 1 | 7,885,000 | 1 | Unappropriated | 1,657,307 | - | 4,180,069 | 1 |
| Accumulated depreciation | (3,010,817) | - | (2,653,189) | - | Unrealized loss on long-term equity investments | - | - | (264,260) | - |
| Advances on acquisitions of equipment and construction in progress | 5,170,119 | 1 | 5,231,811 | 1 | Cumulative translation adjustment | 24,539 | - | (31,850) | - |
| Net properties | 5,258,687 | 1 | 7,101,592 | 1 | Total stockholders' equity of parent company | 27,594,216 | 5 | 28,233,597 | 5 |
| LEASED ASSETS, NET (Notes 2 and 13) | 3,701,824 | 1 | 1,844,971 | - | MINORITY INTEREST | 18,530 | - | 93,862 | - |
| LONG-TERM LEASE RECEIVABLES (Note 2) | 1,136,592 | - | 939,661 | - | Total stockholders' equity | 27,612,746 | 5 | 28,327,459 | 5 |
| OTHER ASSETS (Notes 2, 14 and 26) | 10,308,761 | 2 | 11,346,064 | 2 | CONTINGENCIES AND COMMITMENTS (Notes 2, 29 and 32) | | | | |
| TOTAL | \$ 588,610,105 | 100 | \$ 534,282,624 | 100 | TOTAL | \$ 588,610,105 | 100 | \$ 534,282,624 | 100 |

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

(With Deloitte & Touche audit report dated February 21, 2006)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2005 | | 2004 (Restated) | |
|--|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| OPERATING REVENUES | | | | |
| Interest (Notes 2 and 28) | \$ 19,592,712 | 77 | \$ 13,899,944 | 60 |
| Service fees (Notes 2, 22 and 28) | 2,402,922 | 9 | 2,571,526 | 11 |
| Income from securities, net (Notes 2 and 23) | 1,323,373 | 5 | 2,304,620 | 10 |
| Income from long-term equity investments under the equity method, net (Notes 2 and 10) | 78 | - | 271 | - |
| Foreign exchange gain, net (Note 2) | 1,618,755 | 6 | 4,173,079 | 18 |
| Rental revenue (Notes 2 and 28) | 310,473 | 1 | 239,521 | 1 |
| Other (Note 2) | 381,400 | 2 | 119,422 | - |
| Total operating revenues | <u>25,629,713</u> | <u>100</u> | <u>23,308,383</u> | <u>100</u> |
| OPERATING COSTS AND EXPENSES | | | | |
| Interest (Notes 2 and 28) | 11,786,848 | 46 | 6,730,011 | 29 |
| Service charges (Note 28) | 234,274 | 1 | 220,350 | 1 |
| Provision for trading and credit losses (Notes 2 and 9) | 1,975,136 | 8 | 702,499 | 3 |
| Operating and administrative expenses (Notes 2, 24 and 25) | 7,183,494 | 28 | 7,515,072 | 32 |
| Loss on derivative financial instruments transaction, net (Note 2) | 949,600 | 4 | 2,872,713 | 12 |
| Realized loss of decline in value of long term investments (Notes 2 and 10) | 610,621 | 2 | - | - |
| Depreciation of leased assets (Note 2) | 143,047 | 1 | 87,896 | - |
| Other (Note 2) | 129,816 | - | 100,135 | 1 |
| Total operating costs and expenses | <u>23,012,836</u> | <u>90</u> | <u>18,228,676</u> | <u>78</u> |
| OPERATING INCOME | 2,616,877 | 10 | 5,079,707 | 22 |
| NONOPERATING INCOME AND GAINS (Note 2) | 399,416 | 2 | 313,947 | 1 |
| NONOPERATING EXPENSES AND LOSSES (Note 2) | <u>182,213</u> | <u>1</u> | <u>78,801</u> | <u>-</u> |
| INCOME BEFORE INCOME TAX | 2,834,080 | 11 | 5,314,853 | 23 |
| INCOME TAX (Notes 2 and 26) | <u>714,209</u> | <u>3</u> | <u>1,027,268</u> | <u>5</u> |
| CONSOLIDATED INCOME | <u>\$ 2,119,871</u> | <u>8</u> | <u>\$ 4,287,585</u> | <u>18</u> |
| BELONG TO | | | | |
| Parent company | \$ 2,117,164 | 8 | \$ 4,284,815 | 18 |
| Minority interest | 2,707 | - | 2,770 | - |
| | <u>\$ 2,119,871</u> | <u>8</u> | <u>\$ 4,287,585</u> | <u>18</u> |

(Continued)

| | <u>2005</u> | | <u>2004</u> | |
|------------------------------|----------------|----------------------|----------------|----------------------|
| | Pre-tax | After Tax | Pre-tax | After Tax |
| EARNINGS PER SHARE (Note 27) | | | | |
| Basic earnings per share | <u>\$ 1.38</u> | <u>\$ 1.03</u> | <u>\$ 2.55</u> | <u>\$ 2.05</u> |

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

(With Deloitte & Touche audit report dated February 21, 2006)

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

| | Capital Stock (Note 21) | | Capital Surplus (Notes 2 and 16) | Retained Earnings (Notes 16 and 21) | | | | Unrealized Loss on Long-term Equity Investments (Notes 2 and 9) | Cumulative Translation Adjustment (Note 2) | Minority Interest | Total Stockholders' Equity |
|---|-------------------------|----------------------|----------------------------------|-------------------------------------|-------------------|---------------------|---------------------|---|--|-------------------|----------------------------|
| | Shares in Thousands | Amount | | Legal Reserve | Special Reserve | Unappropriated | Total | | | | |
| BALANCE, JANUARY 1, 2004 | 1,944,398 | \$ 19,443,976 | \$ 125,208 | \$ 3,671,307 | \$ 282,977 | \$ 2,753,899 | \$ 6,708,183 | \$ (297,567) | \$ 166,872 | \$ 91,369 | \$ 26,238,041 |
| Appropriation of 2003 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 826,170 | - | (826,170) | - | - | - | - | - |
| Remuneration to directors and supervisors | - | - | - | - | - | (38,000) | (38,000) | - | - | - | (38,000) |
| Bonus to employees | - | - | - | - | - | (19,277) | (19,277) | - | - | - | (19,277) |
| Cash dividends - \$0.962 per share | - | - | - | - | - | (1,870,452) | (1,870,452) | - | - | - | (1,870,452) |
| Consolidated income for the year ended December 31, 2004 | - | - | - | - | - | 4,284,815 | 4,284,815 | - | - | 2,770 | 4,287,585 |
| Recovery of unrealized loss on long-term equity investments | - | - | - | - | - | - | - | 33,307 | - | - | 33,307 |
| Change in translation adjustment on long-term equity investments | - | - | - | - | - | - | - | - | (198,722) | - | (198,722) |
| Realized deferred loss on upstream transaction of long-term equity investments | - | - | - | - | - | (104,746) | (104,746) | - | - | - | (104,746) |
| Change in minority interest | - | - | - | - | - | - | - | - | - | (277) | (277) |
| BALANCE, DECEMBER 31, 2004 | 1,944,398 | 19,443,976 | 125,208 | 4,497,477 | 282,977 | 4,180,069 | 8,960,523 | (264,260) | (31,850) | 93,862 | 28,327,459 |
| Appropriation of 2004 earnings | | | | | | | | | | | |
| Legal reserve | - | - | - | 1,285,444 | - | (1,285,444) | - | - | - | - | - |
| Remuneration to directors and supervisors | - | - | - | - | - | (26,847) | (26,847) | - | - | - | (26,847) |
| Bonus to employees | - | - | - | - | - | (28,946) | (28,946) | - | - | - | (28,946) |
| Cash dividends - \$0.73 per share | - | - | - | - | - | (1,419,416) | (1,419,416) | - | - | - | (1,419,416) |
| Stock dividends - \$0.73 per share | 141,941 | 1,419,416 | - | - | - | (1,419,416) | (1,419,416) | - | - | - | - |
| Capital decrease and cancellation resulting from holding shares of the parent company | (113,532) | (1,135,324) | (6,804) | - | - | (459,857) | (459,857) | - | - | - | (1,601,985) |
| Consolidated income for the year ended December 31, 2005 | - | - | - | - | - | 2,117,164 | 2,117,164 | - | - | 2,707 | 2,119,871 |
| Recovery of unrealized loss on long-term equity investments | - | - | - | - | - | - | - | 264,260 | - | - | 264,260 |
| Change in translation adjustment on long-term equity investments | - | - | - | - | - | - | - | - | 56,389 | - | 56,389 |
| Change in minority interest | - | - | - | - | - | - | - | - | - | (78,039) | (78,039) |
| BALANCE, DECEMBER 31, 2005 | <u>1,972,807</u> | <u>\$ 19,728,068</u> | <u>\$ 118,404</u> | <u>\$ 5,782,921</u> | <u>\$ 282,977</u> | <u>\$ 1,657,307</u> | <u>\$ 7,723,205</u> | <u>\$ -</u> | <u>\$ 24,539</u> | <u>\$ 18,530</u> | <u>\$ 27,612,746</u> |

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

(With Deloitte & Touche audit report dated February 21, 2006)

BANK SINOPAC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars)

| | 2005 | 2004 (Restated) |
|---|-------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Consolidated income | \$ 2,119,871 | \$ 4,287,585 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization | 633,588 | 674,607 |
| Expensed assets | 1,571 | 488 |
| Premium amortization and discount accretion | 33,462 | 75,360 |
| Provision for credit and trading losses | 1,974,778 | 699,367 |
| Provision for allowance for decline in market value of securities purchased | (11,843) | 21,338 |
| Provision for allowance for decline in market value of collateral assumed | 32,050 | 3,206 |
| Realized loss of decline in value of long-term equity investments under the equity method | 340,496 | - |
| Realized loss on long-term equity investment reclassified as securities | 270,125 | - |
| Loss (gain) on sale of long-term equity investments | 28,298 | (31,985) |
| Loss on disposal of leased assets | 60,973 | 7,334 |
| Loss (gain) on disposal of properties, net | (164,090) | 10,964 |
| Gain on sale of collateral assumed, net | (11,001) | (78,516) |
| Income from investments under the equity method, net | (78) | (271) |
| Deferred income taxes | (193,683) | (4,195) |
| Increase (decrease) accrued pension cost | (306) | 15,741 |
| Increase in long-term lease and installment receivables | (185,597) | (171,702) |
| Decrease in securities purchased - for trading purposes | 9,477,083 | 19,802,391 |
| Decrease (increase) in accounts, interest and other receivables | 3,476,706 | (2,787,222) |
| Decrease (increase) in prepayments | 354,694 | (196,564) |
| Increase (decrease) in accounts, interest and other payables | (3,712,411) | 2,148,651 |
| Net cash provided by operating activities | <u>14,524,686</u> | <u>24,476,577</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Increase in due from the Central Bank and other banks | (40,510,884) | (11,667,512) |
| Decrease (increase) in securities purchased under agreements to resell | 11,362,402 | (19,505,472) |
| Decrease (increase) in securities purchased - for investing purposes | (259,691) | 1,231,513 |
| Increase in loans, discounts and bills purchased | (43,045,079) | (43,890,418) |
| Increase in long-term equity investments | - | (909,799) |
| Increase in other long-term investments | (1,257,584) | (1,112,796) |
| Decrease (increase) in prepayments and construction in progress | - | (1,010,798) |
| Proceeds from sale of long-term equity investments | 727,840 | 338,044 |

(Continued)

| | 2005 | 2004 (Restated) |
|--|----------------------|----------------------------|
| Acquisition of properties | \$ (504,996) | \$ (454,625) |
| Proceeds from sale of properties | 248,946 | 38,882 |
| Acquisition of leased assets | (331,233) | (156,656) |
| Proceeds from sale of leased assets | 331,175 | 64,093 |
| Acquisition of collateral assumed | (45,035) | (195,265) |
| Proceeds from sale of collateral assumed | 293,431 | 710,947 |
| Decrease (increase) in other assets | <u>671,501</u> | <u>(2,725,112)</u> |
| Net cash used in investing activities | <u>(72,319,207)</u> | <u>(79,244,974)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase (decrease) in call loans and due to banks | (6,112,980) | 1,932,440 |
| Increase (decrease) in short-term borrowings | (2,434,627) | 1,576,191 |
| Increase in commercial papers payable | 86,338 | 123,646 |
| Increase (decrease) in securities sold under agreements to repurchase | (8,834,572) | 18,274,840 |
| Increase in deposits and remittances | 69,087,279 | 21,677,989 |
| Increase in bank debentures | 3,000,000 | 11,400,000 |
| Decrease in bonds payable | - | (1,019,340) |
| Increase in long-term borrowings | 1,685,146 | 359,905 |
| Increase in other liabilities | 3,145,783 | 1,369,971 |
| Remuneration to directors and supervisors and bonus to employees | (51,747) | (57,277) |
| Cash dividends paid | <u>(1,419,416)</u> | <u>(1,870,452)</u> |
| Net cash provided by financing activities | <u>58,151,204</u> | <u>53,767,913</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 356,683 | (1,000,484) |
| EFFECTS OF CHANGES IN EXCHANGE RATE | (27,250) | 106,552 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>9,621,731</u> | <u>10,515,663</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 9,951,164</u> | <u>\$ 9,621,731</u> |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid | <u>\$ 10,743,988</u> | <u>\$ 6,843,939</u> |
| Income tax paid | <u>\$ 1,132,870</u> | <u>\$ 384,267</u> |
| NONCASH INVESTINGS AND FINANCING ACTIVITIES | | |
| Current-portion of long-term borrowings | <u>\$ 51,228</u> | <u>\$ 169,272</u> |
| Cancellation of treasury stock | <u>\$ 1,490,917</u> | <u>\$ -</u> |
| Long-term investment equity reclassified as securities purchased | <u>\$ 370,633</u> | <u>\$ -</u> |
| Payables of remuneration to directors and supervisors and bonus to employees | <u>\$ 4,046</u> | <u>\$ -</u> |

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

(With Deloitte & Touche audit report dated February 21, 2006)

(Concluded)

BANK SINOPAC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

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

As of December 31, 2005 and 2004, the Bank had a total of 2,171 and 2,242 employees, respectively.

As of December 31, 2005, the Bank’s operating units included Banking, Trust, International Division of the Head Office, an OBU, 44 domestic branches, 2 overseas branches and 1 overseas representative office.

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

Under the Financial Holding Company Act, the Bank, National Securities Co., Ltd. (the “NSC”, which was renamed as SinoPac Securities Corporation on June 9, 2002) and SinoPac Securities Co., Ltd. (the “SPS”) established SinoPac Holdings (the “SPH”), a financial holding company on May 9, 2002. The parties established the holding company to maximize the benefit of their combined capital, pool their business channel, fully harness the synergy of their diversified business operations and establish one of the most competitive organizations in the Pacific Rim. Since May 9, 2002, the effective date of the shares swap, the Bank has become an unlisted wholly owned subsidiary of SPH. The shares of SPH are traded on the Taiwan Stock Exchange (TSE). SinoPac Securities Corporation (“SinoPac Securities”, formerly NSC) merged with SPS on July 22, 2002 with SinoPac Securities as the surviving entity after a decision reached by the board of directors of the two companies on May 9, 2002.

On August 15, 1997, the Bank acquired Far East National Bank (FENB), through SinoPac Bancorp, by purchase of 100% of its shares. FENB was established in Los Angeles in 1974. It is a commercial bank engaged mainly in deposit taking and lending businesses. As of December 31, 2005, FENB has 15 branches in Los Angeles and San Francisco areas and 1 Beijing representative office. It also has a wholly-owned subsidiary, Far East Capital Corporation. As of December 31, 2005 and 2004, SinoPac Bancorp and FENB had a total of 367 and 386 employees, respectively.

SinoPac Leasing Corporation (“SinoPac Leasing”) obtained government approval to be incorporated by Bank SinoPac on September 2, 1997. SinoPac Leasing mainly leases out land, buildings, transportation equipments and machineries and also engages in the factoring business. Grand Capital International Limited (“Grand Capital”) is a wholly owned subsidiary of SinoPac Leasing and was incorporated in British Virgin Islands on January 2, 1998. It provides lease financing; installment sales of machinery and equipment and materials; factoring; and other financing activities. As of December 31, 2005 and 2004, SinoPac Leasing and its subsidiary had a total of 74 and 78 employees, respectively.

SinoPac Capital Limited (“SinoPac Capital”) was established in Hong Kong in 1999. It mainly engages in the business of lending and financing. Its three subsidiaries - SinoPac Capital (B.V.I.) Ltd. (incorporated in British Virgin Island, 1999), SinoPac Insurance Brokers Ltd. (incorporated in Hong Kong, 2004), and SinoPac (Hong Kong) Naminess Ltd. (incorporated in Hong Kong, 2004) mainly engage in financial advisory, insurance brokerage and custody securities business. As of December 31, 2005 and 2004, SinoPac Capital Limited and its subsidiaries had a total of 90 and 29 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Bank and its subsidiaries, SinoPac Bancorp, as consolidated with SinoPac Bancorp and its subsidiaries SinoPac Financial Services (USA) Ltd. and FENB alone with its subsidiaries, SinoPac Leasing Corporation consolidated with Grand Capital International Limited (SinoPac Leasing and its subsidiary, thereafter), SinoPac Capital Limited consolidated with SinoPac Capital (B.V.I.) Ltd., SinoPac Insurance Brokers Ltd., SinoPac (Hong Kong) Naniness Ltd., Allstar Venture Ltd., Cyberpac Holding Ltd., Shanghai International Asset Management (Hong Kong) Co., Ltd., Pinnacle Investment Management Ltd., Wal Tech International Corporation, RSP Information Service Company Limited and Telexpress Corp. (SinoPac Capital Limited and its subsidiaries, thereafter). All significant inter-company transactions and balances have been eliminated for consolidation purpose.

In order to conform the reorganization of parent company, SPH, and to simplify the Group's framework of investment, SinoPac Capital and its subsidiaries transferred Allstar Venture Ltd. (B.V.I.), Wal Tech International Corporation, RSP Information Service Company Limited and Intellisys Corp. to SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital), the subsidiary of SPH. Under a directive issued by the ARDF of ROC, the aforementioned transactions was using the investees' net worth as transfer price.

According to the amendment of Statement of Financial Accounting Standards (SFAS) No. 7 "Consolidated Financial Statements" effecting on January 1, 2005, the consolidated entities of the Company were changed. To enhance the comparability of consolidated financial statements, the consolidated financial statements for the year ended December 31, 2004 were restated to conform to the financial statements presentation for the years ended December 31, 2005. The subsidiary of the Bank, SinoPac Financial Consulting Co., Ltd., was not included in the consolidated entities, since its is immaterial to the consolidated financial statements of the Bank and subsidiaries. The information regarding consolidated entities were summarized and listed in table 7, and the subsidiaries excluded in consolidated entities were summarized and listed in table 8.

The Bank and its subsidiaries' consolidated financial statements were prepared in conformity with the Criteria Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). In determining the allowance for credit losses, depreciation, pension, losses upon suspended lawsuit and provision for losses on guarantees, the Bank needs to estimate reasonable amounts. Since the estimates were usually made under uncertain conditions, actual results could differ from those estimates. Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank and its subsidiaries' consolidated financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 32 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank and its subsidiaries are summarized below:

Operating Cycle of Leasing

The operating cycle of SinoPac Leasing and its subsidiary, which engage in leasing and installment sales, is about one to three years. Thus, SinoPac Leasing and its subsidiary classify the assets and liabilities pertaining to these businesses as current or noncurrent on the basis of this operating cycle.

Securities Purchased

Securities purchased include negotiable certificates of deposit, short-term bills, stocks, beneficiary certificates, treasury bills, floating rate notes, structured instruments and bonds. Short-term bills and treasury bills are stated at cost, which approximates market value. Stocks, beneficiary certificates, structured instruments and bonds are stated at the lower of cost or market value. Market prices are determined as follows: (a) listed stocks - average daily closing prices for the last month of the accounting period; (b) beneficiary certificates (open-end fund) - net asset values as of the balance sheet dates; and (c) GTSM stocks - average daily closing prices for the last month of the accounting period, published by Gre Tai Securities Market (the "GTSM"); (d) bonds - period-end reference prices published by the GTSM; and (e) structured instruments - period-end prices quoted by counter party. Cost of securities sold is determined by the moving-average method, except that of short-term bills and treasury bills, which is determined by the specific identification method.

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

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

Nonperforming Loans

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

Allowance for Credit Losses and Provision for Losses on Guarantees

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

Pursuant to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" (the "Regulations") issued by the MOF, the Bank evaluates credit losses on the basis of its borrowers'/clients' financial positions, the Bank's prior experiences, repayments for principal and interest by borrowers/clients, collateral provided, and estimated collectibility.

In accordance with the Regulations stated above, the minimum provision for credit losses should not be less than the aggregate of 50% of the doubtful credits and 100% of the unrecoverable credits. Since July 2005, the Regulations amended the classification of loan assets, which divided the loan assets into different class subjects to assets that require special mention, assets that are substandard, assets that are doubtful, and assets for which there is loss. The minimum allowance for credit losses and provision for losses on guarantees for the aforementioned classes should be 2%, 10%, 50% and 100% of outstanding credits, respectively. The amendments on the classification of loan assets have no significant impact on the Bank's and its subsidiaries' financial statements.

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

Long-term Investments

Long-term equity investments are accounted for by the equity method if the Bank or its subsidiaries have significant influence over the investees. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in the investees' net worth. On the acquisition date, any difference between the acquisition cost and the equity in the investee is amortized over 5 to 15 years. Long-term equity investments are accounted for by the cost method if the Bank or its subsidiaries do not have significant influence over the investees. Cash dividends are credited to current income except that those received in the same year from investing, which are accounted for as reduction in the carrying value of the investments. Stock dividends result only in an increase in number of shares and are not recognized as investment income.

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

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

Long-term equity investments revaluated by the current value when classified as securities purchased. When the current value of long-term equity investment is lower than the book value, the difference is charged to current income.

Cost of equity investments sold is determined by the weighted-average method. According to an explanation of Accounting Research and Development Foundation of ROC (ARDF), the long-term equity investments can only be sold and transferred by the book value if it involves in group restructure.

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

Other long-term investments include subordinated beneficiary certificates - retained interest of securitization and beneficiary certificates - credit card receivables. Subordinated beneficiary certificates - retained interest of securitization are evaluated by estimating present value of expected future cash flows with losses recorded as operating costs; gains are not recognized. Beneficiary certificates - credit card receivables are recorded at cost.

Financial Asset Securitization

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

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

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

Properties

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

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

Depreciation is calculated by the straight-line method on the basis of service lives initially estimated as follows: buildings, 6 to 55 years; computer equipment, 3 to 5 years; transportation equipment, 5 to 8 years; office and other equipment, 3 to 15 years; and leasehold improvement, 4 to 5 years. For assets still in use beyond their original estimated service lives, further depreciation is calculated on the basis of any remaining salvage value and the estimated additional service lives.

Interest expenses of borrowing for acquiring lands and constructing buildings are capitalized.

Deferred Charges and Amortization of Issuance Costs of Euro-convertible Bonds

The computer software (included in other assets) are amortized on the straight-line basis over 3 to 5 years.

For SinoPac Leasing and its subsidiary, the direct and necessary issue costs of corporate bonds (included in other assets) are amortized by the straight-line method and recognized as issuance expenses (included in nonoperating expenses and losses) over the period from its issuance date to the maturity date.

Asset Impairment

The Company began applying ROC Statement of Financial Accounting Standards (SFAS) No. 35, "Accounting for Asset Impairment," on January 1, 2005, which requires that cash-generating units (CGUs) and certain assets, including long-term investments accounted for by the equity method, properties, goodwill, etc., be subject to an impairment review.

SFAS No. 35 requires the impairment review on long-term investments accounted for by the equity method and properties to be made on each balance sheet date. If assets or CGUs are deemed impaired, then the Company must calculate their recoverable amounts. An impairment loss should be recognized whenever the recoverable amount of the assets or the CGU is below the carrying amount, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of the assets or CGUs directly. After the recognition of an impairment loss, the depreciation (amortization) should be adjusted in future periods by the revised asset/CGUs carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstance indicate goodwill impairment. Impairment is recorded if the book value exceeds value in use. After the impairment is recognized, the goodwill should still be amortized periodically. The increase in the recoverable amount of goodwill in the period following the recognition of an impairment loss is likely to be an increase in internally generated goodwill rather than the reversal of the impairment loss recognized for the acquired goodwill. Thus, reversal of impairment loss on goodwill is prohibited.

Collaterals Assumed

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

Derivative Financial Instruments

a. Foreign exchange forward

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

b. Forward rate agreements

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

c. Currency swaps

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

d. Cross-currency swaps

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

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

e. Options

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

f. Interest rate swaps

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

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

g. Asset swaps

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

h. Futures

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

Margin deposits paid by the Bank and subsidiaries for interest rate future contracts entered into for hedging purpose are recognized as assets. Gain or losses resulting from marking to market and from the settlement of the interest rate futures contracts are classified as realized or unrealized gains or losses depending on whether the gains or losses had been realized. These gains and losses are adjusted to the gains or losses associated with hedging item.

i. Credit default swaps

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

j. Commodity - linked interest rate swaps

Commodity - linked interest rate swaps, which do not involve exchanges of notional principals, are recorded by memorandum entries at the contract dates. The discounted values of the differences between the interest income with the floating interest rate and the interest expenses linked to the commodity prices in the future market are recognized and credited or charged to current income before the maturity dates. The gains and losses resulting from the swapped-in and swapped-out are included in current income on the maturity dates.

Recognition of Interest Revenue and Service Fees

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

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

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

Pension

FENB, SinoPac Leasing (before June 30, 2005) and its subsidiary and SinoPac Capital Limited and its subsidiaries recognize pension expense and make contributions in the specified ratio of employee salaries to pension fund, according to their defined benefit pension plans. Pension expense of SinoPac Leasing (since July 1, 2005) and the Bank under defined benefit pension plan is determined on the basis of actuarial calculations. Pension under defined contribution pension plan is expensed during the period when the employees rendered their services.

Income Tax

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

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

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

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

SPH adopted the linked-tax system for income tax filings with its qualified subsidiaries, including the Bank, since 2003. The different amounts between tax expense and deferred tax liabilities and assets based on consolidation and SPH with its qualified subsidiaries are adjusted on SPH, related amounts are recognized as accounts receivable or accounts payable.

Accounting for Leasing Business

For capital leases, the costs of equipment leased and the interests imputed thereon are accounted for as lease receivable. The imputed interest is correspondingly treated as unearned interest income, and is periodically recognized as interest income when earned using the interest rate method.

For operating leases, the contracted rentals are recognized as income when earned. Properties held for lease are stated at cost less accumulated depreciation. Depreciation is calculated by the straight-line method on the basis of service lives estimated as follows: buildings, 43 to 48 years; transportation equipment, 5 years, and others, 5 years.

When properties held for lease are sold at the end of leasing period, any resulting gain (loss) from the differences between proceeds and book value of properties held for lease is credited (charged) to current income.

Account Receivable Factoring

Factoring receivables (included in accounts and notes receivables) are account receivables purchased by the Company. Service fees and interest income are recognized during the factoring period.

Contingencies

A loss is recognized when it is probable that an asset has been impaired or a liability has been incurred, and the amount of loss can be reasonably estimated. If the amount of the loss cannot be reasonably estimated or the loss is possible, the related information is disclosed in the financial statements.

Foreign-currency Transactions

The Bank records foreign-currency transactions in the respective currencies in which these are denominated. Foreign-currency denominated income and expenses are translated into New Taiwan dollars at month-end rates. Foreign-currency assets and liabilities are translated into New Taiwan dollars at closing rates on the balance sheet dates. Realized and unrealized foreign exchange gains or losses are credited or charged to current income. Gains or losses resulting from restatement at period-end of foreign-currency denominated long-term equity investments accounted for by the equity method are credited or charged to "cumulative translation adjustment" under stockholders' equity.

For SinoPac Leasing and its subsidiary, foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Gains or losses resulting from the application of prevailing exchange rates when cash in foreign currency is converted into New Taiwan dollars, or when foreign-currency receivables or payable are settled, are credited or charged to income in the period of conversion or settlement. As of the balance sheet date, the balances of foreign-currency assets and liabilities are restated at the prevailing exchange rates, and resulting differences are credited or charged to current income.

3. ACCOUNTING CHANGES

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

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

4. ELIMINATIONS OF SIGNIFICANT TRANSACTIONS BETWEEN PARENT COMPANY AND SUBSIDIARIES

| Name of Corporation | Elimination Account | Amount | Counterparties of Transaction |
|--|--------------------------------------|-----------|----------------------------------|
| For the year ended <u>December 31, 2005</u> | | | |
| Bank SinoPac | Due from other banks | \$ 63,413 | SinoPac Bancorp and subsidiaries |
| | Interest receivable | 682 | SinoPac Leasing and subsidiaries |
| | Loans, discounts and bills purchased | 558,000 | SinoPac Leasing and subsidiaries |
| | Guarantee deposits | 6,694 | SinoPac Leasing and subsidiaries |
| | Accrued expenses | 942 | SinoPac Leasing and subsidiaries |
| | Deposits and remittances | 123,901 | SinoPac Leasing and subsidiaries |
| | Deposits and remittances | 50,808 | SinoPac Capital and subsidiaries |
| | Operating revenue | 27,302 | SinoPac Leasing and subsidiaries |

(Continued)

| Name of Corporation | Elimination Account | Amount | Counterparties of Transaction |
|--|---|----------|----------------------------------|
| | Operating revenue | \$ 2,484 | SinoPac Capital and subsidiaries |
| | Rental revenue | 3,049 | SinoPac Leasing and subsidiaries |
| | Interest revenue | 4,575 | SinoPac Capital and subsidiaries |
| | Interest expense | 2,140 | SinoPac Capital and subsidiaries |
| | Interest expense | 675 | SinoPac Leasing and subsidiaries |
| | Operating costs and expenses | 70,121 | SinoPac Leasing and subsidiaries |
| | Service charges | 34,130 | SinoPac Capital and subsidiaries |
| SinoPac Bancorp and subsidiaries | Due to banks | 63,413 | Bank SinoPac |
| | Operating costs and expenses | 10,842 | SinoPac Capital and subsidiaries |
| SinoPac Leasing and subsidiaries | Cash and cash equivalents | 123,901 | Bank SinoPac |
| | Receivables | 942 | Bank SinoPac |
| | Short-term borrowings | 558,000 | Bank SinoPac |
| | Interest payable | 682 | Bank SinoPac |
| | Guarantee deposits received | 6,694 | Bank SinoPac |
| | Interest revenue | 675 | Bank SinoPac |
| | Interest revenue | 3,660 | SinoPac Capital and subsidiaries |
| | Rental revenue | 69,683 | Bank SinoPac |
| | Service fees | 438 | Bank SinoPac |
| | Rental expenses | 3,049 | Bank SinoPac |
| | Operating expenses | 24,944 | Bank SinoPac |
| | Operating expenses | 3,230 | SinoPac Capital and subsidiaries |
| | Nonoperating expense and losses | 2,358 | Bank SinoPac |
| SinoPac Capital and subsidiaries | Cash and cash equivalents | 50,808 | Bank SinoPac |
| | Operating revenue | 36,270 | Bank SinoPac |
| | Operating revenue | 10,842 | SinoPac Bancorp and subsidiaries |
| | Operating revenue | 3,230 | SinoPac Leasing and subsidiaries |
| | Interest expense | 4,575 | Bank SinoPac |
| | Interest expense | 3,660 | SinoPac Leasing and subsidiaries |
| | Operating costs and expenses | 2,484 | Bank SinoPac |
| For the year ended <u>December 31, 2004</u> | | | |
| Bank SinoPac | Due from other banks | 44,283 | SinoPac Bancorp and subsidiaries |
| | Interest receivable | 2,345 | SinoPac Leasing and subsidiaries |
| | Loans, discounts and bills purchased | 802,828 | SinoPac Leasing and subsidiaries |
| | Loans, discounts and bills purchased | 213,000 | SinoPac Capital and subsidiaries |
| | Prepayments | 2,371 | SinoPac Capital and subsidiaries |
| | Guarantee deposits | 3,264 | SinoPac Leasing and subsidiaries |
| | Accrued expenses | 961 | SinoPac Leasing and subsidiaries |
| | Deposits and remittances | 83,965 | SinoPac Leasing and subsidiaries |
| | Operating revenue | 34,616 | SinoPac Leasing and subsidiaries |
| | Operating revenue | 2,574 | SinoPac Capital and subsidiaries |
| | Operating costs and expenses | 15,073 | SinoPac Leasing and subsidiaries |
| | Operating costs and expenses | 3,162 | SinoPac Capital and subsidiaries |
| | Interest expense | 620 | SinoPac Leasing and subsidiaries |
| | Interest expense | 158 | SinoPac Capital and subsidiaries |
| | Service charges | 138,900 | SinoPac Capital and subsidiaries |
| SinoPac Bancorp and subsidiaries | Due to banks | 44,283 | Bank SinoPac |
| | Operating costs and expenses | 56,924 | SinoPac Capital and subsidiaries |
| SinoPac Leasing and subsidiaries | Cash and cash equivalents | 83,965 | Bank SinoPac |
| | Receivables | 961 | Bank SinoPac |
| | Short-term borrowings | 10,000 | Bank SinoPac |
| | Current portion of long-term borrowings | 122,992 | Bank SinoPac |
| | Long-term borrowings | 669,836 | Bank SinoPac |
| | Interest payable | 2,345 | Bank SinoPac |
| | Guarantee deposits received | 3,264 | Bank SinoPac |
| | Interest revenue | 620 | Bank SinoPac |
| | Rental revenue | 14,556 | Bank SinoPac |
| | Operating revenue | 517 | Bank SinoPac |
| | Operating expenses | 34,616 | Bank SinoPac |
| SinoPac Capital and subsidiaries | Other liabilities | 213,000 | Bank SinoPac |
| | Payables | 2,371 | Bank SinoPac |

(Continued)

| Name of Corporation | Elimination Account | Amount | Counterparties of Transaction |
|---------------------|------------------------------|------------|----------------------------------|
| | Operating revenue | \$ 142,062 | Bank SinoPac |
| | Operating revenue | 56,924 | SinoPac Bancorp and subsidiaries |
| | Interest revenue | 158 | Bank SinoPac |
| | Interest expense | 5,062 | Bank SinoPac |
| | Operating costs and expenses | 2,574 | Bank SinoPac |

5. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|------------------------------|---------------------|---------------------|
| | 2005 | 2004 |
| Due from other banks | \$ 6,124,619 | \$ 4,656,033 |
| Cash on hand | 2,442,541 | 2,187,672 |
| Notes and checks in clearing | <u>1,384,004</u> | <u>2,778,026</u> |
| | <u>\$ 9,951,164</u> | <u>\$ 9,621,731</u> |

6. DUE FROM THE CENTRAL BANK AND OTHER BANKS

| | <u>December 31</u> | |
|---------------------------|----------------------|----------------------|
| | 2005 | 2004 |
| Call loans to banks | \$ 59,713,832 | \$ 20,843,771 |
| Due from the Central Bank | <u>16,761,402</u> | <u>15,120,578</u> |
| | <u>\$ 76,475,234</u> | <u>\$ 35,964,349</u> |

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

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included \$8,039,649 and \$7,225,313 as of December 31, 2005 and 2004, respectively, which are subject to withdrawal restrictions.

In addition, the foreign-currency deposit reserves are determined at prescribed rates on balances of additional foreign-currency deposits. These reserves may be withdrawn momentarily and are noninterest earning. As of December 31, 2005 and 2004, the balances of foreign-currency deposit reserves were \$312,075 and \$86,176, respectively.

7. SECURITIES PURCHASED

| | <u>December 31</u> | |
|------------------------------------|--------------------|---------------|
| | 2005 | 2004 |
| Negotiable certificates of deposit | \$ 69,657,000 | \$ 71,196,283 |
| Corporate bonds | 8,039,210 | 5,566,895 |
| Floating rate notes | 3,337,067 | 3,718,142 |
| Bank debentures | 2,529,391 | 1,057,994 |

(Continued)

| | December 31 | |
|--|----------------------|----------------------|
| | 2005 | 2004 |
| Beneficiary certificates | \$ 1,605,065 | \$ 1,765,534 |
| Listed and GTSM stocks | 751,825 | 2,361,312 |
| Government bonds | 616,183 | 3,269,457 |
| Structured instruments | 146,600 | - |
| Commercial papers | - | 7,176,112 |
| Treasury bills | - | 908,289 |
| | <u>86,682,341</u> | <u>97,020,018</u> |
| Less - allowance for decline in market value | <u>9,495</u> | <u>21,338</u> |
| | <u>\$ 86,672,846</u> | <u>\$ 96,998,680</u> |

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$16,000,000 and \$18,500,000 had been provided as collateral for the day time overdrafts as of December 31, 2005 and 2004, respectively, with the pledged amount which can be adjusted momentarily.

As of December 31, 2005 and 2004, the Bank's securities purchased amounted to \$3,885,507 and \$3,805,299 has been sold under agreements to repurchase, respectively.

As of December 31, 2005 and 2004, the aggregate market values or reference prices of corporate bonds, floating rate notes, bank debentures, mutual fund beneficiary certificates, listed and GTSM stocks, government bonds, and structured instruments were as follows:

| | December 31 | |
|--------------------------|--------------------|--------------|
| | 2005 | 2004 |
| Corporate bonds | \$ 8,144,012 | \$ 5,824,315 |
| Floating rate notes | 3,333,790 | 3,719,933 |
| Bank debentures | 2,524,740 | 1,060,705 |
| Beneficiary certificates | 1,757,306 | 1,782,451 |
| Listed and GTSM stocks | 752,227 | 2,943,895 |
| Government bonds | 617,728 | 3,283,653 |
| Structured instruments | 136,680 | - |

The Bank held 216,542,894 shares of SPH. In the stockholders' meeting of SPH on June 11, 2004, the appropriation of 2003 earnings was resolved and the Bank got appropriation for cash dividend of \$108,163, and stock dividend of \$99,523 (9,952,311 shares). The Bank held 226,495,205 shares of SPH with carrying amounts of \$2,896,922 after the appropriation. To deal with SPH's shares held by the Bank, the board of directors (hereinafter the "Board") of SPH resolved to sell 144,361,929 shares, through the securities exchange market. The Bank had sold 109,929,965 shares of SPH. The remaining 116,565,240 shares of SPH held by the Bank did not pursuant to the Financial Holding Company Act, which requires (i) reissued to the employees of SPH or SPH's subsidiaries within three years, (ii) used for equity conversion, or (iii) sold on a stock exchange or GTSM. In the event that shares are not reissued or sold, such shares should be cancelled and decrease the SPH's capital stock, in addition, the alteration registration should be completed. According to the explanations of ARDF, if the Bank does not receive any proceeds from SPH for such cancelled shares, the Bank needs to decrease its capital based on the capital decrease ratio while SPH follows the regulation to cancel and decrease its capital stock. The Bank got approval from the authorities for the cancellation of capital stock, on which the capital stock of the Bank decreased by \$1,135,324. The date for capital decreasing is on August 26, 2005.

8. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | <u>2005</u> | <u>2004</u> |
| Accounts receivable | \$ 23,087,257 | \$ 27,881,836 |
| Lease receivable due in one year | 5,099,257 | 3,751,282 |
| Interest receivable | 1,639,720 | 952,410 |
| Forward exchange receivable, net | 206,746 | 623,536 |
| Accrued revenue | 163,345 | 395,676 |
| Dividend receivable - related party | 102,577 | - |
| Receivable from related party for allocation of linked-tax system | 97,082 | 96,582 |
| Other | <u>368,767</u> | <u>358,446</u> |
| | 30,764,751 | 34,059,768 |
| Less - allowance for credit losses | <u>276,568</u> | <u>123,997</u> |
| | <u>\$ 30,488,183</u> | <u>\$ 33,935,771</u> |

The balances of the accounts receivable as of December 31, 2005 and 2004 included \$22,810,908 and \$27,330,174, respectively, representing accounts receivable from other parties in the factoring business.

9. LOANS, DISCOUNTS AND BILLS PURCHASED

| | <u>December 31</u> | |
|------------------------------------|-----------------------|-----------------------|
| | <u>2005</u> | <u>2004</u> |
| Overdrafts | \$ 1,143,829 | \$ 1,445,808 |
| Short-term loans | 90,651,311 | 83,569,633 |
| Medium-term loans | 75,846,659 | 65,255,749 |
| Long-term loans | 173,515,383 | 149,710,803 |
| Import and export negotiations | 1,496,326 | 2,546,397 |
| Bills purchased | 906 | 273 |
| Non performing loans | <u>3,146,670</u> | <u>2,045,304</u> |
| | 345,801,084 | 304,573,967 |
| Less - allowance for credit losses | 2,030,533 | 1,748,178 |
| Less - unearned loan fees | <u>93,056</u> | <u>109,102</u> |
| | <u>\$ 343,677,495</u> | <u>\$ 302,716,687</u> |

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

As of December 31, 2005 and 2004, the balances of nonaccrual interest loans were \$3,278,367 and \$2,222,687, respectively. The unrecognized interest revenue on nonaccrual interest loans amounted to \$91,879 and \$88,294 for the years ended December 31, 2005 and 2004, respectively.

For the years ended December 31, 2005 and 2004, the Bank and subsidiaries had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of loans, discounts and bills purchased for the years ended December 31, 2005 and 2004, respectively, were summarized below:

| | <u>For the Year Ended December 31, 2005</u> | | |
|---|--|---|---------------------|
| | For Losses on the Overall Loan Portfolio (Excluding Particular Loans) | | |
| | For Losses on Particular Loans | (Excluding Particular Loans) | Total |
| Balance, January 1 | \$ 492,263 | \$ 1,255,915 | \$ 1,748,178 |
| Provision | 1,779,010 | 56,885 | 1,835,895 |
| Write-off | (1,553,067) | (3,467) | (1,556,534) |
| Recovery of written-off credits | 83,499 | - | 83,499 |
| Reclassifications | (150,257) | 139,211 | (11,046) |
| Result from change of foreign exchange rate | (22,355) | (40,012) | (62,367) |
| Other | (7,092) | - | (7,092) |
| Balance, December 31 | <u>\$ 622,001</u> | <u>\$ 1,408,532</u> | <u>\$ 2,030,533</u> |
| | <u>For the Year Ended December 31, 2004</u> | | |
| | For Losses on the Overall Loan Portfolio (Excluding Particular Loans) | | |
| | For Losses on Particular Loans | (Excluding Particular Loans) | Total |
| Balance, January 1 | \$ 783,489 | \$ 1,378,036 | \$ 2,161,525 |
| Provision | 660,188 | 13,813 | 674,001 |
| Write-off | (1,128,684) | - | (1,128,684) |
| Recovery of written-off credits | 86,477 | - | 86,477 |
| Reclassifications | 108,670 | (108,429) | 241 |
| Result from change of foreign exchange rate | (27,395) | (27,505) | (54,900) |
| | <u>9,518</u> | <u>-</u> | <u>9,518</u> |
| Balance, December 31 | <u>\$ 492,263</u> | <u>\$ 1,255,915</u> | <u>\$ 1,748,178</u> |

As of December 31, 2005 and 2004, allowances for credit losses and provisions for losses on guarantees of the Bank were \$2,307,101 and \$1,904,988, respectively.

10. LONG-TERM INVESTMENTS

| | December 31 | |
|---|----------------------|----------------------|
| | 2005 | 2004 |
| <u>Long-term equity investments</u> | | |
| Equity method - unlisted stock | \$ 2,255 | \$ 81,763 |
| Cost method | | |
| Unlisted stocks | 828,477 | 1,703,852 |
| Venture fund | 73,276 | 101,824 |
| Listed and GTSM stocks | 1,128 | 669,360 |
| Emerging stock | 10 | 29,956 |
| Preferred stock | 49,275 | 23,938 |
| | <u>952,166</u> | <u>2,528,930</u> |
| | 954,421 | 2,610,693 |
| Less - unrealized losses | <u>-</u> | <u>264,299</u> |
| | <u>954,421</u> | <u>2,346,394</u> |
| <u>Other long-term investments</u> | | |
| Long-term bond investments | 8,349,793 | 7,205,671 |
| Subordinated beneficiary certificates - retained interest of securitization | 1,014,300 | 1,014,300 |
| Beneficiary certificates - credit card receivables | 80,000 | - |
| | <u>9,444,093</u> | <u>8,219,971</u> |
| | <u>\$ 10,398,514</u> | <u>\$ 10,566,365</u> |

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

| | December 31 | |
|----------------------------|--------------------|--------------|
| | 2005 | 2004 |
| Long-term bond investments | \$ 8,226,929 | \$ 7,018,809 |
| Listed and GTSM stocks | 2,376 | 422,942 |

SinoPac Consulting, a subsidiary of the Bank, is not included in the consolidated entities since it is immaterial to the consolidated financial statements of the Bank and subsidiaries.

The listed and GTSM stocks held by the Bank and subsidiaries originally evaluated by cost method are reclassified as securities purchased. For the market value of the stocks are lower than the original cost, the Bank and subsidiaries recognized loss amounted to \$270,125 and the stocks are recognized by the market value as new cost.

For the year ended December 31, 2005, the realized loss of decline in value of long-term equity investments accounted for cost method recognized by the Company and its investees amounted to \$610,621, which are summarized as follows:

| Investees | Amount |
|---|---------------|
| Prudence International Fund Ltd. | \$ 14,400 |
| Z-Com, Inc. | 9,124 |
| Taiwan Leader Advanced Technology Co., Ltd. | 5,788 |
| Mondex Taiwan Inc. | 17,000 |
| Ruentex Industries Ltd. | 25,768 |
| Mega Holdings | 20,706 |

(Continued)

| Investees | Amount |
|-----------------------------------|-------------------|
| China Television | \$ 223,651 |
| Chain Yarn Co., Ltd. | 9,789 |
| Tekcon Electronics Corp. | 19,824 |
| Telexpress Corp. | 1,553 |
| Walton Advanced Engineering, Inc. | 12,303 |
| Best 3C. Com | 14,485 |
| e21 Corporation | 6,438 |
| UOB | 37,168 |
| MDS Fund | 88,076 |
| Enhance Biotech | 14,509 |
| Dicon | 25,348 |
| Virtual Silicon | 9,864 |
| Tanox | 8,299 |
| Altor | 1,545 |
| Phytoceutica | 8,300 |
| Bioagri | 9,657 |
| NavfII | 131 |
| Source one | <u>26,895</u> |
| | <u>\$ 610,621</u> |

11. SECURITIZATION

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

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

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

December 31, 2005

| Series of Certificates | Senior | | | | Subordinated |
|--|---|---|---|---|---------------|
| | First Tranche | Second Tranche | Third Tranche | Fourth Tranche | Fifth Tranche |
| Principal amount | \$ 1,188,100 | \$ 534,100 | \$ 441,000 | \$ 122,500 | \$ 1,014,300 |
| Annual interest | Floating interest rate plus 0.4% (Note) | Floating interest rate plus 0.6% (Note) | Floating interest rate plus 1.0% (Note) | Floating interest rate plus 1.2% (Note) | - |
| Key assumptions used in measuring retained interests | | | | | |
| Expected weighted-average life (in years) | | | 3 | | |
| Expected credit losses (annual rate) | | | - | | |
| Discounted rate for residual cash flows | | | 1.433% | | |

December 31, 2004

| Series of Certificates | Senior | | | | Subordinated |
|--|---|---|---|---|---------------|
| | First Tranche | Second Tranche | Third Tranche | Fourth Tranche | Fifth Tranche |
| Principal amount | \$ 2,788,100 | \$ 534,100 | \$ 441,000 | \$ 122,500 | \$ 1,014,300 |
| Annual interest | Floating interest rate plus 0.4% (Note) | Floating interest rate plus 0.6% (Note) | Floating interest rate plus 1.0% (Note) | Floating interest rate plus 1.2% (Note) | - |
| Key assumptions used in measuring retained interests | | | | | |
| Expected weighted-average life (in years) | | | 3 | | |
| Expected credit losses (annual rate) | | | - | | |
| Discounted rate for residual cash flows | | | 1.175% | | |

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

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

b. Sensitivity analysis

As of December 31, 2005, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

| | <u>Enterprise Loans</u> | |
|--|-------------------------|--------------|
| | <u>December 31</u> | |
| | <u>2005</u> | <u>2004</u> |
| Carrying amount of retained interest | \$ 1,014,300 | \$ 1,014,300 |
| Weighted-average life (in years) | 3 years | 3 years |
| Discount rate of residual cash flows (annual rate) | 1.433% | 1.175% |
| Impact on fair value of 10% adverse change | (71) | (55) |
| Impact on fair value of 20% adverse change | (213) | (171) |

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

d. Cash flows

For the year ended December 31, 2005, the prepayments of principal before due date resulted in the cash inflow amounted to \$1,600,000.

For the year ended December 31, 2004, cash flows from the securitization trust included proceeds from new securitizations \$3,595,309 and current cash reserve \$18,531, respectively.

12. PROPERTIES

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Cost | <u>\$ 8,180,936</u> | <u>\$ 7,885,000</u> |
| Accumulated depreciation | | |
| Buildings | 554,913 | 493,482 |
| Computer equipment | 1,102,336 | 971,173 |
| Transportation equipment | 38,477 | 41,807 |
| Office and other equipment | <u>1,315,091</u> | <u>1,146,727</u> |
| | <u>3,010,817</u> | <u>2,653,189</u> |
| | 5,170,119 | 5,231,811 |
| Advances on acquisitions of equipment and construction in progress | <u>88,568</u> | <u>1,869,781</u> |
| | <u>\$ 5,258,687</u> | <u>\$ 7,101,592</u> |

13. PROPERTIES HELD FOR LEASE

| | <u>December 31</u> | |
|--------------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Cost | | |
| Land | \$ 729,250 | \$ 960,290 |
| Buildings | 1,218,729 | 614,612 |
| Transportation equipment | 942,177 | 435,121 |
| Superficies | 1,032,617 | - |
| Other | - | 493 |
| | <u>3,922,773</u> | <u>2,010,516</u> |
| Accumulated depreciation | | |
| Buildings | 66,122 | 50,304 |
| Transportation equipment | 154,827 | 114,895 |
| Other | - | 346 |
| | <u>220,949</u> | <u>165,545</u> |
| | <u>\$ 3,701,824</u> | <u>\$ 1,844,971</u> |

As of December 31, 2005 and 2004, properties held for lease amounted to \$2,914,475 and \$1,525,998, respectively, which were pledged to bank as collaterals for borrowings and as part of the requirements for filing provisional seizure.

14. OTHER ASSETS

| | <u>December 31</u> | |
|---|----------------------|----------------------|
| | <u>2005</u> | <u>2004</u> |
| Guarantee deposits | \$ 5,947,867 | \$ 3,801,583 |
| Cash surrender value - officer life insurance | 1,036,736 | 1,018,252 |
| Value of options purchased | 916,996 | 3,910,028 |
| Collateral assumed, net | 750,004 | 909,067 |
| Intangible assets | 630,605 | 816,172 |
| Computer system software | 241,729 | 244,927 |
| Other | <u>784,824</u> | <u>646,035</u> |
| | <u>\$ 10,308,761</u> | <u>\$ 11,346,064</u> |

As of December 31, 2005 and 2004, guarantee deposits included \$5,493,316 and \$3,258,233, respectively, which consisted of government bonds, corporate bonds and certificates of deposit.

As of December 31, 2005 and 2004, guarantee deposits amounted to \$1,700 and \$7,600, respectively, which were pledged to bank as collaterals for borrowings and as part of the requirements for filing provisional seizure.

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

15. SHORT-TERM BORROWINGS

| | <u>December 31</u> | |
|---|---------------------|----------------------|
| | <u>2005</u> | <u>2004</u> |
| Short-term borrowings | \$ 8,159,231 | \$ 10,492,326 |
| Current portion of long-term borrowings | <u>-</u> | <u>46,280</u> |
| | <u>\$ 8,159,231</u> | <u>\$ 10,538,606</u> |

As of December 31, 2005 and 2004, short-term borrowings had the last maturity dates in January to June 2006 and January to December 2005 with interest rates from 1.60% to 5.43% and from 1.44% to 3.43%, respectively.

16. COMMERCIAL PAPER PAYABLE

| | <u>December 31</u> | |
|-----------------------------|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Commercial paper payable | \$ 1,128,000 | \$ 1,040,000 |
| Less - unamortized discount | <u>3,471</u> | <u>1,809</u> |
| | <u>\$ 1,124,529</u> | <u>\$ 1,038,191</u> |
| Maturity date | 2006.1-2006.3 | 2005.1-2005.4 |
| Discount rate | 1.65%-2.26% | 0.63%-1.35% |

17. ACCOUNTS, INTEREST AND OTHER PAYABLES

| | <u>December 31</u> | |
|------------------------------|----------------------|----------------------|
| | <u>2005</u> | <u>2004</u> |
| Accounts payable | \$ 9,000,169 | \$ 11,168,080 |
| Notes and checks in clearing | 2,184,624 | 3,402,247 |
| Interest payable | 1,865,510 | 1,205,883 |
| Accrued expenses | 1,191,721 | 1,462,585 |
| Tax payable | 180,963 | 141,383 |
| Other | <u>386,979</u> | <u>1,136,037</u> |
| | <u>\$ 14,809,966</u> | <u>\$ 18,516,215</u> |

The balances of the accounts payable as of December 31, 2005 and 2004 included \$8,819,813 and \$10,533,934, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

18. DEPOSITS AND REMITTANCES

| | <u>December 31</u> | |
|------------------------------------|-----------------------|-----------------------|
| | 2005 | 2004 |
| Checking | \$ 11,469,149 | \$ 11,559,619 |
| Demand | 70,926,310 | 67,803,788 |
| Savings - demand | 84,529,176 | 76,290,370 |
| Time | 177,226,105 | 124,536,916 |
| Negotiable certificates of deposit | 21,672,800 | 25,782,900 |
| Savings - time | 74,873,426 | 65,594,035 |
| Inward remittances | 177,863 | 222,410 |
| Outward remittances | <u>241,504</u> | <u>239,016</u> |
| | <u>\$ 441,116,333</u> | <u>\$ 372,029,054</u> |

19. BANK DEBENTURES

| | <u>December 31</u> | | Maturity Date | Terms |
|--|--------------------|--------------|---|---|
| | 2005 | 2004 | | |
| First dominant bank debenture issued in 2001 | \$ 5,000,000 | \$ 5,000,000 | 2001.12.20-2006.12.20 Principal is repayable on maturity date. | Fixed interest rate of 3.08%. Interest is paid annually. |
| First subordinated bank debenture issued in 2002 | 2,000,000 | 2,000,000 | 2002.12.23-2008.03.23 Principal is repayable on maturity date. | Floating interest rate except for the first two years fixed at 2.15%. Interest is paid semiannually. |
| First dominant bank debenture issued in 2003 | 1,000,000 | 1,000,000 | 2003.02.14-2008.02.14 Principal is repayable on maturity date. | 3.65% minus 6-month LIBOR. Interest is paid semiannually. |
| Second dominant bank debenture issued in 2003 | 500,000 | 500,000 | 2003.03.19-2008.09.19 Principal is repayable on maturity date. | 3.48% minus 6-month LIBOR. Interest is paid semiannually. |
| Third dominant bank debenture issued in 2003 | 1,500,000 | 1,500,000 | 2003.05.09-2008.11.09 Principal is repayable on maturity date. | 4.15% minus 6-month LIBOR except for the first year fixed at 2.50%. Interest is paid semiannually. |
| Fourth dominant bank debenture issued in 2003 | 400,000 | 400,000 | 2003.05.09-2008.11.09 Principal is repayable on maturity date. | 2% plus 180-day-NTD CP rate in secondary market and minus 6-month LIBOR. Interest is paid semiannually. |
| First subordinated bank debenture issued in 2003 | 2,500,000 | 2,500,000 | 2003.06.18-2008.12.18 Principal is repayable on maturity date. | 180-day CP rate in secondary market plus 0.3%. Interest is paid semiannually. |
| Fifth dominant bank debenture issued in 2003 | 1,000,000 | 1,000,000 | 2003.08.11-2010.08.11 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Sixth dominant bank debenture issued in 2003 | 700,000 | 700,000 | 2003.08.20-2009.02.20 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Seventh dominant bank debenture issued in 2003 | 800,000 | 800,000 | 2003.09.16-2008.09.16 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Eighth dominant bank debenture issued in 2003 | 500,000 | 500,000 | 2003.09.16-2008.09.16 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Ninth dominant bank debenture issued in 2003 | 300,000 | 300,000 | 2003.09.22-2008.09.22 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Tenth dominant bank debenture issued in 2003 | 1,000,000 | 1,000,000 | 2003.11.05-2008.11.05 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |

(Continued)

| | December 31 | | Maturity Date | Terms |
|--|--------------------|--------------|---|---|
| | 2005 | 2004 | | |
| Eleventh dominant bank debenture issued in 2003 | \$ 1,000,000 | \$ 1,000,000 | 2003.11.14-2008.11.14 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Twelfth dominant bank debenture issued in 2003 | 500,000 | 500,000 | 2003.11.21-2008.11.21 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Thirteenth dominant bank debenture issued in 2003 | 500,000 | 500,000 | 2003.11.28-2008.11.28 Principal is repayable on maturity date. | Floating rate except for the first year fixed at 4%. Interest is paid semiannually. |
| Fourteenth dominant bank debenture issued in 2003 | 2,200,000 | 2,200,000 | 2003.12.02-2009.06.02 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Second subordinated bank debentures issued in 2003 | 3,600,000 | 3,600,000 | 2004.03.18-2009.09.18 Principal is repayable on maturity date. | Fixed interest rate of 2.3%, interest is paid semiannually. |
| First dominant bank debentures issued in 2004 | 500,000 | 500,000 | 2004.04.26-2009.10.26 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Second dominant bank debentures issued in 2004 | 300,000 | 300,000 | 2004.04.28-2009.10.28 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Third dominant bank debentures issued in 2004 | 500,000 | 500,000 | 2004.04.29-2009.04.29 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Fourth dominant bank debentures issued in 2004 | 200,000 | 200,000 | 2004.05.14-2009.05.14 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Fifth dominant bank debentures issued in 2004 | 300,000 | 300,000 | 2004.05.17-2009.05.17 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Sixth dominant bank debentures issued in 2004 | 500,000 | 500,000 | 2004.05.17-2009.05.17 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Seventh dominant bank debentures issued in 2004 | 200,000 | 200,000 | 2004.05.21-2009.05.21 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Eighth dominant bank debentures issued in 2004 | 500,000 | 500,000 | 2004.05.21-2011.05.21 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Ninth dominant bank debentures issued in 2004 | 300,000 | 300,000 | 2004.06.03-2009.06.03 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Tenth dominant bank debentures issued in 2004 | 500,000 | 500,000 | 2004.06.07-2009.06.07 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Eleventh dominant bank debentures issued in 2004 | 200,000 | 200,000 | 2004.06.15-2009.06.15 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Twelfth dominant bank debentures issued in 2004 | 500,000 | 500,000 | 2004.06.15-2010.06.15 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Thirteenth dominant bank debentures issued in 2004 | 300,000 | 300,000 | 2004.06.30-2009.06.30 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Fourteenth dominant bank debentures issued in 2004 | 500,000 | 500,000 | 2004.07.09-2010.07.09 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Fifteenth dominant bank debentures issued in 2004 | 500,000 | 500,000 | 2004.07.13-2011.07.13 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |

(Continued)

| | <u>December 31</u> | | Maturity Date | Terms |
|---|----------------------|----------------------|---|---|
| | 2005 | 2004 | | |
| First subordinated bank debentures issued in 2004 | \$ 1,500,000 | \$ 1,500,000 | 2004.09.14-2010.06.14 Principal is repayable on maturity date. | Floating rate. Interest is paid semiannually. |
| Second subordinated bank debentures issued in 2004 | 500,000 | 500,000 | 2004.09.14-2010.06.14 Principal is repayable on maturity date. | Index rate plus 0.50%. Interest is reset semiannually since the issuance date. Interest is paid semiannually. |
| First subordinated bank debentures issued in 2005 | 3,000,000 | - | 2005.12.13-2011.06.13 Principal is repayable on maturity date. | Index rate plus 0.35%. Interest is reset semiannually since the issuance date. Interest is paid semiannually. |
| FENB second subordinated bank debentures issued in 2004 | 328,500 | 319,170 | 2003.06.26-2013.06.26 Principal is repayable on maturity date. | Floating rate. Interest is paid quarterly. |
| FENB second subordinated bank debentures issued in 2004 | 164,250 | 159,585 | 2003.09.17-2013.09.17 Principal is repayable on maturity date. | Floating rate. Interest is paid quarterly. |
| | <u>\$ 36,292,750</u> | <u>\$ 33,278,755</u> | | |

20. LONG-TERM BORROWINGS

| | <u>December 31</u> | |
|--|---------------------|-------------------|
| | 2005 | 2004 |
| Bank loans | \$ 2,373,125 | \$ 677,949 |
| Less - current portion of long-term borrowings | <u>-</u> | <u>46,280</u> |
| | <u>\$ 2,373,125</u> | <u>\$ 631,669</u> |
| Interest rate | 1.82%-5.42% | 1.83%-4.7% |

As of December 31, 2005 and 2004, long-term borrowings of SinoPac Leasing and its subsidiary had the last maturity dates in May 2010 and April 2010, respectively.

As of December 31, 2005 and 2004, SinoPac Leasing and its subsidiary had unused credit lines amounting to \$4,659,992 and \$1,739,000, respectively, that are available for long-term borrowings.

21. STOCKHOLDERS' EQUITY

- a. The capitalization of retained earnings in 2004 have been approved by the authority, and the authorized and issued capital increased from \$19,443,976 to \$20,863,392 on July 6, 2005. Pursuant to the Financial Holding Company Act, the 116,565,240 shares of SPH, which were held by the Bank for 3 years as of May 8, 2005, has been cancelled and subsequently decreased the SPH's capital stock. In addition, the alteration registration has been completed. Because the Bank did not receive the proceeds from SPH for such cancelled shares, so that the Bank had to cancel its capital according to the capital decrease ratio. The capital stock decreased by \$1,135,324 (please see Note 7), and the capital stock after capital decrease amounted to \$19,728,068.

b. Capital surplus

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

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

c. Retained earnings and dividend policy

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

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

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

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

Under the Company Law, the appropriation for legal reserve is made until the reserve equals the aggregate par value of the outstanding capital stock of the Bank. This reserve is only used to offset a deficit. When its balance reaches 50% of aggregate par value of the outstanding capital stock of the Bank, and the Bank have no earnings, the legal reserve over 50% can be distributed as stock dividend or bonus, or, the Bank have no deficit, the Bank can retain the legal reserve up to 25% of the outstanding capital and transferred the remaining legal reserve to common stock. In addition, the Banking Law provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends, remuneration to directors and supervisors and bonus to employees should not exceed 15% of aggregate par value of the outstanding capital stock of the Bank.

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

On April 28, 2005 and April 14, 2004, the board of directors resolved the appropriation of 2004 and 2003 earnings, respectively, as follows:

| | <u>Earnings Appropriation</u> | | <u>Dividends Per Share (New Taiwan Dollars)</u> | |
|---|-------------------------------|---------------------|---|-------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Legal reserve | \$ 1,285,444 | \$ 826,170 | | |
| Remuneration to directors and supervisors | 26,847 | 38,000 | | |
| Bonus to employees - cash | 28,946 | 19,277 | | |
| Cash dividends | 1,419,416 | 1,870,452 | \$0.73 | \$0.962 |
| Stock dividends | <u>1,419,416</u> | <u>-</u> | 0.73 | - |
| | <u>\$ 4,180,069</u> | <u>\$ 2,753,899</u> | | |

The appropriation of 2005 earnings has not yet been resolved by the board of directors by February 21, 2006 on which the date of auditors' report. The related information regarding the proposed and resolved earnings appropriation can be referred from the Market Observation Post System (M.O.P.S.) website.

In addition, had aforementioned remuneration to directors and bonus to employees (included in earnings of 2004 and 2003) been recognized as expenses, the basic EPS (after tax) for 2004 and 2003 would had been decreased from NT\$2.20 to NT\$2.05 and NT\$1.32 to NT\$1.29, respectively.

22. SERVICE FEES

| | <u>For the Years Ended December 31</u> | |
|-------------------------|--|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Mutual funds | \$ 671,701 | \$ 772,984 |
| Loan documentation fee | 476,931 | 439,054 |
| Factoring and financing | 318,179 | 342,935 |
| Import and export | 282,531 | 252,832 |
| Custody | 195,977 | 226,116 |
| Other | <u>457,603</u> | <u>537,605</u> |
| | <u>\$ 2,402,922</u> | <u>\$ 2,571,526</u> |

23. INCOME FROM SECURITIES, NET

| | <u>For the Years Ended December 31</u> | |
|-------------------|--|------------------|
| | <u>2005</u> | <u>2004</u> |
| Short-term bills | | |
| Interest revenue | \$ 825,174 | \$ 1,350,036 |
| Capital loss, net | <u>5,632</u> | <u>2,259</u> |
| | <u>830,806</u> | <u>1,352,295</u> |
| Bonds | | |
| Capital gain, net | 153,933 | 196,589 |
| Interest revenue | <u>90,113</u> | <u>31,588</u> |
| | <u>244,046</u> | <u>228,177</u> |

(Continued)

| | For the Years Ended December 31 | |
|---|--|---------------------|
| | 2005 | 2004 |
| Structured instruments | | |
| Gain form structured instruments | \$ 235 | \$ - |
| Stocks and beneficiary certificates | | |
| Capital gain (loss), net | 114,476 | 618,887 |
| Dividend revenue | 121,508 | 126,114 |
| Dividend distributed form mutual funds | 459 | 485 |
| | <u>236,443</u> | <u>745,486</u> |
| Reversal of allowance for decline in market value | <u>11,843</u> | <u>(21,338)</u> |
| | <u>248,286</u> | <u>724,148</u> |
| | <u>\$ 1,323,373</u> | <u>\$ 2,304,620</u> |

24. OPERATING AND ADMINISTRATIVE EXPENSES

| | For the Years Ended December 31 | |
|---|--|--------------|
| | 2005 | 2004 |
| Personnel expenses | | |
| Salaries and wages | \$ 3,339,586 | \$ 3,639,083 |
| Pension | 190,179 | 174,565 |
| Labor insurance and national health insurance | 169,671 | 163,609 |
| Other | 29,142 | 43,055 |
| Depreciation | 458,581 | 488,024 |
| Amortization | 177,927 | 185,229 |

25. PENSION

Before June 30, 2005, the Bank applied defined benefit pension plan regulated by Labor Standard Law, and pension expense is determined on the basis of actuarial calculations. Since July 1, 2005, the Labor Pension Act took effect and the Act applied defined contribution pension plan, the employees of the Bank could choose the pension mechanism either under the Labor Standard Law or under this Act. For those employees who were subject to the labor Standard Law prior to the enforcement of this Act and still work for the same business entity after the enforcement of this Act, if they choose the pension mechanism regulated by this Act, their seniority prior to the enforcement of this Act shall be maintained. The contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages.

For the Bank's employees choose the pension mechanism regulated by the Labor Standard Law, the retirement payments shall be paid to employees on the basis of the following standard: (i) a lump sum payment of retirement payments equal to two base units shall be paid for each year of service (ii) provided that each year of service exceeding fifteen years shall be entitled to only one base unit of wage (iii) and that the maximum payment shall be forty-five base units. Any fraction of a year which is equal to or more than six months shall be counted as one year of service, and any fraction of a year which is less than six months shall be counted as half a year of service.

For the Bank's employees choosing the pension mechanism regulated by the Labor Pension Act, the retirement payments is paid according to the related rulings of this Act.

The Bank's employees contribute a compulsory amount equivalent to 4% of their salaries to the employees' pension fund, and the Bank also makes monthly contributions to the severance payment fund. The Labor pension Act took effect on July 1, 2005, therefore the aforementioned employees' pension fund ceased to contribute, and the employees received their cumulative contributions and related interest thereon.

The Labor Pension Act took effect on July 1, 2005, the Bank's employees, who were on service before July 1, 2005, could choose the pension mechanism either under the Labor Standard Law or under this Act. For those employees who choose the pension mechanism regulated by the Labor Standard law, their seniority prior to the enforcement of Labor Pension Act shall be maintained. The newly hired employees, who were hired after July 1, 2005, could only regulated by the Labor Pension Act.

Since July 1, 2005, for those employees who still choose to be subjected to the Labor Standard Law, the Bank makes monthly contributions, equal to 4% of employee salaries, to the severance payment fund. If the employees quit willingly, they still can receive the severance payment based on the severance payment criteria.

For those employees who choose to be subjected to the Labor Pension Act, the Bank ceases to contribute into severance payment fund. The cumulated contributions generated before applying Labor Pension Act is summed up in the balance at that month and retained in the severance payment fund. The employees will receive severance payments according to severance payment criteria when they quit willingly.

The Bank applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, the Bank contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages. For the year ended 2005, the pension expense under the defined contribution pension plan amounted to \$35,969.

Since July 1, 2005, for those employees who still choose to be subjected to the Labor Standard Law, SinoPac Leasing makes monthly contributions, equal to 7% of employee salaries, to the severance payment fund.

SinoPac Leasing applied defined contribution plan regulated by Labor Pension Act after July 1, 2005. Under this Act, for those employees who choose to be subjected to the Labor Pension Act, SinoPac Leasing contributed 6% of the employee salaries to the Labor Insurance Administration (according to this Act, the contribution rate by the employer to the Labor Pension Fund per month shall not be less than 6% of the employee's monthly wages. For the year ended 2005, the pension expense under the defined contribution pension plan amounted to \$1,321.

The related information about defined benefit plan for the Bank and SinoPac Leasing were summarized below:

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

| | For the Years Ended | |
|----------------------|----------------------------|---------------------|
| | December 31 | |
| | 2005 | 2004 |
| Balance, January 1 | \$ 1,294,653 | \$ 1,095,684 |
| Contributions | 173,472 | 210,612 |
| Benefits paid | (637,810) | (49,817) |
| Interest income | <u>38,297</u> | <u>38,174</u> |
| Balance, December 31 | <u>\$ 868,612</u> | <u>\$ 1,294,653</u> |

b. Net pension costs for the years ended December 31, 2005 and 2004 were summarized below:

| | For the Years Ended December 31 | |
|--------------------------------|--|-------------------|
| | 2005 | 2004 |
| Service cost | \$ 113,158 | \$ 133,236 |
| Interest cost | 40,344 | 35,611 |
| Expected return on plan assets | (30,049) | (27,164) |
| Net amortization and deferral | <u>8,603</u> | <u>9,743</u> |
| Net pension cost | <u>\$ 132,056</u> | <u>\$ 151,426</u> |

c. The reconciliations of the funded status of the plan and accrued pension cost as of December 31, 2005 and 2004 were as follows:

| | December 31 | |
|---|--------------------|-------------------|
| | 2005 | 2004 |
| Benefit obligation | | |
| Vested benefit obligation | \$ 123,385 | \$ 124,258 |
| Nonvested benefit obligation | <u>611,489</u> | <u>674,572</u> |
| Accumulated benefit obligation | 734,874 | 798,830 |
| Additional benefit based on future salaries | <u>338,354</u> | <u>299,250</u> |
| Projected benefit obligation | 1,073,228 | 1,098,080 |
| Fair value of plan assets | <u>(870,019)</u> | <u>(802,204)</u> |
| Funded status | 203,209 | 295,876 |
| Unrecognized net transition obligation | (18,288) | (29,865) |
| Un-amortized prior service cost | (428) | (556) |
| Un-amortized pension loss | <u>(59,444)</u> | <u>(146,898)</u> |
| Accrued pension cost | <u>\$ 125,049</u> | <u>\$ 118,557</u> |
| d. Vested benefit | <u>\$ 251,460</u> | <u>\$ 259,289</u> |

e. Actuarial assumptions

| | | |
|---|-----------|------|
| 1) Discount rate used in determining present values | 3.5% | 3.5% |
| 2) Expected rate of return on plan assets | 2.5%-3.0% | 3.5% |
| 3) Future salary increase rate | 2.5% | 2.5% |

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

26. INCOME TAX

Under a directive issued by the MOF, a financial holding company and its domestic subsidiaries that held over 90% of shares issued by the financial holding company for 12 months within the same tax year, may choose to adopt the linked tax system for income tax filings. SPH and some of its subsidiaries, including the Bank (collectively, the "Group"), had adopted the linked-tax system since 2003 income tax filings and 2002 unappropriated earnings tax filings.

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

| | For the Years Ended December 31 | |
|---|--|---------------------|
| | 2005 | 2004 |
| Current income tax payable | \$ 762,518 | \$ 930,638 |
| Separate taxes on short-term bills interest revenue | 195,609 | 74,121 |
| Foreign income taxes over limitation | 5,294 | 58,563 |
| Change in deferred income taxes | (193,683) | (4,195) |
| Prior year's adjustment | (55,529) | (31,859) |
| Effects upon linked-tax system | | |
| Income tax | <u>\$ 714,209</u> | <u>\$ 1,027,268</u> |

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

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

| | For the Years Ended December 31 | |
|--|--|-------------------|
| | 2005 | 2004 |
| Tax on pretax income at statutory rate | \$ 768,761 | \$ 1,575,255 |
| Add (deduct) tax effects of: | | |
| Tax-exempt loss (income) | 12,369 | (186,561) |
| Permanent difference | (282,697) | (428,702) |
| Temporary difference | 268,098 | (15,939) |
| Investment tax credit | (4,525) | (13,580) |
| Loss carryforward | (2,036) | - |
| Other | 2,548 | 165 |
| Current income tax payable | <u>\$ 762,518</u> | <u>\$ 930,638</u> |

- c. Net deferred income tax assets (liabilities) of the Bank, SinoPac Bancorp and its subsidiaries, SinoPac Leasing and its subsidiary, and SinoPac Capital Limited and its subsidiaries consisted of the tax effects of the following:

| | December 31 | |
|---|---------------------|---------------------|
| | 2005 | 2004 |
| <u>Bank SinoPac</u> | | |
| Investment income under the equity method | \$ (659,900) | \$ (541,076) |
| Unrealized foreign exchange loss (gain) | 82,038 | (14,472) |
| Deferred pension cost | 30,649 | 29,593 |
| Other | (46,555) | (46,555) |
| Deferred income tax liabilities, net | <u>\$ (593,768)</u> | <u>\$ (572,510)</u> |
| Deferred income tax assets | <u>\$ 3,993</u> | <u>\$ 5,587</u> |

(Continued)

| | <u>December 31</u> | |
|---|--------------------|------------------|
| | <u>2005</u> | <u>2004</u> |
| <u>SinoPac Bancorp and its subsidiaries</u> | | |
| Goodwill amortization | \$ (46,276) | \$ (54,174) |
| Deferred loan fees | (173,779) | (173,277) |
| Provision for credit losses | 202,820 | 253,837 |
| Other | <u>105,894</u> | <u>49,382</u> |
| Deferred income tax assets, net | <u>\$ 88,659</u> | <u>\$ 75,768</u> |

SinoPac Leasing and its subsidiaries

| | | |
|--|------------------|---------------------|
| Investment loss (income) under the equity method | \$ 81,029 | \$ (147,457) |
| Allowance for bad debts beyond limits | 14,914 | 4,016 |
| Other | <u>(35,594)</u> | <u>(16)</u> |
| Deferred income tax assets (liabilities), net | <u>\$ 60,349</u> | <u>\$ (143,457)</u> |

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

| | <u>December 31</u> | |
|--------------------------------|--------------------|-------------------|
| | <u>2005</u> | <u>2004</u> |
| Receivables from related party | <u>\$ 97,082</u> | <u>\$ 96,582</u> |
| Payables to related party | <u>\$ 22,284</u> | <u>\$ 358,168</u> |

- e. Imputed tax credit information is as follows:

| | <u>December 31</u> | |
|------------------------|--------------------|-------------|
| | <u>2005</u> | <u>2004</u> |
| <u>Balances of ICA</u> | | |
| Bank SinoPac | \$ 139,615 | \$ 95,182 |
| SinoPac Leasing | 60 | 17 |

The projected imputed tax ratio for earnings in 2005 is 8.42%, which is based on the estimated balance of ICA on the dividend distribution date. The actual imputed tax ratio for earnings in 2004 was 5.00%.

SinoPac Leasing have no distributable earnings in 2005, thus, the ICA balance will be accumulated to the earnings - appropriated year for the creditable tax ratio for earnings. The actual imputed tax ratio for earnings in 2004 was 0.0175%.

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

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

27. EARNINGS PER SHARE

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

| | <u>Numerator (Amounts)</u> | | <u>Denominator (Shares in Thousands)</u> | <u>EPS (NT\$)</u> | |
|---|----------------------------|---------------------|--|-------------------|------------------|
| | <u>Pre-tax</u> | <u>After tax</u> | | <u>Pre-tax</u> | <u>After tax</u> |
| <u>For the year ended December 31, 2005</u> | | | | | |
| Basic EPS | | | | | |
| Net income belongs to common stockholders | <u>\$ 2,831,373</u> | <u>\$ 2,117,164</u> | 2,046,836 | <u>\$ 1.38</u> | <u>\$ 1.03</u> |
| <u>For the year ended December 31, 2004</u> | | | | | |
| Basic EPS | | | | | |
| Net income belongs to common stockholders | <u>\$ 5,312,083</u> | <u>\$ 4,284,815</u> | 2,086,339 | <u>\$ 2.55</u> | <u>\$ 2.05</u> |

The EPS has been adjusted for the distribution of stock dividends. For the year ended December 31, 2004, the pretax EPS has been adjusted from \$2.73 to \$2.20, the after tax EPS has been adjusted from \$2.55 to \$2.05, respectively.

28. RELATED-PARTY TRANSACTIONS

In addition to those disclosed in other footnotes of consolidated financial statements, relationship with the Bank and significant transactions between the Bank and related parties for years ended December 31, 2005 and 2004 were summarized as follows:

- a. Related parties

| <u>Name</u> | <u>Relationship with the Bank and Subsidiaries</u> |
|---|--|
| SinoPac Financial Holdings Company Limited (SPH) | Parent company |
| SinoPac Securities Corporation (SinoPac Securities) | Subsidiary of SPH |
| SinoPac Marketing Consulting Co., Ltd. (SinoPac Marketing Consulting) | Subsidiary of SPH |
| SinoPac Call Center Co., Ltd. (SinoPac Call Center) | Subsidiary of SPH |
| SinoPac Venture Capital Co., Ltd. (SinoPac Venture Capital) | Subsidiary of SPH |
| SinoPac Asset Management Co., Ltd. (SinoPac Asset Management) | Subsidiary of SPH |
| SinoPac Life Insurance Agent Co., Ltd. (SPLIA) | Subsidiary of SPH |
| SinoPac Property Insurance Agent Co., Ltd. (SPPIA) | Subsidiary of SPH |

(Continued)

| Name | Relationship with the Bank and Subsidiaries |
|--|---|
| AnShin Card Services Company Limited (AnShin Card Services) | Subsidiary of SPH |
| SinoPac Securities Investment Trust Co., Ltd. (SinoPac Investment Trust) | Subsidiary of SPH |
| Fortune Investment Co., Ltd. (Fortune Investment) | Director of the Bank |
| China Television Co., Ltd. (China Television) | The Bank is a director of the Company (the Bank resigned on November 2004) |
| Ruentex Development Co., Ltd. (Ruentex Development) | Related party in substance |
| SinoPac Asia Limited | Subsidiary of SinoPac Securities |
| Formosa Plastic Corporation (Formosa Plastic) | Related party in substance |
| SinoPac Futures Corporation (SinoPac Futures) | Subsidiary of SinoPac Securities |
| SinoPac Securities (Cayman) Holdings | Subsidiary of SinoPac Securities |
| Panasonic Taiwan Co., Ltd. (PTW) | Same chairperson with SPH (the chairperson resigned on May 2005) |
| SinoPac Managed Futures Co., Ltd. (SinoPac Managed Futures) | Affiliate |
| SinoPac Columbus Fund | Managed by the subsidiary of SPH, SinoPac Investment Trust |
| SinoPac New Century Fund | Managed by the subsidiary of SPH, SinoPac Investment Trust |
| International Bank of Taipei (IBT) | Subsidiary of SPH (became a wholly owned subsidiary of SPH since December 26, 2005) |
| Other | The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and their subsidiaries the Bank, and the investees of SPH's other subsidiaries, etc. |
| Other | Related parties under the control of the Bank but without transactions, please refer to Table 6 |

b. Significant transactions between the Bank and related parties

1) Loans

| | Ending Balance | % of Total | Interest Rate | Interest Revenue | % of Total |
|--|-------------------|---------------|------------------|---------------------|---------------|
| For the year ended <u>December 31, 2005</u> | | | | | |
| SinoPac Securities | \$ 500,000 | 0.17% | 1.53% | \$ 459 | - |
| SinoPac Capital Limited | 230,607 | 0.08% | 4.92%-4.99% | 3,725 | 0.02% |
| Formosa Plastic | 101,252 | 0.03% | 3.04% | 3,367 | 0.02% |
| Other | 1,387,869 | 0.40% | 1.58%-7.40% | 5,522 | 0.03% |

(Continued)

| | Ending Balance | % of Total | Interest Rate | Interest Revenue | % of Total |
|--|---------------------------|-----------------------|----------------------|-----------------------------|-----------------------|
| For the year ended <u>December 31, 2004</u> | | | | | |
| SinoPac Securities | \$ 500,000 | 0.17% | 1.42% | \$ 8 | - |
| Other | 545,098 | 0.18% | 1.75%-12.30% | 4,902 | 0.04% |

2) Deposits

| | Ending Balance | % of Total | Interest Rate | Interest Expense | % of Total |
|--|---------------------------|-----------------------|----------------------|-----------------------------|-----------------------|
| For the year ended <u>December 31, 2005</u> | | | | | |
| SPH | \$ 3,040,618 | 0.69% | 0%-4.50125% | \$ 30,374 | 0.26% |
| SinoPac Securities | 1,244,444 | 0.28% | 0.3%-4.91% | 12,805 | 0.11% |
| SinoPac Venture Capital | 547,291 | 0.12% | 0.30% | 1,812 | 0.02% |
| SinoPac Futures | 257,329 | 0.06% | 0.3%-1.94% | 13,317 | 0.11% |
| SinoPac Securities (Cayman) Holdings | 227,727 | 0.05% | 4.05%-4.25% | 4,035 | 0.03% |
| Other | 2,923,484 | 0.66% | 0%-6.475% | 21,034 | 0.18% |

For the year ended
December 31, 2004

| | | | | | |
|-------------------------|-----------|-------|--------------|--------|-------|
| SPH | 3,004,989 | 0.81% | 0.3%-2.60% | 59,215 | 0.88% |
| SinoPac Securities | 1,367,757 | 0.37% | 0.002%-4.53% | 17,471 | 0.26% |
| PTW | 871,504 | 0.23% | 0.3%-4.28% | 1,664 | 0.02% |
| SinoPac Futures | 705,185 | 0.19% | 0.3%-1.35% | 8,005 | 0.12% |
| SinoPac Managed Futures | 187,534 | 0.05% | 0.3%-1.4% | 2,929 | 0.04% |
| Other | 1,683,629 | 0.45% | 0.3%-6.475% | 15,832 | 0.24% |

3) Due from banks and other receivables

| | Amount | | % of Total | |
|----------------------|--------------------|-------------|--------------------|-------------|
| | December 31 | | December 31 | |
| | 2005 | 2004 | 2005 | 2004 |
| Due from banks - IBT | \$ 279,600 | \$ 319,170 | 0.47% | 1.53% |
| Other receivables | 33,173 | 218,413 | 0.11% | 0.64% |

4) Guarantees and securities purchased

| | December 31, 2005 | % of Total |
|---|------------------------------|-----------------------|
| Structured instruments - SinoPac Securities | \$ 146,600 | 0.17% |
| Beneficiary certificates - SinoPac New Century Fund | 50,000 | 0.06% |
| Beneficiary certificates - SinoPac Columbus Fund | 36,000 | 0.04% |

5) Long-term borrowings

| | December 31, 2005 | % of Total | Interest Expense2004 |
|----------------------------|------------------------------|-----------------------|---------------------------------|
| Long-term borrowings - IBT | \$ 922,700 | 38.88% | \$ 29,334 |

- 6) The Bank had provided guarantees on commercial papers issued by SinoPac Securities. The aggregate face amounts of commercial papers were as follows:

| | <u>December 31</u> | |
|--------------------|--------------------|------------------|
| | <u>2005</u> | <u>2004</u> |
| SinoPac Securities | \$ <u>35,000</u> | \$ <u>35,000</u> |

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

| | <u>December 31</u> | |
|--|---------------------|---------------------|
| | <u>2005</u> | <u>2004</u> |
| Properties and leased assets - carrying amount | \$ 1,173,521 | \$ 1,183,912 |
| Certificates of deposit | <u>830,000</u> | <u>1,160,000</u> |
| | <u>\$ 2,003,521</u> | <u>\$ 2,343,912</u> |

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

| | <u>December 31</u> | |
|------------------------------|--------------------|-------------|
| | <u>2005</u> | <u>2004</u> |
| Properties - carrying amount | \$ 40,064 | \$ 40,064 |
| Stocks - fair value | 8,253 | 8,010 |

- 7) Long-term investments

In coordination with restructure of the parent company - SPH, the Bank and subsidiaries transferred the following long-term equity investments which are accounted for by cost method to SinoPac Venture Capital at book value in 2005.

| | Shares in Thousands | Book Value |
|---|--------------------------------|-------------------|
| Prudence International Fund Ltd. | 5,000 | \$ 35,600 |
| Z-Com, Inc. | 1,103 | 10,766 |
| Taiwan Leader Advanced Technology Co., Ltd. | 1,560 | 10,436 |
| Chain Yarn Co., Ltd. | 2,171 | 28,655 |
| Tekcon Electronics Corp. | 349 | 944 |
| Telexpress Corp. | 525 | 6,282 |
| Walton Advanced Engineering, Inc. | 1,527 | 11,300 |
| Best 3C.Com | 600 | - |
| e21 Corp. | 200 | 3,313 |
| SinoPac Financial Consulting Co., Ltd. | 6 | 71 |
| Wal Tech International Corporation | 26,500 | 147,341 |
| Telexpress Corp. | 3,900 | 44,733 |
| 3V Source One LP | 3,600 | 93,034 |
| Allstar Venture Ltd. (B.V.I.) | 0.002 | 180,968 |

The Bank have purchased beneficiary certificates - credit card receivables from AnShin Card Services. The maturity and fixed interest rate of the beneficiary certificates are February 20, 2009 and 3%, respectively, and the principal was as follows:

| | |
|---|------------------------------|
| | December 31, 2005 |
| Beneficiary certificates - credit card receivables - AnShin Card Services | <u>\$ 80,000</u> |

8) Revenues and expenses

| | <u>Amount</u> | | <u>% of Total</u> | |
|------------------------------|----------------------------|-------------|----------------------|-------------|
| | <u>For the Years Ended</u> | | <u>For the Years</u> | |
| | <u>December 31</u> | | <u>Ended</u> | |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Service fees | \$ 22,556 | \$ 7,163 | 0.94% | 0.28% |
| Service charges | - | 1,595 | - | 0.72% |
| Project popularizing expense | 410 | 4,152 | 0.01% | 0.15% |

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

| | <u>Face Amount</u> | | <u>Cost</u> | |
|--|--------------------|-------------|--------------------|-------------|
| | <u>December 31</u> | | <u>December 31</u> | |
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| SPH | | | | |
| Short-term bills and bonds sold under agreements to repurchase | \$ - | \$ 630,000 | \$ - | \$ 700,000 |
| Other | | | | |
| Short-term bills and bonds sold under agreements to repurchase | 67,500 | 1,000 | 75,001 | 1,011 |

10) Lease

a) The Bank as a lessee

The Bank had leased certain office premises from related parties under several contracts for various periods ranging from 1 to 15 years, with rentals paid monthly. The related information was summarized as follows:

| Lessor | <u>Rental Expenses</u> | | Lease Term | Payment Frequency |
|---------------------|----------------------------|-------------|------------|----------------------|
| | <u>For the Years Ended</u> | | | |
| | <u>December 31</u> | | | |
| | <u>2005</u> | <u>2004</u> | | |
| China Television | \$ 4,975 | \$ 9,950 | 2005.07 | Rentals paid monthly |
| Ruentex Development | 3,672 | 3,566 | 2010.09 | Rentals paid monthly |
| SinoPac Securities | - | 2,085 | - | Rentals paid monthly |

b) The Bank as a lessor

| Lessee | Rental Income | | Lease Term | Payment Frequency |
|------------------------------|----------------------------|-------------|------------|--------------------------|
| | For the Years Ended | | | |
| | December 31 | | | |
| | 2005 | 2004 | | |
| SinoPac Call Center | \$ 2,592 | \$ 2,160 | 2006.10 | Rentals received monthly |
| SinoPac Securities | 2,469 | 2,545 | 2008.11 | Rentals received monthly |
| SinoPac Marketing Consulting | 1,870 | 2,387 | 2007.05 | Rentals received monthly |
| SinoPac Asset Management | 363 | - | 2010.06 | Rentals received monthly |
| AnShin Card Services | 243 | 180 | 2005.11 | Rentals received monthly |

11) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the years ended December 31, 2005 and 2004 amounted to \$127,327 and \$231,020, respectively.

12) Due from/to affiliates

As of December 31, 2005 and 2004, the Bank's receivable from AnShin Card Services amounted to \$30,535 and \$25,725, respectively.

As of December 31, 2005 and 2004, the Bank's estimated receivable resulting from the adoption of the linked tax system for 2005 and 2004 tax filing amounted to \$97,082 and \$96,582, respectively, and the estimated payables resulting from the adoption of the linked tax system as of December 31, 2005 and 2004 amounted to \$22,284 and \$358,168, respectively.

As of December 31, 2005, the Bank's dividends receivable from SPH amounted to \$102,577.

13) Asset transactions

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

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

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

For transactions between FENB and its subsidiaries, SinoPac Leasing and its subsidiaries, SinoPac Capital and its subsidiaries and related parties, the terms are similar to those transacted with unrelated parties.

29. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

In addition to those disclosed in Note 33, financial instruments, significant contingencies and commitments of the Bank, are summarized as follows:

a. Lease contract

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

| Year | Amount |
|-------------|---------------|
| 2006 | \$ 298,373 |
| 2007 | 242,073 |
| 2008 | 185,415 |
| 2009 | 143,156 |
| 2010 | 66,579 |

Rentals for the years beyond 2010 amount to \$368,564, the present value of which is about \$241,826 as discounted at the Bank and FENB's one-year time deposit rate ranging from 1.99% to 3.60% on January 1, 2006.

b. Equipment purchase contract

The Bank had entered into contracts to buy computer hardware and software for \$87,459, of which \$55,477 had been paid as of December 31, 2005.

c. Interior decoration contract

The Bank had entered into interior decoration contracts for \$35,412, of which \$31,216 had been paid as of December 31, 2005.

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

As of December 31, 2005, short-term bills and bonds with a total face amount of \$8,851,528 were sold under agreements to repurchase at \$9,462,770 between January and March 2006.

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

As of December 31, 2005, short-term bills and bonds with a total face amount of \$7,694,010 were purchased under agreements to resell at \$8,147,866 in January 2006.

f. The Securities and Futures Investors Protection Center (SFIPC) is believed by investors to be filing a lawsuit against Bank SinoPac in the ground that Procomp Informatics Ltd. provided US\$10 million deposit with the Bank's Sungshan Branch and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL and for helping Procomp Informatics Ltd. to window dress its financial statements. As of June 29, 2005, the SFIPC filed additional lawsuit against Bank SinoPac, SPL and all other parties related to Procomp Informatics Ltd. Case for compensation in the amount of \$4,467,129. As a matter of fact, Bank SinoPac was authorized to engage in financing activities and did not help Procomp Informatics Ltd. to window dress the financial statements. According to Bank SinoPac attorney's opinion, the claims from SFIPC is without sufficient reason and Bank SinoPac does not need to compensate the investors for the damage.

30. CAPITAL ADEQUACY RATIO

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

As of December 31, 2005 and 2004, the Bank's standalone capital adequacy ratios were 13.01% and 12.64%, respectively, and the consolidated capital adequacy ratios were 10.94% and 11.25%, respectively.

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

Average amounts and average interest rates of interest-earning assets and interest-bearing liabilities of the Bank and its subsidiaries, FENB, were as follows:

| | For the Years Ended December 31 | | | |
|---|---------------------------------|---------------------|--------------------|---------------------|
| | 2005 | | 2004 | |
| | Average Balance | Average Rate (%) | Average Balance | Average Rate (%) |
| <u>Interest-earning assets</u> | | | | |
| Due from other banks | \$ 5,116,202 | 3.10 | \$ 4,627,020 | 1.03 |
| Call loans (placement) | 38,730,745 | 2.66 | 12,399,828 | 1.63 |
| Due from the Central Bank | 7,540,379 | 1.50 | 7,417,488 | 1.56 |
| Securities purchased | 76,654,878 | 1.65 | 123,369,807 | 1.44 |
| Securities purchased under agreements to resell | 20,185,592 | 1.51 | 11,464,467 | 1.15 |
| Loans, discounts and bills purchased | 312,497,395 | 3.90 | 282,081,089 | 3.61 |
| Accounts receivable factoring | 11,499,315 | 4.40 | 12,467,985 | 3.84 |
| Other long-term investments | 12,717,435 | 2.95 | 9,899,081 | 2.60 |
| <u>Interest-bearing liabilities</u> | | | | |
| Due to banks | 5,488,420 | 1.43 | 5,927,418 | 1.49 |
| Call loans (taken) | 32,900,616 | 2.74 | 40,230,715 | 1.32 |
| Demand deposits | 64,987,597 | 1.41 | 91,873,698 | 0.58 |
| Savings - demand deposits | 76,159,873 | 0.49 | 71,878,779 | 0.49 |
| Time deposits | 142,811,354 | 2.15 | 124,835,619 | 1.25 |
| Savings - time deposits | 69,976,912 | 1.63 | 62,923,792 | 1.51 |
| Negotiable certificates of deposit | 28,527,012 | 1.26 | 27,718,490 | 1.01 |
| Securities sold under agreements to repurchase | 13,465,088 | 1.58 | 12,344,902 | 1.01 |
| Bank debentures | 33,448,914 | 1.91 | 28,724,383 | 2.69 |

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

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

December 31, 2005

| | Due in One Year | Due Between One Year and Five Years | Due After Five Years | Total |
|---|----------------------------|--|---------------------------------|-----------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 9,412,415 | \$ - | \$ - | \$ 9,412,415 |
| Due from the Central Bank and other banks | 76,475,234 | - | - | 76,475,234 |
| Securities purchased | 86,413,047 | - | - | 86,413,047 |
| Receivables | 26,989,967 | - | - | 26,989,967 |
| Securities purchased under agreements to resell | 8,143,070 | - | - | 8,143,070 |
| Loans, discounts and bills purchased (excluding nonperforming loans) | 104,356,331 | 47,766,590 | 186,464,740 | 338,587,661 |
| Other long-term investments | <u>8,349,793</u> | <u>1,094,300</u> | <u>-</u> | <u>9,444,093</u> |
| | <u>\$ 320,139,857</u> | <u>\$ 48,860,890</u> | <u>\$ 186,464,740</u> | <u>\$ 555,465,487</u> |

Liabilities

| | | | | |
|--|-----------------------|----------------------|---------------------|-----------------------|
| Call loans and due to banks | \$ 37,077,346 | \$ - | \$ - | \$ 37,077,346 |
| Securities sold under agreements to repurchase | 9,440,268 | - | - | 9,440,268 |
| Payables | 16,576,500 | - | - | 16,576,500 |
| Deposits and remittances | 423,877,101 | 17,239,232 | - | 441,116,333 |
| Bank debentures | <u>5,492,750</u> | <u>26,800,000</u> | <u>4,000,000</u> | <u>36,292,750</u> |
| | <u>\$ 492,463,965</u> | <u>\$ 44,039,232</u> | <u>\$ 4,000,000</u> | <u>\$ 540,503,197</u> |

December 31, 2004

| | Due in One Year | Due Between One Year and Five Years | Due After Five Years | Total |
|---|----------------------------|--|---------------------------------|-----------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 9,247,320 | \$ - | \$ - | \$ 9,247,320 |
| Due from the Central Bank and other banks | 35,964,349 | - | - | 35,964,349 |
| Securities purchased | 95,918,174 | - | - | 95,918,174 |
| Receivables | 32,289,314 | - | - | 32,289,314 |
| Securities purchased under agreements to resell | 19,423,913 | - | - | 19,423,913 |
| Loans, discounts and bills purchased (excluding nonperforming loans) | 95,767,251 | 43,358,785 | 158,295,624 | 297,421,660 |
| Other long-term investments | <u>7,205,671</u> | <u>1,014,300</u> | <u>-</u> | <u>8,219,971</u> |
| | <u>\$ 295,815,992</u> | <u>\$ 44,373,085</u> | <u>\$ 158,295,624</u> | <u>\$ 498,484,701</u> |

Liabilities

| | | | | |
|--|-----------------------|----------------------|---------------------|-----------------------|
| Call loans and due to banks | \$ 43,190,326 | \$ - | \$ - | \$ 43,190,326 |
| Securities sold under agreements to repurchase | 18,274,840 | - | - | 18,274,840 |
| Payables | 20,468,099 | - | - | 20,468,099 |
| Deposits and remittances | 362,366,191 | 9,746,828 | - | 372,113,019 |
| Bank debentures | <u>-</u> | <u>23,900,000</u> | <u>9,378,755</u> | <u>33,278,755</u> |
| | <u>\$ 444,299,456</u> | <u>\$ 33,646,828</u> | <u>\$ 9,378,755</u> | <u>\$ 487,325,039</u> |

33. FINANCIAL INSTRUMENTS

a. Derivative financial instruments

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

The Bank is exposed to credit risk in the event of default on contracts by counter-parties. The Bank enters into contracts with customers that have satisfied the credit approval process and have provided the necessary collateral. The transactions are then made within each customer's credit limit, and guarantee deposits may be required, depending on the customer's credit standing. Transactions with other banks are made within the trading limit set for each bank on the basis of the bank's credit rating and its worldwide ranking. The associated credit risk has been considered in the evaluation of provision for credit losses. In addition, the Bank has entered into futures contracts with international futures and options exchanges, and therefore, no significant credit risk is expected.

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

| Financial Instruments | December 31 | | | | | |
|---|----------------------------------|-------------|--------------|----------------------------------|-------------|-------------|
| | 2005 | | | 2004 | | |
| | Contract (Notional) Amount | Credit Risk | Fair Value | Contract (Notional) Amount | Credit Risk | Fair Value |
| For hedging purposes: | | | | | | |
| Interest rate swap contracts | \$ 12,616,000 | \$ 68,613 | \$ (361,497) | \$ 16,244,022 | \$ 279,484 | \$ 278,575 |
| Cross-currency swap contracts | 14,300,000 | 152,354 | 21,380 | 14,300,000 | 1,195,636 | 1,190,878 |
| For the purposes of accommodating customers' needs or managing the Bank and subsidiaries' exposures: | | | | | | |
| Forward contracts | | | | | | |
| - Buy | 55,624,065 | 407,937 | 74,201 | 98,072,598 | 306,698 | (1,545,844) |
| - Sell | 49,634,061 | 318,631 | 104,305 | 97,074,585 | 1,720,574 | 1,682,115 |
| Forward rate agreements | | | | | | |
| - Buy | - | - | - | 1,900,000 | - | (486) |
| Currency swap contracts | 192,546,664 | 470,464 | 110,797 | 171,481,336 | 1,809,323 | (134,723) |
| Interest rate swap contracts | 129,275,697 | 139,355 | (11,883) | 69,836,423 | 917,748 | (22,922) |
| Cross-currency swap contracts | 9,473,275 | 77,962 | 452 | 13,675,871 | 80,880 | 3,288 |
| Interest rate futures contracts | | | | | | |
| - Long position | 367,462 | - | 475 | - | - | - |
| - Short position | 1,169,066 | - | (2,469) | 95,751 | - | 501 |
| Commodity-linked interest rate swap | 115,632 | 219 | - | - | - | - |
| Credit-linked deposit | 4,300,000 | - | (43,978) | - | - | - |

| Financial Instruments | December 31 | | | | | |
|--|----------------------------|-------------|-------------------------------------|----------------------------|-------------|-------------------------------------|
| | 2005 | | | 2004 | | |
| | Contract (Notional) Amount | Credit Risk | Value of Options Purchased/ Written | Contract (Notional) Amount | Credit Risk | Value of Options Purchased/ Written |
| For the purposes of accommodating customers' needs or managing the Bank and subsidiaries' exposures: | | | | | | |
| Foreign-currency options contracts | | | | | | |
| - Long position | \$ 52,616,576 | \$ 369,175 | \$ 916,996 | \$ 149,271,260 | \$ 150,288 | \$ 3,910,028 |
| - Short position | 55,810,711 | - | 866,096 | 133,169,281 | - | 2,551,603 |
| Equity options contract | | | | | | |
| - Long position | 146,600 | 9,556 | - | - | - | - |
| - Short position | 146,600 | - | 821 | - | - | - |

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

As of December 31, 2005 and 2004, the Bank entered into asset swap contracts for hedging purposes, with notional amounts at \$1,204,700 and \$2,102,502, respectively. Since the Bank entered into these contracts with counter-parties with high worldwide ranking and credit rating, insignificant credit risk is expected.

As of December 31, 2005 and 2004, the Bank entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$359,059 and \$377,132. Since the Bank entered into these contracts with counter-parties with high worldwide ranking and credit rating, insignificant credit risk is expected.

The notional amounts of derivative contracts are used solely for the purpose of calculating receivables and payables to all contract-parties. Thus, the notional amounts does not represent the actual cash inflows or outflows. The possibility that derivative financial instruments held or issued by the Bank cannot be sold at reasonable prices is remote; thus, insignificant cash demand is expected.

The gains (losses) on derivative financial instruments from Bank SinoPac for the years ended December 31, 2005 and 2004 were as follows:

| Account | For the Years Ended December 31 | | |
|---------------------------------|---|------------------|----------------|
| | 2005 | 2004 | |
| For hedging purposes: | | | |
| Cross-currency swap contracts | | | |
| - Realized | Interest revenue | \$ 252,649 | \$ 286,447 |
| | Interest expense | (459,472) | (192,934) |
| Interest rate swap contracts | | | |
| - Realized | Interest revenue | 48,328 | 133,063 |
| | Interest expense | (88,297) | (30,177) |
| | Income from derivative financial instruments transactions | 12,669 | - |
| | Foreign exchange gain | 41,967 | - |
| Interest rate futures contracts | Loss on derivative financial instruments transactions | - | (7,195) |
| Options contracts | Income from derivative financial instruments transactions | - | 20,101 |
| | | <u>(192,156)</u> | <u>209,305</u> |

(Continued)

| | | For the Years Ended | |
|--|---|----------------------------|-------------------|
| | | December 31 | |
| Account | | 2005 | 2004 |
| For the purposes of accommodating customers' needs or managing the Bank's exposures: | | | |
| Forward contracts | | | |
| - Realized | Interest revenue | \$ 260,306 | \$ 71,640 |
| | Interest expense | (83,018) | (14,463) |
| - Realized | Foreign exchange gain (loss) | 274,154 | (7,209) |
| - Unrealized | Foreign exchange gain (loss) | 539,171 | (580,888) |
| - Unrealized | Income from (loss on) derivative financial instruments transactions | (1,972) | 30,474 |
| Forward rate agreements | | | |
| - Realized | Loss on derivative financial instruments transactions | (487) | (3,513) |
| - Unrealized | Income from derivative financial instruments transactions | 486 | 3,039 |
| Currency swap contracts | | | |
| - Realized | Interest revenue | 2,160,289 | 778,153 |
| | Interest expense | (1,748,995) | (728,396) |
| - Unrealized | Income from (loss on) derivative financial instruments transactions | 90,949 | (9,014) |
| Interest rate swap contracts | | | |
| - Realized | Interest revenue | 736,466 | 228,293 |
| | Interest expense | (787,770) | (285,815) |
| - Realized | Income from derivative financial instruments transactions | 10,575 | 78,746 |
| - Unrealized | Income from derivative financial instruments transactions | 8,980 | 22,662 |
| Options contracts | | | |
| - Realized | loss on derivative financial instruments transactions | (409,989) | (3,247,298) |
| | Foreign exchange gain (loss) | (244,412) | 3,679,833 |
| - Unrealized | Income from (loss on) derivative financial instruments transactions | (660,359) | 273,996 |
| Interest rate futures contracts | | | |
| - Realized | Loss on derivative financial instruments transactions | (2,422) | (40,710) |
| - Unrealized | Income from (loss on) derivative financial instruments transactions | (2,495) | 949 |
| Cross-currency swap contracts | | | |
| - Realized | Interest revenue | 408,070 | 33,199 |
| | Interest expense | (406,123) | (31,715) |
| - Unrealized | Loss on derivative financial instruments transactions | (2,836) | (224) |
| Credit default swap contracts | | | |
| - Realized | Income from derivative financial instruments transactions | 4,900 | 5,274 |
| Commodity - linked interest rate swap | | | |
| - Realized | Income from derivative financial instruments transactions | 1,125 | - |
| | | <u>144,593</u> | <u>257,013</u> |
| Net gains | | <u>\$ (47,563)</u> | <u>\$ 466,318</u> |

b. Fair value of nonderivative financial instruments

| | December 31 | | | |
|---|----------------------------|-------------------|----------------------------|-------------------|
| | 2005 | | 2004 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <u>Assets</u> | | | | |
| Financial assets - with fair values approximating carrying amounts | \$ 127,096,714 | \$ 127,096,714 | \$ 101,945,350 | \$ 101,945,350 |
| Securities purchased | 86,672,846 | 86,923,483 | 96,998,680 | 97,895,636 |
| Loans, discounts and bills purchased | 343,677,495 | 343,677,495 | 302,716,687 | 302,716,687 |
| Long-term equity investments | 954,421 | 954,421 | 2,346,394 | 2,346,394 |
| Other long-term investments | 9,444,093 | 9,444,093 | 8,219,971 | 8,219,971 |
| Guarantee deposits | 5,947,867 | 6,076,803 | 3,801,583 | 3,831,459 |
| <u>Liabilities</u> | | | | |
| Financial liabilities - with fair values approximating carrying amounts | 72,613,725 | 72,613,725 | 94,576,488 | 94,576,488 |
| Deposits and remittances | 441,116,333 | 441,116,333 | 372,029,054 | 372,029,054 |
| Bank debentures | 36,292,750 | 36,292,750 | 33,278,755 | 33,278,755 |
| Other liabilities | 1,854,988 | 1,854,988 | 1,267,595 | 1,267,595 |

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

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

- 6) Long-term borrowings and bonds payable including their current portions are interest-bearing liabilities at floating interest rates. Thus, the carrying amounts represent fair values.

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

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

The Bank and FENB had significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments were under seven years. (For the years ended December 31, 2005 and 2004, the interest rates of the loans both ranged from 0.01% to 20.00%.) The Bank and FENB also issues financial guarantees and standby letters of credit to guarantee the performance of a customer obligations to a third party. The term of these guarantees were usually less than one year, and their maturity dates are not concentrated in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risks as of December 31, 2005 and 2004 were as follows:

| | <u>December 31</u> | |
|--|--------------------|---------------|
| | 2005 | 2004 |
| Undrawn loan commitments | \$ 18,530,720 | \$ 19,310,260 |
| Financial guarantees and standby letters of credit | 14,657,107 | 15,767,734 |
| Credit card commitments | 70,189 | 75,133 |

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

The Bank and FENB make credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' creditworthiness. On the basis of the result of the credit evaluation, the Bank and FENB may require collateral before drawings are made against the credit facilities. As of December 31, 2005 and 2004, ratios of secured loans to total loans were about 72% and 74%, respectively. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank and FENB will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given.

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

34. INFORMATION ON CONCENTRATION OF RISK - BANK SINOPAC AND FAR EAST NATIONAL BANK

The Bank and FENB have no concentrated credit risk in any industry, individual counter-party or group who engaged in similar business activities. Industries with 5% or more of the outstanding loans as of December 31, 2005 and 2004 were as follows:

| | December 31 | | | |
|----------------|----------------|----|----------------|----|
| | 2005 | | 2004 | |
| | Amount | % | Amount | % |
| Natural person | \$ 202,060,845 | 59 | \$ 170,908,585 | 56 |
| Manufacturing | 50,433,500 | 15 | 46,467,640 | 15 |
| Real estate | 24,953,821 | 7 | 26,391,937 | 9 |

The net positions on major foreign-currency transactions of the Bank as of December 31, 2005 and 2004 were as follows:

| | December 31 | | | | | | |
|---|--|--|--|--|-----------|----|---------|
| | 2005 | | 2004 | | | | |
| | Foreign-currency Amounts (in Thousand) | New Taiwan Dollar Amounts (in Thousand) | Foreign-currency Amounts (in Thousand) | New Taiwan Dollar Amounts (in Thousand) | | | |
| Net positions of major foreign-currency (market risk) | JPY | 3,945,804 | \$ 1,103,247 | MYR | 108,238 | \$ | 909,116 |
| | CAD | 19,719 | 556,771 | JPY | 2,872,678 | | 893,404 |
| | USD | 15,946 | 523,827 | USD | 25,064 | | 799,961 |
| | NZD | 21,530 | 482,910 | THB | 638,683 | | 523,911 |
| | EUR | 3,024 | 117,813 | EUR | 10,114 | | 440,071 |

35. MAJOR RISK EXPOSURE SITUATIONS, MANAGEMENT POLICY AND PRACTICE OF - BANK SINOPAC CREDIT RISK, MARKET RISK, LIQUIDITY RISK, OPERATING RISK AND LEGAL RISK

a. Credit risks

1) Assets quality

(In Thousands of New Taiwan Dollars, %)

| Item | December 31, 2005 | December 31, 2004 |
|--|----------------------|----------------------|
| Overdue loans (including nonperforming loans) (Note 1) | 3,070,340 | 1,942,504 |
| Nonperforming loans | 2,903,286 | 1,880,686 |
| Overdue loans ratio (Note 2) | 1.01% | 0.74% |
| Classified loans (Note 3) | - | 820,014 |
| Ratios of classified loans to total loans | - | 0.31% |
| Allowance for credit losses | 1,595,866 | 1,174,898 |
| Write-off amounts of credits (Note 4) | 341,030 | 932,811 |

Note 1: a. Before June 30, 2005, overdue loans (including non-accrual loans) represent the amounts of reported overdue loans as required by the MOF letters dated February 16, 1994 (Ref. No. Tai-Tsai-Zong-832292834) and December 1, 1997 (Ref. No. Tai-Tsai-Zong-86656564).

- b. Since July 1, 2005, overdue loans (including non-accrual loans) represent the amounts of reported overdue loans as required by the MOF letters dated January 6, 2004 (Ref. No. Tai-Tsai-Zong 928011826)

Note 2: Overdue loans ratio = Overdue loans (including nonperforming loans)/(Outstanding loan balance + Nonperforming loans). If overdue loans (including nonperforming loans)/Total credits, the overdue loans ratio as of December 31, 2005 and 2004 were 0.88% and 0.62%, respectively.

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

Note 4: Write-off amounts of credits = Accumulated write-off amounts of credits for the years ended December 31, 2005 and 2004.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

| | December 31, 2005 | | December 31, 2004 | |
|---|------------------------|------------|------------------------|------------|
| Credit extensions to interested parties | 4,021,871 | | 4,065,567 | |
| Ratios of credit extensions to interested parties | 1.15 | | 1.30 | |
| Ratios of credit extensions secured by pledged stocks | 0.13 | | 1.25 | |
| Industry concentration | Industry | Percentage | Industry | Percentage |
| | Natural person | 76.44% | Natural person | 77.47% |
| | Manufacturing | 9.45% | Manufacturing | 9.00% |
| | Wholesaling and retail | 4.48% | Wholesaling and retail | 3.96% |

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

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

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

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

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

4) Concentrations of risk: Please refer to Note 34.

b. Market risk

1) Average amount and average interest rate of interest-earning assets and interest-bearing liabilities: Please refer to Note 31.

2) Interest rate sensitivity

| Item | December 31, 2005 | December 31, 2004 |
|--|-------------------|-------------------|
| Ratio of interest rate-sensitive assets to liabilities | 95.76 | 86.02 |
| Ratio of interest rate-sensitive gap to net worth | (53.55) | (143.04) |

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

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

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

3) Net positions of the major foreign-currency: Please refer to Note 34.

c. Liquidity risk

1) Profitability

| Item | For the Year Ended December 31, 2005 | For the Year Ended December 31, 2004 |
|------------------------|--------------------------------------|--------------------------------------|
| Return on total assets | 0.54 | 1.11 |
| Return on net worth | 9.55 | 18.03 |
| Profit margin | 10.21 | 21.74 |

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

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

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

Note 4: Income after income tax represents income for the years ended December 31, 2005 and 2004.

Note 5: The above ratios in each quarter's financial statements are converted into the annual rate.

2) Maturity analysis of assets and liabilities

December 31, 2005

(In Millions of New Taiwan Dollars)

| | Total | Amount for the Remaining Period Prior to the Maturity Date | | | | |
|-----------------|------------|--|------------|-------------|----------------------|---------------|
| | | 0-30 Days | 31-90 Days | 91-180 Days | 181 Days to One Year | Over One Year |
| Assets | \$ 493,666 | \$ 144,671 | \$ 44,977 | \$ 37,765 | \$ 28,332 | \$ 237,921 |
| Liabilities | 494,724 | 104,833 | 92,679 | 85,972 | 102,115 | 109,125 |
| Gap | (1,058) | 39,838 | (47,702) | (48,207) | (73,783) | 128,796 |
| Accumulated gap | (1,058) | 39,838 | (7,864) | (56,071) | (129,854) | (1,058) |

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

d. Operating risk and litigation risk

**Matters Requiring Special Notation
December 31, 2005**

| Causes (Note) | Summary and Amount |
|---|--|
| Within the past one year, a responsible person or professional employee, in the course of business, violated the law, resulting in an indictment by a prosecutor. | None |
| Within the past one year, a fine was levied on the Bank for violations of the related regulations. | None |
| Within the past one year, misconduct occurred that resulted in the Financial Supervisory Commission imposing strict corrective measures. | <p>1. The Financial Supervisory Commission (FSC) imposed strict corrective measures on the factory business transacted at Tunpei Branch on July 13, 2005. FSC consider the Tunpei Branch helped the client increase bank deposits in false, window dress the financial statements and insufficient disclosure with respect to letters for confirmation on bank deposits with restricted usage from auditors. On December 23, 2005, FSC restricted the Bank for accepting any factoring business from new clients and only dealing within the credit limited for existing clients for the period of January to June 2006. The Bank has filing the appeal on the matter of punishment, and asked the related business units follow the rulings established by FSC. For the disclosure requirement, the Bank has set up a standard operating procedure for all business units to follow.</p> <p>2. The Bank's affiliate company, Grand Capital International Limited (Grand Capital), had granted short-term loans to Addie International Limited. On October 26, 2004, the FSC imposed strict corrective measure on the significant weakness of Grand Capital's related controls. Some employees involved in the significant weakness of the aforementioned loans had been punished, and the Bank had followed the FSC's instructions to strengthen plan on the investees' management.</p> |

(Continued)

| Causes (Note) | Summary and Amount |
|--|--|
| Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars. | None |
| Other | <p>Cause of the case: The Securities and Futures Investors Protection Center (SFIPC) added the Bank and SPL as additional defendants for joint and several compensation liabilities to the Procomp Informatics Ltd. case on the ground that Procomp Informatics Ltd. provided US\$10 million deposit with the Bank's Sunshan Branch and limited the usage as a condition for short-term loan to Addie International Limited granted by SPL.</p> <p>The value of the object of litigation: \$4,470,000.</p> <p>Period to bring up a litigation state - first session was August 1, 2005.</p> <p>Main parties: SFIPC, Procomp Informatics Ltd., Yeh Shu-Fei, the Bank and SPL.</p> <p>Status: Under the investigation on first court instance.</p> |

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

36. STATEMENT OF CAPITAL ADEQUACY

| Item | December 31, 2005 | December 31, 2004 |
|-----------------------------|-------------------|-------------------|
| Capital adequacy ratios | 13.01% | 12.64% |
| Ratios of debt to net worth | 1,793.55% | 1,569.79% |

Note: Capital adequacy ratio = Eligible capital/Risk-weighted assets. Pursuant to the Banking Law and related regulations, the capital adequacy ratio should be computed at the end of June and December, respectively. The consolidated capital adequacy ratios were 10.94% and 11.25% as of December 31, 2005 and 2004, respectively.

37. INFORMATION RELATED TO THE TRUST BUSINESS UNDER THE TRUST LAW

a. Balance sheets and trust properties of trust accounts

| Balance Sheets of Trust Accounts December 31, 2005 and 2004 | | | | | |
|--|----------------------|----------------------|--------------------------|----------------------|----------------------|
| Trust Assets | 2005 | 2004 | Trust Liabilities | 2005 | 2004 |
| Bank deposits | \$ 1,131,051 | \$ 1,526,957 | Payables | \$ 853 | \$ 597 |
| Short-term investments | 54,612,144 | 53,750,053 | Trust capital | 59,476,180 | 57,312,037 |
| Receivables | 105,562 | 24,006 | Cumulative earnings | <u>1,370,221</u> | <u>1,331,519</u> |
| Prepayments | 52 | 51 | | | |
| Properties | 4,407,411 | 2,584,352 | | | |
| Net asset value of collective investment trust fund | <u>591,034</u> | <u>758,734</u> | | | |
| Total trust assets | <u>\$ 60,847,254</u> | <u>\$ 58,644,153</u> | Total trust liabilities | <u>\$ 60,847,254</u> | <u>\$ 58,644,153</u> |

Trust Properties of Trust Accounts December 31, 2005 and 2004

| Investment Portfolio | December 31 | |
|---|----------------------|----------------------|
| | 2005 | 2004 |
| Bank deposits | <u>\$ 1,131,051</u> | <u>\$ 1,526,957</u> |
| Short-term investments | | |
| Bonds | | |
| Common stock | 11,820,584 | 9,567,983 |
| Funds | 4,375,413 | 4,102,773 |
| Short-term bills or investments sold under agreements to repurchase | <u>38,416,147</u> | <u>40,079,297</u> |
| | <u>54,612,144</u> | <u>53,750,053</u> |
| Receivables | <u>105,562</u> | <u>24,006</u> |
| Prepayments | <u>52</u> | <u>51</u> |
| Properties | | |
| Land | 3,206,006 | 2,103,676 |
| Buildings | 470,160 | 6,677 |
| Construction in process | <u>731,245</u> | <u>473,999</u> |
| | <u>4,407,411</u> | <u>2,584,352</u> |
| Net asset value of collective investment trust fund | <u>591,034</u> | <u>758,734</u> |
| Total | <u>\$ 60,847,254</u> | <u>\$ 58,644,153</u> |

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

38. INFORMATION RELATED TO BORROWERS, GUARANTORS AND COLLATERAL PROVIDERS AS INTEREST PARTIES - BANK SINOPAC

December 31, 2005

| Category | Account Volume | December 31, 2005 | Possibility of Loss |
|--------------------------------------|-----------------------|------------------------------|----------------------------|
| Consumer loans (Note 1) | 324 | \$ 261,291 | - |
| Loans for employees' family mortgage | 232 | 571,409 | - |
| Other borrowers (Note 2) | 636 | 3,937,322 | - |
| Guarantees | 512 | 1,851,242 | - |
| Collateral providers | 1,110 | 7,133,505 | - |

December 31, 2004

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

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

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

Note 3: The interest parties mentioned above are defined in the Banking Law Article 33-1.

39. CROSS SELLING INFORMATION

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

| Item | The Bank | SinoPac Securities | Total | Terms of Allocation |
|---|----------|--------------------|----------|--|
| <u>For the year ended December 31, 2005</u> | | | | |
| Rentals | \$ 2,295 | \$ 1,665 | \$ 3,960 | On the basis of actual square measures used. |
| <u>For the year ended December 31, 2004</u> | | | | |
| Rentals | 13,098 | - | 13,098 | On the basis of actual square measures used. |

In February 2003, the Bank had contracts with SPLIA and SPPIA, respectively, for cross selling business. The contracts refer to the rules of promoting cross selling business and how to allocate the related expenses to sites, personnel, and equipments and how to calculate the related compensation.

For the year ended December 31, 2005, the Bank charged SPPIA for \$3,160 as service fees, and charged SPLIA for \$38,970 as promoting rewards under cross selling business.

40. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None;

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: Table 4;
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 10% of the issued capital: Table 5;
 - 7) Allowance for service fees to related-parties amounting to at least NT\$5 million: None;
 - 8) Receivables from related parties amounting to at least NT\$300 million or 10% of the issued capital: None;
 - 9) Sale of nonperforming loans amounting to at least NT\$5 billion: None;
 - 10) Other significant transactions which may affect the decisions of users of financial reports: None;
 - 11) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 6;
 - 12) Derivative financial transactions: The derivative financial instruments of the Bank are disclosed in Note 33.
- b. Information related to investment in Mainland China: None.

41. 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. Thus, no industrial and customorial information disclosure is required. The geographic information about the Bank and subsidiaries for the years ended December 31, 2005 and 2004 is as follows:

| | Domestic | United States | Hong Kong | Adjustments and Eliminations | Total |
|--|----------------|---------------|----------------|------------------------------------|----------------|
| <u>For the year ended December 31, 2005</u> | | | | | |
| Revenues from third parties | \$ 18,781,417 | \$ 3,927,507 | \$ 2,920,633 | \$ 78 | \$ 25,629,635 |
| Segment income | \$ 882,910 | \$ 1,093,987 | \$ 413,057 | \$ 441,341 | \$ 2,831,295 |
| Investment income under the equity method | | | | | 78 |
| Income before income tax | | | | | \$ 2,831,373 |
| <u>December 31, 2005</u> | | | | | |
| Identifiable assets | \$ 474,387,734 | \$ 73,563,229 | \$ 41,455,109 | \$ (798,222) | \$ 588,607,850 |
| Long-term equity investments under the equity method | | | | | 2,255 |
| Total assets | | | | | \$ 588,610,105 |
| <u>For the year ended December 31, 2004</u> | | | | | |
| Revenues from third parties | \$ 18,283,452 | \$ 3,462,692 | \$ 1,561,968 | \$ - | \$ 23,308,112 |
| Segment income | \$ 4,178,270 | \$ 966,931 | \$ 179,546 | \$ (12,935) | \$ 5,311,812 |
| Investment income under the equity method | | | | | 271 |
| Income before income tax | | | | | \$ 5,312,083 |
| <u>December 31, 2004</u> | | | | | |
| Identifiable assets | \$ 211,444,156 | \$ 67,476,347 | \$ 256,306,018 | \$ (1,025,660) | \$ 534,200,861 |
| Long-term equity investments under the equity method | | | | | 81,763 |
| Total assets | | | | | \$ 534,282,624 |

BANK SINOPAC AND INVESTEEES

FINANCING PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)

| No. | Financier | Counter-party | Financial Statement Account | Maximum Balance for the Period | Ending Balance | Interest Rate (%) | Financing Type | Transaction Amount | Financing Reasons | Allowance for Bad Debt | Collateral | | Financing Limit for Each Borrowing Company | Financing Company's Financing Amount Limits |
|-----|-------------------------------|------------------------------------|-------------------------------------|--------------------------------|---------------------|----------------------------------|----------------------|--------------------|---------------------|------------------------|------------|-------|--|---|
| | | | | | | | | | | | Item | Value | | |
| 1 | SinoPac Capital (B.V.I.) Ltd. | SinoPac Capital Ltd. | Short-term borrowings | \$ 145,242 (Note 1) | \$ 145,242 (Note 1) | US 4.21%-4.75% HK 4.18%-4.38% | Short-term financing | \$ - | Working capital | \$ - | - | \$ - | \$ 246,375 (Note 1) | \$ 246,375 (Note 1) |
| 2 | SinoPac Leasing Corporation | Wal Tech International Corporation | Other receivables - related parties | 433,500 | 179,000 | 2.1%-2.2% | Short-term financing | - | Repay of borrowings | 895 | - | - | 568,000 | 11,534,409 |

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

BANK SINOPAC AND INVESTEES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars)**

| No. | Endorsement/Guarantee Provider | Counter-party | | Limits on Individual Endorsement/Guarantee Amounts | Maximum Balance for the Period | Ending Balance | Endorsement/Guarantee Amount Collateralized by Properties | Ratio of Accumulated Amount of Endorsement/Guarantee to Net Asset Value of the Latest Financial Statement (Note 4) | Maximum Endorsement/Guarantee Amounts Allowable |
|-----|--------------------------------|-------------------------------------|------------------------|--|--------------------------------|--------------------------|---|--|---|
| | | Name | Nature of Relationship | | | | | | |
| 1 | SinoPac Leasing Corporation | Grand Capital International Limited | Subsidiary | (Note 2) | \$ 4,560,787 (Note 1) | \$ 4,390,776 (Note 1) | \$ - | 12.38% | (Note 3) |
| | | Wal Tech International Corporation | Affiliate | (Note 2) | 338,500 | 10,000 | - | 0.03% | (Note 3) |

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

Note 2: The limit on individual endorsement or guarantee amount is up to 200% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of December 31, 2005, the limit was \$2,269,005.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of December 31, 2005, the maximum allowance was \$5,672,511.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its audited financial statements as of December 31, 2005.

BANK SINOPAC AND INVESTEEES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

| Name of Holding Company | Type and Name of Marketable Securities | Relationship | Financial Statement Account | December 31, 2005 | | | | Note |
|---------------------------------|---|---|------------------------------|---|--------------------------------|----------------------------|--|---------|
| | | | | Shares/Units/ Face Amount (In Thousand) | Carrying Amount (Note 1) | Percentage of Ownership | Market Value or Net Asset Value (Note 1) | |
| SinoPac Bancorp | <u>Stock</u> Far East National Bank | Subsidiary | Long-term equity investments | 180 | \$ 5,964,254 | 100.00% | \$ 5,964,254 | Note 3 |
| | SinoPac Financial Services (USA) Ltd. | Subsidiary | Long-term equity investments | 2.5 | 26,306 | 100.00% | 26,306 | Note 3 |
| Far East Capital Corporation | <u>Stock (common stock)</u> PCRS Capital Partners, LLC | Investee accounted for by the cost method | Long-term equity investments | - | 1,353 | 4.00% | 1,353 | Note 5 |
| | TVIA, Inc. | Investee accounted for by the cost method | Long-term equity investments | 33 | 2,409 | 0.20% | 2,409 | Note 5 |
| | <u>Stock (preferred stock)</u> AgraQuest, Inc. | - | Long-term equity investments | 100 | 891 | 0.80% | 891 | Note 5 |
| | Silicon Motion, Inc. | - | Long-term equity investments | 11 | 1,806 | 0.10% | 1,806 | Note 5 |
| | Zone Reactor, Inc. | - | Long-term equity investments | 300 | 1,106 | 1.50% | 1,106 | Note 5 |
| | SinoPac Leasing Corporation | <u>Stock</u> Grand Capital International Limited | Subsidiary | Long-term equity investments | 29,900 | 547,418 | 100.00% | 547,418 |
| Global Securities Finance Corp. | | Investee accounted for by the cost method | Long-term equity investments | 1,423 | 15,664 | 0.19% | 15,442 | Note 3 |
| Z-Com, Inc. | | Investee accounted for by the cost method | Long-term equity investments | 1 | 10 | 0.001% | - | Note 4 |
| SinoPac Capital Limited | <u>Stock</u> SinoPac Capital (B.V.I.) Ltd. | Subsidiary | Long-term equity investments | 4,450 | 199,639 | 100.00% | 431,024 | Note 3 |
| | SinoPac Insurance Brokers Ltd. | Subsidiary | Long-term equity investments | 100 | 1,280 | 100.00% | 1,862 | Note 3 |
| | SinoPac (Hong Kong) Nominees Ltd. | Subsidiary | Long-term equity investments | 0.001 | 0.004 | 100.00% | 0.004 | Note 3 |
| | HC | - | Short-term investments | 7,998 | 53,207 | 1.72% | 56,250 | Note 2 |
| | Suga International | - | Short-term investments | 7,080 | 43,410 | 3.11% | 23,967 | Note 2 |
| | ZZNode | - | Short-term investments | 12,004 | 29,974 | 3.00% | 23,395 | Note 2 |
| | Norstar | - | Short-term investments | 6,908 | 56,882 | 0.71% | 70,242 | Note 2 |
| | Hans Energy | - | Short-term investments | 21,000 | 48,948 | 0.80% | 44,486 | Note 2 |
| | Bestfield Enterprise Ltd. | - | Short-term investments | 38 | 49,275 | - | 49,275 | Note 2 |
| | China-Metal | - | Short-term investments | 300 | 1,805 | 0.03% | 2,764 | Note 2 |
| | Wealthmark | - | Short-term investments | 15,327 | 35,066 | 5.11% | 38,962 | Note 2 |
| | Magna Chip | - | Short-term investments | 16 | 65,700 | - | 65,700 | Note 2 |
| | <u>Fund</u> China Enterprise Capital | - | Short-term investments | US\$ 1,000 | 32,850 | - | 32,850 | Note 5 |

(Continued)

| Name of Holding Company | Type and Name of Marketable Securities | Relationship | Financial Statement Account | December 31, 2005 | | | | Note |
|------------------------------------|--|---|--|---|--------------------------------|----------------------------|--|------------------|
| | | | | Shares/Units/ Face Amount (In Thousand) | Carrying Amount (Note 1) | Percentage of Ownership | Market Value or Net Asset Value (Note 1) | |
| SinoPac Capital (B.V.I.) Ltd. | <u>Stock</u> | | | | | | | |
| | Cyberpac Holding Ltd. (B.V.I.) | Subsidiary | Long-term equity investments | 4,000 | \$ 131,400 | 100.00% | \$ 1,678 | Note 3 |
| | Shanghai International Asset Management (Hong Kong) Co., Ltd. | Subsidiary | Long-term equity investments | 4,800 | 37,071 | 60.00% | 40,649 | Note 3 |
| | Pinnacle Investment Management Ltd. RSP Information Service Company Limited | Subsidiary Subsidiary | Long-term equity investments Long-term equity investments | 200 1,000 | 6,570 4,212 | 100.00% 100.00% | 3,739 2,063 | Note 3 Note 3 |
| Allstar Venture Ltd. (B.V.I.) | <u>Venture fund</u> | | | | | | | |
| | InveStar Excelsus Venture Capital (Int'l) Inc., LDC | - | Long-term investments | 1,529 | 57,557 | 6.25% | 57,557 | Note 3 |
| | UOB Venture Technology Investments Limited | - | Long-term investments | 26 | 35,369 | 8.62% | 35,369 | Note 3 |
| | MDS Life Sciences Technology Fund - Barbados | - | Long-term investments | 50 | 26,108 | 25.00% | 26,108 | Note 3 |
| | Biotechnology Development Fund II, L.P. | - | Long-term investments | - | 14,910 | 2.30% | 14,910 | Note 3 |
| | North America Venture Fund II, L.P.O. | - | Long-term investments | - | 11,960 | 2.07% | 11,960 | Note 3 |
| | <u>Stock (common stock)</u> | | | | | | | |
| | Enhance Biotech | Investee accounted for by the cost method | Long-term equity investments | 104 | 1,984 | 42.00% | 1,984 | Note 5 |
| | DiCon Fiberoptics, Inc. | Investee accounted for by the cost method | Long-term equity investments | 221 | 6,976 | 0.20% | 6,976 | Note 5 |
| | <u>Stock (preferred stock)</u> | | | | | | | |
| Tanox | - | Long-term equity investments | 9 | 4,825 | 0.08% | 4,825 | Note 5 | |
| Altor | - | Long-term equity investments | 100 | 1,708 | 0.87% | 1,708 | Note 5 | |
| Phytoceutica, Inc. | - | Long-term equity investments | 200 | 8,475 | 1.45% | 8,475 | Note 5 | |
| Immusol, Inc. | - | Long-term equity investments | 25 | 10,075 | 0.05% | 10,075 | Note 5 | |
| Wal Tech International Corporation | <u>Stock</u> | | | | | | | |
| | Intellisys Corp. | Subsidiary | Long-term equity investments | 7,197 | 78,701 | 62.58% | 98,073 | Note 3 |
| | Multiwin Asset Management Co., Ltd. | Investee accounted for by the equity method | Long-term equity investments | 1,800 | 10,947 | 30.00% | 10,947 | Note 3 |
| | Webi & Neti Internet Services Inc. | Investee accounted for by the cost method | Long-term equity investments | 63 | 477 | 2.63% | 477 | Note 3 |
| | SynTest Technologies, Inc., Taiwan | Investee accounted for by the cost method | Long-term equity investments | 79 | 354 | 0.35% | 430 | Note 3 |
| | Taiwan Leader Advanced Technology Co., Ltd. | Investee accounted for by the cost method | Long-term equity investments | 1,575 | 15,000 | 1.53% | 15,370 | Note 3 |
| | Ruentex Resources Integration Co., Ltd. | A subsidiary of Bank SinoPac's supervisor and investee accounted for by the cost method | Long-term equity investments | 2,361 | 24,114 | 2.47% | 24,941 | Note 3 |
| | SonicEdge Industries Corporation | Investee accounted for by the cost method | Long-term equity investments | 290 | 1,238 | 1.16% | 1,239 | Note 3 |
| Maximum Venture I, Inc., Taiwan | Investee accounted for by the cost method | Long-term equity investments | 17,500 | 175,350 | 8.33% | 158,935 | Note 3 | |
| Silicon Motion Inc. | Investee accounted for by the cost method | Long-term equity investments | 13 | 6,219 | - | 5,228 | Note 6 | |
| Intellisys Corp. | <u>Stock</u> | | | | | | | |
| Orion Financial Tech. Ltd. | Investee accounted for by the cost method | Long-term equity investments | 81 | - | 2.31% | 21 | Note 3 | |

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

Note 2: Market prices of listed and over-the-counter stocks were determined by average daily closing prices in December 2005.

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

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

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

Note 6: Market prices were determined at the closing prices on December 31, 2005.

BANK SINOPAC AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Company Name | Property | Transaction Date | Transaction Amount | Condition of Payment | Counter-party | Relationship | Prior Transaction of Related Counter-party (Note 2) | | | | Price Reference | Purpose of Acquisition | Other Terms |
|-----------------------------|-----------------------------------|-------------------|---|----------------------|-------------------------|--------------|---|--------------|---------------|--------|------------------|------------------------|-------------|
| | | | | | | | Owner | Relationship | Transfer Date | Amount | | | |
| SinoPac Leasing Corporation | Zhonglun buildings | December 29, 2004 | \$ 734,817 (Including input tax NT\$34,991 thousand) | Paid | Li-Seng Develop Company | - | - | - | \$ - | - | For business use | - | |
| | Superficies of Zhonglun buildings | December 29, 2004 | 1,102,226 (Including input tax NT\$52,487 thousand) | Paid | Li-Seng Develop Company | - | - | - | - | - | For business use | - | |

Note 1: For SinoPac Leasing Corporation, the amount were included in advances on acquisitions of equipment at acquisition date, but classified as property held for lease and superficies from 2005.

Note 2: The Zhonglun buildings and superficies were build by SinoPac Leasing Corporation, therefore, there were no prior transaction of related counter-party information.

BANK SINOPAC AND INVESTEES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT COST OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2005

(In Thousands of New Taiwan Dollars)

| Company Name | Property | Transaction Date | Acquisition Date | Carrying Amount | Transaction Amount | Collection Terms | Gain (Loss) of Disposal | Counter-party | Relationship | Price Reference | Purpose of Disposal | Other Terms |
|-----------------------------|------------------------------------|------------------|------------------|-----------------|--------------------|------------------|-------------------------|------------------|--------------|---------------------------------|---------------------|-------------|
| SinoPac Leasing Corporation | Property hold for lease - land | March 4, 2005 | June 28, 2001 | \$ 231,040 | \$ 184,443 | Collected | \$ (46,596) | AnHong Co., Ltd. | - | Appraisal report of real estate | For business | - |
| | Property hold for lease - building | March 4, 2005 | June 28, 2001 | 103,639 | 95,016 | Collected | (13,148) | AnHong Co., Ltd. | - | Appraisal report of real estate | For business | - |

BANK SINOPAC AND INVESTEEES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2005
(In Thousands of New Taiwan Dollars, Unless Otherwise Specified)

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2005 | | | Net Income (Loss) of the Investee (Note 2) | Investment Gains (Loss) | Note |
|------------------------------------|--|------------------------|--|----------------------------|----------------------------|---------------------------------|-----------------------------|--------------------------|--|-------------------------|---|
| | | | | December 31, 2005 (Note 1) | December 31, 2004 (Note 1) | Shares (Thousand) | Percentage of Ownership (%) | Carrying Amount (Note 2) | | | |
| Bank SinoPac | SinoPac Bancorp | California | Stock holding | US\$ 112,306 | US\$ 112,306 | 20 | 100.00 | \$ 5,871,192 | \$ 548,938 | \$ 468,658 | Subsidiary |
| | SinoPac Leasing Corporation | Taipei | Leasing aircraft and machinery equipment | \$ 999,940 | \$ 999,940 | 176,689.62 | 99.7683 | 1,106,265 | (798,181) | (798,375) | Subsidiary |
| | SinoPac Capital Limited | Hong Kong | Lending and financing | HK\$ 229,998 | HK\$ 229,998 | 229,998 | 99.9991 | 898,128 | (285,990) | (111,922) | Subsidiary |
| | SinoPac Financial Consulting Co., Ltd. | Taipei | Investment advisory and business management advisory | \$ 1,940 | \$ 1,940 | 194 | 97.00 | 2,255 | 80 | 78 | Subsidiary |
| SinoPac Bancorp | Far East National Bank | California | Commercial bank | US\$ 112,714 | US\$ 112,714 | 180 | 100.00 | 5,964,254 | 572,714 | - | Affiliate |
| | SinoPac Financial Services (USA) Ltd. | California | Securities brokerage | US\$ 25 | US\$ 25 | 2.5 | 100.00 | 26,306 | (15,197) | - | Affiliate |
| Far East National Bank | Far East Capital Corporation | California | Investment bank | US\$ 3,500 | US\$ 3,500 | 350 | 100.00 | 54,815 | (2,997) | - | Affiliate |
| SinoPac Leasing Corporation | Grand Capital International Limited | British Virgin Islands | Oversea trading, leasing, lending and financing | US\$ 29,900 | US\$ 29,900 | 29,900 | 100.00 | 547,418 | (944,971) | - | Affiliate |
| SinoPac Capital Limited | SinoPac Capital (B.V.I.) Ltd. | British Virgin Islands | Financial advisory | US\$ 4,450 | US\$ 4,450 | 4,450 | 100.00 | 199,639 | 18,712 | - | Affiliate |
| | SinoPac Insurance Brokers Ltd. | Hong Kong | Insurance brokerage | HK\$ 300 | HK\$ 300 | 100 | 100.00 | 1,280 | 1,131 | - | Affiliate |
| | SinoPac (Hong Kong) Nominees Ltd. | Hong Kong | Custody securities | HK\$ 0.001 | HK\$ 0.001 | 0.001 | 100.00 | 0.004 | - | - | Affiliate |
| SinoPac Capital (B.V.I.) Ltd. | Cyberpac Holding Ltd. (B.V.I.) | British Virgin Islands | Investment and advisory | US\$ 4,000 | US\$ 4,000 | 100 | 100.00 | 131,400 | 5,584 | - | Affiliate |
| | Shanghai International Asset Management (Hong Kong) Co., Ltd. | Hong Kong | Asset management | HK\$ 10,000 | HK\$ 10,000 | 4,800 | 60.00 | 37,071 | 11,040 | - | Affiliate |
| | Pinnacle Investment Management Ltd. RSP Information Service Company Limited | Hong Kong Hong Kong | Asset management, trust and consulting General trading and providing interest - based service | US\$ 200 HK\$ 999,999 | US\$ 200 HK\$ 999,999 | 200 1,000 | 100.00 100.00 | 6,570 4,212 | 136 (19) | - | Affiliate |
| Wal Tech International Corporation | Intellisys Corp. | Taipei | Computer and peripheral system integration engineering, software development and design | 258,836 | 258,836 | 7,197 | 62.58 | 78,701 | 527 | - | Affiliate |
| | Multiwin Asset Management Co., Ltd. | Taipei | Asset management | 18,000 | 18,000 | 1,800 | 30.00 | 10,947 | 5,308 | - | Investee under significant influence held by the Bank's affiliate |

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

Note 2: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the year ended December 31, 2005.

BANK SINOPAC AND INVESTEEES

CONSOLIDATED ENTITIES
YEAR ENDED DECEMBER 31, 2005

| Investor Company | Subsidiaries | Main Businesses | Percentage of Ownership | | Note |
|-------------------------------|---|--|-------------------------|-------------------|------|
| | | | December 31, 2005 | December 31, 2004 | |
| Bank SinoPac | SinoPac Bancorp | Bank stock holding | 100.00% | 100.00% | - |
| | SinoPac Leasing Corporation | Oversea trading, leasing, lending and financing | 99.7683% | 99.7683% | - |
| | SinoPac Capital Limited | Financial advisory | 99.9991% | 99.9991% | - |
| SinoPac Bancorp | Far East National Bank | Commercial bank | 100.00% | 100.00% | - |
| | SinoPac Financial Services (USA) Ltd. | Securities brokerage | 100.00% | 100.00% | - |
| Far East National Bank | Far East Capital Corporation | Investment bank | 100.00% | 100.00% | - |
| SinoPac Leasing Corporation | Grand Capital International Limited | Oversea trading, leasing, lending and financing | 100.00% | 100.00% | - |
| SinoPac Capital Limited | SinoPac Capital (B.V.I.) Ltd. | Financial advisory | 100.00% | 100.00% | - |
| | SinoPac Insurance Brokers Ltd. | Insurance brokerage | 100.00% | - | - |
| SinoPac Capital (B.V.I.) Ltd. | Cyberpac Holding Ltd. (B.V.I.) | Investment and advisory | 100.00% | 100.00% | - |
| | Shanghai International Asset Management (Hong Kong) Co., Ltd. | Asset management | 60% | 60% | - |
| | Pinnacle Investment Management Ltd. | Asset management, trust and consulting | 100.00% | 99.9995% | - |
| | RSP Information Service Company Limited | General trading and providing internet - based service | 100.00% | 99.9999% | - |

BANK SINOPAC AND INVESTEES

**SUBSIDIARIES EXCLUDED IN CONSOLIDATED ENTITIES
YEAR ENDED DECEMBER 31, 2005**

| Investor Company | Subsidiaries | Main Businesses | Percentage of Ownership | | Note |
|------------------|--|--|-------------------------|-------------------|--------|
| | | | December 31, 2005 | December 31, 2004 | |
| Bank SinoPac | SinoPac Financial Consulting Co., Ltd. | Investment advisory and business management advisory | 97.00% | 97.00% | Note 1 |

Note 1: Bank SinoPac acquired 97% ownership of and had ability to control SinoPac Financial Consulting Co., Ltd. However, the total capital of SinoPac Financial Consulting Co., Ltd. amounted to \$2,000, representing less than 1% of the Company, and the total assets is less than 0.5% of the total assets of the Company. Thus, the SinoPac Financial Consulting Co., Ltd. is not included in the consolidated entities.

BANK SINOPAC AND INVESTEES

RELATED PARTIES TRANSACTIONS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(In Thousands of New Taiwan Dollars)

2005

| No. (Note 1) | Transaction Company | Counter-party | Nature of Relationship (Note 2) | Description of Transactions | | | Percentage of Consolidated Revenue/Assets (Note 3) |
|----------------------------------|----------------------------------|----------------------------------|------------------------------------|--------------------------------------|--------------------|------------------|---|
| | | | | Financial Statement Account | Transaction Amount | Transaction Item | |
| 0 | Bank SinoPac | SinoPac Bancorp and subsidiaries | 1 | Due from other banks | \$ 63,413 | (Note 4) | 0.01% |
| | | SinoPac Leasing and subsidiaries | 1 | Interest receivable | 682 | (Note 4) | 0.00% |
| | | SinoPac Leasing and subsidiaries | 1 | Loans, discounts and bills purchased | 558,000 | (Note 4) | 0.09% |
| | | SinoPac Leasing and subsidiaries | 1 | Guarantee deposits | 6,694 | (Note 4) | 0.00% |
| | | SinoPac Leasing and subsidiaries | 1 | Accrued expenses | 942 | (Note 4) | 0.00% |
| | | SinoPac Leasing and subsidiaries | 1 | Deposits and remittances | 123,901 | (Note 4) | 0.02% |
| | | SinoPac Capital and subsidiaries | 1 | Deposits and remittances | 50,808 | (Note 4) | 0.01% |
| | | SinoPac Leasing and subsidiaries | 1 | Operating revenue | 27,302 | (Note 4) | 0.11% |
| | | SinoPac Capital and subsidiaries | 1 | Operating revenue | 2,484 | (Note 4) | 0.01% |
| | | SinoPac Leasing and subsidiaries | 1 | Rental revenue | 3,049 | (Note 4) | 0.01% |
| | | SinoPac Capital and subsidiaries | 1 | Interest revenue | 4,575 | (Note 4) | 0.02% |
| | | SinoPac Capital and subsidiaries | 1 | Interest expense | 2,140 | (Note 4) | 0.01% |
| | | SinoPac Leasing and subsidiaries | 1 | Interest expense | 675 | (Note 4) | 0.00% |
| | | SinoPac Leasing and subsidiaries | 1 | Operating costs and expenses | 70,121 | (Note 4) | 0.27% |
| | | SinoPac Capital and subsidiaries | 1 | Service charges | 34,130 | (Note 4) | 0.13% |
| | | 1 | SinoPac Bancorp and subsidiaries | Bank SinoPac | 2 | Due to banks | 63,413 |
| SinoPac Capital and subsidiaries | 3 | | | Operating costs and expenses | 10,842 | (Note 4) | 0.04% |
| 2 | SinoPac Leasing and subsidiaries | Bank SinoPac | 2 | Cash and cash equivalents | 123,901 | (Note 4) | 0.02% |
| | | Bank SinoPac | 2 | Receivables | 942 | (Note 4) | 0.00% |
| | | Bank SinoPac | 2 | Short-term borrowings | 558,000 | (Note 4) | 0.09% |
| | | Bank SinoPac | 2 | Interest payable | 682 | (Note 4) | 0.00% |
| | | Bank SinoPac | 2 | Guarantee deposits received | 6,694 | (Note 4) | 0.00% |
| | | Bank SinoPac | 2 | Interest revenue | 675 | (Note 4) | 0.00% |
| | | SinoPac Capital and subsidiaries | 3 | Interest revenue | 3,660 | (Note 4) | 0.01% |
| | | Bank SinoPac | 2 | Rental revenue | 69,683 | (Note 4) | 0.27% |
| | | Bank SinoPac | 2 | Service fees | 438 | (Note 4) | 0.00% |
| | | Bank SinoPac | 2 | Rental expenses | 3,049 | (Note 4) | 0.01% |
| | | Bank SinoPac | 2 | Operating expenses | 24,944 | (Note 4) | 0.10% |
| | | SinoPac Capital and subsidiaries | 3 | Operating expenses | 3,230 | (Note 4) | 0.01% |
| | | Bank SinoPac | 2 | Nonoperating expense and losses | 2,358 | (Note 4) | 0.01% |

(Continued)

| No. (Note 1) | Transaction Company | Counter-party | Nature of Relationship (Note 2) | Description of Transactions | | | |
|-----------------|----------------------------------|----------------------------------|------------------------------------|------------------------------|--------------------|------------------|---|
| | | | | Financial Statement Account | Transaction Amount | Transaction Item | Percentage of Consolidated Revenue/Assets (Note 3) |
| 3 | SinoPac Capital and subsidiaries | Bank SinoPac | 2 | Cash and cash equivalents | \$ 50,808 | (Note 4) | 0.01% |
| | | Bank SinoPac | 2 | Operating revenue | 36,270 | (Note 4) | 0.14% |
| | | SinoPac Bancorp and subsidiaries | 3 | Operating revenue | 10,842 | (Note 4) | 0.04% |
| | | SinoPac Leasing and subsidiaries | 3 | Operating revenue | 3,230 | (Note 4) | 0.01% |
| | | Bank SinoPac | 2 | Interest expense | 4,575 | (Note 4) | 0.02% |
| | | SinoPac Leasing and subsidiaries | 3 | Interest expense | 3,660 | (Note 4) | 0.01% |
| | | Bank SinoPac | 2 | Operating costs and expenses | 2,484 | (Note 4) | 0.01% |

2004

| No. (Note 1) | Transaction Company | Counter-party | Nature of Relationship (Note 2) | Description of Transactions | | | | | |
|-----------------|----------------------------------|----------------------------------|------------------------------------|---|--------------------|------------------------------|---|----------|-------|
| | | | | Financial Statement Account | Transaction Amount | Transaction Item | Percentage of Consolidated Revenue/Assets (Note 3) | | |
| 0 | Bank SinoPac | SinoPac Bancorp and subsidiaries | 1 | Due from other banks | \$ 44,283 | (Note 4) | 0.01% | | |
| | | SinoPac Leasing and subsidiaries | 1 | Interest receivable | 2,345 | (Note 4) | 0.00% | | |
| | | SinoPac Leasing and subsidiaries | 1 | Loans, discounts and bills purchased | 802,828 | (Note 4) | 0.15% | | |
| | | SinoPac Capital and subsidiaries | 1 | Loans, discounts and bills purchased | 213,000 | (Note 4) | 0.04% | | |
| | | SinoPac Capital and subsidiaries | 1 | Prepayments | 2,371 | (Note 4) | 0.00% | | |
| | | SinoPac Leasing and subsidiaries | 1 | Guarantee deposits | 3,264 | (Note 4) | 0.00% | | |
| | | SinoPac Leasing and subsidiaries | 1 | Accrued expenses | 961 | (Note 4) | 0.00% | | |
| | | SinoPac Leasing and subsidiaries | 1 | Deposits and remittances | 83,965 | (Note 4) | 0.02% | | |
| | | SinoPac Leasing and subsidiaries | 1 | Operating revenue | 34,616 | (Note 4) | 0.15% | | |
| | | SinoPac Capital and subsidiaries | 1 | Operating revenue | 2,574 | (Note 4) | 0.01% | | |
| | | SinoPac Leasing and subsidiaries | 1 | Operating costs and expenses | 15,073 | (Note 4) | 0.06% | | |
| | | SinoPac Capital and subsidiaries | 1 | Operating costs and expenses | 3,162 | (Note 4) | 0.01% | | |
| | | SinoPac Leasing and subsidiaries | 1 | Interest expense | 620 | (Note 4) | 0.00% | | |
| | | SinoPac Capital and subsidiaries | 1 | Interest expense | 158 | (Note 4) | 0.00% | | |
| | | SinoPac Capital and subsidiaries | 1 | Service charges | 138,900 | (Note 4) | 0.60% | | |
| | | 1 | SinoPac Bancorp and subsidiaries | Bank SinoPac | 2 | Due to banks | 44,283 | (Note 4) | 0.01% |
| | | | | SinoPac Capital and subsidiaries | 3 | Operating costs and expenses | 56,924 | (Note 4) | 0.24% |
| 2 | SinoPac Leasing and subsidiaries | Bank SinoPac | 2 | Cash and cash equivalents | 83,965 | (Note 4) | 0.02% | | |
| | | Bank SinoPac | 2 | Receivables | 961 | (Note 4) | 0.00% | | |
| | | Bank SinoPac | 2 | Short-term borrowings | 10,000 | (Note 4) | 0.00% | | |
| | | Bank SinoPac | 2 | Current portion of long-term borrowings | 122,992 | (Note 4) | 0.02% | | |
| | | Bank SinoPac | 2 | Long-term borrowings | 669,836 | (Note 4) | 0.13% | | |
| | | Bank SinoPac | 2 | Interest payable | 2,345 | (Note 4) | 0.00% | | |
| | | Bank SinoPac | 2 | Guarantee deposits received | 3,264 | (Note 4) | 0.00% | | |
| | | Bank SinoPac | 2 | Interest revenue | 620 | (Note 4) | 0.00% | | |
| | | Bank SinoPac | 2 | Rental revenue | 14,556 | (Note 4) | 0.06% | | |
| | | Bank SinoPac | 2 | Operating revenue | 517 | (Note 4) | 0.00% | | |
| | | Bank SinoPac | 2 | Operating expenses | 34,616 | (Note 4) | 0.15% | | |

(Continued)

| No. (Note 1) | Transaction Company | Counter-party | Nature of Relationship (Note 2) | Description of Transactions | | | |
|-----------------|----------------------------------|----------------------------------|------------------------------------|------------------------------|--------------------|------------------|---|
| | | | | Financial Statement Account | Transaction Amount | Transaction Item | Percentage of Consolidated Revenue/Assets (Note 3) |
| 3 | SinoPac Capital and subsidiaries | Bank SinoPac | 2 | Other liabilities | \$ 213,000 | (Note 4) | 0.04% |
| | | Bank SinoPac | 2 | Payables | 2,371 | (Note 4) | 0.00% |
| | | Bank SinoPac | 2 | Operating revenue | 142,062 | (Note 4) | 0.61% |
| | | SinoPac Bancorp and subsidiaries | 3 | Operating revenue | 56,924 | (Note 4) | 0.24% |
| | | Bank SinoPac | 3 | Interest revenue | 158 | (Note 4) | 0.00% |
| | | Bank SinoPac | 3 | Interest expense | 5,062 | (Note 4) | 0.02% |
| | | Bank SinoPac | 3 | Operating costs and expenses | 2,574 | (Note 4) | 0.01% |

Note 1: Transactions between parent company and subsidiaries should be distinguished as follows:

- a. Parent company: 0.
- b. Subsidiaries are numbered in sequence from 1.

Note 2: Types of transactions with related parties were classified as follows:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: In the computation of percentage of consolidated revenue/assets, if the amount is the ending balance of assets or liabilities, the accounts percentage will be calculated by dividing the consolidated assets or liabilities; if the amount is the amount of income or expense, the accounts percentage will be cumulated by dividing the consolidated revenues in the same period.

Note 4: For the transactions between the Company and related parties, the terms are similar to those transacted with unrelated parties.