

# **Bank SinoPac**

**Financial Statements for the  
Nine Months Ended September 30, 2005 and 2004 and  
Independent Accountants' Review Report**

## **INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

The Board of Directors and Stockholders  
Bank SinoPac

We have reviewed the accompanying balance sheets of Bank SinoPac as of September 30, 2005 and 2004, and the related statements of income, and cash flows for the nine months then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

As stated in Note 9 to the financial statements, the carrying amount of the long-term equity investments accounted for by the equity method as of September 30, 2005 and 2004 amounted to \$1,063,580 and \$3,183,743, respectively, the related investment income for the nine months then ended amounted to \$30,721 and \$124,542, respectively, and additional disclosures about investees stated in Note 34 to the financial statements are based on the investees' unreviewed financial statements.

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

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

October 17, 2005

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 accountants' 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 accountants' report and financial statements shall prevail.*

# BANK SINOPAC

## BALANCE SHEETS

SEPTEMBER 30, 2005 AND 2004

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

(Reviewed, Not Audited)

ASSETS	2005		2004		LIABILITIES AND STOCKHOLDERS' EQUITY	2005		2004	
	Amount	%	Amount	%		Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Note 4)	\$ 6,800,913	2	\$ 7,746,617	2	LIABILITIES				
DUE FROM THE CENTRAL BANK AND OTHER BANKS (Note 5)	48,901,501	10	27,086,654	6	Call loans and due to banks	\$ 42,232,361	9	\$ 31,568,712	7
SECURITIES PURCHASED (Notes 2 and 6)	88,013,614	18	90,472,414	20	Securities sold under agreements to repurchase (Notes 2 and 3)	8,933,241	2	9,706,643	2
ACCOUNTS, INTEREST AND OTHER RECEIVABLES, NET (Notes 2 and 7)	23,282,390	5	27,365,488	6	Accounts, interest and other payables (Notes 2 and 13)	10,871,417	2	12,658,073	3
ACCEPTANCES	1,535,559	-	3,169,819	1	Acceptances payable	1,535,559	-	3,169,819	1
SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL (Notes 2 and 3)	5,390,327	1	15,446,775	4	Deposits and remittances (Note 14)	356,514,541	74	327,316,658	73
PREPAYMENTS	290,681	-	397,743	-	Bank debentures (Note 15)	32,800,000	7	32,800,000	7
LOANS, DISCOUNTS AND BILLS PURCHASED, NET (Notes 2 and 8)	289,748,653	60	255,220,554	57	Other liabilities (Notes 2 and 21)				
LONG-TERM INVESTMENTS (Notes 2, 9 and 10)					Deferred tax liabilities	594,904	-	512,503	-
Long-term equity investments - equity method	8,842,842	2	8,669,375	2	Other	2,258,143	-	2,262,607	1
Long-term equity investments - cost method	998,832	-	1,015,831	-	Total other liabilities	2,853,047	-	2,775,110	1
	9,841,674	2	9,685,206	2	Total liabilities	455,740,166	94	419,995,015	94
Unrealized loss	(285,610)	-	(282,100)	-	STOCKHOLDERS' EQUITY (Note 16)				
Other long-term investments	1,094,300	-	1,014,300	-	Capital stock, \$10 par value				
Long-term investments, net	10,650,364	2	10,417,406	2	Authorized and issued: 1,972,806,751 shares and 1,944,397,617 shares as of September 30, 2005 and 2004, respectively	19,728,068	4	19,443,976	4
PROPERTIES (Notes 2 and 11)					Capital surplus				
Cost					Additional paid-in capital	118,226	-	125,030	-
Land	2,007,731	1	2,007,731	1	Donated capital	83	-	83	-
Buildings	2,275,880	1	2,263,902	1	Other	1,948	-	95	-
Computer equipment	1,431,818	-	1,323,907	-	Retained earnings				
Transportation equipment	43,598	-	49,675	-	Legal reserve	5,782,921	1	4,497,477	1
Office and other equipment	1,450,636	-	1,343,579	-	Special reserve	282,977	-	282,976	-
Total cost	7,209,663	2	6,988,794	2	Unappropriated	2,077,726	1	2,960,950	1
Accumulated depreciation	(2,498,531)	(1)	(2,178,559)	(1)	Unrealized loss on long-term equity investments (Notes 2 and 9)	(285,610)	-	(282,100)	-
	4,711,132	1	4,810,235	1	Cumulative translation adjustment (Note 2)	95,568	-	171,471	-
Advances on acquisitions of equipment and construction in progress	253,899	-	21,171	-	Total stockholders' equity	27,801,907	6	27,199,958	6
Net properties	4,965,031	1	4,831,406	1	CONTINGENCIES AND COMMITMENTS (Notes 2, 24 and 27)				
OTHER ASSETS (Notes 2 and 12)	3,963,040	1	5,040,097	1					
TOTAL	\$ 483,542,073	100	\$ 447,194,973	100					

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

(With Deloitte & Touche review report dated October 17, 2005)

## BANK SINOPAC

### STATEMENTS OF INCOME NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	2005		2004	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Interest (Notes 2 and 3)	\$ 11,214,634	72	\$ 7,694,939	52
Service fees (Notes 2 and 17)	1,498,842	10	1,688,658	11
Income from securities, net (Notes 2, 3 and 18)	884,086	6	1,458,032	10
Income from long-term equity investments under the equity method, net (Notes 2 and 9)	403,009	2	347,512	2
Foreign exchange gain, net (Note 2)	1,520,704	10	3,499,235	24
Other	46,248	-	94,776	1
Total operating revenues	<u>15,567,523</u>	<u>100</u>	<u>14,783,152</u>	<u>100</u>
<b>OPERATING COSTS AND EXPENSES</b>				
Interest (Notes 2 and 3)	7,028,532	45	4,128,344	28
Service charges	153,543	1	171,896	1
Provision for credit losses (Notes 2, 7 and 8)	481,075	3	540,000	4
Operating and administrative expenses (Notes 2, 19 and 20)	3,963,198	26	4,127,711	28
Loss on derivative financial instruments transactions (Note 2)	999,851	6	2,583,806	17
Other	17,013	-	42	-
Total operating costs and expenses	<u>12,643,212</u>	<u>81</u>	<u>11,551,799</u>	<u>78</u>
OPERATING INCOME	2,924,311	19	3,231,353	22
NONOPERATING INCOME AND GAINS	144,681	1	243,582	1
NONOPERATING EXPENSES AND LOSSES	(53,995)	(1)	(29,726)	-
INCOME BEFORE INCOME TAX	3,014,997	19	3,445,209	23
INCOME TAX (Notes 2 and 21)	477,413	3	484,259	3
NET INCOME	<u>\$ 2,537,584</u>	<u>16</u>	<u>\$ 2,960,950</u>	<u>20</u>
	<b>2005</b>		<b>2004</b>	
	<b>Pretax</b>	<b>After Tax</b>	<b>Pretax</b>	<b>After Tax</b>
EARNINGS PER SHARE (Note 22)				
Basic earnings per share	<u>\$ 1.46</u>	<u>\$ 1.22</u>	<u>\$ 1.65</u>	<u>\$ 1.42</u>

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

(With Deloitte & Touche review report dated October 17, 2005)

## BANK SINOPAC

### STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2005	2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,537,584	\$ 2,960,950
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	348,882	379,643
Expensed assets	-	518
Provision for allowance for decline in market value of securities purchased	-	5,312
Provision for credit and trading losses	481,075	539,612
Provision for allowance for decline in market value of collateral assumed	34,451	2,469
Accrued pension cost	18,959	12,261
Income from long-term equity investments under the equity method	(403,009)	(347,512)
Realized loss on long-term equity investment	17,000	-
Gain on sales of long-term equity investment	-	(53,811)
Cash dividends received from long-term equity investments under the equity method	272	141,041
Gain on disposal of collateral assumed, net	(31,061)	(80,387)
Loss on disposal of properties, net	3,218	8,126
Deferred income taxes	22,394	40,656
Decrease in securities purchased - for trading purposes	3,064,624	24,901,668
Decrease in accounts, interest and other receivables	5,861,110	65,228
Decrease (increase) in prepayments	111,095	(230,076)
Decrease in accounts, interest and other payables	(5,698,760)	(1,472,333)
Net cash provided by operating activities	<u>6,367,834</u>	<u>26,873,365</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in due from the Central Bank and other banks	(12,937,152)	(2,789,817)
Decrease (increase) in securities purchased under agreements to resell	12,044,293	(15,446,775)
Decrease in securities purchased - for investing purposes	2,310,614	1,095,442
Increase in loans, discounts and bills purchased	(29,524,889)	(45,176,120)
Increase in other long-term investments	(80,000)	(1,014,300)
Proceeds from sale of long-term equity investments	-	62,811
Acquisition of collateral assumed	(40,840)	(186,629)
Proceeds from sale of collateral assumed	245,410	673,966
Acquisition of properties	(471,722)	(274,297)
Proceeds from sale of properties	493	1,409
Decrease in other assets	<u>2,304,200</u>	<u>324,994</u>
Net cash used in investing activities	<u>(26,149,593)</u>	<u>(62,729,316)</u>

(Continued)

	2005	2004
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in call loans and due to banks	\$ 3,264,495	\$ (7,502,398)
Increase (decrease) in securities sold under agreements to repurchase	(9,341,599)	9,706,643
Increase in deposits and remittances	26,962,698	23,028,859
Increase in bank debentures	-	11,400,000
Decrease in other liabilities	(1,356,970)	(177,453)
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>18,057,461</u>	<u>34,527,922</u>
EFFECT OF CHANGES IN EXCHANGE RATE	<u>(1,000)</u>	<u>(2,539)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,725,298)	(1,330,568)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>8,526,211</u>	<u>9,077,185</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 6,800,913</u>	<u>\$ 7,746,617</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 6,292,911</u>	<u>\$ 3,953,437</u>
Income tax paid	<u>\$ 461,373</u>	<u>\$ 154,353</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital decrease and cancellation resulting from holding shares of the parent company	<u>\$ 1,490,918</u>	<u>\$ -</u>

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

(With Deloitte & Touche review report dated October 17, 2005)

(Concluded)

## **BANK SINOPAC**

### **NOTES TO FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 (In Thousands of New Taiwan Dollars, Unless Otherwise Stated) (Reviewed, Not Audited)**

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#### **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 September 30, 2005 and 2004, the Bank had a total of 2,176 and 2,261 employees, respectively.

As of September 30, 2005, the Bank's operating units included Banking, Trust, International Division of the Head Office, an Offshore Banking Unit (OBU), 44 domestic branches, 2 overseas branches and 1 overseas representative office.

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

Under the Financial Holding Company Act, the Bank, National Securities Co., Ltd. (the "NSC", which was renamed as SinoPac Securities Corporation on June 9, 2002) and SinoPac Securities Co., Ltd. (the "SPS") established SinoPac Financial Holdings Company Limited (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 (the "SinoPac Securities", formerly NSC) merged with SPS with SinoPac Securities as the surviving entity on July 22, 2002.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Bank's financial statements were prepared in conformity with Criteria Governing the Preparation of Financial Reports by Public Banks and accounting principles generally accepted in the Republic of China (ROC). In determining the allowance for credit losses, depreciation, assets impairment, pension, losses upon suspended lawsuit and provision for losses on guarantees, the Bank needs to estimate reasonable amounts. The estimates were usually made under uncertain conditions, the estimates may vary from the actual amounts. Since the operating cycle could not be reasonably identified in the banking industry, accounts included in the Bank's financial statements were not classified as current or non-current. Nevertheless, accounts were properly categorized according to the nature of each account, and sequenced by their liquidity. Please refer to Note 26 for maturity analysis of assets and liabilities. Significant accounting policies of the Bank are summarized below:

##### **Basis of Financial Statement Preparation**

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

### **Securities Purchased**

Securities purchased include negotiable certificates of deposit, short-term bills, stocks, beneficiary certificates, treasury bills, 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) GreTai Securities Market (the "GTSM") stocks - average daily closing prices for the last month of the accounting period, published by GTSM; and (d) bonds - period-end reference prices published by the GTSM; (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 separately from the other listed and GTSM 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, pursuant to the Criteria Governing the Preparation of Financial Reports by Public Banks, which was effective since January 1, 2004, the sales and purchases of securities under agreements to repurchase/resell are treated as financing.

### **Nonperforming Loans**

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

### **Allowance for Credit Losses and Provision for Losses on Guarantees**

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

Pursuant to "The Rules for Bank Asset Evaluation, Loss Reserve Provision, and Disposal of Overdue Loans and Bad Debts" (the "Rules") issued by the MOF, the Bank evaluates credit losses on the basis of its borrowers'/clients' financial positions, repayments for principal and interest by borrowers/clients, collateral provided, and estimated collectibility.

In accordance with the Rules 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 Rules amended the classification of loan assets, which divided the loan assets into different class subjects to credits in observation, credits that are likely to be paid in full, credits on which it will be difficult to receive full payment, and credits on which there is no hope of payment. 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 financial statements.

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

### **Long-term Investments**

Long-term equity investments are accounted for by the equity method if the Bank has significant influence over the investees. Under this method, investments are stated at cost plus (or minus) a proportionate share in net earnings (losses) or changes in net worth of the investees. On the acquisition date, any difference between the acquisition cost and the equity in the investee is amortized over 15 years. Long-term equity investments are accounted for by the cost method if the Bank does not have significant influence over the investees. Stock dividends result only in an increase in number of shares and are not recognized as investment income.

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

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

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

Other long-term investments include subordinated beneficiary certificates - retained interest of securitization and beneficiary certificates - credit card receivables. Retained subordinated beneficiary certificates are evaluated by estimating present value of expected future cash flows with losses recorded as operating cost; gains are not recognized. Beneficiary certificates - credit card receivables 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 derecognizes the loans and records gain or loss because the control of contractual rights - except for subordinated retained interests for credit enhancement, which were reclassified as long-term investments - on the loans has been surrendered and transferred to a special purpose trustee.

The gain or loss on the sale of the loans is the difference between the proceeds and carrying amount of the loans. The previous carrying amount of the loans should be allocated by applying the ratios of the retained subordinated beneficiary certificates and the part sold to their fair values on the date of sale. Because quotes are not available for loans and retained subordinated beneficiary certificates, 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.

Subordinated beneficiary certificates - retained interest of securitization, 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 years; and office and other equipment, 5 to 15 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.

#### **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's currency positions, are recorded at the contracted forward rates. Gains or losses arising from the differences between the contracted forward rates and spot rates on settlement are credited or charged to current income. For contracts outstanding 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's interest rate positions, are recorded by memorandum entries at the contract dates. Gains or losses arising from the differences between the contracted interest rates and actual interest rates upon settlement or 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's currency positions, are recorded at spot rates when the transactions occur; while corresponding forward-position assets or liabilities are recorded at the contracted forward rates, with receivables netted against the related payables. The 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's 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's currency positions, are recorded as assets and liabilities when the transactions occur. These instruments are marked to market as of the balance sheet dates. The carrying amounts of the instruments, which are 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 on the contract dates. The swaps are entered into for accommodating customers' needs or managing the Bank's interest rate positions. The interest received or paid at each settlement date is recognized as interest income or expense. These instruments are marked to market 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 income or expense associated with the bonds or notes being hedged.

h. Futures

Margin deposits paid by the Bank for interest rate futures contracts entered into for trading 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 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. The gains and losses are adjusted 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 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**

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.

**Income Tax**

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

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

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

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

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.

### **Asset Impairment**

The Bank 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 goodwill, long-term investments accounted for by the equity method, properties, 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 Bank 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.

### **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.

### **Reclassifications**

Certain 2004 accounts have been reclassified to conform to the 2005 financial statements presentation.

## **3. ACCOUNTING CHANGES**

Under a directive issued by the MOF, sales and purchases of bonds and short-term bills under agreements to repurchase or to resell were treated as outright sales or purchases. However, under the Criteria Governing the Preparation of Financial Reports by Public Banks effective January 1, 2004, the repurchase/resell transactions are treated as financing. The effect of this accounting change resulted in a decrease of income before income tax for the nine months ended September 30, 2004 by \$92,185.

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

#### 4. CASH AND CASH EQUIVALENTS

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Due from other banks	\$ 4,432,644	\$ 5,501,624
Cash on hand	1,710,010	1,665,348
Notes and checks in clearing	<u>658,259</u>	<u>579,645</u>
	<u>\$ 6,800,913</u>	<u>\$ 7,746,617</u>

#### 5. DUE FROM THE CENTRAL BANK AND BANKS

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Call loans to banks	\$ 37,814,850	\$ 17,240,138
Due from the Central Bank	<u>11,086,651</u>	<u>9,846,516</u>
	<u>\$ 48,901,501</u>	<u>\$ 27,086,654</u>

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

Under a directive issued by the Central Bank of the ROC, NTD-denominated deposit reserves are determined monthly at prescribed rates on average balances of customers' NTD-denominated deposits. These reserves included \$7,716,183 and \$7,765,469 as of September 30, 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 reserve may be withdrawn momentarily and are noninterest earnings. As of September 30, 2005 and 2004, the actual balances of foreign-currency deposit reserves were \$49,782 and \$20,390, respectively.

#### 6. SECURITIES PURCHASED

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Negotiable certificate of deposit	\$ 75,500,000	\$ 66,985,000
Corporate bonds	5,812,607	4,884,000
Floating rate notes	2,873,583	6,170,468
Beneficiary certificates	2,099,632	1,569,619
Bank debentures	936,028	1,124,233
Government bonds	578,995	1,098,088

(Continued)

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Structured instruments	\$ 146,600	\$ -
Listed and GTSM stocks	66,169	3,433,542
Commercial paper	-	<u>5,212,776</u>
	<u>88,013,614</u>	<u>90,477,726</u>
Less - unrealized losses	-	<u>5,312</u>
	<u>\$ 88,013,614</u>	<u>\$ 90,472,414</u>

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

To comply with the Central Bank's clearing system of Real-time Gross Settlement (RTGS), negotiable certificates of deposit aggregating \$8,000,000 and \$18,500,000 had been provided as collateral for the daytime overdraft as of September 30, 2005 and 2004, respectively, with the pledged amount which can be adjusted momentarily.

As of September 30, 2005 and 2004, the Bank's securities purchased amounted to \$3,869,978 and \$4,130,199 has already been sold under agreements to repurchase, respectively.

As of September 30, 2005 and 2004, the aggregate market values or reference prices of corporate bonds, floating rate notes, beneficiary certificates, bank debentures, government bonds, structured instruments and listed and GTSM stocks were as follows:

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Corporate bonds	\$ 5,881,383	\$ 4,928,782
Floating rate notes	2,870,862	6,170,468
Beneficiary certificates	2,194,396	1,576,803
Bank debentures	929,506	1,121,581
Government bonds	577,530	1,094,608
Structured instruments	137,415	-
Listed and GTSM stocks	44,293	4,442,345

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. Thus, as of September 30, 2005, 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 directives of Accounting Research and Development Foundation, if the Bank does not receive any proceeds from SPH for such cancelled shares, the Bank needs to reduce 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.

## 7. ACCOUNTS, INTEREST AND OTHER RECEIVABLES

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Accounts receivable	\$ 19,848,071	\$ 24,598,963
Forward exchange receivable, net	1,863,571	586,199
Interest receivable	1,050,899	838,134
Accrued revenue	304,720	779,969
Tax refundable	23,036	249,573
Receivable from related party for allocation of linked-tax system	97,082	175,060
Other	<u>189,606</u>	<u>188,001</u>
	23,376,985	27,415,899
Less - allowance for credit losses	<u>94,595</u>	<u>50,411</u>
	<u>\$ 23,282,390</u>	<u>\$ 27,365,488</u>

The balances of the accounts receivable as of September 30, 2005 and 2004 included \$19,689,292 and \$24,343,096, respectively, representing accounts receivable from other parties in the factoring business.

## 8. LOANS, DISCOUNTS AND BILLS PURCHASED

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Overdrafts	\$ 1,174,834	\$ 1,692,546
Short-term loans	71,358,476	69,357,624
Medium-term loans	52,462,069	43,860,588
Long-term loans	161,685,114	136,811,073
Import and export negotiations	1,698,725	2,759,188
Bills purchased	1,226	1,463
Nonperforming loans	<u>2,761,406</u>	<u>2,148,413</u>
	291,141,850	256,630,895
Less - allowance for credit losses	<u>1,393,197</u>	<u>1,410,341</u>
	<u>\$ 289,748,653</u>	<u>\$ 255,220,554</u>

As of September 30, 2005 and 2004, the balances of nonaccrual loans were \$3,070,662 and \$2,579,591, respectively. The unrecognized interest revenues on nonaccrual loans amounted to \$51,383 and \$62,750 for the nine months ended September 30, 2005 and 2004, respectively.

For the nine months ended September 30, 2005 and 2004, the Bank had not written off credits for which legal proceedings had not been initiated.

The details of and changes in allowance for credit losses of loans, discounts and bills purchased for the nine months ended September 30, 2005 and 2004, respectively, were summarized below:

	<b>For the Nine Months Ended September 30, 2005</b>		
	<b>For Losses on Particular Loans</b>	<b>For Losses on the Overall Loan Portfolio (Excluding Particular Loans)</b>	<b>Total</b>
Balance, January 1	\$ 331,625	\$ 843,273	\$ 1,174,898
Provision	480,107	-	480,107
Write-off	(255,898)	-	(255,898)
Recovery of written-off credits	7,144	-	7,144
Reclassifications	(30,073)	18,702	(11,371)
Result from change of foreign exchange rate	2,957	-	2,957
Other	(4,640)	-	(4,640)
Balance, September 30	<u>\$ 531,222</u>	<u>\$ 861,975</u>	<u>\$ 1,393,197</u>

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

As of September 30, 2005 and 2004, allowances for credit losses and provisions for losses on guarantees of the Bank were \$1,487,792 and \$1,493,808, respectively.

## 9. LONG-TERM INVESTMENTS

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
<u>Long-term equity investments</u>		
Equity method - unlisted stocks	\$ 8,842,842	\$ 8,669,375
Cost method		
Listed and GTSM stocks	640,758	640,758
Unlisted stocks	<u>358,074</u>	<u>375,073</u>
	<u>998,832</u>	<u>1,015,831</u>
	9,841,674	9,685,206
Less unrealized losses	<u>285,610</u>	<u>282,100</u>
	<u>9,556,064</u>	<u>9,403,106</u>
<u>Other long-term equity investments</u>		
Subordinated beneficiary certificates - retained interest of securitization (Note 10)	1,014,300	1,014,300
Beneficiary certificates - credit card receivables	<u>80,000</u>	<u>-</u>
	<u>1,094,300</u>	<u>1,014,300</u>
	<u>\$ 10,650,364</u>	<u>\$ 10,417,406</u>

The market values of listed and GTSM stocks which included Mega Financial Holding Co., Ltd., Ruentex Industries Limited and China Television Co., Ltd. totaling \$355,148 and \$358,658 as of September 30, 2005 and 2004, respectively.

Income from (loss on) long-term equity investments for the nine months ended September 30, 2005 and 2004 were summarized as follows:

	<u>For the Nine Months Ended</u>	
	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
<u>Equity method</u>		
SinoPac Bancorp	\$ 330,129	\$ 222,970
SinoPac Leasing Corporation	42,159	149,399
SinoPac Capital Limited (H.K.)	30,590	(25,038)
SinoPac Financial Consulting Co., Ltd.	<u>131</u>	<u>181</u>
Income from long-term equity investments under the equity method, net	<u>\$ 403,009</u>	<u>\$ 347,512</u>

The net income of SinoPac Bancorp for the nine months ended September 30, 2005 and 2004 amounted to \$389,940 and \$284,827, respectively, were translated into NTD at the average exchange rate for the respective periods. The difference between the translated net income of SinoPac Bancorp and the one recognized by the Bank was generated from some different accounting treatments between ROC GAAP and US GAAP (please see Note 34 and Table 6).

As of September 30, 2005, the Bank's investments accounted for by the equity method including SinoPac Capital Limited and SinoPac Financial Consulting Co., Ltd. and as of September 30, 2004, the Bank's investments accounted for by the equity method including SinoPac Leasing Corporation, SinoPac Capital Limited (H.K.) and SinoPac Financial Consulting Co., Ltd. were recognized on the basis of investees' unreviewed financial statements and on which we have issued a qualified review report. The carrying amounts and related investment income (loss) for those investments accounted for by the equity method were summarized as follows:

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
SinoPac Leasing Corporation	\$ -	\$ 2,189,919
SinoPac Capital Limited (H.K.)	1,061,272	991,466
SinoPac Financial Consulting Co., Ltd.	<u>2,308</u>	<u>2,358</u>
	<u>\$ 1,063,580</u>	<u>\$ 3,183,743</u>
	<b>For the Nine Months Ended</b>	
	<b><u>September 30</u></b>	
	<b><u>2005</u></b>	<b><u>2004</u></b>
SinoPac Leasing Corporation	\$ -	\$ 149,399
SinoPac Capital Limited (H.K.)	30,590	(25,038)
SinoPac Financial Consulting Co., Ltd.	<u>131</u>	<u>181</u>
	<u>\$ 30,721</u>	<u>\$ 124,542</u>

The Bank applied the ROC SFAS No. 35 "Accounting for Asset Impairment" since January 1, 2005, thus, the investment income accounted for by the equity method included impairment loss on goodwill amounted to \$2,218 and \$4,670 for the nine months ended September 30, 2005, which was recognized from Shanghai International Asset Management (Hong Kong) Co., Ltd. and Wal Tech International Corporation, which were the Bank's investees accounted for by the equity method, respectively.

## 10. SECURITIZATION

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

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

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

September 30, 2005

Series of Certificates	Senior				Subordinated
	First Tranche	Second Tranche	Third Tranche	Fourth Tranche	Fifth Tranche
Principal amount	\$ 1,190,041	\$ 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	1.349%

September 30, 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	1.029%

Note: Floating rate is the average rate of the 90-day short-term bills in the secondary market of Telerate Information Inc., at 11:00 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 September 30, 2005 and 2004, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in these assumptions were as follows:

	<u>Enterprise Loans</u>	
	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Carrying amount of retained interest	\$ 1,014,300	\$ 1,014,300
Weighted-average life (in years)	3	3
Discount rate of residual cash flows (annual rate)	1.349%	1.029%
Impact on fair value of 10% adverse change	(63)	(33)
Impact on fair value of 20% adverse change	(196)	(299)

c. The securitized enterprise loans had not resulted in any credit losses as of September 30, 2005 and 2004; thus, the expected static pool credit losses (total amount of actual credit losses and expected credit losses divided by securitized enterprise loans) are equal to the expected credit losses. The Bank 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 nine months ended September 30, 2005, the prepayments of principal before due date resulted in the cash inflow amounted to \$1,598,059.

For the nine months ended September 30, 2004, cash flows from the securitization trust included proceeds from new securitizations \$3,885,700 and current cash reserve \$16,057, respectively.

## 11. PROPERTIES

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Cost	\$ 7,209,663	\$ 6,988,794
Accumulated depreciation		
Buildings	515,579	440,315
Computer equipment	1,002,093	881,148
Transportation equipment	35,334	38,136
Office and other equipment	945,525	818,960
	<u>2,498,531</u>	<u>2,178,559</u>
	4,711,132	4,810,235
Advances on acquisitions of equipment and construction in progress	<u>253,899</u>	<u>21,171</u>
	<u>\$ 4,965,031</u>	<u>\$ 4,831,406</u>

## 12. OTHER ASSETS

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Guarantee deposits	\$ 1,705,986	\$ 1,512,602
Premiums paid for option contracts	1,127,617	2,193,915
Collateral assumed, net	736,141	940,579
Computer system software	204,441	235,130
Suspense account	31,951	28,710
Other	<u>156,904</u>	<u>129,161</u>
	<u>\$ 3,963,040</u>	<u>\$ 5,040,097</u>

As of September 30, 2005 and 2004, guarantee deposits included \$1,164,878 and \$1,009,889, respectively, which were provided by government bonds and certificates of deposit.

## 13. ACCOUNTS, INTEREST AND OTHER PAYABLES

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Accounts payable	\$ 6,776,139	\$ 9,107,396
Interest payable	1,582,948	1,214,325
Accrued expenses	762,789	722,428
Notes and checks in clearing	658,259	579,645
Collections payable	640,321	291,246
Tax payable	250,806	596,755
Other	<u>200,155</u>	<u>146,278</u>
	<u>\$ 10,871,417</u>	<u>\$ 12,658,073</u>

The balances of the accounts payable as of September 30, 2005 and 2004 included \$6,142,963 and \$8,891,214, respectively, representing costs of accounts receivable acquired from other parties in the factoring business.

## 14. DEPOSITS AND REMITTANCES

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Checking	\$ 5,436,801	\$ 4,833,268
Demand	54,414,893	54,574,279
Savings - demand	72,232,477	70,334,121
Time	126,611,241	103,608,822
Negotiable certificates of deposit	25,914,900	27,824,100
Savings - time	71,495,219	65,422,911
Inward remittances	232,153	556,993
Outward remittances	<u>176,857</u>	<u>162,164</u>
	<u>\$ 356,514,541</u>	<u>\$ 327,316,658</u>

## 15. BANK DEBENTURES

	<u>September 30</u>		<u>Maturity Date</u>	<u>Terms</u>
	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.
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 with simple interest based on actual days.
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.

(Continued)

	<u>September 30</u>		<b>Maturity Date</b>	<b>Terms</b>
	<b>2005</b>	<b>2004</b>		
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 with simple interest based on actual days.
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 with simple interest based on actual days.
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 with simple interest based on actual days.
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 with simple interest based on actual days.
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 with simple interest based on actual days.
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.
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.
	<u>\$ 32,800,000</u>	<u>\$ 32,800,000</u>		

## 16. 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 three 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 6), 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 Bureau (SFB), Financial Supervisory Commission, Executive Yuan, ROC.

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, or, when its balance reaches 50% of aggregate par value of the outstanding capital stock of the Bank, up to 50% thereof can be distributed as stock dividends. In addition, the Banking Law provides that, before the balance of the reserve reaches the aggregate par value of the outstanding capital stock, annual cash dividends, remuneration to directors and supervisors and bonus to employees should not exceed 15% of aggregate par value of the outstanding capital stock of the Bank.

Under the Financial Holding Company Act, the board of directors is 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 which execute rights and functions of stockholders' meeting 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>		

#### 17. SERVICE FEES

	<u>For the Nine Months Ended September 30</u>	
	<u>2005</u>	<u>2004</u>
Mutual funds	\$ 458,313	\$ 517,429
Loan documentation fee	355,235	420,219
Factoring and financing	228,747	258,252
Import and export	182,436	181,965
Custody	141,369	178,919
Other	<u>132,742</u>	<u>131,874</u>
	<u>\$ 1,498,842</u>	<u>\$ 1,688,658</u>

#### 18. INCOME FROM SECURITIES, NET

	<u>For the Nine Months Ended September 30</u>	
	<u>2005</u>	<u>2004</u>
Short-term bills		
Interest revenue	\$ 637,606	\$ 1,143,347
Capital gain, net	<u>4,468</u>	<u>349</u>
	<u>642,074</u>	<u>1,143,696</u>
Bonds		
Capital gain, net	<u>187,807</u>	<u>190,322</u>

(Continued)

	<b>For the Nine Months Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
Stocks and beneficiary certificates		
Capital gain, net	\$ 53,533	\$ 20,678
Dividend distributed form mutual funds	459	485
Dividend revenue	-	108,163
Provision of allowance for decline in market value	-	(5,312)
	<u>53,992</u>	<u>124,014</u>
Structured instruments		
Gain from structured instruments	<u>213</u>	<u>-</u>
	<u>\$ 884,086</u>	<u>\$ 1,458,032</u>

#### **19. PERSONNEL EXPENSE, DEPRECIATION AND AMORTIZATION**

	<b>For the Nine Months Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
Personnel expenses		
Salaries and wages	\$ 1,946,496	\$ 2,025,366
Pension	124,084	115,951
Labor insurance and national health insurance	90,773	84,799
Other	15,805	31,327
Depreciation	276,797	303,973
Amortization	72,085	75,670

#### **20. PENSION**

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.

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.

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

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Balance, January 1	\$ 1,280,049	\$ 1,084,416
Contributions	154,840	160,204
Benefits paid	(625,060)	(42,090)
Interest revenue	<u>31,734</u>	<u>26,007</u>
Balance, September 30	<u>\$ 841,563</u>	<u>\$ 1,228,537</u>

The ending balances as of September 30, 2005 and 2004 consisted of:

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Contributions by the Bank	\$ 835,778	\$ 769,279
Contributions by employees	<u>5,785</u>	<u>459,258</u>
	<u>\$ 841,563</u>	<u>\$ 1,228,537</u>

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

	<b>For the Nine Months Ended</b>	
	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Balance, January 1	\$ 121,606	\$ 101,478
Provision according to defined benefit pension plan	105,089	113,520
Provision according to defined contribution pension plan	15,140	-
Contributions	<u>(101,270)</u>	<u>(101,259)</u>
Balance, September 30	<u>\$ 140,565</u>	<u>\$ 113,739</u>

As of September 30, 2005, pursuant to Labor Pension Act, the Bank makes contribution to Bureau of Labor Insurance amounted to \$4,657.

Pension expenses including domestic and overseas branches amounted to \$124,084 and \$115,951 for the nine months ended September 30, 2005 and 2004, respectively.

## 21. INCOME TAX

Under a directive issued by the MOF, a financial holding company and its domestic subsidiaries with over 90% of shares issued was held 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, the Bank's parent, and some of its subsidiaries, which include the Bank (collectively, the "Group") 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:

	<b>For the Nine Months Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
Current income tax payable	\$ 451,255	\$ 552,485
Foreign income taxes over limitation	3,783	26,272
Change in deferred income taxes	22,394	(27,404)
Prior year's adjustment	<u>(19)</u>	<u>(67,094)</u>
Income tax	<u>\$ 477,413</u>	<u>\$ 484,259</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:

	<b>For the Nine Months Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
Tax on pretax income at 25% statutory rate	\$ 753,739	\$ 861,292
Add (deduct) tax effects of:		
Tax-exempt income	(63,585)	(55,917)
Permanent difference	(230,507)	(291,490)
Temporary difference	(5,186)	42,910
Investment tax credit	<u>(3,206)</u>	<u>(4,310)</u>
Current income tax payable	<u>\$ 451,255</u>	<u>\$ 552,485</u>

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

	<b>For the Nine Months Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
Investment income under the equity method	\$ (648,464)	\$ (505,150)
Deferred pension cost	33,058	27,628
Unrealized foreign exchange loss	67,057	4,518
Effect of linked-tax system	-	(103,747)
Other	<u>(46,555)</u>	<u>64,248</u>
Deferred income tax liability, net	<u>\$ (594,904)</u>	<u>\$ (512,503)</u>
Deferred income tax assets (included in other assets)	<u>\$ 5,809</u>	<u>\$ 8,768</u>

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

	<b>September 30</b>	
	<b>2005</b>	<b>2004</b>
Receivable from related party	<u>\$ 97,082</u>	<u>\$ 175,060</u>

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

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Balances of imputed tax credit account	\$ <u>38,214</u>	\$ <u>36,183</u>

The actual imputed tax ratios for earnings in 2004 and 2003 are 5.00% and 13.01%, respectively.

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

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

## 22. EARNINGS PER SHARE

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

	<u>Numerator (Amounts)</u>		<u>Denominator (Shares in Thousands)</u>	<u>EPS</u>	
	<u>Pretax</u>	<u>After Tax</u>		<u>Pretax</u>	<u>After Tax</u>
For the nine months ended <u>September 30, 2005</u>					
Basic EPS					
Net income to common stockholders	\$ <u>3,014,997</u>	\$ <u>2,537,584</u>	2,071,784	\$ <u>1.46</u>	\$ <u>1.22</u>
For the nine months ended <u>September 30, 2004</u>					
Basic EPS					
Net income to common stockholders	\$ <u>3,445,209</u>	\$ <u>2,960,950</u>	2,086,339	\$ <u>1.65</u>	\$ <u>1.42</u>

The EPS has been adjusted for the distribution of dividends. For the nine months ended September 30, 2004, the pretax EPS (in dollars) has been adjusted from \$1.77 to \$1.65, the after tax EPS (in dollars) has been adjusted from \$1.52 to \$1.42, respectively.

### 23. RELATED-PARTY TRANSACTIONS

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

a. Related parties

Name	Relationship with the Bank
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 International (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
AnShin Card Services Company Limited (AnShin Card Services)	Subsidiary of SPH
SinoPac Securities Investment Trust Co., Ltd. (SinoPac Investment Trust)	Subsidiary of SPH
Far East National Bank (FENB)	Overseas affiliate of the Bank
SinoPac Leasing Corporation (SPL)	Subsidiary
RSP Information Service Company Limited	Affiliate of the Bank
SinoPac Capital Ltd.	Overseas affiliate of the Bank
Grand Capital International Limited (Grand Capital)	Subsidiary of SPL
Fortune Investment Co., Ltd. (Fortune Investment)	Supervisor of SPH
China Television Co., Ltd. (China Television)	The Bank is a director of the Company (the director had been changed on November 2004)
Ruentex Development Co., Ltd. (Ruentex Development)	Related party in substance
Wal Tech International Corporation (Wal Tech International)	Affiliate
SinoPac Columbus Fund	Managed by subsidiary of SPH, SinoPac Investment Trust
SinoPac New Century Fund	Managed by subsidiary of SPH, SinoPac Investment Trust
Other	The Bank's directors, supervisors, managers and their relatives, department chiefs, the investees accounted for by the equity method and the unconsolidated subsidiaries of the Bank, etc.
Other	Related parties under the control of the Bank but with no transactions, please refer to Table 6

b. Significant transactions between the Bank and related parties

1) Loans

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate</b>	<b>Interest Revenue</b>	<b>% of Total</b>
For the nine months ended September 30, 2005	\$ 2,571,240	0.89%	1.3%-12.8%	\$ 31,867	0.28%
For the nine months ended September 30, 2004	1,171,642	0.46%	1.31%-12.30%	13,468	0.18%

2) Deposits

	<b>Ending Balance</b>	<b>% of Total</b>	<b>Interest Rate</b>	<b>Interest Expense</b>	<b>% of Total</b>
For the nine months ended September 30, 2005					
SPH	\$ 2,294,164	0.64%	0%-3.924%	\$ 28,846	0.41%
Other	5,463,680	1.53%	0%-6.875%	19,654	0.28%
For the nine months ended September 30, 2004					
SPH	2,109,181	0.64%	0%-1.7875%	26,496	0.64%
Other	6,076,844	1.86%	0%-6.475%	33,320	0.81%

3) Due from banks and other receivables

	<b>Ending Balance</b>		<b>% of Total</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
Due from banks - FENB	\$ 77,417	\$ 62,718	0.18%	0.28%
Other receivables	221,094	313,196	0.95%	1.14%

4) Securities purchased

	<b>September 30, 2005</b>	<b>% of Total</b>
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) Guarantees

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

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
SinoPac Securities	\$ 35,000	\$ 35,000
Wal Tech International	<u>-</u>	<u>146,000</u>
	<u>\$ 35,000</u>	<u>\$ 181,000</u>

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

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Properties - carrying amount	<u>\$ 1,106,966</u>	<u>\$ 1,529,214</u>

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

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Properties and leased assets - carrying amount	\$ 1,176,119	\$ 1,186,510
Certificates of deposit	<u>830,000</u>	<u>1,260,000</u>
	<u>\$ 2,006,119</u>	<u>\$ 2,446,510</u>

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

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Properties - carrying amount	\$ 40,064	\$ 40,064
Stocks - market value	9,545	8,371

6) Other long-term investments

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:

	<u>September 30,</u> <u>2005</u>
Beneficiary certificates - credit card receivables - AnShin Card Services	<u>\$ 80,000</u>

7) Revenues and expenses

	<u>Amount</u>		<u>% of Total</u>	
	<u>For the Nine Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Service fees	\$ 17,445	\$ 7,163	1.16%	0.42%
Service charges	-	1,595	-	0.93%
Project popularizing expense	297	3,983	0.23%	3.50%

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

	<u>Face Amount</u>		<u>Cost</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
SPH				
Short-term bonds sold under agreements to repurchase	\$ 225,000	\$ 387,700	\$ 250,000	\$ 450,025
Other				
Short-term bills and bonds sold under agreements to repurchase	-	130,600	-	131,577

9) Lease

a) The Bank as a lessee

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

Lessor	<u>Rental Expenses</u>		Lease Term	Payment Frequency
	<u>For the Nine Months Ended September 30</u>			
	<u>2005</u>	<u>2004</u>		
SPL	\$47,803	\$ 4,683	February 2020	Rentals paid monthly
China Television	4,975	7,463	July 2005	Rentals paid monthly
Ruentex Development	2,772	2,642	September 2005	Rentals paid monthly
SinoPac Securities	-	2,081	-	Rentals paid monthly

b) The Bank as a lessor

Lessee	Rental Income		Lease Term	Payment Frequency
	2005	2004		
SPL	\$ 1,522	\$ -	May 2010	Rentals received monthly
SinoPac Call Center	1,944	1,458	October 2006	Rentals received monthly
SinoPac Securities	1,852	1,928	November 2008	Rentals received monthly
SinoPac Marketing Consulting	1,405	1,925	May 2007	Rentals received monthly
AnShin Card Services	182	113	November 2005	Rentals received monthly
SinoPac Asset Management	186	-	June 2010	Rentals received monthly

10) Professional advisory charges

The Bank had entered into several professional advisory contracts with its investees. The professional advisory charges paid for the nine months ended September 30, 2005 and 2004 amounted to \$94,851 and \$180,048, respectively.

11) Due from/to affiliates

As of September 30, 2005 and 2004, the Bank's receivables from AnShin Card Services amounted to \$27,637 and \$26,299, respectively.

As of September 30, 2005 and 2004, the Bank's estimated receivables resulting from the adoption of the linked-tax system amounted to \$97,082 and \$175,060.

12) Asset transactions

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

13) Derivative financial instruments

FENB	September 30, 2005		
	Contract (Notional) Amount	Credit Risk	Fair Value
Interest rate swap contracts	\$ 33,188	\$ -	\$ (49)
Currency swap contracts	547,206	63	50

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

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

## 24. SIGNIFICANT CONTINGENCIES AND COMMITMENTS

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

a. Lease contract

The Bank leases 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
October 1 to December 31, 2005	\$ 67,666
2006	250,980
2007	208,131
2008	155,780
2009	122,646

Rentals for the years beyond 2010 amount to \$690,178, the present value of which is about \$580,322 as discounted at the Bank's one-year time deposit rate of 1.89% on October 1, 2005.

b. Equipment purchase contract

The Bank has entered into contracts to purchase computer hardware and software for \$134,548, of which \$57,582 has been paid as of September 30, 2005.

c. Interior decoration contract

The Bank has entered into interior decoration contracts for \$367,652, of which \$193,828 has been paid as of September 30, 2005.

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

As of September 30, 2005, short-term bills and bonds with a total face amount of \$8,381,543 were sold under agreements to repurchase at \$8,951,153 between October 2005 and March 2006.

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

As of September 30, 2005, short-term bills and bonds with a total face amount of \$5,003,200 were purchased under agreements to resell at \$5,394,938 between October 2005 and January 2006.

f. The Securities and Futures Investors Protection Center (SFIPC) is believed by investors to be filing a lawsuit against the Bank for helping Procomp Informatics Ltd. to window dress its financial statements. As of June 29, 2005, the SFIPC filed additional lawsuit against the Bank, SPL and all other parties related to Procomp Informatics Ltd. Case for compensation in the amount of \$5,824,779. As a matter of fact, the Bank was authorized to engage in financing activities and did not help Procomp Informatics Ltd. to window dress the financial statements. According to the Bank attorney's opinion, the claims from SFIPC is without sufficient reason and the Bank does not need to compensate the investors for the damage.

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

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

	<b>For the Nine Months Ended September 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>	<b>Average Balance</b>	<b>Average Rate (%)</b>
<u>Interest-earning assets</u>				
Due from other banks	\$ 4,998,839	2.79	\$ 4,280,178	0.85
Call loans (placement)	36,672,725	2.18	10,262,517	1.43
Due from the Central Bank	7,460,345	1.50	7,428,252	1.57
Securities purchased	81,148,648	1.53	134,611,627	1.44
Securities purchased under agreement to resell	17,909,358	1.20	7,523,066	1.05
Loans, discounts and bills purchased	275,894,515	3.34	235,711,489	3.24
Accounts receivable from factoring	11,992,827	4.17	12,334,728	3.08
Other long-term investments	1,085,411	2.91	218,408	-
<u>Interest-bearing liabilities</u>				
Due to banks	83,006	4.58	66,677	0.62
Call loans (taken)	32,475,627	2.49	44,158,905	1.24
Demand deposits	61,726,671	1.04	74,235,378	0.41
Savings - demand deposits	73,175,807	0.48	68,987,228	0.48
Time deposits	136,049,430	1.49	134,378,679	0.86
Savings - time deposits	68,914,385	1.58	62,081,308	1.52
Negotiable certificates of deposit	29,848,553	1.22	28,415,981	1.00
Securities sold under agreement to repurchase	16,662,874	1.26	11,658,915	0.97
Bank debentures	32,800,000	1.94	26,716,423	2.75

**26. MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

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

	<b>September 30, 2005</b>			
	<b>Due in One Year</b>	<b>Due Between One Year and Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<u>Assets</u>				
Cash and cash equivalent	\$ 6,800,913	\$ -	\$ -	\$ 6,800,913
Due from the Central Bank and other banks	48,901,501	-	-	48,901,501
Securities purchased	88,013,614	-	-	88,013,614
Receivables	24,912,544	\$ -	-	24,912,544
Securities purchased under agreements to resell	5,390,327	-	-	5,390,327
Loans, discounts and bills purchased (excluding nonperforming loans)	88,810,908	30,256,536	169,313,000	288,380,444
Other long-term investments	-	1,094,300	-	1,094,300
	<u>\$ 262,829,807</u>	<u>\$ 31,350,836</u>	<u>\$ 169,313,000</u>	<u>\$ 463,493,643</u>

(Continued)

	<b>September 30, 2005</b>			
	<b>Due in One Year</b>	<b>Due Between One Year and Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<b>Liabilities</b>				
Call loans and due to banks	\$ 42,232,361	\$ -	\$ -	\$ 42,232,361
Securities sold under agreements to repurchase	8,933,241	-	-	8,933,241
Payables	12,406,976	-	-	12,406,976
Deposits and remittances	342,543,952	13,970,589	-	356,514,541
Bank debentures	-	31,800,000	1,000,000	32,800,000
	<u>\$ 406,116,530</u>	<u>\$ 45,770,589</u>	<u>\$ 1,000,000</u>	<u>\$ 452,887,119</u>

	<b>September 30, 2004</b>			
	<b>Due in One Year</b>	<b>Due Between One Year and Five Years</b>	<b>Due After Five Years</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalent	\$ 7,746,617	\$ -	\$ -	\$ 7,746,617
Due from the Central Bank and other banks	27,086,654	-	-	27,086,654
Securities purchased	90,472,414	-	-	90,472,414
Receivables	30,585,718	-	-	30,585,718
Securities purchased under agreement to resell	15,446,775	-	-	15,446,775
Loans, discounts and bills purchased (excluding nonperforming loans)	85,227,538	26,896,944	142,358,000	254,482,482
Other long-term investments	-	1,014,300	-	1,014,300
	<u>\$ 256,565,716</u>	<u>\$ 27,911,244</u>	<u>\$ 142,358,000</u>	<u>\$ 426,834,960</u>

<b>Liabilities</b>				
Call loans and due to banks	\$ 31,568,712	\$ -	\$ -	\$ 31,568,712
Securities sold under agreement to repurchase	9,706,643	-	-	9,706,643
Payables	15,827,892	-	-	15,827,892
Deposits and remittances	321,298,674	6,017,984	-	327,316,658
Bank debentures	-	27,000,000	5,800,000	32,800,000
	<u>\$ 378,401,921</u>	<u>\$ 33,017,984</u>	<u>\$ 5,800,000</u>	<u>\$ 417,219,905</u>

## 27. FINANCIAL INSTRUMENTS

### a. Derivative financial instruments

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

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

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

Financial Instruments	September 30					
	2005			2004		
	Contract (Notional) Amount	Credit Risk	Fair Value	Contract (Notional) Amount	Credit Risk	Fair Value
For hedging purposes:						
Interest rate swap contracts	\$ 17,460,320	\$ 332,719	\$ 172,163	\$ 14,800,195	\$ 157,808	\$ 114,817
Cross-currency swap contracts	14,300,000	821,193	785,518	28,698,651	306,401	44,482
For the purposes of accommodating customers' needs or managing the Bank's exposures:						
Forward contracts						
- Buy	73,710,740	1,307,368	1,281,526	100,032,303	796,107	773,241
- Sell	68,781,912	75,934	(881,819)	91,256,829	39,285	(720,033)
Forward rate agreement						
- Buy	-	-	-	1,900,000	-	(286)
Currency swap contracts	178,788,543	335,166	109,268	160,685,709	164,486	(834)
Interest rate swap contracts	114,221,325	479,539	(27,183)	47,790,178	855,494	(23,826)
Cross-currency swap contracts	20,271,130	3,478,023	3,286,986	673,080	5,059	457
Interest rate futures contracts						
- Long position	-	-	-	6,797	6	6
- Short position	1,089,792	1,261	1,155	126,952	398	358
Commodity - linked interest rate swap contracts	116,822	3,159	-	-	-	-

Financial Instruments	September 30					
	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's exposures:						
Options						
- Long position	\$ 79,848,721	\$ 537,721	\$ 1,127,617	\$ 166,829,508	\$ 454,058	\$ 2,193,915
- Short position	83,714,917	-	1,156,653	142,454,945	-	1,147,752

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 September 30, 2005 and 2004, the Bank entered into asset swap contracts for hedging purposes, with notional amounts at \$1,489,832 and \$594,720, respectively. Since the Bank entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, no significant credit risk is expected.

As of September 30, 2005 and 2004, the Bank entered into credit default swap contracts for the purposes of accommodating customers' needs, with notional amounts at \$365,475 and \$379,321. Since the Bank entered into these contracts with counter-parties with splendid worldwide ranking and credit rating, no significant credit risk is expected.

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

The gains (losses) on derivative financial instruments for the nine months ended September 30, 2005 and 2004 were as follows:

Account	For the Nine Months Ended September 30		
	2005	2004	
For hedging purposes:			
Cross-currency swap contracts			
- Realized	Interest revenue	\$ 202,959	\$ 201,854
	Interest expense	(314,027)	(121,908)
Interest rate swap contracts			
- Realized	Interest revenue	35,694	108,786
	Interest expense	(52,424)	(20,667)
	Income from derivative financial instruments transactions	12,791	-
	Foreign exchange gain	28,357	-
Interest rate futures contracts	Loss on derivative financial instruments transactions	-	(7,639)
Options contracts	Income from derivative financial instruments transactions	-	21,100
For the purposes of accommodating customers' needs or managing the Bank's exposures:			
Forward contracts			
- Realized	Interest revenue	190,041	18,302
	Interest expense	(53,571)	(2,138)
- Realized	Foreign exchange gain (loss)	(164,662)	227,967
- Unrealized	Foreign exchange gain (loss)	758,059	(168,989)
- Unrealized	Income from derivative financial instruments transactions	341	42,390
Forward rate agreements			
- Realized	Loss on derivative financial instruments transactions	(486)	(3,513)
- Unrealized	Income from derivative financial instruments transactions	486	3,525
Currency swap contracts			
- Realized	Interest revenue	1,478,383	482,380
	Interest expense	(1,223,271)	(447,659)
- Unrealized	Income from derivative financial instruments transactions	74,566	9

(Continued)

		<b>For the Nine Months Ended September 30</b>	
<b>Account</b>		<b>2005</b>	<b>2004</b>
Interest rate swap contracts			
- Realized	Interest revenue	\$ 462,278	\$ 175,408
	Interest expense	(502,108)	(216,236)
	Income from derivative financial instruments transactions	28,857	57,432
- Unrealized	Income from derivative financial instruments transactions	6,568	18,811
Foreign-currency options contracts			
- Realized	Loss on derivative financial instruments transactions	(483,211)	(2,670,114)
	Foreign exchange gain	572,787	2,927,253
- Unrealized	Loss on derivative financial instruments transactions	(641,404)	(7,058)
Interest rate futures contracts			
- Realized	Loss on derivative financial instruments transactions	(1,506)	(40,683)
- Unrealized	Income from derivative financial instruments transactions	671	977
Cross-currency swap contracts			
- Realized	Interest revenue	305,783	6,584
	Interest expense	(304,181)	(5,392)
- Unrealized	Loss on derivative financial instruments transactions	(2,480)	(3,056)
Credit default swap contracts			
- Realized	Income from derivative financial instruments transactions	3,831	4,013
Commodity-linked interest rate swap contracts			
- Realized	Income from derivative financial instruments transactions	1,125	-

b. Fair value of nonderivative financial instruments

	<b>September 30</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
<u>Assets</u>				
Financial assets - with fair values approximating carrying amounts	\$ 85,887,654	\$ 85,887,654	\$ 80,565,780	\$ 80,565,780
Securities purchased	88,013,614	88,450,502	90,472,414	91,532,363
Loans, discounts and bills purchased	289,748,653	289,748,653	255,220,554	255,220,554
Long-term equity investments	9,556,064	9,556,064	9,403,106	9,403,106
Other long-term investments	1,094,300	1,094,300	1,014,300	1,014,300
Guarantee deposits	1,705,986	1,693,664	1,512,602	1,514,743
<u>Liabilities</u>				
Financial liabilities - with fair values approximating carrying amounts	63,443,022	63,443,022	56,621,867	56,621,867
Deposits and remittances	356,514,541	356,514,541	327,316,658	327,316,658
Bank debentures	32,800,000	32,800,000	32,800,000	32,800,000
Other liabilities	36,085	36,085	54,759	54,759

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

- 1) The carrying amounts of cash and cash equivalent, due from the Central Bank and other banks, acceptances, receivables, securities purchased under agreements to resell, call loans and due to banks, securities sold under agreements to repurchase, payables, acceptances payable and remittances, approximate their fair values because of the short maturities of these instruments.
- 2) The fair values of securities purchased, long-term equity investments and other long-term investments are based on their market prices if these market prices are available. Otherwise, fair values are estimated at their carrying amounts.
- 3) Loans, discounts and bills purchased, deposits, bank debentures and funds received for subloans are interest-earning assets and interest-bearing liabilities. Thus, their carrying amounts represent fair values. Fair value of nonperforming loans is based on the carrying amount, which is net of allowance for credit losses.
- 4) The fair values of government bonds submitted as 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.

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

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

The Bank had significant credit commitments principally relating to customer financing activities. The terms of most of the credit commitments were under seven years. (For the nine months ended September 30, 2005 and 2004, the interest rates of the loans both ranged from and 0.01% to 20.00%) The Bank also issues financial guarantees and standby letters of credit to guarantee the performance of a customer obligations to a third party. The term of these guarantees were usually less than one year, and their maturity dates are not concentrated in any particular period.

The contract amounts of financial instruments with off-balance-sheet credit risk as of September 30, 2005 and 2004 were as follows:

	<u>September 30</u>	
	<u>2005</u>	<u>2004</u>
Financial guarantees and standby letters of credit	\$ 13,682,460	\$ 16,647,411
Undrawn loan commitments	3,972,618	4,146,895

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

The Bank makes credit commitments and issues financial guarantees and standby letters of credit only after careful evaluation of customers' credit worthiness. On the basis of the result of the credit evaluation, the Bank may require collateral before drawings are made against the credit facilities. As of September 30, 2005 and 2004, ratios of secured loans to total loans were both 70%. Collaterals held vary but may include cash, inventories, marketable securities, and other properties. When the customers default, the Bank will, as required by circumstances, foreclose the collaterals or execute other rights arising out of the guarantees given.

**28. INFORMATION ON CONCENTRATIONS OF RISK**

The Bank has no credit risk concentration arising from any counter-party or groups of counter-parties engaged in similar business activities. Industries that accounted for 5% or more of the outstanding loans as of September 30, 2005 and 2004 were as follows:

	<u>September 30</u>			
	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Natural person	\$ 192,930,373	66	\$ 164,409,304	64
Manufacturing	51,177,386	18	45,074,657	18

The net positions on major foreign-currency transactions as of September 30, 2005 and 2004 were as follows:

	September 30			
	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 with market risk	USD 122,481	\$ 4,064,911	USD 61,383	\$ 2,086,043
	JPY 6,942,763	2,034,230	JPY 1,551,475	475,372
	EUR 40,105	1,600,472	EUR 10,785	451,659
	CAD 26,200	742,229	AUD 14,739	358,006
	AUD 10,941	276,083	CAD 12,491	333,888

## 29. MAJOR RISK EXPOSURE SITUATIONS, MANAGEMENT POLICY AND PRACTICE OF CREDIT RISK, MARKET RISK, LIQUIDITY RISK, OPERATING RISK AND LEGAL RISK

### a. Credit risks

#### 1) Assets quality

(In Thousands of New Taiwan Dollars, %)

Item	September 30, 2005	September 30, 2004
Overdue loans (including nonperforming loans) (A)	2,959,332	2,200,681
Nonperforming loans	2,761,406	2,148,413
Overdue loans ratio (B)	1.02	0.86
Classified loans (C)	-	871,990
Ratios of classified loans to total loans	-	0.34
Allowance for credit losses	1,393,197	1,410,341
Write-off amounts of credits (D)	260,538	699,726

A: 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)

B: Overdue loans ratio = Overdue loans (including nonperforming loans)/(Outstanding loan balance + Nonperforming loans). If overdue loans (including nonperforming loans)/Total credits, the overdue loans ratio as of September 30, 2005 and 2004 were 0.82% and 0.71%, respectively.

C: 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; loans 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).

D: Write-off amounts of credits = Accumulated write-off amounts of credits for the nine months ended September 30, 2005 and 2004.

2) Concentration of credit extensions

(In Thousands of New Taiwan Dollars, %)

	September 30, 2005		September 30, 2004	
Credit extensions to interested parties	4,053,194		3,459,481	
Ratios of credit extensions to interested parties	1.20		1.35	
Ratios of credit extensions secured by pledged stocks	0.12		1.58	
Industry concentration	Industry	Percentage	Industry	Percentage
	Natural person	76.76	Natural person	77.19
	Manufacturing	9.58	Manufacturing	9.42
	Wholesaling and retailing	4.64	Wholesaling and retailing	4.84

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

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

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

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

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

4) Concentrations of risk: Please refer to Note 28.

b. Market risk

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

2) Interest rate sensitivity

Item	September 30, 2005	September 30, 2004
Ratio of interest-rate sensitive assets to liabilities	103.51%	86.22%
Ratio of interest-rate sensitive gap to net worth	36.74%	(134.46%)

A: 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.

B: 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).

C: Interest-rate sensitive gap = Interest-rate sensitive assets - Interest-rate sensitive liabilities

3) Net positions of the major foreign-currency: Please refer to Note 28.

c. Liquidity risk

1) Profitability

Item	For the Nine Months Ended September 30, 2005	For the Nine Months Ended September 30, 2004
Return on total assets	0.84%	1.07%
Return on net worth	14.35%	17.22%
Profit margin	16.30%	20.03%

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

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

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

D: Income after income tax represents income for the nine months ended September 30, 2005 and 2004.

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

2) Maturity analysis of assets and liabilities

**September 30, 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	\$ 453,750	\$ 120,797	\$ 49,426	\$ 29,466	\$ 26,857	\$ 227,204
Liabilities	457,615	98,159	89,869	47,986	64,560	157,041
Gap	(3,865)	22,638	(40,443)	(18,520)	(37,703)	70,163
Accumulated gap	(3,865)	22,638	(17,805)	(36,325)	(74,028)	(3,865)

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

d. Operating risk and litigation risk

**Matters Requiring Special Notation  
September 30, 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.	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 Financial Supervisory Commission 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 the investees' management.
Within the past one year, the loss from one incident or the total losses from employee corruption, periodic events of a material nature, or failure to abide by the "Guidelines for the Maintenance of Soundness of Financial Institutions" exceeded NT\$50 million dollars.	None
Other	None

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

**30. STATEMENT OF CAPITAL ADEQUACY**

Item	September 30, 2005	September 30, 2004
Capital adequacy ratios (Note)	11.63%	11.13%
Ratios of debt to net worth	1,639.24%	1,544.10%

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, thus the aforementioned figures were the capital adequacy ratios as of June 30, 2005 and 2004. The consolidated capital adequacy ratios were 10.58% and 10.10% as of June 30, 2005 and 2004, respectively.

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

a. Balance sheets and trust properties of trust accounts

**Balance Sheets of Trust Accounts  
September 30, 2005 and 2004**

Trust Assets	2005	2004	Trust Liabilities	2005	2004
Bank deposits	\$ 933,140	\$ 1,474,122	Payables	\$ 602	\$ 3,107
Short-term investments	54,698,702	53,504,271	Trust capital	58,888,082	56,147,360
Receivables	1,629	3,946	Cumulative earnings	<u>1,311,255</u>	<u>1,364,909</u>
Prepayments	39	35			
Properties	4,023,811	1,281,896			
Net asset value of collective investment trust fund	<u>542,618</u>	<u>1,251,106</u>			
Total trust assets	<u>\$ 60,199,939</u>	<u>\$ 57,515,376</u>	Total trust liabilities	<u>\$ 60,199,939</u>	<u>\$ 57,515,376</u>

**Trust Properties of Trust Accounts  
September 30, 2005 and 2004**

Investment Portfolio	2005	2004
Bank deposits	<u>\$ 933,140</u>	<u>\$ 1,474,122</u>
Short-term investments		
Bonds	9,782,367	10,467,189
Common stock	4,480,954	4,198,706
Funds	<u>40,435,381</u>	<u>38,838,376</u>
	<u>54,698,702</u>	<u>53,504,271</u>
Receivables	<u>1,629</u>	<u>3,946</u>
Prepayments	<u>39</u>	<u>35</u>
Properties		
Land	3,055,430	969,688
Construction in process	<u>968,381</u>	<u>312,208</u>
	<u>4,023,811</u>	<u>1,281,896</u>
Net asset value of collective investment trust fund	<u>542,618</u>	<u>1,251,106</u>
	<u>\$ 60,199,939</u>	<u>\$ 57,515,376</u>

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

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

Category	Account Volume	September 30, 2005	Possibility of Loss (Note C)
Consumer loans (A)	332	\$ 248,730	-
Loans for employees' family mortgage	238	582,368	-
Other borrowers (B)	648	3,841,118	-
Guarantees	518	1,846,612	-
Collateral providers	1,110	6,855,297	-

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

B: Except for consumer loans and loans for employees' family mortgage, the credits that borrowers as interest parties.

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

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

### 33. CROSS SELLING INFORMATION

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

Item	The Bank	SinoPac Securities	Total	Terms of Allocation
For the nine months ended <u>September 30, 2005</u>				
Rentals	<u>\$ 1,800</u>	<u>\$ 1,170</u>	<u>\$ 2,970</u>	On the basis of actual square measures used.
For the nine months ended <u>September 30, 2004</u>				
Rentals	<u>\$ 10,051</u>	<u>\$ -</u>	<u>\$ 10,051</u>	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 nine months ended September 30, 2005, the Bank should charge service fee for \$2,854 to SPPIA and promoting rewards for \$33,563 to SPLIA for cross selling business, respectively.

### 34. ADDITIONAL DISCLOSURES

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

- 1) Financing provided: Table 1;
- 2) Endorsement/guarantee provided: Table 2;
- 3) Marketable securities held: Table 3;
- 4) Marketable securities acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None;
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 10% of the issued capital: 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 27, and the derivative transactions of Far East National Bank ("FENB", a wholly owned subsidiary of SinoPac Bancorp, which is a wholly owned subsidiary of the Bank) are summarized below:

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

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

As of September 30, 2005, the contract amounts (or notional amounts), credit risks and fair values of outstanding contracts were as follows:

Financial Instruments	September 30, 2005		
	Contract (Notional) Amount	Credit Risk	Fair Value
For the purpose of accommodating customers' needs or managing FENB's exposures:			
Forward contracts			
- Buy	\$ 497,820	\$ 12,446	\$ (10,940)
- Sell	10,096	424	103

As of September 30, 2004, were no contracts.

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

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

The gains and losses on derivative transactions for the nine months ended September 30, 2005 and 2004 were insignificant.

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

**BANK SINOPAC AND INVESTEES**

**FINANCING PROVIDED  
NINE MONTHS ENDED SEPTEMBER 30, 2005  
(In Thousands of New Taiwan Dollars)**

No.	Financing Name	Counter-party	Financial Statement Account	Maximum Balance for the Period	Ending Balance	Interest Rate	Financing Type	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company	Financing Company's Financing Amount Limits
											Item	Value		
1	SinoPac Capital (B.V.I.) Ltd.	SinoPac Capital Ltd.	Short-term borrowings	\$ 179,325 (Note 1)	\$ 145,148 (Note 1)	3.56%-4.21%	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 248,910	\$ 248,910

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  
NINE MONTHS ENDED SEPTEMBER 30, 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)	\$ 4,560,787 (Note 1)	-	15.83%	(Note 3)
		Wal Tech International Corporation	Affiliate	(Note 2)	338,500	19,500	-	0.07%	(Note 3)

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

Note 2: The limit on individual endorsement or guarantee amount is up to 200% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of September 30, 2005, the limit was \$4,032,166.

Note 3: The maximum amount of endorsement or guarantee amounts is up to 500% of the net asset value (Note 4) of the Corporation. But no limit applied on any subsidiary of the Corporation. As of September 30, 2005, the maximum allowance was \$10,080,415.

Note 4: The net asset value of SinoPac Leasing Corporation was based on its reviewed financial statements as of September 30, 2005.

## BANK SINOPAC AND INVESTEES

## MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2005

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 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	175	\$ 5,836,273	100.00%	\$ 5,836,273	Note 3
	SinoPac Financial Service (USA) Ltd.	Subsidiary	Long-term equity investments	2.5	30,203	100.00%	30,203	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	-	1,367	4.00%	1,367	Note 5
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	34	2,401	0.20%	2,401	Note 6
	<u>Stock (preferred stock)</u>							
	AgraQuest, Inc.	-	Long-term equity investments	100	900	0.80%	900	Note 5
	Silicon Motion, Inc.	-	Long-term equity investments	61	3,651	0.20%	3,651	Note 5
	Zone Reactor, Inc.	-	Long-term equity investments	300	1,118	1.50%	1,118	Note 5
	Straszheim Global Advisors, LLC	-	Long-term equity investments	0.14	5,826	6.00%	5,826	Note 5
SinoPac Leasing Corporation	<u>Stock</u>							
	Grand Capital International Limited	Subsidiary	Long-term equity investments	29,900	1,650,426	100.00%	1,650,426	Note 4
	Chain Yarn Co., Ltd.	Investee accounted for by the cost method	Long-term equity investments	2,067	38,444	1.73%	27,344	Note 3
	Tekcon Electronics Corp.	Investee accounted for by the cost method	Long-term equity investments	349	8,722	1.17%	2,505	Note 3
	Global Securities Finance Corp.	Investee accounted for by the cost method	Long-term equity investments	1,423	15,664	0.19%	15,869	Note 3
	Z-Com, Inc.	Investee accounted for by the cost method	Long-term equity investments	365	6,340	0.47%	2,956	Note 4
	Walton Advanced Engineering, Inc.	Investee accounted for by the cost method	Long-term equity investments	1,528	23,616	0.34%	14,175	Note 3
Telexpress Corp.	Investee accounted for by the cost method	Long-term equity investments	525	7,835	4.70%	6,200	Note 3	
Grand Capital International Limited	<u>Stock (preferred stock)</u>							
	Best 3C. Com, Inc.	-	Long-term equity investments	600	14,935	1.85%	14,935	Note 5
	e21 Corp.	-	Long-term equity investments	200	9,956	0.79%	9,956	Note 5
SinoPac Capital Limited (H.K.)	<u>Stock</u>							
	SinoPac Capital (B.V.I.) Ltd.	Subsidiary	Long-term equity investments	4,450	147,687	100.00%	424,900	Note 3
	SinoPac Insurance Brokers Ltd.	Subsidiary	Long-term equity investments	100	1,280	100.00%	2,969	Note 3
	SinoPac (Hong Kong) Nominees Ltd.	Subsidiary	Long-term equity investments	0.001	0.004	100.00%	0.004	Note 3
	TPV Technology	-	Short-term investments	2,930	56,093	0.21%	69,576	Note 2
	HC	-	Short-term investments	7,998	53,732	1.76%	50,988	Note 2
	Suga International	-	Short-term investments	7,080	43,838	3.11%	2,662	Note 2
Sun East	-	Short-term investments	6,090	34,891	1.62%	11,204	Note 2	

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2005				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Dongjiang	-	Short-term investments	4,800	\$ 10,349	2.70%	\$ 9,858	Note 2
	China - Metal	-	Short-term investments	300	1,823	0.03%	3,048	Note 2
	QPL	-	Short-term investments	4,920	33,261	0.64%	15,809	Note 2
	Sino Forest	-	Short-term investments	739	72,216	0.54%	70,362	Note 2
	Shougang	-	Short-term investments	4,002	13,894	0.39%	8,390	Note 2
	ZZNode	-	Short-term investments	15,804	39,852	3.95%	30,428	Note 2
	Sau San Tong	-	Short-term investments	3,710	11,259	0.56%	5,873	Note 2
	Shougang International	-	Short-term investments	28,968	65,570	0.62%	81,039	Note 2
	Norstar	-	Short-term investments	6,908	57,443	0.71%	66,502	Note 2
	Hans Energy	-	Short-term investments	21,000	49,431	1.31%	49,417	Note 2
	Techfaith	-	Short-term investments	50	29,755	0.11%	14,913	Note 2
	Bestfield Enterprises Ltd.	-	Short-term investments	38	49,782	-	49,782	Note 2
	Wealthmark	-	Short-term investments	15,327	35,412	5.11%	39,347	Note 2
	Magna Chip	-	Short-term investments	16	66,376	-	66,376	Note 2
	<u>Fund</u>							
	China Enterprise Capital	-	Short-term investments	US\$ 1,000	33,188	-	33,188	Note 5
	<u>Bond</u>							
	InvestLink International	-	Short-term investments	US\$ 1,200	39,826	-	39,826	Note 5
	<u>Convertible bill and bond</u>							
	Yue Yuen Industrial	-	Short-term investments	US\$ 991	32,889	-	32,889	Note 2
SinoPac Capital (B.V.I.) Ltd.	<u>Stock</u>							
	Cyberpac Holding Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	4,000	132,752	100.00%	(68,221)	Note 3
	Allstar Venture Ltd. (B.V.I.)	Subsidiary	Long-term equity investments	0.002	0.066	100.00%	(209,184)	Note 3
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Subsidiary	Long-term equity investments	4,800	34,752	60.00%	27,613	Note 3
	Pinnacle Investment Management Ltd.	Subsidiary	Long-term equity investments	199.999	6,638	99.9995%	3,896	Note 3
	RSP Information Service Company Limited	Subsidiary	Long-term equity investments	999.999	1,763	99.9999%	1,763	Note 3
Cyberpac Holding Ltd. (B.V.I.)	<u>Venture fund</u>							
	3V Source One LP	-	Long-term investments	3,600	120,915	71.43%	46,026	Note 3
	<u>Stock</u>							
	Wal Tech International Corporation	Subsidiary	Long-term equity investments	26,500	120,341	100.00%	120,341	Note 3
	Telexpress Corp.	Investee accounted for by the equity method	Long-term equity investments	3,900	57,650	34.21%	44,387	Note 3
Allstar Venture Ltd. (B.V.I.)	<u>Venture fund</u>							
	InveStar Excelsus Venture Capital (Int'l) Inc., LDC	-	Long-term investments	2,220	57,253	6.25%	57,253	Note 5
	UOB Venture Technology Investments Limited	-	Long-term investments	26	74,053	8.62%	74,053	Note 5
	MDS Life Sciences Technology	-	Long-term investments	50	117,185	25.00%	46,554	Note 3
	Fund - Barbados							

(Continued)

Name of Held Company	Type and Name of Marketable Securities	Relationship	Financial Statement Account	September 30, 2005				Note
				Shares/Units/ Face Amount (In Thousand)	Carrying Amount (Note 1)	Percentage of Ownership	Market Value or Net Asset Value (Note 1)	
	Biotechnology Development Fund II, L.P.	-	Long-term investments	-	\$ 15,064	2.30%	\$ 31,748	Note 3
	North America Venture Fund II, L.P.	-	Long-term investments	-	12,217	2.07%	12,083	Note 3
	<u>Stock (common stock)</u>							
	Ardent Pharmaceuticals, Inc.	Investee accounted for by the cost method	Long-term equity investments	143	16,964	0.58%	22	Note 3
	TVIA, Inc.	Investee accounted for by the cost method	Long-term equity investments	66	1,102	0.30%	4,729	Note 6
	DiCon Fiberoptics, Inc.	Investee accounted for by the cost method	Long-term equity investments	221	33,182	0.20%	4,008	Note 3
	<u>Stock (preferred stock)</u>							
	Sunol Molecular Corp.	-	Long-term equity investments	100	16,750	0.87%	16,750	Note 5
	Phytoceutica, Inc.	-	Long-term equity investments	200	17,119	1.45%	17,119	Note 5
	Immusol, Inc.	-	Long-term equity investments	25	10,178	0.05%	10,178	Note 5
	Virtual Silicon Technology, Inc.	-	Long-term equity investments	120	10,170	0.31%	10,170	Note 5
	BioAgri Corp.	-	Long-term equity investments	375	9,956	2.34%	9,956	Note 5
Wal Tech International Corporation	<u>Stock</u>							
	Intellisys Corp.	Subsidiary	Long-term equity investments	7,197	199,494	62.58%	98,978	Note 3
	Multiwin Asset Management Co., Ltd.	Investee accounted for by the equity method	Long-term equity investments	1,800	9,515	30.00%	9,628	Note 3
	Webi & Neti Internet Services Inc.	Investee accounted for by the cost method	Long-term equity investments	63	625	2.63%	329	Note 3
	YesMobile Holdings Company Limited	Investee accounted for by the cost method	Long-term equity investments	294	12,000	0.75%	615	Note 3
	SynTest Technologies, Inc., Taiwan	Investee accounted for by the cost method	Long-term equity investments	79	10,598	0.35%	361	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%	26,915	Note 3
	Media Reality Technologies, Inc.	Investee accounted for by the cost method	Long-term equity investments	6	102	0.60%	1,806	Note 3
	Nanya PCB Corporation	Investee accounted for by the cost method	Long-term equity investments	1,359	82,461	0.28%	29,384	Note 3
	ENE Technology Inc.	Investee accounted for by the cost method	Long-term equity investments	100	2,899	0.30%	3,270	Note 2
	SonicEdge Industries Corporation	Investee accounted for by the cost method	Long-term equity investments	290	7,250	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	9.39%	158,935	Note 3
	SinoPac Financial Consulting Co., Ltd.	Affiliate and investee accounted for by the cost method	Long-term equity investments	6	57	3.00%	71	Note 3
	Silicon Motion Inc.	Investee accounted for by the cost method	Long-term equity investments	13	6,447	0.20%	6,735	Note 6
Intellisys Corp.	<u>Stock</u>							
	Orion Financial Tech. Ltd.	Investee accounted for by the cost method	Long-term equity investments	81	122	2.31%	35	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 GTSM stocks were determined by average daily closing prices in September 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 September 30, 2005.

## BANK SINOPAC AND INVESTEES

ACQUISITION OF INDIVIDUAL REAL ESTATES AT COSTS OF AT LEAST NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL  
 NINE MONTHS ENDED SEPTEMBER 30, 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 (Note 1)	\$ 734,817 (Including input tax NT\$34,991 thousand)	Paid	Li-Seng Develop Company	-	-	-	\$ -	-	For business use	-	
	Superficies of Zhonglun buildings	December 29, 2004 (Note 1)	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 superficieses from 2005.

Note 2: The Zhonglun buildings and superficieses 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**

**NINE MONTHS ENDED SEPTEMBER 30, 2005**

**(In Thousands of New Taiwan Dollars)**

<b>Company Name</b>	<b>Property</b>	<b>Transaction Date</b>	<b>Acquisition Date</b>	<b>Carrying Amount</b>	<b>Transaction Amount</b>	<b>Collection Terms</b>	<b>Gain (Loss) of Disposal</b>	<b>Counter-party</b>	<b>Relationship</b>	<b>Price Reference</b>	<b>Purpose of Disposal</b>	<b>Other Terms</b>
SinoPac Leasing Corporation	Property hold for lease - land and building	March 4, 2005	June 28, 2001	\$333,104	\$279,460 (Including output tax \$4,525)	Collected	\$(58,169)	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  
NINE MONTHS ENDED SEPTEMBER 30, 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 September 30, 2005			Net Income (Loss) of the Investee (Note 2)	Investment Gains (Loss)	Note
				September 30, 2005 (Note 1)	September 30, 2004 (Note 1)	Shares (Thousand)	Percentage of Ownership (%)	Carrying Amount (Note 2)			
Bank SinoPac	SinoPac Bancorp Rocorp Holding S.A.	California	Stock holding	US\$ 112,306	US\$ 112,306	20	100.00	\$ 5,793,459	\$ 389,940	\$ 330,129	Subsidiary Investee under significant influence held by the Bank
		Luxembourg	Stock holding	\$ 3,531	\$ 3,531	0.11	33.33	-	-	-	
	SinoPac Leasing Corporation SinoPac Capital Limited SinoPac Financial Consulting Co., Ltd.	Taipei Hong Kong Taipei	Oversea trading, leasing, lending and financing Financial advisory Investment advisory and business management advisory	\$ 999,940 HK\$ 229,998 \$ 1,940	\$ 999,940 HK\$ 229,998 \$ 1,940	159,629 229,998 194	99.7683 99.9991 97.00	1,985,803 1,061,272 2,308	68,588 97,027 135	42,159 30,590 131	Subsidiary Subsidiary Subsidiary
SinoPac Bancorp	Far East National Bank SinoPac Financial Service (USA) Ltd.	California	Commercial bank	US\$ 112,714	US\$ 112,714	175	100.00	5,836,273	407,803	-	Affiliate
		California	Securities brokerage	US\$ 25	US\$ 25	2.5	100.00	30,203	(11,522)	-	Affiliate
Far East National Bank	Far East Capital Corporation	California	Investment bank	US\$ 3,500	US\$ 3,500	350	100.00	56,436	2,244	-	Affiliate
SinoPac Leasing Corporation	Grand Capital International Limited	British Virgin Islands	Oversea trading, leasing, lending and financing	US\$ 29,900	US\$ 29,900	29,900	100.00	1,650,426	68,450	-	Affiliate
SinoPac Capital Limited (Hong Kong)	SinoPac Capital (B.V.I.) Ltd. SinoPac Insurance Brokers Ltd. SinoPac (Hong Kong) Nominees Ltd.	British Virgin Islands	Financial advisory	US\$ 4,450	US\$ 4,450	4,450	100.00	147,687	8,356	-	Affiliate
		Hong Kong	Insurance brokerage	HK\$ 300	HK\$ 300	100	100.00	1,280	2,152	-	Affiliate
		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.) Allstar Venture Ltd. (B.V.I.)	British Virgin Islands	Investment and advisory	US\$ 4,000	US\$ 4,000	4,000	100.00	132,752	(67,651)	-	Affiliate
		British Virgin Islands	Investment	US\$ 0.002	US\$ 0.002	0.002	100.00	0.066	(15,430)	-	Affiliate
	Shanghai International Asset Management (Hong Kong) Co., Ltd.	Hong Kong	Asset management	HK\$ 10,000	HK\$ 10,000	4,800	60.00	34,752	5,915	-	Affiliate
	Pinnacle Investment Management Ltd. RSP Information Service Company Limited	Hong Kong Hong Kong	Asset management, trust and consulting General trading and providing internet - based service	US\$ 200 HK\$ 999,999	US\$ 200 HK\$ 999,999	199,999 999,999	99.9995 99.9999	6,638 1,763	(20) (323)	- -	Affiliate Affiliate
Cyberpac Holding Ltd. (B.V.I.)	Wal Tech International Corporation	Taipei	Leasing, international trading, and sale of machinery equipment	\$ 272,182	\$ 272,182	26,500	100.00	120,341	(224)	-	Affiliate
	Telexpress Corp.	Cayman Islands	Investment	US\$ 1,560	US\$ 1,560	3,900	34.21	57,650	10,863	-	Investee under significant influence held by the Bank's affiliate
Wal Tech International Corporation	Intellisys Corp.	Taipei	Computer and peripheral system integration engineering, software development and design	227,544	258,836	7,197	62.58	199,494	2,966	-	Affiliate
	Multiwin Asset Management Co., Ltd.	Taipei	Asset management	18,000	18,000	1,800	30.00	9,515	911	-	Investee under significant influence held by the Bank's affiliate

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

Note 2: Foreign-currency amounts were translated at the exchange rate as of the balance sheet date, except for foreign-currency-denominated income and expenses, which were translated to New Taiwan dollars at the average exchange rate for the nine months ended September 30, 2005.

Note 3: The amounts were after deducting realized losses.